VIS
Credit Rating Company Limited

RATING REPORT

FAYSAL BANK LIMITED

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RATING DETAILS				
RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM
ENTITY	AA+	A1+	AA+	A1+
RATING OUTLOOK	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	June 30, 2026		June 30, 2025	

SHAREHOLDING 5% OR MORE	OTHER INFORMATION
Ithmaar Bank B.S.C – 48.06%	**Incorporated in** 1994
Faisal Finance (Luxembourg) S.A – 8.55%	Public Limited Listed Company
MFAI (Jersey) Limited ~ 5.89%	**External Auditor:** KPMG Taseer Hadi & Co. Chartered Accountants
	Chairman of the BOD: Mian Muhammad Younis
	President & CEO: Yousaf Hussain

APPLICABLE RATING CRITERIA

VIS Entity Rating Criteria Methodology – Financial Institutions
https://docs.vis.com.pk/Methodologies-2026/FI-Methodology-26.pdf

Instrument Rating Methodology
https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf

APPLICABLE RATING SCALE

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

RATING RATIONALE

The ratings reflect the Bank's strong domestic franchise as one of Pakistan's leading Islamic banks, supported by its successful transition to a full-fledged Islamic banking model, experienced management team, sound governance framework, and strategic support from its majority shareholder. The ratings further incorporate the Bank's growing deposit base, improved asset quality, underpinned by broad-based growth in the financing portfolio, disciplined underwriting standards, and effective recovery efforts. Capitalization remains adequate; however, capital ratios have moderated due to rapid growth in risk-weighted assets. The Bank's Tier-2 capital issuance, subsequent to Quarter end-Mar'26, is expected to strengthen its capital buffers and improve the Capital Adequacy Ratio (CAR) providing additional capacity to support future business growth. Liquidity metrics have also moderated as the Bank strategically redeployed excess liquidity into higher-yielding financing assets; however, they continue to remain comfortably above regulatory requirements. Going forward, the Bank's ability to sustain profitability in a lower-rate environment, preserve asset quality amid portfolio expansion, maintain adequate liquidity and capitalization buffers, and successfully execute its strategic growth initiatives will remain key rating considerations.

COMPANY PROFILE

Faysal Bank Limited ('FABL' or 'the Bank') was incorporated in Pakistan on October 3, 1994, as a public limited company under the Companies Act, 2017, and is listed on the Pakistan Stock Exchange (PSX). Originally established in 1987 as a branch of a Bahraini institution, FABL was incorporated locally in 1994 and later completed its conversion to an Islamic bank, receiving an Islamic banking license from the State Bank of Pakistan (SBP) in the Bank's name dated December 30, 2022, effective from January 1, 2023. This transformation has made it the second largest full-fledged Islamic bank in Pakistan by branch network and market presence. FABL as of Dec 2025 had a branch network of 900 branches and a market share of 13% of Islamic banking deposit in Pakistan. The Bank's majority shareholder is Ithmaar Bank B.S.C, a wholly owned subsidiary of Ithmaar Holdings B.S.C, with a 66.78% stake, while Dar Al-Maal Al-Islami Trust (DMIT) serves as the ultimate parent company.

SPONSOR PROFILE

Ithmaar Bank B.S.C. (closed), a banking entity regulated by the Central Bank of Bahrain, is the parent company holding directly and indirectly 66.78% (2025: 66.78%) of the Bank's shares. Ithmaar Bank B.S.C. is a wholly owned subsidiary of Ithmaar Holdings B.S.C. Dar Al-Maal Al-Islami Trust (DMIT) is the holding entity of Ithmaar Holding B.S.C. and the ultimate parent company of the Bank. DMIT was formed by an indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles, and traditions.

MANAGEMENT & GOVERNANCE

BOARD COMPOSITION & PROFILE

As at Mar'26, the Board of Directors comprised eleven members, including one Executive Director (President & CEO), six Non-Executive Directors, and four Independent Directors, providing an appropriate balance between executive oversight and independent judgment. The Board also benefits from gender diversity, with two female director. Governance oversight is supported through six specialized Board committees covering audit and corporate governance, risk management, strategy, information technology, sustainability, and nominations and remuneration, facilitating comprehensive oversight of the Bank's key strategic, financial, operational, and risk management functions.

