

FAYSAL BANK LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating	Initial Rating
	Long-term	Long-term
SUKUK 1 (TIER-2) RATING	AA	AA (plim)
OUTLOOK/RATING WATCH	Stable	Stable
RATING ACTION	Final	Preliminary
RATING DATE	June 16, 2026	March 24, 2026

Shareholding (5% or More)

Ithmaar Bank B.S.C ~ 48.06%

Faisal Finance (Luxemburg) S.A ~ 8.55%

MFAI (Jersey) Limited ~ 5.89%

Other Information

Incorporated in 1994

Public Limited Company (listed)

Chief Executive Officer: Mr. Yousaf Hussain

External Auditor: M/s. KPMG Taseer Hadi & CO, Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Financial Institutions

<https://docs.vis.com.pk/Methodologies-2026/FI-Methodology-26.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 Tier II Capital Sukuk aims to strengthen the Bank's regulatory capital base and support its ongoing business expansion. FABL benefits from a strong market position as the second-largest full-fledged Islamic bank in Pakistan, a growing deposit franchise, and sound asset quality, which underpin its overall credit profile. Furthermore, the Bank's financial risk profile is underpinned by strong growth in deposits and financing, improving market share, and adequate capitalization; however, some moderation in the liquidity profile underscores the continued importance of capital augmentation. The assigned rating is also supported by FABL established Shariah governance framework, sponsor profile, and adequate capitalization, further reinforced by the capital augmentation through the Sukuk issuance.

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 December 30, 2022, effective 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 Maal Al-Islami Trust (DMIT) serves as the ultimate parent company.

Sukuk Structure

FABL has issued a redeemable, rated, unsecured, subordinated, privately placed Tier II Capital Sukuk to strengthen its regulatory capital base in line with the Basel III requirements of SBP. The instrument has an issue size of up to PKR 7 billion, with a face value of PKR 1 million per certificate. The Sukuk carry an expected profit rate of six-month Karachi Interbank Offered Rate (KIBOR) plus 45 basis points, with semi-annual profit payments and a tenor of 10 years, while the principal will be redeemed in bullet payment at maturity. The Bank will retain a call option after five years, subject to regulatory approval, while no put option will be available to investors.

Shariah Governance

FABL maintains a robust Shariah governance framework anchored in a three-tier structure comprising the Shariah Board, a Resident Shariah Board Member (RSBM), and a dedicated Shariah Compliance Department. The Shariah Board provides strategic oversight and approves products and policies, while the RSBM ensures continuous guidance on Shariah matters. At the operational level, the Shariah Compliance Department oversees implementation and monitoring to ensure adherence to approved structures. This framework establishes strict protocols at both the product and transactional levels.

FABL has also been assigned a Shari'ah Compliance and Fiduciary Rating (SCFR) by Islamic International Rating Agency (IIRA). On the national scale, the Bank was rated SCFR (pk) 1, indicating no material deviations from the national regulatory framework for Shari'ah-compliant finance. On the global scale, it was assigned a rating of SCFR (Global) High, reflecting a high level of conformance to international standards in fulfilling fiduciary obligations under Shari'ah-compliant finance. This reaffirmation underscores the Bank's strong governance, adherence to Shari'ah principles, and reliability in managing Shari'ah-compliant financial instruments.

