

**AL BARAKA BANK (PAKISTAN) LIMITED**  
**DIRECTORS' REVIEW**

On behalf of the Board of Directors of the Al Baraka Bank (Pakistan) Limited (the Bank), we are pleased to present the condensed interim unaudited financial statements of the bank for the quarter ended 31 March 2024.

**Economic Overview**

The new government has taken charge of country's affairs after general elections in February 2024. The economic indicators have started to show early signs of recovery, signifying an optimistic GDP outlook in FY2024. The easing of import restrictions has eased supply constraints, leading to pick-up in economic activity. The PKR has stabilized and the PSX has shown performance improvements, reflecting a conducive environment for the economic recovery. GDP growth rate is recorded at 1.1% for the quarter ended December 2024 as compared to 2.2% during comparative period last year.

CPI inflation recorded at 20.7% on YoY basis in March 2024 from 23.1% in the previous month. It stood at 35.4% in March 2023. In order to control inflation, SBP has maintained the policy rate at 22% in March 2024. However, it has been observed that sizeable adjustments in administered energy prices have slowed down the pace of decline in inflation anticipated earlier. On the other hand, the non-energy inflation continues to moderate, in line with expectations.

Total export of goods for nine months from July 2023 to March 2024 increased by 9% and reached USD 22.9 billion as compared to USD 21 billion in comparative period last year while total import of goods declined by 8.7% reaching USD 39.9 billion as compared to USD 43.7 billion in comparative period last year. Resultantly, the trade deficit recorded at USD 17 billion for Jul-Mar FY24 as against USD 22.7 billion during comparative period last year.

Total foreign exchange reserves of the country increased to USD 13.4 billion in March 2024, with SBP's reserves stood at USD 8.1 billion and banks' reserves were recorded at USD 5.3 billion. The Pak rupees has started appreciating since touching all time high of PKR 307 per USD at start of September 2023. The exchange rate at the end of March 2024 is PKR 278 per USD as compared to PKR 282 per USD as at December 2023.

The performance of Pakistan Stock Exchange (PSX) remained volatile in early 2024; touched a low of 61,979 points as of 31 January 2024. However, after general elections in February 2024, the stock market started improving and closed at 67,005 points as at 31 March 2024.

## Financial Highlights of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank are given below:

Financial Highlights	31 March 2024 (Un-Audited)	31 December 2023 (Audited)	Variance
Deposits	Rs. 199.1 Billion	Rs. 207.3 Billion	(4.0%)
Investments	Rs. 117.6 Billion	Rs. 122.9 Billion	(4.3%)
Financing-Net	Rs. 77.5 Billion	Rs. 79.8 Billion	(2.9%)
Total assets	Rs. 245.2 Billion	Rs. 255.4 Billion	(4.0%)
Equity	Rs. 18.2 Billion	Rs. 18.3 Billion	(0.5%)
Capital Adequacy Ratio (CAR)	20.87%	19.33%	1.54%

PROFIT AND LOSS ACCOUNT	January - March 2024	January - March 2023	Variance
	<i>Rs. in million</i>		
Profit/return earned	9,132	7,771	17%
Profit/return expensed	(6,125)	(4,969)	23%
<b>Net spread earned</b>	<b>3,007</b>	<b>2,802</b>	<b>7%</b>
Fee and commission income	242	238	2%
Foreign exchange income	441	344	28%
Gain on securities	20	3	567%
Dividend and other income	1	3	(67%)
<b>Total other income</b>	<b>704</b>	<b>588</b>	<b>20%</b>
Administrative expenses and other charges	(2,143)	(1,791)	(20%)
<b>Operating profit</b>	<b>1,568</b>	<b>1,599</b>	<b>(2%)</b>
Reversal / (provision) and write offs - net	280	(285)	(198%)
<b>Profit before tax</b>	<b>1,848</b>	<b>1,314</b>	<b>41%</b>
Taxation	(894)	(570)	57%
<b>Profit after tax</b>	<b>954</b>	<b>744</b>	<b>28%</b>

## Financial Performance

By the Grace of Allah, the Bank has recorded decent financial results for the first quarter of 2024. The focus remained on increasing efficiencies and strengthening of Bank's key financial indicators. The deposit of the Bank closed at Rs 199.1 billion as at March 2024 as compared to Rs 207.3 billion recorded at December 2023. CASA deposit mix of the Bank improved to 73% as of March 2024, as compared to 72% as at December 2023.

In the profit and loss account, the net spread earned by the Bank increased by 7% and was recorded at Rs. 3,007 million as compared to Rs. 2,802 million during corresponding period

last year. Other income stood at Rs. 704 million as compared to Rs. 588 million recorded in March 2023 mainly on account of higher foreign exchange income and fee and commission income booked in current year.

Administrative expenses have increased mainly on account of inflationary pressure in 2024. The Bank continues to follow disciplined cost management strategy and enhancing business synergies.

During the period, the Bank recorded net provision reversal of Rs. 280 million as compared to net provision charge of Rs. 285 million during comparative period last year. The Bank is making concrete efforts to regularize certain old chronic accounts as well as improving the coverage ratio and we expect further reversals during remaining period of 2024.

The Bank recorded healthy net profit of Rs. 954 million registering an increase of 28% from March 2023.

The Bank remained comfortably compliant on its Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR). The CAR of the Bank significantly improved to 20.87% as of 31 March 2024 as compared to 19.33% as of 31 December 2023. The increase in CAR is mainly due to improved profitability during the period and Bank's cautious approach to manage its Risk Weighted Assets.

The Bank recorded Earnings per share (EPS) of Rs. 0.69 per share, up from Rs. 0.54 per share recorded during corresponding period last year.

### **Future Outlook**

General elections have successfully been held in February 2024 and the new government is courageously facing multiple challenges on economic front, foreign debt management, balance of payment, high unemployment and maintaining political stability in Pakistan. This is essential to restore the investors' confidence on Pakistan's economy.

The government has appointed a seasoned banker as Finance Minister to spearhead financial affairs of the country. The government achieved a significant milestone in its early days by reaching staff-level agreement with IMF in March 2024 on the second and final review under Pakistan's Stand-By Arrangement, subject to the approval of IMF's Executive Board. Upon approval, Pakistan will have access to around USD 1.1 billion.

The Bank is carefully evaluating country's economic situation and will continue to adapt cautious approach, remaining liquid as much as possible and safeguarding Sponsors and depositors' money in these unprecedented times.

### **Credit Rating**

Based on the financial statements of the Bank for the year ended 31 December 2022, VIS Credit Rating Company Limited has maintained the long-term rating to 'A+' and the short-term rating at 'A-1'.

### 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

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**Muhammad Atif Hanif**  
Chief Executive Officer

**23 April 2024**  
Karachi

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**Dr. Jehad El-Nakla**  
Chairman