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ANNUAL REPORT

Zarai Taraqati Bank Limited

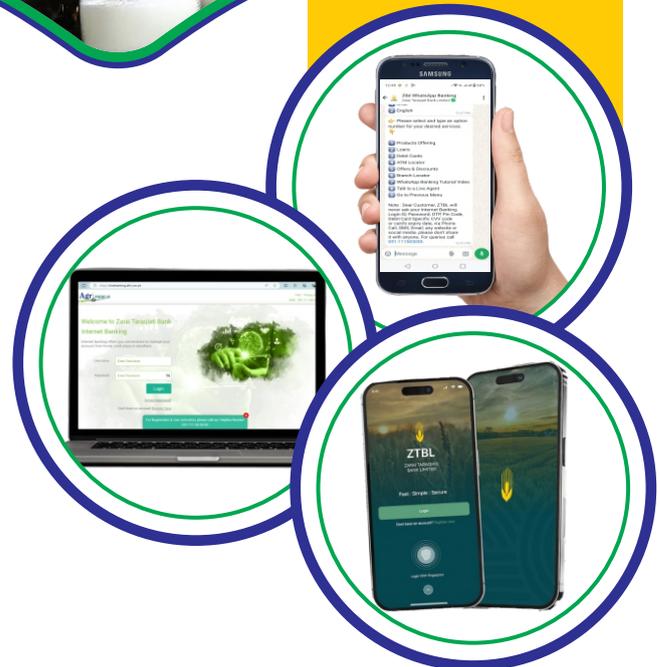




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CORPORATE VISION

Dedicated to serving 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 the success of the Bank and the farmers.



CORPORATE MISSION

Dedicated to serving 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 the success of the Bank and the farmers

CORPORATE OBJECTIVES

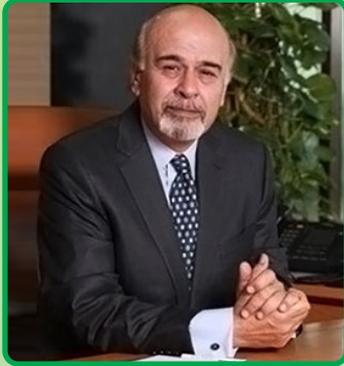
- ❖ Develop and operate as a financially and operationally sustainable R.F.I of the country.
- ❖ Assist rural communities, particularly the small farmers, in raising their productivity and income levels through timely delivery of credit, advisory, and ancillary services.
- ❖ Build ZTBL's image as a proactive, client-friendly, financially & operationally sustainable with indigenous product deployment.
- ❖ Establish and provide backward and forward linkages to strengthen agri. value-added commodity chains.
- ❖ Engage in public-private and wholesale-retail partnerships to deepen outreach and reduce operating costs.
- ❖ To function as a rural commercial bank to mobilize rural capital formation and to commercialize the agri. sector by delivering the true value of credit to the client. Provide a wide range of risk insurance products to its clients.
- ❖ Open up its venues of operation to the Domestic & International Banking Industry to avail comparative advantages.





Tahir Yaqoob Bhatti
President/CEO ZTBL

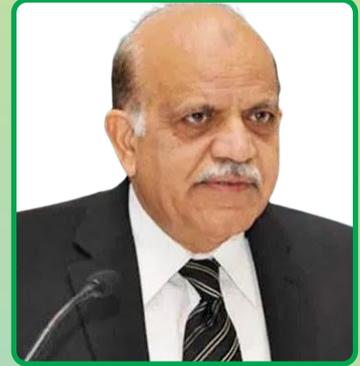
BOARD MEMBERS



Naeemuddin Khan
Chairman Board



Tahir Yaqoob Bhatti
President/CEO ZTBL



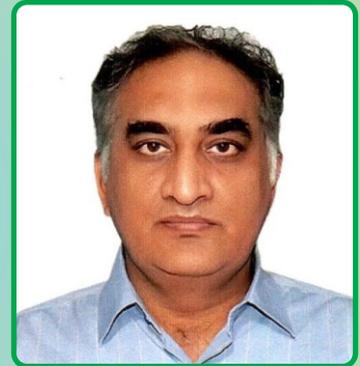
Zaigham Mahmood Rizvi
Director



Syed Javed
Director



Haaris Mahmood Chaudhary
Director



Ahmed Taimoor Nasir
Director

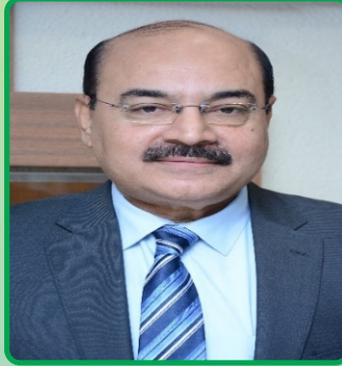


Tariq Mahmood Talib
Company Secretary

MANAGEMENT TEAM



Asad Ullah Habib
Group-Head (Business)/SEVP



Qasim Mahmood Chishty
Group-Head (SAM/NPL)/SEVP



Muhammad Arif
CFO-SEVP



Zahid Hussain
Group-Head (Operations)/SEVP



Salman Arshad
Head (Recovery & SAM Division)



Anjum Abbas
Chief Compliance Officer (CCO) /
Head (Compliance & ICFR Division)



Waqas Ahmad
Chief Internal Auditor (CIA) / Head
(Internal Audit & Inspection Division)



Zeeshan Mazhar
Chief Digital Officer (CDO) / Chief
Information Officer (CIO- A)



Saeed Ahmad
Head (Technology Operations &
Support Division)

MANAGEMENT TEAM



Arshad Hassan Awan
Head (Credit Division)



Sabahat Batool
Head (Liability Management & Marketing Division)



Shoukat Mehboob
Head (Human Resource Division)



Zubair Qayyum
Head (Services Division)



Salman Raza
Head (Enterprise Risk Management Division)



Mehboob Ur Rehman
Head (Training and Development Division)



Tariq Mahmood
Head (Planning, Research & Technology Division)



Amir Islam
Head (Islamic Banking Division)



Tariq Mahmood Talib
Company Secretary

MANAGEMENT TEAM



Hassan Raza
Head (Legal Affairs Division)



Shah Miftahul Azim
Head (Treasury Division)





DIRECTORS' REPORT **2023**

ANNUAL REPORT 2023



DIRECTORS' REPORT

Performance Review for the Year 2023:

I am delighted to present the Annual Director's Report of Zarai Taraqati Bank Limited, delineating our financial performance and showcasing key achievements during the year 2023. ZTBL has evolved into a trusted and esteemed institution in the community. With a dedicated and professional team, we remained steadfast in our commitment to provide high-quality banking services and products that cater the diverse needs of our customers.

The past year has proven to be yet another success for ZTBL, marked by robust financial performance and advancements in various key initiatives. I would like to grasp this opportunity to highlight some of the major accomplishments and provide an overview of the key initiatives and activities that have played a vital role in our success during the financial year 2023. ZTBL has achieved a significant profit before tax, amounting to Rs. 17,606 million, and an after-tax profit of Rs. 10,984 million, despite challenging conditions. This performance indicates a promising outlook for the future. Several factors contributed to this success, with one notable aspect being the implementation of a multi-channel strategy for debt recovery, proving highly effective in the current financial year.

In the financial year 2023, ZTBL successfully recovered Rs. 37,368 million against Non-performing loans, resulting in an impressive recovery during current year. Concurrently, the Bank disbursed Rs. 90,978 million during the same financial year. A noteworthy achievement is the SAM (Charged-off) recovery, which surged to Rs. 9,983 million in the financial year 2023, marking a substantial 34% increase from the previous year's Rs. 7,469 million. Despite the ongoing political and economic uncertainties, we remain dedicated to delivering services to our esteemed customers, and the Bank has exhibited resilience in tackling these challenges.

The Bank's deposits base increased by 21% to Rs. 57,169 million in 2023 from the previous year of Rs. 47,333 million. As part of a continuing effort to increase the size of its customer base, the Bank additionally launched CASA product, commonly known as "Bakhat Accounts," with CASA deposits totaling Rs. 22,901 million. Throughout the year, the treasury efficiently performed its core responsibility of managing liquidity, significantly increasing the Bank's profitability. By mostly investing in short-term and floating-rate securities, treasury maintained low investment portfolio duration in line with the investment strategy, minimizing the portfolio's sensitivity to change in interest rate during high interest rates and inflation. In light of this, treasury maintained short portfolio duration until unambiguous signs of decreased inflation and an interest rate reversal appear.

The organization has successfully implemented the PPRA e-Pak Acquisition & Disposal System (EPADS), ensuring that all procurements are now initiated through this system. Moreover, in compliance with the Board and ITSC targets for new project procurements, eight projects, mainly include the acquisition of core Banking, IT equipment, ATMs, document management software, and testing devices, have been successfully initiated. The commissioning of IP-based CCTV cameras for branches, with centralized monitoring, is underway, with approximately 250 branches live to the Head Office while rest of the branches are under process. The establishment of a managed network infrastructure at branch formations, including the delivery of routers and switches, is in progress. SLA renewals for various services have been arranged, ensuring continuity and service quality. The acquisition and implementation of the Core Banking System (CBS) are in progress, with milestones such as updating Business Delta in CBS-RFP, pre-tender meetings, and bid evaluations. Looking ahead to 2024, the organization plans to initiate the implementation of the Core Banking System, procurement of Security Information and Event Management (SIEM) Solution with Allied Cyber Security Operation Center (SOC) Services, and implement various technology solutions, including Document Management Software will be completed.

The IT Division embarked on numerous crucial initiatives, including the deployment and configuration of new server roles for field force tablet application, RAAST solution, and mobile & internet Banking. Network integration with the State Bank of Pakistan was achieved alongside major patch releases for Islamic Banking ATM services.

The launch of an offsite ZTBL ATM at zero point in Islamabad was strategically aimed at accommodating the heavy traffic load to cater an increased customer base. Additionally, under the initiative, low-performing ATMs were relocated to new locations with a higher potential for performance, as suggested by the business. In a bid to diversify its services, ZTBL introduced the Islamic ATM/Debit Card in 2023. Moreover, to enhance accessibility for visually impaired individuals, a special ATM facility called the 'ATM Talking Solution' was installed in eight ATM branches during 4th Quarter of 2023. Furthermore, ZTBL demonstrated its commitment by deploying the Connect-Hear Virtual Interpretation Application in ten branches, specifically tailored to cater to the needs of persons with Disabilities (PWDs). These endeavors reflect ZTBL's proactive approach towards enhancing customer experience and fostering inclusivity within its operations.

The Bank has introduced a comprehensive set of financing schemes to stimulate agricultural growth and economic development in various regions of Pakistan. Initiatives like the Kissan Rozgar Scheme and Digital Kissan Karobar Scheme aim to empower farmers in Gilgit-Baltistan by encouraging the establishment of fresh/dry fruit shops and promoting online marketing. Additionally, the Bank addresses water scarcity concerns through financing for the establishment of high-efficiency irrigation systems, emphasizing the use of solar energy. Other schemes target specific agricultural needs, such as fruit and vegetable drying, potato grading, and spice grinding. The Bank also continues its commitment to national schemes like the Prime Minister's Youth Business & Agriculture Loan Scheme as well as embracing digitalized loan processing for efficient disbursement. These schemes collectively reflect a holistic approach to addressing diverse agricultural challenges and fostering sustainable growth. Moreover, ZTBL received 1106 Hajj applications, collecting a total of 1,214.880 million, with 1016 applicants declared successful for Hajj-2024.

In the year 2023, the Training and Development Department (T&DD) successfully conducted training for 4354 employees against the target of 3525, covering various areas such as operations, credit, recovery, audit, Islamic Banking, compliance, risk management, IT-based Banking operations, customer services, AML/CFT, TF risk assessment, gender sensitivity, ethics, and more. The department also organized internship programs for 587 students across different divisions and departments. Additionally, T&DD facilitated the learning of the Holy Quran for employees' children through ZTBL Quran Academy. The National Financial Literacy Program (NFLP) was effectively executed, surpassing the target by conducting 274 sessions with 9475 participants. ZTBL received recognition from SBP with the Best Management Support award for the year 2022-23. Looking ahead, the department plans to adopt e-learning methodologies and a hybrid approach, incorporating both face-to-face and online training for capacity building in 2024. The operational plan includes training 3325 employees, arranging 310 classroom sessions for NFLP, and offering internships to Persons with Disabilities (PWDs). The Department also aims to address building infrastructure issues through upgrades, refurbishment, and maintenance.

Economy Review:

The Monetary Policy Committee (MPC) decided to maintain the policy rate at 22 percent, citing challenges posed by frequent and significant adjustments in administered energy prices, which have slowed the expected decline in inflation. Non-energy inflation, however, continues to moderate as anticipated. Key economic developments include improved foreign exchange reserves, fiscal consolidation, and positive business sentiments, although escalated geopolitical tensions pose risks. Despite a moderate economic recovery primarily led by the agriculture sector, the committee emphasizes the need for a tight monetary policy stance, continued fiscal consolidation, and timely realization of external inflows to achieve the inflation target of 5-7 percent by September 2025. The fiscal position has improved, with a decline in the overall deficit and an increase in the primary surplus, driven by higher revenue collection and restrained expenditures. The MPC expects average inflation to fall in the range of 23-25 percent in FY24 and anticipates a noticeable downward trend in FY25.

Agriculture sector review:

To achieve the output target of 32.3 million tons for the Rabi season 2023-24, wheat has been cultivated on approximately 8.733 million hectares, slightly below the target of 8.998 million hectares. Despite ongoing cultivation in other provinces, Punjab has surpassed its sowing target, reaching 6.592 million hectares, a 2% increase over the set target of 6.475 million hectares. The use of agricultural inputs has seen a notable rise, with a 98.2% increase in farm tractor sales and a 60.7% increase in output (20,937) from July to November of FY2024 compared to the same period the previous year. DAP off take was 42.0% higher than Rabi 2022-23 at 437 thousand tones, while urea off take for Rabi 2023-24 (Oct-Nov) stood at 1,070 thousand tones, representing a 5.6% increase over Rabi 2022-23. With farmers using certified seeds and DAP fertilizer outpacing urea, there is optimism about meeting production goals. The crucial month of December is emphasized for the early growth of Rabi crops in 2023-2024, and farmers are advised to take preventive measures against the anticipated cold weather to protect their crops, vegetables, and orchards. Additionally, farmers in northern regions and northern Balochistan are encouraged to ensure timely completion of Rabi crop sowing and implement proper irrigation practices for healthier crop growth in the initial stages.

Agriculture Credit Disbursement:

Despite facing various challenges, including floods, agriculture credit disbursements reached a noteworthy level of Rs1,776 billion in FY23, demonstrating a year-on-year growth of 25.2% and achieving 97.6% of the overall target of Rs1,819 billion. The collaborative efforts of the Banks including microfinance institutions played a crucial role in these accomplishments, highlighting the resilience and adaptability of the sector in the face of adversities. The disbursement target for FY24 has been set at Rs2,250 billion, representing a 26.7% increase over the previous year's disbursement. In the first four months of FY2024 (Jul-Oct), agriculture credit disbursement recorded Rs681.6 billion, compared to Rs507.8 billion in the same period last year, reflecting a robust growth of 34%. This positive trend instills optimism that the disbursement target for the fiscal year will be comfortably achieved. Furthermore, under the Prime Minister's Youth Business & Agriculture Loan Scheme, the government disbursed Rs49,887 million to 83,826 beneficiaries until October 2023, as reported by the monthly Economic

Update & Outlook in December 2023 from the Ministry of Finance and the Governor's Annual Report 2022-23 on the State of the Economy by the State Bank of Pakistan.

Banking sector review:

Banking Sector Performance was released by SBP along with the assessment looks at the health and efficiency of Pakistan's banking industry from January to June 2023 (H1CY23). Over the first half of CY23, the macroeconomic climate remained difficult. Due to high inflation and ongoing uncertainty, the operational environment continued to be stressed as domestic financial conditions worsened. However, during H1CY23, the banking sector's balance sheet grew by 14.0%. The primary factor boosting the asset base expansion was investments in government securities.

Throughout the time, banks continued to exhibit a notable reliance on borrowing in addition to a robust inflow of deposits. During H1CY23, the banking sector's advances had a muted growth; private sector advances decreased, and the public sector received additional funding, mostly for commodity finance operations. Positive signs for asset quality were shown in the net non-performing loans (NPLs) to loans ratio, which decreased to 0.45 percent at the end of June 23 from 0.68 percent in June 22 as banks increased their provisioning from stable earnings. Return on assets (ROA) increased to 1.5 percent in H1CY23 (compared to 1.0 percent in CY22), indicating a noticeable improvement in profitability metrics.

ZTBL Islamic Banking performance:

During the year 2023, the Islamic Banking Division of ZTBL experienced both challenges and successes, marked by significant branch expansion from 5 to 25, with a strategic focus on agriculture areas. The impact of inflation and the money market influenced financing activities, leading to an emphasis on money market transactions. Overcoming obstacles such as limited agricultural financing in residential areas, lack of ATM facilities, and online connectivity issues, the division achieved its aggregate deposit target. Key accomplishments included the completion and rehiring of the Shariah Board, network expansion, and the development of Shariah-compliant financing products for agriculture. Notably, the deposit figure reached Rs 5.106 billion, and Islamic Banking Branches actively participated in the Hajj Scheme. Products like Zarai Islamic Farm Mechanization, Islamic Tractor/Farm Transport Musharakah Finance, and Zarai Islamic Livestock Financing were introduced and acknowledged by the State Bank of Pakistan. The year witnessed comprehensive staff training, system developments enabling ATM facilities, and improved connectivity between Islamic and conventional Banking within ZTBL.

Six Years at a Glance:

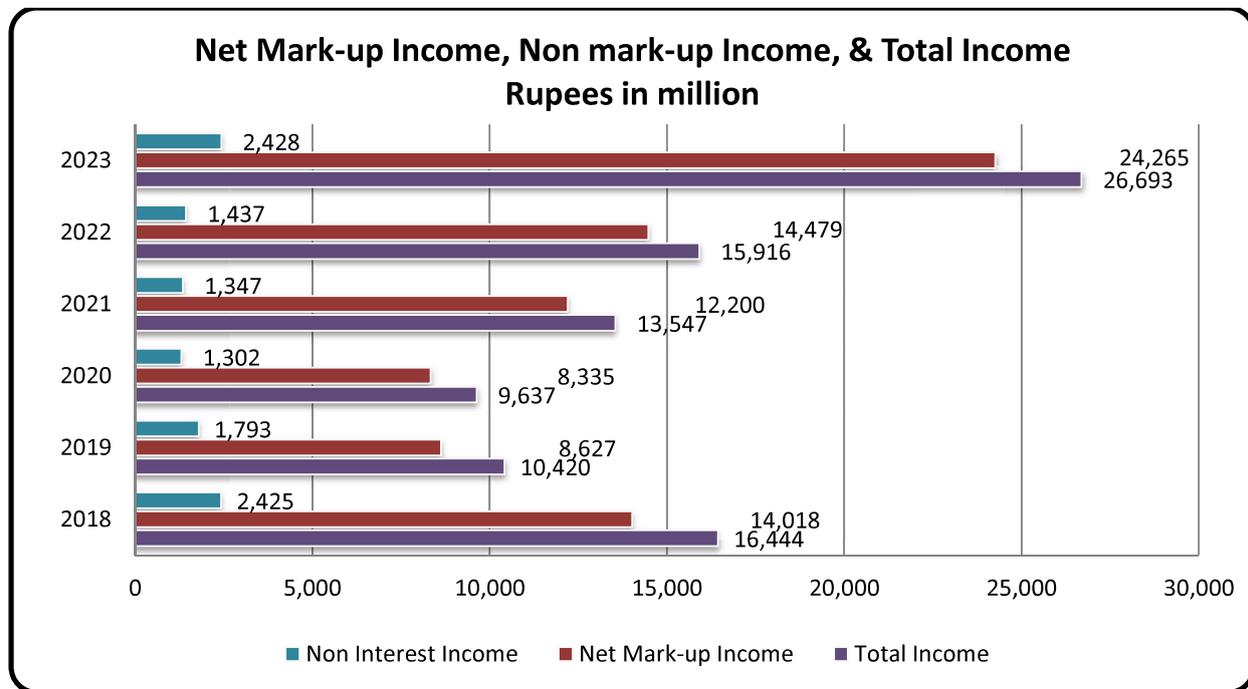
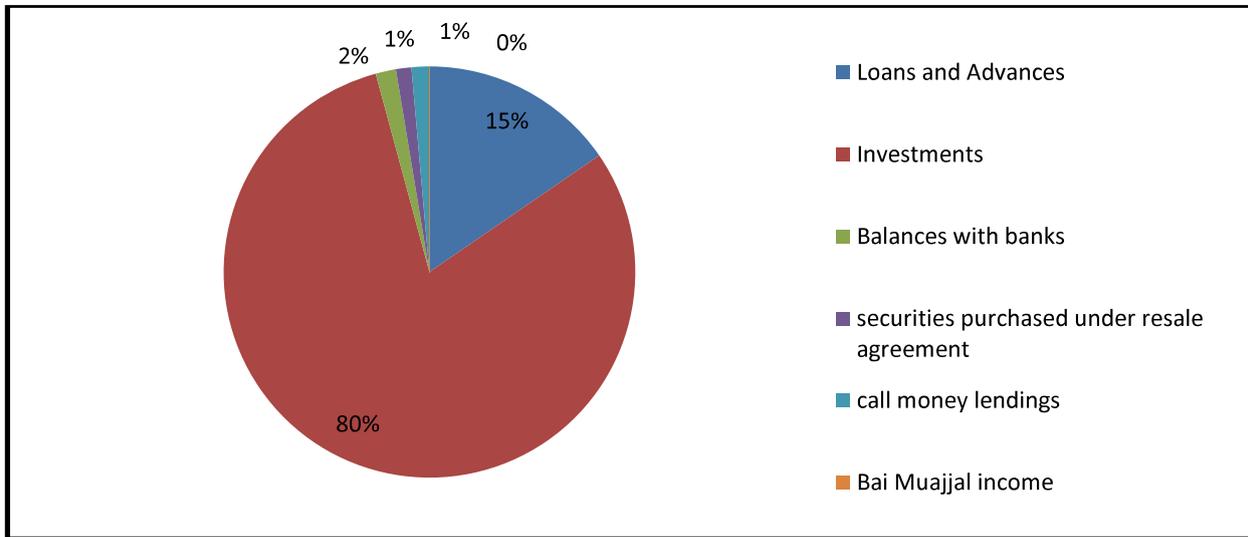
Particulars	(Rupees in millions)					
	2018	2019	2020	2021	2022	2023
Total Assets	202,476	199,899	210,686	254,841	491,092	562,376
Advances – net	135,653	109,688	102,656	91,822	90,452	105,508
Cash and Bank Balance	10,695	32,557	22,107	31,842	15,196	35,587
Operating Fixed Assets	2,356	2,752	2,813	2,514	2,474	2,651
Share Capital	52,678	52,678	52,678	52,678	52,678	52,678
Deposits	40,406	46,002	49,186	43,599	47,333	57,169
Profit/ (Loss) before Taxation	(3,364)	(26,349)	(3,225)	1,783	7,458	17,606
Taxation	(2,696)	(8,755)	(757)	3,518	2,335	6,622
Profit/ (Loss) after Taxation	(667)	(17,594)	(2,467)	(1,735)	5,123	10,984
Un-appropriated Profit / (Loss) brought forward	13,953	12,661	(3,437)	(3,969)	(6,037)	(1,204)
Profit / (Loss) available for Appropriation	13,286	(4,933)	(5,904)	(5,704)	(914)	9780
Other comprehensive Income / (Loss)	(624)	1,496	1,935	(333)	735	2760
Transferred to Statutory Reserve (20% of after tax profit)	-	-	-	-	(1,025)	(2,197)
Un-appropriated Profit / (Loss) Carried forward	12,661	(3,437)	(3,969)	(6,037)	(1,204)	10,343
Earnings / (Loss) Per Share	(0.13)	(3.34)	(0.47)	(0.33)	0.97	2.09

ZTBL’s Financial Health:

- Profit before tax recorded at Rs. 17,606 million (2022: Profit of PKR 7,458 million).
- After tax profit reached to Rs. 10,984 million (2022: Profit of Rs. 5,123 million).
- Operating expenses increased by 20% to Rs 14,552 million (2022: Rs. 12,153 million).
- Basic earnings per share are reported at Rs. 2.09 as compared to EPS (2022: Rs. 0.97).
- Liabilities in terms of deposits increased to Rs. 57,169 million (2022: Rs. 47,333 million).
- Gross advances have increased by 11% to Rs. 119, 982 million (2022: PKR 107,623).
- NPLs have increased by 3% to Rs. 34,539 million (2022: Rs. 33,682 million).
- Investments (net) increased to Rs. 372,212 million (2022: Rs. 306,849 million).
- Total assets increased to Rs. 562,376 million (2022: Rs. 491,092 million).

▪ **Mark-up / Interest Income:**

Loans totaling Rs. 90,978 million were disbursed in 2023. The markup earned against advances was Rs. 21,939 million, whereas in 2022 it was Rs. 15,828 million. 15% of the overall income from markup interest is made up of markup income against loans and advances.

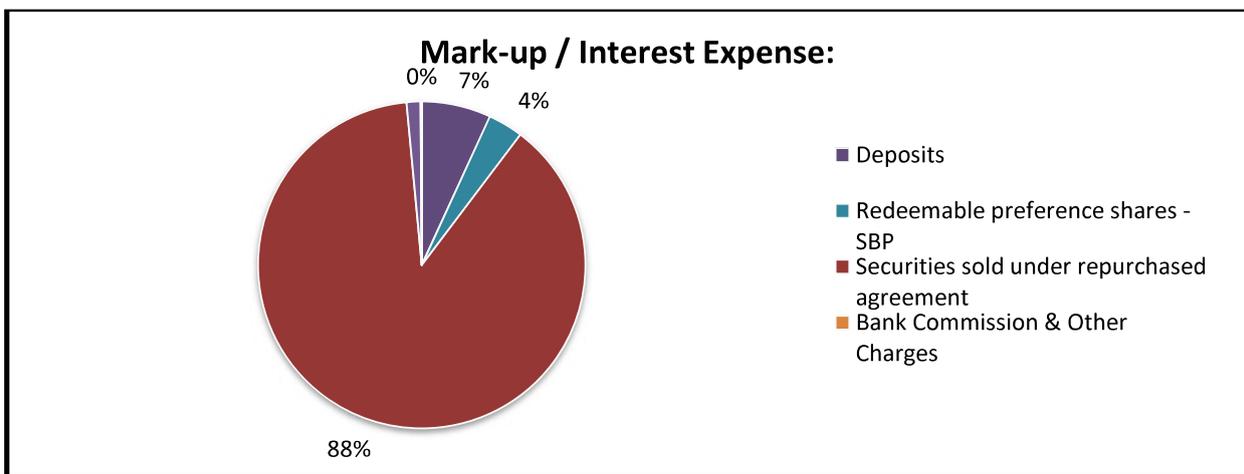


▪ **Markup income on investment:**

ZTBL diversified its Rs. 414,360 million investment portfolio in 2023 by adding Bank accounts, government securities, shares of listed companies, and other sources of markup income such as purchases of securities under resale agreements, investments in government securities, islamic modes of investments/placements, call money lending, and balances with other Banks. This resulted in a markup earned of Rs. 120,377 million (2023), as compared to corresponding period of previous year 2022 of Rs. 23,608 million.

▪ **Mark-up / Interest Expense:**

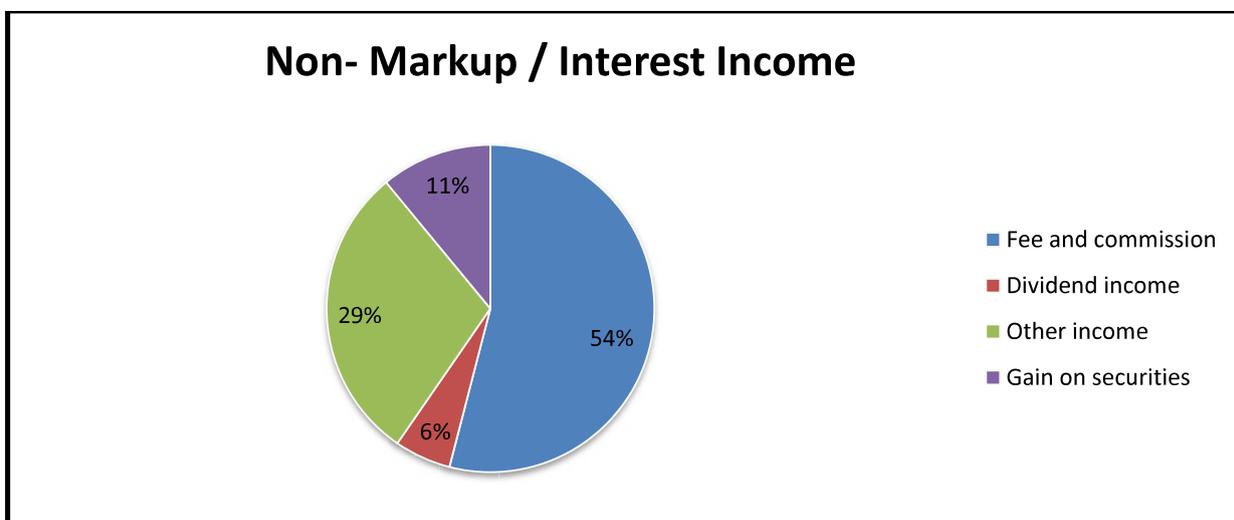
For the repo borrowing, the total markup/interest charge was Rs. 104,147 million, moreover the cost of financing preference shares, which came to Rs. 4,085 million (at 7.5% on SBP Redeemable Preference shares), the cost of deposits Rs. 8,063 million, and other expenditures, which also include Rs. 134 million that include the lease assets for usage, and bank commission fees.



▪ **Non Mark-up / Interest Income:**

Non-markup interest income is made of fee and commission, dividend income, gain on securities and other income and these sources will account for 54%, 6%, 11%, and 29% of total non-markup income, respectively.

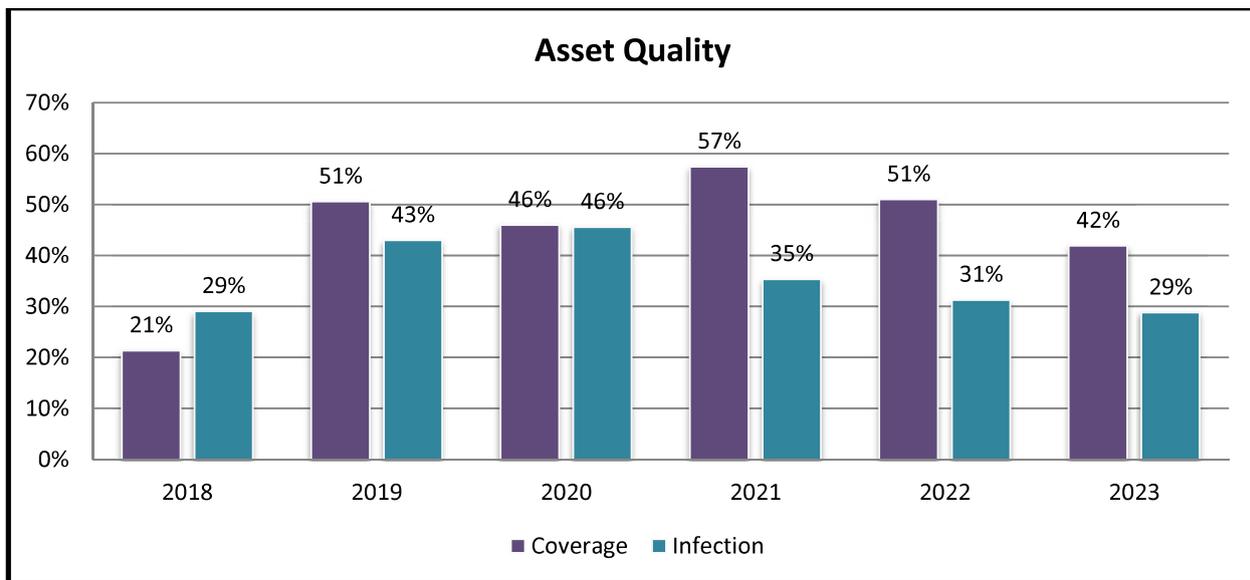
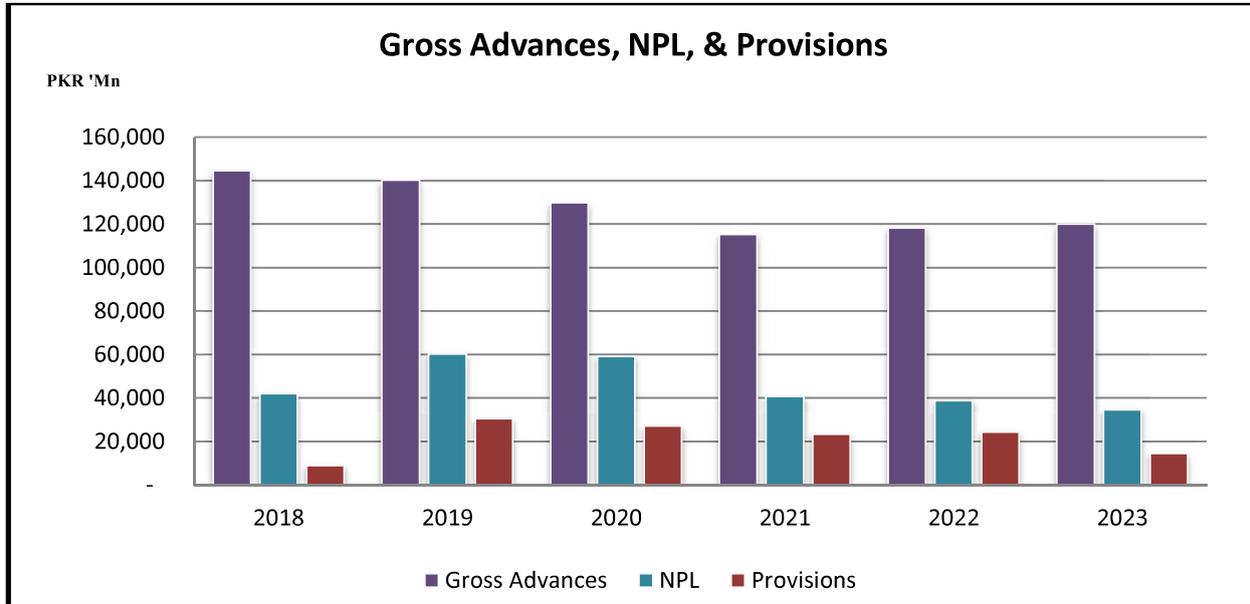
In 2023, the total non-markup income was recorded at Rs. 2,428 million as compared to Rs. 1,421 million in corresponding year 2022.



Provisions and NPL:

ZTBL made specific provisions of Rs. 11,474 million against advances include staff advances and general provisions of Rs. 3,000 million in the year under review. Therefore, cumulative provision adds up to Rs. 14,475 million including staff advances as compared to the cumulative provision of Rs. 17,171 million in 2022. Non-performing loans experienced a raise of 857 million i.e. from Rs. 33,682 million to Rs. 34,539 million in 2023.

The asset quality indicators showed improvement during the year 2023 as the gross infection ratio decreased to 29% (2022: 31%); total provision coverage is 42% during current financial year (2022: 51%) and specific provision coverage 33% (2022: 42%).



Operating expenses:

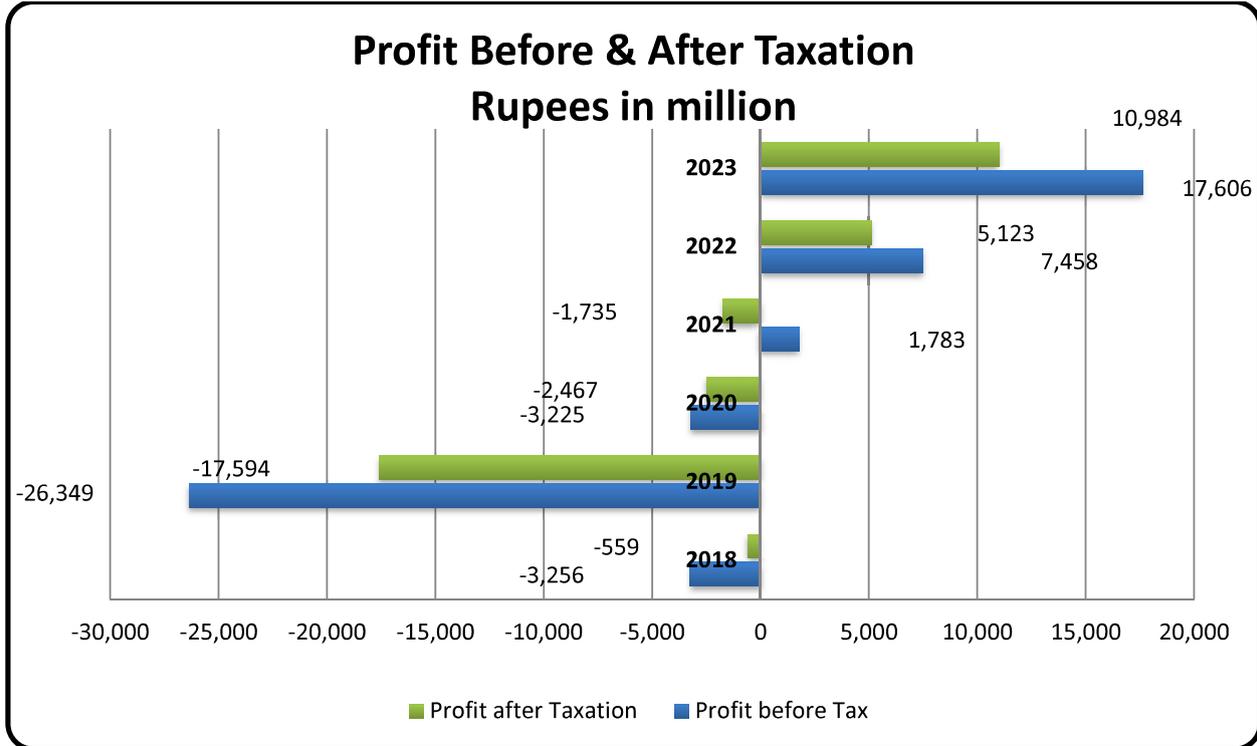
The operating expenses increased by 20% from Rs. 12,153 million (FY 2022) to Rs. 14,552 million (FY 2023) due to inflationary impact & adhoc allowances.

Taxes:

In FY 2023, a tax amount of Rs. 6,622 million was recorded, with a profit before taxation of Rs. 17,606 million and a profit after taxation of Rs. 10,984 million.

▪ **Net profit/(Loss):**

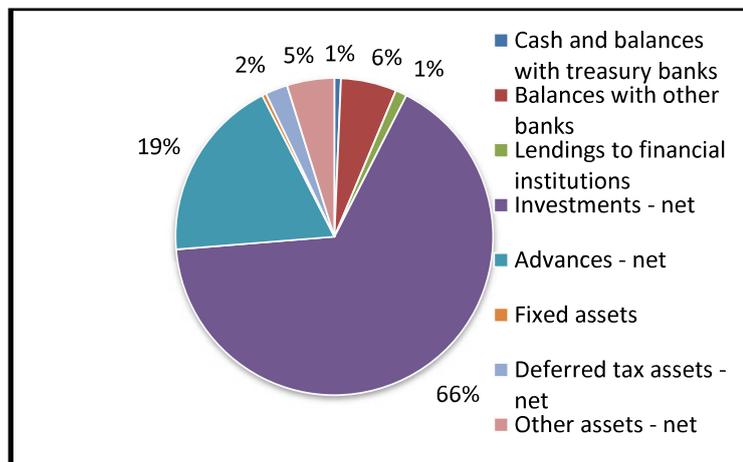
In the year under review, ZTBL reported a profit after taxation of Rs. 10,984 million as compared to corresponding period (2022: Net Profit Rs. 5,123 million).

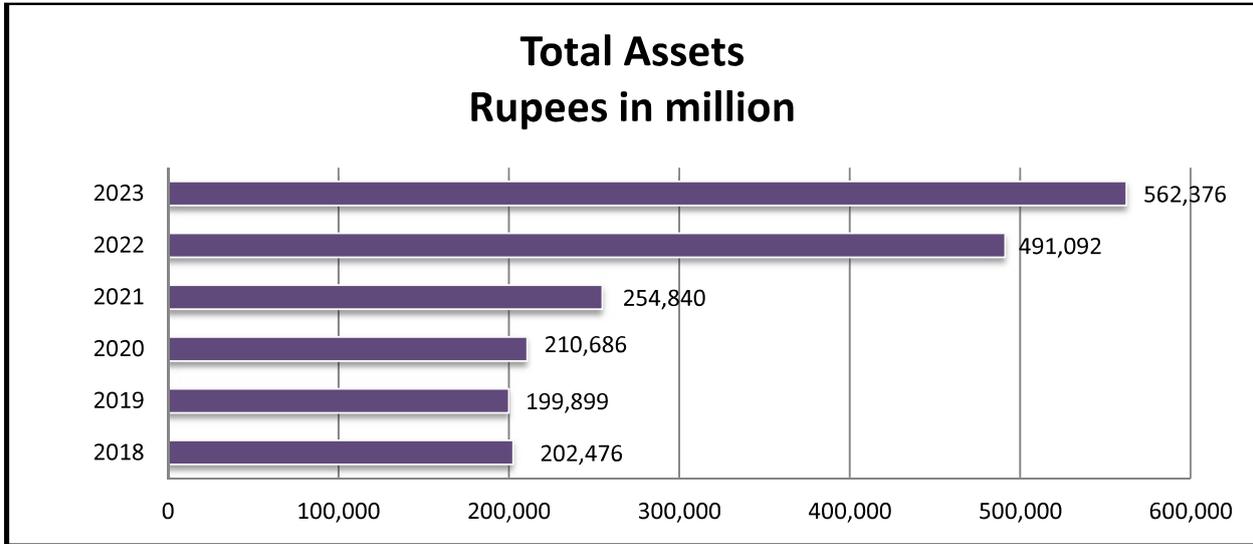


Financial Position Review 2023

▪ **Total assets:**

66% of ZTBL's investments are net, while 19% are advances. With the significant rise in investment (net), the Bank's asset base expanded by 15% to Rs. 562,376 million in 2023 (2022: Rs. 491,092 million). Net advances for the year 2023 were Rs. 105,508 million, increased by 17% from the previous year's total of Rs. 90,452 million.

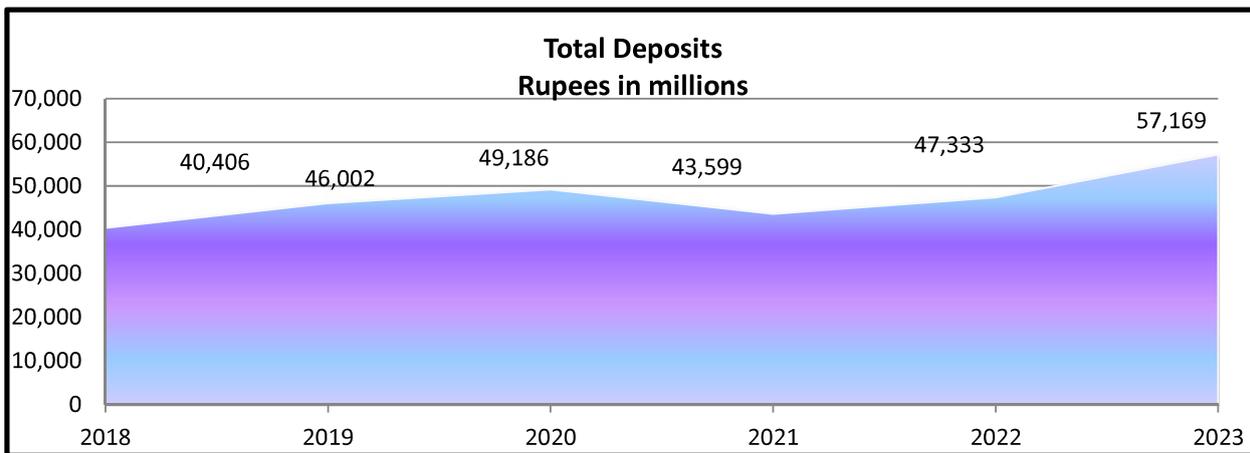




Total Deposits:

Total deposits of the Bank have increased by 21% to Rs. 57,169 million in 2023 (2022: Rs 47,333 million).

During the year under review, share of current and saving deposits constitutes of 11% and 29% while share of term deposits remained 60%.



Capital Strength & Adequacy:

ZTBL is eager to keep up its solid capital basis in order to comply with regulatory requirements and preserve the trust of its creditors, investors, and shareholders in the Bank's ability to build its business sustainably. The Basel framework and the SBP's set criteria and ratios are used to monitor the Bank's capital adequacy. The Bank's Tier-1 capital increased in FY 2023 from PKR 49,562 million to PKR 66,785 million, mostly as a result of an increase in un-appropriated profit. In FY 2023, total risk-weighted assets also rose by PKR 31,826 million. The Bank's total capital to RWA ratio in 2023 was 37.69% (compared to 33.69% in FY 2022), significantly higher than the minimal threshold of 11.50% set by the central Bank.

Strong CET-1 capital ratios were again observed in 2023, with 35.85% (FY 2022: 32.09%) compared to the necessary 6%. In 2023, the leverage ratio increased to 11.87% (from 10.09%) in the prior year.

ZTBL has sufficient capital (37.69% CAR) to cover the whole risk profile generated by its business and operational activities, according to the most recent Internal Capital Adequacy and Assessment Process (ICAAP). As of December 31, 2023, the audited CAR under the BASEL-III statement is 37.69%.

Corporate Social Responsibility:

ZTBL is essential to the well-being of society since it shapes the economy and directly affects the wellbeing of people, companies, communities, and agriculture. ZTBL has demonstrated its commitment to Corporate Social Responsibility (CSR)

through a number of initiatives; ZTBL contributed to Pakistan Hindu Council Karachi under CSR on celebrating annual mass marriages program of 100 deserving couples.

Credit rating (2022)

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 Stable.

Kissan Support Services Limited (KSSL)

Kissan Support Services (Private) Limited (KSSL), established as a subsidiary of Zarai Taraqati Bank Limited (ZTBL), operates under an Authorized Capital of Rs 100 million, fully subscribed and paid. The primary focus of KSSL is to provide consultancy, advisory, agency, and support services to ZTBL. The company's board, led by Mr. Tahir Yaqoob Bhatti, President ZTBL, oversees its activities. Throughout 2023, the board held regular meetings and formed sub-committees, including the Audit Committee, Human Resource Management Committee, Procurement Committee, and Nomination Committee. General Meetings were conducted. The company also undertook extensive staff training programs. Security services provided by KSSL to ZTBL, ensuring physical safety and protection against sabotage, were highlighted, including security arrangements, firing/training of guards, issuance/renewal of arms licenses, and mock exercises.

S.No.	Particulars	2022	2023
1.	Profit after taxation (Rs. in millions)	54.442	166.714
2.	Earnings per share (Rs.)	5.44	16.67

Risk Management Framework and Policy:

In the dynamic landscape of contemporary Banking, the perception of risk has undergone a significant transformation, evolving from a function confined to Risk Management into a comprehensive capability embedded throughout the entire institution. This paradigm shift is driven by Enterprise Risk Management (ERM), which not only addresses functional aspects of risk but also emphasizes its pivotal role in supporting and empowering the overall business. The Risk Management Framework and Policy play a crucial role in establishing an efficient process to oversee risk across all organizational levels, allowing the Bank to implement its risk strategy and engage in controlled risk-taking activities. This framework integrates essential policies, procedures, and process designs, with continuous oversight from the board and ongoing risk monitoring throughout the institution.

The Bank is committed to continuously assessing and enhancing its risk management framework, aligning its long-term strategy with industry best practices. Adherence to regulations, particularly those related to Basel and widely accepted risk management practices in the Banking sector, remains a constant focus for the Risk Management Framework. The Enterprise Risk Management (ERM) division, as the second line of defense, is obligated to address various risks such as credit, market, liquidity, operational, information security, and Shariah non-compliance.

The risk profile of the Bank encompasses major streams of risk, and the Risk Management Policy provides standards and acceptable thresholds to measure and manage risks through risk management, internal control, and compliance functions. The primary source of the Bank's credit risk is rooted in operational risk, particularly involving people and processes. The credit portfolio, as of December 31, 2023, indicates a 6 percent increase in SAM compared to the previous year. Robust recovery efforts are imperative to enhance the regular loan portfolio and reduce Non-Performing Loans (NPLs), which remain stable at 29 billion.

The Enterprise Risk Management Division (ERMD) comprises four departments, including Risk Management, Credit Administration, Central Loan Sanctioning, and IT Security. Throughout the year 2023, ERMD played a key role in various functions, such as introducing the ERM concept and developing the ERM Policy, active involvement in IFRS-9 implementation and Reporting of Expected Credit Loss Models (ECLM), and compliance with regulatory reporting requirements.

Additionally, ERMD conducted a successful risk assessment, monitoring, and reporting of the Bank's Market Risk portfolio, reviewed Islamic Banking products and credit policies, and introduced controls for Credit Administration processes. The division also made significant strides in enhancing cyber security risk management, including regular training sessions, issuance of advisories, and 24/7 monitoring of IT infrastructure against current threat landscapes.