The Tier II Capital Sukuk of FABL is structured on a Mudarabah-based Shariah structure, whereby Sukuk holders act as Rab-ul-Maal (capital providers) and the Bank acts as the Mudarib (investment manager) responsible for deploying the funds. The proceeds raised from the Sukuk is deployed in the Bank's general pool of Shariah-compliant financing and investment activities, allowing Sukuk investors to participate in the pool and share in the profits generated from these activities in accordance with Mudarabah principles and the pool management guidelines prescribed by the SBP. In its capacity as Mudarib, the Bank will assign periodic weightages to the Sukuk investment within the pool, similar to other remunerative deposit categories, to determine the proportionate share of distributable profit attributable to Sukuk holders. After determining the distributable profit of the pool, the Bank will receive a Mudarib share of up to a maximum of 50% of the distributable profit, as permitted under the regulatory framework of the SBP, with the remaining profit distributed among pool participants based on the applicable weightages. Any profit or loss generated from the pool will therefore be allocated in accordance with Mudarabah rules and the approved profit-sharing mechanism. Redemption of the Sukuk will follow applicable Mudarabah and SBP regulatory guidelines, while the regulator retains the authority to temporarily restrict profit payments or principal redemption under stress conditions. In the event of a Point of Non-Viability (PONV), where the Bank's capital falls below the minimum threshold required for regulatory solvency, the value of the Sukuk will be determined based on the residual value of the Bank's assets after satisfying senior claims, and Sukuk holders may receive a proportionate allocation of equity or bear a partial or full write-down of principal, however, the amount of Sukuks to be converted at PONV will be determined by SBP. This framework ensures that the Sukuk functions as a loss-absorbing subordinated instrument, strengthening the Bank's capital base while maintaining its eligibility as Tier II regulatory capital.

The Sukuk structure complies with the requirements of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shariah Standard No. 13 (Mudarabah), the capital adequacy framework prescribed under Islamic Financial Services Board Standard IFSB-23, as well as the Mudarabah Rules and Pool Management Guidelines issued by SBP.

Business Risk

Pakistan's Islamic banking sector has experienced strong growth and continues to expand its share within the overall financial system. As of end 2025, the industry comprises six full-fledged Islamic banks and sixteen Islamic banking windows operated by conventional banks. Several conventional banks have also submitted conversion plans to transition towards Islamic banking in line with the constitutional directive to eliminate interest-based banking by January 1, 2028. The SBP has played a central role in supporting this transition by strengthening regulatory oversight and the Shariah governance framework to maintain depositor and investor confidence.

By December 2025, total assets of Islamic Banking Institutions reached PKR 14.47 trillion, representing 22.9% of total banking assets, while deposits stood at PKR 11.0 trillion, accounting for 27.8% of the banking sector's deposit base. Islamic banks' share in overall financing has also increased to around 38.1%, reflecting growing demand for Shariah-compliant financing solutions across corporate and retail segments. On the asset side, investments account for around 45.7% of total assets, largely comprising government Ijarah Sukuk, while net financing represents about 39% of the asset base. Financing activity expanded significantly ~40% during 2025, supported by strong demand for Islamic financing products. Despite strong growth, structural challenges persist, particularly the limited availability of Shariah-compliant liquidity management instruments and heavy reliance on government Sukuk. To address this, regulators are working on asset-light Islamic instruments, enabling Bai Muajjal-based liquidity transactions, and developing an asset register for Sukuk issuance. These initiatives are expected to deepen the Islamic capital market, enhance liquidity management tools, and support the continued expansion of the sector.

FABL is strategically positioned as one of Pakistan's leading Islamic banks, with a strong footprint and growing influence in the Shariah-compliant banking sector. After converting its entire branch network to Islamic operations, the Bank now operates around 900 Islamic branches nationwide, making it the second-largest full-fledged Islamic bank in Pakistan after Meezan Bank. Despite a modest overall banking market share of about 3.8%, FABL maintained its profitability momentum, reporting profit after tax of PKR. 21.7b (CY2024: PKR 23b) despite challenging regulatory and monetary environment including declining policy rates and the introduction of the Minimum Deposit Rate (MDR) framework for Islamic banks, both of which exerted pressure on margins. Nevertheless, the Bank sustained overall revenue growth, with total income reaching PKR 99.1 billion, reflecting a modest 1.4% year-on-year increase. Net spreads declined due to margin compression; however, this impact was partly mitigated by strong deposit mobilization, particularly in current accounts, which grew by about 32%. The expansion in low-cost deposits strengthened the Bank's funding mix and helped cushion pressure on net profit margins. Banks profitability was also supported by increase in non-funded income driven by rise in fee and commission income (23%), increase in FX earnings (47%), and sizeable capital gains of PKR 8.2b.

