

ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, ESPECIALLY THE RISK FACTORS GIVEN AT PART 6 OF THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION. SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.



BANKISLAMIC PAKISTAN LIMITED
PROSPECTUS
EHAD SUKUK II

DATE OF INCORPORATION: 18 OCTOBER 2004 PLACE OF INCORPORATION: KARACHI INCORPORATION NO.: 0048672 REGISTERED OFFICE ADDRESS: 11TH FLOOR, DOLMEN CITY, MARINE DRIVE, BLOCK-4, CLIFTON, KARACHI.	TELEPHONE NO.: 111 247 111 (EXT: 3833) CONTACT PERSON: MUHAMMAD SHOAIB, COMPANY SECRETARY WEBSITE ADDRESS: https://bankislami.com.pk EMAIL ADDRESS: ehad.sukuk@bankislami.com.pk
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THE ISSUE SIZE OF FULLY PAID UP, RATED, PERPETUAL, UNSECURED, SUBORDINATED, NON-CUMULATIVE AND CONTINGENT CONVERTIBLE MUDARABA SUKUK ("SUKUK") IS PKR 1,000 MILLION (INCLUSIVE OF A GREEN SHOE OPTION OF 200 MILLION), OUT OF WHICH SUKUK OF PKR 850 MILLION (85% OF ISSUE SIZE) ARE ISSUED TO THE PRE-IPO INVESTORS AND PKR 150 MILLION (15% OF ISSUE SIZE) ARE BEING OFFERED TO THE GENERAL PUBLIC BY WAY OF INITIAL PUBLIC OFFER THROUGH THIS PROSPECTUS

EXPECTED PROFIT RATE: PERPETUAL INSTRUMENT @ 1 MONTH KIBOR* PLUS 2.5% P.A
INSTRUMENT RATING: "A" (SINGLE A) BY THE PAKISTAN CREDIT RATING COMPANY LIMITED
LONG TERM ENTITY RATING: "AA-" (AA MINUS) BY THE PAKISTAN CREDIT RATING COMPANY LIMITED
SHORT TERM ENTITY RATING: "A1" (A ONE)

BY

THE PAKISTAN CREDIT RATING AGENCY LIMITED

AS PER PSX'S LISTING OF COMPANIES AND SECURITIES REGULATIONS, THE DRAFT PROSPECTUS WAS PLACED ON PSX'S WEBSITE, FOR SEEKING PUBLIC COMMENTS, FOR SEVEN (7) WORKING DAYS STARTING FROM OCTOBER 20, 2023 TO OCTOBER 30, 2023. NO COMMENTS HAVE BEEN RECEIVED ON THE DRAFT PROSPECTUS.

DATE OF PUBLIC SUBSCRIPTION: FROM **MM/DD/2023 TO MM/DD/2023** (FROM: 9:00 AM TO 5:00 PM) (BOTH DAYS INCLUSIVE)

CONSULTANT TO THE ISSUE



BANKERS TO THE ISSUE (RETAIL PORTION)



**In order to facilitate investors, investors can submit application(s) through both electronic and physical mode. Electronic/online applications can be submitted through PSX's e-IPO system (PES), CDC's Centralized E-IPO system (CES) and UBL net banking. PES can be accessed via web link <https://eipo.psx.com.pk>, CES can be accessed via web link www.cdceipo.com and UBL's facility can be accessed via link <http://www.ubldirect.com/corporate/ebank>. For details, please refer to section 13.10 of the Prospectus.

Further, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on **DD/MM/2023**.

Underwriters for Retail Portion of the Issue: 	Designated Market Maker: 	Shariah Advisor: Mufti Ameerullah Khan
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Prospectus and Subscription Forms can be downloaded from the following websites

<https://www.psx.com.pk>, <https://bankislami.com.pk>, <https://www.jsjcl.com>, <https://dawoodequities.com>, <https://www.optimus.pk> and <https://www.imsecurities.com.pk>

For further queries you may contact

Dawood Equities Limited		Intermarket Securities Limited		Optimus Capital Management		BankIslami Pakistan Limited	
Salman Yaqoob Chief Financial Officer	Abdul Aziz Habib Chief Executive Officer	Wajid Hussain Chief Executive Officer	Syed Saifullah Kazmi Head of Investment Banking	Syed Ayaz Ahmed Director	Muhammad Ovais Head of Equity Settlements	Hadi Hasan Transaction Associate	Hadi Ali, CFA Transaction Manager
+92 213 2275200	+92 213 2271801	+92 300 8214104	+92 321 2993909	+92 213 5296888	+92 213 5296959	111 247 111 (Ext: 3770)	111 247 111 (Ext: 3838)
salman@dawoodequities.com	aziz@dawoodequities.com	wajid.hussain@imsecurities.com.pk	saifullah.kazmi@imsecurities.com.pk	ayaz.ahmed@optimus.pk	mohammad.ovais@optimus.pk	hadi.hasan@bankislami.com.pk	hadi.ali@bankislami.com.pk

DATE OF PUBLICATION OF THIS PROSPECTUS: DD/MM/2023

The BankIslami Ehad Sukuk II is proposed to be listed at the Pakistan Stock Exchange Limited

*Rate 'Ask Side' of the one-month Karachi Inter Bank offered Rate ("KIBOR") as published on Reuters Page KIBR or as published by the Financial Markets Association of Pakistan in case Reuters page is unavailable on the Rate Fixing Date.


SUMMARY OF RISKS RELATED TO THE ISSUE

Given the inherent nature and structure of Additional Tier-1 instruments as per Basel III instructions of SBP, following are the key risks related to the Sukuk Issue:

- The Issue may be called by the Issuer after 5 years from the date of Issuance (either partially or in full), subject to SECP approval;
- The issuer may permanently convert the Sukuk (either partially or in full) into common shares at its own discretion (in case of a pre-specified trigger event, and upon notifying the SBP) or at the discretion of SBP;
- The profit rate shall be reduced to 0.005% for the period during which the Issuer is non-compliant with MCR, CAR & LR requirements of SBP. Further, the profit should only be paid from the relevant month's attributable profit of the General Pool;
- By investing in the Sukuk, the investor assumes the risk of not being able to sell the Sukuk without adversely affecting the price of the instrument. It is pertinent to note that the Sukuk is to be listed on PSX, subsequent to which PSX will provide a trading platform for investors during the life of the instrument.

Please refer to Part 6 for detailed description of risk factors.

E709242



200 Rupees

SARDAR ALI STAMP VENDOR
Licence # 10, Shop # 18, SITE Market
SITE Karachi

09 OCT 2023

STAMP VENDOR'S SIGNATURE


UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER


DATE: October 19, 2023

WE, RIZWAN ATA, THE PRESIDENT & CEO AND SOHAIL SIKANDAR, THE CHIEF FINANCIAL OFFICER OF BANKISLAMI PAKISTAN LIMITED HEREBY CERTIFY THAT:

1. THIS PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
2. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
3. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
4. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THIS PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING;
5. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015, THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO APPROVAL AND DISCLOSURES HAVE BEEN FULFILLED; AND
6. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN PART 10 OF THE PROSPECTUS.

FOR AND BEHALF OF BANKISLAMI PAKISTAN LIMITED


RIZWAN ATA
PRESIDENT & CEO


SOHAIL SIKANDAR
CHIEF FINANCIAL OFFICER



The logo of BankIslami Ehad Sukuk depicts the basic purpose of the Sukuk. The word 'Ehad' itself means an 'Era or Epoch' of new leadership or new vision. Thus, the name Ehad Sukuk has been chosen to reflect fortification of the Bank through its newly structured product Sukuk.

The word 'Ehad' also means a 'Promise' which reaffirms the fact that BankIslami is committed to offer authentic Islamic banking products and provide Halal returns to the Sukuk investors, thus, making them partners in the Bank's future growth and advancement.

This logo design draws its energy and exuberance from its parent brand - BankIslami Pakistan Limited, which is reflected through the brand colors and the use of well thought out fonts. It clearly indicates the full support and empowerment of the parent brand towards this newest product.

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Additional Tier 1 Capital	Additional Tier 1 Capital means the additional Tier 1 capital as defined in the Basel III Circular
ALCO	Asset Liability Management Committee
Mudarib / Issuer	BankIslami Pakistan Limited (“BIPL” or “BankIslami” or the “Bank”)
Basel III Circular / SBP Circular / Circular	Instructions for Basel III Implementation in Pakistan issued by the State Bank of Pakistan under BPRD circular # 06 dated August 15, 2013 (as may be amended, modified or replaced from time to time)
BIPL	BankIslami Pakistan Ltd.
Bn	Billion
Board / BOD	Board of Directors of the Bank
Bps	Basis Points
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio; the amount of risk-based capital (Tier 1 and Tier 2) as a percentage of risk-weighted assets
CDC	The Central Depository Company of Pakistan Limited
CDS	Central Depository System
Consultant to the Issue	BankIslami Pakistan Limited
Credit Rating Agency	Pakistan Credit Rating Agency Limited (“PACRA”)
CET 1	Common Equity Tier 1 as defined in chapter 2, section 2.1.1 of the Basel III Circular
CET 1 Trigger Event	As described thereto in Paragraph A-5-2 of Annexure 5 of the Basel III Circular. The Issuer shall immediately notify the SBP upon the occurrence of the CET 1 Trigger Event
Conditions	The terms and conditions governing and regulating the Sukuk
CY	Calendar Year
DFI	Development Financial Institutions
DSL Regulations	Chapter 5B of the Rule Book of the Pakistan Stock Exchange Limited titled “Listing of Debt Securities Regulations”, as amended from time to time
EPS	Earnings per Share
FY	Financial Year
General / Mudaraba Pool	The General Pool of funds available to the Mudarib which will be utilized for making investments and financing activities as permitted by Bank’s Memorandum and Articles of Association and in compliance with the SBP Circular and SBP Pool Management Guidelines
GOP	Government of Pakistan
Investor Agreement	The Investor Agreement entered into between each Pre-IPO Investor and the Issuer, prior to the Issue Date
Issue Date	Issue Date means (i) the date of closing of the subscription list for the public offering of the Sukuk Certificates
Issue Agent / Trustee / Investment Agent	Pak Brunei Investment Company Limited
KIBOR	Karachi Inter-Bank Offer Rate (Ask Side)

Lock-in-Clause	The profit payment to Sukuk holders will be subject to the condition that any such payment should not result in non-compliance of the Bank with the applicable regulatory requirement of MCR, CAR and Leverage Ratio (LR) as determined by SBP from time to time
LR	Leverage Ratio
Mandatory Conversion	Mandatory conversion of the Sukuk certificates into ordinary shares in accordance with the Trust Deed and upon the occurrence of conversion events as disclosed in this Prospectus
Designated Market Maker	JS Global Capital Limited
MCR	Minimum Capital Requirement as prescribed by applicable laws
Mn	Million
NBFC	Non - Banking Finance Company
NPFs	Non - Performing Financings
PACRA	The Pakistan Credit Rating Agency Limited
PES	PSX's EIPO System
PSX	Pakistan Stock Exchange Limited
PKR or Rs.	Pakistani Rupee
PONV	Point of Non-Viability
PONV Trigger Event	As described thereto in Paragraph A-5-3 of Annexure 5 of the Basel III Circular. The SBP will have full discretion in declaring the PONV Trigger Event
PST	Pre Specified Trigger as defined by the SBP through BPRD Circular No. 06 of 2013 dated August 15, 2013
SBP	State Bank of Pakistan
SBP Pool Management Guidelines	The instructions for profit and loss distribution and pool management for Islamic banking institutions issued by the SBP from time to time
SECP or the Commission	Securities & Exchange Commission of Pakistan
Sukuk / Issue	Fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk Certificates to be issued as instrument of redeemable capital under Section 66 of the Companies Act, 2017 which will qualify as Additional Tier 1 Capital as outlined by State Bank of Pakistan under BPRD Circular No. 6 dated August 15, 2013
Sukuk Holders	Sukuk Holders mean the persons shown as holders of Sukuk in the records of the CDS, who shall be the beneficiaries under the Trust Deed
Sukuk Issue	Issuance of Sukuk Certificates of PKR 1,000 million
Sukuk Issuance Agreement	The Sukuk Issuance Agreement executed between the Bank and the Issue Agent / Investment Agent dated December 21 st , 2022
Tier 2 Capital	The Tier 2 capital shall bear the meaning ascribed to it under the Basel III Circular
Transaction Documents	1. Sukuk Issuance Agreement 2. The Investor Agreements; 3. Subscription Undertaking; and 4. Sukuk Certificates (when issued)
Transfer Agent & Balloter	F.D Registrar Services (Pvt) Ltd.
Transaction Legal Counsel	Mohsin Tayebaly & Co. ("MTC")

SUMMARY OF THE ISSUE

Issuer	:	BankIslami Pakistan Limited
Issue Size	:	PKR 1,000 million
Pre-IPO Placement	:	PKR 850 million
Initial Public Offering (IPO)	:	PKR 150 million
Purpose	:	The proceeds of Issue will contribute toward the Issuer's Additional Tier I Capital for CAR as per guidelines set by SBP
Utilization of Proceeds	:	<p>The funds so raised will be utilized in the Bank's financing and investment activities (General Pool) as permitted by its Memorandum & Articles of Association.</p> <p>With the permission of Sukuk Holders, the proceeds of the Issue shall be commingled with other funds of the depositors (which may include Bank's own equity) i.e. shall be invested in the General Pool of the Bank</p>
Minimum Investment	:	The Sukuk will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum Investment amount of PKR 5,000/-
Issue Date	:	(i) the date of closing of the subscription list for the public offering of the Sukuk Certificates
Tenor	:	Perpetual
Principal Redemptions	:	Not Applicable <i>(as it is a perpetual instrument)</i>
Profit Rate	:	<p>The expected profit rate shall be as follows:</p> <ol style="list-style-type: none"> For the period at the end of which the Bank is compliant with the Paid-up Capital (net of losses) – MCR, Capital Adequacy Ratio – CAR and Leverage Ratio – LR Requirements: <ul style="list-style-type: none"> Base Rate plus a maximum margin of 2.50% per annum according to the pre-announced profit weightages. For the period at the end of which the Bank is not compliant with the MCR, CAR and LR Requirements or payment of the profit set out in (1) above for the relevant period may render it non-compliant with such MCR, CAR and LR Requirements: <ul style="list-style-type: none"> Expected Profit will be up to 0.005% p.a. calculated based on the reduced monthly weightages assigned by the Bank.
Profit Payment Frequency	:	On monthly basis
Issue Price	:	Par (i.e. each Sukuk having a face value of PKR 5,000)
Security	:	The Sukuk will be unsecured and subordinated to payment of principal and profit of all other claims except ordinary shares
Transaction Legal Counsel	:	Mohsin Tayebaly & Co.
Listing	:	Pakistan Stock Exchange Limited

Entity Rating	:	Long Term Rating: AA- (AA minus) Short Term Rating: A1 (A One) Outlook: Positive Rating Agency: PACRA
Instrument Rating	:	A (A), assigned by PACRA
Subscription Date	:	DD/MM/YYYY to DD/MM/YYYY (From: 9:00 Am to 5:00 Pm) (both days Inclusive)
Risk Factors	:	For details please refer to Part 6 of the Prospectus
Issue Agent / Investment Agent	:	Pak Brunei Investment Company Limited
Shariah Advisor	:	Mufti Ameerullah Khan, BankIslami (Registration # SECP/IFD/SA/104)
Compliance Officer	:	Muhammad Shoaib Company Secretary BankIslami Pakistan Limited 14 th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi- Pakistan. Tel: +92-21-35839906 Ext. 2112 Fax: +92-21-35372252 Email Address: ehad.sukuk@bankislami.com.pk
Underwriters to the Issue	:	1. Dawood Equities Limited 2. Intermarket Securities Limited 3. Optimus Capital Management
Designated Market Maker	:	JS Global Capital Limited
Bankers to the Issue	:	1. Meezan Bank Limited 2. United Bank Limited 3. BankIslami Pakistan Limited
Transferability	:	The Sukuk will be inducted into the CDC, transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations
Governing Law	:	The Sukuk shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts

In order to facilitate investors, the Central Depository Company of Pakistan (“CDC”) in collaboration with 1Link (Private) Limited (1Link) has developed a Centralized e-IPO System (“CES”) through which applications for subscription of securities offered to the general public can be made electronically/online. CES has been made available in this Initial Public Offering (IPO) and can be accessed through the web link <https://eservices.cdcaccess.com.pk>. Payment of subscription money can be made through 1LINK’s member banks available for CES, list of which is available on above-mentioned website.

For making application through CES, investors must be registered with CES. Registration with CES is one-time activity, free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all-round the year. Investors who have valid Computerized National Identity Card (CNIC), International Bank Account Number (IBAN) with any of the commercial bank, email address, mobile phone number and CDS Account (Investor account or sub account) can register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES.

Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal.

The securities will be credited directly in Investors’ sub-account. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC’s IPO Facilitation Account and investor can contact CDC for credit of shares in its respective account.

Investors who do not have CDS account can visit www.cdcpakistan.com for information regarding opening CDS account. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or Mr. Farooq Ahmed Butt at Phone 111-111-500 and email: farooq_butt@cdcpak.com. Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on **DD/MM/2023**

TABLE OF CONTENTS

PART 1: APPROVAL, CONSENTS AND LISTING ON THE STOCK EXCHANGE	10
PART 2: SUMMARY OF THE PROSPECTUS	14
PART 3: OVERVIEW, HISTORY AND PROSPECTS	20
PART 4: PRINCIPLE PURPOSE OF THE ISSUE	43
PART 5: DETAILS OF THE ISSUE AND RELATED INFORMATION	44
PART 6: RISK FACTORS	64
PART 7: FINANCIAL INFORMATION	71
PART 8: MANAGEMENT OF THE BANK	129
PART 9: LEGAL PROCEEDINGS AND OVERDUE LOANS	141
PART 10: UNDERWRITING ARRANGEMENT, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE	143
PART 11: MISCELLANEOUS INFORMATION	145
PART 12: MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE	148
PART 13: APPLICATION AND ALLOTMENT INSTRUCTIONS	150
PART 14: SIGNATORIES TO THE PROSPECTUS	159
PART 15: MEMORANDUM OF ASSOCIATION	160
PART 16: APPLICATION FORM	162

PART 1: APPROVAL, CONSENTS AND LISTING ON THE STOCK EXCHANGE

1.1. APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities and Exchange Commission of Pakistan (the “Commission” or the “SECP”) as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the “Act”) has been obtained for the Issue, circulation and publication of this Prospectus vide their letter No. SMD/PO/SA-88/09/2023/207 dated December 14, 2023.

DISCLAIMER:

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARDS TO THEM BY THE ISSUER IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR ISSUE, CIRCULATION AND PUBLICATION OF PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

1.2. APPROVAL OF THE PROSPECTUS BY THE PAKISTAN STOCK EXCHANGE LIMITED

The Prospectus for the issue of fully paid-up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk Issue (“Mudaraba Sukuk” or “Sukuk”) has been approved by the Pakistan Stock Exchange Limited (“PSX”) in accordance with the requirements of its Listing of Debt Securities Regulations vide letter No. GEN-1801 dated November 08, 2023.

DISCLAIMER:

- A) PSX HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.
- B) THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATION BY PSX.
- C) THE CONTENTS OF THIS DOCUMENT DO NOT CONSTITUTE AN INVITATION TO INVEST IN SUKUK OR SUBSCRIBE FOR ANY SECURITIES OR OTHER FINANCIAL INSTRUMENT BY PSX, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF PSX.
- D) IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTER BY PSX AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICE.
- E) PSX DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THIS DOCUMENT TO ANY ONE, ARISING FROM ANY REASON, INCLUDING, BUT NOT LIMITED TO, INACCURACIES, INCOMPLETENESS, AND/OR MISTAKES, FOR DECISION AND/OR ACTIONS TAKEN BASED ON THIS DOCUMENT.
- F) PSX NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS THERE UNDER.
- G) ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.

1.3. APPROVAL FROM STATE BANK OF PAKISTAN

In-principle Approval

In-principle approval of the State Bank of Pakistan (“SBP”) has been obtained vide SBP’s letter No. SBPHOK-BPRD-BACPD-BIS-230131 dated June 16th, 2022, for the issuance of fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk certificates of up to PKR 1,000 million, as Additional Tier 1 (ADT-1) capital for CAR purposes subject to certain conditions. Key conditions of the in-principle approval are as follows:

- a. The subject ADT-1 eligible Mudaraba Sukuk will not be eligible for Minimum Paid up Capital (net of losses) Requirements (MCR) of the Bank.
- b. In case of public offering, the Mudaraba Sukuk shall be rated throughout the life of the instrument.
- c. The “Term Sheet”, “Shariah Structure”, “Agreement” and all other related documents of the proposed Sukuk shall be reviewed and approved by the Shariah Board as required under the Para 3-B (ii) of the Shariah Governance Framework notified vide IBD Circular No. 01 of 2018. Copy of the same is required to be shared with SBP while seeking final approval for the subject Mudaraba Sukuk.
- d. The Mudaraba Sukuk document (i.e. Shariah Structure / pronouncement, term sheet and all the related documents) shall include a clause pertaining to Sukuk Holders’ explicit permission to the Bank to commingle its funds with the Mudaraba Pool (as per SBP’s instructions for Profit & Loss Distributions and Pool Management for Islamic Banking Institutions – IBIs).
- e. The Bank shall submit an opinion of its Shariah Board regarding the conversion of Sukuk into shares and cap (maximum number of shares to be issued at PONV or CET – trigger event) calculation formula under the loss absorbency clause.
- f. As per SBP’s existing instructions (para IV of Annexure 2 of BRPD Circular No. 6 of 2013), “Neither the Bank nor a related party over which the Bank exercise control or significant influence should purchase the instrument, nor should the Bank directly or indirectly have funded the purchase of the instrument”. So, in the light of these instructions, the Bank, on its own, would assess the eligibility of its sponsors and affiliates (including employees’ retirement benefit funds of such affiliates) for possible investment in the subject Sukuk to be issued by the Bank. However, investment by Bank’s sponsors and their affiliates (including employees’ retirement benefit funds of such entities) in the proposed ADT-1 eligible Sukuk should not exceed 50% of the total issue size. Moreover, any borrowing relationship of sponsors, affiliates and employees’ retirement benefit funds of such entities with the Bank will make them ineligible from making any investment in the subject Sukuk. In this regard, if any violation of SBP’s relevant instructions is observed, the subject instrument will become ineligible as ADT-1 Capital for CAR purposes to the extent of respective investment share(s) of sponsor(s), affiliates and employees’ retirement benefit funds of such entities.
- g. The Bank will submit an undertaking to the effect that it will, at all times, maintain sufficient cushion in the authorized capital at least equal to the “cap on the maximum number of shares to be issued at PONV or at the breach of CET-1 trigger event”.
- h. The Bank will submit an undertaking that it has obtained all the necessary approvals and fulfilled all the preconditions (except SECP’s approvals) necessary for conversion of these instruments at PONV event.
- i. The Bank will approach SBP for final approval after completion of other legal and regulatory formalities and finalization of the term sheet and Shariah structure, as mentioned above.
- j. Bank will, at all times, ensure compliance with all the applicable laws, rules and regulations including the Basel III Circular and SBP instructions on the subject matter.

SBP’s approval should not be construed as endorsement of economic, risk and legal aspects of the proposed Mudaraba Sukuk that will remain the sole responsibility of Bank’s management and board of directors.

Final Approval

Final approval of SBP vide letter no. SBPHOK-BPRD-BACPD-BIS-351123 dated December 12, 2022 has been obtained for the issuance of fully paid-up, rated, perpetual, unsecured, subordinated, non-cumulative, and contingent convertible listed Mudaraba Sukuk up to PKR 1,000 million (inclusive of green shoe option of PKR 200 million) and recognition of the same as Additional Tier 1 capital for CAR purposes, subject to compliance with BPRD Circular No. 6 2013 and all other relevant laws, rules and regulations. The eligibility of the Sukuk as Additional Tier 1 capital of the Bank will be subject to limit as per the applicable instructions issued by SBP from time to time.

The bank is required to submit a report to Banking Policy and Regulations Department of SBP, covering the details of Sukuk including the names of investors and relevant amount of investment etc., along with a copy of the offering document, within one month from the date of issue.

It may also be noted that SBP's final approval to treat the proposed Sukuk as Additional Tier-1 capital cannot be construed as ratification of economic risk and legal aspects of these Sukuk that are the sole responsibility of the bank's management and Board of Directors. Moreover, the Shariah Board of the Bank shall ensure that all the related documents and agreements are in conformity with the rules and principles of Shariah.

1.4. SPECIAL RESOLUTION FROM SHAREHOLDERS ON CONVERSION OF SUKUK

Approval of shareholders covering maximum number of shares that can be issued against conversion of the Sukuk has been obtained via special resolution passed by the shareholders of the Bank in the Extraordinary General Meeting held on October 10, 2022.

1.5. APPROVAL OF SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN UNDER SECTION 83 OF COMPANIES ACT, 2017

On the basis of special resolution passed in the Extraordinary General Meeting held on October 10, 2022 and State Bank of Pakistan's approval letter no. SBPHOK-BPRD-BACPD-BIS-230131 dated June 16, 2022, the Bank has already submitted an application to the SECP under section 83 of the Companies Act, 2017 to issue, by way of other than right offer, up to 90 million ordinary shares to the Sukuk holders upon conversion of the Sukuk on occurrence of a conversion event as determined by the State Bank of Pakistan.

1.6. FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

BIPL has delivered to the Registrar of Companies as required under Sections 57 (1) of the Companies Act, 2017, a copy of this Prospectus signed by all the Directors of BIPL.

1.7. LISTING AT PSX

Application has been submitted by the Issuer to PSX for listing of the Sukuk.

If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of twenty-one days from the date of closing of the subscription period / list or such longer period not exceeding forty-two days as may, within the said twenty-one days, be notified to the applicants for permission by the PSX, the Issuer undertakes that a notice to that effect will immediately be published in the press and will refund subscription money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act, subject to approval of the State Bank of Pakistan (if applicable/required).

However, and, if any such money is not repaid within eight (08) days after the Bank becomes liable to repay it, the Directors of the Bank shall be jointly and severally liable to repay that money from the expiration of the eighth day together with surcharge at the rate of two per cent (2.00%) for every month or part thereof from the expiration of the eight day and, in addition, shall be liable to a penalty of level 3 on the standard scale in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act, 2017.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance. However, from the Shariah perspective, since this surcharge is a form of interest, the applicants are advised to dispose any such received amount as charity.

As required under sub-section (3) of Section 69 of the Companies Act, the subscription money, shall be deposited and kept in a separate bank account in a scheduled bank so long as the Bank may become liable to repay it under sub-section (2) of Section 69 of the Companies Act.

1.8. COMPLIANCE OFFICER

Muhammad Shoaib
Company Secretary
BankIslami Pakistan Limited
14th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi- Pakistan.
Tel: +92-21-35839906 Ext. 2112
Fax: +92-21-35372252
Email Address: ehad.sukuk@bankislami.com.pk

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PART 2: SUMMARY OF THE PROSPECTUS

2.1 PRIMARY BUSINESS OF THE ISSUER

BankIslami Pakistan Limited is a 'Scheduled Islamic Commercial Bank' licensed by the State Bank of Pakistan. The Bank offers a full range of services in corporate, commercial, consumer, retail banking and investment banking activities.

2.2 SPONSORS

BankIslami's sponsors include JS Bank Limited and Mr. Ali Hussain & SAJ Capital Management Limited.

SPONSORS NAME	No. of Shares	Percentage
JS Bank Limited	832,812,012	75.12%
Mr. Ali Hussain and SAJ Capital Management Ltd	138,851,242	12.52%
Total	971,663,254	87.64%

*Mr. Ali Hussain is the beneficial owner of shares held by SAJ Capital Management Ltd.

2.3 SALIENT FEATURES OF THE ISSUE

BankIslami Pakistan Limited is issuing fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk Certificates to be issued as instrument of redeemable capital under Section 66 of the Companies Act, 2017 which will qualify as Additional Tier 1 Capital as outlined by SBP under the Basel III Circular. **The Sukuk will be subordinated to the payment of principal and profit, to all other indebtedness of the Bank, including deposits.**

The total Sukuk Issue is of up to PKR 1,000,000,000/- (Pak Rupees One Billion Only), inclusive of Green Shoe option of up to PKR 200,000,000/- (Pak Rupees Two Hundred Million Only). The Sukuk Certificates are unsecured, subordinated, rated, listed, perpetual and non-cumulative and will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum investment amount of PKR 5,000/-. The Sukuk Certificates of PKR 850 million have been offered to investors through a pre-IPO subscription (Pre-IPO Portion) and the remaining PKR 150 million shall be offered to general public through this prospectus (IPO Portion).

The Sukuk Certificates being issued have been assigned a rating of "A" by PACRA and will carry a floating rate coupon priced at a spread of 250 BPS over 1-month KIBOR. Profit will be payable monthly (365 days in a year) in arrears on the outstanding investment amount. The first such profit payment will fall due at the end of 1st calendar month end from the Issue Date and subsequently every month end thereafter. The profit should only be paid from the relevant month's attributable profit of the General Pool. In case the Bank reduces the expected profit (because of regulatory reasons), the same will not constitute an event of default. In that case the Bank will reduce the expected profit to 0.005% p.a. through adjustment of weightages in the General Pool. The profit payment to the Sukuk Holders will be non-cumulative in nature i.e. In case of exercise of discretion by the Bank for a particular profit payment period, Sukuk Holders will not be compensated subsequently by the Bank for that particular period in any manner. Accordingly, the profit payment made to the Sukuk Holders based on their respective monthly profit weightages will be considered as full & final payment for that particular period.

The profit payment to Sukuk Holders will be subject to the condition that any such payment should not result in non-compliance of the Bank with the applicable regulatory requirement of MCR, CAR and Leverage Ratio as determined by SBP from time to time. As per the existing instructions of SBP, in order to implement the above Lock-in Clause, the Bank will reduce the monthly profit weightages attributed to the Sukuk Holders until the Bank is in breach of regulatory capital requirements (i.e. the expected profit in this case would be up to 0.005%

p.a.). Any inability to exercise the Lock-in Clause or non-cumulative feature, will subject these Sukuk Certificates to mandatory conversion into common shares at the discretion of SBP.

To bring Pre-IPO and IPO investors at par before credit of Sukuk, profit for the interim period (i.e. from the disbursement of funds by the Pre-IPO investors until the day before Issue Date) will be paid separately to the Pre-IPO investors.

Call Option may be exercised by the Issuer after obtaining written approval from the SBP at any time on or after a period of 5 (five) years from the Issue Date by giving to the Sukuk Holders and the Issue Agent / Investment Agent at least 30 (thirty) days prior notice in writing, specifying the profit payment date on which the Issuer will redeem all of the then outstanding Sukuk or a portion of the then outstanding Sukuk by payment of the amount(s) calculated in accordance with the provisions of the Sukuk Issuance Agreement, whereupon the Sukuk Holders shall be bound to so accept the redemption. The Call Option, once announced, will be irrevocable. No Put Option shall be available to the Sukuk Holders.

Pak Brunei Investment Company Limited has been appointed as Issue Agent / Investment Agent to secure the interests of the investors. JS Global Capital has been appointed as the Designated Market Maker for this Issue and the Sukuk shall be listed on the PSX via Initial Public Offering, thereby creating liquidity for the Issue.

2.4 PRE AND POST ISSUE SHAREHOLDING OF SPONSORS.

SPONSORS NAME	Pre-Issue	Post-Issue
JS Bank Limited	75.12%	75.12%
Mr. Ali Hussain and SAJ Capital Management Ltd	12.52%	12.52%
Total	87.64%	87.64%

2.5 PRINCIPLE PURPOSE OF THE ISSUE AND UTILIZATION OF PROCEEDS

The Issue Amount is expected to contribute towards BIPL's Additional Tier 1 Capital for capital adequacy ratio as per guidelines set by SBP.

The funds so raised will be utilized in the Bank's financing and investment activities (general pool) as permitted by its Memorandum & Articles of Association.

2.6 QUALIFIED/UN-QUALIFIED OPINION

No qualified opinion has been issued by the Bank's external auditor during the last three financial years.

2.7 FINANCIAL INFORMATION

2.7.1 Unconsolidated Financial Statements

Profit and Loss Account - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit / return / earned	65,309	46,345	23,235	25,744
Profit / return expensed	(36,964)	(25,943)	(12,303)	(13,255)
Net Spread	28,345	20,402	10,932	12,489
Total Other Income	2,149	3,599	2,119	1,635
Total Income	30,494	24,001	13,052	14,124
Operating Expenses	(11,325)	(11,773)	(9,550)	(8,578)
Operating Profit	19,169	12,228	3,502	5,546
(Provision)/Reversal of provision and write offs - net	(3,903)	(3,812)	(32)	(2,601)
Profit before Taxation	14,960	8,228	3,397	2,759
Profit after Taxation	8,474	4,440	2,131	1,703

Statement of Financial Position - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Authorized Capital	15,000	15,000	13,000	13,000
Paid up Capital	11,008	11,008	11,008	11,008
Reserves	2,591	2,591	1,703	1,527
Unappropriated Profit	17,549	10,083	6,336	4,330
Surplus on revaluation of assets - net of tax	1,546	2,768	3,464	3,031
Shareholders' equity	32,694	26,450	22,511	19,895
Total Assets	585,385	487,239	408,390	336,297
Gross Islamic Financing / Advances	225,977	220,341	196,378	145,338
Provisions (Specific and General)	22,368	19,106	15,296	15,294
Islamic Financing - net	203,700	201,328	181,176	130,162
Non-Performing Financings	21,883	19,873	17,077	17,529
Investments - net	276,161	179,741	124,838	95,240
Total Liabilities	552,690	460,789	385,879	316,402
Deposits and Other Accounts	461,908	415,912	344,788	283,641
Due to Financial Institutions	60,146	21,052	21,193	41,640
Current and Savings accounts (CASA)	282,974	278,211	236,806	180,768
Cash Flow Statement	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Cash and Cash Equivalents at the Beginning of the Year	42,019	28,244	34,342	16,518
Cash Flow from Operating Activities	101,794	70,943	26,331	60,476
Cash Flow from Investing Activities	(99,677)	(58,018)	(32,429)	(42,952)
Cash Flow from Financing Activities	(2,134)	850	-	300
Net Increase in Cash and Cash Equivalents	(20)	13,774	(6,098)	17,825
Cash and Cash Equivalents at the End of the Year	41,998	42,019	28,244	34,342
Profitability Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit before tax ratio %	49.06%	34.28%	26.03%	19.54%
Gross Yield on Earning Assets %	13.43%	11.39%	6.74%	9.22%
Gross Yield on Avg. Earning Assets %	14.62%	12.33%	7.45%	10.07%
Gross Yield on Avg. Earning Assets (incl. Dividend & capital gains) %	14.76%	12.72%	7.70%	10.32%
Gross Spread ratio %	43.40%	44.02%	47.05%	48.51%
Cost to Income ratio %	38.14%	49.83%	73.73%	62.05%
Return on average Equity (ROAE) %	30.91%	20.78%	11.87%	10.67%
Return on average Assets (ROA) %	1.58%	0.99%	0.57%	0.55%
Shareholders' Funds %	5.59%	5.43%	5.51%	5.92%
Return on Shareholders' Funds %	28.65%	18.14%	10.05%	8.60%
Non-funded income to total income %	7.05%	14.99%	16.24%	11.58%
Assets Quality and Liquidity Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Gross Financing to deposits ratio %	48.92%	52.98%	56.96%	51.24%
Net Financing to deposit ratio %	44.10%	48.41%	52.55%	45.89%
Net Investment to deposit %	59.79%	43.22%	36.21%	33.58%
CASA to Total deposit %	61.26%	66.89%	68.68%	63.73%
Non-Performing loans to Gross Financing %	9.68%	9.02%	8.70%	12.06%
Coverage Ratio (Specific provision/NPLs) %	83.88%	81.11%	85.08%	82.67%
Coverage Ratio (Total provision/NPLs) %	102.22%	96.14%	89.57%	87.25%
Earning Assets to Cost bearing Liabilities Times	1.32	1.45	1.46	1.34
Deposit to shareholder Equity Times	14.83	17.56	18.1	16.82
Assets to Equity Times	18.79	20.57	21.44	19.94
Liquidity Coverage ratio %	326.59%	317.37%	249.73%	210.41%

Net Stable Funding ratio %	310.68%	260.73%	238.21%	251.29%
Investment and Market Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Earnings per share (EPS) and diluted EPS Rs.	7.6428	4.0043	1.9224	1.5362
Price Earnings ratio Times	2.29	3.34	6.66	7.82
Price to Book ratio Times	0.59	0.56	0.63	0.67
Breakup value per share				
-With Surplus on Revaluation of Assets & Investments Rs.	29.49	23.86	20.3	17.94
-Without Surplus on Revaluation of Assets Rs.	28.26	22.38	18.43	16.47
-Without Surplus on Revaluation of Assets & Investment Rs.	28.09	21.36	17.18	15.21
Capital Structure	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Tier 1 Capital PKR In Mn	29,413	22,389	15,552	15,347
Total Eligible Capital PKR In Mn	37,562	29,501	20,301	20,127
Risk Weighted Assets (RWAs) PKR In Mn	167,506	164,613	143,488	125,040
Capital Adequacy ratio %	22.42%	17.92%	14.15%	16.10%
Earning Assets to total Assets %	83.07%	83.53%	84.39%	83.07%
Debt to Equity ratio as per book value %	8.72%	10.77%	8.88%	10.05%

2.7.2 Consolidated Financial Statements

Profit and Loss Account - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit / return / earned	65,309	46,345	23,227	25,721
Profit / return expensed	(36,965)	(25,943)	(12,275)	(13,230)
Net Profit / Return	28,345	20,402	10,952	12,492
Total Other Income	2,149	3,643	1,937	1,405
Total Income	30,494	24,046	12,889	13,896
Operating Expenses	(11,325)	(11,773)	(9,550)	(8,578)
Operating Profit	19,169	12,273	3,339	5,318
(Provision) / Reversal of provisions and write offs - net	3,903	(3,812)	(32)	(2,601)
Profit before Taxation	14,942	8,273	3,234	2,532
Profit after Taxation	8,456	4,484	1,968	1,475
Statement of Financial Position - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Authorized Capital	15,000	15,000	13,000	13,000
Paid-up capital	11,008	11,008	11,008	11,008
Reserves	2,591	2,591	1,703	1,527
Unappropriated profit	17,975	10,433	6,641	4,735
Shareholders' Equity	31,574	24,032	19,352	17,270
Surplus on revaluation of assets - net of tax	1,588	2,759	3,455	3,026
Non-Controlling Interest	-	-	-	217
Equity including surplus	33,162	26,791	22,807	20,296
Total Assets	585,873	487,599	408,706	337,941
Gross Islamic Financing / Advances	225,977	220,341	196,378	145,148
Provisions (Specific and General)	22,368	19,106	15,296	15,294
Islamic Financing - net	203,700	201,328	181,176	129,972
Non-Performing Financings	21,883	19,872	17,077	17,529
Investments-net	276,772	180,176	125,229	95,622
Total Liabilities	552,710	460,808	385,899	317,428
Deposits and Other Accounts	461,908	415,912	344,788	282,937

Due to Financial Institutions	60,146	21,052	21,193	16,128
Current and Savings accounts (CASA)	282,974	278,211	236,806	180,768
Cash Flow Statement	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Cash and Cash Equivalents at the Beginning of the Year	42,021	28,247	34,344	16,521
Cash Flow from Operating Activities	101,842	70,943	26,368	60,389
Cash Flow from Investing Activities	(99,726)	(58,018)	(32,466)	(42,865)
Cash Flow from Financing Activities	(2,137)	850	-	300
Net Increase in Cash and Cash Equivalents	(20)	13,774	(6,098)	16,521
Cash and Cash Equivalents at the End of the Year	42,000	42,021	28,247	34,344
Profitability Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit before tax ratio %	49.06%	34.28%	25.05%	19.55%
Gross Yield on Earning Assets %	13.41%	11.37%	6.73%	9.20%
Return on average Equity (ROAE) %	30.67%	20.47%	10.71%	10.54%
Return on average Assets (ROA) %	1.58%	0.99%	0.53%	0.55%
Shareholders' Funds %	5.66%	5.49%	5.58%	6.01%
Return on Shareholders' Funds %	28.43%	17.90%	9.10%	8.53%
Non-funded income to total income %	7.05%	14.99%	14.98%	11.57%
Assets Quality and Liquidity Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Earning Assets to Cost bearing Liabilities Times	1.32	1.45	1.44	1.34
Deposit to shareholder Equity Times	14.63	17.31	17.82	16.38
Assets to Equity Times	18.56	20.29	21.12	19.57
Liquidity Coverage ratio %	282.24%	317.37%	249.73%	210.41%
Net Stable Funding ratio %	262.99%	260.75%	238.21%	251.29%
Investment and Market Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Earnings per share (EPS) and diluted EPS Rs.	7.6268	4.0446	1.7753	1.3306
Price Earnings ratio Times	2.29	3.3	7.22	9.03
Price to Book ratio Times	0.58	0.55	0.62	0.65
Capital Structure	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Tier 1 Capital PKR In Mn	30,083	22,821	15,990	15,885
Total Eligible Capital PKR In Mn	38,301	30,087	20,897	20,858
Risk Weighted Assets (RWAs) PKR In Mn	173,039	168,917	147,504	129,531
Capital Adequacy ratio %	22.13%	17.81%	14.17%	16.10%
Earning Assets to total Assets %	83.10%	83.56%	84.42%	82.72%
Debt to Equity ratio as per book value %	8.59%	10.64%	8.77%	9.75%

2.8 OUTSTANDING LEGAL PROCEEDINGS

All the outstanding legal proceedings of the Issuer have been disclosed in Part 9. Further, there are no outstanding legal proceeding other than the normal course of business involving sponsors, substantial shareholders and directors of the Issuer and associated companies, over which the Issuer has control, which could have material impact on the Issuer.

2.9 RISK FACTORS

A summary of the risks related to the Issue is given on page 6 of this Prospectus while detailed description of risk factors is given in Part 6 of this Prospectus.

2.10 SUMMARY OF RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing, therefore these transactions do not have any unusual impact on financial performance of the Bank. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Further details of Related Party transactions have been provided in section 3.17.

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PART 3: OVERVIEW, HISTORY AND PROSPECTS

3.1. BACKGROUND & HISTORY

Name of the Issuer	BankIslami Pakistan Limited
Date of Incorporation	18 October 2004
Date of Commencement of Business	7 April 2006
Incorporation Number	0048672
Listing Information	Listed on Pakistan Stock Exchange on April 17, 2006

BankIslami Pakistan was incorporated in October 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with principles of Shariah Law. Subsequently, the Bank was granted 'Scheduled Islamic Commercial Bank' license by SBP on March 2005 after which it commenced operations from April 2006. The Bank now operates 390 branches including 70 sub branches in 141 cities of Pakistan which offers a full range of services in corporate, commercial, consumer, retail banking and investment banking activities.

3.2. PATTERN OF SHAREHOLDING

Pattern of shareholding of the Bank as of September 30th, 2023 is given below:

Shareholding	No. of Shares	Percentage
Major Sponsors		
Mr. Ali Hussain and SAJ Capital Management Ltd	138,851,242	12.52%
JS Bank Limited	832,812,012	75.12%
Total	971,663,254	87.64%
Shares held by the Directors		
Mr. Rizwan Ata, President & Chief Executive Officer	0	0.00%
Mr. Suleman Lalani	86,263	0.01%
Mr. Haider Ali Hilaly	31,000	0.00%
Mr. Sulaiman Sadruddin Mehdi	1,000	0.00%
Mr. Syed Ali Hasham	501	0.00%
Ms. Iffat Zehra Mankani	500	0.00%
Mr. Akhtar Abbas	500	0.00%
Total	119,764	0.01%
Total holding of major Sponsors and Directors	971,783,018	87.65%
General Shareholders	136,920,281	12.35%
Grand Total	1,108,703,299	100.00%

3.3. KEY REVENUE AND COST DRIVERS OF THE BANK

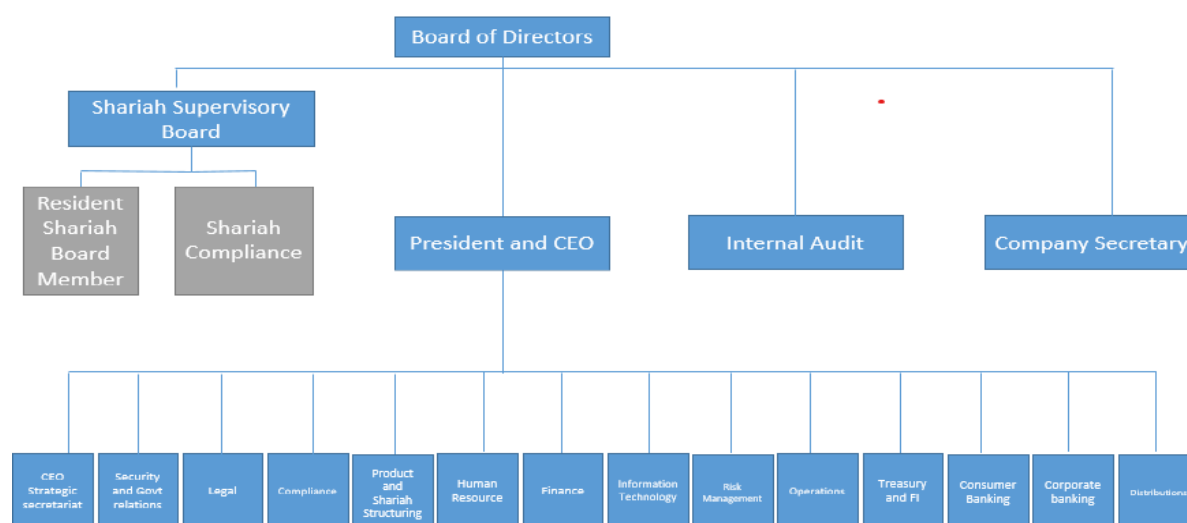
Key Revenue Drivers:

- Bank's spreads are linked with SBP's policy rate and any change in this benchmark rate directly effects the pricing of Bank's assets and liabilities.
- Growth in deposits contributes directly towards the liquidity available to the Bank to grow its financing, investment and placement book, which in turn contributes in increasing the top line for the Bank. In addition to this, higher portion of CASA base, which comprises of low-cost sticky deposits, provides the opportunity for the Bank to enhance its earning capacity.
- Fee and commission income is another revenue driver which represents Bank's income generated through non fund based activities such as trade business, branch banking service, wealth management services, ADC services, investment advisory, etc.

