

## Directors' Report for Quarter Ended March 31, 2025

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Zarai Taraqati Bank Limited (ZTBL) for the quarter ended March 31, 2025.

### Performance Highlights:

ZTBL remains firmly committed to driving growth, despite facing ongoing economic and political challenges. For the quarter ended March 2025, the Bank reported a profit before tax of Rs. 5,225 million and a profit after tax of Rs. 2,668 million. Gross income earned for the period remained at Rs. 18,847 million while Net Markup/interest income earned/posted at Rs. 6,511 million as compared to Rs. 4,547 million for the corresponding period 2024. Administrative expenditure for quarter ended March 2025 remained at Rs. 3,331 million (Jan-March 2024: 3,316 million).

Total Repayment/Recovery (principal & markup) was increased by 3% for quarter ended March 2025 over the corresponding period last year. Moreover, Non-Performing Loans as percentage of total outstanding portfolio decreased by 7% to Rs. 25,027 million at March 31, 2025 (Rs. 30,941 million at March 31, 2024) and total loan portfolio including staff advances increased by 9% in current period as compared to the corresponding period of previous year. Charged off outstanding portfolio has also decreased by 10% by decreasing from Rs. 36,132 million to Rs. 32,397 million during the period under review.

Table: Financial Performance Indicators

Rs. In Million

Sr. No	Particulars		Mar-24	Mar-25	%
1	Disbursement		14,787	14,532	-2%
2	Repayment/Recovery	Total Repayment/Recovery (Principal & Markup)	22,409	22,996	3%
3	Deposits	Total deposits	49,253	57,711	17%
4	Loan Portfolio	Loan Outstanding Portfolio	118,829	129,091	9%
		Non-Performing Loan	30,941	25,027	-19%
		NPL as % of outstanding portfolio	26%	19%	-7%
5	Charged-off Portfolio	Charged-off outstanding Portfolio (Principal)	36,132	32,397	-10%

As of March 2025, the CASA to TDR ratio decreased from 64% to 50% compared to the corresponding period last year. Despite this decline, ZTBL successfully marked significant milestones in expanding its overall deposit base. Furthermore, the average balance of current deposits stood at Rs. 5,880 million for the period ended March 2025, reflecting a significant increase of Rs. 1,155 million compared to Rs. 4,725 million during the corresponding period of the previous year. The Bank's focus on innovative product offerings, streamlined processes, and strategic branch expansion is aimed at building a sustainable and diversified deposit portfolio, thereby strengthening its financial stability and enhancing its market presence.

During the first quarter of 2025, the Bank disbursed an amount of Rs. 14,532 million, as compared to Rs. 14,787 million during the corresponding period of the previous year, reflecting a marginal decline of 2%. Despite this, the Bank remained focused on strengthening its credit portfolio quality. Through persistent recovery efforts and prudent credit management, the Non-Performing Loans (NPL) was successfully



reduced to Rs. 25,027 million as of March 31, 2025, from Rs. 30,941 million recorded in the first quarter of 2024. Similarly, the charged-off principal outstanding decreased by 10%, standing at Rs. 32,397 million compared to Rs. 36,132 million in the same period last year. These efforts collectively resulted in a 14% reduction in the total infected portfolio. Moreover, the NPL ratio as a percentage of the outstanding portfolio improved significantly, registering a 19% decline over the same period.

During the quarter ended March 31, 2025, 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. 14,532 million against the annual budgeted target of Rs. 70,430 million, reflecting a 21% pace of target achievement with 24,279 borrowers were served with agri disbursement. Moreover, the Bank recorded a significant regular outstanding balance of Rs. 104,023 million which is Rs. 16,179 million higher than corresponding period of previous year.

Bank is revising its credit policy as per industry best practices to ensure a healthier credit portfolio. Operational risk tools are being enhanced, particularly concerning people and processes. For market risk, ZTBL holds 99% of its investments in government securities, which are inherently low-risk with overall portfolio duration being less than 1, which is a prudent approach in volatile interest rate environments. ZTBL relies significantly on large deposits from a few major depositors posing a risk due to concentration in funding sources. Risk appetite for Liquidity risk can be considered for “Zero to Low” and for Operational risk can be considered from “Low to Medium”.

