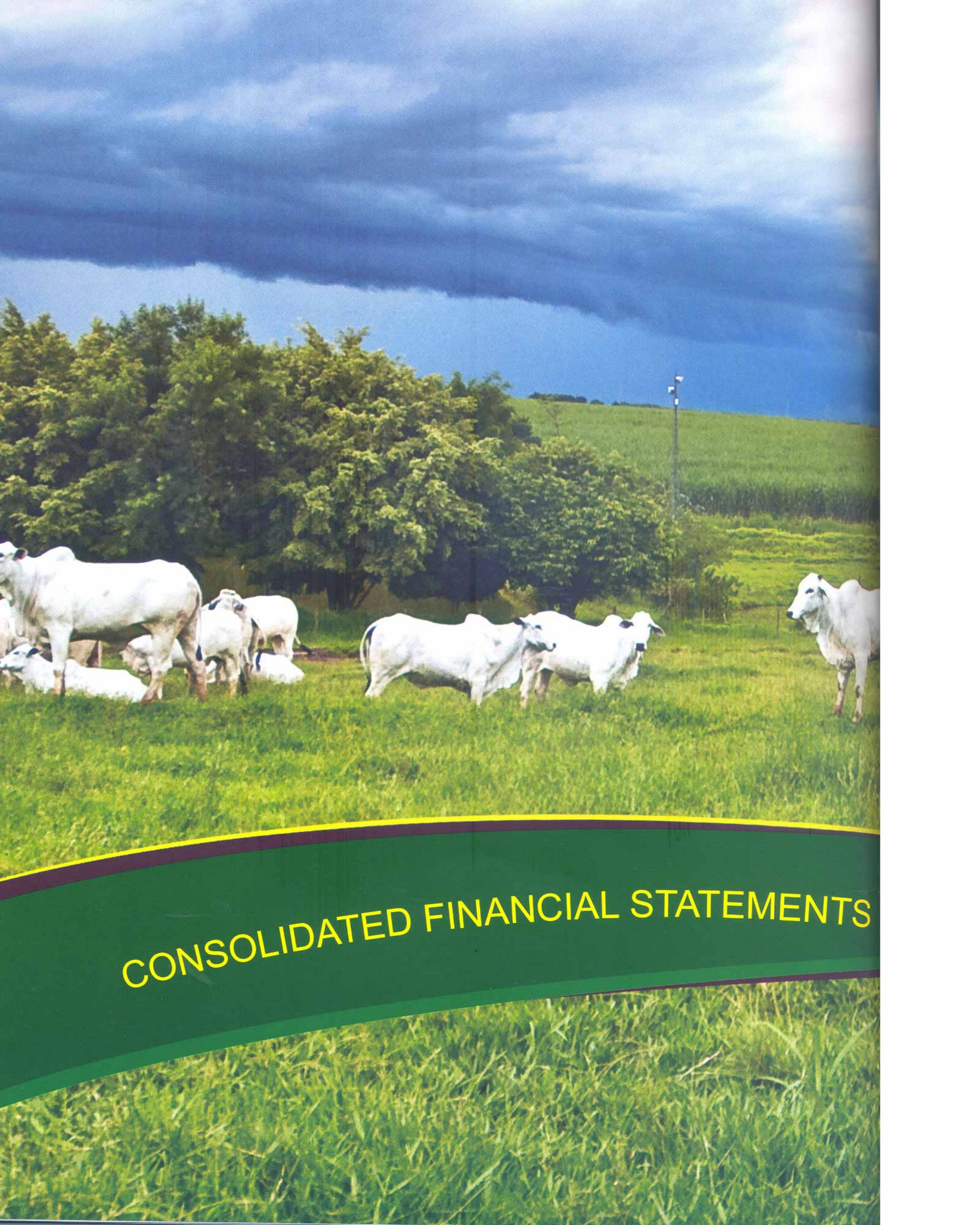




**ANNUAL REPORT** | 2008



Zarai Taraqati Bank Limited **ZTBL**



# CONSOLIDATED FINANCIAL STATEMENTS

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of ZARAI TARAQIATI BANK LIMITED ("the Bank") and its subsidiary company as at December 31, 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. These financial statements include un-audited certified returns from the branches except for one hundred and four branches, which have been audited by us. The financial statements of subsidiary company, Kissan Support Services (Private) Limited, were audited by BDO Ebrahim & Co. Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on that report. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above referred statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above referred statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above referred statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, based on one hundred and four branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of the Zarai Taraqiati Bank Limited and its subsidiary company as at December 31, 2008 and result of their operations, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to the following matters, reported in the auditors' report of the Bank:

1. Prudential Regulation "O-3" for Corporate/Commercial Banking requires clearance of all outstanding entries in inter-branches/offices current accounts within, a period of 30 days from the date of recording of transactions in the aforesaid financial statements. We have, however, noted balances in inter-branches/offices current accounts, reported in note 18 to the financial statements on net basis amounting to Rs.668.141 million-Credit Balance (December 31, 2007: Rs. 531.431-Credit Balance) which includes transactions beyond a period of 30 days.
2. As reported in note 14.3, 22.2.9 and 22.2.10 to the financial statements, the matter of determination of balance due to the State Bank of Pakistan (SBP) which, as worked out by the Bank, in addition to the mark up already recorded by the Bank amounts to Rs. 5,324 million is under consideration of SBP and Ministry of Finance for final decision. Furthermore, installments of debts payable in July 2006, January 2007, July 2007 ,

January 2008 and July 2008 as required by SBP vide their letter dated December 16, 2004 has not been paid. As per management, the matter of restructuring of SBP debt amounting to Rs. 54,461 million and markup of Rs. 16,097 million is under active consideration of Government of Pakistan. Outcome of the decision on this proposal may require appropriate adjustment in the financial statements.

BDO EBRAHIM & CO.  
Chartered Accountants

Islamabad

HYDER BHIMJI & CO.  
Chartered Accountants

Karachi

**ZARAI TARAQIATI BANK LIMITED AND ITS SUBSIDIARY COMPANY**  
**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2008**

	Note	2008	2007
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	1,732,495	2,103,682
Balances with other banks	8	16,005,460	12,054,304
Lendings to financial institutions		-	-
Investments - net	9	4,955,690	7,504,233
Advances - net	10	69,923,497	61,313,006
Operating fixed assets	11	1,144,222	867,435
Other assets - net	12	8,610,449	9,559,816
		102,371,813	93,402,476
<b>LIABILITIES</b>			
Bills payable	13	613,378	392,726
Borrowings	14	51,257,213	51,257,213
Deposits and other accounts	15	5,425,170	4,322,244
Sub-ordinated loans	16	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liability	17	185,557	119,191
Other liabilities	18	24,302,912	19,139,108
		84,988,553	78,434,805
<b>NET ASSETS</b>		<b>17,383,260</b>	<b>14,967,671</b>
<b>REPRESENTED BY</b>			
Share capital	19	12,522,441	11,869,612
Reserves	20	1,086,169	565,911
Unappropriated profit		3,280,202	1,846,632
		16,888,812	14,282,155
Surplus on revaluation of assets - net of tax	21	494,448	685,516
		17,383,260	14,967,671
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT	DIRECTOR	DIRECTOR	DIRECTOR
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**ZARAI TARAQIATI BANK LIMITED AND ITS SUBSIDIARY COMPANY**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Note	2008	2007
Rupees in '000			
Mark-up/return/interest earned	23	8,484,623	7,033,400
Mark-up/return/interest expensed	24	3,489,411	3,418,023
Net mark-up/interest income		4,995,212	3,615,377
Provision against non-performing loans and advances		1,922,988	3,090,206
Provision/(reversal) for diminution in the value of investment	9.3	1,271	(686)
Write offs under Government relief packages		-	567,445
Bad debts written off directly		-	-
		1,924,259	3,656,965
Net mark-up/interest income after provisions		3,070,953	(41,588)
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		4,406	2,338
Dividend income		11,410	2,153
Other income	25	5,772,910	5,723,145
Total non mark-up/interest income		5,788,726	5,727,636
		8,859,679	5,686,048
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	26	4,520,475	3,778,579
Provision against other assets	12.4	337,061	72,149
Provision for stolen fixed assets		2,598	-
Other charges	27	912	5,849
Total non mark-up/interest expenses		4,861,046	3,856,577
		3,998,633	1,829,471
<b>UNUSUAL ITEM</b>	28	-	30,366
<b>PROFIT BEFORE TAXATION</b>		3,998,633	1,799,105
Taxation - Current	29	1,392,695	637,808
- Prior years		12,606	8,285
- Deferred	29	(13,325)	111,561
		1,391,976	757,654
<b>PROFIT AFTER TAXATION</b>		2,606,657	1,041,451
Unappropriated profit brought forward		1,846,632	1,011,744
<b>Profit available for appropriation</b>		4,453,289	2,053,195
<b>Basic earnings per share (Rupees)</b>	30	<b>2.082</b>	<b>0.832</b>
<b>Diluted earnings per share (Rupees)</b>	31	<b>2.082</b>	<b>0.832</b>

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT	DIRECTOR	DIRECTOR	DIRECTOR
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**ZARAI TARAQIATI BANK LIMITED AND ITS SUBSIDIARY COMPANY**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008**

Note	2008	2007
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,998,633	1,799,105
Rental income	(13,489)	(10,446)
Interest income	(13,834)	(10,951)
Dividend income	(11,410)	(2,153)
	3,959,900	1,775,555
Adjustments for non-cash charges:		
Depreciation - tangible	184,434	132,358
Amortization - intangible	18,333	1,847
Amortization of deferred income	(81,579)	(14,769)
Provision against non-performing loans and advances	1,922,988	3,090,206
Provision/(reversal) for diminution in the value of investments	1,271	(686)
Provision for stolen fixed assets	2,598	-
Reversal for employees post retirement benefits	(354,130)	(160,773)
Provision against other assets	337,061	79,167
Fixed assets - written off	682	4,879
Unusual item	-	30,366
Write offs under Government relief packages	-	567,445
Provision for employees' compensated absences	243,528	271,137
Gain on sale of operating fixed assets	(19,428)	(28,241)
	2,255,758	3,972,936
Increase in operating assets:		
Advances-net	(10,533,479)	(4,132,674)
Others assets - net	1,068,603	(495,887)
	(9,464,876)	(4,628,561)
Increase in operating liabilities:		
Bills payable	220,652	116,393
Deposits and other accounts	1,102,926	1,440,766
Other liabilities (excluding current taxation)	4,257,425	4,310,178
	5,581,003	5,867,337
Staff retirement benefit payments	(379,689)	(34,791)
Interest income received	11,928	11,106
Income tax paid	(381,444)	(163,404)
Net cash flow generated from operating activities	1,582,580	6,800,177
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment (held to maturity securities)	2,435,895	(1,646,543)
Rental income received	13,489	10,446
Dividend received	11,410	2,153
Investment in operating fixed assets	(499,983)	(216,154)
Sale proceeds of property and equipment disposed-off	36,578	28,876
Net cash flow generated from/(used in) investing activities	1,997,389	(1,821,221)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
Increase in cash and cash equivalents	3,579,969	4,978,956
Cash and cash equivalents at beginning of the year	14,157,986	9,179,030
Cash and cash equivalents at end of the year	17,737,955	14,157,986

32

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

**ZARAI TARAQIATI BANK LIMITED AND ITS SUBSIDIARY COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008**

	Share capital	Statutory reserve	Revenue Reserve		Total
			Contingencies reserve	Unappropriated profit	
	Rupees in '000				
<b>Balance as at December 31, 2006</b>	11,869,612	299,348	60,000	1,011,744	13,240,704
Profit for the year ended December 31, 2007	-	-	-	1,041,451	1,041,451
Transfer to statutory reserve	-	206,563	-	(206,563)	-
<b>Balance as at December 31, 2007</b>	11,869,612	505,911	60,000	1,846,632	14,282,155
Profit for the year ended December 31, 2008	-	-	-	2,606,657	2,606,657
Transfer to statutory reserve	-	520,258	-	(520,258)	-
Issuance of bonus shares	652,829	-	-	(652,829)	-
<b>Balance as at December 31, 2008</b>	12,522,441	1,026,169	60,000	3,280,202	16,888,812

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

**PRESIDENT**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**



**ZARAI TARAQIATI BANK LIMITED AND ITS SUBSIDIARY COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**1. THE GROUP AND ITS OPERATIONS**

**1.1 Status**

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984 on October 23, 2002. Consequently, under SRO 823 (1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan 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. 8.9 billion. The Bank's principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 342 (December 31, 2007: 342) branches in Pakistan as at close of the year.

The group consist of Zarai Taraqati Bank Limited and subsidiary Kissan Support Services (Private) Limited.

**1.2 Nature of Business**

The main purpose of the Group 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**

The State Bank of Pakistan (SBP) vide Banking Surveillance Department (BSD) Circular No. 4 dated February 17, 2006 has issued 'Revised forms of Annual financial statements'. These consolidated financial statements have been presented in accordance with such revised form.

**2.1 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary with 100 % holding(2007: 100%)

Subsidiary is that enterprise in which parent company directly or indirectly controls, beneficially owns or hold more than 50% of the voting securities or otherwise beneficially owns or hold 50% of its directorship. The financial statements of the subsidiary are included in the consolidated financial statements from the date of control commencement until the control cessation.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investments held by the parent company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

**3 STATEMENT OF COMPLIANCE**

**3.1** These consolidated financial statements have been prepared in accordance with the approved accounting standards applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of directives given in the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 shall prevail.

**3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) through BSD Circular No. 10 dated August 23, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been presented in accordance with the requirements prescribed by the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

**3.3 Standards, amendments and interpretations to published approved accounting standards effective in current year**

During the year ended December 31, 2008, IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction" is effective from the Bank's annual periods beginning on or after January 01, 2008. IFRIC 14 provides guidance on assessing the limit in International Accounting Standard (IAS) 19 "Employee Benefits" on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group has considered the implication of interpretation on the surplus that can be recognized as an asset.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2008 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements.

### 3.4 Standards, amendments and interpretations to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are either not yet effective or relevant to the Bank's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain increased disclosures in certain cases:

		<b>Effective date (accounting periods beginning on or after)</b>
IFRS - 2	Share-based Payments	January 1, 2009
IFRS - 3	Business Combinations	July 1, 2009
IFRS - 5	Non-current Assets Held for Sale and Discontinued Operations	July 1, 2009
IAS - 16	Property, Plant and Equipments	January 1, 2009
IAS - 20	Accounting for Government Grants and Disclosure for Government Assistance	January 1, 2009
IAS - 23	Borrowing Costs	January 1, 2009
IAS - 27	Consolidated and Separate Financial Statements	January 1, 2009
IAS - 29	Financial Reporting in Hyperinflationary Economies	January 1, 2009
IAS - 31	Interests in Joint Ventures	January 1, 2009
IAS - 32	Financial Instruments: Presentation	January 1, 2009
IAS - 41	Agriculture	January 1, 2009
IFRIC - 13	Customer Loyalty Program	July 1, 2008
IFRIC - 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC - 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC - 17	Distributions of Non-cash Assets to Owners	July 1, 2009

## 4 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments (Note 9) and in conformity with the accepted accounting practices of the banking institutions in Pakistan.

These consolidated 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.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires 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 on future events that are believed to be reasonable under these circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

### 5.1 Classification of Investments

As described in Note 6.6 held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while held to maturity are investments where the management has positive intent and ability to hold 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 securities involves management judgment at the time of purchase whether the financial assets are held for trading, held to maturity or available for sale investments.

### 5.2 Provision against advances

The amount of provision is determined in accordance with the relevant SBP prudential regulations and management's judgment.

### 5.3 Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension and salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

### 5.4 Operating fixed assets

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

### 5.5 Depreciation and amortization of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is change in the expected pattern of consumption of the future economic benefits embodied on the assets, the method is changed to reflect the changed pattern. Such change is accounted for as a change in accounting estimate in accordance with the IAS-8, 'Changes in Accounting Estimates and Errors'.

### 5.6 Taxation

In making the estimates for income taxes 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.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are set out below.

### 6.1 Staff retirement benefits

The Group operates the gratuity scheme for its subsidiary company employees and the following staff retirements benefits for its banks employees.

#### Pension scheme

The Group operates defined benefits funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees benefits scheme, introduced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively. The Group's costs are determined on the basis of actuarial valuation carried out by independent actuaries by using 'Projected Unit Credit Method'. Any surplus/deficit arising on actuarial valuation in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets, is recognized as income or expense over the estimated working lives of the employees.

#### Gratuity scheme

The Group operates defined benefits funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the 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. Any surplus/deficit arising on actuarial valuation by independent actuaries in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

#### Provident fund scheme

The Group operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees benefits 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 Group. The Group also operates non-contributory provident fund for its employees who opted for the new employees benefits 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.

#### Benevolent scheme

The Group also has two funded defined benefits 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 Group. The Group is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

## Post retirement medical benefits

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

## 6.2 Employees compensated absences

The Group 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 consolidated 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 Project Unit Credit method.

## 6.3 Cash and cash equivalents

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

## 6.4 Advances

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery while advances are charged off in accordance with the Prudential Regulations issued by the SBP.

## 6.5 Investment

The Group classifies its investment as follows:

### Held-for-Trading

These are securities acquired principally for the purpose of generating profits from short term fluctuations in market price.

### 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 subsidiaries which do not fall under the 'Held-for-Trading' and 'Held to-Maturity' categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity, are valued at fair value. Investments classified as held to maturity are carried at amortised cost. The surplus/deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Investment in un quoted securities are carried at lower of cost and break-up value less impairment loss, if any.

In case of held to maturity securities, the difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

Gains or losses on disposals of investments are dealt with through profit and loss account in the year in which they arise.

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

## 6.6 Operating fixed assets and depreciation/amortization

Property and equipment except free hold land are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses, if any. Free hold land is stated at cost.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11. Depreciation is charged on reducing balance method except for vehicles, computer equipment and lease hold 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 balance sheet 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 profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognised 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.

## **6.7 Intangible Assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised for the proportionate period for which the asset remains in use, using the straight line method, whereby the costs of the intangible assets are amortised over its useful life over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

## **6.8 Impairment**

The carrying value of assets are reviewed at each balance sheet 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, 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 except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## **6.9 Taxation**

### **Current**

Provision for current taxation is based on taxable income at the current rate after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments where 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 balance sheet 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.

## **6.10 Borrowings / Deposits and their costs**

Borrowings / deposits are recorded at the proceeds received.

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

## **6.11 Revenue recognition**

Markup/interest on advances and returns on investments are recognized on an accrual basis except markup/interest on classified advances which is recognized on a receipt basis, in accordance with the prudential regulations issued by the SBP.

Commission income is recognized when earned.

Profit/(loss) on sale of investments is credited/charged to profit and loss account currently.

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

Rental income is accounted for on accrual basis.

## 6.12 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 balance sheet date and are adjusted to reflect current best estimate.

## 6.13 Foreign currencies

Transaction in foreign currencies are translated to Rupee at the foreign currency rate prevailing on the transaction date.

## 6.14 Financial assets and financial liabilities

All the financial assets and liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

## 6.15 Offsetting

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

## 6.16 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 CASH AND BALANCES WITH TREASURY BANKS

	Note	2008 Rupees '000	2007 Rupees '000
<b>Local Currency</b>			
In hand		517,907	344,497
Prize bonds		616	609
In current accounts with:			
State Bank of Pakistan	7.1	1,213,970	1,758,574
National Bank of Pakistan		2	2
		<u>1,732,495</u>	<u>2,103,682</u>

7.1 It represents cash reserves at the rate of 5% of the bank's demand liabilities and deposits maturity upto one year in Pakistan, at nil return. Cash reserve is required to be maintained with State Bank of Pakistan under section 22 of Banking Companies Ordinance, 1962 and Banking Surveillance Department Circular No. 25 dated October 17, 2008.

## 8 BALANCES WITH OTHER BANKS

In Pakistan in local currency:			
In current accounts		36,826	18,475
In deposit accounts	8.1	<u>15,968,634</u>	<u>12,035,829</u>
		<u>16,005,460</u>	<u>12,054,304</u>

8.1 These carry mark-up ranging from 5.00% to 21.5% per annum (2007: 2.00% to 11.5% per annum)

9 INVESTMENTS - NET

9.1 Investment by types

	Note	2008			2007		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000							
<b>Available-for-Sale securities</b>							
Listed companies	9.5	90,294	-	90,294	90,294	-	90,294
Un-listed companies	9.6.4	10,523	-	10,523	10,523	-	10,523
		100,817	-	100,817	100,817	-	100,817
<b>Held-to-Maturity securities</b>							
Market Treasury Bills	9.4	3,244,454	-	3,244,454	2,883,166	-	2,883,166
Pakistan Investment Bonds	9.4	1,044,645	2,743	1,047,388	1,084,507	-	1,084,507
Federal Investment Bonds	9.4	-	-	-	708,743	2,492	711,235
Certificates of Investment		-	-	-	2,048,829	-	2,048,829
		4,289,099	2,743	4,291,842	6,725,245	2,492	6,727,737
<b>Total investments</b>		4,389,916	2,743	4,392,659	6,826,062	2,492	6,828,554
Provision for diminution in value of investments	9.3	(11,108)	-	(11,108)	(9,837)	-	(9,837)
<b>Investments (Net of provisions)</b>		4,378,808	2,743	4,381,551	6,816,225	2,492	6,818,717
Surplus on revaluation of Available-for-Sale securities	21	574,139	-	574,139	685,516	-	685,516
<b>Total investments at revalued amount - net of provision</b>		4,952,947	2,743	4,955,690	7,501,741	2,492	7,504,233

9.2 Investment by segments

**Federal government securities**

	Note	2008	2007
Rupees in '000			
Market Treasury Bills	9.4	3,244,454	2,883,166
Pakistan Investment Bonds	9.4	1,047,388	1,084,507
Federal Investment Bonds		-	711,235
		4,291,842	4,678,908

**Fully paid up ordinary shares:**

Listed companies	9.5	90,294	90,294
Un-listed companies	9.6	10,523	10,523
		100,817	100,817

Certificates of investment

		-	2,048,829
<b>Total investment at cost</b>		4,392,659	6,828,554
Provision for diminution in value of investments	9.3	(11,108)	(9,837)

**Investments (net of provisions)**

Surplus on revaluation of available-for-sale securities	21	574,139	685,516
<b>Total investments at market value</b>		4,955,690	7,504,233

9.3 Particulars of provision

Opening balance		9,837	10,523
Charge for the year		1,271	-
Reversals		-	(686)
Closing balance		11,108	9,837

9.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities-(listed securities)		585	-
Available-for-sale securities-(un-listed securities)		10,523	9,837

9.4 Principal terms of investments in federal government securities

Name of investment	Maturity	Note	Principal payment	Rate %	Coupon payment
Market Treasury Bills	February 2009 to March 2009	9.4.1	On maturity	10.1 to 13.6	at maturity
Pakistan Investment Bonds	August 2011 to December 2011	9.4.2	On maturity	12 to 13	semi-annually

9.4.1 Market treasury bills and Pakistan Investment Bonds are held by the Group which also covers statutory liquid reserve requirements calculated on the basis of domestic demand and time liabilities.

9.4.2 Pakistan Investment Bonds having amortised cost of Rs. 2.743 million (December 31, 2007: Federal Investment Bonds having amortised cost of Rs. 2.492 million) are pledged/lodged with SBP as security for Telegraphic Transfer/Demand Draft discounting facility obtained for branches.

9.5 Particulars of investments held in listed companies

No. of ordinary shares		Paid up value/share Rupees	Name of companies	2008	2007
2008	2007			Rupees in '000	
430,551	430,551	10	Nestle Milkpak Limited	89,297	89,297
450,000	450,000	10	Uqab Breeding Farm Limited	585	585
150,000	150,000	10	Mubarik Dairies Limited	412	412
300,000	300,000	10	Dadabhoy Agricultural Leasing Limited 9.5.1	-	-
				<u>90,294</u>	<u>90,294</u>

9.5.1 Dadabhoy Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rs. 2.50 against its face value of Rs. 10 per share.

9.5.2 Uqab Breeding Farm Limited is under suspension since April 9, 2007. At the date of suspension, its market value per share was nil against its face value of Rs. 10 per share.

9.5.3 Market value of listed investment is Rs. 574.740 million.

9.6 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value	Based on audited financial statements as at	Name of chief executive/ managing director
Rupees in '000					
National Commodity Exchange Limited	9.09%	909,091	(1,416)*	June 30, 2008	Mr. Assim Jang
Saudi Pak Kala Bagh Livestock Limited-net 9.6.1	33.33%	1,000,000	-	-	Mr. M. Asad Khan
Pakistan Agricultural Storage and Services Corporation Limited-net	8.33%	2,500	89,108	March 31, 2008	Maj.Gen.(R) F.A.Khan
Larkana Sugar Mills Limited-net 9.6.2	6.36%	141,970	-	-	Mr. Anwar Majeed

9.6.1 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan and the case has been referred to National Accountability Bureau.

9.6.2 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

9.6.3 Investment in Saudi Pak Kalabagh Livestock Limited and Larkana Sugar Mills Limited are stated at book value due to non-availability of required information for the calculation of breakup value. Moreover, these investments are fully provided for in these consolidated financial statements.

9.6.4 Carrying value of un-listed investments is Rs. 10.523 million and face value of investment in un-listed securities is Rs. 37.220 million.

9.8 Quality of Available-for-Sale securities

	2008		2007	
	Amount Rupees in '000	Credit Rating	Amount Rupees in '000	Credit Rating
Nestle Milk Pak Limited	89,297	Unrated	89,297	Unrated
Uqab Breeding Farm Limited	585	Unrated	585	Unrated
Mubarik Dairies Limited	412	Unrated	412	Unrated
National Commodity Exchange Limited	10,523	Unrated	10,523	Unrated
	<u>100,817</u>		<u>100,817</u>	



10	ADVANCES - NET	Note	2008	2007
			Rupees in '000	
	Loans, cash credits, running finances, etc. In Pakistan - gross	10.1	77,770,248	70,540,426
	Less:			
	Provision for non-performing advances	10.2	(7,806,237)	(9,221,928)
	Provision for advances to employees		(40,514)	(5,492)
	Advances-net of provision		69,923,497	61,313,006

#### 10.1 Particulars of advances (Gross)

10.1.1	In local currency		77,770,248	70,540,426
10.1.2	Short term		57,405,793	52,069,129
	Long term		20,364,455	18,471,297
			77,770,248	70,540,426

10.2 Advances include Rs. 12,985.615 million (December 31, 2007: Rs. 16,708.288 million) which have been placed under non-performing status as detailed below:

Category of classification	2008			2007		
	Rupees in '000			Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other Assets Especially Mentioned	6,039,362	-	-	5,253,843	-	-
Substandard	1,666,295	333,255	333,255	4,718,271	943,653	943,653
Doubtful	1,613,945	806,969	806,969	2,915,788	1,457,889	1,457,889
Loss	3,666,013	3,666,013	3,666,013	3,820,386	3,820,386	3,820,386
	12,985,615	4,806,237	4,806,237	16,708,288	6,221,928	6,221,928
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	12,985,615	4,806,237	7,806,237	16,708,288	6,221,928	9,221,928

#### 10.3 Particulars of provision against non-performing advances

Note	2008			2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	6,221,928	3,000,000	9,221,928	6,772,751	3,000,000	9,772,751
Net charge for the year	1,887,966	-	1,887,966	3,088,843	-	3,088,843
Amounts written off	10.4	-	-	-	-	-
Amounts charge off	10.5	(3,303,657)	(3,303,657)	(3,639,666)	-	(3,639,666)
Closing balance	4,806,237	3,000,000	7,806,237	6,221,928	3,000,000	9,221,928

#### 10.3.1 Particulars of provision against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	4,806,237	3,000,000	7,806,237	6,221,928	3,000,000	9,221,928

#### 10.4 Particulars of write offs

	Note	2008	2007
		Rupees in '000	
10.4.1	Against provisions	-	-
	Write offs of Rs 500,000 and above	-	-
	Write offs of below Rs 500,000	-	-

#### 10.5 Particulars of Charge Offs

	Note	2008	2007
		Rupees in '000	
10.5.1	Against provisions	3,303,657	3,639,666
10.5.2	Charge offs of Rs 500,000 and above	-	-
	Charge offs of below Rs 500,000	3,303,657	3,639,666
		3,303,657	3,639,666

**10.6 Details of write offs of Rs 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 have to be disclosed. However, this write off does not effect the Group's right to recover debts from these customers. During the year ended December 31, 2008 no write-off or any other financial relief was allowed to any person(s).

**10.7 Particulars of charge off**

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2008 was Rs 36,304 million (Rs. 36,570 million as at December 31, 2007) with an addition of Rs. 3,304 million (Rs. 3,640 million for the year ended December 31, 2007) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand in respect of general loan and project loan are given at Annexure-I and II respectively.

**10.8 Particulars of loans and advances****To directors, executives and officers**

Debts due by the directors, executives and officers of the Group or any of them either severally or jointly with other person.

	2008	2007
	Rupees in '000	
Balance at the beginning of year	2,001,079	1,615,129
Loans granted during the year	735,501	865,002
	<u>2,736,580</u>	<u>2,480,131</u>
Repayments	(721,138)	(479,052)
Balance at the end of year	<u>2,015,442</u>	<u>2,001,079</u>

**To associated companies**

Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members

	Note	2008	2007
		Rupees in '000	
Balance at the beginning of year		-	-
Repayments/write offs		-	-
Balance at the end of year		<u>-</u>	<u>-</u>

**11 OPERATING FIXED ASSETS**

Property and equipment	11.1	1,084,901	865,538
Intangible assets	11.2	59,321	1,898
		<u>1,144,222</u>	<u>867,435</u>

11.1 Property and equipment

Particulars	C O S T				D E P R E C I A T I O N				Book value at December 31, 2008	Rate of Depreciation		
	At January 1, 2008	Additions	(Deletions)/ adjustments	Provision for stolen asset	At December 31, 2008	Charge for the year	(Deletions)/ adjustments	Provision for stolen asset			At December 31, 2008	
Free hold land	170,961	-	-	-	170,961	-	-	-	-	170,961	Lease terms for 33 to 99 years	
Lease hold land	10,640	-	-	-	10,640	1,990	398	-	2,388	8,252	5%	
Building on free hold land	137,907	-	-	-	137,907	31,298	5,330	-	36,628	101,279	5%	
Building on leasehold land	306,359	8,698	-	-	315,057	78,580	11,885	-	90,465	224,592	5%	
Building on leasehold land - ADB	-	21,224	-	-	21,224	-	644	-	644	20,580	5%	
Furniture and fixtures	26,948	29,871	(4,098)	-	52,721	12,467	4,727	(2,422)	14,772	37,949	10%/20%	
Computer, office and other equipments	140,286	48,949	(73,447) *	-	115,788	71,694	28,975	(59,503) *	41,166	74,622	20/33.33%	
Computer, office and other equipments - ADB	-	135,029	35,482 *	-	170,511	-	38,424	20,925 *	59,349	111,162	20/33.33%	
Vehicles	467,871	180,456	(68,068)	(3,212) **	577,047	199,405	94,051	(51,298)	241,543	335,504	20%	
<b>2008</b>	<b>1,260,972</b>	<b>424,227</b>	<b>(110,131)</b>	<b>(3,212)</b>	<b>1,571,856</b>	<b>395,435</b>	<b>184,434</b>	<b>(92,298)</b>	<b>486,955</b>	<b>1,084,901</b>		
* It includes asset costing Rs. 35,482 million and depreciation amounting Rs. 20,925 million transferred from Computer, office and other equipments to Computer, office and other equipments - ADB												
** This represents the cost and depreciation of the stolen vehicles.												
	Rupees in '000											
Free hold land	170,961	-	-	-	170,961	-	-	-	-	-	170,961	Lease terms for 33 to 99 years
Lease hold land	10,640	-	-	-	10,640	1,592	398	-	1,990	8,650	5%	
Building on free hold land	137,886	21	-	-	137,907	25,825	5,473	-	31,298	106,609	5%	
Building on leasehold land	304,400	1,959	-	-	306,359	67,241	11,339	-	78,580	227,779	5%	
Furniture and fixtures	30,534	12,058	(15,644)	-	26,948	10,665	3,286	(1,484)	12,467	14,481	10%/20%	
Computer, office and other equipments	96,608	52,447	(8,769)	-	140,286	49,791	29,309	(7,406)	71,694	68,592	20/33.33%	
Vehicles	377,072	150,170	(59,371)	-	467,871	157,717	82,552	(40,864)	199,405	268,466	20%	
<b>2007</b>	<b>1,128,101</b>	<b>216,655</b>	<b>(83,784)</b>	<b>-</b>	<b>1,260,972</b>	<b>312,831</b>	<b>132,358</b>	<b>(49,754)</b>	<b>395,435</b>	<b>865,538</b>		

11.1.1 Reconciliation of carrying value of the property and equipment

Particulars	Book value at January 1, 2008	C O S T		Provision for stolen asset	Charge for the year	D E P R E C I A T I O N		Book value at December 31, 2008	Rate of Depreciation
		Additions	(Deletions)/ adjustments			(Deletions)/ adjustments	Provision for stolen asset		
Free hold land	170,961	-	-	-	-	-	-	170,961	-
Lease hold land	8,650	-	-	-	(398)	-	-	8,252	Lease terms for 33 to 99 years
Building on free hold land	106,609	-	-	-	(5,330)	-	-	101,279	5%
Building on leasehold land	227,779	8,698	-	-	(11,885)	-	-	224,592	5%
Building on leasehold land - ADB	-	21,224	-	-	(644)	-	-	20,580	5%
Furniture and fixtures	14,481	29,871	(4,098)	-	(4,727)	2,422	-	37,949	10%/20%
Computer, office and other equipments	68,592	48,949	(73,447)	-	(28,975)	59,503	-	74,622	20/33.33%
Computer, office and other equipments - ADB	-	135,029	35,482	-	(38,424)	(20,925)	-	111,162	20/33.33%
Vehicles	268,466	180,456	(68,068)	(3,212)	(94,051)	51,298	615	335,504	20%
	<u>865,538</u>	<u>424,227</u>	<u>(110,131)</u>	<u>(3,212)</u>	<u>(184,434)</u>	<u>92,298</u>	<u>615</u>	<u>1,084,901</u>	

11.2 Intangible assets

Particulars	C O S T		At January 1, 2008	Charge for the year	At January 1, 2008	At December 31, 2008	Book value at December 31, 2008	Rate of Amortization
	Additions	adjustments						
Computer software	5,543	649	5,393	213	3,645	241	558	33.33%
Computer software - ADB	-	75,107	5,393	18,120	-	21,737	58,763	33.33%
<b>2008</b>	<u>5,543</u>	<u>75,756</u>	<u>-</u>	<u>18,333</u>	<u>3,645</u>	<u>21,978</u>	<u>59,321</u>	
					Rupees in '000			
Computer software	5,393	150	-	1,847	1,798	3,645	1,898	33.33%
<b>2007</b>	<u>5,393</u>	<u>150</u>	<u>-</u>	<u>1,847</u>	<u>1,798</u>	<u>3,645</u>	<u>1,898</u>	

11.3 During the year ended December 31, 2008, no asset has been disposed off whose original cost or the book value exceeded one million and two hundred fifty thousand rupees respectively, whichever is lower.

11.4 The information relating to the disposal of asset to the related parties is disclosed as under;

List of vehicles disposed off to the related parties during the year

Sr. No.	Particular of Assets	Purchase price	Accumulated depreciation	Book Value	Sale Proceed	Gain/(loss) on sale	Particulars of Purchaser
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**Mode of disposal - Car Loan Depreciation Policy (CLDP)**

1	TLC-5 DOOR	951,107	951,106	1	1	-	Mansoor Khan, Ex-President
2	Nissan Sunny	120,000	119,999	1	101,900	101,899	Muhammad Sarwar, Ex-SVP
3	Suzuki Cultus	615,000	278,351	336,649	336,649	-	Sajid H. Shah Jilani, SVP
4	Suzuki Cultus	555,000	243,592	311,408	311,408	-	Abdul Waheed Memon, VP
5	Suzuki Cultus	615,000	285,090	329,910	329,910	-	Muhammd Munsha, SVP
6	Suzuki Cultus	555,000	243,896	311,104	311,104	-	Shafqat Ahmed, VP
7	Suzuki Cultus	585,000	103,216	481,784	481,784	-	Shah Nawaz, VP
8	Suzuki Cultus	555,000	194,630	360,370	360,370	-	Sheikh M. Zafarullah, VP
9	Suzuki Cultus	555,000	179,425	375,575	375,575	-	Syeda Tasneem, VP
10	Toyota Altas	929,000	252,484	676,516	676,516	-	Basharat A. Malik, SEVP
11	Suzuki Liana	794,000	281,925	512,075	512,075	-	Col @ Javaid Zahoor, MD KSSL
12	Suzuki Cultus	555,000	173,038	381,962	381,962	-	Arshad Mehmood, VP
13	Suzuki Cultus	555,000	180,641	374,359	374,359	-	Nek Muhammad Javed, SVP
14	Suzuki Cultus	555,000	228,995	326,005	326,005	-	Jaffar Hussain Zuberi, VP

**Mode of disposal - Written off**

1	Suzuki Cultus	555,000	202,233	352,767	-	(352,767)	Late K.M. Tasleem, VP
2	Suzuki Cultus	555,000	225,041	329,959	-	(329,959)	Late Malik Sher Muhammad, VP

12	OTHER ASSETS - NET	Note	2008	2007
			Rupees in '000	
	Income/mark-up accrued on deposits in local currency		190,972	168,612
	Income/mark up accrued on held to maturity securities		201,169	77,920
	Accrued interest/markup on advances *		2,939,300	2,530,820
	Accrued mark up on advances to trust fund		-	78,875
	Advance to Trust Fund		-	584,000
	Stationery and stamps on hand		22,764	16,292
	Tax recoverable	22.2.3	382,755	308,053
	Non banking assets acquired in satisfaction of claims	12.1	352,417	372,995
	Receivable from defined benefit plans	12.2	4,747,116	4,222,962
	Stock of farm machinery		13,163	14,545
	Commutation paid to employees under SR - 2005	12.4.1	-	3,004,237
	Receivable from Federal Government against GHSS	12.4.1	-	64,040
	Advances against salary and expenses		5,601	5,957
	Deposits		1,767	1,771
	Advances and other prepayments		115,697	241,287
	Others	12.3	16,235	16,577
			<u>8,988,956</u>	<u>11,708,943</u>
	Less: Provision held against other assets	12.4	<u>(378,507)</u>	<u>(2,149,127)</u>
	Other assets (net of provisions)		<u>8,610,449</u>	<u>9,559,816</u>

\* This does not includes Rs. 2,212.018 million (2007: Rs. 3,718.132 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.

12.1 Market value of non-banking assets acquired in satisfaction of claims is Rs. 631.890 million (2007: Rs. 525.868 million).

12.2	Receivable from defined benefit plans	Note	2008	2007
			Rupees in '000	
	Pension scheme	35.1.5	3,002,143	2,689,422
	Benevolent scheme-officers/executives	35.2.5	247,497	214,282
	Benevolent scheme-clerical/non-clerical	35.3.5	42,588	12,161
	Gratuity scheme-Staff Regulations 1975	35.4.1.5	1,454,888	1,307,097
		12.2.1	<u>4,747,116</u>	<u>4,222,962</u>

12.2.1 It represents assets recognized by the Group as required by International Accounting Standard-19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuaries.

12.3	Others	Note	2008	2007
			Rupees in '000	
	Defence saving certificates		3	5
	Advance for purchase of machinery/goods in transit		17	17
	Legal charges recoverable on suits filed against loan defaulters		16,205	16,280
	Miscellaneous		10	275
			<u>16,235</u>	<u>16,577</u>
12.4	Provision held against other assets			
	Opening balance		2,149,127	2,076,978
	Charge for the year		337,061	72,149
	Amount written off	12.4.1	<u>(2,107,681)</u>	-
	Closing balance		<u>378,507</u>	<u>2,149,127</u>

12.4.1 The Group announced Staff Regulation-2005 under which 100% commutation were paid to those who opted for SR-2005. ADB vide its Aide-Memoire 13-March 29, 2006 supported the introduction of SR-2005 and use of the remaining loan proceeds from the second tranche for this purpose on the GoP confirmation with regard to the use of remaining second tranche programme loan proceeds for the implementation of the SR-2005.

As the credit line has been expired on June 30, 2008 therefore the whole amount of Rs. 2,107,681 million against commutation paid to employees under SR - 2005 and receivable from Federal Government against GHSS has been written off against provision made for the purpose.

	Note	2008	2007
Rupees in '000			
<b>13</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	613,378	392,726
<b>14</b>	<b>BORROWINGS</b>		
	In Pakistan	51,257,213	51,257,213
<b>14.1</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	51,257,213	51,257,213
<b>14.2</b>	<b>Details of borrowings from financial institutions - secured</b>		
	Borrowing from State Bank of Pakistan		
	Agricultural loans	50,174,089	50,174,089
	Agri-project loans	1,083,124	1,083,124
		51,257,213	51,257,213

**14.3** As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rs. 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 49.680 billion are based on profit and loss sharing subject to maximum share of profit to SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of GoP. The Group has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.

SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 has agreed with proposed terms except the proposed capping of markup rate which has been fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year and repayment of the SBP debts in 15 years in 30 bi-annual installments with a grace period of 3 years starting from July 2003, i.e. the period of 15 years for repayment of SBP debts would have started from July 2006. The subordinated debt of Rs. 3.204 billion shall be repaid in the last installment. In view of the critical importance of debt pricing for the future financial viability and sustainability of the Group the matter has been referred to Ministry of Finance for a considered Government decision.

In the meeting held on January 16, 2008 between the representatives of Ministry of Finance, the Group and the State Bank of Pakistan and also in meetings held thereafter, it has been resolved that SBP in consultation with the Bank and MoF shall firm up proposal regarding SBP's debt on priority basis. At present, SBP has forwarded a proposal pertaining to ZTBL debt restructuring submitted vide letter No. DG/29/08 dated November 8, 2008. This proposal is under active consideration of MoF and expected to be materialized in 2009.

**14.4** These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP. SBP has forwarded a proposal pertaining to the ZTBL, to MoF for restructuring of the debt as stated in note 14.3.

	Note	2008	2007
Rupees in '000			
<b>15</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers - local currency</b>		
	Fixed deposits	290,441	109,894
	Saving deposits	620,690	757,968
	Current accounts - remunerative	214,827	207,570
	Current accounts - non-remunerative	4,244,841	3,216,893
	Others	54,371	29,919
		5,425,170	4,322,244

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

The SBP debt is in the process of repricing/ restructuring. Finance Division, Government of Pakistan vide their letter No. F.1(5)IF-1/2007 dated November 17, 2008 has forwarded a proposal pertaining to ZTBL debt restructuring submitted by State Bank of Pakistan vide letter No. DG/29/08 dated November 8, 2008. This proposal is under active consideration of MoF and expected to be materIALIZED in 2009.

Since the capping of mark-up charges at 2.3558% has not been agreed by SBP which is of critical importance for the future financial viability and sustainability of the Group, the matter has been referred to Ministry of Finance for considered government decision. However the mark-up on subordinated debt at the rate of 2.3558% (from December 14, 2002 to June 30, 2004), 2.1867% (from July 1, 2004 to June 30, 2005), at the rate of 8.4009% (from July 1, 2005 to June 30, 2006), at the rate of 8.7907% (from July 1, 2006 to June 30, 2007), at the rate of 9.1597% (from July 1, 2007 to June 30, 2008) and at the rate of 11.6881% (from July 1, 2008 to December 31, 2008) has been charged which is subject to adjustment on finalization of debt restructuring/repricing agreement with SBP.

