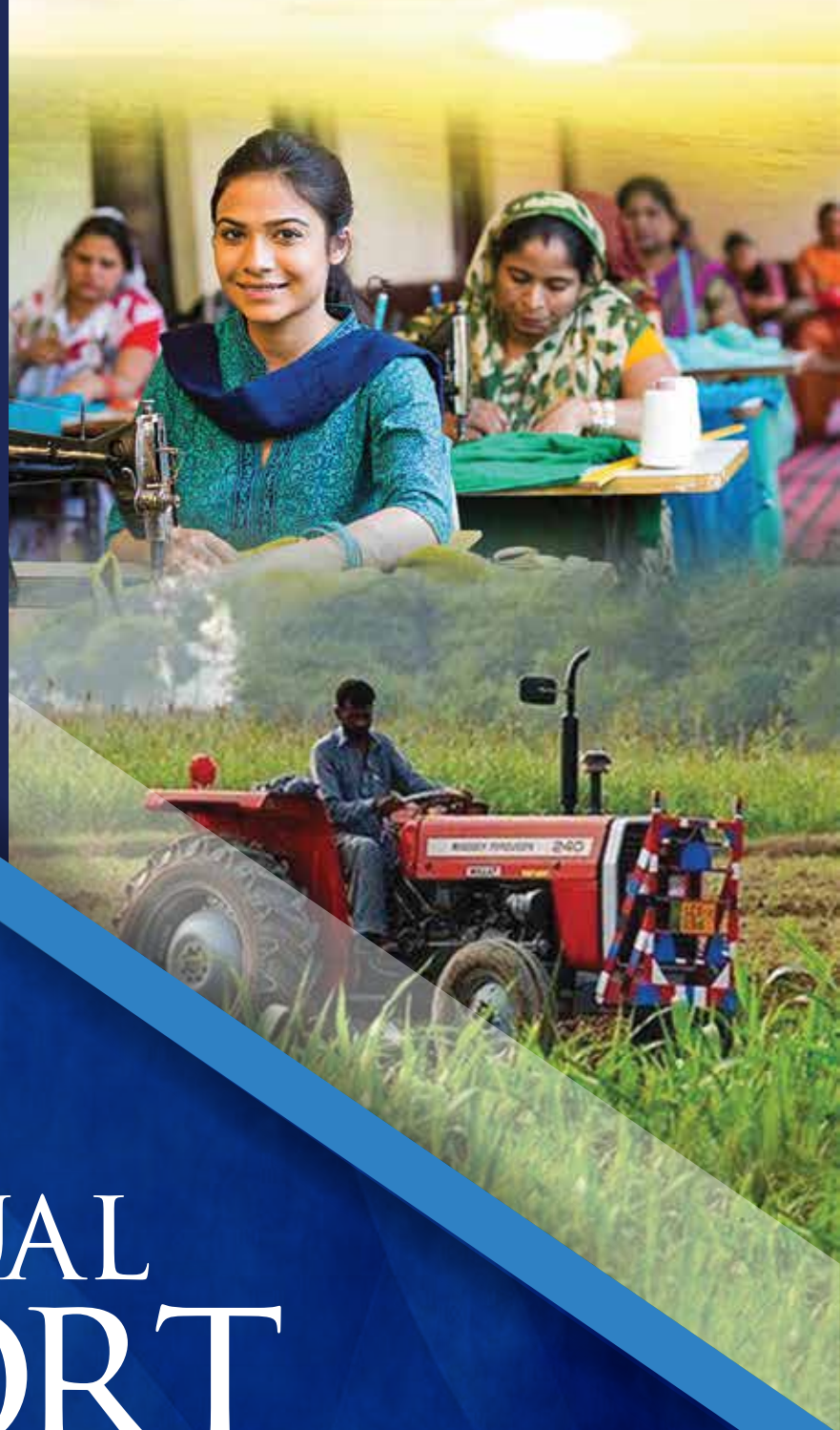




ZTBL



# ANNUAL REPORT

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Zarai Taraqati Bank Limited



ZTBL

Zarai Taraqati Bank Limited

[www.ztbl.com.pk](http://www.ztbl.com.pk)



# ANNUAL REPORT 2016



The document throws light on performance of Bank in the areas of Credits, Recovery, Operations, Information Technology, Human Resource, Risk Management and Technology Dissemination during the year 2016.

It also provides information to all stake holders including shareholders, regulators and employees about the financial performance of the Bank along with future outlook for the coming year.



**Syed Talat Mahmood**  
(President & CEO)

Zarai  
Taraqati  
Bank  
Ltd.

ذري ترقیاتی بینک لمیٹڈ



ZTBL



**ZTBL**

# ABOUT COMPANY'S



**Syed Yawar Ali**  
Chairman



**Syed Talat Mahmood**  
President & CEO

# TEAM

(The Board of Directors)



**Mr. Saeed Ahmad**  
Director



**Mr. Majyd Aziz Balagamwala**  
Director



**Mr. Zia-ul-Mustafa Awan**  
Director



**Mr. Zahid Idris Mufti**  
Director



**Mr. Abdul Bari Tareen**  
Director



**Mr. Mohammad Tanvir Butt**  
Director



**Mr. Abdul Ghafoor Mirza**  
Director



**Mr. Muazam Ali**  
Company Secretary





# CORPORATE VISION

Dedicated to serve the needs of the farming community, by delivering financial products and technical services on a competitive and sustainable basis, in a convenient, efficient and professional manner, leading to success of the Bank and the farmers.



## CORPORATE MISSION

To play effective role in the promotion of economic growth, by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programs, technical assistance, and other products & services, and to promote career development opportunities for increasing professionalism and technical proficiencies of employees.

## ZTBL CORE VALUES

- Loyalty to ZTBL Vision and Mission
- Integrity and Meritocracy
- Quality and Efficiency
- Well-Trained Human Resource
- Credit with Technology



# C O N T E N T S

<b>Directors' Report</b>	<b>1</b>
Economy Review	1
Agriculture Review	1
Future Outlook	2
ZTBL Performance Review	2
<b>1 CREDIT DISBURSEMENT</b>	<b>2</b>
1.1 Production Loans	3
1.2 Development Loans	4
1.3 Province-wise Disbursement of Loans	4
1.4 Term-wise Loan Disbursement	5
1.5 Security-wise Disbursement of Loans	5
1.6 Holding-wise Disbursement of Loans	6
1.7 Scheme-wise Disbursement of Loans	6
1.7.1 Production Credit Schemes	6
1.7.2 Development Credit Schemes	7
1.7.3 General Credit to Women	10
1.7.4 General Credit	11
<b>2 RECOVERY &amp; SPECIAL ASSET MANAGEMENT</b>	<b>11</b>
<b>3 OPERATIONS AND BUSINESS OUTREACH</b>	<b>12</b>
<b>4 FINANCIAL PERFORMANCE OF THE BANK</b>	<b>13</b>
4.1 Six Years at a Glance	13
4.2 Capital	15
4.3 Credit & Entity Ratings	15
4.4 Earnings per Share (EPS)	15
4.5 Conversion of SBP Debt into Equity	16
4.6 Performance of Treasury	16
<b>5 REGULATORY COMPLIANCE</b>	<b>17</b>
<b>6 HUMAN RESOURCE DEVELOPMENT</b>	<b>17</b>
<b>7 STRENGTHNING IT/MIS INFRASTRUCTURE</b>	<b>19</b>
<b>8 TECHNOLOGY DISSEMINATION</b>	<b>19</b>
<b>9 RISK MANAGEMENT FRAMEWORK AND POLICY</b>	<b>20</b>
<b>10 CREDIT ADMINISTRATION</b>	<b>20</b>



<b>11</b>	<b>CORPORATE SOCIAL RESPONSIBILITY</b>	<b>21</b>
<b>12</b>	<b>FINANCIAL INCLUSION OF FARMING COMMUNITY</b>	<b>22</b>
<b>13</b>	<b>INTERNATIONAL AWARDS &amp; ACCOLADES</b>	<b>23</b>
<b>14</b>	<b>OPERATIONAL KEY INDICATORS</b>	<b>25</b>
<b>15</b>	<b>SUBSIDIARY COMPANY OF THE BANK</b>	<b>25</b>
15.1	Services	26
15.2	Financial Performance	26
<b>16</b>	<b>CORPORATE AND FINANCIAL REPORTING FRAMEWORK</b>	<b>26</b>
<b>17</b>	<b>STATEMENT OF INTERNAL CONTROLS</b>	<b>27</b>
<b>18</b>	<b>DISCLOSURE ON GOVERNANCE AND REMUNERATION</b>	<b>27</b>
18.1	Process of Appointment and Nomination of the Directors	27
18.2	Profile of each Director (Qualification, Expertise & Experience)	28
18.3	Detail of Membership on the Board (s) of other Companies	29
18.4	Composition and Membership of Board Committees	30
18.5	Number of Board & Committee Meetings Held and Attendance of the Members During the Year 2016	32
18.6	Disclosure Relating to the Remuneration Policy	35
18.7	Remuneration of the Directors	37
<b>19</b>	<b>VALUE OF INVESTMENTS IN EMPLOYEES' BENEFITS FUND</b>	<b>37</b>
<b>20</b>	<b>SHAREHOLDING OF ZTBL</b>	<b>37</b>
	Corporate Information	38
	Notice of Annual General Meeting	40
	Review Report to the Members on Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	41
	Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	43
	Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	48
	Auditor's Report to the Members on Unconsolidated Financial Statements	49
	<b>Unconsolidated Financial Statements</b>	<b>51</b>
	Auditor's Report to the Members on Consolidated Financial Statements	151
	<b>Consolidated Financial Statements</b>	<b>153</b>
	<b>Statistical Annex</b>	<b>251</b>



# DIRECTORS' REPORT

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, 2016.

## Economy Review

Pakistan's economy witnessed a real GDP growth of 4.71 percent in the fiscal year 2016 which is the highest in eight-years. Meanwhile, the government's ongoing fiscal consolidation efforts limited the average budget deficit to 4.6 percent in FY16. The country's foreign exchange reserves continued on rising and touched around US\$ 24 billion. The development in macroeconomic indicators resulted in continued stance of monetary easing by State Bank of Pakistan. Prudent economic policies on the monetary, fiscal and industrial fronts have driven this economic improvement. State Bank of Pakistan's decision to keep interest rates at record lows encouraged the private sector to opt for bank loans and finance key projects. On the external front, the support lent by the sizable reduction in global oil prices figured prominently and helped offset export sluggishness. Remittance growth during the period also remained strong and financed the trade deficit to a great extent. The year however, saw export decline for successive few years despite SBP's easy monetary policy stance and supportive measures for exporters and entrepreneurs.

The comfort provided by remittances in terms of covering the trade deficit also weakened lately. The increase in average headline CPI inflation was noted due to the fact that inflation had already dipped to ultra-lows last year; further push came from supply-side factors, which included a gradual rise in international prices of some key commodities. The Government's sharp focus on addressing the energy constraints has stimulated industrial activities. Improvements on the economic and security fronts have bolstered investors' views and confidence about Pakistan.

## Agriculture Review

Agriculture contributed 19.8 percent in GDP and it remained by far the largest employer absorbing 42.3 percent of country's total labor force. The agriculture of Pakistan is heavily based on important crops of wheat, cotton, sugar-cane, rice and maize which account for 23.55 percent of the value added in overall agriculture and 4.67 percent of GDP whereas, livestock share in agriculture stood at 58.55 percent.

During FY 2016 the performance of agriculture sector as a whole remained dismal as it witnessed a negative growth of 0.19 percent against 2.53 percent growth during the same period last year. Cotton posted a negative growth of 27.8 percent in production and its output stood at 10.074 million bales against last year's production of 13.960 million bales. The government continued to provide subsidy on fertilizer, reduction in mark-up of agriculture loans and the measures envisaged in the last years' Kissan Package with an objective to ease out the difficulties faced by small farmers and to help accelerate the growth in agriculture sector.



## Future Outlook

Preliminary macroeconomic data signals a stable growth momentum for the crop season 2016-17. According to SBP's report, a strong growth in sugarcane and maize production, improved production of cotton, and better supplies of minor crops suggest some recovery in the agriculture growth.

Healthy credit expansion, along with higher production of Kharif crops, visible improvements in energy supply, and upbeat business sentiments signal recuperating real economic activities. An increase is expected in growth of Large-Scale Manufacturing sector on account of growing infrastructure spending and recent policy support for export oriented sectors. Based on current trend, it is expected that the actual inflation would remain lower in year 2017.

## ZTBL Performance Review

The Bank managed to perform fairly well in the year 2016. ZTBL having the largest network of 460 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 who deliver credit with technology at the doorstep of the farmers.

The Bank's 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, covered horticulture, hay packing units, vegetable/fruit dryers and milk chillers.

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 0.358 million farm families annually. The Bank has disbursed Rs. 1,170,204.534 million since inception up to 31.12.2016 which also includes financing of 584,468 tractors and 157,222 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.

