

Directors'

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2015.

Economy Review

While emerging economies faced slower economic growth, Pakistan's economy did reasonably well in the FY 15 as Gross Domestic Product (GDP) growth in the country posted a marginal increase over last year. The FY15 was a mixed bag for Pakistan's economy, with several positives to take hope from as its GDP grew 4.2 percent which confirms two consecutive years of increased growth after a couple of years of stagnancy.

The key macroeconomic indicators like inflation, fiscal balance and current account balance recorded improvements. Particularly, the external sector has become more stable on account of 18.2 percent growth in workers' remittances during July-June 2014-15 as compared to last year, due to continued support from International Financial Institutions and a sharp decline in global oil prices. However, during July-Feb 2015-16 the growth in workers' remittances has slowed down to 6.07 percent. According to SBP, total liquid foreign exchange reserves as on January 01, 2016 stood at \$ 20.810 billion of which \$ 15.883 billion was held by SBP and the rest with Banks which are sufficient enough to finance over 5 months of the country's import bill.

Agriculture Review

Agriculture accounts for about 21 percent of Pakistan's Gross Domestic Product and 43.5 percent of employment. Wheat, cotton, rice, sugarcane and maize being its main crops contribute 25.6 percent to agriculture GDP whereas livestock's share in agriculture value added stood at 56 percent during the year 2014-15. Agriculture sector recorded a growth of 2.9 percent during the year 2014-15 as compared to growth of 2.7 percent recorded last year.

The year saw agriculture crises of rice and potato where production exceeded demand. Sugarcane crop faced disposal problems and payment difficulties. Preparing a new strategy for disposing of surplus commodity so that storage capacity could be available for the purchase of next crop, remained the major challenge for the government in year 2015.

Wheat sowing by a majority of growers and consecutive bumper crops helped supply exceed demand. Consequently, the farmers suffered since their produce was not purchased. Owing to the glut, the wheat price crashed in the domestic market, reflecting the international trend due to harvesting of bumper crops in the region. Government encouraged the farmers to shift to other crops like potato, pulses, oilseeds, etc to ensure a balance in the demand and supply of commodities and earn profit on their produce on time. Policy makers are also worried about next crop of cotton as farmers faced losses in the current season and Punjab province is running the risk of losing another 15-20 percent area as growers are opting for alternative crops, the fears were reinforced in various meeting of farmers with Punjab agriculture authorities. According to farmers Pink Bollworm is playing havoc with the crop which caused 60 % of losses in the recent season. The current BT seed is vulnerable to it and no pesticide is yet effective. Persistent rains resulted in sharp fall in the output. Price mechanism still remains a problem for cotton growers due to crashing of international market.

Government announced a relief package for farmers to ease out the difficulties being faced by small farmers as the conditions of the agricultural sector did not inspire confidence. Ministry of National Food Security & Research prepared the Kissan Relief Package in consultation with the provincial governments to improve the market trends in relation to the crisis of the major crops as one of the various measures to reduce the cost of agriculture inputs and to increase per acre yield of major crops.

Under Kissan Package, farmers will receive Rs.341 billion in grants, subsidies, markup free loans for solar tube wells for the farmers having land holding upto 12.5 acres in order to spur sluggish growth in one of the country's main economic sectors. The scheme is the government's largest economic development programme for the agriculture sector so far.

The government reduced all taxes on the import of modern agriculture machinery from 45 percent to only 9 percent. The turnover tax on rice mills has been removed altogether. Government also announced special exemption of income tax on installation of Halal Meat plants for four years, as the sector possess immense opportunities for exports. The relief package is expected to ensure stability in prices of agricultural products.

Banking Sector Review

According to State Bank of Pakistan, Banking spreads recorded their lowest in the month of November. Average lending rates stood at 8.78% (down by 215bps YoY), whereas average deposit rates stood at 3.49% (down by 162bps YoY). Overall spreads averaged at 5.59%, down by 40bps over the same period last year. The drops are owed to back to back discount rate cuts. Discount rate was lowered by 350 basis points since October 2014 to the end of year 2015. Deposit rates witnessed a sharper decline. With the Discount Rate hitting its multi-decade low, the shrinkage in spreads did not come as a surprise, and had no major impact on big five Banks like ABL, UBL & HBL which remained profitable.

In the period under review Gross NPLs for commercial Banks were up by 3.3% and that from public sector Banks by 8.4% during first three quarters. Contrarily, Net NPLs for commercial Banks declined by 8.8%, the private sector Banks saw a decline of 15.3% while public sector Net NPLs were down by 1.8%.

Report

Despite massive drop in lending rates, private sector credit off take remained slow until the start of final quarter but then started to move up gradually in the final months of the year. According to SBP increase in private sector lending was seen towards the end of the year. The hike in advances was owed to financial close of mega power projects by the year end.

Economic Future Outlook for 2016

According to World Bank Pakistan's economy will grow by 4.5% in fiscal year 2016 supported by growth in industry and services however, the country needs to implement energy and taxation reforms and adopt measures to increase investment. Macroeconomic outlook projects steady growth in the country and low inflation supported by fiscal consolidation and an improving external position.

The government has set a GDP growth target of 5.5 percent for fiscal year 2015-16, with all sectors (viz. agriculture, industry, and services) expected to grow at a higher rate than fiscal year 2015. Growth target for agriculture has been set as 3.9 percent. These growth targets are subject to risks like deterioration in energy availability, extreme weather fluctuations, non-implementation of envisaged reform program and fiscal profligacy. The benefit would spread to other sectors of the economy mainly owing to China-Pakistan Economic Corridor that offers a unique opportunity to fix our chronic problems in infrastructure and energy sector.

Development spending has substantially increased by 28.3 percent in July to Dec FY 16, compared to a mere 1.5 percent increase in the same period last year which might accelerate next year's economic growth rate.

The outlook for external sector appears less comfortable in FY16 as compared to last year due to shrinking of external current account balance. This is because of a significant YoY decline in exports and a slowdown in workers' remittances. However the overall balance of payment situation is comfortable during FY16 due to substantial inflows in the financial accounts.

It is expected that farmers will continue to benefit from Kissan Package in the coming year. Federal government started working on the construction of several dams, including Diamer-Bhasha, Dasu and Bunji dams, to provide ample amount of water and power to the nation. With expectation of reversal in interest rate cycle from start of second quarter of 2016 due to stronger CPI expectation, pickup in banking spreads and advances is also expected.

ZTBL Performance Review

The Bank managed to perform fairly well under the above mentioned economic conditions in 2015. ZTBL having the largest network of 438 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 purposes and modernization of agriculture through field force of Mobile Credit Officers at doorstep of the farmers.

The efforts of the Bank towards providing financial services to farmers was recognized at international level in the year 2015. The President ZTBL, Syed Talat Mahmood received special "Plaque of Merit" in Vietnam awarded to the Bank by Association of Development Financial Institutions of Asia Pacific (ADFIAP) on enabling financial inclusion of farming community through its lending and deposit schemes.

ZTBL contributed 19% in institutional agriculture credit during the year 2014-15. 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 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 approximately 0.408 million farm families annually. The Bank has disbursed Rs. 1,077,357.137 million since inception up to 31.12.2015 which also includes financing of 579,814 tractors and 156,857 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. With the objective of enhancing income /profitability of farming community in Gilgit-Baltistan the admissible rates of Yak animal were revised upwards along with enhancing loan disbursing powers during the year under review. To further facilitate the farming community, the Bank has enhanced the value of each produce Index Unit (PIU) From Rs. 3,000 to Rs. 4,000/- in terms of notification issued by Finance Division, Govt. of Pakistan. According to ZTBL Business Strategic Plan 2015-19, three credit schemes namely Gulkand Making, Hay Packing, Dairy livestock (imported breeds) have been targeted in the calendar year 2016.

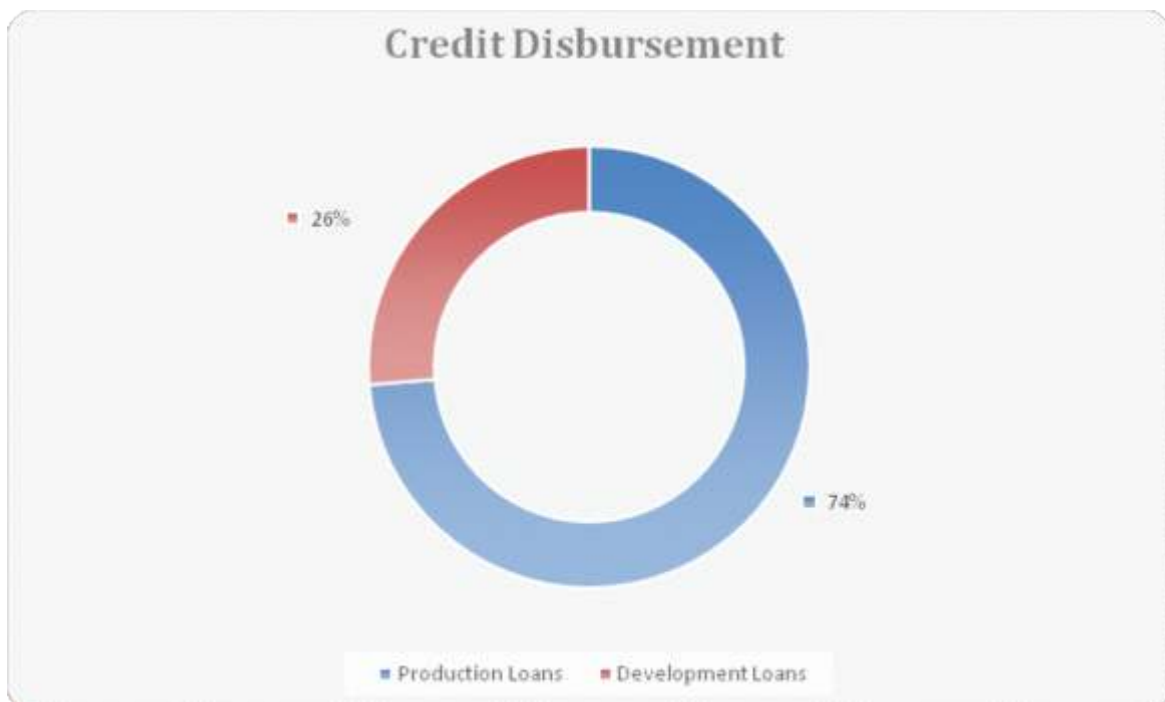


1. CREDIT DISBURSEMENT

During the year 2015, the Bank disbursed an amount of Rs. 95,419.965 million as compared to Rs.81,933.747 million disbursed in the year 2014 showing a growth of 16.5%. The Bank served 408,456 borrowers during the year. The Bank disburses loans for two purposes i.e. Production and Development.

