

Islamic Banking Bulletin

December 2019

**Islamic Banking Department
State Bank of Pakistan**

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Islamic Banking Industry - Progress & Market Share

Overview

Assets of Islamic banking industry increased by 9.6 percent (Rs. 289 billion) during the quarter October to December, 2019 and stood at Rs. 3,284 billion by December 31, 2019. Similarly, deposits of Islamic banking industry experienced a quarterly growth of 10.2 percent (Rs. 245 billion) and were recorded at Rs. 2,652 billion by end December, 2019. Market share of Islamic banking assets and deposits in the overall banking industry was recorded at 14.9 percent and 16.6 percent, respectively by end December, 2019 (see **Table 1**). Profit before tax of Islamic banking industry was recorded at Rs. 66 billion by end December, 2019.

| Particulars | Industry Progress | | | YoY Growth (%) | Share in Overall Banking Industry (%) | | |
|--|-------------------|--------|--------|----------------|---------------------------------------|--------|--------|
| | Dec-18 | Sep-19 | Dec-19 | Dec-19 | Dec-18 | Sep-19 | Dec-19 |
| Assets (Rupees in billion) | 2,658 | 2,995 | 3,284 | 23.5 | 13.5 | 13.8 | 14.9 |
| Deposits (Rupees in billion) | 2,203 | 2,407 | 2,652 | 20.4 | 15.5 | 16.1 | 16.6 |
| Number of Islamic banking institutions | 22 | 22 | 22 | - | - | - | - |
| Number of Islamic banking branches** | 2,851 | 2,979 | 3,226 | 13.2 | - | - | - |

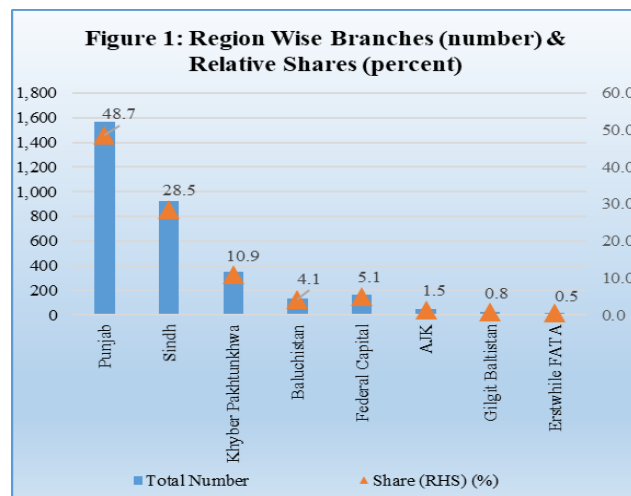
Source: Data submitted by banks under quarterly Reporting Chart of Accounts (RCOA)

*Figures in this bulletin are rounded off

**Including sub-branches

Branch Network of Islamic Banking Industry

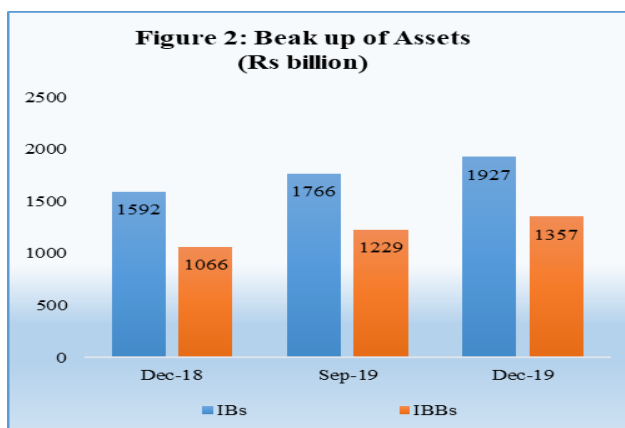
The network of Islamic banking industry consisted of 22 Islamic banking institutions; 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs) with 3,226 branches spread across 120 districts by end December, 2019. The number of Islamic banking windows operated by conventional banks having IBBs stood at 1,373 (see **Figure 1** and **Annexure I** for details).



Asset and Liability Structure

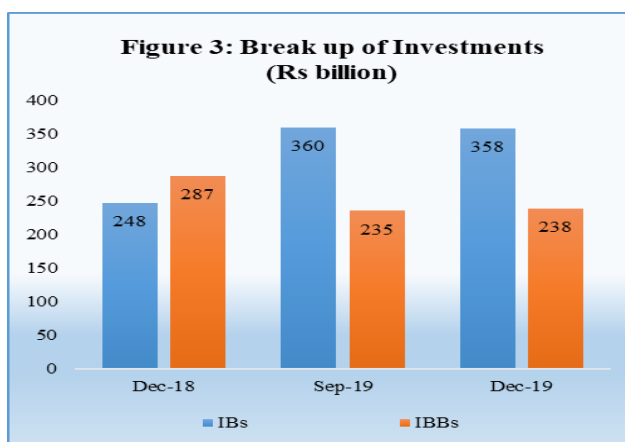
Assets: Assets of Islamic banking industry increased by Rs. 289 billion during the quarter October to December, 2019 and were recorded at Rs. 3,284 billion, compared to Rs. 2,995 billion in the previous quarter. Market share of Islamic banking industry's assets in overall banking industry's assets was recorded at 14.9 percent by end December, 2019. The share of financing and investments (net) in total assets of Islamic banking industry stood at 49.4 percent and 18.2 percent, respectively by end December, 2019 (see section below on **Investments, Financing and Related Assets** for details).

Bifurcation of assets among IBs and IBBs reveals (see **Figure 2**) that assets of full-fledged Islamic banks increased by 9.1 percent (Rs. 161 billion) and were recorded at Rs. 1,927 billion while assets of IBBs increased by 10.4 percent (Rs. 128 billion) and were recorded at Rs. 1,357 billion by end December, 2019. In terms of share, IBs accounted for 58.7 percent and IBBs 41.3 percent share in overall assets of Islamic banking industry during the period under review.



Investments

Investments (net) of Islamic banking industry witnessed an increase of Rs. 2 billion and were recorded at around Rs. 597 billion by end December, 2019 compared to Rs. 595 billion in the previous quarter. During the period under review, investments (net) of IBs declined by Rs. 1.3 billion while that of IBBs increased by Rs. 3.4 billion (see **Figure 3**).



Financing and Related Assets

Financing and related assets (net) of Islamic banking industry increased by 5 percent (Rs. 77 billion) to reach at Rs. 1,623 billion by end December, 2019. Breakup of financing and related assets (net) among full-fledged Islamic banks and Islamic banking branches of conventional banks reveals that financing and related assets (net) of IBs increased by 4.2 percent (Rs. 38 billion) during the period under review and stood at Rs 932 billion.