The Board remained compliant with applicable regulatory requirements, with satisfactory attendance at Board and committee meetings during the review period. The Bank also maintains a formal Board and committee performance evaluation framework, supporting continuous assessment of governance effectiveness, accountability, and oversight. Overall, the governance framework is considered robust and is further strengthened by the Board's diverse experience, well-defined committee structure, and established governance processes, which support prudent decision-making and effective risk oversight.

The Board is chaired by Mr. Mian Muhammad Younis who 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.

MANAGEMENT TEAM

The Bank benefits from a seasoned and stable management team led by President & CEO Mr. Yousaf Hussain, who has been associated with Faysal Bank since 2008 and has served as President & CEO since 2017. Under his leadership, the Bank successfully completed its strategic transformation into a full-fledged Islamic bank while maintaining consistent business growth, prudent risk management, and a strengthened market franchise. In May 2026, the Board reappointed Mr. Hussain for another three-year term, effective August 15, 2026, indicating continuity of the Bank's strategic direction and execution capabilities.

The broader C-suite has remained largely stable, with key functional heads overseeing risk management, finance, operations, retail, corporate banking, technology, human resources, compliance, and Islamic banking. This management continuity has supported disciplined execution of the Bank's strategy, strengthened governance and risk oversight, and ensured operational consistency during and after the Bank's transition to Islamic banking. The experienced leadership team, coupled with a well-defined governance framework, remains a key strength underpinning the Bank's credit profile.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

On environmental and social fronts, Faysal Bank has updated its Green Banking Policy to integrate sustainable credit practices across its underwriting lifecycle, supported by a structured Environmental & Social Risk Rating (ESRR) matrix for larger exposures. The Bank proactively tracks climate-linked credit risks on a quarterly basis and uses a dedicated tagging mechanism within its Loan Origination System to identify and monitor Climate-Smart Activities (CSA). On the operational front, carbon-mitigation efforts are guided by its Management-Level ESG Committee, resulting in the solarization of 60 branches and infrastructure upgrades such as replacing approximately 1,500 conventional air-conditioning units with energy-efficient solutions.

Socially, the Bank maintains an extensive corporate responsibility footprint through the Waqf Faysal Trust, which distributed over PKR 150 million in CY25 to anchor long-term community partnerships across primary healthcare, special education, and environmental development. To advance financial inclusion, the Bank operates specialized deposit platforms like the Amal Women Account and the Khushaal Kisaan Account for the agricultural segment. Accessibility measures are reinforced by 16 model branches tailored for Persons with Disabilities (PWDs) alongside digital healthcare integrations.

KEY DIGITAL INITIATIVES

Faysal Bank continues to advance its digital transformation agenda, integrating technologies such as artificial intelligence, big data, and machine learning into its core operations. During 2025, the Bank upgraded its primary mobile application, "Faysal DigiBank," introducing features like real-time transaction limit management and Google Pay integration for contactless POS payments. Concurrently, digital onboarding was streamlined through the paperless "Burraq Digital Account," while customer service was augmented by an AI-powered virtual assistant utilizing Natural Language Processing (NLP) and enhanced WhatsApp banking capabilities. To optimize branch transactional load, the Bank deployed self-serve digital lobbies featuring instant card issuance kiosks and expanded its Cash and Check Deposit Machines (CCDM) network. On the acquiring front, the Bank scaled its Point-of-Sale (POS) and Raast merchant network, facilitating a broader transition towards digital payments.

To manage associated technological risks and address evolving State Bank of Pakistan (SBP) cybersecurity guidelines, the Bank has implemented a comprehensive Defense-in-Depth strategy. This framework incorporates a 24/7 Security Operations Centre (SOC), Next-Generation Firewalls, and AI-driven threat detection. Furthermore, the Bank is progressing towards a Zero-Trust architecture to ensure strict digital verification protocols and full regulatory alignment. Collectively, these technological initiatives are positioned to drive operational efficiency, elevate the customer experience, and lower structural processing costs across the franchise.

SHARIAH GOVERNANCE FRAMEWORK

FABL operates under a comprehensive Shariah governance framework, following its successful transition from a conventional to a full-fledged Islamic commercial bank on January 1, 2023. This strategic pivot was independently recognized by the International Islamic Rating Agency (IIRA) as the largest Islamic banking conversion undertaken globally. Oversight is anchored by a dedicated Shariah Supervisory Board comprising six members, including a Chairman and a Resident Shariah Board Member (RSBM). This board provides independent guidance to ensure that all products, services, and operations across the Bank's 900 branches firmly adhere to Islamic principles.

