



ISLAMIC BANKING BULLETIN

October - December 2020

**Islamic Banking Department
State Bank of Pakistan**

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Progress & Market Share of Islamic Banking Industry

Overview

During the quarter under review (October-December 2020), the **asset base** of Islamic Banking Industry (IBI) grew by 12.1 percent (Rs. 461 billion) and reached Rs. 4,269 billion. Similarly, the **deposits** of Islamic banking industry depicted a quarterly growth of 11.7 percent (Rs. 355 billion) and were recorded at Rs. 3,389 billion.

‘Assets’ of IBI witnessed YoY growth of 30 percent, which is the highest growth in asset base since December 2012, whereas ‘deposits’ also registered YoY growth of 27.8 percent, the highest growth since December 2015. The growth witnessed in the Islamic banking industry shows a promising transition to the new decade even amidst COVID-19 pandemic.

In terms of market share, IBI achieved a significant mark of 17.0 percent and 18.3 percent in **assets** and **deposits** respectively, of overall banking industry by end December 2020. Moreover, profit before tax of IBI stood at Rs. 88.4 billion at the end of the December 2020.

Particulars	Period			Yearly Growth (YoY) in %			Share in Overall Banking Industry (in %)		
	Dec-19	Sep-20	Dec-20	Dec-19	Sep-20	Dec-20	Dec-19	Sep-20	Dec-20
Assets	3,284	3,809	4,269	23.5	27.2	30.0	14.9	16.0	17.0
Deposits	2,652	3,034	3,389	20.4	26.0	27.8	16.6	17.3	18.3
No. of Islamic Banking Institutions	22	22	22	-	-	-	-	-	-
No. of Branches*	3,226	3,303	3,456	13.2	10.9	7.0	-	-	-
No. of Islamic Banking Windows	1,373	1,386	1,638	6.6	2.4	19.3	-	-	-

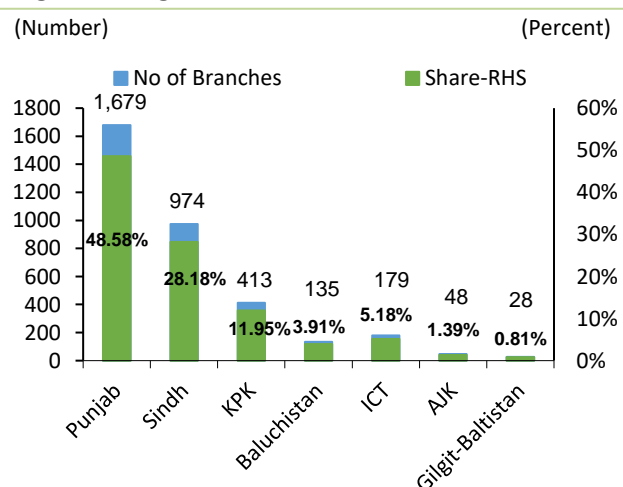
* including sub-branches

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

Branch Network of Islamic Banking Industry

At the end of December 2020, composition of Islamic banking industry remained same with 22 Islamic banking institutions comprising 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs). The branch network of IBI saw a quarterly expansion of 153 branches and increased from 3,303 branches to 3,456 branches (spread across 124 districts of the country). During the year, 230 branches were added to the branch network. **Figure-1** shows the region wise concentration of branches is in Punjab, followed by Sindh and Khyber-Pakhtunkhwa (KP).

Figure 1: Region Wise Branch Network



Source:SBP

During the last quarter, 252 new windows were added to the network of Islamic banking windows (dedicated counters at conventional branches) operated by conventional banks having IBBs and reached a total of 1,638 Islamic banking windows by end December 2020 (**Annexure I** contains bank-wise details of Islamic banking branches and windows).

Asset and Liability Structure

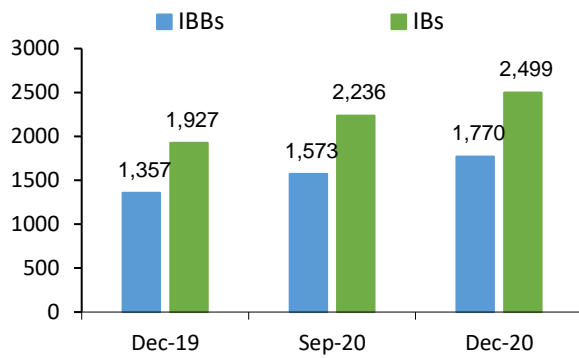
Assets

The asset base expanded from Rs. 3,809 billion by end September 2020 to Rs. 4,269 billion by end December 2020, primarily due to rise in investments. Assets of IBI witnessed a quarterly increase of Rs. 461 billion (12.1 percent) compared to an increase of Rs. 289 billion (9.6 percent) during the corresponding quarter of last year.

On a yearly basis, assets of IBI increased by Rs. 986 billion, registering a YoY growth of 30 percent. The surge in asset base enabled Islamic banking industry to reach a market share of 17 percent in terms of overall banking assets.

Figure 2: Breakup of Assets

(Rs. in Billion)



Source: SBP

Break-up of Assets of IBs and IBBs

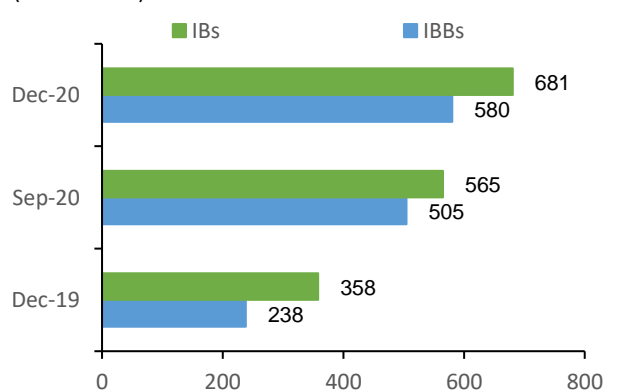
At the quarter ending December 2020, assets of IBs witnessed a rise of 11.8 percent (Rs. 263.5 billion) to reach Rs. 2,499.4 billion (see **Figure 2**) from Rs. 2,235.9 billion by end September 2020. Whereas, assets of IBBs witnessed a surge of 12.5 percent (Rs. 197.1 billion) and increased to Rs. 1,770 billion from Rs. 1,572.9 by end September 2020. Further, the share of IBs and IBBs in overall assets of IBI stood at 58.5 percent and 41.5 percent, respectively.

Investments

At the quarter ending December 2020, investments (net) made by IBI registered considerable increase of 17.9 percent (Rs. 191 billion) and were recorded at Rs. 1,261.2 billion compared to rise of 0.3 percent in corresponding period of 2019. This increase is mainly attributed to investments made by IBI in GoP Sukuk during the period under review. It is worth mentioning that GoP issued domestic sovereign Sukuk of Rs. 201.2 billion during the period under review.

Figure 3: Breakup of Investments

(Rs. in Billion)



Source: SBP

An analysis of investments made by IBs & IBBs during the quarter revealed that Investments (net) made by IBBs witnessed a growth of 20.4 percent (Rs. 115.5 billion), which was greater than the growth of 15 percent (Rs. 75.5 billion) made by IBs in previous quarter (See **Figure 3** for details).