Similarly, financing and related assets (net) of IBBs, while experiencing a growth of 6 percent (Rs. 39 billion), reached at Rs. 690 billion by end December, 2019. In terms of mode wise financing, the share of Diminishing Musharaka remained the highest in overall financing of Islamic banking industry with a share of 34.1 percent, followed by Musharaka (19.8 percent) and Murabaha (12.9 percent) (see **Table 2**).

| Mode | Dec-18 | Sep-19 | Dec-19 |
|-----------------------|--------------|--------------|--------------|
| Murabaha | 13.6 | 13.0 | 12.9 |
| Ijarah | 6.2 | 6.1 | 5.7 |
| Musharaka | 19.9 | 20.0 | 19.8 |
| Diminishing Musharaka | 33.3 | 35.0 | 34.1 |
| Salam | 2.4 | 2.3 | 2.6 |
| Istisna | 9.1 | 8.7 | 9.5 |
| Others | 15.5 | 14.9 | 15.4 |
| Total | 100.0 | 100.0 | 100.0 |

| | Dec-18 | Sep-19 | Dec-19 | Industry |
|---|---------------|---------------|---------------|-----------------|
| Chemical and Pharmaceuticals | 3.6 | 3.4 | 3.7 | 3.5 |
| Agribusiness | 7.6 | 7.2 | 7.3 | 7.9 |
| Textile | 13.0 | 11.9 | 13.4 | 13.6 |
| Cement | 3.6 | 3.5 | 3.7 | 2.1 |
| Sugar | 2.8 | 2.5 | 2.5 | 2.5 |
| Shoes and leather garments | 0.5 | 0.5 | 0.5 | 0.4 |
| Automobile and transportation equipment | 1.2 | 1.4 | 1.6 | 2.0 |
| Financial | 0.5 | 0.4 | 0.5 | 2.8 |
| Electronics and electrical appliances | 1.2 | 1.1 | 1.1 | 2.8 |
| Production and transmission of energy | 17.7 | 18.3 | 18.4 | 15.1 |
| Individuals | 11.4 | 11.4 | 11.0 | 8.6 |
| Others | 36.8 | 38.4 | 36.4 | 38.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

In terms of sector wise financing, production & transmission of energy slightly improved its position with its share recorded at 18.4 percent in overall financing of Islamic banking industry, followed by textile (13.4 percent) and individuals (11 percent) by end December, 2019 (see **Table 3**).

Review of client wise financing reveals that corporate sector accounted for 74.6 percent share in overall financing of Islamic banking industry, followed by commodity financing with a share of 10.1 percent and consumer financing 9.9 percent. The share of small and medium enterprises (SMEs) financing and agriculture financing in overall financing of Islamic banking industry were recorded at 3.5 percent and 0.4 percent, respectively (see **Table 4**).

| Sector | Dec-18 | Sep-19 | Dec-19 | Industry |
|---------------------|---------------|---------------|---------------|-----------------|
| Corporate | 74.3 | 73.6 | 74.6 | 71.7 |
| SMEs | 3.7 | 3.3 | 3.5 | 5.4 |
| Agriculture | 0.3 | 0.4 | 0.4 | 3.9 |
| Consumer Financing | 10.1 | 10.4 | 9.9 | 6.4 |
| Commodity Financing | 10.5 | 11.0 | 10.1 | 9.0 |
| Staff Financing | 0.9 | 1.1 | 1.1 | 1.7 |
| Others | 0.2 | 0.2 | 0.3 | 1.9 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Asset Quality

Asset quality indicators of Islamic banking industry including non-performing finances (NPFs) to financing (gross) and net NPFs to net financing increased and were recorded at 4.3 percent and 2 percent, respectively by end December, 2019 (see **Table 5**) owing to increase in NPFs.

| Ratio | Dec-18 | Sep-19 | Dec-19 | Industry |
|---------------------------|---------------|---------------|---------------|-----------------|
| NPFs to Financing (gross) | 2.4 | 3.1 | 4.3 | 8.6 |
| Net NPFs to Net Financing | 0.4 | 0.9 | 2.0 | 1.7 |
| Provisions to NPFs | 83.2 | 72.4 | 54.0 | 81.4 |

Liabilities

Deposits of Islamic banking industry were recorded at Rs. 2,652 billion by end December, 2019. Market share of Islamic banking industry's deposits in overall banking industry's deposits increased to 16.6 percent by end December, 2019 compared to 16.1 percent in the previous quarter. The category wise breakup of deposits shows that all three categories of deposits reflected growth during

the period under review. Fixed deposits increased by 10.2 percent (Rs. 55 billion) while current (non-remunerative), saving and current (remunerative) deposits increased by 10.1 percent (Rs. 76 billion), 8.9 percent (Rs. 79 billion) and 11.4 percent (Rs. 1 billion), respectively by end December, 2019 (see **Table 6**).

| | Rupees in billion | | | Growth (%) | |
|-------------------------------------|-------------------|--------------|--------------|-------------|-------------|
| | Dec-18 | Sep-19 | Dec-19 | YoY | QoQ |
| Customers | | | | | |
| Fixed Deposits | 463 | 544 | 599 | 29.4 | 10.2 |
| Saving Deposits | 828 | 880 | 959 | 15.8 | 8.9 |
| Current accounts – Remunerative | 9 | 10 | 11 | 30.1 | 11.4 |
| Current accounts - Non-remunerative | 737 | 759 | 835 | 13.3 | 10.1 |
| Others | 18 | 19 | 30 | 66.4 | 54.3 |
| Sub-total | 2,055 | 2,212 | 2,434 | 18.5 | 10.0 |
| Financial Institutions | | | | | |
| Remunerative Deposits | 144 | 190 | 212 | 46.9 | 11.4 |
| Non-remunerative Deposits | 4 | 5 | 6 | 59.3 | 38.0 |
| Sub-total | 148 | 195 | 218 | 47.2 | 12.0 |
| Total | 2,203 | 2,407 | 2,652 | 20.4 | 10.2 |

Breakup of deposits among IBs and IBBs reveals that deposits of full-fledged Islamic banks increased by 9.1 percent (Rs. 132 billion) during the period under review and were recorded at Rs. 1,583 billion by end December, 2019. Similarly, deposits of IBBs increased by 11.8 percent (Rs. 113 billion) and were recorded at Rs. 1069 billion by end December, 2019. The share of IBs and IBBs in overall deposits of Islamic banking industry stood at 59.7 percent and 40.3 percent, respectively during the period under review.

Liquidity

Liquid assets to total assets and liquid assets to total deposits of Islamic banking industry increased as compared to previous quarter and stood at 20.8 percent and 25.8 percent, respectively by end December, 2019. Financing to deposits ratio (net) of Islamic banking industry was recorded at 61.2 percent by end December, 2019 compared to 51.7 percent of overall banking industry (see **Table 7**).

| Ratio | Dec-18 | Sep-19 | Dec-19 | Industry |
|---------------------------------|--------|--------|--------|----------|
| Liquid Asset to Total Assets | 22.4 | 19.5 | 20.8 | 49.7 |
| Liquid Assets to Total Deposits | 27.0 | 24.3 | 25.8 | 68.4 |
| Financing to Deposits (net) | 68.6 | 64.2 | 61.2 | 51.7 |

Capital

The ratios of Capital to total assets and capital minus net non-performing assets to total assets of Islamic banking industry were recorded at 6.8 percent and 5.7 percent, respectively by end December, 2019 (see **Table 8**). Both the ratios remained lower than those of overall banking industry averages.

| Ratio | Dec-18 | Sep-19 | Dec-19 | Industry |
|------------------------------------|--------|--------|--------|----------|
| Capital to Total Assets | 6.4 | 6.6 | 6.8 | 7.2 |
| (Capital-Net NPAs) to Total Assets | 6.0 | 6.1 | 5.7 | 6.8 |

Profitability

Profit before tax of Islamic banking industry was recorded at Rs. 66 billion by end December, 2019. Profitability ratios like return on assets (ROA) and return on equity (ROE) before tax were recorded at 2.2 percent and 34.4 percent, respectively by end December, 2019. During the period under review, operating expense to gross income ratio was recorded at 51.5 percent, improving further from 52.5 percent recorded in the previous quarter (see **Table 9**). This ratio remained lower than that of overall banking industry ratio.

| | Dec-18 | Sep-19 | Dec-19 | Industry |
|---------------------------------------|---------------|---------------|---------------|-----------------|
| Profit Before Tax (Rupees in billion) | 34 | 46 | 66 | 304 |
| Return on Assets (before tax) | 1.4 | 2.1 | 2.2 | 1.5 |
| Return on Equity (before tax) | 22.3 | 33.2 | 34.4 | 20.1 |
| Operating Expense to Gross Income | 62.9 | 52.5 | 51.5 | 57.6 |

Country Model: Brunei Darussalam

Introduction

Brunei Darussalam is a small, prosperous and oil rich Sultanate located in the Southeast Asian region. Islamic Banking was introduced in the Sultanate in the early 1990s with the establishment of Tabung Amanah Islam Brunei (TAIB), since then the Islamic banking and Finance witnessed a tremendous growth; as of end 2018, total assets of the industry were recorded at US\$276.8 million.

