Islamic Banking Bulletin

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Islamic Banking Department
State Bank of Pakistan

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Islamic Finance News Pakistan Roadshow

Keynote Address
Mr. Yaseen Anwar, Governor, State Bank of Pakistan,
LRC, State Bank of Pakistan, Karachi
Aug 27, 2013.

Thank You for inviting me to speak at today's event. I am honored to have this opportunity of addressing such a distinguished audience. My appreciation to the organizers for once again having assembled a strong list of speakers at this year's Islamic Finance News Road show and a warm welcome to the international delegates. With all of us gathered here at the central bank sends a strong signal about commitment and determination of the State Bank of Pakistan and the Government towards ensuring sustainable growth of Islamic finance industry in the country. As I look around I am optimistic that the collective experience of speakers will lead to rich debates that will not only help us in understanding the key issues but will also enable us to map out the future of the industry.

Ladies & Gentlemen: Islamic finance industry has come a long way to be recognized as a viable alternate to conventional finance. Islamic financial institutions are currently offering wide range of services catering to both Muslim and non-Muslim communities. The unprecedented growth of Islamic finance industry can be associated to efforts of dedicated regulatory, Shariah and academic institutions along with presence of diversified players in the field i.e. Islamic banks, investment banks, takaful companies, Islamic fund management companies, Islamic brokerage companies etc. Introduction of Sukkuk and Islamic stock market indices have also added the necessary depth and breadth to the Islamic financial markets. In particular Sukuk; has proved to be a powerful tool in attracting investors and building their confidence in Islamic finance while fulfilling financing needs of public and private sector in a Shariah compliant manner.

Pakistan is no exception to this; rather the country has remained at the fore front in promoting Islamic finance by being a key member of International Islamic finance institutions established to develop necessary legal, regulatory, supervisory and Shariah compliance infrastructure for Islamic finance institutions. Pakistan's active engagement with Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM) and collaborations with other central banks has helped the growth of Islamic banking industry both locally and at the global level.

Ladies & Gentlemen: Islamic banking in Pakistan has witnessed significant growth during the last decade and now constitutes over 10 percent of the country's banking system with an asset base of above Rs 900 billion and a network of more than 1,100 branches. Given the interest of all stakeholders and relatively high level of financial exclusion in the country, we believe this expansionary trend is likely to continue and the industry is well set to double its market share by 2020. This success could not have been possible without the leading role of the central bank in setting the direction of the industry and providing unusual support for its promotion and development. Promoting Islamic finance as a viable and competitive component of the financial system through enabling legal, regulatory and supervisory environment has remained an important component of SBP's strategic goals. Considering the evolutionary stage of the industry, we are continuously engaged in refining and improving the legal and regulatory framework to ensure: a) its responsiveness to the evolving industry dynamics and b) its effectiveness in identifying, measuring and mitigating the risks associated with Islamic finance. In the recently concluded fiscal year we issued detailed instructions for Profit & Loss Distribution and Pool Management to bring standardization, improve transparency and safeguard interests of Investment Account Holders (the savings depositors). The instructions developed through rigorous consultations with the industry have been well received both domestically and globally.

Similarly to further improve Shariah compliance environment in IBIs, our Islamic Banking Department has completed industry consultations on the draft Shariah Governance framework and will soon be issuing the same. The framework will be another key milestone achieved, which will institutionalize the Shariah compliance function and crystallize the Shariah compliance related roles and responsibilities of all key organs of IBIs including BODs, executive management and Shariah Boards Moreover, to encourage standardization and Shariah harmonization, SBP over the time has issued permissible Islamic modes of finance, model Islamic financing agreements besides adapting AAOIFI Shariah Standards for Pakistani market in gradual manner.

Ladies & Gentlemen: The continuation of growth momentum achieved during last 4-5 years is contingent on making an objective assessment of the successes, failures and future challenges and developing consensus strategies and action plans to build on the successes and address the challenges. We have accordingly developed the five year Strategic Plan for Islamic Banking industry again through a rigorous and meaningful consultation with all the key stakeholders. The plan to be issued soon lay down the future road map of the industry, highlight areas of improvement in legal, regulatory and taxation environment, emphasize diversification of products and markets covering non-traditional but strategically important sectors of agriculture and SMEs and increasing the Islamic banking market share to over 15% of the country's banking system during next five years.

SBP has also been playing a vital role in raising awareness and building capacity of the industry. To address the awareness and misconception issues SBP has launched an awareness campaign that consists of seminars, conferences, targeted programmes and focused discussions for business community, academia, bankers and policy makers. A recent significant milestone is the launch of Mass Media Campaign where the whole Islamic banking Industry has joined hands under the ambit of SBP to target the challenge of misconceptions related to Islamic banking business model and practices. Similarly a number of initiatives have been taken to build industry's human resource capacity and enhance their skills mix. In this regard support from international organizations like Islamic Research and Training Institute (IRTI) and Islamic Financial Services Board (IFSB) is also being leveraged.

Ladies & Gentlemen: One of the key benefits of promotion of Islamic finance is its potential to contribute significantly in financial inclusion by extending the outreach of the financial system to the masses who are out of the system due to faith reasons. Islamic Microfinance, a confluence of two industries; Islamic Finance and Microfinance, can not only be an efficient tool for financial inclusion by catering to both voluntary and involuntary financially excluded but also towards poverty reduction due to its inherent characteristic of being prudent and asset based. The Islamic finance industry has so far not done much to tap the potential of Islamic microfinance due to perceived high risk and their preoccupation in serving the financing needs of the government and big corporate. I would thus urge the industry to make individual as well as collaborative efforts to develop this sector, which would improve their market perception besides enabling them to diversify their clientele. The IBIs may also develop partnerships with Islamic microfinance institutions to serve the low income population.

Similarly, Agriculture and SMEs are areas that have so far been missed out by both conventional and Islamic banks due to the perception of high risk despite their paramount importance for the country's economy. Financial inclusion is one of the key strategic objectives of SBP and is very near to my heart; I would thus strongly emphasize the industry to come out of these perception myths and develop capacity to tap these strategically important sectors and create value for your shareholders, depositors and country's economy as a whole. The SBP would lend every support and facilitation to the industry in its efforts to build and expand its portfolio in these sectors.

Ladies & Gentlemen: Islamic capital markets, mutual funds and Takaful industry are also very important components of Islamic financial system and need to be nurtured and developed along with Islamic banking. We are working closely with Securities and Exchange Commission of Pakistan (SECP), regulator of capital markets to help develop these non-bank financial institutions. We appreciate and acknowledge some important steps taken by SECP including review of Mudaraba guidelines, issuance of Sukuk guidelines, establishment of central Shariah advisory board etc, and believe that these are likely to help in development of overall Islamic finance industry.

