Islamic Banking Bulletin

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Islamic Banking Department
State Bank of Pakistan

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Global Forum on Islamic Finance: New Realities New Challenges

Welcome Address

Mr. Kazi Abdul Muktadir, Deputy Governor, State Bank of Pakistan,
(Organized by COMSATS Institute of Information Technology Lahore)
PC Lahore
March 11, 2013.

Ladies and Gentlemen; I am delighted to be here today in this august gathering of leading researchers, scholars and practitioners of Islamic finance. The organizers of this event deserve special appreciation for holding this successful event that has given us opportunity of coming together to share our experiences and better understand issues faced by the industry. Support and participation visible here demonstrates commitment and determination of all stakeholders towards ensuring sustainable growth of the Islamic financial industry. An international event such as this is evidence that Islamic finance is no longer a niche market but an integral component of global financial system; Ladies and Gentleman this is today's Reality and is here to stay.

Starting with modest beginnings nearly four decades ago, global Islamic finance has witnessed significant progress attracting both Muslims and non-Muslims clientele. With Middle East and Asia being the largest Islamic financial markets, many developed non-Muslim countries including USA, U.K, Korea, Luxembourg, Singapore and China are gradually recognizing Islamic finance as an alternate and viable financial system. Recent reports suggest that global Islamic banking assets are set to cross US$1.8 trillion in 2013[1]. Industry's growth trajectory continues to remain positive, with it registering 50 percent faster growth than conventional banking sector in several regions.

Products offered by Islamic financial institutions range from commercial and investment banking, to takaful, mutual funds and capital markets. Sukuk in particular has proved to be a powerful tool in building the confidence of international investors in Islamic finance and has become an important tool for fulfilling public and private sector financing needs in a Shariah compliant manner. Moreover, there are dedicated regulatory, accountings, Shariah and academic institutions at the global level that are providing support in establishing sound foundations for the Islamic Financial System.

The significant growth of Islamic finance is reflective of increasing acceptability of its merits. I believe globalization of Islamic finance will increase in coming years as it has the capacity to fill in the gaps where conventional finance has fallen short off. The asset backed nature of Islamic financial transactions, in addition to prohibition on speculative activities and the key pillars of equity justice and transparency on which the Islamic financial system is based makes it a more stable and prudent system than its conventional counterpart. However, I believe that a significant market still remains untapped by Islamic financial institutions as they are presently contributing only 1 percent towards global financial assets.

[1] Ernst & Young's World Islamic Banking Competitiveness Report 2013.

Ladies and Gentlemen: Pakistan being one of the pioneers is considered as one of the active and effective players in Islamic finance globally. The history of Islamic finance in Pakistan can be traced back to the decade of 1960s; however, significant steps in this direction took place in the decade of 1980s. During the decade of 1980s various amendments were made in the legal framework including amendment in the Banking Companies Ordinance (BCO, 1962) that allowed non-interest based transactions, enactment of Mudaraba companies and Mudaraba's framework. However, these efforts did not see desired results mainly due to an ambitious attempt of transforming the entire banking sector to a Shariah compliant system in the absence of supporting infrastructure and unavailability of adequate human resource.

Learning from past experience, ground work was done to provide a legal and regulatory infrastructure which paved way for the smooth re-launch of Islamic banking in 2001. The new paradigm was based on a model that allowed Islamic banking to operate in the country as an alternative and parallel system with three types of Islamic banking institutions

i) Full fledged Islamic banks,

ii) Islamic banking subsidiaries of conventional banks and

iii) Islamic banking branches (IBBs) of conventional banks.

Moreover conventional banks having Islamic banking branches were also allowed to have Islamic banking windows in their conventional branches.

This approach has been rather successful in promoting Islamic banking in the country. Islamic banking industry in Pakistan has been growing at an impressive pace of over 30 percent annually for the last 5 years. With an asset base of more than Rs. 837 billion Islamic banking constitutes more than 8.6 percent (December 2012) share of overall banking compared to humble figure of 0.3 percent in 2003; while in terms of deposits the share of Islamic banking industry is almost 10 percent of overall banking industry. At present the Islamic banking sector consists of 5 full fledge Islamic banks and 14 conventional banks having Islamic banking windows with a network of 1100 branches and presence in more than 80 districts across the country. During the calendar year 2012 alone more than 120 branches were added to the IBI network which is indicative of high demand for Islamic banking in the country.

Ladies and Gentlemen: I take pride in sharing that SBP has played a critical role in making the second phase of introducing Islamic banking in the country successful. Promoting Islamic finance has remained an important component of the strategic goals of the central bank and we have tried to perform a dual role of regulator as well as facilitator for the industry. I would like to take this opportunity to briefly share with you some major initiatives undertaken by SBP for promoting Islamic banking in the country.

State Bank of Pakistan is among few regulators that have introduced comprehensive legal, regulatory and Shariah compliance framework for Islamic banking industry. For ensuring Shariah compliance, SBP has put in place a robust multi-tiered mechanism that includes a) Shariah Board at the Central Bank, b) Shariah Advisor at bank's level, c) mandatory internal Shariah audit, and d) Shariah inspections by the Central Bank. It is also worth mentioning that SBP is one of the very few central banks that initiated

Shariah inspections. Before the formal launch of Shariah inspection a comprehensive manual was developed and adequate training was imparted to the Shariah inspectors.

In order to bring standardisation SBP has notified essentials for major Islamic finance products and instruments along with their model agreements; IBIs while ensuring adherence to these essentials, may develop their own products with the approval of their Shariah Advisors. To bring local industry at par with the international best practices the central bank is reviewing and customizing AAOIFI Shariah Standards in a gradual manner. The Central Bank has also issued Risk Management Guidelines for IBIs in the country that are in line with standards of Islamic Financial Services Board (IFSB).

In order to safeguard the interests of customers SBP has recently issued Instructions for Profit & Loss Distribution and Pool Management of Islamic Banking Institutions (IBIs). These instructions will bring standardization and improve transparency in profit & loss distribution and pool management practices of the industry. Apart from the above mentioned initiatives SBP is working on a liquidity management framework for the industry that is likely to resolve their short term liquidity problems and provide IBIs the lender of last resort option.

Besides developing a supportive regulatory and supervisory framework the central bank is actively engaged in promotion and capacity building of the industry. For raising awareness and removing perception related issues, SBP has launched an awareness campaign. In this connection targeted seminars and conferences are being conducted for business community, academia, bankers and policy makers. State Bank of Pakistan through its training subsidiary National Institute of Banking and Finance (NIBAF) is not only offering a 3 weeks Islamic banking certificate course on regular basis but is also training front line managers through a specially designed program. Moreover collaboration and coordination with International Islamic Institutions like Islamic Research and Training Institute (IRTI) of Islamic Development Bank, the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM) has helped us in leveraging their resources for our awareness and capacity building initiatives. In Furthermore, recently a media campaign has been launched. The highlight of this media campaign is that all Islamic banking institutions have joined hands to address perception issues as well as to raise awareness about Islamic finance in the country. We believe that awareness raising and capacity building of industry would translate into to positive and sustainable growth of the industry.