Looking ahead, ZTBL's strategic approach to risk involves compliance, loss mitigation, and organizational considerations. The Bank aspires to meet stakeholders' expectations; particularly in serving the agriculture sector and other underserved

sectors in Pakistan, by taking and managing risks in a controlled and transparent manner. The future of risk management at the Bank requires a proactive and adaptive approach, integrating technology, environmental sustainability, and a deep understanding of the unique challenges faced by the agricultural sector that contribute to its long-term resilience and prosperity.

Statement of Internal Controls:

At ZTBL, the internal control system functions as a monitoring tool and process asset intended to avert problems and accomplish organizational goals. The goals of the Bank have responsibility for developing and maintaining this system. The management of the Bank is in charge of designing and maintaining this system to guarantee its effectiveness and adherence to legal requirements. The Board of Directors has authorized the implementation of an internal control system to guarantee that operations run smoothly and rules are followed. Although it works well, it has limits and only offers a decent level of assurance as opposed to total certainty.

The purpose of policies, standard operating procedures (SOPs), circulars, and manuals is to provide a fair level of assurance about the dependability of financial data, the efficacy and efficiency of operations, and compliance with relevant laws and regulations. By doing risk assessments, identifying controls, reviewing pertinent policies and procedures, implementing appropriate control procedures, and keeping an eye on the system, management guarantees an efficient and effective internal control system.

Three lines of defined model comprise the ZTBL control structure. Recognizing and managing risks is the main topic of the first line, which covers front office and customer-facing functions. The second line creates policies and assesses procedures, including compliance and risk management tasks. Internal Audit, which is defined in the third line, assesses the total functionality on its own. Compliance operations make ensuring that the Bank's internal policies and processes, as well as any applicable laws, rules, and guidelines, are followed. The Enterprise Risk Management department is in charge of monitoring the risks connected to the Bank's numerous activities, identifying and assessing hazards, and reviewing the Bank's policies.

There are several management committees under the president's direction that oversee concerns of compliance and control, deal with problems as soon as they arise, and guarantee that regulations are followed. These committees include Compliance Committee Of Management (CCM), Internal Risk Management Committee (IRMC), Assets Liability Committee (ALCO), IT Steering Committee (ITSC), and Management Committee (MANCOM). In addition to the BAC, other Board Committees such as the Board Risk Management Committee (BRMC), Board Human Resource Management Committee (BHRMC), Board Procurement Committee (BPC), Board Nomination Committee (BNC), Board Information Technology Committee (BITC), and Shariah Committee (SC) were also established to support the Board in carrying out its oversight role. These Committees review every issue that falls under their purview and advise the Board.

Following the testing and audits in 2023, there is confidence in the effectiveness of internal controls, with a continual dedication to improvement.

Regulatory Compliance:

The Compliance & ICFR Division at ZTBL encompasses four departments: Anti-Money Laundering (AML), Regulatory Compliance (RCD), Internal Control over Financial Reporting Implementation (ICFRID), and Service Quality & Complaints Management (SQ & CMD). The AML Department has achieved significant milestones, including the development of an e-KYC system, e-Customer Risk profiling module, and digitized Enhanced Due Diligence. It also successfully implemented a Real-Time Screening System for beneficiaries and enhanced monitoring tools. The department updated the AML/CFT/CPF Policy and Manual, conducted internal risk assessments, and facilitated ongoing due diligence exercises.

The RCD collaborates with various divisions to ensure timely submission of regulatory returns and addressed concerns highlighted in the SBP Inspection Report. The Compliance Division organized sessions to validate SBP observations, and the Field Compliance Monitoring Unit settled 95% of reported exceptions. The department pursued zones to settle internal audit observations, achieving a 40% closure rate. Efforts are underway for ECIB Data Cleansing.

ICFRID conducts periodic testing of controls and is undergoing a comprehensive overhaul of its control repository with the assistance of M/S KPMG Taseer Hadi & Co. The SQ & CMD department focuses on service quality and complaints management. It conducts assessments, mystery shopping, and a Customer Satisfaction Survey. The Bank demonstrates commitment to customer satisfaction by resolving 98% of complaints within 15-20 days. The department is also working on digitalization and the implementation of a centralized Complaint Management System in 2024. Overall, ZTBL strives for excellence in 2023 and commits to maintaining trust and customer satisfaction in the upcoming year.

Appointment of Auditors:

M/s BDO Ebrahim & Company, Chartered Accountants were appointed as statutory auditors for a term of three years under PPRA Rules. This term is going to complete with audit for the year ended December 31, 2023.

Process of Appointment and Nomination of Directors:

Bank's (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.

As per State-Owned Enterprises (Governance & Operations) Act, 2023 and State-Owned Enterprise Ownership & Management Policy, Board Nomination Committee (to be constituted at Federal Government/concerned ministry level) will be responsible for identifying and recommending candidates to the Federal Government for appointment as independent directors. Central Monitoring Unit (CMU) will assist the BNC through developing and maintaining database of potential independent directors prepared based on the history of Board appointment, skills, knowledge, and experience, gender and their performance evaluation. A detailed framework for Board appointment process, director induction and BNC processes will be issued by CMU.

Profile of each Director (Qualification, Expertise & Experience) as on December 31, 2023.

S. NO.	NAME OF DIRECTOR	STATUS	QUALIFICATION	PREVIOUS EXPERIENCE	MEMBERSHIP ON THE BOARD OF OTHER COMPANIES
01	Mr. Naemuddin Khan	Chairman Board	<ul style="list-style-type: none"> - Graduation - Pace University, USA 	<ul style="list-style-type: none"> - President/CEO, The Bank of Punjab - Managing Director & CEO, Pak Libya Holding Company (Pvt.) Ltd. - Member Banking, Corporate & Industrial Restructuring Corporation, Finance Division, GoP. - SEVP, United Bank Limited - Also served in Emirates International Bank Limited and ANZ Grindlays Bank PLC 	-----
02	Mr. Tahir Yaqoob Bhatti	President/CEO	<ul style="list-style-type: none"> - M.B.A. - M.Com - DAIBP - DCMA 	<ul style="list-style-type: none"> - President/CEO, Punjab Provincial Cooperative Bank Limited - SEVP/Group Head, Faysal Bank Limited - SEVP/Business Head, JS Bank - Group Chief/Group 	<ul style="list-style-type: none"> - Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL) - Member Board, PASSCO (On behalf of ZTBL)

				Head, Allied Bank Limited - Executive Vice President, Askari Bank Limited - Country Head, SAM, Askari Bank Limited	
03	Mr. Zaigham Mahmood Rizvi	Director	- M.B.A. - M.A Economics - M.Sc, Chemical Engineering	- 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 - Director, Meezan Bank Limited	-----
04	Syed Javed	Director	Masters in Economics	- 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
05	Mr. Ahmed Taimoor Nasir	Director	- M.B.A. - M.Sc (Social Policy & Planning in Dev. Countries) - B.E. (Electronics)	- Joint Secretary, Finance Division, GoP - Joint Secretary, Power Division, Ministry of Energy, GoP - Director General (National Socio-Economics Registry), Benazir Income Support Program, Islamabad - Deputy Military Accountant General, Office of the Military Accountant General, Rawalpindi	

				<ul style="list-style-type: none"> - Director General (HRM/Budget & Admn.), Office of the Auditor General of Pakistan, Islamabad 	
06	Mr. Haaris Mahmood Chaudhary	Director	M.B.A.	<ul style="list-style-type: none"> - Chief Executive Officer, Universal Service Fund, Islamabad - Chief Financial Officer & Head of Corporate Affairs, Universal Service Fund - Vice President, Barclays Bank - Vice President, Clariden Leu Asset Management Credit Suisse, Dubai - Vice President, ABN AMRO Bank 	
07	Mr. Muhammad Mahmood	Director	<ul style="list-style-type: none"> - Masters in Public Policy Analysis and Economics - Masters in Governance & Development Economics 	<ul style="list-style-type: none"> - Additional Secretary (Incharge), Petroleum Division, GoP - Commissioner, Rawalpindi Division, Rawalpindi - Secretary, Forestry, Wildlife & Fisheries Deptt., Govt. of Punjab - Secretary, School Education Department, Punjab - Secretary, Agriculture Deptt., Govt. of Punjab 	<ul style="list-style-type: none"> - Chairman Board, PASSCO - Chairman, Dairy Development Board - Chairman, Fisheries Development Board

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. Naeemuddin Khan	24.08.2023	Chairman Board/ Independent Director	<ul style="list-style-type: none"> - Human Resource Committee 	-

2	Mr. Tahir Yaqoob Bhatti	31.08.2023	President/CEO/ Executive Director	<ul style="list-style-type: none"> - Risk Management Committee - Nomination Committee - Business Development & Review Committee - SAM-NPLs/Litigation Committee 	<ul style="list-style-type: none"> - Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL) - Member Board, PASSCO (On behalf of ZTBL)
3	Mr. Zaigham Mahmood Rizvi	10.03.2021	Independent Director	<ul style="list-style-type: none"> - Audit Committee - Risk Management Committee - Nomination Committee - Business Development & Review Committee 	-
4	Syed Javed	10.03.2021	Independent Director	<ul style="list-style-type: none"> - Audit Committee - Human Resource Committee - Procurement Committee - Nomination Committee - Committee on Information Technology - SAM-NPLs/Litigation Committee 	<ul style="list-style-type: none"> - Chairman Board, Pakistan Revenue Automation Limited
5	Mr. Ahmed Taimoor Nasir	05.05.2023	Ex-Officio Director	<ul style="list-style-type: none"> - Audit Committee - Human Resource Committee - Risk Management Committee - Procurement Committee - Nomination Committee - Committee on Information Technology 	-
6	Mr. Haaris Mahmood Chaudhary	10.03.2021	Non-Executive Director	<ul style="list-style-type: none"> - Human Resource Committee - Procurement Committee - Committee on Information Technology - SAM-NPLs/Litigation Committee 	-
7	Mr. Muhammad Mahmood	27.12.2023	Ex-Officio Director	-	<ul style="list-style-type: none"> - Chairman Board, PASSCO - Chairman, Dairy Development Board - Chairman, Fisheries Development Board

Composition & Membership of Board Committees

1. BOARD AUDIT COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Syed Javed	Chairman
02	Mr. Zaigham Mahmood Rizvi	Member
03	Mr. Ahmed Taimoor Nasir	Member
	Chief Internal Auditor	Secretary

2. BOARD HUMAN RESOURCE COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Naeemuddin Khan	Chairman
02	Syed Javed	Member
03	Mr. Haaris Mahmood Chaudhary	Member
04	Mr. Ahmed Taimoor Nasir	Member
	Head/Human Resource Division	Secretary

3. BOARD RISK MANAGEMENT COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Zaigham Mahmood Rizvi	Chairman
02	Mr. Ahmed Taimoor Nasir	Member
03	Mr. Tahir Yaqoob Bhatti	Member
	EVP/Head, Enterprise Risk Management Division	Secretary

4. BOARD PROCUREMENT COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Haaris Mahmood Chaudhary	Chairman
02	Syed Javed	Member
03	Mr. Ahmed Taimoor Nasir	Member
	Head/Services Division	Secretary

5. BOARD NOMINATION COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Ahmed Taimoor Nasir	Chairman
02	Mr. Zaigham Mahmood Rizvi	Member
03	Syed Javed	Member
04	Mr. Tahir Yaqoob Bhatti	Member
	Company Secretary	Secretary

6. BOARD COMMITTEE ON INFORMATION TECHNOLOGY

S. No.	NAME OF DIRECTOR	STATUS
01	Syed Javed	Chairman
02	Mr. Haaris Mahmood Chaudhary	Member
03	Mr. Ahmed Taimoor Nasir	Member
	Chief Information Officer	Secretary

7. BOARD BUSINESS DEVELOPMENT & REVIEW COMMITTEE

S. No.	PROPOSED	STATUS
01	Mr. Zaigham Mahmood Rizvi	Chairman
02	Mr. Tahir Yaqoob Bhatti	Member
	Head/Planning, Research & Technology Division	Secretary

8. BOARD SAM-NPLS/LITIGATION COMMITTEE

S. No.	PROPOSED	STATUS
01	Mr. Haaris Mahmood Chaudhary	Chairman
02	Syed Javed	Member
03	Mr. Tahir Yaqoob Bhatti	Member
	EVP/Head, Recovery & SAM Division	Secretary

Number of Board & Committee Meetings Held and Attendance by the Members during the Year 2023

Ten(10) meetings of the Board were held during the year 2023. Attendance of the members remained as under:-

S. No.	Name of Member	Designation	No. of meetings attended
01	Mr. Naemuddin Khan *	Chairman	04
02	Mr. Tahir Yaqoob Bhatti *	President/CEO/ Director	04
03	Mr. Zaigham Mahmood Rizvi	Director	10
04	Syed Javed	Director	10
05	Mr. Ahmed Taimoor Nasir **	Director	06
06	Mr. Haaris Mahmood Chaudhary	Director	08
07	Mr. Muhammad Mahmood ***	Director	00
08	Mr. Asad Ullah Habib **	President/CEO (A)/	06

		Director	
09	Mr. Zafar Hasan **	Director	06
10	Mr. Muhammad Aslam Ghauri *	Director	04

- * Four meetings held during their tenure.
 ** Six meetings held during their tenure
 *** No meeting 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 Meetings	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. Naeemuddin Khan	04	--	01	-	-	-	-	-
2	Mr. Tahir Yaqoob Bhatti	04	-	-	2		-	2	
3	Mr. Zaigham Mahmood Rizvi	10	5	14	4	2	-	5	-
4	Syed Javed	10	5	14	4	1	-	4	3
5	Mr. Ahmed Taimoor Nasir	06	4	9	3	2	-	-	1
6	Mr. Haaris Mahmood Chaudhary	08	4	12	-	2	-	-	3
7	Mr. Muhammad Mahmood	00	-	-	-	-	-	-	-
8	Mr. Asad Ullah Habib	06	-	-	2			3	2
9	Mr. Zafar Hasan	06	-	-	-	-	-	2	2
10	Mr. Muhammad Aslam Ghauri	04	1	4	1	-	-	-	-

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.

- 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.
- Proper books of accounts of the Bank have been maintained.
- 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.
- 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 audit 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 2023.
- vi. Based on the results of December 31, 2023 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, 2023 except as disclosed in these financial statements.

Disclosures Relating To Remuneration Policy

- i. The Remuneration Policy at ZTBL aims to align compensation practices with international best principles and standards, considering the expanding risk portfolio and direct risk-taking behavior.
- ii. The policy seeks to attract, engage, and retain high-performing employees in a competitive market, offering a competitive and market-aligned remuneration package.
- iii. It emphasizes fixed salaries as a significant component, encouraging employees to create sustainable results for both customers and the Bank.
- iv. The policy also focuses on effective risk management aligned with the Bank's strategy, values, and long-term goals.
- v. It ensures that the total bonus pool does not undermine the Bank's capital base and establishes a stringent governance structure for goal-setting and communication.
- vi. Remuneration components include fixed remuneration, performance-based remuneration (bonus), pension schemes, other benefits in kind, and severance payments where applicable.
- vii. The Board of Directors approves separate salary packages for each category, periodically reviewed with actuarial valuation.
- viii. The Bank identifies Material Risk Takers (MRTs) for products and processes with significant risks, designating appropriate authorities.
- ix. The policy emphasizes that profit maximization alone is not the sole benchmark for determining salaries and bonuses; it also considers the quantum of risk involved in generating profit.

Responsibility levels of the key executives in major decisions

1. The Board of Directors at the Bank reviews and assesses various financial and operational aspects, including:
 - Annual business plans
 - Cash flow projections
 - Forecasts
 - Long-term plans
 - Budgets encompassing capital, manpower, and expenditures
 - Variance analyses
2. The Board examines internal and commercial audit reports, observations from SBP Inspection Teams, and management letters from external auditors. Scrutinizing includes:
 - Status and implications of legal proceedings involving the Bank
 - Material payments of government dues
 - Significant accidents and dangerous occurrences
3. Approval of Annual, quarterly or other periodical accounts for circulation among board members.
4. Reports on governance, risk, and compliance issues, as well as periodic reviews of Human Resource Policies, are included in the assessment.

5. Salary structures adhere to: Pay scales, Allowances, Fringe benefits for employees under SSR, 1961, Monetized salaries are provided to those governed under SR-2005.
6. Approval of Performance bonuses, Retirement/severance benefits, Death benefits
7. Bonus and award criteria for CEO, senior executives, and Material Risk Takers (MRTs) are based on factors such as:
 - Profit before tax
 - Risk-adjusted return assessment
 - Cost
 - Customer satisfaction
 - Compliance with internal procedures
 - Expected loss
8. The Bank has established a separate monetized salary structure for Treasury cadre employees posted in the Treasury Division, acknowledging their role in performing Risk Control Functions as MRTs.

REMUNERATION OF DIRECTORS

The shareholders in General Meeting have approved Board Remuneration Policy in line with regulatory requirements. Further, Fee and Allowances for the Directors have also been revised in December 2023. 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 Committees.

1.	Meeting of the BoD/shareholders	Rs. 200,000/meeting
2.	Meeting of Board Committees	Rs. 150,000/-meeting
3.	Traveling	Rs. 50/km if travelled by own car or Return Air Ticket (Business Class)
4.	5 Star Hotel accommodation	Actual hotel bill or daily allowance @ Rs 35,000/- per diem, in lieu of hotel accommodation and other expenses

Future Outlook:

The Bank has outlined several milestones for 2024, including the initiation of implementing the Core Banking System, procurement of security information and event management (SIEM) solutions, document management software, latest video conference systems, and the implementation of e-procurement and standard bidding documents as per PPRA regulations. These initiatives highlight ZTBL's commitment to modernizing its operations and enhancing efficiency in line with industry standards and regulatory requirements.

Furthermore, the rationalization of manpower at both the Head Office and Field Offices, as well as the restructuring and functional realignment of the Bank's offices to align with industry practices, is also planned. Additionally, there will be a review of compensation benefits for Bank employees and a focus on succession planning through fresh recruitments and promotions to ensure the smooth transition of retiring employees. Competency assessment and training needs will also be addressed to enhance the skills of the Bank's workforce.

The Bank aims to digitize learning for employees, in response to directives from the State Bank of Pakistan (SBP), ZTBL plans to adopt e-learning methodologies, mobile-based learning, webcasting, and video conferencing for employee capacity building. The Training and Development Department (T&DD) has formulated a hybrid approach for the training plan in 2024, encompassing face-to-face and online training sessions.

To strengthen the compliance function of the Bank, following steps are being started: automation of Field Compliance Monitoring Units, implementing a Compliance Risk Management System, procuring a Third Party System for Sanction Screenings, TMS Subscription of PEPs. The planned implementation of agriculture technology is scheduled that include Establishment of herbal garden, conversion of ZTBL farm into solar energy, liaison with agri- extension and research organization and universities for collection and dissemination of technical knowledge.

According to the training plan, a total of 3325 employees will receive training in various areas such as operations, risk, recovery, audit, compliance, Islamic Banking, and green Banking. Classroom sessions on the National Financial Literacy Program (NFLP) will also be conducted in 36 districts of Pakistan, as per targets assigned by the SBP.

Value of Investments in Employees' Benefits Fund:

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

Year ended as on 31.12.2023		
S.R#	Name Of Fund	Rs. Million
1	Employees Benefit Fund	137.95
2	Benevolent Fund (Officers)	1,077.73
3	Benevolent Fund (Staff)	805.11
4	Pension Fund	12,497.19
5	Gratuity Fund	-
6	Employees Provident Fund	152.94
7	General Provident Fund (Officers)	5,238.49
8	General Provident Fund (Staff)	829.31
9	Contributory Provident Fund	899.90
10	Gratuity Fund (under SR-2005)	2,720.27
	*Unaudited Figures	24,358.89

Profit & Loss Appropriation - 2023 (Rupees in '000)

Profit Before Tax	17,606,167
Taxation:	
Current	7,837,176
Deferred	(1,215,143)
Profit After Tax	10,984,134
Un-appropriated (loss) brought forward	(1,203,782)
Other comprehensive gain - net of tax	2,759,751
Profit after taxation for the year	10,984,134
Transferred to statutory reserve	(2,196,827)
Un-appropriated profit as on Dec 31, 2023.	10,343,276

SHARE HOLDING (As on 31.12.2023)

SR. NO.	NAME OF SHARE HOLDER	NUMBER OF SHARES
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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

B. PREFERRED SHARE CAPITAL

01	State Bank of Pakistan	5,446,153,632
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* Share certificates not yet issued.

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

Corporate Information (As on 31.12.2023)

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. Naeemuddin Khan	Chairman
Mr. Tahir Yaqoob Bhatti	President/CEO
Mr. Zaigham Mahmood Rizvi	Director
Syed Javed	Director
Mr. Ahmed Taimoor Nasir	Director
Mr. Haaris Mahmood Chaudhary	Director
Mr. Muhammad Mahmood	Director

Chief Financial Officer:

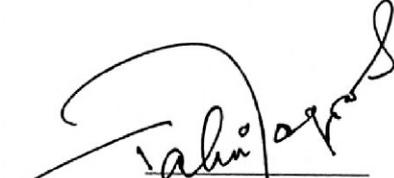
Mr. Muhammad Arif

Company Secretary:

Mr. Tariq Mahmood Talib

Appreciation & Acknowledgement

Ultimately, the Directors record their profound gratitude for the important role that each and every one of our workers played through their passion, diligence, and hard work, as well as for the faith that the farming community and farmers placed in us. We also thank State Bank of Pakistan, as well as other regulators, shareholders, partners, and clients in general, for their assistance. We want to have your ongoing support as we work to expand agriculture's access to creative, reasonably priced financing.



Tahir Yaqoob Bhatti
President / CEO

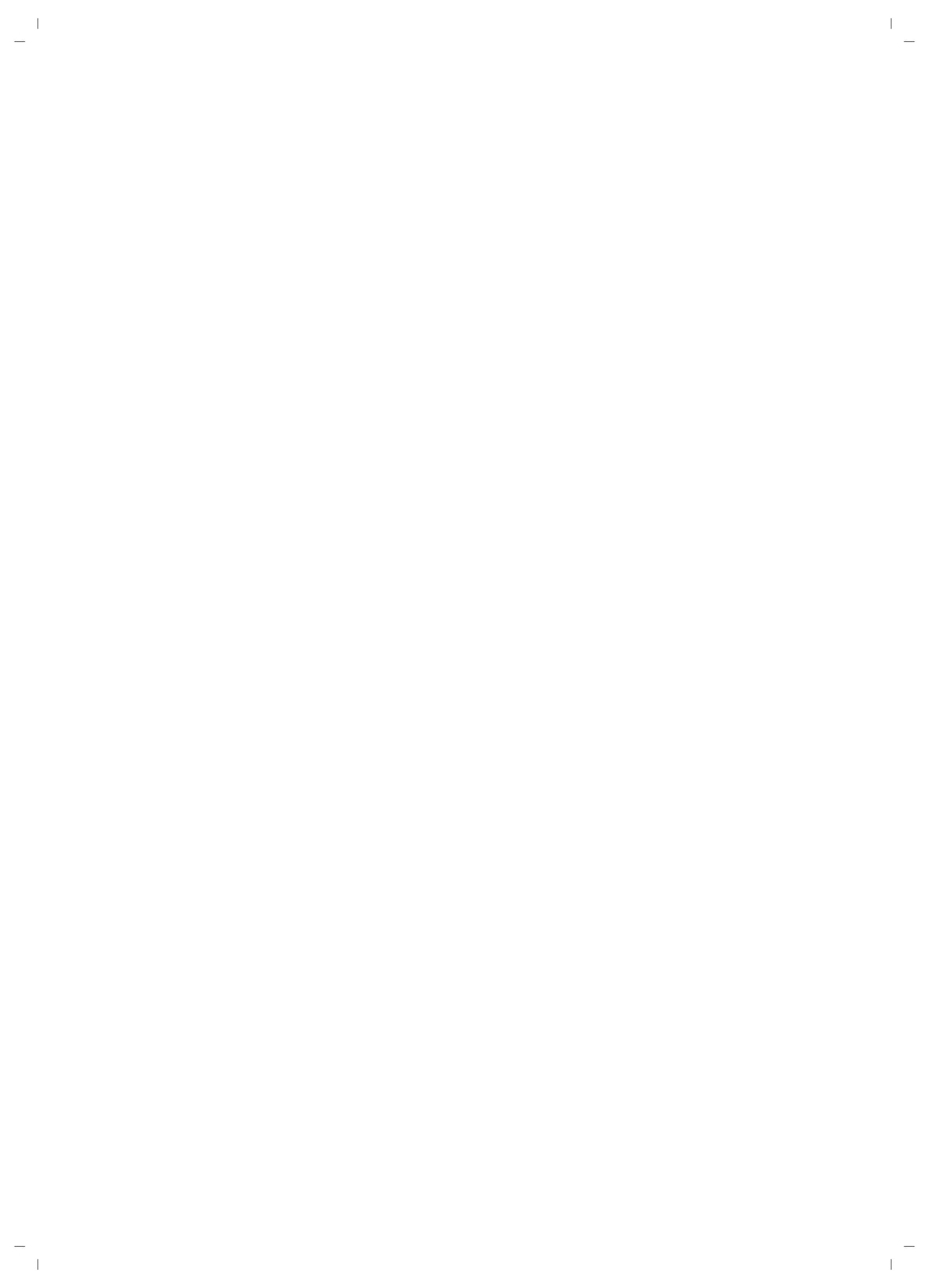


Naeemuddin Khan
Chairman, Board



REPORT OF SHARIAH BOARD

ANNUAL REPORT 2023



**Report of Shariah Board
(For the Year 2023)****In the name of Allah, the Beneficent, the Merciful**

By the Grace of Almighty Allah, the year under review is the 6th year of operations of Islamic Banking Division of Zarai Taraqati Bank Ltd. The scope of this report is to cover the affairs of the bank from Shariah perspective as required under the Shariah Governance Framework of State Bank of Pakistan.

State Bank of Pakistan has accorded in-principle approval for Islamic banking in the month of July 2017. After fulfillment of all required conditions, SBP granted license and permission for the commencement of the business of Islamic Banking and thereafter Islamic Banking Division started its operations in the year 2018.

Review and Approval of New Products and Policies/Manuals/Documents/Agreements:

Documents including Policies/Manuals/Agreements or amendments therein submitted by Islamic Banking Division were reviewed and Shariah approvals were granted. The following Policies/Manuals/Documents/Agreements were reviewed and approved by Shariah Board;

Policies, Manuals & Products:

1. Shariah Compliance Manual (Revised)
2. Liability Product Manual (Amendments)
3. Zarai Islamic Tahfuz e Ajnas (Agri Storage) Financing
4. Zarai Islamic Khushhali Financing
5. Zarai Islamic Livestock Financing
6. IBD's Chapter in ZTBL Training & Development Policy
7. Shariah Compliance Policy (Revised)
8. Charity Policy (Revised)
9. P&L Distribution and Pool Management Policy (Revised)
10. Policy for Exposure Against Cash Securities (Revised)
11. Circular of Financing Product of "Three Wheeler Loader Rickshaw"
12. Circular of Financing Product of "Rice Transplanter".
13. Revised Shariah Compliance Check Lists (Anx-1 of Shariah Compliance Manual)
14. Shariah Vetting/Approval of IB Credit Policy

Agreements & Documents:

1. Internal Shariah Compliance Review Plan-2023
2. Internal Shariah Audit Plan-2023
3. Shariah Approval for Addition of Inclusion of "U Micro Finance Bank" into the Approved List of Banks.
4. Review of the Contract for Hajj-2023".
5. Shariah Approval of BID Document Tractor Takaful.
6. Shariah Approval / Vetting of the Newspaper AD, Banner & Notices for Conversion 2023.
7. Revised Timeline for Profit Rate Announcement and Disbursement.
8. Shariah Approval of HBL Musharakah Agreements
9. Shariah Approval of Amendments in Conversion Plan-2023.
10. SB's Relaxation of Requirements of 20% in to 10% Tradable / Tangible assets in Pools

11. Shariah Approval of List of AMCs for Fund Acceptances
12. Shariah Approval of “Conversion Plan 2023”
13. Shariah Board Certificates of the Conversion of Branches
14. Shariah Approval of Addition of Pak Qatar AMC in to Approved List of AMCs
15. Shariah Approval of Master Mudarabah Acceptance Agreement with Pak Qatar
16. Shariah Approval of BID Document of Crops Takaful
17. Shariah Approval (Post Facto) of the Late Disbursement of Profit in to Customers ACs
18. Shariah Approval of the Updated Approved List of FIs for Fund Acceptance under Our SB Approved Agreements Formats
19. Schedule of Charges of Islamic Banking (01.07.2023 to 31.12.2023)
20. Shariah Approval/Vetting of the draft agreement to be executed with Takaful Company
21. Internal Shariah Compliance Review Plan-2024
22. Annual Training Plan-2024 of ZTBL IBD.
23. Shariah Board Opinion on proposed Agri Financing product on Profit & Loss mode.
24. Shariah Approval/Vetting of Financing Form/Document “Acknowledgement by Client”.
25. Approval of Updated / Revised Shariah Process Flow of Financing Transactions under DM.
26. Shariah Approval of Collateral Security in IB Agriculture Financing
27. Schedule of Charges of Islamic Banking (01.01.2024 to 30.06.2024)

Approval of Sukuk:

1. Shariah Approval of Addendum to GOP Ijarah Sukuk Structure
2. Shariah Approval for Participation & Purchase of Upcoming 01 Year Ijarah Sukuk Auction

Shariah Board Meetings

The Shariah Board convened meetings four times during the year as per regulatory requirement along with meetings with Board of Directors. Further, Shariah Board attended various meetings with member of Board of Directors, authorized for coordination with Shariah Board / Management to discuss all aspects for making the bank Shariah compliant. Apart from these meetings, Shariah Board continuously monitored and guided IBD on matters related to Shariah.

Shariah Compliance and Shariah Audit

Shariah compliance has been the strength of ZTBL-Islamic Banking. Shariah compliance mechanism operates at different levels ranging from approval of the products by the SB, approval of specific process flows, random transaction reviews etc. Shariah Compliance Department (SCD) and Shariah Audit Unit perform their functions under the guidance of Shariah Board. SCD conducted Shariah Compliance / Control Review, under the supervision of RSBM, of the Islamic Banking branches and relevant departments of IBD. Furthermore, the Profit Distribution and Pool Management were reviewed regularly by SCD on monthly basis before each disbursement along with quarterly Internal Shariah Audit Unit. All the reports were submitted to Shariah Board as required under SGF of SBP for obtaining suggestions/corrective actions.

SCD has also reviewed all the submitted policies, products, documents/agreements and proposed some amendments and corrections that were approved by Shariah Board. The SCD has ensured the compliance and implementation of the Shariah Board rulings.

SCD conducted Shariah Compliance / Control Review, under the supervision of Shariah Board, of the Conversion Process of the 20 branches converted in to Islamic banking during the year 2023 and submitted reports to Shariah Board. Shariah Board has issued Shariah Certificates of the conversion of converted branches.

Training and Capacity Building

The Training Plan of IBD for the year 2023 has been approved by Shariah Board. IBD and Training & Development Division with support of SCD arranged 02 trainings for the staff of Islamic Banking Branches and IBD. Furthermore, 04 trainings for the staff of the converted branches were also arranged. Moreover, during Shariah Compliance review, group discussions were also held in the Islamic Banking Branches.

SCD's staff visited Islamic Banking Branches for assessment of understanding of staff and their interaction with customers. It was noted that most of the branches staff's knowledge regarding Islamic banking and Shariah compliance is satisfactory. Further, the interaction of staff with customers to gauge customer's satisfaction was also observed satisfactory.

Conclusion

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of ZTBL-Islamic Banking are conducted in a manner that complies with Shariah principles at all times, Shariah Board is required to submit a report on the overall Shariah compliance environment of ZTBL-Islamic Banking. To establish our opinion as expressed in this report, the Shariah Audit Unit and Shariah Compliance Department carried out Shariah Audit / Compliance Reviews, of the Islamic Banking Branches and relevant departments of IBD. All the reports of the Internal Shariah Audit and Internal Shariah Compliance Review were checked/ reviewed.

Based on above and to the best of our knowledge we are of the view that in the year 2023:

- i. The ZTBL-Islamic banking has complied with Shariah rules and principles in the light of Shariah opinions (decisions), rulings and guidelines issued by the Shariah Board.
- ii. The ZTBL-Islamic banking has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Advisory Committee.
- iii. ZTBL-Islamic banking has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of Shariah Compliance Department, independent Internal Shariah Audit Unit, full time RSBM in the bank and trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP are in place.
- iv. ZTBL-Islamic banking has a well-defined system in the shape of Shariah Compliance Review and Internal Shariah Audit in place sound enough to ensure that any earnings realized from sources or by means prohibited by the Shariah shall be credited to charity account that will be properly utilized.
- v. ZTBL-Islamic banking has complied with the SBP instructions on profit and loss distribution and pool management.

- vi. The level of awareness, capacity and sensitization of the staff, and the management for Shariah Compliance remained acceptable. It is encouraging to note that the Bank's Training & Development Division on our advice carried out Islamic Banking training for the employees posted in Islamic Banking branches.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

Recommendations:

- i. It is recommended to expedite the conversion process to transform the whole bank into Riba Free/Islamic Bank to achieve the guidelines of Federal Shariat Court regarding Riba free economy.
- ii. It is recommended to hire Shariah Scholars in both Shariah Compliance Department (SCD) and Internal Shariah Audit Unit (ISA) to strengthen overall Shariah Compliance of the bank and fulfill regulatory requirements, as mentioned in Shariah Governance Framework (SGF-SBP) 2018.

In the end; we pray to Allah Almighty to grant us success in both worlds and help us at every step, keep us away from every hindrance and difficulty, and give financial success to ZTBL-IBD.



Mufti Fawad Ali
RSBM



Mufti Uzair Ashraf Usmani
Member SB



Mufti Muhammad Wasie Fasih
Chairman SB

Date of Report: 22/02/2024

شریعی بورڈ رپورٹ

(برائے سال ۱۴۴۴ھ بمطابق 2023ء)

اللہ کے فضل و کرم سے، زیر نظر سال اسلامی بینکاری زرعی ترقیاتی بینک لمیٹڈ کے آپریشن کا چھٹا سال ہے۔ شریعی بورڈ کی اس رپورٹ کو پیش کرنے کا مطمح نظر زرعی ترقیاتی بینک لمیٹڈ کی اسلامی بینکاری اور اس کے معاملات کا شرعی جائزہ پیش کرنا ہے جو کہ اسٹیٹ بینک آف پاکستان کے جاری کردہ شریعی گورننس فریم ورک کی ہدایات کے مطابق ایک لازمی امر ہے۔

اسٹیٹ بینک آف پاکستان نے جولائی 2017ء میں زرعی ترقیاتی بینک کو اسلامی بینکاری کی اصولی منظوری دی۔ اور تمام تر مطلوبہ شرائط پورا کرنے کے بعد اسٹیٹ بینک آف پاکستان نے اسلامی بینکاری کے لائسنس اور تجارت شروع کرنے کی اجازت دی، اور یوں زرعی ترقیاتی بینک لمیٹڈ نے سال 2018ء میں اسلامک بینکنگ کے آپریشنز کا آغاز کیا۔

نئی پروڈکٹس اور پالیسیاں / مینولز / ڈاکو منٹس / آئیگریمنٹس کی منظوری اور جائزہ:

اسلامک بینکنگ ڈویژن کی طرف سے مختلف دستاویزات بشمول پالیسیاں / مینولز / معاہدات یا ان دستاویزات میں ترامیم شریعی بورڈ کو شرعی جائزہ کے لئے پیش کی گئی، چنانچہ شریعی بورڈ نے ان دستاویزات کا شرعی اعتبار سے مکمل جائزہ لینے کے بعد اس کی منظوری دی۔ شریعی بورڈ کی طرف سے مندرجہ ذیل پالیسیوں / مینولز / دستاویزات / معاہدات کا جائزہ لیا گیا اور اس کی منظوری دیدی گئی۔

پالیسیاں مینولز اور پروڈکٹس :

1. شریعی کپیلائنٹس مینول (نظر ثانی شدہ)
2. لائسنس پروڈکٹ مینول (ترمیم)
3. زرعی اسلامک تحفظ اجناس (ایگری سٹوریج) فنانسنگ
4. زرعی اسلامک خوشحالی فنانسنگ
5. زرعی اسلامک لائیو اسٹاک فنانسنگ
6. زرعی ترقیاتی بینک لمیٹڈ کے ٹریننگ اور ڈیولپمنٹ پالیسی میں اسلامک بینکنگ ڈویژن کے چھڑکا شامل ہونا
7. شریعی کپیلائنٹس پالیسی (نظر ثانی شدہ)
8. چیئر مین پالیسی (نظر ثانی شدہ)
9. نفع اور نقصان کے تقسیم کار اور پول مینجمنٹ کی پالیسی (نظر ثانی شدہ)
10. کیش سیکورٹی کے مقابلے میں ایکسپوزر کی پالیسی (نظر ثانی شدہ)
11. فنانسنگ پروڈکٹ "تھری ویلر لوڈر کٹھ" کا سرکولر
12. فنانسنگ پروڈکٹ "رائس ٹرانسپلائٹر" کا سرکولر
13. نظر ثانی شدہ شریعی کپیلائنٹس چیک لسٹس (شریعی کپیلائنٹس مینول کا ضمیمہ نمبر 1)

14. اسلامک بینکنگ ڈویژن کی کریڈٹ پالیسی کی شریعہ پروول / منظوری

معاهدات اور ڈا کو منٹس (دستاویزات):

1. انٹرنل شریعہ کپلائنس ریویو پلان برائے سال 2023ء
2. انٹرنل شریعہ آڈٹ پلان برائے سال 2023ء
3. بینکوں کے منظور شدہ لسٹ میں "ایوٹیکرو فنانس بینک" کی شمولیت / اضافہ کی شریعہ پروول / منظوری
4. حج برائے سال 2023ء کے معاہدے کارپوریٹ / جائزہ
5. ٹریڈنگ کافل کے بولی دستاویزات کی شریعہ پروول / منظوری
6. کنورژن برائے سال 2023ء کے نوٹسز، بینر اور اخباری اشتہار کی شریعہ پروول / منظوری
7. نفع کی شرح کے اعلان اور تقسیم کار کے لئے نظر ثانی شدہ ٹائم لائن
8. حبیب بینک لمیٹڈ کے مشارکہ ایگریمنٹس کی شریعہ پروول / منظوری
9. کنورژن پلان برائے سال 2023ء میں ترامیم کی شریعہ پروول / منظوری
10. پول میں قابل تجارت / ٹھوس اثاثوں کی 20 فیصد ریگولیشن میں سے شریعہ پروول کی 10 فیصد حد تک نرمی
11. فنڈز کو قبول کرنے کے لئے اے ایم سی (ایسٹ مینجمنٹ کمپنیز) کے لسٹ کی شریعہ پروول / منظوری
12. کنورژن پلان برائے سال 2023ء کی شریعہ پروول / منظوری
13. براؤزنگ کی کنورژن کے لئے شریعہ پروول کے سرٹیفیکیٹس
14. اے ایم سی (ایسٹ مینجمنٹ کمپنیز) کے لسٹ میں پاک قطر (اے ایم سی) کے اضافہ کی شریعہ پروول / منظوری
15. پاک قطر کے ساتھ ماسٹر مضاربہ ایکسٹنشن ایگریمنٹ کی شریعہ پروول / منظوری
16. کراچی کافل کے بولی دستاویزات کی شریعہ پروول / منظوری
17. صارفین کے اکاؤنٹس میں منافع کی دیر سے تقسیم کی (پوسٹ ٹیکسٹ) شریعہ پروول / منظوری
18. ہمارے شریعہ پروول کے منظور شدہ معاہدوں کے فارمیٹس کے تحت، فنا نفل انسٹیٹوشنز کی اپ ڈیٹڈ منظور شدہ فہرست کی شریعہ پروول / منظوری
19. شیڈول آف چارجز برائے اسلامک بینکنگ (07/2023/01/2023 تا 31/12/2023)
20. کافل کمپنی کے ساتھ معاہدے کے مسودے کی شریعہ پروول / منظوری
21. شریعہ کپلائنس ریویو پلان برائے سال 2024ء
22. زرعی ترقیاتی بینک لمیٹڈ کے اسلامک بینکنگ ڈویژن کا سالانہ ٹریڈنگ پلان برائے سال 2024ء
23. نفع اور نقصان کی بنیاد پر مجوزہ زرعی فنانسنگ پروڈکٹ پر شریعہ پروول کی رائے
24. فنانسنگ فارم / دستاویز "صارف / کسٹمر کی طرف سے اعتراف" کی شریعہ پروول / منظوری
25. ڈیمنیشننگ مشارکہ کے تحت فنانسنگ ٹرانزیکشنز کی اپ ڈیٹڈ / نظر ثانی شدہ پراسس فلو کی شریعہ پروول / منظوری
26. اسلامک بینکنگ کے زرعی فنانسنگ میں کویٹرل سیکورٹی کی شریعہ پروول / منظوری

27. شیڈول آف چارجز برائے اسلامک بینکنگ (30/06/2024 تا 01/01/2024)

صکوک کی منظوری

1. جی او پی اجارہ صکوک کے اسٹراکچر کے ضمیمے کی شریعہ اپروول / منظوری
2. آئندہ ایک سالہ جی او پی اجارہ صکوک کی نیلامی میں شرکت اور خریداری کے لئے شریعہ اپروول / منظوری

شریعیہ بورڈ کی میٹنگز:

دوران سال شریعیہ بورڈ نے ریگولیٹری ضرورت کے مطابق چار مرتبہ اپنی میٹنگز کیں اور اس کے ساتھ ساتھ بورڈ آف ڈائریکٹرز کے ساتھ بھی میٹنگز کیں، شریعیہ بورڈ نے بورڈ آف ڈائریکٹرز کے ممبر کے ساتھ بھی مختلف میٹنگز کیں، جس (ممبر) کو بورڈ آف ڈائریکٹرز نے اس بات کا مجاز بنایا ہے کہ وہ شریعیہ بورڈ / مینجمنٹ کے ساتھ ان تمام امور پر بات چیت کرے، جس سے بینک تمام پہلوؤں سے شریعیہ کسپلائٹ بن جائے، مذکورہ بالا میٹنگز کے علاوہ شریعیہ بورڈ نے شریعت سے متعلق مسائل پر شعبہ اسلامک بینکنگ ڈویژن کی مسلسل نگرانی کی، اور اس حوالے سے ان کو رہنمائی فراہم کی۔

شریعیہ کسپلائٹس اور شریعیہ آڈٹ:

شریعیہ کسپلائٹس زرعی ترقیاتی بینک کے اسلامی بینکاری ڈویژن کی قوت رہا ہے۔ شریعیہ کسپلائٹس نظام مختلف سطحوں پر عمل پیرا ہوتا ہے، جیسا کہ شریعیہ بورڈ سے پراڈکٹس کی منظوری، مخصوص قسم کے پراسس فلووز کی منظوری، معاملات کی عمومی نظر ثانی وغیرہ (ہر عملی اور ترقیاتی مرحلے میں شریعیہ کسپلائٹس نظام کی نگہداشت رکھی جاتی ہے)۔ شریعیہ کسپلائٹس ڈیپارٹمنٹ اور شریعیہ آڈٹ یونٹ شریعیہ بورڈ کی رہنمائی میں کام کرتے ہیں۔ شریعیہ کسپلائٹس ڈیپارٹمنٹ نے کل وقتی شریعیہ بورڈ ممبر کے زیر نگرانی اسلامک بینکنگ کی برانچوں اور اسلامک بینکنگ ڈویژن کے متعلقہ ڈیپارٹمنٹس کا شریعیہ کسپلائٹس / کنٹرول ریویو کیا۔ شریعیہ آڈٹ یونٹ نے بھی اسلامک بینکنگ کے برانچوں کا شریعیہ آڈٹ کیا۔ علاوہ ازیں! شریعیہ کسپلائٹس ڈیپارٹمنٹ ہر ماہ نفع تقسیم ہونے سے پہلے، نفع کی تقسیم اور پول مینجمنٹ کا باقاعدگی سے جائزہ لیتی ہے۔ اور اسی طرح انٹرنل شریعیہ آڈٹ یونٹ بھی سہ ماہی بنیادوں پر اس کا آڈٹ کرتی ہے۔ اسٹیٹ بینک آف پاکستان کے شریعیہ گورننس فریم ورک کے تحت تمام رپورٹس شریعیہ بورڈ کو پیش کی جاتی ہے، تاکہ شریعیہ بورڈ کی تجاویز / درستی عمل کو حاصل کیا جاسکے۔

شریعیہ کسپلائٹس ڈیپارٹمنٹ نے تمام پیش کردہ پالیسیوں، پروڈکٹس، دستاویزات / معاہدوں کا بھی ریویو / جائزہ لیا ہے، اور کچھ ترامیم اور تصحیحات تجویز کی ہیں، جن کی شریعیہ بورڈ نے منظوری دی تھی۔ شریعیہ کسپلائٹس ڈیپارٹمنٹ نے شریعیہ بورڈ کے فیصلوں کی تعمیل اور نفاذ کو یقینی بنایا۔

شریعیہ کسپلائٹس ڈیپارٹمنٹ نے شریعیہ بورڈ کے زیر نگرانی، سال 2023ء میں اسلامی بینکاری میں تبدیل ہونے والی 20 برانچوں کے کنورژن پراسس کا شریعیہ کسپلائٹس / کنٹرول ریویو / جائزہ لیا، اور شریعیہ بورڈ کو رپورٹس پیش کیں۔ شریعیہ بورڈ نے تبدیل شدہ برانچوں کی کنورژن سے متعلق شریعیہ سرٹیفیکیشن جاری کر دیے۔

ٹریڈنگ اور پیشہ ورانہ مہارت / صلاحیت کی تعمیر:

اسلامک بینکنگ ڈویژن کا ٹریڈنگ پلان برائے سال 2023ء شریعیہ بورڈ سے منظور ہوا۔ اسلامک بینکنگ ڈویژن اور ٹریڈنگ اور ڈیولپمنٹ ڈویژن نے شریعیہ کسپلائٹس ڈیپارٹمنٹ

کی مدد سے اسلامک بینکنگ ڈویژن اور اسلامک بینکنگ برانچز میں کام کرنے والے تمام اسٹاف کے لئے دو (2) ٹریننگ منعقد کروائے، اس کے علاوہ اسلامک بینکنگ ونڈوز کے اسٹاف کے لئے بھی دو (2) ٹریننگ منعقد کروائے۔ علاوہ ازیں! شریعہ کمپلائنس ریویو کے دوران ہر اسلامک بینکنگ برانچ میں گروپ ڈسکشن کا بھی اہتمام کیا گیا۔

شریعیہ کمپلائنس ڈیپارٹمنٹ کے اسٹاف نے مختلف اسلامک بینکنگ برانچوں کا دورہ کیا، تاکہ برانچز میں تعینات اسٹاف کی معلومات اور کسٹمر کے ساتھ ان کے باہمی تعامل کے بارے میں جانکاری ہو سکے۔ یہ بات نوٹ کی گئی تھی کہ اسلامک بینکنگ اور شریعیہ کمپلائنس کے حوالے سے برانچ کے زیادہ تر اسٹاف کی معلومات تسلی بخش تھی۔ علاوہ ازیں، کسٹمر کے اطمینان کی پیمائش کے لئے اسٹاف کا کسٹمر کے ساتھ باہمی تعامل کا مشاہدہ کیا گیا، جو کہ تسلی بخش تھا۔

نتائج:

بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کے فرائض منصبی میں یہ بات شامل ہے کہ وہ زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے معاملات کو ہمہ وقت شرعی اصولوں کے مطابق یقینی بنائے، تاہم اس سلسلہ میں بحیثیت شریعیہ بورڈ ممبرز ہماری یہ ذمہ داری ہے کہ ہم زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے مجموعی شریعیہ کمپلائنس ماحول کے بارے میں رپورٹ دیں۔ ہماری اس رپورٹ کی بنیاد شریعیہ کمپلائنس ڈیپارٹمنٹ اور شریعیہ آڈٹ یونٹ کی رپورٹس ہیں۔ انٹرنل شریعیہ آڈٹ اور انٹرنل شریعیہ کمپلائنس ریویو کے تمام رپورٹس کو چیک کیا گیا / جائزہ لیا گیا۔

ان تمام صورت حال اور ہماری ذاتی علم کے بنیاد پر سال 2023ء کے بارے میں ہماری رائے یہ ہے کہ:

1. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری شرعی اصولوں اور قواعد و ضوابط اور شریعیہ بورڈ سے جاری کردہ احکامات، فیصلوں اور ہدایات کے موافق ہے۔
2. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری نے اسٹیٹ بینک آف پاکستان کے جاری کردہ شرعی معاملات سے متعلقہ اصولوں، ہدایات اور احکامات کا مکمل نفاذ کیا ہے جو کہ اسٹیٹ بینک آف پاکستان کے شریعیہ ایڈوائزری کمیٹی کے فتاویٰ کے مطابق ہیں۔
3. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری کے پاس شرعی نظام کو عملی میدان میں نافذ کرنے کے لئے ایک منظم اور مربوط نظام موجود ہے۔ یہ نظام انٹرنل شریعیہ آڈٹ یونٹ، شریعیہ کمپلائنس ڈیپارٹمنٹ، بینک کے اندر کل وقتی شریعیہ بورڈ ممبر اور اسلامی بینکاری کے عملے کی ٹریننگ (جو اسٹیٹ بینک آف پاکستان کے شریعیہ گورننس فریم ورک کے عین مطابق ہے) پر مشتمل ہے۔
4. زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے تحت شریعیہ آڈٹ اور شریعیہ کمپلائنس ریویو کی صورت میں ایک شفاف نظام موجود ہے جو اتنا فعال اور موثر ہے کہ اس کی بنیاد پر یہ یقین دہانی کرائی جاسکتی ہے کہ اگر کسی بھی ذریعہ یا طریقہ سے اسلامی بینکاری کے شعبہ میں ایسی آمدنی / منافع شامل ہو جائے جو شرعاً حلال نہیں، تو فوری طور پر ایسی آمدنی کو خیراتی فنڈ میں منتقل کیا جائے گا اور منظم طریقہ سے اس کے مصارف میں اُسے خرچ کیا جائے گا۔
5. نفع اور نقصان کی تقسیم اور پول مینجمنٹ کے حوالے سے اسٹیٹ بینک آف پاکستان کی جو ہدایات ہیں، زرعی ترقیاتی بینک کا اسلامک بینکنگ ڈویژن ان تمام ہدایات پر عمل پیرا ہے۔
6. مجموعی طور پر بینک کے عملہ و انتظامیہ کا اسلامی بینکاری کی بنیادی معلومات اور اس کے متعلقہ حساسیت کے حوالے سے اگاہی کا درجہ قابل اطمینان ہے۔ یہ بات حوصلہ افزا ہے کہ بینک کے ٹریننگ کے شعبہ نے ہماری (شریعیہ بورڈ کی) مشاورت سے اسلامک بینکنگ کے برانچوں میں تعینات تقریباً تمام عملے کو ٹریننگ دی۔
7. شریعیہ بورڈ کو اپنی ذمہ داریاں موثر طریقے سے سرانجام دینے کے لئے مناسب وسائل کار فرماہم کئے گئے ہیں۔

سفارشات:

1. اس بات کی بھی سفارش کی جاتی ہے کہ سود سے پاک معیشت سے متعلق وفاقی شرعی عدالت کی گائیڈ لائنز کو حاصل کرنے کے لئے پورے بینک کو سود سے پاک / اسلامک بینک میں تبدیلی کے عمل کو تیز کیا جائے۔
 2. اس بات کی بھی سفارش کی جاتی ہے کہ شریعہ کپلائنس ڈیپارٹمنٹ (ایس سی ڈی) اور انٹرنل شریعہ آڈٹ (آئی ایس اے) دونوں ڈیپارٹمنٹس میں شریعہ اسکالرز کی خدمات حاصل کی جائے، تاکہ بینک کے مجموعی شریعہ کپلائنس کو مضبوط کیا جاسکے، نیز ریگولیٹری تقاضوں کو بھی پورا کیا جاسکے۔ جیسا کہ اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک 2018ء میں مذکور ہے۔
- اور آخر میں ہم اللہ تعالیٰ سے دعا گو ہے کہ وہ ہمیں دو جہانوں میں کامیابی سے نوازے، اور قدم قدم پر ہماری مدد فرمائے اور ہمیں مشکلات اور روکاوٹوں سے اپنی حفظ و امان میں رکھے۔ اور زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کو مالیاتی ترقی سے ہمکنار فرمائے۔

آمین



OPERATIONAL PERFORMANCE

ANNUAL REPORT 2023



OPERATIONAL PERFORMANCE

Zarai Taraqati Bank Limited (ZTBL) stands as a beacon of support for farming community of Pakistan, particularly small-scale farmers with low income facing financial challenges. ZTBL has been diligently working to introduce innovative products and schemes aimed at assisting the small farming community across the country, including AJ&K and Gilgit-Baltistan, in overcoming financial constraints and reducing poverty. Its extensive network of over 500 branches strategically positioned in rural and underserved areas underscores its commitment to financial inclusion. Beyond providing agricultural credit, ZTBL takes proactive steps to empower farmers with the latest agricultural knowledge through initiatives like ZTBL Zarai Baithak and ZTBL Mobile Van Service, ensuring sustainable growth and poverty alleviation.

