DIRECTORS' REVIEW

On behalf of the Board of Directors of Al Baraka Bank (Pakistan) Limited ("the Bank"), we are pleased to present the Bank's condensed interim unaudited financial statements for the half year ended June 30, 2026.

Economic Overview

The first half of 2026 was characterized by heightened geopolitical tensions in the Middle East, contributing to volatility in global energy markets and weighing on the global economic outlook. Notwithstanding these external challenges, Pakistan's economy remained resilient, recording real GDP growth of 3.7% in fiscal year 2026, maintaining a broadly stable current account position, and strengthening foreign exchange reserves. Inflationary pressures, however, re-emerged during the period, prompting the State Bank of Pakistan to increase the policy rate to 11.5%.

Financial Performance of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank are given below:

Statement of Financial Position	June 30, 2026 (Rs in Mn)	December 31, 2025 (Rs in Mn)
Total assets	286,325	311,923
Investments	113,441	103,674
Islamic financing and related assets - net	125,677	135,966
Total Deposits	219,910	259,643
Total Equity	22,336	22,053

Profit and Loss Account	January - June 30, 2026 (Rs in Mn)	January - June 30, 2025 (Rs in Mn)
Profit before taxation	1,727	2,675
Profit after taxation	699	1,335
Basic / diluted earning per share - Rupee	0.51	0.97

For the half year ended June 30, 2026, the Bank recorded a profit after tax of Rs. 699 million, translating into earnings per share (EPS) of Re. 0.51. The Bank achieved a return on equity (ROE) of 6.3% and a return on assets (ROA) of 0.5%, reflecting resilient profitability despite a lower SBP policy rate environment compared to the corresponding period last year. Total income declined relative to the corresponding period last year, primarily due to the lagged repricing effect of reductions in the State Bank of Pakistan's policy rate. Notwithstanding this, profitability was supported by substantial recoveries from non-performing exposures.

The Bank remained focused on mobilizing current and low-cost deposits to mitigate pressure on spreads arising from the declining policy rate environment, while proactively optimizing its deposit mix through the reduction of high-cost deposits. The Bank's financing portfolio comprises blue-chip corporate, commercial, and SME customers, complemented by a growing consumer financing portfolio. As a result, the Bank's gross advances-to-deposit ratio remained above 60%, reflecting prudent balance sheet deployment and effective utilization of funds. Further due to Bank's concentrated efforts on recovery of non – performing financing (NPF), the NPF ratio has been reduced to 7.6%.

The Bank's Capital Adequacy Ratio (CAR) remained at 18.46%, well above the minimum regulatory requirement.

Credit Rating

Based on the Bank's financial statements for the year ended December 31, 2025, VIS Credit Rating Company Limited reaffirmed the Bank's long-term entity rating at 'AA-' and short-term entity rating at 'A-1'. The outlook on the assigned ratings remains 'Stable'.

Acknowledgement

The Board wishes to place on record its sincere appreciation 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. The Board also extends its gratitude to the Bank's valued customers, shareholders, and business partners for their continued trust and confidence. Finally, we acknowledge the dedication, commitment, and hard work of our employees, whose contributions remain integral to the Bank's continued success.

On behalf of the Board.

Muhammad Atif Hanif
Chief Executive Officer

Azhar Aziz Dogar
Chairman

August 27, 2026
Islamabad