

Quarterly Performance Review of the Banking Sector

(January-March 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>

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The banking sector of Pakistan continued to show strong performance on the back of improved earnings. Profit after tax surged by 58 percent YoY, which increased Capital Adequacy Ratio to 17.4 percent—well above the local benchmark of 10 percent and international benchmark of 8 percent. A moderate increase in the asset base came from increase in investment in government securities, while advances observed a seasonal decline. Borrowing from the central bank formed major source of funding while deposits base stayed unchanged. Asset quality deteriorated, though slightly, growth in equity and increase in provisions considerably improved the capital impairment ratio.

Δ During Mar-15, **assets** of the banking sector observed growth of 3.5 percent² (YoY 16.5 percent) compared to 2.0 percent in the corresponding period last year (**Table 1**). With negligible change in deposits, borrowing from financial institutions (mostly SBP) mainly funded the increase in assets. Growth in assets was merely on account of banks' investment in government securities (mostly MTBs), while, the advances squeezed primarily due to net retirements in textile sector and Government commodity operations.

Δ Gross advances observed a dip of 1.9 percent (PKR 96 billion) during Mar-15 (YoY growth 7.8 percent). This dip was largely attributed to drop in commodity prices that also reflected in decline in working capital finance by 5 percent (**Table 2**). However, increase in fixed investment financing partially offset the decline in total advances. The pickup in longer tenor segment indicates enhancement in capacity of some industries. Among other segments, consumer finance observed a slight increase due to increase in financing for autos (6.8 percent growth). Credit demand for SME followed the usual

Table 1: Highlights of the Banking Industry

	CY12	CY13	Mar-14	Dec-14	Mar-15
Key Variables (PKR billion)					
Total Assets	9,720	10,487	10,752	12,106	12,528
Investments (net)	4,013	4,313	4,662	5,310	5,954
Advances (net)	3,805	4,110	4,014	4,447	4,336
Deposits	7,291	8,311	8,151	9,230	9,236
Borrowings	1,033	723	1,006	1,001	1,377
Equity	873	943	956	1,207	1,248
Profit Before Tax (ytd)	176	162	51	247	80
Profit After Tax (ytd)	117	112	33	163	52
Non-Performing Loans	618	607	602	605	620
Provisioning Charges	43	40	4	25	12
Non-Performing Loans (net)	176	139	134	122	123
Key FSIs (percent)					
NPLs to Loans (Gross)	14.6	13.3	13.4	12.3	12.8
Net NPLs to Net Loans	4.6	3.4	3.3	2.7	2.8
Net NPL to Capital	20.2	14.7	14.0	10.1	9.8
Provision to NPL	71.5	77.1	77.8	79.8	80.2
ROA (Before Tax)	2.0	1.6	1.9	2.2	2.6
CAR	15.6	14.9	14.8	17.1	17.4
Advances to Deposit Ratio	52.2	49.5	49.2	48.2	46.9

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

Table 2: Segment-wise Credit Flows in Q1CY15

	(PKR billion)	
	Public Sector	Private Sector
Corporate Sector	(11.3)	(25.8)
Fixed Investment	55.3	52.5
Working Capital	(36.0)	(12.5)
Trade Finance	(30.6)	(65.8)
SMEs	-	(26.2)
Fixed Investment	-	4.2
Working Capital	-	(23.6)
Trade Finance	-	(6.8)
Agriculture	-	(4.1)
Consumer Finance	-	4.3
Commodity Financing	(45.4)	20.6
Others		
Total	(56.7)	(31.5)

¹ Analysis is largely based on the unaudited numbers submitted by banks to SBP on quarterly basis. From the data convention perspective, Mar-14 stands for January-March, 2014 quarter and represents unaudited numbers. While CY stands for calendar year and represents audited numbers.

² The 1st quarter is generally marked with the slowdown in the growth path in balance sheet primarily due to cyclical slump in credit demand in several industries. Accordingly, deposits growth which is generally aligned with the behavior of credit off take also observes a usual stagnancy.

