

**AL BARAKA BANK (PAKISTAN) LIMITED**  
**DIRECTORS' REPORT TO MEMBERS**

On behalf of the Board of Directors of the Al Baraka Bank (Pakistan) Limited (the Bank), we are pleased to present the 18<sup>th</sup> annual report along with the audited financial statements of the Bank and Auditors' report for the year ended 31 December 2023.

**Economic Overview**

Pakistan's economy faced multiple challenges during FY23 owing to rising inflation, current account deficit and political instability which led to deterioration in macroeconomic indicators in FY23. As a result, GDP growth rate has been recorded at 0.3% in FY23 as compared to 6.1 in FY22. However, after a year of turbulence, Pakistan's economic situation has started to show some early signs of improvement. Macroeconomic indicators are improving and the economic recovery process continues at a steady pace, bolstering business confidence and market sentiment.

CPI inflation recorded at 29.7% on YoY basis in December 2023 as compared to 24.5% in December 2022. In order to control CPI inflation rate, SBP increased the policy rate by 6% to 22% in 2023, but higher energy prices, a weaker currency and increased indirect taxes continue to weigh on the CPI which still remains on the higher side.

During first half of FY24 (July 2023-December 2023), trade deficit stood at USD 9,965 million as compared to USD 15,336 million during the same period last year. Current account deficit stood at USD 831 million, a marked improvement from the USD 3.6 billion deficit during the same period last year. In the month of December 2023, the current account recorded a surplus of USD 397 million as compared to deficit of USD 365 million in December 2022.

Pakistan's total liquid foreign exchange reserves increased to USD 12.6 billion in December 2023, with SBP's reserves stood at USD 8.2 billion and banks' reserves stood at USD 4.4 billion. The Pak rupees has started appreciating since touching all time high of PKR 307 per USD at start of September 2023. The exchange rate at the end of December 2023 is PKR 282 per USD as compared to PKR 226 per USD last year.

In last quarter of 2023, Pakistan Stock Exchange (PSX) showcased outstanding performance where the index increased by 34% closing at 63,002 as at 31 December 2023. The sustained rise in the PSX index signals a positive economic outlook.







## Financial Highlights of Al Baraka Bank (Pakistan) Limited

The financial highlights of the Bank are given below:

Financial Highlights	2023	2022	Growth
Deposits	Rs. 207.3 Billion	Rs. 185.0 Billion	12.1% ↑
Investments	Rs. 122.9 Billion	Rs. 109.9 Billion	11.8% ↑
Financing-Net	Rs. 79.8 Billion	Rs. 86.1 Billion	(7.3%) ↓
Total assets	Rs. 255.4 Billion	Rs. 232.6 Billion	9.8% ↑
Equity	Rs. 18.3 Billion	Rs. 14.6 Billion	25.3% ↑
Capital Adequacy Ratio (CAR)	19.33%	15.80%	3.53% ↑

PROFIT AND LOSS ACCOUNT	2023	2022	%
	<i>Rs. in million</i>		
Profit/return on financing, investments and placements	36,502	24,793	47%
Return on deposits and other dues expensed	(23,139)	(16,347)	42%
<b>Net spread earned</b>	<b>13,363</b>	<b>8,446</b>	<b>58%</b>
Fee and commission income	1,000	901	11%
Foreign exchange income	1,028	827	24%
Gain on sale of securities	63	22	186%
Dividend and other income	26	41	(37%)
<b>Total other income</b>	<b>2,117</b>	<b>1,791</b>	<b>18%</b>
Administrative expenses and other charges	(7,789)	(6,545)	19%
<b>Operating profit</b>	<b>7,691</b>	<b>3,692</b>	<b>108%</b>
Provision against non performing financing, investments and other assets	(1,567)	(1,056)	48%
<b>Profit before tax</b>	<b>6,124</b>	<b>2,636</b>	<b>132%</b>
Taxation	(3,020)	(1,126)	168%
<b>Profit after tax</b>	<b>3,104</b>	<b>1,510</b>	<b>106%</b>

By the Grace of Allah, the Bank has achieved a decent growth trajectory in 2023. The focus remained on increasing efficiencies and strengthening of Bank's key financial indicators. For the first time, the deposit crossed Rs. 200 billion mark to close at Rs. 207.3 billion. The investment portfolio of the Bank has increased by 11.8% and stands at Rs. 122.9 billion as at December 2023. The Bank has remained cautious in building its financing portfolio on account of stressed economic conditions resulting in decline in financing portfolio by 7.3% to close at Rs. 80 billion.

