

# Quarterly Performance Review of the Banking Sector

(July-September, 2015)



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

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## Summary<sup>1</sup>

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The banking sector of Pakistan has performed steadily during Sep-15. The year-to-date (Jan-Sep) profit after tax was recorded at PKR 148 billion, as against PKR 163 billion during CY14. The adjustments on account of provisions against bad debts by the year end may keep a check on further growth in profits. The seasonal decline in lending activities and rise in eligible capital has augmented the Capital Adequacy Ratio (CAR) to 18.2 percent—well above the local benchmark of 10 percent and international benchmark of 8 percent. Asset quality has remained stable and growth in equity and increase in provisions has improved the capital impairment ratio. Banks' investment in government papers has resulted in an increase of 2.1 percent in the asset base of the banking system, although the deposit base has shown seasonal fall.

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<sup>1</sup> Analysis in this document is largely based on the unaudited numbers submitted by banks to SBP on quarterly basis. From the data convention perspective, Sep-15 stands for July-September, 2015 quarter and represents unaudited numbers. While CY stands for calendar year and represents audited numbers.

## A. Performance of the Banking Sector

There was a marginal rise of 2.1 percent in the asset base of the banking sector during Sep-15 (**Table 1 and Annexure A**). Investments, mostly in government securities, increased by 8.1 percent, while advances witnessed nominal seasonal decline of 0.4 percent. The rise in asset base was funded by 38.0 percent growth in borrowings (mainly from SBP) as deposits showed seasonal decline of 2.6 percent. Thus, changes in the balance sheet of the banking sector reflect public sector activity during Sep-15.

**Table 1: Highlights of the Banking Industry**

	CY13	Sep-14	Dec-14	Jun-15	Sep-15
<b>Key Variables (PKR billion)</b>					
Total Assets	10,487	11,129	12,106	13,244	13,518
Investments (net)	4,313	4,717	5,310	6,209	6,714
Advances (net)	4,110	4,209	4,447	4,552	4,536
Deposits	8,311	8,740	9,230	9,970	9,715
Borrowings	723	759	1,001	1,322	1,825
Equity	943	1,002	1,207	1,266	1,322
Profit Before Tax (ytd)	162	176	247	171	252
Profit After Tax (ytd)	112	115	163	99	148
Non-Performing Loans	607	608	605	630	630
Provisioning Charges	40	11	25	25	30
Non-Performing Loans (net)	139	136	122	121	115
<b>Key FSIs (percent)</b>					
NPLs to Loans (Gross)	13.3	13.0	12.3	12.4	12.5
Net NPLs to Net Loans	3.4	3.2	2.7	2.7	2.5
Net NPL to Capital	14.7	13.6	10.1	10.9	10.0
Provision to NPL	77.1	77.6	79.8	80.8	81.8
ROA (Before Tax)	1.6	2.2	2.2	2.7	2.6
CAR	14.9	15.5	17.1	17.2	18.2
Advances to Deposit Ratio	49.5	48.2	48.2	45.7	46.7

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

**Gross advances** marginally declined by 0.2 percent (PKR 10.5 billion) during Sep-15 (YoY growth of 7.9 percent) mainly due to retirement by sugar (PKR 39.0 billion) and textiles (PKR 32 billion) (**Annexure C, Table C-2**). Other sectors, however, observed positive credit off-take including agribusiness (PKR 52.8 billion<sup>2</sup>), chemical & pharmaceutical (PKR 19.3

billion), and production & transmission of energy (PKR 13.8 billion).

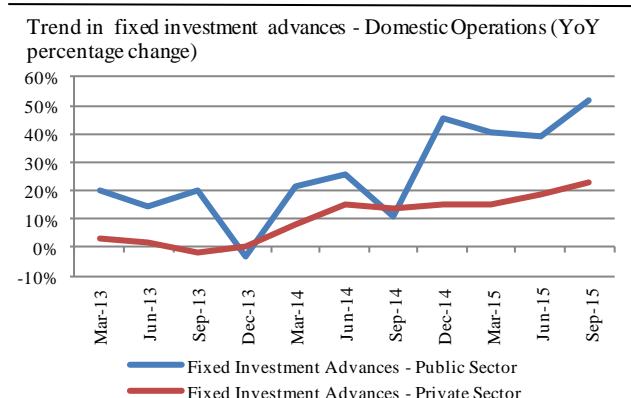
Segment-wise domestic credit flow shows that the overall decline of PKR 34.1 billion was largely driven by net retirements under working capital, both by corporate and SMEs and in the public and private sectors (**Table 2**). The retirement in working capital is seasonal in nature as major industries like textiles and sugar usually retire their short term advances during the third quarter (**See Box A**).