The governance structure enforces strict protocols at both the product design and transactional levels, embedding Shariah compliance directly into the Bank's broader risk management and ethical frameworks. By maintaining rigorous adherence to SBP guidelines and internal mandates, this governance architecture effectively mitigates Shariah non-compliance risk, minimizing the potential for income to be transferred to charity due to process failures, and sustains depositor confidence in the Bank's transformed business model. Management's explicit focus on these principles ensures that the institution's ongoing expansion remains aligned with ethical banking and social responsibility standards.

AUDIT OPINION

KPMG Taseer Hadi & Co. Chartered Accountants, categorized as 'Category A' on SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unmodified opinion.

BUSINESS RISK

INDUSTRY

The banking sector in 2025 demonstrated notable resilience and moderate growth, underpinned by strong capitalization, stable profitability, and improving asset quality. The sector maintained a robust capital adequacy ratio of approximately 20.8% as of December 2025, reflecting a solid buffer against potential financial shocks.

Profitability indicators remained stable, with return on assets (ROA) around 1.2% and return on equity (ROE) close to 19.8%, highlighting consistent earnings performance despite prevailing economic challenges. The sector also experienced significant expansion in its balance sheet, as deposits grew by nearly 25% year-on-year, indicating sustained public confidence in the banking system.

Asset quality showed improvement, with non-performing loans (NPLs) contained at approximately 6.0%, suggesting that credit risk remained manageable. Lending activity continued to be concentrated in the corporate and SME segments, which together accounted for more than half of total loans, reflecting banks' focus on productive sectors of the economy. Additionally, there was a slight increase in foreign currency exposure, pointing toward evolving portfolio dynamics.

Overall, in 2025, the banking sector remained stable, liquid, and well-capitalized, playing a critical role in supporting economic activity and facilitating financial intermediation.

ASSET MIX

The Bank's asset mix has undergone a notable shift over the years, reflecting a strategic reallocation from investment securities towards customer financing. Total assets increased by 13.6% during CY25 to PKR 1.78 tn (Dec'24: PKR 1.56 tn), primarily driven by a substantial expansion in the Islamic financing portfolio, which grew by PKR 238.1 bn (37.6%) to PKR 872.0 bn. Consequently, financing emerged as the largest asset class, accounting for 49.1% of total assets as of Dec'25, compared to 40.5% a year earlier. The growth was broad-based, led by the Commercial & SME segment (60%), followed by Consumer (46%) and Corporate (29%) financing, and was largely funded through strong deposit mobilization.

In contrast, the investment portfolio declined by PKR 42.4 bn during CY25, reducing its share in total assets to 35.8% from 43.3% in Dec'24, reflecting management's conscious deployment of excess liquidity into higher-yielding financing assets amid improving credit demand. Cash and cash equivalents remained broadly stable at around 6% of total assets, while fixed and other assets continued to constitute a relatively small proportion of the balance sheet.

By Mar'26, the Bank's asset base moderated slightly to PKR 1.72 tn, largely reflecting seasonal balance sheet movements. The financing portfolio declined to PKR 775.5 bn, reducing its share to 45.0% of total assets, while investments increased to PKR 666.2 bn (38.7% of total assets), indicating a partial rebalancing of the asset mix. Despite the quarter-on-quarter moderation, the Bank continues to maintain a financing-led balance sheet compared to prior years, consistent with its strategy of expanding quality earning assets while preserving adequate liquidity.

