ISLAMIC BANKING BULLETIN

October-December 2022

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) increased by Rs 327 billion during the quarter October to December 2022, and crossed seven-trillion mark to reach Rs 7,229 billion by end December, 2022. Deposits of IBI also up by Rs 140 billion during the period under review and were recorded at Rs 5,161 billion by end December, 2022. On a year on year (YoY) basis, assets and deposits of IBI observed a noteworthy growth during CY2022. The assets of IBI expanded by Rs 1,652 billion with a YoY growth rate of 29.6 percent. Similarly, deposits of IBI rose by Rs 950 billion marking a YoY growth rate of 22.6 percent. It is important to highlight that this is the maximum ever annual increase in size of assets and deposits of Islamic banking in a particular year.

As a consequence of relentless growth, the market share of Islamic banking assets and deposits in the overall banking industry increased to 20.2 percent and 22 percent, respectively by end December, 2022. The market share of financing of IBI in advances of overall banking industry recorded at 26.3 percent, while the share of investments increased to 16.6 percent by end December, 2022 **(Table-1).**

Table 1: Industry Progress and market share (Amount in PKR Billion)

Particulars	Period			Yearly Growth (%)			Share in Overall Banking Industry (%)		
	Dec-21	Sep-22	Dec-22	Dec-21	Sep-22	Dec-22	Dec-21	Sep-22	Dec-22
Total Assets	5,577	6,902	7,229	30.6	41.3	29.6	18.6	20.0	20.2
Deposits	4,211	5,021	5,161	24.2	31.4	22.6	19.4	21.1	22.0
Investments (net)	1,852	2,821	3,051	46.8	105.8	64.8	12.7	15.7	16.6
Financing (net)	2,597	2,985	3,113	38.1	31.7	19.9	25.7	27.0	26.3
Number of Islamic Banking Institutions	22	22	22	-	-	-	-	-	-
Number of Branches*	3,956	4,191	4,396	14.5	14.8	11.1	-	-	-
Number of Islamic Banking Windows	1,442	1,467	1,516	(12.9)	(7.1)	5.1	-	-	-

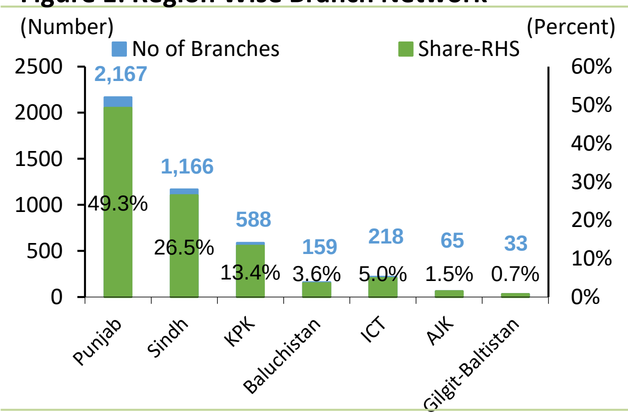
**including sub-branches*

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

Branch Network of Islamic Banking Industry

The network of IBI comprised of 22 Islamic Banking Institutions (IBIs), including 5 full-fledged Islamic Banks (IBs) and 17 Conventional Banks having Islamic Banking Branches (IBBs). During the period under review, the branch network of IBI observed a quarterly expansion of 205 branches and increased to 4,396 branches (spread across 129 districts of the country) by end December, 2022. During CY2022, total 440 branches were added to the branch network of IBI. **Figure-1 shows** concentration of branches in different

Figure 1: Region Wise Branch Network



Source:SBP

regions of Pakistan. The Islamic banking windows (dedicated counters at conventional branches) operated by IBBs were recorded at 1,516 by end December, 2022 (**Annexure I**).

Assets and Liabilities Structure

Assets

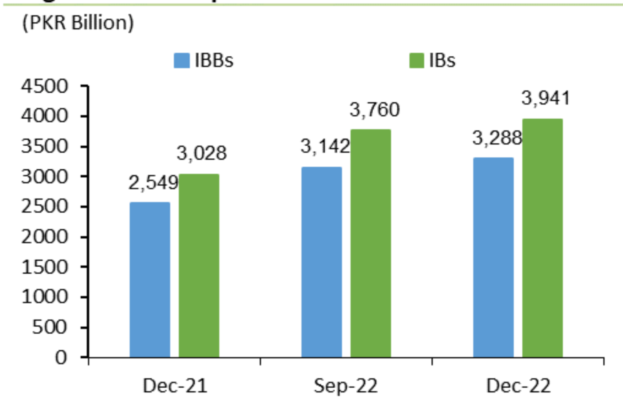
IBI's assets have witnessed a healthy upward trend over the years. This growing course continued during the period under review and assets of IBI up by Rs 327 billion and were recorded at Rs 7,229 billion by end December, 2022. On a yearly basis, assets of IBI enlarged by Rs 1,652 billion, recording a YoY growth of 29.6 percent. It is important to highlight that this is largest ever annual growth in size of assets of IBI in a particular year. Market share of IBI's assets in overall banking assets reached to 20.2 percent by end December, 2022.

The quarterly development in assets was primarily supported by investments (net) that exhibited a quarterly surge of Rs 230 billion. Whereas, financing (net) of IBI experienced a quarterly growth of Rs 128 billion during the period under review. The share of investments (net) and financings (net) in the total assets of IBI stood at 42.2 percent and 43.1 percent, respectively by end December, 2022 (see section below on **Investments** and **Financing and Related Assets** for details).

Breakup of Assets of IBs and IBBs

Analysis of assets of IBI amongst IBs and IBBs reveals that assets of IBs extended by Rs 181 billion during the period under review and stood at Rs 3,941 billion by end December, 2022. In contrast, assets of IBBs grew by Rs 146 billion to reach Rs 3,288 billion by end December, 2022. The share of IBs and IBBs in overall assets of IBI was recorded at 55 percent and 45 percent, respectively by end December, 2022 **(Figure 2)**.

Figure 2: Breakup of Assets



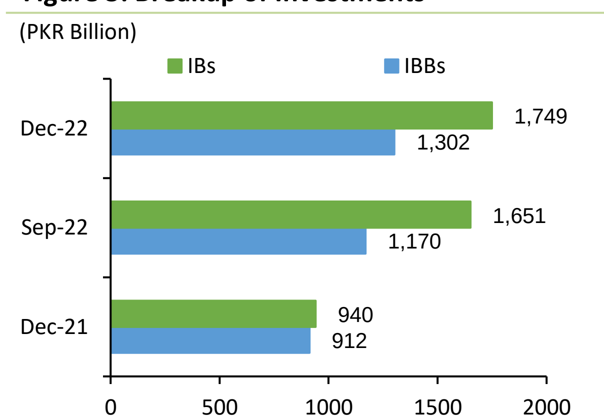
Source: SBP

Investments

Investments (net) of IBI demonstrated a sizeable growth of Rs 230 billion during the period under review and stood at Rs 3,051 billion by end December, 2022. This increase was mainly due to investments made by IBI in Government of Pakistan (GoP) domestic Ijarah Sukuk (GIS) during the period under review.

The breakdown of investments (net) portfolio of IBs and IBBs shows that investments of IBs up by Rs 98 billion during the period under review and were recorded at Rs 1,749 billion by end December, 2022. While, investments of IBBs expanded by Rs 132 billion to reach Rs 1,302 billion by end

Figure 3: Breakup of Investments



Source: SBP

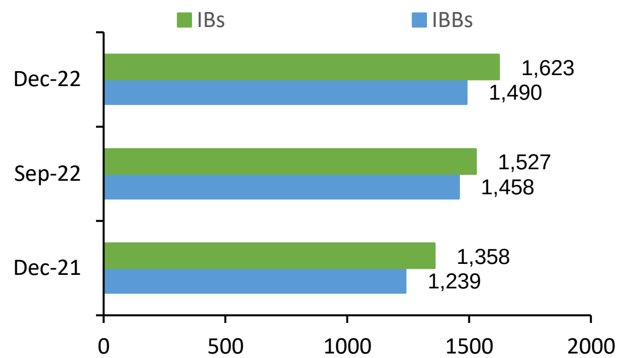
December, 2022. The share of IBs and IBBs in overall investments of IBI was registered at 57.3 percent and 42.7 percent, respectively by end December, 2022 (**Figure-3**).

