VIS
Credit Rating Company Limited

ZARAI TARAQIATI BANK LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY RATING	AAA	A1+	AAA	A1+
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	September 21, 2026		June 30, 2025	

Shareholding (5% or More)	Other Information
Government of Pakistan – 99.98%	Established in 2002
	Public Limited Company (Unlisted)
	External Auditors: Crowe Hussain Chaudhury & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Government Support Entities

https://docs.vis.com.pk/Methodologies-2025/GSEntities.pdf

VIS Entity Rating Criteria Methodology – Financial Institutions

https://docs.vis.com.pk/Methodologies-2026/FI-Methodology-26.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

Zarai Taraqiati Bank Limited's ('ZTBL' or the 'Bank') ratings are supported by its strategic importance as a specialized agricultural development bank and its government ownership. Its mandate remains relevant given the importance of agricultural financing and financial inclusion. The Bank maintains a strong capitalization profile, with continued accretion in Tier-I capital. Capital ratios remaining comfortably above regulatory requirements, provide a substantial buffer against potential financial and credit risks. Asset quality has also shown sustained improvement, supported by enhanced recoveries, timely collections causing a decline in non-performing loans, while provisioning coverage has strengthened and the burden of net non-performing loans relative to capital has moderated. As such, its mandate remains relevant given the importance of agricultural financing and financial inclusion.

The Bank's investment portfolio remains predominantly invested in floating-rate, sovereign securities, resulting in a relatively low credit and market risk profile. Liquidity remains sound, supported by adequate liquid asset buffers and stable funding ratios, although the funding profile remains marked by the Bank's reliance on government borrowings and features a comparatively modest deposit base. Profitability remains satisfactory, supported by improved spreads following the decline in funding costs, although earnings have moderated from the prior period and operating expenses continue to gradually rise in response to inflation. The Bank has demonstrated progress in risk management capabilities, digital infrastructure, cybersecurity, and internal controls. Key rating constraints remain elevated reliance on borrowed funding, limited deposit mobilization, and the inherent high-risk exposure to agricultural borrowers, vulnerable to weather and climate-related risks.

Company Profile

Zarai Taraqiati Bank Limited ('ZTBL' or the 'Bank') was incorporated in 2002 as a public limited company following the reorganization of the Agricultural Development Bank of Pakistan (ADBP). The Bank's mandate is to provide sustainable rural finance and related financial services, primarily to small farmers and low-income households, while also undertaking capital market, investment, and other banking activities. The Bank's wholly owned subsidiary, Kissan Support Services (Private) Limited (KSSL) was incorporated on September 19, 2005. The subsidiary provides operational support services to the Bank. ZTBL operates through 501 (Dec'24: 501) branches as of Dec'25, of which 35 (Dec'24: 25) are Islamic Banking branches as of Dec 31, 2025.

Management and Governance

CHAIRMAN/CEO PROFILE

Chairman of the Board – The position of Chairman of the Board of Directors is currently vacant, following the completion of three years term of Mr. Naeemuddin Khan on 23.08.2026.

President & CEO – Mr. Muhammad Arif, Chief Financial Officer (CFO) of ZTBL, has been appointed by the Federal Government as Acting President/CEO for an interim period of six months or until the bank's privatization, whichever occurs earlier. He replaces Mr. Tahir Yaqoob Bhatti, effective September 7, 2026, following the end of the latter's three-year tenure.

BOARD OF DIRECTORS & SENIOR MANAGEMENT

Table 1: Board of Directors

Category	CY24	Current*
Independent Directors	Mr. Naeemuddin Khan (Chairman)	-
	Dr. Talat Naseer Pasha	-
	Mr. Sahibzada Rafat Raoof Ali	Mr. Sahibzada Rafat Raoof Ali
	Dr. Ayesha Waqar	Dr. Ayesha Waqar
	-	Mr. Muhammad Najeeb Agrawalla
Executive Director	Mr. Tahir Yaqoob Bhatti (President & CEO)	Mr. Muhammad Arif (Acting President & CEO)
Non-Executive Director	Mr. Ahmed Taimoor Nasir	Mr. Ahmed Taimoor Nasir (Ex officio Director)

**At the time of issuance of rating report*

During CY26, Mr. Muhammad Najeeb Agrawalla was appointed as an Independent Director. Three years tenure of Chairman Board and President/CEO completed whereas Mr.Talat Naseer Pasha, resigned from the position of Director. The Board operates through its five committees, the Board Audit Committee, Board Human Resource Committee, Board Risk Management Committee, Board Procurement Committee and Board Information Technology Committee, providing oversight of audit and internal controls, human resources, risk management, procurement and technology matters, respectively. Nine Board meetings were held during CY25, with all members attending all nine meetings.

