Directors' Report for period ended June 30, 2026

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Zarai Taraqiati Bank Limited (ZTBL) for the period ended June 30, 2026.

Performance Highlights:

ZTBL continues to pursue sustainable growth with resilience and determination, maintaining its strategic focus amid prevailing economic and political challenges. For the period ended June 2026, the Bank reported a profit before tax of Rs. 13,145 million and a profit after tax of Rs. 6,110 million. Gross income earned for the period remained at Rs. 33,897 million while Net Markup/interest income earned/posted at Rs. 12,684 million as compared to Rs 12,637 million for the corresponding period 2025. Administrative expenditure for period ended June 2026 remained at Rs. 7,834 million (Jan-June 2025: 7,285 million).

Total Repayment / Recovery (principal & markup) increased by 21.2% for period ended June 2026 over the corresponding period last year. Moreover, Non-Performing Loans as percentage of total outstanding portfolio decreased by 15.6% to Rs. 23,102 million at June 30, 2026 (Rs. 26,052 million at June 30, 2025) and gross loan outstanding portfolio including staff advances increased by 11.7% in current period as compared to the corresponding period of previous year. Charged off outstanding portfolio decreased by 17% from Rs. 30,769 million to Rs. 25,553 million during the period under review.

Table: Financial Performance Indicators **Rs. In Million**

Sr No	Particulars		June-25	Jun-26	%
1	Disbursement		35,721	50,340	40.9%
2	Repayment / Recovery	Total Repayment / Recovery (Principal & Markup)	50,497	61,200	21.2%
3	Deposits	Total deposits	50,352	58,429	16.0%
4	Loan Portfolio	Gross Loan Outstanding Portfolio	132,173	147,667	11.7%
		Non-Performing Loan	26,052	23,102	-11.3%
		NPL as % of outstanding portfolio	19.7%	15.6%	-4.1%
5	Charged-off Portfolio	Charged-off outstanding Portfolio (Principal)	30,769	25,553	-17.0%

As of June 30, 2026, Bank's total deposits increased by 16% year-on-year to PKR 58,429 million from PKR 50,352 million, reflecting improved deposit mobilization across both low-cost and term deposits. The CASA base grew by 22.3% to PKR 26,353 million, supported by a 27.8% increase in Current Accounts to PKR 12,717 million, driven by focused customer engagement, sustained deposit mobilization efforts, and the Bank's CA Campaign. Savings Accounts also recorded healthy growth of 17.6%, reaching PKR 13,636 million. Meanwhile, the TDR portfolio expanded by 11.3% to PKR 32,076 million, contributing to a balanced funding mix and overall deposit growth.

The Bank also continued to strengthen its home remittance business by processing 6,688 transactions amounting to USD 1.79 million and advancing the implementation of an integrated Home Remittance System capable of supporting Freelance, B2C, and C2B transactions. Planned integration with RAAST and strategic partnerships with local banks under the Pakistan Remittance Initiative are expected to enhance transaction efficiency, expand customer reach, and support sustained growth in remittance inflows. Improved locker occupancy and rent recovery further strengthened fee-based income.

The Bank's half year review reflects strong portfolio management and improved asset quality despite challenging macroeconomic conditions affecting Pakistan's agricultural sector, including commodity price volatility, rising input costs, and adverse climate events. Proactive measures successfully curtailed further portfolio deterioration and drove a positive recovery trend. Outstanding Non-Performing Loans (NPLs) declined by Rs. 2,950 million (11.3%), demonstrating stronger recoveries and improved loan management. The charged-off portfolio decreased by Rs. 5,216 million (17%), while the total infected portfolio fell by Rs. 8,166 million (14.4%), underscoring a significant enhancement in the Bank's overall asset quality.

During the period January to June 30, 2026, the Bank remained committed to its core objective of providing sustainable rural finance and services, especially to small farmers and low-income households. Several initiatives were undertaken, including the introduction and development of innovative credit schemes aimed at addressing food security and alleviating rural poverty. An amount of Rs. 50,340 million has been disbursed against annual lending target of Rs. 90,040 million including Islamic. This shows pace of 55.9%, whereas, overall disbursement growth of 40.9% as compared to Rs. 35,721 million disbursed in the corresponding period of last year. During the same period, the Bank facilitated 63,496 borrowers as compared to 46,638 borrowers served last year 2025 having growth of 36%. During the period, The Bank achieved Rs. 124,521 million regular loan portfolios, as compared to Rs. 106,075 million in same period of last year, showing growth up 17.4%.

