# ISLAMIC BANKING BULLETIN

**April - June 2021**

**Islamic Banking Department**
**State Bank of Pakistan**

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# Progress & Market Share of Islamic Banking Industry

## Overview

**Assets** of Islamic Banking Industry (IBI) expanded by Rs 408 billion during the quarter April to June, 2021 and stood at Rs 4,797 billion by end June, 2021. **Deposits** of IBI also witnessed a quarterly growth of Rs 365 billion and were recorded at Rs 3,822 billion. The Year on Year (YoY) growth of assets and deposits of IBI was recorded at 32.0 percent and 29.7 percent, respectively by end June 30, 2021. This has been the highest YoY growth in assets and deposits since June, 2015. Market share of Islamic banking assets and deposits in the overall banking industry stood at 17.0 percent and 18.7 percent, respectively (see **Table-1**). On profitability side, profit before tax of IBI was registered at Rs 42.6 billion by end June, 2021.

**Table-1: Industry Progress and Market Share** (Amount in Rs Billion)

| Particulars | Period | | | Yearly Growth (YoY) in % | | | Share in Overall Banking Industry (in %) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jun-20 | Mar-21 | Jun-21 | Jun-20 | Mar-21 | Jun-21 | Jun-20 | Mar-21 | Jun-21 |
| Assets | 3,633 | 4,389 | 4,797 | 21.4 | 30.6 | 32.0 | 15.3 | 17.0 | 17.0 |
| Deposits | 2,946 | 3,457 | 3,822 | 22.0 | 28.4 | 29.7 | 16.9 | 18.7 | 18.7 |
| Number of Islamic Banking Institutions | 22 | 22 | 22 | - | - | - | - | - | - |
| Number of Branches* | 3,274 | 3,504 | 3,583 | 12.4 | 7.8 | 9.4 | - | - | - |
| Number of Islamic Banking Windows | 1,394 | 1,595 | 1,562 | 3.4 | 16.0 | 12.1 | - | - | - |

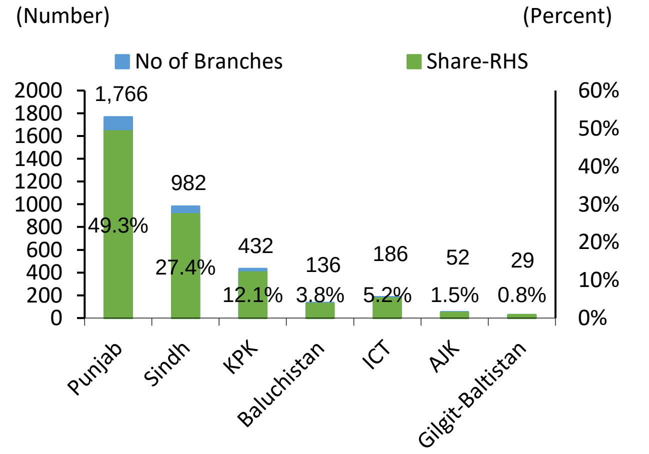
** including sub-branches*

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

## Branch Network of Islamic Banking Industry

The network of IBI consisted of 22 Islamic Banking Institutions (IBIs) including 5 full-fledged Islamic Banks (IBs) and 17 Conventional Banks having standalone Islamic Banking Branches (IBBs) by end June, 2021. During the quarter under review, 79 branches were added in branch network of IBI. As a result, the branch network of IBI increased to 3,583 branches (spread across 124 districts of the country) by end June, 2021. **Figure-1** shows that branch's network of IBI is mainly concentrated in Punjab, followed by Sindh and Khyber-Pakhtunkhwa (KP), respectively.

**Figure-1: Region Wise Branch Network**




Source:SBP

The number of Islamic banking windows (dedicated counters at conventional branches) operated by IBBs stood at 1,562 by end June, 2021 (see **Annexure I** for details).

## Asset and Liability Structure

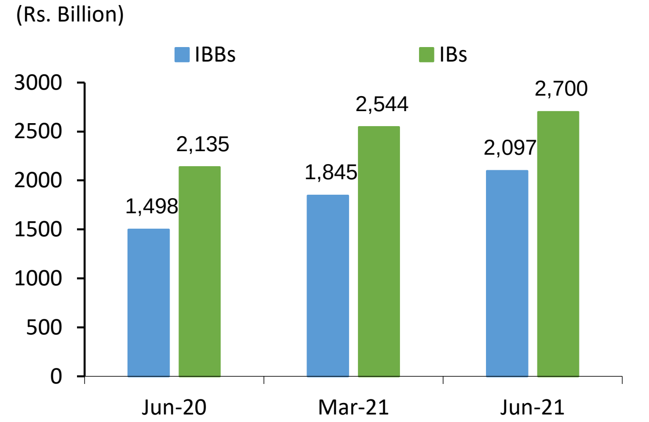
### Assets

Assets of IBI reported a healthy growth of Rs 408 billion during the quarter April to June, 2021 and increased to Rs 4,797 billion by end June, 2021 from Rs 4,389 billion in the previous quarter. The main reason behind this expansion was financing (net) of IBI, which observed a quarterly rise of Rs 165 billion during the period under review. On the other hand, investment (net) of IBI, exhibited a surge of Rs 17.6 billion. Market share of IBI's assets in overall banking industry's assets was recorded at 17.0 percent by end June, 2021. The share of net financing and investments in total assets (net) of IBI was recorded at 44.2 percent and 28.4 percent, respectively by end June, 2021 (see section below on **Investments** and **Financing** for details).

### Break-up of Assets of IBs and IBBs

Analysis of assets by breakup among IBs and IBBs divulges that IBs recorded a quarterly growth of Rs 156 billion to reach Rs 2,700 billion by end June, 2021 (see **Figure-2**). While, assets of IBBs reflected growth of Rs 252 billion and stood at Rs 2,097 billion by end June, 2021. The share of IBs and IBBs in overall assets of IBI was 56.3 percent and 43.7 percent respectively by end June, 2021.

**Figure-2: Breakup of Assets**

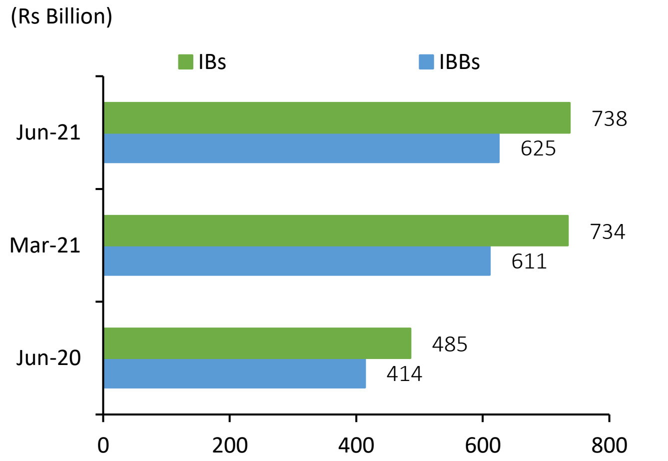



Source: SBP

### Investments

Investments (net) of IBI registered growth of Rs 17.6 billion during the period under review and were recorded at Rs 1,363 billion by end June, 2021. During the period under review, Government of Pakistan (GoP) issued one domestic Ijarah Sukuk amounting to Rs 28.9 billion (special re-opening of GIS VRR-22).