ACHIEVEMENTS AND INITIATIVES

In line with its mandate, the Bank made significant achievements and carried out various initiatives/steps in the year 2023. Few of them are given below:

1. TRAINING & DEVELOPMENT

National Financial Literacy Program (NFLP)

National Financial Literacy Program (NFLP) is an initiative by SBP to create awareness of basic financial education for the general public. Objective of the program is to financially literate the masses all across the country. The program is executed by SBP-BSC in collaboration with commercial, Islamic, Microfinance banks and partner institutes etc. For this purpose, State Bank of Pakistan allocate district-wise target to Banks/DFIs. Accordingly, SBP had allocated targets to ZTBL for the FY-2022-23 (July-2022 to June-2023) to conduct/arrange 271 classroom sessions on NFLP in different areas of the country. In the year FY-2022-23, ZTBL has successfully arranged/managed 274 NFLP sessions against target of 271 set by SBP. In total 9,475 participants have participated in these NFLP Sessions, participation of female participants was 5,578.

In recognition of ZTBL efforts to literate general public regarding financial inclusion, the SBP has awarded "Best Management Support" award to ZTBL for the year 2022-23.



In continuation of NFLP-II, SBP has assigned further targets for the year FY-2023-24 (July-2023 to June-2024) to conduct/arrange 310 classroom sessions on NFLP in 36 districts of the country. In response, as on 31st December, 2023, 54 Classroom sessions have been arranged successfully for the awareness of the masses. Participation in these sessions were 1,524 beneficiaries and female participation were 70%.



President/CEO, ZTBL Mr. Tahir Yaqoob Bhatti awarded certificates to top performing field trainers of National Financial Literacy Program (NFLP) at ZTBL Staff College, Islamabad. ZTBL has surpassed the SBP assigned target of conducting 271 sessions by organizing 274 sessions during 2022-23. The SBP has also recognized efforts of ZTBL and awarded "Best Management Support" award for the year.

Training of Employees

During the year 2023, training was imparted to 4,337 employees against the target of 3,525 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, Gender Sensitivity/Gender Equality Policy and Women Champions, Work Ethics/ Behavior/Conduct & Customer Service Delivery etc. Moreover, Training-of-Trainers (TOTs) have been arranged in other institutions for grooming and capacity building of employees in core areas. The summarized position against target for the year 2023 is as under:

Category	No. of courses Conducted	No. of Employees Attended	Target	Achievement
In-House	78	4181	3525	123%
In-Land		156		
Total	78	4337	3525	123%



Mr. Tahir Yaqoob Bhatti, President/CEO ZTBL, addressing Branch Managers during Certificates Awarding Ceremony held at ZTBL Staff College, Islamabad. He advised the managers to perform duties with passion, sincerity and responsibility in order to achieve organizational goals and improve business operations as well as Bank's financial health.

Internship Program

During the year 2023, in respect of Internship Program, in total 587 students were offered internships in different categories in different Divisions/Departments of ZTBL, the details are as under:

S.No.	Description of Internship	No. of Graduates/Post Graduates
1.	Paid Internship	19
2.	Un Paid Internship	282
3	Ba-ikhtiarnoujawan Internship Program (BINP)	286
Grand Total		587

IQRA Quran Academy

The Bank has also facilitated the employees' children to learn Holy Quran by qualified teachers from ZTBL Quran Academy. Presently, in ZTBL Quran Academy, 40 children are studying Nazra Quran and in the year 2023, 04 children are memorizing/Hifz the Quran and 12 children have completed the Nazra Quran.

2. KHULI KACHERI

President/CEO ZTBL Mr. Tahir Yaqoob Bhatti successfully held KhuliKacheri in Quetta. Farmers, customers, and people from diverse sections of society spoke their hearts. President ZTBL assured all out support to agriculture uplift of Balochistan.



A delegation of ZTBL led by President Mr. Tahir Yaqoob Bhatti called on Governor Balochistan and discussed issues relating to agriculture in the province.

3. ZTBL ZARAI BAITHAKS

Zarai Baithak, a pioneering initiative of ZTBL, fosters a cooperative environment among farmers offering insights into modern agricultural machinery and techniques. During the year 2023, more than 225 Zarai Baithaks have been organized nationwide. This platform provided on-the-spot solutions to farmers' concerns and disseminated information about ZTBL's financial products.



4. ZTBL MOBILE VAN SERVICE

The launch of the "ZTBL Mobile Van Service" under the slogan "Zarai Bank Aapke Gaon Main" amplified financial inclusion in rural areas. During the period under review, two Mobile Vans of ZTBL have covered 907 locations across 269 branches in Sindh, Punjab, Khyber Pakhtunkhwa and Islamabad providing financial and agricultural advisory services at doorstep of farmers, ensuring the financial inclusion and enhancing accessibility to rural habitat.



5. ARRANGEMENT OF NATIONAL WEBINAR

ZTBL and Pakistan Agriculture Research Council (PARC) held a national level Webinar on the topic "Climate Resilient Agricultural Practices for Food Security" for making awareness among farmers to mitigate climate challenges. President/CEO ZTBL Mr. Tahir Yaqoob Bhatti vowed that ZTBL will equip farmers in Pakistan both financially and technically. Zarai Taraqati Bank Ltd and Pakistan

Agriculture Research Council have reiterated the commitment to mitigate challenges especially food insecurity in the country. The webinar was aimed at uniting agriculture experts, academia, lenders, farmers and other stakeholders for ensuring food security.



The webinar being first of its kind, is an attempt by ZTBL as financial lender and PARC as research institute to mitigate the challenges faced to farming community in the country. ZTBL had gathered farmers in its 31 zonal offices across the country under the leadership of President ZTBL Tahir Yaqoob Bhatti for attending the lectures of agriculture scientists.

6. CHAIRMAN BENAZIR INCOME SUPPORT PROGRAMME AND FOUNDER OF AKHUWAT FOUNDATION'S ADDRESS TO BANK'S EXECUTIVES



Chairman Benazir Income Support Programme and Founder of Akhuwat Foundation Dr. Amjad Saqib called on President/CEO ZTBL Mr. Tahir Yaqoob Bhatti. Matters relating to uplifting socio-economic standards of rural populace were discussed. Mr. Saqib delivered a lecture to bank's executives and emphasized on resolving issues faced by ordinary/poor fabric of the society.

EID MILAD-UN-NABI CELEBRATION



جشن عید میلاد النبی ﷺ کے موقع پر صدر زرعی ترقیاتی بینک طاہر یعقوب بھٹی بینک افسران سے خطاب کر رہے ہیں

7. SIGNING OF MOUS WITH ACADEMIA, RESEARCH INSTITUTES & OTHER ORGANIZATIONS

During the year 2023, the Bank has signed Memorandum of Understanding with following organizations in order to promote the development of the latest agricultural advancements in the country:

I. Government of Punjab (GoPb)

To tap biggest agriculture hub/market of Pakistan i.e. Punjab, the Bank has signed MOU with Gov. of Punjab for promotion of agriculture sector through integrated technologies thereby enhancing farmers' income, agriculture productivity and food security.

II. Pakistan Agriculture Research Council (PARC)

ZTBL and PARC signed a Memorandum of Understanding (MoU) to establish a collaborative relationship in promoting and adapting the latest agricultural technologies, best crop management practices, and agriculture mechanization for improving farm efficiency and for the benefit of the farming community.

III. Sustainable Development Policy Institute (SDPI)

A Memorandum of Understanding was signed by the Zarai Taraqati Bank Limited (ZTBL) and Sustainable Development Policy Institute (SDPI) to collaborate for the promotion and adoption of latest/novel technologies, practices, and techniques for improving agricultural productivity and the livelihood of rural communities. Both the institutions will jointly organize webinars, field days, seminars, and workshops to share latest advancements in agriculture with rural

communities and small farmers. Under a multi-partnership approach, other stakeholders will also be invited to develop and carry out joint ventures, pilot projects, and research activities to cater for today's farm needs.

IV. National University of Sciences & Technology (NUST)

The National University of Sciences and Technology (NUST) and Zarai Taraqati Bank Limited (ZTBL) entered into a Memorandum of Understanding (MOU) to collaborate on promoting food security, environmental sustainability, and agriculture development in Pakistan. The MoU aims to enhance the livelihoods of the farming community through the adoption of modern agricultural technologies and practices. The collaboration includes conducting seminars and workshops to disseminate the latest agricultural developments, implementing joint projects and research activities, publishing research outcomes.

V. National Database and Registration Authority (NADRA)

Zarai Tarqati Bank Ltd (ZTBL) and National Database and Registration Authority (NADRA) signed MoU on PM's Youth, Business and Agriculture Loan Scheme (PMYBAL) for enhancing digitization for agriculture sector. The Memorandum of Understanding was aimed at verification of the beneficiaries of PMYB&AL Scheme.

VI. Jazz Business

Jazz Business partners with ZTBL to provide efficient and sustainable financial solutions to the agricultural sector of Pakistan. ZTBL MCOs are equipped with Jazz Business tablet that digitizes the loaning process providing solutions at the farmer's doorstep and making it virtually instantaneous. The collaboration is expanding ZTBL's reach to valuable customers and helping grow their businesses.



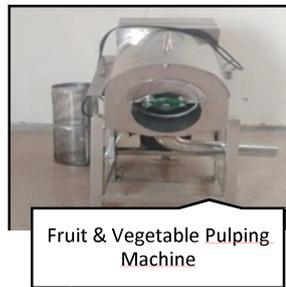
A practical step towards digitization. ZTBL receives 1000 smart tablets from Jazz Pakistan for empowering field force and facilitating farmers.

8. TRANSFORMATION OF ZTBL FARM INTO MODEL AGRI TOURISM CENTRE

The transformation of the ZTBL Farm located in Islamabad into an Agriculture Tourism Center aims to promote agricultural tourism, showcase modern farming practices and raise awareness among visitors about agriculture. By providing an educational and recreational experience, the Agri Tourism Center aims to bridge the gap between urban population and agriculture while promoting responsible tourism and sustainable farming methods. Latest Machinery has been installed for demonstration purpose at ZTBL Farm including Olive Oil Extraction Machine, Flour/Spices Grinder, Fruit and Vegetables Dehydrator, Fruit Pulping Machine, Gur/Jaggery making machine and Cold Press Essential Oil Extraction. Research trials have been conducted by Agri universities and research institutes at ZTBL Farm. Trainings are imparted on kitchen gardening, mushroom farming, bee keeping etc. to the farming community.



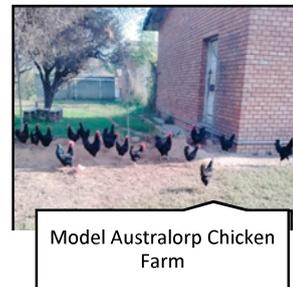
Olive Oil Extraction Machine



Fruit & Vegetable Pulping Machine



Cold Press Essential Oil Extraction



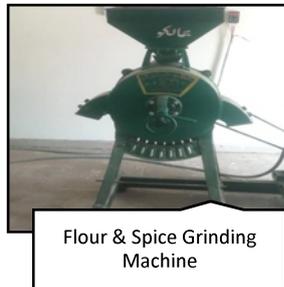
Model Australorp Chicken Farm



Olive Oil Packing Machine



Model Biofloc Fish Farm



Flour & Spice Grinding Machine



Mushroom Farming

9. INSTALLATION OF 50 TRAY FRUIT DRYER MACHINE AT ZTBL GHULMAT BRANCH, DISTRICT NAGAR GILGIT-BALTISTAN



The Bank has installed 50 Tray Fruit Dryer Machine at ZTBL Ghulmat District Nagar Gilgit-Baltistan for Processing of Fresh Fruits in Gilgit Baltistan. Basic objective of the fruit dryer and its deployment in Ghulmat District Nagar, Gilgit is to impart training and demonstration to local farmers to induce them for use of latest fruit drying technology to increase shelf life of their perishable fruits and to prevent the post-harvest losses. A successful training session was organized in Ghulmat, Gilgit Baltistan where training was imparted to local farmers.

10. NEW PRODUCTS/LENDING SCHEMES

During the year 2023, the Bank has launched innovative schemes with the objective to provide sustainable rural finance and services particularly to small farmers and low-income households. These schemes aim at empowering women, introduction & adoption of mechanization in farming, supporting agri-value added segment and development of livestock & fisheries sector etc. The steps/initiatives taken by ZTBL through introduction of such schemes would help to overcome food security issues and also mitigating the poverty among rural populace.

i. Kissan Rozgar Scheme (KRS)-(Financing for Establishment of Fresh/Dry Fruit Shop)

Gilgit-Baltistan has been blessed with world top class delicious fruits like Cherry, Apricot, Apple, Pear, Almond etc. However, due to its geographical locality and perishability in nature, their shelf life is minimal and most of the fruits are marketed after dehydration process. Every year millions of tourists around the globe & domestic vicinities of Pakistan visit Gilgit-Baltistan and if farmers are encouraged to establish their own fresh/dry fruit shops in every nook & corner of the villages of Gilgit-Baltistan, this will lead to increase in their agriculture income.

Keeping in view of the above, the scheme has been introduced by the Bank. The maximum loan limit under the scheme is upto Rs. 2.500 million per borrower/party with loans recoverable within five years in half yearly installments.

ii. Digital Kissan Karobar Scheme (DKKS)

Digital marketing is one of the popular concept and methodology used in today's business world. Digital marketing also called online marketing, is the promotion of brands to connect with potential customers using the internet and other forms of digital communication. Literacy rate of Gilgit-Baltistan is considerably high than other parts of the country and after inception of 4G services across Gilgit-Baltistan, tendency for usage of internet services have been increased manifold. On the other hand, world top class fruits like cherry, almond, apricot, pine net, pear etc. are widely produced and wastage ratio is more than 30% due to non-availability of adequate market place. Therefore, to capture this opportunity and provide business and employment opportunities in far flung villages of Gilgit-Baltistan by marketing their fresh/dry fruits by establishing virtual online shops, a financing product with title of "Digital Kissan Karobar Scheme (DKKS)" has been introduced. The maximum per borrower/party loan limit under the scheme

is upto Rs.2.500 million per borrower/party with loan recoverable within five years in half yearly installments.

iii. Financing for “Establishment of High Efficiency Irrigation System”

Pakistan has an arid or sub-arid climate having an average rainfall of 240 millimeters (mm), mainly during the monsoon season (July-September). According to the benchmark water scarcity indicators, the assessed per-capita access to water was around 900 m³ per person in 2017. This positions Pakistan at the “high water stress” level, If the same conditions persist, the country will hit an absolute water scarcity border by 2025. Small water reservoirs can effectively play a role in boosting agricultural production coupled with solar pumping system thereby decreasing the depletion of natural resources. Renewable energy such as solar is a viable and alternate energy source. Solar energy, coupled with suitable pumps i.e. submersible energy pumps, could help to meet the irrigation requirements. Solar powered tube well can be considered as a reliable source of irrigation as compared to electric or diesel operated tube well due to frequent load shedding and rising energy & diesel prices. Due to finite supply of surface water, farmers make use of ground water to meet the irrigation demands of their crop. There are around 2.5 million farmers in the country that depends upon the supply of ground water extracted through tube wells for their crop water needs. Through connecting high efficiency irrigation systems with solar energy systems, farmers can achieve high water use efficiency, energy efficiency and most important to the farmer, cost-efficiency. The maximum loan limit under the scheme is upto Rs. 5.000 million per borrower/party, recoverable within ten years in half yearly installments.

iv. Financing Product for Fruits & Vegetable Saver

Fruit and vegetable dryers are available for batch drying application. The drying cycles are extremely flexible. Time, temperature and air volume can be adjusted within a given cycle to meet precise product specifications. This makes the tray dryers ideal for operations that require drying a wide variety of fruit & vegetables products, particularly those with long retention times. Minimum Specifications: The tray design is available to handle at least 1000 kg fresh mango fruit slices and other fruit & vegetable products with a moisture content of 84 to 86%. After processing the moisture of finished products will be 15-17%. The removal of moisture will take 12-18 hours’ period depending upon product moisture & temperature setting. The dryer is able to maintain temperature of 50-90 degree Centigrade with a digital temperature control. The dryer has the ability to set two temperatures. It can be run on LPG and Natural Gas Automatic Heating Systems. The product is available in various sizes – 18 Trays, 25 Trays, 50 Trays, 75 Trays and 150 Trays. The maximum loan limit under the scheme is upto Rs. 2.500 million per borrower/party, recoverable within eight years in half yearly installments.

v. Financing Product for Potato Grader

Potato is major crop of district Okara and exported from Pakistan on large scale. Small units for Potato Packaging will increase the export as it will add value to the product of small farmers. Packaging Machines are easily available and accessible. Financing for installation of these

small units will improve the profitability, sustainability and income of farmers. The scheme would help the farmers to have easy access towards credit and to facilitate the farmers for enhancement of their agricultural productivity by adopting mechanization practices. The maximum loan limit under the scheme is upto Rs.2.500 million per borrower/party, recoverable within five years in half yearly installments.

vi. Financing for Electric Chakki for Making Masalajaat (Chilli, Dhanya, Zeera Etc.)

Spices/condiments are a daily need of households in Pakistan. There is a huge demand of different Masalajaat like Chilli, Dhanya, Zeera etc for daily use. The subject scheme is developed to fulfill daily requirement of these Masalajaat in ground form by providing grinding units to needy persons living near the market. The scheme would help the farmers to have easy access towards credit and to facilitate the farmers for enhancement of agri. productivity in the country. The maximum loan limit under the scheme is upto Rs. 1.000 million per borrower/party, recoverable within five years in half yearly installments.

vii. Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS)

The Government of Pakistan in collaboration with SBP launched a scheme named as *Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS)* for populace of country aged between 21-45 years to cater their term loan and working capital financing requirements in agriculture sector. ZTBL being participating Bank in the scheme, developed & launched its product across the country.

By the Grace of Almighty Allah, Bank successfully achieved the earlier target of Rs. 6 Billion under PMYB&AL Scheme allocated by State Bank of Pakistan (SBP) with hectic efforts of credit team & whole field force under the kind guidance of Senior Management and the President, ZTBL. SBP again allocated disbursement target of Rs.10 Billion under PMYB&AL Scheme to ZTBL for the FY 2023-24. An amount of Rs. 14.95 billion has been disbursed in 7,780 number of loan cases against the target of Rs. 16 billion, since inception of the scheme.

viii. Markup Subsidy and Risk Sharing Scheme for Farm Mechanization (MSRSSFM)

Government of Pakistan in collaboration with SBP launched Markup Subsidy and Risk Sharing Scheme for the farmers/borrowers of the country to enhance the agricultural production by the use of improved farm mechanization practices. ZTBL being participating Bank in the scheme, launched the subject titled scheme. An amount of Rs. 9.689 billion has been disbursed under 4,620 number of loan cases against the target of Rs. 10.00 billion.

ix. GOP Markup Subsidy Scheme (GMSS) for Revival of Agriculture/Livestock Sectors in Flood Affected Areas

The Government of Pakistan in collaboration with SBP launched markup subsidy schemes for the farmers/borrowers of rain/flood affected areas. SBP allocated credit limit of Rs. 6000 million to ZTBL in this scheme. ZTBL being participating Bank in the scheme, developed & launched its

product for revival of agriculture including farm & non-farm sectors in the rain/flood affected areas of the country. SBP approved extension in the validity period of the scheme till 31st December, 2023. An amount of Rs. 4.851 billion has been disbursed in 11,894 number of loan cases against the target of Rs. 6.00 billion.

x. Interest Free Loans and Risk Sharing Scheme for Landless Farmers (IF&RSLF) in Flood Affected Areas

The Government of Pakistan in collaboration with SBP launched the subject titled scheme for land less farmers of rain/flood affected areas. SBP allocated credit limit of Rs. 500 million to ZTBL in this scheme. ZTBL being participating Bank in the scheme, developed & launched its product for revival of agriculture including farm & non-farm sectors in the rain/flood affected areas.

SBP approved extension in the validity period of the scheme till 31st December, 2023. An amount of Rs. 0.052 billion has been disbursed in 469 number of loan cases against the target of Rs. 0.5 billion.

Revision of per acre credit limits of inputs for different crops / vegetables / orchards / forestry

Consequent upon enhancement of per acre limits fixed for major/minor crops, orchards and forestry by SBP to enable the farming community to use required quantity and quality agri. inputs, ZTBL Board of Directors in its 108th meeting held on January 21, 2023, has approved per acre credit limits for various major/minor crops, vegetables, orchards and forestry with under mentioned conditions;

- i. New borrowers will take the benefit of revised per acre credit limit.
- ii. Borrowers who have been regular for one year will take the benefit of revised per acre credit limit.
- iii. NPLs & SAM borrowers are eligible for loans up to extent of principal recovered from them.
- iv. NPLs & SAM borrowers will become eligible for revised per acre credit limit only after repayment of previous loans with up to date mark-up and being regular for one year.

Enhancement of loan to existing borrowers

In order to allow the loan limit enhancement in genuine regular cases only upon complete closure of previous loan(s), an exception form was previously provided to the field functionaries which was available on system for capturing the reasons of loan enhancement. Enhancement requests so forwarded by the branches were authenticated/certified by the MCO, Branch Manager and recommended by Zonal Chief for ultimate approval/sanction by CLSD. Now, many stakeholders including CLSD & Zonal Chiefs are facing problems in monitoring of the enhanced loan cases. Therefore, a comprehensive exception form has been designed for the ease of all stake holders.

“Financing for Establishment of Agri. Tourist Outlet/Orchard”

A credit scheme/product titled “Financing for Establishment of Agri. Tourist Outlet/Orchard” was launched by the Bank for the farming community of Gilgit-Baltistan. During the year 2023, the Bank has allowed districts of Mingora Zone (i.e. Swat, Dir Upper, Shangla, Chitral Lower & Chitral Upper) for financing under this scheme.

Agri. e-Credit Scheme

In order to support Punjab Government efforts to increase agri. produce as well as to alleviate rural poverty among small and poor farming segment of the society having land ownership ranging from 2.5 acres upto 12.5 acres, the Bank has launched subject cited scheme across the Punjab province. The scheme is unique in terms of facilitating farmer’s right from free of cost registration at Sahulat Centers maintained by the Punjab Land Records Authority (PLRA) in collaboration with Punjab Information Technology Board (PITB). Digitalized loan processing through e-Pass Book/Digitalized Mutation work is done in Land Records Centers at Tehsil level which materializes prompt disbursement of loan to the farming community of rural areas. Under Agri. E-Credit Scheme (1st January, 2023 to 31st December, 2023), Rs. 160.298 million were recovered with a balance outstanding amount of Rs. 106.201 million.

AGRICULTURAL LOAN DISBURSEMENTS

With the objective to provide sustainable rural finance and services particularly to small farmers and low-income households, the Bank made disbursement of loans amounting to Rs. 90,978.31 million to 161,697 borrowers during the year 2023 against annual lending target of Rs. 80,000 million with the pace of 114%.

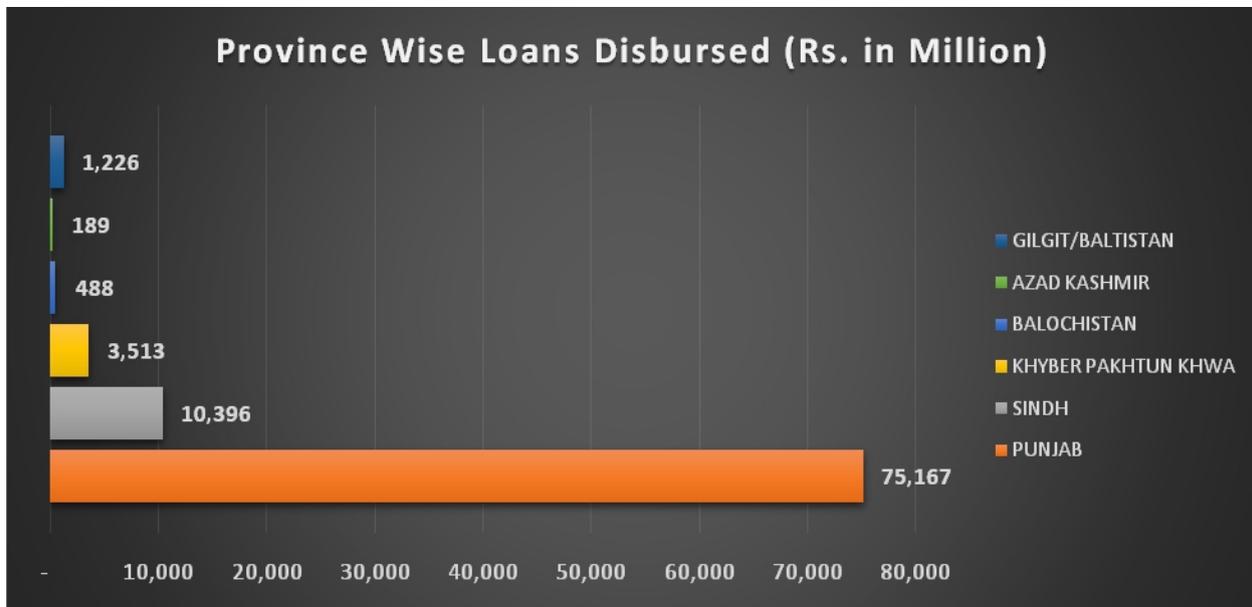
The Bank disburses credit in two main categories of Production and Development Loans. Production loans are disbursed for farm inputs like seeds, fertilizer, pesticides and working capital to improve dairy, livestock, poultry and fisheries. During the year 2023, the Bank advanced an amount of Rs. 43,097.722 million to 81,917 borrowers for production loans, representing a share of 47% of total general Credit Disbursement. Development Loans are provided for establishment of dairy farm house, poultry, fisheries, goat farming and livestock farming. In additions, these loans are also provided to carry out irrigation requirements, orchards, nurseries, green houses and forestry etc. During the year 2023, the Bank advanced an amount of Rs. 47,880.586 million to 79,780 borrowers with the share of 53% in total general Credit Disbursement.



Share of Production and Development loans

a. Province-wise Agri. Credit Disbursement

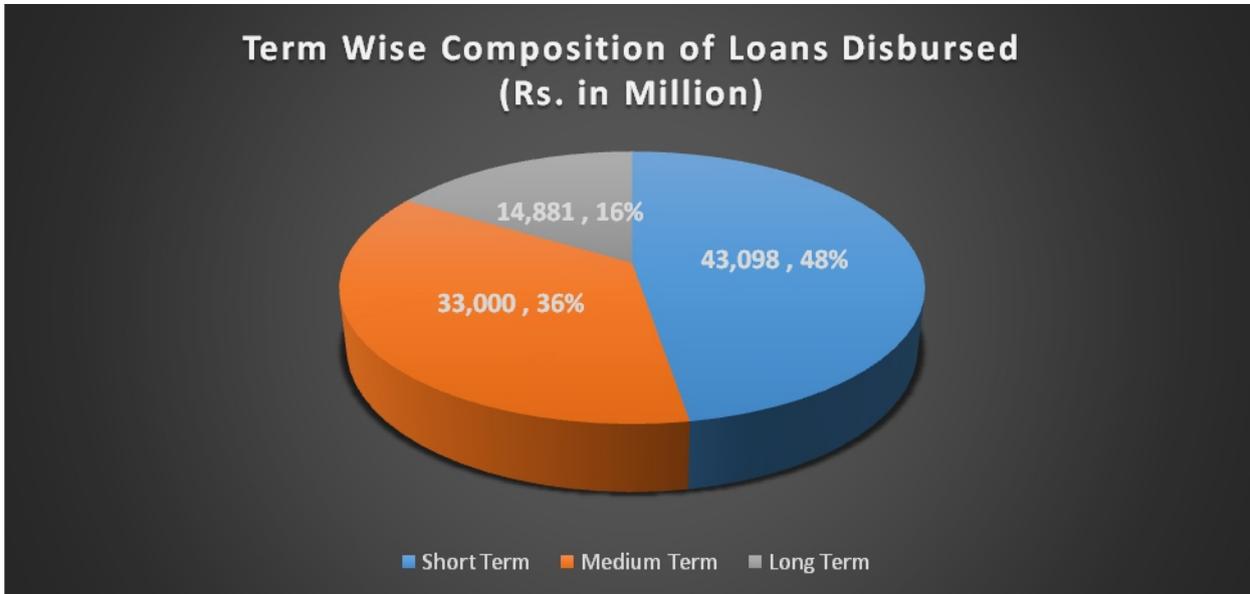
The pattern of disbursement in provinces is almost proportionate to the agriculture potential of respective provinces/areas. The province wise share of disbursement depicts that Punjab has largest share followed by Sindh and Khyber Pakhtunkhwa as shown in graph below:



Province Wise Credit Disbursement

b. Term-wise Disbursement of Loans

The Bank provides loans on short, medium and long term basis. Short term loans are basically production loans with maturity period up to 18 months. Medium and long term loans are advanced for development purposes, which are recoverable within 5 and 8 years, respectively. The breakup of term-wise loan amounts disbursed during the year 2023 is shown below:



Term Wise Disbursement

c. Security-wise Disbursement of Loans

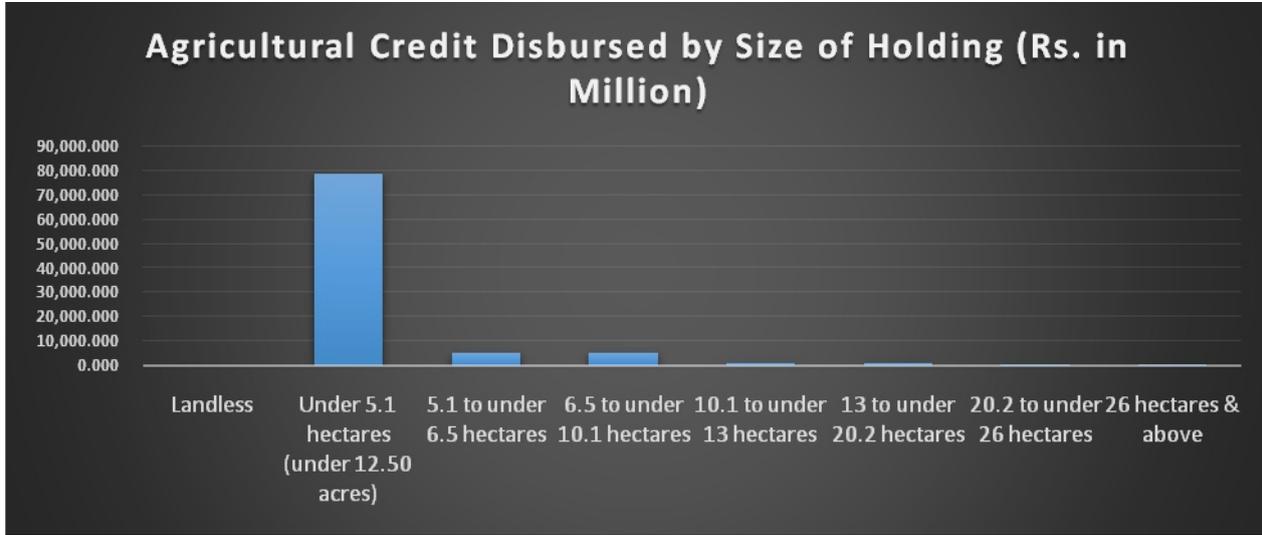
Security-wise disbursement of loans indicates that 99% of loans were secured against pledge/ mortgage of tangible securities. Moreover, the Bank also disburses credit against personal and hypothecation as given in the chart below:



Security Wise Credit Disbursement

d. Land holding-wise Disbursement of Loans

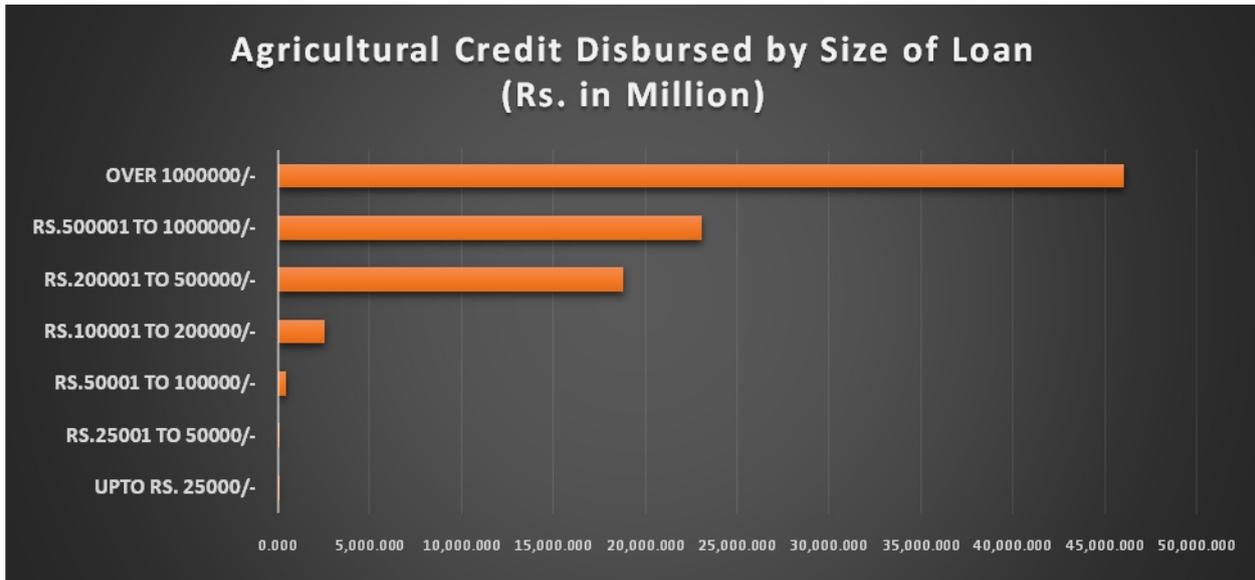
Land holding-wise disbursement is illustrated below. It is pertinent to mention that small farmers having land up to 12.5 acres received the major portion of disbursement with an amount of Rs. 78,651.339 million during the year 2023.



Holding Wise Disbursement

e. **Loan Size Wise**

During the year 2023, around 51,825 borrowers availed loaning facility from the Bank within the range of Rs. 200,001 to Rs. 500,000 which amounted to Rs. 18,791.727 Million. The details of credit disbursed by size of loan are given below:



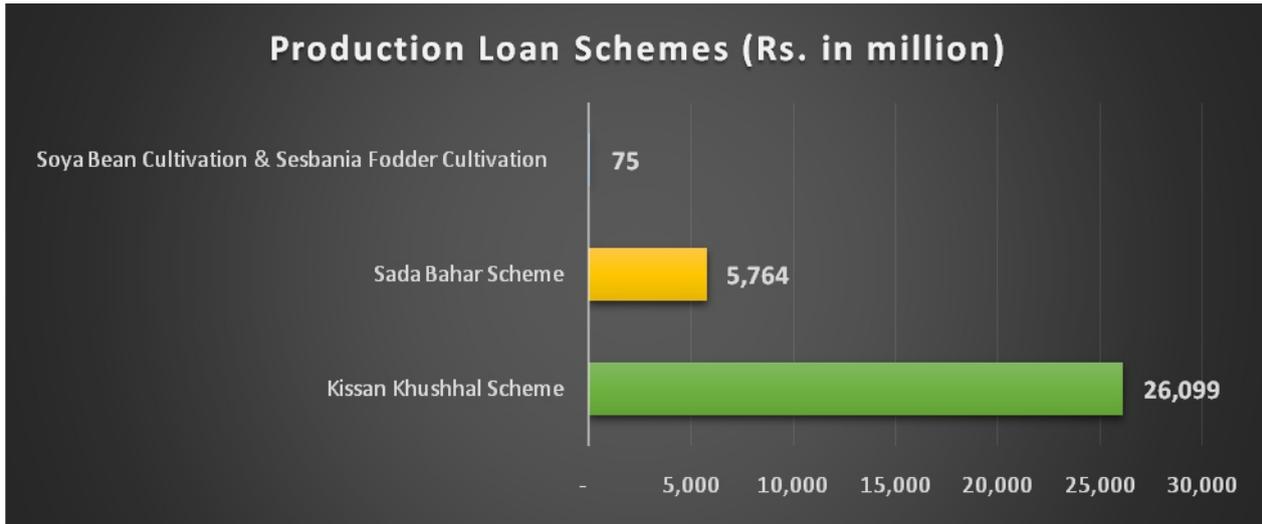
Loan Size Wise Disbursement

f. **Scheme-wise Disbursement of Loans**

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

i. Production credit schemes

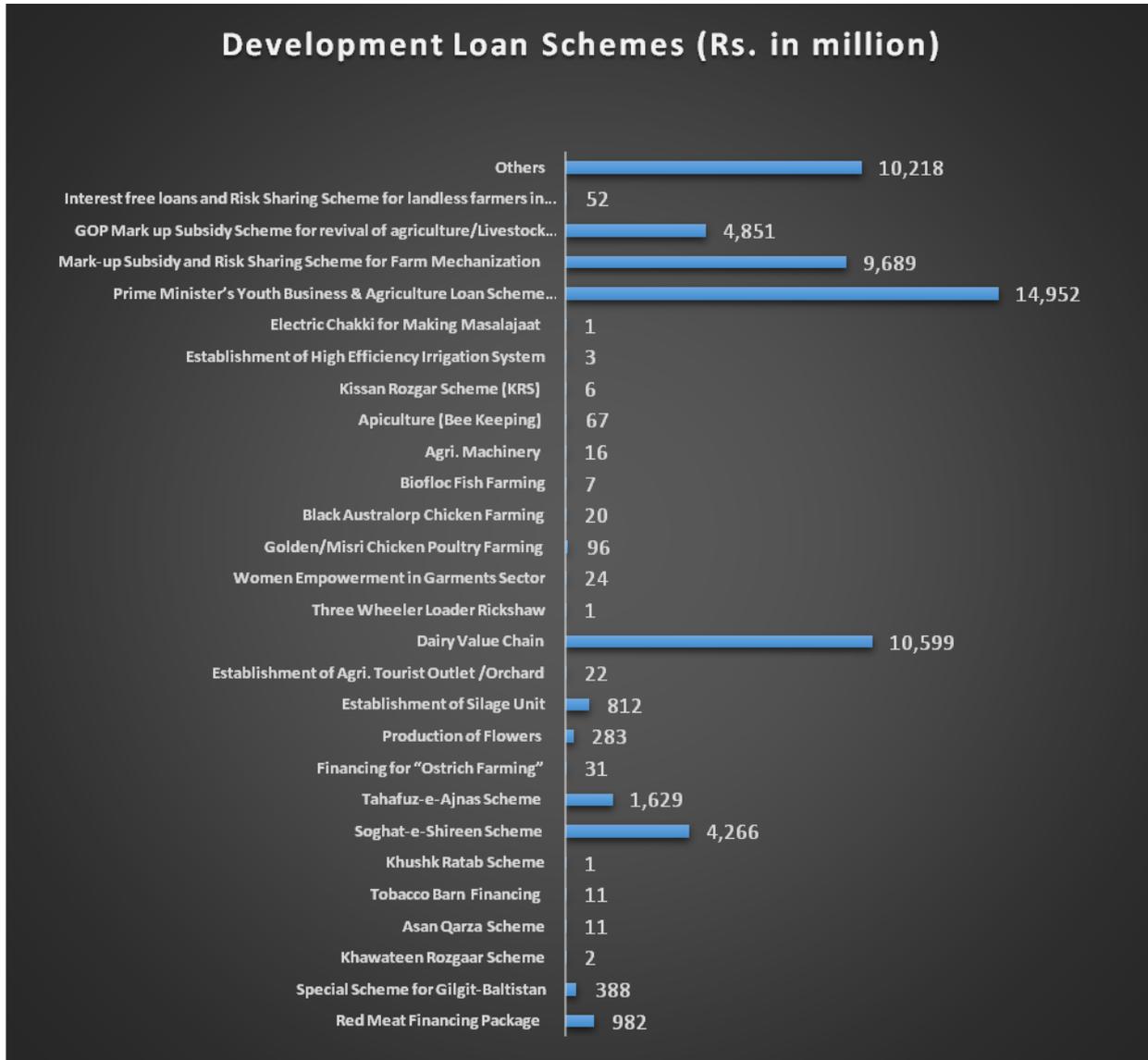
The Bank caters the needs of farming community for all input loans such as seeds, fertilizers, pesticides etc. through its various products against acceptable securities to the Bank.



Disbursement under Production Credit Schemes

ii. Disbursement under Development Credit Schemes

The Bank advances medium and long-term loans for tractors, poultry, dairy, fishery, livestock, land development, forestry under development schemes. The Bank is disbursing development loans under various categories/schemes, few schemes are illustrated as below:



Disbursement under Development Schemes

g. Banking On Equality

Comparison of Outstanding Portfolio of Female Borrowers (Year 2022 & 2023)					
2023		2022		Growth	
No. of Customer	O/S Balance	No. of Customer	O/S Balance	No. of Customer	O/S Balance
21626	6912.719	20,238	5,360	7%	29%

ZTBL's
FINANCIAL
FREEDOM FOR
WOMEN!

ZTBL'S WOMEN FINANCIAL SERVICES

Khawateen Rozgar Scheme

Garments Empowerment

Bakhat Account

Disbursement to Females under PM Kissan Package

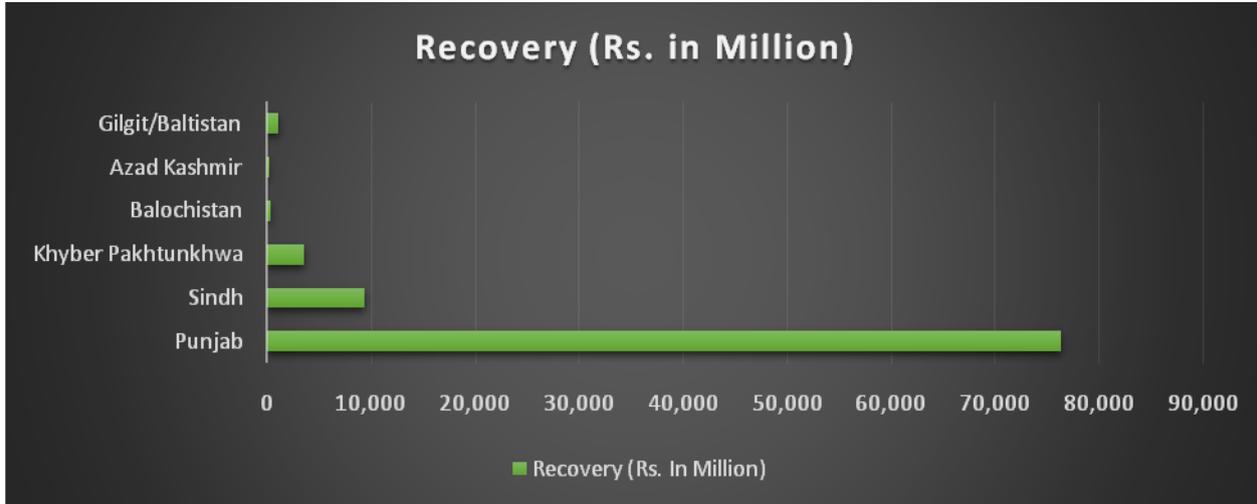
PM-Kissan Package Schemes	No. of Female Borrowers	Amount Disbursed (Rs. in Million)
Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS)	709	1,090
Markup Subsidy and Risk Sharing Scheme for Farm Mechanization (MSRSSFM)	159	342
GOP Markup Subsidy Scheme (GMSS) for Revival of Agriculture/Livestock Sectors in Flood Affected Areas	321	124
Grand Total	1,189	1,556

Disbursement under Special Schemes for Women

Scheme	Amount Disbursed (Rs. in Million)
Women Empowerment in Garments Sector	3.659
Khawateen Rozgar Scheme	1.700

RECOVERY OPERATIONS

During the year 2023, the Bank has recovered an amount of Rs. 91,079.6 million with highest recovery in Punjab. Province wise detail of recovery of loans is given below:



a. NPL

During the year 2023, Bank's NPLs have been reduced from Rs. 33,682 million to Rs. 31,220 million as compared to last year. During the year under review, following initiatives have been taken by the Bank;

- Check and control concentration in various categories of NPLs before transfer to SAM.
- Filing and follow-up of recovery suits and speedy auction in decreed cases.
- Bucket-wise NPLs management.
- Initiated recovery process under Sector 4(7) of LACIP, Act 1973.

b. SAM Loan recovery

During the year 2023, an amount of Rs. 9,961.797 million has been recovered against the SAM loan recovery target of Rs. 15,000 million which is 66% of the target. A proper SAM recovery strategy has been approved by the Board of Directors and has been implemented to effect SAM recovery during the year 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2023, Green Banking Unit of the Bank, in collaboration with the Training and Development Division, organized 14 training sessions, providing capacity-building training to 435 employees from both the Head Office and field offices. Under Green Advisory Services, Green

Banking Unit prepared and published brochure on “Locust and Climate Change”. A total of Rs. 1,269.82 million was disbursed in green banking products during 2023 through green financing initiatives.

