

Quarterly Performance Review of the Banking Sector

(October-December, 2015)



Financial Stability Assessment Division
Financial Stability Department
State Bank of Pakistan

Contents

| | |
|--|----|
| Summary | 02 |
| <hr/> | |
| Part A. Performance of the Banking Sector | 03 |
| <hr/> | |
| Growth | 03 |
| Advances | 03 |
| Investments | 04 |
| Deposits | 05 |
| <hr/> | |
| Part B: Soundness of the Banking Sector | 06 |
| <hr/> | |
| Asset Quality | 06 |
| Liquidity | 06 |
| Profitability | 06 |
| Solvency | 07 |
| <hr/> | |
| Part C: Banking Sector Outlook for Mar-16 | 08 |
| <hr/> | |
| Annexures | 09 |

Summary¹

The banking sector of Pakistan has performed progressively during Dec-15. Profit after tax for the year 2015 has reached PKR 199 billion, as against PKR 163 billion last year. Increase in lending to private sector (both seasonal and fixed investment), and banks' investment in government papers has resulted in 4.6 percent growth in the asset base of the banking system. The deposit base has also shown seasonal rise, which has reduced the dependency of banks on non-core liabilities to some extent. With the improvement in private sector lending, utilization of capital improved as reflected in slight reduction in Capital Adequacy Ratio (CAR) to 17.3 percent, which continues to remain well above the local benchmark of 10.25 percent and international benchmark of 8.625 percent. Asset quality has improved due to significant recoveries, while growth in equity and rise in provisions coverage further improved the capital impairment ratio.

¹ Analysis in this document is largely based on the unaudited numbers submitted by banks to SBP on quarterly basis. From the data convention perspective, Dec-15 stands for October-December, 2015 quarter and represents unaudited numbers. While CY stands for calendar year and represents audited numbers.

A. Performance of the Banking Sector

The asset base of the banking sector registered 4.6 percent growth during Dec-15 (YoY 16.8 percent) (**Table 1 and Annexure A**)². Cyclical pickup in advances -mostly in “others”³ and textile segments – and investments in government securities were the main contributors. The asset expansion was primarily funded by 6.9 percent growth in deposits.

Table 1: Highlights of the Banking Industry

| | CY13 | Sep-14 | Dec-14 | Sep-15 | Dec-15 |
|------------------------------------|--------|--------|--------|--------|--------|
| Key Variables (PKR billion) | | | | | |
| Total Assets | 10,487 | 11,129 | 12,106 | 13,518 | 14,143 |
| Investments (net) | 4,313 | 4,717 | 5,310 | 6,714 | 6,881 |
| Advances (net) | 4,110 | 4,209 | 4,447 | 4,536 | 4,816 |
| Deposits | 8,311 | 8,740 | 9,230 | 9,715 | 10,389 |
| Borrowings | 723 | 759 | 1,001 | 1,825 | 1,766 |
| Equity | 943 | 1,002 | 1,207 | 1,322 | 1,323 |
| Profit Before Tax (ytd) | 162 | 176 | 247 | 252 | 329 |
| Profit After Tax (ytd) | 112 | 115 | 163 | 148 | 199 |
| Non-Performing Loans | 607 | 608 | 605 | 630 | 605 |
| Provisioning Charges | 40 | 11 | 25 | 30 | 39 |
| Non-Performing Loans (net) | 139 | 136 | 122 | 115 | 91 |
| Key FSIs (percent) | | | | | |
| NPLs to Loans (Gross) | 13.3 | 13.0 | 12.3 | 12.5 | 11.4 |
| Net NPLs to Net Loans | 3.4 | 3.2 | 2.7 | 2.5 | 1.9 |
| Net NPL to Capital | 14.7 | 13.6 | 10.1 | 10.0 | 7.7 |
| Provision to NPL | 77.1 | 77.6 | 79.8 | 81.8 | 84.9 |
| ROA (Before Tax) | 1.6 | 2.2 | 2.2 | 2.6 | 2.5 |
| CAR | 14.9 | 15.5 | 17.1 | 18.2 | 17.3 |
| Advances to Deposit Ratio | 49.5 | 48.2 | 48.2 | 46.7 | 46.4 |

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

Gross advances grew by a decent 5.5 percent QoQ during Dec-15 (YoY growth of 8.1 percent) which is higher than 5.3 percent QoQ growth during the corresponding period last year (**Annexure C, Table-2**). Encouragingly, the entire increase in advances was witnessed in the private sector, which grew by 7.2 percent over the quarter. The growth in advances was

attributed to manufacturing sector namely; textiles (PKR 85 billion), Production and Transmission of Energy (PKR 22 billion), Financials (PKR 12 billion), Sugar (PKR 9 billion) etc. The higher credit demand was quite synchronized with some acceleration in manufacturing activity⁴.