RISK MANAGEMENT

ZTBL maintains a centralized Enterprise Risk Management (ERM) framework covering credit, market, liquidity, operational, information security, credit review, collateral management and documentation risks, with defined oversight by Risk Management, Compliance and Internal Audit. The Risk Management Group independently reviews credit proposals before sanction and may decline or modify proposals based on its assessment, while Compliance and Internal Audit provide regulatory oversight and independent assurance. During CY25, the Bank strengthened its risk infrastructure through automation of Obligor Risk Rating (ORR) and Financial Risk Rating (FRR) models, integration of Environmental Risk Rating into the loan approval process, and enhanced Risk Control & Self-Assessment and Key Risk Indicator monitoring. Credit administration was further strengthened through formal sanction, disbursement and documentation checklists, while the eCIB reporting platform was upgraded to the .NET-based version 2.0.

Credit risk and recovery processes continue to focus on borrower assessment, collateral review, ECIB checks, early warning indicators and monitoring of NPL and Special Asset Management portfolios. The Bank also maintains a IFRS 9/ECL framework, Information security was further strengthened through enhanced cybersecurity architecture, vulnerability assessment and penetration testing, improved SOC capabilities, and monitoring of Privileged Access Management and Just-in-Time access. The Bank also strengthened compliance with ISO 27001 and PCI DSS, supported by cybersecurity awareness training and phishing simulations.

ZTBL participated in the Pakistan Banking Sector Cyber Drill conducted in January 2026 and achieved an overall readiness score of 70%. Strategic readiness remained strong at 87%, while tactical and technical readiness stood at 57% and 59%, respectively. The drill highlighted gaps in real-time attack visibility and technical response capabilities, particularly in areas such as endpoint detection, network telemetry and threat intelligence.

ESG INITIATIVES

ZTBL's ESG initiatives remain closely aligned with its mandate of supporting sustainable agriculture, rural livelihoods and financial inclusion. In view of the agriculture sector's exposure to climate-related risks, the Bank continues to promote climate-smart agricultural practices, including efficient irrigation, water management, improved crop varieties, biological pest control and farm mechanization, through farmer engagement and advisory initiatives. Its participation in the Green Pakistan Initiative supports the development of cultivable wastelands and rangelands through modern and technology-enabled farming practices. During FY25, the Bank disbursed PKR 2.15bn under Green Banking products, with the outstanding Green Banking portfolio reaching PKR 5.61bn. Rainwater harvesting and drip irrigation facilities were also developed at ZTBL Farm Islamabad, while a ginger cultivation trial, supported by AARI, promoted crop diversification and efficient use of farm resources. The Bank further conducted a climate-smart agriculture program in Okara and ZTBL's Climate Prosperity Plan (CPP) proposal, valued at USD 49.7 million, was shortlisted under Pakistan's Climate Prosperity Plan.

The Bank continues to support small farmers and underserved rural segments through agricultural financing covering mechanization, livestock, fisheries and agri-value addition, while collaborations with agricultural universities, research institutions and PARC facilitate access to technical expertise and modern farming solutions. Farmer training, demonstrations of modern agricultural machinery and farm-based workshops further support knowledge transfer and sustainable agricultural development. During FY25, Green Banking and ESRM training was provided to 110 employees, alongside awareness sessions for farmers and students.

From a governance perspective, ZTBL revised its Green Banking Policy in line with SBP guidelines and obtained Board approval. The ESRM Exclusion List was incorporated into the credit approval process to strengthen screening of environmental and social risks, while quarterly Green Banking reporting to SBP supports regulatory compliance and oversight. Overall, the Bank's ESG profile continues to gradually strengthen.

SHARIAH GOVERNANCE

ZTBL's Shariah Governance Framework remained fully operational during FY25, supported by an approved Shariah Compliance Policy and Manual defining the roles of the Board of Directors (BOD), Executive Management, Shariah Board, Resident Shariah Board Member (RSBM), Shariah Compliance Department (SCD), and internal and external Shariah audit functions. During the year, the Bank expanded its Islamic banking footprint by converting 10 conventional branches into Islamic branches and establishing 30 Islamic Banking Windows. The Shariah Board, comprising Dr. Mufti Muhammad Wasie Fasih Butt (Chairperson), Mufti Fawad Ali (Resident Shariah Board Member) and Mufti Uzair Ashraf Usmani (Member), held quarterly meetings during FY25 for product approvals, review of audit findings and Shariah compliance matters. The BOD also held two half-yearly meetings with the Shariah Board in line with the Shariah Governance Framework.