Pakistan's agricultural sector is significantly influenced by weather patterns and environmental change disasters in the form of flash floods, early seasons, smog, hailstorms & droughts. Moreover, increased variability in weather can adversely affect crop yields, livestock health, water scarcity, pests & disease outbreak and overall agricultural productivity. These factors subsequently impact the loan repayment capacity of our farmers while increasing the risk of credit losses as well as the bank's liquidity position despite a strong credit initiation and disbursement process.

ZTBL efficiently managed the liquidity by maintaining a low investment portfolio duration. By focusing primarily on short-maturity and floating rate instruments, the Treasury minimized the portfolio's sensitivity to interest rate fluctuations and made a substantial contribution to the Bank's overall profitability.

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.

## **Economic Review**

Pakistan's macroeconomic outlook showed encouraging stability and recovery. The current account turned into a deficit of \$0.4 billion in January 2025 after remaining in surplus over the past few months. This, coupled with weak financial inflows and ongoing debt repayments, led to a decline in the SBP's FX reserves. Second, large-scale manufacturing output declined during H1-FY25, despite a substantial increase of 19.1 percent in December 2024. Third, the shortfall in tax revenues from target widened further in January and February. Fourth, both consumer and business sentiments improved during the latest waves. And lastly, on the global front, uncertainty has increased significantly amidst the ongoing tariff escalations, which may have implications for global economic growth, trade and commodity prices. In response to these



developments, central banks in advanced and emerging economies have recently slowed the pace of their monetary easing.

The Monetary Policy Committee (MPC), in its meeting held on March 10, 2025, projected GDP growth for FY2025 in the range of 2.5% to 3.5%, and expects economic activity to gain further momentum going forward. Moreover, headline inflation further declined to 1.5 percent y/y in February 2025 from 2.4 percent in the preceding month. The steep falls in prices of perishable food items reinforced the impact of sufficient stocks of major non-perishable items on overall food prices. Similarly, energy prices continued to benefit from the moderation in global oil prices, stable exchange rate and favorable base effect. However, core inflation is still at an elevated level and is proving stickier than anticipated. Inflation expectations of consumers and businesses are also showing a mixed picture. In view of these developments, the Committee assessed inflation to come down further before gradually inching up and stabilizing within the target range of 5 – 7 percent.

### **Agriculture Review**

The agriculture sector remained a key contributor to economic stability during the Rabi 2024-25 season, bolstered by supportive policy measures and increased investment in mechanization. Wheat production is projected at 27.9 million tonnes, aided by subsidies on inputs, distribution of improved seed varieties, and interest-free loans under the Kissan Card scheme. Mechanization showed upward momentum, as agricultural machinery imports rose by 45.7% to \$77.2 million during Jul-Feb FY2025. Fertilizer consumption presented a mixed trend, with DAP offtake increasing by 3.8% to 798 thousand tonnes, while Urea offtake slightly declined by 2.0%, totaling 2,796 thousand tonnes. Encouragingly, agricultural credit disbursement registered a year-on-year increase of 16.0%, reaching Rs. 1,483.6 billion during Jul-Jan FY2025, reflecting the sector's sustained access to financial resources and ongoing support for farm productivity.

### **Deposits:**

ZTBL maintained its strategic focus on deposit mobilization, resulting in total deposits rising to PKR 57,711 million as of March 31, 2025, compared to PKR 49,253 million during the same period last year, with term deposits being the primary contributor to this growth. Furthermore, the average balance of current deposits stood at Rs. 5,880 million for the period ended March 2025, reflecting a significant increase of Rs. 1,155 million compared to Rs. 4,725 million during the corresponding period of the previous year. Moreover, the introduction of new products—namely the women-focused Bakht Account (contributing PKR 394 million), the Shandar Mahana Amdani Account (contributing PKR 3,844 million), and the ongoing benefits of the Pension Account introduced in 2023, offering special features for current account holders.

