

Quarterly Performance Review of the Banking Sector

(January-March, 2017)



Financial Stability Assessment Division
Financial Stability Department
State Bank of Pakistan

Contents

Summary	03
Part A: Performance of the Banking Sector	04
Growth	04
Advances	04
Investments	06
Deposits	06
Box A: Seasonality in Advances (Sector-wise)	08
Part B: Soundness of the Banking Sector	09
Asset Quality	09
Liquidity	09
Profitability	10
Solvency	11
Part C: Banking Sector Outlook for Q1CY17	12
Annexure	13

Summary¹

The banking sector continues its steady expansion as both investments and advances are showing growth. Against the usual pattern of seasonal retirement of advances during first quarters of a calendar year, Q1CY17 witnessed an uptick in private sector advances. Interestingly, Islamic banking industry took the lead in flow of credit. Besides corporate sector's borrowing for fixed investments, a healthy growth in production of sugarcane led to higher levels of borrowing by both public and private sectors under financing for sugar. The increase in deposits has been marginal and the sector has resorted to borrowing from financial institutions, mostly from SBP, to fund the asset growth.

Low interest rates and build-up of low yielding stock of short term government bonds has moderated the profitability of the banking sector. Although accretion of advances has partially augmented the interest income, sector's emphasis on enhancing outreach and strengthening the banking infrastructure (technology, human capital etc.) has resulted in lowering overall earnings. Accordingly, ROA has reduced to 1.9 percent in Q1CY17 (2.3 percent in Q1CY16).

The credit risk profile of the banking sector has improved with decline in non-performing loans ratios and Capital Adequacy at 15.9 percent remains satisfactory.

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, Q1CY stands for the first quarter of a particular calendar year and represents unaudited numbers. CY, generally, symbolizes the full calendar year and represents unaudited numbers.

A. Performance of the Banking Sector

The asset base of the banking sector has expanded by 2 percent during Q1CY17; faster than the corresponding period of last year (**Table 1**). Both the growth in advances and investments has contributed in achieving this growth.

Contrary to cyclical slow down usually observed in advances portfolio in the first quarter, Q1CY17 is marked with a growth of 1.8 percent in gross loans (1.9 percent in net advances). Investments saw a significant growth of 7.1 percent, after declining consecutively during the last two quarters of CY16.

On the funding side, deposits have increased by 0.1 percent in Q1CY17 in contrast to 0.6 percent contraction in Q1CY16; while banks' borrowing from SBP has grown by 23.5 percent owing to liquidity needs to sustain asset growth.

Table 1: Highlights of the Banking Industry

	CY14	CY15	Q1CY16	CY16	Q1CY17
Key Variables (PKR billion)					
Total Assets	12,106	14,143	14,281	15,831	16,155
Investments (net)	5,310	6,881	7,421	7,509	8,003
Advances (net)	4,447	4,816	4,782	5,499	5,605
Deposits	9,230	10,389	10,323	11,798	11,809
Borrowings	1,001	1,766	1,967	1,942	2,183
Equity	1,207	1,323	1,277	1,353	1,405
Profit Before Tax (ytd)	247	329	82	314	75
Profit After Tax (ytd)	163	199	53	190	49
Non-Performing Loans	605	605	619	605	604
Provisioning Charges (ytd)	25	39	3	5	0.5
Non-Performing Loans (net)	122	91	102	90	88
Key FSIs (percent)					
NPLs to Loans (Gross)	12.3	11.4	11.7	10.1	9.9
Net NPLs to Net Loans	2.7	1.9	2.1	1.6	1.6
Net NPLs to Capital	10.1	7.7	8.9	7.3	7.1
Provision to NPL	79.8	84.9	83.6	85.0	85.4
ROA (Before Tax)	2.2	2.5	2.3	2.1	1.9
CAR	17.1	17.3	16.3	16.2	15.9
Advances to Deposit Ratio	48.2	46.4	46.3	46.6	47.5

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

Gross advances (domestic private) have surged by a higher rate of 2.4 percent during Q1CY17 as against 0.78 percent during Q1CY16. Interestingly, most of the

growth is resulted from Islamic Banking Institutions (IBIs) which added PKR 102 billion of fresh loans in the quarter under review. The major thrust (in volume terms) has come from the sugar, automobile/transportation, electronic & electrical appliances sectors (**Table 2**). Most of the other sectors have observed net retirements in Q1CY17. Relatively higher growth in advances compared with the increase in deposits has led to an improvement in Advances-to-Deposit ratio (ADR), elevating it to 47.5 percent in Q1CY17 from 46.6 percent in Q4CY16.

