

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Investors' Briefing Session

Financial Performance – Dec'22



Date: 22nd March 2023

Place: Karachi

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FBL – At a glance

Size

2nd Largest Islamic Bank in Pakistan
Network: 700 branches with presence in 270 cities
Customers: 1.1 million
Staff strength: 8,011

Diversified offerings

Full-fledge, Sharia-compliant financial services offerings across all segments.

Ownership

Ithmaar Holdings B.S.C is the parent holding directly and indirectly 66.78% of shareholding.
Dar Al-Maal Al-Islami Trust is the ultimate parent



Rating

Credit rating
Long Term: AA & Short Term: A1+
Given by JCR and PACRA

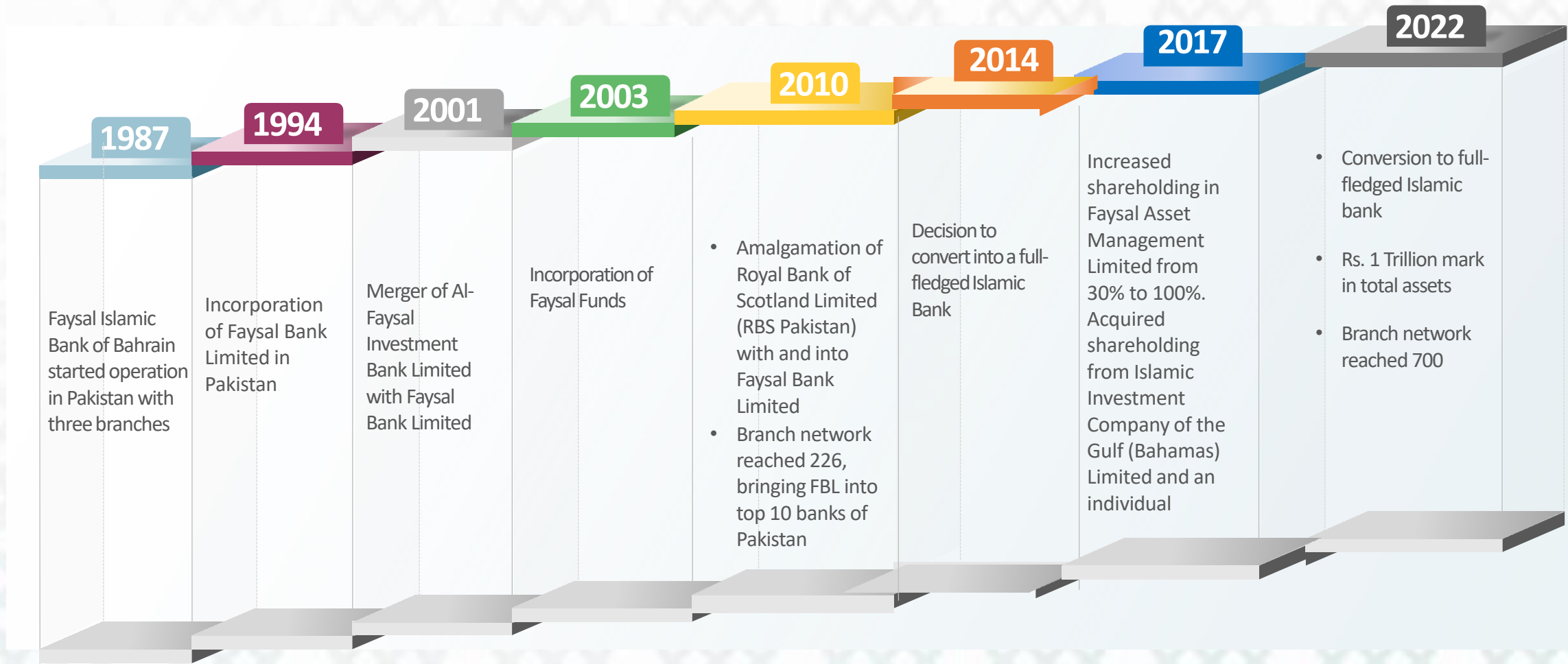
Resilient

Assets: Rs. 1 Trillion +
Deposits: Rs. 782 Billion
Deposits Market share: 3.5%
PBT: Rs. 22 Billion ↑67%
CAR: 15.5%

Shariah Compliant

Deeply rooted in our values
Islamic Int'l Rating Agency
Shariah Compliance and fiduciary Rating of "SCFR (PK)1"

Journey of FBL highlighting the key events from 1987 to 2022



FBL's Vision, Mission and Core Values

1

Vision

To be the best **customer centric** Islamic bank, driven by passion and belief.

2

Mission

Achieve leadership in providing Shariah compliant financial services with **customer care and employee focus**, at the heart of our business ethos together with **innovation and technology** being the pillars of our growth.

3

Core Values

- | | |
|---------------|--------------------|
| 1. Faith | Emaan aur Yaqeen |
| 2. Integrity | Sadaqat aur Amanat |
| 3. Teamwork | Bahami tawoun |
| 4. Innovation | Jiddat |
| 5. Care | Khidmat |

Strategic Focus

Positioning	Strategic Actions	Strategic Targets	Status		
Strong Contender in Retail	<ul style="list-style-type: none"> Grow low-cost CASA deposits by focusing on mass-affluent customer segment Network expansion into key geographies & emerging markets 	<p>CASA Ratio: Improve</p> <p>Market Share: Increase network & deposit market share.</p>		Dec 2021	Dec 2022
			Branches	606	700
			Deposits*	644,089	781,571
			CASA	75.42%	80.00%
High Quality Lender	<ul style="list-style-type: none"> Drive volume from large corporates Drive new business growth from smaller corporates Consumer financing - Branch-focus and cross-sell propositions 	<p>Lending: Grow. (underwrite cautiously – maintain low NPL levels).</p>	Advances*	416,785	474,897
			NPLs*	23,407	18,219
			Infection Ratio	5.6%	3.8%

* PKR in million

Positioning	Strategic Actions
Improved Customer Experience –Digital	<ul style="list-style-type: none">▪ Use technology to differentiate from competitors▪ Manage branch traffic through diversion to Digital Channels▪ Use advanced analytics to leverage data to support sales/ cross sales/ loyalty programs
To Be the Leading Islamic Bank	<ul style="list-style-type: none">▪ Offer innovative, Shariah compliant solutions for Retail, Corporate and Commercial banking▪ Develop the best-in-class human resource capital▪ Re-align service standards & improve service levels
Increased shareholder value with capital stability	<ul style="list-style-type: none">▪ Improve top-line/ core income & NFI in all segments▪ Better cost management on both staff / non-staff side▪ Maintain healthy CAR levels to support business growth

Business Developments

Business	Performance
1 Retail Banking & CBSME	<ul style="list-style-type: none"> ➤ Added 94 branches to reach 700 branches with increase in deposits market share from 3.1% to 3.5% in Dec'22 ➤ CBSME crossed Rs. 50 billion.
2 Consumer	<ul style="list-style-type: none"> ➤ Consumer Banking had a stellar year, with overall consumer portfolio increasing by 10%, to Rs. 46 bn. ➤ Noor Card is the most desirable card in the market, and its list of alliance partners currently are over 300 with spends also grew by 45% to Rs. 58 billion.
3 Corporate and Investment banking	<ul style="list-style-type: none"> ➤ Corporate and Investment Banking Group remained active throughout the year and successfully closed several landmark investment banking deals across the full spectrum of segments worth more than Rs. 60 billion comprising deals in infrastructure, power, telecommunications, etc. ➤ Remittance market share remained in the range of 3% while transaction count increased by 16%
4 Treasury	<ul style="list-style-type: none"> ➤ Treasury has robustly performed and have increased the FX volumes by offering competitive pricing. ➤ Equity Desk remained an active player. Their market knowledge & foresight helped to restrict the loss.