OPERATIONS AND BUSINESS OUTREACH

The Bank has carried out various steps and made utmost efforts to ameliorate the working of the Operations in line with the directives of the SBP. Brief detail of initiatives carried out to streamline its operations is given as under:

- As per SBP KPIs, while entertaining every new customer for opening of his/her account for depository business/ extending agriculture finance and for renewal of exiting business relationship, the customer’s credentials should be verified. Field functionaries have contacted borrowers personally and invited them to visit the branch for biometric verification.
- The branches have also been equipped with the wireless biometric gadgets for performing the biometric verification in the remote areas. Biometric Verification of regular borrowers has been completed 99.7% and for classified borrowers the Biometric Verification has been completed 98.7%. ZTBL has completed the Biometric Verification of High and Medium priority depository accounts. The biometric verification of normal priority active depository accounts has been achieved 99.9%.
- Shifting of ZTBL branches from residential houses/remote and difficult locations to the business hub is under process for the customers’ facilitation and growth in main/allied business of the bank. Presently, 12 branches have been relocated up to 31.12.2023.

Ancillary Banking Facilities

During the year 2023, the focus remained on Hajj Applications, Home Remittances and Utility Bills Collection.

i. Utility Bills Collection

During the year 2023, 2,411,504 utility bills have been collected against the target of 2,842,000 bills with 84.85% target achievement.

ii. Collection of Hajj Applications

During the year 2023, ZTBL has collected 904 applications and total amount collected for the purpose is Rs. 1,058.6 Million. All applicants have been declared successful for Hajj-2023.

iii. Call Deposit Receipts (CDR)

The newly introduced product shall help in increasing the deposit base of the Bank viz-a-viz attract new customers. At the same time handsome free of cost deposit will be added to our deposit base and is a good source for enhancing NTB’s base of the Branches. Call Deposit Receipt is issued through customers’ own account or to walk in customers to be submitted along with Bid/Tender documents as earnest money, which is mandatory requirement by all Government Organizations, autonomous bodies, NGOs etc. Further, CDRs may also be issued in individual

own name. ZTBL has issued 119 CDRs amounting to rupees 78.421 Million (01.10.2023 to 31.12.2023) on account of current deposit.

TREASURY OPERATIONS

During the year, treasury efficiently performed its core function of liquidity management and in doing so significantly contributed to the profitability of the bank. As per the investment strategy, treasury kept a low investment portfolio duration by mainly investing in short maturity or floating rate instruments, thus minimizing portfolio sensitivity to interest rate changes. Going forward, expecting a decrease in policy rate backed by lower inflation mainly due to base effect, treasury plans to gradually increase portfolio duration in order to capitalize on expected decrease in policy rate.

HUMAN RESOURCE DEVELOPMENT

The Bank made arduous efforts for enhancing the capabilities and competencies of the existing human resource through various training programs, promotions and motivation.

- To inculcate performance driven work culture in the Bank, based on the principles of “merit” and “pay for performance”, the Performance Management Policy under SR-2005 was reviewed by the Board and introduced the system of Bell Curve for awarding annual merit increase against earned PAR scores in respect of employees governed under SR-2005.
- Effective from 01.01.2023, marriage grant once in service to all employees @ Rs. 50,000/- for marriage of self and two children was allowed by the Board, out of Benevolent Fund. Further, existing rate of BF Grant payable with monthly pension to pensioners enhanced from Rs. 4, 000/- to Rs. 5,000/- for a period of 10 years. The employees governed under SSR, 1961 may opt for lump sum payment of Rs.600,000/- on their retirement on the analogy of employees governed under SR-2005.
- To motivate the employees for maximizing their efforts towards Bank’s business, the Cash Bonus - 2022 on different rates & scales was paid to MCOs, Branch Managers, Area Chiefs, Zonal Chiefs, Zonal Manager (Recovery & SAM), Regional General Managers and Provincial Chief and all other employees posted in any office of the Bank.
- Effective from 01.01.2023, rates of monthly Conveyance Allowance for clerical and non-clerical employees and officers (OG-II to AVPs) governed under SSR, 1961, were revised as Rs.5,000/- and Rs.8,000/-, respectively.
- Rates of Minimum Pension and Family Pension admissible to pensioners and family pensioners of the Bank were revised as Rs.9,800/- and Rs.7,800/- per month, w.e.f. 01.01.2023.
- In view of legal limitation in hiring of clerical and non-clerical employees in Staff Service Regulations-1961 and SR-2005 (below the rank of OG-III), the Board of Directors created Ex-Cadre under SR-2005 for appointments of staff members including other skilled persons/professionals.

- Employment quota for recruitment was approved, where in addition to participation in open merit, employment quota of 02%, 10% and 05% for Disable Persons, Women and Minorities respectively shall be fixed in direct recruitments of OG-III and below under SR-2005.
- Special Medical Ceiling in chronic/prolonged diseases was allowed to employees governed under SR-2005.
- Adhoc Relief Allowance – 2023, @ 35% and 30% of basic pay plus personal pay (RTP) to clerical/non-clerical and officers/executives governed under SSR, 1961 and @35% of basic salary and 30% of half of monetized salary to officers/executives governed under SR-2005 respectively, was granted by the Board of Directors, w.e.f. 01.07.2023.
- In order to achieve functional harmony among various organizational units, eliminate conflict of interest, over lapping, duplication, achieve alignment with regulatory requirements and consistency with other organizational structures from the industry, functional realignment of various offices of the Bank was carried out.
- In order to maintain congenial environment, one Special Increment and 5% increase in Basic Salary was granted to all Clerical and Non-Clerical employees governed under SSR, 1961 and SR-2005 w.e.f. 01.11.2023.
- Effective from 01.10.2023, Posting Allowance @ Rs.30,000/-, Rs.25,000/-, Rs.20,000/-, Rs.15,000/-, Rs.12,000/-, Rs.10,000/- and Rs.8,000/- per month was granted to Provincial Chief (Punjab), RGMs, Zonal Chiefs, Zonal Managers (Operations), Zonal Managers (Recovery & SAM), Area Chiefs, Branch Managers (Large, Medium & Small), on the basis of profitability of the branches under jurisdiction.
- Where immediate family of a deceased employee (who dies during service) needs a job, appointment of one child or spouse of deceased employee, was approved by the Board of Directors. These appointments will be made under Ex-Cadre Policy under SR-2005.
- To incentivize the employees performing their duties in branches on Saturday, Saturday Allowance w.e.f. 20.11.2023 was granted @ Rs.800/- and Rs.500/- per day to Branch Managers & Assistant Managers (Operations) and Mobile Credit Officers & Tellers, respectively.
- To create an environment for accountability of employees towards corrupt practices, guidelines for preparation of Draft Statement of Allegations against accused employees were disseminated to curb the instances of procedural lapses.
- To provide opportunity of Self-Contributory Hajj to a large number of employees, monthly contribution rates revised and balloting groups of employees were introduced. The balloting groups consistent of employees' categories (i) officers/executives above 40 years' age (ii) officers/executives below 40 years' age and (iii) all clerical and non-clerical employees.
- To pursue post-matriculation studies upto MBBS or Master's level by the outstanding children of serving and deceased clerical and non-clerical employees of the Bank, 12 Scholarships for the year 2023 were announced. These scholarships cover entire expenses.

- To reduce the gender gap in financial inclusion, the Bank enhanced the numbers of “Women Champions” to perform their additional job assignment assigned by the SBP.
- Fixed monthly wage of Part-Time Janitorial Service Providers (i.e. Sweeper/Mali) performing their duties in the field offices was revised as Rs.20,000/- per month.
- To facilitate the business owner departments involving multiplicity of functions, different Management Committees of the Bank were reviewed in line with SBP guidelines as well as business requirement of the Bank.

Management Committees

By implementing the SBPs guidelines and Bank’s requirements following Management Committees have been constituted:

- I. Management Committee (ManComm)
- II. Compliance Committee of Management (CCM)
- III. Procurement Committee (PC)
- IV. Committee for Islamic Banking Expansion
- V. Assets Liability Committee (ALCO)
- VI. Medical Facilitation Committee (MFC)
- VII. Employee’s Grievances Handling Committee (EGHC)
- VIII. IT Steering Committee (ITSC)
- IX. Internal Risk Management Committee (IRMC)
- X. Head Office Committee on Write off of Losses
- XI. Disciplinary Action Committee (DAC)
- XII. Character Building Committee
- XIII. IFRS-9 Project Steering Committee
- XIV. Standing Inquiry Committee (The Protection against Harassment of Women at the Workplace Act, 2010)

DIGITAL BANKING

- i. ZTBL has issued more than 22,000 ATM PayPak Debit cards to its customers till date.
- ii. Internet Banking is launched for staff with 300 users including all available features.
- iii. ATM channels including Cash withdrawal, IBFT, funds transfer, Bill payments and 24/7 monitoring of digital transactions etc. are running successfully with scarce human resource and limited vendor support.
- iv. ZTBL has resolved more than 7,000 disputes till date pertaining to digital transactions within SBP provided turn-around-time.
- v. ZTBL has been included in 1-link Loyalty Program for discounts in more than 28,000 merchants.
- vi. Deployment of 09 modules of CRM including Computer telephony integration, Automated call distribution, Agent desktop, Campaign Management, Knowledge base, Quality assurance management, Recording system, Workforce management, Key performance indicator widget/dashboard.

- vii. USSD Channel Tender has been floated for non-smart phone customers to perform a financial and non-financial transaction and can onboard non ZTBL customers as well.
- viii. 1-link OTC Services for Government payments including tax payments etc. is now available for ZTBL customers.
- ix. Digital Gadgets for Sales-force monitoring and management has been provided to ZTBL MCOs/Field officers.
- x. RAAST G2P platform is active for Government agencies i.e. AGPR etc.
- xi. Enhancement of ZTBL Corporate website with latest Template / Banners and UI-UX.
- xii. Launch of Offsite ZTBL ATM at Zeropoint, Islamabad considering heavy traffic load for increased customer base. Further, low performing ATMs has been relocated to new locations with potential of high performance as provided by Business.
- xiii. Call Center DR Site has been established as per SBP guidelines.
- xiv. ZTBL introduced Islamic ATM/Debit card during the year 2023.
- xv. Special ATM facility naming 'ATM talking Solution' for visual disabled persons has been installed in 08 ATM branches during Q4 2023.
- xvi. Connect-hear Virtual Interpretation Application has been installed in 10 branches of ZTBL for Person with Disabilities (PWDs).

ENTERPRISE RISK MANAGEMENT

During the year 2023, the Bank carried out following initiatives under its Risk Management portfolio:

- Introduction of ERM concept and Development & approval of ERM Policy.
- Initiated process of Internal Risk Rating Model (IRR).
- Compliance to Regulatory Reporting (CAR, Stress testing, LCR, NSFR, ICAAP).
- Conducted successful Risk assessment, monitoring and Reporting of all time highest Market Risk portfolio of the bank amounting to Rs. 700 billion approximately.
- Review of all Islamic Banking Products and Islamic Credit policy.
- Review of Revised Treasury Investment Policy and Manual.
- Improvement in Operations Risk assessment through digitization of KRIs and RCSAs and inclusion of other operational Risk assessment criteria under Business Risk Review Report.
- Enhanced the role of CLSD in appraisal process of a credit customer.
- Identification of potential customers from PMY portal and forward the lead for credit sale to branches for scrutiny and appraisal.
- Implementation of controls for Credit Administration process of ZTBL to improve the qualitative lending by introducing following;
 - SAC/DAC Checklist, Introduced Rollover Checklist, Redemption Checklist and Post Disbursement Documents Checklist.
 - System Reports Improvements.

○ Introduction of Standardized Handing over/ taking over Process of loan case file.
During the period under review, the Bank made improvement in identification, assessment and monitoring of Cyber Security Risk such as:

- Identification of 22 Cyber security Risks for the year 2023 and shared with Concerned Quarters for rectification.
- Regular training sessions (specialized and general awareness/training sessions) regarding Information/Cyber Security to enhance Capacity of ZTBL Employees against Sophisticated Cyber Threats.
- Regular issuance of Cyber security advisories to educate and inform ZTBL employees with prevailing cyber threats.
- Performed 24/7 monitoring of IT infrastructure against current threat landscape to safeguard IT/Digital Infrastructure of the bank, more than 200 high and medium alerts were shared with technical team throughout the year for timely action.
- Mock Exercise to check ZTBL Employees Capacity against Phishing Emails. 3461 Employees were contacted through deceptive email. 411 Employees failed to comply and warnings issued vide emails.
- 7 different Vulnerability Assessment and Pen Testing exercises of IT/Digital Infrastructure through consultant were conducted, 217 Vulnerabilities have been recorded and addressed all critical vulnerabilities with the coordination of IT/Digital Banking Division and re-validate accordingly.
- Actively participated in launch of internet banking.



ZARAI TARAQIATI BANK LIMITED

Head office: 1, Faisal Avenue, P.o.Box No 1400 ISLAMABAD.

CORPORATE AFFAIRS DEPARTMENT

No. CAD/1(4)/AGM/18/2024/48-56

Dated: March 06, 2024

NOTICE OF 18TH ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of Zarai Taraqati Bank Limited will be held on Wednesday March 27, 2024 at 11:00 A.M. at ZTBL, Head Office, Islamabad, to transact the following business:

Ordinary Business:

1. To confirm minutes of Extra Ordinary General Meeting held on December 11, 2023
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, 2023 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors of the Bank for the year ending December 31, 2024 and fix their remuneration.

Any other Business:

To consider any other business with the permission of the Chair

By order of the Board

- Sd -

(TARIQ MAHMOOD TALIB)

Company Secretary

(051-9253087)

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 Secretaries, Lahore, Karachi, Peshawar and Quetta.
4. Members, ZTBL Board
5. Additional Registrar of Companies, Company Registration Office, SECP, Islamabad
6. M/s BDO Ebrahim & Company, Chartered Accountants, Islamabad.

Tariq Mahmood Talib

Company Secretary

Technology for Agriculture



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3rd Floor,
Saeed Plaza,
22-East Blue Area,
Islamabad-44000,
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 TARAQIATI BANK LIMITED ("the Bank") for the year ended December 31, 2023.

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.

Based on our review, 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 aspects, with the best practices contained in the Rules as applicable to the Bank for the year ended December 31, 2023.

ISLAMABAD

DATE: 04 MAR 2024

UDIN: CR20231006018C1mBQn2

CHARTERED ACCOUNTANTS

Engagement Partner: Atif Riaz

BDO Ebrahim & Co. Chartered Accountants

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**STATEMENT OF COMPLIANCE WITH PUBLIC
 SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

Name of Bank Zarai Taraqiati Bank Limited
Name of the line ministry Finance Division, GoP
For the year ended December 31, 2023

I. This statement presents the overview of the compliance 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.	Tick the relevant box																					
			Y	N																				
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√																					
2	The Board has at least one-third of its total numbers as independent directors. At present the Board includes: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>1. Mr. Naemuddin Khan</td> <td>24.08.2023</td> </tr> <tr> <td>2. Mr. Zaigham Mahmood Rizvi</td> <td>10.03.2021</td> </tr> <tr> <td>3. Syed Javed</td> <td>10.03.2021</td> </tr> <tr> <td>Executive Directors</td> <td>1. Mr. Tahir Yaqoob Bhatti</td> <td>30.08.2023</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>1. Mr. Ahmed Taimoor Nasir</td> <td>05.05.2023</td> </tr> <tr> <td>2. Mr. Muhammad Mahmood</td> <td>27.12.2023</td> </tr> <tr> <td>3. Mr. Haaris Mahmood Chaudhary</td> <td>10.03.2021</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	1. Mr. Naemuddin Khan	24.08.2023	2. Mr. Zaigham Mahmood Rizvi	10.03.2021	3. Syed Javed	10.03.2021	Executive Directors	1. Mr. Tahir Yaqoob Bhatti	30.08.2023	Non-Executive Directors	1. Mr. Ahmed Taimoor Nasir	05.05.2023	2. Mr. Muhammad Mahmood	27.12.2023	3. Mr. Haaris Mahmood Chaudhary	10.03.2021	3(2)	√	
Category	Names	Date of appointment																						
Independent Directors	1. Mr. Naemuddin Khan	24.08.2023																						
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	2. Mr. Muhammad Mahmood	27.12.2023																						
	3. Mr. Haaris Mahmood Chaudhary	10.03.2021																						
3	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)	√																					
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	√																					

5	The Chairman of the Board is working separately from the Chief Executive of the Bank.	4(1)	√	
6	The Chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	√	
7	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. (Not applicable where the chief executive have been nominated by the Government).	5(2)	N/A	
8	(a) The Bank has prepared a “Code of Conduct” to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company’s website (www.ztbl.com.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√ √ √	
9	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)	√	
10	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)(iii)	√	
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5)(b)(vi)	√	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	√	

Handwritten signature/initials

13	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)	√	
14	The Board has developed a vision or mission statement and corporate strategy of the Bank.	5(6)	√	
15	The Board has developed 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(7)	√	
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	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
18	(a) The Board has met at least four times during the year.	6(1)	√	
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	√	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	√	
19	The Board has monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	√	
20	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	√	
21	(a) 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.	10	√	
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		√	

	(c)The Board has placed the annual financial statements on the Bank's website.		√																			
22	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	√																			
23	(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. (d) The Committees were chaired by the following non-executive directors:	12	√ √ √ √																			
	<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>03</td> <td>Mr. Syed Javed</td> </tr> <tr> <td>Risk Management Committee</td> <td>03</td> <td>Mr. Zaigham Mahmood Rizvi</td> </tr> <tr> <td>Human Resource Committee</td> <td>04</td> <td>Mr. Naemuddin Khan</td> </tr> <tr> <td>Procurement Committee</td> <td>03</td> <td>Mr. Haaris Mahmood Chaudhary</td> </tr> <tr> <td>Nomination Committee</td> <td>04</td> <td>Mr. Ahmed Taimoor Nasir</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	03	Mr. Syed Javed	Risk Management Committee	03	Mr. Zaigham Mahmood Rizvi	Human Resource Committee	04	Mr. Naemuddin Khan	Procurement Committee	03	Mr. Haaris Mahmood Chaudhary	Nomination Committee	04	Mr. Ahmed Taimoor Nasir			
Committee	Number of Members	Name of Chair																				
Audit Committee	03	Mr. Syed Javed																				
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Human Resource Committee	04	Mr. Naemuddin Khan																				
Procurement Committee	03	Mr. Haaris Mahmood Chaudhary																				
Nomination Committee	04	Mr. Ahmed Taimoor Nasir																				
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment.	13	√																			
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√																			
26	The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	√																			
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	√																			
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Bank except those disclosed to the company.	18	√																			

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29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the Bank contains criteria and details of remuneration of each director.	19	√													
30	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the approval of the Audit Committee and the Board.	20	√													
31	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="425 837 1085 1112"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Syed Javed</td> <td>Independent</td> <td>Economics/ Management</td> </tr> <tr> <td>Mr. Zaigham Mahmood Rizvi</td> <td>Independent</td> <td>Economics/ Business</td> </tr> <tr> <td>Mr. Ahmed Taimoor Nasir</td> <td>Non-Executive</td> <td>Finance/Accounts/ Computer Science</td> </tr> </tbody> </table> The Chief Executive and Chairman of the Board are not members of the Audit Committee.	Name of Member	Category	Professional background	Mr. Syed Javed	Independent	Economics/ Management	Mr. Zaigham Mahmood Rizvi	Independent	Economics/ Business	Mr. Ahmed Taimoor Nasir	Non-Executive	Finance/Accounts/ Computer Science	21 (1) and 21 (2)	√ √	
Name of Member	Category	Professional background														
Mr. Syed Javed	Independent	Economics/ Management														
Mr. Zaigham Mahmood Rizvi	Independent	Economics/ Business														
Mr. Ahmed Taimoor Nasir	Non-Executive	Finance/Accounts/ Computer Science														
32	(a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed. (b) The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives. (c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	√ √ √													
33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. (b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.	22	√ √													



	(c) The internal audit reports have been provided to the external auditors for their review.		√	
34	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√	
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√	

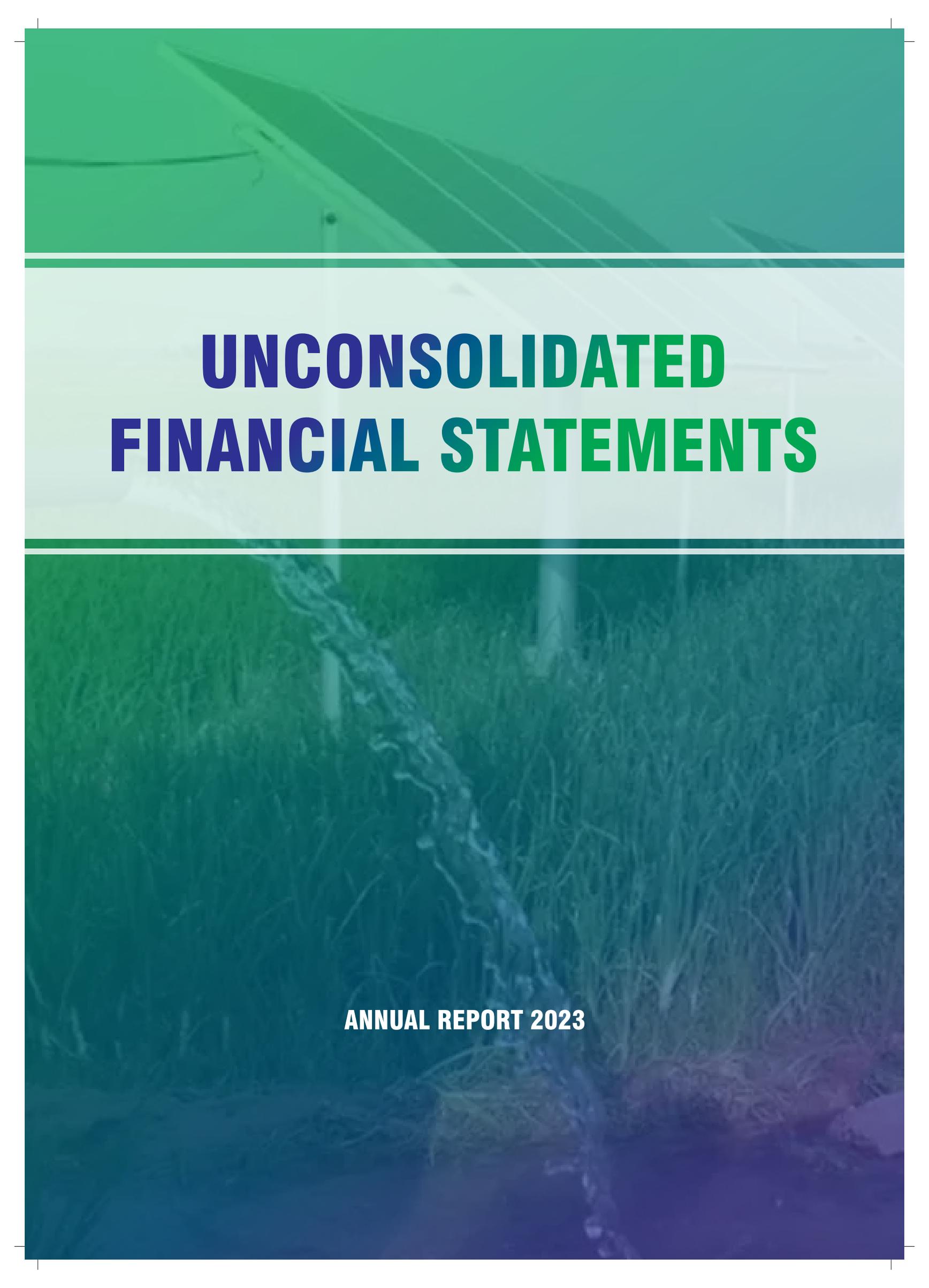
refer



PRESIDENT / CEO
Tahir Yaqoob Bhatti

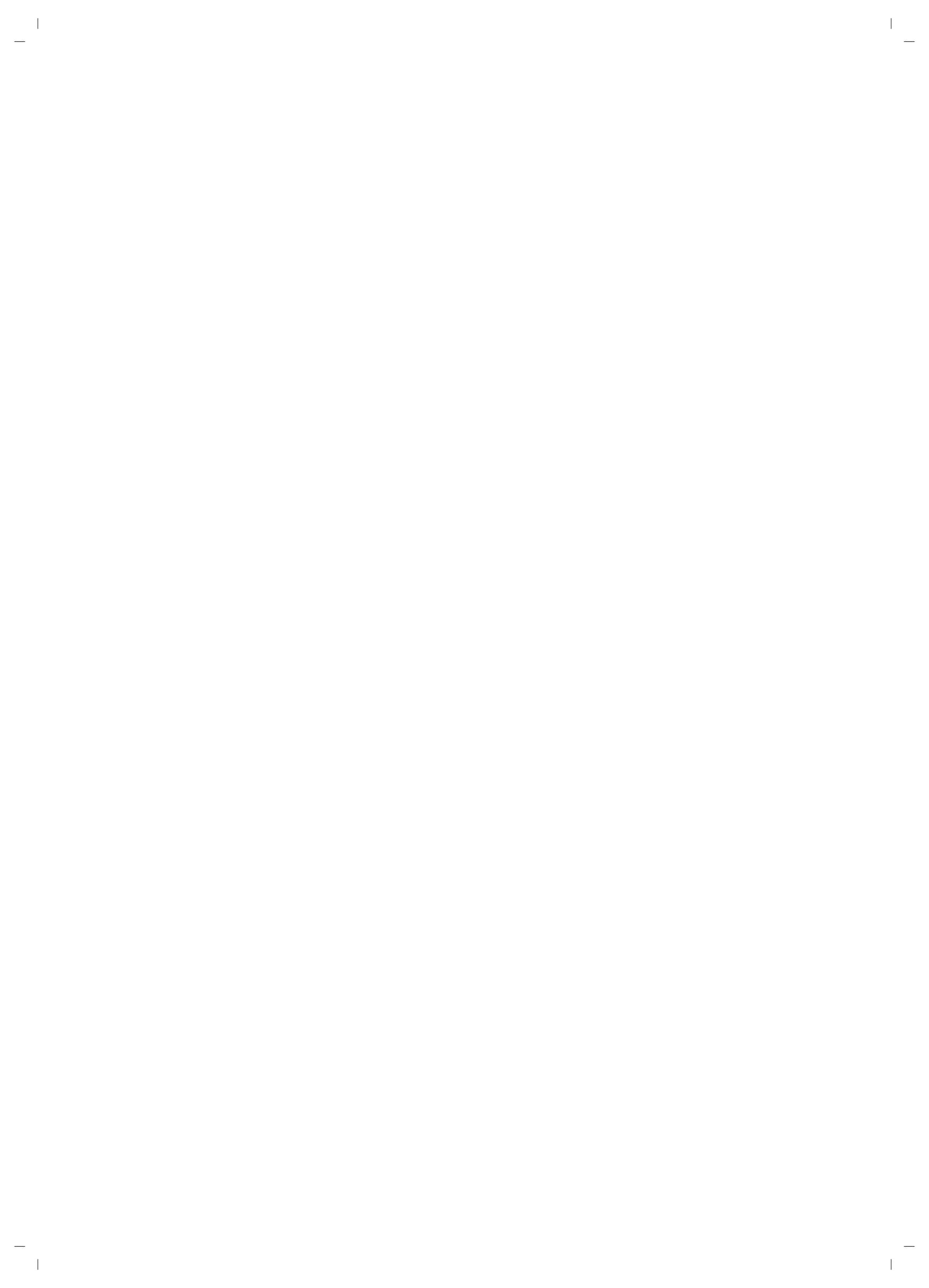


Chairman
Naeemuddin Khan



UNCONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2023





ZARAI TARAQIATI BANK LIMITED (ZTBL)

UNCONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ZARAI TARAQIATI BANK LIMITED (ZTBL)

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed unconsolidated financial statements of **ZARAI TARAQIATI BANK LIMITED (the Bank)**, which comprise the unconsolidated statement of financial position as at December 31, 2023, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, along with unaudited certified return received from the branches except for one hundred and eighty eight (188) branches which have been audited by us and notes to the unconsolidated financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the unconsolidated financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the Key Audit Matters:

Sr. No.	Key Audit Matters	How the matter was addressed in our audit
1	<p>Provision against advances</p> <p>The Bank's credit portfolio is comprised of agriculture financing which includes Farm Credits and Non-Farm Credits to small farmers and low-income households.</p> <p>As per the Bank's accounting policy {refer note 6.4 and 6.31(b) to the unconsolidated financial statements}, the Bank determines provision against non-performing advances on time-based criteria in accordance with the requirements of Prudential Regulations for Agriculture Financing (PRs) of State Bank of Pakistan (SBP) and which is supplemented by a subjective provision based upon management's judgment.</p> <p>The Bank's advances represent 19% of its total assets and are stated at Rs. 105,508 million which are net of provision of Rs. 14,475 million as at December 31, 2023.</p> <p>In view of the magnitude of advances, involvement of significant management's judgement and reliance on IT control environment, we identified provision against advances as a key audit matter.</p> <p>Refer note 11 to the unconsolidated financial statements.</p>	<p>Our audit procedures in respect of classified portfolio and provision thereon included the following:</p> <ul style="list-style-type: none"> We reviewed the design and operating effectiveness of the Bank's manual and automated process including general IT controls for identification and classification of non-performing advances, classification of these advances to correct non-performing advances category and accurate computation of provisions. We performed substantive procedures on sample basis to check the classification of advances and to assess that the provision is in line with the requirements of the applicable Prudential Regulations. We evaluated the management's assessment for classification of individual loan facilities as performing or non-performing based on review of repayment pattern, assessment of number of days overdue and inspection of credit documentation. We selected a representative sample of borrowers and assessed the appropriateness of amount reported for provision through review of borrowers' individual statements, analysis of repayment history, computation of number of days past due and compliance with the applicable PRs. In respect of the level of general provision maintained by the Bank and specific provision recognized, we discussed the approach and policy

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		<p>followed by the Bank with the management.</p> <ul style="list-style-type: none"> We also reviewed adequacy of disclosures as included in note 11 to the unconsolidated financial statements regarding the non-performing advances and provisions recognized for the same in accordance with the requirements of the applicable financial reporting framework.
2	Valuation of Investments	
	<p>The bank's investments include Government securities, listed and unlisted shares and debt securities classified as available for sale and investment in subsidiary comprising 66% of total assets amounting to net investments of Rs. 372,212 million as at 31 December 2023.</p> <p>These investments are carried at fair value in accordance with the Bank's accounting policy relating to their measurement. Provision against investment in unlisted shares classified as available for sale is made based on the impairment policy of the Bank which comprises of subjective factors.</p> <p>We identified the investments as a key audit matter because the Bank has reported a significant increase in its investments during the year in relation to the unconsolidated financial statements and the use of management judgment in determination of impairment.</p> <p>Refer note 10 to the unconsolidated financial statements.</p>	<p>Our audit procedures in respect of valuation of investments mainly included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of and testing the design and operational effectiveness of the controls relating to the valuation and assessment of the methodology and the appropriateness of the valuation models to value available for sale investments. Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices. Comparing the cost of each equity investments to its market value to determine the valuation and recognition as per the policy of the bank. Evaluated the management assessment in respect of valuation and impairment of investment in un-listed shares. Assessing the completeness and accuracy of the disclosures relating to investments classified as available for sale and compliance with disclosure requirements laid down by the State Bank of Pakistan.

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Information Other than the Unconsolidated Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the unconsolidated financial statements and our auditors report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditors Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors report is Atif Riaz.

ISLAMABAD

DATED: 04 MAR 2024

UDIN: AR202310060KA9w20mgv

BDO EBRAHIM & CO.

CHARTERED ACCOUNTANTS

BDO Ebrahim & Co. Chartered Accountants

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ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 Rupees in '000	2022
ASSETS			
Cash and balances with treasury banks	7	3,661,179	2,580,409
Balances with other banks	8	31,925,573	12,615,369
Lendings to financial institutions	9	6,560,700	39,623,142
Investments	10	372,212,120	306,849,685
Advances	11	105,507,660	90,452,380
Fixed assets	12	2,395,551	2,400,851
Intangible assets	13	255,925	73,159
Deferred tax assets	14	12,730,814	15,036,259
Other assets	15	27,126,949	21,461,189
		562,376,471	491,092,443
LIABILITIES			
Bills payable	17	2,605,372	580,505
Borrowings	18	399,877,699	354,898,713
Deposits and other accounts	19	57,169,073	47,332,694
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities		-	-
Other liabilities	20	28,559,646	28,567,958
		488,211,790	431,379,870
NET ASSETS		74,164,681	59,712,573
REPRESENTED BY			
Share capital	21	52,678,432	52,678,432
Reserves		9,520,922	7,324,095
Surplus on revaluation of assets	22	1,622,051	913,828
Accumulated profit / (loss)		10,343,276	(1,203,782)
		74,164,681	59,712,573
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.



President



Chief Financial Officer



Director



Director



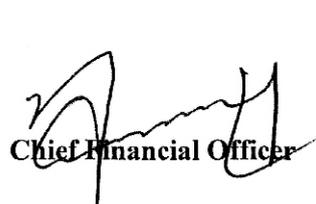
Director

**ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023**

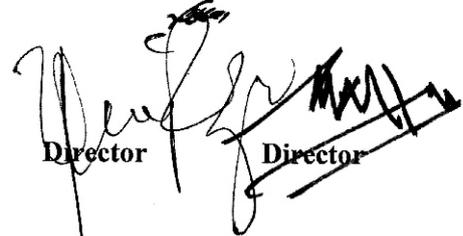
		2023	2022
	Note	..... Rupees in '000	
Mark-up / return / interest earned	24	142,316,092	39,436,395
Mark-up / return / interest expensed	25	118,051,429	24,899,603
Net mark-up / interest income		24,264,663	14,536,792
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	1,312,045	1,065,537
Dividend income		135,730	142,082
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	27	266,525	32,879
Other income	28	714,181	180,832
Total non-mark-up / interest income		<u>2,428,481</u>	<u>1,421,330</u>
Total income		26,693,144	15,958,122
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	14,552,349	12,153,249
Workers welfare fund		-	-
Other charges	30	39,804	-
Total non mark-up / interest expenses		<u>14,592,153</u>	<u>12,153,249</u>
Profit before provisions		12,100,991	3,804,873
Provisions and write offs - net	31	(5,505,176)	(3,653,088)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		<u>17,606,167</u>	<u>7,457,961</u>
Taxation	32	6,622,033	2,335,114
PROFIT AFTER TAXATION		<u>10,984,134</u>	<u>5,122,847</u>
		..... Rupees	
Basic earnings per share	33	<u>2.09</u>	<u>0.97</u>
Diluted earnings per share	33	<u>2.09</u>	<u>0.97</u>

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director

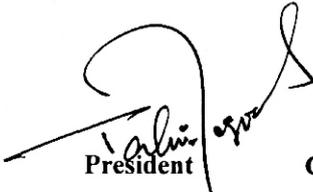

Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	... Rupees in '000 ...	
Profit after taxation for the year	10,984,134	5,122,847
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	708,223	(75,821)
	708,223	(75,821)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	2,759,751	734,956
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
	2,759,751	734,956
Total comprehensive income	<u>14,452,108</u>	<u>5,781,982</u>

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.

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 President	 Chief Financial Officer	 Director	 Director	 Director
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ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
..... Rupees in '000						
Balance as at December 31, 2021	52,678,432	6,239,526	60,000	989,649	(6,037,016)	53,930,591
Profit after taxation for the year	-	-	-	-	5,122,847	5,122,847
Other comprehensive income / (loss) - net of tax	-	-	-	(75,821)	734,956	659,135
Total comprehensive income / (loss) for the year	-	-	-	(75,821)	5,857,803	5,781,982
Transferred to statutory reserve	-	1,024,569	-	-	(1,024,569)	-
Balance as at December 31, 2022	52,678,432	7,264,095	60,000	913,828	(1,203,782)	59,712,573
Profit after taxation for the year	-	-	-	-	10,984,134	10,984,134
Other comprehensive income - net of tax	-	-	-	708,223	2,759,751	3,467,974
Total comprehensive income for the year	-	-	-	708,223	13,743,885	14,452,108
Transferred to statutory reserve	-	2,196,827	-	-	(2,196,827)	-
Balance as at December 31, 2023	52,678,432	9,460,922	60,000	1,622,051	10,343,276	74,164,681

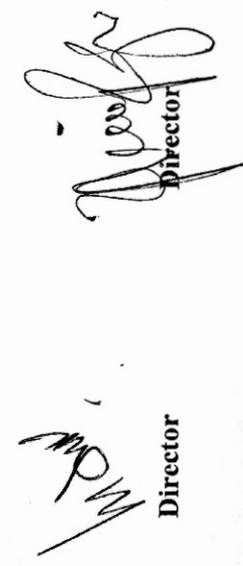
Statutory reserves represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director

**ZARAI TARAQIATI BANK LIMITED
 UNCONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 Rupees in '000	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	37	25,654,950	14,429,585
(Increase) / decrease in operating assets:			
Lendings to financial institutions		33,062,442	(22,743,655)
Advances		(19,482,766)	(2,470,268)
Other assets (excluding advance taxation)		(6,097,770)	(6,454,072)
		7,481,906	(31,667,995)
Increase / (decrease) in operating liabilities:			
Bills payable		2,024,867	138,104
Borrowings from financial institutions		44,978,986	222,541,678
Deposits and other accounts		9,836,379	3,734,129
Other liabilities (excluding current tax)		2,518,856	3,583,783
		59,359,088	229,997,694
Employees' benefits paid		(984,900)	(1,022,561)
Income tax paid		(7,019,096)	(3,610,464)
Net cash flow generated from operating activities		84,491,948	208,126,259
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(63,518,626)	(224,328,889)
Dividend received		135,730	142,082
Investments in operating fixed assets		(463,114)	(322,107)
Proceeds from sale of fixed assets		90,987	83,478
Net cash flow used in investing activities		(63,755,023)	(224,425,436)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability against right-of-use assets		(345,951)	(346,720)
Net cash flow used in financing activities		(345,951)	(346,720)
Increase / (decrease) in cash and cash equivalents		20,390,974	(16,645,897)
Cash and cash equivalents at beginning of the year	34	15,195,778	31,841,675
Cash and cash equivalents at end of the year	34	35,586,752	15,195,778

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.



President



Chief Financial Officer



Director



Director

**ZARAI TARAQIATI BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1 STATUS AND NATURE OF BUSINESS

1.1 Reorganization and conversion

The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan (ADBP) into a public limited Company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stakeholders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited ("the Bank") was incorporated as a public limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on October 23, 2002. Consequently, under SRO 823(1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in Zarai Taraqati Bank Limited on December 14, 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rs. 8.7 billion. The Bank is domiciled in Pakistan and its registered office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 501 (2022: 501) branches including 25 (2022: 5) Islamic Banking branches in Pakistan as at the close of the year.

1.3 Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

2 BASIS OF PRESENTATION

2.1 These financial statements represent separate financial statements of the Zarai Taraqati Bank Limited. The consolidated financial statements of the Bank and its subsidiary are issued separately.

2.2 The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.

2.3 The unconsolidated financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. These comprise of:

[Signature]

- International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP.

In case requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, or the provisions of and directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962, and the said directives shall prevail.

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of IFAS 3, 'Profit and Loss Sharing on Deposits. Furthermore, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

4 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, these do not have any material effect on the financial statements of the Bank and, therefore, are not disclosed.

4.1 Standards, Interpretations and amendments to accounting standards that are not yet effective

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

	Effective date (annual periods beginning on or after)
IAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments)	January 01, 2024
IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements (Amendments)	January 01, 2024
IFRS 9, Financial Instruments	January 01, 2024
IFRS 16, Leases - Lease liability in a sale and leaseback (Amendments)	January 01, 2024
IAS 21 - Lack of exchangeability (Amendments)	January 01, 2025
IFRS 17 - Insurance Contracts	January 01, 2026
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced



IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP BPRD circular no. 4 dated October 23, 2019, the Banks / DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which include the impact of IFRS 9 from the year ended December 31, 2019. As per BPRD circular no. 3 of 2022 dated July 05, 2022 followed by BPRD Circular Letter No. 07 dated April 13, 2023 it has been decided to extend the implementation date of IFRS 9 from January 01, 2022 as per following timelines:

- Effective date of implementation - January 01, 2024 for all banks / DFIs.
- Nevertheless, early adoption of the standard is permissible.

During the transition period, the financial institutions are required to carry out the parallel run reporting.

Except for the implementation of IFRS 9, the Bank expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost

- Certain investments that have been marked to market and are carried at fair value.
- Post employment benefits that are recorded at present value using actuarial valuation.
- Right-of-use assets and their related lease liability which are measured at their present values.

These financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to the nearest thousand rupees.

6 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these unconsolidated financial statements are consistent with those of the previous financial year, are as follows:

- 6.1 SBP vide BPRD Circular No. 1 dated January 1, 2016 issued 'Regulations for Debt Property Swap', regarding recording of non-banking assets acquired in satisfaction of claims on revalued amount, which is not applicable on the Bank. Therefore, treatment suggested by the said Regulation has not been accounted for in these financial statements.

6.2 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

a) Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

b) Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

c) Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

d) Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

e) Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

f) Employees' compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with treasury banks and balances with other banks.

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provision against unidentified include general provision based on historical loss experience of advances. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by SBP.

6.5 Investments

The Bank classifies its investments as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments, other than those in subsidiary and associates, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investments. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

In accordance with the requirements of SBP, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the Statement of Financial Position as part of equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Investments in Subsidiaries and Associates

Associates are all entities over which the Bank has significant influence but not control. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the profit and loss account. Provision for diminution in the value of investments is taken to the profit and loss account for the current year.

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6.6 Operating fixed assets and depreciation / amortization

Property and equipment

Property and equipment, except freehold land which is not amortized and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2 to these financial statements, after taking into account the residual value, if any. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses, if any, on disposal of operating fixed assets are charged to the profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Capital work in progress

Capital work-in-progress is stated at cost less impairment losses (if any) and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant operating fixed assets category as and when assets are available for use as intended by the management.

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over their useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

6.8 Right-of-use assets and their related lease liability

6.8.1 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

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Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight-line method.

Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged after the leases are matured or terminated.

6.8.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.9 Impairment

Carrying values of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.10 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at the carrying value of such assets.

6.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account available tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting

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purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

6.12 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as expenses in the period in which these are incurred using effective mark-up / interest rate method.

6.13 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.14 Revenue recognition

Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by SBP. Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

Fee, brokerage and commission income is recognized on accrual basis.

Profit / (loss) on sale of investments is credited / charged to the profit and loss account for the current year.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

Dividend income is recognized when the Bank's right to receive has been established.

Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

Operating lease rentals are recorded in the profit and loss account on a time proportion basis over the term of lease arrangements.

6.15 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect current best estimates.

6.16 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the reporting date.

6.17 Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the profit and loss account.

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6.18 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

6.19 Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Bank's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted).

Level 2: Observable direct or indirect inputs other than Level 1 inputs.

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Bank that either require fair value measurements or only fair value disclosures as at December 31, 2023 are disclosed in note 40.

6.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6.22 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments. The Bank is engaged in providing agri-financing and branch banking, islamic banking and treasury operations and operates only in Pakistan.

6.23 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

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6.24 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Bank.

6.25 Other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each reporting date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

6.26 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

6.27 Statutory reserve

In compliance with the requirements of the Banking Companies Ordinance, 1962, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 10% of the profit after tax.

6.28 Cash reserve requirement

The Bank maintains liquidity equivalent to at least 6% of its time and demand deposits in the form of liquid assets i.e. cash and banks.

6.29 Grants

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the profit and loss account to the extent of the actual expenditure incurred. Expenditure incurred against grants committed but not received, is recognized directly in the profit and loss account and reflected as a receivable from donors.

Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

6.30 Contingencies

A contingent liability is disclosed when the Bank has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.



6.31 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

a) Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required thereagainst on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by SBP from time to time and the management's judgment in case of subjective provision.

c) Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in note 38 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

d) Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with IAS 8 'Changes in Accounting Estimates and Errors'.

e) Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price.

Impairment of investments in subsidiary and associates

The Bank considers that a decline in the recoverable value of investment in subsidiary and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

f) Taxation

In making the estimates for income tax currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Bank's future taxable profits are taken into account.

g) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

2023

	Note	2023 Rupees in '000	2022
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		911,540	1,065,179
With State Bank of Pakistan in:			
Local currency current account	7.1	1,834,020	1,132,277
With National Bank of Pakistan in:			
Local currency current account		393,638	42,212
Local currency deposit account	7.2	520,283	339,008
		913,921	381,220
Prize bonds		1,698	1,733
		<u>3,661,179</u>	<u>2,580,409</u>
7.1	This represents current accounts maintained with SBP under cash reserve requirement of the Banking Companies Ordinance, 1962.		
7.2	These carry mark-up at rates ranging from 14.50% to 20.50% (2022: 7.25% to 14.50%) per annum.		

	Note	2023 Rupees in '000	2022
8 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		99,618	87,346
In deposit accounts	8.1	31,825,955	12,528,023
		<u>31,925,573</u>	<u>12,615,369</u>
8.1	These carry mark-up at rates ranging from 14.50% to 24.50% (2022: 7.25% to 17.25%) per annum.		

	Note	2023 Rupees in '000	2022
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.2	3,600,000	15,500,000
Repurchase agreement lendings (reverse repo)	9.3	2,960,700	24,071,867
Bai Muajjal receivable			
With State Bank of Pakistan	9.4	-	51,275
		<u>6,560,700</u>	<u>39,623,142</u>
9.1 Particulars of lendings			
In local currency		6,560,700	39,623,142
In foreign currencies		-	-
		<u>6,560,700</u>	<u>39,623,142</u>
9.2	This carries mark-up at rates 22% to 22.75% (2022: 16.75% to 16.10%) per annum having maturity during January 2024.		
9.3	This carries mark-up at rates 22.3% (2022: 15.90% to 16.50%) per annum having maturity during January 2024.		
9.4	This carries mark up coupon rate NIL (2022: 7.94%).		
9.5 Securities held as collateral against lendings to financial institutions			

	2023			2022		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Pakistan Investment Bonds	2,960,700	-	2,960,700	24,071,867	-	24,071,867
	<u>2,960,700</u>	<u>-</u>	<u>2,960,700</u>	<u>24,071,867</u>	<u>-</u>	<u>24,071,867</u>

10 INVESTMENTS

10.1 Investments by types

Note	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
10.4	Available-for-sale securities							
	Federal Government securities							
	366,386,675	-	(255,564)	366,131,111	302,439,194	-	(840,501)	301,598,693
	99,819	(10,523)	3,442,514	3,531,810	99,819	(10,523)	2,438,038	2,527,334
	456,681	-	1,919	458,600	568,921	-	-	568,921
	1,998,975	-	(8,376)	1,990,599	2,049,065	-	5,672	2,054,737
	368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685
10.2.1	100,000	-	-	100,000	100,000	-	-	100,000
	369,042,150	(10,523)	3,180,493	372,212,120	305,256,999	(10,523)	1,603,209	306,849,685

10.2 Investments by segments

Federal Government Securities

Market Treasury Bills	231,281,101	-	87,229	231,368,330	243,661,242	-	294,927	243,956,169
Pakistan Investment Bonds	131,183,410	-	(291,576)	130,891,834	57,301,871	-	(1,090,705)	56,211,166
Government of Pakistan izarah sukuk	3,922,164	-	(51,217)	3,870,947	1,476,081	-	(44,723)	1,431,358
	366,386,675	-	(255,564)	366,131,111	302,439,194	-	(840,501)	301,598,693

Shares:

Listed Companies	89,296	-	3,442,514	3,531,810	89,296	-	2,438,038	2,527,334
Unlisted Companies	10,523	(10,523)	-	-	10,523	(10,523)	-	-
	99,819	(10,523)	3,442,514	3,531,810	99,819	(10,523)	2,438,038	2,527,334

Non Government Debt Securities

Listed	2,126,906	-	(6,457)	2,120,449	2,617,986	-	5,672	2,623,658
Un-listed	328,750	-	-	328,750	-	-	-	-
	2,455,656	-	(6,457)	2,449,199	2,617,986	-	5,672	2,623,658

Subsidiary

Kissan Support Services (Private) Limited	100,000	-	-	100,000	100,000	-	-	100,000
Total investments	369,042,150	(10,523)	3,180,493	372,212,120	305,256,999	(10,523)	1,603,209	306,849,685

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	2023	2022
	Rupees in '000	
10.2.1 Information related to subsidiary company		
Country of incorporation	Pakistan	
Percentage of Holding (%)	100	100
Assets	1,727,771	1,494,775
Liabilities	519,214	482,553
Revenue	196,868	147,241
Profit after tax	166,714	54,442
Total comprehensive income	196,336	52,375
10.2.2 Investments given as collateral		
Market Treasury Bills	213,753,317	245,818,915
Pakistan Investment Bonds	130,584,346	47,218,262
	344,337,663	293,037,177
10.3 Provision for diminution in value of investments	10,523	10,523
10.4 Quality of Available for Sale Securities		
Details regarding quality of Available for Sale (AFS) securities are as follows:		
	2023	2022
	Cost	
	Rupees in '000	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	231,281,101	243,661,242
Pakistan Investment Bonds	131,183,410	57,301,871
Ijarah Sukuks	3,922,164	1,476,081
	366,386,675	302,439,194
Shares		
Listed companies		
Food and personal care products	89,296	89,296
	89,296	89,296
	2023	2022
	Cost	Breakup value
	2023	2022
	Cost	Breakup value
	Rupees in '000	
Unlisted companies		
Pakistan Mercantile Exchange Limited	10,523	8,873
Pakistan Agricultural Storage and Services Corporation Limited	-	1,614,525
	10,523	1,623,398
	10,523	1,617,607

10.4.1 Investment in Pakistan Mercantile Exchange Limited has been fully provided for due to negative break up value in prior financial statements. Cost per share is Rs. 10 to Rs. 13.5 having total cost amounting to Rs. 10.523 million.