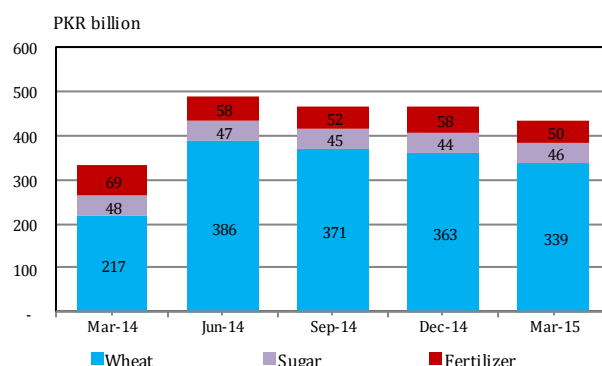
cyclical decline mainly due to net retirements in working capital loans.

Δ Among economic sectors, major chunk of retirements came from textile sector (which include a number of SMEs) due to seasonal decline in working capital needs and settlement of export refinance. The chemical and pharmaceutical sector observed decline in outstanding advances by 8 percent (against positive growth of 6 percent in Mar-14) due to supply shortages of gas and electricity to the industry. The cement sector financing also observed decline, probably, due to lower input cost owing to lower input prices³ as well as improved performance of the sector. With start of sugar crushing season, banks' financing to sugar sector picked up by PKR 63 billion (PKR 55 billion in Mar-14)⁴.

Δ Most of the fall in credit flows during Mar-15 came from seasonal retirement in public sector commodity financing (mainly wheat financing). However, the stock of outstanding public sector commodity finance remained high (9 percent of the total domestic advances), despite being self-liquidating in nature. A mechanism needs to be devised for its timely retirement within the given cycle, as it continues to add into already high Government exposure on banks' balance sheet (**Figure 1**).

Figure 1

Public Sector Commodity Finance Break-up

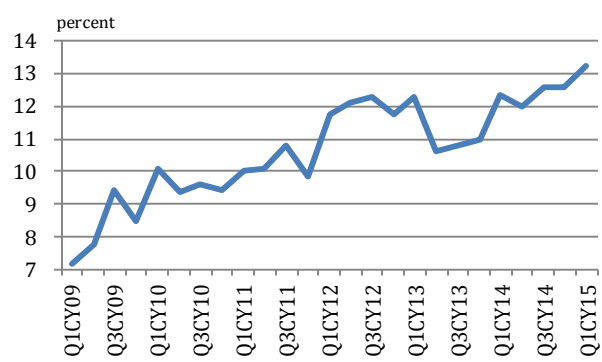


Δ Production and Transmission of Energy sector – with longstanding unresolved structural issues could only add financing of PKR 18 billion during Mar-15 quarter (as against PKR 61 billion in Mar-14) mainly due to lower oil prices. However, high share in advances (13.2%) to this sector with structural issues⁵ is a source of concern. Particularly the non-materialized customers' receivables resulting into circular debt needs to be resolved through development of liquidation mechanism (**Figure 2**).

Δ Investments in Government securities provided for most of the growth in asset base of the banking system during Mar-15. With 12.9 percent QoQ rise (YoY 32.4 percent), banks holding of government securities surged to PKR 5.4 trillion that enhanced its share to more than 90 percent in total investments and 43 percent in total assets. The mix of government securities, which changed considerably in favor of PIBs during Jul-Dec, 2014, again started to tilt towards

Figure 2

Share of banks' advances in Prod & Trans of Energy



³ The growth in average Whole Sale Price (WPI) index – a better indicator to represent material cost prices – during Jan-Mar, 2015 was negative 3.2 percent compared to 7.8 percent in the corresponding period last year.

⁴ The sugar crushing generally commences in November and ends till April. The financing flow to this sector also follows the same periodical cycle.

⁵ Structural issues, among others, include line losses, overdue, theft, high cost of production etc

MTBs due to consecutive decline in Policy Rate⁶ (**Table 3**). Given the risk averse approach of banks, decelerated flow of advances due to both demand and supply factors and expectations regarding cut in policy rate, the amount offered by banks' for both MTBs and PIBs exceeded the target value by considerable margins. Further, most of these investments were placed in Available for Sale (AFS) category from the perspective of liquidity management⁷. Banks also enhanced their investments in other avenues (i.e. fully paid up capital, ordinary shares, TFCs, bonds etc) by around 7 percent (PKR 23 billion) due to bullish behavior in capital markets owing to positive developments at economic front.