Asset Mix	Dec'24	Dec'25	Mar'26
Cash & Cash Equivalents	108,077	110,590	108,963
	6.9%	6.2%	6.3%
Total Investments	677,372	634,940	666,173
	43.3%	35.8%	38.7%
Islamic financing and related assets - Net	633,910	871,999	775,528
	40.5%	49.1%	45.0%
Fixed Asset	60,601	70,661	72,998
	3.9%	4.0%	4.2%
Other Assets	82,708	86,540	98,836
	5.5%	4.9%	5.7%
Total Assets	**1,562,668**	**1,774,730**	**1,722,498**

LOAN PORTFOLIO

As of Dec'25, Faysal Bank's gross financing portfolio registered substantial growth, expanding by 34.4% (PKR 232.2 bn) YoY to reach PKR 907.2 bn (Dec'24: PKR 675.0 bn). The Bank maintained its strong focus on the corporate segment, which remained the largest component of the portfolio, constituting 58.6% (CY24: 63.5%) of total gross financing despite its proportional dilution due to accelerated growth in other segments. The absolute expansion was primarily driven by higher exposures in the corporate segment (↑PKR 103.2 bn), followed by the commercial segment (↑PKR 48.9 bn), commodity financing (↑PKR 40.0 bn), and SME financing (↑PKR 14.9 bn). Strategic asset deployment in corporate banking was supported by a strong focus on project and structured finance, debt capital markets syndications, and renewable energy transactions—such as lead roles in K-Solar infrastructure project financings. Growth in the commercial and SME portfolios was supported by focused distribution channels, including the Hub-and-Spoke and Branch-Led models, which allowed for penetration within core commercial markets.

Segments (Rs. in Millions)	2024		2025	
	GA	GI	GA	GI
Corporate	428,724	3.7%	531,907	2.4%
Commodity	60,000	0.0%	100,000	0.0%
Commercial	104,670	3.2%	153,526	1.6%
Consumer	50,051	2.6%	55,917	3.7%
Staff Loan	13,700	3.1%	28,996	0.0%
Agri	6,453	11.6%	10,552	7.0%
SME	11,359	24.8%	26,277	8.9%
Total	**674,958**	**3.6%**	**907,176**	**2.3%**

Consumer financing expanded moderately to PKR 55.9 bn (Dec'24: PKR 50.1 bn), representing 6.2% (CY24: 7.4%) of the gross financing portfolio by end-Dec'25. Within the consumer segment, auto financing remained the dominant product category, increasing and constituting 42.8% of consumer financing. Meanwhile, exposures in credit cards, mortgage financing, and other personal loans remained flat year-on-year.

Segments (Rs. in Millions)	2024		2025	
	GA	GI	GA	GI
Auto Loans	18,058	2.3%	23,924	1.4%
Credit Cards	17,555	0.4%	17,555	0.4%
Mortgage Loans	8,931	4.9%	8,931	4.9%
Other Personal Loans	4,850	6.4%	4,850	6.4%
Consumer Loans	657	7.8%	657	7.8%
Total Advances	50,051	21.9%	55,917	20.9%

Sectoral allocations indicate that portfolio expansion was diversified across multiple industries. Significant credit funding was channeled into ‘Agriculture, forestry, hunting & fishing’, ‘Food Products’), ‘Power’ and ‘Textile, which remained the largest sectoral exposure accounting for 14% of the financing base.

PROFITABILITY

The Bank's profitability profile moderated during CY25, reflecting the impact of a sharp decline in benchmark interest rates on spreads. Net profit decreased to PKR 69.6 bn (CY24: PKR 80.4 bn) as earning asset yields repriced downward more rapidly than funding costs. Consequently, the return on earning assets declined to 11.8% (CY24: 18.4%), while the cost of funding eased to 6.6% (CY24: 11.4%), compressing spreads to 5.2% from 7.1% a year earlier. Margin pressure was further exacerbated by the State Bank of Pakistan's revised minimum profit distribution mechanism for Islamic banking deposits, which increased the minimum profit rate payable to depositors.

Despite the pressure on core spreads, the Bank delivered a strong performance in non-funded income, providing meaningful support to overall earnings. Total other income increased by 70% to PKR 29.4 bn (CY24: PKR 17.4 bn), driven by broad-based growth across major revenue streams. Fee, commission and brokerage income rose to PKR 12.9 bn (CY24: PKR 10.5 bn), supported by higher card-related income, trade finance commissions and increased asset management fees. Foreign exchange income improved to PKR 7.8 bn (CY24: PKR 5.3 bn), while gains on the sale of securities increased significantly to PKR 8.2 bn (CY24: PKR 1.1 bn), partially offsetting the decline in net profit/return.

