

On behalf of the Board of Directors of the Al Baraka Bank (Pakistan) Limited (the Bank), we are pleased to present the 17th annual report along with the audited financial statements of the Bank and Auditors' report for the year ended 31 December 2022.

Economic Overview

The banking industry of Pakistan has continued to grow in recent times despite challenging times faced by the economy. The country achieved GDP growth of 5.97% in FY2022, wherein all major sectors performed well. The industrial sector grew by 7.2%, followed by services sector and agricultural sector at 6.2% and 4.4% respectively. However, from beginning of FY 2023 economy has again faced challenges owing to rising inflation, current account deficit and political instability.

With current account deficit increasing in 2022, foreign exchange reserves of Pakistan have depleted significantly. This triggered fall of the rupee parity against foreign currencies. Pak Rupee depreciated by 43.4% against US Dollar since July 2021; reaching Rs. 226 per USD in December 2022. The start of 2023 has witnessed a further devaluation of 14% where by exchange rate touched high of Rs 275 per USD. SBP's own foreign exchange reserves and cumulative reserves (including held by banks) depleted sharply to USD 3.2 billion and USD 8.7 billion respectively in February 2023.

The pressure on USD parity rate and restrictions on import has increased food and energy costs which has resulted in inflation rate of around 27% in January 2023, highest level in several decades. This situation necessitated the Government to take immediate tough measures to accomplish revenue targets set under IMF plan.

The Government and SBP have also taken a number of steps to control inflation and rupee depreciation, including raising the policy rate from 9.75% in December 2021 to 17% in January 2023. Other measures included tightening of consumer financing regulations and import curtailments through higher margin requirements, segregation of essential and non-essential import categories; levy of additional taxes etc. The pressure on USD parity rate and SBP held reserves is expected to ease off as Government progresses ahead on IMF Program.

The financial highlights of the Bank are given below:

Financial Highlights	2022	2021	Growth
Deposits	Rs. 185.1 Billion	Rs. 178.9 Billion	3.4% ↑
Investments	Rs. 109.9 Billion	Rs. 76.6 Billion	43.5% ↑
Financing-Net	Rs. 86.1 Billion	Rs. 96.2 Billion	(10.5%) ↓
Total assets	Rs. 233.7 Billion	Rs 218 Billion	7.2% ↑
Equity	Rs. 14.6 Billion	Rs 13.4 Billion	9% ↑
Capital Adequacy Ratio (CAR)	15.80%	12.97%	2.83% ↑





PROFIT AND LOSS ACCOUNT	2022	2021	%
	<i>Rs. in million</i>		
Profit/return on financing, investments and placements	24,793	13,744	80%
Return on deposits and other dues expensed	(16,347)	(7,214)	127%
Net spread earned	8,446	6,530	29%
Fee and commission income	898	999	(10%)
Foreign exchange income	827	803	3%
Gain on securities	22	131	(83%)
Dividend and other income	44	49	(10%)
Total other income	1,791	1,982	(10%)
Administrative expenses and other charges	(6,545)	(5,630)	16%
Operating profit	3,692	2,882	28%
Provision against non performing financing, investments and other assets	(1,056)	(2,208)	(52%)
Profit before tax	2,636	674	291%
Taxation	(1,126)	(43)	25 times
Profit after tax	1,510	631	139%

By the Grace of Allah, the Bank has witnessed a decent growth trajectory in 2022. The focus remained on increasing efficiencies and strengthening of Bank's key financial indicators. The deposit of the Bank closed at Rs 185 billion in 2022 as compared to Rs 179 billion recorded last year. The investment portfolio of the Bank has increased by 43.5% and stands at Rs 110 billion as at December 2022.

In profit and loss account, the net spread earned by the Bank increased by 29% and was recorded at Rs 8,446 million as compared to Rs 6,530 million last year. Other income stood at Rs 1,791 million as compared to Rs 1,982 million recorded in 2021 mainly on account of lower capital gains booked in current year.

