July-September 2024

# Quarterly Islamic Banking Bulletin


Islamic Finance Policy Department

State Bank of Pakistan

## TABLE OF CONTENTS

## PROGRESS & MARKET SHARE OF ISLAMIC BANKING INDUSTRY

### OVERVIEW

Assets of Islamic Banking Industry rose by PKR 192 billion from quarter ending June, 2024, and reached to PKR 9,881 billion by end of September 2024. Likewise, deposits maintained an upward trajectory, and increased by PKR 233 billion during the period to reach at PKR 7,596 billion. The year on year (YoY) growth of assets and deposits of the industry was registered at 17.4 percent and 23.3 percent, respectively. Financing (net) showed a modest yearly growth of 7.5 percent and reached to PKR 3,252 billion, whereas investments (net) increased by 22.3 percent to PKR 4,803 billion by quarter end.

With respect to market share, assets and deposits of Islamic Banking Industry in the overall banking industry stood at 19.0 percent and 23.2 percent, respectively showing slight improvement from the previous quarter. The market share of financing (net) and investment (net) of Islamic Banking in the overall banking industry stood at 27.3 percent and 15.2 percent, respectively by the end of September, 2024. The number of Islamic branches increased to 5,333, with a YoY growth of 14.3 percent, while, Islamic Banking Windows (IBWs) increased to 2,170, portraying YoY growth of 14.6 percent.

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

| Particulars | Islamic Banking Industry Progress | | | Growth (YoY) | | | Share in Overall Banking Industry (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sep-23 | Jun-24 | Sep-24 | Sep-23 | Jun-24 | Sep-24 | Sep-23 | Jun-24 | Sep-24 |
| Assets | 8,416 | 9,689 | 9,881 | 21.9 | 19.4 | 17.4 | 19.6 | 18.8 | 19.0 |
| Deposits | 6,160 | 7,363 | 7,596 | 22.7 | 25.4 | 23.3 | 22.5 | 22.7 | 23.2 |
| Investments (net) | 3,928 | 4,489 | 4,803 | 39.2 | 29.3 | 22.3 | 16.9 | 14.5 | 15.2 |
| Financing (net) | 3,026 | 3,449 | 3,252 | 1.4 | 3.8 | 7.5 | 26.1 | 28.6 | 27.3 |
| Number of Islamic Banking Institutions | 22 | 22 | 22 | - | - | - | - | - | - |
| Number of Branches | 4,666 | 5,196 | 5,333 | 11.3 | 14.6 | 14.3 | - | - | - |
| Number of Islamic Banking Windows | 1,893 | 2,066 | 2,170 | 29.0 | 12.6 | 14.6 | - | - | - |

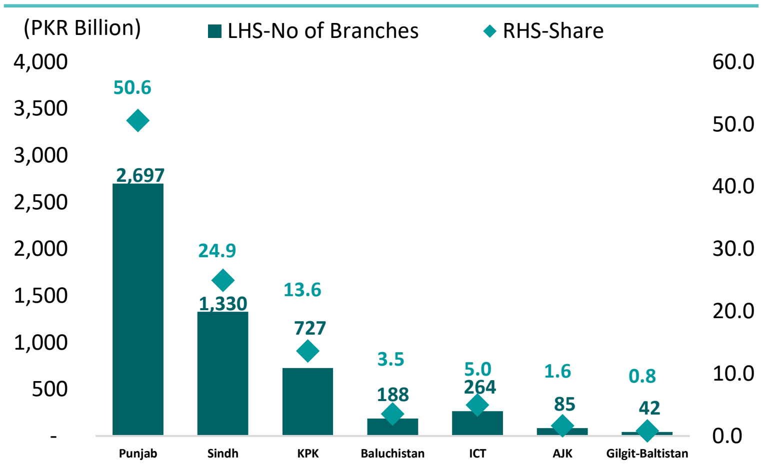
**number includes sub-branches*

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

### BRANCH NETWORK OF ISLAMIC BANKING INDUSTRY

Islamic Banking Institutions (IBIs) includes 22 banks, comprising of 6 full-fledged Islamic banks and 16 conventional banks having standalone Islamic Banking Branches (IBBs). IBIs branch network has shown a quarterly growth of 2.6 percent with the addition of 137 branches. With the inclusion of these branches, the branch network increased to 5,333. **Figure 1** depicts the geographical distribution of branches. IBBs

**Figure 1: Region Wise Branch Network**




Source: SBP

operating in 131 districts across Pakistan. In addition to that, 2,170 IBWs have been operating across the country by end of September, 2024.

## ASSETS AND LIABILITIES STRUCTURE

### ASSETS

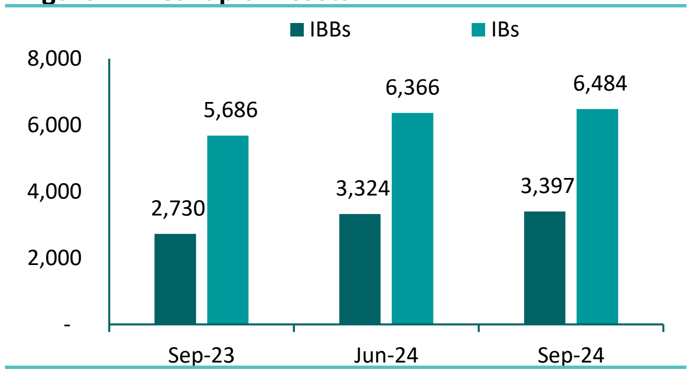
During the period under review, assets of IBIs have increased by PKR 192 billion and were PKR 9,881 billion in comparison to PKR 9,689 billion in the preceding quarter.

Market share of Islamic banking assets in overall banking industry assets was recorded at 19.0 percent. The breakdown of Islamic banking assets reveals that the share of financing (net) stood at 32.9 percent, whereas investments (net) was recorded at 48.6 percent (see section below on Investments and Financing for details).

### BREAK UP OF ASSETS OF IBs AND IBBs

Asset size for both Islamic Banks (IBs) and Islamic Banking Branches (IBBs) continued its upward trend during the quarter. Assets of IBs increased by PKR 118 billion and reached to PKR 6,484 billion. Similarly, the assets of IBBs increased by PKR 74 billion and reached PKR 3,397 billion. The share of IBs and IBBs in the overall IBIs asset stood at 65.6 percent and 34.4 percent, respectively by end September, 2024 **(Figure 2)**.

**Figure 2: Breakup of Assets**



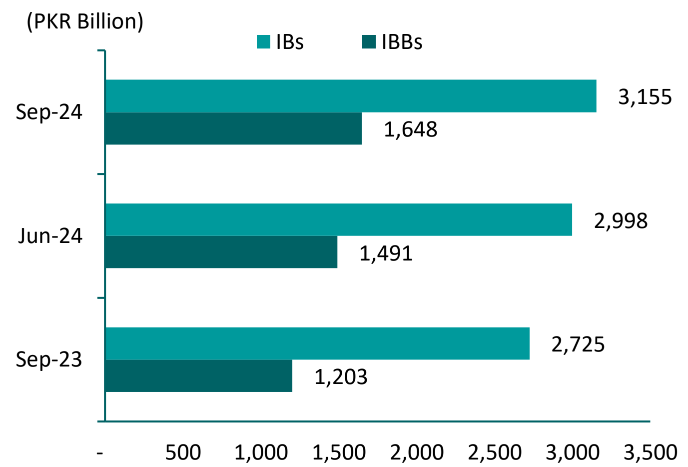

Source: SBP

### INVESTMENTS

Investments (net) of IBIs grew by PKR 314 billion (7.0 percent) and stood at PKR 4,803 billion by quarter end compared to previous quarter. The breakdown of investments (net) portfolio shows that IBs investment increased by PKR 157 billion and stood at PKR 3,155 billion. Similarly, investment (net) portfolio of IBBs increased by PKR 157 billion to a total of PKR 1,648 billion by the end of September, 2024.

In terms of share, IBs and IBBs investments (net) as percentage of total investments (net) stood at 65.7 percent and 34.3 percent respectively. **(Figure 3)**.

