Islamic Banking Bulletin

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Islamic Banking Department

State Bank of Pakistan

ISLAMIC BANKING DEPARTMENT

Vision

To Make Islamic Banking the banking of first choice for the providers and users of financial services

Mission

To Promote and Regulate Islamic Banking Industry in line with Best International Practices, ensuring Shariah Compliance And Transparency

Team Leader

Saleemullah Saleem.ullah@sbp.org.pk

Team Members

Dr. Mian Farooq Haq mian.farooq@sbp.org.pk

Muhammad Usman Abbasi muhammad.usman3@sbp.org.pk

Bushra Shafique Bushra.shafique@sbp.org.pk

Muhammad Amjad m.amjad@sbp.org.pk

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Industry Progress & Market Shares

Overview

Islamic banking industry (IBI) continued to grow during the second quarter of CY 2011 with improved asset quality. By growing at 13 percent during the quarter, Islamic banking assets stand at Rs. 560 billion, constituting more than 7 percent share of overall banking industry's assets (see **Table 1**). In terms of deposits the industry share of IBI increased from 7.3 percent to 7.6 percent during the quarter under review. Significant positive developments of the quarter were record profit of the industry, drop in non-performing financing (NPF) and improved leveraging of capital base. The ROA and ROE of the Islamic banking industry at 1.6 percent and 16.5 percent for the first time surpassed the overall banking system averages of 1.4 percent and 14.4 percent respectively.

Table 1: Industry Progress and market share

	Islamic Banking Industry Progress			Growth (YoY)			Share in Overall Banking Industry		
	Jun-10	Mar-11	Jun-11	Jun-10	Mar-11	Jun-11	Jun-10	Mar-11	Jun-11
Total Assets	411	497	560	31.3%	33.9%	36.3%	6.1%	6.9%	7.3%
Deposits	*330*	398	452	38.5%	37.7%	37.1%	6.4%	7.3%	7.6%
Net Financing & Investment	*236*	*374*	*420*	21.5%	63.5%	78.3%	4.6%	6.7%	7.0%
Total Islamic Banking Institutions	19	17	17	_	_	_	_	_	_
Total No. of Branches*	667	759	799	_	_	_	6.9%	7.9%	8.3%

Source: Quarterly Unaudited Accounts

**number includes sub-branches*

IBI Network Expansion

The branch network of Islamic banking industry has expanded to 799 branches showing an increase of 40 branches during March 2011-June 2011. The growth in branch network during the quarter under review is higher compared to the last quarter. However, total branch expansion (48) over the first half of the year (Jan 2011-June 2011) reflects completion of only 33 percent of the approved plan of 144 new branches for CY 2011. This is in line with the usual trend where branch expansion remains relatively slow during second half of the year as development of physical infrastructure requires between 6 to 9 months.

About 63 percent of the branch expansion during the quarter came from Islamic branches of conventional banks. Amongst the conventional banks, Faysal Bank was the major contributor with an addition of 23 branches during the quarter. Among full-fledged Islamic banks Dubai Islamic Bank and Meezan Bank expanded their network by 9 and 5 branches respectively.

Table 2: Province Wise Additional Branches (June 2011)

Province	Additional No.	Total No.	Share (percent)
Punjab	16	356	45
Sindh	11	268	34
Khyber Pakhtoonkwa	7	83	10
Balochistan	1	37	5
Gilgit Baltistan	Nil	1	0
FATA	1	1	0
Federal Capital	4	43	5
AJK	Nil	10	1
G. Total	40	799	100

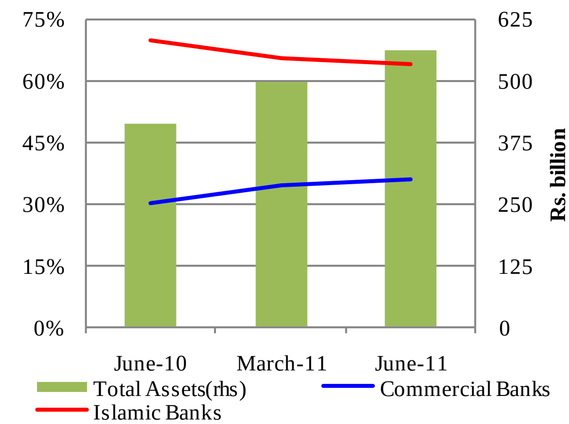
Province wise data indicates that Punjab not only has the highest number of branches but also dominates with respect to addition of new branches (see **Table 2**). About 78 percent of branches are concentrated in

Punjab and Sindh whereas Khyber Pukhtoonkhawa (KP) and Baluchistan house 10 percent and 5 percent of the Islamic banking industry. This regional distribution is in line with the distribution of branch network of the overall banking system. Further, five big cities (federal capital along with four provincial capitals) have almost 57 percent of Islamic banking branches (IBB) and out of new 40 branches during the quarter ending June 2011, 25 branches were set up in the mentioned five cities. The geographical dispersion of the branches would improve gradually as the industry grows and spreads its network to 2nd, 3rd tier cities.

Asset & Liability Structure

Assets: Assets of Islamic banking industry reached to Rs. 560 billion by June 2011 from Rs. 497 billion in quarter ended by March 2011. Compared to 4.2 percent growth recorded in the last quarter, the asset base during this quarter grew by 13 percent with all major components of assets recording positive growth.

Figure 1: Banks' Type wise Assets



The growth rate (17 percent) of assets of Islamic banking divisions (IBDs) during the quarter under review was higher than that of assets of Islamic banks (IBs)[1]. However, in terms of distribution of assets, IBs still constitute the major share (64 percent) of IBI (see **Figure 1**). The higher growth rate of IBDs can be explained by the base effect that also helped in improving their share from 35 percent to 36 percent in total assets of the IBI.

The phenomenon of structural shift in asset mix of Islamic banking industry from financing to investment continued during the quarter under review. During this period the share of financing in total assets dropped to almost 33 percent from 36 percent while share of investment increased to 42 percent from 39 percent. This shift is not due to decline in financing but because of unprecedented growth in investment which is attributable to issuance of GOP Ijarah Sukuk of about Rs. 190 billion during Oct 10 to June 11.

Financing: Following the earlier trend, financing picked up during the second quarter after a marginal fall in the first quarter of CY 2011. The rise in financing is reflected in both private and public/government sector entities (see **Table 3**). However, the increase in financing to government /public sector entities appears seasonal as most of the public sector financing has been provided to provincial governments for procuring wheat during the quarter.

[1] Growth rate of assets of Islamic banks is 10 percent

Table 3 : Segment Wise Financing

	Jun-10			Mar-11			Jun-11		
Segment wise Financing	**Amount (billions)**	**Quarter Growth rate**	**Share**	**Amount (billions)**	**Quarter Growth rate**	**Share**	**Amount (billions)**	**Quarter Growth rate**	**Share**
Public/government sector	13	326%	8%	6	-48%	3%	14	133%	7%
Private	151	-5%	92%	182	3%	97%	183	1%	93%

The financing mode wise data shows that the growth in financing is led by Diminishing Musharka (DM) and Murabaha which grew by almost 14 percent and 4 percent respectively (see **Table 4**). Higher growth rate of DM helped in increasing its share in total financing from 29 percent to 32 percent while share of all other modes registered a marginal decline except Ijara where share declined significantly from 12.4 percent in last quarter to 11.7 percent by end of this quarter.

