



Islamic Banking

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Islamic Banking Department

State Bank of Pakistan



ISLAMIC BANKING DEPARTMENT

Vision

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

Mission

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

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Islamic Banking Bulletin gives an overview of the Islamic Banking Industry of Pakistan and provides information regarding the developments taking place in the industry locally and internationally.



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Quaid-i-Azam Muhammad Ali Jinnah's Speech

Mr. Governor, Directors of State Bank, Ladies and Gentlemen.

The opening of the State Bank of Pakistan symbolises the sovereignty of our State in the financial sphere and I am very glad to be here today to perform the opening ceremony. It was not considered feasible to start a Bank of our own simultaneously with the coming into being of Pakistan in August last year. A good deal of preparatory work must precede the inauguration of an institution responsible for such technical and delicate work as note issue and banking. To allow for this preparation, it was provided, under the Pakistan Monetary System and Reserve Bank Order, 1947, that the Reserve

Bank of India should continue to be the currency and banking authority of Pakistan till the 30th September, 1948. Later on it was felt that it would be in the best interests of our State if the Reserve Bank of India were relieved of its functions in Pakistan, as early as possible. The State of transfer of these functions to a Pakistan agency was consequently advanced by three months in agreement with the Government of India and the Reserve Bank. It was at the same time decided to establish a Central Bank of Pakistan in preference to any other agency for managing our currency and banking. This decision left very little time for the small band of trained personnel in this field in Pakistan to complete the preliminaries and they have by their untiring effort and hard work completed their task by the due date which is very creditable to them, and I wish to record a note of our appreciation of their labours.

I shall watch with keenness the work of your Research Organization in evolving banking practices compatible with Islamic ideas of social and economic life.

As you have observed, Mr. Governor in undivided India banking was kept a close preserve of non-Muslims and their migration from Western Pakistan has caused a good deal of dislocation in the economic life of our young State. In order that the wheels of commerce and industry should run smoothly, it is imperative that the vacuum caused by the exodus of non-Muslims should be filled without delay. I am glad to note that schemes for training Pakistan nationals in banking are in hand. I will watch their progress with interest and I am confident that the State Bank will receive the co-operation of all concerned including the banks and Universities in pushing them forward. Banking will provide a new and wide field in which the genius of our young men can find full play. I am

sure that they will come forward in large numbers to take advantage of the training facilities which are proposed to be provided. While doing so, they will not only be benefiting themselves but also contributing to the well-being of our State.

I need hardly dilate on the important role that the State Bank will have to play in regulating the economic life of our country. The monetary policy of the bank will have a direct bearing on our trade and commerce, both inside Pakistan as well as with the outside world and it is only to be desired that your policy should encourage maximum production and a free flow of trade. The monetary policy pursued during the war years contributed, in no small measure, to our present day economic problems. The abnormal rise in the cost of living has hit the poorer sections of society including those with fixed incomes very hard indeed and is responsible to a great extent for the prevailing unrest in the country. The policy of the Pakistan Government is to stabilise prices at a level that would be fair to the producer, as well as the consumer. I hope your efforts will be directed in the same direction in order to tackle this crucial problem with success.

I shall watch with keenness the work of your Research Organization in evolving banking practices compatible with Islamic ideas of social and economic life. The economic system of the West has created almost insoluble problems for humanity and to many of us it appears that only a miracle can save it from disaster that is not facing the world. It has failed to do justice

between man and man and to eradicate friction from the international field. On the contrary, it was largely responsible for the two world wars in the last half century. The Western world, in spite of its advantages, of mechanization and industrial efficiency is today in a worse mess than ever before in history. The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people. We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice. We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind.

May the State Bank of Pakistan prosper and fulfil the high ideals which have been set as its goal.

In the end I thank you, Mr. Governor, for the warm welcome given to me by you and your colleagues, and the distinguished guests who have graced this occasion as a mark of their good wishes and the honour you have done me in inviting me to perform this historic opening ceremony of the State Bank which I feel will develop into one of our greatest national institutions and play its part fully throughout the world."

(Quaid-i-Azam's Speech on the occasion of the Opening Ceremony of The State Bank of Pakistan on 1st July, 1948.)

Book Review

.....Continued from Page. 9

Shamshad Akhtar, Ex. Governor, State Bank of Pakistan, and Dr. Tariqullah Khan - Chief, Islamic Banking and Finance Division, Islamic Research and Training Institute (IRTI) at the Islamic Development Bank (IDB).

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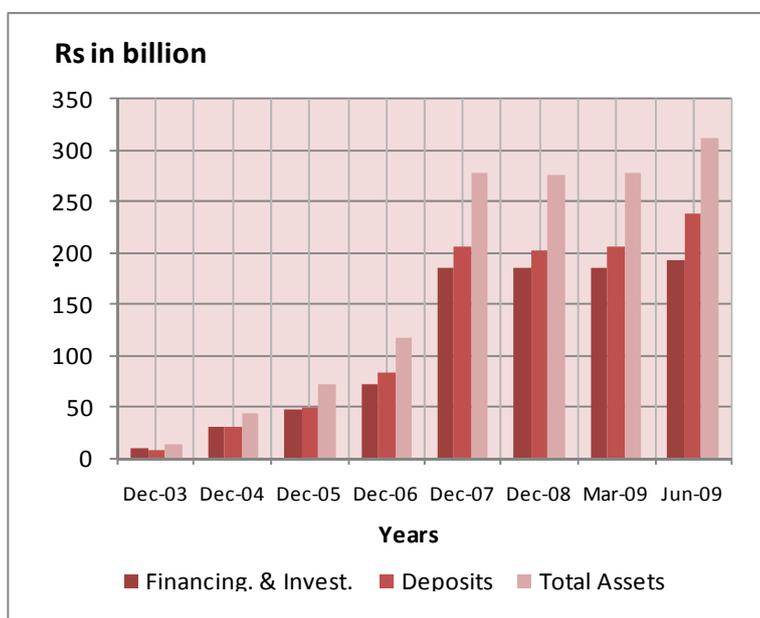
15. Future Challenges

Source:

<http://books.google.com.pk/books?id=EjlsEs4yPMC&q=%22Zamir+Iqbal%22#v=onepage&q=%22Zamir%20Iqbal%22&f=true>

Industry Progress and Market Share

Figure 1: Islamic Banking Industry - 2003 to 2009



Islamic Finance has made commendable progress in the last few years. The growth rate remained consistently higher than the conventional finance industry, culminating in continuously rising share of Islamic finance in the local and global financial markets. The SBP is leading the way in Pakistan and has envisioned to achieve a share of 12 percent by 2012 in its Islamic banking strategy plan.

The highlight of quarter June 2009 was that, most of the indicators of the Islamic banking in Pakistan showed reversion towards the usual high growth trend. It may be recalled that the Islamic banks also witnessed some slowdown as a result of the financial stress of recent times. The data for quarter ended June 2009, shows that asset financing activities of Islamic banks have revived besides substantially higher assets and deposits growth. The profitability indicators have also shown marked improvement as compared to the preceding quarter.

Assets and Financing

Total Assets of Islamic Banking in Pakistan reached Rs. 313 billion in June 2009 compared with Rs. 278 billion in March 2009. The financing and investment portfolio of Islamic banks reached Rs. 195.0 billion in June 2009 compared with Rs.185 billion in March 2009. In terms of market share, total assets, financing & investment and deposits reached to 5.1% and 4.2% and 5.2%, respectively at end June 2009. The branch network of 6 full fledged Islamic banks and 12 conventional banks (with dedicated Islamic banking branches—IBBs) increased to 528 branches in June 2009—see Table 1.

