



PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi-74000

UAN: 111-001-122

PSX/N-1584

NOTICE

December 10, 2019


SEEKING PUBLIC COMMENTS ON DRAFT PROSPECTUS OF (TIER-1) ISSUE OF SUKUK CERTIFICATES OF BANKISLAMI PAKISTAN LIMITED

It is hereby informed to all concerned that **BANKISLAMI PAKISTAN LIMITED**, a listed Bank on the Exchange, has applied for Listing of its fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk Certificates ("SCs") on the Exchange and has submitted the Draft Prospectus for issue of Sukuk Certificates to the General Public / Retail Investors.

The total issue size consists of PKR 2,000 million inclusive of a green shoe option of PKR 500 million, out of which SCs of PKR 1,700 million (85% of issue size) have been issued to the Pre-IPO investors and PKR 300 million (15% of issue size) are being offered to the General Public by way of Initial Public Offer through this Prospectus.

The Draft Prospectus of the SCs is hereby placed on the website of the Exchange under caption "**Public comments on Draft Prospectus of (TIER-1) Issue of Sukuk Certificates of Bankislami Pakistan Limited**" for seeking public comments as required under Section 3(11) of the Public Offering Regulations, 2017 and the Regulation No.5.2.2(ac) of Listing of Companies and Securities Regulations of PSX. The Draft Prospectus shall later be placed before the Listing & Voluntary Delisting Committee of the Exchange for its review.

Please submit written comments on the Draft Prospectus, if any, either in hard form or through email at comments.draftprospectus@psx.com.pk addressed to the undersigned latest by **December 18, 2019**.


For **Asmaa Saleem Malik**
Deputy General Manager
Listing Department

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 PARA 4.12 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

THE ISSUE SIZE OF FULLY PAID UP, RATED, PERPETUAL, UNSECURED, SUBORDINATED, NON-CUMULATIVE AND CONTINGENT CONVERTIBLE LISTED MUDARABA SUKUK ISSUE ("SUKUK") IS PKR 2,000 MILLION, OUT OF WHICH SUKUK OF PKR 1,700 MILLION (85% OF ISSUE SIZE) ARE ISSUED TO THE PRE-IPO INVESTORS AND PKR 300 MILLION (15% OF ISSUE SIZE) ARE BEING OFFERED TO THE GENERAL PUBLIC BY WAY OF INITIAL PUBLIC OFFER THROUGH THIS PROSPECTUS

RATE OF RETURN: PERPETUAL INSTRUMENT @ 3 MONTH KIBOR* (ASK SIDE) PLUS 2.75% P.A
INSTRUMENT RATING: A- (A MINUS) BY THE PAKISTAN CREDIT RATING COMPANY LIMITED
LONG TERM ENTITY RATING: "A+" (A PLUS)
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 MM/DD/2019 TO MM/DD/2019. NO COMMENTS HAVE BEEN RECEIVED ON THE DRAFT PROSPECTUS.

DATE OF PUBLIC SUBSCRIPTION: FROM MM/DD/2019 TO MM/DD/2019 (FROM: 9:00 AM TO 5:00 PM) (BOTH DAYS INCLUSIVE)

CONSULTANT TO THE ISSUE



BANKERS TO THE ISSUE (RETAIL PORTION)

Allied Bank Limited	Askari Bank Limited	Bank Alfalah Limited	Bank AL Habib Limited
BankIslami Pakistan Limited	Habib Metropolitan Bank Limited	JS Bank Limited	MCB Bank Limited
Meezan Bank Limited	Soneri Bank Limited	United Bank Limited**	

**In order to facilitate investors, United Bank Limited ("UBL") is providing the facility of electronic submission of application (e-IPO) to their account holders. UBL account holders can use UBL net banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>. 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/2019.

The Central Depository Company of Pakistan ("CDC") in collaboration with 1 Link (G) Limited (1 Link) has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered through IPOs can be made electronically. CES has been made available in this IPO which 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 the web link provided above.

For making applications through CES, investors must be registered with CES. Registration with CES is a one-time activity, 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 a valid Computerized National Identity Card (CNIC), bank account with any of the commercial banks, an email address, mobile phone number and CDS Account (Investor Account or sub Account) may register themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. 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. CES is connected to a number of banks through 1 Link for payment of the subscription money. For further details on CES, please refer para 2.14 of this Prospectus or contact Mr. Farooq Ahmed Butt at Phone 021-34326030 and email: farooq_butt@cdcpak.com.

Underwriters for Retail Portion of the Issue:



Joint Advisor & Arranger and Designated Market Maker:



Shariah Advisor:

Shariah Board of BankIslami

For investor education, please visit www.jamapunji.com.pk, and read the IPO Investor Guide placed at web link <https://www.secp.gov.pk/document/initial-public-offering-ipo-a-concise-guide-for-investors/?wpdmdl=29584>. Jama Punji is an investor education initiative of the Securities & Exchange Commission of Pakistan.



Prospectus and Subscription Forms can be downloaded from the following websites
<https://www.psx.com.pk>, <https://bankislami.com.pk>, <https://www.jsqcl.com> and <https://www.nextcapital.com.pk>

For further queries you may contact:

Humaira Asad P: 111 639 825 (Ext. 131) E: humaira.asad@nextcapital.com.pk	Syeda Sadaf Munawar P: 111 247 111 (Ext. 3833) E: sadaf.munawar@bankislami.com.pk	Salman J. Virani P: 111 639 825 (Ext. 114) E: salman.virani@nextcapital.com.pk	Muhammad Haris Munawar P: 111 247 111 (Ext. 3833) E: haris.munawar@bankislami.com.pk
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DATE OF PUBLICATION OF THIS PROSPECTUS: DD/MM/2019

*Average rate 'Ask Side' of the three-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.

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

DATE: OCTOBER 17, 2019

WE, SYED AMIR ALI, THE PRESIDENT & CEO AND SOHAIL SIKANDAR, THE CHIEF FINANCIAL OFFICER OF BANKISLAMI PAKISTAN LIMITED HEREBY UNDERTAKE 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 03 OF THE PROSPECTUS.

FOR AND BEHALF OF BANKISLAMI PAKISTAN LIMITED

-sd-

SYED AMIR ALI
PRESIDENT & CEO

-sd-

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 Company
BIPL or the Bank or Mudarib / Issuer	BankIslami Pakistan Limited
Basel III 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)
Board / BOD	Board of Directors of the Bank
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	Next Capital 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 in the event the Sukuk Certificates are fully subscribed, or (ii) in the case of undersubscription, the date on which the entire amount of the Sukuk Issue has been fully subscribed, which shall be achieved by the Issuer by no later than 15 (fifteen) days from the date of closing of the subscription list for the public offering of the Sukuk Certificates
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
Mandatory Conversion	Mandatory conversion of the Sukuk certificates into ordinary shares in accordance with the Trust Deed and upon the occurrence of a Mandatory Conversion Event
Mandatory Conversion Event	Issuance of a written direction by the SBP to the Issuer to Mandatorily Convert the Sukuk on account of: (i) a CET 1 Trigger Event; (ii) the PONV Trigger Event; (iii) Issuer's inability to exercise the lock-in clause or (iv) Issuer's inability to exercise the non-cumulative feature
Designated Market Maker	JS Global Capital Limited
MCR	Minimum Capital Requirement as prescribed by applicable laws
NBFC	Non - Banking Financial Company
NPFs	Non-Performing Financings
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
SBP	State Bank of Pakistan
SBP Circular / Circular	Circular No. 6 dated August 15, 2013 issued by Banking Policy & Regulations Department of SBP
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	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 2,000 million
Tier 2 Capital	The Tier 2 capital shall bear the meaning ascribed to it under the Basel III Circular
Transaction Documents	1. Trust Deed 2. The Investor Agreements; 3. Subscription Undertaking; and 4. Sukuk Certificates (when issued)
Trust Deed	The Trust Deed executed between the Bank and the Trustee dated November 13, 2019
Trustee	Pak Brunei Investment Company Limited
Transfer Agent & Balloter	Central Depository Company of Pakistan Limited
Transaction Legal Counsel	Mohsin Tayebaly & Co. ("MTC")

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A) SUMMARY OF THE ISSUE

Issue Size	:	PKR 2,000 million
Pre-IPO Placement	:	PKR 1,700 million
Initial Public Offering (IPO)	:	PKR 300 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 under the Investor Agreement.</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	:	<p>(i) the date of closing of the subscription list for the public offering of the Sukuk Certificates in the event the Sukuk Certificates are fully subscribed</p> <p>(ii) in the case of undersubscription, the date on which the entire amount of the Sukuk Issue has been fully subscribed, which shall be achieved by the Issuer by no later than 15 (fifteen) days from the date of closing of the subscription list for the public offering of the Sukuk Certificates</p>
Tenor	:	Perpetual
Principal Redemptions	:	Not Applicable
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 2.75% 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: A+ (A plus) Short Term Rating: A- (A minus) Rating Agency: PACRA
Instrument Rating	:	A- (A minus), 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 4.12 of the Prospectus
Trustee to the Issue	:	Pak Brunei Investment Company Limited
Shariah Advisor	:	Shariah Board of BankIslami Pakistan Limited
Compliance Officer	:	Muhammad Shoaib Company Secretary BankIslami Pakistan Limited 14 th Floor, Executive Towers, Dolmen City, Block-4, Clifton, Karachi- Pakistan. Tel: +92-21-35839906 Ext. 2112 Fax: +92-21-35372252
Underwriters to the Issue	:	Arif Habib Limited and Dawood Equities Limited
Designated Market Maker	:	JS Global Capital Limited
Bankers to the Issue	:	1. Allied Bank Limited 2. Askari Bank Limited 3. Bank Alfalah Limited 4. Bank Al Habib Limited 5. BankIslami Pakistan Limited 6. Habib Metropolitan Bank Limited 7. JS Bank Limited 8. MCB Bank Limited 9. Meezan Bank Limited 10. Soneri Bank Limited 11. United Bank 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

B) SUMMARY OF RISKS RELATED TO THE ISSUE

Following is a summary of key risks related to the Sukuk Issue. Please refer to para 4.12 for detailed description of risk factors.

- The Bank will assign and announce weightages for the Sukuk from the profits of General Pool, on a monthly basis; the weightages will be assigned keeping in view of the expected Sukuk profit rate. However, 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 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.). Further, the profit should only be paid from the relevant month's attributable profit of the General Pool;
- the Issue may be called by the Issuer after 5 years from the date of Issuance (either partially or in full), subject to SBP 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;

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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.

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 CONSIDERED AND 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.

DISCLAIMER:

- A) PSX HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL SHOULD NOT BE CONSIDERED AND 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 INVESTMENT IN SECURITIES.**

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. BPRD/BA&CP/649/12591/2019 dated May, 29 2019, for the issuance of fully paid up, rated, perpetual, unsecured, subordinated, non-cumulative and contingent convertible listed Mudaraba Sukuk certificates of up to PKR 2,000 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. BPRD/BA&CP/649/77591/19 dated November 11, 2019 has been obtained for the issuance of fully paid-up, rated, perpetual, unsecured, subordinated, non-cumulative, and contingent convertible listed Mudaraba Sukuks up to PKR 2,000 million (inclusive of green shoe option of PKR 500 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 Sukuks 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 Sukuks 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 Sukuks as Additional Tier-1 capital cannot be construed as ratification of economic risk and legal aspects of these Sukuks 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 24, 2019.

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

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

1.6. CONSENT FROM SHARIAH ADVISOR

Shariah Board of BankIslami is acting as the Shariah Advisor to the Issue and it has provided its consent to include and publish its name in the Prospectus.

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.

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 Towers, Dolmen City, Block-4, Clifton, Karachi- Pakistan.
Tel: +92-21-35839906 Ext. 2112
Fax: +92-21-35372252

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PART 2: SUKUK AND RELATED MATTERS

2.1. 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 Sukuks 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 2,000,000,000/- (Pak Rupees Two Billion 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 1,700 million have been offered to investors through a pre-IPO subscription (Pre-IPO Portion) and the remaining PKR 300 million shall be offered to general public through this prospectus (IPO Portion).

The Issue amount is expected to 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 under the Investor Agreement.

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 275 BPS over 3-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 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 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.

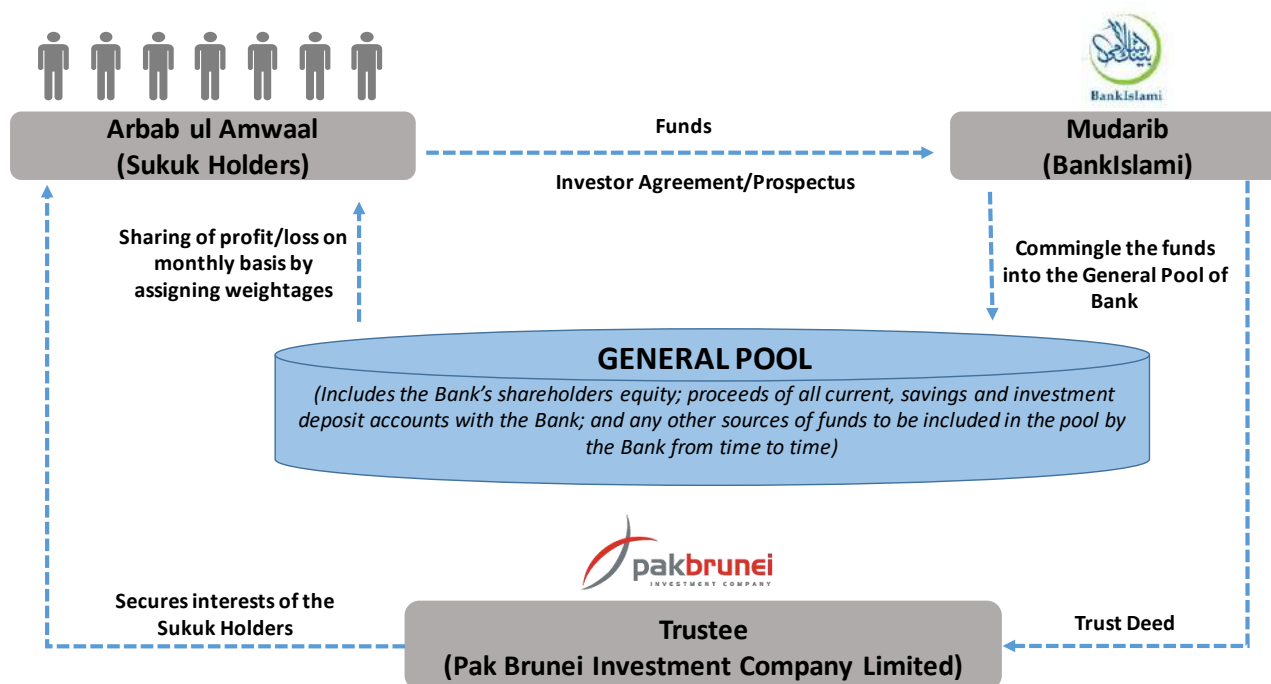
To bring Pre-IPO and IPO investors at par before credit of Sukuk, profit for the interim period (i.e. from the disbursement of funds by the Pre-IPO investors until the day before Issue Date) will be paid separately to the Pre-IPO investors.

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 Trustee 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 Trust Deed, 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 trustee 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.

2.2. INSTRUMENT 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. In case of Pre-IPO, the Bank and the Pre-IPO investors will enter into Investor Agreement while in case of 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 scripless 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
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 of the expected Sukuk profit rate.

2.3. TERM SHEET

Issuer & Mudarib	BankIslami Pakistan Limited ("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");	
Issue Size	Up to PKR 2,000,000,000/- (Pak Rupees Two Billion Only), inclusive of a Green Shoe Option of PKR 500,000,000/- (Pak Rupees Five Hundred Million Only);	
Issue Title/Name	The Instrument has been named as "BankIslami Ehad Sukuk" and being marketed under the same; with the logo as mentioned on the top of the Term sheet.	
Tenor	Perpetual (i.e. no fixed or final redemption date);	
Principal Redemption	Perpetual, hence not applicable;	
Purpose	<p>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 Investor Agreement;</p>	
Profit	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.</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 Leverage Ratio (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 (i.e. the expected profit in this case would be up to 0.005% p.a.) of the current month and thereafter until the Bank is in breach of regulatory capital requirements attributed to the Sukuk Holders.</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;</p>

		<i>Note: 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 then following the regulatory requirements of SBP, the Bank will reduce the monthly profit weightages of the current month. Moreover, this exception should not be considered as a precedent.</i>
	Expected Profit Rate	Base Rate plus a margin of 2.75% per annum. Base Rate is defined as the 3-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;
	Profit Rate	The expected profit rate shall be as follows: 1) 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: - Base Rate plus a maximum margin of 2.75% per annum according to the pre-announced profit weightages. 2) 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: - 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 a monthly basis,
Dividend Stopper		The Bank shall not recommend or declare any distribution or dividend to ordinary / equity shareholders of the Bank in the event that during any Profit Payment Date which has occurred in the immediately preceding [3 (three)] months or financial quarter, the Bank did not pay the expected Profit Payment Amount to the Sukuk Holders on such date;
Mudarabah Income Distribution		The profit will be calculated on the basis of predetermined profit sharing ratio 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 or as allowed by SECP. 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		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; 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 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> <p>(a) superior to the claims of ordinary shareholders; and (b) pari-passu without preference amongst Sukuk holders;</p>
Loss Absorbency	<p>Loss Absorption at Point of Non-Viability (“PONV”): 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 184 million in compliance with the requirement of paragraph A-5-3 (vi) of the Basel III Circular.</p> <p>Loss Absorption at Pre-Specified Trigger (“PST”): 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 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”.</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 184 million in compliance with the requirement of paragraph A-5-3 (vi) of the Basel III Circular.</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	A+ (Long Term), A1 (Short Term) by PACRA;
Instrument Rating	<p>A- (A minus) by PACRA;</p> <p>The Mudaraba Sukuk shall be rated throughout the life of the Instrument.</p>
Listing and Public Subscription	<p>Listing will be done via issuance of Prospectus at Pakistan Stock Exchange (PSX);</p> <p>The public subscription will remain open for 2 days or any other period approved by the PSX and SECP;</p>

Classification on the Balance Sheet	Sukuk shall be classified as "Liabilities" in the Balance Sheet;
Transaction Legal Counsel	Mohsin Tayebaly & Co.
Trustee to the Issue	Pak Brunei Investment Company Limited;
Issuer's Registered Office	11th Floor, Executive Tower One, Dolmen City, Marine Drive Block 4, Clifton, Karachi, Pakistan;
Compliance Officer	Muhammad Shoaib – Company Secretary;
Registrar / Transfer Agent	Central Depository Company of Pakistan Limited;
Designated Market Maker	JS Global Capital Limited;
Joint Advisors & Arrangers (Joint Advisors or JAA)	JS Global Capital Limited and Next Capital Limited;
Applicable Laws	Banking Companies Ordinance, 1962; BPRD 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;

2.4. 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 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 (because of regulatory reasons or otherwise), 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.

2.5. 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 184,000,000 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 05/12/2019 market closing price of the ordinary share of the Bank was Rs. 12.86/-.

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 shall be obtained as per the timeline provided by SECP.

2.6. SHARIAH ADVISOR TO THE ISSUE

Shariah Board of the Bank is acting as Shariah Advisor to the Issue. Profiles of the members of the Board are given in section 7.3.

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2.7. SHARIAH OPINION



SHARIAH STRUCTURE

BANKISLAMI -ADDITIONAL TIER 1 SUKUK OF PKR 2,000MN

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** where in 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, 3 working days 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 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.

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 184 million 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 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;
- **Trust Deed** between Trustee (representing the Sukuk holders) and the Bank as required under the law;
- **Subscription Undertaking** issued by the Sukuk holders in favor of the Bank;

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 final term sheet (attached) and the legal agreements reviewed by us, we are of the opinion that these Sukuk are Shariah compliant and do not contain any element repugnant to Shariah.



30/09/19

Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain
Member, Shariah Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Board

2.8. 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 September 30, 2019 stood at PKR ~10 billion and is in compliance with the SBP requirement.

2.9. 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 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines, Banks are required to maintain the following ratios on an ongoing basis:

	2014	2015	2016	2017	2018	2019 & onwards
CAR Requirement	10.0%	10.25%	10.65%	11.28%	11.90%	12.50%

As of December 31, 2018, BankIslami's CAR was 15.10%, subject to certain relaxations by SBP while CAR of the Bank as of September 30, 2019 is at 15.6% which is compliant against the SBP's minimum requirement.

2.10. LEVERAGE RATIO

The SBP requires to maintain a minimum Tier 1 Leverage Ratio ("LR") of 3%. As of September 30, 2019, the Bank is fully compliant with this requirement with an LR of 4.83%.

2.11. 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.

2.12. PRE-IPO INVESTORS

The Pre-IPO portion for the Sukuk closed at PKR 1,700 million out of the total issue size of PKR 2 billion and the disbursement of Pre-IPO portion was completed on DD/MM/2019. 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)	% of Total Issue Size
01	National Bank of Pakistan	200,000,000	10.00%
02	Pakistan International Airlines Limited - Pension Fund	200,000,000	10.00%
03	Pakistan International Airlines Limited - Provident Fund	150,000,000	7.50%
04	Pak Qatar Family Takaful Limited	150,000,000	7.50%
05	Habib Bank Limited	100,000,000	5.00%
06	Pakistan Security Printing Corporation - Employees Pension Fund	100,000,000	5.00%
07	United Bank Limited	75,000,000	3.75%
08	UBL Ameen	75,000,000	3.75%
09	Pak Arab Fertilizers Employees Gratuity Fund	50,000,000	2.50%

10	KAPCO Employees Provident Fund Trust	50,000,000	2.50%
11	Bank Al Habib Limited	50,000,000	2.50%
12	Anwar Khawaja Industries (Pvt) limited - Employees Provident Fund	30,000,000	1.50%
13	Pak Qatar Investment (Pvt.) Limited	30,000,000	1.50%
14	Takaful Pakistan Limited	28,000,000	1.40%
15	Soneri Bank Limited	25,000,000	1.25%
16	Zahidjee Employee Contributory Provident Fund Trust	20,000,000	1.00%
17	Pak Qatar General Takaful Limited	20,000,000	1.00%
18	JS Global Capital Limited	20,000,000	1.00%
19	Pak Qatar Family Takaful Limited - Employees Provident Fund	12,800,000	0.64%
20	Dubai Islamic Bank Pakistan Limited - Employees Gratuity Fund	10,000,000	0.50%
21	Al Baraka Bank (Pakistan) Limited - Staff Provident Fund	10,000,000	0.50%
22	First Habib Modaraba	5,000,000	0.25%
23	Sayyed Engineers Limited - Employees Provident Fund	5,000,000	0.25%
24	Providus Capital (Pvt). Limited	5,000,000	0.25%
25	Meezan Bank Limited - Staff Gratuity Fund	5,000,000	0.25%
26	AK Advisers LLP	2,500,000	0.13%
27	Qatar Group (Pvt.) Limited	1,000,000	0.05%
28	45 Individual Investors	270,700,000	13.54%
	Total	1,700,000,000	85.00%

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

2.13. OPENING AND CLOSING OF SUBSCRIPTION LIST

The subscription list will open at the commencement of the banking hours on DD/MM/YYYY and close at the end of banking hours on DD/MM/YYYY.

