



# Islamic Banking

February 2016

# Islamic Banking Snapshot | Key Figures

<b>Islamic Banking Institutions</b>	<b>22</b>
<b>Islamic Banks</b>	<b>5</b>
<b>Conventional Banks with Islamic Branches</b>	<b>17</b>

**Total Assets**  
Sep15: 1,511

**Net Finances**  
Sep15: 532 bln

**Total Deposits**  
Sep15: 1,271 bln

**Total Investments**  
Sep15: 392 bln

**Due from Financial Institutions**  
Sep15: 349 bln

**Other Liabilities**  
Sep15: 140 bln

**Equity**  
Sep15: 100 bln

**Cash & Bank Balance**  
Sep15: 144 bln

**Other Assets**  
Sep15: 94 bln

**Total Branches**  
Sep15: 1,783

# Islamic Banks | Ratings' Transition

Sr. #	Bank	Latest Rating (Jan16)	Outlook	Rating Agency	Last Rating	Last change	Listed
1	Meezan Bank Limited	AA	Stable	JCR	AA-	Jun-13	✓
2	Dubai Islamic Bank (Pakistan) Limited	A+	Positive	JCR	A	Jun-14	x
3	Bank Islami Pakistan Limited	A+	RW-Developing	PACRA	A	Apr-15	✓
4	Albaraka Bank (Pakistan) Limited	A	Positive	PACRA	A-	Dec-10	x
	Albaraka Bank (Pakistan) Limited	A	Positive	JCR	No change	Jul-11	
5	Burj Bank Limited	A-	Negative	JCR	A	Jun-15	x

 Outlook Change

 Initial Rating

- Only two Islamic banks are listed

# Credit Risk | Islamic Banking Industry

	PKR bln				
	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>Financing (net of Provision)</b>	<b>533</b>	<b>405</b>	<b>316</b>	<b>230</b>	<b>202</b>
Growth SPLY	57%	28%	38%	14%	11%
Growth YTD	31%	28%	38%	14%	11%
<b>Share in Financing</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Islamic Banks	67%	65%	64%	67%	64%
Islamic Branches of the Conventional banks	33%	35%	36%	33%	36%
<b>NPFs</b>	<b>31</b>	<b>20</b>	<b>19</b>	<b>19</b>	<b>16</b>
Growth SPLY	71%	5%	2%	16%	15%
Growth YTD	59%	5%	2%	16%	15%
<b>Provision</b>	<b>(28)</b>	<b>(17)</b>	<b>(14)</b>	<b>(12)</b>	<b>(10)</b>
Growth SPLY	93%	18%	14%	23%	24%
Growth YTD	70%	18%	14%	23%	24%

<b>Branches*</b>	<b>1,783</b>	<b>1,574</b>	<b>1,304</b>	<b>1,097</b>	<b>886</b>
Growth SPLY	25%	21%	19%	24%	18%
Growth YTD	13%	21%	19%	24%	18%

\* Includes Sub Branches

- Consistent growth in financing
- Significant YoY growth at end-Sep15 has been witnessed in the financing mainly driven by 66% growth by Islamic banks while Islamic branches of the conventional banks recorded 42% rise in the book YoY

# Credit Risk | Islamic Banking Industry

Islamic Banking Industry					
	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
Infection Ratio	5.6%	4.7%	5.7%	7.6%	7.5%
Coverage	90.1%	83.8%	74.6%	66.6%	63.0%
	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
ADR	44.1%	39.4%	38.0%	34.3%	40.7%

Banking Industry					
	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
Infection Ratio	12.2%	12.0%	13.0%	14.2%	15.4%
Coverage	83.1%	80.7%	77.7%	71.7%	69.7%
	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
ADR	46.7%	48.2%	49.5%	52.2%	53.6%

- Islamic banking's asset quality though better than the banking industry but witnessed deterioration owing to merger of KASB bank in BankIslami
- Relatively lower ADR than banking industry

# Investments | Islamic Banking Industry

	PKR bln				
	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>Investments</b>	<b>392</b>	<b>357</b>	<b>394</b>	<b>394</b>	<b>274</b>
Federal Government Securities	264	240	267	279	179
Equities, Sukuks, funds and others	129	116	128	116	95
<b>Investments</b>	<b>392</b>	<b>357</b>	<b>394</b>	<b>394</b>	<b>274</b>
Growth SPLY	11%	-10%	0%	44%	74%
Growth YTD	10%	-10%	0%	44%	74%

<b>Share in Investment</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Islamic Banks	50%	53%	61%	63%	61%
Islamic Branches of the Conventional banks	50%	47%	39%	37%	39%

- Major investment book is placed in GoP's Ijarah sukuks
- Gradual increase in the investments by Islamic windows of the conventional banks