Table 4: Financing Mix

	Amount(Rs. Billion)			Share (percent)		
	Jun-10	**Mar-11**	**Jun-11**	**Jun-10**	**Mar-11**	**Jun-11**
Murabaha	72.4	86.1	89.6	44.2	45.4	45
Ijarah	23.8	23.5	23.4	14.5	12.4	11.7
Musharaka	6	5.7	5.5	3.6	3	2.8
Mudaraba	0.4	0.3	0.3	0.2	0.1	0.1
DM	46.4	55.7	63.3	28.3	29.4	31.8
Salam	3.2	4.8	4.2	2	2.5	2.1
Istisna	6.4	7.6	6.6	3.9	4	3.3
Qarz/Qarz-e-Hasna	0	0	0	0	0	0
Others	5.4	5.8	6.2	3.3	3	3.1
Total	**164.1**	**189.5**	**199.2**	**100**	**100**	**100**

Segment wise financing of IBI indicates (see **Table 5**) that considerable growth was observed in agribusiness financing (77 percent) improving its share from 1.6 percent to almost 3 percent during the quarter under review. However, this rise in agribusiness financing reflects seasonal impact as mostly

Table 5: Financing Concentration - percent share

	Jun-10	**Mar-11**	**Jun-11**	**Industry**
Chemical and Pharmaceuticals	9.00%	6.80%	6.90%	3.80%
Agribusiness	1.10%	1.60%	2.80%	6.10%
Textile	18.10%	22.60%	20.40%	17.70%
Cement	3.40%	3.60%	3.40%	2.20%
Sugar	3.50%	5.60%	4.90%	3.20%
Shoes and leather garments	1.10%	1.40%	1.50%	0.70%
Automobile and transportation equipment	1.80%	2.30%	1.80%	1.30%
Financial	1.30%	1.40%	1.40%	1.40%
Insurance	0.00%	0.00%	0.00%	0.00%
Electronics and electrical appliances	0.90%	1.50%	1.30%	1.60%
Production and transmission of energy	4.80%	7.20%	8.50%	10.10%
Individuals	18.90%	16.60%	15.80%	11.30%
Others	36.00%	29.30%	31.40%	40.60%
Total	100.00%	100.00%	100.00%	100.00%

Table 6: Investments					
					Rupees in million
				Growth	
	Jun-10	Mar-11	Jun-11	YoY	QoQ*
Federal government securities	27,032.70	117,525.60	148,342.20	448.8	26.2
Fully paid up ordinary shares	1,757.60	1,939.80	2,285.80	30.1	17.8
TFCs, Debentures, Bonds, & PTCs	26,173.80	29,882.90	29,686.40	13.4	-0.7
Other investments	23,841.60	46,266.70	52,445.30	120	13.4
Investments by type					
Held for Trading	-	115.39	327.22	-	183.6
Available for Sale	64,717.50	172,576.60	210,322.20	225	21.9
Held to Maturity	11,697.20	15,034.50	14,078.90	20.4	-6.4
Surplus /(deficit) on revaluation	110.7	430.6	373.9	237.6	-13.2
Net Investments	**77,999.70**	**194,434.60**	**231,277.50**	**196.5**	**18.9**

banks are providing loans to government for procurement of wheat. While textile sector that attracts most of the financing share experienced a decline as financing in the sector contracted from 23 percent to 20 percent during the period under review. This trend is in line with the overall banking industry trend where financing in textile sector also registered a decline.

Investment: Investment of IBI continued to rise during this quarter and reached to Rs. 231 billion registering a growth of 19 percent. This rise in investment is lead by rise in investment in federal government securities (see **Table 6**) mainly due to availability of GoP Ijara Sukuk; government issued more than 45 billion Sukuk during the quarter under review.

With the issuance of Sukuk of Rs. 45 billion during the quarter, all six tranches of GOP Ijara Sukuk based on Jinnah Terminal Karachi (the underlying asset) were completed whereby GOP raised more than Rs. 190 billion from Islamic banks during last nine months. The next few quarters may however witness some slow down as the identification of new assets, their valuation and documentation etc may take some time before the government could announce the issuance of further Sukuk. This also signifies the need for developing diversified investment avenues for efficient liquidity management of Islamic banks.

Table 7: Performance Indicators	Jun-10	Mar-11	Jun-11	Industry
Capital				
Capital to Total Assets	10.40%	9.50%	9.20%	9.40%
(Capital - Net NPAs) to Total Assets	9.20%	8.20%	7.90%	6.90%
Assets Quality Ratio				
NPFs to Financing	6.50%	8.00%	7.50%	15.30%
Net NPFs to Net Financing	2.80%	3.40%	3.20%	5.50%
Provisions to NPFs	58.80%	58.70%	60.00%	67.90%
Net NPAs to Total Capital	11.50%	14.20%	14.30%	26.60%
Real estate Financing to Total Financing	10.80%	7.90%	7.40%	0.00%
FCY Denominated Financing to Capital	9.60%	14.60%	15.90%	1.80%

Asset Quality

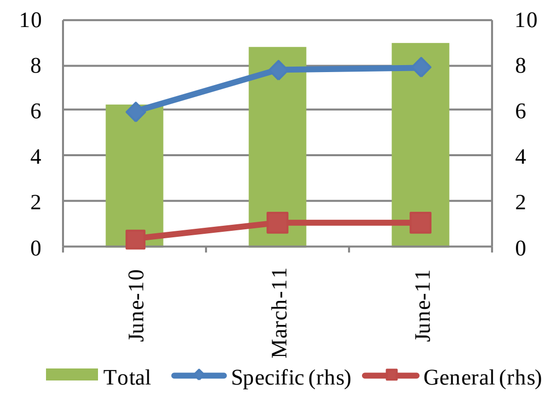
Asset quality indicators depicted positive trend during the quarter under review. The NPF to financing ratio and net Infection ratio(net NPF to net financing) declined to 7.5 percent and 3.2 percent respectively from 8 percent and 3.4 percent (**see Table 7**). Both these ratios were below the overall industry average of 15.3 percent and 5.5 percent respectively.

The improvement in asset quality is largely attributed to significant increase in financing during the quarter as in absolute terms; the NPFs declined marginally to Rs. 14.9 billion from Rs. 15 billion in the last quarter. However, the rising trend of NPFs in the category of 'Loss' (see **Table 8**) that reached to more than 10 billion constituting 70 percent of total NPFs is indicative of no or limited success of the industry in reqularising the infected portfolio. This also caused the provisioning against the infected portfolio to reach to 60 percent from 59 percent during the last quarter (see **Figure 2**).

Table 8: Break up of NPFs (Rs. billion)

	Dec-08	Dec-09	Dec-10	Mar-11	Jun-11
Break up of NPFs	3.4	10	13.8	15	14.9
OAEM	0	0	0	0	0
Substandard	1.9	2.6	2.7	2.2	2.2
Doubtful	0.5	2.7	2.1	3.3	2.3
Loss	0.9	4.8	9	9.5	10.4

Figure 2: Provisoning (Rs. billion)



Rupees in million and growth in percent

Table 9: Deposits

	10-Jun	11-Mar	11-Jun	Growth YoY	Growth QoQ*
Deposits	**329,778.30**	**397,978.50**	**452,127.40**	**37.1**	**13.6**
Customers	**308,067.00**	**375,290.20**	**423,234.90**	**37.4**	**12.8**
Fixed Deposits	123,484.70	151,697.00	162,799.50	31.8	7.3
Saving Deposits	105,162.70	133,824.10	149,970.10	42.6	12.1
Current accounts - Remunerative	-	113.2	241.8	-	113.7
Current accounts - Non-remunerative	76,676.90	87,394.20	107,692.80	40.5	23.2
Others	2,742.70	2,261.70	2,530.70	-7.7	11.9
Financial Institutions	**21,711.30**	**22,688.30**	**28,892.40**	**33.1**	**27.3**
Remunerative Deposits	21,340.10	22,544.60	28,686.20	34.4	27.2
Non-remunerative Deposits	371.2	143.7	206.2	-44.4	43.5
Currency Wise					
Local Currency Deposits	312,488.50	380,735.00	433,098.40	38.6	13.8
Foreign Currency Deposits	17,289.80	17,243.50	19,029.00	10.1	10.4

Liabilities:

During the quarter deposits of the industry reached Rs. 452 billion from Rs. 398 billion in last quarter (March, 2011) showing a significant growth of 14 percent[2] (see **Table 9**). The deposits of financial institutions grew by 27 which is twice the growth rate (12. 8 percent) recorded in customers' deposits. Among different types of deposits for customers, fixed deposits continued maintaining its major share, though declined from 38 percent in last quarter to 36 percent in the quarter under review. Current account on the other hand experienced highest growth of 23 percent[3] during the quarter that resulted in improvement of its share from 22 percent to 24 percent over the said period.