**Figure-3: Breakup of Investments**




Source: SBP

### Financing and Related Assets

During the period under review, financing & related Assets (net) of IBI crossed the two trillion-mark and augmented by Rs 165 billion to reach Rs 2,118 billion by end June, 2021. Breakup of financing among **IBs** and **IBBs** shows that financing & related assets (net) of IBs depicted a quarterly rise of Rs 55 billion and were recorded at Rs 1,119 billion. Likewise, financing & related Assets (net) of IBBs increased by Rs 110 billion to reach Rs 999 billion by end June, 2021.

**In terms of Mode wise breakup of financing (gross),** the share of Diminishing Musharakah (35.0 percent) remained highest in overall financing of IBI, followed by Musharakah (21.4 percent) and Murabaha (15.3 percent) (see **Table-2** for details).

| Table-2: Mode Wise Financing (Share in Percent) | | | |
|---|---|---|---|
| **Mode** | **Jun-20** | **Mar-21** | **Jun-21** |
| Murabaha | 13.4 | 13.5 | 15.3 |
| Ijarah | 5.1 | 4.9 | 4.8 |
| Musharakah | 21.2 | 24.8 | 21.4 |
| Diminishing Musharakah | 31.0 | 34.2 | 35.0 |
| Salam | 1.8 | 2.4 | 2.1 |
| Istisna | 10.5 | 8.9 | 7.6 |
| Others | 17.0 | 11.3 | 13.8 |
| Total | 100.0 | 100.0 | 100.0 |

Review of **Sector wise financing** shows that major portion of financing (net) of IBI was extended to Textile (13.9 percent) and Production & transmission of energy (13.6 percent) sectors. However, this is in line with overall banking industry's trend (see **Table-3**).

| Table-3: Sector Wise Financing (Share in Percent) | | | | |
|---|---|---|---|---|
| **Sector** | **Jun-20** | **Mar-21** | **Jun-21** | **Overall Banking Industry** |
| Chemical & Pharmaceuticals | 3.6 | 3.5 | 3.6 | 3.5 |
| Agribusiness | 8.2 | 7.5 | 11.3 | 8.9 |
| Textile | 14.2 | 14.8 | 13.9 | 14.7 |
| Cement | 3.8 | 3.4 | 3.2 | 2.1 |
| Sugar | 3.8 | 4.6 | 3.4 | 3.1 |
| Shoes and leather garments | 0.5 | 0.4 | 0.5 | 0.4 |
| Automobile & transportation equipment | 1.2 | 1.1 | 1.1 | 1.7 |
| Financial | 0.3 | 0.3 | 0.2 | 2.8 |
| Insurance | 0.0 | 0.0 | 0.0 | 0.1 |
| Electronics & electrical appliances | 0.9 | 0.9 | 1.0 | 1.3 |
| Production & transmission of energy | 14.7 | 13.8 | 13.6 | 14.6 |
| Individuals | 9.6 | 10.8 | 11.1 | 9.8 |
| Others | 39.2 | 38.9 | 37.1 | 37.0 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

**Client wise financing** remained concentrated in the corporate sector, having a share of 68.8 percent in overall financing of IBI, followed by commodity financing and consumer financing with a share of 15.2 percent and 10.6 percent, respectively. The share of SMEs and Agriculture financing in overall financing of IBI was recorded at 2.6 percent and 1.2 percent, respectively (see **Table-4).**

| Table-4: Client Wise Financing Portfolio (Share in Percent) | | | | |
|---|---|---|---|---|
| **Segment** | **Jun-20** | **Mar-21** | **Jun-21** | **Overall Banking Industry** |
| Corporate | 71.9 | 69.7 | 68.8 | 69.2 |
| SMEs | 3.1 | 3.0 | 2.6 | 4.6 |
| Agriculture | 0.3 | 0.3 | 1.2 | 4.0 |
| Consumer | 9.2 | 10.5 | 10.6 | 7.5 |
| Commodity | 14.3 | 14.9 | 15.2 | 10.7 |
| Staff | 1.1 | 1.2 | 1.2 | 1.9 |
| Others | 0.1 | 0.4 | 0.4 | 2.1 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

## Asset Quality

During the period under review, key assets quality indicators including non-performing finances (NPFs) to financing (gross) and net NPFs to net financing were registered at 3.3 percent and 0.5 percent, respectively by end June, 2021. These ratios were significantly better than those of overall banking industry averages (see **Table-5**).

**Table-5: Assets Quality Ratio (Share in Percent)**

| Ratio | Jun-20 | Mar-21 | Jun-21 | Overall Banking Industry |
|---|---|---|---|---|
| NPFs to Financing (gross) | 3.3 | 3.5 | 3.3 | 8.9 |
| Net NPFs to Net Financing | 0.7 | 0.6 | 0.5 | 1.1 |
| Provisions to NPFs | 78.1 | 82.2 | 84.5 | 88.9 |

## Liabilities

Deposits of IBI increased by Rs 365 billion during the quarter under review and were recorded at Rs 3,822 billion by end June, 2021 compared to Rs 3,457 billion in the previous quarter. Market share of IBI's deposits in overall banking deposits was registered at 18.7 percent by end June, 2021. The share of IBs and IBBs in overall deposits of IBI was 57.6 percent and 42.4 percent, respectively by end June, 2021.

**Breakup of deposits** depicts growth in all categories of deposits during the period under review. Current deposits observed a growth of Rs 170 billion, followed by saving deposits which increased by Rs 106 billion. Similarly, fixed deposits recorded a rise of Rs 8 billion during the period under review (see **Table-6**).

**Table-6: Break up of Deposits (Rs in Billion, Growth in Percent)**

| Category | Jun-20 | Mar-21 | Jun-21 | Yearly Growth (YoY) in % | Quarterly Growth in % |
|---|---|---|---|---|---|
| **A. Deposits (1+2)** | **2,946** | **3,457** | **3,822** | **29.7** | **10.6** |
| **1. Customers** | **2,730** | **3,205** | **3,494** | **27.9** | **9.0** |
| Fixed Deposits | 617 | 644 | 652 | 5.7 | 1.2 |
| Saving Deposits | 1,082 | 1,292 | 1,398 | 29.2 | 8.2 |
| Current Deposits | 990 | 1,225 | 1,395 | 40.9 | 13.9 |
| Others | 41 | 44 | 49 | 19.5 | 11.4 |
| | | | | | |
| **2. Financial Institutions** | **216** | **252** | **328** | **51.9** | **30.2** |
| Remunerative Deposits | 210 | 242 | 316 | 50.5 | 30.6 |
| Non-remunerative Deposits | 6 | 10 | 12 | 100.0 | 20.0 |
| | | | | | |
| **Local Currency Deposits** | 2,785 | 3,275 | 3,629 | 30.3 | 10.8 |
| **Foreign Currency Deposits** | 161 | 182 | 193 | 19.9 | 6.0 |

## Liquidity

Liquid assets to total assets and liquid assets to total deposits ratios were registered at 27.5 percent and 34.5 percent, respectively by end June, 2021. Financing to deposits ratio (FDR) of IBIs was recorded at 55.4 percent by end June, 2021 (see **Table-7**).

**Table-7: Liquidity Ratios (Share in Percent)**

| Ratios | Jun-20 | Mar-21 | Jun-21 | Overall Banking Industry |
|---|---|---|---|---|
| Liquid Assets to Total Assets | 22.2 | 27.8 | 27.5 | 57.1 |
| Liquid Assets to Deposits | 27.3 | 35.3 | 34.5 | 78.7 |
| Financing to Deposits (Net) | 57.6 | 56.5 | 55.4 | 43.1 |

## Capital

The ratios of 'capital to total assets' and 'capital minus net NPAs to total assets' of IBI stood at 6.0 percent and 5.7 percent, respectively by end June, 2021 (see **Table-8**).