Financing & Related Assets

During the period under review, financing & related assets (net) of IBI augmented by Rs 128 billion and were recorded at Rs 3,113 billion by end December, 2022. The YoY growth of financing of IBI was recorded at 19.9 percent by end December, 2022. In terms of market share, the portion of financing (net) of IBI in advances of overall banking industry was 26.3 percent by end December, 2022.

Figure 4: Breakup of Financing

(PKR Billion)



Source: SBP

Bifurcation of financing and related assets (net) among IBs and IBBs divulges that financing & related assets (net) of IBs witnessed an increase of Rs 96 billion during the period under review and stood at Rs 1,623 billion by end December, 2022. In contrast, financing portfolio of IBBs raised by Rs 32 billion to reach Rs 1,490 billion by end December, 2022. The share of IBs and IBBs in overall financing of IBI was registered at 52.1 percent and 47.9 percent, respectively by end December, 2022 **(Figure-4)**.

In terms of mode wise financing, the share of Diminishing Musharaka (34.8 percent) remained highest in the overall financing of IBI, followed by Musharaka (25.2 percent) by end December, 2022 (**Table-2**).

Table-2: Mode Wise Financing (Share in %)

Mode	Dec-21	Sep-22	Dec-22
Murabaha	13.6	15.7	12.0
Ijarah	4.4	4.6	4.2
Musharaka	24.9	22.9	25.2
Diminishing Musharakah	33.8	35.2	34.8
Salam	2.0	1.4	1.6
Istisna	8.3	8.4	9.3
Others	13.0	11.8	12.9
Total	**100**	**100**	**100**

Sector wise break-up of financing shows that textile (16.7 percent) and agribusiness (13.7 percent) were two leading sectors in terms of their share in the overall financing of IBI by end December, 2022 (**Table-3**).

Table 3: Sector Wise Financing (Share in %)

	Dec-21	Sep-22	Dec-22	Industry
Chemical and Pharmaceuticals	3.9	4.6	5.1	4.0
Agribusiness	13.9	13.6	13.7	8.5
Textile	16.2	16.4	16.7	16.0
Cement	2.7	2.7	2.5	2.3
Sugar	2.4	2.3	2.6	2.3
Shoes and leather garments	0.4	0.5	0.4	0.4
Automobile and transportation equipment	1.3	1.5	1.5	1.8
Financial	0.2	0.4	1.6	5.2
Insurance	0.0	0.0	0.0	0.0
Electronics and electrical appliances	1.2	1.0	1.0	1.4
Production and transmission of energy	11.0	10.9	10.1	12.8
Individuals	11.2	12.4	11.9	9.6
Others	35.6	33.7	32.9	35.7
Total	**100**	**100**	**100**	**100**

Review of client wise financing portfolio illustrates that the share of corporate sector (69.6 percent) remained highest in overall financing of IBI followed by commodity financing (15.5 percent) and consumer finance (10.4 percent) by end December, 2022. While, the share of SMEs and agriculture financing remained small compared to the overall banking industry's share in financing to these sectors (**Table-4**).

Table-4: Client Wise Financing Portfolio (Share in %)

Segment	Dec-21	Sep-22	Dec-22	Overall Banking Industry
Corporate Sector	68.0	68.8	69.6	71.3
SMEs	2.3	1.8	2.0	4.2
Agriculture	0.8	0.8	0.8	3.5
Consumer Finance	10.6	10.8	10.4	7.1
Commodity Financing	16.7	16.2	15.5	10.0
Others	1.6	1.6	1.7	3.9
Total	**100**	**100**	**100**	**100**

Asset Quality

Key indicators of asset quality including non-performing finances (NPFs) to financing (gross) and net NPFs to net financing, were recorded at 2.6 percent and 0.1 percent, respectively by end December, 2022. Provisions to NPFs ratio was recorded at 96.1 percent by end December, 2022.

Table-5: Assets Quality Ratio (%)

Ratio	Dec-21	Sep-22	Dec-22	Overall Banking Industry
NPFs to Financing (gross)	2.7	2.6	2.6	7.3
Net NPFs to Net Financing	0.3	0.1	0.1	0.8
Provisions to NPFs	90.8	94.4	96.1	89.5

Liabilities

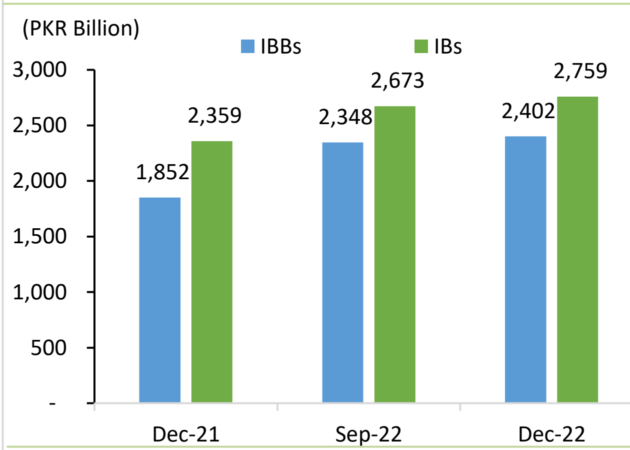
Deposits of IBI have been steadily growing with striking leap over the years. During the period under review, deposits of IBI increased by Rs 140 billion to reach Rs 5,161 billion by end December, 2022. On YoY basis, deposits of IBI increased by Rs 950 billion, registering a growth rate of 22.6 percent. It is pertinent to mention here that this is the highest ever yearly increase in volume of deposits of IBI in a single year. The market share of deposits of IBI in overall banking industry's deposits reached at 22 percent by end December, 2022.

Table-6: Break up of Deposits (Amount in PKR Billion, Growth in %)

Category	Dec-21	Sep-22	Dec-22	Yearly Growth (%)	Quarterly Growth (%)
1. Customers					
Fixed Deposits	667	927	881	32.1	-5.0
Saving Deposits	1,526	1,688	1,839	20.5	8.9
Current Deposits	1,642	1,878	1,925	17.2	2.5
Others	43	81	127	195.3	56.8
Sub-total	**3,878**	**4,574**	**4,772**	**23.1**	**4.3**
2. Financial Institutions					
Remunerative Deposits	316	431	370	17.1	-14.2
Non-remunerative Deposits	17	16	19	11.8	18.8
Sub-total	**333**	**447**	**389**	**16.8**	**-13**
Total (1+2)	**4,211**	**5,021**	**5,161**	**22.6**	**2.8**

Category wise breakup of deposits shows that both saving and current deposits raised by Rs 151 billion and Rs 47 billion, respectively during the period under review. Conversely, fixed deposits and financial institutions deposits dropped by Rs 46 billon and Rs 58 billion, respectively (**Table-6**).

Figure 5: Breakup of Deposits



Source: SBP

Breakup of deposits of between IBs & IBBs demonstrates that deposits of IBs increased by Rs 86 billion to reach Rs 2,759 billion by end December, 2022. In contrast, deposits of IBBs exhibited an addition of Rs 54 billion and were recorded at Rs 2,402 billion by end December, 2022. The share of deposits of IBs and IBBs in overall deposits of IBI was 53.5 percent and 46.5 percent, respectively by end December, 2022 (**Figure-5**).

Liquidity

During the period under review, liquidity ratios i.e., liquid assets to total assets and liquid assets to total deposits further upgraded and were recorded at 41.6 percent and 58.2 percent, respectively by end December, 2022. Likewise, financing to deposit ratio of IBI also rose to 60.3 percent by end December, 2022. It is important to note that like previous quarters, financing to deposits ratio of IBI remained higher than the overall banking industry average (**Table-7**).