**Figure 3: Breakup of Investment**




Source: SBP

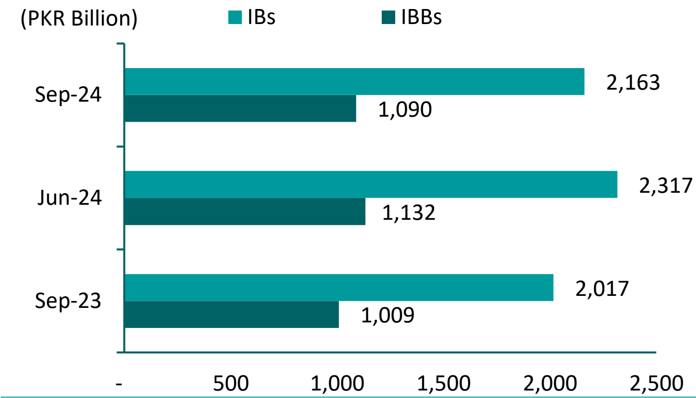
## FINANCING & RELATED ASSETS

Financing & related assets decreased to PKR 3,252 billion, with a drop of PKR 197 billion in quarter ending September, 2024. The major share of financing was contributed by IBs which stood at PKR 2,163 billion, whereas IBBs contributed PKR 1,090 billion **(Figure 4)**.

In terms of mode wise financing, Diminishing Musharakah had a major share with 37.8 percent of the total financing, followed by Musharakah with 21.2 percent and Murabaha financing with 11.8 percent share. The share of all other modes of financing collectively stood at 29.2 percent of total financing of IBIs **(Table 2)**.

In the sector wise financing of IBIs, textile sector led with a share of 16.6 percent, followed by agribusiness with a share of 14.3 percent and Individuals with share of 10.2 percent **(Table 3)**.

**Figure 4: Breakup of Financing**




Source: SBP

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

| Mode | Sep-23 | Jun-24 | Sep-24 |
|---|---|---|---|
| Murabaha | 14.8 | 10.9 | 11.8 |
| Ijarah | 4.1 | 4.3 | 4.7 |
| Musharaka | 22.7 | 29.4 | 21.2 |
| Diminishing Musharakah | 34.7 | 31.9 | 37.8 |
| Salam | 1.1 | 2.4 | 1.7 |
| Istisna | 8.6 | 9.9 | 10.8 |
| Others | 14.3 | 11.2 | 12.0 |
| **Total** | **100** | **100** | **100** |

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

| Sector | Sep-23 | Jun-24 | Sep-24 | Overall Banking Industry |
|---|---|---|---|---|
| Chemical and Pharmaceuticals | 5.0 | 5.9 | 6.3 | 3.7 |
| Agribusiness | 11.7 | 13.1 | 14.3 | 9.5 |
| Textile | 17.6 | 15.1 | 16.6 | 15.8 |
| Cement | 2.8 | 2.2 | 2.1 | 1.8 |
| Sugar | 2.0 | 4.3 | 3.0 | 3.0 |
| Shoes and leather garments | 0.4 | 0.5 | 0.3 | 0.3 |
| Automobile and transportation equipment | 1.3 | 1.1 | 1.1 | 1.6 |
| Financial | 1.5 | 0.7 | 1.0 | 4.0 |
| Electronics and electrical appliances | 0.7 | 1.1 | 1.1 | 1.2 |
| Production and transmission of energy | 11.3 | 10.9 | 7.7 | 12.8 |
| Individuals | 11.2 | 9.8 | 10.2 | 7.9 |
| Others | 34.5 | 35.3 | 36.3 | 38.4 |
| **Total** | **100** | **100** | **100** | **100** |

The breakdown of client wise financing portrays that the share of corporate sector financing in total client wise financing decreased to 69.0 percent in September 2024. Commodity financing contributed to 14.0 percent with second largest share, which was followed by consumer financing with a share of 8.4 percent. The share of SME and agriculture financing was reported as 2.0 percent and 1.2 percent, respectively **(Table 4)**.

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

| | Sep-23 | Jun-24 | Sep-24 | Overall Banking Industry |
|---|---|---|---|---|
| Corporate Sector | 72.1 | 69.8 | 69.0 | 68.2 |
| SMEs | 1.6 | 1.9 | 2.0 | 4.1 |
| Agriculture | 1.0 | 1.4 | 1.2 | 3.9 |
| Consumer Finance | 9.9 | 7.8 | 8.4 | 6.2 |
| Commodity Financing | 13.4 | 16.7 | 14.0 | 9.7 |
| Others | 2.0 | 2.4 | 5.4 | 7.9 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

## ASSET QUALITY

During the quarter under review, the asset quality ratios of IBI such as Non-Performing Financing (NPF) to Financing (Gross) stood at 4.1 percent, whereas NPFs to Financing (Net) was recorded at -0.90 percent. IBIs provisions to NPFs increased from 119.2 percent in the previous quarter to 120.3 percent by end September 2024 **(Table-5)**.

**Table-5: Assets Quality Ratio (%)**

| Ratio | Sep-23 | Jun-24 | Sep-24 | Overall Banking Industry |
|---|---|---|---|---|
| NPFs to Financing (gross) | 3.6 | 3.7 | 4.1 | 8.4 |
| Net NPFs to Net Financing | (0.10) | (0.73) | (0.90) | (0.10) |
| Provisions to NPFs | 103.7 | 119.2 | 120.3 | 101.2 |

## LIABILITIES

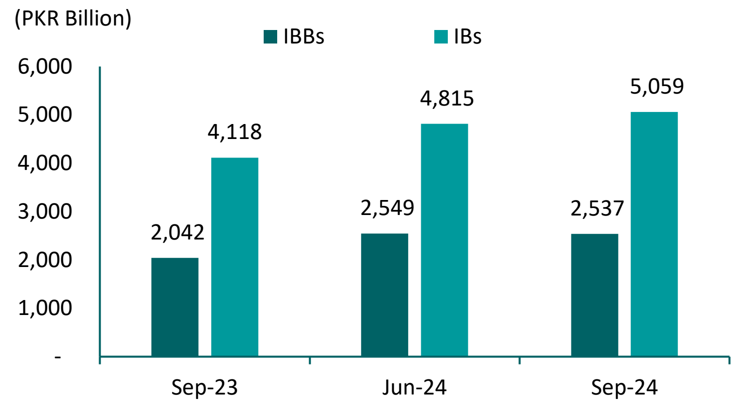
Deposits of IBIs carried on the momentum gained in the previous quarter with an increase of PKR 233 billion i.e. 3.2 percent, reached at PKR 7,596 billion. The market share of deposits in the overall banking industry stood at 23.2 percent for the quarter. Current deposits and saving deposits were the major constituents, each amounting to PKR 2,792 billion and PKR 2,984 billion, respectively. During the quarter under review, saving deposits and current deposits have shown a rise of PKR 233 billion i.e. 8.5 percent and PKR 55 billion i.e. 2.0 percent, whereas fixed deposits increased by PKR 57 billion i.e. 5.2 percent **(Table 6)**.

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

| Category | Sep-23 | Jun-24 | Sep-24 | Yearly Growth (%) | Quarterly Growth (%) |
|---|---|---|---|---|---|
| **1. Customers** | | | | | |
| Fixed Deposits | 999 | 1,091 | 1,148 | 14.9 | 5.2 |
| Saving Deposits | 2,167 | 2,751 | 2,984 | 37.7 | 8.5 |
| Current Deposits | 2,317 | 2,737 | 2,792 | 20.5 | 2.0 |
| Others | 114 | 129 | 78 | (31.6) | (39.6) |
| **Sub-total** | **5,597** | **6,708** | **7,002** | **25.1** | **4.4** |
| | | | | | |
| **2. Financial Institutions** | | | | | |
| Remunerative Deposits | 532 | 617 | 506 | (4.9) | (17.9) |
| Non-remunerative Deposits | 31 | 38 | 89 | 187.0 | 134.2 |
| **Sub-total** | **563** | **655** | **594** | **5.5** | **(9.3)** |
| | | | | | |
| **Total (1+2)** | **6,160** | **7,363** | **7,596** | **23.3** | **3.2** |

The bifurcation of deposits among IBs and IBBs shows that the deposits of IBs increased by PKR 244 billion and reached to PKR 5,059 billion by end September, 2024. Similarly, IBB's deposits reduced by PKR 12 billion to reach at PKR 2,537 billion by the end of quarter. The share of IBs and IBBs in the overall deposits of IBI was registered at 67 percent and 33 percent respectively, by September 2024 **(Figure-5).**

**Figure 5: Breakup of Deposits**




Source: SBP

## LIQUIDITY

During the period under review, Liquid Assets to Total Assets Ratio increased to 51.5 percent, whereas Liquid Assets to Total Deposits Ratio increased to 67.0 percent. While, Financing to Deposits (net) Ratio decreased to 42.8 percent by end September, 2024 **(Table 7)**.