Islamic Banking and Finance

Currently Brunei Darussalam offers dual banking system; both Islamic and conventional banking are operational in the Sultanate. The banking sector is dominated by foreign banks. At present, there are six conventional banks, one Islamic bank and an Islamic trust fund undertaking variety of Islamic banking activities, of which five are foreign banks and three are domestic commercial banks.

Islamic banking and finance started in Brunei with a decree by his Majesty the Sultan of Brunei Darussalam in 1990 in which he stressed on the importance of establishment of an Islamic bank referring to it as a 'fard kifayah' (obligation) for every Muslim country. As a result Tabung Amanah Islam Brunei (TAIB) was launched in 1991, the first financial institution which offers savings and financing in accordance to principles of Shariah. In 1993, the Sultanate welcome the first full-fledged Islamic bank (Islamic bank of Brunei) following the conversion of the Islamic Bank of Brunei. In 2000, Development Bank of Brunei was converted in to full-fledged Islamic bank and was named Islamic Development Bank of Brunei (IDBB). In 2005, Islamic development bank and Islamic bank of Brunei were merged in one bank named Bank Islam Brunei Darussalam (BIBD). As of 2018, BIBD owned five subsidiaries dealing in hire purchase and fund management services. Brunei maintains the highest domestic share of Islamic banking assets after Iran and Sudan. As of 2018, Islamic banking in the Sultanate accounted for 63.5% of total assets, 62.9% of total deposits, and 60.4% of total loans/financing of the banking sector. However, its share in global Islamic banking industry is not very high; it accounts only 0.5 percent of global Islamic banking assets. (IFSB Stability Report 2019)

Regulatory Environment

Brunei Darussalam's legal system is based on the English common law although the country has a strong Islamic tradition that is embedded in various legislation introduced over the years including the areas of banking, Takaful and accounting. The launching of Perbadanan Tabung Amanah Islam Brunei (TAIB) under the TAIB Act marked a new beginning for Brunei Darussalam, as TAIB was the first financial institution that conducted all its activities in accordance with Islamic faith. Constitution of National Shariah Board was a major landmark of 2006. Brunei Darussalam has a two-tier Shariah governance structure; (i) a centralized Shariah Financial Supervisory Board (SFSB), where Central Bank of Brunei; Autoriti Monetari Brunei Darussalam (AMBD) is the secretariat, and (ii) an internal Shariah Advisory Body (SAB) within each Islamic financial institution. In 2008, AMBD, issued Islamic banking regulations which covered areas like licensing of Islamic banks, reserve funds, dividends, prohibited business, minimum asset requirements, power of control over Islamic banks and unclaimed balance). AMBD issues and updates its regulations for Islamic banking from time to time the most significant in recent past are three notices and guidelines, namely the Islamic Product Approval Process Guidelines, the Shariah Governance Framework (SGF), and the Internal Shariah Audit Framework (ISAF) to strengthen the Shariah compliance in the Islamic finance ecosystem.

Takaful

Conventional service providers dominates the Brunei Insurance market. Islamic insurance in Brunei is regulated by the Takaful Order of 2008 and governed by the central bank as well as the Brunei Insurance and Takaful Association launched in 2012. At present, there are twelve insurers in Brunei, of which four are Shariah compliant namely, Insurans Islam TAIB General Takaful, Insurans Islam TAIB Family Takaful, Takaful Brunei Keluarga and Takaful Brunei Am.

Sukuk

Brunei has an active market of short-term Sukuk issuance, but a stagnant corporate Sukuk segment. Since 2006, the government has been issuing short-term (less than 12 months) Sukuk via AMBD to institutional investors. Offering Ijarah facilities on a monthly basis, the papers are consistently fully oversubscribed. With the latest series, Brunei has issued over US\$9.39 billion worth of short-term Sukuk Ijarah securities since the first offering in April 2006.

Way Forward

Over the years, Islamic financial services in Brunei witnessed tremendous growth. With the increasing focus of government and having majority Muslim population, Brunei is expected to make an important place in the international Islamic financial industry.

Sources of Information

- Islamic finance news {<https://www.islamicfinancenews.com/brunei>} Accessed on January 10, 2020
- Autoriti Monetari Brunei Darussalam { <https://ambd.gov.bn/publications> } Accessed on January 10, 2020
- The World Bank {<https://www.worldbank.org/>} Accessed on January 09, 2020
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- Central Intelligence Agency The Fact Book {<https://www.cia.gov/the-world-factbook/>} Accessed on January 17, 2020
- International Islamic Financial Market { <http://www.iifm.net> } Accessed on January 15, 2020

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shariah Standard No. 18: Possession (Qabd)

State Bank of Pakistan, vide IBD Circular No. 01 of 2019, has adopted six AAOIFI Shariah Standards; (i) No. 2 (Debit Card, Charge Card and Credit Card), (ii) No. 5 (Guarantees), (iii) No. 14 (Documentary Credit), (iv) No. 18 (Possession (Qabd)), (v) No. 24 (Syndicated Financing) and (vi) No. 38 (Online Financial Dealings). These standards are being discussed in detail one by one in six issues of quarterly bulletin since January 2019.

Uptill now three standards i.e.(i) No. 2 (Debit Card, Charge Card and Credit Card), (ii) No. 5 (Guarantees), (iii) No. 14 (Documentary Credit), among the above mentioned standards have been covered while in the current issue, Standard No. 18 (Possession (Qabd)), is discussed below with amendments advised by Shariah Advisory Committee of State Bank of Pakistan.

Preface

The purpose of this standard is to elaborate actual possession in contracts along with its related Shari'ah rules as well as the significant applications undertaken by Islamic financial Institutions (Institution/Institutions).

1. Scope of the Standard

This standard covers possession in contracts and what acts as a constructive substitute for it (constructive possession). It elaborates the mode of its realization in immovable and movable property as well as in things that are ascertained and those established as a liability by description. The standard also identifies the person responsible for its costs (maintenance and expenses) in various types of contracts along with their modern applications.

The standard does not cover acts other than contracts, like possession in usurpation (Ghasb) and the like. Further, it does not cover the nature of possession with respect to liability for compensation or otherwise, nor to possession in set-offs, as these have their specific standards.

2. Definition of Possession

Possession is the gathering of a thing or what takes its rule, according to the requirements of customary practice.

3. Mode of Taking Possession

3/1-The basis for determining the mode of possession in things is custom ('Urf). It is for this reason that possession of things has differed in accordance with the nature of things and differences among people with respect to things.

3/2-Actual possession is realized in immovable property through relinquishment and enabling transactions in it.

3/3-Actual possession takes place in movables through physical corporeal delivery. Constructive possession, in ascertained movables as well as in those established as a liability by description, takes place after their ascertainment by means of one of the methods known for their ascertainment- by relinquishing (releasing) the thing for the person entitled to it enabling him to deliver it without any obstacle even when no transportation or transmission has taken place. This takes place irrespective of

the thing being that is acquired by hand in practice or is one in which delivery (transmission) is stipulated through one of the customary units of measure -cubic measure, weight or linear measure- or it is a commodity to which these measures do not apply due to their inapplicability or with the possibility of their applicability, but the measures are not applied, as in the case of sale by estimate.