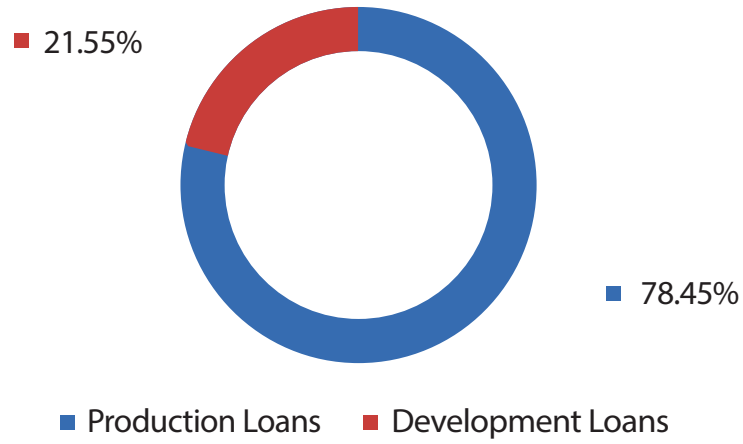
## 1. CREDIT DISBURSEMENT

During 2016, the Bank disbursed an amount of Rs. 92,847 million against an annual lending target of Rs. 90,000 million with a pace of 103%. The Bank served 358,583 borrowers during the year 2016 as compared to 408,456 borrowers served during corresponding period of last year showing a decline of 12%. The Bank disbursed loans under two broad categories of Production and Development Loans.

Four credit schemes namely Camel Rearing Scheme, Service Provider/Crop Production Financing Scheme, Warehouse Receipt Financing Scheme and financing to NAVTACC Trained Youth have been launched in the calendar year 2016. The Bank also participated in E-credit scheme of Punjab Government. The Bank has successfully achieved the structural shift in portfolio composition with development to production ratio of 21.55% and 78.45% respectively.



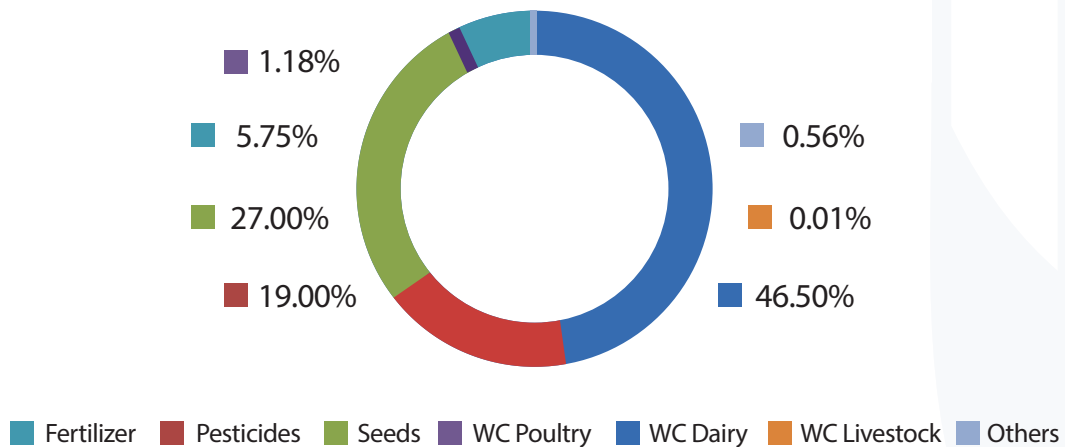
## Credit Disbursement



### 1.1. Production Loans

Bank disbursed a major portion of its funds towards production loans amounting to Rs. 72,837.065 million constituting around 78.45% of total disbursement.

## Production Loan Disbursement



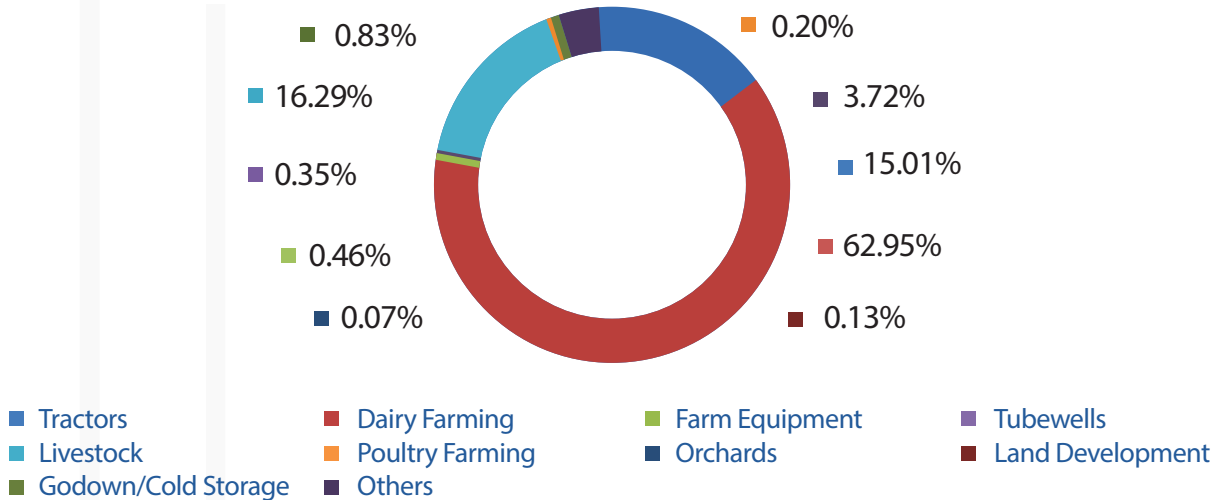
\*WC= Working Capital



## 1.2. Development Loans

An amount of Rs.20, 010.332 million constituting 21.55 % of the total agricultural credit of the Bank was disbursed under the category of development loans.

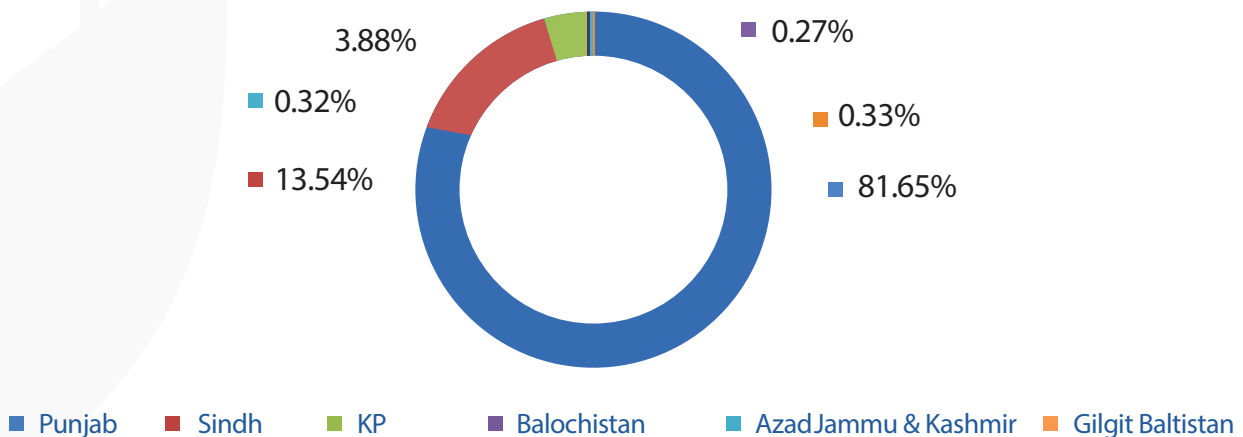
### Development Loans Disbursement



## 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 2016 the Bank disbursed Rs.75,812.098 million (81.65%) in Punjab, Rs.12, 571.817 million (13.54%) in Sindh, Rs.3,604.523 million (3.88%) in Khyber Pakhtunkhwa, Rs. 254.841 million (0.27%) in Balochistan, Rs. 301.113 million (0.32%) in Azad Jammu & Kashmir and Rs.303.005 million (0.32%) in Gilgit- Baltistan.

### Province-wise Disbursement





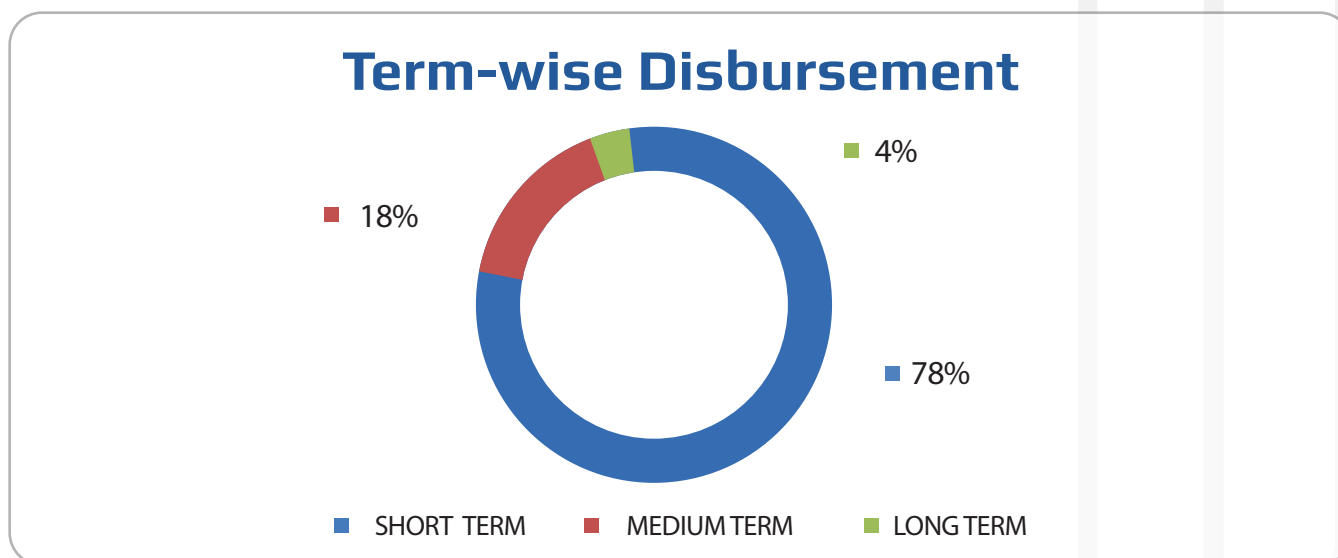


### 1.4 Term-wise Loan Disbursement

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.

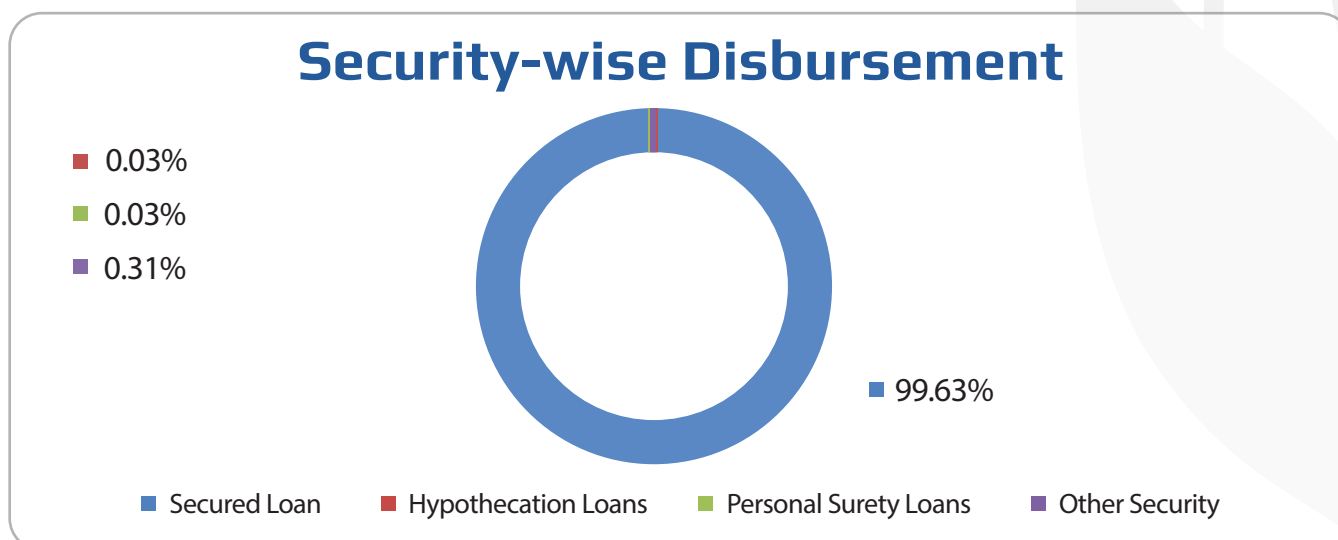
Term-wise loan amounts disbursed during the year 2016 are given as below:

Short term loans	Rs. 72,837.065 Million
Medium term loans	Rs. 16,636.623 Million
Long term loans	Rs. 3, 373.710 Million



### 1.5 Security Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.92, 507.480 million, constituting 99.63%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.29.232 million being 0.03% were disbursed against personal surety while loans amounting to Rs.23.873 million being 0.03% were advanced against hypothecation and loans amounting to Rs. 286.812 million being 0.31% were disbursed against other securities.