**Table-7: Liquidity Ratios (%)**

| Ratios | Sep-23 | Jun-24 | Sep-24 | Overall Banking Industry |
|---|---|---|---|---|
| Liquid Assets to Total Assets | 48.0 | 47.7 | 51.5 | 66.7 |
| Liquid Assets to Total Deposits | 65.5 | 62.8 | 67.0 | 106.1 |
| Financing to Deposits (Net) | 49.1 | 46.8 | 42.8 | 36.3 |

## CAPITAL

Capital ratios of IBI were observed to be increasing during the quarter under review. Capital to Total Assets Ratio increased to 8.5 percent, whereas (Capital - Net NPAs) to Total Assets Ratio improved to 8.8 percent which was previously recorded at 7.7 percent **(Table 8)**.

**Table-8: Capital Ratios (%)**

| Ratios | Sep-23 | Jun-24 | Sep-24 | Overall Banking Industry |
|---|---|---|---|---|
| Capital to Total Assets | 6.7 | 7.6 | 8.5 | 5.9 |
| (Capital - Net NPAs) to Total Assets | 6.7 | 7.7 | 8.8 | 6.0 |

## PROFITABILITY

Profit before tax of IBI was registered at PKR 381 billion at the quarter end September 2024. Meanwhile, earnings ratios i.e. 'Return on Assets (ROA)' and 'Return on Equity (ROE)' (before tax) were 5.4 percent and 69.7 percent, respectively. During the period under review, 'operating expense to gross income' of IBI was recorded at 34.1 percent **(Table 9).**

**Table-9: Profitability Ratios (%)**

| Particulars | Sep-23 | Jun-24 | Sep-24 | Overall Banking Industry |
|---|---|---|---|---|
| Profit before tax (PKR billion) | 266.7 | 243.5 | 381.0 | 991.0 |
| ROA before tax | 4.5 | 5.2 | 5.4 | 2.7 |
| ROE before tax | 72.9 | 70.6 | 69.7 | 45.4 |
| Operating Expense to Gross Income | 34.8 | 34.7 | 34.1 | 42.9 |

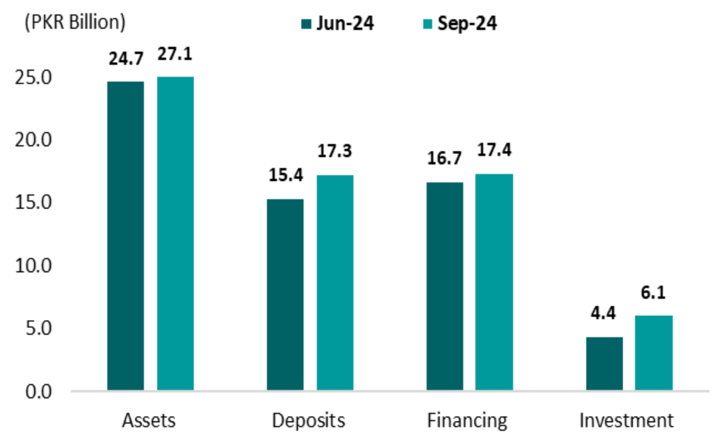
## SBP REGULATED ISLAMIC FINANCIAL INSTITUTIONS (OTHER THAN COMMERCIAL BANKS)

At present, two Microfinance Banks, NRSP Microfinance Bank Limited and U Microfinance Bank Limited are offering Islamic Microfinance services and operate a combined total of 110 branches. Additionally, two Development Finance Institutions, Pakistan Kuwait Investment Company Limited (PKIC) and Pakistan Mortgage and Refinance Company Limited (PMRC) are also offering Islamic products and services.

## ISLAMIC MICROFINANCE BUSINESS

The microfinance banks that have Islamic operations include two banks: NRSP Microfinance Bank Limited and U Microfinance Bank Limited. The branch network of Islamic microfinance business (banking) consisted of 110 branches by end September, 2024. The assets size of the Islamic microfinance industry was recorded at PKR 27.1 billion by end September, 2024 showing increase of PKR 2.4 billion i.e. 9.71 percent as compared to previous quarter. Likewise, deposits of Islamic microfinance banking institutions stood at PKR 17.3 billion by end September, 2024 showing increase of PKR 1.9 billion i.e. 12.33 percent, whereas investments increased to PKR 6.1 billion from PKR 4.4 billion showing increase of 38.5 percent. **(Figure 6)**.

**Figure 6: Islamic Microfinance Banks (IMB) Indicators**

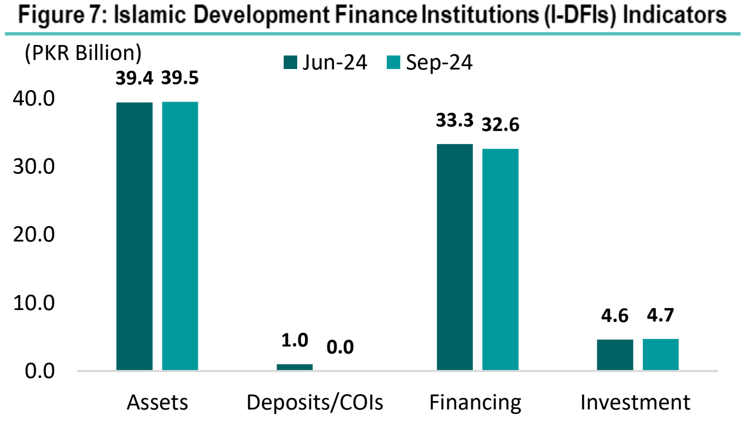



Source:SBP

## DEVELOPMENT FINANCE INSTITUTIONS HAVING ISLAMIC OPERATIONS

Development Finance Institutions having Islamic operations include, Pakistan Mortgage Refinance Company Limited (PMRC) and Pakistan Kuwait Investment Company Limited (PKIC). The combined Islamic asset size of these institutions was PKR 39.5 billion by end September, 2024. On the other hand, Financing stood at PKR 32.6 billion by end September, 2024. **(Figure 7)**

**Figure 7: Islamic Development Finance Institutions (I-DFIs) Indicators**




Source:SBP

## COUNTRY MODEL – RUSSIA

**Overview**

Islamic finance and banking in Russia has high potential — its Muslim community makes up 14-15 percent (around 20 to 25 million) of its total population of 144.6 million as of 2023 according to World Population Review, focused mainly on four regions in the country. Russian Shariah finance (also referred to as participating finance in Russia) industry, took some big strides in the past couple of years with the government's support. In August 2024, Russian President Vladimir Putin signed a law introducing Islamic banking to assess its "feasibility". The pilot programme will take place in four Muslim-majority republics – Tatarstan, Bashkortostan, Chechnya and Dagestan, areas that already have the most experience in Islamic finance. If the programme proves to be successful, the plan is to introduce the new regulation to the rest of the country.

**Regulatory Landscape**

In 2022, after decades of not having a dedicated Islamic finance regulatory infrastructure, the Central Bank of the Russian Federation (CBR), also known as the Bank of Russia, introduced drafts of new federal laws that include terms and provisions for Shariah compliant financial institutions and products. Under the laws, new Islamic finance entities carrying special licenses from the central bank will be formed.

**Banking and Finance**

There are no full-fledged Islamic banks in Russia, but some financial institutions offer Shariah compliant products. In 2018, a potential joint Islamic bank — by Iranian and Russian entities and a Shariah bank in Grozny of the Chechen Republic, was in discussion but has not yet materialized. VEB, formerly Vnesheconombank, is a financial development institution that has Islamic offerings. Sberbank, Russia's largest lender which provides Islamic solutions, in 2021 established its subsidiary Sberinvest Middle East in Abu Dhabi, but western sanctions targeting Russian financial institutions forced it to shut down in early 2023. Lale, an investment fund of Tatarstan's state-owned AK Bars Capital, began operations in 2019, facilitating Islamic investments in Russia and abroad using Shariah compliant investments. At least three institutions — Amal Finance House, LaRiba Finance and Fincity — offer Islamic microfinancing.

