



Al Baraka Bank (Pakistan) Limited

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT TO MEMBERS - 2025

For the year ended on December 31, 2025



On behalf of the Board of Directors of Al Baraka Bank (Pakistan) Limited (the Bank), we are pleased to present the 20th annual report along with the Bank's audited financial statements and Auditors' report for the year ended December 31, 2025.

Al Baraka Bank Pakistan - Credit Rating Upgrade

We are pleased to inform you that based on the financial statements for 2024, the VIS Credit Rating Company Limited (VIS) has upgraded Al Baraka Bank (Pakistan) Limited's entity ratings to 'AA-/A1' from 'A+/A1'. The medium to long-term rating of 'AA-' reflects high credit quality, supported by strong protection factors and modest risk sensitivity to economic conditions. The short-term rating of 'A1' signifies a strong capacity for timely repayment of short-term obligations and excellent liquidity. VIS has also upgraded the rating of our Basel III-compliant Tier-2 Sukuk-2 to 'A+', with the overall rating outlook maintained as 'Stable'.

Economic Outlook of Pakistan

Economic activity is recovering gradually, supported by ongoing reforms that are improving confidence and gradually strengthening economic activity. The improving economic outlook and lower inflation (December 2025: 5.6% YoY) have contributed to easing monetary policy rates. The State Bank reduced the policy rate to 10.5% in December 2025. Moody's has projected 7.5% CPI inflation for 2026.

International credit rating agencies have upgraded Pakistan's credit rating in 2025. The PSX-100 Index closed at 174,054 points on December 31, 2025, reflecting a 51.4% increase from December 2024.

Overall, Pakistan's macroeconomic environment entering 2026 remains stable, with improving industrial output, strengthened foreign exchange reserves, and renewed market confidence. Pakistan's GDP growth has been projected by IMF and Moody's at 3.2% and 3.5% respectively for 2026.

Financial Highlights of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank for the year 2025 are given below:

Rs in million

Financial Highlights	2025	2024	Growth
Total assets	311,923	273,261	14.15%
Financing-Net	135,966	101,439	34.04%
Investments	103,674	126,852	(18.27%)
Deposits	259,643	223,402	16.22%
Equity	22,053	21,618	2.01%

Rs. in million

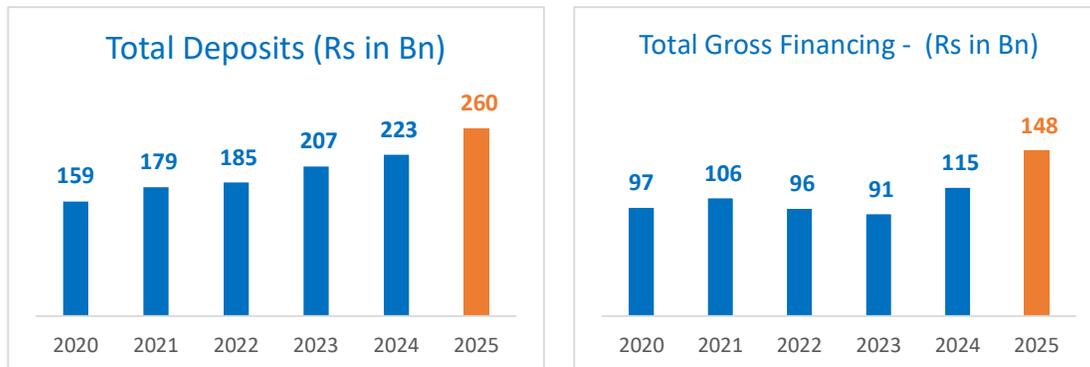
Profit and Loss account	2025	2024	%
Average SBP Policy Rate	11.4%	19.7%	(8.3%)
Profit/ return earned	28,571	40,097	(29%)
Profit/ return on expensed	(16,613)	(24,153)	(31%)
Net spread earned	11,958	15,944	(25%)
Fee and commission income	1,081	924	17%
Foreign exchange income	1,321	1,160	14%
Gain on sale of securities (net)	32	362	(91%)
Dividend and other income	134	38	253%
Total other income	2,568	2,484	3%
Administrative expenses and other charges	(11,150)	(9,890)	13%
Operating profit	3,376	8,538	(60%)
Reversals / Provisions	726	(160)	(554%)
Profit before tax	4,102	8,378	(51%)
Taxation	(2,233)	(4,344)	(49%)
Profit after tax	1,869	4,034	(54%)
Basic Earnings per share (Rupees)	1.36	2.94	(54%)

Review of Financial Performance

Islamic Banks in Pakistan are facing challenges on multiple fronts—including a lower SBP Policy Rate, higher taxation, and the imposition of minimum deposit rates on Islamic banks. However, despite these challenges, we continued to deliver value to our shareholders. During the year, the Bank recorded a profit after tax of Rs 1,869 million, with Rs 1.36 earnings per share. In 2025, we also distributed our first-ever cash dividend, demonstrating our firm commitment to enhancing shareholder value, particularly for our foreign investors who play an important role in supporting Pakistan's long-term economic development.

Our deposit base maintained its growth momentum, closing the year at Rs 259.6 billion, an increase of 16% from Rs 223.4 billion at the end of 2024. The quality of our funding profile continued to strengthen, with the CASA mix increasing to 80% (December 2024: 79%). Our gross

financing portfolio stood at Rs 148.2 billion, resulting in a gross advance-to-deposit ratio of 57% as of December 2025. The Bank is focused on increasing its financing portfolio diversified into all sectors, while keeping its credit risk management parameters intact. The Bank’s non-performing financing (NPL) ratio has now fallen below 8% while its NPL coverage ratio exceeds 100%.



The average SBP Policy Rate during 2025 remained lower at 11.4%, compared to 19.7% in 2024. Consequently, our return earned on financing, deposits, and placements declined to Rs 28,572 million from Rs 40,097 million, representing a 29% decrease. However, through disciplined balance sheet management and increased CASA mobilization, we successfully reduced our cost of deposits and other dues to Rs 16,613 million from Rs 24,153 million, despite the imposition of minimum profit rate on savings accounts. As a result, our net spread stood at Rs 11,958 million, compared to Rs 15,944 million in 2024—a decline of 25%.

