Islamic Banking Bulletin

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Inside

Islamic Banking Department

State Bank of Pakistan

Islamic Banking Department

Vision

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

Mission

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

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Welcome Speech by Yaseen Anwar Deputy Governor, State Bank of Pakistan

Lecture by Professor Humayon Dar (Developing Monetary Policy in an Islamic financial system)
Learning resource Centre, SBP, Karachi May 19, 2011

I am delighted in welcoming Professor Humayon Dar to State Bank of Pakistan and would like to thank him for accepting our invitation to give a talk on Developing Monetary Policy in an Islamic financial system. Professor Dar is an Islamic economist, a transformational thinker, Shariah advisor and an Islamic banking expert. He has authored various articles and books and has a special focus on product innovation for the industry. I am confident that today's talk will be a stimulating experience for all of us in finding new directions for the industry.

Ladies & Gentleman, the significant growth of Islamic finance extending its outreach even beyond the Muslim countries is reflective of its increasing acceptability as a viable and competitive system having inherent strengths to absorb both endogenous and exogenous shocks. The resilience of Islamic financial institutions during the recent financial crisis has given further credence to its claim of being a sound and prudent financial system, which if adopted in total and in true spirit could save us from the oft recurring crisis in financial markets and its subsequent fallouts on real economy. With a network of more than 600 institutions operative in more than 75 countries and an asset base of over US $ 1.2 trillion, the industry is all set to significantly improve its size in global financial markets during next few years.

Pakistan having a large Muslim population of about 170 million has even brighter prospects for growth and development of Islamic finance industry as a major component of mainstream financial system. It has exhibited strong growth during last 7-8 years and now constitutes about 7 percent of the country's banking system with an asset base of about Rs 500 billion and a network of more than 750 branches of both full-fledged Islamic banks and conventional banks having Islamic banking branches/windows. The growth momentum is likely to gather further strength with the increasing awareness level and expansion of Islamic banking branches and windows in second and third tier cities.

This optimism however, should not lead to complacency; the industry despite making significant strides both globally and locally, is still faced with some major challenges including development of liquidity management instruments, Islamic money and capital markets, low product diversification and unavailability of adequate human capital that need to be addressed to sustain the growth momentum.

State Bank of Pakistan has remained committed in facilitating the industry by providing a conducive growth environment; it is one of the few regulators that have introduced comprehensive legal, regulatory and Shariah compliance framework for Islamic banking industry. In its supportive role the central bank has been actively conducting targeted seminars, conferences and certified courses to create awareness and for capacity building of the industry.

To promote product diversification with a special focus on participatory financial mechanisms like Musharaka and Mudaraba, the State Bank in collaboration with the industry is developing an incentive framework. This framework will be aimed at encouraging Islamic banks to offer participatory modes while minimizing issues of moral hazard, adverse selection, information asymmetries and trust deficit between Islamic banking institutions (IBIs) and entrepreneurs.

On the liquidity management front, while issuance of Government of Pakistan's Ijara Sukuk of about Rs.190 billion during the last 6 months has provided a big relief to the industry by providing them investment avenue for managing excess liquidity. However, issues like absence of Islamic money market and short term liquidity management instruments, non-tradability of Sukuk largely due to uncertainty about future Sukuk issuances still needs to be addressed. The Central Bank is working with the industry to bridge such gaps and I am confident about early resolution through collaborative efforts by all stakeholders.

Today's topic is very relevant to our efforts of developing a comprehensive liquidity management mechanism for the industry. While we are already working in this direction, I am sure that Prof Dar's talk on "Developing Monetary Policy in an Islamic financial system" will further help us in understanding and resolving issues faced in developing liquidity management solutions.

In the end, I would like to thank Professor Dar again for accepting our invitation and wish him a pleasant stay.

Thank you

Industry Progress & Market Share

Overview

Islamic banking industry (IBI) continued its growth momentum during the first quarter of CY 2011 (see **Table 1**). On year on year (YoY) basis both assets and liabilities witnessed more than 30 percent growth, however growth in deposits was lower compared to growth in investments and financing. However, the quarterly growth rate decelerated marginally for the quarter ending March 2011 compared to the last quarter ending December 2010. High profit, rising return on assets (ROA), lowering capital to asset ratio, enhancement in investment opportunities with issuance of statutory Liquidity Requirement (SLR) eligible Government Sukuk are indicative of improving business, policy and regulatory environment for the industry. On the other hand, rising non-performing finances (NPFs) to financing ratio, a decline in financial institutions' share in deposits and concentration of financing in few sectors are amongst the key prudential issues faced by the industry.

Table 1: Industry Progress and market share

	Industry Progress			Growth (YoY)			Share in Industry		
	Mar-10	**Dec-10**	**Mar-11**	**Mar-10**	**Dec-10**	**Mar-11**	**Mar-10**	**Dec-10**	**Mar-11**
Total Assets	*371*	477	497	33.3	30.2	33.3	5.8	6.7	6.9
Deposits	*289*	*390*	398	40.2	38.0	37.7	6.1	7.2	7.3
Net Financing & Investment	*229*	*338*	374.0	23.5	49.8	63.5	4.6	6.2	6.7
Total Islamic Banking Institutions	19	17	17	–	–	–	–	–	–
Total No. of Branches*	654	751	759	–	–	–	–	–	–

Source: Quarterly Unaudited Accounts

**number includes sub-branches*

IBI Network Expansion

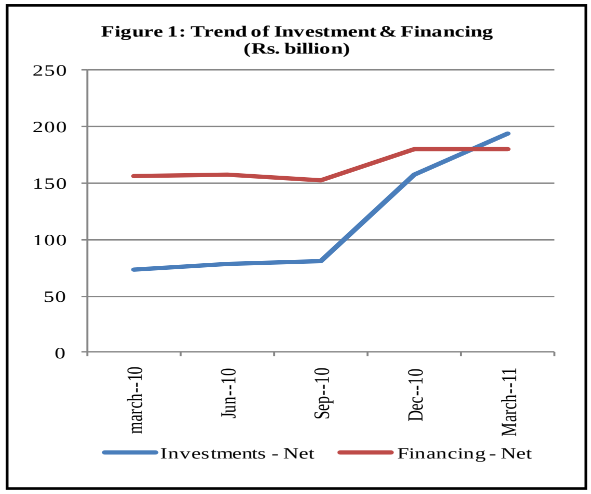
Islamic banking network continued its expansion with an addition of eight new branches during the first quarter of CY 2011 (see **Table 1**). These eight new branches[1], out of the 144 approved for the current year[2] are situated in Azad Jammu Kashmir (AJK), Punjab, Sindh and Khyber Pakhtoonkhwa (see **Table 2**).Branch expansion during March 2011 showed QoQ growth of 1.1 percent; which is significantly lower than the 67 branches added in the network in the last quarter (Dec'2010). The slow rate of network expansion during the first quarter of CY 2011 is however in line with usual branch expansion trends; branch expansion is relatively slower at the beginning of the year and picks up pace towards the

Table 2: Province Wise Additional Branches (March 2011)

Province	Cities	Additional No.	Total No.
Punjab	Lahore City, Jhelum, Sargodha	3	340
Sindh	Hyderabad, Karachi City	3	257
Khyber Pakhtoonkhawa	Mardan	1	76
Baluchistan		Nil	36
Gilgit Baltistan		Nil	1
FATA		Nil	1
Federal Capital		Nil	39
AJK	Muzaffarabad	1	9

[1] 4 branches of Meezan Bank Limited, 3 branches of Habib Bank Limited and 1 branch of Faysal Bank Limited
[2] Last year (CY 10) the approved annual plan was of 121 new branches

end; the development of physical infrastructure of the branches planned to be opened in the Annual Branch Expansion Plan (ABEP) usually takes 6-9 months. In an important development during the quarter the State Bank of Pakistan revised the definition of "Rural/Underserved Areas (RUAs) for Islamic bank/windows/subsidiaries. According to the new criterion; "any *district having less than 10 Islamic Banking Branches (IBBs) will be termed as underserved with respect to Islamic banking facilities*"[3]. The initiative is aimed at encouraging the expansion of IBI's network to second and third tier cities; presently 63 percent of branches of Islamic banks are in 5 big cities and 74 percent in 12 cities.