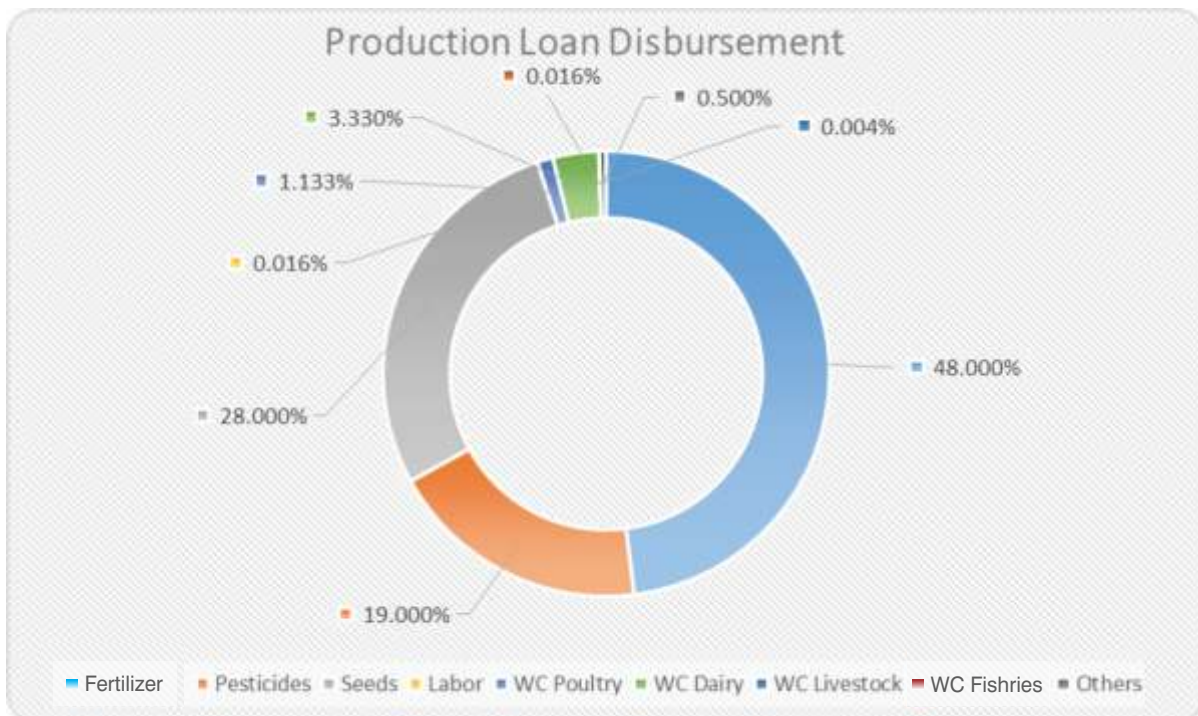
Bank has undertaken its initiative for tapping the potential in value added sector and has successfully launched new lending products for value addition sector. These products include product on small scale storage facility/godowns, products for dehydration of fruits, vegetables and dates, tobacco barn financing scheme and gurr making products etc. The intent of these products is not only tapping the potential in value added sector but also is a part of broader framework, the Bank has undertaken for the capacity building of farmers.

During the year 2015 the Bank has disbursed Rs. 662.550 million under the value added products with total outstanding portfolio of Rs. 724.766 million in this sector. With this the Bank has also successfully achieved the structural shift in portfolio composition with development to production ratio of 26% and 74% respectively.



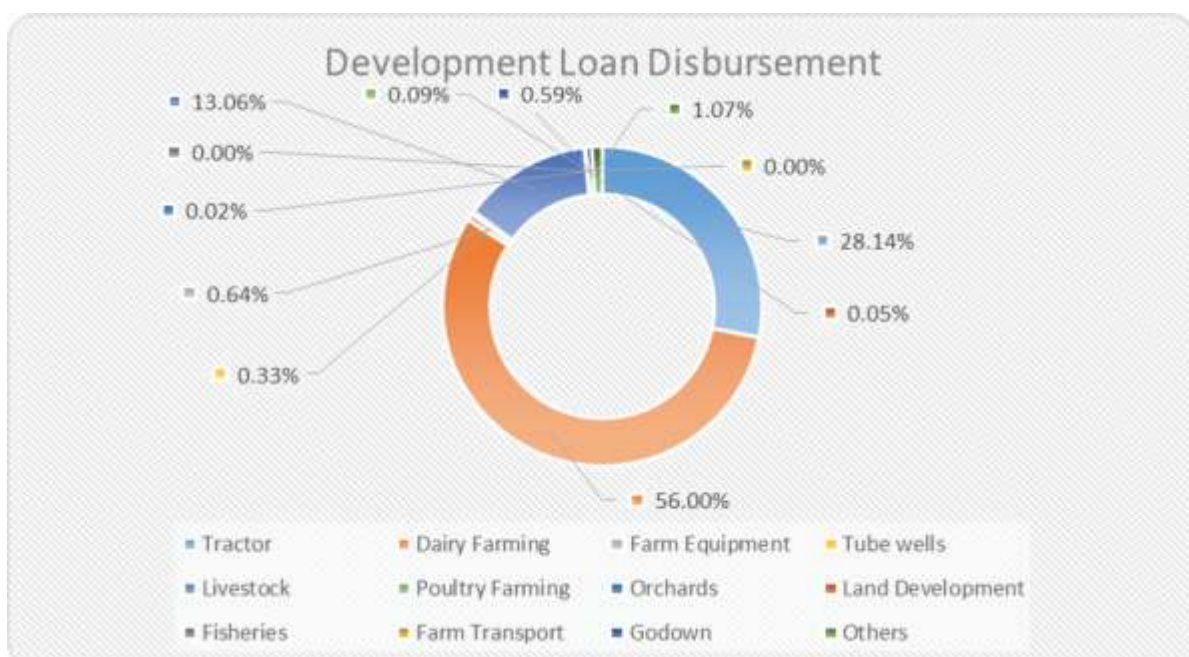
1.1. Production Loans

Bank disbursed a major portion of its funds towards production loans i.e. Rs. 70,352.432 million constituting around 74% of total disbursement.



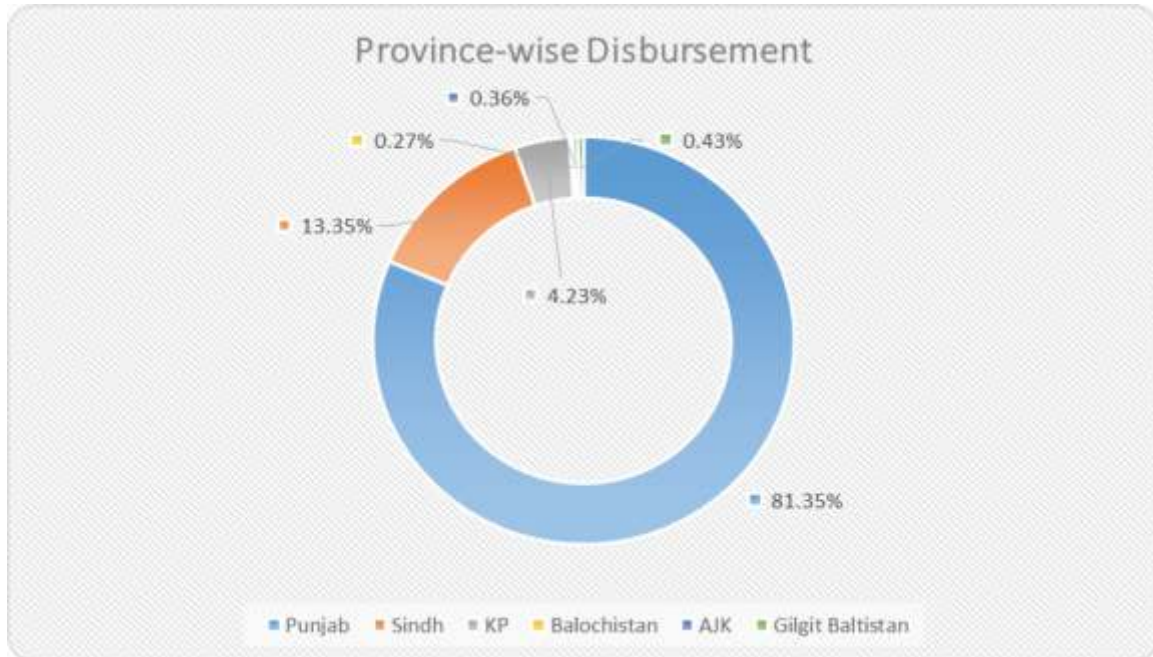
1.2. Development Loans

An amount of Rs.25,067.533 million constituting 26% of the total agricultural credit was disbursed under the category of development loans.



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 2015 the Bank disbursed Rs.77,621.173 million (81.3%) in Punjab, Rs.12,742.769 million (13.4%) in Sindh, Rs.4,035.386 million (4.2%) in Khyber Pakhtunkhawa, Rs. 262.092 million (0.3%) in Balochistan, Rs. 345.647 million (0.4%) in Azad Jammu & Kashmir and Rs.412.898 million (0.4%) in Gilgit- Baltistan.

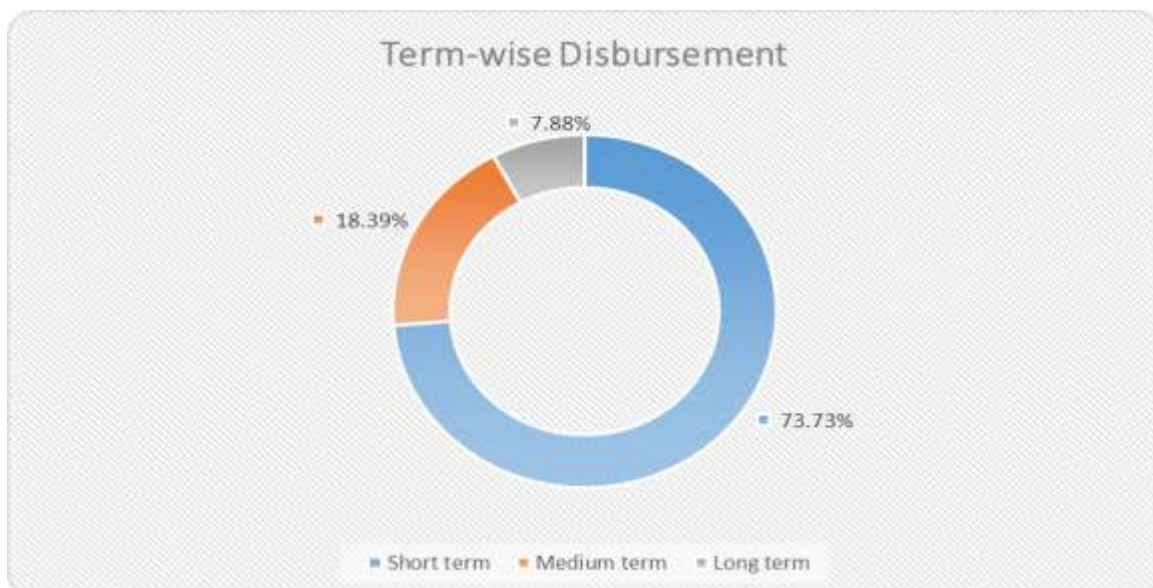


1.4 Term-wise Loan Disbursement

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

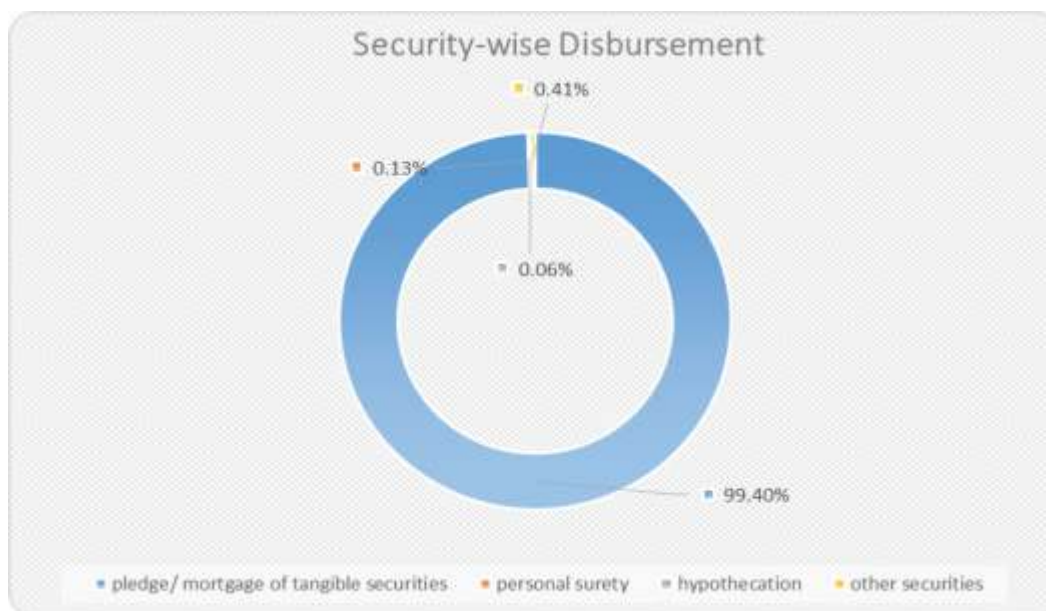
Term-wise loan amounts disbursed during the year 2015 are given as below:

Short term loans	Rs.70,352.432 Million
Medium term loans	Rs. 17,544.848 Million
Long term loans	Rs. 7,522.685 Million



1.5 Security Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.94, 845 million, constituting 99.4%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs. 120 million being 0.1% were disbursed against personal surety while loans amounting to Rs.62 million being 0.1% were advanced against hypothecation and loans amounting to Rs. 393 million being 0.4% were disbursed against other securities.