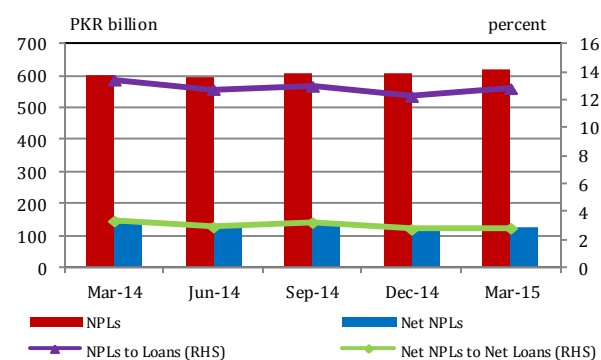
Table 3: Flow of Banks' Investment in Govt. Securities

	PKR billion		
	Q1CY1	Q1CY14	Q1CY15
MTBs	102	(382)	387
PIBs	(13)	759	222
Others	21	(31)	10
Total Govt. Securities	110	347	619
Total Investments	150	356	644
<i>Investment in Govt. Securities to Total Investment (Percent)</i>	73%	98%	96%

- Δ The period under review witnessed negligible increase in deposits. Customer deposits, which is the mainstay of the banks' funding and constitute 97 percent of the total deposit base of PKR 9.3⁸ trillion, grew by about PKR 85 billion (1.0 percent). Most of this growth came from saving deposit (3.4 percent) followed by non-remunerative current deposits (2.1 percent) while fixed deposit declined by 2.4 percent (**Annexure B**).
- Δ Meager growth in deposits resulted from seasonal slowdown in advances as well as decline in foreign currency deposits by 1.9 percent. The latter factor hints at some substitution from foreign currency to local deposits due to expectation of exchange rate stability and better real returns on domestic currency deposits.
- Δ Accumulation of huge stock of liquid assets in the form of government securities kept the funding **liquidity** of the banking system at a comfortable level. Banks maintained statutory liquidity ratio of 47.7 percent of eligible demand and time liabilities as of March end 2015, almost double the level required by SBP. The improved fund based liquidity pushed up liquid assets to total assets ratio from 49.2 to 51.9 percent. However, decline in advances against almost stagnant deposits squeezed advances to deposit ratio (ADR) by 120 bps to reach 46.9 percent during the reviewed quarter.
- Δ The **asset quality** slightly deteriorated over the Mar-15 quarter. NPLs went up by 2.6 percent (YoY 3.0 percent) to PKR 620 billion⁹ that increased the infection ratio

Figure 3

Non Performing Loans



⁶ Generally, in interest rate declining scenario, banks parked their funds in instruments of longer maturity which, if rate goes down, not only provide higher stream of income but also higher capital gains.

⁷ Placement of investment in the AFS category, though does not hit profit & loss account, it may adversely impact the equity base in case of any unfavorable movement in interest rates.

⁸ Remaining deposits represent placements by FIs, which are generally more volatile and transitory in nature.

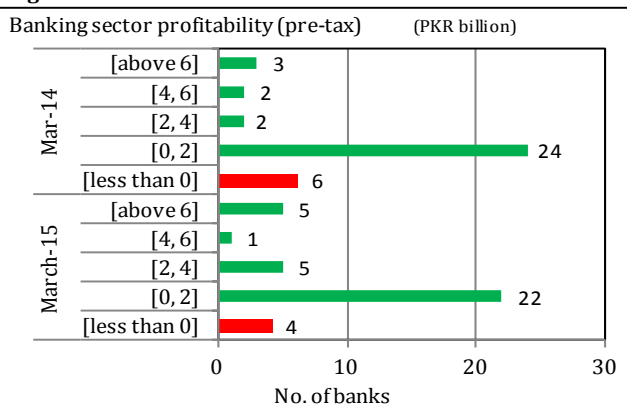
⁹ The partial increase in NPLs is due to audit adjustments carried out during the finalization of annual audited financial accounts of banks.

by 50 bps to reach 12.8 percent and Net NPLs to Net Loans by 9 bps to 2.8 percent **(Figure 3)**. This increase in infected portfolio was not broad-based as only a few sectors including agriculture, production and transmission of energy, automobile and transportation, and sugar showed some decline in asset quality. On positive side, provisions have been made against most of the infected loans, which improved the provisions coverage ratio¹⁰ to 80.2 percent. With the increase in capital base during the quarter, capital impairment ratio (Net NPLs to Capital) further declined by 27 bps to reach 9.8 percent indicating a decrease in risk to the future operating performance and equity of the banking system.

