

AL BARAKA BANK (PAKISTAN) LIMITED

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT TO MEMBERS

On behalf of the Board of Directors of Al Baraka Bank (Pakistan) Limited (the Bank), we are pleased to present the 19th annual report along with the Bank's audited financial statements and Auditors' report for the year ended 31 December 2024.

Economic Overview

During FY2024, Pakistan's macroeconomic indicators exhibited significant progress, driven by a combination of stabilization policies, effective engagement with the International Monetary Fund (IMF), decreased uncertainty, and lower global commodity prices. The Gross Domestic Product (GDP) growth rate surged to 2.5%, a notable recovery from the contraction of -0.2% in FY2023. This positive growth trajectory was predominantly fueled by substantial gains in the agricultural sector and increased workers' remittances, while the industrial and services sectors showed a more subdued recovery.

Fiscal operations exhibited noteworthy improvement. The fiscal balance reported a surplus of Rs 495 billion (0.4% of GDP), marking a substantial enhancement compared to the deficit of Rs 862 billion (-0.8% of GDP) recorded in the preceding year. On the external front, Pakistan achieved a current account surplus of USD 0.8 billion in the period from July to December 2024, buoyed by favorable global commodity prices and robust workers' remittances. The State Bank of Pakistan's (SBP) foreign exchange reserves increased to USD 11.73 billion in December 2024. Additionally, Pakistan entered into a 37-month Extended Arrangement under the Extended Fund Facility (EFF) with the IMF, amounting to approximately USD 7 billion. The Pakistani Rupee remain stable against US Dollar in 2024. The realization of external inflows from multilateral and bilateral creditors is expected to further bolster the external buffers.

The Inflation growth rate followed a downward trend throughout 2024, decelerating to 4.9% year-on-year in December 2024 from 29.2% year-on-year in December 2023. This decline was largely driven by moderate domestic demand conditions and supportive supply-side dynamics, complemented by a favorable base effect. Although inflation is anticipated to remain subdued in the near term, it is projected to accelerate in the second half of 2025. Consequently, the Monetary Policy Committee of the SBP reduced the policy rate to 12% in January 2025, marking a 10% decrease since June 2024. The SBP aims to stabilize inflation within the target range of 5-7%.

The Pakistan Stock Exchange (PSX) 100 Index closed at 115,127 points, a significant rise from 62,451 points in December 2023, reflecting increased investor confidence and strong corporate performance. The government is expected to continue pursuing economic reforms and remain aligned with the IMF program to achieve sustainable economic growth.





Financial Highlights of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank are given below:

Financial Highlights	Rs in million		
	2024	2023	Growth
Total assets	273,261	255,374	7.00%
Financing-Net	101,439	79,756	27.19%
Investments	126,852	122,881	3.23%
Deposits	223,402	207,338	7.75%
Equity	21,618	18,253	18.44%
Capital Adequacy Ratio (CAR)	20.27%	19.33%	0.94%

PROFIT AND LOSS ACCOUNT	2024	2023	%
	Rs. in million		
Profit/return on financing, investments and placements	40,097	36,502	10%
Return on deposits and other dues expensed	(24,153)	(23,139)	4%
Net spread earned	15,944	13,363	19%
Fee and commission income	924	1,000	(8%)
Foreign exchange income	1,160	1,028	13%
Gain on sale of securities	362	63	475%
Dividend and other income	38	26	46%
Total other income	2,484	2,117	17%
Administrative expenses and other charges	(9,890)	(7,789)	27%
Operating profit	8,538	7,691	11%
Provision against non performing financing, investments and other assets	(160)	(1,567)	(90%)
Profit before tax	8,378	6,124	37%
Taxation	(4,344)	(3,020)	44%
Profit after tax	4,034	3,104	30%

Financial Performance

By the grace of Allah (SWT), the Bank has exhibited good financial results in 2024. The focus has remained on enhancing efficiencies and strengthening the Bank's key financial indicators. The Bank's deposits closed at Rs 223.4 billion, reflecting a growth of 7.8% compared to Rs 207.3 billion as of December 2023. The current and savings deposit mix improved to 79% as of December 2024, from 72% as of December 2023. The Bank's gross financing portfolio reached Rs 115 billion, with a gross advance-to-deposit ratio of 51.5% as of December 2024.