Table 10: Maturity of Assets and Liabilities

percent share

	Jun-10	Mar-11	Jun-11	Industry
		Assets		
Maturing upto 3 months	42.9	32.9	32.2	41.6
Maturing from 3 months to 1 yr	22.6	24	15.3	29.2
Maturing from 1 yr to 5 yrs	25.1	35.3	45.4	17.2
Maturing after 5 yrs	9.4	7.7	7	12
		Liabilities		
Maturing upto 3 months	54.3	54.6	53.2	55.5
Maturing from 3 months to 1 yr	25.5	27.3	26.7	22.2
Maturing from 1 yr to 5 yrs	15	13.5	15.4	16.1
Maturing after 5 yrs	5.2	4.6	4.7	6.1
	Gap--asset share minus liability share (percent of total assets)			
Maturing upto 3 months	-11.4	-21.7	-21	-13.9
Maturing from 3 months to 1 yr	-2.9	-3.3	-11.4	6.9
Maturing from 1 yr to 5 yrs	10.1	21.8	30.1	1.1
Maturing after 5 yrs	4.2	3.2	2.3	5.9

Maturity Gap between Assets & Liabilities

Islamic banks continued to remain liquid in short term while for medium and long term there were more liabilities than assets (see **Table 10**). Among short term categories significant change can be observed in the category 3 months to 1 yr where the negative gap has jumped from 3.3 to 11.4 percent of total assets, with overall banking industry depicting an opposite trend. On the other hand positive gap in the category; 1 yr to 5 yrs has increased from 21.8 to more than 30 percent of total assets which is considerably higher than the overall industry average of 1.1. The asset liability mismatch of IBI of more than 10 in all categories except the category of maturing after 5 years needs attention. The huge gap between assets and liabilities maturing in 1 yr to 5 yrs period suggests deployment of short term deposits (less than 1 yr maturity) in longer term assets. About 80 percent of IBIs deposits are maturing within 1 yr compared to 48 percent of assets maturing in the same period. The industry is thus not only exposed to profit rate risk, but also the liquidity risk, which given the non-availability of LOLR facility may be a major risk faced by

[2] Growth rate of deposits in last quarter was 2 percent
[3] Base effect needs to be considered for the significant higher growth rate of Current account

the industry. This signifies the need for early finalization of LOLR facility. SBP being cognizant of the need for LOLR facility for IBIs, is evaluating different options/instruments for the same and the prospects of finalization of the facility in the near future are very bright.

Earning & Profitability

By growing more than 100 percent, the profit of Islamic banking industry has jumped to its peak value of above 5 billion during the last nine years. IBs were the main contributors of this considerable increase in overall profit of the industry though IBDs also witnessed more than 100 percent increase (see **Table 11**) in their profit. This record profit can be linked to structural shift in assets of Islamic banks with rising share of investment which produces higher returns due to availability of higher yielding GOP Ijara Sukuk. This is also indicated by rising financing rate spread of 8.8 percent in this quarter compared to 8.4 percent in the last quarter. This financing rate spread is significantly higher than the industry average of 6.9 percent.

Table 11: Profit (Rs. billion)

Industry	Indicator	Jun-10	Mar-11	Jun-11
IBI	Profit/ (Loss) before Taxation	1.7	2.2	5.0
	Profit/(Loss) after Taxation	1.5	1.8	4.0
IBs	Profit/ (Loss) before Taxation	0.3	1.1	2.9
	Profit/ (Loss) after Taxation	0.2	0.8	1.9
IBDs	Profit/ (Loss) before Taxation	1.3	1.0	2.1
	Profit/ (Loss) After Taxation	1.3	1.0	2.1

Table 12: Earning & Profitability

	Jun-10	Mar-11	Jun-11	Industry
Net Income to Total Assets(ROA)	0.80%	1.40%	1.60%	1.40%
Return on Equity (ROE)	6.90%	15.00%	16.50%	14.40%
Net Interest Income to Gross Income	80.70%	80.80%	82.60%	75.90%
Non-interest Income to Gross Income	19.30%	19.20%	17.40%	24.10%
Trading & Fx Gains/(Losses) to Gross Income	8.00%	5.90%	5.30%	7.60%
Operating Expense to Gross Income	71.80%	62.30%	60.90%	51.00%
Personnel Expense to Operating Expense	32.10%	36.90%	36.10%	37.20%
Spread Between Financing & Deposit Rate	7.70%	8.40%	8.80%	6.90%

Along with phenomenal growth in profit, return on assets (ROA) and return on equity (ROE) that achieved at par level with overall industry average in the last quarter, continued improving its trend and during the quarter under review have surpassed industry averages (see **Table 12**). However, personnel expense to operating expense as well as operating expense to gross income both ratios though improved from above 62 percent to 61 percent and from 40 percent to 36 percent respectively, remain below the industry average. This highlights need for Islamic banks to be more efficient in utilising their resources. This is important considering that net interest income to gross income is higher (82. 6 percent) than the overall banking industry average (75.9 percent) while non- interest income to gross income is lower than the industry average.

Events and Developments at IBD

IIFM Workshop on Islamic Hedging & Tahawwut Master Agreement:
Held on 23 June, 2011at SBP Karachi

State Bank of Pakistan (SBP) and International Islamic Financial Market (IIFM) Bahrain jointly organized a workshop at SBP, Karachi on "Islamic Hedging & Tahawwut Master Agreement". Mr. Ijaz Alvi, CEO, IIFM Bahrain and Mr. Habib Motani, Partner Clifford Chance LLP London, were guest speakers at the workshop. The workshop was attended by senior officials of SBP and Islamic banking institutions.

Seminar for D-8 Central Banks on Banking Supervision and Financial Policy and Regulation:
Held on 18-19 July, 2011 at Abuja-Nigeria

The Director IBD represented Pakistan through a video conference in a seminar of Central Banks of D-8[4] on 'Banking Supervision and Financial Policy and Regulation' being held in Abuja, Nigeria. Director IBD briefed the participants about efforts made by Pakistan for developing Islamic banking industry in the country. He also gave a detailed overview of regulatory infrastructure and performance of Islamic banking industry in Pakistan.

A Meeting with Oman Delegation:
Held on 27 July, 2011 at SBP Karachi

A four member delegation of Ministry of Endowments and Religious Affairs of Sultanate of Oman led by the Assistant Grand Mufti H.E Kalhan Nabhan Al-Kharusi visited SBP on June 27, 2011. During their visit the delegation held a meeting with Executive Director (BPRG) Mr. Inayat Hussain and Director Islamic Banking Department Mr. Saleemullah. The visiting delegation was briefed on Pakistan's experience and achievements in Islamic banking and finance.

Seminar on Opportunities and Challenges in Islamic Banking:
Held on 21 July, 2011 at SBP Karachi

IBD arranged a seminar on "Opportunities and Challenges in Islamic Banking" on Thursday 21st July, 2011 at the Learning Resource Centre (LRC) for internees of various universities of Pakistan. Mr. Najmul Hassan a renowned practitioner of Islamic finance addressed the occasion .The seminar provided students an opportunity to enhance their understanding about the current paradigm of Islamic banking.

[4] Developing Eight (D-8) is an organization for cooperation among eight Developing countries namely, Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey

Islamic Banking News and Views

News

Britain Creating Parallel Islamic Financial System

A British firm launched a Sharia-compliant pension fund that will enable Muslims to save for retirement in compliance with Islamic principles.

The British government will begin offering Muslim workers Sharia-compliant pensions as of 2012. The launching of the funds, which are said to be structured around a strict code of ethics and based on the Muslim Quran and Islamic Shariah law, reflects the gradual establishment of parallel Islamic financial and legal systems in British public life.

Pointon York, an independent financial services company based in Leicestershire in central England, announced on June 6 that it will begin offering four Sharia-compliant Self-Invested Personal Pensions (SIPP) products that do not bear interest and invest in companies that trade in conformity with Islamic law.