Business

Performance

- A strong shift in customer transaction behavior towards digital modes persuaded the Digital Banking Group to continue innovating to ensure that the customers have a seamless banking experience, on digital channels.
- WhatsApp Banking has seen sizeable growth in 2022, with over 250,000 retail customers. WhatsApp banking caters to over 200,000 service requests every month
- Below are the details of traffic migration to digital channels:

Description

Value

Traffic Migration to Digital Channels	77%
YoY Increase in Digi bank Registered Customers	50%
YoY Increase in Digi bank Penetration (% of active clients)	26%
App. Login attempts - Mn	38.3
Super Customers (3 Trnx/Month) - 30 Days '000	122
App Active Customers - 30 Days '000	218

5

Digital Banking

- FBL was named "Best Islamic Retail Bank in Pakistan 2022" at Islamic Retail Banking Awards (IRBA) held by Cambridge IFA
- "Best Bank of the Year 2021" by Chartered Financial Analyst (CFA) Society Pakistan amongst mid-size banks in the country
- FBL bags 7 "Global Diversity, Equity & Inclusion Benchmarks 2022 Awards" and is the only Islamic Bank to be awarded the GDEIB Awards.



Key Performance Highlights

1 A Recap of 2022 ...



Alhamdulillah! FBL has successfully completed conversion to a full-fledged Islamic Bank



Record PBT of PKR 22.0 billion, 67% higher than the PKR 13.4 billion in Dec'21



Landmark of PKR 1 trillion in balance sheet footings



Strong current deposit momentum built over several quarters continued and reached PKR 277 billion, 29% growth over Dec'21



Continuous reduction in Infection ratio from 5.6% to 4.6%, coverage at 89%



Expansion in Branch network and reached 700 branches with 94 branches opened in 2022

2 Financial Metrics

PBT

PKR 22 Billion
+67% YoY

PAT

PKR 11.2 Billion
Highest ever

Gross Revenue
PKR 49 Billion
+43% YoY

Market share
Deposits: 3.5%
Dec'21: 3.1%

Total Assets
PKR 1 Trillion
+24%

CASA Mix
80%
Dec'21: 75%

Cost to Income
56%
LY: 61%

ADR
58%
Dec'21: 61%

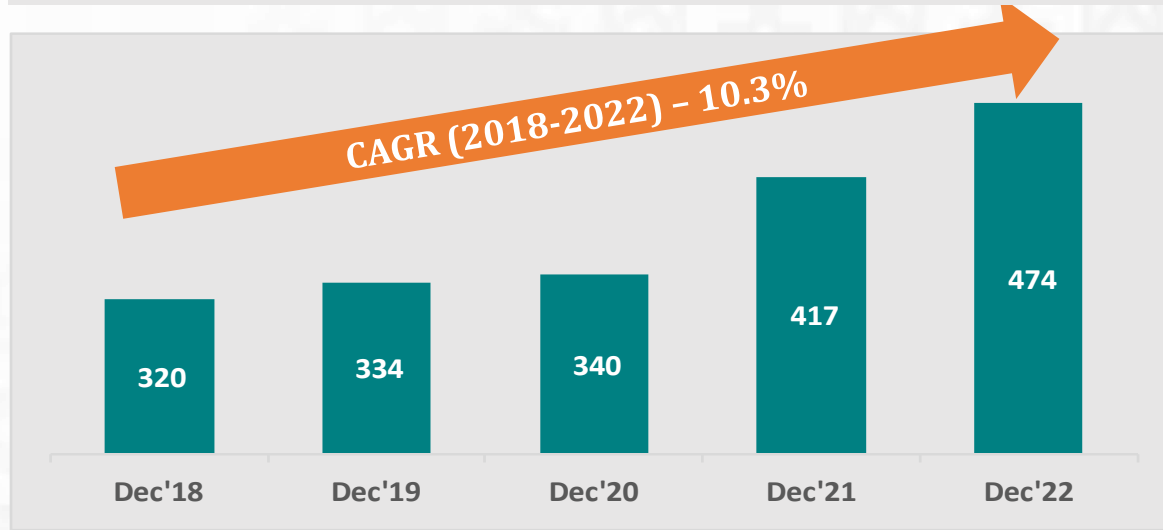
Description Rs in millions		Actual		YoY Variance	
		Dec'22	Dec'21	Amount	%
Cash and Bank balances	1	58,916	62,034	(3,118)	-5.0%
Lendings to Fis		9,815	-	9,815	100.0%
Investments	2	469,451	357,471	111,980	31.3%
Advances	3	454,261	396,295	57,966	14.6%
Other assets	4	81,910	53,812	28,098	52.2%
Total assets		1,074,353	869,612	204,741	23.5%
Borrowings from Fis	5	150,134	111,190	38,944	35.0%
Deposits	6	781,571	644,089	137,482	21.3%
Other liabilities	7	72,564	48,510	24,054	49.6%
Total liabilities		1,004,269	803,789	200,480	24.9%
Net assets		70,084	65,823	4,261	6.5%
Share Capital		15,177	15,177	-	0.0%
Reserves and Unappropriated profit		44,258	43,584	674	1.5%
Revaluation of assets	8	10,649	7,062	3,587	50.8%
Total equity		70,084	65,823	4,261	6.5%

- Cash & Bank Balances** - Excess liquidity was deployed in Ijarah Sukuks and call money funds to improve overall spreads.
- Investments** – Ijara Sukuks up by PKR 223 Bn, offset by reduction in conventional investments by PKR 111 Bn
- Advances** – Increase is mainly in commodity financing and government guaranteed exposures.
- Other assets** – The balance sheet growth and policy rate hikes increased accrued markup by PKR 15 Bn. During the year bank also recognized surplus on fixed assets and Non-Banking assets amounting to Rs. 6 Bn
- Borrowings** – Liquidity generated from SBP under new Mudaraba based OMO to fund investment in Ijara Sukuks.
- Deposits** – Focus was to increase CASA; Growth in CA by PKR 63 Bn and SA by PKR 77 Bn
- Other Liabilities** – Increase is pre-dominantly in markup payable of PKR 4 Bn in line with increase in policy rate and settlement account higher by PKR 10 Bn which was subsequently cleared.
- Revaluation of assets** – Increase is mainly attributable to the recognition of surplus on fixed assets – net of tax amounting to PKR 5.6 Bn, partially offset by increase in deficit on investments – net of tax amounting to PKR 2 Bn.

