

DIRECTORS' REPORT

Performance review for the Year 2021:

I am pleased to present the annual directors' report of Zarai Taraqati Bank Limited, highlighting the progress achieved during the year 2021. ZTBL is 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.

After being in loss for the consecutive three years, the bank has recorded profit before provision and tax depicting a promising situation for future retrospectively. This has been supported by various factors, one of the reasons being that Multi-channels strategy has been adopted to improve recovery, which has proven to be quite effective as during the year, agri. Loans amounting to Rs. 83,677 million have been recovered against total recoverable amount of Rs. 109,644 million with recovery rate of 76% compared to 66% last year. NPLs have taken a plunge from Rs.59,184 million to Rs.40,747 million while SAM recovery is the highlight as the figures recorded for this year is Rs.6,361 million compared to Rs.2,555 million last year.

To make account opening process swift and simplified while ensuring compliance with the applicable regulatory requirements and international standards, ZTBL, as per the instructions of SBP, has implemented Customers Digital Onboarding Framework to conveniently and remotely open bank accounts of resident Pakistanis by using ZTBL website. An online form has been provided to the borrowers on the ZTBL website in both English and Urdu formats which help fetch any loaning information or to calculate total amount to be paid by the borrower on half-yearly basis including the mark-up etc. To improve customer risk profiling and get a better idea of a customer's risk rating, eKYC module was implemented in core banking system. Moreover, a new system named Knowledge Management System has been developed to assess the employees of the bank in field. For complying with the automation requirement of SBP and as per directions of Board Audit Committee, Internal Audit Management System (IAMS) was deployed to enhance Risk based Audit environment. Following the directions of SBP, provision for Image Based Inward Clearing of NIFT has been introduced in core banking to clear checks from Head Office instead of individual branches. ISD played an important role by providing backend system support for Kissan Khushal Scheme (KKS). To improve controls of AML / CFT, functionality of Sanction Compliance Management System has been enhanced and introduced in loaning side of core banking as well. An enhancement for indication of high risk accounts of PEPs/NGOs/NPOs/Charities has also been made in the system. The system has also been equipped for screening and biometric verification of walk-in/occasional customers. ERP has been linked with Sanction Compliance Management System for the black list screening of existing employees, new recruitment and third party vendors and suppliers. Central Loan Sanctioning Department (CLSD) has been empowered with the Customer Verification through Contact Centre during the loan processing. Now, the customer verification is performed first by ZTBL Contact Center and verification result is shown in the system to CLSD for further processing of the loan case. Besides this, multiple other initiatives were taken in software development area which includes automation of capturing of home remittance transactions, enhancements for bond encashment including provision of stock automation & sale and purchase of bonds. To encourage paperless environment, online performance appraisal of ZTBL employees in HO and field has been implemented. As per directions of ZTBL Board, a module in Knowledge Management System has been implemented for taking an affirmation from all officers/executives of the bank on the yearly basis to the effect that they have read, understood & applied all relevant rules while discharging their duties. A feature has also been implemented in ERP for updating the status of employees who have not submitted HEC verified degrees for suspension of their salaries. Elimination of loan sanctioning powers for branch managers and zonal credit committee for loan up to Rs. 1.0 million and beyond, and shifting the same to CLSD were also part of in house development efforts.

As per guidelines of SBP and to promote 'compliance culture' in banks and strengthen the effectiveness of compliance function by adopting structured and risk focused approach, a Compliance & Risk Management System (CRMS) has been deployed. Work is continued on enhancing the system by developing Operational Risk Management Framework (ORMF) using Risk and Control Self-Assessment (RCSA) tool. This will help in

proactive assessment and monitoring of compliance risks and the effectiveness of the controls present against the risks

Gap assessment for the implementation of Payment Card Industry Data Security Standard (PCI DSS) has been completed and different recommendations for the improvements have been finalized for gradual implementation. Compliance to these recommendations will help ZTBL to secure debit card transactions against data breach and data theft.

Footprint for IP based surveillance system deployment has reached to 291 branches while Deployment of the managed Network Infrastructure is in progress and the footprint has increased to 44 branches. Procurement of Tablet & SIM for implementation of Mobile Application for Field Force, Biometric Devices, Webcam, URDU Keyboard for PLRA Project in Branches along with Tape Library and Backup Solution to centralize, automate, and accelerate backup and recovery of the all systems, databases, and enterprises servers running critical applications have been completed. For implementation of hi-tech Video Conferencing System and to share information and resources between ZTBL zonal officers and Head Office, Zoom licenses have been acquired and hardware is being issued on need basis. ZTBL is installing new attendance devices in HO and branches for which the procurement exercise has been completed.

Digital banking Division has also made praiseworthy achievements during the year. ZTBL Gold debit card has been introduced with enhanced daily cash withdrawal and online transfer limits. With Gold card, daily cash withdrawal of Rs. 100,000 can be made and Rs. 500,000 can be sent via online digital channels. As part of National Remittance Loyalty Program (NRLP), ZTBL has been connected with Sohni Dharti Remittance Program via 1-Link. This incentivizes non-resident Pakistanis to use formal banking channels for remittances. ZTBL Contact Center executed 17 campaigns for Recovery Related Calls to NPL customers, requesting them to pay their remaining amount each month. During this effort ZTBL contact center made approximately 252000+ outbound calls. Besides this, ZTBL field operations made correction of approximately 35K cell phone numbers which were called out for verification by ZTBL contact center while approximately 23800+ inbound calls were answered by Contact Center. To improve KYC and have correct phone numbers, a new workflow involving pre account opening check on cell phone numbers has been introduced wherein, on request of Central Processing Unit (CPU), ZTBL Contact Center verified almost 11300+ accounts before account opening. Similarly, on the request of Central Loan Sanctioning Department (CLSD), 30000+ loan accounts were verified during the loan sanctioning process. 1-Link Channel of OTC was established to deposit ZTBL loan installment in any bank having 1-Link OTC services. To cover the areas where Debit Cards cannot be delivered to the given addresses via mail, the ATM card issuance procedure has been revised to improve security. Now before delivering card to the customer, biometric verification and OTP verification is being performed. Also, ZTBL Debit Card footprint reached over 13.5 K cards this year.

Biometric Verification of regular borrowers, classified borrowers and normal priority active depository accounts has been completed 99%, 91% and 99.8% respectively while the bank has completed the Biometric Verification of High and Medium priority depository accounts. As far as remittances are concerned, total number of 31,639 transactions have been executed against Target of 50,547 transactions along with the inflow of USD 6.05 million and issued 3898 CDRs amounting to rupees 1979.957 (Million) (01.01.2021 to 31.12.2021) on account of current deposit. Moreover, Centralized Processing Department is fully functional for all branches (501) Conventional and Islamic Banking w.e.f 19-Jul-2021.

To build high performance culture, employees were awarded cash bonus to incentivize recovery in recognition of efforts made to recover outstanding agri loans. Moreover, job rotation was carried out to avert risk factor and ensure diverse field experience for employees. Transfer and posting are now made purely on recommendations of RGMs/ZCs to resolve hardship issues of employees at local level besides posting right man for right job. Moreover, with the aim of dispensation of justice, 704 disciplinary actions were taken during the period under review.

In light of “Green Banking Guidelines of State Bank of Pakistan (SBP)” and “Green Banking Policy of ZTBL”, five Green Banking Products were introduced by the approval of Competent Authority which include Raised Bed Planter/Machine, Direct Seeding Rice/Planter, Happy Seeder/Pak Seeder, Solar Dryer and Solar-powered Drip

Irrigation System. Apart from this, the bank introduced various financing schemes for “Establishment of Agri. Tourist Outlet/Orchard” for Gilgit Baltistan, Dairy Value Chain, Agri. Land Development Through Alternate/Renewable Energy scheme, Kissan Khushhal Scheme (KKS), Transport “Three Wheeler Loader Rickshaw, Raw Sugar (Jaggery/Shakkar) Making, Processing & Packaging scheme, Women Empowerment in Garments Sector scheme, Soya Bean Cultivation” as Green Banking Product and Sesbania (Jantar) Fodder Cultivation” as Green Banking Product. Moreover, the bank took various steps to improve credit procedures and processes. Loan sanctioning powers beyond Rs. 1.000 million to Rs. 1.500 million earlier delegated to Zonal Chief & Zonal Credit Committees have now been shifted to Central Loan Sanctioning Department (CLSD) by completing the process of centralization of loan sanctioning system at Head Office. Also, in light of Prompt Payment Bonus Policy, the Competent Authority has decided to waive-off the penalty of Rs. 1000/- being charged on late repayment of markup in KKS to give added benefit to the borrowers. Additionally, the existing per acre credit limits of various major/minor crops, vegetables, orchards and forestry have been revised to enable the farming community to use required quantity and quality agri. inputs. In compliance of SBP BC&CPD Circular No. 3 of 2016 regarding Conduct Assessment Framework for Banks and to fulfill the requirements of Fair Treatment of Consumers (FTC) Framework, a comprehensive “Product Key Fact Statement” has been designed both in English & Urdu formats which are available on the Bank’s website.