10.4.2 Investments in Pakistan Agricultural Storages and Services Corporation Limited was transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rs. 1. Cost per share is Rs. 1,000 having total cost amounting to Rs. 2.50 million.

	2023	2022
	Cost	
	Rupees in '000	
Non Government debt securities		
Listed		
- AAA	-	500,000
- AA+, AA, AA-	2,126,906	1,967,986
- A+, A, A-	-	-
	<u>2,126,906</u>	<u>2,467,986</u>
Unlisted		
- AAA	-	-
- AA+, AA, AA-	-	-
- A+, A, A-	328,750	150,000
	<u>328,750</u>	<u>150,000</u>

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11 ADVANCES

	Performing		Non Performing		Total	
	2023	2022	2023	2022	2023	2022
	85,398,098	73,884,456	34,584,173	33,738,604	119,982,271	107,623,060
Advances - gross	85,398,098	73,884,456	34,584,173	33,738,604	119,982,271	107,623,060
..... Rupees in '000						
Provision for advances:						
- against agriculture advance	-	-	11,434,335	14,126,561	11,434,335	14,126,561
- against staff advances	-	-	40,276	44,119	40,276	44,119
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
	3,000,000	3,000,000	11,474,611	14,170,680	14,474,611	17,170,680
Advances - net of provision	82,398,098	70,884,456	23,109,562	19,567,924	105,507,660	90,452,380
Particulars of advances (gross)						
In local currency					119,982,271	107,623,060

11.1 Particulars of advances (gross)

In local currency

11.2 Advances include Rs. 34,539.382 million (2022: Rs. 33,682.336 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Non performing loans	Provision	Non performing loans	Provision
..... Rupees in '000				
Domestic				
Other assets especially mentioned				
Substandard	15,801,372	-	13,616,010	-
Doubtful	6,965,643	1,393,129	5,303,514	1,060,703
Loss	3,462,327	1,731,165	3,393,911	1,696,957
	8,310,040	8,310,040	11,368,901	11,368,901
	34,539,382	11,434,334	33,682,336	14,126,561

11.3 Particulars of provision against advances

	2023		2022	
	Specific	General	Specific	General
Opening balance	14,126,561	3,000,000	20,392,883	3,000,000
Charge for the year	7,586,093	-	9,122,441	-
Reversals	(3,154,764)	-	(5,285,570)	-
	4,431,329	-	3,836,871	-
Amounts written off (Note 11.4)	-	-	-	-
Amounts charged off- Agri Financing (Note 11.6)	(7,123,556)	-	(10,103,193)	-
Closing balance	11,434,334	3,000,000	14,126,561	3,000,000

11.3.1 Particulars of provision against advances

	2023		2022	
	Specific	General	Specific	General
In local currency	11,434,334	3,000,000	14,126,561	3,000,000

11.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 4,603.142 million (2022: Rs.3,720.917 million) and further de-graded the category of classified loans and advances amounting to Rs. 5,366.175 million (2022: Rs. 6,511.752 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

11.3.4 Provision against non-performing loans and advances - net

	2023	2022
Provision against non-performing loans and advances	4,431,329	3,836,871
Provision / (Reversal) against staff advances	(3,843)	3,324
	4,427,486	3,840,195

	Note	2023 Rupees in '000	2022 Rupees in '000
11.4 Particulars of write offs:			
11.4.1 Against provisions		-	-
Directly charged to profit and loss account		-	-
		<u>-</u>	<u>-</u>
11.4.2 Write offs of Rupees 500,000 and above	11.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

11.5 Details of Loan write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year has to be disclosed. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is NIL.

11.6 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2023 amounts to Rs. 56,976.83 million (2022: Rs. 53,642.51 million) with an addition of Rs. 7,123.56 million (2022: Rs. 10,103.19 million) as charge off loans during the year.

	Note	2023 Rupees in '000	2022 Rupees in '000
12 FIXED ASSETS			
Capital work-in-progress	12.1	69,326	55,266
Property and equipment	12.2	2,326,225	2,345,585
		<u>2,395,551</u>	<u>2,400,851</u>
12.1 Capital work-in-progress			
Civil works		61,385	42,774
Consultancy charges		7,618	6,891
Others	12.1.1	323	5,601
		<u>69,326</u>	<u>55,266</u>

12.1.1 This includes soil testing and other charges incurred at sites.

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12.2 Property and equipment

Description	January 1, 2023				Year ended December 31, 2023				December 31, 2023		
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal) / (transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value	Rate of Depreciation
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-
Land - Leasehold	10,742	6,039	4,703	4,703		217	4,486	10,742	6,256	4,486	Lease terms for 30 to 99 years
Buildings on freehold land	713,633	245,633	468,000	468,000	12,336	23,904	456,432	725,969	269,537	456,432	5%
Buildings on leasehold land	553,677	318,774	234,903	234,903	6,520	11,933	229,490	560,197	330,707	229,490	5%
Buildings on leasehold land - ADB	21,224	11,187	10,037	10,037		502	9,535	21,224	11,689	9,535	5%
Furniture and fixtures	542,430	297,017	245,413	245,413	9,458	25,018	229,853	551,888	322,035	229,853	10% / 20%
Computer, office and other equipment	1,525,782	1,239,923	285,859	285,859	133,440 (2,623)	108,745 (2,623)	310,554	1,656,599	1,346,045	310,554	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	205,038	205,036	2	20% / 33%
Vehicles	1,300,301	1,120,630	179,671	179,671	24,040 (178,306)	46,343 (143,953)	123,015	1,146,035	1,023,020	123,015	20%
Right-of-use assets (note 6.8)	1,321,953	510,875	811,078	811,078	324,023 (195,664)	256,969 (174,471)	856,939	1,450,312	593,373	856,939	10% - 100%
	6,307,950	3,962,365	2,345,585	2,345,585	509,817 (383,844)	473,631 (328,298)	2,326,225	6,433,923	4,107,698	2,326,225	

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Description	January 1, 2022				Year ended December 31, 2022				December 31, 2022			Annual rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Depreciation charge / (depreciation on disposal)	Additions / (Disposal) / (Transferred)	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value		
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-	-
Land - Leasehold	10,742	5,822	4,920	4,920	217	-	4,703	10,742	6,039	4,703	Lease terms for 30 to 99 years	5%
Buildings on freehold land	712,054	220,417	491,637	491,637	-	1,579	468,000	713,633	245,633	468,000	5%	5%
Buildings on leasehold land	548,452	306,519	241,933	241,933	12,255	5,225	234,903	553,677	318,774	234,903	5%	5%
Buildings on leasehold land - ADB	21,224	10,659	10,565	10,565	528	-	10,037	21,224	11,187	10,037	5%	5%
Furniture and fixtures	539,592	269,897	269,695	269,695	27,120	2,838	245,413	542,430	297,017	245,413	10% / 20%	10% / 20%
Computer, office and other equipment	1,497,863	1,140,466	357,397	357,397	102,288	30,819	285,859	1,525,782	1,239,923	285,859	20% / 33%	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	(2,900)	-	-	212,289	212,287	2	20% / 33%	20% / 33%
Vehicles	1,225,412	1,091,266	134,146	134,146	62,106	116,891	179,671	1,300,301	1,120,630	179,671	20%	20%
Right-of-use assets (note 6.8)	1,254,218	436,455	817,763	817,763	318,334	255,892	811,078	1,321,953	510,875	811,078	10% - 100%	10% - 100%
	6,127,765	3,693,788	2,433,977	2,433,977	475,686	475,686	2,345,585	6,307,950	3,962,365	2,345,585		
					(295,501)	(295,501)	(217,045)					

	2023	2022
	Rupees in '000	
	58,411	58,440
	3,220	3,220
	452,725	351,454
	205,039	212,120
	940,665	969,073
	<u>1,601,649</u>	<u>1,535,867</u>

12.3 Carrying amount of temporarily idle property

12.4 Included in cost of property and equipment are fully depreciated items still in use having following category wise breakup:

Leasehold land
 Computer, office and other equipment
 Computer, office and other equipment - ADBP
 Vehicles

12.5 The title documents of freehold land having cost of Rs. 1.86 million (2022: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2022: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.



12.6 Detail of disposal of fixed assets to related parties during the year are as follows:

Description	Cost	Book value	Sale proceed	Mode of disposal	Particulars of buyers
Toyota Corolla XLI AJU-408	1,880	909	1,050	As per entitlement	Farrukh Abbas, EVP
Toyota Yaris GLL AQD-178	2,548	1,232	1,350	As per entitlement	Muhammad Hafëez, EVP
Toyota Corolla XLI, AJU-407	1,880	1,200	1,200	As per entitlement	Dr. Irshad Ahmed Khan, EVP
Honda City 1.5 AHG-928	1,847	-	369	As per entitlement	Muhammad Arif, SEVP
Toyota Corolla GHI MT AHS-843	1,880	-	376	As per entitlement	Saeed Ahmed, EVP
Honda Civic AJU-467	1,995	-	399	As per entitlement	Arshad Hassan Awan, EVP
Laptop HP Spectra X360	378	-	-	As per entitlement	Muhammad Shahbaz Jameel, Ex- President/CEO

13 INTANGIBLE ASSETS

Description	Year ended December 31, 2023						Rate of amortization	Useful life				
	January 1, 2023	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge			Closing net book value	Cost	Accumulated amortisation	Net book value
Computer software	220,990	147,831	73,159	73,159	241,024	58,258	255,925	462,014	206,089	255,925	33.33%	3 years
Computer software - ADBP	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	303,071	229,912	73,159	73,159	241,024	58,258	255,925	544,095	288,170	255,925		
	..... Rupees in '000											
	January 1, 2022											
	Year ended December 31, 2022											
Computer software	137,182	101,365	35,817	35,817	83,808	46,466	73,159	220,990	147,831	73,159	33.33%	3 years
Computer software - ADBP	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	219,263	183,446	35,817	35,817	83,808	46,466	73,159	303,071	229,912	73,159		

13.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 180.845 million (2022: Rs. 178.931 million).

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	Note	2023 Rupees in '000	2022
15 OTHER ASSETS			
Income / mark-up accrued in local currency on :			
- advances - net of provision	15.1	11,235,916	8,555,496
- securities		6,702,050	3,992,008
- deposits		446,626	140,929
Amount recoverable from Federal Government	15.2	2,853,635	2,800,085
Tax recoverable	15.3	422,652	422,652
Branch adjustment account		1,626,582	-
Taxation (payments less provision)	15.4	1,677,055	2,495,135
Receivable from defined benefit plans:	38.6.1		
gratuity scheme - SR - 2005		1,140,994	705,747
Non banking assets acquired in satisfaction of claims	15.5	420,731	423,709
Stationery and stamps in hand		147,042	132,429
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		60,339	22,579
Security deposits		7,199	6,199
Advances and other prepayments		644,944	328,770
Clearing and settlement		589,903	2,220,173
Others		128,713	143,533
		<u>28,115,618</u>	<u>22,400,681</u>
Provision held against other assets	15.6	<u>(988,669)</u>	<u>(939,492)</u>
Other assets - net of provisions		<u>27,126,949</u>	<u>21,461,189</u>

15.1 This does not include Rs. 11,055.675 million (2022: Rs. 8,660.416 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

15.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,697.820 million (2022: Rs. 2,411.656 million), small livestock farmers premium amounting to Rs. 150.95 million (2022: Rs. 383.57 million) and animal tagging charges amounting to Rs. 4.86 million (2022: Rs. 4.86 million).

15.3 This includes tax recoverable of Rs. 309.359 million (2022: Rs. 309.359 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 16.

	Note	2023 Rupees in '000	2022
15.4 Taxation - net			
Opening receivable		2,495,135	3,736,760
Charge during the year	32	(7,837,176)	(4,852,089)
Advance income tax / withholding tax		<u>7,019,096</u>	<u>3,610,464</u>
Closing receivable		<u>1,677,055</u>	<u>2,495,135</u>
15.5 Market value of non-banking assets acquired in satisfaction of claims		<u>818,343</u>	<u>818,646</u>

	2023	2022
	Rupees in '000	
15.5.1 Non banking assets acquired in satisfaction of claims		
Opening Balance	423,709	427,721
Additions	361	1,221
Disposals	(3,339)	(5,233)
Closing Balance	<u>420,731</u>	<u>423,709</u>
15.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
Disposal Proceeds	12,194	12,558
less : Cost	(3,189)	(5,182)
Gain	<u>9,005</u>	<u>7,376</u>
15.6 Provision held against other assets		
Tax recoverable	422,652	422,652
Non banking assets acquired in satisfaction of claims	420,731	423,709
Amount recoverable from Federal Government	66,234	-
Stock of farm machinery	11,237	11,237
Accrued interest on advances of ex-employees	15,595	17,734
Amount deposited with courts / legal charges recoverable	52,220	64,160
	<u>988,669</u>	<u>939,492</u>
15.6.1 Movement in provision held against other assets		
Opening balance	939,492	964,265
Charge for the year	99,530	39,056
Reversals	(50,353)	(63,829)
	<u>49,177</u>	<u>(24,773)</u>
Closing balance	<u>988,669</u>	<u>939,492</u>

16 CONTINGENT ASSETS

- 16.1 There is a contingency of an amount of Rs. 297.149 million and Rs. 54.828 million on account of minimum income tax levied by the Income Tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honourable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision, further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979.



- 16.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.05.2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (Principle + Penalty). On 03.06.2019, payment of impugned tax Amounting Rs.6.6 million (Principle + 10% Surcharge) has been made, under protest, to avail the SRB Amnesty Scheme. Bank has filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.3 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.07.2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On 03.06.2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.4 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 24.01.2020 for the period of January 2014 to December 2014 which created a demand of Rs.54.6 million. On 03.06.2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.



	Note	2023 Rupees in '000	2022 Rupees in '000
17	BILLS PAYABLE		
	In Pakistan	<u>2,605,372</u>	<u>580,505</u>
18	BORROWINGS		
	Secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	18.2 54,461,536	54,461,536
	Repurchase agreement borrowings	18.3 330,098,427	291,048,185
	Repurchase agreement borrowings - others	18.4 14,239,236	1,988,992
	Total secured	<u>398,799,199</u>	<u>347,498,713</u>
	Unsecured		
	Call borrowings	18.5 1,078,500	7,400,000
		<u>399,877,699</u>	<u>354,898,713</u>
18.1	Particulars of borrowings with respect to currencies		
	In local currency	<u>399,877,699</u>	<u>354,898,713</u>
18.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable on March 7, 2027. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
18.3	These carry markup at the rate of 22.04% to 23% (2022: 15.24% to 16.26%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 249,000 million (2022: Rs.47,700 million) and Pakistan Investment Bonds amounting to Rs.125,000 million (2022: Rs.253,000 million). These are repayable by January 2024 (2022: January to March 2023).		
18.4	These carry markup at the rate of 22% to 22.85% (2022: 16%) per annum and are secured against Market Treasury Bills having face value amounting to Rs. 10,000 million and Pakistan Investment Bonds having face value amounting to Rs. 6,071 million (2022: Market Treasury Bills having face value amounting to Rs. 2,000 million) . These are repayable by January 2024 (2022: January 2023).		
18.5	These carry markup at the rate of 20.80% to 21.00% (2022: 15% to 16.26%) per annum. These are repayable by January 2024 (2022: January to February 2023).		

	2023 Rupees in '000	2022 Rupees in '000	
19	DEPOSITS AND OTHER ACCOUNTS		
	Customers - local currency		
	Current deposits	6,104,401	6,012,741
	Saving deposits	13,078,871	5,652,727
	Term deposits	34,268,326	32,524,626
	Others	37,255	21,836
		<u>53,488,853</u>	<u>44,211,930</u>
	Financial Institutions - local currency		
	Current deposits	75,364	7,264
	Saving deposits	3,604,856	3,113,500
	Term deposits	-	-
		<u>3,680,220</u>	<u>3,120,764</u>
		<u>57,169,073</u>	<u>47,332,694</u>

	2023	2022
	Rupees in '000	
19.1 Composition of deposits		
- Individuals	4,839,217	4,006,640
- Government (Federal and Provincial)	5,426,031	11,701,794
- Public sector entities	16,887,956	7,431,419
- Banking companies	-	-
- Non-Banking Financial Institutions	3,680,220	3,120,764
- Private sector	26,335,649	21,072,077
	<u>57,169,073</u>	<u>47,332,694</u>

19.2 These include deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 12,735.196 million (2022: 10,369.581 million).

	Note	2023	2022
		Rupees in '000	
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency on:			
- borrowings		5,050,416	4,326,579
- deposits and other accounts		2,446,712	712,502
Accrued expenses		1,162,422	942,134
Branch adjustment account		-	304,480
Net liabilities relating to Bangladesh	20.1	189	189
Payable to Ministry of Food Agriculture & Livestock	20.2	168,000	168,000
Provision for:	38.6.1		
- pension scheme		5,845,680	7,633,256
- employees' post retirement medical benefits		9,409,455	10,063,017
- employees' compensated absences		1,926,253	2,087,516
Payable to subsidiary company	43	154,910	103,127
Due to Islamic Banking		114,491	442
Security deposits		38,182	21,966
Deferred income	20.3	9,535	10,038
Lease liability against right-of-use assets		983,391	907,653
Others	20.4	1,250,010	1,287,059
		<u>28,559,646</u>	<u>28,567,958</u>

20.1 Net liabilities relating to Bangladesh

Liabilities		1,982,916	1,953,546
Assets		(1,982,727)	(1,953,357)
	20.1.1	<u>189</u>	<u>189</u>

20.1.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No. F.5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh. However, the Bank has no control over these assets.

20.2 This represents payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2023 Rupees in '000	2022 Rupees in '000
20.3 Deferred income			
Opening balance		10,038	10,566
Amortization during the year	28	(503)	(528)
Closing balance		<u>9,535</u>	<u>10,038</u>

20.3.1 Deferred income comprises the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

20.4 These represent various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding taxes, contribution received from borrowers, clearing proceeds payable etc.

21 SHARE CAPITAL

21.1 Authorized capital

2023	2022		2023	2022
Number of shares			Rupees in '000	
		Ordinary and Preference shares		
		of Rupees 10 each		
<u>12,500,000,000</u>	<u>12,500,000,000</u>		<u>125,000,000</u>	<u>125,000,000</u>

21.2 Issued, subscribed and paid up capital

2023	2022		2023	2022
Number of shares			Rupees in '000	
		Ordinary shares of Rupees 10 each		
		- fully paid in cash		
1,186,961,201	1,186,961,201		11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,828	652,828
4,015,599,174	4,015,599,174	- Issued against loan from SBP	40,155,992	40,155,992
<u>5,267,843,241</u>	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

21.3

Shareholder	No. of ordinary shares		Paid-up value per share	
State Bank of Pakistan	4,015,599,174	10	40,155,992	40,155,992
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,255	1,255
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

7/8/23

	2023	2022
	Rupees in '000	
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation available-for-sale securities:		
Quoted investments	3,442,514	2,438,038
Other securities	<u>(262,021)</u>	<u>(834,829)</u>
Surplus on revaluation of available-for-sale securities	3,180,493	1,603,209
Deferred tax on surplus on revaluation of available-for-sale securities	<u>(1,558,442)</u>	<u>(689,381)</u>
	<u>1,622,051</u>	<u>913,828</u>
23 CONTINGENCIES AND COMMITMENTS		
23.1 Contingent liabilities		
In respect of cases filed against the Bank:		
23.1.1 by borrowers; 606 (2022: 489) cases	<u>402,962</u>	<u>355,489</u>
23.1.2 by employees; 468 (2022: 434) cases	<u>271,387</u>	<u>281,681</u>
23.2.1 The Assessment Officer issued an order under sections 161/205, creating an initial demand of Rs. 7.714 million for the Tax Year 2004. However, following appeals and proceedings led to an increase in the demand to Rs. 10.105 million. The matter is currently under litigation at the Supreme Court of Pakistan. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.2 The Bank contested taxation matters for Assessment Years 2002-2003 and Tax Years 2003-2009. Appellate Tribunal Inland Revenue, Islamabad favoured the Bank, resulting in net refunds of Rs. 4,640.154 million. Reference applications filed by CIR were decided by Islamabad High Court, Islamabad. Due to this order only in Tax Year 2007, Assessment Officer created a Rs. 24.876 million demand based on High Court directives. The Bank appealed to CIR(A), who remanded the issues to assessment officer. These all cases are currently under litigation at the Supreme Court of Pakistan. Creating provision for income tax cases, around Rs. 9,917.854 million. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.3 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 1,798.905 million for Tax Year 2008. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 1,775.757 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.4 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 1,057.652 million for Tax Year 2009. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 755.824 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		

- 23.2.5 Deputy Commissioner Inland Revenue, u/s 161/205, initially demanded Rs. 27.792 million for Tax Year 2009. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 16.752 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.6 Additional Commissioner Inland Revenue u/s 122(5A) initially raised demands of Rs. 1,150.617 million for Tax Year 2010. However, following appeals and proceedings, the initial tax demand has now been reduced to Rs. 419.221 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.7 Deputy Commissioner Inland Revenue, u/s 161/205, initially raised a demand of Rs. 429.747 million for Tax Year 2010. The matter is currently under litigation at the Islamabad High Court. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.8 Additional Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 2,922.881 million for Tax Year 2011. However, following appeals and proceedings, the current tax demand is Rs. 181.617 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9 Deputy Commissioner Inland Revenue, u/s 161/205, initially raised a demand of Rs. 208.337 million for Tax Year 2011. However, following appeals and proceedings, ATIR cancelled the order in favour of the Bank, resulting in a demand reduction to Rs. 7.527 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.10 Additional Commissioner Inland Revenue, u/s 122(5A), initially raised demands of Rs. 2,037.114 million for Tax Year 2012. However, following appeals and proceedings, the tax liability has been converted into refund of Rs. 12.320 million. The matter is presently in litigation at both the Appellate Tribunal Inland Revenue, Islamabad and Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.11 Deputy Commissioner Inland Revenue, u/s 161/205, initially demanded Rs. 15.943 million for Tax Year 2012. However, following appeals and proceedings, the tax liability has been reduced to Rs. 3.892 million. The matter is currently awaiting appeal effects with the A.O. after the cancellation of the impugned order by the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12 Additional Commissioner Inland Revenue initially demanded Rs. 4,920.168 million under section 161/205 for Tax Year 2013. However, following appeals and proceedings, the tax liability has been converted to refund Rs. 8.702 million. The matter is presently in litigation at both the Appellate Tribunal Inland Revenue, Islamabad and Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.



- 23.2.13 Deputy Commissioner Inland Revenue, under section 122(5A), initially demanded Rs. 3,058.732 million for Tax Year 2014. However, following appeals and proceedings, the tax liability has been reduced to Rs. 889.140 million. The matter is remanded back by the CIR(A) to the Assessment Officer. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.14 Assessment Officer, u/s 161/205, initially demanded Rs. 3.076 million for Tax Year 2014. The matter is remanded back by the CIR(A) to the assessment officer. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.15 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 5,549.706 million for Tax Year 2015. However, following appeals and proceedings, the tax liability has been raised to Rs. Rs. 6,780.480 million. The matter is presently in litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.16 Assessment Officer, under sections 161/205, initially demanded Rs. 26.628 million for Tax Year 2015 under section 155 of the Income Tax Ordinance (ITO), 2001. After appeals, the reduced tax liability is now Rs. 14.183 million. The Bank has appealed to the Appellate Tribunal Inland Revenue, Islamabad. The second demand of Rs. 2.270 million under section 155. However, on appeal, the Commissioner of Inland Revenue (Appeals) subsequently remanded the case back to the Assessing Officer. The third demand of Rs. 0.412 million was raised under section 153(1)(b) of ITO, 2001. Subsequently, it has been cancelled by the Appellate Tribunal Inland Revenue (ATIR), but the appeal effect is awaited from the Assessing Officer. The fourth demand of Rs. 0.207 million was raised under section 153(1)(b). However, on appeal, the Commissioner of Inland Revenue (Appeals) subsequently remanded the case back to the Assessing Officer. The fifth demand of Rs. 9.495 million under section 149 has been annulled by the Commissioner of Inland Revenue (Appeals), but appeal effects are awaited from the Assessing Officer. The sixth demand of Rs. 63.469 million was raised under section 151. Following appeals and proceedings, the tax liability has been reduced to Rs. 27.155 million. However, the Bank filed a second appeal against this order. The Bank has not accounted for the demands as tax payables, as favourable decisions are expected.
- 23.2.17 The Additional Commissioner of Inland Revenue initially raised a demand u/s 122(5A) of Rs. 1,510,521 million for the Tax Year 2016. However, due to subsequent appeals and proceedings, the demand has been converted into a refund of Rs. 416.325 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue in Islamabad. The Additional Commissioner of Inland Revenue issued two assessments under sections 161/205 orders: one for Rs. 63.243 million under section 151 and another for Rs. 161.180 million under section 149 for Tax Year 2016. After appeals, the tax demand under section 151 was reduced to Rs. 60.377 million. Meanwhile, for the demand under section 149, the Commissioner annulled the orders, and the appeal effects are still pending. The bank filed a second appeal against the remaining demand of Rs. 60.377 million. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.



- 23.2.18 Assessment Officer, under section 122(5A), initially raised a demand of Rs. 361.752 million for Tax Year 2017, but this order was rectified under section 221(1), resulting in a tax refundable of Rs. 679.294 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.19 The Assessment Officer, in accordance with section 122(5A), initially issued a demand of Rs. 12,870.191 million for Tax Year 2018. However, this order was subsequently revised due to an audit under section 177(1), resulting in a revised tax demand of Rs. 14,435.571 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.20 Assessment Officer, under section 122(5A), initially raised a demand of Rs. 983.653 million for Tax Year 2019. However, following subsequent appeals and proceedings, the demand has been reduced to Rs. 591.975 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.21 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 4,085.176 million for Tax Year 2020. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.22 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 6,425.014 million for Tax Year 2021. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.23 The Assessment Officer, on May 4 and May 5, 2023, issued orders under section 4(B) and section 122(5A) of the Income Tax Ordinance, 2001, raising demands of Rs. 1,392.216 million and Rs. 3,384.615 million for the Tax Year 2022, respectively. Subsequently, the Assessment Officer rectified the order under section 221(1)/122(5A), resulting in an increased demand of Rs. 4,175.031 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.24 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 6,208.164 million for the Tax Year 2023. The matter is presently under litigation at the Commissioner Appeal Inland Revenue, Islamabad. The Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.25 The cases relating to Federal Excise Duties / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012, consisting of Contingent Liabilities amounting to Rs.825.121, were contested by the Bank at various forums. No provision has been recognized as the Bank is confident for a favorable outcome. In the latest development, Islamabad High Court(IHC) vide order No.FERA No.03/2014 and FERA No.02/2014 both dated 06.02.2023 decided the case in



favor of the Bank for the Tax Year 2011 and 2012 and deleted the alleged tax demand of Rs.343 million. No provision for balance contingent liabilities amounting to Rs. 482.121 million has been recognized as the Bank is confident for a favorable outcome.

- 23.2.26 DCIR passed orders relating to FED for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 738.892 million and Rs. 681.109 million respectively. The ATIR in its order cancelled the Assessment Orders but the department has filed reference application before Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.27 DCIR passed orders relating to Sales Tax for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 4.470 million (Rs. 1.822 million on advertisement and Rs. 2.647 million on fixed assets) and Rs. 13.295 million (Rs. 2.273 million on advertisement and Rs. 11.122 million on fixed assets) respectively. ATIR deleted the addition on fixed assets on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses on which tax amount of Rs. 4.096 million was involved. However, the department has filed reference application before Islamabad High Court, Islamabad on the issue of fixed asset deletion. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.28 Commissioner, Punjab Revenue Authority (PRA) passed order relating to the period ended December 2016 creating a demand of Rs. 10.06 million. The Appellate Tribunal, PRA, while addressing the Bank's appeal, remanded back the case to the Assessment Officer. The Learned DC (PRA) created demand of Rs.10.3 million. The Appellate Tribunal (PRA) upheld the order passed by the Commissioner Appeals. The Bank has filed reference application before the Honourable Lahore High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.29 ATIR, Sindh Revenue Board (SRB) passed the order for the Sales Tax on Services for the period July 2011 to December 2011 creating demand of Rs 4.69 million. ATIR passed the order in favour of the bank wherein addition to Sales Tax against Postal Charges were deleted. However, SRB filed reference application before SHC, U/S 151 CPC 1908. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.30 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. The appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.31 Assistant Commissioner, Sindh Revenue Board (SRB) passed as order for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.32 Order was passed by Deputy Commissioner, FBR for Tax Year 2015/16 creating demand of Rs. 712 million. ATIR decided the case in favour of the bank. The department (FBR) has filed reference application before honourable Islamabad High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.33 An order was passed by Deputy Commissioner, IR (FBR) creating a demand of Rs. 29.121 million for Tax Year 2019 (Jan -2019 to Dec-2019). Both the bank and department (FBR) filed appeal before Appellate Tribunal (IR). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

	Note	2023 Rupees in '000	2022	
23.3	Commitments against			
	Capital expenditure	417,926	404,071	
	Consultancy expenditure	5,628	5,628	
24	MARK-UP / RETURN / INTEREST EARNED			
	Loans and advances	21,938,959	15,828,212	
	Investments	114,378,666	19,017,858	
	Securities purchased under resale agreement	1,707,104	1,685,051	
	Call money lendings	2,001,900	759,478	
	Balances with banks	2,287,499	2,135,540	
	Bai Muajjal income	1,964	10,256	
		<u>142,316,092</u>	<u>39,436,395</u>	
25	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits	8,063,057	3,597,115	
	Redeemable preference shares - SBP	4,084,615	4,084,615	
	Securities sold under repurchased agreement	104,147,978	16,907,440	
	Call borrowings	1,621,298	187,742	
	On lease liability against right-of-use assets	118,859	112,367	
	Bank commission and other charges	15,622	10,324	
		<u>118,051,429</u>	<u>24,899,603</u>	
26	FEE AND COMMISSION INCOME			
	Branch banking customer fees	62,776	38,839	
	Credit related fees	1,245,576	1,021,226	
	Commission / exchange gain on remittances including home remittances	3,693	5,472	
		<u>1,312,045</u>	<u>1,065,537</u>	
27	GAIN ON SECURITIES			
	Realised	27.1	266,525	32,879
27.1	Realised gain on: Federal Government Securities		266,525	32,879
28	OTHER INCOME			
	Rent on property - KSSL - subsidiary company		6,584	5,936
	Rent on property - others		33,347	31,631
			<u>39,931</u>	<u>37,567</u>
	Gain on sale of fixed assets - net		35,441	5,022
	Gain on sale of non banking assets - net	15.5.2	9,005	7,376

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	Note	2023 Rupees in '000	2022
Deferred income amortization	20.3	503	528
Discount income		525,786	95,831
Others	28.1	103,515	34,508
		<u>714,181</u>	<u>180,832</u>
28.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		
	Note	2023 Rupees in '000	2022
29 OPERATING EXPENSES			
Total compensation expense	29.1	9,857,029	8,394,684
Property expense			
Rent & taxes		11,737	8,143
Insurance		15,872	15,557
Utilities cost		346,211	269,510
Repair and maintenance (including janitorial charges)		211,210	112,319
Depreciation - right of use assets		256,969	255,892
Depreciation	12.2	36,556	38,216
		<u>878,555</u>	<u>699,637</u>
Information technology expenses			
Software maintenance		76,084	4,198
Hardware maintenance		84,972	47,653
Depreciation	12.2	58,726	47,010
Amortisation	13	58,258	46,466
Network charges		131,772	134,859
		<u>409,812</u>	<u>280,186</u>
Other operating expenses			
Directors' fees and allowances		17,481	6,825
Fees and allowances to Shariah Board		6,168	3,617
Legal and professional charges		201,740	206,339
Outsourced services costs (refer note 35.1)		1,818,570	1,379,414
Travelling and conveyance		120,882	114,032
NIFT clearing charges		22,974	19,801
Depreciation	12.2	121,380	144,504
Training and development		40,144	9,964
Postage and courier charges		31,471	24,500
Communication		29,213	34,756
Stationery and printing		80,429	59,739
Marketing, advertisement and publicity		40,268	17,603
Auditors Remuneration	29.2	6,960	6,960
Donations	29.3	-	86,400
Motor vehicle expenses		706,374	511,634
Others		162,899	152,654
		<u>14,552,349</u>	<u>12,153,249</u>
29.1 Total compensation expense			
Salaries		4,316,721	3,947,558
Cash bonus / awards etc.		1,008,984	752,816



	Note	2023 Rupees in '000	2022 Rupees in '000
Charge / (reversal) for defined benefit plans:	38.6.5		
- Pension scheme		1,370,721	1,379,452
- Benevolent scheme - officers / executives		211,396	(16,439)
- Benevolent scheme - clerical / non-clerical		(31,692)	(62,045)
- Gratuity under old staff regulations		-	(13,599)
- Gratuity scheme - staff regulation 2005		(25,681)	98,537
- Employees' compensated absences		100,739	98,266
		1,625,483	1,484,172
Contribution to defined contribution plan	38.1.8	44,425	40,329
Rent and house maintenance		459,103	462,194
Utilities		90,781	99,911
Medical	29.1.1	1,970,584	1,441,174
Conveyance		340,948	166,530
Grand Total		<u>9,857,029</u>	<u>8,394,684</u>
29.1.1	This includes post retirement medical benefit amounting to Rs. 1,733.045 million (2022: Rs. 1,207.603 million).		
29.2	Auditors' remuneration		
	Note	2023 Rupees in '000	2022 Rupees in '000
Audit fee		1,897	1,897
Fee for half year review		431	431
Other certifications		2,310	2,310
Sales tax		742	742
Out of pocket expenses		1,580	1,580
		<u>6,960</u>	<u>6,960</u>
29.3	Donations		
Details of donations exceeding Rupees 0.5 million is as under;			
-Prime Minister Flood Relief Fund, Government of Pakistan		-	50,000
-Akhawat Islamic Micro Finance, Lahore		-	15,000
-Narcotics Control / Canteen Store Department, Government of Pakistan		-	20,000
-NED University, Karachi		-	600
		<u>-</u>	<u>85,600</u>
30	OTHER CHARGES		
Penalties imposed by SBP		<u>39,804</u>	<u>-</u>
31	PROVISIONS AND WRITE-OFFS - NET		
Provisions against loans & advances	11.3.4	4,427,486	3,840,195
Fixed assets charged-off		1,043	442
Provision / (reversal) against other assets - net	15.6.1	49,177	(24,773)
Bad debts written off directly		-	41
Recovery of written off / charged off bad debts		(9,982,882)	(7,468,993)
		<u>(5,505,176)</u>	<u>(3,653,088)</u>

	Note	2023 Rupees in '000	2022 Rupees in '000
32 TAXATION			
Current		7,837,176	4,852,089
Deferred		(1,215,143)	(2,516,975)
	32.1	<u>6,622,033</u>	<u>2,335,114</u>

32.1 Relationship between income tax expense and accounting profit

	2023 Rupees in '000	2022 Rupees in '000
Accounting profit for the year	<u>17,606,167</u>	<u>7,457,961</u>
Tax rate	<u>49%</u>	<u>43%</u>
Tax on accounting income	8,627,022	3,206,923
Tax effect of permanent differences		
Penalties imposed by SBP	13,931	-
Repair allowance and rent collection allowance allowed against rental income	(4,696)	(3,877)
	9,235	(3,877)
Tax effect of prior years	-	-
Others	(2,014,224)	(867,932)
Tax charge for the year	<u>6,622,033</u>	<u>2,335,114</u>

33 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax for the year - Rupees in '000	<u>10,984,134</u>	<u>5,122,847</u>
Weighted average number of ordinary shares	<u>5,267,843,241</u>	<u>5,267,843,241</u>
Earnings per share - basic and diluted (Rupees)	<u>2.09</u>	<u>0.97</u>

33.1 There is no dilutive effect on the basic earnings per share of the Bank.

	Note	2023 Rupees in '000	2022 Rupees in '000
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	3,661,179	2,580,409
Balances with other banks	8	31,925,573	12,615,369
		<u>35,586,752</u>	<u>15,195,778</u>

	2023 Number	2022 Number
35 STAFF STRENGTH		
Permanent	3,803	4,163
Contractual	9	40
Total staff strength	<u>3,812</u>	<u>4,203</u>

35.1 In addition to the above, 3,268 (2022: 3,296) employees of Kissan Support Services (Private) Limited, fully owned subsidiary of the Bank, were assigned to the Bank as at the end of the year to perform other than guarding and janitorial services.

36 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 22, 2023 has reaffirmed credit rating of the Bank at AAA (2022: AAA) with stable outlook and short-term credit rating of A-1+ (2022: A-1+).

37 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2023 Rupees in '000	2022
Profit before taxation		17,606,167	7,457,961
Less: Dividend income		(135,730)	(142,082)
		<u>17,470,437</u>	<u>7,315,879</u>
Adjustments:			
Depreciation	12.2	216,662	229,730
Depreciation on right-of-use assets		256,969	255,892
Amortization	13	58,258	46,466
Amortization of deferred income	20.3	(503)	(528)
Markup on lease liability on right-of-use assets		118,859	112,367
Provisions and write-offs	31	4,477,706	3,815,905
Provision for employees post retirement medical benefits	38.6.5	1,733,045	1,207,603
Charge for defined benefit plans - net	29.1	1,625,483	1,484,172
Gain on securities		(266,525)	(32,879)
Gain on sale of operating fixed assets	28	(35,441)	(5,022)
		<u>8,184,513</u>	<u>7,113,706</u>
		<u>25,654,950</u>	<u>14,429,585</u>

38 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Bank operates the following retirement benefit plans for its employees:

Pension Scheme - funded
 Benevolent Scheme - funded
 Employees Gratuity Scheme - funded
 Post Retirement Medical Benefits - unfunded
 Employees Compensated Absences - unfunded
 Defined Contribution Plan

38.1 Brief description of each fund is as follows:

38.1.1 Pension scheme

The Bank operates an approved pension scheme for employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives. The contributions are made on the basis of actuarial recommendation.

38.1.2 Benevolent scheme - officers

The Bank operates an approved funded benevolent scheme for all officers / executives of the Bank for which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 200, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.3 Benevolent scheme - staff

The Bank operates an approved funded benevolent scheme for all clerical / non-clerical staff for which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.4 Gratuity under old Staff Regulations - SSR 1961

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation. The assets and liabilities has been transferred to the pension scheme.

38.1.5 Gratuity under Staff Regulations - 2005 (SR-2005)

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005. Contributions to this Fund are made by the Bank on the basis of actuarial valuation.

38.1.6 Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

38.1.7 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

38.1.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 1,630 (2022: 1,885) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made only by employees at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 2,127 (2022: 2,271) employees governed under SR-2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank, if their remaining service is more than ten years from the date of option / appointment, at the rate of 2% of monetized salary per month. During the year, the Bank contributed Rs. 44,425 million (2022: Rs.40,329 million) in respect of this fund.

The Bank has contributory provident fund scheme for benefit of all its permanent employees. The Funds are maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Bank. The titles of the funds are as follow;

- Employees Provident Fund;
- Employees Provident Fund (Officers);
- Employees Provident Fund (Staff); and
- Employees Contributory Provident Fund

The size of the Funds at the reporting date was Rs. 6,721.05 million (2022: Rs. 6,057.80 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 6,489.05 million (2022: Rs. 5,924.44 million) which is equal to 96.55% (2022: 97.80%) of the total fund size. The fair values of the investments amount to Rs. 6,721.05 million (2022: Rs. 6,057.80 million) at that date. The category wise break up of investment is given below:

	2023	2022
	Rupees in '000	
Term Deposit Receipts	5,434,300	3,037,000
Government securities	1,054,753	2,887,436
	6,489,053	5,924,436

38.2 Funding policy

Schemes are funded on the basis of actuarial recommendation subject to maximum permissible limits under Income Tax rules. Any deficit in defined benefit plans is to be met by the Bank.

38.3 Risks associated with defined benefit plans

Investment risk

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

38.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2023. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2023	2022
 %	
Valuation discount rate - pension & medical scheme under SSR-1961	15.50	14.50
Valuation discount rate - all other schemes	15.50	14.50
Expected rate of increase in salary	13.50	12.50
Expected rate of return on plan assets - pension fund	15.50	14.50
Expected rate of return on plan assets - other funds	15.50	14.50
Expected rate of increase in pension	11.25	10.25
Expected rate of medical inflation - allowances	15.50	12.50
Expected rate of medical inflation - hospitalization	13.50	14.50

38.5 Number of employees under the scheme

The number of employees (including beneficiaries) covered under the following defined benefit schemes are:

	2023	2022
	Number	
- Pension Scheme - funded	4,915	4,996
- Benevolent Scheme (officers) - funded	3,439	4,846
- Benevolent Scheme (staff) - funded	318	893
- Gratuity under old Staff Regulations - SSR 1961	-	-
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,127	2,271
- Post Retirement Medical Benefits - unfunded	7,036	6,093
- Employees Compensated Absences - unfunded	3,757	4,156

2024

38.6.2 Movement in defined benefit obligations

	2023						Employees compensated absences
	Benevolent scheme		Gratuity		Post retirement medical		
	Officers	Staff	SSR-1961	SR-2005	retirement medical	compensated absences	
Pension							
	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516
Obligations at the beginning of the year	276,671	37,932	2,409	-	162,504	321,764	48,951
Current service cost	2,756,457	76,587	12,833	-	140,011	1,411,281	215,850
Interest cost	-	262,780	56,800	-	-	-	-
Past service cost	(1,522,523)	(200,712)	(34,171)	-	(228,530)	(369,657)	(262,003)
Benefits paid	-	(8,028)	(1,290)	-	-	-	-
Contribution - employees	(2,454,504)	99,784	(18,466)	-	(23,184)	(2,016,950)	(164,062)
Re-measurement loss / (gain)	18,827,410	896,883	123,702	-	1,638,864	9,409,455	1,926,253
Obligations at the end of the year							
	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620
Obligations at the beginning of the year	321,996	40,075	3,245	-	165,786	294,524	50,930
Current service cost	2,392,443	84,524	13,532	-	175,656	913,079	247,860
Interest cost	(1,601,924)	(113,618)	(13,029)	-	(261,421)	(387,079)	(240,371)
Benefits paid	-	(8,358)	(1,487)	-	-	-	-
Contribution - employees	(2,503,387)	(150,243)	(18,354)	-	(117,611)	1,278,070	(200,523)
Re-measurement loss / (gain)	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516
Obligations at the end of the year							

Not

38.6.3 Movement in fair value of plan assets

	2023					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
Fair value at the beginning of the year	12,138,053	1,197,179	722,950	-	2,293,810	-
Interest income on plan assets	1,662,407	157,875	102,444	-	328,196	-
Benefits paid	(1,522,523)	(200,712)	(34,171)	-	(228,530)	-
Contributions - employer	176,172	8,028	1,290	-	167,750	-
Contributions - employees	-	8,028	1,290	-	-	-
Transferred from gratuity to pension	-	-	-	-	-	-
Re-measurements: Net return on plan assets	527,621	78,778	39,708	-	218,632	-
over interest income gain / (loss)	38.6.5.2					
Fair value at the end of the year	12,981,730	1,249,176	833,511	-	2,779,858	-

	2022					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
Fair value at the beginning of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-
Interest income on plan assets	1,334,987	132,680	77,335	13,599	242,905	-
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	-
Contributions - employer	200,182	8,358	1,487	-	185,085	-
Contributions - employees	-	8,358	1,487	-	-	-
Transferred from gratuity to pension	122,876	-	-	(122,876)	-	-
Re-measurements: Net return on plan assets	19,471	(16,237)	(7,528)	(6,467)	21,794	-
over interest income gain / (loss)	38.6.5.2					
Fair value at the end of the year	12,138,053	1,197,179	722,950	-	2,293,810	-

2022

38.6.4 Movement in payable / (receivable) under defined benefit schemes

		2023						2022											
Pension	Benevolent scheme	Staff		SSR-1961		SR-2005		Post retirement medical	Employees compensated absences	Pension	Benevolent scheme	Staff		SSR-1961		SR-2005		Post retirement medical	Employees compensated absences
		Officers	Staff	Officers	Staff	Officers	Staff					Officers	Staff	Officers	Staff	Officers	Staff		
		Rs. in '000																	
Opening balance		7,633,256	-	-	-	(705,747)	10,063,017	2,087,516		9,099,720	-	-	(115,744)	(479,794)	7,964,423	2,229,621			
Charge / (reversal) for the year	38.6.5.1	1,370,721	211,396	(31,692)	-	(25,681)	1,733,045	100,739		1,379,452	(16,439)	(62,045)	(13,599)	98,537	1,207,603	98,266			
Re-measurement loss / (gain) recognised in OCI during the year	38.6.5.2	(2,982,125)	(203,368)	32,982	-	(241,816)	(2,016,950)	-		(2,522,858)	24,797	63,532	6,467	(139,405)	1,278,070	-			
Contribution to fund / benefits paid		(176,172)	(8,028)	(1,290)	-	(167,750)	(369,657)	(262,003)		(200,182)	(8,358)	(1,487)	-	(185,085)	(387,079)	(240,371)			
Transferred from gratuity to pension		-	-	-	-	-	-	-		(122,876)	-	-	122,876	-	-	-	-		
Closing balance		5,845,680	-	-	-	(1,140,994)	9,409,455	1,926,252		7,633,256	-	-	-	(705,747)	10,063,017	2,087,516			

2022

Pension	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SSR-2005	SR-2005		
	Rs. in '000						
(2,503,387)	(150,243)	(18,354)	-	(117,611)	-	1,278,070	-
(19,471)	16,237	7,528	6,467	(21,794)	-	-	-
-	158,803	74,358	-	-	-	-	-
(2,522,858)	24,797	63,532	6,467	(139,405)	-	1,278,070	-

Loss / (gain) on obligation :
 - financial assumptions
 - experience adjustment
 Return on plan assets over interest income
 Asset ceiling adjustment
 Total re-measurement recognised in OCI

38.6.6 Components of plan assets

2023

Pension	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SSR-2005	SR-2005		
	Rs. in '000						
11,423,074	793,866	595,382	-	1,703,421	-	-	-
1,891,474	523,744	250,506	-	1,092,426	-	-	-
13,314,548	1,317,610	845,888	-	2,795,847	-	-	-

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

2022

Pension	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SSR-2005	SR-2005		
	Rs. in '000						
6,995,409	543,750	475,522	-	1,343,224	-	-	-
4,506,271	653,429	247,428	-	944,586	-	-	-
636,373	-	-	-	6,000	-	-	-
12,138,053	1,197,179	722,950	-	2,293,810	-	-	-

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

38.6.7 Sensitivity analysis

	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
Current liability	18,827,410	123,702	-	1,638,864	9,409,455	1,926,253
+1% discount rate	17,202,770	121,492	-	1,507,200	8,570,110	1,785,988
-1% discount rate	20,757,020	126,045	-	1,795,110	10,401,388	2,091,357
+1% salary increase	19,100,180	-	-	1,804,490	9,532,449	2,101,998
-1% salary increase	18,569,050	-	-	1,497,350	9,297,636	1,774,801
+1% pension increase / medical inflation rate	-	-	-	-	9,326,903	-
-1% pension increase / medical inflation rate	-	-	-	-	8,104,754	-
+10% withdrawal rates	-	-	-	1,640,090	-	-
-10% withdrawal rates	-	-	-	1,637,630	-	-
1 year mortality age set back	-	-	-	1,641,100	-	-
1 year mortality age set forward	-	-	-	1,636,600	-	-

38.6.8 Maturity profile

Weighted average duration of obligation (in years)	9.43	1.63	1.84	0	8.78	9.88 for SSR-1961 7.95 for SR-2005	7.92
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38.6.9 Expected charge / (reversal) for next year

Expected charge / (reversal) for next year	1,039,481	(21,103)	(98,416)	-	15,398	1,616,116	333,638
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38.6.10 Expected contribution for next year

Expected contribution for next year	456,905	12,302	1,294	-	380,208	-	-
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Asst.