Ladies and Gentlemen: SBP believes that growth and development of complementary parts of Islamic banking i.e.capital markets, mutual funds and takaful, is essential not only for Islamic banking industry but also for the overall growth and development of the country. Presently 27 mudaraba companies, 15 mutual funds and 5 takaful companies are operative in the country under regulatory oversight of the Security Exchange Commission of Pakistan (SECP). In order to ensure harmony in overall financial system of the country both regulators i.e. SBP and SECP are coordinating with each other to create conducive environment for robust and vibrant institutional arrangements to develop dynamic regulatory standards. Review of mudaraba guidelines by SECP to align those with overall regulatory framework of Islamic finance in the country, issuance of Sukuk guidelines and Takaful rules 2012 are positive step towards this direction.

Ladies & Gentlemen: Notwithstanding the impressive growth particularly over the last decade; Islamic banking industry in Pakistan as also elsewhere is faced with key challenges. However, these challenges can be converted into opportunities with dedicated efforts. In my opinion the first and foremost challenge for the sustainable growth of the industry is lack of research and development. Despite considerable growth of Islamic banking institutions the industry lacks innovative products. I encourage all the stakeholders of the industry to join hands towards building this critical block and on behalf of the Central bank I assure you full support.

At present the central bank is conducting survey based research; "Knowledge, Attitude and Practices of Islamic Finance in Pakistan (KAP)" focused on quantifying the demand and its nature for Islamic finance in the country. Other objectives of the study include incidence of faith sensitive financial exclusion and identification of critical areas requiring Financing. The study is based on first hand information collected through survey from both retail and corporate, both banked (Islamic and conventional) and un-banked from all provinces including the capital and also covers the supply side's perspective through interviews. This study is likely to give us deeper insights of the islamic finance markets and thus would be instrumental in better aligning our policy, regulatory and promotional initiatives with the market needs.

Taking this opportunity of having audience of national and international scholars I would also emphasize the need for cross-country research initiatives that will also help in capacity building by addressing key challenges facing the industry.

Ladies and Gentlemen: Given the industry is heading towards more sophisticated and mature level there is a need of a paradigm shift in its prevailing business model. Domestically and globally the Islamic financial industry is focused on trade based modes and shies away from participatory modes. Recognizing the significance of participatory modes in promoting socio-economic development and improving Islamic finance perception, SBP in collaboration with the industry is developing an incentive framework aimed at encouraging Islamic banks to offer participatory modes. An appropriate mix of participatory and trade based modes will not only be instrumental in improving the credibility of Islamic banking institutions but will also help in enhancing the financial inclusion.

Ladies and Gentlemen: The industry requires co-ordinated efforts to make interplay between capital risk and innovative ideas in favor of the industry. By looking at the product line of IBIs it becomes apparent that the risk appetite of these institutions is modest that limits their ability to capitalize on opportunities in non-traditional sectors like agriculture, SME and micro-finance; presently, only 0.15 million SMEs out of 3.1 million SMEs and less than 20 percent of 7 million farm households have access to bank financing around the country while only 7.5 percent of demand of microfinance (in terms of number of clients) is being fulfilled, implying huge potential markets to be explored. Conventional banking system could not exploit the potential of these sectors due to limitations of its model to cater to such sectors; Islamic banks however, possess the innate strength of serving these sectors through an appropriate mix of participatory and trade based modes.

Entering into these sectors will not only bring positive impact on the sustainability of these institutions but will also enable the Islamic banking industry to achieve the desired goal of improving overall socio-economic conditions of the society. State Bank of Pakistan acknowledges the benefits of IBIs' involvement in these sectors and is therefore working on incentive programs. In this regard the central bank has not only issued specific guidelines but has also issued a Salam based product for Agri-financing. To encourage Islamic microfinance, SBP has allowed establishment of full-fledged Islamic microfinance banks, Islamic microfinance services by full-fledged Islamic banks and Islamic microfinance Divisions in conventional microfinance banks.

Similarly another attractive opportunity for Islamic banks can be housing finance; Pakistan at present is faced with a gap of more than 6 million houses. Islamic Banks can exploit this sector particularly the low cost housing enabling a large number of low to middle income individuals to live in their own rather than rented houses. However, the Industry needs to bring innovation and sophistication in its product range to capitalize on these attractive investment venues.

Ladies & Gentlemen: While talking about these unserved sectors I would also like to draw your attention to the fact that like any Muslim dominant country financial exclusion in Pakistan is voluntary and involuntary and IBIs can play a key role in minimizing both segments of this incidence. Along with significant faith-sensitive voluntary exclusion in the country, the prevalence of huge unbanked population in rural and semi urban areas signifies an attractive opportunity for Islamic banks to exploit .The central bank has revised the definition of second and third tier cities to encourage IBIs and we are quite hopeful that the Industry would take the best out of it and would expand its branch network to these jurisdiction.

As a final point I want to highlight the key role that Sukuk can play in integrating Islamic financial industry in global market as over the last few years this instrument has gained confidence of both local and international investors. Sukuk is a useful and an effective tool for financing infrastructure and developmental projects and hence provide developing countries like Pakistan an opportunity to use this instrument to attract investment.

While growth is likely to continue at reasonably fast pace, issues and challenges confronting the industry need attention. This would require dedication and ownership on part of all stakeholders. The Central Bank has been demonstrating its commitment to strengthen foundations of the sector for its sustainable growth and will continue to do so. Given this resolve and your presence here today makes me believe that the industry will prosper in times to come.

I wish you successful deliberations over the next few days and a pleasant stay to the international participants in this historical city which is rich in culture and heritage.

Thank You.

Islamic Banking Industry- Progress & Market Share

Over View

Asset base of the Islamic banking industry (IBI) witnessed growth during the first quarter of CY 2013 reaching Rs 847 billion compared to Rs 837 billion during the last quarter of CY 12. In terms of share in overall banking industry, Islamic banking assets reached 8.7 percent during the review period (see **Table 1**). Investments and financing, the two major components of assets, registered increase during the quarter under review. On the other hand, deposits registered a slight decline of 0.3 percent during the first quarter of CY 2013, largely due to some adjustments in the institutional deposits, which is a normal phenomenon in the first quarter. Share of Islamic banking industry deposits' in overall banking industry remained unchanged at 9.7 percent as of previous quarter. Non-performing assets (NPAs) as well as non-performing financing (NPFs) increased during March 2013 resulting in deteriorating asset quality indicators as NPFs to financing ratio, Net NPAs to Capital and Net NPFs to Net Financing all witnessed rise compared to previous quarter. Consequently earning and profitability indicators declined during the quarter; Return on Equity (ROE) and Return on Assets (ROA) both declined compared to previous quarter.