Table-7: Liquidity Ratios (%)

Ratios	Dec-21	Sep-22	Dec-22	Overall Banking Industry
Liquid Assets to Total Assets	33.2	40.8	41.6	56.6
Liquid Assets to Total Deposits	44.0	56.1	58.2	86.4
Financing to Deposits (Net)	61.7	59.4	60.3	50.4

Capital

Capital to total assets and capital minus net NPAs to total assets ratios of IBI were registered at 5.9 percent and 5.9 percent, respectively by end December, 2022 (**Table-8**).

Table-8: Capital Ratios (%)

Ratios	Dec-21	Sep-22	Dec-22	Overall Banking Industry
Capital to Total Assets	5.7	5.8	5.9	5.9
(Capital - Net NPAs) to Total Assets	5.5	5.6	5.9	6.1

Profitability

Profit before tax of IBI was registered at Rs 191 billion by end December, 2022. Profitability ratios like return on assets (ROA) and return on equity (ROE) (before tax) stood at 2.9 percent and 51.4 percent, respectively by end December, 2022. During the period under review, operating expense to gross income ratio of IBI shrank to 41.9 percent by end December, 2022 (**Table-9**).

Table-9: Profitability Ratios (%)

Particulars	Dec-21	Sep-22	Dec-22	Overall Banking Industry
Profit before tax (PKR billion)	94.6	124.5	191.0	703.3
ROA before tax	2.0	2.6	2.9	2.1
ROE before tax	32.6	46.4	51.4	35.3
Operating Expense to Gross Income	50.6	44.0	41.9	48.4

Country Model – Republic of Djibouti

i. Introduction

Djibouti is located on the northeast coast of Africa. Djibouti has few natural resources and has limited capacity for agricultural and industrial pursuits. The government continues to focus on financial, telecommunications, and trade-related services, solidifying the country's position as an important regional business and trade hub. According to World Bank's World Economic Outlook report, the real GDP of Djibouti is projected to grow at 5 percent in 2023. Banking accounts for 97 percent of the financial industry in the country while the insurance and microfinance collectively accounts for the three percent.

ii. Regulatory landscape

Following national independence, the Ordinance of December 3, 1977, supplemented by Decree 79030 of April 18, 1979 relating to its statutes, created the National Bank of Djibouti. In 2000, the Bank changed its name to become the Central Bank of Djibouti. An Islamic banking law was passed in Djibouti in 2011, allowing for Islamic financial transactions and the establishment of Islamic banks in the Republic. The Central Bank of Djibouti established the National Shari'ah Committee in 2016 to oversee the Shariah banking sector, and a year later, the Arab Academy for Banking and Financial Sciences opened a branch in the country. The academy had effectively created an Islamic finance training center for future members of the committee and other practitioners in the field.

iii. Islamic Banking and finance

There are 13 banks operating in Djibouti including three Islamic banks i.e., Saba African Bank, Salaam African Bank and East Africa Bank. Saba African Bank was first bank to start Islamic banking operations, even before the promulgation of Islamic banking laws in the country. The three Islamic banks collectively capture a market share of 25.1 percent a jump from 17 percent recorded in 2019 as per IFSB Stability report 2022. The banking industry products are less diversified, providing only Murabaha and Musharaka based products.

iv. Sukuk

Sukuk Market in Djibouti is in its nascent stage. In 2016, the country sought the assistance of the IsDB to design one Sukuk to help facilitate sovereign Sukuk issuances, but there have been no developments in that area since, except for some reported announcements to issue a Sukuk facility. As Djibouti does not have access to international or regional capital markets and has no market for domestic government debt (treasury bills and bonds), it is crucial for the country to develop a domestic Sukuk market.

v. Takaful

Djibouti enacted a Takaful law on June 09, 2012 (adopted in 2014), providing guidelines for the organization and regulation of Takaful. However, there are no Islamic insurance companies active in the country. Its Islamic finance sector predominantly comprises Islamic banking and a smaller Islamic microfinance sector that accounts for less than 1% of the assets of the Shariah banking and finance industry. However, the Djiboutian government plans to promote and grow the Takaful sector in collaboration with its Ministry of Finance by initiating a series of reforms that can spur the Takaful sector through the authorization of dedicated Takaful and microfinance institutions.

vi. Way Forward

While there are strong signs of progress and a clear demand, opportunities to engage in Shariah compliant financial transactions are very limited due to a lack of comprehensive infrastructure to support them. Experts are optimistic, however, given the population's positive perception of Islamic finance and the leadership's strong commitment to the industry, and the potential areas of opportunities in the Shariah compliant landscape aside from banking, such as the Takaful sector.

Sources of Information

World Bank {https://www.imf.org/}
Islamic Finance News {https://www.islamicfinancenews.com/ }
Central Bank of Djibouti {https://banque-centrale.dj/index.php/etablissements-bancaires/}
Islamic Financial Services Board {https://www.ifsb.org/ }
Karabük University {http://acikerisim.karabuk.edu}

Adoption of AAOIFI Shari'ah Standard No. (25): Combination of Contracts

State Bank of Pakistan (SBP), vide IBD Circular No.01 of 2022, has adopted four AAOIFI Shar'iah Standards; (i) No. 10 (Salam and Parallel Salam), (ii) No. 11 (Istisna'a and Parallel Istisna'a), (iii) No. 25 (Combination of Contracts) and (iv) No. 50 (Irrigation Partnership (Musaqat). For the current issue, Standard No. (25): Combination of Contracts is discussed below along with the amendments advised by the Shari'ah Advisory Committee of SBP.

1. Scope of the Standard

This standard covers transaction that comprise more than one contract combined together in one set. The scope of the discussion in this respect covers the definition, forms, controls, characteristics, and concessions relating to the process of Combination of Contracts and explores the characteristics of Muwata'ah and the Shari'ah rulings pertaining thereto. The discussion also embarks on contemporary applications of combined contracts.

2. Concept of Combination of Contracts

2/1 Combination of contracts is a process that takes place between two parties or more, and entails the simultaneous conclusion of more than one contract. Hence, combination of contracts may take any of the following forms:

2/1/1 Combining more than one contract without imposing any of them as a condition in the other, and without prior agreement (Muwata'ah) to do so.

2/1/2 Combining more than one contract while imposing some of them as conditions in the others, without prior agreement to do so.

2/1/3 Combining more than one contract subject to prior agreement (Muwata'ah), but without imposing any of them as a condition in the others.

2/1/4 Agreement to conclude the deal through any of different contractual forms as will be finally decided in the future.

2/2 Forms of combined contracts

2/2/1 Combined contracts may have a single lump sum counter value. For instance, a party may sell his piece of land to the other and simultaneously rents his car to the same party for one month, both against one thousand dinars.

2/2/2 Combined contracts may be concluded for separate values. For instance, one party may sell his house to the other for one thousand dinars, and rent his car to the same party for one hundred dinars per month.

2/2/3 Some of the combined contracts may be stipulated as conditions in the other contracts. One party, for instance, may say to the other party that I will sell you my house for ten thousand dinars, on condition that you undertake to rent the house to me for two years for one thousand dinars per year. The sale of the house in this manner could also be concluded on condition that the buyer of the house undertakes in return to sell his car to the seller for two thousand dinars.

2/2/4 Combined contracts may take the form of an exhaustive contractual statement comprising a number of successive parts and stages, which finally lead to realization of the desire of the two parties to conclude the deal in question. A good example in this regard may be seen in a number of present day financial transactions lie Ijarah Muntahia Bittamleek, Murabahah, and Diminishing Musharakah.

3. **Shari'ah Status of Combination of Contracts**

It is permissible in Shari'ah to combine more than one contract in one set, without imposing one contract as a condition in the other, and provided that each contract is permissible on its own. Combining contracts in this manner is acceptable unless it encounters a Shari'ah restriction that entails its prohibition on exceptional basis.

