



Directors' REPORT



Directors' Report



On behalf of the Board of Directors, I am pleased to present the Annual Report of Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2014.

Economy Review

International oil prices have sharply declined by 51 percent during second half of the year 2014, reaching their lowest level in past six years. This fall was largely associated with sluggish global demand, new shale oil discoveries in North America and reluctance on part of major oil exporting countries to reduce their supplies in the international market.

On domestic front, the economy saw challenging security situation, falling commodity prices, continued electricity and gas shortages for the industry and increased government borrowings from commercial banks while in 2014 borrowings from SBP by the Government of Pakistan was relatively less. After remaining volatile in the first half of the year 2014, the year-on-year CPI inflation continued its declining trend from 8.2 percent in June 2014 to 4.3 percent in December, 2014. Similarly, average CPI inflation during July-December, 2014 also came down to 6.1 percent. This allowed SBP to cut the policy rate by 50 basis points during November, 2014 while maintaining a positive real rate of return.

As government managed to contain expenditures related to public sector enterprises, it increased the development spending compared to last year. However, growth in FBR revenue collection moderated due to downward adjustment in petroleum prices and lackluster performance in large-scale manufacturing. With these positive developments, the year 2014 ended on a better macroeconomic outlook for the year 2015. The continuation of the economic reforms and efforts to improve the security environment would improve business confidence and help to revive private investment.

Banking Sector Review

Considering the requirement of funds by both the government and the private sector, the average year-on-year growth in deposits of 12 percent during second half of year 2014, compared to 14.26 percent last year, cannot be termed as adequate. Lower growth in private sector credit could be a possible factor behind low deposit growth. While the inflows in savings and time deposits were positive, current deposits declined substantially during the

year. Workers' remittance remained steady in 2014.

The interbank market remained tight almost throughout second half of year 2014, despite the cut in policy rate. Despite significant liquidity injections, the weighted average overnight rate remained high. The continued decline in inflation retained scheduled banks' appetite for investment in long-term securities in the last quarter of year 2014 as majority of the participation in Market Treasury Bill (MTB) auctions was skewed towards longer tenor MTBs. Falling inflations speculations revived banks' interest in PIBs and consequently, banks continued to invest in PIBs.

Fiscal adjustment continued in second half of the year 2014, the pace of debt accumulation also slowed down. Due to the non-realization of planned external inflows and to meet the IMF target on government borrowing from the central bank, the government was compelled to rely more on commercial banks for deficit financing. Government borrowing from SBP remained below the agreed targets. Cognizant of these developments, SBP calibrated its money market operations to ensure stability in the forex market and kept the liquidity conditions tight during third quarter of year 2014. The IMF disbursement and successful issuance of Sukuk in the international market boosted FX reserves by US\$ 2.1 billion in December, 2014.

Agriculture Sector Review

Agriculture has an important direct and indirect role in generating economic growth. The agriculture sector recorded a growth of 2.1 percent in the period under review. The major crops witnessed growth in production except cotton. The factors underpinning the agriculture growth include better water availability, more fertilizer off take and timely availability of credit paved the way for achieving growth. Likewise livestock recorded a growth of 2.9 percent, forestry 1.5 percent and fishing 1 percent. Due to the continuous decline in international cotton prices, domestic cotton prices remained under pressure. The situation led to decrease in cotton production.

During the financial year 2013-14 (July-June) the total disbursement of credit to agriculture was Rs. 391.352 billion. ZTBL disbursed about Rs. 77.919 billion and its share was about 20%. Punjab Provincial Co-operative Bank Limited disbursed Rs. 8.809 billion whereas; Commercial Banks disbursed Rs. 195.488 billion. Domestic Private Banks disbursed Rs. 84.813 billion and Micro Finance Banks disbursed Rs. 22.796 billion while Islamic Banks disbursed Rs. 1.527 billion.

Economic Outlook for the Year 2015

According to SBP reports the government's debt servicing is likely to remain higher during first quarter of the year 2015 as majority of the coupon payments are concentrated in two months, July and January. These are, however, likely to be compensated by lower interest payments in second quarter of the year 2015. If the oil prices stay at current levels or fall further, the balance of payments position of Pakistan could improve and stabilize the exchange rate even further. Some trade gains may, however, be eroded because of possible slowdown in exports growth due to expected weak global demand. In banking sector, lower domestic oil prices may also stimulate business investment because of decrease in cost of production, which may revive the demand for private sector credit.

The plunge in international oil price has induced low inflation and improved trade outlook but it is not without some subtle risks to future inflation. The speed and intensity, with which the inflation has come down and continues to

recede, can induce expectations of rather low inflation, which may in turn induce additional consumption.

The production of wheat and other crops is also expected to surpass last year's level in the face of better water availability and falling input cost on account of decline in prices of diesel, electricity and fertilizer. However, depressed prices due to decline in international cotton prices and higher inventories of rice and sugar may negatively impact agricultural productivity.

ZTBL Performance Review

Under above mentioned economic conditions in 2014, the Bank managed to perform fairly well. ZTBL having the largest network of 416 branches and 32 Zonal Offices, is the only specialized financial institution for agriculture sector in Pakistan, catering to the credit needs of farmers for the production, development and modernization of agriculture through field force of Mobile Credit Officers at doorstep of the farmers. ZTBL contributed 20% in institutional agriculture credit during year 2013-14. Its financial products range from the basic credit facility for seeds, fertilizer, tube well, tractor, harvester and other attachments, to the loans for latest technologies of Solar Tube Well, Biogas Units and Covered Horticulture.

The Bank is constantly striving to serve its clientele` with increased efficiency and effectiveness. In this pursuit, several financial products and delivery mechanisms such as Sada Bahar Scheme, Awaami Zarai Scheme and Kissan Dost Scheme under Supervised Agricultural Credit System, have been devised and introduced over the years in the entire country. In addition to it the Bank has also developed products including Asan Qarza, Khawateen Rozgar, Shamsi Tawanai & Tawanai Bachat Schemes.

The Bank has embarked upon a focused strategy to introduce value added products which would bring tangible changes while contributing towards value addition. The products launched during the year 2014 are as follow:

1. Kushk Ratab Scheme (Product for dehydration of dates –Chuahara)
2. Sogat-e-Shireen Scheme (Product for Gurr making)
3. Tahafuz-e-Samar Scheme (Dehydretaiion of fruits & vegetables)
4. Tobacco Barn Financing Scheme

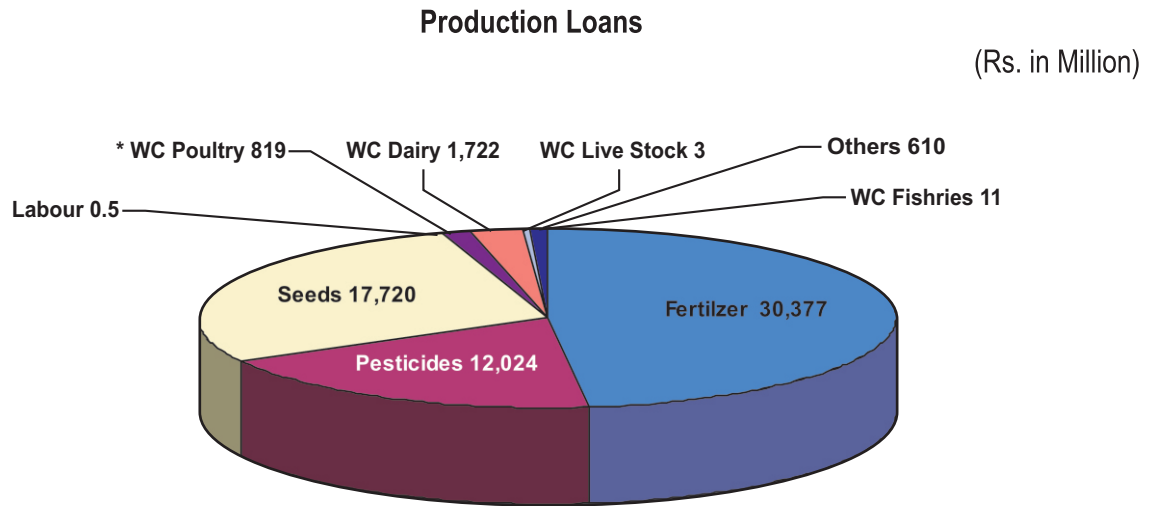
The Bank has been playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling growers, particularly the landless poor and small land owners to increase their farm productivity and income. ZTBL alone is serving about 0.414 million farm families annually. The Bank has disbursed Rs. 982 billion since inception up to 31.12.2014 which also includes financing of 570,660 tractors and 156,597 tube-wells. While meeting the demand for mechanization, attention was also concentrated towards the provision of more credit for livestock, dairy farming, poultry farming, fish farming and small godowns for self storage.