The breakup of assets is given in Table 2. The financing portfolio has increased by 3 percent QoQ. This is encouraging as during the last quarter (Jan-Mar 2009) the financing had actually declined by Rs 10 billion. The resurgence in financing is accompanied by a QoQ 9.3 percent

Table 1: Industry Progress and market share

Rupees in billion & shares in percent								
	Jun 09*	Mar 09*	Dec. 08	Dec. 07	Dec. 06	Dec. 05	Dec. 04	Dec. 03
Total Assets	313	278	276	206	119	72	44	13
Share in industry	5.1%	4.8%	4.9%	4.0%	2.8%	2.0%	1.5%	0.5%
Deposits	238	206	202	147	84	50	30	8
Share in industry	5.2%	4.9%	4.8%	3.8%	2.6%	1.8%	1.3%	0.4%
Financing & Investment	194	185	186	138	73	48	30	10
Share in industry	4.2%	4.3%	4.3%	3.5%	2.3%	1.7%	1.3%	0.5%
Total Islamic Banking Institutions	18	18	18	18	16	11	11	4
Total No. of Branches**	528	524	515	289	150	70	48	17

*Source: Annual Accounts except for March and June 09, data for which is based on Unaudited Quarterly Accounts

** Including Sub branches

Table 2: Assets classifications

Rupees in billion			
	Mar-09	Jun-09	QoQ % Change
Cash and balances with treasury banks	21.4	25.1	17.4%
Balances with other banks	24.8	33.9	36.5%
Due from financial institutions	21.9	30.7	40.2%
Investments	49.0	53.5	9.3%
Financing	136.2	140.3	3.0%
Operating fixed assets	11.2	11.7	3.9%
Deferred tax assets	1.1	1.0	-5.5%
Other assets	12.9	16.8	30.7%
Total Assets	278.4	313.0	12.4%

increase in investment. The increased financing may be reflecting the improving economic outlook of the country. While, the investment has largely increased due to 3rd issuance of GoP Ijarah Sukuk.

As given in Table 3, the financing mix shows a further QoQ increase of 10 percent in the Murabaha portfolio. Interestingly, there is an almost matching decline in Ijarah financing. It look as if the funds released from lower consumer demand has been effectively parked into Murabaha based assets. The remaining financing mix is almost unchanged from the previous quarter—largely dominated by the Diminishing Musharaka with a share of over 31 percent. Nonetheless, there is a welcome increase of Rs. 2.4 billion in Musharaka financing, though Mudarbah financing has declined by almost 50 percent. Still, there is no financing through Qarz. All in all, the composition and focus of banks in the financing mix is almost unchanged, reflecting reluctance of banks to move towards participatory modes.

The non-performing financing (NPF) has increased by 15.4 percent during the quarter. Though banks have increased provisioning by almost 25 percent, however the net non-performing financing has increased by 6.3 percent. A surge in NPF is not surprising given on going economic stress. Nonetheless, the banks have increased provisioning to address the problem of infected assets (see Table 3).

The sector-wise financing mix (for quarter ended end-June 2009) shows that the bulk of the financing is extended to the corporate sector that stood around 64 percent (Table 4). The second in line is the consumer sector that is getting around 21 percent of the financing. The number of borrowers is the highest in consumer sector followed by SME. The corporate share in number of borrowers is significantly lower at 6.5 percent. Higher borrowing to very few corporate clients is reflective of high level of financing concentration.

The priority sectors like SME and agriculture—as identified in the strategic plan of Islamic banking in Pakistan—are only getting a share of financing to the extent of 8.6 percent (down from 9.3 percent in

Table 3: Financing Mix

Rupees in billion			
	Mar-09	Jun-09	% Change
Murabaha	52.5	58.0	10.5%
Ijarah	29.7	26.2	-11.7%
Musharaka	1.3	3.7	181.4%
Mudaraba	1.6	0.9	-43.0%
Diminishing Musharaka	44.0	45.3	3.0%
Salam	3.1	2.9	-4.4%
Istisna	4.5	4.8	6.7%
Qarz/ Qarz-e-Hasna	0.0	0.0	0.0%
Others	2.6	2.3	-12.0%
Total	139.4	144.3	3.5%
Amount of Non performing Financing	6.3	7.3	15.4%
Provision against Non Performing Fin.	3.2	4.0	24.4%
Net Non performing Fin.	3.1	3.3	6.3%
Net Financing	136.2	140.3	3.0%

Table 4: Segment wise breakup of financing

Amount (Rupees in billion)			
	Mar-09	Jun-09	% Change
Corporate Sector	88.5	91.9	3.94
SMEs	12.9	12.5	(3.46)
Agriculture	0.0	0.1	234.78
Consumer Finance	31.7	29.9	(5.64)
Commodity Financing	2.6	6.2	135.23
Staff Loans	2.6	2.7	5.39
Others	1.1	1.0	(8.12)
Total	139.4	144.3	3.51
Number of borrowers			
Corporate Sector	1,768	2,162	22.29
SMEs	2,681	2,525	(5.82)
Agriculture	72	132	83.33
Consumer Finance	25,279	26,392	4.40
Commodity Financing	25	35	40.00
Staff Loans	1,663	2,095	25.98
Others	22	17	(22.73)
Total	31,510	33,358	5.86
Segment wise financing—shares			
Amount			
Corporate Sector	63.5	63.7	0.3
SMEs	9.3	8.6	(0.6)
Agriculture	0.0	0.0	0.0
Consumer Finance	22.8	20.7	(2.0)
Commodity Financing	1.9	4.3	2.4
Staff Loans	1.8	1.9	0.0
Others	0.8	0.7	(0.1)
Total	100.0	100.0	-
Number of borrowers			
Corporate Sector	5.6	6.5	0.9
SMEs:	8.5	7.6	(0.9)
Agriculture	0.2	0.4	0.2
Consumer Finance	80.2	79.1	(1.1)
Commodity Financing	0.1	0.1	0.0
Staff Loans	5.3	6.3	1.0
Others	0.1	0.1	(0.0)
Total	100.0	100.0	-

Figure 2: Breakup of Financing

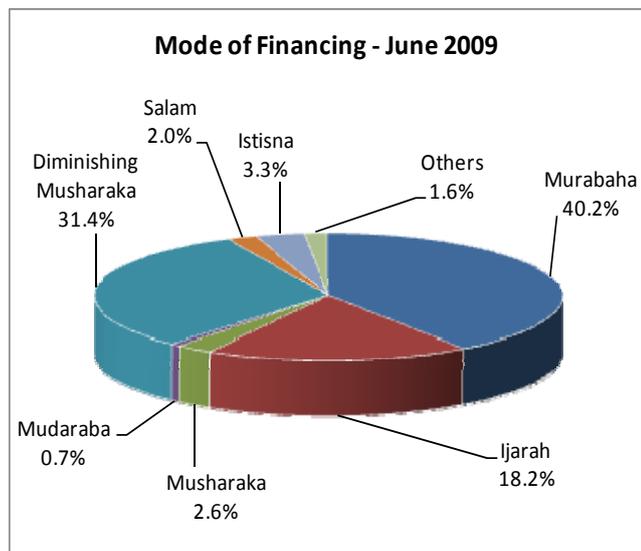
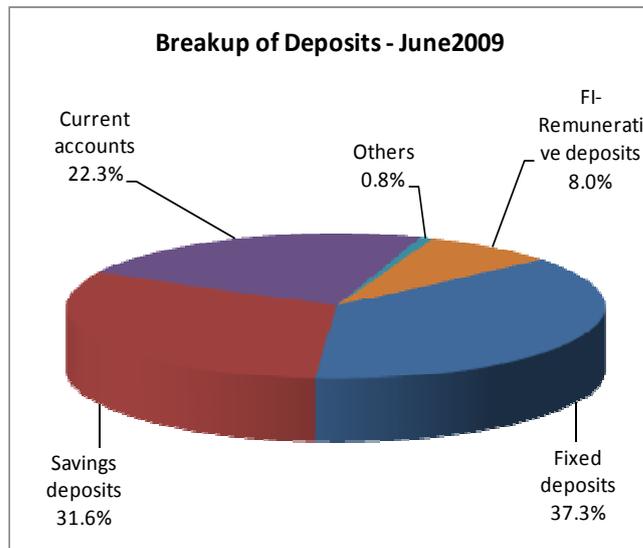


