

Quarterly Performance Review of the Banking Sector

(April- June 2015)



**Financial Stability Assessment and Publications Division
Off-Site Supervision & Enforcement Department
State Bank of Pakistan**

Note: The report provides a brief analysis of banking sector; however, for detailed numbers stakeholders may like to refer to quarterly compendium of the banking system available at URL:

<http://www.sbp.org.pk/ecodata/fsi.asp>

Quarterly Performance Review of the Banking Sector¹

The banking sector of Pakistan remained healthy with steady earnings and strong capital position. Its profit after tax surged by 52 percent YoY on the back of both interest and non-interest income, while Capital Adequacy Ratio remained strong at 17.2 percent well above the local requirement of 10 percent and international benchmark of 8 percent. A decent increase in the asset base came from increase in investment in government securities, seasonal public sector commodity financing and some growth in private sector lending. Non-remunerative current deposits formed major source of funding while financial borrowings observed net retirement due to improved liquidity position.

- Δ **Assets** of the banking sector grew by 5.7 percent (YoY 19.2 percent) during Jun-15 compared to 3.4 percent in the corresponding period last year (**Table 1**). This increase was primarily funded by 7.9 percent growth in deposits. Most of the increase in assets resulted from growth in public sector credit for matching the fiscal needs and financing commodity operations.
- Δ Gross advances saw a reasonable increase of 4.7 percent (PKR 227 billion) during the second quarter of 2015 (YoY growth 8.6 percent); after declining in the first quarter of the year². Financing flows were utilized for public sector commodity procurement operations followed by PSEs credit uptake for fixed investment loans (**Table 2**).
- Δ The overall stock of public sector commodity finance – which is self-liquidating in nature – continued to accumulate on the balance sheets of the banks and reached PKR 589.2 billion (11.6 percent of total advances) as of end June, 2015. Most of the increase during June-15 came from 39 percent growth in seasonal financing for wheat due to increase in wheat support price³. Lower depletion of previous year's wheat stock⁴ led to lower retirement of wheat financing, which coupled with fresh financing for procurement during Jun-15, enhanced the overall level of commodity finance. Though food security has been the key reason for setting support prices, need remains for

Table 1: Highlights of the Banking Industry					
	CY13	Jun-14	Dec-14	Mar-15	Jun-15
Key Variables (PKR billion)					
Total Assets	10,487	11,115	12,106	12,528	13,244
Investments (net)	4,313	4,512	5,310	5,954	6,209
Advances (net)	4,110	4,189	4,447	4,336	4,552
Borrowings	723	719	1,001	1,377	1,322
Deposits	8,311	8,774	9,230	9,236	9,970
Liabilities	9,544	10,138	10,899	11,280	11,977
Paid up Capital	482	497	587	586	581
Equity	943	976	1,207	1,248	1,266
Profit Before Tax (ytd)	162	113	247	80	171
Profit After Tax (ytd)	112	74	163	52	99
Provisioning Charges (ytd)	40	10	25	12	25
Non-Performing Loans	607	595	605	620	630
Provisions Held Against NPLs	469	473	483	498	509
Non-Performing Loans (net)	139	122	122	123	121
Key FSIs (percent)					
Capital Adequacy Ratio	14.9	15.1	17.1	17.4	17.2
Capital to Total Assets*	9.0	8.8	10.0	10.0	8.3
NPLs to Loans (Gross)	13.3	12.8	12.3	12.8	12.4
Net NPLs to Net Loans	3.4	2.9	2.7	2.8	2.7
ROA (Before Tax)	1.6	2.1	2.2	2.6	2.7
ROE [^] (Before Tax)	17.9	23.5	24.3	26.0	27.5
Liquid Assets/ Total Deposits	61.3	60.6	64.5	70.4	69.5
Advances to Deposit Ratio	49.5	47.7	48.2	46.9	45.7

* Effective from June 30, 2015, Regulatory Capital, as defined under Basel requirements, has been used to calculate Capital to Total Assets Ratio. Prior to Jun-15, Balance Sheet Capital was used for calculation of this ratio.

[^] Based on Average Equity plus Surplus on Revaluation.

Note: Statistics of profits are on year-to-date (ytd) basis.

¹ Analysis is largely based on the unaudited numbers submitted by banks to SBP on quarterly basis. From the data convention perspective, Jun-15 stands for April-June, 2015 quarter and represents unaudited numbers. While CY stands for calendar year and represents audited numbers.

² Gross advances for Jun-15 have been compiled after streamlining and automation of data of Islamic Banks/ Islamic Bank Branches related to financing/advances (against Murabaha etc.), inventories and any other related item(s) under the "Financing/Advances" head as per BSD Circular Letter No.3 of 2013. These were previously reported under 'Other Assets' and/or other heads.

