

BankIslami Pakistan Limited

RATING REPORT | JUN-26



Rating History

Dissemination Date	Long-Term Rating	Short-Term Rating	Outlook	Action	Rating Watch
24-Jun-26	AA-	A1	Stable	Maintain	-
24-Jun-25	AA-	A1	Stable	Maintain	-
24-Jun-24	AA-	A1	Stable	Maintain	-
24-Jun-23	AA-	A1	Stable	Upgrade	-
24-Jun-22	A+	A1	Positive	Maintain	-

About the Entity

BIPL commenced operations in Apr-06 and is listed on PSX. BIPL is a subsidiary (75.12%) of JS Bank Limited. Mr. Ali Hussain holds 12.53% of the stake while the remaining stake is widely spread among general public. BIPL's nine-member board of directors including the CEO constitutes representatives of sponsoring group and independent directors. The Chairman will be appointed in the upcoming board meeting, as FPT clearance from SBP is awaited. Mr. Rizwan Ata, a seasoned banker, is serving as CEO. A team of competent professionals assist the CEO.

Rating Rationale

The assigned rating of BankIslami Pakistan Limited ("BIPL" or the "Bank") reflects its advancing institutional stature within Pakistan's evolving Islamic banking industry, underpinned by a progressively expanding customer base, an unwavering commitment to Shariah-compliant financial solutions, and the institutional backing of the JS Group. BIPL occupies a position of historical and strategic distinction within the country's rapidly evolving Islamic banking landscape, with its integration within the JS Group continuing to reinforce its operational capacity, market positioning, and long-term growth prospects. The Bank continues to advance its digital transformation agenda through the launch of "AIK", Pakistan's first dedicated Islamic digital banking platform, and the implementation of FOCUS, an AI-enabled financing origination and credit underwriting system. Furthermore, the planned investment in core banking software will enhance operational efficiency, strengthen digital capabilities, and support the Bank's long-term growth objectives.

On the financial front, gross advances of the Bank marginally declined, with non-performing financing declined to PKR 21.9bln (CY24: PKR 24.2bln). Consequently, the infection ratio receded from 7.4% to 6.8% at the end of CY25. Provisioning buffers remain adequate, providing reasonable coverage against residual credit risk. Deposits increased to PKR 660bln (CY24: PKR 559bln), primarily driven by robust growth of 35.2% in current accounts, reflecting the effectiveness of the Bank's deposit mobilization, branch outreach efforts, and strengthening customer relationships. The capitalization profile of the Bank remained adequate during CY25; however, growth in risk-weighted assets and settlement of a long-term SBP facility moderated the CAR to 16.6% (CY24: 24.1%), while remaining above the regulatory requirement. Going forward, potential revaluation pressures arising from the interest rate environment are expected to be partially offset through improved spreads and profitability. Furthermore, during CY25, BIPL's profitability declined amid margin compression arising from the declined interest rate environment and elevated operating expenses linked to higher administrative expenses and continued investment in digital infrastructure. Net markup income declined to PKR 35.7bln (CY24: PKR 46.4bln), while operating expenses increased to PKR 31.8bln (CY24: PKR 22.7bln). Consequently, profit after tax decreased to PKR 6.0bln during CY25 (CY24: PKR 11.8bln).

On the strategic front, the Bank's growth strategy is centered on reinforcing its feet-on-ground presence through an expanded branch footprint, induction of seasoned branch banking talent from the industry, and enhancement of branch infrastructure and customer experience. These initiatives are expected to deepen market penetration, strengthen customer relationships, and support sustainable deposit mobilization. Concurrently, management continues to focus on enhancing operational efficiency while expanding its presence in the SME segment to drive financing growth and portfolio diversification. The Bank has also reiterated its commitment to maintaining regular dividend payouts, reflecting confidence in its earnings generation capacity and sound capital position.

Key Rating Drivers

The Bank's strong franchise and strategic focus are expected to support sustainable growth and profitability, while maintaining asset quality will remain important. Moreover, potential revaluation losses from the interest rate environment are expected to be offset by improved margins and profitability.

REPORT CONTENTS

- 1. Rating Analysis
- 2. Financial Summary
- 3. Rating Scale
- 4. Regulatory Disclosure



METHODOLOGY

- Methodology | Financial Institution Rating | Oct-25
- Methodology | Rating Modifiers | Apr-26
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-26



RELATED RESEARCH

- Sector Study | Commercial Banks | Jun-26



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BankIslami Pakistan Limited

RATING ANALYSIS



Profile

Structure	BankIslami Pakistan Limited ("BIPL" or the "Bank"), established in October 2004. It was the first Bank to receive Islamic Banking License under Islamic Banking Policy of 2003 on March 31, 2025. The Bank, after being declared a scheduled Islamic Bank by the State Bank of Pakistan in March 2005, commenced its operations on April 07, 2006.
Background	The Bank was founded with the vision of becoming the leading provider of authentic Islamic banking in Pakistan. Its mission is to save humanity from Riba by offering Shariah-compliant, customer-centric, innovative financial solutions and creating value for our stakeholders, while upholding social responsibility and transparency.
Operations	As at December 31, 2025, the Bank operates through 569 branches (including sub-branches) nationwide (CY24: 540 branches). The Bank is engaged in corporate, commercial, consumer, retail banking, and investment activities by offering a wide range of shariah-compliant products and services. During the year, the Bank has incorporated BIPL Exchange Company (Private) Limited (or the "Company") as a wholly owned subsidiary of the Bank to provide foreign exchange services.

