

## AL BARAKA BANK (PAKISTAN) LIMITED

### Analyst:

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### RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY RATING	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	June 30, 2026		June 27, 2025	

### Shareholding (5% or More)

Al Baraka Islamic Bank (Bahrain) B.S.C. (c) ~ 59.13%

Islamic Corporation for the Development of the Private Sector ~ 11.85%

Mal Al Khaleej Investment L.L.C. ~11.53%

Sheikh Tariq Bin Faisal Khalid Al Qassemi ~ 7.50%

### Other Information

Established in 2004

Public Limited Company (Unlisted)

External Auditors: A. F. Ferguson & Co.

Chairman of the Board: Mr. Azhar Aziz Dogar

President & CEO: Mr. Muhammad Atif Hanif

### Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Financial Institutions

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

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

### Rating Scale

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

### Rating Rationale

The ratings of Al Baraka Bank (Pakistan) Limited ("ABPL" or the "Bank") reflect its established franchise in Pakistan's Islamic banking industry, supported by the financial strength and strategic backing of its majority shareholder, Al Baraka Group. The ratings also incorporate the Bank's improving financing portfolio, strengthened asset quality, underpinned by disciplined underwriting, selective portfolio growth, and effective recovery efforts. The Bank's cautious investment strategy, with the portfolio predominantly invested in sovereign GoP Ijarah Sukuk, further supports its overall risk profile. However, the ratings are constrained by the Bank's relatively modest market share and earnings profile. Capitalization remains adequate, with capital ratios comfortably above regulatory minimums despite moderation following growth in risk-weighted assets. Liquidity continues to remain sound, supported by a high CASA ratio and adequate regulatory liquidity buffers. Going forward, the Bank's ability to sustain profitability, maintain asset quality amid financing growth, preserve adequate capitalization and liquidity buffers, and continue strengthening its core deposit franchise while prudently expanding its business will remain key rating considerations.

## Company Profile

Al Baraka Bank (Pakistan) Limited ('ABPL' or 'the Bank') was incorporated in Pakistan on December 20, 2004 as a public limited company. The Bank was granted an Islamic Banking License by the State Bank of Pakistan (SBP) on January 18, 2007 and commenced operations as a scheduled Islamic bank on February 13, 2007. The Bank is principally engaged in providing Shariah-compliant banking products and services in accordance with Islamic principles and the applicable regulatory framework. Following the merger of the Pakistan branches of Al Baraka Islamic Bank B.S.C. (c) with and into the Bank in October 2010, a fresh Islamic banking license was issued by the SBP in March 2011. The Bank operates through a nationwide branch network comprising 196 branches as at Dec'25 (Dec'24: 185) across Pakistan.

**Table 1: Shareholding Pattern**

Shareholders	Dec'25
Al Baraka Islamic Bank (Bahrain) B.S.C. (c)	59.13%
Islamic Corporation for the Development of the Private Sector	11.85%
Mal Al Khaleej Investment L.L.C.	11.53%
Others	9.99%
Sheikh Tariq Bin Faisal Khalid Al Qassemi	7.50%
<b>Total Outstanding Shares</b>	<b>100.00%</b>

## Sponsor Profile

Al Baraka Bank (Pakistan) Limited is a subsidiary of Al Baraka Islamic Bank B.S.C. (c), Bahrain, which held 59.13% of the Bank's shareholding as at Mar'26. The Bank is ultimately owned by Al Baraka Group B.S.C., a Bahrain-based Islamic financial services group with a presence across multiple jurisdictions. Al Baraka Group offers a broad range of banking, financing, investment and treasury services through its network of banking subsidiaries and affiliates operating in the Middle East, North Africa, Europe and Asia. The Group's longstanding presence in Islamic finance, together with its established governance and Shariah framework, continues to support the Bank's strategic direction, operational capabilities, and overall credit profile. Al Baraka Group's strong financial profile is reflected in its international ratings of 'BBB+/A3' and national Bahrain ratings of 'A+ (bh)/A2 (bh)', assigned by the Islamic International Rating Agency (IIRA). In addition, Al Baraka Group has demonstrated strong fiduciary standards, achieving an aggregate fiduciary score within the 81-85 range. The Bank also attained Corporate Governance and Shari'ah Governance sub-scores within the 81-85 range, reflecting a robust governance framework and effective Shari'ah oversight, while the Asset Management Quality sub-score of 76-80 indicates satisfactory asset management practices.

## Management and Governance

### BOARD COMPOSITION & PROFILE

As at Dec'25, the Board of Directors comprised ten members, including nine male directors and one female director. The Board consisted of one executive director, six non-executive directors, and three independent directors. During the review period, no changes were noted in the Board composition. Mr. Azhar Aziz Dogar continued to serve as Chairman of the Board, while Mr. Azhar Hamid remained Vice Chairman. The remaining Board composition also remained unchanged. The Board comprises individuals possessing extensive experience across banking, finance, risk management, governance, information technology and Islamic finance.