³ The support price of wheat was increased from PKR 1250/40kg to PKR 1300/40kg in November 2014. Since the procurement of wheat is usually carried out during April-May, the full impact of this price increase was seen during the reviewed quarter.

⁴ Import of wheat due to lower international prices allowed the private sector to benefit from price arbitrage, also kept the depletion levels low. To off-load this stock, government is making efforts and has provided certain incentives for export of wheat.

developing a mechanism for timely retirement of commodity finance within the given cycle. This will not only limit the increasing government exposure on banks' balance sheet but also allow space for financing the private sector. (Figure 1).

- Δ Financing to private sector remained subdued despite the current environment of low interest rates. During Jun-15, private sector advances grew by around 1.8 percent largely due to uptake in agribusiness, cement, chemical and pharmaceuticals sectors coupled with a 7.5 percent growth (PKR 22 billion) in consumer finance. Increase in consumer financing was primarily contributed by "personal loans", and auto loans⁵. The latter category financing jumped with decline in lending rates, increase in demand for new car models and sales on account of government-sponsored cab schemes⁶. Net retirement by various economic sectors, like textile, food and beverages and sugar partially offset the growth in private sector lending. Textile sector, which is the largest borrower of the banking sector observed net retirement not only in quarter under review but also during FY15, primarily, due to restrained domestic and international demand⁷ (particularly China and Euro zone), competition from India and falling output prices.

- Δ Working capital financing decelerated (QoQ 1 percent growth) largely due to decrease in commodity prices as reflected in decline all price indices particularly Whole Sale Price Index. Encouraging development was a continuous increase in the fixed investment segment (including SME's) and the growth pace further accelerated during the quarter (11 percent). The growth in fixed investment advances hints at capacity building at firms' level and more potential for industrial growth

Table 2: Segment-wise Credit Flows in Q2CY15

	(PKR billion)	
	Public Sector	Private Sector
Corporate Sector	69.6	55.2
Fixed Investment	78.8	71.3
Working Capital	(16.7)	31.7
Trade Finance	7.5	(47.9)
SMEs	-	0.3
Fixed Investment	-	5.3
Working Capital	-	(3.1)
Trade Finance	-	(2.0)
Agriculture	-	15.8
Consumer Finance	-	22.3
Commodity Financing	90.2	(24.7)
Staff Loans	-	4.4
Others	0.4	(5.9)
Total	160.1	67.4

Figure 1

Public Sector Commodity Finance Break-up (PKR billion)

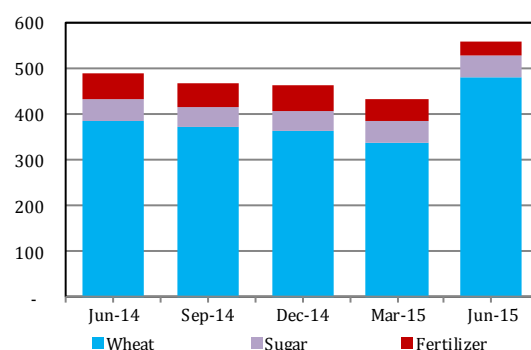
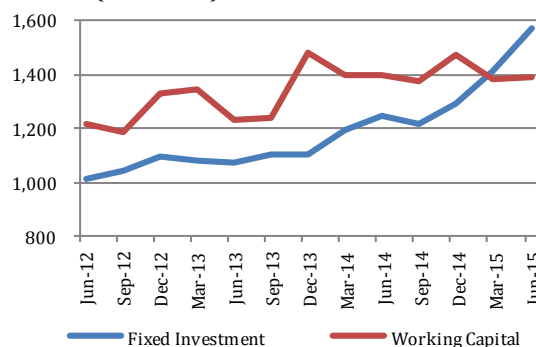


Figure 2

Trend in working capital and fixed investment finance (PKR billion)



⁵ A new auto-policy, Auto Industry Development Programme-II (AIDP-II), is under consideration of the government, which is aimed at bringing more investment into this sector and meeting international standards for auto safety (e.g. Airbags, Anti-Brake System). This may give a boost to auto financing in near future.

⁶ Sale of cars by local assemblers in Pakistan jumped to the highest in five years in the 2014-15 financial year on demand for new model of Toyota Corolla, government-sponsored cab schemes and increase in car financing due to lowest borrowing rates, according to a latest data.

⁷ The overall export quantum reduced by 0.4 percent during Jul-Jun, 2015 while textile growth declined by 1.8 percent during the same year (Source: S&DWHDD).

which, cumulatively, will boost private sector credit demand in coming months. However, this will be largely contingent upon timely resolution of domestic structural issues facing the economy (**Figure 2**).