2.14. 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):

In order to facilitate investors, CDC in collaboration with 1Link (G) 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. CES has been made available in this Initial Public Offering (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 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. 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) can register themselves with CES.

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 **DD MM, 2019**.

ii. E-IPO Facilities by Bankers to the Issue:

For this IPO, United Bank Limited (UBL) is providing e-IPO facility to its accountholders.

UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>.

2.15. 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 accountholder of a bank providing e-IPO facility, you may get SMS for new IPOs.

By applying through CES you can also track your application status.

2.16. INVESTORS ELIGIBILITY

1. Pakistani citizens resident in Pakistan
2. Pakistani citizens residing outside Pakistan
3. Persons holding two nationalities including Pakistani nationality
4. Foreign nationals whether living in or outside Pakistan
5. 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)
6. Mutual funds, provident/pension/gratuity funds/trusts (subject to the terms of their trust deeds and existing regulations; and
7. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan

2.17. FACILITIES AVAILABLE TO FOREIGN/NON-RESIDENT PAKISTANI 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 page 1 and para 8.7 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.

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

The basis and conditions of allotment shall be as follows:

- a) Face value of the Sukuk is PKR 5,000/-.
- b) The minimum amount of application for subscription of Sukuk is PKR 5,000/-.
- c) Applications for Sukuk below the aggregate face value of PKR 5,000/- shall not be entertained.
- d) Applications for Sukuk by the general public, including institutions and individuals, must be for a minimum of the aggregate face value of PKR 5,000/- or in multiples thereof.
- e) If the Sukuk to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.
- f) If the issue is oversubscribed in terms of amount, then all applications shall be accommodated initially for Sukuk of face value of PKR 5,000/- each and the balance Sukuk shall be allotted on pro-rata basis to all applicants who applied for Sukuk in multiples of PKR 5,000/-.
- g) If the issue is over-subscribed in terms of number of applications and the amount, the Sukuk shall be allotted through computer balloting in the presence of representatives of PSX.
- h) Allotment of Sukuk shall be subject to scrutiny of applications for subscription.

2.19. REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

BankIslami shall take a decision within ten (10) 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 within ten (10) days of the date of such decision as required under regulation 5B 4.19 read with regulation 5B 4.20 of the PSX Rule Book.

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.

2.20. MINIMUM SUBSCRIPTION

The minimum amount of subscription on which the Directors will proceed to allot Sukuk is PKR 2,000 million.

2.21. ISSUE AND CREDIT OF SUKUK

BankIslami shall credit Sukuk to the successful allottees within twenty-one (21) days of closure of subscription list in compliance with the requirements of PSX. 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 Trust Deed dated November 13, 2019.

If the Bank defaults on complying with the requirements of the Listing Regulations, 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.

2.22. REDEMPTION RESERVE

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

2.23. 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.

2.24. 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.

2.25. DEDUCTION OF WITHHOLDING TAX

Profit paid to Sukuk Holders will be subject to withholding tax under section 150A 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	15%	30%
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%
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2.26. 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 FY20 are as follows:

- (a) For persons appearing in Active Tax Payer List: 15.0%
- (b) For persons not appearing in Active Tax Payer List: 30.0%

2.27. MARKET MAKING

JS Global Capital Limited will act as Designated Market Maker for the Sukuk. The Designated Market Maker will at all times hold at least one percent (1%) of the Issue size.

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.

2.28. 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 September 30, 2019 was PKR 7,231 million.

2.29. SUKUK ISSUED IN PRECEEDING YEARS

The Bank has not issued any Sukuk since its incorporation.

2.30. INTEREST OF PRE-IPO INVESTORS

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

- Bank Al Habib Limited, Soneri Bank Limited and United Bank Limited are acting as Bankers to the Issue for the Sukuk and have also participated in the Pre-IPO portion

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2.31. 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 has 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

-sd-

Syed Amir Ali
President & CEO

-sd-

Sohail Sikandar
Chief Financial Officer

Date: October 17, 2019

2.32. STATEMENT BY CONSULTANT TO THE ISSUE

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

Being mandated as Consultant to this Initial Public Offering of Sukuk of BankIslami Pakistan Limited, we hereby confirm that all material information as required under the Securities Act, 2015, the Listing of Companies and Securities Regulation of Pakistan Stock Exchange Limited and Public Offering Regulations, 2017 has been disclosed in this prospectus and that whatever is stated in the prospectus and in the supporting documentations is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of Next Capital Limited

-sd-

Salman J. Virani
MD, Investment Banking

Date: October 17, 2019

PART 3: UNDERWRITING, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE

3.1. UNDERWRITING

The present Public Issue of Sukuk of PKR 300 million has been fully underwritten as follows:

S. No.	Underwriter	No. of Sukuk Certificates	Amount in Rupees
01	Arif Habib Limited	50,000	250,000,000
02	Dawood Equities Limited	10,000	50,000,000
	Total	60,000	300,000,000

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.

3.2. 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 ACCOCIATES.

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

3.3. 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; 20% of the underwriting management fee shall be paid within 7 days of signing of Underwriting Management Agreement whereas the payment of the remaining portion / Additional Underwriting Management Fee shall be as disclosed in the Underwriting Management Agreement, as advised and approved by the Shariah Advisor.

3.4. FEES AND EXPENSES FOR CENTRAIZED E-IPO SYSTEM

The commission on application received through CES will be paid to CDC, which shall not be more than 0.8% of the amount of successful applications. CDC will share the fee with other participants of CES at a ratio agreed amongst them.

3.5. COMMISSION TO THE BANKERS TO THE ISSUE

A commission at the rate of 0.25% 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.

3.6. BROKERAGE COMMISSION

Brokerage 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 shall be payable in respect of Sukuk taken up by the Underwriters by virtue of their underwriting commitment.

3.7. EXPENSES TO THE ISSUE

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:

Key Expenses to the Issue	Rate	Amount (PKR)
Commission to Bankers to the Issue	0.25%	750,000
Out of Pocket Expenses of Bankers to the Issue		500,000
CDC e-IPO charges*	0.80%	2,400,000
Other Bank's e-IPO Charges		300,000
Underwriting Management Fees - General Public	up to 3.00%	8,550,000
Commission to the TREC Holders of PSX	1.00%	3,000,000
Consultant to the Issue/Advisor and Arranger Fee		20,000,000
Processing Fee - Pre IPO	0.25%	4,250,000
Trustee Fee		600,000
Rating Fee		1,350,000
Legal Counsel Fee		2,000,000
CDC Annual Fees for Eligible Security		680,000
CDC Security Deposit		100,000
CDC Fresh Issue Fee	0.08%	1,600,000
PSX Initial Listing Fee	0.05%	500,000
PSX Annual Listing Fee		50,000
SECP Processing Fee		100,000
SECP Supervisory Fee	10.0%	55,000
Auditors Fee for various certificates		1,000,000
Printing & Publication of Prospectus/Application Forms		6,000,000
Balloter and Registrar Fee		200,000
Market Making (first year)		1,500,000
Miscellaneous costs		1,000,000
Total		56,485,000

Note: Stamp duty fee (if any) will be calculated based on the advice of Transaction Legal Counsel

*CDC E-IPO fee is 0.8% of the general portion actually received through that system. Therefore, the actual cost is dependent on the subscriptions received through E-IPO. Currently only 1 bank is offering E-IPO services for this IPO in addition to CDC.

PART 4: HISTORY, PROSPECTS AND RISK FACTORS

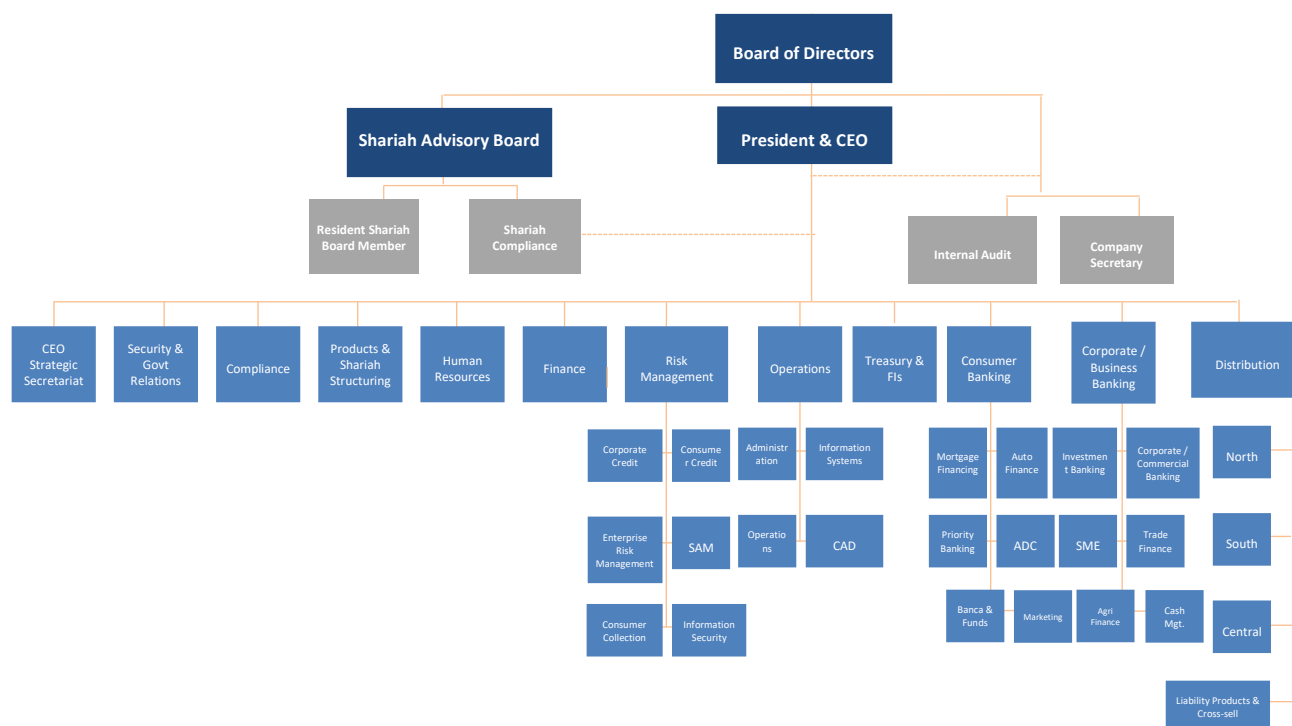
4.1. KEY INFORMATION

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

4.2. BACKGROUND & HISTORY

BankIslami Pakistan was incorporated on 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 330 branches including 81 sub branches in 114 cities of Pakistan which offers a full range of services in corporate, commercial, consumer, retail banking and investment banking activities.

4.3. ORGANIZATION STRUCTURE OF THE BANK



4.4. PATTERN OF SHAREHOLDING

BankIslami's major sponsors include Jahangir Siddiqui & Co. Ltd, SAJ Capital, Mr. Ali Hussain and Randeree family, who are financially sound and progressive shareholders. Pattern of shareholding of the Bank as of September 30, 2019¹ is given below:

Shareholder Category	No. of Shares	Percentage
Associated Companies, Undertakings and Related Parties	616,367,574	61.15%
Mutual Funds	18,339,442	1.82%
Directors and their Spouses(s) and Minor Children	175,684,449	17.43%
Executives	84,000	0.01%
Public Sector Companies and Corporations	190	0.00%
Banks, Development Finance, Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds	6,638,339	0.66%
General Public (Local & Foreign)	190,798,096	18.93%
Total	1,007,912,090	100.0%


Shares held by Sponsors

Shareholders Name	No. of Shares	Percentage
Jahangir Siddiqui & Co. Limited	214,258,460	21.26%
Ali Hussain	158,967,492	15.77%
SAJ Capital Management Limited	50,293,194	4.99%
Dubai Bank PJSC ²	144,200,144	14.31%
Shabir Ahmed Randeree	99,023,638	9.82%
Ahmed G. M. Randeree	99,023,638	9.82%
Total	765,766,566	75.97%

¹The Bank recently conducted a 10% Rights Issue for raising PKR 1,007,912,090; the right shares have been credited in CDS on November 28, 2019. Accordingly, as of the date of this Prospectus, the Share capital of the Bank has been increased to PKR 11,087,032,990 divided into 1,108,703,299 ordinary shares of PKR 10 each.

²Dubai Bank has been acquired by Emirates NBD in 2011.

4.5. 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 is the first Bank in Pakistan which introduced One Touch Banking – a solution where your Thumb is your bank. BankIslami pioneered Biometric ATMs 13 years back in 2006, followed by launch of Cardless ATMs in 2013 and Chequeless transactions over the counter in 2017. This facility with unique features enables you to perform banking transactions (Payorders, 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 national leader in housing finance in Pakistan’s Banking industry. Currently Muskun portfolio stands around Rs. 13.8 billion.</p>
Green Office initiative	<p>A WWF initiative to help organizations understand the environmental challenges and learn the ways to be instrumental in improving the environment. BankIslami being</p>

	cognizant of its social responsibility, is now operating half of its branch network on hybrid energy model with installed capacity to 542 KW solar energy generating nearly 800 megawatt hours of energy per year.
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4.6. 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

b) Consumer Finance

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

- MUSKUN Home Financing
- Islami Auto Finance
- BankIslami Takaful
- Home Remittance

c) Alternate 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 has around 330 branches across 114 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.
- **PayPak Debit Card:** Allows its customers to use their Debit card safely at millions of Retail outlets and ATMs across Pakistan.
- **Cardless Biometric ATM:** BankIslami's Biometric ATM based on BankIslami's One Card, provides maximum security through the use of just a finger or thumb impression for identification purposes
- **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 a world class Shariah compliant financing solutions to its corporate customers. The following products and services are offered to help their clients' business objectives:

- **Accounts:** All basic 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:** BankIslami offers diverse financing solutions catering to all the needs of their customers which include account services, trade services, working capital financing, project finance, musharakah finance, Mudaraba 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 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.
2. Project & Structured 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.

g) Agri Financing

BankIslami provides solution where farmers can purchase tractors & equipments for their farm, based on Diminishing Musharakah under Shirkat-ul-Milk arrangement.

4.7. BRANCH AND ATM NETWORK

The Bank has grown its branch and ATM network across the country taking the branch count to 330 branches including 81 sub branches across 113 cities as of December 2018.

	2013	2014	2015	2016	2017	2018
No. of Branches	201	213	317	321	330	330
No. of ATMS	135	187	265	279	302	312

4.8. ISSUER RATING

As of October 08, 2019, Pakistan Credit Rating Agency Limited (“PACRA”) has assigned a long-term rating of “A+” (A plus) to the Bank. The rating indicates strong capacity for timely payment of financial commitments and 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 repayment. Also, the Outlook of the Bank has been maintained at Stable.

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
08-Oct-2019	A+	A1	Stable	Maintain
30-Apr-2019	A+	A1	Stable	Maintain
27-Dec-2018	A+	A1	Stable	Maintain
22-Jun-2018	A+	A1	Stable	Maintain
13-Dec-2017	A+	A1	Developing	Maintain

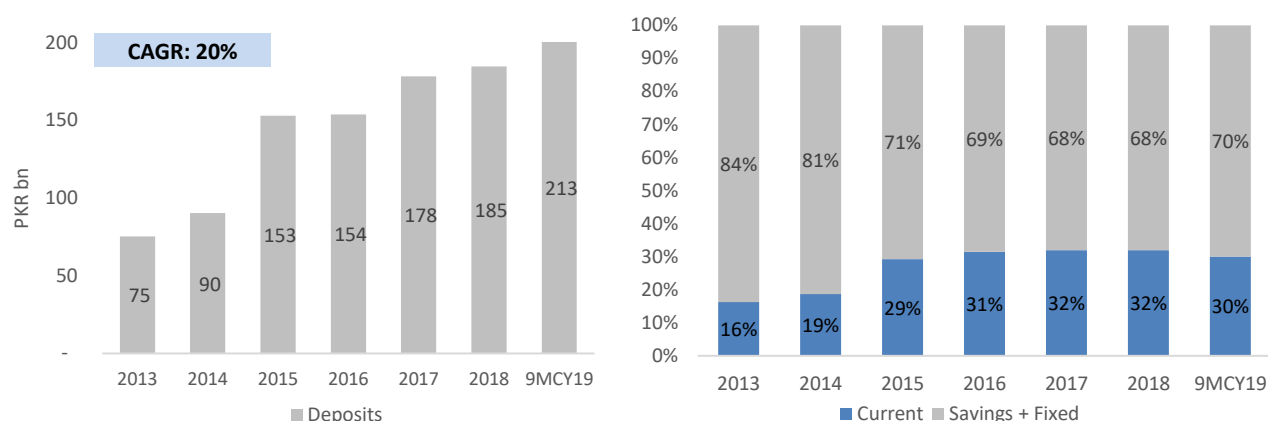
4.9. OPERATING AND FINANCIAL PERFORMANCE HIGHLIGHTS

BankIslami Pakistan Limited principally operates as a licensed and full-fledged scheduled Islamic Commercial Bank. The Bank is operating with 330 branches including 81 sub-branches and offers various Shariah compliant services to its clients.

The Bank maintained its CAR at 15.10% in 2018, subject to certain relaxations from SBP. The Bank has grown its CAR by carefully monitoring and managing the risk profile of its asset portfolio which resulted in an improved CAR of 15.55 % as of September 30, 2019 as compared to 14.7% in 2017 which will be further strengthened by the current Sukuk issue.

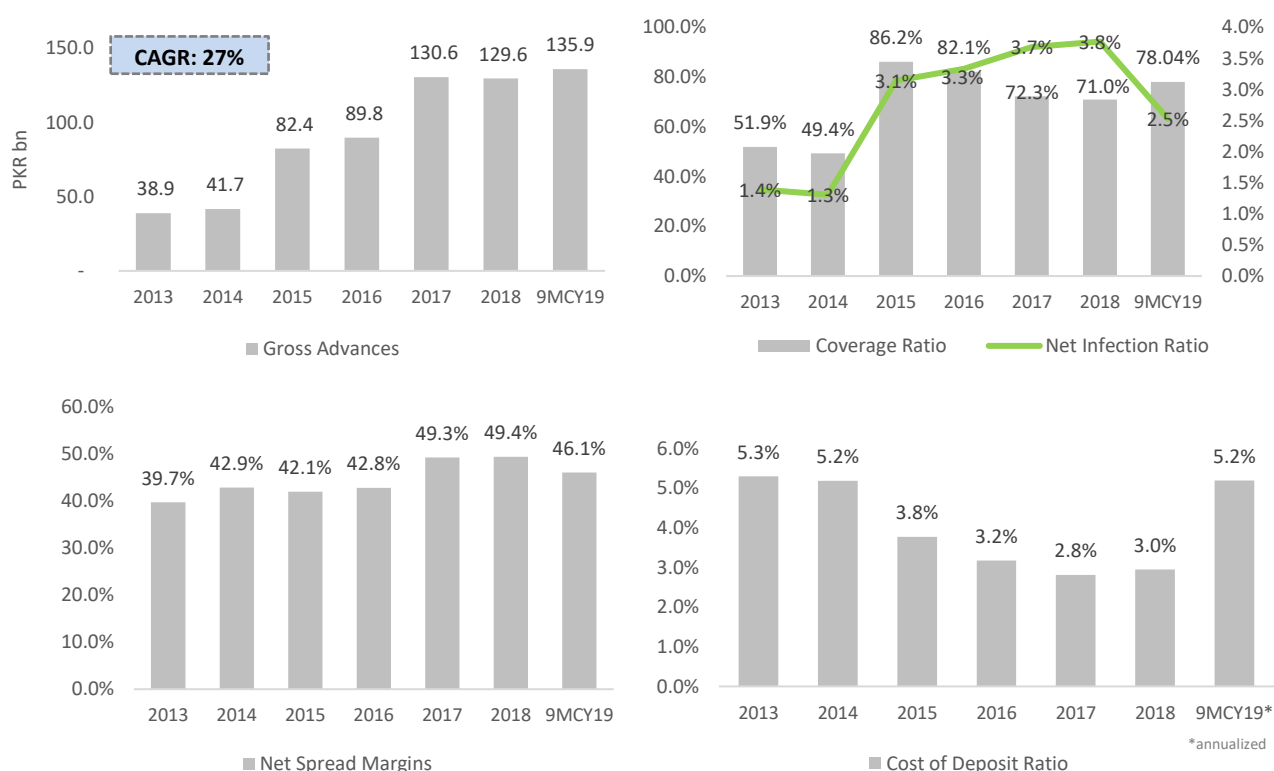
Total deposits of the Bank stand at PKR 213 billion as at September 30, 2019. Deposits have grown at a robust 5-year CAGR of 20% primarily due to the Bank’s focus on its core current and savings account (CASA) base which incorporates 60% of the total deposits as of September 30, 2019. This is also evident from the growth in current account deposits, which has outgrown the total deposits growth, with a 5-year CAGR of 37% compared to the 5-year CAGR of 15% of other deposits (fixed and savings). The Bank is determined to improve its deposit base along with CASA mix even further with its aggressive strategy towards core deposits and planned launch of competitive products. This bodes extremely well for the Bank especially during the prevalent interest rate environment which has been hiked by more than 700 bps since December 2017.

Key highlights of the Bank's operating and financial performance are given in the charts below:



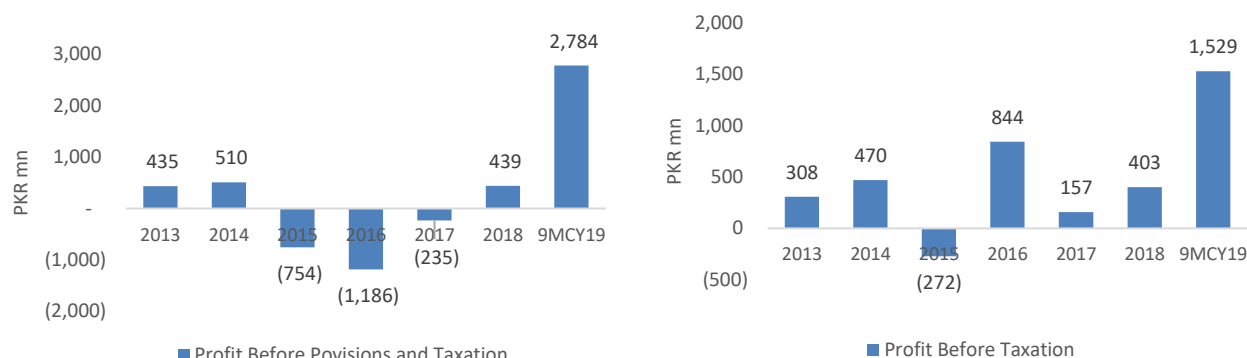
The financings have also seen a tremendous growth with gross financings growing at a 5-year CAGR of 27% during 2013-2018 period. This is in conjunction with a low net infection ratio and a high coverage ratio, which is reflective of the Bank's healthier position and prudence exercised by the management in extending credits. As of September 30, 2019, the Bank has a net infection ratio of 2.5% with a coverage ratio of 78%.

A healthy deposit mix as a result of Bank's focus on CASA deposit growth has translated into a moderate cost of deposit ratio for the Bank. An increase in the policy rate has also allowed the Bank to experience improved spread margins over the past few years increasing from 40% in 2013 to 46.1% in September 2019. This increase is mainly contributed by increase in earning assets and rise in SBP policy rate. In future, the Bank is expecting further improvement in profit margin, as the asset portfolio will be fully re-priced.