**Table 2: Segment-wise Domestic Advances Flows in Q3CY15**

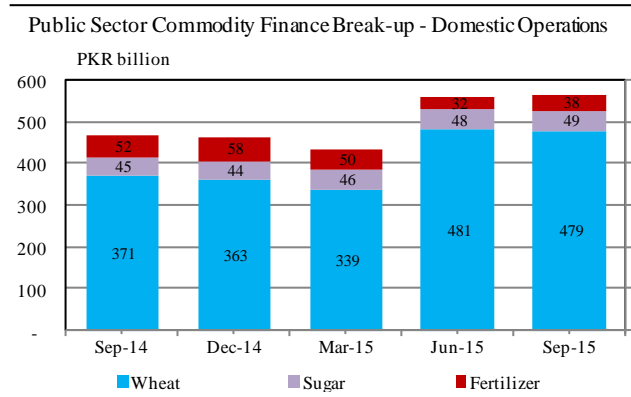
	(PKR billion)	
	Public Sector	Private Sector
<b>Corporate Sector</b>	<b>(9.2)</b>	<b>(20.1)</b>
Fixed Investment	16.4	16.8
Working Capital	(58.1)	(22.6)
Trade Finance	32.5	(14.4)
<b>SMEs</b>	<b>-</b>	<b>(5.5)</b>
Fixed Investment	-	4.4
Working Capital	-	(10.9)
Trade Finance	-	1.0
<b>Agriculture</b>	<b>-</b>	<b>4.9</b>
<b>Consumer Finance</b>	<b>-</b>	<b>8.5</b>
<b>Commodity Financing</b>	<b>6.7</b>	<b>(20.5)</b>
<b>Staff Loans</b>	<b>-</b>	<b>0.0</b>
<b>Others</b>	<b>-</b>	<b>1.2</b>
<b>Total</b>	<b>(2.5)</b>	<b>(31.6)</b>

The **long term advances** in the public and private sector continued to grow (**Figure 1**). Both the SMEs and corporate sector availed advances for fixed investments (**Table 2**). As reported by banks, such financing was availed by transportation (commercial auto), communication (3G/4G licensing), power (coal power project), cement, and sugar sectors. Favorable macroeconomic environment has provided firms the opportunity to capitalize on cost savings and enhance their productive capacity.

2 The partial increase in agribusiness advances during the quarter was due to change in reporting methodology for Islamic banks.

**Figure 1**

**Consumer finance** also grew at a steady pace (2.7 percent QoQ and 13.8 percent YoY) on the back of consistent momentum in auto financing and other personal loans (**Table 2**). The stock of financing for public sector **commodity operations**, which usually declines in the 3<sup>rd</sup> quarter, has inched up during Sep-15 (**Figure 2**).<sup>3</sup>

**Figure 2**

The share of **investments** in total assets continued to rise as banks' stock of government securities expand. With QoQ growth of 8.5 percent (YoY 45.5 percent), banks' holding of Government Securities rise to PKR 6.1 trillion as of end September 2015; representing around 90.8 percent share in total investments. The same was 90.4 percent as at end June 2015 (**Table 3**).

<sup>3</sup> Generally, there is net retirement in the Public sector commodity financing during quarter three. In Sep-15, however, there is credit off-take due to lower retirement under wheat financing and increase in financing for other commodities (Urea, Sugar).

**Table 3: Composition of Bank's Investment in Govt. Securities**

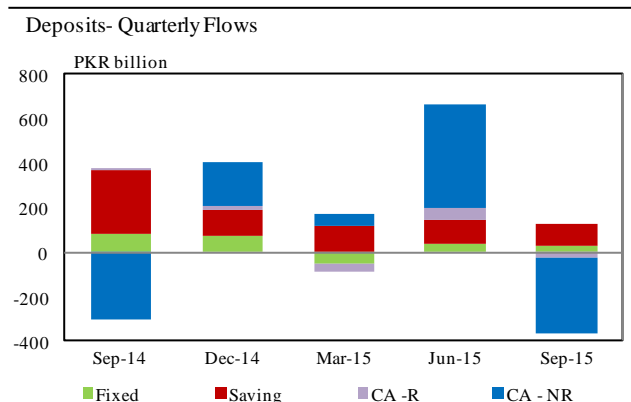
	PKR billion		
Flows during:	Q3CY13	Q3CY14	Q3CY15
MTBs	(192)	96	431
PIBs	(64)	110	38
Others	5	8	12
Total Govt. Securities	(251)	214	481
Total Investments	(225)	205	504
Outstanding Stocks as of:	Sep-13	Sep-14	Sep-15
MTBs	2,427	1,648	2,605
PIBs	672	2,227	3,145
Others	368	344	388
Total Govt. Securities	3,468	4,220	6,139
Total Investments	4,071	4,762	6,760

Unlike recent quarters, a shift from long term securities (PIBs) to short term securities (MTBs) was witnessed during Sep-15<sup>4</sup> (**Table 3**). In addition, banks investments in long term private sector instruments (Bonds & Term Finance Certificates) have increased by around 12.2 percent (PKR 19.4 billion). These investments remained within the exposure limits prescribed by the SBP<sup>5</sup>.