1. CREDIT DISBURSEMENT

During 2014, the Bank disbursed an amount of Rs.81,934 million as compared to Rs.71,107 million in the year 2013 showing a growth of 15%. The Bank served 0.414 million borrowers during the year 2014. The Bank disburses loans for two purposes i.e. Production and Development.

1.1 Production Loans

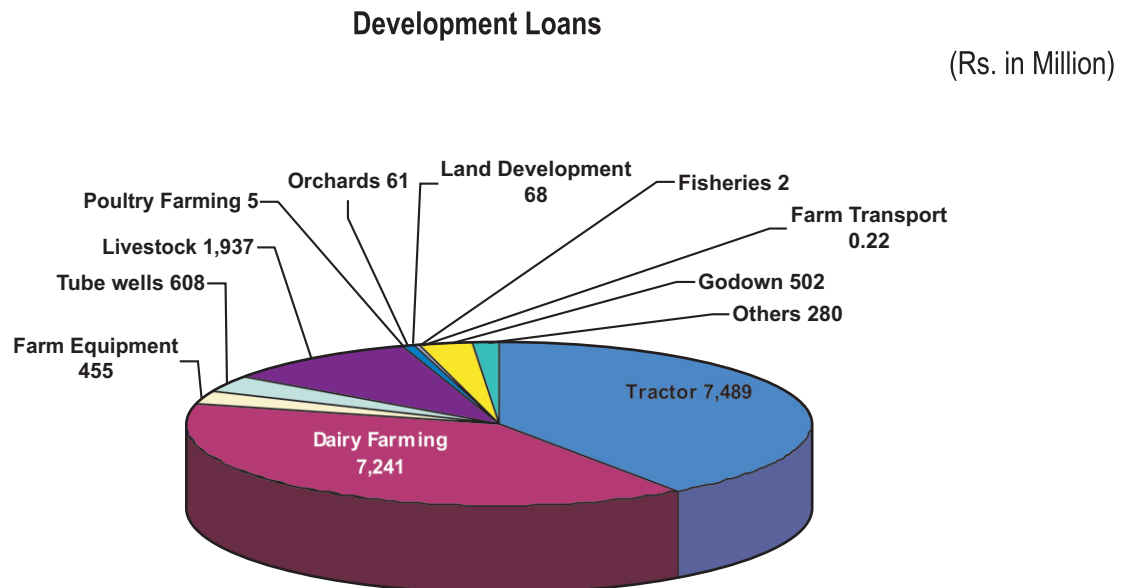
Bank disbursed a major portion of its funds towards production loans i.e. Rs.63,286 million constituting around 77.2% of total disbursement.



* Working Capital

1.2 Development Loans

An amount of Rs.18,648 million constituting 22.8% of the total agricultural credit was disbursed for development purposes.

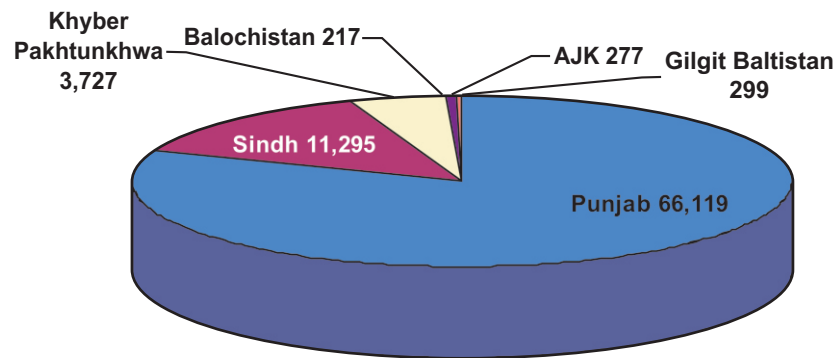


1.3 Province-wise Disbursement of Loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2014 the Bank disbursed Rs.66,119 million (80.7%) in Punjab, Rs.11,295 million (13.8%) in Sindh, Rs.3,727 million (4.5%) in Khyber Pakhtunkhwa, Rs.217 million (0.3%) in Balochistan, Rs.277 million (0.3%) in Azad Kashmir and Rs.299 million (0.4%) in Gilgit- Baltistan.

Province-wise Disbursement of Loans

(Rs. in Million)



1.4 Term-wise Loan Disbursement

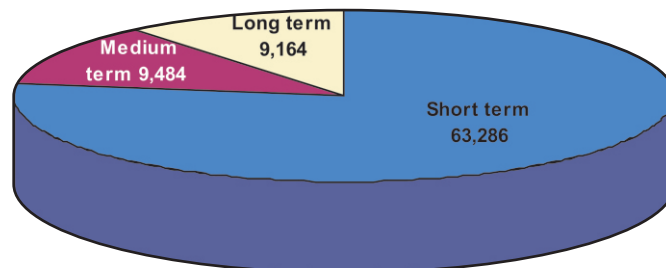
The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period of maximum 18 months. Medium and long term loans are advanced for development purposes which are recoverable within 5 and 8 years, respectively.

Term-wise loan amounts are given below:

Short term loans	Rs.63,286 Million
Medium term loans	Rs. 9,484 Million
Long term loans	Rs. 9,164 Million

Term-wise Loan Disbursement

(Rs. in Million)



1.5 Security-Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.81,219 million, constituting 99.1%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.103 million being 0.1% were disbursed against personal surety while loans amounting to Rs.94 million being 0.1% were advanced against hypothecation and loans amounting to Rs. 518 million being 0.7% for other securities.

1.6 Holding-wise Disbursement of Loans

Holding wise disbursement of loans during 2014, revealed that land-less farmers received Rs.7 million. Loans advanced to land owners/operators having less than 12.5 acres amounted to Rs.59,611 million representing 72.8% share in the overall disbursement. Farmers owning/operating land from 12.5 to less than 16 acres received Rs.6,914 million constituting 8.4% share. Farmers operating land from 16 acres to less than 25 acres received Rs.8,768 million constituting 10.7% share. It was followed by Rs.2,421 million constituting 3.0% disbursed to farmers with land holding from 25 to 32 acres. An amount of Rs.2,471 million was advanced to farmers operating land from 32 to 50 acres representing 3.0% of overall disbursement. An amount of Rs.675 million was advanced to land operators from 50 to 64 acres constituting 0.8%. Remaining credit amounting to Rs.1,067 million was disbursed to land holders of 64 acres and above which constituted 1.3% of total disbursement.

1.7 Scheme-wise Disbursement of Loans

a) Zarkhaiz/Awami Zarai Scheme

Zarkhaiz/ Awami Zarai Scheme has played a significant role in meeting the credit requirements under production loans. An amount of Rs.27,016 million was disbursed under the scheme during the year 2014. Credit availability to farmers at their door-steps enables them to purchase the required quality inputs. One Window Operation is facilitating the farmers on every Monday during the sowing seasons with the collaboration of Provincial Governments, Agriculture Department, Board of Revenue and Postal Authorities. It remains operative throughout the country (except Mingora Zone in KPK, Turbat Zone in Balochistan, FATA, Gilgit-Baltistan and AJ&K being unsettled/Hilly areas).

