



AL BARAKA BANKING GROUP

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<i>ABSTRACT</i>	<i>KEYWORDS</i>
In this article, the brief history, branches and financial results of the international Al Baraka Banking Group, which ranks high on all sides, are discussed in detail, and conclusions are given on the application of its experience in Uzbekistan.	ABG, Islamic banking, e-banking, Covid-19.

Introduction

Al Baraka Group B.S.C ("ABG/Group") is licensed by the Central Bank of Bahrain as a Category 1 (Islamic Principles) investment business firm and is listed on the Bahrain Stock Exchange. It is a leading international Islamic financial group providing financial services through its banking branches in 16 countries, offering retail, corporate, treasury and investment banking services in strict compliance with the principles of Islamic Shariah.

The group has a wide geographic presence with operations in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, Saudi Arabia, Syria, Morocco and Germany, along with two branches in Iraq and a representative office in Libya. It provides its services in more than 600 branches.

The ABG network serves nearly one billion customers.

The Head Office IT and Information Security Steering Committee manages and supports IT strategies, policies, projects and initiatives across all Al Baraka Group subsidiaries, and their strategic objectives for the Group and each subsidiary's local ensures compliance with the strategy.

Materials

If the probability of Islamic banking turns out to be correct, it will attract 40-50 percent of Muslim savings in the coming years, which can become a useful resource for the needs of established banks, provided that they establish branches that can serve Muslims. In addition, interest rates will be the cornerstone of financial repression, giving much space to the role of state control. This includes several countries that prohibit banks from paying or charging interest on deposits and loans for religious reasons. If banks cannot use the interest rate as an intermediary between borrowers and lenders, a natural question arises as to how they will work. Does the West have much to learn from countries that have developed Islamic products and systems? - Some Major Western banks, including Citibank, HSBC, Goldman Sachs and UBS, certainly think so, and all have recently opened Islamic banking branches. [1]

Each Islamic finance product presents different types of risks and exposures that are accepted by the bank (which is different from conventional banks which mainly have the problem of default risk). For example, if the Islamic bank enters into a joint-stock company within the scope of the partnership agreement, it will have the risk of suffering losses until the cooperation continues. In the Murobaha transaction, the bank has the risk of losing the property (asset) during the ownership period (that is, until the property is sold). In lease contracts, the bank bears the risk until the ownership of the property is transferred to the client. In this way, Islamic banking demonstrates that the ratio of risk to profit is economically reasonable. Such a banking system meets the needs of both customers and the general public and provides an opportunity for a fair distribution of wealth. [2]

Methods

In this study, logical and comparative analysis, grouping methods, as well as research works of foreign and local scientists and official statistical websites were widely used.

Results

The Group's short, medium and long-term IT strategies are now well established and standardized around carefully selected core banking solutions that have been successfully implemented across all ABG subsidiaries. The Head Office IT and Information Security Steering Committee monitors the Group's IT strategy and periodically updates it to enable ABG to achieve its strategic objectives.

ABG's web-based financial consolidation and reporting solution measures corporate performance against key performance indicators based on the Group's strategic objectives. This solution is used to set benchmarks for each subsidiary and continuously monitor its performance. It collects data from each subsidiary in its local currency and performs monthly, quarterly and annual consolidations in US dollars. The data is then collected, processed, reported and analyzed across all subsidiaries.

All subsidiaries of the group have core banking systems, which are selected according to the list approved by the Head Office and which meet the requirements of the Central Bank for further automation. Subsidiaries are currently implementing satellite systems in areas such as risk management, cyber security, internet and mobile banking. Head Office IT and Information Security Steering Committee with subsidiaries to comply with the Anti-Money Laundering and Know Your Customer international rules, as well as the Foreign Account Tax Compliance Act (FATCA) is working to implement systems that automate the compliance process. These systems also check transactions against the Office of Foreign Assets Control (OFAC) sanctions list.

Each subsidiary has a disaster recovery center that is tested and audited at least once a year. The group has integrated a business continuity and disaster recovery standard that has helped all subsidiaries adopt best practices. In addition, the Group ensures that its subsidiaries have the right people, technology and policies in place to protect against cyber-attacks and fraud. It provides best practice frameworks and guidelines with oversight obligations to ensure compliance and effective implementation.

Corporate Profile

The bank offers innovative products and services based on Islamic Shariah principles, including corporate and retail financing, investments, international trade financing and short-term liquidity management.

Al Baraka Islamic Bank ("AIB" or the "Group") is a retail Islamic bank licensed by the Central Bank of Bahrain ("CBB") and registered with the Bahrain Ministry of Industry, Trade and Tourism under number 14400. The group's existing authorized capital is 600 million US dollars, issued and paid-up capital is 136.5 million.