Source: http://www.hudson-ny.org/2206/britain-parallel-islamic-financial-system

U.A.E. Central Bank to Offer Repo Facility for Islamic Banks

The United Arab Emirates central bank will begin offering an Islamic facility that accepts Islamic certificates of deposit as collateral, according to a circular sent to banks.

The facility is being offered "to provide a source of liquidity to banks," according to the bank's circular. Banks wishing to participate will be asked to sign a "collateralized murabahah facility agreement," the bank said.

Source: http://www.bloomberg.com/news/2011-06-22/u-a-e-central-bank-to-offer-repo-facility-for-islamic-banks.html

The Islamic finance industry grows at 14 percent annually to RM3.1 trillion

KUALA LUMPUR: Islamic finance has achieved substantial growth in the past two decades, annualising a growth rate of about 14 percent over the past 15 years.

Securities Commission Malaysia (SC) Islamic capital market executive director Zainal Izlan Zainal Abidin said the Islamic finance industry that was currently estimated to be worth about US$ 1 trillion (RM 3.058 trillion) had made further headway in the Islamic traditional markets such as Malaysia and the Gulf Cooperation Council countries, while penetrating new markets such as in Europe and Africa.

Source: http://biz.thestar.com.my/news/story.asp?file=/2011/6/28/business/8981715&sec=business

Fattah, Amanah launch Haj fund in Kazakhstan

The launching of a joint venture Kaz Haj in June 2011 by Fattah Finance, an Islamic asset management company in Kazakhstan, and Amanah Raya Berhad Group, Malaysia's state-owned trustee company, could be an important development which may just pave the way for other countries to follow suit. Kaz Haj, is the first Islamic investment fund in the CIS country for Haj pilgrims, and will be a Kazakh version of the iconic Lembaga Tabung Haji, the most successful non-banking Islamic financial institution in the world.

Amanah Raya and Fattah Finance will initially invest about RM 1.5 million in the fund which will allow would-be pilgrims to save up to perform the Haj in Makkah (Saudi Arabia),. Kaz Haj, like Tabung Haji, is effectively a mutual savings society where investors are members of the society and surplus savings are invested in a Shariah-compliant way.

Source: http://arabnews.com/economy/islamicfinance/article469763.ece

Bank Negara launches landmark Islamic note as Malaysia starts road show for Sukuk

LONDON: The global Islamic capital market is once again focused on Malaysia with the recent launch by Bank Negara Malaysia's new Islamic monetary management instrument; the Bank Negara Monetary Notes-Istithmar (BNMN-Istithmar).

At the same time, according to Islamic banking market sources, the Malaysian government has appointed the local Maybank Group and the CIMB Group, together with Citigroup and HSBC, to lead arrange a third global sovereign US dollar sukuk offering.

Source: http://arabnews.com/economy/islamicfinance/article462217.ece

CBN to Float 'Sukuk Bond' by December 2012

Governor of the Central Bank of Nigeria (CBN), Mallam Sanusi Lamido Sanusi, Monday disclosed plans by the apex bank to sell its first 'sukuk' within 18 months.

The sovereign 'sukuk,' according to the banking sector regulator, will help raise interest in Islamic banking in the country.

Source:http://www.thisdaylive.com/articles/cbn-to-float-sukuk-bond-by-december-2012/93585/

Indonesia, Malaysia Look to Work Together to Boost Shariah Banking

The Indonesian and Malaysian central banks agreed on Monday to improve cooperation to boost the development of Islamic finance in the two nations.

"Islamic finance like Shariah banking is no longer just complementary but has now become a genuine alternative financing option," said Darmin Nasution, the governor of Bank Indonesia. "So there is a strong need for Islamic banks in Malaysia and in Indonesia to improve their cooperation and develop the Islamic finance market.''

Source: http://www.thejakartaglobe.com/business/indonesia-malaysia-look-to-work-together-to-boost-shariah-banking/453703

SBP amends regulations to expand outreach of branchless banking

The State Bank of Pakistan (SBP) has amended the regulations for financial institutions to expand the outreach of branchless banking operation in the country, a statement said on Monday.

The SBP amended the existing branchless banking regulations for financial institutions, which include commercial, Islamic and microfinance banks for expanding the outreach of the branchless banking operations in the country. According to these amendments, the central bank has introduced Level 0 Branchless Banking (BB) Accounts to bring the low-income earning segment of the society into the financial services loop.

Source: http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=53589&Cat=3&dt=6/21/2011

MCB Islamic Fund enlisted at LSE

LAHORE – The Lahore Stock Exchange has approved the application for formal listing and quotation of the Units of Muslim Commercial Bank (MCB) Islamic Income Fund, an Open-end Fund managed by MCB Asset Management Company Limited.

The Fund will be quoted under "Open-end Fund" sector of the Ready Board Quotation of the Exchange.

Source: http://nation.com.pk/pakistan-news-newspaper-daily-english-online/Business/23-Jun-2011/MCB-Islamic-Fund-enlisted-at-LSE

State Bank directs Islamic banks to accept payments

KARACHI: Islamic banking institutions (IBIs) have been directed to collect utility bills after due date as Sharia scholars have validated such collection. The instructions to facilitate the payment of utility bills are in line with the suo moto order No. 4 of 2006 issued by the honourable Supreme Court, according to the notification. "However, it has been observed that some IBIs refuse to accept payment of bills after the due date as the late payment includes a penalty which in their opinion is Riba and thus cannot be collected by them," the notification added.

The matter was discussed at the Shariah Advisors' forum having Shariah advisors of all IBIs and the SBP Shariah Board. "The Shariah scholars opined that keeping in view the larger public interest and convenience, the IBIs can collect /accept utility bills after the due date with 'Karahiat' (displeasure)," the SBP added. The central bank directed IBIs to strictly comply with SBP's prevalent instructions on collection of utility bills within and after the due date at their branches.

Source: http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=56667&Cat=3&dt=7/9/2011

Islamic banks show interest in SBP's discount facility

Islamic banks have started preparing recommendations in the light of Shariah principles to take benefit of discounting facility of the State Bank of Pakistan (SBP) and proposals will be sent to the central bank and finance ministry.

The use of discount window as a 'lender of last resort' is not permitted in the Islamic banking system, however, this facility can prove to be valuable for Islamic banks which are becoming increasingly popular.

Source: http://tribune.com.pk/story/218746/islamic-banks-show-interest-in-sbps-discount-facility/

Meezan Bank advises short-term Sukuk

Meezan Bank has become the first Islamic bank in Pakistan as an adviser and lead arranger for the first ever short-term Sukuk for Kot Addu Power Company Limited (KAPCO), a statement said on Wednesday.

The short-term Sukuk worth Rs 1.5 billion, which can be termed an Islamic alternative to commercial paper, was issued by KAPCO to meet its working capital requirements, it said. This first-of-its-kind issue with a tenor of six months was innovatively structured by the Meezan Bank on Musharaka (Shirka-tul-Aqd) basis.

Source: http://images.thenews.com.pk/11-08-2011/ethenews/e-62067.htm

Articles/Views

Nothing should stop Islamic banking —MURIC
Source: http://tribune.com.ng/index.php/islamic-news/23640-nothing-should-stop-islamic-banking-muric

Why Islamic Microfinance is not scaling up?
Source: http://www.microfinancefocus.com/why-islamic-microfinance-not-scaling

Islamic banking: Another View
Source: http://www.dawn.com/2011/06/28/islamic-banking-another-view.html

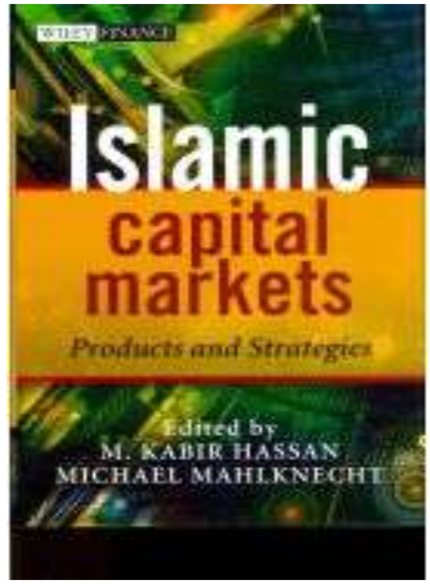
Islamic Finance: The Banking-Wonder
Source: http://www.kippreport.com/2011/06/islamic-finance-the-banking-wonder/

An alternative that suits Sukuk?
Source:http://www.arabtimesonline.com/NewsDetails/tabid/96/smid/414/ArticleID/171911/reftab/36/t/An-alternative-that-suits-sukuk/Default.aspx

Islamic Microfinance can work with all models
Source:http://www.dailytimes.com.pk/default.asp?page=2011%5C07%5C15%5Cstory_15-7-2011_pg5_4

Book Review:

Islamic Capital Markets: Products and Strategies
Edited by: M. Kabir Hassan and Michael Mahlknecht
Series: Wiley Finance
Publisher: John Wiley & Sons
ISBN: 978-0-470-68957-8
452 pages, February 2011



The book "**Islamic Capital Markets: Products and Strategies**" has been contributed by international experts on Islamic Finance and Shariah Law. The book focuses on Shariah, regulatory and legal issues related to Islamic capital markets. The book also provides information on major current market trends of Islamic finance in both Muslim and non-Muslim countries.