With the objective to facilitate farming community, the Board of Directors of the Bank has approved that the production finance extended by the Bank for purchase of inputs may not be conditioned and farmers/borrowers may have the choice to avail production loans in cash under Awami Zarai Scheme (AZS) through their deposit accounts.

b) Sada Bahar Scheme (SBS)

To ensure timely availability of inputs and fulfillment of the financing needs of farming community, Sada Bahar Scheme was launched on 1st July, 2005. SBS caters to the working capital requirements for dairy, poultry and fisheries as well. Assessment for inputs' requirement for the whole year is made at the time of first application. The assessed amount is treated as Revolving Finance Limit (provided it is within the security limits). In order to revolve loans, thorough scrutiny is undertaken after every three years along with fresh enquiries determining credit worthiness with all requisite documentation. The Managers are authorized to sanction such loan limits within their loan sanctioning powers and renew the same even if it was previously sanctioned by the higher authority. An amount of Rs.22,469 million was disbursed during the year under Sada Bahar Scheme.

c) Kissan Dost Scheme

Kissan Dost Scheme was launched in January 2012 for provision of credit on concessional rates of mark-up i.e. 13.5% for financing of crop production loans (financing for inputs i.e. seed, fertilizer, pesticides & others etc.). The financing is available for one season crop either Rabi or Kharif. The security once mortgaged and charge created in favour of the Bank will continue to serve the purpose up to available credit limit. In case the amount of fresh financing under this scheme and outstanding balance of existing financing exceeds the amount of overall credit limit allocated by the Bank, additional security in favour of the Bank would be arranged as per standing

instructions. An amount of Rs.13,107 million was disbursed during the year under review.

2. LOAN RECOVERIES

2.1 Recovery Operations

During the period from January to December 2014, agricultural loans amounting to Rs.78,721 million have been recovered against total recoverable amount of Rs. 85,839 million showing recovery rate of 91.7% whereas, the bank had recovered Rs. 72,636 million with recovery rate of 91.9% during last year. Province wise detail is as under:-

(Rs. in Million)

Province	2014	2013	Absolute Increase	Increase (%)
Punjab	63,591	58,861	4,730	8
Sindh	10,389	9,381	1,008	11
Khyber Pakhtunkhwa	4,035	3,813	222	6
Balochistan	183	158	25	16
AJ&K	283	258	25	10
Gilgit	240	165	75	46
Total	78,721	72,636	6,085	8

Recovery of SAM loans during the year 2014 amounted to Rs. 2,557 million against the target of Rs.5,500 million.

2.2 Future Plan

The recovery target for Agri loans during the year 2015 has been fixed as Rs.85.721 billion whereas; an amount of Rs.5 billion has been earmarked as target for SAM loans recovery.

Strategy/Future Outlook

1. To strengthen the functions being performed by Recovery & SAM Division at Head Office as per future requirements:
 - i. Creation of additional unit for NPLs persuasions.
 - ii. Restructuring of operational control of Legal Litigation Units (LLU) through Zonal Chief and monitoring through Recovery Litigation Department (RLD).
 - iii. Creation of additional unit in RLD to monitor legal process at branches and LLUs
2. To enhance monitoring of recovery loans from different angles:
 - I. Classification of loan
 - ii. Age wise default
 - iii. Purpose wise recovery

3. To analyze recovery operations on regular basis for taking corrective measures, where required to achieve the recovery targets of Agri loans.
4. To add more features in DiMIS to facilitate the field functionaries deputed on recoveries of Agri loans:
 - I. Variations of recoverable and its comparison with different periods.
 - ii. %age of recovery as against recoverable & its comparison with corresponding period.
 - iii. Monitoring of cases at the verge of charging off through early warning system to contain addition to SAM portfolio.
5. To add more monitoring tools in DiMIS for monitoring legal actions initiated against defaulters.

3. OPERATIONS & BUSINESS OUTREACH

The Bank has successfully achieved the target of opening and functionalizing of 37 new branches under Annual Branch Expansion Plan - 2014. Under ABEP – 2015, SBP has approved opening of 18 new branches. Presently the branch network comprises of 32 Zonal Offices and 416 branches. Against the deposit target of Rs.18,000 million, the Bank has achieved a record deposit of Rs.26,702 million representing an achievement of 148%. A target of Rs.28, 000 million has been assigned to field offices for the year, 2015. Against the target of 10,000 Hajj applications, the Bank received 11,133 applications.

ZTBL has collected 1,116,407 utility bills against target of 1,100,000 utility bills in year 2014. The Bank has allocated a target of 1,200,000 utility bills collection for 2015. Inward remittances through Western Union are operative in 224 branches of the Bank. During the year 6,748 transactions were made, however, to boost up this activity, a target of 15,000 transactions has been planned for the year 2015. Out of total No. of 1620 lockers 836 were occupied/rented out by the end of 2014. All 416 ZTBL Branches have been migrated to Centralized Deposit Management System (cDMS).

4. FINANCIAL PERFORMANCE OF THE BANK

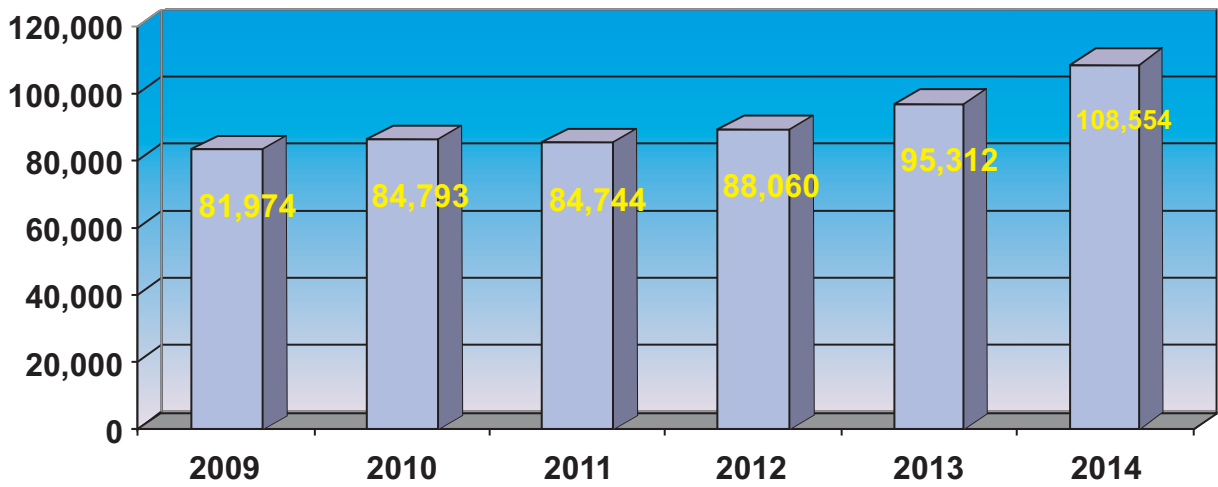
Despite all constraints, there has been a growing trend in the total assets and equity of the Bank due to consistent profitability of the bank in the last 3 years. The assets of the bank remained at Rs.163,563 million whereas the assets of the Group as per consolidated annual accounts amounted to be Rs.163,847 million. The Bank's Capital Adequacy Ratio (CAR) as at December 31, 2014 was 25.61% of its risk weighted exposure, as against required ratio of 10% and industry average of 17.1 %. The Bank earned after tax profit of Rs.5,417 million and the Group showed after-tax profit of Rs.5,456 million. The classified loans were provided for as per SBP Prudential Regulations during the period under review. The Bank mobilized its deposits upto Rs.26,702 million as on 31.12.2014.