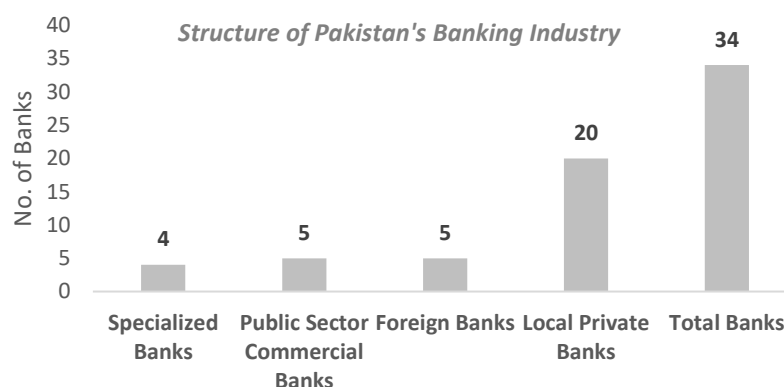
With remarkable increase in overall net revenue of the Bank and significant reduction in cost to income ratio, operating profits of BankIslami during 9MCY19 has increased to PKR 2,784 million which is 18.3 times higher than the operating profit of PKR 144 million posted during the same period last year. The Bank, taking a prudent view, booked additional provisioning against delinquent financing and other assets, and posted

profit after tax at PKR 973 million for the nine month ended September 30, 2019 which is over 8.8 times higher than last nine month's profit after tax of PKR 99 million.



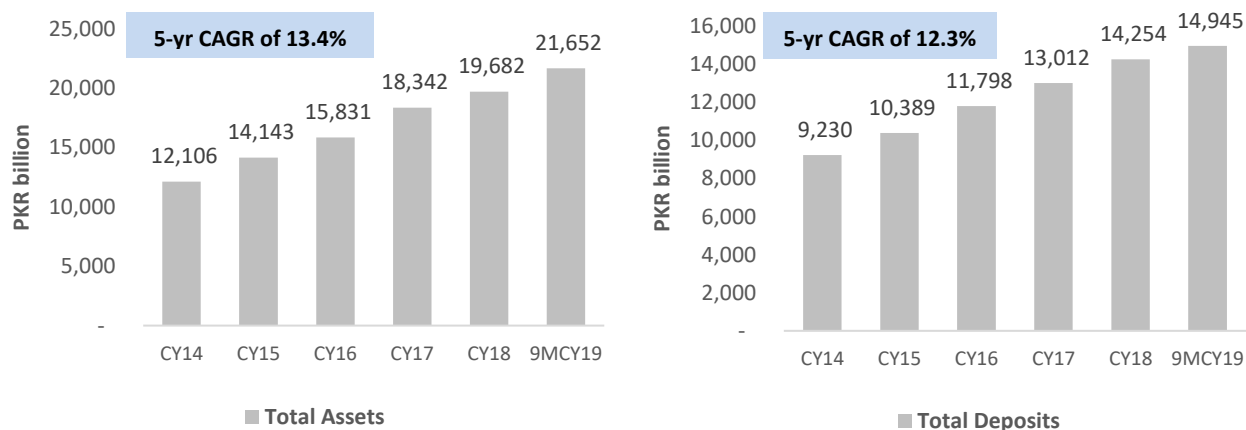
4.10. INDUSTRY OVERVIEW

Pakistan's banking industry comprises of 34 commercial banks out of which 20 are listed on the PSX. 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:



Performance Highlights

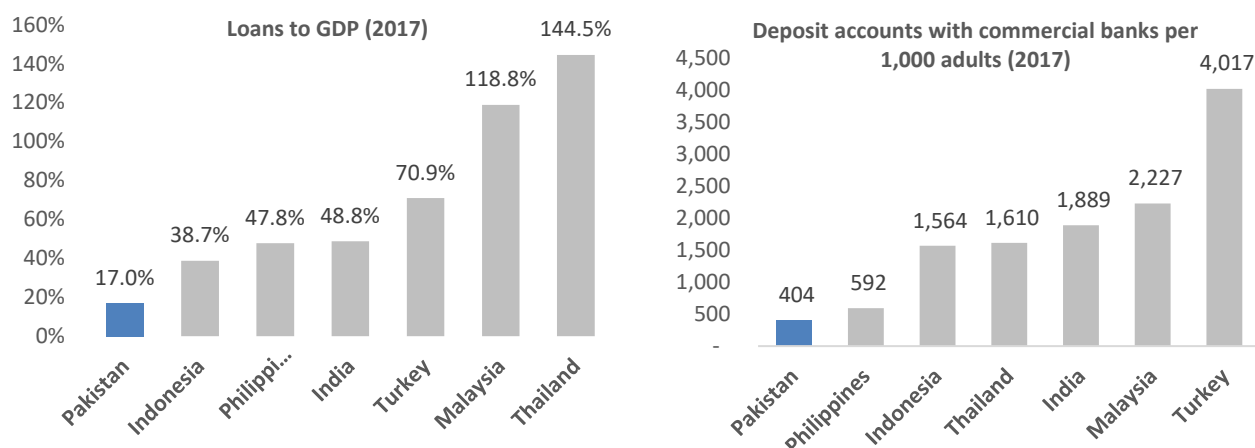
Performance of the banking industry over the past few years has been robust as indicated by considerable growth in asset base, deposits, advances accompanied by sound financial indicators. Some of the key performance highlights of the banking industry are depicted in the charts below:





Source: Compendium of the Banking System by State Bank of Pakistan, September 2019

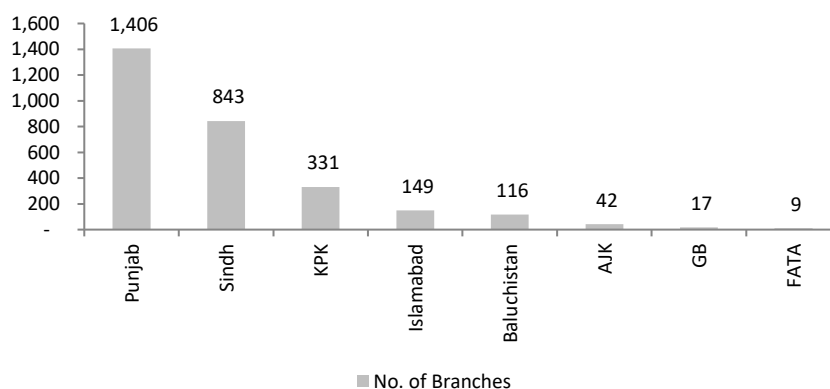
Despite improving performance of the banking industry, Pakistan has very low loan to GDP ratio when compared with regional peers. There exists a huge under penetration having only 404 deposit accounts per 1,000 individuals.



Source: IMF / World Bank

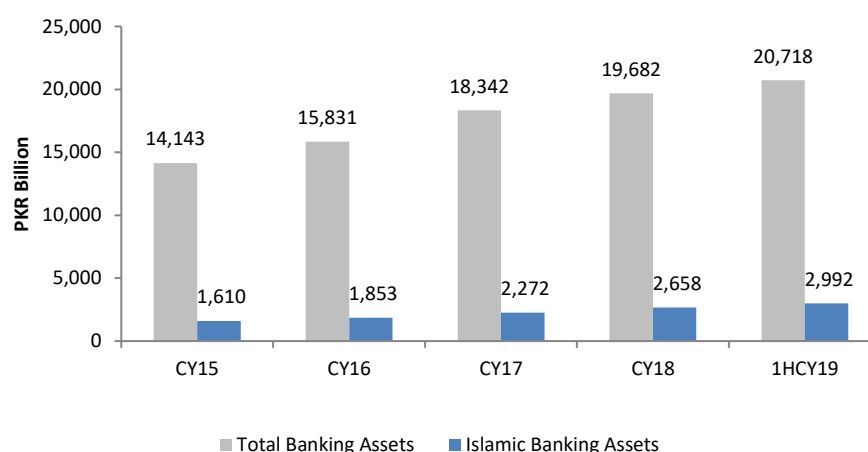
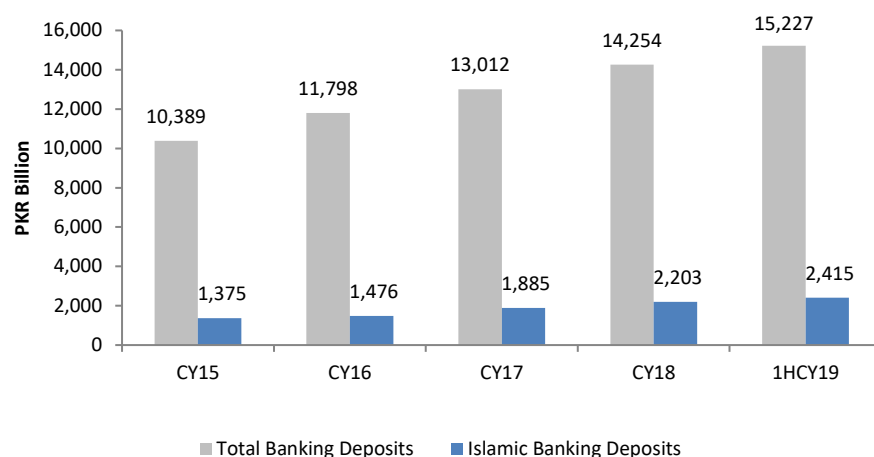
Islamic Banking Industry

The network of Islamic banking industry consists of 22 Islamic banking institutions; 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs). Branch network of Islamic banking industry was recorded at 2,913 by Jun-19; Punjab and Sindh together constituted more than 77% share in overall branch network of the industry. The number of Islamic banking windows operated by IBBs stood at 1,348. A province wise distribution of the branches is provided below:



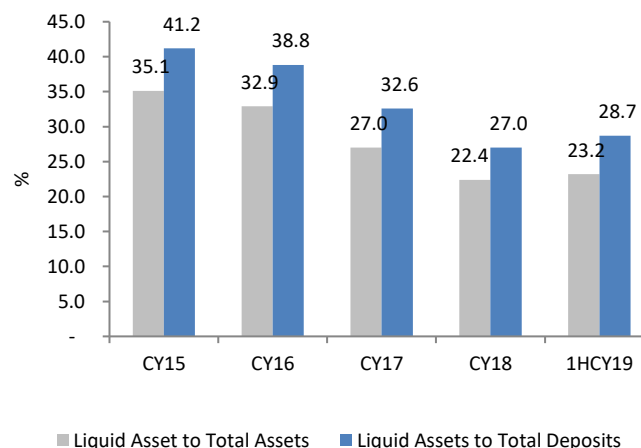
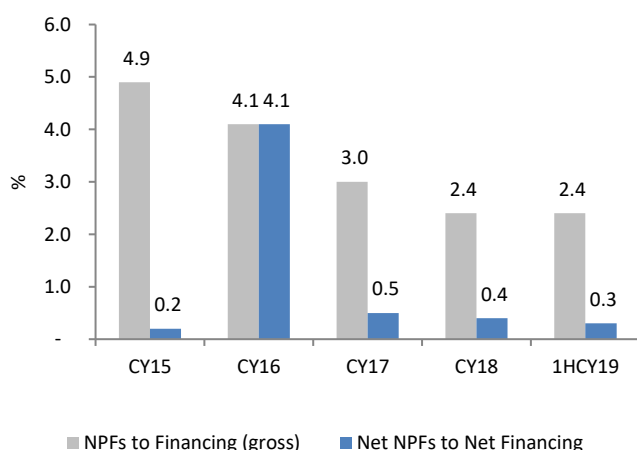
Performance Highlights

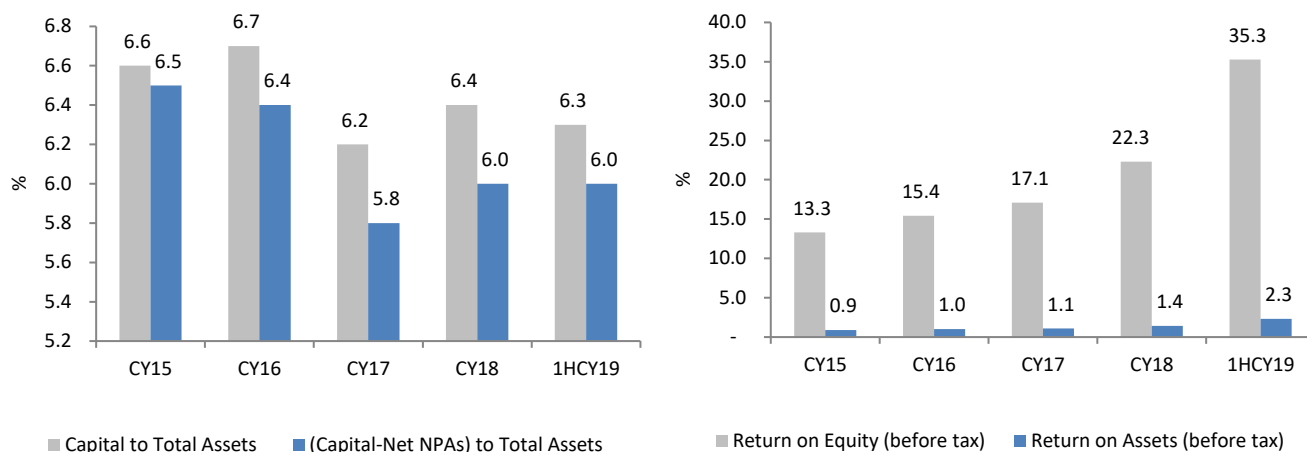
Deposits of Islamic banking segment increased at a 3-Year CAGR of 17% as compared to a 3-Year CAGR of 11% of the overall banking industry. As a result, market share of Islamic banking deposits in the overall banking industry increased from 13.2% in CY15 to 15.5% during CY18. During 1HCY19, deposits stood at PKR 2,415 billion and the share in overall banking industry was 15.9%. IBs and IBBs accounted for 59.4% and 40.6% share respectively in overall assets of Islamic banking industry.



Source: State Bank of Pakistan - Islamic Banking Bulletin and Quarterly Compendium: Banking Statistics

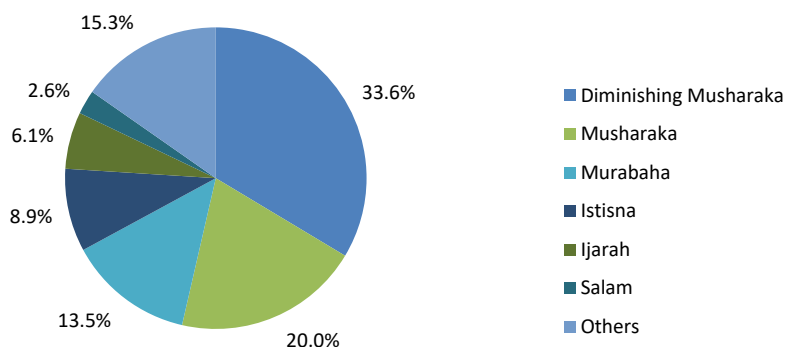
Performance of the Islamic banking industry over the past few years has been robust as indicated by considerable growth in asset base, deposits, advances accompanied by sound financial indicators. Some of the key performance highlights of the Islamic banking industry are depicted in the charts below:





Source: State Bank of Pakistan - Islamic Banking Bulletin

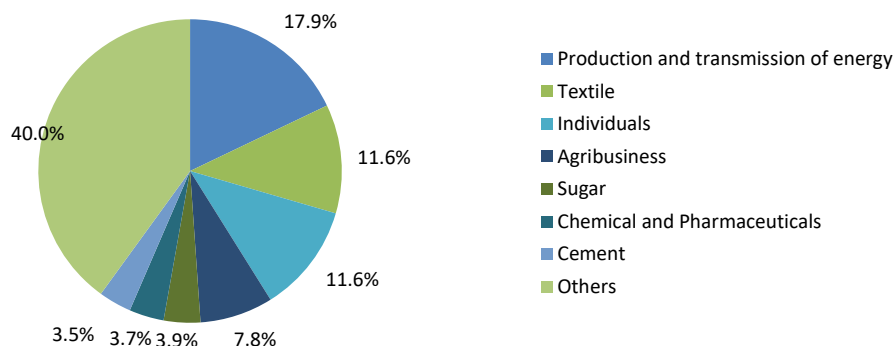
Financing by Type



Source: State Bank of Pakistan - Islamic Banking Bulletin

Financing and related assets (net) of Islamic banking industry increased by PKR ~19 billion to reach PKR 1,544 billion by end of June, 2019 compared to PKR 1,525 billion in the previous quarter. During 1HCY19, in terms of mode wise financing, the share of Diminishing Musharaka remained highest in overall financing of Islamic banking industry followed by Musharaka and Murabaha.

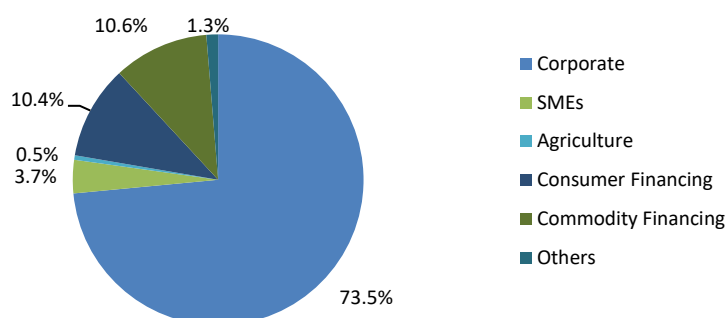
Financing by Sector



Source: State Bank of Pakistan - Islamic Banking Bulletin

In terms of sector wise financing, production & transmission of energy and textile sectors remained two leading sectors and their share in overall financing of Islamic banking industry was recorded at 17.9% and 11.6% respectively during 1HCY19. Investment in the Financial sector by the Islamic banking industry is particularly low at 0.5% as compared to an average of 2.6% investment by the overall industry.

Financing by Client








Source: State Bank of Pakistan - Islamic Banking Bulletin

In terms of client wise financing, the corporate sector accounted for 73.5% share in overall financing of Islamic banking industry, followed by consumer financing with a share of 10.4% which is significantly higher than the average industry allocation of 6.5%. The share of small and medium enterprises (SMEs) financing and agriculture financing in overall financing of Islamic banking industry was recorded at 3.7% and 0.5% respectively which is significantly lower than the average industry allocation of 5.3% and 3.8% respectively.

Competition in the Islamic Banking Industry

A comparison of the Full – fledged Islamic Banks of Pakistan is given below:

PKR million	Total Assets	Deposits	Financings	NPLs	NII (TTM)	IDR (%)	ADR (%)	CAR (%)	No. of Branches
 Meezan Bank The People's Islamic Bank	1,003,999	838,926	472,814	7,990	42,307	25.6	56.4	17.63	689
 BankIslami	263,052	213,211	124,210	14,336	9,248	26.3	58.3	15.55	330
 بنك دبي الإسلامي Dubai Islamic Bank	251,150	203,081	165,465	4,354	9,652	24.1	81.5	15.68	200
 alBaraka	141,956	114,572	74,582	8,854	4,892	20.9	65.1	11.93	191
 MIB NICB Islamic Bank Ltd.	108,003	81,134	57,591	363	3,336	20.2	71.0	13.54	178

Note:

1. NPLs: Non-Performing Loans, NII: Net Interest Income (Trailing Twelve Months), IDR: Investments – net to Deposit Ratio, ADR: Islamic Financing and Related Assets – net / Advances to Deposit Ratio, CAR: Capital Adequacy Ratio
2. Source: Unconsolidated financial reports of the banks as of September 30, 2019

4.11. FUTURE OUTLOOK OF THE BANK

BankIslami is one of the leading Islamic Banks in Pakistan which offers a complete range of Shariah compliant products and services to its valued customers through a network of 330 branches across the country. The Bank operates with a zero-tolerance policy for any type of non-compliance of Shariah principles therefore it provides extensive training to its staff to help understand and uphold best Shariah compliant banking practices.

On the liability side, the Bank primarily focuses on enhancing its deposit base, which depicted growth of 15% during 9MCY19 as compared to CY18. On the assets side, the Bank grew its financing exposure in most of the sectors and continued to actively pursue growth in Corporate / Commercial and Consumer segment. Resultantly, Islamic financing and related assets grew by 4.7% in 9MCY19 as compared to CY18. With extensively-diversified product base, the Bank is well-positioned to cater to all financing needs of its customers in a Shariah compliant manner. In line with changing business dynamics and business requirements, BankIslami continues to focus on new products customized to the needs of diversified customers.

BankIslami expects to maintain its persistent trend in growth in the Islamic Banking industry in the upcoming years and is well positioned towards strengthening its place as one of the leading Islamic Bank. To achieve this objective, the Bank has formulated a strategic plan with defined and clear goals at the organizational level, enabling the Bank in establishing a detailed roadmap. The strategic plan sets various KPIs comprising accelerated growth in deposit base, enhancing trade business, improving credit risk profile, leveraging technological innovation in a secured way, attracting and developing high quality human resource, enhancing brand position, maintaining healthy capital base and becoming a customer centric entity.

4.12. RISK FACTORS

4.12.1. RISK FACTORS RELATED TO THE SUKUK ISSUE:

4.12.1.1. *Summary of Risk Factors related to the Sukuk Issue:*

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

- i) 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 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.). **Further, the profit should only be paid from the relevant month's attributable profit of the General Pool;***
- j) the Issue may be called by the Issuer after 5 years from the date of Issuance (either partially or in full), subject to SBP approval;*
- k) 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;*

4.12.1.2. *Details on Risk Factors related to the Sukuk Issue:*

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 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 184 million in compliance with the requirement of paragraph A-5-3 (vi) of the Basel III Circular.

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 184 million in compliance with the requirement of paragraph A-5-3 (vi) of Basel III Circular.

b) 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.

c) 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 3-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.

4.12.2. RISK FACTORS RELATED TO THE BANK:

4.12.2.1. 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.

4.12.2.2. 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 its 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.

4.12.2.3. 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.

4.12.2.4. 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.

4.12.2.5. 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.

4.12.2.6. 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.

4.12.2.7. 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.

4.12.2.8. 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 SBP 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.

4.12.2.9. Shariah Compliant Forwards and Futures

Shariah compliant forward and future contracts are recognized at fair value. In case of equity futures, the fair value is calculated with reference to quoted market price. Shariah compliant forward and future contracts with positive market values (i.e. unrealized gains) are included in other receivables while those with negative market values (i.e. unrealized losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to the profit and loss account.

4.12.2.10. 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.

4.12.2.11. 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. Its role cannot be overemphasized here, it 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.

Bank calculates the Liquidity Coverage Ratio (“LCR”) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of Bank which requires banks to maintain sufficient High-Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar days period. As of December 31, 2018, Bank’s LCR stood at 191.92% against the SBP’s minimum requirement of 100%.

In addition, banks are expected to meet the Net Stable Funding Ratio (“NSFR”) requirement of at least 100% on an ongoing basis from December 31, 2017. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

TO THE BEST OF OUR KNOWLEDGE IT IS STATED THAT ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED IN THIS PARAGRAPH 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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PART 5: FINANCIAL INFORMATION AND CREDIT RATING REPORT

5.1. 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



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Auditors' 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.