3/4-Constructive possession includes the registration of a mortgage of immovables and (hypothecation) of mobile movables like cars, trains, steamers and airplanes through registration that is valid under the law. Registration stands in place of actual possession with respect to its rules and legal effects.

3/5-The possession of documents, like bills of lading and warehouse receipts, issued in the name of the possessor or acknowledging his interest therein is deemed constructive possession of what the documents represent if the ascertainment of commodities, goods and appliances is attained through them along with the ability of the possessor to undertake transactions in them.

3/6-Prior possession of a tangible thing stands in place of subsequent lawful possession due to a cause acknowledged by the Shari'ah irrespective of the possession of the prior possessor being on the basis of the liability to bear loss (Daman) or one of trust (Amanah) and irrespective of the subsequent constructive possession entailing liability for loss or a burden of trust (Amanah).

3/7-Reciprocal possession stipulated in the contract of Sarf (transaction in gold, silver and currencies) is delivery and acceptance of delivery within the session of the contract on a spot basis (Yadan Bi Yadin). [See item 2/6 of Shari'ah Standard No. (1) on Trading in Currencies].

4. Expenses of Possession

4/1- Expenses of possession in financial commutative contracts

4/1/1-The expenses of delivering the sold commodity -for presenting it if it is absent, for ascertaining it through one of the customary units where that entails a claim for ascertainment like wages of employing a cubic measure, weight, linear measure and counting- is the responsibility of the seller. As for the expenses of delivering the price, if any, it is the responsibility of the buyer, unless there is a stipulation or customary practice to the contrary, in which case it is binding to follow such stipulation or practice.

4/1/2-The expenses of conveyancing, witnessing, preparation of instruments that record a sale and the formalities of registration are borne as stipulated by the parties to the contract. If there is no such stipulation on their part, customary practice is relied upon.

4/1/3-Where it is stipulated by the buyer for the seller that the sold commodity be delivered at a particular place, other than the one where it is present at the time of the contract, and that it be delivered at the expense of the seller, the seller is bound to deliver it at the specified place and the expenses of transporting it to such place will be borne by the seller.

4/1/4-The rules for the expenses of possession explained in items 4/1/1, 4/1/2 and 4/1/3 apply to all financial commutative contracts, like Salam, Istisna'a and others. Accordingly, the expenses of delivering the Salam commodity will be borne by the seller, the expenses of delivering the capital (Ras al-Mal) will be borne by the Rab al-Salam (the buyer); the expenses of taking possession of the leased property will be borne by the lessor, the expenses for the delivery of possession of the lease value (wages) shall be borne by the lessee; and the expenses for delivering the subject matter of Istisna'a will be borne by the manufacturer, while the expenses for the delivery of the price shall be borne by the orderer. In all these cases, if there is a customary practice or stipulation to the contrary, then, such practice or stipulation shall be observed.

4/2 Expenses for delivery of possession in a loan (Qard)

4/2/1-The expenses for delivery and recovery in a contract for loan, expenses that pertain to its ascertainment through one of the customary units of measures and the like shall be borne by the borrower.

4/2/2-The expenses for the drawing up of documents, promissory notes, title deeds and the like that are required for transacting a loan contract; its implementation or documentation shall be borne by the borrower. [see Shari'ah Standard No. (19) on Loan (Qard), item 81]

4/3 Expenses for delivery of possession in a deposit (Wadi'ah)

The expenses of deposit and withdrawal in a contract of deposit shall be borne by the depositor (the owner of the deposit).

5. Key Modern Applications of Possession

5/1-Possession by the beneficiary of a bank draft or personal cheque is deemed constructive possession of the amount payable by the drawee bank. This is deemed possession of the payable amount even though there is delay in the payment of the actual amount, keeping in view what is laid down in Shari'ah Standard No. (1) On Trading in Currencies (item 2/6/5) as well as what is laid down in the Shari'ah Standard No. (12) On Commercial Papers (items 6/1 and 6/2).

5/2-Payments for a credit card are deemed constructive possession of such payments. [see Shari'ah Standard No. (2) on Debit Cards and Credit Cards (item 4/4)]

5/3-A deposit by a person of an amount in a bank account maintained for a debtor, upon his demand or with his consent, is deemed constructive possession irrespective of the deposit being by way of cash, by endorsement or by cheque drawn upon a bank with which an account is maintained, and the depositor is absolved of liability when he is indebted to the extent of such amount.

Adoption of the Standard in Pakistan

For adoption of the standard in the country, following amendments have been made on the advice of Shariah Advisory Committee - State Bank of Pakistan; following practice, all amendments are in the form of footnotes.

| Clause No. | Original clause | Clarifications/amendments |
|------------|---|---|
| 3/6 | Prior possession of a tangible thing stands in place of subsequent lawful possession due to a cause acknowledged by the Shari'ah irrespective of the possession of the prior possessor being on the basis of the liability to bear loss (Daman) or one of trust (Amanah) and irrespective of the subsequent constructive possession entailing liability for loss or a burden of trust (Amanah). | The term 'a tangible thing' should be read as 'an asset'. |
| 3/7 | Reciprocal possession stipulated in the contract of Sarf (transaction in gold, silver and currencies) is delivery and acceptance of delivery within the session | This is not applicable for transactions where currency is involved. |

| | | |
|-----|--|--|
| | of the contract on a spot basis (Yadan Bi Yadin). [see item 2/6 of Shari'ah Standard No. (1) on Trading in Currencies] | |
| 4/3 | The expenses of deposit and withdrawal in a contract of deposit shall be borne by the depositor (the owner of the deposit). | The clause 4/3 is restricted to the contract of Wadi'ah, which refers to a contractual arrangement in which one party places its asset with another party for safekeeping purpose. The heading of the clause to be read as 'Expenses of possession in Wadi'ah' while the text of the clause should be read as: 'The expenses related to keeping of Wadi'ah or returning of it in the contract of Wadi'ah shall be borne by the owner of the Wadi'ah'. |
| 5/1 | Possession by the beneficiary of a bank draft or personal cheque is deemed constructive possession of the amount payable by the drawee bank. This is deemed possession of the payable amount even though there is delay in the payment of the actual amount, keeping in view what is laid down in Shari'ah Standard No. (1) On Trading in Currencies (item 2/6/5) as well as what is laid down in the Shari'ah Standard No. (12) On Commercial Papers (items 6/1 and 6/2). | Personal cheque means any instrument issued by the bank against which consideration is received. |
| 5/2 | Payments for a credit card are deemed constructive possession of such payments. [See Shari'ah Standard No. (2) on Debit Cards and Credit Cards (item 4/4)]. | The clause should be read as 'Payments through a credit card are deemed constructive possession of such payments'. |
| 5/3 | A deposit by a person of an amount in a bank account maintained for a debtor, upon his demand or with his consent, is deemed constructive possession irrespective of the deposit being by way of cash, by endorsement or by cheque drawn upon a bank with which an account is maintained, and the depositor is absolved of liability when he is indebted to the extent of such amount. | The clause should be read as follows: 'A deposit by or on behalf of a person (debtor/borrower) of an amount in a bank account of a creditor, upon his demand or with his consent, is deemed constructive possession irrespective of the deposit being by way of cash, by bank transfer or by cheque payable by drawee bank, and the depositor is absolved of liability when he is indebted to the extent of such amount'. |

Source:AAOIFI website: <http://aoifi.com/>IBD Circular No. 01 2019, March 01, 2019 {<http://www.sbp.org.pk/ibd/2019/C1.htm>}

Events and Developments at Islamic Banking Department (IBD)-SBP

- **Training Program on ‘Fundamentals of Islamic Banking Operations (FIBO)’**

This 5-day training program aims at up-scaling capacity levels of banking field staff, and promoting awareness amongst Shariah scholars and academia. During the 4th Quarter of the 2019, four iterations of ‘Fundamentals of Islamic Banking Operations (FIBO)’ were held at Bahawalpur, Quetta, Peshawar and Faisalabad to upgrade capacity level of various stakeholders which includes bankers, academia and Shariah scholars.

