Islamic Banking Bulletin

December 2014

Islamic Banking Department
State Bank of Pakistan

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Challenge Round Fund for Promoting Islamic Financial Services in the Country

Welcome Address by Mr. Ashraf Mehmood Wathra,
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January 09, 2015

Honorable Finance Minister, Mr. Ishaq Dar, Mr. Richard Montgomery, Head UK Department for International Development (DFID) Pakistan, Distinguished Guests, Ladies and Gentlemen,

Assalam-O-Alaikum

I am honored to address this august gathering on the occasion of third round of the Challenge Fund aimed at establishing a centre of excellence for Islamic Finance in Pakistan. I would like to take this opportunity to offer a special word of thanks to Honorable Finance Minister for gracing this event and to DFID for their continuing assistance.

Ladies & Gentlemen:
State Bank of Pakistan has undertaken several initiatives to broaden access to financial services to the unbanked marginalized segments of the society. One of the initiatives towards this end is the implementation of the Financial Inclusion Program (FIP), sponsored by the UK Aid.

FIP has earmarked GBP 10 million in grant under the Financial Innovation Challenge Fund (FICF) to help reduce the financial exclusion levels in the country. To date two challenge rounds have taken place. The 1st Challenge Round was aimed at promoting "Financially Inclusive Government to Person (G2P) Payments" through branchless banking models while the 2nd Challenge Round focused on promoting innovative rural and agricultural financial services. Today the 3rd Challenge Round is being unveiled on supporting the growth of Islamic Financial services by setting up a centre of excellence for Islamic finance in the country.

Ladies & Gentlemen:
Islamic finance has witnessed tremendous growth in the last four decades and currently spans across globe having an asset base of US$ 1.8 trillion. According to estimates global Islamic finance industry is likely to grow to US$ 5 trillion by 2020. Having established itself as a viable alternative during the last financial crises, standard-setting bodies are increasingly viewing Islamic finance as means to promote broad-based, inclusive economic growth.

Islamic banking industry in Pakistan has grown significantly since its re-launch in 2001. The industry now accounts for nearly 10 percent of the country's banking system. Presently 22 Islamic Banking Institutions (IBIs) (5 full-fledged Islamic banks and 17 conventional banks having Islamic banking branches) are operating in the country with a network of over 1,400 branches. Islamic banking sector in Pakistan is likely to double its share in the banking system by 2020.

Over the years, SBP has developed a supportive Regulatory, Supervisory regime for Islamic banking that is in line with international best practices. SBP is continuously refining and improving the regulatory framework to meet the evolving industry dynamics. Recent measures taken by the central bank include (i) the downward revision of paid up capital requirement for Islamic banking subsidiaries from Rs 10 billion to Rs 6 billion to encourage investors (ii) the conclusion of the very first OMO for Islamic banking industry to provide level playing field for liquidity management (iii) issuance of Shariah Governance Framework for strengthening of Shariah compliance on part of Islamic banking institutions and (iv) the Strategic Plan for Islamic Banking Industry (2014-18).

Ladies & Gentlemen:
Despite showing significant growth, Islamic banking industry in Pakistan is still confronted with a number of challenges. Among these issues limited availability of trained human resource and lack of understanding of prevalent Islamic banking paradigm among general masses are the major impediments in sustainable growth of the industry. To address the issue of awareness, an industry wide media campaign under the support and guidance of State Bank of Pakistan has been launched. The second round of this campaign was launched last week. We except that this mass media campaign will narrow the awareness gap among public at large.

Over the years SBP has under taken a number of capacity building initiatives by training Islamic finance professionals through structured focused training programs, seminars and conferences in collaboration with local and international organizations. The extensive program by NIBAF, the training arm of SBP, has contributed significantly to training both local and international Islamic finance professionals. We held a joint training with Islamic Research and Training Institute (IRTI) and Islamic Development Bank (IDB) in November. While these programs are a regular feature we believe the pace of growth of the industry has remained higher than the supply of trained Islamic finance professionals.

To sustain the pace of growth of Islamic banking industry and realize the target of 20 percent market share by 2020, Islamic finance industry in Pakistan needs human capital in the form of Islamic finance specialists including Shariah scholars, banking professionals, academicians and researchers. In this backdrop, the Steering committee for the promotion of Islamic finance set by the ministry of finance has proposed to establish a Centre of Excellence for Islamic Banking and Finance in the country with the objective to provide qualified human resource to the Islamic Banking Industry. The central bank is fully on board and has been extending all out support to the committee to meet its objectives. Today's challenge round fund aimed at promoting Islamic financial services in Pakistan is a step in this direction.

I am confident, that establishment of Centre of Excellence will contribute towards evolving a more inclusive Islamic financial system through development of financial products that create closer links between Islamic finance and real economic activity. I also believe that the Centre will serve to provide Shariah based solutions for fiscal needs of the government and monetary policy instruments for the central bank.

Ladies & Gentlemen:
There cannot be a more conducive environment where all stakeholders share a common goal that is the promotion of Islamic finance. The government is fully committed and is providing unprecedented support and cooperation for the development of Islamic banking industry. I would use this platform to encourage the industry to come forward and capitalize on this facilitative environment for further growth of the industry.

I am positive that the pool of skilled human resource graduating from this Centre will help in resolving issues and challenges confronted by the industry and would provide innovative Shariah compliant financial solutions. In the end I would like to once again extend my gratitude to the Honorable Finance minister for his support and my appreciation to DFID U.K for their continuing partnership through financial inclusion program.

Thank you

Islamic Banking Industry- Progress & Market Share

Overview

The Islamic banking industry (IBI) continued to grow during CY14 as its asset base reached Rs. 1,259 billion by end December 2014 depicting an increase of 24.2 percent compared to previous year (see **Table 1**) and 14.2 percent compared to previous quarter. Deposits of IBI crossed Rs 1 trillion mark for the first time to reach Rs. 1,070 registering YoY growth of 23.3 percent and quarterly growth of 14.6 percent. The market share of both Islamic banking assets and deposits in overall banking industry reached double figures by end December 2014 to be registered at 10.4 percent and 11.6 percent respectively. In terms of profitability, an increase of Rs. 3.95 billion was recorded in the last quarter of CY14 to reach above Rs 15 billion, compared to Rs 9.4 billion profit earned by the industry by end December 2013. Similarly other earning indicators including return on equity (ROE) and return on assets (ROA) both witnessed improvement over the quarter October to December 2014 compared to the same quarter last year.