Lastly, I would like to emphasize the critical importance of investment in research and development particularly for the evolving sectors like Islamic finance. Unfortunately we are not making adequate investment in this area, which is limiting our capacity to develop Shariah based solutions for various business and economic needs of the real economy. The research and development is also needed to develop solutions for bringing the monetary and fiscal policies and practices in conformity with the Shariah principles. The strategic plan for next five years has envisaged a number of such initiatives and I hope that the collaborative efforts by the regulator and practitioners would be instrumental in improving investment in R&D and developing better solutions for serving the financing needs of the real economy.

In the end, I will thank all the speakers and participants for coming here and hope that the deliberations and discussions during the Road show will help industry in moving towards more inclusive growth and equitable distribution of gains in the economy.

Islamic Banking Industry- Progress & Market Share

Overview

Islamic banking industry grew by nearly 7 percent during the second quarter of CY13; the growth momentum however started weakening due to increasing base. Asset base of the industry reached to Rs. 903 billion registering year on year (YoY) growth of 27 percent, while deposits grew by 28 percent (YoY) to reach Rs 771 billion by end June 2013 (see **Table 1**). Similarly market share of both assets and deposits increased during the quarter under review and reached 9.0 percent and 9.9 percent respectively, in overall banking industry. Branch network of the Islamic banking industry also increased as 15 new branches were added during the review quarter. Profit of the Islamic banking industry reached above Rs 4.3 billion by end June 2013 from Rs. 2.2 billion by end March 2013, though lower compared to Rs 5.9 billion profit registered during June 2012.

Table 1: Industry Progress and market share

	Industry Progress			Growth (YoY)			Share in Industry		
	Jun-12	**Mar-13**	**Jun-13**	**Jun-12**	**Mar-13**	**Jun-13**	**Jun-12**	**Mar-13**	**Jun-13**
Total Assets	711	847	903	26.9%	31.5%	27.0%	8.2%	8.7%	9.0%
Deposits	*603*	704	771	33.3%	32.8%	28.0%	8.9%	9.7%	9.9%
Net Financing & Investment	*543*	*666*	*700*	29.2%	36.7%	28.9%	7.9%	8.9%	8.8%
Total Islamic Banking Institutions	*17*	*19*	*19*	–	–	–	–	–	–
Total No. of Branches*	*886*	*1100*	*1115*	–	–	–	–	–	–

Source: Quarterly Unaudited Accounts

**number includes sub-branches*

Asset & Liability Structure

Asset: Asset base of the Islamic banking industry crossed Rs. 900 billion as it reached Rs 903 billion by end June 2013 from Rs. 847 billion in the previous quarter. IBIs share of assets in overall assets of the banking industry also increased to 9.0 percent from 8.7 percent in the last quarter.

Increase in assets was contributed by both investments and financing, the two major components of assets, though growth in financing (10.4 percent) was higher compared to growth in investments (2.0 percent). Consequently share of investments in overall asset portfolio declined below 50 percent to reach 48.6 percent by end June 2013 compared to 50.8 percent in previous quarter. One of the major reasons for this decline in investment was that no new GoP Ijara Sukuk was issued during the review period and Islamic banking institutions thus had limited investment opportunities. On the other hand financing witnessed an increase in its share in overall assets to reach 28.9 percent by end June 2013 from 27.9 percent by end March 2013.

Further analysis of assets shows that assets of both Islamic Banks (IBs) and Islamic Banking Divisions (IBDs) of conventional banks witnessed positive growth compared to previous quarter with IBDs recording relatively better growth (7.2 percent) compared to IBs (6.4 percent). In terms of share, assets of IBs contribute 64 percent in overall assets of Islamic banking industry with remaining 36 percent assets being contributed by IBDs.

Table 3: Investments

Rupees in million

				Growth	
	Jun-12	**Mar-13**	**Jun-13**	**YoY**	**QoQ**
Federal government securities	243,069.9	307,544.8	314,596.0	29.4	2.3
Fully paid up ordinary shares	3,705.0	3,983.4	3,881.8	4.8	(2.5)
TFCs, Debentures, Bonds, & PTCs	30,565.2	34,230.5	34,237.1	12.0	0.0
Other investments	69,274.2	85,679.5	87,487.1	26.3	2.1
Investments by type					
Held for Trading	269.44	719.03	210.01	(22.1)	(70.8)
Available for Sale	324,678.2	411,782.2	420,169.5	29.4	2.0
Held to Maturity	13,073.3	9,258.6	11,260.3	(13.9)	21.6
Surplus /(deficit) on revaluation	73.4	1,347.6	130.2	77.5	(90.3)
Net Investments	**345,678.7**	**430,173.9**	**438,754.3**	**26.9**	**2.0**

Investments:

Investments of Islamic banking industry registered quarterly growth of 2.0 percent reaching Rs 438 billion by end June 2013 compared to Rs 430 billion by end March 2013 (see **Table 3**). This growth rate (2.0 percent) is however lower than 9.1 percent growth witnessed by investments in previous quarter mainly due to no-issuance of GoP Ijara Sukuk during the review period. Despite no issuance of GoP Ijara Sukuk Federal government securities still registered quarterly growth of 2.3 percent reflecting purchase of Sukuk in the secondary market by Islamic Banking institutions from conventional banks. Like previous months, the share of Federal government securities in overall investments remained highest contributing more than 71 percent in investment portfolio of Islamic banking industry.

Table 4 : Financing Mix

(a) Amount in billion Rupees	Jun-12	Mar-13	Jun-13
Murabaha	83.9	90.4	110.0
Ijarah	23.0	23.2	23.4
Musharaka	2.4	3.6	4.0
Mudaraba	0.2	0.5	0.5
Diminishing Musharaka (DM)	74.9	89.7	90.8
Salam	7.4	13.0	13.4
Istisna	10.8	16.4	15.1
Qarz/Qarz-e-Hasna	0.0	0.0	0.0
Others	6.7	14.1	18.5
Total	**209.4**	**251.1**	**275.8**
(b) Percent Share			
Murabaha	40.1	36.0	39.9
Ijarah	11.0	9.2	8.5
Musharaka	1.2	1.4	1.5
Mudaraba	0.1	0.2	0.2
Diminishing Musharaka (DM)	35.8	35.7	32.9
Salam	3.5	5.2	4.9
Istisna	5.2	6.5	5.5
Qarz/Qarz-e-Hasna	0.0	0.0	0.0
Others	3.2	5.6	6.7
Total	**100.0**	**100.0**	**100.0**

Financing

In line with its usual trend financing picked up during the second quarter of CY13 after showing relatively slower growth in the first quarter. Net Financing of Islamic banking industry grew by 10.4 percent during the quarter under review compared to quarterly growth of 2.1 percent in previous quarter.