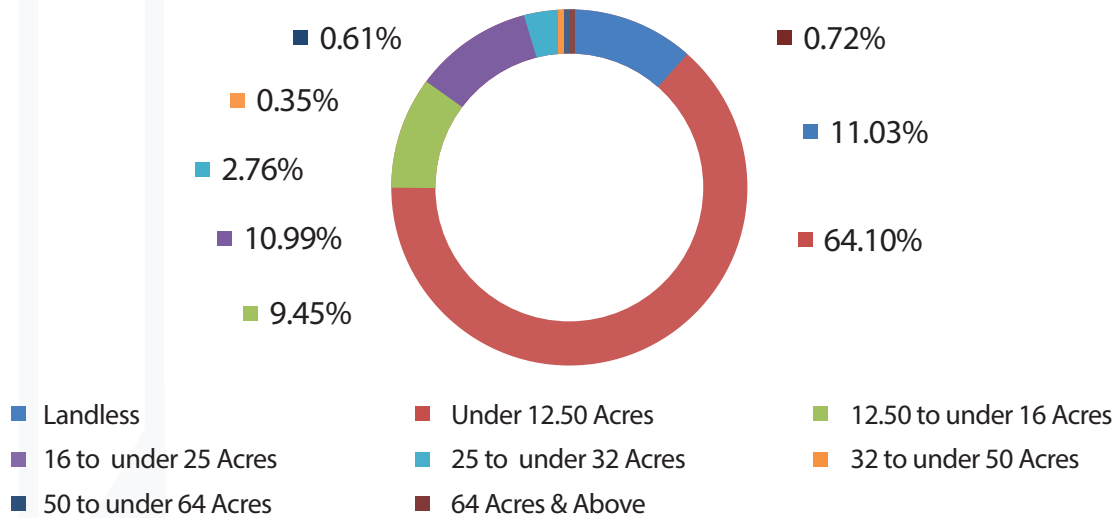
## 1.6 Holding wise Disbursement of Loans

Holding wise disbursement of loans during the year 2016 revealed that land-less farmers received Rs. 10,017.071 million. Loans advanced to land owners/operators less than 12.5 acres amounted to Rs. 58,230.564 million representing 64.10 % share in the overall disbursement. Farmers owning/operating land from 12.5 to less than 16 acres received Rs. 8,581.212 million constituting 9.45% share.

Farmers operating land from 16 acres to under 25 acres received Rs. 9,982.895 million constituting 10.99 % share. It was followed by Rs.2, 511.432 million constituting 2.76% disbursed to farmers with land holding from 25 to 32 acres. An amount of Rs.318.117 million was advanced to farmers operating land from 32 to 50 acres representing 0.35% of overall disbursement.

An amount of Rs.549.717 million was advanced to land operators having holding of 50 to 64 acres constituting 0.61%. Remaining credit amounting to Rs.656.391 million was disbursed to land holders of 64 acres and above which constituted 0.72% of total disbursement.

### Holding-wise Disbursement



## 1.7 Scheme-wise Disbursement of Loans

The loans scheme generally falls under two broad categories namely production and development loans.

### 1.7.1 Production Credit Schemes

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

#### a) 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 up to Rs. 0.500 million per borrower/party. During the year 2016, Bank disbursed an amount of Rs. 11, 312.752 million against 62, 215 number of cases under SBS.



**b) Awami Zari Scheme (AZS) Farm and Non- Farm Credit**

Awami Zari 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 up to Rs.0.700 million per borrower/party. An amount of Rs.17, 245.577 million was disbursed against 87,062 number of cases during the year 2016 under this scheme.

**c) Kissan Dost Scheme (KDS)**

The scheme aims 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 up to Rs. 0.700 million per borrower/party. Bank disbursed an amount of Rs. 43,208.355 million against 168,972 number of cases during the year 2016 under this scheme.

**d) Govt. of Punjab Mark-up Free Agri. E-Credit Scheme for Small Farmers**

In order to support Punjab Government's efforts to increase agri. produce as well as to alleviate rural poverty among small and poor farming segment of the society, the Bank participated in E-Credit scheme across the Punjab province.

The scheme is unique in terms of provision of subsidy by the Govt. of Punjab up to 5 acres for provision of quality input loans to the farmers by facilitating them free of cost registration at Suhulat Centers to be maintained by the Land Record Management Information System (LRMIS) in collaboration with Punjab Information Technology Board (PITB).

The disbursement of the loan has been made to the farmers through open mobile wallets of telcos linked with Asaan Account. Input loans are provided in three installments on seasonal basis for Rabi crops up to Rs. 25,000/- per acre and for the Kharif crops up to Rs. 40,000/- per acre, translating into a maximum credit of Rs. 65,000 per acre per farmer per year. During the year 2016, the Bank disbursed an amount of Rs. 373.010 million against 4,651 number of cases under this scheme.

## 1.7.2 Development Credit Schemes

The Bank advances medium & long term loans for tractors, poultry, dairy, fishery, livestock and other purposes. Major Development Schemes are as under:-

**a) Special Package for Branches under Karachi Zone**

A financing package for the branches of Karachi Zone was launched in yester years for credit extension of a number of Agri-schemes to boost up the Agri. business volume in Karachi Zone. Financing limit is up to Rs.1.500 million per borrower/party. Under this scheme, the Bank disbursed an amount of Rs. 101.167 million against 345 number of cases during the year 2016.

**b) Special Schemes/Products for Gilgit-Baltistan**

An amount of Rs. 110.255 million was disbursed under this scheme against 378 number of cases during the year for special products of Trout Fish Farming, Yak Farming, Sea buckthorn cultivation and Hybrid Poplar launched in yester years for Gilgit-Baltistan area.



**c) Asan Qarza Scheme**

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 up to Rs. 0.200 million per borrower/party. Under this scheme, the Bank disbursed an amount of Rs. 76.884 million against 487 number of cases.

**d) Khawateen Rozgar Scheme**

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 up to Rs. 0.200 million per borrower/party. During the period under review, Bank disbursed an amount of Rs. 15.326 million against 102 number of cases under this scheme.

**e) Tahafuz-e-Samar Scheme (Scheme for 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 up to Rs. 0.500 million per borrower/party. During the year 2016, the Bank advanced an amount of Rs. 0.200 million under this scheme.

**f) Khushk Ratab Scheme (Scheme for Dehydration of Dates)**

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 up to Rs. 0.500 million per borrower/party. During the year 2016, Bank provided loans amounting to Rs. 49.527 million against 326 number of cases under this scheme.

**g) 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 up to Rs. 0.400 million per borrower/party. The Bank provided credit amounting to Rs. 13.846 million against 56 number of cases under this scheme.

**h) Soghat-e-Shireen (Scheme for Gurr Making)**

The scheme is applicable throughout the country in sugarcane growing areas for Gurr Making as value addition where no restriction is imposed by Federal/Provincial Government. Financing limit is up to Rs. 0.500 million per borrower/party. Bank disbursed an amount of Rs. 544.700 million against 2,243 number of cases under this scheme.

**i) Tahafuz-e-Ajnas Scheme (Scheme for Godowns)**

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 up to 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 2016, the Bank disbursed an amount of Rs. 131.977 million against 1,185 number of cases for this purpose.



**j) Shamsi Tawanai Scheme (Solar Energy)**

In order to help the farmers to overcome energy crisis, this scheme has been introduced to provide an alternate energy resource. The maximum loan limit is Rs.1.500 million per borrower/party. 10% of the loan amount is kept in the deposit account of the borrower which is accounted for in the last installment of loan. Tangible properties owned by the borrowers are kept as collateral as per policy of the Bank. The loan is recoverable within 10 years in half yearly installments. During the year 2016, the Bank disbursed an amount of Rs. 1.750 million for this purpose.

**k) Red Meat Financing Package**

A special scheme has been launched to promote the livestock sector of Pakistan. Initially the financing package is being implemented in Multan, Faisalabad, D.G. Khan, D.I.Khan, Bhakkar, Shaheed Benazirabad (Nawabshah), Dadu, Sukkur, Peshawar, Lasbella, Loralai and Khuzdar. The intending borrowers of these selected areas are farmers especially engaged in the business of sheep/goat rearing.

Maximum loan limit is Rs.1.500 million per borrower/party. Loan for fattening purpose is recoverable in up to 15 months and loan for breeding/ farming is recoverable in 5 years with a grace period of one year. During the year 2016, the Bank disbursed an amount of Rs. 83.561 million against 456 number of cases for this purpose.

**l) Camel Rearing Scheme**

To boost up economic growth as well as to alleviate rural poverty and in line with Banks' policy to find out geographical priority areas of financing, the Bank has launched this scheme in year 2016 in camel rearing areas across the country for camel rearing/fattening. Financing limit of the scheme is up to Rs. 1.500 million per borrower/party. During the year, the Bank disbursed an amount of Rs. 4.500 million against 14 cases under this scheme.

**m) Ware House Receipt Financing Scheme**

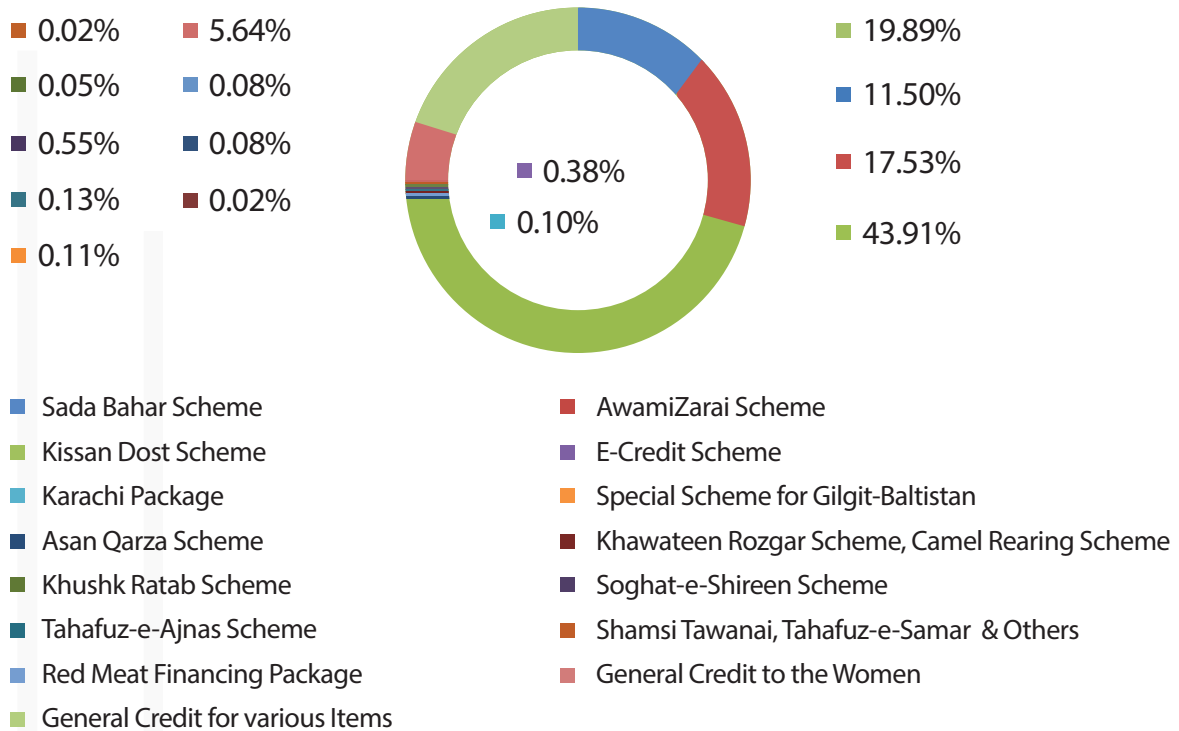
Ware House Receipt Financing Scheme can play a pivotal role to protect the farmers' compulsion to sell their product immediately after harvest and collateralized commodity transaction stands itself security for the loan.

In order to address food security challenges & to facilitate the Red Chilli /Hybrid Red Chilli farmers in provision of working capital requirement/needs for production of crops, the Bank has introduced this scheme in Kunri area under ZTBL Samaro Branch of Mirpurkhas Zone.

Financing under the scheme is made to the farmers against collateral of Ware-house Receipt through Pakistan Mercantile Exchange and the financing limit is up to Rs.1.000 million per borrower/party.



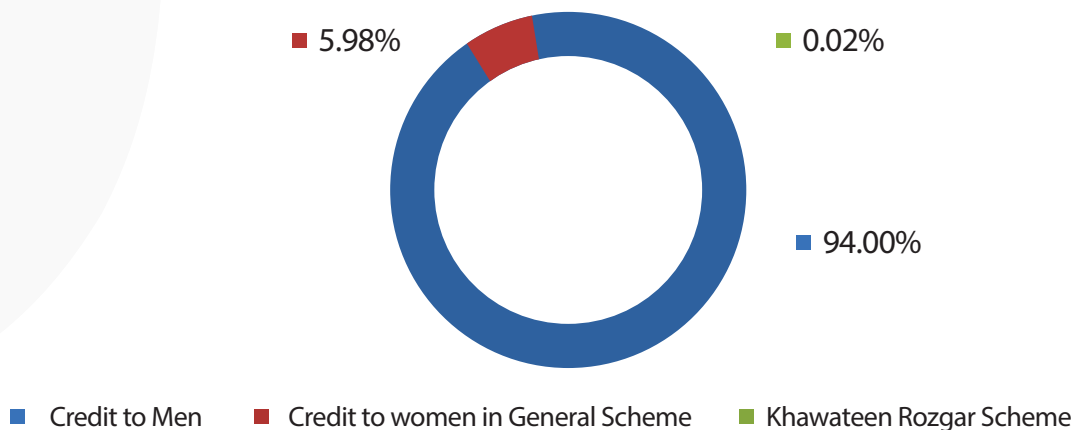
## Scheme-wise Disbursement



### 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 knowhow & 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 and internal auditors of the Bank. Bank advanced an amount of Rs. 5,551.528 million against 21,863 number of cases for this purpose.

## 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 equipment. Under general purpose, the Bank provided credit to the farming community amounting to Rs. 19,574.011 million against 8,140 number of cases.

### Future Outlook

In order to enhance farmer's productivity and income through the application of best agri. practices and reducing farmer's cost, a model of financing to Service Provider/Crop Production Companies(CPCs) having technical expertise and adequate management resources has been evolved/conceived which is expected to bring about a great change in agriculture scene of the country. With this objective, under this scheme, ZTBL will facilitate the farming community through financing to Service Provider (SP)/Crop Production Companies (CPCs). The Bank will provide production as well as development loans under the scheme to Service Provider/Crop Production Companies up to the tune of Rs. 25 million per borrower/party.