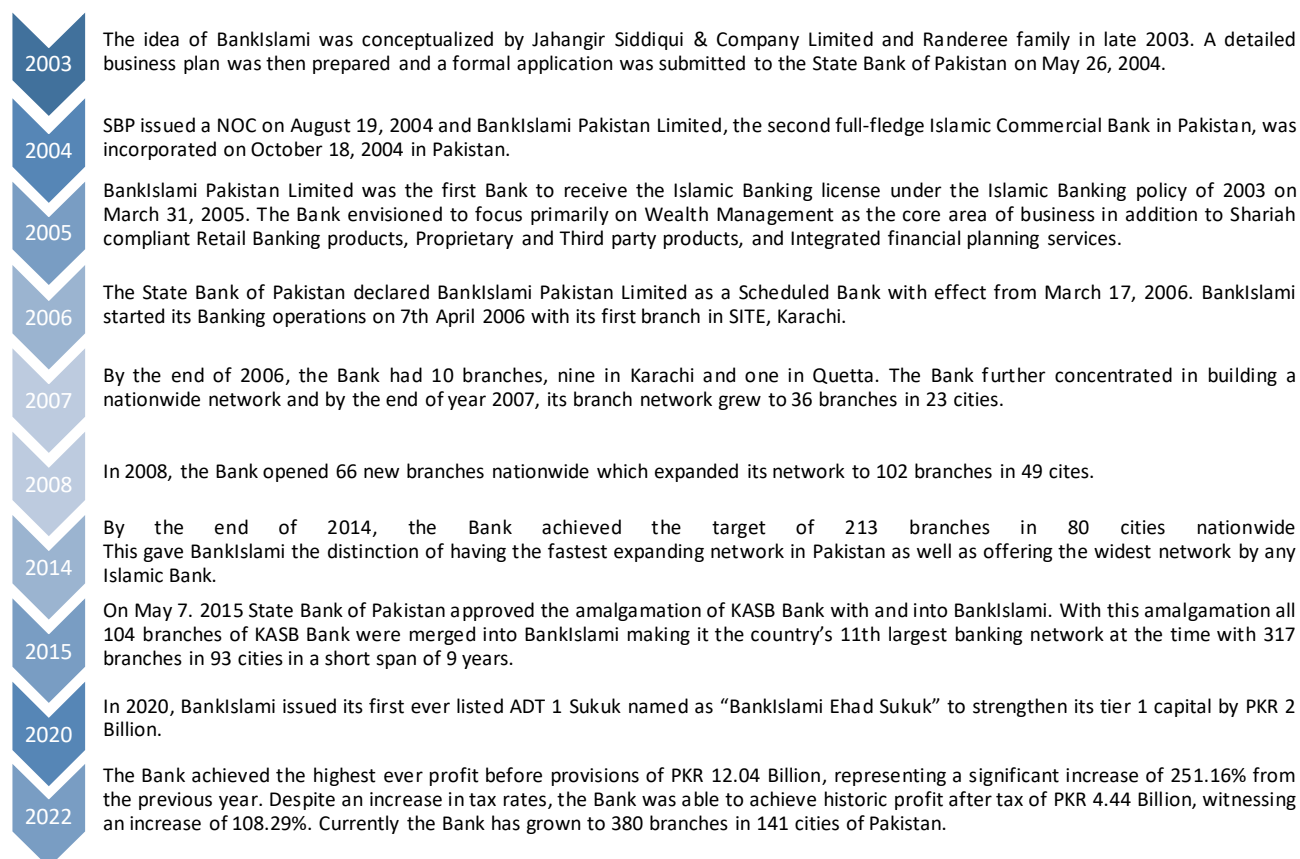
Key Cost Drivers:

- Since Bank is operating in the service industry, its major operating cost pertains to its human capital which includes cost associated with payroll, incentives, trainings, etc.
- The next major expense item relates to the branch network of the Bank which operates primarily to provide services to customers and growing the overall balance sheet of the Bank. This requires significant investment for the Bank to maintain and grow its branch network. Branch expenses, includes costs related to rent, utilities, communication, repair & maintenance of premises, technology, security, depreciation, takaful etc.
- Significant portion of Bank's cost also pertains to information technology which includes expenses related to hardware & software maintenance, network, depreciation, IT security, etc.
- Cost incurred by the Bank for marketing and advertisement of its products, services and brand is another key expense.
- Provisions and write-offs related to non-performing assets of the Bank directly impact the profitability of the Bank.

3.4. ORGANIZATION STRUCTURE OF THE BANK



3.5. MAJOR HISTORICAL EVENTS



3.6. SIGNIFICANT FINANCIAL & STRATEGIC ALLIANCES:

In financial sector, security coverage plays a pivotal role. BankIslami holds various alliances with life and general segments and has a huge portfolio in both segments including EFU, Adamjee, Jubilee General, Pak-Qatar Takaful, Salam Takaful, UBL Insurers, Century, TPL and Atlas Window Takaful Operations. These alliances are structured to have a two-way business relationship benefiting both parties.


To promote its Home Financing Scheme i.e. Muskun Home Finance, BankIslami has entered into two strategic alliances:

1. Alliance with Pakistan Mortgage Refinance Company (PMRC): In April 2019, BankIslami has entered into an agreement with Pakistan Mortgage Refinance Company (PMRC) under which so far PMRC has provided up to PKR 5.3 Billion for the promotion of Home Finance for Low and Middle - Income Groups
2. Alliance with Pak-Qatar Family Takaful for cross selling of Single Premium Life Takaful to Muskun Home Finance customers

In addition to the above, Muskun Home Finance has collaborations with market reputed builders including Emaar Pakistan and Bahria Town.

Furthermore, BankIslami Auto Finance department has multiple alliances, offering exceptional deals in terms of competitive pricing, fast track processing and exclusive coverage provided by renowned Takaful companies at competitive premium rates for Lucky Motors Pakistan, Honda Pakistan, Indus Motor Company and Master Changan Motors customers.

3.7. AWARDS AND ACHIEVEMENTS

International Finance Magazine Award	<p>International Finance Awards recognizes industry talent, leadership skills, industry net worth and capability on international platform. Winners of this award are declared by a qualified research team based on the strength of their application and past accomplishments.</p> <p>The Bank was nominated for the category of <i>Most Innovative Banking Solution Provider</i> and it emerged as an award winner for International Finance Awards 2018 in the category of – “Most Innovative Banking Solution Provider - Biometric – Pakistan 2018”</p>
One Touch Banking 	<p>BankIslami launched One Touch Banking – a solution where your Thumb is your bank, followed by launch of Card less ATMs in 2013 and Chequeless transactions over the counter in 2017. This facility with unique features enables you to perform banking transactions (Pay orders, cash withdrawals, IBFTs, Utility bills, etc.) without cheque and debit card just with your Thumb impression.</p>
Muskun – National leader in Housing Finance in Pakistan	<p>BankIslami’s Muskun (Housing finance) product is a key player in housing finance in Pakistan’s Banking industry.</p>
Islamic Retail Banking Awards	<p>The Bank won the award of Best Islamic Retail Bank for Growth and Strategy 2021 at the 7th Islamic Retail Banking Awards 2021.</p>
Brand of the Year Awards	<p>Brands of the Year award is one of the Pakistan’s most respected honors presented to organisations which can achieve critical success factors within the management of their brands. BankIslami has been bestowed with the award of Brand of the Year in years 2019, 2020 and 2021 in Islamic Banking.</p>
Best Musharakah Deal of the Year	<p>BankIslami won the IFN Award for the Best Musharakah Deal of the Year 2022 for acting as Mandated Lead Arranger and Shariah Advisor for PKR 1.2 Billion Syndicate Diminishing Musharakah facility to finance 100% export oriented socks manufacturing units by Masood Spinning Mills Limited (Mahmood Group, Multan).</p>

3.8. PRODUCTS AND SERVICES

The Bank has a full range of products and services catering to various customer segments. A summary of the products/services offered by the Bank is given below:

a) Personal Banking

Accounts

BankIslami offers a wide variety of accounts fulfilling all the needs of its diverse customer base. Following are the account options offered by the Bank:

- Islami Sahulat Account
- Islami Bachat Account
- Islami Current Account
- Islami Asaan Account
- Islami Mahana Munafa Account
- Islami Amadni Certificate
- Islami Dollar Bachat Account
- Islami Foreign Currency Account
- Islami Premium Saving Account
- Islami Business Saving Account

b) Consumer Finance

In this category, BIPL offers a range of home financing, auto financing and takaful products to its customers, the following products are available for the consumers in this category:

- MUSKUN Home Financing
- Auto Finance
- Takaful distribution

c) Digital Distribution Channels

- **Mobile Banking:** BankIslami brings an array of convenient, secure and personalized services at its customers' fingertips by its mobile application *mBankIslami*. It offers its customers to check account balance, pay bills, transfer funds, locate ATMs and branches, view account statement, buy mobile talk-time, set payment reminders and manage beneficiaries and register bills.
- **Online Banking:** BankIslami have around 380 branches across 141 cities which provide online banking services which means all these branches are connected digitally with each other. This offers its customers the following:
 - Cash Deposit for immediate credit to a remote branch
 - Remote Cheque Encashment from any Online branch
 - Instant Funds Transfer between any 2 Online branches
 - Balance Enquiry and Statement of Account from any Online branch
- **Interbank Fund Transfer (IBFT):** IBFT enables its customers to send and receive funds online from and to any account holder of 1Link participating member bank.
- **Internet Banking:** BankIslami Internet Banking provides its customers the facility to access and manage their accounts and transactions securely via Internet.
- **Debit MasterCard:** BankIslami Classic Debit MasterCard is a dual interface enabled card; supporting NFC (contactless) and EMV/Chip technology, thus ensuring the utmost security with the convenience of tap and pay facility.
- **One Touch Banking:** BankIslami's Biometric ATM provides enhanced security through the use of just a finger or thumb impression for identification purposes.
- **PayPak Debit Card:** Allows its customers to use their Debit card safely at millions of Retail outlets and ATMs across Pakistan.
- **24/7 Phone Banking:** BankIslami also offers a 24/7 phone banking service which offers convenience to its customers of making transactions and getting account details easily.

d) Corporate Banking

BankIslami offers world class Shariah compliant financing solutions to its corporate customers. The following products and services are offered to help their clients' business objectives:

- **Deposit Accounts:** All banking services are offered to cater to the business needs of the corporate customers.

- **Trade Services:** A wide range of import and export services are designed to help their clients build on the business opportunities worldwide.
- **Financing:** BIPL offers diverse financing solutions catering to the needs of their customers which include account services, trade services, working capital financing, project finance, musharakah finance, murabaha finance and Ijarah.

e) Investment Banking

Investment Banking is a high Economic Value-Added franchise of the Bank, specialized in tailoring and structuring varied complex deals in an innovative and Shariah Compliant manner to meet the on-going time critical needs of large corporate clientele. Such deals may range from short-term to long-term syndicated deals, raising of redeemable capital through Islamic debt instruments i.e. Islamic Commercial Paper (ICP) and Sukuk, offering of securities to raise equity or typical project & structured financing.

1. Syndication & Debt Capital Markets (Sukuk / Islamic Commercial Papers)
2. Infrastructure & Project Finance
3. Equity & Advisory
4. Trustee & Agency services

f) SME Financing

Small and Medium-sized Enterprises (SMEs) drive economic growth by stimulating innovation, acting as a competitive spur to existing businesses to increase their productivity and making a disproportionately large contribution to job creation. BankIslami is dedicated in supporting SME business with all the products and services available through its branch banking network. The products and services are offered to SME clients strictly under Shariah modes and consist of Working Capital Financing, Trade Financing & Services and Term Financing.

g) Agri Financing

BIPL provides a variety of Agri based solutions which include the following:

1. Islami Tractor Finance facility under Prime Minister's Kamyab Jawan Program
2. Islami Renewable Energy Finance facility under Prime Minister's Kamyab Jawan Program
3. Islami Poultry Farming Finance under Prime Minister's Kamyab Jawan Program
4. Islami Livestock Finance under Prime Minister's Kamyab Jawan Program
5. Islami Agri Machinery / Equipment Finance under Prime Minister's Kamyab Jawan Program

h) Cash Management

BIPL Cash Management proposes its corporate and business customers with cash flow optimization by providing visibility, control, efficiency and security through its technology-based *product* strategies. It provides customers with comprehensive and an end-to-end cash flow management in the most effective and efficient manner.

BankIslami offers an extensive Cash Management suite of products for its corporate clientele which includes:

1. Payroll processing
2. Collection Suite
3. Payment Suite
4. ERP Integration
5. Bills and tax payments

6. Dividend Warrants Payment and Processing
7. RTGS and IBFT

i) Employee Banking Services

BankIslami Corporate Employee Banking is a solution that offers professional guidance and support to employees of the Bank's corporate, SME and commercial customers. It is a customizable employee banking solution focused to streamline salary disbursements for organizations and meeting the financial needs of their employees through Shariah compliant products. BankIslami-Employee Banking Services is a one-stop solution, where companies are offered an array of facilities, for their payroll management, starting from employees' on-site account opening to electronic payroll disbursements to fulfilling employees financial needs through customized and Shariah compliant financing solutions such as bike financing, consumer durables financing, home financing and auto financing.

3.9. BRAND RECOGNITION & MARKETING STRATEGY

In 2022, BIPL continued to build on the success of its previous years' marketing strategies, further solidifying its position as a technologically advanced and modern Islamic bank. The brand recognition and recall established through 360-degree marketing campaigns and affiliations based on domestic and international cricket, corporate events, and festivals - remain strong, effectively communicating the bank's commitment to innovation and customer-focused services. With continued investment in its marketing efforts, BIPL aims to be at the forefront of the financial industry and strives to be a prominent player in the market.

3.10. BRANCH AND ATM NETWORK

The Bank has grown its branch and ATM network across the country taking the branch count to 407 branches including 70 sub branches in more than 140 cities as of September 30th, 2023.

	2017	2018	2019	2020	2021	2022	9M2023
No. of branches	330	330	334	343	340	380	407
No. of ATMS	302	312	319	334	347	375	419

3.11. END USERS, DEMAND FOR THE PRODUCTS AND COMPETITORS

End users of the Bank's products are individuals and corporates. Financial inclusion and banking penetration levels in the country are well below regional averages; however, this presents an opportunity for BIPL to experience growth backed by population expansion, improving regulatory environment, rising income levels, increasing awareness and a growing preference for Shariah-compliant modes of finance etc. Moreover, factors such as the expansion of private-sector employment, are expected to enhance demand and increase the banking penetration rate.

The Islamic banking industry comprises of six full-fledged banks and Islamic windows of conventional banks. The key competitors of BankIslami are the full-fledged Islamic banks as listed below:

- Meezan Bank Limited
- Faysal Bank Limited
- Dubai Islamic Bank Limited
- AL Baraka Bank (Pakistan) Limited
- MCB Islamic Bank Limited

3.12. MATERIAL PROPERTY

BankIslami has the ownership of six floors of Executive Tower located at Marine Drive, Block-4, Clifton, Karachi. The property was acquired by BankIslami at a cost of PKR 2,336 million and currently has a carrying amount of PKR 2,426 million (inclusive of revaluation adjustment).

3.13. INTELLECTUAL PROPERTY RIGHTS

S. No	Trade Mark No.	Name of the Trade Mark	Validity
1	206785	"BankIslami"	March 05 th , 2025
2	346898	"Islami Dollar Bachat, Account"	September 23 rd , 2023
3	346895	"Serving you, the Right way"	September 23 rd , 2023
4	242166	Islami Bachat Account	October 02 nd , 2027
5	206786	BankIslami Logo	March 05 th , 2025
6	346901	"BankIslami Pakistan Limited"	September 23 rd , 2023
7	346899	SMS Alerts Plus name and logo	September 23 rd , 2023
8	492178	Islami Haryali name and logo	April 06 th , 2028
9	513196	BankIslami One Touch Banking name and logo	November 09 th , 2028
10	242165	"Islami Amadni Certificate"	October 02 nd , 2027
11	242164	BankIslami Auto Ijarah name and logo	October 02 nd , 2027
12	242167	Islami Current & Account name and logo	October 02 nd , 2027
13	242168	Islami Mahana Munafa Account name and logo	October 02 nd , 2027
14	552127	BankIslami Roshni Asaan Account name and logo	November 11 th , 2029
15	44849	Islami Bachat Account name and logo	Lifetime
16	536726	Ehad Sukuk name and logo	June 19 th , 2029

3.14. FUTURE OUTLOOK OF THE BANK

BIPL envisages to continue its growth in forthcoming years and maintain its position as one of the leading Islamic Bank. To accomplish this feat, the Bank has developed a Strategic Plan (the 'Plan') for the period 2023-2024 to set clear organizational goals and to lay out a comprehensive roadmap to achieve these goals. In formulating this Plan, the Bank has adopted a strategic planning tool namely SOAR Analysis (Strengths, Opportunities, Aspirations and Results) which follows collaborative approach and engages participants amongst all functions of the organization. This approach assisted the Bank in formulating objectives and goals by focusing on its current strengths and opportunities while creating strategic vision for future Aspirations and action plan to achieve desired results. The Plan sets out various goals and KPIs for accelerated growth in deposit base, enhancing trade business volumes, expanding its cash management services, improving credit risk profile, achieving technological innovation, spreading Bank's digital footprint, increase in branch network and enhancing shareholders' value while developing and nurturing its human capital, reinforcement of brand image, maintaining healthy capital base and becoming a customer centric Islamic Bank.

Going forward, the Bank will remain inclined towards expanding its corporate, Commercial & SME, auto and agri-finance book backed by its dynamic risk management structure; however, it may adapt a relatively cautious approach towards the housing segment on account of rising benchmark profit rates. In light of IFRS 9 and the increased provisioning requirements, the Bank will focus on avoiding concentrated exposures and focus on diversification of its revenue stream by providing financing to companies with sound financials coupled with strong and stable cash flows

In order to increase profitability, the Bank will prioritize the improvement of deposit mix and will remain poised towards enhancing its current account base which will be complimented by expansion in branch network, increase in corporate & trade based relationships and garnering clients through its state-of-the-art and digitally enabled cash management services.

3.15. APPROVAL TO CONDUCT BUSINESS

BIPL is regulated by State Bank of Pakistan and holds a valid license from SBP to conduct its business.

Issue of License to Commence Banking Business	
License Number	B.L.(i): 01
Issuance Date	March 18, 2005
Issuing Authority	State Bank of Pakistan

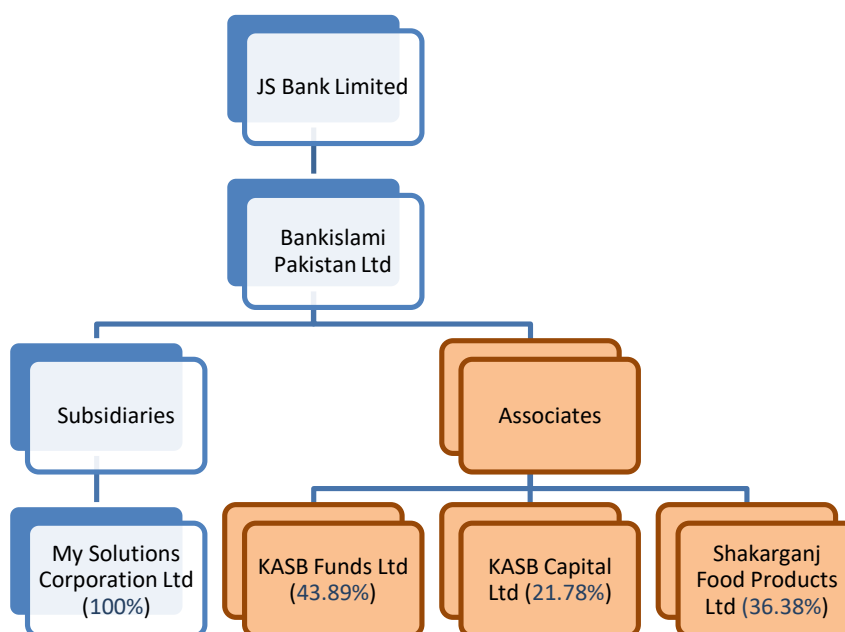
3.16. GROUP STRUCTURE OF THE ISSUER AND DETAILS OF ASSOCIATED COMPANIES

Associated Concerns

Name of Company	Nature of Relationship	Name of Director
Al- Abbas Sugar Mills Limited	Common Directorship/ Business Occupation of Director	Mr. Suleman Lalani
TRG Pakistan Limited	Common Directorship/ Business Occupation of Director	
JS Investments Limited	Common Directorship/ Business Occupation of Director	
Jahangir Siddiqui & Co Ltd	Common Directorship/ Business Occupation of Director	

SAJ Capital Management Limited	Common Directorship/ Business Occupation of Director	Mr. Ali Hussain
Ithaca Capital (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	Mr. Haider Ali Hilaly
Ithaca Capital Ltd.	Common Directorship/ Business Occupation of Director	
Ithaca Capital BV	Common Directorship/ Business Occupation of Director	
Ithaca Capital Group	Common Directorship/ Business Occupation of Director	
Bottleco (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Optimus Technology (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Ravi Spherocast (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
CALCORP LTD. (Formally Capital Asset Leasing Corporation)	Common Directorship/ Business Occupation of Director	
Bykea Technologies (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Retail Holdings (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Partners Resource Linked (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Optimus Ltd.	Common Directorship/ Business Occupation of Director	
Athena Brands (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Bykea Technologies BV.	Common Directorship/ Business Occupation of Director	
Kidco Holdings Ltd.	Common Directorship/ Business Occupation of Director	
Mobility Digital Holdings Ltd.	Common Directorship/ Business Occupation of Director	
Partners Retail Holdings Ltd.	Common Directorship/ Business Occupation of Director	
Ravi Automobiles (Pvt) Limited	Common Directorship/ Business Occupation of Director	
Mustang Security Services (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	Ms. Iffat Zehra Mankani
Mustang HRSM (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Bykea Trade (Pvt) Limited	Common Directorship/ Business Occupation of Director	Mr. Sulaiman Sadruddin Mehdi
JS Investments Limited	Common Directorship/ Business Occupation of Director	
TPL Developments (Pvt.) Limited	Common Directorship/ Business Occupation of Director	
Aga Khan Cultural Services Pakistan	Common Directorship/ Business Occupation of Director	
Sindh Energy Holding Company (Pvt.) Ltd.	Common Directorship/ Business Occupation of Director	
Emerging Technologies of MOIT	Common Directorship/ Business Occupation of Director	Mr. Sulaiman Sadruddin Mehdi
Presidential Initiative for Artificial Intelligence and Computing (PIAIC)	Common Directorship/ Business Occupation of Director	

Mahvash and Jahangir Siddiqui Foundation	Common Directorship/ Business Occupation of Director	Mr. Syed Ali Hasham
JS Infocom Limited	Common Directorship/ Business Occupation of Director	
JS Engineering Investments 1 (Private) Limited	Common Directorship/ Business Occupation of Director	
Jahangir Siddiqui & Co Ltd	Common Directorship/ Business Occupation of Director	
Energy Infrastructure Holding (Private) Limited	Common Directorship/ Business Occupation of Director	
Khairpur Solar Power (Private) Limited	Common Directorship/ Business Occupation of Director	
Quality Energy Solutions (Private) Limited	Common Directorship/ Business Occupation of Director	
District Social Protection Committee Bhakkar (Punjab Social Protection Authority)	Common Directorship/ Business Occupation of Director	Mr. Akhtar Abbas
Bahria University Islamabad	Common Directorship/ Business Occupation of Director	
Chamber of Agriculture, Punjab	Common Directorship/ Business Occupation of Director	
Pakistan Institute of Conflict and Security Studies	Common Directorship/ Business Occupation of Director	
Punjab Bar Council	Common Directorship/ Business Occupation of Director	
Shakarganj Foods Products Limited	Common Directorship/ Business Occupation of Director	Mr. Rizwan Ata
JS Bank Limited	Parent Company	N/A



Name of Company	Nature of Business	Nature of Relation	Number of Shares	Shareholding
My Solutions Corporation Limited	The company is currently dormant.	Subsidiary	25,000,000	100%
KASB Funds Limited	The company is engaged in business of providing investment and savings solutions.	Associated Company	14,123,622	43.89%
Shakarganj Food Products Limited	Engaged in producing dairy products and juices.	Associated Company	60,950,000	36.38%
KASB Capital Limited	The company is involved in investment holding activities and investment dealer (full-service dealer, excluding underwriting).	Associated Company	283,000	21.78%

3.17. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its subsidiary, associates, employee benefit plans, its directors and key management personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Related party transactions as reported in unconsolidated financials of the Bank for 9M23, CY22, CY21 and CY20 are reproduced below:

PKR '000	September 30, 2023 (Un-audited)					
	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties
Due from financial institutions						
Opening balance	-	-	-	-	-	-
Addition during the year	3,233,725	-	-	-	-	-
Repaid during the year	(3,233,725)	-	-	-	-	-
Transfer in / (out) – net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Investments						
Opening balance	-	-	-	104,771	1,102,111	-
Investment made during the period / year	-	-	-	-	-	-
Investment redeemed / disposed-off during the year / period	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
Closing balance	-	-	-	104,771	1,102,111	-
Provision for diminution in value of investments	-	-	-	(104,771)	(474,169)	-
Islamic financing and related assets						
Opening balance	-	-	372,910	-	480,187	700,001
Addition during the period / year	-	-	103,955	-	703,910	4,461,960
Repaid during the period / year	-	-	(36,733)	-	(695,388)	(3,984,810)
Transfer in / (out) - net	-	-	(121,507)	-	-	(839,452)
Closing balance	-	-	318,625	-	488,709	337,699
Other assets						
Profit receivable on financings	-	-	220	-	34,324	1,609

Due to financial institutions						
Opening balance	-	-	-	-	-	-
Borrowings during the year	62,460,600	-	-	-	-	-
Settled during the year	(62,460,600)	-	-	-	-	-
Transfer in / (out) – net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Subordinated Sukuk						
Opening balance	-	-	1,015	-	-	-
Issued / purchased during period / year	-	-	-	-	-	-
Redemption / sold during the period / year	-	-	-	-	-	-
Transfer in / (out) – net	-	-	(530)	-	-	-
Closing balance	-	-	1,015	-	-	-
Deposits and other accounts						
Opening balance	-	2,745	32,443	4	12,186	1,776,697
Received during the period / year	-	2,690,862	587,584	-	1,271,954	1,542,2849
Withdrawn during the period / year	-	(2,690,289)	(582,851)	-	(1,268,021)	(14,784,656)
Transfer in / (out) - net	-	275	(376)	-	-	31,472
Closing balance	-	3,593	36,800	4	16,119	2,446,362
Other Liabilities						
Profit / return payable	-	2	288	-	6	57,894
Payable to staff retirement fund	-	-	-	-	-	-
Other liabilities						
Dividend Payable	-	34,000	-	-	-	54,876
Meeting fee / remuneration payable	-	400	-	-	-	-
Contingencies and Commitments						
Other contingencies	-	-	-	-	7,516	36,579

PKR '000	September 30, 2023 (Un-audited)					
	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties
Income						
Profit / return earned	9,413	-	11,733	-	53,156	102,948
Other income	-	-	547	-	-	-
Expense						
Profit / return expensed	200,269	14	1,481	-	35	180,709
Other administrative expenses	-	4,072	1,662	-	-	48,830
Meeting fee / remuneration	-	15,780	370,472	-	-	-
Contribution to employees provident fund	-	-	-	-	-	155,144
Charge for employees gratuity fund	-	-	-	-	-	142,227

PKR '000	2022				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Investments					
Opening balance	-	-	104,771	1,660,111	-
Investment made during the year	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-
Adjustment	-	-	-	(558,000)	-
Closing balance	-	-	104,771	1,102,111	-
Provision for diminution in value of investments	-	-	(104,771)	(474,169)	-
Islamic financing and related assets					
Opening balance	15,382	280,483	-	480,540	700,001
Addition during the year	-	204,049	-	813,116	4,655,399

Repaid during the year	(15,382)	(107,753)	-	(813,469)	(4,405,399)
Transfer in / (out) – net	-	(3,869)	-	-	(250,000)
Closing balance	-	372,910	-	480,187	700,001
Other Assets					
Profit receivable on financings	-	280	-	5,579	18,842
Subordinated Sukuk					
Opening balance	-	1,015	-	-	-
Issued / subscribed during the year	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-
Closing balance	-	1,015	-	-	-
Deposits and other accounts					
Opening balance	6,063	42,412	4	27,338	1,306,399
Received during the year	39,235	709,549	-	1,641,001	13,686,134
Withdrawn during the year	(42,553)	(716,423)	-	(1,656,153)	(13,218,501)
Transfer in / (out) - net	-	(3,095)	-	-	2,665
Closing balance	2,745	32,443	4	12,186	1,776,697
Other Liabilities					
Profit / return payable	1	490	-	-	31,609
Meeting fee / remuneration payable	240	-	-	-	-
Contingencies and Commitments					
Other contingencies	-	-	-	25,202	82,277

PKR '000	2022				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income					
Profit / return earned	1,215	13,047	-	30,759	60,914
Other income	-	12,561	-	-	-
Expense					
Profit / return expensed	11	1,099	-	38	180,007
Other administrative expenses	-	4,230	-	-	44,748
Meeting Fee / Remuneration	13,700	340,985	-	-	-
Contribution to employees provident fund	-	-	-	-	163,390
Contribution to employees gratuity fund	-	-	-	-	175,548

PKR '000	2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Investments					
Opening balance	-	-	104,771	1,660,111	-
Investment made during the year	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-
Adjustment	-	-	-	-	-
Closing balance	-	-	104,771	1,660,111	-
Provision for diminution in value of investments	-	-	-104,771	-1,032,169	-
Islamic financing and related assets					
Opening balance	19,239	305,603	192,779	489,677	496,392
Addition during the year	-	137,090	679,000	386,691	4,264,589
Repaid during the year	-3,857	-57,239	-619,956	-395,828	-4,290,511
Transfer in / (out) - net	-	-104,971	-251,823	-	229,531

Closing balance	15,382	280,483	-	480,540	700,001
Other Assets					
Profit receivable on financings	230	127	-	2,576	5,618
Subordinated Sukuk					
Opening balance	-	1,015	-	-	-
Issued / subscribed during the year	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-
Closing balance	-	1,015	-	-	-
Deposits and other accounts					
Opening balance	18,887	25,210	704,601	85,142	1,171,529
Received during the year	63,980	474,247	19,340,732	2,350,516	10,058,067
Withdrawn during the year	-76,802	-456,200	-19,334,212	-2,394,418	-9,840,769
Transfer in / (out) - net	-2	-845	-711,117	-13,902	-82,428
Closing balance	6,063	42,412	4	27,338	1,306,399
Other Liabilities					
Profit / return payable	1	201	1	2	7,305
Contingencies and Commitments					
Other contingencies	-	-	-	23,385	697,037

PKR '000	2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income					
Profit / return earned	1,468	8,515	-	30,131	57,853
Other income	-	8,631	579	-	-
Expense					
Profit / return expensed	73	476	28,051	627	90,503
Other administrative expenses	1,696	3,620	251	-	17,848
Meeting Fee / Remuneration	14,320	248,499	-	-	-
Contribution to employees provident fund	-	-	-	-	134,214
Contribution to employees gratuity fund	-	-	-	-	139,925

PKR '000	2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Investments					
Opening balance	-	-	2,690,723	1,660,111	-
Investment made during the year	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-
Adjustment	-	-	(1,984,343)	-	-
Closing balance	-	-	706,380	1,660,111	-
Provision for diminution in value of investments	-	-	(104,771)	(1,032,169)	-
Islamic financing and related assets					
Opening balance	22,538	194,707	154,779	525,179	1,193,862
Addition during the year	-	180,438	780,000	92,048	3,216,340
Repaid during the year	(3,299)	(66,942)	(742,000)	(127,550)	(3,404,528)
Transfer in / (out) - net	-	(2,600)	-	-	(509,282)

Closing balance	19,239	305,603	192,779	489,677	496,392
Other Assets					
Profit receivable on financings	812	167	-	1,626	3,153
Subordinated Sukuk					
Opening balance	-	10,000	-	-	-
Issued / subscribed during the year	-	15	-	-	-
Redemption / Sold during the year	-	(9,000)	-	-	-
Closing balance	-	1,015	-	-	-
Deposits and other accounts					
Opening balance	3,534	6,260	269,777	82,086	1,062,262
Received during the year	96,690	694,472	23,549,788	1,641,620	8,820,606
Withdrawn during the year	(81,169)	(675,522)	(23,114,034)	(1,638,684)	(8,711,343)
Transfer in / (out) - net	(168)	-	(930)	120	4
Closing balance	18,887	25,210	704,601	85,142	1,171,529
Other Liabilities					
Profit / return payable	2	160	3,972	689	7,141
Meeting Fee / Remuneration Payable	2,260				
Contingencies and Commitments					
Other contingencies	-	-	-	-	279,802

PKR '000	2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income					
Profit / return earned	2,413	8,171	21,419	30,499	55,236
Other income	-	3,649	755	-	-
Expense					
Profit / return expensed	22	373	33,916	1,338	107,125
Other administrative expenses	86	2,209	572	-	6,710
Meeting Fee / Remuneration	9,860	186,976	-	-	-
Contribution to employees provident fund	-	-	-	-	119,903
Contribution to employees gratuity fund	-	-	-	-	126,159

3.17.1. PERFORMANCE OF ASSOCIATED LISTED COMPANIES OVER WHICH THE ISSUER HAS CONTROL

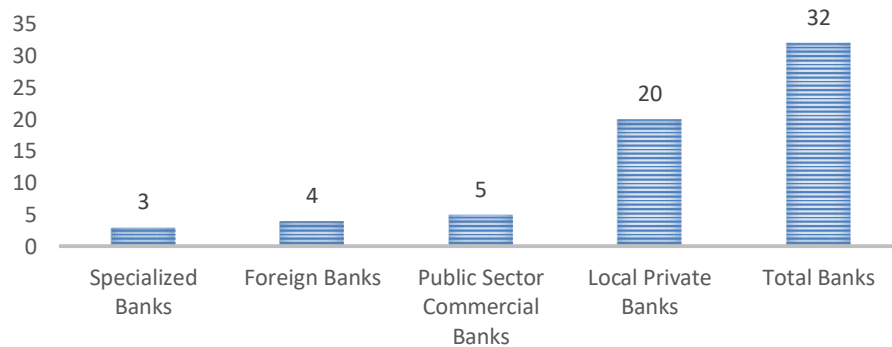
As of 30th September, 2023, BankIslami Pakistan Limited has no listed associated company over which it has control.

3.18. INDUSTRY OVERVIEW

BANKING INDUSTRY OF PAKISTAN

Pakistan's banking industry comprises of 32 commercial banks out of which 20 are listed on the Pakistan Stock Exchange. The industry is regulated by the State Bank of Pakistan and is highly concentrated of private commercial banks. A distribution of the Pakistan's banking sector is provided below:

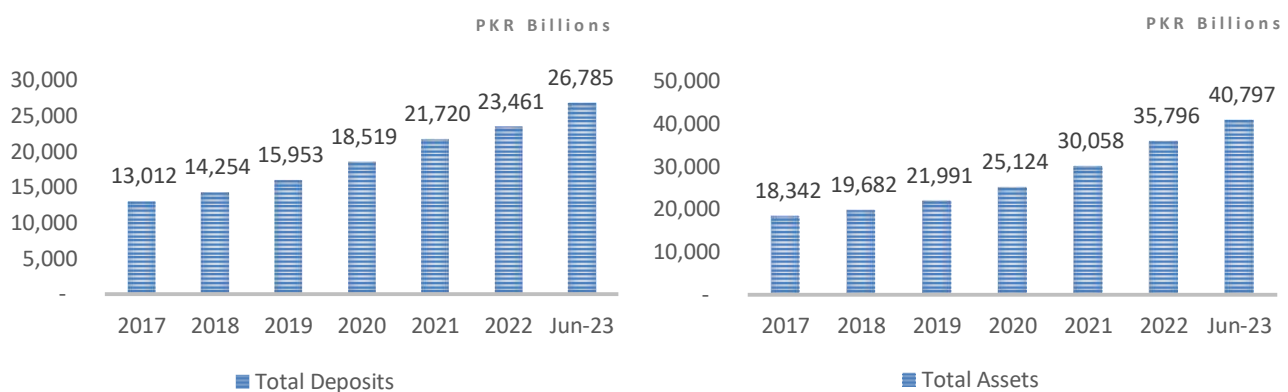
STRUCTURE OF PAKISTAN'S BANKING INDUSTRY



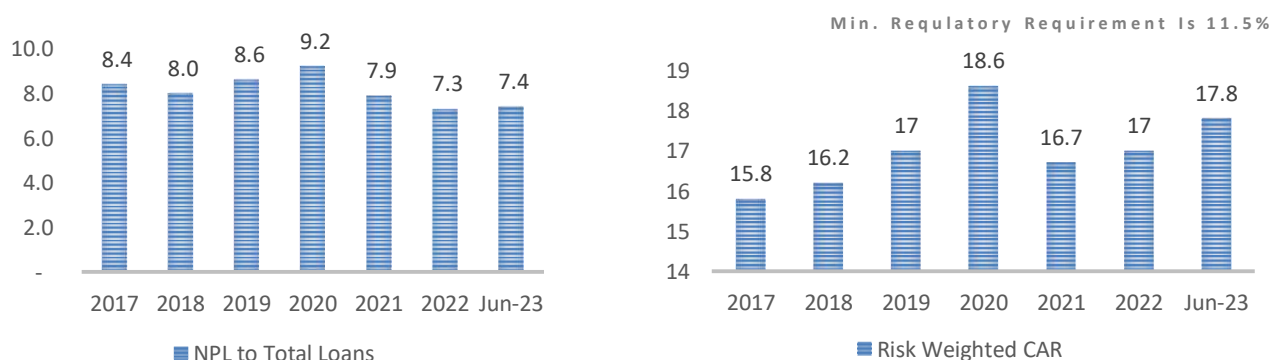
Source: Compendium of the Banking System by State Bank of Pakistan, June 2023

Performance Highlights

Performance of the banking industry over the past few years has been robust as indicated by considerable growth in asset base, deposits, advances accompanied by sound financial indicators. Some of the key performance highlights of the banking industry are depicted in the charts below:



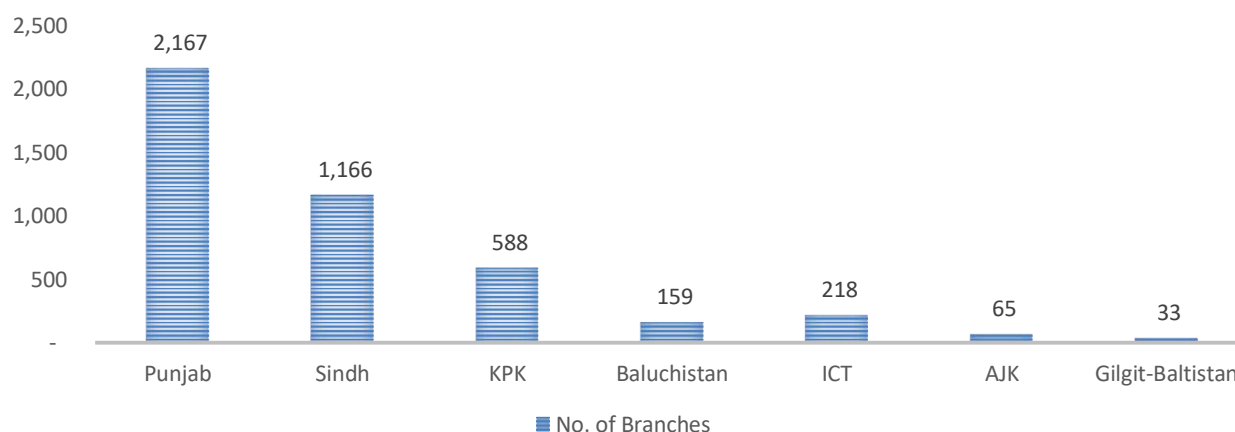
Source: Compendium of the Banking System by State Bank of Pakistan, June 2023



Source: Compendium of the Banking System by State Bank of Pakistan, June 2023

ISLAMIC BANKING INDUSTRY

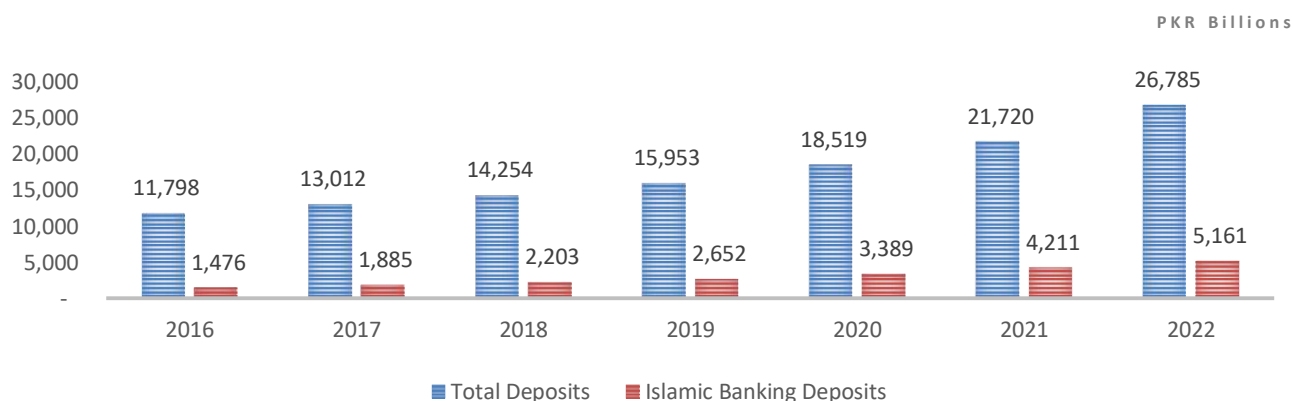
The network of IBI comprised of 22 Islamic Banking Institutions (IBIs), including 5 full-fledged Islamic Banks (IBs) and 17 Conventional Banks having Islamic Banking Branches (IBBs). During the period under review, the branch network of IBI observed a quarterly expansion of 205 branches and increased to 4,396 branches (spread across 129 districts of the country) by end December, 2022. Figure below shows concentration of branches in different regions of Pakistan. The number of Islamic banking windows (dedicated counters at conventional branches) operated by IBBs stood at 1,516 by end of December, 2022.



Source: State Bank of Pakistan - Islamic Banking Bulletin, Dec 2022

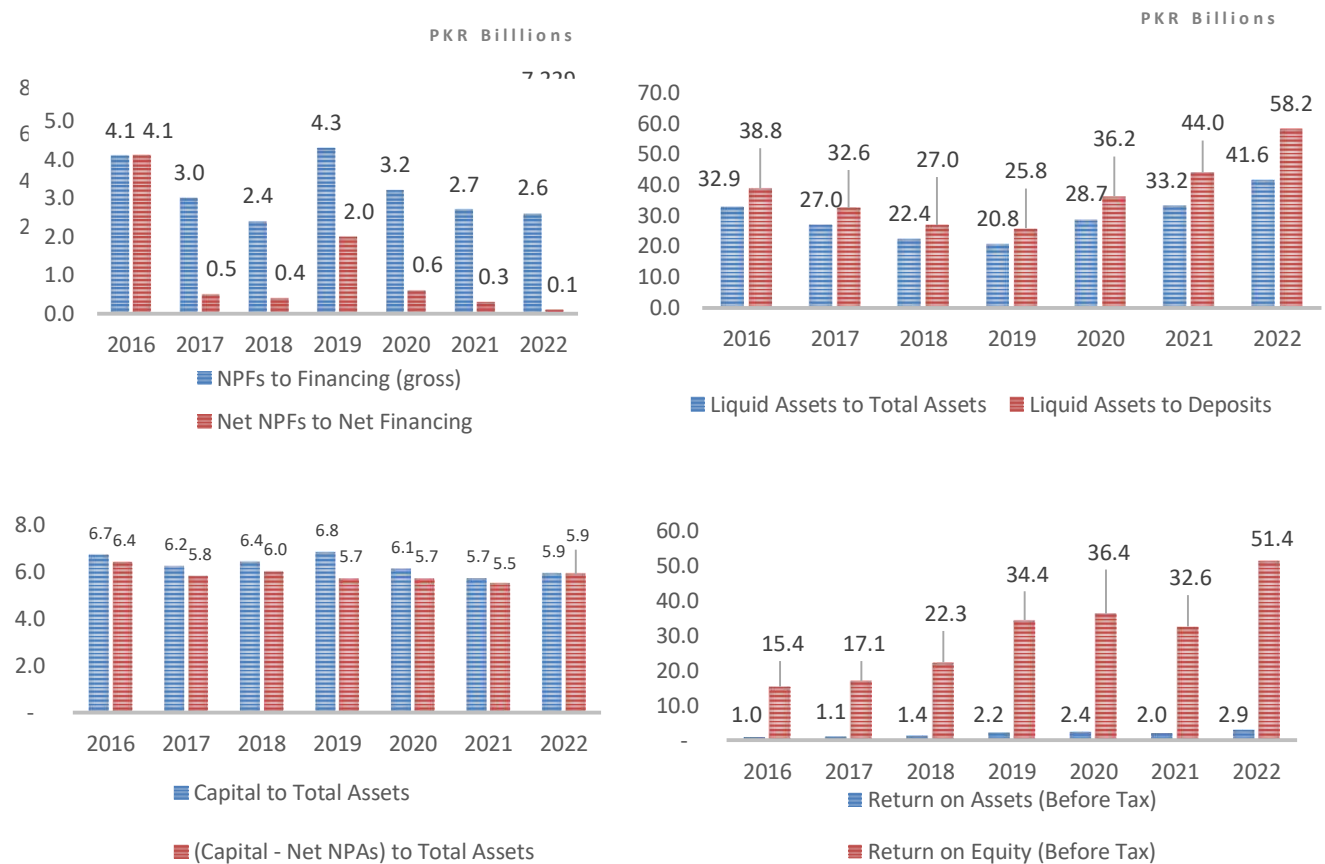
Performance Highlights

Deposits of IBI demonstrated a growth of PKR 140 billion and leaped over five-trillion during 4th quarter of 2022 and were recorded at PKR 5,161 billion by end December 2022. During CY22, deposits of IBI witnessed a phenomenal increase of PKR 950 billion (22.6 percent). Accordingly, market share of Islamic banking deposits in the overall banking industry jumped to 22 percent, by the end of December, 2022.