## 17 DEFERRED TAX LIABILITY

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2008	2007
Rupees in '000			
<b>Taxable timing differences on;</b>			
Accelerated tax depreciation		105,866	119,191
Surplus on revaluation of assets	21	79,691	-
		<u>185,557</u>	<u>119,191</u>

## 18 OTHER LIABILITIES

Mark-up payable in local currency		16,096,917	12,705,084
Accrued expenses		62,821	36,703
Taxation (provisions less payments)		2,054,642	956,083
Branch adjustment		668,141	531,431
Payable to defined benefit plans	18.1	123,039	143,081
Payable to Ministry of Food Agriculture and Livestock	18.2	177,567	352,616
Profit payable on deposits and other accounts		32,224	19,710
Net liabilities relating to Bangladesh	18.3	189	189
Provision for employees' post retirement medical benefits	35.5.5	3,503,577	3,359,112
Provision for employees' compensated absences	35.6	952,253	708,771
Payable to employees' against Golden Handshake Scheme		-	35,777
Security deposits		210,442	51,385
Deferred income	18.4	207,112	9,375
Others	18.5	213,988	229,791
		<u>24,302,912</u>	<u>19,139,108</u>

### 18.1 Payable to defined benefit plans

Benevolent scheme-clerical/non-clerical	35.3.5	-	-
Gratuity scheme-SR-2005	35.4.2.5	123,039	143,081
		<u>123,039</u>	<u>143,081</u>



18.2 This represents the amount of Rs. 9.567 million (2007: Rs. 9.716 million) and Rs. 168 million (2007: Rs. 342.9 million) payable to Ministry of Food Agriculture and Livestock under Japanese KR-II grant-1996 and Crop Maximization Project-productivity enhancement on sustainable basis.

Note	2008	2007
	Rupees in '000	

### 18.3 Liabilities relating to Bangladesh

Liabilities		1,431,535	1,402,165
Assets		(1,431,346)	(1,401,976)
	18.3.1	189	189

18.3.1 This represents the amount relating to the activities of the Group 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 Group has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP and instead of carrying the interest to profit and loss account, will show it in the balance sheet only. The Group is accruing interest at the rate of 8% on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

Note	2008	2007
	Rupees in '000	

### 18.4 Deferred Income

Balance as at January 1		9,375	7,399
Additions during the year		279,316	16,745
Amortization during the year	25	(81,579)	(14,769)
Balance as at December 31	18.4.1	207,112	9,375

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

18.5 This represents various payables which includes withholding tax, contribution received from borrowers etc.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

2008	2007	Note	2008	2007
Number of shares			Rupees in '000	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	25,000,000	25,000,000

### 19.2 Issued, subscribed and paid up

		Ordinary shares of Rs. 10 each		
1,186,961,201	1,186,961,201	Fully paid in cash	11,869,612	11,869,612
65,282,866	-	Issued as bonus shares	652,829	-
1,252,244,067	1,186,961,201		12,522,441	11,869,612

### 19.3 Shareholder

Shareholder	No of ordinary shares	Paid-up value per share	2008	2007
			Rupees in '000	
Government of Pakistan	1,251,189,067	10	12,511,891	11,859,612
Government of Punjab	292,340	10	2,923	2,771
Government of Sindh	125,545	10	1,256	1,190
Government of NWFP	71,740	10	717	680
Government of Balochistan	37,875	10	379	359
Erstwhile East Pakistan	527,500	10	5,275	5,000
	1,252,244,067		12,522,441	11,869,612

20 RESERVES

	Statutory reserve	Reserve for contingencies	Total
	Rupees in '000		
Balance as at January 1, 2008	505,911	60,000	565,911
Transfer from unappropriated profit	520,258	-	520,258
Balance as at December 31, 2008	1,026,169	60,000	1,086,169

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

20.2 The Group has set aside contingency reserve for insurance of cash, building and vehicles.

	2008	2007
	Rupees in '000	

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of available-for-sale securities

Quoted shares

Other securities

Less: Related deferred tax liability

	485,031	685,516
	89,108	-
	574,139	685,516
	(79,691)	-
	494,448	685,516

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingent assets

22.1.1 The Government of Pakistan has reduced the markup rates on Group's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. July 01, 2004. As per the directive of the Group's Board of Directors, the Group has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rs. 13,569 million for the period from July 01, 2004 to December 31, 2008 (Rs. 9,993 million: 2007). However, this amount has not been accounted for in the accounts as the formal approval from Ministry of Finance has not been received by the Group.

22.1.2 There is a contingent gain of an amount of Rs. 752.444 million receivable from the Federal Government on account of President Relief Package announced on May 5, 2007 for the small borrowers of the Group at Badin, Umerkot and Tharparkar districts which were outstanding as at April 30, 2007. Total amount receivable from the Federal Government was Rs. 952.444 million which was duly certified by a professional firm of Chartered Accountants. Out of this an amount Rs. 200 million were received in February, 2008 which has been recorded in the profit and loss account.

22.2 Contingent liabilities

	2008	2007
	Rupees in '000	

22.2.1 Contingent liabilities in respect of 565 cases (December 31, 2007: 730 cases) filed against the Group by various borrower.

	7,922,956	8,070,497
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22.2.2 Contingent liability in respect of 440 cases (December 31, 2007: 140 cases) filed against the Group in various courts of law by the employees.

	215,837	53,016
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22.2.3 There is a contingency of an amount of Rs 297.149 million receivable on account of minimum income tax levied by the income tax authorities under Section 80-D of Income Tax Ordinance, 1979, for assessment years 1991-92 to 1998-99. The income of the Group was exempt from tax upto income year ended June 30, 1999. The Group paid, under protest, the disputed tax demand and also filed writ petition in this respect in Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Group withdrew the petition on 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 Group's favour. The Central Board of Revenue disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal cabinet has referred the case to the Attorney General for final decision. The advice/decision of the Attorney General is still awaited. Since the Group is very confident for a favourable decision from the Attorney General, hence, no provision in this respect has been made by the Group in its books of account.

- 22.2.4** Income Tax Department u/s 89/205 of the ITO-1979 levied Income Tax amounting to Rs.11.243 million for the assessment year (AY) 2001-2002. ZTBL has filed appeals before the CIT. The Group has not accounted for the tax amounting Rs.11.243 million as it is foreseen that the demands would not materialize.
- 22.2.5** Income Tax of Rs.1,457.555 million was levied by the Income Tax Department for tax year (TY) 2003, against provision of Rs.6.873 million in the books of accounts. The Group has filed an appeal before the CIT(A) and decision is still pending. The Group has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.6** Income Tax of Rs.532.136 million was levied by the Income Tax Department for TY 2005, against provision of Rs.38.434 million in the books of accounts. The Group has paid Rs.60.734 million against the said demand. The Group filed an appeal before the CIT(A) against the aforesaid order who upheld the assessment. The Group is in an appeal with the ITAT, decision of the ITAT is pending. The Group has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.7** Income Tax of Rs.1,786.258 million was levied by the Income Tax Department for TY 2006, against provision of Rs.38.434 million in the books of accounts. The Group filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department. The Group has preferred an appeal against the order of the CIT(A) before the ITAT and the decision is pending. The Group has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.8** Income Tax of Rs.2,239.493 million was levied by the Income Tax Department for TY 2007, against provision of Rs.631.484 million in the books of accounts. The Group filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department. The Group has appealed against the order of the CIT(A) before the ITAT, decision is pending. The Group has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.9** The SBP debt of Rs.54.461 billion is in the process of repricing/restructuring. As per debt restructuring proposal the SBP debt was required to link with one year T-Bill rate capped at 2.3558% plus profit and loss (PLS) sharing, the decision is still pending. The SBP debt has been charged at existing rate i.e contractual rate, as the SBP has not yet accepted the capping and PLS arrangements. The financial impact of this event works out to be approximately Rs.5.324 billion upto December 31, 2008 (Rs. 2.501 billion : December 31, 2007).
- 22.2.10** The SBP debt of Rs. 71.558 billion ( Principal Rs. 54.461 billion; mark-up Rs. 16.097 billion) is in the process of repricing/restructuring. Finance Division, Government of Pakistan vide their letter No. F.1(5)IF-1/2007 dated November 17, 2008 has forwarded a proposal pertaining to ZTBL debt restructuring submitted by State Bank of Pakistan vide letter No. DG/29/08 dated November 8, 2008. This proposal is under active consideration of GoP and expected to be materilized in the calender year 2009.

	Note	2008	2007
Rupees '000			
<b>23</b>	<b>MARK UP/RETURN/INTEREST EARNED</b>		
	On loans and advances to customers	6,423,707	5,700,683
	On investments in held to maturity securities	467,364	337,171
	On deposits with financial institutions	1,593,552	995,546
		<u>8,484,623</u>	<u>7,033,400</u>
	Note	2008	2007
Rupees in '000			
<b>24</b>	<b>MARK UP/RETURN/INTEREST EXPENSED</b>		
	On deposits	33,768	7,149
	On borrowings and subordinated debt - State Bank of Pakistan	3,454,906	3,408,311
	Bank commission and other charges	737	2,563
		<u>3,489,411</u>	<u>3,418,023</u>
<b>25</b>	<b>OTHER INCOME</b>		
	Rent on property - others	13,489	7,993
	Recoveries of charge off amounts	4,817,050	5,078,618
	Net profit on sale of property and equipment	19,428	28,242
	Loan application fee	308,829	234,131
	Net credit relating to defined benefit plans	25.1	354,130
	Return on advances to trust fund	-	78,875
	Deferred income amortization	81,579	14,769
	Others	25.2	178,405
		<u>5,772,910</u>	<u>5,723,145</u>

25.1 Excess provision in respect of defined benefit plans has been written back on the basis of actuarial valuation carried out by an independent actuary.

25.2 **OTHERS**

Sale proceeds of loan application forms		4,707	4,120
Postal charges received from loanees		51,252	38,441
Miscellaneous income	25.2.1	122,446	77,183
		<u>178,405</u>	<u>119,744</u>

25.2.1 It includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.

26 **ADMINISTRATIVE EXPENSES**

Salaries, allowances and benefits		3,340,953	2,721,029
Charge for defined contribution plan		24,950	21,753
Charge for compensated absence		243,482	271,137
Non-executive directors' fees and other expenses		1,476	1,396
Rent, taxes, insurance, electricity, etc.		93,349	86,641
Legal and professional charges		56,830	106,691
Communications		38,756	30,388
Repairs and maintenance		52,341	29,256
Motor vehicle expenses		216,682	159,017
Traveling expenses		121,841	97,054
Stationery and printing		30,552	28,559
Advertisement and publicity		10,476	7,972
Auditors' remuneration	26.1	3,565	3,398
Depreciation - tangible	11.1	184,434	132,358
Amortization - intangible	11.2	18,333	1,847
Expense on senior management team		2,718	14,769
Others		79,737	65,314
		<u>4,520,475</u>	<u>3,778,579</u>

26.1 **Auditors' remuneration**

	2008		Total
	Hyder Bhimji & Co. Chartered Accountants	BDO Ebrahim & Co. Chartered Accountants	
	Rupees in '000		
Audit fee	575	645	1,220
Fee for half year review	144	175	319
Consolidation of the accounts of subsidiary company	200	200	400
Tax services	-	-	-
Other certification	184	184	368
Out of pocket expenses	627	631	1,258
	<u>1,730</u>	<u>1,835</u>	<u>3,565</u>
	2007		
	Rupees in '000		
Audit fee	500	575	1,075
Fee for half year review	125	125	250
Consolidation of the accounts of subsidiary company	200	200	400
Tax services	-	-	-
Other certification	185	185	370
Out of pocket expenses	545	558	1,103
	<u>1,555</u>	<u>1,643</u>	<u>3,198</u>
MYASCO fee for consolidation of accounts	-	-	200
	<u>1,555</u>	<u>1,643</u>	<u>3,398</u>

		2008	2007
		Rupees in '000	
<b>27</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by SBP	230	970
	Fixed assets - written off	682	4,879
		912	5,849
<b>28</b>	<b>UNUSUAL ITEM</b>		
	It represents the losses incurred due to the disruption of law and order in the country in the month of December 2007.		
	Furniture and Fixtures	-	13,556
	Computers	-	3,709
	Vehicles	-	10,601
	Computer stationery	-	1,200
	Cash	-	1,300
		-	30,366
	The losses incurred at branches and zonal office have been recorded on the basis of report of the Task Force Committee established for the purpose.		
<b>29</b>	<b>TAXATION</b>		
	For the year		
	Current	29.1 1,392,695	637,808
	Prior years	12,606	8,285
	Deferred	(13,325)	111,561
		1,391,976	757,654
<b>29.1</b>	<b>Relationship between tax expense and accounting profit</b>		
	Accounting profit for the year	3,998,633	1,799,105
	Add: accounting depreciation	202,767	134,205
	Less: tax depreciation	(204,728)	(102,945)
	dividend and rental income for separate consideration	(25,954)	(12,599)
		3,970,718	1,817,766
		<b>2008</b>	<b>2007</b>
		Rupees in '000	
	Tax-excluding dividend and rental income	1,390,880	637,070
	Tax on dividend and rental income	1,815	738
	Tax for the current period	1,392,695	637,808
	Applicable tax rate	35%	35%
<b>30</b>	<b>BASIC EARNINGS PER SHARE</b>		
	Profit for the year	2,606,657	1,041,451
	Weighted average number of ordinary shares outstanding during the year (number in thousand) *	1,252,244	1,252,244
	Basic earnings per share in rupees	2.082	0.832
	* The number of ordinary shares as at December 31, 2007 have been adjusted for the element of bonus shares as per the requirements of IAS 33, 'Earnings per Share'.		
<b>31</b>	Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at December 31, 2007 and 2008 which would have any affect on the earnings per share if the option to convert is exercised.		
		<b>2008</b>	<b>2007</b>
		Rupees in '000	
<b>32</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balance with treasury banks	7 1,732,495	2,103,682
	Balance with other banks	8 16,005,460	12,054,304
		17,737,955	14,157,986
<b>33</b>	<b>STAFF STRENGTH</b>		
	Permanent	5,286	5,333
	Contractual	84	7
	Total staff strength	5,370	5,340
<b>34</b>	<b>CREDIT RATING</b>		
	JCR-VIS Credit Rating Company, Karachi in its report dated July 4, 2008 has reaffirmed credit rating of the Bank at AAA/A-1+ (2007:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B. (2007 , B medium to long term , B short term rating).		

35 **DEFINED BENEFIT AND CONTRIBUTION PLANS**

The Group operates the following retirement benefit for its employees:-

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

**35.1 Pension scheme**

**35.1.1 General description**

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 Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers/executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from July 1, 2006.

**35.1.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at December 31, 2008. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13% per annum
Expected rate of return on investments	14% per annum
Indexation in pension	7% per annum

	Note	2008	2007
Rupees in '000			
<b>35.1.3 Actuarial gain/loss in obligations</b>			
Present value of obligation as on January 1		1,838,739	1,604,684
Current service cost		24,850	23,096
Interest cost		183,874	160,468
Benefits paid		(68,345)	(33,796)
Actuarial (gain)/loss on obligation		288,108	84,287
Present value of obligation as at December 31		<u>2,267,226</u>	<u>1,838,739</u>
<b>35.1.4 Actuarial gain/loss in assets</b>			
Total assets as on January 1		4,751,634	4,254,458
Expected return on plan assets		475,164	425,447
Contributions		46,282	10,848
Benefits paid		(68,345)	(33,796)
Actuarial gain/(loss) on assets		(90,270)	94,677
Total assets as at December 31		<u>5,114,465</u>	<u>4,751,634</u>
<b>35.1.5 Reconciliation of receivable from pension fund</b>			
Present value of defined benefit obligation		2,267,226	1,838,739
Fair value of plan assets		(5,114,465)	(4,751,634)
Net actuarial gains not recognized		(154,904)	223,473
Net receivable at the year end		<u>(3,002,143)</u>	<u>(2,689,422)</u>
<b>35.1.6 Movement in net liability/(asset) recognized</b>			
Opening net asset		(2,689,422)	(2,436,692)
Credit for the period	35.1.7	(266,439)	(241,881)
Contribution to fund/benefits paid during the year		(46,282)	(10,849)
Closing net asset		<u>(3,002,143)</u>	<u>(2,689,422)</u>
<b>35.1.7 Credit for pension fund</b>	Note	2008	2007
Rupees in '000			
Current service cost		24,850	23,096
Interest cost		183,874	160,469
Expected return on plan assets		(475,163)	(425,446)
		<u>(266,439)</u>	<u>(241,881)</u>

**35.2 Benevolent scheme - officers/executives****35.2.1 General description**

For all officers/executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 100, by each officer/executive. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund. However contributions are not made to the fund for those employees governed by the SR-2005 who have less than ten years of their remaining service.

**35.2.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

**35.2.3 Actuarial gain/loss in obligations**

Present value of obligation as on January 1	208,563	163,623
Current service cost	7,442	7,630
Interest cost	20,856	16,362
Benefits paid	(8,629)	(3,893)
Actuarial (gain)/loss on obligation	(70,580)	24,841
Present value of obligation as at December 31	<u>157,652</u>	<u>208,563</u>

Note	2008	2007
	Rupees in '000	

**35.2.4 Actuarial gain/loss in assets**

Total assets as on January 1	437,347	400,372
Expected return on plan assets	43,736	40,038
Contributions - Employer	8,697	4,176
Contributions - Employee	8,697	4,176
Benefits paid	(8,629)	(3,893)
Actuarial gain/(loss) on assets	(26,390)	(7,521)
Total assets as at December 31	<u>463,458</u>	<u>437,348</u>

**35.2.5 Reconciliation of receivable from benevolent fund**

Present value of defined benefit obligation	157,652	208,563
Fair value of plan assets	(463,458)	(437,348)
Unrecognised actuarial gain/(loss)	58,309	14,119
Negative past service cost-not recognized	-	384
Net receivable at the year end	<u>(247,497)</u>	<u>(214,282)</u>

**35.2.6 Movement in net asset recognized**

Opening net receivable	(214,282)	(188,856)
Credit for the period	(24,518)	(21,250)
Contribution to fund/benefits paid during the year	(8,697)	(4,176)
Closing net receivable	<u>(247,497)</u>	<u>(214,282)</u>

Note	2008	2007
	Rupees in '000	

**35.2.7 Credit for benevolent fund**

Current service cost	7,442	7,630
Interest cost	20,856	16,362
Expected return on plan assets	(43,735)	(40,037)
Actuarial gains recognized	-	(644)
Contribution-employee	(8,697)	(4,176)
Negative past service cost-recognized	(384)	(385)
	<u>(24,518)</u>	<u>(21,250)</u>

### 35.3 Benevolent scheme - clerical/non-clerical

#### 35.3.1 General description

For all clerical/non-clerical staff, the Bank operates an approved funded benevolent scheme to 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 which is also liable to meet any shortfall in the fund.

#### 35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

	2008	2007
	Rupees in '000	
<b>35.3.3 Actuarial gain/loss in obligations</b>		
Present value of obligation as on January 1	41,989	42,099
Current service cost	2,284	2,671
Interest cost	4,198	4,210
Benefits paid	(1,216)	(623)
Actuarial (gain)/loss on obligation	(14,700)	(6,368)
Present value of obligation as at December 31	<u>32,555</u>	<u>41,989</u>
<b>35.3.4 Actuarial gain/loss in assets</b>		
Total assets as on January 1	181,826	184,021
Expected return on plan assets	18,183	18,402
Contributions - Employer	3,889	1,866
Contributions - Employee	3,889	1,866
Benefits paid	(1,216)	(623)
Actuarial gain/(loss) on assets	(11,052)	(23,706)
Total assets as at December 31	<u>195,519</u>	<u>181,826</u>
<b>35.3.5 Reconciliation of payable to/(receivable from) benevolent fund</b>		
Present value of defined benefit obligation	32,555	41,989
Fair value of plan assets	(195,519)	(181,826)
Net actuarial gains/(losses) not recognized	120,376	127,676
Net receivable at the year end	<u>(42,588)</u>	<u>(12,161)</u>
<b>35.3.6 Movement in net asset recognized</b>		
Opening net (receivable)/payable	(12,161)	15,753
Credit for the year	35.3.7 (26,538)	(26,048)
Contribution to fund/benefits paid during the year	(3,889)	(1,866)
Closing net receivable	<u>(42,588)</u>	<u>(12,161)</u>

	2008	2007
	Rupees in '000	
<b>35.3.7 Credit for benevolent fund</b>		
Current service cost	2,284	2,671
Interest cost	4,199	4,210
Expected return on plan assets	(18,183)	(18,402)
Actuarial (gains)/losses recognized	(10,949)	(12,661)
Contribution-employee	(3,889)	(1,866)
	<u>(26,538)</u>	<u>(26,048)</u>

### 35.4 Gratuity scheme

#### 35.4.1 Gratuity under old Staff Regulations

##### 35.4.1.1 General description

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 on which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.



### 35.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

### 35.4.1.3 Actuarial gain/loss in obligations

Note	2008	2007
Rupees in '000		
Present value of obligation as on January 1	13	45
Current service cost	2	3
Interest cost	1	5
Benefits paid	(9,382)	(6,821)
Actuarial (gain)/loss on obligation	9,372	6,781
Present value of obligation as at December 31	<u>6</u>	<u>13</u>

### 35.4.1.4 Actuarial gain/loss in assets

Total assets as on January 1	1,458,084	1,336,398
Expected return on plan assets	145,809	133,640
Contributions	1,469	772
Benefits paid	(9,382)	(6,821)
Actuarial gain/(loss) on assets	(7,763)	(5,905)
Total assets as at December 31	<u>1,588,217</u>	<u>1,458,084</u>

### 35.4.1.5 Reconciliation of receivable from gratuity fund

Present value of defined benefit obligation	6	13
Fair value of plan assets	(1,588,217)	(1,458,084)
Net actuarial gains/(losses) not recognized	133,323	150,974
Past service cost not recognized	-	-
	<u>(1,454,888)</u>	<u>(1,307,097)</u>

### 35.4.1.6 Movement in net asset recognized

Opening net asset	(1,307,097)	(1,169,690)
Credit for the year	35.4.1.7 (146,322)	(136,634)
Contribution to fund/benefits paid during the year	(1,469)	(773)
Closing net asset	<u>(1,454,888)</u>	<u>(1,307,097)</u>

### 35.4.1.7 Credit for gratuity fund

Note	2008	2007
Rupees in '000		
Current service cost	2	3
Interest cost	1	5
Expected return on plan assets	(145,808)	(133,640)
Actuarial gains recognized	(517)	(3,002)
	<u>(146,322)</u>	<u>(136,634)</u>

### 35.4.2 Gratuity under Staff Regulations - 2005 (SR-2005)

#### 35.4.2.1 General description

The Group 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 and contributions to this Fund are made by the Group at the rate of 8.333% of the monetized salary per month.

#### 35.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

	Note	2008	2007
Rupees in '000			
<b>35.4.2.3 Actuarial gain/loss in obligations</b>			
Present value of obligation as on January 1		281,689	148,893
Current service cost		94,913	72,525
Interest cost		28,171	15,212
Benefits paid		(1,042)	(1,024)
Actuarial (gain)/loss on obligation		53	46,083
Present value of obligation as at December 31		<u>403,784</u>	<u>281,689</u>
<b>35.4.2.4 Actuarial gain/loss in assets</b>			
Total assets as on January 1		95,121	-
Expected return on plan assets		9,512	-
Contributions		133,395	93,456
Benefits paid		(897)	(1,024)
Actuarial gain/(loss) on assets		12,019	2,689
Total assets as at December 31		<u>249,150</u>	<u>95,121</u>
<b>35.4.2.5 Reconciliation of payable to gratuity fund</b>			
Present value of defined benefit obligation		403,780	281,689
Fair value of plan assets		(249,150)	(95,121)
Net actuarial gains/(losses) not recognized		(31,591)	(43,486)
Net payable as at year end		<u>-</u>	<u>-</u>
		<u>123,039</u>	<u>143,082</u>
<b>35.4.2.6 Movement in net liability recognized</b>			
Opening net liability		143,081	3,760
Charge for the period	35.4.2.7	113,500	228,776
Contribution to fund/benefits paid during the year		(133,542)	(89,454)
Closing net liability		<u>123,039</u>	<u>143,082</u>

	Note	2008	2007
Rupees in '000			
<b>35.4.2.7 Charge for gratuity fund</b>			
Current service cost		94,914	72,919
Interest cost		28,169	14,512
Expected return on plan assets		(9,512)	-
Net actuarial losses recognized		(71)	-
Past Service Cost - Vested		-	141,345
		<u>113,500</u>	<u>228,776</u>

## 35.5 Post retirement medical benefits

### 35.5.1 General description

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.

### 35.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Medical inflation rate	12% per annum
Exposure inflation rate	3% per annum

	Note	2008	2007
		Rupees in '000	
<b>35.5.3 Actuarial gain/loss in obligations</b>			
Present value of obligation as on January 1		2,107,028	1,813,938
Current service cost		74,547	56,312
Intrest cost		210,703	181,394
Benfits paid		(18,271)	(17,792)
Actuarial (gain)/loss on obligation		138,399	73,176
Present value of obligation as at December 31		<u>2,512,406</u>	<u>2,107,028</u>
<b>35.5.4 Reconciliation of payable to medical benefits</b>			
Present value of defined benefit obligation		2,512,406	2,107,028
Net acturial gains not recognized		991,171	1,231,666
Past service cost not recognized		-	20,418
		<u>3,503,577</u>	<u>3,359,112</u>
<b>35.5.5 Movement in net liability recognized</b>			
Opening net liability		3,359,112	3,271,961
Charge for the period	35.5.6	162,736	104,943
Contribution to fund/benefits paid during the year		(18,271)	(17,792)
Closing net liability		<u>3,503,577</u>	<u>3,359,112</u>
<b>35.5.6 Charge for medical benefits</b>			
Current service cost		74,547	56,312
Interest cost		210,703	181,394
Actuarial gains recognized		(102,096)	(112,345)
Negative past service cost recognized		(20,418)	(20,418)
		<u>162,736</u>	<u>104,943</u>

### 35.6 Employee compensated absences

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. The liability of the Bank as per the latest actuarial valuation carried out as at December 31, 2008 amounted to Rs.952.253 million (December 31, 2007: Rs. 708.771 million) which has been fully provided by the Bank. The provision has been increased by Rs. 243.482 million for the year ended December 31, 2008.

### 35.7 Defined contribution plan

For all the employees of the Bank who have opted for retirement benefits scheme announced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively, the Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month. For employees who have not opted for aforesaid retirement benefit scheme, the Bank operates an approved contributory provident fund (Employees Provident Fund) where contributions are made by the Bank and employees at the rate of 8.33% of basic salary per month.

Contributory Provident Fund (CPF) scheme was introduced in 2006 (w.e.f. July 2006) for the employees governed under Staff Regulations 2005 (SR-2005) and contributions to the CPF are made by the employees at the rate of 2% of monetized salary per month and matching contribution by the Bank, if their remaining service is more than ten years from the date of option/appointment.

## REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the consolidated financial statements for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Bank is as follows;

	President		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in '000					
Fee	-	-	1,476	1,396	-	-
Managerial remuneration	4,587	3,600	-	-	945,903	564,098
Charge for defined benefit plan	784	740	-	-	6,723	3,968
Contribution to defined benefit fund	-	-	-	-	74,678	4,040
Rent and house maintenance	542	840	-	-	35,572	21,090
Utilities	45	-	-	-	8,893	5,273
Medical	45	-	-	-	9,712	5,742
Conveyance	397	329	-	-	7,298	6,411
Furnishing allowance	-	-	-	-	1,607	2,155
Leave fare assistance	-	370	-	-	-	-
Club facility	50	47	-	-	-	-
Others	798	-	-	-	1,859	903
	<u>7,248</u>	<u>5,926</u>	<u>1,476</u>	<u>1,396</u>	<u>1,092,245</u>	<u>613,680</u>
<b>Number of persons</b>	<u>2</u>	<u>1</u>	<u>9</u>	<u>10</u>	<u>789</u>	<u>755</u>

36.1 Executives mean employees, other than the chief executive and directors, whose basic/monetized salary exceeds Rs. 500,000 in a financial year. The chief executive, senior vice president and above other than covered under SR-2005 have been provided Bank maintained cars. Vice president and above governed by SR-2005 have also been provided cars under Cars Loan Depreciation Policy (CLDP).

## 37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

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 assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

### 37.1 On-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
<b>Assets</b>				
Cash and balances with treasury banks	1,732,495	1,732,495	2,103,682	2,103,682
Balances with other banks	16,005,460	16,005,460	12,054,304	12,054,304
Investments - net	4,955,690	4,955,690	7,054,304	7,054,304
Advances - net	69,923,497	69,923,497	61,313,006	61,313,006
Other assets - net	37.2	8,458,825	9,287,691	9,287,691
	<u>101,075,967</u>	<u>101,075,967</u>	<u>92,262,916</u>	<u>92,262,916</u>
<b>Liabilities</b>				
Bills payable	613,378	613,378	392,726	392,726
Borrowings	51,257,213	51,257,213	51,257,213	51,257,213
Deposits and other accounts	5,425,170	5,425,170	4,322,244	4,322,244
Sub-ordinated loan	3,204,323	3,204,323	3,204,323	3,204,323
Other liabilities	37.2	23,634,771	18,607,677	18,607,677
	<u>84,134,855</u>	<u>84,134,855</u>	<u>77,784,183</u>	<u>77,784,183</u>

37.2 Stationery, stock in hand, advances and prepayments have been excluded while arriving on financial instruments in other assets. Similarly, inter-branch adjustments has been deducted from other liabilities.

## SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing
Rupees in '000									
<b>2008</b>									
Total income	-	-	-	-	-	-	-	-	14,273,349
Total expenses	-	-	-	-	-	-	-	-	10,274,716
Net income before tax	-	-	-	-	-	-	-	-	3,998,633
Taxation	-	-	-	-	-	-	-	-	1,391,976
Income after tax	-	-	-	-	-	-	-	-	2,606,657
Segment assets (gross)	-	-	-	-	-	-	-	-	102,371,813
Segment non performing loans	-	-	-	-	-	-	-	-	12,985,615
Segment provision required	-	-	-	-	-	-	-	-	4,806,237
Segment liabilities	-	-	-	-	-	-	-	-	84,988,553
Segment return on net assets(%)	-	-	-	-	-	-	-	-	15.00%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.83%
<b>2007</b>									
Total income	-	-	-	-	-	-	-	-	12,756,433
Total expenses	-	-	-	-	-	-	-	-	10,972,287
Net income before taxation	-	-	-	-	-	-	-	-	1,784,146
Taxation	-	-	-	-	-	-	-	-	751,330
Income after tax	-	-	-	-	-	-	-	-	1,032,816
Segment assets (gross)	-	-	-	-	-	-	-	-	93,386,336
Segment non performing loans	-	-	-	-	-	-	-	-	16,708,290
Segment provision required	-	-	-	-	-	-	-	-	6,221,928
Segment liabilities	-	-	-	-	-	-	-	-	78,430,844
Segment return on net assets(%)	-	-	-	-	-	-	-	-	6.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.81%

## 39 TRUST ACTIVITIES

Group commonly act as trustees and in their fiduciary capacities that results in the holding or placing of assets on behalf of individual, trust, retirement benefit plan and other institution. Provided the trustees or similar relationship is legally supported, these assets are not asset of the Group and therefore, are not included in its balance sheet except net amount receivable/payable in respect thereof.

## 40 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, subsidiary companies with or without common directors, retirement benefit funds, directors and key management personnel.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions between the Group and its related parties are carried at arm's length basis under the comparable uncontrolled price method. Details of loans and advances to the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members, are given in note 10.8 to these financial statements. 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 valuation / terms of the contribution plan as disclosed in notes 35. Remuneration to the executives and disposal of vehicles are disclosed in note 36 and 11.4 to these consolidated financial statements respectively. Details of transactions with related parties and balances with them excluding those entered into with directors / executives as per their terms of employment as disclosed in note 36 at the year end was as under:

	2008	2007
	<b>Key management personnel</b>	
	<b>Rupees '000</b>	
<b>Advances</b>		
As on January 1	4,977	4,989
Given during the year	9,430	721
Repaid during the year	(3,370)	(733)
As at December 31	11,037	4,977
<b>Deposits</b>		
As on January 1	2,520	1,795
Received during the year	48,033	26,349
Withdrawn during the year	(45,405)	(25,624)
As at December 31	5,148	2,520
Investments at the end of the year	-	-
	2008	2007
	<b>Key management personnel</b>	
	<b>Rupees '000</b>	
Mark up/ interest earned	163	167
Remuneration paid	37,842	20,005
Post retirement benefit	2,571	1,018
Contribution to defined benefit plan	293	63

## 41 CAPITAL ADEQUACY

### 41.1 Capital Management

#### Objectives and goals of managing capital

The objectives and goals of managing capital of the Group are as follows;

- to be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peer.
- maintain strong ratings and to protect the Group against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

#### Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 23 billion by the year ending on December 31, 2013. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 9 % of the risk weighted exposure. The Bank's CAR as at December 31, 2008 was 25.26% of its risk weighted exposure.

Group's regulatory capital is analysed in to two tiers

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), reserves as per the consolidated financial statements and unappropriated profits and after adjustment of revaluation of available for sale investments.

- Tier 2 capital, which includes general provision for loan losses (up to a maximum of 1.25 % of risk weighted assets), and equity investments up to a maximum of 45 %, 50% deduction for investments in the equity of subsidiary companies.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Group is not eligible for the Tier 3 capital.

The Capital of the Group is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to the risk-weighted assets of the Group.

The calculation of capital adequacy enables the Group to assess the long-term soundness. As the Group carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organisation and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations or activities.

#### 41.2 Capital adequacy Ratio

The risk weighted assets to capital ratio, calculated in accordance with the SBP guidelines on capital adequacy was as follows:

	2008		2007	
	Rupees in '000			
<b>Regulatory capital base</b>				
<b>Tier I capital</b>				
Shareholders capital	12,522,441		11,869,612	
Reserves	-		-	
Unappropriated profits	3,280,202		1,846,632	
	15,802,643		13,716,244	
Less: adjustments	(59,321)		-	
<b>Total tier I capital</b>	15,743,322		13,716,244	
<b>Tier II capital</b>				
Subordinated debt (upto 50% of total tier I capital)	3,204,323		3,204,323	
General provisions subject to 1.25% of total risk weighted assets	1,041,041		926,573	
Revaluation reserve (upto 45%)	222,502		342,758	
<b>Total tier II capital</b>	4,467,866		4,473,654	
<b>Eligible tier III capital</b>	-		-	
<b>Total regulatory capital</b>	(a) 20,211,188		18,189,898	
<b>Risk weighted exposures</b>				
	2008		2007	
	Book value	Risk adjusted value	Book value	Risk adjusted value
	Rupees in '000			
<b>Credit risk</b>				
Balance sheet items:				
Cash and other liquid Assets	518,523	-	345,107	-
Money at call	17,219,432	3,201,092	13,812,879	2,410,861
Investments - net	4,955,690	663,848	7,504,233	2,825,325
Advances - net	69,923,497	70,017,607	61,313,006	58,545,826
Fixed assets	1,144,222	1,144,222	867,435	865,537
Other assets - net	8,610,449	8,256,502	9,559,816	9,478,304
	102,371,813	83,283,271	93,402,476	74,125,853
Off balance sheet items:				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
	-	-	-	-
<b>Credit risk-weighted exposures</b>	102,371,813	83,283,271	93,402,476	74,125,853
			2008	2007
			Rupees in '000	
<b>Market Risk</b>				
General market risk			-	-
Specific market Risk			-	-
Market risk-weighted exposures			-	-
<b>Total risk-weighted exposures</b>	(b)		83,283,271	74,125,853
<b>Capital adequacy ratio [ (a) / (b) x 100]</b>			24.27%	24.54%

The risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. ZTBL has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market and liquidity and operational risks. The Group's risk management department is independent of the business and operations and directly reports to the President. The Group has setup a Basel-II Implementation Committee and working groups to implement orderly transition and effective implementation of this Accord in the Group. The risk policy has already been modified to cater to the guidelines of the Basel-II Accord. The Group systematic and integrated risk management function for each category of risk is as follows;

#### 42.1 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 value due actual or perceived deterioration in the credit quality resulting in economic loss to the Group. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Group credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Group. The credit portfolio is reviewed and analysed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Group pays particular attention to the management of Non-Performing Loans (NPLs). An independent Special Asset Management (SAM) department is operational at the Head Office.

With regards to Basel-II compliance, the Group has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the Group is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

#### 42.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

42.1.1a Segments by class of business	2008					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	74,804,163	96.19%	-	-	-	-
Individuals	-	-	5,389,522	99.34%	8,138,793	56.27%
Others	2,966,085	3.81%	35,737	0.66%	6,323,834	43.73%
	77,770,248	100%	5,425,259	100%	14,462,627	100%

#### 42.1.1b Segment by sector

42.1.1b Segment by sector	2008					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	35,737	0.66%	6,323,834	43.73%
Private	77,770,248	100.00%	5,389,522	99.34%	8,138,793	56.27%
	77,770,248	100.00%	5,425,259	100.00%	14,462,627	100.00%

\* This amount represents deposits belonging to autonomous/semi-autonomous bodies.



42.1.1c Details of non-performing advances and specific provisions by class of business segment

	2008		2007	
	Rupees in '000			
	Classified advances	Specific provision held	Classified advances	Specific provision held
Agriculture, forestry, hunting and fishing	12,985,615	4,806,237	16,708,288	6,221,928
Advances to employees	40,514	40,514	5,492	5,492
	<u>13,026,129</u>	<u>4,846,751</u>	<u>16,713,780</u>	<u>6,227,420</u>

42.1.1d Details of non-performing advances and specific provisions by sector

Private	12,985,615	4,806,237	16,708,288	6,221,928
Advances to employees	40,514	40,514	5,492	5,492
	<u>13,026,129</u>	<u>4,846,751</u>	<u>16,713,780</u>	<u>6,227,420</u>

42.1.1e GEOGRAPHICAL SEGMENT ANALYSIS

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	<u>3,998,633</u>	<u>102,371,813</u>	<u>17,383,260</u>	<u>14,462,627</u>

42.2 Market Risk Management

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations.

The Group is not involved in commercial activities like underwriting, trading and discounting operations. The Group operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Group is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities/investments. Correspondingly the borrowing from SBP is in the process of restructuring. Liquidity position of the Group is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

42.3 Foreign Exchange Risk Management

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

42.4 Equity Price Risk Management

The Group is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

2008

	Effective Yield/ interest rate	Total							Non-interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years
<b>On-balance sheet financial instruments</b>										
<b>Assets</b>										
Cash and balances with treasury banks	-	1,732,495	-	-	-	-	-	-	-	1,732,495
Balances with other banks	10.95	16,005,460	507,397	-	-	-	-	-	-	36,826
Investments - net	12.5	4,955,690	3,107,699	136,755	-	-	1,046,388	-	-	575,426
Advances - net	8	69,923,497	7,263,154	20,468,282	21,342,618	4,336,518	3,455,928	4,986,529	1,085,582	699,433
Other assets - net	-	8,610,449	-	-	-	-	-	-	-	8,610,449
		101,227,591	10,878,250	20,605,037	21,342,618	4,366,518	3,455,928	6,032,917	1,085,582	11,654,629
<b>Liabilities</b>										
Bills payable	-	613,378	-	-	-	-	-	-	-	-
Borrowings	6.09	51,257,213	9,076,925	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	-
Deposits and other accounts	0.71	5,425,170	992,327	129,388	2,032	30	-	2,181	-	4,299,212
Sub-ordinated loans		3,204,323	-	-	-	-	-	-	-	-
Other liabilities		24,302,912	-	-	-	-	-	-	-	24,302,912
		84,802,996	10,682,630	1,944,773	1,817,417	3,630,800	3,630,770	7,263,721	18,153,850	28,602,124
<b>On-balance sheet gap</b>		16,424,595	7,594,342	10,878,250	18,660,264	705,718	(174,842)	(1,230,804)	(14,594,710)	(7,991,329)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-
<b>Total yield/ interest risk sensitivity gap</b>		16,424,595	7,594,342	10,878,250	18,660,264	705,718	(174,842)	(1,230,804)	(14,594,710)	(7,991,329)
<b>Cumulative yield/ interest risk sensitivity gap</b>		16,424,595	7,594,342	10,878,250	18,660,264	705,718	(174,842)	(1,230,804)	(14,594,710)	(16,947,495)
<b>Reconciliation of assets and liabilities exposed to yield/ interest rate risk with total assets and liabilities</b>										
		<b>Rupees in '000</b>								<b>Rupees in '000</b>
Total financial assets as per note 42.5		101,227,591								84,802,996
Add non financial assets		1,144,222								185,557
Operating fixed assets		-								-
Other assets		102,371,813								84,988,553

42.5.1 Mismatch of interest rate sensitive assets and liabilities

	2007										
	Effective Yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Non-interest bearing financial instruments
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	-	2,103,682	-	-	-	-	-	-	-	-	2,103,682
Balances with other banks	8.8	12,054,304	1,802,902	-	-	-	-	-	-	-	18,475
Investments	7.7	7,504,233	735,715	385,093	1,695,266	-	-	1,084,508	-	-	876,496
Advances	-	61,313,006	309,560	16,933,783	28,060,833	3,079,168	1,847,501	7,387,160	-	-	-
Other assets	-	9,288,766	-	-	-	-	-	3,695,002	-	-	9,288,766
		92,263,991	11,278,202	21,463,840	28,445,926	4,774,434	1,847,501	3,695,002	8,471,668	-	12,287,419
<b>Liabilities</b>											
Bills payable	-	392,726	392,726	-	-	-	-	-	-	-	-
Borrowings	6.09	51,257,213	5,449,155	1,816,385	1,816,385	1,816,385	3,630,770	3,630,770	7,261,540	18,153,850	-
Deposits and other accounts	1-4	4,322,244	1,071,430	130	1,198	-	-	824	1,850	-	3,246,812
Sub-ordinated loans	-	3,204,323	-	-	-	-	-	-	-	-	-
Other liabilities	-	18,607,678	-	-	-	-	-	-	-	-	18,607,678
		77,784,184	6,913,311	1,816,515	1,817,583	1,817,583	3,630,770	3,631,594	7,263,390	18,153,850	21,854,490
<b>On-balance sheet gap</b>		14,479,807	4,364,891	21,463,840	26,629,411	2,956,851	(1,783,269)	63,408	1,208,278	(18,153,850)	(9,567,071)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-
<b>Total yield/ interest risk sensitivity gap</b>		14,479,807	4,364,891	21,463,840	26,629,411	2,956,851	(1,783,269)	63,408	1,208,278	(18,153,850)	(9,567,071)
<b>Cumulative yield/ interest risk sensitivity gap</b>		14,479,807	4,364,891	21,463,840	26,629,411	2,956,851	(1,783,269)	63,408	1,208,278	(18,153,850)	(9,567,071)

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

Total financial assets as per note 42.5.1	Rupees in '000	
Add non financial assets	92,263,991	
Operating fixed assets	867,435	
Other assets	271,050	
	<u>93,402,476</u>	
Total financial liabilities as per note 42.5.1		
Add non financial liabilities		
Deferred tax liabilities	119,191	
Other liabilities	531,430	
	<u>78,434,805</u>	
		Rupees in '000
		77,784,184

42.6 Liquidity risk

Assets and Liabilities Committee (ALCO) in the Group is playing a very effective role in cash management. Accordingly the yields on fund's placement have been constantly increasing.