ZTBL is striving hard to provide agri. related services to the rural populace/farming community as well as to create opportunities for the rural youth to earn livelihood in a respectable manner. In this relevance, National Vocational and Technical Training Commission (NAVTTTC) arranges training to the rural youth at various centers to enable them to perform various Agri. related activities at their own or to provide services to the farming community.

To provide credit assistance to such NAVTTTC trained rural youth to become a service provider for the farming community, this scheme has been launched by the Bank. Under the scheme, the Bank will provide clean financing/surety loan for gardening & horticulture, tunnel farming, dairy, poultry & veterinary assistance purposes to the NAVTTTC trained rural youth in their respective training field up to Rs. 100,000/- enabling them to start their work as entrepreneurs/service providers. Under the scheme, maximum financing limit for clean financing will be up to Rs. 1.500 million per borrower/party for NAVTTTC trained youth.

According to Bank's approved Strategic Business Plan 2015-2019, four credit schemes namely; Farm Transportation, Olive Farming/Oil Extraction, Mobile Veterinary Clinic/Shop and Chilli Dryer have been targeted for launching during the calendar year 2017. To achieve this objective, collection of information has been started through different sources such as research reports, federal/provincial government institutions, private organizations and ZTBL field offices, so as to explore the possibilities of developing effective models of such schemes.

## 2. RECOVERY & SPECIAL ASSET MANAGEMENT

During the year 2016, agricultural loans amounting to Rs.102,281.501 million have been recovered against total recoverable amount of Rs.113, 664.217 million, showing recovery rate of 90%. The amount recovered during same period of last year was Rs.88, 720.151 million with recovery rate of 92.4 %.

Recovery operations depicted a considerable growth of Rs.13, 561.350 million in terms of amount. Province wise recovery achievement in respect of agricultural loans is given as under:-

### Agricultural Credit Recovery and Growth

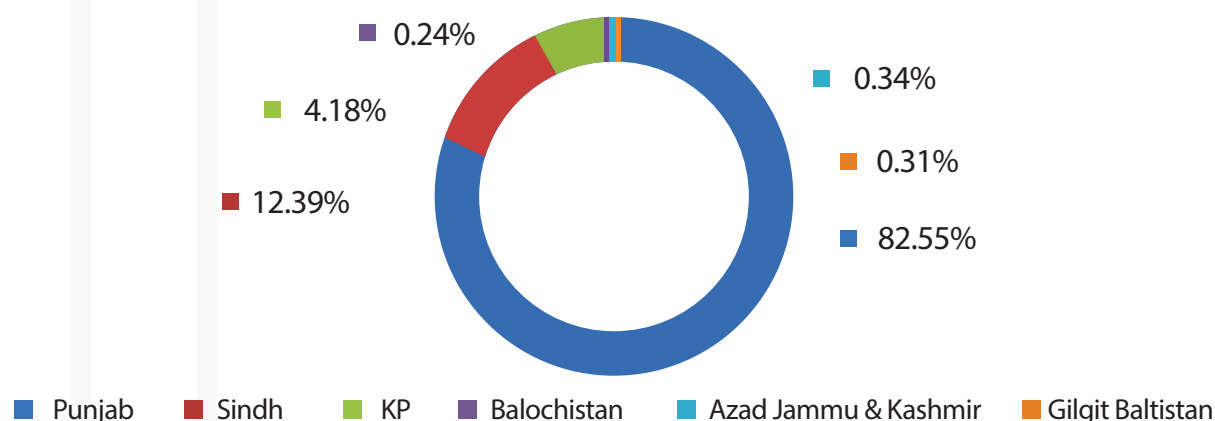
During the year under review, an amount of Rs.1, 946.854 million was recovered out of SAM loans with 76.1% pace against the target of Rs. 2,557.000 million. SAM loans portfolio at the end of the year 2016 was Rs.20, 883.374 million with net reduction of Rs. 1,584.626 million from Rs. 22,468 million as of December 31, 2015. Non-performing loans accrued being the percentage of total outstanding remained at 17.00 % as of, December 31, 2016.



(Rupees in Million)

Province	2015	2016	Growth	
			Amount	%AGE
Punjab	71,801.629	84,431.031	12,629.402	17.6
Sindh	11,765.543	12,668.269	902.726	7.7
KP	4,248.260	4,277.174	28.914	0.7
Balochistan	216.799	240.885	24.086	11.1
Azad Jammu & Kashmir	370.560	350.098	-20.462	-5.5
Gilgit Baltistan	317.360	314.044	-3.316	-1.0
Pakistan	88,720.151	102,281.501	13,561.350	15.3

### Province-wise Recovery



### Future Outlook

Allocated SAM loan recovery target for the year 2017 will be followed up rigorously. The early warning system will be used to monitor addition to SAM loans portfolio. Recovery efforts will also be made through legal course/action against the defaulters. Zone wise monitoring desk will be established to pursue SAM recovery. New activities have been taken such as engaging zonal chiefs and branch managers in their personal capacity to pursue top 50 or 100 defaulters (respectively) of their zones/branches. MCOs will be motivated/mobilized through more effective controls/monitoring so as to bring desired results. Plan of outsourcing of recovery of SAM portfolio through KSSL is also under consideration.

### 3. 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 – 2016, the Bank has expanded its branch network to 460 branches by adding 22 new branches as of December 31, 2016. The Bank has successfully opened new deposit accounts and achieved the deposit mobilization of Rs. 59,871 million against the annual target of Rs. 42,000 million.

The Bank has achieved collection of 1,456,539 number of utility bills in the year 2016. For inward remittances through western union, a target of 20,000 transactions was allocated for the year 2016 and achievement thereof was 15,209 transactions as on 31.12.2016.





## Future Outlook

State Bank of Pakistan has approved opening of 28 new branches which will be opened at selected places in order to enhance branch network of ZTBL up to 488 branches under Annual Branch Expansion Plan 2017. Up gradation of old branches by enhancing infrastructure and IT equipment will be carried out.

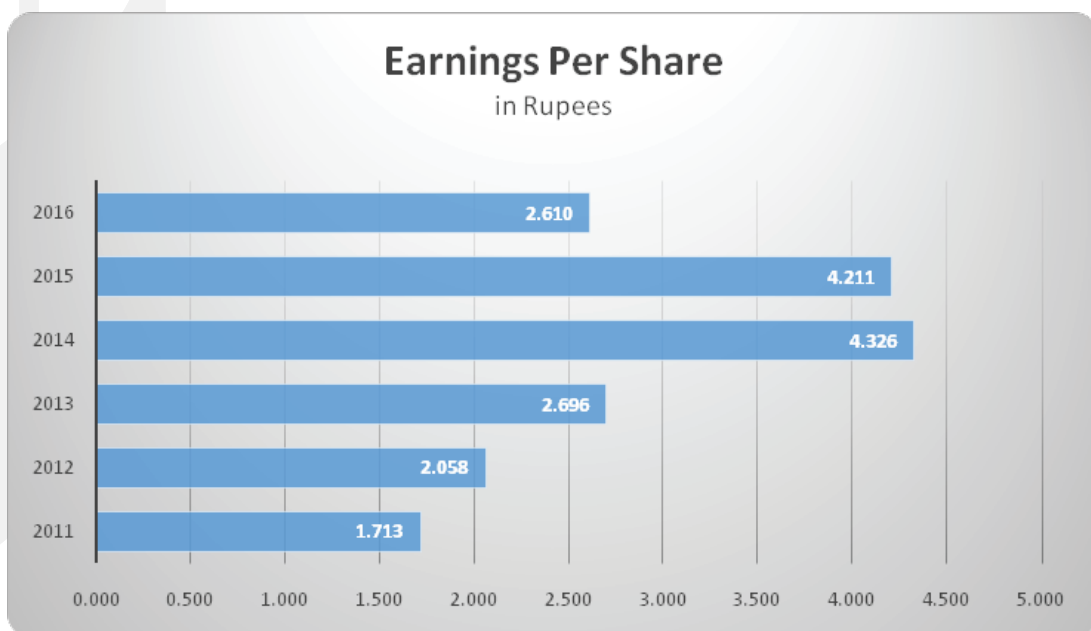
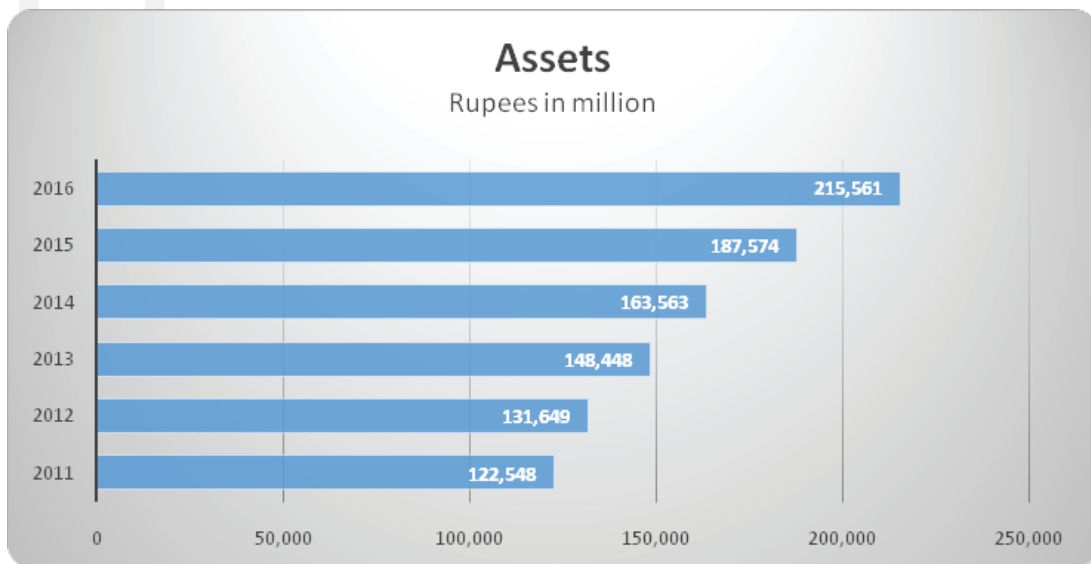
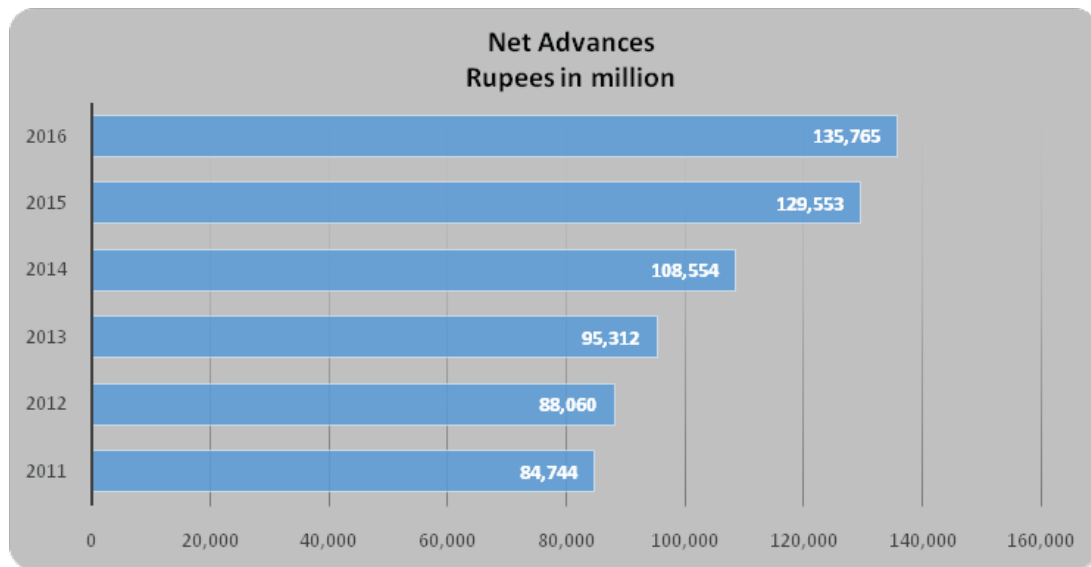
Quality Assurance Department has been created in Operations Division with an essence to provide best quality service to customer and to achieve highest level of customer satisfaction. Branches will also be relocated to main business hubs.