Figure 3: Breakup of Deposits



the preceding quarter) and almost 0 percent, respectively. Going forward, the Islamic banks have to extend their outreach to these priority sectors so that Islamic banking can establish itself as a socially more responsible financial alternative

Deposits and Liabilities

The growing depositors confidence is well reflected in a QoQ 15.5 percent increase in the deposits. The deposit base of Islamic banks stood at Rs 238 billion at end-June 2009 compared to Rs 206 billion in the previous quarter-end (see Table 4).

Total liabilities of Islamic has increased by 13.3 percent during the quarter. While the net assets and equity increased by around 7 percent each. There is an increase of QoQ 6 percent in the reserves and the unappropriated profits have increased by QoQ 79 percent (Table 4).

The distribution of deposits shows that fixed and saving deposits are almost equal, with a slight lead of fixed deposits (Table 6). However, there is a shift of deposits towards saving deposits as reflected by a QoQ increase of 0.2 percent in saving deposits as against a QoQ increase of 0.1 percent in fixed deposits. The current accounts are around 22 percent of the deposits—almost unchanged to the previous quarter. The account holders in terms of local and

Table 5: Deposits and other liabilities

	Rupees in billion		
	Mar-09	Jun-09	% Change
Bills payable	2.8	3.3	19.7%
Due to financial institutions	13.6	12.6	-7.5%
Deposits and other accounts	206.2	238.2	15.5%
Deferred tax liabilities	0.3	0.5	72.1%
Other liabilities	19.0	19.4	2.1%
Total liabilities	242.0	274.0	13.3%
Net assets	36.4	39.0	7.0%
<i>Represented by</i>			
Paid-up capital/Head office capital account	34.4	36.3	5.5%
Reserves	0.9	1.0	6.0%
Unappropriated/Unremitted profit	0.5	0.9	78.8%
Sub Total	35.8	38.2	6.6%
Surplus /(Deficit) on revaluation of assets	0.6	0.8	33.7%
Equity	36.4	39.0	7.01%

Table 6: Deposits and Other Accounts

	Rupees in billion		
	Mar-09	Jun-09	% Change
	206.2	238.2	0.2
A) Customers	188.5	219.1	0.2
Fixed deposits	78.2	88.9	0.1
Savings deposits	63.1	75.2	0.2
Current accounts -Remunerative	0.0	0.0	
Current accounts	45.4	53.2	0.2
Others	1.8	1.9	0.03
B) Financial institutions	17.7	19.1	0.1
FI-Remunerative deposits	17.7	19.0	0.1
FI-Non Remunerative deposits	0.04	0.05	0.1
Particulars of deposits	206.2	238.2	0.2
In Local Currency	190.8	225.5	0.2
In Foreign currency	15.4	12.7	-0.2

foreign currency are dominated by local currency accounts that comprised around 95 per cent of the deposits (up from 92 percent in preceding quarter).

Earning and Profitability

Both income and expense accounts have shown substantial growth during the quarter ended June 2009. The mark up income almost doubled during the quarter. However, the increase in mark up expense is even greater. Nonetheless, the net mark up income has increased from Rs.3.7 billion to Rs 7.2 billion, a healthy 94.0 percent growth (Table 7). Another expense that is almost doubled is the provisioning for bad debts and debt write offs. Still, after provisioning the net mark up income is showing a substantial rise of 95.6 percent.

The non-mark up income is showing an even greater increase in percentage terms. More specifically, non-mark up income has increased by a hefty 213.2 percent—from Rs 0.5 billion in March 2009 to Rs 1.6 billion in June 2009. The major contributors to non-mark up income are the fee based , dividend income and gains from dealing in foreign currency. The non-mark up expense has also almost doubled with the major contribution coming from the administrative expenses. The profits—both before and after taxation—has more than doubled, thus reflecting well on the performance of the Islamic banking institutions in Pakistan.

As shown in Table 8, the measures of returns and profitability are all showing substantial improvement over the previous quarter. However, measures of asset quality are showing some slippages especially owing to the rising trend in NPFs. Nonetheless, the rise in NPF is consistent with the downturn in economic activity and with the general trend in conventional banking industry. It can be hoped that NPFs will improve with the improvement in economic activity.

Table 7: Income and expenses

		Rupees in billion		
	Mar-09	Jun-09	QoQ % Change	
Mark-up/Return Earned	7.8	15.4	98.17%	
Mark-up/Return Expensed	4.1	8.3	101.87%	
Net Mark up/ Return Income	3.7	7.2	94.05%	
Provisions & bad debts written off directly/(reversals)	0.9	1.7	89.04%	
Net Mark up / Ret. Income after Prov.	2.8	5.5	95.62%	
Non mark up income	0.5	1.6	213.22%	
Fees Commission and Brokerage Income	0.3	0.8	160.38%	
Dividend income	0.0	0.1	154.88%	
Income from dealing in Foreign Currencies	0.1	0.6	469.37%	
Other income	0.1	0.1	87.19%	
Non mark up return expenses				
Administrative expenses	2.7	5.6	106.35%	
Other	0.0	0.0		
Other charges/provisions/ write offs	0.03	0.04	17.90%	
Total Non-Mark up / Return Expenses	2.8	5.7	105.34%	
Extraordinary / unusual items	0.0	0.0		
Profit/(loss) before taxation	0.54	1.4	154.55%	
Taxation - Current & Prior years	0.009	0.3	3187.14%	
Profit/(loss) after taxation	0.53	1.1	106.42%	

Table 8: Various performance indicators

	Mar-09	Jun-09	QoQ ppt Change
Earnings			
ROA before Tax	0.1%	0.2%	0.1%
ROE Before Tax	1.0%	2.4%	1.5%
ROA After Tax	0.1%	0.2%	0.1%
ROE After Tax	0.9%	1.9%	1.0%
NIM	0.7%	1.4%	0.7%
Intermediation Cost	0.5%	1.1%	0.6%
Loans to Deposits	66.0%	58.9%	-7.1%
Net NPFs to Capital	8.5%	8.5%	-0.1%
Assets Quality			
NPFs to Financing	4.5%	5.0%	0.5%
Net NPFs to Net Financing	2.3%	2.4%	0.1%
Provisions to NPFs	50.5%	54.4%	3.9%
Net NPAs to Total Capital	9.7%	11.6%	2.0%
Real estate Loans to Total Loans	12.1%	10.8%	-1.3%
Connected Lending to Total Loans	0.6%	0.6%	0.0%
FCY Denominated Loans to Capital	7.1%	11.1%	4.0%
Earnings and Profitability			
Net Income to Total Assets(ROA)	0.1%	0.2%	0.1%
Return on Equity (ROE)	0.9%	1.9%	1.0%
Net Interest Income to Gross Income	88.0%	82.0%	-6.0%
Non-interest Income to Gross Income	12.0%	18.0%	6.0%
Trading & Fx Gains/(Losses) to Gross Income	1.6%	6.1%	4.5%
Operating Expense to Gross Income	66.0%	65.1%	-0.9%
Personnel Expense to Operating Expense	30.3%	29.7%	-0.6%