Ownership

Ownership Structure	BankIslami Pakistan Limited is a subsidiary of JS Bank Limited (JSBL) with 75.12% shareholding. JSBL is part of the JS Group. Further, Mr. Ali Hussain beneficially holds a 12.53% stake in BIPL, while the remaining shares are widely held by the general public. BIPL's ownership is backed by the strong sponsorship of the JS Group — a well-renowned business group engaged in a diverse set of activities with a strategic focus on the financial sector including asset management, financial advisory, commodities trading, brokerage, insurance, and banking.
Stability	BIPL ownership is backed by strong sponsorship i.e. JS Group (or the "Group") and it is expected to remain the same in the foreseeable future. The Group has demonstrated continued strategic commitment toward expanding the Bank's market position, strengthening its digital franchise, and enhancing its consolidated banking platform. The acquisition of majority control in BankIslami Pakistan Limited materially strengthened the Group's consolidated banking presence and diversified its exposure across both conventional and Islamic banking segments. The strategic integration continues to support growth momentum, franchise strength, and market visibility.
Business Acumen	The sponsors demonstrate strong business acumen, underpinned by their well-diversified business interests across various sectors and their longstanding presence and active engagement in the financial and capital markets. This depth of experience reflects their strategic insight, financial discipline, and ability to navigate market dynamics effectively.
Financial Strength	The Group has demonstrated both the capacity and the willingness to extend financial support to the business, if and when required. The JS Group possesses extensive experience across financial services including banking, brokerage, asset management, investment banking, insurance, commodities, and capital markets. The Group's diversified financial sector exposure, combined with its longstanding market presence, continues to support BIPL's strategic direction, business diversification initiatives, and operational expansion.

Governance

Board Structure	The Board of Directors ("BoD" or the "Board"), elected in an extraordinary general meeting of the Bank held on May 11, 2026, comprises eight members including five independent directors, three non-executive directors. The CEO holds the position of an executive director, representing the management on the Board. The fit and proper test clearance of the Board from the State Bank of Pakistan is yet to be received.
Members' Profile	All board members are highly qualified and accomplished professionals, bringing extensive experience and expertise to their roles. Mr. Suleman Lalani is also Group President of Jahangir Siddiqui & Co. Limited. Mr. Lalani is a fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and has more than 30 years of

experience in the financial services sector. Before his elevation to the position of Group President, he served JSCL as its Chief Executive Officer for more than a decade. Prior to joining JSCL, he was Executive Director Finance & Operations and Company Secretary of JS Investments Limited where he also served as CFO and Company Secretary for seven years. He currently serves on the boards of Al-Abbass Sugar Mills Limited, JS Investments Limited, and TRG Pakistan Limited. **Mr. Abdur Rahim** is a seasoned entrepreneur with vast experience in denim fabrics, garments, mining, energy, and real estate development. He is recognized as a pioneer of Pakistan's denim industry and currently serves as CEO of Siddiqsons Limited and Siddiqsons Mining Pvt. Ltd., along with directorships across several Siddiqsons Group companies. He is also associated with major real estate projects, including Ocean Tower, and is leading the development of over 15 million square feet of residential and commercial space. He holds a Master's degree in Finance and Investments from the London School of Business and Finance and has completed executive learning programs from Cambridge and Harvard Business School. **Mr. Khalid Aziz Mirza** has nearly five decades of diversified experience in investment banking, capital markets, regulatory reform, and academia. He has held senior positions at IFC, served as Chairman of the Securities and Exchange Commission of Pakistan, led financial-sector reform initiatives for the World Bank in East Asia and Pacific, and served as the first Chairman of the Competition Commission of Pakistan. He currently serves on the boards of OLP Financial Services Pakistan Limited and Murree Brewery Company Limited. **Mr. Khalilullah Shaikh** held senior leadership roles at Pakistan International Airlines, K-Electric, Shell Group, and A.F. Ferguson & Co. He currently serves as an Independent Director and Chairman Audit Committee at Alfalah GHP Investment Management Limited and Dow University of Health Sciences, and also holds directorships in several companies. **Ms. Kokab Sadiq Qureshi** is a seasoned financial services leader with 25+ years of international banking experience across the Middle East, Saudi Arabia, and the UK. She currently serves as CEO Advisor at Riyadh Bank, where she supports strategy, governance, regulatory alignment, and transformation initiatives, contributing to key executive committees. **Mr. Sameer Qureshi** is a technology executive with over 25 years of experience across semiconductor, mobility technology, software engineering, and artificial intelligence sectors. He has led global teams and large-scale technology initiatives, particularly in bringing innovative solutions from concept to market. His current focus is on integrating advanced artificial intelligence capabilities into personal computing to support next-generation user experiences. **Mr. Shahid Hussain Jatoi** is a senior legal, taxation, and public-sector professional with more than 35 years of service in key Government of Pakistan institutions. He has served in senior positions at the Federal Board of Revenue, Ministry of Finance and Revenue, Ministry of Production, Establishment Division, Overseas Pakistanis Division, and Federal Investigation Agency. He currently serves on the boards of Al-Abbass Sugar Mills Limited, Service Industries Limited, and Shezan International Limited. **Mr. Sulaiman Sadruddin Mehdi** is a seasoned executive with over 22 years of experience in real estate development and financial services. He currently serves on the boards of Pakistan Reinsurance Company Limited, Sindh Energy Holding Co. (Private) Limited, Lucky Motors Corporation Limited, Lucky Landmark (Pvt.) Limited and Agha Khan Cultural Services Limited. He has also served as the Independent Chairman of State Life Insurance Corporation and has held key leadership roles at TPL Developments, Cyan Limited, and the Pakistan Stock Exchange. His expertise spans investments, M&A, corporate governance, and strategic transformation across multiple sectors.

Whereas, BIPL's Shariah board comprises four leading Islamic scholars of the Country, namely (i) Mufti Irshad Ahmad Aijaz, (ii) Mufti Javed Ahmad, (iii) Mufti Muhammad Husain, and (iv) Mufti Syed Hussain Ahmad. The Bank comprises exceptionally qualified and seasoned professionals, whose extensive expertise in the financial sector is anticipated to significantly contribute to the strategic direction and execution of BIPL's initiatives.