During the first half of 2026, Pakistan's treasury market was shaped by the SBP's monetary policy, inflation, government borrowing, and external factors. The SBP raised the policy rate to 11.50% in April and maintained it in June. Treasury focused on short-duration investments and liquidity management, with plans to gradually extend portfolio duration as inflation and interest rate conditions become more predictable.

During the period, the Centralized Processing Department maintained efficient account opening operations by processing all account types within prescribed turnaround times without any backlog, providing continuous training and guidance to branch staff, resolving operational discrepancies, managing account maintenance activities, coordinating secure printing and dispatch of documents through vendor management, and ensuring timely approval of high-risk accounts in compliance with SBP guidelines.

Branch operations also focused on relocating branches to commercially viable locations, with ten branches shifted by June 30, 2026, while the introduction of Digital Account Opening Forms and Electronic Deposit Receipts improved processing efficiency, reduced manual errors, and enhanced transparency. Compliance with SBP biometric verification requirements was further strengthened through customer outreach and deployment of wireless biometric devices in remote areas. Business development initiatives remained focused on Hajj applications, utility bill collection, home remittances, locker services, and the newly introduced Call Deposit Receipt product, which generated over PKR 2,492 million through 513 CDRs during the period and contributed to deposit growth while attracting new customers.

The Bank maintains a robust Enterprise Risk Management (ERM) framework that supports effective governance and aligns risk management with strategic objectives. The Bank continued to strengthen its overall risk profile through improved credit quality, prudent investment management, and enhanced operational risk practices. Growth in the total loan portfolio, a lower infection ratio, and sustained recovery efforts reflect positive credit risk management, although legally impaired assets remain an area of focus. A conservative investment strategy, with the majority of funds placed in government securities, supports financial stability while ongoing efforts are aimed at improving liquidity management. The expanded Risk Control and Self-Assessment framework has strengthened enterprise-wide risk monitoring.

Economic Review

Pakistan's economy during the second quarter of FY2026 (April-June 2026) maintained its recovery momentum despite a challenging global environment marked by slower economic growth, persistent trade policy uncertainty and escalating tensions in the Middle East. According to the Pakistan Economic Survey 2025-26, the conflict in the Middle East increased the risk of higher international oil prices, supply-chain disruptions and financial market volatility, posing downside risks for oil-importing economies, including Pakistan. Nevertheless, macroeconomic fundamentals continued to improve. Real GDP growth for FY2026 was estimated at 3.7 percent, supported by positive performance across agriculture, industry and services. Inflation remained well contained during most of the quarter, although geopolitical tensions led to some upward pressure in April and May. The Ministry of Finance, in its Monthly Economic Update & Outlook (June 2026), projected June 2026 inflation at 11-12 percent, while foreign exchange reserves reached US$21.5 billion as of 19 June 2026, including US$15.9 billion held by the State Bank of Pakistan (SBP). Strong workers' remittances, resilient exports and improving foreign direct investment continued to strengthen the external sector, while imports increased moderately in line with the recovery in domestic demand. Fiscal performance also improved, supported by stronger tax revenues, expenditure discipline and the maintenance of a primary surplus, reinforcing macroeconomic stability. Large-scale manufacturing continued to recover on the back of improved business confidence, easing financial conditions and better availability of imported raw materials. Monetary policy remained appropriately cautious during the quarter. At its 15 June 2026 meeting, the State Bank of Pakistan's Monetary Policy Committee (MPC) decided to maintain the policy rate at 11.5 percent, noting that the impact of the Middle East conflict had begun to appear in inflation and other macroeconomic indicators, while emphasizing the need to preserve price stability and anchor inflation expectations. Looking ahead, the Ministry of Finance expects economic activity to remain on a positive trajectory, supported by structural reforms, improved investment sentiment and stronger agricultural and industrial performance. However, persistent geopolitical tensions, volatile energy prices, climate-related shocks and weaker global growth remain key downside risks that could adversely affect inflation, the external account and fiscal performance in the coming months.