(Rs. in Million)

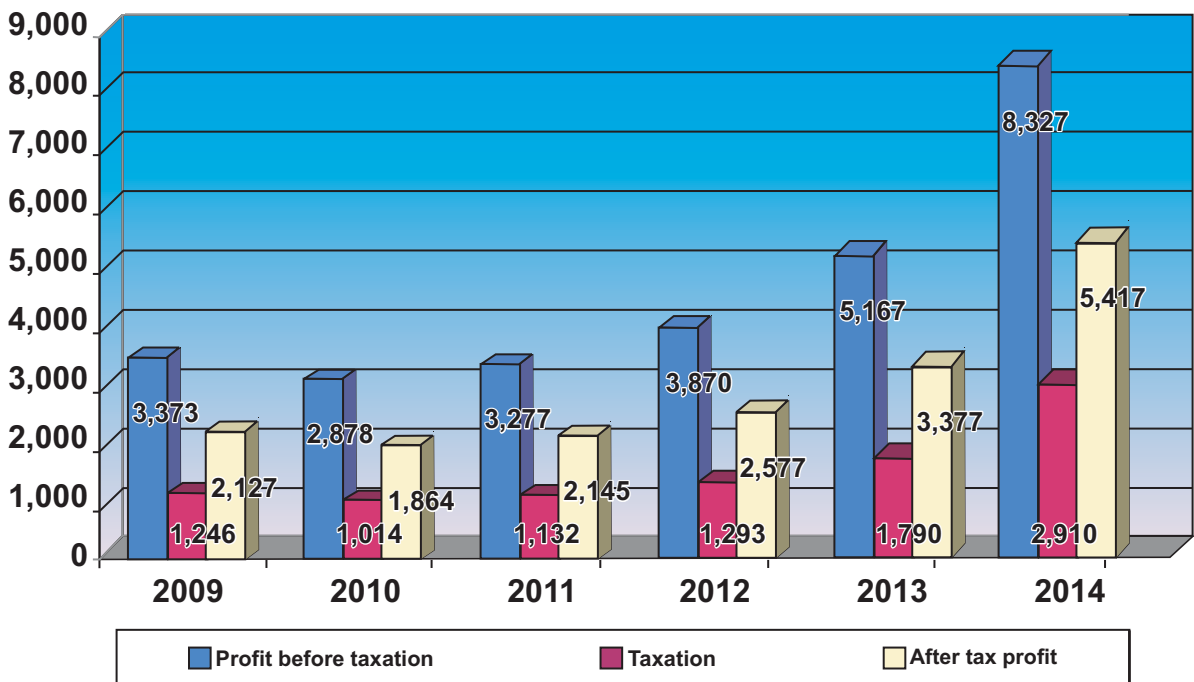
Particulars	2009	2010	2011	2012	2013	2014
Total Assets	112,619	117,586	122,548	131,649	148,448	163,563
Advances – net	81,974	84,793	84,744	88,060	95,312	108,554
Cash & Bank Balance	11,891	13,662	14,233	12,525	12,742	10,085
Operating Fixed Assets	1,070	1,132	1,167	1,180	1,347	1,581
Share Capital	12,522	12,522	12,522	12,522	12,522	12,522
Deposits	8,751	9,603	8,962	11,097	14,907	26,702
Share Deposit Money						89,491
Appropriations						
Profit/(Loss) before Taxation	3,373	2,878	3,277	3,870	5,167	8,327
Taxation	1,246	1,014	1,132	1,293	1,790	2,910
After Tax Profit/(Loss)	2,127	1,864	2,145	2,577	3,377	5,417
Un-appropriated Profit brought forward	3,262	4,964	6,456	10,360	12,263	13,598
Profit available for Appropriation	5,389	6,828	8,601	12,937	15,640	19,015
Other comprehensive Income	-	-	-	(156)	(1,366)	(3,379)
Effect of changes in accounting policy for defined benefit plans	-	-	2,188	-	-	-
Issuance of bonus shares	-	-	-	-	-	-
Transferred to Statutory Reserve (20% of after tax profit)	(425)	(372)	(429)	(518)	(675)	(1,083)
Un-appropriated Profit Carried forward	4,964	6,456	10,360	12,263	13,598	14,553
Earnings per Share	1.698	1.489	1.713	2.058	2.696	4.326