Table: 9 Deposits Mobilized by Islamic Banking Divisions (IBDs)

No. of Islamic Banking Windows	55
Deposits mobilized through IBWs	Rs. 3.39 billion
Total Deposits mobilized through IBDs	Rs. 67.3 billion
IBWs' Deposits to IBDs' total Deposits	5.0%

Book Review

Risk Analysis for Islamic Banks

Authors: Hennie Van Greuning and Zamir Iqbal

Publisher : World Bank

Pages : 309

ISBN : 9780821371141

Publication Year: 2008

Price: \$ 50.0

This book is available in SBP library

Risks are inherent in banking operations. The sustainability and growth of financial institutions depends inter-alia on the efficiency with which its risks are managed. The innovations and modernization in the field of banking operations over the last few decades has resulted in increased complexity and convergence of financial activities – enhancing the risk profile of banking operations. Bearing this in mind, Islamic banking has a different orientation towards risks due to unique nature of the contracts used for structuring financial transactions. Consequently, the risk profile of Islamic banks has a much broader dimension.

This book provides a good overview of topics related to the assessment, analysis, and management of various types of risks in the field of Islamic banking. The authors, having the experienced of both conventional banking and Islamic finance, have made valuable attempt to provide a good book dealing with risks faced by Islamic banks better attuned to the current realities of changing economies and Islamic financial markets.

The book is divided in three parts. The part one discusses the principles of Islamic finance and its key stakeholders whereas the part two emphasizes on the various risks prevailing in the Islamic banking institutions. The part three deals with governance and regulatory aspect of Islamic finance. There are fifteen chapters of this book and the concluding part highlights the challenges faced by today's Islamic financial industry.

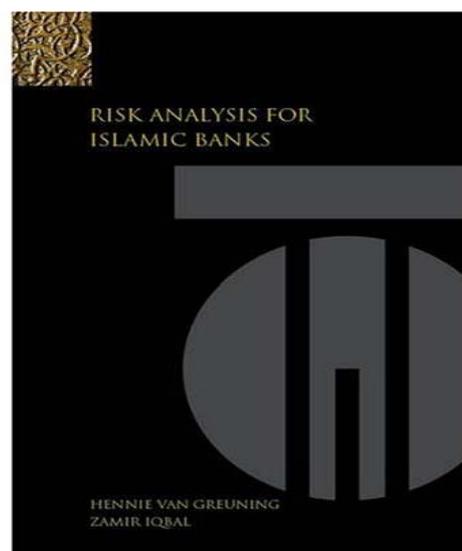
The book effectively highlights the intricacies of the unique risks faced by Islamic banks and also suggests measures to mitigate these. The authors of the book have made a commendable effort to underscore the basis of

Islamic finance and leading the discussion to the higher level and discussing the risks inherent in its operations. Moreover, the risk of being non-compliant with Islamic principles is understandably considered a serious reputational risk and threat to the Islamic banking institutions. The authors have seriously viewed that any kind of compromise on Shariah matters will not only jeopardize the industry but it will be more damaging to this concept.

The book is an excellent read for all those interested in the field of Islamic finance. It enhances the readers understanding on the subject by touching the processes from Shariah and banking aspects and thereby highlighting the specific risks related to the contracts being used. The authors have adequately highlighted the importance of having consistency of judgment and harmonization of practices across the jurisdictions. As the industry expands, the number of conflicting rulings on the permissibility of an instrument is likely to grow if no efforts are made to harmonize the standards. This may undermine the public confidence in the industry and have repercussions on the enforceability of contracts. The book also offers an interesting read to the regulators/supervisors regarding relationship between risk analysis and banking supervision.

Summing up, the book is considered a valuable source of knowledge on the subject. The authors' effort has also been applauded by the renowned scholars of the subject which includes Professor Rifaat Ahmed Abdel Karim, Secretary-General of Islamic Financial Services Board (IFSB), Dr.

Continued on Page 4....



**** Note:** Book reviewed by Mr. Ghulam Shabbir (Jr. Joint Director, Islamic Banking Department) The views expressed in this review are those of the author and do not necessarily represent those of the SBP or SBP policy.

Bank in Focus

UBL- Ameen

UBL Ameen is the Islamic Banking Division of United Bank Limited (UBL). It was launched with the opening of the first dedicated Islamic banking branch in Karachi on December 22, 2006. At the outset, an Islamic Banking Fund of Rs. 50 Million was created that has now crossed Rs. 670 Million.

BRANCH NETWORK

UBL Ameen adopted a hybrid model for providing Islamic Banking Services to a larger segment of the population. This model comprises standalone branches as well as Islamic Banking windows in existing branches of UBL where the service is provided along side conventional banking. As of June 30, 2009, UBL Ameen branch network has grown to 5 stand alone branches in Karachi, Lahore, Faisalabad, Sialkot and Peshawar and 19 Islamic Banking windows at selected UBL branches covering 5 major cities across 3 provinces of Pakistan.

PRODUCT RANGE

UBL Ameen currently offers a wide range of Shariah compliant products and services in the area of Retail, Consumer as well as Corporate Banking.

Deposits

UBL Ameen offers a wide range of remunerative & non-remunerative deposits products namely Ameen Current Account, Ameen Saving Account, Ameen Certificate of Islamic Investment variant in maturity periods ranging from 1 month to 8 years and profit payout variations from monthly, semiannually & maturity. UBL Ameen also offers Current account in US Dollar, Pound Sterling and Euro.

Consumer Banking

UBL Ameen is currently offering Auto Finance under the brand name of "Ameen Auto Ijarah", which is based on the Ijarah model. Ameen Auto Ijarah offers a quick, convenient and fully Shariah Compliant manner of financing a car. UBL Ameen has established itself as the category leader in auto financing. UBL Ameen was also the first bank to implement IFAS 2 in Auto Ijarah since the inception of the product in 2007. During the year 2009, UBL Ameen is planning to launch Ameen Housing under the Diminishing Musharaka Islamic finance mode.

Corporate Banking

To meet general business requirements and to provide Shariah Compliant financial solutions, following services are offered by UBL Ameen Corporate Banking:

Table: Bank's Performance at a Glance

	(Rs in Million)	% of Islamic Banking Industry
Deposits	1,354	0.6
Financing	3,109	0.5
Total Assets	759	1.0
Branch Network	5	0.9

Position as of June 30, 2009

- ◆ Cash Management Services
- ◆ Trade Related Services
- ◆ Investment Banking Services
- ◆ Commercial Banking Services

An ever expanding network of correspondent banks allows UBL Ameen clients to utilize the arrangement with numerous local and foreign commercial banks in meeting their collections and payments requirements.

Services

UBL Ameen offers a variety of banking solutions and services to its client including lockers and e-banking.