- Δ The first quarter of CY15 witnessed improved profitability of the banking sector, a trend observed over the last few years. With around 58 percent growth (YoY) through Mar-15, banking sector posted profit before tax of PKR 80 billion. A number of factors contributed to this substantial growth including:
 - a. Surge in markup income with major contribution from return on investments in Government bonds (grew by 34 percent YoY) followed by increase in return on advances (9 percent YoY).
 - b. Higher non markup income (43.8 percent increase YoY) due to substantial gains booked on sale of PIBs followed by increase in fee based and FX based income.

- Δ Accordingly, all profitability indicators improved; NIM increased to 4.5 percent in Mar-15 from 4.0 percent in Mar-14 and ROA (before tax) inched up to 2.6 percent in Mar-15 from 1.9 percent in Mar-14 **(Annexure D)**. Bank-wise statistics revealed that healthy profitability was broadly distributed as 33 institutions posted profits, while the count for loss making banks came down to 4 in Mar-15 **(Figure 4)**. Concentration of earnings decreased further as share of top 5 banks in earnings reduced to 63 percent in Mar-15 from 67 percent in Mar-14.

Figure 4



- Δ **Solvency** of the system improved further as Capital Adequacy Ratio (CAR) of the system increased to 17.4 percent as of end Mar-15 from 17.1 percent as of end Dec-14 (against local bench mark of 10 percent and international benchmark of 8 percent). This improvement in CAR came on the back of 2.4 percent growth in eligible capital, which was more than proportionate to 0.7 percent growth in total Risk Weighted Average Assets (TRWA). The prime contributing factor in the growth of TRWA was 11.2 percent growth in Market Risk Weighted Assets (MRWA) as most of the growth in assets resulted from increase in investments over the quarter. Given the strong solvency position, the banking system is secured with high level of cushion that may be utilized in stress times **(Table 4)**.

¹⁰ Provisions Coverage Ratio is the provisions made by banks as a percentage of the outstanding NPLs.

- Δ Banks compliance with minimum Capital Requirements improved further during the quarter. Only one bank fall short of the minimum CAR by a small amount¹¹. Similarly, number of banks falling short of MCR requirements also decreased due to plough back of improved earning into equity. A few banks falling short of capital requirements represent a small share in total assets and pose no threat to solvency and stability of the banking system. Further, SBP is actively engaged with a few capital deficient banks for early compliance with capital requirements.

Table 4: Capital Cushion			
	Existing	Simulated	Cushion
Capital (PKR billion)	1,095	1,095	
RWA (PKR billion)	6,303	10,947	4,644
CAR (%)	17.4%	10.0%	

- Δ **Going forward**, multiple factors will drive the asset structure of banking sector in the second quarter of CY15. The asset base of banks is expected to grow in line with historical credit pick up in the second quarter of the year. The lending portfolio is likely to improve due to increase in financing for public sector procurement of new wheat crop, flow of credit to PSEs for managing energy and structural issues, and likely rebound in the private sector credit, among others, due to declining interest rates. However, lower commodity prices may keep the increase in financing under check. Though the government efforts towards fiscal consolidation hints at slowdown in Government borrowing from banking sector in quarter ahead, moderation in FBR fund collection (due to low oil prices and slowdown in LSM growth), cap on government borrowing from SBP under IMF's EFF program, and security related expenditures may induce government to borrow from commercial banks. Additionally, improved economic fundamentals and expected profitability of blue chip companies may boost the capital market activity and hence increase banks' interest in investing in equity and fixed income securities. The funding of expected credit requirements will be contingent upon the mix of deposit mobilization efforts by banks, retirement of public sector finances and extent of government borrowings. The earning performance of the banking system is expected to remain robust and will boost the equity base of the banking system. Though solvency of the system is improving, a few capital deficient banks need to make continuous efforts for meeting the capital requirements for enhancing their resilience.

¹¹ Post quarter KASB Bank has been merged with and into BankIslami Pakistan Limited under scheme of amalgamation under section 47 of the BCO, 1962, while another bank is marginally below minimum CAR.