Source: State Bank of Pakistan - Islamic Banking Bulletin, Dec 2022

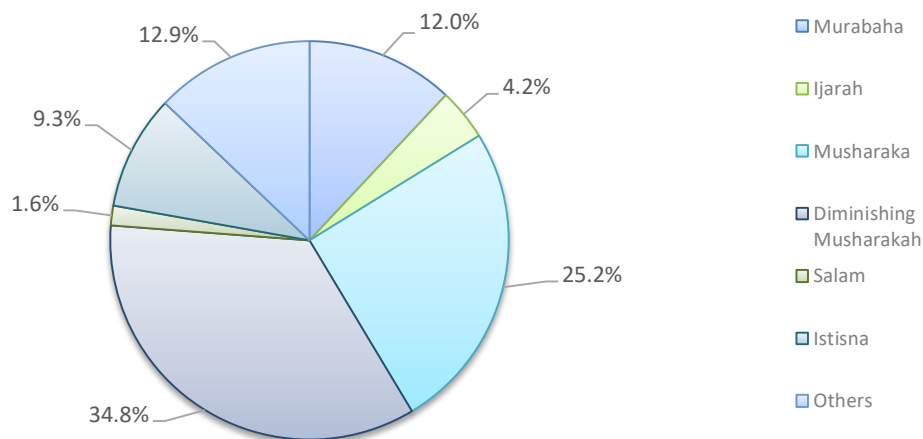
Performance of the Islamic banking industry over the past few years has been robust as indicated by considerable growth in asset base, deposits, advances accompanied by sound financial indicators. Some of the key performance highlights of the Islamic banking industry are depicted in the charts below:



Source: State Bank of Pakistan - Islamic Banking Bulletin, Dec 2022

Financing by Type

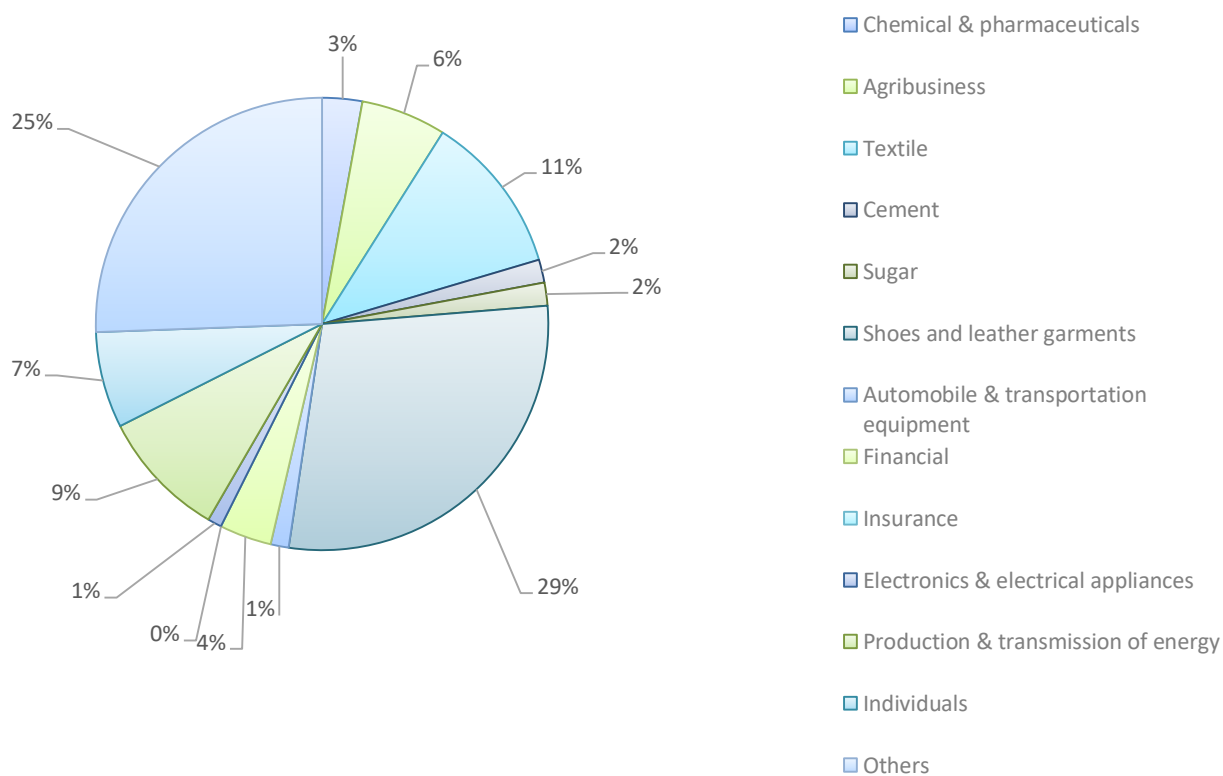
In terms of mode wise financing, the share of Diminishing Musharaka (34.8 percent) remained highest in the overall financing of IBI, followed by Musharaka (25.2 percent) by end December, 2022.



Source: State Bank of Pakistan - Islamic Banking Bulletin, Dec 2022

Financing by Sector

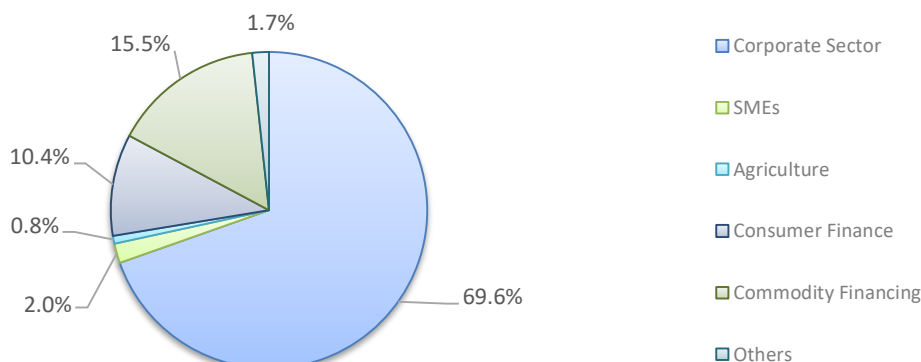
Sector wise break-up of financing shows that textile (16.7 percent) and agribusiness (13.7 percent) were two leading sectors in terms of their share in the overall financing of IBI by end December, 2022.



Source: State Bank of Pakistan - Islamic Banking Bulletin, Dec 2022

Financing by Client

Review of client wise financing portfolio illustrates that the share of corporate sector (69.6 percent) remained highest in overall financing of IBI followed by commodity financing (15.5 percent) and consumer finance (10.4 percent) by end December, 2022. While, the share of SMEs and agriculture financing remained small compared to the overall banking industry's share in financing to these sectors.



Source: State Bank of Pakistan - Islamic Banking Bulletin, Dec 2022

PART 3A: SHARE CAPITAL AND RELATED MATTERS

(I) SHARE CAPITAL

9M2023 (Un-audited)		9M2023 (Un-audited)
Number of Shares	Ordinary shares of Rs 10 each	Rupees in '000'
1,108,703,299	Fully paid in cash	11,087,033.00
-	Issued during the year right issue	-
-	Less: Discount on issue of shares	(79,042.00)
1,108,703,299		11,007,991.00

Details of Subscription of Pre-IPO Placement and Green Shoe Option relating to the issue are given in section 5.2.

(II) PATTERN OF SHAREHOLDING

Pattern of shareholding of the Bank as of September 30th, 2023 is given below:

Shareholding	No. of Shares	Percentage
Major Sponsors		
Mr. Ali Hussain and SAJ Capital Management Ltd	138,851,242	12.52%
JS Bank Limited	832,812,012	75.12%
Total	971,663,254	87.64%
Shares held by the Directors		
Mr. Rizwan Ata, President & Chief Executive Officer	0	0.00%
Mr. Suleman Lalani	86,263	0.01%
Mr. Haider Ali Hilaly	31,000	0.00%
Mr. Sulaiman Sadruddin Mehdi	1,000	0.00%
Mr. Syed Ali Hasham	501	0.00%
Ms. Iffat Zehra Mankani	500	0.00%
Mr. Akhtar Abbas	500	0.00%
Total	119,764	0.01%

Total holding of major Sponsors and Directors	971,783,018	87.65%
General Shareholders	136,920,281	12.35%
Grand Total	1,108,703,299	100.00%

(III) SHARES ISSUED IN PRECEDING YEARS

Details of shares issued in the history of the Bank are given below:

S. No.	Description of Ordinary Shares Issued	Number of Shares Issued	Par Value	Date of allotment
1	Initial Allotment	59,500,000	10	November 19, 2005
2	Pre-IPO Investors	100,497,500	10	January 6, 2006
3	Initial Public Offering	40,002,500	10	March 30, 2006
4	First Right Issue	120,000,000	10	March 16, 2007
5	Second Right Issue	100,000,000	10	January 26, 2008
6	Second Right Issue; further shares were allotted as resolved in EOGM of the Bank	7,967,898	10	March 29, 2008
7	Third Right Issue	100,000,000	10	December 29, 2008
8	Fourth Right Issue	47,904,192	10	December 30, 2014
9	Fifth Right Issue	432,040,000	10	May 26, 2015
10	Sixth Right Issue	100,791,209	10	November 14, 2019

(IV) BONUS SHARES, RIGHT SHARES AND NON-CASH SHARES ISSUED DURING THE PRECEDING YEARS

Details of Right Shares issued during preceding years are given in the previous section while the Bank has not issued any bonus shares and / or any non-cash shares.

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(V) UNDERTAKING FOR UTILIZATION OF IPO PROCEEDS

DATE: _____

Undertaking for Utilization of IPO Proceeds

We, the undersigned, being the President & CEO and Chief Financial Officer of BankIslami Pakistan Limited (the “**Bank**”) hereby confirm that the IPO proceeds of Additional Tier 1 Sukuk shall be utilized as per the purpose disclosed in the Prospectus

For and on behalf of **BankIslami Pakistan Limited**

-sd-

RIZWAN ATA
PRESIDENT & CEO

-sd-

SOHAIL SIKANDAR
CHIEF FINANCIAL OFFICER

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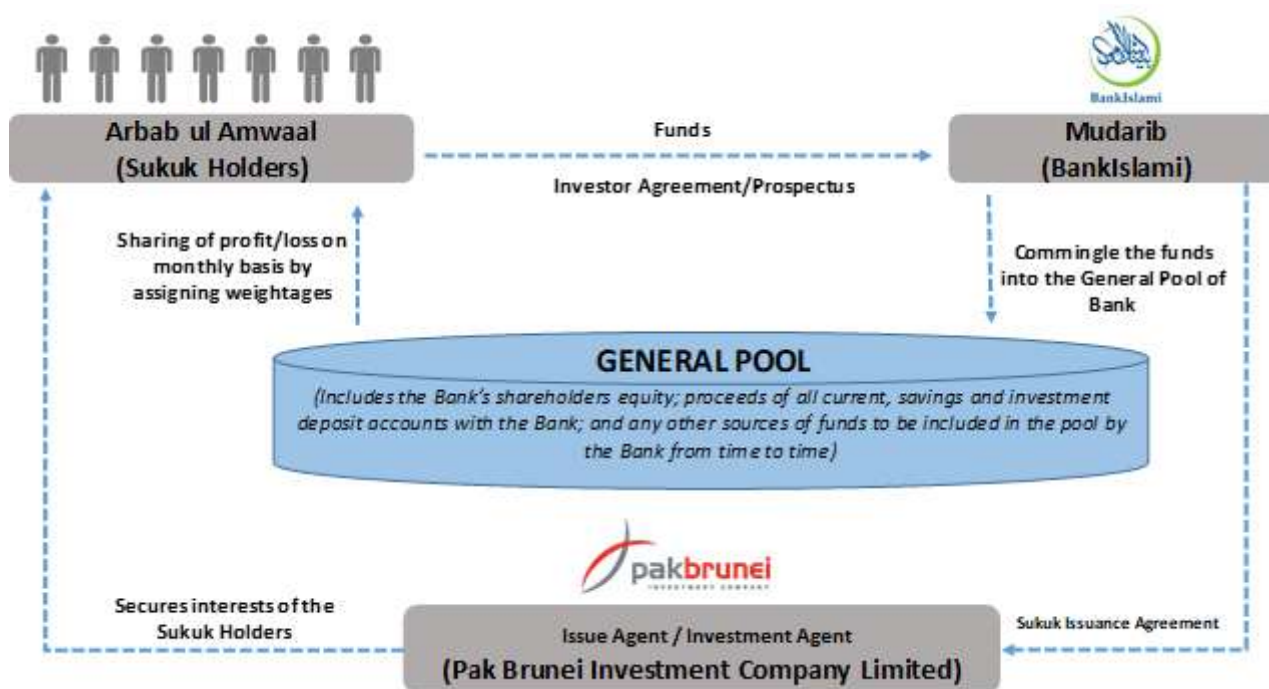
PART 4: PRINCIPAL PURPOSE OF THE ISSUE

The Issue amount will contribute towards BankIslami's Additional Tier 1 Capital for CAR as per guidelines set by SBP. The funds raised will be utilized in the Bank's financing and investment activities (General Pool) as permitted by its Memorandum & Articles of Association. The proceeds of the Issue shall be commingled with other funds of the depositors (which may include Bank's own equity) i.e. shall be invested in the General Pool of the Bank.

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PART 5: DETAILS OF THE ISSUE AND RELATED INFORMATION

5.1. SUKUK STRUCTURE:



The Sukuk has been structured on the basis of Islamic principle of Mudaraba where one partner gives money to another for investment in a business. The capital provider / Sukuk Holders are called "**Rabb-ul-Maal/Arbab ul Amwaal**", while the management and work are the exclusive responsibility of the other partner, the Bank, who is called the "**Mudarib**". The Mudaraba structure will be as follows:

1. The Bank and the Pre-IPO investors will enter into Investor Agreement and IPO investors will invest in the Sukuk on the basis of this prospectus. After completion of the IPO, Sukuk shall be issued to both the Pre-IPO and IPO participants in scrip less form who will then be referred to as the Sukuk Holders
2. **The Sukuk proceeds will be intermingled with other depositors' fund in the general pool** i.e. invested in the general pool of the Bank wherein it shall be classified as special local currency Sukuk. On the date of the commencement of the Mudaraba, the General Pool shall comprise of: (i) the Bank's shareholders equity; (ii) proceeds of all current, savings and investment deposit accounts with the Bank; and (iii) any other sources of funds to be included in the pool by the Bank from time to time. **As a result, the Sukuk Holders will become partners of other general pool participants. Considering that the General Pool is comprised of different Shariah compliant assets, the Sukuk holders have a right over the assets in the General Pool to the extent of their investment.**
3. The profit or loss arising from the general pool shall be managed in accordance with Shariah principles applicable to Mudaraba and State Bank of Pakistan's "Instructions for Profit and Loss Distribution and Pool Management for Islamic Banking Institutions"
4. The Bank will assign and announce weightages for the Sukuk from the profits of General Pool, on a monthly basis, 3 working days (or fewer days if permitted by SBP) before the start of each month along with the announcement of weightages for other remunerative deposit categories. The weightages will be set keeping in view the expected Sukuk profit rate.

5.2. PRE-IPO INVESTORS

The Pre-IPO portion for the Sukuk closed at PKR 850 million out of the total issue size of PKR 1,000 million and the disbursement of Pre-IPO portion was completed on December 31st, 2022. The list of investors in the Pre-IPO portion along with their respective investment amount is provided below:

BankIslami Pakistan Limited Additional Tier 1 Sukuk – Pre-IPO Investors List			
S.No	Investor Name	Pre-IPO Participation (PKR)	Percentage of Issue Size
1	Thinkers Inn Pvt Ltd	150,000,000.00	15.00%
2	United Bank Limited	120,000,000.00	12.00%
3	National Bank of Pakistan	100,000,000.00	10.00%
4	Rizwan Rashid	90,000,000.00	9.00%
5	CDC Trustee-Faysal Islamic Asset Allocation Fund	50,000,000.00	5.00%
6	Askari Bank Limited	50,000,000.00	5.00%
7	MCB Bank Limited	50,000,000.00	5.00%
8	Alfalah GHP Islamic Value Fund	50,000,000.00	5.00%
9	Soneri Bank Limited	50,000,000.00	5.00%
10	Bank Al Habib Limited	50,000,000.00	5.00%
11	ABL Islamic Asset Allocation Fund	50,000,000.00	5.00%
12	Roomi Enterprises Pvt. Limited	25,000,000.00	2.50%
13	Khalid Pervaiz	12,000,000.00	1.20%
14	JS Global Capital	2,000,000.00	0.20%
15	Mujtaba Hassan	1,000,000.00	0.10%
Total		850,000,000.00	85.00%

All the Pre-IPO investors have signed the Investor Agreements for the above-mentioned participation amount.

5.3. IPO INVESTORS

IPO amounting PKR 150,000,000 will be offered to general public for subscription through listing on Pakistan Stock Exchange.

5.4. TERM SHEET OF THE ISSUE:

Issuer & Mudarib	BankIslami Pakistan Limited (“BankIslami” or “BIPL” or the “Bank” or the “Issuer”);	
Instrument/Issue/Transaction	Fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk Certificates to be issued as instrument of redeemable capital under Section 66 of the Companies Act, 2017 which will qualify as Additional Tier 1 Capital as outlined by State Bank of Pakistan (“SBP”) under BPRD Circular No. 6 dated August 15, 2013 (hereinafter referred to as the “Circular”);	
Title of the Issue	BankIslami Ehad Sukuk-II	
Issue Size	PKR 1,000,000,000/- (Pak Rupees One Billion Only), inclusive of a Green Shoe Option of PKR 200,000,000/- (Pak Rupees Two Hundred Million Only);	
Pre-IPO Placement	PKR 850 Million	
Initial Public Offer	Up to PKR 150 Million available to general public	
Tenor	Perpetual (i.e. no fixed or final redemption date);	
Principal Redemption	Perpetual, hence not applicable.	
Purpose	<p>To keep up the growth trajectory, the bank envisages to strengthen its capital base which will allow the Bank to pursue its growth plans while complying with the Capital Adequacy Ratio (CAR) requirement. The Issue Amount is expected to contribute towards BIPL’s Additional Tier 1 Capital for capital adequacy ratio as per guidelines set by SBP. The funds so raised will be utilized in the Bank’s financing and investment activities (general pool) as permitted by its Memorandum & Articles of Association.</p> <p>The proceeds of the Issue shall be commingled with other funds of the depositors (which may include Bank’s own equity) i.e. shall be invested in the general pool of the Bank under the Mudarabah Agreement (the “Mudarabah”);</p>	
Profit	Expected Profit Rate	<p>Up to Base Rate plus a maximum margin of 2.5% per annum.</p> <p>Base Rate is defined as the 1-Month Karachi Interbank Offer Rate (“KIBOR”). KIBOR is defined as Average Ask rate for the relevant tenor, as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable. The KIBOR setting mechanism (which will be done on a quarterly basis) shall be covered in the legal agreements;</p>
	Profit Payment frequency	On a monthly basis,
	Payment of Profit	<p>Profit will be payable monthly (365 days in a year) in arrears on the outstanding investment amount. The first such profit payment will fall due at the end of 1st calendar month end from the issue date and subsequently every month end thereafter. The profit should only be paid from the relevant month’s attributable profit of the general pool;</p> <p>In case the Bank reduces the expected profit (because of regulatory reasons or otherwise), the same will not constitute an event of default. In that case the Bank will reduce the expected profit to 0.005% p.a. through adjustment of weightages in the general pool. The revised weightages will be updated on the website on the same day.</p> <p>Profit and loss shall be managed in accordance with mudaraba rules and the instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs) notified vide IBD circular no. 3 of 2012.</p>

		<p>The Profit payment to the Sukuk holders will be non-cumulative in nature i.e. In case of exercise of discretion by the Bank for a particular profit payment period, Sukuk holders will not be compensated subsequently by the Bank for that particular period in any manner. Accordingly, the profit payment made to the Sukuk holders based on their respective monthly Profit weightages will be considered as full & final payment for that particular period;</p>
	Lock-in Clause	<p>The profit payment to Sukuk holders will be subject to the condition that any such payment should not result in non-compliance of the Bank with the applicable regulatory requirement of MCR, CAR and LR as determined by SBP from time to time.</p> <p>As per the existing instructions of SBP, in order to implement the above Lock-in Clause, the Bank will reduce the monthly profit weightages attributed to the Sukuk holders until the Bank is in breach of regulatory capital requirements attributed to the Sukuk holders (i.e. the expected profit in this case would be up to 0.005% p.a.).</p> <p>Any inability to exercise the lock-in clause or non-cumulative feature, will subject these Sukuk certificates to mandatory conversion into common shares at the discretion of SBP in accordance with the Loss Absorbency (Mandatory Conversion Provisions) and Loss Absorbency (Write-Off Provisions), as applicable.</p> <p><i>Note: The Bank shall make all efforts to ensure that sufficient capital is available to meet the regulatory requirements at all time. However, in an extreme case where the Lock-in clause is invoked then following the regulatory requirements of SBP, the Bank will reduce the monthly profit weightages. Moreover, this exception should not be considered as a precedent.</i></p>
	Profit Rate	<p>The expected profit rate shall be as follows:</p> <ol style="list-style-type: none"> For the period at the end of which the Bank is compliant with the Paid-up Capital (net of losses) - MCR, CAR and LR Requirements: <ul style="list-style-type: none"> Base Rate plus a maximum margin of 2.5% per annum according to the pre-announced profit weightages. For the period at the end of which the Bank is not compliant with the MCR, CAR and LR Requirements or payment of the Profit set out in (1) above for the relevant period may render it non-compliant with such MCR, CAR and LR Requirements: <ul style="list-style-type: none"> Expected Profit will be up to 0.005% p.a. calculated based on the reduced monthly weightages assigned by the Bank;
Dividend Stopper	The Bank shall not make dividend payment on common equity in the event of non-payment of profit on the Issue in order to improve its financial position;	
Mudarabah Income Distribution	The profit will be calculated on the basis of predetermined PSR and monthly weightages announced before the beginning of each month and distributed to Sukuk holders on a monthly basis as per the Pool Management guidelines issued by SBP;	

Security	The Sukuk will be unsecured;
Face Value	Pak Rupees Five Thousand per certificate (PKR 5,000);
Issue Price	Pak Rupees Five Thousand per certificate (PKR 5,000);
Minimum Investment Amount	Pak Rupees Five Thousand (PKR 5,000);
Eligible Investors	Islamic Banks and Windows, Conventional banks, DFIs, Companies, Mutual Funds, Retirement Funds, etc. and other eligible investors as per S. 66 of the Companies Act, 2017. Eligible investors also include retail investors as per Public Offering Regulations, 2017.
Placement and Transferability	The Sukuk shall be inducted into the Central Depository System of Central Depository Company of Pakistan Limited and shall be transferred in accordance with the Central Depositories Act, 1997 and CDC Regulations;
Call Option	<p>BIPL may exercise a Call Option on the subject Sukuk on or after five years from issuance date subject to the following conditions (the "Call Option Conditions"):</p> <ul style="list-style-type: none"> (a) prior approval of the SBP has been obtained for exercise of the call; and (b) the Bank replaces the Sukuk with capital of the same or better quality and demonstrates that the capital position of the Bank will be well above the minimum capital requirement prescribed by the SBP after the Call Option is exercised. (c) Call Option price should be the Outstanding Value of Sukuk (Face Value plus/ minus attributable profit/loss);
Put Option	No put option facility shall be available to the holders of this instrument;
Seniority of Claim/ Sub-Ordination	<p>The claims of the investor will rank in case of going concern as well as gone concern (in case the Sukuk are not already converted into the common share of the Bank) basis (i.e.) Sukuk holders are part of general pool</p> <ul style="list-style-type: none"> (a) superior to the claims of ordinary shareholders; and (b) pari-passu without preference amongst Sukuk holders;
Loss Absorbency	<p>Loss Absorption at Point of Non-Viability ("PONV"):</p> <p>The Issue will be subject to loss absorption and / or any other requirements of SBP upon the occurrence of a Point of Non-Viability event as per Paragraph A-5-3 of Annexure 5 of the Circular, which stipulates that "SBP may, at its option, fully and permanently convert the Additional Tier 1 Capital into common shares of the issuer and / or have them immediately written off (either partially or in full)."</p> <p>For the purposes of this Issue, as per an upfront right given by the Sukuk holders, the Sukuk will only be converted into ordinary shares of the Bank and the number of shares to be issued to Sukuk holders at the time of conversion will be equal to the 'Outstanding Value of the Sukuk' (Face Value plus/ minus attributable profit/loss) divided by market value per share of the Bank's common share on the date of PONV event as declared by SBP</p> <p>To quantify the maximum dilution, the Bank is capping the maximum number of shares to be issued at the time of all conversion events subject to maximum number of shares capped at 90 million in compliance with the requirement of paragraph A-5-3 (vi) of BPRD Circular No. 6 dated August 15, 2013.</p> <p>Loss Absorption at Pre-Specified Trigger ("PST"):</p> <p>The Issue will be subject to loss absorption upon the occurrence of a Pre-Specified Trigger as per Section A-5-2 of Annexure 5 of the Circular, which stipulates that "if an issuer's Common Equity Tier I ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of Additional Tier 1</p>

	<p>Capital to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below"</p> <p>For the purpose of this Issue, as per an upfront right given by the Sukuk holders, the Sukuk will only be converted into ordinary shares of the Bank. The conversion rate / price shall be based on the market value of the shares of the Issuer on the date of occurrence of the Pre-Specified Trigger point and the Outstanding Value of the Sukuk.</p> <p>To quantify the maximum dilution, the Bank is capping the maximum number of shares to be issued at the time of all conversion events subject to maximum number of shares capped at 90 million in compliance with the requirement of paragraph A-5-3 (vi) of BPRD Circular No. 6 dated August 15, 2013.</p>
Fit and Proper Criteria	The Sukuk holders entitled to 5% or more ordinary shares of the Issuer upon conversion of the Sukuk shall fulfill fit and proper criteria of SBP;
Issuer Rating	AA- (Long Term), A1 (Short Term) by PACRA;
Instrument Rating	A by PACRA;
Classification on the Balance Sheet	Sukuk shall be classified as "Liabilities" in the Balance Sheet;
Transaction Legal Counsel	Mohsin Tayebaly & Co.
Investment Agent to the Issue	Pak Brunei Investment Company Limited
Issuer's Registered Office	11th Floor, Executive Tower, Dolmen City, Marine Drive Block 4, Clifton, Karachi, Pakistan;
Compliance Officer	Muhammad Shoaib — Company Secretary;
Registrar / Transfer Agent	F.D Registrar Services (Pvt) Ltd.;
Market Maker	JS Global Capital Limited
Shariah Advisor	Mufti Ameerullah Khan, BankIslami (Registration # SECP/IFD/SA/104)
Applicable Laws	Banking Companies Ordinance, 1962; SBP Circular No. 6 of 2013 dated August 15, 2013 and other SBP Prudential Regulations issued from time to time; Companies Act, 2017, Securities Act, 2015, and rules and regulations issued thereunder by the SECP and PSX Regulations;
Issue Date	The date on which IPO Amount has been fully subscribed.
Branding	The Issue may be branded or titled as " BankIslami Ehad Sukuk II "
Covenants	Issuer to comply with all Covenants as would be specified in the Transaction Documents;
Conditions Precedent	Detailed list of Conditions Precedent will be part of Transaction documents as advised by the Transaction Legal Counsel.
Governing Law	This arrangement/structure shall be governed under the applicable laws of the Islamic Republic of Pakistan;

Discretion for Reduction of Profit:

In the event where payment of the Profit Payment Amount will result in a shortfall in the Issuer's MCR, CAR or leverage ratio, or results in an increase in any existing shortfall in MCR, capital adequacy ratio or leverage ratio, the Issuer has the discretion to reduce the weightage of the Sukuk Holders participation in the General Pool (profit distribution ratios for weighted average investment) (to reduce the profit to a negligible amount of up to 0.005% p.a.) of the current month and every month thereafter in which the Issuer is in breach of regulatory capital requirements. In case the Bank reduces the expected profit, the same will not constitute an event of default.

The profit payment to the Sukuk Holders will be non-cumulative in nature i.e. In case of exercise of discretion by the Bank for a particular profit payment period, Sukuk Holders will not be compensated subsequently by the Bank for that particular period in any manner. Accordingly, the profit payment made to the Sukuk Holders based on their respective monthly profit weightages will be considered as full & final payment for that particular period.

5.5. SUKUK ISSUED IN PRECEEDING YEARS

Description of Issue	Fully paid up, rated, perpetual, unsecured, subordinated, noncumulative and contingent convertible listed Mudaraba Sukuk Certificates-Additional Tier 1
Date of Issue	April, 2020
Issue Size	PKR 2,000 million
Amount Redeemed	NIL
Amount Outstanding	PKR 2,000 million
Amount of Profit Paid till June 2023	1,010,433,191
Coupon Rate	3-Month KIBOR (Ask Side) + 2.75%
Tenor	Perpetual
Credit Rating	Initially rated as "A-" by PACRA. As of June 24, 2023 the rating has been upgraded to "A"

5.6. REDEMPTION RESERVE

No redemption reserve is being created for redemption of Sukuk as the instrument is perpetual in nature.

5.7. INTEREST OF PRE-IPO INVESTORS

Except as provided below, the Pre-IPO Investors only have interest in this Sukuk as Sukuk Holders:

- United Bank Limited is acting as Bankers to the Issue for the Sukuk and have also participated in the Pre-IPO portion

5.8. CONVERSION MECHANISM

In conformity with Basel III Circular, the Sukuk shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) CET 1 Trigger Event; (ii) PONV Trigger Event; (iii) the Lock-In Event; or (iv) Inability to exercise Non-cumulative feature.

In the case of CET 1 Trigger Event, the Issuer will have full discretion to determine the amount of Sukuk to be converted into ordinary shares, which amount shall at least be the amount required to immediately return the Issuer's CET 1 ratio to above the CET 1 Trigger Event but will not exceed the amount required to bring the CET 1 ratio to 8.5% of RWA.

In the case of a PONV Trigger Event or Lock-In Event, the amount of Sukuk to be converted will be determined by the SBP in its sole discretion.

The number of shares to be issued to Sukuk Holders at the time of conversion will be equal to the 'Outstanding Face Value of the Sukuk' (face value plus/ minus attributable profit/loss) divided by market value per share of the Issuer's ordinary share on the date of trigger of the PONV event, occurrence of the Pre-Specified Trigger Point or Lock-in Event as declared by SBP, subject to a maximum of 90,000,000 ordinary shares to be issued. The maximum number of shares will not be adjusted on account of any further issue of capital, stock splits, stock dividends or similar corporate actions. As on 31st August, 2023, market closing price of the ordinary share of the Bank was PKR 14.77/-.

In the event of conversion of the Sukuk into common shares by SBP, any person consequently holding 5% (five percent) or more of the paid-up share capital of the Issuer will be required to comply with the fit and proper criteria of SBP.

The Bank shall, in accordance with directions of the SBP, procure all approvals to enable conversion of the Sukuk into ordinary shares, including approvals in relation to the increase in authorized capital of the Issuer (to the extent necessary).

The Bank has obtained approval of the shareholders of the Bank for the conversion of Sukuk and approval of the Securities and Exchange Commission of Pakistan under section 83(1)(b) of the Companies Act, 2017 has also been obtained.

5.9. CALL OPTION

BIPL may exercise a Call Option on the subject Sukuk on or after five years from issuance date subject to the following conditions (the "Call Option Conditions"):

- (a) prior approval of the SBP has been obtained for exercise of the call
- (b) the Bank replaces the Sukuk with capital of the same or better quality and demonstrates that the capital position of the Bank will be well above the minimum capital requirement prescribed by the SBP after the Call Option is exercised
- (c) Call Option price should be the Outstanding Value of Sukuk (Face Value plus/ minus attributable profit/loss)

5.10. MARKET MAKING

JS Global Capital Limited will act as Designated Market Maker for the Sukuk. The Designated Market Maker shall mandatorily make available two-way quotes on daily basis with a maximum spread of 10% till complete redemption of the Sukuk.

The Designated Market Maker will be obligated to replenish its orders/quotes within 90 seconds following full execution, withdrawal, expiration or any change in the price of either bid or offer.

The Market Making Orders/Quotes are to be maintained on both sides during Market Making period as per Market Making agreement which shall be for the tenure of the Debt Security.

The Designated Market Maker shall be allowed to Blank Sale in Debt Security subject to sufficient pre-existing interest at the end of each Blank Sale day to validate that the Designated Market Maker can deliver the quantity sold blank during the trading day.

Market Marker shall make available copy of the Prospectus to the investors at all times.

5.11. DEDUCTION OF ZAKAT

Zakat is deductible in case of the Sukuk being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trusts, Funds, etc. (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal amount.

5.12. INCOME TAX

Any income derived from investment in Sukuk shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III Division IB of the First Schedule of the said ordinance shall be applicable.

5.13. DEDUCTION OF WITHHOLDING TAX

Profit paid to Sukuk Holders will be subject to withholding tax under section 151 of the Income Tax Ordinance, 2001 specified in Part III Division IB of the First Schedule of the said Ordinance or any time to time amendments therein. Rates of tax specified under Division IB are as follows:

Category	Tax Rate for Persons appearing in Active tax Payer List	Tax Rate for Persons not appearing in Active tax Payer List
Company	25%	50%
Individual or Association of Persons (If return on Investment is more than one million)	12.50%	25%
Individual or Association of Persons (If return on Investment is less than one million)	10%	20%

5.14. CAPITAL GAINS

Any capital gain derived from the sale of Sukuk shall be subject to capital gain tax as per section 37A of the Income Tax Ordinance, 2001. Applicable Capital Gain Tax Rates for FY24 are as follows:

Holding Period	Appearing in Active Tax Payer List	Not Appearing in Active Tax Payer List
Where the holding period does not exceed one year	15%	30%
Where the holding period exceeds one year but does not exceed two years	12.50%	25%
Where the holding period exceeds two years but does not exceed three years	10%	20%
Where the holding period exceeds three years but does not exceed four years	7.50%	15%
Where the holding period exceeds four years but does not exceed five years	5%	10%
Where the holding period exceeds five years but does not exceed six years	2.50%	5%
Where the holding period exceeds six years	0%	0%

5.15. DISCLOSURE OF DEFERRED TAXATION

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilized. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'. The balance of deferred tax asset (net) as of June 30, 2023 was PKR 3,640 million (unconsolidated).

5.16. SHARIAH ADVISOR TO THE ISSUE

Mufti Ameerullah Khan is acting as Shariah Advisor to the Issue and has provided his consent to include and publish his name in the prospectus.

Further, the Bank has a renowned Shariah Supervisory Board in order to ensure compliance of Shariah guidelines issued by Shariah Advisory Committee of SBP in all banking operations in general and revenue generating activities.

Profile of Mufti Ameerullah Khan (Shariah Advisor):

Mr. Ameer Ullah Khan had graduated from Jamia Darul Uloom, Karachi and obtained his Shahadat - ul - Alamia (Masters in Arabic and Islami Studies) from there. Afterwards, he completed his Takhassus fil-Fiqh (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Tur Rasheed Karachi. He also holds MBA (Islamic Banking & Finance) from Commecs Institute of Business and Emerging Sciences (CIBES). He has 4 years of teaching experience in Islamic Jurisprudence and Arabic.

He is also a Certified Shariah Advisor and Auditor (CSAA) from AAOIFI, Bahrain. He has also done Advance Certification in AAOFI (ACSS) from IBA-CEIF. He has done PGD from CIE. He is also pursuing his M. Phil leading to PhD, where he has done M. Phil and now his admission is converted into PhD, where he has completed course work. He has also done Islamic Banking Certificate Course for Capacity Building of Shariah Scholars from National Institute of Banking & Finance (NIBAF-SBP).

Currently he is working in Shariah Compliance Department of BankIslami Pakistan Limited as Assistant Manager. His prime responsibility is to ensure Shariah compliance in financing and investment activities of the Bank. He has more than 5 years' experience of Islamic Banking at BankIslami Pakistan Limited. His responsibilities within the bank ranges from Shariah Compliance review of branches, departments, Product documents/ Manuals, transaction fact sheets/ process flows of different financing products, marketing activities of the bank, Investment Banking transactions while ensuring regulatory and Shariah Board's instructions. He is also a Trainer of Islamic Banking concepts, Consumer, Retail & Corporate products for BankIslami staff arranged by HR Dept. He has undertaken research work in numerous topics including Islamic Banking and Finance, recently his article has been published in HEC approved Journal.

Profiles of the members of the Shariah Board are provided below:

Mufti Irshad Ahmad Aijaz – Chairman, Shariah Supervisory Board

Dr. Mufti Irshad Ahmad Aijaz is the Chairman of the Shariah Supervisory Board of BankIslami. He graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, Karachi and obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. He then completed his Takhassus fi al-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Dar-ul-Uloom, Karachi. He has passed country's first Islamic Finance course "Contemporary Business and Banking and its critical evaluation in the light of Shariah" offered by the Centre for Islamic Economics, Jamia Dar-ul-Uloom, Karachi, Pakistan, in 1994. He has also completed his PhD in Islamic Finance.

Dr. Irshad Ahmad Aijaz currently holds advisory position in following Institutions:

- Chairman, Shariah Advisory Committee of State Bank of Pakistan
- Chairman, Shariah Advisory Committee, SECP
- Member, AAOIFI Shariah Standard Committee – Karachi
- Member, Shariah Supervisory Board – Summit Bank Limited
- Shariah Advisor of Allied Rental Modaraba
- Member, Shariah Board – Standard Chartered Bank (Pakistan) Limited
- Member, Shariah Committee of Barakah Group – Australia
- Member, Religious Board of Modaraba Companies – Pakistan
- Consultant, Shariah Review Bureau – Bahrain
- Member, Committee on Accounting & Auditing Standards for Interest Free Modes of Financing and Investment, ICAP

He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan) and Center of Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi).

Mufti Muhammad Hussain - Member

Mufti Muhammad Hussain is a prominent scholar in the field of Islamic jurisprudence. He graduated from Jamia Dar-ul-Uloom, Karachi and obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. Afterwards, he completed his Takhassus fil-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia -tur-Rasheed, Karachi.

He has been teaching Islamic studies including Fiqh and Fatwa for years. He has undertaken research work in various topics including economic thoughts in Islam, financial markets, modern economic and financial issues and Islamic banking and finance. His research works include Ushr obligation, Takaful on the basis of Waqf, Shariah rules of wealth earned through impermissible sources and rulings on status of juristic person in Islam. He is the author of famous book on Islamic Commercial Law, named "Asan Fiqh-ul-Muamalat". He has also authored several articles and issued verdicts (Fatwas) on various issues. He is associated with Jamia-tur-Rasheed, Karachi as a senior Mufti in Darul Iftaa and lecturer in department of Fiqh-ul-Muamlaat.

Mufti Syed Hussain Ahmed - Member

Mufti Syed Hussain Ahmed is a Shariah Scholar carrying good reputation with ample experience of giving Shariah pronouncements (Fatawa). He graduated from Jamia Darul Uloom Karachi and obtained from there

his Shahadat-ul-Alamia (Masters in Arabic and Islamic Studies) and Takahssus fi al-Iftaa (Specialization in Islamic jurisprudence and fatwa). He is also one of the prominent experts on Islamic Astronomy in the country.

Mufti Syed Hussain Ahmed has been serving at Jamia Dar-ul-Uloom Karachi since 1998 as faculty member and Senior Mufti. Assisting the Fatwa House of Dar-ul-Uloom, he has authored and issued more than 15,000 Fatawa on topics including but not limited to prayer, fasting, Zakat, Islamic Banking & Finance, Insurance/Takaful and Halal Food. He is also associated with Indus Hospital as Shariah Consultant on their financial matters most specifically on collection and disbursement of Zakat / donations. He regularly delivers lectures on topics related to Fiqh-ul-Muaamlaat and Islamic Finance at Center of Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi) and other organizations.

Mufti Javed Ahmad - Resident Shariah Board Member

Mufti Javed Ahmad has been serving as BankIslami's Resident Shariah Board Member (RSBM) since 2015. He has completed his Shahadat-ul-Alamia (Masters in Arabic and Islamic Studies) from Jamia Dar-ul-Uloom, Karachi, and Takhassus fi Fiqh-el-Muamlat (Specialization in Islamic Jurisprudence of trade and finance) from Jamia-tur-Rasheed, Karachi. He is also a Certified Shariah Advisor and Auditor (CSAA) from AAOIFI, Bahrain and Chartered Islamic Finance Professional (CIFP) from INCEIF, Malaysia. He has completed M.A. Economics from Karachi University and undertaken research work on numerous topics including Islamic Banking and Finance.

Mufti Javed Ahmad is also a Shariah Board Member of Alfalah GHP Investments (Islamic Funds). Prior to joining BankIslami, he was associated with Ernst & Young Ford Rhodes Sidat Hyder as 'Senior Shariah Consultant' where he was engaged in Shariah Advisory, Shariah Review, Shariah Audit and Compliance activities for more than four years. He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan).

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SHARIAH STRUCTURE AND OPINION



Date: 26-July-2022

SHARIAH STRUCTURE

BANKISLAMI - ADDITIONAL TIER 1 SUKUK OF PKR 1,000 MN

Preamble

Bankislami Pakistan Ltd. (the "Bank") has proposed to issue Additional Tier 1 Sukuk to comply with the regulatory requirements in respect of Capital Adequacy Ratio (CAR). The proceeds of the Sukuk subscription will be placed in a General Pool and utilized in the Bank's financing and investment activities as permitted by its Memorandum and Articles of Association.

This Sukuk, which will be perpetual in nature, has been structured on the basis of the Islamic principle of **Mudaraba** where one partner gives money to another for investment in a business. The capital provider / Sukuk holders are called "Rabb-ul-Maal", while the management and work is the exclusive responsibility of the other partner, the Bank, who is called the "Mudarib".

Structure

The transaction structure is as follows:

1. The Bank and Sukuk holders will enter into an **Investor Agreement** wherein the Sukuk holders will be **Rabb-ul-Maal** and the Bank will be the **Mudarib** in an unrestricted **Mudaraba**.
2. With the permission of Sukuk holders, the Sukuk proceeds will be intermingled with other depositors' fund in the General Pool i.e. invested in the General Pool of the Bank wherein it shall be classified as **Special LCY Sukuk**. On the date of the commencement of the Mudaraba, the General Pool shall comprise of: (i) the Bank's shareholders equity; (ii) proceeds of all current, savings and investment deposit accounts with the Bank; and (iii) any other sources of funds to be included in the Pool by the Bank from time to time. As a result, the Sukuk holders will become partners of other General Pool participants.
3. The profit or loss arising from the General Pool shall be managed in accordance with **Shariah principles** applicable to Mudaraba and State Bank of Pakistan's (SBP) "Instructions for Profit and Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)", unless otherwise waived or relaxed.
4. The Bank will assign weightages to the Special LCY Sukuk, on a monthly basis, in accordance with State Bank of Pakistan's (SBP) "Instructions for Profit and Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" along with the announcement of weightages for other remunerative deposit categories. The weightages will be set keeping in view the expected Sukuk profit rate whereas the actual profit will depend on the actual performance of the Pool.
5. Within 7 working days of each month, the profit for the previous month will be announced and distributed by the Bank as per the assigned weightages.

Call/ Put Option

6. The Bank may exercise a call option on or after five years of the issuance with prior approval of SBP. In such case, the redemption will be made as per **Shariah principles** applicable to Mudaraba and SBP's "Instructions for Profit and Loss Distribution and Pool Management for IBIs", and no call premium will be payable.
7. The Sukuk holders will not have any put option but they may sell their Sukuk to any other party at any price if they want to exit from the Sukuk.

Loss Absorption Features

8. In case of events where (a) payment of profit results in breach of regulatory Minimum Capital Requirement (MCR) and/ or CAR requirements set by SBP or (b) SBP determines that a bar on profit distribution is necessary to protect the Bank from non-viability, the Bank will have an upfront right given by the sukuk holders under the terms of Sukuk to reduce the monthly profit weightages of the Sukuk holders to a



minimum level, e.g. 0.005, till the month in which such condition is withdrawn by SBP. Accordingly, the revised weightages will be updated on Bank's website on the same day.

9. The Bank shall make all efforts to ensure that sufficient capital is available to meet the regulatory requirements at all times. However, in an extreme case where the lock-in clause is invoked, the Bank will reduce the profit weightages of the current month and thereafter until the Bank is in compliance of regulatory capital requirements.
10. Upon the occurrence of a Point of Non-Viability (PONV) or a pre-specified trigger or inability to exercise the lock-in clause or non-cumulative feature (as per SBP's Instructions for Basel III Implementation in Pakistan), the Sukuk may be converted into common shares of the Bank (but shall not be written off), as per the Subscription Undertaking and SBP directives. Such conversion will result in the termination of Mudaraba relationship and issuance of common shares will be treated as redemption of Mudaraba capital from the Bank to the Rabb-ul-Maal. The conversion of Sukuk into common shares will be done after consideration of the fair value of Sukuk. To quantify the maximum dilution, the Bank is capping the maximum number of shares to be issued at the time of conversion at 90 million shares as per SBP requirements.
11. After conversion into common shares, the Sukuk shall rank equal to equity and will be subordinated to all other indebtedness of the Bank including its liabilities towards depositors.

Note

In case of any event where the weightage is reduced by the Bank as per clause no. 8 or in case of conversion of Sukuk as per clause no. 10, the Bank will update the Shariah Advisor and/or Shariah Board.

Transaction Documents

Following are the agreements to be executed in this Sukuk Issue:

- **Investor Agreement:** Pursuant to the Investor Agreement between BankIslami and the Sukuk holders, the proceeds of the Sukuk will be invested as the Capital (Raas ul Maal) in the General Pool of the Bank. The Bank will act as the Mudarib (fund manager) and the Sukuk Holders will be Rabb-ul- Maal (fund providers).

Sukuk Issuance Agreement between the Investment Agent / Issue Agent (representing the Sukuk holders) and the Bank as required under the law. This agreement shall contain provisions for protection of rights of Sukuk Holders.

- **Subscription Undertaking** issued by the Investment Agent / Issue Agent in favor of the Bank. This shall include conversion events as specified in SBP's Instructions for Basel III implementation in Pakistan and an undertaking by the Issue Agent / Investment Agent for and on behalf of the Sukuk Holders to take all necessary steps for conversion of Sukuk into common shares of the Bank upon the occurrence of a conversion event.

And any other agreement as may be required in consultation with the Transaction Legal Counsel and Shariah Board.

Shariah Pronouncement

Based on the aforementioned structure, the term sheet and the legal agreements, we are of the opinion that these Sukuk are Shariah compliant and do not contain any element repugnant to Shariah.



Mufti Ameer Ullah Khan
SECP Registered Shariah Advisor
Registration # SECP/IFD/SA/104



Date: 15-June 2022

SHARIAH STRUCTURE

BANKISLAMI - ADDITIONAL TIER 1 SUKUK OF PKR 1,000 MN

Preamble

BankIslami Pakistan Ltd. (the "Bank") has proposed to issue Additional Tier 1 Sukuk to comply with the regulatory requirements in respect of Capital Adequacy Ratio (CAR). The proceeds of the Sukuk subscription will be placed in a General Pool and utilized in the Bank's financing and investment activities as permitted by its Memorandum and Articles of Association.

This Sukuk, which will be perpetual in nature, has been structured on the basis of the Islamic principle of **Mudaraba** where one partner gives money to another for investment in a business. The capital provider / Sukuk holders are called "Rabb-ul-Maal", while the management and work is the exclusive responsibility of the other partner, the Bank, who is called the "Mudarib".

Structure

The transaction structure is as follows:

1. The Bank and Sukuk holders will enter into an **Investor Agreement** wherein the Sukuk holders will be Rabb-ul-Maal and the Bank will be the Mudarib in an unrestricted Mudaraba.
2. With the permission of Sukuk holders, the Sukuk proceeds will be intermingled with other depositors' fund in the General Pool i.e. invested in the General Pool of the Bank wherein it shall be classified as **Special LCY Sukuk**. On the date of the commencement of the Mudaraba, the General Pool shall comprise of: (i) the Bank's shareholders equity; (ii) proceeds of all current, savings and investment deposit accounts with the Bank; and (iii) any other sources of funds to be included in the Pool by the Bank from time to time. As a result, the Sukuk holders will become partners of other General Pool participants.
3. The profit or loss arising from the General Pool shall be managed in accordance with Shariah principles applicable to Mudaraba and State Bank of Pakistan's (SBP) "Instructions for Profit and Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)", unless otherwise waived or relaxed.
4. The Bank will assign weightages to the Special LCY Sukuk, on a monthly basis, in accordance with State Bank of Pakistan's (SBP) "Instructions for Profit and Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" along with the announcement of weightages for other remunerative deposit categories. The weightages will be set keeping in view the expected Sukuk profit rate whereas the actual profit will depend on the actual performance of the Pool.
5. Within 7 working days of each month, the profit for the previous month will be announced and distributed by the Bank as per the assigned weightages.