# Funding | Islamic Banking Industry

		PKR bln				
		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>Deposits</b>		<b>1,271</b>	<b>1,070</b>	<b>868</b>	<b>706</b>	<b>521</b>
	Growth SPLY	36%	23%	23%	36%	34%
	Growth YTD	19%	23%	23%	36%	34%
<b>Share in Deposits</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	Islamic Banks	62%	62%	63%	63%	65%
	Islamic Branches of the Conventional banks	38%	38%	37%	37%	35%

		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>Numbers of Branches*</b>		<b>1,783</b>	<b>1,574</b>	<b>1,304</b>	<b>1,097</b>	<b>886</b>
	Islamic Banks	1,095	1017	858	725	591
	Islamic Branches of the Conventional banks	688	557	446	372	295

\* Includes Sub Branches

		PKR mln				
		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
	Deposit per Islamic Bank Branch	722	650	642	616	577
	Deposit per Islamic Branch of the Conventional banks	699	735	711	696	610

- Significant share of Islamic banks in the Islamic deposits
- Rise in per branch deposit of the Islamic bank branch vis-à-vis conventional bank branch

# System Share | Islamic Banking Industry

		PKR bln				
		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>B/S</b>	Financing - Net	533	409	315	231	200
	Deposits and Other Accounts	1,271	1,070	868	706	521
	Total Equity	100	82	70	63	56

  

<b>Islamic Banking Share in Domestic Banking Industry</b>		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>B/S</b>	Financing - Net	12%	10%	8%	6%	6%
	Deposits And Other Accounts	13%	12%	11%	10%	8%
	Total Equity	9%	8%	8%	8%	7%

- Gradual rise in the system share of Islamic banking in the total banking universe



# Profitability | Islamic Banking Industry

PKR bln

		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>P&amp;L</b>	Net Profit Income	37	39	31	29	26
	Non - Profit Income	10	11	8	7	4
	Profit / (Loss) After Tax	7	13	8	8	9

<b>Share of Islamic banks in the Islamic Banking Industry</b>		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>P&amp;L</b>	Net Profit Income	59%	62%	62%	64%	65%
	Non - Profit Income	58%	69%	71%	60%	90%
	Profit / (Loss) After Tax	64%	41%	40%	43%	47%

<b>Islamic Banking Share in Domestic Banking Industry</b>		Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
<b>P&amp;L</b>	Net Profit Income	11%	10%	10%	9%	8%
	Non - Profit Income	6%	7%	6%	6%	4%
	Profit / (Loss) After Tax	5%	8%	7%	7%	8%

- Decline in the profitability of Islamic banks (9MCY15: PKR 465mln; 9MCY14: PKR 4,140mln)
- Meezan bank largest profit contributor in Islamic banking industry

# Branch Network | Islamic Banking Industry

	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
Number of Islamic Banks	5	5	5	5	5
Number of Conventional banks with Islamic Branches	17	17	14	13	12

Numbers of Branches*	1,783	1,574	1,304	1,097	886
Growth SPLY	25%	21%	19%	24%	18%
Growth YTD	13%	21%	19%	24%	18%

	Sep-15	Dec-14	Dec-13	Dec-12	Dec-11
Share in Branches*	1,783	1,574	1,304	1,097	886
Islamic Banks Branches	61%	65%	66%	66%	67%
Islamic Branches of the Conventional banks	39%	35%	34%	34%	33%

\* Includes sub branches

- Addition of Conventional banks having Islamic Branches; CY12: Silk Bank; CY13: BoP; CY14: ABL, Sindh Bank, and Summit Bank

# Key Figures | Islamic Banks

(PKR in mln)

Balance Sheet	Meezan Bank		BankIslami		Dubai Islamic		AlBaraka		Burj Bank	
	AA/A1+		A+/A1 (RW)		A+/A1 (+ve Outlook)		A/A1 (+ve Outlook)		A-/A2 (-ve Outlook)	
	Sep-15	Dec-14	Jun-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14
Total Assets	490,767	437,405	177,029	101,984	122,443	101,553	92,860	94,349	34,107	34,091
Financing	155,796	175,711	57,598	41,097	77,099	58,841	44,589	47,023	18,815	19,960
NPLs	6,755	6,912	15,024	1,062	4,654	4,177	4,654	4,177	1,795	1,813
Investments	105,032	114,089	40,149	30,655	22,147	18,259	19,222	19,561	7,721	8,165
Customer Deposits	431,010	375,670	106,310	89,020	106,551	83,684	66,230	70,035	21,837	23,107
Total Deposits	438,279	380,421	141,334	90,331	109,087	83,844	75,536	80,223	26,071	25,809
Borrowings	10,486	15,465	17,652	561	3,305	3,567	4,211	2,212	1,846	1,795
Capital	10,027	10,027	10,079	5,759	6,976	6,976	8,935	8,935	8,168	8,168
Equity	24,751	23,877	11,139	11,139	7,857	7,439	6,223	6,223	4,506	4,804