In terms of sections, the book is divided into four parts, covering:

• ***General concepts and legal issues*** The initial part of the book covers issues related to mortgage law with particular emphasis on Shariah principles of rahn in Saudi Arabia. The section also includes discussion on Shariah aspects in product development. A chapter covering dispute resolution framework in Malaysia also forms part of this section. The section concludes with discussion on Banks' Shariah boards around the world.

• ***Global Islamic capital market trends:*** The second section presents Islamic hedging and derivative products. The section provides information on past, present and future of Islamic derivatives. This part of the book also discusses recommendations for overcoming incentive problems in securitization in Islamic structured finance. A special section related to evolution, organizational structures and product development related to Takaful is also included in the section. The last chapter of the section provides a new model for Shariah complaint options.

• ***National and regional experiences:*** This section provides country experiences related to Islamic finance from both Muslim and non-Muslim countries. The countries covered in discussion include Malaysia, France, Germany, United States, Australia and Gulf Corporation Council (GCC). In particular Malaysia, France and Germany have been discussed in detail.

• ***Learning from Islamic finance after the global financial crisis:*** The last section of the book provides detailed discussion on lessons that Islamic finance industry can derive from the recent global financial crisis. This section analyses risks related to Islamic finance while drawing comparisons with conventional finance industry. This is followed by a discussion on Islamic financial engineering while comparing it to its conventional equivalent. The section concludes with a chapter on Islamic equity investments and Islamic microfinance.

Overall the book provides a comprehensive coverage of developments related to Islamic capital market. The book also provides a discussion on practical issues related to Islamic finance industry in the aftermath of global financial crisis. The book is a valuable addition to the existing Islamic banking literature and can serve as a useful guide for both practitioners and students of Islamic banking and finance.

Bank in Focus
Standard Chartered Saadiq

Standard Chartered Saadiq commenced operations in 2004 in Pakistan. Today the bank has 12 billion of deposits with an asset base of more than 17 billion and a network of 15 dedicated Islamic branches in Karachi, Lahore, Faisalabad, Quetta, Peshawar, Mardan and Islamabad. Bank has a complete product suite for wholesale and consumer segments.

Standard Chartered Saadiq provides Shariah compliant trade and financing products for Corporate and SME segments. These products are for both working capital and term financing requirements of clients. SCB Saadiq has extensive capability in structuring and arranging local currency Sukuk for both public and private sector entities.

Murabaha remains the most popular mode for both financing and trade sides. On financing side, Murabaha[5] is commonly used for providing short term working capital financing. While on trade front, it fulfills import requirements of client; Standard Chartered Saadiq offers *Letters of Credit* and *Murabaha Post Finance*. This product is ideal for corporations involved in businesses that need to acquire their supplies from local or international markets. The product can also be used for financing of open account purchases.

For catering to export requirements of client, Standard Chartered Saadiq offers *Export Musawamah* under which client can obtain post manufacturing pre-shipment loan from the bank. As per this structure Standard Chartered Saadiq purchases goods from customer and subsequently appoints client as its undisclosed agent to sell the same in local / international Market and settle its loan with export proceeds.

On liabilities side Saadiq *Current Account* is based on Islamic principle of *"Qarz",* whereby customer is lender and bank is borrower. The funds collected in these accounts are invested in Halal business ventures.

Saadiq *Saving & Term Deposits* are based on the Islamic principle of *"Mudaraba Mutlaqa"* whereby account-holder is investor (Rabb-ul-maal) and bank acts as an investment manager (Mudarib) who invests account-holders' funds in Islamic assets to earn profits and share with them based on pre-determined weightages that are declared at start of every month.

On consumer assets side Standard Chartered Saadiq is the only Islamic bank in Pakistan offering Shariah compliant *Saadiq Visa Credit Card*. The card operates on '*Ujrah'* concept, which is based on a fixed fee structure. Saadiq Home Finance facility operates on 'Diminishing Musharakah' concept which is based on a rental and principal component structure. Saadiq home finance has products available for home purchase, balance transfer and renovation. Mustaqbil is a regular contribution Takaful plan that pays out a cash benefit in the unfortunate case of death or upon a pre-determined maturity date set by the participant.

[5] Under Murabaha client can procure goods as bank's undisclosed agent and subsequently purchase the same from the Bank.

Country Model: Bahrain

Bahrain has shown tremendous growth in Islamic financial services since the inception of its first full-fledged Islamic Bank (Bahrain Islamic Bank) in 1979. The Kingdom of Bahrain is generally considered as one of the leading countries in Islamic finance, especially in the Middle East.

Current Status and Market Capitalization:

There are currently 26 Islamic banks and 19 Islamic insurance companies (takaful) operating in the Kingdom. Total assets and market share of Islamic banks has shown significant growth with assets of Islamic banks recording over 12 times increase since 2000 and market share of Islamic banks reaching double figures (11.1 percent as of June 2009) from only 1.8 percent in 2000. In terms of products a wide range including Murabaha, Ijara, Mudaraba, Musharaka, Al Salam and Istitsna'a, restricted and unrestricted investment accounts, syndications are being offered by Islamic banks.

Role of Central Bank of Bahrain:

In 2002, Central Bank of Bahrain (CBB) was assigned regulatory responsibilities for whole financial sector including banking, insurance and capital markets. The Central Bank of Bahrain and Financial Institutions Law 2006 (CBB Law) further consolidated the overall legal framework in relation to regulation and supervision of all financial sectors including capital markets.

The Central Bank of Bahrain has installed a comprehensive prudential and reporting framework, tailor-made for specific concepts and needs of Islamic banking and insurance. In this regard, the Central Bank of Bahrain has issued a rulebook for both Islamic banks and insurance companies. The rulebook for Islamic banks covers areas such as licensing requirements, capital adequacy, risk management, business conduct, financial crime and disclosure/reporting requirements. Similarly, the insurance rulebook addresses specific features of takaful and re-takaful firms. Both rulebooks were the first comprehensive regulatory frameworks that sought to regulate the Islamic finance industry.

Further, in order to ensure Shariah compliance, Central Bank of Bahrain requires all banks to establish an independent Shariah Supervision Committee complying with Auditing Organization for Islamic Financial Institutions (AAOIFI) governance standards[6] for Islamic Financial Institutions. CBB is generally credited with playing a pioneering role in the Islamic finance industry by introducing new concepts[7] as well as formulating rules and standards for Shariah -compliant financial transactions (see **Box 1** for details). CBB is also credited for creating a Waqf Fund for research, education and training of professionals having knowledge of both conventional and Islamic finance.

The banking supervision framework of Central bank of Bahrain requires all Islamic banks to submit quarterly reports by banks' external auditors on the quality of public disclosure. These reports are used as a supervisory tool to analyze transparency and accuracy of banks financial reports presented to the public.

[6] CBB was the first to make AAOIFI standards mandatory for all Islamic institutions.
[7] CBB is also credited with introducing the concept of Islamic window by allowing conventional banks to carry on Islamic banking business using existing infrastructure.