Our fee and commission income grew by 17%, supported by higher transaction activity across both digital and over-the-counter channels, including debit card revenues, branch banking fees, investment banking services, and cash management. Foreign exchange income also grew by 14%, while capital gains on securities remained lower compared to the last year. Overall, our total other income amounted to Rs 2,568 million (2024: Rs 2,484 million).

Administrative expenses increased by 13%, driven by inflationary pressures and ongoing investments in network expansion, digital enablement, and service quality improvement. We remain committed to prudent cost management and continuous operational enhancements aimed at strengthening customer experience and business efficiency.

During 2025, we recorded a net provision reversal of Rs 726 million, compared to a provision charge of Rs 160 million in 2024. We continue to actively regularize legacy accounts and maintained a strong total coverage ratio of 104% at the end of December 2025.

After accounting for a total tax charge of 53%, including the 10% super tax, our profit after tax stood at Rs 1,869 million, compared to Rs 4,034 million last year. Return on equity for the year was 8.6% (2024: 20.2%), while return on assets stood at 0.6% (2024: 1.5%).

We remained fully compliant with all regulatory capital requirements. Our Capital Adequacy Ratio (CAR) stood above 17% as of December 2025, providing a comfortable buffer above the minimum regulatory threshold and reflecting our strong capital position.

Cash Dividend for the year 2025

We are pleased to announce that the Board has approved a cash dividend of Re 0.175 (1.75%) per share for year 2025. The Bank plans to follow a balanced approach between dividend payouts and profit retention necessary for future business growth.

Future Outlook

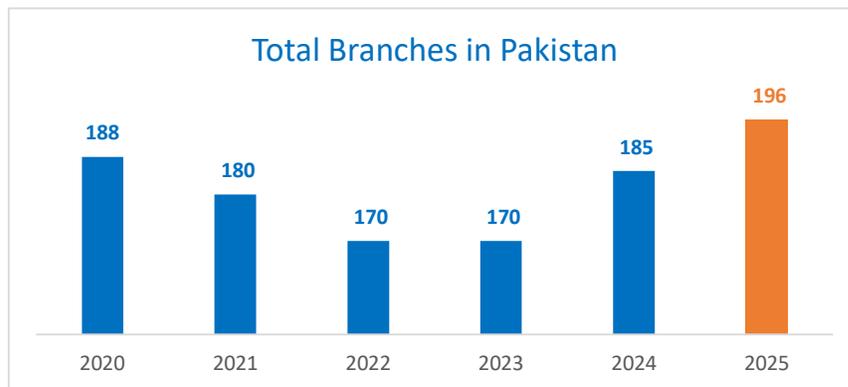
As we look ahead to 2026, the Bank remains firmly focused on accelerating income growth, advancing its digital transformation agenda, and strengthening its physical presence across Pakistan. By upholding disciplined cost management, maintaining strong liquidity buffers, and executing a balanced and prudent growth strategy, the Bank is committed to delivering sustainable profitability, resilience, and long-term value for its stakeholders.

Our presence

Al Baraka Group B.S.C. (C) ("ABG" / the "Group") is licensed as an Investment Business Firm – Category 1 (Islamic Principles) by the Central Bank of Bahrain. It is a leading international Islamic financial group providing financial services through its banking subsidiaries in 13 countries offering retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Islamic Shariah.

The Group has a wide geographical presence with operations in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon and Syria, in addition to two branches in Iraq and a representative office in Libya and provides its services in more than 600 branches. ABG’s network serves a population totaling around one billion customers.

Al Baraka Bank Pakistan continues to expand its national presence through the strategic growth of its branch network, which now comprises 196 locations across the country. This expansion reinforces the Bank’s commitment to enhancing financial inclusion and providing wider access to Shariah-compliant banking solutions, ensuring greater convenience and reach for customers nationwide.



Business and Operations Review

The Bank continued its transformative journey that began in 2022, achieving significant milestones across all business segments in 2025, including:

1. Launch of Fully Digital Car Finance Journey

Al Baraka Bank introduced Pakistan's **first AI-enabled fully digital car finance journey**, offering seamless applications for both customers and non-customers. This breakthrough milestone streamlined auto-financing with instant in-principle approvals, reinforcing the Bank's leadership in digital Islamic finance.

2. NexGen Debit Card – Pakistan's First University Affinity Debit Card

The Bank launched the NexGen Debit Card, Pakistan's first university co-branded affinity debit card in collaboration with PayPak and Indus Valley School of Art & Architecture. Designed for students, alumni, and faculty, it promotes digital inclusion through tailored benefits, financial literacy, and secure Islamic banking solutions.

3. Olive Summit 2.0 – Agriculture & ESG Sector Development

Al Baraka Bank hosted the **Olive Summit 2.0**, bringing together global stakeholders to promote Pakistan's olive sector. The Bank reinforced its commitment to agricultural transformation by facilitating financing, value-chain partnerships, and export opportunities—advancing economic growth, rural empowerment, and environmental sustainability.

4. Sialkot Sports Goods Webinar – Export Facilitation & B2B Linkages

The Bank conducted Pakistan's **first product-based international B2B webinar** connecting Sialkot's sports goods exporters with importers from 12 countries. The initiative expanded market access, strengthened global trade linkages, and supported our customers through the Bank's newly developed **Trade Finance Portal**.

5. Promotion of Global Halal Economy – bringing new opportunities to Pakistan

Promoting global Halal economy and new opportunities for Pakistan exporters to new markets, by organizing conferences and workshops.

The detailed business and operations review for the year 2025 is annexed to this report.

Environmental, Social & Governance (ESG) and Green Banking

Al Baraka Bank (Pakistan) Limited (ABPL) continued its focus on responsible and sustainable banking throughout 2025 by deepening the integration of Environmental, Social, and Governance (ESG) principles into its core business model. ABPL continued to proactively mitigate environmental and social risks while expanding its reach through high-impact partnerships and community-centric initiatives. The details of Bank's key initiatives in the year 2025 are annexed herewith.