**Table 2: Board of Directors**

Name	Category
Mr. Azhar Aziz Dogar	Chairman
Mr. Muhammad Atif Hanif	President & CEO
Mr. Azhar Hamid	Non-Executive Director
Mr. Abdul Malek Shehadeh Ibrahim Mezher	
Mr. Shaher Eid Abdul Haleem Suleiman	
Mr. Zahid Rahim	
Mr. Youssef Wassim Aboul-Naja	
Mr. Mohamed Tareq Sadeq	Independent Director
Dr. Vaseehar Hassan Bin Abdul Razack	
Ms. Fariha Salahuddin	

In order to facilitate specialized oversight and effective discharge of its responsibilities, the Board has constituted six key committees: the Board Audit Committee (BAC), Board Compliance Committee (BCC), Board Executive Committee (BEC), Board Risk Committee (BRC), Board Nomination & Remuneration Committee (BNRC), and the Board IT, Digital & Information Security Committee (BITD & ISC). The committees are appropriately constituted with the requisite number of members and are chaired by experienced Board members, with the BAC and BNRC being chaired by Independent Directors in line with regulatory requirements and governance best practices. The terms of reference of the aforesaid committees have been approved by the Board and communicated to the respective committees. Attendance of directors at Board and committee meetings remained satisfactory during CY25. The Bank has also established a formal Board evaluation framework, aligned with SBP guidelines, to periodically assess the performance of the Board, its committees, and individual directors.

### CHAIRMAN/CEO

Mr. Azhar Aziz Dogar serves as the Chairman of the Board. He possesses over three decades of international banking experience across the MENA, GCC and Asia regions, with exposure to the U.K., Netherlands, and U.S.A. His expertise spans business development, strategy, credit and risk management across corporate/investment, commercial, and retail banking. He has held senior risk roles at DIB Capital, SAMBA Capital, and National Bank of Abu Dhabi. He began his career with Citigroup and held leadership positions at ABN AMRO. Mr. Dogar serves on the Boards of Al Baraka Bank Turkiye and South Africa. He holds a Bachelor's and Master's in Economics from the University of Pennsylvania and Brown University.

Mr. Muhammad Atif Hanif serves as the President & Chief Executive Officer and has been leading the Bank since November 2022. He is a seasoned banker with 28 years of experience, including 21 years in Islamic banking. His diverse background spans retail and corporate banking across institutions such as The Bank of Khyber (BoK), HBL (Islamic), Dubai Islamic Bank, and Bank Alfalah. He has led strategic turnarounds, notably at BoK, where he transformed Islamic banking into a key profit driver. Mr. Hanif has served on several boards, policy committees and economic think tanks. He is also a published thought leader, prominent area of publications include Home remittances, socio economic development, environment, agriculture and Pakistan China Socio Economic Cooperation.

### MANAGEMENT TEAM

Management team is headed by Mr. Muhammad Atif Hanif since November 2022. The Bank's senior management team comprises experienced professionals with diversified expertise across Islamic banking, corporate and commercial banking, retail banking, treasury, risk management, finance, operations, technology, compliance, human resources, and other support functions. The depth and breadth of management experience continue to support the effective execution of the Bank's transformation strategy, governance framework, and risk management practices.

The overall management structure remained broadly stable. During CY25, two senior executives were replaced following resignations, while three additional Heads of Departments resigned during CY26. Management indicated that succession planning and recruitment efforts are underway to fill the vacant positions. While these changes are not expected to materially affect the Bank's operations, the orderly transition and timely onboarding of experienced personnel will remain important to maintaining management continuity and supporting the Bank's strategic objectives.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Bank's ESG framework is embedded within its governance structure and is overseen by the Board of Directors. The Board has adopted a Code of Conduct and Ethical Standards that incorporates principles relating to environmental responsibility, stakeholder protection, diversity and inclusion, ethical conduct, conflict-of-interest management, employee welfare, and regulatory compliance. ESG implementation is supported through Board oversight of environmentally and socially responsible business practices, promotion of digitalization initiatives, monitoring of community welfare and philanthropic activities, and encouragement of efficient utilization of natural resources. The Board Executive Committee is also mandated to review ESG-related matters, including CSR activities and compliance with ESG practices. In addition, the Bank's established risk management, compliance, internal control, and Shariah governance frameworks provide oversight of ESG-related policies and practices across the organization.

### KEY DIGITAL INITIATIVES

During CY25 and beyond, the Bank continued to strengthen its digital banking capabilities, technology infrastructure, and cybersecurity framework. The Bank operates a 24/7 Security Operations Center (SOC) and maintains a dedicated Information Security Department responsible for Information/cyber security governance, threat monitoring, vulnerability management, incident response, and regulatory compliance. During the year, the Bank enhanced its information security framework by aligning with ISO/IEC 27001:2022 standards and strengthening controls over cloud security, privileged access management, secure authentication, data protection, and secure software development practices. The Bank also initiated an internal Vulnerability Management Program, conducted VAPT exercises across its IT infrastructure, performed periodic access management reviews, and executed cyber security drills and independent assessments to enhance cyber resilience. In addition, a bank-wide Information Security Awareness Program was successfully conducted,

while several strategic security initiatives, including Data Loss Prevention (DLP), were advanced. Progress was also made towards PCI-DSS compliance to further strengthen customer card data security.