Table 1: Industry Progress and market share

	Industry Progress			Growth (YoY)			Share in Industry		
	Mar-12	**Dec-12**	**Mar-13**	**Mar-12**	**Dec-12**	**Mar-13**	**Mar-12**	**Dec-12**	**Mar-13**
Total Assets	644	837	847	29.5%	30.5%	31.5%	7.7%	8.6%	8.7%
Deposits	*530*	706	704	33.2%	35.6%	32.8%	8.4%	9.7%	9.7%
Net Financing & Investment	*487*	*626*	*666*	30.3%	31.9%	36.7%	7.4%	8.1%	8.4%
Total Islamic Banking Institutions	*17*	*18*	*19*	–	–	–	–	–	–
Total No. of Branches*	*886*	*1097*	*1100*	–	–	–	–	–	–

Source: Quarterly Unaudited Accounts

**number includes sub-branches*

IBI Network Expansion

Islamic banking industry branch network witnessed addition of three branches during the quarter under review to reach 1100 branches (see **Table 2**). This slow start is however in line with the general trend witnessed during first quarter of any calendar year as expansion trend of banking industry mostly gathers pace towards the end of calendar year. The number of Islamic banking institutions increased during the quarter (see **Table** 1), as Bank of Punjab started Islamic banking operations after obtaining license and necessary approval from SBP. However, second and third tier cities still remain under served as nearly 56 percent of Islamic banking branch network remain concentrated in 5 big cities (Karachi, Lahore, Quetta, Peshawar and Islamabad) (see **Annexure III** for details).

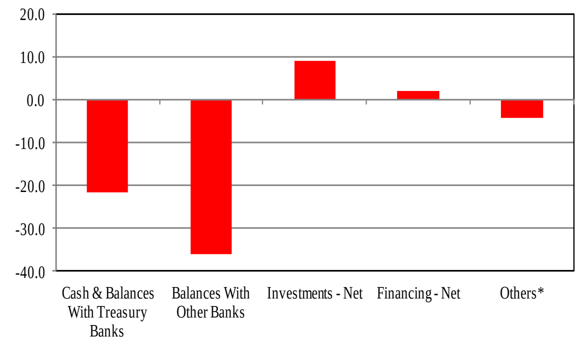
Table 2: Province Wise Branch Network(March 2013)

Province	Total Number	Share (percent)
Punjab	477	43.4
Sindh	370	33.6
Khyber Pakhtoonkhawa	123	11.2
Baluchistan	52	4.7
Gilgit Baltistan	4	0.4
FATA	4	0.4
Federal Capital	57	5.2
AJK	13	1.2
Total	**1100**	**100.0**

Asset & Liability Structure

Asset: Assets of Islamic banking industry witnessed an increase of 1.2 percent reaching Rs. 847 billion by end March 2013 .In terms of market share, Islamic banking assets' share in overall banking industry increased to 8.7 percent higher by one percentage point compared to previous quarter, as overall banking assets registered decline during the quarter under review[2].

Figure 1: Quaterly Growth Rate in Components of Assets- March 2013 (in percent)



*Others include Due from Financial Institutions, Operating Fixed Assets, Deferred Tax Assets and Other Assets

Investments and financing, the major components of assets, registered growth during the first quarter of CY 13. Other components of assets, in particular Cash & balances with treasury banks and Balances with other banks witnessed a decline during the quarter under review, however overall assets of the Islamic banking industry still witnessed increase. Negative growth in assets' components like cash and balances with other treasury banks (see **Figure 1)** during the first quarter is normal and is in line with the usual trend of banking industry as institutional deposits raised during the last quarter to meet yearly targets are adjusted during the first quarter. Further analysis of investments and financing shows that growth in investment at 9.1 percent was higher than the growth in financing (2.1 percent). One of the major reasons for relatively higher growth in investments was the issuance of GoP Ijara Sukuk of more than Rs. 43 billion during the review quarter providing investment avenue to Islamic banking institutions.

Bifurcation of assets among full-fledged Islamic Banks (IBs) and Islamic Banking Divisions (IBDs) of conventional banks shows that IBs witnessed positive growth in assets during January to March 2013 quarter compared to previous quarter whereas IBDs witnessed negative growth during the same period. However, due to relatively higher growth in assets of IBs (2.1 percent) compared to relatively lower decline in assets of IBDs (0.4 percent) , overall assets of the Islamic banking industry. witnessed increase.

Table 3: Investments

Rupees in million

				Growth	
	Mar-12	**Dec-12**	**Mar-13**	**YoY**	**QoQ**
Federal government securities	195,424.3	278,549.7	307,544.8	57.4	10.4
Fully paid up ordinary shares	3,224.4	3,479.1	3,983.4	23.5	14.5
TFCs, Debentures, Bonds, & PTCs	29,919.9	33,899.0	34,230.5	14.4	1.0
Other investments	65,469.9	79,641.2	85,679.5	30.9	7.6
Net Investments	**292,899.1**	**394,376.9**	**430,173.9**	46.9	9.1

[2] Assets of overall banking industry declined by 0.3 percent during Jan-March 2013 quarter.

Investment:

The investments of Islamic banking industry grew during the quarter under review and increased to Rs 430.2 billion by end March 2013 from Rs 394.4 billion in the previous quarter (see **Table 3**). Consequently share of investment in overall asset portfolio increased from 47.1 percent in December 2012 to 50.8 percent in March 2013. The growth in investments was mainly contributed by investments in Federal government securities as it grew by 10.4 percent during quarter mainly due to issuance of M1-Islamabad Peshawar Motorway based Sukuk by GoP. Fully paid up ordinary shares also showed quarterly growth of 14.5 percent, however, it constitutes less than 1 percent of Investment portfolio of the industry. Other components of investments including TFCs, Debentures, Bonds, & PTCs, and other investments also witnessed growth during the quarter under review.

Table 4: Financing Mix

Rupees in billion

	Mar-12	Dec-12	Mar-13
Murabaha	83.3	96.1	90.4
Ijarah	22.3	22.4	23.2
Musharaka	1.6	1.9	3.6
Mudaraba	0.2	0.6	0.5
Diminishing Musharaka (DM)	73.0	87.5	89.7
Salam	8.2	7.3	13.0
Istisna	11.1	15.7	16.4
Qarz/Qarz-e-Hasna	0.0	0.0	0.0
Others	8.2	10.5	14.1
Total	**207.9**	**242.1**	**251.1**
% Share			
Murabaha	40.1	39.7	36.0
Ijarah	10.7	9.3	9.2
Musharaka	0.8	0.8	1.4
Mudaraba	0.1	0.2	0.2
Diminishing Musharaka (DM)	35.1	36.2	35.7
Salam	3.9	3.0	5.2
Istisna	5.3	6.5	6.5
Qarz/Qarz-e-Hasna	0.0	0.0	0.0
Others	3.9	4.3	5.6
Total	**100.0**	**100.0**	**100.0**

Financing

Growth momentum witnessed in financing during the last quarter of CY12 could not be maintained during the first quarter of CY13 as net financing grew by 2.1 percent during the review quarter compared to 17.5 percent in previous quarter. Relatively slow growth rate in financing during first quarter of calendar year is however in line with the usual trend during this quarter due to retirement of financing by majority of client industries owing to the nature of their business cycle. Moreover, the uncertain pre election environment also contributed in slowing the pace of growth of financing for the overall banking industry as well as for IBI.