4. Shari'ah Controls on Combination of Contracts

4/1 Contracts' combining should not include the cases that are explicitly banned by Shari'ah like combing sale and lending in one contract.

4/2 It should not be used as a trick for committing Riba such as agreement between two parties to practice Bay' al-'Inah or Riba al-Fadl.

4/3 It should not be used as an excuse for practicing Riba. The two parties could misuse, for instance, Contracts' Combining when they conclude a lending contract that, at the same time, facilitates some other compensatory gains to them. For example, they-could stipulate in the contract that the borrower should offer accommodation in his house to the lender, or should grant him a present. Contracts' Combining could also be misused by imposing excess repayment in terms of quantity or quality on the borrower. [See Shari'ah Standard No. (14) on Loan (Qard) - item 1/4]

4/4 Combined contracts should not reveal disparity or contradiction with regard to their underlying rulings and ultimate goals. Examples of contradictory contracts include granting an asset to somebody as a gift and selling/leasing it to him simultaneously, or combining Mudarabah with lending the Mudarabah capital to the Mudarib, or currency exchange with Ju'alah, or Salam with Ju'alah for the same contract value, or leasing with selling (i.e. hire-purchase in its traditional form).

5. Shari'ah Concessions for Combination of Contracts

5/1 In principle, the Shari'ah concessions that can be granted to implicit and subsidiary contracts at the time of combining contracts cannot be granted to the same contracts when concluded independently. Here, implicit and subsidiary contracts refer to contractual commitments that are not explicitly embodied in the deal agreement or those which succeed the original commitments of the transaction. The concessions to be granted in this case should be judged in the light of traditions, practice and professional experience, and subjected to clearance by the Shari'ah Supervisory Board of the Institution.

5/2 Concessions granted to implicit and subsidiary contracts comprise relief from the following impermissible acts:

5/2/1. Gharar, which affects financial contracts, may be overlooked in implicit and subsidiary contracts.

5/2/2. Jahalah, which also affects financial contracts, may be ignored with regard to the object of a subsidiary contract.

5/2/3. Sale-based Riba and violation of currency exchange rules (as when spot delivery is ignored in a contract that combines currency exchange with money transfer) are also forgivable in subsidiary and implicit contracts.

5/2/4. Selling of a debt for another debt may be ignored when it comes in the context of a subsidiary contract. A fitting example here is purchasing (on debt) the shares of an indebted company.

5/2/5. Subsidiary and implicit contracts may also relieved from some prerequisites that underline the validity of contracts (such as offer and acceptance) when such relief is dictated by need or desire to achieve a permissible interest.

6. Prior Agreement (Muwata' ah) for Combination of Contracts

6/1 Muwata'ah or Tawatu' in Fiqh terminology has several meanings; most important among which are stated below:

6/1/1. Explicit or implicit intention of the parties to the contract to use a certain trick for practicing Riba through a Shari'ah accepted contractual form.

6/1/2. An unrevealed prior agreement between the two parties to perform a Shari'ah-permissible act or deal for the sake of finding a Shari'ah-accepted exit (acceptable trick).

6/1/3. Coincidence of the intentions of parties to the contract at the stage of preparatory negotiations that precede the signing of the contract as indicated in item (2/2/4) above.

6/2 In Fiqh perception, Muwata'ah for combining contracts has three distinct characteristics:

6/2/1. It is an agreement between two parties to conclude contracts and fulfill pledges in the future.

6/2/2. When Muwata'ah is stipulated as part of the contract it becomes a condition precedent to the conclusion of the contract, and the contract becomes subject to the relevant Shari'ah rulings with regard to permissibility, enforceability, and validity.

6/2/3. Enforceability of Muwata'ah in Shari'ah is similar to enforceability of conditions precedent to the signing of contracts. A condition that precedes the signing of the contract has the same validity and binding nature of the normal conditions of the contract, since the former constitutes the bases of the contract that have been mutually agreed upon between the two parties

6/3 Muwata'ah to combine contracts takes several forms, which may be grouped into the following four types:

6/3/1. Muwata'ah to form up Riba tricks, in which the two parties agree to practice, for instance, Bay' al-'lnah or its reverse, or Bay' al-Wafa' (Bay' al-Raja'), or Riba al-Fadl. In this case, Shari'ah prohibits Muwata'ah and the contract so designed is invalid.

6/3/2. Muwata'ah for Riba excuses is prohibited by Shari'ah whereby the two parties agree to combine a loan with another transaction, or stipulate that the borrower has to present a gdt to the lender, or make excess repayment in terms of quantity or quality.

6/3/2/1. Prohibition of Muwata'ah to use such tricks, which are permissible in principle, should be judged in the light of two conditions:

First, the intention to use the permissible act as a means of concluding a prohibited deal should be obvious and beyond all doubts.

Second, there should be no obvious need or lawful interest that justifies resorting to such a trick.

6/3/3. Muwata'ah for obtaining Shari'ah Exits, which refers to tricks that do not violate Shari'ah rules, or contradict with Shari'ah objectives, or result in any harm to others, is permissible.

6/3/4. Muwata'ah for combining contracts that contradict to or oppose each other is prohibited because it leads to performing of an act that has been strictly banned by Shari'ah. [See item 4/4]

7. Contemporary Applications and General Rules for Combination of Contracts

7/1 One of the most distinguishable forms of contemporary financial transactions is the-contractual arrangements which comprise a number of contracts and pledges that the parties agree beforehand to execute in a specific manner and according to agreed number of successive stages. Such arrangements aim to achieve a given purpose or interest of the parties to the contract such as performing Murabahah on Order of Purchase, Ijarah Muntahia Bittarnleek, or Diminishing Musharakah.

7/2 Muwata'ah, when provided for in the contract and used for combination of contracts, should be observed by, and remain binding to the parties to the contract, subject to permissible commercial and banking conventions. [see item 6/2/2]

7/3 The pledges contained in such combined contract sets are binding to their respective parties.

7/4 These newly devised sets of combined contracts should observe the general rules of Shari'ah with regard to structure, rulings, requirements and conditions in order to be Shari'ah compliant. [see item 5/2]

7/5 These contract sets should also observe the Shari'ah rulings pertaining to combination of contracts, and may make use of the Shari'ah concessions in this respect.

7/6 Failure of any of the parties to combined contracts to honor its contractual commitments gives the other party right of claiming indemnity for the actual injury encountered.

8. Date of Issuance of the Standard

This Standard was issued on 2–7 Rabi' I, 1424 A.H., corresponding to 3–8 May 2003 A.D.

Adaptation 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 a footnote to the clause: *This clause may be read as follows:* ***"Scope of the Standard*** This standard covers transactions that comprise two or more contracts in a single arrangement. The scope of the discussion in this respect covers the definition, forms, controls, characteristics, and concessions relating to the process of Combination of Contracts and explores the