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL
39.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
2023						
Fees and Allowances etc.	810	12,050	565	-	-	-
Managerial Remuneration:						
Salaries	-	-	5,077	10,915	101,531	96,117
Cash bonus / awards etc.	-	-	526	-	12,954	16,942
Charge for defined benefit plan	-	-	-	-	4,701	7,005
Contribution to defined contribution plan	-	-	-	-	940	1,443
Rent & house maintenance	-	-	-	7,555	10,435	1,941
Utilities	-	-	-	549	2,299	452
Medical	-	-	-	12	3,469	407
Conveyance	-	-	-	17,885	6,141	7,860
Club Facility	-	-	-	1,810	-	-
Drivers & Servants Salary	-	-	-	485	-	-
Total	810	12,050	6,168	39,211	142,470	132,167
Number of Persons	1	6	3	1	16	38
2022						
Fees and Allowances etc.	105	3,985	177	-	-	-
Managerial Remuneration:						
Salaries	-	-	3,440	22,694	82,122	62,895
Cash bonus / awards etc.	-	-	-	-	9,288	14,474
Charge for defined benefit plan	-	-	-	-	5,560	4,803
Contribution to defined contribution plan	-	-	-	-	1,012	816
Rent & house maintenance	-	-	-	12,481	742	1,607
Utilities	-	-	-	712	186	402
Medical	-	-	-	948	167	377
Conveyance	-	-	-	-	656	434
Club Facility	-	-	-	2,398	-	-
Leave fare assistance	-	-	-	3,404	-	-
Total	105	3,985	3,617	42,637	99,733	85,808
Number of Persons	1	7	3	1	16	38

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39.4 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Meeting Fees and Allowances	243	140	182	-	-	177
Contractual salary	1,875	1,969	1,233	-	1,575	1,865
Cash bonus	207	131	188	-	-	-
Total	2,325	2,240	1,603	-	1,575	2,042
Total Number of Persons	1	1	1	0	1	1

2022

40 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

40.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

40.2 Valuation technique used & key inputs

Revaluation rates for Treasury Bills and Pakistan Investment Bonds are contributed by money market brokers on daily basis while for listed securities daily prices are shared by Pakistan Stock Exchange.

Investment in subsidiary and other unlisted securities have not been carried out at fair value in accordance with the SBP guidelines.



40.3 Fair value of financial assets

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2023			
	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	366,131,111	-	366,131,111
- Shares	3,531,810	-	-	3,531,810
- Debt securities (TFCs, Sukuk)	2,449,199	-	-	2,449,199
	<u>5,981,009</u>	<u>366,131,111</u>	<u>-</u>	<u>372,112,120</u>
Financial assets not measured at fair value				
- Subsidiary company	-	100,000	-	100,000
	<u>5,981,009</u>	<u>366,231,111</u>	<u>-</u>	<u>372,212,120</u>
	2022			
	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	301,598,693	-	301,598,693
- Shares	2,527,334	-	-	2,527,334
- Debt securities (TFCs, Sukuk)	2,623,658	-	-	2,623,658
	<u>5,150,992</u>	<u>301,598,693</u>	<u>-</u>	<u>306,749,685</u>
Financial assets not measured at fair value				
- Subsidiary company	-	100,000	-	100,000
	<u>5,150,992</u>	<u>301,698,693</u>	<u>-</u>	<u>306,849,685</u>

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities:

The segment analysis with respect to business activity is as follows:

	2023			Total
	Branch banking & agri financing	Treasury	Islamic banking	
..... Rupees in '000				
Profit and Loss				
Net mark-up/return/profit	9,936,225	14,111,056	217,382	24,264,663
Inter segment revenue - net	2,587,856	(2,587,856)	-	-
Non mark-up / return / interest income	2,159,969	266,525	1,987	2,428,481
Total Income	14,684,050	11,789,725	219,369	26,693,144
Segment direct expenses	14,393,032	58,246	140,875	14,592,153
Inter segment expense allocation	-	-	-	-
Total expenses	14,393,032	58,246	140,875	14,592,153
Provisions	(5,505,176)	-	-	(5,505,176)
Profit before tax	5,796,194	11,731,479	78,494	17,606,167
Statement of Financial Position				
Cash and Bank balances	3,555,250	27,925,739	4,105,763	35,586,752
Investments	-	370,022,133	2,189,987	372,212,120
Net inter segment lendings	31,022,666	-	-	31,022,666
Lendings to financial institutions	-	5,960,700	600,000	6,560,700
Advances - performing	85,398,098	-	-	85,398,098
- non-performing (net of provision)	20,109,562	-	-	20,109,562
Others	34,772,201	7,500,019	237,019	42,509,239
Total Assets	174,857,777	411,408,591	7,132,769	593,399,137
Borrowings	54,461,536	344,337,663	1,078,500	399,877,699
Subordinated debt	-	-	-	-
Deposits & other accounts	52,062,200	-	5,106,873	57,169,073
Net inter segment borrowing	-	30,522,666	500,000	31,022,666
Others	27,351,520	3,730,261	83,237	31,165,018
Total Liabilities	133,875,256	378,590,590	6,768,610	519,234,456
Equity	72,517,467	1,622,051	25,163	74,164,681
Total Equity & Liabilities	206,392,723	380,212,641	6,793,773	593,399,137
Contingencies & Commitments	71,735,770	-	-	71,735,770

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	2022			
	Branch banking & agri financing	Treasury	Islamic banking	Total
 Rupees in '000			
Profit and Loss				
Net mark-up/return/profit	8,257,111	6,179,029	100,652	14,536,792
Inter segment revenue - net	1,464,705	(1,464,705)	-	-
Non mark-up / return / interest income	1,388,052	32,879	399	1,421,330
Total Income	11,109,868	4,747,203	101,051	15,958,122
Segment direct expenses	12,048,201	43,679	61,369	12,153,249
Inter segment expense allocation	-	-	-	-
Total expenses	12,048,201	43,679	61,369	12,153,249
Provisions	(3,653,088)	-	-	(3,653,088)
Profit before tax	2,714,755	4,703,524	39,682	7,457,961
Statement of Financial Position				
Cash and Bank balances	2,564,863	12,549,331	81,584	15,195,778
Investments	-	304,981,662	1,868,023	306,849,685
Net inter segment lending	39,470,002	-	-	39,470,002
Lendings to financial institutions	-	37,071,867	2,551,275	39,623,142
Advances - performing	73,884,456	-	-	73,884,456
- non-performing (net of provision)	16,567,924	-	-	16,567,924
Others	34,713,749	4,197,471	60,238	38,971,458
Total Assets	167,200,994	358,800,331	4,561,120	530,562,445
Borrowings	54,461,536	299,893,550	543,627	354,898,713
Subordinated debt	-	-	-	-
Deposits & other accounts	44,116,154	-	3,216,540	47,332,694
Net inter segment borrowing	-	38,970,002	500,000	39,470,002
Others	26,075,814	3,012,484	60,165	29,148,463
Total Liabilities	124,653,504	341,876,036	4,320,332	470,849,872
Equity	58,817,547	913,828	(18,802)	59,712,573
Total Equity & Liabilities	183,471,051	342,789,864	4,301,530	530,562,445
Contingencies & Commitments	51,447,274	-	-	51,447,274

41.2 Segment Details with respect to geographical locations

The Bank operates only in Pakistan and hence no geographical location wise disclosure is presented.

42 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

43 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its subsidiary company, employee benefit plans, Agriculture Technology Development Fund and the Bank's key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 38 to these financial statements. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to President, directors and executives and disposal of vehicles to employees are disclosed in note 39 and note 12.6 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2023	2022	2023	2022	2023	2022	2023	2022
Investments	100,000	100,000	-	-	-	-	-	-
Advances								
Opening balance	-	-	34,458	39,528	-	-	-	-
Addition	-	-	78,570	11,845	-	-	-	-
Repaid	-	-	(58,031)	(16,915)	-	-	-	-
Closing balance	-	-	54,997	34,458	-	-	-	-
Other assets								
Interest / mark-up accrued	-	-	10,608	9,397	-	-	-	-
Receivable at the end of the year	-	-	-	-	1,140,994	705,747	-	-
Deposits and other accounts								
Opening balance	1,117,394	1,049,461	2,687	7,967	9,126,458	10,239,704	236,986	219,488
Received during the year	7,287,632	3,888,226	219,470	184,396	35,825,178	38,047,598	483,205	422,633
Withdrawn during the year	(7,099,127)	(3,820,293)	(220,072)	(189,676)	(32,950,161)	(39,160,844)	(445,901)	(405,135)
Closing balance	1,305,899	1,117,394	2,085	2,687	12,001,475	9,126,458	274,290	236,986

705,747

	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2023	2022	2023	2022	2023	2022	2023	2022
	..... Rupees in '000'							
Other liabilities								
Interest / mark-up payable	109,644	90,079	-	-	430,719	252,017	14,979	9,295
Payable at the end of the year	154,910	103,127	-	-	17,181,388	19,783,789	-	-
Income								
Mark-up / interest earned	-	-	2,302	1,526	-	-	-	-
Rental income	6,584	5,936	-	-	-	-	-	-
Expense								
Mark-up / interest paid	230,426	117,575	-	-	1,708,385	1,029,592	38,150	17,919
Compensation	-	-	164,577	135,268	-	-	-	-
Post retirement benefit	-	-	5,880	6,508	-	-	-	-
Contribution to defined benefit plan	-	-	1,221	1,133	-	-	-	-
Cost of services rendered	1,818,570	1,379,414	-	-	-	-	-	-

43.1 Transactions with Government related entities

The Federal Government through SBP holds controlling interest in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the normal course of business enters into transaction with Government-related entities. Such transactions include deposits from and provision of other banking services to Government-related entities. However, these transactions have not been treated as related parties transactions for the purpose of this disclosure.

7/20/24

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2023	2022
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>63,021,708</u>	<u>51,474,650</u>
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	66,784,561	49,561,886
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	66,784,561	49,561,886
Eligible Tier 2 Capital	<u>3,425,817</u>	<u>2,476,117</u>
Total Eligible Capital (Tier 1 + Tier 2)	70,210,378	52,038,003
Risk Weighted Assets (RWAs):		
Credit Risk	144,301,307	124,983,113
Market Risk	7,063,625	5,054,675
Operational Risk	<u>34,927,413</u>	<u>24,428,975</u>
Total	<u>186,292,345</u>	<u>154,466,763</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>35.85%</u>	<u>32.09%</u>
Tier 1 Capital Adequacy Ratio	<u>35.85%</u>	<u>32.09%</u>
Total Capital Adequacy Ratio	<u>37.69%</u>	<u>33.69%</u>

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (free of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2023 stands at Rs. 52.678 billion and is in compliance with the SBP requirement. In addition, the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 11.50% (2022: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2023 is 37.69% (2022: 33.69%) of its risk weighted exposure.

	2023	2022
	... Rupees in '000 ...	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	66,784,561	49,561,886
Total exposures	562,544,100	491,428,983
Leverage ratio	<u>11.87%</u>	<u>10.09%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	43,825,505	28,539,604
Total Net Cash Outflow	<u>5,314,602</u>	<u>3,922,893</u>
Liquidity Coverage Ratio	<u>825%</u>	<u>728%</u>
Net Stable Funding		
Total Available Stable Funding	189,685,484	171,167,420
Total Required Stable Funding	<u>156,982,972</u>	<u>132,439,520</u>
Net Stable Funding Ratio	<u>121%</u>	<u>129%</u>

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is placed on the website of the Bank. The link to the full disclosure is available at <http://www.ztbl.com.pk>.

45 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity and operational risks.

Risk management is a dynamic process of identification, measurement and monitor and control risks with the aim to optimize risk-reward trade-off. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, enterprise risk management division and its departments responsible for each category of risk i.e. Loan Review, IT risk, Collateral Management and Portfolio analytics covering Portfolio credit risk, market & liquidity risk, operational and equity position risks. The Bank's risk management function is independent of the business and operations and directly reports to the President through Chief Risk Officer. The Bank's systematic and integrated risk management function for each category of risk is as follows:

45.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio. The Bank's credit appraisal structure is well-defined. Credit appraisal, approval and review methods are integral parts of lending operations. The credit portfolio is reviewed and analysed on quarterly basis and reports are submitted to the Management for decision making.

The Obligor Risk Rating (ORR) model for fresh borrowers is in place as the credit risk rating of the borrower is a concise indicator to evaluate Bank's credit exposure. An internal rating system categorizes all credits into various classes on the basis of underlying credit quality. The ultimate objective of the system is to generate accurate and consistent risk ratings and portfolio monitoring / analysis.

Regarding Basel Accords compliance, the Bank has implemented Standardized Approach (SA) for calculation of capital charge against credit risk weighted assets.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.1 Lendings to financial institutions

Credit risk by public/ private Sector

	Gross Lending		Non-performing		Provision held	
	2023	2022	2023	2022	2023	2022
	..... Rupees in '000					
Public / Government	600,000	38,623,142	-	-	-	-
Private	5,960,700	1,000,000	-	-	-	-
	<u>6,560,700</u>	<u>39,623,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
			..... Rupees in '000			
Power (electricity)	129,850	568,921	-	-	-	-
Financial	2,319,349	2,054,737	-	-	-	-
	2,449,199	2,623,658	-	-	-	-

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	2,449,199	2,623,658	-	-	-	-
	2,449,199	2,623,658	-	-	-	-

45.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
			..... Rupees in '000			
Agriculture, Forestry, Hunting and Fishing	118,564,888	106,217,782	34,539,382	33,682,336	14,434,335	17,126,561
Individuals	1,417,383	1,405,278	44,791	56,268	40,276	44,119
	119,982,271	107,623,060	34,584,173	33,738,604	14,474,611	17,170,680

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	119,982,271	107,623,060	34,584,173	33,738,604	14,474,611	17,170,680
	119,982,271	107,623,060	34,584,173	33,738,604	14,474,611	17,170,680

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45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2023	2022
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	71,464,383	51,165,593
Individuals	271,387	281,681
	<u>71,735,770</u>	<u>51,447,274</u>

Credit risk by public / private sector

Public / Government	70,637,867	50,400,405
Private	1,097,903	1,046,869
	<u>71,735,770</u>	<u>51,447,274</u>

45.1.5 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	2023						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	75,166,646	75,166,646	-	-	-	-	-
Sindh	10,395,537	-	10,395,537	-	-	-	-
KPK including FATA	3,512,979	-	-	3,512,979	-	-	-
Balochistan	488,207	-	-	-	488,207	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,414,939	-	-	-	-	-	1,414,939
Total	90,978,308	75,166,646	10,395,537	3,512,979	488,207	-	1,414,939

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2022

Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	59,684,400	59,684,400	-	-	-	-	-
Sindh	5,554,110	-	5,554,110	-	-	-	-
KPK including FATA	3,027,014	-	-	3,027,014	-	-	-
Balochistan	281,335	-	-	-	281,335	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	1,084,418	-	-	-	-	-	1,084,418
Total	69,631,277	59,684,400	5,554,110	3,027,014	281,335	-	1,084,418

..... Rupees in '000

45.2 Market Risk

The Bank is not involved in commercial activities like forex trading and derivative market operations. Investment portfolio of the Bank is being placed mainly in fixed income securities such as Market Treasury Bills, Pakistan Investment Bonds, etc. and the only market risk inherent in the said portfolio is interest rate risk which is being calculated through marking to market and further Bank's resilience is gauged through stress testing scenarios and interest rate sensitivity analysis.

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45.2.4 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted quarterly to assess the impact of a changes in the yield curve on Bank's capital.

Effective Yield / Interest rate	Total	2023 Exposed to Yield / Interest risk							Not exposed to yield / interest risk		
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	3,661,179	-	-	-	-	-	-	-	-	-	3,661,179
Balances with other banks	31,925,573	31,925,573	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,560,700	6,560,700	-	-	-	-	-	-	-	-	-
Investments - net	372,112,120	549,065	1,366,497	267,979,705	61,597,173	10,505,704	25,452,389	1,129,777	-	-	3,531,810
Advances - net	105,507,660	9,187,615	2,842,859	14,386,741	15,928,656	17,354,841	26,223,410	13,527,399	84,771	-	87,382
Other assets - net	23,922,227	-	-	-	-	-	-	-	-	-	23,922,227
	543,689,459	48,222,953	2,842,859	7,250,483	282,366,446	77,525,829	27,860,545	51,657,176	84,771	-	31,202,598
Liabilities											
Bills payable	2,605,372	-	-	-	-	-	-	-	-	-	2,605,372
Borrowings	399,877,699	345,416,163	-	-	-	-	-	54,461,536	-	-	-
Deposits and other accounts	57,169,073	21,206,801	327,815	7,895,060	82,430	3,940	51,500	600,000	-	-	6,217,021
Other liabilities	27,261,730	-	-	-	-	-	-	-	-	-	27,261,730
	486,913,874	366,622,964	327,815	7,895,060	20,784,506	82,430	3,940	54,513,036	600,000	-	36,084,123
On-balance sheet gap	56,775,585	(318,400,011)	2,515,044	(644,577)	261,581,940	77,443,399	27,856,605	(2,837,237)	14,057,176	84,771	(4,881,525)
Net non-financial assets	17,389,096	-	-	-	-	-	-	-	-	-	-
Total net assets	74,164,681	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap											
Total yield/ interest risk sensitivity gap	56,775,585	(318,400,011)	2,515,044	(644,577)	261,581,940	77,443,399	27,856,605	(2,837,237)	14,057,176	84,771	(4,881,525)
Cumulative yield / interest risk sensitivity gap	(318,400,011)	(318,400,011)	(315,884,967)	(316,529,544)	(54,947,604)	22,495,795	50,352,400	47,515,163	61,572,339	61,657,110	56,775,585

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000	Rupees in '000
Total financial assets	543,689,459	486,913,874
Add non-financial assets:		
Investment in subsidiary company	100,000	1,297,916
Operating fixed assets and intangible	2,651,476	488,211,790
Deferred tax assets	12,730,814	
Other assets	3,204,722	
Total assets as per statement of financial position	562,376,471	726,113,580
Total financial liabilities		
Add non-financial liabilities:		
Other liabilities		
Total liability as per statement of financial position		

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk							Not exposed to yield / interest risk	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years
		Rupees in '000								
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	2,580,409	-	-	-	-	-	-	-	-	2,580,409
Balances with other banks	12,615,369	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	39,623,142	39,387,706	235,436	-	-	-	-	-	-	-
Investments - net	306,749,685	19,147,639	225,203,609	351,275	33,336,134	12,785,588	10,997,304	1,129,060	1,171,741	2,627,335
Advances - net	90,452,380	9,344,293	6,234,951	8,741,522	15,444,365	14,456,555	14,117,032	19,197,177	2,750,112	101,862
Other assets - net	18,607,506	-	-	-	-	-	-	-	-	18,607,506
	470,628,491	80,495,007	231,673,996	9,092,797	48,780,499	27,242,143	25,114,336	20,326,237	3,921,853	64,511
Liabilities										
Bills payable	580,505	-	-	-	-	-	-	-	-	580,505
Borrowings	354,898,713	67,871,739	232,565,438	-	-	-	-	54,461,536	-	-
Deposits and other accounts	47,332,694	9,802,914	5,995,227	1,522,272	23,250,958	8,888	82,430	50,000	600,000	6,020,005
Other liabilities	27,248,706	-	-	-	-	-	-	-	-	27,248,706
	430,060,618	77,674,653	238,560,665	1,522,272	23,250,958	8,888	82,430	54,511,536	600,000	33,849,216
On-balance sheet gap	40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511
Net non-financial assets	19,144,700									
Total net assets	59,712,573									
Off-balance sheet gap										
Total yield / interest risk sensitivity gap	40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511
Cumulative yield / interest risk sensitivity gap	2,820,354	(4,066,315)	3,504,210	3,504,210	29,033,751	56,267,006	81,298,912	47,113,613	50,435,466	50,499,977
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:										
Total financial assets	470,628,491									
Add non-financial assets:										
Investment in subsidiary company	100,000									
Operating fixed assets and intangible	2,474,010									
Deferred tax assets - net	15,036,259									
Other assets	2,853,683									
Total assets as per statement of financial position	491,092,443									
Total financial liabilities										
Add non-financial liabilities:										
Other liabilities	1,319,252									
Total liability as per statement of financial position	430,060,618									

45.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Operational Loss Event Data Collection. This model has been successfully implemented in all Bank wide entities. The data of the Operational Risk Model is collected and analysed on quarterly basis and results are elevated to senior management / Internal Risk Management Committee.

With regards to Basel Accords compliance, the Bank has implemented Basic Indicator Approach (BIA) to calculate capital charge against operational risk weighted assets. Disaster recovery and business continuity plan includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

45.4 Liquidity risk

Liquidity risk is the major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. Liquidity risk is being calculated by maturity ladder of balance sheet items, liquidity stress testing, regulatory returns on liquidity standards under Basel III, and different analysis for management purpose.

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45.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2023											
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Above 5 years
..... Rupees in '000												
Assets												
Cash and balances with treasury banks	3,661,179	3,661,179	-	-	-	-	-	-	-	-	-	-
Balances with other banks	31,925,573	31,925,573	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	6,560,700	6,560,700	-	-	-	-	-	-	-	-	-	-
Investments - net	372,212,120	-	-	-	-	-	-	-	-	-	-	-
Advances - net	105,507,660	1,755,765	164,639	266,226	3,779,604	2,131,591	594,813	4,496,000	233,582,761	17,710,000	50,615,750	26,677,751
Fixed assets	2,395,551	-	-	-	398,048	-	10,902	5,996,933	7,843,390	11,477,771	13,562,975	24,728,393
Intangible assets	255,925	-	-	-	-	-	-	29,024	81,388	122,260	206,332	451,217
Deferred tax assets - net	12,730,814	-	-	-	-	-	-	-	255,925	-	-	-
Other assets	27,126,949	439,447	31,601	59,096	8,031,654	2,067,443	1,295,350	817,428	11,059,642	471,733	141,300	95,043
	562,376,471	37,781,964	6,756,940	325,322	12,209,306	4,199,034	1,901,065	11,339,385	43,272,042	29,781,764	64,526,357	51,952,404
Liabilities												
Bills payable	2,605,372	2,605,372	-	-	-	-	-	-	-	-	-	-
Borrowings	399,877,699	-	201,916,163	143,500,000	4,367,500	150,427	177,388	7,895,060	19,793,271	82,430	4,240	51,200
Deposits and other accounts	57,169,073	23,056,422	-	-	6,820,605	-	2,248,491	950,704	(1,759,841)	2,391,838	2,383,191	4,936,427
Other liabilities	488,211,790	25,661,794	201,916,163	143,500,000	11,188,105	150,427	2,425,879	8,845,764	18,033,430	2,474,268	2,387,431	59,449,163
	74,164,681	12,120,170	(195,159,223)	(143,174,678)	1,021,201	4,048,607	(524,814)	2,493,621	259,074,655	27,307,496	62,138,926	(7,496,759)
Net assets												
Share capital	52,678,432											
Reserves	9,520,922											
Unappropriated profit	10,343,276											
Surplus on revaluation of assets	1,622,051											
	74,164,681											



46 CORRESPONDING FIGURES

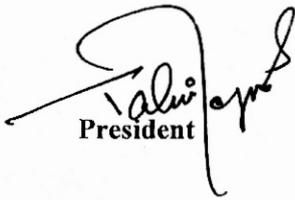
Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation.

47 DATE OF AUTHORIZATION FOR ISSUE

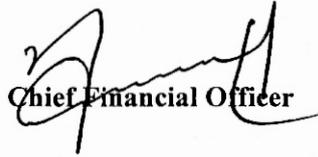
These financial statements were authorized for issue on 04 MAR 2024 by the Board of Directors of the Bank.

48 GENERAL

The figures in the financial statements are rounded off to the nearest thousand rupees.



President



Chief Financial Officer



Director



Director



Director

Annexure-I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2023

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	CNIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Principal written off	Interest/ markup written-off / waived	Other financial relief provided	Total (10+11+12)
					Principal	Interest / markup	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
					NIL							
0												
0												

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Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 25 (2022: 5) Islamic banking branches and 10 (2022: NIL) Islamic branches windows at the end of the year.

	Note	2023 Rupees in '000	2022
ASSETS			
Cash and balances with treasury banks		282,787	54,914
Balances with other banks		3,822,976	26,670
Due from financial institutions	1	600,000	2,551,275
Investments	2	2,189,987	1,868,023
Islamic financing and related assets - net		-	-
Fixed assets		121,463	5,941
Intangible assets		-	-
Due from Head Office		-	-
Other assets		115,556	54,297
Total Assets		7,132,769	4,561,120
LIABILITIES			
Bills payable		1,367	1,367
Due to financial institutions		1,078,500	543,627
Deposits and other accounts	3	5,106,873	3,216,540
Due to Head Office	4	338,996	259,590
Subordinated debt		-	-
Other liabilities		81,870	58,798
		6,607,606	4,079,922
NET ASSETS		525,163	481,198
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Deficit on revaluation of assets		(23,039)	(25,955)
Accumulated profit	5	48,202	7,153
		525,163	481,198
CONTINGENCIES AND COMMITMENTS	6		

Annexure - II

The profit and loss account of the Bank's Islamic banking branches for the year ended is as follows:

	Note	2023 Rupees in '000	2022 Rupees in '000
Profit / return earned	7	1,299,771	377,751
Profit / return expensed	8	1,082,389	277,099
Net Profit / return		<u>217,382</u>	<u>100,652</u>
Other income			
Fee and Commission Income		1,966	399
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain on securities		21	-
Other Income		-	-
Total other income		<u>1,987</u>	<u>399</u>
Total Income		<u>219,369</u>	<u>101,051</u>
Other expenses			
Operating expenses		140,875	61,369
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		<u>140,875</u>	<u>61,369</u>
Profit before provisions		<u>78,494</u>	<u>39,682</u>
Provisions and write offs - net		-	-
Profit before taxation		<u>78,494</u>	<u>39,682</u>
Taxation		<u>37,445</u>	<u>19,231</u>
Profit after taxation		<u><u>41,049</u></u>	<u><u>20,451</u></u>

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	2023			2022		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
..... Rupees in '000						
1 Due from Financial Institutions						
Secured :						
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	51,275	-	51,275
Unsecured	600,000	-	600,000	2,500,000	-	2,500,000
	600,000	-	600,000	2,551,275	-	2,551,275

2 Investments

	2023			2022				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
..... Rupees in '000								
Federal Government securities								
Ijarah sukuk	1,756,345	-	(24,958)	1,731,387	1,325,057	-	(25,955)	1,299,102
Non Government Securities								
Listed securities	456,681	-	1,919	458,600	568,921	-	-	568,921
Total investments	2,213,026	-	(23,039)	2,189,987	1,893,978	-	(25,955)	1,868,023

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	2023	2022
	Rupees in '000	
3 Deposits		
Customers - local currency		
Current deposits	223,294	125,292
Savings deposits	4,723,567	2,952,183
Term deposits receipts	155,397	134,668
Others	4,615	4,397
	<u>5,106,873</u>	<u>3,216,540</u>
Financial Institutions		
Term deposits receipts	-	-
	<u>5,106,873</u>	<u>3,216,540</u>
3.1 Composition of deposits		
- Individuals	899,046	216,489
- Non-Banking Financial Institutions	2,905,801	2,590,982
- Private Sector	1,162,869	52,223
-Govt./Public Sector Entities	139,157	356,846
	<u>5,106,873</u>	<u>3,216,540</u>

3.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 899,576 million (2022: Rs. 285.654 million).

4 Due to head office represents inter branch transactions between Islamic and Conventional.

	2023	2022
	Rupees in '000	
5 Islamic Banking Business Unappropriated Profit		
Opening Balance	7,153	(13,298)
Add: Islamic Banking for the year	78,494	39,682
Less: Taxation	37,445	19,231
Closing Balance	<u>48,202</u>	<u>7,153</u>

6 There are no contingencies and commitments related to the Islamic business as at reporting date. (2022: Nil)

7 Profit / return earned of financing, investments and placement

	2023	2022
	Rupees in '000	
Profit earned on:		
Investments	413,986	201,212
Placements	885,785	176,539
Total	<u>1,299,771</u>	<u>377,751</u>

	2023	2022
	Rupees in '000	
8 Profit on deposits and other dues expensed		
Deposits and other accounts	449,096	174,172
Commission and other charges	1,493	154
Call borrowings/ Funds acceptances	631,800	102,773
	<u>1,082,389</u>	<u>277,099</u>

9 Pool Management

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining eight pools for profit declaration and distribution i.e., general pool, special pool 1, special pool 2, special pool 3, special pool 5, special pool 6, special pool 7 and special pool 8.

General pool

The General Pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from ZTBL Head Office. The Bank acts as fund manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in mudaraba based depositors' accounts and paid as per pre-defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period of deposits;
- Frequency of profit distribution, i.e. monthly, quarterly or on maturity; and
- Volume of the deposit.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attributed to various types of investments; and
- SBP rules & Shariah Clearance.

Special pool

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and Mudaraba placements from head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages. While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit / fund.;
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity; and
- Magnitude of risk.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of special pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from principal office, Islamic banking institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attached to various types of investments; and
- SBP rules & Shariah Clearance.

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

	2023	2022
	Rupees in '000	
Investments	2,189,987	1,868,023
Due from financial institutions	600,000	2,551,275
Balances with other banks	3,822,976	26,670

Charging expenses

The direct expenses are charged to the pool, while indirect expenses including the establishment cost is borne by ZTBL - IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, cost of sale of inventories, insurance / takaful expenses of pool assets, taxes, stamp fee or documentation charges, brokerage fee for purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools, write-offs of financings and loss on sale of investments, etc.

	2023	2022
	Rupees in '000	
Provisions	-	-

Mudarib share (in amount and percentage of distributable income)

		2023	2022
		Rupees in '000	
Rabbul Mal	82%	414,840	153,599
Mudarib	18%	90,179	25,054
		505,019	178,653

Amount & percentage of mudarib share transferred to depositors through Hiba

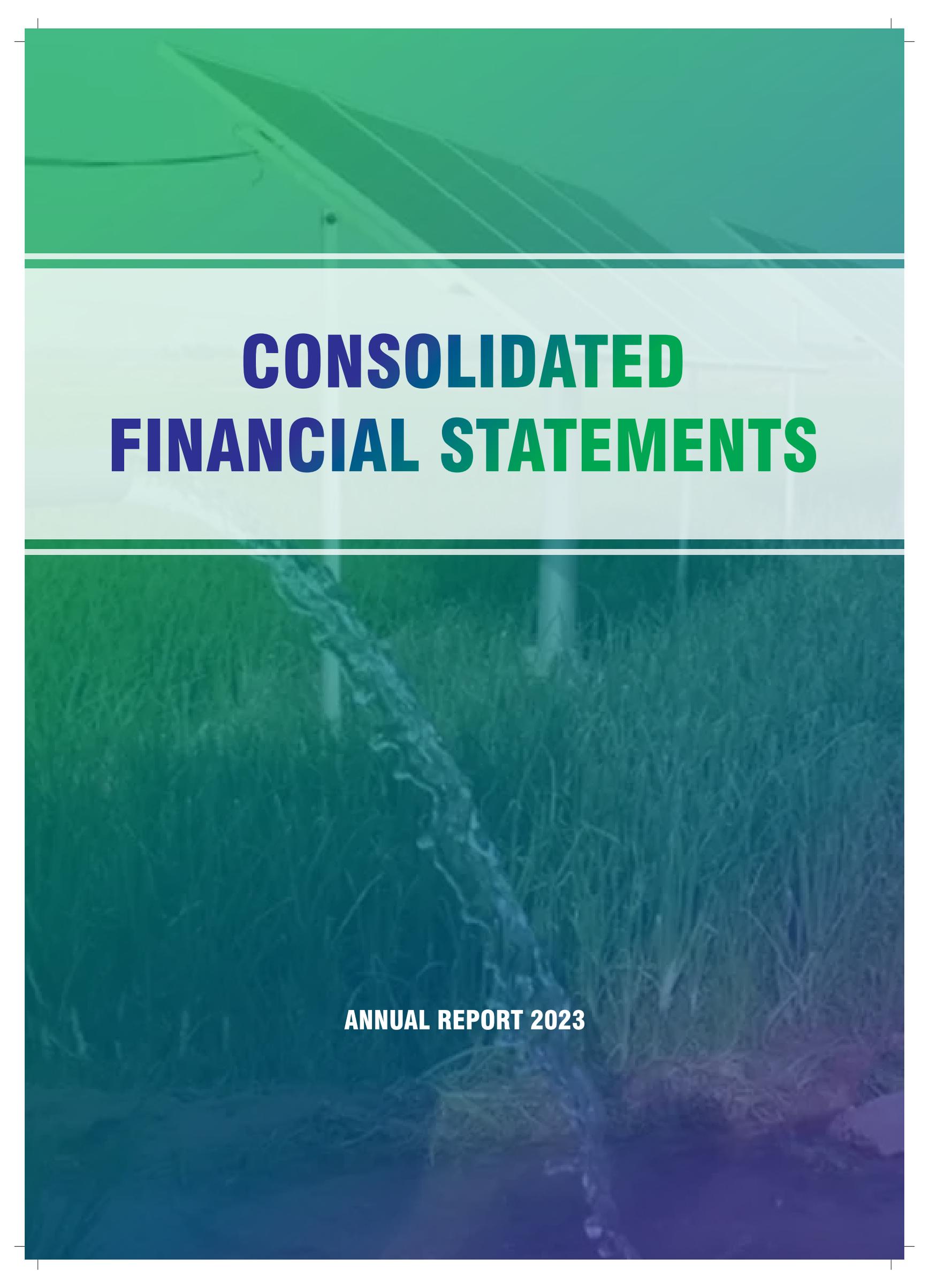
	2023	2022
Mudarib share	90,179	25,054
Hiba	40,321	9,641
Hiba percentage of mudarib share	44.71%	38.48%

This is not a special Hiba and it has been distributed across the board to all the investment account holders.

Profit rate earned vs profit rate distributed to the depositors during the year

	2023	2022
Profit rate earned	19.66% p.a.	10.33% p.a.
Profit rates distributed to depositors	13.45% p.a.	7.50% p.a.





CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2023





ZARAI TARAQIATI BANK LIMITED (ZTBL)

CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ZARAI TARAQIATI BANK LIMITED (ZTBL)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of ZARAI TARAQIATI BANK LIMITED and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against advances	
	The Group's credit portfolio is comprised of agriculture financing which includes Farm Credits and Non-Farm Credits to	Our audit procedures in respect of classified portfolio and provision thereon included the following:

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<p>small farmers and low-income households.</p> <p>As per the Group’s accounting policy [refer note 6.4 and 6.31(b) to the consolidated financial statements], the Group determines provision against non-performing advances on time-based criteria in accordance with the requirements of Prudential Regulations for Agriculture Financing (PRs) of State Bank of Pakistan (SBP) and which is supplemented by a subjective provision based upon management’s judgement.</p> <p>The Group’s advances represent 19% of its total assets and are stated at Rs. 105,508 million which are net of provision of Rs. 14,475 million as at December 31, 2023.</p> <p>In view of the magnitude of advances, involvement of significant management’s judgement and reliance on IT control environment, we identified provision against advances as a key audit matter.</p> <p>Refer note 11 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • We reviewed the design and operating effectiveness of the Group’s manual and automated process including general IT controls for identification and classification of non-performing advances, classification of these advances to correct non-performing advances category and accurate computation of provisions. • We performed substantive procedures on sample basis to check the classification of advances and to assess that the provision is in line with the requirements of the applicable Prudential Regulations. • We evaluated the management’s assessment for classification of individual loan facilities as performing or non-performing based on review of repayment pattern, assessment of number of days overdue and inspection of credit documentation. • We selected a representative sample of borrowers and assessed the appropriateness of amount reported for provision through review of borrowers’ individual statements, analysis of repayment history, computation of number of days past due and compliance with the applicable PRs. • In respect of the level of general provision maintained by the Group and specific provision recognized, we discussed the approach and policy followed by the Group with the management. • We also reviewed adequacy of disclosures as included in note 12 to the consolidated financial statements regarding the non-performing advances and provisions recognized for the same in accordance with the requirements of the
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		applicable financial reporting framework.
2	Valuation of Investments	
	<p>The Group's investments include Government securities, listed and unlisted shares and debt securities classified as available for sale comprising 66% of total assets amounting to net investments of Rs. 372,112 million as at 31 December 2023.</p> <p>These investments are carried at fair value in accordance with the Group's accounting policy relating to their measurement. Provision against investment in unlisted shares classified as available for sale is made based on the impairment policy of the Group which comprises of subjective factors.</p> <p>We identified the investments as a key audit matter because the Group has reported a significant increase in its investments during the year in relation to the consolidated financial statements and the use of management judgement in determination of impairment.</p> <p>Refer note 10 to the consolidated financial statements.</p>	<p>Our audit procedures in respect of valuation of investments mainly included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and testing the design and operational effectiveness of the controls relating to the valuation and assessment of the methodology and the appropriateness of the valuation models to value available for sale investments. • Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices. • Comparing the cost of each equity investments to its market value to determine the valuation and recognition as per the policy of the Group. • Evaluated the management assessment in respect of valuation and impairment of investment in un-listed shares. • Assessing the completeness and accuracy of the disclosures relating to investments classified as available for sale and compliance with disclosure requirements laid down by the State Bank of Pakistan.

Information Other than the Consolidated Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's annual report but does not include the consolidated financial statements and our auditors report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or

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otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors report is Atif Riaz.

ISLAMABAD

DATED: 04 MAR 2024
 UDIN: AR202310060yXKU8zeYb

BDO EBRAHIM & CO.
 CHARTERED ACCOUNTANTS

BDO Ebrahim & Co. Chartered Accountants

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**ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	Note	2023 Rupees in '000	2022
ASSETS			
Cash and balances with treasury banks	7	3,661,179	2,580,409
Balances with other banks	8	31,925,611	12,615,407
Lendings to financial institutions	9	6,560,700	39,623,142
Investments	10	372,112,120	306,749,685
Advances	11	105,507,660	90,452,380
Fixed assets	12	2,404,911	2,407,548
Intangible assets	13	255,925	73,159
Deferred tax assets	14	12,875,669	15,173,017
Other assets	15	27,121,746	21,502,437
		<u>562,425,521</u>	<u>491,177,184</u>
LIABILITIES			
Bills payable	17	2,605,372	580,505
Borrowings	18	399,877,699	354,898,713
Deposits and other accounts	19	55,863,297	46,127,301
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities		-	-
Other liabilities	20	28,805,916	28,945,873
		<u>487,152,284</u>	<u>430,552,392</u>
NET ASSETS		<u>75,273,237</u>	<u>60,624,792</u>
REPRESENTED BY			
Share capital	21	52,678,432	52,678,432
Reserves		9,520,922	7,324,095
Surplus on revaluation of assets	22	1,622,051	913,828
Accumulated profit / (loss)		11,451,832	(291,563)
		<u>75,273,237</u>	<u>60,624,792</u>
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director


Director

**ZARAI TARAQIATI BANK LIMITED
 CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2023**

		2023	2022
	Note	..... Rupees in '000	
Mark-up / return / interest earned	24	142,316,092	39,436,395
Mark-up / return / interest expensed	25	117,820,473	24,782,207
Net mark-up / interest income		24,495,619	14,654,188
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	1,312,045	1,065,537
Dividend income		135,730	142,082
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	27	266,525	32,879
Other income	28	847,689	161,058
Total non-mark-up / interest income		2,561,989	1,401,556
Total income		27,057,608	16,055,744
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	14,675,692	12,172,515
Workers welfare fund		-	-
Other charges	30	39,804	-
Total non mark-up / interest expenses		14,715,496	12,172,515
Profit before provisions		12,342,112	3,883,229
Provisions and write offs - net	31	(5,505,176)	(3,653,088)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		17,847,288	7,536,317
Taxation	32	6,696,439	2,359,030
PROFIT AFTER TAXATION		11,150,849	5,177,287
		..... Rupees	
Basic earnings per share	33	2.12	0.98
Diluted earnings per share	33	2.12	0.98

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.

 President
 Chief Financial Officer
 Director
 Director
 Director

**ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
	... Rupees in '000 ...	
Profit after taxation for the year	11,150,849	5,177,287
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	708,223	(75,821)
	708,223	(75,821)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	2,789,373	732,889
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
	2,789,373	732,889
Total comprehensive income	<u>14,648,445</u>	<u>5,834,355</u>

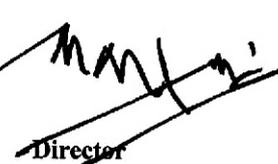
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President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
..... Rupees in '000						
Balance as at December 31, 2021	52,678,432	6,239,526	60,000	989,649	(5,177,170)	54,790,437
Profit after taxation for the year	-	-	-	-	5,177,287	5,177,287
Other comprehensive income / (loss) - net of tax	-	-	-	(75,821)	732,889	657,068
Total comprehensive income / (loss) for the year	-	-	-	(75,821)	5,910,176	5,834,355
Transferred to statutory reserve	-	1,024,569	-	-	(1,024,569)	-
Balance as at December 31, 2022	52,678,432	7,264,095	60,000	913,828	(291,563)	60,624,792
Profit after taxation for the year	-	-	-	-	11,150,849	11,150,849
Other comprehensive income - net of tax	-	-	-	708,223	2,789,373	3,497,596
Total comprehensive income for the year	-	-	-	708,223	13,940,222	14,648,445
Transferred to statutory reserve	-	2,196,827	-	-	(2,196,827)	-
Balance as at December 31, 2023	52,678,432	9,460,922	60,000	1,622,051	11,451,832	75,273,237

Statutory reserves represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

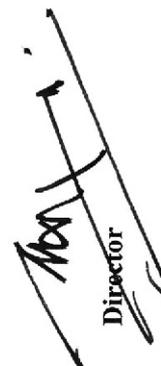
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 President


 Chief Financial Officer


 Director


 Director


 Director

**ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 Rupees in '000	2022 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	37	25,980,403	14,577,027
(Increase) / decrease in operating assets:			
Lendings to financial institutions		33,062,442	(22,743,655)
Advances		(19,482,766)	(2,470,268)
Other assets (excluding advance taxation)		(6,095,462)	(6,446,083)
		7,484,214	(31,660,006)
Increase / (decrease) in operating liabilities:			
Bills payable		2,024,867	138,104
Borrowings from financial institutions		44,978,986	222,541,678
Deposits and other accounts		9,735,996	3,631,912
Other liabilities (excluding current tax)		2,387,211	3,627,132
		59,127,060	229,938,826
Employees' benefits paid		(1,025,079)	(1,091,726)
Income tax paid		(7,069,556)	(3,637,735)
Net cash flow generated from operating activities		84,497,042	208,126,386
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(63,518,626)	(224,328,889)
Dividend received		135,730	142,082
Investments in operating fixed assets		(470,658)	(322,245)
Proceeds from sale of fixed assets		93,437	83,478
Net cash flow used in investing activities		(63,760,117)	(224,425,574)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability against right-of-use assets		(345,951)	(346,720)
Net cash flow used in financing activities		(345,951)	(346,720)
Increase / (decrease) in cash and cash equivalents		20,390,974	(16,645,908)
Cash and cash equivalents at beginning of the year	34	15,195,816	31,841,724
Cash and cash equivalents at end of the year	34	35,586,790	15,195,816

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- Zarai Taraqiati Bank Limited

Subsidiary company

- Kissan Support Services (Private) Limited

1.1 Zarai Taraqiati Bank Limited ("the Bank")

(a) Reorganization and conversion

The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan (ADBP) into a public limited Company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stakeholders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

(b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqiati Bank Limited ("the Bank") was incorporated as a public limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on October 23, 2002. Consequently, under SRO 823(1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in Zarai Taraqiati Bank Limited on December 14, 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rs. 8.7 billion. The Bank is domiciled in Pakistan and its registered office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 501 (2022: 501) branches including 25 (2022: 5) Islamic Banking branches in Pakistan as at the close of the year.

(c) Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

1.2 Kissan Support Services (Private) Limited ("the Company")

Kissan Support Services (Private) Limited was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a fully owned subsidiary of Zarai Taraqiati Bank Limited (ZTBL). The registered office of the Company is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

2 BASIS OF PRESENTATION

2.1 These consolidated financial statements include the financial statements of the Bank and its subsidiary company.

- 2.2 The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.
- 2.3 The consolidated financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.
- 2.4 The assets and liabilities of the subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the Bank is eliminated against the subsidiary's equity held by the Bank in the consolidated financial statements. Intra-group balances and transactions have been eliminated.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP.

In case requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, or the provisions of and directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962, and the said directives shall prevail.

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of IFAS 3, 'Profit and Loss Sharing on Deposits. Furthermore, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

4 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, these do not have any material effect on the financial statements of the Group and, therefore, are not disclosed.

- 4.1 **Standards, Interpretations and amendments to accounting standards that are not yet effective**

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

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	Effective date (annual periods beginning on or after)
IAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments)	January 01, 2024
IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements (Amendments)	January 01, 2024
IFRS 9, Financial Instruments	January 01, 2024
IFRS 16, Leases - Lease liability in a sale and leaseback (Amendments)	January 01, 2024
IAS 21 - Lack of exchangeability (Amendments)	January 01, 2025
IFRS 17 - Insurance Contracts	January 01, 2026
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP BPRD circular no. 4 dated October 23, 2019, the Banks / DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which include the impact of IFRS 9 from the year ended December 31, 2019. As per BPRD circular no. 3 of 2022 dated July 05, 2022 followed by BPRD Circular Letter No. 07 dated April 13, 2023 it has been decided to extend the implementation date of IFRS 9 from January 01, 2022 as per following timelines:

- Effective date of implementation - January 01, 2024 for all banks / DFIs.
- Nevertheless, early adoption of the standard is permissible.

During the transition period, the financial institutions are required to carry out the parallel run reporting.

Except for the implementation of IFRS 9, the Group expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost

- Certain investments that have been marked to market and are carried at fair value.
- Post employment benefits that are recorded at present value using actuarial valuation.
- Right-of-use assets and their related lease liability which are measured at their present values.

These financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to the nearest thousand rupees.

6 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these consolidated financial statements are consistent with those of the previous financial year, are as follows:

- 6.1 SBP vide BPRD Circular No. 1 dated January 1, 2016 issued 'Regulations for Debt Property Swap', regarding recording of non-banking assets acquired in satisfaction of claims on revalued amount, which is not applicable on the Bank. Therefore, treatment suggested by the said Regulation has not been accounted for in these financial statements.

6.2 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

7/2023

a) Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

b) Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

c) Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

d) Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

e) Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

f) Employees' compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

- Kissan Support Services (Private) Limited

The Company operates the following staff retirement benefits for its employees:

a) Unfunded medical benefits

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rs. 400 per employee per month.

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b) Gratuity scheme

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at December 31, 2023 using the 'Projected Unit Credit Method' as under the latest IAS 19 revised 2011. The actuarial gains / losses arising due to differences between actuarial assumptions and actual experience regarding salary increase, mortality and withdrawal probabilities are considered as remeasurements of the net benefit liability and are recognized in other comprehensive income.

6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with treasury banks and balances with other banks.

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provision against unidentified include general provision based on historical loss experience of advances. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by SBP.

6.5 Investments

The Group classifies its investments as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments, other than those in subsidiary and associates, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investments. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of SBP, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the Statement of Financial Position as part of equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Investments in Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in associates are included in the profit and loss account. Provision for diminution in the value of investments is taken to the profit and loss account for the current year.

6.6 Operating fixed assets and depreciation / amortization

Property and equipment

Property and equipment, except freehold land which is not amortized and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2 to these financial statements, after taking into account the residual value, if any. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses, if any, on disposal of operating fixed assets are charged to the profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Capital work in progress

Capital work-in-progress is stated at cost less impairment losses (if any) and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant operating fixed assets category as and when assets are available for use as intended by the management.

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over their useful lives over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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6.8 Right-of-use assets and their related lease liability

6.8.1 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight-line method.

Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged after the leases are matured or terminated.

6.8.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.9 Impairment

Carrying values of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.10 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at the carrying value of such assets.

6.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account available tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

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Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

6.12 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as expenses in the period in which these are incurred using effective mark-up / interest rate method.

6.13 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.14 Revenue recognition

Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by SBP. Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

Fee, brokerage and commission income is recognized on accrual basis.

Profit / (loss) on sale of investments is credited / charged to the profit and loss account for the current year.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

Dividend income is recognized when the Bank's right to receive has been established.

Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

Operating lease rentals are recorded in the profit and loss account on a time proportion basis over the term of lease arrangements.

6.15 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect current best estimates.

6.16 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the reporting date.

6.17 Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are derecognized when the Group ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the profit and loss account.

6.18 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

6.19 Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted).

Level 2: Observable direct or indirect inputs other than Level 1 inputs.

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Group that either require fair value measurements or only fair value disclosures as at December 31, 2023 are disclosed in note 40.

6.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments. The Group is engaged in providing agri-financing and branch banking, islamic banking and treasury operations and operates only in Pakistan.

6.23 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

6.24 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

6.25 Other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each reporting date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.



6.26 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

6.27 Statutory reserve

In compliance with the requirements of the Banking Companies Ordinance, 1962, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 10% of the profit after tax.

6.28 Cash reserve requirement

The Bank maintains liquidity equivalent to at least 6% of its time and demand deposits in the form of liquid assets i.e. cash and banks.

6.29 Grants

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the profit and loss account to the extent of the actual expenditure incurred. Expenditure incurred against grants committed but not received, is recognized directly in the profit and loss account and reflected as a receivable from donors.

Grants that compensate the Group for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.

6.30 Contingencies

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.31 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

a) Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

b) Provision against advances

The Group reviews its loan portfolio to assess the amount of non-performing advances and provision required thereagainst on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by SBP from time to time and the management's judgment in case of subjective provision.

c) Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in note 38 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

d) Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with IAS 8 'Changes in Accounting Estimates and Errors'.

e) Impairment**Impairment of available for sale equity investments**

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

Impairment of investments in subsidiary and associates

The Group considers that a decline in the recoverable value of investment in subsidiary and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

f) Taxation

In making the estimates for income tax currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Group's future taxable profits are taken into account.

g) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

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	Note	2023 Rupees in '000	2022 Rupees in '000
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		911,540	1,065,179
With State Bank of Pakistan in:			
Local currency current account	7.1	1,834,020	1,132,277
With National Bank of Pakistan in:			
Local currency current account		393,638	42,212
Local currency deposit account	7.2	520,283	339,008
		913,921	381,220
Prize bonds		1,698	1,733
		<u>3,661,179</u>	<u>2,580,409</u>

7.1 This represents current accounts maintained with SBP under cash reserve requirement of the Banking Companies Ordinance, 1962.