**Sukuk and Capital Markets**

Russia's first Sukuk transaction was a test issuance in 2017 by Sukuk Invest, an SPV. The transaction, accepted and registered by the CBR and arranged by Fintech Invest, was expected to aid local corporates and sovereign entities to tap the Islamic debt capital markets. However, no progress has been seen in this area to date. Islamic stock indices (the Islamic Investment Index and the Total Return Islamic Investment Index) were established by the Moscow Exchange, under one of which Sber Asset Management launched Halal Investments, its Islamic exchange-traded fund positioned as a socially responsible asset class, in 2021.

**Takaful**

In 2018, the central bank's Participation Banking Working Group was said to be considering granting Takaful licenses to local operators and focusing on initiatives that support the sector. However, to date, only Allianz

Life Insurance's Allianz Invest+ solution is the closest Russians have to a Takaful product, even though it is yet to be certified Shariah compliant.

**Outlook**

The geopolitical situation in Russia has negatively impacted the country's financial system as a whole, but specifically the development of Islamic finance in the country. Despite this, however, the authorities' move in the past year to implement Islamic finance through the experimental project is a huge step forward for the industry, one that has been long-awaited. At the end of 2023, the central bank, the heads of the four participating republics and all other stakeholders met to discuss the results of the experiment, as well as the issues they faced in the implementation of Islamic finance. Currently, seven Islamic finance entities are officially registered with the Bank of Russia, and more are expected to join them, especially with the growing support available in the areas of Shariah compliance, governance and standardization.

**Sources of Information**

World Population Review - https://worldpopulationreview.com/countries/russia

Institute of Development Economics - https://www.ide.go.jp/

Al-Jazeera - https://www.aljazeera.com/

Islamic Finance News - https://www.islamicfinancenews.com/

## ADOPTION OF AAOIFI SHARIAH STANDARD NO. (7): HAWALAH

With a view to further strengthen Shariah compliance framework and harmonize the Shariah practices in Islamic banking industry, the AAOIFI Shariah Standards No. 7 Hawalah has been adopted by SBP, which is discussed below along with the amendments advised by the Shariah Advisory Committee (SAC) of SBP.

**1. Scope of the Standard**

This standard covers Hawalah transactions that involve a change of debtor, i.e. transfer of debt. The scope of this standard does not cover banking remittances except the remittances that take the form of Hawalah (transfer of debt).

**2. Definition of Hawalah**

Hawalah of debt is the transfer of debt from the transferor (*Muheel*) to the payer (*Muhal Alaihi*). The transfer of right, on the other hand, is a replacement of a creditor with another creditor. The transfer of debt differ from transfer of right in that in transfer of debt a debtor is replaced by another debtor, whereas in a transfer of right a creditor is replaced by another creditor.

**3. Permissibility of Hawalah**

3/1 Hawalah is a legitimate and an independent contract made out of courtesy and is not a contract of sale. It is permitted in order to facilitate payments and recovery.

3/2 The acceptance of Hawalah is recommended for the transferee if the potential payer is known to be solvent and a person who honours payments. This is because Hawalah benefits the creditor and gives relief to the debtor. If the financial status and creditworthiness of the potential payer are unknown, then Hawalah becomes *Mubah* (permissible).

**4. Form of a Hawalah Contract**

4/1 A contract of Hawalah can be concluded by an offer from the transferor and acceptance from the transferee (*Muhal*) and the payer in a manner that clearly indicates the intention of the parties to conclude a Hawalah contract and the transfer of the liability or obligation in respect of a debt from one party to another party. It is not necessary that the word transfer be used.

4/2 Hawalah is a binding contract. Therefore, it is not subject to unilateral termination.

4/3 It is a requirement that a transfer of debt take effect immediately, not to be suspended for a period of time and not to be concluded on a temporary basis or contingent on future events. However, it is permissible to defer payment of the transferred debt until a future specified date.

**5. Types of Hawalah and the Applicable Rulings**

5/1 Hawalah is divided into restricted and unrestricted Hawalah.

5/1/1 Restricted Hawalah is permissible. It is a transaction where the payer is restricted to settling the amount of the transferred debt from the amount of a financial or tangible asset that belongs to the transferor and is in the possession of the payer.

5/1/2 Unrestricted Hawalah is permissible. It is a kind of transfer of debt in which the transferor is not a creditor to the payer and the payer undertakes to pay the amount of the debt owed by the transferor from his own funds and to have recourse afterwards to the transferor for settlement, provided that the transfer for payment was made on the order of the transferor.

5/1/3 It is permitted to conclude a Hawalah on a spot payment basis. This is a Hawalah in which the debt transferred to the payer becomes payable on the spot, whether the debt has already fallen due and the obligation is then transferred to the payer for immediate settlement, or the transferred debt is yet to fall due and the transferee has required, as a condition for accepting the transfer, that it be paid immediately by virtue of transfer.

5/1/4 It is permissible to conclude a Hawalah contract on a deferred payment basis. This is a Hawalah in which the debt transferred to the payer is to be paid in the future, whether the payment of the debt is not yet due and was transferred as such to the payer, or the payment of such debt is due but the payer required that it should be transferred for future payment at an agreed date. In the latter case, the payer cannot be asked for payment before the agreed date.

**6. Conditions of Hawalah**

6/1 The permissibility of Hawalah requires the consent of all parties, namely the transferor, the transferee and the payer.

6/2 The permissibility of a Hawalah requires that the transferor be a debtor to the transferee. A transaction in which a non-debtor transfers another is an agency contract for collection of the debt and not a transfer of debt.

6/3 It is not a condition in a Hawalah that the payer be a debtor to the transferor. If the payer is not a debtor to the transferor, the Hawalah will be an unrestricted Hawalah. [see item 5/1/2]

6/4 It is a condition that all Hawalah parties be legally competent to act independently.

6/5 It is a condition in Hawalah that both the transferred debt and the debt to be used for settlement be known and transferable.

6/6 It is a condition for concluding restricted Hawalah that the transferred debt or the transferred portion of the debt be equal to the debt owed to the transferee in terms of kind, type, quality and amount. However, the transferor may transfer a lesser amount of a debt owed to the transferee to be settled from a larger amount owed by the transferor on condition that the transferee be entitled only to the equivalent amount of his debt.

**7. Termination of a Hawalah Liability**

A Hawalah liability will come to an end by settlement of the debt or by a mutual agreement to terminate it or by the debt being written-off by the transferee.

**8. Date of Issuance of the Standard**

This standard was issued on Rabiʹ I, 1423 A.H., corresponding to 16 May 2002 A.D.

**Adoption of the Standard in Pakistan:**

For adoption of the Standard in Pakistan, following amendments have been made on the advice of the Shariah Advisory Committee, SBP:

| Clause No. | Clarifications/Amendments |
|---|---|
| Clause 1: The following are added as footnotes to the clause:<br>This clause may be read as follows: “Scope of the Standard<br>This standard covers Hawalah transactions that involve a change of debtor, i.e. assignment of debt. The scope of this standard does not cover transfer of rights and banking remittances except the remittances that take the form of Hawalah (transfer of debt).” Following is added for clarity: “This standard does not, in any way, permit fund transfers through Hawala/Hundi, which are illegal.” | |
| Clause 2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Definition of Hawalah<br>Hawalah of debt is the assignment of debt from the assignor (Muheel) to the assignee (Muhal Alaihi). In this, the debtor changes to another debtor and it differs from transfer of right which is replacement of a creditor with another creditor.” | |
| Clause 3/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “The acceptance of Hawalah is recommended for the creditor if the assignee is known to be solvent and a person who honours payments. This is because Hawalah benefits the creditor and gives relief to the debtor.” | |
| Clause 3/3: Following is inserted as Clause 3/3 to make it consistent with Arabic text, which is as follows:<br>This clause may be read as follows: “If the financial status and creditworthiness of the assignee is not known to the creditor, then Hawalah becomes Mubah (permissible).” | |
| Clause 4/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: “A contract of Hawalah can be concluded by an offer from the assignor and acceptance from the creditor (Muhal) and the assignee in a manner that offer and acceptance fulfill its requirement and indicates transfer of the debt from the obligation of one party towards the obligation of other party without the requirement of the usage of word Hawalah in itself.” | |
| Clause 4/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Hawalah is a binding contract. Therefore, it is not permissible for any party to terminate or void it unilaterally.” | |
| Clause 4/3: The following is added as a footnote to the clause:<br>This clause may be read as follows: “It is a requirement that a transfer of debt take effect immediately, not to be contingent, time bound or commencing on a future date. However, it is permissible to defer payment of the assigned debt until a future specified date.” | |
| Clause 5/1/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Unrestricted Hawalah: It is a transaction where the assignee does not have any debt or tangible asset belonging to assignor and he undertakes to pay the debt owed by the assignor from his own funds and to have recourse afterwards to the assignor for whatever he has paid on behalf of the assignor, provided that the assignment for payment was made on the order of the assignor. Unrestricted Hawalah is permissible by Shari’ah.” | |
| Clause 5/1/3: The following is added as a footnote to the clause: | |