**Table-8: Capital Ratios (Share in Percent)**

| Ratios | Jun-20 | Mar-21 | Jun-21 | Overall Banking Industry |
|---|---|---|---|---|
| Capital to Total Assets | 6.8 | 6.2 | 6.0 | 6.6 |
| (Capital - Net NPAs) to Total Assets | 6.3 | 5.9 | 5.7 | 6.2 |

## Profitability

Profit before tax of IBI was recorded at Rs 42.6 billion by end June, 2021 compared to Rs 49.0 billion in the same quarter last year. Earnings ratios like 'Return on Assets (ROA)' and 'Return on Equity (ROE)' (before tax) were recorded at 1.9 percent and 31.1 percent, respectively by end June, 2021. While, operating expense to gross income of IBI was slightly increased and recorded at 52.3 percent by end June, 2021 compared to 51.5 percent in the previous quarter (see **Table-9**).

**Table-9: Profitability Ratios (in Percent)**

| | Jun-20 | Mar-21 | Jun-21 | Overall Banking Industry |
|---|---|---|---|---|
| Profit before tax (Rs billion) | 49.0 | 21.3 | 42.6 | 217.5 |
| ROA before tax | 2.9 | 2.0 | 1.9 | 1.6 |
| ROE before tax | 42.2 | 31.9 | 31.1 | 23.5 |
| Operating Expense to Gross Income | 44.9 | 51.5 | 52.3 | 53.4 |

## Country Model: The Republic of Turkey

### i. Introduction

Turkey, a country with a geopolitically strategic location, bridges Europe and Asia. Its economy is classified among the emerging and growth leading economies and is considered the eleventh largest in the world by Purchasing Power Parity. Turkey's economy is largely free-market economy mainly driven by its service and industry sectors, which collectively account for above 90 percent of the total GDP.

### ii. Islamic Banking and Finance

The history of Islamic Finance in Turkey can be traced back to 1983, when Special Finance Houses were established as the first institution of Islamic finance. Albaraka Turk was the first Special Finance House established in 1984 followed by Faisal Finans. After the enactment of Banking Law of 2005, the Special Finance Houses achieved the status of a bank and were transformed into participation banks in terms of law no. 5411. In Turkey, participation banks is a term used to refer to Islamic banks. According to Banking Regulation and Supervision Agency (BRSA), there are four types of banks operating in Turkey; deposits banks, development and investment banks, participation banks and banks under the management of the Saving Deposit Insurance Fund.

Currently, there are 53 banks in Turkey, out of which 6 are full-fledged participation banks. As of December 31, 2020, there were 1,250 participation banking branches operating in Turkey. With the government's support, the participation banking sector registered rapid growth and reached market share of 7.1 percent in October 2020 from 6.3 percent market share in 2019, while share in total Global Islamic Banking Assets stood at 2.6 percent as of 3Q19. The sector's CAGR of assets was recorded at 24.0 percent during the period 2015-2019. In 2020, the participation banks recorded a 54 percent growth that outpaced the conventional banking sector. In order to promote participation banking in Turkey, Participation Banks Association of Turkey has issued a detailed Participation Banking Strategy Document (2015-2025) which was followed by Participation Banking Strategy Update Report (2021-2025). It is based on six strategies and the objective of achieving 15 percent share of participation banking assets in overall banking industry assets by 2025.

### iii. Regulatory Environment

Participation banking regulations and supervision in Turkey fall under the purview of the BRSA and are governed through the Banking Law. Although there is no dedicated legislation for participation banking, the law takes Shariah compliance into account when it comes to Islamic transactions. In 2013, the government allowed for lease certificate to be structured under various Islamic concepts and in 2015, a dedicated Islamic finance coordination committee was set up to focus on the development of the industry. In 2018, the BRSA published revised regulations for the financing, leasing, selling and partnership methods of participation banks. In 2019, BRSA amended Article 77 of the Banking Law to permit the development and investment banks to provide financing based on interest-free financial products. In early 2021, two dedicated participation finance units have been launched; a Participation Banking Division within the Central Bank of the Republic of Turkey, and a Participation Finance Department within the Finance Office of the Turkish Presidency.

On capital market front, Sukuk regulations in Turkey were first introduced in 2010 by Capital Markets Board (CMB). In 2012, Capital Market Law No. 6362 was implemented which focuses on private lease certificates and asset-leasing companies.

### iv. Sukuk

Turkey is a frequent issuer of Sukuk. In 2010, the first Sukuk facility was issued by Kuveyt Turk Katilim Bankasi, which raised USD 100 million in lease certificates. In 2011, transactions for Sukuk issuance were allowed to be exempt from taxes and fees such as stamp tax, income tax and notary fees, etc. The Turkish government made its sovereign Sukuk debut in 2012, raising USD 1.5 billion. In 2016, the Ministry of Treasury and Finance (MTF) issued first long term (5-years) maturity Sukuk. As at the end of 2020, Sukuk issuances by the Ministry of Treasury and Finance reached USD 8.89 billion, while Sukuk offerings by participation banks amounted to USD 5.1 billion. Turkey also ranked 2nd in private sector Sukuk issuance in 2019. In recent years, some significant steps have been taken to promote Turkish Sukuk market to attract international issuers, and in 2016 Sukuk issued by Islamic Development Bank (IsDB) was listed in Borsa Istanbul.

### v. Asset management

Currently, there are three fully-fledged Islamic asset managers in Turkey. Conventional asset managers are also permitted to offer Islamic products on a window basis.

### vi. Way forward

The future outlook of participation banking in Turkey is optimistic owing to majority Muslim population and their government's ambition to support participation banking. Experts and industry players are optimistic about the participation finance industry growth. Moody's Investors Service expects Turkish Islamic banking assets to double over the next five years. Further, effective implementation of Participation Banking Strategy will also accelerate the growth of participation banking in Turkey.

**Sources of Information**


- Islamic Finance News {https://www.islamicfinancenews.com}
- Website Central Bank of Republic of Turkey {CBRT (tcmb.gov.tr)}
- Turkish Participation Banking Strategy Document 2015-2025 {TKBB | Turkish Participation Banks Association}
- Participation Banking Strategy Update Report (2021-25) {EY TKBB Participation Banking Strategy Update}
- The World Bank {https://www.worldbank.org/}
- International Monetary Fund {https://www.imf.org/external/index.htm}
- Global Islamic Finance Report {http://www.gifr.net/gifr}
- Central Intelligence Agency the Fact Book {https://www.cia.gov/the-world-factook/}
- International Islamic Financial Market {http://www.iifm.net}

## AAOIFI Shari'ah Standard No. 49 on 'Unilateral and Bilateral Promise'

State Bank of Pakistan (SBP), vide IBD Circular No.03 of 2020, has adopted AAOIFI Shar'iah Standard No.49 'Unilateral and Bilateral Promise'. The same is being discussed below along with the amendments recommended by the Shari'ah Advisory Committee of the SBP.

### 1. Scope of the Standard

This Standard covers promises (unilateral and bilateral) given by certain parties for the purpose of concluding a contract or effecting a disposal, and explains when such instruments are binding and when they are not, the jurisprudential rules that govern them, and the most important contemporary applications of each type in the activities of Islamic financial institutions.

### 2. Definitions of Unilateral and Bilateral Promises

**2/1.** For the purpose of this Standard, a unilateral promise is given when a party informs another of its resolute intention (undertaking) to act in the future in the interest of the other, with the other having the option to avail itself of the promise. The party undertaking the promise is called the 'promisor'; the party receiving the promise is called the 'promisee' (the beneficiary of the promise) and the action is called the 'promised action'.