The Bank continued investing in digital channels, cybersecurity architecture, cloud governance, process automation, centralized monitoring dashboards, management information reporting, and sanctions screening to improve operational efficiency, regulatory compliance, and cyber resilience. Key digital initiatives during the period included the establishment of a Digital Design Lab, the launch of a fully digital Auto Finance platform, introduction of the NexGen Banking Program featuring Pakistan's first academia co-branded debit card, and expansion of the Al Baraka Group Trade Finance platform through a dedicated mobile application to facilitate B2B connectivity across the Group's international network. Going forward, the Bank plans to further strengthen its digital franchise through the launch of a digital customer onboarding platform and the rollout of a revamped mobile banking application in July 2026. These initiatives are expected to enhance customer experience, improve operational efficiency, and support sustainable business growth.

## SHARIAH GOVERNANCE FRAMEWORK

Table 3: Shariah Supervisory Board

Name	Designation
Sheikh Esam Mohammad Ishaq	Chairman – Shariah Board
Mufti Abdullah Najeeb Siddiqui	Resident Shariah Board Member
Mufti Muhammad Zubair Haq Nawaz	Shariah Board Member
Mufti Khalid Hasani	Shariah Board Member

The Shariah Board (SB) of ABPL comprises four members, including Sheikh Esam Mohammad Ishaq (Chairman Shariah Board), Mufti Abdullah Najeeb Siddiqui (Resident Shariah Board Member), Mufti Muhammad Zubair Haq Nawaz (Shariah Board Member), and Mufti Khalid Hasani (Shariah Board Member). The composition of the Shariah Board remained unchanged during CY25.

The Bank's Shariah Governance Framework operates in accordance with the State Bank of Pakistan's Shariah Governance Framework (SGF). The Shariah Board is responsible for advising the Board of Directors and management on Shariah-related matters and for overseeing the Bank's overall Shariah compliance environment. Its responsibilities include approval of products and services, review of related agreements and process flows, approval of Shariah policies and guidelines, review of Shariah audit reports, and issuance of Shariah rulings on matters referred by management.

The Shariah Compliance Department serves as the secretariat to the Shariah Board and facilitates implementation of the Board's decisions across the Bank. The department is responsible for coordinating Shariah Board meetings, conducting Shariah compliance reviews, reviewing product proposals and documentation, facilitating Shariah audits, and providing Shariah-related guidance and training to staff members.

All new products and services are subject to a formal Shariah approval process prior to launch. The Shariah Board also reviews reports of internal Shariah audit and Shariah compliance functions and prescribes corrective actions where required. In accordance with regulatory requirements, the Shariah Board issues an annual report on the Bank's Shariah compliance environment, including its observations and recommendations regarding the effectiveness of the Bank's Shariah governance framework. The most recent SBP inspection was conducted during CY25 and did not result in any major observations or regulatory concerns.

## AUDIT OPINION

A. F. Ferguson & Co., Chartered Accountants, a Category 'A' firm on SBP's panel of auditors with a satisfactory QCR rating from ICAP, has expressed an unqualified opinion on the Bank's CY25 financial statements.

## Business Risk

### INDUSTRY

The banking sector in 2025 demonstrated notable resilience and moderate growth, underpinned by strong capitalization, stable profitability, and improving asset quality. The sector maintained a robust capital adequacy ratio of approximately 20.8% as of December 2025, reflecting a solid buffer against potential financial shocks.

Profitability indicators remained stable, with return on assets (ROA) around 1.2% and return on equity (ROE) close to 19.8%, highlighting consistent earnings performance despite prevailing economic challenges. The sector also experienced significant expansion in its balance sheet, as deposits grew by nearly 25% year-on-year, indicating sustained public confidence in the banking system.

Asset quality showed improvement, with non-performing loans (NPLs) contained at approximately 6.0%, suggesting that credit risk remained manageable. Lending activity continued to be concentrated in the corporate and SME segments, which together accounted

for more than half of total loans, reflecting banks' focus on productive sectors of the economy. Additionally, there was a slight increase in foreign currency exposure, pointing toward evolving portfolio dynamics.

Overall, in 2025, the banking sector remained stable, liquid, and well-capitalized, playing a critical role in supporting economic activity and facilitating financial intermediation.