Asset & Liability Structure

The size of Islamic banking industry reached to Rs. 497 billion during the quarter under review from Rs. 477 billion as of last quarter thus improving IBI's share in overall country's banking system to 6.9 percent from 6.7 percent during the last quarter. The industry thus during the quarter expanded by 4.2 percent compared to 12.5 percent in the last quarter. On Liabilities side, share of deposits in overall banking industry increased marginally from 7.2 percent in last quarter to 7.3 percent in the quarter ending March 2011.

Asset Structure: The assets mix of the Islamic banking industry has been experiencing a shift from financing to investment since last few quarters. The phenomenon continued during the quarter with more than 23 percent in investments (more than 95 percent in the last quarter) and almost no growth in financing portfolio. Consequently the structural shift in overall composition of assets that started since Sep 2010 kept growing and the share of investment increased to over 39 percent in March 2011 from 20 percent in March 2010 whereas share of financing declined to just above 36 percent from 42 percent over the said period (see **Figure 1**). The shift in composition of assets is largely attributed to issuance of long awaited GOP Ijarah Sukuk of about Rs.150 billion during September 2010 to March 2011. The declining share of financing in assets mix is in line with the cautious approach adopted by the industry including Islamic

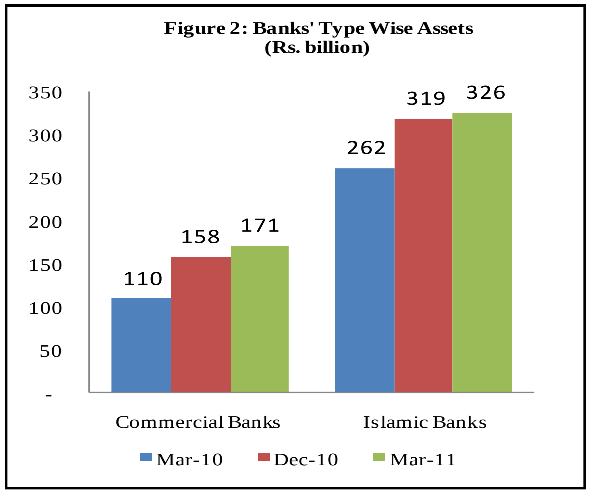
Table 3: Financing Mix (Rs. million)

	Mar-10	Dec-10	Mar-11
Murabaha	60.8	85.4	86.1
Ijarah	22.7	24.1	23.5
Musharaka	2.8	5.5	5.7
Mudaraba	0.4	0.3	0.3
Diminishing Musharaka (DM)	51.3	56.1	55.7
Salam	6.5	2.7	4.8
Istisna	10.6	11.0	7.6
Others	7.0	4.9	5.8
Total	**162.1**	**190.2**	**189.5**
Percent Share			
Murabaha	37.5	44.9	45.4
Ijarah	14.0	12.7	12.4
Musharaka	1.7	2.9	3.0
Mudaraba	0.2	0.2	0.1
Diminishing Musharaka (DM)	31.6	29.5	29.4
Salam	4.0	1.4	2.5
Istisna	6.5	5.8	4.0
Others	4.3	2.6	3.1
Total	100.0	100.0	100.0

[3] http://www.sbp.org.pk/bprd/2011/CL8.htm

banks in lending/financing to private sector. A similar shift in the assets mix of conventional banks during last couple of years with share of advances reducing to just above 60 percent and that of investments increasing to almost 36 percent from 74.2 percent and 19 percent respectively in 2008.

In terms of distribution of assets among different Islamic banks, full fledged Islamic banks have got the largest share of more than 65 percent. However, the growth rate of assets of Islamic windows/subsidiaries of conventional banks appeared to be higher than the full fledged Islamic banks (FFIB) [4](see **Figure 2**). In terms of individual banks, Meezan Bank Limited, despite losing its market share a bit, maintained its market leadership with 32 percent share in overall Islamic banking industry and 49 percent of the FFIB. Quarterly comparison indicates a considerable change only in the share of Dubai Islamic Bank Limited (DIBL) while all other banks maintained almost the same share. The share of DIBL in assets of IBI declined to 7.6 percent during the first quarter of CY 2011 compared to 8.3 percent in the last quarter.



Financing: Financing could not maintain its positive growth momentum during the quarter under review and remained almost unchanged at Rs. 180 billion. The financing mix also by and large remained similar except Istisna whose share declined to 4 percent during the quarter from 6 percent in the last quarter (see **Table 3**)

In terms of industry wise financing, IBI has most of its financing concentrated in the textile sector. This trend is in line with overall industry trend, of having major financing being directed towards the textile sector (see **Table 4**). Quarterly comparison depicts that the most significant change was observed in the share of sugar that increased from 2.3 percent in Dec 2010 to 5.6 percent in March 2011. All other sectors showed

Table 4: Financing Concentration - percent share

	Mar-10	Dec-10	Mar-11	Industry (Mar-11)
Chemical and Pharmaceuticals	10.3%	7.1%	6.8%	3.8%
Agribusiness	0.6%	2.6%	1.6%	5.3%
Textile	20.2%	21.8%	22.6%	19.8%
Cement	2.8%	4.1%	3.6%	2.5%
Sugar	5.9%	2.3%	5.6%	3.7%
Shoes and leather garments	1.2%	1.5%	1.4%	0.7%
Automobile and transportation equipment	2.0%	1.7%	2.3%	1.3%
Financial	0.9%	1.3%	1.4%	1.1%
Insurance	0.0%	0.0%	0.0%	0.0%
Electronics and electrical appliances	1.0%	1.8%	1.5%	1.6%
Production and transmission of energy	4.4%	6.6%	7.2%	10.0%
Individuals	19.8%	16.5%	16.6%	11.5%
Others	31.0%	32.8%	29.3%	38.5%
Total	100.0%	100.0%	100.0%	100.0%

mixed trend, however the change was not significant however there is still reluctance in reaching out to SME, micro finance and agriculture financing etc.

Investments: Investment registered quarterly growth of more than 23 percent mainly driven by Federal government securities (see Table 5). The significant rise in investment in government securities is due to the availability of government of Pakistan (GOP) Ijara Sukuk; Rs. 47 billion Sukuk have been issued during the quarter under discussion. These SLR eligible Sukuk have not only provided an investment avenue to Islamic banking industry but have also helped the central bank in bringing IBI at par with conventional banks in terms of regulation[5]; the SLR for Islamic banks has been increased to 19 percent of Total Demand Liabilities (including Time deposits with tenors of less than 1 year).