Table 1: Industry Progress and market share **(Rupees in billions)**

	Industry Progress			Growth (YoY)			Share in Industry		
	Dec-13	**Sep-14**	**Dec-14**	**Dec-13**	**Sep-14**	**Dec-14**	**Dec-13**	**Sep-14**	**Dec-14**
Total Assets	1014	1102	1259	21.2%	19.0%	24.2%	9.6%	9.9%	10.4%
Deposits	*868*	934	1070	22.8%	20.4%	23.3%	10.4%	10.7%	11.6%
Net Financing & Investment	*709*	*693*	*765*	13.4%	-2.6%	7.9%	8.5%	7.8%	7.8%
Total Islamic Banking Institutions	*19*	*22*	*22*	_	_	_	_	_	_
Total No. of Branches*	*1304*	*1423*	*1574*	_	_	_	_	_	_

Source: Quarterly Unaudited Accounts

**number includes sub-branches*

IBI Network Expansion

The last quarter of CY14 witnessed considerable expansion in IBI's branch network as 151 new branches were added. These additional branches were established in Punjab, Sindh, Khyber Pakhtoonkhawa (KPK), Baluchistan, Azad Jammu and Kashmir (AJK) and Islamabad (see **Table 2**). Along with IBI branch network, windows operated by Islamic Banking Divisions (IBDs) of conventional banks also increased during the review quarter (for details see **Annexure I**). In terms of coverage, Islamic banking services expanded to one new district i.e. Shahdadkot in Sindh province during the review quarter. However, like previous quarters, IBI's branch network is still concentrated in two provinces i.e. Punjab and Sindh as both these provinces account for nearly 79 percent branches of overall IBI branch network. It is important to note that 270 additional branches were opened in CY14 which is higher compared to 203 branches opened in

Table 2: Province Wise Additional Branches (Sep-Dec 2014)

Province	Additional Number	Total Number	Share (percent)
Punjab	94	728	46.3
Sindh	33	509	32.3
Khyber Pakhtoonkhawa	13	165	10.5
Baluchistan	3	62	3.9
Gilgit Baltistan	-	5	0.3
FATA	-	4	0.3
Federal Capital	7	85	5.4
AJK	1	16	1.0
Total	**151**	**1,574**	**100.0**

CY13 while during the same period three additional IBDs of conventional banks also started Islamic banking operations.

Asset & Liability Structure

Asset: Assets base of the IBI grew by 14.2 percent during the quarter ending December 2014 to reach Rs. 1,259 billion from Rs. 1,102 billion in the previous quarter. Like previous quarter, financing remained the major contributor in asset growth as net financing of IBI witnessed quarterly growth of 20.7 percent to reach Rs 409 billion in December 2014 compared to Rs 339 billion in the previous quarter. Investments also grew during the review quarter and were recorded at Rs 357 billion in December 2014 compared to Rs 354 billion in September 2014. In terms of market share, Islamic banking assets in overall banking industry increased to 10.4 percent from 9.9 percent in the previous quarter, reflecting relatively better growth in assets of IBI compared to assets of overall banking industry[1].

Further analysis of assets by break up among full-fledged Islamic Banks (IBs) and Islamic Banking Divisions (IBDs) of conventional banks shows that assets of both IBs and IBDs witnessed positive growth compared to previous quarter, however IBDs recorded relatively better growth (22.1 percent) compared to IBs (9.7 percent). Consequently share of assets of IBDs in overall assets of IBI witnessed increase as it improved from 36.3 percent in September 2014 to 38.8 percent in December 2014.

Investments:

Net Investments of IBIs grew by 0.8 percent to reach Rs 357 billion by end December 2014 from Rs 354 billion by end September 2014 (see **Table 3**). However, on year on year (YoY) basis, net investments of the Islamic banking industry declined by 9.5 percent. The decline in investments can be associated with fall in investment in Federal Government securities by 1.6 percent compared to the previous quarter and by 9.8 percent compared to December 2013 owing to maturity of GoP Sukuk of Rs 90 billion while the

Table 3: Investments

Rupees in million

				Growth	
	Dec-13	**Sep-14**	**Dec-14**	**YoY**	**QoQ**
Federal government securities	266,687.2	244,265.7	240,451.1	(9.8)	(1.6)
Fully paid up ordinary shares	4,334.8	5,845.9	5,350.1	23.4	(8.5)
TFCs, Debentures, Bonds, & PTCs	34,000.1	42,376.7	45,066.6	32.5	6.3
Other investments	90,869.6	63,038.3	67,349.0	(25.9)	6.8
Investments by type					
Held for Trading	2,183.66	2,205.65	4,028.15	84.5	82.6
Available for Sale	368,089.8	328,632.0	331,233.4	(10.0)	0.8
Held to Maturity	15,383.5	16,573.8	18,297.2	18.9	10.4
Surplus /(deficit) on revaluation	2,714.9	3,102.0	650.3	(76.0)	(79.0)
Net Investments	**394,372.0**	**354,047.0**	**356,731.5**	**(9.5)**	**0.8**

[1] Assets of Islamic banking industry grew by 14.2 percent during Oct-Dec quarter compared to 8.8 percent growth in assets of overall banking industry during the same period.

availability of new GoP Ijara Sukuk was only of Rs 49.5billion during the year (CY 14). Despite this decline, Federal government securities still remain the highest contributor (67.1 percent) in investments.

Financing

Gross financing of Islamic banking industry grew from Rs 348.5 billion by end September 2014 to Rs 422.1 billion by end December 2014, reflecting quarterly growth of 21.1 percent. Both IBs and IBDs witnessed growth in gross financings though financings by IBs grew more (22.9 percent) compared to IBDs (16.9 percent).

In terms of financing mix, all modes of financing, except Mudaraba registered increase during the review quarter (see **Table 4 (a)**). Like previous quarter, Murabaha and Diminishing Musharaka remained the most concentrated modes as these modes collectively contributed nearly 63 percent of overall financing (see **Table 4 (b)**). However, despite witnessing increase in absolute amount, share of both Murabaha and Diminishing Musharaka in overall financing declined during the quarter ending December 2014. This was mainly due to relatively higher growth in financing modes like Musharaka, Salam and Istisna, resulting in an increase in their shares in overall financing during the quarter under review.

Table 4 : Financing Mix

(a) Amount in billion Rupees	Dec-13	Sep-14	Dec-14
Murabaha	134.2	105.7	127.2
Ijarah	25.4	29.8	32.3
Musharaka*	22.0	35.0	46.5
Mudaraba	0.5	0.5	0.2
Diminishing Musharaka (DM)	101.8	122.5	137.7
Salam	13.3	9.0	19.2
Istisna	18.5	27.5	35.2
Qarz/Qarz-e-Hasna	0.0	0.0	0.0
Others	14.5	18.4	23.8
Total	**330.2**	**348.5**	**422.1**
(b) Percent Share			
Murabaha	40.6	30.3	30.1
Ijarah	7.7	8.6	7.7
Musharaka*	6.7	10.1	11.0
Mudaraba	0.2	0.2	0.1
Diminishing Musharaka (DM)	30.8	35.1	32.6
Salam	4.0	2.6	4.5
Istisna	5.6	7.9	8.3
Qarz/Qarz-e-Hasna	0.0	0.0	0.0
Others	4.4	5.3	5.6
Total	**100.0**	**100.0**	**100.0**

***Musharaka includes Running Musharaka**

Table 5: Financing Concentration - percent share

	Dec-13	Sep-14	Dec-14	Industry
Chemical and Pharmaceuticals	6.3%	7.4%	7.1%	3.9%
Agribusiness	3.6%	1.4%	1.4%	8.0%
Textile	19.1%	16.8%	21.1%	16.1%
Cement	0.9%	0.7%	0.6%	0.9%
Sugar	3.9%	3.1%	3.1%	2.8%
Shoes and leather garments	0.9%	0.9%	1.0%	0.5%
Automobile and transportation equipment	1.7%	2.0%	2.1%	1.5%
Financial	0.7%	0.3%	0.3%	2.5%
Insurance	0.0%	0.0%	0.0%	0.0%
Electronics and electrical appliances	1.7%	2.6%	2.0%	1.3%
Production and transmission of energy	8.9%	12.5%	11.8%	12.6%
Individuals	13.3%	14.0%	13.0%	8.8%
Others	38.9%	38.3%	36.6%	41.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Among various sectors, textile remained the most concentrated sector as share of textile financing in overall financing registered increase during the quarter ending December 2014 compared with previous quarter. Among other sectors, shoes & leather garments and automobile & transportation equipment witnessed marginal increase in their shares in overall financing during the quarter under review (see **Table 5**).