Segment-wise data shows 15.1 percent rise in working capital financing – mostly seasonal in nature– followed by 5.1 percent growth in fixed investment advances (YoY 26.6 percent) (**Table 2**).

Table 2: Segment-wise Domestic Advances Flows in Dec-15

| (PKR billion) | | |
|----------------------------|---------------|----------------|
| | Public Sector | Private Sector |
| Corporate Sector | 37.5 | 201.0 |
| Fixed Investment | 20.6 | 39.0 |
| Working Capital | (5.1) | 150.6 |
| Trade Finance | 22.0 | 11.3 |
| SMEs | - | 44.3 |
| Fixed Investment | - | 14.7 |
| Working Capital | - | 31.5 |
| Trade Finance | - | (1.9) |
| Agriculture | - | 10.0 |
| Consumer Finance | - | 7.0 |
| Commodity Financing | (44.9) | 2.1 |
| Staff Loans | - | 0.0 |
| Others | - | 3.5 |
| Total | (7.3) | 268.6 |

The recent upsurge in demand for fixed investment (generally availed for plants, equipments and other capacity building avenues) is a healthy omen for the economy (**Figure 1**). Favorable macroeconomic environment including low and falling interest rates⁵

² Generally, in the December quarter there is sharp increase in the asset growth of the banking system due to recurring rise in demand for banks' advances.

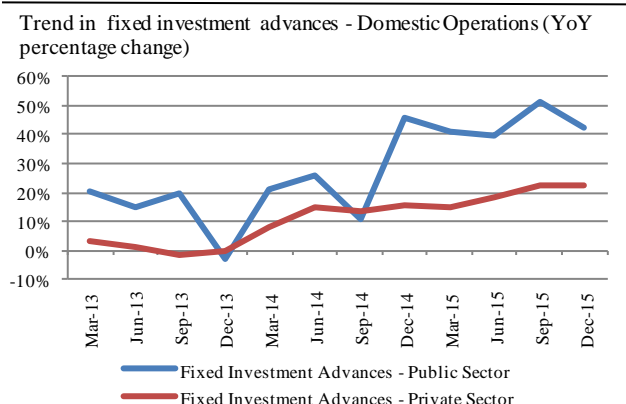
³ “Others” clubs several small sectors. The major rise during the quarter was observed in fertilizer, mining and quarrying, refinery, metal products, etc.

⁴ The LSM growth during Jul-Nov, 2015 (4.4 percent) improved compared to corresponding period of last year (3.2 percent).

⁵ The weighted Average Lending Rate (WALR) on fresh disbursement slipped by further 36 bps during Dec-15 to reach 8.0

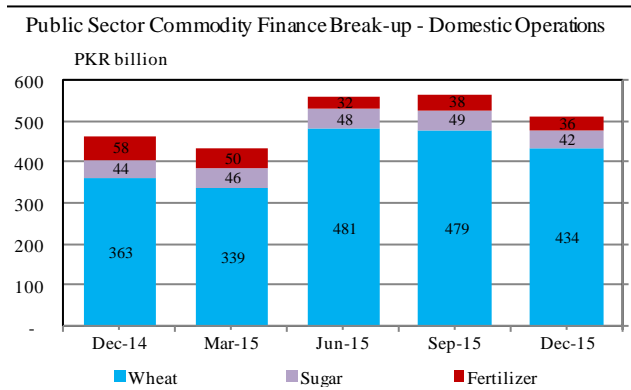
have provided firms the opportunity to capitalize on cost savings and enhance their productive capacity. Such capacity building hints at higher credit demand in future subject to adequate reduction in structural constraints.

Figure 1



Financing to SME sector, which declined in the first nine months of the year, rose by 17.0 percent over the quarter⁶. However, consumer financing remained subdued except auto financing which grew by 2.2 percent QoQ (15.3 percent YoY). The stock of financing for **commodity operations** declined by 6.7 percent mainly due to net retirement in wheat financing during Dec-15 (**Figure 2**).

Figure 2



percent as of end Dec, 2015 (Source: <http://www.sbp.org.pk/ecodata/Lendingdepositrates.pdf>).

⁶ This was contributed by working capital advances (PKR 31 billion with 18 percent growth) and fixed investment advances (PKR 14 billion with 31 percent growth).