Table 2: Advances Flows (Domestic)

	Q1CY16		Q1CY17	
	Flows	Growth	Flows	Growth
Chemical and Pharmaceuticals	1.03	0.48	(11.63)	(4.79)
Agribusiness	(55.81)	(11.88)	(71.83)	(13.18)
Textile	(7.31)	(0.98)	(2.50)	(0.30)
Cement	1.45	2.62	(0.23)	(0.35)
Sugar	87.55	61.12	99.41	56.68
Shoes and leather garments	(1.09)	(4.75)	(2.07)	(8.01)
Automobile/transportation	13.18	33.99	8.86	11.91
Financial	0.14	0.19	(3.11)	(3.32)
Insurance	0.53	142.73	(0.28)	(9.39)
Electronics and electrical appliances	(7.60)	(11.63)	6.18	10.67
Energy	(10.69)	(1.59)	22.69	2.56
Individuals	4.86	1.13	8.37	1.62
Others	(49.16)	(2.49)	44.68	2.20
Total (Domestic Sector)	(22.92)	(0.47)	98.54	1.77

Flows in PKR billion; growth in percent.

In terms of segments, corporate financing (working capital, fixed investment, and trade finance) have shown relatively higher YoY growth during Q1CY17 (**Table 3**). Encouragingly, the private sector has availed the major share (78 percent).

As pointed out in last QPR, due to its back and forth linkages, higher financing flows hint at improved economic activity in the real sector of the economy. In fact, the index of Large-scale Manufacturing (LSM), has witnessed a YoY growth of 10.46 percent in March 2017 (QoQ growth of 15.04 percent). Food,

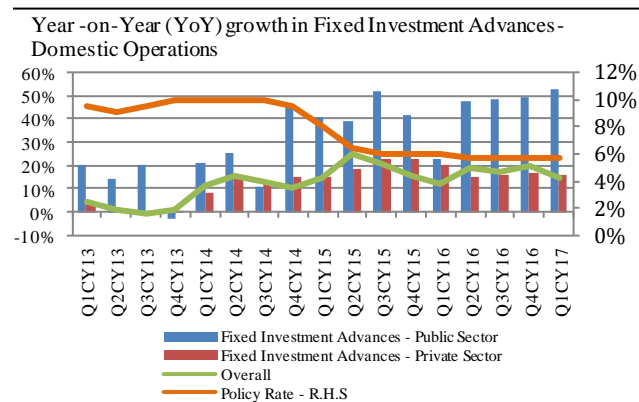
Beverage & Tobacco, Automobiles, Cement and Iron & Steel remain the major contributors.²

Table 3: Segment-wise Domestic Advances Flows in Q1CY17

(PKR billion)			
	Public Sector	Private Sector	Total
Corporate Sector	54.6	98.2	152.8
Fixed Investment	35.8	45.6	81.5
Working Capital	24.0	23.0	47.0
Trade Finance	(5.2)	29.6	24.3
SMEs	0.0	(27.5)	(27.5)
Fixed Investment	-	(1.0)	(1.0)
Working Capital	0.0	(30.1)	(30.1)
Trade Finance	-	3.7	3.7
Agriculture	-	(4.7)	(4.7)
Consumer Finance	-	15.8	15.8
of which	-	-	-
Auto Loans	-	11.5	11.5
Commodity Financing	(57.8)	17.8	(40.0)
of which	-	-	-
Sugarcane	13.3	26.2	39.5
Total	(3.2)	101.7	98.54

The off-take of fixed investment advances continues in Q1CY17. The corporate sector, capitalizing on the low interest rates and improved business environment, has been enhancing its longer-term exposures, thereby strengthening the capital formation (**Figure 1**).