The Bank recorded healthy net profit of Rs. 1,510 million registering an increase of 139% during last year.

The Bank remained compliant on its Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR). The CAR of the Bank significantly improved to 15.80% as of 31 December 2022 as compared to 12.97% as of 31 December 2021. The increase in CAR is mainly due to improved profitability during the year 2022 and Bank's cautious approach to manage its Risk Weighted Assets.

Administrative expenses have increased mainly on account of inflationary pressure in 2022. The Bank continues to follow disciplined cost management strategy and enhancing business synergies.

During the year, the Bank recorded net provision of Rs 1,029 million on its non-performing assets portfolio which includes provision of Rs 1,071 million (net of provision reversals of Rs 290 million) on non-performing financing portfolio and a reversal of provision of Rs 42 million on investment portfolio. 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 2023.

The Bank recorded Earnings per share (EPS) of Rs 1.10 per share, up from Re 0.46 per share recorded last year.



Information Technology

In year 2022, the Bank reaffirmed its commitment towards high-end technology services and timely deliveries of strategic projects and all digital initiatives in order to keep itself competitive in the market. The Bank has focused on providing customers with a convenient and quick access to banking products and services.

During the year 2022, the Bank made following progress in the area of Information Technology & Digital Transformation:

- The Bank has entered into major agreement to procure new advanced and more secured ATM's for branches and other off-site locations.
- The Bank has successfully implemented SBP Micro Payment Gateway with Bank to Person (B2P), Person-to-Person (P2P) and QR payment and steadily moving ahead in digital transformation.
- In order to transform Account Opening process, the Bank has implemented Digital Account Onboarding. Our customers can now open retail accounts through web-based module digitally without coming to branches. The Bank is planning to launch mobile-version of the Digital Account Onboarding early 2023.
- The Bank has successfully implemented new customer screening solution that will enable the Bank to create greater efficiencies across the compliance function and meet growing regulatory requirements of customer screening.
- The Bank has implemented Moody's Credit Lens platform for Credit Origination that enables bank to perform end-to-end digitization in wholesale and commercial credit origination. Through lean lending/credit approval processes and optimized workflows, it enhances the turnaround time, predictability, transparency, and smarter decision-making.
- Implementation of new Home Remittance Solution with advanced features to promote growth of Home Remittances through our counters.
- The Bank has enabled collection and transfer of funds facility to other Banks through Internet Banking and Mobile application as per international standard.

Green Banking

The Bank is active in its commitment towards sustainable development goals and ensuring environmental, social and governance considerations.

The Bank has established a Green Banking Office and has designated 'Chief Green Banking Manager'. In this respect, the Bank has established a policy approved by Board of Directors and Environmental procedures for Environmental Risk Management. The Bank has also established environmental risk mitigation mechanism through Environmental Risk Avoidance List, Environmental Improvement Plans, Environmental General and Specific Checklists and Environmental Risk Rating (ERR) Mechanism for the customers. The Bank



also regularly performs due diligence process while extending financial services to customers dealing in hazardous substances.

The Bank has been continuously working on the following initiatives to promote sustainable use of resources including usage of energy, water and paper.

- Promoting renewable energy financing by launching solar product which specifically focusing financing on solar projects.
- The Bank has also taken the initiative of “Reduce, Reuse & Recycling” of paper by creating awareness via emails and caution notes on the printers to conserve paper usage.
- At Head Office, we have installed energy efficient air conditioning system to reduce energy consumption.
- Creating awareness about Green Banking through different posts on social media, ATMs and through training of staff on regular basis.

Corporate Social Responsibility (CSR)

The Bank won following CSR awards in 2022:

- “Sustainability Initiatives” at the “11th Annual Corporate Social Responsibility Summit”.
- “Innovation and Sustainable Solutions” at the “8th International Awards on Environment, Health & Safety 2022”.