The SCD continued to conduct pre-disbursement Shariah reviews of financings, regular compliance reviews of Islamic branches and windows, and review of products, policies, manuals and documentation prior to Shariah Board approval. The Internal Shariah Audit Unit conducted branch and post-disbursement audits, while an external Shariah audit was also undertaken during FY25. Audit observations and recommendations were addressed in accordance with the Shariah Board's directions.

KEY DIGITAL INITIATIVES

During CY25, ZTBL continued to enhance its digital banking infrastructure, with further implementation of initiatives introduced in the preceding year and new developments across technology, cybersecurity and digital channels. The Bank strengthened access controls through implementation of a Privileged Access Management (PAM) solution, including secret-server controls, and deployed threat protection solutions for Email, Internet, servers and end points.. Legacy Cisco VPN profiles were replaced with Fortinet VPN clients, while Managed WAN configuration was completed for 258 out of 501 branches and network passive cabling was completed in 205 branches. The Bank also implemented eKYC infrastructure, USSD application infrastructure and branch-level UPS backup solutions, and procured 397 all-in-One desktops and 70 laptops. Oracle E-Business Suite was upgraded to latest Release (12.2.14), and migrated assets, liabilites and MIS reporting applications on state-of-the art Database infrastructure i-e (Oracle EXAC@C) from conventional hardware.

Further enhancements were made to the Core Banking System (CBAS), including configuration of banker's cheque, new liability products, NIFT inward and outward clearing and new Islamic loan schemes. The Bank also implemented monthly reporting of Flow of Funds and Deposits in line with SBP requirements, while developments included the Compliance Monitoring & Reporting System (CMRS), Internal Risk Rating Phase-I and eKYC customer consent functionality. Digital banking capabilities were further expanded through installation of 25 additioal ATMs, taking the operational ATM footprint network to 75, launch of Raast P2P Beta and 1GO QR payments, completion of Phase-I of USSD services and upgrade of the ATM/POS switch. SMS-based CNIC expiry notifications and enhanced biometric verification for loan-related processes were also implemented.

Technology support for Islamic banking was further developed through migration of 10 branches to the Virtual Cost Centre (VCC) module and establishment of Islamic Banking Windows across 30 branches. Other system enhancements included the Zarkhez-e scheme, Pension & Severance Payment Management System and related operational and reporting modules. Overall, CY25 saw continued implementation of the Bank's ongoing digital and infrastructure initiatives, alongside additional enhancements to cybersecurity, regulatory compliance, core banking, Islamic banking and digital transaction capabilities.

Going forward, ZTBL plans to further expand its digital banking and technology infrastructure. Key initiatives include USSD Phase-II, installation of 25 additional ATMs, commercial launch of Raast P2P, implementation of Raast P2M and e-commerce transaction functionality, and revamping of the ZTBL Digital Application. The Bank also plans to develop an Agri-Fintech platform covering crop monitoring, livestock management, GIS integration and pest/disease identification, alongside further development of digital agricultural advisory (Zarai Rehnuma) and marketplace solutions. To improve and strengthen the security postrue of ZTBL infrastructure by installing Ransomeware protected storage solution including Web Application firewalls and Next Generation Firewalls. These initiatives are expected to further extend the Bank's digital service capabilities and support automation of agricultural finance-related processes.

AUDIT OPINION

Crowe Hussain Chaudhury & Co., Chartered Accountants, continued as the Bank's external auditor for 2025. The firm is Category 'A' on the State Bank of Pakistan's (SBP) Panel of Auditors and holds a Satisfactory Quality Control Review (QCR) rating from ICAP. The auditor issued an unqualified opinion on the Bank's 2025 financial statements.

Legal Regulatory Development

The Bank's accounts for the year ended Dec'25, were delayed due to matters relating to preference shares.

Business Risk

INDUSTRY

Pakistan's specialized banking sector primarily comprises Zarai Taraqiati Bank Limited (ZTBL) and The Punjab Provincial Cooperative Bank Limited (PPCBL) - institutions established to cater to specific development-oriented segments of the economy. ZTBL primarily focuses on agricultural financing, while PPCBL serves the cooperative and agricultural sectors, particularly in Punjab. The sector remains important in supporting financial inclusion and providing credit to underserved rural and farming communities.