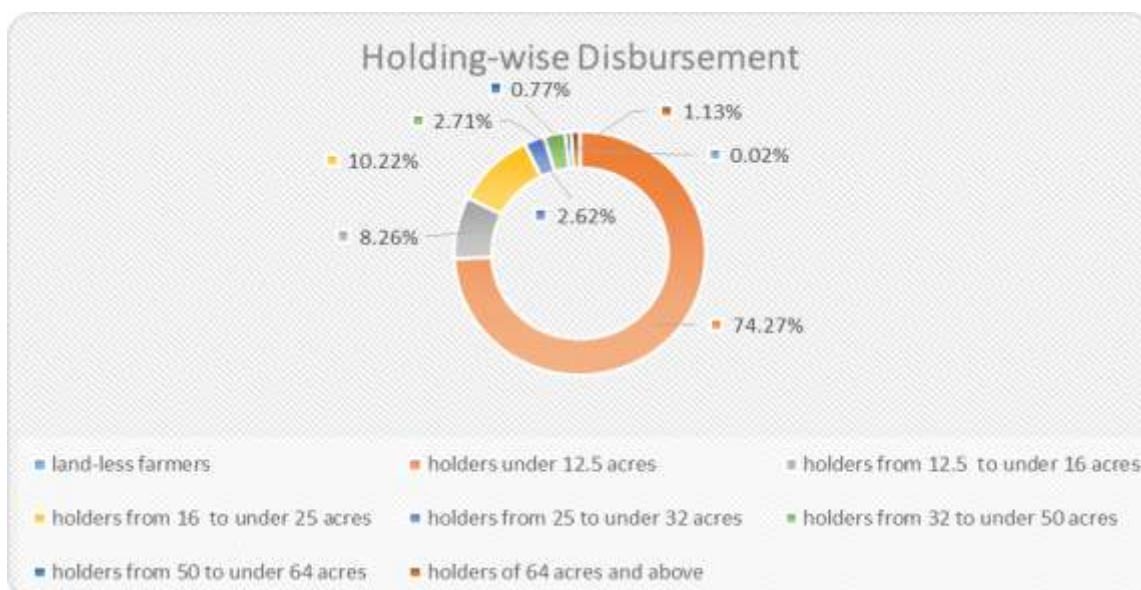


1.6 Holding wise Disbursement of Loans

Holding wise disbursement of loans during the year 2015, revealed that land-less farmers received Rs.17.895 million. Loans advanced to land owners/operators under 12.5 acres amounted to Rs.70, 866.088 million representing 74.3% share in the overall disbursement. Farmers owning/operating land from 12.5 to under 16 acres received Rs.7, 882.366 million constituting 8.3% share.

Farmers operating land from 16 acres to under 25 acres received Rs.9,752.136 million constituting 10.2% share. It was followed by Rs. 2,503.516 million constituting 2.6% disbursed to farmers with land holding from 25 to 32 acres. An amount of Rs.2,584.073 million was advanced to farmers operating land from 32 to 50 acres representing 2.7% of overall disbursement.

An amount of Rs. 733.840 million was advanced to land operators having holding of 50 to 64 acres constituting 0.8%. Remaining credit amounting to Rs. 1,080.051 million was disbursed to land holders of 64 acres and above which constituted 1.1% of total disbursement.



1.7 Scheme-wise Disbursement of Loans

The loans schemes generally fall under two broad categories namely production and development loans.

1.7.1 Production Credit Schemes

ZTBL caters the need for all input loans such as seed, fertilizers, pesticides etc. under following schemes:

a) One Window Operations (SBP)

Financing input loans to the farmers continues at one focal point in the presence of Revenue & Postal Authorities fortnightly on each Tuesday of 1st & 3rd week of the month throughout the year. Financing limit under the scheme is Rs. 0.200 million per borrower/party.

b) Sada Bahar Scheme (SBS)

Input requirements for the whole year are assessed and loans are made available to only existing borrowers on three years revolving credit basis. Financing limit is upto Rs. 0.500 million per borrower/party. During the year 2015 Bank disbursed an amount of Rs. 17,015.478 million against 98,861 number of loan cases.

c) Awami Zarai Scheme-(AZS) Farm and Non- Farm Credit

Awami Zarai Scheme has played a significant role in meeting credit requirements under production loans. Credit availability to farmers at their door-steps enables them to purchase the required quality inputs. With the objective to facilitate farming community, the Board of Directors of the Bank has approved that the production finance extended by the Bank in kind for inputs may not be conditioned and farmers/borrowers may have the choice to avail production loans in cash under this scheme, through their deposit accounts. Financing limit is upto Rs. 0.700 million per borrower/party. An amount of Rs.23,107.484 million was disbursed under this scheme against 119,087 number of cases.

d) Kissan Dost Scheme (KDS)

The scheme aimed at financing of crop production loans to fresh/new borrowers on seasonal basis without revolving facility on concessional rate of mark up. Financing limit is upto Rs. 0.700 million per borrower/party. Bank disbursed an amount of Rs. 28,991.695 million against 124,949 number of cases during the year.

1.7.2 Development Credit Schemes

ZTBL advances medium & long term loans for tractors, poultry, dairy, fishery, livestock etc. Major Development Schemes are as under:-

a) Special Package for Branches under Karachi Zone

A financing package for the branches of Karachi Zone has been launched for credit extension of a number of Agri-schemes to boost up the Agri. business volume in Karachi Zone. Financing limit is upto Rs. 1.500 million per borrower/party. Bank disbursed an amount of Rs. 150.060 million against 420 number of cases during the year.

b) Special Schemes/Products for Gilgit-Baltistan

Four new special products i.e. Trout Fish Farming, Yak Farming, Sea buckthorn cultivation and Hybrid Poplar were launched for Gilgit-Baltistan area. Financing limit is upto Rs. 1.500 million per borrower/party. An amount of Rs. 96.330 million was disbursed under this scheme against 375 number of cases.

c) Special Product for Milk Chilling Unit

To streamline the milk collection & its delivery, a special scheme has been launched to establish milk chilling units in specified branches under Lahore & Karachi Zones. Financing limit is upto Rs. 1.500 million per borrower/party.

d) Asan Qarza Scheme (AQS)

Youth are the major segment of rural population in Pakistan and to engage them in national development, raise their living standard and check their migration to urban areas, Asan Qarza scheme has been launched by the Bank to finance Agri. business under variety of agro-based activities. Financing limit is upto Rs. 0.200 million per borrower/party. Under this scheme Bank disbursed an amount of Rs. 135.825 million against 871 number of cases.

e) Khawateen Rozgar Scheme (KRS)

As per charter of the Bank, special emphasis has been made to empower the rural women so that they may play a significant role not only to increase the family income but also to contribute towards GDP of the country. For that purpose the titled scheme has been launched by the Bank for variety of Agri. activities. Financing limit is upto Rs. 0.200 million per borrower/party. During the said period, Bank disbursed an amount of Rs. 28.252 million against 223 number of cases under this scheme.

f) Tawanai Bachat Scheme (TBS) (Bio Gas Units)

In order to help the farmers to overcome energy crisis, Bank has introduced the subject scheme for establishment of Small Bio-Gas Units, being an alternative energy producing resource. Through this scheme the farmers will not only get energy at low cost but the same will also be useful in boosting the Agri-production. Financing limit is upto Rs. 0.750 million per borrower/party. During the year 2015, the Bank disbursed an amount of Rs. 0.050 million against only one case under this scheme.

g) Tahafuz-e-Samar Scheme (Dehydration of Fruits & Vegetables)

This scheme has been introduced with the objective to facilitate the farmers of Gilgit-Baltistan to get suitable price of their produce by de-hydration of fruits and vegetables through solar energy systems. Financing limit is upto Rs. 0.500 million per borrower/party. During the year 2015 the Bank advanced an amount of Rs. 1.600 million in 7 number of cases.

h) Khushk Ratab Scheme (Product for Dehydration of Dates (Chuhara))

The scheme is for preservation/de-hydration of dates (Chuhara making) and is applicable in dates growing areas of the country i.e. Turbat Zone in Balochistan, Sukkur in Sindh, D.I.Khan in Khyber Pakhtunkhwa (KP) and Muzaffargarh & Jhang Zones in Punjab Province. Financing limit is upto Rs. 0.500 million per borrower/party. During the year 2015 Bank provided loans amounting to Rs. 56.514 million against 410 number of cases under this scheme.

i) Tobacco Barn Financing Scheme

The prime objective of the scheme is to facilitate tobacco growing community to get reasonable price of tobacco produce through value addition by setting-up of Tobacco Barns. Financing limit is upto Rs. 0.400 million per borrower/party. The Bank provided credit amounting to Rs. 13.123 million against 51 number of cases under this scheme.

j) Soghat-e-Shireen Scheme for “Gur Making”

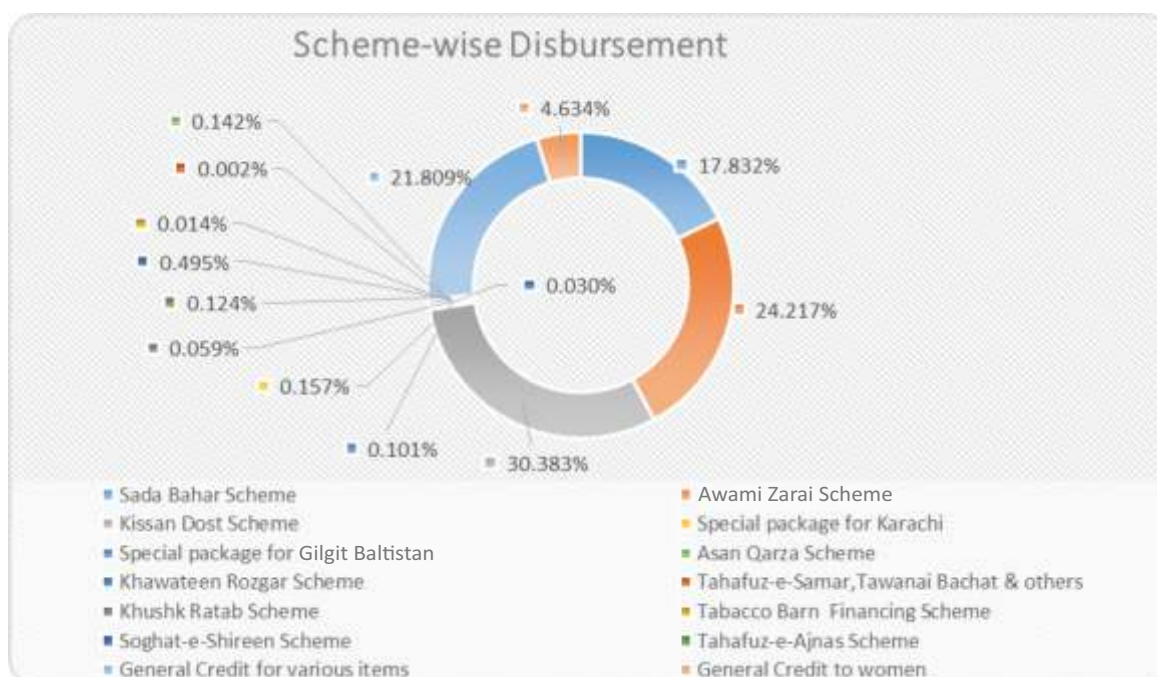
The scheme is applicable through out the country in sugarcane growing areas for Gur Making as value addition where no restriction is imposed by Federal/Provincial Government. Financing limit is upto Rs. 0.500 million per borrower/party. Bank disbursed an amount of Rs. 472.760 million against 1,770 number of cases.

k) Tahafuz-e-Ajnas Scheme (Product on Godown)

The scheme is applicable across the country to promote the capacity building in shape of storage facilities for the establishment of small godowns in order to prevent the wastage of farm produce. All creditworthy and reputable rural populace having capacity to repay, are eligible to get financing is upto Rs. 1.500 million. Loan under the scheme is recoverable within 10 years in half yearly installments commencing one year after the disbursement. During the year the Bank disbursed an amount of Rs. 118.553 million against 1,192 number of cases.