The overall growth in **investments** moderated due to deceleration in investments in government securities. As against average quarterly growth of 8.6 percent during the first three quarters of the year 2015, government securities grew by only 3.0 percent in Dec-15. Overall investments in government securities have, however, increased to PKR 6.33 trillion as of end December 2015, representing around 91 percent share in total investments. During the reviewed quarter, banks invested in PIBs (and Ijarah Sukuks) compared to net-divestment in MTBs⁷ (**Table 3**).

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

| | PKR billion | | |
|---------------------------|-------------|--------|--------|
| Flows during: | Dec-13 | Dec-14 | Dec-15 |
| MTBs | 277 | 85 | (62) |
| PIBs | 64 | 486 | 184 |
| Others | (62) | 10 | 65 |
| Total Govt. Securities | 279 | 582 | 187 |
| Total Investments | 276 | 592 | 173 |
| Outstanding Stocks as of: | Dec-13 | Dec-14 | Dec-15 |
| MTBs | 2,704 | 1,733 | 2,543 |
| PIBs | 736 | 2,713 | 3,329 |
| Others | 307 | 355 | 453 |
| Total Govt. Securities | 3,747 | 4,801 | 6,325 |
| Total Investments | 4,347 | 5,354 | 6,932 |

During Dec-15, mostly 3 and 5 year PIBs were picked up by banks, of which, around 71 percent have been placed in "available for sale"⁸ category. This shift in banks' preference for long-term government bonds appear to be motivated by their perception of lower future interest rate environment (due to falling inflation). From the supply side, the government's choice to raise longer-term debt may be driven by maturity preference (to avoid roll-over risk) and benefiting from low cost funds (at prevailing low interest rates).

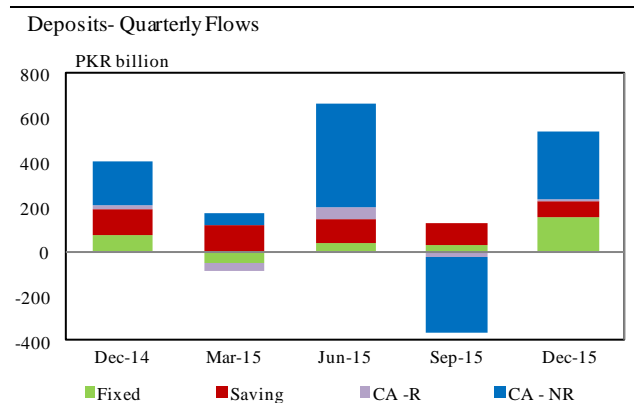
⁷ The share of banks' investment in PIBs increased from 51.2 percent as of end Sep, 2015 to 52.6 percent as of end Dec, 2015. In contrast, share in MTBs investment reduced from 42.4 percent to 40.2 percent during the same period.

⁸ As per applicable accounting standards, any gain/loss in AFS category translates into equity part of the balance sheet.

Banks' investments in equities remained almost unchanged during the quarter, probably, due to subdued activity in the capital market. However, investment in private sector debt instruments (Bonds & Term Finance Certificates) observed decline of 6.4 percent (YoY positive growth of 20.5 percent).

On the funding side, the **deposit base** of the banking sector observed QoQ growth of 6.9 percent (YoY 12.6 percent) to reach PKR 10.39 trillion (**Figure 3 and Annexure B**). The decomposed data shows that non-remunerative current deposits and fixed deposits inched up by 10.2 percent (PKR 301 billion) and 6.7 percent (PKR 153 billion), respectively. Moderate growth in saving deposits by 1.8 percent (PKR 70 billion) was also observed.

Figure 3



Currency-wise break-up highlighted increase in both local currency and foreign currency deposits. The FCY deposits remained well within the limits prescribed by the SBP⁹.

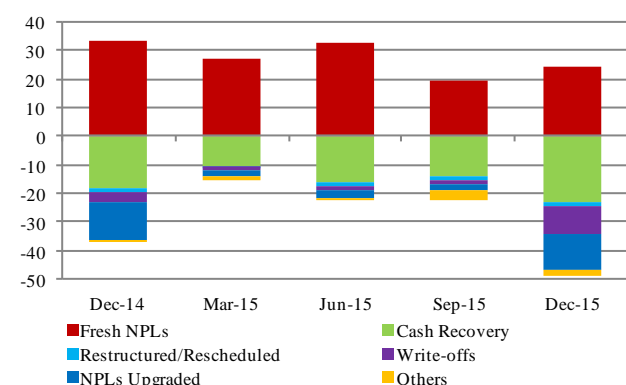
⁹ As per O-5 of PRs, deposits mobilized under FE 25 scheme, after netting-off the deposits utilized to finance trade related activities such as financing against Import and Export documents, should not at any point in time exceed twenty percent of the local currency deposits of the bank.