The group is one of the leading financial institutions in the Islamic banking sector. Since its inception in 1984, AIB has been instrumental in establishing the foundations of Islamic finance. The group is instrumental in promoting Islamic banking and publicizing its benefits. The group has a good and high reputation in the communities where it operates.

The Group offers innovative products and services to its esteemed customers, demand for such products, obtaining savings and investment accounts, providing Murabaha financing, Lease financing and other Shariah-compliant forms of financing, Shariah-compliant forms of financing, as well as Mudoraba of investors' money or includes agency-based fee management, commercial banking services and other investment activities.

The Group has achieved outstanding results due to its extensive knowledge of Islamic Fiqh (law) in banking operations, the diverse experience of its Executive Management Team and the strong and deep financial position of its Ultimate Parent Company (Al Baraka Banking Group). Since its inception, the Group has managed funds on behalf of many major financial institutions and high net worth individuals seeking long-term and financial returns through the use of Shariah-compliant instruments.

In 2010, the Group completed the merger of its branches in Pakistan (which began operations in 1991) with Emirates Global Islamic Bank Limited to form Al Baraka Bank Pakistan Limited ("ABPL"). Following this, in 2016, ABPL acquired Burj Bank Limited, which led to the addition of 74 new branches and a total of over 150 branches in addition to a network of over 150 branches in over 100 cities and towns across Pakistan and increased its workforce to more than 2,500 specialists.

In 2012, the Group acquired a majority stake in Itqan Capital, a closed joint-stock company registered in the Kingdom of Saudi Arabia and licensed by the Capital Market Authority. Itqan Capital provides asset and portfolio management, as well as custody, research and advisory services.

AIB is one of the banking divisions of Al Baraka Banking Group ("ABG" or "Ultimate Parent"). ABG is a Bahraini joint stock company listed on the Bahrain Stock Exchange and Nasdaq Dubai. The parent company offers retail banking, corporate banking, investment banking and treasury services in accordance with Islamic Shariah principles. The authorized capital of the parent company is USD 1.5 billion, and the total equity capital is approximately USD 2.3 billion. ABG has a wide geographical presence in the form of subsidiary banking units and offices in 16 countries, which in turn provide Shariah-compliant banking products and services through more than 600 branches. These bank branches are located in Bahrain, Jordan, Pakistan, Algeria, Sudan, South Africa, Lebanon, Tunisia, Egypt, Turkey and its branches in Iraq, Syria, Morocco, and representative offices in Indonesia and Libya.

ABG's vision of the future: They believe society needs a fair and impartial financial system, one that rewards effort and contributes to community development.

Their mission is to serve the banking needs of their communities by conducting their operations ethically and in accordance with their beliefs, applying the highest standards of professionalism, and sharing mutual interests with their customers, employees and shareholders who contribute to their success.

Its Values:

1. Partnership – their shared beliefs create strong bonds that form the basis of long-term relationships with their customers and employees.
2. Desire – They have the drive and determination to make a greater impact on the lives of their clients and communities.
3. Neighborly - values and respects the communities they serve. The doors are always open. Their customers are always greeted in a friendly manner and provided with friendly service.
4. Peace of mind – their clients can rest assured that their financial interests are being managed in accordance with the highest ethical standards.
5. Social Contribution – By partnering with them, their customers make a positive contribution to the betterment of society, and the growth and development of their customers benefits the communities in which we operate.

The Board of Directors consists of one chairman, one deputy chairman and 7 members.

The global recovery is expected to slow significantly in 2022 due to the ongoing COVID-19 pandemic, reduced policy support from governments and central banks, and supply disruptions. However, unlike in developed countries, output in emerging markets and emerging economies remains significantly below its pre-pandemic level. Forecasts show that global growth will reach 4.1 percent in 2022 after a solid 5.5 percent increase in 2021, with observers expecting growth to reach 3.2 percent in 2023.

The world faces downside risks, such as the rapid spread of the Omicron variant due to the pandemic and fear of new virus variants, the possibility of deflating inflation expectations, and financial stress in the context of record debt levels. Pandemic options have made it increasingly difficult for governments and central banks to choose which supportive policies to adopt, and have created limited space in the face of multidimensional challenges, high inflation, food insecurity, high unemployment and climate change.

Like other countries, the GCC countries were negatively affected by the consequences of the pandemic during 2021, with a particularly significant decrease in the transport and tourism sectors, but the opening of Dubai Expo 2020 and other tourism events held in various GCC countries and they are expected to witness a gradual recovery due to economic activities. Most non-oil sectors have witnessed a gradual recovery and the region is likely to witness growth of up to 4.4% during 2022 on the back of higher oil prices and stable performance of exporting countries, growth and increase is expected to slow to 3.4% in 2023 due to the phasing out of financial support plans by GCC governments.

