RATING REPORT

Faysal Bank Limited

REPORT DATE:
June 30, 2025

RATING ANALYST:
Musaddeq Ahmed Khan
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RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity Rating	AA+	A1+	AA	A1+
Outlook/Rating Watch	Stable		Positive	
Rating Action	Upgrade		Maintained	
Date	*June 30, 2025*		*June 28, 2024*	

COMPANY INFORMATION	
Established in 1994	**External auditors:** M/s. KPMG Taseer Hadi & Co., Chartered Accountants
Public Limited Listed Company	**Chairman of the Board:** Mr. Mian Muhammad Younis
Key Shareholders (with stake more than 5%):	**President & CEO:** Mr. Yousaf Hussain
Ithmaar Bank B.S.C ~ 48.06%	
Faisal Finance (Luxemburg) S.A ~ 8.55%	
MFAI (Jersey) Limited ~ 5.89%	
State Life Insurance Corporation of Pakistan ~ 5.30%	

APPLICABLE METHODOLOGY

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

VIS Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Faysal Bank Limited

OVERVIEW OF THE INSTITUTION

Faysal Bank Limited (FABL), incorporated on October 3, 1994, is a Shariah-compliant bank listed on the PSX. It offers Corporate, Commercial, and Consumer banking services and operated 855 branches, including 2 sub-branches, across Pakistan in 2024 (2023: 722 branches, including 2 sub-branches).

Profile of Chairman

Mr. Mian Muhammad Younis brings over 39 years of experience in public finance, banking, and corporate governance. A career civil servant with a Master's in Economics, he held senior roles in the Ministry of Finance, including Additional Finance Secretary and Secretary to the National Finance Commission. He also served as the first COO of Khushal Pakistan Fund Limited. His board experience includes Meezan Bank and Faysal Bank, where he has served since 2014, contributing to strategic planning, audit, and risk management. His expertise supports effective policy formulation and financial leadership at the Bank.

Profile of CEO

Mr. Yousaf Hussain has served as President and CEO of FABL since 2017 and brings nearly 30 years of professional experience. Associated with the Bank since 2008, he previously held senior roles across Corporate & Investment Banking, Risk Management, and Special Assets. He began his career with ABN AMRO

RATING RATIONALE

The assigned ratings to Faysal Bank Limited ('FABL' or 'the Bank') reflect a sound financial profile, underpinned by FABL's strong trajectory in Islamic banking after successful transformation into a full-fledged Islamic bank. Moreover, digital transformation, asset quality, and prudent financial management have supported the upgrade. The Bank, along with its subsidiaries, is recognized as a leader in Shari'ah compliance, holding a Shari'ah Compliance and Fiduciary Rating of 'SCFR(pk) 1' on the national scale from the Islamic International Rating Agency (IIRA)—indicating no material deviations from the national regulatory framework for Shari'ah-compliant finance. On the global scale, the Bank has been assigned a rating of 'SCFR (Global) High', reflecting a high level of adherence to international standards in fulfilling fiduciary obligations under Shari'ah-compliant finance. Conscious of Shari'ah risk, the Bank's corporate governance and internal control frameworks support prudent operations; CSR engagement and transparent disclosures further strengthen stakeholder confidence.

The Bank has continued to expand its physical presence, with the branch network reaching 855 and plans underway to surpass 1,000 branches by 2026. Concurrently, the Bank has adopted a transformative approach to digital banking, establishing itself as a frontrunner not only in Islamic banking but also as a prominent digital player. This expansion supports FABL's strategy of mobilizing low-cost core deposits and driving business growth through enhanced outreach. The current account share has improved to 41.2% in 1QCY25, contributing to improved cost efficiency and funding stability.