In line with the previous quarters, client category wise financing of IBIs remained concentrated in corporate sector, having a share of nearly 77 percent followed by consumer financing (11.9 percent) and commodity financing (5.3 percent) (see **Table 6**). Financing extended by Islamic banking in SMEs and agriculture remained low indicating limited outreach of IBI in these sectors.

Table 6: Client Wise Financing Portfolio (Share Percent)

	Dec-13	Sep-14	Dec-14	Industry
Corporate Sector	71.8%	74.8%	76.9%	67.4%
SMEs	5.1%	3.8%	3.6%	6.3%
Agriculture	0.1%	0.3%	0.4%	5.8%
Consumer Finance	11.6%	13.0%	11.9%	6.2%
Commodity Financing	9.6%	6.2%	5.3%	12.1%
Staff Financing	1.6%	1.9%	1.6%	2.1%
Others	0.2%	0.1%	0.3%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Asset Quality

Table 7 (a): Non-Performing Financing & Assets

Rupees in billions

	Dec-13	Sep-14	Dec-14	Growth in % YoY	Growth in % QoQ
NPF	18.9	18.4	19.8	4.9	7.4
Substandard	1.3	1.2	1.3	-1.5	8.6
Doubtful	1.8	1.5	1.6	-9.2	5.0
Loss	15.8	15.5	16.8	6.1	7.8
Provisions	14.1	14.7	16.6	18.3	12.8
Net NPF	4.8	3.7	3.2	-34.1	-14.0
Recovery (year to date)	1.2	0.6	0.7	-41.3	15.9
NPA	22.3	21.1	22.6	1.3	6.9
Net NPAs	5.6	4.3	3.9	-30.5	-10.0

Non-performing financing (NPF) of Islamic banking industry increased during the last quarter of CY14 to reach Rs.19.8 billion; all categories of non-performing financing witnessed increase during the review quarter (see **Table 7**).

Increase in non-performing financing also resulted in an increase in provisions against financing during the review quarter resulting in an increase in provisions to NPFs which reached 83.9 percent during quarter ending December 2014 higher than the industry average of 79.8 percent (see **Table 8**). Non-

Table 8: Performance Indicators

	Dec-13	Sep-14	Dec-14	Industry
Assets Quality Ratio				
NPFs to Financing	5.7%	5.2%	4.7%	12.3%
Net NPFs to Net Financing	1.5%	1.1%	0.8%	2.7%
Provisions to NPFs	74.4%	79.9%	83.9%	79.8%
Net NPAs to Total Capital	7.9%	5.5%	4.8%	10.4%

performing assets (NPA) of Islamic banking industry also increased during the October to December 2014 quarter to reach 22.6 billion from 21.1 billion in the previous quarter. It is however, pertinent to note that the increase in absolute amounts of NPFs, NPAs and provisions of the Islamic banking industry can be attributed to growing size of industry as other asset quality indicators including NPFs to financing ratio, Net NPAs to Capital and Net NPFs to Net Financing, all declined compared to previous quarter and remained lower than overall industry ratios reflective of relatively better asset quality of IBI.

Liabilities

Deposits of IBI crossed Rs 1 trillion mark for the first time as they reached Rs. 1070 billion by end December 2014 depicting a quarterly growth of 14.6 percent. This has also resulted in increasing share of IBI deposits in overall banking industry from 10.7 percent in September 2014 to 11.6 percent by the end December 2014. Both customers' deposits as well as financial institutions' deposits with IBIs contributed in growth of deposits during the quarter ending December 2014. Within customers' deposits, fixed deposits as well as saving deposits registered positive growth during the period under review though saving deposits grew at a faster pace compared to fixed deposits (see **Table 9**). Among other categories of customers' deposits, both remunerative as well as non-remunerative current accounts grew during the review quarter with remunerative current accounts growing higher (29.6 percent) than non-remunerative current accounts (18.5 percent).

Table 9: Break up of Deposits

Rupees in million and growth in percent

				Growth	
	Dec-13	**Sep-14**	**Dec-14**	**YoY**	**QoQ**
Deposits	**867,698.8**	**933,740.7**	**1,069,713.5**	**23.3**	**14.6**
Customers	**798,622.2**	**883,418.3**	**1,003,803.8**	**25.7**	**13.6**
Fixed Deposits	261,240.2	265,408.5	292,434.2	11.9	10.2
Saving Deposits	314,361.7	364,728.2	411,330.1	30.8	12.8
Current accounts - Remunerative	2,337.6	2,693.7	3,492.3	49.4	29.6
Current accounts - Non-remunerative	217,147.9	246,206.7	291,729.2	34.3	18.5
Others	3,534.8	4,381.1	4,818.0	36.3	10.0
Financial Institutions	**69,076.6**	**50,322.4**	**65,909.8**	**(4.6)**	**31.0**
Remunerative Deposits	68,490.4	49,571.5	61,837.5	(9.7)	24.7
Non-remunerative Deposits	586.2	751.0	4,072.3	594.6	442.3

Maturity Gap

High growth in short term assets overshadowed the growth in CASA reflected in positive assets-liabilities gap for short-term categories (i) up to 3ms and (ii) 3ms to 1yr (see **Figure 1(a)**). The gap for the first mentioned category reversed its trend from negative in December 2013 to positive by end December 2014 while for the category 3ms to 1 yr the positive gap increased significantly from 0.04 percent to above 12 percent. However, in terms of quarterly performance, the positive trend in category up to 3ms declined owing to stagnant growth in short term assets during the quarter while the gap for category 3ms to 1yr depicted a rise in positive trend compared to the last quarter.

Growth of longer term liabilities outpaced growth in long term assets reflecting negative gaps for long term categories; from 1 yr to 5yr and above 5 yrs. It is worth mentioning that assets-liabilities gap of IBI is contrasting to overall banking industry for both extreme categories; (i) up to 3ms and (ii) above 5 yrs(see **Figure 1(b)**).