In the profit and loss account, the net spread earned by the Bank increased by 58% and was recorded at Rs. 13,363 million as compared to Rs. 8,446 million last year. Other income stood at Rs. 2,117 million as compared to Rs. 1,791 million recorded in 2022 mainly on account of higher foreign exchange income and fee and commission income booked in current year.

The Bank recorded healthy net profit of Rs. 3,104 million registering an increase of 106% from 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 19.33% as of 31 December 2023 as compared to 15.80% as of 31 December 2022. The increase in CAR is mainly due to improved profitability during the year 2023 and Bank's cautious approach to manage its Risk Weighted Assets.

Administrative expenses have increased mainly on account of inflationary pressure in 2023. The Bank continues to follow disciplined cost management strategy and enhancing business synergies.

During the year, the Bank recorded net incremental provision of Rs. 1,567 million which mainly includes provision of Rs. 1,484 million on financing 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 2024.

The Bank recorded Earnings per share (EPS) of Rs. 2.26 per share, up from Rs. 1.10 per share recorded last year.

### Information Technology

In order to maintain its competitiveness in the market, the Bank accelerated its investment in technology area of the Bank during the year 2023 and ensured the implementation of top-notch technologies complementing digital initiatives, strong technology infrastructure, cyber security posture and overall efficiency of the Bank.

The Bank achieved the following milestones in the field of digital transformation, information technology and cyber security during the year 2023:

- The Bank has placed new ATMs having latest operating system and security features in all its branches and offsite locations.
- The Bank has successfully implemented the latest SAN (Storage Area Network) Storage with NVMe (non-volatile memory express) technology entering into the league of few banks adopting this latest technology in Pakistan. This will enable the bank to cater the business with better performance and customer experience.
- The Bank has successfully upgraded the branches network infrastructure to ensure unified network and security fabric between data centers and branches with better security and centralized management of network infrastructure.
- Bank has successfully implemented Oracle Financial Crime and Compliance Management Solution (FCCM) which will enable our bank to screen customers' financial transactions and detect suspicious activities in order to prevent financial crime and meet regulatory obligations and expectations. The anti-money laundering module is live since September 2023 and targeting to complete KYC and Trade Based Money Laundering Module by mid of year 2024.
- The Bank has successfully rolled out image-based clearing module which improves the process of cheque clearing and enable the Bank to decide instrument fate on the basis of digital cheque images.
- The Bank has implemented SBP RAAST (Micro Payment Gateway) additional services by introducing QR payments and P2M (Person to Merchant) payments on the digital banking platform. The aforesaid payment methods will bring revolutionary change in





digital payment landscape of Pakistan. Besides the Bank has also launched NFC (near-field-communication) contactless debit cards for quick payment processing and better customer experience.

- The Bank has revamped phone banking application, Interactive Voice Response (IVR) and its integration for better customer service.
- The Bank has introduced mobile-camera based bio-metric solution enabling the customers to perform bio-metric verification through their mobile phone at the time of account opening. The Bank is amongst the first in adopting this innovative technology in the banking industry of Pakistan.

### **Environmental, Social & Governance (ESG) and Green Banking**

Al Baraka Bank (Pakistan) Limited ("ABPL") acknowledges its role as a responsible and sustainable bank. Building upon the green banking initiatives taken over the last two years, ABPL embarked on a new journey in 2023 by committing to introduce ESG within the overall environmental and social framework.

The bank has implemented measures to mitigate environmental risks by integrating environmental and social due diligence into its financing portfolio. This demonstrates its commitment to address climate change and promoting sustainability; it also ensures that clients are kept informed about regulatory requirements and environmental awareness. Furthermore, the bank has prioritized internal staff training across various domains, encompassing Diversity and Inclusion (under the banner of "Banking on Equality"), Green Banking, and Sustainable practices which enhances organizational capacity.

In line with ESG goals which are all encompassing and also address social and governance related initiatives; ABPL initiated a new realm of awareness by organizing the industry's first conference on "Family Business - Sustainability Over Generations". This event facilitated a discussion on sustainable business practices, led by H. E. Yousef Hassan Khalawi, Secretary General of the Islamic Chamber of Commerce, Industry & Agriculture.