Agriculture Review

Pakistan's agriculture sector demonstrated moderate recovery during FY2025-26, maintaining its central role in supporting economic growth, employment, food security, and rural livelihoods despite persistent climatic and structural challenges. According to the Pakistan Economic Survey (PES) 2025-26, the sector recorded a growth of 2.89 percent, contributing significantly to the overall GDP growth of 3.7 percent. Livestock remained the largest contributor to agricultural value added, supported by steady expansion in milk and meat production, while important crops showed mixed performance. Wheat and sugarcane production improved due to favorable weather conditions and better input availability, whereas cotton production remained below potential because of adverse weather, pest attacks, and lower cultivated area. Rice and maize also registered satisfactory outcomes, reflecting improved farm management and irrigation support. The Ministry of Finance's Monthly Economic Update & Outlook (June 2026) highlighted that Kharif 2026 activities commenced under favorable conditions, with adequate availability of irrigation water, certified seed, and fertilizer. Urea offtake during April-May remained satisfactory, while sufficient stocks of urea and DAP were maintained to meet seasonal demand, supporting timely sowing operations. Agricultural credit disbursement continued to facilitate farmers' access to quality inputs, machinery, and modern production technologies, while government initiatives promoting mechanization, climate resilience, improved seed varieties, and efficient water management strengthened the sector's productive capacity. The outlook for the upcoming season remained encouraging due to supportive policy measures, improved input supplies, and expectations of normal weather conditions, although risks associated with climate variability, water scarcity, pest infestations, and international commodity price fluctuations continued to pose challenges. Export-oriented agriculture, particularly rice and horticultural products, benefited from improving external demand, whereas cotton-related industries continued to face raw material constraints. Overall, Pakistan's agriculture sector exhibited resilience through stable livestock growth, better fertilizer availability, enhanced institutional support, and improved production of several major crops. Sustained investment in agricultural research, climate-smart farming practices, irrigation infrastructure, digital extension services, and value chain development will remain essential for enhancing productivity, ensuring food security, strengthening export competitiveness, and achieving sustainable agricultural growth in the coming years.

Islamic Banking Group

During the first half of 2026, the Islamic financing portfolio increased significantly by 576% year-on-year, reaching PKR 196 million compared to PKR 29 million in June 2025, while an additional PKR 15 million conventional financing portfolio was successfully converted into Shariah-compliant financing, demonstrating the Bank's continued commitment to expanding its Islamic banking business. Deposits mobilized through Islamic Banking Windows also recorded exceptional growth, rising to PKR 220 million from PKR 29 million at the end of 2025, reflecting growing customer confidence in the Bank's Shariah-compliant products and services. IBG further strengthened its human capital through the Aaghi Series, delivering structured training programs focused on customer engagement, field staff development, and the creation of internal trainers to ensure sustainable knowledge transfer. Continuous emphasis on Shariah governance and compliance resulted in a reduction in audit observations during the period. While challenges related to specialized human resources, MCO availability, and customer awareness persist, management remains committed to addressing these through targeted resource deployment, capacity building, technological enhancements, and focused awareness initiatives, positioning IBG for continued growth and a stronger contribution to the Bank's overall performance during the remainder of 2026.

Innovation & Technology Group

During the second quarter of 2026, the Bank continued to strengthen its core banking platforms through the implementation of several strategic software development initiatives aimed at enhancing operational efficiency, regulatory compliance, credit risk management, and customer service. Major developments included the implementation of the revised Tractor Loan Insurance Scheme (TLIS) with automated premium calculation and accounting, centralized generation and dispatch of loan account statements to borrowers in compliance with SBP directives, automation of the Internal Risk Rating (IRR) framework comprising Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), and development of the Prime Minister's Youth Business & Agriculture Loan Scheme (Islamic) within the Core Banking Application System (CBAS).

The Bank also implemented the revised Sanction Authorization Certificate (SAC) and Disbursement Authorization Certificate (DAC) workflows to align with updated Credit Administration Department procedures, integrated NADRA-based CNIC verification through KAAFKA for automated customer identity validation, enhanced transactional capabilities for Islamic Banking Windows (IBWs) by removing operational restrictions at host branches, upgraded the Locker Management System through automated rent recovery and cash payment functionality, and completed the closure of Virtual Cost Centers in seven Islamic Banking branches following their transition to full-fledged Islamic operations. In addition, enhancements to the Zarkhez-e Scheme Dashboard improved monitoring of financing cases through real-time workflow visibility and management reporting. Collectively, these initiatives strengthened governance, improved automation, enhanced regulatory compliance, streamlined credit administration, and supported the Bank's ongoing digital transformation agenda.