- Δ **Investments'** share in total asset continued to increase due to growing stock of government securities. With QoQ growth of 4.4 percent (YoY 41.2 percent), banks holding of government bonds surged to PKR 5.66 trillion as of end June 2015; representing more than 90 percent share in total investments. However, investment in MTBs as well as PIBs observed deceleration during the quarter as HBL's privatization proceeds enabled government to borrow less from commercial banks for its fiscal needs⁸ (**Table 3**). Further, most of these investments were mostly placed in Available for Sale (AFS) category from the perspective of liquidity management⁹.

Table 3: Flow of Banks' Investment in Govt. Securities

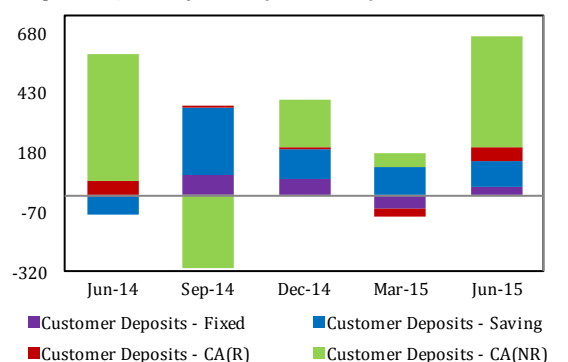
	PKR billion		
	Q2CY13	Q2CY14	Q2CY15
MTBs	(15)	(770)	54
PIBs	122	622	172
Others	2	60	11
Total Govt. Securities	109	(88)	237
Total Investments	94	(149)	256
<i>Investment in Govt. Securities to Total Investment (Percent)</i>	<i>116%</i>	<i>59%</i>	<i>93%</i>

- Δ In addition, banks enhanced their investments in other avenues (fully paid up capital, ordinary shares, TFCs, bonds etc.) by around 5.3 percent (PKR 19 billion) primarily due to bullish behavior in capital markets of Pakistan¹⁰ and better corporate results¹¹. However, equity investments remained within the exposure limits prescribed by the SBP¹².

- Δ On the funding side, steady growth in **deposits** base continued to provide the needed resources for financing assets growth. With a healthy increase of 7.9 percent over the quarter (YoY 13.6 percent), banks' deposits reached 9.97 trillion in Jun-15 (**Annexure B**). The decomposed data of customer deposits – representing 97 percent of overall deposits – shows that most of the growth came from non-remunerative current deposits (PKR 467 billion or 16.6 percent)¹³ followed by saving deposit (PKR 107 billion or 3.0 percent) (**Figure 3**). Over the last few years banks are putting relatively more efforts to mobilize current deposits¹⁴ seemingly for managing the deposits' cost. Visibly, share of fixed deposits in overall deposits reduced to 22.5 percent in Jun-15 from 29.2 percent as in Jun-12. In

Figure 3

Deposits-Quarterly Flows (PKR billion)



⁸ Source: Monetary Policy Statement of July 2015

⁹ Placement of Investment in the AFS category though does not hit profit & loss account, may adversely impact the equity base in case of any unfavorable movement in interest rates.

¹⁰ During the reviewed quarter, KSE-100 index increased by around 14 percent to reach 34,398 while KMI-30 index grew by 16 percent to close at 57,271 on end June 2015.

¹¹ Banks' dividend income saw a YoY increase of 46% for the first half of 2015.

¹² As per R-6 (1B) of SBP prescribed Prudential Regulations (PRs), aggregate equity investment limit for banks is 30 percent of the equity limit.

¹³ The 4th quarter of CY is generally marked with high growth in non-remunerative current deposits; the 17 percent growth in Q4CY15 was even higher than average 14 percent growth in corresponding periods of last three years (Q4 CY11-14) in non-remunerative deposits.

¹⁴ Current account deposits are the second key category of overall deposits after saving deposits and a cheapest source of funding for banks. This category has seen substantial growth due to a) efforts made by banks for enhancing share of low cost current deposits in their deposit mix through aggressive campaign and b) increase in demand for current accounts due to efficient IT based services offered to the customers.

contrast, share of current deposit (non-remunerative) picked up to 33.0 percent in Jun-15 from 27.5 percent in Jun-12. Currency-wise break-up shows that entire growth in deposits came from local currency deposits, while PKR value of FCY deposit stayed almost unchanged due to stability in USD/PKR exchange rate.

- Δ The fund based liquidity of the banking system remained comfortable due to huge stock of government bonds held by banks. The market liquidity – which remained under stress in past few quarters, when O/N rate even surpassed Policy Rate on few occasions - somewhat eased off during Jun-15 due to net retirement by the Government to commercial banks in the months of April and May, 2015. Consequently, the market volatility also reduced during Jun-15. Banks maintained Statutory Liquidity ratio of 48 percent of eligible demand and time liabilities as of June end 2015, almost double the level required by SBP. The improved fund based liquidity pushed up liquid assets to total assets ratio from 51.9 percent to 52.3 percent. However, more than proportionate growth in deposits squeezed advances to deposit ratio (ADR) by 129 bps to 45.7 percent during the quarter under review.