Table 5: Investments

Rupees in million

				Growth in %	
-	**Mar-10**	**Dec-10**	**Mar-11**	**YoY**	**QoQ**
Federal government securities	27,081	78,623	117,526	334.0	49.5
Fully paid up ordinary shares	1,998	2,158	1,940	-2.9	(10.1)
TFCs, Debentures, Bonds, & PTCs	24,866	35,972	29,883	20.2	(16.9)
Other investments	19,564	41,990	46,267	136.5	10.2
Investments by type					
Held for Trading	–	200	115	_	(42.3)
Available for Sale	59,147	133,900	172,577	191.8	28.9
Held to Maturity	11,466	14,597	15,035	31.1	3.0
Surplus /(deficit) on revaluation	254	1,916	431	69.7	(77.5)
Net Investments	**72,893**	**157,803**	**194,435**	**166.7**	**23.2**

<u>Asset Quality:</u> Asset quality is quite critical to efficiency of banking institutions as it reflects credit risk levels of the banking industry. During the quarter under review, NPF of Islamic banking industry reached up to almost Rs.15 billion indicating QoQ growth of 8.4 percent. The NPF to financing ratio also increased to 8.4 percent (see **Table 6**) in March 2011 from 7.3 percent in Dec' 2010. The NPF though risen significantly during the quarter, however, the net infection ratio IBI's portfolio is still much lower

Table 6: Performance Indicators

	Mar-10	**Dec-10**	**Mar-11**	**Industry (Mar-11)**
<u>Capital</u>				
Capital to Total Assets	11.4%	9.7%	9.5%	9.7%
(Capital - Net of NPAs) to Total Assets	9.6%	8.4%	8.2%	6.9%
<u>Assets Quality Ratio</u>				
NPFs to Financing	7.3%	7.3%	8.0%	15.4%
Net NPFs to Net Financing	3.8%	3.2%	3.4%	5.7%
Provisions to NPFs	50.0%	58.6%	58.7%	66.7%
Net NPAs to Total Capital	15.8%	13.3%	14.2%	28.4%
Real estate Financing to Total Financing	11.3%	8.0%	7.9%	1.9%
FCY Denominated Financing to Capital	5.8%	15.1%	14.6%	26.7%

[5] DMMD Circular No. 3, April 27, 2011

than that of overall industry average of 15.4 percent. Similarly Net NPAs to Capital at 14. 2 percent of IBIs was exactly half of the overall banking industry average of 28.4 percent which is indicative of relatively better asset quality of IBIs.

Table 7: Break up of Deposits

Rupees in million and growth in percent

	Mar-10	Dec-10	Mar-11	Growth in % YoY	Growth in % QoQ
Deposits	**289,090**	**390,060**	**397,979**	**37.7**	**2.0**
Customers	**274,106**	**363,207**	**375,290**	**36.9**	**3.3**
Fixed Deposits	113,180	142,696	151,697	34.0	6.3
Saving Deposits	94,321	126,291	133,824	41.9	6.0
Current accounts - Remunerative	–	29	113	–	284.0
Current accounts - Non-remunerative	64,087	91,517	87,394	36.4	(4.5)
Others	2,519	2,673	2,262	(10.2)	(15.4)
Financial Institutions	**14,984**	**26,853**	**22,688**	**51.4**	**(15.5)**
Remunerative Deposits	14,813	26,752	22,545	52.2	(15.7)
Non-remunerative Deposits	170	101	144	(15.7)	42.0
Currency Wise	**289,090**	**390,060**	**397,979**	**38**	**2.0**
Local Currency Deposits	272,091	371,702	380,735	39.9	2.4
Foreign Currency Deposits	16,999	18,358	17,243	1.4	(6.1)

Liabilities: Deposits; the major component of liabilities reached to almost Rs. 398 billion by the end of the first quarter of CY 2011 depicting slower quarterly growth rate of 2 percent compared to 15.3 percent of last quarter (see **Table 7**). The significantly reduced QoQ growth rate of deposits can be ascribed to reduction in share of financial institutions' deposits with IBIs, which reduced to 6 percent during the quarter from 7 percent. This decline can be temporary; however, Islamic banks need to be more innovative in their product development to better cater to the needs of financial institution.

Detailed analysis of deposits show that fixed deposits constitute the major share in total deposits with a quarterly growth rate of 6.3 percent followed by saving account having growth rate of 6 percent during the first quarter of 2011 (see **Table 7**). Current account (remunerative) showed a significant growth of more than 280 percent during the same period; which is attributable to low base and initiation of the product by most of the banks in the recent past. Currency wise deposits show that Islamic banks have not been successful in attracting foreign currency accounts as they constitute less than 4 percent of overall deposits of Islamic banks, with negative quarterly growth for the period under review.

Maturity Gap Between Assets & Liabilities

Data for the quarter ending March 2011 reveals that Islamic banks continued to exhibit their general trend regarding maturity gap between assets and liabilities; Islamic banks remained more liquid in short tenor (see **Table 8**). Negative gap between assets and liabilities for short tenor as depicted in two categories; maturing up to 3 months and maturing from 3 months to 1 year indicated that Islamic banks

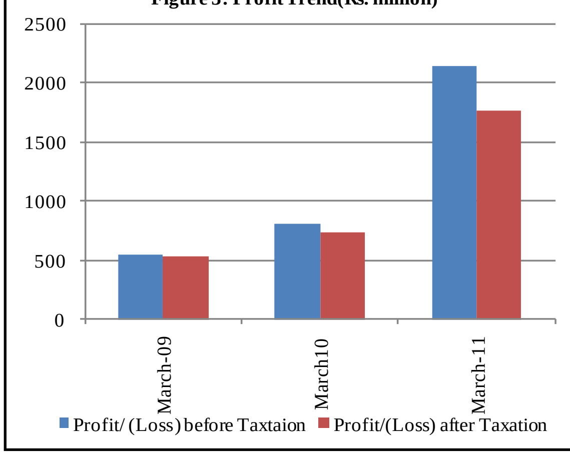
Table 8: Maturity of Assets and Liabilities

percent share

	Mar-10	Dec-10	Mar-11	Industry (Mar-11)
			Assets	
Maturing upto 3 months	40.1	36.7	32.9	46.8
Maturing from 3 months to 1 yr	22.8	20.8	24.0	23.6
Maturing from 1 yr to 5 yrs	26.7	33.4	35.3	18.7
Maturing after 5 yrs	10.4	9.1	7.7	11.0
			Liabilities	
Maturing upto 3 months	51.7	54.8	54.6	57.2
Maturing from 3 months to 1 yr	28.2	24.9	27.3	20.4
Maturing from 1 yr to 5 yrs	14.9	15.2	13.5	16.6
Maturing after 5 yrs	5.2	5.1	4.6	5.8
			Gap--asset share minus liability share	
Maturing upto 3 months	-11.7	-18.0	-21.7	-10.4
Maturing from 3 months to 1 yr	-5.3	-4.1	-3.3	3.2
Maturing from 1 yr to 5 yrs	11.8	18.2	21.8	2.1
Maturing after 5 yrs	5.2	4.0	3.2	5.2

continued to be prudent in financing. Comparison of asset liability mismatch of Islamic banks with the overall banking industry indicated a similar trend for all except for the category of maturing from 3 months to 1 year in which overall industry depicts a positive gap as against the negative gap of the IBI. Islamic banks need to be more efficient in order to check the rising gap that is even higher than the generally considered normal gap of +- 10[6], in two categories; (i) maturing up to 3 months and (ii) maturing from 1 year to 5 year.

