



**ZTBL**



# ANNUAL REPORT

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## 2021

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## DIRECTORS' REPORT

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## CONSOLIDATED FINANCIAL STATEMENTS

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## CORPORATE VISION

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



## CORPORATE MISSION

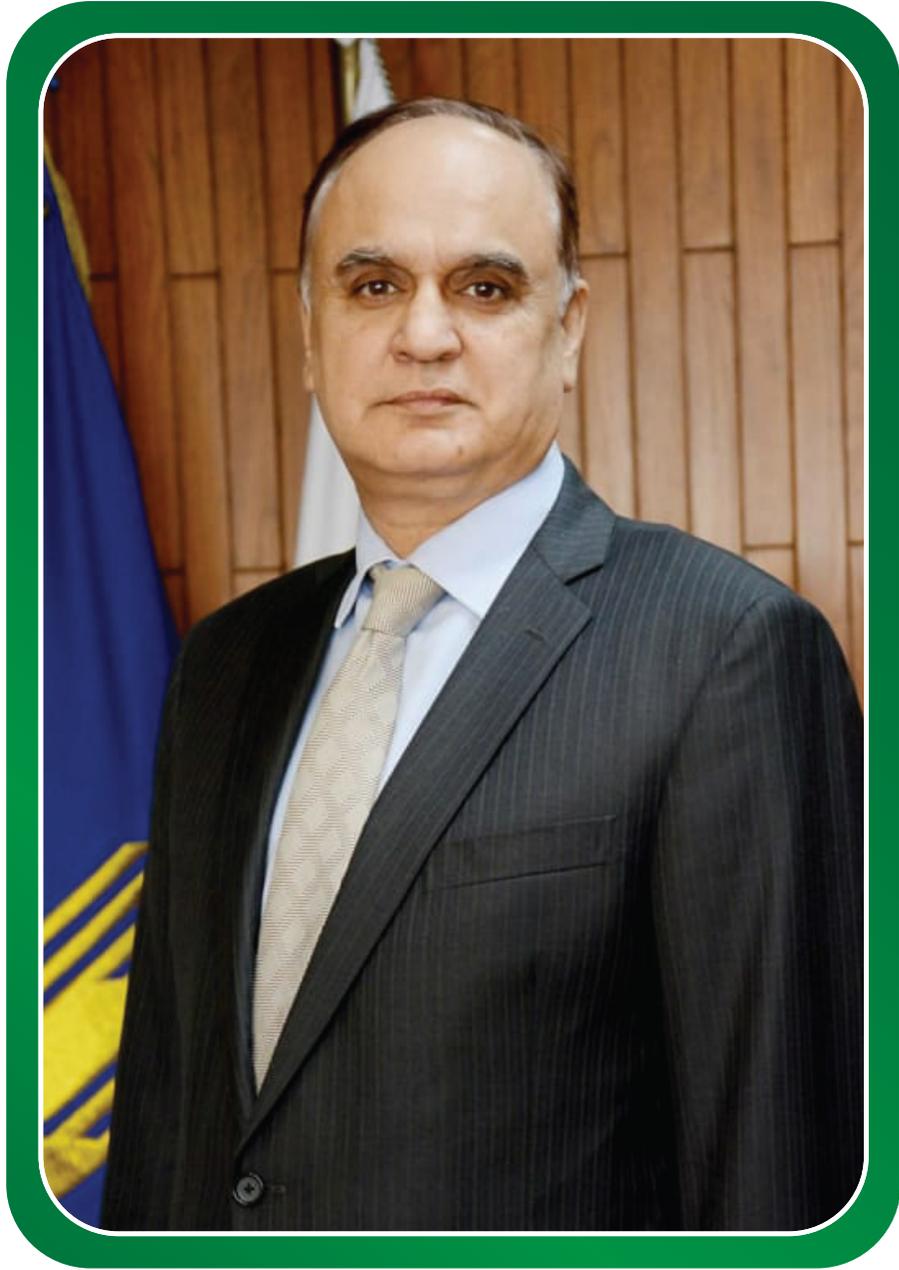
To play effective role in the promotion of economic growth, by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programs, technical assistance, and other products & services, and to promote career development opportunities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





## CORPORATE OBJECTIVES

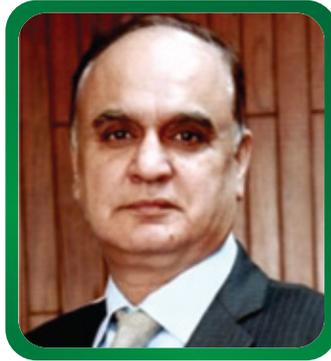
- Develop and operate as a financially and operationally sustainable R.F.I of the country.
- Assist rural community, particularly the small farmers, in raising their productivity and income levels through timely delivery of credit, advisory and ancillary services.
- Build ZTBL's image as a proactive, 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 partnership to deepen outreach and reduce operating cost.
- 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 it venues of operation to Domestic & International Banking Industry to avail comparative advantages.



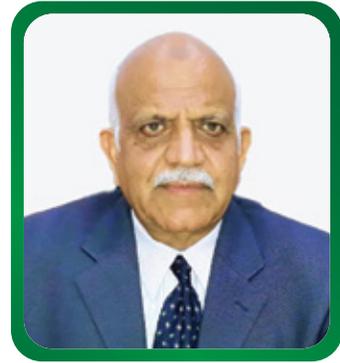
**Mr. Muhammad Shahbaz Jameel**  
President/CEO



**Mr. Nadeem Lodhi**  
Chairman



**Mr. Muhammad Shahbaz  
Jameel**  
Director/President/CEO



**Mr. Zaigham Mahmood  
Rizvi**  
Director



**Syed Javed**  
Director



**Mr. Abdul Ghufan**  
Director



**Mr. Muhammad  
Aslam Ghauri**  
Director



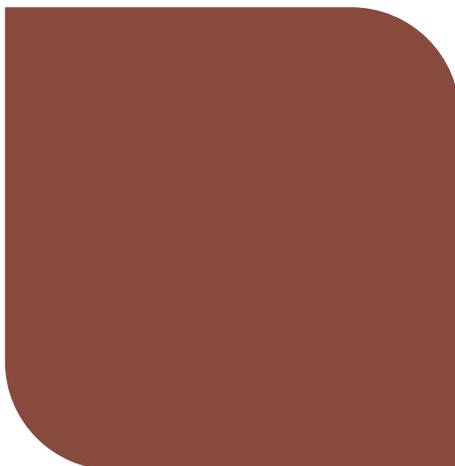
**Mr. Haaris Mahmood  
Chaudhary**  
Director



**Mr. Tariq Mahmood Talib**  
Company Secretary

# BOARDS MEMBERS

# Directors' *Report*





**Performance review for the Year 2021:**

I am pleased to present the annual directors' report of Zarai Taraqati Bank Limited, highlighting the progress achieved during the year 2021. ZTBL is dedicated to serve the needs of the farming community, by delivering financial products and technical services on a competitive and sustainable basis, in a convenient, efficient and professional manner, leading to success of the Bank and the farmers.

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

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

As per guidelines of SBP and to promote "compliance culture" in banks and strengthen the effectiveness of

compliance function by adopting structured and risk focused approach, a Compliance & Risk Management System (CRMS) has been deployed. Work is continued on enhancing the system by developing Operational Risk Management Framework (ORMF) using Risk and Control Self-Assessment (RCSA) tool. This will help in proactive assessment and monitoring of compliance risks and the effectiveness of the controls present against the risks.

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

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

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

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

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

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

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

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

conducted on the topic “AML/CFT/PF”, 2 on Green Banking, 7 on “Fair Treatment of Customer”, 23 on “Fraud Risk Management System”, 03 on “Compliance Risk Management System”, and 18 on “CPU-Account Opening and Functionally”.

### **Economy Review:**

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

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

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

### **Agriculture sector review:**

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

### **Banking sector review:**

During the first half of CY21, the performance of banking sector remained stable despite prevalence of

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

### **ZTBL Islamic Banking performance:**

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

**Six Years at a Glance:**

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

**ZTBL's Financial Health:**

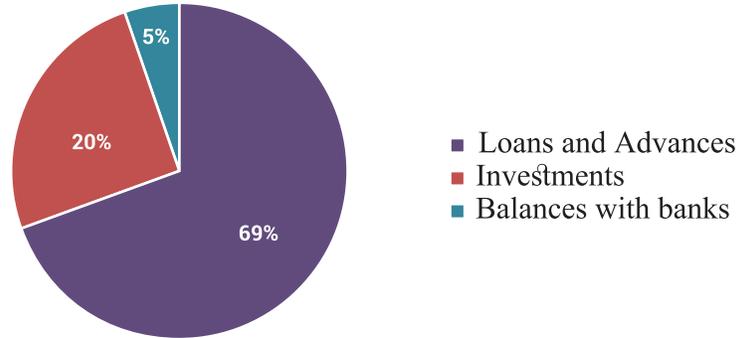
- Profit before tax recorded at 1,783 million (2020: Loss of PKR 3,225 million).
- After tax (loss) decreased to PKR 1,735 million (2020: Loss of PKR 2,467 million).
- Operating expenses decreased by 4.1% to PKR 10,910 million (2020: 11,384 million).
- Basic Loss per share is reported at PKR (0.33) as compared to (2020: PKR (0.47)).
- Liabilities in terms of deposits decreased to PKR 43,599 million (2020: PKR 49,186 million).
- Gross advances have reduced by 11% to PKR 115,256 million (2020: PKR 129,895).
- NPLs have decreased by 31% to PKR 40,747 million (2020: PKR 59,184 million).
- Investments (net) increased to PKR 82,407 million (2020: PKR 39,825 million).
- Total assets increased by 21% and stood at PKR 254,841 million (2020: PKR 210,686 million).

**Financial performance review 2021**

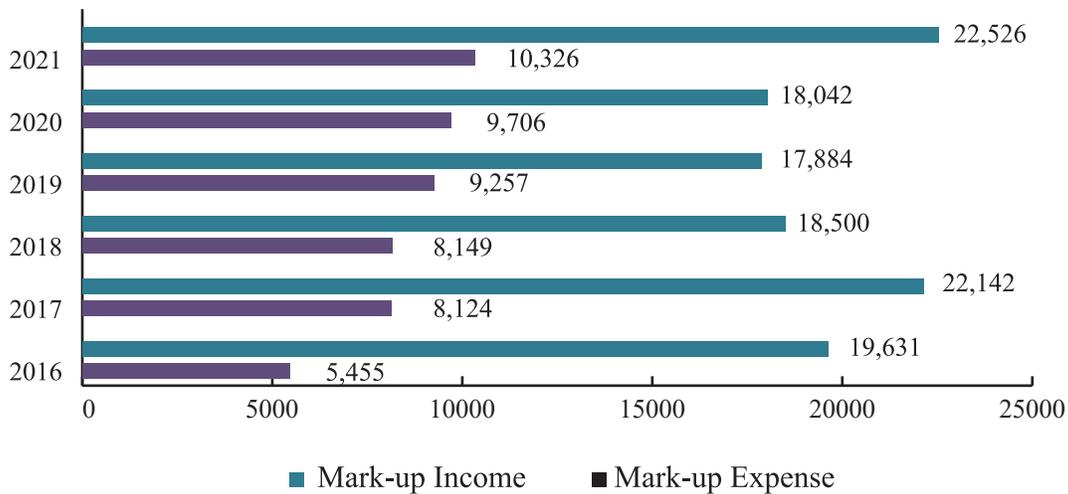
- **Mark-up / Interest Income:**

During the year 2021, loans of PKR 69,162 million were disbursed against the target of PKR 71,060 million

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



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



- Markup income on investment:**

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

- Mark-up / Interest Expense:**

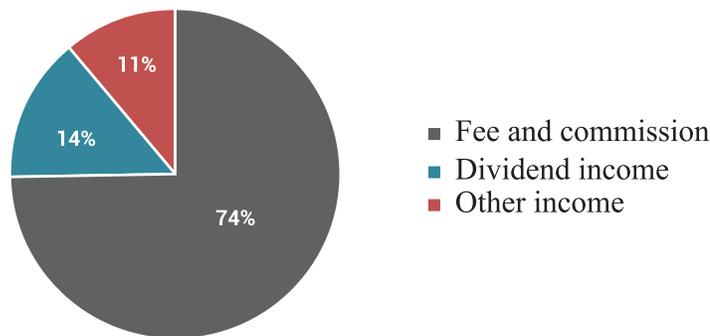
The preference share finance cost of PKR 4,085 million @ 7.5% on SBP Redeemable Preference shares accounted for 40% of the total markup / interest expense, followed by cost of deposit which accounted for 29 % of the total markup / interest expense and amounted to PKR 2,990 million. Securities sold under repurchased agreement accounted for 30% of the total markup / interest expense that amounted to PKR 3,123 million.



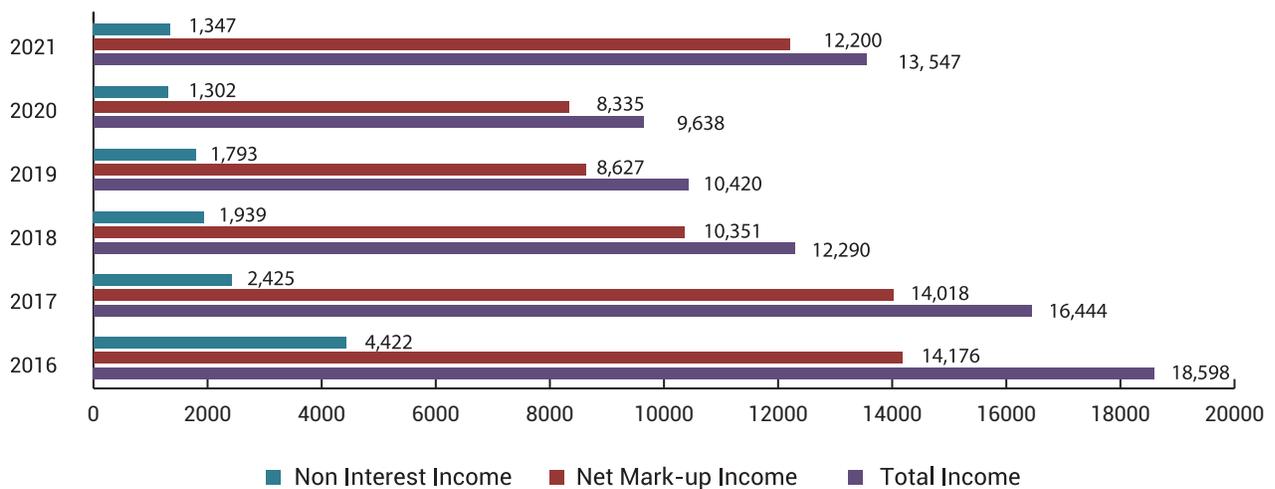
• **Non Mark-up / Interest Income**

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

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



**Net Mark-up Income, Non mark-up Income, & Total Income**  
Rupees in million

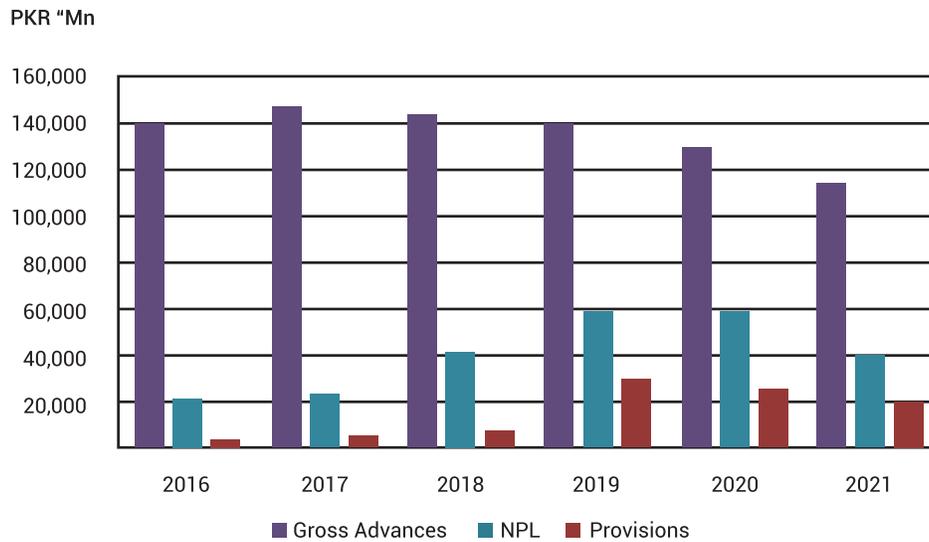


**Provisions and NPL:**

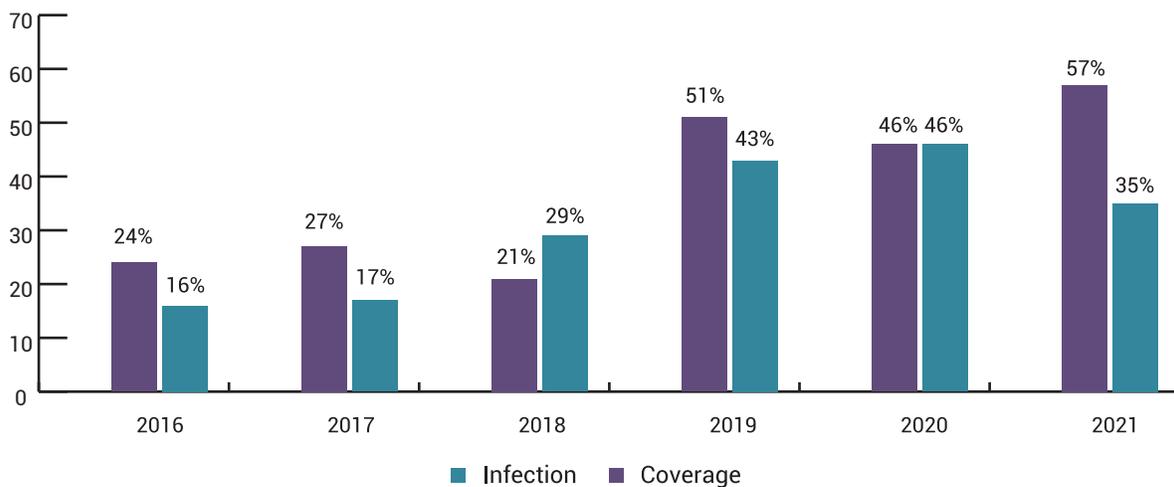
ZTBL made specific provisions of PKR 20,393 million against advances and general provisions of PKR 3,000 million in the year under review. Therefore, cumulative provision adds up to PKR 23,434 million including staff advances as compared to the cumulative provision of PKR 27,238 million in 2020. Non-performing loans experienced a decline of 18,437 million i.e. from PKR 59,184 million to PKR 40,747 million in 2021.

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

**Gross Advances, NPL, & Provisions**



**Asset Quality**





- **Operating expenses**

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

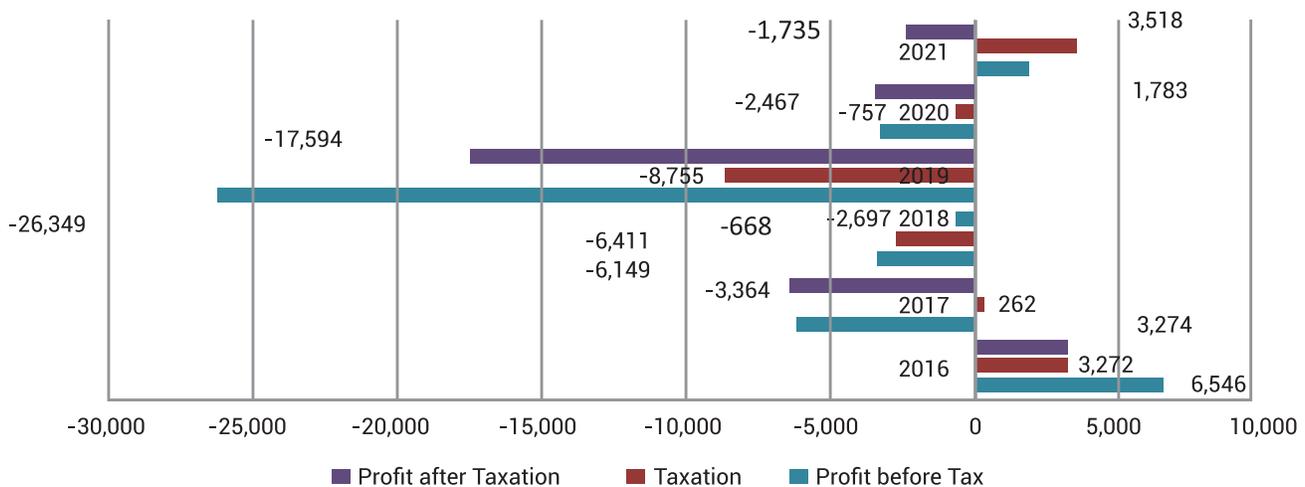
- **Taxes:**

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

- **Net profit/(Loss):**

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

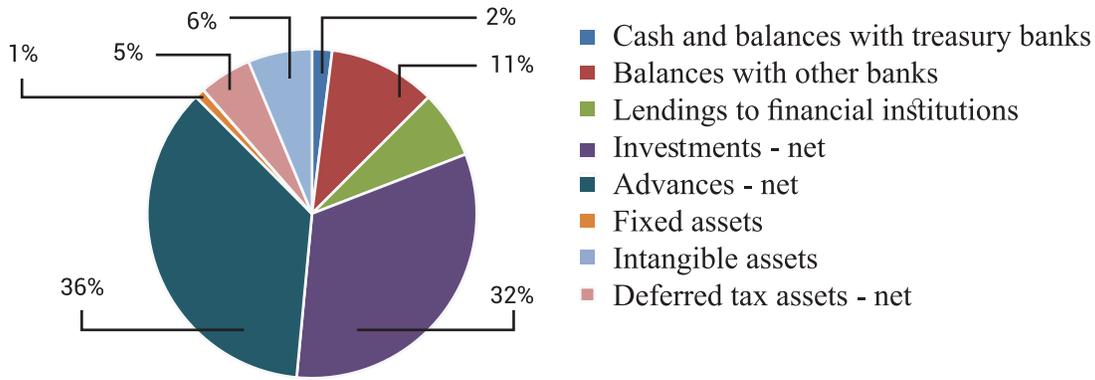
### Profit Before & After Taxation Rupees in million



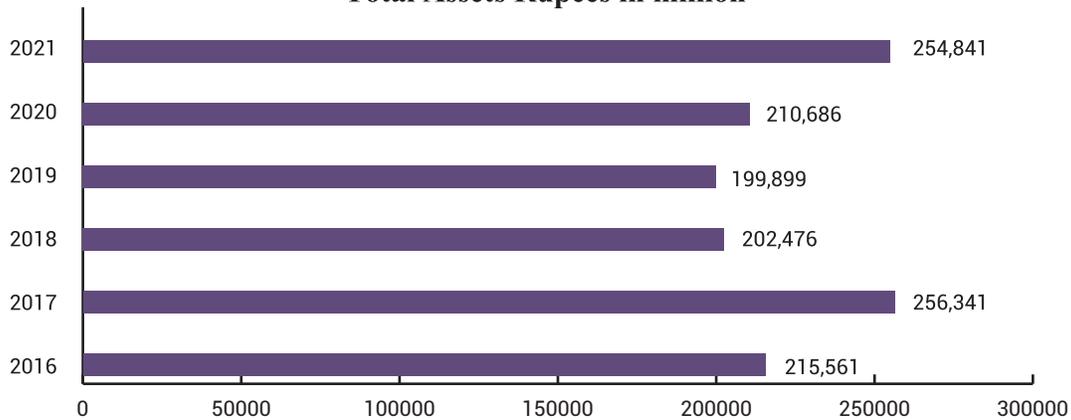
### Financial Position Review 2021

- **Total assets:**

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



**Total Assets Rupees in million**



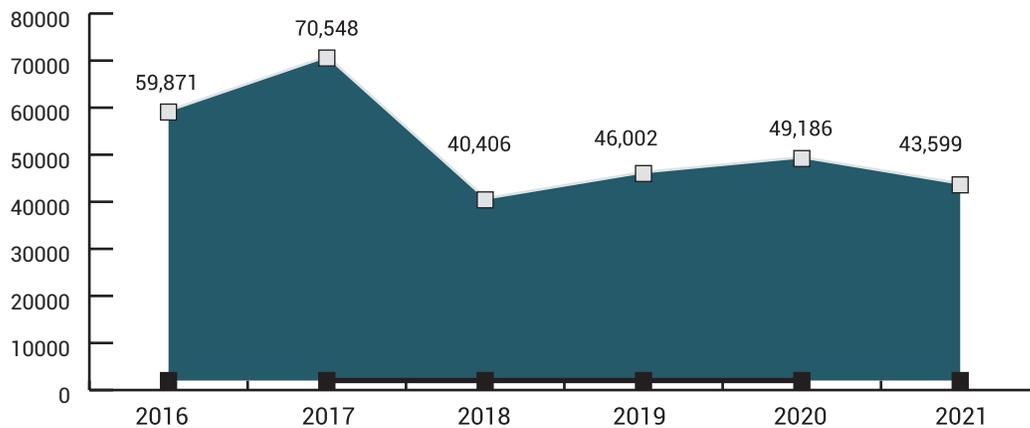
• **Total Deposits:**

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

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

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

**Total Deposits Rupees in millions**



**Capital Strength & Adequacy:**

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

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

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

**Corporate social responsibility:**

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

**Awards & Accolades**

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

**Credit rating (2020)**

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

**Kissan Support Services Limited (KSSL)**

Kissan Support Services (Private) Limited („the Company' was incorporated as a private limited company on September 19, 2005 under the Companies Ordinance, 1984 (repealed and replaced by Companies Act, 2017). It is a subsidiary of Zarai Taraqati Bank Limited (ZTBL) which holds 100% shares with an Authorized Capital of Rs 100 million fully subscribed and paid. The registered office of the Company is situated at Zarai Taraqati Bank Limited Head Office – 1 Faisal Avenue, Zero Point Islamabad.

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

KSSL took various staff welfare initiatives which include registration of KSSL employees with employees

old age benefit institution, grant of bonus to the employees, reimbursement of expenses incurred on treatment of Covid-19 and salary increment w.e.f. July 1, 2021 to comply with the Minimum Wage requirements of the Government.

As far as security arrangements are concerned, Firing/Training of Security Guards posted in 3 ZTBL Zones was conducted and total of 101x Security Personnel were trained in Firing/Handling of Weapons during the year. As on December 31, 2020, 1,310 Security Guards were employed in ZTBL. Mock Exercise/Fire Emergency Evacuation was conducted on December 23, 2021 with close collaboration of CDA with the aim to ensure safety of men and materials during crises at ZTBL Head Office Islamabad. All the procedures/SOPs were followed in the exercise. Covid-19 Security Personnel provided best possible support to the employees of ZTBL/KSSL. Security Department along with full strength remained vigilant and provided Security duties without any reduced strength.

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

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

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

### Risk Management Framework and Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regarding Basel Accords compliance under pillar I, Bank uses Standardized Approach to calculate capital charge against credit and market risk weighted assets and Basic Indicator Approach (BIA) for calculation of capital charge against operational risk weighted assets for the purpose of calculating Capital Adequacy Ratio (CAR) under Basel III. Under Pillar II, Internal Capital Adequacy Assessment Process (ICAAP) exercise is rigorously and regularly performed on annual basis which provides adequate assessment of Capital base against consolidated profile of material risks. Moreover, Stress Testing Model covering enhanced scope of Operational, Credit, Market and Liquidity Risks shocks, has been developed in line with revised regulatory guidelines and implemented

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

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

### **Statement of Internal Controls**

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

### **Appointment of Auditors**

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

### **Disclosure on Governance and Remuneration**

#### **Process of Appointment and Nomination of Directors**

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

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

**Profile of each Director (Qualification, Expertise & Experience)**

S. NO.	NAME OF DIRECTOR	STATUS	QUALIFICATION	PREVIOUS EXPERIENCE	MEMBERSHIP ON THE BOARD OF OTHER COMPANIES
01	Mr. Nadeem Lodhi	Chairman	Bachelors in Economics	<ul style="list-style-type: none"> <li>▸ Country Officer &amp; Corporate Bank Head, Citi Bank, Pakistan</li> <li>▸ Business &amp; Governance Head, Citibank, Afghanistan</li> <li>▸ Country Officer, Citibank, Uganda</li> <li>▸ Managing Director: Head of Capital Markets and Syndications, DIB Capital Limited, Dubai</li> <li>▸ Regional Head, DIB Capital Limited, Sudan</li> <li>▸ ANZ Gindlays Bank plc.</li> </ul>	<ul style="list-style-type: none"> <li>▸ Chief Executive Officer, Sindh Infrastructure Development Company Limited</li> </ul>
02	Mr. Muhammad Shahbaz Jameel	President/CEO /Director	<ul style="list-style-type: none"> <li>▸ MSc. International Business,</li> <li>▸ M.B.A.</li> </ul>	<ul style="list-style-type: none"> <li>▸ Acting M.D./Group Head, Bank of Khyber</li> <li>▸ Executive Vice President, UBL</li> <li>▸ Executive Vice President, Pak Oman Investment Company Limited</li> <li>▸ Regional General Manager, HBL,</li> <li>▸ Head, Corporate Finance, Pak Kuwait Investment Company (Pvt.) Limited</li> <li>▸ Consultant (Banking &amp; Capital Markets), Privatization Commission, GoP</li> </ul>	<ul style="list-style-type: none"> <li>▸ Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL)</li> </ul>
03	Mr. Abdul Ghufan	Director	<ul style="list-style-type: none"> <li>▸ MSc. Accounting &amp; Finance</li> </ul>	<ul style="list-style-type: none"> <li>▸ Federal Secretary, Inter Provincial Coordination Division, GoP</li> <li>▸ Additional Secretary, Cabinet Division, GoP</li> <li>▸ Controller General of Accounts, Accountant General, Sindh</li> <li>▸ Executive Director, State Life Insurance Corporation</li> <li>▸ Consul General of Pakistan, Hong Kong</li> <li>▸ Chief Finance &amp; Accounts Officer, Ministry of Defence, GoP</li> <li>▸ Special Secretary, Home Department, Govt. of Sindh</li> </ul>	
04	Mr. Zaigham Mahmood Rizvi	Director	<ul style="list-style-type: none"> <li>▸ M.A Economics</li> <li>▸ M.Sc, Chemical Engineering</li> </ul>	<ul style="list-style-type: none"> <li>▸ M.D./Chairman, House Building Finance Corporation</li> <li>▸ M.D. Pak Kuwait Investment Company</li> <li>▸ M.D. Pak Libya Holding Company</li> <li>▸ SEVP, Saudi Pak Industrial &amp; Agriculture Investment Company</li> <li>▸ Advisor, State Bank of Pakistan</li> </ul>	

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

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

Disclosure on Board of Directors					
Sr. No.	Name of Director	Date of leaving/ joining the Board	Status of Director (Independent, Non-Executive, Executive)*	Member of Board committees	Number of other Board memberships along with the name of company(ies)
01	Mr. Nadeem Lodhi	30.12.2020	Non-Executive Director	Human Resource Committee	01 Chief Executive Officer, M/s Sindh Infrastructure Development Company Limited
02	Mr. Muhammad Shahbaz Jameel	11.11.2019	Executive Director	<ul style="list-style-type: none"> <li>▸ Risk Management Committee</li> <li>▸ Procurement Committee</li> <li>▸ Nomination Committee</li> <li>IT &amp; Agriculture Technology</li> </ul>	01 Chairman Board, M/s Kissan Support Services (Pvt.) Limited

				Committee ▸ Product Development & Marketing Committee	(A wholly owned subsidiary of ZTBL)
03	Mr.Abdul Ghufan	30.12.2020	Non-Executive Director	▸ Human Resource Committee ▸ Nomination Committee ▸ IT & Agriculture Technology Committee ▸ Product Development & Marketing Committee	
04	Mr.Zaigham Mahmood Rizvi	30.12.2020	Independent Director	▸ Audit Committee ▸ Human Resource Committee ▸ Risk Management Committee ▸ Procurement Committee ▸ Nomination Committee ▸ Product Development & Marketing Committee	
05	Syed Javed	30.12.2020	Independent Director	▸ Audit Committee ▸ Human Resource Committee ▸ Risk Management Committee ▸ Procurement Committee ▸ Nomination Committee ▸ IT & Agriculture Technology Committee ▸ Product Development & Marketing Committee	01 Chairman Board, Pakistan Revenue Automation Limited
06	Mr.Haaris Mahmood Chaudhary	30.12.2020	Non-Executive Director	▸ Audit Committee ▸ Human Resource Committee ▸ Procurement Committee ▸ IT & Agriculture Technology Committee	01 Chief Executive Officer, Universal Service Fund
07	Mr.Muhammad Aslam Ghauri	07.10.2021	Non-Executive Director	▸ Audit Committee ▸ Risk Management Committee	
08	Dr.Nawaz Ahmad *	06.10.2021	Non-Executive Director	▸ Audit Committee ▸ Risk Management Committee	
*Dr. Nawaz Ahmad was replaced by Mr. Muhammad Aslam Ghauri					

## Composition & Membership of Board Committees

### 1. AUDIT COMMITTEE

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

### 2. HUMAN RESOURCE COMMITTEE

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

**3. RISK MANAGEMENT COMMITTEE**

S.No.	NAME OF MEMBER	STATUS
01	Mr.Zaigham Mahmood Rizvi	Chairman
02	Mr.Muhammad Aslam Ghauri	Member
03	Syed Javed	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	<b>Head/Head (Enterprise Risk Management Division)</b>	<b>Secretary</b>

**4. PROCUREMENT COMMITTEE**

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

**5. NOMINATION COMMITTEE**

S. No.	NAME OF MEMBER	STATUS
01	Mr.Abdul Ghufraan	Chairman
02	Mr.Zaigham Mahmood Rizvi	Member
03	Syed Javed	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	<b>EVP/Head (Human Resource Division)</b>	<b>Secretary</b>

**6. IT & AGRICULTURE TECHNOLOGY COMMITTEE**

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

**7. PRODUCT DEVELOPMENT AND MARKETING COMMITTEE**

S.No.	NAME OF MEMBER	STATUS
01	Mr.Zaigham Mahmood Rizvi	Chairman
02	Syed Javed	Member
03	Mr.Abdul Ghufraan	Member
04	Mr.Muhammad Shahbaz Jameel	Member
	<b>Head/Head (Planning, Research &amp; Technology)</b>	<b>Secretary</b>

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

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

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

\* Two meetings were held during his tenure.

\*\* Five meetings were held during his tenure

**Directors' Participation in Board and Committee meetings**

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

## Corporate and Financial Reporting Framework

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

- i. The Bank's financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, changes in equity, and cash flows.
- ii. Proper books of accounts of the Bank have been maintained.
- iii. Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable to Banking companies in Pakistan, have been followed in preparation of these financial statements.
- v. The current system of internal control is under constant review by the Internal Control over Financial Reporting Department and Internal Audit Department. Based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing internal controls system is adequate and has been effectively implemented and monitored. Board endorses the statement of Internal Control attached to the Financial Statement for the year 2021.
- vi. Based on the results of December 31, 2021 the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited.
- viii. Key operating data and financial data of last six years in summarized form, are included in this Annual Report.
- ix. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2021 except as disclosed in these financial statements

### Regulatory compliance:

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

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

During the year, AML Department investigated 15,879 alerts of Out of Pattern Transactions. Moreover, AML Department in collaboration with Training & Development Division has been regularly conducting training sessions on AML/CFT/CPF for its staff across Pakistan and during the year 1400 Participants

attended the Sessions. This department also conducted a gap assessment exercise and introduced several new ML/TF scenarios to upgrade the system during the year. An initiative to implement a state of the art knowledge platform AML Knowledge Management System on 29th September 2021 enabling AML knowledge dissemination and testing enabling the bank staff to keep abreast of the latest knowledge in AML/CFT/CPF and compliance areas has also been taken. Serious and common exceptions committed by the branches are compiled and analyzed by FCMU and communicated to the concerned Divisions/ Departments for corrective measures. Bank has also awarded contract to M/s Acrux for deployment of SBP's Compliance Risk Management System.