Annexures

Annexure: A

Balance Sheet and P & L Statement of Banks						
						PKR million
Financial Position	CY11	CY12	CY13	Mar-14*	Dec-14*	Mar-15*
ASSETS						
Cash & Balances With Treasury Banks	701,963	836,605	858,512	792,788	723,664	807,152
Balances With Other Banks	177,037	184,746	185,423	134,391	149,631	125,401
Lending To Financial Institutions	208,205	170,758	275,939	267,272	429,380	369,835
Investments - Net	3,054,869	4,013,239	4,313,323	4,661,508	5,309,630	5,954,013
Advances - Net	3,349,219	3,804,140	4,110,159	4,014,250	4,447,300	4,336,347
Operating Fixed Assets	238,266	248,673	259,800	267,042	277,030	292,734
Deferred Tax Assets	78,016	66,805	80,306	81,781	67,077	63,613
Other Assets	363,198	386,188	403,233	533,217	702,550	578,922
TOTAL ASSETS	8,170,773	9,711,154	10,486,693	10,752,249	12,106,261	12,528,018
LIABILITIES						
Bills Payable	85,261	112,275	129,227	124,025	137,651	132,820
Borrowings From Financial Institution	675,251	1,027,098	722,643	1,006,025	1,001,447	1,377,023
Deposits And Other Accounts	6,243,606	7,293,698	8,310,529	8,151,180	9,229,773	9,236,428
Sub-ordinated Loans	57,728	55,160	40,070	42,545	44,329	43,497
Liabilities Against Assets Subject To Finance Lease	114	52	34	31	33	27
Deferred Tax Liabilities	20,917	70,399	19,731	24,247	37,149	48,166
Other Liabilities	303,539	270,262	321,690	448,051	448,432	441,860
TOTAL LIABILITIES	7,386,415	8,828,945	9,543,923	9,796,103	10,898,816	11,279,823
NET ASSETS	784,358	882,209	942,770	956,145	1,207,445	1,248,196
NET ASSETS REPRESENTED BY:						
Share Capital	449,540	427,583	482,091	493,876	587,053	586,289
Reserves	133,359	194,543	176,095	164,078	189,242	197,240
Unappropriated Profit	127,235	148,169	157,492	156,306	227,151	217,446
Share Holders' Equity	710,134	770,295	815,678	814,259	1,003,446	1,000,976
Surplus/Deficit On Revaluation Of Assets	74,224	111,914	127,102	141,886	203,999	247,219
TOTAL	784,358	882,209	942,780	956,145	1,207,445	1,248,196
PROFIT AND LOSS STATEMENT						
	CY11	CY12	CY13	Mar-14*	Dec-14*	Mar-15*
Mark-Up/ Return/Interest Earned	747,716	792,749	777,398	209,859	919,821	255,258
Mark-Up/ Return/Interest Expenses	405,802	454,182	444,047	121,027	504,990	137,152
Net Mark-Up / Interest Income	341,914	338,567	333,350	88,831	414,830	118,106
Provisions & Bad Debts Written Off Directly/(Reversals)	50,030	39,668	40,162	3,926	25,323	11,641
Net Mark-Up / Interest Income After Provision	291,884	298,899	293,188	84,905	389,507	106,465
Fees, Commission & Brokerage Income	47,527	54,720	62,579	16,373	70,421	18,362
Dividend Income	12,040	21,630	14,599	3,840	14,098	4,047
Income From Dealing In Foreign Currencies	24,795	21,620	20,972	5,256	28,396	7,253
Other Income	23,461	39,602	41,941	12,491	54,434	24,911
Total Non - Markup / Interest Income	107,822	137,572	140,091	37,960	167,349	54,574
	399,707	436,471	433,280	122,865	556,856	161,039
Administrative Expenses	222,196	251,349	266,199	71,281	304,588	79,402
Other Expenses	7,821	6,100	4,633	983	5,726	1,751
Total Non-Markup/Interest Expenses	230,017	257,450	270,832	72,265	310,313	81,152
Profit before Tax and Extra ordinary Items	169,690	179,021	162,448	50,600	246,543	79,886
Extra ordinary/unusual Items - Gain/(Loss)	(239.14)	842.88	(4.64)	2.41	3.79	0.24
PROFIT/ (LOSS) BEFORE TAXATION	169,929	178,178	162,453	50,598	246,539	79,886
Less: Taxation	58,331	59,946	50,019	17,121	83,171	27,763
PROFIT/ (LOSS) AFTER TAX	111,598	118,232	112,434	33,476	163,368	52,123