Call/ Put Option

6. The Bank may exercise a call option on or after five years of the issuance with prior approval of SBP. In such case, the redemption will be made as per Shariah principles applicable to Mudaraba and SBP's "Instructions for Profit and Loss Distribution and Pool Management for IBIs", and no call premium will be payable.
7. The Sukuk holders will not have any put option but they may sell their Sukuk to any other party at any price if they want to exit from the Sukuk.

Loss Absorption Features

8. In case of events where (a) payment of profit results in breach of regulatory Minimum Capital Requirement (MCR) and/ or CAR requirements set by SBP or (b) SBP determines that a bar on profit distribution is necessary to protect the Bank from non-viability, the Bank will have an upfront right given by the sukuk holders under the terms of Sukuk to reduce the monthly profit weightages of the Sukuk holders to a minimum level, e.g. 0.005, till the month in which such condition is withdrawn by SBP. Accordingly, the revised weightages will be updated on Bank's website on the same day.








9. The Bank shall make all efforts to ensure that sufficient capital is available to meet the regulatory requirements at all times. However, in an extreme case where the lock-in clause is invoked, the Bank will reduce the profit weightages of the current month and thereafter until the Bank is in compliance of regulatory capital requirements.
10. Upon the occurrence of a Point of Non-Viability (PONV) or a pre-specified trigger (as per SBP's Instructions for Basel III Implementation in Pakistan), the Sukuk may be converted into common shares of the Bank (but shall not be written off), as per the Subscription Undertaking and SBP directives. Such conversion will result in the termination of Mudaraba relationship and issuance of common shares will be treated as redemption of Mudaraba capital from the Bank to the Rabb-ul-Maal. The conversion of Sukuk into common shares will be done after consideration of the fair value of Sukuk. To quantify the maximum dilution, the Bank is capping the maximum number of shares to be issued at the time of conversion at 90 million shares as per SBP requirements.
11. After conversion into common shares, the Sukuk shall rank equal to equity and will be subordinated to all other indebtedness of the Bank including its liabilities towards depositors.

Note

In case of any event where the weightage is reduced by the Bank as per clause no. 8 or in case of conversion of Sukuk as per clause no. 10, the Bank will update the Shariah Advisor and/or Shariah Board.

Transaction Documents

Following are the agreements to be executed in this Sukuk Issue:

- **Investor Agreement:** Pursuant to the Investor Agreement between BankIslami and the Sukuk holders, the proceeds of the Sukuk will be invested as the Capital (Raas ul Maal) in the General Pool of the Bank. The Bank will act as the Mudarib (fund manager) and the Sukuk Holders will be Rabb-ul- Maal (fund providers).
- **Sukuk Issuance Agreement** between the Investment Agent / Issue Agent (representing the Sukuk holders) and the Bank as required under the law. This agreement shall contain provisions for protection of rights of Sukuk Holders.
- **Subscription Undertaking** issued by the Investment Agent / Issue Agent in favor of the Bank. This shall include conversion events as specified in SBP's instructions for Basel III implementation in Pakistan and an undertaking by the Issue Agent / Investment Agent for and on behalf of the Sukuk Holders to take all necessary steps for conversion of Sukuk into common shares of the Bank upon the occurrence of a conversion event.

And any other agreement as may be required in consultation with the Transaction Legal Counsel and Shariah Board.

Shariah Pronouncement

Based on the aforementioned structure, the term sheet and the legal agreements, we are of the opinion that these Sukuk are Shariah compliant and do not contain any element repugnant to Shariah.



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Syed Hussain Ahmed
Member, Shariah Board



Mufti Muhammad Hussain
Member, Shariah Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Board



Date: 15-June 2022

SHARIAH BOARD OPINION

CONVERSION OF ADT1 SUKUK INTO SHARES & CAP CALCULATION FORMULA

At the outset, it is important to mention that the conversion of Sukuk into common shares and the presence of a cap on the number of shares upon the occurrence of a Point of Non-Viability (PONV) or a Pre-Specified Trigger (PST) events have been mentioned in the Shariah Structure to comply with the SBP's Instructions for Basel III Implementation in Pakistan.

Conversion of Sukuk into Common Shares

From the Shariah perspective, as mentioned in the Shariah Structure, such conversion will result in the termination of Mudaraba relationship between the Bank and the Sukuk holders. The issuance of common shares for this purpose will be treated as a redemption of Mudaraba capital from the Bank to the Rabb-ul-Maal i.e. the Sukuk holders. Moreover, since Mudaraba inherently requires that the capital of Rabb-ul-Maal may not be guaranteed, the conversion of Sukuk into common shares will be done after consideration of the prevailing face value (plus/ minus attributable profit/loss) of Sukuk and the market value of the common shares at the time of conversion.

Additionally, under the Transaction Documents, the Sukuk Holders fully acknowledge and understand that SBP has the right to convert their Sukuk into common shares of the Bank upon the occurrence of Point of Non-Viability (PONV) or a Pre-Specified Trigger (PST) events.

Cap Calculation Formula


As mentioned in the Shariah Structure, the purpose of incorporating a cap is to quantify the maximum dilution of the common shares because of a regulatory compulsion. From the Shariah perspective, if situation arises where the number of shares have to be restricted to the capped number of shares, the Sukuk will be considered to have been converted in to shares at a SBP determined value.

Shariah Pronouncement

Based on the above explanation, Shariah Board is of the view that there is no Shariah issue in either conversion of Sukuk into Common Shares or capping the number of shares for such conversion.



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Syed Hussain Ahmed
Member, Shariah Board



Mufti Muhammad Hussain
Member, Shariah Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Board



Shariah Opinion on Compliance with Section 13(7) of Public Offering Regulations

- i. Pak Brunei Investment Company Limited has been appointed as an Investment Agent.
 - ii. A SPV is not needed in this Sukuk.
 - iii. The Sukuk is an ADT1 Capital Instrument which will contribute towards the Bank's Additional Tier 1 Capital as per the guidelines set by SBP under its 'Instructions for Basel III Implementation in Pakistan' issued through BPRD Circular No. 6 dated August 15, 2013 (the "Circular"). The Sukuk has to be a part of eligible capital of the Bank in its books hence there is no need for establishment of any SPV.
 - iv. Investment Agent is not an associated company.
 - v. Not applicable since this is not a secured Sukuk.
 - vi. Complied by obtaining a Shariah Certificate from the Shariah Advisor before the issuance of the Sukuk.
 - vii. Not applicable since the Shariah Certificate does not state any such requirement.
 - viii. Complied by obtaining a Shariah Certificate containing all the required information.
 - ix. No requirement mentioned under this point.
 - x. Complied i.e. the Sukuk has a call option. However, considering that it may be converted into Common Shares in certain circumstances, the requirement is complied with.
 - xi. Being an Islamic Bank, BankIslami will ensure that the proceeds of the issue will be invested in its General Pool and therefore utilized only for Shariah compliant purpose. This has been mentioned in the Prospectus / IM as well.
 - xii. Not Applicable since this is a Tier I Instrument.
 - (a) Complied by obtaining a Shariah Certificate containing all the required information.
 - (b) Covered in the Shariah Certificate
 - (c) Covered in the Shariah Certificate
 - xiii. A specific Shariah audit for the Sukuk has not been proposed.
 - xiv. A specific Shariah audit for the Sukuk has not been proposed therefore the requirement of disclosing the Shariah audit fee would not be applicable.
- (a) Name of Sukuk: Ehad Sukuk – II
- (b) If ever a rescheduling or restructuring is needed, the Bank will seek a Shariah certificate.
- (c) The Prospectus / IM makes it clear that the Sukuk proceeds will be invested in General Pool of the Bank. Considering that General Pool is comprised of different Shariah compliant assets, the Sukuk holders have a right over the assets in the General Pool to the extent to their investment. Further, this is also clearly mentioned in the Prospectus / IM that Sukuk are subordinated to all other indebtedness of the Bank, including the deposits.
- (d) Not applicable as clarified above.
- (e) No fee is being paid separately to the Shariah Advisor as the Shariah Advisor is from the Bank's own Shariah Compliance Department.



(f) The Shariah Certificate and the Transaction documents will be shared with the Pre-IPO investors in physical form. Moreover, the Shariah certificate which is part of the prospectus / IM will be uploaded on the website.

(g) No such engagement letter was needed as the Shariah Advisor is part of the Bank's own Shariah Compliance Department.


26/07/2022

Mufti Ameer Ullah Khan
SECP Registered Shariah Advisor

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5.17. MINIMUM CAPITAL REQUIREMENT

The SBP through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated Banks to be raised to PKR 10 billion in a phased manner from the financial year December 2013 onwards. The paid-up capital of the Bank for the period ended June 30, 2023 stood at PKR ~11 billion and is in compliance with the SBP requirement.

5.18. CAR REQUIREMENT

The Capital Adequacy Ratio (CAR) of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the SBP through its Basel III Circular. These instructions are effective from December 31st, 2013 in a phased manner with full implementation intended by June 30, 2023. Under Basel III guidelines, Banks are required to maintain the following ratios on an ongoing basis:

CAR Requirement	2018	2019	2020	2021	2022	HY2023
	11.90%	12.50%	16.1%	14.15%	17.92%	19.14%

As of June 30, 2023, BankIslami's CAR was 19.14%, subject to certain relaxations by SBP which is compliant against the SBP's minimum requirement.

5.19. LEVERAGE RATIO

The SBP requires to maintain a minimum Tier 1 Leverage Ratio ("LR") of 3.92%. As of June 30, 2023, the Bank is fully compliant with this requirement with an LR of 4.43%.

5.20. MODE OF PAYMENT

The payment of profit shall be credited in Sukuk Holders' bank accounts electronically on monthly basis. The applicants, therefore, must provide their International Bank Account Number (IBAN) in the Sukuk Subscription Form.

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PART 6: RISK FACTORS

6.1. RISK FACTORS RELATED TO THE SUKUK ISSUE:

6.1.1. Details on Risk Factors related to the Sukuk Issue:

6.1.1.1. Internal Risk Factors:

a) Lock-in Clause & Loss Absorbency Clauses

Lock-in Clause

In the event where payment of the Profit Payment Amount will result in a shortfall in the Issuer's MCR, CAR or leverage ratio, or results in an increase in any existing shortfall in MCR, CAR or leverage ratio, the Issuer shall take immediate action to reduce the weightage of the Sukuk Holders participation in the General Pool (profit distribution ratios for weighted average investment) (to reduce the profit to a negligible amount of up to 0.005%) of the current month and every month thereafter in which the Issuer is in breach of regulatory capital requirements.

Loss Absorption at Pre-Specified Trigger

The Issue will be subject to loss absorption upon the occurrence of a Pre-Specified Trigger as per Section A-5-2 of Annexure 5 of the Basel III Circular, which stipulates that "if an issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of Additional Tier 1 Capital to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below".

For the purpose of this Issue, as per an upfront right given by the Sukuk Holders, the Sukuk will only be converted into ordinary shares of the Bank. The conversion rate / price shall be based on the market value of the shares of the Issuer on the date of occurrence of the Pre-Specified Trigger point and the Outstanding Value of the Sukuk.

To quantify the maximum dilution, the Bank is capping the maximum number of shares to be issued at the time of all conversion events subject to maximum number of shares capped at 90 million in compliance with the requirement of paragraph A-5-3 (VI) of the Basel III Circular.

	HY23 (Un-audited)	CY22	CY21	CY20	CY19	CY18	CY17
CET-1 Ratio - Unconsolidated financials	12.97%	11.87%	9.44%	10.67%	10.40%	11.20%	11.10%
CET-1 Ratio - Consolidated financials	12.92%	11.82%	9.48%	10.67%	10.40%	11.20%	11.10%

Loss Absorption Features at Point of Non - Viability

The Issue will be subject to loss absorption and / or any other requirements of SBP upon the occurrence of a Point of Non-Viability event as per Paragraph A-5-3 of Annexure 5 of the Basel III Circular, which stipulates that "SBP may, at its option, fully and permanently convert the Additional Tier 1 Capital into common shares of the issuer and / or have them immediately written off (either partially or in full)."

For the purposes of this Issue, as per an upfront right given by the Sukuk Holders, the Sukuk will only be converted into ordinary shares of the Bank and the number of shares to be issued to Sukuk Holders at the time of conversion will be equal to the 'Outstanding Value of the Sukuk' (Face Value plus / minus attributable profit

/ loss) divided by market value per share of the Bank's common share on the date of PONV event as declared by SBP.

To quantify the maximum dilution, the Bank is capping the maximum number of shares to be issued at the time of all conversion events subject to maximum number of shares capped at 90 million in compliance with the requirement of paragraph A-5-3 (VI) of Basel III Circular.

b) Security and Subordination

The Sukuk will be unsecured and subordinated to all other indebtedness of the Bank, including the deposits. The Sukuk proceeds will be invested in the General Pool of the Bank. Considering that the General Pool is comprised of different Shariah compliant assets, the Sukuk holders have a right over the assets in the General Pool to the extent of their investment.

6.1.1.2. External Risk Factors:

a) Instrument Liquidity

The perpetual nature of the instrument means that investors would not be able to recoup their investment through principal redemption. Therefore, any recovery would only be possible if the investor sells the instrument on securities exchange or the Bank calls the instrument after 5 years.

The risk will be mitigated to some extent by listing the Sukuk on PSX and appointing JS Global Capital Limited as the Designated Market Maker which will facilitate market trading activity. However, market liquidity might not be sufficient to allow investors an exit without incurring a loss.

b) Market Interest Rate

Market Interest rates and the Sukuk value, in general, carry an inverse relationship; as interest rates fall, the price of instruments in the market place generally rises. Conversely, when interest rates rise, the price of instruments will tend to fall. There is a risk that any increase in KIBOR may adversely affect the profit yield on the Sukuk Certificates and hence lower down its market price.

The Sukuk has been priced attractively compared to other ADT-1 instruments in the industry and the weightages to be given to the Sukuk Certificates to distribute profits will be assigned keeping in view the 1-Month KIBOR which means that the investors are protected from the adverse effect on Sukuk's profit yield due to increase in the market rates of interest.

While the above instrument features protect investors from market risks to some extent, the Sukuk's price will be determined by market forces. Therefore, there is no guarantee that market prices will always be favorable to the investors.

6.2. RISK FACTORS RELATED TO THE BANK:

6.2.1. Internal Risk Factors:

Risk of Non-Compliance with Regulation of SECP and PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the Sukuk Issue may be placed on the Defaulter Segment of PSX, which may potentially hamper trading in the Bank's Sukuk leading up to potential suspension in trading as well.

Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market the Bank is aware of the need of reducing risk. The Bank has a well-established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

Shariah Non-compliance Risk

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Board of the Bank. It remains the most important operational risk for an Islamic bank. Compliance of Shariah guidelines must permeate throughout the organization and its adherence should be reflected in the products and activities.

The bank has a dedicated Shariah Compliance Department ("SCD") whose objective is to ensure the adherence of Bank's operations to Shariah guidelines by reviewing processes and monitoring implementation of necessary internal controls. SCD is equipped with qualified professionals – including Shariah Scholars and business graduates from reputed institutions. In order to enhance and strengthen the Shariah Compliance environment of the Bank, SCD issues various guidelines/instructions every year. The SCD has developed a Shariah Non-Compliance Risk (SNCR) Management Framework for regular assessments, identification and documentation of Shariah non-compliance risks in the products and services offered by the Bank.

Manuals of different products including Murabahah, Tijarah, Salam, Istisna, Running Musharakah and Diminishing Musharakah are in place along with their respective agreements and Risk Control & Self-Assessment documents, in which the Shariah non-compliance risks and their mitigants have been highlighted in detail. Furthermore, to improve the understanding of customers and staff about Islamic Banking products and manage the related noncompliance risk, transaction summaries in the Urdu language have been developed for various modes of financing for SME and Agri Clients.

Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligations is impaired resulting in economic loss to the Bank. This credit risk arises mainly from both direct financing activities as well as contingent liabilities.

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors.

Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

BankIslami's liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. The committee serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the

management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

IT Security Risk

It is the risk of damage that may be caused due to loss of confidentiality and/or integrity of the Bank's sensitive electronic data and IT systems.

The Information Security department is one of the most important wing of Bank's Risk Management setup, which consistently work on improving the cyber security posture of the bank by strengthening existing IT and information security controls, conducting internal security and risk assessments exercises and adding additional security controls to remove any vulnerabilities. Every year, the Bank allocates a sizeable budget for investment in information security measures and equipment in order to enhance its cyber security posture. The Bank's efforts in the area of Information Security have duly been recognized by CTM360, a top cyber threat intelligence service provider. The Bank achieved the first ranking on CTM360's Hacker View portal out of 2,800 financial institutions. This is an outstanding achievement and makes BankIslami the first and only bank to achieve 'A+' rating on rtdCTM360's platform, and it maintained this accolade during the year 2022.

6.2.2. External Risk Factors:

Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Bank uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis, VaR. These assessment methods enable the Bank to estimate changes in the value of the portfolio, if exposed to various risk factors

Moreover, since the Bank does not deal in interest-based products, the impact of the above risks will be very minimal. The Bank does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

Yield / Profit Rate Risk

Yield / Profit rate risk includes all material yield risk positions of the Bank taking into account all repricing and maturity data. It includes current balances and contractual yield rates; the Bank understands that it's Islamic financing and related assets shall be repriced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Bank by applying upward and downward shocks.

Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates. In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Bank purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Bank to foreign exchange risk. To control this risk, the Bank primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Bank. The Bank also strictly adheres to all associated regulatory limits.

Equity Position risk

Equity position includes strategic investments and investment in equities for generating revenue in short term. These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Financial Reporting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system. Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

Country Risk

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk. BIPLs ALCO reviews country risk exposures on a periodic basis and approves/ amends limits accordingly.

Regulatory Risk and Legal Risk

Regulatory risk refers to the potential for changes in regulations, laws, or policies to impact a business, industry, or sector, which could lead to increased costs, decreased revenue, or other negative effects. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. The respective Compliance and Legal functions of the Bank play a key role to keep activities of the Bank within the framework of applicable laws and regulations, to oversee compliance risk at an entity level to protect the interests of its stakeholders, to ensure compliance of all regulatory requirements and manage exposure to legal risks.

Changes in Tax Regime

Any adverse change in the existing Tax regime for investment in Sukuk may affect the redemption and profit for the Sukuk investors.

TO THE BEST OF OUR KNOWLEDGE IT IS STATED THAT ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT. HOWEVER, THERE MAY BE ADDITIONAL RISK FACTORS, WHICH ARE NOT DISCLOSED HEREIN, THAT ARE NOT PRESENTLY KNOWN TO US OR THAT ARE

CURRENTLY DEEMED TO BE LESS SIGNIFICANT, WHICH MAY MATERIALLY AND ADVERSELY AFFECT THE BANK'S BUSINESS, ITS FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS.

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6.2.3. STATEMENT BY THE ISSUER

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Limited
Stock Exchange Road
Karachi



On behalf of BankIslami Pakistan Limited, ("BankIslami" or the "Bank"), we hereby confirm that all material information as required under the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited have been disclosed in the Prospectus and that whatever is stated in Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of BankIslami Pakistan Limited



Rizwan Ata
President & CEO



Sohail Sikandar
Chief Financial Officer

Dated: October 24, 2023

PART 7: FINANCIAL INFORMATION

7.1. AUDITORS CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

The Board of Directors
BankIslami Pakistan Limited
11th Floor, Dolmen City Executive Tower
Marine Drive, Block-4, Clifton
Karachi – 75500

Our ref KA-ZS-1238

Contact Muhammad Taufiq

6 June 2023

Dear Board Members,

Auditor's certificate on issued, subscribed and paid-up share capital

We have been requested to provide you with the certificate on issued, subscribed and paid-up share capital of BankIslami Pakistan Limited (the "Bank") as at 31 December 2022.

Scope of Certificate

The engagement is to summarize the issued, subscribed and paid-up share capital of the Bank as at 31 December 2022 in accordance with the requirement under Section 1 of "Reports To Be Set Out In The Supplement To The Prospectus" in Fourth Schedule of 'Public Offering Regulations, 2017'.

Management's Responsibility

It is management's responsibility to provide the information relating to the issued, subscribed and paid-up share capital of the Bank.

Auditor's Responsibility

Our responsibility is to review the information provided to us by the management and certify the issued, subscribed and paid-up share capital of the Bank as at 31 December 2022 in accordance with the 'Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by the Institute of Chartered Accountants of Pakistan (CA Pakistan). Our verification was limited to agreeing the issued subscribed and paid-up share capital of the Bank as at 31 December 2022, disclosed in the attached annexure.

Certificate

Based on the above procedure, we certify that the issued, subscribed and paid-up share capital of the Bank as at 31 December 2022 as disclosed in the annexure is in agreement with the audited unconsolidated financial statements of the Bank for the year ended 31 December 2022.



KPMG Taseer Hadi & Co.

BankIslami Pakistan Limited

*Auditor's certificate on issued, subscribed and paid-up share
capital*

6 June 2023

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under Section 1 of "Reports To Be Set Out In The Supplement To The Prospectus" in Fourth Schedule of 'Public Offering Regulations, 2017' for the purpose of inclusion in the prospectus for the proposed issue and listing of Additional Tier 1 Sukuk (Ehad Sukuk II) on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without any prior consent.

Yours faithfully,

KPMG Taseer Hadi - 1

**BankIslami**

BankIslami Pakistan Limited
11th Floor, Executive Tower, Dolmen City,
Marine Drive, Clifton Block-4, Karachi.
Tel: (92-21) 111-247(BIP)-111
Fax: 35378373
www.bankislami.com.pk

Annexure

BankIslami Pakistan Limited
Issued, Subscribed and Paid-up Share Capital
As at Decemeber 31, 2022

Number of Shares	Fully Paid up ordinary shares of Rs.10/ each	Rupees
1,108,703,299	Issued for Cash	11,087,032,990
-	Less: Discount on issue of shares	(79,041,917)
<u>1,108,703,299</u>		<u>11,007,991,073</u>



CHIEF FINANCIAL OFFICER



PRESIDENT / CHIEF EXECUTIVE OFFICER

7.2. AUDITORS CERTIFICATE FOR BREAKUP VALUE OF SHARES



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

The Board of Directors
BankIslami Pakistan Limited
11th Floor, Dolmen City Executive Tower
Marine Drive, Block-4, Clifton
Karachi – 75500

Our ref KA-ZS-1236

Contact Muhammad Taufiq

6 June 2023

Dear Board Members,

Auditor's certificate for break-up value of shares

We have been requested to provide certificate on break-up value of shares of BankIslami Pakistan Limited (the Bank) as at 31 December 2022.

Scope of Certificate

The engagement is to provide a certificate on break-up value of shares of the Bank as at 31 December 2022 in accordance with the requirement under Section 1 of "Reports To Be Set Out In The Supplement To The Prospectus" in Fourth Schedule of 'Public Offering Regulations, 2017'.

Management's Responsibility

The responsibility for computation of break-up value of shares of the Bank, based on the financial statements for the year ended 31 December 2022 in accordance with the requirements of Technical Release - 22 (TR-22) issued by the Institute of Chartered Accountants of Pakistan (CA Pakistan) is primarily that of the management of the Bank. The required break-up value per share as calculated from the audited consolidated and unconsolidated financial statements of the Bank is summarized in the attached annexure.

Auditor's Responsibility

Our responsibility is to certify the break-up value as at 31 December 2022 in accordance with the 'Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by CA Pakistan. Our verification was limited to the following procedures:

1. Checked the relevant financial information used for the purpose of calculating the break-up value per share by the management of the Bank from the consolidated and unconsolidated financial statements of the Bank for the year ended 31 December 2022; and



KPMG Taseer Hadi & Co.

BankIslami Pakistan Limited*Auditor's certificate for break-up value of shares*

6 June 2023

2. Checked that the break-up value is computed in accordance with the requirements of TR- 22 issued by CA Pakistan. According to TR- 22, book value per share in the equity capital of the Bank is the amount each share is worth on the basis of carrying value per balance sheet, prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

Certificate

Based on the above procedures, we confirm that the break-up value per share of the Bank as appearing in the annexure is accurately calculated in accordance with the TR- 22 issued by CA Pakistan.

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under Section 1 of "Reports To Be Set Out In The Supplement To The Prospectus" in Fourth Schedule of 'Public Offering Regulations, 2017', for the purpose of inclusion in the prospectus for the proposed issue and listing of Additional Tier 1 Sukuk (Ehad Sukuk II) on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without any prior consent.

Yours faithfully,



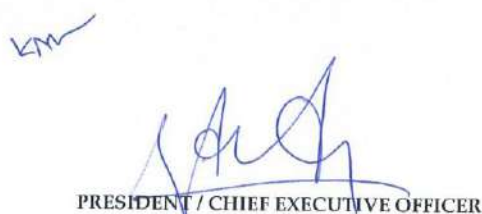
**BankIslami****BankIslami Pakistan Limited**
 11th Floor, Executive Tower, Dolmen City,
 Marine Drive, Clifton Block-4, Karachi.
 Tel: (92-21) 111-247(BIP)-111
 Fax: 35378373
 www.bankislami.com.pk
Annexure
BankIslami Pakistan Limited
Breakup Value Per Share
As at December 31, 2022

	Unconsolidated	Consolidated
	----- Rupees in '000 -----	
Share capital - net	11,007,991	11,007,991
Reserves	2,591,091	2,591,071
Unappropriated profit	10,083,032	10,432,660
	23,682,114	24,031,722
Surplus on revaluation of assets - net of tax		
Available for sale securities	1,131,256	1,131,256
Fixed Assets	1,598,971	1,589,906
Non-banking assets acquired in satisfaction of claims	38,060	38,060
	2,768,287	2,759,222
	<u>26,450,401</u>	<u>26,790,944</u>
	----- Number of shares -----	
Number of ordinary shares	<u>1,108,703,299</u>	<u>1,108,703,299</u>
Break-up value per ordinary share of Rs.10 each (including surplus on revaluation of fixed assets / non-banking assets - net of tax)	23.8571	24.1642
Break-up value per ordinary share of Rs.10 each (excluding surplus on revaluation of fixed assets / non-banking assets - net of tax)	22.3805	22.6959

The equity for the purposes of both the above calculations excludes non controlling interest and includes surplus on revaluation of available for sale securities.



CHIEF FINANCIAL OFFICER



PRESIDENT / CHIEF EXECUTIVE OFFICER

7.3. AUDITORS CERTIFICATE UNDER SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017 FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS FOR PROPOSED ISSUE OF ADDITIONAL TIER 1 SUKUK CERTIFICATES BY THE BANK



KPMG Taseer Hadi & Co.
 Chartered Accountants
 Sheikh Sultan Trust Building No. 2, Beaumont Road
 Karachi 75530 Pakistan
 +92 (21) 35685847, Fax +92 (21) 35685095

The Board of Directors
 BankIslami Pakistan Limited
 11th Floor, Dolmen City Executive Tower
 Marine Drive, Block-4, Clifton
 Karachi – 75500

Our ref KA-ZS-1237

Contact Muhammad Taufiq

6 June 2023

Dear Board Members,

Auditor's certificate under section 2(1) of the first schedule to the Public Offering Regulations, 2017 for the purpose of inclusion in the prospectus for proposed issue of Additional Tier 1 Sukuks by BankIslami Pakistan Limited

We have been requested to provide you with a report summarizing profits and losses and assets and liabilities of the BankIslami Pakistan Limited (the Bank) (consolidated and unconsolidated) and its subsidiary concerns individually and details of dividend paid by the Bank (the financial information) for each of the five years preceding the issue of the prospectus.

Scope of Certificate

The Securities and Exchange Commission of Pakistan (SECP) under section 2(1) of the First Schedule of Public Offering Regulations, 2017 requires a report to be made by auditors (who shall be named in the prospectus) with respect to the following:

- profits and losses and assets and liabilities of the Bank as a whole with combined profits and losses of its subsidiaries, and individually with profit and losses of each subsidiary concern for each of the five years immediately preceding the issue of the prospectus; and
- details of dividend (date, rate, class of shares) paid by the Bank during last five financial years immediately preceding the issue of prospectus of the Bank.

We as auditors are required to issue a certificate on the accuracy of the information summarized in the annexed statement.

Management's Responsibility

It is the management's responsibility to prepare the required financial information in compliance with section 2(1) of the first schedule to the Public Offering Regulations, 2017. The required financial information is summarized in the attached annexure.



KPMG Taseer Hadi & Co.

BankIslami Pakistan Limited

Auditor's certificate under section 2(1) of the first schedule to the Public Offering Regulations, 2017 for the purpose of inclusion in the prospectus for proposed issue of Additional Tier 1 Sukuks by BankIslami Pakistan Limited

6 June 2023

Auditor's Responsibility

Our responsibility is to certify the accuracy of the information summarized as required by section 2(1) of first schedule to the Public Offering Regulations, 2017 about profits and losses and assets and liabilities of BankIslami Pakistan Limited and profits and losses of each of its subsidiaries, and dividend distributed for each of the five years preceding the issuance of prospectus accurately from its audited financial statements in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to the procedures as mentioned below:

1. Checked the accuracy of the information about profits and losses and assets and liabilities of the Bank with consolidated financial statements of the Bank for the year ended 31 December 2022, 2021, 2020, 2019 and 2018 as required by section 2(1) of the first schedule to the Public Offering Regulations, 2017.
2. Checked the accuracy of the information about profits and losses and assets and liabilities of the Bank for the years ended 31 December 2022, 2021, 2020, 2019 and 2018 with the unconsolidated financial statements of the Bank.
3. Checked the accuracy of the information about the profits and losses of each of the subsidiary concerns for the year ended 31 December 2022, 2021, 2020, 2019 and 2018 with the financial statements of the respective subsidiaries.
4. Checked the accuracy of the details of the dividend paid during the year ended 2022, 2021, 2020, 2019 and 2018 with the audited financial statements of the Bank.

Certificate

Based on the above procedure, we certify that the annexed financial information related to profits and losses and assets and liabilities of the Bank, profits and losses of the subsidiaries and details of dividend paid by the Bank for each of the five years preceding the issue of the prospectus are in agreement with the audited financial statements of the Bank (consolidated and unconsolidated) and its subsidiary concerns individually. Financial statements of the Bank for the year ended 31 December 2020, 2019, and 2018 were audited by another auditor.



KPMG Taseer Hadi & Co.

BankIslami Pakistan Limited

*Auditor's certificate under section 2(1) of the first schedule to
the Public Offering Regulations, 2017 for the purpose of
inclusion in the prospectus for proposed issue of Additional Tier
1 Sukuks by BankIslami Pakistan Limited
6 June 2023*

Restriction on use and distribution

This certificate is issued in relation to the requirements of section 2(1) of the First Schedule of Public Offering Regulations, 2017 for the purpose of the inclusion in the prospectus for proposed issue of Additional Tier 1 Sukuk (Ehad Sukuk II) and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein and the attached annexure.

Yours faithfully,

Kamal Fawad -


BankIslami
BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City,
Marine Drive, Clifton Block-4, Karachi.
Tel: (92-21) 111-247(BIP)-111
Fax: 35378373
www.bankislami.com.pk

ANNEXURE
1 FINANCIAL STATEMENTS OF THE BANK
1.1 Consolidated Statement of Financial Position

The consolidated statements of financial position of the Group as at December 31, 2022, 2021, 2020, 2019 and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
ASSETS					
Cash and balances with treasury banks	39,972,702	24,552,347	22,034,025	14,640,163	14,292,752
Balances with other banks	2,048,157	3,694,155	12,310,472	1,880,592	1,164,553
Due from financial institutions - net	23,878,183	34,945,365	41,640,012	42,911,620	18,173,504
Investments - net	180,176,339	125,228,590	95,622,282	55,806,907	39,236,762
Islamic financing, related assets and advances - net	201,328,442	181,176,239	129,971,889	131,619,725	118,320,811
Fixed assets	14,190,422	13,618,491	11,721,873	12,717,885	6,683,785
Intangible assets	3,308,580	3,223,191	3,155,509	3,148,805	3,173,692
Deferred tax assets	3,213,719	4,183,055	5,699,800	5,566,768	7,471,963
Other assets - net	19,482,870	18,084,464	13,637,939	14,656,497	8,315,446
Non-current assets held for sale	-	-	2,146,789	1,515,051	-
Total Assets	487,599,414	408,705,897	337,940,590	284,464,013	216,833,268
LIABILITIES					
Bills payable	3,530,929	3,484,210	3,324,085	3,645,324	3,242,180
Due to financial institutions	21,052,256	21,193,332	16,127,616	15,103,607	7,819,532
Deposits and other accounts	415,911,937	344,787,951	282,936,750	228,556,897	184,429,521
Subordinated sukuk	2,850,000	2,000,000	2,000,000	1,700,000	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	17,463,348	14,433,237	11,343,041	14,014,986	6,066,223
Liabilities directly associated with non-current assets held for sale	-	-	1,696,016	989,683	-
	460,808,470	385,898,730	317,427,508	264,010,497	201,557,456
NET ASSETS	26,790,944	22,807,167	20,513,082	20,453,516	15,275,812
REPRESENTED BY					
Share capital - net	11,007,991	11,007,991	11,007,991	11,007,991	10,000,079
Reserves	2,591,071	1,703,144	1,526,894	1,187,624	968,799
Surplus on revaluation of assets - net of tax	2,759,222	3,455,272	3,026,358	4,626,773	1,875,495
Unappropriated profit	10,432,660	6,640,760	4,734,999	3,436,341	2,236,825
	26,790,944	22,807,167	20,296,242	20,258,729	15,081,198
Non-controlling interest	-	-	216,840	194,787	194,614
	26,790,944	22,807,167	20,513,082	20,453,516	15,275,812



1.2 Consolidated Profit and Loss Account

The consolidated profit and loss account of the Group for the year ended December 31, 2022, 2021, 2020, 2019, and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
Profit / return earned	46,345,194	23,226,839	25,721,150	23,624,544	12,204,667
Profit / return expensed	25,942,829	12,275,199	13,229,599	12,832,859	6,145,543
Net Profit / return	20,402,365	10,951,640	12,491,551	10,791,685	6,059,124
OTHER INCOME					
Fee and commission income	1,459,365	1,226,894	900,127	617,932	842,235
Dividend income	25,754	24,643	17,391	10,947	23,029
Foreign exchange income	1,349,757	481,902	364,705	183,612	92,182
Income from shariah compliant forward and future contracts	-	-	-	-	138,673
Gain on securities	80,092	101,976	242,433	660,253	46,818
Other income - net	683,888	93,838	110,024	159,178	82,246
Total other income	3,598,856	1,929,253	1,634,680	1,631,922	1,225,183
Total Income	24,001,221	12,880,893	14,126,231	12,423,607	7,284,307
OTHER EXPENSES					
Operating expenses	11,773,169	9,549,614	8,578,042	7,720,891	6,810,250
Workers Welfare fund	164,562	70,693	55,321	35,904	8,216
Other charges	22,884	2,525	130,504	36,511	54,359
Total other expenses	11,960,615	9,622,832	8,763,867	7,793,306	6,872,825
Profit before provisions	12,040,606	3,258,061	5,362,364	4,630,301	411,482
Provisions / (Reversal of provisions) and write offs - net	3,812,494	31,888	2,601,023	2,773,316	(3,165)
Extra ordinary / unusual items	-	-	-	-	-
(Loss) / profit for the year from BIPL Securities Limited - net of tax	-	-	-	-	(46,755)
Share of profit / (loss) from associate - net of tax	44,578	7,626	(229,789)	11,525	145,830
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	8,272,690	3,233,799	2,531,552	1,868,510	513,722
Taxation	3,788,477	1,265,556	1,056,312	744,000	190,084
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS	4,484,213	1,968,243	1,475,240	1,124,510	323,638
DISCONTINUED OPERATIONS					
Profit / (Loss) after taxation from Discontinued Operations	-	92,609	92,322	(20,705)	-
PROFIT AFTER TAXATION	4,484,213	2,060,852	1,567,562	1,103,805	323,638
ATTRIBUTABLE TO:					
Equity shareholders of the Bank	4,484,213	2,031,160	1,546,367	1,107,791	334,266
Non-controlling interest	-	29,692	21,195	(3,986)	(10,628)
	4,484,213	2,060,852	1,567,562	1,103,805	323,638
	Rupees				
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank					
Basic and diluted	4.0446	1.7753	1.3306	1.0963	0.3316
Earnings per share for profit attributable to the ordinary equity holders of the Bank					
Basic and diluted	4.0446	1.8320	1.3948	1.0800	0.3316



1.3 Consolidated Statement of Comprehensive Income

The consolidated statement of comprehensive income of the Group for the year ended December 31, 2022, 2021, 2020, 2019 and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
Profit after taxation for the year attributable to:					
Equity shareholders of the Bank	4,484,213	2,031,160	1,546,367	1,107,791	334,266
Non-controlling interest	-	29,692	21,195	(3,986)	(10,628)
Other Comprehensive Income	4,484,213	2,060,852	1,567,562	1,103,805	323,638
Items that may be reclassified to consolidated profit and loss account in subsequent periods:					
Movement in surplus on revaluation of investments - net of tax attributable to:					
Equity shareholders of the Bank	(258,080)	(13,588)	(1,595,284)	2,954,307	(160,633)
Non-controlling interest	-	4,048	858	4,159	-
	(258,080)	(9,540)	(1,594,426)	2,958,466	(160,633)
Items that may not be reclassified to consolidated profit and loss account in subsequent periods:					
Re-measurement (loss) / gain on defined benefit obligations - net of tax	26,694	(33,779)	3,280	51,180	4,053
Movement in surplus on revaluation of fixed assets - net of tax	(224,541)	595,816	58,376	-	659,648
Movement in surplus on revaluation of non-banking assets - net of tax	(44,509)	(68,684)	24,774	56,341	221,870
	(242,356)	493,353	86,430	107,521	885,571
Total comprehensive income	3,983,777	2,544,665	59,566	4,169,792	1,048,576
Total comprehensive income attributable to:					
Equity shareholders of the Bank	3,983,777	2,510,925	37,513	4,169,619	1,059,204
Non-controlling interest	-	33,740	22,053	173	(10,628)
	3,983,777	2,544,665	59,566	4,169,792	1,048,576
Total comprehensive income attributable to equity shareholders of the Holding Company:					
Continuing operations	3,983,777	2,475,352	34,620	4,155,601	1,048,576
Discontinued operations	-	35,573	2,893	14,018	-
	3,983,777	2,510,925	37,513	4,169,619	1,048,576



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1.4 Unconsolidated Statement of Financial Position

The unconsolidated statement of financial position of the Bank as at December 31, 2022, 2021, 2020, 2019 and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
ASSETS					
Cash and balances with treasury banks	39,972,702	24,552,347	22,034,025	14,640,163	14,292,752
Balances with other banks	2,045,955	3,691,953	12,308,269	1,877,508	832,62
Due from financial institutions	23,878,183	34,945,365	41,640,012	42,911,620	18,173,504
Investments	179,741,488	124,838,317	95,239,635	55,194,471	38,832,093
Islamic financing, related assets and advances	201,328,442	181,176,239	130,161,889	131,774,504	118,570,811
Fixed assets	14,189,370	13,617,439	11,741,506	12,717,391	6,663,467
Intangible assets	3,261,569	3,176,180	3,108,498	3,101,794	3,121,906
Deferred tax assets	3,338,805	4,308,141	5,824,886	5,621,695	7,530,221
Other assets	19,482,598	18,084,193	13,636,969	14,655,739	7,725,881
Assets classified as held for sale	-	-	601,609	601,609	-
Total Assets	487,239,112	408,390,174	336,297,298	283,096,494	215,743,256
LIABILITIES					
Bills payable	3,530,929	3,484,210	3,324,085	3,645,324	3,242,180
Due to financial institutions	21,052,256	21,193,332	16,127,616	15,103,607	7,819,532
Deposits and other accounts	415,911,942	344,787,956	283,641,351	228,826,675	184,693,363
Subordinated Sukuk	2,850,000	2,000,000	2,000,000	1,700,000	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	17,443,584	14,413,474	11,309,073	14,124,556	5,473,366
	460,788,711	385,878,972	316,402,125	263,400,162	201,228,441
NET ASSETS	26,450,401	22,511,202	19,895,173	19,696,332	14,514,815
REPRESENTED BY					
Share capital - net	11,007,991	11,007,991	11,007,991	11,007,991	10,000,079
Reserves	2,591,091	1,703,164	1,526,894	1,186,267	968,799
Surplus on revaluation of assets - net of tax	2,768,287	3,464,337	3,030,509	4,626,364	1,850,647
Unappropriated profit	10,083,032	6,335,710	4,329,779	2,875,710	1,695,290
	26,450,401	22,511,202	19,895,173	19,696,332	14,514,815



1.5 Unconsolidated Profit and Loss Account

The unconsolidated profit and loss account of the Bank for the year ended December 31, 2022, 2021, 2020, 2019 and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
Profit / return earned	46,345,194	23,235,371	25,743,683	23,650,447	12,204,238
Profit / return expensed	25,942,829	12,303,231	13,254,781	12,860,056	6,170,275
Net Profit / return	20,402,365	10,932,140	12,488,902	10,790,391	6,033,963
OTHER INCOME					
Fee and commission income	1,459,365	1,226,894	900,127	617,932	842,235
Dividend income	25,754	24,643	17,391	10,947	61,858
Foreign exchange income	1,349,757	481,902	364,705	183,612	139,575
Income from shariah compliant forward and future contracts	-	-	-	-	-
Gain on securities	80,092	291,630	242,433	660,253	138,098
Other income - net	683,888	94,417	110,779	160,440	82,246
Total other income	3,598,856	2,119,486	1,635,435	1,633,184	1,264,012
Total Income	24,001,221	13,051,626	14,124,337	12,423,575	7,297,975
OTHER EXPENSES					
Operating expenses	11,773,169	9,549,614	8,578,042	7,721,165	6,795,997
Workers' Welfare Fund	164,562	70,693	55,321	35,904	8,216
Other charges	22,884	2,525	130,504	36,511	54,359
Total other expenses	11,960,615	9,622,832	8,763,867	7,793,580	6,858,572
Profit before provisions	12,040,606	3,428,794	5,360,470	4,629,995	439,403
Provisions and write offs - net	3,812,494	31,888	2,601,023	2,798,657	36,835
Extra ordinary / unusual items	-	-	-	-	-
PROFIT BEFORE TAXATION	8,228,112	3,396,906	2,759,447	1,831,338	402,568
Taxation	3,788,477	1,265,556	1,056,312	744,000	189,904
PROFIT AFTER TAXATION	4,439,635	2,131,350	1,703,135	1,087,338	212,664
Basic earnings per share	4.0043	1.9224	1.5362	1.0600	0.2099
Diluted earnings per share	4.0043	1.9224	1.5362	1.0600	0.2099



1.6 Unconsolidated Statement of Comprehensive Income

The unconsolidated statement of comprehensive income of the Bank for the year ended December 31, 2022, 2021, 2020, 2019 and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
Profit after taxation for the year	4,439,635	2,131,350	1,703,135	1,087,338	212,664
Other Comprehensive Income / (Loss)					
Items that may be reclassified to consolidated profit and loss account in subsequent periods:					
Movement in surplus on revaluation of investments - net of tax	(258,080)	(8,674)	(1,590,724)	2,978,746	(259,908)
Items that may not be reclassified to profit and loss account in subsequent periods:					
Re-measurement (loss) / gain on defined benefit obligations - net of tax	26,694	(33,779)	3,280	51,180	4,072
Movement in surplus on revaluation of fixed assets - net of tax	(224,541)	595,816	58,376	-	659,648
Movement in surplus on revaluation of non-banking assets - net of tax	(44,509)	(68,684)	24,774	56,341	221,870
	(242,356)	493,353	86,430	107,521	885,590
Total comprehensive income	3,939,199	2,616,029	198,841	4,173,605	838,346



2 Financial Statements of Subsidiary Concerns

2.1 BankIslami Modaraba Investments Limited - Profit and Loss Account

The profit and loss accounts of subsidiary company - BankIslami Modaraba Investments Limited for the period ended 18 May 2021, year ended 31 December 2020, year ended 31 December 2019, and half year ended 31 December 2018 are as follows:

	2021	2020	2019	2018
	Rupees			
Management fee from an associated undertaking	-	-	-	-
Dividend income	-	-	-	-
Other income	4,150,569	5,643,421	6,309,791	3,798,863
Net Unrealised diminution on re-measurement of investments classified as "financial assets at fair value through profit & loss"	1,014,844	531,813	348,357	(340,875)
	5,165,413	6,175,234	6,658,148	3,457,988
Administrative expenses	(3,015,435)	(5,777,805)	(5,903,870)	(7,001,583)
Provision against due from associated undertaking	-	-	(5,412,500)	-
Provision against other receivable	(19,999,999)	-	-	-
	(25,015,434)	(5,777,805)	(11,316,370)	(7,001,583)
Workers' Welfare Fund	-	-	-	-
Loss before taxation	(19,850,021)	397,429	(4,658,222)	(3,543,595)
Taxation:				
Current	(246,333)	(278,209)	(792,603)	(206,532)
Deferred	(87,224)	261,439	-	11,329
	(333,557)	(16,770)	(792,603)	(195,203)
(Loss) / profit for the period	(20,183,578)	380,659	(5,450,825)	(3,740,798)
	Rupees			
Earnings per share - basic / diluted	(2.52)	0.02	(0.68)	(0.47)

2.2 BankIslami Modaraba Investments Limited - Statement of Comprehensive Income

The statement of comprehensive income of subsidiary company - BankIslami Modaraba Investments Limited for the period ended 18 May 2021, year ended 31 December 2020, year ended 31 December 2019, and half year ended 31 December 2018 are as follows:

	2021	2020	2019	2018
	Rupees			
(Loss) / Profit for the period	(20,183,578)	380,659	(5,450,825)	(3,740,798)
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
(Deficit)/surplus on revaluation of investments classified as 'available for sale'	3,888,533	4,429,064	(663,277)	-
Items that will not be reclassified to profit and loss account in subsequent periods	-	(52,152)	1,700,042	(1,618,417)
Total comprehensive (loss)/income for the period	24,072,111	4,757,571	6,487,590	2,122,381



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2.3 BIPL Securities Limited - Profit and Loss Account

The profit and loss accounts of subsidiary company - BIPL Securities Limited for the half year ended 30 June 2021, year ended 31 December 2020, 2019 & 2018 are as follows:

	2021	2020	2019	2018
	Rupees in '000			
Operating revenue	314,936	389,821	213,466	190,733
Net gain on investments				
Gain on sale of investments 'at fair value through profit or loss' - net	8,014	11,064	11,432	14,437
Reversal / (impairment) on 'held for trading' investments	-	-	5,000	10,000
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' - net	(1,521)	-	-	-
	6,493	11,064	16,432	24,437
Dividend income	-	-	-	84
Mark-up / profit on bank deposits and other receivables	60,244	100,818	92,464	56,314
	381,673	501,703	322,362	271,588
Operating and administrative expenses	(210,547)	(344,149)	(311,822)	(299,019)
Impairment on long-term investment - subsidiary	(79)	(164)	(640)	(164)
(Provision) / Reversal against doubtful debts-net	360	4,419	(41)	(3,340)
	(210,266)	(339,894)	(312,503)	(302,523)
Operating (loss) / profit	171,407	161,809	9,859	(30,935)
Finance cost	(11,522)	(25,381)	(26,521)	(15,426)
	159,885	136,428	(16,662)	(46,361)
Other income	1,767	1,568	1,786	4,840
(Loss) / profit before taxation	161,652	137,996	(14,876)	(41,521)
Taxation	(49,113)	(43,996)	2,935	14,562
(Loss) / profit after taxation	112,539	94,000	(11,941)	(26,959)
	Rupees			
Earnings per share - basic and diluted	1.13	0.94	(0.12)	(0.27)

2.4 BIPL Securities Limited - Statement of Comprehensive Income

The statement of comprehensive income of subsidiary company - BIPL Securities Limited for the half year ended 30 June 2021, year ended 31 December 2020, 2019 & 2018 are as follows:

	2021	2020	2019	2018
	Rupees in '000			
(Loss)/profit for the period	112,539	94,000	(11,941)	(26,959)
Other comprehensive income				
Fair value adjustments- available for sale investments				
- will not be reclassified to profit and loss in subsequent periods	39,621	(65,196)	(126,269)	(23,761)
- will be reclassified to profit and loss in subsequent periods	-	-	-	-
	39,621	(65,196)	(126,269)	(23,761)
Total comprehensive (loss)/income for the period	152,160	28,804	(138,210)	(50,720)



2.5 Structured Ventures (Private) Limited - Profit and Loss Account

The profit and loss accounts of subsidiary company - Structured Ventures (Private) Limited for the years ended 31 December 2020, 2019, and 2018 are as follows:

	2020	2019	2018
	Rupees in '000		
Profit on bank balance	21	33	37
Operating and administrative expenses	(186)	(673)	(201)
Provision for impairment on long-term investment			-
Provision for advance against purchase of property	(186)	(673)	(201)
Loss before taxation	(164)	(640)	(164)
Finance cost			-
Loss before taxation	(164)	(640)	(164)
Taxation	-	-	-
Loss after taxation	(164)	(640)	(164)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	(164)	(640)	(164)



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2.6 My Solutions Corporation Limited

My Solutions Corporation Limited was acquired by BankIslami Pakistan Limited in 2015 as a result of the 'Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of Banking Companies Ordinance, 1962'. Financial statements of subsidiary company have not been prepared due to its dormant status since 2015. Therefore, no financial information of this company has been provided in this annexure.