Further, during 2022 the Bank was quite active in CSR activities and participated in the following:

- Visits to “Children Cancer Ward” of Shaukat Khanum Memorial Cancer Hospital, Lahore to distribute giveaways to children.
- Partnering with “Shahid Afridi Foundation” for a ration distribution drive in different flood affected areas of Pakistan.
- The Bank joined hands with “Sahulat Dastarkhan” in Lahore to distribute subsidized meals for the underprivileged members of the society.
- On the occasion of 20th Anniversary of Al Baraka Group, 11th November 2022 was marked as Al Baraka Day (ABD) by the Group. All Countries where Al Baraka Group operates, celebrated and organized different activities keeping the theme of the day assigned i.e. “Good Health and Well Bring & Education”. Al Baraka Bank (Pakistan) Limited executed Al Baraka Day Activity by the name “Dewar E Baraka”. Volunteers of Al Baraka Bank (Pakistan) Limited arranged blankets, clothes, shoes and other basic necessities for deserving sections of society.



Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP) and adopted by the State Bank of Pakistan (SBP) and related regulations issued by SBP.

The following statements are manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

- The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies as stated in notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards and other such standards as applicable in Pakistan have been followed in preparation of the financial statements and any departure from these has been adequately disclosed.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no doubts upon Bank's ability to continue as going concern.
- There has been no material departure from the best practices of Corporate Governance.
- Investments of the Bank's recognized Provident Fund and Gratuity Fund based on un-audited accounts as at 31 December 2022 amounted to Rs 1,192 (2021: Rs 1,084) million and Rs 371(2021: Rs 361) million respectively.

During the year seven (07) Board meetings (BOD), five (05) meetings of the Board Executive Committee (BEC), Board Risk Committee (BRC), Board IT, Digital and Information Security Committee (ITD&ISC), four (04) meetings of the Board Audit Committee (BAC), Board Compliance Committee (BCC), twenty four (24) meetings of the Board Nomination and Remuneration Committee (BNRC) and fifteen (15) meeting of the Board Pakistan Capital Injection Committee (BPCIC) were held. The attendance of the members was as follows:

Name of Directors	Board	BEC	BRC	ITD & ISC	BAC	BCC	BNRC	BPCIC
Dr. Jehad El-Nakla, Chairman	7/7	5/5	-	-	-	-	-	-
Mr. Tariq Mahmood Kazim, Deputy Chairman	7/7	5/5	-	5/5	-	-	23/24	15/15
Mr. Azhar Aziz Dogar, Director	7/7	-	5/5	-	-	-	-	-
Mr. Abdul Malek Shehadeh Ibrahim Mezher, Director	7/7	-	-	-	4/4	3/4	24/24	-
Mr. Mohammed Tareq Sadeq,	7/7	-	-	-	4/4	4/4	-	-



Director								
Mr. Zahid Rahim, Director	7/7	5/5	5/5	5/5	-	-	-	14/15
Mr. Azhar Hamid, Director	7/7	-	-	-	4/4	4/4	-	-
Ms. Aminah Zahid Zaheer, Director	7/7	5/5	5/5	5/5	-	-	24/24	14/15

Note: Denominator showed total number of meetings entitled to attend.

Further (04) four meetings were held of Shariah Board during 2022 which were attended by following Shariah Board Members:

Name of Shariah Board Members	Meetings held	Meetings attended
Sheikh Esam Ishaq	4	4
Mufti Abdullah Siddiqi	4	4
Mufti Muhammad Zubair Haq Nawaz	4	4
Mufti Khalid Hasani	4	4

