

## BANK MAKRAMAH LIMITED

### Analyst:

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### RATING DETAILS

RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	A-	A2
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Update	
RATING DATE	March 24, 2026	

### Shareholding (5% or More)

His Excellency Nasser Abdulla Hussain Lootah – 86.12%

### Other Information

Incorporated in 2005

Public Limited Company (Listed)

Chief Executive: Mr. Jawad Majid Khan

External Auditor: M/s. Yousuf Adil Chartered Accountants

### Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Financial Institutions

<https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf>

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

### Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

### Rating Rationale

The assigned ratings reflect the significant transformation undertaken by BML following the change in ownership and subsequent recapitalization by the sponsor shareholder. The Bank's profile has improved materially after the acquisition, supported by strong sponsor backing and a clear strategic direction aimed at restructuring the institution and transitioning towards a full-fledged Islamic banking model. Capital strengthening measures undertaken through equity injection, restructuring initiatives, and the amalgamation of sponsor-owned assets into the Bank have improved the solvency position and enabled compliance with minimum regulatory capital requirements. Governance and oversight frameworks have also strengthened with the presence of an experienced board and board committees, and an independent Shariah governance structure supporting the Bank's planned Islamic transformation. Under the strategic guidance of the Board, the management team is focused on operational restructuring, digital enhancement, and the development of Shariah-compliant products to support future growth.

The ratings also incorporate the Bank's improved liquidity profile, supported by a diversified deposit base, with a sizable retail component and a strong buffer of liquid assets, which provide adequate coverage against short-term obligations. However, the ratings remain constrained by legacy asset quality challenges, which despite sizable recoveries in recent periods, reflect in a comparatively high level of non-performing financings. This is compounded by the latent risks posed by the still outstanding declassified portfolio. Although provisioning coverage provides cushion against potential credit losses and further recoveries are expected, the credit risk profile remains elevated and requires sustained improvement. The Bank's capitalization profile is expected to improve from the proposed conversion

of outstanding TFCs into equity, which will effectively release capital by strengthening the Tier-I capital base. The resultant improvement in capital adequacy is also expected to support risk absorption capacity.

Profitability indicators remain challenging on a core basis, with earnings supported largely by non-recurring items and reversals of provisions rather than sustainable operating performance. Going forward, profitability is expected to improve gradually, supported by lower funding costs and incremental growth in core earning assets as regulatory constraints ease. However, core profitability will remain overall challenged in the near term, with net earnings dependent on recoveries. The assigned rating is sensitive upon the removal of SBP-imposed lending restrictions over the next few months, and continued improvement of core earnings, resolution of legacy exposures as planned, and recoveries along with the maintenance of a strong capital buffer to absorb higher risk.

Financial Summary		Appendix I		
<b>Balance Sheet (PKR Millions)</b>		<b>Dec'23</b>	<b>Dec'24 (Restated)</b>	<b>Dec'25</b>
Total Investments		179,900.0	175,012.2	86,281.9
Gross Advances		52,951.6	48,872.0	40,064.1
Net Advances		18,735.1	15,618.9	26,126.9
Total Assets		288,624.3	298,223.3	213,646.3
Due to financial institutions		130,369.3	89,892.9	7,404.5
Deposits & other accounts		156,960.3	186,014.6	169,172.4
Subordinated Debt		1,495.5	1,495.5	1,495.5
Total Liabilities		301,436.8	289,910.4	189,939.5
Paid Up Capital		30,500.2	10,000.0	10,000.0
Tier-1 Equity		-40,909.2	-22,500.7	5,860.5
Net Shareholders Equity (excl. revaluation surplus)		-16,783.4	4,022.1	19,623.6
<b>Income Statement (PKR Millions)</b>		<b>CY23</b>	<b>CY24 (Restated)</b>	<b>CY25</b>
Net Spread Earned		-2,586.6	-4,086.1	-855.6
Net Credit Loss Allowances and write offs		1,145.5	1,415.5	21,029.0
Non-Markup Income		1,197.2	3,487.7	7,754.4
Operating Expenses		7,146.4	8,085.6	8,465.1
Profit/(Loss) Before Tax		-7,390.8	-7,269.3	19,080.2
Profit/(Loss) After Tax		-5,318.6	-5,220.8	8,794.9
<b>Ratio Analysis</b>		<b>Dec'23</b>	<b>Dec'24 (Restated)</b>	<b>Dec'25</b>
Market Share (Advances) (%)		0.4%	0.3%	0.3%
Market Share (Deposits) (%)		0.6%	0.6%	0.5%
Gross Infection (%)		68.5%	70.0%	41.5%
Net Infection (%)		11.0%	7.4%	11.2%
Total Provisioning Coverage (%) (incl. general prov.)		94.3%	97.3%	83.8%
Net NPFs to Tier-1 Capital (%) (adj. for general prov.)		-5.0%	-2.4%	48.1%
Cost of Deposits (%)		12.07%	12.8%	7.1%
Efficiency (%)		-877.0%	-311.8%	2430.0%
Liquid Coverage Ratio (%)		267.3%	265.3%	261.2%
Net Stable Funding Ratio (%)		157.4%	143.9%	152.9%
Liquid Assets to Deposits & Borrowings** (%)		43.5%	61.8%	61.6%
Gross Financings to Deposits Ratio (ADR) *** (%)		30.5%	24.3%	22.1%
Tier-1 CAR (%)		-90.3%	-27.5%	8.7%
Capital Adequacy Ratio (%)		-90.3%	-27.5%	11.65%

\*Annualized

\*\* Adjusted for repo and collateral

\*\*\* Adjusted for SBP refinancing schemes

## REGULATORY DISCLOSURES Appendix II

<b>Name of Rated Entity</b>	Bank Makramah Limited (Formerly: Summit Bank Limited)				
<b>Sector</b>	Commercial Bank				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	03/24/2026	A-	A2	Stable	Update
	09/22/2025				Note
	06/07/2023				Note
	06/30/2021				Note
	09/28/2020				Update
	02/01/2019				Suspended
11/23/2018	BBB-	A3	Rating Watch - Negative	Downgrade	
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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<b>Due Diligence Meeting Conducted</b>	<b>Name</b>	<b>Designation</b>		<b>Date</b>	
	Mr. Salman Zafar Siddiqi	Chief Financial Officer (CFO)		January 06, 2026	
	Mr. Muhammad Kashif Malik	Financial Controller			