The Bank reported a net profit of Rs. 4,034 million, an increase of 30% from 2023. Earnings per share (EPS) rose to Rs. 2.94 per share, up from Rs. 2.26 per share last year. The bank recorded a return on equity of 20.2% and a return on assets of 1.5% for the year 2024. The net spread earned by the Bank grew by 19%, amounting to Rs. 15,944 million compared to Rs. 13,363 million in 2023. Other income totaled Rs. 2,484 million, an increase from Rs. 2,117 million recorded as of December 2023, primarily due to higher foreign exchange income and gain on the sale of securities in the current year.



Administrative expenses have risen, largely due to inflationary pressures in 2024. The Bank remains committed to a disciplined cost management strategy while enhancing business synergies. During the year, the Bank recorded a net provision charge of Rs. 160 million, compared to Rs. 1,567 million in 2023. The Bank is actively working to regularize certain old chronic accounts and improve its total coverage ratio, which stood at 103% as of December 31, 2024, compared to 91% in December 2023.

The Federal Government increased the income tax rate on banking companies in 2024. The applicable income tax rate (excluding a 10% super tax) is now 44% instead of 39% previously.

The Bank remained well-compliant with its Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR). The CAR significantly improved to 20.27% as of December 2024, from 19.33% as of December 2023. This improvement was primarily driven by enhanced profitability and the management of risk-weighted assets through the onboarding of high-quality rated customers.

Dividend

We are pleased to announce that the Board has approved a cash dividend of ~~Rs. 0.38~~ **Rs. 0.38 (3.8%)** per share for year 2024. The Bank plans to follow a balanced approach between dividend payouts and profit retention for future business growth.

2024 Highlights:

In 2024, the Bank continued its transformative journey, achieving significant milestones across all business segments. The key milestones are as below:

1. The bank has launched an Inter-Franchise Trade Portal to facilitate its customers in Pakistan by connecting them with potential foreign trade partners in countries where other Al Baraka Group units are located. This initiative has gained significant traction across the Al Baraka Group, with customers from Pakistan, Turkey, Egypt, Bahrain, Tunisia, Jordan, Algeria, and other regions registering on the portal.

In addition to this digital platform, the bank has organized a series of webinars in collaboration with its group entities in South Africa, Egypt, Bahrain, and Turkey. These events were attended by prominent business leaders as well as regulatory and government officials from Pakistan and other participating countries.

Moving forward, the bank will continue to foster inter-franchise collaboration with other Al Baraka Group franchises.

2. The bank further solidified its leadership position in the private Hajj business, which operates through Hajj Group Organizers (HGOs). As of 2024, Alhamdulillah, 541 out of a total of 904 HGOs are now associated with the bank, representing nearly 60% of the total market share. A notable achievement in 2024 was providing financing to HGOs, a pioneering product in Pakistan that enables them to efficiently arrange services for Hajj pilgrims in a timely manner.
3. In 2024, the bank marked a significant milestone by opening 15 new branches, thereby expanding its network to 185 branches. This expansion underscores the bank's commitment to delivering Islamic banking services directly to its customers across



Pakistan. The bank plans to further enhance its branch network in Pakistan, InshaAllah, as part of its ongoing efforts to increase accessibility and reach for Shariah-compliant banking solutions.

4. The bank has been actively engaged in fostering global partnerships to enhance socio-economic development in Pakistan. A key collaboration involves partnering with Al Baraka Forum, an independent, non-profit global think tank specializing in Islamic economy. This partnership aims to leverage Al Baraka Forum's expertise in promoting Islamic finance principles and fostering sustainable economic growth.

Additionally, the bank collaborates with the Islamic Chamber of Commerce and Development (ICCD), an international chamber that represents the private sector across 57 Islamic countries to promote investment opportunities and joint ventures. Through these strategic alliances, the bank seeks to contribute meaningfully to Pakistan's socio-economic uplift by integrating international best practices into local economic initiatives.

These collaborations underscore the bank's commitment to supporting sustainable development through innovative financial solutions that align with Islamic values. By working closely with such esteemed organizations, we aim to create lasting impacts on both national and regional levels.

