ISLAMIC BANKING BULLETIN

April - June 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) witnessed an all-time high quarterly increase of Rs 836 billion during the quarter April to June, 2022 and crossed six-trillion mark to reach Rs 6,781 billion by end June, 2022. The growth in assets emanated from net investments and financing, which exhibited a quarterly rise of Rs 470 billion and Rs 269 billion, respectively. On the funding side, deposits of IBI also posted a largest quarterly leap of Rs 610 billion during the period under review and were registered at Rs 4,856 billion by end June, 2022. On a year on year (YoY) basis, assets and deposits of IBI were up by 41.4 percent (Rs 1,984 billion) and 27.1 percent (Rs 1,034 billion), respectively by end June, 2022.

Market share of Islamic banking assets and deposits in the overall banking industry stood at 19.5 percent and 20.5 percent, respectively by end June, 2022. While, the market share of financing of IBI in advances of overall banking industry increased to 27.2 percent by end June, 2022 as against 24 percent as of June, 2021 **(Table-1)**.

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

Particulars	Period			Yearly Growth (%)			Share in Overall Banking Industry (%)		
	Jun-21	Mar-22	Jun-22	Jun-21	Mar-22	Jun-22	Jun-21	Mar-22	Jun-22
Assets	4,797	5,945	6,781	32.0	35.5	41.4	17.0	19.4	19.5
Deposits	3,822	4,246	4,856	29.7	22.8	27.1	18.7	20.0	20.5
Investments (net)	1,363	2,202	2,672	51.6	63.7	96.1	9.6	14.3	15.0
Financing (net)	2,118	2,692	2,961	24.7	37.8	39.8	24.0	26.0	27.2
Number of Islamic Banking Institutions	22	22	22	-	-	-	-	-	-
Number of Branches*	3,583	3,983	4,086	9.4	13.7	14.0	-	-	-
Number of Islamic Banking Windows	1,562	1,418	1,463	12.1	(11.1)	(6.3)	-	-	-

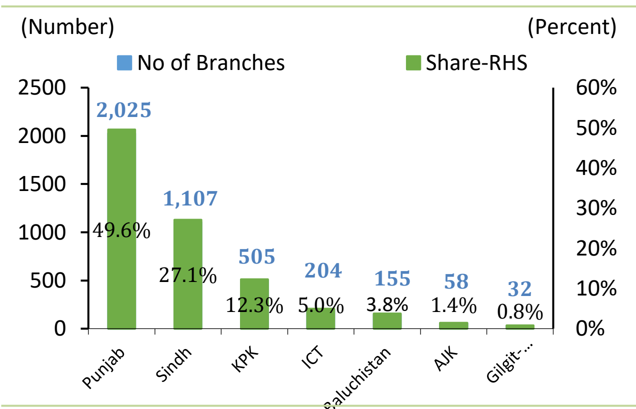
** including sub-branches*

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

Branch Network of Islamic Banking Industry

The composition of IBI remained same with 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, 103 branches were added to the branch network of IBI. Correspondingly, the branch network of IBI crossed four thousand-mark and was recorded at 4,086 (spread across

Figure 1: Region Wise Branch Network



Source:SBP

129 districts of the country) by end June, 2022. **Figure-1** shows concentration of branches in different regions of Pakistan. The number of Islamic banking windows (dedicated counters at conventional branches) operated by IBBs also increased by 45 during the period under review and was recorded at 1,463 by end June, 2022 (**Annexure I**).

Assets and Liabilities Structure

Assets

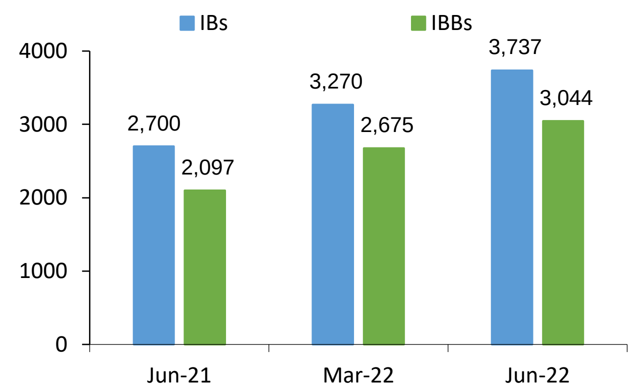
IBI's assets have seen a strong growing trend over the years. This rising path also sustained during the period under review and assets of IBI reflected double-digit growth of 14.1 percent. In terms of amount, the asset base of IBI enlarged by Rs 836 billion and was recorded at Rs 6,781 billion by end June, 2022. It is noteworthy to mention that this is biggest ever increase in assets' size of IBI in a single quarter. The aforesaid growth in assets was mainly due to investments (net), which showed a quarterly rise of Rs 470 billion (21.4 percent). Besides, financing (net) of IBI was also up Rs 269 billion (10 percent) during the period under review. The share of investments (net) and financing (net) in total assets of IBI registered at 44 percent and 39 percent, respectively by end June, 2022 (see section below on **Investments** and **Financing and Related Assets** for details). Market share of IBI's assets in overall banking assets stood at 19.5 percent by end June, 2022.

Breakup of Assets of IBs and IBBs

Breakup of assets among IBs and IBBs shows that the assets of IBs observed a rise of Rs 467 billion (14.3 percent) during the period under review and were registered at Rs 3,737 billion by end June, 2022. Likewise, assets of IBBs experienced a quarterly increase of Rs 369 billion (13.8 percent) to reach Rs 3,044 billion by end June, 2022. In terms of share, IBs and IBBs accounted for 55 percent and 45 percent share, respectively in overall assets of IBI by end June, 2022 (**Figure-2**).

Figure 2: Breakup of Assets

(PKR Billion)



Source: SBP

Investments

Investments (net) of IBI reflected a sizable growth of Rs 470 billion (21.4 percent) during the period under review and touched Rs 2,672 billion by end June, 2022. The main reason behind this increase was deployment of funds by IBI in the Government of Pakistan (GoP) domestic Ijarah Sukuk (GIS). It is pertinent to note that the GoP issued seven GIS amounting Rs 504 billion during the period under review. The review of investments (net) portfolio of IBs and IBBs shows that investments of IBs raised by Rs 364 billion (29.3 percent) during the period under review and were registered at Rs 1,608 billion by end June, 2022. Whilst, investments of IBBs expanded by Rs 106 billion (11.1 percent) to reach Rs 1,064 billion by end June, 2022.

The share of IBs and IBBs in overall investments of IBI stood at 60.2 percent and 39.8 percent, respectively by end June, 2022 (**Figure-3**).

Financing & Related Assets

During the period under review, financing & related assets (net) of IBI recorded a healthy increase of Rs 269 billion (10 percent) and were recorded at Rs 2,961 billion by end June, 2022. Bifurcation of financing and related assets (net) among IBs and IBBs divulges that financing & related assets (net) of IBs witnessed an increase of Rs 125 billion (9.1 percent) during the period under review and stood at Rs 1,494 billion by end June, 2022. In contrast, financing portfolio of IBBs grew by Rs 144 billion (10.9 percent) to reach Rs 1,467 billion by end June, 2022. The share of IBs and IBBs in overall financing of IBI was registered at 50.4 percent and 49.6 percent, respectively by end June, 2022 (**Figure-4**).

As a result of constant growth, the market share of financing of IBI in advances of overall banking industry increased to 27.2 percent by end June, 2022.

In terms of mode wise financing, the share of Diminishing Musharaka (33.9 percent) remained dominant in the overall financing of IBI, followed by Musharaka (22.9 percent) and Murabaha (15.6 percent) by end June, 2022 (**Table-2**).