**2/2.** Bilateral promise in this Standard refers to the exchange of two back-to-back promises between two parties, each promising to perform an act in the future relating to the same subject matter.

### 3. Types of Promises and the Shari'ah Rules Applicable to Them

**3/1.** Promising to perform an act that is impermissible by the Shari'ah is prohibited, and fulfilling such a promise is also prohibited. Examples of such promises are those intended to be a ruse to circumvent the prohibition of interest-bearing (Riba) transactions.

**3/2.** Any promise in a loan contract that procures benefit for the lender, over and above the repayment of the debt, is prohibited by the Shari'ah even if the promise is granted in a document separate from the loan contract.

**3/3.** Any promise in a sale contract made by the buyer or the seller that results in a repurchase contract ('Inah) is prohibited by the Shari'ah, whether the promise is part of the sale contract or is given prior or subsequent to it, such as purchasing an item on credit and promising to sell it back on spot for a lower price or selling an item on credit and promising to buy it back on spot for a lower price (reverse 'Inah). The same prohibition applies if the parties collude with a third party to act as an intermediary in the repurchase.

**3/4.** It is permissible to promise to perform an action or a financial transaction and it is then a religious obligation to fulfill it, meaning that breaking a promise without an excuse is a sin. However, a promise is not legally binding except when there is a real need for it to be enforced, such as when the promisor causes the promisee to incur a liability as a result of the promise. For example, if a person instructs a merchant to purchase a specific item and then resolutely promises the merchant that he will buy this item from him. If the merchant purchases the item solely in reliance on the promise, the promisor is legally bound to purchase the item from him, failing which the promisor is required to indemnify the promisee (merchant/seller) for any actual loss suffered such that if the merchant is unable to sell the item for a price that covers the cost of the item, the promisor is required to make up the difference between the cost of the item and the price obtained by the merchant for it. Actual loss does not include opportunity cost.

**3/5.** A legally binding promise, as explained in item 3/4 above, is enforceable only against the promisor and is not enforceable against the promisee who has the option either to demand performance from the promisor or to waive it.

**3/6.** Fulfilling a benevolent promise (such as a promise to make a gift or lend an item) is a religious obligation but is not binding legally, except if the promise is conditional upon the promisee performing an action that causes the promisee to incur a liability, in which case it is legally binding. For example, if the promisor says to the promisee: "If you buy this item from me, I will give you a gift of another specified item", fulfilling such a promise is a religious obligation and is legally binding.

**3/7.** It is permissible for a party to promise to enter into a commutative contract in the future and for the promisee to promise the first party to enter into a separate commutative contract with a different subject matter from that of the first promise. For example, the first party says, "I promise to sell you this item", and the other party says, "I promise to lease to you such and such property", neither of the two promises is legally binding except if a promisor causes a promisee to incur a liability, in which case such promise is binding. [see item 3/5].

**3/8.** When a promise is made to enter into a contract in the future, such contract is not effected automatically. The contract must be entered into at the relevant time by the exchange of offer and acceptance. Where the promise is legally binding, if the offer is made by the promisee, the promisor is bound religiously and legally to accept it. And if the offer is made by the promisor, the promisee has the option to accept or reject it.

**4. Types of Bilateral Promise and the Rules Applicable to Them**

**4/1.** A bilateral promise to perform an act that is prohibited by the Shari'ah is itself prohibited such as a bilateral promise to enter into one or more contracts with the intention to circumvent the prohibition of interest (Riba); e.g., a bilateral promise to enter into a sale and repurchase ('Inah) contract and a bilateral promise to enter into a sale and a loan.

**4/2.** Fulfilling a bilateral promise to perform an act that is permitted but not binding under the Shari'ah is a religious obligation on both parties but is not legally binding except in situations where an actual commercial transaction is not possible without a binding bilateral promise owing either to legal requirements or to general commercial custom, and the objective is not merely to provide financing, such as:

**4/2/1.** Bilateral promises in international trade conducted by means of documentary credits.

**4/2/2.** Bilateral promises in supply agreements.

**4/3.** The binding bilateral promises referred to in item 4/2 are not future contracts, which means that the promised contract is not effected automatically upon the promised date. The contract must be entered into at the relevant time by exchanging notices of offer and acceptance. Since the bilateral promise is binding on both parties, if any party makes an offer, the other party is religiously and legally bound by it. If one party defaults in fulfilling the promise, the other party can obtain a court injunction requiring them to conclude the contract. If it is not possible to conclude the contract and the promisee needs to mitigate his loss by concluding the same contract with a third party but is not able to recover his cost by means of such contract, the defaulting party is liable to indemnify him for actual loss suffered (not to include opportunity cost) if the price obtained under the new contract (with the third party) is lower than price promised by the defaulting party.

**4/4.** It is permissible for the two parties to enter into a master agreement for future transactions where each party has the option whether or not to enter into the future transaction. If the parties enter into a transaction, then the terms and conditions agreed in the general framework (master agreement) apply. An agreement containing a general framework (a master agreement) is a bilateral promise that does not bind any of the parties to enter into those transactions. For example, an institution and a client wishing to enter into Murabahah transactions can agree on a general framework which explains the transaction process and the terms and conditions. A general framework (a master agreement) is not considered to be a concluded transaction and the client is not required upon signing the framework to enter into a Murabahah contract. Rather, each party has an option. When the parties enter into the Murabahah contract by exchanging notices of offer and acceptance, the contract becomes subject to all the terms and conditions agreed upon in the general framework (master agreement) which are expressly reconfirmed and incorporated in every contract. [see Shari'ah Standard No. (37) on Credit Agreement].

**5. Permissible Applications of Promises and Bilateral Promises**

**5/1.** The promise given by the client in the Murabahah transactions conducted by institutions is legally binding by virtue of item 3/5 of this Standard. [see Shari'ah Standard No. (8) on Murabahah].

**5/2.** The promise given by the institution in Ijarah Muntahia Bittamleek transactions to grant the leased asset to the lessee as a gift conditional on that he pays all the lease installments is legally binding as in item 3/6 of this Standard. [see Shari'ah Standard (9) on Ijarah Muntahia Bittamleek].

The promise given by the institution in Diminishing Musharakah transactions that it will lease its share of the asset to the other co-owner is legally binding and the promise given by the client that he will buy units of the institution's share at stipulated intervals are legally binding by virtue of item 3/5 of this Standard. [see para 5 of Shari'ah Standard No. (12) on Sharikah (Musharakah) and Modern Corporations].

**6. Impermissible Applications**

It is impermissible to enter into back-to-back bilateral promises for the purpose of circumventing the prohibition by Shari'ah of certain transactions, such as back-to-back derivatives as in items 3/1 and 3/7 of this Standard. [see para 5 of Shari'ah Standard No. (20) on Sale of Commodities in Organized Markets].

**7. Date of Issuance of the Standard**

This Standard was issued on 21 Safar 1434 A.H., corresponding to 4 January 2013 A.D.