In terms of financing mix, Murabaha remained the highest mode for financing followed by Diminishing Musharaka (see **Table 4 (a)**). However during the quarter under review, Diminishing Musharaka witnessed decline in its share in overall financing whereas Murabaha registered increase (see **Table 4 (b)**).

In line with overall industry trend, financing extended by IBIs is mainly concentrated in the textile sector, though the share of textile witnessed a slight decline during the quarter ending June 2013. Other sectors including agribusiness, electronics & electrical appliances and chemical & pharmaceuticals witnessed an increase in their shares during the quarter under review (see **Table 5**).

Table 5: Financing Concentration - percent share

	Jun-12	Mar-13	Jun-13	Industry
Chemical and Pharmaceuticals	7.2%	7.2%	7.3%	3.6%
Agribusiness	4.9%	2.1%	4.0%	8.7%
Textile	15.8%	18.9%	17.1%	16.3%
Cement	2.5%	1.6%	1.4%	1.3%
Sugar	4.1%	6.6%	4.6%	3.2%
Shoes and leather garments	1.0%	1.0%	0.8%	0.6%
Automobile and transportation equipment	1.5%	1.5%	1.5%	1.4%
Financial	1.5%	1.1%	1.0%	2.5%
Insurance	0.0%	0.0%	0.0%	0.0%
Electronics and electrical appliances	1.9%	1.4%	1.9%	1.3%
Production and transmission of energy	11.0%	9.2%	7.6%	10.6%
Individuals	15.7%	14.8%	14.0%	8.2%
Others	32.9%	34.6%	38.7%	42.2%
Total	100.0%	100.0%	100.0%	100.0%

Like previous quarters corporate sector remained the highest contributor in terms of client wise financing of IBIs having a share of above 70 percent followed by consumer financing (12.8 percent), commodity financing (10.9 percent) and SME (3.7 percent) in overall financing (see **Table 6**). In terms of quarterly growth, all sectors of client wise financing of IBIs registered positive growth except agriculture SME and others.

Table 6: Client Wise Financing Portfolio (Share Percent)

	Jun-12	Mar-13	Jun-13
Corporate Sector	70.5%	72.7%	70.5%
SMEs	5.2%	4.8%	3.7%
Agriculture	0.1%	0.1%	0.1%
Consumer Finance	14.8%	13.4%	12.8%
Commodity Financing	7.4%	6.8%	10.9%
Staff Financing	1.7%	1.7%	1.6%
Others	0.3%	0.4%	0.3%
Total	100.0%	100.0%	100.0%

Asset Quality

During the quarter under review, non-performing financing (NPF) of Islamic banking industry witnessed slight decline and was recorded Rs.19.4 billion compared to Rs 19.5 billion in previous quarter. The decline in NPFs was mainly contributed by the category of “Doubtful” that declined by 18 percent during the quarter ending June 2013 (see **Table 7**). However, given that “loss” category witnessed an increase during the same period it implies that this may be due to the fact that a part of the non-performing financing that was earlier considered to be “doubtful” is now being categorized as “loss”. Among other indicators, provisions registered an increase during the same period reaching above Rs 12.8 billion compared to Rs 12.5 billion.

Table 7: Non-Performing Financing & Assets

Rupees in billion

	Jun-12	Mar-13	Jun-13	Growth in % YoY	QoQ
NPF	18.3	19.5	19.4	5.6	-0.8
Substandard	4.0	1.2	1.3	-66.5	12.8
Doubtful	1.9	3.6	3.0	57.7	-18.0
Loss	12.5	14.7	15.1	20.8	2.3
Provisions	10.9	12.5	12.8	17.4	2.6
Net NPF	7.4	7.1	6.6	-11.7	-6.9
Recovery (year to date)	0.7	1.3	0.7	-7.5	-47.8
NPA	20.6	22.9	23.1	12.0	0.8
Net NPAs	7.9	8.1	7.8	-0.7	-3.7

Table 8: Performance Indicators

	Jun-12	Mar-13	Jun-13	Industry
Assets Quality Ratio				
NPFs to Financing	8.8%	7.9%	7.1%	14.8%
Net NPFs to Net Financing	3.8%	3.0%	2.5%	4.4%
Provisions to NPFs	59.5%	63.9%	66.1%	73.2%
Net NPAs to Total Capital	13.4%	12.8%	12.2%	19.4%
Real estate Financing to Total Financing	7.0%	5.9%	5.6%	1.4%
FCY Denominated Financing to Capital	10.5%	8.5%	11.1%	15.7%

Among various performance indicators with respect to asset quality, NPF to financing ratio, Net NPFs to Net Financing and Net NPAs to Capital declined during the quarter ending June 2013 compared to previous quarter. On the other hand, Provisions to NPFs increased during the review quarter primarily due to conversion of some of the doubtful NPFs into loss category, which attracts higher provisions. It is however, pertinent to note that all above mentioned asset quality indicators are lower than overall industry ratios indicating relatively better asset quality of IBIs (see **Table 8**).

Table 9: Break up of Deposits

Rupees in million and growth in percent

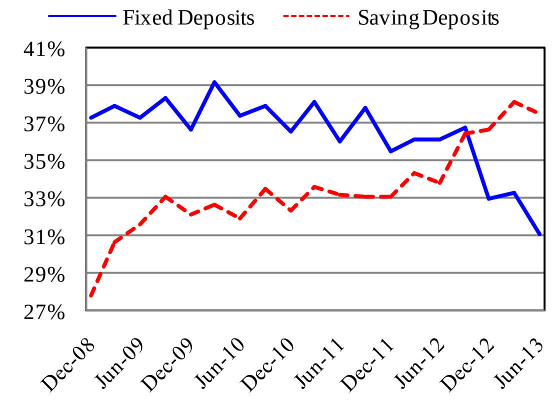
	Jun-12	Mar-13	Jun-13	Growth YoY	QoQ
Deposits	**602,520.5**	**704,007.8**	**770,945.2**	**28.0**	**9.5**
Customers	**566,150.9**	**671,824.7**	**729,998.8**	**28.9**	**8.7**
Fixed Deposits	218,008.9	234,412.8	239,836.0	10.0	2.3
Saving Deposits	203,863.4	268,235.2	289,360.8	41.9	7.9
Current accounts - Remunerative	1,652.9	1,590.8	2,259.5	36.7	42.0
Current accounts - Non-remunerative	140,067.7	164,554.6	194,895.8	39.1	18.4
Others	2,558.0	3,031.2	3,646.7	42.6	20.3
Financial Institutions	**36,369.7**	**32,183.1**	**40,946.4**	**12.6**	**27.2**
Remunerative Deposits	35,180.4	31,923.0	40,616.0	15.5	27.2
Non-remunerative Deposits	1,189.2	260.1	330.4	(72.2)	27.0
Currency Wise					
Local Currency Deposits	577,526.0	666,760.1	732,226.2	26.8	9.8
Foreign Currency Deposits	24,994.5	37,247.7	38,719.0	54.9	4.0

Liabilities

On liabilities side, deposits of Islamic banking industry reached Rs. 771 billion by end June 2013 depicting a quarterly growth of 9.5 percent. In terms of share, deposits of Islamic banking industry in overall banking industry increased from 9.7 percent in March 2013 to 9.9 percent by the end of quarter under review. Both customers' deposits as well as financial institutions deposits with IBIs increased during the quarter under review (see **Table 9**). However increase in financial institutions deposits (27.2 percent) remained higher than increase in customers' deposits (8.7 percent) resulting in an increase in share of share of financial institutions deposits in overall deposits from 4.6 percent to 5.3 percent.