During the year, different fruits including olives, peach, plum, pear and citrus and seasonal vegetables including, broccoli, celery, parsley, turnip, radish, cauliflower, cabbage etc were sown at ZTBL farm along with cultivation of NARC-1, a high yielding, garlic variety, developed by National Agriculture Research Center, for demonstration and seed multiplication purpose at ZTBL Farm. Honey Bee Farming and Fish Farming activities were also successfully carried out during the year along with the preparation and dissemination of Ready to Grow kits. In 50 training centers across the country various activities were carried out by the Mobile Technical Officer including arrangements of Training Workshops at Islamabad and Lahore, 164 field visits, 1830 animal vaccination, 667 animal artificial insemination and participation in 31 seminars. Moreover, 22 farmers were trained along with 24 demos of plots, in various farmer training centers. Under Green Advisory Services, Green Banking Unit prepared and Published brochures/ leaflets/Booklets on the various topics and circulated among the field functionaries and in the field days. Moreover, 7 products have been developed under Green Banking Initiatives and also developed its internal Environmental Risk Rating mechanism.

To bring efficiency and saving, T&DD has switched over trainings from class-based to on-line mode successfully. A post and pre evaluation mechanism of participants and resource persons (training cycle) has also been developed through system for effective impartment of training. Overall, 3,857 employees were imparted training against the target 2,850 employees in the areas of operations, credit, recovery, land revenue matters, audit, Islamic Banking, compliance, Risk Management, IT based banking operations, Fair Treatment of Customers/Customer Services, AML/CFT, TF Risk Assessment etc. Moreover, T&DD arranged trainings in other institutions to groom Bank’s employees. Exclusive 13 Workshops/Courses conducted on the topic “AML/CFT/PF”, 2 on Green Banking, 7 on “Fair Treatment of Customer”, 23 on “Fraud Risk Management System”, 03 on “Compliance Risk Management System”, and 18 on “CPU-Account Opening and Functionally.

Economy Review:

The arrival of Covid-19 has shocked the economies, and the effects have still not dampened owing to continuous emergence of waves and new variants. However, economic recovery is underway as the policy makers around the globe have had to adjust to new scenarios, while taking the drastic measures to contain the virus and tackle the spillover effects created by it. Likewise, SBP has also made policy rate adjustments frequently over the time to cope with the challenging situation which has led the anticipated growth to lie between 4-5%, while 3.9% GDP growth has been posted for the FY21. After keeping the policy rate at 7% for almost 15 months, Monetary Policy Committee decided to gradually raise the said rate to 7.25% in September 2021 to 9.75% in December 2021 after noticing the improved growth trajectories and countering inflationary pressures.

On the other hand, economic pick-up of the country has triggered trade deficit and inflationary pressures, fueled by high global prices. Although remittances and exports were strong, current account deficit widened as the imports rose to US\$7,597 million, 52% higher than the figures recorded for December 2020. 70% of total imports are attributable to surge in global commodity prices while the rest stems from high domestic demand. Trade deficit which is recorded at US \$4,857 million during December 2021, is expected to be at the higher side in near future, however, will be moderated in second half of FY22 as the global prices normalize. Continuous momentum in inflation has been observed as the CPI touched record high of 12.3% in December 2021 compared to 8% in December 2020, which leads SBP to expect inflation to average 9-11% this FY, however, the figures are projected to decline to the range of 5-7% as a result of materialization of demand moderating policies and retrenchment in global commodity prices.

On the back of target increase in FBR tax collection, fiscal revenue growth has shown a satisfactory picture. Moreover, in order to further boost revenues, the government plans to introduce a legislation of eliminating certain tax exemptions and controlling development and current expenditures.

Agriculture sector review:

Although the agriculture sector growth rate was 3.29%, slightly lower than the past year, it was at par with target set for the year on the back of better productivity levels of maize, rice, wheat crop and sugar cane. However, steep decline in cotton crop production due to water shortage, inefficient extension services, climate change and certified seeds offset the cumulative increase in other major crops. For Rabi season 2021-22, Wheat crop has been cultivated on 22.8 million acres. The situation seems optimistic regarding the achievement of production target of 28.9 million of wheat crop owing to better input situation, contributing to overall better outlook for agriculture. Price and weather factor have also proven to work in favor of cotton crop. Estimates for cotton crop depicts a promising picture as better availability of certified seeds for maize, gram and wheat will be ensured for Rabi 2021-22 season. Meanwhile, livestock sector also performed well as the sector grew by 3.1% during FY21 compared to 2.1% last year. During July-Dec 2021, agriculture credit disbursement rose by 3.9 percent to Rs 641 billion compared to Rs 617 billion corresponding period last year.

Banking sector review:

During the first half of CY21, the performance of banking sector remained stable despite prevalence of covid-19 owing to strong liquidity and capital cushions. However, low interest rate kept the profitability indicators moderate. Capital Adequacy ratio stood at 18.3%, keeping the solvency of the banking sector robust. Overall, the sector exhibited a healthy growth of 12.2% in H1CY21, financed by 10.4% surge in deposits. Increase in assets is mainly attributable to 18.7% increase in investments, 6.2% increase in advances and additional finances. Banking sector remains susceptible despite experiencing momentum in economic activity as the pandemic situation and geopolitical dynamics are evolving. Therefore, the banks require continuously managing their risks and meeting the banking needs by efficiently balancing financial soundness and growth objectives.

ZTBL Islamic Banking performance:

Shariah Board of ZTBL-IBD currently comprises of two qualified Shariah Scholars of Jamia Darul Uloom, Karachi with qualification of Shahadatul Aalimiya, Dars e Nizami and Specialization in Islamic Jurisprudence & Law (Takhasus fill Ifta). Both members are also registered Shariah Scholars with SECP. During the past year, Liability Product Zarai Amadni Certificates (fixed term deposit product for farmers and low income group) has been approved along with approval of financing product Zarai Ijarah Financing and non-funded product of Bank guarantee. In order to expand the branches network through Islamic Windows structure, policy for Islamic Banking Windows was approved by Shariah Board and Board of Directors. Account opening process of Islamic Banking Branches was also centralized.

Six Years at a Glance:

(Rupees in millions)						
Particulars	2016	2017	2018	2019	2020	2021
Total Assets	215,561	256,341	202,476	199,899	210,686	254,841
Advances – net	135,765	140,878	135,653	109,688	102,656	91,822
Cash and Bank Balance	23,552	23,054	10,695	32,557	22,107	31,842
Operating Fixed Assets	2,071	2,180	2,356	2,752	2,813	2,514
Share Capital	12,522	52,678	52,678	52,678	52,678	52,678
Deposits	59,871	70,548	40,406	46,002	49,186	43,599
Profit/ (Loss) before Taxation	6,546	(6,149)	(3,364)	(26,349)	(3,225)	1,783
Taxation	3,272	262	(2,696)	(8,755)	(757)	3,518
Profit/ (Loss) after Taxation	3,274	(6,411)	(667)	(17,594)	(2,467)	(1,735)
Un-appropriated Profit / (Loss) brought forward	18,717	21,035	13,953	12,661	(3,437)	(3,969)
Profit / (Loss) available for Appropriation	21,991	14,623	13,286	(4,933)	(5,904)	(5,704)
Other comprehensive Income / (Loss)	(302)	(670)	(624)	1,496	1,935	(333)
Transferred to Statutory Reserve (20% of after tax profit)	(655)	-	-	-	-	-
Un-appropriated Profit / (Loss) Carried forward	21,035	13,953	12,661	(3,437)	(3,969)	(6,037)
Earnings Per Share	2.61	(1.400)	(.13)	(3.34)	(.47)	(0.33)

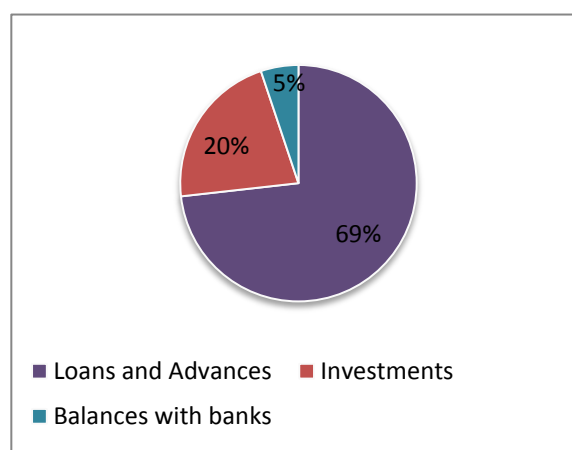
ZTBL's Financial Health:

- Profit before tax recorded at 1,783 million (2020: Loss of PKR 3,225 million).
- After tax (loss) decreased to PKR 1,735 million (2020: Loss of PKR 2,467 million).
- Operating expenses decreased by 4.1% to PKR 10,910 million (2020: 11,384 million).
- Basic Loss per share is reported at PKR (0.33) as compared to (2020: PKR (0.47)).
- Liabilities in terms of deposits decreased to PKR 43,599 million (2020: PKR49,186 million).
- Gross advances have reduced by 11% to PKR 115,256 million (2020: PKR129,895).
- NPLs have decreased by 31% to PKR 40,747 million (2020: PKR 59,184 million).
- Investments (net) increased to PKR 82,407 million (2020: PKR 39,825 million).
- Total assets increased by 21% and stood at PKR 254,841 million (2020: PKR 210,686 million).