Board Effectiveness

The BoD exercises close monitoring of the management's policies and governs the Bank's operations through its four committees namely (i) Audit Committee, (ii) Human Resource & Remuneration Committee, (iii) Risk Management Committee, and (iv) IT Committee. The Board members' attendance and participation are considered good and effective.

Financial Transparency

The Bank's audit function plays a key role in the financial reporting and governance framework by conducting comprehensive reviews of the annual and interim financial statements prior to their approval by the Board. The review process focuses on significant judgmental areas, material audit adjustments, the appropriateness of the going concern assumption, and any changes in accounting policies and practices. It also assesses compliance with applicable accounting standards, regulatory requirements, and other relevant statutory obligations, thereby supporting the integrity, accuracy, and transparency of the Bank's financial reporting process. M/s KPMG Taseer Hadi & Co., Chartered Accountants, the external auditors of the Bank for the year 2025 had expressed an unqualified opinion for the financial statements for the year ended on December 31, 2025. M/s. BDO Ebrahim & Co. Chartered Accountants have been appointed as external auditors for the year ending December 31, 2026.

Management

Organizational Structure

BIPL's organizational structure is divided into fourteen functional departments i) Distribution, ii) Corporate Banking, iii) Consumer, iv) Treasury/ FIs, v) Risk Management, vi) Product and Shariah Structuring, vii) Human Resource, viii) Legal, ix) Finance, x) Operations, xi) Security and Govt. Relations, xii) IT, xiii) Internal Audit xiv) Compliance and xv) Corporate Affairs. All department heads have significant relevant professional experience and report to the CEO and Deputy CEO. The Bank also has an internal audit department, reporting directly to the Board's Audit Committee.

Management Team

The senior management team comprises seasoned professionals with diverse and extensive experience across various segments of the financial services industry. **Mr. Rizwan Ata - CEO & President of BIPL**, is a seasoned banker with over 32 years of rich experience in financial sector including over 17 years of experience in Islamic Banking industry. He has joined BIPL on January 01, 2019. Previously, he was Group Head - Islamic Banking at Bank Alfalah Limited. He has also worked in different managerial positions at Lahore, Faisalabad, Sialkot & Multan while working with Emirates Bank International PJSC. **Mr. Imran Haleem Shaikh - Deputy CEO** is a highly experienced professional with over 18 years of experience in the financial sector. His expertise has been instrumental in shaping the success of various organizations, most recently at JS Bank where he served as the Chief Operating Officer. **Mr. Sohail Sikander - Chief Operating Officer** is serving in BankIslami Pakistan Limited since 2016. Prior to joining BIPL, he has served as Chief Financial Officer at Burj Bank Limited and Dawood Family Takaful Limited. **Mr. Syed Majid Ali - Chief Financial Officer** brings more than 36 years of accomplished experience in the banking and financial services sector. His professional journey includes senior leadership roles in accounting and finance domain at reputable Institutions such as Emirates Bank, KPMG, Saudi Pak Bank, and Faysal Bank. He is a fellow member of the Institute of Chartered Accountants of Pakistan. **Mr. Hasan Shahid - Company Secretary** has over 20 years of diversified experience in financial sector. Prior to joining BankIslami, he was associated with JS Bank Limited, where he worked on various senior positions with his last assignment their being of Company Secretary & Head of Legal. He has also worked with Jahangir Siddiqui and Co. limited and with Grant Thornton Anjum Rahman Chartered Accountants. **Mr. Sajjad Hussain Qureshi - Chief Risk Officer** is a seasoned banking professional with over 24 years of experience in risk management, credit administration, and consumer risk. He has a strong background in implementing automation and control procedures to enhance regulatory compliance. Before joining BankIslami, he held significant leadership roles at JS Bank, Bank Makramah, and Samba Bank Limited. **Mr. Anjum Amin Siddiqui - Chief Compliance Officer** has over 31 years of exemplary leadership in the banking sector. He has diversified experience of Regulatory Supervision, Commercial Bank Internal Audit & Compliance at prestigious institutions including the State Bank of Pakistan, Saudi Pak Commercial Bank, KASB Bank, UBL and Habib Metropolitan Bank. He holds a Master's degree in Statistics from Karachi University.

Effectiveness

The Bank operates with a streamlined organizational framework, where experienced senior management leads each functional area and/or unit. This structure incorporates essential segregation of duties, ensuring a robust control environment. The Bank has eight committees at the management level: (i) Business Strategy & Review Committee (BSRC), (ii) Compliance & Controls Committee (CCM), (iii) Information Technology Steering Committee (ITSC), (iv) Asset and Liability Committee (ALCO), (v) Management Credit Committee (MCC), (vi) Service Excellence Committee (SEC), (vii) Procurement & Disposal Committee (PDC) & (viii) Disciplinary Action Committee (DAC).

MIS

BankIslami has continued to strengthen its Management Information Systems (MIS) framework to support informed decision-making, operational efficiency, and effective risk oversight across the institution. The Bank leverages technology-driven reporting and analytics capabilities to provide timely, accurate, and comprehensive information to management and the Board. The Bank operates using a comprehensive Islamic Banking application that has inbuilt Shariah compliance features – iMal, a core banking software. The Bank launched its digital mobile application, branded as 'AIK', offering a comprehensive suite of financial services that closely mirrors the functionality of the Parent Bank's app, 'Zindagi'. Digital penetration showed notable growth, with mobile app users increasing to 454.5 thousand (CY24: 320.9 thousand), digital transactions rising to 55.6 million (CY24: 44.6 million), and debit card holders reaching 700.3 thousand (CY24: 652.7 thousand). Recently, BIPL has launched FOCUS (Finance Origination & Credit Underwriting System), a fully in-house developed, AI-enabled platform designed to automate and standardize the Bank's financing origination and credit underwriting processes. The platform digitizes the entire financing lifecycle, from application initiation to disbursement, enhancing operational efficiency, improving the consistency and quality of credit decisions, and significantly reducing turnaround times. Developed by the Bank's internal technology and business teams, FOCUS reflects BankIslami's continued commitment to digital transformation, operational excellence, and customer-centric innovation while strengthening its risk management and underwriting framework.