Auditor's Responsibility

Our responsibility is to certify the accuracy of the information summarised as required by section 2(1) of First Schedule to the Public Offering Regulations, 2017 about profits and losses and assets and liabilities after taking into account the effect of changes in accounting policy made subsequent to the year ended December 31, 2017 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:

- Checked 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 2018, 2017, 2016, 2015 and 2014 as required by section 2(1) of the First Schedule to the Public Offering Regulations, 2017.
- Checked the information about profits and losses and assets and liabilities of the Bank for the years ended 31 December 2018, 2017, 2016, 2015 and 2014, after taking into account the changes in accounting policy made subsequent to the year ended 31 December 2017, with the unconsolidated financial statements of the Bank.
- Checked the information about the profits and losses of each of the subsidiary concerns for the year ended 31 December 2018, 2017, 2016, 2015 and 2014 with the financial statements of the respective subsidiaries.
- Checked the details of the dividend paid during the year ended 2018, 2017, 2016, 2015 and 2014 with the audited financial statements of the Bank.



Certificate

Based on the information provided, we certify that the annexed financial information related to profits and losses and assets and liabilities of the Bank after taking into account the changes in accounting policy made subsequent to the year ended 31 December 2017, 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 financial statements of the Bank (consolidated and unconsolidated) and its subsidiary concerns individually. No financial statements of the Bank have been audited by us subsequent to the audit of the financial statements of the Bank for the year ended December 31, 2018. However, the interim financial statements of the Bank for the half year ended June 30, 2019 have been reviewed by us.

Restriction on use and distribution

This certificate is issued in relation to the requirements of section 2 of First Schedule to the Public Offering Regulation, 2017 for the purpose of the inclusion in the prospectus for proposed issue of Additional Tier 1 Sukuks 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.



Chartered Accountant

Place: Karachi

Date: 26 September 2019



BankIslami

BankIslami Pakistan Limited

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ANNEXURE

1 FINANCIAL STATEMENTS OF THE BANK

1.1 Consolidated Statement of Financial Position

The consolidated financial statements of the Group as at December 31, 2018, 2017, 2016, 2015 and 2014 are as follows:

	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
	----- Rupees in '000 -----				
ASSETS					
Cash and balances with treasury banks	14,292,752	11,784,180	8,921,433	9,035,889	6,361,444
Balances with other banks	1,164,553	1,149,355	1,324,167	2,016,267	847,890
Due from financial institutions - net	18,173,504	21,371,787	27,218,665	39,855,525	18,143,574
Investments - net	39,236,762	42,363,753	46,643,174	35,801,058	30,511,422
Islamic financing, related assets and advances - net	118,320,811	119,006,779	77,667,276	68,560,851	41,097,058
Fixed assets	6,683,785	5,967,362	6,199,142	5,743,663	3,348,085
Intangible assets	3,173,692	3,180,702	3,212,987	3,158,358	39,197
Deferred tax assets	7,471,963	7,613,022	5,820,956	6,530,948	-
Other assets - net	8,315,446	6,424,228	6,969,274	5,565,674	1,751,885
Total Assets	216,833,268	218,861,168	183,977,074	176,268,233	102,100,555
LIABILITIES					
Bills payable	3,242,180	3,928,469	2,937,746	1,937,504	1,288,201
Due to financial institutions	7,819,532	15,570,390	6,066,307	3,197,770	561,000
Deposits and other accounts	184,429,521	178,062,105	153,162,536	152,247,569	89,961,104
Subordinated debt	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	199,348
Other liabilities	6,066,223	7,072,968	8,744,151	7,401,155	3,218,093
	201,557,456	204,633,932	170,910,740	164,783,998	95,227,746
NET ASSETS	15,275,812	14,227,236	13,066,334	11,484,235	6,872,809
REPRESENTED BY					
Share capital - net	10,000,079	10,000,079	10,000,079	10,000,079	5,679,679
Reserves	968,799	926,266	613,636	523,176	273,176
Surplus on revaluation of assets - net of tax	1,875,495	1,201,913	1,741,327	828,420	650,605
Unappropriated profit	2,236,825	1,893,736	518,942	(57,295)	269,349
	15,081,198	14,021,994	12,873,984	11,294,380	6,872,809
Non-controlling interest	194,614	205,242	192,350	189,855	-
	15,275,812	14,227,236	13,066,334	11,484,235	6,872,809



1.2 Consolidated Profit and Loss Account

The consolidated profit and loss accounts of the Group for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 are as follows:

	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
	Rupees in '000				
Profit / return earned	12,204,667	10,323,727	10,115,839	8,831,175	7,819,383
Profit / return expensed	6,145,543	5,231,305	5,764,188	5,098,501	4,456,040
Net Profit / return	6,059,124	5,092,422	4,351,651	3,732,674	3,363,343
Total other income	1,225,183	965,140	600,712	571,940	632,103
Total Income	7,284,307	6,057,562	4,952,363	4,304,614	3,995,446
OTHER EXPENSES					
Operating expenses	6,810,250	6,295,778	6,154,969	5,058,057	3,471,672
Workers' Welfare Fund	8,216	-	16,692	14	9,416
Other charges	54,359	21,733	1,044	2,134	3,250
Total other expenses	6,872,825	6,317,511	6,172,705	5,060,205	3,484,338
Profit / (Loss) before provisions	411,482	(259,949)	(1,220,342)	(755,591)	511,108
Provisions / (reversal of provisions) and write offs - net	(3,165)	(391,970)	(2,029,858)	(471,613)	41,230
Extraordinary / unusual items	-	-	-	-	-
			809,516	(283,978)	469,878
(Loss) / profit for the year from BIPL Securities Limited - net o	(46,755)	34,441	11,179	(14,489)	-
Share of profit from associate	145,830	104,530	216,291	134,837	-
PROFIT / (LOSS) BEFORE TAXATION	513,722	270,992	1,036,986	(163,630)	469,878
Taxation	190,084	(1,418,576)	389,988	(76,245)	156,438
PROFIT / (LOSS) BEFORE TAXATION	323,638	1,689,568	646,998	(87,385)	313,440
ATTRIBUTABLE TO:					
Equity shareholders of the Bank	334,266	1,676,676	644,503	(84,107)	313,440
Non-controlling interest	(10,628)	12,892	2,495	(3,278)	-
	323,638	1,689,568	646,998	(87,385)	313,440
	Rupees				
Basic earnings per share	0.3316	1.6635	0.6394	(0.1046)	0.5774
Diluted earnings per share	0.3316	1.6635	0.6394	(0.1046)	0.5774

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1.3 Consolidated Statement of Comprehensive Income

The consolidated statement of comprehensive income of the Group for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 are as follows:

	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
	Rupees in '000				
Profit after taxation for the period attributable to:					
Equity shareholders of the Bank	334,266	1,676,676	644,503	(84,107)	313,440
Non-controlling interest	(10,628)	12,892	2,495	(3,278)	-
	323,638	1,689,568	646,998	(87,385)	313,440
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	(160,633)	(637,226)	855,320	64,080	(198,319)
Items that will not be reclassified to profit and loss account in subsequent periods					
Re-measurement gain on defined benefit obligations - net of tax	4,053	80	11,645	(5,189)	(16,110)
Movement in surplus on revaluation of operating fixed assets - net of tax	659,648	-	-	126,520	111,917
Movement in surplus on revaluation of non-banking assets - net of tax	221,870	108,480	68,136	-	-
	885,571	108,560	79,781	121,331	95,807
Total comprehensive income for the year	1,048,576	1,160,902	1,582,099	98,026	210,928

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1.4 Unconsolidated Statement of Financial Position

The unconsolidated financial statements of the Bank as at December 31, 2018, 2017, 2016, 2015 and 2014 are as follows:

	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
	Rupees in '000				
ASSETS					
Cash and balances with treasury banks	14,292,752	11,784,180	8,921,433	9,035,886	6,361,444
Balances with other banks	832,621	801,807	1,140,150	1,780,710	733,523
Due from financial institutions - net	18,173,504	21,371,787	27,218,665	39,824,221	18,143,574
Investments - net	38,832,093	42,092,166	46,316,927	35,885,958	30,654,552
Islamic financing, related assets and advances - net	118,570,811	119,155,039	77,816,802	68,709,048	41,097,058
Fixed assets	6,663,467	5,944,358	6,186,259	5,721,270	3,340,971
Intangible assets	3,121,906	3,128,129	3,161,266	3,107,270	39,197
Deferred tax assets	7,530,221	7,701,906	5,918,460	6,591,439	-
Other assets - net	7,725,881	5,813,026	5,793,461	5,193,286	1,722,468
Total Assets	215,743,256	217,792,398	182,473,423	175,849,088	102,092,787
LIABILITIES					
Bills payable	3,242,180	3,928,469	2,937,746	1,937,504	1,288,201
Due to financial institutions	7,819,532	15,570,390	6,066,307	3,197,770	561,000
Deposits and other accounts	184,693,363	178,309,817	153,735,845	152,644,531	89,961,231
Subordinated debt	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	199,683
Other liabilities	5,473,366	6,307,253	7,288,859	6,883,013	3,215,452
	201,228,441	204,115,929	170,028,757	164,662,818	95,225,567
NET ASSETS	14,514,815	13,676,469	12,444,666	11,186,270	6,867,220
REPRESENTED BY					
Share capital - net	10,000,079	10,000,079	10,000,079	10,000,079	5,679,679
Reserves	968,799	926,266	613,636	523,176	273,176
Surplus on revaluation of assets - net of tax	1,850,647	1,276,340	1,618,398	834,468	647,419
Unappropriated profit	1,695,290	1,473,784	212,553	(171,453)	266,946
	14,514,815	13,676,469	12,444,666	11,186,270	6,867,220






1.5 Unconsolidated Profit and Loss Account

The unconsolidated profit and loss accounts of the Bank for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 are as follows:

	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
	----- Rupees in '000 -----				
Profit / return earned	12,204,238	10,353,849	10,127,616	8,834,160	7,812,302
Profit / return expensed	6,170,275	5,249,882	5,791,252	5,118,822	4,459,070
Net Profit / return	6,033,963	5,103,967	4,336,364	3,715,338	3,353,232
Total other income	1,264,012	964,695	637,612	570,028	631,936
Total Income	7,297,975	6,068,662	4,973,976	4,285,366	3,985,168
OTHER EXPENSES					
Operating expenses	6,795,997	6,281,537	6,142,395	5,037,198	3,462,351
Workers' Welfare Fund	8,216	-	16,706	-	9,402
Other charges	54,359	21,733	1,044	2,134	3,250
Total other expenses	6,858,572	6,303,270	6,160,145	5,039,332	3,475,003
Profit / (Loss) before provisions	439,403	(234,608)	(1,186,169)	(753,966)	510,165
Provisions / (reversal of provisions) and write offs - net Extraordinary / unusual items	36,835	(391,970)	(2,029,926)	(481,579)	40,443
	-	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	402,568	157,362	843,757	(272,387)	469,722
Taxation	189,904	(1,405,787)	391,457	(76,383)	156,072
PROFIT / (LOSS) AFTER TAXATION	212,664	1,563,149	452,300	(196,004)	313,650
	----- Rupees -----				
Basic earnings per share	0.2110	1.5509	0.4487	(0.2437)	0.5777
Diluted earnings per share	0.2110	1.5509	0.4487	(0.2437)	0.5777






1.6 Unconsolidated Statement of Comprehensive Income

The unconsolidated statement of comprehensive income of the Bank for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 are as follows:

	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
	Rupees in '000				
Profit after taxation for the period	212,664	1,563,149	452,300	(196,004)	313,650
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	(259,908)	(439,870)	726,343	73,314	(200,193)
Items that will not be reclassified to profit and loss account in subsequent periods					
Re-measurement gain on defined benefit obligations - net of tax	4,072	44	11,617	(5,047)	(16,353)
Movement in surplus on revaluation of operating fixed assets - net of tax	659,648	-	-	126,520	111,917
Movement in surplus on revaluation of non-banking assets - net of tax	221,870	108,480	68,136	-	-
	885,590	108,524	79,753	121,473	95,564
Total comprehensive income for the year	838,346	1,231,803	1,258,396	(1,217)	209,021






- 1.7 Consolidated financial statements of the Group for the years ended December 31, 2018, 2017 and 2016 were audited by EY Ford Rhodes Chartered Accountants and unmodified opinions dated February 28, 2019, April 06, 2018 & March 10, 2017 were issued thereon. Consolidated financial statements of the Group for the years ended December 31, 2015 and 2014 were audited by A.F.Ferguson & Co., Chartered Accountants and unmodified opinion dated June 06, 2016 was issued for the year ended December 31, 2015 and their report for the year ended December 31, 2014, dated & March 06, 2015, included an emphasis of matter paragraph reproduced below:

For the year ended December 31, 2014:

We draw attention to note 1.1.1 to the accompanying consolidated financial statements which describes the matter relating to shortfall in Minimum Capital Requirements (MCR) of the Bank and non-compliance with the required Capital Adequacy Ratio (CAR) as at December 31, 2014. Our opinion is not qualified in respect of the this matter.

- 1.8 Unconsolidated financial statements of the Bank for the years ended December 31, 2018, 2017 and 2016 were audited by EY Ford Rhodes Chartered Accountants and unmodified opinions dated February 28, 2019, April 06, 2018 & March 10, 2017 were issued thereon. Unconsolidated financial statements of the Bank for the years ended December 31, 2015 and 2014 were audited by A.F.Ferguson & Co., Chartered Accountants and unmodified opinion dated June 06, 2016 was issued for the year ended December 31, 2015 and their report for the year ended December 31, 2014, dated & March 06, 2015, included an emphasis of matter paragraph reproduced below:

For the year ended December 31, 2014:

We draw attention to note 1.2 to the accompanying financial statements which describes the matter relating to shortfall in Minimum Capital Requirements (MCR) of the Bank and non-compliance with the required Capital Adequacy Ratio (CAR) as at December 31, 2014. Our opinion is not qualified in respect of the this matter.

- 1.9 Changes in the accounting policies made subsequent to December 31, 2017, for the periods presented in these statements.

As per the revised forms, "Surplus / deficit on revaluation of assets" is now required to be presented as a component of the equity of the Bank. Previously, such surplus / deficit was required to be presented separately from the equity of the Bank and changes in such surplus / deficit were not recognized in the statement of comprehensive income. Consequent upon the change in the presentation requirements, the surplus / deficit on revaluation of assets and changes in such surplus / deficit during the year are reflected in the relevant section of the statement of financial position, statement of comprehensive income and statement of changes in equity for the current and prior years presented in these financial statements. As a result, the comprehensive income and equity of the Bank have increased by Rs.1,832.161 million (2017: Rs.1,276.340 million) and Rs. 881.508 million (2017: Rs. 108.480 million) respectively.

The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, the Bank has changed its policy to account for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level. This change in accounting policy did not have any material effect on these financial statements.

Acceptances representing undertakings by the Bank to pay bills of exchange drawn on customers are now required to be recognized as liabilities of the Bank at the date of acceptance. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities. As a result of the above change, the other assets and other liabilities of the Bank increased by Rs. 944,025 million, Rs. 1,627,253 million and Rs. 1,983,434 million as of 2018, 2017 and 2016 respectively.






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 years ended June 30, 2018, 2017, 2016, 2015 & 2014 are as follows:

	2018	2017	2016	2015	2014
	----- Rupees -----				
Management fee from an associated undertaking	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	6,146,186	8,035,358	9,837,308	9,929,177	10,622,847
	<u>6,146,186</u>	<u>8,035,358</u>	<u>9,837,308</u>	<u>9,929,177</u>	<u>10,622,847</u>
Administrative expenses	(15,509,487)	(13,380,531)	(10,757,605)	(10,725,947)	(8,825,358)
Provision for impairment on investments	-	-	-	(3,938,143)	-
Provision against accrued mark-up on sukuk	-	-	-	(214,233)	-
Provision against due from associated undertaking	-	-	-	(3,665,983)	-
Provision against other receivable	-	-	(67,624)	-	-
	<u>(15,509,487)</u>	<u>(13,380,531)</u>	<u>(10,825,229)</u>	<u>(18,544,306)</u>	<u>(8,825,358)</u>
Workers' Welfare Fund	-	-	-	-	(35,950)
Loss before taxation	<u>(9,363,301)</u>	<u>(5,345,173)</u>	<u>(987,921)</u>	<u>(8,615,129)</u>	<u>1,761,539</u>
Taxation:					
Current	(48,659)	(192,771)	(195,668)	189,812	(773,505)
Deferred	-	-	-	-	-
	<u>(48,659)</u>	<u>(192,771)</u>	<u>(195,668)</u>	<u>189,812</u>	<u>(773,505)</u>
(Loss) / profit for the year	<u>(9,411,960)</u>	<u>(5,537,944)</u>	<u>(1,183,589)</u>	<u>(8,425,317)</u>	<u>988,034</u>
	----- Rupees -----				
Earnings per share - basic / diluted	<u>(1.18)</u>	<u>(0.69)</u>	<u>(0.15)</u>	<u>(1.05)</u>	<u>0.12</u>

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2.2 BankIslami Modaraba Investments Limited - Statement of Comprehensive Income

The statement of comprehensive income of subsidiary company - BankIslami Modaraba Investment Limited for the years ended 31 December 2018, 2017, 2016, 2015 & 2014 are as follows:

	2018	2017	2016	2015	2014
	Rupees				
Loss for the year	(9,411,960)	(5,537,944)	(1,183,589)	(8,425,317)	988,034
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'	(1,598,721)	898,494	1,968,506	515,278	1,944,008
Items that will not be reclassified to profit and loss account in subsequent periods					
Reimbursements of defined benefit plans	(28,137)	52,366	43,814	(209,175)	363,791
Deferred tax on remeasurement of defined benefit plans	8,441	(15,710)	(13,582)	66,936	(120,051)
	(19,696)	36,656	30,232	(142,239)	243,740
Total comprehensive (loss)/income for the year	(11,030,377)	(4,602,794)	815,149	(8,052,278)	3,175,782

Financial statements of subsidiary company - BankIslami Modaraba Investments Limited for the years ended June 30, 2018 and 2017 were audited by EY Ford Rhodes Chartered Accountants and unmodified opinions dated August 08, 2018 & August 09, 2017 were issued thereon. The Financial statements for the years ended June 30, 2016, 2015 and 2014 were audited by A.F.Ferguson & Co., Chartered Accountants and unmodified opinions dated September 23, 2016, October 09, 2015 & September 30, 2014 were issued thereon.






2.3 BIPL Securities Limited - Profit and Loss Account

The profit and loss accounts of subsidiary company - BIPL Securities Limited for the years ended 31 December 2018, 2017, 2016 & 2015 are as follows:

	2018	2017	2016	2015
	Rupees in '000			
Operating revenue	190,733	237,885	243,633	246,041
Net gain on investments				
Gain on sale of investments 'at fair value through profit or loss'- net	14,457	12,860	-	-
Gain on sale of 'available-for-sale' investment- net	-	64,725	25,568	46,226
Reversal of impairment on 'held for trading' investments	10,000	-	-	(7,491)
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' - net	-	773	7,061	(464)
	24,457	78,358	32,629	38,271
Dividend income	84	659	3,676	41,858
Mark-up / profit on bank deposits and other receivables	56,314	55,420	48,907	59,903
	271,588	372,322	328,845	386,073
Operating and administrative expenses	(299,019)	(358,080)	(299,309)	(394,783)
Impairment on long-term investment - subsidiary	(164)	(342)	(222)	(486,507)
Impairment on 'available for sale' investments	-	-	-	(53,473)
Reversal of provision against doubtful debts-net	(3,340)	23,631	15	1,077
	(302,523)	(334,791)	(299,516)	(933,686)
Operating (loss) / profit	(30,935)	37,531	29,329	(547,613)
Finance cost	(15,426)	(14,181)	(14,771)	(16,266)
	(46,361)	23,350	14,558	(563,879)
Other income	4,840	59,288	2,846	4,847
(Loss) / profit before taxation	(41,521)	82,638	17,404	(559,032)
Taxation	14,562	(44,595)	1,711	(21,749)
(Loss) / profit after taxation	(26,959)	38,043	19,115	(580,781)
	Rupees			
Earnings per share - basic and diluted	(0.27)	0.38	0.19	(5.81)

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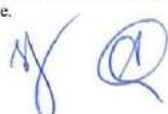
2.4 BIPL Securities Limited - Statement of Comprehensive Income

The statement of comprehensive income of subsidiary company - BIPL Securities Limited for the years ended 31 December 2018, 2017, 2016 & 2015 are as follows:

	2018	2017	2016	2015
	----- Rupees in '000 -----			
(Loss)/profit for the year	(26,959)	38,043	19,115	(580,781)
Other comprehensive income				
Reclassification adjustment on disposal of 'available for sale' investments included in profit and loss account	-	(58,435)	-	-
Reversal of deferred tax liability related to component of other comprehensive income	-	21,913	-	-
Fair value adjustments- available for sale investments	-	-	-	-
- will not be reclassified to profit and loss in subsequent periods	(23,761)	(157,294)	124,640	260,828
- will be reclassified to profit and loss in subsequent periods	-	-	-	-
	(23,761)	(193,816)	124,640	260,828
Total comprehensive (loss)/income for the year	(50,720)	(155,773)	143,755	(319,953)

Financial statements of subsidiary company - BIPL Securities Limited for the years ended December 31, 2018, 2017 2016 and 2015 were audited by RSM Avois Hyder Liaquat Nauman Chartered Accountants and unmodified opinions dated February 19, 2019, February 20, 2018 February 16, 2017 & April 06, 2016 were issued thereon.

BIPL Securities 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'. Therefore, financial information from year 2015 and onwards has been made part of this annexure.






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 2018, 2017, 2016 & 2015 are as follows:

	2018	2017	2016	2015
	Rupees in '000			
Profit on bank balance	37	41	47	140
Operating and administrative expenses	(201)	(383)	(269)	(414)
Provision for impairment on long-term investment	-	-	-	(81,567)
Provision for advance against purchase of property	-	-	-	(375,000)
	(201)	(383)	(269)	(456,981)
Loss before taxation	(164)	(342)	(222)	(456,841)
Finance cost	-	-	-	-
Loss before taxation	(164)	(342)	(222)	(456,841)
Taxation	-	-	-	-
Loss after taxation	(164)	(342)	(222)	(456,841)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(164)	(342)	(222)	(456,841)

Financial statements of subsidiary company - Structured Ventures (Private) Limited for the years ended December 31, 2018, 2017, 2016 and 2015 were audited by RSM Avas, Hyder, Liaquat Nauman Chartered Accountants and unmodified opinions dated February 19, 2019, February 20, 2018, February 15, 2017 & March 25, 2016 were issued thereon.

Structured Ventures (Private) 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'. Therefore, financial information from year 2015 and onwards has been made part of this annexure.

2.5 My Solutions Corporations Limited

My Solution 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 DETAILS OF DIVIDEND

Details of dividend paid by the Bank during the preceding five years ended December 31, 2018, 2017, 2016, 2015 & 2014 are as follows

	2018	2017	2016	2015	2014
	Rupees in '000				
3.1 BankIslami Pakistan Limited - Dividend					
Total Amount	Nil	Nil	Nil	Nil	Nil
Amount per share	Nil	Nil	Nil	Nil	Nil



CHIEF FINANCIAL OFFICER

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PRESIDENT / CHIEF EXECUTIVE OFFICER

5.2. AUDITORS CERTIFICATE FOR BREAKUP VALUE OF SHARES



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
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Auditors' 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 2018.