Figure 1 (a): Maturity Gap(Asset-Liabilities) as percent of assets

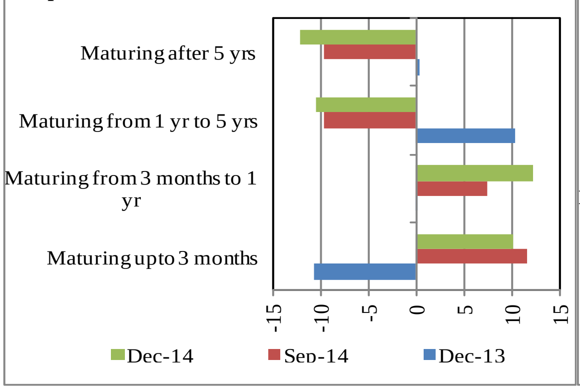
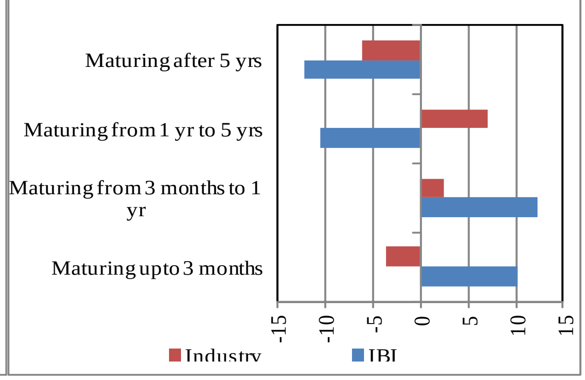


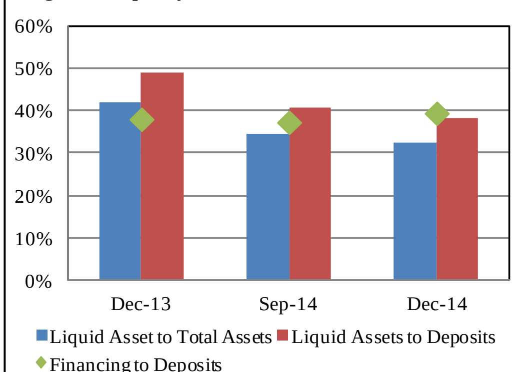
Figure 1 (b): Maturity Gap (as percent of assets) (IBI vs. Overall Banking Industry)



Liquidity Ratios

Liquid Assets (LA) to Total Assets depicted a declining trend (see **Figure 2**) compared to the last quarter and also in comparison of the same period last year (CY13) mainly due to fall in investment in government securities[2]. Similarly LA to Deposits ratio is lower than that of the last quarter as well as of the same quarter last year (CY 13) owing to relatively slower growth in LA and high growth in deposits. One of the main reasons for slower growth in LA is due to outright purchase of GoP Sukuk by SBP aimed at facilitating Islamic banking institutions in their liquidity management. It is important to note that both LA to Total assets and LA to Deposits are significantly lower than those of industry ratios. Improving Financing to Deposit ratio is a positive signal, however even this ratio (39.5 percent) is considerably lower than that of overall industry average (49 percent).

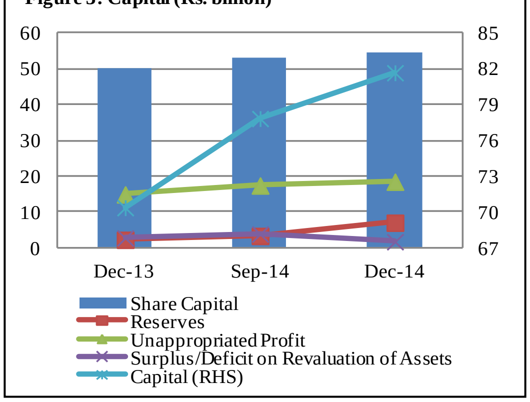
Figure 2: Liquidity Indicators



Capital

Overall capital of Islamic banking industry has reached Rs. 81.6 billion by end December CY14 (see **Figure 3**) depicting 5 percent quarterly and 16 percent annual growth.

Figure 3: Capital (Rs. billion)



[2] Balances with Other banks also showed decline though this constitutes a small share.

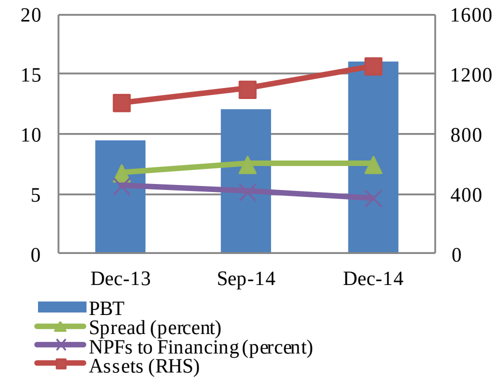
Table 10: Capital	**Dec-13**	**Sep-14**	**Dec-14**	**Industry**
Capital to Total Assets	6.9%	7.1%	6.5%	10.0%
(Capital-Net NPAs) to Total Assets	6.4%	6.7%	6.2%	8.9%

The significant annual rise in capital can be associated to considerable increase of more than Rs. 4 billion in Share Capital (the major component of Capital); the growth rate of Share Capital for the last quarter CY14 was almost double to than that of the same quarter last year (CY13). This increase can be associated with the addition of three new IBDs during the period under review as well as few IBs' increase in share capital as a move towards meeting their regulatory requirement of capital. Moreover, the significant rise in share of reserves complementing the share capital in raising the overall capital of Islamic banking industry is worth mentioning. However, Capital to Total assets declined compared to the last quarter as well as to the same quarter last year and is also lower than that of overall banking industry (see **Table 10**).

Profitability & Earnings

Profitability of IBI, Profitability before Tax (PBT), has jumped above Rs. 15 billion by end December CY14 which is the highest over all these years. However, in line with its previous trends the profit is concentrated in two banks collectively contributing 61 percent profit of overall banking industry. Increasing volumes, improved asset quality as reflected in NPFs to Financing and rising spread between financing and deposit rate (see **Figure 4**) are main factors for improved profitability of the industry.

Figure 4: Profitability of IBI (Rs. billion)



High profit earned during the quarter is also reflected in improving both Return on Assets (ROA) and Return on Equity (ROE) compared to the same quarter last year; the improvement is marginal in ROA while ROE showed significant increase (see **Table 11**). Keeping with the usual trend, ROA of Islamic banking industry is less than that of overall banking industry while ROE is higher than the overall industry average.

However the industry has not been able to bring expenses at a level comparable to conventional banking industry as indicated by Operating Expense to Gross Income. This can be associated with the expansionary phase of the industry. However the indicator has shown improvement over the time as it is lower (65.6 percent) than that of (70 percent) the same quarter last year (CY13). Similarly Personnel Expense to Operating Expense is rising though lower than that of overall banking industry average.

Table 11: Profitability & Earnings

	Dec-13	**Sep-14**	**Dec-14**	**Industry**
Return on Assets (ROA)	0.9%	1.2%	1.2%	1.5%
Return on Equity (ROE)	12.0%	16.7%	16.5%	16.1%
Operating Expense to Gross Income	69.7%	65.6%	66.0%	53.3%
Personnel Expense to Operating Expense	37.6%	40.3%	38.6%	42.4%
Spread Between Financing & Deposit Rate	6.8%	7.6%	7.5%	5.4%

Country Model

Nigeria

Islamic banking was introduced in Nigeria in 1991 through Banks and Other Financial Institutions Act (BOFIA), which allowed provision of non-interest banking in the country. Up to 2009, the regulatory framework was not sufficient for Islamic finance to prosper. Real efforts for promoting Islamic banking in the country started in 2009 when Nigeria became a member of Islamic Development Bank (IDB). In the following year (2010) the regulatory frame work of Islamic banking was released by the Central Bank of Nigeria and the first Islamic bank started operations in the country in 2012. The introduction of Islamic banking was part of a drive by the Central Bank of Nigeria, CBN, to promote financial inclusion by introducing alternative products. Despite introduction of Islamic banking since 2012, Islamic banking penetration in Nigeria has yet to reach one percent even though Muslim population of the country is over 50 percent.