| |
|---|
| This clause may be read as follows: "It is permitted to conclude a Hawalah on a spot payment basis. This is a Hawalah in which the debt transferred to the assignee becomes payable on the spot whether the debt has already fallen due and the obligation is then assigned to the assignee for immediate settlement, or the assigned debt is yet to fall due and the creditor has required, as a condition for accepting the assignment, that it be paid immediately by assignee." |
| Clause 5/1/4: The following is added as a footnote to the clause:<br>This clause may be read as follows: "It is permissible to conclude a Hawalah contract on a deferred payment basis. This is a Hawalah in which the debt assigned to the assignee is to be paid in the future, whether the payment of the debt is not yet due and was assigned as such to the assignee, or the payment of such debt is due but the assignee required that it should be transferred for future agreed date. In the latter case, the assignee cannot be asked for payment before the agreed date." |
| Clause 6/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: "The permissibility of Hawalah requires the consent of all the three parties, namely the assignor, the creditor and the assignee." |
| Clause 6/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: "The permissibility of a Hawalah requires that the assignor be a debtor to the creditor. Therefore, an assignment by a person, who is a non-debtor, is an agency contract for collection of the debt and not an assignment of debt." |
| Clause 6/3: The following is added as a footnote to the clause:<br>This clause may be read as follows: "It is not a condition in a Hawalah that the assignee be a debtor to the assignor. If the assignee is not a debtor to the assignor, the Hawalah will be an unrestricted Hawalah. [see item 5/1/2]." |
| Clause 6/4: The following is added as a footnote to the clause:<br>This clause may be read as follows: "It is a condition that assignee, assignor and creditor should be competent to act." |
| Clause 6/5: The following is added as a footnote to the clause:<br>This clause may be read as follows: "It is a condition in Hawalah that both the assigned debt and the debt to be used for settlement be known and transferable." |
| Clause 6/6: The following is added as a footnote to the clause:<br>This clause may be read as follows: "It is a condition for concluding restricted Hawalah that the assigned debt or the assigned portion of the debt be equal to the debt owed to the assignee in terms of kind, type, quality and quantity. However, the assignor may assign a lesser amount of a debt owed to the assignee to be settled from a larger amount owed by the assignor on condition that the assignee be entitled only to the equivalent amount of his debt." |
| Clause 7/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: "A valid Hawalah discharges the assignor from both the debt liability and any claims in respect of it. In other words, the creditor will have no right of recourse against the assignor for payment. However, if the acceptance of the transfer was based on the condition that the assignee must be solvent, then the creditor will have a right of recourse if the assignee is found to be insolvent." |

| |
|---|
| Clause 7/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “The creditor is entitled to have a right of recourse against the assignor if the debt becomes irrecoverable, even if the recourse is not stipulated in the contract. The irrecoverability of debt is death of the assignee in bankruptcy, or liquidation of an Institution in the case of bankruptcy before payment of the debt, or he denies concluding the Hawalah contract and has taken a judicial oath to this effect and there is no evidence to prove otherwise or the assignee is declared as bankrupt in his lifetime, or the Institution (that is the assignee) is declared bankrupt by a court order.” |
| Clause 8: The following is added as a footnote to the clause:<br>The clause may be read as follows: “Effect of Hawalah on the Relationship between the assignor and the assignee After the conclusion of a restricted Hawalah, the assignor is no longer entitled to reclaim from the assignee an amount transferred to the assignee in respect of the debt to be settled, because the right to receive this amount has now passed to the creditor.” |
| Clause 9: The following is added as a footnote to the clause:<br>The heading may be read as “Effect of Hawalah on the Relationship between the Creditor and the assignee” |
| Clause 9/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: “The creditor is entitled to claim the amount of the debt assigned to him through Hawalah from the assignee in accordance with conditions of Hawalah contract. The assignee, on the other hand, is obliged to pay him and has no right to refuse payment.” |
| Clause 9/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “The assignee takes the place of the assignor in respect to all rights, legal protections and obligations. The creditor in restricted Hawalah takes the place of the assignor in respect to all rights, legal protections and obligations against the assignee.” |
| Clause 10: The following is added as a footnote to the clause:<br>The heading may be read as “Effect of Death and Insolvency on a Hawalah Transaction” |
| Clause 10/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: “A Hawalah shall not be annulled by the death of the assignor or liquidation of an assignor institution. This debt which is on the assignor is now exclusively for the creditor and this assigned debt shall not be included in the distribution amongst the other creditors of the assignor.” |
| Clause 10/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “A Hawalah transaction shall not be annulled due to the death of the assignee or the liquidation of the Institution acting as assignee. The creditor will have the recourse on the inheritance of the assignee if whatever assets he leaves behind has the capacity to pay off his debts or on the personal guarantor of the assignee, if available, or on the assets of the liquidated institution. However, if the assignee dies in the state of declared insolvency/bankruptcy or the assignee institution is liquidated due to declared insolvency/bankruptcy, then the creditor shall be entitled to have recourse to the assignor [see item 7/2].” |
| Clause 10/3: The following is added as a footnote to the clause:<br>This clause may be read as follows: “A Hawalah transaction shall not be annulled due to the death of the creditor and the heirs shall replace the creditor. The Hawalah will also not be void in case of liquidation of a creditor Institution in which case the liquidator takes the place of the Institution for settlement.” |

| |
|---|
| Clause 11: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Conclusion of a Hawalah<br>A Hawalah will come to an end by settlement of the debt to the creditor or by a mutual agreement of assignor and creditor to terminate it or by the debt being written-off by the creditor in favour of assignee.” |
| Clause 12: The following is added as a footnote to the clause:<br>The heading may be read as “Modern Applications of Hawalah” |
| Clause 12/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Withdrawals from a current account An issuance of a cheque against a current account is considered as a form of Hawalah if the beneficiary is a creditor of the issuer (withdrawer or the writer of the cheque) or the account holder for the amount of the cheque, in which case the withdrawer would be the assignor and the bank would be assignee and the beneficiary would be the creditor. If the beneficiary is not a creditor to the issuer of the cheque, then this is not a Hawalah transaction because Hawala of debt cannot be considered without an existence of a debt. However, it would be considered as an agency contract for possession which is permissible by Shariah.” |
| Clause 12/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Overdrawing from an account or overdraft<br>If the beneficiary of the amount of a cheque is a creditor to the issuer, then issuing a cheque against the account of the issuer without a balance is unrestricted Hawalah if the bank accepts the overdraft. If the bank rejects the overdraft, then this is not considered a Hawalah, in which case the holder of the cheque will have recourse to the issuer.” |
| Clause 12/3: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Travellers’ cheques<br>The holder of a travellers’ cheque, the value of which has been paid by him to the issuing Institution, is a creditor to such an Institution. If the holder of the travellers’ cheque endorses the cheque in favour of his creditor, it becomes a transfer of debt in favour of a third party against the issuing Institution that is a debtor to the holder of the traveller’s cheque. This is a restricted Hawalah and the amount of the debt is the value of the cheque for which the Institution received payment.” |
| Clause 12/4/1: The following is added as a footnote to the clause:<br>This clause may be read as follows: “A bill of exchange is considered a form of Hawalah if the beneficiary is a creditor to the drawer on whose instructions the bill of exchange is issued. The drawer is, in this case, the assignor who gives orders to the drawee to pay a certain sum of money at a specified date to the defined beneficiary. The party which is obliged to pay the ascertained amount (drawee) is the assignee whereas the beneficiary, i.e. the holder of the bill of exchange, is the creditor. If the beneficiary is not a creditor of the drawer, then the issuance of the bill of exchange becomes an agency contract to recover or collect the amount of the bill of exchange on behalf of the drawer.” |
| Clause 12/4/2: The following is added as a footnote to the clause:<br>This clause may be read as follows: “In the absence of a debt obligation between the drawer and the drawee, the bill of exchange would be considered as an unrestricted Hawalah.” |
| Clause 12/5/3: The following is added as a footnote to the clause:<br>This clause may be read as follows: “Subject to item 12/5/1, it is permissible for the first beneficiary of a bill of exchange to endorse it in favour of any other party. The second beneficiary may also endorse such a bill |

