

Understand BankIslami Better

How **Ijarah**
is done at
BankIslami!



BankIslami

بنك إسلامي



Serving you, the Right way

Ijarah – Leasing the Shariah Way

We at BankIslami take a lot of pride in our authenticity and transparency. Of course, it is your right to know how it works and what it is when we call ourselves an Islamic Bank with stringent Shariah criteria.

'Understand BankIslami Better' is a series of brochures that helps you know more about us. If you still have any questions, you are welcome to talk to any of our Customer Relationship Officers to address to any specific queries.

You may also speak with our Shariah Advisor by scheduling a meeting with him by writing to him at shariah@bankislami.com.pk.

What is Ijarah?

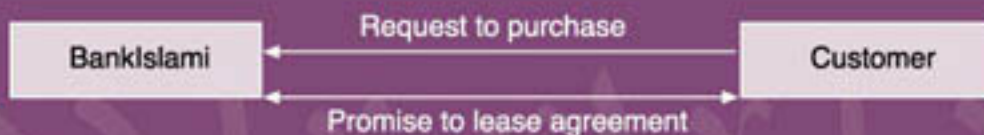
Ijarah is an Islamic alternate for leasing. According to Shariah, all those assets that are not consumed while they are being used, can be given on Ijarah, for example a house, a car or equipment. In other words, Shariah allows Ijarah of fixed assets with certain conditions. BankIslami uses Ijarah for providing car, equipment, property or any other fixed assets on rent to a customer against agreed payment. The rentals are calculated in such a way that the Bank is able to recover its cost and profit. The client may either purchase the asset at a nominal value or return the asset to the Bank at the end of the agreed period.

During the period of Ijarah, the ownership of the asset remains with the Bank and consequently it bears all the risks. If the assets are damaged due to any event beyond the control of lessee, whether due to an earthquake or any natural disaster or loss due to theft, the loss would be borne by the Bank. However, customer bears responsibility for negligence if it occurred due to that.

Ijarah - step by step

1. Customer approaches BankIslami for Ijarah financing. BankIslami purchases the asset from the market after signing 'promise to lease agreement' with the Customer. This is to ensure customer take-up of asset from the Bank.

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2. BankIslami purchases the item, acquires title of ownership and makes payment to the vendor.



3. BankIslami Ijarah (leases) the asset to the customer against rentals.



4. After receiving all the rentals under Ijarah Agreement for the agreed period, BankIslami offers to sell the asset to Customer. If the Customer accepts the offer, BankIslami transfers the asset to the customer under a separate Sale Agreement at an agreed price.





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Comparing conventional lease and Ijarah

Conventional Finance Lease	Ijarah Finance
<p>Commencement</p> <p>Lease commences the day price is paid by the lessor, whether the lessee has taken delivery of the asset or not.</p>	<p>At BankIslami, according to Shariah, rent is charged after the customer has taken delivery of the asset, not from the day the price has been paid.</p>
<p>Expenses consequential to ownership</p> <p>Expenses incurred in the process of the purchase of the asset such as registration charges, import expenses like freight and customs duty etc., are paid by the lessee. Insurance is also done by the lessee.</p>	<p>As BankIslami is the owner of the asset therefore it is liable to pay all expenses incurred in the process of its purchase and its import. Insurance or Takaful is also borne by the Bank. However, expenses and charges are part of rentals.</p>
<p>Liability of the parties in case of loss to the asset</p> <p>Non-Islamic 'financial lease' does not differentiate between wear and tear or losses caused by negligence of the lessee and situations that are out of control of the lessee. Lessee is liable for costs incurred due to natural disasters or theft.</p>	<p>The Customer is only responsible for misuse or negligence or normal wear and tear but not for events beyond his control. In Ijarah, each situation is treated separately.</p>
<p>Penalty on late payment of rent</p> <p>Penalty charges exist on late payment. These are taken as income.</p>	<p>The lessee may be asked to undertake that if he fails to pay rent on due date, he will pay certain amount to charity through BankIslami. The Charity is utilized by BankIslami as per the guidelines given by Shariah Supervisory Board.</p>

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Avail Pure Form Of Leasing...

We invite you to bank with us and feel the difference in service, delivery and of course authenticity.

...And whosoever fears Allah and keeps his duty to Him, He will make his matters easy for him... (Surah Al Talaq Ayat 04).

Auto Ijarah

BankIslami Pakistan's Auto Ijarah is simply a rental agreement under which the vehicle shall be given to you on rent for a period, agreed at the time of the contract. BankIslami Pakistan purchases the vehicle and rents it out to the customer for a minimum period of 3 years and upon completion of the Ijarah period the customer gets ownership of the vehicle against his initial security deposit.

Key Features of Auto Ijarah

- No up-front pre-approval application fee
- Ease of acquiring any new or used locally manufactured & imported vehicles
- No upfront Insurance Payment
- No advance Rental
- Rentals to start upon delivery of the vehicle
- Minimum security deposit as low as 15%

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Auto Ijarah also features Used Vehicles

In addition to our Ijarah of new Autos, we also provide the unique opportunity of leasing second hand vehicles. This feature is specifically designed as a very economical option. With a minimum-security deposit as low as 20%, our used Auto Ijarah facility is at your service.

Used Auto Selection Criteria

Selecting a used Auto is very simple, all you need to ensure is:

- That the second hand vehicle you select should be from its first owner.
- The vehicle should not be older than 5 years when selected by you for Auto Ijarah.
- The minimum-security deposit for a vehicle up to 2 years of age is 20%, while minimum security deposit for a vehicle over 2 years of age is 30%.

BankIslami shall have the vehicle valued by an independent valuation company accordingly.

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton-4, Karachi.
Tel: (92-21) 111-247-111
Website: www.bankislami.com.pk