Corporate Social Responsibility (CSR)

In 2025, Al Baraka Bank (Pakistan) Limited demonstrated a strong commitment to sustainable development through a structured CSR program aligned with the United Nations Sustainable Development Goals (SDGs). With an investment of Rs 32 million, the Bank positively impacted more than 5,000 beneficiaries nationwide, reinforcing its role as a responsible and purpose-driven financial institution.

The details of Bank's Corporate social activities in the year 2025 are annexed herewith.

Corporate and Financial Reporting Framework

The Board of Directors, while ensuring regulatory compliance, is also vested with fiduciary responsibility on behalf of the shareholders to protect the Bank's interests, provide strategic direction, and monitor the execution of strategic objectives. The Companies Act, 2017, Banking Companies Ordinance, 1962, SBP's Prudential Regulations, Corporate Governance Regulatory Framework, and Code of Corporate Governance Regulations, 2019 (the Code) describe the role of the Board of Directors along with its responsibilities and functions.

The following statements are manifestations of the Bank's commitment to high standards of Corporate Governance and continuous organizational improvement:

- The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies as stated in notes to the financial statements have been consistently applied in preparation of financial statements except for the change in accounting policy duly disclosed in notes to the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards and other approved standards as applicable in Pakistan have been followed in preparation of the financial statements and departure, if any, from these has been adequately disclosed.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no doubts about the Bank's ability to continue as a going concern, InshaAllah.
- There has been no material departure from the best practices of Corporate Governance.
- Investments of the Bank's recognized Provident Fund and Gratuity Fund based on un-audited accounts as of 31 December 2025 amounted to Rs. 2,131 million (2024: Rs. 1,761 million) and Rs. 629 million (2024: Rs. 509 million) respectively.



The Pattern of shareholding, Six Years Key Financial Data, Risk Management Framework, Financial Consumer Protection Framework has been annexed to this report.

Statement of Compliance with the Code of Corporate Governance

The Bank has adopted the requirements of the Code of Corporate Governance as issued by the SECP and adopted by SBP.

Statement of Internal Controls

The management of the Bank is responsible for establishing and maintaining adequate controls and procedures and fully recognizes this responsibility and appreciates its value and significance. The Board is pleased to endorse the management's statement relating to Internal Controls.

Statutory Auditors

The present auditors, A. F. Ferguson & Co., Chartered Accountants, a member firm of the PwC network, retire and being eligible, offer themselves for reappointment. The Board and the Board Audit Committee have recommended the appointment of A. F. Ferguson & Co., Chartered Accountants as auditors of the Bank, for the year ending December 31, 2026. The reappointment of External Auditors shall be subject to approval in the forthcoming Annual General Meeting.

Acknowledgement

The Board wish to place on records its sincere thanks and gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Shariah Board for their continued guidance and support. We would also like to thank our valued customers, shareholders and business partners for their continued patronage and confidence as well as staff members for their commitment and devotion.

On behalf of the Board.



Muhammad Atif Hanif
Chief Executive Officer

February 19, 2026
Karachi.



Azhar Aziz Dogar
Chairman

Business and Operations Review 2025

The Bank continued its transformative journey that began in 2022, achieving significant milestones across all business segments in 2025:

Corporate Banking

The Bank's Corporate Financing portfolio recorded a robust expansion of 37%, supported by the onboarding of more than 70 leading blue-chip corporates across a diverse range of sectors. This strong performance reflects the Bank's disciplined growth strategy and its continued success in deepening relationships with high-quality corporate clients. Looking ahead, the Bank is well-positioned to sustain this trajectory in 2026 and beyond, with a strategic focus on further strengthening the advances portfolio, enhancing trade flows, accelerating deposit mobilization, and maximizing cross-sell opportunities across cash management and investment banking solutions.

Commercial & SME Banking

In the Commercial Banking and SME segments, the financing portfolio registered a 10% year on year increase, driven by customized financing propositions tailored to the needs of Commercial, Small, and Medium Enterprise customers. Through competitive pricing, targeted outreach, and streamlined credit delivery, the Bank successfully broadened its client base, adding more than 250 new relationships during 2025. This growth underscores the Bank's commitment to supporting the real economy and enabling business expansion across priority sectors.

Consumer Banking

In Consumer Banking, the Bank continued to strengthen its position as a leading player in the Islamic banking industry, onboarding a substantial number of new customers with a strong emphasis on Auto Finance. The implementation of the Consumer Finance Origination System significantly improved turnaround times while maintaining robust risk and compliance controls. As part of its strategic commitment to Environmental Sustainability Goals (ESG), the Bank launched its nationwide Green Energy Financing Initiative for Solar Finance, offering flexible tenors and customized energy-efficient solutions to support customers in transitioning toward sustainable energy sources. Complementing these initiatives, the Bank's exclusive "Travel Now, Pay Later" packages for Umrah and Hajj enabled customers to fulfill their spiritual commitments with enhanced financial convenience.

Treasury Management

The Bank's Treasury division continued to effectively manage trading activities in the interbank money markets and foreign exchange markets, maintaining agility in response to evolving market conditions. The investment portfolio closed at Rs 103.7 billion in 2025, supported by prudent portfolio management. During the year, the Bank established 10 new correspondent banking relationships across eight countries—including Saudi Arabia, UAE, Bangladesh, Qatar, Oman, Austria, Jordan, and China—bringing its global network to more than 200 plus correspondent banks across 62 countries. These correspondents provide a comprehensive suite of trade-related services, including LC advising and confirmation, reimbursement undertakings, SBLCs, discounting of letters of credit, and B2B guarantees.

Collectively, the Bank's performance in 2025 reflects its continued capacity to lead, innovate, and adapt within Pakistan's financial landscape. By delivering customer-centric solutions, enhancing digital capabilities, and strengthening global partnerships, the Bank has laid a solid foundation for sustainable growth and long-term value creation for its stakeholders.