B. Soundness of the Banking Sector

The **asset quality** of the banking sector improved considerably. During Dec-15, NPLs declined by PKR 24 billion (3.9 percent) and NPLs to loans ratio reduced by 111 bps to reach 11.4 percent. Improved cash recoveries, NPLs upgrades, and write-offs have more than offset the volume of fresh NPLs (**Figure 4 and Annexure C**). Given the decline in NPLs, the provision coverage ratio improved to 85 percent (82 percent in Sep-15). Similarly, Net NPLs to net loans ratio declined to 1.9 percent from 2.5 percent in Sep-15. Moreover, the capital impairment ratio (Net NPLs to Capital) has also declined by 236 bps to reach 7.7 percent. This improvement in asset quality indicators advocates continuous decrease in risk to the future operating performance and equity of the banking system.

Figure 4

Fresh NPLs & Total Recovery (PKR billion)



The **liquidity** of the banking sector remained in the comfort zone. Against the required level of 24 percent, banks have maintained Statutory Liquidity Ratio (SLR) of 52.3 percent in Dec-15 as the stock of government securities kept rising¹⁰ (**Table 3**). Liquid Assets to total assets ratio has remained almost unchanged at 53.8 percent during Dec-15.

¹⁰ As of end Dec-15, government securities constituted 85% of the total liquid assets held by the banking system.

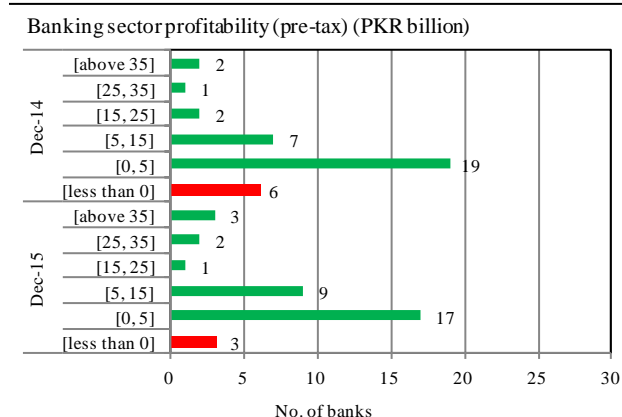
Further, advances to deposit ratio and liquid assets to total deposit ratio has declined by 34 bps and 156 bps, respectively, during the quarter under review (**Table 1 & Annexure-D**). The decline was attributed to higher growth in deposits in proportion to growth in advances and liquid assets.

The banking sector posted **profit after tax** of PKR 199 billion (Profit before tax of PKR 329 billion) during the year 2015, as against PKR 163 billion (Profit before tax of PKR 246 billion) during the year 2014 (**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 21 percent YoY growth in interest earned on government securities but also by 13 percent YoY saving on interest expense on deposits¹¹. The 25 percent growth in non-interest income primarily due to high gains on the sale of PIBs further improved the profitability of the banking sector.

Accordingly, all the profitability (before tax) indicators saw improvement; ROA to 2.5 percent (up from 2.2 percent in Dec-14) and ROE to 25.8 percent (up from 24.3 percent in Dec-14) (**Annexure D**). However, NIM remained at the previous level of 4.4 percent; indicating stagnancy in the real earnings of banks in the prevailing low interest rate environment.

Bank-wise statistics reveal a broad based contribution in banking profits as 32 banks posted profits, whereas the number of banks showing losses dropped from 6 in Dec-14 to 3 in Dec-15. Concentration of earnings further reduced as the share of top 5 banks in total profits decreased to 62 percent in Dec-15 down from 66 percent in Dec-14 (**Figure 5**).

¹¹ 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.

Figure 5

Solvency profile of the banking system remained strong due to healthy profitability and equity injections by few MCR non-compliant banks. However, Capital Adequacy Ratio (CAR) showed a marginal decline of 86 bps; but for reasons long desirable i.e. increase in private sector credit. Healthy uptake of private sector credit attracts higher risk weight largely for unrated borrowers which resulted in more than proportionate rise in risk weighted assets. This has resulted in a marginal dip in overall banking CAR from 18.2 percent in Sep-15 to 17.3 percent in Dec-15.

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) | 1,191 | 1,191 | |
| RWA (PKR billion) | 6,865 | 11,906 | 5,040 |
| CAR (%) | 17.3% | 10.0% | |

C. Banking Sector Outlook For Mar-16

The credit to private sector in the first quarter of a calendar year usually follows subdued pattern due to slowdown in demand for financing in addition to retirement of commodity finance. The receding cost of production - particularly commodity prices might complement this cyclical decline in advances in Mar-16. However, recent improvements in LSM, expansion plans announced by major industries and favorable monetary conditions may provide impetus to the demand for credit. Though deposits of the banks usually follow the credit trends and their growth may decelerate in Mar-16, banks' aspiration to expand their balance sheets will require efforts to mobilize low cost funds.