Risk Management Framework

The internal Risk Rating Module is being used by the BankIslami Pakistan Limited. The module supports the Bank in its Obligor Risk Rating (ORR) process by adding more objectivity to the credit appraisal process. The Bank has assigned a to 79% of its obligors under "Good and above" credit risk rating, while another 15% fall under the "Marginal and above" category. Approximately 1% of obligors are rated under "Overdue but not Classified and above," and 5% are categorized under "Loss and above."

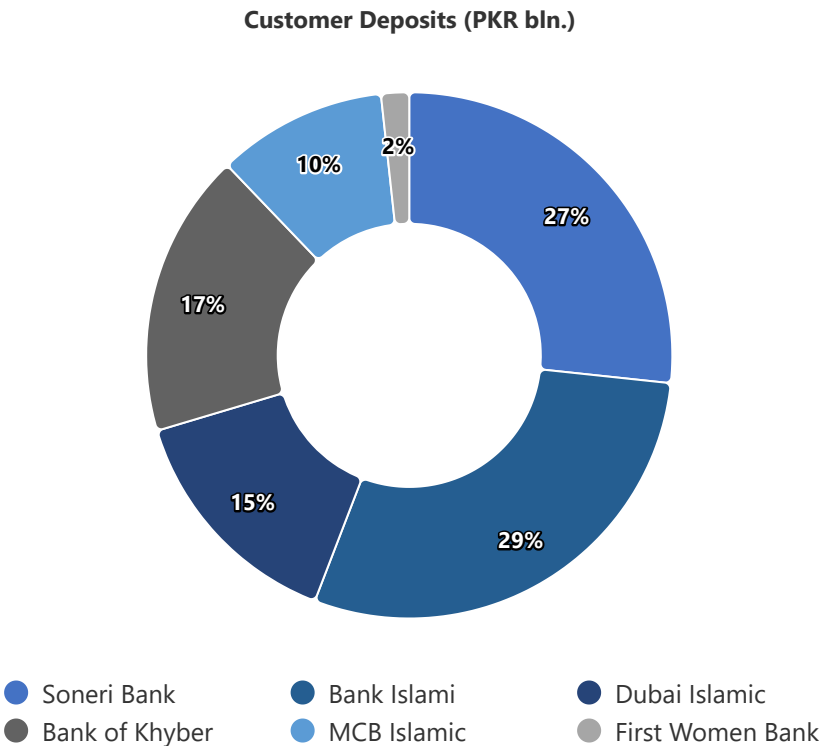
Business Risk

Industry Dynamics

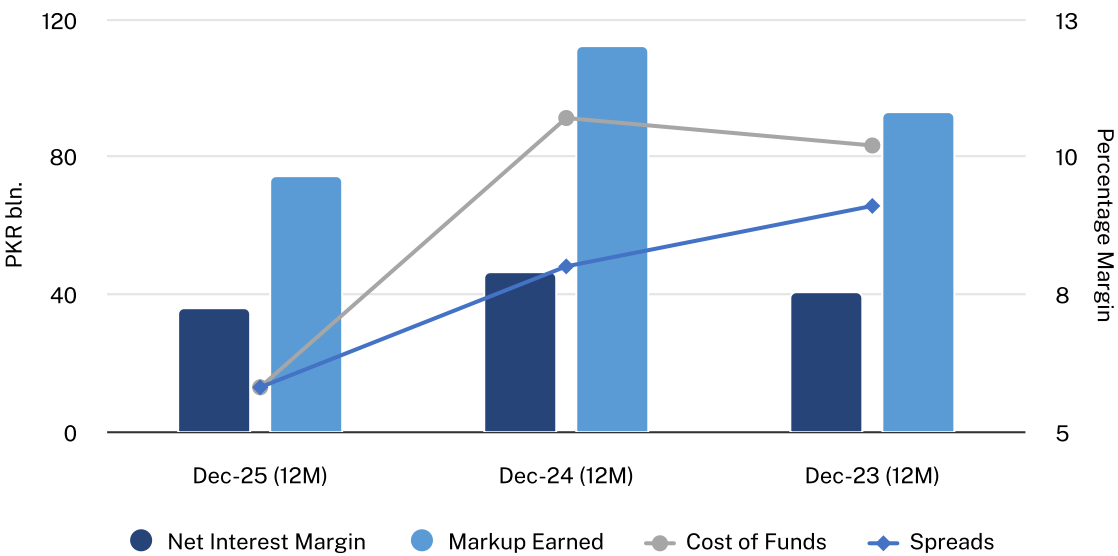
During CY25, Pakistan's banking sector's total assets grew by approximately 17.8% YoY, while investments surged by ~31.1% to PKR ~39.1trln (CY24: PKR ~29.8trln). Net advances of the sector declined by ~6% to PKR ~14.9trln (CY24: PKR ~15.8trln). Non-Performing Loans (NPLs) decreased by 9.7% YoY to PKR ~964bln (CY24: PKR ~1,068bln). The Capital Adequacy Ratio (CAR) averaged 20.8% (CY24: 20.6%), slightly below historical averages due to higher risk-weighted assets and a shift toward low-yield government securities, yet capitalization remains

adequate to absorb potential shocks. While the Advances to Deposit Ratio (ADR) was reported at 37.5% (CY24: 49.7%), which appears higher relative to declining advances, because deposit growth outpaced lending activity. This reflects a cautious lending stance by banks in a challenging macroeconomic environment, where risk-averse behavior and liquidity accumulation resulted in slower credit deployment, pushing the ADR downwards. In a lower policy rate environment, coupled with high operating costs and reduced lending, the sector faced margin pressure, leading to moderated profitability by end-CY25, despite robust capitalization and improving asset quality. (Source: SBP Compendium).