The **deposit base** of the banking sector, after declining by 2.6 percent, has reached PKR 9.7 trillion (**Figure 3 and Annexure B**). This seasonal reduction is driven by 10.2 percent (PKR 336 billion) fall in non-remunerative current deposits (CD) which generally follow the trend in working capital advances. On the contrary, saving deposits (SD) and fixed deposits (FD), which are remunerative, inched up by 2.8 percent (PKR 104 billion) and 1.1 percent (PKR 24 billion), respectively.

<sup>4</sup> The share of banks' investment in MTBs increased from 38.4 percent as of end Jun, 2015 to 42.2 percent as of end September, 2015. In contrast, share in PIBs investment reduced from 54.9 percent to 51.2 percent during the same period.

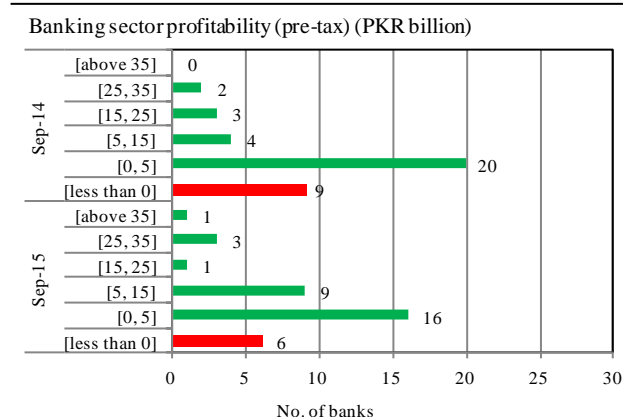
<sup>5</sup> As per R-6 (1B) of SBP prescribed Prudential Regulations (PRs), aggregate equity investment limit for banks is 30 percent of the equity.

**Figure 3**

Currency-wise break-up shows that decline in deposits came from local currency deposits, while PKR value of foreign currency (FCY) deposits witnessed increase of 4.5 percent (in line with 2.7 percent depreciation in domestic currency during Sep-15 quarter). The FCY deposits remained well within the limits prescribed by the SBP<sup>6</sup>.

The banking sector posted **profit after tax** of PKR 148 billion during Jan-Sep, 2015, as against PKR 163 billion during CY14 (**Table 1**). Examining the year-on-year growth, the profitability has improved on the back of high net mark-up income contributed not only by 25 percent YoY growth in return on investments in Government securities but also 11 percent decline in interest expense on deposits<sup>7</sup>. The 39 percent growth in non-interest income further improved the profitability of the banking sector.

Bank-wise statistics revealed a broad based contribution in banking profits as 30 banks posted profits while only 6 banks registered losses in Sep-15 as against 9 in Sep-14. Concentration of earnings further reduced as the share of top 5 banks decreased to 62.6 percent in Sep-15 down from 67.2 percent in Sep-14 (**Figure 4**).

**Figure 4**

<sup>6</sup> As per O-5 of PRs, deposits mobilized under FE 25 scheme, after netting-off the deposits utilized to finance trade related activities such as financing against Import and Export documents, should not at any point exceed twenty percent of the local currency deposits of the bank.

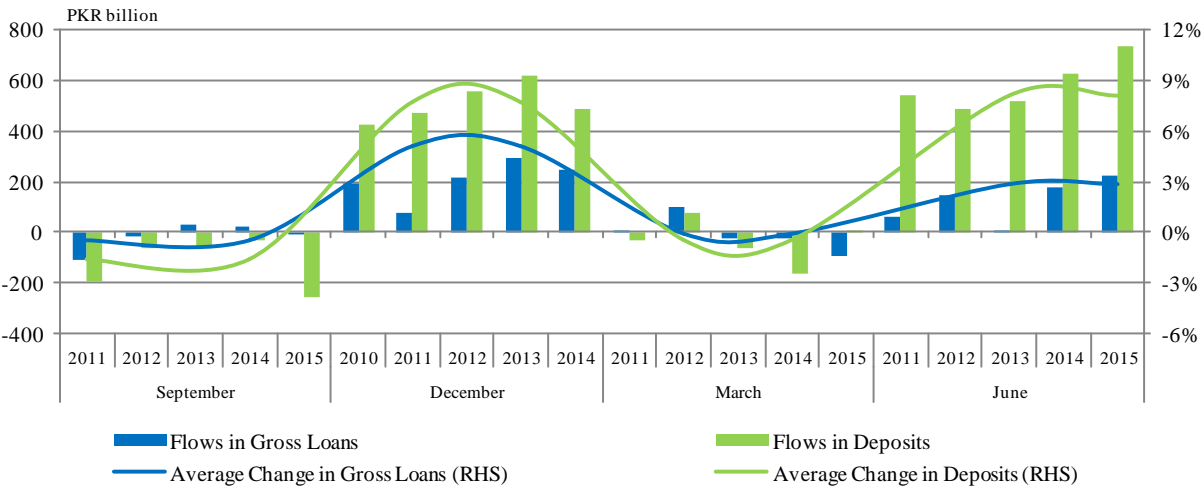
<sup>7</sup> Minimum rate on saving deposits is linked to the floor of interest rate corridor. Therefore, the reduction in policy rate reduces the interest cost on saving deposits.