**Adoption of the Standard in Pakistan**

For adoption of the Standard in Pakistan, following amendments have been made on the advice of the Shari'ah Advisory Committee, State Bank of Pakistan:

| Clause No. | Clarifications/Amendments |
|---|---|
| **1** | The following is added as footnote to the clause:<br>The text "or effecting a disposal" may be read as "or taking an action later-on". |
| **2/1** | The following is added as footnote to the clause:<br>The text " with the other having the option to avail itself of the promise" may be read as "with the other having an option to exercise the promise". |
| **2/2** | The following is added as footnote to the clause:<br>The text 'two back-to-back promises' may be read as 'two promises'.<br>The term 'and time' shall be added at the end of the clause. |
| **3** | The following is added as footnote to the clause:<br>The heading may be read as 'Types of Promises and their General Rules'. |
| **3/1** | The following is added as footnote to the clause:<br>This clause may be read as follows: "It is impermissible to promise an act prohibited by Shariah and fulfilling it is also prohibited, and the promisor is bound to break such promise, which includes such a promise that is intended to be a ruse to circumvent the prohibition of interest bearing (Riba) transactions." |
| **3/2** | The following is added as footnote to the clause:<br>The term 'Qard' shall be added with the term 'loan'.<br>The term 'debt' may be read as 'loan'.<br>The text 'even if the promise is granted in a document separate from the loan contract' shall be replaced with the text 'even if the promise is granted separate from the loan contract.' Accordingly, the clause may be read as follows: "Any promise in a loan (Qard) contract that procures benefit for the lender, over and above the repayment of the loan (Qard), is prohibited by the Shariah even if the promise is granted separate from the loan contract." |
| **3/4** | The following is added as footnote to the clause:<br>The clause may be read as "It is religious/moral obligation to fulfill a promise made to perform an action or a financial transaction permissible in the Shariah; meaning that breaking a promise without an excuse is a sin. However, a promise is not legally binding except in case of not fulfilling the promise results in a loss to the promisee then it is compulsory on the promisor to compensate the promisee legally as well. For example, if a person says to a merchant that you purchase a specific item for yourself and I promise you that I will then buy it from you. The merchant purchases the item solely in reliance on the promise and afterwards the promisor doesn't fulfill his promise, then it is legally binding on him to compensate the actual loss incurred by the trader/promisee; if the merchant is unable to sell the item for a price that covers the cost of the item, the promisor is required to bear the difference between the cost of the item and the selling price obtained by the merchant for it. Actual loss does not include opportunity cost."<br>The clause shall be read with Clause 3/6 of Shariah standard 49. |
| **3/6** | The following is added as footnote to the clause:<br>a. The text 'moral' shall be added in front of the term 'religious'.<br>b. The text 'except in case of a valid excuse' is added after the text 'Fulfilling a benevolent promise (such as a promise to make a gift or lend an item) is a religious/moral obligation'. |

| | |
|---|---|
| | c. The text 'the promisee performing' being redundant in relation to the sentence is deleted. Accordingly, the clause may be read as "Fulfilling a benevolent promise (such as a promise to make a gift or lend an item) is a religious /moral obligation, except in case of a valid excuse, but is not binding legally, except if the promise is conditional upon an action that causes the promisee to incur a liability, in which case it is legally binding. For example, if the promisor says to the promisee: "If you buy this item from me, I will give you a gift of another specified item", fulfilling such a promise is a religious/moral obligation and is legally binding." |
| **3/7** | The following is added as footnote to the clause:<br>There is a referencing error, the text should be read as 'see item 3/4' instead of 'see item 3/5'". |
| **4/3** | The following is added as footnote to the clause:<br>The last sentence of this clause shall be applicable after explicit approval of Shariah Board of respective bank. The rationale of the same shall also be documented. |
| **5** | The following is added as footnote to the clause:<br>The heading shall be read as 'Permissible Applications of Unilateral and Bilateral Promises'. |
| **5/1** | The following is added as footnote to the clause:<br>There is a referencing error, the text should be read as 'item 3/4' instead of 'item 3/5'. |
| **5/2** | The following is added as footnote to the clause:<br>The clause shall be divided into two clauses to reflect the sequence of the Arabic version of the Shariah Standard. The sequence will be as follows containing two clauses:<br>Clause 5/2: The promise given by the institution in Ijarah Muntahia Bittamleek transactions to grant the leased asset to the lessee as a gift conditional on that he pays all the lease installments is legally binding as in item 3/6 of this Standard. [see Shari'ah Standard (9) on Ijarah Muntahia Bittamleek].<br>Clause 5/3: The promise given by the institution in Diminishing Musharakah transactions that it will lease its share of the asset to the other co-owner is legally binding and the promise given by the client that he will buy units of the institution's share at stipulated intervals are legally binding by virtue of item 3/5 of this Standard. [see para 5 of Shari'ah Standard No. (12) on Sharikah (Musharakah) and Modern Corporations]. |

As per practice, these amendments are issued by SBP as footnotes of the standard.

**Source:**

1. AAOIFI website
2. IBD Circular No. 03 of 2020

## Events and Developments at Islamic Banking Department (IBD) – State Bank of Pakistan (SBP)

### A. Events

**Training Programs on "Fundamentals of Islamic Banking Operations (FIBO)"**

IBD in collaboration with National Institute of Banking and Finance (NIBAF) conducted three (03) online iterations of 'Fundamentals of Islamic Banking (FIBO)' program in different cities across the country. These programs were aimed to enhance the capacity of the industry professionals, Shari'ah scholars, and academia, etc. The sessions were organized in Lahore during April 05-09, 2021, in Multan during May 24-28, 2021 and in Islamabad during June 14-18, 2021.

**Capacity Building Programs on "Islamic Banking Branch Operations (IBBO)"**

Keeping in view the eagerness of the industry, short-duration capacity building program named 'Islamic Banking Branch Operation (IBBO)' was launched for second-tier cities across the country. This program is especially designed for upscaling capacity levels of Islamic banking branch staff. During the quarter, IBD conducted three (03) online iterations of IBBO program. These programs were conducted in Gujranwala during May 19-21, 2021, in Sialkot during June 07-09, 2021 and in Rawalpindi during June 21-23, 2021.

**Awareness Sessions for Chambers/Traders, Academia and Shari'ah Scholars**

IBD, in collaboration with NIBAF, organized three (03) online one-day awareness sessions for chambers/traders, academia and Shari'ah scholars. These sessions were organized in Bahawalpur, Multan and Sialkot on June 10, 2021, June 24, 2021 and June 28, 2021, respectively. The sessions were deemed successful in enhancing awareness level of the participants about Islamic banking.

**Customized Training Programs for Shari'ah Scholars**

To upgrade the capacity levels of Shari'ah scholars serving the industry, SBP in collaboration with NIBAF held two iteration of focused capacity building programs for Shariah scholars of the industry on; i) Islamic Fintech & Islamic Digital Finance, and ii) Pool Management Practices. These sessions were organized during April 01-02, 2021 and May 31-June 01, 2021.

### B. Developments

**Instructions to Improve Shari'ah Non-Compliance Risk (SNCR) Management**

The increasing size of the industry, nature of its operations and diversified portfolio of products & services necessitate that Islamic Banking Institutions (IBIs) should broaden their focus on management of Shari'ah Non-Compliance Risk (SNCR). For this purpose, SBP has issued a set of exclusive instructions on SNCR management vide IBD Circular No. 01 of 2021. SBP has emphasized that SNCR shall be an essential element of an IBI's overall risk management framework and has outlined specific instructions in the circular for compliance by IBIs. IBIs have advised to align their existing risk management framework with these instructions by September 30, 2021.