- **Capacity Building Programs for Focus Group on Islamic Finance at MoF**

In order to strengthen linkages with Ministry of Finance (MoF) on matters related to Islamic finance, there was a need to set up a focal point at MoF. Accordingly, Islamic Banking Department collaborated with MoF and established a ‘Focus Group on Islamic Finance at MoF’, which serves as a center point to deal with all matters related to Islamic banking and finance. To equip them with necessary tool kit, a series of capacity building programs for the Focus Group have been planned in collaboration with NIBAF. During the last quarter of 2019, one program was organized for focal persons at MoF and other relevant government departments at NIBAF Islamabad.

- **Thought Leadership Session on ‘Bitcoin / Crypto Currency from an Islamic and Regulatory Perspective’**

Islamic Banking Department organized an exclusive ‘Thought Leadership Session on ‘Bitcoin / Crypto Currency from an Islamic and Regulatory Perspective’ on October 9, 2019 at SBP Karachi. The session was conducted by Shaikh Nizam Yaquby, an eminent and leading Shariah scholar who sits on the Shariah Boards of various leading Islamic financial institutions across the world. Shaikh Nizam has also been a member of Shariah Board of AAOIFI, a respected international body for setting global standards in Islamic finance. The session was attended by senior officials from SBP and Islamic financial institutions besides members of their Shariah boards’ members.

- **Awareness Series to Promote Financial Inclusion**

It is critical to create a conducive environment for Islamic banking through taking on board critical segments of society which remain out of financial ambit due to faith sensitivities. Hence, in order to raise awareness about Islamic finance amongst traders, businessmen, corporates, academia etc. a series of six awareness programs has been planned. The program is divided into two parts; under the first leg, an awareness program will be held at a leading educational institute during the first half of the day whereas in the second half, an awareness session will be held at a leading chamber of commerce. So far, one program has been conducted at Mardan Chamber of Commerce and Mardan Women University during this quarter.

- **IFN Pakistan Forum-2019**

Islamic Finance News (IFN), in collaboration with State Bank of Pakistan, organized ‘IFN Pakistan Forum’ on December 17, 2019 at Movenpick Hotel Karachi. The subject forum inter alia pondered upon the critical issues surrounding Islamic financial industry and suggested potential solutions to overcome the challenges. Distinguished participants from local Islamic financial industry, regulatory bodies, academia and Shariah scholars attended the forum.

Islamic Banking News and Views

A. Local Industry News

New plan on Islamic banking in the making

A new seven-year plan on Islamic banking is in the making and a comprehensive framework will be brought within two months, the Standing Committee on Finance, Revenue and Economic Affairs of the National Assembly of Pakistan was told.

<https://www.islamicfinancenews.com>

State life starts Banca Takaful with DIB

The State Life Insurance Corporation of Pakistan in collaboration with Dubai Islamic Bank (DIB) has formally started banca Takaful under the name of 'Tayyab'.

<https://www.islamicfinancenews.com>

CEIF partners with Faysal Islamic Bank

The Centre for Excellence in Islamic Finance CEIF (IMSciences) in collaboration with Faysal Islamic Bank has initiated a certificate course on Islamic finance for Shariah scholars of Jamia Islamia Tahfeez Ul Quran, Mardan and Jamia Darul Uloom Haqqania, Akora Khattak. The purpose of the course is to create in-depth knowledge of Islamic banking and finance among participants.

<https://www.islamicfinancenews.com>

BankIslami Pakistan inks agreement with CDC

BankIslami Pakistan and Central Depository Company (CDC) have signed an MoU for the implementation of CDC's payment mechanism via BankIslami's cash management services, Business Recorder reported. BankIslami is the first Islamic bank to implement CDC's payment mechanism service.

<https://www.islamicfinancenews.com/>

Pak-Qatar General Takaful signs agreement with Emaan

Pak-Qatar General Takaful has signed an agreement with Emaan Islamic Bank, the Islamic window of Silk Bank, to offer personal accident Takaful and ATM cash withdrawal Takaful to the bank's customers, according to a statement.

<https://www.islamicfinancenews.com/>

Pakistani Islamic banks miss agri. credit target

Several Islamic banks, domestic private banks and conventional banks have fallen short of achieving the target set for financing the agricultural sector, according to State Bank of Pakistan Governor Dr Reza Baqir, reported by the Associated Press of Pakistan. Islamic banks and Islamic banking branches of commercial banks have been assigned a disbursement target of PKR110 billion (US\$702.68 million) in line with the previous year to help realize the potential of Islamic agriculture financing. For the 2019 financial year, credit to the agricultural sector has surpassed PKR1 trillion (US\$6.39 billion), reaching a record high.

<https://www.islamicfinancenews.com/>

SECP sets reporting rules for Takaful windows

The Securities and Exchange Commission of Pakistan (SECP) have imposed additional conditions on life insurers related to the financial reporting of their window Takaful operations. According to an official statement, window Takaful operators are required to include their Family Takaful results in their published financial statements; classify retained earnings of the Participant Takaful Fund as insurance liability and include it in the total liabilities of the window operations; prepare separate financial statements for Family Takaful operations as if these are carried out by stand-alone Takaful operators and these shall be annexed with the insurer's annual/interim reports if applicable. The aforementioned conditions will be applicable to the financial statements for the period commencing 1 January 2020.

<https://www.islamicfinancenews.com/>

Akhuwat to finance low-cost housing

The government has allocated PKR5 billion (US\$32.05 million) for the construction and repair of houses during the 2019–20 financial year. The funds will be disbursed through a service provider organization (SPO), the Associated Press of Pakistan reported. This allocation will be utilized for low-cost housing as the Ministry of Housing and Works and SPO Akhuwat Islamic Microfinance have already signed an agreement for the provision of interest-free financings to the poor segments of society.

<https://www.islamicfinancenews.com/>

SECP conducts workshops to prevent ML/TF

The Securities and Exchange Commission of Pakistan (SECP) in collaboration with the United Nations Office on Drugs and Crime (UNODC) have conducted a series of workshops for SECP-regulated financial institutions to enhance the understanding of the risk-based approach to prevent money laundering and terror financing (ML/TF), according to a statement. Over 500 professionals from the securities and commodities markets, insurance/ Takaful companies, non-banking finance companies and the Modaraba sector participated in 15 full-day workshops held in Karachi, Islamabad and Lahore. This initiative was part of the overall SECP anti-money laundering/counter financing of terrorism (AML/CFT) capacity-building program to enhance the understanding of the ML/TF threat and vulnerabilities as identified in the National Risk Assessment 2019, and elevate the level of AML/CFT compliance.

<https://www.islamicfinancenews.com/>

Government to issue sukuk to clear KP hydel profit dues

The federal government and the government of the province of Khyber Pakhtunkhwa (KP) have agreed to issue Sukuk worth PKR250 billion (US\$1.61 billion billion) to clear the province's net hydel profit dues, Dawn reported, citing KP's finance minister Taimur Saleem Jhagra.