Standard & Poor's revised its outlook for Bahrain to stable from negative for the year, reflecting the government's fiscal reforms aimed at reducing public spending and improving non-oil revenues, including a 10 percent increase in value-added tax from 2022. On the other hand, the pandemic has had a negative impact on Pakistan's economy, with a current account deficit of \$7.1 billion compared to a surplus of \$1.9 billion last year, and the State Bank of Pakistan recently announced that it would keep interest rates at 9.75%. "announced" says Saleh Salman Al Kawari, chairman of the board of directors of ABG, in his report (2021).

Despite all the challenges faced in 2021, the Group was able to achieve great strategic milestones as the Group's consolidated assets exceeded BHD 1 billion, as well as record revenues of more than USD 12 million, which had never been achieved before. It also managed to launch a new mobile application that keeps pace with the latest innovations in modern technology. The group achieved an 8% increase in total assets in 2021, reaching \$2,863 million, compared to \$2,652 million in 2020. Growth in the

financial portfolio was 13 percent, reaching \$1,206 million in 2021, compared to \$1,068 million in 2020. The growth of customer deposits was 9% and reached 2,462 million dollars in 2021, this figure was 2,266 million dollars in 2020.

In order to achieve strategic goals aimed at consolidating activities, increasing operational efficiency and cost rationalization, the Group focused on creating a stable income base during 2021 that would contribute to the stability of the Group's activities and increase its efficiency in the long term. The group also undertook a comprehensive review of cost rationalization without compromising the quality of services. Due to the current conditions, the Group continued to apply its prudent and conservative approach and continued to increase the provision for certain losses as well as expected credit losses. As a result, the Group posted a record net profit of USD 12.6 million for the year ended 31 December 2021. The numbers show that most of the key indicators and the quality of operations have moved in a positive direction.

Islamic International Rating Agency has maintained Al Baraka Islamic Bank's international investment grade credit rating. BB (long-term)/A3 (short-term) and national scale rating BBB+ (long-term)/A3 (short-term). Meanwhile, Al Baraka Bank Pakistan Limited has a long-term/short-term national currency rating of A/A1 with a stable outlook assigned by the Pakistan Credit Rating Agency. VIS Credit Rating Company Limited has affirmed its short-term/long-term credit rating at A+/A-1 with a stable outlook. Such ratings reflect the Group's strong capacity to meet its financial commitments and obligations and the existence of a strong compliance and governance environment.

The philosophy of sustainability and social responsibility is an important pillar of the Group's strategy, which is based on adopting and establishing commercial activities that can be transformed into sustainable resources that enable our communities to improve their quality of life. The group has partnered with government and private agencies to design and build affordable housing for low-income citizens. The group has also directed its resources to focus on projects of social importance, such as providing jobs and financing education, financing health services, and more.

The Group has supported various activities in the field of health as part of its social obligations and responsibilities. Supported the "Green Bahrain Campaign Event" of the International Banking Day. It also contributed significantly to sponsoring the first Asian Junior Paralympic Games (for athletes with disabilities) held in the Kingdom of Bahrain.

The group has made large donations to educational institutions, hospitals, orphanages and other charitable institutions. In addition, the Group provided on-the-job training to university students and continued to support organizations in the field of Islamic banking and finance research. The Group has also been a partner in many Islamic finance and banking events and conferences organized by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

During 2021, the group won eleven awards in various categories and sectors, including Best CEO, Best Mobile App, Best Commercial Bank in Bahrain, Best Credit Card, as well as Service Quality a number of related awards.

Over the past two decades, the world has managed to reduce the income gap, but the spread of the pandemic has caused this gap to increase, especially in developing countries and the deaths of many poor people in them. Inflation and high prices, as well as disruptions in education (due to the pandemic), will further increase this gap. The Group continues to invest heavily in financial technology solutions to maintain its competitive position and take advantage of opportunities in the industry. In addition, the Group will continue to invest in its human capital, which it considers to be its highest

priority in the coming period to increase its efficiency and improve its skills. The group is also working on developing a system of modern solutions that meet the needs of its customers in various industries.

Summary

We believe that the need for Islamic banks in Uzbekistan is high and that such banks will be established in Uzbekistan in the coming years, and we believe that Islamic banks will start operating in our country. If such banks start operating in Uzbekistan, then the main thing is that the principles of Islamic banking will help to attract people's savings into the banking system, the Mudarabah (investment) deposit of the Islamic bank will be the distribution of profits between partners and will become a clear example of cooperation based on social justice in financial relations. We believe that it is this principle that motivates people's savings to put money in Islamic banks, in any project, and to benefit from it.

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