Retail Banking

Retail Banking further sustained its growth momentum through comprehensive over-the-counter services, fully supported by an expanding network of ATMs, contact centers, and digital banking channels. Current and savings deposits increased to Rs 206.9 billion in 2025, up from Rs 176.5 billion in 2024, reflecting continued customer confidence and successful deposit-mobilization initiatives. To advance financial inclusion and broaden access to Shariah-compliant banking, the Bank expanded its footprint through the addition of 15 new branches across Pakistan, now operating in 88 cities nationwide.

Digital Banking

In Digital Banking, the Bank made significant progress in 2025, adding new features and capabilities and further strengthening its position in Pakistan's evolving payments ecosystem. Key achievements included the launch of two advanced digital payment solutions under the RAAST framework, more than 20 new features and enhancements created in mobile app for digital customer migration and self-service, a 29% increase in debit card spend YoY, with the Mastercard Platinum card portfolio doubling in the final quarter of 2025 boosted by 138 premium merchants as part of its Baraka Deals Program across Pakistan. The bank introduced white labeled POS machines to its merchant account holders to promote digital payments and migrate to a cashless society.

The Bank launched its Digital Hub (Digital Design Lab) where cross functional digital squad uses agile operating methods and collaborates with fintechs and partners to deliver enhanced customer experiences, faster service delivery and commercial value across the digital ecosystem. The Lab has begun delivering key transformation artifacts, including the NexGen Program, which represents Pakistan's first co-creation commercial initiative between academia and a financial institution.

To further enrich the customer experience, the Bank introduced new features within its digital application, including in-app notifications for real-time, personalized communication that improved engagement and operational efficiency. The deployment of Mastercard 3D Secure 2.2 strengthened e-commerce security protocols, ensuring safer online transactions through enhanced authentication mechanisms. The Bank remains deeply committed to maintaining rigorous security standards across all digital channels.

During 2025, customer value propositions were significantly enhanced through the Baraka Deals, featuring more than 200 premium merchant partners offering exclusive discounts to cardholders, alongside the Mastercard Platinum proposition. The Bank also introduced over 20 new features on its mobile banking application, aimed at improving convenience and customer interaction. Additionally, the Bank piloted its Digital Auto Finance Platform, enabling customers to obtain an in-principle approval within five minutes, marking a key milestone in automated and frictionless financing journeys.

The Bank further expanded its market presence through differentiated card propositions, becoming Pakistan’s first Islamic bank to launch under the PayPak Pink Card Scheme, introducing the Aura Women Debit Card, and rolling out Pakistan’s first University Affinity co-branded debit cards in partnership with the Indus Valley School of Art and Architecture. These initiatives underscore the Bank’s commitment to financial inclusion, customer-centricity, and digital leadership in Pakistan’s Islamic banking sector.

The Bank continued to expand its payments ecosystem through Al Baraka Pay, piloting white-label POS solutions with 50 devices deployed across 14 cities and advancing QR-based acceptance channels in support of the Government of Pakistan’s Cashless Economy Initiative, spearheaded by the Prime Minister and guided by the State Bank of Pakistan. These initiatives reinforce the Bank’s role in promoting digital payments adoption and enhancing the national financial services infrastructure.

Collectively, these efforts are enhancing customer experience, accelerating digital uptake, and strengthening the Bank’s capacity for sustainable, technology-driven growth—while maintaining rigorous governance and risk controls. By the end of December, the Bank recorded strong digital performance indicators: Digital Active Customers increased to 74%, reflecting 11% year-on-year growth; Digital Transacting Customers reached 45%, up 20% year-on-year; Digital NPS improved to 31%, marking a 18% year-on-year increase; and debit card spending on POS and e-commerce channels rose to PKR 4.7 billion, a 29% year-on-year uplift.

With its digital capabilities leading to more customers adopting digital, 83.5% of financial transactions are now digital (54% growth YoY) and 65% of cash-based branch transactions are digital. The Bank remains deeply committed to growing its digital capabilities and strengthening its digital ecosystem to support its business growth and transformation initiatives.

Information Technology

In the digital age, the role of information technology remains critical for driving operational efficiency, service continuity and secure banking services. During 2025, the Bank executed key initiatives to strengthen infrastructure and enhance digital capabilities. Key initiatives included:

- **Core IT Infrastructure upgrade:** Deployed latest HPE Synergy core hardware, enabling scalable and resilient infrastructure, improved uptime, and centralized operations.
- **Business Continuity & Resilience:** Relocated the Bank’s Primary Data Center to PTCL (Pakistan Telecommunication Company Limited) Data Center offering ANSI/TIA-942-B Rated-3 certified data center services, ensuring 24x7 uninterrupted IT services to the customers and all staff of the Bank.
- **Inter-Franchise Trade Finance Mobile App & New Web Portal:** Enhanced the Inter-Franchise platform through a mobile application and upgraded web interface, improving security, user experience, and global trade collaboration.
- **CIO Global Award:** The CIO of Al Baraka Bank Pakistan was recognized with the CIO Global Award, selected from a distinguished global community of CIOs representing over 60 countries on the World CIO 200 platform, for outstanding innovation and strategic technology initiatives—most notably the Inter-Franchise Trade Collaboration Platform, which enables B2B connectivity among corporate clients across all ABG units, significantly expanding trade import and export business avenues.

- **Project Governance & Visibility:** Introduced an open-source project management platform to improve tracking, accountability, and timely execution of strategic initiatives.

These advancements have positioned the Bank to strengthen its technology foundation, improve service delivery, and support secure digital growth.

Human Resources:

The Bank also continued to refine its people strategy, with a strong emphasis on attracting and retaining top talent and investing in employee development. Enhancements included an upgraded House Loan Policy, the introduction of a Childcare Allowance, and the rollout of a two-year Pay Continuity Plan, reflecting the Bank's commitment to competitive and inclusive employee benefits. To further strengthen employee engagement and foster a culture of collaboration, the Bank launched an online Employee Suggestion Portal to facilitate real-time feedback and idea generation across the organization. Together, these initiatives underscore the Bank's ongoing commitment to employee well-being, organizational excellence, and a positive, high-performance work environment.