Box 1: Pioneering Steps by Bahrain in Islamic Finance Industry	
2001	Became the first country in the world to develop and implement regulations specific to the Islamic banking industry through introduction of CBB Rulebook This rulebook is widely considered as the benchmark for Islamic banking regulation.
2001	CBB became the first central bank in the world to issue Sukuk bonds
2005	First ever comprehensive regulatory framework specific to Takaful and re-Takaful companies was introduced through introduction of insurance rulebook.
2008	Islamic Sukuk Liquidity Instrument (ISLI), aimed at providing Islamic financial institutions a much-needed liquidity management tool, was launched by CBB.

Currently CBB is working on a project to develop a regulatory and supervisory framework governing capital markets. The project aims to introduce a consistent, effective and harmonized approach in the regulation and supervision of corporate governance in line with the principles laid out in the corporate governance code of the Kingdom of Bahrain.

Bahrain as Host of Islamic Finance Organizations:

It is pertinent to note that a number of organizations central to the development of Islamic finance are also hosted in Bahrain. These organizations include Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Liquidity Management Centre (LMC), International Islamic Financial Market (IIFM) and the Islamic International Rating Agency (IIRA).

Conclusion:

The Bahraini model continues to remain a successful one in terms of its focus on product innovation, improving market regulations and increasing awareness of Islamic financial products and has thus transformed Bahrain into a global leader in Islamic finance, especially in the Middle East.

Note: Information in this section has been obtained from Global Islamic Finance Report 2011 and Central Bank of Bahrain website.

Sukuk Market in Pakistan

Sukuk:

Sukuk are *certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity*[8]. It grants investors (Sukuk holders) a share of the asset along with profit and risks resulting from such ownership. *Sukuk*-Islamic alternate to bonds are generally asset-backed Shariah compliant trust certificates and can be divided into two broad categories;

a) Contract of Exchange (e.g. Ijarah, Murabahah, Istisna')
b) Contract of Participation (e.g. Musharakaha and Mudharabah)

The first ever Sukuk, worth US$ 33 million was issued in Malaysia in 1990 while the recent development of Sukuk market across Muslim (Malaysia, Bahrain, UAE, Indonesia and Pakistan) and non-Muslim countries (USA, UK and Singapore) can be traced backed to the issuance of first global Sukuk of US$ 150 million by a Malaysian based company in 2001[9]. Since then the Sukuk market continued and maintained its upward momentum till 2008 when it witnessed a decline due to the global financial turmoil. However, the market recovered in 2010 with issuance of a record volume (US$ 47.78 billion) during one calendar year[10]. At present the global Sukuk market stands at above US$ 197 billion (December 2010)[11] with Malaysia having the major share; nearly sixty percent of value and more than eighty percent of entire Sukuk issuance.

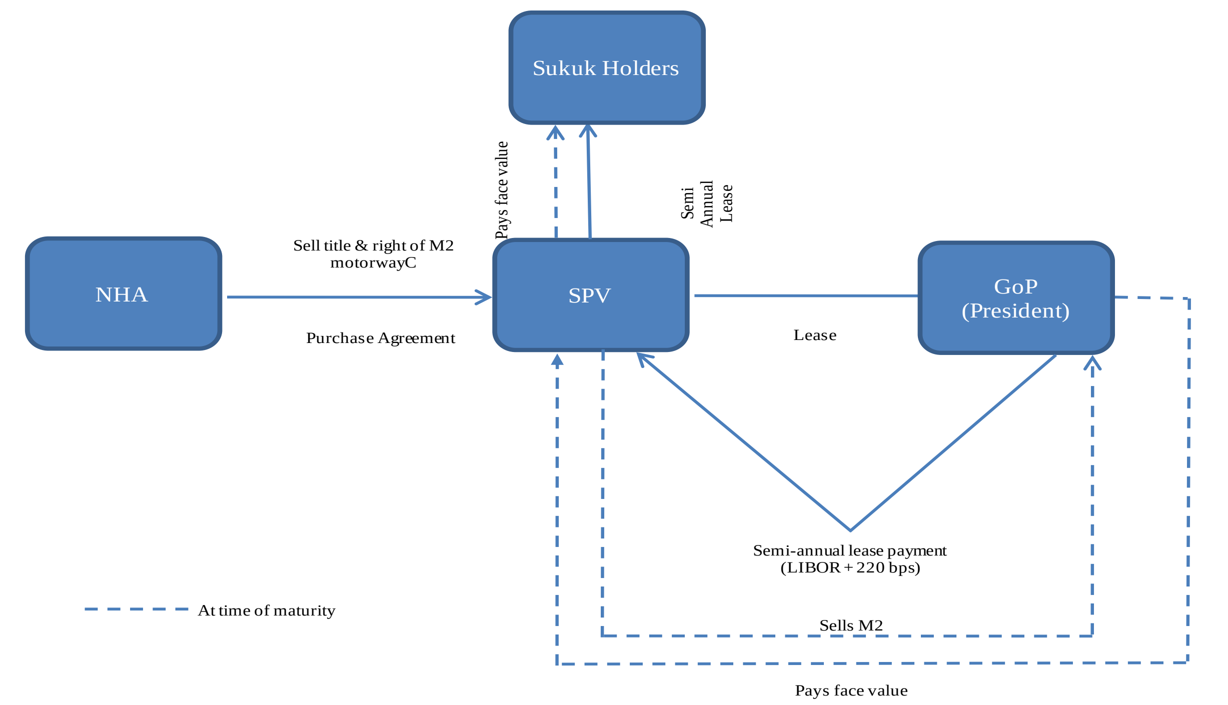
The global acceptability and recognition of Sukuk in raising Shariah compliant funds is increasing and expanding to secular and non-Muslim states. The strong recovery in 2010 is likely to continue and sustain during 2011 with Sukuk maintaining its dominance in Shariah compliant marketable securities[12]. The overall outlook of the industry is positive and analysts believe that current appetite for Sukuk in Gulf Cooperation Countries (GCC) and South East Asia is sizeable[13] implying that Sukuk market will remain active.

Sukuk Market in Pakistan

International Sukuk: Pakistan joined the current global Sukuk market with the issuance of an international sovereign Sukuk of US$ 600 million in 2005 that was listed at Luxemburg stock exchange.

[8] Shariah standard 17 of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI),
[9] Source: GIFR 2011
[10] Source: IFIS Global Sukuk Market H2-2010 Report
[11] International Islamic Financial Market (IIFM) statistics
[12] Source: IFIS Global Sukuk Market H2-2010 Report
[13] Source: GIFR 2011

Figure 1: Master Agreement GoP Ijara Sukuk 2005



This five year, dollar denominated, B^+ rated Sukuk (Standard & Poor), was based on Master Ijara agreement (see **Figure 1**) with Citi Bank and HSBC being lead managers. The Sukuk offered semi-annual floating rate of return; LIBOR+ 220 bps, that attracted an overwhelming response of around US$ 1.2 billion. The demand for this Sukuk came from diverse geographic locations with concentration in Middle East originating from both conventional and Islamic financial institutions (see **Table 1**).

Domestic Sukuk: The first Sukuk in the domestic market was issued in 2006 and by March 2011 a total of 57 Sukuk were issued; 2 percent[14] of the global Sukuk market. The emergence of domestic Sukuk market has been a significant milestone in development of the domestic industry as it provided attractive investment avenue to Islamic banks and DFI's for efficiently placing their liquidity in Shariah compliant avenue.