Financing and Related Assets

At the end of December 2020, financing & related assets (net) of IBI stood at Rs. 1,881 billion with a quarterly increase of Rs. 191.2 billion. Breakup of the data between **IBs** and **IBBs** revealed that financing & related assets (net) of IBs saw a quarterly rise of 5.2 percent (Rs. 51.1 billion) to reach Rs. 1,023.6 billion, while IBBs experienced a sharp rise of 19.5 percent (Rs. 140.1 billion) and stood at Rs. 857.4 billion.

In terms of **mode wise financing**, the share of Diminishing Musharakah remained the highest in overall financing of IBI with a share of 33.6 percent, followed by Musharaka (22.7 percent) and Murabaha (13.7 percent) (see **Table 2** for details).

In terms of **sector wise financing**, textile was the lead sector of

financing by IBI during the quarter under review with a share of 14.9 percent, followed by 'production & transmission of energy' (with a share of 14.0 percent) by end December 2020 (see **Table 3**).

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

Mode	Dec-19	Sep-20	Dec-20
Murabaha	12.9	13.3	13.7
Ijarah	5.8	5.3	4.8
Musharaka	19.8	23.5	22.7
Diminishing Musharaka	34.2	34.5	33.6
Salam	2.6	1.5	1.9
Istisna	9.6	7.9	8.3
Others	14.8	13.9	15.0
Total	100.0	100.0	100.0

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

Sector	Dec-19	Sep-20	Dec-20	Overall Banking Industry
Chemical & Pharmaceuticals	3.7	4.8	4.4	3.6
Agribusiness	7.3	7.8	9.0	7.8
Textile	13.4	14.3	14.9	14.9
Cement	3.7	3.8	3.6	2.3
Sugar	2.5	2.1	2.7	2.6
Shoes and leather garments	0.5	0.5	0.5	0.4
Automobile & transportation equipment	1.6	1.2	1.3	1.6
Financial	0.5	0.3	0.3	2.5
Insurance	0.0	0.0	0.0	0.1
Electronics & electrical appliances	1.1	0.8	0.9	1.2
Production & transmission of energy	18.4	15.6	14.0	15.4
Individuals	11.0	10.2	10.2	9.0
Others	36.4	38.5	38.4	38.5
Total	100.0	100.0	100.0	100.0

Review of **client wise financing** revealed that corporate sector had the significant share i.e. 70.3 percent, however, lower than its share in the corresponding period last year, followed by commodity financing and consumer financing with a share of 15.0 percent and 9.8 percent, respectively. Further, the share of SMEs and agriculture financing in overall financing extended by IBI is still on lower side

compared to the overall industry (see **Table 4**).

Asset Quality

Asset quality indicator IBI i.e., 'non-performing finances (NPFs) to financing (gross)' decreased from 3.7 percent by end September 2020 to 3.2 by end December 2020. Similarly, 'Net NPFs to net financing' also decreased from 0.9 percent by to 0.6 percent, due to a decrease in NPFs during the quarter under review. Non-performing ratio of IBI (3.2 percent) is considerably lower than the overall banking industry ratio of 9.2 percent (see **Table 5**).

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

Segment	Dec-19	Sep-20	Dec-20	Overall Banking Industry
Corporate Sector	74.6	72.1	70.3	71.6
SMEs	3.5	3.0	3.0	5.3
Agriculture	0.4	0.3	0.3	4.0
Consumer Finance	9.9	9.9	9.8	7.4
Commodity Financing	10.1	13.4	15.0	9.8
Staff Financing	1.1	1.3	1.2	1.9
Others	0.3	0.0	0.4	0.0
Total	100.0	100.0	100.0	100.0

Table-5: Assets Quality Ratio (Share in Percent)

Ratio	Dec-19	Sep-20	Dec-20	Overall Banking Industry
NPFs to Financing (gross)	4.3	3.7	3.2	9.2
Net NPFs to Net Financing	2.0	0.9	0.6	1.2
Provisions to NPFs	54.0	77.5	82.4	88.3
Net NPAs to Total Capital	16.7	7.1	5.6	5.6

Liabilities

Deposit base of IBI witnessed a quarterly increase of 11.7 percent (Rs. 355 billion) to reach Rs. 3,389 billion by end December 2020. As a result of this growth, market share of Islamic banking industry's deposits in overall banking industry's deposits increased to 18.3 percent by end December 2020, compared to 17.3 percent in the previous quarter.

Category Wise Breakup of Deposits

The category wise breakup of deposits showed that all categories of deposits witnessed growth on quarterly basis with the exception of FI non-remunerative deposits. Current deposits grew sharply by 17.3 percent (Rs. 175 billion), fixed deposits increased by 11.8 percent (Rs. 71.7 billion), and saving deposits increased by 7.7 percent (Rs 89.5 billion) (see **Table 6**).

Table-6: Break up of Deposits (Rs in Billion, Growth in Percent)

Category	Dec-19	Sep-20	Dec-20	Yearly Growth (YoY) in %	Quarterly Growth in %
A. Deposits (1+2)	2,652.1	3,033.5	3,389.0	27.8	11.7
1. Customers	2,433.8	2,813.7	3,153.3	29.6	12.1
Fixed Deposits	598.8	609.1	680.8	13.7	11.8
Saving Deposits	958.7	1,158.9	1,248.4	30.2	7.7
Current Deposits	846.3	1009.8	1,184.8	40.0	17.3
Others	29.9	35.9	39.3	31.3	9.5
2. Financial Institutions	218.3	219.8	235.7	7.9	7.2
Remunerative Deposits	212.1	212.6	228.9	7.9	7.7
Non-remunerative Deposits	6.2	7.3	6.7	8.0	(7.7)
Local Currency Deposits	2,505.3	2,860.4	3,206.1	28.0	12.1
Foreign Currency Deposits	146.8	173.1	182.8	24.6	5.6

Breakup of deposits between IBs & IBBs

At the end of December 2020, deposits of IBs increased by 12 percent (Rs. 217 billion) to reach Rs. 2,032.6 billion. Likewise, deposits of IBBs experienced a growth of 11.4 percent (Rs. 138.4 billion) and stood at Rs. 1,356.3 billion. Accordingly, the share of IBs and IBBs in overall deposits stood at 60.0 percent and 40 percent, respectively.

Liquidity

At the end of December 2020, 'liquid assets to total assets' and 'liquid assets to total deposits' of IBI experienced a quarterly growth and stood at 28.7 percent and 36.2 percent, respectively (see **Table-7**). FDR of IBBs stood at

Table-7: Liquidity Ratios (Share in Percent)				
Ratios	Dec-19	Sep-20	Dec-20	Overall Banking Industry
Liquid Asset to Total Assets	20.8	24.8	28.7	54.8
Liquid Assets to Deposits	25.8	31.2	36.2	74.3
Financing to Deposits (Net)	61.2	55.7	55.5	44.8

63.2 percent whereas for IBs it was reported to be 50.4 percent at the quarter end December 2020. Collectively, Financing to Deposits ratio of IBI stood at 55.5 percent, significantly higher than the FDR (44.8 percent) reported for the overall banking industry.

Capital

The ratios of 'capital to total assets' and 'capital minus net NPAs to total assets' of IBI were recorded at 6.1 percent and 5.7 percent, respectively by end December 2020 (see **Table 8**).