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

Distribution of Deposits						
					PKR billion	
	CY11	CY12	CY13	Mar-14*	Dec-14*	Mar-15*
DEPOSITS	6,244	7,294	8,311	8,151	9,230	9,236
Customers	5,961	6,972	7,975	7,894	8,886	8,971
Fixed Deposits	1,941	2,078	2,216	2,121	2,268	2,212
Saving Deposits	2,137	2,642	3,094	3,138	3,467	3,583
Current accounts - Remunerative	206	343	381	247	323	291
Current accounts - Non-remunerative	1,640	1,868	2,241	2,338	2,764	2,822
Others	37	41	43	51	64	63
Financial Institutions	283	321	336	258	344	265
Remunerative Deposits	187	214	217	179	201	200
Non-remunerative Deposits	96	107	119	78	143	66
Break up of Deposits Currecy Wise	6,244	7,294	8,311	8,151	9,230	9,236
Local Currency Deposits	5,399	6,310	7,129	7,001	7,983	8,013
Foreign Currency Deposits	844	984	1,182	1,150	1,247	1,223
<i>* based on unaudited Quarterly Report of Condition (QRC) submitted by banks.</i>						

Segment-wise Advances and Non Performing Loans (NPLs)

amount in PKR billion, ratio in percent

	Dec-13			Mar-14			Dec-14			Mar-15		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,013.7	405.0	13.4	3,050.2	421.2	13.8	3,289.5	429.1	13.0	3,243.9	443.3	13.7
SMEs Sector	284.0	91.7	32.3	261.7	92.4	35.3	299.3	91.2	30.5	274.1	87.8	32.0
Agriculture Sector	230.7	32.3	14.0	232.6	34.1	14.6	264.4	32.9	12.4	260.3	36.6	14.1
Consumer sector	273.2	37.2	13.6	284.3	36.2	12.7	294.0	34.2	11.6	298.4	35.0	11.7
<i>i. Credit cards</i>	21.4	2.2	10.5	21.2	2.3	10.8	22.8	2.4	10.5	22.4	2.4	10.8
<i>ii. Auto loans</i>	55.8	3.7	6.6	59.3	3.6	6.1	70.9	3.6	5.1	76.1	3.8	4.9
<i>iii. Consumer durable</i>	0.2	0.1	35.3	0.3	0.1	27.5	0.3	0.1	20.3	0.3	0.1	20.4
<i>iv. Mortgage loans</i>	53.1	15.1	28.5	51.6	14.5	28.1	52.3	14.1	27.0	52.6	13.8	26.2
<i>v. Other personal loans</i>	142.6	16.1	11.3	151.9	15.7	10.4	147.7	14.0	9.5	147.0	14.9	10.2
Commodity financing	478.9	5.3	1.1	435.3	5.2	1.2	548.5	5.4	1.0	523.7	5.7	1.1
Staff Loans	85.9	1.3	1.5	85.2	1.3	1.5	93.6	1.2	1.3	94.2	1.2	1.3
Others	139.2	12.3	8.9	133.3	12.1	9.1	140.7	10.6	7.5	139.4	10.7	7.7
Total	4,505.5	585.1	13.0	4,482.7	602.4	13.4	4,930.0	604.7	12.3	4,833.9	620.3	12.8

Sector-wise Advances and Non Performing Loans (NPLs)

amount in PKR billion, ratio in percent

	Dec-13			Mar-14			Dec-14			Mar-15		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	340.3	34.7	10.2	335.5	37.4	11.1	393.9	37.1	9.4	384.8	40.4	10.5
Automobile/Transportation	60.8	10.5	17.2	62.1	10.7	17.3	72.3	9.6	13.2	72.0	14.9	20.8
Cement	54.7	13.8	25.3	48.8	10.7	21.8	45.6	8.9	19.5	39.8	8.6	21.5
Chemical & Pharmaceuticals	150.3	13.4	8.9	159.2	13.4	8.4	190.4	16.2	8.5	176.0	15.9	9.1
Electronics	58.9	24.3	41.3	67.5	11.0	16.3	65.9	11.0	16.7	67.9	12.0	17.7
Financial	121.0	8.3	6.8	105.1	9.6	9.1	125.3	7.6	6.1	112.2	8.7	7.8
Individuals	383.2	47.1	12.3	401.8	48.1	12.0	432.8	53.3	12.3	412.5	52.9	12.8
Insurance	0.4	0.0	0.2	0.2	0.0	0.4	0.7	0.0	0.1	0.6	0.0	0.1
Others	1,917.1	204.6	10.7	1,780.6	222.6	12.5	2,028.0	224.4	11.1	1,951.8	218.4	11.2
Production/Transmission of Energy	493.1	15.0	3.0	554.4	30.3	5.5	621.3	29.4	4.7	639.1	37.3	5.8
Shoes & Leather garments	26.6	3.0	11.3	25.0	2.8	11.2	23.1	3.5	15.0	23.0	3.8	16.4
Sugar	120.3	6.3	5.2	175.4	5.4	3.1	138.4	5.8	4.2	202.1	6.5	3.2
Textile	778.9	204.2	26.2	767.1	200.5	26.1	792.4	198.0	25.0	752.2	200.8	26.7
Total	4,505.5	585.1	13.0	4,482.7	602.4	13.4	4,930.0	604.7	12.3	4,833.9	620.3	12.8