## Islamic Banking News and Views

### I. Local Industry News

**BankIslami join hands with Pirani Group for Bike Financing**

BankIslami Pakistan Limited (BIPL) has joined hands with Pirani Group of Companies (manufacturer of Super Power Bikes) for its new consumer product of Bike Financing to their Corporate, Commercial, and SME customer's employees under Employees Banking Services. Bike Financing is a Shariah-compliant financing facility through which one can own its own dream bike on easy and affordable monthly payments in a Riba freeway.
https://www.thenews.com.pk/

**Government takes major step towards promoting Islamic Banking**

The cabinet on June 22, 2021, approved the issuance of Islamic Sukuk to promote Islamic banking system (IB) in the country. The Finance Ministry, in a summary, has stated that to support the government's budgetary position and promote Islamic banking industry in the country, the Finance Division intends to take forward its domestic and international Ijarah Sukuk programs. The continuity in issuance of domestic Sukuk will also enable the government to meet its target of having 10 percent Shariah-compliant instruments in domestic securities by the end of fiscal year 2023.
https://www.brecorder.com/

**SBP Governor Reza Baqir appointed IFSB chairman**

The Governor State Bank of Pakistan (SBP), Dr Reza Baqir, has been appointed as the Chairman of the General Assembly of Islamic Financial Services Board (IFSB) for the year 2022. Governor SBP resolved that IFSB would continue to serve as one of the leading standard-setting bodies in Islamic finance at the global level. Dr. Reza Baqir, is currently serving as the Deputy Chairman of the Council of IFSB, a senior executive and policy-making body comprising heads of the regulatory and supervisory authorities on Islamic finance.
https://dailytimes.com.pk/

**PSX proposes tax amendment**

The Pakistan Stock Exchange (PSX) has sent a proposal to the Federal Board of Revenue for consideration in the budget of FY 2021-22 to eliminate or reduce the capital gains tax on the disposal of Shariah compliant securities to encourage new listings of companies on the ex-change. The move is expected to help promote and develop the Islamic capital market and encourage mobilizing resources toward faith-based investor savings.
https://www.islamicfinancenews.com/

**Developments in the Pakistani Islamic capital market**

Lately, there has been a greater focus on regulatory enablement; combined market knowledge and insights from academia for innovation; development of the pool of talent; and Islamic fintech and regtech. A number of measures have so far been taken for the development of the Islamic non-banking financial sector, the corporate sector and the capital market. The Islamic Finance Department (IFD) of SECP is conducting research for a regulatory framework enabling green Sukuk issuance. The potential for issuing Sukuk at the micro level through fintech is being explored. The IFD

is also in the process of introducing a Shariah audit qualification for external Shariah auditors under the Shariah Governance Regulations, 2018.
https://www.islamicfinancenews.com/

**SECP issues revised Prudential Regulations for Modarabas**
The Securities and Exchange Commission of Pakistan (SECP) has issued a revised version of the Prudential Regulations (PRs) for Modarabas after due consultation with the entire stakeholders including the NBFIs and Modaraba Association of Pakistan. The revised PRs are intended to reflect the rapid and extensive changes in the business of Modarabas. At present, around 26 Modarabas are operating in Pakistan’s financial market as non-banking Islamic financial institutions. All Modarabas are listed on the Pakistan Stock Exchange with combined shareholders of approximately 80,000 who receive Shariah compliant profits every year.
https://www.islamicfinancenews.com/

**Pakistan unveils new guidelines for green Sukuk and bonds**
Leveraging on the growing trend, the Securities and Exchange Commission of Pakistan (SECP) launched a new set of guidelines for the country’s corporate sector to issue green Sukuk and conventional bonds. The new guideline aims to allow issuers to diversify their source of financing while proceeds from the issuances will be channeled toward the financing or refinancing of projects related to renewable and sustainable energy, energy efficiency, pollution prevention and control, biodiversity conservation, water management and green buildings, among others.
https://www.islamicfinancenews.com/

## II. International Industry News

**Rapid Islamic banking growth deepens Oman’s sovereign Sukuk market - Moody's**
The rapid expansion of Islamic banking assets in Oman will continue to deepen the market for domestic government Sukuk, Moody’s Investors Service has said. The share of Islamic assets in Oman’s total domestic banking assets increased to 14.6 percent in February 2021 from 13.9 percent a year earlier, and nearly double the 7.5 percent level in 2015. Rapid expansion in Islamic banking assets, Moody’s said, has been a driving force behind growth in domestic demand for Sharia compliant securities, including government Sukuk, which has allowed the sovereign to diversify its domestic funding base.
https://salaamgateway.com/

**Bangko Sentral ng Pilipinas (BSP) commits on Islamic banking development**
During a virtual conference, BSP Deputy Governor Chuchi Fonacier said that the central bank recognizes its important role of developing Islamic finance and financial inclusion. In particular, Fonacier said, shortly after Republic Act 11439, or the “Islamic Banking Law” took effect in September 2019, the Bangko Sentral issued the preliminary implementing regulations consisting of Circular 1069 on the Guidelines on the Establishment of Islamic Banks and Islamic Banking Units, and Circular 1070 on the Shariah Governance Framework. With the said guidelines, as well as the Bureau of Internal Revenue’s revenue regulation implementing the general principle of tax neutrality provision of the law, Fonacier said the Philippines has become an attractive venue for Islamic banking and finance.
https://www.manilatimes.net/

**Bahrain's Sizable Islamic Banking Sector has Scope for Growth**

The market share of Islamic banks (including Islamic windows) in Bahrain is expected to increase in 2021-2022, after reaching 37.1% of domestic banking system assets and 17.2% of total banking system assets (including foreign assets) at end 2020, Fitch Ratings says. The increase will be driven by bank mergers and acquisitions, continued Islamic financing growth amid a recovering economic environment, rising public awareness of Islamic products, and greater use of fintech solutions.
https://www.fitchratings.com/

**COVID-19 a catalyst for development of Islamic finance markets: Expert**

The COVID-19 pandemic should be a catalyst for much needed progress in the development of Islamic financial markets globally. At the peak of the pandemic, the International Islamic Liquidity Management Corporation (IILM) increased its Sukuk program size to $4bn and raised the total volume of its monthly issuances. It also adjusted some tenors to fit the investors' needs for liquid instruments, said an expert.
https://thepeninsulaqatar.com/

**New effort seeks to boost Islamic finance for sustainable development**

The United Nations and Islamic Development Bank launched an initiative on May 11, 2021, aimed at accelerating the use of Islamic finance to tackle the COVID-19 pandemic response, address poverty, and support sustainable development. The intent is to produce a report on leveraging Islamic social finance to achieve the Sustainable Development Goals, develop an e-learning and knowledge platform on the subject, and create a road map for better mobilizing and using Islamic finance for the COVID-19 response and other sustainable development priorities.
https://www.devex.com/

**Alizz Islamic Bank launches Oman's first fintech solution for instant goods financing**

Alizz Islamic Bank and IFIN (first Islamic fintech of its kind) have partnered to launch the first instant 'Goods Financing' product. The bank has inaugurated this instant finance solution with Danube Home's Al Khuwair Branch as the first outlet to welcome Alizz Islamic Bank customers able to avail instant finance on their furniture right at the store.
https://www.zawya.com/

**Islamic Development Bank's private sector arm taps blockchain and artificial intelligence**

The IsDB's Islamic Corporation for the Development of the Private Sector (ICD) has, along with two software development companies, formed a consortium to develop a new financial literacy platform powered by blockchain and artificial intelligence. The platform will also feature a crowdfunding lab based on blockchain technology. The platform is targeted at youths, but will be available to everyone, including SME owners and entrepreneurs.
https://www.islamicfinancenews.com/