42.6.1 Maturities of assets and liabilities

		2008								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	1,732,495	1,732,495	-	-	-	-	-	-	-	-
Balances with other banks	16,005,460	15,498,063	507,397	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	4,955,690	1,000	3,107,699	136,755	-	-	-	1,046,388	-	663,848
Advances - net	69,923,497	2,750,618	7,311,763	20,541,195	21,488,444	4,540,730	3,659,496	4,986,529	3,559,140	1,085,582
Other assets - net	8,610,449	581,198	-	17,500	2,540,872	4,908,007	269,811	293,061	-	-
Operating fixed assets	1,144,222	-	-	-	-	-	-	-	-	1,144,222
	102,371,813	20,563,374	10,926,859	20,695,450	24,029,316	9,448,737	3,929,307	6,325,978	3,559,140	2,893,652
<b>Liabilities</b>										
Bills payable	613,378	613,378	-	-	-	-	-	-	-	-
Borrowings	51,257,213	9,076,925	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	5,872,588
Deposits and other accounts	5,425,170	5,291,539	-	129,388	2,032	30	-	2,181	-	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	24,302,912	2,034,358	-	423,786	16,390,782	1,263,224	-	4,190,575	-	187
Deferred tax liabilities	185,557	139,576	-	-	-	-	-	-	-	45,981
	84,988,553	17,155,776	-	2,368,559	18,208,199	4,894,024	3,630,770	11,454,296	18,153,850	9,123,079
<b>Net assets</b>	<b>17,383,260</b>	<b>3,407,598</b>	<b>10,926,859</b>	<b>18,326,891</b>	<b>5,821,117</b>	<b>4,554,713</b>	<b>298,537</b>	<b>(5,128,318)</b>	<b>(14,594,710)</b>	<b>(6,229,427)</b>
Share capital	12,522,441	-	-	-	-	-	-	-	-	-
Reserves	1,086,169	-	-	-	-	-	-	-	-	-
Unappropriated profit	3,280,202	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	494,448	-	-	-	-	-	-	-	-	-
	<u>17,383,260</u>									

42.7 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 Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analysed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.

With regards to Basel-II compliance, the Group has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster Recovery and Business Continuity Plan has also been revised. It includes separate IT Business continuity plan which caters to IT specific Business Continuity Planning requirements.

**43. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were authorized for issue on 28-03-2009 by the Board of Directors of the Bank.

**44. GENERAL**

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

**44.2.** Captions as prescribed by BSD Circular No. 4 of 2006 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have been reproduced in these consolidated financial statements except, for balance sheet and profit and loss account.

**44.3** There is no material rearrangement/regrouping made during the year.

PRESIDENT	DIRECTOR	DIRECTOR	DIRECTOR
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ZARAI TARAQIATI BANK LIMITED  
STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND  
OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2008  
(GENERAL LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year				Amount charge off			
					Principal	Interest	Others	Total	Principal	Interest	Others	Total
					(Rs. in million)							
1	KAMAL KHAN MOHRA MOLAL DAKHLI		210-27-353121	PIR DAD KHAN	0.120	0.673	-	0.793	0.120	0.554	-	0.674
2	MUHAMMAD AYUB		217-85-053802	PINO KHAN	0.350	0.261	-	0.611	0.350	0.261	-	0.611
3	MUHAMMAD HUSSAIN KAROL WAR		268-08-301717	MUHAMMAD BOOTA	0.222	0.443	-	0.665	-	0.531	-	0.531
	MUHAMMAD BOOTA KAROL WAR		268-45-149317	HASSAN MUHAMMAD								
4	SHOUKET RAJA JANGH		281-90-643261	MAILA SINGH	0.099	0.658	-	0.758	-	0.614	-	0.614
5	AAGA RIAZ ALI KHAN 90/9L		335-13-101581	AAGA IMTIAZ ALI KHAN	0.099	0.606	-	0.705	0.099	0.606	-	0.705
6	SAKEENA BIBI BAHARY PUR		336-41-751905	MOHAMMED YOUNUS	0.066	0.698	-	0.764	-	0.764	-	0.764
7	MST FATEH KHATOON SARGANA		329-90-062261	MUHAMMAD SHABIR	0.326	0.623	-	0.949	0.210	0.518	-	0.728
	NOORUL AMIN SARGANA		325-90-027555	MUHAMMAD SHABIR								
8	KARIM BUX KOTLA GAMON		318-90-353573	KHIDIR	0.247	0.096	-	0.343	-	0.757	-	0.757
9	ASLAM MAZHAR A-180 BLOCK 17 F.B.AREA		519-53-269509	MAZHAR-UL-HAQUE	0.548	0.694	-	1.242	-	1.242	-	1.242
	ASLAM MAZHAR A-180/17,GULESTAN-E-MUSTAFA		519-53-269509*	MAZHAR-UL-HAQUE								
10	SYED ABDUL JAMIL 33-A STREET PHASE-VIII DEFENC		601-87-162735	SYED ABDUL KHAIR	1.035	0.239	-	1.274	-	1.274	-	1.274
11	MR TASLEEM AHMED 181-BLOCK D SECTOR 14 ORANGI		293-88-101467	ABDUL RAZAQUE	0.227	0.278	-	0.505	-	0.505	-	0.505
12	A,HANNAN AZIZI 400/1 BLOCK NO.1 SHARIFABAD		122-27-028920	DAWOOD AZIZI	0.505	1.224	-	1.729	-	1.729	-	1.729

(GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
13	MRS KAUKAB BASIT 34-N 8TH EAST ST.PHASE 1 DHS		514-40-038992	MR FAZAL BASIT	0.122	1.665	-	1.787	-	1.633	-	1.633
14	MR. RASHID AHMED A-671 BL-L, N.NAZIMABAD		421-01-44025767	HAFIZ MAUDUD MIAN	1.104	1.046	-	2.150	-	2.103	-	2.103
15	SYED ARSHAD ALI D-35,AL-AZAM APPT.BLOCK-13-D/		4210129481833	SYED MADAD ALI	0.714	0.519	-	1.233	-	1.233	-	1.233
16	ABDUL RAHIM JAMOT 1/2-30 A,SEC 1,AHSANABAD TOWN MOHAMMAD HAQIQ KHAN 16/7-1 MODEL COLONY		519-54-074379	MOHAMMAD HASHIM JAMOT	0.450	0.741	-	1.191	-	1.191	-	1.191
17	GHULAM SARWAR ALIES AMIR FLAT NO 3 SENT APPTT CLIFTON		421-58-016839	NISAR AHMED	0.486	0.351	-	0.837	-	0.837	-	0.837
18	MOHAMMAD ARIF C-283 BLOCK-6		421-01-39265261	SHAIKH NANNAY	0.578	0.056	-	0.634	-	0.579	-	0.579
19	HASAN ARIF A-61/1 AWANI SAKINA METORWELL		512-89-275810	JAWAID HAIDER	0.972	1.008	-	1.980	-	1.980	-	1.980
20	MOHAMMAD ZAHIR A-992 SEC-II-B NORTH KARACHI		421-01-77022129	MOHAMMAD TAHIR	0.855	0.083	-	0.939	-	0.892	-	0.892
21	RAIS FATMA 1-E-10/4 NAZIMABAD		421-01-30460500	ANWAR AHMED	0.699	0.060	-	0.758	-	0.758	-	0.758
22	LAILA RAFIQ ANSARI G-2/1 MARYM HEIGHT FL 17/14 G		420-00-04049410	RAFIQ AHMED ANSARI	0.787	1.162	-	1.949	-	0.625	-	0.625
23	MOHAMMAD NASEEM R-38 BLOCK-5 F.B.AREA		601-88-189184	MOHAMMAD SHABBIR	0.345	0.627	-	0.972	-	0.684	-	0.684
24	SHAFI MOHAMMAD SALEH MOHAMMAD GOTH DEH LANDH KHAN MOHAMMAD SALEH MOHAMMAD GOTH MURAD MOHAMMAD SALEH MOHAMMAD GOTH		425-01-15766545 425-01-39074923	WALI MOHAMMAD JAN MOHAMMAD	0.633	0.675	-	1.308	-	1.308	-	1.308
25	MOHAMMAD UMER SALEH MOHAMMAD GOTH DEH LANDH		425-01-43093045	HAJI IBRAHIM	0.499	0.718	-	1.217	-	1.000	-	1.000
26	M.MOHAMMAD ASLAM A-2730 GHUSHAN E HADEED PH II		329-51-167372	MOHAMMAD HUSSAIN	0.913	0.875	-	1.789	-	1.677	-	1.677
27	AIJAZ AHMED FL-01 BLK 6 ALSYED CENTRE QAI		425-01-48457999	ABDUL RAZZAQ	0.523	0.830	-	0.607	-	0.607	-	0.607

(GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off			
					Principal	Interest	Others	Principal	Interest	Others	Total
28	SIRAJ AHMED SHAH SUJAWAL		495-29-001529	SYED ALI ASHAR SHAH	0.086	0.479	0.565	0.565			0.565
29	AJAZ ALI KHAN KARIM PUR P/O MIRPUR BATHORO		494-71-039522	JAMAL KHAN	0.149	1.881	2.030	1.730			1.730
30	MOHD HASSAN DAM		515-07-12644889	ISMAIL	0.053	0.522	0.574	0.574			0.574
31	MS MALIK AMANULLAH KHAN DEH MAKAN THANA BOLA KHAN		467-38-047598	MALIK ANWAR KHAN	0.207	0.476	0.683	0.683			0.683
32	DARYA KHAN R/O GOTG GHULAM MUHAMMAD (BHO		452-48-156683	AHMED KHAN	0.180	1.128	1.308	1.007			1.007
33	MIR MUHAMMAD WARYASO		N/A	HAJI LARHA DINO	0.071	0.556	0.627	0.556	0.071		0.627
34	BILAWAL NAGER KHEET		N/A	SOOMAR	0.033	0.467	0.500	0.467	0.033		0.500
35	ABDUL HAQ CHEERANDI		425-48-127562	MUHAMMAD SAFFAR	0.492	0.606	1.098	0.838			0.838
36	BAHAR ALI CHERANDI		411-86-024247	AHMED ALI SHAH	0.484	0.661	1.145	0.889			0.889
37	NABI BUX KHAN KHANOTE		453-20-058559	GHULAM MUHAMMAD	0.082	1.055	1.137	1.055	0.082		1.137
38	UMER KHANOTE MST SHAHZAD KHANOTE MST: ZUHRA KHONATE		458-28-173019	ADAM	0.083	1.032	1.115	1.032	0.083		1.115
39	MST.HUSNA RIP		457-65-091748	MAJI MOHAMMAD	0.098	1.226	1.325	1.226	0.098		1.325
40	MST. BIBI KASHIFAN KHEBRANI		459-34-055316	MIR AIJAZ ALI	0.031	0.824	0.855	0.824	0.031		0.855
41	MST. ZEENATUN NISA KANDER JAGIR		459-35-108912	MIR AIJAZ ALI KHAN	0.050	1.545	1.595	1.545	0.050		1.595
42	NIAZ MOHD MAHI LEGHARI		459-41-089602	LAL KHAN	0.060	1.361	1.420	1.361	0.060		1.420



(GENERAL LOAN CASES)						(Rs. in million)				
S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
43	GHULAM HUSSIAN WALHAR		N/A	MOHD SIDDIQUE	0.075	0.523	0.597	0.075	0.523	0.597
44	WALI MOHAMMAD GOTH NOOR MOHAN SANEJO		N/A	ALLAH DINO	0.990	0.520	0.620	0.099	0.520	0.620
45	DR. SARDAR MUHAMMAD WALHAR		477-29-058739	FAZAL MUHAMMAD	0.091	0.651	0.742	0.091	0.651	0.742
46	ALI AKBAR KHEERYOON		N/A	LAL DIN	0.084	0.418	0.502	0.084	0.418	0.502
47	KHAN MUHAMMAD DEH FERZE PUR		N/A	MUHAMMAS SIDDUQ	0.099	0.838	0.936	0.099	0.838	0.936
48	ABDUL GHAFOOR NAHERIO		N/A	ABDULLAH NAHERIO	0.090	0.725	0.816	0.090	0.725	0.816
49	MST HAMIDA NAR MST NAHEED NAR		N/A	MIR WALI MOHAMMED KHAN	0.064	1.802	1.866	0.064	1.802	1.866
50	HUSSAIN ALI CHAR		N/A	HAJI NOOR MOHAMMAD	0.100	1.290	1.390	0.100	1.290	1.390
51	ABDUL JALIL DADAH		458-59-158258	MOHAMMAD ISMAIL	0.097	0.450	0.546	0.097	0.450	0.546
52	MST BACHLAN KARYANO MST ZULEKAHN KARYANO		N/A	H MOHAMMED RAHIM	0.039	0.468	0.507	0.039	0.468	0.507
53	GHULAM MUSTFA KARI MOHD ALI		456-59-155433	GHULAM HAYDAR	0.950	0.792	0.887	0.095	0.792	0.887
54	MOHD MUNIR DAMHARI		525-25-000022	HAJI ABDUL REHMAN	0.060	0.465	0.525	0.060	0.465	0.525
55	HASSAN ALI DUMBIARY		452-58-005332	HAJI FATEH KHAN	0.019	0.772	0.792	0.019	0.772	0.792
56	MEHAR KHAN CHEEL VILL AITBAR BROHI RAHAMAT ULLAH CHEEL		403-37-020845	YAQOOB KHAN	0.098	0.854	0.952	0.098	0.854	0.952
57	UMAT SHAH		129-26-178964	MEHRAB SHAH	0.096	0.525	0.621	0.096	0.525	0.621

## (GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off						
					Principal	Interest	Others	Total	Principal	Interest	Others	Total		
	ISRA DHERI KHAIRABAD MARDAN ALI JAUHAR GARYALA MARDAN PIRDAD SHAH GARYALA MARDAN		129-41-245410 129-12-132111	IBRAHIM SHAH IBRAHIM SHAH										
58	MOHAMMAD AKHTAR KHAN PANDAK PO-HARIPUR SHER AKSAR KHAN DURUNNIAN PO-NORDI TEH-HARIPU BABAR NAWAZ KHAN PANDAK PO-HAIRPUR SHAUKAT ZAMAN KHAN DURUNNIAN PO-NORDI TEH-HARIPU FARID SALEEM KHAN KHALABAT T.SHIP PO-K.T.S.HRP GULSHAN ARA AKHTAR PANDAK PO-HARIPUR		122-36-309721 122-10-369234 122-50-433499 122-34-005969 122-57-247090 122-46-309722	GHULAM SARWAR KHAN JEHANDAD KHAN GHULAM SARWAR KHAN SHER AKSAR KHAN MOHAMMAD SALEEM KHAN MOHAMMAD AKHTAR KHAN	0.830	0.030	0.860	0.860	0.860				0.860	0.860
59	MARUF GUL KOT		139-40-325162	ABDAR GUL	0.092	0.771	0.863	0.773					0.773	0.773
60	JEHAN BAKHT KISHAWRA		114-36-219740	SAYED AMBER MIAN	0.141	0.637	0.778	0.777					0.777	0.777
61	WAHEED GUL HIRO SHAH DARGAI		139-07-149308	AZIM GUL	0.133	1.243	1.376	1.191					1.191	1.191
62	FATEH KHAN JABAGAI		117-21-137057	SALEH	0.100	0.598	0.698	0.590					0.590	0.590
63	SULTAN ZEB GUSAM DAG		109-36-018155	FAQIR SAID	0.133	0.952	1.085	0.933					0.933	0.933
64	HAZOOOR BUX AMANBOSTAN NUSHKI		542-01-22974931	SAID MOHAMMAD	0.181	1.224	1.406	1.181					1.181	1.181
65	JAMAL KHAN RAKHPORE		612-57-229534	BAIKAR KHAN	0.170	0.355	0.525	0.355			0.170	0.355	0.525	0.525
66	ROZI KHAN GHUNDI SULAMANZAI DAEAN GHIDI SULAMANZAI		612-43-179629 612-42-015918	MOHAMMAD YAR KHAN GUL	0.164	0.340	0.504	0.340			0.164	0.340	0.504	0.504
67	MR FATEH KHAN MANEZI		612-33-178288	MR JALAL	0.228	0.477	0.705	0.477			0.228	0.477	0.705	0.705
68	HAJI MOMIN PIMDWALA ZHOB		612-48-135263	KHAN NORAN	0.204	0.414	0.618	0.414			0.204	0.414	0.618	0.618

## (GENERAL LOAN CASES)

(Rs. in million)

SNO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Total	Principal	Interest
69	MR BAHYE KHAN KOT ZHOB		612-38-157534	MR DODA	0.211	0.440	0.650	0.211	0.440	0.650
70	FAQIR ALI KHANZAI MOHAMMAD USMAN ALI KHAN ZAI		612-57-097726	DUNIAGAI MOHAMMAD WALI	0.244	0.482	0.726	0.244	0.482	0.726
71	MOHAMMAD BATH KHAN SAILNA		612-38-151743	AKHTAL SHAH	0.182	0.376	0.558	0.182	0.376	0.558
72	GUL SHAH KHAN GHUNDI SULAMANZAI ZHOB		612-31-065517	SAIN GUL	0.192	0.392	0.584	0.192	0.392	0.584
73	GUL SHAH KHAN GHUNDI SULAMANZAI		612-31-065517	SAN GUL	0.183	0.374	0.557	0.183	0.374	0.557
74	GUL SHAH KHAN GHUNDI SULAMANZAI		612-47-066948	FATEH KHAN	0.183	0.374	0.557	0.183	0.374	0.557
75	ABDUL SATAR KAKHOW		N/A	TAIA DIN						
76	FAZAL DIN		612-85-224723	ABDUL REHMAN	0.175	0.349	0.524	0.175	0.349	0.524
77	HABIBULLAH GUSTOI AHMAD KHAIL		612-88-150325	MUZAMIL	0.183	0.358	0.542	0.183	0.358	0.542
78	KALO KHAN MURGHA KIBZAI		612-53-144872	H MALIK SAMAWDER	0.185	0.386	0.571	0.185	0.386	0.571
79	SAID NOOR		612-85-037910	DARAZ KHAN	0.181	0.362	0.543	0.181	0.362	0.543
80	GUL FARAZ KHAN KAKHAW ZHOB		612-38-179168	SAFAR KHAN	0.190	0.383	0.573	0.190	0.383	0.573
81	KAKO MURGHA KIBZAI		612-88-269801	JALANDAR	0.225	0.459	0.684	0.225	0.459	0.684
82	REHMATULLAH		612-85-154509	AKHTER MUHAMMAD	0.184	0.382	0.566	0.184	0.382	0.566
83	NASRULLAH GHUNDE SULIMANZI ZHOB		612-88-228854	BAZ GUL	0.208	0.411	0.619	0.208	0.411	0.619
84	ZAHIR		612-36-065383	YARAK	0.208	0.428	0.636	0.208	0.428	0.636

(Rs. in million)

## (GENERAL LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partner/s/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
83	BARWALA SHAMAIZ BARWALA MOHAMMAD DIN BARWALA		612-38-157777	YARAK	0.186	0.366	0.552	0.186	0.366	0.552
84	83 ZARSHOON ALIZAI		612-43-142061	YARAK	0.211	0.390	0.602	0.211	0.390	0.602
85	NASRULLAH KHAKHOW		612-38-180547	JARS	0.250	0.493	0.743	0.250	0.493	0.743
86	MALIK KHANAN KAKHOW ZHOB		612-53-228971	MALIK KHANAN	0.193	0.392	0.585	0.193	0.392	0.585
87	SHEER ZAMAN MURGHHA		612-26-038015	MALIK AZIM KHAN	0.223	0.456	0.679	0.223	0.456	0.679
88	AMANULLAH ZHOB		612-87-068297	JALANDER	0.222	0.454	0.676	0.222	0.454	0.676
89	SULIMAN SHAH ZHOB		612-43-180816	SHEEN	0.250	0.357	0.606	0.250	0.357	0.606
90	HAJI SARDAR KHAN PAINDA WALA		612-87-035342	MURAD KHAN	0.223	0.445	0.669	0.223	0.445	0.669
91	ASMATULLAH KHAN KAKOW SHADI KHAN KAKOW		612-51-018261	MALIK KHANAN SATTAR	0.191	0.408	0.599	0.191	0.408	0.599
92	NAIK ZHOB		612-52-181038	KHIRULLAH	0.250	0.463	0.713	0.250	0.463	0.713
93	SAMAD KHAN BARAKWALA ROZADIN BARAKWALA		612-48-181009	MURAN	0.205	0.404	0.608	0.205	0.404	0.608
94	MEHERBAN ZHOB SAFAR KHAN MALAWAR MIRZA KHAN MALAWAR		612-87-268195	ALI MOHD	0.215	0.431	0.646	0.215	0.431	0.646
	ABDUL REHMAN ADOZI		612-87-268196	ALI MUHAMMAD	0.215	0.431	0.646	0.215	0.431	0.646
			612-38-128312	ALI MUHAMMAD						
			612-63-066177	FEROZE KHAN						

(Rs. in million)

## (GENERAL LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off			
					Principal	Interest	Others	Principal	Interest	Others	Total
					Total	Total	Total	Total	Total	Total	
95	JUMMA KHAN ADOZI ZHOB		612-90-313370	DARAZ KHAN	0.190	0.383	0.573	0.190	0.383	0.573	
96	SAMTULLAH KILLI KOT		612-88-180768	MOHAMMAD KHAN	0.164	0.344	0.508	0.164	0.344	0.508	
97	REHMATULLAH KILLI KOT		612-48-313389	MOHAMMAD KHAN	0.164	0.343	0.507	0.164	0.343	0.507	
98	IBRAHIM GUL ADOZAI		612-48-031076	GOOK	0.217	0.435	0.651	0.217	0.435	0.651	
99	BAHAR KHAN ADOZAI		612-48-077015	RAMZAN	0.190	0.374	0.563	0.190	0.374	0.563	
100	MIR MOHAMMAD ZHOB		612-85-224648	SARAIGUL	0.190	0.360	0.550	0.190	0.360	0.550	
101	KHAIIR MUHAMMAD KILLI ADOZAI		612-85-224648	SARAIZUL	0.131	0.383	0.514	0.131	0.383	0.514	
102	SHERAB KHAN BARWALI ZHOB		612-48-153724	KAREEM KHAN	0.217	0.416	0.633	0.217	0.416	0.633	
103	SAID ULLAH LAKA BAND ZHOB		612-87-267467	JANZUL	0.217	0.415	0.632	0.217	0.415	0.632	
104	MOHAMMAD AMIN LAKABABD		612-85-154494	WAZIR KHAN	0.175	0.363	0.538	0.175	0.363	0.538	
105	HAYART ULLAH KILLI LAKA BAND ZAKOZAI ZHOB		612-62-188679	JANZUL	0.217	0.418	0.635	0.217	0.418	0.635	
106	DIN GUL GUSTOI		612-36-110959	SEEN GUL	0.176	0.363	0.538	0.176	0.363	0.538	
107	NORULLAH JAN GUSTOI		612-88-150826	MUZAMMIL	0.178	0.369	0.546	0.178	0.369	0.546	
108	MUZAMMIL GUSTOI		612-90-150818	GHULAM HYDER	0.177	0.367	0.544	0.177	0.367	0.544	
109	NASEM GUL GUSTOI		612-28-028787	SHEEN GUL	0.175	0.356	0.530	0.175	0.356	0.530	
110	KHAN MOHAMMAD MINA BAZAR		612-87-016753	KHAN DAWRAN	0.169	0.334	0.503	0.169	0.334	0.503	
111	BADRUDIN ZHOB		612-53-138754	ABDULLAH	0.230	0.451	0.680	0.230	0.451	0.680	

(Rs. in million)

## (GENERAL LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Total	Principal	Interest
112	RAZ MOHAMMAD ALI KHAN ZAI		612-91-226339	ABDULLAH	0.171	0.348	0.519	0.171	0.348	0.519
113	HAMEEDULLAH ZHOB HABIBULLAH ZHOB		612-43-154628	JANDAI	0.242	0.470	0.713	0.242	0.470	0.713
114	REHMATH KHAN ZHOB		612-59-068015	MULA GHABAWA	0.180	0.369	0.549	0.180	0.369	0.549
115	ABDURRAHMAN ZHOB		612-59-126060	MULA GHABANA	0.183	0.376	0.559	0.183	0.376	0.559
116	BASMYLLAH LAK BAND		612-89-068553	FATEH KHAN	0.184	0.387	0.572	0.184	0.387	0.572
117	BAITULLAH ZHOB		612-89-154791	ABDULLAH KHAN	0.249	0.482	0.732	0.249	0.482	0.732
118	ABDULLAH KHAN LAKABAND		612-25-220674	KHAN KATOW	0.249	0.511	0.760	0.249	0.511	0.760
119	WAZAR ALIAZI NAIK NAZAR ALIAZI MOHAMMAD HASSAN ALIAZI SAWZAR ALIAZI		612-89-312644	JAHWAR	0.249	0.488	0.737	0.249	0.488	0.737
120	ABDUL HADI BADENZAI		612-89-130932	HAJI MAZAK	0.169	0.345	0.514	0.169	0.345	0.514
121	4HOTAKE ZHOB RAZAQE ZHOB		612-47-066220	AYOOB	0.166	0.338	0.504	0.166	0.338	0.504
122	ABDUL QAYUM GHUNDI SULEMANZAI		612-33-179972	TOWALLI	0.233	0.450	0.683	0.233	0.450	0.683
123	ROZI KHAN MURGHA		612-88-267855	ABDULLAH JAN	0.249	0.475	0.724	0.249	0.475	0.724
124	SHAM SUDIN GHUNDI SULEMANZAI		612-53-220763	ROZAY	0.233	0.449	0.682	0.233	0.449	0.682

(GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off											
					Principal	Interest	Others	Total	Principal	Interest	Others	Total							
	SHADI KHAN GHUNDI SULEMANZAI		612-51-154741	MURGHAZAI															
125	MOHAMMAD DIN ZHOB		612-90-310263	MERAJDDIN		0.172	0.345	0.517	0.172	0.345	0.517								
126	MARJAN GUSTOI		612-33-152715	MOHAMMAD JAN		0.205	0.405	0.611	0.205	0.405	0.611								
127	SULEMAN MURGHA KIBZAI		612-87-038940	ARAB		0.239	0.463	0.703	0.239	0.463	0.703								
128	KHODAI DAD BARWALI ZHOB		61238188680	SAFFAR		0.188	0.387	0.575	0.188	0.387	0.575								
	KASH MIR BARWALI ZHOB		61248153486	SAFFAR															
	LAJMEER BARWALI ZHOB		61253153488	SAFFAR															
	BARAN BARWALI ZHOB		61238157655	SAIFULLAH KHAN															
129	TAWIZ KHAN AHMED ZAI		612-89-036679	ADAM KHAN		0.261	0.513	0.774	0.261	0.513	0.774								
130	SALEEM KHAKHOW		612-88-310699	ALI		0.208	0.388	0.596	0.208	0.388	0.596								
131	ZARGHOON MURGHA PITAW		612-48-200467	MUSSA KHAN		0.258	0.512	0.770	0.258	0.512	0.770								
132	ABDUL KHALIQ ZHOB		612-90-318927	ABDUL HAKIM		0.241	0.479	0.720	0.241	0.479	0.720								
133	KHUDAI DAD GHUNDI		612-89-311416	BAKHTER		0.241	0.479	0.720	0.241	0.479	0.720								
134	ZAINUDDIN KHUSTI		612-28-126831	MERZA KHAN		0.260	0.493	0.753	0.260	0.493	0.753								
135	SHAMS U DIN KHUSTI		612-33-154923	MERZA KHAN		0.260	0.501	0.762	0.260	0.501	0.762								
136	ABDULAH KHAWJA ZAI		612-43-059954	KHUSHAL KHAN		0.269	0.461	0.731	0.269	0.461	0.731								
137	ABDULLAH ZHOB		612-47-119096	WADAN		0.170	0.333	0.503	0.170	0.333	0.503								
138	BISMELLAH ZHOB		450-48-181628	KOTE KHAN		0.195	0.317	0.511	0.195	0.317	0.511								

**(GENERAL LOAN CASES)**  
(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
139	ABDUL HARIM KHAJAZAI		612-18-099841	KHUDAIDAD	0.189	0.367	0.557	0.189	0.367	0.557
140	SARWAR AHMED ZAI		612-87-036844	LAL KHAN	0.257	0.514	0.771	0.257	0.514	0.771
141	REHMAT U LLAH LAKHA BAND		612-89-312454	JAN GUL	0.283	0.561	0.844	0.283	0.561	0.844
142	DIN MOHAMMAD GHUNDI SULMANZAI SHER MOHAMMAD GHUNDI SULAMANZAI ABDUL SHAMAD GHUNDI SULMANZAI NOOR MOHAMMAD GHUNDI SULMANZAI		612-43-157116	FAIZ MOHAMMAD	0.283	0.562	0.845	0.283	0.562	0.845
143	NAIMAT U LLAH ADO ZAI RAHMAT U LLAH ADO ZAI		612-90-129985	MOHAMMAD RAFIQ	0.266	0.524	0.790	0.266	0.524	0.790
144	SANTULLAH TONGSIR SHIRQI		612-41-135166	KHAR	0.241	0.400	0.641	0.241	0.400	0.641
145	ZAREEF KHAN GHUNDI SULMANZAI		612-90-065267	KALA KHAN	0.283	0.559	0.842	0.283	0.559	0.842
146	JAMAL KHAN BARWALA		612-90-316155	SADO KHAN	0.283	0.562	0.846	0.283	0.562	0.846
147	DIN MOHAMMAD ZHOB		612-90-179987	GUL MOHAMMAD	0.194	0.359	0.553	0.194	0.359	0.553
148	SAHIB JAN TANGSIR SHIRQI		612-53-029957	SAMAND KHAN	0.286	0.560	0.847	0.286	0.560	0.847
149	FATEH KHAN GHUNDI SULMAN ZAI		612-47-068551	SULMAN	0.275	0.534	0.808	0.275	0.534	0.808
150	JABAR SHAH GHUNDI SULMANZAI		612-90-316183	JALAUDDIN	0.274	0.543	0.817	0.274	0.543	0.817
151	WAZIR KHAN ZHOB		612-43-129770	KALA KHAN	0.243	0.472	0.715	0.243	0.472	0.715
152	KHUDAI NAZAR		612-41-135901	RAMZAN	0.277	0.549	0.827	0.277	0.549	0.827



## (GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
	TANGI SIR SHIRQI											
153	BAZ MOHAMMAD ZAKERYAZAI		612-38-126344	LAHORE	0.283	0.556	0.839	0.283	0.556	0.839	0.839	0.839
154	MOHAMMAD KHAN KOT		612-46-038495	AKHTAR	0.280	0.557	0.837	0.280	0.557	0.837	0.837	0.837
155	ATTULLAH BARAK WALA		612-91-038197	ATTAH KHAN	0.177	0.342	0.519	0.177	0.342	0.519	0.519	0.519
156	BISSIMALLAH TANGI SIR SHRIQI		612-48-180247	SULEMAN	0.280	0.556	0.836	0.280	0.556	0.836	0.836	0.836
157	FAZAL QADIR SHAMAM ZAI		612-38-129976	MULA DAD	0.254	0.501	0.756	0.254	0.501	0.756	0.756	0.756
158	MOHAMMAD AAKBER KAKHAW		612-88-268501	LORRY	0.264	0.521	0.785	0.264	0.521	0.785	0.785	0.785
159	MIRA JAN TANGI SIR GHARBI		612-66-665490	PASTAKF	0.277	0.551	0.827	0.277	0.551	0.827	0.827	0.827
160	DOULAS KHAN ZHOB		612-91-316919	GOHAR KHAN	0.185	0.364	0.549	0.185	0.364	0.549	0.549	0.549
161	ABDUL GHAFFOOR TANGISIR SHIRQI		612-91-316982	ALLAH DAD	0.281	0.550	0.831	0.281	0.550	0.831	0.831	0.831
162	MOHAMMAD ANWAR ZHOB		612-91-154847	KHUDAI NAZAR	0.198	0.386	0.584	0.198	0.386	0.584	0.584	0.584
163	ABDUL REHMAN ZHOB		612-91-154848	KHUDAI NAZAR	0.197	0.385	0.582	0.197	0.385	0.582	0.582	0.582
164	ABDUL BARI ZHOB		612-85-100881	PAYQU KHAN	0.191	0.347	0.537	0.191	0.347	0.537	0.537	0.537
165	ZEENULLAH ZEHOZAI FAIZ ULHAQ ZEHOZAI		612-87-268071	SALEH MUHAMMAD	0.277	0.542	0.820	0.277	0.542	0.820	0.820	0.820
166	KALO JAN ZHOB		612-87-267853	ABDULLAH JAN	0.258	0.498	0.756	0.258	0.498	0.756	0.756	0.756
167	KALA KHAN ZHOB		612-51-065347	SAPPAK	0.249	0.504	0.753	0.249	0.504	0.753	0.753	0.753

(GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partneres/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
168	SHAMMAR KHAN AHMED ZAI		612-51-036845	BAZ MOHAMMAD KHAN	0.409	0.761	1.170	0.409	0.761	1.170
169	AZAD KHAN LAKA BAND		612-52-065077	AKHTER MOHAMMAD	0.280	0.484	0.764	0.280	0.484	0.764
170	KAMAL KHAN BARAKWALA		612-38-158006	CHAR GUL	0.274	0.528	0.802	0.274	0.528	0.802
171	MALIK AMIR JAN ZHOB		612-45-118544	SAMNDER	0.244	0.475	0.719	0.244	0.475	0.719
172	DALI ZHOB		612-38-127198	QALANDAR	0.237	0.463	0.700	0.237	0.463	0.700
173	MALO TANGI SIR SHRIQI		612-46-117745	RAM ZAN	0.326	0.582	0.907	0.326	0.582	0.907
174	JAMAL KHAN AHMED ZAI		612-35-065319	FAZAL KHAN	0.384	0.721	1.106	0.384	0.721	1.106
175	TAJ U DIN ZHOB		612-86-265680	SHENKEI	0.201	0.383	0.584	0.201	0.383	0.584
176	ZALAK ZHOB		612-42-097580	DENAK	0.179	0.341	0.520	0.179	0.341	0.520
177	ABDUL HAQ ZHOB JOHAR ZHOB		612-87-156101 612-48-023579	FAIZ HAQ BAIK	0.196	0.375	0.571	0.196	0.375	0.571
178	MOHAMMAD JAMIL ZHOB		612-85-150824	H MUZAMIL	0.184	0.347	0.530	0.184	0.347	0.530
179	MAHMOOD KHAN ZHOB		612-89-224627	SHAH WAZEER	0.178	0.323	0.502	0.178	0.323	0.502
180	MASOOD KHAN ZHOB		612-89-224629	SHAH WAZIR	0.241	0.453	0.694	0.241	0.453	0.694
181	SALEH MUHAMMAD DAHANA ABDULLAHZAI		612-89-126565	SULEMAN	0.267	0.516	0.783	0.267	0.516	0.783
182	NOORA KHAN KHAKHOW		612-59-225197	KAMALI	0.224	0.410	0.634	0.224	0.410	0.634
183	HABIBULLAH GHONDI SULMANZAI		612-90-312989	SAIDULLAH	0.339	0.586	0.925	0.339	0.586	0.925

## (GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
184	ABDUL QADIR KILLI GIRDIL MUSSHZAI		612-85-223519	HAZAT KHAN	0.279	0.472	0.751	0.279	0.472	0.751
185	SARWAR JAN KILLI AHMEDZAI		612-86-265804	SPPAK	0.243	0.408	0.651	0.243	0.408	0.651
186	MALIK DAD AHMEDZAI		612-88-144994	SHEEN KHAN	0.225	0.374	0.599	0.225	0.374	0.599
187	JALAT KHAN AHMED ZAI		612-52-036657	SAPPAK	0.344	0.590	0.933	0.344	0.590	0.933
188	FATEH KHAN AHMEDZAI		612-43-180595	SAPPAK	0.244	0.409	0.653	0.244	0.409	0.653
189	MOHAMMAD KHAN LAKA BAND		612-41-036907	JALI	0.350	0.615	0.965	0.350	0.615	0.965
190	MALIK AZIM KHAN KHULA		612-33-027811	MALIK WADAN	0.189	0.326	0.515	0.189	0.326	0.515
191	PAYOU KHAN TORA KHULA		612-43-010417	DADAN KHAN	0.189	0.327	0.516	0.189	0.327	0.516
192	LAL MOHAMMAD MURGHA KIBZAI		601-38-115930	BABOO KHAN	0.308	0.480	0.788	0.308	0.480	0.788
					49.301	102.982	150.329	31.355	114.485	145.842

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2008**  
**(PROJECT LOAN CASES)**

"Annexure-II"

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
					Total	Total	Total	Total	Total	Total		
1	A-ONE CHICKS ASLAM PARK SHAHDRA TOWN, LAHORE	KHALID ALI LANGHA ABID ALI LANGHA	35202-5604749-5 35202-1641834-9	MUHAMMAD TUFAIL MUHAMMAD TUFAIL	47.274	41.169	-	88.443	47.274	10.435	-	57.705
2	AGRO MASTER 3 SESSION COURT ROAD, CIVIL LINE, GUJRANWALA.	SUBAHAT ALI KHAN CH. FASAHT ALI KHAN UMATUL RAQIB BEGUM	285-49-489273 250-50-098695 285-24-204462	MULAHT ALI KHAN MULAHT ALI KHAN W/O MULAHT ALI KHAN	3.060	4.006	-	7.006	-	2.113	-	2.113
3	HAFIZ GOODOWN (NASRULLAH KHAN)	NASRULLAH KHAN FAZALULLAH	42301-7306719-9	HAFIZ ABDUL AZIZ HAFIZ ABDUL AZIZ	4.500	4.831	-	9.331	4.500	0.814	-	5.314
4	LANGAR SULEMANI MOHALLAH KHAWAJGAN, TEH. TAUNSA SHARIF, D. G. KHAN	KH. MUHAMMAD MEHBOOB KH. GHULAM MUHAMMAD SULEMAN KH. MUHAMMAD DAOOD SARDAR MUHAMMAD IQBAL KH. MUHAMMAD MAUDOOD KH. MUHAMMAD MAQBOOL MALIK MUHAMMAD YAR MEHBOOB	310-64-002097 310-88-025506 310-88-025506 310-85-063640 310-56-073173 310-87-002099 317-88-265120	KH. GHULAM SULEMAN KH. GHULAM ZAKRIYA KH. GHULAM SULEMAN JAN MUHAMMAD BHUTANI KH. GHULAM SULEMAN KH. GHULAM SULEMAN G M MUJTABA GHAZI KHAR	117.227	179.410	-	296.637	117.227	153.816	-	271.043
5	MUBARIK DAIRIES (PVT) LTD. 34-C F C C GULBERG, LAHORE	SYED IFTIKHAR ALI BUKHARI KHALID SURAJ BAJWA NAEEM AHMED BAJWA MUHAMMAD SARWAR AWAN DR. TAYYABA TASNEM AWAN WASEEM ANWAR NIAZI	270-35-103073 300-51-156843 270-54-299902 270-86-100645 244-46-438737 265-50-156087	SYED MUBARIK ALI SHAH SURAJ SAIFULLAH BAJWA SURAJ SAIFULLAH BAJWA MUHAMMAD HUSSAIN AWAN MUHAMMAD SARWAR AWAN MUHAMMAD ANWAR KHAN NIAZI	61.505	121.381	-	182.886	61.510	97.385	-	158.890
6	MULTAN EDIBLE OIL 12-B SOUTH PARK AVENUE, PHASE II, DHA, KARACHI	CH. MUNAWAR H. SINDHU CH. KHALID HUSSAIN ZIA UR REHMAN MRS. NASIM MUNAWAR FAUZIA BIBI SYEDA SAMINA ABRAR MRS. ANWAR NASREEN	501-47-467180 322-58-025321 501-86-761786 322-48-657112 322-58-724708 270-86-425447 322-86-421232	MUHAMMAD BHOOTA MUHAMMAD BHOOTA CH. MUNAWAR HUSSAIN W/O CH. MUNAWAR D/O IBRAR HUSSAIN W/O IBRAR HUSSAIN WIDOW OF ALUMDAR HUSSAIN	129.510	256.011	0.291	385.812	129.510	224.808	-	354.318
7	MURAD AGRO SERVICES 424-A, ALFLAH FORTH FLOOR, ALFLAH BUILDING, THE MALL, LAHORE	COL. ROSS MAHMOOD	270-38-348805	SHEIKH ATTAULLAH	4.500	11.252	-	15.752	-	7.587	-	7.587
8	NATIONAL MODARBA 24-A 3RD GAZRI STREET, PHASE IV, DHA, KARACHI	ASFAR HASNAIN RETD. AIRMARSHAL NOOR KHAN ABDUL REHMAN BAKHTIAR TOUFIQ ALI SAEED SHAFIQ ALI SAEED BEGUM FARHAT NOOR KHAN	597-41-003469 514-23-007961 NA 531-31-00000 514-41-095366 NA	LATE SAEED ANNUL HASAN MALIK MEHAR KHAN M KHALTIAN BUKHTIAR RAZA ALI RAZA ALI W/O NOOR KHAN	5.987	-	-	5.987	5.987	-	-	5.987
9	PAKPATTAN DAIRIES 68-L, GULBERG III, LAHORE	FAROOQ A MANEKA GOHAR FARID MANEKA MOAZZAM M K MANEKA KHALIQ DAD K. BHANDRA CH. SALEEM NAZIR CH. NAZIR AHMED AZAM FARID K. MANEKA	337-64-289413 NA 35200-9680607-3 352-55-192873 514-65-102164 514-65-102164 NA	GHULAM M A KHAN MANEKA MIAN NAZAR FARID GHULAM M A K MANEKA MEHBOOB ALAM CH. NAZIR AHMED CH. HAJI BAHADUR M. NAZAR FARID	54.337	430.166	-	484.503	54.337	412.778	-	467.115
10	QUANTIC LEATHER 49 KHYZERABAD NEAR	ITRAT PARVEZ KHAN MUZAFFAR ALI AHSAN	35201-4627318-9 212-51-024644	ABDUL JABBAR MUHAMMAD ALI AHSAN	26.243	59.656	-	85.899	26.243	38.858	-	65.101

(PROJECT LOAN CASES)										(Rs. in million)			
S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off					
					Principal	Interest	Others	Principal	Interest	Others	Total		
	SHALIMAR TOWN, LAHORE	MALIK AMJAD ALI CHAND AHMED MUGHAL ABDUL LATIF	224-88-091462 211-17-257643 211-24-057960	MALIK BAGH ALI FEROZ DIN MUGHAL MUHAMMAD SHAH KHAN									
11	SARHAD BOARDS & CHEMICAL NA	SAIFUR REHMAN KHAN GUL NIAZ MUHAMMAD MRS. FARHAT MANAN MST. KHALIDA KHAN	135-52-100092 138-43-040202 135-88-107609 135-56-183390 138-56-274082	HAJI ABDUL MALIK JAN GUL ABDUL JALIL FARASAT MANAN KHAN GUL	4.585	5.147	-	9.732	3.103	-	-	3.103	3.103
12	SARMAST TRADERS 2 C STADIUM LANE III, PHASE V, KHYABANE SHAMSHIR, DHA, KARACHI	ROSHAN ALI CHAJRO MUHAMMAD QAMAR ALAM MUHAMMAD ZAMAN	422-47-106063 515-85-095209 507-26-162112	GULL MUHAMMAD CHAJRO M KHURSHID ALAM MUHAMMAD SALEH	0.600	2.089	-	2.689	0.600	2.089	-	2.689	2.689
13	WARAICH POULTRY FARM 13 BANK COLONY, MULTAN ROAD, LAHORE	SHAFQAT ALI	272-54-081317	GULZAR AHMED	4.327	10.875	-	15.202	-	8.443	-	8.443	8.443
14	ZAREE AGRO SERVICES 18 ALAMGIR ROAD, ISLAMPURA, LAHORE	MASOOD UL HASSAN ANWAR SAEED KHAN NISAR KAYANI	249-48-072123 272-42-129088 101-60-049222	S A LATIF AHMED SAEED KHAN GHULAM MUHAMMAD KHAN	3.738	4.334	-	8.072	3.738	1.279	0.004	5.021	5.021
15	SAVAL AGRO SERVICES	MAZHARUL HAQ SHAH KHAGA	333-55-068408	ZAMAN SHAH	3.644	4.279	-	7.923	-	3.063	-	3.063	3.063
					470.977	1,134.606	0.291	1,605.874	454.029	963.468	0.004	1,417.492	1,417.492



# Financial Statements

BDO EBRAHIM & CO.  
Chartered Accountants  
3rd Floor, Saeed Plaza  
22 East, Jinnah Avenue, Blue Area  
Islamabad.