3 Auditors during the last Five Years

3.1 Consolidated Financial Statements of the Group for the years ended December 31, 2022 and 2021 were audited by KPMG Taseer Hadi & Co. Chartered Accountants and unmodified opinion dated March 02, 2023 and March 03, 2022 was issued thereon. Consolidated Financial Statements of the Group for the years ended December 31, 2020, 2019 and 2018 were audited by EY Ford Rhodes Chartered Accountants and unmodified opinion dated March 04, 2021, March 02, 2020 and February 28, 2019 were issued thereon.

3.2 Unconsolidated Financial Statements of the Bank for the years ended December 31, 2022 and December 31, 2021 were audited by KPMG Taseer Hadi & Co. Chartered Accountants and unmodified opinion dated March 02, 2023 and March 03, 2022 was issued thereon. Unconsolidated Financial Statements of the Bank for the years ended December 31, 2020, 2019 and 2018 were audited by EY Ford Rhodes Chartered Accountants and unmodified opinion dated March 04, 2021, March 02, 2020, and February 28, 2019 were issued thereon.

4 Changes in the accounting policies of the bank and its subsidiaries during in the year ended December 31, 2022, 2021, 2020, and 2019

There are no changes in the accounting policies of the Bank and its subsidiaries during the year ended December 31, 2022, 2021, 2020, and 2019 which may require any restatement in prior financial statements.

5 DETAILS OF DIVIDEND

Details of dividend paid by the Bank during the preceding five years ended December 31, 2022, 2021, 2020, 2019 and 2018 are as follows:

	2022	2021	2020	2019	2018
	Rupees in '000				
5.1 BankIslami Pakistan Limited - Dividend					
Total Amount	Nil	Nil	Nil	Nil	Nil
Amount per Share	Nil	Nil	Nil	Nil	Nil



CHIEF FINANCIAL OFFICER



PRESIDENT / CHIEF EXECUTIVE

7.4. LATEST MANAGEMENT ACCOUNTS (UN-AUDITED)

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Statement of Financial Position

As at September 30, 2023

	Note	(Un-audited) September 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	6	40,850,734	39,972,702
Balances with other banks	7	1,147,506	2,045,955
Due from financial institutions - net	8	5,255,544	23,878,183
Investments - net	9	276,160,518	179,741,488
Islamic financing, related assets and advances - net	10	203,699,800	201,328,442
Fixed assets	11	14,260,469	14,189,370
Intangible assets	12	3,435,454	3,261,569
Deferred tax assets	13	4,390,317	3,338,805
Other assets - net	14	36,184,295	19,482,598
Total Assets		585,384,637	487,239,112
LIABILITIES			
Bills payable	15	2,640,416	3,530,929
Due to financial institutions	16	60,146,046	21,052,256
Deposits and other accounts	17	461,908,104	415,911,942
Subordinated sukuk	18	2,850,000	2,850,000
Deferred tax liabilities		-	-
Other liabilities	19	25,145,903	17,443,584
		552,690,469	460,788,711
NET ASSETS		32,694,168	26,450,401
REPRESENTED BY			
Share capital - net		11,007,991	11,007,991
Reserves		2,591,091	2,591,091
Surplus on revaluation of assets - net of tax	20	1,546,365	2,768,287
Unappropriated profit		17,548,721	10,083,032
		32,694,168	26,450,401
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For The Quarter and Nine Months Ended September 30, 2023

		Quarter Ended		Nine Months Ended	
	Note	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		Rupees in '000			
Profit / return earned	22	26,144,635	13,220,921	65,309,237	31,591,490
Profit / return expensed	23	14,453,407	7,495,521	36,964,611	17,947,864
Net Profit / return		11,691,228	5,725,400	28,344,626	13,643,626
OTHER INCOME					
Fee and commission income	24	476,971	315,685	1,274,885	1,044,835
Dividend income		16,975	5,188	44,313	17,753
Foreign exchange income		(208,516)	637,327	376,061	1,228,708
Gain on securities	25	86,261	58,342	201,266	77,067
Other income - net	26	145,474	115,847	252,864	473,850
Total other income		517,165	1,132,389	2,149,389	2,842,213
Total Income		12,208,393	6,857,789	30,494,015	16,485,839
OTHER EXPENSES					
Operating expenses	27	3,831,461	3,063,344	11,325,125	8,576,209
Workers' Welfare Fund		132,322	56,930	298,239	110,881
Other charges	28	2,590	600	7,351	8,301
Total other expenses		3,966,373	3,120,874	11,630,715	8,695,391
Profit before provisions		8,242,020	3,736,915	18,863,300	7,790,448
Provisions and write offs - net	29	1,578,042	890,417	3,903,489	2,246,379
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,663,978	2,846,498	14,959,811	5,544,069
Taxation	30	3,286,140	1,430,526	6,486,227	2,691,840
PROFIT AFTER TAXATION		3,377,838	1,415,972	8,473,584	2,852,229
Rupees					
Basic / Diluted earnings per share	31	3.0467	1.2771	7.6428	2.5726

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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OFFICER

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CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

For The Quarter and Nine Months Ended September 30, 2023

	Quarter Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Rupees in '000			
Profit after taxation for the period	3,377,838	1,415,972	8,473,584	2,852,229
Other Comprehensive Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	(654,034)	147,935	(948,918)	247,359
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of fixed assets - net of tax	(2,735)	-	(169,369)	-
Movement in surplus on revaluation of non-banking assets - net of tax	231	-	(2,827)	-
	(2,504)	-	(172,196)	-
Total comprehensive income	2,721,300	1,563,907	7,352,470	3,099,588

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For The Quarter and Nine Months Ended September 30, 2023

	Share capital	Discount on issue of shares	Statutory reserve*	Surplus on revaluation of		Unappropriated profit	Total
				Investments	Fixed / Non-Banking Assets		
	Rupees in '000						
Opening Balance as at January 1, 2022	11,087,033	(79,042)	1,703,164	1,389,336	2,075,001	6,335,710	22,511,202
Profit after taxation for the nine months ended September 30, 2022	-	-	-	-	-	2,852,229	2,852,229
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	247,359	-	-	247,359
	-	-	-	247,359	-	2,852,229	3,099,588
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of tax	-	-	-	-	(86,225)	86,225	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	(573)	573	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	(10,412)	10,412	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	(43,347)	43,347	-
Opening Balance as at October 1, 2022	11,087,033	(79,042)	1,703,164	1,636,695	1,932,444	9,330,496	25,610,790
Profit after taxation for the period from October 01, 2022 to December 31, 2022	-	-	-	-	-	1,587,406	1,587,406
Other comprehensive (loss) / income for the period from October 01, 2022 to December 31, 2022	-	-	-	(505,439)	(269,050)	26,694	(747,795)
	-	-	-	(505,439)	(269,050)	1,614,100	639,611
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(29,594)	29,594	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	3,231	(3,231)	-
Transfer to statutory reserve	-	-	887,927	-	-	(887,927)	-
Opening Balance as at January 1, 2023	11,087,033	(79,042)	2,591,091	1,131,256	1,637,031	10,083,032	26,450,401
Profit after taxation for the nine months ended September 30, 2023	-	-	-	-	-	8,473,584	8,473,584
Other comprehensive loss for the nine months ended September 30, 2023	-	-	-	(948,918)	(172,196)	-	(1,121,114)
	-	-	-	(948,918)	(172,196)	8,473,584	7,352,470
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(100,671)	100,671	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	(137)	137	-
Transactions with owners, recorded directly in equity							
Cash dividend to shareholders for the year 2022 @ Re.1 per share	-	-	-	-	-	(1,108,703)	(1,108,703)
Closing Balance as at September 30, 2023	11,087,033	(79,042)	2,591,091	182,338	1,364,027	17,548,721	32,694,168

*This represents reserve created under section 21(1) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For The Nine Months Ended September 30, 2023

	Note	September 30, 2023 ----- Rupees in '000 -----	September 30, 2022 ----- Rupees in '000 -----
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,959,811	5,544,069
Less: Dividend income		(44,313)	(17,753)
		14,915,498	5,526,316
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets		837,320	712,263
Depreciation on non-banking assets		1,726	2,643
Depreciation on right-of-use assets		625,803	629,591
Amortization		98,313	67,344
Depreciation on operating Ijarah assets		14,540	56,771
Amortisation of lease liability against right of use assets	23	956,819	259,487
Provisions and write offs - net	29	3,903,489	2,246,379
Charge for defined benefit plan		142,227	114,594
Gain on sale of fixed assets	26	(101,190)	(11,697)
Gain on sale of non-banking assets	26	-	(208,967)
		6,479,047	3,868,408
		21,394,545	9,394,724
(Increase) / decrease in operating assets			
Due from financial institutions		18,622,639	(8,010,308)
Islamic financing and related assets and advances - net		(5,650,502)	(26,403,604)
Other assets (excluding advance taxation)		(17,392,911)	(1,457,779)
		(4,420,774)	(35,871,691)
Increase / (decrease) in operating liabilities			
Bills payable		(890,513)	(383,812)
Due to financial institutions		39,093,790	(253,315)
Deposits and other accounts		45,996,162	43,340,568
Other liabilities (excluding current taxation)		4,952,268	(377,234)
		89,151,707	42,326,207
		106,125,478	15,849,240
Income tax paid		(4,331,724)	(567,756)
Net cash generated from operating activities		101,793,754	15,281,484
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(97,947,295)	(14,283,308)
Dividends received		44,313	17,753
Investments in fixed assets		(2,064,479)	(972,392)
Investments in intangible assets		(272,198)	(130,604)
Proceeds from sale of fixed assets		562,415	77,049
Net cash used in investing activities		(99,677,244)	(15,291,502)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of Ijarah (lease) liability against right of use assets		(1,127,700)	(908,200)
Dividend paid		(1,009,228)	-
Net cash generated from financing activities		(2,136,928)	(908,200)
Increase / (decrease) in cash and cash equivalents		(20,417)	(918,218)
Cash and cash equivalents at the beginning of the period		42,018,657	28,244,300
Cash and cash equivalents at the end of the period		41,998,240	27,326,082

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2023

		(Un-audited) September 30, 2023	(Audited) December 31, 2022
	Note	----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	6	40,850,734	39,972,702
Balances with other banks	7	1,149,708	2,048,157
Due from financial institutions - net	8	5,255,544	23,878,183
Investments - net	9	276,771,767	180,176,339
Islamic financing, related assets and advances - net	10	203,699,800	201,328,442
Fixed assets	11	14,261,521	14,190,422
Intangible assets	12	3,482,465	3,308,580
Deferred tax assets	13	4,216,507	3,213,719
Other assets - net	14	36,184,567	19,482,870
Total Assets		585,872,613	487,599,414
LIABILITIES			
Bills payable	15	2,640,416	3,530,929
Due to financial institutions	16	60,146,046	21,052,256
Deposits and other accounts	17	461,908,099	415,911,937
Subordinated sukuk	18	2,850,000	2,850,000
Deferred tax liabilities		-	-
Other liabilities	19	25,165,667	17,463,348
		552,710,228	460,808,470
NET ASSETS		33,162,385	26,790,944
REPRESENTED BY			
Share capital - net		11,007,991	11,007,991
Reserves		2,591,071	2,591,071
Surplus on revaluation of assets - net of tax	20	1,588,013	2,759,222
Unappropriated profit		17,975,310	10,432,660
		33,162,385	26,790,944
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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BankIslami Pakistan Limited

Condensed Interim Consolidated Profit and Loss Account

(Un-audited)

For The Quarter & Nine Months Ended September 30, 2023

		Quarter Ended		Nine Months Ended	
	Note	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		Rupees in '000			
Profit / return earned	22	26,144,635	13,220,921	65,309,237	31,591,490
Profit / return expensed	23	14,453,407	7,495,521	36,964,611	17,947,864
Net Profit / return		11,691,228	5,725,400	28,344,626	13,643,626
OTHER INCOME					
Fee and commission income	24	476,971	315,685	1,274,885	1,044,835
Dividend income		16,975	5,188	44,313	17,753
Foreign exchange income		(208,516)	637,327	376,061	1,228,708
Gain on securities	25	86,261	58,342	201,266	77,067
Other income - net	26	145,474	115,847	252,864	473,850
Total other income		517,165	1,132,389	2,149,389	2,842,213
Total Income		12,208,393	6,857,789	30,494,015	16,485,839
OTHER EXPENSES					
Operating expenses	27	3,831,461	3,063,344	11,325,125	8,576,209
Workers' Welfare Fund		132,322	56,930	298,239	110,881
Other charges	28	2,590	600	7,351	8,301
Total other expenses		3,966,373	3,120,874	11,630,715	8,695,391
Profit before provisions		8,242,020	3,736,915	18,863,300	7,790,448
Provisions and write offs - net	29	1,578,042	890,417	3,903,489	2,246,379
Extra ordinary / unusual items		-	-	-	-
Share of (loss) / profit from associate - net of tax		(24,011)	-	(17,711)	9,819
PROFIT BEFORE TAXATION		6,639,967	2,846,498	14,942,100	5,553,888
Taxation	30	3,286,140	1,430,526	6,486,227	2,691,840
PROFIT AFTER TAXATION		3,353,827	1,415,972	8,455,873	2,862,048
ATTRIBUTABLE TO:					
Equity shareholders of the Holding Company		3,353,827	1,415,972	8,455,873	2,862,048
Non-controlling interest		-	-	-	-
		3,353,827	1,415,972	8,455,873	2,862,048
		Rupees			
Basic / Diluted earnings per share	31	3.0250	1.2771	7.6268	2.5814

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For The Quarter & Nine Months Ended September 30, 2023

	Quarter Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Rupees in '000			
Profit after taxation for the period attributable to:				
Equity shareholders of the Holding Company	3,353,827	1,415,972	8,456,873	2,862,048
Non-controlling interest	-	-	-	-
	3,353,827	1,415,972	8,455,873	2,862,048
Other Comprehensive Income / (Loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax attributable to:				
Equity shareholders of the Holding Company	(48,724)	147,935	(997,642)	247,359
Non-controlling interest	-	-	-	-
	(48,724)	147,935	(997,642)	247,359
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of fixed assets - net of tax	99,676	-	(69,693)	-
Movement in surplus on revaluation of non-banking assets - net of tax	(239)	-	(3,066)	-
	99,437	-	(72,759)	-
Total comprehensive income	3,404,540	1,563,907	7,385,472	3,109,407
Total comprehensive income attributable to:				
Equity shareholders of the Holding Company	3,404,540	1,563,907	7,385,472	3,109,407
Non-controlling interest	-	-	-	-
	3,404,540	1,563,907	7,385,472	3,109,407

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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BankIslami Pakistan Limited

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For The Quarter & Nine Months Ended September 30, 2023

	Share capital	Discount on issue of shares	Statutory reserve ^a	Surplus on revaluation of		Unappropriated profit	Total
				Investments	Fixed / Non-Banking Assets		
----- Rupees in '000 -----							
Opening Balance as at January 1, 2022	11,087,033	(79,042)	1,703,144	1,380,271	2,075,000	6,640,760	22,807,167
Profit after taxation for the nine months ended September 30, 2022	-	-	-	-	-	2,862,048	2,862,048
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	247,359	-	-	247,359
	-	-	-	247,359	-	2,862,048	3,109,407
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of tax	-	-	-	-	(88,225)	88,225	-
Transfer from surplus on revaluation of non- banking assets to unappropriated profit - net of tax	-	-	-	-	(573)	573	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	(10,412)	10,412	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	(43,347)	43,347	-
Opening Balance as at October 1, 2022	11,087,033	(79,042)	1,703,144	1,627,630	1,932,444	9,645,365	25,916,574
Profit after taxation for the period from October 01, 2022 to December 31, 2022	-	-	-	-	-	1,622,165	1,622,165
Other comprehensive (loss) / income for the period from October 01, 2022 to December 31, 2022	-	-	-	(505,439)	(269,050)	26,694	(747,795)
	-	-	-	(505,439)	(269,050)	1,648,859	874,370
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(29,594)	29,594	-
Transfer from surplus on revaluation of non- banking assets to unappropriated profit - net of tax	-	-	-	-	3,231	(3,231)	-
Transfer to statutory reserve	-	-	887,927	-	-	(887,927)	-
Opening Balance as at January 1, 2023	11,087,033	(79,042)	2,591,071	1,122,191	1,637,031	10,432,660	26,790,944
Profit after taxation for the nine months ended September 30, 2023	-	-	-	-	-	8,455,873	8,455,873
Other comprehensive loss for the nine months ended September 30, 2023	-	-	-	(997,642)	(72,759)	-	(1,070,401)
	-	-	-	(997,642)	(72,759)	8,455,873	7,385,472
Share of profit from Associate for the period from October 01, 2022 to December 31, 2022	-	-	-	-	-	94,672	94,672
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(100,671)	100,671	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	(137)	137	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Cash dividend to shareholders for the year 2022 @ Re.1 per share	-	-	-	-	-	(1,108,703)	(1,108,703)
Closing Balance as at September 30, 2023	11,087,033	(79,042)	2,591,071	124,549	1,463,464	17,975,310	33,162,385

^aThis represents reserve created under section 21(1) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Consolidated Cash Flow Statement

(Un-audited)

For The Nine Months Ended September 30, 2023

	Note	September 30, 2023	September 30, 2022
		----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,942,100	5,553,888
Less: Dividend income		(44,313)	(17,753)
Less: Share of loss / (profit) from associate		17,711	(9,819)
		14,915,498	5,526,316
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets		837,320	712,263
Depreciation on non-banking assets		1,726	2,643
Depreciation on right-of-use assets		625,803	629,591
Amortization		98,313	67,344
Depreciation on operating Ijarah assets		14,540	56,771
Amortisation of lease liability against right of use assets	23	956,819	259,487
Provisions and write offs - net	29	3,903,489	2,246,379
Charge for defined benefit plan		142,227	-
Gain on sale of fixed assets	26	(101,190)	(11,697)
Gain on sale of non-banking assets	26	-	(208,967)
		6,479,047	3,753,814
		21,394,545	9,280,130
(Increase) / decrease in operating assets			
Due from financial institutions		18,622,639	(8,010,308)
Islamic financing and related assets and advances - net		(5,650,502)	(26,401,175)
Other assets (excluding advance taxation)		(17,344,426)	(1,459,644)
		(4,372,289)	(35,871,127)
Increase / (decrease) in operating liabilities			
Bills payable		(890,513)	(383,812)
Due to financial institutions		39,093,790	(253,315)
Deposits and other accounts		45,996,162	43,340,573
Other liabilities (excluding current taxation)		4,952,268	982,687
		89,151,707	43,686,134
		106,173,963	17,095,137
		(4,331,724)	(1,813,651)
Income tax paid		(4,331,724)	(1,813,651)
Net cash generated from operating activities		101,842,239	15,281,486
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(98,095,456)	(14,283,309)
Dividends received		44,313	17,753
Investments in fixed assets		(1,964,803)	(972,393)
Investments in intangible assets		(272,198)	(130,604)
Proceeds from sale of fixed assets		562,415	77,049
Net cash used in investing activities		(99,725,729)	(15,291,504)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of Ijarah (lease) liability against right of use assets		(1,127,700)	(908,200)
Dividend paid		(1,009,228)	-
Net cash generated from / (used in) financing activities		(2,136,928)	(908,200)
Increase / (decrease) in cash and cash equivalents		(20,417)	(918,218)
Cash and cash equivalents at the beginning of the period		42,020,859	28,246,502
Cash and cash equivalents at the end of the period		42,000,442	27,328,284

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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-Sd-
DIRECTOR

7.5. SUMMARY OF HISTORICAL FINANCIALS (UNCONSOLIDATED)

Profit and Loss Account - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit / return / earned	65,309	46,345	23,235	25,744
Profit / return expensed	(36,964)	(25,943)	(12,303)	(13,255)
Net Spread	28,345	20,402	10,932	12,489
Total Other Income	2,149	3,599	2,119	1,635
Total Income	30,494	24,001	13,052	14,124
Operating Expenses	(11,325)	(11,773)	(9,550)	(8,578)
Operating Profit	19,169	12,228	3,502	5,546
(Provision)/Reversal of provision and write offs - net	(3,903)	(3,812)	(32)	(2,601)
Profit before Taxation	14,960	8,228	3,397	2,759
Profit after Taxation	8,474	4,440	2,131	1,703
Statement of Financial Position - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Authorized Capital	15,000	15,000	13,000	13,000
Paid up Capital	11,008	11,008	11,008	11,008
Reserves	2,591	2,591	1,703	1,527
Unappropriated Profit	17,549	10,083	6,336	4,330
Surplus on revaluation of assets - net of tax	1,546	2,768	3,464	3,031
Shareholders' equity	32,694	26,450	22,511	19,895
Total Assets	585,385	487,239	408,390	336,297
Gross Islamic Financing / Advances	225,977	220,341	196,378	145,338
Provisions (Specific and General)	22,368	19,106	15,296	15,294
Islamic Financing - net	203,700	201,328	181,176	130,162
Non-Performing Financings	21,883	19,873	17,077	17,529
Investments - net	276,161	179,741	124,838	95,240
Total Liabilities	552,690	460,789	385,879	316,402
Deposits and Other Accounts	461,908	415,912	344,788	283,641
Due to Financial Institutions	60,146	21,052	21,193	41,640
Current and Savings accounts (CASA)	282,974	278,211	236,806	180,768
Cash Flow Statement	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Cash and Cash Equivalents at the Beginning of the Year	42,019	28,244	34,342	16,518
Cash Flow from Operating Activities	101,794	70,943	26,331	60,476
Cash Flow from Investing Activities	(99,677)	(58,018)	(32,429)	(42,952)
Cash Flow from Financing Activities	(2,134)	850	-	300
Net Increase in Cash and Cash Equivalents	(20)	13,774	(6,098)	17,825
Cash and Cash Equivalents at the End of the Year	41,998	42,019	28,244	34,342
Profitability Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit before tax ratio %	49.06%	34.28%	26.03%	19.54%
Gross Yield on Earning Assets %	13.43%	11.39%	6.74%	9.22%
Gross Yield on Avg. Earning Assets %	14.62%	12.33%	7.45%	10.07%
Gross Yield on Avg. Earning Assets (incl. Dividend & capital gains) %	14.76%	12.72%	7.70%	10.32%
Gross Spread ratio %	43.40%	44.02%	47.05%	48.51%
Cost to Income ratio %	38.14%	49.83%	73.73%	62.05%
Return on average Equity (ROAE) %	30.91%	20.78%	11.87%	10.67%
Return on average Assets (ROA) %	1.58%	0.99%	0.57%	0.55%
Shareholders' Funds %	5.59%	5.43%	5.51%	5.92%
Return on Shareholders' Funds %	28.65%	18.14%	10.05%	8.60%
Non-funded income to total income %	7.05%	14.99%	16.24%	11.58%

Assets Quality and Liquidity Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Gross Financing to deposits ratio %	48.92%	52.98%	56.96%	51.24%
Net Financing to deposit ratio %	44.10%	48.41%	52.55%	45.89%
Net Investment to deposit %	59.79%	43.22%	36.21%	33.58%
CASA to Total deposit %	61.26%	66.89%	68.68%	63.73%
Non-Performing loans to Gross Financing %	9.68%	9.02%	8.70%	12.06%
Coverage Ratio (Specific provision/NPLs) %	83.88%	81.11%	85.08%	82.67%
Coverage Ratio (Total provision/NPLs) %	102.22%	96.14%	89.57%	87.25%
Earning Assets to Cost bearing Liabilities Times	1.32	1.45	1.46	1.34
Deposit to shareholder Equity Times	14.83	17.56	18.1	16.82
Assets to Equity Times	18.79	20.57	21.44	19.94
Liquidity Coverage ratio %	326.59%	317.37%	249.73%	210.41%
Net Stable Funding ratio %	310.68%	260.73%	238.21%	251.29%
Investment and Market Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Earnings per share (EPS) and diluted EPS Rs.	7.6428	4.0043	1.9224	1.5362
Price Earnings ratio Times	2.29	3.34	6.66	7.82
Price to Book ratio Times	0.59	0.56	0.63	0.67
Breakup value per share				
-With Surplus on Revaluation of Assets & Investments Rs.	29.49	23.86	20.3	17.94
-Without Surplus on Revaluation of Assets Rs.	28.26	22.38	18.43	16.47
-Without Surplus on Revaluation of Assets & Investment Rs.	28.09	21.36	17.18	15.21
Capital Structure	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Tier 1 Capital PKR In Mn	29,413	22,389	15,552	15,347
Total Eligible Capital PKR In Mn	37,562	29,501	20,301	20,127
Risk Weighted Assets (RWAs) PKR In Mn	167,506	164,613	143,488	125,040
Capital Adequacy ratio %	22.42%	17.92%	14.15%	16.10%
Earning Assets to total Assets %	83.07%	83.53%	84.39%	83.07%
Debt to Equity ratio as per book value %	8.72%	10.77%	8.88%	10.05%

7.6. SUMMARY OF HISTORICAL FINANCIALS (CONSOLIDATED)

Profit and Loss Account - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit / return / earned	65,309	46,345	23,227	25,721
Profit / return expensed	(36,965)	(25,943)	(12,275)	(13,230)
Net Profit / Return	28,345	20,402	10,952	12,492
Total Other Income	2,149	3,643	1,937	1,405
Total Income	30,494	24,046	12,889	13,896
Operating Expenses	(11,325)	(11,773)	(9,550)	(8,578)
Operating Profit	19,169	12,273	3,339	5,318
(Provision) / Reversal of provisions and write offs - net	3,903	(3,812)	(32)	(2,601)
Profit before Taxation	14,942	8,273	3,234	2,532
Profit after Taxation	8,456	4,484	1,968	1,475
Statement of Financial Position - PKR million	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Authorized Capital	15,000	15,000	13,000	13,000
Paid-up capital	11,008	11,008	11,008	11,008
Reserves	2,591	2,591	1,703	1,527
Unappropriated profit	17,975	10,433	6,641	4,735
Shareholders' Equity	31,574	24,032	19,352	17,270

Surplus on revaluation of assets - net of tax	1,588	2,759	3,455	3,026
Non-Controlling Interest	-	-	-	217
Equity including surplus	33,162	26,791	22,807	20,296
Total Assets	585,873	487,599	408,706	337,941
Gross Islamic Financing / Advances	225,977	220,341	196,378	145,148
Provisions (Specific and General)	22,368	19,106	15,296	15,294
Islamic Financing - net	203,700	201,328	181,176	129,972
Non-Performing Financings	21,883	19,872	17,077	17,529
Investments-net	276,772	180,176	125,229	95,622
Total Liabilities	552,710	460,808	385,899	317,428
Deposits and Other Accounts	461,908	415,912	344,788	282,937
Due to Financial Institutions	60,146	21,052	21,193	16,128
Current and Savings accounts (CASA)	282,974	278,211	236,806	180,768
Cash Flow Statement	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Cash and Cash Equivalents at the Beginning of the Year	42,021	28,247	34,344	16,521
Cash Flow from Operating Activities	101,842	70,943	26,368	60,389
Cash Flow from Investing Activities	(99,726)	(58,018)	(32,466)	(42,865)
Cash Flow from Financing Activities	(2,137)	850	-	300
Net Increase in Cash and Cash Equivalents	(20)	13,774	(6,098)	16,521
Cash and Cash Equivalents at the End of the Year	42,000	42,021	28,247	34,344
Profitability Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Profit before tax ratio %	49.06%	34.28%	25.05%	19.55%
Gross Yield on Earning Assets %	13.41%	11.37%	6.73%	9.20%
Return on average Equity (ROAE) %	30.67%	20.47%	10.71%	10.54%
Return on average Assets (ROA) %	1.58%	0.99%	0.53%	0.55%
Shareholders' Funds %	5.66%	5.49%	5.58%	6.01%
Return on Shareholders' Funds %	28.43%	17.90%	9.10%	8.53%
Non-funded income to total income %	7.05%	14.99%	14.98%	11.57%
Assets Quality and Liquidity Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Earning Assets to Cost bearing Liabilities Times	1.32	1.45	1.44	1.34
Deposit to shareholder Equity Times	14.63	17.31	17.82	16.38
Assets to Equity Times	18.56	20.29	21.12	19.57
Liquidity Coverage ratio %	282.24%	317.37%	249.73%	210.41%
Net Stable Funding ratio %	262.99%	260.75%	238.21%	251.29%
Investment and Market Ratios	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Earnings per share (EPS) and diluted EPS Rs.	7.6268	4.0446	1.7753	1.3306
Price Earnings ratio Times	2.29	3.3	7.22	9.03
Price to Book ratio Times	0.58	0.55	0.62	0.65
Capital Structure	9M23(Un-audited)	CY22(Audited)	CY21(Audited)	CY20(Audited)
Tier 1 Capital PKR In Mn	30,083	22,821	15,990	15,885
Total Eligible Capital PKR In Mn	38,301	30,087	20,897	20,858
Risk Weighted Assets (RWAs) PKR In Mn	173,039	168,917	147,504	129,531
Capital Adequacy ratio %	22.13%	17.81%	14.17%	16.10%
Earning Assets to total Assets %	83.10%	83.56%	84.42%	82.72%
Debt to Equity ratio as per book value %	8.59%	10.64%	8.77%	9.75%

7.7. SUMMARY OF MAJOR ITEMS OF REVENUE AND EXPENDITURE (UNCONSOLIDATED)

PKR million	9M23 (Unaudited)		CY22 (Audited)		CY21 (Audited)		CY20 (Audited)	
<u>Breakup of Profit / Return Earned</u>	<u>65,309</u>	<u>100.00%</u>	<u>46,345</u>	<u>100.00%</u>	<u>23,235</u>	<u>100.00%</u>	<u>25,744</u>	<u>100.00%</u>
Financing	31,408	48.09%	24,606	53.10%	11,997	51.60%	14,281	55.50%
Investments	30,503	46.71%	17,114	36.90%	8,790	37.80%	6,495	25.20%
Placements	3,257	4.99%	4,460	9.60%	2,314	10.00%	4,848	18.80%
Others	141	0.22%	165	0.40%	135	0.60%	120	0.50%
<u>Breakup of Profit / Return Expensed</u>	<u>36,965</u>	<u>100.00%</u>	<u>25,943</u>	<u>100.00%</u>	<u>12,303</u>	<u>100.00%</u>	<u>13,255</u>	<u>100.00%</u>
Deposits and other accounts	28,202	76.29%	21,690	83.60%	10,850	88.20%	11,780	88.90%
Due to financial institutions	6,937	18.77%	3,318	12.80%	804	6.50%	822	6.20%
Cost of foreign currency swaps against foreign currency deposits	365	0.99%	170	0.70%	26	0.20%	24	0.20%
Finance cost on Ijarah (lease) liabilities	957	2.59%	441	1.70%	416	3.40%	390	2.90%
Additional Tier-1 Sukuk	504	1.36%	322	1.20%	206	1.70%	240	1.80%
<u>Breakup of Other Income</u>	<u>2,149</u>	<u>100%</u>	<u>3,599</u>	<u>100%</u>	<u>2,119</u>	<u>100.00%</u>	<u>1,635</u>	<u>100.00%</u>
Fee and commission income	1,275	59.33%	1,459	40.50%	1,227	57.90%	900	55.00%
Dividend income	44	2.05%	26	0.70%	25	1.20%	17	1.00%
Foreign exchange income	376	17.50%	1,350	37.50%	482	22.70%	365	22.30%
Gain / (Loss) on securities	201	9.35%	80	2.20%	292	13.80%	242	14.80%
Other income	253	11.77%	684	19.00%	94	4.40%	111	6.80%
PKR million	9M23 (Unaudited)		CY22 (Audited)		CY21 (Audited)		CY20 (Audited)	
<u>Breakup of Operating Expenses</u>	<u>11,325</u>	<u>100.00%</u>	<u>11,773</u>	<u>100.00%</u>	<u>9,550</u>	<u>100.00%</u>	<u>8,578</u>	<u>100.00%</u>
Total compensation expense	5,110	45.12%	5,363	45.60%	4,398	46.10%	3,619	42.20%
Property expense	2,454	21.67%	2,887	24.50%	2,202	23.10%	2,135	24.90%
Information technology expenses	1,190	10.51%	1,095	9.30%	929	9.70%	805	9.40%
Other operating expenses	2,571	22.70%	2,428	20.60%	2,020	21.20%	2,018	23.50%

7.8. REVENUE FROM MAJOR PRODUCT/MAJOR ACTIVITIES

Profit / Return Earned (PKR Million)	9M2023 (Unaudited)	As % of Total Profit / Return Earned	2022 (Audited)	As % of Total Profit / Return Earned	2021 (Audited)	As % of Total Profit / Return Earned	2020 (Audited)	As % of Total Profit / Return Earned
Financing	31,408	48.09%	24,606	53.10%	11,997	51.60%	14,281	55.50%
Investments	30,503	46.71%	17,114	36.90%	8,790	37.80%	6,495	25.20%
Placements	3,257	4.99%	4,460	9.60%	2,314	10.00%	4,848	18.80%
Others	141	0.22%	165	0.36%	135	0.58%	120	0.50%
Total	65,309	100.00%	46,345	100.00%	23,235	100.00%	25,744	100.00%

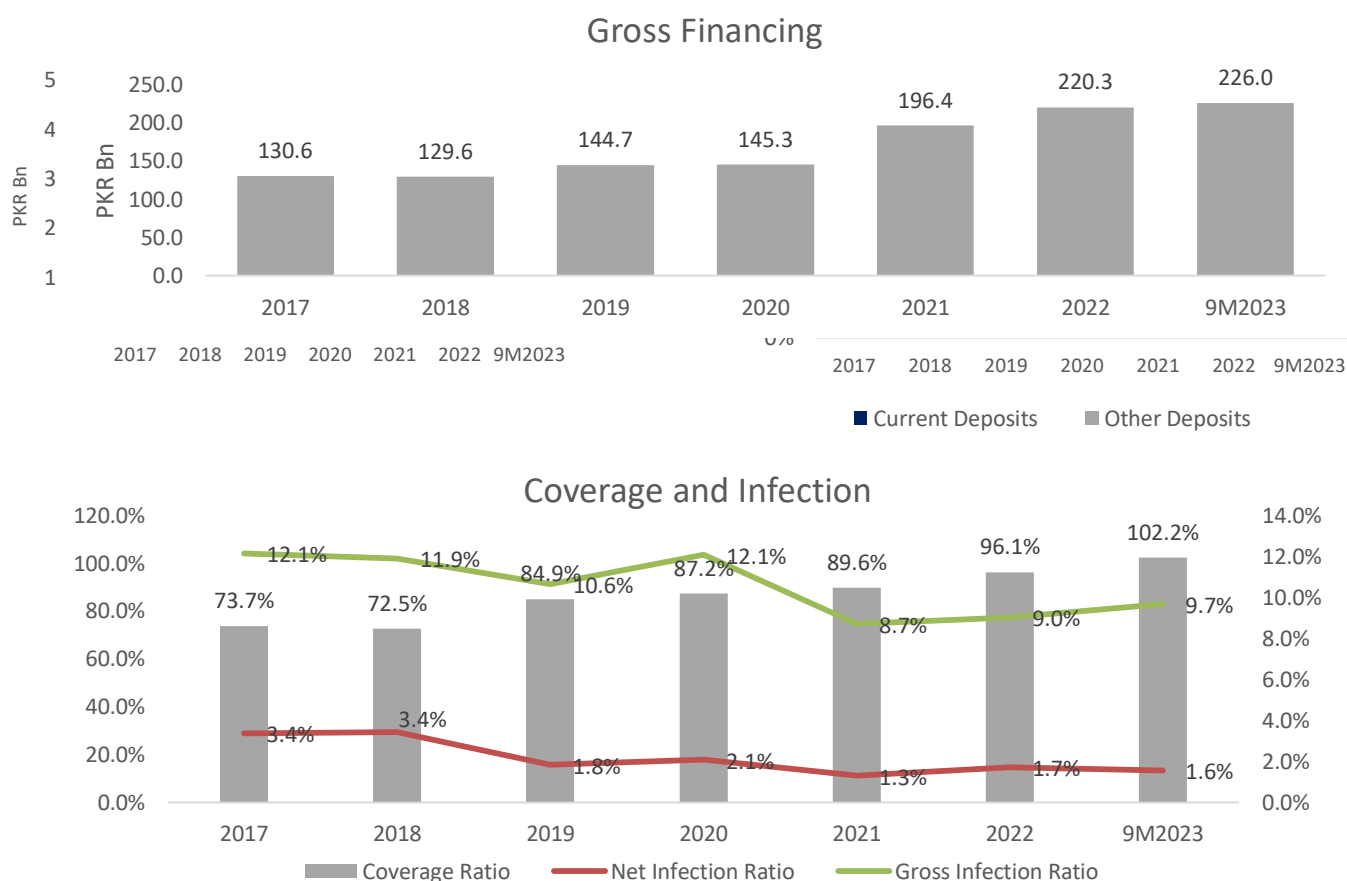
7.9. OPERATING AND FINANCIAL PERFORMANCE HIGHLIGHTS

BankIslami Pakistan Limited principally operates as a licensed and full-fledged scheduled Islamic Commercial Bank. The Bank is operating with 407 branches including 70 sub-branches as at September 30, 2023 and offers various Shariah compliant services to its clients.

Alhumdulillah! the Bank's net assets increased by 23.6%, primarily driven by the allocation of excess liquidity in GoP Ijarah Sukuk. As a result, the Bank's investment portfolio surged from Rs. 179.74 billion in Dec 2022 to

Rs. 276.16 billion in Sept 2023, marking a substantial growth of 53.6%. Consequently, the investment to deposit ratio (IDR) rose from 43.2% as of Dec 31, 2022, to 59.8% as of Sept 30, 2023.

The Bank's total deposits surged by 11.1% compared to the end of the year 2022, while it achieved a year-on-year growth of 19%. The results demonstrate significant growth of 29.9% in term deposits with a slight decrease of 1.9% in current deposits compared to the end of the year 2022. On a year-on-year basis, there is a growth of 12.9% in the current account of the Bank. The growth in total deposits emerged based on the Bank's strategic product diversification, catering to distinct market segments and effectively addressing specific market needs. In line with this approach, the Bank reintroduced attractive term deposit offerings, leveraging the heightened demand owing to higher policy rates. Moreover, it introduced customized products for women, established priority banking centers, and emphasized cash management and employee banking services. Additionally, the Bank is expanding its branch network, thereby improving accessibility and market presence.



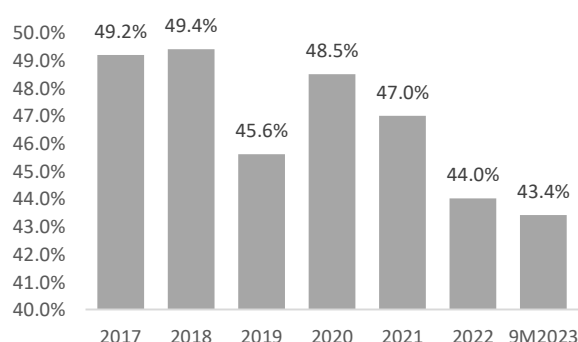
The Bank demonstrated controlled growth in its financing portfolio, recording a modest 1.2% increase as compared to the end of the year 2022. Challenges such as high policy rates, stringent regulatory measures on auto financing, and the absence of subsidized housing finance schemes for new cases led to a notable decline in the Bank's consumer financing portfolio. Consequently, the Bank's gross Advance to Deposit ratio (ADR) decreased to 48.9% from 53% reported as of Dec 31, 2022. Nevertheless, going forward, the Bank intends to increase its funding to large corporate and commercial clients, with the goal of sustaining a robust financing portfolio.

A strong capital foundation is essential for maintaining a robust asset portfolio. As of September 30, 2023, the Bank's Capital Adequacy Ratio (CAR) has reached an impressive 22.42%, marking a significant increase from 17.92% recorded as of December 31, 2022, despite the payment of dividend of Re. 1/- per share during the current year. The strong growth in profitability and investments in zero/low risk weighted assets notably contributed to the improved CAR. This growth highlights the Bank's commitment to sustaining a strong financial position and enhancing shareholder value.

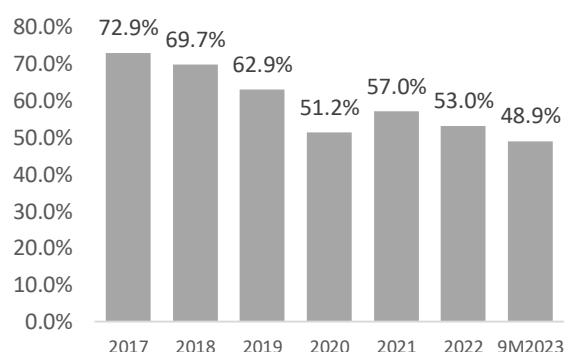
Owing to growth in overall balance sheet along with rise in policy rate, the net spread earned by the Bank during the period of 9M 2023 grew by 107.7% as compared to same period last year. With the country going through a high cycle of inflation, opening of new branches by the Bank and increase in headcount primarily on business side, the overall operating expenses of the Bank has increased by 33.8% as compared to same period last year. Net provision against financings and investments increased by 73.8% during the 9M 2023 due to certain fresh classifications, discounting of FSV benefit considered against previously classified financings and incremental general provision. While the management will continue to make efforts to recover from classified portfolio, at the same time, it will continue to prudently monitor the health of the overall financing portfolio. In response to the current economic conditions, the Bank has proactively allocated an additional general provision of Rs. 1.1 billion during the 9M 2023, leading to an improvement in the coverage ratio to 102.2%.

Alhumdulillah! the Bank has attained an increase of 169.8% in its profit before tax for the nine months ended on September 30, 2023 as compared to same period last year. This achievement is a result of Bank's comprehensive strategy which included a focus on attaining an optimal CASA mix, promoting growth in low-risk weighted financing portfolios, prioritizing feebased income and consciously expanding the investment portfolio. In the year 2023, the recognition of deferred tax assets was adjusted based on the tax rates amended vide Finance Bill 2023-24, leading to a reversal in the tax charge by approx. Rs. 1 billion. Consequently, the profit after tax reached to Rs. 8.47 billion, an increase of 197.1% which underscores the Bank's unwavering commitment to financial excellence and its ability to navigate challenging circumstances, yielding exceptional results.

Net Spread Margins






ADR - Gross



7.10. PEER COMPARISON

The peer comparison is based on published Financial Statements.

Particulars	 Meezan Bank The Premier Islamic Bank	 faysalbank	 BankIslami
PKR Mn			
December 31st, 2022			
Total Assets	2,577,398	1,074,353	487,239
Deposits	1,658,490	781,571	415,912
Islamic Financing / Advances - Net	995,508	454,261	201,328
Investments – Net	1,283,210	469,451	179,741
Total Equity (incl. surplus)	115,321	70,083	26,450
Non-Performing Financings	13,628	21,698	19,873
Net Spread Earned	121,704	39,988	20,402
Specific Provision	12,813	(284)	16,119
Net Islamic Financing / Advances to Deposits Ratio	60.02%	58.12%	48.41%
Capital Adequacy Ratio	18.42%	15.47%	17.92%
Infection Ratio (Gross)	1.37%	4.58%	9.02%
Coverage Ratio	165.78%	89.08%	96.14%
Net spread margin	49%	38%	44.02%
No. of Branches	962	700	380
June 30th, 2023			
Total Assets	2,798,067	1,228,863	591,034
Deposits	1,921,892	907,900	462,965
Islamic Financing / Advances - Net	1,020,285	521,300	243,464

Note: As of Dec 31st, 2022 SBP has granted license to Faysal Bank as full-fledged Islamic Commercial Bank. The Peer Comparison is that of listed Islamic banks.

PART 7A: REVALUATION OF FIXED ASSETS

During the year ended December 31st, 2021, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Private) Limited., Gandhara Consultants (Private) Limited, Akbani & Javed Associates and Sadruddin Associates (Private) Limited on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at PKR 7,559.697 million. The total surplus arising against revaluation of fixed assets as of September 30th, 2023 amounts to PKR 2,606 million.

PART 7B: DIVIDEND POLICY

The Bank in its general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board. Dividend, if declared in the general meeting, shall be paid according to the provisions of the Companies Act.

The Board of Directors may from time to time declare dividends as appear to it to be justified by the profits of the Bank. No dividend shall be paid otherwise than out of the profits of the Bank for the year or any other

undistributed profits of prior years. No unpaid dividend shall bear interest or markup against the Company. The dividends shall be paid within the period laid down in the Companies Act.

BankIslami for the first time declared cash dividend of 10% in 2023 and further, announced an interim cash dividend of 17.5% for the nine months ended September 30th, 2023. It is to be noted that no bonus shares have been issued during last five years.