**Box A – Seasonality in Loans and Deposits**

Given the dependence of major industries such as textiles and sugar on agriculture, the seasonality seeps into the production cycle of manufacturers and through their demand for credit in the lending activities of the banks. Additionally, public sector demand for commodity financing is also seasonal in nature. The advances and deposits of the banks, therefore, follow a distinct seasonal pattern (**Figure A**). The loans and deposit flows usually pick-up in the second (June) and fourth (December) quarters of every calendar year in conjunction with the harvesting of “Rabi” (commodity financing) & “Kharif” (working capital) crops, respectively. On the contrary, both March and September quarters generally witness inhibited flows owing to the slack demand for credit during this period.

**Figure A**

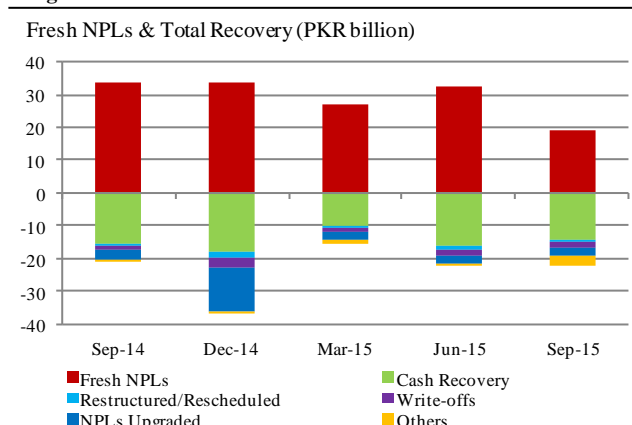
Seasonality in Loans and Deposits



## B. Soundness of the Banking Sector

The **asset quality** of the banking sector remained stable. During Sep-15, the level of NPLs stayed at around PKR 630 billion and NPLs to loans ratio marginally increased to 12.5 percent from 12.4 percent in Jun-15. Net NPLs to net loans ratio has, however, declined to 2.5 percent from 2.7 percent in Jun-15. This is due to increase in provisioning (as a result of increased aging of loans) which now covers 81.8 percent of bad debts (80.8 percent in Jun-15). Continuous cash recoveries have largely offset the shrinking volume of fresh NPLs (**Figure 5 and Annexure C**). Moreover, the capital impairment (Net NPLs to Capital) ratio has also declined by 92 bps to reach at 10 percent. All these indicators advocate limited risk to the future operating performance and equity of the banking system.

**Figure 5**



On **earnings** front, all profitability indicators improved during the reviewed quarter; NIM edged up to 4.4 percent (4.3 percent in Sep-14), ROA (before tax) to 2.6 percent (2.2 percent in Sep-14) and ROE (before tax) to 26.6 percent (24.2 percent in Sep-14) (**Annexure D**).

The **fund based liquidity** of the banking system remained comfortable due to large holding of government securities. Banks maintained Statutory

Liquidity Ratio (SLR) of 53 percent as of end Sep-15; more than double the level required by SBP. The liquid assets to total assets ratio also improved from 52.3 percent as of end Jun-15 to 53.8 percent as of end Sep-15.

Further, more than proportionate decline in deposits raised “**advances to deposit**” ratio (ADR<sup>8</sup>) by 103 bps to 46.7 percent and “**liquid assets to deposit**” ratio by 529 bps to 74.8 percent during the quarter under review.

The **solvency** profile of the banking system further strengthened during Sep-15 as Capital Adequacy Ratio (CAR) improved to 18.2 percent as of Sep-15 (17.2 percent as of Jun-15). Rise in eligible regulatory capital (both Tier I and supplementary capital) as well as decline in total risk weighted assets (RWAs) helped improve the ratio. The eligible capital (3.9 percent growth) was augmented by improved profits of the banks. The downside movement in RWAs was due to seasonal decline in advances (credit RWA decline by 2.1 percent) and banks’ reshuffling of investment portfolio towards short term bonds MTBs<sup>9</sup> (market RWA decline by 3.1 percent). Given the strong solvency position, the banking system maintains high level of capital cushion that may be utilized in stress times (**Table 4**).

**Table 4: Capital Cushion**

	Existing	Simulated	Cushion
Capital (PKR billion)	1,148	1,148	
RWA (PKR billion)	6,308	11,479	5,171
CAR (%)	18.2%	10.0%	

<sup>8</sup> ADR is calculated based on advances and deposits of both domestic and foreign operations.

<sup>9</sup> Instruments of lower maturity attracts lower risk weight, thus, decrease market risk weighted assets.