| |
|---|
| of exchange in favour of a third party and so on, in which case the subsequent endorsements are a form of successive Hawalah which is not objectionable in Shari'ah." |
| Clause 12/5/4: The following is added as a footnote to the clause:<br>This clause may be read as follows: "It is not permissible to discount bills of exchange by transferring the ownership of their value by its holder, before their due date, to an Institution or others for a discounted immediate payment. This is because the transaction in this manner is a form of Riba." |
| Clause 12/6: The following is added as a footnote to the clause:<br>This clause may be read as follows: "Transfer of money (remittances)<br>The request of a customer for the Institution to transfer a certain amount of money in the same currency from his current account to a particular beneficiary is a Hawalah when the customer is a debtor to such a beneficiary. The fee that the Institution charges in this situation is the consideration against delivery of the amount to the creditor and it is not an additional amount gained by the Institution over the amount transferred. However, if it is not in the same currency, then the transaction consists of a combination of Sarf and Hawalah which is permissible. [see item 2/11 of the Shari'ah Standard on Trading in Currencies]" |

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

**Source:**

1. AAOIFI website
2. IFPD Circular No. 01 of 2024

## EVENTS AND DEVELOPMENTS AT ISLAMIC FINANCE GROUP (IFG) – STATE BANK OF PAKISTAN (SBP)

**Strategic Workshop SBP – AAOIFI Strategic Workshop on Necessity of AAOIFI Financial Accounting Standards (FASs) and Key Differences with IFRS**

Islamic Finance Group (IFG), State Bank of Pakistan (SBP) in collaboration with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), conducted a two-day strategic workshop on the "**Necessity of AAOIFI Financial Accounting Standards (FASs) and Key Differences with IFRS"** at NIBAF-IBP Karachi. The event brought together a diverse group of stakeholders, including representatives from the Securities and Exchange Commission of Pakistan (SECP), the Institute of Chartered Accountants of Pakistan (ICAP), renowned Shariah scholars, Chief Financial Officers (CFOs) of various banks, industry experts and officers of different departments of SBP. The workshop was attended by over 90 participants from across the industry.

**Awareness Sessions for Students and Faculty Members**

IFDD-SBP in collaboration with Financial Inclusion Support Department, SBP – BSC, has initiated different streams of dedicated awareness sessions on Islamic finance for (i) the students of universities, (ii) the student of Madaris and (iii) faculty members of universities. These half-day sessions aim to introduce young students of both universities and Madaris to the fundamentals of Islamic banking, while they are also pivotal for faculty members to address their queries and misconceptions regarding the topic. During the period under review, total three sessions of the abovementioned programs were conducted in Peshawar and Sialkot which were attended by 220 participants.

## ISLAMIC BANKING NEWS AND VIEWS

**Govt secures PKR 119 billion in Sukuk sale at PSX**

The government has raised new domestic debt totaling PKR 119 billion by selling one to five-year Sukuk (Shariah-compliant bonds) at the Pakistan Stock Exchange (PSX). This financing, secured at reduced rates, is intended to help bridge the widening budget deficit. The Ministry of Finance surpassed its target of PKR 100 billion during the 12-monthly Sukuk auction held on Thursday, achieving relatively higher financing. Financial institutions offered a substantial PKR 451 billion against the target, with lower return rates ranging from 14.38 percent to 18.83 percent. Regular Sukuk auctions at the stock market are aiding Shariah-compliant financial institutions in expanding their market share by increasing their financing to the government, raising new deposits, and growing their client base.

https://tribune.com.pk/

**SBP working on Sukuk alternate structure: Governor**

State Bank of Pakistan (SBP) Governor Jameel Ahmad, said that the SBP is working on an alternate structure to increase issuance of Sukuk. During the presentation on Islamic Banking system, the governor SBP informed the Senate Standing Committee on Finance that the demand of Sukuk is increasing in the market. The Sukuk structure in Pakistan is different from other countries, as we have assets-based Sukuk structure, he said. The SBP in consultation with the Islamic scholars is looking forward to finalising an alternate structure for issuance of Sukuk. There are some reservations of the Shariah scholars on assets-based structure, which would be addressed. We are in touch with the Islamic scholars in this regard, he added. Meanwhile, SBP officials informed the committee about the comparison of financing rates of Islamic banking and conventional banking system.

https://www.brecorder.com/

### B. International Industry News

**Moody's affirms Islamic Development Bank's AAA rating**

Moody's Investor Services has affirmed its AAA credit rating with a stable outlook for the Islamic Development Bank, driven by the financial institution's robust asset performance. In a press release, IsDB said that its short-term issuer rating has been affirmed at Prime-1 by the US-based agency, the highest tier on offer. IsDB has been rated AAA by Moody's since 2006, the statement added. According to the agency, obligations rated AAA are judged to be of the highest quality and are subject to the lowest level of credit risk, while Prime-1 denotes the best ability to repay short-term debts. The financial institution added that its strong credit profile also benefits from the track record of member country support demonstrated through a series of general capital increases.

https://www.arabnews.com/

**Majority of Fitch-rated Islamic banks use Islamic derivatives**

Demand for sharia-compliant risk-management tools, such as Islamic derivatives, is gradually rising in many Muslim-majority countries as their Islamic banks' domestic market shares grow, and financial sector development and risks due to interest rates, foreign exchange rates, and commodity prices rise, Fitch Ratings says. Nearly three-quarters of Fitch-rated Islamic banks used Islamic derivatives in 2023–1H24 to hedge risks, which could support their credit profiles. However, sharia restrictions and differing interpretations, treasury infrastructure gaps, lack of standardisation, and regulatory issues prevented full take-up. The conventional

derivatives market is underdeveloped in most Muslim-majority countries, and Islamic derivatives are further behind in terms of product range, liquidity, adoption, and awareness.
https://www.zawya.com/

**Global Sukuk issuances rise to $91.9 billion in H1 2024, says S&P**

Global Sukuk issuances reached $91.9 billion during the first six months of 2024, up slightly from last year's $91.3 billion, stated S&P Global in its latest report. The agency stated that it is also maintaining its global Sukuk issuance forecast at about $160 billion-$170 billion following the market's good performance during the first half (H1) of 2024. However, the agency reported a notable difference during H1, which is the 23.8 percent increase in foreign currency issuances that reached $32.7 billion by June 30, 2024, up from $26.4 billion a year earlier. The main contributors to this increase were issuers from Saudi Arabia, the UAE, Oman, Malaysia and Kuwait.
https://economymiddleeast.com/

## C. Issue Based Articles

**Revolutionizing Islamic finance: The transformative impact of blockchain technology**

The $3 trillion Islamic finance industry is projected to grow by as much as 10 per cent in 2023-24, as higher digitalization and fintech collaboration are expected to strengthen the industry's resilience while creating new avenues for growth, according to S&P Global Ratings. Despite the industry's slow digitalisation compared to conventional financial services, a new wave of digital pioneers is reshaping how Islamic finance is evolving. A study by the Islamic Development Bank and the UNDP revealed that Islamic financial institutions are embracing digital currencies and blockchain technologies amid a wave of digitalisation in the industry. Islamic finance operates on principles that prohibit interest, uncertainty, and involvement in speculative activities. Blockchain technology aligns well with Shariah principles by promoting transparency, reducing fraud, and facilitating decentralised transactions.