In terms of financing mix, Musharaka, Diminishing Musharaka, Salam and Istisna witnessed increase during the quarter under review with other modes registering decline. Like previous quarters, Murabaha continued to register highest share in overall financing followed by Diminishing Musharaka by end March 2013 (see **Table 4**). Sectoral bifurcation of financing reveals that financing done by IBIs is mainly concentrated in the textile sector which is consistent with overall banking industry's trend (see **Table 5**).

Table 5: Financing Concentration - percent share

	Mar-12	Dec-12	Mar-13	Industry
Chemical and Pharmaceuticals	6.9%	7.4%	7.2%	3.6%
Agribusiness	3.3%	3.7%	2.1%	8.4%
Textile	21.1%	19.0%	18.9%	16.7%
Cement	3.1%	1.5%	1.6%	1.4%
Sugar	5.1%	3.8%	6.6%	2.5%
Shoes and leather garments	1.4%	0.9%	1.0%	0.6%
Automobile and transportation equipment	1.5%	1.4%	1.5%	1.3%
Financial	1.3%	1.4%	1.1%	1.9%
Insurance	0.0%	0.0%	0.0%	0.0%
Electronics and electrical appliances	1.6%	1.5%	1.4%	1.4%
Production and transmission of energy	10.5%	10.3%	9.2%	11.7%
Individuals	15.2%	14.2%	14.8%	7.9%
Others	28.9%	34.9%	34.6%	42.5%
Total	100.0%	100.0%	100.0%	100.0%

Client type wise financing of IBIs remained concentrated in corporate sector with share of nearly 73 percent followed by consumer financing (13.4 percent), commodity financing (6.8 percent) and SME (4.8 percent) in overall financing (see **Table 6**).

Table 6: Client Wise Financing Portfolio (Share Percent)

	Mar-12	Dec-12	Mar-13
Corporate Sector	73.9%	73.5%	72.7%
SMEs	5.1%	4.1%	4.8%
Agriculture	0.1%	0.1%	0.1%
Consumer Finance	14.6%	13.1%	13.4%
Commodity Financing	4.6%	7.3%	6.8%
Staff Financing	1.7%	1.7%	1.7%
Others	0.1%	0.2%	0.4%
Total	100.0%	100.0%	100.0%

Asset Quality After registering decline (1.8 percent) during the last quarter of CY 12, non-performing financing (NPF) of Islamic banking industry witnessed a rise of 5.3 percent during the quarter under review reaching to Rs.19.5 billion from Rs.18.5 billion by end December 2012. Among various categories of NPFs, the categories of “Loss” and “Doubtful” witnessed increase during the review period to reach Rs 14.7 billion and Rs 3.6 billion respectively (see **Table 7**). Consequently provisions against NPFs increased by more than Rs.153 million

Table 7: Non-Performing Financing & Assets

Rupees in billion

				Growth in %	
	Mar-12	Dec-12	Mar-13	YoY	QoQ
NPF	17.3	18.5	19.5	13.0	5.3
Substandard	2.8	2.1	1.2	-57.2	-43.6
Doubtful	2.4	2.5	3.6	52.1	48.3
Loss	12.1	14.0	14.7	21.4	5.2
Provisions	10.8	12.3	12.5	15.5	1.2
Net NPF	6.5	6.2	7.1	8.8	13.4
NPA	0.5	0.9	1.3	140.8	44.9
Net NPAs	19.8	21.7	22.9	15.7	5.7

during the quarter. Non-performing assets (NPAs) also witnessed increase during the review quarter.

All above factors resulted in deterioration in asset quality indicators as NPF to financing ratio, Net NPAs to Capital and Net NPFs to Net Financing all witnessed rise compared to previous quarter. However, all above mentioned asset quality indicators are still much lower than those of overall industry ratios indicating relatively better asset quality of IBIs (see **Table 8**) compared to conventional banks.

Table 8: Performance Indicators

	Mar-12	Dec-12	Mar-13	Industry
Assets Quality Ratio				
NPFs to Financing	8.4%	7.6%	7.9%	14.7%
Net NPFs to Net Financing	3.3%	2.7%	3.0%	4.6%
Provisions to NPFs	62.5%	66.5%	63.9%	71.9%
Net NPAs to Total Capital	12.0%	11.1%	12.8%	20.7%
Real estate Financing to Total Financing	7.0%	5.8%	5.9%	1.4%
FCY Denominated Financing to Capital	9.5%	7.7%	8.5%	14.5%

Liabilities

The first quarter of any calendar year usually witnesses slow down in pace of growth in deposits. In the first quarter of CY 13, deposits of the Islamic banking industry declined from Rs. 706.5 billion by end CY 12 to Rs 704 billion by end March 2013 depicting a quarterly decline of 0.3 percent[3]. This decline was mainly due to financial institutions' deposits with IBIs that registered negative growth during the review quarter (see **Table 9**). However Islamic banking industry deposits' share in overall banking industry remained unchanged at 9.7 as of previous quarter.

Further analysis of deposits show that all types of customers' deposits, except current accounts-remunerative, witnessed growth during quarter ending March 2013 in comparison to previous quarter (see **Table 9**). In line with the trend witnessed in previous quarters, local currency deposits continued to

Table 9: Break up of Deposits

Rupees in million and growth in percent

				Growth	
	Mar-12	**Dec-12**	**Mar-13**	**YoY**	**QoQ**
Deposits	**530,241.0**	**706,469.9**	**704,007.8**	**32.8**	**(0.3)**
Customers	**495,509.8**	**660,950.3**	**671,824.7**	**35.6**	**1.6**
Fixed Deposits	191,362.6	233,108.8	234,412.8	22.5	0.6
Saving Deposits	182,285.0	259,239.2	268,235.2	47.2	3.5
Current accounts - Remunerative	969.7	1,878.0	1,590.8	64.0	(15.3)
Current accounts - Non-remunerative	118,452.7	163,539.3	164,554.6	38.9	0.6
Others	2,439.9	3,185.0	3,031.2	24.2	(4.8)
Financial Institutions	**34,731.2**	**45,519.6**	**32,183.1**	**(7.3)**	**(29.3)**
Remunerative Deposits	34,032.2	35,514.6	31,923.0	(6.2)	(10.1)
Non-remunerative Deposits	699.1	10,005.0	260.1	(62.8)	(97.4)
Currency Wise					
Local Currency Deposits	508,461.2	672,841.5	666,760.1	31.1	(0.9)
Foreign Currency Deposits	21,779.9	33,628.4	37,247.7	71.0	10.8

[3] Deposits of overall banking industry also declined (0.9 percent) during the review quarter

dominate overall deposits with nearly 95 percent share in overall deposits.