Figure 3: Breakup of Investments

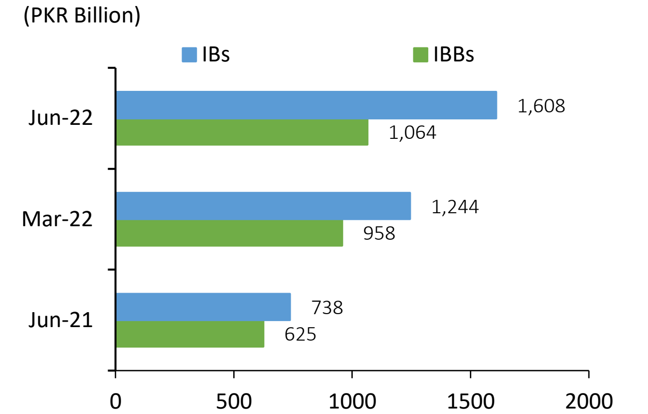
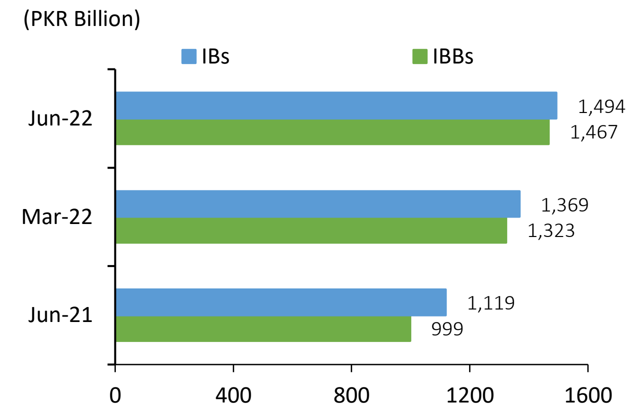


Figure 4: Breakup of Financing



Source: SBP

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

Mode	Jun-21	Mar-22	Jun-22
Murabaha	15.3	13.5	15.6
Ijarah	4.8	4.8	4.7
Musharaka	21.4	21.8	22.9
Diminishing Musharakah	35.0	35.2	33.9
Salam	2.1	2.1	2.1
Istisna	7.6	9.3	8.0
Others	13.8	13.3	12.8
Total	**100**	**100**	**100**

The review of sector wise break-up of financing shows that textile (15.7 percent), agribusiness (13.5 percent) and production & transmission of energy (11.5 percent) were the three major sectors in terms of their share in the overall financing of IBI by end June, 2022 (**Table-3**).

Table-3: Sector Wise Financing (Share in %)

Sector	Jun-21	Mar-22	Jun-22	Overall Banking Industry
Chemical & pharmaceuticals	3.6	4.0	4.3	3.6
Agribusiness	11.3	11.3	13.5	8.5
Textile	13.9	16.4	15.7	15.9
Cement	3.2	2.5	2.2	2.1
Sugar	3.4	4.5	3.5	3.0
Shoes and leather garments	0.5	0.4	0.4	0.4
Automobile & transportation equipment	1.1	1.5	1.5	1.8
Financial	0.2	0.3	0.5	3.3
Electronics & electrical appliances	1.0	1.1	1.1	1.4
Production & transmission of energy	13.6	11.7	11.5	13.0
Individuals	11.1	11.4	12.4	10.3
Others	37.1	34.8	33.4	36.7
Total	**100**	**100**	**100**	**100**

Review of client wise financing portfolio depicts that the share of corporate sector (68 percent) was the highest in the overall financing of IBI followed by commodity financing (16.8 percent) and consumer finance (10.9 percent). On the other hand, the share of SMEs and agriculture financing remained low compared to the overall banking industry's share in financing to these sectors (**Table-4**).

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

Segment	Jun-21	Mar-22	Jun-22	Overall Banking Industry
Corporate Sector	68.8	69.6	68.0	69.8
SMEs	2.6	2.1	1.9	4.1
Agriculture	1.2	1.1	0.8	3.6
Consumer Finance	10.6	11.1	10.9	7.7
Commodity Financing	15.2	14.4	16.8	10.4
Others	1.6	1.7	1.6	4.4
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 0.3 percent, respectively by end June, 2022. Like previous quarters, these ratios remained relatively better than those of overall banking industry averages (**Table-5**).

Table-5: Assets Quality Ratios (%)

Ratio	Jun-21	Mar-22	Jun-22	Overall Banking Industry
NPFs to Financing (gross)	3.3	2.7	2.6	7.5
Net NPFs to Net Financing	0.5	0.3	0.3	0.7
Provisions to NPFs	84.5	90.7	90.5	91.6

Liabilities

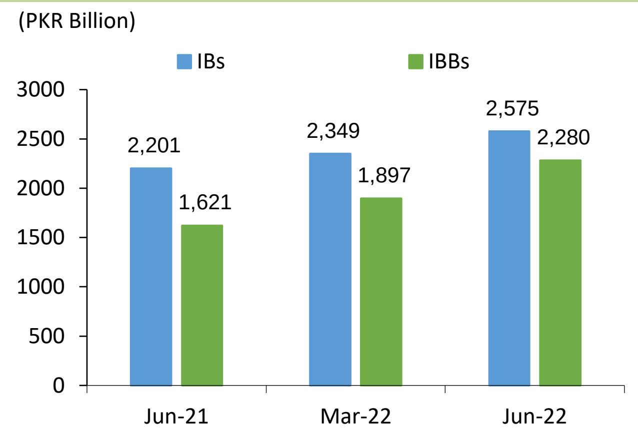
Deposit base of IBI has been consistently rising with significant pace over the years. During the period under review, deposits of IBI reported a double-digit growth of 14.4 percent. In terms of size, deposits of IBI revealed a quarterly rise of Rs 610 billion and were registered at Rs 4,856 billion by end June, 2022. As a result, market share of IBI's deposits in overall banking industry deposits increased to 20.5 percent by end June, 2022 compared to 20 percent in the previous quarter.

Table-6: Break up of Deposits (Amount in PKR Billion, Growth in %)					
Category	**Jun-21**	**Mar-22**	**Jun-22**	**Yearly Growth (%)**	**Quarterly Growth (%)**
1. Customers					
Fixed Deposits	652	673	872	33.7	29.6
Saving Deposits	1,398	1,509	1,621	16.0	7.4
Current Deposits	1,395	1,721	1,892	35.6	9.9
Others	49	45	72	46.9	60.0
Sub-total	**3,494**	**3,947**	**4,456**	**27.5**	**12.9**
2. Financial Institutions					
Remunerative Deposits	316	280	383	21.2	36.8
Non-remunerative Deposits	12	19	17	41.7	(10.5)
Sub-total	**328**	**299**	**400**	**22.0**	**33.8**
Total (1+2)	**3.822**	**4,246**	**4,856**	**27.1**	**14.4**

Category wise breakup of the deposits shows that all major categories of customers' deposits witnessed a considerable growth during the period under review. Fixed deposits, current deposits and saving deposits increased by Rs 199 billion (29.6 percent), Rs 171 billion (9.9 percent) and Rs 112 billion (7.4 percent), respectively. Similarly, deposits of financial institutions surged by Rs 101 billion (33.8 percent) during the period under review (**Table-6**).

Breakup of deposits between IBs & IBBs illustrates that deposits of IBs increased by Rs 226 billion (9.6 percent) to reach Rs 2,575 billion by end June, 2022. In contrast, deposits of IBBs witnessed an addition of Rs 384 billion (20.2 percent) and were recorded at Rs 2,280 billion. The share of IBs and IBBs in deposits of IBI stood at 53 percent and 47 percent, respectively (**Figure-5**).