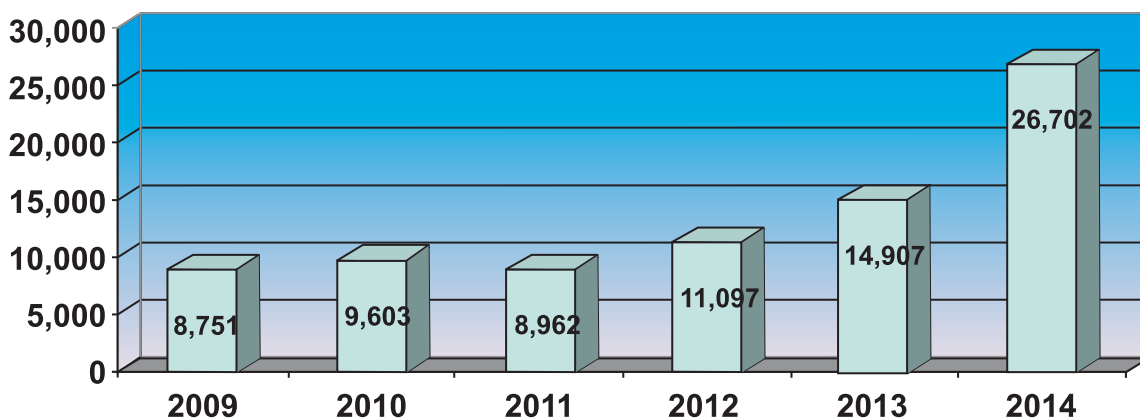
Advances Net



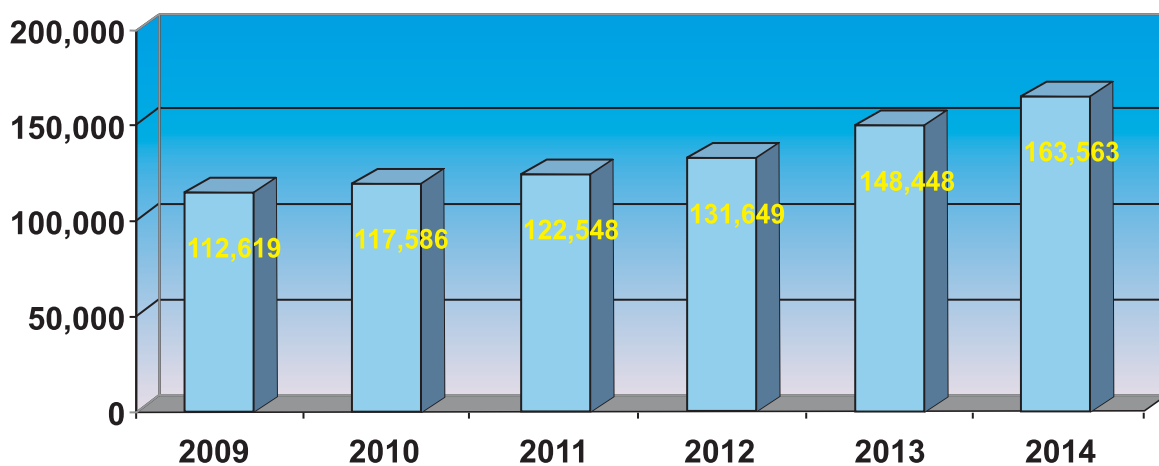
Profit before & after Tax



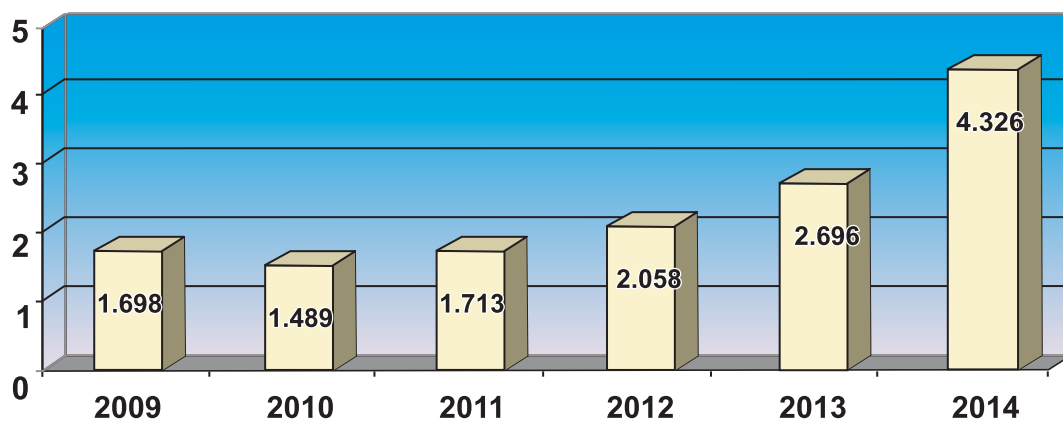
Deposits



Total Assets



Earnings Per Share



4.2 Capital

The authorized capital of the bank has been enhanced from Rs. 25 billion to Rs.125 billion divisible into 12,500,000,000 numbers of shares as resolved by the share holders during the first extra-ordinary general meeting held on August 13, 2014. The paid up capital of the Bank as on 31.12.2014 was Rs.12.522 billion. The issuance of shares worth Rs.89.491 billion are under consideration. Pattern of share holding as on 31.12.2014 is annexed.

4.3 Credit & Entity Ratings

JCR-VIS Credit Rating Company ,Limited Karachi in their report dated 8 August 2014 has reaffirmed credit rating of the Bank at 'AAA/A-1+'(December 2013:AAA/A-1+) with stable outlook, medium to long term credit rating of "A" and short term credit rating of A-2 (31December 2013: A medium to long term credit rating, A-2 short term credit rating).

Entity rating has been upgraded (August 2014) to 'AAA/A-1+' (Triple A/A-One Plus).It reflects the financial position while capturing the risk profile of the Bank without taking into account the sovereign guarantee.

4.4 Earnings per Share

During the year under review the basic earnings per share remained Rs. 4.326 as compared to Rs.2.696 in year 2013.The Group posted an EPS of Rs.4.357 as compared to 2.720 last year. Earnings per share have shown substantial growth during the period under review as compared to the last year mainly due to SBP principal debt (Rupees 51.257 billion), subordinated loan (Rupees 3,204 billion) and accrued mark-up (Rupees 35.030 billion), owed by the bank to SBP as on 30th June, 2014 into equity investment of SBP in the Bank. Consequently no mark up has been charged on the aforesaid debt which resulted in enhanced profit and earnings per share. Its computation has been reported in the financial statements.

4.5 Conversion of SBP Debt into Equity

In view of future financial viability and sustainability of the Bank, in a meeting held on 11 July 2014, among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert outstanding SBP debt-principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It was also decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various Presidential Relief Packages shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18th July, 2014 and the shareholders of the Bank in their extra ordinary general meeting dated 13th august 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Currently, the Bank is in the process to complete further legal and corporate formalities.

4.6 Strengthening of Treasury Operations

Due to stable interest rate environment in money market, where discount rate of 10.0% was maintained by SBP through January 2014 to November 2014, ZTBL treasury managed to optimize the rate of return on employed assets in the said year as compared to previous two years.

The Pakistan Revaluation Rates (PKRV) remained stable during the year 2014 where as three months PKRV



averaged around 9.92%. SBP in its monetary policy statement announced on November 15th, 2014 decreased discount rate by 50 bps from 10.0% to 9.50%. During the year 2014, Treasury Operations not only increased the investment in longer term-government securities from 5% to 30% but also hedged and realized handsome gains on its treasury portfolio benefiting from decrease in PKRV rates and subsequent reduction in discount rate to 9.50%. ZTBL Treasury utilized all avenues in managing treasury book with proactive trading of government securities and active participation in SBP auctions of government securities. ZTBL treasury realized capital gains of Rs.118.101 million whereas un-realized capital gains stood at Rs.192.246 million by year end. The realized and un-realized gains on portfolio of government securities stood at Rs. 310.347 million. Proactive strategy and smooth operations of treasury paid off in year 2014 in terms of increase in return by 2.22% thus increasing it to 12.14% from average PKRV of 9.92%. The treasury income for the year 2014 remained at Rs 2.606 billion including un-realized gains as compared to Rs 2.239 billion last year as per unconsolidated financial statements.

5. HUMAN RESOURCE DEVELOPMENT

The Bank has made strenuous efforts for enhancing the capabilities and competencies of the existing human resource by persuading training programs and motivation through promotions. The Bank has strengthened its manpower with the pace of its operations by promoting 1,466 officers/staff during 2014 having committed/clean service record. Moreover, the Bank did not forget its retiring employees by increasing 20% of their net pension. During the period under review, the Bank has successfully played its role in the field of agriculture finance with the strength of 5,777 ZTBL employees and 2,474 employees hired from the KSSL (a subsidiary of the Bank).

The improvement of HR policies and systems is a continuous process. During the year 2014, various HR policies were updated. To enhance the competencies of manpower, about 103 courses were conducted and 3,382 officers/staff were trained in different areas, including 503 officers trained in ERP modules and 290 officers were imparted training in other institutes.

The alignment of the bank has been started by the HR Division with overall business in order to face future challenges & goals of the bank. Yearly succession planning of retired employees keeping in view the required skill, experience and education was done. During the year, around 400 fresh agriculture / MBA graduates have been inducted to fill the existing gap of human resource. New package for pays, allowances and fringe benefits for Bank employees was introduced. A handbook of financial/ administrative & disciplinary powers, delegated to various functionaries of the Bank has been published and updated. An amount of Rs. 322.124 million was disbursed to 874 employees of the Bank as per entitlement in respect of staff advances i.e. HBA, Conveyance Advances, Personal loans etc.

5.1 Re-Organization

In order to establish strong and effective internal control system in the bank and to ensure efficiency in the operations and reliability of financial reporting, a full fledged Internal Control over Financial Reporting Department under Corporate Affairs and Internal Control over Financial Reporting Division has been established.

5.2 Future Plan / Strategy

HR has planned to take review and revise performance management policy to gradually reach the "Best Practices" of performance evaluation and revision/ updating of "Performance Parameters" to alleviate performance driven culture in ZTBL. Further shift over from Performance Management System to Performance Appraisal Module of ERP is expected. Moreover, welfare activities for the Bank employees will be continued as per previous routine with employee's motivation through effective career planning and development in future.



6. STRENGTHENING OF SYSTEM CONTROLS, IT / MIS INFRASTRUCTURE UP-GRADATION

In order to imbue transparency and efficiency in Bank's operations, the strive for acquisition and implementation of modern Information and Communication Technology (ICT) infrastructure continued during 2014. The centralized version of Deposit Management System (cDMS) has been equipped with Anti-money Laundering–AML Application and Real-Time Online settlement of funds has been implemented in all branches. All 416 ZTBL Branches have been migrated to Centralized Deposit Management System (cDMS). The efforts to enhance cDMS to support clearing of inward/outward cheques through RTGS/NIFT are underway. Moreover, computerized utility bills collection with online transfer of funds to hub branch has also been introduced.

Online Credit Worthiness Report (CWR) acquisition system has been implemented which replaced the manual retrieval process. ICT infrastructure was enhanced to integrate SBP eCIB facility with Bank's loan processing system. Resultantly branches have been connected through reliable and robust communication network to submit and retrieve latest CWR of the customer. Dynamic Integrated Management Information System has been enhanced to allow authorized users to review CWR reports of each farmer.