- Δ The **asset quality** observed some deterioration during Jun-15 as NPLs increased by 1.6 percent (YoY 5.8 percent) to PKR 630 billion (**Figure 4**). Most of the increase came from agriculture loans due to seasonal factors. However, with more than proportional increase in gross loans (4.7 percent), NPLs to Loans ratio declined by 39 bps to reach 12.4 percent and net NPLs to Net Loans by 18 bps to 2.7 percent. With increase in provisions against infected loans, provision coverage further improved by 62 bps to 80.8 percent, while capital impairment (Net NPLs to Capital) ratio increased by 110 bps to reach 10.9 percent¹⁵.

- Δ The profitability of the banking sector kept escalating during the second quarter of CY15 as indicated by 52 percent growth (YoY) in profit before tax (PKR 171 billion). A number of factors that contributed to this substantial growth included:

- High mark up income with major contribution from return on investments in Government bonds (grew by 28 percent YoY).
- Higher non-interest income (49 percent increase YoY) largely on the back of capital gains booked on sale of government securities and equity stocks, and higher dividend income.

Figure 4

Non Performing Loans

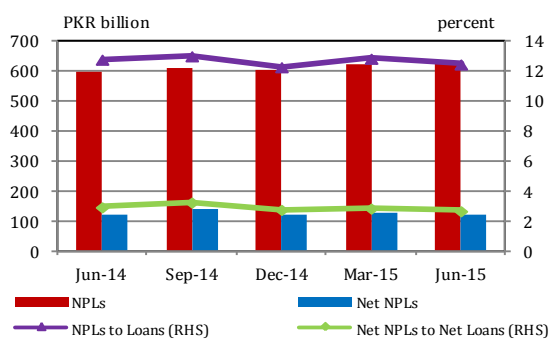
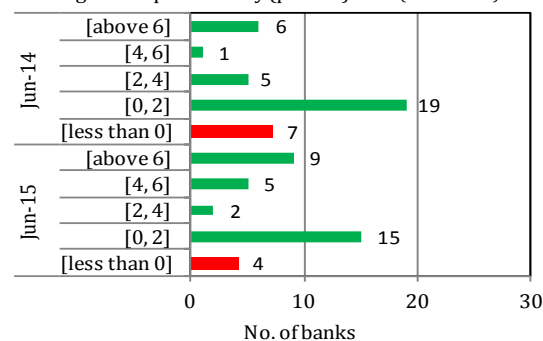


Figure 5

Banking sector profitability (pre-tax) (PKR billion)



¹⁵ The increase mainly resulted from revision of SBP's definition of capital from balance sheet capital to regulatory capital as estimated in CAR under Basel requirements with effect from June 30, 2015 and onwards. Prior to Jun-15, Balance Sheet Capital was used for calculation of this ratio. If the capital impairment ratio is adjusted for revision in capital base for previous periods, it will actually improve by 30 bps in Jun-15 over the Mar-15, indicating decline in capital impairment over the quarter.

- Δ Accordingly, all profitability indicators improved; NIM increased to 4.5 percent in Jun-15 from 4.2 percent in Jun-14 and ROA (before tax) inched up to 2.7 percent in Jun-15 up from 2.1 percent in Jun-14. Bank-wise statistics revealed that healthy profitability was broadly distributed as 31 institutions posted profits, while the count for loss making banks came down to 4 in June-15 from 7 in June-14 (**Figure 5**). Concentration of earnings decreased further as share of top 5 banks in earnings reduced to 61 percent in June-15 from 66 percent in June-14.
- Δ **Solvency** of the system observed marginal decline as Capital Adequacy Ratio (CAR) of the system decreased to 17.2 percent as of end Jun-15 from 17.4 percent in Mar-15. The CAR, however, remained far above the local requirement of 10 percent and international benchmark of 8 percent. Though the eligible capital of the sector increased by around 2.1 percent due to accumulation of profits, increase in Credit Risk Weighted Assets (due to increase in advances) and Market Risk Weighted Assets (as banks' enhanced their stock of long-term PIBs¹⁶) brought about marginal dip in the CAR.
- Δ As of end June 2015, one bank¹⁷ with asset share of less than 1 percent was CAR non-compliant with a slight margin. The bank has already announced rights issue for meeting the capital shortfall. Given the strong solvency position, the banking system maintains high level of capital cushion that may be utilized in stress times (**Table 4**). However, SBP continues to keep a close watch on the solvency of individual banks for ensuring compliance with the regulatory requirements. Further, with a perspective to improve the solvency of the individual institutions and the system as a whole, SBP continues to strengthen the capital adequacy requirements in line with international best practices. To this end, banks will be required to meet the minimum CAR of 10.25% with effect from 31st December, 2015 against the existing requirement of 10 percent.
- Δ **Going forward**, multiple factors will drive the asset structure of banking sector in the third quarter of CY15. The asset base of the banking sector is expected to remain subdued in line with seasonal slowdown in domestic credit in private sector driven by seasonal net retirements in textile and sugar sectors and recent dip in commodity prices. Some improvement in energy supplies and reduction in policy rate by 250 bps during CY15 (till date) is expected to provide some boost to overall lending activity. Though government continues to make efforts towards fiscal consolidation and raise external resources, recent floods, security related expenditures, issues on the taxation front, and cap on government borrowing from SBP under IMF's EFF program may induce government to meet its financing need through commercial banks. Though the reduction in policy rate during CY15 will impact the interest income of banks, huge stock of long-term bonds accumulated prior to cut in policy rate and corresponding capital gain on such securities placed under AFS category are expected to shield the profitability of the banking system. The recent resurge in fixed investment credit may compel banks to focus on the collection of fixed deposits going forward while CASA deposits are expected to follow the cyclical path. While solvency of the system is