Figure 1



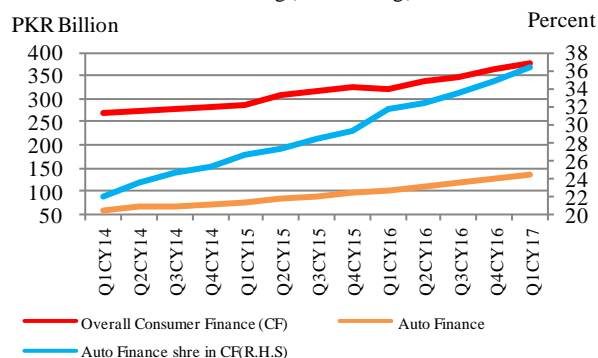
Contrary to contraction witnessed in consumer finance portfolio in Q1CY16, Q1CY17 observed a growth of

4.4 percent; largely on the back of auto finance followed by mortgages.³ All categories of consumer finance (credit cards, auto finance, mortgage finance, personal loans) have seen positive growth. Auto financing has been on the rise since last few years and its share in consumer financing has been increasing as well (**Figure 2**). This higher growth in auto financing is due to added interest of banks in secured financing where margins are relatively higher. In the backdrop of declining interest rate environment, it is attractive for consumers too.

Similarly mortgage financing portfolio is continuously growing since Q3CY14 and there is no coming back since then. Presently, the ‘search for yield’ motive of Islamic banks and preference for shariah compliant mortgage products by customers have resulted in Islamic banks achieving the highest share in this sub-segment. The mortgage financing, nevertheless, provides immense opportunities to banks and it is imperative that they take measures for enhancing its share in the overall loan portfolio.

Figure 2

Recent trend in Auto Financing (Outstanding)



The stock of financing for **commodity operations** has declined by 6.5 percent due to retirement in wheat financing (which is also seasonal in nature), despite 15

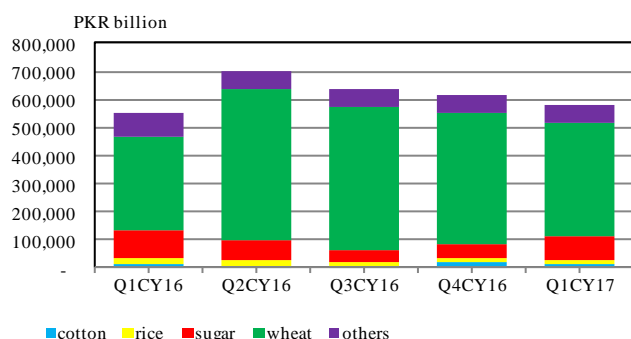
² Source: Pakistan Bureau of Statistics (PBS)

³ In order to align with changing business environment and international best practices, SBP has revised the Prudential Regulations for Consumer Finance in August 2016. (<http://www.sbp.org.pk/bprd/2016/C10.htm>)

percent growth in sugar financing⁴ (**Figure 3**). Noticeably, the net disbursement in sugar financing during Q1CY17 (PKR 39.5billion) has been higher than the disbursements seen during Q1CY16 (PKR 25.9 billion). This coincides with the higher production of sugar, which has increased by 24.02 percent from 4.024 metric tons during Q1CY16 to 4.991 metric tons in Q1CY17.⁵

Figure 3

Public Sector Commodity Finance Break-up - Domestic Operations



The growth momentum of loans and advances is an encouraging sign for the restoration of core intermediation process. This high rise in lending activity may be attributed to a host of macroeconomic and financial factors, including the lagged impact of easy monetary policy; pick-up in production activity as reflected in LSM growth; better availability of energy supplies for industrial sector; improved law and order conditions, and a pick-up in projects under CPEC.

During second half of CY16, the government shifted its reliance for budgetary borrowing from commercial banks to central bank; this resulted in shrinking of treasury **investments** of the banking sector. However, this trend has reversed in Q1CY17 as the government has borrowed PKR 268.1 billion from commercial banks while retiring PKR 121.1 billion to SBP. Most of the growth (12%) has been seen in Treasury bills which are

short term in nature (**Table 4**). Resultantly, Investment to deposit ratio (IDR) has inched up from 64 percent to 68.2 percent in a single quarter.

Banks' investment in other avenues (TFCs, Bonds, debentures and other investments etc) has also increased during first quarter of CY17.

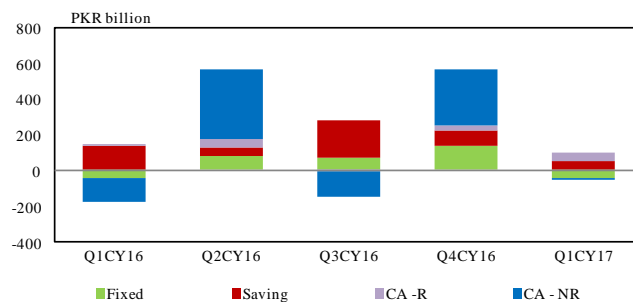
Table 4: Composition of Bank's Investment in Govt. Securities