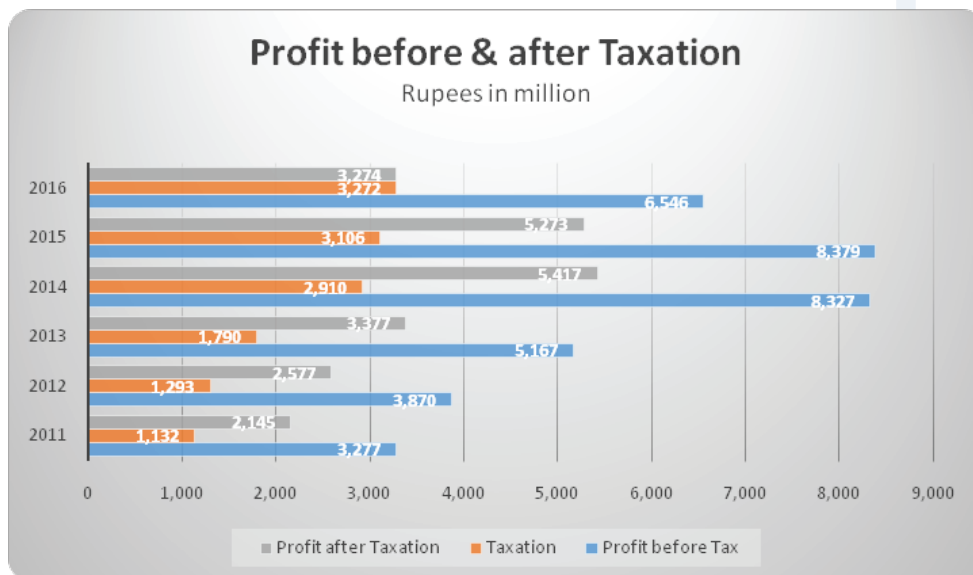
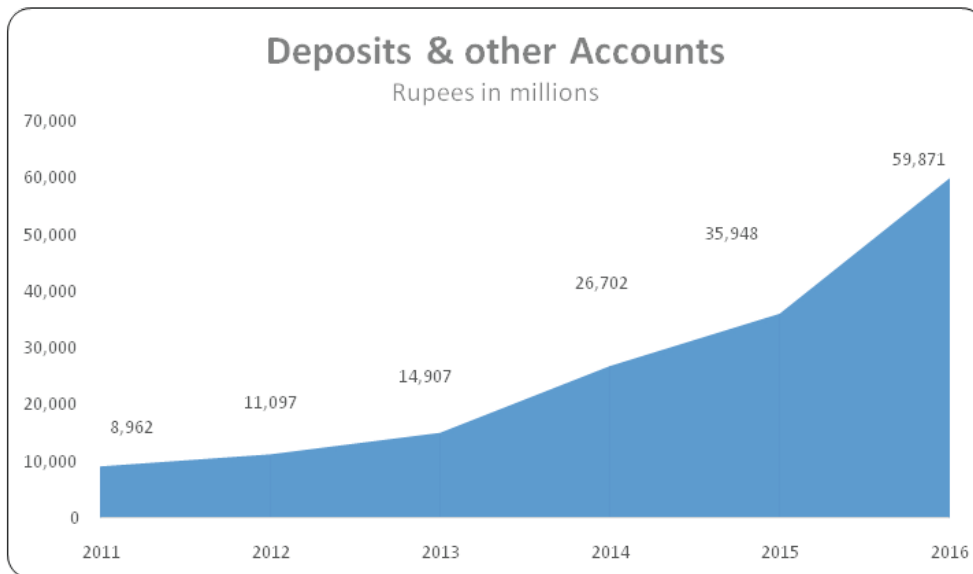
## 4. FINANCIAL PERFORMANCE OF THE BANK

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. 215,561 million whereas the assets of the Group as per consolidated annual accounts amounted to Rs. 215,944 million. The Bank's Capital Adequacy Ratio (CAR) as at December 31, 2016 was 46.69% of its risk weighted exposure, as against required by SBP ratio of 10.65% and industry average of 16.2% for year 2016. The Bank earned pre-tax profit of Rs. 6,546 million and the Group showed pre-tax profit of Rs.6,702 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.59,871 million as on 31.12.2016. The after tax profit of the Bank remained Rs.3,274 million as compared to Rs.5,273 million in last year due to increased taxation and increase in interest expense in the reported period.

### 4.1 Six Years at a Glance

(Rupees in Million)						
Particulars	2011	2012	2013	2014	2015	2016
Total Assets	122,548	131,649	148,448	163,563	187,574	215,561
Advances – net	84,744	88,060	95,312	108,554	129,553	135,765
Cash & Bank Balance	14,233	12,525	12,742	10,085	18,925	23,552
Operating Fixed Assets	1,167	1,180	1,347	1,581	2,101	2,071
Share Capital	12,522	12,522	12,522	12,522	12,522	12,522
Deposits	8,962	11,097	14,907	26,702	35,948	59,871
Appropriations						
Profit/(Loss) before Taxation	3,277	3,870	5,167	8,327	8,379	6,546
Taxation	1,132	1,293	1,790	2,910	3,106	3,272
After Tax Profit/(Loss)	2,145	2,577	3,377	5,417	5,273	3,274
Un-appropriated Profit brought forward	6,456	10,360	12,263	13,598	14,553	18,717
Profit available for Appropriation	8,601	12,937	15,640	19,015	19,826	21,991
Other comprehensive Income	-	(156)	(1,366)	(3,379)	(54)	(302)
Effect of changes in accounting policy for defined benefit plans	2,188	-	-	-	-	
Transferred to Statutory Reserve (20% of after tax profit)	(429)	(518)	(675)	(1,083)	(1,055)	(655)
Un-appropriated Profit Carried forward	10,360	12,263	13,598	14,553	18,717	21,035
Earnings Per Share	1.713	2.058	2.696	4.326	4.211	2.610





## 4.2 Capital

The paid up capital of the Bank as on 31.12.2016 was Rs.12.522 billion. The authorized capital of the Bank is Rs.125 billion divided into 7 billion ordinary shares of Rs. 10 each and 5.5 billion preference shares of Rs. 10 each. The shares worth Rs.40.156 billion have been issued.

## 4.3 Credit & Entity Ratings

JCR-VIS Credit Rating Company Limited, Karachi (JCR-VIS) in their report dated June 16, 2016, has reaffirmed the entity rating of the Bank at 'AAA/A-1+' (Triple A/A- One Plus). 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.

## 4.4 Earnings per Share (EPS)

During the year under review the basic earnings per share remained Rs. 2.61 as compared to Rs.4.211 in year 2015. The Group posted an EPS of Rs.2.70 as compared to Rs. 4.267 last year.



## 4.5 Conversion of SBP Debt into Equity

As per agreement with the SBP, loans were obtained by ZTBL (formerly ADBP) for providing finance to customers for agriculture and agro based industry. Three credit lines amounting to Rs. 1.577 billion carried interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 48.597 billion were based on profit and loss sharing subject to maximum share of profit to the SBP ranging from 4.00% to 10.00% per annum. These loans were secured by way of guarantee of Government of Pakistan (GoP).

As per restructuring plan of the Bank approved by the ECC of the Cabinet, the SBP's equity holding of Rs. 3.204 billion was converted into subordinated loan on terms to be agreed with the SBP. Accordingly, the Bank submitted a proposal to the SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.

In view of future financial viability and sustainability of the Bank, in a meeting, held on July 11, 2014 among Ministry of Finance (MoF), the SBP, the SECP and the Bank, it was decided to convert outstanding SBP debt - principal (Rs. 51.257 billion), sub-ordinated loan (Rs. 3.204 billion) and accrued mark-up (Rs. 35.030 billion) owed by the Bank to the SBP as on June 30, 2014 into equity investment of the SBP in the Bank. It was also decided that Bank's claim against the 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 July 18, 2014 and the shareholders of the Bank in their extraordinary general meeting dated August 13, 2014 approved the conversion of the SBP debt of Rs. 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of the SBP in the Bank and the Bank's claim against the GoP was waived-off / written-off.

Further, it was mutually agreed between the Bank and the SBP that the SBP debt - principal amounting to Rs. 54.460 billion (SBP borrowings amounting to Rs. 51.257 billion and sub-ordinated 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 mark-up 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 up to 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 the SBP, resolution by circulation dated February 19, 2016, was approved by the Board of Directors of the Bank and has resolved to convert SBP's debt into preference shares and mark-up into ordinary shares of the Bank for which members approval has been obtained. The principal of the preference shares and return thereon shall be guaranteed by the Federal Government of Pakistan.

Subsequent to reporting period, the Bank has filed Form - 3 with the SECP for issuance of ordinary and preference shares on March 20, 2017 and March 24, 2017 and consequently issued ordinary and preference shares to the SBP.

## 4.6 Performance of Treasury

The performance of Treasury remained quite satisfactory during the year 2016. Treasury managed clearing (outflow) of Rs. 13.773 billion and clearing in favor of ZTBL Rs. 2.044 billion presented through NIFT totaling volume of Rs. 15.82 billion apart from cash flows through RTGS during the year 2016. The overall strategy for placement of funds remained mostly in short term exposures due to historic low interest environment in the country.



## 5. REGULATORY COMPLIANCE

The Bank has well defined compliance policy/program to ensure that all relevant laws are complied with in 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 the supervision of a Compliance Officer.

Compliance Department continued to pursue different relevant Division/ Departments at Head Office for ensuring submission of data/reports to State Bank of Pakistan and other Govt. Departments & Agencies i.e. Ministry of Finance, P.M Secretariat, National Accountability Bureau, Supreme Court/ High Courts, Wafaqi Mohtasib, Securities and Exchange Commission of Pakistan, Pakistan Banks Association, Federal Board of Revenue, Public Accounts Committee, Senate, National Assembly, Provincial Assemblies, Financial Monitoring Unit (GOP) etc, as per prescribed procedures. Compliance Department arranged the coordination for Information System Division Inspection by State Bank of Pakistan from 01-07-2015 to 30-09-2016.

Compliance Review Program (CRP) is already operative in 98 selected branches having big loan portfolio & further 43 branches are planned to be covered under CRP during this year. Branch compliance officers have been posted at the selected branches to review the Banks' Operations on site on day to day basis and to report exceptions on monthly basis. All these exceptions are reviewed/ analyzed by Compliance Department. Rectifications of exceptions are pursued through branch compliance officers as well as through Operations/Credit/CA & RM Divisions. Thus minimizing the risk level by close monitoring of the field/branch operations where BCOs are posted. Issuance of circulars containing the policy guidelines/ instructions pertaining to SBP Prudential Regulations and other laws are arranged as an on-going activity.

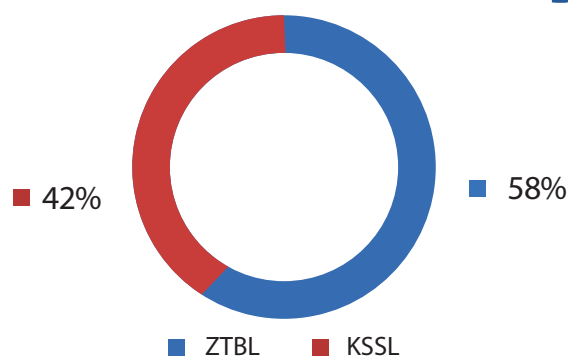
## 6. HUMAN RESOURCE DEVELOPMENT

Bank has made arduous efforts for enhancing the capabilities and competencies of the existing human resource for meeting the Bank's business requirements and implementation of human resource management strategy through various training programs, promotion and motivation through different incentives in the shape of cash awards etc.

During the period under review, the Bank has successfully played its role in the field of agriculture finance with the strength of 5,695 ZTBL employees and 4,151 support staff hired from M/s Kissan Support Services Limited (a subsidiary organ of ZTBL). Manpower planning consisting of succession planning, recruitment plan and career progression of the employees were carried out for the year 2016 which was duly approved by the Board of Director. During the year 2016, 1385 employees have been rotated and 414 officers & staff have been promoted to next higher scale while 165 Officer Grade-III have been selected through an NTS based recruitment process.

The improvement of HR policies and systems is a continuous process. During the year 2016, various HR policies were updated. To enhance the competencies of manpower, about 71 courses were conducted and 1910 officers/staff were trained in different areas. At other institutes, 176 staff were imparted trainings while 214 were trained in workshops held in zones.

### Human Resource Strength





Implementation of HR Module of Enterprise Resource Planning (ERP) system is underway and will be fully operative in the year 2017. Performance management policy of the Bank is based on the concept of Pay for performance, i.e. higher the performance, higher the reward. 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. In order to improve the living standard of eligible Executives/Officers governed under SR-1961, furnishing limit has been converted into Furnishing Allowance and its rate has been enhanced by 100%.

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 have been reviewed during the year 2016. Pension & house rent ceiling rates were also revised.

Biometric attendance system was introduced in the Bank. Medical policy was introduced for employees governed under SR-2005. Special conveyance allowance has been granted to disabled employees of the Bank. Incentives of special pay and bonuses have been provided to treasury cadre (Front Office). Accumulated leave balance over & above two years has been allowed to employees for availment of the same on full pay. Entire leave balance on full pay has been allowed for those employees under SR-1961 who want to exit their services. Pension and commutation of pension for employees governed under SR-1961 have been revised. An amount of Rs. 637.901 million has been disbursed to 1,479 employees of the Bank as per their entitlement in respect of staff advances i.e. HBA, Conveyance Advance, Personal Loan, Computer Loan and an amount of Rs. 21.919 million has been provided to 2,293 employees in respect of welfare activities during the year 2016.

Schedule of financial/administrative & disciplinary powers was revised during the year 2016. Span of control of Management tiers i.e. 1st, 2nd & 3rd as lower, middle & senior management were defined under Organization Structure Policy.

Recruitment & selection policy has been updated. Loan & advances policy has also been updated this year. As per schedule of Financial/Administrative & Disciplinary Powers delegated to various functionaries of the Bank, following Management Committees have been constituted:

- 1) Procurement Committee
- 2) Quality Assurance Committee
- 3) Head Office Committee on write off of losses
- 4) Basel Implementation Committee
- 5) Media Committee
- 6) Tax Committee
- 7) Medical Facilitation Committee
- 8) IT Steering Committee

## Future Outlook

The management of the Bank considers its employees as the most important assets for achieving institutional objectives. For this purpose, human resource policies have substantially been updated/ improved. Motivation and mobilization of human resource for better efficiency through a series of incentives like staff advances, welfare activities, bonuses, and cash awards will be continued and gradually improved in future. To compete with the contemporary organizations in the area of best HR practices, performance management system will be shifted over to ERP System to achieve high level of precision and avoid any biasness.