Visa Debit Card: UBL Ameen is the first Islamic Banking Branch network to offer Visa Debit Card and has the largest ATM network across Pakistan within the Islamic Banking industry. UBL Ameen Visa Debit Cards can be used in over 350 UBL ATMs (without any transaction fee) along with 3,500 ATMs nationwide and 1 Million ATMs around the world. Powered by VISA, this card provides access to over 30 million outlets around the world.

Online Banking: UBL Ameen provides Islamic banking facility to its customers through more than 900 online UBL branches across Pakistan. Accessibility to such a large online banking network by any Islamic Banking service provider will help change the landscape of Islamic Banking in the region.

Lockers: UBL Ameen Lockers facility is currently available in Karachi and Sialkot.

24 hour Call Centre Facility: This is available 24 hours, 7 days a week to customers for balance and transaction inquiries, ATM/Debit Card issues, complaints and general inquiries.

(Information provided by UBL Ameen. For further information please visit www.ubl.com.pk/Ameen)

Mode of Islamic Financing

Loan (Qard) Shariah Perspective (قرض)

The literal meaning of Qard is cutoff or chop. The creditor or the person who gives away an amount as loan to an other person, actually cuts off a portion of his wealth and gives it away to the borrower.

Qard Hasan: The word "qard" is derived from Arabic "qirad" which means 'to cut'. It is called qard, as it cuts certain part of the lender's property by giving loan to another person. The word Hasan originates from 'ihسان'. Ehsan means kindness to others.

The main objectives of qard al-hasan are to help needy people and to establish a caring society and to establish better relationship among poor and the rich members of the society

According to Quran, Sunnah and Ijma lending and borrowing is permissible in Shariah.

The word Qard is used in Quran at least in six verses, such as:

- ◆ "who is he that will lend Allah a qard hasan so that He will multiply it for him (the lender) many times over".(2:245),
- ◆ And certainly Allah took a covenant from the children of Israel and we raised up amongst them twelve captains, and Allah said 'verily, I am with you if you keep up salat, pay zakat, believe in my messengers and support them, and lend Allah a qard hasan. I will certainly wipe off your sins and I will certainly cause you to enter the gardens in which rivers flow... (5:12), and
- ◆ See also (11:57) (18:57) (17:64) (20:73)

'Qard' in Hadith implies a Riba-free loan, given mainly for welfare purposes. The borrower is only required to pay back the amount borrowed.

The reward of giving loan: It is reported that the Prophet (saw) said, "in the night of the journey, I saw on the gate of heaven written, 'reward for sadakah is ten times and reward for qard al-hasan is eighteen times'. So, I asked the angel, how is it possible? The angel replied, "Because beggar who asked had already had something but a loanee did not ask for loan unless he was in need." (Ibn Majah).

No doubt the Qard is treated as an act of kindness but

Quarnic Verses indicates that Qard e Hasanah is different from Sadaqah and Zakat. The rewards promised by Allah are not limited to the hereafter only.

According to the Shariah Loan (Qard) is defined as providing money or goods to someone who can benefit from it at the moment and later returns back to him its equivalent.

By lending money or goods to other people the creditor becomes dearer to Allah (SWT) as he helps the person in need and eases him at times of difficulty.

Once the Prophet صلى الله عليه وسلم borrowed a young camel and later returned a camel better than the one received. He said that the best among people is one who best fulfills his obligations .

ان من خير الناس أحسنهم قضاءً - رواه البخارى

The Prophet صلى الله عليه وسلم said that anyone who relieves the agony of a Muslim in this world Allah (SWT) will relieve his agony on the Day of Judgment, who assists an insolvent Allah will assists him in the world and the hereafter and Allah is out for help to those who help others.

The majority of the jurisprudents are of the opinion that there is no limit to maturity as lending is based on welfare (تبرع). Therefore a creditor may demand for his loan at any instant. However Imam Malik is of the view that there should be a definite time for maturity of the loan. He support his argument from the Quranic verse:

إِذَا تَدَايَنْتُمْ يَدَيْنِ إِلَى أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ
(البقرة: ٢٨٢)

(O you who believe! when you deal with each other in contracting a debt for a fixed time, then write it down)

Another condition for lending pertains to the subject matter that is being borrowed. Every goods that is permissible to sell fits for lending also. For example fabric, animals, and substance those are measured by weight,

Continued on page 14...

Frequently Asked Questions

(Part III)

Q. No 12 What are the basic principles of Islamic banking?

Answer: There are at least six basic principles which are taken into consideration while executing any Islamic banking transaction. These principles differentiate a financial transaction from a Riba/interest based transaction to an Islamic banking transaction.

1. Sanctity of contract: Before executing any Islamic banking transaction, the counter parties have to satisfy whether the transaction is halal (valid) in the eyes of Islamic Shariah. This means that Islamic bank's transaction must not be invalid or voidable. An invalid contract is a contract, which by virtue of its nature is invalid according to Shariah rulings. Whereas a voidable contract is a contract, which by nature is valid, but some invalid components are inserted in the valid contract. Unless these invalid components are eliminated from the valid contract, the contract will remain voidable.

2. Risk sharing: Islamic jurists have drawn two principles from the saying of prophet Muhammad (SAW). These are "Alkhiraj Biddamaan²¹" and "Alghunun Bilghurum²²". Both the principles have similar meanings that no profit can be earned from an asset or a capital unless ownership risks have been taken by the earner of that profit. Thus in every Islamic banking transaction, the Islamic financial institution and/or its deposit holder take(s) the risk of ownership of the tangible asset, real services or capital before earning any profit there from.

3. No Riba/interest: Islamic banks cannot involve in riba/interest related transactions. They cannot lend money to earn additional amount on it. However as stated in point No. 2 above, it earns profit by taking risk of tangible assets, real services or capital and passes on this profit/loss to its deposit holders who also take the risk of their capital.

4. Economic purpose/activity: Every Islamic banking transaction has certain economic purpose/activity. Further, Islamic banking transactions are backed by tangible asset or real service.

5. Fairness: Islamic banking inculcates fairness through its operations. Transactions based on dubious terms and conditions cannot become part of Islamic banking. All the terms and conditions embedded in the transactions are properly disclosed in the contract/agreement.

6. No invalid subject matter: While executing an Islamic banking transaction, it is ensured that no invalid subject matter or activity is financed by the Islamic financial transaction. Some subject matter or activities may be al-

lowed by the law of the land but if the same are not allowed by Shariah, these can not be financed by an Islamic bank.

Q. No. 13 What is meant by Shariah/Islamic Law?

Answer: Shariah lexically means a way or path. In Islam Shariah refers to the divine guidance and laws given by the Holy Quran, the Hadith (sayings) of the Prophet Muhammad (Peace Be Upon Him) and supplemented by the juristic interpretations by Islamic scholars. Shariah embodies all aspects of the Islamic faith, including beliefs and practices. Islamic Shariah or the divine law of Islam is derived from the following four sources:

1. The Holy Quran
2. The Sunnah of the Holy Prophet (Peace Be Upon Him)
3. Ijma' (consensus of the Ummah)
4. Qiyas (Anology)

Q. No. 14 The end result of Islamic Banking and Conventional Banking is the same. Why do they appear similar?

Answer: The validity of a transaction does not depend on the end result but rather the process and activities executed and the sequence thereof in reaching the end. If a transaction is done according to the rules of Islamic Shariah it is halal even if the end result of the product may look similar to conventional banking product. For example a normal McDonalds burger in USA and Pakistan may look similar, smell similar and taste similar but the former is haram and the later is halal due to its compliance of Islamic guidelines of slaughtering animals.