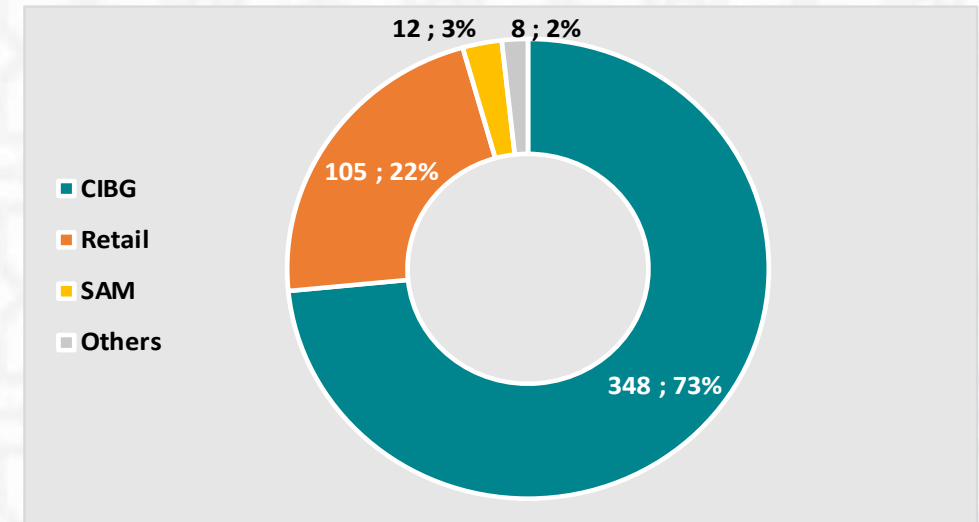
Description Rs in millions	Actual		YoY Variance		
	Dec'22	Dec'21	Amount	%	
Mark-up / return earned	104,521	53,869	50,652	94.0%	
Mark-up / return expensed	(64,533)	(28,035)	(36,498)	-130.2%	
Net markup-up income	1	39,988	25,834	14,154	54.8%
Total non-Markup Income	2	8,959	8,509	450	5.3%
Gross revenue		48,947	34,343	14,604	42.5%
Total Expenses	3	(27,494)	(20,886)	(6,608)	-31.6%
Operating Profit		21,453	13,457	7,996	59.4%
Provisions reversal / (charge)	4	940	(48)	988	2058.3%
Profit Before Tax		22,393	13,409	8,984	67.0%
Tax @ 39%	5	(8,921)	(5,256)	(3,665)	-69.7%
Profit at previous tax rate		13,472	8,153	5,319	65.2%
Additional tax @ 10%		(2,239)	-	(2,239)	-100.0%
Profit After Tax		11,233	8,153	3,080	37.8%

- Net markup income** – Grown by 55% YoY underpinned by strong balance sheet expansion (Impact: PKR 7.4 Bn) and improvement in overall spreads (Impact: PKR 6.7 Bn).
- Non – markup income** – Increased by 5.3%, growth in fee and FX income helped to offset the loss on securities amounting to PKR 1.8 Bn. Excluding loss on securities, the growth in non-markup income is 28%.
- Admin. Expenses** – Increased by 31.6% on the back of high inflation, PKR devaluation against USD and increase in branch network
- Provisions** – Lower provision charge. Last year provision of PKR 1.3 bn was made for HASCOL. This variance was partially offset by reversal of covid related general provision amounting to PKR 250 Mn.
- Profit After Tax** - Increase in PAT was restricted to 38% due to excessive and retrospective tax (Impact PKR 2.2 Bn). At previous tax rate PAT increase was PKR 5.3 bln or 65%

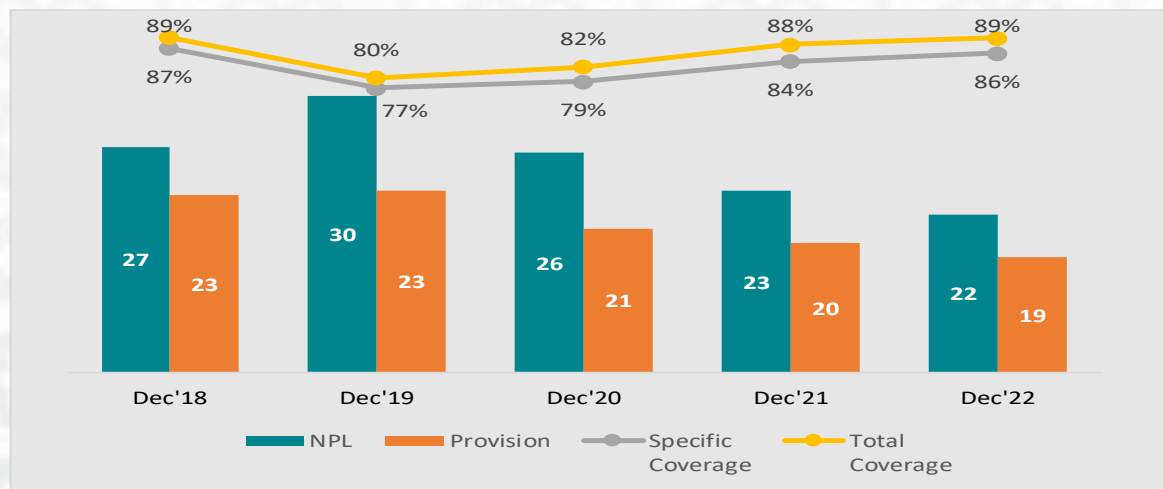
Gross Advances – Rs in Billions



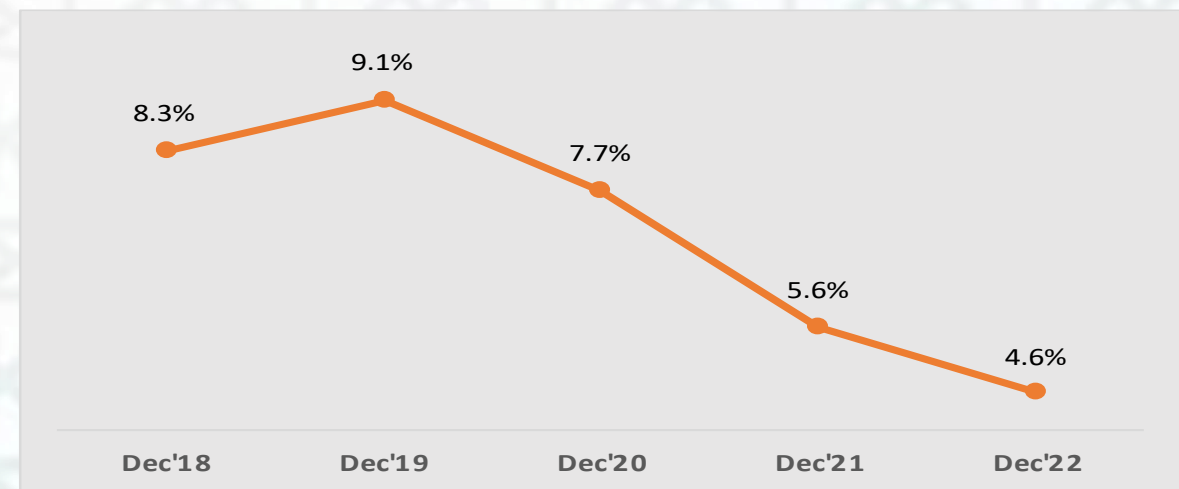
Gross Advances – Business segment wise composition