Relative Position BIPL continued to maintain its market position at 2% during CY25 (CY24: ~2%). The Bank’s deposit base grew by 18.1% to PKR 660.2bln at end of CY25 (CY24: PKR 559.2bln), supported by expansion in its customer franchise and branch network. The Bank maintained a diversified funding profile, underpinned by a growing customer base, reflected in the increase in the number of accounts to 1.82mln (CY24: 1.57mln). BIPL further expanded its distribution footprint reinforcing its position within the Islamic banking industry.

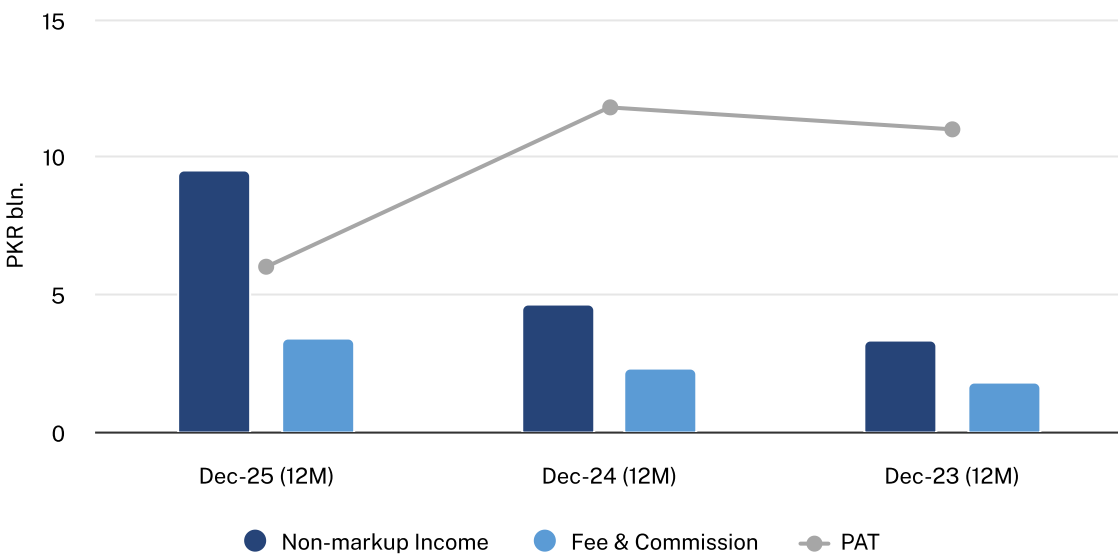


Revenues BankIslami’s profitability declined during CY25, primarily reflecting the impact of a lower interest rate environment, which exerted pressure on the Bank’s core earning capacity and compressed spreads. Additionally, the Bank continued to undertake strategic investments in its franchise, including acquisition of a landmark 32-storey commercial tower in Karachi, branch expansion, digital transformation initiatives, and human capital development, which increased operating expenses during the year. The Bank’s ability to contain credit risk costs and generate recurring non-markup income provided resilience to its profitability profile. During CY25, BIPL’s profit earned declined 34% to PKR 74.2bln (CY24: PKR 112.8bln), driven by the sharp decline in monetary policy rate. Simultaneously, profit expensed declined 42% to PKR 38.6bln (CY24: PKR 66.4bln), as CASA-funded liabilities repriced faster. The net spread consequently contracted 23% to PKR 35.7bln (CY24: PKR 46.4bln). The asset yield of the Bank declined from 18.8% (CY24) to 11.6% in CY25, while the cost of funds improved from ~10.7% to ~5.8%, resulting in a spread of ~5.8% at the end of CY25.



Performance

The Bank's non-markup income surged 107% to PKR 9.5bln (CY24: PKR 4.6bln), driven primarily by gains on sale of securities (PKR 4.2bln vs PKR 0.7bln), fee and commission income (PKR 3.4bln from PKR 2.3bln), and dividend income (PKR 254mln from PKR 67mln). This diversification in non-markup income is a positive structural development and partially offset the NIM compression. In CY25, total income declined to PKR 45.2bln (CY24: PKR 51.0bln). Operating expenses surged to PKR 31.8bln (CY24: PKR 22.7bln), driven by branch network expansion, IT infrastructure investments (AIK, T-24 migration), and general inflation in operating costs. Operating profit before tax and provisions contracted to PKR 13.3bln (CY24: PKR 28.3bln). Provisions reversed by PKR 632mln (CY24: charge of PKR 2.7bln), reflecting improved asset quality. Consequently, profit after tax fell to PKR 6.0bln (CY24: PKR 11.8bln).



