Directors' Report for Quarter Ended March 31, 2026

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Zarai Taraqiati Bank Limited (ZTBL) for the quarter ended March 31, 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 quarter ended March 2026, the Bank reported a profit before tax of Rs. 3,511 million and a profit after tax of Rs. 2,209 million. Gross income earned for the period remained at Rs. 15,862 million while Net Markup/interest income earned/posted at Rs. 6,098 million as compared to Rs 6,511 million for the corresponding period 2025. Administrative expenditure for quarter ended March 2026 remained at Rs. 3,917 million (Jan-March 2025: 3,331 million).

Total Repayment/Recovery (principal & markup) increased by 28.3% for quarter ended March 2026 over the corresponding period last year. Moreover, Non-Performing Loans slightly increased by 0.5% to Rs. 25,155 million at March 31, 2026 (Rs. 25,027 million at March 31, 2025) and total loan portfolio including staff advances increased by 9.4% in current period as compared to the corresponding period of previous year. Charged off outstanding portfolio decreased by 16% from Rs. 32,397 million to Rs. 27,208 million during the period under review.

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

Sr No	Particulars		Mar-25	Mar-26	%
1	Disbursement		14,533	21,167	45.6%
2	Repayment/Recovery	Total Repayment / Recovery (Principal & Markup)	22,995	29,505	28.3%
		Total deposits	57,711	49,644	-14.0%
3	Loan Portfolio	Gross Loan Outstanding Portfolio	129,091	141,163	9.4%
		Non-Performing Loan	25,027	25,155	0.5%
		NPL as % of outstanding portfolio	19.4%	17.8%	-1.6%
4	Charged-off Portfolio	Charged-off outstanding Portfolio (Principal)	32,397	27,208	-16.0%

During the quarter under review, ZTBL's deposit base witnessed a contraction compared to the corresponding period last year, with total deposits declining by 14% to PKR 49,644 million from PKR 57,711 million as of March 31, 2025. This decrease was primarily driven by a significant reduction in term deposit receipts (TDR), which fell by 26% to PKR 29,286 million, indicating lower reliance on high-cost funding sources. In response to this evolving deposit profile, the Bank strategically prioritized the expansion of its small-ticket and low-cost deposit base.

However, CASA deposits showed encouraging growth, increasing by 15% to PKR 20,358 million from PKR 17,764 million in the same period last year. This improvement was largely driven by a strong increase in current accounts, which grew by 51%, primarily due to rigorous follow-up efforts and targeted current account mobilization along with the on-going CA Campaign. Savings Accounts remained broadly stable with a marginal decline of 1.5%.

Overall, while the Bank experienced a decline in total deposits, the improved CASA composition is expected to support better margins and reduce the cost of funds going forward.

Under the guidance of the Pakistan Remittance Initiative (PRI), ZTBL is also working to establish partnerships with local banks in Pakistan to streamline and expand its remittance business. This strategic collaboration aims to enhance accessibility and convenience for customers while driving growth in remittance inflows.

During the first quarter of 2026, the Bank disbursed an amount of Rs. 21,167 million, as compared to Rs. 14,533 million during the corresponding period of the previous year, reflecting a major increase of 45.6%. Through persistent recovery efforts and prudent credit management the charged-off principal outstanding decreased by 16%, standing at Rs. 27,208 million compared to Rs. 32,397 million in the same period last year. Moreover, the NPL ratio as a percentage of the outstanding portfolio improved significantly, registering a 1.6% decline over the same period.

During the quarter ended March 31, 2026, Zarai Taraqiati Bank Limited (ZTBL) 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. Disbursements during the period totaled Rs. 21,167 million against the annual budgeted target of Rs. 90,040 million, reflecting a 24% pace of target achievement with 32,306 borrowers served with agri. disbursement. Moreover, the Bank recorded a significant regular outstanding balance of Rs. 115,965 million which is Rs. 11,942 million higher than corresponding period of previous year.

In terms of operational performance, the Centralized Processing Department (CPD) continued to ensure efficient account opening processes across all branches, processing all accounts within turnaround time with zero pendency. CPD also strengthened field capacity through continuous training sessions (classroom and virtual) and regular guidance to resolve operational issues.

The Branch Operations Department, in coordination with the Services Division, continued efforts to relocate branches from residential or remote locations to commercial hubs to improve customer accessibility, with four branches successfully relocated by March 31, 2026. Digital transformation initiatives were also advanced through the introduction of Digital Account Opening Forms and Electronic Deposit Receipts (EDR), aimed at reducing errors, improving transparency, and minimizing fraud risk. On the business development side, ZTBL maintained focus on service-based revenue streams including Hajj applications, utility bill collection, lockers, and home remittances. The Bank processed 1,077 Hajj applications, collecting PKR 1,239.010 million, while utility bill collection performance remained stable.