## III. Articles & Views

**Could Pakistan pioneer gender Sukuk?**

The Pakistani regulator has paved the way for Gender Sukuk with new guidelines to encourage the issuance of bonds—Islamic and conventional—designed to empower women and drive financial

inclusion. The Issuance of Gender Bonds guidelines, issued by the Securities and Exchange Commission of Pakistan pursuant to Section 172 of the 2015 Securities Act, are a measure to support bonds and Sukuk issuers to diversify their sources of funding as well as to enhance capital market vibrancy with a new investment asset class. Naturally, proceeds raised from the instruments must finance projects related to women's economic empowerment, gender equality, reduced time poverty of women, projects that target narrowing gender disparities and promoting empowerment of women and girls.
https://www.islamicfinancenews.com/

**Islamic finance in the UK**
A significant development in the UK Islamic finance space is the announcement by the Bank of England with regard to the development of an alternative liquidity facility. The UK has issued its second sovereign Sukuk (Islamic bond) in 2021. It is reported by Insurance Business UK that the UK market now has up to 10 commercial insurers offering Shariah-compliant products, ranging from political risk insurance to risk-sharing mechanisms in UK infrastructure projects backed by Islamic finance. As the UK is now home to more than 27 Islamic fintechs, London has therefore enhanced its unique position as a finance and technology hub which is suitably placed to capitalise on the domestic and global demand for Islamic finance.
https://www.lexology.com/

**Is Nigeria's Islamic banking system ready for the fintech era?**
Digitalization picked up pace during the pandemic, new products, services, new customer behaviors, and innovative business ideas have emerged worldwide, and thus new business processes. The finance framework called "Islamic fintech" in the literature can shortly be defined as an adjustment of financial, technological developments to Islamic finance and ethical finance. Islamic banks in Nigeria have a key role in leveraging technology to close the gap in financial inclusion. It is noteworthy that Non-Interest banks like Jaiz have been supporting Islamic Fintech challenge competitions in the country, to foster innovation and provide the platform for generating solutions that can be integrated into the Islamic Finance industry.
https://www.proshareng.com/

**Why Sukuk issuance is likely to drive Islamic finance growth**
Sukuk issuance is expected to maintain its position as a major growth driver for the Islamic finance industry after seeing record-breaking issuances over the past year, according to new research. Alpen Capital (ME) Limited and Alpen Asset Advisors Limited said in a report that while the industry slowed during the year after experiencing record growth in 2019, it showed resilience amid the ongoing global coronavirus pandemic. Factors including a growing Muslim population seeking Shariah-compliant financial instruments, rising adoption of technology and the industry's ability to demonstrate a higher level of ethical credibility have been driving growth. While the global Muslim population remains one of most significant drivers of growth for the Islamic Finance industry, the global trend of ethical consumerism is leading to higher appeal of Islamic products. This uptick is likely to attract a new class of consumers driven by social consciousness, trickling down to higher demand for Islamic finance services and platforms, Alpen said.
https://www.arabianbusiness.com/

## Annexure I: Islamic Banking Branch Network

| Islamic Banking Branch Network (As of June 30, 2021) | | | |
|---|---|---|---|
| **Type** | **Name of Bank** | **No. of Branches** | **Windows** |
| Islamic Banks | AlBaraka Bank (Pakistan) Limited | 174 | - |
| | BankIslami Pakistan Limited | 232 | - |
| | Dubai Islamic Bank Pakistan Limited | 210 | - |
| | Meezan Bank Limited | 835 | - |
| | MCB Islamic Bank Limited | 173 | - |
| | **Sub-Total** | **1,624** | |
| Standalone Islamic Banking Branches of Conventional Banks | Allied Bank Limited | 117 | 104 |
| | Askari Bank Limited | 92 | - |
| | Bank Al Habib Limited | 128 | 144 |
| | Bank Alfalah Limited | 191 | - |
| | Faysal Bank Limited | 499 | 16 |
| | Habib Bank Limited | 161 | 754 |
| | Habib Metropolitan Bank Limited | 34 | 218 |
| | National Bank of Pakistan | 190 | - |
| | Silk Bank Limited | 27 | - |
| | Sindh Bank Limited | 14 | 13 |
| | Soneri Bank Limited | 30 | - |
| | Standard Chartered Bank (Pakistan) Limited | 2 | 43 |
| | Summit Bank Limited | 14 | 35 |
| | The Bank of Khyber | 96 | 39 |
| | The Bank of Punjab | 102 | 9 |
| | United Bank Limited | 100 | 187 |
| | Zarai Taraqiati Bank Limited | 5 | - |
| | **Sub-Total** | **1,802** | **1,562** |
| | **Total Full-Fledged Branches** | **3,426** | **-** |
| Sub Branches | AlBaraka Bank (Pakistan) Limited | 6 | - |
| | Askari Bank Limited | 3 | - |
| | BankIslami Pakistan Limited | 113 | - |
| | The Bank of Khyber | 3 | |
| | Dubai Islamic Bank Pakistan Limited | 25 | |
| | The Bank of Punjab | 2 | - |
| | Faysal Bank Limited | 1 | |
| | Habib Bank Limited | 2 | - |
| | United Bank Limited | 2 | - |
| | **Total Sub-Branches** | **157** | **-** |
| | **Grand Total Branches/Sub-Branches** | **3,583** | **1,562** |

*Source: Information/Data obtained from different banks*

# Annexure II: Province/Region wise Break-up of Islamic Banking Branch Network

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

**(As of June 30, 2021)**

| Type | Bank Name | Azad Kashmir | Baluchistan | Federal Capital | Gilgit-Baltistan | Khyber Pakhtunkhwa | Punjab | Sindh | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| Islamic Banks | AlBaraka Bank (Pakistan) | 2 | 5 | 6 | 3 | 15 | 97 | 46 | 174 |
| | BankIslami Pakistan | 4 | 14 | 9 | 4 | 22 | 100 | 79 | 232 |
| | Dubai Islamic Bank Pakistan | 7 | 5 | 15 | 3 | 10 | 86 | 84 | 210 |
| | Meezan Bank | 6 | 27 | 39 | 3 | 58 | 448 | 254 | 835 |
| | MCB Islamic Bank | 2 | 12 | 9 | 1 | 15 | 83 | 51 | 173 |
| | **Islamic Banks** | **21** | **63** | **78** | **14** | **120** | **814** | **514** | **1,624** |
| Standalone Islamic Banking Branches of Conventional Banks | Allied Bank | 2 | 4 | 6 | 1 | 12 | 69 | 23 | 117 |
| | Askari Bank | - | 3 | 9 | 1 | 13 | 46 | 20 | 92 |
| | Bank Al Habib | 1 | 4 | 8 | 1 | 22 | 40 | 52 | 128 |
| | Bank Alfalah | 1 | 6 | 14 | - | 17 | 110 | 43 | 191 |
| | Faysal Bank | 7 | 22 | 23 | 7 | 45 | 270 | 125 | 499 |
| | Habib Bank | 7 | 4 | 9 | 1 | 19 | 99 | 22 | 161 |
| | Habib Metropolitan Bank | - | - | 1 | - | 9 | 9 | 15 | 34 |
| | National Bank of Pakistan | 9 | 5 | 6 | 1 | 40 | 95 | 34 | 190 |
| | Silk Bank | - | 1 | 3 | - | 4 | 11 | 8 | 27 |
| | Sindh Bank | 1 | 1 | | - | 2 | 7 | 3 | 14 |
| | Soneri Bank | - | 1 | 2 | 1 | 8 | 13 | 5 | 30 |
| | Standard Chartered Bank (Pakistan) Ltd. | - | - | - | - | - | 1 | 1 | 2 |
| | Summit Bank | - | 1 | 2 | 2 | 1 | 2 | 6 | 14 |
| | The Bank of Khyber | - | 4 | 3 | - | 76 | 10 | 3 | 96 |
| | The Bank of Punjab | 1 | 6 | 6 | - | 14 | 75 | - | 102 |
| | United Bank | 1 | 4 | 5 | - | 19 | 39 | 32 | 100 |
| | Zarai Taraqiati Bank | | - | 1 | - | 1 | 2 | 1 | 5 |
| | **Islamic Banking Branches Total** | **30** | **66** | **98** | **15** | **302** | **898** | **393** | **1,802** |
| Sub Branches | AlBaraka Bank (Pakistan) | - | - | - | - | - | | 6 | 6 |
| | Askari Bank | - | 1 | - | - | 1 | 1 | - | 3 |
| | BankIslami Pakistan | 1 | 6 | 9 | - | 5 | 41 | 51 | 113 |
| | Dubai Islamic Bank Pakistan | - | - | - | - | - | 9 | 16 | 25 |
| | Faysal Bank | | - | - | - | - | 1 | - | 1 |
| | Habib Bank | - | - | - | - | - | - | 2 | 2 |
| | The Bank of Khyber | - | - | - | - | 3 | - | - | 3 |
| | The Bank of Punjab | - | - | - | - | - | 2 | - | 2 |
| | United Bank | - | - | 1 | - | 1 | - | - | 2 |
| | **Sub-Branches Total** | **1** | **7** | **10** | **0** | **10** | **54** | **75** | **157** |
| | **Grand Total** | **52** | **136** | **186** | **29** | **432** | **1,766** | **982** | **3,583** |