The following section provides an overview of key developments and trends within Pakistan's specialized banking sector. Agriculture remains a key driver of demand for specialized banking services. During Jul-Mar FY26, total agricultural credit disbursements by the banking industry reached PKR 2.16 trillion, equivalent to around 71% of the annual target of PKR 3.06 trillion. ZTBL disbursed PKR 70.4 billion, up 36% YoY, while PPCBL disbursed PKR 6.1 billion, down 22.5% YoY. The government and SBP continue to promote agricultural financing through initiatives such as digital lending platforms and targeted credit schemes, supporting the sector's medium-term growth prospects.

The financial profile of specialized banks has strengthened, with aggregate CAR improving from 38.5% in Dec'24 to 39.3% in Mar'26, while Tier-1 CAR increased from 35.4% to 36.1% respectively. The sector also recorded a notable improvement in asset quality. Gross infection declined from 19.6% in Dec'24 to 13.7% in Dec'25, although it increased to 15.1% in Mar'26. Provisioning coverage improved substantially from 57.1% in Dec'24 to 80.7% in Mar'26, resulting in net infection declining from 9.4% to 3.3%. Net NPLs to capital also improved significantly from 12.5x in Dec'24 to 4.0x in Mar'26.

Total assets increased to PKR 648.1bn in Mar'26 (Dec'24 PKR 618.3bn), supported mainly by higher investments of PKR 415.9bn (Dec'24: PKR 385.6bn). Net advances stood at PKR 136.1bn (Dec'24: PKR 124.4bn), while borrowings increased to PKR 418.6bn (Dec'24: PKR 408.1bn) against deposits of only PKR 62.3bn (Dec'24: PKR 64.8bn).

Profitability has improved, with ROA increasing from 1.7% in Dec'24 to 2.3% in Mar26. Overall, the sector benefits from strong capitalization, improved provisioning and declining net credit risk. However, elevated gross infection, limited deposit mobilization and exposure to agricultural and weather-related risks remain key challenges. Continued digitalization, stronger recoveries and expansion of formal agricultural credit should support the sector's outlook.

ASSET MIX

Table 2: Asset Mix (all figures in PKR' Bn, unless stated otherwise)

	Dec'24	Dec'25	Jun'26
Cash and Cash Equivalents*	41.57	60.51	64.65
	7.2%	10.7%	11.4%
Investment – Net	377.76	343.88	334.36
	65.2%	60.6%	58.8%
Advances -Net	109.12	123.91	130.85
	18.9%	21.9%	23.0%
Other Asset	50.57	38.71	38.50
	8.8%	6.8%	6.8%
Total Asset	**577.54**	**567.01**	**568.36**

**Cash & Cash Equivalent include Cash & Balances with Treasury Banks, Balances with other Banks and Lending to FIs*

As of Dec'25, ZTBL's asset base moderated by 1.8%, primarily reflected in a lower investment portfolio having declined to PKR 343.9bn (Dec'24: PKR 377.8bn), in response to lower interest rate environment during CY25, which reduced the relative attractiveness of investment yields compared with the higher-rate environment prevailing in CY24. Net advances increased to PKR 123.9bn (Dec'24: PKR 109.12bn), raising their contribution to 21.9% (Dec'24: 18.9%), while cash and cash equivalents increased to PKR 60.5bn (Dec'24: PKR 41.6bn), to 10.7% (Dec'24:7.2%) of assets.

As of Jun'26, the asset base remained broadly stable, increasing marginally to PKR 568.4bn. The asset mix continued to gradually diversify away from investments, with the net investment portfolio declining further to PKR 334.4bn, reducing its contribution to total assets to 58.8%. This was accompanied by continued growth in net advances, which increased to PKR 130.9bn (Dec'25: PKR 123.9bn), raising their share to 23.0% of assets. Overall, the balance sheet reflects a gradual shift towards advances and cash assets, albeit with investments remaining the dominant component of asset base.

LOAN PORTFOLIO

Table 3: Region-wise breakdown of disbursements (In PKR' Bn unless stated otherwise)

Region	CY24	%	CY25	%
Punjab	61.4	85%	72.1	85%
Sindh	7.2	10%	7.5	9%
KPK	2.3	3%	3.0	4%
Baluchistan	0.4	1%	0.8	1%
AJK Including GB	0.7	1%	1.4	2%
Total Disbursements	**72.0**	**100%**	**84.9**	**100%**

ZTBL's gross advances increased by 9.5% to PKR 140.8bn as of Dec'25 (Dec'24: PKR 128.6bn). During CY25, the Bank disbursed PKR 84.9bn in advances, compared with PKR 72.0bn in CY24, reflecting increased lending activity. Disbursements remained heavily concentrated in Punjab, which accounted for 85% of total disbursements, followed by Sindh at 9%, KPK at 4%, and Balochistan, AJK and GB collectively accounting for the remaining 2%. As of Jun'26, gross advances further increased by 4.9% to PKR 147.7bn, supported by disbursements of PKR 50.0bn during the period.