Banks are expected to maintain their profitability on account of sizeable mark-up income on high level of risk-free investments, rise in fixed investment advances, and lower interest expense on deposits relative to corresponding quarter of last year. However, in the wake of large long term government bonds' maturity, due in the first quarter of CY16, banks may face re-pricing/reinvestment risk.

Nonetheless, given the strong CAR, there is minimal risk to the solvency of the banking sector in the near future.

Annexures

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

PKR million

| Financial Position | CY12 | CY13 | Dec-14* | Sep-15* | Dec-15* |
|---|------------------|-------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | | |
| Cash & Balances With Treasury Banks | 836,605 | 858,512 | 723,664 | 745,977 | 909,429 |
| Balances With Other Banks | 184,746 | 185,423 | 149,631 | 142,899 | 198,395 |
| Lending To Financial Institutions | 170,758 | 275,939 | 429,380 | 475,674 | 360,772 |
| Investments - Net | 4,013,239 | 4,313,323 | 5,309,630 | 6,713,758 | 6,880,765 |
| Advances - Net | 3,804,140 | 4,110,159 | 4,447,300 | 4,535,921 | 4,815,827 |
| Operating Fixed Assets | 248,673 | 259,800 | 277,030 | 303,220 | 310,102 |
| Deferred Tax Assets | 66,805 | 80,306 | 67,077 | 62,098 | 65,644 |
| Other Assets | 386,188 | 403,233 | 702,550 | 538,223 | 602,301 |
| TOTAL ASSETS | 9,711,154 | 10,486,693 | 12,106,261 | 13,517,769 | 14,143,234 |
| LIABILITIES | | | | | |
| Bills Payable | 112,275 | 129,227 | 137,651 | 143,388 | 145,089 |
| Borrowings From Financial Institution | 1,027,098 | 722,643 | 1,001,447 | 1,824,998 | 1,766,145 |
| Deposits And Other Accounts | 7,293,698 | 8,310,529 | 9,229,773 | 9,715,165 | 10,389,260 |
| Sub-ordinated Loans | 55,160 | 40,070 | 44,329 | 41,358 | 51,366 |
| Liabilities Against Assets Subject To Finance Lease | 52 | 34 | 33 | 15 | 50 |
| Deferred Tax Liabilities | 70,399 | 19,731 | 37,149 | 54,137 | 47,622 |
| Other Liabilities | 270,262 | 321,690 | 448,432 | 416,756 | 420,935 |
| TOTAL LIABILITIES | 8,828,945 | 9,543,923 | 10,898,816 | 12,195,816 | 12,820,468 |
| NET ASSETS | 882,209 | 942,770 | 1,207,445 | 1,321,952 | 1,322,767 |
| NET ASSETS REPRESENTED BY: | | | | | |
| Share Capital | 427,583 | 482,091 | 587,053 | 591,947 | 619,862 |
| Reserves | 194,543 | 176,095 | 189,242 | 224,854 | 192,039 |
| Unappropriated Profit | 148,169 | 157,492 | 227,151 | 254,774 | 290,908 |
| Share Holders' Equity | 770,295 | 815,678 | 1,003,446 | 1,071,575 | 1,102,809 |
| Surplus/Deficit On Revaluation Of Assets | 111,914 | 127,102 | 203,999 | 250,377 | 219,958 |
| TOTAL | 882,209 | 942,780 | 1,207,445 | 1,321,952 | 1,322,767 |
| PROFIT AND LOSS STATEMENT | | | | | |
| | CY12 | CY13 | Dec-14* | Sep-15* | Dec-15* |
| Mark-Up/ Return/Interest Earned | 792,749 | 777,398 | 919,821 | 732,693 | 981,760 |
| Mark-Up/ Return/Interest Expenses | 454,182 | 444,047 | 504,990 | 366,382 | 485,575 |
| Net Mark-Up / Interest Income | 338,567 | 333,350 | 414,830 | 366,311 | 496,185 |
| Provisions & Bad Debts Written Off Directly/(Reversals) | 39,668 | 40,162 | 25,323 | 30,170 | 38,874 |
| Net Mark-Up / Interest Income After Provision | 298,899 | 293,188 | 389,507 | 336,142 | 457,311 |
| Fees, Commission & Brokerage Income | 54,720 | 62,579 | 70,421 | 60,425 | 82,640 |
| Dividend Income | 21,630 | 14,599 | 14,098 | 13,025 | 16,910 |
| Income From Dealing In Foreign Currencies | 21,620 | 20,972 | 28,396 | 16,429 | 22,824 |
| Other Income | 39,602 | 41,941 | 54,434 | 74,115 | 86,369 |
| Total Non - Markup / Interest Income | 137,572 | 140,091 | 167,349 | 163,994 | 208,743 |
| | 436,471 | 433,280 | 556,856 | 500,135 | 666,053 |
| Administrative Expenses | 251,349 | 266,199 | 304,588 | 242,581 | 330,006 |
| Other Expenses | 6,100 | 4,633 | 5,726 | 5,922 | 7,231 |
| Total Non-Markup/Interest Expenses | 257,450 | 270,832 | 310,313 | 248,503 | 337,237 |
| Profit before Tax and Extra ordinary Items | 179,021 | 162,448 | 246,543 | 251,632 | 328,817 |
| Extra ordinary/unusual Items - Gain/(Loss) | 842.88 | (4.64) | 3.79 | 0.45 | 0.51 |
| PROFIT/ (LOSS) BEFORE TAXATION | 178,178 | 162,453 | 246,539 | 251,632 | 328,816 |
| Less: Taxation | 59,946 | 50,019 | 83,171 | 103,348 | 129,811 |
| PROFIT/ (LOSS) AFTER TAX | 118,232 | 112,434 | 163,368 | 148,284 | 199,006 |