## 7. STRENGTHENING IT/MIS INFRASTRUCTURE

During 2016, the Bank continued to acquire and implement state of the art Information and Communication Technology (ICT) to improve transparency and efficiency in banking operations. The legacy automation system (cFOCS), which remained in operations for over 30 years, has successfully been replaced with newly in-house developed Centralized Branch Automation System (CBAS). For improved KYC, system has been integrated with NADRA to carry out Biometric verification of customers on real time basis. On account of back-office automation, implementation of off-the-shelf procured ERP-EBS continued during 2016 through a consultant. The management reporting mechanism has been strengthened through newly developed interactive system called iMIS. In year 2016, 703 desktop computers, 147 laptop computers, 726 UPS, 171 printers and 157 scanners were procured for deployment in branches, field offices and head office. Similarly, as a part of upgradation of ZTBL ICT infrastructure, 438 branches including zonal offices, the VPDN links have been enhanced from 512 kbps to 2 Mbps for better & higher connectivity speed. Total 310,943 Credit Worthiness Reports (CWR) have been supplied through system to branches for Obligor Risk Rating while extending loan facility to the customers from Jan-2016 to Dec-2016. Bank has recently taken in principal decision to acquire state-of-the-art as well as industry standard Core Banking System for quantum leap in technology within next years.

### Future Outlook

A long technological leap is planned for 2017-2018. This includes induction of new technologies in every sphere of banking operation. A full service Alternative Delivery Channel is planned to be introduced. In three years, the target is to make the Bank's technology amongst top 10 banks of the country.

## 8. TECHNOLOGY DISSEMINATION

During the year under review, various activities at ZTBL Farm including sowing of different (organic) winter and summer vegetables and multiple farming like Ostrich Farming, Quail Farming, Fish Farming, Apiculture (Bee Keeping) and Strawberry Plantation have been successfully carried out.

Field days were conducted at different farmers training centers and in each event about 200 farmers participated and got trained in several aspects of agriculture including use of alternate energy resources.

Applications of firms dealing with solar energy, biogas, drip and sprinkler irrigation and tunnel farming have been scrutinized. Up till now 55 such firms have been enlisted to provide their products/services to the interested farmers/borrowers of the bank. Demonstration of solar energy tube wells, biogas units and use of hybrid seeds was arranged.

Olive Orchard yielded 180 kgs of Olive fruit this year and for the first time pickles have been prepared at ZTBL Farm. Initiative for Mushroom activity has been taken and basic infrastructure room preparation, mushroom shelves, pasteurization chamber have been installed. A field day with collaboration of PARC/NARC on olive production was arranged at Pir Sabaq, Noshera. A field day on Cob Maize Harvesting Technology was organized jointly by ZTBL and Agriculture Machinery Research Institute (AMRI) at Sahiwal. A day with Olive was organized at ZTBL Farm. Hybrid Maize was sown on Permanent Raised Bed (PRB) System and field day was arranged at harvesting time.

In order to upgrade the Agri. Technology Expo Hall at ZTBL Farm, 05 new Agriculture Machines i.e. Silage Baler, Silage Baler Wrapper, Precision Pneumatic Bed Planter, Raised Bed Renovator, Lawn Movers and Brush Cutters have been added. Olive orchard has been extended on an area of 1 Acre/ 8 kanals by planting 103 olive plants of three varieties i.e. Picwal, Zaiti and Oliana. Subsequent to the reporting period, the Bank hosted First Belarus-Pakistan Agriculture Forum; a Business to Business Interactive Conference and the event was graced by a high profiled delegation of Belarusian Parliament, headed by H.E Mr. Vladimir Andreichenko, Speaker of the House of Representatives, National Assembly Republic of Belarus on 11th April, 2017.



## Future Outlook

Olive Oil Extraction Unit & Solar Tube well will be installed at ZTBL Farm in future. Milk Chilling Unit, Potato Grader, Fruit Grader, Maize Sheller and Fodder Chaff Cutter/ Chopper will also be solarized in the next phase. Drip/Sprinkler will be installed on 5 Acres Orchards. In order to incubate ostrich eggs, the facility of Ostrich incubator and hatcher will be provided. Mushroom will be cultivated at Farm. Agri. technology expo hall will be upgraded with addition of latest agri. machinery. Demonstration blocks of various orchards including Chiko orchard, Avocado orchard and Grapes orchard will be developed.

## 9. RISK MANAGEMENT FRAMEWORK AND POLICY

The Bank has committed to strengthen its risk management structure at the organizational level through a broader framework.

A separate division of Credit Administration & Risk Management, independent of business and operations of the Bank, 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 of the Bank. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control.

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 that comprises 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 and are presented to Board Risk Management Committee for review. As per SBP guideline 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.

An independent Information Security Department has been set up as an off-shoot of Credit Administration and Risk Management Division. To successfully implement Information Security, a team has been formed of a competent mix of experienced technical and business human resource with a thorough cognizance and understanding of information security issues. An IT Security Policy is also in place duly approved by the Board.

## Future Outlook

To address new issues and cope up with growing business of the Bank, revision of IT Security Policy is under way to incorporate cyber security and latest trends as per best practices.

## 10. CREDIT ADMINISTRATION

Credit administration is very important for effective & sound lending through proper, prescribed & stipulated documentation. There are 30 Zonal Managers Credit Administration (ZMCAs) and 357 Officer In-charge Credit Administration (OICAs) posted across the country.





In order to monitor proper loan documentation, Disbursement Authorization Certificate (DAC) is issued by Officer Incharge Credit Administration (OICA) before disbursement. Credit Administration has played an effective 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, 634,591 loan cases have been scanned as on 31.12.2016 achieving 62% success, in spite of problems being faced by the field functionaries.

## Future Outlook

In future, loan documents under SDMS will be scanned up to 100%. Training of ZMCAs/OICAs is also a part of future training plan of Training & Development Division. It is planned that an early warning system will be evolved in order to facilitate the line management for mitigation of the risk factors at an infancy stage.

## 11. CORPORATE SOCIAL RESPONSIBILITY

The Bank is cognizant of its corporate social responsibility and carried out many CSR activities though in a small way in the following areas.

### a) Education

The Bank is promoting education in the country to fulfill its corporate social responsibility. In this regard, different sponsorships amounting to Rs. 200,000 have been carried out by the Bank in the year 2016. The Bank contributed for the event "Accounting Guru 2016" organized by FAST National University Islamabad Campus-Home to this year's NaSCon-16.

All Pakistan Inter-University Business Plan Competition entitled "Preston Entrepreneurial Challenge (PEC-16)" organized by Preston University, Islamabad and a Seminar on Education and Vocational Training held on 30th July 2016 by Old Ravians Association Karachi were also sponsored by the Bank. ZTBL is Platinum member and approved employer of ACCA since January, 2010. Twenty three ACCA qualified students were offered internships during the year 2016 as a corporate social responsibility measure for imparting training and supporting education.

### b) Agriculture

Besides the agriculture technology disseminating activities, ZTBL sponsored "SME Finance Mela" organized by SBP Hyderabad on 31st May, 2016. The Bank also contributed in Agri. Awareness Programme organized by State Bank of Pakistan held in Kasur in the last week of May, 2016. In this regard, an amount of Rs. 40,000 was contributed by the Bank during the year 2016.

### c) Sports

The Bank is also actively involved in sports sponsorships and promotes sports in the country. It is bringing brilliant players to represent Pakistan in games of cricket (male and female), Tennis (male and female), Squash (male and female), Golf, Polo, including Shooting Ball. The Bank sponsored First All Pakistan PIFFER Open Golf Tournament which was held on 3-5th June, 2016 at Abbottabad by paying an amount of Rs. 50,000 to Secretary Piffer Golf & Country Club, Abbottabad. ZTBL also contributed an amount of Rs. 50,000 to sponsor in favor of "CNS Squash Fund Account" for an event named "CNS International Squash Championship-2016", held at Pakistan Sports Board Mushaff Squash Complex Islamabad, organized by Pakistan Navy.



#### d) Culture

In order to promote cultural activities in the country, the Bank contributed an amount of Rs. 250,000 to sponsor a Live Concert organized by "Sachal Studios" held at Lahore on April 23, 2016



*Sachal Studios Live In Concert.*

## 12. FINANCIAL INCLUSION OF FARMING COMMUNITY

During the year 2016, the Bank served 68,922 new borrowers in order to restate its commitment towards contributing to the agriculture sector of the country essentially through financial inclusion and capacity building of subsistent farming community.

The Bank disbursed an amount of Rs. 86, 811.742 million to small farmers and an amount of Rs. 5,566.85 million to women during the year. A paradigm shift has been seen in the policy of the Bank to bring unbanked segments of population especially in rural area, particularly poor and marginalized groups through the scale 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 had also won an international award on rendering its services in financial inclusion through its lending and deposit schemes last year. 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.

The Bank arranged and hosted a two days ADFIMI-WB-ZTBL regional seminar on "Financial Inclusion Strategies in South Asia: Methodology and Perspectives" in collaboration with Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI). The seminar was held on 28th & 29th March in Islamabad which was attended by different speakers and participants from the regional financial & banking fraternity.



### 13. INTERNATIONAL AWARDS & ACCOLADES

ZTBL has received a lot of international attention and appreciation during the year for its contribution in lending and technology dissemination to poor farmers of the country. The Bank has been honored with the “Global Sustainable Finance Award” for its lending product “Khawateen Rozgar Scheme (Women Employment Scheme)” this year.

The Ambassador of Pakistan in Germany received this award on behalf of Syed Talat Mahmood, President/CEO of Zarai Taraqati Bank Limited (ZTBL) in the month of July. The award was given by European Organization for Sustainable Development in the city of Karlsruhe where delegations from thirty five countries of the world gathered to participate in this prestigious award ceremony held on 14th-15th July, 2016.



During the year 2016, the Bank was also able to win a prestigious international development award, a special plaque of merit, for the second year in a row from “Association of Development Finance Institutions of Asia Pacific” (ADFIAP) under the category of Technology Development thereby acknowledged for its efforts in the areas of technology dissemination and capacity building of farmers. The award was announced in a ceremony held in the capital city, Samoa of Samoa Island on 2nd -5th May 2016. In year 2015, Bank also received ADFIAP award, a special plaque of merit, for its role in financial inclusion of farmers.





The Bank also participated in first ever Pakistan Banking Awards, 2016 arranged jointly by Institute of Bankers Pakistan and Dawn Media Group. Syed Talat Mahmood, President/CEO of the Bank participated in the fifth ADFIMI Development Forum which was held from 25-26 April, 2016 in Doha jointly with Qatar Central Bank with a theme 'Developmental Central Banking: Issues, Prospects and Challenges'.



*President ZTBL participated in ADFIMI Conference in Doha, Qatar.*

## **Future Outlook**

The Bank participated in ADFIAP Awards Program 2017 and won "Plaque of Merit" consecutively for the third time. The President, ZTBL has been invited to receive the award at the eve of annual meeting of ADFIAP scheduled to be held in May, 2017 at Macao, China. The Bank also sent its entry to participate in the Karlsruhe Sustainable Finance Awards that honors financial institutions and organizations with significant contributions to the field of sustainable finance.



## 14. OPERATIONAL KEY INDICATORS

(As on 31.12.2016)

Particular	Amount (Rs. million)
<b>A. DISBURSEMENT</b>	
1. Total Disbursement	92,847
a. Production Loans	72,837
b. Development Loans	20,010
2. Tractors Financed	
Number	4,654
Amount	3,004.21
3. Tube wells Financed	
Number	365
Amount	69.528
4. Loans to Subsistence Farmers	70,312.737
5. Share of Small Farmers (Under 25 Acres)	86,811.742
6. Number of Borrowers Served	358,583
<b>B. RECOVERY OPERATIONS</b>	
Total Amount Recovered	102,281.501
<b>C. NETWORK OF OPERATIONS</b>	
1. Number of Zones	32
2. Number of Branches	460
3. Number of MCOs	1,328

## 15. SUBSIDIARY COMPANY OF THE BANK

Kissan Support Services (Private) Limited ("the Company") was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqati Bank Limited (ZTBL) which holds 100% shares with an Authorized Capital of Rs. 100 million fully subscribed and paid. The Company's principal business is to provide consultancy, advisory (not being investment advisory), agency services and other support services, all kind of support staff and ancillary services, marketing of products and services, provision of quality products and services for efficient and improved farming including seeds, fertilizers, pesticides, agri-machinery and technical services, training and education of farmers and others, provision of storage facilities such as warehousing and grain silos facilities, import and export of goods and services to ZTBL and its borrowers and to any other legal entity and corporate sector in accordance with the applicable laws.



## 15.1 Services

The KSSL has provided following services to ZTBL in year 2016:

- Recruitment / Provision of Clerical / non-Clerical Staff.
- Security Services.
- Management of Sports Activities
- Photocopying Services.
- Janitorial Services.

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

## 15.2 Financial Performance

Profit after Taxation of the company was Rs. 104.667 million during 2016 as compared to Rs. 70.487 million during the previous year, reflecting 48.49% increase in the company's earnings performance, resulting in Earnings per Share (EPS) of Rs. 10.47 as compared to Rs. 7.05 per share in 2015. The company being 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	2015	2016
Profit after taxation (Rs. in millions)	70.487	104.667
Earnings per share (Rs.)	7.05	10.47

## Future Outlook

As per objectives of the company defined in the Memorandum of Association, KSSL plans to gradually take over all non-core/ancillary services of ZTBL so that the Bank can concentrate on its core banking activities. Further, KSSL also intends to utilize its experience and expertise in the field of Human Resource Outsourcing and offer HRO services to the corporate sector as well.

## 16. 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 2016.



- vi. Based on the results of December 31, 2016, 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, 2016 except as disclosed in these financial statement.

