

## RATING REPORT

### Zarai Taraqiati Bank Limited

**REPORT DATE:**

June 30, 2025

**RATING ANALYSTS:**

Musaddeq Ahmed Khan

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#### RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AAA	A1+	AAA	A1+
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	June 30, '25		Jun 27, '24	

#### COMPANY INFORMATION

Incorporated in 2002	External Auditors: Crowe Hussain Chaudhury & Co. Chartered Accountants
Public Limited Company	Chairman of the Board: Mr. Naeemuddin Khan
Key Shareholders (with stake 5% or more)	Chief Executive Officer: Mr. Tahir Yaqoob Bhatti
State Bank of Pakistan: 76.23% Government of Pakistan: 23.75%	

#### APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Government Supported Entities

<https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf>

Rating Scales & Definitions:

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

## Zarai Taraqati Bank Limited

## OVERVIEW OF THE INSTITUTION

ZTBL, formerly Agricultural Development Bank of Pakistan (ADBP), was formed through the repeal of ADB Ordinance 1961. ADBP was established following the merger of Agricultural Development Finance Corporation and Agricultural Bank of Pakistan.

ZTBL took over all assets, business, contracts, and liabilities of ADBP and started its countrywide operations as a public limited banking company on December 14, 2002. The Bank has the mandate to provide finance and credit facilities to small farmers and low-income households.

**Profile of Chairman**

Mr. Naeemuddin Khan has an extensive international banking experience in different areas. He previously held the positions of President/CEO of the Bank of Punjab, Managing Director/CEO of Pak Libya Holding Company, Member Banking of Corporate and Industrial Restructuring Corporation (Finance Division, GoP), SEVP of United Bank Limited and also served in Emirates International Bank and ANZ Grindlays Bank PLC. He holds graduate degree.

**Profile of CEO**

Mr. Tahir Yaqoob Bhatti is a seasoned banking professional with diverse experience. He previously held the positions of President/CEO of Punjab Provincial Cooperative Bank Limited, SEVP/Group Head of Faysal Bank Limited, SEVP/Business Head of JS Bank Limited, Group Chief/Group Head of Allied Bank Limited, Executive Vice President of Askari Bank Limited, and Country Head S.A.M of Askari Bank Limited. He also served in National Bank of Pakistan. Currently he serves as Chairman Board, Kissan Support Services (Private) Limited (a wholly owned subsidiary of ZTBL) and Member Board, PASSCO. He holds an MBA and M.Com. Degrees. He is also qualified DCMA and DAIBP. He completed "High Impact Leadership Program" from Columbia Business School, New York, USA.

## RATING RATIONALE

The ratings of Zarai Taraqati Bank Limited (ZTBL' or 'the Bank') reflect its strong ownership profile and defined institutional mandate. The Bank's majority ownership by the State Bank of Pakistan and the Government of Pakistan provides a foundation of implicit sovereign support, which remains a core credit strength. ZTBL's strategic focus on Islamic banking transformation, ESG integration, and IT modernization is indicative of its commitment to long-term sustainability and alignment with national priorities.

Improvements in asset quality, evidenced by declining non-performing loans and enhanced provisioning coverage, have further reinforced its standalone risk profile. The Bank has adopted the IFRS 9 framework, leading to a more forward-looking risk assessment approach.

ZTBL has maintained sound profitability. This is driven by a combination of stable net interest income, increased non-markup revenue, and reversals in provisioning. Efficiency indicators have shown slight moderation, mainly due to inflation-linked cost increases, though operating profitability has remained strong.

The Bank's liquidity profile is sound, supported by a sizable stock of government securities and favorable liquidity and funding ratios. Investments are largely held in low-risk sovereign instruments, mitigating market and credit risk exposure. ZTBL's capital adequacy remains strong, significantly exceeding regulatory requirements.

**Banking Sector**

The divergence between deposit and asset growth is explained by superior equity growth and more notably interbank transactions backed by and channelled into the purchase of government securities to magnify positive spreads through volumes. A substantial portion of the deposit growth during the first three quarters of 2024 was also directed into government securities. In the final quarter, private-sector advances gained significant traction, as banks sought to comply with the regulatory directive mandating that outstanding advances be maintained at a minimum of 50% of respective deposit bases, in order to avoid incremental taxation of up to 15%. Consequently, the advance-to-deposit ratio stood at 53.2% by year-end.