7.2 These carry mark-up at rates ranging from 14.50% to 20.50% (2022: 7.25% to 14.50%) per annum.

	Note	2023 Rupees in '000	2022 Rupees in '000
8 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		99,618	87,346
In deposit accounts	8.1	31,825,993	12,528,061
		<u>31,925,611</u>	<u>12,615,407</u>

8.1 These carry mark-up at rates ranging from 14.50% to 24.50% (2022: 7.25% to 17.25%) per annum.

	Note	2023 Rupees in '000	2022 Rupees in '000
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.2	3,600,000	15,500,000
Repurchase agreement lendings (reverse repo)	9.3	2,960,700	24,071,867
Bai Muajjal receivable			
With State Bank of Pakistan	9.4	-	51,275
		<u>6,560,700</u>	<u>39,623,142</u>
9.1 Particulars of lendings			
In local currency		6,560,700	39,623,142
In foreign currencies		-	-
		<u>6,560,700</u>	<u>39,623,142</u>

9.2 This carries mark-up at rates 22% to 22.75% (2022: 16.75% to 16.10%) per annum having maturity during January 2024.

9.3 This carries mark-up at rates 22.3% (2022: 15.90% to 16.50%) per annum having maturity during January 2024.

9.4 This carries mark up coupon rate NIL (2022: 7.94%).

9.5 Securities held as collateral against lendings to financial institutions

	2023			2022		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Pakistan Investment Bonds	2,960,700	-	2,960,700	24,071,867	-	24,071,867
	<u>2,960,700</u>	<u>-</u>	<u>2,960,700</u>	<u>24,071,867</u>	<u>-</u>	<u>24,071,867</u>

10 INVESTMENTS

10.1 Investments by types

Note	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	..... Rupees in '000							
Available-for-sale securities								
Federal Government securities								
Shares	366,386,675	-	(255,564)	366,131,111	302,439,194	-	(840,501)	301,598,693
Corporate sukuk	99,819	(10,523)	3,442,514	3,531,810	99,819	(10,523)	2,438,038	2,527,334
Term Finance Certificates	456,681	-	1,919	458,600	568,921	-	-	568,921
	1,998,975	-	(8,376)	1,990,599	2,049,065	-	5,672	2,054,737
	368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685
Total investments	368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685

10.2 Investments by segments

Federal Government Securities

Market Treasury Bills	231,281,101	-	87,229	231,368,330	243,661,242	-	294,927	243,956,169
Pakistan Investment Bonds	131,183,410	-	(291,576)	130,891,834	57,301,871	-	(1,090,705)	56,211,166
Government of Pakistan ijarah sukuk	3,922,164	-	(51,217)	3,870,947	1,476,081	-	(44,723)	1,431,358
	366,386,675	-	(255,564)	366,131,111	302,439,194	-	(840,501)	301,598,693

Shares:

Listed Companies	89,296	-	3,442,514	3,531,810	89,296	-	2,438,038	2,527,334
Unlisted Companies	10,523	(10,523)	-	-	10,523	(10,523)	-	-

Non Government Debt Securities

Listed	2,126,906	-	(6,457)	2,120,449	2,617,986	-	5,672	2,623,658
Un-listed	328,750	-	-	328,750	-	-	-	-
	2,455,656	-	(6,457)	2,449,199	2,617,986	-	5,672	2,623,658
Total investments	368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685

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	2023	2022
	Rupees in '000	
10.2.1 Investments given as collateral		
Market Treasury Bills	213,753,317	245,818,915
Pakistan Investment Bonds	130,584,346	47,218,262
	<u>344,337,663</u>	<u>293,037,177</u>
10.3 Provision for diminution in value of investments	<u>10,523</u>	<u>10,523</u>

10.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2023	2022
	Cost	
	Rupees in '000	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	231,281,101	243,661,242
Pakistan Investment Bonds	131,183,410	57,301,871
Ijarah Sukuks	3,922,164	1,476,081
	<u>366,386,675</u>	<u>302,439,194</u>

Shares
Listed companies

Food and personal care products	<u>89,296</u>	<u>89,296</u>
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	2023		2022	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Pakistan Mercantile Exchange Limited	10,523	8,873	10,523	3,082
Pakistan Agricultural Storage and Services Corporation Limited	-	1,614,525	-	1,614,525
	<u>10,523</u>	<u>1,623,398</u>	<u>10,523</u>	<u>1,617,607</u>

10.4.1 Investment in Pakistan Mercantile Exchange Limited has been fully provided for due to negative break up value in prior financial statements. Cost per share is Rs. 10 to Rs. 13.5 having total cost amounting to Rs. 10.523 million.

10.4.2 Investments in Pakistan Agricultural Storages and Services Corporation Limited was transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rs. 1. Cost per share is Rs. 1,000 having total cost amounting to Rs. 2.50 million.

	2023	2022
	Cost	
	Rupees in '000	
Non Government debt securities		
Listed		
- AAA	-	500,000
- AA+, AA, AA-	2,126,906	1,967,986
- A+, A, A-	-	-
	<u>2,126,906</u>	<u>2,617,986</u>
Unlisted		
- AAA	-	-
- AA+, AA, AA-	-	-
- A+, A, A-	328,750	150,000
	<u>328,750</u>	<u>150,000</u>

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11 ADVANCES

	Performing		Non Performing		Total	
	2023	2022	2023	2022	2023	2022
Loans, cash credits, running finance, etc.	85,398,098	73,884,456	34,584,173	33,738,604	119,982,271	107,623,060
Advances - gross	85,398,098	73,884,456	34,584,173	33,738,604	119,982,271	107,623,060
..... Rupees in '000						
Provision for advances:						
- against agriculture advance	-	-	11,434,335	14,126,561	11,434,335	14,126,561
- against staff advances	-	-	40,276	44,119	40,276	44,119
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Advances - net of provision	82,398,098	70,884,456	23,109,562	19,567,924	105,507,660	90,452,380

11.1 Particulars of advances (gross)

In local currency

119,982,271 107,623,060

11.2 Advances include Rs. 34,539,382 million (2022: Rs. 33,682.336 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Non performing loans	Provision	Non performing loans	Provision
Domestic				
Other assets especially mentioned				
Substandard	15,801,372	-	13,616,010	-
Doubtful	6,965,643	1,393,129	5,303,514	1,060,703
Loss	3,462,327	1,731,165	3,393,911	1,696,957
	8,310,040	8,310,040	11,368,901	11,368,901
	34,539,382	11,434,334	33,682,336	14,126,561

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11.3 Particulars of provision against advances

	2023		2022	
	Specific	General	Specific	General
Opening balance	14,126,561	3,000,000	17,126,561	3,000,000
Charge for the year	7,586,093	-	7,586,093	-
Reversals	(3,154,764)	-	(3,154,764)	-
	4,431,329	-	4,431,329	-
Amounts written off (Note 11.4)	-	-	-	-
Amounts charged off- Agri Financing (Note 11.6)	(7,123,556)	-	(7,123,556)	(10,103,193)
Closing balance	11,434,334	3,000,000	14,434,334	3,000,000

11.3.1 Particulars of provision against advances

	2023		2022	
	Specific	General	Specific	General
In local currency	11,434,334	3,000,000	14,434,334	3,000,000

11.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 4,603.142 million (2022: Rs.3,720.917 million) and further de-graded the category of classified loans and advances amounting to Rs. 5,366.175 million (2022: Rs. 6,511.752 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

11.3.4 Provision against non-performing loans and advances - net

	Note	2023	2022
		Rupees in '000	
Provision against non-performing loans and advances	11.3	4,431,329	3,836,871
Provision / (Reversal) against staff advances		(3,843)	3,324
		<u>4,427,486</u>	<u>3,840,195</u>

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	Note	2023 Rupees in '000	2022 Rupees in '000
11.4 Particulars of write offs:			
11.4.1 Against provisions Directly charged to profit and loss account		-	-
		-	-
11.4.2 Write offs of Rupees 500,000 and above Write offs of below Rupees 500,000	11.5	-	-
		-	-
		-	-

11.5 Details of Loan write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year has to be disclosed. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is NIL.

11.6 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2023 amounts to Rs. 56,976.83 million (2022: Rs. 53,642.51 million) with an addition of Rs. 7,123.56 million (2022: Rs. 10,103.19 million) as charge off loans during the year.

	Note	2023 Rupees in '000	2022 Rupees in '000
12 FIXED ASSETS			
Capital work-in-progress	12.1	69,326	55,266
Property and equipment	12.2	2,335,585	2,352,282
		2,404,911	2,407,548
12.1 Capital work-in-progress			
Civil works		61,385	42,774
Consultancy charges		7,618	6,891
Others	12.1.1	323	5,601
		69,326	55,266

12.1.1 This includes soil testing and other charges incurred at sites.

12.2 Property and equipment

Description	January 1, 2023				Year ended December 31, 2023				December 31, 2023			Rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal) / (transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value		
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-	-
Land - Leasehold	10,742	6,039	4,703	4,703	4,703	217	4,486	10,742	6,256	4,486	4,486	Lease terms for 30 to 99 years
Buildings on freehold land	713,633	245,633	468,000	468,000	12,336	23,904	456,432	725,969	269,537	456,432	456,432	5%
Buildings on leasehold land	553,676	318,773	234,903	234,903	6,520	11,933	229,490	560,196	330,706	229,490	229,490	5%
Buildings on leasehold land - ADB	21,224	11,187	10,037	10,037	502	502	9,535	21,224	11,689	9,535	9,535	5%
Furniture and fixtures	546,237	298,312	247,925	247,925	9,594	25,277	232,242	555,831	323,589	232,242	232,242	10% / 20%
Computer, office and other equipment	1,533,888	1,246,135	287,753	287,753	133,665	109,272	312,146	1,664,930	1,352,784	312,146	312,146	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	205,038	205,036	2	2	20% / 33%
Vehicles	1,314,086	1,132,124	181,962	181,962	31,223	47,988	128,394	1,164,553	1,036,159	128,394	128,394	20%
Right-of-use assets (note 6.8)	1,321,953	510,875	811,078	811,078	324,023	256,969	856,939	1,450,312	593,373	856,939	856,939	10% - 100%
	6,333,647	3,981,365	2,352,282	2,352,282	517,361	476,062	2,335,585	6,464,714	4,129,129	2,335,585	2,335,585	
					(386,294)	(328,298)						

Description	Year ended December 31, 2022					December 31, 2022		Annual rate of Depreciation					
	January 1, 2022	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (Disposal) / (Transferred)	Depreciation charge / (depreciation on disposal)		Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value	
Land - Freehold		105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-	
Land - Leasehold		10,742	5,822	4,920	4,920	-	217	4,703	10,742	6,039	4,703	4,703	Lease terms for 30 to 99 years
Buildings on freehold land		712,054	220,417	491,637	491,637	1,579	25,216	468,000	713,633	245,633	468,000	468,000	5%
Buildings on leasehold land		548,452	306,518	241,934	241,934	5,224	12,255	234,903	553,676	318,773	234,903	234,903	5%
Buildings on leasehold land - ADB		21,224	10,659	10,565	10,565	-	528	10,037	21,224	11,187	10,037	10,037	5%
Furniture and fixtures		543,325	270,917	272,408	272,408	2,912	27,395	247,925	546,237	298,312	247,925	247,925	10% / 20%
Computer, office and other equipment		1,505,904	1,146,006	359,898	359,898	30,884	102,960	287,753	1,533,888	1,246,135	287,753	287,753	20% / 33%
Computer, office and other equipment - ADB		212,289	212,287	2	2	(2,900)	(2,831)						
Vehicles		1,241,648	1,103,326	138,322	138,322	116,891	63,991	181,962	1,314,086	1,132,124	181,962	181,962	20%
Right-of-use assets (note 6.8)		1,254,218	436,455	817,763	817,763	318,334	255,892	811,078	1,321,953	510,875	811,078	811,078	10% - 100%
		6,155,775	3,712,407	2,443,368	2,443,368	475,824	488,454	2,352,282	6,333,647	3,981,365	2,352,282	2,352,282	
						(297,952)	(219,496)						

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	2023	2022
	Rupees in '000	
	58,411	58,440
	3,220	3,220
	452,725	351,454
	205,039	212,120
	940,665	969,073
	<u>1,601,649</u>	<u>1,535,867</u>

12.3 Carrying amount of temporarily idle property

12.4 Included in cost of property and equipment are fully depreciated items still in use having following category wise breakup:

Leasehold land
 Computer, office and other equipment
 Computer, office and other equipment - ADBP
 Vehicles

12.5 The title documents of freehold land having cost of Rs. 1.86 million (2022: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2022: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.

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12.6 Detail of disposal of fixed assets to related parties during the year are as follows:

Description	Cost	Book value	Sale proceed	Mode of disposal	Particulars of buyers
..... Rupees in '000					
Toyota Corolla XLI AJU-408	1,880	909	1,050	As per entitlement	Farrukh Abbas, EVP
Toyota Yaris GLI AQD-178	2,548	1,232	1,350	As per entitlement	Muhammad Hafeez, EVP
Toyota Corolla XLI, AJU-407	1,880	-	1,200	As per entitlement	Dr. Irshad Ahmed Khan, EVP
Honda City 1.5 AHG-928	1,847	-	369	As per entitlement	Muhammad Arif, SEVP
Toyota Corolla GLI MT AHS-843	1,880	-	376	As per entitlement	Saeed Ahmed, EVP
Honda Civic AJU-467	1,995	-	399	As per entitlement	Arshad Hassan Awan, EVP
Laptop HP Spectra X360	378	-	-	As per entitlement	Muhammad Shahbaz Jameel, Ex- President/CEO

13 INTANGIBLE ASSETS

Description	Year ended December 31, 2023				Year ended December 31, 2022				Useful life			
	Cost	Accumulated amortisation	Net book value	Opening net book value	Amortisation charge	Closing net book value	Cost	Accumulated amortisation		Net book value		
Computer software	220,990	147,831	73,159	73,159	241,024	58,258	255,925	462,014	206,089	255,925	33.33%	3 years
Computer software - ADBP	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	303,071	229,912	73,159	73,159	241,024	58,258	255,925	544,095	288,170	255,925		
	..... Rupees in '000											
	January 1, 2023				Year ended December 31, 2022				December 31, 2022			
	Cost	Accumulated amortisation	Net book value	Opening net book value	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life	
Computer software	137,182	101,365	35,817	35,817	83,808	46,466	73,159	220,990	147,831	33.33%	3 years	
Computer software - ADBP	82,081	82,081	-	-	-	-	82,081	82,081	-	33.33%	3 years	
	219,263	183,446	35,817	35,817	83,808	46,466	73,159	303,071	229,912			

13.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 180,845 million (2022: Rs. 178,931 million).

	Note	2023 Rupees in '000	2022
15 OTHER ASSETS			
Income / mark-up accrued in local currency on :			
- advances - net of provision	15.1	11,235,916	8,555,496
- securities		6,702,050	3,992,008
- deposits		446,626	140,929
Amount recoverable from Federal Government	15.2	2,853,635	2,800,085
Tax recoverable	15.3	422,652	422,652
Branch adjustment account		1,626,582	-
Taxation (payments less provision)	15.4	1,669,194	2,531,417
Receivable from defined benefit plans:	38.6.1		
gratuity scheme - SR - 2005		1,140,994	705,747
Non banking assets acquired in satisfaction of claims	15.5	420,731	423,709
Stationery and stamps in hand		147,042	132,429
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		60,339	22,579
Security deposits		7,199	6,199
Advances and other prepayments		647,602	333,736
Clearing and settlement		589,903	2,220,173
Others		128,713	143,533
		<u>28,110,415</u>	<u>22,441,929</u>
Provision held against other assets	15.6	<u>(988,669)</u>	<u>(939,492)</u>
Other assets - net of provisions		<u>27,121,746</u>	<u>21,502,437</u>

15.1 This does not include Rs. 11,055.675 million (2022: Rs. 8,660.416 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

15.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,697.820 million (2022: Rs. 2,411.656 million), small livestock farmers premium amounting to Rs. 150.95 million (2022: Rs. 383.57 million) and animal tagging charges amounting to Rs. 4.86 million (2022: Rs. 4.86 million).

15.3 This includes tax recoverable of Rs. 309.359 million (2022: Rs. 309.359 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 16.

	Note	2023 Rupees in '000	2022
15.4 Taxation - net			
Opening receivable		2,531,417	3,780,258
Charge during the year	32	(7,931,779)	(4,886,576)
Advance income tax / withholding tax		6,982,814	3,637,735
Closing receivable		<u>1,669,194</u>	<u>2,531,417</u>
15.5 Market value of non-banking assets acquired in satisfaction of claims		<u>818,343</u>	<u>818,646</u>

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	2023	2022
	Rupees in '000	
15.5.1 Non banking assets acquired in satisfaction of claims		
Opening Balance	423,709	427,721
Additions	361	1,221
Disposals	(3,339)	(5,233)
Closing Balance	<u>420,731</u>	<u>423,709</u>
15.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
Disposal Proceeds	12,194	12,558
less : Cost	(3,189)	(5,182)
Gain	<u>9,005</u>	<u>7,376</u>
15.6 Provision held against other assets		
Tax recoverable	422,652	422,652
Non banking assets acquired in satisfaction of claims	420,731	423,709
Amount recoverable from Federal Government	66,234	-
Stock of farm machinery	11,237	11,237
Accrued interest on advances of ex-employees	15,595	17,734
Amount deposited with courts / legal charges recoverable	52,220	64,160
	<u>988,669</u>	<u>939,492</u>
15.6.1 Movement in provision held against other assets		
Opening balance	939,492	964,265
Charge for the year	99,530	39,056
Reversals	(50,353)	(63,829)
	49,177	(24,773)
Closing balance	<u>988,669</u>	<u>939,492</u>

16 CONTINGENT ASSETS

- 16.1 There is a contingency of an amount of Rs. 297.149 million and Rs. 54.828 million on account of minimum income tax levied by the Income Tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honourable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision, further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979.

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- 16.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.05.2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (Principle + Penalty). On 03.06.2019, payment of impugned tax Amounting Rs.6.6 million (Principle + 10% Surcharge) has been made, under protest, to avail the SRB Amnesty Scheme. Bank has filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.3 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.07.2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On 03.06.2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.4 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 24.01.2020 for the period of January 2014 to December 2014 which created a demand of Rs.54.6 million. On 03.06.2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.



	Note	2023	2022
		Rupees in '000	
17	BILLS PAYABLE		
	In Pakistan	2,605,372	580,505
18	BORROWINGS		
	Secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	18.2 54,461,536	54,461,536
	Repurchase agreement borrowings	18.3 330,098,427	291,048,185
	Repurchase agreement borrowings - others	18.4 14,239,236	1,988,992
	Total secured	398,799,199	347,498,713
	Unsecured		
	Call borrowings	18.5 1,078,500	7,400,000
		399,877,699	354,898,713
18.1	Particulars of borrowings with respect to currencies		
	In local currency	399,877,699	354,898,713
18.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable on March 7, 2027. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
18.3	These carry markup at the rate of 22.04% to 23% (2022: 15.24% to 16.26%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 249,000 million (2022: Rs.47,700 million) and Pakistan Investment Bonds amounting to Rs.125,000 million (2022: Rs.253,000 million). These are repayable by January 2024 (2022: January to March 2023).		
18.4	These carry markup at the rate of 22% to 22.85% (2022: 16%) per annum and are secured against Market Treasury Bills having face value amounting to Rs. 10,000 million and Pakistan Investment Bonds having face value amounting to Rs. 6,071 million (2022: Market Treasury Bills having face value amounting to Rs. 2,000 million) . These are repayable by January 2024 (2022: January 2023).		
18.5	These carry markup at the rate of 20.80% to 21.00% (2022: 15% to 16.26%) per annum. These are repayable by January 2024 (2022: January to February 2023).		

	2023	2022
	Rupees in '000	
19	DEPOSITS AND OTHER ACCOUNTS	
	Customers - local currency	
	Current deposits	6,104,401
	Saving deposits	13,064,116
	Term deposits	32,977,305
	Others	37,255
		52,183,077
	Financial Institutions - local currency	
	Current deposits	75,364
	Saving deposits	3,604,856
	Term deposits	-
		3,680,220
		55,863,297
		43,006,537
		46,127,301



	2023	2022
	Rupees in '000	
19.1 Composition of deposits		
- Individuals	3,533,441	2,801,247
- Government (Federal and Provincial)	5,426,031	11,701,794
- Public sector entities	16,887,956	7,431,419
- Banking companies	-	-
- Non-Banking Financial Institutions	3,680,220	3,120,764
- Private sector	26,335,649	21,072,077
	<u>55,863,297</u>	<u>46,127,301</u>

19.2 These include deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 12,735.196 million (2022: 10,369.581 million).

	Note	2023	2022
		Rupees in '000	
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency on:			
- borrowings		5,050,416	4,326,579
- deposits and other accounts		2,336,538	710,988
Accrued expenses		1,162,422	942,134
Branch adjustment account		-	304,480
Net liabilities relating to Bangladesh	20.1	189	189
Payable to Ministry of Food Agriculture & Livestock	20.2	168,000	168,000
Provision for:	38.6.1		
- pension scheme		5,845,680	7,633,256
- employees' post retirement medical benefits		9,409,455	10,063,017
- employees' compensated absences		1,926,253	2,087,516
- gratuity scheme of the company		372,811	345,523
Due to Islamic Banking		114,491	442
Security deposits		38,997	22,666
Deferred income	20.3	9,535	10,038
Lease liability against right-of-use assets		983,391	907,653
Others	20.4	1,387,738	1,423,392
		<u>28,805,916</u>	<u>28,945,873</u>

20.1 Net liabilities relating to Bangladesh

Liabilities		1,982,916	1,953,546
Assets		(1,982,727)	(1,953,357)
	20.1.1	<u>189</u>	<u>189</u>

20.1.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No. F.5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh. However, the Bank has no control over these assets.

20.2 This represents payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

2024

	Note	2023	2022
		Rupees in '000	
20.3 Deferred income			
Opening balance		10,038	10,566
Amortization during the year	28	(503)	(528)
Closing balance		<u>9,535</u>	<u>10,038</u>

20.3.1 Deferred income comprises the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

20.4 These represent various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding taxes, contribution received from borrowers, clearing proceeds payable etc.

21 SHARE CAPITAL

21.1 Authorized capital

2023	2022		2023	2022
Number of shares			Rupees in '000	
		Ordinary and Preference shares		
		of Rupees 10 each		
<u>12,500,000,000</u>	<u>12,500,000,000</u>		<u>125,000,000</u>	<u>125,000,000</u>

21.2 Issued, subscribed and paid up capital

2023	2022		2023	2022
Number of shares			Rupees in '000	
		Ordinary shares of Rupees 10 each		
		- fully paid in cash		
1,186,961,201	1,186,961,201		11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,828	652,828
4,015,599,174	4,015,599,174	- Issued against loan from SBP	40,155,992	40,155,992
<u>5,267,843,241</u>	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

21.3

Shareholder	No. of ordinary shares	Paid-up value per share	2023	2022
State Bank of Pakistan	4,015,599,174	10	40,155,992	40,155,992
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,255	1,255
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

2023

	2023	2022
	Rupees in '000	
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation available-for-sale securities:		
Quoted investments	3,442,514	2,438,038
Other securities	(262,021)	(834,829)
Surplus on revaluation of available-for-sale securities	3,180,493	1,603,209
Deferred tax on surplus on revaluation of available-for-sale securities	(1,558,442)	(689,381)
	<u>1,622,051</u>	<u>913,828</u>
23 CONTINGENCIES AND COMMITMENTS		
23.1 Contingent liabilities		
In respect of cases filed against the Bank:		
23.1.1 by borrowers; 606 (2022: 489) cases	<u>402,962</u>	<u>355,489</u>
23.1.2 by employees; 468 (2022: 434) cases	<u>271,387</u>	<u>281,681</u>
23.2.1 The Assessment Officer issued an order under sections 161/205, creating an initial demand of Rs. 7.714 million for the Tax Year 2004. However, following appeals and proceedings led to an increase in the demand to Rs. 10.105 million. The matter is currently under litigation at the Supreme Court of Pakistan. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.2 The Bank contested taxation matters for Assessment Years 2002-2003 and Tax Years 2003-2009. Appellate Tribunal Inland Revenue, Islamabad favoured the Bank, resulting in net refunds of Rs. 4,640.154 million. Reference applications filed by CIR were decided by Islamabad High Court, Islamabad. Due to this order only in Tax Year 2007, Assessment Officer created a Rs. 24.876 million demand based on High Court directives. The Bank appealed to CIR(A), who remanded the issues to assessment officer. These all cases are currently under litigation at the Supreme Court of Pakistan. Creating provision for income tax cases, around Rs. 9,917.854 million. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.3 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 1,798.905 million for Tax Year 2008. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 1,775.757 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.4 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 1,057.652 million for Tax Year 2009. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 755.824 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.5 Deputy Commissioner Inland Revenue, u/s 161/205, initially demanded Rs. 27.792 million for Tax Year 2009. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 16.752 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		

- 23.2.6 Additional Commissioner Inland Revenue u/s 122(5A) initially raised demands of Rs. 1,150.617 million for Tax Year 2010. However, following appeals and proceedings, the initial tax demand has now been reduced to Rs. 419.221 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.7 Deputy Commissioner Inland Revenue, u/s 161/205, initially raised a demand of Rs. 429.747 million for Tax Year 2010. The matter is currently under litigation at the Islamabad High Court. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.8 Additional Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 2,922.881 million for Tax Year 2011. However, following appeals and proceedings, the current tax demand is Rs. 181.617 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9 Deputy Commissioner Inland Revenue, u/s 161/205, initially raised a demand of Rs. 208.337 million for Tax Year 2011. However, following appeals and proceedings, ATIR cancelled the order in favour of the Bank, resulting in a demand reduction to Rs. 7.527 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.10 Additional Commissioner Inland Revenue, u/s 122(5A), initially raised demands of Rs. 2,037.114 million for Tax Year 2012. However, following appeals and proceedings, the tax liability has been converted into refund of Rs. 12.320 million. The matter is presently in litigation at both the Appellate Tribunal Inland Revenue, Islamabad and Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.11 Deputy Commissioner Inland Revenue, u/s 161/205, initially demanded Rs. 15.943 million for Tax Year 2012. However, following appeals and proceedings, the tax liability has been reduced to Rs. 3.892 million. The matter is currently awaiting appeal effects with the A.O. after the cancellation of the impugned order by the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12 Additional Commissioner Inland Revenue initially demanded Rs. 4,920.168 million under section 161/205 for Tax Year 2013. However, following appeals and proceedings, the tax liability has been converted to refund Rs. 8.702 million. The matter is presently in litigation at both the Appellate Tribunal Inland Revenue, Islamabad and Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.13 Deputy Commissioner Inland Revenue, under section 122(5A), initially demanded Rs. 3,058.732 million for Tax Year 2014. However, following appeals and proceedings, the tax liability has been reduced to Rs. 889.140 million. The matter is remanded back by the CIR(A) to the Assessment Officer. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.14 Assessment Officer, u/s 161/205, initially demanded Rs. 3.076 million for Tax Year 2014. The matter is remanded back by the CIR(A) to the assessment officer. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.



- 23.2.15 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 5,549.706 million for Tax Year 2015. However, following appeals and proceedings, the tax liability has been raised to Rs. Rs. 6,780.480 million. The matter is presently in litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.16 Assessment Officer, under sections 161/205, initially demanded Rs. 26.628 million for Tax Year 2015 under section 155 of the Income Tax Ordinance (ITO), 2001. After appeals, the reduced tax liability is now Rs. 14.183 million. The Bank has appealed to the Appellate Tribunal Inland Revenue, Islamabad. The second demand of Rs. 2.270 million under section 155. However, on appeal, the Commissioner of Inland Revenue (Appeals) subsequently remanded the case back to the Assessing Officer. The third demand of Rs. 0.412 million was raised under section 153(1)(b) of ITO, 2001. Subsequently, it has been cancelled by the Appellate Tribunal Inland Revenue (ATIR), but the appeal effect is awaited from the Assessing Officer. The fourth demand of Rs. 0.207 million was raised under section 153(1)(b). However, on appeal, the Commissioner of Inland Revenue (Appeals) subsequently remanded the case back to the Assessing Officer. The fifth demand of Rs. 9.495 million under section 149 has been annulled by the Commissioner of Inland Revenue (Appeals), but appeal effects are awaited from the Assessing Officer. The sixth demand of Rs. 63.469 million was raised under section 151. Following appeals and proceedings, the tax liability has been reduced to Rs. 27.155 million. However, the Bank filed a second appeal against this order. The Bank has not accounted for the demands as tax payables, as favourable decisions are expected.
- 23.2.17 The Additional Commissioner of Inland Revenue initially raised a demand u/s 122(5A) of Rs. 1,510,521 million for the Tax Year 2016. However, due to subsequent appeals and proceedings, the demand has been converted into a refund of Rs. 416.325 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue in Islamabad. The Additional Commissioner of Inland Revenue issued two assessments under sections 161/205 orders: one for Rs. 63.243 million under section 151 and another for Rs. 161.180 million under section 149 for Tax Year 2016. After appeals, the tax demand under section 151 was reduced to Rs. 60.377 million. Meanwhile, for the demand under section 149, the Commissioner annulled the orders, and the appeal effects are still pending. The bank filed a second appeal against the remaining demand of Rs. 60.377 million. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.18 Assessment Officer, under section 122(5A), initially raised a demand of Rs. 361.752 million for Tax Year 2017, but this order was rectified under section 221(1), resulting in a tax refundable of Rs. 679.294 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.19 The Assessment Officer, in accordance with section 122(5A), initially issued a demand of Rs. 12,870.191 million for Tax Year 2018. However, this order was subsequently revised due to an audit under section 177(1), resulting in a revised tax demand of Rs. 14,435.571 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.20 Assessment Officer, under section 122(5A), initially raised a demand of Rs. 983.653 million for Tax Year 2019. However, following subsequent appeals and proceedings, the demand has been reduced to Rs. 591.975 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.21 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 4,085.176 million for Tax Year 2020. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.22 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 6,425.014 million for Tax Year 2021. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.23 The Assessment Officer, on May 4 and May 5, 2023, issued orders under section 4(B) and section 122(5A) of the Income Tax Ordinance, 2001, raising demands of Rs. 1,392.216 million and Rs. 3,384.615 million for the Tax Year 2022, respectively. Subsequently, the Assessment Officer rectified the order under section 221(1)/122(5A), resulting in an increased demand of Rs. 4,175.031 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.24 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 6,208.164 million for the Tax Year 2023. The matter is presently under litigation at the Commissioner Appeal Inland Revenue, Islamabad. The Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.25 The cases relating to Federal Excise Duties / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012, consisting of Contingent Liabilities amounting to Rs.825.121, were contested by the Bank at various forums. No provision has been recognized as the Bank is confident for a favourable outcome. In the latest development, Islamabad High Court(IHC) vide order No.FERA No.03/2014 and FERA No.02/2014 both dated February 6, 2023 decided the case in favour of the Bank for the Tax Year 2011 and 2012 and deleted the alleged tax demand of Rs.343 million. No provision for balance contingent liabilities amounting to Rs. 482.121 million has been recognized as the Bank is confident for a favourable outcome.
- 23.2.26 DCIR passed orders relating to FED for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 738.892 million and Rs. 681.109 million respectively. The ATIR in its order cancelled the Assessment Orders but the department has filed reference application before Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.27 DCIR passed orders relating to Sales Tax for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 4.470 million (Rs. 1.822 million on advertisement and Rs. 2.647 million on fixed assets) and Rs. 13.295 million (Rs. 2.273 million on advertisement and Rs. 11.122 million on fixed assets) respectively. ATIR deleted the addition on fixed assets on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses on which tax amount of Rs. 4.096 million was involved. However, the department has filed reference application before Islamabad High Court, Islamabad on the issue of fixed asset deletion. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.



- 23.2.28 Commissioner, Punjab Revenue Authority (PRA) passed order relating to the period ended December 2016 creating a demand of Rs. 10.06 million. The Appellate Tribunal, PRA, while addressing the Bank's appeal, remanded back the case to the Assessment Officer. The Learned DC (PRA) created demand of Rs.10.3 million. The Appellate Tribunal (PRA) upheld the order passed by the Commissioner Appeals. The Bank has filed reference application before the Honourable Lahore High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.29 ATIR, Sindh Revenue Board (SRB) passed the order for the Sales Tax on Services for the period July 2011 to December 2011 creating demand of Rs 4.69 million. ATIR passed the order in favour of the bank wherein addition to Sales Tax against Postal Charges were deleted. However, SRB filed reference application before SHC, U/S 151 CPC 1908. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.30 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. The appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.31 Assistant Commissioner, Sindh Revenue Board (SRB) passed as order for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.32 Order was passed by Deputy Commissioner, FBR for Tax Year 2015/16 creating demand of Rs. 712 million. ATIR decided the case in favour of the bank. The department (FBR) has filed reference application before honourable Islamabad High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.33 An order was passed by Deputy Commissioner, IR (FBR) creating a demand of Rs. 29.121 million for Tax Year 2019 (Jan -2019 to Dec-2019). Both the bank and department (FBR) filed appeal before Appellate Tribunal (IR). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- Kissan Support Services (Private) Limited

- 23.2.34 Sales Tax Department (STD) served show cause notice dated March 16, 2023 for the tax period Jan to Dec 2018 vide which the Company was required to charge and pay sales tax on sales and services declared in income tax return at Rs. 1,289.021 million (this is inclusive of reimbursable expenses) for the tax year 2018, whereas, declared sales in sales tax return for the corresponding tax period stand at Rs. 138.653 million (service charges value only) therefore sales tax amounting to Rs. 184.059 million is recoverable from Company u/s 11(2) of STA 1990 read with ICT (Tax on Services) Ordinance 2001. Moreover, STD claims sales tax recoverable Rs.0.732 million due to disposal of vehicles and purchase of fixed assets thus, total claim of the STD is Rs.184.792 million. The Company submitted reply on April 10, 2023 through tax consultant and an hearing was conducted on May 2, 2023 but decision is still pending. This unjustified tax demand is likely to be deleted. Hence, no provision has been made as the management is confident that the case will be decided in favor of the Company.

- 23.2.35 An order was passed by STD u/s 11(2) dated January 23,2023 vide which the Company was required to charge and pay sales tax on sales and services declared in income tax return at Rs. 1,137.505 million (this is inclusive of reimbursable expenses) for the tax year 2021, whereas, declared sales in sales tax return for the corresponding tax year stand at Rs. 121.633 million (this is only service charges) therefore sales tax amounting to Rs. 162.539 million is recoverable from the Company along with default surcharges and penalty amounting to Rs. 39.610 million and Rs. 8.252 million respectively. An appeal was filed before CIR (Appeal-IV) on Feb 2, 2023 and an hearing was conducted on July 6, 2023 but decision is still pending. This unjustified tax demand is likely to be deleted. Hence, no provision has been made as the management is confident that the decision will be decided in favor of the Company.
- 23.2.36 An order was passed by the STD u/s 122(5A) dated June 11, 2022 vide which the tax demand is raised of Rs. 8.684 million against erroneous refund adjustment made by the Company for the tax year 2016. An appeal was filed before CIR (Appeal-IV) who has annulled this unjustified demand vide order dated December 2, 2022. However, department has filed second appeal with ATIR, Islamabad which is pending for adjudication. No provision has been made as the management is confident that the decision will be decided in the favor of the Company.
- 23.2.37 An order was passed by the STD u/s 122 (5A) dated August 11, 2022 vide which the tax demand is raised of Rs. 35.167 million against erroneous refund adjustment made by the Company for the tax year 2017. An appeal was filed before CIR (Appeal-IV) based on favorable decision in same case for tax year 2016. No provision has been made as the management is confident that the decision will be decided in the favor of the Company.
- 23.2.38 The Officer Inland Revenue LTU, Islamabad has initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2009 and 2011 and created a demand of Rs.32 million. The Company submitted detailed reply in June 2015 against the show cause with complete documentary evidences, the case is pending for adjudication. No provision has been made as the management is confident that the decision of the case will be decided in the favor of Company.
- 23.2.39 The Company is facing claims launched in various Courts filed by the employees, pertaining to service promotion, dismissal from service and entry into company's premises and others. The matters are still pending before the Courts. As no financial impact is involved in most of the cases, therefore, the liability is not accurately quantifiable (2022: same as mentioned).

	2023	2022
	Rupees in '000	
23.3 Commitments against		
Capital expenditure	417,926	404,071
Consultancy expenditure	5,628	5,628
24 MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	21,938,959	15,828,212
Investments	114,378,666	19,017,858
Securities purchased under resale agreement	1,707,104	1,685,051
Call money lendings	2,001,900	759,478
Balances with banks	2,287,499	2,135,540
Bai Muajjal income	1,964	10,256
	<u>142,316,092</u>	<u>39,436,395</u>

	Note	2023 Rupees in '000	2022
25 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		7,832,101	3,479,719
Redeemable preference shares - SBP		4,084,615	4,084,615
Securities sold under repurchased agreement		104,147,978	16,907,440
Call borrowings		1,621,298	187,742
On lease liability against right-of-use assets		118,859	112,367
Bank commission and other charges		15,622	10,324
		<u>117,820,473</u>	<u>24,782,207</u>
26 FEE AND COMMISSION INCOME			
Branch banking customer fees		62,776	38,839
Credit related fees		1,245,576	1,021,226
Commission / exchange gain on remittances including home remittances		3,693	5,472
		<u>1,312,045</u>	<u>1,065,537</u>
27 GAIN ON SECURITIES			
Realised	27.1	<u>266,525</u>	<u>32,879</u>
27.1 Realised gain on:			
Federal Government Securities		<u>266,525</u>	<u>32,879</u>
28 OTHER INCOME			
Rent on property		33,347	31,631
Gain on sale of fixed assets - net		35,441	5,022
Gain on sale of non banking assets - net	15.5.2	9,005	7,376
Deferred income amortization	20.3	503	528
Discount income		525,786	95,831
Others	28.1	243,607	20,670
		<u>847,689</u>	<u>161,058</u>
28.1 Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.			

	Note	2023 Rupees in '000	2022
29 OPERATING EXPENSES			
Total compensation expense	29.1	11,773,764	9,770,958
Property expense			
Rent & taxes		18,513	13,949
Insurance		16,212	15,860
Utilities cost		346,211	269,510
Repair and maintenance (including janitorial charges)		216,796	116,076
Depreciation - right of use assets		256,969	255,892
Depreciation	12.2	36,556	38,216
		891,257	709,503
Information technology expenses			
Software maintenance		76,084	4,198
Hardware maintenance		84,972	47,653
Depreciation	12.2	58,864	47,253
Amortisation	13	58,258	46,466
Network charges		131,772	134,859
		409,950	280,429



	Note	2023	2022
		Rupees in '000	
Other operating expenses			
Directors' fees and allowances		19,277	8,131
Fees and allowances to Shariah Board		6,168	3,617
Legal and professional charges		205,392	209,539
Travelling and conveyance	78	121,584	114,834
NIFT clearing charges		22,974	19,801
Depreciation	12.2	123,673	147,093
Training and development		40,144	9,964
Postage and courier charges		31,776	24,872
Communication		29,213	34,756
Stationery and printing		81,396	60,223
Marketing, advertisement and publicity		40,268	17,603
Auditors Remuneration	29.2	7,535	7,390
Donations	29.3	-	86,400
Motor vehicle expenses		707,352	512,717
Others		163,969	154,685
		<u>14,675,692</u>	<u>12,172,515</u>
29.1 Total compensation expense			
Salaries		6,151,555	5,257,578
Cash bonus / awards etc.		1,008,984	752,816
Charge / (reversal) for defined benefit plans:	38.6.5		
- Pension scheme		1,370,721	1,379,452
- Benevolent scheme - officers / executives		211,396	(16,439)
- Benevolent scheme - clerical / non-clerical		(31,692)	(62,045)
- Gratuity under old staff regulations		-	(13,599)
- Gratuity scheme - staff regulation 2005		(25,681)	98,537
- Gratuity scheme of the Company		81,901	66,254
- Employees' compensated absences		100,739	98,266
		1,707,384	1,550,426
Contribution to defined contribution plan	38.1.9	44,425	40,329
Rent and house maintenance		459,103	462,194
Utilities		90,781	99,911
Medical	29.1.1	1,970,584	1,441,174
Conveyance		340,948	166,530
Grand Total		<u>11,773,764</u>	<u>9,770,958</u>
29.1.1	This includes post retirement medical benefit amounting to Rs. 1,733.045 million (2022: Rs. 1,207.603 million).		
29.2 Auditors' remuneration			
		2023	2022
		Rupees in '000	
Audit fee		2,242	2,227
Fee for half year review		582	531
Other certifications		2,310	2,310
Sales tax		821	742
Out of pocket expenses		1,580	1,580
		<u>7,535</u>	<u>7,390</u>



	Note	2023 Rupees in '000	2022 Rupees in '000
29.3 Donations			
Details of donations exceeding Rupees 0.5 million is as under;			
-Prime Minister Flood Relief Fund, Government of Pakistan		-	50,000
-Akhwat Islamic Micro Finance, Lahore		-	15,000
-Narcotics Control / Canteen Store Department, Government of Pakistan		-	20,000
-NED University, Karachi		-	600
		<u>-</u>	<u>85,600</u>
30 OTHER CHARGES			
Penalties imposed by SBP		<u>39,804</u>	<u>-</u>
31 PROVISIONS AND WRITE-OFFS - NET			
Provisions against loans & advances	11.3.4	4,427,486	3,840,195
Fixed assets charged-off		1,043	442
Provision / (reversal) against other assets - net	15.6.1	49,177	(24,773)
Bad debts written off directly		-	41
Recovery of written off / charged off bad debts		(9,982,882)	(7,468,993)
		<u>(5,505,176)</u>	<u>(3,653,088)</u>
32 TAXATION			
Current		7,939,826	4,886,576
Prior year		(8,047)	-
Deferred		(1,235,340)	(2,527,546)
	32.1	<u>6,696,439</u>	<u>2,359,030</u>
32.1 Relationship between income tax expense and accounting profit			
		2023	2022
		Rupees in '000	
Accounting profit for the year		<u>17,847,288</u>	<u>7,536,317</u>
Tax rate		<u>49%</u>	<u>43%</u>
Tax on accounting income		8,745,171	3,240,616
Tax effect of permanent differences			
Penalties imposed by SBP		13,931	-
Repair allowance and rent collection allowance allowed against rental income		(3,921)	(3,264)
		10,010	(3,264)
Tax effect of prior years		(8,047)	-
Others		(2,050,695)	(878,322)
Tax charge for the year		<u>6,696,439</u>	<u>2,359,030</u>
33 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after tax for the year - Rupees in '000		<u>11,150,849</u>	<u>5,177,287</u>
Weighted average number of ordinary shares		<u>5,267,843,241</u>	<u>5,267,843,241</u>
Earnings per share - basic and diluted (Rupees)		<u>2.12</u>	<u>0.98</u>
33.1	There is no dilutive effect on the basic earnings per share of the Bank.		

	Note	2023 Rupees in '000	2022
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	3,661,179	2,580,409
Balances with other banks	8	31,925,611	12,615,407
		<u>35,586,790</u>	<u>15,195,816</u>
		2023	2022
		Number	
35 STAFF STRENGTH			
Permanent		3,803	4,163
Contractual		3,327	3,388
Total staff strength		<u>7,130</u>	<u>7,551</u>
36 CREDIT RATING			
VIS Credit Rating Company Limited in its report dated June 22, 2023 has reaffirmed credit rating of the Bank at AAA (2022: AAA) with stable outlook and short-term credit rating of A-1+ (2022: A-1+).			
37 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			
	Note	2023 Rupees in '000	2022
Profit before taxation		17,847,288	7,536,317
Less: Dividend income		(135,730)	(142,082)
		<u>17,711,558</u>	<u>7,394,235</u>
Adjustments:			
Depreciation	12.2	219,093	232,562
Depreciation on right-of-use assets		256,969	255,892
Amortization	13	58,258	46,466
Amortization of deferred income	20.3	(503)	(528)
Markup on lease liability on right-of-use assets		118,859	112,367
Provisions and write-offs	31	4,477,706	3,815,905
Provision for employees post retirement medical benefits	38.6.5	1,733,045	1,207,603
Charge for defined benefit plans - net	29.1	1,707,384	1,550,426
Gain on securities		(266,525)	(32,879)
Gain on sale of operating fixed assets	28	(35,441)	(5,022)
		<u>8,268,845</u>	<u>7,182,792</u>
		<u>25,980,403</u>	<u>14,577,027</u>

38 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Group operates the following retirement benefit plans for its employees:

Pension Scheme - funded
Benevolent Scheme - funded
Employees Gratuity Scheme - funded
Post Retirement Medical Benefits - unfunded
Employees Compensated Absences - unfunded
Gratuity scheme of the Company
Defined Contribution Plan

38.1 Brief description of each fund is as follows:

38.1.1 Pension scheme

The Bank operates an approved pension scheme for employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives. The contributions are made on the basis of actuarial recommendation.

38.1.2 Benevolent scheme - officers

The Bank operates an approved funded benevolent scheme for all officers / executives of the Bank for which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 200, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.3 Benevolent scheme - staff

The Bank operates an approved funded benevolent scheme for all clerical / non-clerical staff for which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.4 Gratuity under old Staff Regulations - SSR 1961

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation. The assets and liabilities has been transferred to the pension scheme.

38.1.5 Gratuity under Staff Regulations - 2005 (SR-2005)

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005. Contributions to this Fund are made by the Bank on the basis of actuarial valuation.

38.1.6 Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

38.1.7 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

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38.1.8 Gratuity scheme of the Company

The scheme provides for terminal benefits for all permanent employees of the Company whose period of service is atleast one year. Employees are entitled to gratuity on the basis set out in the Company's staff regulations.

38.1.9 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 1,630 (2022: 1,885) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made only by employees at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 2,127 (2022: 2,271) employees governed under SR-2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank, if their remaining service is more than ten years from the date of option / appointment, at the rate of 2% of monetized salary per month. During the year, the Bank contributed Rs. 44,425 million (2022: Rs.40,329 million) in respect of this fund.

The Bank has contributory provident fund scheme for benefit of all its permanent employees. The Funds are maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Bank. The titles of the funds are as follow;

Employees Provident Fund;
 Employees Provident Fund (Officers);
 Employees Provident Fund (Staff); and
 Employees Contributory Provident Fund

The size of the Funds at the reporting date was Rs. 6,721.05 million (2022: Rs. 6,057.80 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 6,489.05 million (2022: Rs. 5,924.44 million) which is equal to 96.55% (2022: 97.80%) of the total fund size. The fair values of the investments amount to Rs. 6,721.05 million (2022: Rs. 6,057.80 million) at that date. The category wise break up of investment is given below:

	2023	2022
	Rupees in '000	
Term Deposit Receipts	5,434,300	3,037,000
Government securities	1,054,753	2,887,436
	<u>6,489,053</u>	<u>5,924,436</u>

38.2 Funding policy

Schemes are funded on the basis of actuarial recommendation subject to maximum permissible limits under Income Tax rules. Any deficit in defined benefit plans is to be met by the Bank.