Scope of Certificate

The engagement is to provide a certificate on break-up value of shares of BankIslami Pakistan Limited (the Bank) as at 31 December 2018 in accordance with the requirement under 'Public Offering Regulations, 2017'.

Management Responsibility

The responsibility for computation of break-up value of the Bank, based on the financial statements for the period ended 31 December 2018 in accordance with the requirements of Technical Release - 22 (TR-22) of the Institute of Chartered Accountants of Pakistan (ICAP) 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 2018 in accordance with the 'Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to the following procedures:

- 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 period ended 31 December 2018; and
- checked that the Break-up Value is computed in accordance with the requirements of TR-22 of the ICAP. 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 approved accounting standards as applicable in Pakistan.

Certificate

Based on our procedures mentioned above, 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 the Institute of Chartered Accountants of Pakistan.

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under "Public Offering Regulations, 2017" for the purpose of inclusion in the prospectus for the proposed issue and listing of Additional Tier 1 Sukuks on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without any prior consent.



Chartered Accountant

Place: Karachi

Date: 26 September 2019

A member firm of Ernst & Young Global Limited

Annexure

BankIslami Pakistan Limited
Breakup Value Per Share
As at December 31, 2018



BankIslami

BankIslami Pakistan Limited
 11th Floor, Executive Tower, Dalmien City,
 Marine Drive, Block-4, Clifton, Karachi.
 Tel: (92-21) 111-2471819-111
 Fax: 35378373
 www.bankislami.com.pk

(Rupees in '000)

	Unconsolidated	Consolidated
Share capital - net	10,000,079	10,000,079
Reserves	968,799	968,799
Unappropriated profit	1,695,290	2,236,825
	<u>12,664,168</u>	<u>13,205,703</u>
Surplus on revaluation of assets - net of deferred tax		
Available for sale securities	9,988	34,836
Fixed Assets	1,479,516	1,479,516
Non-banking assets acquired in satisfaction of claims	361,143	361,143
	<u>1,850,647</u>	<u>1,875,495</u>
	<u>14,514,815</u>	<u>15,081,198</u>
Non-controlling interest	-	194,614
	<u>14,514,815</u>	<u>15,275,812</u>

(Numbers of Share)

Numbers of ordinary shares	<u>1,007,912,090</u>	<u>1,007,912,090</u>
Break-up value per ordinary share of Rs. 10 each (including surplus on revaluation of fixed assets/ non-banking assets - net of tax)	14.40	14.96
Break-up value per ordinary share of Rs. 10 each (excluding surplus on revaluation of fixed assets/ non-banking assets - net of tax)	12.57	13.14

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

5.3. BREAK-UP VALUE OF SHARES BASED ON UN-AUDITED UNCONSOLIDATED ACCOUNTS OF SEPTEMBER 2019

	(PKR Million)
Share capital – net	10,000
Unappropriated profit	2,892
Reserves	969
	13,861
Surplus on revaluation of fixed assets and non-banking assets acquired in satisfaction of claims – net of tax	1,616
Surplus/(deficit) on revaluation of “available-for-sale” securities – net of tax	(26)
	15,451
	(Number of shares)
Number of ordinary shares	1,007,912,090
	(Rupees per share)
Break-up value per ordinary share of Rs. 10 each (including surplus on revaluation of assets)	15.33
Break-up value per ordinary share of Rs. 10 each (excluding surplus on revaluation of assets)	13.73

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

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



EY Foró Rhodes
Chartered Accountants
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Pakistan

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ey.kw@pk.ey.com
ey.com/pk

Auditors' 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 2018.

Scope of Certificate

The engagement is to summarize the issued, subscribed and paid-up capital of the Bank as at 31 December 2018 in accordance with the requirement under "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 capital of the Bank as at 31 December 2018 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 agreeing the issued subscribed and paid up capital of the Bank as at 31 December 2018, disclosed in the annexed statement.

Certification

Based on the procedures mentioned above, we certify that the issued, subscribed and paid-up share capital of the Bank as at 31 December 2018 disclosed in the annexed statement is in agreement with the audited financial statements of the Bank for the year ended 31 December 2018.

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under 'Public Offering Regulation, 2017' for the purpose of inclusion in the prospectus for the proposed issue and listing of Additional Tier 1 Sukuks on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without our prior consent.

Chartered Accountant

Place: Karachi

Date: 26 September 2019

Annexure

BankIslami Pakistan Limited
Issued, subscribed and paid-up share capital
As at 31 December 2018



BankIslami

BankIslami Pakistan Limited
 11th Floor, Executive Tower, Dolmen City,
 Marina Drive, Block-4, Clifton, Karachi.
 Tel: (92-21) 111 2471 (BP) 111
 Fax: 35378373
 www.bankislami.com.pk

Number of shares	Fully Paid up ordinary shares of Rs. 10/- each	Rupees
1,007,912,090	Issued for Cash	10,079,120,900
-	Less: Discount on issue of shares	(79,041,917)
<u>1,007,912,090</u>		<u>10,000,078,983</u>


CHIEF FINANCIAL OFFICER


PRESIDENT / CHIEF EXECUTIVE OFFICER

5.5. UN-AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

بَيْعُكَ إِسْلَامِي

Condensed Interim Unconsolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees In '000			
ASSETS			
Cash and balances with treasury banks	6	10,718,259	14,292,752
Balances with other banks	7	894,227	832,621
Due from financial institutions - net	8	36,896,649	18,173,504
Investments - net	9	56,064,590	38,832,093
Islamic financing, related assets and advances - net	10	124,209,568	118,570,811
Fixed assets	11	12,887,643	6,663,467
Intangible assets	12	3,105,177	3,121,906
Deferred tax assets	13	7,231,111	7,530,221
Other assets - net	14	11,044,649	7,725,881
Total Assets		263,051,873	215,743,256
LIABILITIES			
Bills payable	15	3,168,400	3,242,180
Due to financial institutions	16	19,173,268	7,819,532
Deposits and other accounts	17	213,211,170	184,693,363
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	12,047,666	5,473,366
		247,600,504	201,228,441
NET ASSETS		15,451,369	14,514,815
REPRESENTED BY			
Share capital - net		10,000,079	10,000,079
Reserves		968,799	968,799
Surplus on revaluation of assets - net of tax	19	1,590,315	1,850,647
Unappropriated profit		2,892,176	1,695,290
		15,451,369	14,514,815
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 36 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



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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Quarter Ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Rupees in '000				
Profit / return earned	21	6,228,367	2,945,520	16,093,787
Profit / return expensed	22	3,675,053	1,473,518	8,676,814
Net Profit / return		2,553,314	1,472,002	7,416,973
OTHER INCOME				
Fee and commission income	23	138,213	217,898	467,003
Dividend income		-	10,791	8,597
Foreign exchange income		33,384	37,527	139,592
Gain / (Loss) on securities	24	10,672	49,510	28,253
Other income	25	117,548	22,336	179,416
Total other income		299,817	338,062	822,861
Total Income		2,853,131	1,810,064	8,239,834
OTHER EXPENSES				
Operating expenses	26	1,843,302	1,763,250	5,387,366
Workers' Welfare Fund		14,213	-	31,746
Other charges	27	136	25,144	36,316
Total other expenses		1,857,651	1,788,394	5,455,428
Profit before provisions		995,480	21,670	2,784,406
Provisions and write offs - net	28	361,053	(44,730)	1,255,315
Extraordinary / unusual items		-	-	-
PROFIT BEFORE TAXATION		634,427	66,400	1,529,091
Taxation	29	242,603	32,533	556,496
PROFIT AFTER TAXATION		391,824	33,867	972,595
Rupees				
Basic earnings per share	30	0.3887	0.0336	0.9650
Diluted earnings per share	30	0.3887	0.0336	0.9650

The annexed notes 1 to 36 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

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

	Restated Quarter Ended		Restated Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees in '000			
Profit after taxation for the period attributable to:	391,824	33,867	972,595	99,316
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	(35,459)	(217,332)	(36,041)	(382,538)
Items that will not be reclassified to profit and loss account in subsequent periods	-	-	-	-
Total comprehensive income	<u>356,365</u>	<u>(183,465)</u>	<u>936,554</u>	<u>(283,222)</u>

The annexed notes 1 to 36 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



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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share capital	Discount on issue of shares	Statutory reserve	Revenue Reserve for bad debts & contingencies	Surplus/(Deficit) on revaluation of Investment	Fixed / Non Banking Assets	Unappropriated profit	Total
Rupees In '000								
Balance as at December 31, 2017 (restated)	10,079,121	(79,042)	676,266	250,000	269,896	1,006,444	1,473,784	13,676,469
Profit after taxation for the nine months ended September 30, 2018	-	-	-	-	-	-	99,316	99,316
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	(382,538)	-	-	(382,538)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	(382,538)	-	99,316	(283,222)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(7,692)	7,692	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(231)	231	-
Balance as at September 30, 2018 (restated)	10,079,121	(79,042)	676,266	250,000	(112,642)	998,821	1,581,023	13,393,247
Profit after taxation for the period from October 01, 2018 to December 31, 2018	-	-	-	-	-	-	113,348	113,348
Other comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	122,630	881,518	4,072	1,008,220
Total comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	122,630	881,518	117,420	1,121,568
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(2,706)	2,706	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(77)	77	-
Transfer from surplus on revaluation of non-banking assets on sale	-	-	-	-	-	(36,597)	36,597	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	9,968	1,840,659	1,695,290	14,514,815
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	972,595	972,595
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(36,041)	-	-	(36,041)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(36,041)	-	972,595	936,554
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(11,038)	11,038	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(319)	319	-
Surplus on revaluation of fixed assets transferred to unappropriated profit	-	-	-	-	-	(16,619)	16,619	-
Transfer from surplus on revaluation of non-banking assets on sale	-	-	-	-	-	(196,315)	196,315	-
Balance as at September 30, 2019	10,079,121	(79,042)	718,799	250,000	(26,053)	1,616,368	2,892,176	15,451,369

The annexed notes 1 to 36 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

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Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

		Note	September 30, 2019	Restated September 30, 2018
			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation			1,529,091	161,156
Less: Dividend Income			(8,597)	(17,409)
			1,520,494	143,747
Adjustments for non-cash charges and other items:				
Depreciation on operating fixed assets			491,657	506,484
Depreciation on non banking assets		26	3,016	4,994
Depreciation on right-of-use assets			556,918	-
Amortization			54,022	48,432
Depreciation on operating Ijarah assets			660,955	391,004
Finance cost on Ijarah (lease) liabilities		22	351,042	-
Provisions and write offs - net		28	1,255,315	(17,076)
Unrealized gain on revaluation of investments classified as held for trading		24	-	(2,538)
Charge for defined benefit plan			67,503	57,303
Gain on sale of property and equipment		25	(10,315)	(8,277)
Gain on sale of non-banking assets		25	(105,204)	(1,038)
			3,324,909	1,479,288
			4,845,403	1,623,035
(Increase) / decrease in operating assets				
Due from financial institutions			(18,723,145)	4,516,198
Held-for-trading securities			144,537	(415,395)
Islamic financing and related assets and advances			(7,118,444)	9,519,344
Others assets			(3,660,312)	(1,426,711)
			(29,357,364)	12,193,436
Increase / (decrease) in operating liabilities				
Bills payable			(73,780)	(423,939)
Due to financial institutions			11,353,736	(4,947,371)
Deposits and other accounts			28,517,807	(3,822,716)
Other liabilities (excluding current taxation)			2,476,531	55,065
			42,274,294	(9,138,961)
			17,762,333	4,677,510
Income tax paid			(227,571)	(137,112)
Net cash generated from operating activities			17,534,762	4,540,398
CASH FLOW FROM INVESTING ACTIVITIES				
Net investments in available-for-sale securities			(17,470,022)	(4,356,349)
Dividend received			8,597	17,409
Payment of Ijarah (lease) liability against right-of-use assets			(619,410)	-
Investments in fixed assets			(2,991,373)	(288,703)
Investments in intangible assets			(37,293)	(39,113)
Proceeds from disposal of operating fixed assets			61,852	9,226
Net cash used in investing activities			(21,047,649)	(4,657,530)
			(3,512,887)	(117,132)
Decrease in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period			15,125,373	12,585,987
Cash and cash equivalents at the end of the period			11,612,486	12,468,855

The annexed notes 1 to 36 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

5.6. UN-AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

بَيْتُكَ إِسْلَامِي

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	10,718,372	14,292,752
Balances with other banks	7	1,281,335	1,164,553
Due from financial institutions - net	8	36,896,649	18,173,504
Investments - net	9	56,543,458	39,236,762
Islamic financing, related assets and advances - net	10	124,059,568	118,320,811
Fixed assets	11	12,924,611	6,683,785
Intangible assets	12	3,156,606	3,173,692
Deferred tax assets	13	7,183,888	7,471,963
Other assets - net	14	11,589,922	8,315,446
Total Assets		264,354,409	216,833,268
LIABILITIES			
Bills payable	15	3,168,400	3,242,180
Due to financial institutions	16	19,173,268	7,819,532
Deposits and other accounts	17	213,164,269	184,429,521
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	12,619,069	6,066,223
		248,125,006	201,557,456
NET ASSETS		16,229,403	15,275,812
REPRESENTED BY			
Share capital - net		10,000,079	10,000,079
Reserves		968,799	968,799
Surplus on revaluation of assets - net of tax	19	1,603,321	1,875,495
Unappropriated profit		3,461,654	2,236,825
		16,033,853	15,081,198
Non-controlling interest		195,550	194,614
		16,229,403	15,275,812
CONTINGENCIES AND COMMITMENTS	20		

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

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR



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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Quarter ended		Nine months ended		
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	
	Rupees in '000				
Profit / return earned	21	6,221,437	2,938,400	16,074,522	8,574,894
Profit / return expensed	22	3,665,647	1,464,471	8,656,686	4,358,760
Net Profit / return		2,555,790	1,473,929	7,417,836	4,216,134
OTHER INCOME					
Fee and commission income	23	138,213	216,750	467,003	585,997
Dividend income		375	11,962	8,972	18,580
Foreign exchange income		33,384	37,330	139,592	135,807
Gain on securities	24	10,672	49,510	28,253	93,342
Other income	25	117,730	25,104	179,598	67,698
Total other income		300,374	340,656	823,418	901,424
Total Income		2,856,164	1,814,585	8,241,254	5,117,558
OTHER EXPENSES					
Operating expenses	26	1,844,213	1,767,812	5,391,566	4,942,422
Workers Welfare Fund		14,213	-	31,746	1,934
Other charges	27	136	26,764	36,316	26,814
Total other expenses		1,858,562	1,794,576	5,459,628	4,971,170
Profit before provisions		997,602	20,009	2,781,626	146,388
Provisions / (reversal of provision) and write offs - net	28	354,075	(44,730)	1,230,108	(17,076)
Extraordinary / unusual items		-	-	-	-
Loss for the period from BIPL Securities Limited - net of tax	29	(14,732)	(29,825)	(7,821)	(51,867)
Share of profit from associate		-	-	11,525	110,555
PROFIT BEFORE TAXATION		628,795	34,914	1,555,222	222,152
Taxation	30	242,598	32,533	556,496	61,823
PROFIT AFTER TAXATION		386,197	2,381	998,726	160,329
ATTRIBUTABLE TO:					
Equity shareholders of the Bank		389,343	7,123	1,000,553	170,138
Non-controlling interest		(3,146)	(4,224)	(1,827)	(9,291)
		386,197	2,899	998,726	160,847
Rupees					
Basic earnings per share	31	0.3832	0.0071	0.9927	0.1688
Diluted earnings per share	31	0.3832	0.0071	0.9927	0.1688

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

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

بَيْتُكَ إِسْلَامِي

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Restated		Restated	
	Quarter Ended	Quarter Ended	Nine months ended	Nine months ended
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees In '000			
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	389,343	7,123	1,000,553	170,138
Non-controlling interest	(3,146)	(4,224)	(1,827)	(9,291)
	<u>386,197</u>	<u>2,899</u>	<u>998,726</u>	<u>160,847</u>
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 attributable to:				
Equity shareholders of the Bank	(42,827)	(207,942)	(47,898)	(330,217)
Non-controlling interest	(1,676)	-	2,763	-
	<u>(44,503)</u>	<u>(207,942)</u>	<u>(45,135)</u>	<u>(330,217)</u>
Items that may not be reclassified to profit and loss account in subsequent periods				
	-	-	-	-
Total comprehensive income	<u>341,694</u>	<u>(205,043)</u>	<u>953,591</u>	<u>(169,370)</u>
Total comprehensive income attributable to:				
Equity shareholders of the Bank	346,516	(200,819)	952,655	(160,079)
Non-controlling interest	(4,822)	(4,224)	936	(9,291)
	<u>341,694</u>	<u>(205,043)</u>	<u>953,591</u>	<u>(169,370)</u>

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

-Sd-
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CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR



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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share capital	Discount on issue of shares	Statutory reserve	Reserve for bad debts & contingencies	Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
					Investments	Fixed / Non Banking Assets				
Rupees in '000										
Balance as at December 31, 2017 (Restated)	10,079,121	(79,042)	676,266	250,000	195,469	1,006,444	1,893,736	14,021,994	205,242	14,227,236
Profit after taxation for nine months ended September 30, 2018	-	-	-	-	-	-	170,138	170,138	(9,291)	160,847
Other comprehensive income for nine months ended September 30, 2018	-	-	-	-	(330,217)	-	-	(330,217)	-	(330,217)
Total comprehensive income for nine months ended September 30, 2018	-	-	-	-	(330,217)	-	170,138	(160,079)	(9,291)	(169,371)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(7,892)	7,892	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(231)	231	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2018 (Restated)	10,079,121	(79,042)	676,266	250,000	(134,748)	998,521	2,071,797	13,861,915	195,951	14,057,866
Profit after taxation for the period from October 01, 2018 to December 31, 2018	-	-	-	-	-	-	164,128	164,128	(1,337)	162,791
Other comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	169,584	881,518	4,053	1,055,155	-	1,055,155
Total comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	169,584	881,518	168,181	1,219,283	(1,337)	1,217,946
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(2,706)	2,706	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(77)	77	-	-	-
Surplus on revaluation of non-banking assets transferred to unappropriated profit	-	-	-	-	-	(36,597)	36,597	-	-	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-	-	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	34,836	1,841,659	2,236,825	15,081,198	194,614	15,275,812
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	1,000,553	1,000,553	(1,827)	998,726
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(47,898)	-	-	(47,898)	2,763	(45,135)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(47,898)	-	1,000,553	952,655	936	953,591
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(11,038)	11,038	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(304)	304	-	-	-
Surplus on revaluation of fixed assets transferred to unappropriated profit	-	-	-	-	-	(16,619)	16,619	-	-	-
Transfer from surplus on revaluation of non-banking assets on sale	-	-	-	-	-	(196,315)	196,315	-	-	-
Balance as at September 30, 2019	10,079,121	(79,042)	718,799	250,000	(13,062)	1,616,383	3,461,654	16,033,853	195,550	16,229,413

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

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-Sd-
DIRECTOR

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Condensed Interim Consolidated Cash Flow Statement (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

		FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019	
Note	September 30, 2019	Restated September 30, 2018	
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation	1,555,222	222,152	
Less: Dividend Income	(8,972)	(18,580)	
Less: Share of profit from associate	(11,525)	(110,555)	
	1,534,725	93,017	
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets	491,575	506,206	
Depreciation on non banking assets	3,016	4,994	26
Depreciation on right-of-use assets	561,574	-	
Amortization	54,022	48,432	
Depreciation on operating Ijarah assets	660,955	1,383,698	
Finance cost on Ijarah (lease) liabilities	351,940	-	
Provisions / (reversal of provision) and write offs - net	1,230,108	(17,076)	28
Unrealised gain on revaluation of investments classified as held for trading	-	(2,538)	24
Charge for defined benefit plan	67,503	57,303	
Gain on sale of property and equipment	(10,315)	(8,277)	25
Loss on sale of non-banking assets	(105,204)	(1,038)	
	3,305,174	1,971,704	
	4,839,899	2,064,721	
(Increase) / decrease in operating assets			
Due from financial institutions	(18,723,145)	4,516,198	
Held-for-trading securities	97,975	(447,053)	
Islamic financing and related assets and advances	(7,218,444)	9,004,865	
Others assets (excluding defined benefit assets)	(3,330,649)	(1,245,444)	
	(29,174,263)	11,828,566	
Increase / (decrease) in operating liabilities			
Bills payable	(73,780)	(423,939)	
Due to financial institutions	11,353,736	(4,957,869)	
Deposits and other accounts	28,734,748	(3,750,989)	
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)	2,444,675	(87,422)	
	42,459,379	(9,220,219)	
	18,125,015	4,673,068	
Income tax paid	(536,283)	(173,651)	
Net cash generated from operating activities	17,588,732	4,499,417	
CASH FLOW FROM INVESTING ACTIVITIES			
Net Investments in available-for-sale securities	(17,470,021)	(4,260,596)	
Dividend received	8,972	18,580	
Payment of Ijarah (lease) liability against right-of-use assets	(626,256)	-	
Investments in fixed assets	(2,991,739)	(301,915)	
Investments in Intangible assets	(36,936)	(40,286)	
Proceeds from disposal of operating fixed assets	69,650	11,098	
Net cash used in Investing activities	(21,046,330)	(4,573,119)	
	(3,457,598)	(73,702)	
Decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	15,457,305	12,933,535	
Cash and cash equivalents at the end of the period	11,999,707	12,859,833	