## Asset Mix

**Table 4: Asset Mix (all figures in PKR Bn, unless stated otherwise)**

Asset Mix	Dec'24	Dec'25	Mar'26
Cash and Cash Equivalents*	22.0	43.3	15.8
	8%	14%	6%
Investments	126.9	103.7	102.6
	46%	33%	38%
Islamic Financing- net	101.4	136.0	121.7
	38%	44%	45%
Other assets	22.9	28.9	30.1
	8%	9%	11%
<b>Total</b>	<b>273.3</b>	<b>311.9</b>	<b>270.3</b>

\*Cash & Cash Equivalent include Cash & Balances with Treasury Banks, Balances with other Banks and Due from FIs

ABPL's asset base expanded by 14.1% to PKR 311.9 bn at end-CY25 (CY24: PKR 273.3 bn), supported by a 16.2% growth in deposits. The balance sheet witnessed a shift in asset composition over time, with incremental liquidity primarily deployed towards financing growth. Net financings increased by 34.1% to PKR 136.0 bn (CY24: PKR 101.4 bn), raising their share in total assets to 44% (CY24: 38%) and making financings the Bank's largest asset class. The growth significantly outpaced the industry, where advances contracted during CY25, resulting in an improvement in the Bank's market share of advances to 1.0% (CY24: 0.72%). Consequently, the Advances-to-Deposits Ratio (ADR) strengthened to 55.4% (CY24: 48.7%). Correspondingly, the investment portfolio declined to PKR 103.7 bn (CY24: PKR 126.9 bn), reducing its share of total assets to 33% (CY24: 46%) as the Bank reallocated funds towards higher-yielding financing assets.

By end-Mar'26, the asset base moderated to PKR 270.3 bn, mainly due to normalization of year-end liquidity. Net financings declined to PKR 121.7 bn, while investments remained broadly stable at PKR 102.6 bn. Despite the contraction in the balance sheet, financings continued to account for the largest share of total assets at 45.0% (Dec'25: 44%), underscoring the Bank's strategic shift towards customer financing. The ADR remained stable at 63% broadly in line with management's medium-term target range of 50%-60%, reflecting a balanced approach towards financing growth and liquidity management.

## Loan Portfolio

ABPL's gross financing portfolio expanded by 28.8% during CY25 to PKR 148.2 bn (Dec'24: PKR 115.0 bn), reflecting a measured increase in credit deployment. Growth was predominantly driven by the corporate portfolio, which increased by PKR 28.2 bn and accounted for 72.4% of total financings at end-Dec'25 (Dec'24: 68.7%). The consumer and commercial segments represented 13.6% (Dec'24: 15.7%) and 10.1% (Dec'24:12.3%) of the financing book, respectively. Management indicated that portfolio expansion continues to be guided by a selective underwriting approach, with emphasis on financially sound counterparties and export-oriented sectors. Within the textile sector, the Bank remains focused on value-added manufacturers, terry towel producers and home textile exporters, while maintaining a cautious stance towards the spinning and cement sectors. Sector-wise, financing growth was primarily concentrated in the Power (Electricity, Gas, Water & Sanitary), Textile, Electronics & Electrical Appliances, Transport & Communication, Wholesale & Retail Trade, and Automobile sectors, while exposures to Chemicals & Pharmaceuticals, Food Products & Beverages, Cement & Steel, and Oil & Gas Companies declined during the year, reflecting active portfolio rebalancing.

**Table 5: Segment-wise Breakup of Gross Financing (all figures in PKR Bn, unless stated otherwise)**

Segments (Rs. in billions)	Dec'24	GI	Dec'25	GI
Corporate	79.0	11%	107.2	8%
Commercial	14.1	10%	14.9	10%
SME	2.1	76%	3.1	34%
Consumer	18.1	6%	20.1	4%
Other	1.7	-	2.9	-
<b>Total</b>	<b>115.0</b>		<b>148.2</b>	

GI- Gross Infection

The consumer financing portfolio increased to PKR 20.1 bn (Dec'24: PKR 18.1 bn), with auto financing remaining the largest product, accounting for 67.2% of consumer financings (Dec'24: 65.5%), followed by mortgage financing at 21.4% (Dec'24: 22.5%) and personal

financing at 11.3% (Dec'24: 12%). The product mix remained broadly stable, with growth primarily concentrated in auto and mortgage financing.

**Table 6: Product-wise Breakup of Consumer Financing (all figures in PKR Bn, unless stated otherwise)**

Products (Rs. in Billions)	Dec'24		Dec'25	
	GI	GI	GI	GI
Auto Loans	11.9	5%	13.5	4%
Credit Cards	-	-	-	-
Mortgage Loans	4.0	11%	4.3	6%
Other Personal Loans	2.2	2%	2.3	2%
Consumer Loans	-	-	-	-
<b>Total</b>	<b>18.1</b>		<b>20.1</b>	

GI- Gross Infection

In addition to financing growth, the Bank's trade finance business expanded to PKR 299.6 bn during CY25 (Dec'24: PKR 279.2 bn), driven mainly by higher export-related business, which increased to PKR 137.8 bn (Dec'24: PKR 113.8 bn). Management highlighted that the trade franchise remains predominantly focused on export-oriented customers, particularly within the textile sector, while efforts are underway to diversify the customer base through increased engagement with import-oriented businesses. Additionally, Management highlighted ongoing efforts to strengthen the Bank's international trade franchise through enhanced inter-franchise collaboration across the Al Baraka Group network, facilitating cross-border business opportunities.