## 17. STATEMENT OF INTERNAL CONTROLS

In 2004, State Bank of Pakistan issued Internal Control Guidelines requiring the banks to maintain an effective system of internal controls and described key components integral to the effective Internal Control System. In order to ensure consistency in the process of attaining compliance with this requirement, SBP prescribed a structured roadmap in 2009 which identified 8 activities/stages involved in the Internal Control Program. In order to comply with the guidelines of SBP, the Bank adopted COSO Framework and completed all stages and submitted report to 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.

After completing all the stages as per SBP roadmap, External Auditors have been issuing Long Form Report (LFR) on ICFR since 2013 for submission to SBP. The numbers of control weaknesses, pointed out by the auditors are decreasing. However, resolution of many observations raised by the Auditors' is dependent on implementation of ERP/ Automation which is parallel "Go-Live" phase. After full implementation of ERP, the control system of the Bank will be further strengthened.

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 Board of Directors of the Bank is ultimately responsible for Internal Control System and it endorses the above management evaluation.

## 18. DISCLOSURE ON GOVERNANCE AND REMUNERATION

### 18.1. Process of Appointment & Nomination of the Directors

As per Public Sector Companies (Corporate Governance) Rules, a Nomination Committee of the Board is in place which identifies and recommends the candidates for the Board for consideration of shareholders. These recommendations are forwarded to the Finance Division, GoP. The Finance Division, GoP accordingly appoints Director(s) on the Board of the Bank. Thereafter, documents required under Fit & Proper Test Criteria of State Bank of Pakistan are called from the concerned appointee(s) and are forwarded to SBP for clearance. The appointee assumes his office of Director once clearance is received from SBP.



## 18.2. Profile of each Director (Qualification, Expertise & Experience)

S.No.	Name	Status	Qualification	Experience
01	Syed Yawar Ali (Chairman)	Chairman, Independent Director	-Master of Management Science, USA. -Bachelor of Chemical Engineering, USA.	-Chairman, Nestle Pakistan Limited. -Served Chase Manhattan Bank, New York.
02	Syed Talat Mahmood	Executive Director	-Bachelor of Arts, GC Lahore.	-Ex-President/CEO, Punjab Provincial Cooperative Bank Limited. -Served ABN-AMRO Bank, Dubai, UAE in various positions. -Ex SVP, United Bank Limited-Served in UAE and Pakistan.
03	Mr. Saeed Ahmad	Non-Executive Director	-M.Sc (Economics), London School of Economics -Fellow, Institute of Actuaries Staple Inn Hall, High Holborn London WCI	-Dy. Governor, State Bank of Pakistan.
04	Mr. Mohammad Tanvir Butt	Non-Executive Director	-MA (Economics), MBA (Finance), MA (Political Science), LLB	-Joint Secretary, Finance Division, GoP, Islamabad.
05	Mr. Majyd Aziz Balagamwala	Independent Director	M.A.( Management), USA	- President, MHG Group of Companies. - Ex-Chairman/Director, SME Bank Limited. - Ex- Director, Karachi Electric Supply Corporation. - Ex-Member (Pvt. Sector), Pakistan Railway Board.
06	Mr. Zia-ul- Mustafa Awan	Independent Director	FCMA	- Chief Financial Officer and Business Administrator- Lahore International Expo Centre. - Former President, Institute of Cost & Management Accountants, Pakistan. - Honorary President, House of Professionals. - Board Member, South Asia Federation of Accountants.
07	Mr. Abdul Bari Tareen	Independent Director	-M. A (Sociology) -M. A (Social Work)	- Progressive Farmer - Member, National Seed Council, GoP. - Member, Executive Council, Zamindar Action Committee, Balochistan. - Ex-District Program Coordinator, American Institute of Research in ED- LINKS Program. - Ex-District Program Manager (VCD), National Commission for Human Development.





S.No.	Name	Status	Qualification	Experience
08	Mr. Zahid Idris Mufti	Independent Director	- B.Sc (Hons.) in Civil Engineering - L.L. B, M.B.A (Executive)	- Fourteen-years practical experience as Lawyer in Peshawar High Court, Peshawar/Abbotabad Bench & Islamabad High Court, Islamabad. - Progressive Farmer & Managing Personal/family Agri. Lands of about 2500 Kanals. - Ex-Senior Engineer, Communication & Works Department, Khyber Pakhtunkhwa.
09	Mr. Abdul Ghafoor Mirza	Independent Director	- M.Sc (Defense & Strategic Studies) - M. A. (Economics) - M.Sc (Chemistry)	- Ex Chairman, Bank of Punjab. - Ex Federal Secretary to the GoP. - Ex Advisor, Ministry of Finance & Revenue, Government of Pakistan. -Member, Punjab Examination Commission.

### 18.3. Details of Membership on the Board(s) of other Companies

S. No.	Name	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committee	Number of other Board Membership along with Name of Companies
01	Syed Yawar Ali (Chairman)	10.06.2014	Independent Director	02	- Chairman, Nestle Pakistan Limited. - Chairman, Wazir Ali Industries. - Chairman, Fatima Jinnah Medical College and Sir Ganga Ram Hospital. - Director, Pakistan International Airlines. - Director, International General Insurance Company.
02	Syed Talat Mahmood	30.04.2014	Executive Director	02	- Chairman Board, M/s Kissan Support Services (Pvt.) Ltd. - Director, Pakistan Mercantile Exchange Limited.
03	Mr. Saeed Ahmad	10.06.2014	Non-Executive Director	06	- Chairman Board, House Building Finance Corporation. - Chairman Board, EXIM Bank. - Chairman Board, Pakistan Mortgage Refinance Company. - Director State Life Insurance Corporation of Pakistan. - Director Securities and Exchange Commission of Pakistan.



S. No.	Name	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committee	Number of other Board Membership along with Name of Companies
04	Mr. Mohammad Tanvir Butt	27.10.2015	Non-Executive Director	02	Director, Pakistan Security Printing Corporation.
05	Mr. Majyd Aziz Balagamwala	10.06.2014	Independent Director	06	President, MHG Group of Companies.
06	Mr. Zia-ul-Mustafa Awan	10.06.2014	Independent Director	04	Board Member, South Asia Federation of Accountants
07	Mr. Abdul Bari Tareen	10.06.2014	Independent Director	05	Member National Seed Council, GoP
08	Mr. Zahid Idris Mufti	18.11.2015	Independent Director	03	
09	Mr. Abdul Ghafoor Mirza	14.07.2016	Independent Director	04	

## 18.4. Composition & Membership of Board Committees

### a. Audit Committee

Sr. No.	Name of Member	Designation
01	Mr. Zia-ul-Mustafa Awan	Chairman
02	Mr. Majyd Aziz Balagamwala	Member
03	Mr. Abdul Bari Tareen	Member
04	Mr. Saeed Ahmad	Member
05	Mr. Abdul Ghaffar Bhatti	Secretary

### b. Human Resource Management Committee

Sr. No.	Name of Member	Designation
01	Mr. Majyd Aziz Balagamwala	Chairman
02	Syed Talat Mahmood	Member
03	Mr. Abdul Bari Tareen	Member
04	Mr. Abdul Ghafoor Mirza	Member
05	Mr. Zahid Idris Mufti	Member
06	Mr. Khalid Mehmood Gill	Secretary

### c. Risk Management Committee

Sr. No.	Name of Member	Designation
01	Mr. Saeed Ahmad	Chairman
02	Mr. Zia-ul-Mustafa Awan	Member
03	Mr. Mohammad Tanvir Butt	Member
04	Mr. Abdul Ghafoor Mirza	Member
05	Mr. Muhammad Shah Zaman	Secretary



**d. Nomination Committee**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>
01	Syed Yawar Ali	Chairman
02	Mr. Saeed Ahmad	Member
03	Syed Talat Mahmood	Member
04	Mr. Muazam Ali	Secretary

**e. Procurement Committee**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>
01	Mr. Abdul Bari Tareen	Chairman
02	Mr. Majyd Aziz Balagamwala	Member
03	Mr. Zia-ul-Mustafa Awan	Member
04	Mr. Abdul Ghafoor Mirza	Member
05	Mr. Anwar-ul-Haq	Secretary

**f. Investment Committee**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>
01	Mr. Saeed Ahmad	Chairman
02	Mr. Majyd Aziz Balagamwala	Member
03	Mr. Zahid Idris Mufti	Member
04	Mr. Mehboob Hussain	Secretary

**g. Committee on Information Technology**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>
01	Mr. Saeed Ahmad	Chairman
02	Mr. Zia-ul-Mustafa Awan	Member
03	Mr. Mohammad Tanvir Butt	Member
04	Mr. Muhammad Nadeem Chohan	Secretary

**h. Agriculture Technology Committee**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>
01	Syed Yawar Ali	Chairman
02	Mr. Saeed Ahmad	Co-Chairman
03	Mr. Majyd Aziz Balagamwala	Member
04	Mr. Abdul Bari Tareen	Member
05	Mr. Zahid Idris Mufti	Member
06	Mr. Farhat Karim Hashmi	Secretary

**i. Committee on NPLs & SAM**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>
01	Mr. Abdul Ghafoor Mirza	Chairman
02	Mr. Majyd Aziz Balagamwala	Member
03	Mr. Abdul Bari Tareen	Member
04	Mr. Muhammad Nadeem Chohan	Secretary



## 18.5 Number of Board & Committee Meetings Held and Attendance of the Members during the Year 2016

### i) Meetings of the Board

Eight (08) meetings of the Board were held during the year 2016. Attendance of the members remained as under:-

Sr. No.	Name of Member	Designation	No. of meetings attended
01	Syed Yawar Ali	Chairman	08
02	Syed Talat Mahmood	President/CEO/Director	08
03	Mr. Mohammad Tanvir Butt	Director	08
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	08
09	Mr. Abdul Ghafoor Mirza *	Director	04

\* Four meetings were held during his tenure.

### ii) Meetings of the Board Committees

#### a) Audit Committee Seven (07) meetings held

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Zia-ul-Mustafa Awan	Chairman	07
02	Mr. Majyd Aziz Balagamwala	Member	07
03	Mr. Abdul Bari Tareen	Member	07
04	Mr. Saeed Ahmad	Member	05
	Chief Internal Auditor	Secretary	



**b) Human Resource Management Committee**  
**Five (05) meetings held**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>	<b>No. of Meetings Attended</b>
01	Mr. Majyd Aziz Balagamwala	Chairman	05
02	Syed Talat Mahmood	Member	05
03	Mr. Abdul Bari Tareen	Member	05
04	Mr. Abdul Ghafoor Mirza	Member	01
05	Mr. Zahid Idris Mufti Head, HR Division	Member Secretary	01

**c) Risk Management Committee**  
**Four (04) meetings held**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>	<b>No. of Meetings Attended</b>
01	Mr. Saeed Ahmad	Chairman	04
02	Mr. Zia-ul-Mustafa Awan	Member	04
03	Mr. Mohammad Tanvir Butt	Member	04
04	Mr. Abdul Ghafoor Mirza <i>Head, Credit Administration &amp; Risk Management Division</i>	Member Secretary	1*

**d) Nomination Committee**  
**Two (02) meetings held**

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

**e) Procurement Committee**  
**Three (03) meetings held**

<b>Sr. No.</b>	<b>Name of Member</b>	<b>Designation</b>	<b>No. of Meetings Attended</b>
01	Mr. Abdul Bari Tareen	Chairman	03
02	Mr. Majyd Aziz Balagamwala	Member	03
03	Mr. Zia-ul-Mustafa Awan	Member	03
04	Mr. Abdul Ghafoor Mirza <i>EVP, Services Division</i>	Member Secretary	01



**f) Investment Committee**  
**Two (02) meetings held**

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Saeed Ahmad	Chairman	02
02	Mr. Majyd Aziz Balagamwala	Member	02
03	Mr. Zahid Idris Mufti <i>Chief Financial Officer</i>	Member <i>Secretary</i>	02

**g) Committee on Information Technology**  
**Four (04) meetings held**

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Saeed Ahmad	Chairman	04
02	Mr. Zia-ul-Mustafa Awan	Member	04
03	Mr. Mohammad Tanvir Butt <i>SEVP, Information Systems Division</i>	Member <i>Secretary</i>	04

**h) Agriculture Technology Committee**  
**Seven (07) meetings held**

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Syed Yawar Ali	Chairman	07
02	Mr. Saeed Ahmad	Co-Chairman	04
03	Mr. Majyd Aziz Balagamwala	Member	06
04	Mr. Abdul Bari Tareen	Member	02
05	Mr. Zahid Idris Mufti <i>EVP, Planning, Research and Technology Division</i>	Member <i>Secretary</i>	06

**i) Committee on NPLs & SAM**  
**One (01) meeting held**

Sr. No.	Name of Member	Designation	No. of Meetings Attended
01	Mr. Abdul Ghafoor Mirza	Chairman	01
02	Mr. Majyd Aziz Balagamwala	Co-Chairman	01
03	Mr. Abdul Bari Tareen <i>SEVP, Recovery and SAM Division</i>	Member <i>Secretary</i>	01

\* As per decision of 84th meeting of the BoD held on 21.10.2016, Mr. Abdul Ghafoor Mirza added into BRMC as member, therefore, he attended only one meeting during 2016 which was held on 30.12.2016.



## 18.6. Disclosure Relating to the Remuneration Policy

There was a need to align the remuneration practices with internationally adopted best principles and standards in view of ever expanding risk portfolio and direct risk-taking behavior with remuneration but it must be within the available resources of ZTBL. Remuneration or salary or compensation is a vital part of total reward structure that encompasses all the tools available to attract, develop and retain employees. The remuneration policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term value-creation for its employees.