Symbolizing the commitment of ABPL to the national objective of sustainable development, the bank has executed "One Tree, Per Staff, Every Year" initiative connecting its workforce with nature. This program involves planting one tree for each employee annually. So far, the bank has planted 1,000 saplings in partnership with WWF-Pakistan and will plant an additional 2,200 in 2024.

These initiatives demonstrate ABPL's commitment to continue its transition into a more environmentally friendly, fair and responsible bank; aligning its efforts with the UN SDGs to promote sustainability.

### **Corporate Social Responsibility (CSR)**

During the year 2023, the Bank actively participated in the following CSR Initiatives.

- Organized Iftar Distribution Drive in 07 Cities of Pakistan and additionally supported Binte Fatima - an Old Age Home in Karachi by organizing Iftar for Mothers living at the shelter.
- The Bank Staff visited the Children Ward at Indus Hospital, Karachi and Shaukat Khanum Memorial Cancer Hospital, Lahore to distribute giveaways to children.



- Blood Donation Drive in collaboration with Indus Hospital Network was conducted at the Bank's Head Office in Karachi.
- Keeping SDG goals in focus, the Bank organized a plantation drive in collaboration with WWF at Mangroves in Karachi with a goal of Plantation of One Tree per Staff Every Year.
- The Bank observed Breast Cancer Awareness Month throughout the month of October. An Awareness session in collaboration with Chughtai Lab was organized for all female staff across Pakistan.
- On the 21<sup>st</sup> Al Baraka Day Anniversary this year, the Bank arranged for a ration distribution drive in collaboration with Alamgir Welfare Trust International for the less Privileged Families.

#### **Awards & Recognitions:**

The Bank received an “Appreciation Award” from Alamgir Welfare Trust International for the Bank's “Exceptional Efforts” for the Relief Work after the devastation caused by the floods.

The Bank received “CSR Recognition Award” from Hands Pakistan for their multiple collaborations and CSR initiatives with the NGO.

The Bank was also awarded at 12<sup>th</sup> Corporate Social Responsibility Awards organized by The Professionals Network with the “Corporate - Non Profit Partnership Award.”

#### **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 manifestation of its commitment towards high standards of Corporate Governance and continuous organisational 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 recognised Provident Fund and Gratuity Fund based on un-audited accounts as at 31 December 2023 amounted to Rs. 1,171 (2022: Rs. 1,192) million and Rs. 409 (2022: Rs. 371) million respectively.

During the year six (06) Board of Directors (BOD) meetings, five (05) Board Executive Committee (BEC) meetings, six (06) Board Risk Committee (BRC) meetings, four (04) meetings of Board IT, Digital and Information Security Committee (ITD&ISC), Board Audit Committee (BAC), Board Compliance Committee (BCC), and sixteen (16) 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
Dr. Jehad El-Nakla, Chairman	6/6	5/5	-	-	-	-	-
Mr. Azhar Aziz Dogar, Deputy Director	6/6	3/3	4/4	3/3	-	-	-
Mr. Abdul Malek Mezher, Director	6/6	-	-	-	4/4	4/4	16/16
Mr. Mohammed Tareq Sadeq, Director	6/6	-	-	-	4/4	4/4	-
Mr. Zahid Rahim, Director	6/6	5/5	6/6	4/4	-	-	-
Mr. Azhar Hamid, Director	6/6	-	2/2	-	2/2	4/4	-
Ms. Aminah Zahid Zaheer, Director	6/6	5/5	4/4	4/4	-	-	16/16
Mr. Youssef Wassim Aboul-Naja,* Director	3/4	2/3	1/2	-	-	-	-
Mr. Mohammed Abdulla Abdulrahim,** Director	4/4	-	2/2	-	2/2	-	8/8
Mr. Tariq Mahmood Kazim,*** Deputy Chairman*	1/1	1/1	-	1/1	-	-	5/5

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

*\*Appointment of Mr. Youssef Wassim Aboul-Naja, Director dated May 26, 2023.*

*\*\* Appointment of Mr. Mohammed Abdulla Abdulrahim, Director dated May 26, 2023.*

*\*\*\*Resignation of Mr. Tariq Mahmood Kazim, dated March 02, 2023.*

Further (04) four Shari'a Board meetings were held during 2023 which were attended by following Shari'a Board Members:

Name of Shari'a 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 31 December 2023

Shareholders category	No. of share holders	Shares held	%age
<b>Directors</b>			
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%
<b>Associated companies, undertakings and related parties</b>			
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%
<b>Public Sector Companies, Corporations, Banks, Development Financial Institutions and Non-Banking Financial Institutions, Mutual Funds &amp; Other Organizations</b>			
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%
<b>Shareholding ex-Directors and others</b>			
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 Yousuf	1	500	0.00%
Mr. Abdulrahman Shehab	1	500	0.00%
Mr. Tareq Mahmood Kazim	1	500	0.00%
Mr. Salman Ahmad	1	500	0.00%
Mr. Ahmed Baqar Rehman	1	500	0.00%
<b>Other - (Shareholders with less than 10% Shareholding)</b>	56	108,731,702	7.91%
<b>Total Shareholding</b>	<b>81</b>	<b>1,373,962,760</b>	<b>100%</b>





### 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 2023.

### 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. 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 of 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 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.

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 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 while also maintaining reporting line to the BRC on virtue of being Secretary to 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
- Fraud Risk Management Unit
- IT Security

Credit Risk Management is a separate function independent of credit origination function and maintains credit discipline by enunciating credit risk management and control process. This function conducts 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. Exceptions if any are highlighted and reported to the relevant forums.

Credit Administration is primarily responsible for the Bank's Credit Limit Management pertaining to 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 in lieu 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, 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, Credit Administration also looks after the administrative control of ECIB reporting State Bank of Pakistan.

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 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.

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.

Risk Policies & Industry Research Unit of RMG formulates and updates credit and risk policies and SOPs 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. 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.

Treasury Middle Office (TMO) manages risks relating to treasury operations and reports its findings to ALCO for prompt remedial actions. Considering the changing 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, Liquidity Coverage Ratios (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. 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 2023.

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. 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 complete audit trail. The Bank has a Board approved BCP Policy and plans for all functional areas. RCSAs exercises for each business line and key control functions is periodically performed. Through the RCSA exercise, the Bank has been able to develop 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. 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.

Fraud Risk Management serves as a shield that safeguards bank and its stakeholders from deceitful and dishonest 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 an effective control. It's the process of putting in effective measures in place to help in 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 called Moody's Credit Lens, a world 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. The journey will continue during 2024.

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 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 2023 of Financial Consumer Protection comprises the following:

- The Bank carried out assessment of Customer Satisfaction through three different type of surveys i.e. Product & Services Survey (Telephonically), Post Complaint Closure Survey and Website Survey. The result of three surveys were consolidated where overall customer satisfaction score was recorded at 87.4%.
- 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, post training evaluations were also carried out, so as to gauge the retention level of training knowledge.

#### **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**

Though FY2023 remained a challenging year, the government succeeded in ensuring the sustainability of the external and fiscal sectors through various tough decisions and stabilization measures. As per Ministry of Finance, GDP of the country is projected to grow by 2% to 3% in FY2024 and will be achieved as a result of various measures such as the Kissan package, industrial support, export promotion, encouragement of the IT sector and resource mobilization, etc. To achieve higher and sustainable economic growth, it will require prudent and effective economic decisions, political and economic certainty and pro-business policies.





Al Baraka Bank (Pakistan) Limited 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. Under an ambitious 5 Years' Strategic Plan, efforts will be made to target new market segments, widening of customer base and improving efficiency and productivity by leveraging on the investment in technology in forth coming years.

The Bank plans to take following initiatives in 2024:

- Expansion and upgradation of branch network across Pakistan.
- Focus on digitalization to improve efficiencies and customer experience.
- Maximization of shareholder's return through increasing net spread of the Bank.
- Continued focus on mobilization of low cost deposits.
- Continue to manage its Risk Assets in a prudent manner.
- 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.
- Enhancing trade business through Inter-Franchise collaboration and business portals in number of countries where Al Baraka Banking Group (ABG) operates.
- Increased focus on staff training to enhance their operational competencies.

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 2022, VIS Credit Rating Company Limited has maintained the long-term rating to 'A+' and the short-term rating at 'A-1'.

### **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, 2024 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



\_\_\_\_\_  
Dr. Jehad El-Nakla  
Chairman

22 February 2024  
Karachi