Financial performance in 2024 remained broadly stable. Aggregate after-tax profitability for the banking sector was largely unchanged, with SBP data indicating a marginal increase in after-tax profits to PKR 644.0 bn (2023: PKR 642.0 bn). Net interest margins and net interest income remained steady; however, the monetary easing initiated in June 2024, along with increased provisioning requirements, exerted pressure on returns. As a result, key profitability indicators—Return on Average Assets (ROAA) and Return on Average Equity (ROAE)—moderated slightly.

Capital buffers remained strong. The industry's capital adequacy ratio (CAR) rose to approximately 20.6% by end-2024 (2023: 19.7%), remaining well above the regulatory minimum. Banks benefited from strong deposit inflows—boosted by the SBP's digital and financial inclusion initiatives—and continued to maintain excess capital to mitigate systemic risks. In a move to enhance depositor confidence and systemic stability, the Deposit Protection Corporation (DPC) raised insured limits to PKR 1 mn per depositor in late 2024.

Asset quality continued to improve during 2024. The non-performing loan (NPL) to total loan ratio declined to approximately 6.3% (2023: 7.6%). Following the implementation of IFRS-9 in 2024, specific provisioning coverage for Stage-3 assets rose to 83.8% (2023: 81.3%), while general provisioning coverage against performing advances increased to 1.4% (2023: 0.9%). Regulatory authorities maintained a strong focus on prudent provisioning and risk management practices, including adherence to Basel III capital standards, which supported containment of credit risk. Large corporate borrowers generally remained creditworthy, underpinned by adequate liquidity and repayment capacity.

Looking ahead, Pakistan's commercial banking sector appears well-positioned, underpinned by strong fundamentals, though it must navigate a landscape of mixed opportunities and risks. The sharp monetary easing in the second half of 2024—reducing policy rates from 22% to around 11% by early 2025—was supported by a marked decline in inflation to single digits, creating room for continued gradual policy support. In this evolving macroeconomic environment, banks may face some compression in net interest margins, while the pace of credit expansion will depend on the strength of economic recovery and borrower demand. If growth momentum strengthens, lending to SMEs and consumers is expected to rebound, aided by regulatory incentives and targeted refinance schemes.

Simultaneously, sustained efforts in digital transformation and financial inclusion—including the expansion of instant payment systems and broader outreach to underserved market segments—are expected to improve operational efficiency and deepen market penetration. While fiscal and external vulnerabilities may moderate the pace of policy easing and credit growth, the sector enters 2025 with improved asset quality, strong capitalization, and ample liquidity buffers. Overall, the outlook remains one of cautious optimism, supported by continued regulatory facilitation and a more stable macroeconomic environment, laying the groundwork for gradual and broad-based sectoral growth.