Business Review:

The Corporate Financing portfolio expanded by 50%, with the addition of 50 plus blue-chip corporate clients spanned diverse sectors of the economy. Building on this momentum, the Bank is strategically poised to sustain its growth trajectory in 2025 and beyond, focusing on expanding its advances portfolio, enhancing trade business, augmenting deposit solicitation, and maximizing cross-sell opportunities including cash management and investment banking services.

The Commercial Banking and SME portfolio registered a 23% increase in its financing portfolio compared to the previous year. This growth was primarily driven by tailored financing solutions for Commercial, Small, and Medium Enterprises (SMEs). By offering competitive terms, the Bank successfully attracted a diverse range of clients, introducing over 180 new customers in 2024.

In Consumer banking, the Bank has successfully maintained its position as a key player in the Islamic banking industry, onboarding a significant number of new customers, with a major focus on Auto Finance. The implementation of the Consumer Finance Origination System significantly improved turnaround time while keeping the controls in check. The Bank as part of its strategic commitment to Environmental Sustainability Goals (ESG), launched its Green Energy Financing Initiative for Solar Finance on a nationwide scale, offering flexible terms and customized energy-saving solutions to help our clients transition to sustainable energy sources. The Bank's exclusive "Travel Now, Pay Later" packages for Umrah & Hajj made it easier for its customers to fulfill their spiritual journey with financial ease.

The Retail banking offerings continued their momentum through its over-the-counter services at the Bank's branches duly supported by ATMs, call centers, and digital banking



solutions. The Bank's current and savings account deposits increased to Rs. 176.5 billion in 2024 from Rs. 149.3 billion in 2023.

In the digital banking ambit, the Bank made significant strides in 2024, modernizing financial services and reinforcing its position in Pakistan's dynamic payments landscape. Key initiatives included the launch of two new advanced digital payments solutions under RAAST, enhanced digital onboarding of new customers, and a 160% increase in platinum card spend volumes, with the card portfolio doubling in the last quarter of 2024. The Bank also introduced a foreign currency debit card tailored for international transactions, providing enhanced convenience for its customers in their foreign travel, freelancers, and businesses engaged in cross-border commerce.

The Bank has enabled exciting new feature in its digital banking application including In-app notifications improving real-time customer communication with personalized alerts, boosting engagement and operational efficiency. The implementation of Mastercard 3D Secure 2.2, enhanced e-commerce security while ensuring robust authentication measures for secure online transactions. The Bank remains committed to stringent security measures across its digital banking platform.

The Bank's Treasury continues to manage trading activities in the interbank money and foreign exchange markets. The Bank's treasury sales services span across Pakistan, maintaining a flexible approach that adapts to market changes to ensure strong performance. The Bank's investment portfolio rose to Rs. 126.9 billion from Rs. 122.9 in 2023. The Bank added ten new correspondent banking arrangements in eight countries including Saudi Arabia, Denmark, Bangladesh, Turkey, Oman, Austria Sri Lanka, and China in 2024 taking the total correspondent network of the Bank to 200 plus now correspondent banks in 62 countries. These correspondents offer a spectrum of services, including advising, LC confirmation, discounting of letters of credit, reimbursement undertakings, standby Letter of Credits (SBLCs), and B2B guarantees.

Al Baraka's 2024 business achievements underscore its capacity to lead and innovate within Pakistan's financial ecosystem. By addressing market demands with cutting-edge solutions, enhanced security, and strong partnerships, the Bank has laid a solid foundation for sustainable growth.

Future Outlook

Al Baraka Bank (Pakistan) Limited remains committed to contributing towards the economic growth and stability of the country by strengthening the Islamic banking landscape and assisting the Government in shifting towards Shariah-compliant banking solutions in line with the State Bank of Pakistan's strategic vision. In 2025, the Bank is poised to continue its growth trajectory by expanding its physical footprint while leveraging new technologies to enhance digital services. The Bank's key strategic initiatives for 2025 include boosting trade volumes, enhancing penetration in cash management and investment banking, and entering new segments such as supply chain financing and home remittances while its agriculture financing portfolio. Through these efforts, Al Baraka aims to support the economic development of Pakistan while providing innovative and Shariah-compliant financial solutions to its customers.