Six Years Key Financial Data

Following is the last six years key financial data of the Bank as on December 31, 2025:

Rs in Millions

	2025	2024	2023	2022	2021	2020
Investments	103,674	126,852	122,881	109,900	76,552	57,117
Islamic financing and related assets - net	135,966	101,439	79,756	86,057	96,202	90,279
Deposits and other accounts	259,643	223,402	207,338	185,049	178,917	159,364
Total Equity	22,053	21,618	18,253	14,605	13,415	13,029
Total Assets	311,923	273,261	255,374	232,575	218,117	192,814
Number of branches	196	185	170	170	180	188
Profit before tax	4,102	8,378	6,124	2,636	674	1,538
Profit after tax	1,869	4,034	3,104	1,510	631	764
Earnings per share (Rs.)	1.36	2.94	2.26	1.10	0.46	0.56

Pattern of Shareholding

Following is the pattern of shareholding of the Bank as on December 31, 2025:

Shareholders category	No. of share holders	Shares held	%
Directors			
Mr. Abdul Malek Shehadeh Mezher	1	500	0.00%
Mr. Zahid Rahim	1	500	0.00%
Mr. Mohammed Tareq Sadeq	1	500	0.00%
Mr. Azhar Hamid	1	500	0.00%
Dr. Vaseehar Hassan Bin Abdul Razack	1	500	0.00%
Ms. Fariha Salahuddin	1	500	0.00%
Associated companies, undertakings and related parties			
Al Baraka Islamic Bank, Bahrain B.S.C (c)	1	812,448,082	59.13%
Islamic Corporation for the Development of the Private Sector	1	162,847,717	11.85%
Mal Al Khaleej Investments LLC	1	158,360,039	11.53%
Public Sector Companies, Corporations, Banks, Development Financial Institutions and Non-Banking Financial Institutions, Mutual Funds & Other Organizations			
Gargash Enterprises L.L.C	1	5,882,352	0.43%
State Life Insurance Corporation of Pakistan	1	4,941,176	0.36%
Amanah Investment Limited	1	2,938,823	0.21%
The Bank of Punjab	1	2,000,000	0.15%
Dossa Cotton & General Trading (Pvt) Ltd.	1	788,235	0.06%
OLP Financial Services Pakistan Limited	1	705,882	0.05%
Descon Holding (Private) Limited	1	588,235	0.04%
B.R.R Guardian Limited	1	835,294	0.06%
Shareholding Individual & others			
Sheikh Tariq Bin Faisal Khalid Al Qassemi	1	103,018,177	7.50%
Mr. Mubarak Bulaswaad	1	4,860,000	0.35%
Mr. Syed Tariq Husain	1	3,300,284	0.24%
Mr. Abdul Ghaffar Fancy	1	978,468	0.07%
Other - (Shareholders with less than 10% Shareholding)	55	109,466,996	7.97%
Total Shareholding	76	1,373,962,760	100%

Shareholders with 10% or more voting interest

Name of Share holders	No. of share holders	Shares held	%
Al Baraka Islamic Bank, Bahrain B.S.C.(c)	1	812,448,082	59.13%
Islamic Corporation for the Development of the Private Sector	1	162,847,717	11.85%
Mal Al Khaleej Investments LLC	1	158,360,039	11.53%

Except as disclosed above, no Executive of the Bank or their spouses / minor children was a shareholder of the Bank as of December 2025.

Risk Management Framework

ABPL's Risk Management Framework (RMF) is anchored in a governance structure that ensures strong Board oversight, disciplined risk culture, and alignment with regulatory expectations.

The Board of Directors, through the Board Risk Committee (BRC), provides direction on risk strategy, approves the Bank's risk Policies & appetite, and ensures that management maintains effective systems for risk identification, measurement, monitoring, and mitigation.

The BRC reviews periodic reports from management, including risk dashboards, portfolio analytics, stress-testing outcomes, early warning indicators, Risk appetite status, limit utilization, breaches, remediation progress, and updates on regulatory compliance.

1. Governance and Committees

The Board has delegated risk oversight responsibilities to specialized management committees, including the Asset and Liability Management Committee (ALCO), Credit Committee (CC), Credit Risk Management Committee (CRMC), Special Asset Management Committee (SAMCOM), Operational Risk & Business Continuity Steering Committee (OR&BCSC), and the Cyber Security Risk Committee. These committees ensure that risks are managed within the approved risk appetite and that exposures remain within acceptable limits.

2. Risk Management Function

The Risk Management function operates independently and is headed by the Chief Risk Officer (CRO), who reports administratively to the Chief Executive Officer and functionally to the Board Risk Committee. The function oversees Credit Risk, Enterprise Risk Management, Consumer Credit Risk, Fraud Risk, IS Risk, Credit Administration, Environmental Social & Governance (ESG), Risk policy & Credit Operations.

3. Risk Appetite

The Bank operates under a Board-approved Policies & Risk Appetite Statement (RAS) that defines thresholds for Credit, Liquidity, Market, Operational, Regulatory, Financials, Reputational, Information and Cyber Security Risk triggers. Risk appetite serves as the anchor for decision-making, portfolio steering, budgeting, limit setting, and strategy execution.

In 2025, the Bank managed a dynamic operating environment influenced by changing profit rates, evolving credit trends, stressed economic sectors and Geo-political risks within the financial system.

Despite these risks, the Bank maintained disciplined risk-taking within the boundaries of approved appetite metrics. Oversight by ALCO ensured that liquidity buffers, funding diversification, and regulatory ratios remained healthy. Meanwhile, CRMC provided rigorous

supervision of credit risk trends, including monitoring of watchlist obligors, portfolio migrations, repayment behaviors, and exposures to macro-sensitive sectors.

Key components of the 2025 risk profile include:

- Capital Adequacy Ratio (CAR) remained above regulatory minimums and internal thresholds. Above 17% vs Regulatory Limit 11.50% and internal limit 14.50%.
- Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) stayed above SBP requirements. 143.97% & 162.54% respectively vs Regulatory Limit 100%.
- Concentration levels in corporate deposits were monitored closely with active plans to diversify, therefore, Top 20% deposits concentration ratio maintained on medium risk from 20.92% December 2024 to 20.93% in December 2025 (medium risk).