### Disclosures Relating to Remuneration Policy

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

Following are the key features and objectives and remuneration related governance framework:-

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

(b) **Remuneration components:** - The remuneration components in ZTBL are: -

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

(c)

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

and identified the appropriate level of authorities and decision makers for these products and processes as Material Risk Takers (MRTs).

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

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

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

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

(h) Following are the basis for payment of bonuses and awards to CEO, senior executives and MRTs:-

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

- i. Bank has ensured and allowed separate monetized salary structure for Treasury cadre employees posted in Treasury Department being MRTs since they are performing Risk Control Functions.

**Remuneration of Directors**

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

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

### Future Outlook:

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

On risk management front, the bank intends to strengthen its IT Security Infrastructure to cater Cyber Risks efficiently and effectively ensure readiness for Business model assessment of Treasury Investments under IFRS-9. For better wellbeing of farmers and overall agriculture sector, number of schemes are in pipeline and to be launched in near future such as Financing Product on Production of Desi Chicken at Small scale, Financing Product on Horticulture "Production of Flowers", Financing Product for Packing and Small Godowns Facility to the Farmers, Financing Product for Rice/Wheat Straw Baling Machine, Financing Product for Rice Transplanter, Financing Product for Mini Rotavator (Walking Tractor), Financing Product for Biofloc Fish Farming, Establishment of Small Scale Cheese Making Units in Pakistan, Transformation of ZTBL Farm as Agri. Incubation Center, Hydroponic Indigenous Units (Vegetables in controlled environment) and Financing Product for Processing of Herbal Medicinal Plant i.e. Seabuck Thorn.

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

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

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

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

To improve competencies and career growth, ZTBL has a plan to Develop Self e-Learning Courses on the

critical topics like, Anti Money Laundering & Combat Financing, Green Banking and Fair Treatment of Consumer/Customer (FTC).

### Value of Investments in Employees' Benefits Fund

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

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

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

Profit Before Tax	1,783,016
<b>Taxation:</b>	
Current	2,931,939
Prior Year (s)	
Deferred	586,317
<b>Loss After Tax</b>	(1,735,240)
Un-appropriated (loss)/gain b/f	(3,969,851)
Other comprehensive (loss)/gain tax	(331,925)
Loss after taxation for the year	(1,735,240)
Unappropriated (loss) / profit as on Dec 31, 2021.	(6,037,016)

**Share Holding (As on 31.12.2021)**

SR.NO.	NAME OF SHARE HOLDER	NUMBER OF HARES
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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		<b>5,267,843,241</b>

**B. Preferred Share Capital**

01	State Bank of Pakistan	<b>5,446,153,632</b>
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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 31.12.2021)

Name:	Zarai Taraqati Bank Limited	
Head Office:	Islamabad	
Legal Status:	A Public Limited Company (By shares)	
Location of Assets:	In Head Office and in Zonal and Branch offices located at various positions across the country	
Authorized Capital:	Rs.125,000,000,000/- divided into 7,000,000,000 Ordinary shares of Rs.10/- each and 5,500,000,000 Preference shares of Rs.10/- each	
Paid-up capital:	Ordinary Share Capital	Rs.52,678,432,410/-
	Preferred Share Capital	Rs.54,461,536,320/-
Board of Directors*:	Mr. Nadeem Lodhi	Chairman
	Mr.Muhammad Shahbaz Jameel (President/CEO, ZTBL)	Director
	Mr.Zaigham Mahmood Rizvi	Director
	Syed Javed	Director
	Mr.Abdul Ghufraan	Director
	Mr.Muhammad Aslam Ghauri	Director
	Mr.Haaris Mahmood Chaudhary	Director
Chief Financial Officer:	Mr.Muhammad Arif	
Company Secretary:	Mr. Tariq Mahmood Talib	

## Appreciation & Acknowledgement

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

## On behalf of the Board of Directors

  
 Director

Report of Shariah Board  
(For the Year 2021)

In the name of Allah, the Beneficent, the Merciful

By the Grace of Almighty Allah, the year under review is the 4<sup>th</sup> year of operations of Islamic Banking Division of Zarai Taraqiati 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.

ZTBL is the largest specialized financial institution of the country with focus on agriculture. The Bank has proven track record of providing credit facilities to agriculturists and landless rural population since its inception. 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. Thus Islamic Banking Division started its operations in July, 2018.

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

Different documents including Policies/Manuals/Agreements or amendments therein submitted by IBD through Shariah Compliance Department were reviewed and Shariah approvals were granted as per Shariah perspective. The following Policies/Manuals/Documents/Agreements were reviewed and approved by Shariah Board;

Policies, Manuals & Products:

1. Exposure Against Cash Securities
2. Bank Guarantee Product
3. Zarai Amadani Certificate (Liability Product)
4. IB Treasury Manual (Revised)
5. Zarai Ijarah Finance (Financing Product)
6. IB Window Policy
7. Liability Product Manual (Amendments / Changes)

Agreements & Documents:

1. Internal Shariah Audit Plan-2021
2. Internal Shariah Audit Plan-2022
3. Internal Shariah Compliance Review Plan-2021
4. IBD Annual Training Plan-2021
5. Schedule of Charges (Jul-Dec 2021)
6. Master Musharakah Acceptance Agreement (with an Islamic Bank)
7. Master Musharakah Placement Agreement (with an Islamic Bank)
8. Account Opening Form for Islamic Asaan Current/Saving Accounts (One page)
9. Shariah Board Opinion regarding Islamic Banking Windows
10. Transfer Pricing Mechanism between Islamic and Conventional
11. Shariah Approval of first fund acceptance transaction between ZTBL IBTD and ZTBL Conventional Treasury / Other Banks Treasuries
12. Shariah Approval of Master Musharakah Agreements (with an Islamic Bank)
13. Schedule of Charges (Jan-June 2022)
14. Shariah Approval for Accrual of Profit of Al-Barakah Sukuk

15. Revision of Intra Treasury Fund Acceptance limit between ZTBL Conventional and ZTBL Islamic Treasuries for upto 100% of Prevailing ZTBL IB Deposits on Mudarabah/Musharakah Basis.
16. Relaxation in Tangible/Tradable Assets Percentage in Pools as per SBP Profit & Loss Distribution and Pool Management Guidelines
17. The Process Flow of managing of funds acceptances from interbank treasuries on Musharakah basis
18. Shariah Approval / Clearance for Profit Accrual for AGP-OBS Sukuk (For the Month of July 2021).
19. Approval of the Institutions Recommended by IBD for Charity Funds Distribution

#### Approval of Sukuk:

1. Rated, Unsecured, Subordinated and privately Placed Tier-II Sukuk by Al-Baraka Bank (Pakistan) Limited
2. OBS AGP Sukuk
3. Sukuk issued by Agha Steel Industries Limited
4. PIA Sukuk-I
5. Participation in GOP Ijarah Sukuk Auction

#### Shariah Board Meetings

The bank has Shariah Board (SB) including full time Resident Shariah Board Member (RSBM) to examine and approve all products, policies, agreements and other relevant documents of all types of services offered by Islamic Banking Division of ZTBL. The Shariah Board convened its meetings four times during the year and two times with ZTBL BOD. Full quorum of Shariah Board attended the meetings. Apart from these meetings, SB 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. Shariah Audit unit also conducted Shariah audit of the Islamic Banking branches. Further, the Profit Distribution and Pool Management were reviewed regularly by SCD on monthly basis before each disbursement. Moreover, Internal Shariah Audit Unit conducted quarterly post disbursement audit of the Profit Distribution and Pool Management. All the reports were submitted to Shariah Board as required under SGF of SBP for obtaining suggestions/corrective actions.

While the SCD reviewed the different printed and security stationery items, policies, procedural manuals and product manuals, some amendments and corrections were proposed that were approved by SB. Various changes in the approved documents proposed by SCD were reviewed and approved by SB.

The SCD has ensured, on ongoing basis, the compliance and implementation of the SB rulings.

## Training and Capacity Building

The Training Plan of IBD for the year 2021 has been approved by Shariah Board. IBD and Training & Development Division with support of SCD arranged 02 trainings (03 days each) for the staff of Islamic Banking Branches and IBD. Moreover, during Shariah Compliance Review, group discussions were also held in each reviewed IBB.

SCD's staff visited different IBBs 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 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 comply with Shariah principles at all times, we are 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 Compliance / Audit 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 2021:

- 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 Department on our advice carried out Islamic Banking training for all the employees posted in Islamic Banking branches.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

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 Muhammad Wasie Fasih  
Member SB

Date of Report: 09/03/2022

## شریہ بورڈ رپورٹ

(برائے سال ۱۴۴۲ھ بمطابق 2021ء)

اللہ کے فضل و کرم سے، زیر نظر سال اسلامی بینکاری زرعی ترقیاتی بینک لمیٹڈ کے آپریشن کا چوتھا سال ہے۔ شریہ 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 شریہ گورننس فریم ورک کی ہدایات کے مطابق ایک لازمی امر ہے۔

زرعی ترقیاتی بینک لمیٹڈ ملک کا سب سے بڑا منفرد نوعیت کا معاشی ادارہ ہے، جو کہ شعبہ زراعت کے فروغ کے لئے کوشاں ہے۔ اس بینک کے آغاز ہی سے کسانوں / زمین داروں کو قرضوں کی سہولیات فراہم کرنے کی روایت رہی ہے۔ اسٹیٹ بینک آف پاکستان نے جولائی 2017ء میں زرعی ترقیاتی بینک کو اسلامی بینکاری کی اصولی منظوری دی۔ تمام تر مقررہ شرائط و ضوابط پورا کرنے کے بعد جولائی 2018ء میں اسٹیٹ بینک آف پاکستان نے باقاعدہ اسلامی بینکاری کے لائسنس کا اجراء کیا۔ اور یوں زرعی ترقیاتی بینک لمیٹڈ میں اسلامک بینکنگ کے آپریشنز کا آغاز دسمبر 2018ء ہوا۔

### نئی پروڈکٹس اور پالیسیاں / مینولز / ڈاؤ کو منٹس / آئیگریمینٹس کی منظوری اور جائزہ:

اسلامک بینکنگ ڈویژن کی طرف مختلف دستاویزات بشمول پالیسیاں / مینولز / معاہدات یا ان دستاویزات میں ترامیم شریہ کچھلپائمنٹس ڈیپارٹمنٹ کے توسط سے پیش کی گئی، چنانچہ ان دستاویزات کا شرعی اعتبار سے مکمل جائزہ لینے کے بعد اس کی منظوری دیدی گئی۔ شریہ 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. ایکسپوژرا گیمینٹس کیش سیکورٹیز
2. بینک گارنٹی پروڈکٹ
3. زرعی آمدنی سرٹیفکیٹ (لائبیلیٹی پروڈکٹ)
4. اسلامک بینکنگ کاٹریژری مینول (نظر ثانی شدہ)
5. زرعی اجارہ فنانس (فنانسنگ پروڈکٹ)
6. اسلامک بینکنگ کی ونڈو پالیسی
7. لائبیلیٹی پروڈکٹ مینول (ترمیم / تبدیلیاں)

### معاہدات اور ڈاؤ کو منٹس (دستاویزات):

1. انٹرنل شریہ آڈٹ پلان برائے سال 2021ء

2. انٹرنل شریعہ آڈٹ پلان برائے سال 2022ء
3. انٹرنل شریعہ کمپلائنس ریویو پلان برائے سال 2021ء
4. اسلامک بینکنگ ڈویژن کا سالانہ ٹریننگ پلان برائے سال 2021ء
5. شیڈول آف چارجز (جولائی - دسمبر) برائے سال 2021ء
6. ماسٹر مشار کہ ایکسچینج ایگریمنٹ (ایک مشہور اسلامک بینک کے ساتھ)
7. ماسٹر مشار کہ پلیمینٹ ایگریمنٹ (ایک مشہور اسلامک بینک کے ساتھ)
8. اکاؤنٹ اوپننگ فارم برائے اسلامک آسان کرنٹ / سیونگ اکاؤنٹس (ایک صفحہ)
9. اسلامک بینکنگ ونڈوز سے متعلق شریعہ بورڈ کی رائے
10. اسلامک اور کنونشنل بینک کے درمیان پراسٹیکٹ ٹرانزیکشنز کا طریقہ کار
11. زرعی ترقیاتی بینک لمیٹڈ کے اسلامک بینکنگ ٹرینڈی ڈیپارٹمنٹ اور کنونشنل ٹرینڈی کے درمیان یاد دوسرے بینکوں کے ٹرینڈی کے درمیان پہلی فنڈ ایکسچینج کی ٹرانزیکشن کا شریعہ اپروول
12. ماسٹر مشار کہ ایکسچینج کا شریعہ اپروول (ایم سی بی اسلامک بینک کے ساتھ)
13. شیڈول آف چارجز (جنوری - جون) برائے سال 2022ء
14. البر کہ صکوک کے پرائٹ کے اکروول کا شریعہ اپروول
15. زرعی ترقیاتی بینک لمیٹڈ کنونشنل اور زرعی ترقیاتی بینک لمیٹڈ اسلامک کے ٹرینڈی کے درمیان، انٹرا ٹرینڈی فنڈ ایکسچینج لمٹ کی نظر ثانی کی گئی ہے، لہذا زرعی ترقیاتی بینک لمیٹڈ کے اسلامک بینکنگ کے وہ ڈیپازٹس جو مضاربت / مشارکت کی بنیاد پر ہے اس کی لمٹ 100% تک بڑھادی گئی ہے۔
16. اسٹیٹ بینک آف پاکستان کے نفع اور نقصان کے تقسیم اور پول مینجمنٹ گائیڈ لائنز کے مطابق، پول میں منجھیل / ٹریڈ ایبل ایسٹ کی پریسٹیج میں ریلیکسیشن
17. مشار کہ کے بنیاد پر انٹرنل بینک ٹرینڈی سے فنڈ ایکسچینج مینجمنٹ کا پروسس فلو
18. اے جی پی - او بی ایس صکوک کے پرائٹ اکروول کے لئے شریعہ اپروول / کلیئرنس (جولائی 2021ء کے لئے)
19. چیئر مین فنڈز کی تقسیم کے لئے اسلامک بینکنگ ڈویژن کی طرف سے تجویز کردہ اداروں کی اپروول

## صکوک کی منظوری

1. البر کہ بینک پاکستان کے ریٹڈ، ان سیکورڈ، سب اور ڈیمنیڈ اور پرائیوٹ پلیسڈ ٹیر 2 صکوک
2. او بی ایس، اے جی پی صکوک
3. آفا سٹیل انڈسٹریز لمیٹڈ کی جانب سے جاری شدہ صکوک
4. پی آئی اے صکوک - 1
5. جی او بی اجارہ صکوک کے آکشن میں شرکت

## شریہ بورڈ کی میٹنگز:

کل وقتی شریہ بورڈ ممبر سمیت بینک کا ایک شریہ بورڈ ہے، تاکہ وہ بینک کے تمام پراڈکٹس، پالیسیوں، معاہدوں، اور زرعی ترقیاتی بینک لمیٹڈ کے اسلامک بینکنگ ڈویژن کی جانب سے فراہم کی جانے والی ہر قسم کی خدمات کے متعلقہ دستاویزات کا بغور جائزہ لے کر اس کی منظوری دیدیں۔ دوران سال شریہ بورڈ نے کل چار مرتبہ اپنی میٹنگز اور دو مرتبہ زرعی ترقیاتی بینک لمیٹڈ کے بورڈ آف ڈائریکٹرز کے ساتھ میٹنگز کیں، ان میٹنگز میں شریہ بورڈ کے تمام ممبرز موجود رہے۔ مذکورہ بالا میٹنگز کے علاوہ شریہ بورڈ نے شریعت سے متعلق مسائل پر شعبہ اسلامک بینکنگ ڈویژن کی مسلسل نگرانی کی، اور اس حوالے سے ان کو رہنمائی فراہم کی۔

## شریہ کپلائنس اور آڈٹ:

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

مزید برآں شریہ کپلائنس ڈیپارٹمنٹ نے تمام پرنٹڈ اور سیکورٹی کاغذات، پالیسیوں، پروسیجرل مینوئلز اور پروڈکٹ مینوئلز کا بغور جائزہ لیا اور کچھ ضروری اصلاحات تجویز کئے جو شریہ بورڈ نے منظور کئے۔ شریہ کپلائنس ڈیپارٹمنٹ نے پہلے سے منظور شدہ دستاویزات میں مختلف تبدیلیوں کی تجویز دی، جس کو شریہ بورڈ نے ریویو کے بعد منظور کیا۔

شریہ کپلائنس ڈیپارٹمنٹ نے مسلسل بنیادوں پر شریہ بورڈ اور کل وقتی شریہ بورڈ ممبر کے فیصلوں کے عملی نفاذ کو یقینی بنایا۔

## ٹریڈنگ اور پیشہ ورانہ مہارت / صلاحیت کی تعمیر:

اسلامک بینکنگ ڈویژن کا ایک ٹریڈنگ پلان برائے سال 2021ء شریہ بورڈ سے منظور ہوا۔ اسلامک بینکنگ ڈویژن اور ڈیپارٹمنٹ ڈویژن نے شریہ کپلائنس ڈیپارٹمنٹ کی مدد سے اسلامک بینکنگ ڈویژن اور اسلامک بینکنگ برانچز میں کام کرنے والے تمام اسٹاف کے لئے تیز وزہ دو ٹریڈنگ منعقد کروائے۔ علاوہ ازیں! شریہ کپلائنس ریویو کے دوران ہر اسلامک بینکنگ برانچ میں گروپ ڈسکشن کا بھی اہتمام کیا گیا۔

شریہ کپلائنس 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 شریہ کپلائنس 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۔

## نتیجہ:

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 شریعہ بورڈ ممبرز ہماری یہ ذمہ داری ہے کہ ہم زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے مجموعی شریعہ کمپلائنس ماحول کے بارے میں رپورٹ دیں۔ ہماری اس رپورٹ کی بنیاد شریعہ کمپلائنس ڈیپارٹمنٹ اور شریعہ آڈٹ یونٹ کی رپورٹ ہے۔ انٹرنل شریعہ آڈٹ اور انٹرنل شریعہ کمپلائنس رپورٹ کے تمام رپورٹس کو چیک کیا گیا / جائزہ لیا گیا۔

ان تمام صورتحال اور ہماری ذاتی علم کے بنیاد پر سال 2021ء کے بارے میں ہماری رائے یہ ہے کہ:

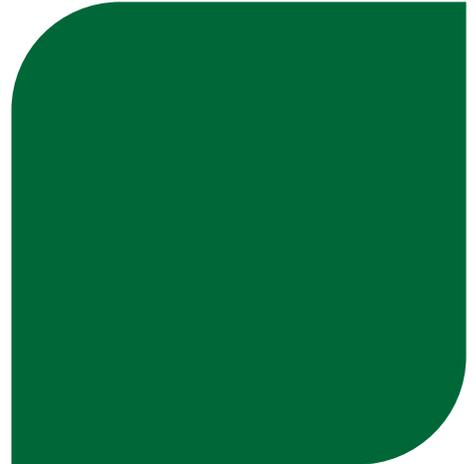
1. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری شرعی اصولوں اور قواعد و ضوابط اور شریعہ بورڈ سے جاری کردہ احکامات، فیصلوں اور ہدایات کے موافق ہے۔
2. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری نے اسٹیٹ بینک آف پاکستان کے جاری کردہ شرعی معاملات سے متعلقہ اصولوں، ہدایات اور احکامات کا مکمل نفاذ کیا ہے جو کہ اسٹیٹ بینک آف پاکستان کے شریعہ 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 شریعہ آڈٹ یونٹ، شریعہ کمپلائنس ڈیپارٹمنٹ، بینک کے اندر کل وقتی شریعہ بورڈ ممبر اور اسلامی بینکاری کے عملے کی ٹریننگ (جو اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک کے عین مطابق ہے) پر مشتمل ہے۔
4. زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے تحت شریعہ آڈٹ اور شریعہ کمپلائنس رپورٹ 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 (شریعی بورڈ کی) مشاورت سے اسلامک بینکنگ کے برانچوں میں تعینات تقریباً تمام عملے کو ٹریننگ دی۔
7. شریعہ بورڈ کو اپنی ذمہ داریاں موثر طریقے سے سرانجام دینے کے لئے مناسب وسائل کار فرماہم کئے گئے ہیں۔

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



# Review of *Operations*



## OPERATIONAL PERFORMANCE

Prime objective of ZTBL is to focus on providing lending services to rural populace especially to small farmers whose income is very low. ZTBL has been striving hard to take initiatives/steps in introduction of innovative products/schemes, which may help small farming community of the country including AJ&K & Gilgit-Baltistan to overcome their financial constraints and also mitigate the poverty.

In line with its objectives and goals, the Bank carried out various initiatives/steps in the calendar year 2021. Few of them are given below:

### 1. **Financing Scheme for Agri. Land Development through Alternate/Renewable Energy**

In order to meet energy crises in the country, following two products, as alternate/renewable energy resources, have been launched by the Bank in the year 2021. These products will not only help to get energy at low cost but will also be useful in boosting agriculture production.

- Solar Energy System
- Bio Gas Plant

### 2. **Financing Product for Transport “Three Wheeler Loader Rickshaw**

The Bank has introduced Three Wheeler Loader Rickshaw scheme to facilitate farmers in transporting their produce from farm to market and input needs from market to farm in addition to improving their livelihood.

### 3. **Financing Product for “Raw Sugar (Jaggery/Shakkar) Making, Processing & Packaging**

The Bank has launched captioned scheme similar to Soghat-e-Shireen scheme for Gurr Making. Through this scheme, the farming community will be facilitated through provision of credit facility for Raw Sugar Making. Farmers will also be enabled to sell their produce directly to market, utility stores or super markets etc. or by exploring suitable parties for buying of raw sugar for marketing. The Bank is going to arrange setting up of one pilot project in the jurisdiction of Mardan Branch (Peshawar Zone) which will be reciprocated among other pilot branches.

### 4. **Financing Scheme for Tea Plantation, Processing, Packaging & Marketing**

The Bank is providing loaning facility for tea plantation, packaging & marketing by introducing this scheme as pilot project in districts Mansehra (Abbottabad Zone) & districts Swat and Dir (Mingora Zone).

### 5. **Financing Scheme for “Women Empowerment in Garments Sector”**

ZTBL is extending loaning facilities to women of those areas where they are already working in the progression of garments sector e.g. Hand embroidered Phulkari Chaddars in Multan & Bahawalpur and embroidered ladies suits in Hyderabad. Bank has launched the subject scheme for the women as pilot project in Multan, Bahawalpur, Hyderabad, Quetta & Gilgit-Baltistan.

## 1. AGRICULTURAL LOAN DISBURSEMENTS

With the objective to provide sustainable rural finance and services particularly to small farmers and low income houses, the Bank made disbursement of loans amounting to Rs. 69,162 million during the year 2021 against an annual lending target of Rs. 71,060 million with the pace of 97%.

It is worth to mention here that agri. credit disbursement of the Bank has been grown by 11% over the period of last year's amount of Rs. 62,070 million disbursed. During the same period, the Bank served 280,017 farmers as compared to 281,040 farmers served during the same period of last year.

The Bank disburses credit in two main categories of Production and Development Loans. **Production loans** are disbursed for farm inputs like seeds, fertilizer, pesticides, labor higher and working capital to improve dairy, livestock, poultry and fisheries. During the period under review the Bank advanced an amount of Rs. 47,585.04 million to 198,489 borrowers for production loans, representing a share of 69% of total general Credit Disbursement.

While **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 2021, the Bank advanced an amount of Rs. 21,576.78 million to borrowers with the share of 31%.

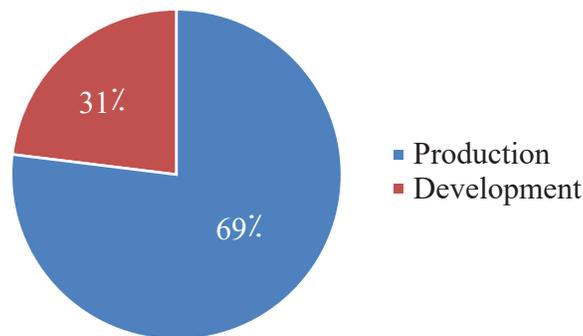


Figure 1 Share of Production and Development loans

### 1.1. 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 figure 2.

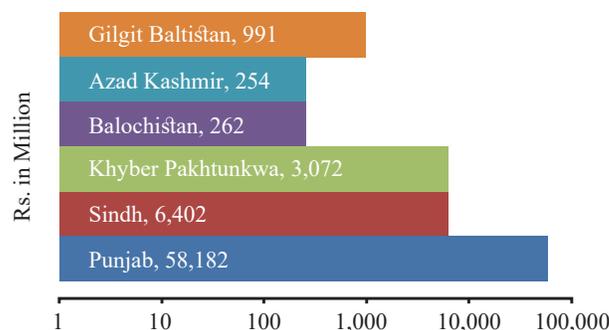


Figure 2 Province Wise Credit Disbursement

### 1.2. 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 2021 is shown as below in the figure 3.

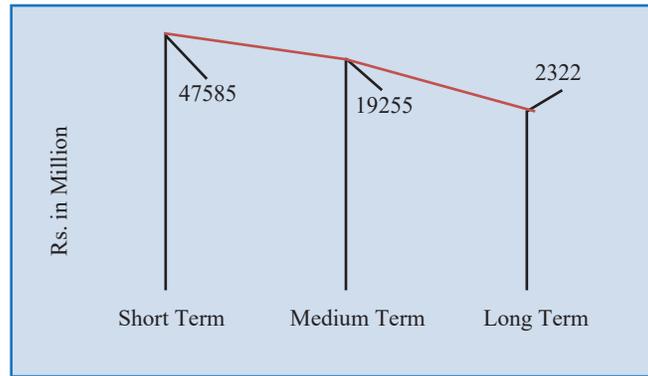


Figure 3. Term Wise Disbursement

### 1.3. 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 shown in the chart below in figure 4.

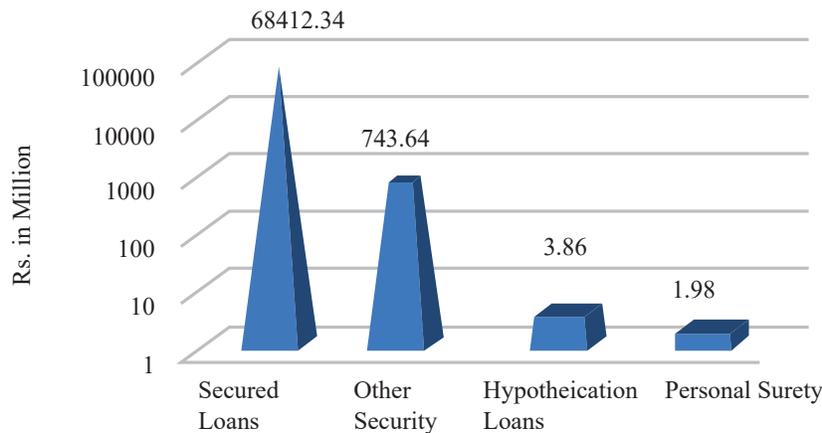


Figure 4 Security Wise Credit Disbursement

### 1.4. Land holding-wise Disbursement of Loans

Land holding-wise disbursement is illustrated below in figure 5. It is pertinent to mention here that small farmers having land up to 12.5 acres received an amount of Rs. 57,678.494 million during the year 2021.

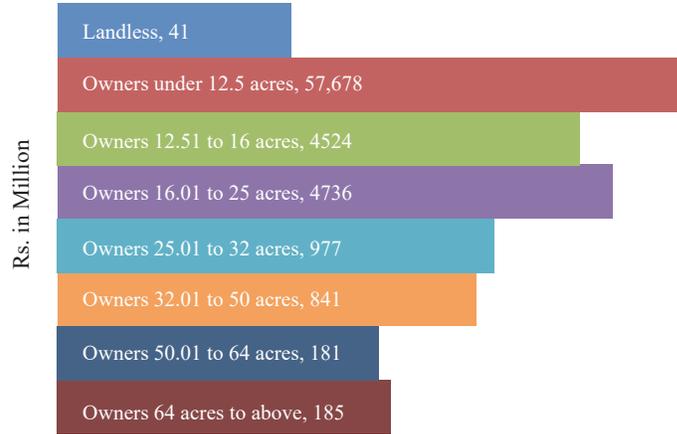


Figure 5. Holding Wise Disbursement

### 1.5. Loan Size Wise

In terms of loan amount or size, then it was found that most of cases were funded under size the Rs. 0.5 million to Rs. 1.0 million as shown in the figure 6.



Figure 6. Loan Size Wise Disbursement

## 1.6. Scheme-wise Disbursement of Loans

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

### 5.6.1 Production credit schemes

The Bank caters the need for all input loans such as seeds, fertilizers, pesticides etc. through its various products against acceptable securities to the Bank. Brief detail of schemes are given below:

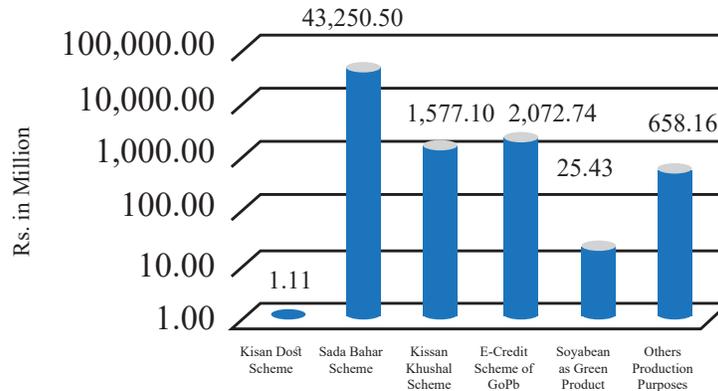


Figure 7 Disbursement under Production Credit Schemes

#### a. Kissan Khushal Scheme

In order to facilitate farming community through easy access towards credit with the facility of one-time documentation for three years' period with one year clean up, withdrawal of loan amount as per their credit need and deposit the same as and when funds are available with them. The chief objective of the scheme is to adequate & timely financial support to the farmers for their input & working capital credit needs in a more flexible and cost effective manner with the facility of multiple operations of withdrawal of limit and repayment of loan. Maximum loan limit under the scheme is Rs. 0.70 million per borrower under the scheme. During the year 2021, the Bank disbursed an amount of Rs.1577.01 million to 6,273 borrowers.

#### b. Sada Bahar Scheme (SBS)

The scheme primarily caters the financing requirements of its clientele for working capital as well as input needs like seeds, fertilizer, pesticides/insecticides, petrol/oil/lubricant (POL) and labor charges etc. of farmers in one-time documentation for the period of three years. Credit limit is valid for three years with one-time documentation. The Bank disbursed an amount of Rs.43,250.504 million to 192,315 number of borrowers up to August 20, 2021 (after that this scheme was merged with Kissan Khushal Scheme).

#### c. Kissan dost scheme (KDS)

This scheme facilitates production loans to fresh/new borrowers on seasonal basis with concessional mark-up rates without revolving facility. Under the scheme, 15 number of borrowers were served with an amount of Rs.1.107 million up to August 20, 2021 (after that this scheme was merged with Kissan Khushal Scheme).

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

In line with the Punjab Government's initiative to increase agri. production and support to small and poor farmers, the Bank disbursed an amount of Rs. 2072.745 million to 14,164 farmers. Mark-up rate is charged @ 12.50 % with subsidy provided by Government of Punjab for five years on timely repayment of loan. Maximum loan limit for the scheme is Rs.0.4 million per borrower/party for input/production loan which would be provided in one (01) installment on seasonal basis.

#### 5.6.2. 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:

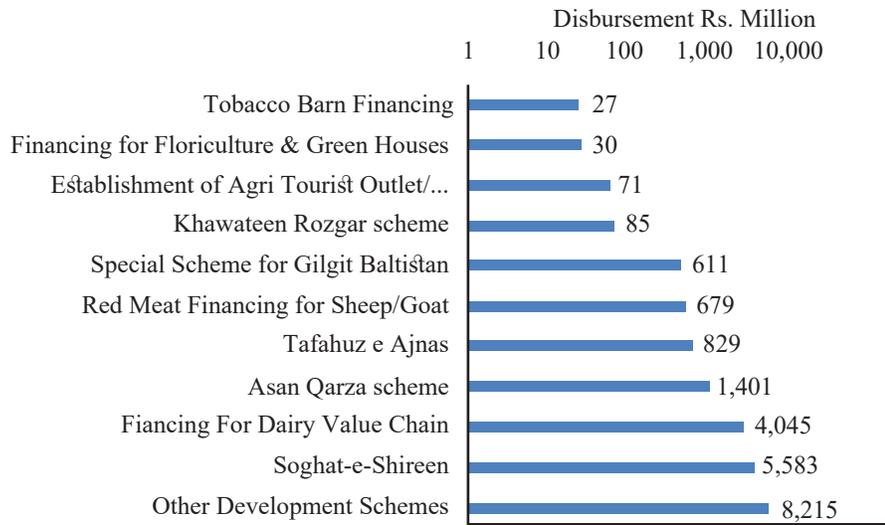


Figure 8. Disbursement under Development Schemes

#### a) Soghat-e-Shireen (Scheme for Gurr Making)

The scheme is applicable in sugarcane growing areas of the country for Gurr making as value addition, where no restriction is imposed by Federal and Provincial Governments. During the year 2021, the Bank disbursed an amount of Rs.5,583.200 million to 18,676 number of borrowers under this scheme. The maximum loan limit under the scheme is up to Rs.0.50 million per borrower/party.

#### b) Financing Scheme for Dairy Value Chain

The Bank is endeavoring to provide dairy agriculture credit to meet the genuine & real needs of the dairy farming community. Dairy in general and fresh milk in particular, are important components of the diet in Pakistan. Dairy milk is reported to be most widely used nutrient dense food for complementary and young child feeding. In order to facilitate the farmers, Bank has launched the captioned scheme. Maximum Financing Limit under the scheme is up to Rs. 1.50 million per borrower/party. the Bank disbursed an amount of Rs. 4,044.697 million among 10,408 borrowers under the captioned scheme.

**c) Asan Qarza Scheme**

Youth are the major segment of rural population in the country. Asan Qarza scheme was launched by the Bank to support youth through financing agri. business under variety of agro-based activities. An amount of Rs. 1,401.425 million was financed to 8146 number of borrowers, in the year 2021. The maximum loan limit under the scheme is up to Rs.0.200 million per borrower/party.

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

The scheme is applicable across the country to promote the capacity building in the shape of storage facilities and establishment of small godowns to prevent wastage of farm produce. During the year 2021 the Bank advanced an amount of Rs.829.055 million was disbursed to 3,391 number of borrowers. The maximum loan limit under the scheme is up to Rs.1.500 million per borrower/party.

**e) Red Meat Financing Package for Goat/Sheep**

This financing package is currently being implemented in Multan, Faisalabad, D.G. Khan, D.I. Khan, Bhakkar, Shaheed Benazir Abad (Nawabshah), Dadu, Sukkur, Peshawar, Lasbella, Loralai, and Khuzdar. During the year 2021, the Bank accommodated 1,527 number of borrowers with an amount of Rs.678.946 million under the scheme. The maximum loan limit under the scheme is up to Rs.1.50 million per borrower/party.

**f) Special Schemes for Gilgit-Baltistan**

The Bank financed an amount of Rs.610.995 million to 1319 number of borrowers under this special scheme of Gilgit-Baltistan area in the year 2021. The said scheme was launched by the Bank to facilitate farmers for Fish Farming, Yak Farming, Sea buckthorn cultivation and Hybrid Poplar in the vicinity of Gilgit-Baltistan. Brief features of the scheme are given below in table.

**Loanable Products & their maximum loan limit of**

**Trout Farming:** The maximum limit of the loan is Rs.1.500 million per borrower/party.

**Yak Farming:**

- The loan limit is Rs.1,25,000/- per animal.
- For Calf of Yak loan limit is Rs.40,000/- per animal.
- Working capital amount is Rs.10,000/- per animal.

