

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 nine months period ended 30 September 2023.

Economic Overview

Pakistan's challenges in recent times have remained significant. The external front has been mainly impacted by rising commodity prices and debt repayments that led to severe pressure on domestic economy, compounded by a lack of political clarity. These factors have led to an overall slowdown in the economy.

The inflation rate in Pakistan touched peak of 38% in the month of May 2023 and it started to ease off from the month of June 2023 where it was recorded at 29.4%. However, inflation rate has again accelerated in the month of September 2023 to 31.4% mainly on account of increase in fuel and energy prices.

The country posted a current account deficit (CAD) of USD 160 million in Aug 2023 compared to USD 775 million in July 2023. Cumulatively, during Jul-Aug 2023, the current account deficit (CAD) clocked in at USD 935 million compared to USD 2,035 million during Jul-Aug 2022, a sharp reduction of 54% owing to imposition of import restrictions and economic slowdown.

Since agreement with IMF in June 2023, Pakistan's foreign exchange reserves have increased and have reached USD 13 billion in early October 2023. SBP's forex reserves stand at USD 7.6 billion while commercial bank's reserves stand at USD 5.4 billion. The Pak rupees has appreciated since touching all time high of PKR 307 per USD at start of September 2023. The exchange rate as of the end of September 2023 is PKR 287.7 per USD.

The policy rate has been maintained at 22% by SBP in September 2023. The decision takes into account the declining trend in inflation.

Financial Highlights

The financial highlights of the Bank are given below:

	30 September 2023 (Un-Audited)	31 December 2022 (Audited)	Growth
Deposits	Rs. 190.6 Billion	Rs. 185.0 Billion	3.0% ↑
Investments	Rs. 121.3 Billion	Rs. 109.9 Billion	10.4% ↑
Financing-Net	Rs. 78.2 Billion	Rs. 86.1 Billion	9.2% ↓
Total assets	Rs. 248.4 Billion	Rs. 233.7 Billion	6.3% ↑
Equity	Rs. 17.1 Billion	Rs. 14.6 Billion	17.1% ↑
Capital Adequacy Ratio (CAR)	19.61%	15.80%	3.81% ↑

PROFIT AND LOSS ACCOUNT	January - September 2023	January - September 2022	Variance
	<i>Rs. In million</i>		
Profit/return on financing, investments and placements	26,685	17,006	57%
Return on deposits and other dues expensed	(17,007)	(11,199)	52%
Net spread earned	9,678	5,807	67%
Fee and commission income	744	729	2%
Foreign exchange income	533	712	(25%)
Gain on securities - net	27	21	29%
Dividend and other income	16	31	(48%)
Total other income	1,320	1,493	(12%)
Administrative expenses and other charges	(5,722)	(4,843)	18%
Operating profit	5,276	2,457	115%
Provisions	(733)	(579)	26%
Profit before tax	4,543	1,878	142%
Taxation	(1,957)	(734)	167%
Profit after tax	2,586	1,144	126%

Financial Performance

By the Grace of Allah, the Bank has witnessed a decent growth trajectory during the nine months period ended 30 September 2023. The focus remained on increasing efficiencies and strengthening of Bank's key financial indicators. The deposit of the Bank closed at Rs. 190.6 billion as at September 2023 as compared to Rs. 185.1 billion recorded last year. The focus during the period has remained on mobilizing current accounts, which increased to Rs. 55.6 billion from Rs. 38.2 billion as of December 2022 (growth of 46%).

The investment portfolio of the Bank has increased by 10% from December 2022 and stands at Rs. 121.3 billion as of 30 September 2023. The financing portfolio stands at Rs. 78.2 billion as at September 2023 which has reduced by 9% from last year, mainly on account of cautious approach adopted by the Bank in building its financing book.

In profit and loss account, the net spread earned by the Bank increased by 67% and was recorded at Rs. 9,678 million as compared to Rs. 5,807 million in the corresponding period last year. Other income stood at Rs. 1,320 million as compared to Rs. 1,493 million recorded in corresponding period last year mainly on account of lower foreign exchange income booked in current period.

During the period ended 30 September 2023, the Bank recorded healthy net profit of Rs. 2,586 million, which has increased by 126% as compared to similar period last year. The Bank remained compliant on its Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR). The CAR of the Bank has been recorded at 19.61% as of 30 September 2023 as compared to 15.80% as of 31 December 2022. The increase in CAR is mainly due to improved profitability during 2023 and Bank's cautious approach to manage its Risk Weighted Assets.

Administrative expenses have increased 18% mainly on account of inflationary pressure in 2023. The Bank continues to follow disciplined cost management strategy and enhancing business synergies.

During the period, the Bank recorded incremental provision of Rs. 732 million and has further strengthened asset quality of the Bank. The Bank is actively working on recovery of non-performing accounts and is hopeful of their recovery, which will further improve profitability of the Bank.

The Bank recorded Earnings per share (EPS) of Rs. 1.88 per share, up from Re. 0.83 per share recorded corresponding period last year.

Future Outlook

Though FY2023 remained a challenging year, the government succeeded in ensuring the sustainability of the external and fiscal sectors through various tough decisions and stabilization measures. As per Ministry of Finance, GDP of the country is projected to grow by 3.5% in FY2024 and will be achieved as a result of various measures such as the Kissan package, industrial support, export promotion, encouragement of the IT sector and resource mobilization, etc.

To achieve higher and sustainable economic growth, it will require prudent and effective economic decisions, political and economic certainty and pro-business policies. The IMF approval of the Stand-By Arrangement in June 2023 has paved the way to improve macroeconomic environment and confidence of economic stakeholders.

Meanwhile, the Bank will continue to adapt cautious approach, maintain sufficient liquidity and safeguard Sponsors and depositors money in these unprecedented times.

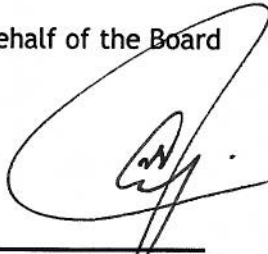
Credit Rating

Based on the financial statements of the Bank for the year ended 31 December 2022, VIS 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



Muhammad Afif Hanif
Chief Executive Officer



Dr. Jehad El-Nakla
Chairman

26 October 2023
Karachi