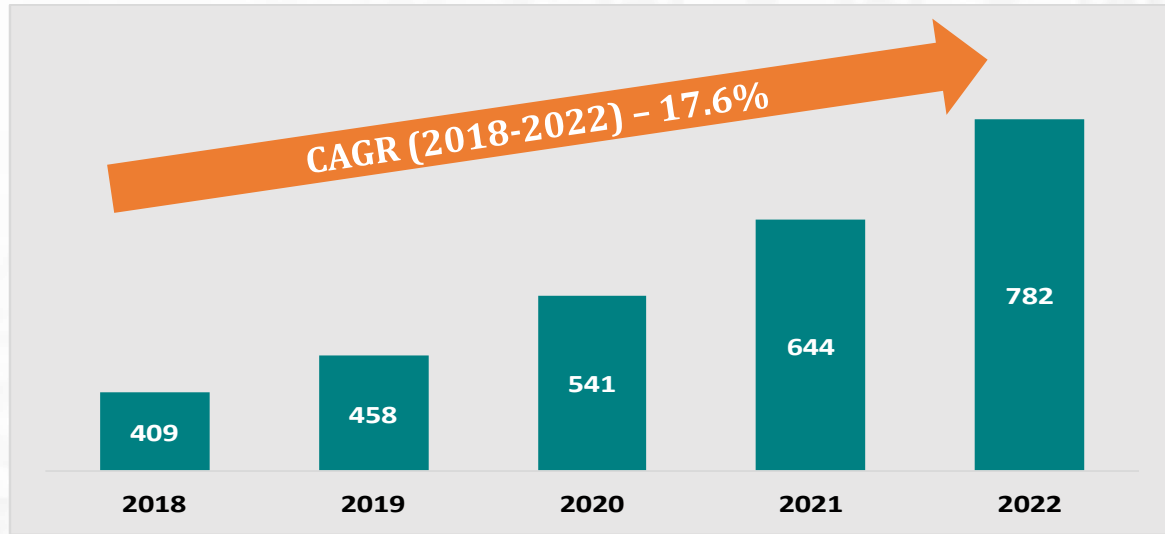
Non-Performing Loans



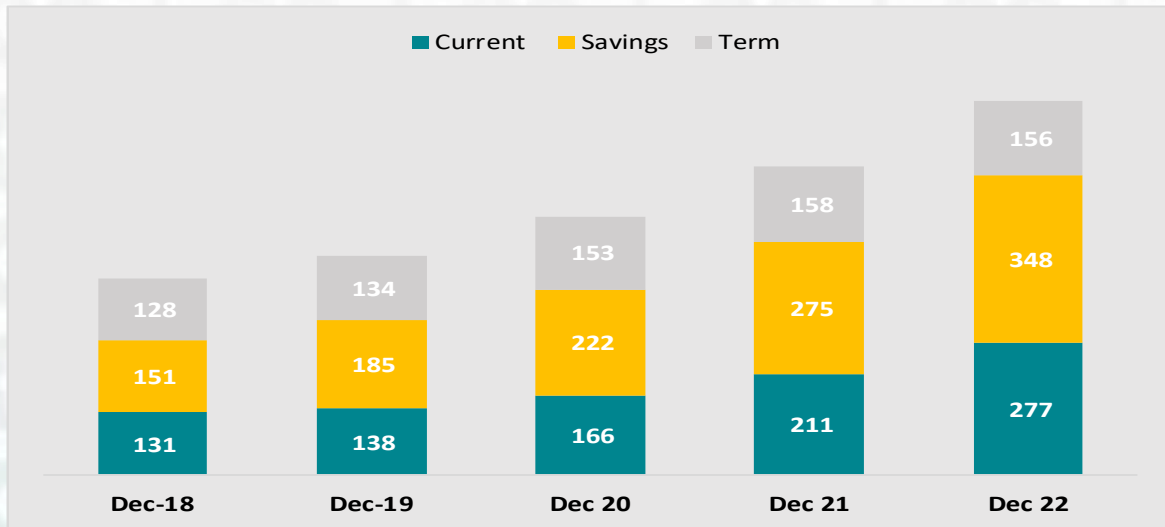
Infection Ratio -



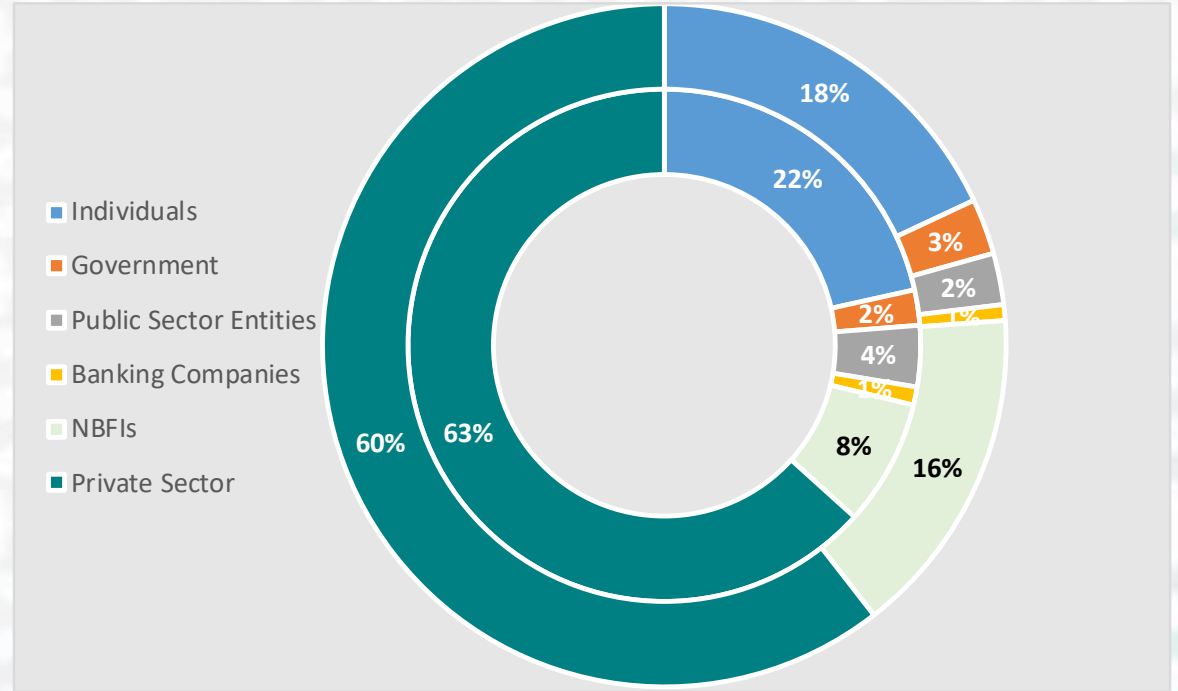
Deposits growth outpacing market growth – Rs in Billions