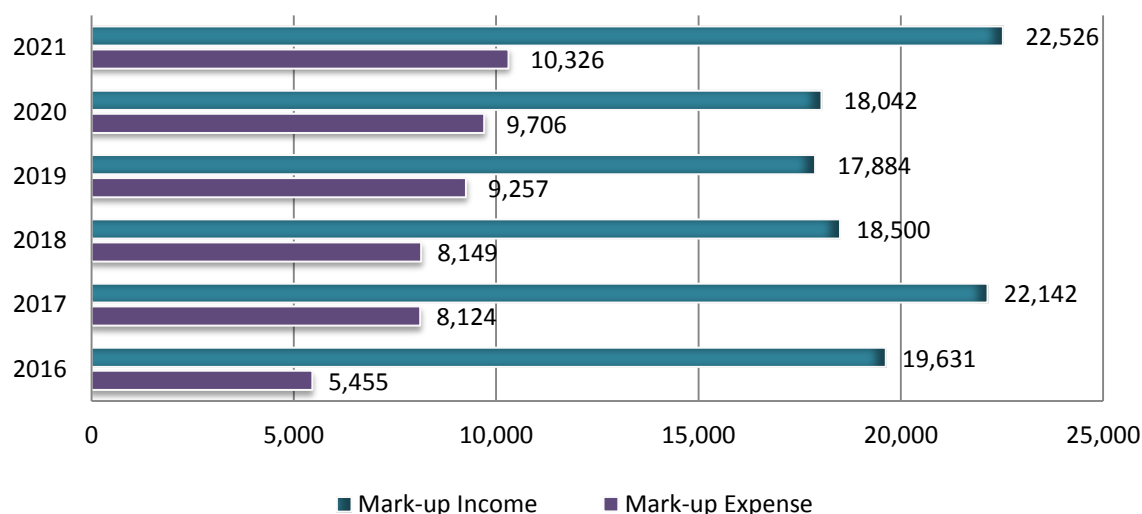
Financial performance review 2021

▪ Mark-up / Interest Income:

During the year 2021, loans of PKR 69,162 million were disbursed against the target of PKR 71,060 million showing a pace of 97%. ZTBL served (CNIC Wise) 189,905 borrowers during the year under review. The markup earned against advances amounted to PKR 15,561 million as compared to 13,503 million earned during 2020. The markup income against loans and advances represents 69% of total markup interest income.



Mark-up Income and Mark-up Expense
Rupees in million

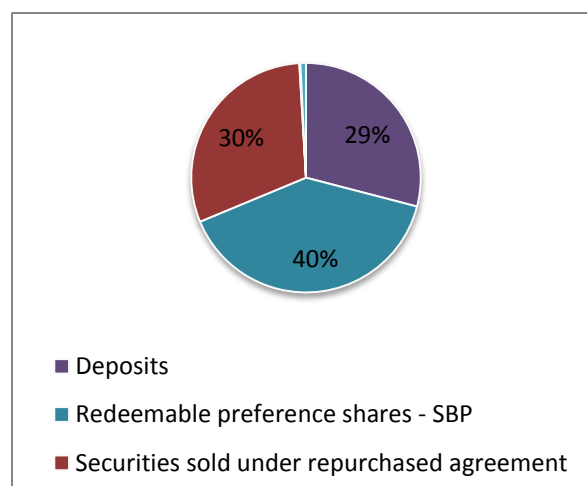


▪ Markup income on investment:

ZTBL has diversified its portfolio of investments amounting PKR 82,408 million in banks, government securities and shares in listed companies with markup income other than loan & advances which comprises of (Investments, Securities purchased under resale agreement, Bai Muajjal income, call money lending and balances with other banks) of 6,965million in 2021 compared to 4,539 million in previous year.

▪ Mark-up / Interest Expense:

The preference share finance cost of PKR 4,085 million @ 7.5% on SBP Redeemable Preference shares accounted for 40% of the total markup / interest expense, followed by cost

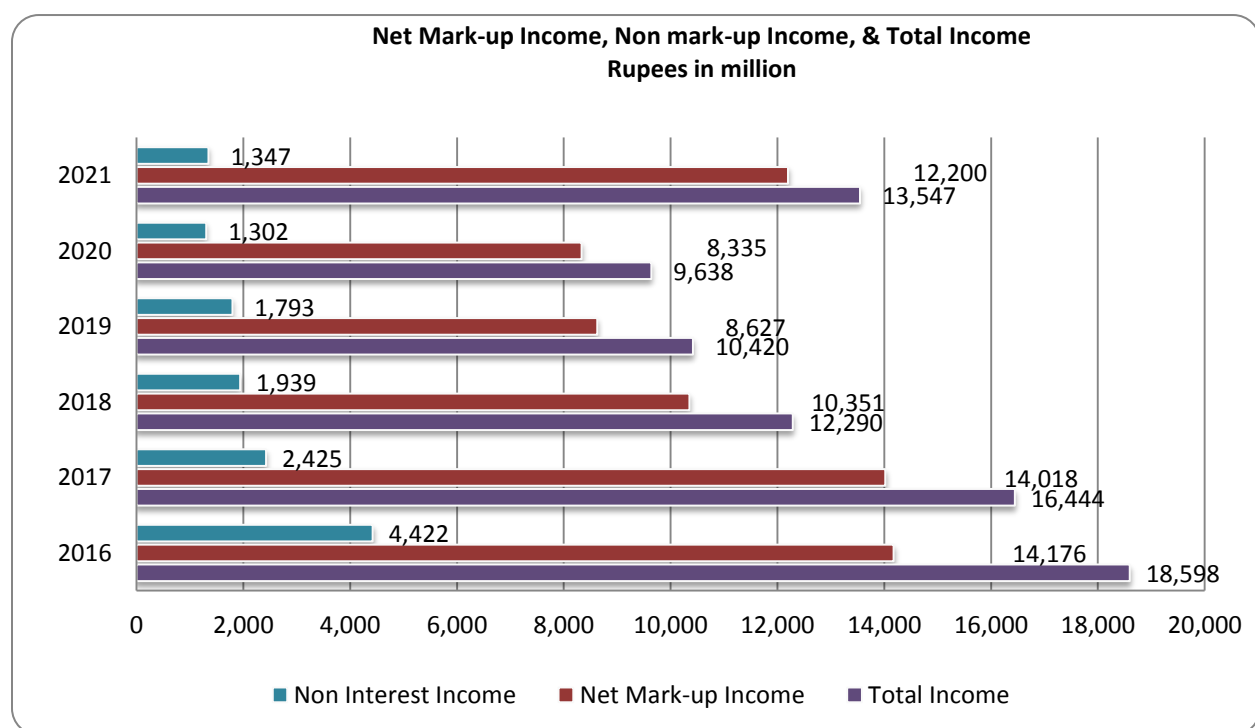
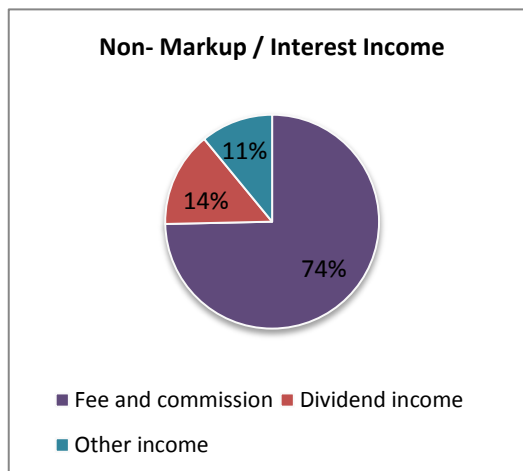


of deposit which accounted for 29 % of the total markup / interest expense and amounted to PKR 2,990 million. Securities sold under repurchased agreement accounted for 30% of the total markup / interest expense that amounted to PKR 3,123 million.

