

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' period ended September 30, 2024.

Economic Overview

Pakistan's economic growth rebounded to 2.4% in fiscal year 2024, driven by increased domestic consumption fueled by higher agricultural income and workers' remittances, despite a subdued recovery in the industrial and services. Since February 2024, the country has experienced a significant decline in growth rate of inflation, with the Consumer Price Index (CPI) entering single-digit territory—a milestone not reached in the past three years. CPI inflation stood at 6.9% year-on-year (YoY) in September 2024, marking a substantial decrease from 31.4% YoY in September 2023.

The current account deficit narrowed to USD 171 million during FY25 (July-August 2024), compared to a deficit of USD 893 million in the corresponding period of the previous year. Pakistan also posted a current account surplus of USD 75 million in August 2024. Workers' remittances saw a significant increase of 44%, rising to USD 5.9 billion in FY25 (July-August 2024) from USD 4.1 billion in the same period last year. The Rupee appreciated against the US dollar, reaching PKR 278 per USD in September 2024, compared to PKR 282 per USD in December 2023. The containment of the current account deficit, coupled with stable foreign exchange market conditions, has facilitated the rebuilding of foreign exchange reserves, which rose to USD 15.98 billion in September 2024.

During the third quarter of 2024, the Executive Board of the International Monetary Fund (IMF) approved a 37-month Extended Arrangement under the Extended Fund Facility (EFF) for Pakistan, amounting to approximately USD 7 billion. Also, Moody's upgraded Pakistan's local and foreign currency issuer and senior unsecured debt ratings from Caa3 to Caa2 in the same period.

In light of moderate GDP growth and declining inflationary pressures, the SBP's Monetary Policy Committee (MPC), in its meeting on September 12, 2024, reduced the policy rate by 200 basis points, bringing it down to 17.5%. This marks a cumulative decrease of 450 basis points in 2024, down from 22% at the beginning of the year.

The Pakistan Stock Exchange (PSX) exhibited volatility in early 2024; however, following the general elections in February 2024 and improved economic indicators, positive sentiment prevailed. As of September 30, 2024, the PSX-100 index closed at 81,114 points.





Financial Highlights of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank are given below:

Financial Highlights	30 September 2024 (Un-Audited)	31 December 2023 (Audited)	Variance
Deposits	Rs. 215.4 Billion	Rs. 207.3 Billion	3.9%
Investments	Rs. 115.5 Billion	Rs. 122.9 Billion	(6.0%)
Financing-Net	Rs. 81.4 Billion	Rs. 79.8 Billion	2.0%
Total assets	Rs. 265.4 Billion	Rs. 255.4 Billion	3.9%
Equity	Rs. 20.7 Billion	Rs. 18.3 Billion	13.1%
Capital Adequacy Ratio (CAR)	22.72%	19.33%	3.39%

PROFIT AND LOSS ACCOUNT	January - September 2024	January - September 2023	Variance
	Rs. in million		
Profit/return earned	30,071	26,685	13%
Profit/return expensed	(18,621)	(17,007)	9%
Net spread earned	11,450	9,678	18%
Fee and commission income	664	744	(11%)
Foreign exchange income	935	533	75%
Gain on securities	262	27	870%
Dividend and other income	26	16	63%
Total other income	1,887	1,320	43%
Administrative expenses and other charges	(6,840)	(5,722)	20%
Operating profit	6,497	5,276	23%
Reversal / (provision) and write offs - net	(380)	(733)	(48%)
Profit before tax	6,117	4,543	35%
Taxation	(3,069)	(1,957)	57%
Profit after tax	3,048	2,586	18%

Financial Performance

By the grace of Allah (SWT), the Bank has exhibited good financial results for the nine months' period ended September 30, 2024. The focus has remained on enhancing



closed at Rs 215.4 billion, reflecting a growth of 3.9% compared to Rs 207.3 billion as of December 31, 2023. The current and savings deposit mix improved to 73% as of September 30, 2024, from 72% as of December 2023. The Bank's gross financing portfolio reached Rs 94.8 billion, with a gross Advance to Deposit Ratio of 44% as of September 30, 2024.

The Bank reported a net profit of Rs. 3,048 million, an increase of 18% from September 30, 2023. Earnings per share (EPS) rose to Rs. 2.22 per share, up from Rs. 1.88 per share in the same period last year. The net spread earned by the Bank grew by 18%, amounting to Rs. 11,450 million compared to Rs. 9,678 million during the corresponding period last year. Other income totaled Rs. 1,887 million, an increase from Rs. 1,320 million recorded as of September 30, 2023, primarily due to higher foreign exchange income in the current period.

Administrative expenses have risen, largely due to inflationary pressures in 2024. The Bank remains committed to a disciplined cost management strategy while enhancing business synergies.

During this period, the Bank recorded a net provision charge of Rs. 380 million, compared to Rs. 733 million in the same period last year. The Bank is actively working to regularize certain old chronic accounts and improve its total coverage ratio, which stood at 99% as of September 30, 2024, compared to 91% in December 2023.

The Bank remained well-compliant with its Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR). The CAR significantly improved to 22.72% as of September 30, 2024, from 19.33% as of December 31, 2023. This improvement was primarily driven by enhanced profitability and the Bank's cautious approach to managing its risk-weighted assets.

Future Outlook

Despite the improvement in economic conditions, Pakistan's vulnerabilities and structural challenges remain formidable. The federal government is focused on enhancing revenue mobilization and prudent expenditure management while making structural reforms to enable country to achieve resilience and enable sustainable growth. Pakistan has received the first tranche of USD 1.03 billion under the newly approved USD 7 billion 37 months Extended Fund Facility Agreement (EFF) from IMF which is designed to help the country to meet its maturing foreign debt obligations over the next three years. The Bank is carefully evaluating country's economic situation and will continue to adapt cautious approach.

The Federal Government has restored ADR Tax for the financial year ending on December 31, 2024. The Bank is focused to adopt tax optimal strategy to enhance its shareholder value while enhancing its customer deposit base.

Credit Rating

Based on the financial statements of the Bank for the year ended 31 December 2023, VIS Credit Rating Company Limited has maintained the long-term rating to 'A+' and the short-term rating at 'A-1'. Outlook of the Bank has been improved from 'Stable' to 'Positive'.



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, 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

October 24, 2024
Karachi

Azhar Aziz Dogar
Chairman