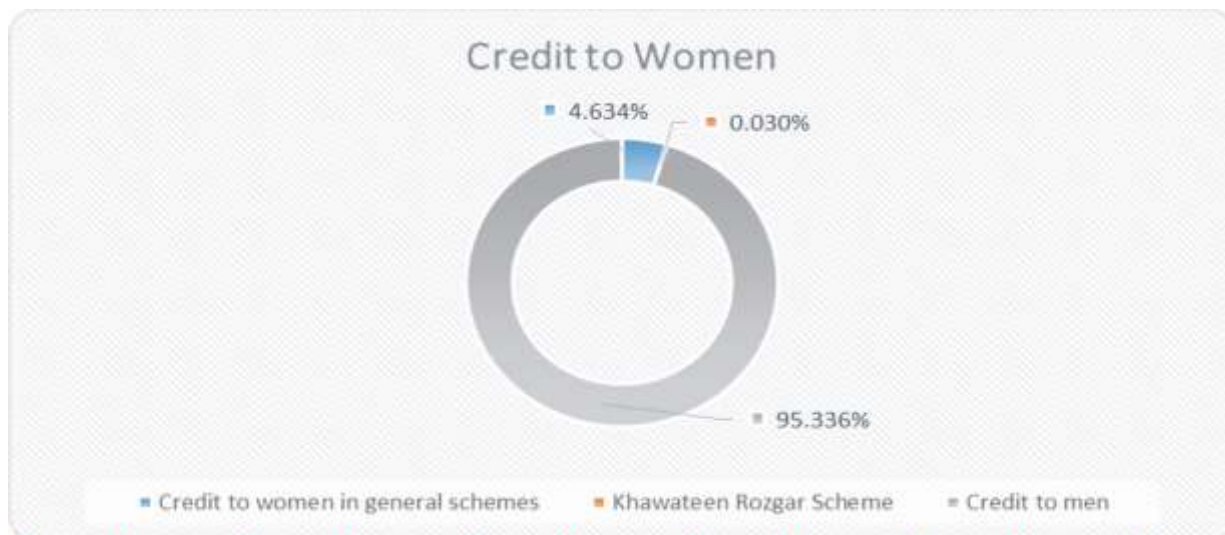
l) Agri. Financing Scheme for “Cut-Flowers”

In order to promote floriculture sector and to facilitate rural community to utilize their best potential and skill to earn livelihood through cut flower cultivation, the Bank has introduced this specific scheme in the vicinity of big cities i.e. Lahore, Gujranwala, Islamabad, Karachi, Hyderabad, Peshawar and Quetta. All creditworthy and reputable farmers engaged in cut flowers cultivation are eligible for availing credit under this scheme. Financing limit is upto Rs. 1.500 million per borrower/party. Loans under the scheme for Rose Cultivation would be recoverable within five years in half yearly installments with one year grace period, whereas loan for Tube Roses & Gladiolus cultivation is recoverable within five years in half yearly installment with six months grace period.



1.7.3 General Credit to Women

The Bank takes initiative to empower the rural women to play due role for increasing their family income and contributing towards national progress. For this purpose Bank is providing credit to all credit worthy women those having technical know how & capacity to payback. It provides credit facilities in different areas like farming, textile and clothing, bamboo cane and related industries and others etc. The rate of markup is charged as per prevailing rate and monitoring is being exercised by ensuring checking of utilization by MCOs in 100% cases and sample checking of utilization by the Manager, Zonal Manager, Recovery and Internal Auditors of the Bank. Bank advanced an amount of Rs. 4,421.772 million against 17,943 number of cases in general credit to women.



1.7.4 General Credit

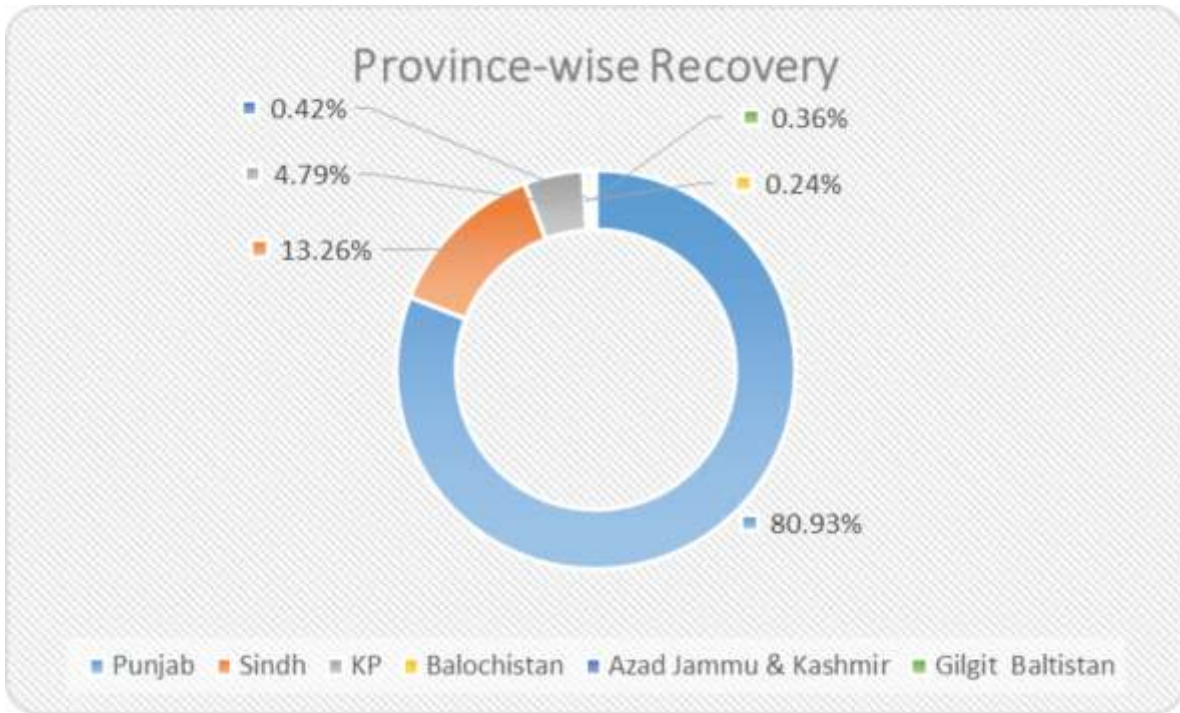
Bank also provides loans or credit facilities for general purposes like tractor, cultivator, harvester and other agriculture equipments. Under the general purpose Bank provided credit to the farming community amounting to Rs. 20,810.468 million against 19,165 number of cases.

2. RECOVERY & SPECIAL ASSET MANAGEMENT

During the year 2015, agricultural loans amounting to Rs.88,720.154 million have been recovered against total recoverable amount of Rs. 96,024.439 million, showing recovery rate of 92.4% whereas, the Bank had recovered Rs.78,721.131 million with recovery rate of 91.7 % during same period of last year depicting a substantial growth of Rs.9,999.023 million in terms of amount. Province wise recovery achievement in respect of agricultural loans is given as under:-

Agricultural Credit Recovery and Growth

Province	2015	2014	(Rupees in Million)	
			Growth	
			Amount	Percentage
Punjab	71,801.630	63,591.136	8,210.494	12.9
Sindh	11,765.543	10,389.046	1,376.497	13.2
KP	4,248.260	4,034.894	213.366	5.3
Balochistan	216.799	182.690	34.109	18.7
Azad Jammu & Kashmir	370.561	283.041	87.520	30.9
Gilgit Baltistan	317.361	240.324	77.037	32.1
Pakistan	88,720.154	78,721.131	9,999.023	12.7



During the year under review, an amount of Rs.2,917.390 million was recovered out of SAM loans with 114% pace against the target of Rs. 2,557.000 million. SAM loans portfolio at the end of the year 2015 was Rs. 22,467.562 million with net reduction of Rs. 3,273.369 million from Rs. 25,740.931 million on December 31, 2014. Non performing loans accrued being the percentage of total outstanding remained at 13.8% as of December 31, 2015.

Future Outlook

The recovery target of Agri loans for the year 2016 has been fixed as Rs.93.000 billion. The recovery operation will be monitored through Management Information System (MIS) by using DiMIS (Dynamic Integrated Management Information System) on daily basis by the Head Office. The same facility will be made available for the field to review the case in default through different aspects. Recovery performance of the field functionaries will be monitored by controlling officers. Efforts for settlement of SAM loans through newly launched SAM loan settlement policy would continue unabated. The use of early warning system to monitor addition to SAM loans portfolio will be made more effective. Recovery efforts through legal course/ action against the defaulters would be vigorously followed.

3. BUSINESS STRATEGY

In line with the directive of honorable Chairman to the Board, the bank arranged two days Strategy Formulation Consultative Sessions undertaken by Prof. Dr. Zahoor Hassan of Lahore University of Management Sciences (LUMS). The session was an interactive discussion / deliberations among ZTBL's Board of Directors, Senior Management, Executives and field functionaries were moderated by Prof. Dr. Zahoor Hassan. Detailed deliberations reviewed bank's operational thrust for its better alignment with the vision which would ultimately benefit the farming community along with achieving the highest services level by the bank offered to its clientele.

On the basis of deliberations / recommendations thus formulated a detailed action plan was prepared by core business divisions. This action plan envisages detailed chronology of strategic initiatives to be implemented/ adapted during the coming five years period. Salient features of the initiatives planned under the subject action plan include;

- i. Launching of projects aiming at capacity building of farming community, initially on pilot basis. Increasing yield levels and enhancing farmer's household incomes through adapting to agriculture best practices is the envisaged outcome. Under this initiative following are the proposed projects;
 - a. Enhancing farmers' productivity and income through establishment of service providers.
 - b. Learning & Skill Development by Progressive Farmers.
 - c. Learning & Skill Development by provision of opportunities to young farmers through arranging training in collaboration with agriculture training institutions of the country, like, NAVTTC, TEVTA, PARC, Agriculture University Faisalabad etc.
 - d. Establishment of Help Desk in order to facilitate the farming community for timely technical advice and technological solutions.
 - e. Establishment of permanent display centers and holding of Green Pakistan exhibition.