	characteristics of Muwata`ah (prior arrangement/understanding) and the Shari'ah rulings pertaining thereto. The discussion also embarks on contemporary applications of combined contracts."
2/1	The following is added as a footnote to the clause: This clause may be read as follows: "It is a process that takes place between two or more parties, which consists of two or more contracts. The Combination of contracts has following four scenarios:"
2/1/2	The following is added as a footnote to the clause: This clause may be read as follows: "Combining more than one contracts while imposing some of them [i.e. contract(s)] as conditions in the others, without prior agreement to do so."
2/1/4	The following is added as a footnote to the clause: This clause may be read as follows: "Indecisiveness between the two contracts on the same subject matter without absolute confirmation of one contract during contract session."
2/2	The following is added as a footnote to the clause: This clause may be read as follows: "Forms of combined contracts in one transaction"
2/2/1	The following is added as a footnote to the clause: This clause may be read as follows: "Combined contracts are sometimes executed against single consideration like a party may sell his piece of land to other and simultaneously rent a car to the same party for one month, both against one thousand dinars."
2/2/2	The following is added as a footnote to the clause: This clause may be read as follows: "Sometimes the contracts are executed against two separate considerations. For instance, one party may sell his house to the other for one thousand dinars, and rent his car to the same party for one hundred dinars per month."
2/2/3	The following is added as a footnote to the clause: This clause may be read as follows: "Sometimes contracts may be stipulated as a condition in the other contracts. One party, for instance, may say to the other party that I sell you my house for ten thousand dinars, on condition that you rent the house to me for two years for one thousand dinars or on condition that you sell your car to me for two thousand dinars."
2/2/4	The following is added as a footnote to the clause: This clause may be read as follows: "Sometimes Combination of contracts are in contractual arrangements comprising a number of successive parts and stages, in conformity with the system that governs the contracts as a single transaction, targeting towards the achievement of a specific objective intended by the two parties. A good example in this regard may be seen in a number of present day financial transactions like Ijarah Muntahia Bittamleek, Murabaha to the Purchase Orderer, and Diminishing Musharakah."
3	The following is added as a footnote to the clause: This clause may be read as follows: "Shari'ah Ruling of Combination of Contracts It is permissible in Shari'ah to combine more than one contract in one arrangement, without imposing a contract as a condition in the other, and provided that each contract is permissible on its own. Combining contracts in this manner is acceptable unless there is a specific Shari'ah restriction in which case it would be prohibited as an exception."
4/1	The following is added as a footnote to the clause: This clause may be read as follows: "That it should not include the scenarios that are explicitly prohibited by Shari'ah like combining sale and lending in one contract."
4/2	The following is added as a footnote to the clause: This clause may be read as follows: "That it should not be used as a hilah (Stratagem) for Riba

	such as agreement between two parties to practice Bay' al-'Inah or Riba al-Fadl."
4/3	The following is added as a footnote to the clause: This clause may be read as follows: "That it should not be used as means for practicing Riba. For example, combining loan and commutative contract or giving loan to somebody on the condition that the debtor gives accommodation in his house or gives him a gift or pays him with excess in quantity or quality. [See Shari'ah Standard No. (19) on Loan (Qard) – item 4/1]"
4/4	The following is added as a footnote to the clause: This clause may be read as follows: "That it should not be between contradictory or conflicting contracts with regard to their underlying rulings and ultimate goals, like granting an asset to somebody as a gift and selling/leasing it to him simultaneously, or combining Mudarabah with lending the Mudarabah capital to the Mudarib, or bai'-sarf with Ju'alah, or Salam with Ju'alah for the same contract value, or leasing with selling (i.e. hire-purchase in its traditional form)."
5/1	The following is added as a footnote to the clause: This clause may be read as follows: "In principle, some basic conditions of the contracts may be overlooked when these contracts are implicit and ancillary, but not when these are concluded independently or standalone basis. Here, implicit contracts refer to contractual commitments that are implicitly embodied in the contract or those which succeed or precede the original contract in intention or achievement of the desired result. This may be decided in the light of traditions, practices and professionals' experience, subject to clearance by the Shari'ah Supervisory Board of the Institution.
5/2	The following is added as a footnote to the clause: This clause may be read as follows: "Concessions granted to implicit and subsidiary contracts with respect to following five impermissible acts (defects):"
5/2/1	The following is added as a footnote to the clause: This clause may be read as follows: "Gharar, which affects financial commutative contracts, in implicit and subsidiary contracts."
5/2/2	The following is added as a footnote to the clause: This clause may be read as follows: "The Jahalah (ambiguity) which occurs in the subject matter on an ancillary basis in financial commutative contracts."
5/2/3	The following is added as a footnote to the clause: This clause may be read as follows: "Sale-based Riba and non fulfilment of conditions of Bai' Sarf. Like combining between Bai' Sarf and Hawala where absence of possession in Bai' Sarf may be allowed. "
5/2/4	The following is added as a footnote to the clause: This clause may be read as follows: "Bai al kaali bil kaali (Selling of an obligation/debt for another obligation/debt) when it occurs in the secondary context like purchasing the shares of an indebted company on credit.
5/2/5	The following is added as a footnote to the clause: This clause may be read as follows: "Absence of some conditions of the validity at the time of need or outweighing preference like leaving offer and acceptance in implicit sale."
6/1/1	The following is added as a footnote to the clause: This clause may be read as follows: "Explicit or implicit collusion of the two parties to conceal their intention to practice a Riba based stratagem in the permissible (Shari'ah) contracts."
6/1/2	The following is added as a footnote to the clause: This clause may be read as follows: "An unrevealed prior agreement between the two parties to perform a Shari'ah-permissible act or deal for the sake of finding a way out acceptable to

	Shari'ah (acceptable stratagem- (Heela Mahmooda))."
6/1/3	The following is added as a footnote to the clause: This clause may be read as follows: "Harmony between the intentions of parties at the stage of preliminary negotiations that precede the execution of the combined contracts as indicated in item (2/2/4) above."
6/2/1	The following is added as a footnote to the clause: This clause may be read as follows: "It is an agreement between two parties to conclude contracts and to fulfill promises in the future."
6/2/2	The following is added as a footnote to the clause: This clause may be read as follows: "When Muwata`ah is stipulated as part of the contract it becomes a condition precedent to the conclusion of the contract, and the contract becomes subject to the relevant Shari'ah rulings with regard to permissibility, validity and enforceability."
6/2/3	The following is added as a footnote to the clause: This clause may be read as follows: "Enforceability of Muwata`ah in Shari'ah is similar to enforceability of conditions precedent to the signing of contracts. A condition that precedes the signing of the contract has the same validity and binding nature of the normal conditions of the contract, as long as the former constitutes the basis of the contract that have been mutually agreed upon between the two parties."
6/3/1	The following is added as a footnote to the clause: This clause may be read as follows: "Muwata`ah to form up Riba based stratagem, like in which the two parties agree to practice, Bay' al-'Inah or its reverse, or Bay' al-Wafa` (Bay' al-Raja`), or stratagem to Riba al-Fadl, which is impermissible as it leads to the invalidity of the contracts."
6/3/2	The following is added as a footnote to the clause: This clause may be read as follows: "Muwata`ah for Riba based means: like agreement to combine a loan with a commutative contract or where the borrower will present a gift or make excess repayment (on the borrowed amount) in terms of quantity or quality to the lender."
6/3/2/1	The following is added as a footnote to the clause: This clause may be read as follows: "Muwata`ah will make such means impermissible which are allowed in principle, subject to following two conditions: First, as a common customary practice, the use of a permissible act leads to concluding a prohibited deal, and the accusation of the intention of the impermissibility is strong and apparent. Second, that there is no obvious need or preferred/outweighing interest that justifies resorting to such an act."
6/3/3	The following is added as a footnote to the clause: This clause may be read as follows: "Muwata`ah on Shari'ah way-outs is permissible and it refers to acceptable stratagems that do not violate Shari'ah rules, and do not contradict with Shari'ah objectives, and do not lead to absolute or major violation."
6/3/4	The following is added as a footnote to the clause: This clause may be read as follows: "Muwata`ah for combining contracts that contradict to or oppose each other, is prohibited based on the impermissibility of the combination of two or more contracts within which there is contradiction or conflict or repulsion in the implications and consequences because they are means of it. [see item 4/4]"
7/1	The following is added as a footnote to the clause: This clause may be read as follows: "One of the most distinguishable forms of contemporary financial transactions is the contractual arrangements which comprise a number of contracts and promises that the parties agree beforehand to execute in a specific manner and according to agreed number of successive stages. Such arrangements aim to achieve a given purpose or

	interest of the parties to the contract such as performing Murabaha to the Purchase Orderer, Ijarah Muntahia Bittamleek, or Diminishing Musharakah.”
7/3	The following is added as a footnote to the clause: This clause may be read as follows: “The promises contained in such combined sets of contracts are binding on the respective parties.”
7/4	The following is added as a footnote to the clause: This clause may be read as follows: “The contractual arrangements in their formation, rulings, requirements and condition come under the general rules of Shari’ah about the contracts. In this regard, the contractual arrangements will stay as fresh and independent contracts and they will be considered as valid, binding, obligatory as long as they are not against the Shari’ah acceptable rule. [see item 5/2]”
7/5	The following is added as a footnote to the clause: This clause may be read as follows: “The contractual arrangements should also observe the Shari’ah rulings pertaining to combination of contracts. [see clause 4]”
7/6	The following is added as a footnote to the clause: This clause may be read as follows: “It is permissible to avail the Shariah concessions upon the contractual arrangements when these are present in the distinct and independent contracts. [See clause 5]”
7/7	The following is added as a footnote to the clause: This clause may be read as follows: “Failure of any of the parties to combined contracts to honor its contractual commitments gives the aggrieved party right of claiming indemnity for the actual damage.”