Figure 5: Breakup of Deposits



Source: SBP

Liquidity

Liquidity ratios have witnessed an upward movement during the last few quarters. In line with this trend, liquid assets to total assets and liquid assets to total deposits ratios further improved during the period under review and were registered at 40.4 percent and 56.4 percent, respectively by end June, 2022. The major reason behind increase in both these ratios can primarily be attributed to investments made by IBI in GIS during the period under review.

Table-7: Liquidity Ratios (%)				
Ratios	**Jun-21**	**Mar-22**	**Jun-22**	**Overall Banking Industry**
Liquid Assets to Total Assets	27.5	36.3	40.4	58.5
Liquid Assets to Total Deposits	34.5	50.8	56.4	86.0
Financing to Deposits (Net)	55.4	63.4	61.0	45.9

Financing to deposits ratio (net) of IBI slightly declined to 61 percent by end June, 2022 mainly due to higher growth in deposits of IBI compared to financing. However, financing to deposits ratio (net) of IBI remained significantly higher than the industry average (**Table-7**).

Capital

The ratios of 'capital to total assets' and 'capital minus net NPAs to total assets' of IBI stood at 5.5 percent and 5.3 percent, respectively by end June, 2022. It is pertinent to mention here that both these ratios were equivalent to corresponding overall banking industry averages (**Table-8**).

Table-8: Capital Ratios (%)

Ratios	Jun-21	Mar-22	Jun-22	Overall Banking Industry
Capital to Total Assets	6.0	5.8	5.5	5.6
(Capital - Net NPAs) to Total Assets	5.7	5.6	5.3	5.3

Profitability

Profit before tax of IBI was registered at Rs 73.4 billion by end June, 2022. Earnings ratios like return on assets (ROA) and return on equity (ROE) (before tax) were recorded at 2.4 percent and 42.6 percent, respectively by end June, 2022. Operating expense to gross income ratio of IBI improved during the period under review and was registered at 46.4 percent by end June, 2022 (**Table-9**).

Table-9: Profitability Ratios (%)

Particulars	Jun-21	Mar-22	Jun-22	Overall Banking Industry
Profit before tax (PKR billion)	42.6	30.9	73.4	300
ROA before tax	1.9	2.1	2.4	1.9
ROE before tax	31.1	37.2	42.6	30.7
Operating Expense to Gross Income	52.3	51.3	46.4	51.1

Country Model: The Kingdom of Morocco

i. Introduction

Morocco, officially the Kingdom of Morocco, is a mountainous country of western North Africa that lies directly across the Strait of Gibraltar from Spain, overlooking the Mediterranean Sea. It is the only monarchy in North Africa. With a population of 37 million, the predominant religion in the country is Islam, however Islamic finance is comparatively novel and developing in the country. According to the International Monetary Fund (IMF), the current GDP growth rate of Morocco is 1.1% (as of April 2022) and is forecasted to grow at 3% by 2025.

ii. Regulatory Environment

The banking sector in Morocco is regulated by Bank Al-Maghrib (BAM), while the capital market is regulated by the Moroccan Capital Market Authority. In 2014, an Islamic Finance Bill was passed while Participatory Finance Law (103-12) was promulgated in favor of Islamic financial sector. Morocco's Higher Council of Ulema (HCU) was created to oversee the conformity of financial products and services to Sharia law. Soon after, in 2017, the Kingdom issued Royal Decrees approving five Islamic financial banks and allowing the operation of Islamic windows, as well as giving the greenlight for Sukuk issuance and Takaful operations.

The government has also published standards and regulatory requirements/circulars in support of Islamic banking, and in 2018 amended its securitization law to accommodate a wider range of Sukuk structures and facilitate the sale of these instruments. In 2021, the Supervisory Authority for Insurance and Social Welfare (ACAPS) introduced Takaful insurance into the Moroccan insurance code.

iii. Islamic Banking and Finance

Moroccan Islamic finance market is relatively new and evolving. Islamic Banking made a debut in the country on 02 January 2017. Bank Al-Maghrib announced the approval of five banks in 2017 to provide Sharia-compliant products and services. Three of the five newly authorised institutions were prominent national banks: Attijariwafa Bank, Banque Centrale Populaire; and private-owned BMCE, Bank of Africa. Two smaller lenders, Credit Immobilier et Hotelier (CIH) Bank in partnership with Qatar International Islamic Bank (QIIB) and Credit Agricole du Maroc (CAM) were also given approval to begin Islamic financial services. Further, Bank Al-Maghrib, has also given approval for the subsidiaries of three leading French banks – to sell Islamic products. Eight banks in Morocco are currently licensed to offer Islamic products; these include 5 participatory banks and 3 Islamic Banking Windows.

The country has made great strides in the past few years to catch up with its peers in the area of Islamic banking, recording exponential growth in 2020 and 2021. The total assets of Islamic banks grew by 52% from September 2020 to September 2021, reported by the Central Bank of Morocco.

iv. Shariah Governance

For Shariah Governance, the Kingdom issued a Royal Decree to set up a specialized committee within the High Council of Ulema (HCU) whose role will be to decide on the compliance with the precepts of Islam of the operations and products of the participatory banks. The committee is called the Shariah Committee for Finance/Central Shariah Board (CSB). The Moroccan legislature has not set rules on the possibility for Moroccan participative banks to set up Shariah boards at their level. However, the Moroccan banking law stipulates that, in order to ensure compliance with the HCU opinions, Moroccan participative banks are required to set up their compliance functions.

v. Sukuk

In 2013, the House of Representatives of the Moroccan Parliament amended the securitisation law to allow the issuance of Ijara Sukuk. Further, in 2018 the law was amended again to accommodate “murabahah, salam, istisnah, mudarabah, wakalah and musharakah” sukuk. The new bill mandated that any prospective sukuk issuers must first obtain approval from HCU for a product and establish a special-purpose vehicle for the issuance. The first issue of Sukuk was worth US$109.28 million and was structured under the Ijarah concept with a tenor of five years. The paper, guaranteed by the government, was exclusively offered to domestic investors and later oversubscribed by US$393.42 million.

vi. Takaful

In July 2017, the government approved a draft decree on Takaful that allows authorities to establish regulatory provisions for Takaful contracts. In August 2019, the House of Councillors approved a law allowing insurance companies to set up Takaful subsidiaries. The circular introducing Takaful insurance into the Moroccan insurance code came into force on 25 October 2021, by the Supervisory Authority for Insurance and Social Welfare (ACAPS). Insurer La Marocaine Vie has launched its subsidiary Al Maghribia Takaful to offer Family Takaful, investment Takaful and General Takaful services in Morocco.

vii. Way forward

While the rapid growth of the Shariah finance industry in Morocco has been promising, especially given the governmental support it has been receiving. The country, however faces many challenges, even as its regulators and authorities accelerate support for the participatory banks and finance industry. The two main factors holding back progress in the sector are the absence of a developed Islamic finance infrastructure and the lack of public awareness. As long as Sharia-compliant services remain on par with their secular alternatives in terms of technology and usability then Islamic banking could help increase investment stability and financial inclusion in Morocco and beyond.

Sources of Information

- Islamic Finance News {https://www.islamicfinancenews.com}
- Website of Moroccan Central Bank Bank Al-Maghrib {https://www.bkam.ma/en}
- International Islamic Financial Market {http://www.iifm.net}
- Supervisory Authority for Insurance and Social Welfare (ACAPS) {https://www.acaps.ma}

Adoption of AAOIFI Shari'ah Standard No. 10: 'Salam and Parallel Salam'

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). These standards will be discussed in detail one by one in four issues of quarterly bulletin.