**Box B - Special Section: Encouraged FSIs**

State Bank of Pakistan has been preparing and publishing the Financial Soundness Indicators (FSIs) of the banking sector since 2004. In order to streamline these FSIs with international standards, SBP, in coordination with the International Monetary Fund (IMF), developed Core FSIs and metadata during 2011-2013. Since May, 2013, Core FSIs are prepared and shared with the IMF every quarter, and are published on IMF website.

Keeping in view the importance of enhanced disclosures, which allow greater market discipline through reduction in information asymmetry and help participants make informed decisions, SBP has been striving to provide additional information to the stakeholders. In this regard, SBP initiated further consultation with the IMF and after working with them for the last couple of years, SBP has recently finalized a set of Encouraged FSIs. This set of FSIs includes indicators having systemic implications owing to their linkages with the banking sector. In addition to the banking sector, these indicators also cover Other Financial Corporations (OFCs), Non-Financial Corporations (NFCs), Market liquidity, and Real Estate markets. Development of Encouraged FSIs involved in-depth understanding of the underlying variables in line with the IMF's detailed compilation guide<sup>10</sup>, study of different data sources within SBP, and coordination with different departments within the bank including Statistics & Data Warehouse Department, and Domestic Markets & Monetary Management Department.

SBP prepared and incorporated Encouraged FSIs in the Quarterly Compendium<sup>11</sup> of June, 2015. During September 2015, SBP also provided the Encouraged FSIs<sup>12</sup> to the IMF, available on its website at the following link:

<http://data.imf.org/?sk=f7637ad1-a831-4f7e-9449-e19ca73ff245&sId=1404840497146&ss=1404840497146>

<sup>10</sup>The IMF's compilation guide is available at : <https://www.imf.org/external/pubs/ft/fsi/guide/2006/index.htm>

<sup>11</sup>Quarterly Compendium is available at the following link: <http://www.sbp.org.pk/ecodata/fsi.asp>

<sup>12</sup> From Dec, 2013 quarter to Jun, 2015 quarter.

## C. Banking Sector Outlook

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Going forward, with pickup in economic activity and the start of rabbi season of cotton harvesting (textile sector) and cane crushing (sugar sector), the banking sector advances are expected to rise in Dec- 15. Accommodative monetary policy and improved energy supplies may enhance the private sector lending activities of the banks. However, persistent low inflation – particularly commodity prices – may keep the financing need for the working capital subdued.

Banks profitability may improve on account of: i) sizeable mark-up income on high level of investments, ii) likely increase in private sector advances, and iii) lower interest expense on deposits due to prevailing interest rate environment. However, adjustments owing to provisions against bad debts by the year end may limit the growth in profits.

The risks to the performance of banks largely emanate from their ability to generate low cost funds. In order to finance the growth of both advances and investments, in the coming quarter, banks need to focus more on deposit mobilization.