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

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DIRECTOR

5.7. SUMMARY OF HISTORICAL FINANCIALS (UNCONSOLIDATED)

Profit and Loss Account - PKR million	9MCY19	CY18	CY17	CY16	CY15	CY14	CY13
Profit / return / earned	16,094	12,204	10,354	10,128	8,834	7,812	6,289
Profit / return expensed	(8,677)	(6,170)	(5,250)	(5,791)	(5,119)	(4,459)	(3,790)
Net Profit / Return	7,417	6,034	5,104	4,336	3,715	3,353	2,500
Total Other Income	823	1,264	965	638	570	632	454
Total Income	8,240	7,298	6,069	4,974	4,285	3,985	2,953
Operating Expenses	(5,387)	(6,796)	(6,282)	(6,142)	(5,037)	(3,462)	(2,488)
(Provision)/Reversal of provision and write offs - net	(1,255)	(37)	392	2,030	482	(40)	(127)
Profit before Taxation	1,529	403	157	844	(272)	470	308
Profit after Taxation	973	213	1,563	452	(196)	314	185
Statement of Financial Position - PKR million	9MCY19	CY18	CY17	CY16	CY15	CY14	CY13
Paid-up capital	10,000	10,000	10,000	10,000	10,000	5,680	5,280
Reserves	969	969	926	614	523	273	210
Unappropriated profit	2,892	1,695	1,474	213	(171)	267	25
Surplus on revaluation of assets - net of tax	1,590	1,851	1,276	1,618	834	647	727
Equity including Surplus	15,451	14,515	13,676	12,445	11,186	6,867	6,242
Total Assets	263,052	215,743	217,792	182,473	175,849	102,093	87,391
Earning Assets	218,065	176,409	183,421	152,493	146,200	90,629	77,398
Gross Islamic Financing / Advances	135,916	129,578	130,637	89,787	82,446	41,698	38,932
Provisions (Specific and General)	11,830	11,164	11,674	12,132	13,652	601	623
Islamic Financing – net	124,210	118,571	119,155	77,817	68,709	41,097	38,309
Non-Performing Financings ¹	14,356	15,403	15,837	14,534	15,684	1,062	1,109
Investments – net	56,065	38,832	42,092	46,317	35,886	30,655	31,610
Total Liabilities	247,601	201,228	204,116	170,029	164,663	95,226	81,148
Deposits and Other Accounts	213,211	184,693	178,310	153,736	152,645	89,961	75,085
Current and Saving accounts (CASA)	127,659	127,102	134,741	109,857	101,686	54,713	40,217
Borrowings	19,173	7,820	15,570	6,066	3,198	561	2,538
Cost bearing Liabilities	167,783	132,767	136,010	110,912	110,800	73,887	65,317
Key Ratios	9MCY19	CY18	CY17	CY16	CY15	CY14	CY13
Capital Adequacy Ratio (%)	15.6%	15.1%	14.7%	13.4%	12.3%	16.7%	15.4%
Net Spread to Average Earning Assets (%)	5.0% ²	3.4%	3.0%	2.9%	3.1%	4.0%	3.5%
Net Spread Margins (%)	46.1%	49.4%	49.3%	42.8%	42.1%	42.9%	39.7%
Earnings per Share - After Taxation (PKR)	0.96	0.21	1.55	0.45	(0.24)	0.58	0.35
Operating Expenses to Income Ratio (%)	65.4%	93.1%	103.5%	123.5%	117.5%	86.9%	84.3%
Cost of Deposit Ratio (%)	5.2% ²	3.0%	2.8%	3.2%	3.8%	5.2%	5.3%
Return on Average Equity (%)	9.8% ²	1.5%	12.0%	3.8%	-2.2%	4.8%	3.1%
Return on Average Assets (%)	0.5% ²	0.1%	0.8%	0.3%	-0.1%	0.3%	0.2%
Financings to Deposits (%)	58.3%	64.2%	66.8%	50.6%	45.0%	45.7%	51.0%
Investments to Deposits (%)	26.3%	21.0%	23.6%	30.1%	23.5%	34.1%	42.1%
CA Deposit Ratio (%)	30.1%	32.1%	32.1%	31.5%	29.3%	18.5%	16.4%
CASA Deposit Ratio (%)	59.9%	68.8%	75.6%	71.5%	66.6%	60.8%	53.6%
Infection Ratio (%) - Gross	10.6%	11.9%	12.1%	16.2%	19.0%	2.5%	2.8%
Infection Ratio (%) - Net	2.5%	3.8%	3.7%	3.3%	3.1%	1.3%	1.4%
Coverage Ratio (%)	78.0%	71.0%	72.3%	82.1%	86.2%	49.4%	51.9%
Book Value per Share excluding surplus (PKR)	13.73	12.57	12.57	11.45	10.25	10.64	10.65
Book Value per Share including surplus (PKR)	15.33	14.40	13.57	12.35	11.10	11.92	11.82

¹During May 2015, KASB Bank Limited was merged into BankIslami Pakistan under the Banking Companies Ordinance 1962. KASB Bank at the time of merger was in severe distress and the surge in non-performing financings (NPFs) of BankIslami during 2015 was due to the transfer of NPFs from KASB Bank. Nevertheless, it is pertinent to mention that 100% NPFs transferred from KASB Bank are now specifically covered.

²These ratios have been calculated by annualizing the numbers of 9MCY19.

5.8. SUMMARY OF HISTORICAL FINANCIALS (CONSOLIDATED)

Profit and Loss Account - PKR million	9MCY19	CY18	CY17	CY16	CY15	CY14	CY13
Profit / return / earned	16,075	12,205	10,324	10,116	8,831	7,819	6,290
Profit / return expensed	(8,657)	(6,146)	(5,231)	(5,764)	(5,099)	(4,456)	(3,781)
Net Profit / Return	7,418	6,059	5,092	4,352	3,733	3,363	2,509
Total Other Income	823	1,225	965	601	572	632	454
Total Income	8,241	7,284	6,058	4,952	4,305	3,995	2,963
Operating Expenses	(5,392)	(6,810)	(6,296)	(6,155)	(5,058)	(3,472)	(2,494)
(Provision) / Reversal of provisions and write offs - net	(1,230)	3	392	2,030	472	(41)	(127)
Profit before Taxation	1,555	514	271	1,037	(164)	470	313
Profit after Taxation	999	324	1,690	647	(87)	314	189
Statement of Financial Position - PKR million	9MCY19	CY18	CY17	CY16	CY15	CY14	CY13
Paid-up capital	10,000	10,000	10,000	10,000	10,000	5,680	5,280
Reserves	969	969	926	614	523	273	210
Unappropriated profit	3,462	2,237	1,894	519	(57)	269	27
Surplus on revaluation of assets - net of tax	1,603	1,875	1,202	1,741	828	651	729
Equity including surplus	16,034	15,081	14,022	12,874	11,294	6,873	6,246
Non-Controlling Interest	196	195	205	192	190	0	0
Total Assets	264,354	216,833	218,861	183,977	176,268	102,101	87,336
Gross Islamic Financing / Advances	135,766	129,328	130,488	89,637	82,298	41,698	38,932
Provisions (Specific and General)	11,830	11,164	11,674	12,132	13,652	601	623
Islamic Financing - net	124,060	118,321	119,007	77,667	68,561	41,097	38,309
Non-Performing Financings	14,356	15,403	15,837	14,534	15,684	1,062	1,109
Investments - net	56,543	39,237	42,364	46,643	35,801	30,511	31,429
Total Liabilities	248,125	201,557	204,634	170,911	164,784	95,228	81,090
Deposits and Other Accounts	213,164	184,430	178,062	153,163	152,248	89,961	75,029
Due to Financial Institutions	19,173	7,820	15,570	6,066	3,198	561	2,538

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5.9. ENTITY RATING REPORT



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
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	YES
22-Jun-2017	A+	A1	Developing	Maintain	-
25-Oct-2016	A+	A1	Rating Watch-Developing	Maintain	-
06-May-2016	A+	A1	Developing	Rating Watch	-
08-May-2015	A+	A1	Stable	RW-Developing	-
24-Apr-2015	A+	A1	Stable	Upgrade	-
30-Jun-2014	A	A1	Positive	Maintain	-

Rating Rationale and Key Rating Drivers

The ratings reflect BankIslami's sustained risk profile. During 1HCY19, the bank's profit increased owing to asset yield driven by increase in policy rate and earning assets. The bank's new management is emphatically pursuing for recovery of NPLs. In 1HCY19, NPLs inched down on account of some recoveries. The funding base comprise of deposits and borrowings. The bank witnessed slight uptick in its asset yield, better than the cost - ultimately translating into better spread. Deposit mix (CASA) and concentration need to improve. The bank was able to achieve good operating profits; trend should continue. Key positions are headed by experienced individuals. The bank's management is positive about performance and achieving cost efficiency, pursuing the new business plan under leadership of the CEO. The focus is on risk management, IT infrastructure, workforce strengthening and customer facilitation which will help bank to achieve operational efficiency. The bank has taken steps to strengthen its fortress against cyber risks; adequate provision has been created. Going forward, primary focus is to consolidate CAR as the relaxations given by central bank will be withdrawn in CY21. The management is following the planned steps to enhance capital of the bank which will assist in inching up CAR.

The bank's ability to raise its capital base in order to pursue its growth plan is important. In this regard, BIPL's Board is raising the bank's equity approximately by Rs. 1 billion. It has also approved the issuance of Sukuk of worth Rs. 2 billion which will add to Additional Tier-1 Sukuk of the bank. Additionally, the bank's operational profitability needs to be observed against financial ramifications which may emanate from recent cyber attack or incidence due to non-performing assets owing to slow economic growth.

Disclosure

Name of Rated Entity	BankIslami Pakistan Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	PACRA_Methodology_FI_FY19(Jun-19), PACRA_Methodology_DI Basel III_FY19(Jun-19), PACRA_Methodology_Sukuk_FY19(Jun-19)
Related Research	Sector Study Commercial Bank(Jun-19)
Rating Analysts	Usama Zubair usama.zubair@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 the 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 from April 07, 2006.

Background The bank has been following organic growth since its inception. Furthermore, on May 7th, 2015, BIPL acquired defunct bank "KASB Bank Limited" under "Scheme of amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of Banking Companies Ordinance, 1962".

Operations BankIslami is operating as Scheduled Islamic Commercial Bank. It's a small sized Islamic bank with a network of 330 branches.

Ownership

Ownership Structure BIPL has four prominent sponsors namely JS Group (through Jahangir Siddiqui & Company Limited (JSCL), Mr. Ali Hussain and SAJ Capital Management Limited, Emirates NBD (through Dubai Bank PJSC), and Randeree family. All these have a collective holding of ~76% in the bank and predominantly direct the affairs of the BIPL's board.

Stability BIPL ownership is backed by strong sponsors and has been same for many years. It is expected to remain same in the foreseeable future.

Business Acumen All sponsors are renowned business groups with stakes in various sectors with national and international presence. The business acumen of sponsors is considered strong as sponsors have diversified interest and long association 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 CEO constitutes representatives of sponsoring groups. Currently, one from DCD group, two are independent directors, five are non-executive (including DCD representation) and one Executive director (CEO - Bank Islami). BIPL's shariah board comprises three leading Islamic scholars of the country, namely (i) Mufti Irshad Ahmad Aijaz, (ii) Mufti Muhammad Husain, and (iii) Mufti Javed Ahmed.

Members' Profile Mr. Ali Hussain, MD SAJ Capital Limited, is the Chairman of the Board, has ~38 years of experience. All the other board members have different educational and work experience background.

Board Effectiveness The BoD exercises close monitoring of the management's policies and governs the bank's operations through its six committees namely i) Audit Committee, ii) Board Remuneration Committee iii) Human Resource & Management Committee, (iv) Risk Management Committee, (v) IT Committee and (vi) Executive Committee. IT committee is a new addition.

Financial Transparency During the year, EY Ford Rhodes Chartered Accountants the external auditor are SBP panel member, expressed an unqualified opinion for the financial statements for the year ending December 31st, 2018 and performed interim review for six months ending June, 2019. Besides this, they have identified the key matters which are significant in respect of audit.

Management

Organizational Structure BIPL's organizational structure is divided into twelve 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 and xii) Compliance.

Management Team Mr. Syed Amir Ali has joined the bank as Deputy CEO in Apr-18. He has taken up the position of 'President & CEO' in Oct-18. He is a Chartered Accountant & CFA Charter holder by qualification, carrying with himself more than one decade experience mainly of Meezan Bank. The BIPL is focusing on the improvement of team efficiency.

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

MIS The management has selected a comprehensive Islamic Banking application that has inbuilt Shariah compliance features - iMal, a core banking software, which has been developed by Path Solutions, a software house in the Middle East.

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

Business Risk

Industry Dynamics The banking industry witnessed expansion in the loan and deposit book by 23.7% and 10.7% respectively. Last year and YTD (2018) both witnessed huge deployments. This is expected to slow down. New projects require gestation period and additionally crowding-out effect may take place. Rising interest rates mean profitability of the sector would take support. Yet NPLs, as a result, may also transpire. CAR is reaching the maximum requirement by December 2019 (12.5%). This will create a challenge for some of the players.

Relative Position The BIPL is small tier bank and was able to maintain its deposit system share of 1.3% (Dec-17: 1.3%).

Revenues During period 6MCY19, the bank earned mark-up of PKR 9.8bn (6M18: PKR 5.6bn; CY18: PKR 7.2bn). The increase of 75% YoY is due to the earnings from consolidation in advances book and new investments in sovereign guaranteed papers. The bank recorded NIMR at PKR 4.8bn (6M18: PKR 2.7bn), up only by 78% YoY. As at end-Jun19, bank's asset yield increased which led to improvement in spread which stood at 6.3% (end-Dec18: 3.8%) - a positive factor.

Performance Other operating income of the bank inched down to stand at PKR 523mln (6MCY18: PKR 560mln) primarily due to decline in fee, commission income. Other operating expenses inched up to PKR 3.6bn (6MCY18: PKR 3.2bn), up 12.5% YoY. Net provisions of PKR 894mln further dwindle the profit before tax to PKR 895mln. Furthermore, tax expense increased to PKR 314mln (6MCY18: PKR 29mln). Hence, profit after tax stood at PKR 581mln (6MCY18: PKR 65mln).

Sustainability Going forward, the bank aims to expand its lending portfolio by funding through low cost deposits. The bank is prioritizing the rated client lending in future which will assist in CAR measures. Recovery from non-performing loans transferred from KASB is also a priority. Going forward, risk management framework improvement will be focused by the bank.

Financial Risk

Credit Risk The bank NPL's decreased to PKR 12.8bn as at end-Jun19 (end-Dec18: PKR 15.4bn) as some NPLs were settled or restructured, which led to decline in NPLs to Gross Advances ratio (end-Jun19: 11.0%; end-Dec18: 11.9%). Further, drag on equity (Net NPLs/Equity: end-Jun19: 10.3%; end-Dec18: 33.5%) is reduced.

Market Risk BIPL's investment portfolio increased to PKR 56.2bn (end-Dec18: PKR 38.8bn) primarily funded by deposits. Portfolio increased mainly due to investment in Pakistan Energy Sukuk of PKR 35mln; sovereign guaranteed Sukuk. The investment composition remained tilted towards government securities (end-Jun19: 83%; end-Jun18: 92%), excluding debt instruments.

Liquidity And Funding As at end-Jun19, BIPL's customer deposits increased to PKR 201bn (end-Dec18: PKR 174.7bn), up 15% owing to greater increase witnessed in time deposits. CA and SA ratios decline slightly (end-Jun19: 33%; end-Jun18: 38%) & (end-Jun19: 29%; end-Jun18: 36%) respectively, which may increase cost of funding in the upcoming year. The bank's liquidity position has significantly increased evident by Liquid assets to Deposits & Borrowing ratio (end-Jun19: 30.4%; end-Dec18: 20.4%), primarily driven by the increase in government securities.

Capitalization The bank has equity base of PKR 13.2bn whereby the same goes up to PKR 15bn when surplus on revaluation is added. At end-Jun19, CAR is largely maintained at 15.4% with Tier I at 11.2%. Currently, the bank is issuing Additional Tier-I Sukuk of PKR 2.0bn (including green shoe option of PKR 500mln) to support Tier-I capital in the future.



The Pakistan Credit Rating Agency Limited
BankIslami Pakistan Limited

Financial Summary

	30-Jun-19	31-Dec-18	31-Dec-17	31-Dec-16
	PKR	CY18	CY17	CY16
BALANCE SHEET				
Earning Assets				
Advances	117,240	114,331	114,992	75,415
Debt Instruments	9,223	9,769	5,240	1,018
Total Finances	126,463	124,100	120,232	76,433
Investments	47,364	28,787	36,543	45,300
Others	23,563	19,605	22,174	23,356
	197,410	171,893	178,949	149,091
Non Earning Assets				
Non-Earning Cash	21,420	14,293	11,794	8,921
Deferred Tax	7,372	7,530	7,702	5,918
Net Non-Performing Finances	472	4,516	4,472	2,402
Fixed Assets & Others	27,473	17,511	14,886	15,141
	66,718	43,850	38,854	32,383
TOTAL ASSETS	264,128	215,743	217,792	181,473
Interest Bearing Liabilities				
Deposits	213,941	194,693	178,310	153,736
Borrowings	8,305	7,820	15,570	6,066
	222,247	202,513	193,880	159,802
Non Interest Bearing Liabilities				
	16,817	8,716	10,236	10,227
TOTAL LIABILITIES	239,064	211,228	204,116	170,029
EQUITY (including revaluation surplus)	15,065	14,515	13,676	11,444
TOTAL LIABILITIES & EQUITY	254,129	215,743	217,792	181,473
INCOME STATEMENT				
	30-Jun-19	31-Dec-18	31-Dec-17	31-Dec-16
	PKR	CY18	CY17	CY16
Profit / Return Earned	9,865	12,204	10,354	10,128
Return Expensed	(5,002)	(6,170)	(5,250)	(5,791)
NIMR	4,864	6,034	5,104	4,336
Other Income	523	1,264	905	638
Total Revenue	5,387	7,298	6,009	4,974
Other Expenses	(3,568)	(6,839)	(6,303)	(6,160)
Pre-provision operating profit	1,789	439	(235)	(1,186)
(Provision) Reversal	(804)	(37)	392	2,030
Pre-tax profit / (Loss)	895	403	157	844
Taxes	(314)	(190)	1,406	(301)
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RATIO ANALYSIS				
	30-Jun-19	31-Dec-18	31-Dec-17	31-Dec-16
	PKR	CY18	CY17	CY16
Performance				
ROE	4.3%	1.7%	13.5%	4.3%
Cost-to-Total Net Revenue	67.6%	93.1%	105.2%	126.7%
Provision Expense / Pre Provision Profit	50.0%	8.4%	167.1%	171.1%
Capital Adequacy				
Equity/Total Assets	5.2%	5.9%	5.7%	5.9%
Capital Adequacy Ratio as per SBP	15.4%	15.1%	14.5%	13.4%
Funding & Liquidity				
Liquid Assets / Deposits and Borrowings	30.4%	20.4%	23.5%	32.7%
Advances / Deposits	55.2%	64.2%	66.8%	50.4%
CASA deposits / Total Customer Deposits	61.9%	63.6%	73.0%	70.2%
Intermediation Efficiency				
Asset Yield	10.7%	7.0%	6.3%	7.0%
Cost of Funds	4.8%	5.2%	3.0%	3.7%
Spread	5.9%	3.8%	3.4%	3.3%
Outreach				
Branches	330	330	330	321
Armedized*				

BankIslami Pakistan Limited

Sep-19



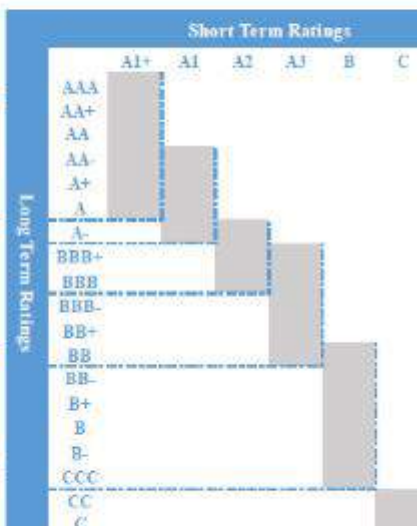
Rating Scale | Corporate

2019

Credit Rating Scale & Definitions

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long Term Ratings		Short Term Ratings	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	A1+	The highest capacity for timely repayment.
AA+	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	A1	A strong capacity for timely repayment.
AA		A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
AA-		A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A+	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	B	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
A		C	An inadequate capacity to ensure timely repayment.
A-			
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.		
BBB			
BBB-			
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.		
BB			
BB-			
B+	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.		
B			
B-			
CCC	Very high credit risk. Substantial credit risk. "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.		
CC			
C			
D	Obligations are currently in default.		



Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity issues default, or had f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Disclaimer: PACRA's ratings are an assessment of the credit standing of entities in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's 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.

www.pacra.com

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations, 2016)

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(g)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F, d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-5
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(g)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(i)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

- (22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e. probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(FVII)

Proprietary Information

- (23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent

5.10. INSTRUMENT RATING REPORT



The Pakistan Credit Rating Agency Limited

Rating Report

BankIslami Pakistan Limited | Modaraba Sukuk

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
08-Oct-2019	A-	-	Stable	Maintain	-
30-Apr-2019	A-	-	Stable	Preliminary	YES

Rating Rationale and Key Rating Drivers

The ratings reflect BankIslami's sustained risk profile. During 1HCY19, the bank's profit increased owing to asset yield driven by increase in policy rate and earning assets. The bank's new management is emphatically pursuing for recovery of NPLs. In 1HCY19, NPLs inched down on account of some recoveries. The funding base comprise of deposits and borrowings. The bank witnessed slight uptick in its asset yield, better than the cost - ultimately translating into better spread. Deposit mix (CASA) and concentration need to improve. The bank was able to achieve good operating profits; trend should continue. Key positions are headed by experienced individuals. The bank's management is positive about performance and achieving cost efficiency, pursuing the new business plan under leadership of the CEO. The focus is on risk management, IT infrastructure, workforce strengthening and customer facilitation which will help bank to achieve operational efficiency. The bank has taken steps to strengthen its fortress against cyber risks; adequate provision has been created. Going forward, primary focus is to consolidate CAR as the relaxations given by central bank will be withdrawn in CY21. The management is following the planned steps to enhance capital of the bank which will assist in inching up CAR.

The bank's ability to raise its capital base in order to pursue its growth plan is important. In this regard, BIPL's Board is raising the bank's equity approximately by Rs. 1 billion. It has also approved the issuance of Sukuk of worth Rs. 2 billion which will add to Additional Tier-1 Sukuk of the bank. Additionally, the bank's operational profitability needs to be observed against financial ramifications which may emanate from recent cyber attack or incidence due to non-performing assets owing to slow economic growth.

Disclosure

Name of Rated Entity	BankIslami Pakistan Limited Modaraba Sukuk
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	PACRA_Methodology_FI_FY19(Jun-19), PACRA_Methodology_DI Basel III_FY19(Jun-19), PACRA_Methodology_Sukuk_FY19(Jun-19)
Related Research	Sector Study Commercial Bank(Jun-19)
Rating Analysts	Usama Zubair usama.zubair@pacra.com +92-42-35869504



The Pakistan Credit Rating Agency Limited

Profile

Structure BankIslami Pakistan Limited (BIPL), incorporated in Oct-04, was the first bank in Pakistan to receive the 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 from April 07, 2006.

Background The bank has been following organic growth since its inception. Furthermore, on May 7th, 2015, BIPL acquired defunct bank "KASB Bank Limited" under "Scheme of amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of Banking Companies Ordinance, 1962".

Operations BankIslami is operating as Scheduled Islamic Commercial Bank. It's a small sized Islamic bank with a network of 330 branches.

Ownership

Ownership Structure BIPL has four prominent sponsors namely JS Group (through Jahangir Siddiqui & Company Limited (JSCL), Mr. Ali Hussain and SAJ Capital Management Limited, Emirates NBD (through Dubai Bank PJSC), and Randeree family. All these have a collective holding of ~76% in the bank and predominantly direct the affairs of the BIPL's board.

Stability BIPL ownership is backed by strong sponsors and has been same for many years. It is expected to remain same in the foreseeable future.

Business Acumen All sponsors are renowned business groups with stakes in various sectors with national and international presence. The business acumen of sponsors is considered strong as sponsors have diversified interest and long association 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 CEO constitutes representatives of sponsoring groups. Currently, one from DCD group, two are independent directors, five are non-executive (including DCD representation) and one Executive director (CEO - Bank Islami). BIPL's shariah board comprises three leading Islamic scholars of the country, namely (i) Mufti Irshad Ahmad Aijaz, (ii) Mufti Muhammad Husain, and (iii) Mufti Javed Ahmed.