CASA Mix persistently increasing – Rs in Billions



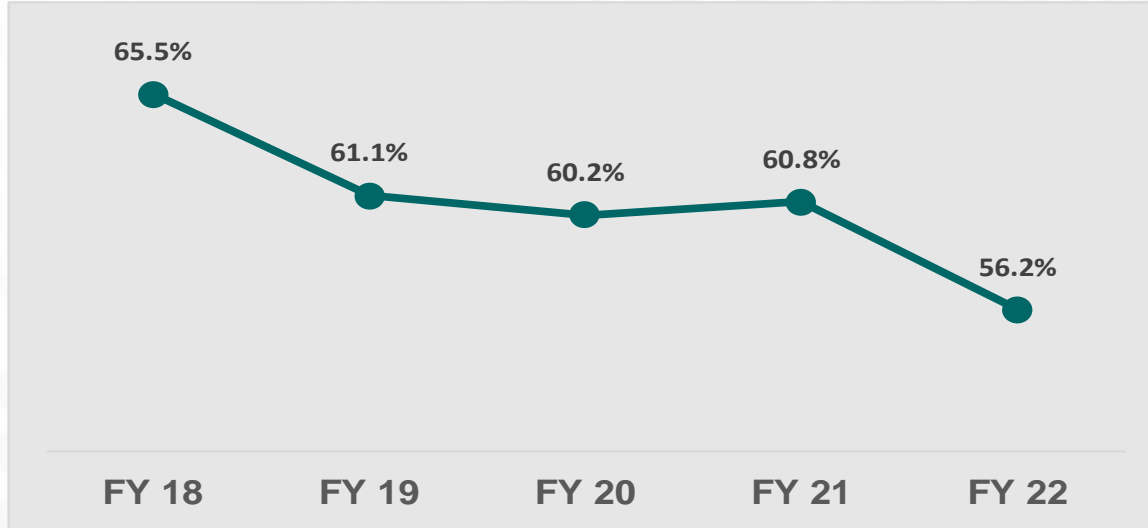
Sector wise deposit composition



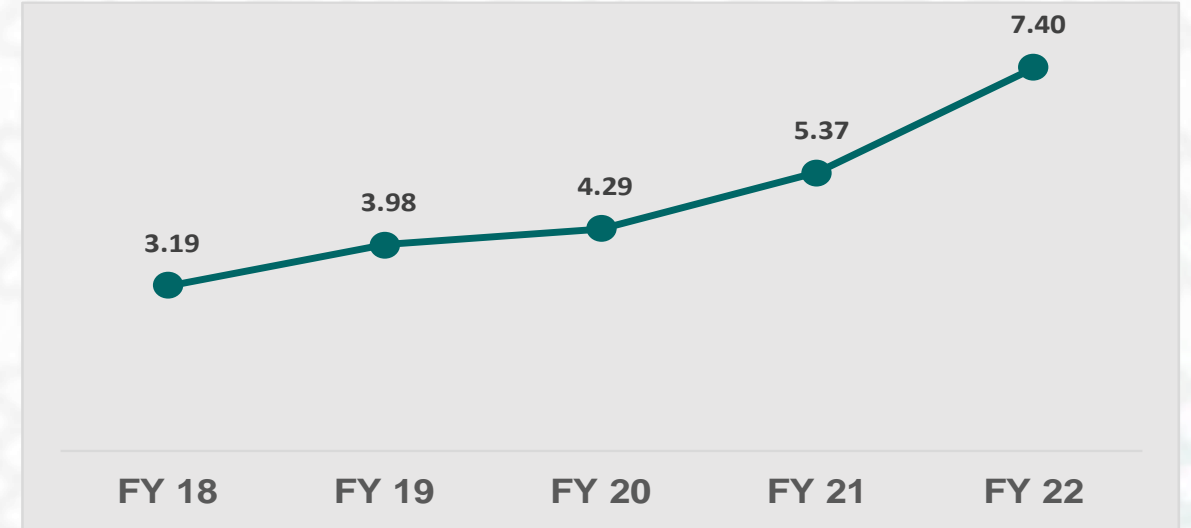
Outer ring: 2022
Inner ring: 2021

Ratios

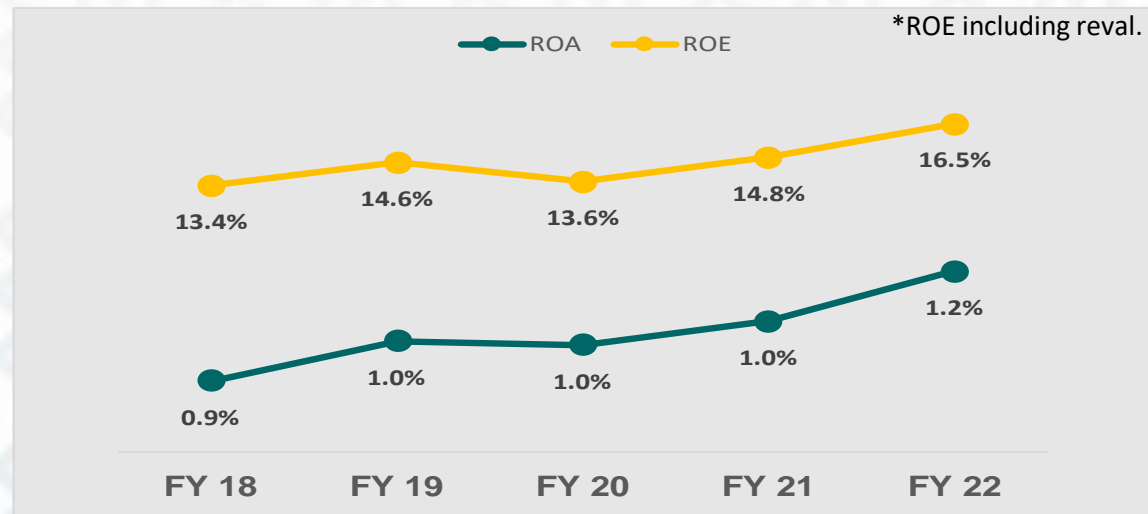
Cost to Income ratio - Continued to improve and is at 56%