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

Annexure B**Distribution of Deposits**

PKR billion

| | CY12 | CY13 | Dec-14* | Sep-15* | Dec-15* |
|---|--------------|--------------|--------------|--------------|---------------|
| DEPOSITS | 7,294 | 8,311 | 9,230 | 9,715 | 10,389 |
| Customers | 6,972 | 7,975 | 8,886 | 9,400 | 9,943 |
| Fixed Deposits | 2,078 | 2,216 | 2,268 | 2,272 | 2,425 |
| Saving Deposits | 2,642 | 3,094 | 3,467 | 3,794 | 3,863 |
| Current accounts - Remunerative | 343 | 381 | 323 | 318 | 331 |
| Current accounts - Non-remunerative | 1,868 | 2,241 | 2,764 | 2,953 | 3,254 |
| Others | 41 | 43 | 64 | 64 | 69 |
| Financial Institutions | 321 | 336 | 344 | 315 | 446 |
| Remunerative Deposits | 214 | 217 | 201 | 268 | 393 |
| Non-remunerative Deposits | 107 | 119 | 143 | 47 | 53 |
| Break up of Deposits Currency Wise | 7,294 | 8,311 | 9,230 | 9,715 | 10,389 |
| Local Currency Deposits | 6,310 | 7,129 | 7,983 | 8,438 | 9,042 |
| Foreign Currency Deposits | 984 | 1,182 | 1,247 | 1,277 | 1,347 |

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

Annexure C

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

amount in PKR billion, ratio in percent

| | Sep-14 | | | Dec-14 | | | Sep-15 | | | Dec-15 | | |
|--------------------------------|----------|-------|-----------------|----------|-------|-----------------|----------|-------|-----------------|----------|-------|-----------------|
| | Advances | NPLs | Infection Ratio | Advances | NPLs | Infection Ratio | Advances | NPLs | Infection Ratio | Advances | NPLs | Infection Ratio |
| Corporate Sector | 3,117.8 | 423.4 | 13.6 | 3,289.5 | 429.1 | 13.0 | 3,281.3 | 440.6 | 13.4 | 3,533.9 | 433.7 | 12.3 |
| SMEs Sector | 252.4 | 90.1 | 35.7 | 299.3 | 91.2 | 30.5 | 273.7 | 86.5 | 31.6 | 318.3 | 83.0 | 26.1 |
| Agriculture Sector | 254.6 | 40.7 | 16.0 | 264.4 | 32.9 | 12.4 | 281.0 | 49.0 | 17.4 | 291.2 | 37.8 | 13.0 |
| Consumer sector | 292.0 | 36.0 | 12.3 | 294.0 | 34.2 | 11.6 | 328.9 | 34.1 | 10.4 | 335.6 | 29.0 | 8.7 |
| <i>i. Credit cards</i> | 22.6 | 2.4 | 10.8 | 22.8 | 2.4 | 10.5 | 24.1 | 2.4 | 9.9 | 24.7 | 2.4 | 9.7 |
| <i>ii. Auto loans</i> | 68.7 | 4.0 | 5.8 | 70.9 | 3.6 | 5.1 | 90.0 | 3.6 | 4.0 | 95.1 | 2.7 | 2.8 |
| <i>iii. Consumer durable</i> | 0.3 | 0.1 | 21.4 | 0.3 | 0.1 | 20.3 | 0.3 | 0.1 | 21.4 | 0.3 | 0.1 | 21.0 |
| <i>iv. Mortgage loans</i> | 52.0 | 14.1 | 27.2 | 52.3 | 14.1 | 27.0 | 54.0 | 13.4 | 24.9 | 54.4 | 13.5 | 24.8 |
| <i>v. Other personal loans</i> | 148.4 | 15.3 | 10.3 | 147.7 | 14.0 | 9.5 | 160.5 | 14.6 | 9.1 | 161.1 | 10.4 | 6.5 |
| Commodity financing | 521.1 | 5.3 | 1.0 | 548.5 | 5.4 | 1.0 | 636.9 | 7.0 | 1.1 | 594.1 | 7.0 | 1.2 |
| Staff Loans | 91.6 | 1.3 | 1.5 | 93.6 | 1.2 | 1.3 | 100.7 | 1.2 | 1.2 | 103.4 | 1.3 | 1.2 |
| Others | 151.7 | 11.5 | 7.6 | 140.7 | 10.0 | 7.1 | 148.2 | 11.5 | 7.8 | 153.7 | 13.3 | 8.6 |
| Total | 4,681.3 | 608.3 | 13.0 | 4,930.0 | 604.1 | 12.3 | 5,050.8 | 629.9 | 12.5 | 5,330.1 | 605.1 | 11.4 |