HYDER BHIMJI & CO.  
Chartered Accountants  
2nd Floor, Standard Insurance  
House  
I.I Chundrigar Road  
Karachi

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ZARAI TARAQIATI BANK LIMITED ("the Bank") as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for one hundred and four branches which have been audited by us 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 purpose of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and,
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2008 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, 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;

Without qualifying our opinion, we draw attention to the following matters:

1. Prudential Regulation "O-3" for Corporate/Commercial Banking requires clearance of all outstanding entries in inter-branches/offices current accounts within, a period of 30 days from the date of recording of transactions in the aforesaid financial statements. We have, however, noted balances in inter-branches/offices current accounts, reported in note 18 to the financial statements on net basis amounting to Rs. 668.141 million-Credit Balance (December 31, 2007: Rs. 531.431-Credit Balance) which includes transactions beyond a period of 30 days.
2. As reported in note 14.3, 22.2.9 and 22.2.10 to the financial statements, the matter of determination of balance due to the State Bank of Pakistan (SBP) which, as worked out by the Bank, in addition to the mark up already recorded by the Bank amounts to Rs. 5,324 million is under consideration of SBP and Ministry of Finance for final decision. Furthermore, installments of debts payable in July 2006, January 2007, July 2007, January 2008 and July 2008 as required by SBP vide their letter dated December 16, 2004 has not been paid. As per management, the matter of restructuring of SBP debt amounting to Rs. 54,461 million and markup of Rs. 16,097 million is under active consideration of Government of Pakistan. Outcome of the decision on this proposal may require appropriate adjustment in the financial statements.

BDO EBRAHIM & CO.  
Chartered Accountants

Islamabad

HYDER BHIMJI & CO.  
Chartered Accountants

Karachi



**ZARAI TARAQIATI BANK LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 2008**

	Note	2008	2007
Rupees in 000			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	1,732,495	2,103,682
Balances with other banks	8	15,881,673	11,943,898
Lendings to financial institutions		-	-
Investments - net	9	5,055,690	7,604,233
Advances - net	10	69,923,497	61,313,006
Operating fixed assets	11	1,142,886	865,293
Other assets - net	12	8,604,549	9,556,224
		102,340,790	93,386,336
<b>LIABILITIES</b>			
Bills payable	13	613,378	392,726
Borrowings	14	51,257,213	51,257,213
Deposits and other accounts	15	5,425,259	4,323,150
Sub-ordinated loans	16	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liability	17	185,557	119,191
Other liabilities	18	24,289,347	19,134,241
		84,975,077	78,430,844
<b>NET ASSETS</b>		17,365,713	14,955,492
<b>REPRESENTED BY</b>			
Share capital	19	12,522,441	11,869,612
Reserves	20	1,086,169	565,911
Unappropriated profit		3,262,655	1,834,453
		16,871,265	14,269,976
Surplus on revaluation of assets-net of tax	21	494,448	685,516
		17,365,713	14,955,492
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these financial statements.

<b>PRESIDENT</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>
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**ZARAI TARAQIATI BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Note	2008	2007
Rupees in 000			
Mark-up/return/interest earned	23	8,470,169	7,022,360
Mark-up/return/interest expensed	24	3,489,411	3,418,023
Net mark - up/interest income		4,980,758	3,604,337
Provision against non-performing loans and advances		1,922,988	3,090,206
Provision/(reversal) for diminution in the value of investment	9.3	1,271	(686)
Write offs under Government relief packages		-	567,445
Bad debts written off directly		-	-
		1,924,259	3,656,965
Net mark-up/interest income after provisions		3,056,499	(52,628)
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		4,406	2,338
Dividend income		11,410	2,153
Other income	25	5,777,120	5,729,582
Total non mark-up/interest income		5,792,936	5,734,073
		8,849,435	5,681,445
<b>NON MARK - UP/INTEREST EXPENSES</b>			
Administrative expenses	26	4,520,459	3,788,935
Provision against other assets	12.4	337,061	72,149
Provision for stolen fixed assets		2,598	-
Other charges	27	912	5,849
Total non mark - up/interest expenses		4,861,030	3,866,933
		3,988,405	1,814,512
<b>UNUSUAL ITEM</b>	28	-	30,366
<b>PROFIT BEFORE TAXATION</b>		3,988,405	1,784,146
Taxation - Current	29	1,387,835	631,484
- Prior years		12,606	8,285
- Deferred	29	(13,325)	111,561
		1,387,116	751,330
<b>PROFIT AFTER TAXATION</b>		2,601,289	1,032,816
Unappropriated profit brought forward		1,834,453	1,008,200
<b>Profit available for appropriation</b>		4,435,742	2,041,016
<b>Basic earnings per share (Rupees)</b>	30	2.077	0.825
<b>Diluted earnings per share (Rupees)</b>	31	2.077	0.825

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these financial statements.

**PRESIDENT**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**ZARAI TARAQIATI BANK LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008**

Note	2008	2007
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,988,405	1,784,146
Rental income	(14,544)	(10,446)
Dividend income	(11,410)	(2,153)
	3,962,451	1,771,547
Adjustments for non-cash charges:		
Depreciation - tangible	183,850	131,683
Amortization - intangible	18,333	1,847
Amortization of deferred income	(81,579)	(14,769)
Provision against non-performing loans and advances	1,922,988	3,090,206
Provision/(reversal) for diminution in the value of investments	1,271	(686)
Provision for stolen fixed assets	2,598	-
Reversal for employees post retirement benefits	(354,130)	(160,773)
Provision against other assets	337,061	72,149
Fixed assets - written off	682	4,879
Unusual item	-	30,366
Write offs under Government relief packages	-	567,445
Provision for employees' compensated absences	243,528	271,137
Gain on sale of operating fixed assets	(19,428)	(28,182)
	2,255,174	3,965,302
	6,217,625	5,736,848
Increase in operating assets:		
Advances-net	(10,533,479)	(4,131,600)
Others assets - net	1,069,005	(495,887)
	(9,464,474)	(4,627,487)
Increase in operating liabilities:		
Bills payable	220,652	116,393
Deposits and other accounts	1,102,109	1,440,766
Other liabilities (excluding current taxation)	4,244,701	4,320,635
	5,567,462	5,877,794
Staff retirement benefit payments	(379,689)	(34,791)
Income tax paid	(372,557)	(160,978)
Net cash flow generated from operating activities	1,568,367	6,791,386
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment (held to maturity securities)	2,435,895	(1,646,543)
Rental income received	14,544	10,446
Dividend received	11,410	2,153
Investment in operating fixed assets	(500,406)	(214,565)
Sale proceeds of property and equipment disposed-off	36,778	28,182
Net cash flow generated from/(used in) investing activities	1,998,221	(1,820,326)
	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in cash and cash equivalents	3,566,588	4,971,060
Cash and cash equivalents at beginning of the year	14,047,580	9,076,520
Cash and cash equivalents at end of the year	17,614,168	14,047,580

32

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008**

	Share capital	Statutory reserve	Revenue Reserve		Total
			Contingencies reserve	Unappropriated profit	
	Rupees in '000				
<b>Balance as at December 31, 2006</b>	11,869,612	299,348	60,000	1,008,200	13,237,160
Profit for the year ended December 31, 2007	-	-	-	1,032,816	1,032,816
Transfer to statutory reserve	-	206,563	-	(206,563)	-
<b>Balance as at December 31, 2007</b>	11,869,612	505,911	60,000	1,834,453	14,269,976
Profit for the year ended December 31, 2008	-	-	-	2,601,289	2,601,289
Transfer to statutory reserve	-	520,258	-	(520,258)	-
Issuance of bonus shares	652,829	-	-	(652,829)	-
<b>Balance as at December 31, 2008</b>	12,522,441	1,026,169	60,000	3,262,655	16,871,265

The annexed notes from I to 44 and Annexures I to II form an integral part of these financial statements.

**PRESIDENT**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**ZARAI TARAQIATI BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 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 stake holders. Accordingly the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan 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 was incorporated as a public limited company under the Companies Ordinance, 1984 on October 23, 2002. Consequently, under SRO 823 (1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan 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. 8.9 billion. The Bank's principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 342 (December 31, 2007: 342) branches in Pakistan as at 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 represents separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary are being issued separately.

**2.2** The State Bank of Pakistan (SBP) vide Banking Surveillance Department (BSD) Circular No. 4 dated February 17, 2006 has issued 'Revised forms of Annual Financial Statements'. These financial statements have been presented in accordance with such revised form.

**3. STATEMENT OF COMPLIANCE**

**3.1** These financial statements have been prepared in accordance with the approved accounting standards applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of directives given in the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 shall prevail.

**3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40,

Investment Property (IAS 40) through BSD Circular No. 10 dated August 23, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been presented in accordance with the requirements prescribed by the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

### 3.3 Standards, amendments and interpretations to published approved accounting standards effective in current year

During the year ended December 31, 2008, IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction" is effective from the Bank's annual periods beginning on or after January 01, 2008. IFRIC 14 provides guidance on assessing the limit in International Accounting Standard (IAS) 19 "Employee Benefits" on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Bank has considered the implication of interpretation on the surplus that can be recognized as an asset.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2008 but are considered not to be relevant or do not have any significant impact on the Bank's financial statements.

### 3.4 Standards, amendments and interpretations to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are either not yet effective or relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain increased disclosures in certain cases:

	<b>Effective date (accounting periods beginning on or after)</b>
IFRS - 2 Share-based Payments	January 1, 2009
IFRS - 3 Business Combinations	July 1, 2009
IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations	July 1, 2009
IAS - 16 Property, Plant and Equipments	January 1, 2009
IAS - 20 Accounting for Government Grants and Disclosure for Government Assistance	January 1, 2009
IAS - 23 Borrowing Costs	January 1, 2009
IAS - 27 Consolidated and Separate Financial Statements	January 1, 2009
IAS - 29 Financial Reporting in Hyperinflationary Economies	January 1, 2009
IAS - 31 Interests in Joint Ventures	January 1, 2009
IAS - 32 Financial Instruments: Presentation	January 1, 2009
IAS - 41 Agriculture	January 1, 2009
IFRIC - 13 Customer Loyalty Program	July 1, 2008
IFRIC - 15 Agreements for the Construction of Real Estate	January 1, 2009
IFRIC - 16 Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC - 17 Distributions of Non-cash Assets to Owners	July 1, 2009

#### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments (Note 9) and in conformity with the accepted accounting practices of the banking institutions in Pakistan.

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.

#### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires 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 on future events that are believed to be reasonable under these 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:

##### **5.1. Classification of Investments**

As described in Note 6.6 held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while held to maturity are investments where the management has positive intent and ability to hold 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 securities involves management judgment at the time of purchase whether the financial assets are held for trading, held to maturity or available for sale investments.

##### **5.2. Provision against advances**

The amount of provision is determined in accordance with the relevant SBP prudential regulations and management's judgment.

##### **5.3. Defined benefit plans**

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension and salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

##### **5.4. Operating fixed assets**

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

##### **5.5. Depreciation and amortization of operating fixed assets**

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is change in the expected pattern of consumption of the future economic benefits embodied on the assets, the method is changed to

reflect the changed pattern. Such change is accounted for as a change in accounting estimate in accordance with the IAS-8, 'Changes in Accounting Estimates and Errors'.

## **5.6 Taxation**

In making the estimates for income taxes 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.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are set out below.

### **6.1 Staff retirement benefits**

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

#### **Pension scheme**

The Bank operates defined benefits funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the 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 actuaries by using 'Projected Unit Credit Method'. Any surplus/deficit arising on actuarial valuation in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets, is recognized as income or expense over the estimated working lives of the employees.

#### **Gratuity scheme**

The Bank operates defined benefits funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the 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. Any surplus/deficit arising on actuarial valuation by independent actuaries in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

#### **Provident fund scheme**

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees benefits 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 benefits 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.

#### **Benevolent scheme**

The Bank also has two funded defined benefits 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 which is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.



## **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.

## **6.2 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 Project Unit Credit method.

## **6.3 Cash and cash equivalents**

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

## **6.4 Advances**

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery while advances are charged off in accordance with the Prudential Regulations issued by the SBP.

## **6.5 Investment**

The Bank classifies its investment as follows:

### **Held-for-Trading**

These are securities acquired principally for the purpose of generating profits from short term fluctuations in market price.

### **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 subsidiaries which do not fall under the 'Held-for-Trading' and 'Held to-Maturity' categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity, are valued at fair value. Investments classified as held to maturity are carried at amortised cost. The surplus/deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Investment in un quoted securities are carried at lower of cost and break-up value less impairment

loss, if any.

In case of held to maturity securities, the difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

Investments in subsidiary company is carried at cost less impairment, if any. Provision is made for permanent impairment in value, if any.

Gains or losses on disposals of investments are dealt with through profit and loss account in the year in which they arise.

## **6.6 Operating fixed assets and depreciation/amortization**

Property and equipment except free hold land are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses, if any. Free hold land is stated at cost.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11. Depreciation is charged on reducing balance method except for vehicles, computer equipment and lease hold 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 balance sheet 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 profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognised 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.

## **6.7 Intangible Assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised for the proportionate period for which the asset remains in use, using the straight line method, whereby the costs of the intangible assets are amortised over its useful life over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

## **6.8 Impairment**

The carrying value of assets are reviewed at each balance sheet 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, 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 except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## **6.9 Taxation**

### **Current**

Provision for current taxation is based on taxable income at the current rate after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments where 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 balance sheet 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.

## **6.10 Borrowings / Deposits and their costs**

Borrowings / deposits are recorded at the proceeds received.

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

## **6.11 Revenue recognition**

Markup/interest on advances and returns on investments are recognized on an accrual basis except markup/interest on classified advances which is recognized on a receipt basis, in accordance with the prudential regulations issued by the SBP.

Commission income is recognized when earned.

Profit/(loss) on sale of investments is credited/charged to profit and loss account currently.

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

Rental income is accounted for on accrual basis.

## **6.12 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 balance sheet date and are adjusted to reflect current best estimate.

## **6.13 Foreign currencies**

Transaction in foreign currencies are translated to Rupee at the foreign currency rate prevailing on the transaction date.

#### **6.14 Financial assets and financial liabilities**

All the financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### **6.15 Offsetting**

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

#### **6.16 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	CASH AND BALANCES WITH TREASURY BANKS	Note	2008	2007
			Rupees '000	
	<b>Local Currency</b>			
	In hand		517,907	344,497
	Prize bonds		616	609
	In current accounts with:			
	State Bank of Pakistan	7.1	1,213,970	1,758,574
	National Bank of Pakistan		2	2
			<u>1,732,495</u>	<u>2,103,682</u>

7.1 It represents cash reserves at the rate of 5% of the bank's demand liabilities and deposits maturity upto one year in Pakistan, at nil return. Cash reserve is required to be maintained with State Bank of Pakistan under section 22 of Banking Companies Ordinance, 1962 and Banking Surveillance Department Circular No. 25 dated October 17, 2008.

## 8 BALANCES WITH OTHER BANKS

	In Pakistan in local currency:			
	In current accounts		36,826	18,475
	In deposit accounts	8.1	15,844,847	11,925,423
			<u>15,881,673</u>	<u>11,943,898</u>

8.1 These carry mark-up ranging from 5.00% to 21.5% per annum (2007: 2.00% to 11.5% per annum)

## 9 INVESTMENTS - NET

### 9.1 Investment by types

	Note	2008			2007		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000							
<b>Available-for-Sale securities</b>							
Listed companies	9.5	90,294	-	90,294	90,294	-	90,294
Un-listed companies	9.6.4	10,523	-	10,523	10,523	-	10,523
		<u>100,817</u>	<u>-</u>	<u>100,817</u>	<u>100,817</u>	<u>-</u>	<u>100,817</u>
<b>Held-to-Maturity securities</b>							
Market Treasury Bills	9.4	3,244,454	-	3,244,454	2,883,166	-	2,883,166
Pakistan Investment Bonds	9.4	1,044,645	2,743	1,047,388	1,084,507	-	1,084,507
Federal Investment Bonds	9.4	-	-	-	708,743	2,492	711,235
Certificates of Investment		-	-	-	2,048,829	-	2,048,829
		<u>4,289,099</u>	<u>2,743</u>	<u>4,291,842</u>	<u>6,725,245</u>	<u>2,492</u>	<u>6,727,737</u>
<b>Investment in subsidiary</b>							
Kissan Support Services (Pvt.) Limited (KSSL)	*	100,000	-	100,000	100,000	-	100,000
<b>Total investments</b>		<u>4,489,916</u>	<u>2,743</u>	<u>4,492,659</u>	<u>6,926,062</u>	<u>2,492</u>	<u>6,928,554</u>
Provision for diminution in value of investments	9.3	(11,108)	-	(11,108)	(9,837)	-	(9,837)
<b>Investments (Net of provisions)</b>		<u>4,478,808</u>	<u>2,743</u>	<u>4,481,551</u>	<u>6,916,225</u>	<u>2,492</u>	<u>6,918,717</u>
Surplus on revaluation of Available-for-Sale securities	21	574,139	-	574,139	685,516	-	685,516
<b>Total investments at revalued amount - net of provision</b>		<u>5,052,947</u>	<u>2,743</u>	<u>5,055,690</u>	<u>7,601,741</u>	<u>2,492</u>	<u>7,604,233</u>

\* KSSL is a wholly owned subsidiary of the Bank and has been incorporated in Pakistan as a private limited company on September 19, 2005. KSSL provides multiple services to the Bank including security and janitorial services.

	Note	2008	2007
Rupees in '000			
<b>9.2 Investment by segments</b>			
<b>Federal government securities</b>			
Market Treasury Bills	9.4	3,244,454	2,883,166
Pakistan Investment Bonds	9.4	1,047,388	1,084,507
Federal Investment Bonds		-	711,235
		4,291,842	4,678,908
<b>Fully paid up ordinary shares:</b>			
Listed companies	9.5	90,294	90,294
Un-listed companies	9.6	10,523	10,523
		100,817	100,817
Certificates of investment	9.7	-	2,048,829
Investment in wholly owned Subsidiary Company (10,000 ordinary shares of Rs. 10 each)	40	100,000	100,000
<b>Total investment at cost</b>		4,492,659	6,928,554
Provision for diminution in value of investments	9.3	(11,108)	(9,837)
<b>Investments (net of provisions)</b>		4,481,551	6,918,717
Surplus on revaluation of available-for-sale securities	21	574,139	685,516
<b>Total investments at market value</b>		5,055,690	7,604,233

### 9.3 Particulars of provision

Opening balance		9,837	10,523
Charge for the year		1,271	-
Reversals		-	(686)
Closing balance		11,108	9,837

### 9.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities-(listed securities)		585	-
Available-for-sale securities-(un-listed securities)		10,523	9,837

### 9.4 Principal terms of investments in federal government securities

Name of investment	Maturity	Note	Principal payment	Rate %	Coupon payment
Market Treasury Bills	February 2009 to March 2009	9.4.1	On maturity	10.1 to 13.6	at maturity
Pakistan Investment Bonds	August 2011 to December 2011	9.4.1	On maturity	12 to 13	semi-annually

9.4.1 Market treasury bills and Pakistan Investment Bonds are held by the Bank which also covers statutory liquid reserve requirements calculated on the basis of domestic demand and time liabilities.

9.4.2 Pakistan Investment Bonds having amortised cost of Rs. 2.743 million (December 31, 2007: Federal Investment Bonds having amortised cost of Rs. 2.492 million) are pledged/lodged with SBP as security for Telegraphic Transfer/Demand Draft discounting facility obtained for branches.

### 9.5 Particulars of investments held in listed companies

No. of ordinary shares		Paid up value/share	Name of companies	2008	2007
2008	2007	Rupees		Rupees in '000	
430,551	430,551	10	Nestle Milkpak Limited	89,297	89,297
450,000	450,000	10	Uqab Breeding Farm Limited		
150,000	150,000	10	Mubarik Dairies Limited	585	585
300,000	300,000	10	Dadabhoy Agricultural Leasing Limited	412	412
			9.5.1	-	-
				90,294	90,294

9.5.1 Dadabhoy Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rs. 2.50 against its face value of Rs. 10 per share.

9.5.2 Uqab Breeding Farm Limited is under suspension since April 9, 2007. At the date of suspension, its market value per share was nil against its face value of Rs. 10 per share.

9.5.3 Market value of listed investment is Rs. 574.740 million.

9.6 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value	Based on audited financial statements as at	Name of chief executive/ managing director
Rupees in '000					
National Commodity Exchange Limited	9.09%	909,091	(1,416)	June 30, 2008	Mr. Assim Jang
Saudi Pak Kala Bagh Livestock Limited-net 9.6.1	33.33%	1,000,000	-	-	Mr. M. Asad Khan
Pakistan Agricultural Storage and Services Corporation Limited-net	8.33%	2,500	89,108	March 31, 2008	Maj.Gen.(R) F.A.Khan
Larkana Sugar Mills Limited-net 9.6.2	6.36%	141,970	-	-	Mr. Anwar Majeed

- 9.6.1 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan and the case has been referred to National Accountability Bureau.
- 9.6.2 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.
- 9.6.3 Investment in Saudi Pak Kalabagh Livestock Limited and Larkana Sugar Mills Limited are stated at book value due to non-availability of required information for the calculation of breakup value. Moreover, these investments are fully provided for in these financial statements.
- 9.6.4 Carrying value of un-listed investments is Rs. 10.523 million and face value of investment in un-listed securities is Rs. 37.220 million.

9.8 Quality of Available-for-Sale securities	2008		2007	
	Amount Rupees in '000	Credit Rating	Amount Rupees in '000	Credit Rating
Nestle Milk Pak Limited	89,297	Unrated	89,297	Unrated
Uqab Breeding Farm Limited	585	Unrated	585	Unrated
Mubarik Dairies Limited	412	Unrated	412	Unrated
National Commodity Exchange Limited	10,523	Unrated	10,523	Unrated
	<u>100,817</u>		<u>100,817</u>	

10 ADVANCES - NET	Note	2008 Rupees in '000	2007 Rupees in '000
Loans, cash credits, running finances, etc. In Pakistan - gross	10.1	77,770,248	70,540,426
Less:			
Provision for non-performing advances	10.2	(7,806,237)	(9,221,928)
Provision for advances to employees		(40,514)	(5,492)
Advances-net of provision		<u>69,923,497</u>	<u>61,313,006</u>
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		<u>77,770,248</u>	<u>70,540,426</u>
10.1.2 Short term		57,405,793	52,069,129
Long term		20,364,455	18,471,297
		<u>77,770,248</u>	<u>70,540,426</u>

10.2 Advances include Rs. 12,985.615 million (December 31, 2007: Rs. 16,708.288 million) which have been placed under non-performing status as detailed below:

Category of classification	2008			2007		
	Rupees in '000			Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other Assets Especially Mentioned	6,039,362	-	-	5,253,843	-	-
Substandard	1,666,295	333,255	333,255	4,718,271	943,653	943,653
Doubtful	1,613,945	806,969	806,969	2,915,788	1,457,889	1,457,889
Loss	3,666,013	3,666,013	3,666,013	3,820,386	3,820,386	3,820,386
	<u>12,985,615</u>	<u>4,806,237</u>	<u>4,806,237</u>	<u>16,708,288</u>	<u>6,221,928</u>	<u>6,221,928</u>
Provision under portfolio audit - general	-	-	3 000 000	-	-	3 000 000
	<u>12,985,615</u>	<u>4,806,237</u>	<u>7,806,237</u>	<u>16,708,288</u>	<u>6,221,928</u>	<u>9,221,928</u>

10.3 Particulars of provision against non-performing advances

	Note	2008			2007		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
Opening balance		6,221,928	3,000,000	9,221,928	6,772,751	3,000,000	9,772,751
Net charge for the year		1,887,966	-	1,887,966	3,088,843	-	3,088,843
Amounts written off	10.4	-	-	-	-	-	-
Amounts charge off	10.5	(3,303,657)	-	(3,303,657)	(3,639,666)	-	(3,639,666)
Closing balance		4,806,237	3,000,000	7,806,237	6,221,928	3,000,000	9,221,928

10.3.1 Particulars of provision against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	4,806,237	3,000,000	7,806,237	6,221,928	3,000,000	9,221,928

10.4 Particulars of write offs

10.4.1 Against provisions

	Note	2008	2007
Rupees in '000			
Write offs of Rs 500 000 and above	10.6	-	-
Write offs of below Rs 500,000		-	-
		-	-

10.5 Particulars of Charge Offs

10.5.1 Against provisions

10.5.2 Charge offs of Rs 500,000 and above  
Charge offs of below Rs 500,000

	2008	2007
Rupees in '000		
	3,303,657	3,639,666
	-	-
	3,303,657	3,639,666
	3,303,657	3,639,666

10.6 Details of write offs of Rs 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 have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended December 31, 2008 no write-off or any other financial relief was allowed to any person(s).

10.7 Particulars of charge off

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2008 was Rs 36,304 million (Rs. 36,570 million as at December 31, 2007) with an addition of Rs. 3,304 million (Rs. 3,640 million for the year ended December 31, 2007) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand in respect of general loan and project loan are given at Annexure-I and II respectively.



**10.8 Particulars of loans and advances****To directors, executives and officers**

Debts due by the directors, executives and officers of the bank or any of them either severally or jointly with other person.

	<b>2008</b>	<b>2007</b>
	<b>Rupees in '000</b>	
Balance at the beginning of year	2,001,079	1,615,129
Loans granted during the year	735,501	865,002
	<u>2,736,580</u>	<u>2,480,131</u>
Repayments	(721,138)	(479,052)
Balance at the end of year	<u><u>2,015,442</u></u>	<u><u>2,001,079</u></u>

**To associated companies**

Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members

	<b>Note</b>	<b>2008</b>	<b>2007</b>
		<b>Rupees in '000</b>	
Balance at the beginning of year		-	-
Repayments/write offs		-	-
Balance at the end of year		<u><u>-</u></u>	<u><u>-</u></u>

**11 OPERATING FIXED ASSETS**

Property and equipment	11.1	1,083,565	863,395
Intangible assets	11.2	59,321	1,898
		<u><u>1,142,886</u></u>	<u><u>865,293</u></u>

11.1 Property and equipment

Particulars	COST				DEPRECIATION				Book value at December 31, 2008	Rate of Depreciation	
	At January 1, 2008	Additions	(Deletions)/ adjustments	Provision for stolen asset	At December 31, 2008	Charge for the year	(Deletions)/ adjustments	Provision for stolen asset			At December 31, 2008
	Rupees in '000										
Free hold land	170,961	-	-	-	170,961	-	-	-	-	170,961	-
Lease hold land	10,640	-	-	-	10,640	1,990	398	-	2,388	8,252	Lease terms for 33 to 99 years
Building on free hold land	137,907	-	-	-	137,907	31,298	5,330	-	36,628	101,279	5%
Building on leasehold land	306,359	8,698	-	-	315,057	78,580	11,885	-	90,465	224,592	5%
Building on leasehold land - ADB	-	21,224	-	-	21,224	-	644	-	644	20,580	5%
Furniture and fixtures	26,937	29,837	(4,098)	-	52,676	12,465	4,723	(2,422)	14,766	37,910	10%/20%
Computer, office and other equipments	139,880	48,406	(73,447)	-	114,839	71,484	28,737	(59,503) *	40,718	74,121	20/33.33%
Computer, office and other equipments - ADB	-	135,029	35,482	-	170,511	-	38,424	20,925 *	59,349	111,162	20/33.33%
Vehicles	465,161	181,456	(68,068)	(3,212)	575,337	198,633	93,709	(51,098)	240,629	334,708	20%
<b>2008</b>	<b>1,257,845</b>	<b>424,650</b>	<b>(110,131)</b>	<b>(3,212)</b>	<b>1,569,152</b>	<b>394,450</b>	<b>183,850</b>	<b>(92,098)</b>	<b>485,587</b>	<b>1,083,565</b>	
* It includes asset costing Rs. 35,482 million and depreciation amounting Rs. 20,925 million transferred from Computer, office and other equipments to Computer, office and other equipments - ADB											
** This represents the cost and depreciation of the stolen vehicles.											
	Rupees in '000										
Free hold land	170,961	-	-	-	170,961	-	-	-	-	170,961	-
Lease hold land	10,640	-	-	-	10,640	1,592	398	-	1,990	8,650	Lease terms for 33 to 99 years
Building on free hold land	137,886	21	-	-	137,907	25,825	5,473	-	31,298	106,609	5%
Building on leasehold land	304,400	1,959	-	-	306,359	67,241	11,339	-	78,580	227,779	5%
Furniture and fixtures	30,523	12,058	(15,644)	-	26,937	10,664	3,285	(1,484)	12,465	14,472	10%/20%
Computer, office and other equipments	96,236	52,413	(8,769)	-	139,880	49,713	29,177	(7,406)	71,484	68,396	20/33.33%
Vehicles	375,123	148,615	(58,577)	-	465,161	157,327	82,011	(40,705)	198,633	266,528	20%
<b>2007</b>	<b>1,125,769</b>	<b>215,066</b>	<b>(82,990)</b>	<b>-</b>	<b>1,257,845</b>	<b>312,362</b>	<b>131,683</b>	<b>(49,595)</b>	<b>394,450</b>	<b>863,395</b>	

11.1.1 Reconciliation of carrying value of the property and equipment

Particulars	Book value at January 1, 2008	Additions	(Deletions)/ adjustments	Provision for stolen asset	Charge for the year	(Deletions)/ adjustments	Provision for stolen asset	Book value at December 31, 2008	Rate of Depreciation
Rupees in '000									
Free hold land	170,961	-	-	-	-	-	-	170,961	-
Lease hold land	8,650	-	-	-	(398)	-	-	8,252	Lease terms for 33 to 99 years
Building on free hold land	106,609	-	-	-	(5,330)	-	-	101,279	5%
Building on leasehold land	227,779	8,698	-	-	(11,885)	-	-	224,592	5%
Building on leasehold land - ADB	-	21,224	-	-	(644)	-	-	20,580	5%
Furniture and fixtures	14,472	29,837	(4,098)	-	(4,723)	2,422	-	37,910	10%/20%
Computer, office and other equipments	68,396	48,406	(73,447)	-	(28,737)	59,503	-	74,121	20/33.33%
Computer, office and other equipments - ADB	-	135,029	35,482	-	(38,424)	(20,925)	-	111,162	20/33.33%
Vehicles	266,528	181,456	(68,068)	(3,212)	(93,709)	51,098	615	334,708	20%
<b>2008</b>	<b>863,395</b>	<b>424,650</b>	<b>(110,131)</b>	<b>(3,212)</b>	<b>(183,850)</b>	<b>92,098</b>	<b>615</b>	<b>1,083,565</b>	

11.2 Intangible assets

Particulars	COST			AMORTIZATION			Book value at December 31, 2008	Rate of Amortization
	At January 1, 2008	Additions	adjustments	At December 31, 2008	Charge for the year	adjustments		
Computer software	5,543	649	(5,393)	799	213	(3,617)	558	33.33%
Computer software - ADB	-	75,107	5,393	80,500	18,120	3,617	58,763	33.33%
<b>2008</b>	<b>5,543</b>	<b>75,756</b>	<b>-</b>	<b>81,299</b>	<b>18,333</b>	<b>-</b>	<b>59,321</b>	
Rupees in '000								
Computer software	5,393	150	-	5,543	1,847	-	3,645	33.33%
<b>2007</b>	<b>5,393</b>	<b>150</b>	<b>-</b>	<b>5,543</b>	<b>1,847</b>	<b>-</b>	<b>1,898</b>	
Rupees in '000								

11.3 During the year ended December 31, 2008, no asset has been disposed off whose original cost or the book value exceeded one million and two hundred fifty thousand rupees respectively, whichever is lower.

11.4 The information relating to the disposal of asset to the related parties is disclosed as under;

List of vehicles disposed off to the related parties during the year

Sr. No.	Particular of Assets	Purchase price	Accumulated depreciation	Book Value	Sale Proceed	Gain/(loss) on sale	Particulars of Purchaser
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Mode of disposal- Car Loan Depreciation Policy (CLDP)

1	TLC-5 DOOR	951,107	951,106	1	1	-	Mansoor Khan, Ex-President
2	Nissan Sunny	120,000	119,999	1	101,900	101,899	Muhammad Sarwar, Ex-SVP
3	Suzuki Cultus	615,000	278,351	336,649	336,649	-	Sajid H. Shah Jilani, SVP
4	Suzuki Cultus	555,000	243,592	311,408	311,408	-	Abdul Waheed Memon, VP
5	Suzuki Cultus	615,000	285,090	329,910	329,910	-	Muhammd Munsha, SVP
6	Suzuki Cultus	555,000	243,896	311,104	311,104	-	Shafqat Ahmed, VP
7	Suzuki Cultus	585,000	103,216	481,784	481,784	-	Shah Nawaz, VP
8	Suzuki Cultus	555,000	194,630	360,370	360,370	-	Sheikh M. Zafarullah, VP
9	Suzuki Cultus	555,000	179,425	375,575	375,575	-	Syeda Tasneem, VP
10	Toyota Altas	929,000	252,484	676,516	676,516	-	Basharat A. Malik, SEVP
11	Suzuki Liana	794,000	281,925	512,075	512,075	-	Col <sup>®</sup> Javaid Zahoor, MD KSSL
12	Suzuki Cultus	555,000	173,038	381,962	381,962	-	Ars had Meh mood, VP
13	Suzuki Cultus	555,000	180,641	374,359	374,359	-	Nek Muhammad Javed, SVP
14	Suzuki Cultus	555,000	228,995	326,005	326,005	-	Jaffar Hussain Zuberi, VP

Mode of disposal - Written off

1	Suzuki Cultus	555,000	202,233	352,767	-	(352,767)	Late K.M. Tasleem, VP
2	Suzuki Cultus	555,000	225,041	329,959	-	(329,959)	Late Malik Sher Muhammad, VP

	Note	2008	2007
Rupees in '000			
<b>12 OTHER ASSETS - NET</b>			
Income/mark-up accrued on deposits in local currency		190,972	168,612
Income/mark up accrued on held to maturity securities		196,747	75,403
Accrued interest/markup on advances *		2,939,300	2,530,820
Accrued mark up on advances to trust fund		-	78,875
Advance to Trust Fund		-	584,000
Stationery and stamps on hand		22,764	16,292
Tax recoverable	22.2.3	382,755	308,053
Non banking assets acquired in satisfaction of claims	12.1	352,417	372,995
Receivable from defined benefit plans	12.2	4,747,116	4,222,962
Stock of farm machinery		13,163	14,545
Commutation paid to employees under SR - 2005	12.4.1	-	3,004,237
Receivable from Federal Government against GHSS	12.4.1	-	64,040
Advances against salary and expenses		5,601	5,957
Deposits		1,767	1,771
Advances and other prepayments		114,229	240,212
Others	12.3	16,225	16,577
		<u>8,983,056</u>	<u>11,705,351</u>
Less: Provision held against other assets	12.4	<u>(378,507)</u>	<u>(2,149,127)</u>
Other assets (net of provisions)		<u>8,604,549</u>	<u>9,556,224</u>

\* This does not includes Rs. 2,212.018 million (2007: Rs. 3,718.132 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.

**12.1** Market value of non-banking assets acquired in satisfaction of claims is Rs. 631.890 million (2007: Rs. 525.868 million).

	Note	2008	2007
Rupees in '000			
<b>12.2 Receivable from defined benefit plans</b>			
Pension scheme	35.1.5	3,002,143	2,689,422
Benevolent scheme-officers/executives	35.2.5	247,497	214,282
Benevolent scheme-clerical/non-clerical	35.3.5	42,588	12,161
Gratuity scheme-Staff Regulations 1975	35.4.1.5	1,454,888	1,307,097
	12.2.1	<u>4,747,116</u>	<u>4,222,962</u>

**12.2.1** It represents assets recognized by the Bank as required by International Accounting Standard-19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuaries.

	Note	2008	2007
Rupees in '000			
<b>12.3 Others</b>			
Defence saving certificates		3	5
Advance for purchase of machinery/goods in transit		17	17
Legal charges recoverable on suits filed against loan defaulters		16,205	16,280
Miscellaneous		-	275
		<u>16,225</u>	<u>16,577</u>

	Note	2008	2007
<b>12.4 Provision held against other assets</b>			
Opening balance		2,149,127	2,076,978
Charge for the year		337,061	72,149
Amount written off	12.4.1	<u>(2,107,681)</u>	-
Closing balance		<u>378,507</u>	<u>2,149,127</u>

**12.4.1** The Bank announced Staff Regulation-2005 under which 100% commutation were paid to those who opted for SR-2005. ADB vide its Aide-Memoire 13-March 29, 2006 supported the introduction of SR-2005 and use of the remaining loan proceeds from the second tranche for this purpose on the GoP confirmation with regard to the use of remaining second tranche programme loan proceeds for the implementation of the SR-2005.

As the credit line has been expired on June 30, 2008 therefore the whole amount of Rs. 2,107,681 Million against commutation paid to employees under SR - 2005 and receivable from Federal Government against GHSS has been written off against provision made for the purpose.

	Note	2008	2007
Rupees in '000			
<b>13</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	613,378	392,726
<b>14</b>	<b>BORROWINGS</b>		
	In Pakistan	51,257,213	51,257,213
<b>14.1</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	51,257,213	51,257,213
<b>14.2</b>	<b>Details of borrowings from financial institutions - secured</b>		
	Borrowing from State Bank of Pakistan		
	Agricultural loans	50,174,089	50,174,089
	Agri-project loans	1,083,124	1,083,124
		51,257,213	51,257,213

**14.3** As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rs. 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 49.680 billion are based on profit and loss sharing subject to maximum share of profit to SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of GoP. The Bank has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.

SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 has agreed with proposed terms except the proposed capping of markup rate which has been fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year and repayment of the SBP debts in 15 years in 30 bi-annual installments with a grace period of 3 years starting from July 2003, i.e. the period of 15 years for repayment of SBP debts would have started from July 2006. The subordinated debt of Rs. 3.204 billion shall be repaid in the last installment. In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank the matter has been referred to Ministry of Finance for a considered Government decision.

In the meeting held on January 16, 2008 between the representatives of Ministry of Finance, the Bank and the State Bank of Pakistan and also in meetings held thereafter, it has been resolved that SBP in consultation with the Bank and MoF shall firm up proposal regarding SBP's debt on priority basis. At present, SBP has forwarded a proposal pertaining to ZTBL debt restructuring submitted vide letter No. DG/29/08 dated November 8, 2008. This proposal is under active consideration of MoF and expected to be materIALIZED in 2009.

**14.4** These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP. SBP has forwarded a proposal pertaining to the ZTBL, to MoF for restructuring of the debt as stated in note 14.3.

	Note	2008	2007
Rupees in '000			
<b>15</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers - local currency</b>		
	Fixed deposits	290,441	109,894
	Saving deposits	620,690	757,968
	Current accounts - remunerative	214,827	207,570
	Current accounts - non-remunerative	4,244,930	3,217,799
	Others	54,371	29,919
		5,425,259	4,323,150

**15.1** It includes Rs. 0.089 million as deposit of Kissan Suport Services (Pvt.) Limited, wholly owned subsidiary of the Bank.

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

The SBP debt is in the process of repricing/ restructuring. Finance Division, Government of Pakistan vide their letter No. F.1(5)F-1/2007 dated November 17, 2008 has forwarded a proposal pertaining to ZTBL debt restructuring submitted by State Bank of Pakistan vide letter No. DG/29/08 dated November 8, 2008. This proposal is under active consideration of MoF and expected to be materIALIZED in 2009.

Since the capping of mark-up charges at 2.3558% has not been agreed by SBP which is of critical importance for the future financial viability and sustainability of the Bank, the matter has been referred to Ministry of Finance for considered government decision. However the mark-up on subordinated debt at the rate of 2.3558% (from December 14, 2002 to June 30, 2004), 2.1867% (from July 1, 2004 to June 30, 2005), at the rate of 8.4009% (from July 1, 2005 to June 30, 2006), at the rate of 8.7907% (from July 1, 2006 to June 30, 2007), at the rate of 9.1597% (from July 1, 2007 to June 30, 2008) and at the rate of 11.6881% (from July 1, 2008 to December 31, 2008) has been charged which is subject to adjustment on finalization of debt restructuring/repricing agreement with SBP.

## 17 DEFERRED TAX LIABILITY

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2008	2007
Rupees in '000			
<b>Taxable timing differences on;</b>			
Accelerated tax depreciation		105,866	119,191
Surplus on revaluation of assets	21	79,691	-
		<u>185,557</u>	<u>119,191</u>

## 18 OTHER LIABILITIES

Mark-up payable in local currency		16,096,917	12,705,084
Accrued expenses		62,400	35,488
Taxation (provisions less payments)		2,053,202	950,616
Branch adjustment		668,141	531,431
Payable to defined benefit plans	18.1	108,596	132,304
Payable to Ministry of Food Agriculture and Livestock	18.2	177,567	352,616
Profit payable on deposits and other accounts		32,224	19,710
Net liabilities relating to Bangladesh	18.3	189	189
Provision for employees' post retirement medical benefits	35.5.5	3,503,577	3,359,112
Provision for employees' compensated absences	35.6	952,253	708,771
Payable to employees' against Golden Handshake Scheme		-	35,777
Payable to subsidiary company	40	2,739	12,591
Security deposits		210,442	51,386
Deferred income	18.4	207,112	9,375
Others	18.5	213,988	229,791
		<u>24,289,347</u>	<u>19,134,241</u>

### 18.1 Payable to defined benefit plans

Benevolent scheme-clerical/non-clerical	35.3.5	-	-
Gratuity scheme-SR-2005	35.4.2.5	108,596	132,304
		<u>108,596</u>	<u>132,304</u>



18.2 This represents the amount of Rs. 9.567 million (2007: Rs. 9.716 million) and Rs. 168 million (2007: Rs. 342.9 million) payable to Ministry of Food Agriculture and Livestock under Japanese KR-II grant-1996 and Crop Maximization Project-productivity enhancement on sustainable basis.

	Note	2008	2007
Rupees in '000			
<b>18.3 Liabilities relating to Bangladesh</b>			
Liabilities		1,431,535	1,402,165
Assets		(1,431,346)	(1,401,976)
	18.3.1	<u>189</u>	<u>189</u>

18.3.1 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 and instead of carrying the interest to profit and loss account, will show it in the balance sheet only. The Bank is accruing interest at the rate of 8% on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2008	2007
Rupees in '000			
<b>18.4 Deferred Income</b>			
Balance as at January 1		9,375	7,399
Additions during the year		279,316	16,745
Amortization during the year	25	(81,579)	(14,769)
Balance as at December 31	18.4.1	<u>207,112</u>	<u>9,375</u>

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

18.5 This represents various payables which includes withholding tax, contribution received from borrowers etc.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

	2008	2007	Note	2008	2007
	Number of shares			Rupees in '000	
	<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

### 19.2 Issued, subscribed and paid up

	2008	2007		2008	2007
	1,186,961,201	1,186,961,201	Ordinary shares of Rs. 10 each	11,869,612	11,869,612
	65,282,866	-	Fully paid in cash	652,829	-
	<u>1,252,244,067</u>	<u>1,186,961,201</u>	Issued as bonus shares	<u>12,522,441</u>	<u>11,869,612</u>

### 19.3 Shareholder

Shareholder	No of ordinary shares	Paid-up value per share	2008	2007
Rupees in '000				
Government of Pakistan	1,251,189,067	10	12,511,891	11,859,612
Government of Punjab	292,340	10	2,923	2,771
Government of Sindh	125,545	10	1,256	1,190
Government of NWFP	71,740	10	717	680
Government of Balochistan	37,875	10	379	359
Erstwhile East Pakistan	527,500	10	5,275	5,000
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>11,869,612</u>

20 RESERVES

	Statutory reserve	Reserve for contingencies	Total
		Rupees in '000	
Balance as at January 1, 2008	505,911	60,000	565,911
Transfer from unappropriated profit	520,258	-	520,258
Balance as at December 31, 2008	1,026,169	60,000	1,086,169

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

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

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

2008 2007  
Rupees in '000

Surplus arising on revaluation of available-for-sale securities

Quoted shares

485,031 685,516

Other securities

89,108 -

574,139 685,516

Less: Related deferred tax liability

(79,691) -

494,448 685,516

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingent assets

22.1.1 The Government of Pakistan has reduced the markup rates on Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. July 01, 2004. As per the directive of the Bank's Board of Directors, the Bank has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rs. 13,569 million for the period from July 01, 2004 to December 31, 2008 (Rs. 9.993 million: 2007). However, this amount has not been accounted for in the accounts as the formal approval from Ministry of Finance has not been received by the Bank.