Blockchain technology promises to modernise Shariah compliance through embedded smart contracts, updated and transparent management of obligatory charitable giving (Zakat) and a more efficient platform for Islamic bond issuance. Al-Natoor explains that establishing a regulatory framework that encompasses the financial and technological nuances of blockchain is vital, but it remains underdeveloped in many core Islamic finance markets. "This creates additional legal risks, such as the enforcement of smart contracts or the definition of the status of digital assets," he says. By leveraging blockchain, Sukuk issuance would become more transparent, as all transaction data would be recorded on a tamper-proof and immutable ledger. This would foster trust among investors and ensure Shariah compliance. The technology also enables fractional ownership and secondary market trading, democratising access to sukuk investments and expanding their reach globally. Going forward, industry experts say that blockchain frameworks for Islamic finance, regulators, and innovation will be essential.
https://gulfbusiness.com/

**Embracing technology and collaboration in Islamic Finance**

Islamic finance, an industry known for its distinctive fusion of ethical principles and financial services, is witnessing a significant evolution, particularly in the realm of treasury and investment products. While traditional structures like Sukuk continue to dominate, successful innovation efforts have also focused on supporting sustainability initiatives and uplifting marginalized communities. However, the market is not without its challenges. The very principles that define Islamic finance also impose unique constraints, particularly in terms of liquidity management. Traditional Islamic financial instruments often lack the flexibility and immediacy offered by their conventional counterparts. This limitation poses a significant challenge, especially in a rapidly evolving global financial landscape where agility and responsiveness are crucial. Innovation, coupled with a growing middle class in Muslim-majority countries, has led some to believe that derivatives in Islamic finance are on the rise. As the market continues to mature, it is expected to attract a broader range of investors seeking ethical and risk-hedging instruments that align with Islamic values.

Collaboration also has the power to expand Islamic finance through the development of new Shariah-compliant finance instruments specifically designed for liquidity management. Cooperation across regions leads to a larger pool of capital and innovation, making it easier to create new financing structures with shorter maturities that will trade at higher volumes. Technology, and APIs in particular, can facilitate this level of collaboration by uniting banks needing liquidity with those holding excess funds and identifying opportunities in real-time. Simultaneously, straight through processing (STP) facilitates secure and swift electronic document exchange between banks, brokers and clients. To fully harness the benefits of digitalization, a concerted effort towards harmonizing Islamic financial laws and standards is essential. This will not only facilitate smoother interbank transactions and cross-border capital flows but also expand the reach of Islamic finance to underserved regions, such as Africa. By embracing digitalization and standardization, the Islamic finance industry can achieve sustainable growth, better serve its ethical principles, and contribute more effectively to the global economy.
https://www.khaleejtimes.com/

**Corporate Window: Creating value with Islamic finance**

In a world characterised by economic dynamism and financial innovation, Islamic finance emerges as a distinctive and increasingly influential system. It emphasises real trade and economic activities while prohibiting interest-based transactions, speculation, artificial financial instruments and toxic assets like conventional derivatives. Rooted in Islamic Commercial Law and underpinned by a robust ethical foundation, Islamic finance promotes fair conduct, risk-sharing and asset-backed transactions. According to the Islamic Finance Development (IFD) Report 2023, the global Islamic finance industry has maintained its growth momentum, with assets surpassing $4.5 trillion and the number of Islamic financial institutions rising to 1,871. The sector's annual growth rate is approximately 11 percent. This impressive financial performance demonstrates that Islamic finance is no longer a niche market but a significant player in the global financial landscape.

In our interconnected global landscape, Islamic finance presents avenues for financial inclusion, cross-border collaboration, and investment. Driven by a burgeoning Muslim population and rising demand for Sharia-compliant financial instruments, Islamic finance has transcended its traditional markets, capturing the attention of investors worldwide. Furthermore, Islamic finance is well-suited to meet the specific needs of certain demographic groups, such as Muslims living in non-Muslim majority countries. Islamic finance offers viable alternatives, including Islamic banking, insurance, investment funds, and sukuk (Islamic bonds), thereby promoting financial inclusion and empowerment. As Islamic finance evolves, efforts to standardise practices, enhance transparency, and improve regulatory frameworks will strengthen its value proposition and appeal to investors.
https://www.dawn.com/

## ANNEXURE I: ISLAMIC BANKING BRANCH NETWORK

Annexure: I

### Islamic Banking Branch Network

(As of Sep 30, 2024)

| Type | Name of Bank | No. of Branches | Windows |
|---|---|---|---|
| Islamic Banks | AlBaraka Bank (Pakistan) Limited | 164 | - |
| | BankIslami Pakistan Limited | 369 | - |
| | Dubai Islamic Bank Pakistan Limited | 210 | - |
| | Faysal Bank Limited | 763 | - |
| | Meezan Bank Limited | 1011 | - |
| | MCB Islamic Bank Limited | 246 | - |
| | **Sub-Total** | **2,763** | |
| Conventional Banks having Standalone Islamic Banking Branches | Allied Bank Limited | 139 | 308 |
| | Askari Bank Limited | 142 | - |
| | Bank Al Habib Limited | 254 | 18 |
| | Bank Alfalah Limited | 376 | - |
| | Habib Bank Limited | 407 | 586 |
| | Habib Metropolitan Bank Limited | 222 | 187 |
| | National Bank of Pakistan | 188 | 216 |
| | Silk Bank Limited | 23 | - |
| | Sindh Bank Limited | 14 | 14 |
| | Soneri Bank Limited | 62 | 15 |
| | Standard Chartered Bank (Pakistan) Limited | 2 | 38 |
| | Bank Makramah Limited | 12 | 30 |
| | The Bank of Khyber | 126 | - |
| | The Bank of Punjab | 178 | 257 |
| | United Bank Limited | 241 | 501 |
| | Zarai Taraqiati Bank Limited | 28 | 0 |
| | Sub-Total | 2,412 | 2170 |
| | **Total Full-Fledged Branches and windows** | **5,175** | **2,170** |
| **Sub Branches** | AlBaraka Bank (Pakistan) Limited | 6 | - |
| | Allied Bank Limited | 1 | |
| | Askari Bank Limited | 3 | - |
| | Bank Alfalah Limited | 3 | |
| | BankIslami Pakistan Limited | 100 | - |
| | MCB Islamic Bank Limited | 2 | |
| | The Bank of Khyber | 10 | |
| | Dubai Islamic Bank Pakistan Limited | 25 | |
| | The Bank of Punjab | 2 | - |
| | Faysal Bank Limited | 2 | |
| | United Bank Limited | 2 | - |
| | **Total Sub-Branches** | **156** | **-** |
| | **Grand Total Branches/Sub-Branches/Windows** | **5,333** | **2,170** |

*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 Sep 30, 2024)

| 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 | 6 | 18 | 19 | 5 | 32 | 177 | 112 | 369 |
| | Dubai Islamic Bank Pakistan Limited | 7 | 5 | 15 | 3 | 10 | 86 | 84 | 210 |
| | Faysal Bank Limited | 14 | 25 | 32 | 7 | 57 | 440 | 188 | 763 |
| | Meezan Bank Limited | 13 | 40 | 42 | 6 | 76 | 541 | 293 | 1,011 |
| | MCB Islamic Bank Limited | 2 | 10 | 15 | 1 | 29 | 132 | 57 | 246 |
| | **Sub-Total** | **44** | **102** | **130** | **25** | **218** | **1,468** | **776** | **2,763** |
| Conventional Banks having Standalone Islamic Banking Branches | Allied Bank Limited | 3 | 4 | 10 | 1 | 17 | 89 | 15 | 139 |
| | Askari Bank Limited | - | 6 | 11 | 3 | 22 | 69 | 31 | 142 |
| | Bank Al Habib Limited | 3 | 11 | 12 | 1 | 48 | 103 | 76 | 254 |
| | Bank Alfalah Limited | 1 | 9 | 28 | - | 39 | 236 | 63 | 376 |
| | Habib Bank Limited | 12 | 12 | 16 | 2 | 59 | 206 | 100 | 407 |
| | Habib Metropolitan Bank | 3 | 11 | 8 | 1 | 38 | 99 | 62 | 222 |
| | National Bank of Pakistan | 9 | 4 | 6 | 1 | 40 | 95 | 33 | 188 |
| | Silk Bank Limited | - | 1 | 3 | - | 3 | 9 | 7 | 23 |
| | Sindh Bank Limited | 1 | 1 | | - | 2 | 7 | 3 | 14 |
| | Soneri Bank Limited | - | 1 | 4 | 1 | 17 | 28 | 11 | 62 |
| | Standard Chartered Bank (Pakistan) Limited | - | - | - | - | - | 1 | 1 | 2 |
| | Bank Makramah Ltd | - | 0 | 2 | 2 | 1 | 2 | 5 | 12 |
| | The Bank of Khyber | - | 5 | 6 | - | 101 | 11 | 3 | 126 |
| | The Bank of Punjab | 5 | 7 | 7 | 2 | 21 | 125 | 11 | 178 |
| | United Bank Limited | 3 | 7 | 9 | - | 71 | 92 | 59 | 241 |
| | Zarai Taraqiati Bank Limited | | - | 1 | 3 | 14 | 9 | 1 | 28 |
| | **Sub-Total** | **40** | **79** | **123** | **17** | **493** | **1,181** | **481** | **2,414** |
| | **Total Full-Fledged Branches** | **84** | **181** | **253** | **42** | **711** | **2,649** | **1,257** | **5,177** |
| Sub Branches | Allied Bank Limited | - | - | 1 | - | - | - | - | 1 |
| | AlBaraka Bank (Pakistan) Limited | - | - | - | - | - | - | 6 | 6 |
| | Askari Bank Limited | - | 1 | - | - | 1 | 1 | - | 3 |
| | Bank Alfalah Limited | | | 1 | | | 0 | 2 | 3 |
| | BankIslami Pakistan Limited | 1 | 6 | 8 | - | 4 | 33 | 48 | 100 |
| | Dubai Islamic Bank Pakistan Limited | - | - | - | - | - | 9 | 16 | 25 |
| | MCB Islamic Bank Limited | | | | | | 1 | 1 | 2 |
| | Faysal Bank Limited | | - | - | - | - | 2 | - | 2 |
| | The Bank of Khyber | - | - | - | - | 10 | - | - | 10 |
| | The Bank of Punjab | - | - | - | - | - | 2 | - | 2 |
| | United Bank Limited | - | - | 1 | - | 1 | - | - | 2 |
| | **Total Sub-Branches** | **1** | **7** | **11** | **0** | **16** | **48** | **73** | **156** |
| | **Grand Total** | **85** | **188** | **264** | **42** | **727** | **2,697** | **1,330** | **5,333** |