For the current issue, Standard No. 10 (Salam and Parallel Salam) is discussed below along with the amendments advised by the Shari'ah Advisory Committee of SBP.

1. Scope of the Standard

This standard covers Salam and Parallel Salam transactions, whether the Institution is the buyer or the seller, and issuing Salam Sukuk. This standard does not cover Istisna'a (manufacturing or supplier contract) because the latter is covered by a separate standard.

2. Contract of Salam

2/1. General framework for Salam contracts

2/1/1. It is permissible to initiate through negotiations several Salam contracts (with different parties). Each operation will end at its due date. It is also permissible to draw up a general framework or a master agreement that consists of an understanding to conclude successive Salam contracts, each of which will take place at an appropriate time. In this latter case, the transaction involved shall be concluded on the basis of a memorandum of understanding in which the contracting parties determine the framework of the contract and the intention of the parties to buy and sell. The parties shall also determine the quantity and specifications of the goods, the manner of their delivery, the basis for determining the price, and the manner of payment. The types of guarantees and other prospective arrangements shall also be specified in the memorandum. The execution of each Salam contract may then take place separately at the appropriate date.

2/1/2. If the Salam contract is concluded on the basis of what was initially agreed in the memorandum of understanding, the contents of the memorandum become part and parcel of the contract. This will hold true unless the parties agreed when the contract was concluded to exempt themselves from some of the obligations referred to in the memorandum of understanding.

2/2. Form of a Salam contract

A contract of Salam may be concluded using the word Salam, or Salaf, or sale, or any term that indicates sale of a prescribed commodity for deferred delivery in exchange for immediate payment of the price.

3. Subject Matter of Salam

3/1. Capital of Salam contract and its conditions

3/1/1. It is permissible for the capital of Salam to be in the form of fungible goods (such as wheat and other cereals) in which case the parties must make sure that they do not fall into Riba. The capital may also be items of material value (such as livestock). It is also permissible for it to be in the form of the general usufruct of a particular asset, such as living in a house or having the use of an aircraft or a ship for a certain period. In such a case, when a party is granted access to the usufruct through delivery of the asset, this is regarded as immediate receipt (possession) of the Salam capital.

3/1/2. The capital of Salam should be made known to the two parties in a manner that removes all uncertainty and eliminates the possibility of dispute. In principle, the capital of Salam should be in the form of cash. In this case, the currency of payment, the amount and the manner of payment shall be clearly defined. If the capital of Salam is in the form of fungibles, (1) then the kind, type, specifications and quantity of these shall be clearly defined.

3/1/3. The capital in a Salam contract must be paid immediately at the place where the contract is concluded. However, as an exception to this ruling, payment may be delayed for two or three days at most. Even if such a short delay has been stipulated earlier, this will not affect the Salam contract provided that the period of delay is not equal to or greater than the delivery period for al-Muslam Fihi.

3/1/4. It is not permitted that a debt be recognised as the capital of Salam, such as using as the capital of Salam loans or debts owed by the seller to the Institution as a result of previous transactions.

3/2. Al-Muslam Fihi and its conditions

3/2/1. Salam contracts are permitted for fungible goods, like those that may be weighed, measured or counted, the articles of which do not differ in any significant manner, provided that no Riba ensues.

3/2/2. Among the items for which variations in numbers make no difference are the products of companies that manufacture goods in approximate units that are identified by trademarks, standardised specifications and are regularly and commonly available at any time. However, this rule must be read together with item 3/2/8.

3/2/3. Salam is not permitted for anything specific like “this car”. Nor is it permitted for anything for which the seller may not be held responsible, like land, buildings or trees; or for articles whose values change according to subjective assessment, like jewellery and antiques. Also, it is not permissible to stipulate that al-Muslam Fihi must be from a specific piece of land. However, on the delivery date the seller may present the buyer with whatever items are available (and meet the contract specifications), irrespective of whether such items are from his own fields or factories or elsewhere.

3/2/4. It is not permissible for al-Muslam Fihi to be an amount of currency, gold or silver, if the capital of the Salam contract was paid in the form of currency, gold or silver.

3/2/5. Al-Muslam Fihi must be the kind of article for which a specification may be drawn up so that the seller may be held responsible for its conformity to the specification. It will be sufficient if the specification is explained in a manner that removes uncertainty, except for minor discrepancies that are customarily ignored, considered acceptable, and not usually regarded as grounds for dispute.

3/2/6. It is a requirement that al-Muslam Fihi be clearly known to the contracting parties in a manner that eliminates any possibility of uncertainty or ambiguity. The reference for determining descriptions that are used to specify and identify al-Muslam Fihi is customary practice and the experience of experts.

3/2/7. It is a requirement that the parties know the quantity of al-Muslam Fihi. The quantity of each item is determined according to its condition and nature with regard to weight, measurement, volume and number.

3/2/8. It is a requirement that al-Muslam Fihi be commonly available under normal circumstances at the place where it should be on the delivery date, so that the commodity will be accessible to the seller in order to discharge his obligation by delivering it to the buyer.

3/2/9. It is a requirement that the date of delivery for al-Muslam Fihi be known in a manner that eliminates any uncertainty or ambiguity which may lead to a dispute. There is no Shari'ah objection to the contracting parties setting various dates on which the delivery of al-Muslam Fihi may take place, in instalments, provided the capital of Salam was paid at the time the contract was originally concluded.

3/2/10. In principle, the parties may designate the place at which al-Muslam Fihi is to be delivered. If the parties to the contract do not determine the place of delivery, then the place at which the contract was concluded will be regarded as the place of delivery unless it turns out to be impossible to make delivery to such a place. In that case, the place of delivery should be determined according to customary practice.

3/3. Security for al-Muslam Fihi

Al-Muslam Fihi may be secured by a mortgagee or a guarantee or any other permissible means of securing payment.

4. Changes to al-Muslam Fihi

4/1. Selling al-Muslam Fihi before taking possession

It is not permitted for the buyer to sell al-Muslam Fihi before taking possession of it.

4/2. Replacement of al-Muslam Fihi

It is permissible for the buyer to exchange al-Muslam Fihi for other goods, except currency, after the delivery date falls due, as long as such a substitution was not stipulated in the contract. This rule applies whether or not the substitute is similar in kind to al-Muslam Fihi. This is provided that the substitute is suitable for being exchanged as al-Muslam Fihi for the capital of the Salam contract, and that the market value of the substitute should not be greater than the market value of al-Muslam Fihi at the time of delivery.

4/3. Cancellation (Iqalah) of a Salam contract

It is permissible, when both parties agree, to cancel the entire Salam contract in return for repayment in full of the amount of the capital of Salam. Partial cancellation, that is, cancellation of the delivery of part of al-Muslam Fihi, in return for repayment of a corresponding part of the capital of Salam, is also permissible.

5. Delivery of al-Muslam Fihi

5/1. The seller is under an obligation to deliver al-Muslam Fihi to the buyer on the due date in accordance with the terms of the contract, such as agreed specifications and quantity. The buyer, on the other hand, must accept the goods if they meet the specifications explained in the contract. If the buyer refuses to accept al-Muslam Fihi, he shall be compelled to do so.

5/2. If the seller offers delivered goods of a quality that is superior to that required by the contractual specifications, the buyer must accept the goods, provided that the seller shall not seek a higher price for the better quality. This may be considered one of the ways in which a contract is ethically fulfilled. However, this will apply only if the (inferior) description specified in the contract is not itself deemed vital.