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

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

amount in PKR billion, ratio in percent

| | Sep-14 | | | Dec-14 | | | Sep-15 | | | Dec-15 | | |
|-----------------------------------|----------|-------|-----------------|----------|-------|-----------------|----------|-------|-----------------|----------|-------|-----------------|
| | Advances | NPLs | Infection Ratio | Advances | NPLs | Infection Ratio | Advances | NPLs | Infection Ratio | Advances | NPLs | Infection Ratio |
| Agribusiness | 390.2 | 43.9 | 11.3 | 393.9 | 37.1 | 9.4 | 478.1 | 48.9 | 10.2 | 473.8 | 40.3 | 8.5 |
| Automobile/Transportation | 63.8 | 10.3 | 16.1 | 72.3 | 9.6 | 13.2 | 57.6 | 12.8 | 22.2 | 53.3 | 12.3 | 23.1 |
| Cement | 44.3 | 8.8 | 19.9 | 45.6 | 8.9 | 19.5 | 63.2 | 8.8 | 13.9 | 57.6 | 7.4 | 12.8 |
| Chemical & Pharmaceuticals | 192.9 | 16.6 | 8.6 | 190.4 | 16.2 | 8.5 | 216.8 | 17.3 | 8.0 | 223.6 | 13.5 | 6.0 |
| Electronics | 60.6 | 11.4 | 18.8 | 65.9 | 11.0 | 16.7 | 71.2 | 11.9 | 16.8 | 81.2 | 10.5 | 12.9 |
| Financial | 116.3 | 8.2 | 7.1 | 125.3 | 7.6 | 6.1 | 136.6 | 9.0 | 6.6 | 148.1 | 9.6 | 6.5 |
| Individuals | 405.7 | 54.1 | 13.3 | 432.8 | 53.3 | 12.3 | 429.2 | 48.1 | 11.2 | 454.6 | 45.8 | 10.1 |
| Insurance | 0.9 | 0.0 | 0.1 | 0.7 | 0.0 | 0.1 | 0.1 | 0.0 | 1.2 | 0.4 | 0.0 | 0.2 |
| Others | 1,962.2 | 217.1 | 11.1 | 2,028.0 | 224.4 | 11.1 | 2,102.2 | 220.9 | 10.5 | 2,223.9 | 215.3 | 9.7 |
| Production/Transmission of Energy | 587.5 | 29.0 | 4.9 | 621.3 | 29.4 | 4.7 | 659.1 | 36.8 | 5.6 | 681.5 | 40.7 | 6.0 |
| Shoes & Leather garments | 21.5 | 3.0 | 14.2 | 23.1 | 3.5 | 15.0 | 24.9 | 4.0 | 16.0 | 25.4 | 3.8 | 15.0 |
| Sugar | 139.2 | 5.4 | 3.9 | 138.4 | 5.8 | 4.2 | 135.6 | 9.4 | 6.9 | 144.7 | 8.5 | 5.9 |
| Textile | 696.3 | 200.5 | 28.8 | 792.4 | 198.0 | 25.0 | 676.2 | 202.0 | 29.9 | 762.0 | 197.8 | 26.0 |
| Total | 4,681.3 | 608.3 | 13.0 | 4,930.0 | 604.7 | 12.3 | 5,050.8 | 629.9 | 12.5 | 5,330.1 | 605.4 | 11.4 |