Sustainability

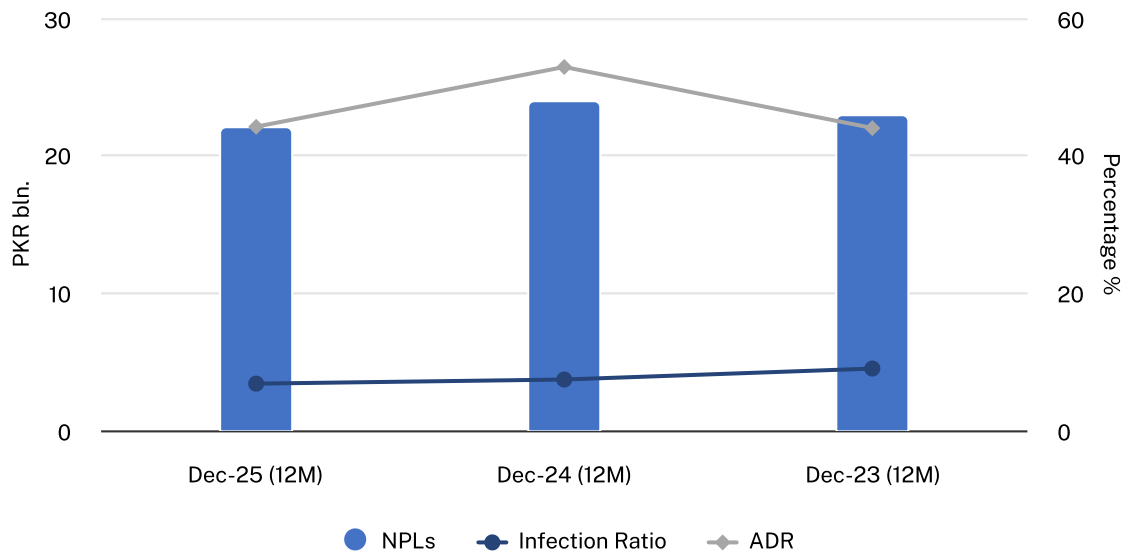
BIPL's sustainability is further reinforced by its strong Islamic banking franchise, diversified business model, growing digital penetration, and sponsorship support from the JS Group. Going forward, the Bank's ability to maintain deposit growth, enhance digital adoption, strengthen its low-cost funding base, and preserve asset quality will remain important for sustaining its financial performance and competitive positioning.

Financial Risk

Credit Risk

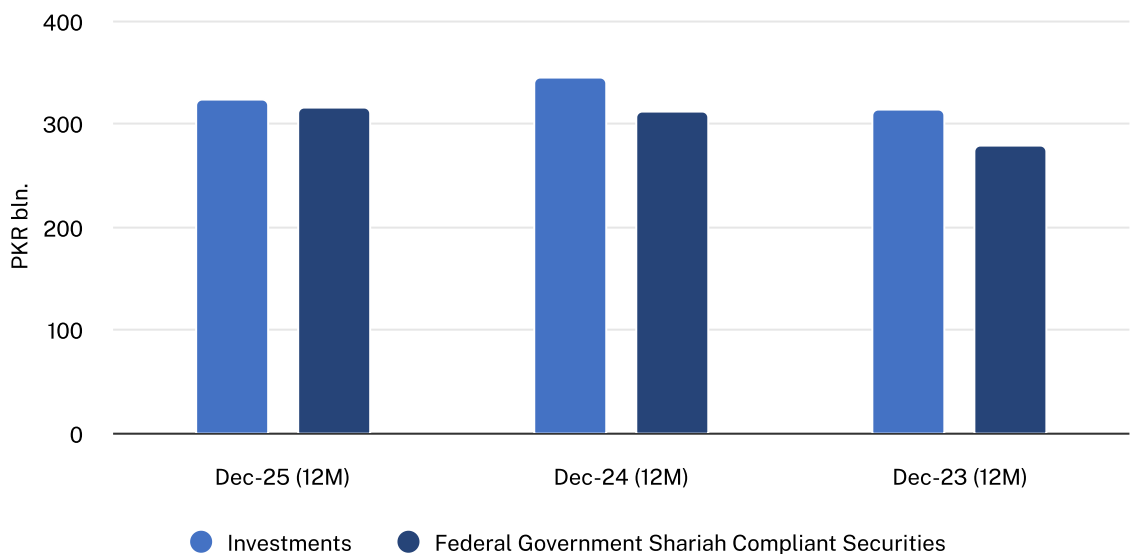
At the end of CY25, BIPL's gross advance portfolio stood at PKR 322bln (CY24: PKR 327bln). Sector-wise, textile sectors remained the largest contributors to the advances portfolio amounting to PKR 56bln (CY24: PKR 60bln) followed by services sector advances which increased to PKR 44bln (CY24: PKR 24bln). Segment-wise, the Bank's private sector financing portfolio increased significantly to PKR 19bln at end-Dec'25 (end-Dec'24: PKR 4bln), reflecting enhanced business generation and increased lending activity during the year. The Bank maintained a conservative exposure profile, with no financing exposure to the government/public sector segment

as of year-end. The Top 20 Advances to Total Advances concentration stood at 37% (CY24: 28%) primarily due to the new exposure. The net ADR moderated to 44.19% (CY24: 52.94%), reflecting the deposit base growing faster than the financing portfolio. On the asset quality front, non-performing financings (NPLs) improved to PKR 21.9bln (CY24: PKR 24.2bln), reflecting improvement in the Bank's recovery and credit risk management efforts. The Top 20 NPLs to Total NPLs concentration stood at 55% (CY24: 57%). Sector-wise, with the Textile and individual sectors contributing the largest NPLs at PKR 5.7bln (CY24: PKR 5.7bln) and PKR 3.4bln (CY24: PKR 4.0bln), respectively. Consequently, the infection ratio improved to 6.8% (CY24: 7.4%), indicating enhanced asset quality despite the prevailing macroeconomic challenges. Overall, BankIslami's credit risk profile remains supported by a stable financing portfolio, improving asset quality indicators, and a strong funding base, although relatively moderate financing deployment continues to constrain balance sheet utilization.