The failover site for RTGS/ToS –Treasury Software at Zonal Office, Karachi has been made re-operational to enable the Bank to provide IT-services during the event of disaster to Treasury, Clifton Karachi. Implementation of Security documents management system (SDMS) has been in process during 2014. During 2013-14 the Bank took the initiative to start in-house implementation of Oracle ERP. In the month of April; Loan Appraisal Management System (LAMS) has been launched in order to automate Bank's business processes related to loan evaluation. It is pertinent to mention here that the Bank signed off MoU with Ubank for financial inclusion among farmers' community in especial and rural segments of the country in general.

6.1 Future Outlook

Enhancement of cDMS to support RTGS / NIFT shall be completed by 2015. The Bank aims at 100% implementation of SDMS at branches in coming year. Implementation of Oracle ERP in the Bank and its subsidiary will continue in the next year as well. It is expected that in 2015 the Bank will sign off the agreement with Ubank.

Up-gradation of in-house built financial application has been in process to be serving as the CBAS. The detailed plan for development of CBAS, automation and implementation consists of following parameters;

- i. In-house development of Core Banking Application Software (CBAS) through up gradation of existing indigenously developed banking application.
- ii. Modernization of accounting system through implementation of Oracle ERP-EBS.
- iii. System Integration for banking and financing services like Alternate Delivery Channels (ADC), mobile banking/financial services, E-Banking/internet banking and ATM services.
- iv. Network up-gradation.
- v. IT operation enhancements.
- vi. Implementation / enhancement of IT-security.
- vii. Expansion in IT Infrastructure to newly opened branches (for alignment with CBAS/ERP).
- viii. Establishment of DR site.
- ix. Software Quality assurance.

7. TECHNOLOGY DISSEMINATION

To enhance farmers' awareness and to provide guide lines to Bank's field functionaries regarding modern agricultural technologies, activities continued in 50 Model Villages established across the country. Endeavour has been made to introduce and demonstrate latest agriculture technologies like solar energy tube well, solar fruit and vegetables dryer, bio-gas for running tube well, tunnel farming, small agricultural machinery for saving time and labour, sprinkler and drip irrigation system, bee keeping, animal fattening, artificial insemination for breed improvement, soil water testing etc. At ZTBL farm off-season tomato crop has been grown in tunnels for demonstrations. Organic farming has also been initiated in year 2014. Olive plantation has been demonstrated. Counseling services were provided to farmers regarding new technologies. Brochures and leaflets were printed in local languages to enhance access of local farmers to agriculture information. Ostrich farming has been started initially with twelve birds on the farm in the said year. Fish farming has been promoted in a newly constructed fish pond. Two acres have been reserved for rose cultivation. Directory of agriculture machinery manufacturers has been compiled and uploaded on the website for farmers' guidance. Multiplication of bee colonies has been demonstrated on the farm. ZTBL farm activities were demonstrated to students who visited the Bank from various agriculture universities across the country.

7.1 Future Outlook

To further enhance the role and effectiveness of the initiatives taken under the platform and concept of Model Village, and to broaden the spectrum of technical and technological awareness role of ZTBL towards farming community, Model Village concept will be revitalized by converting it into Farmers Training Centers. This initiative envisages helping a great deal in establishing the intended first hand / direct relationship between the Bank and farming community by way of imparting on-site training through field days, conducting workshops and arranging short training courses.



Ostrich Farming at ZTBL owned Farm in Islamabad.

8. RISK MANAGEMENT FRAMEWORK & POLICY

8.1 Risk Management Framework

Effective risk management is fundamental to the business activities of a bank. ZTBL has committed to strengthen its risk management structure at the organizational level through a broader framework of Board / Senior Management. A separate, Credit Administration & Risk Management Division works in the Bank, under which an exclusive Department of Risk Management is functional encompassing Credit, Operational, Market and Liquidity Risks, Basel Accords and Risk & Compliance Units. The Division is independent of business and operations of the Bank and the Head of the Division directly reports to the President. A Board Risk Management Committee and an Internal Risk Management Committee have been set up to address all issues relating to risk management process in the Bank. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control.

8.2 Risk Management Policy & Charter

The risk management policy of the Bank encompasses a broader risk management framework of the Bank. Credit portfolio, disbursement, recovery, NPL & SAM are critically analyzed on quarterly basis and risk gaps are reported to the Management and further to Internal Risk Management Committee suggesting appropriate steps to bridge the gaps. Similarly in order to analyze issues related to operational risk, an Operational Risk Model has been developed comprising of Key Risk Indicators (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on regular basis and risk gaps are submitted to senior management for corrective measures / remedial actions which are in turn presented to Board Risk Management Committee for review. As per SBP guidelines on AML&CFT a template of Customer Risk Profiling (CRP) has been developed to identify and quantify the risk related with customer and make rating of each individual customer.

9. CORPORATE SOCIAL RESPONSIBILITY

Zarai Taraqati Bank Limited remains committed and dedicated to serve the needs of farming community and aims to contribute for their betterment in every possible way. To mitigate the emerging energy crises, steps are being taken to encourage the use of alternative source of energy like solar, bio gas and wind mills to give relief to farmers. Promotion of Ostrich farming and quail breeding has led to overcome the meat shortage contributing in up lifting the economic health of poor farmers. Demonstration/exhibitions and training programs conducted in different agro-ecological zones of the country give a good boost in capacity building of farmers resulting in increased per acre yield. Besides the agriculture technology disseminating activities, the Bank is also actively involved in sports sponsorships. The Bank also supported the rehabilitation of flood affected and IDPs. It also offers internships to university graduates. Bank also circulates brochures and supplements including various topics of interest of farmers and agriculture entrepreneurs. The Bank believes that the growth of its business depends on the growth of farming community around it.

10. SUBSIDIARY COMPANY

Kissan Support Services (Pvt.) Limited was incorporated as a subsidiary of Zarai Taraqati Bank Limited in 2006 with an Authorized Capital of Rs.100 million fully subscribed by the Bank. Under its Memorandum and Article of Association KSSL will undertake non- core activities of the Bank so that Bank may focus on core banking business more efficiently. The KSSL has been providing following services to ZTBL in year 2014:

- a. Recruitment / provision of clerical / non clerical staff.
- b. Security Services.
- c. Management of Sports Activities.
- d. Photocopying Services.
- e. Janitorial Services.
- f. Repair & Maintenance Services.

HIGHLIGHTS OF ZTBL OPERATIONS
(As on 31.12.2014)

PARTICULARS	AMOUNT (Rs. in Million)
A. DISBURSEMENT	
1. TOTAL DISBURSEMENT	81,934
a. Production Loans	63,286
b. Development Loans	18,648
2. TRACTORS FINANCED	
a. Number	10,554
b. Amount	7,489
3. TUBEWELLS FINANCED	
a. Number	1,569
b. Amount	608
4. LOANS TO SUBSISTENCE FARMERS	61,321
5. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	75,300
6. NUMBER OF BORROWERS SERVED	414,358
B. RECOVERY OPERATIONS	
TOTAL AMOUNT RECOVERED	78,721
C. NETWORK OF OPERATIONS	
1. NUMBER OF ZONES	32
2. NUMBER OF BRANCHES	416
3. NUMBER OF MCOs	1,271

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors are pleased to give the following statements in respect of compliance with the Corporate and Financial Reporting Framework.

- i. The Bank's financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, changes in equity and cash flows.
- ii. Proper books of accounts of the Bank have been maintained.
- iii. Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- v. The current system of internal control is under constant review by the internal audit department, as are other systems and procedures. This vigilance will continue and identified weakness in controls will be remedied expeditiously.
- vi. Based on the results of December 31, 2014, the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited.
- viii. Key operating data and financial data of last six years in summarized form, are included in this Annual Report.
- ix. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2014 except as disclosed in these financial statement.

STATEMENT OF INTERNAL CONTROLS

Statement of Internal Controls:

The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The management is also responsible for evaluating the effectiveness of the Bank's internal control system, periodic reviewing of internal control procedures and maintenance of risk averse control environment.