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

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

PKR million

| | CY12 | | CY13 | | Dec-14* | | Sep-15* | | Dec-15* | |
|--------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|
| | NPLs | Provisions | NPLs | Provisions | NPLs | Provisions | NPLs | Provisions | NPLs | Provisions |
| OAEM | 14,320 | - | 13,785 | 26 | 15,260 | - | 25,692 | - | 17,475 | - |
| Sub Standard | 46,060 | 9,172 | 50,202 | 11,320 | 57,179 | 14,748 | 48,785 | 9,905 | 40,649 | 8,539 |
| Doubtful | 54,847 | 19,978 | 32,353 | 14,336 | 36,746 | 16,306 | 35,037 | 15,835 | 28,044 | 11,523 |
| Loss | 499,702 | 393,684 | 511,070 | 428,513 | 495,514 | 433,552 | 520,343 | 465,413 | 519,277 | 468,847 |
| Total | 614,929 | 422,834 | 607,410 | 454,195 | 604,698 | 464,606 | 629,856 | 491,153 | 605,444 | 488,909 |

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

Annexure D**Financial Soundness Indicators of the Banking Sector**

percent

| Indicators | CY10 | CY11 | CY12 | CY13 | Dec-14* | Sep-15* | Dec-15* |
|--|------|------|------|------|---------|---------|---------|
| CAPITAL ADEQUACY | | | | | | | |
| Risk Weighted CAR [^] | 13.9 | 15.1 | 15.6 | 14.9 | 17.1 | 18.2 | 17.3 |
| Tier 1 Capital to RWA | 11.6 | 13.0 | 13.0 | 12.6 | 14.3 | 15.0 | 14.4 |
| ASSET QUALITY | | | | | | | |
| NPLs to Total Loans | 14.9 | 15.7 | 14.5 | 13.3 | 12.3 | 12.5 | 11.4 |
| Provision to NPLs | 66.7 | 69.3 | 71.5 | 77.1 | 79.8 | 81.8 | 84.9 |
| Net NPLs to Net Loans | 5.5 | 5.4 | 4.6 | 3.4 | 2.7 | 2.5 | 1.9 |
| Net NPLs to Capital ^{^^} | 26.7 | 23.1 | 19.9 | 14.7 | 10.1 | 10.0 | 7.7 |
| EARNINGS | | | | | | | |
| Return on Assets (Before Tax) | 1.5 | 2.2 | 2.0 | 1.6 | 2.2 | 2.6 | 2.5 |
| Return on Assets (After Tax) | 1.0 | 1.5 | 1.3 | 1.1 | 1.5 | 1.5 | 1.5 |
| ROE (Avg. Equity & Surplus) (Before Tax) | 15.5 | 23.0 | 21.4 | 17.9 | 24.3 | 26.6 | 25.8 |
| ROE (Avg. Equity & Surplus) (After Tax) | 9.6 | 15.1 | 14.2 | 12.4 | 16.1 | 15.7 | 15.6 |
| NII/Gross Income | 74.7 | 76.0 | 71.1 | 70.4 | 71.3 | 69.1 | 70.4 |
| Cost / Income Ratio | 52.7 | 51.1 | 54.1 | 57.2 | 53.3 | 46.9 | 47.8 |
| LIQUIDITY | | | | | | | |
| Liquid Assets/Total Assets | 36.1 | 45.5 | 48.4 | 48.6 | 49.2 | 53.8 | 53.8 |
| Liquid Assets/Total Deposits | 47.1 | 59.5 | 64.5 | 61.3 | 64.5 | 74.8 | 73.3 |
| Advances/Deposits | 61.6 | 53.6 | 52.2 | 49.5 | 48.2 | 46.7 | 46.4 |

* 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,

^{^^} 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 | Sep-15 | Dec-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. | <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. | 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. | <i>KASB Bank Ltd.*</i> | MCB Bank Ltd. | MCB Bank Ltd. |
| MCB Bank Ltd. | MCB Bank Ltd. | <i>MCB Islamic Bank Ltd.***</i> | MCB Islamic 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 (5) | C. Foreign Banks (4) |
| 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. |
| <i>HSBC Bank Middle East Ltd. #</i> | Industrial and Commercial Bank of China Ltd. | <i>HSBC Bank Oman S.A.O.G. ##</i> | |
| Industrial and Commercial Bank of China Ltd. | 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 (32) | 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 (36) | 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.

*** "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.

HSBC Bank Oman S.A.O.G. was de-scheduled on November 04, 2015, on account of its merger with and into Meezan Bank Limited.