



**DIRECTORS' REVIEW**  
**FOR THE NINE MONTHS ENDED**  
**30 SEPTEMBER 2025**

## AL BARAKA BANK (PAKISTAN) LIMITED

### 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 nine months ended September 30, 2025.

#### Economic Overview

The global economy continued its moderate expansion during 2025, with the IMF projecting global GDP growth around 3% for both 2025 and 2026. Inflationary pressures have eased globally, with average inflation expected to moderate to 4.2% in 2025 and 3.6% in 2026. In a significant policy shift, the U.S. Federal Reserve cut its benchmark interest rate by a quarter percentage to 4.25% from 4.5% in September 2025.

Pakistan's economy registered a GDP growth of 2.68% in FY2025, driven by a recovery in industrial production and expansion in the services sector. Looking ahead, the IMF has forecast a GDP growth rate of 3.6% for FY2026. The growth rate of inflation receded to 5.6% in September 2025. However, recent flood-related disruptions have posed challenges, particularly in the areas of food security and inflation control, which may hinder the government's ability to achieve the projected GDP growth. The State Bank of Pakistan (SBP), in its last meeting held in September 2025, has maintained the policy rate at 11% citing the need to balance inflation control with growth support amid flood-related uncertainties.

Pakistan recorded a current account deficit for July-August FY2026 amounting to USD 624 million, compared to USD 430 million in the same period last year. The deterioration was driven by a widening trade deficit despite an increase in remittances in the same period. As of the end of September 2025, Pakistan's foreign exchange reserves stood at USD 19.8 billion, with SBP's FX reserves at USD 14.40 billion. The recent Pakistan and Saudi Arabia's Strategic Mutual Defence Agreement is expected to unlock substantial investment opportunities, particularly in energy, infrastructure, and defence manufacturing.

The Pakistan Stock Exchange (PSX) sustained its bullish momentum, with the KSE-100 Index surging to 165,493.59 points by September 2025, compared to 81,114.20 points in September 2024—reflecting a remarkable year-on-year increase of over 100%. This robust performance was underpinned by improving investor confidence, driven by easing inflationary pressures, stable interest rates, significant improvement in current account in FY2025 and optimism surrounding anticipated structural reforms.

Looking ahead, the economic outlook remains cautiously optimistic. Sustained fiscal discipline, continued reform implementation, and timely realisation of external inflows will be critical to maintaining macroeconomic stability. However, risks from climate-related disruptions, global commodity price volatility, and geopolitical tensions warrant close monitoring.

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## Credit Rating of the Bank

Alhamdulillah, it gives us immense pleasure to inform you that VIS Credit Rating Company Limited (VIS) has upgraded the entity ratings of the Bank to 'AA-/A1'. Medium to long-term rating of 'AA-' indicates high credit quality; protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. Short-term rating of 'A1' indicates a strong likelihood of timely repayment of short-term obligations with excellent liquidity factors. The rating of the Bank's Basel III-compliant Tier-2 Sukuk has also been upgraded to 'A+'. Outlook on the assigned ratings is 'Stable'. The ratings assigned to the Bank are supported by its improving financial risk profile and demonstrated sponsor support in prior years.

## Financial Performance of the Bank

The financial highlights of the Bank are given below:

Financial Highlights	Rs. in Millions	
	30-Sep-25 (Un-Audited)	31-Dec-24 (Audited)
Total assets	288,186	273,261
Financing-Net	105,094	101,439
Deposits	239,951	223,402

PROFIT AND LOSS ACCOUNT	January - September 2025 (Unaudited)	January - September 2024 (Unaudited)
Average SBP Policy Rate	11.6%	21.0%
	<b>Rs. in Millions</b>	
Net spread earned	8,937	11,562
Fee, commission and other non-funded income	1,958	1,887
<b>Total income</b>	<b>10,895</b>	<b>13,449</b>
Administrative expenses and other charges	(7,871)	(6,927)
<b>Operating profit</b>	<b>3,024</b>	<b>6,522</b>
Reversal / (provision) and write offs - net	359	(380)
<b>Profit before tax</b>	<b>3,383</b>	<b>6,142</b>
Taxation	(1,744)	(3,081)
<b>Profit after tax</b>	<b>1,639</b>	<b>3,061</b>
<b>Earnings per share (EPS) - Rupees</b>	<b>1.19</b>	<b>2.23</b>
<b>Branches</b>	<b>185</b>	<b>172</b>