Similarly, if a person is feeling hungry, he may steal a piece of bread and eat or alternatively buy a piece of bread to eat. The apparent end result would be same but one is permissible in Shariah and the other is not allowed. The same is also true for Islamic and conventional banking. Therefore, it can be concluded that it is the underlying transaction that makes something "Halal" (allowed) or "Haram" (prohibited) and not the result itself. Apparently, Islamic banks may look similar to conventional banks, however the contracts and product structures used by Islamic banks are quite different from that of the conventional bank. In the verse 2:275 of the Holy Quran, Allah the Almighty has responded to the apparent similarity between trade and interest by resolutely informing that he has permitted trade and prohibited Riba (though they may look similar to someone).

Q. No. 15 If Islamic banks do not invest in interest based activities then how do they generate profit to pay to their customers?

Answer: The Islamic bank uses its funds in various trade, investment and service related Shariah compliant activities and earns profit thereupon. The profit earned from such activities is passed on to the depositors according to the agreed terms.

Q. No. 16. Are not Islamic banks just paying interest and dressing it as profit on trade and investments?

Answer: No, Islamic banks accept the deposits either on profit and loss sharing basis or on Qard basis. These deposits are deployed in financing, trading or investment activities by using the Shariah compliant modes of finance. The profit so earned by the bank is passed on to the depositors according to the pre-agreed ratio which, therefore, cannot be termed as interest.

Q. No. 17 Islamic banks use interest base system (KIBOR) as a Bench Mark while determining profit; how Islamic banking can be said to be Islamic?

Answer: Islamic banks should ideally have their own benchmark system for determination of profit. Since, the industry is in its initial stage of development, it is using the available benchmark for the banking industry. It is expected that once it is grown to a sizable level, it would have its own benchmark. However, using Interest Rate benchmark for determining the profit of any permissible transaction does not render the transaction as invalid or haram. It is the nature/mechanism of the transaction that determines its validity or otherwise.

For example Mr. A and Mr. B are two neighbors. Mr. A sells liquor which is totally prohibited in Islam whereas Mr. B, being a practicing Muslim dislikes the business of Mr. A and starts the business of soft drinks. Mr. A wants his business to earn as much profit as Mr. B earns through trading in liquor. Therefore he decides that he will charge the same rate of profit from his customers as Mr. B charges over the sale of liquor. Thus he has tied up his rate of profit with the rate used by Mr. B in his prohibited business.

One may say that Mr. B uses an undesirable benchmark in determining the rate of profit, but obviously no one can say that the profit charged by him is haram because he has used the rate of profit of the business of liquor only as a benchmark.

The same is true for Islamic banks, it is most desirable and preferable that Islamic banks develop their own bench-

mark however; in the absence of any such alternative, interest rate related benchmark can be used.

Q No. 18 Is Islamic banking meant only for Muslims?

Answer: The teachings of Islam are not confined to Muslims, rather these equally address the non-Muslims due to their universal nature. The basis of Islamic banks is laid down on ethical values and socially responsible system. The values like justice, mutual help, free consent and honesty on the part of the parties to a contract, avoiding fraud, misrepresentation and misstatement of facts and negation of injustice or exploitation form the basic principles of Islamic banking. Therefore, the principles of Islamic banking lead the economic system to achieve the common good and economic prosperity. On this premise, Islamic banking becomes a viable option for everyone irrespective of their religion.

Q No.19 What are the major modes of Islamic banking and finance?

Answer: The following are the modes of finance which are or three categories:

- 1) Participatory modes of Finance
 - a) Mudarabah
 - b) Musharakah
- 2) Non Participatory modes of Finance
 - a) Murabaha
 - b) Musawamah
 - c) Salam
 - d) Istisna
 - e) Ijarah
 - f) Ijarah wa Iqtina (Ijarah Muntahiyyah Bittamleek)
- 3) Sub contracts
 - a) Wakalah
 - b) Kafalah
 - c) Rahn

To be continued...

Foot Notes/References

- 21 Gain accompanies liability for loss
- 22 Earning profit is legitimized only by risk-sharing and engaging in economic activity.

Excerpt from FAQs published by IBD, SBP and available at <http://www.sbp.org.pk/departments/ibd/FAQs.pdf>

Developments at Islamic Banking Department, State Bank of Pakistan

Developing Guidelines / Instructions on Profit Distribution & Pool Management.

In coordination with industry experts a study has been conducted by Islamic Banking Department to review the Policies for Profit & Loss Distribution and Pool Management Mechanism of Islamic Banking Institutions (IBIs). The aim is to develop guidelines which would serve as minimum requirement which all Islamic banking institutions will have to comply.

SBP facilitation activities in respect of IFAS-2

In the wake of promulgation of Islamic Financial Accounting Standard -2 pertaining to Ijarah, the stakeholders are raising issues related to its implementation. These issues among others include those of presentation, disclosure, application of risk weightages, provisioning etc. Accordingly, IBD is holding facilitation meetings with the stakeholders to clarify and resolve the issues promptly.

Awareness program on Islamic Banking

An Awareness program on Islamic Banking was conducted by Islamic Banking Department. The program dealt with basic Islamic banking concepts. Mr. Pervez Said, Director Islamic Banking Department, inaugurated the event. While various prominent speakers and Shariah Scholars of Islamic banks spoke on basic modes of Shariah Compliant Financing like Murabaha, Ijara,

Salam, Istisna, etc. This program was conducted for SBP's employees. During this interactive program, different questions pertaining to misconceptions regarding Islamic banking were raised and in depth discussion and deliberations on practical aspects were also took place.

This program was inline with SBP's Strategic Plan for Islamic Banking Industry and IBD will continue to arrange such awareness programs for other stakeholders in future as well.

Training on "Pool Management and Profit Rate Mechanism" by Islamic Banking Department

Islamic Banking Department conducted a 3 half-days training on "Pool Management and Profit Rate Mechanism" in June at SBP, Karachi. The main objective of the training was to make participants sentient of pool management techniques used by Islamic banking institutions. Main speaker for the training was Mr. Omer Mustafa Ansari--a seasoned and well reputed trainer.

The training was stressed on the need of effective Shariah-compliance reviews, audit and inspection to safeguard the Islamic banking industry from operational and reputational risk. Basic Shariah rules for deposit management along with allocation of funds in deposit pool management were discussed. The program was conducted for internal departments of State Bank of Pakistan.

Mode of Islamic Financing

Continued from page 11

count, volume, length, homogenous or are equivalent.

The concept of loan is based on assistance, welfare, humanity. To help someone who is deprived, insolvent, under economical burden in order to facilitate him in solving his problems. Therefore there should be no intention of earning any benefit on loan in the shape of riba or any predetermined benefit of any sort. The impermissibility here is that which is either conditioned or is understood as a customary practice.

It is observed that many people delay the repayment of debt as this is considered an appropriate. As it is encouraged for lenders that they should provide ample time and relax the debtor on the other hand the debtor is required to repay the debt at his earliest.

The Prophet said that any delay in repaying a debt of an affluent is aggression.

حَدَّثَنَا عَبْدُ اللَّهِ بْنُ يُوسُفَ أَخْبَرَنَا مَالِكٌ عَنْ أَبِي الزِّنَادِ عَنِ الْأَعْرَجِ عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ مَطْلُ الْغَنِيِّ ظَلْمٌ (صحيح البخاري)

Grave warnings have been promised in the Qur'an and Sunna for the one who fails to repay a loan without a genuine and valid excuse.