PART 7C: CREDIT RATING

Credit Rating of BankIslami Pakistan Limited issued by PACRA in June 2023:

Entity Rating – Long Term	AA-
Entity Rating – Short Term	A1
Instrument Rating	A

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PART 7C: ANNEXURE 1–ENTITY RATING REPORT



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

Date

24-Jun-23

Analyst

Sehar Fatima
sehar.fatima@pacra.com
+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Financial Institution Rating | Jun-22
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jun-22
- Methodology | Rating Modifiers | Jun-22

Related Research

- Sector Study | Commercial Bank | Jun-23

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

PACRA Upgrades Entity Ratings of BankIslami Pakistan Limited

Rating Type	Entity	
	Current (24-Jun-23)	Previous (24-Jun-22)
Action	Upgrade	Maintain
Long Term	AA-	A+
Short Term	A1	A1
Outlook	Stable	Positive
Rating Watch	-	-

BankIslami Pakistan Limited (BIPL) has demonstrated remarkable growth over the last couple of years in areas crucial to the risk profiling of any commercial bank. The bank, under the new leadership, has recorded expansion in the deposit base. There has been enhancement in the system share as well, enabling the bank to fare better with the banks rated higher. The delta achieved with the peers supported the rating ascension. The Islamic banking space is expanding and there are mentionable players which are taking the lead. BIPL is fast rising in this space. During CY22, the Bank's net profitability increased to PKR 4.4bln, attributable to an impressive increase in markup earned. The net markup income doubled and clocked in at PKR 20.4bln (CY21: PKR 10.9bln). The Bank's spread ratio displayed an improvement to 6.0% (CY21: 3.8%). During 1QCY23, there was phenomenal jump in profitability; the PBT stood at PKR 3.1bln and PAT stood at PKR 1.7bln, enabled by higher spreads 7.0%. The cost of funding base for Islamic banks is efficient and it is contributing towards internal capital generation. The Bank's deposit base reflected significant addition tilted towards current and term deposits. With the execution of operational efficiency, during CY22, the Bank's CAR rose to 17.9% (CY21: 14.1%). The Bank's asset quality has largely remained sustained with an increase in coverage. The equity base, in turn, the risk absorption capacity of the Bank has recorded commendable improvement. In the future, it will be crucial to carry out the Bank's business plan while enhancing the effectiveness of the risk management framework to raise asset quality. The bank has designed an array of product suites, catering to different needs of the customers. In a few areas of lending, the bank stands at a distinguished position. The Bank's current areas under focus include growth in the current account, improve deposit per branch ratio, enhancement of the financing portfolio, cash management and employee banking, ensuring regulatory compliance, branch expansion, and increasing digital footprint through revamped digital delivery channels.

The banking sector has continued to flourish with high profitability. Going forward, the macro-economic environment is beset with myriad challenges due to heightened interest rates, tightening of demand, rupee depreciation and higher infection. This has repercussions for the entire system including banking. Sustained asset quality and profitable growth is essential for ratings.

About the Entity

BIPL, a scheduled Islamic bank, commenced operations in Apr-06 and is listed on PSX. BIPL has 380 branches as at Dec-22. BIPL has three prominent sponsors namely JS & Co. Limited, the Randeree family, and Mr. Ali Hussain. All these have a collective holding of around 73% in the bank and predominantly direct the affairs of the BIPL's board. BIPL's eight-member board of directors (BoD) including the CEO constitutes representatives of sponsoring groups and independent directors. Mr. Syed Amir Ali is the 'President & CEO' since Oct-18. He is a Chartered Accountant and CFA Charter holder, carrying more than 20 years of Islamic Banking experience mainly at Meezan Bank. He is assisted by an able team.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



The Pakistan Credit Rating Agency Limited

Rating Report

BankIslami Pakistan Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
24-Jun-2023	AA-	A1	Stable	Upgrade	-
24-Jun-2022	A+	A1	Positive	Maintain	-
24-Jun-2021	A+	A1	Positive	Maintain	-
30-Jun-2020	A+	A1	Stable	Maintain	-
08-Oct-2019	A+	A1	Stable	Maintain	-
30-Apr-2019	A+	A1	Stable	Maintain	Yes
27-Dec-2018	A+	A1	Stable	Maintain	Yes
22-Jun-2018	A+	A1	Stable	Maintain	-
13-Dec-2017	A+	A1	Developing	Maintain	-

Rating Rationale and Key Rating Drivers

BankIslami Pakistan Limited (BIPL) has demonstrated remarkable growth over the last couple of years in areas crucial to the risk profiling of any commercial bank. The bank, under the new leadership, has recorded expansion in the deposit base. There has been enhancement in the system share as well, enabling the bank to fare better with the banks rated higher. The delta achieved with the peers supported the rating ascension. The Islamic banking space is expanding and there are mentionable players which are taking the lead. BIPL is fast rising in this space. During CY22, the Bank's net profitability increased to PKR 4.4bln, attributable to an impressive increase in markup earned. The net markup income doubled and clocked in at PKR 20.4bln (CY21: PKR 10.9bln). The Bank's spread ratio displayed an improvement to 6.0% (CY21: 3.8%). During 1QCY23, there was phenomenal jump in profitability; the PBT stood at PKR 3.1bln and PAT stood at PKR 1.7bln, enabled by higher spreads 7.0%. The cost of funding base for Islamic banks is efficient and it is contributing towards internal capital generation. The Bank's deposit base reflected significant addition tilted towards current and term deposits. With the execution of operational efficiency, during CY22, the Bank's CAR rose to 17.9% (CY21: 14.1%). The Bank's asset quality has largely remained sustained with an increase in coverage. The equity base, in turn, the risk absorption capacity of the Bank has recorded commendable improvement. In the future, it will be crucial to carry out the Bank's business plan while enhancing the effectiveness of the risk management framework to raise asset quality. The bank has designed an array of product suites, catering to different needs of the customers. In a few areas of lending, the bank stands at a distinguished position. The Bank's current areas under focus include growth in the current account, improve deposit per branch ratio, enhancement of the financing portfolio, cash management and employee banking, ensuring regulatory compliance, branch expansion, and increasing digital footprint through revamped digital delivery channels.

The banking sector has continued to flourish with high profitability. Going forward, the macro-economic environment is beset with myriad challenges due to heightened interest rates, tightening of demand, rupee depreciation and higher infection. This has repercussions for the entire system including banking. Sustained asset quality and profitable growth is essential for ratings.

Disclosure

Name of Rated Entity	BankIslami Pakistan Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Financial Institution Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Commercial Bank(Jun-23)
Rating Analysts	Sehar Fatima sehar.fatima@pacra.com +92-42-35869504



The Pakistan Credit Rating Agency Limited

Commercial Bank

Profile

Structure BankIslami Pakistan Limited (BIPL), incorporated in Oct-04, was the first bank in Pakistan to receive an Islamic Banking license, in Mar-05, under the Islamic Banking Policy of 2003. The bank, after being declared a scheduled Islamic bank by the State Bank of Pakistan in Mar-05, commenced its operations on April 07, 2006.

Background The Bank was established with a vision to be recognized as the leading authentic Islamic bank with its mission to create value for its stakeholders by offering authentic Shariah-compliant and technologically advanced products and services.

Operations BIPL is currently operating with 380 branches as of December 31, 2022, across the country. The Bank offers a full suite of Shariah-compliant commercial banking products to its customers including financing to Corporate, SME and Agriculture sectors, syndication financing, facilitation in commercial paper/ sukuk issuance, Consumer financing, Cash Management including Employee Banking facility and Personal Banking products fulfilling financial needs of its diversified customer base.

Ownership

Ownership Structure BIPL has three prominent sponsors namely JS Group (through Jahangir Siddiqui & Company Limited – JSCL and JS Bank Limited), Mr. Ali Hussain including his shareholding through SAJ Capital Limited and Randeree family. All these have a collective holding of around 73% in the bank and predominantly direct the affairs of the BIPL's Board.

Stability BIPL ownership is backed by strong sponsors. Further, due diligence is underway by JS Bank for the increase in its stake.

Business Acumen The business acumen of sponsors is considered strong as sponsors have diversified interests and long associations with the markets.

Financial Strength The ability to support in case of financial need is considered good.

Governance

Board Structure BIPL's eight-member board of directors (BoD) including the CEO constitutes representatives of sponsoring groups. Currently, four are independent directors, three are non-executive and one Executive director (CEO - BankIslami). BIPL's Shariah board comprises four leading Islamic scholars of the country, namely (i) Mufti Irshad Ahmad Aijaz, ii) Mufti Javed Ahmad, iii) Mufti Muhammad Husain, and iv) Mufti Syed Hussain Ahmad.

Members' Profile In May 2023, election of the BoD was conducted where out of 7 retiring directors, 4 were re-elected for a period of 3 years. The subject members of the board are subject to Fit and Proper Test approval from SBP. All other board members have different educational and work experience backgrounds.

Board Effectiveness The BoD exercises close monitoring of the management's policies and governs the bank's operations through its four committees namely i) Audit Committee, ii) Board Human Resource & Remuneration Committee, (iii) Risk Management Committee, (iv) IT Committee.

Financial Transparency During the year, KPMG Taseer Hadi & Co., Chartered Accountants, the external auditor is an SBP panel member, expressed an unqualified opinion for the financial statements for the year ended December 31, 2022.

Management

Organizational Structure BIPL's organizational structure is divided into fourteen functional departments i) Distribution, ii) Corporate Banking, iii) Consumer, iv) Treasury/ FIs, v) Risk Management, vi) Product and Shariah Structuring, vii) Human Resource, viii) Legal, ix) Finance, x) Operations, xi) Security and Govt. Relations, xii) IT, xiii) Internal Audit and xiv) Compliance.

Management Team Mr. Syed Amir Ali is the President & CEO of the bank. He is a Chartered Accountant and CFA Charter holder by qualification carrying more than 20 years of experience. All other team members are seasoned professionals, the majority of which are associated with the bank for the last 4 years.

Effectiveness The bank has eight committees at the management level: (i) Business Strategy & Review Committee (BSRC), (ii) Compliance & Controls Committee (CCM), (iii) Information Technology Steering Committee (ITSC), (iv) Asset and Liability Committee (ALCO), (v) Management Credit Committee (MCC), (vi) Service Excellence Committee (SEC), (vii) Procurement & Disposal Committee (PDC) & (viii) Disciplinary Action Committee (DAC).

MIS The bank operates using a comprehensive Islamic Banking application that has inbuilt Shariah compliance features – iMal, a core banking software. For enhanced customer experience, the bank is in the process of upgrading its core banking application.

Risk Management Framework The internal Risk Rating Module is being used by the bank. The module supports the bank in its Obligor Risk Rating (ORR) process by adding more objectivity to the credit appraisal process.

Business Risk

Industry Dynamics The macroeconomic landscape is fraught with numerous challenges, including political instability, elevated interest rates, demand tightening, sizable rupee depreciation, and heightened inflation, all of which reverberate across all sectors of the economy. Pakistan posted a GDP growth rate of 1.69% in 9MFY23 and 4.71% in FY22. The banking sector continues to flourish with high profitability. Gross Advances of the sector recorded growth (16%) to stand at PKR 12.6trln (end-Dec21: PKR 10.9trln). Non-performing loans witnessed an increase to PKR 924bln. The Capital Adequacy Ratio remained intact at 17% (regulatory requirement of 11.5%). During CY22, banking sector deposits enhanced to PKR 23.4trln. Net profitability of the sector was recorded at PKR 331bln (CY21: PKR 267bln); up 23% YoY. However, the growth of the equity base of the sector recorded a meager uptick of 7% YoY attributable to a handsome dividend payout.

Relative Position BIPL – a small tier bank was able to enhance its deposit share during recent years of (Deposits: CY22: 1.9%, CY21: 1.8%), during recent years. During CY22, the bank was able to show growth in terms of total deposits by 20.6% mainly due to a sizable increase in current deposits.

Revenues During CY22, the Bank earned a gross profit of PKR 46.34bln (CY21: PKR 23.23bln). The composition remained tilted towards profit earned from financing (CY22: 24.7bln, CY21: PKR 12.1bln). The Bank recorded a net profit income at PKR 20.4bln (CY21: PKR 10.93bln). The Bank's spread improved to (CY22: 6.0%; CY21: 3.8%). Consequently, the Bank posted a profit after tax of PKR 4.4bln. During 1QFY23, the net profit income of the bank stood at PKR 6.9bln, meanwhile, the profit after tax of the Bank clocked in at PKR 1.8bln.

Performance During CY22, the non-financing income of the bank went up by 69.8% and recorded at PKR 3.6bln (CY21: PKR 2.1bln) on account of immense growth in foreign exchange income which was recorded at PKR 1.3bln (CY21: PKR 482mln). Fee and commission income grew to PKR 1.54bln (CY21: 1.2bln). Operating Expenses of the Bank increased by 24.3% and stood at PKR 11.96bln (CY21: PKR 9.6bln).

Sustainability Going forward, the Bank remains committed to achieve sustainable growth in its balance sheet, profitability and customer base through aggressive marketing, branch expansion, and process improvement by leveraging technology, expanding its digital footprint, garnering trade business, and introducing customer-centric and competitive Shariah-compliant products.

Financial Risk

Credit Risk During CY22, net financing recorded growth by 11.8% and clocked at PKR 200.4bln (CY21: PKR 179.3bln) due to a significant increase in Islamic financing. As of endDec22, the NPLs of the Bank increased by 16.28% (CY22: PKR 19.9bln; CY21: PKR 17.2bln), and the infection ratio went up to 9.1% (CY21: 8.7%). Furthermore, in 1QCY23 financing of the bank increased to PKR 239.7bln while NPLs inched up to PKR 20.9bln.

Market Risk BIPL's investment portfolio witnessed an increase to PKR 173.7bln (end-Dec21: PKR 117.6bln). Portfolio increased mainly due to an increase in Federal Government Securities to PKR 172.2bln (end-Dec21: PKR 116bln). The investment composition remained tilted towards government securities. While during 1QCY23, the investment portfolio stood at PKR 200.7bln.

Liquidity And Funding The bank's liquidity ratio has increased evidenced by the Liquid assets to Deposits & Borrowing ratio (end-Dec22: 48.5%; end-Dec21: 38.9%). BIPL's deposits grew by 20.6% as of end-Dec 22. CA Deposit of the Bank went up by 26.9% and closed at PKR 170.6bln in CY22. Furthermore, as at end-Mar23, CA and SA ratios stood at 37.8% and 26.6% respectively.

Capitalization The equity base of the bank enhanced to PKR 26.4bln (CY21: PKR 22.5bln) primarily owing to a consistent healthy trend in profitability during the last few years. At end-Mar23, equity further increased and stood at PKR 26.8bln. At end-Dec22, CAR increased sizably to 17.92% with Tier I Capital at 13.6%. The bank has also given a dividend worth PKR 1.1bln.


BankIslami Pakistan Limited
Listed Public Limited

PKR mla

Mar-23	Dec-22	Dec-21	Dec-20
3M	12M	12M	12M

A BALANCE SHEET

1 Total Finances - net	240,184	206,458	186,246	134,988
2 Investments	200,702	173,788	117,617	87,785
3 Other Earning Assets	20,390	25,924	38,637	53,948
4 Non-Earning Assets	74,234	80,245	63,738	56,947
5 Non-Performing Finances-net	1,015	824	2,151	2,629
Total Assets	536,526	487,239	408,390	336,297
6 Deposits	410,942	415,912	344,788	282,937
7 Borrowings	75,957	23,902	23,193	18,128
8 Other Liabilities (Non-Interest Bearing)	22,811	20,975	17,898	16,239
Total Liabilities	509,709	460,789	385,879	317,323
Equity	26,817	26,450	22,511	19,895

B INCOME STATEMENT

1 Mark Up Earned	16,563	46,345	23,235	25,744
2 Mark Up Expensed	(9,654)	(25,943)	(12,303)	(13,255)
3 Non Mark Up Income	772	3,599	2,119	1,635
Total Income	7,681	24,001	13,052	14,124
4 Non-Mark Up Expenses	(3,679)	(11,961)	(9,623)	(8,764)
5 Provisions/Write offs/Reversals	(840)	(3,812)	(32)	(2,601)
Pre-Tax Profit	3,161	8,228	3,397	2,759
6 Taxes	(1,367)	(3,788)	(1,266)	(1,056)
Profit After Tax	1,794	4,440	2,131	1,703

C RATIO ANALYSIS**1 Performance**

Net Mark Up Income / Avg. Assets	5.4%	4.6%	2.9%	3.7%
Non-Mark Up Expenses / Total Income	47.9%	49.8%	73.7%	62.0%
ROE	26.9%	18.1%	10.1%	8.6%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	5.0%	5.4%	5.5%	5.9%
Capital Adequacy Ratio	17.9%	17.9%	14.1%	16.1%

3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	46.9%	48.5%	38.9%	39.7%
(Advances + Net Non-Performing Advances) / Deposits	58.6%	48.4%	52.5%	46.0%
CA Deposits / Deposits	35.8%	38.4%	38.4%	32.7%
SA Deposits / Deposits	26.6%	25.9%	29.7%	29.9%

4 Credit Risk

Non-Performing Advances / Gross Advances	8.0%	9.1%	8.7%	12.1%
Non-Performing Finances-net / Equity	3.8%	3.1%	9.6%	13.2%

PART 7D: ANNEXURE 2 – INSTRUMENT RATING REPORT



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

Date

24-Jun-23

Analyst

Wajeeha Asghar
wajeeha.asghar@pacra.com
+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Financial Institution Rating | Jun-22
- Methodology | Debt Instrument Rating | Jun-22
- Methodology | Rating Modifiers | Jun-22

Related Research

- Sector Study | Commercial Bank | Jun-23

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

PACRA Assigns Preliminary Rating of BankIslami Pakistan Limited | Modaraba Sukuk | Additional Tier 1 | TBI

Rating Type	Debt Instrument	
	Current (24-Jun-23)	Previous (15-Jul-22)
Action	Preliminary	Preliminary
Long Term	A	A-
Short Term	-	-
Outlook	Stable	Positive
Rating Watch	-	-

BankIslami Pakistan Limited (BIPL) has demonstrated remarkable growth over the last couple of years in areas crucial to the risk profiling of any commercial bank. The bank, under the new leadership, has recorded expansion in the deposit base. There has been enhancement in the system share as well, enabling the bank to fare better with the banks rated higher. The delta achieved with the peers supported the rating ascension. The Islamic banking space is expanding and there are mentionable players which are taking the lead. BIPL is fast rising in this space. During CY22, the Bank's net profitability increased to PKR 4.4bln, attributable to an impressive increase in markup earned. The net markup income doubled and clocked in at PKR 20.4bln (CY21: PKR 10.9bln). The Bank's spread ratio displayed an improvement to 6.0% (CY21: 3.8%). During 1QCY23, there was phenomenal jump in profitability; the PBT stood at PKR 3.1bln and PAT stood at PKR 1.7bln, enabled by higher spreads 7.0%. The cost of funding base for Islamic banks is efficient and it is contributing towards internal capital generation. The Bank's deposit base reflected significant addition tilted towards current and term deposits. With the execution of operational efficiency, during CY22, the Bank's CAR rose to 17.9% (CY21: 14.1%). The Bank's asset quality has largely remained sustained with an increase in coverage. The equity base, in turn, the risk absorption capacity of the Bank has recorded commendable improvement.

The banking sector has continued to flourish with high profitability. Going forward, the macro-economic environment is beset with myriad challenges due to heightened interest rates, tightening of demand, rupee depreciation and higher infection. This has repercussions for the entire system including banking. Sustained asset quality and profitable growth is essential for ratings.

About the Entity

BIPL, a scheduled Islamic bank, commenced operations in Apr-06 and is listed on PSX. BIPL has 380 branches as at Dec-22. BIPL has three prominent sponsors namely JS & Co. Limited, the Randeree family, and Mr. Ali Hussain. All these have a collective holding of 73% in the bank and predominantly direct the affairs of the BIPL's board. BIPL's eight-member board of directors (BoD) including the CEO constitutes representatives of sponsoring groups and independent directors. Mr. Syed Amir Ali is the 'President & CEO' since Oct-18. He is a Chartered Accountant and CFA Charter holder, carrying more than 20 years decade of Islamic Banking experience mainly at Meezan Bank. He is assisted by an able team.

About the Instrument

The Bank is in process of issuing rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Modaraba Sukuk Certificates ("Sukuk") of PKR 1bln (including green shoe option of PKR 200mln) to contribute towards the bank's Tier I capital for complying with the Capital Adequacy Ratio (CAR) requirement prescribed by the SBP for Commercial Banks. The instrument is perpetual. The profit will be payable monthly, with the rate of 1MK+250bps. Neither profit nor principal will be payable in respect of TFC, if such payment will result in a shortfall in the bank's MCR or CAR. The bank may call the TFCs, with prior approval of SBP, after five years from the date of issue.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



The Pakistan Credit Rating Agency Limited

Rating Report

BankIslami Pakistan Limited | Modaraba Sukuk | Additional Tier 1 | TBI

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
24-Jun-2023	A	-	Stable	Preliminary	-
15-Jul-2022	A-	-	Positive	Preliminary	-

Rating Rationale and Key Rating Drivers

BankIslami Pakistan Limited (BIPL) has demonstrated remarkable growth over the last couple of years in areas crucial to the risk profiling of any commercial bank. The bank, under the new leadership, has recorded expansion in the deposit base. There has been enhancement in the system share as well, enabling the bank to fare better with the banks rated higher. The delta achieved with the peers supported the rating ascension. The Islamic banking space is expanding and there are mentionable players which are taking the lead. BIPL is fast rising in this space. During CY22, the Bank's net profitability increased to PKR 4.4bln, attributable to an impressive increase in markup earned. The net markup income doubled and clocked in at PKR 20.4bln (CY21: PKR 10.9bln). The Bank's spread ratio displayed an improvement to 6.0% (CY21: 3.8%). During 1QCY23, there was phenomenal jump in profitability; the PBT stood at PKR 3.1bln and PAT stood at PKR 1.7bln, enabled by higher spreads 7.0%. The cost of funding base for Islamic banks is efficient and it is contributing towards internal capital generation. The Bank's deposit base reflected significant addition tilted towards current and term deposits. With the execution of operational efficiency, during CY22, the Bank's CAR rose to 17.9% (CY21: 14.1%). The Bank's asset quality has largely remained sustained with an increase in coverage. The equity base, in turn, the risk absorption capacity of the Bank has recorded commendable improvement.

The banking sector has continued to flourish with high profitability. Going forward, the macro-economic environment is beset with myriad challenges due to heightened interest rates, tightening of demand, rupee depreciation and higher infection. This has repercussions for the entire system including banking. Sustained asset quality and profitable growth is essential for ratings.

Disclosure

Name of Rated Entity	BankIslami Pakistan Limited Modaraba Sukuk Additional Tier 1 TBI
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Financial Institution Rating(Jun-22),Methodology Debt Instrument Rating(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Commercial Bank(Jun-23)
Rating Analysts	Wajeeha Asghar wajeeha.asghar@pacra.com +92-42-35869504



The Pakistan Credit Rating Agency Limited

Commercial Bank

Issuer Profile

Profile BankIslami Pakistan Limited (BIPL), incorporated in Oct-04, was the first bank in Pakistan to receive an Islamic Banking license, in Mar-05, under the Islamic Banking Policy of 2003. The bank, after being declared a scheduled Islamic bank by the State Bank of Pakistan in Mar-05, commenced its operations on April 07, 2006. The Bank was established with a vision to be recognized as the leading authentic Islamic bank with its mission to create value for its stakeholders by offering authentic Shariah-compliant and technologically advanced products and services. BIPL is currently operating with 380 branches as of December 31, 2022, across the country.

Ownership BIPL has three prominent sponsors namely JS Group (through Jahangir Siddiqui & Company Limited – JSCL and JS Bank Limited), Mr. Ali Hussain including his shareholding through SAJ Capital Limited and Randeree family. All these have a collective holding of around 73% in the bank and predominantly direct the affairs of the BIPL's Board. BIPL ownership is backed by strong sponsors. Further, due diligence is underway by JS Bank for the increase in its stake. The business acumen of sponsors is considered strong as sponsors have diversified interests and long associations with the markets. The ability to support in case of financial need is considered good.

Governance BIPL's eight-member board of directors (BoD) including the CEO constitutes representatives of sponsoring groups. Currently, four are independent directors, three are non-executive and one Executive director (CEO - BankIslami). BIPL's Shariah board comprises four leading Islamic scholars of the country, namely (i) Mufti Irshad Ahmad Aijaz, ii) Mufti Javed Ahmad, iii) Mufti Muhammad Husain, and iv) Mufti Syed Hussain Ahmad. In May 2023, election of the BoD was conducted where out of 7 retiring directors, 4 were re-elected for a period of 3 years. The BoD exercises close monitoring of the management's policies and governs the bank's operations through its four committees namely i) Audit Committee, ii) Board Human Resource & Remuneration Committee, (iii) Risk Management Committee, (iv) IT Committee. During the year, KPMG Taseer Hadi & Co., Chartered Accountants, the external auditor is an SBP panel member, expressed an unqualified opinion for the financial statements for the year ended December 31, 2022.

Management BIPL's organizational structure is divided into fourteen functional departments i) Distribution, ii) Corporate Banking, iii) Consumer, iv) Treasury/ FIs, v) Risk Management, vi) Product and Shariah Structuring, vii) Human Resource, viii) Legal, ix) Finance, x) Operations, xi) Security and Govt. Relations, xii) IT, xiii) Internal Audit and xiv) Compliance. Mr. Syed Amir Ali is the President & CEO of the bank. He is a Chartered Accountant and CFA Charter holder by qualification carrying more than 20 years of experience. The bank has eight committees at the management level: (i) Business Strategy & Review Committee (BSRC), (ii) Compliance & Controls Committee (CCM), (iii) Information Technology Steering Committee (ITSC), (iv) Asset and Liability Committee (ALCO), (v) Management Credit Committee (MCC), (vi) Service Excellence Committee (SEC), (vii) Procurement & Disposal Committee (PDC) & (viii) Disciplinary Action Committee (DAC). The bank operates using a comprehensive Islamic Banking application that has inbuilt Shariah compliance features – iMal, a core banking software. For enhanced customer experience, the bank is in the process of upgrading its core banking application. The internal Risk Rating Module is being used by the bank. The module supports the bank in its Obligor Risk Rating (ORR) process by adding more objectivity to the credit appraisal process.

Business Risk The macroeconomic landscape is fraught with numerous challenges, including political instability, elevated interest rates, demand tightening, sizable rupee depreciation, and heightened inflation, all of which reverberate across all sectors of the economy. Pakistan posted a GDP growth rate of 1.69% in 9MFY23 and 4.71% in FY22. The banking sector continues to flourish with high profitability. BIPL - a small tier bank was able to enhance its deposit share during recent years of (Deposits: CY22: 1.9%; CY21: 1.8%), during recent years. During CY22, the bank was able to show growth in terms of total deposits by 20.6% mainly due to a sizable increase in current deposits. Revenues During CY22, the Bank earned a gross profit of PKR 46.34bln (CY21: PKR 23.23bln). The composition remained tilted towards profit earned from financing (CY22: 24.7bln, CY21: PKR 12.1bln). The Bank recorded a net profit income at PKR 20.4bln (CY21: PKR 10.93bln). The Bank's spread improved to (CY22: 6.0%; CY21: 3.8%). Consequently, the Bank posted a profit after tax of PKR 4.4bln. During 1QFY23, the net profit income of the bank stood at PKR 6.9bln, meanwhile, the profit after tax of the Bank clocked in at PKR 1.8bln. During CY22, the non-financing income of the bank went up by 69.8% and recorded at PKR 3.6bln (CY21: PKR 2.1bln) on account of immense growth in foreign exchange income which was recorded at PKR 1.3bln (CY21: PKR 482mln). Going forward, the Bank remains committed to achieve sustainable growth in its balance sheet, profitability and customer base through aggressive marketing, branch expansion, and process improvement by leveraging technology, expanding its digital footprint, garnering trade business, and introducing customer centric and competitive Shariah-compliant products.

Financial Risk During CY22, net financing recorded growth by 11.8% and clocked at PKR 200.46bln (CY21: PKR 179.3bln) due to a significant increase in Islamic financing. As of endDec22, the NPLs of the Bank increased by 16.28% (CY22: PKR 19.9bln, CY21: PKR 17.2bln), and the infection ratio went up to 9.1% (CY21: 8.7%). BIPL's investment portfolio witnessed an increase to PKR 173.7bln (end-Dec21: PKR 117.6bln). Portfolio increased mainly due to an increase in Federal Government Securities to PKR 172.2bln (end-Dec21: PKR 116bln). The bank's liquidity ratio has increased evidenced by the Liquid assets to Deposits & Borrowing ratio (end-Dec22: 48.5%; end-Dec21: 38.9%) BIPL's deposits grew by 20.6% as of end-Dec 22. CA Deposit of the Bank went up by 26.9% and closed at PKR 170.6bln in CY22. Furthermore, as at end-Mar23, CA and SA ratios stood at 37.8% and 26.6% respectively. At end-Dec22, CAR increased sizably to 17.92% with Tier I Capital at 13.6%. The bank has also given a dividend worth PKR 1.1bln.

Instrument Rating Considerations

About The Instrument The Bank is in process of issuing rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Modaraba Sukuk Certificates ("Sukuk") of PKR 1bln (including green shoe option of PKR 200mln) to contribute towards the bank's Tier I capital for complying with the Capital Adequacy Ratio (CAR) requirement prescribed by the SBP for Commercial Banks. The instrument is perpetual. However, call option exists. The profit will be payable monthly, with the rate of 1MK+250bps

Relative Seniority/Subordination Of Instrument The Sukuk holders are a part of the general pool. The claims of the investors will rank a) superior to the claims of ordinary shareholders in case of going concern as well as a gone concern (in case the Sukuk are not already converted into the common share of the Bank), and b) paripassu without preference amongst Sukuk holders. The Sukuk is also subject to the lock-in clause i.e. the profit payment to the Sukuk holders will be subject to the condition that any such payment should not result in the noncompliance with the applicable regulatory requirement of MCR, CAR and leverage ratio (LR) as determined by SBP from time to time. Any inability to exercise the lock-in clause or non-cumulative feature will subject these Sukuk certificates to mandatory conversion into common shares at the discretion of SBP.

Credit Enhancement The instrument is unsecured



BankIslami Pakistan Limited Listed Public Limited	PKR mln			
	Mar-23 3M	Dec-22 12M	Dec-21 12M	Dec-20 12M
A BALANCE SHEET				
1 Total Finances - net	240,184	206,458	186,246	134,988
2 Investments	200,702	173,788	117,617	87,785
3 Other Earning Assets	20,390	25,924	38,637	53,948
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8 Other Liabilities (Non-Interest Bearing)	22,811	20,975	17,898	16,259
Total Liabilities	509,709	460,789	385,879	317,323
Equity	26,817	26,450	22,511	19,895
B INCOME STATEMENT				
1 Mark Up Earned	16,563	46,345	23,235	25,744
2 Mark Up Expensed	(9,654)	(25,943)	(12,303)	(13,255)
3 Non Mark Up Income	772	3,599	2,119	1,635
Total Income	7,681	24,001	13,052	14,124
4 Non-Mark Up Expenses	(3,679)	(11,961)	(9,623)	(8,764)
5 Provisions/Write offs/Reversals	(840)	(3,812)	(32)	(2,601)
Pre-Tax Profit	3,161	8,228	3,397	2,759
6 Taxes	(1,367)	(3,788)	(1,266)	(1,056)
Profit After Tax	1,794	4,440	2,131	1,703
C RATIO ANALYSIS				
1 Performance				
Net Mark Up Income / Avg. Assets	5.4%	4.6%	2.9%	3.7%
Non-Mark Up Expenses / Total Income	47.9%	49.8%	73.7%	62.0%
ROE	26.9%	18.1%	10.1%	8.6%
2 Capital Adequacy				
Equity / Total Assets (D+E+F)	5.0%	5.4%	5.5%	5.9%
Capital Adequacy Ratio	17.9%	17.9%	14.1%	16.1%
3 Funding & Liquidity				
Liquid Assets / (Deposits + Borrowings Net of Repo)	46.9%	48.5%	38.9%	39.7%
(Advances + Net Non-Performing Advances) / Deposits	58.6%	48.4%	52.5%	46.0%
CA Deposits / Deposits	35.8%	38.4%	38.4%	32.7%
SA Deposits / Deposits	26.6%	25.9%	29.7%	29.9%
4 Credit Risk				
Non-Performing Advances / Gross Advances	8.0%	9.1%	8.7%	12.1%
Non-Performing Finances-net / Equity	3.8%	3.1%	9.6%	13.2%
Notes				
#				
D5	The line includes Advances from Customers, amounting to PKR 2.5bln [FY17: PKR 2.2bln]			
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

HISTORICAL ISSUER RATING

As of June 24th, 2023, Pakistan Credit rating Agency (“PACRA”) has assigned a long-term rating of “AA-” (AA minus) to the Bank. The rating indicates strong capacity for timely payment of financial commitments and very low expectation of credit risk. The short-term rating consistently stands at “A1” (A One) which also shows the Bank’s strong capacity for timely payment. Also, the Outlook of the Bank has been maintained at Positive.

These ratings reflect BankIslami’s sustained business profile. Entity rating history of the Bank for the last five reviews are summarized below:

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action
24-Jun-2023	AA-	A1	Stable	Upgrade
24-Jun-2022	A+	A1	Positive	Maintain
24-Jun-2021	A+	A1	Positive	Maintain
30-Jun-2020	A+	A1	Stable	Maintain
08-Oct-2019	A+	A1	Stable	Maintain
30-Apr-2019	A+	A1	Stable	Maintain

PART 7E: ISSUE AGENT / INVESTMENT AGENT AND SECURITY

THE SECURITY

By virtue of the Basel III Circular, the Sukuk Issue for Additional Tier 1 Capital is being issued without any security. Further, the Sukuk are being issued as subordinated debt as per the guidelines set by the SBP under the Basel III Circular read with the Banking Supervision Department Circular No. 8 dated June 27, 2006.

In accordance with Clause 2.7.3 of the Sukuk Issuance Agreement, at any time after the occurrence of an Event of Default mentioned in the Sukuk Issuance Agreement, the Issue Agent / Investment Agent (to the exclusion of the Sukuk Holders) may, at its discretion (subject to the Issue Agent / Investment Agent being indemnified to its satisfaction against all proceedings, claims and demands to which the Issue Agent / Investment Agent may be liable and all costs, charges and expenses which may be incurred by the Issue Agent / Investment Agent in connection therewith), take such proceedings/actions against the Issuer as may be directed by Sukuk Holders representing more than 50% (fifty percent) of the total outstanding value of the Sukuk to the extent that the same is permissible under law and permitted by the SBP.

THE ISSUE AGENT / INVESTMENT AGENT

In order to safeguard the interests of the Sukuk Holders, Pak Brunei Investment Company Limited has been appointed to act as Issue Agent / Investment Agent for the Issue. The Issuer shall pay to the Issue Agent / Investment Agent in respect of its acting as Issue Agent / Investment Agent a fixed fee of PKR 600,000/- per annum. The fee shall be payable at the beginning of each year commencing from the date of signing of the Sukuk Issuance Agreement and on each subsequent anniversary thereof.

Although the Sukuk are unsecured, the rights of the Sukuk holders are still protected as per the terms of the Sukuk Issuance Agreement. The Sukuk Issuance Agreement executed between the Bank and the Issue Agent / Investment Agent specifies the functions and obligations of the Issue Agent / Investment Agent. Furthermore, the Issue Agent / Investment Agent has all the powers available to it under the Structuring of Debt Securities Regulations, 2020.

THE SUKUK ISSUANCE AGREEMENT

The Sukuk Issuance Agreement signed between the Bank and Pak Brunei Investment Company Limited specifies the rights and the obligations of the Issue Agent / Investment Agent. In the event of Issuer defaulting on any of its obligations under the terms of the Sukuk Issuance Agreement, the Issue Agent / Investment Agent may enforce Issuer's obligations in accordance with the terms of the Sukuk Issuance Agreement.

POWERS OF THE ISSUE AGENT / INVESTMENT AGENT

The Issue Agent / Investment Agent shall have all the powers and discretions conferred upon Issue Agent / Investment Agent under Structuring of Debt Securities Regulations, 2020 (to the extent not inconsistent with these presents) and in addition thereto and subject to the terms of the DST Regulations, it is expressly declared as follows:

- (a) the Issue Agent / Investment Agent shall for the benefit of the Sukuk Holders; seek the enforcement and implementation of the Issuer's covenants, in terms provided in Clause 2.9 of the Sukuk Issuance Agreement;
- (b) the Issue Agent / Investment Agent may in relation to any of the provisions of the Sukuk Issuance Agreement pay for the advice or services of, and act on the opinion or advice of, or any information obtained (whether by the Issue Agent / Investment Agent or any other person duly authorized by the Issue Agent / Investment Agent), from any lawyer, accountant, banker, broker, surveyor, valuer or other professional advisor or other expert whose advice, services, opinion or information may seem to it reasonably necessary, expedient or desirable and shall not be responsible for any loss occasioned by so acting;
- (c) any such advice or opinion or information referred to in sub-clause (b) above may be sent or obtained by letter, and the Issue Agent / Investment Agent shall not be liable for acting on any such advice, opinion or information purporting to be conveyed by any such letter although the same may contain some error or may not be authentic provided that such error or lack of authenticity is not manifest;
- (d) the Issue Agent / Investment Agent shall be at liberty to place the Sukuk Issuance Agreement and any other instrument, documents or deed delivered to it pursuant to or in connection with the Sukuk Issuance Agreement for the time being in its possession in any safe deposit selected by the Issue Agent / Investment Agent or with any bank, any company whose business includes undertaking the safe custody of documents or any firm of lawyers and the Issue Agent / Investment Agent shall not be responsible for any loss thereby incurred (save that the Issue Agent / Investment Agent shall take reasonable steps to pursue any person who may be liable to it in connection with such loss);
- (e) save as otherwise expressly provided in the Sukuk Issuance Agreement and unless directed to the contrary by the Sukuk Holders in accordance with the terms of the Sukuk Issuance Agreement, the Issue Agent / Investment Agent shall in regards to all rights, trusts, powers, authorities and discretions vested in it by this Sukuk Issuance Agreement have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and as to the manner and time of any such exercise thereof and provided it shall have acted lawfully, it shall be in no way responsible for any loss, costs, damages, expenses or inconveniences resulting from the exercise or non-exercise thereof;
- (f) the Issue Agent / Investment Agent (or any of its directors or officers) shall not be precluded by reason of its acting as Issue Agent / Investment Agent hereunder from entering into any contract or other transaction with or from engaging in any other business with, or from accepting or holding the role of Issue Agent / Investment Agent of any other Sukuk Issuance Agreement constituting or securing any securities issued by or relating to, the Issuer or any subsidiary thereof or any other company in which the Issuer or any such subsidiary may be interested provided the aforesaid transactions are otherwise permissible under the SBP's Prudential Regulations for Banks / SECP Rules for Non-Banking Finance Companies. The Issue Agent / Investment Agent shall not be liable to account for any profit made or payment received by it thereby or in connection therewith provided that the Issue Agent / Investment Agent shall ensure that, as far as practicable, the personnel assigned to deal with normal administrative matters in relation to such other role of Issue Agent / Investment Agent shall not be assigned to deal with any functions in relation to the role of Issue Agent / Investment Agent of the Sukuk Issuance Agreement and vice versa;

- (g) the Issue Agent / Investment Agent may assume that no event which entitles the Sukuk Holders to exercise any of their rights under the Sukuk Issuance Agreement has occurred and that the Issuer is not in breach of any of its obligations under the Sukuk Issuance Agreement, unless it has received either a written notice to the contrary from the Issuer or a notice or information which the Issue Agent / Investment Agent believes to be accurate regarding an occurrence of an Event of Default;
- (h) the Issue Agent / Investment Agent shall not be liable for acting in relation to the Sukuk Issuance Agreement or any related documents or any notice, request, certificate, direction or other communication or other document purporting to emanate from the Issuer or any other person notwithstanding that the same shall include some error or omission or not be authentic;
- (i) the Issue Agent / Investment Agent may call for and rely as to any matters of fact which might reasonably be expected to be within the knowledge of the Issuer upon a certificate signed by authorized signatory(ies) of the Issuer, the names of whom shall be conveyed to the Issue Agent / Investment Agent pursuant to the signing of the Sukuk Issuance Agreement, as sufficient evidence thereof and shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Issue Agent / Investment Agent failing to do so; and
- (j) the Issue Agent / Investment Agent shall not be responsible for any recitals or statements, warranties or representations of any party (other than the Issue Agent / Investment Agent) contained herein or for the execution, effectiveness, genuineness, validity, admissibility in evidence or enforceability of any such agreement or other document or any obligations or rights created or purported to be created thereby (nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents, whether arising from statute, law or decision of any court or otherwise).

OBLIGATIONS OF THE ISSUE AGENT / INVESTMENT AGENT

The Issue Agent / Investment Agent shall:

- (a) within 7 (seven) Business Days of receipt by the Issue Agent / Investment Agent, inform the Sukuk Holders of any notice in writing received by it or any information received by it which it believes to be accurate of (i) any general meeting of the Issuer convened for the purpose of considering any resolution of the winding-up of the Issuer, (ii) any such resolution being proposed (whether in general meeting or otherwise); or (iii) any petition for the winding-up of the Issuer or for the appointment of an administrator of the Issuer or a receiver in respect of the property / assets of the Issuer and any breach or alleged breach by the Issuer of any of its obligations under the Sukuk Issuance Agreement;
- (b) for the purposes of Clause 2.2.2 of the Sukuk Issuance Agreement, inform the Sukuk Holders of the notice or notices referred to above in the manner set out in paragraph 2 of Schedule 1 of the Sukuk Issuance Agreement. In addition, the Issue Agent / Investment Agent may make available at its offices during business hours a copy of the notice or notices for the inspection of Sukuk Holders;
- (c) except as herein otherwise expressly provided, be authorized to assume without enquiry, and it is hereby declared to be the intention that it shall assume without enquiry, in the absence of express written notice to the contrary, that the Issuer is duly performing and observing all the provisions contained in the Sukuk Issuance Agreement and that all covenants, warranties and undertakings contained in the Sukuk Issuance Agreement are being complied with and that no event or circumstances which might constitute an Event of Default has occurred or exists;
- (d) subject to Clause 2.2.1 of the Sukuk Issuance Agreement, be entitled to refrain from exercising any right, power or discretion vested in it hereunder unless and until (i) instructed by the Sukuk Holders as to whether or not such right, power or discretion is to be exercised and, if it is to be exercised, as to the manner in which it should be exercised; and (ii) the Issue Agent / Investment Agent is indemnified or granted security in accordance with Clause 2.5 of the Sukuk Issuance Agreement;
- (e) be entitled to refrain from acting in accordance with any instructions or requests of the Sukuk Holders or of any other person until it shall have received such security and/or indemnity as it may require (whether by way of payment in advance or otherwise) against all costs, claims, expenses (including legal fees) and liabilities which it will or may expend or incur in complying with such instructions or requests; and

- (f) be entitled to invest the Proceeds (obtained in accordance with the provisions hereof) which, in the opinion of the Issue Agent / Investment Agent, are not to be paid over or cannot legally be paid over promptly to the Sukuk Holders following receipt in the name or under the control of the Issue Agent / Investment Agent, in accordance with the provisions of Section 20 of the Trusts Act, 1882, subject to obtaining the approval of all Sukuk Holders holding Sukuk Certificates at the relevant time, provided that the Issue Agent / Investment Agent shall not be responsible for any loss due to depreciation in value or otherwise of such investments made in accordance with the provisions hereof.

The Issue Agent / Investment Agent shall not:

- (a) be bound to disclose to any other person any information relating to the Issuer if such disclosure would or might in its sole opinion constitute a breach of any law or regulation or be otherwise actionable at the suit of any person, unless otherwise required to be disclosed by law or under any direction or order of any competent authority or court. The Issue Agent / Investment Agent shall give a prior notice to the Issuer and cooperate with the Issuer to enable the Issuer to invoke any remedies that are available under the law to prevent such disclosure;
- (b) under the Sukuk Issuance Agreement, be concerned with the interests of or owe any duty whatsoever to any persons other than the Sukuk Holders; and
- (c) be under any duty to disclose to any person interested hereunder any confidential information supplied to it which comes to its knowledge through any of its affiliates, directors, employees, delegates or agents and shall not be liable to any person for not doing so.

ISSUE AGENT / INVESTMENT AGENT AND SUKUK HOLDERS

- (i) Subject to the provisions of the Sukuk Issuance Agreement and, in particular to the provisions of Clause 2.2.1 and 2.2.2 of the Sukuk Issuance Agreement, the Issue Agent / Investment Agent shall:
 - a) act as Issue Agent / Investment Agent in accordance with any instructions given to it by the Sukuk Holders; and
 - b) if so instructed by the Sukuk Holders, refrain from exercising a right, power or discretion vested in it as Issue Agent / Investment Agent under these presents.
- (ii) The instructions of the Sukuk Holders for the purposes of this Clause and the Sukuk Issuance Agreement shall be deemed to be given in writing by the Sukuk Holders holding together more than 50% (fifty percent) of the total outstanding value of Sukuk or supported by an Extra Ordinary Resolution passed at the meeting of the Sukuk Holders (as detailed in the Provisions for Meetings of the Sukuk Holders attached in Schedule 1 of the Sukuk Issuance Agreement).
- (iii) The Issuer will, on request from the Issue Agent / Investment Agent, promptly give to the Issue Agent / Investment Agent a written certificate in such form as the Issue Agent / Investment Agent may reasonably require setting out all information available to them to facilitate the performance by the Issue Agent / Investment Agent of its rights, trusts, powers, authorities, discretions, duties and obligations under the Sukuk Issuance Agreement, such certificate to be signed as contemplated in the clause above.
- (iv) Notwithstanding any other provision of the Sukuk Issuance Agreement, the Issue Agent / Investment Agent shall not be obliged to provide any indemnity to, or in favor of, any receiver.
- (v) Nothing in the Sukuk Issuance Agreement shall, in any case in which the Issue Agent / Investment Agent has failed to show the degree of care and diligence required of it as Issue Agent / Investment Agent having regard to the provisions of the Sukuk Issuance Agreement imposing or conferring on the Issue Agent / Investment Agent any obligations, powers, authorities or discretions, relieve the Issue Agent / Investment Agent from any liability for breach of trust or any liability which by virtue of any rules of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under the Sukuk Issuance Agreement.