Market Risk

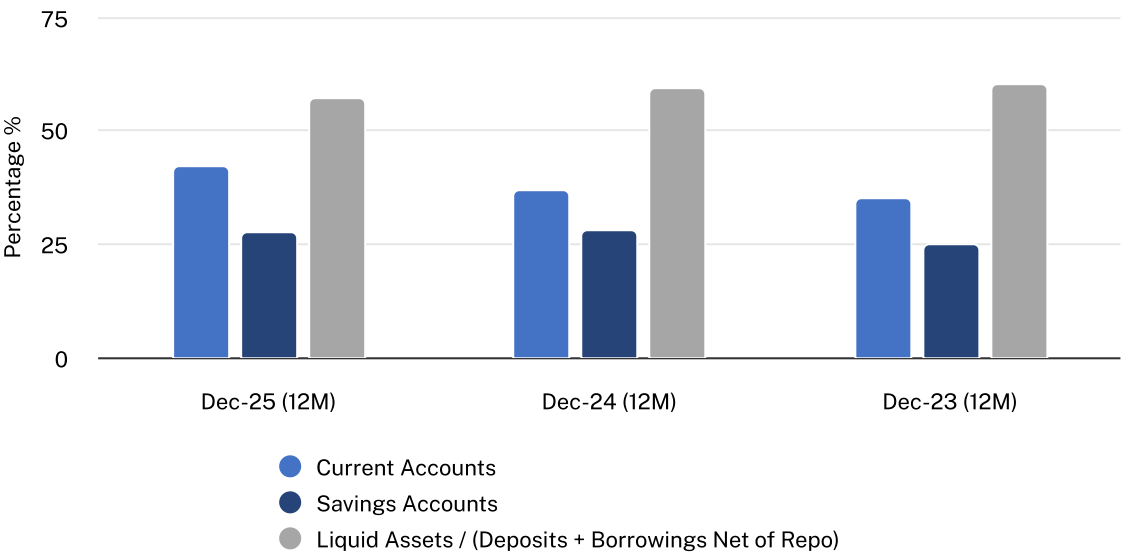
At the end of CY25, BIPL's investment portfolio declined to PKR 322.9bln (CY24: PKR 345.1bln). GoP Ijara Sukuk remained the dominant allocation at 97.5% (CY25: PKR 314.7bln; CY24: PKR 311.0bln). The persistent concentration in government-backed instruments highlights Bank's conservative and stability-focused investment strategy, balancing yield enhancement with capital preservation amid a changing interest rate environment. Going forward, a rising interest rate environment may exert pressure on the Bank's investment portfolio through potential mark-to-market losses, particularly on fixed-rate government securities. Such revaluation losses could adversely affect profitability and, consequently, internal capital generation and capital adequacy levels.



Liquidity and Funding

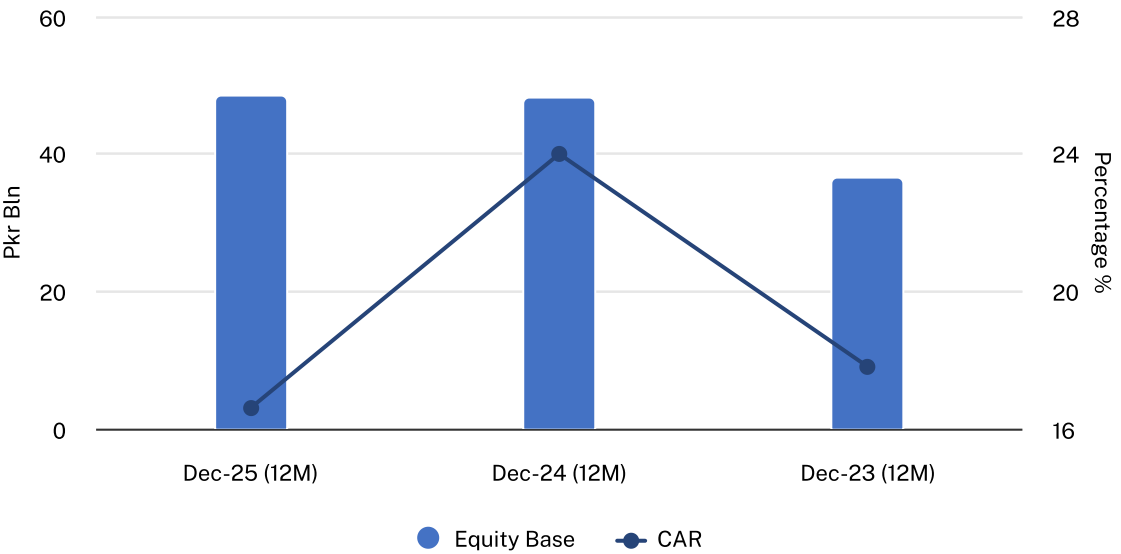
BIPL's liquidity profile remains sound. Deposits grew 18% to PKR 660.2bln (CY24: PKR 559.2bln), with the CASA mix improving to 69.8% (CY24: 64.7%); current accounts rose to PKR 277bln and saving deposits rose to PKR 150bln. Term deposits declined marginally to PKR 190bln, indicating a structural shift toward lower-cost, stickier funding. At end of CY25, BankIslami maintained a sound liquidity and funding profile, supported by a stable and growing deposit base. The growth in deposits is reflecting continued franchise expansion and customer acquisition. The Bank's funding profile remains predominantly deposit-driven, providing a stable source of liquidity

to support business growth and operational requirements. The Bank continued to benefit from a broad customer base, with the number of accounts increasing to 1.82mln (end-CY24: 1.57mln). Going forward, BankIslami's liquidity profile is expected to remain supported by its expanding branch network, growing digital banking platform, and sustained focus on mobilizing low-cost and granular deposits, which should help contain funding costs and support profitability.



Capitalization

At the end of CY25, BIPL's equity stood at PKR 48.6bln (CY24: PKR 48.3bln) with Capital Adequacy Ratio (CAR) declined to 16.55% (CY24: 24.11%) The decline was primarily due to the settlement of long term facility obtained from the SBP, eligible Tier-2 capital, coupled with an increase in risk-weighted assets. These included the acquisition of a landmark 32-storey commercial tower in Clifton, Karachi, acquired as part of the Bank's strategic expansion to strengthen operational capacity and establish a modern corporate presence. Despite reduction, the CAR remains comfortably above the regulatory minimum requirement, underscoring the Bank's strong capital position and prudent risk management. To strengthen its capital base, two additional Tier-1 sukuk with a cumulative value of PKR 3.0bln remain in place, providing loss-absorption capacity. Furthermore, the Bank is in the process of issuing an Additional Tier-2 TFC amounting to PKR 5bln to further strengthen its capital base and support future balance sheet growth. These capital instruments have been structured to enhance the Bank's capital adequacy ratio, providing a buffer for loss absorption and supporting the Bank's long-term growth and risk management objectives.