Islamic Banking News

Chinese Interest in Islamic Banking

<http://aawsat.com/english/news.asp?section=6&id=16354>

April 10, 2009

We will not be able to say that Islamic banking has become a strong competitor to conventional banking unless it is able to surmount the Great Wall of China and settle upon the Chinese mainland and take advantage of what is considered to be one of the world's fastest growing economies. According to the World Bank, the Chinese economy is expected to experience a growth of 6.5 percent – during the [global] financial crisis – while during the same period of time the World Bank expects world growth not to exceed 1.5 percent.

According to Western estimates, China has a Muslim minority in the Xinjiang province with a population between 70 and 90 million. Yet until today, Islamic banking has confined itself to standing on the Chinese borders [and looking in]. Islamic Banking has a presence in Singapore – a country which borders China – as well as Hong Kong – the island under Chinese control – but has not crossed onto mainland China. Chinese government has been making overtures to this industry. This can be seen with regards to the People's Bank of China gaining membership to the Islamic Financial Services Board [IFSB].

China – from time to time- has sent positive messages to the Islamic banking industry; this includes monetary authorities in Hong Kong attempting to provide a sound environment for Islamic banking operations by amending their laws to the specifications of Islamic banking, especially with regards to Sukuk , as well as the establishment of Islamic indexes on the Hong Kong stock exchange.

Perhaps the newest and most important of these initiatives is what was proposed by the Financial Committee affiliated to the Chinese National Party [Kuomintang] on 3 March 2009 during a session of the People's Political Consultative Conference where they proposed the "development of Islamic banking operations [in China]." In order to justify the importance of adopting this proposal, the Financial Committee was quoted by Arabic.China.Org.Cn as saying "China, in its capacity as a large oil importer, should develop Islamic banking operations as this will...benefit China's economic development."

Those within the Islamic Banking industry such as; the Islamic Development Bank, Kuwait Finance House, Dal-

lah Albaraka Group and other financial institutions, take advantage of the initiatives proposed by the Chinese authorities in order to benefit Islamic Banking itself, and gain a foot-hold within the giant Chinese economy.

In order to achieve this goal, a joint working committee should be formed from the afore-mentioned organizations to implement the following: Communicate with the Chinese authorities and explain the nature of Islamic banking, its specification and its needs in order to help the Chinese authorities enact laws which are compatible with the Islamic Banking industry, and provide the appropriate atmosphere for this industry to flourish [in China].

- Study the needs of the Chinese market and formulate an appropriate [Islamic] Banking model for it.
- Study the possibility of establishing a collective Bank made up of the afore-mentioned banking entities in order to enter the Chinese market with strong capital, preferably by persuading the Chinese government to join in this collective bank. This will allow the bank to compete in the fiercely competitive [Chinese] market in which many large Chinese and foreign financial institutions operate.

3-tier system for Islamic banking

<http://biz.thestar.com.my/news/story.asp?file=/2009/4/7/business/3643700&sec=business>

April 7, 2009

A three-tier system is needed in Islamic banking to further strengthen the industry, an economist suggested. "The first tier is to be like the conventional bank, where people put their money in and where the bank gives money to meet their type of transactions," said Professor Dr M. Kabir Hassan of New Orleans University.

He said the second tier was like a Mudarbah type of institution or Mudarbah company, where people put their money and combine it and try and develop different things. "This model is very much applicable for SME financing, where a person has the idea but does not have the money and another person has the capital. They can combine using the Islamic principle," he said.

Kabir said this after delivering a talk on Can Islamic Financial System Be A Cure To The Global Financial Crisis in Kuala Lumpur.

He added that the third tier was like venture capital or Musharakah, where big infrastructure project financing was involved. For this, a regulation for Islamic finance could be created with the support of the Government and finance institutions, as the existing conventional banking

regulations do not suit the needs of Islamic banking, Kabir said.

"We simply cannot copycat the regulations of conventional banking to help this industry. We need to have our own regulation that is more consistent with Islamic finance," he said. Kabir also said that it was time to correct any problems within the system. In the past 30 years, about 80% of Islamic finance dealt with short-term Murabaha while the remaining 20% was long-term partnerships or Mudarbah Musharakah. However, in Islamic finance, Mudarbah Musharakah-type of transactions should reach 80%, he said.

"To achieve this, there needs to be Government support and there have to be institutions, laws and regulations to help grow the industry," he said. According to Kabir, some big Islamic banking players were already practicing the three-tier system.

[Several UAE corporates finalising sukuk launches](#)

<http://aibim.com/content/view/1223/79/>

[April 08, 2009](#)

Several UAE-based corporates are finalizing plans to launch Sukuk issues, which have slowed down since the spreading and deepening of the financial crisis from mid-2008, according to an Islamic finance expert.

Talking to Emirates Business, Dr Hussain Hamid Hassan, Chairman of Dubai Islamic Bank (DIB) Shariah board, said: "You will see several sukuk issues hitting the market within months." With "back to basics" emerging as the most-sought-after catchphrase in the financial services industry during the current crisis, Islamic fund raising programmes are fast gaining popularity in the GCC markets, industry experts said.

The argument that the Islamic institutions remain relatively unscathed during the ongoing financial crisis – as they are not exposed to toxic assets as in the case of their conventional counterparts – renders greater credence to Islamic institutions.

"The Shariah restrictions on derivative structure could be the main reason why Islamic banks were not plugged into these toxic products," said Dr Humayon Dar, Chief Executive Officer of BMG Advisors UK, part of BMB Group, a leading global alternatives asset management and financial services firm focused on the comprehensive investment needs of sophisticated Islamic investors.

According to Dar, Sukuk al Ijarah will enjoy an edge over

the other two forms of suks – Mudarbah and Musharaka, which were popular in the market during the past two to three years. "Moreover, there has been an ongoing controversy in the market around these two instruments, though I don't personally attach much seriousness to that," Dar added. There are views expressed within the banking industry that with the trust having taken a beating, anything that is secured will have more takers. Financing activity has almost died down during the last two quarters though signs of the re-emergence of the same are being noticed of late.

In Ijarah, the issuer will have assets, say in the form of a piece of land which can be sold to a special purpose vehicle (SPV) as part of the process to launch a Sukuk. This SPV raise funds from the market by selling the Sukuk and give it to the issuer who seeks funding. SPV will then lease the asset back to the issuer who will start paying rental against the asset, and this forms the real return to the investors. "In the case of Mudarbah and Musharaka, you need not have to have an asset to issue sukuk. Hence these two are perceived as riskier to the investors," Dar said.

[Meezan Bank launches Hajj and Umrah product 'Meezan Labbaik'](#)

<http://aibim.com/content/view/1429/79/>

[25 June 2009](#)

Meezan Bank Limited has announced the launch of new product "Meezan Labbaik" to facilitate customers for performing Hajj and Umrah and Ziyarat of holy places of Makkah and Madinah with comfort and peace of mind.

This product will be available through its network of 166 branches in 40 cities across Pakistan under the name 'Meezan Labbaik'.

On opening a 'Meezan Labbaik' account, Meezan Bank will facilitate the customers for all matters related to the Holy act of performing Hajj or Umrah and will provide one-stop facilities including Visa processing, ticketing through a designated travel agent, meet and assist, hotel reservations, Ziyaraat and other travel arrangements.

Meezan Bank has launched this product to provide comfort, convenience and security to pilgrims so that they can perform Hajj and Umrah with peace of mind and at an affordable cost. The especially designed packages are well-organized and competitively priced.