38.3 Risks associated with defined benefit plans

Investment risk

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

38.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2023. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2023	2022
 %	
Valuation discount rate - pension & medical scheme under SSR-1961	15.50	14.50
Valuation discount rate - all other schemes	15.50	14.50
Expected rate of increase in salary	13.50	12.50
Expected rate of return on plan assets - pension fund	15.50	14.50
Expected rate of return on plan assets - other funds	15.50	14.50
Expected rate of increase in pension	11.25	10.25
Expected rate of medical inflation - allowances	15.50	12.50
Expected rate of medical inflation - hospitalization	13.50	14.50

38.5 Number of employees under the scheme

The number of employees (including beneficiaries) covered under the following defined benefit schemes are:

	2023	2022
	Number	
- Pension Scheme - funded	4,915	4,996
- Benevolent Scheme (officers) - funded	3,439	4,846
- Benevolent Scheme (staff) - funded	318	893
- Gratuity under old Staff Regulations - SSR 1961	-	-
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,127	2,271
- Post Retirement Medical Benefits - unfunded	7,036	6,093
- Employees Compensated Absences - unfunded	3,757	4,156
- Gratuity scheme of the Company	1,457	1,497

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38.6 Defined benefit plans

38.6.1 Reconciliation of payable to / (receivable from) defined benefit plans

Note	Pension	2023						Employees compensated absences	Gratuity scheme of the Company
		Benevolent scheme			Gratuity				
		Officers	Staff	SSR-1961	SR-2005	Post retirement medical	SSR-1961			SR-2005
		Rs. in '000							
38.6.2	18,827,410	896,883	123,702	-	1,638,864	9,409,455	1,926,253	372,811	
38.6.3	(12,981,730)	(1,249,176)	(833,511)	-	(2,779,858)	-	-	-	
38.6.4	5,845,680	(352,293)	(709,809)	-	(1,140,994)	9,409,455	1,926,253	372,811	
	-	352,293	709,809	-	-	-	-	-	
	5,845,680	-	-	-	(1,140,994)	9,409,455	1,926,253	372,811	
		2022							
		Rs. in '000							
		Benevolent scheme			Gratuity				
		Officers	Staff	SSR-1961	SR-2005	Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	
		Rs. in '000							
		19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516	
		(12,138,053)	(1,197,179)	(722,950)	-	(2,293,810)	-	-	
		7,633,256	(568,639)	(617,363)	-	(705,747)	10,063,017	2,087,516	
		-	568,639	617,363	-	-	-	-	
		7,633,256	-	-	-	(705,747)	10,063,017	2,087,516	
								345,523	

38.6.2 Movement in defined benefit obligations

	2023					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
	Rs. in '000					
Obligations at the beginning of the year	19,771,309	105,587	-	1,588,063	10,063,017	2,087,516
Current service cost	276,671	37,932	-	162,504	321,764	48,951
Interest cost	2,756,457	76,587	-	140,011	1,411,281	215,850
Past service cost	-	262,780	-	-	-	-
Benefits paid	(1,522,523)	(200,712)	(34,171)	(228,530)	(369,657)	(262,003)
Contribution - employees	-	(8,028)	(1,290)	-	-	-
Re-measurement loss / (gain)	(2,454,504)	99,784	(18,466)	(23,184)	(2,016,950)	(164,062)
Obligations at the end of the year	18,827,410	896,883	123,702	1,638,864	9,409,455	1,926,253

	2022					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
	Rs. in '000					
Obligations at the beginning of the year	21,162,181	776,160	121,680	-	1,625,653	7,964,423
Current service cost	321,996	40,075	3,245	-	165,786	294,524
Interest cost	2,392,443	84,524	13,532	-	175,656	913,079
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	(387,079)
Contribution - employees	-	(8,358)	(1,487)	-	-	-
Re-measurement loss / (gain)	(2,503,387)	(150,243)	(18,354)	-	(117,611)	(200,523)
Obligations at the end of the year	19,771,309	628,540	105,587	-	1,588,063	10,063,017

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38.6.3 Movement in fair value of plan assets

Note	Pension	2023				Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
		Benevolent scheme		Gratuity				
		Officers	Staff	SSR-1961	SR-2005			
		Rs. in '000						
Fair value at the beginning of the year	12,138,053	1,197,179	722,950	-	2,293,810	-	-	
Interest income on plan assets	1,662,407	157,875	102,444	-	328,196	-	-	
Benefits paid	(1,522,523)	(200,712)	(34,171)	-	(228,530)	-	-	
Contributions - employer	176,172	8,028	1,290	-	167,750	-	-	
Contributions - employees	-	8,028	1,290	-	-	-	-	
Transferred from gratuity to pension	-	-	-	-	-	-	-	
Re-measurements: Net return on plan assets over interest income gain / (loss)	527,621	78,778	39,708	-	218,632	-	-	
Fair value at the end of the year	12,981,730	1,249,176	833,511	-	2,779,858	-	-	
		Rs. in '000						
		Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
		Officers	Staff	SSR-1961	SR-2005			
		Rs. in '000						
Fair value at the beginning of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-	-	
Interest income on plan assets	1,334,987	132,680	77,335	13,599	242,905	-	-	
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	-	-	
Contributions - employer	200,182	8,358	1,487	-	185,085	-	-	
Contributions - employees	-	8,358	1,487	-	-	-	-	
Transferred from gratuity to pension	122,876	-	-	(122,876)	-	-	-	
Re-measurements: Net return on plan assets over interest income gain / (loss)	19,471	(16,237)	(7,528)	(6,467)	21,794	-	-	
Fair value at the end of the year	12,138,053	1,197,179	722,950	-	2,293,810	-	-	



38.6.5 Charge / (reversal) for defined benefit plans
 38.6.5.1 Cost recognised in profit and loss

	2023						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Pension							
	Rs. in '000						
Current service cost	37,932	2,409	-	162,504	321,764	48,951	33,777
Net interest on defined benefit asset / liability	(81,288)	(89,611)	-	(188,185)	1,411,281	215,850	48,124
Actuarial (Gain) / Losses	-	-	-	-	-	(164,062)	-
Past service cost	262,780	56,800	-	-	-	-	-
Contributions - employees	(8,028)	(1,290)	-	-	-	-	-
	211,396	(31,692)	-	(25,681)	1,733,045	100,739	81,901

	2022						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Pension							
	Rs. in '000						
Current service cost	40,075	3,245	-	165,786	294,524	50,929	31,516
Net interest on defined benefit asset / liability	(48,156)	(63,803)	(13,599)	(67,249)	913,079	247,860	34,738
Actuarial (Gain) / Losses	-	-	-	-	-	(200,523)	-
Contributions - employees	(8,358)	(1,487)	-	-	-	-	-
	(16,439)	(62,045)	(13,599)	98,537	1,207,603	98,266	66,254

38.6.5.2 Re-measurements recognised in OCI during the year

	2023						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Loss / (gain) on obligation :							
- experience adjustment	99,784	(18,466)	-	(23,184)	(2,016,950)	-	(41,721)
Return on plan assets over interest income	(78,778)	(39,708)	-	(218,632)	-	-	-
Asset ceiling adjustment	(224,374)	91,156	-	-	-	-	-
Total re-measurement recognised in OCI	(203,368)	32,982	-	(241,816)	(2,016,950)	-	(41,721)

2022

Pension	Benevolent scheme		Gratuity			Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	
	Officers	Staff	SSR-1961	SR-2005	SR-2005				
			Rs. in '000						
(2,503,387)	(150,243)	(18,354)	-	-	(117,611)	1,278,070	-	(33,900)	
(19,471)	16,237	7,528	6,467	-	(21,794)	-	-	-	
-	158,803	74,358	-	-	-	-	-	-	
(2,522,858)	24,797	63,532	6,467	(139,405)	-	1,278,070	-	(33,900)	

Loss / (gain) on obligation :
 - financial assumptions
 - experience adjustment
 Return on plan assets over interest income
 Asset ceiling adjustment
 Total re-measurement recognised in OCI

38.6.6 Components of plan assets

2023

Pension	Benevolent scheme		Gratuity			Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	
	Officers	Staff	SSR-1961	SR-2005	SR-2005				
			Rs. in '000						
11,423,074	793,866	595,382	-	1,703,421	-	-	-	-	
1,891,474	523,744	250,506	-	1,092,426	-	-	-	-	
13,314,548	1,317,610	845,888	-	2,795,847	-	-	-	-	

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

2022

Pension	Benevolent scheme		Gratuity			Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	
	Officers	Staff	SSR-1961	SR-2005	SR-2005				
			Rs. in '000						
6,995,409	543,750	475,522	-	1,343,224	-	-	-	2,911	
4,506,271	653,429	247,428	-	944,586	-	-	-	-	
636,373	-	-	-	6,000	-	-	-	-	
12,138,053	1,197,179	722,950	-	2,293,810	-	-	-	2,911	

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

38.6.7 Sensitivity analysis

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	..... Rs. in '000						
Current liability	896,883	123,702	-	1,638,864	9,409,455	1,926,253	372,811
+1% discount rate	882,762	121,492	-	1,507,200	8,570,110	1,785,988	342,713
-1% discount rate	911,897	126,045	-	1,795,110	10,401,388	2,091,357	407,357
+1% salary increase	-	-	-	1,804,490	9,532,449	2,101,998	409,343
-1% salary increase	-	-	-	1,497,350	9,297,636	1,774,801	340,549
+1% pension increase / medical inflation rate	-	-	-	-	9,326,903	-	-
-1% pension increase / medical inflation rate	-	-	-	-	8,104,754	-	-
+10% withdrawal rates	-	-	-	-	-	-	-
-10% withdrawal rates	-	-	-	1,640,090	-	-	373,714
1 year mortality age set back	-	-	-	1,637,630	-	-	371,875
1 year mortality age set forward	-	-	-	1,641,100	-	-	372,684
	-	-	-	1,636,600	-	-	372,936

38.6.8 Maturity profile

Weighted average duration of obligation (in years)	1.63	1.84	0	8.78	9.88 for SSR-1961 7.95 for SR-2005	7.92	8.85
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38.6.9 Expected charge / (reversal) for next year

	1,039,481	(21,103)	(98,416)	15,398	1,616,116	333,638	87,833
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38.6.10 Expected contribution for next year

	456,905	12,302	1,294	380,208	-	-	-
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39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	Rupees in '000					
Fees and Allowances etc.	810	12,050	565	-	-	-
Managerial Remuneration:	-	-	5,077	10,915	101,531	96,117
Salaries	-	-	526	-	12,954	16,942
Cash bonus / awards etc.	-	-	-	-	4,701	7,005
Charge for defined benefit plan	-	-	-	-	940	1,443
Contribution to defined contribution plan	-	-	-	-	10,435	1,941
Rent & house maintenance	-	-	-	7,555	2,299	452
Utilities	-	-	-	549	3,469	407
Medical	-	-	-	12	6,141	7,860
Conveyance	-	-	-	17,885	-	-
Club Facility	-	-	-	1,810	-	-
Drivers & Servants Salary	-	-	-	485	-	-
Total	810	12,050	6,168	39,211	142,470	132,167
Number of Persons	1	6	3	1	16	38
Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	Rupees in '000					
Fees and Allowances etc.	105	3,985	177	-	-	-
Managerial Remuneration:	-	-	3,440	22,694	82,122	62,895
Salaries	-	-	-	-	9,288	14,474
Cash bonus / awards etc.	-	-	-	-	5,560	4,803
Charge for defined benefit plan	-	-	-	-	1,012	816
Contribution to defined contribution plan	-	-	-	-	742	1,607
Rent & house maintenance	-	-	-	12,481	186	402
Utilities	-	-	-	712	167	377
Medical	-	-	-	948	656	434
Conveyance	-	-	-	-	-	-
Club Facility	-	-	-	2,398	-	-
Leave fare assistance	-	-	-	3,404	-	-
Total	105	3,985	3,617	42,637	99,733	85,808
Number of Persons	1	7	3	1	16	38

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39.2 The Chief Executive, Key Management Personnel and other material risk takers / controllers, governed under SSR-1961, have been provided with Bank maintained cars whereas those governed by SR-2005, have been provided cars under Car Loan Depreciation Policy (CLDP).

39.3 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	Meeting Fees and Allowances Paid										Total Amount Paid
		For Board Committees										
		For Board Meetings	For Annual General Meeting	Audit	Product Development & Marketing	Information Technology & Agriculture Technology	Nomination	Human Resource Management	Procurement	Risk		
	 Rupees in '000										
1	Mr. Naeemuddin Khan	440	160	-	60	-	-	150	-	-	-	810
2	Syed Javed	840	320	300	170	180	-	930	60	295	3,095	
3	Mr. Zaigham Mahmood Rizvi	840	320	300	230	-	-	930	120	295	3,035	
4	Mr. Haaris Mahmood Chaudhary	680	320	240	-	180	-	810	120	-	2,350	
5	Mr. Ahmed Taimoor	600	160	240	-	60	-	630	120	270	2,080	
6	Muhammad Aslam Ghauri	240	160	60	-	-	-	240	-	25	725	
7	Mr. Zafar Hasan	400	160	-	85	120	-	-	-	-	765	
	Total	4,040	1,600	1,140	545	540	-	3,690	420	885	12,860	

Sr. No.	Name of Director	Meeting Fees and Allowances Paid										Total Amount Paid
		For Board Committees										
		For Board Meetings	For Annual General Meeting	Audit	Product Development & Marketing	Information Technology & Agriculture Technology	Nomination	Human Resource Management	Procurement	Risk		
	 Rupees in '000										
1	Mr. Nadeem Lodhi	80	-	-	-	-	-	25	-	-	105	
2	Syed Javed	360	40	175	125	-	-	175	-	125	1,000	
3	Mr. Zaigham Mahmood Rizvi	360	40	200	125	-	-	200	-	125	1,050	
4	Mr. Haaris Mahmood Chaudhary	360	40	200	-	-	-	200	-	-	800	
5	Mr. Abdul Ghufuran	80	-	-	75	-	-	25	-	-	180	
6	Muhammad Aslam Ghauri	360	40	200	-	-	-	150	-	125	875	
7	Mr. Zafar Hasan	80	-	-	-	-	-	-	-	-	80	
	Total	1,680	160	775	325	-	-	775	-	375	4,090	

Zafar

39.4 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Meeting Fees and Allowances	243	140	182	-	-	177
Contractual salary	1,875	1,969	1,233	-	1,575	1,865
Cash bonus	207	131	188	-	-	-
Total	2,325	2,240	1,603	-	1,575	2,042
Total Number of Persons	1	1	1	0	1	1

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40 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

40.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

40.2 Valuation technique used & key inputs

Revaluation rates for Treasury Bills and Pakistan Investment Bonds are contributed by money market brokers on daily basis while for listed securities daily prices are shared by Pakistan Stock Exchange.

Investment in subsidiary and other unlisted securities have not been carried out at fair value in accordance with the SBP guidelines.

40.3 Fair value of financial assets

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2023			
	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	366,131,111	-	366,131,111
- Shares	3,531,810	-	-	3,531,810
- Debt securities (TFCs, Sukuk)	2,449,199	-	-	2,449,199
	<u>5,981,009</u>	<u>366,131,111</u>	<u>-</u>	<u>372,112,120</u>
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	301,598,693	-	301,598,693
- Shares	2,527,334	-	-	2,527,334
- Debt securities (TFCs, Sukuk)	2,623,658	-	-	2,623,658
	<u>5,150,992</u>	<u>301,598,693</u>	<u>-</u>	<u>306,749,685</u>
 Rupees in '000			

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41 SEGMENT INFORMATION
41.1 Segment Details with respect to Business Activities:

The segment analysis with respect to business activity is as follows:

	2023				Total
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	
	..... Rupees in '000				
Profit and Loss					
Net mark-up/return/profit	10,166,772	14,111,056	217,382	409	24,495,619
Inter segment revenue - net	2,356,901	(2,587,856)	-	230,955	-
Non mark-up / return / interest income	2,096,201	266,525	1,987	197,276	2,561,989
Total Income	14,619,874	11,789,725	219,369	428,640	27,057,608
Segment direct expenses	14,437,025	58,246	140,875	79,350	14,715,496
Inter segment expense allocation	(107,762)	-	-	107,762	-
Total expenses	14,329,263	58,246	140,875	187,112	14,715,496
Provisions	(5,505,176)	-	-	-	(5,505,176)
Profit before tax	5,795,787	11,731,479	78,494	241,528	17,847,288
Statement of Financial Position					
Cash and Bank balances	3,540,495	27,925,739	4,105,763	14,793	35,586,790
Investments	-	369,922,133	2,189,987	-	372,112,120
Net inter segment lendings	31,122,666	-	-	1,556,105	32,678,771
Lendings to financial institutions	-	5,960,700	600,000	-	6,560,700
Advances - performing	85,398,098	-	-	-	85,398,098
- non-performing (net of provision)	20,109,562	-	-	-	20,109,562
Others	34,764,340	7,500,019	237,019	156,873	42,658,251
Total Assets	174,935,161	411,308,591	7,132,769	1,727,771	595,104,292
Borrowings	54,461,536	344,337,663	1,078,500	-	399,877,699
Subordinated debt	-	-	-	-	-
Deposits & other accounts	50,756,424	-	5,106,873	-	55,863,297
Net inter segment borrowing	1,556,105	30,522,666	500,000	100,000	32,678,771
Others	27,078,576	3,730,261	83,237	519,214	31,411,288
Total Liabilities	133,852,641	378,590,590	6,768,610	619,214	519,831,055
Equity	72,517,466	1,622,051	25,163	1,108,557	75,273,237
Total Equity & Liabilities	206,370,107	380,212,641	6,793,773	1,727,771	595,104,292
Contingencies & Commitments	71,735,770	-	-	278,007	72,013,777

	2022				Total
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	
..... Rupees in '000					
Profit and Loss					
Net mark-up/return/profit	8,373,818	6,179,029	100,652	689	14,654,188
Inter segment revenue - net	1,347,308	(1,464,705)	-	117,397	-
Non mark-up / return / interest income	1,221,037	32,879	399	147,241	1,401,556
Total Income	10,942,163	4,747,203	101,051	265,327	16,055,744
Segment direct expenses	12,002,009	43,679	61,369	65,458	12,172,515
Inter segment expense allocation	(121,510)	-	-	121,510	-
Total expenses	11,880,499	43,679	61,369	186,968	12,172,515
Provisions	(3,653,088)	-	-	-	(3,653,088)
Profit before tax	2,714,752	4,703,524	39,682	78,359	7,536,317
Statement of Financial Position					
Cash and Bank balances	2,547,857	12,549,331	81,584	17,044	15,195,816
Investments	-	304,981,662	1,868,023	-	306,749,685
Net inter segment lending	39,570,002	-	-	1,293,028	40,863,030
Lendings to financial institutions	-	37,071,867	2,551,275	-	39,623,142
Advances - performing	73,884,456	-	-	-	73,884,456
- non-performing (net of provision)	16,567,924	-	-	-	16,567,924
Others	34,713,750	4,197,471	60,238	184,702	39,156,161
Total Assets	167,283,989	358,800,331	4,561,120	1,494,774	532,040,214
Borrowings	54,461,536	299,893,550	543,627	-	354,898,713
Subordinated debt	-	-	-	-	-
Deposits & other accounts	42,910,761	-	3,216,540	-	46,127,301
Net inter segment borrowing	1,293,028	38,970,002	500,000	100,000	40,863,030
Others	25,971,176	3,012,484	60,165	482,553	29,526,378
Total Liabilities	124,636,501	341,876,036	4,320,332	582,553	471,415,422
Equity	58,817,545	913,828	(18,802)	912,221	60,624,792
Total Equity & Liabilities	183,454,046	342,789,864	4,301,530	1,494,774	532,040,214
Contingencies & Commitments	51,447,274	-	-	287,433	51,734,707

41.2 Segment Details with respect to geographical locations

The Bank operates only in Pakistan and hence no geographical location wise disclosure is presented.

42 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

43 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its employee benefit plans, Agriculture Technology Development Fund and the Group's key management personnel.

There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 38 to these financial statements. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to President, directors and executives and disposal of vehicles to employees are disclosed in note 39 and note 12.6 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2023	2022	2023	2022	2023	2022
	..... Rupees in '000					
Investments	-	-	-	-	-	-
Advances						
Opening balance	34,458	39,528	-	-	-	-
Addition	78,570	11,845	-	-	-	-
Repaid	(58,031)	(16,915)	-	-	-	-
Closing balance	<u>54,997</u>	<u>34,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other assets						
Interest / mark-up accrued	10,608	9,397	-	-	-	-
Receivable at the end of the year	-	-	1,140,994	705,747	-	-
Deposits and other accounts						
Opening balance	2,687	7,967	9,126,458	10,239,704	236,986	219,488
Received during the year	219,470	184,396	35,825,178	38,047,598	483,205	422,633
Withdrawn during the year	(220,072)	(189,676)	(32,950,161)	(39,160,844)	(445,901)	(405,135)
Closing balance	<u>2,085</u>	<u>2,687</u>	<u>12,001,475</u>	<u>9,126,458</u>	<u>274,290</u>	<u>236,986</u>
Other liabilities						
Interest / mark-up payable	-	-	430,719	252,017	14,979	9,295
Payable at the end of the year	-	-	17,181,388	19,783,789	-	-
Income						
Mark-up / interest earned	2,302	1,526	-	-	-	-
Rental income	-	-	-	-	-	-
Expense						
Mark-up / interest paid	-	-	1,708,385	1,029,592	38,150	17,919
Compensation	164,577	135,268	-	-	-	-
Post retirement benefit	5,880	6,508	-	-	-	-
Contribution to defined benefit plan	1,221	1,133	-	-	-	-
Cost of services rendered	-	-	-	-	-	-

43.1 Transactions with Government related entities

The Federal Government through SBP holds controlling interest in the Group and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The Group in the normal course of business enters into transaction with Government-related entities. Such transactions include deposits from and provision of other banking services to Government-related entities. However, these transactions have not been treated as related parties transactions for the purpose of this disclosure.

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2023	2022
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>63,021,708</u>	<u>51,474,650</u>
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	66,784,561	49,561,886
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	66,784,561	49,561,886
Eligible Tier 2 Capital	3,425,817	2,476,117
Total Eligible Capital (Tier 1 + Tier 2)	<u>70,210,378</u>	<u>52,038,003</u>
Risk Weighted Assets (RWAs):		
Credit Risk	144,301,307	124,983,113
Market Risk	7,063,625	5,054,675
Operational Risk	34,927,413	24,428,975
Total	<u>186,292,345</u>	<u>154,466,763</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>35.85%</u>	<u>32.09%</u>
Tier 1 Capital Adequacy Ratio	<u>35.85%</u>	<u>32.09%</u>
Total Capital Adequacy Ratio	<u>37.69%</u>	<u>33.69%</u>

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (free of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2023 stands at Rs. 52.678 billion and is in compliance with the SBP requirement. In addition, the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 11.50% (2022: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2023 is 37.69% (2022: 33.69%) of its risk weighted exposure.

	2023	2022
	... Rupees in '000 ...	
Leverage Ratio (LR):		
Eligible Tier-I Capital	66,784,561	49,561,886
Total exposures	562,544,100	491,428,983
Leverage ratio	<u>11.87%</u>	<u>10.09%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	43,825,505	28,539,604
Total Net Cash Outflow	5,314,602	3,922,893
Liquidity Coverage Ratio	<u>825%</u>	<u>728%</u>
Net Stable Funding		
Total Available Stable Funding	189,685,484	171,167,420
Total Required Stable Funding	156,982,972	132,439,520
Net Stable Funding Ratio	<u>121%</u>	<u>129%</u>

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is placed on the website of the Bank. The link to the full disclosure is available at <http://www.ztbl.com.pk>.



45 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity and operational risks.

Risk management is a dynamic process of identification, measurement and monitor and control risks with the aim to optimize risk-reward trade-off. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, enterprise risk management division and its departments responsible for each category of risk i.e. Loan Review, IT risk, Collateral Management and Portfolio analytics covering Portfolio credit risk, market & liquidity risk, operational and equity position risks. The Bank's risk management function is independent of the business and operations and directly reports to the President through Chief Risk Officer. The Bank's systematic and integrated risk management function for each category of risk is as follows:

45.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio. The Bank's credit appraisal structure is well-defined. Credit appraisal, approval and review methods are integral parts of lending operations. The credit portfolio is reviewed and analysed on quarterly basis and reports are submitted to the Management for decision making.

The Obligor Risk Rating (ORR) model for fresh borrowers is in place as the credit risk rating of the borrower is a concise indicator to evaluate Bank's credit exposure. An internal rating system categorizes all credits into various classes on the basis of underlying credit quality. The ultimate objective of the system is to generate accurate and consistent risk ratings and portfolio monitoring / analysis.

Regarding Basel Accords compliance, the Bank has implemented Standardized Approach (SA) for calculation of capital charge against credit risk weighted assets.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.1 Lendings to financial institutions

Credit risk by public/ private Sector

	Gross Lending		Non-performing		Provision held	
	2023	2022	2023	2022	2023	2022
	..... Rupees in '000					
Public / Government	600,000	38,623,142	-	-	-	-
Private	5,960,700	1,000,000	-	-	-	-
	<u>6,560,700</u>	<u>39,623,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2023	2022
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	71,742,390	51,165,593
Individuals	271,387	281,681
	<u>72,013,777</u>	<u>51,447,274</u>
Credit risk by public / private sector		
Public / Government	70,915,874	50,400,405
Private	1,097,903	1,046,869
	<u>72,013,777</u>	<u>51,447,274</u>

45.1.5 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	75,166,646	-	-	-	-	-	-
Sindh	10,395,537	-	10,395,537	-	-	-	-
KPK including FATA	3,512,979	-	-	3,512,979	-	-	-
Balochistan	488,207	-	-	-	488,207	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,414,939	-	-	-	-	-	1,414,939
Total	90,978,308	75,166,646	10,395,537	3,512,979	488,207	-	1,414,939

2022

Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	59,684,400	59,684,400	-	-	-	-	-
Sindh	5,554,110	-	5,554,110	-	-	-	-
KPK including FATA	3,027,014	-	-	3,027,014	-	-	-
Balochistan	281,335	-	-	-	281,335	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	1,084,418	-	-	-	-	-	1,084,418
Total	69,631,277	59,684,400	5,554,110	3,027,014	281,335	-	1,084,418

..... Rupees in '000

45.2 Market Risk

The Bank is not involved in commercial activities like forex trading and derivative market operations. Investment portfolio of the Bank is being placed mainly in fixed income securities such as Market Treasury Bills, Pakistan Investment Bonds, etc. and the only market risk inherent in the said portfolio is interest rate risk which is being calculated through marking to market and further Bank's resilience is gauged through stress testing scenarios and interest rate sensitivity analysis.

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Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk						Not exposed to yield / interest risk				
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years		Over 3 to 5 years	Above 10 years		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	2,580,409	-	-	-	-	-	-	-	-	-	-	2,580,409
Balances with other banks	12,615,369	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	39,623,142	39,387,706	235,436	-	-	-	-	-	-	-	-	-
Investments - net	306,749,685	19,147,639	225,203,609	351,275	33,336,134	12,785,588	10,997,304	1,129,060	1,171,741	-	-	2,627,335
Advances - net	90,452,380	9,344,293	6,234,951	8,741,522	15,444,365	14,456,555	14,117,032	19,197,177	2,750,112	64,511	-	101,862
Other assets - net	18,607,506	-	-	-	-	-	-	-	-	-	-	18,607,506
	470,628,491	80,495,007	231,673,996	9,092,797	48,780,499	27,242,143	25,114,336	20,326,237	3,921,853	64,511	-	23,917,112
Liabilities												
Bills payable	580,505	-	-	-	-	-	-	-	-	-	-	580,505
Borrowings	354,898,713	67,871,739	232,565,438	-	-	-	-	-	54,461,536	-	-	-
Deposits and other accounts	47,332,694	9,802,914	5,995,227	1,522,272	23,250,958	8,888	82,430	50,000	600,000	-	-	6,020,005
Other liabilities	27,248,706	-	-	-	-	-	-	-	-	-	-	27,248,706
	430,060,618	77,674,653	238,560,665	1,522,272	23,250,958	8,888	82,430	54,511,536	600,000	-	-	33,849,216
On-balance sheet gap	40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511	(9,932,104)	
Net non-financial assets	19,144,700											
Total net assets	59,712,573											
Off-balance sheet gap												
Total yield / interest risk sensitivity gap	40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511	(9,932,104)	
Cumulative yield / interest risk sensitivity gap	2,820,354	(4,066,315)	3,504,210	29,033,751	56,267,006	81,298,912	47,113,613	50,435,466	50,499,977	40,567,873		
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:												
Total financial assets												
Add non-financial assets:												
Investment in subsidiary company	470,628,491											
Operating fixed assets and intangible	100,000											
Deferred tax assets - net	2,474,010											
Other assets	15,036,259											
Total assets as per statement of financial position	491,092,443											
Total financial liabilities												
Add non-financial liabilities:												
Other liabilities	430,060,618											
Total liability as per statement of financial position	1,319,252											
	431,379,870											

45.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Operational Loss Event Data Collection. This model has been successfully implemented in all Bank wide entities. The data of the Operational Risk Model is collected and analysed on quarterly basis and results are elevated to senior management / Internal Risk Management Committee.

With regards to Basel Accords compliance, the Bank has implemented Basic Indicator Approach (BIA) to calculate capital charge against operational risk weighted assets. Disaster recovery and business continuity plan includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

45.4 Liquidity risk

Liquidity risk is the major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. Liquidity risk is being calculated by maturity ladder of balance sheet items, liquidity stress testing, regulatory returns on liquidity standards under Basel III, and different analysis for management purpose.

2024

45.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2023

Rupees in '000

Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
Assets													
Cash and balances with treasury banks	3,661,179	3,661,179	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	31,925,573	31,925,573	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	6,560,700	6,560,700	-	-	-	-	-	-	-	-	-	-	-
Investments - net	372,212,120	-	-	-	-	-	-	-	-	-	-	-	-
Advances - net	105,507,660	1,755,765	3,779,604	2,131,591	594,813	233,582,761	17,710,000	19,397,555	11,477,771	50,615,750	26,677,751	6,223,958	
Fixed assets	2,395,551	164,639	266,226	398,048	10,902	7,843,390	13,562,975	206,332	81,388	122,260	24,728,393	13,808,005	
Intangible assets	255,925	-	-	-	-	-	-	-	255,925	-	-	-	-
Deferred tax assets - net	12,730,814	-	-	-	-	-	-	-	12,730,814	-	-	-	-
Other assets	27,126,949	439,447	8,031,654	2,067,443	1,295,350	2,522,752	817,428	11,059,642	471,733	141,300	95,043	94,460	
	562,376,471	37,781,964	6,756,940	12,209,306	4,199,034	1,901,065	11,339,385	43,272,042	277,108,085	29,781,764	64,526,357	51,952,404	21,222,803
Liabilities													
Bills payable	2,605,372	2,605,372	-	-	-	-	-	-	-	-	-	-	-
Borrowings	399,877,699	-	201,916,163	4,367,500	150,427	177,388	7,895,060	991,135	19,793,271	82,430	4,240	51,200	600,000
Deposits and other accounts	57,169,073	23,056,422	-	6,820,605	150,427	2,248,491	950,704	-	(1,759,841)	2,391,838	2,383,191	4,936,427	10,588,231
Other liabilities	28,559,646	-	-	-	-	-	-	-	-	-	-	-	-
	488,211,790	25,661,794	201,916,163	143,500,000	11,188,105	2,425,879	8,845,764	991,135	18,033,430	2,474,268	2,387,431	59,449,163	11,188,231
Net assets	74,164,681	12,120,170	(195,159,223)	(143,174,678)	1,021,201	4,048,607	(524,814)	2,493,621	42,280,907	27,307,496	62,138,926	(7,496,759)	10,034,572
Share capital	52,678,432	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	9,520,922	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	10,343,276	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,622,051	-	-	-	-	-	-	-	-	-	-	-	-
	74,164,681	-	-	-	-	-	-	-	-	-	-	-	-

2022

Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
2,580,409	2,580,409	-	-	-	-	-	-	-	96,523	-	-	-	-
12,615,369	12,518,846	-	-	-	235,436	-	-	-	(543,627)	-	-	-	-
39,623,142	38,071,867	-	1,500,000	308,191	28,059,000	51,275	7,845,900	-	17,905,454	12,545,500	2,025,000	11,218,921	1,699,910
306,849,685	-	-	20,000,000	3,701,043	3,097,366	21,585,362	7,536,091	-	6,809,433	13,336,747	9,503,391	17,457,126	2,430,117
90,452,380	1,588,601	478,350	617,914	725,258	-	5,341	-	-	88,371	188,836	136,610	445,014	793,963
2,400,851	-	-	-	-	-	-	-	-	-	55,903	17,256	-	-
73,159	-	-	-	-	-	-	-	-	15,036,259	-	-	-	-
15,036,259	-	-	-	-	-	-	-	-	9,524,580	354,433	119,359	349,755	135,404
21,461,189	392,899	84,987	110,685	5,146,069	1,231,722	800,230	1,161,342	2,049,724	9,524,580	354,433	119,359	349,755	135,404
491,092,443	17,080,755	38,635,204	2,228,599	29,880,561	32,623,524	208,678,527	30,649,220	9,585,815	48,916,993	26,481,419	11,801,616	29,470,816	5,059,394
580,505	580,505	-	-	-	-	-	-	-	-	-	-	-	-
354,898,713	34,100,000	-	-	36,308,191	225,572,613	5,000,000	-	-	(543,627)	-	-	54,461,536	-
47,332,694	14,815,799	78,499	150,000	781,999	400,000	5,595,227	1,728,441	293,444	22,747,967	8,888	82,430	50,000	600,000
28,567,958	-	-	-	230,479	45,856	4,381,195	23,287	355,683	23,520,185	68	1,261	765	9,179
431,379,870	15,396,304	34,178,499	150,000	37,320,669	226,018,469	14,976,422	1,751,728	649,127	45,724,525	8,956	83,691	54,512,301	609,179
59,712,573	1,684,451	4,456,705	2,078,599	(7,440,108)	(193,394,945)	193,702,105	28,897,492	8,936,688	3,192,468	26,472,463	11,717,925	(25,041,485)	4,450,215
	52,678,432												
	7,324,095												
	(1,203,782)												
	913,828												
	59,712,573												

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments - net
Advances - net
Fixed assets
Intangible assets
Deferred tax assets - net
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

Net assets

Share capital
Reserves
Unappropriated loss
Surplus on revaluation of assets

46 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 MAR 2024 by the Board of Directors of the Bank.

48 GENERAL

The figures in the financial statements are rounded off to the nearest thousand rupees.



President



Chief Financial Officer



Director



Director

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2023

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	CNIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Principal written off	Interest/ markup written-off / waived	Other financial relief provided	Total (10+11+12)
					Principal	Interest / markup	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
0												
0												
NIL												
..... Rupees in '000												

72964

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 25 (2022: 5) Islamic banking branches and 10 (2022: NIL) Islamic branches windows at the end of the year.

	Note	2023 Rupees in '000	2022
ASSETS			
Cash and balances with treasury banks		282,787	54,914
Balances with other banks		3,822,976	26,670
Due from financial institutions	1	600,000	2,551,275
Investments	2	2,189,987	1,868,023
Islamic financing and related assets - net		-	-
Fixed assets		121,463	5,941
Intangible assets		-	-
Due from Head Office		-	-
Other assets		115,556	54,297
Total Assets		7,132,769	4,561,120
LIABILITIES			
Bills payable		1,367	1,367
Due to financial institutions		1,078,500	543,627
Deposits and other accounts	3	5,106,873	3,216,540
Due to Head Office	4	338,996	259,590
Subordinated debt		-	-
Other liabilities		81,870	58,798
		6,607,606	4,079,922
NET ASSETS		525,163	481,198
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Deficit on revaluation of assets		(23,039)	(25,955)
Accumulated profit	5	48,202	7,153
		525,163	481,198
CONTINGENCIES AND COMMITMENTS	6		7261

Annexure - II

The profit and loss account of the Bank's Islamic banking branches for the year ended is as follows:

	Note	2023 Rupees in '000	2022
Profit / return earned	7	1,299,771	377,751
Profit / return expensed	8	1,082,389	277,099
Net Profit / return		217,382	100,652
Other income			
Fee and Commission Income		1,966	399
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain on securities		21	-
Other Income		-	-
Total other income		1,987	399
Total Income		219,369	101,051
Other expenses			
Operating expenses		140,875	61,369
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		140,875	61,369
Profit before provisions		78,494	39,682
Provisions and write offs - net		-	-
Profit before taxation		78,494	39,682
Taxation		37,445	19,231
Profit after taxation		41,049	20,451

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	2023		2022		
	In Local Currency	In Foreign currencies	Total	In Foreign currencies	Total
..... Rupees in '000					
Secured :					
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	51,275	51,275
Unsecured	600,000	-	600,000	2,500,000	2,500,000
	600,000	-	600,000	2,551,275	2,551,275

Due from Financial Institutions

Secured :

Bai Muajjal Receivable from State Bank of Pakistan

Unsecured

Investments

	2023		2022					
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
..... Rupees in '000								
Federal Government securities								
Ijarah sukuk	1,756,345	-	(24,958)	1,731,387	1,325,057	-	(25,955)	1,299,102
Non Government Securities								
Listed securities	456,681	-	1,919	458,600	568,921	-	-	568,921
Total investments	2,213,026	-	(23,039)	2,189,987	1,893,978	-	(25,955)	1,868,023

2023

	2023	2022
	Rupees in '000	
3 Deposits		
Customers - local currency		
Current deposits	223,294	125,292
Savings deposits	4,723,567	2,952,183
Term deposits receipts	155,397	134,668
Others	4,615	4,397
	5,106,873	3,216,540
Financial Institutions		
Term deposits receipts	-	-
	<u>5,106,873</u>	<u>3,216,540</u>
3.1 Composition of deposits		
- Individuals	899,046	216,489
- Non-Banking Financial Institutions	2,905,801	2,590,982
- Private Sector	1,162,869	52,223
-Govt./Public Sector Entities	139,157	356,846
	<u>5,106,873</u>	<u>3,216,540</u>

3.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 899,576 million (2022: Rs. 265.845 million).

4 Due to head office represents inter branch transactions between Islamic and Conventional.

	2023	2022
	Rupees in '000	
5 Islamic Banking Business Unappropriated Profit		
Opening Balance	7,153	(13,298)
Add: Islamic Banking for the year	78,494	39,682
Less: Taxation	37,445	19,231
Closing Balance	<u>48,202</u>	<u>7,153</u>

6 There are no contingencies and commitments related to the Islamic business as at reporting date. (2022: Nil)

7 Profit / return earned of financing, investments and placement

	2023	2022
	Rupees in '000	
Profit earned on:		
Investments	413,986	201,212
Placements	885,785	176,539
Total	<u>1,299,771</u>	<u>377,751</u>

T. S. Khan

	2023	2022
	Rupees in '000	
8 Profit on deposits and other dues expensed		
Deposits and other accounts	449,096	174,172
Commission and other charges	1,493	154
Call borrowings/ Funds acceptances	631,800	102,773
	1,082,389	277,099

9 Pool Management

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining eight pools for profit declaration and distribution i.e., general pool, special pool 1, special pool 2, special pool 3, special pool 5, special pool 6, special pool 7 and special pool 8.

General pool

The General Pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from ZTBL Head Office. The Bank acts as fund manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in mudaraba based depositors' accounts and paid as per pre-defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period of deposits;
- Frequency of profit distribution, i.e. monthly, quarterly or on maturity; and
- Volume of the deposit.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attributed to various types of investments; and
- SBP rules & Shariah Clearance.

Special pool

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and Mudaraba placements from head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages. While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit / fund.;
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity; and
- Magnitude of risk.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of special pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from principal office, Islamic banking institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attached to various types of investments; and
- SBP rules & Shariah Clearance.

2023

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

	2023	2022
	Rupees in '000	
Investments	2,189,987	1,868,023
Due from financial institutions	600,000	2,551,275
Balances with other banks	3,822,976	26,670

Charging expenses

The direct expenses are charged to the pool, while indirect expenses including the establishment cost is borne by ZTBL - IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, cost of sale of inventories, insurance / takaful expenses of pool assets, taxes, stamp fee or documentation charges, brokerage fee for purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools, write-offs of financings and loss on sale of investments, etc.

	2023	2022
	Rupees in '000	
Provisions	-	-

Mudarib share (in amount and percentage of distributable income)

		2023	2022
		Rupees in '000	
Rabbul Mal	82%	414,840	153,599
Mudarib	18%	90,179	25,054
		505,019	178,653

Amount & percentage of mudarib share transferred to depositors through Hiba

	2023	2022
Mudarib share	90,179	25,054
Hiba	40,321	9,641
Hiba percentage of mudarib share	44.71%	38.48%

This is not a special Hiba and it has been distributed across the board to all the investment account holders.

Profit rate earned vs profit rate distributed to the depositors during the year

	2023	2022
Profit rate earned	19.66% p.a.	10.33% p.a.
Profit rates distributed to depositors	13.45% p.a.	7.50% p.a.

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The cover of the report is divided into three horizontal sections. The top section is a solid green gradient. The middle section is a light, semi-transparent image of a greenhouse structure. The bottom section is a dark blue gradient with a faint image of a field of crops. The title 'STATISTICAL ANNEX' is centered in the middle section, and 'ANNUAL REPORT 2023' is centered in the bottom section.

STATISTICAL ANNEX

ANNUAL REPORT 2023



SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES IN MILLIONS)

SR. NO.	DESCRIPTION	2019	2020	2021	2022	2023
<u>DURING THE YEAR</u>						
1	AGRICULTURAL CREDIT DISBURSED	82,649	62,070	69,162	69,631	90,978
2	LOANS TO SUBSISTENCE FARMERS	63,565	50,950	58,806	60,067	80,386
3	2 AS %AGE OF 1	77%	82%	85%	86%	88%
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	78,746	60,019	66,979	67,689	88,933
5	4 AS %AGE OF 1	95%	97%	97%	97%	98%
6	FINANCING OF TRACTORS					
	- NUMBER	1,747	1,084	1,356	698	4,872
	- AMOUNT	1,429	938	1,258	740	10,082
7	FINANCING OF TUBEWELLS					
	- NUMBER	622	171	69	35	208
	- AMOUNT	82.393	25.329	11.184	8.628	384.138
8	7 AS %AGE OF 1	0.1%	0.0%	0.0%	0.0%	0.4%
8	AGRI. CREDIT RECOVERY	99,687	79,216	83,677	79,750	91,080
9	PROFIT/LOSS BEFORE TAXATION	(26349)	(3225)	1,783	7,458	17,606
<u>AT THE END OF THE YEAR</u>						
1	AGRI. LOAN PORTFOLIO	156,847	145,635	127,864	121,871	137,349
2	NUMBER OF ZONAL OFFICES	32	31	31	31	31
3	NUMBER OF BRANCHES	502	501	501	501	501
4	NUMBER OF MCO's	1,257	1,258	1,138	1,166	1,041
5	NUMBER OF REGULAR EMPLOYEES	5,251	5,088	4,539	4,163	3,803

LOANS DISBURSED SINCE INCEPTION: AREA-WISE
UPTO 31.12.2023

(RUPEES IN MILLIONS)

SR. NO	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	1,375,887	80.1
2	SINDH	229,783	13.4
3	KHYBER PAKHTUN KHWA	84,317	4.9
4	BALUCHISTAN	12,530	0.7
5	AZAD KASHMIR	6,645	0.4
6	GILGIT/BALTISTAN	8,924	0.5
	TOTAL	1,718,085.669	100.0

LOANS DISBURSED : AREA-WISE
DURING 01-01-2023 TO 31-12-2023

(RUPEES IN MILLIONS)

SR. No.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	131,663	75,166.65	82.62
2	SINDH	21,351	10,395.54	11.43
3	KHYBER PAKHTUN KHWA	5,791	3,512.98	3.86
4	BALUCHISTAN	777	488.21	0.54
5	AZAD KASHMIR	308	188.69	0.21
6	GILGIT/BALTISTAN	1,807	1,226.24	1.35
	TOTAL	161,697	90,978.31	100

**TERM-WISE COMPOSITION OF LOANS DISBURSED
DURING 01-01-2023 TO 31-12-2023**

(RUPEES IN MILLIONS)

SR. NO.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT
1	PUNJAB	65,035	35,392.42	54,841	26,892.31	11787	12881.924	131,663	75,166.65
2	SINDH	14,032	6,136.03	7,222	4,083.69	97	175.810	21,351	10,395.54
3	KHYBER PAKHTUN KHWA	2,138	1,191.52	2,904	1,355.62	749	965.838	5,791	3,512.98
4	BALUCHISTAN	689	368.10	20	29.23	68	90.882	777	488.21
5	AZAD KASHMIR	23	9.66	208	84.85	77	94.191	308	188.69
6	GILGIT/BALTISTAN	0	0.00	1,284	553.90	523	672.340	1,807	1,226.24
	TOTAL	81,917	43,097.72	66,479	32,999.60	13,301	14,880.99	161,697	90,978.31

**LOANS DISBURSED: SECURITY - WISE
DURING 01.01.2023 TO 31.12.2023**

(RUPEES IN MILLIONS)

SR. NO.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	152,997	89,680.240	98.6
2	HYPOTHECATION LOANS	9	8.276	0.0
3	PERSONAL SURETY LOANS	275	62.193	0.0
4	OTHER SECURITY	1,586	1,227.599	1.3
	TOTAL	154,867	90,978.308	99.9

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2022**

RS. IN MILLIONS

YEAR	ANNUAL CREDIT DISBURSED	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since Inception upto 31-12-2010	699,312.171	542,690	106,569.653	149,710	15,748.927
2011	65,451.788	908	431.248	1,745	476.253
2012	64,132.759	7,296	3,594.398	2,051	524.817
2013	71,106.707	9,212	5,976.749	1,522	575.109
2014	81,933.747	10,554	7,489.295	1,569	608.154
2015	95,419.965	9,154	7,053.922	260	82.378
2016	92,847.397	4,654	3,004.209	365	69.528
2017	97,128.722	4,765	3,064.079	465	71.199
2018	76,262.233	3,616	2,802.867	618	91.895
2019	82,649.136	1,747	1,429.004	622	82.393
2020	62,069.647	1,084	937.555	171	25.329
2021	69,161.814	1,356	1,258.305	69	11.184
2022	69,631.277	698	739.824	35	8.628
2023	90,978.308	4,872	10,082.000	208	384.138
TOTAL	1,718,085.671	602,606	154,433	159,410	18,760

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES
DURING 01-01-2023 TO 31-12-2023**

(RUPEES IN MILLIONS)

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<u>I. DEVELOPMENT LOANS</u>	<u>79,780</u>	<u>47,880.586</u>	<u>53</u>
1 TRACTORS	4,872	10,082.000	11
2 DAIRY FARMING	42,613	24,760.191	27
3 FARM EQUIPMENT	91	8.028	0
4 TUBEWELLS/TURBINES	208	384.138	0
5 LIVESTOCK	9,628	2,546.819	3
6 POULTRY FARMING	293	115.605	0
7 ORCHARDS	73	30.168	0
8 LAND DEVELOPMENT	643	227.815	0
9 GODOWN/ COLD STORAGE	3,312	1,628.989	2
10 OTHERS	18,047	8,096.833	9
<u>II. PRODUCTION LOANS</u>	<u>81,917</u>	<u>43,097.722</u>	<u>47</u>
Total Agri. Credit Disbursement	161,697	90,978.308	100.0

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN
DURING 01-01-2023 TO 31-12-2023**

RS IN MILLIONS

SIZE OF LOAN	*NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
Up To Rs. 25000/-	167	0.1	2.523	0.00
Rs.25001 To 50000/-	934	0.7	40.094	0.0
Rs.50001 To 100000/-	4,918	3.8	417.390	0.5
Rs.100001 To 200000/-	16,442	12.6	2,576.360	2.8
Rs.200001 To 500000/-	51,825	39.7	18,791.727	20.7
Rs.500001 To 1000000/-	32,705	25.1	23,083.916	25.4
Over Rs 1000000/-	23,561	18.0	46,066.297	50.6
TOTAL:-	130,552	100.0	90,978.308	100.0

*Loan Case Wise

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING
DURING 01-01-2023 TO 31-12-2023**

(RUPEES MILLIONS)

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	255	0.2	50.447	0.1
B. OWNERS	138,706	89.6	78,651.339	86.5
UNDER 5.1 HECTARES (UNDER 12.50 ACRES)				
5.1 TO UNDER 6.5 HECTARES (12.51 TO UNDER 16.00 ACRES)	6,908	4.5	5,168.529	5.7
6.5 TO UNDER 10.1 HECTARES (16.01 TO UNDER 25.00 ACRES)	6,367	4.1	5,063.127	5.6
10.1 TO UNDER 13 HECTARES (25.01 TO UNDER 32.00 ACRES)	1,215	0.8	932.199	1.0
13 TO UNDER 20.2 HECTARES (32.01 TO UNDER 50.00 ACRES)	1,031	0.7	812.673	0.9
20.2 TO UNDER 26 HECTARES (50.01. TO UNDER 64.00 ACRES)	197	0.1	161.095	0.2
26 HECTARES & ABOVE (64.01 ACRES & ABOVE)	188	0.1	138.899	0.2
TOTAL:-	154,867	100	90,978.308	100.0

RECOVERY POSITION AS ON 31-12-2023

(RUPEES MILLIONS)

SR. NO.	PROVINCE/ AREA	RECOVERY
1	PUNJAB	76,367.316
2	SINDH	9,354.784
3	KHYBER PAKHTUN KHWA	3,581.876
4	BALUCHISTAN	402.833
5	AZAD KASHMIR	249.818
6	GILGIT/BALTISTAN	1,123.051
TOTAL		91,079.677

**STAFF POSITION
(REGULAR EMPLOYEES)
AS ON 31.12.2023**

(NUMBERS)

YEAR	OFFICERS*	M.C.O.'s	STAFF*	TOTAL
CY' 2011	4,145	1,277	1,644	5,789
CY' 2012	4,095	1,313	1,629	5,724
CY' 2013	4,218	1,308	1,381	5,599
CY' 2014	4,581	1,271	1,196	5,777
CY' 2015	4,550	1,333	1,149	5,699
CY' 2016	4,589	1,328	1,106	5,695
CY' 2017	4,871	1,373	929	5,800
CY' 2018	4,787	1,357	814	5,601
CY' 2019	4,473	1,257	778	5,251
CY 2020	4,371	1,258	717	5,088
CY 2021	3,909	1,138	632	4,541
CY 2022	3,572	1,166	631	4,203
CY 2023	3,308	1,041	504	3,812

* Including MCOs

NETWORK OF FIELD OFFICES AS ON 31.12.2023

(NUMBERS)

SR. NO.	PROVINCES	ZONAL	BRANCHES
1	PUNJAB*	17	283
2	SINDH	6	93
3	KHYBER PAKHTUN KHWA	4	68
4	BALUCHISTAN	2	34
5	AZAD KASHMIR	1	11
6	GILGIT/BALTISTAN	1	12
	TOTAL	31	501

* Including Islamabad



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ZTBL

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