<https://www.islamicfinancenews.com/>

Pakistan to issue Sukuk Ijarah

Pakistan's Ministry of Finance intends to issue Sukuk Ijarah in the domestic capital market using the land of Jinnah International Airport in Karachi as the asset, Business Recorder reported, citing the ministry.

<https://www.islamicfinancenews.com/>

B. International Industry News

Islamic finance in France still far from reality after 10 years: change the approach?

At a time when the world was suffering from an international financial crisis in 2009, France was looking to introduce Islamic finance. Contrary to most European countries, France has great strength in welcoming Islamic finance due to it having six million Muslims and the demand for a more ethical type of finance from 65 million of its people who discovered damage caused by conventional finance. Indeed, the size of the market in France has been more difficult to estimate than expected, the number of players involved in Islamic finance was very low, the products were not adapted to their clients' needs, the discourses were not adapted to the target and the distribution network was very weak.

<https://www.islamicfinancenews.com>

Iraq establishes national Shariah board to fortify regulatory landscape

The Central Bank of Iraq (CBI) is establishing a national Shariah board to further regulate its fast-growing Islamic finance industry identified as a key sector to fund the reconstruction of the country. The national Shariah board will issue binding decisions on Islamic banks, Takaful operators and judiciary entities while also supervising Shariah compliance matters.

<https://www.islamicfinancenews.com>

The Philippines moves forward with its new Islamic banking law

On the 30th August 2019, Philippine President Rodrigo Duterte signed the Republic Act (RA) 11439, also known as the Islamic banking law, allowing the establishment of Islamic banks in the country, in an effort to create opportunities for greater financial inclusion, particularly for the underserved Filipino Muslim population. The Muslim population in the Philippines, currently at 6%, is where the demand for Shariah compliant products comes from, but more and more non-Muslim individuals and entities are showing interest in Islamic banking and financing.

<https://www.islamicfinancenews.com>

CIIF expands Islamic finance program to foreign bankers

The Chartered Institute of Islamic Finance Professionals (CIIF) is expanding its flagship professional program, the Chartered Professional in Islamic Finance (CPIF), to foreign bankers; The Malaysian Reserve reported. The CIIF is also conducting a pilot initiative with Bank Rakyat in conjunction with its 'The Islamic Banker' management trainee program. The CIIF has also been setting its footprint in the domestic market through several partnerships with local financial bodies of Islamic banking including members of the Association of Islamic Banking Institutions Malaysia, Malaysian Takaful Association and the Association of Development Finance Institutions of Malaysia in 2018.

<https://www.islamicfinancenews.com/>

IFSB issues revisions on capital adequacy standard

The IFSB has issued the Exposure Draft on Revised Capital Adequacy Standard for Institutions Offering Islamic Banking Services (ED-RCAS), inviting comments from central banks, regulatory and supervisory authorities, international organizations, academics, Islamic financial institutions and other interested parties. The ED-RCAS aims to align the IFSB capital adequacy standard with global capital standards, particularly the Basel III final reforms.

<https://www.islamicfinancenews.com/>

China and Hong Kong: displaying resilience

Despite the US–China trade war that has weighed on the global economy and businesses around the world, and the months-long political protests in Hong Kong this past year, the Islamic finance markets in both countries remain largely unaffected. China has its ambitious Belt and Road Initiative and millions of Muslims in its population and Hong Kong has shown strong performance in the Islamic capital market, proving that there is a definite demand for Shariah compliant products in both countries. This year saw a venture capital fund project between China and the GCC when China-based MSA Capital partnered with Al Salam Bank-Bahrain to launch the US\$50 million Al Salam-MSA Bahrain Fund I.

<https://www.islamicfinancenews.com/>

Wethaq’s pilot fintech sukuk: innovation in the Islamic market

For the Islamic capital market, Al Ghurair Investment’s pilot fintech Sukuk, issued under the supervision of the Dubai Financial Services Authority (DFSA) on Wethaq Capital Markets’ blockchain platform is a great example of how industry players are innovating and using technology to their advantage. Wethaq announced on the 21st November that it had facilitated the first-ever fintech Sukuk on its securities market infrastructure for the Islamic capital markets. While the issuance was worth a nominal amount of US\$786 only, the significance of the facility is not the size of the issue, but the financial technology used for its structuring, settlement and other aspects of the process, as well as the regulatory permits it managed to secure. The Wethaq platform was built in partnership with R3, upon the blockchain company’s own Corda Enterprise block chain platform, to digitize issuances in the Islamic capital markets and provide infrastructure for Halal trading.

<https://www.islamicfinancenews.com/>

C. Articles & Views

IFRS 17: a problematic approach

IFRS 17, which covers insurance contracts, is due to come into force in January 2022. But the troubled standard, which has caused controversy across the industry spectrum, has raised serious concerns around its effect on Takaful operators. The subject matter is complex, and the standard has still not been confirmed in its final form, leaving firms unsure of what they need to do and by when. With feedback still underway, and even more uncertainty now expected around new amendments for 2020. IFRS 17 is a financial reporting standard that will replace IFRS 4 on accounting for insurance contracts. The new standard is a substantial departure from the previous treatment, and introduces a number of new elements including a completely new and comprehensive accounting model. At the very least, all Takaful firms should be conducting a gap analysis to understand the key differences between their current accounting, actuarial and reporting practices, and the new requirements and to identify the issues and implications that IFRS 17 could have on their operational structure.

<https://www.islamicfinancenews.com/>

China can become an ideal place for sukuk SPVs: a tax perspective

Being the second economic superpower in the world with millions of Muslims in its population, China has had Islamic finance on her soil for many years but on a disproportionately small scale. During the continuous progress of the ‘One Belt, One Road (OBOR)’ initiative, it is advisable that the Chinese government should consider formulating and enforcing more regulatory and legal measures

in view of supporting the sustainable development of Islamic finance in the country. Among them, the establishment of a Sukuk market should be placed at the top of the government's agenda, since so much of the funding needs of OBOR infrastructure projects can be met on such a platform making use of various types of Sukuk. In view of the foregoing, China, being the initiator and leader of the OBOR initiative with significant business volume and close ties with the Islamic world, can strengthen its attractiveness by way of a more sophisticated set of tax measures catering to Islamic finance in terms of Sukuk issuance and thus facilitating Sukuk SPV formation here in China.

<https://www.islamicfinancenews.com/>

Takaful in India: a solution for economic crises

The Takaful industry has grown tremendously in Muslim and non-Muslim countries. India has immense potential for Takaful based on the size of its Muslim population. However, it is surprising that Takaful has yet to be permitted in India, especially given that it is offered in non-majority Muslim countries. The government should encourage Takaful within India given its success in Saudi Arabia in the form of the Saudi Indian Company for Cooperative Insurance (SICCI), which is owned by the Indian public company, the Life Insurance Corporation of India. According to Islamic Finance news, SICCI's net written premiums were down by 79.74%. If the Indian government supports Islamic finance, India will be one of the top five Islamic finance markets in the world in terms of size. The Securities and Exchange Board of India has introduced regulations on an Alternative Investment Funds Regulation (AIF Regulation), and it is expected that Shariah compliant funds can be registered under the AIF Regulation.

<https://www.islamicfinancenews.com/>

Cybersecurity in Islamic banking

As today's banking becomes more and more digital, clients are rapidly moving from traditional to digital channels. Islamic banks are responding to this behavioral change by adding more channels and increasing security to keep risks and client experience consistent and positive. By adding new access points for criminals, we are also increasing the risk of cross-channel attacks. Cybersecurity vulnerabilities are the main cause of any form of financial crime. Whether we call it smuggling, smurfing, fraud or terrorism, it is a global problem that banks need to address and solve. This means that financial crime mitigation efforts, including anti-money laundering, can be focused on higher risk groups. The use of artificial intelligence (AI) is an essential component in creating an intelligent Islamic bank of the future. This capability needs to be accessible to all Islamic banks, regardless of their type and size.