Figure 3: Profit Trend(Rs. million)



Earning & Profitability

While increasing its outreach IBI is also improving on its profitability and efficiency. Profitability during the first quarter CY 2011 was considerably higher than the typical trend of profit realized in first quarters in previous years (see **Figure 3**). The significant rise in profit is due to considerable investment of Islamic banks in government securities

[6] Gap higher than +- 10 in general is considered risky for banking efficiency

Table 9: Earning & Profitability	Mar-10	Dec-10	Mar-11	Industry (Mar-11)
Net Income to Total Assets(ROA)	0.8%	0.6%	1.4%	1.4%
Return on Equity (ROE)	7.0%	5.2%	15.0%	14.5%
Net Interest Income to Gross Income	81.1%	78.5%	80.8%	76.6%
Non-interest Income to Gross Income	18.9%	21.5%	19.2%	23.4%
Trading & Fx Gains/(Losses) to Gross Income	7.0%	9.3%	5.9%	7.6%
Operating Expense to Gross Income	70.2%	72.6%	62.3%	50.3%
Personnel Expense to Operating Expense	32.2%	31.3%	36.9%	37.8%
Spread Between Financing & Deposit Rate	7.7%	7.1%	8.4%	6.9%

(Sukuk). The ROA of Islamic banks has also increased by 80 basis point brining them at par with the overall banking industry average of 1.4 percent (**Table 9)**.

The ratio of income from financing and investment activities improved to almost 81 percent from 79 percent in last quarter; the share of financing income is about 4 percentage points higher than the overall banking industry average of about 77 percent. The share of income from non-financing activities in Gross Income at 19 percent was however 4 percentage points lower than the industry average of about 23 percent (see **Table 9**).

Another positive development during this period is the declining trend of Operating Expense, which reduced significantly (9 percentage points) to 62 percent of gross income from 73 percent in the last quarter and 70 percent in March 2010. This could be attributed to increasing business size of the branches opened during last couple of years. The ratio however, is still higher compared to overall banking industry average of just above 50 percent (see **Figure 4**). The financing spread of IBI witnessed a significant increase reaching 8.4 percent in the quarter under review from 7.1 percent in the last quarter (see **Figure 5**) while financing spread level in conventional banking industry remained unchanged. This sharp upward movement in financing spread can be attributed to the structural shift in assets of Islamic banks from placement with banks to investment in significantly higher yielding GOP Sukuk.

Figure 4: Operating Expense to Gross Income(percent)

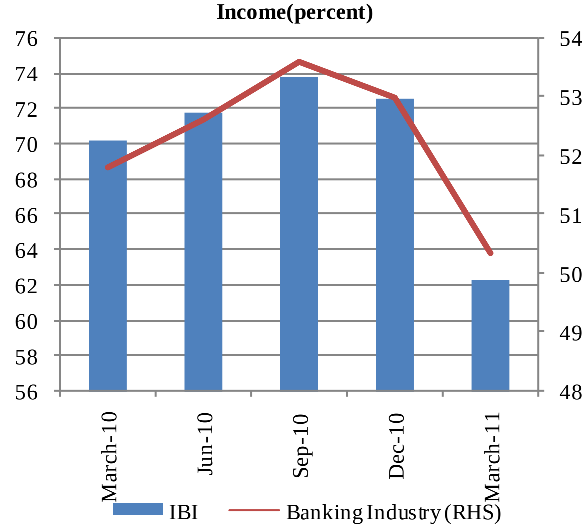
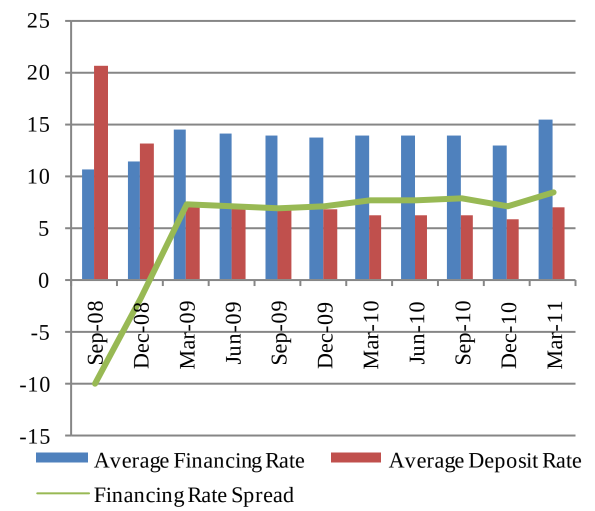


Figure 5: Financing Rate Spread (percent)



Events and Developments at IBD

Developing Monetary Policy in an Islamic Financial System– A talk by Dr. Humayon Dar held on May 19, 2011 at Learning Resource Center, State Bank of Pakistan Karachi

Dr. Humayon Dar, a prominent Islamic finance scholar and currently CEO of BMB Islamic (London) visited State Bank of Pakistan on May 19, 2011and conducted a brief session of about 2 hours on 'Developing Monetary Policy in an Islamic Financial System'. The session was attended by senior management of SBP and head/CEOs/Presidents of IBIs. Mr. Yaseen Anwar, Deputy Governor, State Bank of Pakistan presided over the meeting. During the session, Dr. Humayon Dar proposed a Shariah compliant methodology for conducting Monetary Policy. Active participation from the audience was witnessed during the session as pros and cons and practical implication of the proposed methodology was discussed in detail.

Seminar on "Islamic Banking & Finance: Issues, Challenges & Way Forward" Held on May 25, 2011 at Bahauddin Zakariya University (BZU), Multan

SBP Banking Services Corporation Multan organized a seminar on "Islamic Banking & Finance: Issues, Challenges & Way forward" on May 25, 2011 (Wednesday) at Jinnah Auditorium, Bahauddin Zakariya University (BZU), Multan in collaboration with Meezan Bank and Institute of Management Sciences (IMS), BZU, Multan. The objective of the seminar was to create awareness & allay misconceptions/myths regarding Islamic banking. Renowned speakers from academia, practicing bankers, Islamic micro finance & Takaful experts shared their insights on respective topics. The Seminar was attended by participants from various spheres of life including academia, representatives of chambers, business & farming community, government functionaries, banking industry and students.

Various stalls were also set up by banks offering Islamic banking products & services and Takaful companies to display their products through pamphlets, brochures, booklets etc. SBP-BSC Multan Office also set up its stall and displayed brochures, booklets & guidelines on Islamic banking, security features of currency notes and complaint resolution/ customer facilitation mechanism.

Islamic Banking News and Views

News

Oman in Islamic finance push

The government of Oman has approved the establishment of Islamic banking, allowing lenders to run Sharia-compliant operations for the first time in the Gulf state, Reuters reported. The country, which led by Sultan Qaboos, will also allow conventional banks to offer Sharia-compliant products and services in a bid to clinch a share of the growing Islamic finance market.

Source: http://english.alarabiya.net/articles/2011/05/03/147708.html

World Bank declares Islamic finance a priority area

Sri Muliani Indrawati, managing director of the World Bank Group, expressed at 8th Annual Summit of IFSB in Luxembourg "The World Bank Group has formally recognized Islamic finance and have designated it a priority area in our financial sector program". The World Bank's strategy for Islamic finance is based on four pillars - capacity building and knowledge management; influencing policy and market development; diagnostic work and analysis in the industry; and providing technical assistance especially in developing a regulatory framework."

Source: http://www.arabnews.com/economy/islamicfinance/article405986.ece

HSBC Amanah fund chosen for UK national pension scheme

In the UK, more than a quarter of its 62 million people are at, or nearing retirement age, of 65 for men and 60 for women. Among the 29 million working people, about 10 million are not making contributions to any pension plan. The number of Muslims in the UK is projected to increase from 2.9 million in 2010, or nearly five per cent of the population, to 5.6 million in 2030, or eight per cent of the population.