Earning & Profitability

Rising NPFs and relatively lower rate of return on GoP Ijara Sukuk[4], resulted in decline in profit of Islamic banking industry as it amounted to Rs 2.2 billion during the first quarter of CY 13, compared to Rs 3.0 billion during same quarter last year. Other indicators of earnings & profitability including Return on Equity (ROE) and Return on Assets (ROA) and Net mark up Income to Gross Income declined compared to previous quarter (see **Table 10**). Among other indicators, Operating Expense to Gross Income, Personnel Expense to Operating Expense and Non-mark up Income to Gross Income increased during quarter ending March 2013 compared to previous quarter.

Table 10: Earning & Profitability	**Mar-12**	**Dec-12**	**Mar-13**	**Industry**
Net Income to Total Assets(ROA)	1.6%	1.2%	0.8%	1.1%
Return on Equity (ROE)	17.8%	14.1%	11.2%	12.7%
Net mark up Income to Gross Income	79.7%	80.1%	78.7%	71.7%
Non-mark up Income to Gross Income	20.3%	19.9%	21.3%	28.3%
Operating Expense to Gross Income	62.3%	67.3%	70.7%	57.5%
Personnel Expense to Operating Expense	38.7%	35.3%	37.8%	44.9%

[4] The latest edition of GoP ijara Sukuk was offered at rate of T-bill minus 30bps.
Source: http://www.sbp.org.pk/ecodata/Auction-Ijara.pdf

Country Model: Qatar

Introduction:

State of Qatar, an oil based economy having world's highest per-capita income and the lowest unemployment rate occupies fifth place in the Islamic banking sector in the world. Share of Islamic banking industry in overall banking industry of Qatar is more than 20 percent while it is 120 percent of gross domestic product (GDP).[5]

Qatar is considered among those countries that have acknowledged the significance of Islamic banking in the beginning; the very first Islamic bank in Qatar was established in the start of eighties. Assets of Islamic banking industry now stand at QR 195 billion (Dec 2012) with a network of four full fledged Islamic banks across the state. Qatar is an active player of global sukuk market with 11 percent share.

Historical Background

Islamic banking in Qatar started with the establishment of Qatar Islamic Bank (QIB) in 1982 and only full fledged banks were allowed to operate in the country till 2005 when conventional banks were permitted to offer Shariah compliant products and services[6] (see **Box 1** for Shariah Governance).Hence, the Islamic banking industry of Qatar consisted of both kind of institutions till end CY 2011 when the central bank of Qatar decided to end the dual regime by disallowing conventional banks to offer Islamic products and services . The central bank gradually introduced this structural change in regulatory framework by first restricting conventional banks to utilize only up to10 percent of their issued capital in August 2010 and then were instructed in February 2011 to close their Islamic banking units. Hence, at present only full fledged banks are operative in the country.

Box 1: Shariah Governance

Salient Features of Shariah Governance of Islamic banks in Qatar are as follows;

- There is no central Shariah Advisory board at central bank; however, the central bank can appoint Shariah scholars in case any problem arises.
- Cases of Clarification can be sent to " Supreme Shariah Council" which is attached to Awqaf Ministry
- Islamic banks are self regulated to ensure Shariah compliance by having their independent Shraih boards.
- A Shariah adviser can be member of more than on Shariah board

Source: Bin Hasan,Aznan. "Optimal Shariah Governance In Islamic Finance"

Current Islamic Banking Industry in Qatar consists of four banks; Masraf Al Rayan ,Qatar Islamic Bank (QIB) , Qatar International Islamic Bank (QIIB) and Barwa bank. All these banks are under huge influence of state as one of these banks (Barwa) is fully owned by state while remaining three have got major share of state.(see **Box 2** for Foreign Investments of Qatari Banks).

[5] Source : World Competitiveness Report 2013

[6] Source: http://www.worldfinance.com/banking/setting-the-benchmark-for-islamic-banking

Other areas of Islamic finance like investment banking, takaful and Ijara companies are not as developed as the Islamic banking industry. QInvest and Qatar First Investment Bank (QFIB) are two Islamic investment banks in the country while the market share of Islamic investment banking is 10 percent. QIB subsidiary; National Leasing Company is the only organisation which is offering Islamic leasing (ijarah).Takaful industry though is growing, however, represents 5 percent of GCC takaful industry[7].

Box 2: Foreign Investments of Qatari Islamic Banks

QIB

- The largest bank of Qatar, QIB, has not only got base in the market of United Kingdom but has also got major shares in Asia finance House, Malaysia
- QInvest, the QIB's investment banking arm, is a partner with India's leading financial services provider in Ambit QInvest India Fund (a Shraih Compliant Fund). QInvest has got shares of 25 percent and 47 percent in Ambit Corporate Finance Limited (investment bank) and Pamru Gordon PLC (investment bank and stockbroker, UK)

QIIB

- QIIB has invested more than £20 billion in Islamic banking of Bahrain
- Syerian International Bank has founded by QIIB

Both QIB and QIIB have shares in Pak Qatar Takaful operating in Pakistan since 2007

Source: GIFR 2011, Website Pak Qatar takaful

Qatar is a very prominent figure in global sukuk market. Being among the world's leading issuers of sukuk, Qatar on average issues two sukuk annually with focus on developing local debt market. The largest sukuk issue of the world is "Qatar Sovereign sukuk 2014", valued at $9.1bn while in terms of share Qatar occupies 11 percent of global sukuk market.

Future Growth

Islamic financial industry is growing strong in Qatar and is expected to grow substantially in future. Rising demand of Islamic finance on the basis of growing economy; advantage of having more than 77 percent Muslim population, emphasis on diversification and investment on skilled and trained human resource[8] all contribute to the growth of the industry. Moreover, the well developed regulatory framework of Qatar along with its customer centric banking principles create conducive environment for sustainable growth of the industry.

Sources:

- S& P. Islamic finance Outlook. September, 2012
- Islamic Finance in Qatar; www.islamicfinancenews.com. 2011
- Qatar Islamic Financing New Circular: Closing the Islamic Window for Conventional Banks, Client Alert, LATHAM & WATKINS, February 2011
- The BANKER; http://www.thebanker.com/World/Middle-East/Qatar/Conventional-banks-face-sharia-restrictions-in-Qatar?ct=true
- https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html
- http://www.qiib.com.qa/qiib/en/qiibcms.aspx?qcid=6
- http://www.gulf-times.com/qatar/178/details/343320/qatar-has-potential-to-become-major-islamic-finance-platform,-says-qiib-ceo
- UKTI Digital, for UK Trade & Investment expertise.