**Sea-buck Thorn Cultivation:** Loan limit is Rs.52,000/- per acre.

**Hybrid Poplar:** Loan limit is Rs.15,000/- per acre.

**g) Khawateen Rozgar Scheme**

To empower the rural women, the Bank facilitated 527 number of women through financing an amount of Rs.84.701 million. The maximum loan limit per borrower/party for secured loan is Rs.0.20 million and for surety loan up to Rs.25,000/- per borrower/party.

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

The Bank is providing loans for “Establishment of Agri. Tourist/orchard in the vicinity of Gilgit Baltistan to facilitate farming community in such a way that the local farmers could fetch maximum benefit of their agriculture produce. Through this scheme, agriculture and tourism will not only be promoted but it also enhances farmers’ income by utilizing benefits of Agri. tourist/orchard, where tourist could visit, stay, enjoy and purchase agri. Produce of farmers in real time environment. Maximum Financing Limit under the Scheme is up to Rs. 1.500 million per borrower/party. It is worthy to mention here that 56 number of farmers have been facilitated by utilizing an amount of Rs. 70.817 million in the year 2021.

**i) Agri. Financing Scheme for Floriculture & Green Houses**

In order to mitigate the impacts of climate change and to promote floriculture sector in the country the Bank launched “Agri. Financing Scheme for Floriculture & Green Houses” throughout the country. The maximum loan limit under the scheme is up to Rs.1.50 million per borrower/party. The Bank made financing of an amount of Rs.30.224 million to 112 number of borrowers in the scheme during the year 2021.

**j) Tobacco Barn Financing Scheme**

The scheme was introduced with the objective to facilitate the tobacco growers to get suitable price of their tobacco produce by value addition by setting-up Tobacco Barns. The maximum loan limit under the scheme is up to Rs.0.40 million per borrower/party. Under the scheme, the Bank financed an amount of Rs.27.337 million to 101 borrowers in the year 2021.

**6. RECOVERY AND SPECIAL ASSETS MANAGEMENT**

The Bank has recovered an amount of Rs.83,677.430 million against the total recoverable amount of Rs.109,644.456 million with recovery rate of 76%. Province detail is given below:

Province	2021	2020	Growth	
			Amount	%Age
Punjab	70,618.13	67,563.95	3,054.18	4.52
Sindh	8,633.26	7,354.99	1,278.27	17.38
KP	3,383.02	3,349.11	33.91	1.01
Baluchistan	260.00	235.10	24.90	10.59
AK*	324.84	294.21	30.63	10.41
GB**	458.17	418.81	39.36	9.40
Pakistan	83,677.43	79,216.17	4,461.25	5.63

\* Azad Kashmir

\*\* Gilgit Baltistan

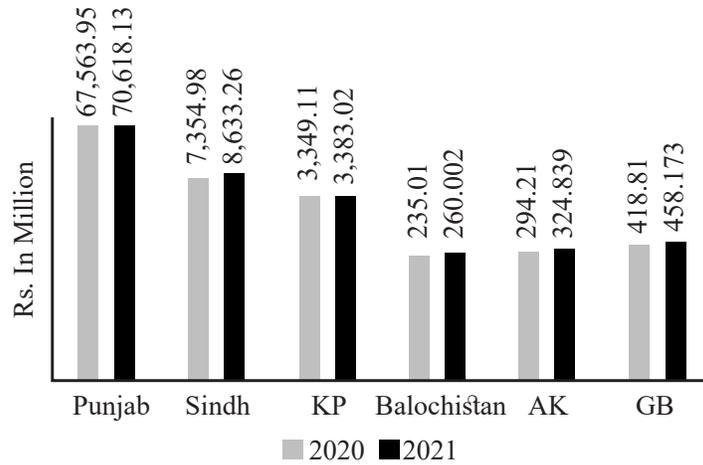


Figure 9 Province Wise Recovery Position

## 7. OPERATIONS AND BUSINESS OUTREACH

Despite the impairment caused by the Covid-19, the Bank carryout 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 are given as under:

- The Bank at Head Office is supporting its 501 branches through creation/revoking of User ID on daily basis, bifurcation of branch circle, generate CWR, Verisys from NADRA.
- Branches were relocated to improve the customer facilitation and growth in main/allied business of the Bank.
- The MCO Circles with low portfolio causing extra expenses and with high portfolio affecting efficiency/profitability of the Branch/Bank, 152 MCO Circles have been rationalized (Merged /Bifurcated) to curtail expenses and to increase profitability of the Bank during the year, 2021.

### Ancillary Banking Facilities

During the last year the Bank improved its ancillary Banking facilities however, special focus remained on, Home Remittances, Utility Bills Collection & Locker. Brief performance in this regard is given as under:

#### 1. Home Remittance:

ZTBL is currently offering Home Remittance facility through cash over counter, however implementation of Home Remittance System is under process. After complete implementation, the Bank will be able to cater all types of transactions. Through this system, the Bank shall have the capability to offer many modes of Home Remittance payments, including Freelance, B2C & C2B payments etc. Locally arrangement with banks in Pakistan is in progress. In parallel, get in touch with the Money Transfer Companies abroad for the arrangement of remittance business under the guidance of PRI, (Pakistan Remittance Initiative). Total number of 31,639 transactions have been executed against Target of 50,547 transactions along with the inflow of USD 6.05 million as of 31.12.2021

**2. Utility Bills Collection**

Total target	2,060,000 (Bills)
Achievement:	2,185,421 (Bills)
%age	106%

**3. Collection of Hajj Applications**

Sadly: As the activities of Hajj 2021 has been discontinued due to Covid-19 and accordingly to the decision of the Government of Kingdom of Saudi Arabia; the pilgrims of the Muslim courtiers will not perform Hajj-2021

**4. Locker Facility**

ZTBL is offering locker facility in the branches to Enhance income based services and grow brand image. Total lockers available are 2520 and 1250 are occupied (49.60%).

**5. Call Deposit Receipts (CDR)**

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. It is worth to mention here that the Bank successfully collected an amount of Rs. 1,979.957 million on behalf of 3,898 issued CDRs on account of current deposit during the last year.

**4. DEPOSIT MOBILIZATION**

In last year 2021, the Bank faced lot of challenges, which were trickled down from last year 2020 due to pandemic; however, keeping in focus on Deposit Mobilization, the Bank is aggressively working towards enhancing the deposit base along with improving CASA: TDR ratio.

During the period under consideration, the Bank registered Rs.6,571.36 million in Current Account, Rs.6,336.43 million in Saving Accounts (SA & RBA) and Rs.30.643.60 million in Term Deposit Receipts (TDR). Moreover, as per result of continuous efforts to improve our deposit base and increase Bank's customer base, ZTBL opened 31,538 New to Bank Accounts (NTBs) with fresh deposit of Rs.1.22 million which came under these NTBs during the period under review.

In continuation the Bank is taking various steps to augment its deposit base. Further, with our focus on enhancing the CASA base of the Bank a few measures that are being taken are:

**Liability Drive & Targets**

- Focus on promoting profitability culture, service quality and standards.
- Inculcation of deposit culture by deepening and referrals.
- Revival of LOST relationships/customers, along with retaining existing relationships dormant relationships and personalized banking service.

- Regular meetings with ZC/BMs and field sales staff.

## 5. 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. Various Departments and Divisions at its Head Office have been restructured and merged to control operational cost of the Bank vide reports of the consultancy services hired by the Bank i.e. M/s EY Ford Rhodes.

With a view to digitize CAD functions and ensure transparency, scrutiny of collateral and redemption of security documents, Loan sanctioning process was digitized and implemented while establishing CAD hubs at Zonal Office Level.

In order to reduce NPLs and SAM portfolio and boost up the recovery through an independent setup of Regional General Managers (RGMs) and Area Offices was established in to conventional structure of Zonal Chief/Branch Managers/MCO in the field.

The Bank employees were allowed Cash Bonus to incentivize Recovery as of June 2021 in recognition of efforts made to recover outstanding agri. Loans up to 3 salaries to the top 50,100,150 and 200 MCOs and other employees.

To align the inland traveling expense with the market practices for touring employees in connection with Bank's affairs, 100% revision in rates of Travelling allowance/Daily allowance was allowed.

In line with regulatory guidelines/instructions, different Management committees of the Bank like ManCom, Internal Risk, Procurement Committee, IT Steering Committee etc. has been constituted/reviewed to facilitate the business stakeholders for decision making.

## 6. TRAINING & DEVELOPMENT

Skillful and well trained manpower plays as catalyst for the development of an organization. Keeping in view, the Bank fully complied to achieve its Bank's goals to ensure sustainable change in the organization in the year 2021.

During the period under review, the Bank organized various trainings programs of its employees, who are dealing with business operations, credit, Islamic Banking, Compliance, Risk Management, Information technology and etc. Bank also arranged trainings in other institutions to groom Bank's employees.

Under Internship program, 267 students were offered internship opportunities in different categories, as briefly given below:

Description of Internship	No. of Internees Graduates/Post Graduates
ACCA	13
Paid Internship	25
Unpaid Internship	229
Total	267

## IQRA Quran Academy

The Bank is also facilitating Bank's employees by teaching Holy Quran to their children at ZTBL Quran Academy through its qualified teachers. Presently 5 children are memorizing and 27 learning Holy Quran in the academy, however 15 children have completed their Nazra Quran in the year 2021.

## Austerity Measures

Keeping in view, austerity drive of Prime Minister of Pakistan, the Bank successfully saved an amount of Rs. 36.88 million from training & development side of its staff, as shown in figure below:

Expenses incurred on	Budget Allocated	Expense Incurred	Savings
In house trainings	2.885	1.119	1.766
Training arranged for ZTBL employees in other institutions	2.125	1.329	0.795
Hotel Stay & Travelling	30.000	0.332	29.668
Annual Subscription charges	2.376	2.376	0.000
ACCA & Specialized Internships	3.000	0.842	2.158
Employees Education Improvement Program	2.500	0.000	2.500
<b>Total</b>	<b>42.885</b>	<b>5.998</b>	<b>36.887</b>

## Management Committees

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

- i. Assets Liabilities Committee (ALCO)
- ii. Management Committee (ManCom)
- iii. Compliance Committee of the Management (CCM)
- iv. Medical Facilitation Committee (MFC)
- v. Internal Risk Management Committee (IRMC)
- vi. Fair Treatment of Customers Committee (FTCC)
- vii. Advertisement Committee (AC)
- viii. IT Steering Committee (ITSC)
- ix. Procurement Committee (PC)
- x. Quality Assurance Committee (QAC)
- xi. Head Office Services Committee
- xii. Head Office Committee for Write-off losses
- xiii. AML Steering Committee (AMLSC)
- xiv. Media Committee
- xv. Recognition & Reward Committee
- xvi. Employees Grievance Handling Committee
- xvii. Standing Inquiry Committee-"The Protection against Harassment of Women at Workplace Act 2010.

## 6. ISLAMIC BANKING OPERATIONS

During the past year, Liability Product Zarai Amadni Certificates (fixed term deposit product for farmers and low income group) has been approved along with Policy for Islamic Banking Windows (IBWs). The account-opening process of Islamic Banking Branches was also centralized. Moreover, Islamic Banking training was provided to staff of Islamic Banking Branches and Executives of ZTBL with collaboration of Training and Development Division thereby successfully fulfilling regulatory requirements in this nexus.

- Islamic Banking Division is planning to commence financing operations in 2022, initiating through offering product for Tractor and Farm Machinery and input/production under the Shariah Compliant Structure of Diminishing Musharakah and later on Ijarah financing product.
- In order to expand branches network in the year 2022, SBP granted approval for opening of Ten (10) Islamic Banking Windows in different conventional branches.
- Development of online connectivity between Islamic and Conventional is also in final stages. Once implemented, IB branches will become part of overall bank network of around 500 branches of ZTBL.
- Provision of Islamic Banking training to the staff of Islamic Banking Branches as per approved training plan.



## OPERATIONAL KEY INDICATORS

(As of December 31,2021)

Particular	Amount (Rs. in millions)
<b>A. DISBURSEMENT</b>	
1. Total Disbursement	69,162
a. Production Loans	47,585
b. Development	21,577
<b>Loans</b>	
2. Tractors Financed	
Number	1,356
Amount	1,258
<b>3. Tube wells Financed</b>	
Number	69
Amount	11
<b>4. Loans to Subsistence Farmers</b>	58,806
<b>5. Share of Small Farmers (under 25 Acres)</b>	97%
<b>6. Number of Borrowers Served</b>	280,017
<b>RECOVERY OPERATIONS</b>	
Total Amount Recovered	83,677
<b>NETWORK OF OPERATIONS</b>	
1. Number of Zones	31
2. Number of Branches	501
3. Number of MCOs	1,138



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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 Company) for the year ended December 31, 2021.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. 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 Company'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 Company's personnel and review of various documents prepared by the Company 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 control, the Company's corporate governance procedures and risks.

The Rules requires the Company 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 Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended December 31, 2021.

ISLAMABAD

DATE: 17 APR 2022

UDIN: CR202110094h7FpIHS60

*Bdoehrahim&co.*  
CHARTERED ACCOUNTANTS  
Engagement Partner: Iffat Hussain

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.

**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, 2021

- 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.	Y	N																			
			Tick the relevant box																				
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√																				
2	The Board has at least one-third of its total numbers as independent directors. At present the Board includes:	3(2)		√																			
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Directors</td> <td>1. Mr.Zaigham Mahmood Rizvi</td> <td>30.12.2020</td> </tr> <tr> <td>2. Syed Javed</td> <td>30.12.2020</td> </tr> <tr> <td>Executive Directors</td> <td>1. Mr.Muhammad Shahbaz Jameel</td> <td>11.11.2019</td> </tr> <tr> <td rowspan="4">Non-Executive Directors</td> <td>1. Mr.Nadccm Lodhi</td> <td>30.12.2020</td> </tr> <tr> <td>2. Mr.Abdul Ghufraan</td> <td>30.12.2020</td> </tr> <tr> <td>3. Mr.Muhammad Aslam Ghauri</td> <td>07.10.2021</td> </tr> <tr> <td>4. Mr.Haaris Mahmood Chaudhary</td> <td>30.12.2020</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	1. Mr.Zaigham Mahmood Rizvi	30.12.2020	2. Syed Javed	30.12.2020	Executive Directors	1. Mr.Muhammad Shahbaz Jameel	11.11.2019	Non-Executive Directors	1. Mr.Nadccm Lodhi	30.12.2020	2. Mr.Abdul Ghufraan	30.12.2020	3. Mr.Muhammad Aslam Ghauri	07.10.2021	4. Mr.Haaris Mahmood Chaudhary	30.12.2020		
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	4. Mr.Haaris Mahmood Chaudhary	30.12.2020																					
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)	√																				

*Advised.*

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)	√	
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 anticorruption 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)	√	

(Signature)

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.			

Bakht -

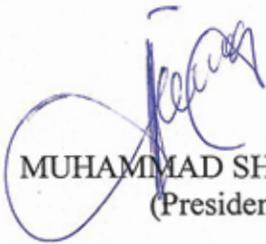
	(c)The Board has placed the annual financial statements on the Bank's website																					
22	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√																			
23	(a) The Board 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>04</td> <td>Syed Javed</td> </tr> <tr> <td>Risk Management Committee</td> <td>04</td> <td>Mr.Zaigham Mahmood Rizvi</td> </tr> <tr> <td>Human Resource Committee</td> <td>05</td> <td>Mr.Nadeem Lodhi</td> </tr> <tr> <td>Procurement Committee</td> <td>04</td> <td>Mr.Haaris Mahmood Chaudhary</td> </tr> <tr> <td>Nomination Committee</td> <td>04</td> <td>Mr.Abdul Ghufraan</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	04	Syed Javed	Risk Management Committee	04	Mr.Zaigham Mahmood Rizvi	Human Resource Committee	05	Mr.Nadeem Lodhi	Procurement Committee	04	Mr.Haaris Mahmood Chaudhary	Nomination Committee	04	Mr.Abdul Ghufraan			
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Procurement Committee	04	Mr.Haaris Mahmood Chaudhary																				
Nomination Committee	04	Mr.Abdul Ghufraan																				
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 subsection (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	√																			

Boards

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="373 735 1015 1102"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>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.Haaris Mahmood Chaudhary</td> <td>Non-Executive</td> <td>Business</td> </tr> <tr> <td>Mr.Muhammad Aslam Ghauri</td> <td>Non-Executive</td> <td>Business</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	Syed Javed	Independent	Economics/ Management	Mr.Zaigham Mahmood Rizvi	Independent	Economics/ Business	Mr.Haaris Mahmood Chaudhary	Non-Executive	Business	Mr.Muhammad Aslam Ghauri	Non-Executive	Business	21 (1) and 21 (2)	√	√
Name of Member	Category	Professional background																	
Syed Javed	Independent	Economics/ Management																	
Mr.Zaigham Mahmood Rizvi	Independent	Economics/ Business																	
Mr.Haaris Mahmood Chaudhary	Non-Executive	Business																	
Mr.Muhammad Aslam Ghauri	Non-Executive	Business																	
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.	22	√	√															

P. 20/21

	(b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.		√	
	(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)	√	

  
 MUHAMMAD SHAHBAZ JAMEEL  
 (President/CEO)

  
 ZAIGHAM MAHMOOD RIZVI  
 Director

## SCHEDULE II

### Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

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

S. No.	Rule/ sub-rule No.	Reasons for non-compliance	Future course of action
1	3(2)	Subsequent to his appointment on the Board of Directors of ZTBL, Mr.Nadeem Lodhi was also appointed as Chief Executive Officer of M/s Sindh Infrastructure Development Company Limited (SIDCL).	He has already resigned from the position of CEO, SIDCL.  Further, the Federal Government has also been requested for appointment of two Directors against available positions.

**CORPORATE AFFAIRS DEPARTMENT**

No. CAD/1(4)/AGM/16/2022/

Dated: April 28, 2022

**NOTICE OF 16<sup>TH</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the **16<sup>th</sup> Annual General Meeting of Zarai Taraqati Bank Limited will be held on Thursday May 19, 2022 at 12:00 Noon at ZTBL, Head Office, Islamabad**, to transact the following business:

**Ordinary Business:**

1. To confirm minutes of 15<sup>th</sup> Annual General Meeting held on December 30, 2021
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, 2021 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors of the Bank for the year ending December 31, 2022 and fix their remuneration.

**Special Business:**

4. Performance Bonus for the President/CEO, ZTBL for the year ended December 31, 2021

(Statement under Section 134 of the Companies Act, 2017 in respect of Special Business is enclosed with the notice)

**Any other Business:**

To consider any other business with the permission of the Chair

By order of the Board



**(TARIQ MAHMOOD TALIB)**

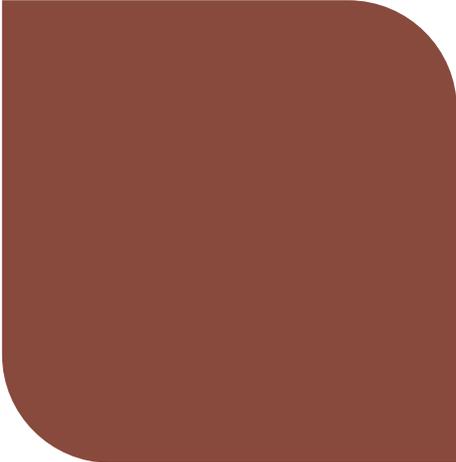
*Company Secretary)*

(051-9253087)

# UNCONSOLIDATED

# *Financial Statements*

for the period ended 31 December 2021







Tel: +92 51 260 4461-5  
Fax: +92 51 260 4468  
www.bdo.com.pk

3rd Floor,  
Saeed Plaza,  
22-East Blue Area,  
Islamabad-44000,  
Pakistan.

## 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, 2021, 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 forty two (142) branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant 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 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, 2021 and of the loss and other comprehensive loss, 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.

*Signature*

*Signature*

## Following are the Key Audit Matters:

Sr. No.	Key Audit Matters	How the matter was addressed in our audit
1.	<b>Provision against advance</b>	
	<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 7.4 and 7.31 (b) to the unconsolidated financial statements}, the Bank determines provision against nonperforming 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 36% of its total assets and are stated at Rs. 91,822 million which are net of provision of Rs. 23,434 million as at December 31, 2021.</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 12 to the consolidated financial statements _</p>	<p>Our audit procedures in respect of classified portfolio and provision thereon included the following:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In respect of the level of general provision maintained by the Bank and specific provision recognized, we discussed the approach and policy followed by the Bank with the management.</p> <p>We also reviewed adequacy of disclosures as included in note 12 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.</p>

2.	<b>Valuation of Investments</b>	
	<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 32% of total assets amounting to net investments of Rs. 82,407 million as at 31 December 2021</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 of its significance in relation to the unconsolidated financial statements and the use of management judgment in determination of impairment.</p> <p>Refer note 11 to the unconsolidated financial statements.</p>	<p>Our audit procedures in respect of valuation of investments mainly included the following:</p> <p>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.</p> <p>Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices.</p> <p>Comparing the cost of each equity investments to its market value to determine the valuation and recognition as per the policy of the bank.</p> <p>Evaluated the management assessment in respect of valuation and impairment of investment in un-listed shares.</p> <p>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.</p>

**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 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 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.

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.

### 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.

#### Other Matter

The financial statements of Zarai Taraqati Bank Limited for the year ended December 31, 2020 were audited by another firm of Chartered Accountants, who had expressed an unmodified opinion vide their report dated December 01, 2021.

The engagement partner on the audit resulting in this independent auditors report is Iffat Hussain.

ISLAMABAD

DATED: 17 APR 2022

UDIN: AR202110094ZYt4TDFHU

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

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31,2021**

	Note	2021	2020
.....Rupees in '000.....			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	5,026,023	2,677,147
Balances with other banks	9	26,815,652	19,429,284
Lendings to financial institutions	10	16,879,487	11,037,975
Investments - net	11	82,407,245	39,824,960
Advances - net	12	91,822,307	102,656,270
Fixed assets	13	2,477,865	2,793,596
Intangible assets	14	35,817	19,396
Deferred tax assets - net	15	13,230,217	13,266,590
Other assets - net	16	16,146,129	18,980,827
		254,840,742	210,686,045
<b>LIABILITIES</b>			
Bills payable	18	442,401	402,111
Borrowings	19	132,357,035	81,163,232
Deposits and other accounts	20	43,598,565	49,185,517
Liabilities against assets subject to finance lease		---	---
Subordinated loan		---	---
Deferred tax liabilities - net		---	---
Other liabilities	21	24,512,149	23,248,030
		200,910,150	153,998,890
		53,930,592	56,687,155
<b>NET ASSETS</b>			
<b>REPRESENTED BY</b>			
Share capital	22	52,678,433	52,678,433
Reserves		6,299,526	6,299,526
Surplus on revaluation of assets - net of tax	23	989,649	1,679,047
Accumulated loss		(6,037,016)	(3,969,851)
		53,930,592	56,687,155

**CONTINGENCIES AND COMMITMENTS 24**

24

The annexed notes 1 to 49 and annexures I & II form an integral part of these financial statements.

*Review*

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Note	2021	2020
.....Rupees in '000.....			
Mark-up / return / interest earned	25	22,526,158	18,041,618
Mark-up / return / interest expensed	26	10,325,697	9,706,371
Net mark-up / interest income		12,200,461	8,335,247
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	27	998,119	989,081
Dividend income		192,413	75,346
Foreign exchange income		---	---
Income / (loss) from derivatives		---	---
Gain / (loss) on securities	28	15,006	8,601
Other income	29	141,000	229,444
Total non-mark-up / interest income		1,346,538	1,302,472
Total income		13,546,999	9,637,719
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	30	10,909,948	11,384,345
Workers welfare fund		---	---
Other charges	31	76,359	147,620
Total non mark-up / interest expenses		10,986,307	11,531,965
Profit / (loss) before provisions		2,560,692	(1,894,246)
Provisions and write offs - net	32	777,676	1,330,316
Extra ordinary / unusual items		---	---
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		1,783,016	(3,224,562)
Taxation	33	3,518,256	(757,147)
<b>LOSS AFTER TAXATION</b>		(1,735,240)	(2,467,415)
.....Rupees.....			
Basic loss per share (Rupees)	34	(0.33)	(0.47)
Diluted loss per share (Rupees)	34	(0.33)	(0.47)

The annexed notes 1 to 49 and annexures I & II form an integral part of these financial statements.



President



Chief Financial Officer



Director



Director

Director



Director

Director

**ZARAI TARAQIATI BANK LIMITED  
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31,2021**

	Note	2021 .....Rupees in '000.....	2020
<b>Loss after taxation for the year</b>		(1,735,240)	(2,467,415)
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>			
Effect of translation of net investment in foreign branches		-	-
Movement in surplus on revaluation of investments - net of tax		(689,398)	(414,543)
Movement in deficit on revaluation of investments - net of tax		(689,398)	(414,543)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>			
Remeasurement gain on defined benefit obligations - net of tax		(331,925)	1,934,549
Movement in surplus on revaluation of operating fixed assets - net of tax		-	-
Movement in surplus on revaluation of non-banking assets - net of tax		-	-
Remeasurement gain on defined benefit obligations - net of tax		(331,925)	1,934,549
<b>Total comprehensive loss</b>		<u>2,756,563</u>	<u>(947,409)</u>

The annexed notes 1 to 49 and annexures I & II form an integral part of these consolidated financial statements.

*Balance*

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

ZARAI TARAQIATI BANK LIMITED  
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
	..... Rupees in '000 .....					
<b>Balance as at December 31, 2019</b>	52,678,433	6,239,526	60,000	2,093,590	(3,436,985)	57,634,564
Loss after taxation for the year	-	-	-	-	(2,467,415)	(2,467,415)
Other comprehensive income / (loss) - net of tax	-	-	-	(414,543)	1,934,549	1,520,006
Total comprehensive loss for the year	-	-	-	(414,543)	(532,866)	(947,409)
<b>Balance as at December 31, 2020</b>	52,678,433	6,239,526	60,000	1,679,047	(3,969,851)	56,687,155
Loss after taxation for the year	-	-	-	-	(1,735,240)	(1,735,240)
Other comprehensive loss - net of tax	-	-	-	(689,398)	(331,925)	(1,021,323)
Total comprehensive loss for the year	-	-	-	(689,398)	(2,067,165)	(2,756,563)
<b>Balance as at December 31, 2021</b>	52,678,433	6,239,526	60,000	989,649	(6,037,016)	53,930,592

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 I to 49 and annexures I & II form an integral part of these financial statements.

  
President

  
Chief Financial Officer

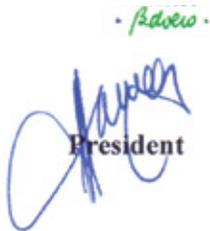
  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED  
UNCONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31,2021**

	Note	2021	2020
		.....Rupees in '000.....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before working capital changes	38	11,242,200	4,025,811
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(5,841,512)	(11,037,975)
Advances - net		3,637,679	3,474,938
Other assets - net (excluding advance taxation)		505,558	(1,273,204)
		(1,698,275)	(8,836,241)
Increase / (decrease) in operating liabilities:			
Bills payable		40,290	(169,758)
Borrowings from financial institutions		51,193,803	8,660,867
Deposits and other accounts		(5,586,952)	3,183,306
Other liabilities		(267,055)	643,747
		45,380,086	12,318,162
Employees' benefits paid		(1,018,509)	(974,256)
Income tax paid		(368,575)	(376,787)
Net cash flow generated from operating activities		53,536,927	6,156,689
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(43,627,891)	(16,343,466)
Dividend received		192,413	75,346
Investments in operating fixed assets		(175,968)	(163,442)
Proceeds from sale of fixed assets		87,162	102,898
Net cash flow used in investing activities		(43,524,284)	(16,328,664)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability against right-of-use assets - net		(277,399)	(278,577)
Increase / (decrease) in cash and cash equivalents		9,735,244	(10,450,552)
Cash and cash equivalents at beginning of the year		22,106,431	32,556,983
Cash and cash equivalents at end of the year	35	31,841,675	22,106,431

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

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**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 (2020: 501) branches including 5 (2020: 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:

- 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 Financial Reporting Standard (IFRS) 9, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 however, SBP has further modified the effective date of application of IFRS 9 for banking finance companies to reporting periods starting on or after January 01, 2022 vide BPRD Circular no. 24 of 2021 dated July 05, 2021. 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 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 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

**Effective date (annual periods beginning on or after)**

Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions January 01, 2022

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 01, 2021

Certain annual improvements have also been made to a number of IFRSs.

**4.2 New accounting standards, amendments and interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

**Effective date (annual periods beginning on or after)**

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 01, 2022

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions April 01, 2021

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction January 01, 2023

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange

Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

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.

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 convention except for:

- 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 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) had also responded to the crisis with following regulatory measures to provide an impetus to economic activity:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and / or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 has impacted the banks in Pakistan from various facets which include muted credit risk increase, reduced fee income due to slowdown in economic activity, branch closures and cyber security threat management.

The potential impact of the economic stress posed by the COVID-19 outbreak is difficult to predict, as many of the Bank's borrowers have availed the SBP enabled deferment/restructuring & rescheduling relief. However, the Bank had General Provision of Rs. 3.0 billion therefore no further provision is made during the year.

## 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

7.1 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.

### 7.2 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'.

**7.3 Cash and cash equivalents**

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

**7.4 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.

**7.5 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.

**7.6 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 13.2 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.

## **7.7 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.

## **7.8 Right-of-use assets and their related lease liability**

### **7.8.1 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.

**7.8.2 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.

**7.9 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.

**7.10 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.

**7.11 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 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.

### **7.12 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.

### **7.13 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.

### **7.14 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.

**7.15 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.

**7.16 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.

**7.17 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.

### **7.18 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.

### **7.19 Fair value measurement**

A number of assets and liabilities included in the financial statements require measurement 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, 2021 are disclosed in note 41.

### **7.20 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.

### **7.21 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.

**7.22 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.

**7.23 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.

**7.24 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.

**7.25 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.

**7.26 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.

**7.27 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.

**7.28 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.

**7.29 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.

### 7.30 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.

### 7.31 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 7.5, 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 39 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.

**h) Right-of-use assets**

As mentioned in note 7.8, right-of-use assets is depreciated over its lease term while their related lease liability are measured at their present values.

**7.32 Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Bank. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

	Note	2021 Rupees in '000'	2020
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		572,019	562,751
With State Bank of Pakistan in:			
Local currency current account	8.1	2,919,203	1,552,407
With National Bank of Pakistan in:			
Local currency current account		1,198,284	121,289
Local currency deposit account	8.2	333,762	426,957
		1,532,046	548,246
Prize bonds		2,755	13,743
		<u>5,026,023</u>	<u>2,677,147</u>

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

8.2 These carry mark-up at rates ranging from 5.50% to 12.50% (2020: 5.50%) per annum.

	Note	2021 Rupees in '000'	2020
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		124,434	128,027
In deposit accounts	9.1	26,691,218	19,301,257
		<u>26,815,652</u>	<u>19,429,284</u>

9.1 These carry mark-up at rates ranging from 5.50% to 12.40% (2020: 5.50% to 6.50%) per annum.

	Note	2021 Rupees in '000'	2020
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		3,050,000	1,000,000
Repurchase agreement lendings (reverse repo)	10.3	13,778,212	9,986,700
Bai Muajjal receivable			
With State Bank of Pakistan	10.4	51,275	51,275
		<u>16,879,487</u>	<u>11,037,975</u>

	2021	2020
	Rupees in '000'	
<b>10.1 Particulars of lendings</b>		
In local currency	16,879,487	11,037,975
In foreign currencies	-	-
	16,879,487	11,037,975

**10.2 Securities held as collateral against lendings to financial institutions**

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000 .....					
Pakistan	13,778,212	-	13,778,212	9,986,700	-	9,986,700
	13,778,212	-	13,778,212	9,986,700	-	9,986,700

10.3 This carries mark-up at rates ranging from 10.10% to 10.75% (2020: 7.15% to 7.30% ) per annum having maturity during January 2022.

10.4 This carries mark up coupon 7.94% and having maturity during June 2023.

**11 INVESTMENTS - NET****11.1 Investments by types**

	2021					2020						
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Note ..... Rupees in '000 .....												
<b>11.4 Available-for-sale securities</b>												
Federal Government securities												
Shares	78,001,592	-	(873,024)	77,128,568	34,161,061	-	(195,459)	33,965,602	99,819	(10,523)	2,780,330	2,869,626
Corporate sukuk	594,575	-	3,412	597,987	518,938	-	7,081	526,019	2,099,245	-	(8,803)	2,363,713
Term Finance Certificates	80,795,231	(10,523)	1,522,537	82,307,245	37,152,334	(10,523)	2,583,149	39,724,960	100,000	-	-	100,000
<b>Subsidiary</b>												
<b>Total investments</b>	<b>80,895,231</b>	<b>(10,523)</b>	<b>1,522,537</b>	<b>82,407,245</b>	<b>37,252,334</b>	<b>(10,523)</b>	<b>2,583,149</b>	<b>39,824,960</b>				

**11.2 Investments by segments****Federal Government securities**

Market Treasury Bills	42,060,692	-	(44,626)	42,016,066	9,606,374	-	(2,760)	9,603,614
Pakistan Investment Bonds	34,764,522	-	(794,722)	33,969,800	23,853,309	-	(189,946)	23,663,363
GOP Ijara sukuk	1,176,378	-	(33,676)	1,142,702	701,378	-	(2,753)	698,625
<b>Shares:</b>	<b>78,001,592</b>	<b>-</b>	<b>(873,024)</b>	<b>77,128,568</b>	<b>34,161,061</b>	<b>-</b>	<b>(195,459)</b>	<b>33,965,602</b>

**Shares:**

Listed Companies	89,296	-	2,375,819	2,465,115	89,296	-	2,780,330	2,869,626
Unlisted Companies	10,523	(10,523)	-	-	10,523	(10,523)	-	-
<b>Non Government debt securities</b>	<b>99,819</b>	<b>(10,523)</b>	<b>2,375,819</b>	<b>2,465,115</b>	<b>99,819</b>	<b>(10,523)</b>	<b>2,780,330</b>	<b>2,869,626</b>

**Non Government debt securities****Listed**

	2,693,820	-	19,742	2,713,562	2,891,454	-	(1,722)	2,889,732
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**Subsidiary**

Kissan Support Services (Private) Limited

	100,000	-	-	100,000	100,000	-	-	100,000
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**Total investments**

	<b>80,895,231</b>	<b>(10,523)</b>	<b>1,522,537</b>	<b>82,407,245</b>	<b>37,252,334</b>	<b>(10,523)</b>	<b>2,583,149</b>	<b>39,824,960</b>
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2021 2020  
Rupees in '000'

**11.2.1 Information related to subsidiary company**

	Pakistan	
	100	100
Country of incorporation		
Percentage of Holding (%)		
Assets	1,398,339	1,440,901
Liabilities	438,493	440,206
Revenue	1,100,076	1,137,504
(Loss) / profit after tax	(64,918)	123,243
Total comprehensive (loss) /income	(40,849)	150,734

**11.2.2 Investments given as collateral**

Market Treasury Bills	33,453,279	6,562,552
Pakistan Investment Bonds	43,392,220	20,139,144
	76,845,499	26,701,696

**11.3 Provision for diminution in value of investments**

	10,523	10,523
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**11.4 Quality of available for sale securities**

Details regarding quality of Available for Sale (AFS) securities are as follows:

2021 2020  
Cost  
Rupees in '000'

**Federal Government securities - Government guaranteed**

Market Treasury Bills	42,060,692	9,606,374
Pakistan Investment Bonds	34,764,522	23,853,309
Ijarah Sukuks	1,176,378	701,378
	78,001,592	34,161,061

**Shares**

**Listed companies**

Food and personal care products	89,296	89,296
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	2021		2020	
	Cost	Breakup value	Cost	Breakup value
.....Rupees in '000'.....				
<b>Unlisted companies</b>				
Pakistan Mercantile Exchange Limited	10,523	1,436	10,523	1,191
Pakistan Agricultural Storage and Services Corporation Limited	-	1,567,550	-	1,239,025
	<u>10,523</u>	<u>1,568,986</u>	<u>10,523</u>	<u>1,240,216</u>

- 11.4.1 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.
- 11.4.2 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.

