



IIRA affirms Shari’ah Compliance and Fiduciary Rating of “SCFR (pk) 1” on the national scale to Faysal Bank Limited, Pakistan (Islamic Banking Division)

Manama, February 08, 2022: Islamic International Rating Agency (“IIRA”) has affirmed the Shari’ah Compliance and Fiduciary Rating of Faysal Bank Limited (FBL) - Islamic Banking Division at “SCFR (pk) 1” on the national scale, which denotes “No material deviations from national regulatory framework for Shari’ah Compliant Finance” and “SCFR (Global) High” on the global scale, which denotes, “High level of conformance to global standards in terms of fulfilling fiduciary obligations of Shari’ah compliant Finance”.

Faysal Bank Limited (‘FBL’ or ‘the bank’) is a Pakistan based commercial bank offering commercial, retail, and corporate banking services. Islamic banking services are also offered through the Islamic Banking Division, which has grown manifolds over the past four years under one of the largest undertakings globally, for conversion to an Islamic bank. The Bank has made significant progress in conversion since our last review and 98% of its network is now Islamic with 595 Islamic Branches. Keeping in view the conversion progress, the Bank is expected to surrender its conventional banking license in 2022 Insha’Allah. Consequently based on its current balance sheet footings, bank is expected to become 2nd largest full-fledged Islamic Bank in Pakistan. Majority shareholding (67%) of FBL, either directly or indirectly, is owned by Ithmaar Bank (IB, Bahrain).

Islamic Banking in Pakistan is regulated by the State Bank of Pakistan (SBP), through a comprehensive “Shari’ah Governance Framework (SGF)” which applies to all Islamic Banking Institutions (IBIs) i.e. full-fledged Islamic banks, Islamic banking subsidiaries and Islamic banking divisions of conventional banks. Further raising the bar on Islamic banking practices, SBP issued a single point revision to SGF in February 2021, effective from July 2021, advising IBIs to ensure that Shari’ah Board of every bank has at least 2 members who are not part of the Shari’ah Board of any other IBI. Shari’ah Board composition of FBL has since been aligned with local regulation.

Besides, the Bank has a well-established Shari’ah infrastructure, responsible for ensuring that the Bank is operating in accordance with principles of Islamic Banking and relevant policies. All products follow the regulatory guidelines approved by the Shari’ah Board, in terms of structure. While key products also meet international scholarly guidance with regards to structure, some deviations have been noted and reflect local market needs and ongoing product evolution. Shari’ah non-compliant income largely constitutes late payment charges and has increased due to increased incidence of such payments, in response to market conditions. Distribution mechanism of Shari’ah non-compliant income is well-defined and in line with best practices.

The rating assignment has been carried out with cooperation of the rated entity. The information contained herein is obtained by IIRA from sources believed to be accurate and reliable. IIRA does not audit or verify the truth or accuracy of any such information. As a result, the information herein is provided “as is” without any representation or warranty of any kind. IIRA, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating/ scores assigned.



The bank has implemented a strong corporate governance framework, meeting local regulations and global best practices to a significant extent. Board committees have fair representation of independent board members. An adequate level of information is available for the stakeholders, with some room for improvement in terms of non-financial disclosures.

The Bank has maintained strong asset quality. Low non-compliant earnings and satisfactory returns to investment accountholders, confirm that fiduciary responsibilities have been adequately discharged.

Scope of the Rating

This rating is an independent assessment & opinion on the Shari'ah Governance & Compliance framework as implemented by the Islamic Banking Division of Faysal Bank Limited Pakistan. The rating encapsulates areas of coverage laid out in Governance Standard for Islamic Financial Institutions 10 (GSIFI 10), issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The rating committee benefits from Shari'a scholarly opinion and representation of AAOIFI and IIRA.

The Global scale rating benchmarks institution level practices vis-à-vis best practices world-wide and international scholarly opinions in terms of structure for products and services, as implemented by the rated institution. As such, compliance with local regulatory requirements does not necessarily warrant the maximum score.

The national scale SCFR rating assigned is based on the extent of conformance of practices of the rated entity or its Islamic Banking Branch/Division with the national regulatory framework of the country of domicile.

For further information on this rating announcement, please contact us via e-mail at iira@iirating.com.

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