Economic Review

Pakistan's economy at the end of the first quarter of FY2026 shows signs of gradual stabilization, supported by improving external buffers and moderate economic growth, though risks from global developments particularly rising oil prices and geopolitical tensions remain significant. Real GDP growth for Q1 FY2026 has been provisionally estimated at around 3.7 percent, reflecting recovery across agriculture, industry and services as highlighted by the State Bank of Pakistan (SBP). Inflation, after declining earlier, has re-emerged as a concern. Headline inflation increased to 7.3 percent in March 2026, up from 7.0 percent in February, exceeding the SBP's target range of 5–7 percent. The Ministry of Finance, in its Monthly Economic Update & Outlook (March 2026), projected inflation to remain elevated in the range of 7.5–8.5 percent, mainly due to rising global oil prices and geopolitical tensions in the Middle East. On the external side, Pakistan's position has strengthened considerably. Total foreign exchange reserves reached around $21.7–21.9 billion by end-March 2026, including approximately $16.4 billion held by the SBP, marking a multi-year high and improving import cover. This improvement has been supported by remittance inflows and official financing. Large-scale manufacturing also showed recovery, growing by 5.8 percent during Jul–Jan FY2026, indicating improving industrial activity. Monetary policy remained cautious amid rising external risks. The SBP maintained the policy rate at 10.5 percent in March 2026, citing inflationary pressures driven by energy prices and uncertainty from the US-Israel-Iran conflict. Fiscal performance, however, continues to face constraints due to revenue shortfalls and expenditure pressures, limiting fiscal space for growth-supporting measures. Overall, while Pakistan's macroeconomic indicators at Q1 FY2026 reflect improving stability—particularly in reserves and growth—the outlook remains vulnerable to external shocks, especially oil price volatility and geopolitical tensions, which could widen the current account deficit and sustain inflationary pressures in the near term.

Agriculture Review

The agriculture sector of Pakistan demonstrated structural resilience during the fiscal year, expanding by 2.89% and serving as a vital engine for national economic stability. This turnaround, supported by a 1.44% growth in the crop subsector and a 3.75% expansion in livestock production, significantly enhanced rural cash flows and boosted institutional credit absorption capacity. Crop dynamics revealed mixed trends, highlighted by a 6.2% expansion in sugarcane to 89.45 million tonnes and a 4.3% increase in wheat yields to a record 29.61 million tonnes. Rice production grew by 2.8% to 9.99 million tonnes, enhancing export potential, which cushioned contractions in cotton (-0.5% to 7.05 million bales) and maize (-2.7% to 8.79 million tonnes). Livestock remained a primary anchor, accounting for 62.4% of agricultural value addition.

From an agricultural banking perspective, the financial landscape scaled up significantly. State Bank of Pakistan has shifted away from allocating indicative agricultural credit targets to bank's own Agriculture Credit Expansion Plans (ACEPs), total sector disbursements surged by 15% year-on-year to reach PKR 2,161.6 billion during the July-March period, expanding outreach to 2.96 million active borrowers.

Financial framework interventions accelerated this momentum; under the Prime Minister's Youth Business and Agriculture Loan Scheme (PMYB&ALS), banks deployed PKR 40 billion against an assigned PKR 65 billion limit. While challenges like a 12.6% drop in tractor sales and high phosphate fertilizer prices pose underlying risk factors, the sector's recovery provides an ideal environment for banks to safely expand production loans, deploy value-chain financing, and utilize tech-enabled digital ecosystems like the Zarkhez-e platform to capture high-yield credit segments safely.

Islamic Banking Group

The Islamic Banking Group (IBG) continued its strong momentum in Q1 2026 despite challenges such as limited Mobile Credit Officers (MCOs) and evolving IT infrastructure. The financing portfolio grew significantly by 350% year-on-year, reaching PKR 38 million compared to PKR 8.46 million in Q1 2025, reflecting strong growth in Islamic banking operations. Deposits through Islamic Banking Windows also more than doubled, reaching PKR 60 million from PKR 29 million at year-end 2025. IBG also successfully executed a PKR 8 million portfolio conversion from conventional to Islamic financing, reinforcing its strategic shift toward Shariah-compliant banking. Capacity-building initiatives under the Aaghi Series were further strengthened through training and mentorship programs, enhancing staff expertise and promoting Islamic banking awareness. Despite progress, challenges remain in terms of skilled manpower and customer awareness, which continue to be key focus areas.

Innovation & Technology Division

During the first quarter of 2026, ZTBL made notable progress in strengthening its technology infrastructure, enhancing digital banking services, and improving operational efficiency across multiple domains. Under Technology Operations & Support, the Managed WAN Project advanced significantly, with configurations completed for 414 out of 501 branches. Security was further enhanced through the deployment of advanced Fortinet VPN clients for administrators, improving encryption and authentication standards. Enhancements to the Secret Server within the Privileged Access Management (PAM) system were also implemented to minimize risks related to unauthorized access to critical systems.