Our presence

The Bank is a subsidiary of Al Baraka Islamic Bank B.S.C. (c) (Parent Bank) incorporated and domiciled in Bahrain, which is majorly owned by Al Baraka Group B.S.C. (Ultimate Parent) and has a presence in 13 countries spanning over 3 continents with a rich history of providing Shariah-compliant banking services. The Bank continues to expand its presence across Pakistan by growing its branch network, which currently stands at 185 locations. This expansion enables the Bank to provide Shariah-compliant banking services more widely, enhancing accessibility for customers nationwide.

Information Technology

In the digital age, the role of information technology is pivotal in the banking business. In 2024, the Bank significantly enhanced its technological investments, implementing advanced technologies to bolster its robust technology platform, cybersecurity posture, and overall efficiency. Key initiatives included:

- **Enhanced IT Infrastructure:** Implemented Trend Micro XDR (extended detection & response) and iVanti Patch Management Solution, greatly improving the Bank's security posture.
- **Network Upgrades:** Replaced end-of-life network routers and switches in branches and regional offices, achieving an ideal security posture for network infrastructure.
- **Shariah-Compliant Solutions:** Implemented a fully Shariah-compliant pool Management Solution.
- **Digital Innovations:** Played a pivotal role in digital initiatives such as strengthening digital alliances, enhancing mobile app security, implementing the Micro Payment Gateway (RAAST), and utilizing augmented reality for merchant discounts.

These advancements have positioned the Bank to leverage cutting-edge technology, ensuring a secure and efficient operational environment.

Human Resources:

The Bank is continuously refining its strategies to attract and retain top talent, enhance employee development programs and improve employee benefits including an upgraded House Loan Policy, the introduction of Childcare Allowance, the establishment of a two-year Pay Continuity Plan etc. To further foster employee engagement, the Bank has launched an online Employee Suggestion Portal which will facilitate the gathering of employee feedback. These initiatives demonstrate the bank's commitment to supporting employee well-being and creating a positive work environment.

Environmental, Social & Governance (ESG) and Green Banking

The Bank reaffirms its dedication to responsible and sustainable banking. Building on recent green banking initiatives, ABPL has integrated Environmental, Social, and Governance (ESG) principles into its core operations with the ESG Framework, marking a significant step towards a sustainable future. The bank implemented a comprehensive screening process in 2024, resulting in a 100% assessment of its entire portfolio.

To advance sustainability, the Bank extended its support to key partners across diverse segments of the economy, including:



Agricultural Sustainability: The Bank supports events like Olive Summit, International Dairy Expo Idex, BOE Asia: Agri Tech, and Agro Show, connecting with farmers and growers.

Sustainable Businesses: The Bank participates in events such as Micro, Small, and Medium-Sized Enterprises Day and BOE Asia: Agri Tech, empowering small businesses.

Islamic Finance: The Bank strengthens ethical finance through partnerships with the World Islamic Finance Forum and other conferences.

Sustainable Human Resources: The Bank collaborates with platforms like Disrupt HR 3.0, Future Summit, DigiBap Summit, and NED University Convocation to help and develop a skilled workforce.

Sustainable Communities: The Bank supports sports and healthy lifestyle initiatives, such as the All Pakistan National Junior Boys Squash Championship and the Jahangir Khan PSA Satellite Series.

Policy Advocacy: The Bank participates in platforms like the Pakistan EV Conference to influence policy decisions.

These initiatives demonstrate the Bank's commitment to becoming a more environmental friendly, fair, and responsible bank, aligning its efforts with the National Determination Contributions of Pakistan and United Nations' Sustainable Development Goals to promote sustainability.

Corporate Social Responsibility (CSR)

The Bank remained steadfast in its commitment to corporate social responsibility by organizing and actively participating in a range of impactful initiatives. These efforts reflect the Bank's dedication to fostering positive social change and supporting communities across Pakistan. Key activities undertaken by the Bank in 2024 included:

- Multiple plantation drives in collaboration with:
 - a) International Islamic University at Faisal Masjid Campus, Islamabad.
 - b) The Islamabad Wildlife Management Board at Margalla Hills, Islamabad.
 - c) WWF Peshawar at Ghulam Ishaq Khan University.
 - d) Multan Public School.
 - e) Habib University in Karachi.
- A ration distribution drive in collaboration with the Dawood Global Foundation, providing support to deserving individuals and families. A blood donation drive was also conducted by the Bank.
- Iftar distribution drives during the month of Ramadan in Karachi, Lahore, Islamabad, Peshawar, Multan, Faisalabad, and Hyderabad. Iftar events were organized for underprivileged communities.
- Sponsorship of the following festivals/events:
 - a) Pakistan Blooms, Hydrangea & Floral Festival at Nathia Gali Club.
 - b) Saylani Welfare International Trust Alumni Meetup 2024.
 - c) 4th T20 Blind Cricket World Cup 2024



- d) Plantation of 1,500 coconut trees by the Saahil Welfare Association at Ormara.

These initiatives underline the Bank's ongoing commitment to contributing to social, environmental, and educational causes, demonstrating a strong alignment with the broader goal of sustainable development and corporate citizenship.

Corporate and Financial Reporting Framework

The Board of Directors, while ensuring regulatory compliance, is also vested with fiduciary responsibility on behalf of the shareholders to protect the Bank's interests, provide strategic direction, and monitor the execution of strategic objectives. The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations, Corporate Governance Regulatory Framework, and Code of Corporate Governance Regulations, 2019 (the Code) describe the role of the Board of Directors along with its responsibilities and functions.

The following statements are manifestations of the Bank's commitment to 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 except for the change in accounting policy duly disclosed in notes to the financial statements. The 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 about the Bank's ability to continue as a going concern, InshaAllah.
- There has been no material departure from the best practices of Corporate Governance.
- Investments of the Bank's recognised Provident Fund and Gratuity Fund based on un-audited accounts as of 31 December 2024 amounted to Rs. 1,761 (2023: Rs. 1,171) million and Rs. 509 (2023: Rs. 409) million respectively.

Following the expiry of the three-year term of the previous Board of Directors, an election of Directors was held on May 30, 2024, and a new Board was constituted. The Board would like to thank and wishes to place on record its sincere appreciation for the valuable services rendered by the outgoing Chairman Dr. Jehad El-Nakla and directors Mr. Mohammed Abdulla Abdulrahim and Ms. Aminah Zahid Zaheer. The Board congratulates all the elected directors and welcomes the new directors namely Mr. Shaher Eid Abdul Haleem Suleiman, Dr. Vaseehar Hassan Bin Abdul Razack, and Ms. Fariha Salahuddin.

As of December 2024, the Board composition is as follows:



Composition	Male	Female
Independent directors	2	1
Non-executive directors	6	-
Chief Executive Officer	1	-

During the year five (05) Board of Directors (BOD) meetings, three (03) Board Executive Committee (BEC) meetings, three (03) Board Risk Committee (BRC) meetings, three (03) meetings of Board IT, Digital and Information Security Committee (ITD&ISC), five (05) Board Audit Committee (BAC), three (03) Board Compliance Committee (BCC), and four (04) Board Nomination and Remuneration Committee (BNRC) meetings were held.

The attendance of the members was as follows:

Name of Directors	BOD	BEC	BRC	ITD&ISC	BAC	BCC	BNRC
Mr. Azhar Aziz Dogar - Chairman	5/5	3/3	-	3/3	-	-	-
Mr. Azhar Hamid - Vice Chairman	5/5	-	3/3	-	2/2	2/2	1/1
Mr. Abdul Malek Shehadeh Ibrahim Mezher	5/5	-	-	-	5/5	3/3	4/4
Mr. Shaher Eid Abdul Haleem Suleiman*	1/1	-	1/1	-	1/1	1/1	-
Mr. Zahid Rahim	5/5	3/3	1/1	2/2	-	-	-
Mr. Youssef Wassim Aboul-Naja	5/5	3/3	2/2	-	-	-	-
Mr. Mohamed Tareq Sadeq	5/5	-	-	-	5/5	3/3	-
Dr. Vaseehar Hassan Bin Abdul Razack*	1/1	-	-	1/1	-	-	-
Ms. Fariha Salahuddin*	1/1	1/1	-	-	-	-	1/1
Dr. Jehad El-Nakla (Ex-Chairman)**	2/2	2/2	-	-	-	-	-
Mr. Mohammed Abdulla Abdulrahim (Ex Director)**	2/2	-	2/2	-	2/2	-	3/3
Ms. Aminah Zahid Zaheer (Ex-Director)**	2/2	2/2	-	2/2	-	-	3/3

Note: The denominator showed the total number of meetings entitled to attend.