Further analysis show that all type of customers deposits increased on quarterly basis during the period under review. Fixed deposits and saving deposits, the two major components of customer deposits, both witnessed increase, though growth in saving deposits was higher than growth in fixed deposits. This is in line with the general trend witnessed since December 2011, where growth in saving deposits has remained higher than growth in fixed deposits. Consequently share of saving deposits in overall deposits has witnessed increase and has surpassed share of fixed deposits in overall deposits since December 2012 (see **Figure 1**). In terms of currency wise deposits, local currency deposits continued to dominate overall deposits with 95 percent share in overall deposits.

Figurer 1: Share in Overall Deposits



Earning & Profitability

Profitability of the Islamic banking industry reached above Rs 4.3 billion by end June 2013 from Rs. 2.2 billion by end March 2013, though lower compared to Rs 5.9 billion profit registered during June 2012. One of the possible reasons for relatively slower profitability of Islamic banking institutions by end June 2013 compared to end June 2012 is that profit margins of the industry have squeezed due to reduction in policy rate by SBP and hence the yields of IBIs financing and investment portfolio have been reduced[1].

Table 10: Earning & Profitability	Jun-12	Mar-13	Jun-13	Industry
Net Income to Total Assets(ROA)	1.4%	0.8%	0.8%	1.1%
Return on Equity (ROE)	16.6%	11.2%	11.1%	12.4%
Net mark up Income to Gross Income	80.2%	78.7%	79.1%	70.0%
Non-mark up Income to Gross Income	19.8%	21.3%	20.9%	30.0%
Trading & Forex Gains/(Losses) to Gross Income	6.5%	7.2%	7.3%	10.0%
Operating Expense to Gross Income	64.7%	70.7%	71.7%	56.5%
Personnel Expense to Operating Expense	38.0%	37.8%	37.9%	42.8%
Spread Between Financing & Deposit Rate	8.6%	7.5%	7.3%	5.5%

[1] Pricing of Islamic banking institutions financing and investment products is based on conventional benchmarks like KIBOR and T-Bills rate and reduction in policy rate decreases rate of return on these benchmarks hence affecting yields of IBIs financing and investment portfolio.

This is also reflected in declining spread between financing & deposit rate which has reached 7.3 percent by end June 2013 compared to 8.6 percent in same period last year (see **Table 10**). Consequently Return on Equity (ROE) witnessed decline during the quarter under review.

Among other indicators of earnings and profitability, Net Mark up Income to Total Income of Islamic banking Industry also registered increase during the quarter and remained higher than overall industry average. On the other hand Non-Markup Income to Total Income registered slight decline during the quarter ending June 2013 and continued to stay below overall banking industry average.

Country Model: Kingdom of Saudi Arabia

Kingdom of Saudi Arabia (KSA), the largest in GCC in terms of Islamic banking assets while occupies second position (after Iran) globally; Islamic banking industry (IBI) in the country has an asset base of US $ 207 billion by end 2011; nearly 50 percent assets of overall banking system of the Kingdom. KSA is the second largest for Sukuk issuance and the largest in Takaful market[2].

The role of KSA in the history of Islamic banking is the most prominent of all, mainly owing to its efforts for establishing Organization of Islamic Conference (OIC) and consequently the Islamic Fiqh Academy and Islamic Development Bank (IDB) during the decade of 70's. Since then the industry is growing at considerable pace and IDB, having highest capital share of Saudi Arabia (27.9 percent share holding), has remained instrumental in developing the industry at global scale.

The kingdom has four retail full fledged Islamic banks (Al Rajhi Bank, Bank Al jazira, Alinma Bank and Bank Albilad)., further, almost all conventional banks have large Islamic windows as depicted by almost similar share of conventional banking assets during 2011. However, in terms of regulatory environment the kingdom has not been very active. Saudi Arabia Monetary Authority (SAMA), the Central Bank, and the Capital Market Authority (CMA) do not have any distinct or separate regulations for Islamic financial institutions. Unlike most countries having Islamic banking, KSA does not have any Central Shariah Board for Shariah screening of financial products; however, institutions offering Shariah compliant products and services are obligated to have their own Shariah boards who are responsible for ensuring Shariah compliance in these institutions.

Islamic Capital Market

The liberalization of financial market of Saudi Arabia since 2005 after joining World Trade Organization (WTO) has favoured the growth of Islamic financial industry by permitting international investors and financial institutions to enter the country. At present there are 153 Shariah compliant funds in 15 categories[3] while kingdom is leading Sukuk and Takaful market.

Sukuk

Saudi Market witnessed the very first Sukuk in 2003 when IDB issued its first Sukuk; IDB Trust Services Ltd. global Sukuk of $ 8 billion for the finance of infrastructure projects[4]. This was followed by corporate Sukuk issued by the country's leading car leasing and rental company in 2004 while the first sovereign Sukuk was issued in 2012. One of the significant corporate Sukuk was the 14 years Sukuk by Saudi Aramco of US $ 1 billion for its new refinery project and it was oversubscribed by three times. On the other hand, the recently issued sovereign Sukuk is the largest Sukuk of 15 billion Riyals (US $ 4 billion) and proceeds of this ten year Islamic bond will be used for expansion of King Abdul Aziz International Airport in Jaiddah.

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[2] Source: World Takaful Report 2012
[3] This data is of Aug 2010
[4] Source: Standard & Poor's Rating's Direct: Investor Appetite Is Pushing Sukuk Into The Mainstream

The growth of Sukuk has remained considerable throughout in the country, however, it had some hit after the credit crisis, however, is now again on high growth trajectory and occupies 8 percent of global Sukuk market (US $ 131.1 billion). Factors like limited avenues for Shariah complaint financial institutions due to the absence of Islamic money market, sectors of energy and petroleum and real estate (especially after approval of Saudi Mortgage Law) signifies that Sukuk market is expected to grow at a higher pace in coming years.

Takaful Market

Pre 2003 insurance companies were not allowed to operate in the country due to non permissibility under Shariah which is the prevalent law in the country and only state owned National Company for Cooperative Insurance was offering this service. The state owned company was operating it on the model of 'cooperative' which is Shariah Compliant while after passing the Cooperating Insurance Regulations in 2003 new players started in the market. At present the market contains nearly 30 issuers offering insurance services on the basis of co-operative model.