During the first quarter of 2025, ZTBL continued to play a vital role in streamlining the account opening process at the centralized level, ensuring smooth and timely approval of accounts across all branches. The Central Processing Department (CPD) maintained a strong performance record, processing all account opening requests within the prescribed turnaround time, with zero pendency at its end. The department actively supported field staff through regular trainings both in classrooms and via Zoom sessions arranged in coordination with the Training Department while also providing continuous guidance through emails and telephonic assistance. Additionally, the CPD maintained consistent follow-up with Regional Offices and Branches to promptly resolve any discrepancies, thereby enhancing operational efficiency and service quality.

Branch Operations Department, in coordination with the Services Division, continued its initiative to relocate ZTBL branches from residential or remote locations to commercial hubs to enhance customer



convenience and drive business growth. As of the reporting date, three branches have been successfully relocated. On the business front, ZTBL remained actively engaged in facilitating Hajj applications, home remittances, utility bill collections, and locker services. A total of 1,602 Hajj applications were processed in 2025, with Rs. 1,709.203 million collected, and all applicants declared successful. The newly launched Call Deposit Receipt (CDR) product has contributed to deposit mobilization by attracting new-to-bank customers. During the quarter, 380 CDRs worth Rs. 1,300.219 million were issued. Meanwhile, the Field Facilitation Department continued to provide critical backend support for smooth branch operations, including Start-of-Day/End-of-Day processes, User ID management, creation of branch and circle codes, marking holidays, and processing NADRA payments for biometric services. The department remains integral in resolving field-level operational challenges in a timely and effective manner.

### **Islamic Banking Group**

In the first quarter of 2025, ZTBL's Islamic Banking Division sustained the growth momentum established in 2024, following the successful launch of financing initiatives including Three-Wheeler Loader Rickshaw and Tractor Financing, along with a pilot project for converting conventional financing into Shariah-compliant alternatives. The Bank further enhanced its financing processes through branch level workshops and online training sessions, ensuring compliance and precision in Islamic financing documentation. In addition, the Profit & Loss Policy Framework, Service Level Agreements, and Transfer Pricing Mechanism were aligned with industry best practices and duly approved by the Shariah Board and the Board of Directors. The Bank expanded its Islamic financing portfolio to support a diverse range of agricultural and renewable energy ventures while also introducing new deposit products tailored to meet customer needs. Parallel efforts in IT system enhancements, including the integration of digital advice printing, SECP modules, and integration of conventional ATM with Islamic ATM, further strengthened the Islamic Banking infrastructure. Capacity building remained a core focus, with multiple training sessions conducted for staff and public awareness campaigns launched across digital platforms to promote the Bank's Shariah-compliant offerings.

### **Innovation & Technology Division**

During the first quarter of 2025, significant advancements were made to strengthen ZTBL's IT infrastructure and digital banking capabilities. The Privileged Access Management (PAM) solution was successfully installed and configured to enhance the security of sensitive systems and privileged accounts. The Bank also completed the implementation of eKYC infrastructure, including both System Integration Testing (SIT) and User Acceptance Testing (UAT) environments. The USSD application infrastructure and network integration were fully deployed, while a new video conferencing solution was installed in the Board Room to facilitate virtual meetings. Additionally, the LAN passive network upgrade was successfully completed at the Staff College, 8th Floor Head Office, and 6th Floor Annexure Building. System enhancements included the configuration of banker cheques, new liability products, and NIFT inward/outward clearing modules for both Islamic and conventional systems, along with the setup of new loan schemes in CBAS Islamic.

In digital banking, ZTBL expanded its ATM network by installing four new ATMs during the quarter, bringing the total to 53 across Pakistan. The ATM/POS switch was upgraded with advanced features and improved security, while the ATM Hotline Project was successfully rolled out to ensure 24/7 customer support, enhancing both service reliability and customer satisfaction. A Weather Advisory Service was also introduced via SMS for farmers, with IVR and Contact Center channels under development.

The Bank embarked on the Acquisition and Implementation of a Core Banking System, a significant milestone aimed at enhancing operational efficiency and service delivery. The project officially commenced



on December 12, 2024, with the initiation phase, followed by the finalization of bid documents and the engagement of a third-party consultant for technical evaluation. The procurement process was formally launched on December 20, 2024, which included tender publication, bid opening, and subsequent vendor clarifications.