## PROFITABILITY

**Table 8: Profitability Indicators**

	CY24	CY25	1QCY26
ROAA	1.5%	0.6%	0.8%*
ROAE	21.3%	8.9%	10.1%*
Spread	7.6%	5.2%	4.4%
- Return on Earning Assets	18.5	11.7%	10%*
- Cost of Funding	10.9	6.6%	5.6*
Efficiency Ratio	53.76%	76.94%	91.48%

\*Annualized

ABPL's profitability weakened during CY25, primarily reflecting pressure on its core earnings following the sharp decline in benchmark profit rates and imposition of minimum deposit rate on eligible saving accounts. Net spread income contracted by 24.5% to PKR 12.0bn (CY24: PKR 15.9bn) as the repricing of earning assets outpaced the reduction in funding costs. Consequently, the Bank's spread narrowed to 5.2% (CY24: 7.6%), with the average yield on earning assets declining significantly to 11.7% (CY24: 18.5%). Although the average cost of funding also eased to 6.6% (CY24: 10.9%) amid the monetary easing cycle, the decline was insufficient to fully offset the compression in asset yields. Non-fund-based income provided only modest support, with other income increasing marginally to PKR 2.6bn (CY24: PKR 2.5bn), driven mainly by higher fee and commission and foreign exchange income. Meanwhile, operating expenses rose by 13.4% YoY to PKR 11.0bn (CY24: PKR 9.7bn), reflecting continued investment in the franchise and technology. Consequently, the efficiency ratio deteriorated materially to 76.9% (CY24: 53.8%). Although the Bank reported a net reversal of provisions amounting to PKR 726m (CY24: charge of PKR 160m), benefiting from recoveries, this was insufficient to offset the decline in core profitability. Accordingly, profit after tax fell by more than half to PKR 1.9bn (CY24: PKR 4.0bn), resulting in a decline in ROAA to 0.6% (CY24: 1.5%) and ROAE to 8.9% (CY24: 21.3%).

During 1QCY26, earnings remained under pressure as spreads compressed further. Nevertheless, profitability showed modest resilience, supported by a sizeable provision reversal of PKR 1.1bn and stable non-markup income. However, the efficiency ratio remained elevated at 91.5%, exerting pressure on earnings. Going forward, the Bank's profitability is expected to remain sensitive to the interest rate environment and its ability to improve operating efficiency while sustaining financing growth and maintaining low credit costs.

## Financial Risk

### Asset Quality

The Bank's asset quality improved meaningfully during CY25, supported by lower impaired exposures and strong growth in the financing portfolio. Non-Performing Loans (NPLs) declined to PKR 11.7 bn at end-Dec'25 (Dec'24: PKR 13.3 bn), while the Gross Infection (GI) ratio improved to 7.9% (Dec'24: 11.5%). The reduction in problem loans was primarily driven by recoveries and lower impairments across the Textile, Individuals/Staff, Wholesale & Retail Trade, Oil & Gas, and Construction sectors. Asset quality within the consumer portfolio also strengthened. The GI ratio declined to 4.0% (Dec'24: 6.0%), reflecting lower delinquencies across all major consumer products, particularly mortgage and personal financing.

**Table 9: Asset Quality Indicators**

	Dec'24	Dec'25	Mar'26
NPL (PKR Bn)	13.3	11.7	10.6
Gross Infection	11.50%	7.90%	8.00%
Net Infection*	1.10%	0.60%	0.70%
Stage-3 Provisioning Coverages	91.40%	93.40%	92.30%
General Provisioning Coverages**	1.50%	0.90%	1.00%
Net NPFs to Tier 1 Capital***	5.60%	3.60%	3.70%

\*Only takes into account Stage 3 provisions

\*\*General provisioning coverage: (Stage-1 ECL + Stage-2 ECL) / (Gross Advances - NPLs)

\*\*\*Adjusted for Stage 1 & Stage 2

The Bank continued to maintain a prudent provisioning framework under IFRS 9. Stage-3 provisioning coverage strengthened to 93.4% (Dec'24: 91.4%), demonstrating adequate reserve build-up against impaired exposures, while general provisioning coverage for Stage-1 and Stage-2 exposures stood at 0.9% (Dec'24: 1.5%). Supported by the improved reserve position, the net infection ratio declined to 0.6% (Dec'24: 1.1%), and the Net NPLs-to-Tier-1 Capital ratio improved to 3.6% (Dec'24: 5.6%).