	2021	2020
	Cost Rupees in '000'	
<b>Non Government debt securities</b>		
<b>Listed</b>		
- AAA	500,000	698,141
- AA+, AA, AA-	2,193,820	2,193,313
	<u>2,693,820</u>	<u>2,891,454</u>



## 12.3 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
Opening balance	24,205,818	3,000,000	27,205,818	27,468,251	3,000,000	30,468,251
Charge for the year	14,875,636	-	14,875,636	15,359,077	-	15,359,077
Reversals	(7,687,659)	-	(7,687,659)	(11,805,940)	-	(11,805,940)
	7,187,977	-	7,187,977	3,553,137	-	3,553,137
Amounts written off (Note 12.4)	-	-	-	-	-	-
Amounts charged off (Note 12.6)	(11,000,912)	-	(11,000,912)	(6,815,570)	-	(6,815,570)
Closing balance	20,392,883	3,000,000	23,392,883	24,205,818	3,000,000	27,205,818

## 12.3.1 Particulars of provision against non-performing advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
In local currency	20,392,883	3,000,000	23,392,883	24,205,818	3,000,000	27,205,818

12.3.2 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.

12.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 7,019.92 million (2020: Rs.9,283.98 million) and further de-graded the category of classified loans and advances amounting to Rs. 8,182.97 million (2020: Rs. 11,472.26 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

## 12.3.4 Provision against non-performing loans and advances - net

	2021	2020
	Rupees in '000'	
Provision against non-performing loans and advances	7,187,977	3,553,137
Provision against staff advances	8,307	3,353
	7,196,284	3,556,490

	Note	2021 Rupees in '000	2020
<b>12.4 Particulars of write offs:</b>			
12.4.1 Against provisions		-	-
Directly charged to Profit & Loss account		-	-
		<u>-</u>	<u>-</u>
12.4.2 Write offs of Rupees 500,000 and above	12.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

### 12.5 Details of 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 given at Annexure-I.

### 12.6 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, 2021 amounts to Rs. 44,463.3 million (2020: Rs. 32,862.60 million) with an addition of Rs. 11,001 million (2020: Rs. 6,815.57 million) as charge off loans during the year.

	Note	2021 Rupees in '000	2020
<b>13 FIXED ASSETS</b>			
Capital work-in-progress	13.1	43,888	42,943
Property and equipment	13.2	2,433,977	2,750,653
		<u>2,477,865</u>	<u>2,793,596</u>
<b>13.1 Capital work-in-progress</b>			
Civil works		35,858	35,858
Consultancy charges		6,762	6,762
Others	13.1.1	1,268	323
		<u>43,888</u>	<u>42,943</u>

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

## 13.2 Property and equipment

Description	January 1, 2021				Year ended December 31, 2021				December 31, 2021			
	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	5,605	5,137	5,137	-	217	4,920	10,742	5,822	4,920	Lease terms for 33 to 99 years	
Buildings on freehold land	716,445	197,232	519,213	519,213	(4,391)	23,185	491,637	712,054	220,417	491,637	5%	
Buildings on leasehold land	548,118	293,789	254,329	254,329	334	12,730	241,933	548,452	306,519	241,933	5%	
Buildings on leasehold land - ADB	21,224	10,103	11,121	11,121	-	556	10,565	21,224	10,659	10,565	5%	
Furniture and fixtures	539,488	242,229	297,259	297,259	2,422 (2,318)	29,822 (2,154)	269,695	539,592	269,897	269,695	10% / 20%	
Computer, office and other equipment	1,463,400	1,006,253	457,147	457,147	34,943 (480)	134,665 (452)	357,397	1,497,863	1,140,466	357,397	20% / 33%	
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	20% / 33%	
Vehicles	1,260,324	1,071,003	189,321	189,321	49,102 (84,014)	80,663 (60,400)	134,146	1,225,412	1,091,266	134,146	20%	
Right-of-use assets	1,298,806	387,601	911,205	911,205	226,286 (270,874)	267,448 (218,594)	817,763	1,254,218	436,455	817,763	10% - 100%	
	6,176,755	3,426,102	2,750,653	2,750,653	313,087 (362,077)	549,286 (281,600)	2,433,977	6,127,765	3,693,788	2,433,977		



13.6 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'			.....		
			Nil		

#### 14 INTANGIBLE ASSETS

Description	Year ended December 31, 2021					December 31, 2021						
	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life
Computer software	96,849	77,453	19,396	19,396	40,333	23,912	35,817	137,182	101,365	35,817	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	178,930	159,534	19,396	19,396	40,333	23,912	35,817	219,263	183,446	35,817		

Description	Year ended December 31, 2020					December 31, 2020						
	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life
Computer software	96,849	45,322	51,527	51,527	-	32,131	19,396	96,849	77,453	19,396	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	178,930	127,403	51,527	51,527	-	32,131	19,396	178,930	159,534	19,396		

14.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 168.386 million (2020: Rs. 82.590 million).

**15 DEFERRED TAX ASSETS - NET**
**Deductible temporary differences on:**

Defined benefit plans  
 Tax losses carried forward  
 Provision against non-performing loans and advances

**Taxable temporary differences on:**

Accelerated tax depreciation and amortization  
 Surplus on revaluation of investments

	At January 1, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
Note	..... Rupees in '000' .....			
	508,940	-	178,729	687,669
	2,759,984	(2,759,984)	-	-
	11,021,173	2,115,304	-	13,136,477
	14,290,097	(644,680)	178,729	13,824,146
23	(119,404)	58,363	-	(61,041)
	(904,103)	-	371,215	(532,888)
	(1,023,507)	58,363	371,215	(593,929)
	13,266,590	(586,317)	549,944	13,230,217

	At January 1, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020
Note	..... Rupees in '000' .....			
	1,550,620	-	(1,041,680)	508,940
	2,488,899	271,085	-	2,759,984
	10,231,033	790,140	-	11,021,173
	14,270,552	1,061,225	(1,041,680)	14,290,097
23	(121,865)	2,461	-	(119,404)
	(1,127,318)	-	223,215	(904,103)
	(1,249,183)	2,461	223,215	(1,023,507)
	13,021,369	1,063,686	(818,465)	13,266,590

15.1 In terms of the Seventh Schedule to the Income Tax Ordinance, 2001, the claim of provision for advances and off balance sheet items has been restricted to 1% of gross advances. This represents the management's best estimate of the probable benefits expected to be realized in future years in the form of reduced tax liability as the Bank would be able to adjust the profits of future years deductible temporary differences and other timing differences relating to prior years.

	Note	2021 Rupees in '000'	2020
<b>16 OTHER ASSETS - NET</b>			
Income / mark-up accrued in local currency on :			
- advances - net of provision	16.1	5,416,354	5,133,329
- securities		1,330,560	826,622
- deposits		163,507	73,286
Amount recoverable from Federal Government	16.2	2,691,252	3,050,627
Tax recoverable	16.3	422,652	422,652
Branch adjustment account		1,726,559	1,538,738
Taxation (payments less provision)	16.4	3,736,760	6,300,124
Receivable from defined benefit plans:	39.6.1		
gratuity scheme - SSR 1961		115,744	119,412
gratuity scheme - SR - 2005		479,794	299,944
Non banking assets acquired in satisfaction of claims	16.5	427,721	438,665
Stationery and stamps in hand		127,657	141,720
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		53,509	36,418
Security deposits		6,198	6,192
Advances and other prepayments		170,104	181,354
Others		230,786	1,422,813
		<u>17,110,394</u>	<u>20,003,133</u>
Provision held against other assets	16.6	<u>(964,265)</u>	<u>(1,022,306)</u>
Other assets - net of provisions		<u><u>16,146,129</u></u>	<u><u>18,980,827</u></u>

16.1 This does not include Rs. 10,361.093 million (2020: Rs. 15,268.39 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.

16.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,087.305 million (2020: Rs. 1,941.83 million), small livestock farmers premium amounting to Rs. 599.202 million (2020: Rs. 1,103.98 million) and animal tagging charges amounting to Rs. 4.75 million (2020: Rs. 4.75 million).

16.3 This mainly includes tax recoverable of Rs. 309.359 million (2020: Rs. 297.149 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 17.

	Note	2021 Rupees in '000'	2020
<b>16.4 Taxation - net</b>			
Opening receivable		6,300,124	6,229,876
Charge during the year	33	(2,931,939)	(306,539)
Advance income tax / withholding tax		368,575	376,787
Closing receivable		<u>3,736,760</u>	<u>6,300,124</u>
<b>16.5 Market value of non-banking assets acquired in satisfaction of claims</b>		<u>825,978</u>	<u>533,759</u>
<b>16.5.1 Non banking assets acquired in satisfaction of claims</b>			
Opening Balance		438,665	146,153
Additions		90	314,004
Disposals		(11,034)	(21,492)
Closing Balance		<u>427,721</u>	<u>438,665</u>
<b>16.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims</b>			
Disposal Proceeds		21,680	59,629
less : Cost		(11,034)	(21,492)
Gain		<u>10,646</u>	<u>38,137</u>
<b>16.6 Provision held against other assets</b>			
Tax recoverable		422,652	422,652
Non banking assets acquired in satisfaction of claims		427,721	438,665
Stock of farm machinery		11,237	11,237
Accrued interest on advances of ex-employees		15,183	16,387
Amount deposited with courts / legal charges recoverable		87,472	133,365
		<u>964,265</u>	<u>1,022,306</u>
<b>16.6.1 Movement in provision held against other assets</b>			
Opening balance		1,022,306	722,525
Charge for the year		38,586	328,591
Reversals		(96,627)	(28,810)
		(58,041)	299,781
Closing balance		<u>964,265</u>	<u>1,022,306</u>

**17 CONTINGENT ASSETS**

- 17.1 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 and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for its final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over section 80-D of the Income Tax Ordinance, 1979.
- 17.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order on May 11, 2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (principle + penalty). On June 03, 2019, payment of impugned tax amounting to Rs.6.6 million (principle + 10% surcharge) was made, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.
- 17.3 Assistant Commissioner, SRB passed an order on July 11, 2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On June 03, 2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.
- 17.4 Assistant Commissioner, SRB has passed an order on January 24, 2020 for the period of January 2014 to December 2014 which has created a demand of Rs. 54.6 million. On June 03, 2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.

	Note	2021 Rupees in '000	2020
<b>18</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	442,401	402,111
<b>19</b>	<b>BORROWINGS</b>		
	<b>Secured</b>		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	54,461,536	54,461,536
	Repurchase agreement borrowings	74,934,577	25,082,414
	Repurchase agreement borrowings - others	1,910,922	1,619,282
	<b>Total secured</b>	<b>131,307,035</b>	<b>81,163,232</b>
	<b>Unsecured</b>		
	Call borrowings	1,050,000	-
		<b>132,357,035</b>	<b>81,163,232</b>
<b>19.1</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	132,357,035	81,163,232
19.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable in one bullet payment on December 31, 2025. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
19.3	It carries markup at the rate of 9.91% to 10.21% (2020: 7.11%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 34,500 million (2020: Rs.5,000 million) and Pakistan Investment Bonds amounting to Rs. 42,000 million (2020: Rs.20,000 million). These are repayable by January to March 2022 (2020: January 2021).		
19.4	It carries markup at the rate of 10% (2020: 6.75% to 7%) per annum and is secured against Pakistan Investment Bonds having face value amounting to Rs. 2,000 million (2020: Rs. 1,700 million). These are repayable by January 2022 (2020: January 2021).		
19.5	It carries markup at the rate of 10% to 10.30% (2020: nil) per annum. These are repayable by January 2022.		

2021                      2020  
Rupees in '000'

## 20 DEPOSITS AND OTHER ACCOUNTS

### Customers - local currency

Current deposits	6,473,368	7,622,606
Saving deposits	4,890,037	5,173,387
Term deposits	30,643,597	34,426,979
Others	41,064	68,998
	42,048,066	47,291,970

### Financial Institutions - local currency

Current deposits	104,110	71,385
Saving deposits	1,446,389	1,822,162
Term deposits	-	-
	1,550,499	1,893,547
	43,598,565	49,185,517

### 20.1 Composition of deposits

- Individuals	3,790,813	3,519,224
- Government (Federal and Provincial)	6,160,921	7,977,653
- Public sector entities	8,631,614	11,083,210
- Banking companies	-	-
- Non-Banking Financial Institutions	1,550,501	-
- Private sector	23,464,716	26,605,430
	43,598,565	49,185,517

20.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 10,310.913 million (2020: 12,132.54 million).

	Note	2021	2020
		Rupees in '000'	
<b>21 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency on:			
- borrowings		1,465,844	1,334,763
- deposits and other accounts		804,150	961,638
Accrued expenses		697,294	154,040
Net liabilities relating to Bangladesh	21.1	190	189
Payable to Ministry of Food Agriculture & Livestock	21.2	168,000	168,000
Provision for:	39.6.1		
- pension scheme		9,099,720	8,504,505
- employees' post retirement medical benefits		7,964,423	6,606,148
- employees' compensated absences		2,229,620	2,651,667
Payable to subsidiary company	44	103,193	214,638
Due to Islamic Banking		496	14,995
Security deposits		32,780	86,017
Deferred income	21.3	10,566	11,122
Lease liability against right-of-use assets		892,799	892,513
Others	21.4	1,043,074	1,647,795
		<u>24,512,149</u>	<u>23,248,030</u>

### 21.1 Net liabilities relating to Bangladesh

Liabilities		1,924,176	1,894,805
Assets		(1,923,986)	(1,894,616)
	21.1.1	<u>190</u>	<u>189</u>

21.1.1 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.

21.2 This represents Rs.168 million (2020: Rs.168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2021	2020
		Rupees in '000'	
<b>21.3 Deferred income</b>			
Opening balance		11,122	11,708
Amortization during the year	29	(556)	(585)
Closing balance		<u>10,566</u>	<u>11,122</u>

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

21.4 This represents 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.

## 22 SHARE CAPITAL

### 22.1 Authorized capital

2021	2020		2021	2020
Number of shares			Rupees in '000'	
12,500,000,000	12,500,000,000	Ordinary shares of Rupees 10 each	125,000,000	125,000,000

### 22.2 Issued, subscribed and paid up capital

2021	2020			
Number of shares				
		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	- fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,829	652,829
4,015,599,174	4,015,599,174	- Issued against loan from SBP	40,155,992	40,155,992
5,267,843,241	5,267,843,241		52,678,433	52,678,433

### 22.3

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	1,256	1,256
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
	5,267,843,241		52,678,433	52,678,433

2021  
2020  
Rupees in '000'

**23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**

Surplus / (deficit) on revaluation available-for-sale securities:

Quoted investments	2,375,819	2,780,330
Other securities	(853,282)	(197,181)
Surplus on revaluation of available-for-sale securities	1,522,537	2,583,149
Deferred tax on surplus on revaluation of available-for-sale securities	(532,888)	(904,102)
	989,649	1,679,047

**24 CONTINGENCIES AND COMMITMENTS**

**24.1 Contingent liabilities**

In respect of cases filed against the Bank:

24.1.1	by borrowers; 624 (2020: 529) cases	458,926	1,204,553
24.1.2	by employees; 461 (2020: 417) cases	267,591	616,683

24.2.1 Income Tax Department under section 161/205 of the Income Tax Ordinance (ITO), 2001 levied income tax amounting to Rs. 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), hearing was fixed in this case against which the bank sought adjournment but ATIR heard the case and upheld the decision of the Assessing Officer (AO). AO on the direction of ATIR Order reassessed the earlier demand to Rs. 10.105 million by adding default surcharge. Subsequently, the ATIR decided the case in the favour of the Bank and appeal effects order is pending. However, the department has filed reference application before Islamabad High Court, Islamabad against the Order of ATIR. The Bank has not accounted for the demand as tax payable and no provision has been recognized in these financial statements as the Bank is confident for a favourable outcome.

24.2.2 The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated June 09, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per the decisions of ATIR resulting in net refunds of Rs. 4,640.154 million. However, the Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the ITO, 2001 against the aforementioned ATIR orders dated June 9, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 before the Honourable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honourable Islamabad High Court, Islamabad for

assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. The Honourable Islamabad High Court, Islamabad decided the cases for which appeal effects from department are pending except 2007. In Tax Year 2007, the AO issued an order on the basis of High Court directives by creating a demand of Rs. 24.875 million, being aggrieved the Bank filed appeal before CIR-A, who remanded back the issues to AO, appeal effects on the basis of CIR-A Order are pending. Provision for the cases of income tax, approximately amounting to Rs. 9,917.854 million, has not been recognized in these financial statements as the Bank is confident for a favourable outcome based on the strong ground of appeal and opinion of legal counsel of the Bank.

- 24.2.3 The Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the ITO, 2001 and raised demand of Rs. 1,056.324 million for tax years 2008 and of Rs. 2,250.813 million for Tax Year 2009 respectively aggregating to Rs. 3,307.138 million. The Bank filed appeals before CIR-A who maintained the order. The Bank filed an appeal against the said order before ATIR which has been decided and cases have been remanded back to AO. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable outcome is expected.
- 24.2.4 DCIR passed order under section 161 / 205 of the ITO, 2001 and raised demand of Rs. 208.337 million for tax year 2011. The Bank filed appeal before CIR-A against the orders of DCIR who remanded back the case to AO for verification. The Bank filed appeal before ATIR against the orders of the CIR-A. ATIR decided the case in favour of Bank on the issue of default surcharge. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. Further, the AO on remanded back case, after verification on various issues, reduced the demand to Rs. 14.366 million. Being aggrieved the Bank filed appeal before CIR-A against the order of AO on remanded back case who deleted various issues and also confirmed the action of AO on certain issues. Being aggrieved both the Bank and the department have filed appeal before ATIR against the orders of the CIR-A. ATIR against the appeals of the Bank and Department decided the case in favour of the Bank. Further, on remanded back issues, the AO further created a demand of Rs. 7.527 million. Being aggrieved, the Bank filed appeal before CIR-A who remanded back the case to the department for denovo consideration with the direction that while giving appeal effects, the order of ATIR may be kept in mind. Being aggrieved the Bank as well Tax Department filed the appeals to ATIR against the orders of CIR-A. The ATIR cancelled the impugned order in favour of Bank for which appeal effect is pending with AO. The Bank has not accounted for the demand as tax payable because favourable decision is expected.
- 24.2.5 ACIR passed orders under section 122(5A) and raised demand of Rs. 3,287.662 million for Tax Year 2010, Rs. 2,922.830 million for Tax Year 2011 and Rs. 2,037.114 million for Tax Year 2012. The Bank filed appeal before CIR-A who remanded back the cases to ACIR. The Bank filed appeals with ATIR against the orders of the CIR-A which were decided by the ATIR in favour of the Bank in most of the issues. However, the department has filed reference application before Honourable Islamabad High Court against the issues favouring the Bank. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the ITO, 2001 and raised demand of Rs. 616.611 million for Tax Year 2010, Rs. 844.800 million for Tax Year 2011 and Rs. 321.531 million for Tax

Year 2012. Being aggrieved the Bank filed appeals before CIR-A against the Orders of ACIR who in its Order deleted the additions in most of the issues. ACIR on the directions of CIR-A further issued orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier demand of Rs. 616.611 million to refund of Rs. 164.934 million, for Tax Year 2011 reducing the tax liability from Rs. 844.800 million to Rs. 619.849 million and for Tax Year 2012 reducing the tax liability from Rs. 321.531 million to Rs. 5.180 million respectively. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR-A. ATIR against the appeal filed by the Department for Tax Year 2011 and 2012 on the issues of substandard loans and reversal of provisions against compensated absences were disposed off by upholding the decision of CIR-A about deletion of the same and also remanded back the similar addition in 2013 to AO with the direction to keep pending of reassessment in accordance to the provisions of Section 124(A) of the ITO, 2001 as the matter is subjudiced before High Court against reference application filed by the Department against the Orders of ATIR which is decided in favour of the Bank.

Further, by disposing off the appeals filed by the Bank in Tax Years 2010, 2011 and 2012 and remanded back the issue of property income and arithmetic error in assessment order to AO for reassessment. On the directions of ATIR, ACIR issued appeal effect orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier refund of Rs. 164.934 million into demand of Rs. 419.221 million, for Tax Year 2011 reducing the tax liability from Rs. 619.849 million to Rs. 181.617 million and for Tax Year 2012 converting the tax liability from Rs. 5.180 million to refund of Rs. 12.319 million respectively. Being aggrieved against the AO orders, the Bank filed an appeal before ATIR after exhausting CIR-A forum who upheld the AO orders. The Bank has not accounted for the demand as tax payable because favourable decision is expected.

- 24.2.6 ACIR passed order under section 122(5A) of the ITO, 2001 and raised demand of Rs. 4,920.168 million for Tax Year 2013. The Bank filed appeal before CIR-A against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both filed appeals before ATIR against the orders of CIR-A which were decided in favour of the Bank except for Rs. 2,830 million which were remanded back to ACIR. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the ITO, 2001 and raised demand of Rs. 829.428 million. Being aggrieved the Bank filed appeals before CIR-A against the Orders of ACIR who decided the case in most of the issues in favour of the Bank, the appeal effects on the basis of CIR-A is pending. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR-A. The ATIR disposed off both the appeals by remanding back the issues to AO In appeal effect order the AO after adjustment of available refund reduced the demand of Rs. 829.428 million to refund amount of Rs. 8.702 million. Being aggrieved, the Bank filed appeal to ATIR. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 24.2.7 DCIR passed order under section 161 / 205 of the ITO, 2001 and raised demand of Rs. 27.792 million for Tax Year 2009. To avail the Government amnesty, the Bank paid Rs. 19.183 million under protest with waiver of penalty amount of Rs. 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR-A

who decided the case in favour of the Bank except remanded back the issue of profit on debt for verification. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. The AO passed order u/s 124 read with 161 of the ITO, 2001 and raised demand of Rs. 20.435 million on remanded back issue. The Bank has filed appeal before CIR-A. The AO on the directions of CIR-A further issued order u/s 124 / 161 / 205 converted the earlier demand to refund of Rs. 16.752 million by adding tax of Rs. 2.431 million on profit on debt. Being aggrieved the Bank has filed appeal before ATIR against the orders of the CIR-A and the same is pending for hearing. Accordingly, no provision has been made because the Bank is expecting a favourable decision.

- 24.2.8 DCIR passed order under section 161 / 205 of ITO, 2001 and raised demand of Rs. 15.943 million for Tax Year 2012. The Bank filed appeal before CIR-A against the orders of DCIR. CIR-A deleted various issues and confirmed certain issues resulting to reduce the tax demand from Rs. 15.943 million to Rs. 3.892 million. Being aggrieved the Bank has filed appeal before ATIR against the orders of CIR-A. ATIR decided the case in favour of the Bank and cancelled the impugned order for which appeal effects are pending with AO. The Bank has not accounted for the demand as tax payable as favourable decision is expected.
- 24.2.9 DCIR passed order u/s 122(5A) of the ITO, 2001 and raised demand of Rs. 3,059 million for the Tax Year 2014. Further, on a rectification application filed by the Bank, AO passed rectification order by reducing demand to Rs. 1,278 million by adjustment of refund of Rs. 1,776 million and arithmetic error of Rs. 14 million. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A. The case has been remanded back by ATIR to AO for reassessment. Appeal effect order has been received with reduction of earlier demand to Rs. 889 million. CIR-A remanded back the case to AO for reassessment. Being aggrieved the Bank filed appeal before ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.10 ACIR passed order u/s 122(5A) of the ITO, 2001 and raised demand of Rs. 5,549.705 million for the Tax Year 2015. The Bank filed appeal before CIR-A against the orders of ACIR who upheld various issues ordered by ACIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A and the same is pending for hearing. AO on the directions of CIR-A passed an Order u/s 124 / 122(5A) and reduced the demand from Rs. 5,549.705 million to Rs. 4,266.194 million by allowing partial relief. ATIR while disposing off both appeals and remanded back most of the issues to AO for reassessment. Assessment proceedings were completed and AO raised the demand from Rs. 4,266.194 million to Rs. 6,780.479 million. Being aggrieved the Bank filed appeal to CIR-A who remanded back the case to AO by allowing partial relief. Being aggrieved against the CIR-A orders Bank filed an appeal to ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.11 ACIR passed order u/s 122(5A) of ITO, 2001 and raised demand of Rs. 1,511.521 million for the Tax Year 2016. On the directions of ATIR, except property income AO allowed partial relief in his order. In appeal effect order AO converted the demand of Rs. 1,511.521 million into refund of Rs. 416.324 million. Being aggrieved the Bank filed appeal before ATIR after exhausting the CIR-A forum who upheld the orders of ACIR. Other than this order the AO passed two other assessment

orders u/s 161 / 205 of the ITO, 2001 and raised demand of Rs. 161.180 million and of Rs. 63.243 million respectively. CIR-A remanded back to the AO of Rs. 63.243 million for issuance of speaking order. After reassessment AO passed the appeal effect order u/s 124/129 by reducing demand to Rs. 60.377 million. The CIR-A annulled the assessment order of Rs. 161.180 million and appeal effects are pending. However, Bank filed a second appeal against demand of Rs. 60.377 million. Hence, no provision has been made as a favourable decision is expected.

- 24.2.12 AO passed four assessment orders u/s 161 / 205 of the ITO, 2001 for Tax Year 2015 and raised demands of Rs. 26.628 million, Rs. 0.412 million, Rs.9.495 million and Rs.63.469 million respectively against short deduction of withholding tax. Being aggrieved the Bank filed appeal before CIR-A against the orders of AO. CIR-A remanded back to the AO of Rs. 26.628 million for denovo consideration and AO passed the order by reducing demand to Rs. 14.183 million. Being aggrieved the Bank filed an appeal to ATIR. The CIR-A against assessment of Rs. 0.412 million upheld the decision of AO. Being aggrieved the Bank filed an appeal to ATIR. The CIR-A against appeal filed by the Bank annulled the assessment order of Rs. 9.495 million, annulled appeal effects are pending. CIR-A remanded back to the AO of Rs. 63.469 million for issuance of speaking order. After reassessment AO passed the appeal effect order u/s 124/129 by reducing the demand to Rs. 27.155 million. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.13 AO passed orders u/s 161 of the ITO, 2001 and raised demands of Rs. 3.076 million for Tax Year 2014, Rs 0.207 million and Rs. 2.270 million respectively for two cases of Tax Year 2015 against short deduction of withholding taxes under various heads. Being aggrieved the Bank filed appeals before CIR-A who remanded back the case against the orders of AO for re-examination. The AO on the direction of CIR-A issued appeal effects order by adjusting the earlier demand against tax refund of Tax Year 2010. On appeal, CIR-A remand back the case to AO for speaking order. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.14 AO passed order u/s 122(5A) of the ITO, 2001 and raised the demand of Rs. 361.752 million for the Tax Year 2017. However, this order rectified under section 221(1) vide order dated December 27, 2021 and created tax refundable of Rs.679.294 million for the Tax Year 2017. Being aggrieved the Bank filed an appeal to CIR-A against the impugned order. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.15 AO passed orders u/s 122(5A) of the ITO, 2001 and raised the demands of Rs. 983.653 million for the Tax Year 2019, Rs. 4,085.176 million for the Tax Year 2020 and Rs. 6,425.014 million for the Tax Year 2021. Being aggrieved the Bank filed appeals & stay applications before CIR-A against the impugned orders. The Bank has not accounted for the demands as tax payable, as a favourable decision is expected.
- 24.2.16 The cases relating to Federal Excise Duties (FED) / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012 were contested by the Bank at various forums. ATIR vide its orders dated May 07, 2012, January 08, 2013, November 26, 2013 and March 13, 2014 has decided most of the issues involved in favour of the Bank. However, Commissioner Inland Revenue (CIR) has filed reference

applications under section 47 of the Sales Tax Act, 1990 and under section 34A of the Federal Excise Act, 2005 against the aforementioned ATIR orders before the Honourable Islamabad High Court, Islamabad for the aforementioned years. No provision for such contingent liabilities amounting to Rs. 825.121 million has been recognized as the Bank is confident for a favourable outcome.

- 24.2.17 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 Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR who remanded back the case to AO for denovo consideration. On remanded back cases by ATIR the AO upheld its initial orders. The Bank filed appeal before CIR-A who upheld the orders of AO. Being aggrieved, the Bank filed appeals before ATIR against the orders of CIR-A. The ATIR in its order cancelled the assessment orders for the period January 2013 to December 2013 and January 2014 to December 2014, appeal effects are pendings. However, 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.
- 24.2.18 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. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A. ATIR has deleted the addition on fixed assets of Rs. 80.998 million on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses of Rs. 25.598 million on which tax amount of Rs. 4.096 million was involved to AO. 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.
- 24.2.19 Commissioner, Punjab Revenue Authority (PRA) passed order relating to Punjab Sales Tax on Services (Withholding Rules, 2015) for the period January 2016 to December 2016 creating a demand of Rs. 10.06 million. The Bank filed appeal before Appellate Tribunal, PRA against the alleged order of Commissioner (PRA). The Appellate Tribunal, PRA has remanded back the case to the AO. The Learned DC(PRA) created demand of Rs.10.06 million. The bank has filed Appeal before Commissioner, PRA. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.20 ATIR, Sindh Revenue Board (SRB) passed an 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 has been deleted. However, SRB has filed reference application before SHC, u/s 151 CPC, 1908. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.21 Assistant Commissioner (AC), SRB has passed an order on January 21, 2020 for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. Bank has filed an appeal

before the Commissioner, SRB against the alleged decision of AC (SRB). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

24.2.22 AC (SRB) has passed an order on January 24, 2020 for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The Bank has filed an appeal before the Commissioner, SRB against the alleged decision of AC (SRB). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

24.2.23 DCIR passed an order on June 9, 2020 for the Tax Year 2015/16 creating a demand of Rs. 712 million. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR. ATIR decided the case in favour of the Bank. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

	2021	2020
	Rupees in '000	
<b>24.3 Commitments against</b>		
Capital expenditure	154,229	39,411
ERP implementation	5,628	9,671
<b>25 MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	15,561,244	13,503,053
Investments	4,597,748	2,668,590
Securities purchased under resale agreement	900,295	368,583
Call money lendings	366,966	74,148
Balances with banks	1,093,722	1,425,135
Bai Muajjal income	6,183	2,109
	<u>22,526,158</u>	<u>18,041,618</u>
<b>26 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	2,990,979	4,778,074
Redeemable preference shares - SBP	4,084,615	4,084,615
Securities sold under repurchased agreement	3,122,706	603,775
Call borrowings	14,381	137,532
On lease liability against right-of-use assets	103,679	93,079
Bank commission and other charges	9,337	9,296
	<u>10,325,697</u>	<u>9,706,371</u>
<b>27 FEE &amp; COMMISSION INCOME</b>		
Branch banking customer fees	35,388	30,997
Credit related fees	970,894	945,134
Commission / exchange gain /(loss) on remittances including home remittances	(8,163)	12,950
	<u>998,119</u>	<u>989,081</u>



	Note	2021 Rupees in '000'	2020
<b>28 GAIN / (LOSS) ON SECURITIES</b>			
Realised			
	28.1	15,006	8,601
Unrealised - held for trading		-	-
		<u>15,006</u>	<u>8,601</u>
28.1 Realised gain / (loss) on: Federal Government Securities		<u>15,006</u>	<u>8,601</u>
<b>29 OTHER INCOME</b>			
Rent on property - KSSL - subsidiary company		5,297	9,210
Rent on property - others		46,829	57,914
		<u>52,126</u>	<u>67,124</u>
Gain on sale of fixed assets - net		11,076	82,710
Gain on sale of non banking assets - net	16.5.2	10,646	38,137
Deferred income amortization	21.3	556	585
Discount income		27,640	397
Others	29.1	38,956	40,491
		<u>141,000</u>	<u>229,444</u>
29.1 Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.			

	Note	2021 Rupees in '000'	2020
<b>30 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	30.1	7,942,325	8,459,421
<b>Property expense</b>			
Rent & taxes		11,038	13,752
Insurance		15,201	16,452
Utilities cost		206,301	173,877
Repair and maintenance (including janitorial charges)		86,656	81,186
Depreciation - right of use assets		267,448	189,417
Depreciation	13.2	36,688	33,591
		<u>623,332</u>	<u>508,275</u>

	Note	2021 Rupees in '000'	2020
<b>Information technology expenses</b>			
Software maintenance		2,533	5,293
Hardware maintenance		28,258	20,864
Depreciation	13.2	63,921	56,329
Amortisation	14	23,912	32,131
Network charges		67,179	43,120
		185,803	157,737
<b>Other operating expenses</b>			
Directors' fees and allowances		5,312	
Fees and allowances to Shariah Board		4,851	
Legal and professional charges		179,136	165,148
Outsourced services costs (refer note 44)		1,082,623	
Travelling and conveyance		73,829	75,984
NIFT clearing charges		18,360	15,790
Depreciation	13.2	181,229	246,315
Training and development		6,672	13,706
Postage and courier charges		25,581	23,457
Communication		35,888	36,437
Stationery and printing		58,017	78,276
Marketing, advertisement and publicity		6,072	6,416
Auditors Remuneration	30.2	7,760	6,243
Motor vehicle expenses		322,286	303,693
Others		150,872	124,948
		10,909,948	11,384,345

### 30.1 Total compensation expense

Salaries		4,428,955	4,385,670
Cash bonus / awards etc.		583,083	995
Charge / (reversal) for defined benefit plans:	39.6.5		
- Pension scheme		1,105,209	1,539,360
- Benevolent scheme - officers / executives		(10,982)	5,627
- Benevolent scheme - clerical / non-clerical		(50,502)	(48,469)
- Gratuity under old staff regulations		(11,643)	(13,704)
- Gratuity scheme - staff regulation 2005		110,490	172,838
- Employees' compensated absences		(170,990)	218,215
		971,582	1,873,867
Contribution to defined contribution plan	39.1.8	36,171	41,938
Rent and house maintenance		521,110	566,183
Utilities		114,114	129,006



	Note	2021 Rupees in '000'	2020
Medical	30.1.1	1,138,980	1,300,762
Conveyance		148,330	161,0000
Grand Total		<u>7,942,325</u>	<u>8,459,421</u>

30.1.1 This includes post retirement medical benefit amounting to Rs. 891.534 million (2020: 1,007.564 million).

### 30.2 Auditors' remuneration

	BDO Ebrahim & Co.	Total 2021	Crowe Hussain Chaudhury & Co.	Total 2020
..... Rupees in '000' .....				
Audit fee	1,897	1,897	1,851	1,851
Fee for half year review	431	431	431	431
Other certifications	3,000	3,000	1,534	1,534
Sales tax	852	852	610	610
Out of pocket expenses	1,580	1,580	1,817	1,817
	<u>7,760</u>	<u>7,760</u>	<u>6,243</u>	<u>6,243</u>

	Note	2021 Rupees in '000'	2020
<b>31 OTHER CHARGES</b>			
Penalties imposed by SBP		<u>76,359</u>	<u>147,620</u>
<b>32 PROVISIONS AND WRITE-OFFS - NET</b>			
Provisions against loans & advance	12.3.4	7,196,284	3,556,490
Provision / (reversal) against other assets - net	16.6.1	(58,042)	299,781
Bad debts written off directly		-	29,052
Recovery of written off / charged off bad debts		<u>(6,360,566)</u>	<u>(2,555,007)</u>
		<u>777,676</u>	<u>1,330,316</u>
<b>33 TAXATION</b>			
Current	33.1	2,931,939	306,539
Deferred		586,317	(1,063,686)
		<u>3,518,256</u>	<u>(757,147)</u>

		2021	2020
		Rupees in '000'	
<b>33.1</b>	<b>Relationship between income tax expense and accounting profit</b>		
	Accounting profit / (loss) for the year	1,783,016	(3,224,562)
	<b>Tax rate</b>	<b>35%</b>	<b>35%</b>
	Tax on accounting income / (loss)	624,056	(1,128,597)
	Tax effect of permanent differences		
	Penalties imposed by SBP	26,726	51,667
	Repair allowance and rent collection allowance	(4,379)	(6,108)
		22,347	45,559
	Tax effect of prior years	-	-
	Others	2,871,853	325,891
	Tax charge for the year	3,518,256	(757,147)
		<b>2021</b>	<b>2020</b>
<b>34</b>	<b>LOSS PER SHARE - BASIC AND DILUTED</b>		
	Loss after tax for the year - Rupees in '000	(1,735,240)	(2,467,415)
	Weighted average number of ordinary shares	5,267,843,241	5,267,843,241
	Loss per share - basic and diluted (Rupees)	(0.33)	(0.47)
34.1	There is no dilutive effect on the basic loss per share of the Bank.		
		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>Rupees in '000'</b>	
<b>35</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	8	5,026,023
	Balances with other banks	9	26,815,652
			31,841,675
			22,106,431
			<b>Number</b>
<b>36</b>	<b>STAFF STRENGTH</b>		
	Permanent	4,539	5,088
	Contractual	2	4
	Total staff strength	4,541	5,092

36.1 In addition to the above, 2,360 (2020: 3,714) employees of Kissan Support Services (Private) Limited, wholly 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.