22.1.2 There is a contingent gain of an amount of Rs. 752.444 million receivable from the Federal Government on account of President Relief Package announced on May 5, 2007 for the small borrowers of the Bank at Badin, Umerkot and Tharparkar districts which were outstanding as at April 30, 2007. Total amount receivable from the Federal Government was Rs. 952.444 million which was duly certified by a professional firm of Chartered Accountants. Out of this an amount Rs. 200 million were received in February, 2008 which has been recorded in the profit and loss account.

22.2 Contingent liabilities

2008 2007  
Rupees in '000

22.2.1 Contingent liabilities in respect of 565 cases (December 31, 2007: 730 cases) filed against the Bank by various borrower.

7,922,956 8,070,497

22.2.2 Contingent liability in respect of 440 cases (December 31, 2007: 140 cases) filed against the Bank in various courts of law by the employees.

215,837 53,016

22.2.3 There is a contingency of an amount of Rs 297.149 million receivable on account of minimum income tax levied by the income tax authorities under Section 80-D of Income Tax Ordinance, 1979, for assessment years 1991-92 to 1998-99. The income of the Bank was exempt from tax upto income year ended June 30, 1999. The Bank paid, under protest, the disputed tax demand and also filed writ petition in this respect in Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the petition on 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 Bank's favour. The Central Board of Revenue disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal cabinet has referred the case to the Attorney General for final decision. The advice/decision of the Attorney General is still awaited. Since the Bank is very confident for a favourable decision from the Attorney General, hence, no provision in this respect has been made by the Bank in its books of account.

- 22.2.4** Income Tax Department u/s 89/205 of the ITO-1979 levied Income Tax amounting to Rs.11.243 million for the assessment year (AY) 2001-2002. ZTBL has filed appeals before the CIT. The Bank has not accounted for the tax amounting to Rs.11.243 million as it is foreseen that the demands would not materialize.
- 22.2.5** Income Tax of Rs.1,457.555 million was levied by the Income Tax Department for tax year (TY) 2003, against provision of Rs.6.873 million in the books of accounts. The Bank has filed an appeal before the CIT(A) and decision is still pending. The Bank has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.6** Income Tax of Rs.532.136 million was levied by the Income Tax Department for TY 2005, against provision of Rs.38.434 million in the books of accounts. The Bank has paid Rs.60.734 million against the said demand. The Bank filed an appeal before the CIT(A) against the aforesaid order who upheld the assessment. The Bank is in an appeal with the ITAT, decision of the ITAT is pending. The Bank has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.7** Income Tax of Rs.1,786.258 million was levied by the Income Tax Department for TY 2006, against provision of Rs.38.434 million in the books of accounts. The Bank filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department. The Bank has preferred an appeal against the order of the CIT(A) before the ITAT and the decision is pending. The Bank has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.8** Income Tax of Rs.2,239.493 million was levied by the Income Tax Department for TY 2007, against provision of Rs.631.484 million in the books of accounts. The Bank filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department. The Bank has appealed against the order of the CIT(A) before the ITAT, decision is pending. The Bank has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.9** The SBP debt of Rs.54.461billion is in the process of repricing/restructuring. As per debt restructuring proposal the SBP debt was required to link with one year T-Bill rate capped at 2.3558% plus profit and loss (PLS) sharing, the decision is still pending. The SBP debt has been charged at existing rate i.e contractual rate, as the SBP has not yet accepted the capping and PLS arrangements. The financial impact of this event works out to be approximately Rs.5.324 billion upto December 31, 2008 (Rs. 2.501 billion : December 31, 2007).
- 22.2.10** The SBP debt of Rs. 71.558 billion ( Principal Rs. 54.461 billion; mark-up Rs. 16.097 billion) is in the process of repricing/restructuring. Finance Division, Government of Pakistan vide their letter No. F.1(5)IF-1/2007 dated November 17, 2008 has forwarded a proposal pertaining to ZTBL debt restructuring submitted by State Bank of Pakistan vide letter No. DG/29/08 dated November 8, 2008. This proposal is under active consideration of GoP and expected to be materilized in the calender year 2009.

		Note	2008	2007
			Rupees '000	
<b>23</b>	<b>MARK UP/RETURN/INTEREST EARNED</b>			
	On loans and advances to customers		6,423,707	5,700,683
	On investments in held to maturity securities		453,530	326,220
	On deposits with financial institutions		1,592,932	995,457
			<u>8,470,169</u>	<u>7,022,360</u>
		Note	2008	2007
			Rupees in '000	
<b>24</b>	<b>MARK UP/RETURN/INTEREST EXPENSED</b>			
	On deposits		33,768	7,149
	On borrowings and subordinated debt - State Bank of Pakistan		3,454,906	3,408,311
	Bank commission and other charges		737	2,563
			<u>3,489,411</u>	<u>3,418,023</u>
<b>25</b>	<b>OTHER INCOME</b>			
	Rent on property - KSSL		2,071	2,453
	Rent on property - others		12,473	7,993
			<u>14,544</u>	<u>10,446</u>
	Recoveries of charge off amounts		4,817,050	5,078,618
	Net profit on sale of property and equipment		19,428	28,182
	Loan application fee		308,829	234,131
	Net credit relating to defined benefit plans	25.1	354,130	160,773
	Return on advances to trust fund		-	78,875
	Deferred income amortization		81,579	14,769
	Others	25.2	181,560	123,788
			<u>5,777,120</u>	<u>5,729,582</u>

25.1 Excess provision in respect of defined benefit plans has been written back on the basis of actuarial valuation carried out by an independent actuary.

25.2 **OTHERS**

Sale proceeds of loan application forms		4,707	4,120
Postal charges received from loanees		51,252	38,441
Accounting and other services rendered to KSSL		4,043	4,044
Miscellaneous income	25.2.1	121,558	77,183
		<u>181,560</u>	<u>123,788</u>

25.2.1 It includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.

26 **ADMINISTRATIVE EXPENSES**

Salaries, allowances and benefits		3,223,710	2,635,515
Charge for defined contribution plan		24,950	21,753
Charge for compensated absence		243,482	271,137
Non-executive directors' fees and other expenses		1,476	1,396
Rent, taxes, insurance, electricity, etc.		93,349	86,606
Legal and professional charges		56,657	106,604
Communications		34,760	27,517
Repairs and maintenance		52,233	28,558
Motor vehicle expenses		216,512	159,000
Traveling expenses		121,629	97,006
Stationery and printing		27,465	25,232
Advertisement and publicity		10,044	7,972
Auditors' remuneration	26.1	3,460	3,311
Depreciation - tangible	11.1	183,850	131,683
Amortization - intangible	11.2	18,333	1,847
Services rendered by KSSL		137,442	111,678
Expense on senior management team		2,718	14,769
Others		68,389	57,351
		<u>4,520,459</u>	<u>3,788,935</u>

26.1 **Auditors' remuneration**

	2008		Total
	Hyder Bhimji & Co. Chartered Accountants	BDO Ebrahim & Co. Chartered Accountants	
	Rupees in '000		
Audit fee	575	575	1,150
Fee for half year review	144	144	288
Consolidation of the accounts of subsidiary company	200	200	400
Tax services	-	-	-
Other certification	184	184	368
Out of pocket expenses	627	627	1,254
	<u>1,730</u>	<u>1,730</u>	<u>3,460</u>
	2007		
	Rupees in '000		
Audit fee	500	500	1,000
Fee for half year review	125	125	250
Consolidation of the accounts of subsidiary company	200	200	400
Tax services	-	-	-
Other certification	185	185	370
Out of pocket expenses	545	546	1,091
	<u>1,555</u>	<u>1,556</u>	<u>3,111</u>
MYASCO fee for consolidation of accounts	-	-	200
	<u>1,555</u>	<u>1,556</u>	<u>3,311</u>

	2008	2007
	Rupees in '000	
<b>27 OTHER CHARGES</b>		
Penalties imposed by SBP	230	970
Fixed assets - written off	682	4,879
	912	5,849

**28 UNUSUAL ITEM**

It represents the losses incurred due to the disruption of law and order in the country in the month of December 2007.

Furniture and Fixtures	-	13,556
Computers	-	3,709
Vehicles	-	10,601
Computer stationery	-	1,200
Cash	-	1,300
	-	30,366

The losses incurred at branches and zonal office have been recorded on the basis of report of the Task Force Committee established for the purpose.

**29 TAXATION**

For the year			
Current	29.1	1,387,835	631,484
Prior years		12,606	8,285
Deferred		(13,325)	111,561
		1,387,116	751,330

**29.1 Relationship between tax expense and accounting profit**

Accounting profit for the year		3,988,405	1,784,146
Add: accounting depreciation		202,183	133,530
Less: tax depreciation		(204,728)	(102,945)
dividend and rental income for separate consideration		(25,954)	(12,599)
		3,959,906	1,802,132

	2008	2007
	Rupees in '000	
Tax-excluding dividend and rental income	1,385,967	630,746
Tax on dividend and rental income	1,868	738
Tax for the current period	1,387,835	631,484
Applicable tax rate	35%	35%

**30 BASIC EARNINGS PER SHARE**

Profit for the year	2,601,289	1,032,816
Weighted average number of ordinary shares outstanding during the year (number in thousand) *	1,252,244	1,252,244
Basic earnings per share in rupees	2.077	0.825

\* The number of ordinary shares as at December 31, 2007 have been adjusted for the element of bonus shares as per the requirements of IAS 33, 'Earnings per Share'.

**31** Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2007 and 2008 which would have any affect on the earnings per share if the option to convert is exercised.

## 32 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	7	1,732,495	2,103,682
Balance with other banks	8	15,881,673	11,943,898
		<u>17,614,168</u>	<u>14,047,580</u>

## 33 STAFF STRENGTH

Permanent		5,286	5,333
Contractual		84	7
Total staff strength		<u>5,370</u>	<u>5,340</u>

## 34 CREDIT RATING

JCR-VIS Credit Rating Company, Karachi in its report dated July 4, 2008 has reaffirmed credit rating of the Bank at AAA/A-1+ (2007:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B. (2007, B medium to long term, B short term rating).

35 **DEFINED BENEFIT AND CONTRIBUTION PLANS**

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

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

**35.1 Pension scheme**

**35.1.1 General description**

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 Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers/executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from July 1, 2006.

**35.1.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at December 31, 2008. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13% per annum
Expected rate of return on investments	14% per annum
Indexation in pension	7% per annum

	Note	2008	2007
Rupees in '000			
<b>35.1.3 Actuarial gain/loss in obligations</b>			
Present value of obligation as on January 1		1,838,739	1,604,684
Current service cost		24,850	23,096
Interest cost		183,874	160,468
Benefits paid		(68,345)	(33,796)
Actuarial (gain)/loss on obligation		288,108	84,287
Present value of obligation as at December 31		<u>2,267,226</u>	<u>1,838,739</u>
<b>35.1.4 Actuarial gain/loss in assets</b>			
Total assets as on January 1		4,751,634	4,254,458
Expected return on plan assets		475,164	425,447
Contributions		46,282	10,848
Benefits paid		(68,345)	(33,796)
Actuarial gain/(loss) on assets		(90,270)	94,677
Total assets as at December 31		<u>5,114,465</u>	<u>4,751,634</u>
<b>35.1.5 Reconciliation of receivable from pension fund</b>			
Present value of defined benefit obligation		2,267,226	1,838,739
Fair value of plan assets		(5,114,465)	(4,751,634)
Net actuarial gains not recognized		(154,904)	223,473
Net receivable at the year end		<u>(3,002,143)</u>	<u>(2,689,422)</u>
<b>35.1.6 Movement in net liability/(asset) recognized</b>			
Opening net asset		(2,689,422)	(2,436,692)
Credit for the period	35.1.7	(266,439)	(241,881)
Contribution to fund/benefits paid during the year		(46,282)	(10,849)
Closing net asset		<u>(3,002,143)</u>	<u>(2,689,422)</u>
	Note	2008	2007
Rupees in '000			
<b>35.1.7 Credit for pension fund</b>			
Current service cost		24,850	23,096
Interest cost		183,874	160,469
Expected return on plan assets		(475,163)	(425,446)
		<u>(266,439)</u>	<u>(241,881)</u>

## 35.2 Benevolent scheme - officers/executives

### 35.2.1 General description

For all officers/executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 100, by each officer/executive. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund. However contributions are not made to the fund for those employees governed by the SR-2005 who have less than ten years of their remaining service.

### 35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

	Note	2008	2007
Rupees in '000			
<b>35.2.3 Actuarial gain/loss in obligations</b>			
Present value of obligation as on January 1		208,563	163,623
Current service cost		7,442	7,630
Interest cost		20,856	16,362
Benefits paid		(8,629)	(3,893)
Actuarial (gain)/loss on obligation		(70,580)	24,841
Present value of obligation as at December 31		<u>157,652</u>	<u>208,563</u>
<b>35.2.4 Actuarial gain/loss in assets</b>			
Total assets as on January 1		437,347	400,372
Expected return on plan assets		43,736	40,038
Contributions - Employer		8,697	4,176
Contributions - Employee		8,697	4,176
Benefits paid		(8,629)	(3,893)
Actuarial gain/(loss) on assets		(26,390)	(7,521)
Total assets as at December 31		<u>463,458</u>	<u>437,348</u>
<b>35.2.5 Reconciliation of receivable from benevolent fund</b>			
Present value of defined benefit obligation		157,652	208,563
Fair value of plan assets		(463,458)	(437,348)
Unrecognised actuarial gain/(loss)		58,309	14,119
Negative past service cost-not recognized		-	384
Net receivable at the year end		<u>(247,497)</u>	<u>(214,282)</u>
<b>35.2.6 Movement in net asset recognized</b>			
Opening net receivable		(214,282)	(188,856)
Credit for the period	35.2.7	(24,518)	(21,250)
Contribution to fund/benefits paid during the year		(8,697)	(4,176)
Closing net receivable		<u>(247,497)</u>	<u>(214,282)</u>
	Note	2008	2007
Rupees in '000			
<b>35.2.7 Credit for benevolent fund</b>			
Current service cost		7,442	7,630
Interest cost		20,856	16,362
Expected return on plan assets		(43,735)	(40,037)
Actuarial gains recognized		-	(644)
Contribution-employee		(8,697)	(4,176)
Negative past service cost-recognized		(384)	(385)
		<u>(24,518)</u>	<u>(21,250)</u>

## 35.3 Benevolent scheme - clerical/non-clerical

### 35.3.1 General description

For all clerical/non-clerical staff, the Bank operates an approved funded benevolent scheme to 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 which is also liable to meet any shortfall in the fund.



### 35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

	2008	2007
	Rupees in '000	
<b>35.3.3 Actuarial gain/loss in obligations</b>		
Present value of obligation as on January 1	41,989	42,099
Current service cost	2,284	2,671
Interest cost	4,198	4,210
Benefits paid	(1,216)	(623)
Actuarial (gain)/loss on obligation	(14,700)	(6,368)
Present value of obligation as at December 31	<u>32,555</u>	<u>41,989</u>

<b>35.3.4 Actuarial gain/loss in assets</b>		
Total assets as on January 1	181,826	184,021
Expected return on plan assets	18,183	18,402
Contributions - Employer	3,889	1,866
Contributions - Employee	3,889	1,866
Benefits paid	(1,216)	(623)
Actuarial gain/(loss) on assets	(11,052)	(23,706)
Total assets as at December 31	<u>195,519</u>	<u>181,826</u>

<b>35.3.5 Reconciliation of payable to/(receivable from) benevolent fund</b>		
Present value of defined benefit obligation	32,555	41,989
Fair value of plan assets	(195,519)	(181,826)
Unrecognized part of transitional liability	-	-
Net actuarial gains/(losses) not recognized	120,375	127,676
Net receivable at the year end	<u>(42,588)</u>	<u>(12,161)</u>

<b>35.3.6 Movement in net asset recognized</b>		
Opening net (receivable)/payable	(12,161)	15,753
Credit for the year	35.3.7 (26,538)	(26,048)
Contribution to fund/benefits paid during the year	(3,889)	(1,866)
Closing net receivable	<u>(42,588)</u>	<u>(12,161)</u>

	2008	2007
	Rupees in '000	
<b>35.3.7 Credit for benevolent fund</b>		
Current service cost	2,284	2,671
Interest cost	4,199	4,210
Expected return on plan assets	(18,183)	(18,402)
Actuarial (gains)/losses recognized	(10,949)	(12,661)
Contribution-employee	(3,889)	(1,866)
	<u>(26,538)</u>	<u>(26,048)</u>

### 35.4 Gratuity scheme

#### 35.4.1 Gratuity under old Staff Regulations

##### 35.4.1.1 General description

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 on which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

##### 35.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

	Note	2008	2007
		Rupees in '000	
<b>35.4.1.3 Actuarial gain/loss in obligations</b>			
Present value of obligation as on January 1		13	45
Current service cost		2	3
Intrest cost		1	5
Benfits paid		(9,382)	(6,821)
Actuarial (gain)/loss on obligation		9,372	6,781
Present value of obligation as at December 31		6	13
<b>35.4.1.4 Actuarial gain/loss in assets</b>			
Total assets as on January 1		1,458,084	1,336,398
Expected return on plan assets		145,809	133,640
Contributions		1,469	772
Benefits paid		(9,382)	(6,821)
Actuarial gain/(loss) on assets		(7,763)	(5,905)
Total assets as at December 31		1,588,217	1,458,084
<b>35.4.1.5 Reconciliation of receivable from gratuity fund</b>			
Present value of defined benefit obligation		6	13
Fair value of plan assets		(1,588,217)	(1,458,084)
Net actuarial gains/(losses) not recognized		133,323	150,974
Past service cost not recognized		-	-
		(1,454,888)	(1,307,097)
<b>35.4.1.6 Movement in net asset recognized</b>			
Opening net asset		(1,307,097)	(1,169,690)
Credit for the year	35.4.1.7	(146,322)	(136,634)
Contribution to fund/benefits paid during the year		(1,469)	(773)
Closing net asset		(1,454,888)	(1,307,097)
<b>35.4.1.7 Credit for gratuity fund</b>			
Current service cost		2	3
Interest cost		1	5
Expected return on plan assets		(145,809)	(133,640)
Actuarial gains recognized		(517)	(3,002)
		(146,322)	(136,634)
<b>35.4.2 Gratuity under Staff Regulations - 2005 (SR-2005)</b>			
<b>35.4.2.1 General description</b>			
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 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.			
<b>35.4.2.2 Principal actuarial assumption</b>			
The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:			
Valuation discount rate		14% per annum	
Expected rate of increase in salary		13 % per annum	
Expected rate of return on investments		14 % per annum	
<b>35.4.2.3 Actuarial gain/loss in obligations</b>	Note	2008	2007
		Rupees in '000	
Present value of obligation as on January 1		270,820	141,345
Current service cost		92,116	70,280
Intrest cost		27,082	14,136
Benfits paid		(897)	(1,024)
Actuarial (gain)/loss on obligation		(325)	46,083
Present value of obligation as at December 31		388,796	270,820

**35.4.2.4 Actuarial gain/loss in assets**

Total assets as on January 1	95,121	-
Expected return on plan assets	9,512	-
Contributions	133,395	93,456
Benefits paid	(897)	(1,024)
Actuarial gain/(loss) on assets	12,019	2,689
Total assets as at December 31	<u>249,150</u>	<u>95,121</u>

**35.4.2.5 Reconciliation of payable to gratuity fund**

Present value of defined benefit obligation	388,796	270,820
Fair value of plan assets	(249,150)	(95,121)
Net actuarial gains/(losses) not recognized	(31,050)	(43,395)
Net payable as at year end	<u>108,596</u>	<u>132,304</u>

**35.4.2.6 Movement in net liability recognized**

Opening net liability	132,304	-
Charge for the period	35.4.2.7 109,687	225,760
Contribution to fund/benefits paid during the year	(133,395)	(93,456)
Closing net liability	<u>108,596</u>	<u>132,304</u>

Note **2008** **2007**  
Rupees in '000

**35.4.2.7 Charge for gratuity fund**

Current service cost	92,117	70,280
Interest cost	27,082	14,135
Expected return on plan assets	(9,512)	-
Past Service Cost - Vested	-	141,345
	<u>109,687</u>	<u>225,760</u>

**35.5 Post retirement medical benefits****35.5.1 General description**

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.

**35.5.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at December 31, 2008. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Medical inflation rate	12% per annum
Exposure inflation rate	3% per annum

Note **2008** **2007**  
Rupees in '000

**35.5.3 Actuarial gain/loss in obligations**

Present value of obligation as on January 1	2,107,028	1,813,938
Current service cost	74,547	56,312
Interest cost	210,703	181,394
Benefits paid	(18,271)	(17,792)
Actuarial (gain)/loss on obligation	138,399	73,176
Present value of obligation as at December 31	<u>2,512,406</u>	<u>2,107,028</u>

**35.5.4 Reconciliation of payable to medical benefits**

Present value of defined benefit obligation	2,512,406	2,107,028
Net actuarial gains not recognized	991,172	1,231,666
Past service cost not recognized	-	20,418
	<u>3,503,577</u>	<u>3,359,112</u>

**35.5.5 Movement in net liability recognized**

Opening net liability		3,359,112	3,271,961
Charge for the period	35.5.6	162,736	104,943
Contribution to fund/benefits paid during the year		(18,271)	(17,792)
Closing net liability		<u>3,503,577</u>	<u>3,359,112</u>

**35.5.6 Charge for medical benefits**

Current service cost		74,547	56,312
Interest cost		210,703	181,394
Actuarial gains recognized		(102,096)	(112,345)
Negative past service cost recognized		(20,418)	(20,418)
		<u>162,736</u>	<u>104,943</u>

**35.6 Employee compensated absences**

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. The liability of the Bank as per the latest actuarial valuation carried out as at December 31, 2008 amounted to Rs.952.253 million (December 31, 2007: Rs. 708.771 million) which has been fully provided by the Bank. The provision has been increased by Rs. 243.482 million for the year ended December 31, 2008.

**35.7 Defined contribution plan**

For all the employees of the Bank who have opted for retirement benefits scheme announced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively, the Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month. For employees who have not opted for aforesaid retirement benefit scheme, the Bank operates an approved contributory provident fund (Employees Provident Fund) where contributions are made by the Bank and employees at the rate of 8.33% of basic salary per month.

Contributory Provident Fund (CPF) scheme was introduced in 2006 (w.e.f. July 2006) for the employees governed under Staff Regulations 2005 (SR-2005) and contributions to the CPF are made by the employees at the rate of 2% of monetized salary per month and matching contribution by the Bank, if their remaining service is more than ten years from the date of option/appointment.

**36 REMUNERATION OF DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Bank is as follows;

	President		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in '000					
Fee	-	-	1,476	1,396	-	-
Managerial remuneration	4,587	3,600	-	-	945,903	564,098
Charge for defined benefit plan	784	740	-	-	6,723	3,968
Contribution to defined benefit fund	-	-	-	-	74,678	4,040
Rent and house maintenance	542	840	-	-	35,572	21,090
Utilities	45	-	-	-	8,893	5,273
Medical	45	-	-	-	9,712	5,742
Conveyance	397	329	-	-	7,298	6,411
Furnishing allowance	-	-	-	-	1,607	2,155
Leave fare assistance	-	370	-	-	-	-
Club facility	50	47	-	-	-	-
Others	798	-	-	-	1,859	903
	<u>7,248</u>	<u>5,926</u>	<u>1,476</u>	<u>1,396</u>	<u>1,092,245</u>	<u>613,680</u>
<b>Number of persons</b>	<u>2</u>	<u>1</u>	<u>9</u>	<u>10</u>	<u>789</u>	<u>755</u>

**36.1** Executives mean employees, other than the chief executive and directors, whose basic/monetized salary exceeds Rs. 500,000 in a financial year. The chief executive, senior vice president and above other than covered under SR-2005 have been provided Bank maintained cars. Vice president and above governed by SR-2005 have also been provided cars under Cars Loan Depreciation Policy (CLDP).

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

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 assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

37.1	On-balance sheet financial instruments	2008		2007	
		Book value	Fair value	Book value	Fair value
		Rupees in '000		Rupees in '000	
<b>Assets</b>					
	Cash and balances with treasury banks	1,732,495	1,732,495	2,103,682	2,103,682
	Balances with other banks	15,881,673	15,881,673	11,943,898	11,943,898
	Investments - net	5,055,690	5,055,690	7,604,233	7,604,233
	Advances - net	69,923,497	69,923,497	61,313,006	61,313,006
	Other assets - net	8,454,393	8,454,393	9,285,175	9,285,175
		<u>101,047,748</u>	<u>101,047,748</u>	<u>92,249,994</u>	<u>92,249,994</u>
<b>Liabilities</b>					
	Bills payable	613,378	613,378	392,726	392,726
	Borrowings	51,257,213	51,257,213	51,257,213	51,257,213
	Deposits and other accounts	5,425,259	5,425,259	4,323,150	4,323,150
	Sub-ordinated loan	3,204,323	3,204,323	3,204,323	3,204,323
	Other liabilities	23,621,206	23,621,206	18,602,810	18,602,810
		<u>84,121,379</u>	<u>84,121,379</u>	<u>77,780,222</u>	<u>77,780,222</u>

37.2 Stationery, stock in hand, advances and prepayments have been excluded while arriving on financial instruments in other assets. Similarly, inter-branch adjustments has been deducted from other liabilities.

## SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing
Rupees in '000									
<b>2008</b>									
Total income	-	-	-	-	-	-	-	-	14,263,105
Total expenses	-	-	-	-	-	-	-	-	10,274,700
Net income before tax	-	-	-	-	-	-	-	-	3,988,405
Taxation	-	-	-	-	-	-	-	-	1,387,116
Income after tax	-	-	-	-	-	-	-	-	2,601,289
Segment assets (gross)	-	-	-	-	-	-	-	-	102,340,790
Segment non performing loans	-	-	-	-	-	-	-	-	12,985,615
Segment provision required	-	-	-	-	-	-	-	-	4,806,237
Segment liabilities	-	-	-	-	-	-	-	-	84,975,077
Segment return on net assets(%)	-	-	-	-	-	-	-	-	14.98%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.83%
<b>2007</b>									
Total income	-	-	-	-	-	-	-	-	12,756,433
Total expenses	-	-	-	-	-	-	-	-	10,972,288
Net income before taxation	-	-	-	-	-	-	-	-	1,784,146
Taxation	-	-	-	-	-	-	-	-	751,330
Income after tax	-	-	-	-	-	-	-	-	1,032,816
Segment assets (gross)	-	-	-	-	-	-	-	-	93,386,336
Segment non performing loans	-	-	-	-	-	-	-	-	16,708,290
Segment provision required	-	-	-	-	-	-	-	-	6,221,928
Segment liabilities	-	-	-	-	-	-	-	-	78,430,844
Segment return on net assets(%)	-	-	-	-	-	-	-	-	6.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.81%

39 TRUST ACTIVITIES

Banks commonly act as trustees and in their fiduciary capacities that results in the holding or placing of assets on behalf of individual, trust, retirement benefit plan and other institution. Provided the trustees or similar relationship is legally supported, these assets are not asset of the bank and therefore, are not included in its balance sheet except net amount receivable/payable in respect thereof.

40 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, subsidiary companies with or without common directors , retirement benefit funds, directors and key management personnel.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions between the bank and its related parties are carried at arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and its subsidiary the KSSL (Pvt) Limited are carried out on "cost plus" method. Details of loans and advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.8 to these financial statements. 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 valuation / terms of the contribution plan as disclosed in notes 35. Remuneration to the executives and disposal of vehicles are disclosed in note 36 and 11.4 to these financial statements respectively. Details of transactions with related parties and balances with them excluding those entered into with directors / executives as per their terms of employment as disclosed in note 36 at the year end was as under:

	2008		2007	
	Key management personnel	Subsidiary M/s KSSL	Key management personnel	Subsidiary M/s KSSL
	Rupees '000			
<b>Advances</b>				
As on January 1	4,977	-	4,989	-
Given during the year	9,430	-	721	-
Repaid during the year	(3,370)	-	(733)	-
As at December 31	11,037	-	4,977	-
<b>Deposits</b>				
As on January 1	2,520	-	1,795	-
Received during the year	48,033	-	26,349	-
Withdrawn during the year	(45,405)	-	(25,624)	-
As at December 31	5,148	-	2,520	-
Investments at the end of the year	-	100,000	-	100,000
Payable at the end of the year	-	2,739	-	12,591

	2008		2007	
	Key management personnel	Subsidiary M/s KSSL	Key management personnel	Subsidiary M/s KSSL
	Rupees '000			
Mark up/ interest earned	163	-	167	-
Remuneration paid	37,842	-	20,005	-
Post retirement benefit	2,571	-	1,018	-
Contribution to defined benefit plan	293	-	63	-
Services rendered by subsidiary company	-	140,789	-	111,678
Rent, accounting and communication charges received	-	6,144	-	6,526

## 41.1 Capital Management

**Objectives and goals of managing capital**

The objectives and goals of managing capital of the Bank are as follows;

- to be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peer.
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

**Statutory minimum capital requirement and management of capital**

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 23 billion by the year ending on December 31, 2013. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 9 % of the risk weighted exposure. The Bank's CAR as at December 31, 2008 was 25.26% of its risk weighted exposure.

Bank's regulatory capital is analysed in to two tiers

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), reserves as per the financial statements and unappropriated profits and after adjustment of revaluation of available for sale investments.
- Tier 2 capital, which includes general provision for loan losses (up to a maximum of 1.25 % of risk weighted assets), and equity investments up to a maximum of 45 %, 50% deduction for investments in the equity of subsidiary companies.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organisation and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

## 41.2 Capital adequacy Ratio

The risk weighted assets to capital ratio, calculated in accordance with the SBP guidelines on capital adequacy was as follows:

	2008	2007
	Rupees in '000	
<b>Regulatory capital base</b>		
<b>Tier I capital</b>		
Shareholders capital	12,522,441	11,869,612
Reserves	-	-
Unappropriated profits	3,262,655	1,834,453
	15,785,096	13,704,065
Less:		
Intangibles	(59,321)	-
50% deduction for investment in subsidiary	(50,000)	-
	(109,321)	-
<b>Total tier I capital</b>	15,675,775	13,704,065
	2008	2007
	Rupees in '000	
<b>Tier II capital</b>		
Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323
General provisions subject to 1.25% of total risk weighted assets	1,041,946	927,552
Revaluation reserve (upto 45%)	222,502	342,758
	4,468,771	4,474,633
Less: 50% deduction for investment in subsidiary	(50,000)	-
<b>Total tier II capital</b>	4,418,771	4,474,633
<b>Eligible tier III capital</b>	-	-
<b>Total regulatory capital</b>	20,094,546	18,178,698

(a)



**Risk weighted exposures**

	2008		2007	
	Book value	Risk adjusted value	Book value	Risk adjusted value
Rupees in '000				
<b>Credit risk</b>				
Balance sheet items:				
Cash and other liquid Assets	518,523	-	345,106	-
Money at call	17,095,645	3,176,335	13,702,474	2,388,780
Investments - net	5,055,690	763,848	7,604,233	2,925,325
Advances - net	69,923,497	70,017,607	61,313,006	58,545,826
Fixed assets	1,142,886	1,142,886	865,293	863,395
Other assets - net	8,604,549	8,255,024	9,556,224	9,480,821
	102,340,790	83,355,700	93,386,336	74,204,147
Off balance sheet items:				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
	-	-	-	-
Credit risk-weighted exposures	102,340,790	83,355,700	93,386,336	74,204,147
Rupees in '000				
<b>Market Risk</b>				
General market risk			-	-
Specific market Risk			-	-
Market risk-weighted exposures			-	-
<b>Total risk-weighted exposures</b>		(b)	83,355,700	74,204,147
<b>Capital adequacy ratio [ (a) / (b) x 100]</b>			24.11%	24.50%

**42 RISK MANAGEMENT**

The risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. ZTBL has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market and liquidity and operational risks. The bank's risk management department is independent of the business and operations and directly reports to the President. The bank has setup a Basel-II Implementation Committee and working groups to implement orderly transition and effective implementation of this Accord in the bank. The risk policy has already been modified to cater to the guidelines of the Basel-II Accord. The bank systematic and integrated risk management function for each category of risk is as follows;

**42.1 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 value due actual or perceived deterioration in the credit quality resulting in economic loss to the bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the bank. The credit portfolio is reviewed and analysed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs). An independent Special Asset Management (SAM) department is operational at the Head Office.

With regards to Basel-II compliance, the bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

**42.1.1 Segmental information**

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

42.1.1a Segments by class of business		2008					
		Advances (gross)		Deposits		Contingencies and commitments	
		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	74,804,163	96.19%	-	-	-	-	
Individuals	-	-	5,389,522	99.34%	8,138,793	56.27%	
Others	2,966,085	3.81%	35,737	0.66%	6,323,834	43.73%	
	<b>77,770,248</b>	<b>100%</b>	<b>5,425,259</b>	<b>100%</b>	<b>14,462,627</b>	<b>100%</b>	

42.1.1b Segment by sector		2008					
		Advances (gross)		Deposits		Contingencies and commitments	
		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	35,737	0.66%	6,323,834	43.73%	
Private	77,770,248	100.00%	5,389,522	99.34%	8,138,793	56.27%	
	<b>77,770,248</b>	<b>100.00%</b>	<b>5,425,259</b>	<b>100.00%</b>	<b>14,462,627</b>	<b>100.00%</b>	

\* This amount represents deposits belonging to autonomous/semi-autonomous bodies.

42.1.1c Details of non-performing advances and specific provisions by class of business segment		2008		2007	
		Rupees in '000			
		Classified advances	Specific provision held	Classified advances	Specific provision held
Agriculture, forestry, hunting and fishing	12,985,615	4,806,237	16,708,290	6,221,928	
Advances to employees	40,514	40,514	5,492	5,492	
	<b>13,026,129</b>	<b>4,846,751</b>	<b>16,713,782</b>	<b>6,227,420</b>	

42.1.1d Details of non-performing advances and specific provisions by sector		2008		2007	
		Rupees in '000			
		Classified advances	Specific provision held	Classified advances	Specific provision held
Private	12,985,615	4,806,237	16,708,290	6,221,928	
Advances to employees	40,514	40,514	5,492	5,492	
	<b>13,026,129</b>	<b>4,846,751</b>	<b>16,713,782</b>	<b>6,227,420</b>	

42.1.1e GEOGRAPHICAL SEGMENT ANALYSIS		2008			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		Rupees in '000			
Pakistan	3,988,405	102,340,790	17,365,713	14,462,627	

#### **42.2 Market Risk Management**

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations.

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities/investments. Correspondingly the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

#### **42.3 Foreign Exchange Risk Management**

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

#### **42.4 Equity price Risk Management**

The Bank is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

42.5 Mismatch of interest rate sensitive assets and liabilities

		2008									
		Rupees in '000									
Effective Yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
	1,732,495	-	-	-	-	-	-	-	-	-	1,732,495
Cash and balances with treasury banks	15,881,673	15,337,450	507,397	-	-	-	-	-	-	-	36,826
Balances with other banks	5,055,690	89,422	3,107,699	136,755	-	-	1,046,388	-	-	-	675,426
Investments - net	69,923,497	2,726,313	7,263,154	20,468,282	21,342,618	4,336,518	4,986,529	3,559,140	1,085,582	-	699,433
Advances - net	8,604,549	-	-	-	-	-	-	-	-	-	8,604,549
Other assets - net	101,197,904	18,153,185	10,878,250	20,605,037	21,342,618	4,336,518	6,032,917	3,559,140	1,085,582	11,748,729	
<b>Liabilities</b>											
	613,378	613,378	-	-	-	-	-	-	-	-	-
Bills payable	51,257,213	9,076,925	-	1,815,385	1,815,385	3,630,770	7,261,540	18,153,850	5,872,588	-	-
Borrowings	5,425,259	992,327	-	129,388	2,032	30	2,181	-	-	-	4,299,301
Deposits and other accounts	3,204,323	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	24,289,347	-	-	-	-	-	-	-	-	-	24,289,347
Other liabilities	84,789,520	10,682,630	-	1,944,773	1,817,417	3,630,800	7,263,721	18,153,850	9,076,911	28,588,648	
<b>On-balance sheet gap</b>	16,408,384	7,470,555	10,878,250	18,660,264	19,525,201	705,718	(174,842)	(14,594,710)	(7,991,329)	(16,839,919)	
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-	
<b>Total yield/ interest risk sensitivity gap</b>	16,408,384	7,470,555	10,878,250	18,660,264	19,525,201	705,718	(174,842)	(14,594,710)	(7,991,329)	(16,839,919)	
<b>Cumulative yield/ interest risk sensitivity gap</b>	16,408,384	7,470,555	10,878,250	18,660,264	19,525,201	705,718	(174,842)	(14,594,710)	(7,991,329)	(16,839,919)	

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

Total financial assets as per note 42.5	Rupees in '000	
Add non financial assets	101,197,904	84,789,520
Operating fixed assets	1,142,886	185,557
Other assets	-	-
	<u>102,340,790</u>	<u>84,975,077</u>
Total financial liabilities as per note 42.5		
Add non financial liabilities		
Defered tax liabilities		
Other liabilities		

42.5.1 Mismatch of interest rate sensitive assets and liabilities

		2007									
		Rupees in '000									Non-interest bearing financial instruments
Effective Yield/ interest rate	Total	Upto 1 month	Over 3 to 3 months	to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	2,103,682	-	-	-	-	-	-	-	-	-	2,103,682
Balances with other banks	11,943,898	10,122,521	1,802,902	-	-	-	-	-	-	-	18,475
Investments - net	7,604,233	835,715	2,727,155	385,093	1,695,266	-	-	1,084,508	-	-	876,496
Advances - net	61,313,007	309,560	16,933,783	28,060,833	3,079,168	1,847,501	3,695,002	7,387,160	-	-	-
Other assets - net	9,285,172	-	-	-	-	-	-	-	-	-	9,285,172
	92,249,992	11,267,796	21,463,840	28,445,926	4,774,434	1,847,501	3,695,002	8,471,668	-	-	12,283,825
<b>Liabilities</b>											
Bills payable	392,726	392,726	-	-	-	-	-	-	-	-	-
Borrowings	51,257,213	5,449,155	-	1,816,385	1,816,385	3,630,770	3,630,770	7,261,540	18,153,850	9,498,358	-
Deposits and other accounts	4,323,151	1,071,431	-	130	1,198	-	824	1,850	-	-	3,247,718
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	18,602,811	-	-	-	-	-	-	-	-	-	18,602,811
	77,780,224	6,913,312	-	1,816,515	1,817,583	3,630,770	3,631,594	7,263,390	18,153,850	12,702,681	21,850,529
<b>On-balance sheet gap</b>		14,469,768	4,354,484	21,463,840	26,629,411	(1,783,269)	63,408	1,208,278	(18,153,850)	(12,702,681)	(9,566,704)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-
<b>Total yield/ interest risk sensitivity gap</b>		14,469,768	4,354,484	21,463,840	26,629,411	(1,783,269)	63,408	1,208,278	(18,153,850)	(12,702,681)	(9,566,704)
<b>Cumulative yield/ interest risk sensitivity gap</b>		14,469,768	4,354,484	21,463,840	26,629,411	(1,783,269)	63,408	1,208,278	(18,153,850)	(12,702,681)	(9,566,704)

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

Total financial assets as per note 42.5.1	Rupees in '000	
Add non financial assets	92,249,992	77,780,224
Operating fixed assets	865,293	119,191
Other assets	271,050	531,429
	93,386,336	78,430,844

Total financial liabilities as per note 42.5	
Add non financial liabilities	
Deferred tax liabilities	119,191
Other liabilities	531,429
	78,430,844

#### 42.6 Liquidity risk

Assets and Liabilities Committee (ALCO) in the Bank is playing a very effective role in cash management. Accordingly the yields on fund's placement have been constantly increasing.

#### 42.6.1 Maturities of assets and liabilities

	2008									
	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	1,732,495	1,732,495	-	-	-	-	-	-	-	-
Balances with other banks	15,881,673	15,374,276	507,397	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	5,055,690	1,000	3,107,699	136,755	-	-	1,046,388	-	-	763,848
Advances - net	69,923,497	2,750,618	7,311,763	20,541,195	21,488,444	4,540,730	4,986,529	3,559,140	1,085,582	-
Other assets - net	8,604,549	575,298	-	17,500	2,540,872	4,908,007	293,061	-	-	-
Operating fixed assets	1,142,886	-	-	-	-	-	-	-	-	1,142,886
	102,340,790	20,433,687	10,926,859	20,695,450	24,029,316	9,448,737	6,325,978	3,559,140	2,992,316	-
<b>Liabilities</b>										
Bills payable	613,378	613,378	-	-	-	-	-	-	-	-
Borrowings	51,257,213	9,076,925	-	1,815,385	1,815,385	3,630,770	7,261,540	18,153,850	5,872,588	-
Deposits and other accounts	5,425,259	5,291,628	-	129,388	2,032	30	2,181	-	-	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	24,289,347	2,020,793	-	423,786	16,390,782	1,263,224	4,190,575	-	187	-
Deferred tax liabilities	185,557	139,576	-	-	-	-	-	-	-	45,981
	84,975,077	17,142,300	-	2,368,559	18,208,199	4,894,024	11,454,296	18,153,850	9,123,079	-
<b>Net assets</b>	17,365,713	3,291,387	10,926,859	18,326,891	5,821,117	4,554,713	(5,128,318)	(14,594,710)	(6,130,763)	-
Share capital	12,522,441									
Reserves	1,086,169									
Unappropriated profit	3,262,655									
Surplus on revaluation of assets	494,448									
	17,365,713									

#### 42.7 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 Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analysed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.

With regards to Basel-II compliance, the bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster Recovery and Business Continuity Plan has also been revised. It includes separate IT Business continuity plan which caters to IT specific Business Continuity Planning requirements.

**43 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on **28-03-2009** by the Board of Directors of the Bank.

**44 GENERAL**

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

**44.2** Captions as prescribed by BSD Circular No. 4 of 2006 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have been reproduced in these financial statements except, for balance sheet and profit and loss account.