Not only Islamic banking industry is growing significantly in the country but Saudi based Islamic financial institutions are contributing significantly towards growth of the industry globally. However, the lack of enabling environment in terms of distinct regulations may hinder the growth potential of the country.

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Adoption of AAOIFI Shariah Standards: Case of Pakistan
Sharika (Musharaka) and Modern Corporation

Sharika

Sharika means "Sharing" and in broader terms of Islamic Fiqh it covers two main kinds[5];
(i) Shirkat-ul-Milk –A joint ownership of two or more persons in a particular property
(ii) Shirkat-ul-Aqad.-A partnership effected by a mutual contract

Shariah standard No. 12 is applicable to Sharikat al aqd (contractual partnership), including modern corporations. However, following partnerships are specifically excluded in the scope of the standard Partnership where parties jointly own an asset

- Sharik al-mufawada
- Mudaraba (AAOIFI Shariah Standard no. 13 is applicable to this form of partnership)
- Sharecropping partnership (irrigation and agricultural partnership)

Definition: Sharikat al aqd

According to the AAOIFI Shariah Standard no. 12 Sharika al-aqd implies "an *agreement between two or more parties to combine their assets, labour or li abilities for the purpose of making profits*". The standard provides detailed classification of partnership under two main categories;

(i) ***Traditional fiqh-nominate partnerships*** ; (a) Sharikat al-Inan (contractual partnership), (b) Sharikat al wojooh or dhimam (liability partnership), (c) Sharikat al amal (vocational partnership and partnerships for undertaking difficult work or accepting jobs)

(ii) ***Modern corporations***; (a) Stock company (b) joint-liability company (c) Partnership in commendum (d) company limited by shares (e) Allotment (muhassa) partnership (f) Diminishing partnership (originated from Sharikat al-Inan)

The above mentioned two main categories have been made two main sections of the standard while overall the standard has got five major clauses including Scope and Definition.

Bulletin for this quarter will discuss only the first part; Traditional fiqh-nominate partnerships, of the standard while the second part on Modern Corporations will be discussed in the coming bulletin. The clause related to the first category has been sub-divided into three sub clauses;

1. General rulings for Sharika especially Sharikat al Inan
2. Partnership in creditworthiness or reputation
3. Service Partnerships (professional or vocational partnerships and partnerships in skilled trades)

[5] Source : Usmani, M.T. " An Introduction to Islamic Finance" Idaratul Ma'arif, May 2000.

Brief overview of these clauses is as follows;

1. **General rulings for Sharika especially Sharikat al Inan**

According to the standard "*Sharikat al-Inan is a partnership between two or more parties whereby each partner contributes a specific amount of money in a manner that gives each one a right to deal in the assets of partnership, on condition that the profit is distributed according to the partnership agreement and the losses are borne in accordance with the contribution of each partner to the capital*". General rulings of the standard provide detailed guidelines on following areas;

i. ***Conclusion of a Sharika contract:*** This sub-clause discusses that a Sharika contract can be concluded by agreement between parties and the contract can be registered officially in case of necessity. Objectives of partnership are clearly expressed in the document of partnership or in the articles of the association of the company while amendments like change in profit sharing ratio, share in loss with respect to share in capital etc can be made at any time of the contract.

It has been mentioned explicitly that it is permissible to enter into partnership with non-Muslim or conventional banks, however it is important to ensure while making arrangements that all rules and operations of this partnership will be in conformity with Shariah rules. In similar context, inclusion of conventional bank as partner in syndicated financing is also allowed unless and until the right to manages remain with Shariah compliant institution and the operation of partnership is subject to Shariah supervision.

ii. ***The Capital of Sharika:*** While explaining rules about capital of Sharika, this clause states that it is must determine each partner's share in the capital whether in paid lump sum or in forms of more than one payments.

It has been explicitly mentioned that capital of Sharika should be contributed in the form of monetary assets and in case of tangible commodities (with agreement of parties) monetary value of those asset need to be determined to know each part's share. In case of contribution in different currencies, the standard recommends that these currencies must be converted into Sharika currency at current exchange to determine share and liabilities of each partner. It has been allowed to contribute funds of current account as contribution to capital; however, debts (receivables) alone can't be used as contribution to the Sharika capital; however can be made one part of the contribution when they become inseparable from other assets.

iii. ***Managing a Sharika venture:*** This clause of the standard lists transactions in which each partner is principally entitled to act in the interest of partnership and explicitly mentions that a partner is not allowed to act against the interest of partnership.

Regarding the management of partnership, this clause guides that it is permissible to restrict the management of partnership to certain partners or a single partner; therefore all other partners will not be entitled to act on behalf of partnership. However to specify a fixed amount for partner who will be managing the partnership is not permitted. To appoint a manager on fixed remunerations is also permitted and even the partner can be appointed as a manger, however, in this case his appointment as a manger will be based on an independent contract.

iv. ***Guarantee in a Sharika contract:*** In case of Sharika contract, one partner can't guarantee the capital of another partner unless there are cases of misconduct, negligence or breach of contract. It is permissible to specify a partner to provide personal guarantee or a pledge to cover cases of misconduct, negligence or breach of contract. A third party may guarantee to make up a loss of capital of some or all partners, however is subject to conditions; (a) the legal capacity and financial liability of such a third party as a guarantor are independent from Sharika contract (b) the guarantee should neither be provided for consideration nor linked in any manner to the Sharika contract; (c) the third party guarantor should not own more than a half of the capital in the entity to be guaranteed and (d) the guaranteed entity should not own more than a half of the capital in the entity that undertakes to provide a guarantee. However, it is important noticing that in case of failure of guarantor to meet his voluntary promise to cover the loss of capital, no partner will be entitled either to claim Sharika contract as null and void or to meet his voluntary promise to cover the loss of his capital.

v. The outcome of Sharika investments (profit and loss)

Sharika contract should clearly stipulate the manner of sharing profits between partners in the contract and these profit percentages should be clearly determined at the conclusion of Sharika contract. However, it is allowed that parties among themselves agree to amend percentages of profit sharing on the date of distribution.

With reference to profit shares, principally it should be in proportion to relative capital share, however with agreement these sharing ratio can be changed though a sleeping partner cannot have more than its capital share. To stipulate lump sum from the profit or percentage of the capital of Sharika is not permitted. In case where profit earned is above the ceiling profit, the excess amount will be given to a particular partner while agreed sharing ratio in the contract will be followed when profit is below the ceiling. As far as loss is concerned, it is strictly with reference to proportionate share in the Sharika capital.