'Meezan Labbaik' allow customers to save money to per-

Islamic Banking Branch Network As of June 30 2009

form Hajj or Umrah or avail an installment plan to pay over a period of time. It is also available to customers who want to make the full payment upfront and proceed immediately for Hajj/Umrah.

[IIRA assigns 'AA' rating to Dawood Islamic Bank](#)

<http://www.tradearabia.com/news/newsdetails.asp?Sn=BANK&artid=165925>

17 Aug 2009

Islamic International Rating Agency (IIRA) has assigned Shari'ah Quality Rating of AA (SQR) to Dawood Islamic Bank Limited (DIBL).

The rating reflects IIRA's opinion that DIBL conforms to very high standards of Shari'ah compliance in all aspects of Shari'ah quality analysis. DIBL commenced operations in April 2007 with a vision to provide Shari'ah compliant financial solutions to all segments of an increasing Shari'ah conscious business and consumer society.

[Pak-Qatar group to set up Islamic bank](#)

http://dailytimes.com.pk/default.asp?page=2009%5C06%5C06%5Cstory_6-6-2009_pg5_2

June 06, 2009

Chairman Board of Director Pak-Qatar Family and General Takaful and member of the Supreme Council of the Royal Family of the State of Qatar Sheikh Ali Bin Abdullah Thani Al-Thani has applied to set up an Islamic bank in Pakistan. He revealed this in a meeting with Prime Minister Syed Yousuf Raza Gilani at PM House. He said he hoped that due formalities for it would be completed soon.

He also visited the branch office of Pak-Qatar Family & General Takaful Limited in Islamabad and expressed his satisfaction over the presence of Pak-Qatar offices in nine major cities of the country. He expressed his hope of expanding Islamic insurance operations of his company in Pakistan and said that he would urge other Qatari business leaders to follow suit by investing in Pakistan.

Disclaimer: The news section of Islamic Banking Bulletin is based on information obtained from local and international print and electronic media.

Type	Name of Bank	No of Branches
Full Fledge Islamic Banks	AlBaraka Islamic Bank	30
	BankIslami Pakistan Limited	70
	Dawood Islamic Bank Limited	16
	Dubai Islamic Bank Pakistan Ltd	24
	Emirates Global Islamic Bank Ltd	42
	Meezan Bank Ltd	131
	Sub Total	313
Islamic Branches of Conventional Banks	Askari Bank Limited	18
	Bank Alfalah Ltd	48
	Bank Al Habib	6
	Habib Bank Ltd	1
	Habib Metropolitan Bank	4
	MCB Bank Ltd	11
	National Bank of Pakistan	8
	Soneri Bank Ltd	6
	Standard Chartered Bank	11
	The Bank of Khyber	16
	The Royal Bank of Scotland	3
	United Bank Ltd	5
		Sub Total
Sub Branches	Askari Bank Limited	2
	BankIslami Pakistan Limited	32
	Dawood Islamic Bank Limited	6
	Dubai Islamic Bank Pakistan Ltd	2
	Emirates Global Islamic Bank Ltd	1
	Meezan Bank Ltd	35
	Sub Total	78
	Grand Total	528

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

Province wise Break-up of Islamic Banking Branch Network

(As of June 30, 2009)

Bank Name	Azad Kashmir	Balochis- tan	Federal Capital	FAA	NWFP	Punjab	Sind	Grand Total
Al Baraka Islamic Bank B.S.C.	1		3		3	15	8	30
BankIslami Pakistan Limited	1	8	2	1	5	30	23	70
Dawood Islamic Bank Ltd			1			6	9	16
Dubai Islamic Bank Pakistan Ltd		1	2		1	12	8	24
Emirates Global Islamic Bank Ltd		1	2		6	20	13	42
Meezan Bank Limited	1	4	7		12	60	47	131
Sub-Total	3	14	17	1	27	143	108	313
Islamic Banking Divisions								
Askari Bank Limited		1	1		2	9	5	18
Bank AL Habib Limited		1			1	2	2	6
Bank Alfalah Limited		1	3		3	29	12	48
Habib Bank Limited							1	1
Habib Metropolitan Bank Ltd						1	3	4
MCB Bank Limited		1	1		1	5	3	11
National Bank of Pakistan	2				1	3	2	8
Soneri Bank Limited		1	1		1	1	2	6
Standard Chartered Bank		1	1		3	3	3	11
The Bank of Khyber		1			10	3	2	16
The Royal Bank of Scotland						1	2	3
United Bank Limited					1	3	1	5
Sub-Total	2	7	7		23	60	38	137
Sub-Branches								
Askari Bank Limited			1				1	2
BankIslami Pakistan Limited	1	3	3		2	9	14	32
Dawood Islamic Bank Ltd						3	3	6
Dubai Islamic Bank Pakistan Ltd					1		1	2
Emirates Global Islamic Bank Ltd			1					1
Meezan Bank Limited		1	1		4	16	13	35
Sub-Total	1	4	6		7	28	32	78
Grand Total	6	25	30	1	57	231	178	528

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

City-wise breakup of Islamic Banking Branches

(As of June 30,2009)

S. No	Province	Cities	No of Branches	S. No	Province	Cities	No of Branches
1	Sind	Hyderabad	13	48	NWFP	Abottabad	6
2		Karachi City	151	49		Banu	1
3		Larkana	1	50		Batkhela	1
4		Mirpur Khas	1	51		Charsadda	1
5		Nawabshah	3	52		Chitral	1
6		Sakrand	1	53		Dera Ismail Khan	3
7		Sanghar	1	54		Hangu	1
8		Sukkur	4	55		Haripur	3
9		Tando Adam	1	56		Kohat	1
10		Tando Allahyar	2	57		Mansehra	6
Sind Total			178	58		Mardan	3
11	Punjab	Arifwala	1	59		Mingora	1
12		Attock	1	60		Nowshera	2
13		Bahawalpur	2	61		Peshawar	24
14		Chakwal	2	62	Swabi	1	
15		Daska	1	63	Tank	1	
16		Dera Ghazi Khan	2	64	Timergara	1	
17		Faisalabad	24	NWFP Total		17 Cities	57
18		Gojra	1	Federally			
19		Gujar Khan	1	65	Administered Gilgit Area	1	
20		Gujranwala	8	F.A.A. Total		1 City	1
21		Gujrat	4	66	Federal Capital	Islamabad	30
22		Hafizabad	1	Federal Capital Total		1 City	30
23		Jaranwala	2	67	Balochistan	Chaman	1
24		Jhang	2	68		Gawadar	1
25		Jhelum	1	69		Hub Chowki	1
26		Kamoki	1	70		Kuchlack	1
27		Kasur	1	71		Loralai	2
28		Khanewal	1	72		Muslim Bagh	1
29		Khushab	2	73		Pishin	1
30		Lahore City	94	74		Qilla Saifullah	1
31		Mandi Bahauddin	1	75		Quetta	15
32		Mian Channu	2	76		Zhob	1
33		Mianwali	1	Balochistan Total		10 Cities	25
34		Multan	19	77	Azad Kashmir	Mirpur	4
35		Okara	2	78	Muzaffarabad	2	
36		Pindi Ghaib	1	Azad Kashmir Total		2 Cities	6
37		Rahim Yar Khan	5	Grand Total		78 Cities	528
38		Rawalpindi	22				
39		Sadiqabad	2				
40		Sahiwal	3				
41		Sargodha	5				
42		Sheikhupuar	1				
43		Sheikhupura	1				
44		Sialkot	10				
45		Texila	1				
46		Vehari	1				
47		Wah Cantt	2				
Punjab Total			231				

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

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