By the grace of Allah (SWT), the Bank has delivered commendable financial results for the nine months ended September 30, 2025, despite operating in a challenging macroeconomic environment. The period was marked by several headwinds, including a significant reduction in the average policy rate to 11.6%—down from 21.0% in the corresponding period last year—the imposition of the Minimum Deposit Rate (MDR) on savings accounts for Islamic Banks, and an increase in taxation rate from 49% to 53%.



The Bank reported a Profit After Tax (PAT) of Rs. 1.64 billion for the nine months ended on September 30, 2025, translating into Earnings Per Share (EPS) of Rs. 1.19, compared to Rs. 3.06 billion (EPS of Rs. 2.23) in the same period last year. Total assets increased by 5.5% to Rs. 288.2 billion as of September 30, 2025, up from Rs. 273.3 billion on December 31, 2024. The financing portfolio (net) maintained its growth momentum, rising to Rs. 105.1 billion from Rs. 101.4 billion at year-end 2024 - a growth of 4%. The Gross Financing to Deposit Ratio stood at 49%. The Bank remains committed to expanding its client base across all segments, including Corporate, Commercial, and SME sectors.

Deposits increased by 7.6% to Rs. 240 billion, compared to Rs. 223 billion as of December 2024. The Bank maintained a healthy deposit mix, with current and savings accounts comprising 81% of total deposits. Strategic initiatives continue to focus on enhancing the granularity of the deposit base.

Net spread income for the nine months ended on September 30, 2025, amounted to Rs. 8.9 billion, compared to Rs. 11.6 billion in the corresponding period last year, reflecting the impact of a 940 basis points reduction on an average basis in the SBP policy rate and imposition of MDR on savings account deposits. Other income rose to Rs. 2 billion from Rs. 1.9 billion, supported by higher fees and commission income and income from dealing in foreign currencies. Total income for the period amounted to Rs. 10.9 billion, compared to Rs. 13.4 billion in the same period last year.

In 2024, the Bank continued its strategic expansion by adding 15 new branches to its network, reinforcing its commitment to increasing its presence across Pakistan. Operating expenses rose to Rs. 7.9 billion from Rs. 6.9 billion in the previous year, reflecting the cost impact of growth initiatives. In parallel, the Bank is investing significantly in its digital infrastructure, with the launch of the Car Financing application for digital processing reinforcing Bank's continuous strategic focus on this business segment. Likewise on retail side, Bank maintains its lead market share in Private Hajj Business supported by a digital application tailor made for this niche market.

The Bank's flagship initiative Inter-Franchise Trade Finance Collaboration among Al Baraka Group (ABG) subsidiaries launched in 2023 continues to grow with new dimensions by introducing a product based webinar hosting sports goods at Sialkot and connecting with importers of sports goods in other subsidiary countries of ABG. Such successful initiatives are supporting Bank's engagement with right business segments and at the same time contributing to Pakistan's economy by providing exporters access to new markets.

Innovative initiatives have been hallmark of the transformation strategy and journey over last three years which has substantially upgraded the Bank's brand and outreach in both retail and business segments.

The Bank's Capital Adequacy ratio is at a comfortable level of 19.18% as of September 30, 2025, well above the minimum regulatory requirements of 11.50%.



## Acknowledgement

The Board wishes to place on record 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, subordinated sukuk holders, 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.

  
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Muhammad Atif Hanif  
Chief Executive Officer

  
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Azhar Aziz Dogar  
Chairman

October 15, 2025  
Islamabad