### 37 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 30, 2021 has reaffirmed credit rating of the Bank at AAA (2020: AAA) with rating watch - developing and short-term credit rating of A-1+ (2020: A-1+).

### 38 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2021 Rupees in '000	2020
Loss before taxation		1,783,016	(3,224,562)
Less: Dividend income		(192,413)	(75,346)
		<u>1,590,603</u>	<u>(3,299,908)</u>
Adjustments:			
Depreciation	13.2	281,838	336,235
Depreciation on right-of-use assets		267,448	189,417
Amortization	14	23,912	32,131
Amortization of deferred income	21.3	(556)	(585)
Markup on lease liability on right-of-use assets		103,679	93,079
Provisions and write-offs	32	7,138,242	3,885,323
Provision for employees post retirement medical benefits	39.6.5	891,534	1,007,563
Charge for defined benefit plans - net	30.1	971,582	1,873,867
Gain on securities		(15,006)	(8,601)
Gain on sale of operating fixed assets	29	(11,076)	(82,710)
		<u>9,651,597</u>	<u>7,325,719</u>
		<u><u>11,242,200</u></u>	<u><u>4,025,811</u></u>

### 39 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

39.1 Brief description of each fund is as follows:

#### 39.1.1 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.

#### 39.1.2 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.

#### 39.1.3 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.

#### 39.1.4 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.

#### 39.1.5 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.

#### 39.1.6 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.

### 39.1.7 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.

### 39.1.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2,131 (2020: 2,473) 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 2,408 (2020: 2,615) 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. 36.171 million (2020: Rs. 41.938 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. 5,657.89 million (2020: Rs. 5,544.77 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 5,569.89 million (2020: Rs. 5,484.81 million) which is equal to 98.44% (2020: 98.92%) of the total fund size. The fair values of the investments amount to Rs. 5,657.89 million (2020: Rs. 5,544.77 million) at that date. The category wise break up of investment is given below:

	2021	2020
	Rupees in '000	
Term Deposit Receipts	4,298,800	5,133,700
Government securities	1,271,090	351,112
	5,569,890	5,484,812

### 39.2 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.

### 39.3 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.

### 39.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2021. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2021	2020
	..... % .....	
Valuation discount rate - pension & medical scheme under SSR-1961	11.75	9.75
Valuation discount rate - all other schemes	11.75	9.75
Expected rate of increase in salary	9.75	7.75
Expected rate of return on plan assets - pension fund	11.75	9.75
Expected rate of return on plan assets - other funds	11.75	9.75
Expected rate of increase in pension	7.50	5.50
Expected rate of medical inflation - allowances	9.75	9.75
Expected rate of medical inflation - hospitalization	11.75	9.75

### 39.5 Number of employees under the scheme

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

	2021	2020
	Number	
- Pension Scheme - funded	5,002	5,052
- Benevolent Scheme (officers) - funded	4,985	5,212
- Benevolent Scheme (staff) - funded	871	939
- Gratuity under old Staff Regulations - SSR 1961	-	5,052
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,408	2,615
- Post Retirement Medical Benefits - unfunded	6,283	6,658
- Employees Compensated Absences - unfunded	4,539	5,088

39.6 Defined benefit plans

39.6.1 Reconciliation of payable to / (receivable from) defined benefit plans

	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
	Rs. in '000					
Present value of defined benefit obligation	776,160	121,680	-	1,625,653	7,964,423	2,229,620
Fair value of plan assets	(1,177,638)	(663,198)	(115,744)	(2,105,447)	-	-
	(401,478)	(541,518)	(115,744)	(479,794)	7,964,423	2,229,620
Unrecognized due to impact of asset ceiling	401,478	541,518	-	-	-	-
Net liability / (asset)	-	-	(115,744)	(479,794)	7,964,423	2,229,620

	2020					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
	Rs. in '000					
Present value of defined benefit obligation	815,669	102,346	-	1,757,964	6,606,148	2,651,667
Fair value of plan assets	(1,188,246)	(630,492)	(119,412)	(2,057,908)	-	-
	(372,577)	(528,146)	(119,412)	(299,944)	6,606,148	2,651,667
Unrecognized due to impact of asset ceiling	372,577	528,146	-	-	-	-
Net liability / (asset)	-	-	(119,412)	(299,944)	6,606,148	2,651,667

39.6.2 Movement in defined benefit obligations

	2021					
	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	815,669	102,346	-	1,757,964	6,606,148	2,651,667
Current service cost	35,861	2,904	-	148,354	263,556	45,571
Interest cost	74,195	9,350	-	157,341	627,978	246,298
Benefits paid	(109,382)	(12,900)	-	(288,423)	(330,702)	(251,057)
Contribution - employees	(9,582)	(1,742)	-	-	-	-
Re-measurement loss / (gain)	(30,601)	21,722	-	(149,583)	797,443	(462,859)
Obligations at the end of the year	776,160	121,680	-	1,625,653	7,964,423	2,229,620



2020

	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005	SR-2005		
	..... Rs. in '000 .....						
Fair value at the beginning of the year	1,016,585	549,858	116,632	1,876,391	-	-	-
Interest income on plan assets	110,550	61,428	13,704	209,507	-	-	-
Benefits paid	(88,690)	(11,215)	-	(224,373)	-	-	-
Contributions - employer	10,425	1,772	-	196,164	-	-	-
Contributions - employees	10,425	1,772	-	-	-	-	-
Transferred from gratuity to pension	-	-	(13,850)	-	-	-	-
Re-measurements: Net return on plan assets	128,951	26,877	2,926	219	-	-	-
over interest income gain / (loss)	1,188,246	630,492	119,412	2,057,908	-	-	-
Fair value at the end of the year							

#### 39.6.4 Movement in payable / (receivable) under defined benefit schemes

	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005	SR-2005		
	..... Rs. in '000 .....						
Opening balance	-	-	(119,412)	(299,944)	6,606,148	2,651,667	(265,176)
Charge / (reversal) for the year	(10,982)	(50,502)	(11,643)	110,490	891,534	-	-
Re-measurement loss / (gain) recognised in OCI during the year	20,564	52,244	235	(113,534)	797,443	-	-
Contribution to fund / benefits paid	(9,582)	(1,742)	-	(176,806)	(330,702)	(251,057)	-
Transferred from gratuity to pension	-	-	15,076	-	-	-	-
Closing balance	-	-	(115,744)	(479,794)	7,964,423	2,135,434	-

## 2020

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
			Rs. in '000			
Opening balance	-	-	(116,632)	(106,096)	6,705,945	2,632,132
Charge / (reversal) for the year	5,627	(48,469)	(13,704)	172,838	1,007,564	218,215
Re-measurement loss / (gain) recognised in OCI during the year	4,798	50,241	(2,926)	(170,522)	(798,469)	-
Contribution to fund / benefits paid	(10,425)	(1,772)	-	(196,164)	(308,892)	(198,680)
Transferred from gratuity to pension	-	-	13,850	-	-	-
Closing balance	-	-	(119,412)	(299,944)	6,606,148	2,651,667

39.6.5.2

## 39.6.5 Charge / (reversal) for defined benefit plans

## 39.6.5.1 Cost recognised in profit and loss

## 2021

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
			Rs. in '000			
Current service cost	35,861	2,904	-	148,354	263,556	45,571
Net interest on defined benefit asset / liability	(37,261)	(51,664)	(11,643)	(37,864)	627,978	246,298
Actuarial (Gain) / Losses	-	-	-	-	-	(557,045)
Contributions - employees	(9,582)	(1,742)	-	-	-	-
	(10,982)	(50,502)	(11,643)	110,490	891,534	(265,176)

288,140

817,069

-

-

1,105,209

## 2020

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
			Rs. in '000			
Current service cost	44,171	3,909	-	195,808	242,633	40,590
Net interest on defined benefit asset / liability	(28,119)	(50,606)	(13,704)	(22,970)	764,931	284,939
Actuarial (Gain) / Losses	-	-	-	-	-	(107,314)
Contributions - employees	(10,425)	(1,772)	-	-	-	-
	5,627	(48,469)	(13,704)	172,838	1,007,564	218,215

462,178

1,077,182

-

-

1,539,360

39.6.5.2 Re-measurements recognised in OCI during the year

	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Loss / (gain) on obligation :						
- experience adjustment	(540,842)	21,722	-	(149,583)	797,443	-
Return on plan assets over interest income	294,544	18,892	235	36,049	-	-
Asset ceiling adjustment	-	19,320	-	-	-	-
Total re-measurement recognised in OCI	(246,298)	20,565	235	(113,534)	797,443	-

	2020					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Loss / (gain) on obligation :						
- financial assumptions	-	-	-	-	-	-
- experience adjustment	(2,014,757)	(1,197)	-	(170,303)	(798,469)	-
Return on plan assets over interest income	(44,594)	(26,877)	(2,926)	(219)	-	-
Asset ceiling adjustment	-	122,633	-	-	-	-
Total re-measurement recognised in OCI	(2,059,351)	4,798	(2,926)	(170,522)	(798,469)	-

39.6.6 Components of plan assets

	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Cash and cash equivalents - net	8,245,145	510,190	420,949	270	1,188,188	-
Government securities	2,959,518	667,468	242,268	115,492	915,277	-
Debtors and creditors	857,799	(19)	(19)	(19)	1,981	-
	12,062,462	1,177,639	663,198	115,743	2,105,446	-

2020

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Cash and cash equivalents - net	704,595	458,599	104	1,893,388	-	-
Government securities	483,668	171,910	119,325	158,536	-	-
Debtors and creditors	(17)	(17)	(17)	5,984	-	-
	1,188,246	630,492	119,412	2,057,908	-	-

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
	776,160	121,680	-	1,625,653	7,964,423	2,229,620
	710,583	111,399	-	1,513,945	6,828,755	2,095,488
	851,117	133,431	-	1,758,349	9,407,121	2,386,706
	-	-	-	1,760,761	8,140,038	2,389,511
	-	-	-	1,510,158	7,802,313	2,090,957
	-	-	-	-	8,474,349	-
	-	-	-	-	6,166,836	-
	-	-	-	1,627,515	-	-
	-	-	-	1,623,656	-	-
	-	-	-	1,624,859	-	-
	-	-	-	1,626,403	-	-

### 39.6.7 Sensitivity analysis

Current liability	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620
+1% discount rate	19,434,282	710,583	111,399	-	1,513,945	6,828,755	2,095,488
-1% discount rate	23,867,552	851,117	133,431	-	1,758,349	9,407,121	2,386,706
+1% salary increase	21,631,564	-	-	-	1,760,761	8,140,038	2,389,511
-1% salary increase	20,720,165	-	-	-	1,510,158	7,802,313	2,090,957
+1% pension increase / medical inflation rate	23,454,942	-	-	-	-	8,474,349	-
-1% pension increase / medical inflation rate	19,742,361	-	-	-	-	6,166,836	-
+10% withdrawal rates	21,164,297	-	-	-	1,627,515	-	-
-10% withdrawal rates	21,160,065	-	-	-	1,623,656	-	-
1 year mortality age set back	21,813,940	-	-	-	1,624,859	-	-
1 year mortality age set forward	21,053,436	-	-	-	1,626,403	-	-

### 39.6.8 Maturity profile

Weighted average duration of obligation (in years)	10.47	9.05	10.47	7.04	17.33 for SSR-1961	6.17
					5.14 for SR-2005	

### 39.6.9 Expected charge / (reversal) for next year

	1,391,213	(17,616)	(62,295)	(13,600)	75,737	1,230,343	312,910
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### 39.6.10 Expected contribution for next year

	230,872	10,517	1,912	-	129,734	-	-
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40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation Expense

2021

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
Fees and Allowances etc.	-	3,320	256	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,430	20,765	63,861	77,943
Cash bonus / awards etc.	-	-	165	-	17,785	12,470
Charge for defined benefit plan	-	-	-	-	4,889	6,657
Contribution to defined contribution plan	-	-	-	-	931	833
Rent & house maintenance	-	-	-	10,856	454	1,173
Utilities	-	-	-	469	113	293
Medical	-	-	-	353	102	270
Conveyance	-	-	-	650	634	276
Leave Fare Assistance	-	-	-	4,208	-	-
Total	-	3,320	4,851	37,301	88,769	99,915
Number of Persons	-	7	3	1	28	53

2020

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
Fees and Allowances etc.	-	-	102	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,740	18,000	74,116	71,701
Cash bonus / awards etc.	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	5,803	6,593
Contribution to defined contribution plan	-	-	-	-	1,147	896
Rent & house maintenance	-	-	-	9,900	717	3,433
Utilities	-	-	-	372	179	858
Medical	-	-	-	535	161	772
Conveyance	-	-	-	591	806	256
Club Facility	-	-	-	2,010	-	-
Leave fare assistance	-	-	-	3,575	-	-
Total	-	-	4,842	34,983	82,929	84,509
Number of Persons	-	-	3	1	25	66

Rupees in '000

40.2 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).

#### 40.3 Remuneration paid to Directors for participation in Board and Committee Meetings

2021

Sr. No.	Name of Director	Meeting Fees and Allowances Paid For Board Committees							Total Amount Paid	
		For Board Meetings	For Annual General Meeting	Audit	Product Development & Marketing	Information Technology & Agriculture Technology	Nomination	Human Resource Management		Risk
1	Mr. Nadeem Lodhi	280	40	-	-	-	-	125	-	445
2	Syed Javed	280	40	100	75	25	25	100	25	745
3	Mr. Zaigham Mahmood Rizvi	280	40	100	100	-	25	125	25	770
4	Mr. Haaris Mahmood Chaudhary	280	40	100	-	25	-	75	25	545
5	Mr. Abdul Ghufuran	120	-	-	100	-	25	125	-	370
6	Dr. Nawaz Ahmad	200	-	25	-	-	-	-	-	300
7	Mr. Muhammad Aslam Ghauri	80	40	25	-	-	-	-	-	145
	Total	1,520	200	350	275	50	75	550	75	3,320

Rupees in '000

40.4 Remuneration paid to Shariah Board Members

Items	2021			2020		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Meeting Fees and Allowances	104	-	152	51	-	51
Contractual salary	990	1,575	1,865	1,980	1,500	1,260
Cash bonus	-	102	63	-	-	-
Total	1,094	1,677	2,080	2,031	1,500	1,311
Total Number of Persons	1	1	1	1	1	1

## 41 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.

### 41.1 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).

### 41.2 Valuation technique used and 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.

### 41.3 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:

		2021			
		Level 1	Level 2	Level 3	Total
Carrying value / Notional value					
..... Rupees in '000 .....					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
Investments					
- Federal Government Securities	77,128,568	-	77,128,568	-	77,128,568
- Shares	2,465,115	2,465,115	-	-	2,465,115
- Debt securities (TFCs, Sukuk)	2,713,562	2,713,562	-	-	2,713,562
	82,307,245	5,178,677	77,128,568	-	82,307,245
<b>Financial assets not measured at fair value</b>					
- Subsidiary company	100,000	-	100,000	-	100,000
	82,407,245	5,178,677	77,228,568	-	82,407,245
		2020			
		Level 1	Level 2	Level 3	Total
Carrying value / Notional value					
..... Rupees in '000 .....					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
Investments					
- Federal Government Securities	33,965,602	-	33,965,602	-	33,965,602
- Shares	2,869,626	2,869,626	-	-	2,869,626
- Debt securities (TFCs, Sukuk)	2,889,732	2,889,732	-	-	2,889,732
	39,724,960	5,759,358	33,965,602	-	39,724,960
<b>Financial assets not measured at fair value</b>					
- Subsidiary company	100,000	-	100,000	-	100,000
	39,824,960	5,759,358	34,065,602	-	39,824,960

## 42 SEGMENT INFORMATION

## 42.1 Segment Details with respect to Business Activities:

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

	2021			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000 .....			
<b>Profit and Loss</b>				
Net mark-up/return/profit	8,592,684	3,533,500	74,277	12,200,461
Inter segment revenue - net	781,686	(781,686)	-	-
Non mark-up / return / interest income	1,331,014	15,006	518	1,346,538
<b>Total Income</b>	<b>10,705,384</b>	<b>2,766,820</b>	<b>74,795</b>	<b>13,546,999</b>
Segment direct expenses	10,882,587	41,871	61,849	10,986,307
Inter segment expense allocation	-	-	-	-
<b>Total expenses</b>	<b>10,882,587</b>	<b>41,871</b>	<b>61,849</b>	<b>10,986,307</b>
Provisions	777,676	-	-	777,676
<b>Profit before tax</b>	<b>(954,879)</b>	<b>2,724,949</b>	<b>12,946</b>	<b>1,783,016</b>
<b>Statement of Financial Position</b>				
Cash and Bank balances	2,365,049	27,856,545	1,620,081	31,841,675
Investments	-	81,051,365	1,355,880	82,407,245
Net inter segment lendings	40,057,611	-	-	40,057,611
Lendings to financial institutions	-	16,828,212	51,275	16,879,487
Advances - performing	74,456,385	-	-	74,456,385
- non-performing (net of provision)	17,365,922	-	-	17,365,922
Others	30,366,427	1,477,903	45,698	31,890,028
<b>Total Assets</b>	<b>164,611,394</b>	<b>127,214,025</b>	<b>3,072,934</b>	<b>294,898,353</b>
Borrowings	54,461,536	76,845,499	1,050,000	132,357,035
Subordinated debt	-	-	-	-
Deposits & other accounts	42,167,754	-	1,430,811	43,598,565
Net inter segment borrowing	-	39,557,611	500,000	40,057,611
Others	24,781,023	147,424	26,103	24,954,550
<b>Total Liabilities</b>	<b>121,410,313</b>	<b>116,550,534</b>	<b>3,006,914</b>	<b>240,967,761</b>
Equity	52,968,290	989,649	(27,347)	53,930,592
<b>Total Equity and Liabilities</b>	<b>174,378,603</b>	<b>117,540,183</b>	<b>2,979,567</b>	<b>294,898,353</b>
<b>Contingencies and Commitments</b>	<b>38,378,832</b>	<b>-</b>	<b>-</b>	<b>38,378,832</b>

	2020			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000 .....			
<b>Profit and Loss</b>				
Net mark-up/return/profit	4,724,854	3,556,552	53,841	8,335,247
Inter segment revenue - net	1,219,105	(1,219,105)	-	-
Non mark-up / return / interest income	1,302,129	39	304	1,302,472
<b>Total Income</b>	<b>7,246,088</b>	<b>2,337,486</b>	<b>54,145</b>	<b>9,637,719</b>
Segment direct expenses	11,430,556	39,398	62,011	11,531,965
Inter segment expense allocation	-	-	-	-
<b>Total expenses</b>	<b>11,430,556</b>	<b>39,398</b>	<b>62,011</b>	<b>11,531,965</b>
Provisions	1,330,316	-	-	1,330,316
<b>Profit/(loss) before tax</b>	<b>(5,514,784)</b>	<b>2,298,088</b>	<b>(7,866)</b>	<b>(3,224,562)</b>
<b>Statement of Financial Position</b>				
Cash and Bank balances	1,695,535	18,981,903	1,428,993	22,106,431
Investments	-	39,067,304	757,656	39,824,960
Net inter segment lending	500,000	-	-	500,000
Lendings to financial institutions	-	10,986,700	51,275	11,037,975
Advances - performing	70,669,573	-	-	70,669,573
- non-performing (net of provision)	31,986,697	-	-	31,986,697
Others	33,900,673	1,084,904	74,832	35,060,409
<b>Total Assets</b>	<b>138,752,478</b>	<b>70,120,811</b>	<b>2,312,756</b>	<b>211,186,045</b>
Borrowings	54,461,536	26,701,696	-	81,163,232
Subordinated debt	-	-	-	-
Deposits & other accounts	47,363,910	-	1,821,607	49,185,517
Net inter segment borrowing	-	-	500,000	500,000
Others	23,618,990	20,558	10,593	23,650,141
<b>Total Liabilities</b>	<b>125,444,436</b>	<b>26,722,254</b>	<b>2,332,200</b>	<b>154,498,890</b>
Equity	55,005,944	1,679,047	2,164	56,687,155
<b>Total Equity and Liabilities</b>	<b>180,450,380</b>	<b>28,401,301</b>	<b>2,334,364</b>	<b>211,186,045</b>
<b>Contingencies and Commitments</b>	<b>24,004,823</b>	<b>-</b>	<b>-</b>	<b>24,004,823</b>

#### 42.2 Segment Details with respect to geographical locations

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

#### 43 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

## 44 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 39 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 40 and note 13.6 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	..... Rupees in '000 .....							
<b>Investments</b>	100,000	100,000	-	-	-	-	-	-
<b>Advances</b>								
Opening balance	-	-	49,892	26,483	-	-	-	-
Addition	-	-	31,175	32,683	-	-	-	-
Repaid	-	-	(15,178)	(9,274)	-	-	-	-
Closing balance	-	-	65,889	49,892	-	-	-	-
<b>Other assets</b>								
Interest / mark-up accrued	-	-	9,099	9,472	-	-	-	-
Receivable at the end of the year	-	-	-	-	595,538	419,356	-	-
<b>Deposits and other accounts</b>								
Opening balance	987,730	631,779	5,927	5,566	9,695,509	13,342,343	205,600	182,383
Received during the year	25,271,309	3,131,450	96,265	83,758	22,770,608	22,428,079	383,884	362,222
Withdrawn during the year	(14,639,462)	(2,775,499)	(96,430)	(83,397)	(22,226,413)	(26,074,913)	(369,996)	(339,005)
Closing balance	11,619,577	987,730	5,762	5,927	10,239,704	9,695,509	219,488	205,600

	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
..... Rupees in '000' .....								
<b>Other liabilities</b>								
Interest / mark-up payable	61,095	103,291	-	-	131,530	102,786	4,305	3,890
Payable at the end of the year	103,193	214,638	-	-	19,293,763	17,762,320	-	-
<b>Income</b>								
Mark-up / interest earned	-	-	1,396	1,433	-	-	-	-
Rental income	5,297	9,210	-	-	-	-	-	-
<b>Expense</b>								
Mark-up / interest paid	81,498	112,855	-	-	606,090	966,330	14,770	20,809
Compensation	-	-	94,226	87,383	-	-	-	-
Post retirement benefit	-	-	4,889	4,678	-	-	-	-
Contribution to defined benefit plan	-	-	931	878	-	-	-	-
Cost of services rendered	1,082,623	1,157,657	-	-	-	-	-	-

#### 44.1 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.

## 45 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS

	2021	2020
	... Rupees in '000 ...	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	46,641,417	48,708,582
<b>Capital Adequacy Ratio:</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	44,965,422	46,944,995
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	44,965,422	46,944,995
Eligible Tier 2 Capital	2,498,563	3,425,490
Total Eligible Capital (Tier 1 + Tier 2)	47,463,985	50,370,485
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	120,713,094	139,715,446
Market Risk	4,930,225	5,739,250
Operational Risk	20,987,838	20,215,413
Total	146,631,157	165,670,109
Common Equity Tier 1 Capital Adequacy Ratio	30.67%	28.34%
Tier 1 Capital Adequacy Ratio	30.67%	28.34%
Total Capital Adequacy Ratio	32.37%	30.40%

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (net 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, 2021 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% (2020: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2021 is 32.37% (2020: 30.40%) of its risk weighted exposure.

	2021	2020
	... Rupees in '000 ...	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	44,965,422	46,944,995
Total exposures	331,810,281	237,417,427
Leverage ratio	13.55%	19.77%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	19,761,909	21,665,571
Total Net Cash Outflow	2,714,031	2,763,473
Liquidity Coverage Ratio	728%	784%

	2021	2020
	... Rupees in '000 ...	
<b>Net Stable Funding</b>		
Total Available Stable Funding	143,009,369	153,645,253
Total Required Stable Funding	112,581,390	120,322,430
Net Stable Funding Ratio	<u>127%</u>	<u>128%</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>.

#### 46 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 Divisional Head. The Bank's systematic and integrated risk management function for each category of risk is as follows:

##### 46.1 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 analyzed 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:



#### 46.1.3 Contingencies and Commitments

##### Credit risk by industry sector

	2021	2020
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	38,111,241	23,388,140
Individuals	267,591	616,683
	<u>38,378,832</u>	<u>24,004,823</u>

##### Credit risk by public / private sector

Public / Government	37,492,458	22,134,505
Private	886,374	1,870,318
	<u>38,378,832</u>	<u>24,004,823</u>

#### 46.1.4 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 1.5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

#### 46.1.5 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2021					
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad including Gilgit-Baltistan
	..... Rupees in '000 .....					
Punjab	58,181,554	58,181,554	-	-	-	-
Sindh	6,415,189	-	6,415,189	-	-	-
KPK including FATA	3,071,683	-	-	3,071,683	-	-
Balochistan	248,623	-	-	-	248,623	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,244,765	-	-	-	-	1,244,765
Total	<u>69,161,814</u>	<u>58,181,554</u>	<u>6,415,189</u>	<u>3,071,683</u>	<u>248,623</u>	<u>1,244,765</u>



#### 46.2.2 Foreign Exchange Risk

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign exchange operations. Foreign transactions, if any, are undertaken through SBP.

#### 46.2.3 Equity Position Risk

The Bank's exposure towards equity risk is limited as only one security is held under its equity portfolio held under AFS category which is marked to market periodically to reflect associated price risk and further risk is being gauged through stress testing scenario quarterly.

	2021		2020	
	Banking Book	Trading Book	Banking Book	Trading Book
..... Rupees in '000 .....				
Impact of 5% change in equity prices on:				
- Profit and loss account	-	-	-	-
- Other comprehensive income	77,214	-	90,361	-



2020

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
<b>On-balance sheet financial instruments</b>									
<b>Assets</b>									
Cash and balances with treasury banks	2,677,147	-	-	-	-	-	-	-	2,677,147
Balances with other banks	19,429,284	16,929,284	2,500,000	-	-	-	-	-	-
Lending to financial institutions	11,037,975	11,037,975	-	-	-	-	-	-	-
Investments - net	39,724,960	33,041	5,702,072	16,521	5,152,157	4,481,003	10,621,655	1,154,918	3,219,501
Advances - net	102,656,270	24,248,218	5,154,365	7,360,405	30,875,960	11,344,774	9,717,768	1,919,600	140,852
Other assets - net	15,653,592	-	-	-	-	-	-	-	15,653,592
	191,179,228	52,248,518	13,356,437	7,376,926	36,028,117	15,825,777	20,339,423	3,074,518	21,691,092
<b>Liabilities</b>									
Bills payable	402,111	-	-	-	-	-	-	-	402,111
Borrowings	81,163,232	26,701,696	-	-	-	-	-	54,461,536	-
Deposits and other accounts	49,185,517	16,847,296	5,165,745	2,166,577	16,691,008	530,100	10,300	80,500	7,693,991
Other liabilities	21,502,907	-	-	-	-	-	-	-	21,502,907
	152,253,767	43,548,992	5,165,745	2,166,577	16,691,008	530,100	10,300	54,542,036	29,599,009
<b>On-balance sheet gap</b>	38,925,461	8,699,526	8,190,692	5,210,349	19,337,109	15,295,677	20,329,123	3,074,518	106,454
<b>Net non-financial assets</b>	17,761,694	-	-	-	-	-	-	-	-
<b>Total net assets</b>	56,687,155	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>									
<b>Total yield / interest risk sensitivity gap</b>	38,925,461	8,699,526	8,190,692	5,210,349	19,337,109	15,295,677	20,329,123	3,074,518	106,454
<b>Cumulative yield / interest risk sensitivity gap</b>	8,699,526	16,890,218	22,100,567	41,437,676	56,733,353	77,062,476	43,652,406	46,726,924	38,925,461
<b>Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:</b>									
		<b>Rupees in '000</b>							
Total financial assets	191,179,228	Total financial liabilities							152,253,767
Add non-financial assets:		Add non-financial liabilities:							
Investment in subsidiary company	100,000	Other liabilities							1,745,123
Operating fixed assets and intangible	2,812,992	Total liability as per statement of financial position							153,998,890
Deferred tax assets - net	13,266,590								
Other assets	3,327,235								
Total assets as per statement of financial position	210,686,045								

### 46.3 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 analyzed 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.

### 46.4 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.

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

2021

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
<b>Assets</b>													
Cash and balances with treasury banks	5,026,023	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	26,815,652	14,815,652	4,000,000	8,000,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	16,879,487	-	6,000,000	10,500,000	-	-	-	-	-	-	-	-	-
Investments - net	82,407,245	10,828,212	2,500,000	3,785,358	9,425,000	8,000,000	13,250,000	3,750,000	244,567	51,275	7,295,500	3,538,726	2,903,452
Advances - net	91,822,307	2,260,329	1,096,191	3,785,358	3,639,460	3,314,885	13,214,395	8,308,163	27,255,411	7,028,551	6,969,112	10,954,237	1,937,648
Fixed assets	2,477,865	-	-	244,221	-	14,829	234,205	-	23,213	236,030	137,168	362,799	1,225,400
Intangible assets	35,817	-	-	-	-	580	-	-	-	-	35,237	-	-
Deferred tax assets - net	13,230,217	-	-	-	-	-	-	-	13,230,217	-	-	-	-
Other assets	16,146,129	230,813	108,636	3,888,979	474,319	539,893	1,214,260	681,735	7,969,155	304,961	297,645	109,862	131,867
	254,840,742	22,332,817	13,080,783	26,418,558	13,538,779	11,870,187	27,912,860	12,739,898	48,722,563	28,620,817	14,734,662	14,965,624	6,198,367
<b>Liabilities</b>													
Bills payable	442,401	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	132,357,035	-	-	-	33,000,000	24,345,499	-	-	-	-	-	-	54,461,536
Deposits and other accounts	43,598,565	13,488,586	528,669	1,144,100	8,002,684	8,585,881	9,473,317	1,637,299	441,878	63,700	72,451	80,000	-
Other liabilities	24,512,149	-	-	2,136,765	180,587	1,579,781	2,212,577	46,250	1,026,510	2,120,692	2,106,315	4,379,146	8,723,526
	200,910,150	13,930,987	20,630,000	3,280,865	41,183,271	34,511,161	11,685,894	1,683,549	1,468,388	2,184,392	2,178,766	4,459,146	63,185,062
<b>Net assets</b>	53,930,592	8,401,830	(7,549,217)	13,176,158	23,137,693	(22,640,974)	16,226,966	11,056,349	47,254,175	26,436,425	12,555,896	10,506,478	(56,986,695)
Share capital													
Reserves	52,678,433												
Unappropriated loss	6,299,526												
Surplus on revaluation of assets	(6,037,016)												
	989,649												
	<u>53,930,592</u>												

2020

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
2,677,147	2,677,147	2,000,000	4,000,000	4,000,000	-	2,500,000	-	-	-	-	-	-	-
19,429,284	10,929,284	6,500,000	2,900,000	2,900,000	-	-	-	-	-	-	37,975	-	-
11,037,975	-	-	330	6,000,000	6,000,000	65,540	17,300	7,696,375	321,900	4,353,800	10,804,000	8,845,500	1,720,215
39,824,960	-	-	949,824	3,299,990	2,472,672	1,962,962	6,321,468	44,950,166	15,126,671	5,574,767	5,422,524	8,220,063	1,627,824
102,656,270	4,515,584	2,211,755	949,824	3,299,990	2,472,672	1,962,962	6,321,468	44,950,166	15,126,671	5,574,767	5,422,524	8,220,063	1,627,824
2,793,596	-	-	207,498	-	-	3,789	17,448	370,327	1,382	430,302	286,139	257,913	1,220,180
19,396	-	-	-	-	-	-	-	-	1,382	13,919	4,095	-	-
13,266,590	-	-	-	-	-	-	-	-	13,266,590	-	-	-	-
18,980,827	661,988	127,090	1,816,837	266,527	190,103	399,856	14,778,015	142,380	142,380	119,149	69,631	82,542	130,781
210,686,045	18,784,003	10,907,683	2,676,914	12,224,655	8,739,199	4,722,394	6,756,072	67,794,883	28,858,923	10,491,937	16,624,364	17,406,018	4,699,000
<b>Liabilities</b>													
402,111	402,111	-	-	-	-	-	-	-	-	-	-	-	-
81,163,232	-	26,701,696	-	-	-	-	-	-	-	-	-	-	54,461,536
49,185,517	14,846,972	130,354	3,551,291	6,000,000	997,500	4,168,245	2,144,099	2,125,643	14,980,613	150,300	10,500	80,000	-
23,248,030	-	-	2,903,727	2,903,727	-	976,074	1,961,406	(2,078,343)	764,607	2,267,549	2,237,829	4,644,938	9,570,243
153,998,890	15,249,083	26,832,050	3,551,291	8,903,727	997,500	5,144,319	4,105,505	47,300	15,745,220	2,417,849	2,248,329	4,724,938	64,031,779
56,687,155	3,534,920	(15,924,367)	(874,377)	3,320,928	7,741,699	(421,925)	2,650,567	67,747,583	13,113,703	8,074,088	14,376,035	12,681,080	(59,332,779)
52,678,433													
6,299,526													
(3,969,851)													
1,679,047													
56,687,155													

**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 profit  
Surplus on revaluation of assets

**47 CORRESPONDING FIGURES**

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

**48 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 17 APR 2022 by the Board of Directors of the Bank.

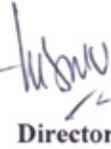
**49 GENERAL**

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

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director



Annexure - II

**ISLAMIC BANKING BUSINESS**

The bank is operating 5 (2020: 5) Islamic banking branches at the end of the year.