Operating expenses increased to PKR 56.9 bn (CY24: PKR 49.8 bn), reflecting inflationary pressures, continued investments in technology and digital capabilities, and expansion of the Bank's physical network. During CY25, the Bank added 45 branches, taking its nationwide footprint to 900 branches across 360 cities. Investments in digital transformation and customer service infrastructure also contributed to higher administrative costs. Consequently, the cost-to-income ratio increased to 61.5% (CY24: 50.4%) as expense growth outpaced recurring operating income. Asset quality remained a key earnings support, with the Bank recording a net reversal of provisions and write-offs of PKR 4.9 bn during CY25, compared to a reversal of PKR 2.5 bn in CY24. Accordingly, despite the challenging margin environment, Profit After Tax (PAT) remained resilient at PKR 21.7 bn (CY24: PKR 23.0 bn).

Profitability Indicators (in PKR mn)	CY24	CY25	1QCY25
ROAA	1.6%	1.3%	1.2%
ROAE	28.7%	23.6%	20.7%
Spread	7.1%	5.2%	4.5%
Return on earning asset	18.4%	11.8%	10.3%
Cost of fund	11.4%	6.6%	5.8%
Efficiency	50.4%	61.5%	65.8%

FINANCIAL RISK

ASSET QUALITY

The Bank's asset quality strengthened during CY25, supported by effective recoveries, the resolution of legacy problem accounts, and prudent underwriting standards. Non-Performing Finances (NPFs) declined to PKR 20.4 bn at end-Dec'25 (Dec'24: PKR 24.3 bn), while growth in the financing portfolio further supported the improvement in the Gross Infection (GI) ratio to 2.3% (Dec'24: 3.6%). Asset quality improvements were broad-based across key business segments, with the corporate GI ratio declining to 2.4% (Dec'24: 3.7%) and the commercial portfolio improving to 1.6% (Dec'24: 3.2%). The SME segment recorded the most notable turnaround, with the GI ratio falling sharply to 8.9% (Dec'24: 24.8%), reflecting successful recovery efforts, resolution of legacy accounts, and an increased focus on program-based lending and credit guarantee schemes. In contrast, the consumer portfolio experienced modest pressure, with the infection ratio increasing to 3.7% (Dec'24: 2.6%), while commodity financing continued to maintain a zero-infection profile.

During 1QCY26, NPFs declined further to PKR 19.9 bn. However, a contraction in the financing portfolio resulted in a slight increase in the GI ratio to 2.5%. Management reported an overall infection ratio of 2.4% and a total coverage ratio of 96.0% during the period, indicating that asset quality remained well contained. Provisioning buffers remained adequate despite a marginal moderation in coverage levels. Specific provisioning coverage eased to 86.6% at end-Dec'25 (Dec'24: 89.1%) and to 86.0% by end-Mar'26, while general provisioning coverage declined to 0.2% (Dec'24: 0.5%). Nevertheless, net infection remained low at 0.3% in Dec'25 and 0.4% in Mar'26 (Dec'24: 0.4%), reflecting the adequacy of provisioning against impaired exposures. Similarly, the Net NPFs-to-Tier-1 Capital ratio improved to 2.8% at end-Dec'25 (Dec'24: 3.0%) and remained stable through Mar'26. The Bank's credit portfolio continues to be closely monitored by the Board Risk Management Committee (BRMC), ensuring alignment with the approved risk appetite.

Going forward, management intends to preserve asset quality by maintaining disciplined underwriting standards, prudent portfolio diversification, and active monitoring of sectoral concentrations.

Asset Quality	Dec'24	Dec'25	Mar'26
NPFs	24,335	20,437	19,887
Gross Infection	3.6%	2.3%	2.5%
Net Infection	0.4%	0.3%	0.4%
Specific Provisioning Coverage	89.1%	86.6%	86.0%
General Provisioning Coverage	0.5%	0.2%	0.2%
Net NPF to Tier 1 Equity	3.0%	2.8%	2.8%

MARKET RISK

The Bank's investment portfolio remained conservatively positioned, with exposures concentrated in sovereign Shariah-compliant instruments, thereby limiting credit risk within the investment book. Total investments stood at PKR 634.9 bn as of end-Dec'25 (Dec'24: PKR 677.4 bn) before increasing to PKR 666.2 bn by end-Mar'26. Federal Government Securities accounted for 96.4% of the portfolio (Dec'24: 90.1%), reflecting management's continued preference for high-quality liquid assets. Market risk is managed through established governance frameworks, with the Asset and Liability Committee (ALCO) and Enterprise Risk Management Committee (ERMC) overseeing investment strategy, profit rate sensitivity, and portfolio concentration within the Bank's approved risk appetite.