Following the decline in the policy rate, management focused on volume growth and healthier portfolio expansion as key strategic priorities. The Bank is targeting gross advances of around PKR 155–165bn by current year-end, with longer-term ambitions to reach approximately PKR 200bn. Recoveries from NPLs and Special Asset Management (SAM) also remained an important source of funds, supporting the recycling of recovered amounts into fresh disbursements and the continued expansion of the lending portfolio.

PROFITABILITY

Table 4: Profitability Indicators

	CY24	CY25	1HCY26
ROAA	2.3%	2.1%	2.2%*
ROAE (excl. surplus on revaluation)	18.3%	14.5%	12.9%*
Spread	3.11%	4.11%	3.52%
- Return on Earning Assets	19.3%	13.4%	11.36%*
- Cost of Funding	16.2%	9.3%	7.83%*
Efficiency Ratio	61.9%	64.3%	56.5%

**Annualized*

In CY25, ZTBL's markup income significantly declined to PKR 64.4bn (CY24: PKR 111.3bn), while markup expense also decreased to PKR 38.3bn (CY24: PKR 86.5bn), reflecting the lower interest-rate environment and its impact on both asset yields and funding costs. The decline in funding cost was relatively more pronounced, resulting in an improvement in spread to 4.11% (CY24: 3.11%). Consequently, net markup income increased to PKR 26.1bn (CY24: PKR 24.8bn). Non-markup income moderated to PKR 4.9bn (CY24: PKR 5.5bn), mainly due to lower gains on securities, which declined to PKR 1.0bn (CY24: PKR 2.3bn), partly offset by higher other income of PKR 2.6bn (CY24: PKR 1.9bn).

Operating expenses increased to PKR 17.6bn (CY24: PKR 16.1bn), resulting in the efficiency ratio rising to 64.3% (CY24: 61.9%). Accordingly, profit before provisions and taxation moderated to PKR 13.4bn (CY24: PKR 14.1bn). However, a higher net provisioning reversal of PKR 13.2bn (CY24: PKR 11.8bn) supported profit before tax, which increased to PKR 26.6bn (CY24: PKR 25.9bn). Improved borrower outreach and collection efforts are expected to support recoveries and further asset-quality improvement. The benefit was partly offset by a higher tax charge of PKR 14.6bn (CY24: PKR 12.9bn), resulting in profit after tax of PKR 12.0bn (CY24: PKR 13.0bn). Consequently, ROAA moderated to 2.1% (CY24: 2.3%), while ROAE declined to 14.5% (CY24: 18.3%). Core profitability remained moderate, with improved spreads and net markup income supporting earnings, while provisioning reversals continued to provide a material uplift.

During 1HCY26, markup income declined to PKR 30.3bn (1HCY25: PKR 33.9bn), while markup expense also decreased to PKR 17.6bn (1HCY25: PKR 21.2bn), resulting in net markup income remaining broadly stable at PKR 12.7bn (1HCY25: PKR 12.6bn). Non-markup income increased to PKR 3.6bn (1HCY25: PKR 2.2bn), primarily driven by higher fee and commission income of PKR 1.0bn (1HCY25: PKR 0.5bn) and other income of PKR 2.2bn (1HCY25: PKR 0.9bn). Non-markup expenses increased to PKR 7.8bn (1HCY25: PKR 7.3bn). The provision reversal decreased to PKR 4.7bn (1HCY25: PKR 5.5bn), resulting in profit before tax remaining unchanged at PKR 13.1bn (1HCY25: PKR 13.1bn). Going forward, management expects profitability to be supported by growth in healthier lending volumes and recoveries and reduced reliance on reversals.