	Note	2021 Rupees in '000	2020
<b>ASSETS</b>			
Cash and balances with treasury banks		153,794	55,759
Balances with other banks		1,466,287	1,373,234
Due from financial institutions	1	51,275	51,275
Investments	2	1,355,880	757,656
Islamic financing and related assets - net		-	-
Fixed assets		7,595	11,459
Intangible assets		-	-
Due from Head Office	3	-	27,993
Other assets		38,103	35,380
<b>Total Assets</b>		<b>3,072,934</b>	<b>2,312,756</b>
<b>LIABILITIES</b>			
Bills payable		1,572	1,201
Due to financial institutions		1,050,000	-
Deposits and other accounts	4	1,430,811	1,821,607
Due to Head Office		93,367	-
Subordinated debt		-	-
Other liabilities		24,531	9,392
		<u>2,600,281</u>	<u>1,832,200</u>
<b>NET ASSETS</b>		<b><u>472,653</u></b>	<b><u>480,556</u></b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
(Deficit) / Surplus on revaluation of assets		(14,049)	2,164
Accumulated loss	5	<u>(13,298)</u>	<u>(21,608)</u>
		<b><u>472,653</u></b>	<b><u>480,556</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		

## Annexure - II

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

	Note	2021 Rupees in '000	2020
Profit / return earned	7	231,933	88,050
Profit / return expensed	8	157,656	34,209
Net Profit / return		74,277	53,841
<b>Other income</b>			
Fee and Commission Income		480	304
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		38	-
Other Income		-	-
Total other income		518	304
Total Income		74,795	54,145
<b>Other expenses</b>			
Operating expenses		61,849	62,011
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		61,849	62,011
Loss before provisions		12,946	(7,866)
Provisions and write offs - net		-	-
Loss before taxation		12,946	(7,866)
Taxation		4,636	1,325
Loss after taxation		8,310	(9,191)

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
..... Rupees in '000 .....						
<b>1 Due from Financial Institutions</b>						
Secured :						
Bai Muajjal Receivable from State Bank of Pakistan	51,275	-	51,275	51,275	-	51,275
	51,275	-	51,275	51,275	-	51,275

**2 Investments**

	2021						2020					
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
..... Rupees in '000 .....												
<b>Federal Government securities</b>												
Ijarah sukuk	775,354	-	(17,461)	757,893	550,354	-	-	550,354				
<b>Non Government securities</b>												
Listed securities	594,575	-	3,412	597,987	205,138	-	-	207,302				
<b>Total investments</b>	1,369,929	-	(14,049)	1,355,880	755,492	-	-	757,656				

3 Due from head office represents inter branch transactions such as depreciation transferred and assets procurement etc.



	2021	2020
Note	Rupees in '000	
<b>4 Deposits</b>		
<b>Customers - local currency</b>		
Current deposits	72,701	116,585
Savings deposits	1,168,788	777,015
Term deposits receipts	189,310	7,910
Others	12	36,510
	1,430,811	938,020
<b>Financial Institutions</b>		
Term deposits receipts	-	883,587
	<u>1,430,811</u>	<u>1,821,607</u>
<b>4.1 Composition of deposits</b>		
- Individuals	72,712	938,021
- Non-Banking Financial Institutions	1,168,789	883,586
- Govt./Public Sector Entities	189,310	-
	<u>1,430,811</u>	<u>1,821,607</u>
4.2		
This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 209.753 million (2020: Rs. 278.7 million).		
	<b>2021</b>	<b>2020</b>
	<b>Rupees in '000</b>	
<b>5 Islamic Banking Business Accumulated loss</b>		
Opening Balance	(21,608)	(12,417)
Add: Islamic Banking profit/(loss) for the period	12,946	(7,866)
Less: Taxation	4,636	1,325
Closing Balance	<u>(13,298)</u>	<u>(21,608)</u>
6		
There are no contingencies and commitments related to the islamic business as at reporting date. (2020: Nil)		
	<b>2021</b>	<b>2020</b>
	<b>Rupees in '000</b>	
<b>7 Profit / return earned of financing, investments and placements</b>		
Profit earned on:		
Investments	82,208	28,153
Placements	149,725	59,897
Total	<u>231,933</u>	<u>88,050</u>

	2021	2020
	Rupees in '000	
<b>8 Profit on deposits and other dues expensed</b>		
Deposits and other accounts	144,282	34200
Commission and other charges	86	9
Call borrowings	13,288	-
	157,656	34,209
<b>9 Pool Management</b>		

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining single pool for profit declaration and distribution i.e., general pool.

#### **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:**

	2021	2020
	Rupees in '000	
Investments	1,355,880	757,656
Due from financial institutions	51,275	51,275
Balances with other banks	1,466,287	1,373,234

**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.

	2021	2020
	Rupees in '000	
<b>Provisions</b>	-	-

**Mudarib share (in amount and percentage of distributable income)**

		2021	2020
		Rupees in '000	
	%		
Rabbul Mal	87%	149,844	33,127
Mudarib	13%	21,974	7,865
		171,818	40,992

**Amount & percentage of mudarib share transferred to depositors through Hiba**

	2021	2020
Mudarib share	21,974	7,865
Hiba	7,109	898
Hiba percentage of mudarib share	32.35%	11.41%

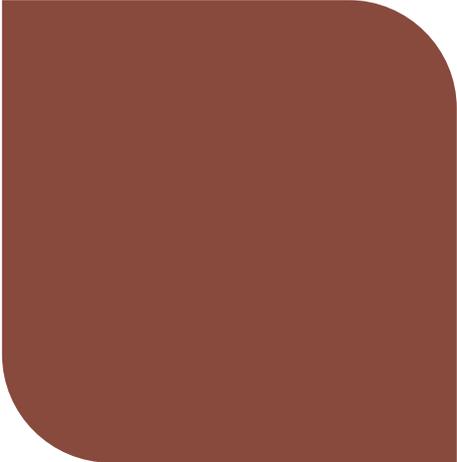
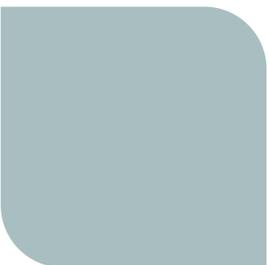
This is not a special Hiba and it has been distributed across the board to all the investment account holders.

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

	2021	2020
Profit rate earned	9.18% p.a.	5.96% p.a.
Profit rates distributed to depositors	8.87% p.a.	3.02% p.a.

# CONSOLIDATED *Financial Statements*

for the period ended 31 December 2021







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

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed consolidated financial statements of ZARAI TARAQJATI BANK LIMITED and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, 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 a summary of significant 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, 2021 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 judgment, 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.

#### 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.



Following are the Key Audit Matters:

Sr.No.	Key Audit Matters	How the matter was addressed in our audit
1	<p><b>Provision against advances</b></p> <p>The Group'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 Group's accounting policy {refer note 7.4 and 7.31(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 judgment.</p> <p>The Group's advances represent 36% of its total assets and are stated at Rs. 91,822 million which are net of provision of Rs. 23,434 million as at December 31, 2021.</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 12 to the consolidated 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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• In respect of the level of general provision maintained by the Group and specific provision recognized, we discussed the approach and policy</li> </ul>

*Review*



		<p>followed by the Group with the management.</p> <ul style="list-style-type: none"> <li>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 applicable financial reporting framework.</li> </ul>
2	<b>Valuation of Investments</b>	
	<p>The Group's investments include Government securities, listed and unlisted shares and debt securities classified as available for sale and investment in subsidiary comprising 32% of total assets amounting to net investments of Rs. 82,307 million as at 31 December 2021.</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 of its significance in relation to the consolidated financial statements and the use of management judgment in determination of impairment.</p> <p>Refer note 11 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"> <li>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.</li> <li>Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices.</li> <li>Comparing the cost of each equity investments to its market value to determine the valuation and recognition as per the policy of the Group.</li> <li>Evaluated the management assessment in respect of valuation and impairment of investment in un-listed shares.</li> <li>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.</li> </ul>

*BDO*



### 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 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 judgment and maintain professional scepticism throughout the audit. We also:

*Procedures*

## BDO

- 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.
- 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 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.

BDO

**Other Matter**

The financial statements of the Group for the year ended December 31, 2020 were audited by another firm of Chartered Accountants, who had expressed an unmodified opinion vide their report dated December 01, 2021.

The engagement partner on the audit resulting in this independent auditors report is Iffat Hussain.

ISLAMABAD

DATED: 17 APR 2022

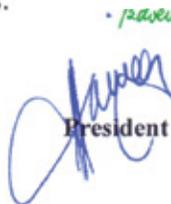
UDIN: AR202110094IaZxitP1F

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

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

	Note	2021 ..... Rupees in '000 .....	2020
<b>ASSETS</b>			
Cash and balances with treasury banks	8	5,026,023	2,677,147
Balances with other banks	9	26,815,701	19,429,322
Lendings to financial institutions	10	16,879,487	11,037,975
Investments - net	11	82,307,245	39,724,960
Advances - net	12	91,822,307	102,656,270
Fixed assets	13	2,487,256	2,804,808
Intangible assets	14	35,817	19,396
Deferred tax assets - net	15	13,355,560	13,386,025
Other assets - net	16	16,202,582	18,970,348
		254,931,978	210,706,251
<b>LIABILITIES</b>			
Bills payable	18	442,401	402,111
Borrowings	19	132,357,035	81,163,232
Deposits and other accounts	20	42,495,389	48,200,890
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities - net		-	-
Other liabilities	21	24,846,715	23,352,166
		200,141,540	153,118,399
<b>NET ASSETS</b>			
		54,790,438	57,587,852
<b>REPRESENTED BY</b>			
Share capital	22	52,678,433	52,678,433
Reserves		6,299,526	6,299,526
Surplus on revaluation of assets - net of tax	23	989,649	1,679,047
Accumulated loss		(5,177,170)	(3,069,154)
		54,790,438	57,587,852
<b>CONTINGENCIES AND COMMITMENTS</b>			
	24		

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

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

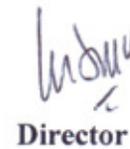
		2021	2020
	Note	..... Rupees in '000 .....	
Mark-up / return / interest earned	25	22,526,158	18,041,618
Mark-up / return / interest expensed	26	10,244,200	9,583,783
Net mark-up / interest income		12,281,958	8,457,835
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	27	998,119	989,081
Dividend income		192,413	75,346
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	28	15,006	8,601
Other income	29	158,452	215,714
Total non-mark-up / interest income		1,363,990	1,288,742
Total income		13,645,948	9,746,577
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	30	11,088,899	11,333,137
Workers welfare fund		-	-
Other charges	31	76,359	147,620
Total non mark-up / interest expenses		11,165,258	11,480,757
Profit / (loss) before provisions		2,480,690	(1,734,180)
Provisions and write offs - net	32	777,676	1,330,316
Extra ordinary / unusual items		-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		1,703,014	(3,064,496)
Taxation	33	3,503,174	(720,323)
<b>LOSS AFTER TAXATION</b>		(1,800,160)	(2,344,173)
		..... Rupees .....	
Basic loss per share (Rupees)	34	(0.34)	(0.44)
Diluted loss per share (Rupees)	34	(0.34)	(0.44)

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

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
	... Rupees in '000 ...	
<b>Loss after taxation for the year</b>	(1,800,160)	(2,344,173)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus on revaluation of investments - net of tax	(689,398)	(414,543)
Movement in deficit on revaluation of investments - net of tax	(689,398)	(414,543)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain on defined benefit obligations - net of tax	(307,856)	1,962,040
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
Remeasurement gain on defined benefit obligations - net of tax	(307,856)	1,962,040
<b>Total comprehensive loss</b>	<u>(2,797,414)</u>	<u>(796,676)</u>

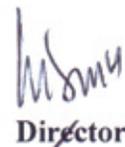
The annexed notes 1 to 48 and annexures I & II form an integral part of these consolidated financial statements.

*Adoleo.*

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

ZARAI TARAQIATI BANK LIMITED  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Accumulated loss	Total
..... Rupees in '000 .....						
<b>Balance as at December 31, 2019</b>	52,678,433	6,239,526	60,000	2,093,590	(2,687,021)	58,384,528
Loss after taxation for the year	-	-	-	-	(2,344,173)	(2,344,173)
Other comprehensive income / (loss) - net of tax	-	-	-	(414,543)	1,962,040	1,547,497
Total comprehensive loss for the year	-	-	-	(414,543)	(382,133)	(796,676)
<b>Balance as at December 31, 2020</b>	52,678,433	6,239,526	60,000	1,679,047	(3,069,154)	57,587,852
Loss after taxation for the year	-	-	-	-	(1,800,160)	(1,800,160)
Other comprehensive loss - net of tax	-	-	-	(689,398)	(307,856)	(997,254)
Total comprehensive loss for the year	-	-	-	(689,398)	(2,108,016)	(2,797,414)
<b>Balance as at December 31, 2021</b>	52,678,433	6,239,526	60,000	989,649	(5,177,170)	54,790,438

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 consolidated financial statements.

  
 President

  
 Chief Financial Officer

  
 Director

  
 Director

**ZARAI TARAQIATI BANK LIMITED  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2021**

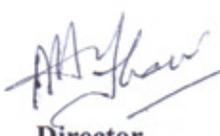
	Note	2021 ..... Rupees in '000 .....	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before working capital changes	38	11,226,836	4,256,134
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(5,841,512)	(11,037,975)
Advances - net		3,637,679	3,474,938
Other assets - net (excluding advance taxation)		500,336	(1,276,836)
		(1,703,497)	(8,839,873)
Increase / (decrease) in operating liabilities:			
Bills payable		40,290	(169,758)
Borrowings from financial institutions		51,193,803	8,660,867
Deposits and other accounts		(5,705,501)	2,863,379
Other liabilities		(36,625)	527,749
		45,491,967	11,882,237
Employees' benefits paid		(1,046,506)	(1,003,257)
Income tax paid		(430,942)	(432,896)
Net cash flow generated from operating activities		53,537,858	5,862,345
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(43,627,891)	(16,343,466)
Dividend received		192,413	75,346
Investments in operating fixed assets		(176,959)	(169,299)
Proceeds from sale of fixed assets		87,233	102,941
Net cash flow used in investing activities		(43,525,204)	(16,334,478)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability against right-of-use assets - net		(277,399)	(278,577)
Increase / (decrease) in cash and cash equivalents		9,735,255	(10,750,710)
Cash and cash equivalents at beginning of the year		22,106,469	32,857,179
Cash and cash equivalents at end of the year	35	31,841,724	22,106,469

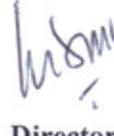
The annexed notes 1 to 48 and annexures I & II form an integral part of these consolidated financial statements.

*Below.*

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**1. THE GROUP AND ITS OPERATIONS**

The "Group" consists of:

**Holding company**

- Zarai Taraqati Bank Limited

**Subsidiary company**

- Kissan Support Services (Private) Limited

**1.1 Zarai Taraqati 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 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 (2020: 501) branches including 5 (2020: 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.

## 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 Financial Reporting Standard (IFRS) 9, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 however, SBP has further modified the effective date of application of IFRS 9 for banking finance companies to reporting periods starting on or after January 01, 2022 vide BPRD Circular no. 24 of 2021 dated July 05, 2021. 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 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 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Group's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions	January 01, 2022
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021

Certain annual improvements have also been made to a number of IFRSs.

##### 4.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

**Effective date (annual periods beginning on or after)**

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

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.

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 convention except for:

- 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 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The COVID - 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) had also responded to the crisis with following regulatory measures to provide an impetus to economic activity:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and / or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 has impacted the banks in Pakistan from various facets which include muted credit risk increase, reduced fee income due to slowdown in economic activity, branch closures and cyber security threat management.

The potential impact of the economic stress posed by the COVID-19 outbreak is difficult to predict, as many of the Group's borrowers have availed the SBP enabled deferment/restructuring & rescheduling relief. However, the Group had General Provision of Rs. 3.0 billion therefore no further provision is made during the year.

## 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

7.1 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.

### 7.2 Staff retirement benefits

#### - Zarai Taraqiati Bank Limited

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'.

**- 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.

**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, 2021 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.

### 7.3 Cash and cash equivalents

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

### 7.4 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.

### 7.5 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 Subsidiaries and Associates**

Associates are all entities over which the Group has significant influence but not control. Subsidiaries are all entities over which the Group 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.

## **7.6 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 13.2 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.

## **7.7 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.

## **7.8 Right-of-use assets and their related lease liability**

### **7.8.1 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.

### **7.8.2 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.

## 7.9 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.

## 7.10 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.

## 7.11 Taxation

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 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.

**7.12 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.

**7.13 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.

**7.14 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.

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.

**7.15 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.

**7.16 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.

**7.17 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 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

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

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.

### **7.18 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.

### **7.19 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, 2021 are disclosed in note 41.

### **7.20 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.

### **7.21 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.

## 7.22 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.

## 7.23 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.

## 7.24 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.

## 7.25 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.

## 7.26 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.

## 7.27 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.

### 7.28 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.

### 7.29 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 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.

### 7.30 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.

### 7.31 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 7.5, 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 39 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.

**h) Right-of-use assets**

As mentioned in note 7.8, right-of-use assets is depreciated over its lease term while their related lease liability are measured at their present values.

**7.32 Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		572,019	562,751
With State Bank of Pakistan in:			
Local currency current account	8.1	2,919,203	1,552,407
With National Bank of Pakistan in:			
Local currency current account		1,198,284	121,289
Local currency deposit account	8.2	333,762	426,957
		1,532,046	548,246
Prize bonds		2,755	13,743
		<u>5,026,023</u>	<u>2,677,147</u>

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

8.2 These carry mark-up at rates ranging from 5.50% to 12.50% (2020: 5.50%) per annum.

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		124,434	128,027
In deposit accounts	9.1	26,691,267	19,301,295
		<u>26,815,701</u>	<u>19,429,322</u>

9.1 These carry mark-up at rates ranging from 5.50% to 12.40% (2020: 5.50% to 6.50%) per annum.

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		3,050,000	1,000,000
Repurchase agreement lendings (reverse repo)	10.2	13,778,212	9,986,700
Bai Muajjal receivable			
With State Bank of Pakistan	10.3	51,275	51,275
		<u>16,879,487</u>	<u>11,037,975</u>

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>10.1 Particulars of lendings</b>			
In local currency		16,879,487	11,037,975
In foreign currencies		-	-
		<u>16,879,487</u>	<u>11,037,975</u>

10.2 This carries mark-up at rates ranging from 10.10% to 10.75% (2020: 7.15% to 7.30% ) per annum

10.3 This carries mark up coupon 7.94% and having maturity during June 2023.

**10.4 Securities held as collateral against lendings to financial institutions**

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000 .....					
Pakistan	13,778,212	-	13,778,212	9,986,700	-	9,986,700
	<u>13,778,212</u>	<u>-</u>	<u>13,778,212</u>	<u>9,986,700</u>	<u>-</u>	<u>9,986,700</u>

## 11 INVESTMENTS - NET

## 11.1 Investments by types

	2021			2020				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Note 11.4 Available-for-sale securities								
Federal Government securities	78,001,592	-	(873,024)	77,128,568	34,161,061	-	(195,459)	33,965,602
Shares	99,819	(10,523)	2,375,819	2,465,115	99,819	(10,523)	2,780,330	2,869,626
Corporate sukuk	594,575	-	3,412	597,987	518,938	-	7,081	526,019
Term Finance Certificates	2,099,245	-	16,330	2,115,575	2,372,516	-	(8,803)	2,363,713
	80,795,231	(10,523)	1,522,537	82,307,245	37,152,334	(10,523)	2,583,149	39,724,960
<b>Total investments</b>	<b>80,795,231</b>	<b>(10,523)</b>	<b>1,522,537</b>	<b>82,307,245</b>	<b>37,152,334</b>	<b>(10,523)</b>	<b>2,583,149</b>	<b>39,724,960</b>

## 11.2 Investments by segments

	2021			2020				
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
Note Federal Government Securities								
Market Treasury Bills	42,060,692	-	(44,626)	42,016,066	9,606,374	-	(2,760)	9,603,614
Pakistan Investment Bonds	34,764,522	-	(794,722)	33,969,800	23,853,309	-	(189,946)	23,663,363
GOP Ijara sukuk	1,176,378	-	(33,676)	1,142,702	701,378	-	(2,753)	698,625
	78,001,592	-	(873,024)	77,128,568	34,161,061	-	(195,459)	33,965,602
Shares:								
Listed Companies	89,296	-	2,375,819	2,465,115	89,296	-	2,780,330	2,869,626
Unlisted Companies	10,523	(10,523)	-	-	10,523	(10,523)	-	-
	99,819	(10,523)	2,375,819	2,465,115	99,819	(10,523)	2,780,330	2,869,626
Non Government Debt Securities								
Listed	2,693,820	-	19,742	2,713,562	2,891,454	-	(1,722)	2,889,732
<b>Total investments</b>	<b>80,795,231</b>	<b>(10,523)</b>	<b>1,522,537</b>	<b>82,307,245</b>	<b>37,152,334</b>	<b>(10,523)</b>	<b>2,583,149</b>	<b>39,724,960</b>

	2021	2020
	Rupees in '000	
<b>11.2.1 Investments given as collateral</b>		
Market Treasury Bills	33,453,279	6,562,552
Pakistan Investment Bonds	43,392,220	20,139,144
	<u>76,845,499</u>	<u>26,701,696</u>
<b>11.3 Provision for diminution in value of investments</b>	<u>10,523</u>	<u>10,523</u>

**11.4 Quality of Available for Sale Securities**

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2021	2020
	Cost Rupees in '000	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	42,060,692	9,606,374
Pakistan Investment Bonds	34,764,522	23,853,309
Ijarah Sukuks	1,176,378	701,378
	<u>78,001,592</u>	<u>34,161,061</u>

**Shares**

**Listed companies**

Food and personal care products

	2021		2020	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
			89,296	89,296
			<u>89,296</u>	<u>89,296</u>

**Unlisted companies**

Pakistan Mercantile Exchange Limited  
Pakistan Agricultural Storage and  
Services Corporation Limited

Pakistan Mercantile Exchange Limited	10,523	1,436	10,523	1,191
Pakistan Agricultural Storage and Services Corporation Limited	-	1,567,550	-	1,239,025
	<u>10,523</u>	<u>1,568,986</u>	<u>10,523</u>	<u>1,240,216</u>

11.4.1 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.

11.4.2 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.

	2021	2020
	Cost	
	Rupees in '000	
<b>Non Government debt securities</b>		
<b>Listed</b>		
- AAA	500,000	698,141
- AA+, AA, AA-	2,193,820	2,193,313
	<u>2,693,820</u>	<u>2,891,454</u>

12 ADVANCES - NET

	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
Loans, cash credits, running finance, etc.	74,456,385	70,669,573	40,799,600	59,225,005	115,255,985	129,894,578
Advances - gross	74,456,385	70,669,573	40,799,600	59,225,005	115,255,985	129,894,578
Provision for advances:						
- against agriculture advance	-	-	20,392,883	24,205,819	20,392,883	24,205,819
- against staff advances	-	-	40,795	32,489	40,795	32,489
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Advances - net of provision	71,456,385	67,669,573	20,433,678	24,238,308	91,822,307	102,656,270

12.1 Particulars of advances (gross)

In local currency

115,255,985 129,894,578

12.2 Advances include Rs. 40,746.754 million (2020: Rs. 59,183.67 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification

	2021		2020	
	Non performing loans	Provision	Non performing loans	Provision
..... Rupees in '000 .....				
<b>Domestic</b>				
Other assets especially mentioned	10,716,466	-	22,101,594	-
Substandard	8,464,335	1,692,867	8,647,408	1,729,486
Doubtful	5,731,879	2,865,942	11,916,701	5,958,360
Loss	15,834,074	15,834,074	16,517,972	16,517,972
	40,746,754	20,392,883	59,183,675	24,205,818

## 12.3 Particulars of provision against advances

	2021		2020			
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
Opening balance	24,205,818	3,000,000	27,205,818	27,468,251	3,000,000	30,468,251
Charge for the year	14,875,636	-	14,875,636	15,359,077	-	15,359,077
Reversals	(7,687,659)	-	(7,687,659)	(11,805,940)	-	(11,805,940)
	7,187,977	-	7,187,977	3,553,137	-	3,553,137
Amounts written off (Note 12.4)	-	-	-	-	-	-
Amounts charged off (Note 12.6)	(11,000,912)	-	(11,000,912)	(6,815,570)	-	(6,815,570)
Closing balance	20,392,883	3,000,000	23,392,883	24,205,818	3,000,000	27,205,818

## 12.3.1 Particulars of provision against non-performing advances

	2021		2020			
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
In local currency	20,392,883	3,000,000	23,392,883	24,205,818	3,000,000	27,205,818

12.3.2 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 Group has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

12.3.3 In addition to the time based criteria, the Group has further classified loans and advances amounting to Rs. 7,019.92 million (2020: Rs.9,283.98 million) and further de-graded the category of classified loans and advances amounting to Rs. 8,182.97 million (2020: Rs. 11,472.26 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

**12.3.4 Provision against non-performing loans and advances - net**

	2021	2020
	Rupees in '000	
Provision against non-performing loans and advances	7,187,977	3,553,137
Provision against staff advances	8,307	3,353
	<u>7,196,284</u>	<u>3,556,490</u>

Note

12.3

	Note	2021 Rupees in '000	2020
<b>12.4 Particulars of write offs:</b>			
12.4.1 Against provisions		-	-
Directly charged to Profit & Loss account		-	-
		<u>-</u>	<u>-</u>
12.4.2 Write offs of Rupees 500,000 and above	12.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

### 12.5 Details of 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 given at Annexure-I.

### 12.6 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, 2021 amounts to Rs. 44,463.3 million (2020: Rs. 32,862.60 million) with an addition of Rs. 11,001 million (2020: Rs. 6,815.57 million) as charge off loans during the year.

	Note	2021 Rupees in '000	2020
<b>13 FIXED ASSETS</b>			
Capital work-in-progress	13.1	43,888	42,943
Property and equipment	13.2	2,443,368	2,761,865
		<u>2,487,256</u>	<u>2,804,808</u>
<b>13.1 Capital work-in-progress</b>			
Civil works		35,858	35,858
Equipment		-	-
Consultancy charges		6,762	6,762
Others	13.1.1	1,268	323
		<u>43,888</u>	<u>42,943</u>

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

13.2 Property and equipment

Description	Year ended December 31, 2021					December 31, 2021		Rate of Depreciation				
	January 1, 2021	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	5,605	10,742	5,137	5,137	-	217	4,920	10,742	5,822	4,920	4,920	Lease terms for 33 to 99 years
Buildings on freehold land	197,232	716,445	519,213	519,213	-	23,185	491,637	712,054	220,417	491,637	491,637	5%
Buildings on leasehold land	293,788	548,118	254,330	254,330	334	12,730	241,934	548,452	306,518	241,934	241,934	5%
Buildings on leasehold land - ADB	10,103	21,224	11,121	11,121	-	556	10,565	21,224	10,659	10,565	10,565	5%
Furniture and fixtures	242,958	543,154	300,196	300,196	2,556	30,119	272,408	543,325	270,917	272,408	272,408	10% / 20%
Computer, office and other equipment	1,011,069	1,470,597	459,528	459,528	35,800	135,392	359,898	1,505,904	1,146,006	359,898	359,898	20% / 33%
Computer, office and other equipment - ADB	212,287	212,289	2	2	-	-	2	212,289	212,287	2	2	20% / 33%
Vehicles	1,081,346	1,276,560	195,214	195,214	49,102	82,380	138,322	1,241,648	1,103,326	138,322	138,322	20%
Right-of-use assets	387,601	1,298,806	911,205	911,205	226,286	267,448	817,763	1,254,218	436,455	817,763	817,763	10% - 100%
	3,441,989	6,203,854	2,761,865	2,761,865	314,078	552,027	2,443,368	6,155,775	3,712,407	2,443,368	2,443,368	
	(362,157)		(362,157)		(281,609)		(281,609)					

Description	January 1, 2020				Year ended December 31, 2020				December 31, 2020				Annual rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal)	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	5,388	5,354	5,354	-	217	5,137	10,742	5,605	5,137	5,137	5%	
Buildings on freehold land	729,823	177,829	551,994	551,994	(13,378)	19,403	519,213	716,445	197,232	519,213	519,213	Lease terms for 33 to 99 years	
Buildings on leasehold land	548,118	280,402	267,716	267,716	-	13,386	254,330	548,118	293,788	254,330	254,330	5%	
Buildings on leasehold land - ADB	21,224	9,518	11,706	11,706	-	585	11,121	21,224	10,103	11,121	11,121	5%	
Furniture and fixtures	537,285	210,336	326,949	326,949	6,943 (1,074)	33,073 (451)	300,196	543,154	242,958	300,196	300,196	10% / 20%	
Computer, office and other equipment	1,343,100	862,085	481,015	481,015	130,671 (3,174)	152,123 (3,139)	459,528	1,470,597	1,011,069	459,528	459,528	20% / 33%	
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	2	20% / 33%	
Vehicles	1,386,181	1,096,474	289,707	289,707	45,063 (154,684)	119,983 (135,111)	195,214	1,276,560	1,081,346	195,214	195,214	20%	
Right-of-use assets	823,580	198,184	625,396	625,396	475,226	189,417	911,205	1,298,806	387,601	911,205	911,205	10% - 100%	
	5,718,261	3,052,503	2,665,758	2,665,758	657,903 (172,310)	528,187 (138,701)	2,761,865	6,203,854	3,441,989	2,761,865	2,761,865		

	2021	2020
	Rupees in '000	
	58,470	58,767
	3,220	3,220
	341,575	237,446
	212,289	212,289
	883,766	796,734
	1,440,850	1,249,690

13.3 Carrying amount of temporarily idle property

13.4 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 - ADB  
 Vehicles

13.5 The title documents of freehold land having cost of Rs. 1.86 million (2020: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2020: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.

**13.6 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	Year ended December 31, 2021				Useful life		
						January 1, 2021	Net book value	Opening net book value	Additions		Amortisation charge	Closing net book value
..... Rupees in '000 .....						..... Rupees in '000 .....						
NIL												
<b>14 Intangible assets</b>												
Description	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life
Computer software	96,849	77,453	19,396	19,396	40,333	23,912	35,817	137,182	101,365	35,817	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	<u>178,930</u>	<u>159,534</u>	<u>19,396</u>	<u>19,396</u>	<u>40,333</u>	<u>23,912</u>	<u>35,817</u>	<u>219,263</u>	<u>183,446</u>	<u>35,817</u>		

Description	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life
..... Rupees in '000 .....												
Computer software	96,849	45,322	51,527	51,527	-	32,131	19,396	96,849	77,453	19,396	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	<u>178,930</u>	<u>127,403</u>	<u>51,527</u>	<u>51,527</u>	<u>-</u>	<u>32,131</u>	<u>19,396</u>	<u>178,930</u>	<u>159,534</u>	<u>19,396</u>		

14.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 168.386 million (2020: Rs. 82.590 million).

**15 DEFERRED TAX ASSETS - NET**

**Deductible temporary differences on:**

Defined benefit plans  
Tax losses carried forward  
Minimum turnover tax  
Provision against non-performing loans and advances

**Taxable temporary differences on:**

Accelerated tax depreciation and amortization  
Surplus on revaluation of investments

**Deductible temporary differences on:**

Defined benefit plans  
Tax losses carried forward  
Provision against non-performing loans and advances

**Taxable temporary differences on:**

Accelerated tax depreciation and amortization  
Surplus on revaluation of investments

	At January 01, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
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Note ..... Rupees in '000 .....

	628,249	15,561	168,898	812,708
	2,759,984	(2,759,984)	-	-
	-	-	-	-
	11,021,173	2,115,304	-	13,136,477
	14,409,406	(629,119)	168,898	13,949,185

23

	(119,278)	58,541	-	(60,737)
	(904,103)	-	371,215	(532,888)
	(1,023,381)	58,541	371,215	(593,625)

	13,386,025	(570,578)	540,113	13,355,560
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	At January 01, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020
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..... Rupees in '000 .....

	1,654,419	26,739	(1,052,909)	628,249
	2,488,899	271,085	-	2,759,984
	10,231,033	790,140	-	11,021,173
	14,374,351	1,087,964	(1,052,909)	14,409,406

23

	(121,621)	2,343	-	(119,278)
	(1,127,318)	-	223,215	(904,103)
	(1,248,939)	2,343	223,215	(1,023,381)

	13,125,412	1,090,307	(829,694)	13,386,025
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15.1 In terms of the Seventh Schedule to the Income Tax Ordinance, 2001, the claim of provision for advances and off balance sheet items has been restricted to 1% of gross advances. This represents the management's best estimate of the probable benefits expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in these years against losses carried forward and other timing differences relating to prior years.

	Note	2021 Rupees in '000	2020
<b>16 OTHER ASSETS - NET</b>			
Income / mark-up accrued in local currency on :			
- advances - net of provision	16.1	5,416,354	5,133,329
- securities		1,330,560	826,622
- deposits		163,507	73,286
Amount recoverable from Federal Government	16.2	2,691,252	3,050,627
Tax recoverable	16.3	422,652	422,652
Branch adjustment account		1,726,559	1,538,738
Taxation (payments less provision)	16.4	3,780,258	6,281,912
Receivable from defined benefit plans:	39.6.1		
gratuity scheme - SSR 1961		115,744	119,412
gratuity scheme - SR - 2005		479,794	299,944
Non banking assets acquired in satisfaction of claims	16.5.1	427,721	438,665
Receivable form subsidiary company	44	-	-
Due from Islamic Banking		-	-
Stationery and stamps in hand		127,657	141,720
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		53,509	36,418
Security deposits		6,198	6,192
Advances and other prepayments		183,059	189,087
Others		230,786	1,422,813
		<u>17,166,847</u>	<u>19,992,654</u>
Provision held against other assets	16.6	<u>(964,265)</u>	<u>(1,022,306)</u>
Other assets - net of provisions		<u>16,202,582</u>	<u>18,970,348</u>

- 16.1 This does not include Rs. 10,361.093 million (2020: Rs. 15,268.39 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.
- 16.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,087.305 million (2020: Rs. 1,941.83 million), small livestock farmers premium amounting to Rs. 599.202 million (2020: Rs. 1,103.98 million) and animal tagging charges amounting to Rs. 4.75 million (2020: Rs. 4.75 million).
- 16.3 This includes tax recoverable of Rs. 309.359 million (2020: Rs. 297.149 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 17.

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>16.4 Taxation - net</b>			
Opening receivable		6,281,912	6,219,000
Charge during the year	33	(2,932,596)	(369,984)
Advance income tax / withholding tax		430,942	432,896
Closing receivable		<u>3,780,258</u>	<u>6,281,912</u>
<b>16.5 Market value of non-banking assets acquired in satisfaction of claims</b>		<u>825,978</u>	<u>533,759</u>
<b>16.5.1 Non banking assets acquired in satisfaction of claims</b>			
Opening Balance		438,665	146,153
Additions		90	314,004
Disposals		(11,034)	(21,492)
Closing Balance		<u>427,721</u>	<u>438,665</u>
<b>16.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims</b>			
Disposal Proceeds		21,680	59,629
less : Cost		(11,034)	(21,492)
Gain		<u>10,646</u>	<u>38,137</u>
<b>16.6 Provision held against other assets</b>			
Tax recoverable		422,652	422,652
Non banking assets acquired in satisfaction of claims		427,721	438,665
Stock of farm machinery		11,237	11,237
Accrued interest on advances of ex-employees		15,183	16,387
Amount deposited with courts / legal charges recoverable		87,472	133,365
		<u>964,265</u>	<u>1,022,306</u>
<b>16.6.1 Movement in provision held against other assets</b>			
Opening balance		1,022,306	722,525
Charge for the year		38,586	328,591
Reversals		(96,627)	(28,810)
		(58,041)	299,781
Amount written off		-	-
Closing balance		<u>964,265</u>	<u>1,022,306</u>

**17 CONTINGENT ASSETS**

- 17.1 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 Honorable 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 and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for its final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over section 80-D of the Income Tax Ordinance, 1979.
- 17.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order on May 11, 2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (principle plus penalty). On June 03, 2019, payment of impugned tax amounting to Rs.6.6 million (principle plus 10% surcharge) was made, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.
- 17.3 Assistant Commissioner, SRB passed an order on July 11, 2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On June 03, 2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.
- 17.4 Assistant Commissioner, SRB has passed an order on January 24, 2020 for the period of January 2014 to December 2014 which has created a demand of Rs. 54.6 million. On June 03, 2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.

	Note	2021 Rupees in '000	2020
<b>18</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	<u>442,401</u>	<u>402,111</u>
<b>19</b>	<b>BORROWINGS</b>		
	<b>Secured</b>		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	19.2 54,461,536	54,461,536
	Repurchase agreement borrowings	19.3 74,934,577	25,082,414
	Repurchase agreement borrowings - others	19.4 <u>1,910,922</u>	<u>1,619,282</u>
	<b>Total secured</b>	<u>131,307,035</u>	<u>81,163,232</u>
	<b>Unsecured</b>		
	Call borrowings	19.5 <u>1,050,000</u>	<u>-</u>
		<u>132,357,035</u>	<u>81,163,232</u>
<b>19.1</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	<u>132,357,035</u>	<u>81,163,232</u>
19.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable in one bullet payment on December 31, 2025. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
19.3	It carries markup at the rate of 9.91% to 10.21% (2020: 7.11%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 34,500 million (2020: Rs.5,000 million) and Pakistan Investment Bonds amounting to Rs. 42,000 million (2020: Rs.20,000 million). These are repayable by January to March 2022 (2020: January 2021).		
19.4	It carries markup at the rate of 10% (2020: 6.75% to 7%) per annum and is secured against Pakistan Investment Bonds having face value amounting to Rs. 2,000 million (2020: Rs. 1,700 million) . These are repayable by January 2022 (2020: January 2021).		
19.5	It carries markup at the rate of 10% to 10.30% (2020: 6.75% to 7%) per annum. These are repayable by January 2022 (2020: January 2021).		