5/3. If the quality of the delivered goods is inferior to that required by the contractual specifications, the buyer is entitled either to reject or to accept the goods in that condition. If he accepts the goods, his action is considered as ethical acceptance. It is also permissible for the two parties to agree to a settlement on terms for acceptance of the goods even at a discounted price.

5/4. It is not permitted for a seller to deliver al-Muslam Fihi in the form of a commodity different from the one agreed upon if the commodity is considered to belong to the same genus as al-Muslam Fihi (e.g., al-Muslam Fihi is corn and the commodity that the seller wants to deliver is wheat). However, the delivery of al-Muslam Fihi in the form of a different type of commodity from that agreed upon may take place only on the basis of the conditions for the replacement of al-Muslam Fihi by other goods. [see item 4/2]

5/5. Delivery of al-Muslam Fihi may take place before the due date, on condition that the goods conform to the agreed specifications and quantities. If the buyer has a valid reason for rejecting the goods, then he will not be compelled to accept them. Otherwise, the buyer will be forced to accept the goods.

5/6. If the seller fails to perform his obligation, owing to insolvency, he should be granted an extension of time for delivery.

5/7. It is not permitted to stipulate a penalty clause in respect of delay in the delivery of al-Muslam Fihi.

5/8. In case all or part of al-Muslam Fihi is not available to the seller on the due date, the buyer shall have the following options:

5/8/1. To wait until al-Muslam Fihi is available.

5/8/2. To cancel the contract and recover the paid capital. It is also permissible for the parties to agree to replacement of al-Muslam Fihi by other goods. [see item 4/2]

6. Parallel Salam

6/1. It is permissible for the seller to enter into a separate, independent Salam contract with a third party in order to acquire goods of a similar specification to those specified in the first Salam contract, so that the first Salam obligation will be discharged by delivering these goods. Hence, the seller in the first Salam contract becomes the buyer in the second Salam contract.

6/2. It is permissible for the buyer to conclude a separate parallel Salam with a third party for the purpose of selling, on the basis of Salam, a commodity whose description corresponds to the description of the commodity to be acquired through the first Salam contract. In this situation, the buyer in the first Salam contract becomes the seller in the second Salam contract.

6/3. In both the two situations mentioned in items 6/1 and 6/2, it is not permissible for the parties to link the obligations under the two Salam contracts together so that the execution of the obligations of one contract is contingent on the outcome of the other. Hence, it is necessary that both the obligations and the rights under the two contracts stand alone in all respects. Therefore, if one party breaches his obligation under the first Salam contract, the other party (the injured party) has no right to relate this damage or loss to the party with whom he concluded a Parallel Salam. Consequently, he has no right on the basis of his loss or damage under the first Salam contract to terminate the second Salam contract or to delay in performing it.

6/4. All the rules of Salam as explained in items 1-5 above are applicable to Parallel Salam as well.

7. Salam Sukuk Issues

It is not permitted to issue tradable Sukuk based on the debt from a Salam contract. [see item (4/1)]

8. Date of Issuance of the Standard

This Shari'ah Standard was issued on 29 Safar 1422 A.H., corresponding to 23 May 2001 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	*This clause may be read as follows:* ***"Scope of the Standard*** *This standard covers Salam and Parallel Salam transactions, whether the institution is the buyer or the seller, but it does not cover Salam Sukuk which will be covered under 5/1/5/3 of the Sukuk Standard. Please see Clause 7 of this standard. Similarly, it does not cover Istisna'a because the latter is covered under a separate standard."*
2/1/1	*This clause may be read as follows: "It is permissible to negotiate execution of various Salam contracts where each transaction will end on its due date. It is also permissible to draw up a general*

	framework or a master agreement that consists of an understanding to conclude successive Salam contracts, each of which will take place at an appropriate time. In the latter case, the transactions shall be concluded on the basis of a memorandum of understanding in which the contracting parties determine the framework of the contract and the intention of the parties to buy and sell. The parties shall also determine the quantity and specifications of the goods, the manner of their delivery, the basis for determining the price, and the mode of payment. The types of guarantees and other prospective arrangements shall also be specified in the memorandum. The execution of each Salam contract may then take place separately on appropriate dates."
2/1/2	*This clause may be read as follows: "When the Salam contract is concluded on the basis of what was initially agreed in the memorandum of understanding, the contents of the memorandum become part and parcel of the contract. This will hold true unless the parties agree as to when thecontract is concluded to exempt themselves from some of the provisions referred to in the memorandum of understanding."*
2/2	*This clause may be read as follows:* ***"Form of a Salam Contract*** *A contract of Salam may be concluded using the word Salam, or Salaf, or sale, or any term that indicates sale of commodity undertaken to be delivered on deferred basis according to accurate specification in exchange for immediate payment of the price."*
3/1	The heading may be read as follows: "**Capital of Salam and its conditions**" Following is added for clarity: *"Capital of Salam means price in a Salam contract".*
3/1/1	This clause may be read as follows: "It is permissible for the capital of Salam to be in the form of tangible goods from the category of Misliyaat (fungible), (such as wheat and other cereals), provided that it does not lead to Riba. The capital of Salam may also be from the items falling under the category of Qeemiyaat (non-fungible), (such as livestock/animals). It is also permissible for it to be in the form of the general usufruct of a particular asset such as living in a house or having the use of an aircraft or a ship for a certain period. In such a case, delivery of the asset whose usufruct has been transacted is regarded as immediate receipt (possession) of the Salam capital."
	Following is added for clarity: *"Misliyaat (fungible): The commodities/goods/things which, if destroyed, can be compensated by similar commodities in quality and quantity e.g. wheat, rice, etc. If 100 kilograms of wheat are destroyed, they can easily be replaced by another 100 kilograms of wheat of the same quality.* *Qeemiyaat (non-fungible): The commodities/goods/things which cannot be compensated by similar commodities like cattle. Each head of sheep, for example, has its own characteristics which cannot be found in any other head. Therefore, if somebody kills the sheep of a person, he cannot compensate him by giving him a similar sheep. Rather, he is required to pay its price."*
3/1/2	This clause may be read as follows: "*The capital of Salam should be made known to the two parties in a manner that removes all uncertainties and eliminates the possibility of dispute. In principle, the capital of Salam should preferably be in the form of cash. In this case, the currency of payment, the amount and the manner of payment shall be clearly defined. If the capital of Salam is in the form of Misliyaat (fungible), then the kind, type, specifications and quantity thereof shall be clearly defined."*