Financial Risk

Asset Quality

Table 4: Asset Quality Indicators

	Dec'24	Dec'25	Jun'26
Gross Advances (PKR Bn)	128.6	140.8	147.7

NPL (PKR Bn)	27.0	24.1	23.1
Gross Infection	21.0%	17.1%	15.7%
Net Infection*	11.9%	8.7%	7.4%
Stage-3 Provisioning Coverages	49.3%	54.0%	57.0%
Stage-1 & Stage-2 Provisioning Coverages	6.1%	3.3%	2.9%
Net NPLs to Tier 1 Equity**	16.9%	11.7%	9.8%

**Only takes into account Stage 3 provisions*
***Adjusted for General Provisioning*

ZTBL's asset quality continued to improve during the review period. NPLs declined by 10.6% to PKR 24.1bn in CY25 (CY24: PKR 27.0bn), with gross infection declining to 17.1% (CY24: 21.0%), and net infection improving to 8.7% (CY24: 11.9%). Stage-3 provisioning coverage also strengthened to 54.0% (CY24: 49.3%), while net NPLs to Tier-1 equity improved to 11.7% (CY24: 16.9%), indicating a lower NPL burden relative to the Bank's capital base. Despite having sustained adverse weather conditions and policy-related challenges during 2025, enhanced client contact and follow-up supported recoveries and contributed to the subsequent improvement in asset quality.
By Jun'26, NPLs had further declined to PKR 23.1bn, while gross advances increased to PKR 147.7bn, resulting in a further improvement in gross infection to 15.7% and net infection to 7.4%. Stage-3 provisioning coverage strengthened further to 57.0%, while net NPLs to Tier-1 equity declined to 9.8%.
The improvement reflects greater emphasis on timely collections and recovery of infected portfolios, which management noted has helped release liquidity for fresh lending. The Bank is also focusing on expanding healthier lending volumes. Its portfolio comprises short-term production loans and 5–8 year development loans, with development loans currently accounting for around 73% of the portfolio, compared with management's indicated longer-term mix of approximately 50:50. Going forward, management intends to continue expanding the performing portfolio while maintaining focus on collections and portfolio quality.

INVESTMENTS

Table 6: Net Investment Portfolio (all figures in PKR Bn, unless stated otherwise)

	Dec'24	%	Dec'25	%
Federal Government Securities				
Market T-Bills	96.0	25.5%	49.1	14.3%
PIBs	272.4	72.4%	287.4	83.6%
GoP Ijarah Sukuk	2.2	0.6%	1.5	0.4%
Shares:				
Listed	3.2	0.9%	3.4	0.9%
Non-Government Debt Securities				
Listed	2.1	0.6%	2.0	0.0%
Unlisted	0.3	0.1%	0.2	0.1%
Subsidiary:				
Kissan Support Services (Pvt.) Ltd.	0.1	0.0%	0.1	0.0%
Total	**376.3**		**343.9**	

ZTBL's investment portfolio remained predominantly concentrated in Federal Government Securities, comprising Market Treasury Bills (MTBs), Pakistan Investment Bonds (PIBs), and Government of Pakistan Ijarah Sukuk, which collectively accounted for 98.3% of the portfolio as of Dec'25 (Dec'24: 98.5%), resulting in minimal credit risk. The net investment portfolio declined mainly due to significant reduction in MTBs to PKR 49.1bn (Dec'24: PKR 96.0bn), while holdings of PIBs increased to PKR 287.4bn (Dec'24: PKR 272.4bn). This shift in composition reflects a continued preference for PIBs within the government securities portfolio. Market risk arising from PIBs remains relatively low, with 81.3% of the holdings being floating-rate instruments (Dec'24: 79.7%).

LIQUIDITY

Table 7: Deposit Mix & Granularity (all figures in PKR Bn, unless stated otherwise)

	Dec'24	Dec'25	Jun'26
Deposits	56.6	59.5	58.4
CA	18.2%	22.7%	20.3%
CASA	41.0%	46.4%	43.6%
Liquid Assets*	153.3	126.8	105.7
Borrowings	408.1	382.8	380.0
LADB**	76.6%	77.0%	72.9%
LAD***	113.4%	127.8%	125.8%
Liquidity Coverage Ratio	232.0%	270.0%	263.0%
Net Stable Funding Ratio	123.0%	127.0%	121.0%

** Adjusted for Collateral*
***Liquid Assets to Deposit & Borrowings (adjusted for repo and collateral)*
**** Liquid Assets (adjusted for short term borrowing) to Deposit*

The Bank's deposit base increased by 5.1% to PKR 59.5bn at Dec'25 (Dec'24: PKR 56.6bn), with CASA improving to 46.4% (Dec'24: 41.0%). However, deposits remained modest relative to borrowings, comprising PKR 277.6bn of repo-based treasury funding and PKR 105.2bn of unsecured Federal Government borrowings, collectively amounting PKR 382.8bn, and reflecting continued reliance on government borrowings for funding. By Jun'26, deposits stood at PKR 58.4bn, with CASA moderating to 43.6%, while borrowings remained broadly stable at PKR 380.0bn.