▪ Non Mark-up / Interest Income

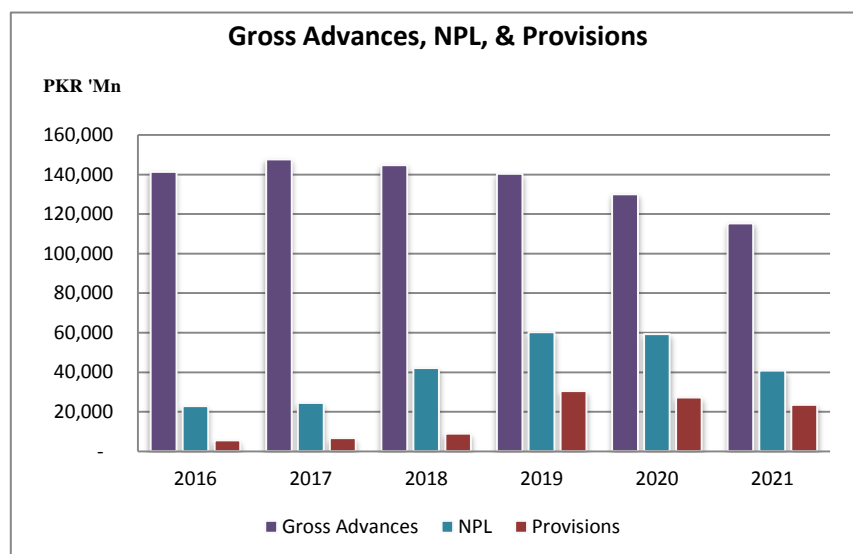
Non-markup interest income comprises of dividend income on shares of listed company, fee and commission and other income, which constitutes 14%, 74% and 11% respectively of total non-mark-up income in the year 2021.

The total non-markup income recorded in 2021 was PKR 1,347 million compared to 1,302 million recorded in the corresponding year, showing an increase of 3%.



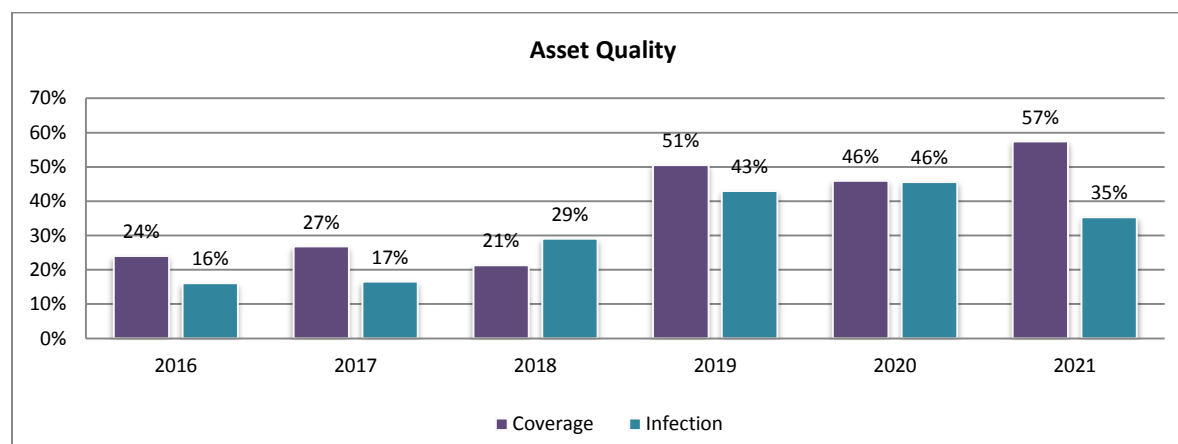
Provisions and NPL:

ZTBL made specific provisions of PKR 20,393 million against advances and general provisions of PKR 3,000 million in the year under review. Therefore, cumulative provision adds up to PKR 23,434 million including staff advances as compared to the cumulative provision of PKR 27,238 million in 2020. Non-



performing loans experienced a decline of 18,437 million i.e. from PKR 59,184 million to PKR 40,747 million in 2021.

The asset quality indicators showed improvement during the year 2021 as the gross infection ratio decreased to 35% (2020: 46%), total provision coverage 57% (2020: 46%) and specific provision coverage 50% (2020: 41%).



▪ Operating expenses

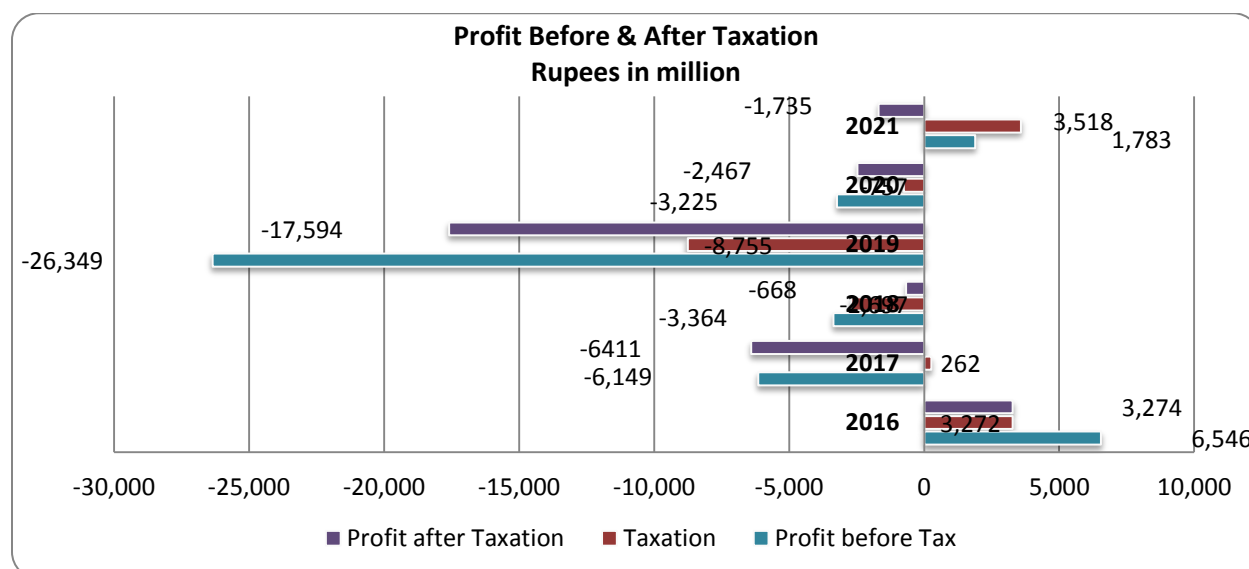
The operating expenses decreased by 4% and amounted to PKR 10,910 million during the year 2021 (2020: 11,384 million).

▪ Taxes:

Net adjustment/reversal in the accounting tax amounted to PKR 3,581 million. Profit before taxation and loss after taxation were recorded at PKR 1,783 million and PKR (1,735) million respectively.

▪ Net profit/(Loss):