Members' Profile Mr. Ali Hussain, MD SAJ Capital Limited, is the Chairman of the Board, has ~38 years of experience. All the other board members have different educational and work experience background.

Board Effectiveness The BoD exercises close monitoring of the management's policies and governs the bank's operations through its six committees namely i) Audit Committee, ii) Board Remuneration Committee iii) Human Resource & Management Committee, (iv) Risk Management Committee, (v) IT Committee and (vi) Executive Committee. IT committee is a new addition.

Financial Transparency During the year, EY Ford Rhodes Chartered Accountants the external auditor is SBP panel member, expressed an unqualified opinion for the financial statements for the year ending December 31st, 2018 and performed interim review for six months ending June, 2019. Besides this, they have identified the key matters which are significant in respect of audit.

Management

Organizational Structure BIPL's organizational structure is divided into twelve 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 and xii) Compliance.

Management Team Mr. Syed Amir Ali has joined the bank as Deputy CEO in Apr-18. He has taken up the position of 'President & CEO' in Oct-18. He is a Chartered Accountant & CFA Charter holder by qualification, carrying with himself more than one decade experience mainly of Meezan Bank. The BIPL is focusing on the improvement of team efficiency.

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

MIS The management has selected a comprehensive Islamic Banking application that has inbuilt Shariah compliance features - iMal, a core banking software, which has been developed by Path Solutions, a software house in the Middle East.

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

Business Risk

Industry Dynamics The banking industry witnessed expansion in the loan and deposit book by 23.7% and 10.7% respectively. Last year and YTD (2018) both witnessed huge deployments. This is expected to slow down. New projects require gestation period and additionally crowding-out effect may take place. Rising interest rates mean profitability of the sector would take support. Yet NPLs, as a result, may also transpire. CAR is reaching the maximum requirement by December 2019 (12.5%). This will create a challenge for some of the players.

Relative Position The BIPL is small tier bank and was able to maintain its deposit system share of 1.3% (Dec-17: 1.3%).

Revenues During period 6MCY19, the bank earned mark-up of PKR 9.8b (6M18: PKR 5.6b; CY18: PKR 7.2b). The increase of 75% YoY is due to the earnings from consolidation in advances book and new investments in sovereign guaranteed papers. The bank recorded NIMR at PKR 4.8b (6M18: PKR 2.7b), up only by 78% YoY. As at end-Jun19, bank's asset yield increased which led to improvement in spread which stood at 6.3% (end-Dec18: 3.8%) - a positive factor.

Performance Other operating income of the bank inched down to stand at PKR 523m (6MCY18: PKR 560m) primarily due to decline in fee, commission income. Other operating expenses inched up to PKR 3.6b (6MCY18: PKR 3.2b), up 12.5% YoY. Net provisions of PKR 894m further dwindle the profit before tax to PKR 895m. Furthermore, tax expense increased to PKR 314m (6MCY18: PKR 29m). Hence, profit after tax stood at PKR 581m (6MCY18: PKR 65m).

Sustainability Going forward, the bank aims to expand its lending portfolio by funding through low cost deposits. The bank is prioritizing the rated client lending in future which will assist in CAR measures. Recovery from non-performing loans transferred from KASB is also a priority. Going forward, risk management framework improvement will be focused by the bank.

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The Pakistan Credit Rating Agency Limited
BankIslami Pakistan Limited

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Others	23,593	19,006	22,174	28,359
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Total Revenue	5,387	7,298	6,069	4,974
Other Expenses	(3,598)	(6,859)	(6,303)	(6,160)
Pre-provision operating profit	1,789	439	(235)	(1,186)
(Provisions)/ Reversal	(894)	(37)	392	2,030
Pre-tax profit / (Loss)	895	403	157	844
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Net Income/ (Loss)	581	213	1,563	452
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ROE	4.5%	1.7%	13.5%	4.3%
Cost-to-Total Net Revenue	67.6%	95.1%	105.2%	126.7%
Provision Expense / Pre Provision Profit	50.0%	8.4%	167.1%	171.1%
Capital Adequacy				
Equity/Total Assets	5.2%	5.9%	5.7%	5.9%
Capital Adequacy Ratio as per SBP	15.4%	15.1%	14.5%	13.4%
Funding & Liquidity				
Liquid Assets / Deposits and Borrowings	30.4%	20.4%	23.5%	32.7%
Advances / Deposits	55.2%	64.2%	66.8%	50.4%
CASA deposits / Total Customer Deposits	61.9%	68.6%	73.0%	70.2%
Intermediation Efficiency				
Asset Yield	10.7%	7.0%	6.3%	7.0%
Cost of Funds	4.8%	3.2%	3.0%	3.7%
Spread	5.9%	3.8%	3.4%	3.3%
Outreach				
Branches	330	330	330	321
Annexure*				
BankIslami Pakistan Limited				
Sep-19				



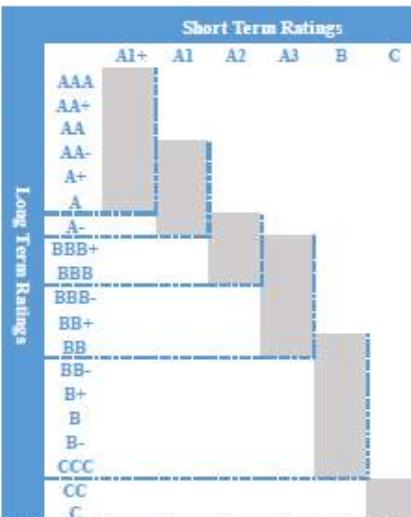
Rating Scale | Corporate

2019

Credit Rating Scale & Definitions

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long Term Ratings		Short Term Ratings	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments	A1+	The highest capacity for timely repayment.
AA+	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	A1	A strong capacity for timely repayment.
AA		A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
AA-		A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A+	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	B	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
A		C	An inadequate capacity to ensure timely repayment.
A-			
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.		
BBB			
BBB-			
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.		
BB			
BB-			
B+	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.		
B			
B-			
CCC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.		
CC			
C			
D	Obligations are currently in default.		



Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.	Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity issuer defaults, or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	Harmonization A change in rating due to revision in applicable methodology or underlying scale.
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Disclaimer: PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's 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.

www.pacra.com

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations, 2016)

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-5)
- PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verify or validate information received in the rating process or in preparing this Rating Report.
- PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review


- PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e. probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(f-VII)

Proprietary Information

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Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets (PKR mln)
Listed Tier-I Sukuk	1.5 Bn (Plus green shoe option of PKR 500mln)	Perpetual	Unsecured	N/A	N/A	Appointment Under Process	N/A

BankIslami Pakistan Limited | Tier-I Sukuk | Sep'19

Name of Issuer	BankIslami Pakistan Limited
Issue size	PKR 1.5 bn (plus green shoe option of PKR 500 mln)
Tenor	Perpetual (i.e. no fixed or final redemption date)
Maturity	Perpetual (unless Call Option is exercised)
Profit Rate	3M Kibor + 2.75% p.a.
Call Option	Five years after the Issue (After prior approval of the SBP)
Principal Repayment	Perpetual
Security	The Sukuk will be unsecured

BankIslami Pakistan Limited | Tier-I Sukuk | Sep'19 | Redemption Schedule

Due Date Principle	Opening Principal	Principal Repayment	Due Date Markup/ Profit	Markup/Profit Rate	3M Kibor	Markup/Profit Payment	Installment Payable	Principal Outstanding
		PKR in mln						PKR in mln

----- Repayment Schedule is N/A as the instrument is perpetual -----

PART 6: TRUSTEE AND SECURITY

6.1. 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 Trust Deed, at any time after the occurrence of an Event of Default mentioned in the Trust Deed, the Trustee (to the exclusion of the Sukuk Holders) may, at its discretion (subject to the Trustee being indemnified to its satisfaction against all proceedings, claims and demands to which the Trustee may be liable and all costs, charges and expenses which may be incurred by the Trustee 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.

6.2. THE TRUSTEE

In order to safeguard the interests of the Sukuk Holders, Pak Brunei Investment Company Limited has been appointed to act as Trustee for the Issue. The Issuer shall pay to the Trustee in respect of its acting as Trustee 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 Trust Deed 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 Trust Deed. The Trust Deed executed between the Bank and the Trustee specifies the functions and obligations of the Trustee. Furthermore, the Trustee has all the powers available to it under the Trusts Act, 1882 and the Debt Securities Trustee Regulations, 2017.

6.3. THE TRUST DEED

The Trust Deed signed between the Bank and Pak Brunei Investment Company Limited specifies the rights and the obligations of the Trustee. In the event of Issuer defaulting on any of its obligations under the terms of the Trust Deed, the Trustee may enforce Issuer's obligations in accordance with the terms of the Trust Deed.

6.4. POWERS OF THE TRUSTEE

The Trustee shall have all the powers and discretions conferred upon trustees by the Trust Act, 1882 (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 Trustee 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 Trust Deed;
- (b) the Trustee may in relation to any of the provisions of the Trust Deed pay for the advice or services of, and act on the opinion or advice of, or any information obtained (whether by the Trustee or any other person duly authorized by the Trustee), 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 Trustee 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 Trustee shall be at liberty to place the Trust Deed and any other instrument, documents or deed delivered to it pursuant to or in connection with the Trust Deed for the time being in its possession in any safe deposit selected by the Trustee or with any bank, any company whose business includes undertaking the safe custody of documents or any firm of lawyers and the Trustee shall not be responsible for any loss thereby incurred (save that the Trustee 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 Trust Deed and unless directed to the contrary by the Sukuk Holders in accordance with the terms of the Trust Deed, the Trustee shall in regards to all rights, trusts, powers, authorities and discretions vested in it by this Trust Deed 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 Trustee (or any of its directors or officers) shall not be precluded by reason of its acting as Trustee hereunder from entering into any contract or other transaction with or from engaging in any other business with, or from accepting or holding the trusteeship of any other trust deed 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 Trustee shall not be liable to account for any profit made or payment received by it thereby or in connection therewith provided that the Trustee shall ensure that, as far as practicable, the personnel assigned to deal with normal administrative matters in relation to such other trusteeship shall not be assigned to deal with any functions in relation to the trusteeship of the Trust Deed and vice versa;
 - (g) the Trustee may assume that no event which entitles the Sukuk Holders to exercise any of their rights under the Trust Deed has occurred and that the Issuer is not in breach of any of its obligations under the Trust Deed, unless it has received either a written notice to the contrary from the Issuer or a notice or information which the Trustee believes to be accurate regarding an occurrence of an Event of Default;
 - (h) the Trustee shall not be liable for acting in relation to the Trust Deed 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 Trustee 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 Trustee pursuant to the signing of the Trust Deed, 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 Trustee failing to do so; and
 - (j) the Trustee shall not be responsible for any recitals or statements, warranties or representations of any party (other than the Trustee) 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).

6.5. OBLIGATIONS OF THE TRUSTEE

The Trustee shall:

- (a) within 7 (seven) Business Days of receipt by the Trustee, 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 Trust Deed;
- (b) for the purposes of Clause 2.2.2 of the Trust Deed, 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 Trust Deed. In addition, the Trustee 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 Trust Deed and that all covenants, warranties and undertakings contained in the Trust Deed 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 Trust Deed, 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 Trustee is indemnified or granted security in accordance with Clause 2.5 of the Trust Deed;
 - (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 Trustee, 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 Trustee, 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 Trustee 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 Trustee 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 Trustee 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 Trust Deed, 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.

6.6. TRUSTEE AND SUKUK HOLDERS

- (i) Subject to the provisions of the Trust Deed and, in particular to the provisions of Clause 2.2.1 and 2.2.2 of the Trust Deed, the Trustee shall:
 - a) act as trustee 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 trustee under these presents.
- (ii) The instructions of the Sukuk Holders for the purposes of this Clause and the Trust Deed 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 Trust Deed).
- (iii) The Issuer will, on request from the Trustee, promptly give to the Trustee a written certificate in such form as the Trustee may reasonably require setting out all information available to them to facilitate the performance by the Trustee of its rights, trusts, powers, authorities, discretions, duties and obligations under the Trust Deed, such certificate to be signed as contemplated in the clause above.
- (iv) Notwithstanding any other provision of the Trust Deed, the Trustee shall not be obliged to provide any indemnity to, or in favor of, any receiver.
- (v) Nothing in the Trust Deed shall, in any case in which the Trustee has failed to show the degree of care and diligence required of it as Trustee having regard to the provisions of the Trust Deed imposing or conferring on the Trustee any obligations, powers, authorities or discretions, relieve the Trustee 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 Trust Deed.

6.7. OBLIGATION TO ACT WITH DUE CARE

Both the Issuer and the Trustee 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 Trust Deed or when exercising any power, authority or discretion which is vested in them under the Trust Deed.

6.8. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

The Issuer hereby represents and warrants:

- (a) that the execution by it of the Trust Deed 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 Trust Deed and the Sukuk have been taken;
- (c) that no Event of Default has occurred as of the date of the Trust Deed;
- (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 Trustee 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 Trust Deed;
- (f) that the Sukuk and the Trust Deed 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 Trustee:

- (a) that if the redemption option or partial redemption option (as defined in the Trust Deed) 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 Trust Deed;
- (d) that as and when requested by the Trustee, the Issuer shall ensure that the Issuer or registrar shall provide to the Trustee 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 Trustee 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.

6.9. EVENTS OF DEFAULT

An Event of Default will be deemed to have occurred, by a declaration in writing of the Trustee informing the Issuer, that the Trustee 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 Trust Deed or the Sukuk (other than the Issuer's profit payment obligations and the Issuer's option redemption obligations defined in the Trust Deed) and such non-compliance continues for 30 (thirty) days after the written notice is received by the Issuer from the Trustee.

(b) Misrepresentation

A representation, warranty or statement made or repeated in or in connection with the Trust Deed, Sukuk, or in any document delivered by or on behalf of the Issuer under or in connection with the Trust Deed 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 Trust Deed 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 Trustee.

(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 Trust Deed, 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 Trust Deed;
- v. if subsequent to the listing of the Sukuk in terms of Clause 2.13 of the Trust Deed, 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 Trust Deed or the Sukuk and/or any other document executed by the Issuer in respect thereof and the Issuer and the Trustee have been unable to agree, within a period of 30 (thirty) days from the receipt of a notice from the Trustee, 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 Trust Deed or Sukuk (as originally executed).

(i) Change of provisions of the Trust Deed

All or any material provisions of the Trust Deed:

- 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.

6.10. 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 Trust Deed), the Trustee (to the exclusion of the Sukuk Holders) may, at its discretion (subject to the Trustee being indemnified to its satisfaction against all proceedings, claims and demands to which the Trustee may be liable and all costs, charges and expenses which may be incurred by the Trustee 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 Trustee 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 Trust Deed.

6.11. 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 Trust Deed, any Proceeds recovered / received by the Trustee from such enforcement shall be applied by the Trustee in the following manner:
 - i. firstly, in payment of all costs, charges, expenses and liabilities lawfully incurred and payments made by the Trustee and every receiver, attorney, agent, delegate, sub-delegate or other person appointed by the Trustee in the execution of any powers, authorities or discretions vested in it or him pursuant to the Trust Deed including (without limitation upon the foregoing) the remuneration of the Trustee 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 Trustee in support of the claim.
- (c) Payment of the Proceeds to the Sukuk Holders shall be made by the Trustee net of any deductions required under the law (against surrender of the original Sukuk, where applicable).

6.12. MANDATORY CONVERSION

Conversion Events include each of the following events:

- (a) 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;
- (b) 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.

6.12.1. 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 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 Trust Deed) 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.

6.12.2. 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 or their write-off, at the discretion of the SBP subject to clause 6.12.5 below.

6.12.3. 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.

6.12.4. 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.

6.12.5. Conversion Conditions

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

- i. The Issuer obtaining approval from the SECP as required under applicable laws; and
- ii. The maximum number of additional shares being issued in respect of all conversion events not exceeding 184,000,000 (One Hundred Eighty Four Million) additional shares.

6.13. 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 Trustee 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 Trustee in this regard, save for manifest error, shall be final and binding on the Issuer and the respective Sukuk Holders.

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PART 7: MANAGEMENT OF THE BANK

7.1. 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 Bank

Name	Designation	Directorships in Other Companies
Mr. Ali Hussain	Chairman	<ul style="list-style-type: none"> TechCube8 Pte Ltd SAJ Capital Management Limited
Mr. Fawad Anwar	Vice Chairman	<ul style="list-style-type: none"> Alkaram Textile Mills (Pvt) Limited Lakeside Energy (Pvt) Ltd Adira Capital Holdings (Private) Limited Alfa Beta Capital Markets (Pvt) Limited TPL Properties Limited Pakistan Oxygen Limited (formerly Linde Pakistan Limited)
Mr. Syed Amir Ali	President and CEO	<ul style="list-style-type: none"> None
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Independent Director	<ul style="list-style-type: none"> Amlak Finance Alfa Electrical Ilc
Dr. Amjad Waheed	Independent Director	<ul style="list-style-type: none"> NBP Fund Management Limited (formerly, NBP Fullerton Asset Management Limited) Gul Ahmed Textile Mills Limited Mehran Sugar Mills Limited Katha Collieries Pak (Pvt) Limited
Mr. Muhammad Nadeem Farooq	Non-Executive Director	<ul style="list-style-type: none"> Energy Exploration Limited Spud Energy Pty Limited Jura Energy Corporation Spud Oilfield Services Limited Frontier Holdings Limited PetExPro Limited Frontier Oil and Gas Holdings Limited
Mr. Noman Yakoob	Non-Executive Director	<ul style="list-style-type: none"> Alkaram Textile Mills (Pvt) Limited Pakistan Synthetics Limited Amna Industries (Pvt) Limited
Mr. Siraj Dadabhoy	Non-Executive Director	<ul style="list-style-type: none"> Adira Capital Holdings (Private) Limited Aion Holdings Inc, & Subsidiaries, USA 1508 London Limited, London, UK Alfa Beta Capital Markets (Pvt) Limited TPL Properties Limited

- Pakistan Oxygen Limited (formerly Linde Pakistan Limited)
- AION Global Partners Limited
- Crescent Holdings Inc & Subsidiaries, USA
- Paradigm Factors Private Limited
- Paradigm RE Private Limited
- Paradigm Services Private Limited

Profiles of Directors

Mr. Ali Hussain – Chairman

He is the founder and Managing Director of SAJ Capital Management Limited, BVI, a family office based in Singapore having strategic investments in financial sector in Pakistan, Europe & USA. Mr. Hussain has previously worked at Conics Technology Private Limited, Singapore, Conrac Technology Inc, USA, Hewlett Packard, USA and Fairchild Semiconductors, USA.

He has overall 38 years of professional experience and specializes in incubating, acquiring and managing technology companies and converting them in growth champions in Singapore, USA, Germany, UK and Canada.

Mr. Hussain has done his M.S. in Electrical Engineering from Stanford University USA and B.S. in Electronics Engineering and also in Electrical Engineering from California State University, USA.

Mr. Fawad Anwar

Mr. Fawad Anwar has over 20 years of professional experience and currently serves as the Managing Director of Al-Karam Textile Mills (Private) Limited, which is part of one of the most renowned business groups in Pakistan.

Mr. Anwar has done his MBA from Drexel University, USA and BBA from Temple University, USA.

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali

Mr. Alshamali serves as an Independent Director on BankIslami's Board. He has over 17+ years of experience in Credit and risk management. He is the Vice President, Credit and Risk at Amlak Finance, PJSC, UAE.

Before his current position, he worked as Head of Credit and Risk at Amlak Finance and also in the Credit department of the Emirates Bank International.

Mr. Alshamali holds an MBA degree from University of Wollongong Dubai and Bachelors in Science degree from Seattle University, USA. In addition to this, he has attended various courses and seminars.

Dr. Amjad Waheed, CFA

Mr. Waheed currently serves as the Chief Executive Officer of NBP Fullerton Asset Management Limited (NAFA), which is a subsidiary of National Bank of Pakistan with Fullerton Fund Management Company of Singapore as a joint venture partner.

Before joining NAFA, he had been the Head of Equity Mutual Funds & Portfolios at Riyadh Bank, Saudi Arabia, Head of Asset Management at NIT, and Chief Operating Officer of FC-ABN AMRO Equities.

He holds a Doctorate in Business Administration with a major in Investments and Finance from Southern Illinois University, USA and is also a Chartered Financial Analyst (CFA) charterholder.

Syed Amir Ali

Mr. Syed Amir Ali is the President & Chief Executive Officer of BankIslami Pakistan Limited. He excelled in the ambit of Finance, Treasury, Investment & Corporate Banking throughout his association with domestic and international organizations i.e. Price Water House Coopers (PWC), Shell and Meezan Bank Limited. He spearheaded corporate and investment group of Meezan Bank Limited before moving to BankIslami in 2018.

His diverse credentials as a Chartered Accountant (Gold Medalist) from Institute of Chartered Accountants of Pakistan and in England & Wales, CFA Charterholder, MBA (Gold Medalist) and LLB are testament to his progression in the Financial Industry.

Mr. Muhammad Nadeem Farooq

Mr. Nadeem is currently serving as the Chief Executive Officer of Jura Energy Corporation which is an international upstream oil and gas exploration and production company, listed on Toronto Stock Venture Exchange. The corporation's activities are conducted exclusively in Pakistan, where it has interests in exploration, development and producing assets.

Mr. Nadeem is a Chartered Accountant from Institute of Chartered Accountants of Pakistan (ICAP) and has a proven record of excellence in managerial finance, corporate finance, governance, acquisitions, restructurings, accounting, tax, investor relations, negotiations and relationship management with excellent communication skills.

Mr. Noman Yakoob

Mr. Yakoob currently serves as the Director of Al-Karam Textile Mills Limited and as the Vice-President Landhi Association of Trade and Industry (LATI). Previously he has worked as Director of Amna Industries Limited.

Mr. Yakoob has done his BSc (Hons) from Lahore University of Management Sciences (LUMS) and MSc from Kingston University, London.

Mr. Siraj Ahmed Dadabhoy

Mr. Siraj Dadabhoy has more than 25 years of professional experience in the real estate and financial industries in a range of leadership roles. Currently, he serves as a founding partner and Executive Chairman of AION Partners, a New York based real estate operating and investment management company. Mr. Dadabhoy is also the founder and Managing Director of AION Global; an owner, operator and developer of real estate in the U.K.

In addition to this, Mr. Dadabhoy serves as a member of the board of directors of TPL Properties in Pakistan.

Mr. Dadabhoy is a 1988 graduate of Indiana University, with a Bachelor of Science in Accounting and Finance. He is also a qualified Certified Public Accountant.

7.2. SENIOR MANAGEMENT

Mr. Syed Amir Ali – President & Chief Executive Officer

Mr. Syed Amir Ali is the President & Chief Executive Officer of BankIslami Pakistan Limited. He excelled in the ambit of Finance, Treasury, Investment & Corporate Banking throughout his association with domestic and international organizations i.e. Price Water House Coopers (PWC), Shell and Meezan Bank Limited. He spearheaded corporate and investment group of Meezan Bank Limited before moving to BankIslami in 2018.