OBLIGATION TO ACT WITH DUE CARE

Both the Issuer and the Issue Agent / Investment Agent agree to act in good faith and with due diligence and with all reasonable care which is in the circumstances required in the performance of their duties and obligations under the Sukuk Issuance Agreement or when exercising any power, authority or discretion which is vested in them under the Sukuk Issuance Agreement.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

The Issuer hereby represents and warrants:

- (a) that the execution by it of the Sukuk Issuance Agreement and the issuance of the Sukuk does not contravene any of the provisions of its constitutive documents and rules and regulations, consents, or any law or any agreement to which it is expressed to be a party and constitute valid, legal and binding obligations of the Issuer in terms thereof;
- (b) that all actions on the part of its officers, directors and shareholders necessary to authorize the execution of and performance by it of the obligations expressed to be assumed by it under the Sukuk Issuance Agreement and the Sukuk have been taken;
- (c) that no Event of Default has occurred as of the date of the Sukuk Issuance Agreement;
- (d) that there is no reason to the knowledge of the Issuer whereby the application of the Issuer for listing of the Sukuk or approval of the Prospectus may be revoked or cancelled by the SECP or the Stock Exchange, as the case may be;
- (e) that it shall inform the Issue Agent / Investment Agent of (i) any general meeting of the Issuer convened for the purpose of considering any resolution for the winding up of the Issuer; (ii) any such resolution being proposed (whether in a general meeting or otherwise); or (iii) any petition for the winding up of the Issuer or for the appointment of an administrator of the Issuer or a receiver in respect of the property or assets of the Issuer and any breach by the Receiver in respect of the property or assets of the Issuer and any breach or alleged breach by the Issuer of any of its obligations under the Sukuk Issuance Agreement ;
- (f) that the Sukuk and the Sukuk Issuance Agreement executed by the Issuer are valid, enforceable and binding obligations of the Issuer and there has been no Event of Default in relation to any such documents; and
- (g) that all governmental, regulatory, creditors' and corporate consents, approvals, registrations and authorizations (to the extent required) for the purposes of the Sukuk Issue (other than for the listing on the Stock Exchange and those specifically stated hereunder) have been obtained.

The Issuer hereby covenants with the Issue Agent / Investment Agent:

- (a) that if the redemption option or partial redemption option (as defined in the Sukuk Issuance Agreement) has been exercised by the Issuer, the Issuer shall on the option redemption date / partial option redemption date and within 7 (seven) Business Days of each Profit Payment Date, pay to the Sukuk Holders, the option redemption amount/ partial option redemption amount and profit payment amount in accordance with the terms hereof;
- (b) that the Issuer shall ensure that the Issuer or its appointed registrar will, at all times maintain a correct register of Sukuk Holders showing their names and addresses, the amount of Sukuk held by each and the date on which such Sukuk Holder was registered as the holder and the date on which he ceased to be so registered; provided nevertheless the Issuer shall not be responsible for the foregoing where the Sukuk Holders have not intimated the transfer of the Sukuk in writing to the Issuer or the registrar, as applicable;
- (c) that the Issuer will duly perform and observe the obligations imposed upon it by the Sukuk Issuance Agreement;
- (d) that as and when requested by the Issue Agent / Investment Agent, the Issuer shall ensure that the Issuer or registrar shall provide to the Issue Agent / Investment Agent the Register of Sukuk Holders

- and/or extracts therefrom as well as any other document or information pertaining to the Sukuk and the Sukuk Holders, in addition, the Issuer shall ensure that the Issuer or the Registrar shall send extracts of the Register of Sukuk Holders to the Issue Agent / Investment Agent on a monthly basis;
- (e) that the Issuer shall ensure that the annual audited accounts of the Issuer are available on the Issuer's website within 30 (thirty) days of publication of such accounts and semi- annual and quarterly accounts within 15 (fifteen) days of publication;
 - (f) that the Issuer shall ensure that during the period that the Sukuk or any of them are outstanding, the Issuer will comply with any laws, regulations or conditions applicable to financial ratios and commitments applicable to the business of the Issuer;
 - (g) that payment of all amounts by the Issuer to the Sukuk Holders in respect of the Sukuk will be made free and clear of deductions of any nature whatsoever except for deductions, if any required compulsorily to be made by law, for which the Issuer will provide suitable evidence of having deposited the amount deducted with the relevant government authority / department / treasury;
 - (h) that the Issuer shall ensure that any investment in the Sukuk by the sponsors of the Issuer, individually or collectively, either at the time of subscription or acquired by transfer, does not exceed in the aggregate, at any time, 50% (fifty percent) of the total amount of the outstanding value of the Sukuk;
 - (i) the Issuer, its sponsors and its affiliated entities which are under the control (including subsidiaries) or significant influence of the Issuer shall be eligible to invest in the Sukuk Issue up to an amount not exceeding 50% (fifty percent) of the total issue size as per the SBP Approval. It is clarified that such sponsors, affiliates and employee's retirement benefit funds of such entities with a borrowing relationship with the Issuer shall be ineligible for investment in the Sukuk Issue as per the SBP Approval;
 - (j) the Issuer shall not make any payment of dividend on ordinary share of the Issuer in the event of non-payment of the Profit Payment Amount to the Sukuk Holders;
 - (k) that the Issuer shall not directly or indirectly, finance the purchase of any Sukuk Certificates by any person or entity or grant any advances against the security of any Sukuk Certificates issued hereunder to any Sukuk Holder; and
 - (l) that the Issuer shall, at all times, comply with the requirements of applicable laws including, without limitation, the terms and conditions of the Basel III Circular.

EVENTS OF DEFAULT

An Event of Default will be deemed to have occurred, by a declaration in writing of the Issue Agent / Investment Agent informing the Issuer, that the Issue Agent / Investment Agent has been notified in writing by the Sukuk Holders representing more than 50% (fifty percent) of the total outstanding value of the Sukuk or supported by an Extra Ordinary Resolution passed at the meeting of the Sukuk Holder(s) certifying the occurrence of any of the following events:

(a) Breach of other obligation

The Issuer does not comply with any provision of the Sukuk Issuance Agreement or the Sukuk (other than the Issuer's profit payment obligations and the Issuer's option redemption obligations defined in the Sukuk Issuance Agreement) and such non-compliance continues for 30 (thirty) days after the written notice is received by the Issuer from the Issue Agent / Investment Agent.

(b) Misrepresentation

A representation, warranty or statement made or repeated in or in connection with the Sukuk Issuance Agreement, Sukuk, or in any document delivered by or on behalf of the Issuer under or in connection with the Sukuk Issuance Agreement or Sukuk is or proves to have been incorrect or misleading in any material respect or any statement, representation or warranty made or repeated by the Issuer in any notice, certificate or statement referred to or delivered under the Sukuk Issuance Agreement is or proves to have been incorrect or misleading in any material respect, or any such statement, representation or warranty

is incorrect in any material respect at any time and the defect is not rectified within 30 (thirty) days after the written notice is received by the Issuer from the Issue Agent / Investment Agent.

(c) Insolvency

- i. The Issuer is unable to pay its debts as they fall due or becomes insolvent, or admits inability to pay its Financial Indebtedness as they fall due; or
- ii. The Issuer suspends making payments on all or any class of its debts or announces an intention to do so or a moratorium is declared in respect of any of its Financial Indebtedness.

(d) Insolvency proceedings

- i. A meeting of the Issuer is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed; or
- ii. Any order for the winding-up or administration of the Issuer is made which is not suspended, revoked or set aside within a period of 45 (forty-five) days; or
- iii. Any other step (including petition, proposal or convening a meeting) is taken by the Issuer with a view to the rehabilitation, administration, custodianship, liquidation, winding-up or dissolution of the Issuer or any other similar proceedings involving the Issuer.

(e) Appointment of receivers and managers

- i. Any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like is appointed in respect of the Issuer or any part of its assets and is not discharged within 30 (thirty) days of such appointment; or
- ii. The directors of the Issuer request the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like; or
- iii. Any other steps are taken to enforce any Security Interest and such steps are not stayed within 30 (thirty) days thereof.

(f) Creditors' process

Any attachment, sequestration, distress or execution affects any asset owned by the Issuer and is not discharged within 30 (thirty) days of such attachment, sequestration, distress or execution being levied.

(g) Cessation of business

- i. the Issuer ceases, or threatens to cease, to carry on all or a substantial part of its business or any license or permissions to carry on business in Pakistan is suspended or cancelled; or
- ii. the Issuer's banking license is suspended or cancelled; or
- iii. if subsequent to the listing of Sukuk Certificates in terms of Clause 2.13 of the Sukuk Issuance Agreement, the Stock Exchange suspends trading of the Sukuk Certificates pursuant to the DSL Regulations and / or any other applicable laws and regulations and the same is not reversed within a period of 60 (sixty) days;
- iv. failure to procure listing of the Sukuk Certificates in terms of Clause 2.13 of the Sukuk Issuance Agreement;
- v. if subsequent to the listing of the Sukuk in terms of Clause 2.13 of the Sukuk Issuance Agreement, if the Issuer fails to comply with or contravenes with any of the provisions of the DSL Regulations and/or any other laws and regulations which may be applicable from time to time including any conditions imposed on it by the Stock Exchange once listed pursuant to the DSL Regulations and the same is not rectified within the prescribed time period.

(h) Unlawfulness

It is or becomes unlawful for the Issuer to perform any of its material obligations under this Sukuk Issuance Agreement or the Sukuk and/or any other document executed by the Issuer in respect thereof and the Issuer and the Issue Agent / Investment Agent have been unable to agree, within a period of 30 (thirty) days from the receipt of a notice from the Issue Agent / Investment Agent, on an appropriate replacement provision containing such terms so as not to relegate either party to a detrimental or less favorable position than that held under the Sukuk Issuance Agreement or Sukuk (as originally executed).

(i) Change of provisions of the Sukuk Issuance Agreement

All or any material provisions of the Sukuk Issuance Agreement:

- i. do not have effect or cease to have effect in accordance with its terms; or
- ii. are or become void, voidable, illegal or unenforceable

(j) Compromise or arrangement with the members or creditors

Taking of any step by the Issuer for the purpose of entering into a compromise or arrangement with any of its members, or creditors, generally or any class of them under the provisions of the Companies Act, 2017.

(k) Cross-default

The occurrence of any of the following which has a Material Adverse Effect:

- i. Any Financial Indebtedness of the Issuer is not paid when due, including any grace period that may be applicable thereto; or
- ii. An event of default howsoever described occurs under any document relating to Financial Indebtedness of the Issuer; or
- iii. Any Financial Indebtedness of the Issuer becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; or
- iv. Any commitment for, or underwriting of, any Financial Indebtedness of the Issuer is cancelled or suspended as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; or
- v. Any Security Interest becomes enforceable.

CONSEQUENCES OF EVENTS OF DEFAULT

- (a) At any time after the occurrence of an Event of Default mentioned above relating to the Issuer's non-option redemption obligations (as defined in the Sukuk Issuance Agreement), the Issue Agent / Investment Agent (to the exclusion of the Sukuk Holders) may, at its discretion (subject to the Issue Agent / Investment Agent being indemnified to its satisfaction against all proceedings, claims and demands to which the Issue Agent / Investment Agent may be liable and all costs, charges and expenses which may be incurred by the Issue Agent / Investment Agent in connection therewith), take such proceedings/actions against the Issuer as may be directed by Sukuk Holders representing more than 50% (fifty percent) of the total outstanding value of the Sukuk to the extent that the same is permissible under law and permitted by the SBP.
- (b) The Issue Agent / Investment Agent shall be entitled to prove in any winding-up of the Issuer in respect of any amounts payable in relation to the Sukuk or other moneys payable under any provision of the Sukuk Issuance Agreement.

APPLICATION OF PROCEEDS

- (a) In the event of a winding up order being made by a court of competent jurisdiction, the Mudaraba relationship shall stand terminated and payments to the Sukuk Holders (in case the Sukuk are not already converted into the common shares of the Issuer), shall be (a) superior to the claims of common shareholders, (b) subordinate to and rank inferior to all other debts of the Issuer including deposits and any Tier 2 Capital instruments, and (c) pari passu without preference amongst themselves.
- (b) Upon enforcement of the Issuer's profit payment obligations / the Issuer's option redemption obligations / Issuer's non-option redemption obligations in terms of the Sukuk Issuance Agreement, any Proceeds recovered / received by the Issue Agent / Investment Agent from such enforcement shall be applied by the Issue Agent / Investment Agent in the following manner:
 - i. firstly, in payment of all costs, charges, expenses and liabilities lawfully incurred and payments made by the Issue Agent / Investment Agent and every receiver, attorney, agent, delegate, sub-delegate or other person appointed by the Issue Agent / Investment Agent in the execution of any powers, authorities or discretions vested in it or him pursuant to the Sukuk Issuance Agreement including (without limitation upon the foregoing) the remuneration of the Issue Agent / Investment Agent under these presents and of every such Receiver or such other person;
 - ii. secondly, in or towards payment of the outstanding Issue Price and outstanding Profit Payment Amount to the Sukuk Holders on a pari passu basis in proportion to the amount owed to the respective Sukuk Holders pursuant to the Sukuk; and
 - iii. lastly, the surplus (if any) after the payment of the amounts mentioned in (i) and (ii) above, shall be paid to or to the order of the Issuer or other person for the time being entitled thereto, subject to such person providing evidence as may be required by the Issue Agent / Investment Agent in support of the claim.
- (c) Payment of the Proceeds to the Sukuk Holders shall be made by the Issue Agent / Investment Agent net of any deductions required under the law (against surrender of the original Sukuk, where applicable).

MANDATORY CONVERSION

Conversion Events include each of the following events:

1. Where all or part of the Sukuk are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Issuer's inability to exercise the lock-in clause;
2. Where all or part of the Sukuk are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Issuer's inability to exercise the non-cumulative feature;
 - (c) Where all or part of the Sukuk are converted into common shares upon the declaration by SBP of the occurrence of a Point of Non-Viability event; or
 - (d) Where all or part of the Sukuk are converted into common shares by the Issuer upon the occurrence of a Pre-Specified Trigger Event.

Lock-in clause

- (a) In the event where payment of the profit payment amount will result in a shortfall in the Issuer's minimum capital requirement, capital adequacy ratio or leverage ratio, or results in an increase in any existing shortfall in minimum capital requirement, capital adequacy ratio or leverage ratio, the Issuer shall take immediate action to reduce the weightage of the Sukuk Holders participation in the General Pool (profit distribution ratios for weighted average investment) (to reduce the profit to a negligible

amount of up to 0.005%) of the current month and every month thereafter in which the Issuer is in breach of regulatory capital requirements.

- (b) In the event where payment of the option redemption amount and partial option redemption amount (as defined in the Sukuk Issuance Agreement) will result in a shortfall in the Issuer's minimum capital requirement, capital adequacy ratio or leverage ratio, or results in an increase in any existing shortfall in minimum capital requirement, capital adequacy ratio or leverage ratio, such payment shall be withheld by the Issuer, however, the Mudaraba relationship will continue between the parties and such payment shall be released once SBP allows the same.
- (c) Any inability to exercise the lock-in clause will subject the Sukuk to mandatory conversion into common shares, at the discretion of SBP subject to clause 6.12.5 below.

Non-Cumulative Feature

In compliance with the requirements as provided under the Basel III Circular, any unpaid profit will be non-cumulative i.e. the Sukuk Holders will not be compensated subsequently by the Issuer for that particular period. Accordingly, the profit payment made to the Sukuk Holders based on their respective monthly profit weightages, will be considered as full and final payment for that particular period. Any inability to exercise the non-cumulative feature will subject the Sukuk to mandatory conversion of the Sukuk into common shares, at the discretion of the SBP subject to clause 6.12.5 below.

Loss Absorbency - Point of Non-Viability Event

As per the requirements of the Basel III Circular, the following loss absorbency conditions will apply to the Sukuk:

- (a) Upon the occurrence of a Point of Non-Viability ("PONV") event as defined below, SBP may at its option, fully and permanently convert the Sukuk into common shares of the Issuer (either partially or in full).

Under Basel III Circular, a "PONV" event has been defined as the earlier of:

- i. A decision made by SBP that a conversion is necessary, without which the Issuer would become non-viable; or
 - ii. The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP.
- (b) The amount to be converted into common shares shall be based on fair value determined in accordance with clause (d) below and as directed by SBP.
- (c) In the event of conversion of the Sukuk into common shares by SBP, any investor holding 5% (five percent) or more of the paid-up share capital of the Issuer will be required to comply with the fit and proper criteria of SBP.

(d) Conversion Mechanism:

In the event of conversion of the Sukuk into common shares by SBP, the Sukuk shall be converted in the following manner:

- i. The Mudaraba relationship with the General Pool shall end and the capital of Mudaraba shall be converted into common shares.
- ii. The conversion pricing formula will be linked to the market value of the ordinary shares of the Issuer on the date of trigger of the PONV ("Market Value of Shares") and the fair value of the outstanding value of the Sukuk determined by adding / deducting, from the face value of the Sukuk, the attributable profit / loss of the General Pool and any amount of profit held

during the loss absorbency period (“**Outstanding Value of Sukuk**”). The number of ordinary shares to be issued to the Sukuk Holders, subject to clause 6.12.5 below, shall be determined by dividing the Outstanding Value of Sukuk by the Market Value of Shares.

The above conversion will be decided by SBP by keeping in view the conditions of clause (xi) of Annexure 2 of the SBP Circular; and

- iii. SBP has granted a waiver / deferred from obtaining upfront SECP approval as required under Paragraph (viii) of Annexure A-5-3 of the Basel III Circular in terms of the SBP Approval.

Loss Absorbency - Pre-Specified Trigger Point

- (a) The Sukuk shall be permanently converted into common shares of the Issuer upon the occurrence of a Pre-Specified Trigger Point as defined below and the Issuer shall immediately notify SBP upon the occurrence thereof.
- (b) Under Basel III Circular, a “**Pre-Specified Trigger Point**” (“**PST**”) shall be deemed to occur when the Issuer’s CET-1 (Common Equity Tier 1) ratio falls to or below 6.625% of its Risk Weighted Assets (RWA).
- (c) In the event of conversion of the Sukuk into common shares, any person consequently holding 5% (five percent) or more of the paid-up share capital of the Issuer will be required to comply with the fit and proper criteria of SBP.

(d) Conversion Method:

In the event of conversion of the Sukuk into common shares by SBP, the Sukuk shall be converted in the following manner:

- i. The Mudaraba relationship with the General Pool shall end and the capital of Mudaraba shall be converted into common shares.
- ii. Where the Issuer’s CET-1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier 1 Capital to be converted must at least be the amount sufficient to immediately return the CET-1 ratio to above 6.625% of total RWA (if possible);
- iii. The converted amount should not exceed the amount needed to bring the CET-1 ratio to 8.5% of RWA (minimum CET-1 of 6.0% plus capital conservation buffer of 2.5%);
- iv. The conversion pricing formula will be linked to the Market Value of the Shares of the Issuer on the date of trigger of the PST and the Outstanding Value of the Sukuk. The number of ordinary shares to be issued to the Sukuk Holders, subject to condition mentioned in clause 6.12.5 (b) below, shall be determined by dividing the Outstanding Value of Sukuk by the Market Value of Shares.

The above conversion will be decided by SBP by keeping in view the conditions of clause (xi) of Annexure 2 of the SBP Circular; and

- v. SBP has granted a waiver / deferred from obtaining upfront SECP approval as required under Paragraph (viii) of Annexure A-5-3 of the Basel III Circular in terms of the SBP Approval.

Conversion Conditions

Notwithstanding any other provision of the Sukuk Issuance Agreement, the conversion of the Sukuk into common shares to a Conversion Event is subject to:

- 1. The Issuer obtaining approval from the SECP as required under applicable laws; and
- 2. The maximum number of additional shares being issued in respect of all conversion events

not exceeding 90,000,000 (Ninety Million) additional shares.

EXERCISE TO THE CALL OPTION

- (a) Subject to receipt of written approval from SBP and compliance with its minimum capital requirement and capital adequacy ratio, the Issuer will have an option to redeem in full (hereinafter referred to as the **"Call Option"**, as detailed below) or part, (hereinafter referred to as the **"Partial Call Option"**) the outstanding value of the Sukuk calculated under the SBP Pool Management Guidelines in terms of Clauses (b) to (g) below.
- (b) The Call Option or the Partial Call Option may be exercised by the Issuer after obtaining written approval from the SBP at any time on or after a period of 5 (five) years from the Issue Date by giving to the Sukuk Holders and the Issue Agent / Investment Agent at least 30 (thirty) days prior notice in writing, specifying the Profit Payment Date on which the Issuer will redeem (**"Option Redemption Date"**) all of the then outstanding Sukuk (i.e. the Call Option) or a portion of the then outstanding Sukuk (i.e. the Partial Call Option) by payment of the amount(s) calculated in accordance with the provisions of the Clause (c) to (g) below, whereupon the Sukuk Holders shall be bound to so accept the redemption. Notwithstanding the above, the Issuer shall not implement the Call Option or Partial Call Option unless they replace the amount called with capital of same or better quality and demonstrates that the capital position of the Issuer will be well above the minimum capital requirement prescribed by the SBP after the Call Option is exercised.
- (c) In case of the exercise of the Call Option, the Issuer will pay (a) the Profit Payment Amount accruing for payment on the Option Redemption Date; and (b) the outstanding value of the Issue Price (subject to the weightage in the General Pool and the profit and loss calculations applicable thereto under the SBP Pool Management Guidelines) allocated to the then outstanding Sukuk (**"Option Redemption Amount"**) on the Option Redemption Date as specified in the Call Option notice.
- (d) In case of Partial Call Option, the Sukuk shall be redeemed from each Sukuk Holder on a *pro rata* basis. If the pro-rata calculated number of Sukuk so redeemable from a Sukuk Holder is not a whole number, it shall be rounded up to the next whole number.
- (e) The notice for the exercise of the Partial Call Option above shall specify the portion of the outstanding Issue Price (subject to the weightage in the General Pool and the profit and loss calculations applicable thereto under the SBP Pool Management Guidelines) intended to be redeemed (**"Partial Option Redemption Amount"**).
- (f) In case of exercise of the Partial Call Option, the Issuer will pay the Partial Option Redemption Amount on the Partial Option Redemption Date as specified in the Partial Call Option notice.
- (g) Any notice of Call Option or Partial Call Option, once issued, shall be irrevocable. In case of any dispute as to the amounts payable by the Issuer to the Sukuk Holders upon exercise of Call Option or the Partial Call Option, the determination of the Issue Agent / Investment Agent in this regard, save for manifest error, shall be final and binding on the Issuer and the respective Sukuk Holders.

QUORUM AND EXTRAORDINARY RESOLUTION

QUORUM

At any meeting at which Sukuk Holders holding or representing in the aggregate more than 67% (sixty-seven percent) of the total outstanding value of Sukuk shall form a quorum for the transaction of any business. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

If within 15 (fifteen) minutes from the time appointed for the meeting, a quorum is not present, the meeting if convened on the requisition of Sukuk Holders shall stand cancelled. In any other case, it shall stand adjourned to such day and time being not less than 14 (fourteen) days nor more than 42 (forty-two) days thereafter and to such place as may be appointed by the chairman and at such adjourned meetings a quorum as specified in

paragraph 4 above shall be a quorum for the transaction of business. At least 7 (seven) days' notice exclusive as aforesaid of any adjourned meeting of Sukuk Holders at which an Extraordinary Resolution is to be submitted shall be given in the same manner as for an original meeting.

EXTRAORDINARY RESOLUTION

The expression "Extraordinary Resolution" means a resolution passed by Sukuk Holders representing more than 67% (sixty-seven percent) of the total outstanding value of the Sukuk held by the Sukuk Holders present and voting at a meeting of Sukuk Holders duly convened and held in accordance with the provision of Sukuk Issuance Agreement.

An Extraordinary Resolution passed at a meeting of the Sukuk Holders duly convened and held in accordance with the Agreement shall be binding on all the Sukuk Holders, whether or not present at the meeting. Each of the Sukuk Holders and the Issue Agent / Investment Agent (subject to the provisions for its indemnity contained in the Agreement) shall be bound to give effect to it accordingly.

A meeting of the Sukuk Holders shall, in addition to all other powers, have the following powers exercisable by Extraordinary Resolution only:

- Power to sanction any scheme for the reconstruction of the Issuer or for the amalgamation of the Issuer with any other company;
- Power to sanction the release of the Issuer from the payment of all or any part of any amounts owing upon the total value of the Sukuk and other moneys payable pursuant to this Agreement;
- Power to sanction any modification, abrogation or compromise of or arrangement in respect of the rights of the Sukuk Holders against the Issuer whether such rights shall arise under this Agreement or the Sukuk or otherwise;
- Power to assent to any modification or abrogation of the covenants or provisions contained in this Agreement proposed or agreed to by the Issuer and to authorize the Issue Agent / Investment Agent to concur in and execute any supplemental deed embodying any such modifications; and
- Power to agree to the release of any Issue Agent / Investment Agent from any liability in respect of anything done or omitted to be done by such Issue Agent / Investment Agent before the giving of such release.

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PART 8: MANAGEMENT OF THE BANK

8.1. BOARD OF DIRECTORS OF THE BANK

The Bank's affairs are governed by the Board of Directors (the "Board"), which comprises eight directors, including the Chairman and the President and CEO. The Board is responsible for policy related issues and is headed by the Chairman. The President and CEO has overall responsibility for the Bank's strategic direction and for managing the Bank's business and its functions.

Board of Directors of the Company

Name	CNIC/Passport	Address	Designation	Directorships/ Business occupation in Other Companies
Mr. Suleman Lalani	6110149792457	B-601 Clifton Belle View Apartments Block 5, Clifton, Karachi	Chairman (Non-Executive Director)	<ul style="list-style-type: none"> Al- Abbas Sugar Mills Limited TRG Pakistan Limited JS Investments Limited Jahangir Siddiqui & Co Ltd
Mr. Ali Hussain	E0567621C	Tanglin Post Office, P.O Box, Singapore 912411	Non-Executive Director	<ul style="list-style-type: none"> SAJ Capital Management Limited
Mr. Haider Ali Hilaly	4200038134045	58B South Circular Avenue, Phase 2, DHA, Karachi	Independent Director	<ul style="list-style-type: none"> Ithaca Capital (Pvt.) Ltd. Ithaca Capital Ltd. Ithaca Capital BV Ithaca Capital Group Bottleco (Pvt.) Ltd. Optimus Technology (Pvt.) Ltd. Ravi Spherocast (Pvt.) Ltd. CALCORP LTD. (Formally Capital Asset Leasing Corporation) Bykea Technologies (Pvt.) Ltd. Retail Holdings (Pvt.) Ltd. Partners Resource Linked (Pvt.) Ltd. Optimus Ltd. Athena Brands (Pvt.) Ltd. Bykea Technologies BV. Kidco Holdings Ltd. Mobility Digital Holdings Ltd. Partners Retail Holdings Ltd. Ravi Automobiles (Pvt) Limited Mustang Security Services (Pvt.) Ltd. Mustang HRSM (Pvt.) Ltd. Bykea Trade (Pvt) Limited
Ms. Iffat Zehra Mankani	4220101530634	House No. 47 B/1, Q-Street, 10-Lane, Phase 6 DHA Karachi	Non-Executive Director	<ul style="list-style-type: none"> JS Investments Limited

Mr. Sulaiman Sadruddin Mehdi	4230108851573	09-B, Hospital Street, Phase II, DHA, Karachi.	Independent Director	<ul style="list-style-type: none"> • TPL Developments (Pvt.) Limited • Aga Khan Cultural Services Pakistan • Sindh Energy Holding Company (Pvt.) Ltd. • Emerging Technologies of MOIT • Presidential Initiative for Artificial Intelligence and Computing (PIAIC)
Mr. Syed Ali Hasham	4220122967677	Flat no. 1-A, New Teachers Flats, Staff Town, Karachi University Campus, Karachi	Non-Executive Director	<ul style="list-style-type: none"> • Mahvash and Jahangir Siddiqui Foundation • JS Infocom Limited • JS Engineering Investments 1 (Private) Limited • Jahangir Siddiqui & Co Ltd • Energy Infrastructure Holding (Private) Limited • Khairpur Solar Power (Private) Limited • Quality Energy Solutions (Private) Limited
Mr. Akhtar Abbas	3810408641971	House no 199, Street 1B, Sector 10-2 Islamabad	Independent Director	<ul style="list-style-type: none"> • District Social Protection Committee Bhakkar (Punjab Social Protection Authority) • Bahria University Islamabad • Chamber of Agriculture, Punjab • Pakistan Institute of Conflict and Security Studies • Punjab Bar Council
Mr. Rizwan Ata	3310006499377	Emaar Pakistan, Pearl Tower 1, Apartment No. 1501, Abdul Sattar Edhi Avenue, Phase VIII Ext, DHA Karachi. and House No. 164, Raya Golf Residency, DHA Phase VI, Lahore Cantt.	President and CEO	<ul style="list-style-type: none"> • Shakarganj Foods Products Limited

Profiles of Directors

Mr. Suleman Lalani - Chairman

Mr. Lalani is presently the Group President of Jahangir Siddiqui & Co. Limited ("JSCL").

Before his elevation to the position of Group President, he served as Vice-Chairman for brief period and before that he served JSCL as its Chief Executive Officer for more than a decade. Prior to joining JSCL, he was Executive Director Finance & Operations and Company Secretary of JS Investments Limited where he served as CFO and Company Secretary for seven years.

Mr. Lalani had started his career with JSCL in 1992 where he worked for over eight years. In year 2000 he was promoted to the position of Chief Operating Officer of Jahangir Siddiqui Investment Bank Limited, a subsidiary of JSCL. In January 2002 he joined The First Micro Finance Bank Limited as its Chief Financial Officer and Company Secretary.

Mr. Lalani is a Fellow member of the Institute of Chartered Accountants of Pakistan and has more than 30 years of experience in the financial services sector. He has also completed the Board Development Series Certificate Program conducted by the Pakistan Institute of Corporate Governance.

Mr. Ali Hussain

He has over forty-six years of professional and managerial experience in both corporate and private entities. For the past thirty-one years he has been managing his own global organizations and international financial investments in the field of technology, medical, electronics and strategic investments with operations in USA, Canada, Singapore, UK and Germany. His portfolio of past acquisitions has created significant value through growth and M&A.

Currently, Mr. Hussain manages a portfolio of banking, ecommerce, Fintech and digital technology investments along with family office. In Singapore he manages a technology incubator to promote entrepreneurship and invests in early stage companies. He has also founded Sajjad Foundation, a private charitable foundation primarily devoted to education and health care projects in Singapore, Pakistan and other countries. Mr. Hussain holds a Master's degree in Electrical engineering from Stanford University.

Mr. Haider Ali Hilaly

He has been a principal investor in equities for 21 years. He currently serves as the Managing Director of Ithaca Capital (Private) Limited, a privately held investment holding company with a 21 years track record of deploying growth capital in various businesses across multiple sectors in Pakistan including transportation, leasing, power generation, outsourcing, armed security, cinemas, vehicle rental, technology, publishing and FMCG. Prior to joining Ithaca, he has worked in early stage private equity and merchant banking. For the past 12 years he worked at a special situations hedge fund. His core expertise includes investment selection, portfolio construction, capital allocation and management, risk management, valuation, financial control, corporate governance and investor relations.

He graduated cum laude and Pi Sigma Alpha from Hamilton College in the United States and he holds an MBA degree from the London Business School. He also has a certification from the Pakistan Institute of Corporate Governance Director's Training Program.

Mr. Sulaiman Sadruddin Mehdi

Sulaiman is the CEO/Director of TPL Developments and is leading all the development initiatives of USD 100 mn TPL REIT Fund-I and is also responsible for all new developments of the TPL. Before TPL, he has served as CEO of Cyan Limited, formerly Central Insurance Company Limited (CICL). In 2011, Sulaiman orchestrated the business restructuring of CICL (Insurance) to Cyan (Investments/PE), a landmark transaction, and the first of its kind in Pakistan.

He has also served PICIC (DFI), PICIC Asset Management Company Ltd., Allied Bank and ABL Asset Management Company Limited. He has had the privilege of establishing two leading Asset Management Companies. As a senior executive he has been working on strategy, mergers and acquisitions. He is a proven business leader with a track record of delivering sustainable change and superior results. Sulaiman's experience spans over 22 years in multiple areas of real estate development and financial services including investments, operations, marketing, legal and corporate affairs.

He has been the youngest Chairman of the Pakistan Stock Exchange (PSX). At PSX besides being the Chairman of the Board, Sulaiman was also the Chairman of the Nomination Committee, Human Resource and Remuneration Committee and Regulatory Affairs Committee. He was also Chairman Pebbles Ltd., the real estate arm of Dawood Hercules (DH) Group and spearheaded all real estate initiatives of the Group. He is a Founding member of the Presidential Initiative for Artificial Intelligence and Computing (PIAIC) and a Member of the Committee on Emerging Technologies of MOIT. He is also an Independent Director on Sind Energy Holding Company (Pvt) Ltd., BankIslami Pakistan Ltd. and Aga Khan Cultural Service Pakistan (AKCSP).

He has also served on the Board of Dawood Lawrencepur Limited, FOCUS Pakistan (an Aga Khan Foundation backed NGO), Inbox Business Technologies (Pvt.) Ltd., Inbox Consulting (Pvt.) Ltd., Inbox Corporation (Pvt.) Ltd., Sach International (Pvt.) Ltd., The Institute of Business Management (IOBM) and Unity Foods. He has also represented Sindh as an Independent Member on Private Power and Infrastructure Board (PPIB).

He holds a master's degree and is also a fellow member of The Institute of Corporate Secretaries of Pakistan (FCIS). He is also a Certified Director from the Pakistan Institute of Corporate Governance (PICG).

Mr. Syed Ali Hasham

He is an associate member of the Institute of Chartered Accountants of Pakistan (ICAP) and holds a Bachelor's degree in Commerce from the University of Karachi.

He has more than seven years of experience in the fields of finance, taxation, auditing, internal control evaluation and corporate affairs. He is currently the Company Secretary of Jahangir Siddiqui & Co. Ltd. Previously he was associated with Deloitte Yousuf Adil, a member firm of Deloitte and had experience working in Pakistan and Qatar. During his association with the firm, he was involved in various statutory audits and special assignments relating to DFI & commercial banks, Non-Banking Finance Companies, mutual funds, retail, and aviation sectors.

Ms. Iffat Zehra Mankani

Ms. Iffat Mankani has joined JS Investments Limited in April 2021. She brings with her over 20 years of global experience in both public and private markets across multiple asset classes. During her 11 years working in capital markets in Pakistan, she held various senior strategy and research roles, both on the buy and sell-side of the industry, including the National Investment Trust, JS Investments Limited and BMA Asset Management Company Limited amongst others.

Working as a sell side analyst, Ms. Iffat was frequently quoted in the financial press, and was well-known for her accuracy as a strategist. In her buy-side roles as Chief Investment Officer at JS Investments (2005-2007) and BMA Asset Management (2007-2011), she led the successful implementation of a disciplined asset and risk allocation process, resulting in consistent top quartile performance for funds under management. These included some pioneering products in the industry, such as the asset allocation fund, capital protected fund, index fund, an offshore fund and separately managed accounts.

In her most recent role, Ms. Iffat was working in the Deals Advisory team at PwC Canada, where she made significant contributions in the space of complex financial instruments and private debt valuations amongst others, helping to steer the business toward sustainable growth. Moreover, she also held diversified roles in the risk management groups of leading Canadian Banks (Bank of Montreal and CIBC) associated with their quants and trading risk oversight teams. In addition to making numerous value additions in her role as a Risk Manager of equity, fixed income and structured product desk, she also spearheaded bank wide regulatory and infrastructure projects and initiatives.

Ms. Iffat holds a Master of Finance from Rotman School of Management (University of Toronto) and Master of Business Administration from the Institute of Business Administration, Karachi.

Mr. Akhtar Abbas

Mr. Akhtar Abbas is a highly competent lawyer and human right activist. He is serving the community for almost two decades through his untiring passion and commitment towards his profession. He has Bachelor and Master's degree in Law from International Islamic University, Islamabad with a special focus on comparative study of Sharia and Common Law. He also has Master's Degree in Political Science from Punjab University. As an advocate High Court, he has participated and played a pivotal role in several cases of public and constitutional importance throughout his career.

He has recently worked as Assistant Advocate General with Government of Punjab. He has also worked as Legislative Consultant to the Senate of Pakistan, where has worked with Standing Committee on Law and Justice. He voluntarily assisted the Chairman of the Committee in research, drafting and comparative study of different laws in proposing new legislation through private member bill. Other than his legal services, he has been teaching various law subjects at top universities of the country including COMSATS University Islamabad and Bahria University Islamabad as a visiting faculty member. He also appears in TV shows as legal and political analyst.

He has also attended numerous trainings, workshops, and seminars of significant importance including but not limited to National Security Workshop (NSW-12); the highest course on the subject in the country offered by National Defense University and National Media Workshop (NMW-7) from the same university. He is also graduate from Pakistan Naval War College Lahore where he attended Maritime Security Workshop (MARSEW-19). He has also attended a training course on Eco-Tourism held in Philippine organized by Asian Productivity Organization, Japan. He holds two diplomas in Business and Diplomacy from European Academy of Diplomacy Warsaw, Poland.

8.2. SENIOR MANAGEMENT

Mr. Rizwan Ata - President & Chief Executive Officer

Mr. Rizwan Ata is a seasoned banker with over 32 years of rich experience in the financial sector including over 17 years of experience in the Islamic Banking industry. He is amongst the pioneers of Islamic Banking in Pakistan and has been associated with BankIslami since 2019 and played an instrumental role in the exceptional growth of the Bank.

Prior to joining BankIslami, he was Group Head - Islamic Banking at Bank Alfalah Limited, where he led a network of over 150 branches together with associated business and support functions. Earlier, he led Islamic Banking Group at Allied Bank Limited as the first Group Chief. He also worked with Meezan Bank Limited as Group Head – Branch Network & SME/Commercial. He has also worked in different managerial positions at Lahore, Faisalabad, Sialkot & Multan while working with Emirates Bank International PJSC.

Mr. Rizwan holds an MBA degree from LUMS and attended Senior Leadership Program from INSEAD, France.

Mr. Sohail Sikandar - Chief Financial Officer

Mr. Sohail Sikandar, a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP), started his career with Deloitte Yousuf Adil Saleem & Co. Chartered Accountants (A member firm of Deloitte Touche Tohmatsu) where he gained versatile experience of auditing Banks and Non-Banking Financial Institutions and facilitating Mergers and Acquisitions of financial institutions. He is currently serving as a Chief Financial Officer of BankIslami Pakistan Limited since 2016. Prior to joining BankIslami, he has served as Chief Financial Officer at Burj Bank Limited and Dawood Family Takaful Limited.

Mr. Sikandar has certificate courses in Islamic Finance and Takaful to his credit. In addition to his superior knowledge of finance and accounting, he also has considerable knowledge and strength in the areas of Business Process Re-engineering, Business & Strategic Planning and Corporate Affairs.

Mr. Usman Shahid - Group Head, Risk Management

Mr. Usman Shahid is associated with BankIslami since July 2021. He possesses professional experience of over 23 years in banking sector, he holds master's degree from University of Bristol UK. Prior to joining BankIslami, Mr. Usman was working with National Bank Pakistan. His last assignment at National Bank, was SEVP/ Group Head – Assets Recovery Group since November 2020, SEVP/ Group Chief Credit Management Group since March 2018, EVP/ Head Corporate Banking (Lahore/Islamabad) since December 2012 and SVP / Corporate Banking Head (Islamabad) since March 2008. He has also previously been associated with Corporate Banking Group Riyad Bank (Saudi Arabia), United Bank Limited, HSBC Bank and Habib Bank Limited.

Mr. Mateen Mahmood - Head of Operations

Mr. Mateen Mahmood is a degree holder of MBA (Finance) and a professional banker, having experience of more than 28 years in the banking industry. He started his career as an Operation Officer at Bolan Bank. After that, he served as Branch Manager in Bank Al Habib and polished his operational and administrative expertise. Further, he joined Meezan Bank and performed the role of Regional Manager. Currently he is associated with BankIslami and serving the role of Head of Operations.

Mr. Bilal Fiaz - Group Head, Consumer Banking

Mr. Bilal Fiaz holds an MBA degree and Post Graduate Diploma in Islamic Banking & Takaful from Center for Islamic Economics with over 24 years of experience. Before joining BankIslami he was working with Zarai Taraqati Bank Ltd as Head of Islamic Banking.

He has previously been associated with Bank Sohar, Oman as Head of Retail Banking, Meezan Bank as Head of Strategy & Premium Banking, Standard Chartered Bank and Citibank N.A.

Mr. Zaheer Elahi Babar - Group Head, Corporate Banking

Mr. Zaheer Elahi Babar joined BankIslami as Group Head – Corporate Banking in 2020. He holds an MBA degree from the Institute of Business Administration (“IBA”), Karachi and B.E from NED University. Mr. Babar is a veteran Islamic Banker having an extensive and enriched banking experience of more than 20 years.

Before joining BankIslami, he was working with Bank Alfalah Islamic as Head of Islamic Corporate. Earlier he has also served HBL Islamic, Meezan Bank Limited, National Bank of Pakistan and Al Meezan Investment Management Limited under key management positions and capacities

Mr. Muhammad Haris Munawar - Head of Investment Banking

Mr. Haris Munawar is an experienced Corporate & Investment banker having more than 20 years of progressive experience ranging Corporate & Commercial Banking, Corporate Finance, Investment Banking, Project Financing, Structured Finance, Syndications, and Islamic Banking.

Before joining BankIslami, he worked with Burj Bank Limited as Head of Corporate Banking South. He also worked at Pak Kuwait Investment Company, Atlas bank limited and MCB Bank limited at senior / managerial positions.

Mr. Munawar holds an MBA degree from the IBA, Karachi. He is also a Fellow member of ICMA Pakistan and a Diploma holder of Associate of Institute of Bankers Pakistan (IBP).

Mr. Muhammad Assadullah Chaudhry - Head of Human Resource

Mr. Assadullah is associated with BankIslami Pakistan Limited since last 2 years prior to joining BankIslami, Mr. Assadullah has worked with Allied Bank Limited as Group Head - Service Quality. He also worked at various senior positions in Meezan Bank, Union Bank and Citibank NA.

Mr. Assadullah Holds a Master's degree in Business Administration with overall 21 years of experience.

Mr. Masood Muhammad Khan - Head of Compliance

Mr. Masood Muhammad Khan is associated with BankIslami Pakistan Limited since January 2015. Previously he has worked in senior positions at Bank Al Habib, National Accountability Bureau, Askari Bank and SaudiPak Commercial Bank (now Silk Bank Limited).

Mr. Masood Holds a Master's Degree in International Relations from Karachi University, with overall 24 years of working experience.

Mr. Muhammad Irfan Ahmed - Head of Shariah Compliance

Mr. Muhammad Irfan Ahmed is the Head of Shariah Compliance Department at BankIslami and possess more than 15 years of experience in the field of Islamic Banking & Finance. He has been involved in Product Development, Shariah Structuring, Shariah Compliance, Shariah Audit, Shariah Advisory. He also played a major role in development of conversion plan of ex-KASB Bank into an Islamic Bank.

He conducts Islamic Banking trainings in BankIslami, and at various forums and educational institutions including NIBAF and Institute of Banker Pakistan (IBP). He has done MBA in Finance and Masters in Economics. He has also done Certification in Deposit Management, and Capital Markets & Instruments in Islamic Banks from IBA-Karachi.

Mr. Kashif Nisar – Head, Products & Shariah Structuring

Mr. Kashif Nisar has been associated with the Islamic Banking Industry for 17 years and is a well-regarded figure in the Islamic Finance fraternity. He has previously worked with Meezan Bank Ltd., Dubai Islamic Bank Pakistan Ltd. and other Financial Institutions. He holds a Master's degree from the Institute of Business Administration (IBA, Karachi) and a PGD in Islamic Banking & Finance from Centre for Islamic Economics (CIE). He also regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including NIBAF (National Institute of Banking and Finance, State Bank of Pakistan).

Mr. Muhammad Amin – Group Head, Information Technology

Mr. Muhammad Amin has been engaged with BankIslami as Resident Senior Technology Consultant since May 2022 and in this role he has helped the Bank to achieve number of technology related objectives. Prior to this, Mr. Amin was associated with State Bank of Pakistan since 2007, where he worked on various positions and his last assignment was Executive Director & Chief Information Officer. Earlier he had also worked with Habib Bank as Head of IT Infrastructure, Citi Bank Pakistan as Manager Network Operations and certain other IT assignments with non-banking technology companies.

Mr. Muhammad Amin holds a Bachelor's degree in Engineering from NED University, Karachi.

Mr. Rizwan Qamar Lari - Head of Internal Audit

Mr. Lari is an experience banker with over 23 years of experience in financial sectors mainly in Islamic Banking. Prior to joining BankIslami, he was associated with Alinma Bank, Saudi Arabia as Deputy General Manager for 9 years. Earlier he worked with Meezan Bank as SVP-Finance, Saudi Pak Leasing as CFO and Company Secretary and KPMG-UAE and Pakistan in Audit and Assurance Department.

Mr. Lari is a Fellow member of the Institute of Chartered Accountant of Pakistan (ICAP).

Mr. Uzair Sipra - Head of Legal Affairs

Mr. Sipra has been associated with the Bank since November 2015. He possesses professional experience of over 26 years (including over 23 years of experience in Banking industry) and has previously worked with the Bank of Punjab, MCB Bank Limited and KASB Bank Limited in Legal Affairs and Corporate Recoveries. Mr. Sipra holds MA and LLB degrees from the University of Punjab.

Mr. Aasim Salim - Group Head, Distribution

Mr Aasim is associated with BankIslami since October 2018 and has significantly contributed towards business growth and portfolio risk optimization. He is a seasoned Banker with overall 27 years in financial sector at

various senior level positions including 20 years primarily in Islamic Banking. He has worked with MCB Islamic, Meezan Bank, Union Bank, Emirates Bank and Indus Bank in various roles.

Mr. Aasim holds a Master's degree in Business Administration from Bahauddin Zakariya University, Multan by securing 1st position. He is also a gold medalist from the Institute of Banker Pakistan (IBP).

Mr. Faisal Anwar - Group Head, Treasury & Financial Institutions

Mr. Faisal has over 24 years of diversified experience in local and International Banks at leading positions in the field of Treasury, FX and Money Market. Prior to joining BankIslami, he was associated with HBL, where he worked in various roles including Head Islamic Treasury, Head Consumer Finance, Head Sales & Channels Management. His last assignment was Head Remittance Operations, Swift & FI Operations, FE Approvals and Trade QA.

He has also worked with Bank Alfalah as Head Islamic Treasury, Meezan as Deputy Treasurer, Deutsche Bank AG as Short Term Interest Rate Trader, Standard Chartered Bank as Head FX Trading, UBL as Head FX Desk and MCB Bank Limited as FX Trader.

Mr. Faisal has been awarded Gold Medal in MBA - Investment Banking from Institute of Business Administration - IBA Karachi. Further, he is also a Certified Shariah Advisor and Auditor (CSAA) by AAOIFI.

8.3. ELECTION OF DIRECTORS

The Directors of the Bank are elected for a term of 03 years in accordance with the procedure laid down in section 159 of the Companies Act, 2017 and Banking Companies Ordinance, 1962.

The Directors shall comply with the provisions of Sections 154 to 159 and Sections 161 and 167 of the Companies Act, 2017 relating to the election of Directors and matters ancillary thereto.

Subject to the provisions of the Companies Act, 2017 and Banking Companies Ordinance, 1962, the Bank may from time to time increase or decrease the number of Directors.

Any casual vacancy occurring on the Board of Directors may be filled up by the Directors, but the person so appointed shall be subject to retirement at the same time as if he / she had become a Director on the day on which the Director in whose place he / she is chosen was last elected as Director.

The Bank may remove a Director in accordance with the provisions of the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

The present Directors of the Bank except CEO were elected/re-elected on May 10, 2023 for a period of 03 years. The President & CEO was appointed on September 29, 2023.

8.4. INTEREST OF DIRECTORS AND THEIR SHAREHOLDING

The Directors may deem to be interested to the extent of fees payable to them for attending Board meetings. The Directors performing whole time services in the Bank may also be deemed interested in the remuneration payable to them by the Bank. The nominee directors have interest in the Bank to the extent of representing the sponsors in the Bank.