4. Credit Risk Management

Credit Risk Management is a separate function independent of the credit origination function and maintains credit discipline by enunciating credit risk management and control processes.

This function conducts due diligence and review of Corporate/Commercial, SME, Agri, FI, as well as Infrastructure Project Financing credit applications and presents its observations to CC/respective approving authorities of the Bank. The credit Risk function adds value to the approval process by validating that the financing proposals comply with applicable policy parameters, regulatory instructions and adhere to the risk appetite of the Bank.

Exceptions, if any, are highlighted and reported to the relevant forums. Along with credit approval process, Credit Risk plays an active role in portfolio monitoring, past due monitoring, monitoring of expired limits, undertaking thematic stress tests, monitoring risk appetite thresholds, enhancing controls as well as client level visits where warranted. During 2025, along with growth in financing portfolio, the Bank has been able to reduce its NPF portfolio leading to substantial improvement in infection ratio.

5. Enterprise Risk Management

The Enterprise Risk Management (ERM) Department provides independent oversight of key risks across the Bank in line with Board-approved policies, risk appetite, and regulatory requirements.

- **Market and Liquidity Risk:** Monitored in coordination with the Treasury Middle Office using repricing gap analysis, Earnings-at-Risk simulations, and stress testing. Compliance with Basel III liquidity standards, including LCR and NSFR, is regularly monitored and reported to ALCO and the Board Risk Committee.
- **Operational Risk and Business Continuity:** Governed under a Board-approved Operational Risk Management Policy. Periodic RCSA exercises, ORAP reviews, KRI analysis, operational loss monitoring, and TBML risk assessments are conducted. The Risk Nucleus automates RCSA, loss data collection and KRI's monitoring and reporting. The Bank also maintains a robust Business Continuity Management framework supported by tested BCPs and IT Disaster Recovery Plans. During the year,

BCP drills, and DR tests were conducted for critical functions and system / application whereas new three BCP sites were also established.

- **Capital Adequacy and ICAAP:** The ERM Department coordinates ICAAP in line with Basel and SBP requirements. The Bank applies the Standardized Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. As of December 2025, the Capital Adequacy Ratio stood at 17.57%, above regulatory and internal thresholds. ICAAP confirmed capital adequacy under baseline and stressed scenarios, supported by forward-looking projections and management actions.
- **IFRS 9 (Model Risk):** IFRS 9 implementation was strengthened through enhanced policies, SOPs, and improvements to PD, LGD, and EAD models. Data quality initiatives and improved model governance supported stable and reliable ECL estimation.

6. Environmental, Social and Climate-Related Risk

The Bank continued to strengthen the integration of sustainability, environmental, and climate-related risk considerations across its enterprise-wide risk management framework. ESG factors were systematically embedded into credit assessments, supplier management practices, and operational risk evaluations to ensure a more holistic view of risk exposures.

During the year, the Bank enhanced its Environmental & Social (E&S) screening processes for clients and prospective clients. This included the application of sector-specific E&S risk checklists, assessment of clients' compliance with national environmental regulations, and evaluation of potential social impacts associated with financed activities. High-risk cases were escalated for detailed due diligence, ensuring that financing decisions aligned with the Bank's sustainability commitments.

In alignment with regulatory expectations, the Bank strengthened its disclosure practices in accordance with the State Bank of Pakistan's Green Banking Guidelines and key global sustainability frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). These efforts enhanced transparency and positioned the Bank to better manage emerging ESG-related risks.

7. Information & Cyber Security Risk

Information Security plays a pivotal role in protecting information assets from internal and external threats through a defense-in-depth approach. It employs layered controls; preventive, detective, deterrent, and recovery to safeguard critical systems and data. Over the years, the Bank's security posture has been significantly strengthened through key initiatives such as ISO 27001 certification, PCI-DSS compliance initiatives, IT risk assessments, cyber drills, and attack simulations. These efforts demonstrate the Bank's strong commitment to proactively managing information and cyber security risks.

Looking ahead, the Bank aims to further enhance its security maturity through strategic initiatives including the implementation of Data Loss Prevention (DLP), Mobile Device Management (MDM), and the establishment of an internal vulnerability management function to continuously identify, assess, and remediate security weaknesses.

8. Fraud Risk

Fraud Risk Management serves as a shield that safeguards the bank and its stakeholders from deceitful activities. It involves the adoption of a robust fraud risk management program, with a comprehensive fraud management strategy combined with an approach of vigilant monitoring and creating awareness against various frauds with effective control. It's the process of putting effective measures in place to help in the early detection of frauds, whenever they occur. Fraud Risk Management serves as a proactive defense mechanism, which detects and then prevents similar fraudulent activities from infiltrating and affecting various business channels.

9. Credit Administration

Responsible for managing credit limits across Corporate, Investment, Commercial, SME, Consumer, and staff portfolios, including limit input/control, perfection of securities, issuance of Disbursement Authorization Certificates (DAC), drawdown monitoring, documentation review, safe custody of collateral, monitoring covenant compliance, record retention, and adherence to regulatory/internal policies. Also oversees administrative control of ECIB reporting to the State Bank of Pakistan.

10. Consumer Credit Risk

The Consumer Credit Risk Function is mandated to oversee the end-to-end credit underwriting framework for all Consumer Banking products as well as SME Fleet Financing, ensuring that credit decisions remain aligned with the Bank's approved risk appetite, portfolio parameters, and regulatory expectations. The Function also manages the Bank's External Agency framework, encompassing verification, due-diligence, and related oversight activities to reinforce the integrity of underwriting processes and safeguard portfolio quality. Furthermore, the Consumer Credit Analytics unit, operating within this domain, provides comprehensive analytical insights covering portfolio performance, delinquency and overdue trends, vintage analysis, monitoring of portfolio caps, and NPA movements. These insights support proactive risk identification, early-warning capabilities, and informed decision-making at both management and Board levels

11. Credit Operations Department

Handles disbursements of fund-based facilities per DAC, updates repayments in the core banking system, prepares portfolio reports, and ensures classification and provisioning in line with SBP Prudential Regulations. COD operates as a centralized Pan-Pakistan team from Karachi, organized into Consumer, Corporate & SME, Staff, and MIS Reporting divisions.