**44.3** There is no material rearrangement/regrouping made during the year.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2008**  
**(GENERAL LOAN CASES)**

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
1	KAMAL KHAN MOHRA MOLAL DAKHLI		210-27-353121	PIR DAD KHAN	0.120	0.673	-	0.793	0.120	0.554	-	0.674
2	MUHAMMAD AYUB		217-85-053802	PINO KHAN	0.350	0.261	-	0.611	0.350	0.261	-	0.611
3	MUHAMMAD HUSSAIN KAROL WAR MUHAMMAD BOOTA KAROL WAR		268-08-301717 268-45-149317	MUHAMMAD BOOTA HASSAN MUHAMMAD	0.222	0.443	-	0.665	-	0.531	-	0.531
4	SHOUKET RAJA JANGH		281-90-643261	MAILA SINGH	0.099	0.658	-	0.758	-	0.614	-	0.614
5	AAGA RIAZ ALI KHAN 90/9L		335-13-101581	AAGA IMTIAZ ALI KHAN	0.099	0.606	-	0.705	0.099	0.606	-	0.705
6	SAKEENA BIBI BAHARY PUR		336-41-751905	MOHAMMED YOUNUS	0.066	0.698	-	0.764	-	0.764	-	0.764
7	MST FATEH KHATOON SARGANA NOORUL AMIN SARGANA		329-90-062261 325-90-027555	MUHAMMAD SHABIR MUHAMMAD SHABIR	0.326	0.623	-	0.949	0.210	0.518	-	0.728
8	KARIM BUX KOTLA GAMON		318-90-353573	KHIDIR	0.247	0.096	-	0.343	-	0.757	-	0.757
9	ASLAM MAZHAR A-180 BLOCK 17 F.B.AREA ASLAM MAZHAR A-180/17,GULESTAN-E-MUSTAFA		519-53-269509 519-53-269509	MAZHAR-UL-HAQUE MAZHAR-UL-HAQUE	0.548	0.694	-	1.242	-	1.242	-	1.242
10	SYED ABDUL JAMIL 33-A STREET PHASE-VIII DEFENC		601-87-162735	SYED ABDUL KHAIR	1.035	0.239	-	1.274	-	1.274	-	1.274
11	MR TASLEEM AHMED 181-BLOCK D SECTOR 14 ORANGI		293-88-101467	ABDUL RAZAQUE	0.227	0.278	-	0.505	-	0.505	-	0.505
12	A,HANNAN AZIZI 400/1 BLOCK NO.1 SHARIFABAD		122-27-028920	DAWOOD AZIZI	0.505	1.224	-	1.729	-	1.729	-	1.729



**(GENERAL LOAN CASES)**

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off			
					Principal	Interest	Others	Principal	Interest	Others	Total
13	MRS KAUKAB BASIT 34-N 8TH EAST ST.PHASE 1 DHS		514-40-038992	MR FAZAL BASIT	0.122	1.665	-	1.787	1.633	-	1.633
14	MR. RASHID AHMED A-671 BL-L, N.NAZIMABAD		421-01-44025767	HAFIZ MAUDUD MIAN	1.104	1.046	-	2.150	2.103	-	2.103
15	SYED ARSHAD ALI D-35,AL-AZAM APPT.BLOCK-13-D/		4210129481833	SYED MADAD ALI	0.714	0.519	-	1.233	1.233	-	1.233
16	ABDUL RAHIM JAMOT 1/2-30 A.SEC I,AHSANABAD TOWN MOHAMMAD HAQIQ KHAN 16/7-1 MODEL COLONY		519-54-074379	MOHAMMAD HASHIM JAMOT	0.450	0.741	-	1.191	1.191	-	1.191
17	GHULAM SARWAR ALIES AMIR FLAT NO 3 SENT APPTT CLIFTON		421-58-016839	NISAR AHMED	0.486	0.351	-	0.837	0.837	-	0.837
18	MOHAMMAD ARIF C-283 BLOCK-6		421-01-39265261	SHAIKH NANNAY	0.578	0.056	-	0.634	0.579	-	0.579
19	HASAN ARIF A-61/1 AWANI SAKINA METORWELL		512-89-275810	JAWAID HAIDER	0.972	1.008	-	1.980	1.980	-	1.980
20	MOHAMMAD ZAHIR A-992 SEC-II-B NORTH KARACHI		421-01-77022129	MOHAMMAD TAHIR	0.855	0.083	-	0.939	0.892	-	0.892
21	RAIS FATMA 1-E-10/4 NAZIMABAD		421-01-30460500	ANWAR AHMED	0.699	0.060	-	0.758	0.758	-	0.758
22	LAILA RAFIQ ANSARI G-2/1 MARYM HEIGHT FL 17/14 G		420-00-04049410	RAFIQ AHMED ANSARI	0.787	1.162	-	1.949	0.625	-	0.625
23	MOHAMMAD NASEEM R-38 BLOCK-5 F.B.AREA		601-88-189184	MOHAMMAD SHABBIR	0.345	0.627	-	0.972	0.684	-	0.684
24	SHAFI MOHAMMAD SALEH MOHAMMAD GOTH DEH LANDH KHAN MOHAMMAD SALEH MOHAMMAD GOTH MURAD MOHAMMAD SALEH MOHAMMAD GOTH		425-01-15766545	WALI MOHAMMAD	0.633	0.675	-	1.308	1.308	-	1.308
25	MOHAMMAD UMEH SALEH MOHAMMAD GOTH DEH LANDH		425-01-43093045	HAJI IBRAHIM	0.499	0.718	-	1.217	1.000	-	1.000
26	M.MOHAMMAD ASLAM A-2730 GHUSHAN E HADEED PH II		329-51-167372	MOHAMMAD HUSSAIN	0.913	0.875	-	1.789	1.677	-	1.677
27	AJAZ AHMED FL-01 BLK 6 ALSYED CENTRE QAI		425-01-48457999	ABDUL RAZZAQ	0.523	0.830	-	0.607	0.607	-	0.607

**(GENERAL LOAN CASES)**

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
28	SIRAJ AHMED SHAH SUJAWAL		495-29-001529	SYED ALI ASHAR SHAH	0.086	0.479	0.565	0.565	0.565	0.565
29	AIJAZ ALI KHAN KARIM PUR P/O MIRPUR BATHORO		494-71-039522	JAMAL KHAN	0.149	1.881	2.030	1.730	1.730	1.730
30	MOHD HASSAN DAM		515-07-12644889	ISMAIL	0.053	0.522	0.574	0.574	0.574	0.574
31	MS MALIK AMANULLAH KHAN DEH MAKAN THANA BOLA KHAN		467-38-047598	MALIK ANWAR KHAN	0.207	0.476	0.683	0.683	0.683	0.683
32	DARYA KHAN R/O GOTG GHULAM MUHAMMAD (BHO		452-48-156683	AHMED KHAN	0.180	1.128	1.308	1.007	1.007	1.007
33	MIR MUHAMMAD WARYASO		N/A	HAJI LARHA DINO	0.071	0.556	0.627	0.556	0.556	0.627
34	BILAWAL NAGER KHEET		N/A	SOOMAR	0.033	0.467	0.500	0.467	0.467	0.500
35	ABDUL HAQ CHEERANDI		425-48-127562	MUHAMMAD SAFFAR	0.492	0.606	1.098	0.838	0.838	0.838
36	BAHAR ALI CHERANDI		411-86-024247	AHMED ALI SHAH	0.484	0.661	1.145	0.889	0.889	0.889
37	NABI BUX KHAN KHANOTE		453-20-058559	GHULAM MUHAMMAD	0.082	1.055	1.137	1.055	1.055	1.137
38	UMER KHANOTE MST SHAHZAD KHANOTE MST: ZUHRA KHONATE		458-28-173019	ADAM	0.083	1.032	1.115	1.032	1.032	1.115
39	MST.HUSNA RIP		457-65-091748	MAJI MOHAMMAD	0.098	1.226	1.325	1.226	1.226	1.325
40	MST. BIBI KASHIFAN KHEBRANI		459-34-055316	MIR AIJAZ ALI	0.031	0.824	0.855	0.824	0.824	0.855
41	MST. ZEENATUN NISA KANDER JAGIR		459-35-108912	MIR AIJAZ ALI KHAN	0.050	1.545	1.595	1.545	1.545	1.595
42	ANIAZ MOHD MAHI LEGHARI		459-41-089602	LAL KHAN	0.060	1.361	1.420	1.361	1.361	1.420

**(GENERAL LOAN CASES)**

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
43	GHULAM HUSSIAN WALHAR		N/A	MOHD SIDDIQUE	0.075	0.523	0.597	0.075	0.523	0.597
44	WALI MOHAMMAD GOTH NOOR MOHAN SANEJO		N/A	ALLAH DINO	0.990	0.520	0.620	0.099	0.520	0.620
45	DR. SARDAR MUHAMMAD WALHAR		477-29-058739	FAZAL MUHAMMAD	0.091	0.651	0.742	0.091	0.651	0.742
46	ALI AKBAR KHEERYOON		N/A	LAL DIN	0.084	0.418	0.502	0.084	0.418	0.502
47	KHAN MUHAMMAD DEH FERZE PUR		N/A	MUHAMMAS SIDDUQ	0.099	0.838	0.936	0.099	0.838	0.936
48	ABDUL GHAFUOR NAHERIO		N/A	ABDULLAH NAHERIO	0.090	0.725	0.816	0.090	0.725	0.816
49	MST HAMIDA NAR MST NAHEED NAR		N/A	MIR WALI MOHAMMED KHAN	0.064	1.802	1.866	0.064	1.802	1.866
50	HUSSAIN ALI CHAR		N/A	HAJI NOOR MOHAMMAD	0.100	1.290	1.390	0.100	1.290	1.390
51	ABDUL JALIL DADAH		458-59-158258	MOHAMMAD ISMAIL	0.097	0.450	0.546	0.097	0.450	0.546
52	MST BACHLAN KARYANO MST ZULEKAHN KARYANO		N/A	H MOHAMMED RAHIM	0.039	0.468	0.507	0.039	0.468	0.507
53	GHULAM MUSTFA KARI MOHD ALI		456-59-155433	GHULAM HAYDAR	0.950	0.792	0.887	0.095	0.792	0.887
54	MOHD MUNIR DAMHARI		525-25-000022	HAJI ABDUL REHMAN	0.060	0.465	0.525	0.060	0.465	0.525
55	HASSAN ALI DUMBIARY		452-58-005332	HAJI FATEH KHAN	0.019	0.772	0.792	0.019	0.772	0.792
56	MEHAR KHAN CHEEL VILL AITBAR BROHI RAHAMAT ULLAH CHEEL		403-37-020845	YAQOOB KHAN	0.098	0.854	0.952	0.098	0.854	0.952
57	UMAT SHAH		129-26-178964	MEHRAB SHAH	0.096	0.525	0.621	0.096	0.525	0.621

(GENERAL LOAN CASES)							(Rs. in million)								
S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off							
					Principal	Interest	Others	Principal	Interest	Others	Total				
	ISRA DHERI KHAIRABAD MARDAN ALI JAUHAR GARYALA MARDAN PIRDAD SHAH GARYALA MARDAN		129-41-245410 129-12-132111	IBRAHIM SHAH IBRAHIM SHAH											
58	MOHAMMAD AKHTAR KHAN PANDAK PO-HARIPUR SHER AKSAR KHAN DURUNNIAN PO-NORDI TEH-HARIPU BABAR NAWAZ KHAN PANDAK PO-HAIRPUR SHAUKAT ZAMAN KHAN DURUNNIAN PO-NORDI TEH-HARIPU FARID SALEEM KHAN KHALABAT T.SHIP PO-K.T.S.HRP GULSHAN ARA AKHTAR PANDAK PO-HARIPUR		122-36-309721 122-10-369234 122-50-433499 122-34-005969 122-57-247090 122-46-309722	GHULAM SARWAR KHAN JEHANDAD KHAN GHULAM SARWAR KHAN SHER AKSAR KHAN MOHAMMAD SALEEM KHAN MOHAMMAD AKHTAR KHAN	0.830 0.030	0.030	0.860	0.860	0.860						0.860
59	MARUF GUL KOT		139-40-325162	ABDAR GUL	0.092	0.771	0.863	0.773							0.773
60	JEHAN BAKHT KISHAWRA		114-36-219740	SAYED AMBER MIAN	0.141	0.637	0.778	0.777							0.777
61	WAHEED GUL HIRO SHAH DARGAI		139-07-149308	AZIM GUL	0.133	1.243	1.376	1.191							1.191
62	FATEH KHAN JABAGAI		117-21-137057	SALEH	0.100	0.598	0.698	0.590							0.590
63	SULTAN ZEB GUSAM DAG		109-36-018155	FAQIR SAID	0.133	0.952	1.085	0.933							0.933
64	HAZOOR BUX AMANBOSTAN NUSHKI		542-01-22974931	SAID MOHAMMAD	0.181	1.224	1.406	1.181							1.181
65	JAMAL KHAN RAKHPORE		612-57-229534	BAIKAR KHAN	0.170	0.355	0.525	0.355							0.525
66	ROZI KHAN GHUNDI SULAMANZAI DAEAN GHIDI SULAMANZAI		612-43-179629 612-42-015918	MOHAMMAD YAR KHAN GUL	0.164	0.340	0.504	0.340							0.504
67	MR FATEH KHAN MANEZI		612-33-178288	MR JALAL	0.228	0.477	0.705	0.477							0.705
68	HAJI MOMIN PIMDWALA ZHOB		612-48-135263	KHAN NORAN	0.204	0.414	0.618	0.414							0.618

(Rs. in million)

## (GENERAL LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Total	Principal	Interest	Others	Total
69	MR BAHYE KHAN KOT ZHOB		612-38-157534	MR DODA	0.211	0.440		0.650	0.211	0.440		0.650
70	FAQIR ALI KHANZAI MOHAMMAD USMAN ALI KHAN ZAI		612-57-097726	DUNIAGAI	0.244	0.482		0.726	0.244	0.482		0.726
71	MOHAMMAD BATH KHAN SAILNA		612-38-151743	AKHTAL SHAH	0.182	0.376		0.558	0.182	0.376		0.558
72	GUL SHAH KHAN GHUNDI SULAMANZAI ZHOB		612-31-065517	SAIN GUL	0.192	0.392		0.584	0.192	0.392		0.584
73	GUL SHAH KHAN GHUNDI SULAMANZAI		612-31-065517	SAN GUL	0.183	0.374		0.557	0.183	0.374		0.557
74	GUL SHAH KHAN RAKHPOR ABDUL SATAR KAKHOW		612-47-066948	FATEH KHAN	0.175	0.349		0.524	0.175	0.349		0.524
75	HABIBULLAH GUSTOI AHMAD KHAIL		612-85-224723	ABDUL REHMAN	0.183	0.358		0.542	0.183	0.358		0.542
76	KALO KHAN MURGHA KIBZAI		612-53-144872	H MALIK SAMAWDER	0.185	0.386		0.571	0.185	0.386		0.571
77	SAID NOOR		612-85-037910	DARAZ KHAN	0.181	0.362		0.543	0.181	0.362		0.543
78	GUL FARAZ KHAN KAKHAW ZHOB		612-38-179168	SAFAR KHAN	0.190	0.383		0.573	0.190	0.383		0.573
79	KAKO MURGHA KIBZAI		612-88-269801	JALANDAR	0.225	0.459		0.684	0.225	0.459		0.684
80	REHMATULLAH		612-85-154509	AKHTER MUHAMMAD	0.184	0.382		0.566	0.184	0.382		0.566
81	NASRULLAH GHUNDE SULIMANZI ZHOB		612-88-228854	BAZ GUL	0.208	0.411		0.619	0.208	0.411		0.619
82	ZAHIR		612-36-065383	YARAK	0.208	0.428		0.636	0.208	0.428		0.636

**(GENERAL LOAN CASES)**

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Total	Principal	Interest
	BARWALA SHAMAIZ BARWALA MOHAMMAD DIN BARWALA		612-38-157777	YARAK	0.186	0.366	0.552	0.186	0.366	0.552
	612-43-142061		612-38-180547	JARS	0.211	0.390	0.602	0.211	0.390	0.602
83	ZARSHOON ALIZAI		612-53-228971	MALIK KHANAN KHAKHOW	0.250	0.493	0.743	0.250	0.493	0.743
84	NASRULLAH KHAKHOW		612-26-038015	MALIK AZIM KHAN	0.193	0.392	0.585	0.193	0.392	0.585
85	MALIK KHANAN KAKHOW ZHOB		612-87-068297	JALANDER	0.223	0.456	0.679	0.223	0.456	0.679
86	SHEER ZAMAN MURGHA		612-66-157675	AMIR SHAH	0.222	0.454	0.676	0.222	0.454	0.676
87	AMANULLAH ZHOB		612-43-180816	SHEEN	0.250	0.357	0.606	0.250	0.357	0.606
88	SULIMAN SHAH ZHOB		612-87-035342	MURAD KHAN	0.223	0.445	0.669	0.223	0.445	0.669
89	HAJI SARDAR KHAN PAINDA WALA		612-51-018261	MALIK KHANAN	0.191	0.408	0.599	0.191	0.408	0.599
90	ASMATULLAH KHAN KAKOW SHADI KHAN KAKOW		612-37-068135	SATTAR	0.250	0.463	0.713	0.250	0.463	0.713
91	NAIK ZHOB		612-52-181038	KHIRULLAH	0.205	0.404	0.608	0.205	0.404	0.608
92	SAMAD KHAN BARAKWALA ROZADIN BARAKWALA		612-48-181009	MURAN	0.215	0.431	0.646	0.215	0.431	0.646
93	MEHERBAN ZHOB SAFAR KHAN MALAWAR MIRZA KHAN MALAWAR		612-90-313131	MURAN	0.205	0.404	0.608	0.205	0.404	0.608
94	ABDUL REHMAN ADOZI		612-87-268195	ALI MOHD	0.215	0.431	0.646	0.215	0.431	0.646
			612-87-268196	ALI MUHAMMAD						
			612-38-128312	ALI MUHAMMAD						
			612-63-066177	FEROZE KHAN						

**(GENERAL LOAN CASES)****(Rs. in million)**

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Total	Principal	Interest	Others	Total
95	JUMMA KHAN ADOZI ZHOB		612-90-313370	DARAZ KHAN	0.190	0.383		0.573	0.190	0.383		0.573
96	SAMTULLAH KILLI KOT		612-88-180768	MOHAMMAD KHAN	0.164	0.344		0.508	0.164	0.344		0.508
97	REHMATULLAH KILLI KOT		612-48-313389	MOHAMMAD KHAN	0.164	0.343		0.507	0.164	0.343		0.507
98	IBRAHIM GUL ADOZAI		612-48-031076	GOOK	0.217	0.435		0.651	0.217	0.435		0.651
99	BAHAR KHAN ADOZAI		612-48-077015	RAMZAN	0.190	0.374		0.563	0.190	0.374		0.563
100	MIR MOHAMMAD ZHOB		612-85-224648	SARAIGUL	0.190	0.360		0.550	0.190	0.360		0.550
101	KHAIR MUHAMMAD KILLI ADOZAI		612-85-224648	SARAIZUL	0.131	0.383		0.514	0.131	0.383		0.514
102	SHERAB KHAN BARWALI ZHOB		612-48-153724	KAREEM KHAN	0.217	0.416		0.633	0.217	0.416		0.633
103	SAID ULLAH LAKA BAND ZHOB		612-87-267467	JANZUL	0.217	0.415		0.632	0.217	0.415		0.632
104	MOHAMMAD AMIN LAKABABD		612-85-154494	WAZIR KHAN	0.175	0.363		0.538	0.175	0.363		0.538
105	HAYART ULLAH KILLI LAKA BAND ZAKOZAI ZHOB		612-62-188679	JANZUL	0.217	0.418		0.635	0.217	0.418		0.635
106	DIN GUL GUSTOI		612-36-110959	SEEN GUL	0.176	0.363		0.538	0.176	0.363		0.538
107	NORULLAH JAN GUSTOI		612-88-150826	MUZAMMIL	0.178	0.369		0.546	0.178	0.369		0.546
108	MUZAMMIL GUSTOI		612-90-150818	GHULAM HYDER	0.177	0.367		0.544	0.177	0.367		0.544
109	NASEM GUL GUSTOI		612-28-028787	SHEEN GUL	0.175	0.356		0.530	0.175	0.356		0.530
110	KHAN MOHAMMAD MINA BAZAR		612-87-016753	KHAN DAWRAN	0.169	0.334		0.503	0.169	0.334		0.503
111	BADRUDIN ZHOB		612-53-138754	ABDULLAH	0.230	0.451		0.680	0.230	0.451		0.680

**(GENERAL LOAN CASES)**

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
112	RAZ MOHAMMAD ALI KHAN ZAI		612-91-226339	ABDULLAH	0.171	0.348	0.519	0.171	0.348	0.519
113	HAMEEDULLAH ZHOB HABIBULLAH ZHOB		612-43-154628	JANDAI	0.242	0.470	0.713	0.242	0.470	0.713
114	REHMATH KHAN ZHOB		612-59-068015	MULA GHABAWA	0.180	0.369	0.549	0.180	0.369	0.549
115	ABDURRAHMAN ZHOB		612-59-126060	MULA GHABANA	0.183	0.376	0.559	0.183	0.376	0.559
116	BASMYLLAH LAK BAND		612-89-068553	FATEH KHAN	0.184	0.387	0.572	0.184	0.387	0.572
117	BAITULLAH ZHOB		612-89-154791	ABDULLAH KHAN	0.249	0.482	0.732	0.249	0.482	0.732
118	ABDULLAH KHAN LAKABAND		612-25-220674	KHAN KATOW	0.249	0.511	0.760	0.249	0.511	0.760
119	WAZAR ALIAZI NAIK NAZAR ALIAZI MOHAMMAD HASSAN ALIAZI SAWZAR ALIAZI		612-89-312644	JAHWAR	0.249	0.488	0.737	0.249	0.488	0.737
120	ABDUL HADI BADENZAI		612-89-130932	HAJI MAZAK	0.169	0.345	0.514	0.169	0.345	0.514
121	4HOTAKE ZHOB RAZAQE ZHOB		612-47-066220	AYOOB	0.166	0.338	0.504	0.166	0.338	0.504
122	ABDUL QAYUM GHUNDI SULEMANZAI		612-33-179972	TOWALLI	0.233	0.450	0.683	0.233	0.450	0.683
123	ROZI KHAN MURGHA		612-88-267855	ABDULLAH JAN	0.249	0.475	0.724	0.249	0.475	0.724
124	SHAM SUDIN GHUNDI SULEMANZAI		612-53-220763	ROZAY	0.233	0.449	0.682	0.233	0.449	0.682



**(GENERAL LOAN CASES)****(Rs. in million)**

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off											
					Principal	Interest	Others	Principal	Interest	Others	Total								
	SHADI KHAN GHUNDI SULEMANZAI		612-51-154741	MURGHAZAI															
125	MOHAMMAD DIN ZHOB		612-90-310263	MERAJDDIN		0.172	0.345		0.172	0.345		0.517							0.517
126	MARJAN GUSTOI		612-33-152715	MOHAMMAD JAN		0.205	0.405		0.205	0.405		0.611							0.611
127	SULEMAN MURGHA KIBZAI		612-87-038940	ARAB		0.239	0.463		0.239	0.463		0.703							0.703
128	KHODAI DAD BARWALI ZHOB		61238188680	SAFFAR		0.188	0.387		0.188	0.387		0.575							0.575
	KASH MIR BARWALI ZHOB		61248153486	SAFFAR															
	LAJMEER BARWALI ZHOB		61253153488	SAFFAR															
	BARAN BARWALI ZHOB		61238157655	SAIFULLAH KHAN															
129	TAWIZ KHAN AHMED ZAI		612-89-036679	ADAM KHAN		0.261	0.513		0.261	0.513		0.774							0.774
130	SALEEM KHAKHOW		612-88-310699	ALI		0.208	0.388		0.208	0.388		0.596							0.596
131	ZARGHOON MURGHA PITAW		612-48-200467	MUSSA KHAN		0.258	0.512		0.258	0.512		0.770							0.770
132	ABDUL KHALIQ ZHOB		612-90-318927	ABDUL HAKIM		0.241	0.479		0.241	0.479		0.720							0.720
133	KHUDAI DAD GHUNDI		612-89-311416	BAKHTER		0.241	0.479		0.241	0.479		0.720							0.720
134	ZAINUDDIN KHUSTI		612-28-126831	MERZA KHAN		0.260	0.493		0.260	0.493		0.753							0.753
135	SHAMS U DIN KHUSTI		612-33-154923	MERZA KHAN		0.260	0.501		0.260	0.501		0.762							0.762
136	ABDULAH KHAWJA ZAI		612-43-059954	KHUSHAL KHAN		0.269	0.461		0.269	0.461		0.731							0.731
137	ABDULLAH ZHOB		612-47-119096	WADAN		0.170	0.333		0.170	0.333		0.503							0.503
138	BISMELLAH ZHOB		450-48-181628	KOTE KHAN		0.195	0.317		0.195	0.317		0.511							0.511

(Rs. in million)

## (GENERAL LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
139	ABDUL HARIM KHAJAZAI		612-18-099841	KHUDAIDAD	0.189	0.367	0.557	0.189	0.367	0.557
140	SARWAR AHMED ZAI		612-87-036844	LAL KHAN	0.257	0.514	0.771	0.257	0.514	0.771
141	REHMAT U LLAH LAKHA BAND		612-89-312454	JAN GUL	0.283	0.561	0.844	0.283	0.561	0.844
142	DIN MOHAMMAD GHUNDI SULMANZAI SHER MOHAMMAD GHUNDI SULAMANZAI ABDUL SHAMAD GHUNDI SULMANZAI NOOR MOHAMMAD GHUNDI SULMANZAI		612-43-157116 612-48-195042 612-53-154668 612-85-153123	FAIZ MOHAMMAD FAIZ MOHAMMAD FAIZ MOHAMMAD FAIZ MOHAMMAD	0.283	0.562	0.845	0.283	0.562	0.845
143	NAIMAT U LLAH ADO ZAI RAHMAT U LLAH ADO ZAI		612-90-129985 612-91-129986	MOHAMMAD RAFIQ MOHAMMAD RAFIQ	0.266	0.524	0.790	0.266	0.524	0.790
144	SANTULLAH TONGSIR SHIRQI		612-41-135166	KHAR	0.241	0.400	0.641	0.241	0.400	0.641
145	ZAREEF KHAN GHUNDI SULMANZAI		612-90-065267	KALA KHAN	0.283	0.559	0.842	0.283	0.559	0.842
146	JAMAL KHAN BARWALA		612-90-316155	SADO KHAN	0.283	0.562	0.846	0.283	0.562	0.846
147	DIN MOHAMMD ZHOB		612-90-179987	GUL MOHAMMAD	0.194	0.359	0.553	0.194	0.359	0.553
148	SAHIB JAN TANGSIR SHIRQI		612-53-029957	SAMAND KHAN	0.286	0.560	0.847	0.286	0.560	0.847
149	FATEH KHAN GHUNDI SULMAN ZAI		612-47-068551	SULMAN	0.275	0.534	0.808	0.275	0.534	0.808
150	JABAR SHAH GHUNDI SULMANZAI		612-90-316183	JALAUDDIN	0.274	0.543	0.817	0.274	0.543	0.817
151	WAZIR KHAN ZHOB		612-43-129770	KALA KHAN	0.243	0.472	0.715	0.243	0.472	0.715
152	KHUDAI NAZAR		612-41-135901	RAMZAN	0.277	0.549	0.827	0.277	0.549	0.827

**(GENERAL LOAN CASES)**

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off											
					Principal	Interest	Others	Total	Principal	Interest	Others	Total							
	TANGI SIR SHIRQI																		
153	BAZ MOHAMMAD ZAKERYAZAI		612-38-126344	LAHORE		0.283	0.556		0.839	0.283	0.556		0.839						
154	MOHAMMAD KHAN KOT		612-46-038495	AKHTAR		0.280	0.557		0.837	0.280	0.557		0.837						
155	ATTULLAH BARAK WALA		612-91-038197	ATTAH KHAN		0.177	0.342		0.519	0.177	0.342		0.519						
156	BISSIMALLAH TANGI SIR SHRIQI		612-48-180247	SULEMAN		0.280	0.556		0.836	0.280	0.556		0.836						
157	FAZAL QADIR SHAMAM ZAI		612-38-129976	MULA DAD		0.254	0.501		0.756	0.254	0.501		0.756						
158	MOHAMMAD AAKBER KAKHAW		612-88-268501	LORRY		0.264	0.521		0.785	0.264	0.521		0.785						
159	MIRA JAN TANGI SIR GHARBI		612-66-665490	PASTAKF		0.277	0.551		0.827	0.277	0.551		0.827						
160	DOULAS KHAN ZHOB		612-91-316919	GOHAR KHAN		0.185	0.364		0.549	0.185	0.364		0.549						
161	ABDUL GHAFLOOR TANGISIR SHIRQI		612-91-316982	ALLAH DAD		0.281	0.550		0.831	0.281	0.550		0.831						
162	MOHAMMAD ANWAR ZHOB		612-91-154847	KHUDAI NAZAR		0.198	0.386		0.584	0.198	0.386		0.584						
163	ABDUL REHMAN ZHOB		612-91-154848	KHUDAI NAZAR		0.197	0.385		0.582	0.197	0.385		0.582						
164	ABDUL BARI ZHOB		612-85-100881	PAYOU KHAN		0.191	0.347		0.537	0.191	0.347		0.537						
165	ZEENULLAH ZEHROZAI FAIZ ULHAQ ZEHROZAI		612-87-268071	SALEH MUHAMMAD KHNJ		0.277	0.542		0.820	0.277	0.542		0.820						
166	KALO JAN ZHOB		612-87-267853	ABDULLAH JAN		0.258	0.498		0.756	0.258	0.498		0.756						
167	KALA KHAN ZHOB		612-51-065347	SAPPAK		0.249	0.504		0.753	0.249	0.504		0.753						

**(GENERAL LOAN CASES)****(Rs. in million)**

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off		
					Principal	Interest	Others	Principal	Interest	Others
168	SHAMMAR KHAN AHMED ZAI		612-51-036845	BAZ MOHAMMAD KHAN	0.409	0.761	1.170	0.409	0.761	1.170
169	AZAD KHAN LAKA BAND		612-52-065077	AKHTER MOHAMMAD	0.280	0.484	0.764	0.280	0.484	0.764
170	KAMAL KHAN BARAKWALA		612-38-158006	CHAR GUL	0.274	0.528	0.802	0.274	0.528	0.802
171	MALIK AMIR JAN ZHOB		612-45-118544	SAMNDER	0.244	0.475	0.719	0.244	0.475	0.719
172	DALI ZHOB		612-38-127198	QALANDAR	0.237	0.463	0.700	0.237	0.463	0.700
173	MALO TANGI SIR SHRIQI		612-46-117745	RAM ZAN	0.326	0.582	0.907	0.326	0.582	0.907
174	JAMAL KHAN AHMED ZAI		612-35-065319	FAZAL KHAN	0.384	0.721	1.106	0.384	0.721	1.106
175	TAJ U DIN ZHOB		612-86-265680	SHENKEI	0.201	0.383	0.584	0.201	0.383	0.584
176	ZALAK ZHOB		612-42-097580	DENAK	0.179	0.341	0.520	0.179	0.341	0.520
177	ABDUL HAQ ZHOB JOHAR ZHOB		612-87-156101 612-48-023579	FAIZ HAQ BAIK	0.196	0.375	0.571	0.196	0.375	0.571
178	MOHAMMAD JAMIL ZHOB		612-85-150821	H MUZAMIL	0.184	0.347	0.530	0.184	0.347	0.530
179	MAHMMOOD KHAN ZHOB		612-89-224627	SHAH WAZEER	0.178	0.323	0.502	0.178	0.323	0.502
180	MASOOD KHAN ZHOB		612-89-224629	SHAH WAZIR	0.241	0.453	0.694	0.241	0.453	0.694
181	SALEH MUHAMMAD DAHANA ABDULLAHZAI		612-89-126565	SULEMAN	0.267	0.516	0.783	0.267	0.516	0.783
182	NOORA KHAN KHAKHOW		612-59-225197	KAMALI	0.224	0.410	0.634	0.224	0.410	0.634
183	HABIBULLAH GHONDI SULMANZAI		612-90-312989	SAIDULLAH	0.339	0.586	0.925	0.339	0.586	0.925

(GENERAL LOAN CASES)							(Rs. in million)				
S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off			
					Principal	Interest	Others	Principal	Interest	Others	Total
184	ABDUL QADIR KILLI GIRDIL MUSSHZAI		612-85-223519	HAZAT KHAN	0.279	0.472	0.751	0.279	0.472	0.751	
185	SARWAR JAN KILLI AHMEDZAI		612-86-265804	SPPAK	0.243	0.408	0.651	0.243	0.408	0.651	
186	MALIK DAD AHMEDZAI		612-88-144994	SHEEN KHAN	0.225	0.374	0.599	0.225	0.374	0.599	
187	JALAT KHAN AHMED ZAI		612-52-036657	SAPPAK	0.344	0.590	0.933	0.344	0.590	0.933	
188	FATEH KHAN AHMEDZAI		612-43-180595	SAPPAK	0.244	0.409	0.653	0.244	0.409	0.653	
189	MOHAMMAD KHAN LAKA BAND		612-41-036907	JALI	0.350	0.615	0.965	0.350	0.615	0.965	
190	MALIK AZIM KHAN KHULA		612-33-027811	MALIK WADAN	0.189	0.326	0.515	0.189	0.326	0.515	
191	PAYOU KHAN TORA KHULA		612-43-010417	DADAN KHAN	0.189	0.327	0.516	0.189	0.327	0.516	
192	LAL MOHAMMAD MURGHA KIBZAI		601-38-115930	BABOO KHAN	0.308	0.480	0.788	0.308	0.480	0.788	
					<b>49.301</b>	<b>102.982</b>	<b>-</b>	<b>150.329</b>	<b>31.355</b>	<b>114.485</b>	<b>-</b>
					<b>145.842</b>						

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2008**  
**(PROJECT LOAN CASES)**

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
1	A-ONE CHICKS ASLAM PARK SHAHDRA TOWN, LAHORE	KHALID ALI LANGHA ABID ALI LANGHA	35202-5604749-5 35202-1641834-9	MUHAMMAD TUFAIL MUHAMMAD TUFAIL	47,274	41,169	-	88,443	47,274	10,435	-	57,705
2	AGRO MASTER 3 SESSION COURT ROAD, CIVIL LINE, GUJRANWALA,	SUBAHAT ALI KHAN CH. FASAHT ALI KHAN UMATUL RAOIB BEGUM	285-49-489273 250-50-098695 285-24-204462	MULAHT ALI KHAN MULAHT ALI KHAN W/O MULAHAH ALI KHAN	3,000	4,006	-	7,006	-	2,113	-	2,113
3	HAFIZ GOODOWN (NASRULLAH KHAN)	NASRULLAH KHAN FAZALLULLAH	42301-7306719-9	HAFIZ ABDUL AZIZ HAFIZ ABDUL AZIZ	4,500	4,831	-	9,331	4,500	0,814	-	5,314
4	LANGAR SULEMANI MOHALLAH KHAWAJGAN, TEH. TAUNSA SHARIF, D. G. KHAN	KH. MUHAMMAD MEHBOOB KH. GHULAM MUHAMMAD SULEMAN KH. MUHAMMAD DAOOD SARDAR MUHAMMAD IQBAL KH. MUHAMMAD MAJDOOD KH. MUHAMMAD MAQBOOL MALIK MUHAMMAD YAR MEHBOOB	310-64-002097 310-88-025506 310-88-025506 310-85-063640 310-56-073173 310-87-002099 317-88-265120	KH. GHULAM SULEMAN KH. GHULAM ZAKRIYA KH. GHULAM SULEMAN JAN MUHAMMAD BHUTANI KH. GHULAM SULEMAN KH. GHULAM SULEMAN G M MUJTABA GHAZI KHAR	117,227	179,410	-	296,637	117,227	153,816	-	271,043
5	MUBARIK DAIRIES (PVT) LTD. 34-C F C C GULBERG, LAHORE	SYED IFTIKHAR ALI BUKHARI KHALID SURAJ BAJWA NAEEM AHMED BAJWA MUHAMMAD SARWAR AWAN DR. TAYYABA TASNEEM AWAN WASEEM ANWAR NIAZI	270-35-103073 300-51-156843 270-54-299902 270-86-100645 244-46-438737 265-50-156087	SYED MUBARIK ALI SHAH SIRAJ SAIFULLAH BAJWA SURAJ SAIFULLAH BAJWA MUHAMMAD HUSSAIN AWAN MUHAMMAD SARWAR AWAN MUHAMMAD ANWAR KHAN NIAZI	61,505	121,381	-	182,886	61,510	97,385	-	158,890
6	MULTAN EDIBLE OIL 12-B SOUTH PARK AVENUE, PHASE II, DHA, KARACHI	CH. MUNAWAR H. SINDHU CH. KHALID HUSSAIN ZIA UR REHMAN MRS. NASIM MUNAWAR FAUZIA BIBI SYEDA SAMINA ABRAR MRS. ANWAR NASREEN	501-47-467180 322-58-025321 501-86-761786 322-48-657112 322-58-724708 270-86-425447 322-86-421232	MUHAMMAD BHOOTA MUHAMMAD BHOOTA CH. MUNAWAR HUSSAIN W/O CH. MUNAWAR D/O IBRAR HUSSAIN W/O IBRAR HUSSAIN WIDOW OF ALUMDAR HUSSAIN	129,510	256,011	0,291	385,812	129,510	224,808	-	354,318
7	MURAD AGRO SERVICES 424-A, ALFLAH FORTH FLOOR, ALFLAH BUILDING, THE MALL, LAHORE	COL. ROSS MAHMOOD	270-38-348805	SHEIKH ATTAULLAH	4,500	11,252	-	15,752	-	7,587	-	7,587
8	NATIONAL MODARBA 24-A 3RD GAZRI STREET, PHASE IV, DHA, KARACHI	ASFAR HASNAIN RETD. AIRMARSHAL NOOR KHAN ABDUL REHMAN BAKHTIAR TOUFIQ ALI SAEED SHAFIQ ALI SAEED BEGUM FARHAT NOOR KHAN	597-41-003469 514-23-007961 NA 531-31-00000 514-41-095366 NA	LATE SAEED ANNUL HASAN MALIK MEHAR KHAN M KHALTIAN BUKHTIAR RAZA ALI RAZA ALI W/O NOOR KHAN	5,987	-	-	5,987	5,987	-	-	5,987
9	PAKPATTAN DAIRIES 68-L, GULBERG III, LAHORE	FAROOQ A MANEKA GOHAR FARID MANEKA MOAZZAM M K MANEKA KHALIQ DAD K. BHANDRA CH. SALEEM NAZIR CH. NAZIR AHMED AZAM FARID K. MANEKA	337-64-289413 NA 35200-9680607-3 352-55-192873 514-65-102164 514-65-102164 NA	GHULAM M A KHAN MANEKA MIAN NAZAR FARID GHULAM M A K MANEKA MEHBOOB ALAM CH. NAZIR AHMED CH. HAJI BAHADUR M. NAZAR FARID	54,337	430,166	-	484,503	54,337	412,778	-	467,115
10	QUANTIC LEATHER 49 KHYZERABAD NEAR	ITRAT PARVEZ KHAN MUZAFFAR ALI AHSAN	35201-4627318-9 212-51-024644	ABDUL JABBAR MUHAMMAD ALI AHSAN	26,243	59,656	-	85,899	26,243	38,858	-	65,101

## (PROJECT LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount charge off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
	SHALIMAR TOWN, LAHORE	MALIK AMJAD ALI CHAND AHMED MUGHAL ABDUL LATIF	224-88-091462 211-17-257643 211-24-057960	MALIK BAGH ALI FEROZ DIN MUGHAL MUHAMMAD SHAH KHAN								
11	SARHAD BOARDS & CHEMICAL NA	SAIFUR REHMAN KHAN GUL NIAZ MUHAMMAD MRS. FARHAT MANAN MST. KHALIDA KHAN	135-52-100092 138-43-040202 135-88-107609 135-56-183390 138-56-274082	HAJI ABDUL MALIK JAN GUL ABDUL JALIL FARASAT MANAN KHAN GUL	4.585	5.147	-	9.732	3.103	-	-	3.103
12	SARMAST TRADERS 2 C STADIUM LANE III, PHASE V. KHYABANE SHAMSHIR, DHA, KARACHI	ROSHAN ALI CHAJRO MUHAMMAD QAMAR ALAM MUHAMMAD ZAMAN	422-47-106063 515-85-095209 507-26-162112	GULL MUHAMMAD CHAJRO M KHURSHID ALAM MUHAMMAD SALEH	0.600	2.089	-	2.689	0.600	2.089	-	2.689
13	WARAICH POULTRY FARM 13 BANK COLONY, MULTAN ROAD, LAHORE	SHAFQAT ALI	272-54-081317	GULZAR AHMED	4.327	10.875	-	15.202	-	8.443	-	8.443
14	ZAREE AGRO SERVICES 18 ALAMGIR ROAD, ISLAMPURA, LAHORE	MASOOD UL HASSAN ANWAR SAEED KHAN NISAR KAYANI	249-48-072123 272-42-129088 101-60-049222	S A LATIF AHMED SAEED KHAN GHULAM MUHAMMAD KHAN	3.738	4.334	-	8.072	3.738	1.279	0.004	5.021
15	SAVAL AGRO SERVICES	MAZHARUL HAQ SHAH KHAGA	333-55-068408	ZAMAN SHAH	3.644	4.279	-	7.923	-	3.063	-	3.063
					<b>470.977</b>	<b>1,134.606</b>	<b>0.291</b>	<b>1,605.874</b>	<b>454.029</b>	<b>963.468</b>	<b>0.004</b>	<b>1,417.492</b>



# REVIEW OF OPERATIONS





## Review of Operations

During the year 2008, the Bank continued to play a significant role in financing farm investments to modernize agriculture, increase productivity and raise farm incomes. The Bank accorded highest priority to fulfill the demand of small farmers with land holding under 25 acres. ZTBL alone serves about half a million farmers annually and has a share of around 26.4% of the total institutional agricultural credit.

The Bank operates through a network of 25 Zonal Offices and 342 Branches and a team of 1243 Mobile Credit Officers (MCOs) in the field. Since inception upto 31.12.2008, the Bank has disbursed loan amounting to Rs.552,070 million. The Bank so far has financed 504,773 tractors and 145,954 tube-wells besides being the major source of financing for farm inputs including seeds, fertilizers, pesticides and insecticides. Priority was also accorded to the provision of more credit for livestock, dairy farming, poultry farming, aqua-culture and financing of oil seed crops.

The Bank continued to channelize its credit flow through several financial schemes and delivery mechanisms such as Revolving Finance Scheme, Sada Bahar Scheme, One Window Operation, etc. under the Supervised Agricultural Credit System. The credit advanced for various purposes was instrumental in enabling the farmers to raise farm production, increase yield, boost income and expand capacity.

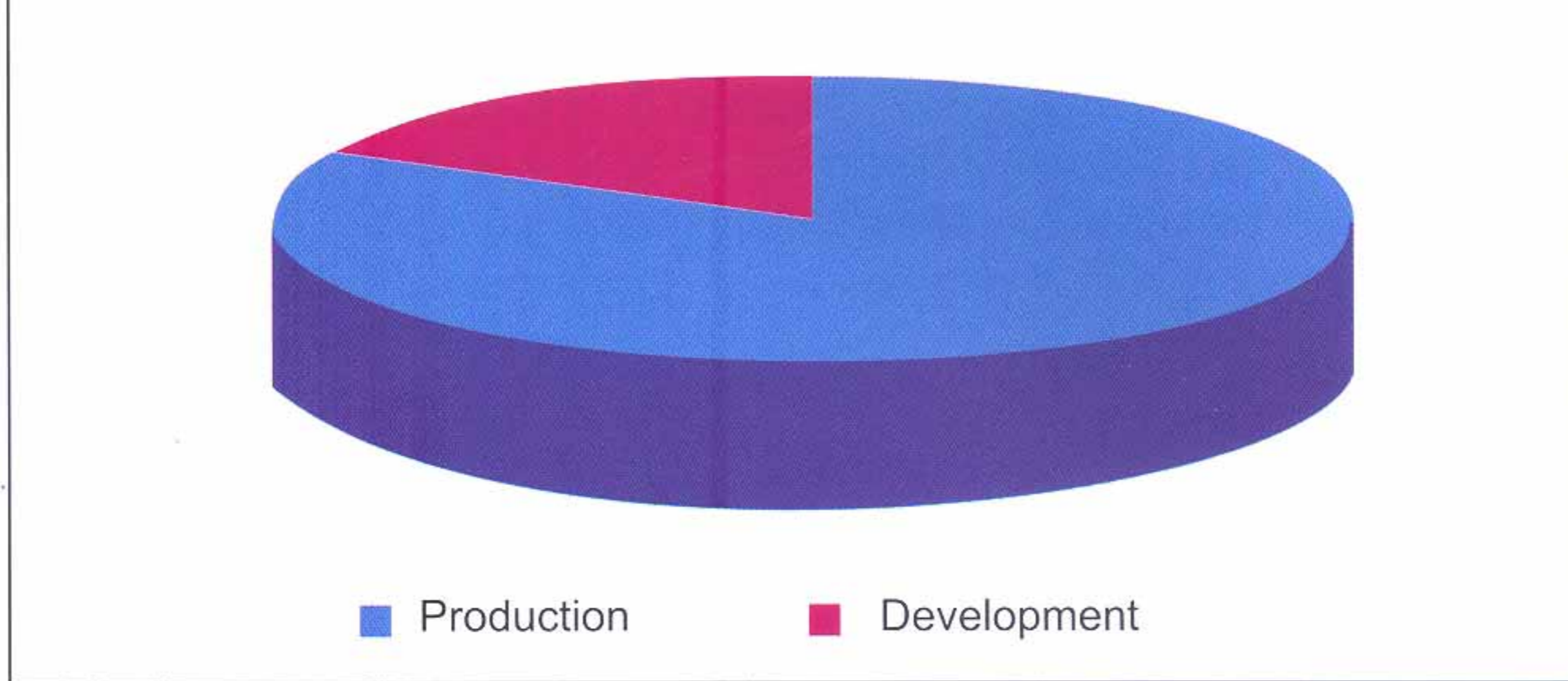
### 1. Overall Credit Disbursement

The Bank disbursed an overall amount of Rs.70,698 million during the year 2008 as compared to Rs.55,912 million disbursed in the year 2007 representing an increase of 26.4%. The number of borrowers served by the Bank increased to 571,946 during the year 2008 from 475,756 in 2007. The impact of quantum increase in ZTBL credit is visible from harvest of bumper wheat and sugarcane crops during the period under review. The Bank managed the funds availability from its own resources through boosting recovery and recycling the recovery proceeds for increased disbursements.