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

Source:

1. AAOIFI website
2. IBD Circular No. 01 of 2022

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

A. Events

41st Meeting of the IFSB Council and Side Events

SBP hosted the 41st meeting of the Islamic Financial Services Board (IFSB) on December 15, 2022 in Islamabad, Pakistan. Based in Malaysia, the IFSB is an international standard-setting body of regulatory and supervisory authorities tasked with ensuring soundness and stability of the Islamic financial services industry.

Governor – SBP, Mr. Jameel Ahmad, presided over the meeting in his capacity as the Chairman of the IFSB Council 2022. The meeting was attended by the governors and senior officials of the regulatory and supervisory authorities from across Islamic finance jurisdictions. During this meeting, the IFSB Council held discussions and made various strategic and policy level decisions for IFSB.

Making full use of the opportunity, SBP organized several side events as well, which include two parallel capacity building sessions organized for the banking sector and Islamic capital markets sector. These sessions were facilitated by international trainers and were attended by around 100 market players.

Further, Members and Industry Engagement Session (MIES) was also arranged for the domestic Islamic finance industry on December 14, 2022. The session was participated by CEOs of banks and non-banking financial institutions, asset management companies, brokerage firms and academic institutions. The IFSB Secretary General, Dr. Bello Lawal Danbatta, apprised the participants about the activities of IFSB and benefits available to its members in different membership categories.

A Public Lecture on 'Sustainable Development Goals (SDGs) and Islamic Finance Philosophy: The Way Forward' was hosted was also arranged on December 14, 2022. In a bid to draw the linkage between United Nations' SDGs and Islamic Finance, renowned speakers including Mr. Jameel Ahmad – Governor SBP, Ms. Sima Kamil – Deputy Governor SBP, Dr. Sami Ibrahim Al Suwailem– Chief Economist Islamic Development Bank and Mr. Irfan Siddiqui – Founding President & CEO, Meezan Bank Limited shed insights on the theme.

Fundamentals of Islamic Banking Operations (FIBO)

In collaboration with National Institute of Banking and Finance (NIBAF), IBD-SBP conducted two (02) iterations of Fundamentals of Islamic Banking Operations (FIBO) program during the period under review. These programs were held at Karachi and Lahore during October 10 – 14 and November 07 – 11, 2022, respectively. The FIBO program is a five-day training course aimed to enhance the capacity of both bankers and non-bankers (Shari'ah scholars, academicians, etc.).

Capacity Building Program for Government Officials

To upgrade the capacity levels of government officials, IBD-SBP arranged a capacity building program from October 06 – 07, 2022 at NIBAF, Islamabad. The participants were from several government bodies, including; (i) Ministry of Finance, (ii) Securities and Exchange Commission of Pakistan, (iii) Board of Investment, and (iv) Council of Islamic Ideology. The session aimed at enabling the participants in identifying different forms of Riba and sensitized them on their prohibition. The session also shed light on the Shari'ah-compliant product structures and how they cater to the need of the market without violating any principles of Shari'ah.

Young Islamic Banking Professionals (Y – IBP) Program

IBD-SBP in collaboration with Development Finance Support Department, SBP – BSC, has initiated a series of dedicated awareness sessions on Islamic finance for the students of universities. The half-day sessions aim to introduce young students to the fundamentals of Islamic banking. At the end of each session, a quiz is conducted and around 7 – 10 students are shortlisted for an opportunity to participate free of cost in FIBO and IBBO programs offered by NIBAF. The shortlisted students are also offered 4 – 6 weeks' internship programs at an Islamic bank. During the period under review, seven such sessions were conducted in Karachi, Lahore, Multan, Faisalabad, Larkana, and Lasbela, where more than 1,200 students participated.

Awareness Session for Delegation of Jamia-tul-Madinah, Karachi

At the request of Jamia-tul-Madinah, Karachi, IBD-SBP organized an awareness session at the SBP, Karachi on December 29, 2022. Around 25 students from Jamia-tul-Madinah participated in the session and were apprised about the Islamic banking practices. The students were also briefed about the regulatory framework issued by SBP for Islamic financial institutions. Prominent scholar and Shari'ah Advisor of U Microfinance Bank, Mufti Syed Zahid Siraj also participated in the session as a guest speaker.

Islamic Banking News

I. Local Industry News

41st Council meeting of IFSB concludes in Islamabad

The State Bank of Pakistan (SBP) hosted the 41st Council meeting of the Islamic Financial Services Board (IFSB) on December 15 at Islamabad. The meeting was presided over by the Governor SBP, Jameel Ahmad, who is also the Chairman of the IFSB council for 2022. During this meeting council held discussions and made various strategic and policy level decisions for IFSB. On the occasion, Governor SBP, Jameel Ahmad said that our final destination is to have an inclusive Islamic financial system that meet the Maqasid-e-Shariah (objectives of Shariah) and expectations of stakeholders. While drawing linkage with the public lecture, Jameel Ahmad mentioned that UN Sustainable Development Goals are fully aligned with the Maqasid.
https://www.brecorder.com/

Govt remains committed to eliminate interest-based banking system in Pakistan: Dar

Federal Minister for Finance and Revenue Senator Muhammad Ishaq Dar said the government remains determined to eliminate interest-based system in Pakistan. “Modern banking has become a necessity of life,” said Dar, while addressing a conference titled 'Hurmat e Sood' arranged by the Federation of Pakistan Chambers of Commerce & Industry (FPCCI) in Karachi. “A base has already been established, as Islamic banking, in terms of overall assets and deposits, enjoys a market share of 20% and 21%, respectively.” He further said that a special wing would be set up at the State Bank of Pakistan (SBP) for the promotion of interest-free system.
https://www.brecorder.com/

Faysal Bank becomes full-fledged Islamic bank

The State Bank of Pakistan (SBP) has issued an Islamic banking license to Faysal Bank Limited (FBL) making it the second-largest full-fledged Islamic bank in Pakistan. The conversion of Faysal Bank Limited from the conventional banking system to Shariah-compliant is a unique example not only in Pakistan but worldwide considering its size of assets and operations. Now, Faysal Bank will be the second biggest full-fledged Islamic bank with about 700-branch network. Faysal Bank carries the highest local Shariah rating of SCFR1 by the International Islamic Rating Agency (IIRA) and provides the best and widest range of Shariah-compliant banking products and services to meet their customer’s Halal banking needs with convenience.
https://www.brecorder.com/

IoBM, BankIslami become knowledge partners to promote Islamic finance

Institute of Business Management (IoBM) and BankIslami Pakistan Limited have signed a MoU. According to the MoU, BankIslami will serve as a knowledge partner to facilitate the operations of the Center for Islamic Business and Finance at IoBM. BankIslami will develop marketing content, provide scholarships, facilitate academic research and organize guest speaker sessions at IoBM.
https://www.brecorder.com/

II. International Industry News

Equity capital markets: Remarkable buoyancy despite sinking economic conditions

For the most part, the global Islamic equity capital markets maintained remarkable buoyancy and experienced overall growth over the past year, despite a few brief reversals. Although uncertainties continued throughout the past year alongside persistently high inflation and a supply chain crisis, the global Islamic equity capital markets overcame adversities including the emergence of new variants of COVID-19, high inflation, unpredictable policy direction and other geopolitical factors. According to the IFSB's Islamic Financial Services Industry Stability Report 2022, the first quarter of 2022 was characterized by sell-offs in equity markets due to expectations of a US interest rate hike and worries over rising inflation, with a further sell-off resulting from the military conflict between Russia and Ukraine. However, the market remained generally more stable than expected in the wake of the Russia–Ukraine war, although it continues to be vulnerable to a correction.
https://www.islamicfinancenews.com/