Table-8: Capital Ratios (Share in Percent)				
Ratios	Dec-19	Sep-20	Dec-20	Overall Banking Industry
Capital to Total Assets	6.8	6.8	6.1	7.2
(Capital - Net NPAs) to Total Assets	5.7	6.3	5.7	6.9

Profitability

Profit before tax of IBI was recorded at Rs. 88.4 billion at the quarter end December 2020. While, earnings ratios like 'return on assets (ROA)' and 'return on equity (ROE)' (before tax) stood at 2.4 percent and 36.4 percent, respectively. During the period under review, 'operating expense to gross income' of IBI was recorded at 47.5 percent (see **Table 9**).

Table-9: Profitability Ratios (in Percent)				
	Dec-19	Sep-20	Dec-20	Overall Banking Industry
Profit before tax (Rs. billion)	66.1	69.9	88.4	411.6
ROA before tax	2.2	2.6	2.4	1.8
ROE before tax	34.4	39.0	36.4	23.2
Operating Expense to Gross Income	51.5	45.7	47.5	50.0

Country Model: Egypt

i. Introduction

The Arab Republic of Egypt is a Mediterranean country bordering the Mediterranean Sea, between Libya and the Gaza Strip, and the Red Sea north of Sudan. The country is bisected by the fertile Nile valley where major economic activities take place. Over time, Egypt's economy has been shifting from a highly centralized economy to an open economy. Its economy mostly depends on agriculture, petroleum, natural gas and tourism.

ii. Legal and Regulatory Framework for Islamic Banks

The banking sector in Egypt is regulated by the Central Bank of Egypt. Both conventional and Islamic banks are regulated by a single regulatory framework, except the decentralized Shariah board which regulates Islamic financial activities and Shariah compliance. Notably, the establishment of Islamic banks in Egypt were permitted under the special Law No. 48 enacted in 1977.

In April 2013, "Sukuk Law" was passed but could not be implemented due to changes in political environment. Later in 2017, the government attempted to regulate the issuance of Sukuk by approving amendments to Law No 95 of 1992 of the Capital Market Law, including recommendations to repeal the 2013 Sukuk Law and the establishment of a new legislative framework for Sukuk issuance and trading in the country.

In 2017, AAOIFI conducted its first ever public hearing in Egypt concerning its new Shariah governance and ethical standards with the cooperation of the Egyptian Islamic Finance Association, covering the sale of debt, the external Shariah audit and the Shariah compliance function at Islamic financial institutions.

iii. Islamic Banking and Finance

Mit Ghamr Savings Bank was established in 1963 and is commonly referred to as the first Islamic banking prototype in the world. Mit Ghamr banking practices were known to be Shariah compliant, albeit, without the suffix of 'Islam' in it. The bank faced closure in 1967 due a number of reasons. Nonetheless, after Islamic banking and finance was formally incorporated in the Egyptian financial system in 1970s, Mit Ghamr Bank was recognized as the first Islamic financial institution in the country.

Post enactment of Law No. 48 in 1977, Faisal Islamic Bank was the first full-fledged Islamic bank established in 1979, whereas the first Islamic window is considered to be set up by Banque Misr in 1980. At present, there are three full-fledged Islamic banks in Egypt: Faisal Islamic Bank, Al Baraka Bank Egypt, and Abu Dhabi Islamic Bank Egypt having 138 Islamic Banking branches in the country. There are 14 conventional banks operating Islamic windows, offering Shariah compliant products and services. As of September 2019, the country Islamic banking assets stood around 7 percent of the domestic banking assets and contributes 0.8 percent of the global Islamic banking industry assets (Islamic Financial Stability Report, 2020).

The Ahil United Bank, which currently offers Shariah compliant products on Islamic window basis, plans to convert to a full-fledged Islamic bank. Currently, there are two full-fledged lease companies which offer Shariah compliant products allowed under the recent mortgage laws.

iv. Takaful

The Takaful sector in Egypt is making progress since its inception in 2003. The Saudi Egyptian Insurance established in 2003, was the first Takaful insurance company in Egypt. Currently, the Takaful sector comprises of nine companies and contributes 12 percent of the insurance business. The Egyptian Financial Supervisory Authority regulates the Takaful sector and does not allow the operation of Takaful windows yet. Early in 2020, a state-run Misr Insurance Holding signed an agreement with the National Bank of Egypt and Banque Misr to establish a life Takaful insurance firm with a capital of US\$9.42 million. In April 2020, the Financial Regulatory Authority approved the re-Takaful operator Kenya Re to enter the Egyptian Islamic reinsurance market.

v. Sukuk

The Egyptian government planned to issue sovereign Sukuk of worth US\$1.5 billion in 2012, however, it could not materialize its plan despite new regulations being issued to support the Sukuk market. Moreover, Civil Aviation Finance and Operating Leases Co., or CIAF-Leasing dual currency Sukuk Murabahah facility worth US\$50 million has been delayed at least three times due to legal issues.

A positive development in Sukuk market took place in the beginning of 2020, when the Egyptian holdings company Talaat Moustafa Group's construction and real estate subsidiary Arab Company for Projects and Urban Development issued its first corporate Sukuk. The EGP2 billion (US\$126.78 million) facility is also the largest Egyptian pound-denominated debt issuance in the country's financial markets to date. The landmark issuance of first corporate is considered a prompt for other corporates looking to issue Sukuk.

vi. Conclusion

Being a populous Muslim country, home to the oldest seat of Islamic learning "Al Azhar" and reputable Shariah scholars, the Islamic banking and finance has a great potential for growth in Egypt. Islamic banking and finance is the area where Egyptian government can focus and play its role in the global Islamic financial services industry. Further, development of Sukuk market and strengthening of regulatory framework for Islamic banking would facilitate further growth of Islamic banking in Egypt.

Source of Information

- IFSB Islamic Financial Services Industry Stability Report 2020
- Islamic Finance News {<https://www.islamicfinancenews.com/brunei>}
- Website Central Bank of Egypt {<https://www.cbe.org.eg/en/Pages/default.aspx>}
- The World Bank {<https://www.worldbank.org/>}
- International Monetary Fund {<https://www.imf.org/external/index.htm>}
- Global Islamic Finance Report { <http://www.gifr.net/gifr>}
- Central Intelligence Agency the Fact Book {<https://www.cia.gov/the-world-factbook/countries/egypt/#economy>}
- IIFM Sukuk Report {<https://www.iifm.net/wp-content/uploads/2020/09/IIFM-Sukuk-Report-9th-Edition.pdf>}

AAOIFI Shariah Standard No. 23 on ‘Agency and the Act of an Uncommissioned Agent (Fodooli)’

State Bank of Pakistan, vide IBD Circular No. 01 of 2020, has adopted three AAOIFI Shariah Standards: (i) No. 19 Loan (Qard), (ii) No. 23 Agency and the Act of an Uncommissioned Agent (Fodooli) and (iii) No. 28 - Banking Services in Islamic Banks. In the current issue, an abridged version of Standard No. 23 ‘Agency and the Act of an Uncommissioned Agent (Fodooli)’ is being presented below along with the amendments recommended by the Shariah Advisory Committee of the State Bank of Pakistan.

1. Scope of the Standard

This Standard covers agency and the acts of an uncommissioned agent in concluding contracts on financial transactions (such as sale, Ijarah and compensatory reconciliation), disposing of assets, providing services and conducting practical acts such as receipt, payment and delivery. The Standard also covers areas such as fund management, real estate and investment agency. However, it does not cover agency and the act of an uncommissioned agent in several other affairs of life.