FABL's gross financing portfolio grew by 12.4%, reaching PKR 675.0 bn as of Dec'24 (Dec'23: PKR 600.8 bn). The Bank continues to demonstrate strong asset quality, underpinned by prudent credit underwriting and a sustained focus on recoveries. The nominal increase in NPFs remains modest relative to the portfolio expansion. Provisioning coverage also strengthened, further reinforcing the Bank's loss-absorption capacity. Portfolio growth has also been supported by an increase in the remittance business, which grew 70.9% YoY, capturing about 7–8% of the market. Incremental growth is expected to be calibrated, with an emphasis on both corporate lending and related export business, particularly in sectors where credit risk remains well-contained. Funding and liquidity indicators remain robust, underpinned by a growing proportion of low-cost deposits. Improved deposit granularity and a declining reliance on term deposits have helped optimize funding costs. The Bank maintains structural liquidity buffers well above regulatory requirements, reflecting sound liquidity risk management.

Profitability metrics remain sound, supported by steady growth in both funded income-net and non-funded income streams. Although recent monetary easing has put some pressure on net profit margins, the Bank is actively working to enhance non-funded income and drive profit accretion through increased business volumes. While branch expansion may temporarily elevate operating expenses in the medium term, the continued buildup of a low-cost deposit base is expected to yield long-term benefits, contributing to sustained profitability over time.

Bank in Corporate Banking. Under his leadership, the Bank completed its conversion to a full-fledged Islamic bank—the largest of its kind globally. He holds an MBA from LUMS and an Electrical Engineering degree, and serves on several key industry boards and committees.

Capitalization is adequate, with capital adequacy ratios comfortably above regulatory requirements. The Bank's Tier-1-dominated capital structure offers flexibility to raise additional capital if required, while its measured growth strategy ensures that risk-weighted assets remain manageable. Future capitalization levels are expected to stay rangebound.

The Bank's emphasis on digital transformation, coupled with investments in inclusive banking and sustainability, positions it to benefit from emerging sectoral trends while maintaining compliance with regulatory and Shari'ah governance frameworks.

Banking Sector

In 2024, Pakistan's banking sector demonstrated resilience amid improving macroeconomic conditions, including lower inflation, currency stability, and fiscal consolidation. The sector's balance sheet expanded by 15.8%, with deposits growing 9.1% to PKR 31.8 trillion, supported by favorable interest rates and financial inclusion initiatives. A major portion of deposits flowed into government securities, though private-sector lending picked up in Q4 due to regulatory advances-to-deposit ratio (ADR) requirements. By year-end, the ADR stood at 53.2%.

Profitability remained stable, with after-tax profits marginally increasing to PKR 644 billion. While net interest margins held steady, monetary easing and higher provisioning slightly pressured returns. Asset quality improved as NPLs declined to 6.3%, and provisioning coverage increased, supported by the implementation of IFRS-9. The Capital Adequacy Ratio (CAR) rose to 20.4%, reflecting strong capitalization.

Going into 2025, the sector remains well-capitalized with improved asset quality and liquidity. However, declining policy rates (from 22% to ~11%) may compress margins. Credit growth is expected to rebound, especially to SMEs and consumers, driven by economic recovery and regulatory support. Continued digitalization and financial inclusion efforts are likely to enhance efficiency and outreach. While macroeconomic risks persist, the sector in 2025 continues to demonstrate cautious optimism, supported by resilient fundamentals.