<https://www.islamicfinancenews.com/>

Macroeconomics of Islamic finance

The macroeconomics of the Islamic finance industry is completely different compared to conventional finance. The conventional finance firms in any given economy can utilize the established and mature global financial system (ecosystem) in funding and risk management for commercial, development or policy purposes, while the Islamic finance firms after decades of operation and development have no effective local or cross-border ecosystem. Historically, the Islamic finance industry was independent of any sort of government sponsorship. This historical and economic development process has set the limit of contemporary Islamic finance and it should be seriously considered when discovering Islamic

finance's new frontiers. However, Islamic finance is a special industry of OIC markets and it has to be more robust for their economies and should drive itself to new frontiers.

<https://www.islamicfinancenews.com/>

The future impact of Zakat in the new financials and digital economy

Financial technology and cryptocurrencies are part of the new era in the Islamic world. Bitcoin and ethereum are legitimate forms of currency and investment in Islam. Zakat is the third pillar of Islam and most probably the first in its economic system. Accordingly, owning cryptocurrencies (assets that increase in value) should be subject to Zakat as well, and in a moment of the cycle (a booming moment in fintech such as in new digital industries like AI, cybersecurity, blockchain technology for applications in many industries, big data, IoT, software as a service, etc.), this would increase the Zakat collection for the Islamic community and it will be distributed to a broader base of recipients of Zakat (large number of beneficiaries). Nowadays since information about the crypto owners is not transparent, it is very difficult to show a ballpark figure about this potential impact and its way of calculation, because very few players are sharing information about their ownership.

<https://www.islamicfinancenews.com/>

What is the risk of Islamic finance education?

One of the major risks banks face is non-performing loans, i.e. loans that cannot be repaid and also known as bad loans. Then what about the risk of the Islamic finance education sector? I will name this risk as non-performing graduates risk or unemployed graduate's risk. Employment of graduates is one of the main indicators of the successful education program. However, today finance and economics graduates are part of the unfortunate segment of unemployed youth. This question was raised a number of times during the forums, conferences and symposiums on Islamic finance education. As educators, we are aware of the technological development, which rapidly shifts the frontier between the work tasks performed by humans and those performed by machines and algorithms and major transformations in the global labor markets.

https://www.islamicfinancenews.com

Annexure: I

Islamic Banking Branch Network

(As of December 31, 2019)

| Type | Name of Bank | No. of Branches | Windows |
|---|--|-----------------|--------------|
| Islamic Banks | AlBaraka Bank (Pakistan) Limited | 184 | - |
| | BankIslami Pakistan Limited | 222 | - |
| | Dubai Islamic Bank Pakistan Limited | 210 | - |
| | Meezan Bank Limited | 761 | - |
| | MCB Islamic Bank Limited | 186 | - |
| | Sub-Total | 1,563 | |
| Standalone Islamic Banking Branches of Conventional Banks | Allied Bank Limited | 117 | 60 |
| | Askari Bank Limited | 91 | - |
| | Bank Al Habib Limited | 83 | 142 |
| | Bank Alfalah Limited | 163 | 121 |
| | Faysal Bank Limited | 413 | 24 |
| | Habib Bank Limited | 48 | 493 |
| | Habib Metropolitan Bank Limited | 31 | 222 |
| | National Bank of Pakistan | 190 | - |
| | Silk Bank Limited | 30 | - |
| | Sindh Bank Limited | 14 | 13 |
| | Soneri Bank Limited | 25 | - |
| | Standard Chartered Bank (Pakistan) Limited | 4 | 62 |
| | Summit Bank Limited | 14 | 35 |
| | The Bank of Khyber | 84 | 39 |
| | The Bank of Punjab | 98 | - |
| | United Bank Limited | 99 | 162 |
| | Zarai Taraqati Bank Limited | 5 | |
| | Sub-Total | 1,509 | 1,373 |
| | Total Full-Fledged Branches | 3,072 | - |
| Sub Branches | AlBaraka Bank (Pakistan) Limited | 8 | - |
| | Askari Bank Limited | 3 | - |
| | BankIslami Pakistan Limited | 112 | - |
| | Dubai Islamic Bank Pakistan Limited | 25 | |
| | The Bank of Punjab | 2 | - |
| | Faysal Bank Limited | 1 | |
| | Habib Bank Limited | 2 | - |
| | United Bank Limited | 1 | - |
| | Total Sub-Branches | 154 | - |
| | Grand Total Branches/Sub-Branches | 3,226 | 1,373 |

Source: Information/Data obtained from different banks

Province/Region wise Break-up of Islamic Banking Branch Network

(As of December 31, 2019)

| Type | Bank Name | Azad Kashmir | Balochistan | Erstwhile FATA* | Federal Capital | Gilgit-Baltistan | Khyber Pakhtunkhwa | Punjab | Sindh | Grand Total |
|---|--|--------------|-------------|-----------------|-----------------|------------------|--------------------|--------------|------------|--------------|
| Islamic Banks | AlBaraka Bank (Pakistan) Limited | 3 | 7 | - | 6 | 2 | 16 | 102 | 48 | 184 |
| | BankIslami Pakistan Limited | 3 | 14 | - | 9 | 3 | 19 | 96 | 78 | 222 |
| | Dubai Islamic Bank Pakistan Limited | 7 | 5 | - | 15 | 3 | 10 | 86 | 84 | 210 |
| | Meezan Bank Limited | 6 | 25 | 1 | 36 | 3 | 48 | 403 | 239 | 761 |
| | MCB Islamic Bank Limited | 2 | 13 | 2 | 9 | 1 | 11 | 79 | 69 | 186 |
| | Islamic Banks | 21 | 64 | 3 | 75 | 12 | 104 | 766 | 518 | 1,563 |
| Standalone Islamic Banking Branches of Conventional Banks | Allied Bank Limited | 2 | 4 | - | 6 | 1 | 12 | 69 | 23 | 117 |
| | Askari Bank Limited | - | 3 | - | 8 | 1 | 13 | 46 | 20 | 91 |
| | Bank Al Habib Limited | - | 4 | - | 3 | 1 | 10 | 27 | 38 | 83 |
| | Bank Alfalah Limited | 1 | 5 | - | 13 | - | 11 | 93 | 40 | 163 |
| | Faysal Bank Limited | 7 | 21 | 3 | 18 | 7 | 40 | 231 | 86 | 413 |
| | Habib Bank Limited | 2 | 1 | 1 | 4 | - | 4 | 24 | 12 | 48 |
| | Habib Metropolitan Bank Limited | - | - | - | 1 | - | 7 | 9 | 14 | 31 |
| | National Bank of Pakistan | 9 | 6 | 3 | 6 | 1 | 35 | 96 | 34 | 190 |
| | Silk Bank Limited | 1 | 1 | - | 3 | - | 5 | 11 | 9 | 30 |
| | Sindh Bank Limited | 1 | 1 | - | - | - | 2 | 7 | 3 | 14 |
| | Soneri Bank Limited | - | 1 | 1 | 2 | 1 | 5 | 10 | 5 | 25 |
| | Standard Chartered Bank (Pakistan) Limited | - | - | - | - | - | 1 | 1 | 2 | 4 |
| | Summit Bank Limited | - | 1 | - | 2 | 2 | 1 | 2 | 6 | 14 |
| | The Bank of Khyber | - | 4 | 4 | 2 | - | 61 | 10 | 3 | 84 |
| | The Bank of Punjab | 1 | 6 | - | 6 | - | 13 | 72 | - | 98 |
| | United Bank Limited | 1 | 4 | - | 4 | - | 19 | 39 | 32 | 99 |
| Zarai Taraqiati Bank Limited | - | - | - | 1 | - | 1 | 2 | 1 | 5 | |
| | Islamic Banking Branches Total | 25 | 62 | 12 | 79 | 14 | 240 | 749 | 328 | 1,509 |
| Sub Branches | AlBaraka Bank (Pakistan) Limited | - | - | - | 1 | - | - | 1 | 6 | 8 |
| | Askari Bank Limited | - | 1 | - | - | - | 1 | 1 | - | 3 |
| | BankIslami Pakistan Limited | 1 | 6 | - | 8 | - | 5 | 41 | 51 | 112 |
| | Dubai Islamic Bank Pakistan Limited | - | - | - | - | - | - | 9 | 16 | 25 |
| | Faysal Bank Limited | - | - | - | - | - | - | 1 | - | 1 |
| | Habib Bank Limited | - | - | - | - | - | - | - | 2 | 2 |
| | The Bank of Punjab | - | - | - | - | - | - | 2 | - | 2 |
| United Bank Limited | - | - | - | - | - | 1 | - | - | 1 | |
| | Sub Branches Total | 1 | 7 | 0 | 9 | 0 | 7 | 55 | 75 | 154 |
| | Grand Total | 47 | 133 | 15 | 163 | 26 | 351 | 1,570 | 921 | 3,226 |