	Following is added for clarity: *"Misliyaat (fungible): The commodities/goods/things which, if destroyed, can be compensated by similar commodities in quality and quantity e.g. wheat, rice, etc. If 100 kilograms of wheat are destroyed, they can easily be replaced by another 100 kilograms of wheat of the same quality."*
3/1/3	This clause may be read as follows: "*The capital in a Salam contract must be paid to and possessed by seller (al-Muslam Ilaihi) immediately at the time of the conclusion of the contract. However, it is permissible to delay the delivery of the capital for two or three days at the most either by stipulation in the contract or otherwise subject to the condition that the period of delay is not equal to or longer than the delivery period for al-Muslam Fihi (subject matter)."*
3/1/4	This clause may be read as follows: *"A debt cannot be the capital of Salam such as cash loans or debts owed by the customer (seller) to the institution (buyer) as a result of previous transactions."*
3/2/1	This clause may be read as follows: *"Salam contracts are permitted for Misliyaat (fungible), like those that may be weighed, measured or counted, the units of which do not differ from each other in any significant manner, provided that it does not lead to Riba."*
3/2/2	This clause may be read as follows: "*Among the closely similar countables, are the items for which variations in units make no difference like the products of companies that manufacture goods in similar units that are identified by trademarks, standardized specifications and are regularly and commonly available at any time, keeping in view the Clause 3/2/8."*
3/2/3	This clause may be read as follows: *"Salam is not permitted for anything identified like "this car". Nor is it permitted for anything that cannot become an unidentified liability (dhimmah), like land, buildings or trees; or for articles that cannot be fully described (such as those whose values change according to subjective assessment) like jewelry and antiques. It is also not permissible to stipulate that it (al-Muslam Fihi (subject matter)) must be from an identified piece of land. On the delivery date the seller may deliver to the buyer the available goods (that meet the contract specifications), irrespective of whether such goods are from his own fields or factories or from elsewhere."*
3/2/4	This clause may be read as follows: *"It is not permissible for al-Muslam Fihi to be gold or silver, if the capital of the Salam contract was paid in the form of gold or silver."*
3/2/5	This clause may be read as follows: *"AI-Muslam Fihi (subject matter) must be capable of being adequately described and capable of becoming an unidentified obligation (dhimmah). It will be sufficient if the specifications are explained in a manner that removes uncertainty, except for minor discrepancies that are customarily ignored, and considered acceptable; hence do not lead to dispute."*
3/2/6	This clause may be read as follows: *"It is a requirement that al-Muslam Fihi (subject matter) be clearly known to the contracting parties in a manner that eliminates any possibility of uncertainty or ambiguity. The method of description of the goods in a fully distinguishable way should be based on customary practice and the experience of the experts."*
3/2/8	This clause may be read as follows: "*It is a requirement that al-Muslam Fihi (subject matter) be commonly available under normal circumstances at the place and time of delivery, so that the seller can discharge his obligation by delivering it to the buyer."*
3/2/10	This clause may be read as follows: *"In principle, the parties should specify the place at which al-Muslam Fihi is to be delivered. However, if the parties to the contract do not determine the place of delivery, then the place at which the contract was concluded will be regarded as the place of*

	delivery unless it turns out to be impossible to make delivery at such a place. In that case, the place of delivery shall be determined according to customary practice."
3/3	This clause may be read as follows: ***"Security for al-Muslam Fihi*** *Al-Muslam Fihi may be secured by a pledge or a guarantee or any other permissible means ofsecurity."*
4/2	This clause may be read as follows: *"Replacement of al-Muslam Fihi (subject matter)* *It is permissible for the buyer to take other/substitute goods instead of al-Muslam Fihi, except currency, after the delivery date falls due, as long as such a substitution was not stipulated in the contract. This rule applies whether or not the substitute is similar in kind to al-Muslam Fihi. This isprovided that the substitute is suitable for being purchased as al-Muslam Fihi for the capital of the Salam contract, and that the market value of the substitute should not be greater than the marketvalue of al-Muslam Fihi at the time of delivery."*
4/3	This clause may be read as follows: **"*Cancellation (Iqalah) of a Salam contract*** *It is permissible, when both parties agree, to cancel the entire Salam contract by returning in full the amount of the Capital of Salam. Partial cancellation, that is, cancellation of the delivery of partof al-Muslam Fihi, by returning corresponding part of capital of Salam, is also permissible."*
5/1	This clause may be read as follows: *"The seller is under an obligation to deliver al-Muslam Fihi to the buyer on the due date in accordance with the terms of the contract, such as agreed specifications and quantity. The buyer, is also obliged to accept the goods if they meet the specifications stipulated in the contract; and he shall be compelled to do so if he refuses to acceptthe same."*
5/2	This clause may be read as follows: *"If the seller offers to deliver goods of a superior quality, the buyer must accept the goods, provided the seller does not demand a higher price for the better quality. This shall be by way of fulfilling one's obligation in a better manner than what is contractually required. However, this will apply only if the (inferior) description specified in the contract is not itself required by the buyer."*
5/3	This clause may be read as follows: *"If the quality of the delivered goods is inferior to that required by the contractual specifications, the buyer is entitled either to reject or to accept the goods in that condition. If he accepts the goods, his action is considered as waiving of right as a goodwill gesture. It is also permissible for the two parties to agree to on a settlement for acceptance of the goods even at a discounted price."*
	Following is added for clarity: *"In case al-Muslam Fihi delivered is of inferior quality, the buyer among other options also has the right of recourse to security to acquire the agreed al-Muslam Fihi from the market."*
5/4	This clause may be read as follows: *"It is not permitted for a seller to deliver al-Muslam Fihi in the form of a commodity different from the one agreed upon even if the commodity belongs to the same genus as al-Muslam Fihi (e.g. al-Muslam Fihi is corn and the commodity that the seller wants to deliver is wheat) unless such a substitution takes place on the basis of the conditions for the replacement of al-Muslam Fihi with other goods (see item 4/2)."*
5/5	This clause may be read as follows: "*Delivery of al-Muslam Fihi may take place before the due date,*

	provided that the goods conform to the agreed specifications and quantities. If the buyer has a valid reason for rejecting the goods, then he will not be compelled to accept them. Otherwise, the buyer is obliged to accept the goods."
5/6	This clause may be read as follows: "*The buyer may add a Clause in the Salam contract that if theseller delays the delivery of al-Muslam Fihi, charity may apply on the seller."*
5/8	This clause may be read as follows: *"In case all or part of al-Muslam Fihi is not available to theseller on the due date in the market, the buyer shall have the following options:"*
5/8/1	This clause may be read as follows: *"To wait until al-Muslam Fihi is available in the market."*
6/3	This clause may be read as follows: *"In both the two situations mentioned in Clauses 6/1 and 6/2, it is not permissible for the parties to link the obligations under the two Salam contracts together so that the execution of the obligations of one contract is contingent on the outcome of the other. Hence, it is necessary that both the obligations and the rights under the two contracts stand alone in all respects. Therefore, if one party breaches his obligation under the first Salam contract, the other party (the injured party) has no right to transfer this damage or loss to the party with whom a parallel Salam has been concluded and hence he has no right to terminate the second Salam contract or delay in carrying it on."*
7	This clause may be read as follows: ***"Issuance of Salam Sukuk*** *It is not permitted to issue tradable Salam Sukuk. [see item (4/1)]"*
	Following is added for clarity*: "This Clause may be read with IBD Circular Number 3 of 2013 (Adoption of AAOIFI Shariah Standard No. 17 on 'Investment Sukuk') and any amendments therein as notified from time to time."*

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

IFSB Annual Meetings 2022

The State Bank of Pakistan (SBP) hosted the 40th Council Meeting and 20th General Assembly of the Islamic Financial Services Board (IFSB) on June 9, 2022. These virtual meetings were chaired by the Acting Governor, SBP Dr. Murtaza Syed and attended by distinguished leaders consisting of Central Bank Governors across the Islamic countries. Speaking on the occasion, Dr. Murtaza Syed, Governor (A) SBP said that he felt deeply honored to host the IFSB Annual Meetings for the first time in Pakistan. As a side event, SBP also facilitated IFSB for an Industry Engagement Session on June 10, 2022.

10th Meeting of the UK-IFC Working Group – Pakistan Chapter

United Kingdom–International Finance Corporation **(**UK-IFC) Working Group – Pakistan Chapter was set up representing leading local commercial banks and the officials of UK-IFC in October 2020. In its 10th and the final meeting held on June 1, 2022, the Working Group had a recap of the developments taken place during the last 18 months. Director-IBD, SBP, as the Chairman of the Working Group encouraged the local industry players to capitalize on the exposure gained and work for advancement of sustainable banking in the country.