During 1QCY26, asset quality indicators remained broadly stable. NPLs declined further to PKR 10.6 bn, while the GI ratio edged up marginally to 8.0%, primarily reflecting changes in the financing base rather than a deterioration in credit quality. The Bank maintained strong provisioning buffers, with Stage-3 coverage at 92.3% and general provisioning coverage improving to 1.0%. Consequently, the net infection ratio remained contained at 0.7%, while the Net NPLs-to-Tier-1 Capital ratio stood at 3.7%, underscoring the Bank's resilient credit profile and prudent risk management practices.

## MARKET RISK

**Table 10: Net Investment Portfolio (all figures in PKR Billions, unless stated otherwise)**

Investments by segments (in PKR bn)	Dec'24	Dec'25
<b>Federal Govt Securities</b>	<b>96.9</b>	<b>101.0</b>
- GoP Ijarah Sukuk	96.9	101.0
- Other Federal Govt Securities	-	-
<b>Shares</b>	<b>0.2</b>	<b>0.1</b>
- Listed	0.1	-
- Unlisted	0.1	0.1
<b>Non-Government Debt Securities</b>	<b>25.7</b>	<b>1.2</b>
- Listed	-	-
- Unlisted	25.7	1.2
<b>Foreign Securities</b>	<b>4.1</b>	<b>1.4</b>
- Govt Debt Securities	-	-
- Non Govt Debt Securities	4.1	1.4
- Other Securities	-	-
<b>Total</b>	<b>126.9</b>	<b>103.7</b>

The Bank's investment portfolio declined to PKR 103.7 bn at end-Dec'25 (Dec'24: PKR 126.9 bn) as excess liquidity was strategically redeployed into the financing portfolio. The portfolio remained conservatively positioned, with 97.4% (Dec'24: 76.4%) invested in Federal Government Securities, entirely comprising GoP Ijarah Sukuk, thereby limiting credit risk. According to management, the Sukuk portfolio is predominantly floating-rate in nature, with approximately 1.3% of the portfolio invested in fixed-rate Sukuk and the remaining 98.7% comprising floating-rate instruments, thereby reducing duration risk and allowing periodic repricing in line with market rates. The residual portfolio comprises modest exposures to non-government debt securities, foreign securities, and equities, all of which represent

a limited share of total investments. By end-Mar'26, investments remained broadly stable at PKR 102.6 bn, with sovereign securities continuing to account for approximately 97.5% of the portfolio. Accordingly, the Bank's investment book exhibits low credit, market, and duration risk.

## FUNDING AND LIQUIDITY

**Table 12: Deposit Mix & Granularity (all figures in PKR Billions, unless stated otherwise)**

	Dec'24	Dec'25	Mar'26
Current Accounts	55.7	72.1	61.2
	25.00%	27.80%	30.00%
Saving Accounts	115.2	129.1	106.7
	51.60%	49.70%	52.20%
Term Deposits	46.9	52.7	31.1
	21.00%	20.30%	15.20%
Others	5.6	5.8	5.2
	2.50%	2.20%	2.60%
<b>Total Deposits</b>	<b>223.4</b>	<b>259.6</b>	<b>204.2</b>
Liquid Assets	146.4	145.7	117.3
Borrowings	6.1	4.4	19.4
CASA	76.60%	77.50%	82.20%
ADR*	48.70%	55.40%	63%
LADB **	63.80%	55.20%	56.3%
LCR	190.70%	144.00%	126.80%
NSFR	214.00%	162.50%	152.50%

\*Gross Financings to Deposit Ratio (adjusted for SBP refinancing schemes)

\*\*Liquid Assets to Deposit & Borrowings (adjusted for repo and collateral)

During CY25, ABPL's deposit base grew by 16.2% to PKR 259.6 bn (Dec'24: PKR 223.4 bn). Although growth trailed the industry average of 23.6%, the Bank maintained its deposit market share at 0.7%. Deposit mobilization was driven by inflows across all major categories, with current, savings, and term deposits increasing by PKR 16.4 bn, PKR 13.9 bn, and PKR 5.8 bn, respectively. Consequently, the share of current accounts improved to 27.8% (Dec'24: 25.0%), while savings deposits remained the largest funding source, constituting 49.7% (Dec'24: 51.6%) of total deposits. The CASA ratio further strengthened to 82.2% at end March 2026 (Dec'25: 77.5%; Dec'24: 76.6%). The deposit mix evolved during the year, with private sector deposits increasing to 42.8% (Dec'24: 35.9%) of the total deposit base, while the share of individual deposits moderated to 32.9% (Dec'24: 37.8%). Deposits from Non-Banking Financial Institutions (NBFIs) also increased to 19.6% (Dec'24: 17.9%), whereas government and public sector deposits declined to 4.8% (Dec'24: 8.4%). Deposit granularity remained satisfactory, with retail deposits continuing to represent a significant portion of the funding base and deposits exceeding PKR 1 bn accounting for 26.9% of total deposits (Dec'24: 27.9%), indicating a broadly stable concentration profile. Amid the expansion in the financing portfolio during CY25, surplus liquidity was deployed towards earning assets, resulting in a decline in the Liquid Assets to Deposits and Borrowings (LADB) ratio to 55.2% (CY24: 63.8%). The ratio moderated further to 56.3% by end-Mar'26. Borrowings declined to PKR 4.4 bn by end-Dec'25 (CY24: PKR 6.1 bn) before increasing to PKR 19.4 bn by Mar'26, primarily to support funding requirements. Despite a moderation in liquidity buffers, the Bank's liquidity profile remained adequate, with the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) recorded at 144.0% and 162.5%, respectively, as of Dec'25. By end-Mar'26, the ratios stood at 126.8% and 152.5%, remaining comfortably above the minimum regulatory requirements and indicating the Bank's capacity to meet its short- and medium-term funding obligations.