Profit will always be distributed on the basis of actual or contractual valuation of assets and it will always be distributed when capital remains intact after deducting operating costs, expenses and taxes while any method can be adopted for allocation of profit. This clause explicitly mentions that any condition, term or mode of profit allocation that may violate the principle of sharing profit will make partnership contract void.

Final allocation of the profit will be on the basis of actual profit and not on expected profit. However, it is allowed to provide some advance funds to any of partners on the condition of final settlement at later stage. In this regard parties should undertake to reimburse any amount if they receive in excess of their share of profit after actual or constructive valuation. In case where subject matter of Sharika is either by acquiring asset for income earning through leasing or by rendering some service, amount distribution will be on annual account basis subject to settlement at the end of the contract.

This clause explicitly mentions that to set aside a certain portion periodically as solvency reserve or as a reserve for meeting losses of capital (investment risk reserve) or as a profit equalization reserve is allowed while setting aside a charitable proportion is permitted with agreement of partners.

vi. ***Maturity of Sharika :*** With due notice, the Sharika can be terminated before the expiry date while the partner will remain entitled to his share in the partnership and withdrawal of one partner will not necessitate the termination of the contract between all remaining parties.

With the liquidation of asset which forms the partnership Sharika venture comes to an end at expiry date or even before that as discussed above. The termination of a Sharika can be possible on the basis of constructive liquidation; in this case it will be considered that Sharika contract has been ended while assets that are not sold through actual liquidation will be considered as the capital of new partnership.

When Sharika venture comes to an end with expiry date, all existing assets shall be sold on current market value and proceeds will be spent on (a) liquidation expenses (b) financial liabilities from the net assets of the partnership and (c) distribution of remaining assets among partners in accordance to their percentage share in capital, however, where assets fall short pro rata basis will be used for distribution among partners.

2. **Partnership in creditworthiness or reputation (liability partnership)**

The standard explains partnership in creditworthiness or reputation as "*bilateral agreement between two or more parties to conclude a partnership to buy assets on credit on the basis of their reputation for the purpose of making profit, whereby they undertake to fulfill their obligations according to the percentages determined by the parties*."

As definition explains that there is no monetary capital in such partnership, therefore the agreement between parties should explicitly discuss the agreement on the ratio of liability which each partner has to pay while paying such debt (debt created through purchase on credit).

The standard also stipulates that profit shall be in accordance to the agreement though can't be specified as a lump sum profit, however the loss will be according to the ratio that each partner had undertaken to bear in proportion to overall assets that are purchased on credit.

3. **Service Partnerships (professional or vocational partnerships and partnerships in skilled trades)**

The standard defines partnership as "an *agreement between two or more parties to provide services pertaining to a profession, vocation or skilled trade or to render some services or professional advice or to manufacture goods, and to share profit according to an agreed upon ratio*". With reference to proportion of services partners or their representatives have rendered, there is no Shariah implication implying that partners may distribute different types of services among themselves and may assign some or all partners a set of services or a particular service. In case where capital is required to render service each party is allowed to share capital for his/her relevant service, however, the ownership will be with the party who has provided the capital. According to the standard, Sharika contract is also allowed for a party to provide the capital goods required by the partnership in consideration for fees that will be charged against the Sharika operation as expenses. For profit distribution, the agreed ratio according to the contract will be executed; however, a lump sum amount can't be paid or specified in the contract.

Adoption of Shariah Standard No. 12

AAOIFI Shariah Standard No. 12 related to 'Sharika (Musharaka) and Modern Corporations' is adopted vide circular no. IBD Circular No. 01 of 2013 w.e.f July 01, 2013 in Pakistan with following clarifications/amendments in the continuous process of standardization and harmonization of the Shariah practices in Islamic banking industry;

Clause No	Original Clause	Amendment	Clarification
Scope of the standard	This standard is applicable to all forms of traditional fiqh –nominate partnerships that operate on the basis of Shraika al-aqd (contractual partnership), except the partnerships that are explicitly excluded by this standard as indicated below. The standard also applies to all modern form of partnerships including diminishing Musharaka. The standard is not applicable to ownership partnership where the parties jointly own an asset. It does not include rules for Sharika al-mufawada because the practical application to this form of partnership is rare and, if need be, reference should be made to fiqh books. The standard does not apply to Mudaraba, because this form of partnership has a separate standard. In the same vein, it is not applicable to sharecropping partnerships, such as irrigation and agricultural partnerships. The standard does not deal, as far as modern partnerships are concerned, with regulatory policies and procedures necessary for operations in		The standard would not be applicable on Sharikat-ul-Milk as separate standard is issued on the same. Further, the standard would not be applicable on Sukuk al Musharakah as the same has been covered under AAOIFI Shariah Standard No. 17 related to 'Investment Sukuk Standard'.

	the market.		
Clause 3/1/1/3	It is permissible for the institutions to include conventional banks as partners in a syndicated financing which operates on the basis of Shari'a, provided that the institution secures the right to manage the partnership's operations and that such operations are subject to the Shari'a supervision.		The conventional bank, not having duly licensed Islamic banking division shall not act as lead arranger in a syndicated Islamic financing; it may however participate in the syndicate as partner.
Clause 3/1/4/1	All partners in Sharika contract maintain the assets of the Sharika on trust basis. Therefore, no one is liable to except in cases of conduct, negligence or breach of the contract. It is not permitted to stipulate that a partner in a Sharika contract guarantees the capital of another partner.		All partners of Sharika shall be deemed to be trustees in respect of Sharika assets; however, as trustees they shall be jointly and severally liable for misconduct, negligence or breach of contract.
Clause 3/1/5/6	It is not permitted to start the allocation of profit between the partners unless the operating costs, expenses and taxes are deducted in calculating the profit and the capital of the sharika is maintained intact		Islamic Banking Institutions (IBIs) may share/distribute profits on gross or net basis while ensuring equity, justice and transparency.
Clause 3/1/5/9	Taking into account the provision of items 3/1/5/3, it is permissible to agree that if the profit realized is above a certain ceiling, the profit in excess of such ceiling belongs to particular partner. The parties may also agree that if the profit is not over the ceiling or is below the ceiling, the distribution will be in accordance with their agreement.	Taking into account the provision of item 3/1/5/3, it is permissible to agree that if the profit realized is above a certain ceiling, the profit in excess of such ceiling may, at the discretion of other party, be given to a particular partner." Further, the word *"may"* appearing in the second sentence of the clause is replaced with the word *"shall".*The revised sentence shall be read as: The parties shall also agree that if the profit is not over the ceiling or is below the	

		ceiling the distribution will be in accordance with their agreement.	
Clause 3/1/6/2	It is permissible for a partner to issue a binding promise to buy, either within the period of operation or at the time of liquidation, all the assets of the Sharika as per their market value or per agreement at the date of buying. It is not permissible, however, to promise to buy the assets of the Sharika on the basis of face value.		Being Sharikat ul Aqd, it is not permissible, however, to promise to buy the assets of the Sharika on the basis of face value or pre-agreed value.
Clause 3/2/1	A partnership in creditworthiness (partnership of liability) is a bilateral agreement between two or more parties to conclude a partnership to buy assets on credit on the basis of their reputation for the purpose of making profit, whereby they undertake to fulfill their obligations according to the percentages determined by the parties.		A Credit Partnership is an agreement between two or more parties to buy assets on credit and bear liability for the price of purchase of goods and share profit according to the ratio determined by the parties.
Clause 3/3/1	A service partnership is an agreement between two or more parties to provide services pertaining to a profession, vocation or skilled trade or to render some services or professional advice or to manufacture goods, and to share profit according to an agreed upon ratio		In case of loss to service partnership due to negligence of either of the partners or otherwise, the same shall be borne by all the partners as per their agreed profit sharing ratio.