In terms of institutions offering Islamic financial services in Nigeria, presently three banks i.e. Jaiz Bank Plc, Stanbic IBTC and Sterling Bank Plc are operational in Nigeria. Amongst these, two banks i.e. Jaiz Bank Plc and Stanbic IBTC are full fledged Islamic banks while Sterling Bank Plc is offering Islamic banking facilities as a window. Apart from banking institutions three Islamic fund management companies and three Takaful companies are also offering Islamic financial services in Nigeria.

Historical Development of Islamic Banking and Finance in Nigeria

In 2009 Nigeria became a member of Islamic Development Bank (IDB). Following Nigeria's membership in IDB, a Technical Assistance program was initiated to build capacity and create awareness on Islamic banking in the country. In the same year Nigeria joined Islamic Financial Services Board (IFSB).

The Central Bank established a non interest banking unit in the Financial Policy and Regulation Department of the bank in January 2010. For improving regulatory framework in the country Central Bank of Nigeria issued, "Guidelines on Shariah Governance for Non-interest Financial Institutions in Nigeria" (The Guidelines) and the "Framework for the Regulation and Supervision of Institutions Offering Non-interest Financial Services in Nigeria" (The Framework) in December 2010 and January 2011, respectively. The Framework provided detailed information on the type of institutions that can be created, licensing requirements and the Islamic instruments that an Islamic bank can transact in. Further, information was also provided with regards to subsidiaries and branches. The Guidelines provided details on the fit and proper criteria for scholars on boards which are to be set up for every Islamic Financial institution.

In September 2010, the Nigeria Deposit Insurance Scheme (NDIC) released its draft framework for a non-interest Deposit Insurance Scheme. Nigerian Stock Exchange (NSE) opened an Islamic window on its trading floor in August 2012 and in the same year Nigeria's first Shariah compliant index, the NSE Lotus Islamic Index, was launched as collaboration between the Nigeria Stock Exchange and Islamic investment management firm, Lotus Capital.

In 2013, the Securities and Exchange Commission of Nigeria (SEC Nigeria) set new rules on Sukuk issuance and in the last quarter of the year, country's first Sukuk was issued. In the same year, the National Insurance Commission (NAICOM) issued guidelines for micro insurance and Takaful to help regulate the sector.

The Securities and Exchange Commission (SEC) released a 10-year master plan (2015-2025) in the last quarter of 2014, providing numerous plans for the non-interest finance industry. The overall goal of the master plan was to contribute at least 25% of the overall capital market capitalization in the next 10 years.

Future Outlook

According to industry sources, one or two more banks are expected to get an Islamic banking license in 2015 and by 2020 at least half of Nigerian banks will have either an Islamic banking window or stand-alone subsidiary. The government and other corporate entities also have plans for issuing Sukuk in the coming years. With an increased focus of Islamic banking and finance in the country complemented with a large Muslim population Nigeria can create an important place for itself in the African Islamic banking and financial industry.

Sources:

- Global Islamic Finance Report (various editions), Edbiz Consulting Limited, UK
- Central Bank of Nigeria website http://www.cenbank.org/
- Dauda Momodu Esq (2013), "Legal Framework for Islamic Banking and Finance in Nigeria", Electronic Journal of Islamic and Middle Eastern Law, Volume (1), 2013.
- Shehu Usman Rano Aliyu (2012), "Islamic Banking and Finance in Nigeria: Issues, Challenges and Opportunities", MPRA Paper No. 42573, available at http://mpra.ub.uni-muenchen.de/42573/
- Nigeria's 10-Year Non-Interest Capital Market Master Plan (2015-2025), available at http://www.cmcretreat.com.ng/Non_Interest_Capital_Market_Master_Plan_Final_Report.pdf
- http://blog.thomsonreuters.com/index.php/islamic-banking-in-nigeria-progress-and-prospects/ accessed on February 17, 2015.
- www.islamicfinancenews.com

Brief on Exposure Draft GN-6
Guidance Note on Quantitative Measures For Liquidity Risk Management in Institutions Offering Islamic Financial services

The recent financial crisis (2007-08) convinced the international regulatory authorities to review and revise regulatory standards to ensure the systemic stability and resilience of financial system. In this background, the Basel Committee on Banking Supervision (BCBS) issued revised regulatory regime as BASEL III in 2010 having a major component regarding Liquidity Management. The new regulatory standard includes Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) to complement Capital Adequacy ratio for ensuring financial stability.

However, market conditions for liquidity management for Islamic financial institutions are different from their conventional counterparts. Significant in this regard are (i) Islamic financial institutions cannot take out an interest-based loan from the interbank market or other sources; (ii) Sale of debt (except at face value) is not permitted in many jurisdictions (iii) Limited or no availability of Shariah compliant securities in many jurisdictions (iv) Lack of Shariah compliant Lender of Last Resort facility and (v) Lack of Shariah compliant insurance of deposits. In addition to these market conditions Shariah requirements and structure of balance sheet of Islamic financial institutions are different from conventional industry. These are main reasons for Islamic Financial Services Board (IFSB) to develop this Guidance Note in order to introduce/adapt new international standard of liquidity management by making it consistent with Shariah principles.

This Guiding Principle establishes a new minimum requirement of liquidity for Islamic financial institutions and its major objectives are as follows;

a) to complement other prudential standards issued by the IFSB as well as to support the harmonised application of the international regulatory regime in the area of liquidity risk management, by providing guidance note on the application of global liquidity standards for Islamic financial institutions especially the LCR at the current stage, with suitable adjustments based on specific operational characteristics
b) to provide guidance to supervisory authorities on the application of the LCR in their jurisdictions and on their role in assessing the discretionary items including application of the alternate liquidity approaches (ALA);
c) to delineate the disclosure requirements required alongside the application of liquidity standards; and
d) to present the template of the NSFR which needs to be considered in the planning and monitoring of the liquidity risk. (see **Box** for brief description of LCR and NSFR).

This new regulatory regime is aimed at effective liquidity management in Islamic financial institutions through many ways including ; (i) the improvement of bank’s liquidity buffers and the placing of limits on maturity transformation at the micro level; and (b) reducing excessive interconnectedness in the financial system and mitigating systemic risk at the macro level. However, this will require many jurisdictions to develop desired infrastructure.

Box 1

Liquidity Coverage Ratio (LCR)

LCR aims at promoting stability of Islamic financial institutions against short term liquidity shocks. This ratio consists of two main components; High Quality Liquid Assets (HQLA) and Total Net Cash outflow and is calculated as follows;
LCR= HQLA/ Total net cash outflows over the next 30 calendar days.