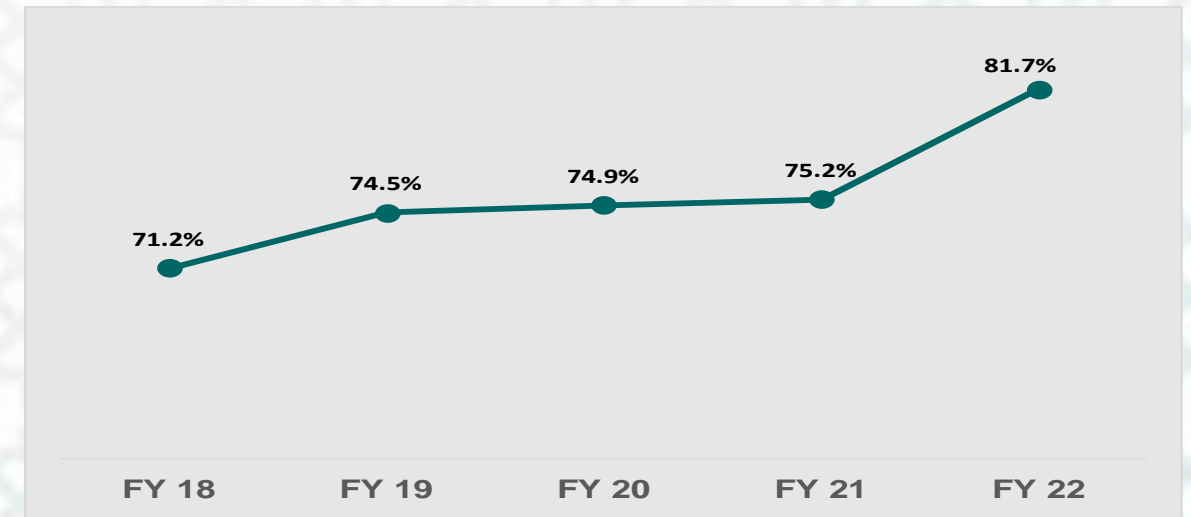
Earning Per Share – Consistent growth in profitability



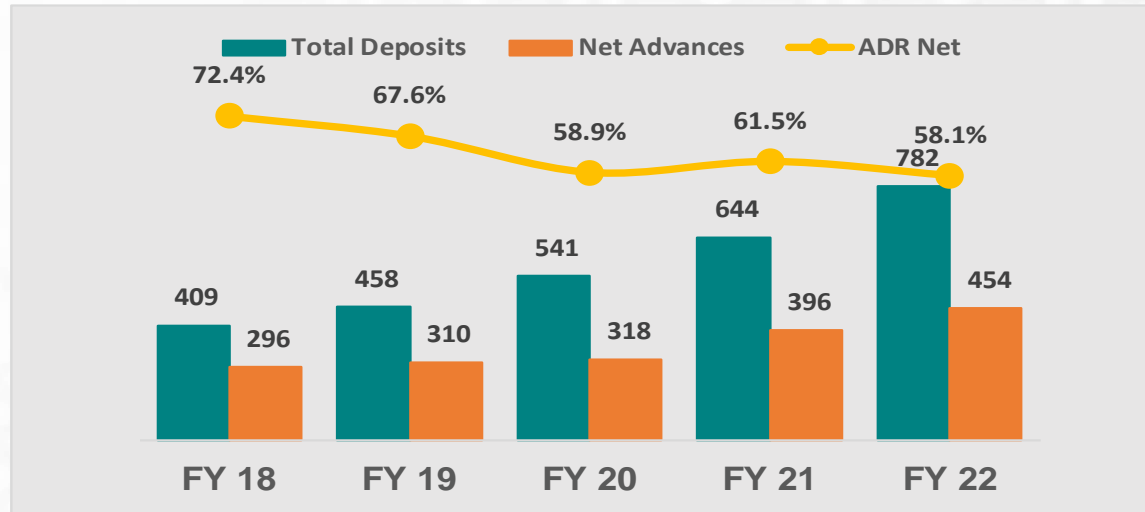
Strong set of earnings despite of excessive tax charge in YE'22



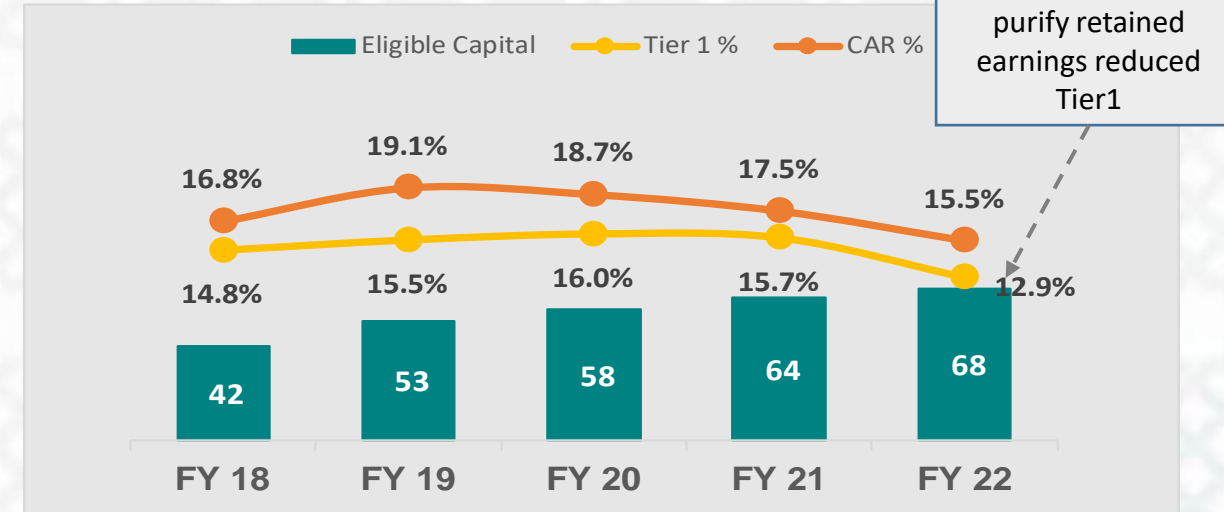
NII to Gross revenue - Strong contribution in Dec'22