Shareholding Pattern as on 31 December 2022

Shareholders category	No. of share holders	Shares held	%age
Directors			
Mr. Tariq Mahmood Kazim	1	500	0.00%
Mr. Zahid Rahim	1	500	0.00%
Mr. Mohammed Tareq Sadeq	1	500	0.00%
Mr. Azhar Hamid	1	500	0.00%
Ms. Aminah Zahid Zaheer	1	500	0.00%
Associated companies, undertakings and related parties			
Al Baraka Islamic Bank, Bahrain B.S.C (c)	1	812,446,582	59.13%
Islamic Corporation For The Development of The private Sector	1	162,847,717	11.85%
Mal Al Khaleej Investments LLC	1	158,360,039	11.53%

Public Sector Companies, Corporations, Banks, Development Financial Institutions and Non-Banking Financial Institutions, Mutual Funds & Other Organizations			
Gargash Enterprises L.L.C	1	5,882,352	0.43%
State Life Insurance Corporation of Pakistan	1	4,941,176	0.36%
Amanah Investment Limited	1	2,938,823	0.21%
Bank of Punjab	1	2,000,000	0.15%
Al-Hoqani Securities & Investment Corporation (Pvt) Ltd.	1	1,470,588	0.11%
Dossa Cotton & General Trading (Pvt) Ltd.	1	788,235	0.06%
Orix Leasing Pakistan Ltd	1	705,882	0.05%
Descon Holding (Private) Limited	1	588,235	0.04%
B.R.R Guardian Modaraba	1	100,000	0.01%



Shareholding ex-Directors and others			
Sheikh Tariq Bin Faisal Khalid Al Qassemi	1	103,018,177	7.50%
Mr. Mubarak Bulaswaad	1	4,860,000	0.35%
Mr. Syed Tariq Husain	1	3,300,284	0.24%
Mr. Abdul Ghaffar Fancy	1	978,468	0.07%
Mr. Adnan Ahmed Yousif	1	500	0.00%
Mr. Abdulrahman Shehab	1	500	0.00%
Mr. Salman Ahmed	1	500	0.00%
Mr. Ahmed Rehman	1	500	0.00%
Other (Shareholders with less than 10% Shareholding)	56	108,731,702	7.91%
Total Shareholding	81	1,373,962,760	100%

Shareholders with 10% or more voting interest

Name of Share holders	No. of share holders	Shares held	%age
Al Baraka Islamic Bank, Bahrain B.S.C (c)	1	812,446,582	59.13%
Islamic Corporation For The Development of The Private Sector	1	162,847,717	11.85%
Mal Al Khaleej Investments LLC	1	158,360,039	11.53%

Except as disclosed above, no Executive of the Bank or their spouses / minor children was shareholder of the Bank as of 31 December 2022.

Risk Management Framework

The Bank's Risk Management Framework encompasses culture, policies, processes & structure and is directed towards the effective management of potential opportunities and threats that the Bank might face. The range of business activities undertaken by the Bank requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board keeps an oversight on Bank-wide risk management framework and approves the risk management strategies, policies and risk appetite. The Board Risk Committee (BRC) has been mandated by the Board of Directors (BOD) to assist in the design, regular evaluation and timely updation of the risk management framework of the Bank. The BRC aims to ensure that the Bank maintains a complete and prudent integrated risk management framework at all times and exposures are maintained within acceptable levels. The Board approved risk management policy has been developed strictly in line with the principles of Shariah and covers all major types of risks that the Bank may be exposed to.

The authority to monitor and manage different risks has been further delegated to the specialized committees comprising of senior members of management with relevant experience and expertise. The committees include:

1. Asset and Liability Management Committee (ALCO)



2. Credit Committee (CC)
3. Credit Risk Management Committee (CRMC)

The Bank has setup functions of asset booking and credit approval in which financing exposures and their related risks are analyzed in the light of credit limits, applicable controls and segment exposures.

Credit decision-making is a collective and consultative process in the Bank. All credit exposures approval authority rests with Credit Committee/Sub-Committees. The Credit Committee (CC)/Sub-Committees comprising of staff having relevant experience and knowledge of credit operation and associated risks.