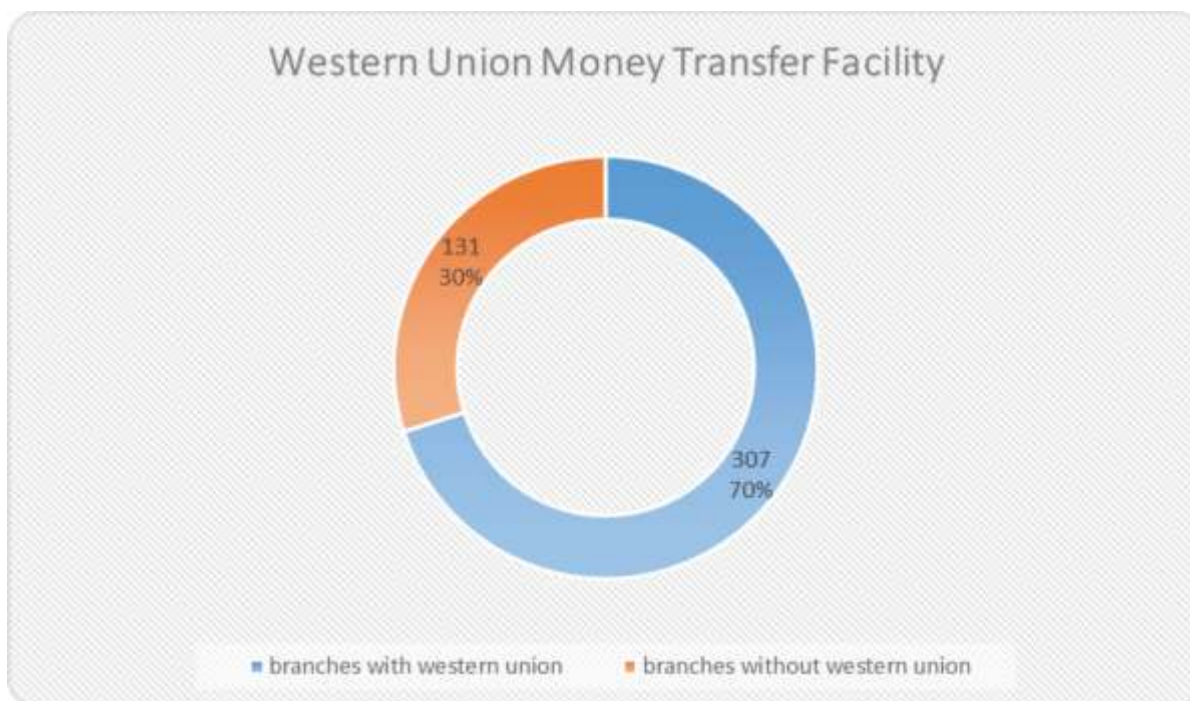
- ii. Lending operations are planned to be made more effective through focused approach. The projects envisage under lending operations are;
 - a. Undertake thorough modalities for arranging suppliers' credit through identification of suppliers.
 - b. Development of modalities for rationalization of lending products especially in terms of geography.
 - c. Identification of potential areas for extension of financing facilities in post-harvest process.
 - d. Recommendation and detailed modalities for devising of tailored products for value chain financing, keeping in view the geographic endowments.
- iii. Launching of banking and financing products under Islamic mode of financing. For this purpose Sharia compliant products both for asset and liability sides will be developed for its active offering, after having met with all pre-requisites.
- iv. Making recovery efforts more effective with especial focus on minimum accretion to SAM (Special Asset Management) Portfolio.
- v. Building up of sustainable deposit base and for this purpose diversifying the liability side product matrix, to be tailored for all segments of both urban and rural clientele.
- vi. Developing alternate delivery channels, ATM facilitations, increase in bank's outreach through opening of new branches, conversion of loss making branches into profit earning units and rationalization of MCOs' circles.

4. OPERATIONS AND BUSINESS OUTREACH

In line with the vision and mission, the Bank is endeavoring to provide credit facility to needy farmers at their door steps. Under Annual Branch Expansion Plan – 2015 the Bank has expanded its Branch network to 438 branches by adding 22 new branches as of December 31, 2015. The Bank has successfully opened more than 89 thousand new deposit accounts and achieved the deposit mobilization of Rs. 35,948 million against the annual target of Rs. 22,000 million.

During the year 2015, ZTBL managed to achieve a land mark of receiving 19,530 Hajj applications. The Bank successfully completed Hajj operation by establishing of hajj booths, making availability of Saudi Rayals and by providing allied services. The Bank has achieved collection of 1,324,229 number of utility bills in the year 2015.

To provide home remittance services to its customers, Western Union money transfer facility has been extended to 307 branches of the Bank. During the year 12,458 transactions were carried out through Western Union.



Future Outlook

State Bank of Pakistan has approved opening of 21 new branches (13 conventional and 8 commercial) to enhance branch network which will be opened at selected places under Annual Branch Expansion Plan of 2016. Upgradation of old branches by enhancing infrastructure and IT equipment will be carried out. According to Deposit Mobilization strategy deposit target of Rs. 40,000 million for the year 2016 has been allocated to Zones. Keeping in view the performance and potential of the Zones, Utility Bills target proposed for the year 2016 is 1,600,000 numbers of bills. Target allocated for the Western Union transactions for the year 2016 has been increased to 20,000 transactions.



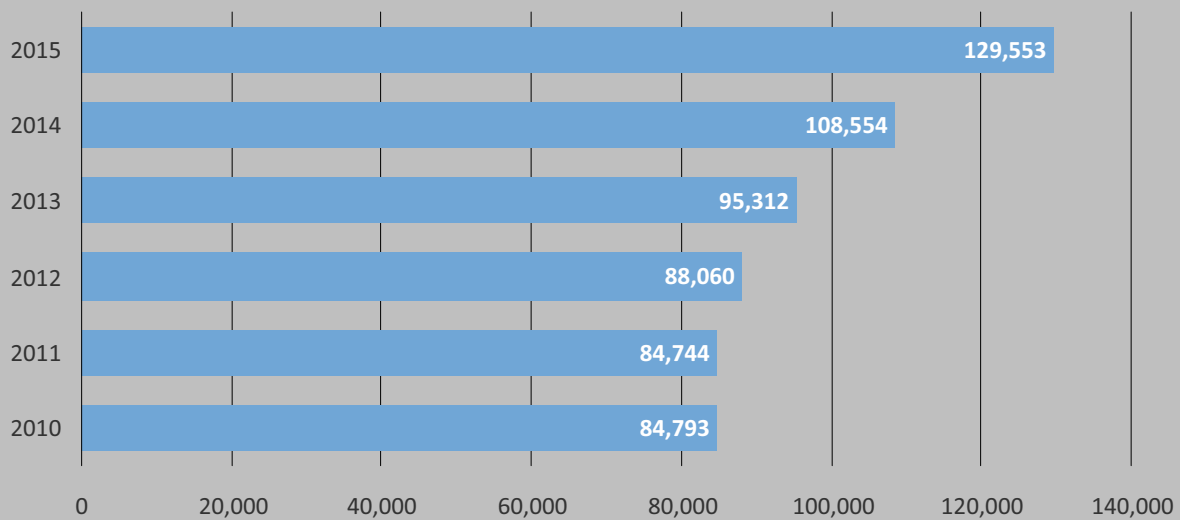
5. FINANCIAL PERFORMANCE OF THE BANK

Despite all constraints, there has been a growing trend in the total assets and advances of the Bank. The assets of the Bank remained at Rs.187,574 million whereas the assets of the Group as per consolidated annual accounts amounted to Rs.187,884 million. The Bank's Capital Adequacy Ratio (CAR) as on December 31, 2015 was 49.74% of its risk weighted exposure, as against required by SBP ratio of 10.25% and industry average of 17.3% for year 2015. The Bank earned pre-tax profit of Rs.8,379 million and the Group showed pre-tax profit of Rs.8,494 million. The classified loans were provided for as per SBP Prudential Regulations during the period under review. The Bank mobilized its deposits up to Rs.35,948 million as on 31.12.2015. The after tax profit of the Bank remained Rs.5,273 million slightly lower than Rs.5,417 million in last year due to increased taxation in the reported period.

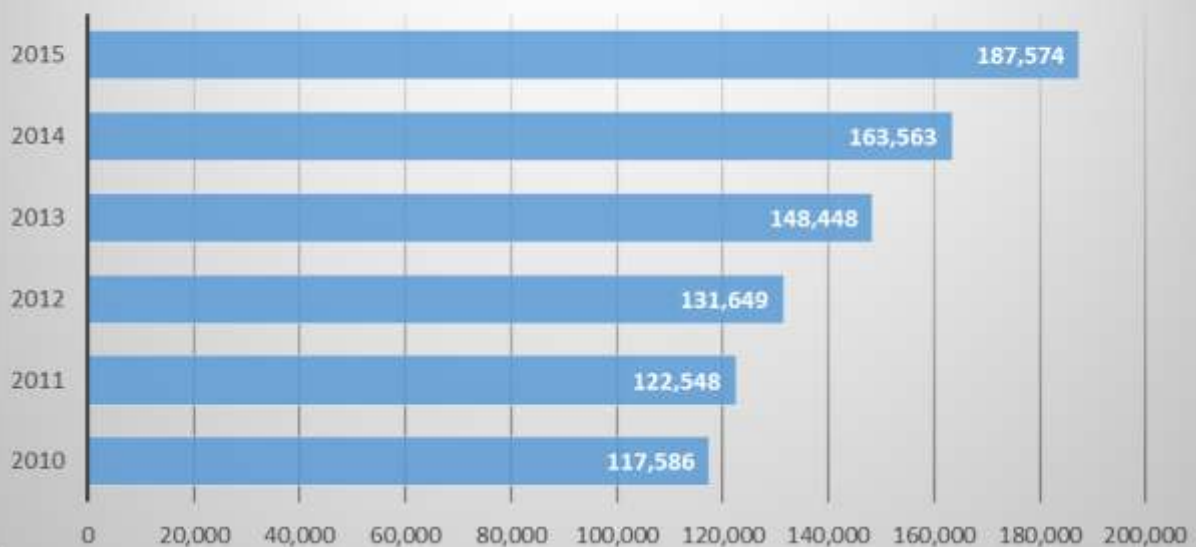
5.1 Six Years at a Glance

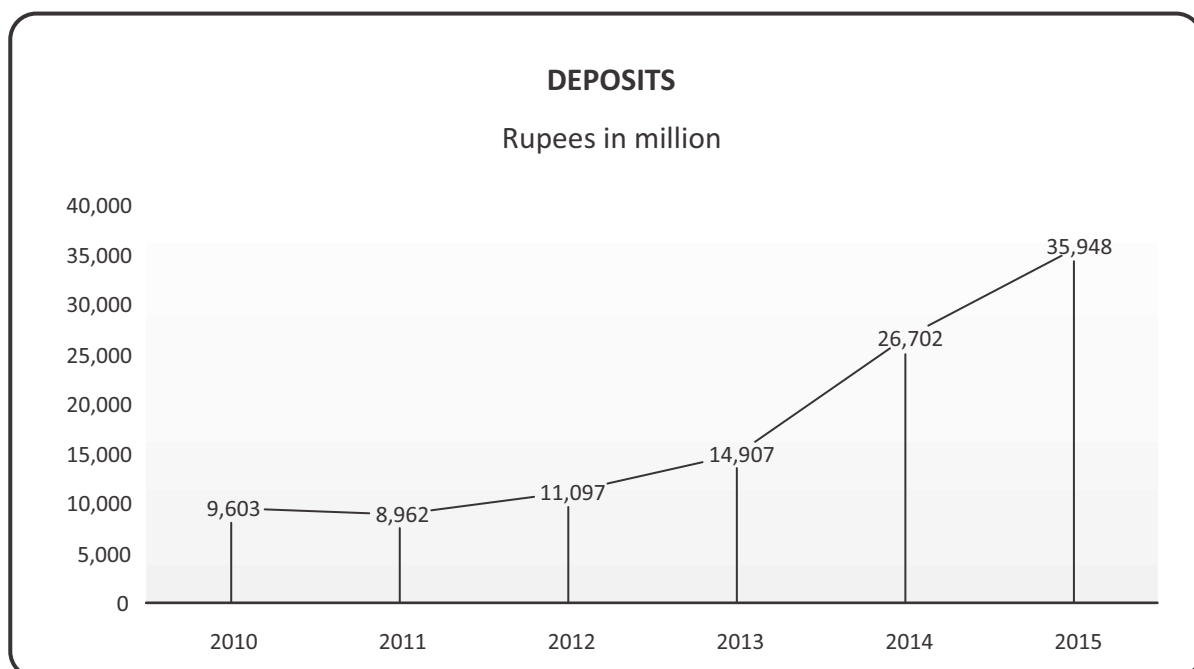
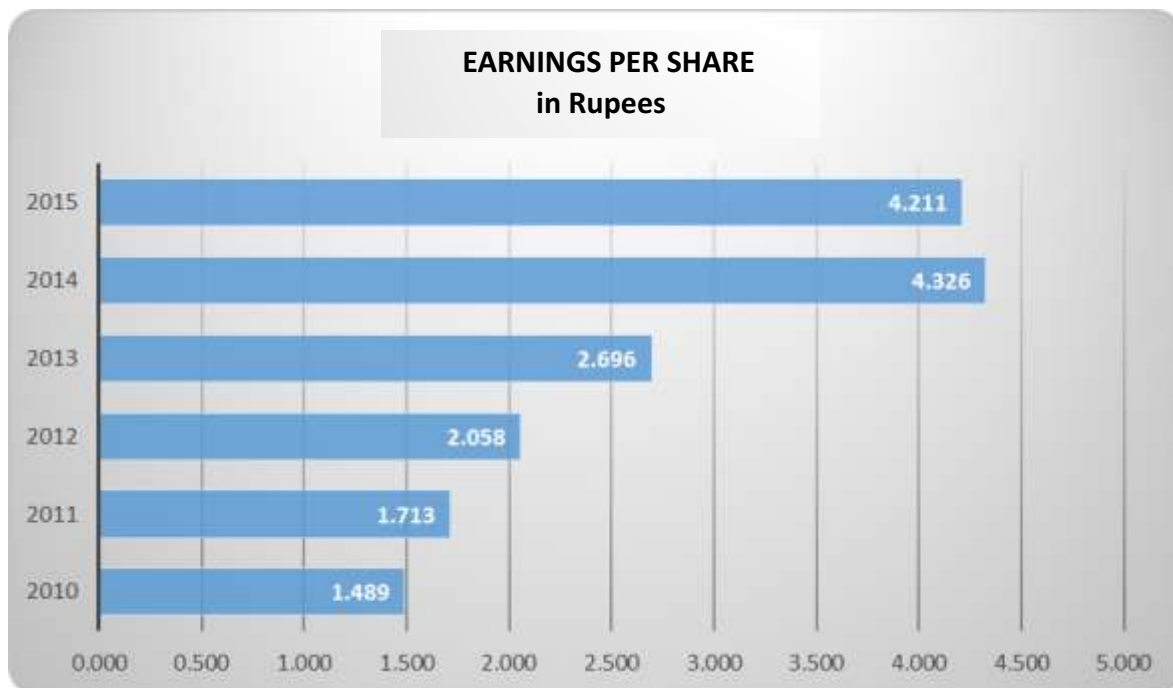
Particulars	(Rupees in million)					
	2010	2011	2012	2013	2014	2015
Total Assets	117,586	122,548	131,649	148,448	163,563	187,574
Net Advances	84,793	84,744	88,060	95,312	108,554	129,553
Cash & Bank Balance	13,662	14,233	12,525	12,742	10,085	18,925
Operating Fixed Assets	1,132	1,167	1,180	1,347	1,581	2,101
Share Capital	12,522	12,522	12,522	12,522	12,522	12,522
Deposits	9,603	8,962	11,097	14,907	26,702	35,948
Appropriations						
Profit/(Loss) before Taxation	2,878	3,277	3,870	5,167	8,327	8,379
Taxation	1,014	1,132	1,293	1,790	2,910	3,106
After Tax Profit/(Loss)	1,864	2,145	2,577	3,377	5,417	5,273
Un-appropriated Profit brought forward	4,964	6,456	10,360	12,263	13,598	14,553
Profit available for Appropriation	6,828	8,601	12,937	15,640	19,015	19,826
Other comprehensive Income	-	-	(156)	(1,366)	(3,379)	(54)
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)	(372)	(429)	(518)	(675)	(1,083)	(1,055)
Un-appropriated Profit Carried forward	6,456	10,360	12,263	13,598	14,553	18,717
Earnings Per Share	1.489	1.713	2.058	2.696	4.326	4.211