## CAPITALIZATION

**Table 12: Deposit Mix & Granularity (all figures in PKR Billions, unless stated otherwise)**

	Dec'24	Dec'25	Mar'26
Share Capital	14.5	14.5	14.5
Reserves	2.2	2.6	2.7
Unappropriated Profit	3.7	4.6	4.8
Shareholders' Equity (excl. Revaluation Reserve)	20.4	21.7	22.0
Tier-1 Equity	19.2	20.2	20.7
Tier-1 CAR	17.20%	15.30%	16.40%
Total Eligible Capital	22.5	22.9	23.5
Risk Weighted Assets	111.1	131.7	126.7
Capital Adequacy Ratio (%)	20.30%	17.40%	18.50%
Leverage (%)	6.10%	5.60%	5.90%

The Bank's capitalization remained strong, underpinned by adequate internal capital generation. During CY25, shareholders' equity (excluding revaluation reserves) increased to PKR 21.7 bn (Dec'24: PKR 20.4 bn), supported by profit retention and growth in reserves. During CY25, the Bank also declared and paid cash dividends to its shareholders, for the second consecutive year. Despite the dividend payout, internal capital generation remained adequate to support growth in shareholders' equity and maintain capital adequacy ratios comfortably above regulatory requirements. However, the increase in equity was moderated by adverse movements in Other Comprehensive Income (OCI). Total comprehensive income amounted to PKR 966.1 mn, compared with profit after tax of PKR 1.87 bn, as an unrealized revaluation loss of PKR 887.8 mn on debt investments classified at Fair Value through Other Comprehensive Income (FVOCI), together with actuarial losses on defined benefit obligations, partially offset earnings accretion. Total eligible capital increased modestly to PKR 22.9 bn at end-Dec'25 (Dec'24: PKR 22.5 bn). However, capitalization ratios moderated as growth in Risk-Weighted Assets (RWAs) outpaced capital accretion. RWAs expanded by 18.5% to PKR 131.7 bn (Dec'24: PKR 111.1 bn), primarily driven by growth in the financing portfolio. Consequently, the Capital Adequacy Ratio (CAR) declined to 17.4% (Dec'24: 20.3%), while the Tier-1 CAR moderated to 15.3% (Dec'24: 17.2%). The leverage ratio also eased to 5.6% (Dec'24: 6.1%). Despite this moderation, the Bank maintained comfortable buffers above the applicable regulatory minimums, reflecting its sound loss absorption capacity.

During 1QCY26, the capital position strengthened further. Shareholders' equity increased to PKR 22.0 bn, while total eligible capital rose to PKR 23.5 bn. A moderation in RWAs to PKR 126.7 bn, following a contraction in the financing portfolio, supported an improvement in the CAR to 18.5% and the Tier-1 CAR to 16.4%. Tier-1 capital continued to comprise the majority of the Bank's regulatory capital base, accounting for approximately 88% of total eligible capital, underscoring the high quality of capital. Going forward, capitalization is expected to remain adequate, supported by continued earnings retention and prudent balance sheet growth.