Management of the Bank has adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls from the State Bank of Pakistan (SBP). As part of Internal Control Framework relating to financial reporting, during 2012-13 the Bank with the help of a consulting firm mapped and documented As-Is processes and controls, identified gaps and developed remediation/management testing plans while successfully completing the ICFR roadmap issued by the State Bank of Pakistan.

During 2014, the management constituted a separate Department of Internal Control over Financial Reporting which has been further strengthened by inducting experienced and professionally qualified individuals from the industry. While concerted efforts have always been made to comply with the SBP Guidelines, the identification, evaluation and management of risks within each of the Bank's key activities remains an ongoing process. All Internal Control Systems, no matter how well designed, have inherent limitations that they may not entirely eliminate misstatements, however Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors.

The Statutory Auditors of the bank have reviewed the Internal Control Framework of the bank and issued "Long Form Report" for the years 2012, 2013 and 2014 which have already been submitted to State Bank of Pakistan. The observations pointed out in these LFRs have now been considerably reduced. Management is confident that with the implementation of ERP and MIS Automation, the internal control deficiencies pointed out by the statutory auditors will be completely resolved and settled out. However, based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing Internal controls system is adequate and has been effectively implemented and monitored. However, the management would continuously be evaluating to enhance and further strengthen the internal control system of the Bank.

BOARD MEETINGS

Five meetings of the Board were held during the year 2014. Attendance of the members remained as under:-

S.No.	Name of Members	Designation	No. of meetings attended
01	Syed Yawar Ali	Chairman	04
02	Syed Talat Mahmood	President / CEO / Director	05
03	Mr. Saeed Ahmad	Director	05
04	Mr. Zia-ul-Mustafa Awan	Director	04
05	Mr. Majyd Aziz Balagamwala	Director	05
06	Mr. Mohsin Aziz	Director	03
07	Mr. Abdul Bari Tareen	Director	05
08	Mr. Asif Sharif	Director	05

AUDITORS OF THE BANK

1. M/s Ilyas Saeed & Company, Chartered Accountants
2. M/s Riaz Ahmad & Company, Chartered Accountants

EXTRA ORDINARY GENERAL MEETING

1st Extra Ordinary General Meeting of the Bank was held on August 13, 2014 at Islamabad.

ANNUAL GENERAL MEETING

11th Annual General Meeting of the Bank was held on September 18, 2014 at Islamabad

ACKNOWLEDGEMENTS

The Board would like to thank our valued customers especially the farming community for their valuable inputs to introduce enhanced facilities and new products for their benefit, State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continued guidance and support, our shareholders for their patronage, trust and confidence and our employees for working as a committed team.

On behalf of the Board of Directors



(Syed Talat Mahmood)

President & CEO

ZARAI TARAQIATI BANK LIMITED

Corporate Information (As on 31.12.2014)

Name:	Zarai Taraqati Bank Limited
Legal Status:	A Public Limited Company (By Shares)
Location of Assets:	In Head Office and in Zonal and Branch offices located at various positions across the country
Authorized Capital:	Rs.125,000,000,000/- divided into 12,500,000,000 ordinary shares of Rs.10 each
Paid-up capital:	Rs.12,522,440,670/-
Consideration for Issuance of shares:	Rs.89,490,984,762/-
Board of Directors:	
Syed Yawar Ali	Chairman
Syed Talat Mahmood	Director (President / CEO, ZTBL)
Mr. Saeed Ahmad	Director
Mr. Zia-ul-Mustafa Awan	Director
Mr. Majyd Aziz Balagamwala	Director
Mr. Mohsin Aziz	Director
Mr. Abdul Bari Tareen	Director
Mr. Asif Sharif	Director
Chief Operating Officer:	Sheikh Aman Ullah
Chief Financial Officer:	Mr. Abdul Ghaffar Bhatti
Company Secretary:	Mr. Mehboob Hussain
Auditors:	M/s Ilyas Saeed & Company, Chartered Accountants M/s Riaz Ahmad & Company, Chartered Accountants
Head Office:	1 Faisal Avenue, P.O. Box No.1400, Islamabad Pakistan.
Website:	www.ztbl.com.pk

Value of Investments of Employees' Fund

The Bank operates ten funds for its employees and as per last respective audited financial statements their value of investments are:

(Rs. in million)

Name of Fund	for year ended on 31.12.2014
Contributory Provident Fund	957.737
Gratuity Fund under SR-2005	2,202.035
Name of Fund	for year ended on 30.06.2014
General Provident Fund (Officers)	1,953.736
General Provident Fund (Staff)	616.811
Employees Provident Fund	57.756
Gratuity Fund under SSR-1961	1,843.516
Pension Fund	6,351.956
Benevolent Fund (Officers)	753.980
Benevolent Fund (Staff)	348.850
Employees Benefit Fund	173.306

The Bank also operates two unfunded schemes namely, Leave encashment and Post Retirement Medical Benefit scheme.

Appointment & Remuneration of the Directors

Appointment of the Chairman and members of the Board of Directors has been made by the Government of Pakistan being the major shareholder u/s (11) sub section 3(a) of the Banking Nationalization Act-1974. Bank adopts the remuneration policy for Board Members as given in Section 78 of the Article of Association of the Bank. During 11th Annual General Meeting of the Bank, the shareholders approved the following remuneration/fees and other benefits for the members while attending the meeting of the Board of Directors or its sub committees.

- | | | |
|----|---------------------------------|---|
| 1. | Meeting of the BoD/shareholders | Rs 40,000/ meeting |
| 2. | Meeting of Board Sub Committees | Rs 25,000/ meeting |
| 3. | Travelling by own car | Rs 18/ KM or Return Air Ticket (Business Class) |
| 4. | 5 Star Hotel accommodation | At actual |

ZARAI TARAQIATI BANK LIMITED

SHAREHOLDING OF ZTBL

Sr. No.	NAME OF SHARE HOLDERS	NUMBER OF SHARES	AMOUNT (Rs.)
01	Government of Pakistan	1,251,189,067	12,511,890,670
02	Government of Punjab	292,340	2,923,400
03	Government of Sindh	125,545	1,255,450
04	Government of Khyber Pakhtunkhwa	71,740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan *	527,500	5,275,000
	Total	1,252,244,067	12,522,440,670

* Certificates of shares of Government of Erstwhile East Pakistan have not yet been issued.

ZARAI TARAQIATI BANK LIMITED

BOARD SUB-COMMITTEES

A. AUDIT COMMITTEE

- | | | |
|----|--|---------------------|
| 1. | Mr. Zia-ul-Mustafa Awan | Chairman |
| 2. | Mr. Majyd Aziz Balagamwala | Member |
| 3. | Mr. Abdul Bari Tareen
Head, Internal Audit Division | Member
Secretary |

B. HUMAN RESOURCE MANAGEMENT COMMITTEE

- | | | |
|----|--|---------------------|
| 1. | Mr. Majyd Aziz Balagamwala | Chairman |
| 2. | Syed Talat Mahmood | Member |
| 3. | Mr. Abdul Bari Tareen
Head, Human Resource Division | Member
Secretary |

C. RISK MANAGEMENT COMMITTEE

- | | | |
|----|--|---------------------|
| 1. | Mr. Saeed Ahmad | Chairman |
| 2. | Mr. Zia-ul-Mustafa Awan | Member |
| 3. | Mr. Asif Sharif
Head, Credit Administration & Risk
Management Division | Member
Secretary |

D. BUSINESS STRATEGY COMMITTEE

- | | | |
|----|--|---------------------|
| 1. | Syed Yawar Ali | Chairman |
| 2. | Mr. Zia-ul-Mustafa Awan | Member |
| 3. | Mr. Majyd Aziz Balagamwala | Member |
| 4. | Mr. Abdul Bari Tareen | Member |
| 5. | Mr. Asif Sharif | Member |
| 6. | Mr. Saeed Ahmad
Chief Operating Officer | Member
Secretary |

CORPORATE AFFAIRS DEPARTMENT

No. CAU/1(4)/AGM/12/2015/

Dated: March 30, 2015

NOTICE OF 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the **12th Annual General Meeting of Zarai Taraqati Bank Limited will be held on April 20th, 2015 at 11:00 AM at ZTBL, Head Office, Islamabad** to transact the following business:

1. To confirm minutes of 11th Annual General Meeting held on September 18, 2014.
2. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2014 together with the Director's Review and Auditor's Report thereon.
3. To appoint the Auditors of the Bank for the year ending December 31, 2015 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

(MEHBOOB HUSSAIN)
Company Secretary
051-9252765

1. Government of Pakistan, through Secretary Finance Division, GoP, Islamabad.
2. Governments of Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan through Chief Secretaries, Lahore, Karachi, Peshawar and Quetta.
3. Chairman, ZTBL Board.
4. Additional Registrar of Companies, Company Registration Office, Islamabad.
5. M/s Ilyas Saeed & Company, Chartered Accountants, Islamabad and M/s Riaz Ahmad & Company, Chartered Accountants, Islamabad.