Despite the funding concentration, the Bank maintained a sound liquidity position. Liquid assets stood at PKR 126.8bn at Dec'25 and declined to PKR 105.7bn by Jun'26, while LADB moderated to 72.9% (Dec'25: 77.0%). Additionally, the Bank maintained excess liquidity even after adjusting for all short-term borrowings, providing adequate coverage of its deposit base. The LCR remained strong at 263.0% (Dec'25: 270.0%), while NSFR stood at 121.0% (Dec'25: 127.0%), indicating adequate liquidity buffers and a sound structural liquidity position. Going forward, sustained growth in CASA and diversification of the deposit base remain important for strengthening the funding profile.

CAPITALIZATION

Table 8: Capitalization (all figures in PKR Bn, unless stated otherwise)

	Dec'24	Dec'25	Jun'26
Total Equity	**82.4**	**94.8**	**99.5**
Paid Up Capital	52.7	52.7	52.7
Reserves	12.1	14.5	15.7
Surplus on revaluation of assets- Net of Tax	2.2	3.4	2.0
Accumulated Profit/ (Loss)	15.3	24.2	29.1
Tier 1 Capital	74.7	91.3	97.4
Total Eligible Capital	79.0	96.7	101.46
Risk Weighted Assets (RWA)	219.0	244.7	249.5
Total CAR	36.0%	39.5%	40.7%
Tier I CAR	34.1%	37.3%	39.0%
Leverage	12.9%	16.1%	17.14%

The Bank's capitalization strengthened during CY25, with total equity increasing to PKR 94.8bn (CY24: PKR 82.4bn), primarily driven by higher accumulated profits of PKR 24.2bn (CY24: PKR 15.3bn) and reserves of PKR 14.5bn (CY24: PKR 12.1bn). Paid-up capital remained unchanged at PKR 52.7bn. Consequently, Tier 1/CET1 capital increased to PKR 91.3bn (CY24: PKR 74.7bn), while Tier 2 capital also increased to PKR 5.4bn (CY24: PKR 4.2bn), taking total eligible capital to PKR 96.7bn (CY24: PKR 79.0bn). During the same period, RWA increased by 11.7% to PKR 244.7bn (CY24: PKR 219.0bn), reflecting higher credit, market, and operational risk exposures. The stronger growth in capital relative to RWA resulted in an improvement in Total CAR to 39.5% (CY24: 36.0%), while Tier 1/CET1 CAR increased to 37.3% (CY24: 34.1%). The leverage ratio also improved to 16.1% (CY24: 12.9%).

During 1HCY26, Tier 1/CET1 capital increased to PKR 97.4bn (CY25: PKR 91.3bn), while Tier 2 capital declined to PKR 4.1bn (CY25: PKR 5.4bn), due to reduction in unrealized gains on securities. Total eligible capital consequently increased to PKR 101.5bn (CY25: PKR 96.7bn). Meanwhile, RWA increased marginally to PKR 249.5bn (CY25: PKR 244.7bn). The continued accretion in Tier 1 capital, despite the increase in RWA, led to a further improvement in Total CAR to 40.7% and Tier 1/CET1 CAR to 39.0%. The leverage ratio also remained strong at 17.1%. Hence, the Bank's capitalization remains comfortably above the regulatory minimum total CAR requirement of 11.5%. Paid-up capital also remains well above the minimum requirement of PKR 10bn.

Following the acquisition of SBP's shareholding by the Federal Government in May 2025, the Bank's PKR 54.5bn redeemable preference shares were transferred to the Federal Government. The Bank subsequently proposed conversion of these preference shares into ordinary shares, which was approved in principle by the Ministry of Finance and formally approved by the Bank's Board and shareholders in Jan'26 and Feb'26, respectively, with retrospective effect from June 5, 2025. However, the Privatization Commission directed the Bank to defer the conversion pending review and decision by the Commission and CCoP in the context of the Bank's privatization. The matter remains pending.