Table 1: Investors' Distribution of GoP International Sukuk

	percent
Investors	
Central Banks and Government	25
Asset Managers	23
Islamic institutions	20
Banks	18
Others*	14
Geographic Location	
Middle East	47
Asia	31
Europe	22

*: Private banks, retail intermediaries and insurance companies and corporates

Source: IIFM Sukuk Report 1st Edition, 2010

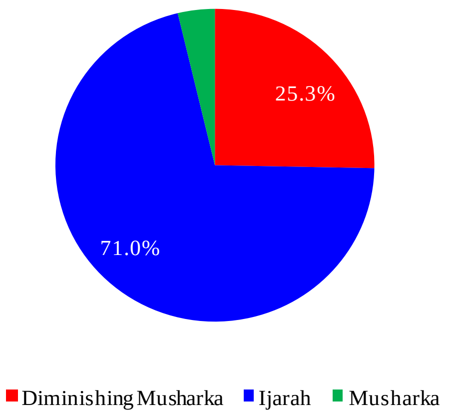
Analysis of investments by banks and DFI's in domestic Sukuk reveals that more than sixty percent of the investments have been made in sovereign Sukuk.

[14] This share has been calculated adding the value international Sukuk of Pakistan to the total volume of domestic issuance and Rs. 86/ dollar has been used as conversion rate.

Further analysis of the banking sector reveals that more than 90 percent of overall investment in Sukuk has been done by IBI; either by full-fledged Islamic banks or by conventional banks having Islamic windows.

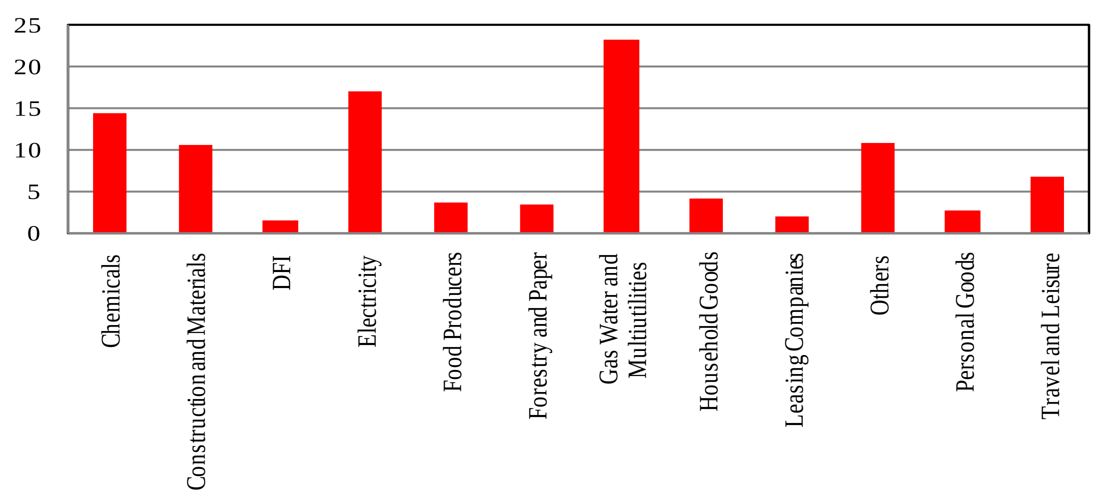
The total issued Sukuk till now are generally in the medium term ranging between 3-7 years. In line with the global trend the most widely used Sukuk structure in country is Ijarah followed by Diminishing Musharaka and Musharakha (see **Figure 2**). The dominance of Ijarah based Sukuk both domestically and globally could be attributed to its simple structure, tradability and flexibility to monetize existing assets (through sale and lease back structures) for raising funds to finance different projects, expenses etc. This structure particularly suits governments as it can finance their budget deficits by monetizing/securitizing some of their tangible assets. All Sukuk issuances, domestic or international by Government of Pakistan (GoP) have been Ijarah based.

Figure 2: Mode-wise breakup of Domestic Sukuk Issuances



Sector wise analysis of domestic Sukuk market (see **Figure 3**) reveals that gas, water and multi-utilities have got the largest share of around 23 percent followed by electricity (17 percent) and chemicals (14 percent). Other sectors including construction & materials, DFI, food producers, forestry & paper, household goods, leasing companies, travel & leisure, and personal goods are other areas in which amount raised from domestic Sukuk has been used.

Figure 3: Sectorwise Domestic Sukuk Market (in percent)



Year wise break of Sukuk issuances reveals that the buoyancy achieved in the domestic Sukuk markets in 2007, lost momentum in 2008 (see **Table 2**) mainly due to indirect second round effects of crisis in western financial markets. However, helped by more than Rs 160 billion Sukuk issuance by Government of Pakistan (GoP) since March 2009, domestic Sukuk market has again found impetus.

Table 2: Year wise Domestic Sukuk Summary

Year	Amount (Rs. in millions)	No of Issues
2006	8,625	2
2007	51,755	22
2008	31,886	18
2009	52,387	9
2010	89,811	4
2011	93,343	2
Total	**327,807**	**57**

Entity wise distribution reveals that corporate Sukuk had major share in total Sukuk issuances in Pakistan till March 2009. However, a structural shift from corporate to sovereign Sukuk has taken place as corporate Sukuk issuances declined where as the GOP has issued several Sukuk since then; sovereign Sukuk at present has a major share of more than 68 percent in total value of Sukuk issued so far (see **Table 3).** This shift is however, in line with global trend where share of corporate Sukuk declined to 63 percent from 90 percent in 2005 (see **Table 4).** This change can be linked to a general slowdown in domestic and global economies whereby corporate entities remained wary of raising funds through Sukuk issuances and investors also wanted to invest in safer Sukuk issuances (Sovereign and Quasi Sovereign). Moreover anecdotal evidence suggests that defaults in some private Sukuk have also damaged the market perceptions and sentiments thus making further issuance of corporate Sukuk relatively difficult.

Table 3: Entity wise & Year wise Breakup of Sukuk (in percent) (cumulative as of end period)

	Corporate	Sovereign	Quasi-Sovereign
2006	7.2	0.0	92.8
2007	58.3	0.0	41.7
2008	50.0	13.6	36.4
2009	47.6	29.2	23.2
2010	29.7	56.0	14.3
2011	21.2	68.5	10.2

Table 4: Global Sukuk Issuances by Issuance Status

International Sukuk				Domestic Sukuk	
S.No	**Issuer Status**	**Volume(USD in Million))**	**Percent of Total Volume**	**Volume(USD in Million))**	**Percent of Total Volume**
1	Sovereign	14554	31%	52645	35%
2	Quasi Sovereign	3000	6%	3291	2%
3	Corporate	30311	63%	93841	63%
Source: IIFM dated 29/03/2011					

It is important noting that the issuance of sovereign Sukuk helped in providing the much needed benchmark besides facilitating Islamic financial institutions in their liquidity management and improving their asset quality. These high yielding Sukuk have encouraged Islamic banks to change their asset structure by shifting their investment from interbank placements (low return investment avenues) to these Islamic bonds. This structural shift has helped the industry to improve its profitability and earnings[15].

[15] See IBB March 2011

Prospects of Pakistan Sukuk Market:

The emergence of Sukuk market in the country received a welcoming response particularly from Islamic banks and DFIs as it provided them an attractive investment avenue. Pakistan has identified the country's infrastructure needs in its Medium Term Development Framework. These infrastructural needs come from diverse sectors including energy, transport & communication and socio-economic. Finances for carrying out such developmental projects can be done through issuance of Sukuk.

However the industry needs to address challenges like lack of short term and long term instruments, absence of secondary market for tradability, identification of assets for sovereign Sukuk, disclosure of usage of Sukuk proceedings to fully exploit the potential of Sukuk. The expansion and progression of Sukuk industry requires coordinated efforts from all stake holders to make it accessible for general public. Cooperation between SECP and SBP is highly desirable to create conducive environment as well as to enhance credibility by handling issues with particular reference to Shariah compliance.