Financial Summary (PKR Mn)				Appendix I
<b>Balance Sheet</b>	<b>CY23</b>	<b>CY24</b>	<b>CY25</b>	<b>1QCY26</b>
Cash and Cash Equivalents*	31,659	22,035	43,336	15,796
Investments	122,881	126,852	103,674	102,647
Advances	79,756	101,439	135,966	121,706
Other Asset	21,078	22,935	28,947	30,142
<b>Total Assets</b>	<b>255,374</b>	<b>273,261</b>	<b>311,923</b>	<b>270,291</b>
Due to Financial Institutions	7,650	6,145	4,378	19,372
Deposits and Other Accounts	207,338	223,402	259,643	204,231
Subordinated Mudaraba	4,624	3,124	3,124	3,124
Other Liabilities**	17,508	18,972	22,725	21,393
<b>Total Liabilities</b>	<b>237,120</b>	<b>251,643</b>	<b>289,870</b>	<b>248,120</b>
Share capital	14,500	14,500	14,500	14,500
Net Shareholders Equity (excl. revaluation surplus)	17,460	20,390	21,679	21,990
<b>Total Equity</b>	<b>18,253</b>	<b>21,618</b>	<b>22,053</b>	<b>22,171</b>
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>18,785</b>	<b>22,525</b>	<b>22,879</b>	<b>23,497</b>
<b>Income Statement</b>	<b>CY23</b>	<b>CY24</b>	<b>CY25</b>	<b>1QCY26</b>
Net Spread Earned	13,363	15,944	11,958	2,558
Net Provisioning/(Reversal)	1,567	160	-726	-1,143
Non-Markup Income	2,117	2,484	2,568	486
Operating Expenses	7,789	9,891	11,150	2,812
Profit/(Loss) Before Tax	6,124	8,378	4,102	1,375
Profit/(Loss) After Tax	3,104	4,034	1,869	552
<b>Ratio Analysis</b>	<b>CY23</b>	<b>CY24</b>	<b>CY25</b>	<b>1QCY26</b>
Market Share (Advances) (%)	0.74%	0.72%	1.00%	0.91%
Market Share (Deposits) (%)	0.74%	0.74%	0.69%	0.54%
Gross Infection (%)	13.90%	11.50%	7.90%	8.00%
Net Infection (%)	2.80%	1.10%	0.60%	0.70%
Specific Provisioning Coverage (%)	82.50%	91.40%	93.40%	92.30%
General Provisioning Coverage (%)	1.40%	1.50%	0.90%	1.00%
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	13.10%	5.60%	3.60%	3.70%
Cost of Funding (%)	10.80%	10.90%	6.60%	5.6%*
Spread (%)	7.10%	7.60%	5.20%	4.4%*
Efficiency (%)	49.70%	53.80%	76.90%	91.50%
ROAA (%)	1.30%	1.50%	0.60%	0.8%*
ROAE (%) (excl. revaluation surplus)	19.50%	21.30%	8.90%	10.1%*
Liquid Coverage Ratio (%)	213.90%	190.70%	144.00%	126.80%
Net Stable Funding Ratio (%)	216.60%	214.00%	162.50%	152.50%
Leverage (%)	5.50%	6.10%	5.60%	5.90%
Liquid Assets to Deposits & Borrowings*** (%)	70.70%	63.80%	55.20%	56.30%
Gross Advances to Deposits Ratio (ADR) **** (%)	40.40%	48.70%	55.40%	63%
Tier-1 CAR (%)	16.40%	17.20%	15.30%	16.40%
Capital Adequacy Ratio (%)	19.30%	20.30%	17.40%	18.50%

\*Cash & Cash Equivalent include Cash & Balances with Treasury Banks, Balances with other Banks and Due from FIs

\*\*Annualized

\*\*\* Adjusted for repo and collateral

\*\*\*\* Adjusted for SBP refinancing schemes

REGULATORY DISCLOSURES					Appendix II	
Name of Rated Entity	Al-Baraka Bank (Pakistan) Limited					
Sector	Commercial Banks					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action	
	<b>RATING TYPE: ENTITY</b>					
	30-Jun-26	AA-	A1	Stable	Reaffirmed	
	27-Jun-25	AA-	A1	Stable	Upgrade	
	30-Jun-24	A+	A1	Positive	Maintained	
	27-Jun-23	A+	A1	Stable	Reaffirmed	
	29-Jun-22	A+	A1	Stable	Reaffirmed	
	23-Jun-21	A+	A1	Stable	Reaffirmed	
	27-Jun-20	A+	A1	Stable	Reaffirmed	
	28-Jun-19	A+	A1	Stable	Maintained	
	29-Jun-18	A+	A1	Negative	Maintained	
	17-May-17	A+	A1	Stable	Upgrade	
	30-Jun-16	A	A1	Rating Watch Developing	Maintained	
	29-Jun-15	A	A1	Positive	Maintained	
	30-Jun-14	A	A1	Stable	Reaffirmed	
	28-Jun-13	A	A1	Stable	Reaffirmed	
	29-Jun-12	A	A1	Stable	Reaffirmed	
	4-Jul-11	A	A1	Stable	Initial	
	<b>RATING TYPE: Tier II Sukuk - 3rd Issue</b>					
	30-Jun-26	A+	-	Stable	Reaffirmed	
	27-Jun-25	A+	-	Stable	Upgrade	
	30-Jun-24	A	-	Positive	Maintained	
	27-Jun-23	A	-	Stable	Reaffirmed	
	29-Jun-22	A	-	Stable	Final	
	23-Jun-21	A	-	Stable	Preliminary	
	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	Name	Designation			Date	
	Mr. Tariq Mairaj	Chief Financial Officer			11 <sup>th</sup> June, 2026	
	Mr. Shahzad Ismail	Head of Corporate & Investment Banking				
	Mr. Syed Muhammad Atif	Chief Compliance Officer				
	Mr. Kanwar Shahzad	Group Head Treasury, FI & Home Remittance				