HSBC Life Amanah Pension fund is a pension fund that allows investors to invest in equities in a Shariah-compliant manner. The fund tracks the Dow Jones Islamic Titans 100 Index, which consists of Shariah-compliant companies such as Exxon Mobil and Microsoft. These stocks have been endorsed by the Dow Jones Shariah Supervisory Committee. The fund, which started in 2004, has returned 63.5 per cent since launch to end-March 2011.

Source: http://www.gulfbase.com/site/news/HSBC-Amanah-fund-chosen-for-UK-national-pension-scheme_177952.aspx

Mauritius launches its first Islamic bank

Mauritius' first fully-fledged Islamic bank launched operations on Thursday, as the Indian Ocean Island seeks to become a regional Islamic banking hub. Mauritius wants to tap into the roughly $1 trillion Islamic finance industry, and the central bank also plans to offer sharia-compliant short-term liquidity tools.

Source: http://uk.reuters.com/article/2011/03/31/mauritius-banking-idUKLDE72U1FG20110331

Shariah trade finance may hit $800bn a year

Islamic trade finance may reach as much as $800bn a year should Shariah-compliant banks strengthen co-operation with financial institutions in other countries, according to a Bahrain-based regulator. Source: http://www.gulfbase.com/site/news/Shariah-trade-finance-may-hit-800bn-a-year_170535.aspx

SBP revises criteria for Islamic banks

KARACHI - The State Bank of Pakistan (SBP) has revised its Branch Licensing Policy (BLP) for Islamic banking institutions whereby the districts having less than 10 Islamic banking branches have been categorized as Rural Unbanked Areas for IBIs.

Source: http://www.pakistantoday.com.pk/2011/04/sbp-revises-criteria-for-islamic-banks/

Pakistan raises holding limit of Ijarah Sukuk

The State Bank of Pakistan has raised the maximum holding limit of Pakistan sovereign Ijarah Sukuk by Islamic banks to 35% of the issue amount; this is a rise from 25%. The holding cap had been previously imposed to avoid an over-concentration of assets by the banks. The new 35% limit will also be extended to domestic commercial banks that operate Islamic windows in Pakistan and will be applied on an amalgamated basis, combining any exposures that the commercial bank and its Islamic window has to the sovereign Ijarah Sukuk. Commercial banks will be limited to a maximum 25% holding in the Sukuk.

Source:http://www.theislamicglobe.com/index.php?option=com_content&view=article&id=283:pakistan-raises-holding-limit-of-ijarah-sukuk&catid=6:article&Itemid=38

Pakistan sells record Sukuk

State Bank of Pakistan sold a record Rs189 billion (Dh8.35 billion) in the fiscal year ending June 30. Sales in Indonesia of rupiah-denominated Islamic notes are equivalent to about $2 billion (Dh7.34 billion) in 2011, according to the country's Finance Ministry.

Source: http://gulfnews.com/business/economy/pakistan-sells-record-sukuk-1.807006

Articles/Views

Has Islamic finance contributed to the public good?

Source: http://arabnews.com/economy/islamicfinance/article323928.ece

Islamic finance industry needs more experts

Source: http://www.halaljournal.com/article/5730/u.a.e:-islamic-finance-industry-needs-more-experts

Pakistan banks on sukuk, not aid

Source: http://www.iol.co.za/business/international/pakistan-banks-on-sukuk-not-aid-1.1068796

Sukuk and the global banking village

Source: http://www.cibafi.org/newscenter/english/Details.aspx?Id=12264&Cat=0

Islamic Banking and Finance - the New World Order?

Source: http://m.halalstock.com/articledetail.asp?Aid=107

Islamic Finance alternative to mainstream transactional banking, treasury solutions

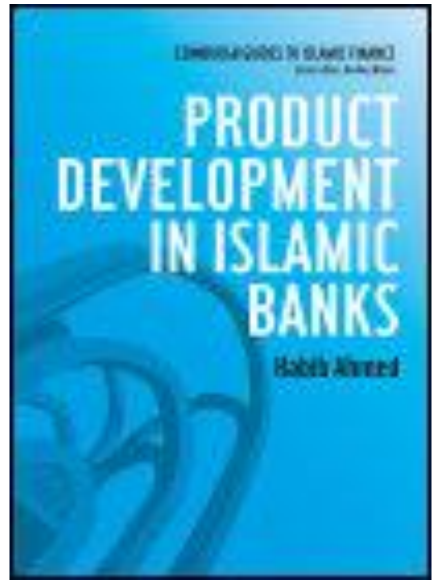
Source: http://www.fe-bd.com/more.php?news_id=136559&date=2011-05-23

Islamic banks urged to be wary of risks they face

Source: http://www.apbankers.net/page.Article.cmc?&A=5&B=1306213131&C=2011&SID=1

Book Review:

Product Development in Islamic Banks
Habib Ahmed
Series: Edinburgh Guides to Islamic Finance
Series Editor: Rodney Wilson
ISBN: 978-0-7486-3952-6
260 pages, January 2011



The book "**Product Development in Islamic Banks"** is a valuable addition in the existing Islamic finance literature as it provides an in-depth analysis on the process of product development in Islamic banks. Using case studies and theoretical analysis various products along with their social and legal issues have been discussed in the book.

In terms of coverage, the book can be divided into two parts. The initial chapters trace the origins of Islamic banking industry and explain principles of Islamic finance within the given institutional environment surrounding the industry. Sources and methodology of Islamic law pertaining to finance are also discussed in this segment. Moreover, the book explores Islamic banking practices at institutional, organizational and product levels. Other areas of discussion include various Islamic banking models, nature and features of Islamic banking products, different levels of the structure of Islamic banking products and risks related to Islamic financial modes.

The latter part focuses on product development, whereby various concepts of product development along with their Shariah issues are discussed. Three main stages of the product development cycle including idea generation, converting concept to product and commercialization have been discussed at great length. The book provides empirical review of product development process in Islamic banks through discussion based on results of two surveys. First survey is based on a questionnaire regarding product development in 20 different Islamic banks of the world. While second survey is based on interviews of senior bank staff responsible for product development in selected Islamic banks based in Malaysia and the UAE. Results of these surveys are discussed in context of strategic approaches, resource availability and various features of product development cycle. Internal and external constraints in product development are also examined in this section.

The concluding chapter explains methods for resolving concerns raised about usage of products by Islamic banks. The author advocates strengthening of institutional framework, organizational diversity and adaptability of legal and regulatory environments essential for growth of Islamic banks. Product innovation is seen central to satisfying clients' needs and the expansion of the industry. Overall this book can serve as a useful resource for Islamic finance practitioners especially those involved in the product development process.

Bank in Focus

Habib Bank Limited Islamic Banking Division[7]

Habib Bank Limited (HBL) entered Islamic banking industry in 2005. Since then Islamic banking branches of HBL have expanded to reach 22 as of March 2011 with branch network expanding in all provinces of the country except FATA. It is worth mentioning that since second quarter of CY2010 tremendous growth has been witnessed in the asset base of the bank. Assets of Habib Bank Limited Islamic Banking Division were in excess of Rs 10 billion in March 2011 compared to less than 6 billion in March 2010. Similarly deposits of the bank have reached over 7 billion from just round 90 million during a span of one year (see **Table 1**). The manifold increase in the bank's assets base is indicative of strong commitment of the management and its improving capacity in Islamic banking.