His diverse credentials as a Chartered Accountant (Gold Medalist) from Institute of Chartered Accountants of Pakistan and in England & Wales, CFA Charterholder, MBA (Gold Medalist) and LLB are testament to his progression in the Financial Industry.

Mr. Rizwan Ata - Country Head of Distribution

Mr. Rizwan Ata is a seasoned banker with over 30 years of rich experience in financial sector including over 17 years of experience in Islamic Banking industry. 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. Syed Abdul Razzaq- Head of Risk Management

Mr. Abdul Razzaq is a Fellow Chartered Accountant from the Institute of Chartered Accountants of Pakistan with over 20 years of experience. Prior to joining BankIslami, Mr. Abdul Razzaq was working with Al Baraka Bank Pakistan Limited. His last assignment at Al Baraka Bank, was SEVP/ Group Head – Corporate & Investment Banking since 2012 and previously EVP/ Head of Credits from 2011 to 2012.

He has previously been associated with Bank of Punjab, Faysal Bank Limited, A. F. Ferguson & Co., Askari Leasing Limited and Fauji Cement Pakistan Limited.

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.

Muhammad Shoaib, Company Secretary

Mr. Shoaib has been associated with the Bank since 2009 and at present serving as Company Secretary.

Previously, he worked for Central Depository Company of Pakistan Limited (CDC) as Manager Legal & Compliance, National Clearing Company of Pakistan Limited (NCCPL) as Company Secretary / Manager Legal

& Compliance. He has over 19 years of experience and looking after Company Secretarial functions. He is LLM from S. M. Law College, Karachi.

Mr. S. M. Aamir Shamim - Head of Treasury & Financial Institutions

Mr. Aamir has worked in all the spectrum of financial markets both locally as well as abroad. Before joining BankIslami, he was associated with the Islamic Bank of Thailand as Head of Treasury and International Division. He has headed the treasury of Tadhamon International Islamic Bank (Yemen) and also look into the affairs of Tadhamon Capital, an investment banking arm of the bank in Bahrain. Mr. Aamir was the founder member of Dawood Islamic Bank and SME Bank Limited. He holds a Master's degree in Economics from University of Karachi with over 25 years of banking experience.

Mr. Syed Arif Mahtab - Head of Operations

Mr. Arif Mahtab is serving as Head of Branch Operations since September 2013. He has a diversified experience of 28 years in the banking sector working at senior positions i.e. Head of Centralized & Consumer Operations, Controller of Branches, Head of Retail Operations etc. and had been associated with multiple Banks Samba Bank, Summit Bank, Atlas Bank, Union Bank and Standard Chartered Bank. He holds a degree of MBA major in (Finance) from Al Khair University.

Mr. Bilal Fiaz- Head of Consumer Banking

Mr. Bilal Fiaz holds an MBA degree and Post Graduate Diploma in Islamic Banking & Takaful from Center for Islamic Economics with over 22 years of experience. Before joining BankIslami he was working with Zarai Taraqiat 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. Shehzad Kazmi - Head Corporate / Business Banking

Mr. Shehzad Kazmi is a seasoned banker with over 20 years of rich experience in financial sector. Prior to joining BankIslami, Mr. Shehzad has worked in the international & local market. He has also worked with a number of foreign banks including Standard Chartered Bank, Dubai Islamic Bank & CitiBank.

He is a hard core Corporate, Commercial and Investment Banking professional, his last assignment with Emirates NBD in the UAE market. Mr. Shehzad holds an MBA degree from South Eastern University Washington DC.

Mr. Muhammad Haris Munawar - Head of Investment Banking

Mr. Haris Munawar is an experienced Corporate & Investment banker having more than 17 years of progressive experience of Corporate 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 an Associate member of ICMA Pakistan and a Diplomaed 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. Assad Holds a Master's degree in Business Administration with overall 19 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 21 years of working experience.

Muhammad Irfan Ahmed - Head of Shariah Compliance

Mr. Muhammad Irfan Ahmed is the Head of Shariah Compliance Department at BankIslami and possess more than 12 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, and currently pursuing M. Phil in Islamic Banking & Finance. He has also done Certification in Deposit Management, and Capital Markets & Instruments in Islamic Banks from IBA-Karachi.

Mr. Kashif Nisar – Head Product & Shariah Structuring

Mr. Kashif Nisar has been associated with the Islamic Banking Industry for 15 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. Rizwan Qamar Lari - Head of Internal Audit

Mr. Lari is an experience banker with over 21 years of experience in financial sectors mainly in Islamic Banking. Prior to joining us, he was associated with Alinma Bank, Saudi Arabia as Deputy General Manager for 9 years. Earlier he worked with Meezan Bank Limited 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. Muhammad Uzair Sipra - Head of Legal Affairs

Mr. Sipra has been associated with the Bank since November 2015. He possesses professional experience of over 28 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.

Syed Ata Hussain Jaffri - Head of Information System

Currently working with BankIslami Pakistan as Head of IT. Having an overall 18 years of professional career and specifically more than 10 years of experience in Core Banking, Alternate Delivery Channels and Payment Systems.

He has worked with Local and International technology partners to deliver innovative and effective technology led business solutions. Recently under his leadership, BankIslami IT completed major projects of Core Banking Upgrade and Migration of Defunct KASB bank into BankIslami in a single year.

Played a leading role in implementing the Largest Bio Matric enabled ATM network in Pakistan and launched the first-ever Card-less ATM service in Pakistan in 2013.

A Computer engineer by education, started the career as Software Programmer and able to evolve the professional career while developing solution for local and international players, including some leading foreign banks.

7.3. SHARIAH BOARD OF THE BANK

The Bank has a renowned Shariah Supervisory Board in order to ensure compliance of Shariah guidelines issued by Shariah Board and SBP in all banking operations in general and revenue generating activities. The Bank has a committed professional team in the Shariah Compliance department consisting of Shariah Scholars along with business graduates from reputed organizations.

Mufti Irshad Ahmad Aijaz – Chairman, Shariah Supervisory Board

Mufti Irshad Ahmad Aijaz has graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, 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 Dar-ul-Uloom, Karachi. He has also completed his MBA program from a leading private university in Karachi, Pakistan. He currently holds advisory position in the following Institutions:

- Chairman, Shariah Advisory Committee of State Bank of Pakistan
- Member, AAOIFI Shariah Standard Committee – Karachi
- Member, AAOIFI Ethics Committee
- Shariah Advisor, Al-Hilal Shariah Advisors
- Consultant, Shariah Review Bureau - Bahrain
- Member, ICAP- Committee on Accounting & Auditing Standards for Interest Free Modes of Financing and Investments
- Member of Shariah Board in different Islamic Financial Institutions

He is actively involved in providing consultation for development of policies and regulations for regulatory authorities and different Islamic financial institutions. He also 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 Centre for Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi).

Mufti Muhammad Hussain Khaleel Khail - Member, Shariah Supervisory Board

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 Fiqhul Muaamlaat.

Mufti Javed Ahmad - Resident Shariah Board Member

Mufti Javed Ahmad 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. He has undertaken research work in numerous topics including Islamic Banking and Finance. He is also a member of AAOIFI Editorial Committee for Urdu translation of AAOIFI Shariah Standard, which has successfully completed Urdu translation of all Standards, and which has been published recently in 2018. Prior to joining BankIslami, he was associated with Ernst & Young Ford Rhodes as 'Senior Shariah Consultant' where he was engaged in Shariah Advisory, Shariah Review, Shariah Audit and Shariah 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).

7.4. OVERDUE LOANS

The Bank, its Chief Executive and directors; and its associated companies and undertakings have no overdue loans (local and/or foreign currency).

7.5. 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 not 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.

7.6. 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.

7.7. 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 Rs. 5,000 (Rupees Five Thousand Only).

7.8. 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.

7.9. AMOUNT OF BENEFITS TO SPONSOR SHAREHOLDER AND OFFICERS DURING THE LAST YEAR

No amount of benefits has been paid or given during the last year or is intended to be paid or given to any sponsor shareholders or to any officer of the Bank 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.

7.10. INTEREST OF DIRECTORS

The directors may be deemed 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.

7.11. 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 Company 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 Company were elected on April 11, 2017 for a period of 03 years.

7.12. 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.

7.13. VOTING RIGHTS

The Sukuk shall not carry any voting rights in relation to BankIslami.

7.14. INTERNAL AUDIT

The Board Audit Committee comprises of the following members:

- Dr. Amjad Waheed - Chairman
- Mr. Ali Mohamad Hussain Ali Mohamad Alshamali - Member
- Mr. Muhammad Nadeem Farooq - Member
- Mr. Noman Yakoob - Member

7.15. BOARD HUMAN RESOURCE MANAGEMENT COMMITTEE

The Board HR Committee comprises of the following members:

- Mr. Ali Mohamad Hussain Ali Mohamad Alshamali – Chairman
- Mr. Fawad Anwar – Member
- Mr. Muhammad Nadeem Farooq - Member
- Mr. Siraj Ahmed Dadabhoy – Member
- Mr. Syed Amir Ali – Member

7.16. BOARD REMUNERATION COMMITTEE

The Board Remuneration Committee comprises of the following members:

- Mr. Ali Mohamad Hussain Ali Mohamad Alshamali – Chairman
- Mr. Fawad Anwar – Member
- Mr. Muhammad Nadeem Farooq - Member
- Mr. Siraj Ahmed Dadabhoy – Member

7.17. BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee comprises of the following members:

- Mr. Fawad Anwar – Chairman
- Mr. Muhammad Nadeem Farooq - Member
- Mr. Siraj Ahmed Dadabhoy – Member
- Mr. Syed Amir Ali – Member

PART 8: MISCELLANEOUS INFORMATION

8.1. 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>

8.2. TRUSTEE

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

8.3. AUDITOR OF THE COMPANY

M/s. EY Ford Rhodes, Chartered Accountants

8.4. 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

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

8.5. COMPLIANCE OFFICER

Muhammad Shoaib

Company Secretary

BankIslami Pakistan Limited

14th Floor, Executive Towers,

Dolmen City, Block-4, Clifton,

Karachi- Pakistan.

Tel: +92-21-35839906 Ext. 2112

Fax: +92-21-35372252

8.6. REGISTRAR AND TRANSFER AGENT

Central Depository Company of Pakistan Limited

Office: CDC House, 99 – B, Block ‘B’, S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400

UAN: 0800-23275

FAX: (92-21) 34326053

Email: info@cdcpak.com

8.7. BANKERS TO THE ISSUE

1. Allied Bank Limited
2. Askari Bank Limited
3. Bank Alfalah Limited
4. Bank Al Habib Limited
5. BankIslami Pakistan Limited
6. Habib Metropolitan Bank Limited
7. JS Bank Limited
8. MCB Bank Limited
9. Meezan Bank Limited
10. Soneri Bank Limited
11. United Bank Limited

8.8. CONSULTANT TO THE ISSUE

Next Capital Limited

Address: 8th Floor, Horizon Tower, Block III, Clifton, Karachi

Phone: 111-639-825, 021-35169516

Fax: 021-35292623-21-48

Website: www.nextcapital.com.pk

8.9. 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

8.10. MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE

8.10.1. Investor Agreements

S. No.	Pre-IPO Investors	Amount (PKR)	Date of Agreement
01	National Bank of Pakistan	200,000,000	26-Nov-19
02	Pakistan International Airlines Limited - Pension Fund	200,000,000	26-Nov-19
03	Pakistan International Airlines Limited - Provident Fund	150,000,000	
04	Pak Qatar Family Takaful Limited	150,000,000	26-Nov-19
05	Habib Bank Limited	100,000,000	27-Nov-19
06	Pakistan Security Printing Corporation - Employees Pension Fund	100,000,000	20-Nov-19
07	United Bank Limited	75,000,000	26-Nov-19
08	UBL Ameen	75,000,000	26-Nov-19
09	Pak Arab Fertilizers Employees Gratuity Fund	50,000,000	26-Nov-19
10	KAPCO Employees Provident Fund Trust	50,000,000	26-Nov-19
11	Bank Al Habib Limited	50,000,000	29-Nov-19
12	Anwar Khawaja Industries (Pvt) limited - Employees Provident Fund	30,000,000	26-Nov-19
13	Pak Qatar Investment (Pvt.) Limited	30,000,000	26-Nov-19
14	Takaful Pakistan Limited	28,000,000	26-Nov-19
15	Soneri Bank Limited	25,000,000	26-Nov-19
16	Zahidjee Employee Contributory Provident Fund Trust	20,000,000	26-Nov-19

17	Pak Qatar General Takaful Limited	20,000,000	26-Nov-19
18	JS Global Capital Limited	20,000,000	26-Nov-19
19	Pak Qatar Family Takaful Limited - Employees Provident Fund	12,800,000	
20	Dubai Islamic Bank Pakistan Limited - Employees Gratuity Fund	10,000,000	22-Nov-19
21	Al Baraka Bank (Pakistan) Limited - Staff Provident Fund	10,000,000	14-Nov-19
22	First Habib Modaraba	5,000,000	26-Nov-19
23	Sayyed Engineers Limited - Employees Provident Fund	5,000,000	22-Nov-19
24	Providus Capital (Pvt). Limited	5,000,000	26-Nov-19
25	Meezan Bank Limited - Staff Gratuity Fund	5,000,000	28-Nov-19
26	AK Advisers LLP	2,500,000	26-Nov-19
27	Qatar Group (Pvt.) Limited	1,000,000	26-Nov-19
28	45 Individual Investors	270,700,000	

8.10.2. Underwriting Agreements

S. No.	Underwriters Name	Amount (PKR)	Date of Agreement
01	Arif Habib Limited	250,000,000	December 5, 2019
02	Dawood Equities Limited	50,000,000	December 5, 2019
	Total	300,000,000	

8.10.3. Other Material Documents

S. No.	Description	Date
1	Trust Deed between BankIslami Pakistan Limited and Pak Brunei Investment Company Limited	November 13, 2019
2	Instrument Credit Rating Report by PACRA	October 08, 2019
3	Entity Credit Rating Report by PACRA	October 08, 2019
4	Approval of Pakistan Stock Exchange Limited vide letter reference no. PSX/GEN-XXX	XX
5	Approval of the Securities and Exchange Commission of Pakistan vide letter reference no. SMD/CIW/SA-88/XXXX	XX
6	Market Making Agreement between BankIslami Pakistan Limited and JS Global Capital Limited	October 22, 2019
7	Final Approval of the State Bank of Pakistan vide letter no. BPRD/BA&CP/649/77591/19	November 11, 2019

8.11. 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, Trust Deed, the Credit Rating Reports by PACRA, Clearance letter from PSX and the approval letters from 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.

8.12. LEGAL PROCEEDINGS

There are no pending legal proceedings other than those mentioned in note 20.3 of the financials for the period ended September 30, 2019 and note 23 of Annual Report for the year ended December 31, 2018.

8.13. 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.

8.14. CAPITALIZATION OF RESERVES

There has been no capitalization of reserves.

8.15. REVALUATION OF FIXED ASSETS

During the year 2018, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd. and Akbani & Javed Associates 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 Rs. 4,565.588 million.

Revaluation surplus on fixed assets as per audited unconsolidated financial statements for the period ended December 31, 2018 is PKR 1,480 million while for the period ended September 30, 2019, the surplus was PKR 1,590 million.

8.16. MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which BankIslami was incorporated and the business which BankIslami is authorized to undertake. A copy of the Memorandum of Association annexed to this Prospectus is being published with all issues hereof except those released as newspaper advertisement.

8.17. INVESTMENT IN SUBSIDIARY AND ASSOCIATED COMPANIES

The Bank has investments in following subsidiaries and associated companies:

Name of Subsidiary / Associated Company	Percentage Held
BankIslami Modaraba Investments Limited	100%
BIPL Securities Limited	77.12%
My Solutions Corporation Limited	100%
Structured Ventures (Private) Limited	77.12%
KASB Funds Limited	43.89%
New Horizon Exploration and Production Limited	20.00%
Shakarganj Food Products Limited	36.38%
KASB Capital Limited	21.78%

PART 9: APPLICATION AND ALLOTMENT INSTRUCTIONS

9.1. 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 Trust Deed and existing regulations); and
- e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

9.2. 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:

<http://nextcapital.com.pk/>, <https://bankislami.com.pk> and <https://eipo.cdcaccess.com.pk/>

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 the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such securities is allowed ONLY in the applicant's own CDC account.

- 9.3. NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.
- 9.4. 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.

9.5. 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.

9.6. 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.

9.7. 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 (7) 87 کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً ناجائز ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکورٹیز ایکٹ 2015 کی شق نمبر (8) 87 کے تحت ضبط کی جاسکتی ہے۔

9.8. 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 2.13 of the prospectus.

9.9. BASIS OF ALLOTMENT

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

- a) The minimum amount of application for subscription of Sukuk is Rs. 5,000/- Application for Sukuk below the total value of Rs. 5,000/- shall not be entertained.
- b) Application for Sukuk must be made for Rs. 5,000/- Sukuk or in multiple thereof only. Applications, which are neither for Rs. 5,000/- Sukuk nor for multiple thereof, shall be rejected.
- c) Allotment/Transfer of Sukuk to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.
- d) Allotment of Sukuk 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.
- e) 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.
- f) The Issuer will credit the respective CDS accounts of the successful applicants.

9.10. BANKERS TO THE ISSUE

1. Allied Bank Limited
2. Askari Bank Limited
3. Bank Alfalah Limited
4. Bank Al Habib Limited
5. BankIslami Pakistan Limited
6. Habib Metropolitan Bank Limited
7. JS Bank Limited
8. MCB Bank Limited
9. Meezan Bank Limited
10. Soneri Bank Limited
11. United Bank Limited

9.11. 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

9.12. 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) may register themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.

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

For further detail on CES, please refer to para 2.10.

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

United Bank Limited (UBL) is providing e-IPO facility to its accountholders for this IPO. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>

9.13. 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		

PART 10: SIGNATORIES TO THE PROSPECTUS

Name	Designation	Signature
Mr. Ali Hussain	Chairman	-sd-
Mr. Fawad Anwar	Vice Chairman	-sd-
Mr. Syed Amir Ali	President and CEO	-sd-
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Independent Director	-sd-
Dr. Amjad Waheed	Independent Director	-sd-
Mr. Muhammad Nadeem Farooq	Non-Executive Director	-sd-
Mr. Noman Yakoob	Non-Executive Director	-sd-
Mr. Siraj Ahmed Dadabhoy	Non-Executive Director	-sd-

Signed by the above in the presence of following witnesses:

Witness 1

-sd-

Name:

Designation:

CNIC:

Witness 1

-sd-

Name:

Designation:

CNIC:

Date: DD/MM/2019

PART 11: 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 this:
 - 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 species. 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.

Certified True Copy

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

- g. The effecting, insuring, guaranteeing, underwriting, participation in managing and carrying 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 realising 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. IBD/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 share capital of the Company is Rs 13,000,000,000 (Rupees: Thirteen billion only) divided into thirteen hundred million (1,300,000,000) ordinary shares of Rs 10/- (Rupees: Ten only) each with power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes.



Certified True Copy

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

Name and surname (Present & former) in full (in Block Letters)	Father's Name in full	Nationality with any former Nationality	Occupation	Residential Address in full	NIC No. or passport No. in case of Foreign National	Number of shares taken by each subscriber	Signature
1. MAZHAAR-UL-EAQ SIDDIQUI	KAZI IMDAD ALI	PAKISTANI	GOVT OFFICER/ EDUCATIONIST	HOUSE NO 22 STREET 10 SECTION 10, CHENAB ROAD	NIC# 502-35-263514	500	50/2
2. AHMED GOOLAM MAHOMED RANDEE	MAHOMED RANDEE	BRITISH	BUSINESSMAN	10TH TERNER CLOSE, BAYSWATER, LONDON W2 3LE	Passport # 591508176	500	50/2
3. CHIEF JUSTICE (R) MAHMOOD AHMAD	K.S. MANZOOR WAJED	PAKISTANI	RETIRED STATE FUNCTIONARY	112 OFFERS, NALLI SCHEME, LAHORE	NIC# 555302-577617-5	500	50/2
4. HASAN AZIZ BILGRAMI	DR. SAEEDULLAH AHMED BILGRAMI	PAKISTANI	BUSINESS EXECUTIVE	88 21ST STREET, PHASE V, DEFENSE HOUSING AUTHORITY, KARACHI 75500	NIC# 42201-1766443-3	500	50/2
5. KAMAL AFSAR	HABIB HASAN	PAKISTANI	BUSINESS EXECUTIVE	601, 7TH STREET, OPP KHAYARANE GHAZI PHASE-V, DHA, KARACHI	NIC# 51111-5575997-5	500	50/2
6. MUHAMMAD SAID	MUHAMMAD SIDDIQUE	PAKISTANI	BUSINESS EXECUTIVE	11 SANA HEIGHTS, KACHIS SOCIETY, NEAR HILL PARK, PLOT 247, BLOCK 7 & 8, JUSTICE MANGLAM ROAD, KARACHI	NIC# 42201-0524888-0	500	50/2
7. SHAHEER AHMED RANDEE	AHMED GOOLAM MAHOMED	BRITISH	BUSINESSMAN	37 CARLTON HILL, ST JOHN'S WOOD, LONDON NW8 0JK, UK	Passport # 90059877	500	50/2

Dated this twenty-one day of August 2004.

Witness to above signatures.

Name and surname (Present & former) in full (in Block Letters)	Father's Name in full	Nationality with any former Nationality	Occupation	Residential Address in full	NIC No. or passport No. in case of Foreign National	Signature
AYESHA ASERAP	ASERAP ABDUL SATTAR	PAKISTANI	BUSINESS EXECUTIVE	6012, EMERALD SQUARE, SYED ABDUL HADI ROAD, B-M-C- H-5 KARACHI-74801	NIC# 42201-0647125-4	14/1/05

Certified True Copy

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

[illegible]

APPLICATION AND ALLOTMENT INSTRUCTIONS**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 Trust Deed and existing regulations); and
- Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

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: www.psx.com.pk, <https://bankislami.com.pk/>, www.nextcapital.com.pk and <https://eipo.cdaccess.com.pk/public/index.shtml>

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.

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

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.

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.

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.

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 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 الناس کو مطلع کیا جاتا ہے کہ تکلیف دہ درخواستیں یا جعلی درخواستیں دینا ناجائز ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرانی جاتی ہے، تکلیف دہ درخواست کے ساتھ 87(8) کے تحت ضبط کی جاسکتی ہے۔

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 2.13 of the Prospectus.

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 Rs. 5,000 Sukuk Certificates or in multiple thereof only. Applications, which are neither for Rs. 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.**

CODE OF BANKERS TO THE ISSUE

Code No.	Bank	Code No.	Bank
01	Allied Bank Limited	07	JS Bank Limited
02	Askari Bank Limited	08	MCB Bank Limited
03	Bank Alfalah Limited	09	Meezan Bank Limited
04	Bank Al Habib Limited	10	Soneri Bank Limited
05	BankIslami Pakistan Limited	11	United Bank Limited (providing e-IPO services)
06	Habib Metropolitan Bank Limited		

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

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) may register themselves with CES. **Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCL) 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>. Further, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on **XX, 2019**.

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:

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BankIslami Pakistan Limited - Ms. Syeda Sadaf Munawar P: 111 247 111 (Ext. 3833); E: sadaf.munawar@bankislami.com.pk