12. Risk Policy Unit (RMG)

Develops and updates credit and risk management policies, SOPs, and committee charters in line with SBP regulations, ABG guidelines, and industry best practices. Manages Service Level Agreements for RMG units and acts as a central point of contact for internal and external stakeholders.

13. Digitalization of Risk Management

The Bank has implemented key automation initiatives on the Consumer side, including a comprehensive Consumer Financing Origination System and an advanced Collection Management System to enhance efficiency across the customer credit lifecycle. In addition, a

fully functional Digital Onboarding platform has been deployed, enabling customers to obtain instant approvals without the need for a physical visit to the Bank. These automation projects collectively support faster processing, improved credit governance, and an enhanced customer experience, and will continue to be further strengthened as part of the Bank's ongoing digital transformation agenda.

Further, in line with recent regulatory guidelines regarding digitization of SME financing, the bank continues to remain engaged with vendors offering suitable solutions. Supply Chain financing related digitization for transaction flows is at an advanced stage.

The Internal Risk Rating Module of Credit Lens supports preparedness for the Basel Internal Ratings-Based (IRB) Approach and IFRS 9 by generating obligor- and facility-level ratings based on qualitative and quantitative factors. In parallel, the Bank is acquiring automated solutions for ECL computation, Capital Adequacy Ratio (CAR), and Basel Liquidity Standards, and will initiate Recovery and Resolution Planning (RRP) during 2026.

Outlook for 2026

The Bank will continue enhancing its risk management capabilities with greater focus on automation, data-driven decision making, model governance, cyber resilience, continued portfolio oversight and ESG integration. The operating environment is expected to remain challenging; however, the Bank's disciplined risk culture, robust governance framework, and strong capital and liquidity positions provide confidence in its resilience for 2026.

Financial Consumer Protection Framework

The Bank remains firmly committed to delivering superior banking experiences anchored in the principles of fairness, transparency, trust, and impartiality. We strive to foster an inclusive and customer-centric culture that strengthens customer confidence, promotes customer advocacy, and reinforces long-term trust through ethical conduct and responsible business practices.

In line with the State Bank of Pakistan's BPRD Circular No. 04 of 2025 dated October 17, 2025, the Bank comprehensively reviewed and enhanced its existing consumer protection framework. The regulatory instructions and guidelines were consolidated under the "Business Conduct and Fair Treatment of Consumers Regulatory Framework (BC&FRF)", ensuring full alignment with the updated regulatory requirements and reinforcing the Bank's commitment to fair business conduct.

The Bank's Financial Consumer Protection (FCP) Framework, aligned with applicable regulatory guidelines, governs all relevant products and services, including retail and consumer banking, customer servicing, and grievance redressal mechanisms, ensuring consistent and fair treatment of customers across all touchpoints.

Key Financial Consumer Protection Initiatives – 2025

- The Bank conducted extensive Ethical Conduct and Consumer Protection training programs, covering over 2,236 employee trainings. These sessions reinforced the importance of ethical behavior, transparency, accountability, and regulatory compliance, while clearly outlining the expected standards/behaviors of professional conduct. The initiative significantly strengthened staff awareness of customer-centric behaviors, ensuring all customer interactions are handled with courtesy, respect, fairness, and impartially.
- Bank-wide awareness and advocacy campaigns were rolled out through internal email communications to promote the principles of Financial Consumer Protection, reinforcing ethical conduct and responsible customer engagement across the organization.
- The Bank actively promoted a culture of financial literacy among frontline staff through multiple Service Excellence and Product Knowledge training programs. As a result, the Bank achieved an exceptional year-to-date average product knowledge score of 94%, marking the highest level attained in the Bank's history.
- Targeted training initiatives were conducted to enhance the soft aspects of service delivery, focusing on professionalism, communication skills, and customer empathy at frontline service points.
- The Bank consistently upheld its commitment to the fair and impartial treatment of customers throughout their banking journey, ensuring equitable service delivery across its brick-and-mortar branch network.
- Continuous efforts were made to ensure that product features, terms, and service information are communicated to customers in a clear, transparent, and easily

understandable manner, enabling informed decision-making and strengthening customer trust.

Environmental, Social & Governance (ESG) and Green Banking

Al Baraka Bank (Pakistan) Limited (ABPL) continued its focus on **responsible and sustainable banking** throughout FY 2025 by deepening the integration of **Environmental, Social, and Governance (ESG)** principles into its core business model. ABPL continued to proactively mitigate environmental and social risks while expanding its reach through high-impact partnerships and community-centric initiatives.

Key 2025 Initiatives

- **Environmental, Social, and Climate Risk Management:** In 2025, the bank continues to rigorously screen obligors using an ESDD (Environmental and Social Due Diligence) checklist in accordance with green banking guidelines. Throughout 2025, ABPL actively participated in multiple industry working groups to exchange insights on emerging challenges and align with the expectations of internal and external stakeholders to effectively mitigate environmental, social, and climate-related risks by sharing relevant data to regulator and other key stakeholders.
- **Environmental Stewardship & Green Finance:** Celebrated Al Baraka Day 2025 under the theme “Life on Land” (SDG 15), featuring a joint plantation drive of 200 trees with the University of Karachi. The bank successfully concluded its Pan-Pakistan Monsoon Plantation Drive, the bank also launched dedicated Green Solar Finance products for both consumers and staff members, promoting the adoption of renewable energy solutions across the community.
- **Halal Economy & International Trade:** Aligned Pakistan with the Global Halal Economy by collaborating with the Islamic Chamber of Commerce & Development (ICCD) to host four major conferences on Halal Meat, Pharmaceuticals/Cosmetics, Tourism, and Modest Fashion. The bank scaled its Inter-Franchise Collaboration model by launching a Product Webinar connecting Sialkot-based sports goods exporters to 12 new international markets via its Trade Finance Portal.
- **Agricultural & Agribusiness Leadership:** Played a significant role as a key sponsor of the Pakistan Edible Oil Conference, reinforcing its presence in the agribusiness sector. CEO Muhammad Atif Hanif presented a symbolic souvenir of Pakistan’s First Extra Virgin Olive Oil Production, highlighting ABPL’s commitment to driving sustainable agricultural growth.
- **Islamic Finance Advocacy & Thought Leadership:** Strengthened ethical finance awareness by hosting the 3rd and 4th Islamic Banking Ulema Conferences and sponsoring the 4th Al Baraka Regional Conference (Platinum Sponsor) to discuss the role of sovereign Sukuk and SME empowerment. ABPL also continued its "Family Business – Sustainability over Generations" program in Lahore with international scholars.
- **Financial Literacy & Inclusion:** In line with the vision of the State Bank of Pakistan and IBIOP, ABPL conducted extensive Islamic Banking Product Awareness Sessions at institutions like the Government Graduate College for Women - Chakwal and the University of Wah. The team