## Annexure

### Annexure A

#### Balance Sheet and Profit & Loss Statement of Banks

PKR million

Financial Position	CY12	CY13	Sep-14*	Dec-14*	Jun-15*	Sep-15*
<b>ASSETS</b>						
Cash & Balances With Treasury Banks	836,605	858,512	723,655	723,664	853,112	745,977
Balances With Other Banks	184,746	185,423	139,503	149,631	176,757	142,899
Lending To Financial Institutions	170,758	275,939	418,810	429,380	497,091	475,674
Investments - Net	4,013,239	4,313,323	4,717,006	5,309,630	6,209,132	6,713,758
Advances - Net	3,804,140	4,110,159	4,209,044	4,447,300	4,552,132	4,535,921
Operating Fixed Assets	248,673	259,800	272,903	277,030	297,599	303,220
Deferred Tax Assets	66,805	80,306	82,639	67,077	62,711	62,098
Other Assets	386,188	403,233	565,577	702,550	595,355	538,223
<b>TOTAL ASSETS</b>	<b>9,711,154</b>	<b>10,486,693</b>	<b>11,129,137</b>	<b>12,106,261</b>	<b>13,243,890</b>	<b>13,517,769</b>
<b>LIABILITIES</b>						
Bills Payable	112,275	129,227	142,636	137,651	204,751	143,388
Borrowings From Financial Institution	1,027,098	722,643	759,303	1,001,447	1,322,377	1,824,998
Deposits And Other Accounts	7,293,698	8,310,529	8,739,840	9,229,773	9,969,916	9,715,165
Sub-ordinated Loans	55,160	40,070	47,784	44,329	41,359	41,358
Liabilities Against Assets Subject To Finance Lease	52	34	46	33	26	15
Deferred Tax Liabilities	70,399	19,731	22,332	37,149	53,157	54,137
Other Liabilities	270,262	321,690	414,994	448,432	385,874	416,756
<b>TOTAL LIABILITIES</b>	<b>8,828,945</b>	<b>9,543,923</b>	<b>10,126,934</b>	<b>10,898,816</b>	<b>11,977,459</b>	<b>12,195,816</b>
<b>NET ASSETS</b>	<b>882,209</b>	<b>942,770</b>	<b>1,002,203</b>	<b>1,207,445</b>	<b>1,266,430</b>	<b>1,321,952</b>
<b>NET ASSETS REPRESENTED BY:</b>						
Share Capital	427,583	482,091	498,934	587,053	581,443	591,947
Reserves	194,543	176,095	176,460	189,242	203,984	224,854
Unappropriated Profit	148,169	157,492	197,945	227,151	244,627	254,774
<b>Share Holders' Equity</b>	<b>770,295</b>	<b>815,678</b>	<b>873,339</b>	<b>1,003,446</b>	<b>1,030,055</b>	<b>1,071,575</b>
Surplus/Deficit On Revaluation Of Assets	111,914	127,102	128,863	203,999	236,375	250,377
<b>TOTAL</b>	<b>882,209</b>	<b>942,780</b>	<b>1,002,203</b>	<b>1,207,445</b>	<b>1,266,430</b>	<b>1,321,952</b>
<b>PROFIT AND LOSS STATEMENT</b>						
Mark-Up/ Return/Interest Earned	792,749	777,398	671,209	919,821	495,108	732,693
Mark-Up/ Return/Interest Expenses	454,182	444,047	375,720	504,990	249,190	366,382
<b>Net Mark-Up / Interest Income</b>	<b>338,567</b>	<b>333,350</b>	<b>295,489</b>	<b>414,830</b>	<b>245,917</b>	<b>366,311</b>
Provisions & Bad Debts Written Off Directly/(Reversals)	39,668	40,162	11,186	25,323	25,188	30,170
<b>Net Mark-Up / Interest Income After Provision</b>	<b>298,899</b>	<b>293,188</b>	<b>284,303</b>	<b>389,507</b>	<b>220,729</b>	<b>336,142</b>
Fees, Commission & Brokerage Income	54,720	62,579	51,897	70,421	41,548	60,425
Dividend Income	21,630	14,599	10,685	14,098	9,645	13,025
Income From Dealing In Foreign Currencies	21,620	20,972	20,150	28,396	12,135	16,429
Other Income	39,602	41,941	35,672	54,434	54,918	74,115
<b>Total Non - Markup / Interest Income</b>	<b>137,572</b>	<b>140,091</b>	<b>118,403</b>	<b>167,349</b>	<b>118,246</b>	<b>163,994</b>
	436,471	433,280	402,706	556,856	338,975	500,135
Administrative Expenses	251,349	266,199	222,089	304,588	164,145	242,581
Other Expenses	6,100	4,633	4,684	5,726	3,836	5,922
<b>Total Non-Markup/Interest Expenses</b>	<b>257,450</b>	<b>270,832</b>	<b>226,772</b>	<b>310,313</b>	<b>167,981</b>	<b>248,503</b>
Profit before Tax and Extra ordinary Items	179,021	162,448	175,934	246,543	170,995	251,632
Extra ordinary/unusual Items - Gain/(Loss)	842.88	(4.64)	4.11	3.79	0.19	0.45
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>	<b>178,178</b>	<b>162,453</b>	<b>175,930</b>	<b>246,539</b>	<b>170,995</b>	<b>251,632</b>
Less: Taxation	59,946	50,019	60,537	83,171	71,902	103,348
<b>PROFIT/ (LOSS) AFTER TAX</b>	<b>118,232</b>	<b>112,434</b>	<b>115,393</b>	<b>163,368</b>	<b>99,092</b>	<b>148,284</b>

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

## Annexure B

Distribution of Deposits

PKR billion

	CY12	CY13	Sep-14*	Dec-14*	Jun-15*	Sep-15*
<b>DEPOSITS</b>	<b>7,294</b>	<b>8,311</b>	<b>8,740</b>	<b>9,230</b>	<b>9,970</b>	<b>9,715</b>
<b>Customers</b>	<b>6,972</b>	<b>7,975</b>	<b>8,479</b>	<b>8,886</b>	<b>9,657</b>	<b>9,400</b>
Fixed Deposits	2,078	2,216	2,197	2,268	2,248	2,272
Saving Deposits	2,642	3,094	3,346	3,467	3,690	3,794
Current accounts - Remunerative	343	381	310	323	348	318
Current accounts - Non-remunerative	1,868	2,241	2,568	2,764	3,289	2,953
Others	41	43	59	64	83	64
<b>Financial Institutions</b>	<b>321</b>	<b>336</b>	<b>261</b>	<b>344</b>	<b>312</b>	<b>315</b>
Remunerative Deposits	214	217	182	201	229	268
Non-remunerative Deposits	107	119	79	143	83	47
<b>Break up of Deposits Currency Wise</b>	<b>7,294</b>	<b>8,311</b>	<b>8,740</b>	<b>9,230</b>	<b>9,970</b>	<b>9,715</b>
Local Currency Deposits	6,310	7,129	7,515	7,983	8,748	8,438
Foreign Currency Deposits	984	1,182	1,225	1,247	1,222	1,277