	2021	2020
	Rupees in '000	
<b>20 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers - local currency</b>		
Current deposits	6,473,368	7,622,606
Saving deposits	4,885,062	5,165,026
Term deposits	29,545,396	33,450,713
Others	41,064	68,998
	40,944,890	46,307,343
<b>Financial Institutions - local currency</b>		
Current deposits	104,110	71,385
Saving deposits	1,446,389	1,822,162
Term deposits	-	-
	1,550,499	1,893,547
	42,495,389	48,200,890
<b>20.1 Composition of deposits</b>		
- Individuals	2,687,637	2,534,597
- Government (Federal and Provincial)	6,160,921	7,977,653
- Public sector entities	8,631,614	11,083,210
- Banking companies	-	-
- Non-Banking Financial Institutions	1,550,501	-
- Private sector	23,464,716	26,605,430
	42,495,389	48,200,890

20.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 10,310.913 million (2020: Rs. 12,132.54 million).

	Note	2021	2020
		Rupees in '000	
<b>21 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency on:			
- borrowings		1,465,844	1,334,763
- deposits and other accounts		803,416	858,421
Accrued expenses		697,294	154,040
Branch adjustment account		-	-
Taxation (provisions less payments)	16.4	-	-
Net liabilities relating to Bangladesh	21.1	190	189
Payable to Ministry of Food Agriculture & Livestock	21.2	168,000	168,000
Provision for:	39.6.1		
- gratuity scheme - SR - 2005		-	-
- pension scheme		9,099,720	8,504,505
- employees' post retirement medical benefits		7,964,423	6,606,148
- employees' compensated absences		2,229,620	2,651,667
- gratuity scheme of the company		303,966	290,550
Payable to subsidiary company	44	-	-
Due to Islamic Banking		496	14,995
Security deposits		33,661	87,186
Deferred income	21.3	10,566	11,122
Lease liability against right-of-use assets		892,799	892,513
Others	21.4	1,176,720	1,778,067
		<u>24,846,715</u>	<u>23,352,166</u>

#### 21.1 Net liabilities relating to Bangladesh

Liabilities		1,924,176	1,894,805
Assets		(1,923,986)	(1,894,616)
	21.1.1	<u>190</u>	<u>189</u>

21.1.1 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.

21.2 This represents Rs.168 million (2020: Rs. 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2021 Rupees in '000	2020
<b>21.3 Deferred income</b>			
Opening balance		11,122	11,708
Additions during the year		-	-
Amortization during the year	29	(556)	(585)
Closing balance		<u>10,566</u>	<u>11,122</u>

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

21.4 This represents 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.

## 22 SHARE CAPITAL

### 22.1 Authorized capital

2021	2020		2021	2020
Number of shares			Rupees in '000	
<u>12,500,000,000</u>	<u>12,500,000,000</u>	Ordinary shares of Rupees 10 each	<u>125,000,000</u>	<u>125,000,000</u>

### 22.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
Number of shares			Rupees in '000	
		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	- fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,829	652,829
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>52,678,433</u>	<u>52,678,433</u>

### 22.3

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	1,256	1,256
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>52,678,433</u>	<u>52,678,433</u>

2021  
2020  
Rupees in '000

**23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**

Surplus / (deficit) on revaluation available-for-sale securities:

Quoted investments	2,375,819	2,780,330
Other securities	(853,282)	(197,181)
Surplus on revaluation of available-for-sale securities	1,522,537	2,583,149
Deferred tax on surplus on revaluation of available-for-sale securities	(532,888)	(904,102)
	989,649	1,679,047

**24 CONTINGENCIES AND COMMITMENTS**

**24.1 Contingent liabilities**

In respect of cases filed against the Bank:

24.1.1	by borrowers; 624 (2020: 529) cases	458,926	1,204,553
24.1.2	by employees; 461 (2020: 417) cases	267,591	616,683

24.2.1 Income Tax Department under section 161/205 of the Income Tax Ordinance (ITO), 2001 levied income tax amounting to Rs. 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), hearing was fixed in this case against which the bank sought adjournment but ATIR heard the case and upheld the decision of the Assessing Officer (AO). AO on the direction of ATIR Order reassessed the earlier demand to Rs. 10.105 million by adding default surcharge. Subsequently, the ATIR decided the case in the favour of the Bank and appeal effects order is pending. However, the department has filed reference application before Islamabad High Court, Islamabad against the Order of ATIR. The Bank has not accounted for the demand as tax payable and no provision has been recognized in these financial statements as the Bank is confident for a favourable outcome.

24.2.2 The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated June 09, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per the decisions of ATIR resulting in net refunds of Rs. 4,640.154 million. However, the Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the ITO, 2001 against the aforementioned ATIR orders dated June 9, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year

2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. The Honouable Islamabad High Court, Islamabad decided the cases for which appeal effects from department are pending except 2007. In Tax Year 2007, the AO issued an order on the basis of High Court directives by creating a demand of Rs. 24.875 million, being aggrieved the Bank filed appeal before CIR-A, who remanded back the issues to AO, appeal effects on the basis of CIR-A Oder are pending. Provision for the cases of income tax, approximately amounting to Rs. 9,917.854 million, has not been recognized in these financial statements as the Bank is confident for a favourable outcome based on the strong ground of appeal and opinion of legal counsel of the Bank.

- 24.2.3 The Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the ITO, 2001 and raised demand of Rs. 1,056.324 million for tax years 2008 and of Rs. 2,250.813 million for Tax Year 2009 respectively aggregating to Rs. 3,307.138 million. The Bank filed appeals before CIR-A who maintained the order. The Bank filed an appeal against the said order before ATIR which has been decided and cases have been remanded back to AO. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable outcome is expected.
- 24.2.4 DCIR passed order under section 161 / 205 of the ITO, 2001 and raised demand of Rs. 208.337 million for tax year 2011. The Bank filed appeal before CIR-A against the orders of DCIR who remanded back the case to AO for verification. The Bank filed appeal before ATIR against the orders of the CIR-A. ATIR decided the case in favour of Bank on the issue of default surcharge. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. Further, the AO on remanded back case, after verification on various issues, reduced the demand to Rs. 14.366 million. Being aggrieved the Bank filed appeal before CIR-A against the order of AO on remanded back case who deleted various issues and also confirmed the action of AO on certain issues. Being aggrieved both the Bank and the department have filed appeal before ATIR against the orders of the CIR-A. ATIR against the appeals of the Bank and Department decided the case in favour of the Bank. Further, on remanded back issues, the AO further created a demand of Rs. 7.527 million. Being aggrieved, the Bank filed appeal before CIR-A who remanded back the case to the department for denovo consideration with the direction that while giving appeal effects, the order of ATIR may be kept in mind. Being aggrieved the Bank as well Tax Department filed the appeals to ATIR against the orders of CIR-A. The ATIR cancelled the impugned order in favour of Bank for which appeal effect is pending with AO. The Bank has not accounted for the demand as tax payable because favourable decision is expected.
- 24.2.5 ACIR passed orders under section 122(5A) and raised demand of Rs. 3,287.662 million for Tax Year 2010, Rs. 2,922.830 million for Tax Year 2011 and Rs. 2,037.114 million for Tax Year 2012. The Bank filed appeal before CIR-A who remanded back the cases to ACIR. The Bank filed appeals with ATIR against the orders of the CIR-A which were decided by the ATIR in favour of the Bank in most of the issues. However, the department has filed reference application before Honorable Islamabad High Court against the issues favouring the Bank. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the ITO, 2001 and raised demand of Rs. 616.611 million for Tax Year 2010, Rs. 844.800 million for Tax Year 2011 and Rs. 321.531 million for Tax Year 2012. Being aggrieved the Bank filed appeals before CIR-A against the Orders of ACIR who in its Order deleted the additions in most of the issues. ACIR on the directions of CIR-A further issued orders u/s 124 / 122(5A) for Tax Year 2010 converting the

earlier demand of Rs. 616.611 million to refund of Rs. 164.934 million, for Tax Year 2011 reducing the tax liability from Rs. 844.800 million to Rs. 619.849 million and for Tax Year 2012 reducing the tax liability from Rs. 321.531 million to Rs. 5.180 million respectively. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR-A. ATIR against the appeal filed by the Department for Tax Year 2011 and 2012 on the issues of substandard loans and reversal of provisions against compensated absences were disposed off by upholding the decision of CIR-A about deletion of the same and also remanded back the similar addition in 2013 to AO with the direction to keep pending of reassessment in accordance to the provisions of Section 124(A) of the ITO, 2001 as the matter is subjudiced before High Court against reference application filed by the Department against the Orders of ATIR which is decided in favour of the Bank.

Further, by disposing off the appeals filed by the Bank in Tax Years 2010, 2011 and 2012 and remanded back the issue of property income and arithmetic error in assessment order to AO for reassessment. On the directions of ATIR, ACIR issued appeal effect orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier refund of Rs. 164.934 million into demand of Rs. 419.221 million, for Tax Year 2011 reducing the tax liability from Rs. 619.849 million to Rs. 181.617 million and for Tax Year 2012 converting the tax liability from Rs. 5.180 million to refund of Rs. 12.319 million respectively. Being aggrieved against the AO orders, the Bank filed an appeal before ATIR after exhausting CIR-A forum who upheld the AO orders. The Bank has not accounted for the demand as tax payable because favourable decision is expected.

24.2.6 ACIR passed order under section 122(5A) of the ITO, 2001 and raised demand of Rs. 4,920.168 million for Tax Year 2013. The Bank filed appeal before CIR-A against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both filed appeals before ATIR against the orders of CIR-A which were decided in favour of the Bank except for Rs. 2,830 million which were remanded back to ACIR. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the ITO, 2001 and raised demand of Rs. 829.428 million. Being aggrieved the Bank filed appeals before CIR-A against the Orders of ACIR who decided the case in most of the issues in favour of the Bank, the appeal effects on the basis of CIR-A is pending. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR-A. The ATIR disposed off both the appeals by remanding back the issues to AO In appeal effect order the AO after adjustment of available refund reduced the demand of Rs. 829.428 million to refund amount of Rs. 8.702 million. Being aggrieved, the Bank filed appeal to ATIR. Accordingly, no provision has been made because the Bank is expecting a favourable decision.

24.2.7 DCIR passed order under section 161 / 205 of the ITO, 2001 and raised demand of Rs. 27.792 million for Tax Year 2009. To avail the Government amnesty, the Bank paid Rs. 19.183 million under protest with waiver of penalty amount of Rs. 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR-A who decided the case in favour of the Bank except remanded back the issue of profit on debt for verification. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad. The AO passed order u/s 124 read with 161 of the ITO, 2001

and raised demand of Rs. 20.435 million on remanded back issue. The Bank has filed appeal before CIR-A. The AO on the directions of CIR-A further issued order u/s 124 / 161 / 205 converted the earlier demand to refund of Rs. 16.752 million by adding tax of Rs. 2.431 million on profit on debt. Being aggrieved the Bank has filed appeal before ATIR against the orders of the CIR-A and the same is pending for hearing. Accordingly, no provision has been made because the Bank is expecting a favourable decision.

- 24.2.8 DCIR passed order under section 161 / 205 of ITO, 2001 and raised demand of Rs. 15.943 million for Tax Year 2012. The Bank filed appeal before CIR-A against the orders of DCIR. CIR-A deleted various issues and confirmed certain issues resulting to reduce the tax demand from Rs. 15.943 million to Rs. 3.892 million. Being aggrieved the Bank has filed appeal before ATIR against the orders of CIR-A. ATIR decided the case in favour of the Bank and cancelled the impugned order for which appeal effects are pending with AO. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.9 DCIR passed order u/s 122(5A) of the ITO, 2001 and raised demand of Rs. 3,059 million for the Tax Year 2014. Further, on a rectification application filed by the Bank, AO passed rectification order by reducing demand to Rs. 1,278 million by adjustment of refund of Rs. 1,776 million and arithmetic error of Rs. 14 million. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A. The case has been remanded back by ATIR to AO for reassessment. Appeal effect order has been received with reduction of earlier demand to Rs. 889 million. CIR-A remanded back the case to AO for reassessment. Being aggrieved the Bank filed appeal before ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.10 ACIR passed order u/s 122(5A) of the ITO, 2001 and raised demand of Rs. 5,549.705 million for the Tax Year 2015. The Bank filed appeal before CIR-A against the orders of ACIR who upheld various issues ordered by ACIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A and the same is pending for hearing. AO on the directions of CIR-A passed an Order u/s 124 / 122(5A) and reduced the demand from Rs. 5,549.705 million to Rs. 4,266.194 million by allowing partial relief. ATIR while disposing off both appeals and remanded back most of the issues to AO for reassessment. Assessment proceedings were completed and AO raised the demand from Rs. 4,266.194 million to Rs. 6,780.479 million. Being aggrieved the Bank filed appeal to CIR-A who remanded back the case to AO by allowing partial relief. Being aggrieved against the CIR-A orders Bank filed an appeal to ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.11 ACIR passed order u/s 122(5A) of ITO, 2001 and raised demand of Rs. 1,511.521 million for the Tax Year 2016. On the directions of ATIR, except property income AO allowed partial relief in his order. In appeal effect order AO converted the demand of Rs. 1,511.521 million into refund of Rs. 416.324 million. Being aggrieved the Bank filed appeal before ATIR after exhausting the CIR-A forum who upheld the orders of ACIR. Other than this order the AO passed two other assessment orders u/s 161 / 205 of the ITO, 2001 and raised demand of Rs. 161.180 million and of Rs. 63.243 million respectively. CIR-A remanded back to the AO of Rs. 63.243 million for issuance of speaking order. After reassessment AO passed the appeal effect order u/s 124/129 by

reducing demand to Rs. 60.377 million. The CIR-A annulled the assessment order of Rs. 161.180 million and appeal effects are pending. However, Bank filed a second appeal against demand of Rs. 60.377 million. Hence, no provision has been made as a favourable decision is expected.

- 24.2.12 AO passed four assessment orders u/s 161 / 205 of the ITO, 2001 for Tax Year 2015 and raised demands of Rs. 26.628 million, Rs. 0.412 million, Rs.9.495 million and Rs.63.469 million respectively against short deduction of withholding tax. Being aggrieved the Bank filed appeal before CIR-A against the orders of AO. CIR-A remanded back to the AO of Rs. 26.628 million for denovo consideration and AO passed the order by reducing demand to Rs. 14.183 million. Being aggrieved the Bank filed an appeal to ATIR. The CIR-A against assessment of Rs. 0.412 million upheld the decision of AO. Being aggrieved the Bank filed an appeal to ATIR. The CIR-A against appeal filed by the Bank annulled the assessment order of Rs. 9.495 million, annulled appeal effects are pending. CIR-A remanded back to the AO of Rs. 63.469 million for issuance of speaking order. After reassessment AO passed the appeal effect order u/s 124/129 by reducing the demand to Rs. 27.155 million. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.13 AO passed orders u/s 161 of the ITO, 2001 and raised demands of Rs. 3.076 million for Tax Year 2014, Rs 0.207 million and Rs. 2.270 million respectively for two cases of Tax Year 2015 against short deduction of withholding taxes under various heads. Being aggrieved the Bank filed appeals before CIR-A who remanded back the case against the orders of AO for re-examination. The AO on the direction of CIR-A issued appeal effects order by adjusting the earlier demand against tax refund of Tax Year 2010. On appeal, CIR-A remand back the case to AO for speaking order. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.14 AO passed order u/s 122(5A) of the ITO, 2001 and raised the demand of Rs. 361.752 million for the Tax Year 2017. However, this order rectified under section 221(1) vide order dated December 27, 2021 and created tax refundable of Rs.679.294 million for the Tax Year 2017. Being aggrieved the Bank filed an appeal to CIR-A against the impugned order. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.15 AO passed orders u/s 122(5A) of the ITO, 2001 and raised the demands of Rs. 983.653 million for the Tax Year 2019, Rs. 4,085.176 million for the Tax Year 2020 and Rs. 6,425.014 million for the Tax Year 2021. Being aggrieved the Bank filed appeals & stay applications before CIR-A against the impugned orders. The Bank has not accounted for the demands as tax payable, as a favorable decision is expected.
- 24.2.16 The cases relating to Federal Excise Duties (FED) / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012 were contested by the Bank at various forums. ATIR vide its orders dated May 07, 2012, January 08, 2013, November 26, 2013 and March 13, 2014 has decided most of the issues involved in favour of the Bank. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 47 of the Sales Tax Act, 1990 and under section 34A of the Federal Excise Act, 2005 against the aforementioned ATIR orders before the Honorable Islamabad High Court, Islamabad for the aforementioned years. No provision for such contingent liabilities amounting to Rs. 825.121 million has been recognized as the Bank is confident for a favourable outcome.

- 24.2.17 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 Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR who remanded back the case to AO for denovo consideration. On remanded back cases by ATIR the AO upheld its initial orders. The Bank filed appeal before CIR-A who upheld the orders of AO. Being aggrieved, the Bank filed appeals before ATIR against the orders of CIR-A. The ATIR in its order cancelled the assessment orders for the period January 2013 to December 2013 and January 2014 to December 2014, appeal effects are pendings. However, 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.
- 24.2.18 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. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A. ATIR has deleted the addition on fixed assets of Rs. 80.998 million on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses of Rs. 25.598 million on which tax amount of Rs. 4.096 million was involved to AO. 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.
- 24.2.19 Commissioner, Punjab Revenue Authority (PRA) passed order relating to Punjab Sales Tax on Services (Withholding Rules, 2015) for the period January 2016 to December 2016 creating a demand of Rs. 10.06 million. The Bank filed appeal before Appellate Tribunal, PRA against the alleged order of Commissioner (PRA). The Appellate Tribunal, PRA has remanded back the case to the AO. The Learned DC(PRA) created demand of Rs.10.06 million. The bank has filed Appeal before Commissioner, PRA. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.20 ATIR, Sindh Revenue Board (SRB) passed an 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 has been deleted. However, SRB has filed reference application before SHC, u/s 151 CPC, 1908. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.21 Assistant Commissioner (AC), SRB has passed an order on January 21, 2020 for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. Bank has filed an appeal before the Commissioner, SRB against the alleged decision of AC (SRB). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.22 AC (SRB) has passed an order on January 24, 2020 for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The Bank has filed an appeal before the

Commissioner, SRB against the alleged decision of AC (SRB). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

24.2.23 DCIR passed an order on June 9, 2020 for the Tax Year 2015/16 creating a demand of Rs. 712 million. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR. ATIR decided the case in favor of the Bank. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

**- Kissan Support Services (Private) Limited**

24.2.24 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 of Rs. 32.10 million. The Company submitted detail reply in June 2015 against the show cause with complete documentary evidences, the case is pending for adjudication. No provision has been made in these accounts as the management is confident that the decision of the case will be decided in the favor of the Company.

24.2.25 The Officer Inland Revenue LTU, Islamabad initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the financial year ended December 31, 2013 i.e. Tax Year 2014 and created a demand of Rs. 1.182 million. The Company filed an appeal before the Commissioner Inland Revenue(Appeals). The Commissioner passed an Order against the Company and maintained the assessment by the Officer In land Revenue. The Company filed an appeal to the Appellate Tribunal Inland Revenue, Islamabad. The Appellate Tribunal Inland Revenue, Islamabad through its order dated April 18, 2017 has accepted CPR of tax withheld and deposited by the Company in the month of July 2013, which was previously rejected by Officer Inland Revenue LTU, and has directed the officer Inland Revenue to re-examine the remaining issue by only treating any amount paid to ZTBL for services other than salary, bonuses, overtime etc. Further, Officer Inland Revenue was also directed to pass final order within maximum of 180 days of this order. No provision has been made in these financial statements as the management is confident that the decision of the case will be decided in favor of the Company.

24.2.26 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 amount is involved in most of the cases, therefore, the liability is not accurately quantifiable (2020: same as mentioned).

	2021	2020
	Rupees in '000	
<b>24.3 Commitments against</b>		
Capital expenditure	154,229	39,411
ERP implementation	5,628	9,671
<b>25 MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	15,561,244	13,503,053
Investments	4,597,748	2,668,590
Securities purchased under resale agreement	900,295	368,583
Call money lendings	366,966	74,148
Balances with banks	1,093,722	1,425,135
Bai Muajjal income	6,183	2,109
	<u>22,526,158</u>	<u>18,041,618</u>

	Note	2021 Rupees in '000	2020
<b>26</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits		2,909,482	4,655,481
Redeemable preference shares - SBP		4,084,615	4,084,615
Securities sold under repurchased agreement		3,122,706	603,775
Call borrowings		14,381	137,532
On lease liability against right-of-use assets		103,679	93,079
Bank commission and other charges		9,337	9,301
		<u>10,244,200</u>	<u>9,583,783</u>
<b>27</b>	<b>FEE &amp; COMMISSION INCOME</b>		
Branch banking customer fees		35,388	30,997
Credit related fees		970,894	945,134
Commission / exchange gain / (loss) on remittances including home remittances		(8,163)	12,950
		<u>998,119</u>	<u>989,081</u>
<b>28</b>	<b>GAIN / (LOSS) ON SECURITIES</b>		
Realised	28.1	15,006	8,601
Unrealised - held for trading		-	-
		<u>15,006</u>	<u>8,601</u>
28.1	Realised gain / (loss) on: Federal Government Securities	<u>15,006</u>	<u>8,601</u>
<b>29</b>	<b>OTHER INCOME</b>		
Rent on property		46,829	57,914
Gain on sale of fixed assets - net		11,076	82,710
Gain on sale of non banking assets - net	16.5.2	10,646	38,137
Deferred income amortization	21.3	556	585
Discount income		27,640	397
Others	29.1	61,705	35,971
		<u>158,452</u>	<u>215,714</u>
29.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		

	Note	2021 Rupees in '000	2020
<b>30 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	30.1	9,160,958	9,509,958
<b>Property expense</b>			
Rent & taxes		16,087	19,557
Insurance		15,489	16,660
Utilities cost		206,301	173,877
Security (including guards)			
Repair and maintenance (including janitorial charges)		88,874	86,975
Depreciation - right of use assets		267,448	189,417
Depreciation	13.2	36,688	33,591
		630,887	520,077
<b>Information technology expenses</b>			
Software maintenance		2,533	5,293
Hardware maintenance		28,258	20,864
Depreciation	13.2	64,240	56,568
Amortisation	14	23,912	32,131
Network charges		67,179	43,120
		186,122	157,976
<b>Other operating expenses</b>			
Directors' fees and allowances		6,969	1,354
Fees and allowances to Shariah Board		4,851	4,842
Legal and professional charges		180,477	166,922
Travelling and conveyance		74,272	76,061
NIFT clearing charges		18,360	15,790
Depreciation	13.2	183,651	248,611
Training and development		6,672	13,706
Postage and courier charges		25,932	23,785
Communication		35,888	36,437
Stationery and printing		58,733	79,124
Marketing, advertisement and publicity		6,072	6,416
Donations		-	-
Auditors Remuneration	30.2	8,060	6,637
Motor vehicle expenses		322,971	304,095
Others		178,024	161,346
		<u>11,088,899</u>	<u>11,333,137</u>

	Note	2021 Rupees in '000	2020
<b>30.1 Total compensation expense</b>			
Salaries		5,585,691	5,368,485
Cash bonus / awards etc.		583,083	995
Charge / (reversal) for defined benefit plans:	39.6.5		
- Pension scheme		1,105,209	1,539,360
- Benevolent scheme - officers / executives		(10,982)	5,627
- Benevolent scheme - clerical / non-clerical		(50,502)	(48,469)
- Gratuity under old staff regulations		(11,643)	(13,704)
- Gratuity scheme - staff regulation 2005		110,490	172,838
- Gratuity scheme of the Company		61,897	67,722
- Employees' compensated absences		(170,990)	218,215
		1,033,479	1,941,589
Contribution to defined contribution plan	39.1.9	36,171	41,938
Rent and house maintenance		521,110	566,183
Utilities		114,114	129,006
Medical	30.1.1	1,138,980	1,300,762
Conveyance		148,330	161,000
Grand Total		9,160,958	9,509,958

30.1.1 This includes post retirement medical benefit amounting to Rs. 891.534 million (2020: Rs. 1,007.564 million).

### 30.2 Auditors' remuneration

	BDO Ebrahim & Co.	Total 2021	Crowe Hussain Chaudhury & Co.	Total 2020
..... Rupees in '000 .....				
Audit fee	2,197	2,197	2,046	2,046
Fee for half year review	431	431	551	551
Other certifications	3,000	3,000	1,594	1,594
Sales tax	852	852	629	629
Out of pocket expenses	1,580	1,580	1,817	1,817
	8,060	8,060	6,637	6,637

	Note	2021 Rupees in '000	2020
<b>31 OTHER CHARGES</b>			
Penalties imposed by SBP		76,359	147,620
<b>32 PROVISIONS AND WRITE-OFFS - NET</b>			
Provisions against loans & advances	12.3.4	7,196,284	3,556,490
Provision / (reversal) against other assets - net	16.6.1	(58,042)	299,781
Bad debts written off directly		-	29,052
Recovery of written off / charged off bad debts		(6,360,566)	(2,555,007)
		777,676	1,330,316
<b>33 TAXATION</b>			
Current	33.1	2,933,674	369,984
Prior year	33.2	(1,078)	-
Deferred		570,578	(1,090,307)
		3,503,174	(720,323)
<b>33.1 Relationship between income tax expense and accounting profit</b>			
Accounting profit / (loss) for the year		1,703,014	(3,064,496)
Tax rate		35%	35%
Tax on accounting income / (loss)		596,055	(1,072,574)
Tax effect of permanent differences			
Penalties imposed by SBP		26,726	51,667
Repair allowance and rent collection allowance allowed against rental income		(3,934)	(5,270)
		22,792	46,397
Tax effect of prior years		(1,078)	-
Others		2,885,405	305,854
Tax charge for the year		3,503,174	(720,323)

	2021	2020
<b>34 LOSS PER SHARE - BASIC AND DILUTED</b>		
Loss after tax for the year - Rupees in '000	(1,800,160)	(2,344,173)
Weighted average number of ordinary shares	5,267,843,241	5,267,843,241
Loss per share - basic and diluted (Rupees)	(0.34)	(0.44)

34.1 There is no dilutive effect on the basic loss per share of the Bank.

	Note	2021 Rupees in '000	2020
<b>35 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	5,026,023	2,677,147
Balances with other banks	9	26,815,701	19,429,322
		31,841,724	22,106,469

	2021	2020
	Number	
<b>36 STAFF STRENGTH</b>		
Permanent	6,140	7,171
Contractual	1,958	1,689
Total staff strength	8,098	8,860

### 37 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 30, 2021 has reaffirmed credit rating of the Bank at AAA (2020: AAA) with rating watch - developing and short-term credit rating of A-1+ (2020: A-1+).

38 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2021 Rupees in '000	2020
Loss before taxation		1,703,014	(3,064,496)
Less: Dividend income		(192,413)	(75,346)
		<u>1,510,601</u>	<u>(3,139,842)</u>
Adjustments:			
Depreciation	13.2	284,579	338,770
Depreciation on right-of-use assets		267,448	189,417
Amortization	14	23,912	32,131
Amortization of deferred income	21.3	(556)	(585)
Markup on lease liability on right-of-use assets		103,679	93,079
Provisions and write-offs	32	7,138,242	3,885,323
Provision for employees post retirement medical benefits	39.6.5	891,534	1,007,563
Charge for defined benefit plans - net	30.1	1,033,479	1,941,589
Gain on securities		(15,006)	(8,601)
Gain on sale of operating fixed assets	29	(11,076)	(82,710)
		<u>9,716,235</u>	<u>7,395,976</u>
		<u>11,226,836</u>	<u>4,256,134</u>

**39 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

39.1 Brief description of each fund is as follows:

**39.1.1 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.

**39.1.2 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.

**39.1.3 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.

**39.1.4 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.

**39.1.5 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.

### 39.1.6 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.

### 39.1.7 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.

### 39.1.8 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.

### 39.1.9 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2,131 (2020: 2,473) 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 2,408 (2020: 2,615) 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. 36.171 million (2020: Rs. 41.938 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. 5,657.89 million (2020: Rs. 5,544.77 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 5,569.89 million (2020: Rs. 5,484.81 million) which is equal to 98.44% (2020: 98.92%) of the total fund size. The fair values of the investments amount to Rs. 5,657.89 million (2020: Rs. 5,544.77 million) at that date. The category wise break up of investment is given below:

	2021	2020
	Rupees in '000	
Term Deposit Receipts	4,298,800	5,133,700
Government securities	1,271,090	351,112
	5,569,890	5,484,812

### 39.2 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.

### 39.3 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.

### 39.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2021. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2021	2020
	..... % .....	
Valuation discount rate - pension & medical scheme under SSR-1961	11.75	9.75
Valuation discount rate - all other schemes	11.75	9.75
Expected rate of increase in salary	9.75	7.75
Expected rate of return on plan assets - pension fund	11.75	9.75
Expected rate of return on plan assets - other funds	11.75	9.75
Expected rate of increase in pension	7.50	5.50
Expected rate of medical inflation - allowances	9.75	9.75
Expected rate of medical inflation - hospitalization	11.75	9.75

### 39.5 Number of employees under the scheme

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

	2021	2020
	....Number....	
- Pension Scheme - funded	5,002	5,052
- Benevolent Scheme (officers) - funded	4,985	5,212
- Benevolent Scheme (staff) - funded	871	939
- Gratuity under old Staff Regulations - SSR 1961	-	5,052
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,408	2,615
- Post Retirement Medical Benefits - unfunded	6,283	6,658
- Employees Compensated Absences - unfunded	4,539	5,088
- Gratuity scheme of the Company	1,602	2,083



2020

Pension	Benevolent scheme		Gratuity		retirement medical	compensated absences	scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Obligations at the beginning of the year	777,066	101,799	-	1,770,295	6,705,945	2,632,132	278,660
Current service cost	44,171	3,909	-	195,808	242,633	40,590	36,544
Interest cost	82,431	10,822	-	186,537	764,931	284,939	31,178
Benefits paid	(88,690)	(11,215)	-	(224,373)	(308,892)	(198,680)	(17,112)
Contribution - employees	(10,425)	(1,772)	-	-	-	-	-
Transferred employees	-	-	-	-	-	-	-
Re-measurement loss / (gain)	11,116	(1,197)	-	(170,303)	(798,469)	(107,314)	(38,720)
Obligations at the end of the year	815,669	102,346	-	1,757,964	6,606,148	2,651,667	290,550

39.6.3 Movement in fair value of plan assets

Pension	Benevolent scheme		Gratuity		retirement medical	compensated absences	scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
	1,188,246	630,492	119,412	2,057,908	-	-	-
Fair value at the beginning of the year	1,162,456	61,014	11,643	195,205	-	-	-
Interest income on plan assets	(109,382)	(12,900)	-	(288,423)	-	-	-
Benefits paid	9,582	1,742	-	176,806	-	-	-
Contributions - employer	9,582	1,742	-	-	-	-	-
Contributions - employees	-	-	-	(15,076)	-	-	-
Transferred from gratuity to pension	-	-	-	-	-	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	(31,846)	(18,892)	(235)	(36,049)	-	-	-
Fair value at the end of the year	1,177,638	663,198	115,744	2,105,447	-	-	-

		2020					
Pension	Benevolent scheme		Gratuity		retirement medical	compensated absences	scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Fair value at the beginning of the year	12,425,840	1,016,585	549,858	116,632	1,876,391	-	-
Interest income on plan assets	1,389,090	110,550	61,428	13,704	209,507	-	-
Benefits paid	(1,465,914)	(88,690)	(11,215)	-	(224,373)	-	-
Contributions - employer	258,323	10,425	1,772	-	196,164	-	-
Contributions - employees	-	10,425	1,772	-	-	-	-
Transferred from gratuity to pension	13,850	-	-	(13,850)	-	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	44,594	128,951	26,877	2,926	219	-	-
Fair value at the end of the year	12,665,783	1,188,246	630,492	119,412	2,057,908	-	-

#### 39.6.4 Movement in payable / (receivable) under defined benefit schemes

		2021					
Pension	Benevolent scheme		Gratuity		Post retirement	Employees compensated	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Opening balance	8,504,505	-	-	(119,412)	(299,944)	6,606,148	290,550
Charge / (reversal) for the year	1,105,209	(10,982)	(50,502)	(11,643)	110,490	891,534	(170,990)
Re-measurement loss / (gain) recognised in OCI during the year	(246,298)	20,564	52,244	235	(113,534)	797,443	-
Contribution to fund / benefits paid	(248,620)	(9,582)	(1,742)	-	(176,806)	(330,702)	(251,057)
Transferred from gratuity to pension	(15,076)	-	-	15,076	-	-	-
Closing balance	9,099,720	-	-	(115,744)	(479,794)	7,964,423	303,966

		2020					
Pension	Benevolent scheme		Gratuity		retirement medical	compensated absences	scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Opening balance	9,296,669	-	-	(116,632)	(106,096)	6,705,945	278,660
Charge / (reversal) for the year	1,539,360	5,627	(48,469)	(13,704)	172,838	1,007,564	218,215
Re-measurement loss / (gain) recognised in OCI during the year	(2,059,351)	4,798	50,241	(2,926)	(170,522)	(798,469)	-
Contribution to fund / benefits paid	(258,323)	(10,425)	(1,772)	-	(196,164)	(308,892)	(198,680)
Transferred from gratuity to pension	(13,850)	-	-	13,850	-	-	-
Closing balance	8,504,505	-	-	(119,412)	(299,944)	6,606,148	290,550





Pension	Benevolent scheme		Gratuity		retirement medical	compensated absences	scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Current liability	21,162,181	776,160	121,680	-	7,964,423	2,229,620	303,967
+1% discount rate	19,434,282	710,583	111,399	-	6,828,755	2,095,488	273,015
-1% discount rate	23,867,552	851,117	133,431	-	9,407,121	2,386,706	340,423
+1% salary increase	21,631,564	-	-	-	8,140,038	2,389,511	342,033
-1% salary increase	20,720,165	-	-	-	7,802,313	2,090,957	271,210
+1% pension increase / medical inflation rate	23,454,942	-	-	-	8,474,349	-	-
-1% pension increase / medical inflation rate	19,742,361	-	-	-	6,166,836	-	-
+10% withdrawal rates	21,164,297	-	-	-	-	-	304,487
-10% withdrawal rates	21,160,065	-	-	-	-	-	303,433
1 year mortality age set back	21,813,940	-	-	-	-	-	303,829
1 year mortality age set forward	21,053,436	-	-	-	-	-	304,103
<b>39.6.7 Sensitivity analysis</b>							
	10.47	9.05	9.05	10.47	7.44	6.45	11.32
	17.33 for SSR-1961						
	5.40 for SR-2005						
<b>39.6.8 Maturity profile</b>							
Weighted average duration of obligation (in years)	10.47	9.05	9.05	10.47	7.44	6.45	11.32
<b>39.6.9 Expected charge / (reversal) for next year</b>	1,391,213	(17,616)	(62,295)	(13,600)	75,737	312,910	66,775
<b>39.6.10 Expected contribution for next year</b>	230,872	10,517	1,912	-	129,734	-	-

## 40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

## 40.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers /
	Chairman	Non-Executives				
2021						
Rupees in '000						
Fees and Allowances etc.	-	3,320	256	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,430	20,765	63,861	77,943
Cash bonus / awards etc.	-	-	165	-	17,785	12,470
Charge for defined benefit plan	-	-	-	-	4,889	6,657
Contribution to defined contribution plan	-	-	-	-	931	833
Rent & house maintenance	-	-	-	10,856	454	1,173
Utilities	-	-	-	469	113	293
Medical	-	-	-	353	102	270
Conveyance	-	-	-	650	634	276
Club Facility	-	-	-	-	-	-
Leave Fare Assistance	-	-	-	4,208	-	-
Total	-	3,320.00	4,851	37,301	88,769	99,915
Number of Persons	-	7	3	1	28	53

