


In the name of Allah, the Beneficent, the Merciful
Report of Shari'ah Board
31 December 2019

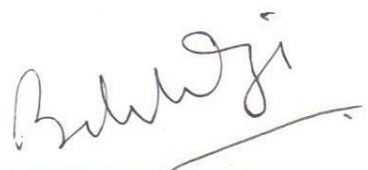
1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Al Baraka Bank (Pakistan) Limited "The Bank" are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of the Bank.
2. To form our opinion as expressed in this report, the Shari'ah Compliance Department of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal Shari'ah audit and external Shari'ah audit. Based on above, we are of the view that:
 - I. The Bank has complied by and large with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board
 - II. The Bank has generally complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
 - III. The Bank has a mechanism in place to ensure Shari'ah compliance in their overall operations. We, nevertheless, encourage improved controls and promotion of better awareness among all levels of staff to further strengthen the compliance mechanism.
 - IV. The Bank has a well-defined system in place in the form of a Shari'ah compliance review, internal Shari'ah audit and inspections to ensure that any earnings realized from sources or by means prohibited by Shari'ah shall be identified. In this regards, some discrepancies have been found in few transactions. The Bank has undertaken to give to charity all income earned from the transactions pronounced Non-Shari'ah Compliant and detected in our sample. Further, the charity fund is being properly utilized.
 - V. The Bank has generally complied with the SBP instructions on profit and loss distribution and pool management. Since the Bank is now managing multiple pools it is urgently required to adopt a comprehensive automated solution for profit distribution, management of special pool and asset tagging.
 - VI. As awareness, capacity and sensitization of the staff, management and the BOD in appreciating the importance of Shari'ah compliance in the products and processes of the Bank is an integral ingredient of an Islamic Bank, the Bank has initiated trainings for staff and senior management. It is recommended that the same should continue annually.
 - VII. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.
3. Further, following are some other issues of the Bank which have been taken up with the management:
 - I. The Bank needs improvement in streamlining of product manuals and strengthening of the Internal Shari'ah Audit function is still required.
 - II. Islamic Banking and Shari'ah related trainings at all levels should be increased across all regions and at all levels. particularly trainings for all branch staff should be enhanced.



Mufti Abdullah Najeeb Siddiqui
Resident Shari'ah Board Member



Shaikh Esam Mohammad Ishaq
Chairman Shari'ah Board



Mufti Bilal Ahmed Qazi
Member Shari'ah Board

Rajab 1441, March 05, 2020



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