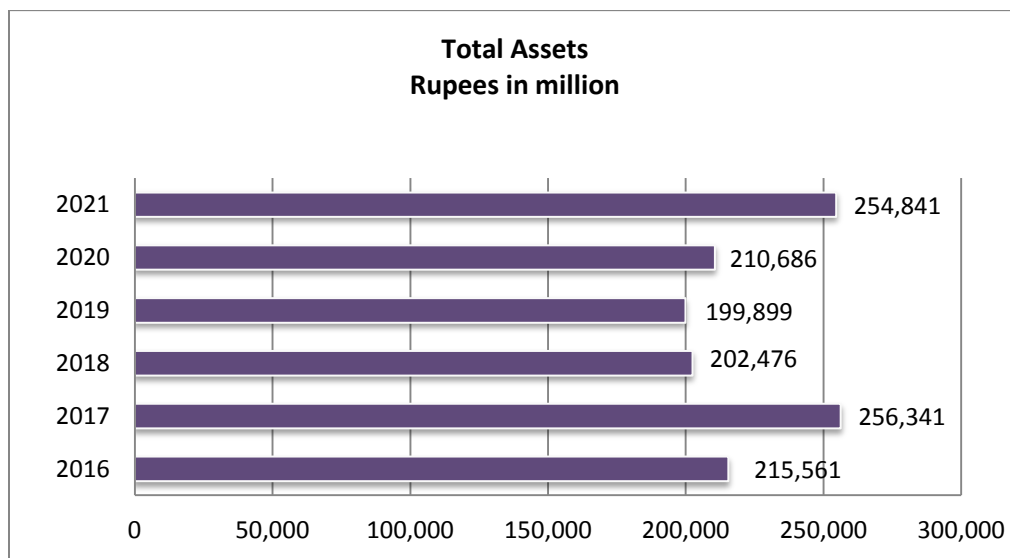
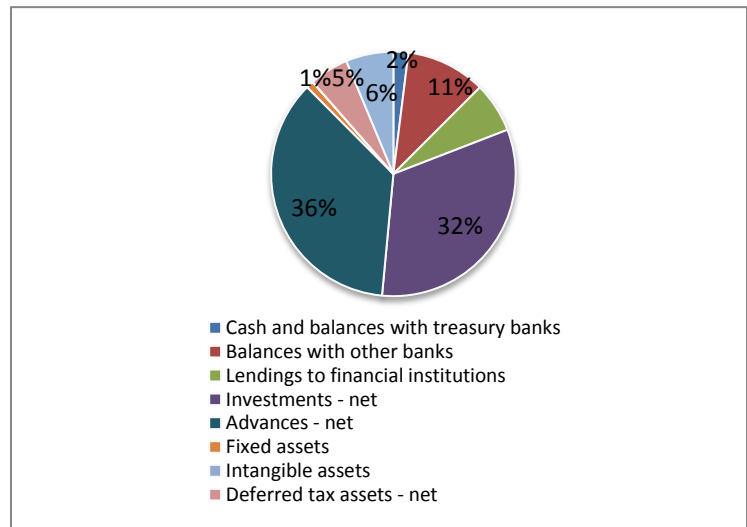
In the year under review, ZTBL reported a loss after taxation of PKR (1,735) million. Moreover, overall reporting loss has decreased in 2021 as compared to corresponding period (2020: Net Loss PKR (2,467) million).



Financial Position Review 2021

■ Total assets:

Total assets of ZTBL represent 36% advances (net) and 32% of investment (net). The asset base of the bank has increased by 21% to PKR 254,841 million in the year 2021 (2020: 210,686 million). During 2021, the net advances amounted to PKR 91,822 million compared to PKR 102,656 million in the previous year, which represents a decline of 11%.

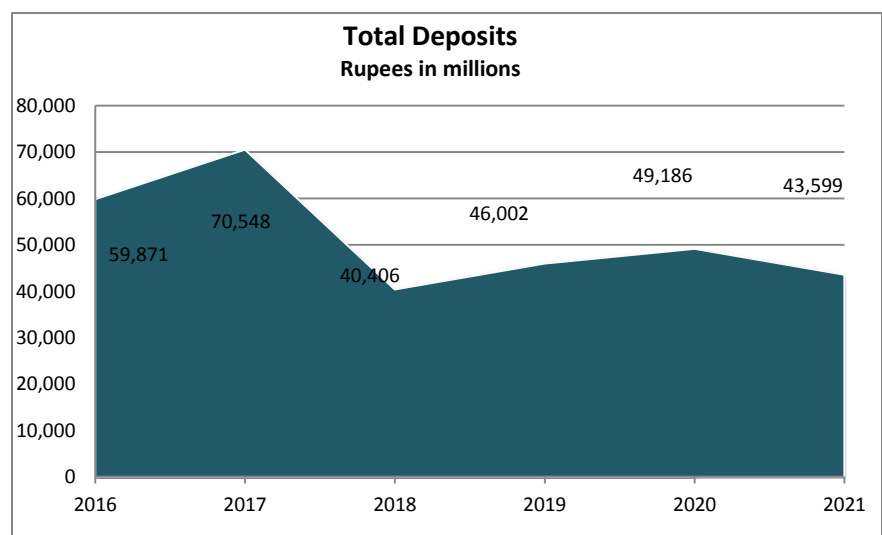


Total Deposits:

Total deposits of the bank have decreased by 11% to PKR 43,599 million in 2021 (2020: 49,186 PKR).

During the year under review, share of current and saving deposits constitutes of 15% each while Share of term deposits remained 70%.

Moreover, to improve deposit and customer base, the bank opened 31,538 New to Bank CASA accounts (NTBs) with fresh deposit of PKR 1.22 billion during the year.



Capital Strength & Adequacy:

ZTBL is keen to maintain its strong capital base in order to meet the regulatory requirements and maintain its shareholders, creditors and investors' confidence on sustainable business growth of the bank. Adequacy of the Bank's capital is monitored using the rules and ratios established by the SBP and Basel framework. Tier-1 capital of the bank decreased from PKR 46,945 million in FY 2020 to PKR 44,965 million in FY 2021 mainly due to increase in un-appropriated losses. Risk weighted assets also decreased by PKR 19,039 million. The bank's total capital to RWA's was 32.37% in 2021 (FY 2020: 30.40%), which is well above the central bank's minimum requirement of 11.50%.

CET-1 capital ratio was also strong at 30.67% in 2021 (FY 2020: 28.34%) against required 6%. The Leverage ratio decreased to 13.55% in 2021 (FY 2020: 19.77%).

The latest Internal Capital Adequacy and Assessment Process (ICAAP) shows that ZTBL has adequate (32.37% CAR) to cover the entire risk profile created by its business and operational activities. The audited CAR under BASEL-III statement as on DEC 31, 2021 stands at 32.37%.

Corporate social responsibility:

ZTBL made donation to Pakistan Hindu Council under CSR for annual mass marriages programme of 100 deserving couples held on 9th January, 2022 at Railway Ground, Karachi.

Awards & Accolades

In the year FY-2020-21, ZTBL has successfully arranged 1462 sessions under National Financial Literacy Program and was awarded 1st position by SBP under this program for FY-2020-2021. The award was highlighted in national media and was tweeted by advisor to Prime Minister of Pakistan.

Credit rating (2020)

VIS Credit Rating Company Limited (VIS) has reaffirmed entity rating of ZTBL at 'AAA/A-1+' (Triple A/A-One Plus). Outlook on the assigned ratings is Rating Watch Developing.

Kissan Support Services Limited (KSSL)

Kissan Support Services (Private) Limited ('the Company') was incorporated as a private limited company on September 19, 2005 under the Companies Ordinance, 1984 (repealed and replaced by Companies Act, 2017). 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 registered office of the Company is situated at Zarai Taraqati Bank Limited Head Office – 1 Faisal Avenue, Zero Point Islamabad.

Regular Meetings of the KSSL Board were held during the year. In total, the KSSL Board met at six different occasions to discuss various policy issues. Similarly, Meetings of the Board's Sub-Committees were also held regularly. The Audit Committee of the Board met on quarterly basis whereas HR Management Committee of the Board also held its Meetings as and when required. In order to ensure participation of all the Directors, arrangements were made, where required, for the Directors to attend the Meetings through video link.

KSSL took various staff welfare initiatives which include registration of KSSL employees with employees old age benefit institution, grant of bonus to the employees, reimbursement of expenses incurred on treatment of Covid-19 and salary increment w.e.f. July 1, 2021 to comply with the Minimum Wage requirements of the Government.

As far as security arrangements are concerned, Firing/Training of Security Guards posted in 3 ZTBL Zones was conducted and total of 101x Security Personnel were trained in Firing/Handling of Weapons during the year. As on

December 31, 2020, 1,310 Security Guards were employed in ZTBL. Mock Exercise/Fire Emergency Evacuation was conducted on December 23, 2021 with close collaboration of CDA with the aim to ensure safety of men and materials during crises at ZTBL Head Office Islamabad. All the procedures/SOPs were followed in the exercise. Covid-19 Security Personnel provided best possible support to the employees of ZTBL/KSSL. Security Department along with full strength remained vigilant and provided Security duties without any reduced strength.

KSSL employees working in different branches of ZTBL were selected under Direct Sales Model and deputed as Direct Sales Representatives (DSRs) for mobilization of deposit (Current Accounts Saving Accounts) for the Bank. As of December 31, 2021, 179 Direct Sales Representatives (DSR) were working in ZTBL. Transfer & Posting of 822 KSSL employees was carried out in order to rationalize the manpower and facilitate the employees stationing them near home town branches to offset financial/family hardships.

During the year 2021, KSSL appointed 01 lab technician, 01 dispenser, 01 Doctor, 05 vaccinators and 05 DEOs to administer COVID-19 vaccines, 02 Mushroom Attendants and 02 Bee Attendants as agriculture support staff to perform mushroom cultivation and bee keeping. The total staff strength of the company as on December 31 2021 was 3,757 employees.