The Bank continued to enhance its technology infrastructure and operational support capabilities through the expansion of its Managed Wide Area Network (WAN) project. During the period, network configuration was successfully completed for 429 out of 501 branches, significantly improving connectivity, network reliability, system availability, and operational efficiency across the branch network.

The Information Management & Reporting Services (IMRS) function further strengthened data-driven decision-making by processing 160 ad hoc business information requests (73 CBAS and 87 CDMS queries) and developing several new management reports, including NIFT Reconciliation Reports for Conventional and Islamic Banking, Pay Order / Demand Draft reports, Pakistan Banker Award AGR, and Deposit Monthly reports, thereby enhancing management reporting, regulatory compliance, and operational oversight.

Significant enhancements were also made to the Oracle ERP environment, including system version upgrades, implementation of appraisal bell-curve controls, centralized salary disbursement through the Head Office Payroll Unit, automation of earned leave balance updates, introduction of a single salary account feature, and paperless pay fixation slips. These initiatives streamlined HR and payroll processes, improved data accuracy and operational efficiency, and further advanced the Bank's digitalization and paperless banking objectives.

The Bank continued to expand its digital banking ecosystem through the successful implementation of the 1GO QR Payment solution in compliance with State Bank of Pakistan (SBP) directives, enabling customers to perform secure QR-based digital payments and strengthening the Bank's digital payment infrastructure.
The Bank also expanded its self-service banking network through the installation of eight additional Automated Teller Machines (ATMs) during the quarter, increasing the total operational ATM network to 74 machines, thereby improving customer accessibility and service availability nationwide.

Customer engagement remained a key priority, with the Call Centre handling 139,060 outbound calls, 28,904 inbound calls, and 1,075 customer interactions through digital channels including WhatsApp, Web Chat, and Facebook Chat. These initiatives significantly enhanced customer responsiveness, service quality, and digital engagement across multiple communication platforms.

Future Outlook

The Bank remains committed to accelerating its technology modernization and digital transformation initiatives to strengthen operational resilience, customer experience, regulatory compliance, and financial inclusion.

Key initiatives planned for the coming quarters include the implementation of the Operational Loss Event Data (OLED) application to strengthen operational risk management; deployment of Customer Relationship Management (CRM) and Complaint Management Systems to improve customer engagement and service quality; implementation of an Account Monitoring Module to enhance customer due diligence and regulatory compliance; and introduction of Floor and Cap functionality for Islamic financing pricing.

The Bank also plans to launch ZTBL @ Work, a new liability product aimed at deposit mobilization, introduce Kissan Sharakat Finance to expand agricultural financing, issue the ZTBL Zarai Card under the Zarkhez Scheme, and further strengthen its digital banking offerings through the commercial rollout of Raast Person-to-Person (P2P) and Person-to-Merchant (P2M) payment services, Phase II enhancement of USSD banking services, and the launch of e-commerce transaction capabilities.

The Bank is enhancing its risk management framework by aligning with evolving regulatory expectations and global best practices. Key initiatives include integrating climate, environmental, and cyber risks, implementing climate stress testing and updated internal risk rating models, and leveraging advanced analytics to strengthen resilience, improve risk visibility, and support sustainable growth, particularly in the agricultural sector.

Furthermore, the Bank intends to install 25 additional ATMs, further expanding its self-service banking network and improving customer accessibility across the country. These strategic initiatives are expected to enhance operational efficiency, strengthen risk management and regulatory compliance, promote financial inclusion, expand digital banking services, and create sustainable long-term value for the Bank and its stakeholders.

Acknowledgement

In conclusion, the Board of Directors extends its sincere gratitude to our valued customers for their continued trust and to our employees for their unwavering dedication. We also acknowledge the support provided by the Ministry of Finance, the State Bank of Pakistan, various regulatory bodies, shareholders, and all our collaborative partners. This report for Q2 2026 reflects our unwavering commitment to strengthening financial performance, embracing digital transformation, and positioning ZTBL for sustainable growth in an ever-evolving economic landscape.

For and on behalf of the Board of Directors.

Tahir Yaqoob Bhatti	**Naeemuddin Khan**
President / CEO	**Chairman, Board**