

In the name of Allah, the Beneficent, the Merciful
Report of Shari'ah Board
31 December 2021

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 documentations and process flows. Further, we have also reviewed the reports of the internal Shari'ah audit. External Shari'ah auditor's work is also in progress. 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 SBP instructions on profit and loss distribution and pool management. The Bank has implemented automated depositors profit distribution and asset tagging system. Further, automation of other specific pools is also under consideration to improve the entire pool management process.
 - VI. As awareness, capacity and sensitization of the staff, management and the Board of Directors 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. 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 matters of the Bank which have been taken up with the management:
 - I. Trained Human resource is a critical aspect for an Islamic Bank in terms of ensuring compliance with Shariah rules and propagating Islamic banking products and services. However, the bank has been continuously losing its trained manpower which has increased the risk of Shariah non-compliance.
 - II. The Bank requires strengthening of the Internal Shari'ah Audit function.
 - III. Islamic Banking and Shari'ah related trainings at all levels should be increased across all regions and at all levels, particularly trainings for all senior management and branch staff should be scheduled on priority. Preferably, customer awareness sessions should also be organized.

Shaikh Esam Mohammad Ishaq
Chairman Shari'ah Board

Mufti Abdullah Najeeb Siddiqui
Resident Shari'ah Board Member

Mufti Zubair Haq Nawaz
Member Shari'ah Board

Mufti M. Khalid Hasani
Member Shari'ah Board