Credit Risk Management Committee (CRMC) of the Bank is mandated to monitor and review Credit Portfolio exposures in a proactive manner and is responsible for developing action plans to safeguard from any adverse / unwanted situation, which may affect performance of the Bank.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets & liability management function. ALCO monitors the maintenance of liquidity ratios, depositors' concentration both in terms of overall funding mix and avoidance of reliance on large deposits.

The primary objective of this architecture is to inculcate risk management culture into the organization to ensure that risks are appropriately identified and assessed, properly documented, approved and adequately monitored; and managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

For effective implementation, the Risk Management function operates independently within the Bank. The function is also responsible for development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Bank. Risk Management function is headed by the Chief Risk Officer (CRO), who administratively reports to the CEO with an independent functional reporting line to the BRC.

To ensure the independence of this position, following areas are critical to the Bank's sustainability & profitability placed under the umbrella of Risk Management function:

- Credit Risk
- Credit Administration
- Credit Operations
- Credit Monitoring
- Risk Policies and Industry Analysis
- Enterprise Risk Management
- IT Security

Credit Risk under Risk Management Group (RMG) is playing its due role in conducting due diligence and review of Corporate/Commercial, SME, Agri, FI and Consumer as well as Infrastructure Project Financing related credit applications and presents its observations to CC/respective approving authorities of the Bank. Credit Risk function adds value to the approval process by validation and assurance to the affect that the financing/investment proposals are in compliance with different policy parameters, regulatory instructions and adherence to the risk appetite of the Bank. Besides, it also conducts assessment of credit proposals on concentration levels of the Bank in terms of large exposures, industry limits, and impact on CAR and also identify/record if there are exceptions. Independent



validation is helpful for the Credit Committee/ approving authorities in decision making process.

Credit Administration is primarily responsible for the Bank's Credit Limit Management (i.e. limit input and control), perfection of securities, issuance of Disbursement Authorization Certificate (DAC), drawdown monitoring, documentation review, safe custody of collateral and security documents, monitoring of covenants and compliance thereof, maintenance of credit files / record retention functions as well as adherence to established regulatory and internal policy guidelines / SOPs.

Credit Operations is responsible for disbursements of fund based financing facilities as per the Disbursement Authorization Certificate, updating repayments against fund based facilities in core banking system, preparing various credit portfolio reports and recording classification and provisioning as per the requirements of SBP's Prudential Regulations.

Credit Monitoring is an essential tool for Bank to maintain a sustainable portfolio. For this purpose, the risk takers (Business Segments as well as the supporting departments) are equally responsible for maintaining the health of the portfolio. A Special Asset Management (SAM) function handles stressed assets to ensure a focused remedial strategy in compliance with the regulatory requirements.

Risk policies and Industry Analysis Unit of RMG formulates and updates credit and risk policies of the Bank besides preparing comprehensive industry analysis and its updates from time to time.

Enterprise Risk Management function is responsible for ensuring authenticity, accuracy and timely identification of risks in credit portfolio & market, liquidity and operational risks inherent in Bank's activities and develop policies and procedures to control these risks. Main functions of Enterprise Risk cover Credit Portfolio Risk Management, Basel & IFRS 9 implementation, Market & Liquidity Risk Management, Operational Risk Management and Environmental Risk Management.

Credit Portfolio Risk Management function performs periodic analysis on credit portfolio to provide Credit Risk Management Committee an objective assessment of the portfolio health. This function is also responsible for the implementation of Basel Capital Adequacy Standards as per SBP's requirements as well as adoption of IFRS 9 - Financial Instruments in line with best industry practices and Group's initiatives. Currently, the Bank has adopted Standardized Approach for the calculation of capital charge against credit and market risk in which risk weights are assigned taking into consideration external ratings of the counterparties for the purpose of calculating Risk Weighted Assets while Basic Indicator Approach has been adopted for Operational Risk.