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers /
	Chairman	Non-Executives				
2020						
Rupees in '000						
Fees and Allowances etc.	-	-	102	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,740	18,000	74,116	71,701
Cash bonus / awards etc.	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	5,803	6,593
Contribution to defined contribution plan	-	-	-	-	1,147	896
Rent & house maintenance	-	-	-	9,900	717	3,433
Utilities	-	-	-	372	179	858
Medical	-	-	-	535	161	772
Conveyance	-	-	-	591	806	256
Club Facility	-	-	-	2,010	-	-
Leave fare assistance	-	-	-	3,575	-	-
Total	-	-	4,842	34,983	82,929	84,509
Number of Persons	-	-	3	1	25	66



## 41 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.

### 41.1 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).

### 41.2 Valuation technique used and 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.

### 41.3 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:

2021

Carrying value / Notional value	2021			Total
	Level 1	Level 2	Level 3	
..... Rupees in '000 .....				
<b>On balance sheet financial instruments</b>				
<b>Financial assets measured at fair value</b>				
Investments				
- Federal Government Securities	77,128,568	-	77,128,568	- 77,128,568
- Shares	2,465,115	2,465,115	-	- 2,465,115
- Debt securities (TFCs, Sukuk)	2,713,562	2,713,562	-	- 2,713,562
	<u>82,307,245</u>	<u>5,178,677</u>	<u>77,128,568</u>	<u>- 82,307,245</u>

2020

Carrying value / Notional value	2020			Total
	Level 1	Level 2	Level 3	
..... Rupees in '000 .....				
<b>On balance sheet financial instruments</b>				
<b>Financial assets measured at fair value</b>				
Investments				
- Federal Government Securities	33,965,602	-	33,965,602	- 33,965,602
- Shares	2,869,626	2,869,626	-	- 2,869,626
- Debt securities (TFCs, Sukuk)	2,889,732	2,889,732	-	- 2,889,732
	<u>39,724,960</u>	<u>5,759,358</u>	<u>33,965,602</u>	<u>- 39,724,960</u>

## 42 SEGMENT INFORMATION

## 42.1 Segment Details with respect to Business Activities:

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

	2021				Total
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	
..... Rupees in '000 .....					
<b>Profit and Loss</b>					
Net mark-up/return/profit	8,781,336	3,533,500	74,277	(107,155)	12,281,958
Inter segment revenue - net	587,737	(781,686)	-	193,949	-
Non mark-up / return / interest income	1,266,968	15,006	518	81,498	1,363,990
<b>Total Income</b>	<b>10,636,041</b>	<b>2,766,820</b>	<b>74,795</b>	<b>168,292</b>	<b>13,645,948</b>
Segment direct expenses	11,007,193	41,871	61,849	54,345	11,165,258
Inter segment expense allocation	-	-	-	-	-
<b>Total expenses</b>	<b>11,007,193</b>	<b>41,871</b>	<b>61,849</b>	<b>54,345</b>	<b>11,165,258</b>
Provisions	777,676	-	-	-	777,676
<b>Profit before tax</b>	<b>(1,148,828)</b>	<b>2,724,949</b>	<b>12,946</b>	<b>113,947</b>	<b>1,703,014</b>
<b>Statement of Financial Position</b>					
Cash and Bank balances	2,360,075	27,856,545	1,620,081	5,023	31,841,724
Investments	-	79,853,164	1,355,880	1,098,201	82,307,245
Net inter segment lendings	40,157,611	-	-	1,207,102	41,364,713
Lendings to financial institutions	-	16,828,212	51,275	-	16,879,487
Advances - performing	74,456,385	-	-	-	74,456,385
- non-performing (net of provision)	17,365,922	-	-	-	17,365,922
Others	30,262,500	1,477,903	45,698	295,114	32,081,215
<b>Total Assets</b>	<b>164,602,493</b>	<b>126,015,824</b>	<b>3,072,934</b>	<b>2,605,440</b>	<b>296,296,691</b>
Borrowings	54,461,536	76,845,499	1,050,000	-	132,357,035
Subordinated debt	-	-	-	-	-
Deposits and other accounts	41,064,578	-	1,430,811	-	42,495,389
Net inter segment borrowing	1,207,102	39,557,611	500,000	-	41,264,713
Others	24,677,097	147,424	26,103	438,492	25,289,116
<b>Total Liabilities</b>	<b>121,410,313</b>	<b>116,550,534</b>	<b>3,006,914</b>	<b>438,492</b>	<b>241,406,253</b>
Equity	52,968,290	989,649	(27,347)	859,846	54,790,438
<b>Total Equity and Liabilities</b>	<b>174,378,603</b>	<b>117,540,183</b>	<b>2,979,567</b>		<b>294,898,353</b>
<b>Contingencies and Commitments</b>	<b>38,378,831</b>	<b>-</b>	<b>-</b>	<b>33,282</b>	<b>38,412,113</b>

	2020				
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	Total
	..... Rupees in '000 .....				
<b>Profit and Loss</b>					
Net mark-up/return/profit	4,760,663	3,556,552	53,841	86,779	8,457,835
Inter segment revenue - net	1,425,689	(1,219,105)	-	(206,584)	-
Non mark-up / return / interest income	1,159,384	39	304	129,015	1,288,742
<b>Total Income</b>	<b>7,345,736</b>	<b>2,337,486</b>	<b>54,145</b>	<b>9,210</b>	<b>9,746,577</b>
Segment direct expenses	11,323,620	39,398	62,011	55,728	11,480,757
Inter segment expense allocation	-	-	-	-	-
<b>Total expenses</b>	<b>11,323,620</b>	<b>39,398</b>	<b>62,011</b>	<b>55,728</b>	<b>11,480,757</b>
Provisions	1,330,316	-	-	-	1,330,316
<b>Profit/(loss) before tax</b>	<b>(5,308,200)</b>	<b>2,298,088</b>	<b>(7,866)</b>	<b>(46,518)</b>	<b>(3,064,496)</b>
<b>Statement of Financial Position</b>					
Cash and Bank balances	1,687,174	18,981,903	1,428,993	8,399	22,106,469
Investments	-	37,888,113	757,656	1,079,191	39,724,960
Net inter segment lending	600,000	-	-	1,302,483	1,902,483
Lendings to financial institutions	-	10,986,700	51,275	-	11,037,975
Advances - performing	70,669,573	-	-	-	70,669,573
- non-performing (net of provision)	31,986,697	-	-	-	31,986,697
Others	33,667,531	1,084,904	74,832	353,310	35,180,577
<b>Total Assets</b>	<b>138,610,975</b>	<b>68,941,620</b>	<b>2,312,756</b>	<b>2,743,383</b>	<b>212,608,734</b>
Borrowings	54,461,536	26,701,696	-	-	81,163,232
Subordinated debt	-	-	-	-	-
Deposits and other accounts	46,379,283	-	1,821,607	-	48,200,890
Net inter segment borrowing	1,302,483	-	500,000	100,000	1,902,483
Others	23,282,921	20,558	10,593	440,205	23,754,277
<b>Total Liabilities</b>	<b>125,426,223</b>	<b>26,722,254</b>	<b>2,332,200</b>	<b>540,205</b>	<b>155,020,882</b>
Equity	54,905,946	1,679,047	2,164	1,000,695	57,587,852
<b>Total Equity and Liabilities</b>	<b>180,332,169</b>	<b>28,401,301</b>	<b>2,334,364</b>	<b>1,540,900</b>	<b>212,608,734</b>
<b>Contingencies and Commitments</b>	<b>24,004,823</b>	<b>-</b>	<b>-</b>	<b>33,282</b>	<b>24,038,105</b>

#### 42.2 Segment Details with respect to geographical locations

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

#### 43 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

#### 44 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its subsidiary company, employee benefit plans, Agriculture Technology Development Fund and the Group'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 39 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 40 and note 13.6 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	
	2021	2020	2021	2020	2021	2020
<b>Advances</b>						
Opening balance	49,892	26,483	-	-	-	-
Addition	31,175	32,683	-	-	-	-
Repaid	(15,178)	(9,274)	-	-	-	-
Closing balance	65,889	49,892	-	-	-	-
<b>Other assets</b>						
Interest / mark-up accrued	9,099	9,472	-	-	-	-
Receivable at the end of the year	-	-	595,538	419,356	-	-
<b>Deposits and other accounts</b>						
Opening balance	5,927	5,566	9,695,509	13,342,343	205,600	182,383
Received during the year	96,265	83,758	22,770,608	22,428,079	383,884	362,222
Withdrawn during the year	(96,430)	(83,397)	(22,226,413)	(26,074,913)	(369,996)	(339,005)
Closing balance	5,762	5,927	10,239,704	9,695,509	219,488	205,600

	Key management personnel		Defined Benefit Plans		Agricultural Technology	
	2021	2020	2021	2020	2021	2020
<b>Other liabilities</b>						
Interest / mark-up payable	-	-	131,530	102,786	4,305	3,890
Payable at the end of the year	-	-	19,293,763	17,762,320	-	-
<b>Income</b>						
Mark-up / interest earned	1,396	1,433	-	-	-	-
<b>Expense</b>						
Mark-up / interest paid	-	-	606,090	966,330	14,770	20,809
Compensation	94,226	87,383	-	-	-	-
Post retirement benefit	4,889	4,678	-	-	-	-
Contribution to defined benefit plan	931	878	-	-	-	-

#### 44.1 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.

## 45 CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2021	2020
	... Rupees in '000 ...	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	46,641,417	48,708,582
<b>Capital Adequacy Ratio:</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	44,965,422	46,944,995
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	44,965,422	46,944,995
Eligible Tier 2 Capital	2,498,563	3,425,490
Total Eligible Capital (Tier 1 + Tier 2)	47,463,985	50,370,485
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	120,713,094	139,715,446
Market Risk	4,930,225	5,739,250
Operational Risk	20,987,838	20,215,413
Total	146,631,157	165,670,109
Common Equity Tier 1 Capital Adequacy Ratio	30.67%	28.34%
Tier 1 Capital Adequacy Ratio	30.67%	28.34%
Total Capital Adequacy Ratio	32.37%	30.40%

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (net 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, 2021 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% (2020: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2021 is 32.37% (2020: 30.40%) of its risk weighted exposure.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the SBP through its BPRD Circular No. 06 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

**Phase-in arrangement and full implementation of the minimum capital requirements:**

S No.	Ratio	Year ended						
		2013	2014	2015	2016	2017	2018	2019
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	-	-	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

- \*(Consisting of CET1 only)

**2021**                      **2020**  
**... Rupees in '000 ...**

**Leverage Ratio (LR):**

Eligible Tier-1 Capital	44,965,422	46,944,995
Total exposures	331,810,281	237,417,427
Leverage ratio	<u>13.55%</u>	<u>19.77%</u>

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets	19,761,909	21,665,571
Total Net Cash Outflow	2,714,031	2,763,473
Liquidity Coverage Ratio	<u>728%</u>	<u>784%</u>

**Net Stable Funding**

Total Available Stable Funding	143,009,369	153,645,253
Total Required Stable Funding	112,581,390	120,322,430
Net Stable Funding Ratio	<u>127%</u>	<u>128%</u>

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO AND 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>.

## 46 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 Divisional Head. The Bank's systematic and integrated risk management function for each category of risk is as follows:

### 46.1 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 analyzed 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:



#### 46.1.3 Contingencies and Commitments

##### Credit risk by industry sector

	2021	2020
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	38,111,240	23,388,140
Individuals	267,591	616,683
	<u>38,378,831</u>	<u>24,004,823</u>
Credit risk by public / private sector		
Public / Government	37,492,457	22,134,505
Private	886,374	1,870,318
	<u>38,378,831</u>	<u>24,004,823</u>

#### 46.1.4 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 1.5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

#### 46.1.5 Advances - Province/Region-wise Disbursement and Utilization

Province / Region	2021					
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad including Gilgit-Baltistan
Punjab	58,181,554	58,181,554	-	-	-	-
Sindh	6,415,189	-	6,415,189	-	-	-
KPK including FATA	3,071,683	-	-	3,071,683	-	-
Balochistan	248,623	-	-	-	248,623	-
Islamabad	1,244,765	-	-	-	-	-
AJK including Gilgit Baltistan	69,161,814	58,181,554	6,415,189	3,071,683	248,623	1,244,765
Total						

2020

Province / Region	Utilization					AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
	..... Rupees in '000 .....					
Punjab	53,138,221	-	-	-	-	-
Sindh	5,300,394	5,300,394	-	-	-	-
KPK including FATA	2,640,128	-	2,640,128	-	-	-
Balochistan	231,995	-	-	231,995	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	758,909	-	-	-	-	758,909
Total	62,069,647	53,138,221	2,640,128	231,995	-	758,909

#### 46.2 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.

#### 46.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
	..... Rupees in '000 .....					
Cash and balances with treasury banks	5,026,023	-	5,026,023	2,677,147	-	2,677,147
Balances with other banks	26,815,652	-	26,815,652	19,429,322	-	19,429,322
Lendings to financial institutions	16,879,487	-	16,879,487	11,037,975	-	11,037,975
Investments	82,407,245	-	82,407,245	39,724,960	-	39,724,960
Advances	91,822,307	-	91,822,307	102,656,270	-	102,656,270
Fixed assets	2,477,865	-	2,477,865	2,804,808	-	2,804,808
Intangible assets	35,817	-	35,817	19,396	-	19,396
Deferred tax assets	13,230,217	-	13,230,217	13,386,025	-	13,386,025
Other assets	16,146,129	-	16,146,129	18,970,348	-	18,970,348
	254,840,742	-	254,840,742	210,706,251	-	210,706,251

#### 46.2.2 Foreign Exchange Risk

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign exchange operations. Foreign transactions, if any, are undertaken through SBP.

#### 46.2.3 Equity Position Risk

The Bank's exposure towards equity risk is limited as only one security is held under its equity portfolio held under AFS category which is marked to market periodically to reflect associated price risk and further risk is being gauged through stress testing scenario quarterly.

	2021		2020	
	Banking Book	Trading Book	Banking Book	Trading Book
..... Rupees in '000 .....				
Impact of 5% change in equity prices on:				
- Profit and loss account	-	-	-	-
- Other comprehensive income	77,214	-	90,361	-





### 46.3 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 analyzed 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.

### 46.4 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.

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

2021

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
<b>Assets</b>													
Cash and balances with treasury banks													
5,026,023	5,026,023	-	-	-	-	-	-	-	-	-	-	-	-
26,815,652	14,815,652	-	4,000,000	8,000,000	-	-	-	-	-	-	-	-	-
16,879,487	-	10,828,212	6,000,000	-	-	-	-	-	-	-	-	-	-
82,407,245	-	-	2,500,000	10,500,000	9,425,000	8,000,000	13,250,000	3,750,000	244,567	21,000,000	51,275	-	-
91,822,507	2,260,329	2,058,567	1,096,191	3,785,358	3,639,460	3,314,885	13,214,395	8,308,163	27,255,411	7,028,551	7,295,500	3,538,726	2,903,452
2,477,865	-	-	-	244,221	-	14,829	234,205	-	23,213	236,030	137,168	10,954,237	1,937,648
35,817	-	-	-	-	-	580	-	-	13,230,217	-	35,237	362,799	1,223,400
13,230,217	-	-	-	-	-	-	-	-	13,230,217	-	-	-	-
16,146,129	230,813	194,004	108,636	3,888,979	474,319	539,893	1,214,260	681,735	7,969,155	304,961	297,645	109,862	131,867
254,840,742	22,332,817	13,080,783	13,704,827	26,418,558	13,538,779	11,870,187	27,912,860	12,739,898	48,722,563	28,020,817	14,734,662	14,965,624	6,198,367
<b>Liabilities</b>													
Bills payable													
442,401	442,401	-	-	-	-	-	-	-	-	-	-	-	-
132,357,035	-	20,550,000	-	-	33,000,000	24,345,499	-	-	-	-	-	-	-
43,598,565	13,488,586	80,000	528,669	1,144,100	8,002,684	8,585,881	9,473,317	1,637,299	441,878	63,700	72,451	80,000	-
24,512,149	-	-	-	2,136,765	180,587	1,579,781	2,212,577	46,250	1,026,510	2,120,692	2,106,315	4,379,146	8,723,526
200,910,150	13,930,987	20,630,000	528,669	3,280,865	41,183,271	34,511,161	11,685,894	1,683,549	1,468,388	2,184,392	2,178,766	4,459,146	63,185,062
53,930,592	8,401,830	(7,549,217)	13,176,158	23,137,693	(27,644,492)	(22,640,974)	16,226,966	1,056,349	47,254,175	26,436,425	12,555,896	10,506,478	(56,986,695)
Share capital													
52,678,433	52,678,433	-	-	-	-	-	-	-	-	-	-	-	-
6,299,526	6,299,526	-	-	-	-	-	-	-	-	-	-	-	-
(6,037,016)	(6,037,016)	-	-	-	-	-	-	-	-	-	-	-	-
989,649	989,649	-	-	-	-	-	-	-	-	-	-	-	-
53,930,592	53,930,592	-	-	-	-	-	-	-	-	-	-	-	-

2020

Assets	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 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
Cash and balances with treasury banks	2,677,147	2,677,147	-	4,000,000	-	2,500,000	-	-	-	-	-	-	-
Balances with other banks	19,429,284	10,929,284	-	2,900,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	11,037,975	-	6,500,000	-	-	-	-	-	-	-	37,975	-	-
Investments - net	39,824,960	-	330	6,000,000	-	65,540	17,300	7,696,375	321,900	4,353,800	10,804,000	8,845,500	1,720,215
Advances - net	102,656,270	4,515,584	2,211,755	3,299,990	2,472,672	1,962,962	6,321,468	44,950,166	15,126,671	5,574,767	5,422,524	8,220,063	1,627,824
Fixed assets	2,793,596	-	-	207,498	-	3,789	17,448	370,327	-	430,302	286,139	257,913	1,220,180
Intangible assets	19,396	-	-	-	-	-	-	-	1,382	13,919	4,095	-	-
Deferred tax assets - net	13,266,590	-	-	-	-	-	-	-	13,266,590	-	-	-	-
Other assets	18,980,827	661,988	195,928	1,816,837	266,527	190,103	399,856	14,778,015	142,380	119,149	69,631	82,542	130,781
	210,686,045	18,784,003	10,907,683	12,224,655	8,739,199	4,722,394	6,756,072	67,794,883	28,858,923	10,491,937	16,624,364	17,406,018	4,699,000

**Liabilities**

Bills payable	402,111	402,111	-	-	-	-	-	-	-	-	-	-	-
Borrowings	81,163,232	-	26,701,696	-	-	-	-	-	-	-	-	-	54,461,536
Deposits and other accounts	49,185,517	14,846,972	130,354	6,000,000	997,500	4,168,245	2,144,099	2,125,643	14,980,613	150,300	10,500	80,000	-
Other liabilities	23,248,030	-	-	2,903,727	-	976,074	1,961,406	(2,078,343)	764,607	2,267,549	2,237,829	4,644,938	9,570,243
	153,998,890	15,249,083	26,832,050	8,903,727	997,500	5,144,319	4,105,505	47,300	15,745,220	2,417,849	2,248,329	4,724,938	64,031,779

**Net assets**

Share capital	52,678,433												
Reserves	6,299,526												
Unappropriated profit	(3,969,851)												
Surplus on revaluation of assets	1,679,047												
Share deposit money	56,687,155												
	56,687,155	3,534,920	(15,924,367)	(874,377)	7,741,699	(421,925)	2,650,567	67,747,583	13,113,703	8,074,088	14,376,035	12,681,080	(59,332,779)

**47 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 17 APR 2022 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

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, 2021

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			Total	Principal written off	Interest/ markup written-off	Other financial relief	Total (10+11+12)
					Principal	Interest / markup	Others					
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in '000 .....												
1	MUHAMMAD ASHRAF	MUHAMMAD ASHRAF	3540219540081	BUKHSHA	750.000	567.000	-	1,317.000	521.000	-	-	521.000
2	ABDUL MAJEED	ABDUL MAJEED	27885421234	NAZIR AHMED	152.00	-	24.00	176.00	-	1,577.00	-	1,577.00
	RASHEED AHMED	RASHEED AHMED	27056995041	NAZIR AHMED								
	JAMILA AHMED BEGUM	JAMILA AHMED BEGUM	27061995042	W/O RASHEED AHMED								
					902	567	24	1,493	521	1,577	-	2,098

Annexure - II

**ISLAMIC BANKING BUSINESS**

The Bank is operating 5 (2020: 5) Islamic banking branches at the end of the year.

	Note	2021 Rupees in '000	2020
<b>ASSETS</b>			
Cash and balances with treasury banks		153,794	55,759
Balances with other banks		1,466,287	1,373,234
Due from financial institutions	1	51,275	51,275
Investments	2	1,355,880	757,656
Islamic financing and related assets - net		-	-
Fixed assets		7,595	11,459
Intangible assets		-	-
Due from head office	3	-	27,993
Other assets		38,103	35,380
<b>Total Assets</b>		<b>3,072,934</b>	<b>2,312,756</b>
<b>LIABILITIES</b>			
Bills payable		1,572	1,201
Due to financial institutions		1,050,000	-
Deposits and other accounts	4	1,430,811	1,821,607
Due to head office		93,367	-
Subordinated debt		-	-
Other liabilities		24,531	9,392
		2,600,281	1,832,200
<b>NET ASSETS</b>		<b>472,653</b>	<b>480,556</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		(14,049)	2,164
Accumulated loss	5	(13,298)	(21,608)
		<b>472,653</b>	<b>480,556</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		



## Annexure - II

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

Profit / return earned	7	231,933	88,050
Profit / return expensed	8	157,656	34,209
Net Profit / return		74,277	53,841
<b>Other income</b>			
Fee and commission income		480	304
Dividend income		-	-
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		38	-
Other income		-	-
Total other income		518	304
Total income		74,795	54,145
<b>Other expenses</b>			
Operating expenses		61,849	62,011
Workers welfare fund		-	-
Other charges		-	-
Total other expenses		61,849	62,011
Loss before provisions		12,946	(7,866)
Provisions and write offs - net		-	-
Loss before taxation		12,946	(7,866)
Taxation		4,636	1,325
Loss after taxation		8,310	(9,191)

	2021			2020		
	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	51,275	-	51,275
51,275	-	51,275	51,275	-	51,275

**2 Investments**

	2021			2020				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
..... Rupees in '000 .....								
<b>Federal Government securities</b>								
Ijarah sukuk	775,354	-	(17,461)	757,893	550,354	-	550,354	
<b>Non Government Securities</b>								
Listed securities	594,575	-	3,412	597,987	205,138	-	207,302	
<b>Total investments</b>	1,369,929	-	(14,049)	1,355,880	755,492	-	757,656	

3 Due from head office represents inter branch transactions such as depreciation transferred and assets procurement etc.



2021                      2020  
Rupees in '000

#### 4 Deposits

##### Customers - local currency

Current deposits	72,701	116,585
Savings deposits	1,168,788	777,015
Term deposits	-	-
Term deposits receipts	189,310	7,910
Others	12	36,510
	1,430,811	938,020

##### Financial Institutions

Term deposits receipts	-	883,587
	1,430,811	1,821,607

#### 4.1 Composition of deposits

- Individuals	72,712	938,021
- Non-Banking Financial Institutions	1,168,789	883,586
- Govt./Public Sector Entities	189,310	-
	1,430,811	1,821,607

4.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 209.753 million (2020: Rs. 278.7 million).

2021                      2020  
Rupees in '000

#### 5 Islamic Banking Business Unappropriated Profit

Opening Balance	(21,608)	(12,417)
Add: Islamic Banking loss for the period	12,946	(7,866)
Less: Taxation	4,636	1,325
Closing Balance	(13,298)	(21,608)

6 There are no contingencies and commitments related to the islamic business as at reporting date. (2020: Nil)

2021                      2020  
Rupees in '000

#### 7 Profit / return earned of financing, investments and placement

Profit earned on:

Financing		
Investments	82,208	28,153
Placements	149,725	59,897
Total	231,933	88,050

	2021	2020
	Rupees in '000	
<b>8 Profit on deposits and other dues expensed</b>		
Deposits and other accounts	144,282	34200
Due to Financial Institutions		
Commission and other charges	86	9
Call borrowings/ Funds acceptences	13,288	-
	157,656	34,209

## 9 Pool management

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

### 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 and 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 and 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 and 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 special 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 and 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 and 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:

	2021	2020
	Rupees in '000	
Investments	1,355,880	757,656
Due from financial institutions	51,275	51,275
Balances with other banks	1,466,287	1,373,234

### 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.

	2021	2020
	Rupees in '000	
Provisions	-	-

### Mudarib share (in amount and percentage of distributable income)

		2021	2020
	%	Rupees in '000	
Rabbul Mal	87%	149,844	33,127
Mudarib	13%	21,974	7,865
		171,818	40,992

**Amount and percentage of mudarib share transferred to depositors through Hiba**

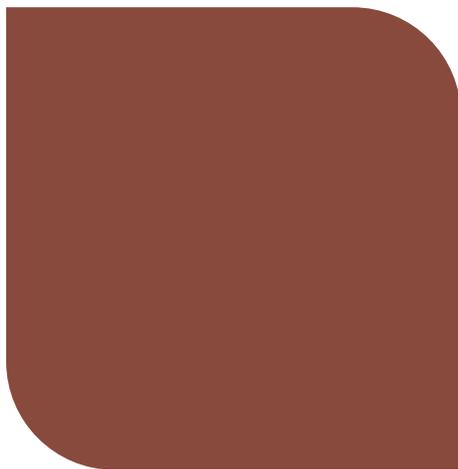
	2021	2020
Mudarib share	21,974	7,865
Hiba	7,109	898
Hiba percentage of mudarib share	32.35%	11.41%

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**

	2021	2020
Profit rate earned	9.18% p.a.	5.96% p.a.
Profit rates distributed to depositors	8.87% p.a.	3.02% p.a.

# Statistical *Annexures*





**SELECTED FINANCIAL AND STATISTICAL INDICATORS**

(RUPEES MILLION)

Sr. No.	DESCRIPTION	2017	2018	2019	2020	2021
<b><u>DURING THE YEAR</u></b>						
1	AGRICULTURAL CREDIT DISBURSED	97,129	76,262	82,649	62,070	69,162
2	LOANS TO SUBSISTENCE FARMERS	71,686	57,979	63,565	50,950	58,806
3	2 AS %AGE OF 1	74%	76%	77%	82%	85%
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	91,154	72,246	78,746	60,019	66,979
5	4 AS %AGE OF 1	94%	95%	95%	97%	97%
6	FINANCING OF TRACTORS					
	- NUMBER	3,897	3,616	1,747	1,084	1,356
	- AMOUNT	3,064	2,803	1,429	938	1,258
7	6 AS %AGE OF 1	3%	4%	2%	2%	2%
8	AGRI. CREDIT RECOVERY	107,579	91,823	99,687	79,216	83,677
9	TOTAL INCOME	16,444	12,290	10,420	9,638	13,547
10	PROFIT/LOSS BEFORE TAXATION	(6,149)	(3,364)	(26,349)	(3,225)	1,783
<b><u>AT THE END OF THE YEAR</u></b>						
1	TOTAL ASSETS	256,341	202,476	199,899	210,686	254,841
2	AGRI. LOAN PORTFOLIO	159,242	160,151	156,847	145,635	127,864
3	NUMBER OF ZONAL OFFICES	32	32	32	31	31
4	NUMBER OF BRANCHES	488	502	502	501	501
5	NUMBER OF MCO's	1,373	1,357	1,257	1,258	1,138
6	NUMBER OF REGULAR EMPLOYEES	5,800	5,601	5,251	5,088	4,541

**LOANS DISBURSED SINCE INCEPTION: AREA-WISE  
UPTO 31.12.2021**

( RUPEES MILLION )

SR. NO	PROVINCE/ AREA	NO.OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	10,216,615	1,241,035.564	79.7
2	SINDH	1,824,845	213,833.596	13.7
3	KHYBER PAKHTUN KHWA	785,919	77,776.823	5.0
4	BALUCHISTAN	118,954	11,760.816	0.8
5	AZAD KASHMIR	157,987	6,260.352	0.4
6	GILGIT/BALTISTAN	68,981	6,808.933	0.4
	<b>TOTAL</b>	<b>13,173,301</b>	<b>1,557,476.084</b>	<b>100.0</b>

**LOANS DISBURSED : AREA-WISE  
DURING 01-01-2021 TO 31-12-2021**

( RUPEES MILLION )

SR. No.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	246,338	58,181.55	84.12
2	SINDH	19,208	6,401.96	9.26
3	KHYBER PAKHTUN KHWA	10,269	3,071.68	4.44
4	BALUCHISTAN	684	261.86	0.38
5	AZAD KASHMIR	1,047	253.86	0.37
6	GILGIT/BALTISTAN	2,471	990.90	1.43
	<b>TOTAL</b>	<b>280,017</b>	<b>69,161.81</b>	<b>100</b>

**TERM-WISE COMPOSITION OF LOANS DISBURSED  
DURING 01-01-2021 TO 31-12-2021**

( RUPEES MILLION )

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	177,552	40,525.38	62,522	15,438.88	6264	2217.290	246,338	58,181.55
2	SINDH	13,009	4,533.93	6,138	1,859.65	61	8.373	19,208	6,401.96
3	KHYBER PAKHTUN KHWA	6,494	2,099.69	3,590	922.85	185	49.145	10,269	3,071.68
4	BALUCHISTAN	589	220.17	41	7.74	54	33.947	684	261.86
5	AZAD KASHMIR	738	165.15	299	82.02	10	6.690	1,047	253.86
6	GILGIT/BALTISTAN	107	40.71	2,350	943.45	14	6.742	2,471	990.90
<b>TOTAL</b>		<b>198,489</b>	<b>47,585.04</b>	<b>74,940</b>	<b>19,254.59</b>	<b>6588</b>	<b>2322.187</b>	<b>280,017</b>	<b>69,161.81</b>

**LOANS DISBURSED: SECURITY - WISE  
DURING 01.01.2021 TO 31.12.2021**

( RUPEES MILLION )

SR. NO.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	261,502	68,412.337	98.9
2	HYPOTHECATION LOANS	12	3.862	0.0
3	PERSONAL SURETY LOANS	66	1.977	0.0
4	OTHER SECURITY	2,877	743.639	1.0
<b>TOTAL</b>		<b>264,457</b>	<b>69,161.815</b>	<b>99.9</b>

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED  
SINCE INCEPTION UPTO 31-12-2021**

*Rs. In Millions*

YEAR	ANNUAL CREDIT DISBURSED	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since Inception upto 31-12-2004	372,939.507	469,303	78,572.926	140,877	14,179.318
2007	55,912.018	10,275	3,478.103	1,218	178.114
2008	70,698.335	16,143	5,741.191	1,941	340.850
2009	77,680.431	24,596	9,994.861	1,917	360.733
2010	69,561.375	13,321	6,269.645	1,839	397.014
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
<b>TOTAL</b>	<b>1,557,476.086</b>	<b>597,036</b>	<b>143,611.284</b>	<b>159,167</b>	<b>18,367.166</b>

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES  
DURING 01-01-2021 TO 31-12-2021**

( RUPEES MILLION )

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<b><u>I. DEVELOPMENT LOANS</u></b>	<b><u>81,528</u></b>	<b><u>21,576.775</u></b>	<b><u>31</u></b>
1 TRACTORS	1,575	1,258.305	2
2 DAIRY FARMING	43,070	10,843.025	16
3 FARM EQUIPMENT	464	21.364	0
4 TUBEWELLS	71	11.184	0
5 LIVESTOCK	11,299	2,069.320	3
6 POULTRY FARMING	3	0.300	0
7 ORCHARDS	79	77.130	0
8 LAND DEVELOPMENT	223	14.556	0
9 FISHERIES	5	0.393	0
10 FARM TRANSPORTATION	1	0.280	0
11 GODOWN/ COLD STORAGE	4,216	977.630	1
12 OTHERS	20,522	6,303.288	9
<b><u>II. PRODUCTION LOANS</u></b>	<b><u>198,489</u></b>	<b><u>47,585.039</u></b>	<b><u>69</u></b>
<b>Total Agri. Credit Disbursement</b>	<b>280,017</b>	<b>69,161.814</b>	<b>100.0</b>

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN  
DURING 01-01-2021 TO 31-12-2021**

SIZE OF LOAN	*NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	524	0.3	11.910	0.02
RS.25001 TO 50000/-	3251	1.6	140.062	0.2
RS.50001 TO 100000/-	17216	8.7	1,435.371	2.1
RS.100001 TO 200000/-	47991	24.2	7,436.903	10.8
RS.200001 TO 500000/-	81412	41.0	26,480.849	38.3
RS.500001 TO 1000000/-	47110	23.7	32,118.178	46.4
OVER 1000000/-	1125	0.6	1,538.542	2.2
<b>TOTAL:-</b>	<b>198629</b>	<b>100.0</b>	<b>69,161.815</b>	<b>100.0</b>

\*Loan Case Wise

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING  
DURING 01-01-2021 TO 31-12-2021**

( RUPEES MILLION )

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	358	0.135	40.760	0.06
B. OWNERS	237939	90	57678.494	83%
UNDER 5.1 HECTARES (UNDER 12.50 ACRES)				
5.1 TO UNDER 6.5 HECTARES ( 12.51 TO UNDER 16.00 ACRES )	11097	4.2	4,523.530	6.5
6.5 TO UNDER 10.1 HECTARES ( 16.01 TO UNDER 25.00 ACRES )	10529	4.0	4,735.838	6.8
10.1 TO UNDER 13 HECTARES ( 25.01 TO UNDER 32.00 ACRES )	2080	0.8	976.678	1.4
13 TO UNDER 20.2 HECTARES ( 32.01 TO UNDER 50.00 ACRES )	1725	0.7	840.596	1.2
20.2 TO UNDER 26 HECTARES ( 50.01. TO UNDER 64.00 ACRES )	354	0.1	181.196	0.3
26 HECTARES & ABOVE ( 64.01 ACRES & ABOVE )	375	0.1	184.722	0.3
<b>TOTAL:-</b>	<b>264457</b>	<b>100</b>	<b>69,161.814</b>	<b>100.0</b>

**RECOVERY POSITION  
DURING 01-01-2021 TO 31-12-2021**

( RUPEES MILLION )

SR. NO.	PROVINCE/ AREA	RECOVERY
1	PUNJAB	70,618.134
2	SINDH	8,633.260
3	KHYBER PAKHTUN KHWA	3,383.022
4	BALUCHISTAN	260.002
5	AZAD KASHMIR	324.839
6	GILGIT/BALTISTAN	458.173
<b>TOTAL</b>		<b>83,677.430</b>

**CUMMULATIVE RECOVERY SINCE INCEPTION  
UPTO 31.12.2021**

( RUPEES MILLION )

SR. NO.	PROVINCE/ AREA	TOTAL RECOVERY
1	PUNJAB	1,318,437.248
2	SINDH	216,097.349
3	KHYBER PAKHTUN KHWA	83,587.282
4	BALUCHISTAN	9,297.281
5	AZAD KASHMIR	6,153.727
6	GILGIT/BALTISTAN	5,970.626
<b>TOTAL</b>		<b>1,639,543.513</b>

**STAFF POSITION  
(REGULAR EMPLOYEES)  
AS ON 31.12.2021**

( NUMBERS )

YEAR	OFFICERS*	M.C.O.'s	STAFF	TOTAL
CY 2011	4145	1277	1644	5,789
CY 2012	4095	1313	1629	5,724
CY 2013	4218	1308	1381	5,599
CY 2014	4581	1271	1196	5,777
CY 2015	4550	1333	1149	5,699
CY 2016	4589	1328	1106	5,695
CY 2017	4871	1373	929	5,800
CY 2018	4787	1357	814	5,601
CY 2019	4473	1257	778	5,251
CY 2020	4371	1258	717	5,088
<b>CY 2021</b>	<b>3909</b>	<b>1138</b>	<b>632</b>	<b>4,541</b>

\* Including MCOs

**NETWORK OF FIELD OFFICES  
AS ON 31.12.2021**

( NUMBERS )

SR. NO.	PROVINCES	ZONAL	BRANCHES
1	PUNJAB	17	294
2	SINDH	6	93
3	KHYBER PAKHTUN KHWA	4	55
4	BALUCHISTAN	2	34
5	AZAD KASHMIR	1	11
6	GILGIT/BALTISTAN	1	11
7	FATA	0	3
	<b>TOTAL</b>	<b>31</b>	<b>501</b>



**ZTBL**