Sources:

- Shariah Standards for Islamic Financial Institutions, AAOIFI (2010)
- Website of State Bank of Pakistan (www.sbp.org.pk)
- Website of AAOIFI (www.aaoifi.com)
- Usmani, T.M. (2000); An Introduction to Islamic Finance; Idaratul Ma'arif, Karachi

Events and Developments at IBD

Launch of Islamic Finance Media Campaign
Held on July 18, 2013 at LRC, SBP.
SBP hosted the launching ceremony of industry-driven mass media campaign for improving the Islamic finance literacy in the country on July 18, 2013 at LRC, SBP. Governor SBP, Mr. Yaseen Anwar was the Chief Guest on the occasion which was well attended by Presidents/ Executives and Shariah Advisors of Islamic Banking Institutions along with media personnel.

Islamic Finance News Roadshow – 2013
Held on August 27, 2013 at LRC Auditorium, SBP.
Islamic Banking Department supported "Islamic Finance News (IFN) Roadshow – 2013" being organized by Redmoney on August 27, 2013 at LRC Auditorium, SBP. The roadshow was well attended by the participants from financial institutions, Islamic scholars, academia, etc, while number of renowned scholars and Islamic finance experts attended the program as speakers/ panelists. Governor SBP, Mr. Yaseen Anwar inaugurated the event and delivered the Keynote Address.

Islamic Banking News and Views

Pakistan regulator sets up Sharia advisory board
Pakistan's securities commission has established a nine-member sharia advisory board to oversee Islamic finance instruments in the world's second most populous Muslim nation, a centralised approach increasingly being adopted elsewhere around the globe. A country-level approach to regulating Islamic products was pioneered by Malaysia, and in recent months other economies have introduced central sharia boards of their own including Dubai, Oman and Nigeria.
http://www.reuters.com/article/2013/05/09/pakistan-islamic-finance-idUSL6N0DQ03L20130509

Sharjah Islamic Plans Dollar Sukuk
Sharjah Islamic Bank (NBS) is planning to sell dollar-denominated sukuk after offerings of the securities in the U.S. currency reached an eight-month high in March. Bond risk in Asia was little changed today. The lender, from the third-largest of the seven emirates in the U.A.E., is planning to meet investors in Asia and Europe from April 4 ahead of a possible sale of Islamic securities, according to a person familiar with the deal, who asked not to be identified because the matter is private.
http://www.bloomberg.com/news/2013-04-02/sharjah-islamic-plans-dollar-sukuk-as-issues-surge-to-july-high.html

'Islamic banking likely to supersede microfinancing'
In association with the Institute Francais, the AK College of Business Economics hosted a lecture by Professor Christophe Villa on the proposed relation between Islamic identity and microfinancing. The lecture, entitled "Micro-Finance and Islamic Banking", posited that the traditional models of micro-financing can soon be superseded by Islamic models.
http://www.arabtimesonline.com/NewsDetails/tabid/96/smid/414/ArticleID/195213/reftab/36/Default.aspx

Thomson Reuters launches Islamic Finance Indicator With The Islamic Corporation for the Development Of the private sector
Thomson Reuters, the world's leading provider of intelligent information for businesses and professionals,

launched an Islamic Finance Development Indicator in collaboration with the Islamic Corporation for the Development of the Private Sector (ICD), the private sector development arm of the Islamic Development Bank (IDB).
http://www.ameinfo.com/thomson-reuters-launches-islamic-finance-indicator-342592

Islamic Development Bank sets guidance for USD1bn sukuk
Islamic Development Bank , a Jeddah-based multilateral institution, set price guidance for a $1 billion Islamic bond sale on Tuesday, a statement from the lead banks arranging the issue showed. The AAA-rated bank, whose largest shareholder is Saudi Arabia, is offering a price guidance of midswaps plus high 30 basis points for the five-year sukuk, the document said.
http://www.zawya.com/story/Islamic_Development_Bank_sets_guidance_for_USD1bn_sukuk-TR20130528nL5N0E910X3/

IIFM Publishes Islamic Inter-bank Unrestricted Master Investment Wakalah Agreement
Bahrain based international standard-setting body the International Islamic Financial Market (IIFM) announced the launch of IIFM Inter-Bank Unrestricted Master Investment Wakalah Agreement at the IIFM Industry Seminar that was held at the pre-conference day of the 4th Annual World Islamic Banking Conference: Asia Summit (WIBC Asia 2013) in Singapore under the patronage of the Monetary Authority of Singapore.
http://www.ramadan.com/news/iifm-publishes-islamic-inter-bank-investment-wakala-agreement-2.html

Islamic banking will help promote economic growth: CBO
MUSCAT Islamic banking is expected to assume an important position in the financial sector of the Sultanate, and it is expected that Islamic banks will complement the current conventional banking in promoting growth in the economy and augment financial inclusion, according to the Central Bank of Oman (CBO's) Annual Report 2012, published on its website.
http://www.omantribune.com/index.php?page=news&id=146718&heading=Other%20Top%20Stories

Standard contract template for Islamic transactions launched
A standard contract template for Islamic inter-bank transactions was launched in June as the industry works to diversify the range of liquidity management solutions available. The latest standard is part of efforts being made to harmonise industry practices by the Bahrain-based International Islamic Financial Market (IIFM), a non-profit industry body which develops specifications for Islamic finance contracts. It is hoped the standard will displace commodity murabaha, a common cost-plus-profit arrangement in Islamic finance, with a risk-sharing structure called wakala, that is favoured by industry purists.
http://gulfnews.com/business/banking/standard-contract-template-for-islamic-transactions-launched-1.1194579

Articles/Views:

Islamic finance as an economic tool
https://www.freemalaysiatoday.com/category/opinion/2013/04/01/islamic-finance-as-an-economic-tool/

Explainer: What Is Islamic Banking?
http://www.rferl.org/content/explainer-islamic-banking/24997173.html