Table 4: Capital Cushion

	Existing	Simulated	Cushion
Capital (PKR billion)	1,105	1,105	
RWA (PKR billion)	6,432	11,046	4,614
CAR (percent)	17.2	10.0	

¹⁶ Instruments of higher maturity attracts higher risk weights, thus, increase market risk weighted assets

¹⁷ This does not include IDBL which is currently under liquidation

robust, banks need to make efforts for improving the capital base for enhancing their resilience and ensuring compliance with the regulatory requirements.

Annexures

Annexure: A

Balance Sheet and Income Statement of Banks

PKR million

Financial Position	CY12	CY13	Jun-14*	Dec-14*	Mar-15*	Jun-15*
ASSETS						
Cash & Balances With Treasury Banks	836,605	858,512	889,863	723,664	807,152	853,112
Balances With Other Banks	184,746	185,423	155,386	149,631	125,401	176,757
Lending To Financial Institutions	170,758	275,939	400,893	429,380	369,835	497,091
Investments - Net	4,013,239	4,313,323	4,512,490	5,309,630	5,954,013	6,209,132
Advances - Net	3,804,140	4,110,159	4,188,550	4,447,300	4,336,347	4,552,132
Operating Fixed Assets	248,673	259,800	269,649	277,030	292,734	297,599
Deferred Tax Assets	66,805	80,306	82,486	67,077	63,613	62,711
Other Assets	386,188	403,233	615,412	702,550	578,922	595,355
TOTAL ASSETS	9,711,154	10,486,693	11,114,729	12,106,261	12,528,018	13,243,890
LIABILITIES						
Bills Payable	112,275	129,227	185,191	137,651	132,820	204,751
Borrowings From Financial Institution	1,027,098	722,643	718,610	1,001,447	1,377,023	1,322,377
Deposits And Other Accounts	7,293,698	8,310,529	8,773,554	9,229,773	9,236,428	9,969,916
Sub-ordinated Loans	55,160	40,070	40,451	44,329	43,497	41,359
Liabilities Against Assets Subject To Finance Lease	52	34	27	33	27	26
Deferred Tax Liabilities	70,399	19,731	21,479	37,149	48,166	53,157
Other Liabilities	270,262	321,690	398,951	448,432	441,860	385,874
TOTAL LIABILITIES	8,828,945	9,543,923	10,138,264	10,898,816	11,279,823	11,977,459
NET ASSETS	882,209	942,770	976,465	1,207,445	1,248,196	1,266,430
NET ASSETS REPRESENTED BY:						
Share Capital	427,583	482,091	497,215	587,053	586,289	581,443
Reserves	194,543	176,095	167,655	189,242	197,240	203,984
Unappropriated Profit	148,169	157,492	180,505	227,151	217,446	244,627
Share Holders' Equity	770,295	815,678	845,375	1,003,446	1,000,976	1,030,055
Surplus/Deficit On Revaluation Of Assets	111,914	127,102	131,091	203,999	247,219	236,375
TOTAL	882,209	942,780	976,465	1,207,445	1,248,196	1,266,430
PROFIT AND LOSS STATEMENT						
	CY12	CY13	Jun-14*	Dec-14*	Mar-15*	Jun-15*
Mark-Up/ Return/Interest Earned	792,749	777,398	437,731	919,821	255,258	495,108
Mark-Up/ Return/Interest Expenses	454,182	444,047	247,361	504,990	137,152	249,190
Net Mark-Up / Interest Income	338,567	333,350	190,370	414,830	118,106	245,917
Provisions & Bad Debts Written Off Directly/(Reversals)	39,668	40,162	9,740	25,323	11,641	25,188
Net Mark-Up / Interest Income After Provision	298,899	293,188	180,630	389,507	106,465	220,729
Fees, Commission & Brokerage Income	54,720	62,579	35,488	70,421	18,362	41,548
Dividend Income	21,630	14,599	6,609	14,098	4,047	9,645
Income From Dealing In Foreign Currencies	21,620	20,972	12,206	28,396	7,253	12,135
Other Income	39,602	41,941	25,117	54,434	24,911	54,918
Total Non - Markup / Interest Income	137,572	140,091	79,419	167,349	54,574	118,246
	436,471	433,280	260,049	556,856	161,039	338,975
Administrative Expenses	251,349	266,199	145,545	304,588	79,402	164,145
Other Expenses	6,100	4,633	1,980	5,726	1,751	3,836
Total Non-Markup/Interest Expenses	257,450	270,832	147,525	310,313	81,152	167,981
Profit before Tax and Extra ordinary Items	179,021	162,448	112,524	246,543	79,886	170,995
Extra ordinary/unusual Items - Gain/(Loss)	842.88	(4.64)	4.09	3.79	0.24	0.19
PROFIT/ (LOSS) BEFORE TAXATION	178,178	162,453	112,519	246,539	79,886	170,995
Less: Taxation	59,946	50,019	38,614	83,171	27,763	71,902
PROFIT/ (LOSS) AFTER TAX	118,232	112,434	73,905	163,368	52,123	99,092