2. Agency

2/1 Definition, permissibility and characteristic of agency

- ✓ **2/1/1** Agency is the act of one party delegating the other to act on its behalf in what can be a subject matter of delegation and it is, thus, permissible.
- ✓ **2/1/2** Agency is, basically, a non-binding contract for both the parties thereto. However, it may sometimes become a binding contract.

2/2 Basic elements of agency

- ✓ **2/2/1** The basic elements of agency include the form, the subject matter of agency, and the two parties to the contract (the principal and the agent).
- ✓ **2/2/2** The form of agency comprises any act that customary practices traditionally consider a delegation of the right to acting by someone on behalf the other.
- ✓ **2/2/3** Agency may take place in any of the following forms:
 - **2/2/3/1** Immediate Agency
 - **2/2/3/2** Conditional Agency
 - **2/2/3/3** Future Agency
 - **2/2/3/4** Agency, whether free or limited, shall be subject to specific conditions.
- ✓ **2/2/4** While conditionality and limitation may be resorted to in concluding agency contracts, they may also be confined to the disposal of the subject matter of agency.
- ✓ **2/2/5** The subject matter of agency is for what the contract is entered into.
- ✓ **2/2/6** The two parties to the contract are the principal and the agent.

3. Conditions on the Agency Parties

3/1 Conditions on the principal

- ✓ **3/1/1** The principal should possess legal capacity to enter into contract.
- ✓ **3/1/2** The principal should have the right to dispose of the asset in question.

3/2 Conditions on the agent

- ✓ **3/2/1** The agent should have full legal capacity.

- ✓ **3/2/2** The agent should be aware of his status as an agent.

3/3 Conditions on the subject matter of the agency

- ✓ **3/3/1** The subject matter of agency should be known to the agent.
- ✓ **3/3/2** It should be owned by the principal, or he has the right of disposing thereof.
- ✓ **3/3/3** It should be something that can be disposed of through agency.

4. Types of Agency

4/1 Agency may take the following forms:

- ✓ **4/1/1** Specific versus general agency. General agency includes all methods of disposing of assets provided that the interest of the principal and the customary practices are well observed.
- ✓ **4/1/2** Limited versus absolute agency. Absolute agency is bound by customary practices and the interest of the principal.
- ✓ **4/1/3** Paid versus non-paid agency.
- ✓ **4/1/4** Binding versus non-binding agency.
- ✓ **4/1/5** Temporary versus continuous agency.

4/2 Paid agency

- ✓ **4/2/1** Paid agency is permissible in Shari'ah.
- ✓ **4/2/2** When agency is paid, it falls under the Shari'ah rulings on Ijarah.
- ✓ **4/2/3** The amount payable as remuneration for agency should be known.
- ✓ **4/2/4** When remuneration for agency is not specified, it may be measured in terms of the prevailing market rate for similar effort.
- ✓ **4/2/5** Remuneration for agency may be any gain in excess of a specific amount of output of the operation, or a share of the output.
- ✓ **4/2/6** A certain share of the output may be added to the specific remuneration of the agent, as a motivation..
- ✓ **4/2/7** When the agent, for no reasonable excuse, refrains from carrying on agency that he has been paid for, and the work he has done was beneficial, he becomes entitled to the remuneration commensurate with the part of work done, and within the limits of the contract value for that part of work.
When the principal, for no reasonable excuse, forces the agent to discontinue the work before the end of the agency period, the agent becomes entitled to the full remuneration agreed upon.
When the principal, for a valid reason, forces the agent to discontinue the work before the end of the contract, the agent becomes entitled to remuneration for that part of work he has already performed.
- ✓ **4/2/8** Damage of the subject matter of agency does not relieve the principal from paying remuneration to the agent for the part of the work the latter has already performed..

4/3 Binding agency

Agency is, basically, not binding. However, agency becomes binding in the following cases:

- ✓ **4/3/1** When it involves rights of others.
- ✓ **4/3/2** When agency is a paid agency.

- ✓ **4/3/3** When the agent commences tasks that cannot be discontinued or phased out without causing injury to him or to the principal.
- ✓ **4/3/4** When the principal or the agent undertakes not to revoke the contract within a certain period.

4/4 Temporary agency

- ✓ **4/4/1** Basically, agency has no time limit beyond which the contract becomes no longer valid, because the agent can be terminated at any time.
- ✓ **4/4/2** The effect of specification of a time limit for agency is confined to restrain the agent from commencing new operations subsequently.
- ✓ **4/4/3** Unless the contract stipulates otherwise, the agent may commence new operations during the contract period even if the effects of such operations will succeed the period of the contract.

5. Commitment of the Principal and the Agent

5/1 Commitments of the principal

- ✓ **5/1/1** In contract of procurement agency, the price and other expenses should be borne by the principal.
- ✓ **5/1/2** In paid agency, the principal should pay the agent the amount of remuneration agreed upon in the contract.
- ✓

5/2 Commitments of the agent

- ✓ The agent is considered as a trustee in holding the asset in question, and therefore, he is not bound to indemnify the principal for that asset in case of damage.

6. Stipulation of the Agent

6/1 Performing deals with one's self and relatives

- ✓ **6/1/1** In case of deals that involve relatives who are under the guardianship of the agent, or deals that involve the agent's spouse, the agent should obtain the consent of the principal.
- ✓ **6/1/2** An agent should not conduct deals with his own self or with his son/daughter who is still under his guardianship, or with his partner (Sharik) in the same contract.
- ✓ **6/1/3** The agent should not act for both parties to the contract.
- ✓ **6/1/4** An agent may purchase what he has bought for the principal, by way of offer and acceptance.

6/2 Monitoring of the provisions and the rights of the contract

Monitoring the provisions of contract is the responsibility of principal, whereas monitoring the activities is the responsibility of agent.

6/3 Breach of contract stipulations

- ✓ **6/3/1** When the agent breaches the contract in a way that does not serve the interest of the principal, the latter is free to maintain the contract or declare it invalid.
- ✓ **6/3/2** When the agent breaches the contract by purchasing at a price that exceeds both the market price and the price set forth by the principal, he should compensate the principal for the difference between the purchase price and the market price.

6/4 Appointing a subagent

The agent has no right to appoint a sub-agent except with the permission of the principal.

6/5 Appointing more than one agent

When more than one agent are appointed in the same contract, none of them should become the sole decision-maker unless with the authorization of principal.

7. Expiry of Agency**7/1 The agency contract expired in the following cases:**

- ✓ **7/1/1** The contract expires when the principal or the agent dies or loses legal capacity or when the Institution undergoes bankruptcy or liquidation.
- ✓ **7/1/2** When the principal terminates the agent or the latter resigns.
- ✓ **7/1/3** When the agent completes the work assigned to him in fixed task agency or the principal performs the task in question.
- ✓ **7/1/4** When the principal no longer owns the asset in question or the principal has lost the right of disposing thereof. Agency also expires if the principal has performed the work, or the subject matter of agency no longer exists.
- ✓ **7/1/5** At the occurrence of the incidence that has been stipulated for ipso facto expiry of the agency.
- ✓ **7/1/6** At the expiry of the contract term in temporary agency. In this case, the contract may be extended to the required term when necessary.

7/2 Interminable agency remains effective even after the death of the principal or liquidation of the Institution. It continues up to the end of the subject matter of agency.