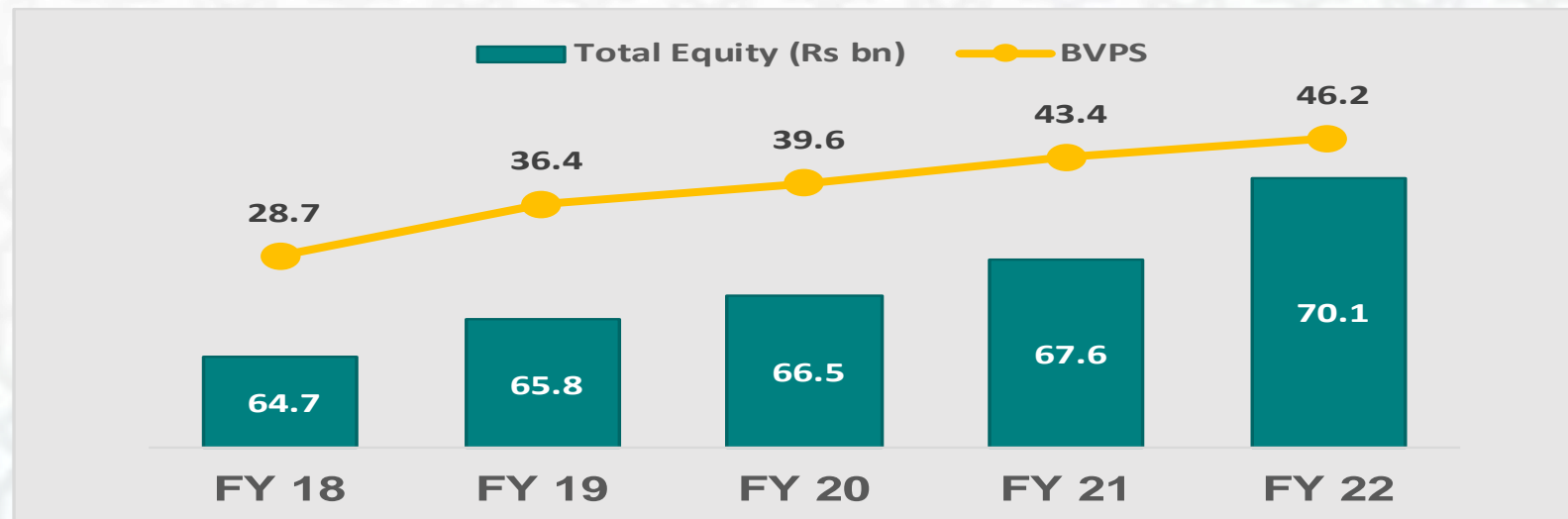
Advances to Deposits Ratio - Among the highest



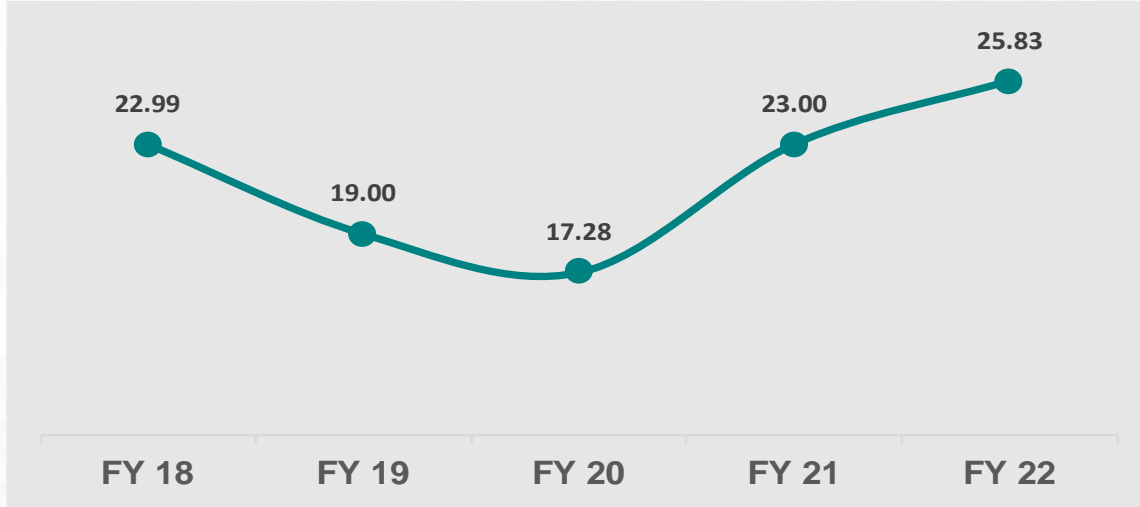
Strong Capital Position



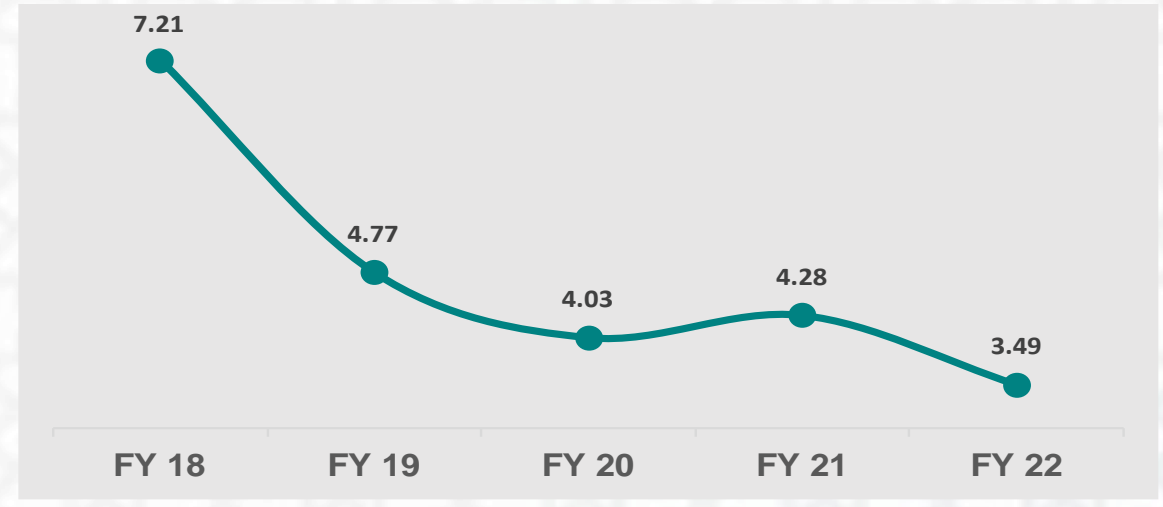
Equity & Book Value Per Share (BVPS) on increasing trajectory