The Working Group worked on various initiatives, which inter alia included carrying out a comprehensive survey to gauge the current state of the local industry with respect to its penetration in sustainable finance, conducting capacity building programs for the local industry, prioritization of Sustainable Development Goals (SDGs) and development of a comprehensive country report on sustainable banking landscape of Pakistan. The report was launched by former Governor, SBP, Dr. Reza Baqir in a ceremony held on March 23, 2022 at Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates.

Fundamentals of Islamic Banking Operations (FIBO)

IBD, SBP in collaboration with National Institute of Banking and Finance (NIBAF), conducted an online iteration of ‘Fundamentals of Islamic Banking (FIBO)’ program for the participants from Multan during May 16 – 20, 2022. The FIBO program was aimed to enhance the capacity of the industry professionals, Shariah scholars, academia, etc.

Customized Capacity Building Programs for Shariah Scholars of the industry

To upgrade the capacity levels of Shariah scholars serving the industry, a two-day program titled ‘Shariah Non-Compliance Risk (SNCR) Management’ was held during May 10 – 11, 2022 in Karachi. Further, a two-day workshop for capacity building of the Islamic banking industry in the area of ‘Islamic Capital Markets’ was also conducted during June 2 –3, 2022 in Karachi.

Awareness Sessions for University Students

To promote awareness about Islamic banking & finance among the youth, IBD-SBP conducted an awareness session for students at Bahauddin Zakaria University, Multan on April 27, 2022.

B. Developments

SBP issued Circular No. 01 of 2022 on adoption of AAOIFI Shariah Standards

To further strengthen Shariah compliance framework and harmonize the Shariah practices in Islamic banking industry, SBP issued IBD Circular No. 1 of 2022 for the adoption of AAOIFI Shariah Standards No. 10, 11, 25 and 50 pertaining to Salam and Parallel Salam, Istisna'a and Parallel Istisna'a, Combination of Contracts and Irrigation Partnership (Musaqat), respectively with immediate effect subject to clarifications/amendments as defined in the Circular. The adoption of the Standards is in addition to current regulations, other instructions and directives issued by SBP from time to time.

Islamic Banking News

Islamic banks to outpace conventional ones

The banking sector is on the rise in Pakistan, but Shariah-compliant banks are leapfrogging and set to outpace the conventional banks in the coming years, as more banks are anticipated to apply for Islamic banking licences. The Shariah-compliant banks are not only progressing at a faster pace because there is huge demand for interest-free banking, but also "Islamic banking institutions in Pakistan are more profitable than their conventional counterparts and their loan performance is better," Moody's Investors Service said in a commentary titled "Pakistan's Islamic banking industry continues its strong growth trajectory".

https://tribune.com.pk/

Government push to aid Pakistan Islamic finance growth

The Islamic finance industry in Pakistan is expected to continue its growth trajectory over the medium term, driven by strong government push and steadily rising public demand for Islamic products. The size of the Pakistani Islamic finance industry is estimated to have crossed USD42 billion at end-1Q22. Islamic banks are the largest contributor to the Islamic finance industry at 67% (total assets), followed by Sukuk at 26% (outstanding amount), Islamic funds at 6% (total assets) and takaful at 1% (total contributions). Fitch expects sovereign sukuk issuance to rise on the back of high gross financing needs. In 2021, the government set a target of increasing the share of sharia-compliant instrument in government securities to at least 10% by end of 2022- 2023. Pakistan's sukuk market is developing with outstanding volumes of USD 11 billion at end-1Q22, with 82% in local currency. Also, guidelines on issuing green sukuk and bonds were issued in 2021 by the Securities and Exchange Commission of Pakistan.

https://www.fitchratings.com/

IsDBI and IICPSD Launch Pioneering Online Course on Islamic Finance for SDGs

The Islamic Development Bank Institute (IsDBI) and the UNDP Istanbul International Center for Private Sector in Development (IICPSD) have launched a new Massive Open Online Course (MOOC) on Islamic Finance for the Sustainable Development Goals (SDGs). The launching ceremony was held during the 16th

IsDB Global Forum on Islamic Finance, held on 2 June 2022 on the sidelines of the 2022 IsDB Group Annual Meetings Sharm El Sheikh, Egypt. IsDBI and IICPSD developed the MOOC through a partnership with Durham University Business School, with the support of the IsDB's Science, Technology and Innovation (STI) Fund. The launching was performed in the presence of Dr. Sami Al-Suwailem, Acting Director General of IsDBI, and IICPSD's Director Mr. Sahba Sobhani.
https://www.isdb.org/

IIFM plans to develop new standards relating to Islamic syndication and liquidity management

The Board of Directors of the International Islamic Financial Market (IIFM) held its forty-sixth (46th) meeting (virtually) to discuss the Islamic finance standard-setting body's new standardization and industry development initiatives. IIFM has formed a Syndication Standardization Core Working Group consisting of leading institutions from key jurisdictions to finalize the consultation paper which will be deliberated upon at the IIFM industry consultation meeting planned to take place during Q3 2022. Based on the meeting recommendations, IIFM may commence the standardization initiative. The Board assessed the growing need for developing an additional Islamic liquidity management tool and approved the formation of a global working group and to organize an industry consultation meeting in 2022 so that actual development work may commence based on the recommendations from the market.
https://www.zawya.com/

Mobiquity launches global digital Islamic Banking prototype

Mobiquity, part of Hexaware, a full-service digital transformation enabler, launches a global digital Islamic banking MVP (minimum viable product) for the Muslim community. The Shariah-compliant demo – front-end solution- enables financial institu-tions to enhance their offerings and deliver personalized, ethical digital Islamic banking to their customers. Focusing on a Murabaha car finance, the application is core banking platform agnostic and can be integrated and extended with any of the bank's systems. With approximately 1.9 billion Muslims in the world today, access to Islamic finance is an essential part of daily life. The Islamic fintech market is expected to reach £128 billion by 2025 according to the 2021 Global Islamic Fintech (GIF) Report. Mobiquity recognizes the potential to evolve and serve the Islamic finance sector, by provisioning for Islamic banking – particularly in the Middle East, Asia, Africa and parts of Europe where there is a strong Islamic community.
https://ffnews.com/

Annexure I: Islamic Banking Branch Network

Type	Name of Bank	No. of Branches	Windows
	Islamic Banking Branch Network (As of June 30, 2022)		
Islamic Banks	AlBaraka Bank (Pakistan) Limited	166	-
	BankIslami Pakistan Limited	235	-
	Dubai Islamic Bank Pakistan Limited	210	-
	Meezan Bank Limited	931	-
	MCB Islamic Bank Limited	176	-
	Sub-Total	**1,718**	
Conventional Banks having Standalone Islamic Banking Branches	Allied Bank Limited	117	135
	Askari Bank Limited	102	7
	Bank Al Habib Limited	154	145
	Bank Alfalah Limited	253	-
	Faysal Bank Limited	626	3
	Habib Bank Limited	275	572
	Habib Metropolitan Bank Limited	52	221
	National Bank of Pakistan	187	15
	Silk Bank Limited	27	-
	Sindh Bank Limited	14	13
	Soneri Bank Limited	35	15
	Standard Chartered Bank (Pakistan) Limited	2	39
	Summit Bank Limited	14	35
	The Bank of Khyber	110	39
	The Bank of Punjab	118	31
	United Bank Limited	117	193
	Zarai Taraqiati Bank Limited	5	-
	Sub-Total	**2,208**	**1,463**
	Total Full-Fledged Branches and windows	**3,926**	**1,463**
Sub Branches	AlBaraka Bank (Pakistan) Limited	6	-
	Askari Bank Limited	3	-
	Bank Alfalah Limited	1	
	BankIslami Pakistan Limited	113	-
	MCB Islamic Bank Limited	1	
	The Bank of Khyber	4	
	Dubai Islamic Bank Pakistan Limited	25	
	The Bank of Punjab	2	-
	Faysal Bank Limited	2	
	Habib Bank Limited	1	-
	United Bank Limited	2	-
	Total Sub-Branches	**160**	**-**
	Grand Total Branches/Sub-Branches/Windows	**4,086**	**1,463**