Risk Management is currently involved in implementing a bank-wide state of the art loan origination system called Moody's Credit Lens, a world's renowned internal credit rating system and workflow based Credit lifecycle management solution which will allow the Bank to streamline the entire financing process end to end right from initiation to approval and disbursement along with effective monitoring and maintenance of its portfolio. In addition, the Internal Risk Rating Module of Credit Lens will also help the Bank to fulfil the preparation of Basel Internal Rating Based Approach for Credit Risk and future implementation of IFRS 9. Internal Risk Rating Module of Credit Lens takes into consideration qualitative and quantitative factors of the counter-party, transaction structure and collaterals and generates ratings at Obligor and Facility levels as required by Internal Rating Based (IRB) approach under Basel regulations. The system is backed by



secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

Treasury Middle Office (TMO) manages risks relating to treasury operations and reports its findings to ALCO for prompt remedial actions. Considering the current changing (increasing) policy rate scenario, detailed analysis of rate sensitive assets and rate sensitive liabilities is carried out for ALCO to devise its overall reprising for both asset and liability side of Bank's balance sheet, with respect to our Liquidity, movement of Interest Rates, Demand of the security, CAR implications, LCR and other regulatory/internal Ratios. Liquidity Risk is reviewed by ALCO on a monthly basis and an update is provided to the BRC on a quarterly basis. The Liquidity Risk Management Policy of the Bank encompasses contingency funding plan for actions to be taken in case of liquidity stress conditions.

For effective management of Operational Risk, the Bank has established an exhaustive operational risk management framework and covers business lines & support units/departments.

The Bank is using Operational Risk Management suite i.e. Risk Nucleus for operational loss data collection, RCSAs and KRIs. The system keeps a detailed track of all operational loss events with complete audit trail. The Bank has a Board approved BCP Policy and plans for all functional areas.

Risk Control and Self-Assessment (RCSAs) exercises for each business line and key control functions periodically performed. Through the RCSA exercise, the Bank has been able to develop inventory of risks, controls and key risk indicators (KRI) and mitigation plans are devised for effective control over operational risk.

It is the policy of the Bank to maintain a well-defined business continuity program for constant improvement in the operational resilience of the bank. Business Continuity Management Policy of the bank with clearly defined roles and responsibilities ensure effective management and execution of timely response in case of any emergency with well documented Business Continuity and IT Disaster Recovery Plans. The Bank's Business Continuity Steering Committee, represented by the senior management of the Bank, meets on a periodic basis and reviews key initiatives, testing results and related action plans for strengthening the Bank's ability to manage crisis situations.

The Bank has adopted Basel III guidelines issued by SBP and relevant disclosures are made in the financial statement for the year ended 31 December 2022.

Information Security plays a pivotal role in protecting ABPL's Information assets from both internal and external threats through security risk assessments. These are supported by preventive and detective controls capable of responding to emerging and ever changing threat landscape.

The Bank being cognizant of the importance of risks associated with Money Laundering, Terror financing and Proliferation financing, is continuously aligning its operational strategies, policies & procedures with FATF recommendations and related regulatory requirements. The Bank in this respect has taken number of initiatives including but not limited to acquiring robust Regulatory technology solutions for transaction monitoring, screening against Targeted Financial Sanctions, eKYC, etc.



All the above measures have collectively led to the evolution of a compliance-sensitive culture at ABPL. The tone at the top is clear, as evidenced by the support from the Board, the BRC and the President.

Financial Consumer Protection

The Bank believes in providing quality banking experience to all its customers with complete fairness and clarity. To strengthen this objective, the Bank has devised a framework of Financial Consumer Protection under regulatory guidelines. The framework comprises of the monitoring of different products & services, such as retail banking products, consumer banking products, customer services and handling of customer grievances; this helps our customers in making informed financial decisions, understand and exercise their rights and have effective recourse for their grievances.