Faysal Bank Limited Appendix I

FINANCIAL SUMMARY (PKR in millions)				
BALANCE SHEET	31-Dec-22	31-Dec-23	31-Dec-24	31-Mar-25
Total Investments	469,451.20	589,544.59	677,372.40	692,508.60
Islamic financing and related assets - Gross	473,589.63	600,761.58	674,958.31	683,760.22
Islamic financing and related assets - Net	454,260.61	580,711.32	633,909.55	643,609.85
Total Assets	1,074,352.86	1,370,073.55	1,565,282.77	1,592,853.54
Due to financial institutions	150,134.40	166,886.80	280,442.54	290,417.80
Deposits & other accounts	781,570.73	1,018,275.74	1,044,278.51	1,113,113.03
Total Liabilities	1,004,269.45	1,279,875.19	1,456,921.40	1,486,856.97
Paid Up Capital	15,176.97	15,176.97	15,176.97	15,176.97
Tier-1 Equity	55,718.08	72,868.42	84,304.35	86,157.30
Net Shareholders Equity (excl. revaluation surplus)	59,434.60	75,047.29	85,589.49	87,821.20
INCOME STATEMENT	CY22	CY23	CY24	1QCY25
Net Profit/Return Earned	39,987.84	71,053.24	80,382.91	17,194.87
Net Provisioning / (Reversal)	(940.03)	913.93	(2,464.45)	(2,310.42)
Total Other Income	8,959.38	12,102.19	17,362.06	4,948.97
Operating Expenses	26,995.31	39,814.20	48,675.79	13,114.46
Profit/ (Loss) Before Tax	22,393.30	41,421.53	50,407.66	11,112.42
Profit / (Loss) After Tax	11,233.17	20,045.94	23,028.19	5,147.32
RATIO ANALYSIS	CY22	CY23	CY24	1QCY25
Market Share (Financings) (%)	3.98%	4.86%	4.22%	5.08%
Market Share (Deposits) (%)	3.48%	3.66%	3.45%	3.52%
Gross Infection (%)	4.58%	3.84%	3.61%	3.40%
Net Infection (%)	0.69%	0.67%	0.41%	0.36%
Specific Provisioning Coverage (%)	85.52%	83.14%	89.12%	89.60%
General Provisioning Coverage (%)	0.17%	0.15%	0.45%	0.38%
Net NPFs to Tier-1 Capital (%) (adj. for general prov.)	5.56%	5.27%	3.04%	2.72%
Cost of Deposits* (%)	6.18%	9.83%	10.32%	5.06%
Spread* (%)	4.82%	7.29%	7.05%	5.43%
Efficiency (%)	53.95%	47.03%	50.39%	59.49%
ROAA* (%)	1.16%	1.64%	1.57%	1.30%
ROAE* (%) (excl. revaluation surplus)	19.01%	29.81%	28.67%	23.75%
Liquid Coverage Ratio (%)	178.70%	152.70%	158.90%	137.00%
Net Stable Funding Ratio (%)	169.67%	173.79%	166.06%	165.73%
Liquid Assets to Deposits & Borrowings** (%)	54.90%	53.04%	54.02%	49.17%
Gross Financings to Deposits Ratio*** (%)	49.84%	51.06%	57.82%	55.35%
Tier-1 CAR (%)	12.89%	14.59%	13.19%	13.81%
Capital Adequacy Ratio (%)	15.47%	17.46%	16.54%	16.58%

**Annualized*

*** Adjusted for repo and collateral*

**** Adjusted for SBP refinancing schemes*

REGULATORY DISCLOSURES	Appendix II
Name of Rated	Faysal Bank Limited
Sector	Commercial Banks
Type of	Solicited
Purpose of	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: Entity		
30-Jun-25	AA+	A1+	Stable	Upgrade
28-Jun-24	AA	A1+	Positive	Maintained
27-Jun-23	AA	A1+	Stable	Reaffirmed
30-Jun-22	AA	A1+	Stable	Reaffirmed
30-Jun-21	AA	A1+	Stable	Reaffirmed
29-Jun-20	AA	A1+	Stable	Reaffirmed
27-Jun-19	AA	A1+	Stable	Reaffirmed
29-Jun-18	AA	A1+	Stable	Reaffirmed
30-Jun-17	AA	A1+	Stable	Reaffirmed
28-Jun-16	AA	A1+	Stable	Reaffirmed
30-Jun-15	AA	A1+	Stable	Reaffirmed
30-Jun-14	AA	A1+	Stable	Reaffirmed
26-Jun-13	AA	A1+	Stable	Reaffirmed
02-Jul-12	AA	A1+	Stable	Reaffirmed
28-Jun-11	AA	A1+	Stable	Reaffirmed
24-Feb-11	AA	A1+	Stable	Rating Watch Removed
01-Jun-10	AA	A1+		Rating Watch - Developing

Instrument	N/A
Statement by the Rating Team	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.
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Due Diligence Meetings Conducted

S.no	Name	Designation	Date
1.	Mr. Syed Majid Ali	Chief Financial Officer (CFO)	June 18, 2025
2.	Mr. Shuja Haider	Head of Treasury	
3.	Mr. Ali Waqar	Head Corporate & Investment Banking (CIBG)	
4.	Mr. Tanveer Abdul Sattar	Financial Controller	