Table 1: Bank's Performance at a Glance

	March 2010	March 2011
		(Rs in Millions)
Deposits	90.3	7048.1
Financing	159.7	371.6
Total Assets	579.9	10426.0
Number of branches	11	22

Table 2: HBL Products and Services for Business Customers

Product Mode	Brief Description
Ijarah (Leasing)	Medium to long term facility for vehicles, plant and machinery leased out to the client on rental basis
Diminishing Musharaka	Medium to long term facility for vehicles, plant and machinery on joint ownership basis
Murabaha	Local and Import facilities for purchase of raw materials, semi finished and finished goods, stores or spares
Trade Services	Letter of Credit Facility, Collection of Foreign Bills, Collection of Local Bills, Letter of Guarantees

The Islamic Banking products offered by HBL cater to across the board clientele ie SMEs (Small and Medium Enterprises), Corporate & Retail. The product line is primarily based on Ijarah, Diminishing Musharka, Murabaha and trade services (see **Table 2**). These facilities cover both short and long term financing needs of business community. One of the latest products offered by Habib Bank Limited Islamic Banking Division is the Al-Ziarat account for Haj and Umrah saving plans. This product is based on the concept of Mudaraba and the bank also provides family Takaful under the scheme.

In order to provide Shariah compliant Islamic banking products, Shariah Compliance Certification from an independent Shariah Advisor is obtained. Moreover a Shariah Supervisory Committee (SAC) has been established at the bank. This committee comprises of Shariah Advisor and a member of Shariah Advisory Committee. The Shariah Advisor has in depth experience in Shariah rulings (Fatawa) and teachings at different forums with qualifications of Dars-e-Nizami, M.A and L.L.B. Compliance certification from Shariah Advisor is obtained for the products offered by the bank.

[7] Information in this section has been obtained from Habib Bank Limited Website http://www.hbl.com/

Country Model: Malaysia

Islamic financial services in Malaysia have shown tremendous growth since the enactment of Islamic Banking Act (IBA) in 1983. Presently, there are 17 licensed banks (six foreign) and 10 Takaful operators (2 foreign owned) working in the country. According to 2010 Bank Negara Malaysia (Central Bank of Malaysia) Financial Stability Report, total assets, total deposits and total financing of the Islamic banking industry comprise more than 20 percent market share of the overall banking industry. Malaysia has the largest number of Shariah compliant funds in the world and is the global leader in Sukuk issuances.

Table 1: Historical Development of Islamic Finance Industry in Malaysia

	Year	Development
First Phase	1983	Islamic Banking Act (IBA)
	1983	Initiation of Bank Islam Malaysia Berhad (BIMB), first full-fledged Islamic bank
	1984	Takaful Act
	1990	Issuance of first private Sukuk
Second Phase	1993	Permission granted to conventional banks to offer Islamic products and services through windows.
	1994	Establishment of Islamic interbank money market
	1996	Islamic Equity Index launched by RHB Unit Trust
	1996	Establishment of National Shariah Advisory Council of Securities Commission of Malaysia
	1997	Establishment of National Shariah Advisory Council of Bank Negara Malaysia
Third Phase	2001	Beginning of Islamic Banking and Finance Institute Malaysia
	2002	Issuance of first sovereign Sukuk
	2003	Commencement of International Centre of Leadership and Finance (ICLIF)
	2006	Establishment of Malaysia International Financial Centre (MIFC)
	2006	Inauguration of International Center for Education in Islamic Finance (INCIEF)
	2008	Beginning of International Shariah Research Academy for Islamic Finance (ISRA)
	2009	Central Bank of Malaysia Act

A large part for this extraordinary growth witnessed by Islamic financial industry in Malaysia has been due to proactive role played by all stakeholders including government, regulators and market players. Market players believe that Malaysia has a wide range of Shariah compliant products providing an alternative for a number of conventional financial instruments including Sukuk, equities, unit trusts and exchange traded funds (ETS).

Historical Development:

Malaysian Islamic financial services history can be divided into three phases (see **Table 1**). The first phase, (1983-1992), began with the enactment of Islamic Banking Act in 1983 and the focus during this period was on building necessary legal and infrastructural foundations while remaining in a dual banking system. Second phase (1993-2000) witnessed expansion as number of Islamic banking players increased due to permission being granted to conventional banks for offering Islamic products and services through windows. Issuance of Sukuk led to development of Islamic capital market where inter-bank money market also started functioning. Another major step during this phase was the establishment of National Shariah Advisory council at both Security commission of Malaysia and Bank Negara Malaysia. The third phase (2001-2010) can be termed as an effort to make Malaysia the hub of global Islamic banking and finance. This period saw liberalization of market through licensing of foreign Islamic banks. Financial Sector Master Plan of Bank Negara Malaysia and Capital market master plan of Security Commission, both providing ten year roadmap, were also presented in this phase. Various talent development and research institutions dedicated to Islamic finance were also established during the said period.

Salient Features of Malaysian Islamic Banking and Finance Model:

Authorities regulating Malaysian Islamic Financial industry have over the years tried to provide an enabling legal framework for the industry to flourish. In this regard a well developed Shariah based legal system has been developed which includes establishment of a Shariah advisory council (SAC). SAC provides advice on issues related to Islamic finance and is the approving authority for Islamic finance products. Apart from regulatory infrastructure, liberalization and a favorable tax environment has also been provided. As per instructions from Malaysia's central bank, Islamic banks in the country are required to ensure Shariah review, audit and risk management.

Conclusion: The Malaysian model continues to focus on product innovation, human capital development and increasing awareness of Islamic financial products, supported by a enabling legal, regulatory and Shariah compliance environment. Given the level of comprehensive financial infrastructure, Malaysian Islamic financial model is considered highly effective and has thus transformed Malaysia into one of the most advanced Islamic finance market of the world.

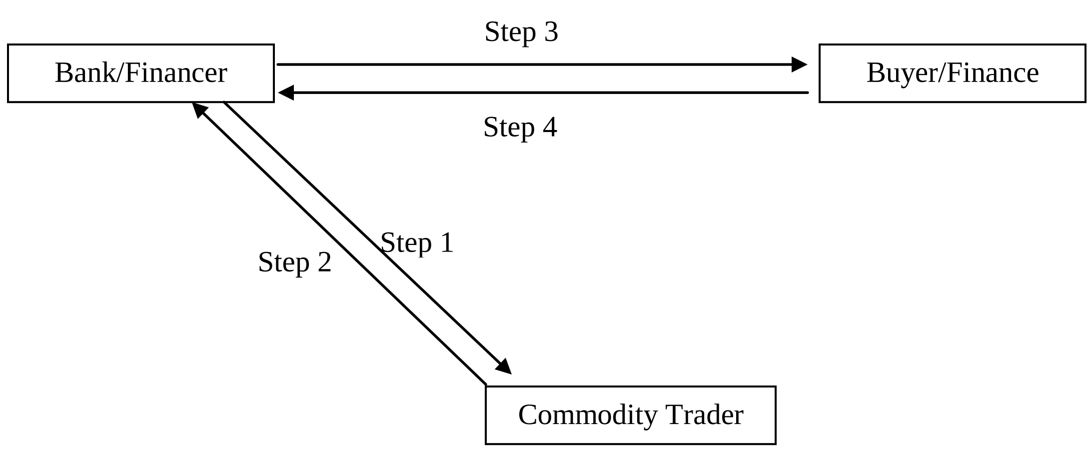
Note: Information in this section has been obtained from Global Islamic Finance Report 2009, Global Islamic Finance Report 2010 and Bank Negara Malaysia website.