NET ADVANCES Rupees in million



ASSETS Rupees in million







5.2 Capital

The authorized capital of the Bank is Rs.125 billion divisible into 12,500,000,000 number of shares. The paid up capital of the Bank as on 31.12.2015 was Rs.12.522 billion. The issuance of preference shares worth Rs.54.461 billion and ordinary shares worth Rs.40.156 billion are under consideration.

5.3 Credit & Entity Ratings

JCR-VIS Credit Rating Company, Limited, Karachi (JCR-VIS) in their report dated June 18, 2015, has reaffirmed the entity rating of the Bank at 'AAA/A-1+' (Triple A/A- One Plus), previously rated on August 8, 2014. JCR-VIS has also reaffirmed ratings of 'AAA/A-1+' assigned to Government Guaranteed Obligations of ZTBL. Outlook on the rating is stable. According to Rating Company there is a notable improvement in the standalone risk profile of the institution.

5.4 Earnings per Share (EPS)

During the year under review the basic earnings per share remained Rs. 4.211 as compared to Rs.4.326 in year 2014. The Group posted an EPS of Rs.4.267 as compared to 4.357 last year.

5.5 Conversion of SBP Debt into Equity

In view of future financial viability and sustainability of the Bank, in a meeting held on 11th 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 was waived-off / written-off.

However, subsequent to the reporting date, it was mutually agreed between the Bank and SBP that SBP's debt - principal amounting to Rs. 54.460 billion (SBP borrowings amounting to Rs. 51.257 billion and subordinated loan amounting Rs. 3.204 billion) be converted into redeemable preference shares carrying a mark-up of 7.5% per annum, redeemable in one bullet payment on December 31, 2025. The markup on preference shares shall be payable half yearly on June 30 and December 31, each year and shall be the contractual obligation of the Bank.

Mark-up on the existing debt shall be accrued upto December 31, 2015 as per existing arrangements, leading to increase in accrued mark-up from Rs. 35.030 billion as on June 30, 2014 to Rs. 40.156 billion as on December 31, 2015. The accrued mark up of Rs. 40.156 billion be converted into ordinary shares of the Bank, which has been shown as share deposit money of the Bank. The Board of Directors in their meeting held on February 02, 2016 and further in consultation with SBP, resolution by circulation dated February 19, 2016 was approved by the Board of Directors of the Bank and has resolved to convert of SBP debt into preference shares and mark-up into ordinary shares of the Bank for which members approval will be obtained. The principal of the preference shares and return thereon shall be guaranteed by the Federal Government of Pakistan.

6. REGULATORY COMPLIANCE FUNCTION

The Bank has well defined Compliance policy/program to ensure that all relevant laws are complied within letter and spirit, and thus minimize legal and regulatory risks. Thereby following SBP Prudential Regulation G-I (D), a Compliance Department was established in 2007 under supervision of a Compliance Officer.

Submission of mandatory returns, other data and reports to State Bank of Pakistan and other Government Departments and agencies was ensured. During the year 2015 around 91 regular/periodical returns were arranged from different Divisions/Departments for onward submission to Regulators. Bank's management arranged coordination with SBP for Inspection of the Bank from 01-01-2014 to 30-06-2015.

Compliance Review Program (CRP) is already operative in 40 selected branches having big loan portfolio where Branch Compliance Officers have been posted whereas, Compliance Review Program (CRP) is being under taken by the concerned Branch Manager at all other Branches. Further 102 branches are planned to be covered under CRP during the year 2016. Branch Compliance Officers have been posted at the selected branches to review the Bank's operations onsite on day to day basis and to report exceptions on monthly basis. Rectifications of exceptions are pursued through Branch Compliance Officers as well as through Operations/Credit/CA&RM Divisions.

7. HUMAN RESOURCE DEVELOPMENT

Bank has made strenuous efforts for enhancing the capabilities and competencies of the existing human resource for meeting the Bank's business needs and implementation of Human Resource Management Strategy by various training programs, motivations through promotion and giving different incentives in the shape of cash awards etc.

The Bank has strengthened manpower base and boosted its operations through promotion of 1,910 officers /staff of committed/clean service record during 2015. 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 5,699 ZTBL employees and 3,698 support staff hired from M/s KSSL (a subsidiary of ZTBL).



Performance Management Policy of the Bank is based on the concept of Pay for performance, i.e. higher the performance, higher the reward. Annual Merit Increase was granted to 1,500 officers on the basis of final score of Performance Appraisal Reports (PARs). A Grievances Handling Committee (GHC) was established to redress the grievances of the employees internally (at Bank level) which would help in reduction of litigation.

The improvement of HR policies and systems is a continuous process. During the year 2015, various HR policies were updated. To enhance the competencies of manpower, about 76 courses were conducted and 2,362 officers/staff were trained in different areas, 230 trainings were imparted at other institutes while 98 workshops were held in zones.

In order to motivate the Bank employees, a good number of policies especially relevant to monetary benefits based on length of service and other pay/perks etc. were reviewed by the Board of Directors during the year 2015. Role & responsibilities of Key Executives and conflict of interest for all employees of the Bank have also been reviewed as per requirement. Amendments in staff Regulations-2015 (severance benefits) car loan, depreciation policy, transfer posting (job rotation) policy, Job description of field functionaries were made. To boost the morale of employees and minimize the reservations towards HR Policies, a former Honorable Justice of Supreme Court of Pakistan has been appointed as Ombudsman for grievance resolution which is working effectively.

Future Outlook

The management of the Bank considers all of its employees as the most important assets for achieving institutional objectives. For the purpose, Human Resource Policies have substantially been updated/ improved. Motivation and mobilization of human resource for better efficiency through a series of incentives, i.e. Staff Advances, Welfare Activities, Bonuses, and Cash awards will be continued and gradually improved, in future.

8. STRENGTHENING IT/MIS INFRASTRUCTURE

In pursuant to IT Steering Committee (ITSC), Board Committee on IT (BCIT) and Board directives as well as IT Roadmap (2015-2019) approved by Board, Bank developed 26 IT Systems/Applications to automate/upgrade/ enhance existing IT Systems and ERP configuration/parameterization. Strengthening of Information Technology contributed in many ways towards growth of the Bank as stated below.

8.1 Customer Facilitation through Information Technology

The customers are facilitated by SMS facility on deposit, withdrawal and availability of Personalized Cheque Books. The manual system of handling Personalized Cheque Books have been fully automated enabling the Bank to provide Personalized Cheque Books to the customers. The Bank customers are being facilitated to use the Alternate Delivery Channel. An in-house Mobile Financial Services System has been developed and deployed. Co-Branded ZTBL and U-Bank ATM Cards are under production.

8.2 Strengthening of Internal Systems

ERP Technical Resource Teams as per approved plan 2015-16, migrated transactional "Data" from legacy system (cFOCS), enabling the end users to prepare annual financial statements through ERP-EBS as well. Bank successfully developed Interactive Management Information System (iMIS) during the last year. This system provides 362 readymade reports for Accounts, Insurance, Risk Management, Recovery, Budget, SAM, Credit Policy, Credit Operations and Regulatory Reporting Departments. Bank has developed Anti Money Laundering System (AMLS) to meet regulatory requirements of State Bank of Pakistan (SBP) and restricting the Banking facilities to eligible customers for legitimate use only. The Bank was managing its treasury system as a stand alone. The process of manual treasury data entering in the main system has been automated and integrated with legacy application system and after its phase out will be integrated with CBAS as well as ERP-EBS. Disciplinary Proceedings System has been developed to replace legacy application and is under User Accepting Testing (UAT). iAudit Management System has been developed in-house enabling the internal auditors to audit the operations from their own desk and audit CNIC verifications, credit worthiness reports, loan transactions / examining each voucher and security documents.

8.3 Facilitation of Employees through Information Technology

Pay slips have been automated and the employees of the Bank are being provided e-pay slips through e-mail for creating a paperless environment in the Bank. The Bank has developed staff advances system which will be shortly deployed enabling the users to determine staff advances and repayment schedule including markup calculation.

8.4 Facilitation of Farming Community through Information Technology

Bank launched a website named as "Agri. Technology website" to disseminate the latest technology to the farming community. Farmers can get technical support and expertise through this website.

8.5 Trainings in Information Technology

For the purpose of making fully conversant with the newly developed systems in ZTBL, necessary training has been arranged with the collaboration of ZTBL Staff College, Islamabad. During 2015, trainings have been imparted to 1,650 employees of Head Office and branches.

Future Outlook

Already configured and parameterized ERP suit of applications will be implemented practically in all branches after parallel –testing/UAT phase. In coming year all retail customers' activities like deposits, transactions, and other would be done through CBAS by completely replacing a legacy system cFOCS /COBOL up to December 31, 2016. After User Acceptance Testing (UAT) carried out by users of the Bank, now Centralized Branch Automation System (CBAS) would be deployed in all the branches as "Parallel Go Live" w.e.f 01.01.2016 along with Centralized Field Operations Computerization System (cFOCS). All branches will be moved towards the branchless banking by introduction of Alternative Delivery Channels (ADC) and mobile phone banking services will be extended to all branches of the Bank. Processing of ATM cards have been started which will be distributed in coming year. To enhance or improve the processing of treasury system of the Bank, treasury operations/system will be integrated with ERP-EBS. Anti Money Laundering System is under testing process and will be deployed shortly.