* based on unaudited Quarterly Report of Condition (QRC) submitted by banks.

Distribution of Deposits

PKR billion

	CY12	CY13	Jun-14*	Dec-14*	Mar-15*	Jun-15*
DEPOSITS	7,294	8,311	8,774	9,230	9,236	9,970
Customers	6,972	7,975	8,451	8,886	8,971	9,657
Fixed Deposits	2,078	2,216	2,114	2,268	2,212	2,248
Saving Deposits	2,642	3,094	3,063	3,467	3,583	3,690
Current accounts - Remunerative	343	381	303	323	291	348
Current accounts - Non-remunerative	1,868	2,241	2,874	2,764	2,822	3,289
Others	41	43	97	64	63	83
Financial Institutions	321	336	323	344	265	312
Remunerative Deposits	214	217	189	201	200	229
Non-remunerative Deposits	107	119	134	143	66	83
Break up of Deposits Currecy Wise	7,294	8,311	8,774	9,230	9,236	9,970
Local Currency Deposits	6,310	7,129	7,615	7,983	8,013	8,748
Foreign Currency Deposits	984	1,182	1,159	1,247	1,223	1,222
<i>* based on unaudited Quarterly Report of Condition (QRC) submitted by banks.</i>						

Annexure: C

Segment-wise Advances and Non Performing Loans (NPLs)

amount in PKR billion, ratio in percent

	Mar-14			Jun-14			Mar-15			Jun-15		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,050.2	421.2	13.8	3,060.2	415.8	13.6	3,243.9	443.3	13.7	3,368.6	442.8	13.1
SMEs Sector	261.7	92.4	35.3	264.5	89.7	33.9	274.1	87.8	32.0	274.4	88.3	32.2
Agriculture Sector	232.6	34.1	14.6	245.6	36.4	14.8	260.3	36.6	14.1	276.1	45.8	16.6
Consumer sector	284.3	36.2	12.7	288.2	35.8	12.4	298.4	35.0	11.7	320.7	34.1	10.6
<i>i. Credit cards</i>	21.2	2.3	10.8	22.7	2.3	10.2	22.4	2.4	10.8	24.0	2.5	10.3
<i>ii. Auto loans</i>	59.3	3.6	6.1	64.9	3.6	5.5	76.1	3.8	4.9	84.4	3.6	4.3
<i>iii. Consumer durable</i>	0.3	0.1	27.5	0.3	0.1	27.0	0.3	0.1	20.4	0.3	0.1	20.0
<i>iv. Mortgage loans</i>	51.6	14.5	28.1	50.9	14.4	28.2	52.6	13.8	26.2	53.8	13.3	24.8
<i>v. Other personal loans</i>	151.9	15.7	10.4	149.5	15.4	10.3	147.0	14.9	10.2	158.2	14.6	9.2
Commodity financing	435.3	5.2	1.2	570.8	4.6	0.8	523.7	5.7	1.1	589.2	6.7	1.1
Staff Loans	85.2	1.3	1.5	86.7	1.3	1.5	94.2	1.2	1.3	98.5	1.2	1.2
Others	133.3	12.1	9.1	145.9	11.6	8.0	139.4	10.7	7.7	133.8	11.2	8.4
Total	4,482.7	602.4	13.4	4,661.8	595.3	12.8	4,833.9	620.3	12.8	5,061.4	630.0	12.4