**Zarai Taraqati Bank Limited**
**Annexure I**

<b>FINANCIAL SUMMARY (in million Rs.)</b>				
<b><u>BALANCE SHEET</u></b>	<b>CY22</b>	<b>CY23</b>	<b>CY24</b>	<b>1QCY25</b>
Cash and Bank Balances with SBP and NBP	2,580.4	3,661.2	3,125.8	2,630.1
Balances with other Banks and/NBFIs/MFBs	12,615.4	31,925.6	7,492.5	2,826.1
Net Investments	306,849.7	372,212.1	376,274.5	377,028.0
Net Advances	<b>90,452.4</b>	<b>105,507.7</b>	<b>109,121.2</b>	<b>109,000.5</b>
Other Assets	21,461.2	27,126.9	34,428.3	35,528.7
Total Assets	491,092.4	562,376.5	577,539.0	557,267.6
Total Deposits	47,332.7	57,169.1	56,621.8	57,710.6
Borrowings	354,898.7	399,877.7	408,067.0	384,561.5
Other Liabilities	28,568.0	28,559.6	29,023.4	28,833.3
Paid Up Capital	52,678.4	52,678.4	52,678.4	52,678.4
Tier-1 Equity	49,561.9	66,784.6	74,684.1	77,684.8
Net Shareholding Equity (Excluding Revaluation)	58,798.7	72,542.6	80,133.0	82,801.4
Net Worth	59,712.6	74,164.7	82,377.8	84,651.5
<b><u>INCOME STATEMENT</u></b>	<b>CY22</b>	<b>CY23</b>	<b>CY24</b>	<b>1QCY25</b>
Net Mark-up Income	14,536.8	24,264.7	24,769.9	6,510.9
Net Provisioning / (Reversal)	(3,653.1)	(5,505.2)	(11,784.0)	(1,153.3)
Non-Markup Income	1,421.3	2,428.5	5,455.4	892.1
Operating Expenses	12,153.2	14,552.3	16,115.5	3,331.4
Profit Before Tax	7,458.0	17,606.2	25,891.9	5,225.0
Profit after tax	5,122.8	10,984.1	12,960.7	2,668.4
<b><u>RATIO ANALYSIS</u></b>	<b>CY22</b>	<b>CY23</b>	<b>CY24</b>	<b>1QCY25</b>
Gross Infection (%)	31.3%	28.8%	21.0%	19.4%
Provisioning Coverage (%) - Specific	42.0%	33.2%	49.3%	56.4%
Provisioning Coverage (%) – General	4.1%	3.5%	3.0%	2.9%
Net Infection (%)	20.9%	21.3%	11.9%	9.5%
Net NPLs to Tier-1 Capital (%)	37.2%	33.1%	17.6%	13.6%
Capital Adequacy Ratio (%)	33.7%	37.7%	36.0%	38.6%
Markup on earning assets (%)	14.1%	23.4%	19.8%	
Cost of Funds (%)	9.9%	20.6%	16.3%	
Markup Spreads* (%)	4.2%	2.9%	3.6%	
LCR (%)	728.0%	825.0%	232.0%	298.0%
NSFR (%)	129.0%	121.0%	123.0%	131.0%
Leverage	10.1%	11.9%	12.9%	13.9%
Efficiency (%)	77.0%	56.5%	61.9%	49.3%
ROAA (%)	1.4%	2.1%	2.3%	1.9%
ROAE (%)	10.8%	18.9%	18.3%	14.0%
Advances to Deposit Ratio	227.4%	209.9%	227.1%	223.7%
Liquid Assets to deposits & borrowings** (%)	62.9%	62.1%	71.9%	62.8%

\*Adjusted for Collateral

\*\*Adjusted for repo and collateral

REGULATORY DISCLOSURES				Annexure II	
Name of Rated Entity	Zarai Taraqati Bank Limited (ZTBL)				
Sector	Specialized Bank				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	30-June-25	AAA	A1+	Stable	Reaffirmed
	27-June-24	AAA	A1+	Stable	Reaffirmed
	22-June-23	AAA	A1+	Stable	Reaffirmed
	06-June-22	AAA	A1+	Stable	Maintained
	30-June-21	AAA	A1+	Rating Watch-Developing	Maintained
	30-June-20	AAA	A1+	Stable	Reaffirmed
	26-June-19	AAA	A1+	Stable	Reaffirmed
	28-June-18	AAA	A1+	Stable	Reaffirmed
	20-June-17	AAA	A1+	Stable	Reaffirmed
	16-June-16	AAA	A1+	Stable	Reaffirmed
	18-June-15	AAA	A1+	Stable	Reaffirmed
	08-August-14	AAA	A1+	Stable	Upgrade
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 Meetings Conducted	Name		Designation		Date
	Muhammad Arif		SEVP/CFO		5-June-2025
	Zahid Hussain		SEVP/Group-Head (Business)		
	Asad Ullah Habib		SEVP/Group Head (Operation)		
	Abdul Mateen Khan		SEVP/ CRO		
	Zeeshan Mazhar		CIO-A/CDO (Chief Digital Officer)		
	Abdul Jabbar Karimi		Group Head-Islamic Banking Group		
	Shah Miftah-ul-Azim		EVP/ Head-Treasury		
	Safdar Abbas Zaidi		EVP/Divisional Head (F&A)		
	Arshad Hassan Awan		EVP/Head Credit Division		
	Hassan Rasheed		SVP/Divisional Head SAM		