8. Act of an Uncommissioned Agent (Fodooli)

- ✓ **8/1** An uncommissioned agent (Fodooli) is a person who discharges (in the absence of any need or urgency) the affairs of others without being an agent or having a right to do so by virtue of Shari'ah.
- ✓ **8/2** The approval or denial of a contract concluded by an uncommissioned agent is subject to the discretion of the owner.
- ✓ **8/3** The rulings on the uncommissioned agent are applicable to all financial contracts.
- ✓ **8/4** When the owner of the asset approves the act of the uncommissioned agent, the contract becomes effective, and subject to all rulings on agency.

Adoption of the Standard in Pakistan

For adoption of the standard in the country, following amendments have been made on the advice of the Shariah Advisory Committee, State Bank of Pakistan.

Clause No.**Clarifications/amendments**

General The word 'uncommissioned' may be read as 'Self-imposed' in the title and throughout the text of AAOIFI Shariah Standard No. 23.

1 The text 'concluding' shall be deleted in the first para.

The text ‘personal affairs, penalty affairs’ may be read as ‘civil law, criminal law’.

Accordingly, the clause will be read as: “This Standard covers agency and the acts of self-imposed agent in the sphere of financial transactions for the purpose of concluding contracts such as sale, Ijara and settlement (Sulah), and performing acts and rendering services such as receipt, payment and taking & giving delivery.

The Standard is also applicable in areas such as fund management, real estate and investment agency. However, it does not cover agency and the act of self-imposed agent in the field of ibadat such as disbursement of Zakah for which there is a separate standard, civil law, criminal law, legal prosecution (advocacy), and documentary credits (which have also been dealt with in a separate standard).”

2/1/1 This clause may be read as, “Agency is the act of one party delegating the other to act on its behalf, with respect to matters which can be delegated and it (Agency) is permissible.”

2/1/2 The text ‘thereto’ may be read as ‘therefore both the principal and agent can revoke it unilaterally’

2/2/3/2 The word ‘conditional’ may be read as ‘contingent’.

The word ‘fulfilment’ may be read as ‘happening’.

The word ‘condition’ may be read as ‘event’.

Accordingly, the clause will be read as: “Contingent Agency: where the validity of the contract is made subject to happening of a certain event, for instance when a debtor agrees to put his own earning assets under the management of his creditor in case of default.”

2/2/3/4 The text ‘Agency, whether free or limited, should be subject to specific conditions’ may be read as ‘Absolute Agency and Restricted Agency’. Accordingly, the clause will be read as “Absolute Agency and Restricted Agency: In case of absolute agency, consideration should be given to customary practices, interest and circumstances of the principal.”

2/2/4 The clause may be read as follows: “Just as the conclusion of the agency contract can be contingent or restricted, in the same way, the act which is the subject matter of agency can be contingent or restricted. In this case, though the agency contract is immediately effective, its exercise is subject to the fulfilment of a specific condition, such as resorting back to the principal before disposal. The conditions set by the principal should be observed such as offering him a guarantee or lien.”

3/3/1 The text ‘dispensed with’ may be read as ‘ignored’.

3/3/2 The text ‘deposing’ may be read as ‘disposing’.

3/3/3 The text ‘can be disposed of through agency’ may be read as ‘accepts delegation’.

The word ‘personally’ may be read as ‘himself’.

The second para is numbered as 3/3/4 and the text ‘and borrowing’ may be added at the end of the clause. Accordingly, the clause(s) will be read as:

“3/3/3 It should be something that accepts delegation. This includes all types of financial contracts and dealings that a person can perform for himself. Any contract that a person is permitted by Shari'a to be involved in personally can be performed through agency.

3/3/4 It should not involve a Shari'a-banned practice, like trading in impermissible commodities or committing usurious lending and borrowing.”

4/2/1 The word ‘doses’ may be read as ‘does’.

4/2/3 This clause may be read as follows: “The amount payable as remuneration for agency should be known, whether in lump sum or as a share of a specific amount. It may also be defined in terms of an amount to be known in the future, as when remuneration of the first period is known and linked to a benchmark that may be referred to at the beginning of subsequent periods. However, it is not permissible to leave remuneration for agency undetermined, for example allowing the agent to take an unspecified share from the entitlements of the principal.”

4/2/5 The text ‘the output’ appearing at the end of the sentence may be read as ‘it’.

Accordingly, the clause will be read as follows: “Remuneration for agency may be any gain in excess of a specific amount of output of the operation, or a share of it.”

4/2/7 This clause may be read as follows: “When the agent, for no reasonable excuse, refrains from carrying on agency that he has been paid for, and the work he has done was beneficial, he becomes entitled to the remuneration, as per market rate, commensurate with the part of work done, and within the limits of the contract value for that part of work. The agent in this case is bound to indemnify the principal for any actual loss resulting from his refusal to continue the work.

On the contrary, when the principal, for no reasonable excuse, forces the agent to discontinue the work before the completion of the work or the end of the agency period, the agent becomes entitled to the full remuneration agreed upon. However, if the principal, for a valid reason, forces the agent to discontinue the work before the end of the contract, the agent becomes entitled to remuneration for that part of work he has already performed.”

4/3/1 This clause may be read as follows: “When it involves rights of others, such as the mortgagor appoints the mortgagee or a third party to get possession of the mortgaged asset or sell it on maturity. Agency in these cases is binding to the mortgagor (the debtor). A further example of binding agency is a case when the owner of income-generating assets assigns an agent/ manager to collect his entitlements from the assets.”

4/3/3 The word ‘injury’ appearing in the clause may be read as ‘loss/damage’.

4/4/1 This clause may be read as follows: “In principle, agency has no time limit, because the agent can be terminated at any time. The two parties, however, may agree on a certain period after which the agency becomes invalid without a request from any of them to revoke the contract.”

- 5/1/1 The last line of the clause may be replaced with the following text: “It is not allowed to stipulate these expenses on the agent or to defer their payment in case of paid agency.” Accordingly, the clause will be read as, “In contract of procurement agency, the price and other expenses should be borne by the principal. Besides the price of purchased commodity, the principal should reimburse the agent expenses such as those of transportation, storage, taxation, maintenance and insurance. It is not allowed to stipulate these expenses on the agent or to defer their payment in case of paid agency.”
- 5/2 The word ‘best’ is added before the text ‘interest of the principal’ in the third line of the clause.
Accordingly, the third line of the clause may be read as “Breach of contract for this purpose does not include acts that serve the best interest of the principal, like selling at a higher or buying at a lower price.”
- 6 The heading may be read as ‘Rulings applicable to the Agent’.
- 6/1/1 This clause may be read as follows: “When an agent conducts deals with his ascendant or descendant relatives, who are not under his guardianship, or with the agent's spouse, the deal is permissible unless it encompasses undue benefits or favouritism. In case there is any undue benefits or favouritism then the agent may deal with them with the consent of the principal.”
- 6/1/2 This clause may be read as follows: “An agent should not conduct deals with his own self or with his son/ daughter who is still under his guardianship, or with his partner (Shareek) in relation of the subject matter of the partnership (Sharika).”
- 6/1/4 The word ‘guarantee’ may be read as ‘liability’.
The word ‘stemming’ may be read as ‘arising’.
Accordingly, the clause will be read as, “An agent may purchase what he has bought for the principal, by way of offer and acceptance. The deal should be concluded in such a way that the liabilities arising from the agency contract and the sale contract are kept separate. After the completion of the conclusion of the sale contract, the commodity becomes under the liability of the purchaser/agent (see Shari'a Standard No.8 on Murabaha - item 3/1/5).”
- 6/2 The heading may be read as, ‘Consequences of the Contract and its Rights’.
The clause may be read as follows: “Consequences of the contract relate with the principal, while rights arising from the contract relate with the agent. However, the principal, by virtue of ownership, may pursue the agent's activities and demand the rights of the contract. Donations if made by agent on behalf of principal, are exempted from the above principle as this should be assigned to the principal and all rights in connection with donations relate with the principal.”
- 6/3/1 This clause may be read as follows: “When the agent breaches the contract in a way that does not serve the best interest of the principal, the contract will be contingent upon ratification of the contract by the principal, regardless of whether the breach of the contract relates to the subject matter or part thereof, or the price, or its term of

being spot or deferred or acquiring of ownership (purchase) or transfer of ownership (sale) (see items 8 and 5/2).”