*Appointed in the 14th Extra Ordinary General Meeting held on May 30, 2024, (Clearance of Fit & Proper Test from State Bank of Pakistan dated October 24, 2024).

** Term completed in June 2024.

The Board Nomination and Remuneration Committee (BNRC) of the Bank has approved the Nomination and Remuneration Policy and Procedures for the Directors in accordance with the Companies Act, 2017 and applicable regulations. Independent director is entitled for the fee for attending the Board and its sub-committee meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise required.

Shariah Board:

In 2024, four Shariah Board meetings were held:

Name of Shariah Board Members	Attendance
Sheikh Esam Ishaq	4/4
Mufti Abdullah Siddiqi	4/4
Mufti Muhammad Zubair Haq Nawaz	3/4
Mufti Khalid Hasani	4/4



Shareholding Pattern as on December 31, 2024

Shareholders category	No. of share holders	Shares held	%age
Directors			
Mr. Abdul Malek Shehadeh Mezher	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%
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%
OLP Financial Services Pakistan Limited	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%
Dr. Jehad El-Nakla	1	500	0.00%
Mr. Tareq Mahmood Kazim	1	500	0.00%
Mr. Salman Ahmad	1	500	0.00%
Mr. Abdulrahman Shehab	1	500	0.00%
Aminaah Zahid Zaheer	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 a shareholder of the Bank as of December 2024.

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 oversight of the 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. BRC is formulated to ensure a continuous board-level formal oversight of the risks embedded in the Bank's operations. 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 senior members of management with relevant experience and expertise. These committees include:

1. Asset and Liability Management Committee (ALCO)
2. Credit Committee (CC)
3. Credit Risk Management Committee (CRMC)
4. Special Asset Management Committee (SAMCOM)
5. Operational Risk and Business Continuity Steering Committee (OR&BCSC)

Credit decision-making is a collective and consultative process in the Bank. All credit exposure approval authority rests with the Credit Committee/Sub-Committees. The Credit Committee (CC)/Sub-Committees are comprised 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.

SAMCOM has the responsibility for ensuring continuous oversight of the special asset management function of the Bank in the most effective manner and provide necessary guidance in handling of problem credits under the management of SAM department.



OR & BCSC has the responsibility to ensure the implementation of Operational Risk Management activities in the Bank along with the oversight on the maintenance or recovery of bank's operations, including services to customers, when confronted with adverse events such as natural disasters, technological failure, human error, terrorism or pandemic situation.

The primary objective of this architecture is to inculcate enterprise wide risk management culture so as to ensure that risks are appropriately identified, assessed, documented, approved, 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 the development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Bank. The Risk Management function is headed by the Chief Risk Officer (CRO), who administratively reports to the CEO while also maintaining reporting line to the BRC on virtue of being Secretary to BRC.

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

- Credit Risk
- Credit Administration
- Credit Operations
- Risk Policies
- Enterprise Risk Management
- Fraud Risk Management Unit
- IT Security
- ESG

Credit Risk Management is a separate function independent of the credit origination function and maintains credit discipline by enunciating credit risk management and control processes. This function conducts due diligence and review of Corporate/Commercial, SME, Agri, FI, and Consumer as well as Infrastructure Project Financing credit applications and presents its observations to CC/respective approving authorities of the Bank. The credit Risk function adds value to the approval process by validating and assurance to the effect that the financing proposals comply with different policy parameters, and regulatory instructions and adherence to the risk appetite of the Bank. Exceptions if any are highlighted and reported to the relevant forums. This division is also responsible for monitoring the credit portfolio and undertakes thematic stress tests to evaluate the health of the credit portfolio.

Credit Administration is primarily responsible for the Bank's Credit Limit Management about Corporate, Investment, Commercial, SME, Consumer al-bait and staff portfolio (i.e. limit input and control), perfection of securities, issuance of Disbursement Authorization Certificate (DAC), drawdown monitoring, initiation of documentation and its review instead of credit approvals, safe custody of collateral, facility 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. Furthermore, the Credit Administration also looks after the administrative control of



ECIB reporting State Bank of Pakistan. (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. Furthermore, the Credit Administration also looks after the administrative control of ECIB reporting State Bank of Pakistan.