On the cost side, operating expenses increased by around 15%, reflecting inflationary pressures and continued investment in branch network expansion, with 45 new branches added during 2025. Consequently, the cost-to-income ratio rose to 57%. Despite higher operating costs, improved asset quality provided additional support to earnings, as reflected in net provision reversals of PKR 4.9 billion. Overall, these factors helped partially offset the impact of declining interest rates, margin compression, and rising operating expenses, allowing the Bank to maintain sound profitability during the year.

Financial Risk

During CY2025, the Bank's total assets expanded to PKR 1.8tr, primarily driven by strong growth in deposits. Total deposits increased by 36.7% to PKR 1.43tr as at December 2025, enabling the Bank to improve its market share from 3.45% to 3.81%. Deposit growth was largely supported by current accounts, which exhibited strong momentum and reached PKR 536 billion, reflecting a 31.3% increase over December 2024. The growing share of low-cost current accounts provides an important cushion against margin compression in a declining rate environment. While the liquidity buffers have shown some moderation in recent years, as reflected in the declining Liquidity Coverage Ratio (LCR), indicating a relatively higher proportion of less stable deposits within the funding mix. Augmenting the same will remain important for sustaining liquidity resilience.

On the asset side, the Bank demonstrated significant expansion in its financing book. Net financing increased by 37.6% to PKR 872b. Consequently, the Advances-to-Deposits Ratio (ADR) increased slightly to 61%, one of the highest amongst peers. Credit quality parameters have remained sound, with gross infection recorded at 2.3%. From a capitalization standpoint, the Bank's Capital Adequacy Ratio (CAR) declined to 14.04% in December 2025 from 16.54% in the previous year, largely due to rapid balance sheet growth and the associated increase in risk-weighted assets. Despite this decline, the CAR remains comfortably above the regulatory minimum requirement for 2025, indicating adequate loss absorption capacity. The Bank's ability to generate internal capital through earnings, along with potential capital optimization measures such as Tier-II Sukuk issuance, remains important for maintaining capital buffers amid continued expansion. CAR, post issuance of Sukuk, is projected to be ~15.7%

Financial Summary				Appendix I
Balance Sheet (PKR Millions)	Dec'23	Dec'24	Dec'25	Mar'26
Total Investments	589,544.59	677,372.40	634,939.75	666,173.44
Islamic financing and related assets - Gross	600,761.58	674,958.31	907,175.72	809,630.72
Islamic financing and related assets - Net	580,711.32	633,909.55	871,998.70	775,528.44
Total Assets	1,370,073.55	1,562,667.64	1,774,729.56	1,722,498.34
Due to financial institutions	166,886.80	280,442.54	121,636.95	186,661.67
Deposits & other accounts	1,018,275.74	1,044,278.51	1,427,355.93	1,328,837.36
Total Liabilities	1,279,875.19	1,454,306.27	1,659,279.94	1,611,140.74
Paid Up Capital	15,176.97	15,176.97	15,176.97	15,176.97
Tier-1 Equity	72,868.42	84,304.35	96,704.10	86,157.30
Net Shareholders Equity (excl. revaluation surplus)	75,047.29	85,589.49	98,285.26	100,533.90
Income Statement (PKR Millions)	CY23	CY24	CY25	1QCY26
Net Profit/Return Earned	71,053.24	80,382.91	69,625.85	15,595.54
Net Provisioning/(Reversal)	913.93	(2,464.45)	(4,878.80)	(360.94)
Total Other Income	12,102.19	17,362.06	29,447.10	9,141.05
Operating Expenses	39,814.20	48,675.79	55,863.28	14,094.73
Profit/(Loss) Before Tax	41,421.53	50,407.66	47,047.29	10,768.73
Profit/(Loss) After Tax	20,045.94	23,028.19	21,703.41	5,156.38
Ratio Analysis	Dec'23	Dec'24	Dec'25	Mar'26
Market Share (Financings) (%)	4.86%	4.22%	6.10%	5.56%
Market Share (Deposits) (%)	3.66%	3.45%	3.81%	3.54%
Gross Infection (%)	3.84%	3.61%	2.25%	2.46%
Net Infection (%)	0.67%	0.42%	0.31%	0.35%
Specific Provisioning Coverage (%) (Stage -3)	83.14%	89.12%	86.56	85.97%
General Provisioning Coverage (%) (Stage 1 & 2)	0.15%	0.44%	0.23%	0.25%
Net NPFs to Tier-1 Capital (%) (adj. for general prov.)	5.27%	3.04%	2.78%	3.17%
Cost of Deposits (%)	10.30%	10.40%	5.60%	5.08%
Spread (%)	7.29%	7.05%	5.19%	4.49%
Efficiency (%)	47.03%	50.39%	61.51%	65.75%
ROAA (%)	1.64%	1.57%	1.30%	1.18%
ROAE (%) (excl. revaluation surplus)	29.81%	28.67%	23.61%	20.75%
Liquid Coverage Ratio (%)	152.70%	158.90%	138.60%	130.90%
Net Stable Funding Ratio (%)	173.79%	166.06%	159.69%	155.00%
Liquid Assets to Deposits & Borrowings** (%)	53.04%	54.02%	44.99%	46.91%
Gross Financings to Deposits Ratio (ADR) *** (%)	51.06%	57.82%	59.58%	65.66%
Tier-1 CAR (%)	14.59%	13.19%	11.96%	12.47%
Capital Adequacy Ratio (%)	17.46%	16.54%	14.04%	14.02%