also conducted sessions across Pakistan as part of the National Financial Literacy Program (NFLP).

- **Sustainable Communities & Social Impact:** Partnered with The Citizens Foundation to support education, sponsored key healthcare platforms, and organized a successful Blood Donation Drive in collaboration with Indus Hospital & Health Network in Karachi and Multan.
- **Youth Engagement & Sports Promotion:** Reaffirmed its commitment to connecting with young people by signing sportsman Shayan Afridi as the Bank's Brand Ambassador. ABPL also proudly sponsored the 9th National Road Cycling Championship, promoting excellence and a healthy lifestyle.
- **Digital Innovation & Inclusion:** Launched Pakistan's first academia Co-Brand Debit Cards with leading educational institutions and introduced the "Women Exclusive Aura Pink Paypak Debit Card" to promote financial inclusion for women.
- **Capacity Building & ESG Awareness:** Conducted specialized workshops and sessions for internal and external stakeholders to enhance understanding of the ESG landscape. Key initiatives included hosting an ESG session with the Korangi Association of Trade and Industry (KATI), visiting obligors to assess sustainability practices, and attending NIBAF trainings alongside obligors. Furthermore, the bank held continuous training sessions for staff members to ensure deep-rooted institutional knowledge of ESG principles.

Through these diverse efforts, ABPL remains dedicated to its mission of being a fair and responsible financial institution, aligning its growth with the UN SDGs and the national sustainability agenda.

Bank's Corporate Social Responsibility Initiatives

In 2025, Al Baraka Bank (Pakistan) Limited demonstrated a strong commitment to sustainable development through a structured CSR program aligned with the United Nations Sustainable Development Goals (SDGs). With an investment of Rs 32 million, the Bank positively impacted more than 5,000 beneficiaries nationwide, reinforcing its role as a responsible and purpose-driven financial institution.

SDG 3 – Good Health and Well-being

- Blood Donation Drives in collaboration with Indus Hospital (Karachi & Multan).
- Healthcare Sponsorship for the wellbeing of deserving communities in the KP region.
- Pinktober 2025 – Breast Cancer Awareness Session.

SDG 4 – Quality Education

- Education Sponsorship at Aitchison College, Lahore for a deserving student.
- Monetary Grant to LUMS – Centre for Excellence in Islamic Finance (CEIF).
- Monetary Grant to IMSciences – Centre for Excellence in Islamic Finance (CEIF).
- Sponsorship of Community-Oriented Research by IMICT.
- Sponsorship of ABPL Representation at IACIS 2025, Texas (USA).

SDG 5 – Gender Equality

- Women Entrepreneurship Week 2025 – Sponsorship & Participation.

SDG 8 – Decent Work and Economic Growth

- Women Entrepreneurship Week 2025 – Promotion of Women-led Enterprises.
- Shaheen Samandar Paar – Educational & Cultural Excursion for Students from Gilgit-Baltistan.

SDG 10 – Reduced Inequalities

- Ramadan Iftar Distribution Drive 2025 in Karachi, Lahore, Multan, Hyderabad, Faisalabad, Islamabad, and Peshawar.
- Collaborative Iftar Drives with Sahulat Food Foundation and Bint-e-Fatima Foundation.
- Eid Ki Khushiyan 2025 in collaboration with Indus Hospital, SOS Village (Peshawar), and Noreen Zindagi Welfare Trust (Islamabad).

SDG 11 – Sustainable Cities and Communities

- NED Alumni Convention 2025 – Sponsorship.
- 17th IBA–Punjab University Alumni Reunion 2025 – Sponsorship.

SDG 13 – Climate Action & SDG 15 – Life on Land

- Plantation Drive at Pakistan Navy (PN) Naval Anchorage, Islamabad.
- Pakistan Blooms 2025 – Mountainous Hydrangea Floral Exhibition, Nathia Gali.
- Horticulture Society Annual Floral Dinner 2025.
- Chrysanthemum Festival at Islamic University College, Peshawar.
- Al Baraka Day 2025 – Plantation Drive at Department of Environmental Sciences.

SDG 16 – Peace, Justice and Strong Institutions (through Sports & Youth Engagement)

- Tussle 2025 – Sports Championship in collaboration with Hira Foundation School.
- 9th Al Baraka National Road Cycling Championship 2025.
- National Volleyball Championship 2025.
- 3rd Chief of Naval Staff All Pakistan Squash Championship 2025.
- 21st State Bank Governor’s Cup 2025.
- 5th World Kyokushin Championship 2025 (Riyadh, Saudi Arabia) – Sponsorship of Pakistan Team.
- Cash Award to Amna Irfan for Bronze Medal at 2nd U-19 Jujitsu Championship.

Through these targeted initiatives, Al Baraka Bank (Pakistan) Limited effectively translated its CSR strategy into tangible outcomes aligned with global sustainability priorities. The Bank’s CSR portfolio for 2025 reflects a balanced focus on social inclusion, education, health, environmental stewardship, and youth development, strengthening its contribution to national progress and the United Nations SDGs.