Islamic Financing Mode in Focus
An Introduction to Murabaha: A Review of Global Practices

Since the formative years of 1980's Murabaha (initially referred to as Bai Muajjal) has been the leading choice of Islamic financial institutions in creating financial instruments. Murabaha generally referred to as a cost plus profit based arrangement constitutes around 70 percent of global Shariah compliant products[8] (45 percent in Pakistan). This section would briefly explain key characteristics underlying Murabaha structures that also set it apart from mark up based financing mechanisms. This is followed by a review of various global Murabaha based financing structures.

The classic Murabaha arrangement involves a sale transaction where an asset is sold on cost plus profit basis and the payment is made either on a deferred basis in installments or is made in one bullet on spot or on a subsequent date. The Islamic bank/ financier's client places an order for purchase of assets with the IBI; the IBI then purchases the asset desired by its client (the buyer/financee) and later sells the asset to the client at a price that includes original cost of the asset plus banks profit (see **Figure**). The central feature of Murabaha structure is declaration of original cost of the asset with an explicit reference to the percentage of profit charged. In Murabaha transactions the IBIs operates just like traders whereby they sell the assets (moveable or immovable including commodities) to their clients on cost plus profit basis. This explains one of the key differences between the operations of IBIs and conventional banks; the IBIs deal in assets whereas the conventional banks deal in money and charge profit/interest on the moneys lend to their clients which is prohibited in Shariah. Islamic economic system thus allows asset backed transactions that encourage real economic activities and forbids charging of additional amount on loned money.

Classic Murabaha Structure



While Murabaha contracts are commonly used in trade finance overtime they have been adapted to deliver a number of other financing arrangements. Other areas where Murabaha based contracts are being

[8] H. M. Kabir & L.Mervyn K.(2007); Hanbook of Islamic Banking, Edward Elgar, UK

used include deposit structures, investment funds, liquidity management strategies, capital protection strategies, and sukuk structures. In Pakistan its usage by IBIs is predominantly for providing raw material and industrial/trade commodities to the business and industrial units; some IBIs are also using it for managing their short term liquidity.

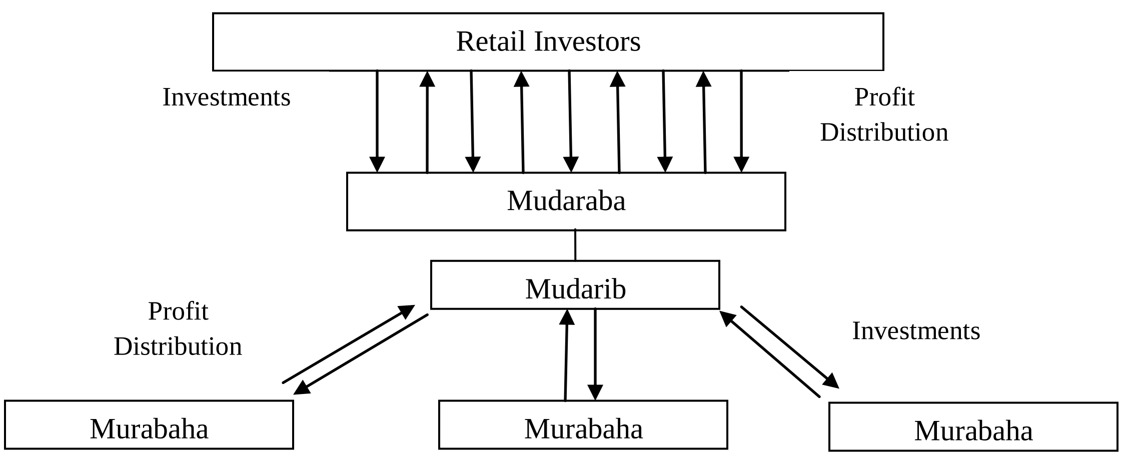
Murabaha Based Trade Finance:

Murabaha based contracts are considered as an alternative to trade credit facilities. Trade credit is intimately linked to trade and is viewed as indispensible in expanding trade activities, both domestic and international. While extending support in the form of standby letter of credit Islamic financial institutions have helped corporate improve their trade flows. In practice the purchaser of the asset requests the financing bank to open a letter of credit for import. A promise takes place between the financing bank and the purchaser regarding buying of involved assets at a certain price (cost of the asset plus profit charged by the bank). The financing bank issues a letter of credit in favor of the supplier /exporter and agrees to purchase the asset. After taking delivery of the asset the financing bank sells the asset to purchaser at the agreed price. Contrary to the conventional refinancing based on debt instruments, IFIs support trade activities on profit and loss sharing basis. These transactions are governed by standard Shariah guidelines set for Murabaha contracts.

Murabaha Based Investment Funds:

For the last three decades IFIs have been using Murabaha based Islamic investment products. These Murabaha based funds invest in Murabaha transactions. The Murabaha portfolio does not own any tangible assets as they are eventually sold to the clients, with payments becoming a debt on the clients. Hence these funds are typically close-ended and not traded in secondary markets. One innovation of IFIs investment funds is the Murabaha –Mudaraba hybrid fund. This structure provides an opportunity to investment fund clients to acquire Mudaraba based units in banks secured trade generating profits more or less equivalent to conventional investors.

Murabaha-Mudarba Based Islamic Investment Funds[9]



[9] Source: GIFR 2010

Murabaha based Capital Protection Strategies:

Financial managers strive to develop capital protection strategies against market risks. Given that the universe of investment opportunities is relatively smaller for Islamic fund managers. Murabaha based contracts have been widely used to deliver capital protection. The strategic approach of such Islamic funds is placing majority of assets in fixed term Murabaha transactions. The invested amount and realized profit at deferred dates ensures a smooth return of the invested capital plus a reasonable profit.

Murabaha Sukuk:

Murabaha Sukuk has emerged as one of the most popular Sukuk structures for both investors and issuers. This has been supported by comfort on part of Shariah scholars in approving such structures. These Sukuk are issued on the basis of a Murabaha sale for short term and medium term financing. The advantage of such certificates is that in situations where acquiring an asset is not possible for an individual or an institution additional financiers can be seeked to support such transactions. According to Shariah experts since Murabaha Sukuk certificate represents a debt obligation on a third party they can only be traded on face value. Hence these certificates can only be exchanged in primary market. In order to have a secondary market of such papers Shariah scholars recommend mixing of such portfolios.

Commodity Murabaha:

In situations where working capital is required to meet business needs concept of Murabaha is used in conjunction with Tawarruq. Such contracts are referred to as Commodity Murabaha and are highly popular among IFIs in Gulf and UK markets. Extensive utilization of such contracts by IFIs has led to widely practiced organized Tawarruq. In Pakistan, the use of Commodity Murabaha has been limited and that too only for managing the short term surplus liquidity of IBIs.

The initial steps of the transaction remain the same as Murabaha i.e. the bank acquires an asset from the market and sells it to client at cost plus profit basis. However in this case the client sells the asset back in the market at a spot price that is the cost incurred by the bank in acquiring the asset. The last step is referred to as Tawarruq. By selling the asset IFIs' client is able to meet the liquidity requirements. However, the divergence between the stated objective of the contract and its ultimate objective is a source of concern for Shariah scholars. Accounting and Auditing Organization of Islamic Financial Instructions (AAIOFI) has also criticized such transactions on the basis of their lack of credibility as real trade.