[7] Source: Global Islamic Finance Report 2013

[8] Islamic banks in Qatar specially QIB and Masraf Al Rayan are investing considerable amount on Qatarian education and their trainings.

Adoption of AAOIFI Shariah Standards: Case of Pakistan

Mudaraba

Mudaraba is a partnership where one party known as "rab-al-mal" provides capital for investment while the other party renders the services of working and management of investment and is known as "mudarib". (Usmani, 2000)

According to AAOIFI Shariah standard no. 13 mudaraba has been defined as "*a partnership in profit whereby one party provides capital (rab al –maal) and the other party provides labour (mudarib).*"

Shariah Standard of Mudaraba

Scope: AAOIFI Shariah standard No. 13 issued in May 2002 is applicable to mudaraba both restricted and unrestricted. However, this standard is not applicable to Mudaraba Sukuk or other type of partnership contracts.
This Shariah standard is divided into eleven main clauses[9]. Brief description of clauses is as follows;

Agreement of Mudaraba Financing: This clause divided into three sub-clauses covers Memorandum of Understanding (MoU) of the contract;

MOU should define the general contractual framework explaining intentions of parties for type of mudaraba (restricted or unrestricted), type of transaction (revolving or separate transaction) and should also contain the profit ratio and type of guarantees for mudarib to cover issues like misconduct, negligence and breach of contract. This clause allows concluding a mudaraba financing of a particular amount and within particular period on the basis of the general framework of MoU, however, contents of MoU will be part of integral components of future contracts, and parties will be required to agree originally if they want to exempt themselves from certain obligations.

Mudaraba Contract: This clause is further divided into four clauses mainly covering the nature of contract and contract conclusion.

The clause provides the legal capacity to both parties of having legal capacity to appoint their agents and explicitly mentions that a mudaraba contract cannot be concluded in the absence of any of contracting parties or of their agents having legal capacity similar to contracting parties. The clause also mentions that the mudaraba contract can be concluded using the term *Mudaraba, Qirad* or *Mu'amala.*

Mudaraba is a trust based contract implying that mudarib is not liable for losses in investment unless it is because of negligence, misconduct or breach of contract. Moreover, the mudaraba contract is not binding on any party except two situations; (i) when business has already been commenced , mudaraba contract becomes binding upto the date for actual or constructive liquidation (ii) the agreement of parties to

[9] including scope (clause1), definition (clause 2) and date of issue (clause 11)

determine a duration for which the contract will be operational except where parties mutually agree to terminate the contract.

Types of Mudaraba: This clause divided into two sub clauses explains mudaraba types; (i) restricted mudaraba and (ii) unrestricted mudaraba.

According to the clause unrestricted mudaraba contract is a contract where rab al-mal does not restrict mudarib for investment however; mudaraba must act in accordance to the subject matter of the contract. In case of restricted mudaraba contract mudarib's action regarding investment is restricted by rab al-mal to a particular location or to a type of investment; however, mudarib's should not be constrained unduly.

Guarantees in Mudaraba Contract: This clause allows capital provider to secure enforceable and adequate guarantees from mudarib for situations of negligence, misconduct and breach of contract.

Requirements relating to the Capital: This clause having four sub clauses explains capital and all its related requirements. According to the clause capital can be in form of tangible assets along with being cash, however in case of assets their value will be the contribution to mudaraba capital. The standard prohibits any debt to form part of capital and to avoid any uncertainty or ambiguity makes it mandatory that the values of mudaraba capital should be known to contracting parties. Furthermore, for the mudaraba contract to be valid mudaraba capital either wholly or partially should be at the disposal of mudarib or mudarib should have access to capital.

Rulings & Requirements relating to Profit: This clause is further divided into nine clauses explaining all requirements regarding profit; (i) distribution of profit should be on the basis of agreed percentages of profit instead of a lump sum amount or percentage of capital and it is also mandatory that both parties know the profit distribution mechanism. (ii) to earn a profit share along with fee in mudaraba contract is not principally allowed, however, this can be done through two different agreements (iii) parties are allowed to change the profit distribution ratio at any time and they should define the duration for which the agreement would be valid. However, parties should agree on profit at the time when contract is concluded. (iv) in absence of any specific ratio for profit distribution the profit should be distributed according to customary practice and mudarib should receive mudarib fee equivalent to common market price for his services when even customary practice is not available.(v) mudaraba contract becomes void when a party stipulates a lump sum amount in profit except the situation where parties agree for a varying treatment with profit distribution when it is over certain ceiling (below ceiling the profit will be distributed according to agreed ratio). (vi) this sub clause explicitly disallows capital provider (a) to provide two capital funds to mudarib with a condition that profit on one of two funds will be taken by him (capital provider) and from other one by mudarib (b) to take profit of one period and to give the profit of following period to mudarib (c) taking profit of one transaction while granting profit of other transaction to mudarib.

(vii) Profit can only be claimed or recognized till the capital is intact. This implies that losses will be deducted from capital and if these are greater than profit and in case of mudaraba expense equal to mudaraba revenue the capital provider will receive his capital back and mudarib will not be entitled to any share in profit as there will be no profit. (viii) However, in case of profit at the time of liquidation the profit will be distributed according to the agreed ratio. (ix) In case of commingling of funds of mudarib with mudaraba funds, mudarib becomes partner with regard to his own funds while a mudarib for funds of capital provider and therefore the profit distribution in first case will be like partner while in latter case it will be according to the agreed ratio of mudarib and capital provider according to the contract.

Duties & Powers of the Mudarib: Detailed duties and powers of mudarib in case of both restricted an unrestricted mudaraba have been explained through seven sub-clauses of the main clause.

In case of unrestricted mudaraba, mudarib is allowed to all activities including (a) attending all permissible and feasible investment subjective to his professional qualification and competency (b) carrying out necessary work like buying a commodity or marketing by himself or by appointing other person (c) choosing apparently risk free places and markets (d) safeguarding mudaraba funds, these funds can also be deposited with trustworthy person whenever possible (e) sale and purchase on deferred payment basis (f) combining Mudaraba contract and a partnership contract either by permission or by appointing capital provider and may also accept funds from a third party subject to if this does not affect his (mudarib) investment and management responsibility. In case of restricted mudaraba the capital provider can restrict mudarib’s operation in terms of time, place and sector etc. However, the restriction should not restrict the mudarib to achieve the objective of mudaraba contract.