Throughout the process, key approvals were secured from both the Board of Directors (BOD) and the Privatization Commission, ensuring alignment with corporate governance and regulatory requirements. Ernst & Young - Ford Rhodes (EY-FR) was entrusted with conducting the technical bid evaluations, which culminated in the submission of the finalized evaluation report on March 18, 2025. The Project Management Office (PMO) played a pivotal role in ensuring smooth coordination among all stakeholders, while the Technical Assessment & Approval Committee (TAAC) reviewed and approved the final evaluation report for submission to the Procurement Committee.

On the software development front, the Bank implemented Islamic banking branding on customer documents in CBAS and CDMS, enabled advice printing for Islamic branches, and configured SECP regulatory compliance setups for Islamic operations. The Zakat deduction process for 2025 was successfully implemented, while critical improvements were made to the Complaints Management System (CMS) to enhance reporting accuracy and data integrity. Additionally, the KKS (P-4) system was upgraded to support repayment processes at branches, and unauthorized blocking issues affecting pensioners' accounts were fully resolved to restore proper account access.

### **Future Outlook**

ZTBL continued to strengthen its digital infrastructure and service offerings during the first quarter of 2025, with several innovative initiatives underway. The Bank is progressing toward the launch of its Agri-Fintech Services platform, which will provide advanced solutions such as crop monitoring tools, livestock management systems, GIS integration, mobile radio services, and pest and disease identification systems aimed at modernizing agricultural practices for its clients. In addition, enhancements to the ZTBL Mobile Application are being pursued to offer a seamless digital experience by integrating third-party platforms like Bookme, enabling customers to conveniently book bus, flight, cinema, and event tickets, and Oladoc, which facilitates access to telemedicine and online doctor appointment services. Development of the RAAST Peer-to-Peer (P2P) payment service is also in progress, with a launch targeted for the second quarter of 2025. Phase 2 of the USSD Services is under active development and is expected to be completed soon. To expand its self-service footprint, the Bank plans to install 46 additional ATMs nationwide in 2025. Further efforts include the implementation of Managed Services Card Personalization, scheduled for completion by the end of Q2 2025, along with ongoing installation of network passive cabling across branches and the rollout of a Remote Desktop Application to enhance IT service management capabilities. To meet the Bank's growing operational demands, the procurement of new IT equipment, including desktops, laptops, printers, and scanners, is underway. Additionally, procurement processes are in progress for the maintenance services contract of Huawei storage systems, tape libraries, VEEAM backup solutions, and a comprehensive patch management solution for Windows/Linux servers, with completion expected by the second quarter of 2025.

Pakistan's agriculture sector is a cornerstone of its economy, yet remains underfinanced—especially in rural and underserved areas. Islamic banking offers a culturally and religiously aligned solution for expanding financial inclusion, while robust risk management is essential to sustainably serve this high-risk sector. Combining these two dimensions presents a forward-looking strategy for banks. In line with regulatory requirements and best industry practices, ZTBL's strategic approach to risk involves compliance and loss mitigation as well as organizational and cultural considerations. The Bank is committed to meet the expectations of its stakeholders by actively supporting the agriculture sector and other underserved areas


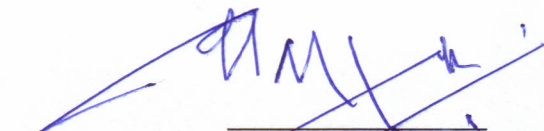
of the economy. It aims to do so by taking and managing risks in a controlled, transparent, and well organized manner by taking advantage of its diversified branch network.

Looking ahead, the Bank's risk management strategy must adopt a proactive and adaptive approach that incorporates advanced technology, promotes environmental sustainability, trainings and recognizes the unique challenges of the agricultural sector and climate risk. By embracing innovation, harnessing data-driven insights, and fostering strong collaboration with stakeholders, the Bank can effectively mitigate risks while enhancing the long-term resilience and growth of Pakistan's agricultural community.

### **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 2025 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