Role of Murabaha in Liquidity Management:

IFIs have been long faced with problems of absence of an efficient Islamic capital market. This issue has resulted in problems such as balance sheet mismatches and illiquid exposures. While conventional institutions have options of accessing interbank money market and have at their disposal instruments to deploy short term liquidity, IFIs find themselves rather restricted in this respect.

Conclusion:

Murabaha is not a mode of financing in its original form and represents a simple sale transaction based on cost plus profit. However after adding various concepts to Murabaha such as deferred payment, financial managers have been using it for a number of other purposes. Shariah scholars, while allow the use of Murabaha, do not consider it an ideal mode of financing and discourage its universal application. There still remain kinks in Murabaha based transactions including the inefficiency of monetizing assets and using intermediaries to deliver financing. It would be more efficient if parties involved in Murabaha based transactions use simple and transparent documentation based on Shariah principles. Such steps would ensure focus on the substance rather than the contractual form of Murabaha. While practitioners and scholars of Islamic finance have made reasonable efforts by venturing into profit and loss sharing instruments e.g. diminishing Musharaka, Murabaha based financing still represent a significant portion of the industry. Given commitment of all stakeholders the industry is expected to have an increasing share of classic instruments based on equitable sharing of risk and reward.

Annexure

Annexure: I

Islamic Banking Branch Network

(As of March 31, 2011)

Type	Name of Bank	No of Branches*
Islamic Banks	Al Baraka Islamic Bank	87
	BankIslami Pakistan Limited	70
	Dawood Islamic Bank Limited	42
	Dubai Islamic Bank Pakistan Ltd	57
	Meezan Bank Ltd	227
		483
Islamic Branches of Conventional Banks	Askari Bank Limited	29
	Bank Al Habib Ltd	8
	Bank Alfalah Ltd	80
	Faysal Bank Limited	14
	Habib Bank Ltd	22
	Habib Metropolitan Bank	4
	MCB Bank Ltd	14
	National Bank of Pakistan	8
	Soneri Bank Ltd	6
	Standard Chartered Bank	15
	The Bank of Khyber	21
	United Bank Ltd	6
	Sub Total	**227**
Sub Branches	Al Baraka Islamic Bank	2
	Askari Bank Limited	2
	BankIslami Pakistan Limited	32
	Dawood Islamic Bank Limited	8
	MCB Bank Ltd	2
	The Bank of Khyber	3
	Sub Total	**49**
	Grand Total	**759**

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

Annexure: II

Province wise Break-up of Islamic Banking Branch Network

(As of March 31, 2011)

Type	Bank Name	Azad Kashmir	Balochistan	FATA	Federal Capital	Khyber Pakhtun khwa	Gilgit-Baltistan	Punjab	Sindh	Grand Total
Islamic Banks.	Albaraka Islamic Bank	1	3	-	4	9	-	42	28	87
	BankIslami Pakistan Limited	1	8	-	2	5	1	30	23	70
	Dawood Islamic Bank Limited	-	1	-	2	2	-	17	20	42
	Dubai Islamic Bank Pakistan Limited	1	4	-	3	3	-	28	18	57
	Meezan Bank Limited	2	5	-	11	20	-	108	81	227
	IB. Total	**5**	**21**		**22**	**39**	**1**	**225**	**170**	**483**
Islamic Branches of Conventional Banks	Askari Bank Limited	-	2	-	1	5	-	14	7	29
	Bank AL Habib Limited	-	1	-	-	1	-	2	4	8
	Bank Alfalah Limited	-	2	-	6	3	-	49	20	80
	Habib Bank Limited	2	1	-	2	2	-	9	6	22
	Habib Metropolitan Bank Limited	-	-	-	-	-	-	1	3	4
	MCB Bank Limited	-	1	-	1	1	-	6	5	14
	National Bank of Pakistan	1	-	-	-	1	-	4	2	8
	Soneri Bank Limited	-	1	-	1	1	-	1	2	6
	Standard Chartered Bank(Pakistan)	-	1	-	1	3	-	4	6	15
	The Bank of Khyber	-	2	1	-	13	-	3	2	21
	United Bank Limited	-	-	-	-	1	-	3	2	6
	Faysal Bank Limited	-	1	-	-	3	-	5	5	14
	SAIBBs Total	**3**	**12**	**1**	**12**	**34**	**-**	**101**	**64**	**227**
Sub Branches	Albaraka Islamic Bank	-	-	-	1	-	-	-	1	2
	Askari Bank Limited	-	-	-	1	-	-	-	1	2
	BankIslami Pakistan Limited	1	3	-	3	2	-	9	14	32
	Dawood Islamic Bank Limited	-	-	-	-	-	-	3	5	8
	MCB Ban Limited	-	-	-	-	-	-	1	1	2
	The Bank of Khyber	-	-	-	-	1	-	1	1	3
	Sub Branches Total	**1**	**3**		**5**	**3**	**-**	**14**	**23**	**49**
	Grand Total	**9**	**36**		**39**	**76**	**1**	**340**	**257**	**759**

Annexure: III

District wise Break-up of Islamic Banking Branch Network

(As of March 31, 2011)

S. No	Province	Cities	No of Branches
1	Sindh	Badin	1
2		Dadu	1
3		Hyderabad	19
4		Karachi	213
5		Larkana	1
6		Matiari	1
7		Mirpur Khas	3
8		Nawabshah	5
9		Sanghar	4
10		Sukkur	7
11		Tando Allahyar	2
	Sindh Total		**257**
12	Punjab		
13		Attock	5
14		Bahawalnagar	2
15		Bahawalpur	4
16		Chakwal	3
17		Dera Ghazi Khan	3
18		Faisalabad	32
19		Gujranwala	11
20		Gujrat	14
21		Hafizabad	2
22		Jhang	3
23		Jhelum	5
24		Kasur	2
25		Khanewal	5
26		Khushab	4
27		Lahore	125
28		Lodhran	1
29		Mandi Bahauddin	1
30		Mianwali	1
31		Multan	26
32		Muzaffargarh	2
33		Okara	3
34		Pakpattan	2
35		Rahim Yar Khan	8
36		Rawalpindi	40
37		Sahiwal	3
38		Sargodha	9
39		Sheikhupura	4
40		Sialkot	14
41		Toba Tek Singh	2
42		Vehari	4
	Punjab Total		**340**

S. No	Province	Cities	No of Branches
43	Khyber Pakhtunkhwa	Abottabad	10
44		Banu	1
45		Charsadda	1
46		Chitral	1
47		Dera Ismail Khan	3
48		Hangu	1
49		Haripur	3
50		Kohat	2
51		Malakand	1
52		Mansehra	6
53		Mardan	6
54		Nowshera	3
55		Peshawar	30
56		Swabi	3
57		Swat	2
58		Tank	1
59		Upper Dir	2
	KP Total		**76**
60	**Northern Areas**	Gilgit	1
	Northern Areas Total		**1**
61	**FATA**	Khyber Agency	**1**
	FATA Total		**1**
62	**Federal Capital**	Islamabad	39
	Federal Capital Total		**39**
63	Balochistan	Chagi	**1**
64		Gawadar	1
65		Kila Abdullah	2
66		Killa Saifullah	2
67		Lasbela	1
68		Loralai	3
69		Pishin	1
70		Quetta	24
71		Zhob	1
	Balochistan Total		**36**
72	**Azad Kashmir**	Mirpur AJK	6
73		Muzaffarabad	3
	Azad Kashmir Total		**9**
Grand Total			**759**

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