- Only two banks are MCR compliant
- Meezan – market leader in terms of system share

# Key Figures | Islamic Banks

(PKR in mln)

Profit & Loss	Meezan Bank		BankIslami		Dubai Islamic		AlBaraka		Burj Bank	
	AA/A1+		A+/A1 (RW)		A+/A1 (+ve Outlook)		A/A1 (+ve Outlook)		A-/A2 (-ve Outlook)	
	Sep-15	Dec-14	Jun-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14
Return Earned	25,276	28,803	4,105	7,812	6,442	7,523	4,898	6,683	1,973	4,266
Return Expensed	(11,433)	(15,440)	(2,337)	(4,459)	(2,985)	(3,434)	(3,004)	(4,513)	(1,107)	(2,951)
Net return earned	13,843	13,363	1,768	3,353	3,457	4,089	1,894	2,170	866	1,314
Non- Profit Income	3,435	4,755	324	632	866	1,117	479	726	407	469
Expenses	(9,930)	(10,753)	(2,069)	(3,498)	(3,678)	(3,989)	(2,144)	(2,594)	(1,576)	(2,287)
(Provision)/Reversal	(526)	(466)	(188)	(17)	(93)	(292)	102	(85)	(112)	(111)
Profit / (Loss) before tax	6,811	6,899	211	470	552	926	331	217	(414)	(615)
Net Profit / (Loss) after tax	3,950	4,570	63	314	222	601	195	146	(261)	(472)

- Meezan – contributing 60% in the profitability of the Islamic banking industry
- Burj struggling to make profit

# Key Figures | Islamic Banks

Ratios	Meezan Bank		BankIslami		Dubai Islamic		AlBaraka		Burj Bank	
	AA/A1+		A+/A1 (RW)		A+/A1 (+ve Outlook)		A/A1 (+ve Outlook)		A-/A2 (-ve Outlook)	
	Sep-15	Dec-14	Jun-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14
RoE	16.0%	19.1%	0.6%	5.4%	2.8%	8.1%	3.1%	2.3%	-5.8%	-9.8%
RoA	0.8%	1.0%	0.0%	0.3%	0.2%	0.6%	0.2%	0.2%	-0.8%	-1.4%
Finances / Total Depsoits	35.5%	46.2%	40.8%	45.5%	70.7%	70.2%	59.0%	58.6%	72.2%	77.3%
Investments / Total Depsoits	24.0%	30.0%	28.4%	33.9%	20.3%	21.8%	25.4%	24.4%	29.6%	31.6%
Non-Performing Finances / Gross Finances	4.2%	3.8%	20.7%	2.5%	5.7%	6.6%	9.5%	8.2%	8.7%	8.3%
Loan Loss Provisions / Non-Performing Finances	97.8%	90.9%	90.1%	56.6%	32.6%	34.6%	62.9%	67.3%	94.8%	88.7%
CAR (Required)	10.0%	10.0%	10.0%	18.0%	10.0%	10.0%	14.0%	15.0%	23.0%	23.0%
CAR (Actual)	N.A.	11.9%	16.1%	17.0%	N.A.	17.1%	15.9%	14.2%	18.3%	18.6%

- Significant provisioning coverage except by Dubai bank
- Burj – Noncompliant in terms of CAR

# Key Figures | Islamic Banks

	Meezan Bank		BankIslami		Dubai Islamic		AlBaraka		Burj Bank	
	AA/A1+		A+/A1 (RW)		A+/A1 (+ve Outlook)		A/A1 (+ve Outlook)		A-/A2 (-ve Outlook)	
	Sep-15	Dec-14	Jun-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14	Sep-15	Dec-14
Branches	494	428	317	213	175	175	135	130	74	75
Number of employees	7,429	7,429	3,691	2,154	2,497	2,497	1,638	1,638	1,004	1,004
Deposits/ per branch (PKR mln)	887	889	446	424.09	623	479	560	617	352	344
Net return per branch (PKR mln)	28	31	6	16	20	23	14	17	12	18
Profit per branch (PKR mln)	8.0	10.7	0.2	1.5	1.3	3.4	1.4	1.1	(3.5)	(6.3)
Non Profit Income / Expenses	35%	44%	16%	18%	24%	28%	22%	28%	26%	20%

- Highest other income by Meezan bank followed by Burj and Dubai

\* PKR mln

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