GoP Ijarah Sukuk continued to constitute the core of the investment portfolio, increasing marginally to PKR 611.2 bn at end-Dec'25 (Dec'24: PKR 607.4 bn). During the year, the Bank significantly reduced its exposure to non-government debt securities, with holdings declining to PKR 6.7 bn (Dec'24: PKR 54.7 bn), primarily due to the maturity and disposal of listed corporate debt instruments. This reallocation further strengthened the portfolio's credit profile and enhanced its sovereign orientation. Meanwhile, equity investments increased modestly to PKR 13.5 bn (Dec'24: PKR 10.2 bn), driven mainly by higher investments in unlisted shares, though these continue to represent a relatively small proportion of the overall portfolio.

The investment book maintained a healthy unrealized revaluation surplus of PKR 17.2 bn at end-Dec'25 (Dec'24: PKR 22.8 bn), which moderated to PKR 10.8 bn by end-Mar'26 amid changes in benchmark profit rates. Going forward, while the predominance of sovereign investments continues to mitigate credit risk, the Bank's market risk profile will remain primarily influenced by profit rate movements and the duration characteristics of its sizeable GoP Ijarah Sukuk portfolio.

Investments by segments (in PKR mn)	2024	2025
Federal Govt Securities	610,027	612,105
- MTBs	-	-
- PIBs	-	-
- GoP Ijarah Sukuk	607,403	611,230
- Other Federal Govt Securities	2,625	875
Shares	10,160	13,456
- Listed	10,092	9,344
- Unlisted	68	4,111
Non-Government Debt Securities	54,690	6,684
- Listed	46,646	-
- Unlisted	8,044	6,684
Other Incl Mutual Funds	-	-
Associates	355	355
Subsidiary	2,140	2,340
Total	677,372	634,940

FUNDING & LIQUIDITY

As of end-Dec’25, Faysal Bank’s deposit base expanded by 36.7% to PKR 1.43 tn (Dec’24: PKR 1.04 tn). This growth outpaced the industry average, resulting in an improvement in the Bank’s deposit market share to 3.8% (CY24: 3.4%). The accretion in deposits was supported by the Bank's continued network expansion, which reached 900 branches across the country during the year. While current and savings accounts (CASA) added PKR 275.0 bn to the total base, term deposits witnessed the highest proportional growth, expanding by 71.2% to PKR 258.9 bn (Dec’24: PKR 151.2 bn). Consequently, the CASA ratio moderated to 81.0% by end-Dec’25 (Dec’24: 84.4%), reflecting a shift toward term funding to support the concurrent expansion of the financing portfolio.

Deposits grew across all size categories, with more growth coming from Rs. 10m and above accounts, showing better contribution from larger customers along with steady retail deposits.

During 1QCY26, the deposit base recorded a contraction of 6.9%, settling at PKR 1.33 tn. According to management, this decline was deliberate, reflecting a conscious strategy to shed high-cost deposits to alleviate pressure on spreads in a declining rate environment. Consequently, outflows were concentrated in savings and term deposits, whereas current accounts demonstrated resilience, growing to PKR 599.8 bn. As a result of this deposit mix rationalization, the CASA ratio improved to 84.5% by end-Mar’26.

The Bank’s borrowing profile underwent a notable shift during the year. Supported by the influx of deposit liquidity, reliance on borrowings from financial institutions was scaled back to PKR 121.6 bn (Dec’24: PKR 280.4 bn). By Mar’26, borrowings increased to PKR 186.7 bn. Concurrently, liquid assets contracted to PKR 732.0 bn in CY25 (CY24: PKR 774.8 bn), as the Bank actively redeployed liquidity away from sovereign investments and into its core private-sector financing portfolio. This reallocation drove an increase in the Gross Financing-to-Deposit Ratio (FDR) to 64.0% by Dec’25, and further to 65.7% by Mar’26 (CY24: 57.8%).