S.No.	Particulars	2020	2021
1.	Profit after taxation (Rs. in millions)	123.243	(64.918)
2.	Earnings per share (Rs.)	12.32	(6.49)

Risk Management Framework and Policy

Effective Risk Management is part and parcel to the business activities of any bank, as the banking sector is always exposed to vulnerabilities of Financial and Regulatory environment. Due to increasing competition in the banking industry, changing regulatory requirements and challenging macroeconomic environment, it is indispensable to have robust risk management framework.

ZTBL being the largest Public Sector Agri-financing institution is more prone to financial losses and credit risk owing to its unique business model, thus needs to have an effective risk management framework. ZTBL has formulated its risk management framework and policy in accordance with SBP guidelines on risk management. The Bank is in continuous process of strengthening its risk management structure through a broader framework involving Senior Management/Board, Risk Management Department and at micro level Business units.

Board Risk Management Committee (BRMC) and Internal Risk Management Committee (IRMC) are performing oversight function to Risk Management. Bank's risk policy defines the basis and overall framework for understanding and implementing risk management in ZTBL. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control.

Enterprise Risk Management Concept; consolidated integrated view on risk being faced by institution. Foundation of risk management is based on the three lines of defense model (3LDM) which strengthens Internal Control and Risk Management mechanism within the Bank and promotes risk based culture. The first line of defense i.e. business side itself, having to deal with risk and putting the necessary controls in place. The risk function, as part of the second line of defense, formulates independent opinions on the risks Bank faces and on the way they are mitigated. Third line of defense i.e. Internal Audit reviews and opines on effectiveness of the processes residing at Front Line and Second line of defense.

Broader level, Risk management structure revolves around following functions at ZTBL

At policy level, micro level credit risk strategy and operational manual is being looked after by Credit Policy Dept. under Credit Division.

At Business level, Zonal structure is in place where field staff (Zonal chiefs, MCOs etc.) implement credit plans prepared by Credit Operations Department of Credit Division.

Enterprise Risk Management Division Comprises of four Departments IT Security, Central Loan Sanctioning Department, Credit Administration Department and Risk Management Department.

The Bank's Credit Administration ensures sound lending through proper & legally enforceable documentation and monitoring to assist the branches to adhere to all standing instructions. Moreover, digitization and centralization of Credit Administration Function is a milestone achieved in the Year 2021 which will help to expedite loan processing mechanism in addition to effective scrutiny of security documents.

The Bank's Centralized Loan Sanctioning Department (CLSD) has been newly established with the objective of improving the Loan sanctioning methodology through e-sanctioning system of loans to digitize lending procedures and to ensure improved due diligence and risk based approach for improving Credit portfolio.

The purpose of the Information Technology (IT) Security is to create an environment that maintains system security, data integrity and privacy by preventing unauthorized access to data and preventing misuse, damage or loss of data.

In addition to above, Risk Management Department, under Enterprise Risk Management Division is overseeing has three units i.e. Credit Risk Unit (CRU), Operational Risk Unit (ORU) and Market & Liquidity Risk Unit (M&LRU) to manage all major risks being faced by the Bank. Besides these units, a dedicated resident Treasury Risk and compliance unit is in place monitor operations and compliance risk at treasury.

The credit portfolio is reviewed and analyzed on quarterly basis by CRU and reports are sent to the Management for decision making. The Unit also looks after Internal Credit Risk Rating Framework designed for assessing individual's borrower's credit risk at the time of initiation of loan by Business. The revised Internal Risk Rating Model covering Obligor Risk Rating (ORR), Facility Risk Rating (FRR) and Environmental Risk Rating (ERR) has been approved by the IRMC and Board

The External Consultant KPMG has developed the model for implementation of IFRS 9 project and Estimation of Expected Credit Loss (ECL). The model will help in estimating credit losses on forward looking approach and will help in provisioning for the same well in advance contrary to current incurred loss based provisioning method. Risk management is actively engaged in implementation IFRS 9.

To manage liquidity risk, ALCO is effectively overseeing the function of Balance Sheet Management at ZTBL ensuring rational business decisions. M&LRU at RMD provides regular Analysis and report to Senior Management on areas of Market & Liquidity Risk. Bank is also preparing/analyzing various regulatory reports, such as Liquidity Coverage Ratio and Net Stable Funding Ratio (NSFR) on liquidity standards under the Basel III Framework as well as in-house reports as per internal requirements. These reports are in addition to regular & periodic reporting to ALCO such as Duration, Mark to Market, Sensitivity Analysis, Interest rate sensitive Gap Analysis, Treasury Gap Analysis, Maturity Mismatch, Early warning indicators, Concentration of Funds, Value at Risk etc.

Regarding Basel Accords compliance under pillar I, Bank uses Standardized Approach to calculate capital charge against credit and market risk weighted assets and Basic Indicator Approach (BIA) for calculation of capital charge against operational risk weighted assets for the purpose of calculating Capital Adequacy Ratio (CAR) under Basel III. Under Pillar II, Internal Capital Adequacy Assessment Process (ICAAP) exercise is rigorously and regularly performed on annual basis which provides adequate assessment of Capital base against consolidated profile of

material risks. Moreover, Stress Testing Model covering enhanced scope of Operational, Credit, Market and Liquidity Risks shocks, has been developed in line with revised regulatory guidelines and implemented

The Bank's Operational Risk Management Framework uses SBP prescribed & industry wide used tools for operational risk identification and assessment like KRI (Key Risk indicators) RCSA (Risk Control & Self-Assessment) and gathering of Internal Loss Data. Risk Management is effectively performing a quarterly assessment of the Bank's key risks including gathering and aggregating quantitative data for assessment of Bank wide operational risks and developing controls for mitigation of risks.

RMD has also prepared procedural guideline for Operational Loss Event Data gathering in-line with SBP requirements for bank wide incident gathering & reporting.

Statement of Internal Controls

The Bank has submitted LFR (Long Form Report) prepared by External Auditors for the year 2020 to SBP as per requirements. The control weaknesses, pointed out by the auditors were sent to the relevant process owners. Bank is continuously making efforts to ensure an effective Internal Control System remains in place and implemented various controls through consistent and continuous monitoring that also help improve reliability of financial reporting and control environment.

Appointment of Auditors

M/s BDO Ebrahim & Company, Chartered Accountants, Islamabad was appointed as statutory auditors of the Bank for the year 2021.

Disclosure on Governance and Remuneration

Process of Appointment and Nomination of Directors

Banks (Nationalization) Act, 1974 states that the Chairman, the President and other members of the Board representing the Federal Government's direct and indirect shareholding shall be appointed by the Federal Government in consultation with the State Bank, for a term of three years, on such terms and conditions as may be fixed by the General Meeting of the Bank.

Further, Public Sector Companies (Corporate Governance) Rules, 2013 provides that the Board shall set up a Nomination Committee to identify, evaluate and recommend candidates for vacant positions, including casual vacancies, on the Board, including the candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the Board of Directors after examining their skills and characteristics that are needed in such candidates.

Profile of each Director (Qualification, Expertise & Experience)

S. NO.	NAME OF DIRECTOR	STATUS	QUALIFICATION	PREVIOUS EXPERIENCE	MEMBERSHIP ON THE BOARD OF OTHER COMPANIES
01	Mr.Nadeem Lodhi	Chairman	Bachelors in Economics	<ul style="list-style-type: none"> - Country Officer & Corporate Bank Head, Citi Bank, Pakistan - Business & Governance Head, Citibank, Afghanistan - Country Officer, Citibank, Uganda - Managing Director: Head of 	<ul style="list-style-type: none"> - Chief Executive Officer, Sindh Infrastructure Development Company Limited

				<p>Capital Markets and Syndications, DIB Capital Limited, Dubai</p> <ul style="list-style-type: none"> - Regional Head, DIB Capital Limited, Sudan - ANZ Gindlays Bank plc. 	
02	Mr.Muhammad Shahbaz Jameel	President/CEO /Director	<ul style="list-style-type: none"> - MSc. International Business, - M.B.A. 	<ul style="list-style-type: none"> - Acting M.D./Group Head, Bank of Khyber - Executive Vice President, UBL - Executive Vice President, Pak Oman Investment Company Limited - Regional General Manager, HBL, - Head, Corporate Finance, Pak Kuwait Investment Company (Pvt.) Limited - Consultant (Banking & Capital Markets), Privatization Commission, GoP 	- Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL)
03	Mr.Abdul Ghufraan	Director	MSc. Accounting & Finance	<ul style="list-style-type: none"> - Federal Secretary, Inter Provincial Coordination Division, GoP - Additional Secretary, Cabinet Division, GoP - Controller General of Accounts, Accountant General, Sindh - Executive Director, State Life Insurance Corporation - Consul General of Pakistan, Hong Kong - Chief Finance & Accounts Officer, Ministry of Defence, GoP - Special Secretary, Home Department, Govt. of Sindh 	
04	Mr.Zaigham Mahmood Rizvi	Director	<ul style="list-style-type: none"> - M.A Economics - M.Sc, Chemical Engineering 	<ul style="list-style-type: none"> - M.D./Chairman, House Building Finance Corporation - M.D. Pak Kuwait Investment Company - M.D. Pak Libya Holding Company - SEVP, Saudi Pak Industrial & Agriculture Investment Company - Advisor, State Bank of Pakistan 	