The Credit Operations Department (COD) is responsible for disbursements of fund-based financing facilities as per the Disbursement Authorization Certificate, updating repayments against fund-based facilities in the core banking system, preparing various credit portfolio reports, and recording classification and provisioning as per the requirements of SBP's Prudential Regulations. COD is working as a Centralized team and looking after the Pan Pakistan Financing activities from Karachi / South Region. COD is sub-divided into three main areas i.e. Consumer, Corporate & SME with Staff and MIS Reporting.

Risk Policies Unit of RMG formulates and updates credit and risk policies and SOPs of the Bank.

The Enterprise Risk Management function is responsible for ensuring authenticity, accuracy, and timely identification of risks in Market, Liquidity, Profit rate risk (banking book), Country, and Operational risks inherent in the Bank's activities and develop policies and procedures to control these risks. Further, Enterprise Risk covers Credit Portfolio analytics, Basel & IFRS 9 implementation, and ICAAP. The Bank has adopted a Standardized Approach for the calculation of capital charges against credit and market risk in which risk weights are assigned taking into consideration external ratings of the counterparties to calculate Risk Weighted Assets while the Basic Indicator Approach has been adopted for Operational Risk. The bank has also implemented the IFRS 9 standard as per SBP guidelines.

The Market & Liquidity Risk and Treasury Middle Office (TMO) unit is responsible for measuring, monitoring, and reporting these risks in accordance with the Board approved Market and Liquidity Risk policies. The unit oversees all treasury risk limits, ensuring compliance with the Board approved risk appetite limits related to Market and Liquidity Risks.

In light of the evolving policy rate environment, the unit analyzes rate-sensitive assets by preparing and monitoring re-pricing gaps, Earning at Risk (EaR) simulation, and assessing the maturity profiles of assets and liabilities through gap profiling. Additionally, top depositor concentration and key liquidity ratios are monitored alongside Basel regulatory standards, including the Liquidity Coverage Ratio and Net Stable Funding Ratio, to ensure adherence to regulatory limits.

The Bank also conducts stress testing on its risk portfolios to evaluate the impact of extreme yet plausible risk scenarios on its Capital and liquidity position. Market & Liquidity Risk assessments are reviewed by the Asset Liability Committee (ALCO) every month, with updates provided to the Board Risk Committee quarterly.

A Contingency funding plan is in place to guide actions during liquidity stress conditions. For market risk, the Bank calculates and maintains the required capital under the Pillar 1 requirements of Basel. For liquidity risk, capital requirements are addressed through the SBP's Internal Capital Adequacy Assessment Process Framework.



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 the Operational Risk Management suite i.e. Risk Nucleus for operational loss data collection. Full implementation of the same with additions entailing Risk Control Self-Assessment (RCSA) and Key Risk Indicators (KRI) is in process during 2024. The system will keep a detailed track of all operational loss events with a complete audit trail. The Bank has BOD-approved Operational Risk Management in place detailing the roles and responsibilities of all functional areas. RCSA exercises for each business line and key control functions are periodically performed. Through the RCSA exercise, the Bank has been able to develop an inventory of risks, controls, and 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. The business Continuity Management Policy of the Bank with clearly defined roles and responsibilities ensures 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 Operational Risk & Business Continuity Steering Committee, represented by the senior management of the Bank, meets periodically and reviews key initiatives, testing results, and related action plans for strengthening the Bank's ability to manage crises. The Bank is also working on the automation of Basel, IFRS 9, ORM, and Loan origination.

Fraud Risk Management serves as a shield that safeguards the bank and its stakeholders from deceitful activities. It involves the adoption of a robust fraud risk management program, with a comprehensive fraud management strategy combined with an approach of vigilant monitoring and creating awareness against various frauds with effective control. It's the process of putting effective measures in place to help in the early detection of frauds, whenever they occur. Fraud Risk Management serves as a proactive defense mechanism, which detects and then prevents similar fraudulent activities from infiltrating and affecting various business channels.

