

ALBARAKA BANK (PAKISTAN) LIMITED  
STATEMENT OF INTERNAL CONTROLS  
FOR THE YEAR ENDED 31 DECEMBER 2024

The statement is presented to comply with the requirements of State Bank of Pakistan's (SBP) BSD Circular No. 07 dated May 27, 2004 "Guidelines on Internal Controls", SBP's OSED Circular No. 01 dated February 07, 2014 "Instructions on Internal Controls over Financial Reporting (ICFR) and SBP's BSD-1 Circular Letter No. 01/2021, dated July 06, 2021.

The management of the Bank is responsible for establishing and maintaining an adequate and effective system of internal control that could help in achieve its objectives while the Board of Directors are responsible for establishing overall strategy and policies related to these controls. The main objectives of the internal control system are to ensure the effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets, adherence to applicable banking laws and regulations and compliance with the laid down policies, procedures and Sharia principles.

The Internal Control system has been established to oversee financial and operational controls, accounting systems and reporting structures to ensure their adequacy and effectiveness. The Management has a Compliance Management Committee (CMC) which focuses on compliance risk issues and reviews the adequacy of controls and systems to meet the regulatory requirements. All key control activities are being closely monitored across the Bank through Compliance, Enterprise Risk Management, Shariah and Internal Audit departments, which review the adequacy of the Internal Control System and report significant deviations to the Board Audit Committee (BAC) & Board Compliance Committee (BCC). Weaknesses highlighted by the external auditors are also addressed promptly and necessary steps are taken by the management to eliminate such weaknesses identified by Internal and External auditors and the Compliance, Risk Management and Shariah audit teams.

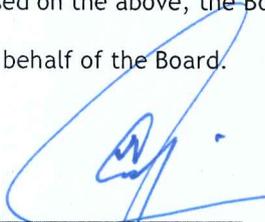
Additionally, the Bank has completed all stages of the ICFR roadmap issued by SBP vide BSD Circular No. 05 dated February 24, 2009. Based on the satisfactory rollout of the Internal Control framework, the Bank has been granted exemption vide SBP letter no. OSED/SEU-10/002(01)/29549/2015 dated December 31, 2015, from the requirement of submission of External Auditor issued Long Form Report (LFR). The Bank now prepares the annual assessment report on the efficacy of ICFR duly approved by the Board Audit Committee. In this regard, the Bank has developed a comprehensive testing and reporting framework, for ensuring continuous improvement and strengthening its system of Internal Controls on an ongoing basis.

Annual Assessment Report for the year ended December 31, 2023, was duly reviewed by the BAC in February 2024. The Bank has already incorporated the changes suggested in annual assessment report of 2023, whereas, remediation plans against new gaps, identified during 2024 are being compiled.

The management also recognizes that the assessment and evaluation of Internal Controls is an ongoing process for ensuring that an effective and efficient internal control system remains active and implemented. However, any system of internal control can only be designed to manage and mitigate rather than eliminate the risk of failure to achieve objectives. Furthermore, there are inherent limitations of internal controls including the possibility of human error or system failure, circumvention and overriding of controls. Accordingly, even an effective Internal Control System can only provide reasonable assurance and not absolute assurance against material misstatements or losses.

Based on the above, the Board of Directors endorses the management's evaluation of Internal Controls.

On behalf of the Board.



Muhammad Atif Hanif  
Chief Executive Officer



Azhar Aziz Dogar  
Chairman

13 February 2025  
Karachi