				<ul style="list-style-type: none"> - Director, Meezan Bank Limited - Oman Development Bank, IDBP, Dawood Hercules, 	
05	Syed Javed	Director	Masters in Economics	<ul style="list-style-type: none"> - Group Head, Customer Services, UBL - Group Executive, Strategic Business Planning, UBL - Group Head, Human Resource, UBL - Nominee Director of UBL at Khushhali Microfinance Bank Limited and NIFT, 	Chairman Board, Pakistan Revenue Automation Limited
06	Mr.Muhammad Aslam Ghauri	Director	<ul style="list-style-type: none"> - B.E. (Electronics) - M.Sc (Social Policy & Planning in Dev. Countries) - M.B.A. 	<ul style="list-style-type: none"> - Secretary, Environment Climate Change and Coastal Development Department, Govt. of Sindh - Secretary, Information Department, Govt. of Sindh - Secretary, Training, Management & Research Wing, SGS & CD, Govt. of Sindh - Managing Director, Sindh Public Procurement Regulatory Authority - Special Secretary Home, Home Department, govt. of Sindh 	
07	Mr. Haaris Mahmood Chaudhary	Director	M.B.A.	<ul style="list-style-type: none"> - Chief Financial Officer & Head of Corporate Affairs, Universal Service Fund - Board Member, Pak Datacom Limited - Vice President, Barclays Bank - Vice President, Clariden Leu Asset Management Credit Suisse, Dubai - Vice President, ABN AMRO Bank - Standard Chartered Bank, Citibank 	Chief Executive Officer, Universal Service Fund, Islamabad (USF)

Details of Membership on the Board(s) of other Companies

Disclosure on Board of Directors					
Sr. No	Name of Director	Date of leaving/ joining the Board	Status of Director (Independent, Non-Executive, Executive)*	Member of Board committees	Number of other Board memberships along with the name of company(ies)
1	Mr.Nadeem Lodhi	30.12.2020	Non-Executive Director	Human Resource Committee	01 Chief Executive Officer, M/s Sindh Infrastructure Development Company Limited
2	Mr.Muhammad Shahbaz Jameel	11.11.2019	Executive Director	1. Risk Management Committee 2. Procurement Committee 3. Nomination Committee 4. IT & Agriculture Technology Committee 5. Product Development & Marketing Committee	01 Chairman Board, M/s Kissan Support Services (Pvt.) Limited (A wholly owned subsidiary of ZTBL)
3	Mr.Abdul Ghufraan	30.12.2020	Non-Executive Director	1. Human Resource Committee 2. Nomination Committee 3. IT & Agriculture Technology Committee 4. Product Development & Marketing Committee	
4	Mr.Zaigham Mahmood Rizvi	30.12.2020	Independent Director	1. Audit Committee 2. Human Resource Committee 3. Risk Management Committee 4. Procurement Committee 5. Nomination Committee 6. Product Development & Marketing Committee	
5	Syed Javed	30.12.2020	Independent Director	1. Audit Committee 2. Human Resource Committee 3. Risk Management Committee 4. Procurement Committee 5. Nomination Committee 6. IT & Agriculture Technology Committee 7. Product Development & Marketing Committee	01 Chairman Board, Pakistan Revenue Automation Limited
6	Mr.Haaris Mahmood Chaudhary	30.12.2020	Non-Executive Director	6. 1 Audit Committee 6. 2 Human Resource Committee 6. 3 Procurement Committee 6. 4 IT & Agriculture Technology Committee	01 Chief Executive Officer, Universal Service Fund
7	Mr.Muhammad	07.10.2021	Non-Executive Director	1. Audit Committee	

	Aslam Ghauri			2. Risk Management Committee	
8	Dr.Nawaz Ahmad *	06.10.2021	Non-executive Director	1. Audit Committee 2. Risk Management Committee	
*Dr. Nawaz Ahmad was replaced by Mr. Muhammad Aslam Ghauri					

Composition & Membership of Board Committees

1. AUDIT COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Syed Javed	Chairman
02	Mr.Zaigham Mahmood Rizvi	Member
03	Mr.Haaris Mahmood Chaudhary	Member
04	Mr.Muhammad Aslam Ghauri	Member
	EVP/Chief Internal Auditor	Secretary

2. HUMAN RESOURCE COMMITTEE

S. No.	NAME OF MEMBER	STATUS
01	Mr.Nadeem Lodhi	Chairman
02	Syed Javed	Member
03	Mr.Abdul Ghufraan	Member
04	Mr.Zaigham Mahmood Rizvi	Member
05	Mr.Haaris Mahmood Chaudhary	Member
	EVP/Head (Human Resource Division)	Secretary

3. RISK MANAGEMENT COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Mr.Zaigham Mahmood Rizvi	Chairman
02	Mr.Muhammad Aslam Ghauri	Member
03	Syed Javed	Member
04	Mr.Muhammad Shahbaz Jameel	Member

	Head/Head (Enterprise Risk Management Division)	Secretary
--	--	------------------

4. PROCUREMENT COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Mr.Haaris Mahmood Chaudhary	Chairman
02	Syed Javed	Member
03	Mr.Zaigham Mahmood Rizvi	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	EVP/Group Head (ISD/Digital Banking/Services)	Secretary

5. NOMINATION COMMITTEE

S. O.	NAME OF MEMBER	STATUS
01	Mr.Abdul Ghufraan	Chairman
02	Mr.Zaigham Mahmood Rizvi	Member
03	Syed Javed	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	EVP/Head (Human Resource Division)	Secretary

6. IT & AGRICULTURE TECHNOLOGY COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Syed Javed	Chairman
02	Mr.Haaris Mahmood Chaudhary	Member
03	Mr.Abdul Ghufraan	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	Head/Head (Information Systems Division)	Secretary

7. PRODUCT DEVELOPMENT AND MARKETING COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Mr.Zaigham Mahmood Rizvi	Chairman
02	Syed Javed	Member

03	Mr.Abdul Ghufraan	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	Head/Head (Planning, Research & Technology)	Secretary

Number of Board & Committee Meetings Held and Attendance of the Members during the Year 2021

Seven (07) meetings of the Board were held during the year 2021. Attendance of the members remained as under:-

S. No.	Name of Member	Designation	No. of meetings attended
01	Mr.Nadeem Lodhi	Chairman	07
02	Mr.Muhammad Shahbaz Jameel	President/CEO/ Director	07
03	Mr.Abdul Ghufraan	Director	03
04	Mr.Zaigham Mahmood Rizvi	Director	07
05	Syed Javed	Director	07
06	Mr.Muhammad Aslam Ghauri *	Director	02
07	Mr.Haaris Mahmood Chaudhary	Director	07
08	Dr.Muhammad Nawaz **	Director	05

* Two meetings were held during his tenure.

** Five meetings were held during his tenure

Directors' Participation in Board and Committee meetings

S.No.	Name of Director	Number of Board meetings attended	Number of Committee meetings attended						
			Board Audit Committee	Board Human Resource Committee	Board Risk Management Committee	Board Procurement Committee	Board Nomination Committee	Board Product Development & Marketing Committee	Board IT & Agriculture Technology Committee
1	Mr.Nadeem Lodhi	07	---	05	---	---	---	---	---
2	Mr.Muhammad Shahbaz Jameel	07	---	---	04	01	01	04	01
3	Mr.Abdul Ghufraan	03	---	05	--	--	01	04	---
4	Mr.Zaigham Mahmood Rizvi	07	04	05	04	01	01	04	---
5	Syed Javed	07	04	04	04	01	01	03	01
6	Mr.Haaris Mahmood Chaudhary	07	04	03	--	01	--	--	01
7	Mr.Muhammad Aslam Ghauri	02*	01	--	--	--	---	---	---
8	Dr.Nawaz Ahmad	05**	01	---	04	---	---	---	---
	Total meetings held	07	04	05	04	01	01	04	01

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 2021.

- vi. Based on the results of December 31, 2021 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, 2021 except as disclosed in these financial statements.