Annexure

Annexure: I

Islamic Banking Branch Network

(As of June 30, 2011)

Type	Name of Bank	No of Branches*
Islamic Banks	Al Baraka Islamic Bank	87
	BankIslami Pakistan Limited	70
	Dawood Islamic Bank Limited	42
	Dubai Islamic Bank Pakistan Ltd	66
	Meezan Bank Ltd	232
		497
Islamic Branches of Conventional Banks	Askari Bank Limited	29
	Bank Al Habib Ltd	10
	Bank Alfalah Ltd	80
	Faysal Bank Limited	37
	Habib Bank Ltd	22
	Habib Metropolitan Bank	4
	MCB Bank Ltd	14
	National Bank of Pakistan	8
	Soneri Bank Ltd	6
	Standard Chartered Bank	15
	The Bank of Khyber	21
	United Bank Ltd	7
	Sub Total	**253**
Sub Branches	Al Baraka Islamic Bank	2
	Askari Bank Limited	2
	BankIslami Pakistan Limited	32
	Dawood Islamic Bank Limited	8
	MCB Bank Ltd	2
	The Bank of Khyber	3
	Sub Total	**49**
	Grand Total	**799**

* *Source: Banking Policy & Regulations Department, State Bank of Pakistan.*

Annexure: II

Province wise Break-up of Islamic Banking Branch Network

(As of March 31, 2011)

Type	Bank Name	Azad Kashmir	Balochistan	FATA	Federal Capital	Khyber Pakhtun khwa	Gilgit-Baltistan	Punjab	Sindh	Grand Total
Islamic Banks.	Albaraka Islamic Bank	1	3	-	4	9	-	42	28	87
	BankIslami Pakistan Limited	1	8	-	2	5	1	30	23	70
	Dawood Islamic Bank Limited	-	1	-	2	2	-	17	20	42
	Dubai Islamic Bank Pakistan Limited	1	4	-	4	3	-	31	23	66
	Meezan Bank Limited	3	5	-	13	20	-	110	81	232
	IB. Total	**6**	**21**		**25**	**39**	**1**	**230**	**175**	**497**
Islamic Branches of Conventional Banks	Askari Bank Limited	-	2	-	1	5	-	14	7	29
	Bank AL Habib Limited	-	1	-	-	1	-	3	5	10
	Bank Alfalah Limited	-	2	-	6	3	-	49	20	80
	Habib Bank Limited	2	1	-	2	2	-	9	6	22
	Habib Metropolitan Bank Limited	-	-	-	-	-	-	1	3	4
	MCB Bank Limited	-	1	-	1	1	-	6	5	14
	National Bank of Pakistan	1	-	-	-	1	-	4	2	8
	Soneri Bank Limited	-	1	-	1	1	-	1	2	6
	Standard Chartered Bank(Pakistan)	-	1	-	1	3	-	4	6	15
	The Bank of Khyber	-	2	1	-	13	-	3	2	21
	United Bank Limited	-	-	-	-	1	-	3	3	7
	Faysal Bank Limited	-	2	-	1	10	-	15	9	37
	SAIBBs Total	**3**	**13**	**1**	**13**	**41**	**-**	**112**	**70**	**253**
Sub Branches	Albaraka Islamic Bank	-	-	-	1	-	-	-	1	2
	Askari Bank Limited	-	-	-	1	-	-	-	1	2
	BankIslami Pakistan Limited	1	3	-	3	2	-	9	14	32
	Dawood Islamic Bank Limited	-	-	-	-	-	-	3	5	8
	MCB Ban Limited	-	-	-	-	-	-	1	1	2
	The Bank of Khyber	-	-	-	-	1	-	1	1	3
	Sub Branches Total	**1**	**3**		**5**	**3**	**-**	**14**	**23**	**49**
	Grand Total	**10**	**37**	**1**	**43**	**83**	**1**	**356**	**268**	**799**

Annexure: III

District wise Break-up of Islamic Banking Branch Network

(As of June, 30, 2011)

S. No	Province	Cities	No of Branches
1	Sindh	Badin	1
2		Dadu	2
3		Hyderabad	19
4		Karachi	223
5		Larkana	1
6		Matiari	1
7		Mirpur Khas	3
8		Nawabshah	5
9		Sanghar	4
10		Sukkur	7
11		Tando Allahyar	2
Sindh Total			**268**
12	Punjab	Attock	5
13		Bahawalnagar	2
14		Bahawalpur	4
15		Chakwal	3
16		Dera Ghazi Khan	3
17		Faisalabad	35
18		Gujranwala	12
19		Gujrat	15
20		Hafizabad	2
21		Jhang	3
22		Jhelum	5
23		Kasur	2
24		Khanewal	5
25		Khushab	4
26		Lahore	133
27		Lodhran	1
28		Mandi Bahauddin	1
29		Mianwali	1
30		Multan	27
31		Muzaffargarh	2
32		Okara	3
33		Pakpattan	2
34		Rahim Yar Khan	8
35		Rawalpindi	41
36		Sahiwal	3
37		Sargodha	9
38		Sheikhupura	4
39		Sialkot	15
40		Toba Tek Singh	2
41		Vehari	4
Punjab Total			**356**

S. No	Province	Cities	No of Branches
42	Khyber Pakhtunkhwa	Abottabad	11
43		Banu	1
44		Charsadda	2
45		Chitral	1
46		Dera Ismail Khan	4
47		Hangu	1
48		Haripur	4
49		Kohat	3
50		Malakand	1
51		Mansehra	5
52		Mardan	6
53		Nowshera	4
54		Peshawar	32
55		Swabi	3
56		Swat	2
57		Tank	1
58		Upper Dir	2
	KP Total		**83**
59	Balochistan	Chagi	1
60		Gawadar	1
61		Kila Abdullah	2
62		Killa Saifullah	2
63		Lasbela	1
64		Loralai	3
65		Pishin	1
66		Quetta	25
67		Zhob	1
	Balochistan Total		**37**
68	Gilgit-Baltistan	Gilgit	**1**
	Gilgit-Baltistan Total		1
70	FATA	Khyber Agency	1
	FATA Total		1
71	Federal Capital	Islamabad	43
	Federal Capital Total		**43**
72	**Azad Kashmir**	Mirpur AJK	7
73		Muzaffarabad	3
	Azad Kashmir Total		**10**
	Grand Total		**799**

Contact Details

Sr. No.	Name	Designation	Contact Details	
			Office Phone number	Email Address
1	Saleem Ullah	Director	9221-3245 3742	Saleemullah@sbp.org.pk
2	Muhammad Yousaf	P.A to Director	9221-3245 3743	muhammd.yousuf@sbp.org.pk
3	Zulfikar Khokhar	Additional Director	9221-3245 3741	zulfikar.khokhar@sbp.org.pk
4	Nighat Tanveer	Senior Joint Director	9221-3245 3711	nighat.tanveer@sbp.org.pk
5	Dr. Mian Farooq Haq	-do-	9221-3245 3807	mian.farooq@sbp.org.pk
6	Munir Ahmed	Joint Director	9221- 3245 3736	munir.ahmed@sbp.org.pk
7	Ghulam Shabbir	-do-	9221- 3245 3773	shabbir@sbp.org.pk
8	M. Mazhar Khan	-do-	9221- 3245 3736	mazhar.khan@sbp.org.pk
9	Aslam Navaid	-do-	9221- 3245 3757	aslam.navaid@sbp.org.pk
10	Ashfaq Ahmad	-do-	9221- 3245 3772	ashfaq.iba@sbp.org.pk
11	Adnan Majid	Deputy Director	9221-32453724	adnan.majid@sbp.org.pk
12	Farid Khan	-do-	9221- 3245 3757	farid.khan@sbp.org.pk
13	Sarfraz Ahmed	-do-	9221- 3245 3772	ahmed.sarfraz@sbp.org.pk
14	Harris Ashfaq	-do-	9221- 3245 3724	haris.ashfaque@sbp.org.pk
15	Muhammad Usman Abbasi	-do-	9221-3245 3816	muhammad.usman3@sbp.org.pk
16	Bushra Shafique	-do-	9221-3245 3866	bushra.shafique@sbp.org.pk
17	Mudassar Saleem	Assistant Director	9221- 3245 3773	mudassar.saleem@sbp.org
18	Sajid Khan	-do-	9221-32453744	Sajid.khan@sbp.org.pk
19	Muhammad Amjad	-do-	9221- 3245 3724	m.amjad@sbp.org.pk
20	Yasmeen Abdul Ghani	Officer-IBD	9221-3245 3744	yasmeen.ghani@sbp.org.pk
21	Saghir Ahmad	-do-	9221-3245 3776	saghir.ahmad@sbp.org.pk