Refinitiv: Global Islamic Finance Industry expected to reach US$5.9trln by 2026

The global Islamic finance industry is expected to reach US$5.9 trillion by 2026 from US$4 trillion in 2021 driven by Islamic banks and Sukuk according to the 2022 Islamic Finance Development Indicator (IFDI) released by Refinitiv, a (LSEG) London Stock Exchange Group Business, and the Islamic Corporation for the Development of the Private Sector (ICD). According to the indicator, Islamic banking currently holds 70 percent of the global Islamic finance industry while Sukuk's grew by 14% in 2021 to US$713 billion. Islamic funds, the third biggest sector, saw standout growth of 34% to US$238 billion worth of assets under management in 2021.
https://www.zawya.com/

World's first Fatwa for carbon credits as Islamic finance commodity

The global Islamic finance industry reached a new milestone with the first-ever Fatwa issued for carbon credits as an enabling commodity for Islamic finance. The Fatwa, a joint effort by the International Islamic Trade Finance Corporation (ITFC) and the newly formed MENA Voluntary Carbon Market (VCM), was announced on the sidelines of the 2022 United Nations Climate Change Conference, commonly known as COP27. With climate change identified as one of the most serious and pressing threats to the world's socio-ecosystems, it is critical to shed more light on Islamic finance's role in mitigating climate change effects, especially given the MENA region's increasing Islamic finance investments. The VCM initiative was launched jointly by the Saudi Public Investment Fund and Saudi Tadawul Group in September 2021, as part of the Kingdom's efforts to reduce the impact of climate change and encourage institutions to reduce their carbon emissions.
https://www.islamicfinancenews.com/

IILM to bolster Sukuk program with new assets as it pursues investor diversification

For almost a decade, the International Islamic Liquidity Management Corporation (IILM) has been at the forefront of enhancing cross-border Shariah liquidity management since its inaugural short-term Sukuk issuance in 2013. The supranational is considering expanding the currency profile of its illustrious short-term Sukuk program beyond US dollar denominated offerings and broadening its asset base to include green assets in a bid to widen its investor pool and support its ESG ambitions. Driven by a significant investor appetite for a greater variety of international short-term Sukuk, the IILM is exploring the potentiality of issuing in another reserve currency, to add another dimension to its Sukuk program which has been solely denominated in the US dollar.
https://www.islamicfinancenews.com/

AAOIFI's new standard aims to strengthen confidence in Islamic capital market

The AAOIFI Governance and Ethics Board (AGEB) has approved the issuance of the exposure draft of a new governance standard that aims to strengthen the confidence of stakeholders in the Islamic finance industry and the Islamic capital market. The drafted standard will introduce principal-based guidance on the Shariah compliance and fiduciary ratings of Sukuk and other Islamic finance instruments. This is expected to improve transparency and ensure the compliance of Islamic finance instruments with standards, regulations and best practices related to Shariah principles, Shariah governance and the fulfillment of fiduciary responsibilities. The standard elaborates on key compliance requirements and methodologies applicable to rating agencies, assessment scope and benchmarked parameters, documentation, archiving and confidentiality, among others.
https://www.islamicfinancenews.com/

III. Articles and Views

Strengthening the green capital market with a sound regulatory framework

Islamic securities or Sukuk have been a significant growth driver for the Islamic capital market. Since the first contemporary version of the financial instrument was issued about three decades ago, Sukuk have seen considerable growth, driven by Muslim countries with well-structured banking systems based on Shariah or Islamic law, particularly Malaysia, Brunei, Saudi Arabia, the UAE, Bahrain, Qatar, Kuwait and Pakistan. The issuance of green Sukuk is also on the rise, given the growing awareness and concern about climate change and socially responsible financing. In 2021, significant activities on green Sukuk were observed in key Sukuk markets. As industries and corporates align their growth objectives with ESG values, green Sukuk will increasingly become mainstream for funding renewable energy and climate change projects.
https://www.islamicfinancenews.com/

COP27: Islamic capital markets can take the lead

The floods in Pakistan and the famine in East Africa bring a greater urgency to the need to address climate change at COP27 [2022 United Nations Climate Change Conference] in Egypt, combined with a renewed focus on achieving the social development goals, as the world emerges from the COVID-19 pandemic with heightened inequality. The fact that COP28 [2023 United Nations Climate Change Conference] next year will also be in a Muslim-majority country (UAE) gives a rare multiyear opportunity for Islamic finance to be at the heart of the financing solutions that are needed to create a fairer, greener world. Green and sustainability Sukuk issuance in the first half of 2022 was US$4.4 billion, following a record issuance of US$6.1 billion in 2021. Yet this is only 4% of total Sukuk issuance (and 1% of total ESG bond issuance), showing there is potentially greater appetite in the market for these products, not least because 54% of investors have already integrated ESG criteria within their Shariah compliant portfolios according to the Refinitiv Green and Sustainability Sukuk Report 2022. It is vital however that the various standards that are developed are consistent and do not create added complexity to a market that can be seen as opaque, thus deterring conventional investors interested in ESG funding or investors in one jurisdiction being deterred from investing in another.
https://www.islamicfinancenews.com/

Secondary markets: Persistent illiquidity challenge

Islamic banks in general are still facing challenges to find Shariah compliant tools to manage their excess liquidity, partly attributed to the lackluster secondary Sukuk markets. Outside Malaysia and Iran, there is a relative lack of liquid, secondary and Sukuk markets among Islamic financial ecosystems, limiting investors from trading Sukuk instruments. The supply–demand gap for Sukuk still persists in most markets due to institutional investors following buy-and-hold strategies for Sukuk investments, which limits liquidity in secondary markets. The continued growth of the primary Sukuk market has the potential to close this gap and improve liquidity in secondary markets over the long term. Bucking the decade-long trend, however, the first six months of 2022 saw global Sukuk offerings declining to US$74.5 billion, from US$93.3 billion in the same period the year before, according to S&P Global Ratings. Despite the challenges presented by the COVID-19 global pandemic that have impacted liquidity flows across the financial markets over the past two years, the IIFM Sukuk Report 2022 pointed out that the ongoing evolution of innovative liquidity management instruments, cross-border expansion and associated engagement by financial regulators and relevant standard-setters in the Islamic finance industry has ensured that the outlook for the future of secondary Sukuk markets is extremely positive.
https://www.islamicfinancenews.com/

Annexure I: Islamic Banking Branch Network

Annexure: I

Islamic Banking Branch Network

(As of December 31, 2022)

Type	Name of Bank	No. of Branches	Windows
Islamic Banks	AlBaraka Bank (Pakistan) Limited	164	-
	BankIslami Pakistan Limited	266	-
	Dubai Islamic Bank Pakistan Limited	210	-
	Meezan Bank Limited	958	-
	MCB Islamic Bank Limited	196	-
	Sub-Total	**1,794**	
Conventional Banks having Standalone Islamic Banking Branches	Allied Bank Limited	117	135
	Askari Bank Limited	117	7
	Bank Al Habib Limited	176	150
	Bank Alfalah Limited	280	-
	Faysal Bank Limited	698	-
	Habib Bank Limited	294	572
	Habib Metropolitan Bank Limited	61	242
	National Bank of Pakistan	188	50
	Silk Bank Limited	27	-
	Sindh Bank Limited	14	13
	Soneri Bank Limited	40	15
	Standard Chartered Bank (Pakistan) Limited	2	38
	Summit Bank Limited	14	35
	The Bank of Khyber	120	-
	The Bank of Punjab	138	40
	United Bank Limited	150	219
	Zarai Taraqiati Bank Limited	5	-
	Sub-Total	2,441	1,516
	Total Full-Fledged Branches and windows	**4,235**	**1,516**
Sub Branches	AlBaraka Bank (Pakistan) Limited	6	-
	Askari Bank Limited	3	-
	Bank Alfalah Limited	5	
	BankIslami Pakistan Limited	110	-
	MCB Islamic Bank Limited	1	
	The Bank of Khyber	5	
	Dubai Islamic Bank Pakistan Limited	25	
	The Bank of Punjab	2	-
	Faysal Bank Limited	2	
	United Bank Limited	2	-
	Total Sub-Branches	**161**	**-**
	Grand Total Branches/Sub-Branches/Windows	**4,396**	**1,516**