Sector-wise Advances and Non Performing Loans (NPLs)

amount in PKR billion, ratio in percent

	Mar-14			Jun-14			Mar-15			Jun-15		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	335.5	37.4	11.1	390.4	39.8	10.2	384.8	40.4	10.5	425.3	50.2	11.8
Automobile/Transportation	62.1	10.7	17.3	62.5	10.9	17.4	72.0	14.9	20.8	62.5	12.0	19.2
Cement	48.8	10.7	21.8	43.1	9.3	21.4	39.8	8.6	21.5	57.9	8.6	14.9
Chemical & Pharmaceuticals	159.2	13.4	8.4	186.6	12.8	6.8	176.0	15.9	9.1	197.4	16.0	8.1
Electronics	67.5	11.0	16.3	61.1	12.3	20.2	67.9	12.0	17.7	71.6	12.0	16.8
Financial	105.1	9.6	9.1	125.7	8.2	6.6	112.2	8.7	7.8	115.8	8.7	7.5
Individuals	401.8	48.1	12.0	401.7	49.2	12.2	412.5	52.9	12.8	438.4	52.5	12.0
Insurance	0.2	0.0	0.4	0.9	0.0	0.1	0.6	0.0	0.1	0.1	0.0	1.3
Others	1,780.6	222.6	12.5	1,923.3	211.3	11.0	1,951.8	218.4	11.2	2,139.4	219.9	10.3
Production/Transmission of Energy	554.4	30.3	5.5	559.2	30.9	5.5	639.1	37.3	5.8	645.3	36.7	5.7
Shoes & Leather garments	25.0	2.8	11.2	21.5	3.0	14.1	23.0	3.8	16.4	24.8	3.9	15.9
Sugar	175.4	5.4	3.1	165.3	5.3	3.2	202.1	6.5	3.2	174.6	8.3	4.8
Textile	767.1	200.5	26.1	720.5	202.4	28.1	752.2	200.8	26.7	708.2	201.2	28.4
Total	4,482.7	602.4	13.4	4,661.8	595.3	12.8	4,833.9	620.3	12.8	5,061.4	630.0	12.4

Classification wise Non Performing Loans (NPLs) and Provisions (specific)

PKR million

	CY13		Jun-14*		Dec-14*		Mar-15*		Jun-15*	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	13,785	26	18,771	-	15,260	-	15,309	-	25,759	-
Sub Standard	50,202	11,320	43,665	13,366	57,179	14,748	57,550	12,199	55,517	11,676
Doubtful	32,353	14,336	27,167	13,705	36,746	16,306	42,542	18,901	30,719	13,421
Loss	511,070	428,513	505,695	426,874	495,514	433,552	504,934	445,738	518,014	458,854
Total	607,410	454,195	595,298	453,944	604,698	464,606	620,335	476,838	630,010	483,950

Annexure: D

Financial Soundness Indicators of the Banking System

Indicators	percent							
	CY10	CY11	CY12	CY13	Jun-14*	Dec-14*	Mar-15*	Jun-15*
CAPITAL ADEQUACY								
Risk Weighted CAR^	13.9	15.1	15.6	14.9	15.1	17.1	17.4	17.2
Tier 1 Capital to RWA	11.6	13.0	13.0	12.6	12.8	14.3	14.2	14.1
ASSET QUALITY								
NPLs to Total Loans	14.9	15.7	14.5	13.3	12.8	12.3	12.8	12.4
Provision to NPLs	66.7	69.3	71.5	77.1	79.5	79.8	80.2	80.8
Net NPLs to Net Loans	5.5	5.4	4.6	3.4	2.9	2.7	2.8	2.7
Net NPLs to Capital^^	26.7	23.1	19.9	14.7	12.5	10.1	9.8	10.9
EARNINGS								
Return on Assets (Before Tax)	1.5	2.2	2.0	1.6	2.1	2.2	2.6	2.7
Return on Assets (After Tax)	1.0	1.5	1.3	1.1	1.4	1.5	1.7	1.6
ROE (Avg. Equity & Surplus) (Before Tax)	15.5	23.0	21.4	17.9	23.5	24.3	26.0	27.5
ROE (Avg. Equity & Surplus) (After Tax)	9.6	15.1	14.2	12.4	15.4	16.1	17.0	15.9
NII/Gross Income	74.7	76.0	71.1	70.4	70.5	71.3	68.3	67.5
Cost / Income Ratio	52.7	51.1	54.1	57.2	54.6	53.3	46.8	46.1
LIQUIDITY								
Liquid Assets/Total Assets	36.1	45.5	48.4	48.6	47.8	49.2	51.9	52.3
Liquid Assets/Total Deposits	47.1	59.5	64.5	61.3	60.6	64.5	70.4	69.5
Advances/Deposits	61.6	53.6	52.2	49.5	47.7	48.2	46.9	45.7

* based on unaudited Quarterly Report of Condition (QRC) submitted by banks.