6/3/2 This clause may be read as follows: “When the agent for purchase breaches the contract by purchasing at a price that exceeds both the market price and the price set forth by the principal, he should compensate the principal for the difference between the purchase price and the market price. Similarly, if the breach is by selling at less than the price specified by the principal, compensation should be for the difference between the selling price and the market price only, and he will not be responsible for compensating the difference between selling price and the price specified by the principal. Hence, the case here is similar to what happens in Mudaraba or investment agency whereby selling is stipulated to take place for a profit, not less than a specified ratio and hence, the agent (or the Mudarib) will not be held responsible for this ratio, but he will be held responsible for any amount less than the Market price.”

7/1/3 The word ‘fixed’ may be read as ‘specific’.

Accordingly, the clause will be read as follows: “When the agent completes the work assigned to him in the specific task agency.”

7/1/4 In the second sentence, the word ‘himself’ may be added after the word ‘work’. Accordingly, the second sentence of the clause will be read as follows: “Agency also expires if the principal has performed the work himself, or the subject matter of agency no longer exists.”

8/1 This clause will be read as, “A self-imposed agent (Fodooli) is a person who discharges the affairs of others without being an agent or having a right to do so by virtue of Shari’a, even if the affairs may not be essential or urgent in nature. The deal becomes subject to the rulings on the Fodooli, even when the Fodooli shows himself as the real owner.”

8/3 This clause may be read as follows: “The rulings on the self-imposed agent are applicable to all financial contracts, including compensatory contracts like sale, purchase, rent, hiring contracts, and non –compensatory contract such as donations by way of gift. Similarly, these rulings are applicable in agency for investment contracts.”

8/4 The word ‘retroactively’ may be read as ‘retrospectively’.

As per practice, these amendments are issued by SBP as footnotes of the standard. Full version of the standard can be seen at AAOIFI website.

Source:

1. AAOIFI website: <http://aaoifi.com/>
2. IBD Circular No. 01 2020, January 03, 2020 {<https://www.sbp.org.pk/ibd/2020/index.htm>}

Events and Developments at Islamic Banking Department (IBD)-SBP

A. Events

Global Recognition of efforts for Islamic Banking in Pakistan

State Bank of Pakistan (SBP) has been voted as the Best Central Bank in promoting Islamic finance for the fourth time by a poll conducted by Islamic Finance News (IFN), REDmoney Group Malaysia, announced on January 13, 2021. IFN while announcing the poll results stated, “It is always a closely contested battle for the top spot, but 2020 was rather more of a runaway victory than we have seen in recent years.” It was further stated by IFN that this year despite global pandemic, Pakistan has received the highest number of votes for the poll in its 16 years history.

Earlier the Global Islamic Finance Awards (GIFA) has also declared SBP as the Best Central Bank of the year in the 10th Global Islamic Finance Summit held on September 14, 2020 at Islamabad. In the ceremony, Pakistan was also awarded with the ‘Global Islamic Leadership Award’ in recognition of its efforts towards promotion of Islamic financing. This award was received by President Dr Arif Alvi who addressing the ceremony, mentioned measures adopted by the government in the domain of Islamic finance and commended the role played by SBP and SECP for promotion of Islamic banking.

Governor SBP appointed as Deputy Chairman of the Council of Islamic Financial Services Board

The Council of Islamic Financial Services Board (IFSB) in its 37th meeting held on December 10, 2020 appointed Governor State Bank of Pakistan, Dr. Reza Baqir as the Deputy Chairman of the Council for the year 2021. IFSB Council is the highest-level policy making body comprising Central Bank Governors and Heads of the leading regulatory and supervisory authorities. The announcement was made in the Council meeting chaired by Governor Bank Negara Malaysia, and was attended by the Central Bank Governors and Heads of Regulatory and Supervisory Authorities of over 20 countries.

Capacity Enhancement Program on Islamic Banking for the Judges of Banking Courts

Islamic Banking Department conducted a two-day capacity enhancement program for the judges of Banking Courts on October 26-27, 2020 at Federal Judicial Academy, Islamabad. The program was attended by twenty-six (26) judges of the banking courts from four provinces of the country.

Training Course Fundamentals of Islamic Banking Operations (FIBO)

During the last quarter of 2020, four iterations of the five-days training program titled ‘Fundamentals of Islamic Banking Operations (FIBO)’ were held in Peshawar (2), Quetta and Faisalabad. The five-days training program aims at up-scaling capacity levels of banks' field staff, and promoting better awareness amongst Shariah scholars and academia.

Training Course - Islamic Banking Branch Operations (IBBO)

For upscaling capacity levels of staff working in second tier cities of the country, the first iteration of a newly launched three-days 'Islamic Banking Branch Operations (IBBO)' program was held at Swat, KPK in November, 2020. The program targets field staff (Branch Managers, Operation Managers, Relationship Managers, Area Managers and Others etc.), academia and Shariah scholars from the respective regions.

B. Developments

SBP issued Circular on Guidelines and Criteria for Islamic Banking Institutions and Development Finance Institutions

To enlarge the scope of Shariah compliant financial services in the country, SBP vide IBD Circular No. 4 of 2020 took an important step by issuing guidelines for Development Finance Institutions (DFIs) to undertake Shariah compliant businesses and operations. Further, keeping in view the various developments over time, SBP has also updated the guidelines, introduced in 2004, for establishing Islamic Banking Institutions. The updated guidelines deal with the establishment of a full-fledged Islamic bank, Islamic banking subsidiary and Islamic banking branches of conventional banks. In addition, these guidelines cover different areas including minimum capital adequacy, requirements related to sponsor directors, business plan, Shariah governance, application fees, and preconditions for commencement of business.

Islamic Banking News and Views

I. Local Industry News

Going Live: Pakistan to test non-banking Fintech solutions in regulatory sandbox

Securities and Exchange Commission of Pakistan (SECP) is allowing its first cohort to test solutions in its regulatory sandbox. After the experimentation period, the commission will evaluate the viability of the solutions to determine a future course of action. The sandbox regulatory guidelines issued by the SECP in 2019 also accommodate Islamic transactions. A strong proponent of the Islamic capital markets, the SECP, on various occasions, has vocalized its intentions to develop the Shariah Fintech market as well.