#### 1.1 Purpose-wise Disbursement of Loans

The Bank advanced Rs.58,524 million for production purposes during 2008 against Rs.50,222 million disbursed in 2007 registering a growth of 16.5%. Item-wise distribution of production loans includes Rs.28,092 million for fertilizers, Rs.16,387 million for improved seeds and Rs.11,120 million for pesticides etc. Bank also provided working capital loans for poultry, dairy, fisheries and livestock which were Rs.77 million, Rs.27 million, Rs.17 million and Rs.5 million, respectively. An amount of Rs.2,799 million was disbursed under the head of others. The share of production loans to total agricultural loans was 82.8%. Details are given in statistical table No.2.6 annexed.

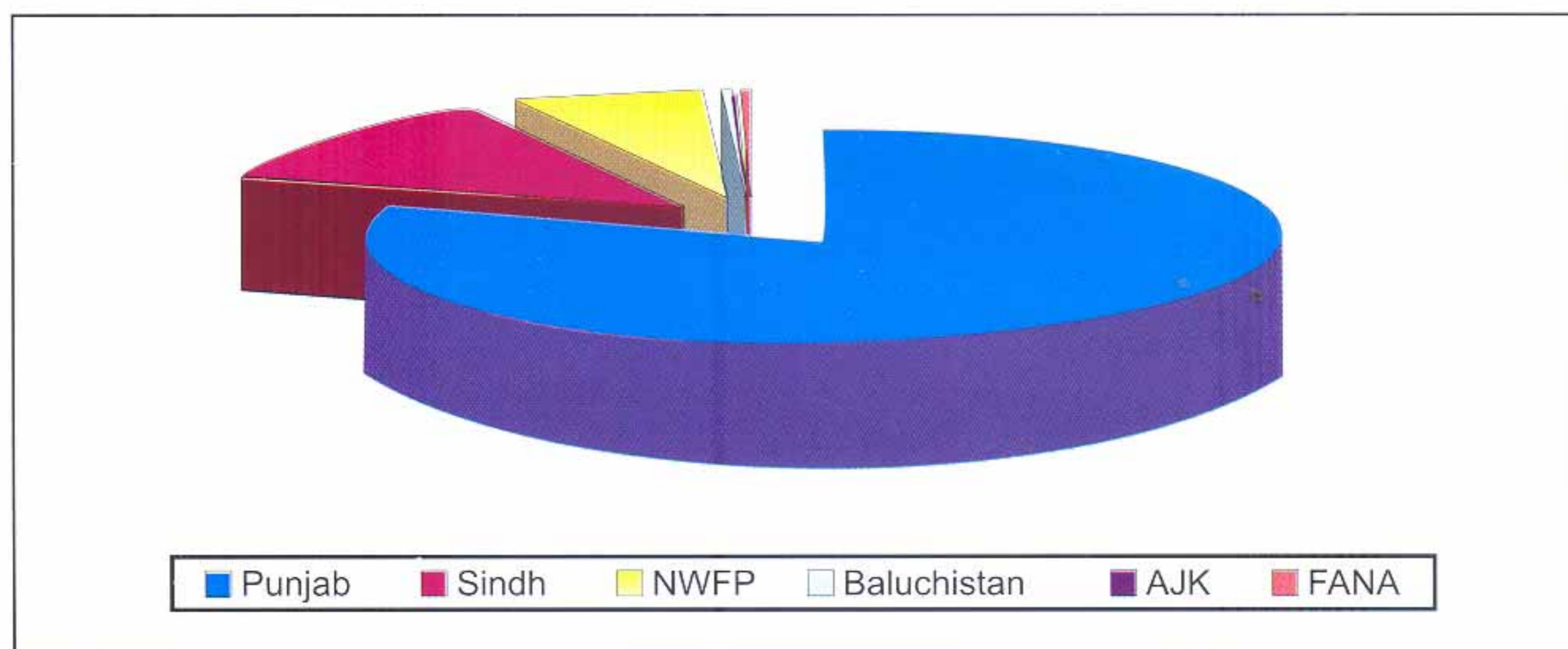
Disbursement for development purposes amounted to Rs.12,174 million in the year 2008 against Rs.5,690 million disbursed during the previous year. Out of this amount, Rs.5,741 million were disbursed for financing of 16,143 tractors, Rs.341 million for installation of 1,941 tubewells, Rs.135 million for farm equipment, Rs.117 million for godowns/cold storages, Rs.10 million for land development and Rs.283 million for orchards. Bank also disbursed loans for the establishment/replenishment of dairy farms, livestock farms and poultry farms amounting to Rs.4,665 million, Rs.757 million and Rs.10 million, respectively. Detail is given in statistical table No.2.6 annexed.



Purpose-wise Disbursement of Loans

## 1.2 Province-wise Disbursement of Loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2008, the Bank disbursed Rs.56,427 million (79.8%) in Punjab, Rs.8,883 million (12.6%) in Sindh, Rs.4,786 million (6.8%) in NWFP, Rs.154 million (0.2%) in Baluchistan, Rs.221 million (0.3%) in AJK and Rs.227 million (0.3%) in the Federally Administered Northern Areas. Detail is given in statistical table No.2.2 annexed.



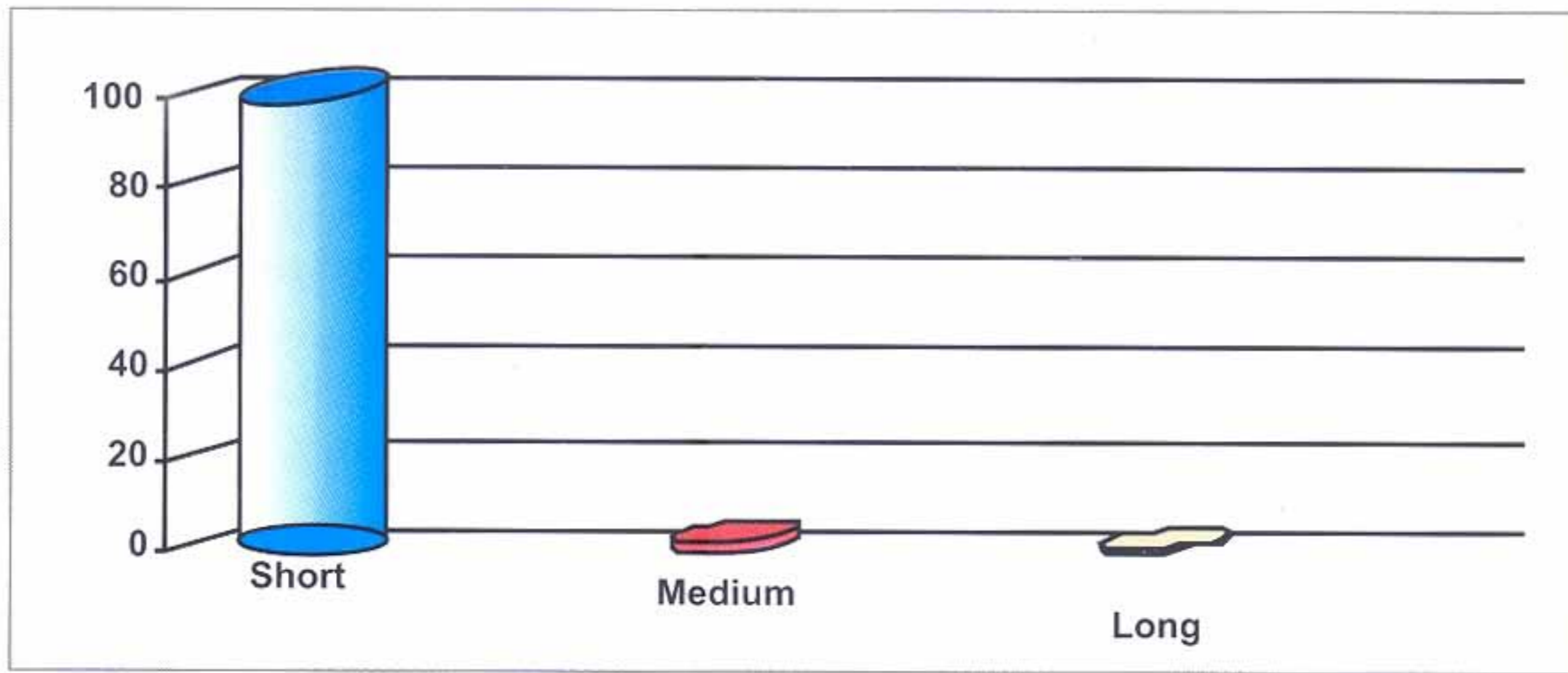
Province-wise disbursement of loans

## 1.3 Term-wise Loan Disbursement

The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period of upto 18 months. Medium and long term loans are advanced for development purposes and their maturity period spreads over 5 to 8 years, respectively.

Term-wise loan amounts are given below:

Short term loans	Rs.58,524 Million (82.8%)
Medium term loans	Rs. 5,797 Million (8.2%)
Long term loans	Rs. 6,377 Million (9%)

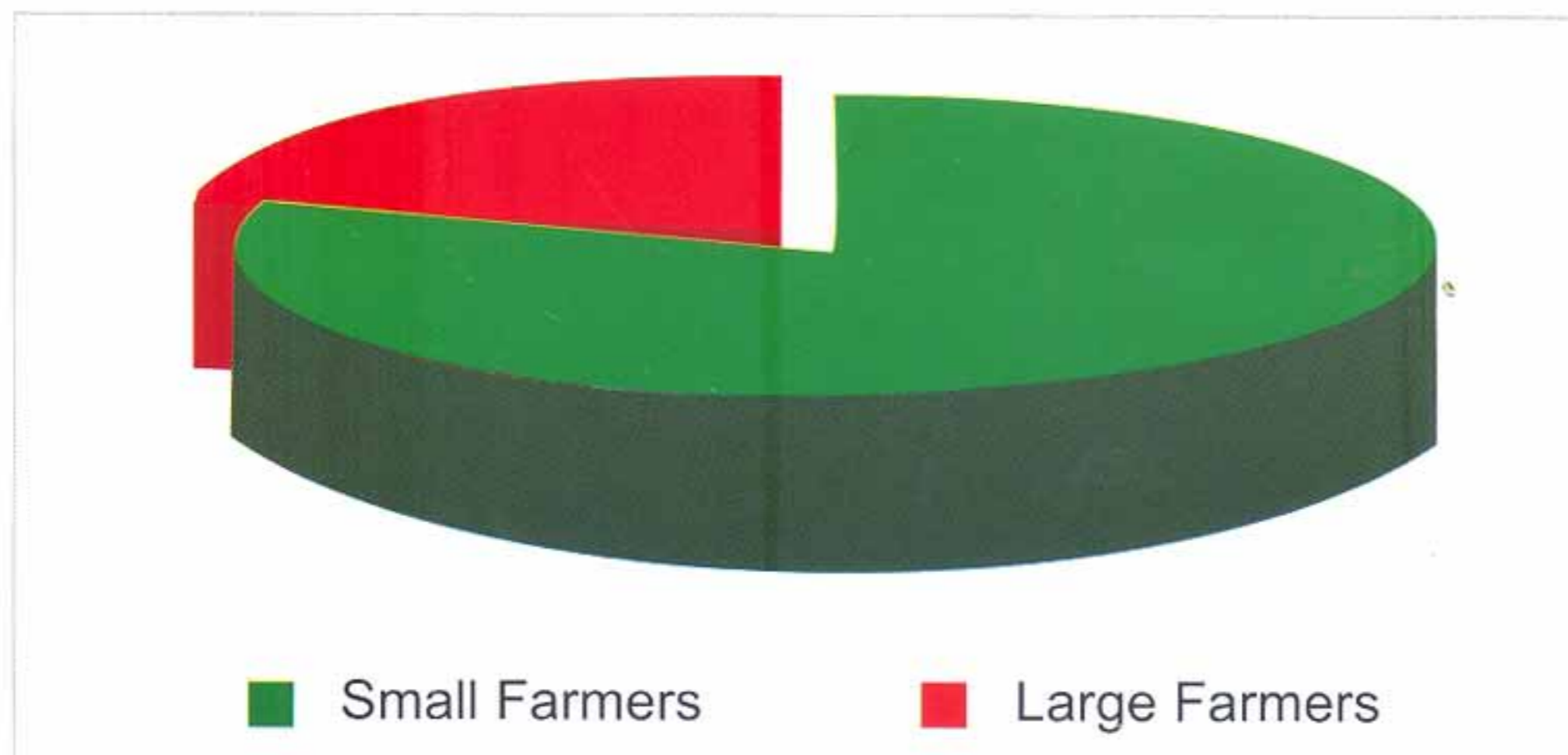


Term-wise loan disbursement

#### 1.4 Loans to Subsistence and Small Farmers

The majority of farmers in Pakistan operate small holdings. The small farmers owning farms upto 25 acres, constitute 94 percent of total farms. The Bank has been channelizing bulk of its credit for subsistence and small farmers. Timely provision of adequate credit to this segment of farming community has proved instrumental in increasing farm productivity and income level.

During the year 2008, the small farmers having land up to 25 acres, had a share of 86 percent as an amount of Rs.61,105 million was disbursed to them out of the total disbursement of Rs.70,698 million. Of this, an amount of Rs.45,822 million was channelled to subsistence farmers constituting 65 percent of the total agricultural credit disbursed by the Bank. Year-wise disbursement to small and subsistence farmers is given in statistical table No.1 annexed.



Disbursement to Small Farmers

#### 1.5 Holding-wise Disbursement of Loans

Holding-wise disbursement of loans during 2008 revealed that land-less population received Rs.217 million which was 0.3% of the total disbursement. Loans to land owners/operators under 12.5 acres amounted to Rs.44,519 million representing 63% share in overall disbursement. Farmers owning/operating land between 12.5 and 25 acres received Rs.16,368 million constituting 23.2% share. It was followed by Rs.6,407 million (9%) disbursed to farmers with land holding between 25 and under 50 acres. Remaining credit amounting to Rs.3,186 million (4.5%) was disbursed to land holders operating farms of 50 acres and above. Details are given in statistical

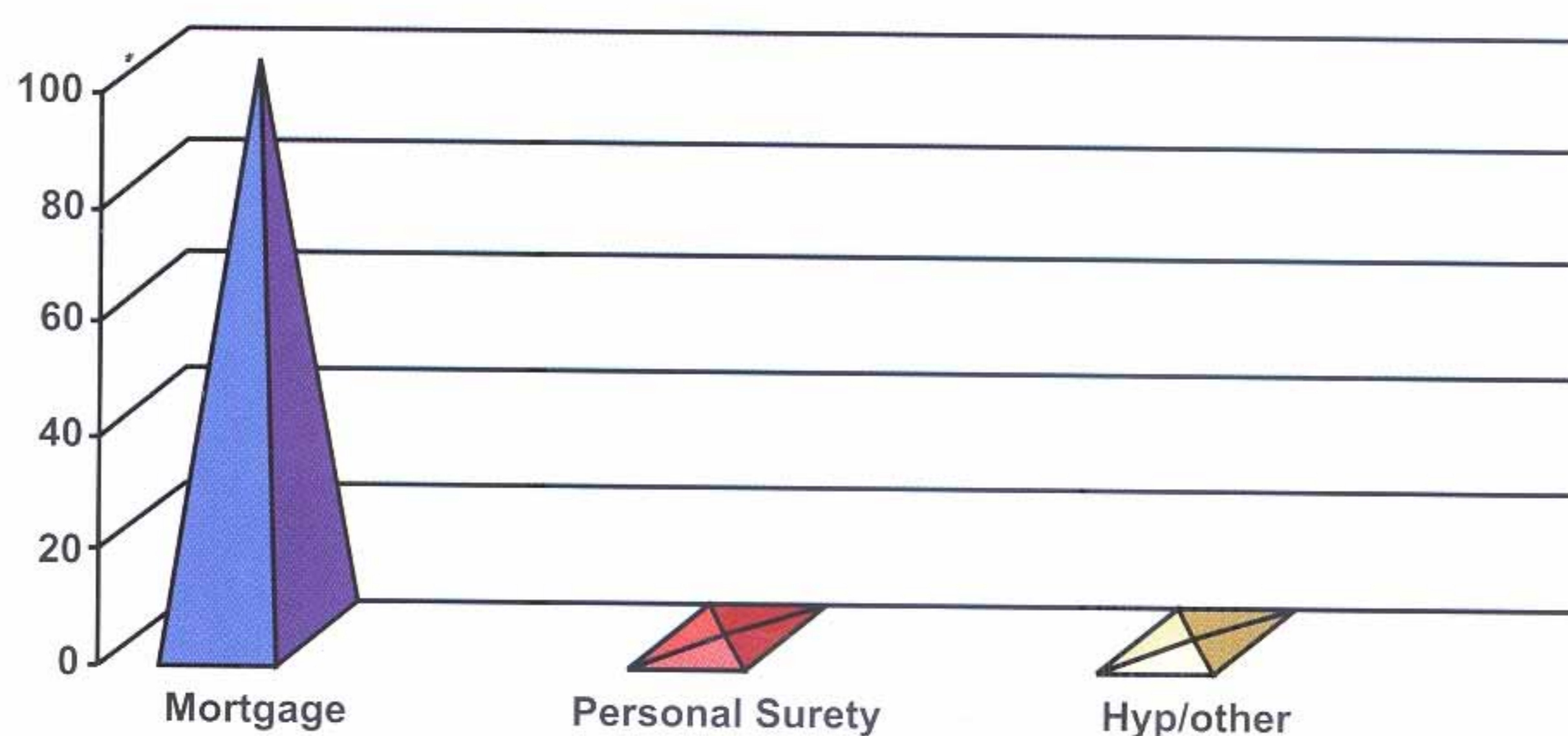
table No.2.8 annexed.

## 1.6 Size-wise Composition of Loans

Composition of credit disbursement by size of loan during the period under review revealed that loans availed up to Rs.25,000 constituted only 0.9% of the total credit, loans between Rs.25001 to Rs.50,000 were 5%, loans between Rs.50,001 to 200,000 were 38%, between Rs.200,001 to Rs.500,000 constituted 41.1% and above Rs.500,000 constituted 15% of the total credit. Details are given in statistical table No.2.7 annexed.

## 1.7 Security-Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.70,431 million, constituting 99.6%, were secured against pledge/mortgage of tangible securities. Loans amounting to Rs.124 million being 0.2% were disbursed against personal surety while loans amounting to Rs.143 million being 0.2% were advanced against hypothecation of crops and other securities. Details are given in statistical table No.2.4 annexed.



Security-Wise Disbursement of Loans

## 1.8 Zarkhaiz Scheme (One Window Operation)

ZTBL continued its expeditious delivery of credit to farmers with special focus on subsistence and small farmers through One Window Operation. This programme has established its importance by witnessing tremendous strength in timely channeling of production loans to small farmers, which contributed significantly towards increasing farm production.

The programme is conducted by the Bank in coordination with the Provincial Revenue Department and Pakistan Post Office once a week on Monday for Rabi crops during the period from October to January and for Kharif crops from April to September each year. Under "One Window Operation" loans are processed on the spot and sanctioned in the branches within 3 days.

## 1.9 Sada Bahar Scheme/Revolving Finance Scheme

For providing timely input loans for crops and working capital for dairy, poultry and fisheries, the Bank has launched a Sada Bahar Scheme. Assessment for inputs requirements for the whole year

is made at the time of first application. The amount so assessed is treated as Revolving Limit provided it is within the security limits. To revolve loans, fresh investigation/appraisal is not necessary up to three years. The Managers are authorized to sanction such loan limits within their loan sanctioning powers and renew the same even if previously it was sanctioned by the higher authority. Under these schemes, an amount of Rs.58,093 million was disbursed during the year 2008 inclusive of Rs.15,412 million disbursed under One Window Operation.

### 1.10 Crop Maximization Project

Ministry of Food, Agriculture & Livestock (MINFAL) launched an integrated development programme entitled "Crop Maximization Project (CMP)" in 15 districts of the country in the year 2003. The project aimed at providing inputs for crops through Revolving Fund for the financial assistance of the farmers in the project area. Under an agreement, the MINFAL will provide funds to the tune of Rs.299.893 million to ZTBL for onward lending to the project farmers to meet the input requirements for various crops. ZTBL will revolve these funds to look after the credit needs for inputs of the project farmers up till 30<sup>th</sup> June, 2014.

During the year under review, the Bank provided an amount of Rs.160 million to the farmers of project area whereas progressive loans disbursed amounted to Rs.655 million at the end of year 2008. An amount of Rs.529 million has been recovered since inception of the project.

The following table summarizes the progress under the programme till the end of year 2008:

(Rs. Million)

Category	2003	2004	2005	2006	2007	2008	Total upto 31.12.2008
Disbursed	31.161	93.301	99.403	128.048	143.322	160.114	655.349
Recoverable		66.366	91.861	153.803	118.298	157.206	538.399
Recovered		62.111	84.475	132.358	102.249	148.236	529.429
Recovery (%)		94%	92%	86%	86%	94%	98%

### 1.11 Revisions/Improvements in Credit Policy and Procedures

#### Linkage of Disbursement with Recoveries

The Bank adopted a policy of linkage of disbursement with recoveries to keep the disbursement within its resources. The branches have been allowed to make disbursement upto 90% of their recoveries (Regular+SAM). This ceiling although can fluctuate due to variation in requirements of credit in different parts of the year but this may be maintained at 30th June and 31st December of the year.

#### Delegation of Loan Sanctioning Powers

In order to expedite the disposal of loan cases it has been decided to revise the loan sanctioning powers of Chief Managers/Managers, Zonal Chiefs and Zonal Credit Committees which provides:-

- I) Overall loan sanctioning power of the Chief Managers/Managers is up to Rs. 0.750 million per borrower/party in one or more than one loan cases.

- ii) Similarly overall loan sanctioning power of Zonal Chiefs/Zonal Credit Committees would also be up to Rs. 1.000 million per borrower/party in one or more than one loan cases.

## **1.12 Farm Mechanization and Technology Dissemination**

ZTBL is the only bank in Pakistan with complete focus on Agriculture Sector for provision of credit and services in the rural areas particularly to small farmers for modernization and promotion of farm mechanization. The Bank played a vital role in bringing cultivable waste land under cultivation through financing for tractors, tubewells, farm implements such as bed planters, laser land leveling system, farm transportation, vegetable planters, zero tillage drills, rice threshers, combine harvesters for wheat, rice, maize and sunflower etc which directly helped in increasing yield besides improving the efficiency of other farm activities.

As per Agriculture Statistics of Pakistan (2007-08) 895,511 tubewells are operated either on diesel or electricity. To reduce the import bill of diesel and to meet the shortage of electricity ZTBL intends to introduce Solar Energy System and other alternate sources of power for running irrigation pumps for lift of water, drying/processing of fruits/ vegetables and to fulfill the rural domestic requirement of 100-500 volts.

To enhance farmers awareness and to provide guidelines to bank's field functionaries regarding modern farm technologies, prepared leaflets/pamphlets on Sairab Pakistan Scheme, Planter for Cotton, Maize, Sunflower and Soyabean crops, White Revolution Scheme and guidelines for obtaining Agriculture loans. Agricultural activities are being promoted through Crop Maximization Project, Sada Bahar Scheme, Wheat, Gram, Lentil, Mung, Mash, Sunflower, Canola, Jojoba, Till (Sesame) cultivation, Fish Farming, Poultry Farming at domestic level, Goat Farming and processing of silage/green fodder.

The economics/feasibilities of inland fish farming, feed lot/ fattening station, rearing of heifers (female calves of buffaloes), animal breeding centre, sheep and goat farming, mobile veterinary clinic etc. were also prepared & distributed among the bank's field functionaries and farmers.

The Bank arranged farm visits for more than 600 students of different Agriculture Universities/ Institutions as well as 100 farmers and provided counseling services to them.

## **2. New Schemes**

### **2.1 Insurance of Dairy Animals (through Nestle) Under White Revolution Scheme.**

The Bank has arranged insurance cover for ZTBL Dairy borrowers from M/s Adamjee Insurance Company Limited (AICL). The insurance will be mandatory for all new borrowers availing Dairy loan from ZTBL (through Nestle Pakistan Ltd. only). Premium shall be charged @1.9% of disbursed loan per year. On renewal the principal outstanding loan amount will become the sum insured.

### **2.2 Green Revolution Scheme**

#### **Promotion of Mechanized Farming for agriculture productivity enhancement in AJ & Kashmir Area**

In order to achieve the aim of providing farm machinery and implements to encourage the

mechanized farming for the enhancement of agriculture productivity as compared to traditional tillage system a Memorandum of Understanding between Zarai Taraqati Bank Limited and Department of Agriculture, AJ&K has been signed on 04.11.2008 under the title of Green Tractor Scheme. The project shall be implemented in entire area of Azad Jammu & Kashmir through the network of Zarai Taraqati Bank Ltd. and Department of Agriculture, AJ&K.

Department of Agriculture, AJ&K will widely advertise the facility among farming community through media as well as its extension staff. It will provide copies of the printed application forms free of cost to ZTBL branches and field offices of Department of Agriculture for onward supply to intending borrowers. It will also collect applications from farmers, evaluate/ scrutinize/ prepare economics of the schemes, register them and recommend to ZTBL concerned branches for financing, with endorsement to the Area Chief, ZTBL, Muzaffarabad (AJ&K) for monitoring.

ZTBL will process loan applications recommended by the Department of Agriculture for the purchase of tractors/ implements/ attachments and equipment as per prices/ rates/ limits fixed by the Bank and issue sanction letter in accordance with the prescribed procedure of the Bank.

The loan will be recoverable within 5 years in ten equal installments commencing after six months of issuance of Demand Draft. Recovery schedule showing the amount of principal and mark up separately will be produced by the computer and sent by the branches to the borrowers and Department of Agriculture, Muzaffarabad (AJ&K). The borrowers would make repayment of total amount of installments including principal as well as mark up on due date in the branch and then approach Department of Agri. on the basis of receipt issued by ZTBL to get reimbursement of the amount of mark up included in the installment already repaid by him. The amount of mark up charged by the Bank due to delay in the repayment of installment of principal amount will also be paid by the borrower from his own pocket.

One farmer will be eligible to avail the facility of one tractor (alongwith necessary implements, if needed) at one time and will not be eligible for second loan (for any other machinery items until clearance of the previous loan).

### **Green Tractors Scheme 2008 – 09 (For Punjab Province)**

In order to promote farm mechanization, Government of Punjab has decided to launch “Green Tractors Scheme 2008-09” for the farmers of Punjab Province only. Government of Punjab has allocated funds of Rs.2 billion for provision of subsidy @Rs.200,000/- per unit for 10,000 tractors. Provincial government has devised a fool proof system to select the eligible farmers through balloting for granting said subsidy to purchase tractors, on cash or against credit by any Bank inclusive of ZTBL. Agriculture/ Revenue Departments of the Province have already collected the applications from eligible farmers, evaluated/scrutinized the same and arranged balloting to provide amount of subsidy @Rs.200,000/- directly to the concerned Tractor Manufacturers for each successful farmer on receipt of booking of tractor.

The concerned branches will process the loan applications for the purchase of local manufactured tractors, (of course deducting the subsidy amount of Rs.200,000/- as well as equity contributed by the farmers @ 10% of total price less the amount of subsidy). Loans for tractor's attachments, equipments and implements will be sanctioned as per prices/rates/ limits fixed by the Provincial Agriculture Department after deducting the amount of subsidy i.e. 50% of the price of such implements & equity.

### **3. Recovery Operations**

During the year 2008, ZTBL attained an all time record recovery of Bank's dues with the untiring efforts, hard work and devoted involvement of its staff. It recovered Rs.65,937 million as compared to Rs.58,080 million during the previous year showing an increase of Rs.7,857 million and growth of 13.5%. The Bank also recovered an amount of Rs.4,852 million out of SAM portfolio during the year 2008.

The prominent features of higher recovery during the year were the effective mobilization of MCOs, daily/weekly monitoring of recovery by the Branch Managers, Zonal Chiefs and by the Head Office. This level of recovery was achieved inspite of the fact that lot of hindrances during the period such as Mealy bug attack on Cotton Crop, ZTBL Vehicles were requisitioned for General Election 2008 and Officers were deputed for Election duty, Law and Order situation, Internal oil crisis, low rate of paddy/marketing problems and previous announcements & statements made by the then President and Prime Minister of Pakistan for relief packages for the ZTBL borrowers.

To clean the infected part of loan portfolio and to implement the SBP Prudential Regulations an amount of Rs.5020.200 million classified as loss for the last three years have been charged off during the year and declared as SAM loans.

An amount of Rs.815.150 million in 11388 cases were rescheduled during the year to maintain the credit discipline and to mitigate the genuine problems of the borrowers. Out of this reschedulment an amount of Rs.615.822 million in 9602 cases have been rescheduled in calamity affected areas declared by the Provincial Governments.

### **4. Business Development/Deposit Mobilization**

Zarai Taraqati Bank Limited during the year 2008 has been actively engaged in the development of liability products and banking services as well as its evaluation on market based information and feedback in order to bring overall improvement and to derive maximum value out of them. The introduction of short term deposit scheme in the name and style of "Mustaqbil Mehfooz" is a positive upshot of the management's decision in the field of deposit mobilization, besides other going through the process of deliberations.

The Bank raised deposit of Rs.5.45 billion as on 31.12.2008 compared to Rs.4.32 billion as on 31.12.2007 recording a 26% increase over corresponding period last year.

In an ongoing embarkation process of business operations, the Bank launched evening banking facility in 109 branches with the business hours scheduled from 9:00 a.m to 5:00 p.m, in order to facilitate its customers and general public and to achieve the equilibrium in the competitive market.

### **5. Internal Audit**

Internal Audit Plan was approved by Audit Committee of the Board to conduct audit of 342 branches and Head Office Departments/its Units in the field. Internal Audit of 297 branches having disbursed 97% of total disbursement made during 2008 was conducted through 30 Audit Teams under the supervision of 07 Audit Zones with audit coverage to 100% loan cases. Internal Audit was conducted on half yearly basis wherein audit of each branch was repeated after six months. In accordance with the true spirit of internal auditing i.e. add-value a considerable number of audit



observations were rectified during the conduct of audit. The spot settlement ratio was recorded as 77%. Internal Audit Division also conducted special audit of 05 Branches. Internal Audit conducted qualitative Management Audit of 07 Head Office Departments. Audit Division submitted significant findings to Audit Committee of the Board in its various meetings held during the year 2008.

## 6. Compliance Programme

Compliance Programme in ZTBL aims at ensuring compliance with the Bank's instructions, SBP regulations, relevant provisions of local laws etc. with a view to minimize legal and regulatory risks. The compliance function has been strengthened to augment internal monitoring and control for improving the effectiveness of Bank's policies and procedures.

Compliance Department with three allied Units has been set up at Head Office. The Compliance functions have been stretched down to thirty seven selected branches in the field. Branch compliance Officers have been posted in these branches to carry out Compliance Review Programme. The restructured compliance set up enables better supervision for accomplishment of Bank's operational goals.

## 7. Human Resource Development

ZTBL is committed to create a working environment of mutual trust & respect in which diversity & inclusion are valued and where employees work for the bank and know what is expected of them in their job, have open and constructive conversation about their performance.

Opportunities have been provided to the staff through Training & Development to improve their career prospects and achieve the bank's goals of developing a quality work force. During the year under review Training & Development Department has carried out following improvements:-

- ♦ Revamped the Training & Development Department, revised all training modules and curriculums, strictly inline with the changed management philosophy and contemporary Banking courses.
- ♦ Established two fully automated digital Computer Labs connected with optic fiber connection, containing latest hardware, at par with any modern teaching/learning facility.
- ♦ Obtained Digital Library link with HEC enabling a sophisticated and contemporary learning environment in ZTBL Staff College.
- ♦ Pursued vigorous training activities/schedule and trained about 1687 employees of the Bank and Internship facility was provided to 117 Internees during the year 2008 (all times high number of trainees in a year). The detail of training is given below:-

Sr. No	Course Title	No. of Courses	No. of participants
1.	IT-Crash Training Programme	10	238
2.	Basic Field IT- Training with IDMS/DMS Concepts	19	444
3.	ZTBL Operations Course for In-Service MCOs	10	244
4.	One Week Refresher Manager Operations Training Course	4	102
5.	Accounts Officer Refresher Course	2	52
6.	Customized Course for Probationary Typists	7	166
7.	Introductory Course for Management Trainees	2	58
8.	Middle Management Course	7	163
9.	Miscellaneous	6	133
	<b>Grand Total</b>	<b>67</b>	<b>1600</b>
	From Other Institutions		87
	Internship		117

## 8. Information System Division

ISD is constantly endeavoring for the provision of a technology rich environment which would facilitate the adoption of technology within the Bank, hence boosting the operational efficiency of the entire system. In this direction, ISD is constantly striving to introduce state-of-the-art solutions and ICT infrastructure to accomplish the business requirements of ZTBL. The operational efficiency of the Bank has improved considerably with the introduction of several key changes in the work procedures from manual to automated on-line banking and non-banking system. Most notable highlights of the delivery solutions are as follows:-

- Enhancement of infrastructure i.e. data center and failover site, deployment of 1250 new computers and 250 servers at the zonal and branch offices.
- Revamping of loan processing software to enable 275 branches and 25 zonal offices to do online recovery/disbursement transaction.
- Establishment of Wide Area Network (WAN) data connectivity at 275 branches covering 90% loan disbursement & recovery.
- Establishment of Local Area Network (LAN) and deployment of DMS (Deposit Management System) at 212 branches.
- Integration with NADRA and SBP for verification of the profiles and credit worthiness of existing and new borrowers.

ISD envisages that the revamping of the existing loan process system shall instigate Credit Management & Recovery Monitoring System (CMRMS) which is targeted for implementation during 2009-2010. The CMRMS would enable the Bank to define new business products, assess credit worthiness of the borrowers, manage credit portfolio risk, business engagement with NADRA verified customers, the control over loan disbursement, recovery and deposits management.

The Information System Division strives to continue in the same pace and has set following targets for 2009-2010:

- Implementation of Benazir Zarai Card
- Internal credit risk management system
- Implement new products/schemes
- Security Document Management System
- Digitized proof of in-kind delivery-tractors etc.
- Field formation performance management system
- Implementation of ERP back-office application suites (enterprise resource planning)
- Implementation of daily closing at branch level

## 9. Performance of Kissan Support Services (Pvt.) Ltd.

The Kissan Support Services (Pvt.) Limited was incorporated on 19th September, 2005 as a wholly owned subsidiary of ZTBL with Rs. 100 Million fully paid up capital. The main objective behind the establishment of the KSSL is to support ZTBL Management to focus on core banking business and assign non-core activities to its subsidiary. The KSSL is to provide all kind of support services to ZTBL and may undertake any type of non banking business under the mandate of its memorandum and article of association. The KSSL has, so far, provided support services to ZTBL in the following areas:-

- (a) Manpower support services
- (b) Photocopy services
- (c) Janitorial Services
- (d) Mail Management Services
- (e) Repair & Maintenance Services
- (f) Sports activities

### Manpower Support Services

The KSSL has provided manpower support services to ZTBL under Staff Regulations – 2006 which provides greater flexibility in manpower planning and accountability to make easier both for management and employees to sever relationship whenever so required in the interest of the organization and employees. The KSSL since start of its operations has inducted/recruited 1184 employees and deployed in Field Offices and Head Office of ZTBL upto 31.12.2008 as shown in the table:

Sr. No.	Category of Employee	Number of Employees
1.	Darbans	546
2.	Drivers	296
3.	Naib Qasids	140
4.	Armed/Security Guards	23
5.	Malies	24
6.	Typists/DEOs	42
7.	Assistants	34
8.	Senior Assistants	12
9.	Supervisors	9
10.	Sweepers	8
11.	Players	25
12.	Others	25
<b>Total</b>		1184

Janitorial, Photocopying, Mail Management and Repair & Maintenance Services of ZTBL Buildings, Residential Colony, dispensary and ZTBL Farm have been outsourced and quality services are being provided to ZTBL at a very economical cost.

### **Sports Services**

The Cricket and Shooting Ball Teams of ZTBL were raised by inducting promising players in the domestic circle based on the performance and standing in the respective games. Both the teams have participated in various tournaments at the National Level and shown outstanding performance.

### **Future Business Plan of KSSL**

In order to enhance the scope of business on self sustainable basis, KSSL has planned to undertake the following diversified business in 2009:

- ♦ Provision of Fertilizers, Seeds and Pesticides to the farmers at Branch level.
- ♦ Supply of Tractors on cash basis as well as against credit facility provided by the Financial Institutions.
- ♦ Provision of Medical Services to Bank employees as well as to the public.
- ♦ Construction work for ZTBL Buildings.