* Merged with KP through 25th Amendment to Constitution

District wise Break-up of Islamic Banking Branch Network

(As of December 31, 2019)

| S. No. | Province | District | No. of Branches* | S. No. | Province | District | No. of Branches* |
|---------------------|----------------|----------------------|------------------|---------------------------------|--------------------|------------------|------------------|
| 1 | Sindh | Badin | 4 | 58 | Khyber Pakhtunkhwa | Abbottabad | 24 |
| 2 | | Dadu | 6 | 59 | | Bannu | 8 |
| 3 | | Ghotki | 4 | 60 | | Batagram | 3 |
| 4 | | Hyderabad | 63 | 61 | | Buner | 5 |
| 5 | | Jacobabad | 5 | 62 | | Charsadda | 10 |
| 6 | | Jamshoro | 3 | 63 | | Chitral | 7 |
| 7 | | Karachi City | 736 | 64 | | Dera Ismail Khan | 15 |
| 8 | | Khairpur | 3 | 65 | | Hangu | 6 |
| 9 | | Larkana | 6 | 66 | | Haripur | 12 |
| 10 | | Matiari | 4 | 67 | | Karak | 1 |
| 11 | | Mirpurkhas | 13 | 68 | | Kohat | 11 |
| 12 | | Naushahro Feroze | 3 | 69 | | Lakki Marwat | 1 |
| 13 | | Shaheed Benazir Abad | 18 | 70 | | Lower Dir | 15 |
| 14 | | Sanghar | 16 | 71 | | Malakand | 15 |
| 15 | | Shikarpur | 1 | 72 | | Mansehra | 16 |
| 16 | | Sukkur | 20 | 73 | | Mardan | 21 |
| 17 | | Shahdadkot | 2 | 74 | | Nowshera | 22 |
| 18 | | Tando Allahyar | 4 | 75 | | Peshawar | 105 |
| 19 | | Tando Mohammad Khan | 3 | 76 | | Shangla | 4 |
| 20 | | Thatta | 3 | 77 | | Swabi | 8 |
| 21 | | Umer Kot | 4 | 78 | | Swat | 30 |
| Sindh Total | | | 921 | 79 | Tank | 2 | |
| 22 | Punjab | Attock | 20 | 80 | Torghar | 1 | |
| 23 | | Bahawalnagar | 18 | 81 | Upper Dir | 7 | |
| 24 | | Bahawalpur | 28 | 82 | Kohistan | 2 | |
| 25 | | Bhakkar | 4 | Khyber Pakhtunkhwa Total | | | 351 |
| 26 | | Chakwal | 19 | 83 | Gilgit-Baltistan | Astore | 1 |
| 27 | | Chiniot | 6 | 84 | | Ghizer | 1 |
| 28 | | Dera Ghazi Khan | 19 | 85 | | Hunza | 1 |
| 29 | | Faisalabad | 120 | 86 | | Skardu | 3 |
| 30 | | Gujranwala | 80 | 87 | | Diamir | 7 |
| 31 | | Gujrat | 57 | 88 | Gilgit | 13 | |
| 32 | | Hafizabad | 6 | Gilgit-Baltistan Total | | | 26 |
| 33 | | Jhang | 15 | 89 | Erstwhile FATA ** | Bajaur Agency | 3 |
| 34 | | Jhelum | 19 | 90 | | Khyber Agency | 7 |
| 35 | | Kasur | 19 | 91 | | Mohmand Agency | 1 |
| 36 | | Khanewal | 28 | 92 | | Orakzai Agency | 2 |
| 37 | | Khushab | 8 | 93 | Kurram Agency | 2 | |
| 38 | | Lahore City | 511 | Erstwhile FATA Total | | | 15 |
| 39 | | Layyah | 7 | 94 | Federal Capital | Islamabad | 163 |
| 40 | | Lodhran | 5 | Federal Capital Total | | | 163 |
| 41 | | Mandi Bahauddin | 15 | Balochistan | Balochistan | Chaghi | 2 |
| 42 | | Mianwali | 9 | | | 95 | Gawadar |
| 43 | Multan | 89 | 96 | | | Harnai | 1 |
| 44 | Muzaffargarh | 12 | 97 | | | Kech | 2 |
| 45 | Nankana Sahib | 9 | 98 | | | Khuzdar | 4 |
| 46 | Narowal | 10 | 99 | | | Lasbela | 6 |
| 47 | Okara | 27 | 100 | | | Loralai | 6 |
| 48 | Pakpattan | 11 | 101 | | | Noshki | 1 |
| 49 | Rahim Yar Khan | 44 | 102 | | | Nasirabad | 1 |
| 50 | Rajanpur | 4 | 103 | | | Panjgur | 2 |
| 51 | Rawalpindi | 161 | 104 | | | Pishin | 8 |
| 52 | Sahiwal | 32 | 105 | | | Qilla Abdullah | 6 |
| 53 | Sargodha | 36 | 106 | | | Qilla Saifullah | 7 |
| 54 | Sheikhupura | 27 | 107 | | | Quetta | 67 |
| 55 | Sialkot | 53 | 108 | | | Sibi | 1 |
| 56 | Toba Tek Singh | 22 | 109 | | | Turbat | 2 |
| 57 | Vehari | 20 | 110 | | | Zhob | 6 |
| | | | 111 | Ziarat | 3 | | |
| | | | 112 | Balochistan Total | | | 133 |
| | | | 113 | Azad Kashmir | Bagh | 2 | |
| | | | 114 | | Bhimber | 1 | |
| | | | 115 | | Dadyal | 4 | |
| | | | 116 | | Hattian Bala | 1 | |
| | | | 117 | | Kotli | 6 | |
| | | | 118 | | Mirpur | 19 | |
| | | | 119 | | Muzaffarabad | 11 | |
| | | | 120 | Poonch | 3 | | |
| | | | | Azad Kashmir Total | | | 47 |
| Punjab Total | | | 1,570 | Grand Total | | | 3,226 |

*including sub-branches

** Merged with KP through 25th Amendment to Constitution