This ratio should be more than 100 percent; This implies that if said requirement is met, financial institution would be able to survive from thirty days of stress scenario and this time would provide adequate time to institutions to undertake corrective actions to address liquidity problems.

This LCR requirement is based on a scenario that entails a combination of idiosyncratic and market wide shock that would result in;

- The run-off a proportion of retail funding, including current accounts , unrestricted and restricted Profit Sharing Investment Accounts(PSIA), and other accounts;
- A partial loss of unsecured wholesale funding capacity
- A partial loss of secured, short term financing with certain collateral and counterparties ;
- Additional contractual outflows that would arise from a downgrade in public credit rating of Islamic financial institutions up to and including three notches , including additional collateral posting requirements;
- Increases in market volatilities that impact the quality of collateral or potential future exposure of Shariah compliant hedging positions and thus require later collateral haircuts or additional collateral, or lead to other liquidity needs;
- Unscheduled draws on committed but unused credit and liquidity facilities that the Islamic financial institutions has provided to its clients ; and
- The potential need for Islamic financial institutions to buy back or honour contractual and non-contractual obligations for the purpose of mitigating reputational risk.

Islamic financial institutions are required to maintain the LCR at a level no lower than that required by the supervisory authority in both normal and financial stress time. However these institutions may if approved by relevant supervisory authorities use these HQLA during stress conditions to minimize the negative impacts of crisis and will again increase the stock of HQLA when situation becomes normal.

Net Stable Funding Ratio (NSFR)

NSFR is the ratio of Available Stable Funding (ASF) to Required Stable Funding (RSF) and this ratio should be greater than 100 percent.

ASF of an Islamic financial institution is composed of (i) Capital (ii) Unrestricted PSIA with a maturity equal to or greater than one year. (iii) liabilities or sukuk issued with effective or remaining maturities of one year or greater , and (4) that portion of " stable" non-maturity deposits and/or term deposits or unrestricted PSIA with maturities of less than one year that would be expected to stay with Islamic financial institutions for an extended period in an idiosyncratic stress event. RSF on the other hand is measured using supervisory assumptions about broad categories of the liquidity risk profile of a firm's assets and off-balance sheet exposures. However, under the current calibrations cash attracts 0 percent RSF factor; encumbered financing to retail customers and small businesses with less than a year maturity attracts an RSF factor of 85 percent.

NSFR has been developed to extend a sustainable maturity structure of assets and liabilities and ensures the funding of long terms assets with at least minimum amount of stable liabilities. The NSFR must cover conditions; (a) a significant decline in profitability or solvency resulting from credit, market or operational risk (b) a potential downgrade in financing, counterparty credit or deposit rating; and (c) a material event that calls into question the reputation or credit quality of the institution.

With particular respect to Pakistan, there is also a need to develop Shariah compliant Financier of Last Resort Facility and to develop the capacity of Takaful industry to provide Shariah compliant insurance of deposits. Luckily, regulatory authorities in Pakistan are cognizant of the significance of both of these parameters, Shariah Compliant Lender of Last Resort facility is under review process at the State Bank of Pakistan while for increasing the capacity of Takaful companies SECP has allowed conventional insurance companies to open their Shariah compliant windows recently. This will not only help in increasing the outreach of takaful industry but competition will also ring efficiency in this market.

This Guidance Note has specified timelines for supervisory authorities in line with time lines of international level; LCR needs to be introduced on Jan 1, 2015 with initial level of 60 percent with an increase of 10 percent annually till the requirement of 100 percent by 2019. However, NSFR needs to be implemented by January, 2018.

Sources:

http://www.ifsb.org/D52EAB25-F47B-4C5D-B6C8-014011288A62/FinalDownload/DownloadId-94CE4B4E28B2F444E880A21357AD9985/D52EAB25-F47B-4C5D-B6C8-014011288A62/docs/(ED)GN-6_Guidance%20Note%20on%20Quantitative%20Measures%20for%20Liquidity%20Risk%20Management%20(Final%20-%2031%20October%202014).pdf

Events and Developments at IBD

Developments

Acquisition of HSBC By Meezan Bank Limited
Meezan Bank was allowed to acquire HSBC Bank's operations and they have successfully acquired and converted the HSBC's conventional portfolio, both assets and liabilities, into Islamic.

Events

Special Session on Islamic Banking with Dr. Hussein Hamed Hassan
Held on October 29, 2014 at LRC Auditorium, SBP, Karachi.
Dr. Hussain Hamed Hassan is a globally well-known expert and scholar of Islamic finance and is considered as a pioneer of Islamic finance worldwide for his immense contribution. He has been representing numerous global Islamic financial institutions for a number of years. Taking the benefit of his visit to Pakistan, SBP in collaboration with DIBPL organized a special session on Islamic Banking with Dr. Hussein Hamed Hassan on October 29, 2014 at LRC – SBP wherein he shared his thoughts and experience of development in global Islamic financial industry. The session was presided by Mr. Saeed Ahmad, Deputy Governor (FM, IB & SIs) and was largely attended by senior SBP management, Shariah Advisors and representatives of different IBIs.

IRTI–SBP Joint Training Course on "Financing Small & Medium Enterprises–Islamic Perspective"
Held on 24 – 28 November 2014 at PC Hotel, Karachi.
A Five days joint training program under the theme "Financing Small & Medium Enterprises – Islamic Perspective" was conducted by Islamic Research and Training Institute (IRTI) – a member of the Islamic Development Bank Group (IDB), and State Bank of Pakistan (SBP) during November 24 – 28, 2014 at PC Hotel, Karachi. The course was attended by both international and local speakers and participants. Arranging such capacity building programs in collaboration with international institutions is in line with IBD's objective of improving and enhancing awareness of Islamic finance across the globe among different segments of society.

Knowledge Sharing Session on "Islamic Banking Opportunities in MENA Region" by IFC
Held on November 28, 2014 at PC Hotel, Karachi.
International Finance Corporation (IFC) conducted a study in Middle East and North Africa (MENA) region to better understand the demand and supply for Islamic banking products (asset & liability products and other banking services) in the SME sector. The results of the same were disseminated through a knowledge sharing session, arranged by SBP on November 28, 2014 at PC Hotel, Karachi. The session was chaired by Mr. Syed Samar Husnain, Executive Director (DFG) and was attended by SBP officials, Shariah Advisors, bankers and participants of IRTI – SBP Joint Training Course on "Financing SME – Islamic Perspective".

Launching Ceremony of Second Phase of Islamic Banking Media Campaign Held on December 30, 2014 at LRC Auditorium, SBP, Karachi.

The launching ceremony of second phase of Islamic Banking Media Campaign was held on December 30, 2014 at LRC, SBP. Mr. Saeed Ahmad, DG (FM, IB & SIs) 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. The second phase is focused more on the education, awareness and improving the understanding of the masses about Islamic banking & finance and its distinction from conventional banking.