** Adjusted for repo and collateral

*** Adjusted for SBP refinancing schemes

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Faysal Bank Limited				
Sector	Commercial Bank				
Type of Relationship	Solicited				
Purpose of Rating	Sukuk Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: SUKUK RATING				
	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
	RATING TYPE: Sukuk				
16-Jun-26	AA	-	Stable	Final	
24-Mar-26	AA (plim)	-	Stable	Preliminary	
Instrument Structure	Instrument Name		Sukuk 1-Tier II		
	Nature		Long term Sukuk		
	Tenure		10 Years		
	Size		PKR 7 billion		
	Expected Profit Rate		6 months KIBOR + 45 bps		
	Principle Redemption		Bullet at maturity		
	Profit Payment		Semi-annually		
	Issue Date		May 25, 2026		
	Redemption Date		May 24, 2036		
	Nature of Security		Unsecured		
	Call Option		The Bank may call the Sukuks with prior approval of SBP on or after five years from the Issue Date		
	Lock-In Clause		As per the lock-in clause requirement for Tier 2 Issues (Para 12 of Annexure 3 of BPRD Circular # 6 of 2013), neither profit nor principal will be payable (even at maturity) in respect of the Sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement or Capital Adequacy Ratio or results in an increase in any existing shortfall in Minimum Capital Requirement or Capital Adequacy Ratio		

	Loss Absorbency Clause	As per Loss Absorbency Clause requirement (Para xix of Annexure 3 and Para A-5-3 of Annexure 5 of BPRD Circular # 6 of 2013) for Tier II capital purpose, the instrument will be subject to loss absorbency and/or any other requirements under SBP's instructions on the subject. Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013, SBP may at its option, fully and permanently convert the Sukuk into common shares of the Bank. Number of shares to be issued to Sukuk holders at the time of conversion will be equal to the 'Outstanding Face Value of the Sukuks divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, for which the approval of the shareholders will be obtained in due course. The maximum number of shares to be issued to the Sukuk holders will be capped at 107,000,000 shares (i.e. One hundred seven million shares	
	Rating	AA	
	Investment Agent	Pak Oman Investment Company Limited	
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.		
Probability of Default	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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Due Diligence Meeting Conducted	Name	Designation	Date
	Mr. Asad Ali	Head Financial Reporting	March 11, 2026