Risk Management has been involved in implementing a bank-wide loan origination system (LOS) called Moody's Credit Lens, a workflow Credit lifecycle management solution that 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. The LOS project continues to experience challenges in implementation as functional specifications are to be aligned with the bank's requirements given the local banking landscape and product suite. In addition, the Internal Risk Rating Module of Credit Lens will also help the Bank to fulfill the preparation of the Basel Internal Rating Based Approach for Credit Risk and the future implementation of IFRS 9. The internal Risk Rating Module of Credit Lens takes into consideration qualitative and quantitative factors of the counterparty, transaction structure, and collaterals and generates ratings at Obligor and Facility levels as required by the Internal Rating Based (IRB) approach under Basel regulations. The system is backed by a secured database with backup support and is capable of generating MIS reports providing snapshots of the entire portfolio for strategizing and decision making. The journey will continue during 2025.

Information Security plays a pivotal role in protecting 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.

All the above measures have collectively led to the evolution of a risk conscious culture at the Bank. The same is encouraged and supported by the Board, the BRC and the senior management.

Financial Consumer Protection

The Bank is committed to delivering exceptional banking experiences to our customers, founded on the principles of fairness, transparency, trust and impartial treatment with customers fostering a sense of belonging with our customers and proving a conducive culture promoting customer centricity, advocacy and trust.

Our comprehensive Financial Consumer Protection (FCP) framework, aligned with regulatory guidelines, oversees various products and services, including retail and consumer banking, customer service, and grievance handling at the Bank.

The journey for the year 2024 of Financial Consumer Protection comprises the following:

- The Bank conducted extensive training sessions on Ethical Conduct and Consumer Protection, covering over 700 employees. These sessions emphasized the importance of ethical behavior, transparency, and accountability, ensuring compliance with regulatory standards and enhancing service excellence. These training sessions have played a pivotal role in outlining the behaviors that need to be exhibited to our esteemed customers to ensure all customer interactions are handled professionally by principles of customer centricity, fairness and impartial treatment respectfully and courteously.
- The Bank launched Bank-wide email campaigns to promote & advocate awareness of Financial Consumer Protection and its Seven Guiding Principles, reinforcing the importance of ethical conduct and informed customer interactions.
- The Bank fostered a culture of financial literacy among our front-end staff through multiple training sessions, enhancing staff skills in Service Excellence and Product Knowledge. This initiative led to an impressive year-to-date average score of 95% in product knowledge, a new record in the Bank's history.
- The Bank carried out various trainings targeting to uplift the soft aspects of service delivery from the frontlines of the Bank.
- The Bank upheld the commitment to ensure fair treatment of all customers throughout their banking journey, practicing fair & impartial treatment from the brick & mortar service model of the Bank.
- The Bank continually aspired to ensure that product and service information is communicated to customers clearly and straightforwardly, promoting transparency and understanding.



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 Board is pleased to endorse the management's statement relating to Internal Controls.

Six Years' Financial Summary:

Rs in Millions

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Investments	126,852	122,881	109,900	76,552	57,117	24,195
Islamic financing and related assets - net	101,439	79,756	86,057	96,202	90,279	75,444
Deposits and other accounts	223,402	207,338	185,049	178,917	159,364	129,654
Total Equity	21,618	18,253	14,605	13,415	13,029	12,732
Total Assets	273,261	255,374	233,668	218,117	192,814	161,982
Number of branches	185	170	170	180	188	192
Profit before tax	8,378	6,124	2,636	674	1,538	8
Profit / (loss) after tax	4,034	3,104	1,510	631	764	(192)
Earnings per share (Rs.)	2.94	2.26	1.10	0.46	0.56	(0.14)

Credit Rating

Based on the financial statements of the Bank for the year ended December 31, 2023, VIS Credit Rating Company Limited has maintained the long-term rating to 'A+' and the short-term rating at 'A-1'.

External Auditors

The present auditors, A. F. Ferguson & Co., Chartered Accountants, a member firm of the PwC network, retire and being eligible, offer themselves for reappointment. The Board and the Audit Committee have recommended the appointment of A. F. Ferguson & Co., Chartered Accountants as auditors of the Bank, for the year ending December 31, 2025. The reappointment of External Auditors 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

Azhar Aziz Dogar
Chairman

13 February 2025
Karachi