**STATISTICAL ANNEX**



# Contents

1. Selected Financial & Statistical Indicators
2. Loans Disbursement
  - 2.1 Loans Disbursed Since Inception: Area – Wise
  - 2.2 Loans Disbursed: Area – Wise
  - 2.3 Term – Wise Composition of Loans Disbursed
  - 2.4 Loans Disbursed: Security – Wise
  - 2.5 Annual Credit Disbursement, Tractors & Tubewells Financed Since Inception
  - 2.6 Agri. Credit Disbursed by Major Purposes
  - 2.7 Agri. Credit Disbursed by Size of Loan
  - 2.8 Agri. Credit Disbursed by Size of Holding
3. Recovery Position
  - 3.1 Recovery Position
  - 3.2 Cumulative Recovery Since Inception
4. Staff Position
5. Network of Field Offices

# 1. SELECTED FINANCIAL AND STATISTICAL INDICATORS

( RUPEES MILLION )

S.NO.	DESCRIPTION	2004	2005	2006	2007	2008
	<u>DURING THE YEAR</u>					
1	AGRICULTURAL CREDIT DISBURSED	33715	39356	52521	55912	70698
2	LOANS TO SUBSISTENCE FARMERS	22061	25612	33027	34715	45822
3	2 AS %AGE OF 1	65%	65%	63%	62%	65%
4	LOANS TO SMALL FARMERS ( UPTO 25.0 ACRES )	28825	33551	44330	47123	61105
5	4 AS %AGE OF 1	85%	85%	84%	84%	86%
6	FINANCING OF TRACTORS					
	- NUMBER	7848	10807	9052	10275	16143
	- AMOUNT	1953	2894	2513	3478	5741
7	6 AS %AGE OF 1	6%	7%	5%	6%	8%
8	TOTAL RECOVERY	38945	42144	49156	58080	65937
9	CUMMULATIVE RECOVERY (%)	91%	92%	96%	97%	98%
10	TOTAL INCOME	9053	7661	11519	12756	14263
11	TOTAL EXPENDITURE	7887	7752	10872	10972	10275
12	PROFIT BEFORE TAXATION	1167	(91)	647	1784	3988
	<u>AT THE END OF THE YEAR</u>					
1	TOTAL ASSETS	83930	82505	85467	93386	102341
2	LOAN PORTFOLIO ( NET )	54335	52925	60839	61313	69923
3	NUMBER OF REGIONAL/ZONAL OFFICES	49	49	25	25	25
4	NUMBER OF BRANCHES	343	343	342	342	342
5	NUMBER OF MCO's	1328	1311	1258	1269	1243
6	NUMBER OF STAFF	5591	5533	5326	5333	5286

2.1 LOANS DISBURSED SINCE INCEPTION: AREA-WISE  
UPTO 31.12.2008

( RUPEES MILLION )

SR. NO.	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	414718.618	75.1
2	SINDH	91064.814	16.5
3	N.W.F.P	32841.297	6.0
4	BALUCHISTAN	9008.446	1.6
5	AZAD KASHMIR	2292.368	0.4
6	FEDERALLY ADMINISTERED NORTHERN AREAS	2144.822	0.4
TOTAL		552070.365	100.0



## 2.2

LOANS DISBURSED : AREA-WISE  
DURING 01-01-2008 TO 31-12-2008

( RUPEES MILLION )

SR. NO.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	474982	56427.325	79.8
2	SINDH	48264	8882.687	12.6
3	N.W.F.P	38616	4786.290	6.8
4	BALUCHISTAN	1071	154.213	0.2
5	AZAD KASHMIR	7014	220.912	0.3
6	FEDERALLY ADMINISTERED NORTHERN AREAS	1999	226.908	0.3
TOTAL		571946	70698.335	100.0

2.3 TERM-WISE COMPOSITION OF LOANS DISBURSED  
DURING 01-01-2008 TO 31-12-2008

( 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	397098	45896.951	56553	4794.779	21331	5735.595	474982	56427.325
2	SINDH	43762	8232.863	3378	284.014	1124	365.810	48264	8882.687
3	N.W.F.P	29263	3944.267	8493	641.141	860	200.882	38616	4786.290
4	BALUCHISTAN	860	95.302	56	4.953	155	53.958	1071	154.213
5	AZAD KASHMIR	6599	178.382	373	31.156	42	11.374	7014	220.912
6	FEDERALLY ADMINISTERED NORTHERN AREAS	1011	176.671	957	40.831	31	9.406	1999	226.908
	TOTAL	478593	58524.436	69810	5796.874	23543	6377.025	571946	70698.335

2.4

LOANS DISBURSED: SECURITY - WISE  
DURING 01.01.2008 TO 31.12.2008

( RUPEES MILLION )

SR. NO.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	564203	70430.808	99.6
2	HYPOTHECATION LOANS	191	30.700	0.0
3	PERSONAL SURETY LOANS	7130	124.611	0.2
4	OTHER SECURITY ,	422	112.216	0.2
TOTAL		571946	70698.335	100.0

2.5 ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED  
SINCE INCEPTION UPTO 31-12-2008

( RUPEES MILLION )

YEAR	ANNUAL CREDIT DISBURSEMENT	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since inception upto 30-06-1971	780.798	15043	295.372	18757	213.849
FY' 1972	80.000	1906	37.410	1790	18.412
FY' 1973	169.100	1679	43.654	2389	26.415
FY' 1974	415.570	1997	74.500	2922	45.000
FY' 1975	396.310	3122	131.600	3566	74.500
FY' 1976	532.850	6043	348.200	2357	47.600
FY' 1977	638.770	5888	319.200	1364	25.700
FY' 1978	430.530	5768	324.050	580	10.793
FY' 1979	416.937	6003	310.200	543	10.100
FY' 1980	711.550	8661	468.900	425	9.300
FY' 1981	1066.619	10111	636.560	562	13.646
FY' 1982	1557.386	12359	880.198	745	20.576
FY' 1983	2310.435	17497	1459.256	1246	38.109
FY' 1984	3131.676	22766	2028.706	1623	57.938
FY' 1985	4167.908	25500	2305.668	2548	67.424
FY' 1986	5307.867	20603	1955.257	4260	196.697
FY' 1987	6031.152	23648	2621.911	4621	220.835
FY' 1988	7716.078	20288	2650.555	6743	392.196
FY' 1989	8667.523	19725	2898.750	6632	476.667
FY' 1990	9389.861	20290	3465.396	5898	487.010
FY' 1991	8323.947	12468	2650.302	5388	564.277
FY' 1992	6996.426	8823	1742.676	3281	304.834
FY' 1993	8643.408	16574	3548.008	2528	252.005
FY' 1994	8989.252	17127	4071.548	2403	294.128
FY' 1995	14575.735	22002	5029.803	4920	693.707
FY' 1996	10339.274	15968	3261.605	1680	173.336
FY' 1997	11687.112	10701	3195.652	2300	385.586
FY' 1998	22362.983	13630	4286.009	3869	857.677
FY' 1999	30175.960	16951	4509.982	6998	1436.177
FY' 2000	24423.889	21515	5743.598	4735	830.894
FY' 2001	27610.229	18909	5119.122	8991	1648.100
FY' 2002	29108.015	12744	3501.149	7894	1335.733
01-07-2002 to 13-12-2002	10426.734	3660	1011.927	2955	384.419
14-12-2002 to 31-12-2003	32286.990	10679	2799.972	5100	1016.363
CY' 2004	33714.580	7848	1952.655	4369	845.424
CY' 2005	39356.053	10807	2893.575	3895	703.891
CY' 2006	52520.505	9052	2512.927	1918	292.898
CY' 2007	55912.018	10275	3478.103	1218	178.114
CY' 2008	70698.335	16143	5741.191	1941	340.850
TOTAL:-	552070.365	504773	90305.147	145954	14991.180

**2.6 AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES  
DURING 01-01-2008 TO 31-12-2008**

( RUPEES MILLION )

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<b><u>I. DEVELOPMENT LOANS</u></b>	<b><u>93353</u></b>	<b><u>12173.899</u></b>	<b><u>17.2</u></b>
1 TRACTORS	19546	5741.191	8.1
2 DAIRY FARMING	54972	4664.922	6.6
3 FARM EQUIPMENT	1021	134.907	0.2
4 TUBEWELLS	2138	340.850	0.5
5 LIVESTOCK	10779	756.722	1.1
6 POULTRY FARMING	45	10.280	0.0
7 ORCHARDS	2551	282.787	0.4
8 LAND DEVELOPMENT	173	9.969	0.0
9 FISHERIES	9	0.624	0.0
10 FARM TRANSPORTATION	4	0.745	0.0
11 GODOWN/ COLD STORAGE	651	117.444	0.2
12 OTHERS	1464	113.458	0.1
<b><u>II. PRODUCTION LOANS</u></b>	<b><u>478593</u></b>	<b><u>58524.436</u></b>	<b><u>82.8</u></b>
1 FERTILIZER	229725	28091.729	39.8
2 PESTICIDES	90933	11119.643	15.7
3 SEEDS	134006	16386.842	23.2
4 LABOUR HIRE/ OTHER CHARGES	13	0.506	0.0
5 WORKING CAPITAL FOR POULTRY	353	77.424	0.1
6 WORKING CAPITAL FOR DAIRY	387	27.607	0.0
7 WORKING CAPITAL FOR LIVESTOCK	76	5.258	0.0
8 WORKING CAPITAL FOR FISHERIES	494	16.674	0.0
9 OTHERS	22606	2798.753	4.0
<b>TOTAL:-</b>	<b>571946</b>	<b>70698.335</b>	<b>100.0</b>

2.7 AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN  
DURING 01-01-2008 TO 31-12-2008

( RUPEES MILLION )

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	33666	5.9	597.803	0.9
RS.25001 TO 50000/-	95485	16.7	3568.642	5.0
RS.50001 TO 100000/-	168361	29.4	11929.662	16.9
RS.100001 TO 200000/-	123719	21.6	14949.602	21.1
RS.200001 TO 500000/-	120004	21.0	29069.992	41.1
RS.500001 TO 1000000/-	23330	4.1	7045.133	10.0
OVER 1000000/-	7381	1.3	3537.501	5.0
TOTAL	571946	100.0	70698.335	100.0

2.8 AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING  
DURING 01-01-2008 TO 31-12-2008

( RUPEES MILLION )

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	3281	0.6	216.959	0.3
B. OWNERS				
UNDER 5.1 HECTARES ( UNDER 12.5 ACRES )	449496	78.6	44519.580	63.0
5.1 TO UNDER 6.5 HECTARES ( 12.5 TO UNDER 16 ACRES )	37008	6.5	6509.156	9.2
6.5 TO UNDER 10.1 HECTARES ( 16 TO UNDER 25 ACRES )	41900	7.3	9859.293	14.0
10.1 TO UNDER 13 HECTARES ( 25 TO UNDER 32 ACRES )	11282	2.0	2926.485	4.1
13 TO UNDER 20.2 HECTARES ( 32 TO UNDER 50 ACRES )	13743	2.4	3480.452	4.9
20.2 TO UNDER 26 HECTARES ( 50 TO UNDER 64 ACRES )	4628	0.8	1066.810	1.5
26 HECTARES & ABOVE ( 64 ACRES & ABOVE )	10608	1.8	2119.600	3.0
TOTAL	571946	100.0	70698.335	100.0

## 3.1

RECOVERY POSITION  
DURING 01-01-2008 TO 31-12-2008

( RUPEES MILLION )

SR. NO.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	60389.207	52986.935	87.7
2	SINDH	10473.027	7969.977	76.1
3	N.W.F.P	5132.709	4493.363	87.5
4	BALUCHISTAN	153.801	108.114	70.3
5	AZAD KASHMIR	199.759	192.824	96.5
6	FEDERALLY ADMINISTERED NORTHERN AREAS	317.554	185.349	58.4
TOTAL		76666.057	65936.562	86.0

3.2 CUMULATIVE RECOVERY SINCE INCEPTION  
UPTO 31.12.2008

( RUPEES MILLION )

SR. NO.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2008	RECOVERY RATE (%)
1	PUNJAB	429760.098	422357.826	7402.272	98.3
2	SINDH	90696.304	88193.254	2503.050	97.2
3	N.W.F.P	33134.759	32495.413	639.346	98.1
4	BALUCHISTAN	6732.468	6686.781	45.687	99.3
5	AZAD KASHMIR	2124.928	2117.993	6.935	99.7
6	FEDERALLY ADMINISTERED NORTHERN AREAS	2199.918	2067.713	132.205	94.0
TOTAL		564648.475	553918.980	10729.495	98.1

4.

## STAFF POSITION

( NUMBERS )

YEAR	OFFICERS	STAFF	TOTAL	M.C.O.'s
FY' 1990	4614	4035	8649	1487
FY' 1991	4781	3963	8744	1434
FY' 1992	4842	3816	8658	1454
FY' 1993	5046	3621	8667	1521
FY' 1994	5035	3369	8404	1432
FY' 1995	5035	3576	8611	1376
FY' 1996	5443	3383	8826	1441
FY' 1997	5347	3830	9177	1441
FY' 1998	4535	3368	7903	1449
FY' 1999	4608	3183	7791	1463
FY' 2000	4586	3196	7782	1459
FY' 2001	4563	3177	7740	1465
FY' 2002	4515	3150	7665	1496
CY' 2003	3711	2027	5738	1363
CY' 2004	3657	1934	5591	1328
CY' 2005	3609	1934	5543	1311
CY' 2006	3485	1841	5326	1258
CY' 2007	3629	1704	5333	1269
CY' 2008	3651	1635	5286	1243



5.

NETWORK OF FIELD OFFICES  
AS ON 31.12.2008

( NUMBERS )

SR.NO.	PROVINCES	ZONAL OFFICES	BRANCHES
1	PUNJAB	12	159
2	SINDH	6	87
3	N.W.F.P	4	50
4	BALUCHISTAN	3	34
5	AZAD KASHMIR	0	7
6	FEDERALLY ADMINISTERED NORTHERN AREAS	0	5
	TOTAL	25	342



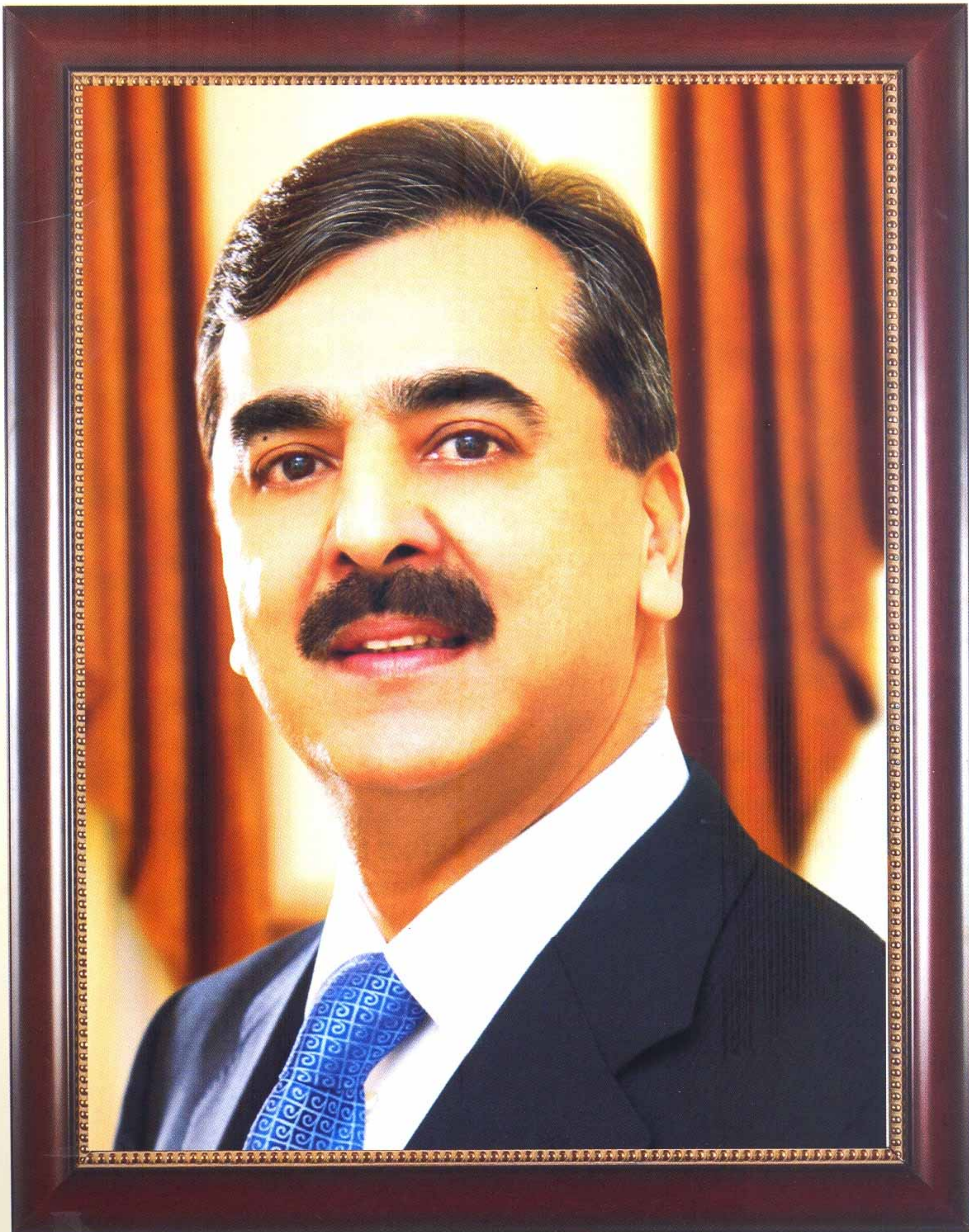
ZARAI TARAQIATI BANK LIMITED

ZTBL Head Office: 1 Faisal Avenue, P.O. Box No. 1400. Islamabad, Pakistan





**Asif Ali Zardari**  
President  
Islamic Republic of Pakistan



**Syed Yousaf Raza Gilani**

Prime Minister  
Islamic Republic of Pakistan

# CONTENTS

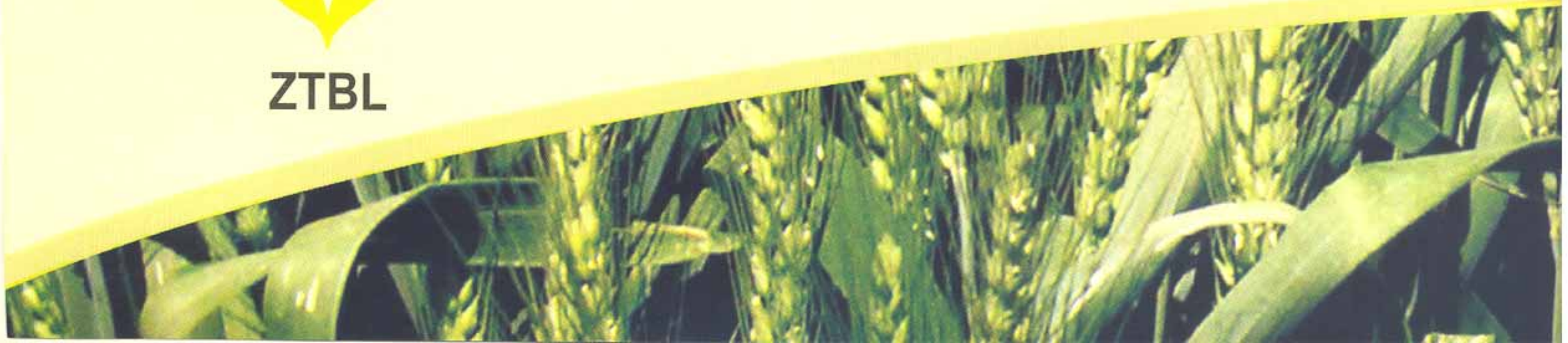
## Directors' Review

- Corporate Information
- Highlights of ZTBL Operations
- Board of Directors
- Statement of Compliances with the Code of Corporate Governance for the year ended December 31, 2008

Review of Operations.	17
1. Overall Credit Disbursement	19
1.1 Purpose-wise Disbursement of Loans	19
1.2 Province-wise Disbursement of Loans	20
1.3 Term-wise Disbursement of Loans	20
1.4 Loan to Subsistence and Small Farmers	21
1.5 Holding-wise Disbursement of Loans	21
1.6 Size-wise Composition of Loans	22
1.7 Security-wise Disbursement of Loans	22
1.8 Zarkhaiz Scheme (One Window Operation)	22
1.9 Sada Bahar Scheme (Revolving Finance Scheme)	22
1.10 Crop Maximization Project	23



ZTBL



1.11	Revisions/Improvement in Credit Policy & Procedures	23
1.12	Farm Mechanization and Technology Dissemination	24
	<b>New Schemes</b>	24
2.1	Insurance of Dairy Animals (through Nestle) Under White Revolution Scheme	24
2.2	Green Revolution Scheme	24
	<b>Recovery Operations</b>	26
	<b>Business Development/Deposit Mobilization</b>	26
	<b>Internal Audit</b>	26
	<b>Compliance Programme</b>	27
	<b>Human Resource Development</b>	27
	<b>Information System Division</b>	28
	<b>Kissan Support Services Limited</b>	28
	<b>Financial Statements</b>	31
	<b>Statistical Annex</b>	161





## *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.



# *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 programmes, technical assistance, and other products & services, and to promote career development opportunities for increasing professionalism and technical proficiencies of employees.





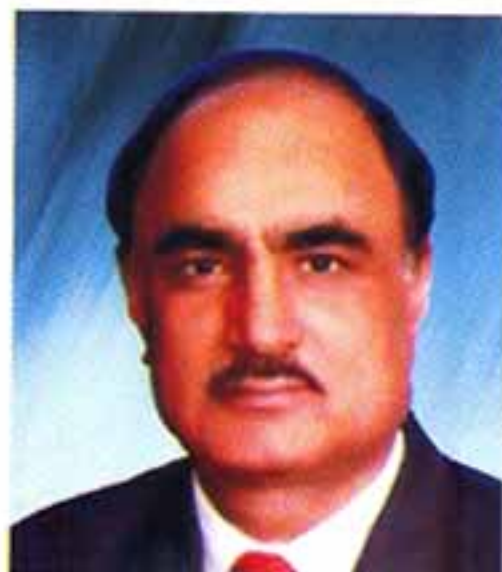
## Board of Directors'



**Syed Qamar-Uz-Zaman Shah**  
Chairman Board



**Muhammad Zaka Ashraf**  
President/ CEO



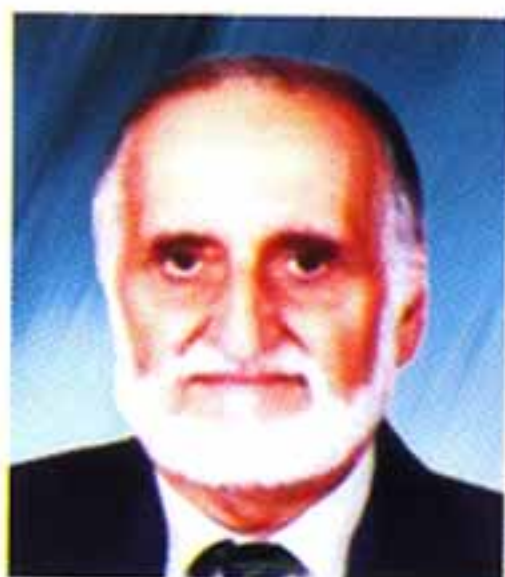
**Mr. Tauqir Ahmad Faiq**  
Director



**Mr. Qamar Zaman Chaudhary**  
Director



**Dr. Khalid Ahmad Khan**  
Director



**Mr. Sikandar Hayat Jamali**  
Director



**Mr. Iftikhar Khan Mohmand**  
Director



**Mr. Imam Bux Shaikh**  
Director



**Mr. Yawar Zia**  
Director



**Muazam Ali**  
Company Secretary





## **Muhammad Zaka Ashraf** President/ CEO

### **Directors' Review**

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2008.

### **The Economy of Pakistan**

Fiscal year 2007-08 has been a difficult year for Pakistan's economy. Due to several political and economical events, both on domestic and external fronts, the high economic growth path was disrupted. Domestic resource mobilization lagged behind investment requirements and delays in structural reforms in core infrastructure sector resulted in acute power shortage, impacting overall economical performance of the country. The economic growth during the fiscal year 2007-08 fell to 5.8% as compared to 6.8% last year. All major sectors of economy declined during FY'2008 as compared to last year except services sector which attained a growth of 8.2% as against 7.6% last year. Agriculture sector growth fell to record lows of 1.5% during FY'2008 as compared to 3.7% last year. Short falls in

wheat and cotton production overshadowed the record sugarcane harvest and relatively improved performance of the minor crops, Livestock and Fisheries during 2008. Area under cultivation of cotton wheat and rice crops fell because of water shortage at sowing time. The high prices of fertilizers and pesticides also led to lower usage of inputs, resulting in low yield.

### **Bank's Operations**

Government's agricultural policy encompasses areas like sustainable food security, increase in crop production, import substitution, export orientation and regeneration of agriculture business. ZTBL, in its endeavors to augment Government efforts to achieve self sufficiency in food and marketable surplus in agriculture, has geared up its efforts for delivering high quality, viable and timely financial services to the agriculture sector.

During the year 2008, the Bank continued to push forward its on-going programmes relating to provision of credit to target groups covering landless, subsistence and small farmers to help increase their productivity as well as income level. The Bank once again achieved outstanding results during 2008 and registered a substantial growth in its Disbursement, Recovery Operations and Profitability.

The most positive indicator of operational performance during the year 2008 was the enormous increase in volume of recovery. All time high recovery of Rs.65,937 million was effected with a significant growth of 13.5% as against Rs.58,080 million recovered during the previous year. An additional amount of Rs.4,852 million was also recovered out of SAM loans during the year as compared to Rs.5,078 million in the year 2007 thus making more funds available for farm credit.

The Bank's disbursement reached new heights when it touched the mark of Rs.70,698 million during the year under review representing a 26.4% growth over the previous year. The Bank substantially enhanced its outreach by increasing the number of borrowers served to 571,946 through various schemes including Zarkhaiz Scheme (One Window Operation) and Sada Bahar Scheme (Revolving Finance Scheme). The Bank channelized bulk of its credit to small farmers who constitute backbone of the agriculture sector of the country. Accordingly, the Bank has maintained its position as the main source of institutional financing in the agriculture sector.

The Bank focused on increase in farm production by exploiting the full potential of land resources with appropriate use of agricultural inputs, tillage practices and water management techniques, and channeled major portion of its funds towards production loans. This is evident from the disbursement of Rs.58,524 million made for production purpose during this year as compared to Rs.50,222 million disbursed during last year exhibiting a growth of 16.5%.

Development loans were provided to the farmers for medium and long term investment categories. During the period under review an amount of Rs.12,174 million constituting 17.2% of the total agricultural credit was disbursed under medium and long term loans. The development loans were mainly utilized for tractors, farm mechanization, tubewells, dairy farming and poultry farming etc. The Bank financed 16,143 tractors with a total disbursement of Rs.5,741 million, besides disbursing an amount of Rs.135 million for farm equipments/farm mechanization and Rs.341 million for installation of 1,941 tubewells and to meet out the requirement of water for irrigation purposes. The summary of the Bank's operations is given below:-

				(Rs. million)
PARTICULARS	2006	2007	2008	Growth over 2007
<b>A. Disbursement</b>				
1. Total Disbursement	52,521	55,912	70,698	26.4%
a. Production Loans	47,786 (91.0%)	50,222 (89.8%)	58,524 (82.8%)	16.5%
b. Development Loans	4,735 (9.0%)	5,690 (10.2%)	12,174 (17.2%)	114%
2. Share of Small Farmers (Under 25 Acres)	44,330 (84.4%)	47,123 (84.3%)	61,105 (86.4%)	29.7%
3. Number of Borrowers Served	443,874	475,756	571,946	20.2%
<b>B. Recovery Operation</b>				
Total Amount Recovered	49,156	58,080	65,937	13.5%

During the year 2008, the information technology infrastructure at the Bank was upgraded, with deployment of computers and servers at branches and zonal offices. Moreover, branches were connected to Head Office through Wide Area Network to enable online recovery/disbursement operations. Furthermore, Local Area Network facility was provided at over 200 branches for implementation of Deposit Management System. During the past year, the Bank was actively engaged in the development of liability products and banking services as well as its evaluation on market based information and feedback in order to bring overall improvement and to derive maximum value out of them. The introduction of short term deposit scheme in the name and style of "Mustaqbil Mehfooz" was a positive upshot of the management's decision in the field of deposit mobilization, besides others going through the process of deliberations.

In an ongoing embarkation process of business operations, the Bank launched evening banking facility in 109 branches with the business hours scheduled from 9:00 a.m to 5:00 p.m in order to facilitate its customers and general public and to achieve the equilibrium in the competitive market.

### Future Outlook

For the year 2009, management anticipates doubling of its deposit base with the provision of certain ancillary financial products and services to our customers. In this regard in addition to numerous integrated efforts to mobilize the resources for the growth of deposit, following initiatives are being vigorously pursued:

- Opening of 30 new branches in rural areas of the country.
- For enhanced and effective controls, establishment of additional six area offices under the existing major zones and setting up of an independent zone at Muzaffarabad A.K. for meeting agri-business requirement of the AJK.
- Strengthening of Centralized MIS by switching over all branches on Centralized Server at Head Office.

- Introduction of non funded facility Letter of Guarantee for our existing and prospective customers.
- Starting up of Utility Bills collection at our Branches.
- Enlistment of ZTBL for receiving Hajj applications from intending Pilgrims.
- Provision of Home Remittances facilities at our branches.
- Starting up of ladies counter at our selected branches.



- Customization of existing liability products to make them competitive in market.
- Launching of new deposit schemes with attractive returns and immaculate service to mobilize deposits from corporate entities and high worth individuals.

With all aforesaid initiatives the management is confident to achieve the institutional goals and targets in effective and efficient manner.

### **State Bank of Pakistan (SBP) Debt Pricing**

The total outstanding borrowings from State Bank of Pakistan stood at Rs.51,257 million and subordinated debt at Rs.3,204 million as on 31st December, 2008. The Bank has submitted a proposal to SBP for restructuring the debt which is repayable in 15 equal annual installments commencing from 2006 onwards with the provision to make repayment of the subordinated debt in the last installment and rate of mark-up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid mark-up rate for an initial period of five years.

SBP has agreed with proposed terms except the proposed capping of mark-up rate which has been fixed on last auction weighted average yield of Govt. Treasury Bill of 12 months maturity on floating basis and repayment of SBP Debts in 15 years for repayment of SBP Debts starting from July, 2006. The subordinated debt of Rs.3,204 million shall be repaid in the last installment. In

view of the critical importance of debt pricing for future financial viability of the Bank, the matter has been referred to MoF for a considered Government decision.

In the meeting held on January 16, 2008 between the representatives of Ministry of Finance, the Bank and the State Bank of Pakistan and also in meetings held thereafter, it has been resolved that SBP in consultation with the Bank and MoF shall firm up proposal regarding SBP's debt on priority basis. At present, SBP has forwarded a proposal pertaining to ZTBL debt restructuring submitted vide letter No.DG/29/08 dated November 8, 2008. This proposal is under active consideration of MoF and is expected to be materialized in 2009.

### **Reconciliation of Inter-Branch Transactions**

Reconciliation of inter-branch transactions is in process and in consequence of comprehensive exercise, heavy chunk of old un-reconciled entries were cleared. In addition, Inter Branch Reconciliation Unit of Head Office Accounts Department is vigorously pursuing for settlement



of outstanding entries to ensure timely reconciliation within 30 days as required by SBP Prudential Regulations.

### Financials

The Bank's Capital Adequacy Ratio (CAR) as at December 31, 2008 was 24.11% as against

required ratio of 9%. The Bank earned a record pre tax profit of Rs.3,988 million and bad debts were adequately provided for during the period under review. The Bank was able to mobilize upto Rs.5,452 million as on 31.12.2008 in terms of deposits.

**ZTBL Financial highlights are summarized below:-**

		(Rs. million)		
Particulars		2006	2007	2008
1.	Total Assets	85,467	93,386	102,341
2.	Advances – net	60,839	61,313	69,923
3.	Cash & Bank Balance	9,076	14,047	17,614
4.	Operating Fixed Assets	817	865	1,143
5.	Share Capital	11,870	11,870	12,522
6.	Deposits	2,882	4,323	5,425
7.	Total Income	11,519	12,756	14,263
8.	Total Expenses	10,872	10,972	10,275
<b>Appropriations</b>				
	Profit/(Loss) before Taxation	647	1,784	3,988
	Taxation	227	751	1,387
	After Tax Profit/(Loss)	420	1,033	2,601
	Un-appropriated Profit brought forward	702	1,008	1,834
	Profit available for Appropriation	1,122	2,041	4,435
	Transferred to Statutory Reserve (20% of after tax profit)	84	207	520
	Issuance of Bonus Shares	-	-	653
	Transferred to Contingencies Reserves	30	-	-
	Un-appropriated Profit Carried forward	1,008	1,834	3,262

### Share Holding of ZTBL

Authorized Capital of Bank is Rs.25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10/- each. Paid-up capital is Rs.12,522,440,670. Pattern of share holding as at 31.12.2008 is annexed.

Rs.10/- each amounting to Rs.652.829 million to raise its paid up capital up to 50% (i.e. 1,250,000,000 shares) of the authorized share capital as required under section 14(1) of Banking Companies Ordinance, 1962.

The Bank issued 65,282,866 bonus shares of



### **Earnings per Share**

During the year under review basic earnings per share was Rs.2.077 compared to Rs.0.825 in 2007. Its computation has been reported in the financial statements.

### **Credit Rating**

JCR-VIS Credit Rating Company, Karachi in its report of July 04, 2008 has reaffirmed credit rating of the Bank at AAA/A-1+ (2007:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short term credit rating of B. (2007, B medium to long term, B short term rating).

### **Risk Management Frame Work**

At the organizational level, ZTBL has established a robust risk management structure which encompasses a broader framework of Committees, Department and Units responsible for each type of risk. The Risk Management Department has been established independent of operations and directly reports to the President. A Board Risk Committee and two separate Committees on Credit Risk and Operational Risk have been set-up at Head Office to address issues relating to credit and operations. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control as well as to

comply with Basel-II standards. A separate Unit for Basel-II has been established in the Risk Management Department to address issues relating to the Basel-II compliance in a timely manner.

### **Risk Management Policy and Charter**

The Risk Management Policy of the Bank encompasses a broader Risk Management Framework of the Bank. At present Credit Risk is reviewed at the Bank level only. Credit portfolio, disbursement, recovery, security value, NPL & SAM are critically analyzed on a regular basis and risk gaps are reported to the Credit Risk Committee proposing appropriate steps to eliminate or minimize the risk gaps. Similarly in order to analyze issues related to Operational Risk, an Operational Risk Model has been developed which comprises Key Risk Indicators, Control Self Assessment and Corporate Governance. The model has been successfully implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are evaluated by Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the Bank in a phased manner.





### Annual General Meeting

Fifth Annual General Meeting of the Bank was held on April 23, 2008.

### Board Meetings

Five meetings of the Board were held during the year 2008. Attendance of the members remained as under:-

Sr. No.	Name of Member	Designation	No. of meetings attended
01	Dr. Waqar Masood Khan	Chairman	00
02	Syed Yawar Ali	Chairman	03
03	Syed Qamar-uz-Zaman Shah	Chairman	02
04	Mr.Mansur Khan	President ZTBL/ Director	03
05	Mr.Muhammad Zaka Ashraf	President ZTBL/ Director	02
06	Mr.Mohammad Saleem Khan	Director	02
07	Ms.Rabia Sultan	Director	02
08	Mr.Muhammad Zakria Kasi	Director	03
09	Mr.Jan Ali Khan Junejo	Director	03
10	Mr. Iskander Mohammad Khan	Director	02
11	Mr.Ejaz Hussain Rathore	Director	03
12	Mr.Muhammad Javed Malik	Director	02
13	Mr.Yawar Zia	Director	02
14	Mr.Tauqir Ahmad Faiq	Director	02
15	Mr.Qamar Zaman Chaudhry	Director	02
16	Ms.Sughra Imam	Director	02
17	Dr.Khalid Ahmad Khokhar	Director	02
18	Mr.Imam Bux Sheikh	Director	02
19	Mr.Sikandar Hayat Jamali	Director	00
20	Mr.Muhammad Iftikhar Khan Mohmand	Director	00

N.B.Board of Directors was reconstituted in September 2008.

## Statement of Internal Control

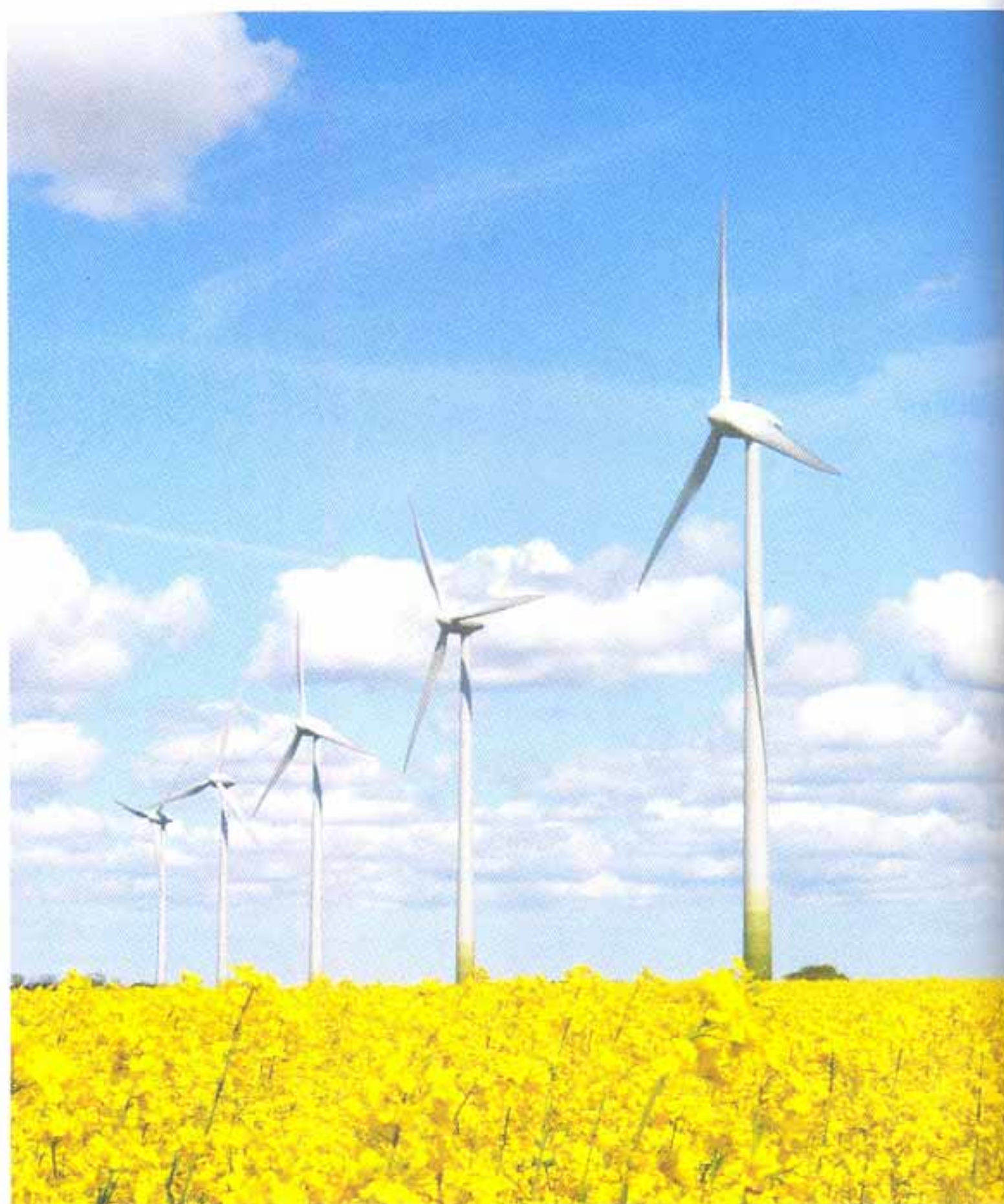
The Bank is placing increasingly greater emphasis on induction of an effective and reliable system of internal controls:

- i. An Audit Committee of the Board has been constituted with the objective of having a direct oversight responsibility to ensure independence of the internal audit functions and also the independence of external auditors. The Audit Committee meets at least once every quarter in accordance with Code of Corporate Governance.
- ii. In accordance with the provisions of the Code of Corporate Governance, the Internal Audit Division with functional reporting to the Audit Committee of Board of Directors is functioning in ZTBL.
- iii. The Bank's Internal Audit Division through its network audits each branch of the Bank on periodic basis.
- iv. The management proactively pursues the rectification of the observations and weaknesses pointed out by internal and external auditors.
- v. The compliance function has been strengthened to augment internal monitoring and control for improving the effectiveness of Bank's policies and procedures.
- vi. Requisite training of staff is also being planned after Training Needs Analysis (TNA) in order to train them on key regulatory and internal control requirements.

In view of the above, the management has a reasonable assurance that internal controls are in place and the key aspects are working.

### Auditors of the Bank

1. Hyder Bhimji & Company, Chartered Accountants
2. BDO Ebrahim & Company, Chartered Accountants



### Acknowledgment

Finally I wish to express my sincere appreciation to the entire staff of the Bank at Head Office and in the field who have worked hard to produce tangible results to enable the Bank in attaining an impressive growth in all spheres of operations i.e. disbursement, recovery, deposits and profitability. It reflected the Bank's commitment towards uplifting of agriculture sector to help accelerate economic growth for eventually alleviating rural poverty. I take this opportunity to place on record my gratitude to Ministry of Finance, State Bank of Pakistan and SECP for their guidance and assistance extended to the Bank. In the coming year, the Staff will have to work even harder to develop and operate ZTBL as a proactive financial institution for sustainable financial growth leading to economic development.

For and on behalf of the Board

[ Muhammad Zaka Ashraf ]  
President/CEO ZTBL

# ZARAI TARAQIATI BANK LIMITED

## Corporate Information (As on 31.12.2008)

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. 25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10/- each
Paid-up capital:	Rs. 12,522,440,670/-
Chief Financial Officer:	Mr.Abdul Ghaffar Bhatti
Company Secretary:	Mr. Muazam Ali

# ZARAI TARAQIATI BANK LIMITED

## SHAREHOLDING OF ZTBL

Sr. No	Name Of Share Holder	Number of Shares	Amount (Rs.)
01	Government of Pakistan	1,251,189,067	12,511,890,670
02	Government of Punjab	292,340	2,923,400
03	Government of Sindh	125,545	1,255,450
04	Government of N.W.F.P.	71,740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan *	527,500	5,275,000
	<b>Total</b>	<b>1,252,244,067</b>	<b>12,522,440,670</b>

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

## HIGHLIGHTS OF ZTBL OPERATIONS

PARTICULARS	Amount (Rs. Million)
<b>A. DISBURSEMENT</b>	
1. TOTAL DISBURSEMENT	70,698
a. Production Loans	58,524
b. Development Loans	12,174
2. TRACTORS FINANCED	
Number	16,143
Amount	5,741
3. TUBEWELLS FINANCED	
Number	1,941
Amount	341
4. SHARE OF SUBSISTENCE FARMERS	45,822
5. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	61,105
6. NUMBER OF BORROWERS SERVED	571,946
<b>B. RECOVERY OPERATIONS</b>	
TOTAL AMOUNT RECOVERED	65,937
<b>C. NETWORK OF OPERATIONS</b>	
1. NUMBER OF ZONES	25
2. NUMBER OF BRANCHES	342
3. NUMBER OF MCOs	1,243

## ZARAI TARAQIATI BANK LIMITED

### BOARD OF DIRECTORS

1.	Syed Qamar-uz-Zaman Shah	Chairman
2.	Mr. Muhammad Zaka Ashraf (President, ZTBL)	Director
3.	Mr. Yawar Zia	Director
4.	Mr. Qamar Zaman Chaudhry	Director
5.	Mr. Tauqir Ahmad Faiq	Director
6.	Ms. Sughra Imam	Director
7.	Mr. Imam Bux Sheikh	Director
8.	Dr. Khalid Ahmad Khokhar	Director
9.	Mr. Sikandar Hayat Jamali	Director
10.	Mr. Muhammad Iftikhar Khan Mohmand	Director

# ZARAI TARAQIATI BANK LIMITED

## BOARD SUB-COMMITTEES

### a. AUDIT COMMITTEE

1.	Mr. Yawar Zia	Chairman
2.	Mr. Qamar Zaman Chaudhry	Member
3.	Mr. Muhammad Iftikhar Khan Mohmand	Member
4.	Ms. Sughra Imam	Member
5.	Chief Internal Auditor	Secretary

### b. HUMAN RESOURCE MANAGEMENT COMMITTEE

1.	Mr. Qamar Zaman Chaudhry	Chairman
2.	President/CEO, ZTBL	Member
3.	Mr. Sikandar Hayat Jamali	Member
4.	Mr. Imam Bux Sheikh	Member
5.	Ms. Sughra Imam	Member
6.	EVP, Human Resource	Secretary

### c. RISK MANAGEMENT COMMITTEE

1.	Mr. Tauqir Ahmad Faiq	Convener
2.	Mr. Imam Bux Sheikh	Member
3.	Mr. Muhammad Iftikhar Khan Mohmand	Member
4.	SVP, Risk Management	Member
5.	Company Secretary	Secretary

### d. COMMITTEE ON INFORMATION TECHNOLOGY

1.	Mr. Sikandar Hayat Jamali	Convener
2.	Mr. Imam Bux Sheikh	Member
3.	Dr. Khalid Ahmad Khokhar	Member
4.	Chief Information Officer	Member
5.	EVP (ISD)	Secretary

# MANAGEMENT COMMITTEES

## a. ASSETS LIABILITIES MANAGEMENT COMMITTEE

- |    |                         |                  |
|----|-------------------------|------------------|
| 1. | President/CEO, ZTBL     | Convener         |
| 2. | Chief Financial Officer | Member/Secretary |
| 3. | SEVP (Operations)       | Member           |
| 4. | Risk Manager            | Member           |

## b. EXECUTIVE COORDINATION COMMITTEE

- |    |   |           |
|----|---|-----------|
| 1. | President/CEO, ZTBL                         | Convener  |
| 2. | All Members of Senior Management Team/SEVPs | Member    |
| 3. | All EVPs/Divisional Heads                   | Member    |
| 4. | Risk Manager                                | Member    |
| 5. | Compliance Officer                          | Secretary |

## c. WRITE OFF / REMISSION COMMITTEE

- |    |                                     |                  |
|----|-------------------------------------|------------------|
| 1. | President/CEO, ZTBL                 | Convener         |
| 2. | Divisional Head Operations Division | Member           |
| 3. | Divisional Head Recovery Division   | Member           |
| 4. | Senior Vice President (Recovery)    | Member           |
| 5. | Senior Vice President (SAM)         | Member/Secretary |

## STATEMENT OF COMPLIANCES WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2008

This statement is being presented to comply with Code of Corporate Governance (the Code) issued by the Securities & Exchange Commission of Pakistan and made applicable by the State Bank of Pakistan to banks in June, 2002 to the extent of applicability under Prudential Regulation XXIX and BSD No. 15 dated June 13, 2002, for the purpose of establishing a frame work of good governance, to manage the Bank in compliance with the best practices of corporate governance.

1. The Directors of the Board were nominated by the Government of Pakistan and were approved/appointed by the Board. At present all the Directors except Chief Executive Officer/President of the Bank are non-Executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including Zarai Taraqiati Bank Limited.
3. All the Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. Three vacancies arose on the Board out of which two were filled during the period. However, Board was reconstituted in September, 2008.
5. Statement of Ethics and Business Practices approved by the Board was got signed from Directors and circulated among all the employees of the Bank for signature.
6. Vision and Mission Statement revisited during different meetings was finally approved along with Strategic & Financial Plan of ZTBL from the year 2007-2011 in 36<sup>th</sup> meeting of the Board. All significant policies have been approved by the Board. The bank has comprehensive framework of written policies and procedures on all major areas of operations. Policies are reviewed on need basis.
7. All the powers of the Board have been duly exercised and Board has taken decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of President.
8. The meetings of the Board were presided over by the Chairman. In absence of the Chairman a Director elected by the Board for this purpose presided over the relevant meetings. Board met at least once in every quarter and five meetings of the Board were held during the year. Written notices of the Board meetings alongwith working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course for the Members is being arranged shortly as the same has delayed due to reconstitution of Board.
10. Positions of Chief Financial Officer, Chief Internal Auditor and Company Secretary were approved by the Board during the year 2007 are intact.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were fully endorsed by the President and the Chief Financial Officer before approval of the Board.



13. The Directors, President and Executives do not have any interest in the shares of the Bank.
14. The Bank has complied with all the corporate and financial reporting requirements of the code.
15. Audit Committee of the Board comprises of four non-executive Directors including Chairman of the Committee.
16. All the meetings of Audit Committee were held at least once in every quarter prior to approval of interim and final results as required by the Code except in 3rd quarter. However, four meetings of Audit Committee were held during the year. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function on full time basis.
18. The statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

( Muhammad Zaka Ashraf )  
President /CEO ZTBL