Source: Information/Data obtained from different banks

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

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

(As of June 30, 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	93	43	166
	BankIslami Pakistan Limited	4	14	10	4	24	100	79	235
	Dubai Islamic Bank Pakistan Limited	7	5	15	3	10	86	84	210
	Meezan Bank Limited	9	39	40	3	68	499	273	931
	MCB Islamic Bank Limited	2	10	10	1	18	88	47	176
	Sub-Total	**24**	**72**	**82**	**14**	**134**	**866**	**526**	**1,718**
Conventional Banks having Standalone Islamic Banking Branches	Allied Bank Limited	2	4	6	1	12	69	23	117
	Askari Bank Limited	-	3	9	1	15	50	24	102
	Bank Al Habib Limited	1	8	10	1	29	48	57	154
	Bank Alfalah Limited	1	7	17	-	29	146	53	253
	Faysal Bank Limited	8	24	26	7	51	353	157	626
	Habib Bank Limited	8	4	12	2	29	150	70	275
	Habib Metropolitan Bank	1	1	1	-	13	17	19	52
	National Bank of Pakistan	9	4	6	1	40	94	33	187
	Silk Bank Limited	-	1	3	-	4	11	8	27
	Sindh Bank Limited	1	1		-	2	7	3	14
	Soneri Bank Limited	-	1	2	1	9	15	7	35
	Standard Chartered Bank (Pakistan) Limited	-	-	-	-	-	1	1	2
	Summit Bank Limited	-	1	2	2	1	2	6	14
	The Bank of Khyber	-	6	3	-	88	10	3	110
	The Bank of Punjab	1	6	6	2	18	81	4	118
	United Bank Limited	1	5	7	-	19	47	38	117
	Zarai Taraqiati Bank Limited		-	1	-	1	2	1	5
	Sub-Total	**33**	**76**	**111**	**18**	**360**	**1,103**	**507**	**2,208**
	Total Full-Fledged Branches	**57**	**148**	**193**	**32**	**494**	**1,969**	**1,033**	**3,926**
Sub Branches	AlBaraka Bank (Pakistan) Limited	-	-	-	-	-		6	6
	Askari Bank Limited	-	1	-	-	1	1	-	3
	Bank Alfalah Limited			1					
	BankIslami Pakistan Limited	1	6	9	-	5	41	51	113
	Dubai Islamic Bank Pakistan Limited	-	-	-	-	-	9	16	25
	MCB Islamic Bank Limited						1		
	Faysal Bank Limited		-	-	-	-	2	-	1
	Habib Bank Limited	-	-	-	-	-	-	1	2
	The Bank of Khyber	-	-	-	-	4	-	-	3
	The Bank of Punjab	-	-	-	-	-	2	-	2
	United Bank Limited	-	-	1	-	1	-	-	2
	Total Sub-Branches	**1**	**7**	**11**	**0**	**11**	**56**	**74**	**160**
	Grand Total	**58**	**155**	**204**	**32**	**505**	**2,025**	**1,107**	**4,086**

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

District wise Break-up of Islamic Banking Branch Network

(As of June 30, 2022)

S. No.	Province	District	No. of Branches*	S. No.	Province	District	No. of Branches*
1	Sindh	Badin	3	67	Khyber Pakhtunkhwa	Abbottabad	30
2		Dadu	8	68		Bannu	14
3		Ghotki	5	69		Batagram	3
4		Hyderabad	67	70		Buner	9
5		Jacobabad	5	71		Charsadda	12
6		Jamshoro	4	72		Chitral	8
7		Karachi City	904	73		Dera Ismail Khan	18
8		Kashmore	2	74		Hangu	10
9		Khairpur	5	75		Haripur	17
10		Larkana	9	76		Karak	5
11		Matiari	4	77		Kohat	17
12		Mirpurkhas	14	78		Lakki Marwat	1
13		Naushahro Feroze	6	79		Lower Dir	25
14		Shaheed Benazir Abad	19	80		Malakand	21
15		Sanghar	14	81		Mansehra	21
16		Shikarpur	1	82		Mardan	25
17		Sukkur	20	83		Nowshera	27
18		Shahdadkot	2	84		Peshawar	127
19		Tando Allahyar	4	85		Shangla	7
20		Tando Mohammad Khan	3	86		Swabi	12
21		Thatta	3	87		Swat	52
22		Umer Kot	5	88		Tank	2
Sindh Total			**1,107**	89		Torghar	1
23	Punjab	Attock	28	90		Upper Dir	12
24		Bahawalnagar	30	91		Kohistan	2
25		Bahawalpur	39	92		Bajaur Agency	6
26		Bhakkar	7	93		Khyber Agency	12
27		Chakwal	23	94		Mohmand Agnecy	1
28		Chiniot	8	95		Orakzai Agency	2
29		Dera Ghazi Khan	27	96		Kurram Agency	5
30		Faisalabad	164	97		North Waziristan Agency	1
31		Gujranwala	98	**KPK Total**			**505**
32		Gujrat	78	98	ICT	Islamabad	204
33		Hafizabad	11	**Islamabad Total**			**204**
34		Jhang	18	99	Gilgit-Baltistan	Astore	1
35		Jhelum	22	100		Baltistan	1
36		Kasur	24	101		Ghizer	1
37		Khanewal	36	102		Hunza	1
38		Khushab	9	103		Skardu	6
39		Lahore City	618	104		Diamir	7
40		Layyah	12	105		Gilgit	15
41		Lodhran	5	**Gilgit-Baltistan Total**			**32**
42		Mandi Bahauddin	18	106	Balochistan	Chaghi	3
43		Mianwali	11	107		Duki	1
44		Multan	118	108		Gawadar	8
45		Muzaffargarh	22	109		Harnai	1
46		Nankana Sahib	11	110		Jaffarabad	3
47		Narowal	10	111		Kalat	1
48		Okara	35	112		Kech	2
49		Pakpattan	17	113		Khuzdar	3
50		Rahim Yar Khan	56	114		Kharan	1
51		Rajanpur	8	115		Lasbela	6
52		Rawalpindi	197	116		Loralai	6
53		Sahiwal	44	117		Mastung	1
54		Sargodha	49	118		Noshki	2
55		Sheikhupura	34	119		Nasirabad	2
56		Sialkot	78	120		Panjgur	3
57		Toba Tek Singh	30	121		Pishin	9
58		Vehari	30	122		Qilla Abdullah	8
Punjab Total			**2,025**	123		Qilla Saifullah	7
59	Azad Kashmir	Bagh	4	124		Quetta	75
60		Bhimber	2	125		Sibi	2
61		Dadyal	4	126		Sohbatpur	1
62		Hattian Bala	1	127		Turbat	3
63		Kotli	7	128		Zhob	4
64		Mirpur	22	129		Ziarat	3
65		Muzaffarabad	13	**Baluchistan Total**			**155**
66		Poonch	5				
Azad Kashmir Total			**58**	**Grand Total**			**4,086**

*including sub-branches