

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 half year ended June 30, 2024.

Economic Overview

The outgoing fiscal year witnessed moderate economic recovery. Government's prudent policy management and administrative measures have restored market confidence, which led to a pickup in economic activity. GDP growth accelerated to 2.4% in FY2024. CPI inflation recorded at 11.1% on a YoY basis in July 2024, a significant decrease from 28.3% in July 2023. This decline can be attributed to several factors, such as monetary tightening, fiscal consolidation, smooth supplies of food items, favourable global commodity prices, and exchange rate stability. The government's efforts have played a significant role in containing inflation, demonstrating its commitment to price stability.

As a result of a moderate GDP growth rate and declining inflationary pressure, the Monetary Policy Committee (MPC), in its recent meeting held on July 29, 2024, has reduced the policy rate by 100 bps to 19.5%. The policy rate has been decreased by 250 bps in 2024.

The current account deficit has decreased to USD 681 million in FY24 as compared to USD 3,275 million in FY23. The trade deficit was recorded at USD 22.1 billion in FY24 as compared to USD 24.8 billion during the comparative period last year. Workers' remittances have also increased by 11% to USD 30.3 billion in FY24 from USD 27.3 billion in FY23.

Total foreign exchange reserves of the country increased to USD 14.6 billion in June 2024, with SBP's reserves stood at USD 9.4 billion and banks' reserves were recorded at USD 5.2 billion. The exchange rate has appreciated to PKR 278 per USD as at June 2024 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 78,445 points as at 30 June 2024.





Financial Highlights of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank are given below:

Financial Highlights	30 June 2024 (Un-Audited)	31 December 2023 (Audited)	Variance
Deposits	Rs. 197.5 Billion	Rs. 207.3 Billion	(4.7%)
Investments	Rs. 114.3 Billion	Rs. 122.9 Billion	(7.0%)
Financing-Net	Rs. 81.8 Billion	Rs. 79.8 Billion	2.5%
Total assets	Rs. 250.7 Billion	Rs. 255.4 Billion	(1.8%)
Equity	Rs. 19.5 Billion	Rs. 18.3 Billion	6.6%
Capital Adequacy Ratio (CAR)	21.45%	19.33%	2.12%

PROFIT AND LOSS ACCOUNT	January - June 2024	January - June 2023	Variance
	<i>Rs. in million</i>		
Profit/return earned	20,011	16,960	18%
Profit/return expensed	(12,335)	(10,711)	15%
Net spread earned	7,676	6,249	23%
Fee and commission income	436	462	(6%)
Foreign exchange income	680	451	51%
Gain on securities	19	3	533%
Dividend and other income	18	9	100%
Total other income	1,153	925	25%
Administrative expenses and other charges	(4,486)	(3,736)	20%
Operating profit	4,343	3,438	26%
Reversal / (provision) and write offs - net	25	(477)	(105%)
Profit before tax	4,368	2,961	48%
Taxation	(2,141)	(1,169)	83%
Profit after tax	2,227	1,792	24%

Financial Performance

By the Grace of Allah, the Bank has recorded decent financial results for the first half of 2024. The focus remained on increasing efficiencies and strengthening of Bank's key financial indicators. The deposit of the Bank closed at Rs 197.5 billion as at June 2024 as compared to Rs 207.3 billion recorded at December 2023. CASA deposit mix of the Bank improved to 75% as of June 2024, as compared to 72% as at December 2023.



In the profit and loss account, the net spread earned by the Bank increased by 23% and was recorded at Rs. 7,676 million as compared to Rs. 6,249 million during corresponding period last year. Other income stood at Rs. 1,153 million as compared to Rs. 925 million recorded in June 2023 mainly on account of higher foreign exchange income booked in current period.

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. 25 million as compared to net provision charge of Rs. 477 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. 2,227 million registering an increase of 24% from June 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 21.45% as of 30 June 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 has recorded Earnings per share (EPS) of Rs. 1.62 per share, up from Rs. 1.30 per share recorded during corresponding period last year.

Future Outlook

The Government continues to face multiple challenges on economic front including foreign debt management, balance of payment, high unemployment and maintaining political stability in Pakistan. Efforts are being made through various policies and critical structural reforms to maintain progress towards macroeconomic stabilization in the country. This is essential to restore the investors' confidence in Pakistan's economy.

The government has successfully reached on a staff-level agreement on a 37 months Extended Fund facility Agreement (EFF) of about USD 7 billion to strengthen economic stability and to create conditions for a stronger and resilient growth.

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 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

August 29, 2024
Karachi

Azhar Aziz Dogar
Chairman