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

## Annexure C

**Table C-1: Segment-wise Advances and Non Performing Loans (NPLs)**

	Jun-14			Sep-14			Jun-15			Sep-15		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
<b>Corporate Sector</b>	3,060.2	415.8	13.6	3,117.8	423.4	13.6	3,302.2	442.8	13.4	3,281.3	440.6	13.4
<b>SMEs Sector</b>	264.5	89.7	33.9	252.4	90.1	35.7	279.3	88.3	31.6	273.7	86.5	31.6
<b>Agriculture Sector</b>	245.6	36.4	14.8	254.6	40.7	16.0	276.1	45.8	16.6	281.0	49.0	17.4
<b>Consumer sector</b>	288.2	35.8	12.4	292.0	36.0	12.3	320.7	34.1	10.6	328.9	34.1	10.4
<i>i. Credit cards</i>	22.7	2.3	10.2	22.6	2.4	10.8	24.0	2.5	10.3	24.1	2.4	9.9
<i>ii. Auto loans</i>	64.9	3.6	5.5	68.7	4.0	5.8	84.4	3.6	4.3	90.0	3.6	4.0
<i>iii. Consumer durable</i>	0.3	0.1	27.0	0.3	0.1	21.4	0.3	0.1	20.0	0.3	0.1	21.4
<i>iv. Mortgage loans</i>	50.9	14.4	28.2	52.0	14.1	27.2	53.8	13.3	24.8	54.0	13.4	24.9
<i>v. Other personal loans</i>	149.5	15.4	10.3	148.4	15.3	10.3	158.2	14.6	9.2	160.5	14.6	9.1
<b>Commodity financing</b>	570.8	4.6	0.8	521.1	5.3	1.0	650.6	6.7	1.0	636.9	7.0	1.1
<b>Staff Loans</b>	86.7	1.3	1.5	91.6	1.3	1.5	98.5	1.2	1.2	100.7	1.2	1.2
<b>Others</b>	145.9	11.6	8.0	151.7	11.5	7.6	133.8	11.2	8.4	148.2	11.5	7.8
<b>Total</b>	4,661.8	595.3	12.8	4,681.3	608.3	13.0	5,061.4	630.0	12.4	5,050.8	629.9	12.5

**Table C-2: Sector-wise Advances and Non Performing Loans (NPLs)**

	Jun-14			Sep-14			Jun-15			Sep-15		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	390.4	39.8	10.2	390.2	43.9	11.3	425.3	50.2	11.8	478.1	48.9	10.2
Automobile/Transportation	62.5	10.9	17.4	63.8	10.3	16.1	62.5	12.0	19.2	57.6	12.8	22.2
Cement	43.1	9.3	21.4	44.3	8.8	19.9	57.9	8.6	14.9	63.2	8.8	13.9
Chemical & Pharmaceuticals	186.6	12.8	6.8	192.9	16.6	8.6	197.4	16.0	8.1	216.8	17.3	8.0
Electronics	61.1	12.3	20.2	60.6	11.4	18.8	71.6	12.0	16.8	71.2	11.9	16.8
Financial	125.7	8.2	6.6	116.3	8.2	7.1	115.8	8.7	7.5	136.6	9.0	6.6
Individuals	401.7	49.2	12.2	405.7	54.1	13.3	438.4	52.5	12.0	429.2	48.1	11.2
Insurance	0.9	0.0	0.1	0.9	0.0	0.1	0.1	0.0	1.3	0.1	0.0	1.2
Others	1,923.3	211.3	11.0	1,962.2	217.1	11.1	2,139.4	219.9	10.3	2,102.2	220.9	10.5
Production/Transmission of Energy	559.2	30.9	5.5	587.5	29.0	4.9	645.3	36.7	5.7	659.1	36.8	5.6
Shoes & Leather garments	21.5	3.0	14.1	21.5	3.0	14.2	24.8	3.9	15.9	24.9	4.0	16.0
Sugar	165.3	5.3	3.2	139.2	5.4	3.9	174.6	8.3	4.8	135.6	9.4	6.9
Textile	720.5	202.4	28.1	696.3	200.5	28.8	708.2	201.2	28.4	676.2	202.0	29.9
<b>Total</b>	4,661.8	595.3	12.8	4,681.3	608.3	13.0	5,061.4	630.0	12.4	5,050.8	629.9	12.5

**Table C-3: Classification-wise Non Performing Loans (NPLs) and Provisions (specific)**

	CY13		Sep-14		Dec-14		Jun-15		Sep-15	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	13,785	26	22,253		15,260		25,759		25,692	
Sub Standard	50,202	11,320	56,829	11,372	57,179	14,748	55,517	11,676	48,785	9,905
Doubtful	32,353	14,336	33,603	14,497	36,746	16,306	30,719	13,421	35,037	15,835
Loss	511,070	428,513	495,641	427,473	495,514	433,552	518,014	458,854	520,343	465,413
<b>Total</b>	607,410	454,195	608,326	453,341	604,698	464,606	630,010	483,950	629,856	491,153