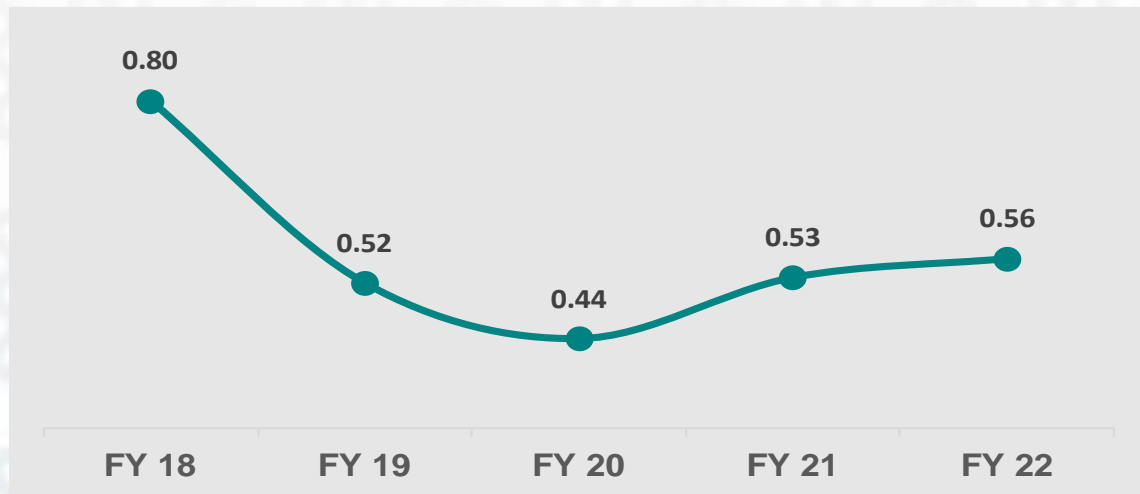
Share price



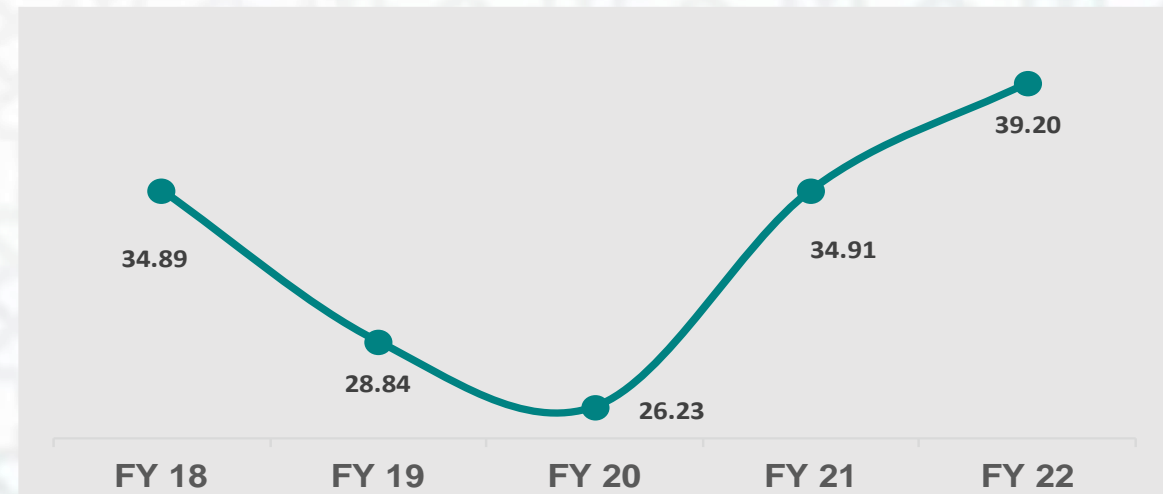
Price Earning Ratio



Price to Book Ratio



Market Capitalization – Rs in Bn

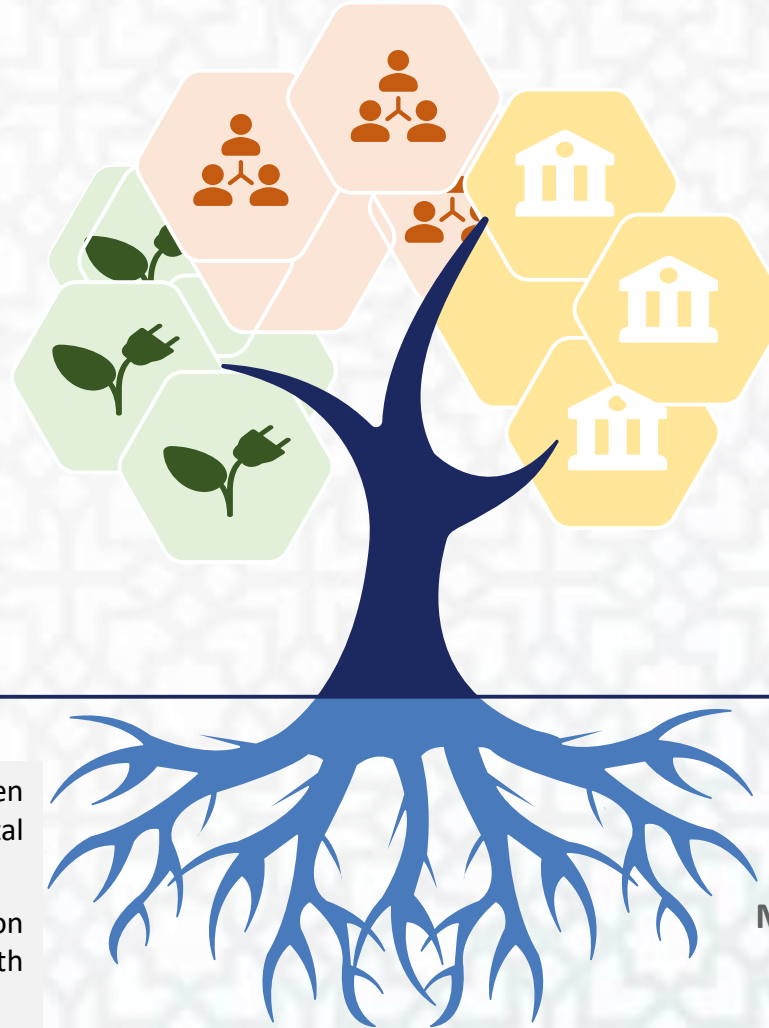


ESG

With the goal to instill environmental awareness among the Bank's personnel and client base and the belief in core Islamic Values of equality, Faysal Bank has a comprehensive CSR, Green Banking & Diversity Policy.

Environmental

- New equipment being purchased for the branches is all energy star certified
- Comprehensive strategy put into action to certify all bank cars and generators in order to cut down on carbon emissions.
- Aggressively raising awareness about Green Banking activities such as digital banking and e-statement subscriptions.



Social

- "Amal", branded account for women
- Launched 13 dedicated PWD branches
- Mentoring program introduced to increase women in senior role as "Amal Leadership Development Program".
- 540 learning sessions were organized for staff
- Gender diversity at 19%
- Contributed Rs. 88 million to Waqf Faisal

Governance

- Strong governance structure to drive right behavior, delivers on evolving regulatory requirements and protect our employees, customers and society.
- Balanced and experience board composition



Policies

- Created a comprehensive "Green Banking Policy" to instill environmental awareness
- Introduced policies related to Banking on Equality(BoE) & Persons with Disabilities(PWD)



Environmental Risk Management Framework

Developed an Environmental Risk Management Framework that includes the implementation of Environmental Risk Rating (ERR)



Awareness Training

Environmental awareness training to employees outlining the concept of Green banking

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Thank You