^ Data for Dec-13 and onwards is based on Basel III, and data from CY08 to Sep-13 is based on Basel II with the exception of IDBL, PPCBL, and SME Bank, which is based on Basel I.

^^ Effective from June 30, 2015, Regulatory Capital, as defined under Basel requirements, has been used to calculate Net NPLs to Capital Ratio. Prior to Jun-15, Balance Sheet Capital was used for calculation of this ratio.

Table 1.14: Group-wise Composition of Banks

CY13	Dec-14	Mar-15	Jun-15
A. Public Sector Com. Banks (5)	A. Public Sector Com. Banks (5)	A. Public Sector Com. Banks (5)	A. Public Sector Com. Banks (5)
First Women Bank Ltd.	First Women Bank Ltd.	First Women Bank Ltd.	First Women Bank Ltd.
National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan
Sindh Bank Ltd.	Sindh Bank Ltd.	Sindh Bank Ltd.	Sindh Bank Ltd.
The Bank of Khyber	The Bank of Khyber	The Bank of Khyber	The Bank of Khyber
The Bank of Punjab	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab
B. Local Private Banks (22)	B. Local Private Banks (22)	B. Local Private Banks (22)	B. Local Private Banks (21)
AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.
Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.
Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.
Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.
BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.*	BankIslami Pakistan Ltd.*
Burj Bank Ltd.	Burj Bank Ltd.	Burj Bank Ltd.	Burj Bank Ltd.
Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.
Faysal Bank Ltd.	Faysal Bank Ltd.	Faysal Bank Ltd.	Faysal Bank Ltd.
Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.
Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.
JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.
KASB Bank Ltd.	KASB Bank Ltd.	KASB Bank Ltd.*	MCB Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.	Meezan Bank Ltd.
Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.	NIB Bank Ltd.
NIB Bank Ltd.	NIB Bank Ltd.	NIB Bank Ltd.	SAMBA Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	Silk Bank Ltd
Silk Bank Ltd	Silk Bank Ltd	Silk Bank Ltd	Soneri Bank Ltd.
Soneri Bank Ltd.	Soneri Bank Ltd.	Soneri Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Summit Bank Ltd
Summit Bank Ltd	Summit Bank Ltd	Summit Bank Ltd	United Bank Ltd.
United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	
C. Foreign Banks (7)	C. Foreign Banks (6) ***	C. Foreign Banks (6) ***	C. Foreign Banks (5) ***
Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.
Barclays Bank PLC	Barclays Bank PLC	Barclays Bank PLC**	Citibank N.A.
Citibank N.A.	Citibank N.A.	Citibank N.A.	Deutsche Bank AG
Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG	Industrial and Commercial Bank of China Ltd.
HSBC Bank Middle East Ltd.	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.	HSBC Bank Oman S.A.O.G. #
Industrial and Commercial Bank of China Ltd.	HSBC Bank Oman S.A.O.G. #	HSBC Bank Oman S.A.O.G. #	
HSBC Bank Oman S.A.O.G. #			
D. Specialized Banks (4)	D. Specialized Banks (4)	D. Specialized Banks (4)	D. Specialized Banks (4)
Industrial Development Bank Ltd. **	Industrial Development Bank Ltd. **	Industrial Development Bank Ltd. **	Industrial Development Bank Ltd. **
Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.
SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.
Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.
All Commercial Banks (34)	All Commercial Banks (33)	All Commercial Banks (33)	All Commercial Banks (31)
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (38)	All Banks (37)	All Banks (37)	All Banks (35)
Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D

* KASB Bank Limited was de-scheduled on May 7, 2015, on account of its amalgamation with and into BankIslami Pakistan Limited, under Section 47 of the Banking Companies Ordinance, 1962.

**Barclays Bank PLC (Pakistan Branch Business) was de-scheduled on June 11, 2015, on account of its merger with and into Habib Bank Limited.

#The name of "Oman International Bank S.A.O.G." was changed to "HSBC Bank Oman S.A.O.G." with effect from June 03, 2012.

The name of "Industrial Development Bank of Pakistan" was changed to "Industrial Development Bank Ltd." with effect from November 13, 2012.

HSBC Bank Middle East Limited (HBME Branch Business) was de-scheduled on October 17, 2014, on account of its merger with and into Meezan Bank Limited.