Regulatory compliance:

AML Department has undertaken a number of initiatives to strengthen the bank-wide AML/CFT/CPF controls and to implement an effective AML regime in the bank. An in-house developed automated name screening solution namely "Sanctions Compliance Management System (SCMS)" was deployed on 10th January 2020 to identify the Proscribed/Designated Individuals/Entities. The system was upgraded to screen and identify the Politically Exposed Persons (PEPs) as well.

AML Team in coordination with Operations and Risk Management initiated the BRD for development of e-KYC module. The e-KYC deployed on 13th December 2021 serves as a base system for customer data capture in line with regulatory requirements and also facilitates Customer Risk Profiling and Transaction Monitoring. The name screening exercise of legacy portfolio against NACTA's 1st and 4th schedule list, UNSC consolidated Sanctions from UN, OFAC SDN list, NAB list of debarred persons in line with the instructions issued by the Regulator from time to time has also been completed.

During the year, AML Department investigated 15,879 alerts of Out of Pattern Transactions. Moreover, AML Department in collaboration with Training & Development Division has been regularly conducting training sessions on AML/CFT/CPF for its staff across Pakistan and during the year 1400 Participants attended the Sessions. This department also conducted a gap assessment exercise and introduced several new ML/TF scenarios to upgrade the system during the year. An initiative to implement a state of the art knowledge platform AML Knowledge Management System on 29th September 2021 enabling AML knowledge dissemination and testing enabling the bank staff to keep abreast of the latest knowledge in AML/CFT/CPF and compliance areas has also been taken. Serious and common exceptions committed by the branches are compiled and analyzed by FCMU and communicated to the concerned Divisions/ Departments for corrective measures. Bank has also awarded contract to M/s Acrux for deployment of SBP's Compliance Risk Management System.

Disclosures Relating To Remuneration Policy

(a) 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.

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) **Remuneration components:** - 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) (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 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 are reviewed periodically with actuarial valuation of its financial impact.

(d) 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) 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 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.

- (g) 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.
- (h) Following are the basis for payment of bonuses and awards to CEO, senior executives and MRTs:-
- Profit before tax
 - Assessment of risk-adjusted return.
 - Cost
 - Customers satisfaction
 - Compliance with internal business procedures
 - Expected loss.
- (i) Bank has ensured and allowed separate monetized salary structure for Treasury cadre employees posted in Treasury Department being MRTs since they are performing Risk Control Functions.

REMUNERATION OF DIRECTORS

Bank adopts the remuneration policy for Board members as given in Section 78 of the Articles of Association of the Bank and Section 11 of Banks (Nationalization) Act, 1974. At present, the shareholders approved the following remuneration/fees and other benefits for the members while attending the meetings of the Board of Directors and its sub-Committees.

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

Future Outlook:

In terms of technology, there are multiple projects in pipeline which are in different stages of procurement. This include a Service Desk Software Solution for improved service monitoring, 3rd party vendor services for Transaction Monitoring, Sanction Compliance and PEP Screening, provision of version controlling software for source code management, high tech video conferencing system for connecting HO with field offices, establishment of Network Operations Center (NOC) for monitoring and management of IT based systems like CCTV, NMS, SOC etc., enablement of end-to-end digital payments through RAAST, procurement of interactive boards, content management system with Optical Character Recognition (OCR) & acquisition of portfolio scrub services. A mobile application for the management of ZTBL field force is also in testing phase and is expected to be launched in near future.

On risk management front, the bank intends to strengthen its IT Security Infrastructure to cater Cyber Risks efficiently and effectively ensure readiness for Business model assessment of Treasury Investments under IFRS-9.

For better wellbeing of farmers and overall agriculture sector, number of schemes are in pipeline and to be launched in near future such as Financing Product on Production of Desi Chicken at Small scale, Financing Product on Horticulture “Production of Flowers”, Financing Product for Packing and Small Godowns Facility to the Farmers, Financing Product for Rice/Wheat Straw Baling Machine, Financing Product for Rice Transplanter, Financing Product for Mini Rotavator (Walking Tractor), Financing Product for Biofloc Fish Farming, Establishment of Small Scale Cheese Making Units in Pakistan, Transformation of ZTBL Farm as Agri. Incubation Center, Hydroponic

Indigenous Units (Vegetables in controlled environment) and Financing Product for Processing of Herbal Medicinal Plant i.e. Seabuck Thorn.

ZTBL-IBD looks forward to commence financing operations in forth coming period initiating through offering product for Tractor and Farm Machinery and input/production under the Shariah Compliant Structure of Diminishing Musharakah and later on Ijarah financing product. Digitization of Islamic Financing through CAD & CLSD, Online Funds transfer facility from Islamic to Conventional branches and Zarai Ijarah Financing for input/production and development finance is also in process.

In order to expand branches network in the year 2022, request to SBP is submitted for Islamic Banking Windows. Similarly, policy for opening Islamic Banking Windows is also being approved that will enable opening of IB Windows in different conventional branches under Hub & Spoke model.

Development of online connectivity between Islamic and Conventional is also in its final stages. Once implemented, IB branches will become part of overall bank network of around 500 branches of ZTBL.

For the achievement of further milestones to strengthen the Compliance Function of the Bank, ZTBL intends to procure 3rd party specialized systems i.e. AML Transaction Monitoring System, Automated Sanctions & PEP Screening System, e-KYC system and subscription to PEP and Sanctions Database, automate Field Compliance Monitoring Units, hire consultant for development of new Internal Controls Over Financial Reporting as per PPRA Rules and implement Compliance Risk Management System.

To improve competencies and career growth, ZTBL has a plan to Develop Self e-Learning Courses on the critical topics like, Anti Money Laundering & Combat Financing, Green Banking and Fair Treatment of Consumer/Customer (FTC).

Value of Investments in Employees' Benefits Fund

The Bank operates 10 Funds for its Employees and as per last respective audited financial statements their value of Investments are;

Year ended on 31.12.2021		
S.R#	Name Of Fund	Rs. Million
1	Employees Benefit Fund	125.63
2	Benevolent Fund (Officers)	1,156.93
3	Benevolent Fund (Staff)	649.91
4	Pension Fund	11,062.66
5	Gratuity Fund	111.19
6	Employees Provident Fund	113.52
7	General Provident Fund (Officers)	4,142.44
8	General Provident Fund (Staff)	647.30
9	Contributory Provident Fund	779.19
10	Gratuity Fund (under SR-2005)	2,087.29
	*Unaudited Figures	20,876.07

Profit & Loss Appropriation- 2021 (Rupees in '000)

Profit Before Tax	1,783,016
Taxation:	
Current	2,931,939
Prior Year (s)	
Deferred	586,317
Loss After Tax	(1,735,240)
Un-appropriated (loss)/gain b/f	(3,969,851)
Other comprehensive (loss)/gain-tax	(331,925)
Loss after taxation for the year	(1,735,240)
Unappropriated (loss) / profit as on Dec 31, 2020.	(6,037,016)

SHARE HOLDING
(As on 31.12.2021)

SR. NO.	NAME OF SHARE HOLDER	NUMBER OF SHARES
--------------------	-----------------------------	-------------------------

A. ORDINARY SHARE CAPITAL

01	Government of Pakistan	1,251,189,067
02	State Bank of Pakistan	4,015,599,174
03	Government of Punjab	292,340
04	Government of Sindh	125,545
05	Government of Khyber Pakhtunkhwa	71,740
06	Government of Balochistan	37,875
07	Government of Erstwhile East Pakistan *	527,500
	Total	5,267,843,241

0B. PREFERRED SHARE CAPITAL

01	State Bank of Pakistan	5,446,153,632
----	------------------------	----------------------

* Share certificates not yet issued.

** Preference shares (Non participatory, Redeemable) were issued to State Bank of Pakistan in March 2017.

Corporate Information

(As on 31.12.2021)

Name:	Zarai Taraqiati Bank Limited		
Head Office:	Islamabad		
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:	Ordinary Share Capital	Rs.52,678,432,410/-	
	Preferred Share Capital	Rs.54,461,536,320/-	
Board of Directors*:	Mr. Nadeem Lodhi	Chairman	
	Mr.Muhammad Shahbaz Jameel (President/CEO, ZTBL)	Director	
	Mr.Zaigham Mahmood Rizvi	Director	
	Syed Javed	Director	
	Mr.Abdul Ghufraan	Director	
	Mr.Muhammad Aslam Ghauri	Director	
	Mr.Haaris Mahmood Chaudhary	Director	
Chief Financial Officer:	Mr.Muhammad Arif		
Company Secretary:	Mr. Tariq Mahmood Talib		

Appreciation & 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 endeavor to accelerate access to innovative and affordable finance to agriculture.

On behalf of the Board of Directors


Director