Third sub-clause clearly disallows the capital provider to stipulate the right to work with mudarib or to be involved in selling and buying activities or their ordering though mudarib should not perform any action without his consultation. This further clarifies that capital provider can’t even put a condition on mudarib to be involved in certain partnership or of mixing his (mudarib) own funds with mudarib funds.

According to the standard mudarib should carry out all work according to the custom and therefore is not entitled to any extra fee. However, mudraib can hire any other agent on Ijara basis but the wage cannot be paid from mudarba funds. However, for any work which is not customary mudarib can hire any other party against mudarib funds.

Regarding the sale/purchase of any item for mudaraba operation mudarib is not allowed to sell any item for mudaraba operations below the common market price or to buy any item above the common market price unless and until if this is obviously in interest of mudaraba objectives. Moreover, mudarib has been disallowed to give any loan, gift and charity out of mudaraba funds and is also not entitled to waive off right associated with mudaraba operations; the only exception is when capital provider shows his consent to do so.

The clause also discusses that mudarib is entitled to receive living and travelling expense from mudaraba funds according to the approval of capital provider. However, in case of absence of any agreement in this regard he has the right to receive in accordance with reason and custom.

Liquidation of Contract: This clause explains situations of liquidation of contract along with the management of assets at the time of maturity of mudaraba contract.

The standard mentions five situations for Mudaraba contract to be liquidated; (i) can be terminated unilaterally as it is non-binding contract (ii) with mutual consent of both parties (iii) on the date of maturity where parties had already an agreement to set time limit for it (iv) either mudaraba funds have exhausted or have suffered losses (v) either in case of death of mudarib or liquidation of the institution that acts as mudarib.

Adoption of AAOIFI Shariah Standard of Mudaraba in Pakistan

Shariah Standards are being adopted in Pakistan with customization after consultation with stakeholders and approval from Shariah Board at State Bank of Pakistan (SBP). Standard no. 13 regarding mudaraba was approved in its original form and has been made mandatory requirement for Islamic banking institutions since 2010.

Sources:

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

Events and Developments at IBD

Training Program on “Fundamentals of Islamic Banking Operations (FIBO) No. 05”
Held on 25-29 March 2013 at SBP-BSC, Peshawar

The fifth program of series of training titled “Fundamentals of Islamic Banking Operations (FIBO)” was organized from the platform of NIBAF on 25-29 March, 2013 at SBP-BSC, Peshawar. The program was focused on enhancing skills and knowledge base of field staff of Islamic Banking Institutions (IBIs) particularly Branch Managers (BMs), Operation Managers (OMs) and Relationship Managers (RMs).

Awareness Session
Held on 6th May, Regional Office, National bank of Pakistan, Sargodha

SBP (BSC) Faisalabad in collaboration with Islamic Banking Department (IBD) conducted a capacity building program on “AAOIFI Shariah Standards” on May 6, 2013 at National Bank of Pakistan, Regional Office, Sargodha. This full-day program was attended by various regional level officers of IBIs and NBP. During the session, AAOIFI Shariah Standards adopted by State Bank of Pakistan (SBP) for Pakistani Islamic banking industry were elaborated to the participants.

Global Forum on Islamic Finance (GFIF) – 2013
Held on 11-13 March, PC Lahore

SBP provided its intellectual support to COMSATS Institute of Information Technology (CIIT) in organizing Global Forum on Islamic Finance (GFIF) – 2013 which was held on 11-13 March, 2013 at PC Lahore. Honorable Deputy Governor, Kazi Abdul Muktadir delivered the opening address of GFIF – 2013 while Director – IBD also participated and chaired a technical session during the event.

Regulations

In order to streamline and standardize disclosures of Islamic Banks/Islamic Banking Branches, SBP has introduced certain changes in the ‘Statement of Financial Position’ and the relevant notes via BSD Circular Letter No. 03 of 2013. (http://www.sbp.org.pk/bsrvd/2013/CL3.htm)

Islamic Banking News and Views

News

Iran holds 42.7% of total global Islamic banking assets

KFH-Research issued a report that stated that Iran's Islamic banking assets contributed 42.7% of the total global Islamic banking assets in 2012, followed by Persian Gulf Cooperation Council (PGCC) (34.1%) and Malaysia (10.0%).
http://tehrantimes.com/economy-and-business/106521-iran-holds-427-of-total-global-islamic-banking-assets

Dubai plans central Islamic finance regulatory board

Dubai plans to set up a central sharia board to oversee all Islamic financial products used in the emirate, and will encourage government-linked entities to issue and list sukuk on the local bourse. The government announced last month that it wanted to become a global centre for Islamic finance and other businesses based on Islamic principles.
http://www.reuters.com/article/2013/02/27/islamicfinance-dubai-idUSL6N0BR6DV20130227

Islamic finance industry enters 2013 with new strength

The year 2012 marked a turning point for banking on Islamic principles as new markets and new regulations in the Mideast helped the sector to flourish. According to Ernst and Young, globally assets managed in line with Shari'ah will reach in 2013 an all-time high, amounting to 1. 8 trillion U.S. dollars, up from 1.2 trillion U.S. dollars in 2012.
http://www.shanghaidaily.com/article/article_xinhua.asp?id=116330

KFH-Research: Sukuk market growth expected to reach 30% this year

KFH-Research issued a report stating that Sukuk issuance will grow this year by 20-30% after the momentum witnessed by the issuance process last year that was worth USD 131 billion. The momentum of sovereign issuance is expected to be maintained as several other countries seek to enter the Sukuk issuance field, in order to receive required funding.
http://www.zawya.com/story/KFHResearch_Sukuk_market_growth_expected_to_reach_30_this_year-ZAWYA20130214165544/

Govt to use sukuk for infrastructure projects

The Indonesian government will issue rupiah-denominated sukuk Islamic bonds to finance state projects next year, a move welcome by analysts as a breakthrough in the development of the country's undersized Islamic finance sector. The Finance Ministry plans to borrow up to Rp 1 trillion (US$103.5 million) through sukuk issuance to finance state projects next year, according to the 2013 state budget financial note.
http://www.thejakartapost.com/news/2012/12/27/govt-use-sukuk-infrastructure-projects.html

First Oman Islamic bank starts operations

Bank Nizwa, Oman's first dedicated Islamic bank, has opened its doors to the public to start a new era for banking in the sultanate. The launch was announced after the release of the Islamic Banking Regulatory Framework by the Central Bank of Oman. Sayyid Amjad Mohammed Ahmed Al Busaidi, chairman, Bank Nizwa, said: "The Islamic Banking Regulatory Framework, laid down by the CBO has positioned the economy of the nation towards achieving greater success."
http://www.arabianbusiness.com/first-oman-islamic-bank-starts-operations-485300.html

SECP expands Sharia Advisory Board

The Securities and Exchange Commission of Pakistan (SECP) has decided to include two more members in its Sharia Advisory Board (SAB), as the mudaraba sector has positioned itself as a stable form of Islamic financial institution despite ongoing economic recession.
http://www.dailytimes.com.pk/default.asp?page=2013%5C04%5C07%5Cstory_7-4-2013_pg5_1