# Annexure III: District-wise Break-up of Islamic Banking Branch Network

District wise Break-up of Islamic Banking Branch Network
(As of June 30, 2021)

| S. No. | Province | District | No. of Branches* |
|---|---|---|---|
| 1 | Sindh | Badin | 4 |
| 2 | | Dadu | 8 |
| 3 | | Ghotki | 5 |
| 4 | | Hyderabad | 66 |
| 5 | | Jacobabad | 5 |
| 6 | | Jamshoro | 4 |
| 7 | | Karachi City | 784 |
| 8 | | Kashmore | 2 |
| 9 | | Khairpur | 4 |
| 10 | | Larkana | 8 |
| 11 | | Matiari | 4 |
| 12 | | Mirpurkhas | 13 |
| 13 | | Naushahro Feroze | 5 |
| 14 | | Shaheed Benazir Abad | 19 |
| 15 | | Sanghar | 15 |
| 16 | | Shikarpur | 1 |
| 17 | | Sukkur | 19 |
| 18 | | Shahdadkot | 2 |
| 19 | | Tando Allahyar | 4 |
| 20 | | Tando Mohammad Khan | 3 |
| 21 | | Thatta | 3 |
| 22 | | Umer Kot | 4 |
| | | | |
| **Sindh Total** | | | **982** |
| 23 | Punjab | Attock | 25 |
| 24 | | Bahawalnagar | 25 |
| 25 | | Bahawalpur | 32 |
| 26 | | Bhakkar | 6 |
| 27 | | Chakwal | 20 |
| 28 | | Chiniot | 7 |
| 29 | | Dera Ghazi Khan | 21 |
| 30 | | Faisalabad | 135 |
| 31 | | Gujranwala | 89 |
| 32 | | Gujrat | 67 |
| 33 | | Hafizabad | 8 |
| 34 | | Jhang | 17 |
| 35 | | Jhelum | 21 |
| 36 | | Kasur | 23 |
| 37 | | Khanewal | 34 |
| 38 | | Khushab | 8 |
| 39 | | Lahore City | 550 |
| 40 | | Layyah | 8 |
| 41 | | Lodhran | 5 |
| 42 | | Mandi Bahauddin | 16 |
| 43 | | Mianwali | 10 |
| 44 | | Multan | 103 |
| 45 | | Muzaffargarh | 14 |
| 46 | | Nankana Sahib | 9 |
| 47 | | Narowal | 11 |
| 48 | | Okara | 31 |
| 49 | | Pakpattan | 16 |
| 50 | | Rahim Yar Khan | 48 |
| 51 | | Rajanpur | 7 |
| 52 | | Rawalpindi | 177 |
| 53 | | Sahiwal | 37 |
| 54 | | Sargodha | 43 |
| 55 | | Sheikhupura | 30 |
| 56 | | Sialkot | 61 |
| 57 | | Toba Tek Singh | 27 |
| 58 | | Vehari | 25 |
| | | | |
| **Punjab Total** | | | **1,766** |
| 59 | Azad Kashmir | Bagh | 3 |
| 60 | | Bhimber | 1 |
| 61 | | Dadyal | 4 |
| 62 | | Hattian Bala | 1 |
| 63 | | Kotli | 6 |
| 64 | | Mirpur | 20 |
| 65 | | Muzaffarabad | 13 |
| 66 | | Poonch | 4 |
| **Azad Kashmir Total** | | | **52** |
| 67 | Khyber Pakhtunkhwa | Abbottabad | 29 |
| 68 | | Bannu | 12 |
| 69 | | Batagram | 3 |
| 70 | | Buner | 7 |
| 71 | | Charsadda | 11 |
| 72 | | Chitral | 7 |
| 73 | | Dera Ismail Khan | 18 |
| 74 | | Hangu | 9 |
| 75 | | Haripur | 14 |
| 76 | | Karak | 3 |
| 77 | | Kohat | 13 |
| 78 | | Lakki Marwat | 1 |
| 79 | | Lower Dir | 19 |
| 80 | | Malakand | 18 |
| 81 | | Mansehra | 20 |
| 82 | | Mardan | 22 |
| 83 | | Nowshera | 24 |
| 84 | | Peshawar | 111 |
| 85 | | Shangla | 5 |
| 86 | | Swabi | 11 |
| 87 | | Swat | 38 |
| 88 | | Tank | 2 |
| 89 | | Torghar | 1 |
| 90 | | Upper Dir | 9 |
| 91 | | Kohistan | 2 |
| 92 | | Bajaur Agency | 5 |
| 93 | | Khyber Agency | 11 |
| 94 | | Mohmand Agnecy | 1 |
| 95 | | Orakzai Agency | 2 |
| 96 | | Kurram Agency | 3 |
| 97 | | North Waziristan Agency | 1 |
| **KPK Total** | | | **432** |
| 98 | ICT | Islamabad | 186 |
| **Islamabad Total** | | | **186** |
| 99 | Gilgit-Baltistan | Astore | 1 |
| 100 | | Baltistan | 1 |
| 101 | | Ghizer | 1 |
| 102 | | Hunza | 1 |
| 103 | | Skardu | 4 |
| 104 | | Diamir | 7 |
| 105 | | Gilgit | 14 |
| **Gilgit-Baltistan Total** | | | **29** |
| 106 | Balochistan | Chaghi | 2 |
| 107 | | Gawadar | 8 |
| 108 | | Harnai | 1 |
| 109 | | Jaffarabad | 1 |
| 110 | | Kech | 2 |
| 111 | | Khuzdar | 3 |
| 112 | | Lasbela | 5 |
| 113 | | Loralai | 6 |
| 114 | | Noshki | 1 |
| 115 | | Nasirabad | 1 |
| 116 | | Panjgur | 2 |
| 117 | | Pishin | 7 |
| 118 | | Qilla Abdullah | 6 |
| 119 | | Qilla Saifullah | 7 |
| 120 | | Quetta | 71 |
| 121 | | Sibi | 2 |
| 122 | | Turbat | 2 |
| 123 | | Zhob | 6 |
| 124 | | Ziarat | 3 |
| **Baluchistan Total** | | | **136** |
| **Grand Total** | | | **3,583** |

*including sub-branches