9. TECHNOLOGY DISSEMINATION

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. During 2015, organic winter vegetables like ice berg, Broccoli, Cabbage, Cauliflower, Turnip, Parsley etc were grown under Organic Farming Initiative Program. Brochures and leaflets were printed in local languages and disseminated to all field functionaries to further disseminate to enhance the access of farmers to the latest agriculture information. One day workshop and field day at Farm house on Ostrich Farm Management and Fish Farming respectively was arranged. Counseling services were also provided to farmers regarding various agricultural activities and new technologies. Two acres have been reserved for rose cultivation. Different varieties of plants like Peach, Pecon Nuts, Seedless Citrus, Pear, Plum and Olive etc were imported from various organizations like Agriculture Research Station Swat, Agriculture Research institute Tarnab, Peshawar for gap filling.

Future outlook

Boards' Committee on Agriculture Technology placed a lot of emphasis on technology dissemination to farmers and creating linkages with service providers. It would be pursued and taken ahead during the next year.

10. RISK MANAGEMENT FRAMEWORK AND POLICY

Effective risk management is fundamental to the business activities of a Bank. The Bank 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.

Obligor's Risk Rating System has been developed which is operational in all the branches of the Bank through specialized software called Internal Credit Risk Rating System (ICRMS)

In compliance with SBP guidelines on Basel-II, Standardized Approach (SA) has been implemented for credit and market risk and Basic Indicator Approach (BIA) for operational risk. In addition, Internal Capital Adequacy Assessment Process (ICAAP) has been developed as a part of Basel-II implementation in the Bank.

In order to monitor and control operational risk issues, an Operational Risk Model (ORM) has been designed. The ORM is being implemented in all branches of the Bank in phases as per action plan. Disaster Recovery and Business Continuity Plan has been developed. This includes guidelines on emergency evacuation, disaster recovery and post-disaster business continuity plan. The Risk management policy has been reviewed by the BRMC and approved by the Board.

Future Outlook

Strengthen / widen risk monitoring function in the field which includes Obligor's Risk Rating (ORR) for pre-credit approval process and Operational Risk model (ORM) reports to ensure effective credit and operational risk monitoring functions in the field. Reorganizing/ revamping risk management / capacity building to implement advanced features of RM / Basel-II & Basel-III. Bring Risk Management function at par with other Banks/ DFIs in the country.

11. CREDIT ADMINISTRATION

Credit administration is very important for effective & sound lending through proper, prescribed & stipulated documentation. In order to monitor proper loan documentation, Disbursement Authorization Certificate (DAC) is issued by Officer Incharge Credit Administration (OICAs) before disbursement. Credit Administration has played an effective as role in minimizing audit paras especially related to loan documents. In order to make availability of back up of loan documents electronically, Security Documents Management System (SDMS) has been introduced since July 2013. Under the System 383,552 loan cases have been scanned as on 31.12.2015 achieving 52%, in spite of hardships/ problems being faced by the field functionaries.

Future Outlook

- Scrutiny of pre & post sanction documents (On-going process).
- Shadow copying of 100% loan safe files.
- Deployment of suitable officers as OICAs in the vacant 108 branches.

12. CORPORATE SOCIAL RESPONSIBILITY

The Bank is continuously striving hard for benefiting the farming community through dissemination and introduction of innovative/ appropriate agricultural technologies. In this regard ZTBL has established 50 Farmers Training Centers across the country and trying to develop these to serve as a model for carrying out various agricultural activities. Conducted seven field days training courses on latest agriculture technologies and alternative use of power and energy at Farmers Training Center across the country, which were attended by 60-100 farmers & Bank's officials. 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. Bank also circulates brochures and supplements including various topics of interest of framers and agriculture entrepreneurs. The Bank believes that the growth of its business depends on the growth of farming community around it. It also offered internships to university graduates in the year under review.

Besides the agriculture technology disseminating activities, the Bank is also actively involved in sports sponsorships. The Bank is promoting sports in the country to fulfill its corporate social responsibility and is bringing talented players to represent Pakistan in games of cricket (male and female), Tennis (male and female), Squash (male and female), Golf, Polo, including Shooting Ball.

Zarai Taraqiati Bank Limited (ZTBL) won the President ZTBL Cup Inter Departmental Shooting Ball Tournament 2016 held at the ZTBL Sports Club G-7/2, Islamabad by defeating Pakistan Tourism Development Corporation (PTDC).



The Bank also sponsored Rs.3,00,000/- only to M/s. Pakistan Federation Baseball on the occasion of 12th West Asia Baseball Cup-2015 held on February 23-28, 2015. Allama Iqbal Bridge Tournament held at Gymkhana Club Lahore on 8-9 November, 2015 was sponsored with an amount of Rs. 25,000/-.

On March 19-20, 2015 an Agri-Pak Exhibition & Conference was arranged by Dawn media group, which was sponsored by the Bank up to amount of Rs. 2,50,000, in which the Bank exhibited its stall for technology dissemination purpose. Joint advertisement with Dawn was also arranged. The Bank jointly arranged with State Bank of Pakistan an awareness program on Poultry, Livestock, Fisheries, Horticulture and Agriculture Financing held during October, 2015 at State Bank Bahawalpur. The Bank contributed an amount of Rs. 15,000 for this event.

ZTBL is Platinum member and approved employer of ACCA since January, 2010. Bank has provided 103 internships to the qualified ACCA since 2010, while thirteen ACCA qualified interns were trained during the year 2015 and they are still working with ZTBL. Many ACCA qualified students are being offered ACCA internships every year as per part of Corporate Social Responsibility.

13. FINANCIAL INCLUSION OF FARMING COMMUNITY

Staying committed to its mandate for provisioning of banking and financing services along with technology dissemination and technical knowhow ZTBL has reiterated its commitment towards contributing to the agriculture sector of the country fundamentally through financial inclusion and capacity building of subsistent farming community.

A paradigm shift has been seen in policy of the Bank to bring unbanked segments of population especially in rural area, particularly poor and marginalized groups through the continuum of sound financial access. The objective is to provide equitable and efficient market based financial services to the otherwise excluded poor and marginalized population including women and young people. The Bank has also won an international award on rendering its services in financial inclusion through its lending and deposit schemes. Bank has also introduced alternate delivery channels like mobile banking. Efforts are being made to introduce Islamic banking so that those hesitant to Riba can be banked by offering Shariah compliant products.

14. SUBSIDIARY COMPANY OF THE BANK

Kissan Support Services (Pvt.) Limited was incorporated as a subsidiary of Zarai Taraqiati Bank Limited in 2005 with an Authorized Capital of Rs. 100 million fully subscribed by the Bank. Under its Memorandum and Articles of Association, KSSL undertakes non-core activities of the Bank so that Bank may focus on core banking business more efficiently. The KSSL has provided following services to ZTBL in year 2015;

1. Recruitment / Provision of Clerical / non-Clerical Staff.
2. Security Services.
3. Management of Sports Activities.
4. Photocopying Services.
5. Janitorial Services.

The principal activity of the Company remained to provision of non-core support services to ZTBL by exercising appropriate control on the workforce in line with the best service quality standards.

Financial Performance

During the year, KSSL witnessed 55.80% increase in its revenue over the last year. Profit after Taxation was Rs.70.487 million compared to Rs. 41.299 million during the previous year, reflecting 70.68% increase in the company's earning performance, resulting into Earning per Share (EPS) of Rs.7.05 as compared to Rs. 4.13 per share in 2014. The Company being a wholly owned subsidiary of ZTBL neither proposes any dividend to be paid nor transferred any sum to any specific Fund/Reserve for the purpose.

Particulars	2014	2015
Profit after taxation (Rs. in million)	41.299	70.487
Earnings per share (Rs.)	4.13	7.05

Future Outlook

KSSL has a strong vision and passion to assist the ZTBL by providing support staff and taking over all non-core/auxiliary activities of the bank so that the bank may concentrate on its core banking activities. KSSL intends to utilize its experience in security services by establishing a wholly owned subsidiary security company under the Companies Ordinance 1984. The internal audit function will be further strengthened for objective and systematic review of operations of KSSL and to ensure that the resources are utilized effectively.

HIGHLIGHTS OF ZTBL's OPERATIONS

(as on 31.12.2015)

Particular	Amount (Rs. Million)
A. DISBURSEMENT	
1. Total Disbursement	95,420
a. Production Loans	70,352
b. Development Loans	25,068
2. Tractors Financed	
Number	9,154
Amount	7,054
3. Tube wells Financed	
Number	260
Amount	82.37
4. Loans to Subsistence Farmers	72,869
5. Share of Small Farmers (Under 25 Acres)	88,518
6. Number of Borrowers Served	408,456
B. RECOVERY OPERATIONS	
Total Amount Recovered	88,720
C. NETWORK OF OPERATIONS	
1. Number of Zones	32
2. Number of Branches	438
3. Number of MCOs	1,333

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 Control over Financial Reporting Department and Internal Audit Department. 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. Board endorses the statement of Internal Control attached to the Financial Statement for the year 2015.
- vi. Based on the results of December 31, 2015, 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, 2015 except as disclosed in these financial statement.

STATEMENT OF INTERNAL CONTROLS

It is the responsibility of Bank's management to establish & maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives. The management is also responsible to evaluate the effectiveness of Bank's Internal Controls Systems that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Bank's business strategies & policies. It can therefore only provide reasonable and not absolute assurance against material misstatement & loss. 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). The management believes that the Bank's existing system of internal control is considered reasonable in design & is being effectively implemented and monitored.

Based on the work performed under ICFR, the management has identified various areas for process improvements as well as additional controls required to be put in place and areas requiring strengthening of existing controls. The management takes all reasonable steps to ensure that the timelines and priorities assigned to the same & adhered to.

The Bank has successfully completed the stages of its ICFR program and submitted the LFR as of 31st December, 2015 to SBP. The observations pointed out in LFR 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. Necessary steps are also being taken by the management so as to ensure non repetition of exceptions and elimination of such weaknesses to the maximum possible level.

The Bank is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in future improving the overall control environment. The BoD is ultimately responsible for Internal Control System and the Board endorses the above management evaluation.

CORPORATE INFORMATION (As on 31.12.2015)

Name:	Zarai Taraqiati Bank Limited	
Head Office:	1 Faisal Avenue Islamabad, Pakistan.	
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:		
Preference Shares:	Rs. 54,461,536,320	
Ordinary Shares:	Rs. 40,155,991,742	
Board of Directors:	Syed Yawar Ali Syed Talat Mahmood (President/CEO, ZTBL) Mr.Mohammad Tanvir Butt Mr.Saeed Ahmad Mr.Zia-ul-Mustafa Awan Mr.Majyd Aziz Balagamwala Mr.Abdul Bari Tareen Mr.Zahid Idris Mufti	Chairman Director Director Director Director Director Director Director
Chief Operating Officer:	Sheikh Aman Ullah	
Chief Financial Officer:	Mr. Mehboob Hussain	
Company Secretary:	Mr. Muazam Ali	
Company's Website:	www.ztbl.com.pk	

SHAREHOLDING OF ZTBL

Sr. No.	Name of Share Holder	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 Pakhtunkhawa	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.