BankIslami Pakistan Limited

FINANCIAL SUMMARY



(PKR mln)

	Dec-25 12M	Dec-24 12M	Dec-23 12M
A. BALANCE SHEET			
1. Stage I Advances - net	286,287	285,289	226,753
2. Stage II Advances - net	4,374	8,709	0
3. Stage III Non-Performing Advances	21,985	24,267	22,891
4. Stage III Impairment Provision	(20,895)	(22,247)	(19,449)
5. Investments in Government Securities	314,736	341,908	308,719
6. Other Investments	8,151	3,143	5,365
7. Other Earning Assets	20,068	5,241	17,876
8. Non-Earning Assets	136,638	91,524	92,712
Total Assets	771,343	737,834	654,866
6. Deposits	660,183	559,178	522,541
7. Borrowings	17,613	90,662	63,509
8. Other Liabilities (Non-Interest Bearing)	44,933	39,685	32,350
Total Liabilities	722,729	689,525	618,400
Equity	48,614	48,309	36,466
B. INCOME STATEMENT			
1. Mark Up Earned	74,235	112,801	92,756
2. Mark Up Expensed	(38,584)	(66,414)	(52,573)
3. Non Mark Up Income	9,515	4,591	3,311
Total Income	45,166	50,977	43,494
4. Non-Mark Up Expenses	(31,834)	(22,714)	(16,579)
5. Provisions/Write offs/Reversals	632	(2,734)	(6,391)
Pre-Tax Profit	13,964	25,530	20,523
6. Taxes	(7,961)	(13,696)	(9,478)
Profit After Tax	6,003	11,834	11,045
C. RATIO ANALYSIS			
1. Performance			
Net Mark Up Income / Avg. Assets	4.7%	6.7%	7.0%
Non-Mark Up Expenses / Total Income	70.5%	44.6%	38.1%
ROE	12.4%	27.9%	35.1%
2. Capital Adequacy			
Equity / Total Assets (D+E+F)	6.3%	6.5%	5.6%
Capital Adequacy Ratio	16.6%	24.1%	23.8%
3. Funding & Liquidity			
Liquid Assets / (Deposits + Borrowings Net of Repo)	57.2%	59.2%	60.1%
Net Financial Assets to Deposits Ratio [(Total Finances - net + Non-Performing Finances - net) / Deposits]	44.19%	52.94%	44.05%
Current Deposits / Deposits	42.2%	37.1%	34.8%
Saving Deposits / Deposits	27.6%	27.6%	24.9%
4. Credit Risk			
Impaired Loan Ratio [Stage III Non-Performing Advances / Gross Advances]	6.8%	7.4%	9.0%

BankIslami Pakistan Limited

RATING SCALE

Credit Rating

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.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA 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.
A+ A 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.
BBB+ BBB 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.
BB+ BB 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.
B+ B 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.
CCC CC C	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.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

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 some material identifiable event with indeterminable rating implications. 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 rating 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) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) 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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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

- | | |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating | e) Holding Company Rating |
| b) Corporate Rating | f) Independent Power Producer Rating |
| c) Debt Instrument Rating | g) Microfinance Institution Rating |
| d) Financial Institution Rating | h) Non-Banking Finance Company |

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1. Rating Team Statements

I. **Rating** is just an opinion about the creditworthiness of the entity and does not constitute a 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))**

II. Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating **(Chapter III; 12-2-(j))**
- 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)]**
- iv. Explanation: for the purpose of the above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee.

2. Restrictions

- i. 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))**
- ii. 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 a business relationship with the customer. **(Chapter III; 10-7-(d))**
- iii. PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of the entity subject to rating. **(Chapter III; 10-7-(k))**

3. Conduct of Business

- i. 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))**
- ii. PACRA uses due care in the 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. **(Clause 11-A-(p))**
- iii. PACRA prohibits its employees and analysts from soliciting money, gifts, or favors from anyone with whom PACRA conducts business. **(Chapter III; 11-A-(q))**
- iv. PACRA ensures before the 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))**
- v. PACRA maintains the principle of integrity in seeking rating business. **(Chapter III; 11-A-(u))**
- vi. PACRA promptly investigates in the event of 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))**

4. Independence & Conflict of Interest

- i. 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 ii) fee mandate - signed with the payer, which can be different from the entity.
- ii. PACRA does not provide consultancy/advisory services or other services to any of its customers or their associated companies and associated undertakings that are being rated or have been rated by it during the preceding three years, unless it has an adequate mechanism in place ensuring that the provision of such services does not lead to a conflict of interest situation with its rating activities. **(Chapter III; 12-2-(d))**
- iii. 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. **(Chapter III; 12-2-(f))**
- iv. 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-(i))**
- v. PACRA ensures that the analysts or any of their family members shall not buy, sell, or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause, however, does not apply to investments in securities through collective investment schemes. **(Chapter III; 12-2-(l))**
- vi. PACRA has established policies and procedures 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))**

5. Monitoring and Review

- i. 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 an effective manner after appropriate consultation with the entity/issuer. **(Chapter III; 17-(a))**
- ii. PACRA reviews all the outstanding ratings periodically on an annual basis. Provided that public dissemination of annual review and in an instance of change in rating will be made. **(Chapter III; 17-(b))**
- iii. PACRA initiates an 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; 17-(c))**
- iv. 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; 17-(d))**

6. Probability of Default

- i. 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, the actual transition of rating may not follow the pattern observed in the past. **(Chapter III; 14-3(f)(vii))**

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