The journey for the year 2022 of Financial Consumer Protection comprises the following:

- Customers were encouraged to provide their valuable feedback about banking products and services through a Customer Satisfaction Survey, where overall customer satisfaction score was recorded at 90%.
- The Bank ensured that Fair Treatment to Customers (FTC) was practiced across the Bank without exception, where customers were treated fairly at all stages of their banking relationship.
- The Bank assured that complete information about products and services were provided to customers in clear and simple manner.
- The Bank arranged different awareness/training sessions for empowering its employees to comprehend and promote the concept of Fair Treatment to Customer. Further to this, the post training evaluations were also carried out, so as to gauge the retention level of training knowledge.
- In order to focus on resolving customer complaints/grievances with complete transparency and impartiality, the Bank has initiated post complaint closure survey where the experience of complainants with their complaint handling was analyzed. The aggregated result for 2022 was 87.58%.

Statement of Compliance with the Code of Corporate Governance

The Bank has adopted the requirements of the Code of Corporate Governance as issued by the SECP and adopted by SBP.

Statement of Internal Controls

The management of the Bank is responsible for establishing and maintaining adequate controls and procedures and fully recognizes this responsibility and appreciates its value and significance. The placement of staff within and other integration such as IT system, policies, procedures and processes have been streamlined. The Board is pleased to endorse the management's statement relating to Internal Controls.



Future Outlook

The challenging economic environment is expected to continue throughout the current fiscal year ending June 2023. Pakistan was also hit by a devastating climate change triggered flooding. This flooding has come at times when economies of many developing countries including Pakistan are facing economic challenges post Russia-Ukraine war.

It looks like that the commodity prices will continue to trade at higher levels mainly driven by geopolitical challenges. However, concurrent fiscal/monetary measures taken by the government may suppress local demand for non-essential goods. The difficult economic decisions taken by government have already started impacting businesses negatively. Resultantly, the country may see a lower GDP growth going forward. Further, the country's political direction will also play a major role in the overall economic outlook for 2023 and beyond.

For Al Baraka Bank (Pakistan) Limited, we expect 2023 to be a consolidation period where many business players will stay cautious, until the time, economic and political situation of the country normalizes.

The Bank remains committed to contribute towards the economic growth and stability of the country by strengthening the Islamic Banking landscape, and assisting the Government to shift towards Shariah-compliant banking solutions in line with the SBP's strategic vision of growth in Islamic Banking.

The Bank is also aware of its responsibilities towards its customers, staff and other stakeholders. We continue to maintain sufficient liquidity to meet our business and customers' needs without compromising on our credit discipline. Efforts are being made to target new market segments, widening of customer base and improving efficiency and productivity by leveraging on the investment in technology made by the Bank in recent years.

The Bank plans to take following initiatives in 2023:

- Increasing focus on mobilization of low cost deposits.
- Continue to manage its Risk Assets in a prudent manner.
- Deepening in consumer products including Auto Financing, Home Finance, Debit Cards etc.
- Focus on IT driven products to improve efficiencies and customer experience.
- Recovering old and stuck up financing.
- Cautiously expanding business base by inducting rated customers and soliciting more fee based revenues through trade and advisory service

We are confident that all of the above mentioned initiatives cumulatively will add more value to the Bank's services and contribute to the overall growth of the Bank.

Credit Rating

Based on the financial statements of the Bank for the year ended 31 December 2021, VIS has maintained the long-term rating to 'A+' and the short-term rating at 'A1'.



External Auditors

Our external auditors M/s A.F. Ferguson & Co., Chartered Accountants is eligible to offer themselves for reappointment for the accounting year ending 31 December, 2023 and we have received their consent to continue to act as auditors of the Bank.

The External Auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants, Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

The External Auditors reappointment shall be subject to approval in the forthcoming Annual General Meeting.

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 Atif Hanif
Chief Executive Officer



Tariq Mahmood Kazim
Vice Chairman

02 March 2023
Karachi