<https://www.islamicfinancenews.com>

SBP issues Islamic Naya Pakistan Certificates

The State Bank of Pakistan (SBP) has started issuing Islamic Naya Pakistan Certificates (INPCs) for non-resident and resident Pakistanis. The certificates offer expected rates of 5.5 – 7% on US dollar INPCs and 9.5 – 11% on Pakistani rupees INPCs and are only available through Roshan digital accounts. The agent banks shall make initial investment aggregating US\$20 million and PKR 5 billion (US\$30.51 million) in respective pools by subscribing to special INPCs reserved for agent banks.

<https://www.islamicfinancenews.com>

IBA CEIF offers first online Certified Shariah Auditor course

IBA Centre for Excellence in Islamic Finance (CEIF) in collaboration with Meezan Bank is offering first online Certified Shariah Auditor (CSA) course. The course will equip the participants with concepts of Audit & Shariah Audit, AAOIFI's Auditing Standard, Shariah Governance Framework, Shariah Governance Regulations, as well as audit of deposit related and financing branches. This course will be conducted by local and international Islamic Banking experts & professionals.

<https://www.zawya.com>

II. International Industry News

IIFM Publishes Sukuk Ijarah Standard Suite

The International Islamic Financial Market (IIFM) announced the publication of its Sukuk Al Ijarah Standard Documentation Templates. The suite of standardized documentation consists of Template

Prospectus, Sale and Purchase Agreement, Ijarah Agreement, Service Agency Agreement, Purchase Undertaking, Sale and Substitution Undertaking and Declaration of Trust. Going forward IIFM also plans to work with the industry on standardizing Asset-Backed Sukuk documentation as well as other Sukuk structures such as Sukuk Al Mudarabah (Tier 1 and Senior Unsecured) and hybrid Sukuk.

<https://www.zawya.com>

Dubai Islamic completes integration of Noor Bank

Dubai Islamic Bank (DIB), a leading Islamic bank in the UAE, has announced that it has completed the integration of Noor Bank. The acquisition further enhances DIB's position as one of the largest Islamic banks in the world with total assets exceeding AED300 billion (\$81 billion). The UAE is recognized as the epicenter of the Islamic economy and the successful completion of this acquisition clearly evidences the alignment of Dubai Islamic Bank to Dubai's role as a global hub for Islamic finance, encouraging greater investment and growth in key sectors such as infrastructure, innovation and services.

<http://www.tradearabia.com>

Saudi's high-profile merger could result in world's largest Islamic bank

The region's most expensive banking merger this year could culminate in the world's largest Islamic bank, potentially supplanting industry titan Al Rajhi for the title as GCC banks are gunning to consolidate to alleviate the heavy economic pressures brought on by the ongoing COVID-19 pandemic. National Commercial Bank (NCB), Saudi Arabia's largest lender by assets will be acquiring rival Samba Financial Group and expects the deal to be concluded by the first half of 2021. Pending regulatory and shareholder approval, the merger will result in an entity holding at least SAR837 billion (US\$222.83 billion) in assets, the Kingdom's largest financial institution. NCB shareholders will own 67.4% of the merged bank while Samba's shareholders will account for 32.5% of the shares.

<https://www.islamicfinancenews.com>

Bangladesh government to issue first Sukuk this year

The government of Bangladesh is planning to issue the country's first Sukuk by December 2020. As a Muslim-majority country, Islamic finance is gaining momentum in Bangladesh. The central bank of the country, Bangladesh Bank, has already drafted the Sukuk policy which is under review by the policymakers. Islamic banks through their excess liquidity can create a new horizon in the industry by launching Sukuk this year through formulating a comprehensive framework to get optimum benefits from this instrument.

<https://www.islamicfinancenews.com>

III. Articles & Views

India - The need to make room for interest-free banking

At a webinar 'The Role of Religious Faith in Financial Exclusion: An Analysis of Financial Deepening in India' organized at Gulati Institute of Finance and Taxation (GIFT), it was pointed out that India has to learn from the experience of United Kingdom, Malaysia and others and host interest-free banking window in the financial system. As a sizable portion of its Muslim citizens consider 'Riba is Haram', it is possible that such a religious attitude leads to exclusion from financial deepening. There have been

a few private initiatives to offer interest-free banking services through cooperative societies, however, there is lack of supportive government policy.

<https://www.thehindu.com>

Why Islamic finance in the UK is not realizing its \$3trn potential

The British Islamic finance market is facing a slew of challenges and is being held back by weak consumer awareness, according to one of the country's top experts. The \$19 billion market is also suffering from a lapsed government commitment and a lack of regulation, said an advisory board member for the Islamic Finance Council UK (IFCUK) in London. The UK capital has more than 20 international banks operating in Islamic finance and has more than 20 law firms that are supplying legal services relating to Islamic finance for global and domestic markets. The IFCUK expert added that Brexit could offer opportunities for unlocking Islamic finance regulation. "We were previously locked in around EU laws," he said. "Islamic finance couldn't issue unsecured lending – this is a consumer credit issue that can now be resolved. The government's commitment to Islamic finance liquidity tools needs to be realized."

<https://www.arabianbusiness.com>

Shariah Compliance at the Bank of England

The Bank of England has, after long and extensive deliberations announced the Alternative Liquidity Facility (ALF). At first glance, the structure is as simple as it is effective, banks deposit funds with the Bank of England by means of a Wakalah transaction, and returns are backed by a return generating Sukuk fund. The ALF will go a long way in assisting UK-based Islamic banks to manage their liquidity, but whether it will make a dent in the bank's need for HQLA will remain to be seen. It has been a long time in the making, and appears to be an elegant and effective structure.

<https://www.islamicfinancenews.com>

Artificial Intelligence and implications for Islamic banking

The recent pandemic has only exacerbated and accelerated the need for digital transformation within the banking sector and a serious reassessment of business models. Artificial intelligence (AI) and its applications can play a significant role in addressing some of the challenges facing today's banks as they strive to redefine themselves as technology companies. Islamic banks are uniquely positioned to take advantage of the new technologies, given that at least in theory they do not have the legacy systems, processes and culture of conventional banks. Some potential uses of AI within Islamic banks include digital onboarding of retail clients, Biometric signature verification, robotics process automation (RPA) for credit limits monitoring, and applying machine learning for purposes of predicting credit default.

<https://www.islamicfinancenews.com>

Annexure I: Islamic Banking Branch Network

Islamic Banking Branch Network			
(As of December 31, 2020)			
Type	Name of Bank	No. of Branches	Windows
Islamic Banks	AlBaraka Bank (Pakistan) Limited	181	-
	BankIslami Pakistan Limited	231	-
	Dubai Islamic Bank Pakistan	210	-
	Meezan Bank Limited	815	-
	MCB Islamic Bank Limited	188	-
	Sub-Total	1,625	
Standalone Islamic Banking Branches of Conventional Banks	Allied Bank Limited	117	85
	Askari Bank Limited	92	-
	Bank Al-Habib Limited	106	143
	Bank Alfalah Limited	186	
	Faysal Bank Limited	499	16
	Habib Bank Limited	62	852
	Habib Metropolitan Bank Limited	32	218
	National Bank of Pakistan	191	-
	Silk Bank Limited	30	-
	Sindh Bank Limited	14	13
	Soneri Bank Limited	30	-
	Standard Chartered Bank (Pakistan) Limited	3	50
	Summit Bank Limited	14	35
	The Bank of Khyber	91	39
	The Bank of Punjab	102	-
	United Bank Limited	100	187
Zarai Taraqiati Bank Limited	5	-	
	Sub-Total	1,674	1,638
	Total Full-Fledged Branches	3,299	-
Sub Branches	AlBaraka Bank (Pakistan) Limited	7	-
	Askari Bank Limited	3	-
	BankIslami Pakistan Limited	113	-
	The Bank of Khyber	2	-
	Dubai Islamic Bank Pakistan	25	
	The Bank of Punjab	2	-
	Faysal Bank Limited	1	
	Habib Bank Limited	2	-
	United Bank Limited	2	-
	Total Sub-Branches	157	-
	Grand Total Branches/Sub-Branches	3,456	1,638