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	Rs 18/ km if travelled by own car or Return Air Ticket (Business Class)
4. 5 Star Hotel accommodation	At actual

VALUE OF INVESTMENTS OF EMPLOYEES' BENEFITS FUND

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

Name of Fund	(Rs. in million) for year ended 31.12.2015*
Contributory Provident Fund	875.912
Gratuity Fund under SR-2005	2,148.580
General Provident Fund (Officers)	2,540.828
General Provident Fund (Staff)	719.208
Employees Provident Fund	66.545
Gratuity Fund under SSR-1961	2,012.007
Pension Fund	7,803.785
Benevolent Fund (Officers)	903.603
Benevolent Fund (Staff)	422.975
Employees Benefit Fund	147.602

*Un-audited figures

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

BOARD COMMITTEES AND MEETINGS HELD DURING THE YEAR 2015

a. **Audit Committee** ————08 Meetings Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr.Zia-ul-Mustafa Awan	Chairman	08
02	Mr.Majyd Aziz Balagamwala	Member	08
03	Mr.Abdul Bari Tareen	Member	07
04	Mr.Saeed Ahmad Head Audit Division	Member Secretary	04

b. **Human Resource Management Committee** ————— 04* Meetings Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr.Majyd Aziz Balagamwala	Chairman	04
02	Syed Talat Mahmood	Member	03
03	Mr.Abdul Bari Tareen	Member	04
04	Mr. Asif Sharif** Head, HR Division	Member Secretary	01

c. **Risk Management Committee** ————— 02 Meetings Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Saeed Ahmad	Chairman	02
02	Mr. Zia-ul-Mustafa Awan	Member	01
03	Mr. Asif Sharif **	Member	02
04	Mr. Mohammad Tanvir Butt *** Head, Credit Administration & Risk Management Division	Member Secretary	

d. **Nomination Committee**—————01 Meeting Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Syed Yawar Ali	Chairman	01
02	Mr.Saeed Ahmad	Member	01
03	Syed Talat Mahmood Company Secretary	Member Secretary	01

e. **Procurement Committee** ----- 03 Meetings Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Abdul Bari Tareen	Chairman	03
02	Mr. Majyd Aziz Balagamwala	Member	03
03	Mr. Zia-ul-Mustafa Awan Head, Services Division	Member Secretary	03

f. **Investment Committee** -----01 Meeting Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Saeed Ahmad	Chairman	01
02	Mr. Majyd Aziz Balagamwala	Member	01
03	Mr. Asif Sharif**	Member	01
	Chief Financial Officer	Secretary	

g. **Committee On Information Technology**----- 03* Meetings Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Saeed Ahmad	Chairman	03
02	Mr. Zia-ul-Mustafa Awan	Member	03
03	Mr. Asif Sharif**	Member	03
04	Mr. Mohammad Tanvir Butt***	Member	
	SEVP (ISD)	Secretary	

h. **Agriculture Technology Committee** ----- 01 Meeting Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Syed Yawar Ali	Chairman	01
02	Mr. Majyd Aziz Balagamwala	Member	01
03	Mr. Asif Sharif**	Member	01
04	Mr. Zahid Idrees Mufti ***	Member	
	EVP (Planning, Research and Technology Division)	Secretary	

i. **Business Strategy Committee** ----- 01 Meeting Held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Syed Yawar Ali	Chairman	01
02	Mr. Majyd Aziz Balagamwala	Member	01
03	Mr. Asif Sharif**	Member	01
04	Mr. Abdul Bari Tareen	Member	01
05	Mr. Zia-ul-Mustafa Awan	Member	01
06	Mr. Saeed Ahmad	Member	01
	Chief Operating Officer	Secretary	

* *A joint meeting of Human Resource Management Committee and Information Technology Committee held on 17-06-2015*

** *Resigned*

*** *No meeting was held during their tenure*

Meetings of the Board

Eight (08) meetings of the Board were held during the year 2015. Attendance of the members remained as under: -

Sr. No.	Name of Member	Designation	No. of meetings attended
01	Syed Yawar Ali	Chairman	07
02	Syed Talat Mahmood	President/CEO/ Director	08
03	Mr.Mohammad Tanvir Butt *	Director	01
04	Mr.Saeed Ahmad	Director	06
05	Mr.Zia-ul-Mustafa Awan	Director	08
06	Mr.Majyd Aziz Balagamwala	Director	08
07	Mr.Abdul Bari Tareen	Director	08
08	Mr.Zahid Idris Mufti *	Director	01
09	Mr.Asif Sharif **	Director	06

* One meeting was held during their tenure.

** Resigned. Seven meetings were held during his tenure.

Annual General Meeting

12th Annual General Meeting of the Bank was held on April 20, 2015 at Islamabad.

Auditors of the Bank

1. M/s Riaz Ahmad & Company, Chartered Accountants, Islamabad
2. M/s BDO Ebrahim & Company, Chartered Accountant, Islamabad

Acknowledgement

In the end, Board of Directors extends sincerest thanks to our valued customers especially to the farming community for their patronage, to our employees for working as a committed team, to our shareholders for their support, trust and confidence and State Bank of Pakistan and other regulatory bodies for their continued guidance.

On behalf of the Board of Directors



(Syed Yawar Ali)
Chairman Board of Directors

CORPORATE AFFAIRS DEPARTMENT

No. CAD/1(4)/AGM/13/2016/

Dated: April 05, 2016

NOTICE OF 13TH ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of Zarai Taraqiati Bank Limited will be held on Wednesday April 27, 2016 at 12:00 Noon at ZTBL, Head Office, Islamabad, to transact the following business:

Ordinary Business:

1. To confirm the minutes of 12th Annual General Meeting held on April 20, 2015
2. To receive, consider and adopt the audited unconsolidated financial statements of the Bank and consolidated financial statements of the group (ZTBL & KSSL) for the year ended December 31, 2015 together with Auditors' and Directors' reports thereon.
3. To appoint the Auditors of the Bank for the year ending December 31, 2016 and fix their remuneration.

Special Business:

4. Conversion of SBP Debt into Preference shares and Ordinary shares of ZTBL
5. Amendments in Memorandum & Articles of Association of ZTBL

(Statement under Section 160 of the Companies Ordinance, 1984 in respect of Special Business is enclosed with the notice sent to Bank's shareholders)

Any other Business:

6. To consider any other business with the permission of the Chair

By order of the Board

(MUAZAM ALI)

Company Secretary

(051-9252759

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 BDO Ebrahim & Company, Chartered Accountants, Islamabad and M/s Riaz Ahmad & Company, Chartered Accountants, Islamabad.

Company Secretary

BDO Ebrahim & Co.
Chartered Accountants
3rd Floor, Saeed Plaza,
22-East, Blue Area,
Islamabad - 44000,
Pakistan

Riaz Ahmad & Company
Chartered Accountants
2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area,
Islamabad

REVIEW REPORT TO THE MEMBERS ON THE DIRECTORS' STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance ("the Code") and Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") prepared by the Board of Directors of Zarai Taraqiati Bank Limited ("the Bank") for the year ended December 31, 2015 to comply with Regulation G-1 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code and the Rules is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and the Rules and report if it does not and to highlight any non-compliance with the requirements of the Code and the Rules. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code and the Rules.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards' Statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code and the Rules require the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Following instances of non-compliance with the requirements of the Code and the Rules were observed which are not stated in the Statement of Compliance:


- (i) The Committees and Board members shall carry out their evaluation on annual basis as required by rule 8(1) of the Rules. We understand from management the performance evaluation of the members of the Board including the Chairman and the Chief Executive has been conducted by Pakistan Institute of Corporate Governance during the year, however, the same has not been presented to the Board for approval as required by the rule 8(1) of the Rules.
- (ii) The Board has not formulated significant policies regarding "Corporate Social Responsibility" and "Health Safety and Environment" as required by rule 5(7)(j) and 5(7)(m) respectively of the Rules.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code and the Rules, as applicable to the Bank for the year ended December 31, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code and the Rules as reflected in the note / paragraph in the Statement of Compliance:

Note / paragraph Description reference

3. A casual vacancy occurring on the Board was not filled up by the directors within 90 days as required by rule 3(4) of the Rules.
36. The Bank did not prepare monthly accounts for circulation amongst the Board members as required by rule 10(2) of the Rules.



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Engagement Partner:
Abdul Qadeer

DATED: MARCH 31, 2016
ISLAMABAD



RIAZ AHMAD & COMPANY
CHARTERED ACCOUNTANTS

Engagement Partner:
Atif Bin Arshad

DATED: MARCH 31, 2016
ISLAMABAD

**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, 2015

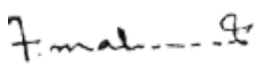
- I. This statement is being presented to comply with the requirements of the Code of Corporate Governance (the Code), as contained in Prudential Regulations G-1 for Corporate/Commercial banking issued by the State Bank of Pakistan (SBP) and the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter 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 public sector 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.	Tick the relevant box																					
			Y	N																				
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%; border-collapse: collapse;"> <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. Abdul Bari Tareen</td> <td>07.07.2014</td> </tr> <tr> <td>Mr. Zahid Idris Mufti</td> <td>17.12.2015</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 Mr.Mohammad Tanvir Butt</td> <td>07.07.2014 11.12.2015</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. Abdul Bari Tareen	07.07.2014	Mr. Zahid Idris Mufti	17.12.2015	Executive Directors	Syed Talat Mahmood	30.04.2014	Non-Executive Directors	Mr.Saeed Ahmad Mr.Mohammad Tanvir Butt	07.07.2014 11.12.2015	3(2)	✓	
Category	Names	Date of appointment																						
Independent Directors	Syed Yawar Ali	07.07.2014																						
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Executive Directors	Syed Talat Mahmood	30.04.2014																						
Non-Executive Directors	Mr.Saeed Ahmad Mr.Mohammad Tanvir Butt	07.07.2014 11.12.2015																						
3	A casual vacancy occurring on the Board was filled up by the directors within ninety days.	3(4)		✓																				
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 none of them has defaulted in payment of any loan to the 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 stock 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)	✓																					

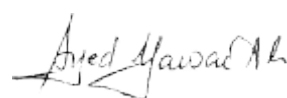
9	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓	
10	(a) The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate 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 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 or 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.	6(1)	✓	
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓	

20	<p>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.</p> <p>The Board has also monitored and assessed the performance of senior management on quarterly basis.</p>	8	✓																			
21	<p>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.</p>	9	✓																			
22	<p>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.</p>	10	✓																			
23	<p>All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.</p>	11	✓																			
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="279 1198 954 1545"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>04</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>03</td> <td>Mr.Abdul Bari Tareen</td> </tr> <tr> <td>Nomination Committee</td> <td>03</td> <td>Syed Yawar Ali</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	04	Mr.Zia-ul-Mustafa Awan	Risk Management Committee	03	Mr.Saeed Ahmad	Human Resource Committee	03	Mr.Majyd Aziz Balagamwala	Procurement Committee	03	Mr.Abdul Bari Tareen	Nomination Committee	03	Syed Yawar Ali	12	✓ ✓ ✓	
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25	<p>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</p>	13/14	✓																			
26	<p>The Bank has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.</p>	16	✓																			
27	<p>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.</p>	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	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:	21	✓																
	<table border="1"> <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> <tr> <td>Mr.Saeed Ahmad</td> <td>Non-Executive Director</td> <td>M.Sc (Economics) Dy.Governor, SBP</td> </tr> </tbody> </table>	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	Mr.Saeed Ahmad	Non-Executive Director	M.Sc (Economics) Dy.Governor, SBP			
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Mr.Abdul Bari Tareen	Independent	M.A. (Soci.) Progressive farmer																	
Mr.Saeed Ahmad	Non-Executive Director	M.Sc (Economics) Dy.Governor, SBP																	
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 company has complied with all the corporate and financial reporting requirements of the Rules except preparation/circulation of monthly accounts.		✓																



 (SYED TALAT MAHMOOD)
 President/CEO



 (SYED YAWAR ALI)
 Chairman

SCHEDULE II

Explanation for Non-Compliance with the 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:

S. No.	Rule/ sub-rule No.	Reasons for non-compliance	Future course of action
1	3(4)	As per procedure, the Board Nomination Committee recommended three names for the position of Director and the same were forwarded to the Federal Government on May 25, 2015. The Federal Government appointed the Director on November 18, 2015.	The Director appointed by the Government in place of outgoing one has assumed charge of the office of Director.
2	10(2)	Previously, ERP was not in place which is now in implementation process and data entries are being made from 1 st January, 2016.	The closing of books of accounts is made on quarterly basis since long. This procedure is required to be brought on monthly closing of books of accounts to prepare monthly accounts, same is being finalized with relevant business units/process owners. Hopefully, the monthly accounts will be prepared during first quarter of 2016.