In software development, several key initiatives were undertaken by the Core Banking Department to streamline operations and improve customer experience. The payroll system was enhanced to enable direct crediting of employee salaries, while inter-branch account data retrieval was introduced to facilitate efficient account opening, particularly for converting conventional financing into Islamic modes, implementation of Electronic Deposit Receipts, and automation of insurance premium booking under the Zarkhez-e-Crop scheme. Additional enhancements covered MCO reassignment functionalities, Islamic Banking process improvements, and configuration of IBW across multiple branches. Integration with NADRA's Multi-Biometric Verification System and PAK-ID application strengthened customer verification processes, while further integration initiatives improved data exchange capabilities.

ZTBL's digital banking segment experienced substantial growth during the quarter. The Bank expanded its ATM network by installing 25 new machines, increasing the total to 75 nationwide. Over 875 digital transaction disputes were resolved within SBP-defined timelines, reflecting improved operational responsiveness. Key digital initiatives included the beta launch of Raast P2P services and the introduction of 1-GO QR payments. NFC Tap-and-Pay debit cards were also introduced for customers, alongside the successful rollout of managed services for card personalization. The upgraded ATM/POS switch with enhanced security features and the continued success of the ATM Hotline Project ensured 24/7 customer support and improved service reliability.

Customer engagement channels remained active, with the Contact Center handling significant volumes of inbound, outbound, and digital interactions. Farmer-focused services were further strengthened through the implementation of a Weather Advisory Service and the launch of "Zarai Rehnuma," an AI-based IVR platform offering localized advisory, weather updates, and continuous support to enhance agricultural productivity.

The MIS Reporting Unit contributed by developing numerous reports on IMIS to support management decision-making and regulatory compliance, including SBP-required reports and specialized Islamic Banking analytics. The ERP Reporting Unit also played a key role by resolving system queries, implementing audit controls in Oracle ERP, enhancing payroll processing, and improving employee data management.

Looking ahead, ZTBL has outlined a comprehensive roadmap focused on digital transformation and service expansion. Planned initiatives include advanced financial modules, enhanced online fund transfer capabilities, expansion of Agri-Fintech services, and broader digital advisory platforms. The Bank also intends to further grow its ATM network, launch Raast services commercially, upgrade internet and mobile banking platforms, and implement new systems such as CRM and Complaint Management to further enhance customer service and operational efficiency.

Future Outlook

ZTBL is poised to advance its digital transformation, operational efficiency, and specialized banking capabilities through a comprehensive set of strategic initiatives planned for 2026. Key priorities include the implementation of IRR/ORR modules to strengthen appraisal and risk evaluation processes, integration of revised SAC/DAC checklists into core systems, and the introduction of enhanced transaction services such as online fund transfers and over-the-counter issuance of BC/PO/DDs. Additional system improvements include Phase 2 rollout of loan account statements (principal and markup), implementation of revised TLIS premium handling in CBAS, and strengthening of Ijarah accruals and settlement processes.

The Bank is also progressing toward the launch of its Agri-Fintech platform, aimed at modernizing agricultural financing through solutions such as customer profiling, GIS-based services, and pest and disease identification systems. To further support farmers, ZTBL plans to introduce value-added services including Mandi rate updates, Agri marketplace and e-commerce platforms, and multi-channel advisory services through SMS, IVR, chat, and WhatsApp, along with expanded USSD capabilities. The "Zarai Rehnuma – Agri Advisory and Marketplace" initiative is targeted for implementation by Q3 2026.

Digital banking expansion remains a key focus, with plans to install 25 additional ATMs to strengthen nationwide coverage. The Bank also plans the commercial launch of Raast P2P services in Q2 2026, followed by Raast P2M services in Q4 2026, alongside the introduction of e-commerce transaction capabilities. Customer convenience will be further enhanced through issuance of the ZTBL Zaria Card for the Zarkhaiz scheme and upgrades to internet and mobile banking platforms.

From an infrastructure and service management perspective, ZTBL is working on implementing remote access and support solutions, expanding network passive cabling across branches, and revamping digital applications for improved user experience. The introduction of a Customer Relationship Management (CRM) system and a dedicated Complaint Management System will further strengthen customer engagement and service efficiency.

Aligned with these developments, the Bank continues to reinforce its risk management framework by integrating climate, environmental, and cyber security risks into the Enterprise Risk Management (ERM) framework. Climate stress testing is also being introduced to better assess environmental impacts, particularly in view of the Bank's agricultural exposure.

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 Q1 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
President / CEO

Naeemuddin Khan
Chairman, Board