### a) Following are the Key Features and Objectives and Remuneration related Governance Framework.

- i) The Bank be able to attract, engage and retain high-performing and motivated employees in a competitive market.
- ii) Employees are offered a competitive and market aligned remuneration package, making fixed salaries a significant component of remuneration; and
- iii) Employees feel encouraged to create sustainable results for customers and the Bank.
- iv) Policy also focuses on sound and effective risk management through alignment with the Bank's business strategy, values, key priorities and long-term goals, ensuring that the total bonus pool does not undermine the Bank's capital base and a stringent governance structure for setting goals and communicating these goals to employees.

### b) The Remuneration Components in ZTBL are;

- i) Fixed remuneration (including allowances).
- ii) Performance-based remuneration (bonus).
- iii) Pension scheme (where applicable).
- iv) Other benefits in kind.
- v) Severance payment, where applicable.

### c) Factors considered for differentiating the variable pay across employees or group of employees.

- i) The salary system is composed of a salary range for each position that reflects the value of that position to ZTBL. Each salary range shows the gross salary and is set between defined minimum and maximum levels.
- ii) The ranges have an overlap to reward a high performing employee in a lower grade by paying a salary equal to or greater than the salary a relatively low stem provides performing employee may be receiving in a high grade. The system provides latitude in the administration of salaries to take account of both the value of the job and the value of the individual contribution to that job.
- iii) All ranges have defined maximum levels which are flexible. Separate salary packages have been approved by the Board of Directors for each category which is reviewed periodically with actuarial valuation of its financial impact.

### d) Types of employees considered as material risk taker

The Bank has identified the products and processes which may pose serious risks to the institution and identified the appropriate level of authorities and decision makers for these products and processes as Material Risk Takers (MRTs).



**e) Ways in which current & future risk and performance are measured**

Profit maximization is not the only benchmark for determination of salaries and bonuses or employees rather this policy also provides significant importance to the quantum of risk involved in generating profit.

**f) Responsibility levels of the key executives in major decisions.**

- i) Annual business plans, cash flow projections, forecasts and long term plans, budgets including capital, manpower and expenditure budgets, along with variance analyses.
- ii) Internal / commercial audit reports and observations raised by the SBP Inspection Team, including cases of fraud or major irregularities.
- iii) Management letters issued by the external auditors.
- iv) Status and implications of any law suit or judicial proceedings of material nature, filed by or against the Bank.
- v) Material payments of government dues, including income tax, excise and customs duties, and other statutory dues.
- vi) Any significant accidents and dangerous occurrences.
- vii) Disputes with staff and their proposed solutions, any agreement with the CBA Union on their character of demands.
- viii) Annual, quarterly, monthly or other periodical accounts are required to be approved by the Board for circulation amongst its members.
- ix) Reports on governance, risk and compliance issues;
- x) Periodical review of Human Resource Policies.

Salary is admissible as per pay scales, allowances and fringe benefits in vogue in respect of employees governed under SSR, 1961 whereas monetized salary is being paid to employees governed under SR- 2005. Besides salary, performance bonus is also paid with the approval of the Board. On retirement/ severance/death, certain benefits are also admissible.

**g) Basis of payment of bonuses and rewards to CEO, senior executives and MRTs.**

Following are the basis of payment of bonuses and rewards to CEO, senior executives and MRTs.

- Profit before tax
- Assessment of risk adjusted return
- Cost
- Customer satisfaction
- Compliance with internal business procedures
- Expected loss

**h) Independence & separation of remuneration of risk control function employees.**

Bank has endured and allowed separate monetized salary structure in respect of employees posted in treasury department since they are performing risk control function.

**i) Policy on vesting & deferral of variable pay**

N/A

**j) Employee Stock Option Scheme**

Employee Stock Option Scheme (ESOS) has not been offered by the Bank to the employees.





## 18.7. 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

## 19. VALUE OF INVESTMENTS IN EMPLOYEES' BENEFITS 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 31.12.2016*
Contributory Provident Fund	550.791
Gratuity Fund under SR-2005	1,256.900
General Provident Fund (Officers)	2,737.448
General Provident Fund (Staff)	768.547
Employees Provident Fund	70.126
Gratuity Fund under SSR-1961	1,338.559
Pension Fund	9,887.361
Benevolent Fund (Officers)	946.230
Benevolent Fund (Staff)	443.435
Employees Benefit Fund	154.433

\*Un-audited figures

The Bank also operates two unfunded schemes namely; leave encashment and post-retirement medical benefit scheme.

## 20. 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 Pakhtunkhwa	71,740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan *	527,500	5,275,000
	<b>Total:-</b>	<b>1,252,244,067</b>	<b>12,522,440,670</b>

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



# CORPORATE INFORMATION

## (As on 31.12.2016)

Name:	Zarai Taraqati 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 7,000,000,000 ordinary shares of Rs.10 each and 5,500,000,000 preference shares of Rs. 10 each.
Paid-up capital:	Rs.12, 522,440,670/-
Consideration for Issuance of Shares:	Rs. 40,155,992,000/-

### Board of Directors:

Syed Yawar Ali	Chairman
Syed Talat Mahmood (President/CEO, ZTBL)	Director
Mr. Mohammad Tanvir Butt	Director
Mr. Saeed Ahmad	Director
Mr. Zia-ul-Mustafa Awan	Director
Mr. Majyd Aziz Balagamwala	Director
Mr. Abdul Bari Tareen	Director
Mr. Zahid Idris Mufti	Director
Mr. Abdul Ghafoor Mirza	Director

Chief Operating Officer:	Mian Aamir Hussain
Chief Financial Officer:	Mr. Mehboob Hussain
Company Secretary:	Mr. Muazam Ali
Company's website:	<a href="http://www.ztbl.com.pk">www.ztbl.com.pk</a>



## Annual General Meeting

13th Annual General Meeting of the Bank was held on April 27, 2016 at ZTBL Head Office, Islamabad and 14th Annual General Meeting of the Bank was held on May 30, 2017 at ZTBL Head Office, Islamabad.

## Auditors of the Bank

1. *M/s Horwath Hussain Chaudhry & Company, Chartered Accountant, Islamabad*
2. *M/s BDO Ebrahim & Company, Chartered Accountant, Islamabad*

## Acknowledgement

In the end, Directors place on record their sincerest appreciation for the significant contribution made by our employees through their dedication, hard work and commitment as also for the trust reposed on us by the agriculture fraternity and farmers. We also acknowledge the support extended to us by State Bank of Pakistan and other regulators, shareholders, collaborators and customers at large. We look forward to continued support in our endeavour to accelerate access to innovative and affordable finance to agriculture.

On behalf of the Board of Directors

**(Syed Yawar Ali)**

Chairman, Board of Directors



## CORPORATE AFFAIRS DEPARTMENT

No. CAD/1(4)/AGM/14/2017/ 361-371

Dated: May 09, 2017

### NOTICE OF 14<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the **14<sup>th</sup> Annual General Meeting of Zarai Taraqati Bank Limited will be held on Tuesday May 30, 2017 at 02:00 PM at ZTBL, Head Office, Islamabad**, to transact the following business:

#### Ordinary Business:

1. To confirm the minutes of 13<sup>th</sup> Annual General Meeting held on April 27, 2016.
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, 2016 together with Auditors' and Directors' reports thereon.
3. To appoint the Auditors of the Bank for the year ending December 31, 2017 and fix their remuneration.

#### Special Business:

4. Sales of Vehicle to Mr. Mansur Khan, Ex-President, ZTBL
5. Approval of terms and conditions of President/CEO, 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**

sd-

**(MUAZAM ALI)**

Company Secretary

051-9252759

1. Government of Pakistan, Through Secretary Finance Division, GoP, Islamabad.
2. State Bank of Pakistan, through Governor, Karachi.
3. Governments of Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan through Chief Secretar, Lahore, Karachi, Peshawar and Quetta.
4. Chairman, ZTBL Board.
5. Additional Registrar of Companies, Company Registration Office, Islamabad.
6. M/s BDO Ebrahim & Company, Chartered Accountants, Islamabad and M/s Ilorwath Hussain Chaudhry & Company, Chartered Accountants, Islamabad.

**Company Secretary**



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

**Horwath Hussain Chaudhury & Co.**  
Chartered Accountants  
25-E, Main Market,  
Gulberg-2,  
Lahore-54660  
Pakistan

**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Zarai Taraqati Bank Limited ("the Bank") for the year ended December 31, 2016.

The responsibility for compliance with 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 of Compliance reflects the status of the Bank's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Rules.

As a 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 Board of Directors' 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 Rules require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirement(s) of the Rules was/were observed which is/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. The performance evaluation of the members of the Board including the Chairman and the Chief Executive has not yet been completed by Pakistan Institute of Corporate Governance, therefore, 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. p.s.c.a.

*Handwritten signature*



BDO Ebrahim & Co.  
Chartered Accountants

Horwath Hussain Chaudhury & Co.  
Chartered Accountants

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 Rules as applicable to the Bank for the year ended December 31, 2016.

*Bdo ebrahim & co*  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

Engagement Partner:  
Iffat Hussain

DATED: 08 MAY 2017

ISLAMABAD

*Iffat*

*Horwath Hussain Chaudhury*  
HORWATH HUSSAIN CHAUDHURY & CO.  
CHARTERED ACCOUNTANTS

Engagement Partner:  
Amin Ali

DATED: 08 MAY 2017

LAHORE

*Amin*



**STATEMENT OF COMPLIANCE WITH THE 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, 2016

- I. This statement is being presented to comply with 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 of 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="6">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>Mr. Abdul Ghafoor Mirza</td> <td>29.08.2016</td> </tr> <tr> <td>Executive Director</td> <td>Syed Talat Mahmood</td> <td>30.04.2014</td> </tr> <tr> <td rowspan="2">Non-Executive Directors</td> <td>Mr. Saeed Ahmad</td> <td>07.07.2014</td> </tr> <tr> <td>Mr. Mohammad Tanvir Butt</td> <td>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	Mr. Abdul Ghafoor Mirza	29.08.2016	Executive Director	Syed Talat Mahmood	30.04.2014	Non-Executive Directors	Mr. Saeed Ahmad	07.07.2014	Mr. Mohammad Tanvir Butt	11.12.2015	3(2)	√	
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Non-Executive Directors	Mr. Saeed Ahmad	07.07.2014																										
	Mr. Mohammad Tanvir Butt	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	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)	√																									

*Signature*

*Signature*



6	The chairman of the Board is working separately from the chief executive of the Bank.	4(1)	√	
7	The chairman has been elected from amongst the independent directors.	4(4)	√	
8	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)	√	
9	(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)	√  √	
10	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)	√	
11	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)	√	
12	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Bank.	5(5)(b)(vi)	√	
13	(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.  (b) A Committee has been formed to investigating the deviations from the Bank's Code of Conduct.	5(5)(c)(ii)	√  √	
14	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.	5(5)(c)(iii)	√	
15	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)	√	

Follow: *WKC*

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16	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)	✓	
17	(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)	✓  ✓  ✓	
18	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	✓  ✓	
19	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.	9	✓	
20	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.  Monthly accounts were also prepared and circulated amongst the Board members.	10	✓	✓
21	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.	11	✓	
22	(a) The Board has formed the requisite committees, as specified in the Rules.  (b) The committees were provided with written term of reference defining their duties, authority and composition.  (c) The minutes of the meetings of the committees were circulated to all the Board members.	12	✓  ✓  ✓	

*Adnan Malik*

*h.*



	(d) The committees were chaired by the following non-executive directors:		√																			
	<table border="1"> <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>04</td> <td>Mr. Saeed Ahmad</td> </tr> <tr> <td>Human Resource Committee</td> <td>05</td> <td>Mr. Majyd Aziz Balaganwala</td> </tr> <tr> <td>Procurement Committee</td> <td>04</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	04	Mr. Saeed Ahmad	Human Resource Committee	05	Mr. Majyd Aziz Balaganwala	Procurement Committee	04	Mr. Abdul Bari Tareen	Nomination Committee	03	Syed Yawar Ali			
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23	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.	13/14	√																			
24	The Bank has adopted International Financial Reporting Standards notified by the Commission under clause (j) of sub-section (3) of section 234 of the Ordinance.	16	√																			
25	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	√																			
26	The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.	18	√																			
27	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	√																			
28	The financial statements of the Bank were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	√																			

*Abbas* *YWK*

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29	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 &amp; 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. Saeed Ahmad	Non-Executive Director	M.Sc (Economics) Dy. Governor, SBP																	
	The chief executive and chairman of the Board are not members of the audit committee.																		
30	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	√																
31	The Bank has appointed its external auditors in line with the requirements envisaged under the Rules.	23	√																
32	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)	√																
33	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)	√																
34	The company has complied with all the corporate and financial reporting requirements of the Rules.		√																

*Alta. Inc*

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*F. Mahmood*  
 (SYED TALAT MAHMOOD)  
 President/CEO

*Syed Yawar Ali*  
 (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 Rules have been complied with except for the following, towards which reasonable progress is being made by the Bank 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 recommendations of Board Nomination Committee were forwarded to the Federal Government on February 19, 2016. The Federal Government appointed a Director on March 01, 2016. However, he did not forward requisite documents required for clearance from SBP under its Fit & Proper Test Criteria. Accordingly, meeting of Board Nomination Committee was convened and its recommendations were forwarded to the Federal Government which on June 29, 2016 appointed a Director.	The Director appointed by the Government in place of outgoing one has assumed charge of his office.
2	10(2)	In-house developed GL Module/eFOCS had limitations.	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. Business processes have been designed and are in process of implementation through ERP. Expected to be completed by June 2017.