## ANNEXURE III. DISTRICT WISE BREAK-UP OF ISLAMIC BANKING BRANCH NETWORK

| S. No. | | District | No. of Branches* |
|---|---|---|---|
| 1 | Sindh | Badin | 5 |
| 2 | | Dadu | 11 |
| 3 | | Ghotki | 6 |
| 4 | | Hyderabad | 78 |
| 5 | | Jacobabad | 6 |
| 6 | | Jamshoro | 6 |
| 7 | | Karachi City | 1064 |
| 8 | | Kashmore | 3 |
| 9 | | Khairpur | 10 |
| 10 | | Larkana | 9 |
| 11 | | Matiari | 5 |
| 12 | | Mirpurkhas | 18 |
| 13 | | Naushahro Feroze | 11 |
| 14 | | Shaheed BenazirAba | 20 |
| 15 | | Sanghar | 22 |
| 16 | | Shikarpur | 3 |
| 17 | | Sukkur | 24 |
| 18 | | Shahdadkot | 4 |
| 19 | | Tando Allahyar | 5 |
| 20 | | Tando Mohammad K | 5 |
| 21 | | Thatta | 7 |
| 22 | | Umer Kot | 8 |
| **Sindh Total** | | | **1,330** |
| 23 | Punjab | Attock | 36 |
| 24 | | Bahawalnagar | 44 |
| 25 | | Bahawalpur | 65 |
| 26 | | Bhakkar | 10 |
| 27 | | Chakwal | 28 |
| 28 | | Chiniot | 13 |
| 29 | | Dera Ghazi Khan | 35 |
| 30 | | Faisalabad | 213 |
| 31 | | Gujranwala | 134 |
| 32 | | Gujrat | 119 |
| 33 | | Hafizabad | 14 |
| 34 | | Jhang | 25 |
| 35 | | Jhelum | 29 |
| 36 | | Kasur | 33 |
| 37 | | Khanewal | 44 |
| 38 | | Khushab | 17 |
| 39 | | Lahore City | 747 |
| 40 | | Layyah | 19 |
| 41 | | Lodhran | 9 |
| 42 | | Mandi Bahauddin | 27 |
| 43 | | Mianwali | 15 |
| 44 | | Multan | 157 |
| 45 | | Muzaffargarh | 30 |
| 46 | | Nankana Sahib | 19 |
| 47 | | Narowal | 14 |
| 48 | | Okara | 46 |
| 49 | | Pakpattan | 22 |
| 50 | | Rahim Yar Khan | 76 |
| 51 | | Rajanpur | 15 |
| 52 | | Rawalpindi | 262 |
| 53 | | Sahiwal | 57 |
| 54 | | Sargodha | 72 |
| 55 | | Sheikhupura | 46 |
| 56 | | Sialkot | 124 |
| 57 | | Toba Tek Singh | 43 |
| 58 | | Vehari | 38 |
| **Punjab Total** | | | **2,697** |
| 59 | Azad Kashmir | Bagh | 7 |
| 60 | | Bhimber | 8 |
| 61 | | Dadyal | 4 |
| 62 | | Hattian Bala | 1 |
| 63 | | Kotli | 12 |
| 64 | | Mirpur | 28 |
| 65 | | Muzaffarabad | 15 |
| 66 | | Poonch | 10 |
| **Azad Kashmir Total** | | | **85** |
| 67 | Khyber Pakhtunkhwa | Abbottabad | 38 |
| 68 | | Bannu | 17 |
| 69 | | Batagram | 8 |
| 70 | | Buner | 21 |
| 71 | | Charsadda | 21 |
| 72 | | Chitral | 12 |
| 73 | | Dera Ismail Khan | 21 |
| 74 | Khyber Pakhtunkhwa | Hangu | 13 |
| 75 | | Haripur | 24 |
| 76 | | Karak | 7 |
| 77 | | Kohat | 22 |
| 78 | | Lakki Marwat | 5 |
| 79 | | Lower Dir | 47 |
| 80 | | Malakand | 31 |
| 81 | | Mansehra | 31 |
| 82 | | Mardan | 36 |
| 83 | | Nowshera | 32 |
| 84 | | Peshawar | 148 |
| 85 | | Shangla | 10 |
| 86 | | Swabi | 16 |
| 87 | | Swat | 97 |
| 88 | | Tank | 3 |
| 89 | | Torghar | 1 |
| 90 | | Upper Dir | 26 |
| 91 | | Kohistan | 5 |
| 92 | | Bajaur Agency | 10 |
| 93 | | Khyber Agency | 15 |
| 94 | | Mohmand Agnecy | 1 |
| 95 | | Orakzai Agency | 3 |
| 96 | | Kurram Agency | 5 |
| 97 | | North Waziristan | 1 |
| **KPK Total** | | | **727** |
| 98 | | Islamabad | 264 |
| **Islamabad Total** | | | **264** |
| 99 | Gilgit-Baltistan | Astore | 2 |
| 100 | | Baltistan | 1 |
| 101 | | Ghizer | 2 |
| 102 | | Ghanche | 1 |
| 103 | | Hunza | 2 |
| 104 | | Skardu | 7 |
| 105 | | Diamir | 8 |
| 106 | | Shigar | 1 |
| 107 | | Gilgit | 18 |
| **Gilgit-Baltistan Total** | | | **42** |
| 108 | Balochistan | Chaghi | 4 |
| 109 | | Duki | 1 |
| 110 | | Gawadar | 9 |
| 111 | | Chaman | 1 |
| 112 | | Jaffarabad | 3 |
| 113 | | Kalat | 1 |
| 114 | | Kech | 3 |
| 115 | | Khuzdar | 4 |
| 116 | | Kharan | 1 |
| 117 | | Lasbela | 5 |
| 118 | | Loralai | 11 |
| 119 | | Mastung | 1 |
| 120 | | Noshki | 2 |
| 121 | | Nasirabad | 3 |
| 122 | | Panjgur | 4 |
| 123 | | Pishin | 9 |
| 124 | | Qilla Abdullah | 12 |
| 125 | | Qilla Saifullah | 9 |
| 126 | | Quetta | 89 |
| 127 | | Sibi | 2 |
| 128 | | Sohbatpur | 1 |
| 129 | | Turbat | 3 |
| 130 | | Zhob | 6 |
| 131 | | Ziarat | 4 |
| **Baluchistan Total** | | | **188** |
| **Grand Total** | | | **5,333** |

*including sub-branches