FINANCIAL SUMMARY				(PKR Mn)
BALANCE SHEET	Dec'23	Dec'24	Dec'25	Jun'26
Cash and Bank Balances with SBP and NBP	3,661.2	3,125.8	4,436.1	3,133.4
Balances with other Banks and/NBFIs/MFBs	31,925.6	7,492.5	52,679.9	54,893.2
Lending to Financial Institutions	6,560.7	30,950.1	3,392.0	6,623.1
Net Investments	372,212.1	376,274.5	343,880.0	334,365.5
Net Advances	105,507.7	109,121.2	123,908.2	130,854.9
Fixed Asset	2,651.5	2,874.1	3,181.3	3,206.1
Other Assets	39,857.8	47,700.8	35,532.2	35,288.8
Total Assets	**562,376.5**	**577,539.0**	**567,009.5**	**568,365.1**
Total Deposits	57,169.1	56,621.8	59,489.4	58,429.0
Borrowings	399,877.7	408,067.0	382,813.0	379,977.6
Other Liabilities	31,165.0	30,472.4	29,926.9	30,507.2
Total Liabilities	**488,211.8**	**495,161.2**	**472,229.4**	**468,913.8**
Paid Up Capital	52,678.4	52,678.4	52,678.4	52,678.4
Tier-1 Equity	66,784.6	74,684.1	91,281.3	97,403.3
Net Shareholding Equity (Excluding Revaluation)	72,542.6	80,133.0	91,379.2	97,489.2
Net Worth	**74,164.7**	**82,377.8**	**94,780.1**	**99,451.3**
INCOME STATEMENT	CY23	CY24	CY25	Jun'26
Net Mark-up Income	24,264.7	24,769.9	26,141.0	12,684.3
Net Provisioning / (Reversal)	5,505.2	11,784.0	13,203.4	4,740.7
Non-Markup Income	2,428.5	5,455.4	4,887.0	3,554.4
Total Non-Markup Expense	14,552.3	16,115.5	17,634.2	7,834.4
Profit Before Tax	17,606.2	25,891.9	26,584.5	13,145.0
Profit after tax	10,984.1	12,960.7	12,002.8	6,110.0
RATIO ANALYSIS	Dec'23	Dec'24	Dec'25	Jun'26
Gross Infection (%)	28.8%	21.0%	17.1%	15.7%
Provisioning Coverage (%) - Specific	33.2%	49.3%	54.0%	57.0%
Provisioning Coverage (%) - Total	3.5%	6.1%	3.3%	2.9%
Net Infection (%)	21.3%	11.9%	8.7%	7.4%
Net NPLs to Tier-1 Capital (%)	33.1%	16.9%	11.7%	9.8%
Capital Adequacy Ratio (%)	37.7%	36.0%	39.5%	40.7%
Markup on earning assets (%)	30.6%	22.3%	12.7%	11.4%
Cost of Funds (%)	27.4%	18.7%	8.4%	7.8%
Markup Spreads (%)	3.2%	3.6%	4.3%	3.5%
LCR (%)	825.0%	232.0%	270.0%	263.0%
NSFR (%)	121.0%	123.0%	127.0%	121.0%
Leverage	11.9%	12.9%	16.1%	17.1%
Efficiency (%)	56.5%	61.9%	64.3%	56.5%
ROAA (%)*	2.1%	2.3%	2.1%	2.2%
ROAE (%)*	16.7%	17.0%	14.0%	12.9%
Advances to Deposit Ratio	209.9%	227.1%	236.7%	252.7%
Liquid Assets to deposits & borrowings (%)	62.1%	76.6%	77.0%	72.9%

*Annualized

** Adjusted for repo and collateral

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Zarai Taraqiati Bank Limited (ZTBL)
Sector	Specialized Bank
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	See table below
Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meeting Conducted	See table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
21-Sep-26	AAA	A1+	Stable	Reaffirmed
30-Jun-25	AAA	A1+	Stable	Reaffirmed
27-Jun-24	AAA	A1+	Stable	Reaffirmed
22-Jun-23	AAA	A1+	Stable	Reaffirmed
6-Jun-22	AAA	A1+	Stable	Maintained
30-Jun-21	AAA	A1+	Rating Watch – Developing	Maintained
30-Jun-20	AAA	A1+	Stable	Reaffirmed
26-Jun-19	AAA	A1+	Stable	Reaffirmed
28-Jun-18	AAA	A1+	Stable	Reaffirmed
20-Jun-17	AAA	A1+	Stable	Reaffirmed
16-Jun-16	AAA	A1+	Stable	Reaffirmed
18-Jun-15	AAA	A1+	Stable	Reaffirmed
8-Aug-14	AAA	A1+	Stable	Upgrade

Due Diligence Meeting Conducted

Name	Designation	Date
Mr. Muhammad Arif	Chief Financial Officer (CFO)	04 September, 2026
Mr. Asad Ullah Habib	Chief Risk Officer (CRO)	
Mr. Zahid Hussain	Group Head - Business	