Despite a moderation in the liquid asset base amid higher financing deployment, the Bank's liquidity profile remained adequate. The Liquid Assets to Deposits and Borrowings (LADB) ratio declined to 45.0% at end-Dec'25 (Dec'24: 54.0%) before improving marginally to 46.9% by end-Mar'26. Regulatory liquidity indicators remained comfortably above the prescribed minimums, with the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) standing at 130.9% and 155.0%, respectively, as of end-Mar'26 (Dec'25: 138.6% and 159.7%). While liquidity buffers continue to provide adequate coverage, the gradual decline in liquidity metrics over recent periods will remain an important rating sensitivity.

Funding & Liquidity	Dec'24	Dec'25	Mar'26
Current deposits	396,646	523,744	599,813
	38.0%	36.7%	45.1%
Saving deposits	484,968	632,853	522,448
	46.4%	44.3%	39.3%
Term deposits	151,214	258,852	192,660
	14.5%	18.1%	14.5%
Others	11,451	11,907	13,916
	1.1%	0.8%	1.0%
Total	1,044,279	1,427,356	1,328,837
Liquid Assets	774,842	732,040	772,438
Borrowings	280,443	121,637	186,662
CASA	84.4%	81.0%	84.5%
Gross Financing to Deposit ratio	57.8%	64.0%	65.7%
Liquid assets to deposit and borrowing	54.0%	45.0%	46.9%
Liquidity Coverage Ratio (%)	158.90%	138.60%	130.90%
Net Stable Funding Ratio (%)	166.06%	159.69%	155.00%

CAPITALIZATION

The Bank's capitalization remained manageable, supported by continued internal capital generation, although capital ratios moderated during the review period amid robust financing growth. Shareholders' equity (excluding revaluation reserves) increased to PKR 98.3 bn by end-Dec'25 (Dec'24: PKR 85.6 bn), driven by growth in retained earnings and reserves. Unappropriated profits rose to PKR 63.1 bn (Dec'24: PKR 52.5 bn), despite cash distributions to shareholders during the year, while Tier-1 capital strengthened to PKR 96.7 bn (Dec'24: PKR 84.3 bn), reinforcing the Bank's core loss absorption capacity.

Despite the increase in the capital base, capitalization indicators moderated as growth in Risk-Weighted Assets (RWAs) outpaced capital accretion. Total eligible capital increased to PKR 113.6 bn (Dec'24: PKR 105.7 bn), while RWAs expanded by 26.6% to PKR 808.8 bn (Dec'24: PKR 638.9 bn), primarily reflecting strong growth in the financing portfolio. Consequently, the Capital Adequacy Ratio (CAR) declined to 14.04% (Dec'24: 16.54%), while the Tier-1 CAR reduced to 12.0% (Dec'24: 13.2%). Although both ratios remained above the regulatory minimums, the moderation highlights the Bank's capital sensitivity to sustained financing growth and increases in RWAs, particularly in the context of continued shareholder distributions.

At end-Mar'26, shareholders' equity surpassed PKR 100 bn, reaching PKR 100.5 bn, supported by continued earnings retention. To further strengthen its capital position and support future balance sheet growth, the Bank has issued PKR 7 Bn Tier-2 capital instrument subsequent to end-Mar'26, which is expected to improve CAR to ~15%. Going forward, the Bank's ability to sustain internal capital generation, maintain prudent dividend payouts, and successfully execute its capital augmentation plans will remain important considerations for preserving capitalization metrics.

Capitalization	Dec'24	Dec'25	Mar'26
Share capital - net	15,177	15,177	15,177
Reserves	17,866	20,003	20,510
Unappropriated profit	52,546	63,105	64,847
Shareholder's Equity (excl. revaluation reserve)	85,589	98,285	100,534
Tier 1 Equity (CAR Statement)	84,304	96,704	96,733
Tier-1 CAR (%)	13.2%	12.0%	12.5%
Total Eligible Capital	105,658	113,589	108,769
Risk Weighted Assets	638,947	808,777	775,682
Capital Adequacy Ratio (%)	16.54%	14.04%	14.02%
Leverage Ratio (%)	4.70%	4.66%	4.54%