Source: Information/Data obtained from different banks

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

Annexure: II

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

(As of December 31, 2022)

Type	Name of Bank	Azad Kashmir	Baluchistan	Federal Capital	Gilgit-Baltistan	Khyber Pakhtunkhwa	Punjab	Sindh	Grand Total
Islamic Banks	AlBaraka Bank (Pakistan) Limited	2	4	7	3	14	92	42	164
	BankIslami Pakistan Limited	5	15	13	5	28	117	83	266
	Dubai Islamic Bank Pakistan Limited	7	5	15	3	10	86	84	210
	Meezan Bank Limited	9	39	40	3	70	517	280	958
	MCB Islamic Bank Limited	2	10	11	1	24	99	49	196
	Sub-Total	**25**	**73**	**86**	**15**	**146**	**911**	**538**	**1,794**
Conventional Banks having Standalone Islamic Banking Branches	Allied Bank Limited	2	4	6	1	12	70	22	117
	Askari Bank Limited	-	3	10	1	19	56	28	117
	Bank Al Habib Limited	1	9	10	1	31	58	66	176
	Bank Alfalah Limited	1	8	21	-	35	160	55	280
	Faysal Bank Limited	11	25	30	7	55	390	180	698
	Habib Bank Limited	9	4	12	2	33	160	74	294
	Habib Metropolitan Bank	1	2	1	-	15	20	22	61
	National Bank of Pakistan	9	4	6	1	40	95	33	188
	Silk Bank Limited	-	1	3	-	4	11	8	27
	Sindh Bank Limited	1	1		-	2	7	3	14
	Soneri Bank Limited	-	1	2	1	11	18	7	40
	Standard Chartered Bank (Pakistan) Limited	-	-	-	-	-	1	1	2
	Summit Bank Limited	-	1	2	2	1	2	6	14
	The Bank of Khyber	-	5	3	-	98	11	3	120
	The Bank of Punjab	3	6	7	2	21	91	8	138
	United Bank Limited	1	5	7	-	52	47	38	150
	Zarai Taraqiati Bank Limited		-	1	-	1	2	1	5
	Sub-Total	**39**	**79**	**121**	**18**	**430**	**1,199**	**555**	**2,441**
	Total Full-Fledged Branches	**64**	**152**	**207**	**33**	**576**	**2,110**	**1,093**	**4,235**
Sub Branches	AlBaraka Bank (Pakistan) Limited	-	-	-	-	-		6	6
	Askari Bank Limited	-	1	-	-	1	1	-	3
	Bank Alfalah Limited			1			2	2	5
	BankIslami Pakistan Limited	1	6	9	-	5	40	49	110
	Dubai Islamic Bank Pakistan Limited	-	-	-	-	-	9	16	25
	MCB Islamic Bank Limited						1		1
	Faysal Bank Limited		-	-	-	-	2	-	2
	The Bank of Khyber	-	-	-	-	5	-	-	5
	The Bank of Punjab	-	-	-	-	-	2	-	2
	United Bank Limited	-	-	1	-	1	-	-	2
	Total Sub-Branches	**1**	**7**	**11**	**0**	**12**	**57**	**73**	**161**
	Grand Total	**65**	**159**	**218**	**33**	**588**	**2,167**	**1,166**	**4,396**

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

Annexure: III

District wise Break-up of Islamic Banking Branch Network
(As of December 31, 2022)

S. No.	Province	District	No. of Branches*	S. No.	Province	District	No. of Branches*
1	Sindh	Badin	3	67	Khyber Pakhtunkhwa	Abbottabad	32
2		Dadu	8	68		Bannu	16
3		Ghotki	5	69		Batagram	6
4		Hyderabad	72	70		Buner	15
5		Jacobabad	5	71		Charsadda	14
6		Jamshoro	6	72		Chitral	10
7		Karachi City	947	73		Dera Ismail Khan	18
8		Kashmore	2	74		Hangu	11
9		Khairpur	6	75		Haripur	18
10		Larkana	9	76		Karak	6
11		Matiari	4	77		Kohat	19
12		Mirpurkhas	14	78		Lakki Marwat	2
13		Naushahro Feroze	8	79		Lower Dir	36
14		Shaheed Benazir Abad	20	80		Malakand	26
15		Sanghar	16	81		Mansehra	24
16		Shikarpur	1	82		Mardan	27
17		Sukkur	20	83		Nowshera	29
18		Shahdadkot	2	84		Peshawar	129
19		Tando Allahyar	4	85		Shangla	8
20		Tando Mohammad Khan	4	86		Swabi	13
21		Thatta	4	87		Swat	75
22		Umer Kot	6	88		Tank	2
Sindh Total			**1,166**	89		Torghar	1
23	Punjab	Attock	30	90		Upper Dir	18
24		Bahawalnagar	32	91		Kohistan	2
25		Bahawalpur	46	92		Bajaur Agency	8
26		Bhakkar	8	93		Khyber Agency	14
27		Chakwal	24	94		Mohmand Agnecy	1
28		Chiniot	9	95		Orakzai Agency	2
29		Dera Ghazi Khan	28	96		Kurram Agency	5
30		Faisalabad	178	97		North Waziristan Agency	1
31		Gujranwala	108	**KPK Total**			**588**
32		Gujrat	84	98	ICT	Islamabad	218
33		Hafizabad	13	**Islamabad Total**			**218**
34		Jhang	18	99	Gilgit-Baltistan	Astore	1
35		Jhelum	25	100		Baltistan	1
36		Kasur	27	101		Ghizer	1
37		Khanewal	37	102		Hunza	1
38		Khushab	11	103		Skardu	6
39		Lahore City	635	104		Diamir	7
40		Layyah	14	105		Gilgit	16
41		Lodhran	6	**Gilgit-Baltistan Total**			**33**
42		Mandi Bahauddin	20	106	Balochistan	Chaghi	4
43		Mianwali	12	107		Duki	1
44		Multan	128	108		Gawadar	8
45		Muzaffargarh	23	109		Harnai	0
46		Nankana Sahib	13	110		Jaffarabad	3
47		Narowal	12	111		Kalat	1
48		Okara	41	112		Kech	2
49		Pakpattan	18	113		Khuzdar	3
50		Rahim Yar Khan	62	114		Kharan	1
51		Rajanpur	10	115		Lasbela	6
52		Rawalpindi	209	116		Loralai	6
53		Sahiwal	46	117		Mastung	1
54		Sargodha	53	118		Noshki	2
55		Sheikhupura	36	119		Nasirabad	2
56		Sialkot	88	120		Panjgur	4
57		Toba Tek Singh	32	121		Pishin	9
58		Vehari	31	122		Qilla Abdullah	8
				123		Qilla Saifullah	7
				124		Quetta	78
				125		Sibi	2
				126		Sohbatpur	1
				127		Turbat	3
Punjab Total			**2,167**	128		Zhob	4
59	Azad Kashmir	Bagh	4	129		Ziarat	3
60		Bhimber	4	**Baluchistan Total**			**159**
61		Dadyal	4				
62		Hattian Bala	1				
63		Kotli	8				
64		Mirpur	23				
65		Muzaffarabad	14				
66		Poonch	7				
Azad Kashmir Total			**65**	**Grand Total**			**4,396**

*including sub-branches