Few Directors also have interest to the extent of their shareholding in the Bank as disclosed below:

Name of Director	No. of Shares Held	% of Shareholding
Mr. Ali Hussain	117,253,488	10.58%
Mr. Suleman Lalani	86,263	0.01%
Mr. Haider Ali Hilaly	31,000	0.00%
Mr. Sulaiman Sadruddin Mehdi	1,000	0.00%
Mr. Syed Ali Hasham	501	0.00%

Mr. Iffat Zehra Mankani	500	0.00%
Mr. Akhtar Abbas	500	0.00%
Mr. Rizwan Ata, President & Chief Executive Officer	0	0.00%
Total	117,373,252	10.59%

8.5. AMOUNT OF BENEFITS TO SPONSOR SHAREHOLDER AND DIRECTORS DURING THE LAST THREE YEARS

Other than as remuneration for services rendered as whole-time executives of the Bank or as meeting fee for attending Directors Committee meetings to non-executive directors as per the approved scale of fee, Bank has proposed dividend of PKR 1 per share (10%) out of profit for the year ended 2022.'

8.6. REMUNERATION OF DIRECTORS

According to article 53 of the Articles of Association, subject to any approval or limits required by law, the terms and conditions and remuneration of a Director performing extra services, including the holding of the office of Chairman, the Chief Executive and any Director for attending the meetings of the Directors or a committee of Directors shall be determined by the Board of Directors. A Director shall be entitled to obtain reimbursement of all reasonable expenses as he may incur in attending meetings of the Board, or general meetings, or which he may otherwise incur in or about the business of the Bank.

Remuneration/Allowances to Directors for the Preceding 3 Years

	2022		2021		2020	
	Directors other than CEO	President & CEO	Directors other than CEO	President & CEO	Directors other than CEO	President & CEO
No. of Directors (including CEO)	8		9		8	
Total Allowance (PKR '000')	13,700	103,640	14,320	80,545	7,600	48,396

8.7. COMPOSITION OF BOARD COMMITTEES

Board Audit Committee

Mr. Haider Ali Hilaly	Chairperson
Ms. Iffat Zehra Mankani	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member

Board Risk Management Committee

Ms. Iffat Zehra Mankani	Chairperson
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member
Chief Executive Officer	Member

Board Human Resource & Remuneration Committee

Mr. Akhtar Abbas	Chairperson
Ms. Iffat Zehra Mankani	Member
Mr. Sulaiman Lalani	Member
Mr. Syed Ali Hasham	Member

Board Information Technology Committee

Mr. Haider Ali Hilaly	Chairperson
Mr. Akhtar Abbas	Member
Mr. Suleman Lalani	Member
Chief Executive Officer	Member

Shariah Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairperson
Mufti Javed Ahmad	Member
Mufti Muhammad Husain	Member
Mufti Syed Hussain Ahmed	Member

8.8. NUMBER OF DIRECTORS

Pursuant to section 154 of the Companies Act, 2017, the number of directors of a listed company should not be less than seven (7). At present, the Board consists of eight (8) directors, including the President & CEO.

8.9. QUALIFICATION OF DIRECTORS

Pursuant to Article 46 of the Articles of Association of the Bank, save as provided in section 153 of the Companies Act, 2017, no person shall be appointed as Director unless he is a Member and holds qualification shares of PKR 5,000 (Rupees Five Thousand Only).

8.10. POWER OF DIRECTORS

As required under clause 47 of Part I of Table A of First Schedule of the Companies Act, 2017 and the Articles of Association of the Company, the authority to conduct business of the Bank is vested with its Board of Directors and they may exercise all such powers of the Bank as are required by the Companies Act, 2017 or the Articles of Association of the Bank or by a special resolution, required to be exercised by the Bank in the general meeting of the shareholders.

8.11. BORROWING POWERS

According to article 56 of the Articles of Association of the Bank, the Directors may from time to time raise or borrow any sum or sums of money for the purposes of the Bank provided that such mode of finance is permissible under Islamic Shariah as determined by the Bank's Shariah Supervisory Board.

8.12. INDEMNITY

As per the Article 118 of the Articles of Association, every officer or agent for the time being of the Bank shall be indemnified out of the assets of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the Bank, except those brought by the Bank against him in which judgment is given in his favor or which he is acquitted or in connection with any application under section 488 of the Companies Ordinance, 1984 (currently section 492 of the Companies Act, 2017) in which relief is granted to him by Court.

8.13. CORPORATE GOVERNANCE

The Bank is compliant with all the rules and regulations applicable to the Bank with regards to the Listed Companies (Code of Corporate Governance) Regulation, 2017.

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PART 9: LEGAL PROCEEDINGS AND OVERDUE LOANS

9.1. ACTION TAKEN BY THE SECURITIES EXCHANGE:

No action has been taken by the Securities Exchange against the issuer or its associated listed companies during the last three years over which the issuer has control.

9.2. LEGAL PROCEEDINGS

There are no pending legal proceedings other than those mentioned in note 25.3 of the unconsolidated financials for the period ended December 31, 2022 and; extracts of the referred note are provided below:

Note 25.3 of the unconsolidated financials for the period ended December 31, 2022

25.3 Other contingent liabilities

		----Rupees in '000---	
		2022	2021
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	25.3.1	4,200	4,200
Tax Contingencies	25.3.2	225,452	225,452
		<u>229,652</u>	<u>229,652</u>

25.3.1 Suit filed by customers / borrowers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

25.3.1.1 These are court cases, which represent counter claims filed by the borrowers, for restricting the Bank for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Bank is pleaded as proforma defendant for defending its interest.

25.3.1.2 There are two cases filed against the Bank by KASB Corporation Limited. One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. KASB Corporation Limited claims of having placed PKR 981.410 million with Ex-KASB Bank, as Advance against Issue of Right Shares. The amount was reported by the Ex-KASB Bank as part of the shareholders equity in the unconsolidated financial statements with the permission of SBP. Subsequent to the merger, KASB Corporation Limited and Mr. Nasir Ali Shah Bokhari filed a suit against the Bank in the Honorable High Court of Sindh; and also filed Miscellaneous Applications, praying thereby to restrain the Bank from using or transferring the amount of advance; and for directing the Bank to deposit the aforementioned amount with the Nazir of the Court; and to invest the same in interest / mark-up bearing certificates. On April 18, 2018, these Miscellaneous Applications were dismissed by the Honorable High Court of Sindh, however, the main suit is still pending adjudication. In addition, KASB Corporation Limited has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending for hearing. The management based on the opinion of its legal counsel is confident that the main suit will be dismissed by the Honorable Courts.

25.3.2 Tax Contingencies

25.3.2.1 The income tax returns of the Bank have been filed up to tax year 2022 whereas the tax assessments have been made by the tax authorities up to tax year 2018. The returns filed for the tax year 2014 to tax year 2022 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.

- 25.3.2.2** During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the Commissioner Inland Revenue Authority (CIRA) in respect of Income tax assessments of International Housing Finance Limited, amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007 for tax year 2005 maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of PKR 12.997 million. The defunct KASB Bank Limited has preferred appeals before the Appellate Tribunal Inland Revenue (ATIR) for tax year 2005 which are pending finalization.
- 25.3.2.3** For tax years 2003 (relating to defunct KASB Bank Limited), the CIRA has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of PKR 33.748 million. The defunct KASB Bank Limited had preferred an appeal before the ATIR against the above referred orders of the CIRA. No development has taken place during the current year.
- 25.3.2.4** For tax years 2010 (relating to defunct KASB Bank Limited), the ACIR had passed an order under section 122 creating a demand of Rs 51.636 million the order was subsequently upheld by the CIRA. The defunct KASB Bank Limited had preferred an appeal before the ATIR against the above referred order of the CIRA, which is pending adjudication.
- 25.3.2.5** In respect of tax year 2017, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by PKR 755.415 million. Subsequently, based on appeal filed by the Bank against the order passed by the ACIR, the Commissioner Appeal passed an order in favor of the Bank. The Tax Department has filed further appeal before the ATIR against the order of Commissioner Appeal which is pending adjudication.
- 25.3.2.6** In respect of various tax periods for the Bank and defunct KASB Bank, Sindh Revenue Board (SRB) has passed various orders and raised demand totaling to PKR 102.199 million in relation to levy of Sindh sales tax on certain services. The Bank has filed appeals before Commissioner Appeal, SRB which are pending adjudication. Furthermore, the Bank is contesting the issuance of certain show cause notices issued by SRB for the period covering from January 2012 till December 2013 before the Honorable Supreme Court of Pakistan based on the ground that these notices are time barred. The subject matter is also pending adjudication.
- 25.3.2.7** The Additional Commissioner, PRA had issued order under section 48 in respect of non-filing of Punjab Sales Tax return for the period from July 2018 till June 2019 entailing exposure amounting to Rs 120,000 with respect to Defunct KASB Bank. The Bank has made application before Commissioner PRA for revision of the order under section 61 of the Punjab Sales Tax Act, 2012 based on the ground that after amalgamation of Defunct KASB Bank with BankIslami, the operations of Defunct KASB Bank Limited rests with BankIslami and are reported through the BankIslami's Sales Tax return. The subject appeal is pending adjudication.
- 25.3.2.8** The management, based on the opinion of its tax advisors, is confident about the favorable outcome of the above matters and consequently no additional provision has been made in these unconsolidated financial statements.

9.3. OVERDUE LOANS

The Bank, its Chief Executive and directors, its sponsors, promoters, substantial shareholders, and its associated group companies have no overdue loans (local and/or foreign currency).

PART 10: UNDERWRITING ARRANGEMENT, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE

10.1. UNDERWRITING

The present Public Issue of Sukuk of PKR 150 million has been fully underwritten as follows:

S. No.	Underwriter	No. of Sukuk Certificates	Percentage of Total Underwriting	Amount in Rupees
1	Dawood Equities Limited	20,000	67%	100,000,000
2	Optimus Capital Management (Pvt) Limited	5,000	17%	25,000,000
3	Intermarket Securities Limited	5,000	17%	25,000,000
	Total	30,000	100%	150,000,000

If and to the extent that the Sukuk offered to the general public shall not have been subscribed and paid for in full by the closing date, the underwriters shall within 5 business days of being called upon by BankIslami to do so, subscribe or procure subscribers to subscribe and pay in readily available funds in accordance with their underwriting commitments.

In the opinion of the Directors of the Bank, the resources of the underwriters are sufficient to discharge their underwriting obligations.

10.2. UNDERWRITING EXPENSES

The underwriters will be paid underwriting management fees of up to 3.00% on the amount of the public portion underwritten by them; 50% of the underwriting management fee shall be paid within 7 days of signing of Underwriting Management Agreement whereas the payment of the remaining portion shall be paid as disclosed in the Underwriting Management Agreement, as advised and approved by the Shariah Advisor.

10.3. NO BUYBACK / REPURCHASE AGREEMENT

THE UNDERWRITERS NOR ANY OF THEIR ASSOCIATES HAVE ENTERED INTO ANY BUYBACK OR REPURCHASE AGREEMENT WITH THE SPONSORS, THE BANK OR ANY OTHER PERSON IN RESPECT OF THIS PUBLIC ISSUE.

ALSO, NEITHER THE BANK NOR ANY OF ITS ASSOCIATES HAVE ENTERED INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH THE UNDERWRITERS OR THEIR ASSOCIATES.

THE BANK AND ITS ASSOCIATES SHALL NOT BUY BACK / RE-PURCHASE CERTIFICATES FROM THE UNDERWRITERS AND THEIR ASSOCIATES.

10.4. FEES AND EXPENSES FOR E-IPO SYSTEM

Commission on application received through PES and CES will be paid to PSX and CDC which shall be not more than 0.8% of the amount of the total applications. PSX and CDC will share the fee with other participants of the e-IPO system at a ratio agreed amongst them.

10.5. COMMISSION TO THE BANKERS TO THE ISSUE

A commission of up to 0.5% of the amount collected, in respect of successful applications will be paid to the Bankers to the Issue for services to be rendered by them in connection with the Public Offer. No commission

shall be paid to the Bankers in respect of the Sukuk actually taken up by the underwriters by virtue of their respective underwriting commitments.

10.6. BROKERAGE COMMISSION

Brokerage commission shall be paid to the TREC holders of PSX, at the rate of 1.0% of paid-up value of Sukuk actually sold through them. No brokerage commission shall be payable in respect of Sukuk taken up by the Underwriters by virtue of their underwriting commitment.

10.7. EXPENSES TO THE ISSUE - ESTIMATED

The initial expenses of the issue paid or payable by the Bank inclusive of commission to the Underwriters, Bankers to the Issue and members of the PSX, etc., are estimated to be as follows:

Expenses to the issue	Rate	Amount (PKR)
Processing Fee- Pre IPO	0.50%	4,250,000
Commission to Banker to the Issue (BTI)	0.50%	750,000
Out of Pocket Expenses (OPEs) of BTI		500,000
PSX and CDC e-IPO Facility Charges	0.80%	600,000
Other Banks e-IPO charges (i.e. UBL & MEBL)		600,000
Underwriting Management Fee	3.00%	4,500,000
Brokerage Commission to TREC Holders	1.00%	1,500,000
Market Making (first year)		2,000,000
Balloter & Share Registrar Fee etc.		250,000
Brokerage, Fees & Commission		14,950,000
CDC Fresh Issue Fee	0.08%	800,000
CDC Security Deposit		100,000
Stamp Duty	0.05%	500,000
PSX Listing Fee	0.075%	750,000
SECP Processing Fee	fixed	100,000
SECP Supervisory Fee (%age of PSX Fee)	10.00%	75,000
Regulatory Fees & Duties		2,325,000
Trustee / Investment Agent/ Issue Agent Fee (first year)		600,000
Legal Counsel Fee		2,250,000
Rating Fee		1,000,000
Auditors Fee for various certificates		1,200,000
Trustee, Legal & Other Fees		5,050,000
Printing & Publication of Prospectus/Application Form		6,000,000
Miscellaneous costs		1,000,000
OPEs & Other Expenses		7,000,000
TOTAL		29,325,000

PART 11: MISCELLANEOUS INFORMATION

11.1. REGISTERED OFFICE / CENTRAL OFFICE

Registered Office Address: 11th Floor, Executive Tower, Dolmen City, Marine Drive, Block 4, Clifton, Karachi, Pakistan

Phone: (021)-111-247-111

Fax: (021)-35378373

Email: info@bankislami.com.pk

Website: <https://bankislami.com.pk>

11.2. AUDITOR OF THE BANK

KPMG Taseer Hadi & Co

Address: Sheikh Sultan Trust Buildings, Ground, No 2 Beaumont Rd, Civil Lines, Karachi, Sindh 75530, Pakistan

Contact No.: +92 21 37131900 (KPMG)

Email: kpmg@kpmg.com.pk

11.3. LEGAL ADVISORS TO THE BANK

1. Haidermota & Co.

Office: Plot No 101, 4th Floor, Lane No 1, D.H.A. Phase 8 Zulfiqar & Al Murtaza Commercial Area Phase 8 Defence Housing Authority, Karachi, Karachi City, Sindh 75600

Tel: (92-21) 111520000, Email: hmco@hmco.com.pk

2. Mohsin Tayebaly & Co.

Office: Dime Centre, Khayaban-e-Iqbal, Block 9, Clifton, Karachi, Sindh

Tel: (92-21) 111682529, Email: contact@mtclaw.com.pk

11.4. LEGAL ADVISOR TO THE ISSUE

Mohsin Tayebaly & Company

Address: Dime Centre, Khayaban-e-Iqbal, Block 9, Clifton, Karachi, Sindh, Block 9 Clifton, Karachi

Tel: (92-21) 111-682-529

Fax: (92-21) 35870240

Email: contact@mtclaw.com.pk

Website: <http://mtclaw.com.pk>

11.5. REGISTRAR AND TRANSFER AGENT

F.D Registrar Services Pvt Limited

Office: Office # 1705, 17th Floor, Saima Trade Tower - A, I.I. Chundrigar Road, Karachi – 74000.

Phone: (92-21) 32271905-6

FAX: (92-21) 32621233

Email: info@fdregistrar.com

11.6. CONSULTANT TO THE ISSUE

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Block-4, Clifton, Karachi.

Phone: 021-111475264

Email: ehad.sukuk@bankislami.com.pk

11.7. INVESTMENT AGENT

Pak Brunei Investment Company Limited

Address: Horizon Vista, Commercial 10,
Block No.4, Scheme No. 5, Clifton, Karachi.

PABX: (92-21) 35361215-19

Fax: (92-21) 35361213, 35370873

Website: www.pakbrunei.com.pk

11.8. COMPLIANCE OFFICER

Muhammad Shoaib

Company Secretary

BankIslami Pakistan Limited

14th Floor, Executive Tower,

Dolmen City, Block-4, Clifton,

Karachi- Pakistan.

Tel: +92-21-35839906 Ext. 2112

Fax: +92-21-35372252

Email: ehad.sukuk@bankislami.com.pk

11.9. BANKERS TO THE ISSUE

Meezan Bank Limited

Address: Utility Building, 3rd Floor Meezan House, C-25 Estate Avenue, Karachi

Contact Person: Ammar Farooqi

Designation: Vice president / Deputy Manager Capital Market

Tel: 021-36406117

Email: Ammar.farooqi@meezanbank.com

United Bank Limited

Address: 16th Floor, United Bank Limited Head Office, I.I Chundrigar Road, Karachi

Contact Person: Mishal Quadri

Designation: Customer Support Officer Cash Management & Employee Banking

Tel: 111-825-888

Email: mishal.quadri@ubl.com.pk

BankIslami Pakistan Limited

Address: 15th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi

Contact Person: Muhammad Umair Khatri

Designation: Unit Head - Cash Management

Tel: +92-21-35839906 Ext: 81000-3881

Email: umair.khatri@bankislami.com.pk

11.10. DESIGNATED MARKET MAKER

JS Global Capital Limited

The Center, 17th & 18th Floor, Plot No. 28, S.B.5, Abdullah Haroon Road, Karachi

UAN: (+92-21) 111 574 111

Fax: (+92-21) 3280 0167

Website: www.jsjcl.com

11.11. CREDIT RATING AGENCY

Pakistan Credit Rating Agency

B1 Awami Complex, Usman Block, New Garden Town, Lahore

Tel: +92 42 3583 0425

Website: www.pacra.com

Email Address: info@pacra.com

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PART 12: MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE

12.1 UNDERWRITING AGREEMENTS

S. No.	Underwriters Name	Amount (PKR)	Date of Agreement
01	Dawood Equities Limited	100,000,000	March 15 th , 2023
02	Optimus Capital Management (Pvt) Limited	25,000,000	March 15 th , 2023
03	Intermarket Securities Limited	25,000,000	March 15 th , 2023
	Total	150,000,000	

12.2 INVESTOR AGREEMENTS

BankIslami Pakistan Limited Additional Tier 1 Sukuk – Pre-IPO Investors List					
S.No	Investor Name	Pre-IPO Participation (PKR)	Percentage of Issue Size	Date of Agreement	Date of Disbursement of Funds
1	Thinkers Inn Pvt Ltd	150,000,000.00	15.00%	December 21 st , 2022	December 29 th , 2022
2	United Bank Limited	120,000,000.00	12.00%	December 21 st , 2022	December 29 th , 2022
3	National Bank of Pakistan	100,000,000.00	10.00%	December 21 st , 2022	December 29 th , 2022
4	Rizwan Rashid	90,000,000.00	9.00%	December 21 st , 2022	December 29 th , 2022
5	CDC Trustee-Faysal Islamic Asset Allocation Fund	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
6	Askari Bank Limited	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
7	MCB Bank Limited	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
8	Alfalsh GHP Islamic Value Fund	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
9	Soneri Bank Limited	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
10	Bank Al Habib Limited	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
11	ABL Islamic Asset Allocation Fund	50,000,000.00	5.00%	December 21 st , 2022	December 29 th , 2022
12	Roomi Enterprises (Pvt.) Ltd.	25,000,000.00	2.50%	December 21 st , 2022	December 29 th , 2022
13	Khalid Pervaiz	12,000,000.00	1.20%	December 21 st , 2022	December 29 th , 2022
14	JS Global Capital	2,000,000.00	0.20%	December 21 st , 2022	December 29 th , 2022
15	Mujtaba Hassan	1,000,000.00	0.10%	December 21 st , 2022	December 29 th , 2022
Total		850,000,000.00	85.00%		

12.3 OTHER MATERIAL DOCUMENTS

S. No.	Description	Date
1	Sukuk Issuance Agreement between BankIslami Pakistan Limited and Pak Brunei Investment Company Limited	December 21 st , 2022
2	Instrument Credit Rating Report by PACRA	June 24 th , 2022
3	Entity Credit Rating Report by PACRA	June 24 th , 2022
4	Approval of Pakistan Stock Exchange Limited vide letter reference no. GEN-1801	November 08 th , 2023
5	Approval of the Securities and Exchange Commission of Pakistan vide letter reference no. SMD/PO/SA-88/09/2023/207	December 14 th , 2023
6	Market Making Agreement between BankIslami Pakistan Limited and JS Global Capital Limited	October 26 th , 2023
7	Final Approval of the State Bank of Pakistan vide letter no. SBPHOK-BPRD-BACPD-BIS-351123	December 12 th , 2022
8	Underwriting Agreement of IPO portion	March 15 th , 2023

12.4 INSPECTION OF DOCUMENTS AND CONTRACTS

All the Balance Sheets and Profit & Loss Accounts, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Sukuk Issuance Agreement, the Credit Rating Reports by PACRA, approval letters from PSX and SECP, and the copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Bank from the date of publication of this Prospectus until the closing of the Subscription Period.

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PART 13: APPLICATION AND ALLOTMENT INSTRUCTIONS

13.1. ELIGIBLE INVESTORS

Eligible Investors include:

- a) Pakistani citizens resident in or outside Pakistan or persons holding dual nationalities including Pakistani nationality;
- b) Foreign nationals whether living in or outside Pakistan;
- c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
- d) Mutual Funds, Provident / pension / gratuity funds / trusts, (subject to the terms of the Sukuk Issuance Agreement and existing regulations); and
- e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

13.2. OPENING AND CLOSING OF SUBSCRIPTION LIST

The Public Subscription Period for Ehad Sukuk Certificates will start on [REDACTED] and end on [REDACTED] (both days inclusive) during banking hours for investors submitting physical applications with Bankers to the Issue and 24 hours for investors opting E-IPO services

13.3. COPIES OF THE PROSPECTUS

Copies of the Prospectus and applications forms can be obtained from the Trading Rights Entitlement Certificate (TREC) Holders of PSX, the Bankers to the Issue and their Branches, the Consultant to the issue and the registered office of the BankIslami Pakistan Limited. The Prospectus and the Application Forms can also be downloaded from the following websites:

<https://bankislami.com.pk> , <https://psx.com.pk> and <https://cdceipo.com>

The applicants are required to complete the relevant sections of the application in order to get the Securities in scrip-less form. In accordance with provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such Sukuk Certificate is allowed ONLY in the applicant's own CDC Account OR in CDC's IPO Facilitation Account. (IPO Facilitation Account is an Investor Account opened by CDC under its Regulations for the purpose of crediting and holding of Securities on behalf of individual Pakistani investors who have subscribed to such Securities offered by an Issuer/Offeror).

13.4. NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.

13.5. ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

13.6. APPLICATIONS MADE BY INDIVIDUAL INVESTORS

- a) In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis) / NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant.
- b) Original CNIC / NICOP / Passport, along with a photocopy, must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.

13.7. APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

- a) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument / document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.
- b) Photocopies of the documents mentioned in paragraph (a) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.

13.8. ADDITIONAL INSTRUCTIONS FOR INVESTORS

- a) Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.
- b) Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application, form and submit copies of their CNICs / NICOP / Passports. The securities will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.
- c) Subscription money must be paid by cheque drawn on applicant's own bank account or pay order / bank draft payable to one of the Bankers to the Issue in favor of **"IPO of BankIslami Pakistan Limited - Sukuk"** and crossed **"A/C PAYEE ONLY"**.
- d) For the application made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
- e) The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of securities.
- f) Applications are not to be made by minors and / or persons of unsound mind.
- g) Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
- h) Applicants should retain the bottom portion of their application forms as provisional acknowledgment of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.
- i) Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.

- j) Banker to the issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the issue.
- k) It would be permissible for a Banker to the issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
- l) Submission of false and fictitious applications is prohibited, and such Application Money may be forfeited under section 87(8) of Securities Act, 2015.

عوام الناس کو مطلع کیا جاتا ہے کہ سیکورٹیز ایکٹ 2015 کی شق نمبر 87(7) کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً ناجرم ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکورٹیز ایکٹ 2015 کی شق نمبر 87(8) کے تحت ضبط کی جاسکتی ہے۔

13.9. ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

- a) In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.
- b) Foreign / Non-resident investors should follow the payment instructions given in para 13.12 of the prospectus.

13.10. E-IPO SYSTEM:

The following systems are available for e-IPO:

PSX's E-IPO System (PES):

In order to facilitate investors, the Pakistan Stock Exchange Limited ("PSX") has developed an e-IPO System ("PES") through which applications for subscription of securities offered to the General Public can be made electronically. PES has been made available in this Issue and can be accessed through the web link (<https://eipo.psx.com.pk>). Payment of subscription money can be made through 1LINK's and NIFT's member banks available for PES. For making application through PES, investors must be registered with PES. The PES registration form is available 24/7, all throughout the year. Registration is free of cost and can be done by:

- The investor himself, or
- The TREC Holder with whom the investor has a sub-account, or
- The Bank with whom the investor has a bank account. Similarly, an e-IPO application can be filed by:
 - The investor himself, or
 - The TREC Holder with whom the investor has a sub-account, or
 - The Bank with whom the investor has a bank account.

For further guidance and queries regarding PES, investors may contact PSX at phone number: 111-001-122, or contact at phone (021)-35274401-10 and email: itss@psx.com.pk. Investors who are registered with PES can submit their applications through the web link <https://eipo.psx.com.pk> 24 hours a day during the subscription period which will close at midnight on .

Centralized e-IPO Systems:

CES can be accessed through the web link, www.cdceipo.com. Payment of subscription money can be made through 1LINK's member banks available for CES.

For making application through CES, investors must be registered with CES. Registration with CES is one-time activity, free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all around the year.

Sub-account holder(s) can request their respective TREC Holders, who are Participants in Central Depository System (CDS), to make electronic subscription of securities on their behalf by authorizing their respective Participant(s) in CES. Consequently, authorized Participants can electronically subscribe on behalf of their sub-account holder(s) in securities offered and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal. The securities will be credited directly in Investors' sub-account. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's Facilitation Account and investor can contact CDC for credit of securities in its respective account.

Investors who do not have CDS account can visit www.cdcpakistan.com for information regarding opening CDS account.

For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or Mr. Farooq Ahmed Butt at Phone 021-34326030 and email: farooq_butt@cdcpak.com. Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on XX.

E-IPO facilities offered by BTIs:

In order to facilitate investors, United Bank Limited ("UBL") is providing the facility of electronic submission of application (e-IPO) to their account holders. United Bank Limited account holders can use UBL net banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>.

The account holders of Meezan Bank having CDC account (Sub-account or IAS account) can subscribe to Public Offering of Shares through www.cdceipo.com & PSX's Electronic Initial Public Offering System (PES) <https://eipo.psx.com.pk/EIPO/home/index> and make payment through Bank's Alternate Distribution Channels including ATM, Internet banking and Mobile banking application.

Further, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on XX, 2023

13.11. BENEFITS OF E-IPO

E-IPO has the following benefits:

1. It enables the investors to make application for subscription of securities including Sukuk through the internet without going to the bank and waiting in long queues;
2. It is efficient and simultaneously facilitative for both the Issuer and the investors;
3. It is available for use 24 hours during the subscription period; and
4. If you are registered with CES or account holder of a bank providing e-IPO facility, you may get SMS for new IPOs.
5. By applying through CES you can also track your application status.

13.12. INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

Companies are permitted under paragraph 6 (with specific reference to sub para (B) (VIII)) of Chapter 20 of the State Bank of Pakistan's ("SBP") Foreign Exchange Manual (the "Manual") to issue Sukuk on repatriation basis to non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual, i.e. (I) A Pakistan national resident outside Pakistan, (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan, (III) A foreign national, whether living in or outside Pakistan and (IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government, provided the issue price, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan and the purchase price (whether negotiated privately or otherwise) is not less than the price quoted on the PSX.

Non-residents who wish to subscribe Sukuk out of the general public portion may contact any of the bankers to the issue (retail portion) for taking instructions regarding payment of subscription money against Sukuk offered to general public / retail investors. List of bankers to the issue for retail portion is available on title page of this Prospectus.

The Sukuk issued to non-resident investors shall be intimated by the Bank to the designated Authorized Dealer, along with the documents prescribed in the Manual within 30 days of issue.

Non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual do not require SBP's approval to invest in the Sukuk being issued in terms of this Prospectus. Furthermore, under paragraph 7(vii) of Chapter 20 of the Manual the Authorized Dealer shall allow repatriation of profit, net of applicable taxes and proceeds on sale of listed Sukuk (i.e. divestment proceeds) not exceeding the market value less brokerage/commission on provision of prescribed documents.

Payments made by non-residents shall be supported by proof of receipt of foreign currency through normal banking channels. Such proof shall be submitted along with the Application by the non-residents.

In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.

13.13. CODE OF OCCUPATIONS

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Other

13.14. NATIONALITY CODE

Code	Name of Country	Code	Name of Country
001	U.S.A.	006	Bangladesh
002	U.K.	007	China
003	U.A.E.	008	Bahrain
004	K.S.A.	009	Other
005	Oman		

13.15. MINIMUM AMOUNT OF APPLICATION AND BASIS OF ALLOTMENT OF SUKUK

The basis and conditions of transfer of the Sukuk to the General Public shall be as follows:

1. The Public Subscription Period for Ehad Sukuk will start on [] to [] (both days inclusive) during banking hours for investors submitting physical applications with Bankers to the Issue and 24 hours for investors opting E-IPO services.
2. Minimum subscription of at least 1 Sukuk Certificate of PKR 5,000 will be applicable; whereas the upper limit on the maximum subscription by one investor shall be the total IPO Portion i.e. PKR 150 million (inclusive of green shoe option of PKR 200 million)
3. Application for subscription must be made for PKR 5,000/- or in multiple thereof only. Applications, which are neither for PKR 5,000/- Sukuk nor for multiple thereof, shall be rejected.
4. BIPL is offering IPO portion of PKR 150 million (inclusive of a Green Shoe Option of PKR 200 million) of its Ehad Sukuk Issue of up to PKR 1,000 million (inclusive of Green Shoe option of PKR 200 million) through appointing three banks as Bankers to the Issue (BTIs) along with CDC E-IPO.
5. Allotment/Transfer of Sukuks to successful applicants shall be made in accordance with the allotment criteria/instructions disclosed in the Prospectus.
 - I. If the Sukuks to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.
 - II. If the issue is oversubscribed in terms of amount, then all applications shall be accommodated initially for Sukuks of face value of PKR 5,000/- each and the balance Sukuks shall be allotted on pro-rata basis to all applicants who applied for Sukuks in multiple of PKR. 5,000/-.
 - III. If the issue is over-subscribed in terms of number of applications and the amount, the Sukuks shall be allotted through computer balloting in the presence of representatives of PSX, in the following manner:
 - a. First preference will be given to the applicants who applied for Sukuk Certificate with a face value of PKR 5,000/-
 - b. After allotment of the above, the balance units, if any, shall be allotted on pro rata basis to the applicants who applied for Sukuk Certificates of more than PKR 5,000.
6. The allotment of Sukuks shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.

7. Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are therefore required to fill in all data fields in the Application Form.
8. The Bank will credit the respective CDS accounts of the successful applicants.

13.16. REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

BIPL shall take a decision within ten (10) working days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications as required under Chapter VII Regulation No. 13(8) of the Public Offering Regulations, 2017.

As per sub-section (2) of Section 68 of the Companies Act, 2017, if a refund is not made within the time specified therein, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of 2.00%, for every month or part thereof from the expiration of the 15th day and, in addition, shall be liable to a penalty of level 3 on the standard scale.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance. However, from the Shariah perspective, since this surcharge is a form of interest, the applicants are advised to dispose any such received amount as charity.

13.17. ISSUE AND CREDIT OF SUKUK

BIPL shall credit Sukuk to the successful allottees within 10 working days of the close of public subscription period as required under PO Regulations, 2017. Sukuk will be issued only in the Book-Entry Form through credit in their CDS Accounts. The applicants, therefore, must provide their CDS Account Number (Investor Account Number or Sub Account Number) in the Sukuk Subscription Form.

The Sukuk issued shall be subject to the terms & conditions for the issuance of the Sukuk specified in the Sukuk Issuance Agreement dated December 21, 2022.

If the Bank defaults on complying with the above requirements, it will pay to PSX a penalty of PKR 5,000/- per day during which the default continues. PSX may also notify the fact of such default and the name of the Bank by notice and also by publication, in the Daily Quotations.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance. However, from the Shariah perspective, since this surcharge is a form of interest, PSX is advised to dispose any such received amount as charity.

13.18. TRANSFER OF SUKUK

The Sukuk will be inducted into the CDC, transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations.

13.19. BANKERS TO THE ISSUE

1. Meezan Bank Limited
2. United Bank Limited
3. BankIslami Pakistan Limited

13.20. DEDUCTION OF ZAKAT

Zakat is deductible in case of the Sukuk being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trusts, Funds, etc. (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal amount.

13.21. INCOME TAX

Any income derived from investment in Sukuk shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III Division IB of the First Schedule of the said ordinance shall be applicable. As per Part III Division IB of the First Schedule, income tax rates applicable are:

Category	Tax Rate for Persons appearing in Active Tax Payer List
Company	25%
Individual or Association of Persons (If return on Investment is more than one million)	12.50%
Individual or Association of Persons (If return on Investment is less than one million)	10%

13.22. DEDUCTION OF WITHHOLDING TAX

Profit paid to Sukuk Holders will be subject to withholding tax under section 151 of the Income Tax Ordinance, 2001 specified in Part III Division IB of the First Schedule of the said Ordinance or any time to time amendments therein. Rates of tax specified under Division IB are as follows:

Category	Tax Rate for Persons appearing in Active Tax Payer List	Tax Rate for Persons not appearing in Active Tax Payer List
Company	25%	50%
Individual or Association of Persons (If return on Investment is more than one million)	12.50%	25%
Individual or Association of Persons (If return on Investment is less than one million)	10%	20%

13.23. CAPITAL GAINS

Any capital gain derived from the sale of Sukuk shall be subject to capital gain tax as per section 37A of the Income Tax Ordinance, 2001. Applicable Capital Gain Tax Rates for FY24 are as follows:

Holding Period	Appearing in Active Tax Payer List	Not Appearing in Active Tax Payer List
Where the holding period does not exceed one year	15%	30%
Where the holding period exceeds one year but does not exceed two years	12.50%	25%
Where the holding period exceeds two years but does not exceed three years	10%	20%
Where the holding period exceeds three years but does not exceed four years	7.50%	15%
Where the holding period exceeds four years but does not exceed five years	5%	10%
Where the holding period exceeds five years but does not exceed six years	2.50%	5%
Where the holding period exceeds six years	0%	0%

13.24. DISCLOSURE OF DEFERRED TAXATION

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'. The balance of deferred tax asset (net) as of June 30, 2023 was PKR 3,640 million (unconsolidated).

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PART 14: SIGNATORIES TO THE PROSPECTUS

Name	Designation	Signature
Mr. Ali Hussain	Director	-sd-
Suleman Lalani	Director	-sd-
Mr. Haider Ali Hilaly	Independent Director	-sd-
Mr. Sulaiman Sadruddin Mehdi	Independent Director	-sd-
Mr. Syed Ali Hasham	Director	-sd-
Iffat Zehra Mankani	Director	-sd-
Akhtar Abbas	Independent Director	-sd-
Mr. Rizwan Ata	President and CEO	-sd-

Signed by the above in the presence of following witnesses:

Witness 1

-sd-

Name: _____

Designation: _____

CNIC: _____

Date: _____

Witness 1

-sd-

Name: _____

Designation: _____

CNIC: _____

PART 15: MEMORANDUM OF ASSOCIATION

THE COMPANIES ORDINANCE, 1984

(COMPANY LIMITED BY SHARES)

MEMORANDUM OF ASSOCIATION

OF


BANK ISLAMI PAKISTAN LIMITED




1. The name of the company is "Bank Islami Pakistan Limited".
2. The registered office of the company will be situated in Karachi in the Province of Sindh.
3. The primary objective of the Company is to promote, foster, develop and undertake the Islamic financial intermediation business as a commercial banking company. All business activities whether fund-based or otherwise, shall be strictly in accordance with the principles of Shariah interpreted by the Shariah Supervisory Board set up under the Articles of Association of the Company. Subject to these objects, the business of the Company shall be to:
 - a. To carry on the business of a banking company as defined by the Banking Companies Ordinance, 1962;
 - b. The borrowing, raising, or taking up of money; the lending and advancing of money with or without security; and drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bill of lading, railway receipts, warrants, debentures, certificates, scrips, participation term certificates, term finance certificates, musharika certificates, modaraba certificates and such other instruments as may be approved by State Bank of Pakistan and other instruments or securities whether transferable or negotiable or not, the granting and issuing of letters of credit, travelers cheques and circular notes, the buying, selling and dealing in bullion and specie. The buying, selling of foreign exchange including foreign bank notes, the acquiring, holding, issuing on commission, underwriting and dealing in stocks, funds, shares, debentures, debentures stock, bonds, obligations, securities, participation term certificates, term finance certificates, musharika certificates, modaraba certificates and such other instruments as may be approved by the State Bank of Pakistan and investments of all kinds, the purchasing and selling of bonds, scrips or other form of securities, participation term certificates, term finance certificates, musharika certificates, modaraba certificates and such other instruments as may be approved by the State Bank of Pakistan on behalf of constituents or others, the negotiating of loans and advances, the receiving of all kinds of bonds, scrips or valuables on deposits or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities.
 - c. The providing of finance as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001.
 - d. Acting as agents of any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or treasurer of a company.
 - e. Acting as "Modaraba company" under the provisions of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980).
 - f. Contracting for public and private loans and negotiating and issuing the same.

1

Certified True Copy


 Muhammad Shoaib
 Company Secretary
 Bank Islami Pakistan Ltd.
 Head Office, Karachi

- g. The effecting, insuring, guaranteeing, underwriting, participation in managing and carry out of any issue, public or private, Government, municipal or other loans or of shares, stock debentures, debentures stock or other securities of any company, corporation or association and the lending of money for the purpose of any such issue.
- h. Carrying on and transacting every kind of guarantee and indemnity business.
- i. Purchase or acquisition in the normal course of its banking business of any property including commodities, patents, designs, trademarks and copyrights, with or without buy back arrangements by the seller, or for sale in the form of hire purchase or on deferred payment basis with mark up or for leasing or licensing or for rent sharing or for any other mode of financing.
- j. Managing, selling and realizing any property, which may come into the possession of the company in satisfaction or part satisfaction of any of its claims.
- k. Acquiring and hold and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.
- l. Undertaking and executing trusts.
- m. Undertaking the administration of estates as executors, trustee or otherwise.
- n. Establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing money for charitable or benevolent objects or for any exhibition or for any public general or useful object.
- o. The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the Company.
- p. Selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Company.
- q. Acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in section 7 of the Banking Companies Ordinance, 1962.
- r. Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company.
- s. Any other form of business which the Federal Government may be notification in the official Gazette specify as a form of business in which it is lawful for a banking company to engage.
- t. The Company/Bank shall not form any subsidiary company except a subsidiary company formed for one or more of the purposes specified in Section 23 of the Banking Companies Ordinance 1962 and subject to other restrictions as laid down in that section.
- u. It is hereby undertaken that the Company/Bank shall follow and abide all the conditions and restrictions imposed by the Government of Pakistan vide letter of permission issued by the State Bank of Pakistan bearing No. IRI/600-26(51)/467/2004 dated August 13, 2004 and any subsequent conditions or restrictions imposed by it.
4. The liability of the members is limited to the face value of the shares;
5. The Authorized Capital of the Bank is PKR 15,000,000,000/- (Pak Rupees Fifteen Billion) divided into 1,500,000,000 (one billion five hundred million) Ordinary Shares of PKR 10/- each with the powers to the Bank from time to time to increase its capital in accordance with the provisions of the Companies Act, 2017.

Certified True Copy

 Muhammad Shoaib
 Company Secretary
 BankIslami Pakistan Ltd.
 Head Office, Karachi

INVESTMENT IN SECURITIES IS A HIGHLY RISKY BUSINESS. INVESTORS ARE, THEREFORE, ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS BEFORE MAKING ANY INVESTMENT DECISION.

APPLICATION AND ALLOTMENT INSTRUCTIONS**1. ELIGIBLE INVESTORS INCLUDE**

- Pakistani citizens resident in or outside Pakistan or Persons holding dual nationalities including Pakistani nationality;
- Foreign Nationals whether living in or outside Pakistan;
- Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
- Mutual Funds, Provident / pension / gratuity funds / trusts, (subject to the terms of the Sukuk Issuance Agreement and existing regulations); and
- Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

2. COPIES OF THE PROSPECTUS

Copies of the Prospectus and application form can be obtained from the Trading Right Entitlement Certificate (TREC) holders of Pakistan Stock Exchange, the Bankers to the Issue and their Branches, the Consultant to the Issue and the central office of Bankislami Pakistan Limited. The Prospectus and the Application Form can also be downloaded from the websites: <https://www.psx.com.pk>, <https://bankislami.com.pk>, <https://www.isgcl.com>, <https://dawodequities.com>, <https://www.optimus.pk>, <https://www.imsecurities.com.pk> and <https://eipo.cdaccess.com.pk/public/index.xhtml>

3. The applicants are required to complete the relevant sections of the application in order to get the Sukuk Certificates in scrip-less form. In accordance with provisions of the Central Depositories Act, 1997 and the CDC Regulations, credit of such Sukuk Certificates is allowed ONLY in the applicant's own CDC Account "OR in CDC's IPO Facilitation Account (IPO Facilitation Account is an Investor Account opened by CDC under its Regulations for the purpose of crediting and holding of Securities on behalf of individual Pakistani investors who have subscribed to such Securities offered by an Issuer/Offeror).**4. NAME(S) AND ADDRESSES MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH AND SHOULD NOT BE ABBREVIATED.****5. ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANIS (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.****6. APPLICATIONS MADE BY INDIVIDUAL INVESTORS**

- In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis) / NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC/ NICOP / Passport should be written against the name of the applicant.
- Original CNIC/NICOP/Passport, along with a photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.

7. APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

- Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument / document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.
- Photocopies of the documents mentioned in 7(i) must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.

8. ADDITIONAL INSTRUCTIONS FOR INVESTORS

- Only one application will be accepted against each applicant, however, in case of joint account, one application may be submitted in the name of each joint account holder.
- Joint application in the name of more than two persons will not be accepted. In case of joint application, each applicant must sign the application form and submit attested copies of their CNICs/NICOPs/Passport. The Sukuk Certificates will be credited to the CDS account mentioned on the face of the form OR in CDC's IPO Facilitation Account and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of securities.
- Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the Issue in favor of A/C "IPO of Bankislami Pakistan Limited - Sukuk" and crossed "A/C PAYEE ONLY".
- For the application made through pay order/bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/bank draft individually for each application.
- The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of securities.
- Applications are not to be made by minors and/or persons of unsound mind.
- Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
- Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of Sukuk Certificates for which the application has been made.
- Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
- Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
- It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft.
- Applicants should, therefore, not fail to give their bank account numbers.
- Submission of false and fictitious applications is prohibited, and such applications' money may be forfeited under section 87(8) of the Securities Act, 2015.

عوام اس کو مطلع کیا جاتا ہے کہ سیکورٹیز ایکٹ 2015 کی سیکشن 87(7) کے تحت مندرجہ ذیل درخواستیں درج ذیل نوٹا بنام ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکورٹیز ایکٹ 2015 کی سیکشن 87(8) کے تحت ضبط کی جاسکتی ہے۔

9. ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

- In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.
- Foreign / Non-resident applicants should follow payment instructions given in Section 5.7 of the Prospectus.

10. BASIS OF ALLOTMENT

The basis and conditions of transfer of Sukuk Certificates to the General Public shall be as follows:

- The minimum value of application for subscription of a Sukuk Certificate is PKR 5,000/- . Application for amount below the minimum value shall not be entertained.
- Application for Sukuk Certificates must be made for PKR 5,000 Sukuk Certificates or in multiple thereof only. Applications, which are neither for PKR 5,000 Sukuk Certificates nor for multiple thereof, shall be rejected.
- Allotment / transfer of Sukuk Certificates to successful applicants shall be made in accordance with the allotment criteria / instructions disclosed in the Prospectus.
- Allotment of Sukuk Certificates shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and / or the instructions by the Securities & Exchange Commission of Pakistan.
- Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the application form.
- The Issuer will credit the respective CDS accounts of the successful applicants.

11. PUBLIC SUBSCRIPTION THROUGH e-IPO

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

(i) Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this IPO and can be accessed through the web link www.cdceipo.com. Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application through CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) OR CDC's IPO Facilitation Account may register themselves with CES. Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. In addition to this, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

(ii) e-IPO facilities by Bankers to the Issue:

In order to facilitate investors, United Bank Limited ("UBL") is providing the facility of electronic submission of application (e-IPO) to their account holders. United Bank Limited account holders can use UBL net banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>.

The account holders of Meezan Bank having CDC account (Sub-account or IAS account) can subscribe to Public Offering of Shares through www.cdceipo.com & PSX's Electronic Initial Public Offering System (PES) <https://eipo.psx.com.pk/EIPO/home/index> and make payment through Bank's Alternate Distribution Channels including ATM, Internet banking and Mobile banking application.

Further, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on **XX, 2023**.

12. CODE OF BANKERS TO THE ISSUE

Code No.	Bank
01	Meezan Bank Limited
02	United Bank Limited
03	Bankislami Pakistan Limited

13. CODE OF OCCUPATIONS

Code No.	Occupation	Code No.	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Others

14. NATIONALITY CODE

Code	Name of Country	Code	Name of Banks
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E	008	Bahrain
004	K.S.A	009	Other
005	Oman		

For further queries you may contact:

Dawood Equities Limited		Intermarket Securities Limited		Optimus Capital Management		Bankislami Pakistan Limited	
Salman Yaqoob	Abdul Aziz Habib	Wajid Hussain	Syed Saifullah Kazmi	Syed Ayaz Ahmed	Muhammad Ovais	Hadi Hasan, FRM	Hadi Ali, CFA
+92 213 2275000	+92 213 2271801	+92 300 8214104	+92 321 2993909	+92 213 5296888	+92 213 5296959	111 247 111 (Ext: 3770)	111 247 111 (Ext: 3838)
salman@dawoodequities.com	aziz@dawoodequities.com	wajid.hussain@imsecurities.com.pk	saifullah.kazmi@imsecurities.com.pk	ayaz.ahmed@optimus.pk	mohammad.ovais@optimus.pk	hadi.hasan@bankislami.com.pk	hadi.ali9075@bankislami.com.pk