Company Secretary

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

Name of Bank Zarai Taraqati Bank Limited
Name of the line ministry Finance Division, GoP
For the year ended December 31, 2014

- I. This statement is being presented to comply with the requirements of the Code of Corporate Governance ("the Code"), as contained in prudential regulations G-1 for Corporate/Commercial Banking issued by the State Bank of Pakistan (SBP) and the Public Sector Companies (Corporate Governance) Rules, 2013 (herein after called "the Rules") issued for the purpose of establishing a framework of good governance, whereby the Bank is managed in compliance with the best practices of corporate governance.
- II. The Bank has complied with the provisions contained in the code and the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N																						
			Tick the relevant box																							
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																							
2	The Board has the requisite percentage of independent directors. At present the Board includes: <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Independent Directors</td> <td>Syed Yawar Ali</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Zia-ul-Mustafa Awan</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Majyd Aziz Balagamwala</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Mohsin Aziz</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Abdul Bari Tareen</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Asif Sharif</td> <td>07.07.2014</td> </tr> <tr> <td>Executive Directors</td> <td>Syed Talat Mahmood</td> <td>30.04.2014</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr.Saeed Ahmad</td> <td>07.07.2014</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Syed Yawar Ali	07.07.2014	Mr.Zia-ul-Mustafa Awan	07.07.2014	Mr.Majyd Aziz Balagamwala	07.07.2014	Mr.Mohsin Aziz	07.07.2014	Mr.Abdul Bari Tareen	07.07.2014	Mr.Asif Sharif	07.07.2014	Executive Directors	Syed Talat Mahmood	30.04.2014	Non-Executive Directors	Mr.Saeed Ahmad	07.07.2014	3(2)	✓	
Category	Names	Date of appointment																								
Independent Directors	Syed Yawar Ali	07.07.2014																								
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	Mr.Abdul Bari Tareen	07.07.2014																								
Mr.Asif Sharif	07.07.2014																									
Executive Directors	Syed Talat Mahmood	30.04.2014																								
Non-Executive Directors	Mr.Saeed Ahmad	07.07.2014																								
3	A casual vacancy occurring on the Board was filled up by the directors within ninety days.	3(4)	N/A																							
4	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓																							
5	All the resident Directors of the Bank are registered as tax payers and non of them has defaulted in payment of any loan to a Banking Company, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that sock exchange.		✓																							
6	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	✓																							
7	The chairman of the Board is working separately from the chief executive of the Bank.	4(1)	✓																							
8	The chairman has been elected from amongst the independent directors.	4(4)	✓																							

9	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓	
10	(a) The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank's website www.ztbl.com.pk (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓	
11	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
12	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)		✓
13	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Bank.	5(5)(b)(vi)		✓
14	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
15	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c)(iii)	✓	
16	The Board has developed a vision and mission statement, corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓	
17	All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President and Chief Executive Officer (executive Director) and non-executive Directors, have been taken by the Board/shareholders.		✓	
18	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓	
19	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓	
20	The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of a process, based on specified criteria, developed by it. The Board has also monitored and assessed the performance of senior management on quarterly basis.	8	N/A ✓	
21	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained and related party transactions are executed at arm's length price.	9	✓	

22	The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Bank's website.	10	✓																			
23	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments information as specified in the Rules.	11	N/A																			
24	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" data-bbox="430 743 1189 1058"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>03</td> <td>Mr. Zia-ul-Mustafa Awan</td> </tr> <tr> <td>Risk Management Committee</td> <td>03</td> <td>Mr. Saeed Ahmad</td> </tr> <tr> <td>Human Resource Committee</td> <td>03</td> <td>Mr. Majyd Aziz Balagamwala</td> </tr> <tr> <td>Procurement Committee</td> <td>--</td> <td>--</td> </tr> <tr> <td>Nomination Committee</td> <td>--</td> <td>--</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	03	Mr. Zia-ul-Mustafa Awan	Risk Management Committee	03	Mr. Saeed Ahmad	Human Resource Committee	03	Mr. Majyd Aziz Balagamwala	Procurement Committee	--	--	Nomination Committee	--	--	12	✓ ✓ ✓	✓ ✓
Committee	Number of members	Name of Chair																				
Audit Committee	03	Mr. Zia-ul-Mustafa Awan																				
Risk Management Committee	03	Mr. Saeed Ahmad																				
Human Resource Committee	03	Mr. Majyd Aziz Balagamwala																				
Procurement Committee	--	--																				
Nomination Committee	--	--																				
25	The Board has approved appointment of Chief Financial Officer, Bank Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																			
26	The Bank has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.	16	✓																			
27	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓																			
28	The directors, CEO and executives do not hold any interest in the shares of the Bank.	18	✓																			
29	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Bank contains criteria and details of remuneration of each director.	19	✓																			
30	The financial statements of the Bank were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	✓																			
31	<p>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:</p> <table border="1" data-bbox="430 1632 1164 1917"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Zia-ul-Mustafa Awan</td> <td>Independent</td> <td>FCMA CFO & Business Administrator, Lahore Int. Expo Centre</td> </tr> <tr> <td>Mr. Majyd Aziz Balagamwala</td> <td>Independent</td> <td>M.A. (Mangnt.) Entrepreneur</td> </tr> <tr> <td>Mr. Abdul Bari Tareen</td> <td>Independent</td> <td>M.A. (Soci.) Progressive farmer</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not members of the Audit Committee.</p>	Name of Member	Category	Professional background	Mr. Zia-ul-Mustafa Awan	Independent	FCMA CFO & Business Administrator, Lahore Int. Expo Centre	Mr. Majyd Aziz Balagamwala	Independent	M.A. (Mangnt.) Entrepreneur	Mr. Abdul Bari Tareen	Independent	M.A. (Soci.) Progressive farmer	21	✓ ✓							
Name of Member	Category	Professional background																				
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Mr. Majyd Aziz Balagamwala	Independent	M.A. (Mangnt.) Entrepreneur																				
Mr. Abdul Bari Tareen	Independent	M.A. (Soci.) Progressive farmer																				

32	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	✓	
33	The Bank has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓	
34	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	✓	
36	The Bank has complied with all the corporate and financial reporting requirements of the Rules.		✓	

(SYED TALAT MAHMOOD)
President / CEO

(SYED YAWAR ALI)
Chairman

SCHEDULE II

EXPLANATION FOR NON-COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Code and Rules have been complied with (except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Sr. No.	Rule/ sub-rule No.	Reasons for non-compliance	Future course of action
1	5(5)(b)(ii)	The Board of Directors constituted in July 2014 and was busy to clearing back log as the Board was non-existent since March 2013.	Conflict of interest policy is under preparation for approval of the Board
2	5(5)(b)(vi)do.....	The Policy on Anticorruption is under approval of the Board.
3	12do.....	Constitution of Nomination Committee and Procurement Committee is being proposed for placement in the forthcoming meeting of the Board of Directors.