FINANCIAL SUMMARY (Rs. in millions)					
BALANCE SHEET	**31-Dec-22**	**31-Dec-23**	**31-Dec-24**	**31-Dec-25**	**31-Mar-26**
Cash & Cash Equivalents	68,731	85,849	108,077	110,590	108,963
Total Investments	469,451	589,545	677,372	634,940	666,173
Islamic financing and related assets - Net	454,261	580,711	633,910	871,999	775,528
Fixed Asset	37,019	42,600	60,601	70,661	72,998
Other Assets	44,891	71,369	82,708	86,540	98,836
Total Assets	1,074,353	1,370,074	1,562,668	1,774,730	1,722,498
Due to financial institutions	150,134	166,887	280,443	121,637	186,662
Deposits & other accounts	781,571	1,018,276	1,044,279	1,427,356	1,328,837
Other Liabilities	72,564	94,713	132,200	110,287	95,642
Total Liabilities	1,004,269	1,279,875	1,456,921	1,659,280	1,611,141
Paid Up Capital	15,177	15,177	15,177	15,177	15,177
Tier-1 Equity	55,718	72,868	84,304	96,704	96,733
Net Shareholders Equity (excl. revaluation surplus)	59,435	75,047	85,589	98,285	100,534
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**CY25**	**1QCY26**
Net Spread Earned	39,988	71,053	80,383	69,626	15,596
Net Provisioning / (Reversal)	(940)	914	(2,464)	(4,879)	(361)
Total Other Income	8,959	12,102	17,362	29,447	9,141
Operating Expenses	26,995	39,814	48,676	55,863	14,095
Profit/ (Loss) Before Tax	22,393	41,422	50,408	47,047	10,769
Profit / (Loss) After Tax	11,233	20,046	23,028	21,703	5,156
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**CY25**	**1QCY26**
Market Share (Advances) (%)	3.98%	4.86%	4.22%	6.10%	5.56%
Market Share (Deposits) (%)	3.48%	3.66%	3.45%	3.81%	3.54%
Gross Infection (%)	4.58%	3.84%	3.61%	2.25%	2.46%
Net Infection (%)	0.69%	0.67%	0.41%	0.31%	0.35%
Specific Provisioning Coverage (%)	85.52%	83.14%	89.12%	86.56%	85.97%
General Provisioning Coverage (%)	0.17%	0.15%	0.45%	0.23%	0.25%
Net NPFs to Tier-1 Capital (%) (adj. for general prov.)	5.56%	5.27%	3.04%	2.78%	2.83%
Cost of Deposits (%)	6.18%	9.83%	10.32%	5.21%	5.08%
Spread (%)	4.82%	7.29%	7.05%	5.19%	4.49%
Efficiency (%)	53.95%	47.03%	50.39%	61.51%	65.75%
ROAA* (%)	1.16%	1.64%	1.57%	1.30%	1.18%
ROAE* (%) (excl. revaluation surplus)	19.01%	29.81%	28.67%	23.61%	20.75%
Liquid Coverage Ratio (%)	178.70%	152.70%	158.90%	138.60%	130.90%
Net Stable Funding Ratio (%)	169.67%	173.79%	166.06%	159.69%	155.00%
Liquid Assets to Deposits & Borrowings** (%)	54.90%	53.04%	54.02%	44.99%	46.91%
Gross Financings to Deposits Ratio*** (%)	49.84%	51.06%	57.82%	64.03%	65.66%
Tier-1 CAR (%)	12.89%	14.59%	13.19%	11.96%	12.47%
Capital Adequacy Ratio (%)	15.47%	17.46%	16.54%	14.04%	14.02%

*Annualized

** Adjusted for repo and collateral

*** Adjusted for SBP refinancing schemes

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

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
30-Jun-26	AA+	A1+	Stable	Reaffirmed
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
2-Jul-12	AA	A1+	Stable	Reaffirmed
28-Jun-11	AA	A1+	Stable	Reaffirmed
24-Feb-11	AA	A1+	Stable	Rating Watch Removed
1-Jun-10	AA	A1+		Rating Watch - Developing

Instrument Structure	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

Name	Designation	Date
Mr. Tanveer Khatri	Chief Financial Officer	June 17th, 2026
Mr. Shuja Haider	Chief Treasury Officer	
Mr. Ali Waqar	Head – CIBG	
Mr. Mian Salman Ali	Chief Risk Officer	
Mr. Asad Ali	Head of Financial Reporting	
Mr. Syed Ali Raza Rizvi	EVP – Head CDD & Governance	
Mr. Badar Ikram	EVP – Head of Corporate & FI Credit Risk	