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

PKR million

	CY12		CY13		Mar-14*		Dec-14*		Mar-15*	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	14,320	-	13,785	26	13,751	-	15,260	-	15,309	-
Sub Standard	46,060	9,172	50,202	11,320	54,663	11,190	57,179	14,748	57,550	12,199
Doubtful	54,847	19,978	32,353	14,336	33,023	13,691	36,746	16,306	42,542	18,901
Loss	499,702	393,684	511,070	428,513	501,005	425,326	495,514	433,552	504,934	445,738
Total	614,929	422,834	607,410	454,195	602,442	450,207	604,698	464,606	620,335	476,838

Financial Soundness Indicators of the Banking System

								percent
Indicators	CY09	CY10	CY11	CY12	CY13	Mar-14*	Dec-14*	Mar-15*
CAPITAL ADEQUACY								
Risk Weighted CAR**	14.0	13.9	15.1	15.6	14.9	14.8	17.1	17.4
Tier 1 Capital to RWA	11.6	11.6	13.0	13.0	12.6	12.5	14.3	14.2
ASSET QUALITY								
NPLs to Total Loans	12.6	14.9	15.7	14.5	13.3	13.4	12.3	12.8
Provision to NPLs	69.9	66.7	69.3	71.5	77.1	77.8	79.8	80.2
Net NPLs to Net Loans	4.1	5.5	5.4	4.6	3.4	3.3	2.7	2.8
Net NPLs to Capital	20.4	26.7	23.1	19.9	14.7	14.0	10.1	9.8
EARNINGS								
Return on Assets (Before Tax)	1.3	1.5	2.2	2.0	1.6	1.9	2.2	2.6
Return on Assets (After Tax)	0.9	1.0	1.5	1.3	1.1	1.3	1.5	1.7
ROE (Avg. Equity & Surplus) (Before Tax)	13.2	15.5	23.0	21.4	17.9	21.3	24.3	26.0
ROE (Avg. Equity & Surplus) (After Tax)	8.9	9.6	15.1	14.2	12.4	14.1	16.1	17.0
NII/Gross Income	72.4	74.7	76.0	71.1	70.4	69.9	71.3	68.3
Cost / Income Ratio	51.2	52.7	51.1	54.1	57.2	56.8	53.3	46.8
LIQUIDITY								
Liquid Assets/Total Assets	32.7	36.1	45.5	48.4	48.6	48.3	49.2	51.9
Liquid Assets/Total Deposits	44.5	47.1	59.5	64.5	61.3	63.7	64.5	70.4
Advances/Deposits	67.7	61.6	53.6	52.2	49.5	49.2	48.2	46.9

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

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

Annexure: E

Group-wise Composition of Banks

CY12	CY13	Dec-14	Mar-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 (22)
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.	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 (7)	C. Foreign Banks (6) ###	C. Foreign Banks (6) ###
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	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
HSBC Bank Milldie East Ltd.	HSBC Bank Milldie East Ltd.	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China Ltd.	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. #	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 Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.
All Commercial Banks (34)	All Commercial Banks (34)	All Commercial Banks (33)	All Commercial Banks (33)
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (38)	All Banks (38)	All Banks (37)	All Banks (37)
Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D

#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

* KASB Bank Ltd. has been merged with and into BankIslami Pakistan Ltd. under scheme of amalgamation under section 47 of the BCO, 1962, with effect from May 7, 2015.

** State Bank of Pakistan has de-scheduled Barclays Bank PLC (Pakistan Branch Business) with effect from June 14, 2015 on account of its merger with and into Habib Bank Limited, under Section 48 of the Banking Companies Ordinance, 1962.