Islamic Banking News and Views

News

Building bridges with sovereign Sukuk

Many African countries are now turning to the rapidly-growing Islamic banking sector to fund monumental infrastructure needs--most recently estimated by the Infrastructure Consortium for Africa as roughly $93 billion per annum across the continent. Sukuk, bonds adhering to the Islamic banking principles of risk-sharing, real asset financing and no interest, are becoming increasingly attractive to a number of sovereigns. "Sukuk instruments are a natural fit for the African market and hold great potential amid unprecedented funding needs for infrastructure building across the continent," Malaysia International Islamic Finance Centre (MIFC) said in a recent report, “Islamic finance drives new development in Africa”.

https://www.zawya.com/story/Building_bridges_with_sovereign_sukuk-ZAWYA20140929112758/

Islamic banking in Canada increases dramatically amid N. American financial crisis

After emerging largely unscathed from the financial crisis that hammered North American and European financial institutions, Islamic banking has momentum. Worth $1 trillion in assets, Islamic banking is being lauded by British Prime Minister David Cameron and supported by Canada’s Conservative government, major banks and credit unions, leading business schools and influential Muslims across the country. Islamic banking — which bans interest payments, pure monetary speculation and investing in such things as alcohol, gambling, pornographic media and pork — is being sold as the next big thing in financing for Canada, which is home to just over a million Muslims.

http://www.abna24.com/english/service/america/archive/2014/12/29/661333/story.html

Global sukuk issues to exceed US$150 billion in 2015

The rising interest in Islamic finance instruments will help drive global sukuk issuances to exceed US$150 billion in 2015 despite the uncertainty in the international market. International Islamic Financial Market (IIFM) chief executive officer Ijlal Ahmed Alvi said that the target was achievable based on the sukuk issues in the pipeline. “The upward trend next year will also be helped by expectations of sustained demand from existing Islamic financial institutions and the Islamic bond issuances from various countries. “In 2015 alone, we expect the global sukuk issuances to be more than US$30billion” he said.

http://www.thestar.com.my/Business/Business-News/2014/12/27/Global-sukuk-issues-to-reach-RM525bil-in-2015-Sukuk-for-project-financing-expected-to-be-healthy-nex/?style=biz

Fragmentation threatens Islamic banking's bright future

A recent report, "Islamic Banking: Growth, Efficiency and Stability", by the Dubai Center for Islamic Banking, identified key issues facing the region's banks and financial services industry. Although Islamic banks were largely untouched by the global financial crisis, continuing to grow at a rate of 22 per cent a year with assets projected to reach a value of over $4 trillion by 2020, the report raised concerns about both comparatively light regulation in the sector and fragmentation. It recommended more dynamic regulation and the creation of a new central bank as part of a programme of measures to safeguard the sector.

https://www.zawya.com/story/Report_Fragmentation_Threatens_Islamic_Bankings_Bright_Future-ZAWYA20141218140138/

Indonesia project sukuk plan sees fivefold rise: Islamic Finance

Indonesia is ramping up financing for new $439 billion development program, planning an almost fivefold increase in sales of project sukuk. The government is seeking to raise 7.14 trillion rupiah ($568 million) from notes that will fund particular construction ventures next year, compared with 1.5 trillion rupiah this year, Suminto, Islamic financing director at the debt management office, said in an interview. That will help finance its estimated spending of about 5,519 trillion rupiah from 2015 to 2019 to build roads, railways and power plants.

http://www.bloomberg.com/news/articles/2014-12-18/indonesia-project-sukuk-plan-sees-fivefold-rise-islamic-finance

Deloitte identifies Indonesia, Pakistan and Africa as key emerging Takaful markets

For the past several years, the global Takaful industry has been consistently framed using the same narrative direction: robust double-digit growth (18% compound annual growth rate during 2007-12), yet only accounting for a small fragment (1.1%) of the Islamic financial assets worldwide amid infrastructure challenges. Deloitte’s latest Takaful report, which focuses on growth, investment and regulation in key markets, corroborates these observations while concurrently highlighting immense potential in the Middle East, South Asia and Africa.

www.islamicfinancenews.com

IIFM launches collateralized murabaha standard

The Bahrain-based International Islamic Financial Market (IIFM) has launched a standard contract template for collateralized murabaha transactions, aiming to boost use of a sorely needed liquidity management tool for Islamic finance institutions. The standard will serve as an alternative to repurchase agreements, which are common money market tools used by conventional banks but are largely absent in Islamic finance. It is the sixth standard issued by the IIFM, a non-profit industry body which develops specifications for Islamic finance contracts.

http://www.brecorder.com/money-a-banking/198/1243143/

NBP to conduct due diligence of Burj Bank

The National Bank of Pakistan (NBP) has proposed to commence due diligence of Burj Bank ‘very shortly’ and to complete the task in a ‘brief time-frame,’ a press release by the bank. The NBP had first conveyed to the stock exchange its intent to conduct due diligence of Burj Bank which it marked as one of the country’s five full-fledged Islamic banks. Burj Bank is backed by strong investors from the Middle

East and Saudi Arabia, like ICD, Jeddah (the private sector investment arm of Islamic Development Bank).
http://www.dawn.com/news/1153959/nbp-to-conduct-due-diligence-of-burj-bank

Pakistan issues international sovereign Sukuk
After several delays, the much-anticipated Pakistani sovereign Sukuk issuance has finally been launched to much fanfare. Initially intended to be of US$500 million, the government decided to upscale the benchmark-sized program to US$1 billion to accommodate the immense demand for the international dollar-denominated paper; over US$2.3 billion in subscription was received, almost five times of the target amount. In addition to that, the move to double the size of the issuance was motivated by the country's hope to offset the failure of its plan to sell a 7.5% stake in Oil and Gas Development Company, a transaction which could have gained the government over US$800 million.
www.islamicfinancenews.com

Articles/Views:

Housing finance a low priority
The demand for housing finance is huge, but banks don't bother to exploit it as they are making enough money by investing in government debt papers and by lending in more comfortable areas. Islamic banks, however, are trying to do a little better. During April-June, fresh housing finance disbursement totaled Rs3.46bn. Islamic banks' share in it was about 65.3pc (Rs2.35bn), and the House Building Finance Company's (HBFC) was 15.6pc (Rs541m). And 27 conventional banks and a microfinance bank accounted for just 19pc of the total (Rs659m). However, this does not mean that the conventional banks' overall market share (based on the stock of housing finance) is as low as it looks.
http://www.dawn.com/news/1152297/housing-finance-a-low-priority

Islamic or un-Islamic, that is the question
Despite strong disagreements on the Islamic mode of financing, Islamic banking is one of the fastest growing industries in the world. According to one estimate, global Shariah-compliant assets are estimated at $1.4trn. Then why are the masses still skeptical about its authenticity? The simple answer is lack of awareness about what does and does not constitute an Islamic transaction. The terminology 'Islamic financial system' does not paint the true picture of what an Islamic financial system truly is as a whole. Undoubtedly, riba (interest) is prohibited in all forms, from receipt to payment. But there are other Islamic doctrines related to risk-sharing, individual rights and duties, property rights, maintaining promises, and keeping sanctity of contracts etc — that make the system Islamic, in essence.
http://www.dawn.com/news/1152294/islamic-or-un-islamic-that-is-the-question

Why you shouldn't fret over Islamic Banking
SBI Mutual Fund deferred its plan to introduce a Shariah-compliant equity fund, which was scheduled to be launched on December 1, as it faced opposition to the proposed structure of the scheme. In an article Sadanand Dhume described SBI's move and Islamic banking in general as a medium only to advance a "retrograde political agenda". This view needs an informed response. The goal of trade and enterprise in