Islamic Banking – a way out of the crisis?
http://theurbantwist.com/2013/05/20/islamic-banking-a-way-out-of-the-crisis/

Islamic banking faces new challenges
http://themalaysianreserve.com/main/sectorial/islamic-finance/3937-islamic-banking-faces-new-challenges

Conventional banks looking for a piece of the Islamic banking pie
http://www.dhakatribune.com/business/2013/jun/27/conventional-banks-looking-piece-islamic-banking-pie

Islamic banks in liquidity spurt
http://www.brecorder.com/br-research/6:banking/3418:islamic-banks-in-liquidity-spurt/

Annexure: I

Islamic Banking Branch Network

(As of June 30, 2013)

Type	Name of Bank	No of Branches*
Islamic Banks	AlBaraka Bank (Pakistan) Limited	92
	BankIslami Pakistan Limited	89
	Burj Bank Limited	67
	Dubai Islamic Bank Pakistan Limited	100
	Meezan Bank Limited	320
		668
Islamic Branches of Conventional Banks	Askari Bank Limited	33
	Bank AL Habib Limited	16
	Bank Alfalah Limited	113
	Faysal Bank Limited	52
	Habib Bank Limited	33
	Habib Metropolitan Bank Limited	4
	MCB Bank Limited	27
	National Bank of Pakistan	10
	Silkbank Limited	10
	Soneri Bank Limited	8
	Standard Chartered Bank (Pakistan) Limited	10
	The Bank of Khyber	36
	The Bank of Punjab	5
	United Bank Limited	22
		379
Sub Branches	AlBaraka Bank (Pakistan) Limited	2
	Askari Bank Limited	2
	BankIslami Pakistan Limited	53
	Burj Bank Limited	8
	Habib Bank Limited	2
	United Bank Limited	1
		68
		1115

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

Annexure: II

Province wise Break-up of Islamic Banking Branch Network

(As of June 30, 2013)

Type	Bank Name	Azad Kashmir	Balochistan	FATA	Federal Capital	Gilgit-Baltistan	Khyber Pakhtun khwa	Punjab	Sindh	Grand Total
Islamic Banks.	AlBaraka Bank (Pakistan) Limited	1	3		5		9	44	30	92
	BankIslami Pakistan Limited	1	9	1	4	2	11	33	28	89
	Burj Bank Limited	1	2		4		3	29	28	67
	Dubai Islamic Bank Pakistan Limited	1	5		5		3	48	38	100
	Meezan Bank Limited	4	11		16		28	149	112	320
	IB. Total	**8**	**30**	**1**	**34**	**2**	**54**	**303**	**236**	**668**
Islamic Branches of Conventional Banks	Askari Bank Limited		2		2	1	6	15	7	33
	Bank AL Habib Limited		1				1	3	11	16
	Bank Alfalah Limited		4		6		6	68	29	113
	Faysal Bank Limited		2		3		13	22	12	52
	Habib Bank Limited	2	1	1	2		3	13	11	33
	Habib Metropolitan Bank Limited							1	3	4
	MCB Bank Limited		1		2		2	13	9	27
	National Bank of Pakistan	1					1	6	2	10
	Silkbank Limited		1		1		2	4	2	10
	Soneri Bank Limited		1		2	1	1	1	2	8
	Standard Chartered Bank (Pakistan) Limited				1		1	2	6	10
	The Bank of Khyber		2	2	1		24	4	3	36
	The Bank of Punjab						2	3		5
	United Bank Limited	1	2		1		4	8	6	22
	SAIBBs Total	**4**	**17**	**3**	**21**	**2**	**66**	**163**	**103**	**379**
Sub Branches	AlBaraka Bank (Pakistan) Limited							2		2
	Askari Bank Limited				1				1	2
	BankIslami Pakistan Limited	1	6		2		3	14	27	53
	Burj Bank Limited							3	5	8
	Habib Bank Limited								2	2
	United Bank Limited						1			1
	Sub Branches Total	**1**	**6**	**-**	**3**	**-**	**4**	**19**	**35**	**68**
Grand Total		**13**	**53**	**4**	**58**	**4**	**124**	**485**	**374**	**1,115**

Annexure: III

District wise Break-up of Islamic Banking Branch Network

(As of June 30, 2013)

S. No	Province	District	No of Branches	S. No	Province	District	No of Branches
1	Sindh	Badin	3	45	Khyber Pakhtunkhwa	Abottabad	12
2		Dadu	3	46		Banu	4
3		Ghotki	1	47		Batagram	2
4		Hyderabad	23	48		Charsadda	4
5		Jacobabad	1	49		Chitral	3
6		Karachi City	308	50		Dera Ismail Khan	5
7		Larkana	3	51		Hangu	2
8		Matiari	1	52		Haripur	4
9		Mirpurkhas	4	53		Kohat	3
10		Naushero Feroze	1	54		Lower Dir	1
11		Nawabshah	5	55		Malakand	1
12		Sanghar	6	56		Mansehra	12
13		Sukkur	10	57		Mardan	8
14		Tando Allahyar	4	58		Nowshera	4
15		Tando Mohammad Khan	1			Peshawar	45
Sindh Total			**374**	59		Shangla	1
16	Punjab	Attock	9	60		Swabi	4
17		Bahawalnagar	5	61		Swat	5
18		Bahawalpur	4	62		Tank	1
19		Chakwal	6	63		Upper Dir	3
20		Dera Ghazi Khan	3	**KP Total**			**124**
21		Faisalabad	49	64	Gilgit-Baltistan	Diamir	3
22		Gujranwala	20	65		Gilgit	1
23		Gujrat	18		**GB Total**		**4**
24		Hafizabad	2	66	**FATA**	Khyber Agency	1
25		Jhang	3	67		Orakzai Agency	3
26		Jhelum	7	**FATA Total**			**4**
27		Kasur	3	68	**Federal Capital**	Islamabad	58
28		Khanewal	9		**Federal Capital Total**		**58**
29		Khushab	5	69	Balochistan	Chagi	1
30		Lahore City	174	70		Gawadar	1
31		Layyah	1	71		Kila Abdullah	2
32		Lodhran	1	72		Killa Saifullah	3
33		Mandi Bahauddin	1	73		Lasbela	2
34		Mianwali	2	74		Loralai	6
35		Multan	32	75		Pishin	1
36		Muzaffargarh	4	76		Quetta	36
37		Okara	6	77		Zhob	1
38		Pakpattan	2	Balochistan Total			**53**
39		Rahim Yar Khan	12	78	**Azad Kashmir**	Mirpur	10
40		Rawalpindi	58	79		Muzaffarabad	3
41		Sahiwal	5	**AJK Total**			**13**
42		Sargodha	12	**Grand Total**			**1115**
43		Sheikhupura	6				
44		Sialkot	17				
45		Toba Tek Singh	3				
46		Vehari	6				
Punjab Total			**485**				