Source: SBP

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

(As of December 30, 2020)									
Type	Bank Name	Azad Kashmir	Baluchistan	Federal Capital	Gilgit-Baltistan	Khyber Pakhtunkhwa*	Punjab	Sindh	Grand Total
Islamic Banks	AlBaraka Bank (Pakistan) Limited	3	6	6	3	16	100	47	181
	BankIslami Pakistan Limited	4	14	9	4	22	100	78	231
	Dubai Islamic Bank Pakistan	7	5	15	3	10	86	84	210
	Meezan Bank Limited	6	27	38	3	57	432	252	815
	MCB Islamic Bank Limited	2	13	9	1	15	85	63	188
IBs – Total	22	65	77	14	120	803	524	1,625	
Standalone Islamic Banking Branches of Conventional Banks	Allied Bank Limited	2	4	6	1	12	69	23	117
	Askari Bank Limited	-	3	9	1	13	46	20	92
	Bank Al- Habib Limited	-	4	7	1	17	34	43	106
	Bank Alfalah Limited	1	5	14	-	17	108	41	186
	Faysal Bank Limited	7	22	23	7	45	270	125	499
	Habib Bank Limited	2	1	4	-	10	31	14	62
	Habib Metropolitan Bank Limited	-	-	1	-	8	9	14	32
	National Bank of Pakistan	9	6	6	1	40	95	34	191
	Silk Bank Limited	1	1	3	-	5	11	9	30
	Sindh Bank Limited	1	1	-	-	2	7	3	14
	Soneri Bank Limited	-	1	2	1	8	13	5	30
	Standard Chartered Bank (Pakistan) Limited	-	-	-	-	-	1	2	3
	Summit Bank Limited	-	1	2	2	1	2	6	14
	The Bank of Khyber	-	4	2	-	72	10	3	91
	The Bank of Punjab	1	6	6	-	14	75	-	102
United Bank Limited	1	4	5	-	19	39	32	100	
Zarai Taraqiati Bank Limited	-	-	1	-	1	2	1	5	
IBBs Total	25	63	91	14	284	822	375	1,674	
Sub Branches	AlBaraka Bank (Pakistan) Limited	-	-	1	-	-	-	6	7
	Askari Bank Limited	-	1	-	-	1	1	-	3
	BankIslami Pakistan Limited	1	6	9	-	5	41	51	113
	The Bank of Khyber	-	-	-	-	2	-	-	2
	Dubai Islamic Bank Pakistan	-	-	-	-	-	9	16	25
	The Bank of Punjab	-	-	-	-	-	1	-	1
	Faysal Bank Limited	-	-	-	-	-	-	2	2
	Habib Bank Limited	-	-	-	-	-	2	-	2
United Bank Limited	-	-	1	-	1	-	-	2	
Sub-Branches Total	1	7	11	0	9	54	75	157	
Grand Total	48	135	179	28	413	1679	974	3,456	

* Inclusive of erstwhile FATA region

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

District wise Break-up of Islamic Banking Branch Network								
(As of December 31, 2020)								
S. No.	Province	District	No. of Branches*	S. No.	Province	District	No. of Branches*	
1	Sindh	Badin	4	67	Khyber Pakhtunkhwa	Abbottabad	29	
2		Dadu	7	68		Bannu	11	
3		Ghotki	5	69		Batagram	3	
4		Hyderabad	65	70		Buner	7	
5		Jacobabad	5	71		Charsadda	10	
6		Jamshoro	4	72		Chitral	7	
7		Karachi City	777	73		Dera Ismail Khan	18	
8		Kashmore	2	74		Hangu	8	
9		Khairpur	4	75		Haripur	13	
10		Larkana	7	76		Karak	2	
11		Matiari	4	77		Kohat	13	
12		Mirpurkhas	13	78		Lakki Marwat	1	
13		Naushahro Feroze	5	79		Lower Dir	18	
14		Shaheed Benazir Abad	19	80		Malakand	18	
15		Sanghar	16	81		Mansehra	17	
16		Shikarpur	1	82		Mardan	22	
17		Sukkur	20	83		Nowshera	23	
18		Shahdadt	2	84		Peshawar	109	
19		Tando Allahyar	4	85		Shangla	5	
20		Tando Mohammad Khan	3	86		Swabi	10	
21		Thatta	3	87		Swat	36	
22		Umer Kot	4	88		Tank	2	
Sindh Total			974	89		Torghar	1	
				90		Upper Dir	9	
23	Punjab	Attock	22	91	KPK Total	Kohistan	2	
24		Bahawalnagar	22	92		Bajaur Agency	3	
25		Bahawalpur	30	93		Khyber Agency	9	
26		Bhakkar	5	94		Mohmand Agency	1	
27		Chakwal	19	95		Orakzai Agency	2	
28		Chiniot	7	96		Kurram Agency	3	
29		Dera Ghazi Khan	21	97		North Waziristan Agency	1	
30		Faisalabad	127			413		
31		Gujranwala	83	98		ICT	Islamabad	179
32		Gujrat	59			Islamabad Total		179
33		Hafizabad	7	99		Gilgit-Baltistan	Astore	1
34		Jhang	16	100			Baltistan	1
35		Jhelum	20	101			Ghizer	1
36		Kasur	21	102			Hunza	1
37		Khanewal	33	103			Skardu	4
38		Khushab	8	104			Diamir	7
39		Lahore City	545	105			Gilgit	13

40		Layyah	7		Gilgit-Baltistan Total		28
41		Lodhran	5	106	Baluchistan	Chaghi	2
42		Mandi Bahauddin	15	107		Gawadar	8
43		Mianwali	10	108		Harnai	1
44		Multan	99	109		Jaffarabad	1
45		Muzaffargarh	14	110		Kech	2
46		Nankana Sahib	9	111		Khuzdar	4
47		Narowal	10	112		Lasbela	5
48		Okara	29	113		Loralai	6
49		Pakpattan	12	114		Noshki	1
50		Rahim Yar Khan	46	115		Nasirabad	1
51		Rajanpur	7	116		Panjgur	2
52		Rawalpindi	169	117		Pishin	8
53		Sahiwal	35	118		Qilla Abdullah	6
54		Sargodha	38	119		Qilla Saifullah	7
55		Sheikhupura	30	120		Quetta	68
56		Sialkot	54	121		Sibi	2
57		Toba Tek Singh	23	122		Turbat	2
58		Vehari	22	123		Zhob	6
Punjab Total			1679	124			Ziarat
59		Bagh	2		Baluchistan Total		135
60	Azad Kashmir	Bhimber	1				
61		Dadyal	4				
62		Hattian Bala	1				
63		Kotli	6				
64		Mirpur	19				
65		Muzaffarabad	12				
66		Poonch	3				
Azad Kashmir Total			48		Grand Total		3,456
*including sub-branches							