Islamic finance is equitable generation of wealth and prosperity through acceptable business activities. Likewise, risk in trade and business is sought to be shared.
http://blogs.economictimes.indiatimes.com/et-commentary/why-you-shouldnt-fret-over-islamic-banking/

Annexure: I

Islamic Banking Branch Network

(As of December 31, 2014)

Type	Name of Bank	No. of Branches*	Windows
Islamic Banks	AlBaraka Bank (Pakistan) Limited	121	
	BankIslami Pakistan Limited	123	
	Burj Bank Limited	74	
	Dubai Islamic Bank Pakistan Limited	174	
	Meezan Bank Limited	416	
		908	
Islamic Branches of Conventional Banks	Allied Bank Limited	4	0
	Askari Bank Limited	53	0
	Bank AL Habib Limited	17	8
	Bank Alfalah Limited	156	0
	Faysal Bank Limited	58	0
	Habib Bank Limited	43	488
	Habib Metropolitan Bank Limited	10	202
	MCB Bank Limited	28	3
	National Bank of Pakistan	26	0
	Silkbank Limited	10	0
	Sindh Bank	5	2
	Soneri Bank Limited	15	0
	Standard Chartered Bank (Pakistan) Limited	10	106
	Summit Bank Limited	2	0
	The Bank of Khyber	54	39
	The Bank of Punjab	37	0
	United Bank Limited	24	81
		552	**929**
Sub Branches	AlBaraka Bank (Pakistan) Limited	14	
	Askari Bank Limited	1	
	BankIslami Pakistan Limited	95	
	Faysal Bank Limited	1	
	Habib Bank Limited	2	
	United Bank Limited	1	
		114	
		1574	**929**

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

Annexure: II

Province wise Break-up of Islamic Banking Branch Network

(As of December 30, 2014)

Type	Bank Name	Azad Kashmir	Balochistan	FATA	Federal Capital	Gilgit-Baltistan	Khyber Pakhtunkhwa	Punjab	Sindh	Grand Total
Islamic Banks	AlBaraka Bank (Pakistan) Limited	2	4		4	1	12	67	31	121
	BankIslami Pakistan Limited	1	10	1	6	2	13	48	42	123
	Burj Bank Limited	1	2		4		3	32	32	74
	Dubai Islamic Bank Pakistan Limited	1	5		8		9	73	78	174
	Meezan Bank Limited	5	15		20		33	200	143	416
	IB. Total	**10**	**36**	**1**	**42**	**3**	**70**	**420**	**326**	**908**
Islamic Branches of Conventional Banks	Allied Bank Limited							4		4
	Askari Bank Limited		2		5	1	6	27	12	53
	Bank AL Habib Limited		1				1	3	12	17
	Bank Alfalah Limited	1	5		8		8	94	40	156
	Faysal Bank Limited		2		3		16	25	12	58
	Habib Bank Limited	2	2	1	4		4	19	11	43
	Habib Metropolitan Bank Limited				1			3	6	10
	MCB Bank Limited		1		2		2	14	9	28
	National Bank of Pakistan	1			1		2	13	9	26
	Silkbank Limited		1		1		2	4	2	10
	Sindh Bank						1	3	1	5
	Soneri Bank Limited		1		2	1	1	6	4	15
	Standard Chartered Bank (Pakistan) Limited				1		1	2	6	10
	Summit Bank Limited							1	1	2
	The Bank of Khyber		3	2	2		35	9	3	54
	The Bank of Punjab				3		6	28		37
	United Bank Limited	1	2		1		4	8	8	24
	SAIBBs Total	**5**	**20**	**3**	**34**	**2**	**89**	**263**	**136**	**552**
Sub Branches	AlBaraka Bank (Pakistan) Limited				1			12	1	14
	Askari Bank Limited						1			1
	BankIslami Pakistan Limited	1	6		8		4	32	44	95
	Faysal Bank Limited							1		1
	Habib Bank Limited								2	2
	United Bank Limited						1			1
	Sub Branches Total	**1**	**6**	**-**	**9**	**-**	**6**	**45**	**47**	**114**
Grand Total		**16**	**62**	**4**	**85**	**5**	**165**	**728**	**509**	**1,574**

Annexure: III

District wise Break-up of Islamic Banking Branch Network

(As of December 30, 2014)

S. No	Province	District	No of Branches
1	Sindh	Badin	3
2		Dadu	4
3		Ghotki	1
4		Hyderabad	29
5		Jacobabad	1
6		Jamshoro	1
7		Karachi City	425
8		Larkana	4
9		Matiari	1
10		Mirpurkhas	6
11		Naushero Feroze	1
12		Nawabshah	6
13		Sanghar	6
14		Shahdadkot	2
15		Sukkur	11
16		Tando Allahyar	5
17		Tando Mohammad Khan	1
18		Umer Kot	2
Sindh Total			**509**
19	Punjab	Attock	13
20		Bahawalnagar	11
21		Bahawalpur	9
22		Chakwal	8
23		Dera Ghazi Khan	9
24		Faisalabad	65
25		Gujranwala	28
26		Gujrat	26
27		Hafizabad	2
28		Jhang	6
29		Jhelum	9
30		Kasur	8
31		Khanewal	14
32		Khushab	5
33		Lahore City	244
34		Layyah	1
35		Lodhran	3
36		Mandi Bahauddin	4
37		Mianwali	5
38		Multan	53
39		Muzaffargarh	5
40		Nankana Sahib	1
41		Okara	10
42		Pakpattan	4
43		Rahim Yar Khan	16
44		Rawalpindi	87
45		Sahiwal	12
46		Sargodha	20
47		Sheikhupura	13
48		Sialkot	24
49		Toba Tek Singh	5
50		Vehari	8
Punjab Total			**728**

S. No	Province	District	No of Branches
51	Khyber Pakhtunkhwa	Abottabad	14
52		Banu	4
53		Batagram	3
54		Buner	2
55		Charsadda	5
56		Chitral	3
57		Dera Ismail Khan	7
58		Hangu	2
59		Haripur	6
60		Kohat	6
61		Lower Dir	2
62		Malakand	1
63		Mansehra	12
64		Mardan	11
65		Nowshera	8
66		Peshawar	53
67		Shangla	1
68		Swabi	5
69		Swat	12
70		Tank	1
71		Upper Dir	7
KP Total			**165**
72	Gilgit-Baltistan	Baltistan	1
73		Diamir	3
74		Gilgit	1
	GB Total		**5**
75	**FATA**	Khyber Agency	1
76		Orakzai Agency	3
FATA Total			**4**
77	**Capital**	Islamabad	85
	Capital		**85**
78	Balochistan	Chagi	1
79		Gawadar	1
80		Kila Abdullah	5
81		Killa Saifullah	3
82		Lasbela	2
83		Loralai	6
84		Pishin	1
85		Quetta	40
86		Zhob	3
Balochistan Total			**62**
87	**Azad Kashmir**	Mirpur	11
88		Muzaffarabad	4
89		Poonch	1
AJK Total			**16**
Grand Total			**1574**