Pakistan's Islamic bank Meezan keen on setting up branch in India

Islamic banking refers to a non-interest-based system of banking or banking activity that is consistent with the principles of the Shari'ah (Islamic rulings).The principles largely emphasise on moral and ethical values in all dealings.
http://www.thehindubusinessline.com/industry-and-economy/banking/pakistans-islamic-bank-meezan-keen-on-setting-up-branch-in-india/article4610915.ece?ref=wl_industry-and-economy

Articles/Views

Profit gap slows Shariah bank growth: Islamic finance
http://www.bloomberg.com/news/2013-03-05/profit-gap-slows-shariah-bank-growth-islamic-finance-correct-.html

Gold as a currency in Islamic finance?
http://www.freemalaysiatoday.com/category/business/2013/03/18/gold-as-a-currency-in-islamic-finance/

Islamic banking facing regulatory challenges
http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/business/18-Feb-2013/islamic-banking-facing-regulatory-challenges

Ninety percent of Shariah compliant indices will be customized in the next five years
http://www.islamicfinancenews.com/listing_article_ID.asp?nm_id=29583

Islamic banking industry still has much to achieve
http://www.saudigazette.com.sa/index.cfm?method=home.regcon&contentid=20130103147949

Oman rules may spur reform of Islamic finance scholars
http://www.arabianbusiness.com/oman-rules-may-spur-reform-of-islamic-finance-scholars-487744.html

Islamic Banking an antidote to the ailing banking system
http://www.risingkashmir.in/news/islamic-banking-an-antidote-to-the-ailing-banking-system-40814.aspx

Annexure I

Annexure: I

Islamic Banking Branch Network

(As of March 31, 2013)

Type	Name of Bank	No of Branches*
Islamic Banks	AlBaraka Bank (Pakistan) Limited	92
	BankIslami Pakistan Limited	88
	Burj Bank Limited	67
	Dubai Islamic Bank Pakistan Limited	100
	Meezan Bank Limited	313
		660
Islamic Branches of Conventional Banks	Askari Bank Limited	33
	Bank AL Habib Limited	14
	Bank Alfalah Limited	109
	Faysal Bank Limited	52
	Habib Bank Limited	33
	Habib Metropolitan Bank Limited	4
	MCB Bank Limited	27
	National Bank of Pakistan	8
	Silkbank Limited	10
	Soneri Bank Limited	8
	Standard Chartered Bank (Pakistan) Limited	13
	The Bank of Khyber	36
	The Bank of Punjab	3
	United Bank Limited	22
	Sub Total	**372**
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
	Sub Total	**68**
	Grand Total	**1100**

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

Annexure: II

Province wise Break-up of Islamic Banking Branch Network

(As of March 31, 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		4		9	46	29	92
	BankIslami Pakistan Limited	1	9	1	4	2	10	33	28	88
	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	10		15		27	147	110	313
	IB. Total	**8**	**29**	**1**	**32**	**2**	**52**	**303**	**233**	**660**
Islamic Branches of Conventional Banks	Askari Bank Limited		2		2	1	6	15	7	33
	Bank AL Habib Limited		1				1	3	9	14
	Bank Alfalah Limited		4		6		6	64	29	109
	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	4	2	8
	Silkbank Limited		1		1		2	4	2	10
	Soneri Bank Limited		1		2	1	1	1	2	8
	Standard Chartered Bank (Pakistan) Limited				1		3	3	6	13
	The Bank of Khyber		2	2	1		24	4	3	36
	The Bank of Punjab						1	2		3
	United Bank Limited	1	2		1		4	8	6	22
	SAIBBs Total	**4**	**17**	**3**	**21**	**2**	**67**	**157**	**101**	**372**
Sub Branches	AlBaraka Bank (Pakistan) Limited				1				1	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**	**-**	**4**	**-**	**4**	**17**	**36**	**68**
	Grand Total	**13**	**52**	**4**	**57**	**4**	**123**	**477**	**370**	**1,100**

Annexure: III

District wise Break-up of Islamic Banking Branch Network

(As of March 31, 2013)

S. No	Province	District	No of Branches
1	Sindh	Badin	2
2		Dadu	3
3		Ghotki	1
4		Hyderabad	23
5		Jacobabad	1
6		Karachi City	305
7		Larkana	3
8		Matiari	1
9		Mirpurkhas	4
10		Naushero Feroze	1
11		Nawabshah	5
12		Sanghar	6
13		Sukkur	10
14		Tando Allahyar	4
15		Tando Mohammad Khan	1
	Sindh Total		**370**
16	Punjab	Attock	9
17		Bahawalnagar	5
18		Bahawalpur	4
19		Chakwal	6
20		Dera Ghazi Khan	3
21		Faisalabad	47
22		Gujranwala	20
23		Gujrat	18
24		Hafizabad	2
25		Jhang	3
26		Jhelum	7
27		Kasur	3
28		Khanewal	9
29		Khushab	5
30		Lahore City	171
31		Layyah	1
32		Lodhran	1
33		Mandi Bahauddin	1
34		Mianwali	2
35		Multan	32
36		Muzaffargarh	3
37		Okara	6
38		Pakpattan	2
39		Rahim Yar Khan	12
40		Rawalpindi	56
41		Sahiwal	5
42		Sargodha	12
43		Sheikhupura	6
44		Sialkot	17
45		Toba Tek Singh	3
46		Vehari	6
	Punjab Total		**477**

S. No	Province	District	No of Branches
45	Khyber Pakhtunkhwa	Abottabad	12
46		Banu	4
47		Batagram	1
48		Charsadda	4
49		Chitral	3
50		Dera Ismail Khan	5
51		Hangu	2
52		Haripur	4
53		Kohat	3
54		Lower Dir	1
55		Malakand	1
56		Mansehra	11
57		Mardan	9
58		Nowshera	4
		Peshawar	45
59		Shangla	1
60		Swabi	4
61		Swat	5
62		Tank	1
63		Upper Dir	3
	KP Total		**123**
64	Gilgit-Baltistan	Diamir	3
65		Gilgit	1
	GB Total		**4**
66	**FATA**	Khyber Agency	1
67		Orakzai Agency	3
	FATA Total		**4**
68	**Federal Capital**	Islamabad	57
	Federal Capital Total		**57**
69	Balochistan	Chagi	1
70		Gawadar	1
71		Kila Abdullah	2
72		Killa Saifullah	3
73		Lasbela	2
74		Loralai	5
75		Pishin	1
76		Quetta	36
77		Zhob	1
	Balochistan Total		**52**
78	**Azad Kashmir**	Mirpur	10
79		Muzaffarabad	3
	AJK Total		**13**
	Grand Total		**1100**