PKR million

## Annexure D

**Financial Soundness Indicators of the Banking Sector**

Percent

Indicators	CY10	CY11	CY12	CY13	Sep-14*	Dec-14*	Jun-15*	Sep-15*
<b>CAPITAL ADEQUACY</b>								
Risk Weighted CAR <sup>^</sup>	13.9	15.1	15.6	14.9	15.5	17.1	17.2	18.2
Tier 1 Capital to RWA	11.6	13.0	13.0	12.6	13.2	14.3	14.1	15.0
<b>ASSET QUALITY</b>								
NPLs to Total Loans	14.9	15.7	14.5	13.3	13.0	12.3	12.4	12.5
Provision to NPLs	66.7	69.3	71.5	77.1	77.6	79.8	80.8	81.8
Net NPLs to Net Loans	5.5	5.4	4.6	3.4	3.2	2.7	2.7	2.5
Net NPLs to Capital <sup>^^</sup>	26.7	23.1	19.9	14.7	13.6	10.1	10.9	10.0
<b>EARNINGS</b>								
Return on Assets (Before Tax)	1.5	2.2	2.0	1.6	2.2	2.2	2.7	2.6
Return on Assets (After Tax)	1.0	1.5	1.3	1.1	1.4	1.5	1.6	1.5
ROE (Avg. Equity & Surplus) (Before Tax)	15.5	23.0	21.4	17.9	24.2	24.3	27.5	26.6
ROE (Avg. Equity & Surplus) (After Tax)	9.6	15.1	14.2	12.4	15.9	16.1	15.9	15.7
NII/Gross Income	74.7	76.0	71.1	70.4	71.4	71.3	67.5	69.1
Cost / Income Ratio	52.7	51.1	54.1	57.2	54.9	53.3	46.1	46.9
<b>LIQUIDITY</b>								
Liquid Assets/Total Assets	36.1	45.5	48.4	48.6	48.3	49.2	52.3	53.8
Liquid Assets/Total Deposits	47.1	59.5	64.5	61.3	61.4	64.5	69.5	74.8
Advances/Deposits	61.6	53.6	52.2	49.5	48.2	48.2	45.7	46.7

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

<sup>^</sup> Data for Dec-13 and onwards is based on Basel III, and data from CY10 to Sep-13 is based on Basel II with the exception of IDBL, PPCBL, and SME Bank, which is based on

<sup>^^</sup> 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.

## Annexure E

Group-wise Composition of Banks

CY13	Dec-14	Jun-15	Sep-15
<b>A. Public Sector Com. Banks (5)</b>	<b>A. Public Sector Com. Banks (5)</b>	<b>A. Public Sector Com. Banks (5)</b>	<b>A. Public Sector Com. Banks (5)</b>
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>B. Local Private Banks (22)</b>	<b>B. Local Private Banks (22)</b>	<b>B. Local Private Banks (21)</b>	<b>B. Local Private Banks (22)</b>
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.	<i>BankIslami Pakistan Ltd.*</i>	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.	<i>Habib Bank Ltd.**</i>	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.	<i>KASB Bank Ltd.*</i>	MCB Bank Ltd.	MCB Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	Meezan Bank Ltd.	<i>MCB Islamic Bank Ltd.***</i>
Meezan Bank Ltd.	Meezan Bank Ltd.	NIB Bank Ltd.	Meezan Bank Ltd.
NIB Bank Ltd.	NIB Bank Ltd.	SAMBA Bank Ltd.	NIB Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	Silk Bank Ltd.	SAMBA Bank Ltd.
Silk Bank Ltd.	Silk Bank Ltd.	Soneri Bank Ltd.	Silk Bank Ltd.
Soneri Bank Ltd.	Soneri Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Summit Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.	Summit Bank Ltd.	United Bank Ltd.	Summit Bank Ltd.
United Bank Ltd.	United Bank Ltd.		United Bank Ltd.
<b>C. Foreign Banks (7)</b>	<b>C. Foreign Banks (6)</b>	<b>C. Foreign Banks (5)</b>	<b>C. Foreign Banks (5)</b>
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	<i>Barclays Bank PLC**</i>	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.	Industrial and Commercial Bank of China Ltd.
HSBC Bank Middle East Ltd. <sup>#</sup>	Industrial and Commercial Bank of China Ltd.	HSBC Bank Oman S.A.O.G.	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.			
<b>D. Specialized Banks (4)</b>	<b>D. Specialized Banks (4)</b>	<b>D. Specialized Banks (4)</b>	<b>D. Specialized Banks (4)</b>
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.
<b>All Commercial Banks (34)</b>	<b>All Commercial Banks (33)</b>	<b>All Commercial Banks (31)</b>	<b>All Commercial Banks (32)</b>
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
<b>All Banks (38)</b>	<b>All Banks (37)</b>	<b>All Banks (35)</b>	<b>All Banks (36)</b>
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.

\*\*\* "MCB Islamic Bank Limited" was declared as a Scheduled Bank with effect from September 14, 2015

# 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.