PKR billion			
Flows during :	Q1CY15	Q1CY16	Q1CY17
MTBs	387	22	383
PIBs	222	327	95
Other Govt Securities (Sukuk)	10	197	0
Total Govt. Securities	619	546	479
Total Investments	646	542	492
Outstanding Stocks as of March 31:	2015	2016	2017
MTBs	2,120	2,565	3,502
PIBs	2,936	3,656	3,294
Others	364	650	475
Total Govt. Securities	5,420	6,871	7,271
Total Gross Investments	6,000	7,474	8,048
Less: Provision & Deficit	(46)	(54)	(45)
Total Net Investments	5,954	7,421	8,003

On the funding side, **deposit** base has marginally increased by 0.1 percent during Q1CY17 against 0.6 percent contraction in Q1CY16, to reach at PKR 11.8 trillion as of March 31, 2017. Customer deposits (95 percent share in total deposits) have inched up by 0.6 percent in Q1CY17 (YoY growth of 13.6 percent) compared to 0.2 percent contraction in Q1CY16 (10.6 percent YoY growth).

Figure 4

Deposits- Quarterly Flows



Flow of funds have largely been seen in savings (PKR 54 billion), current account-Remunerative (PKR 44 billion) and others categories (**Figure 4 and Annexure B**). The

⁴ Sugarcane crushing season, generally, starts from October of every year and peaks, subsequently, in the January to March quarter.

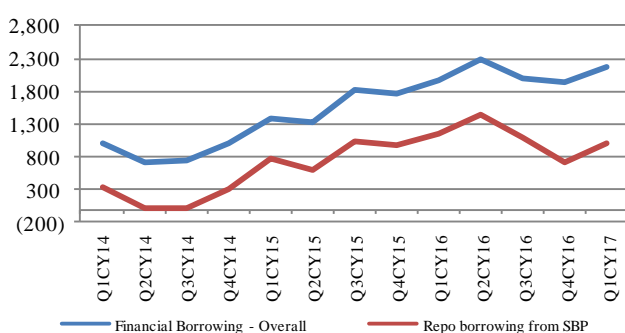
⁵ Source: PBS.

deposit growth, though nominal in Q1CY17, is a welcome sign considering a deceleration in deposit growth observed during last two years due to multiple factors (e.g., monetary easing and, consequent fall in minimum saving rate, increase in withholding tax rate on banking transactions⁶, preference of depositor towards alternative modes etc.⁷). The pick-up in growth after witnessing a deceleration is also an indicator that the banking sector remains a preferred avenue for the customer savings.

Financial borrowings, after showing a downward trend in the last two quarters, has picked up again. Banks' borrowing from financial institutions has increased by 12 percent during Q1CY17. The primary reason behind this growth has been banks' enhanced borrowing from SBP (under repo arrangements) to match the increase in government borrowing from commercial banks in Q1CY17 (**Figure 5**).

Figure 5

Financial Borrowings of Banking Sector



The banking sector continues to invest in **infrastructure** which is reflected in the absorption of new employees, a rise in Point of Sales (POS) machines and ATMs cards etc. (**Table 5**). This has resulted in pick-up in the cost to income ratio from 53.1 percent in Q4CY16 to 55.5 percent in Q1CY17.

The issuance of ATM Propriety cards, which witnessed a decline of 7.1 percent during Q4CY16, increased by 13.5 percent during Q1CY17. It may be mentioned that a major proportion of these cards is issued by smaller microfinance banks. On expiry or due to lack of activity in accounts, these cards are de-activated, only to be re-activated/re-issued later after the accountholders fulfill the conditions. Moreover, the branch network has recorded a slight decline, mainly due to consolidation of branch network post completion of merger of two banks in the last quarter of CY16.⁸

Table 5: Banking Sector Infrastructure

	As of December 31, 2016 (No.)	As of March 31, 2017 (No.)	Growth in Q1CY17
Total Bank Branches	14,219	14,193	-0.2%
Online Branch Network	13,926	13,899	-0.2%
ATMs	12,352	12,515	1.3%
Point of Sale (POS) Machines	52,062	52,854	1.5%
ATM Propriety only Cards	6,806,138	7,727,967	13.5%
Credit Cards	1,208,763	1,247,836	3.2%
Debit Card	17,470,297	17,542,788	0.4%
Social Welfare Cards	10,357,706	10,239,238	-1.1%
Full Time Employees	189,360	191,632	1.2%

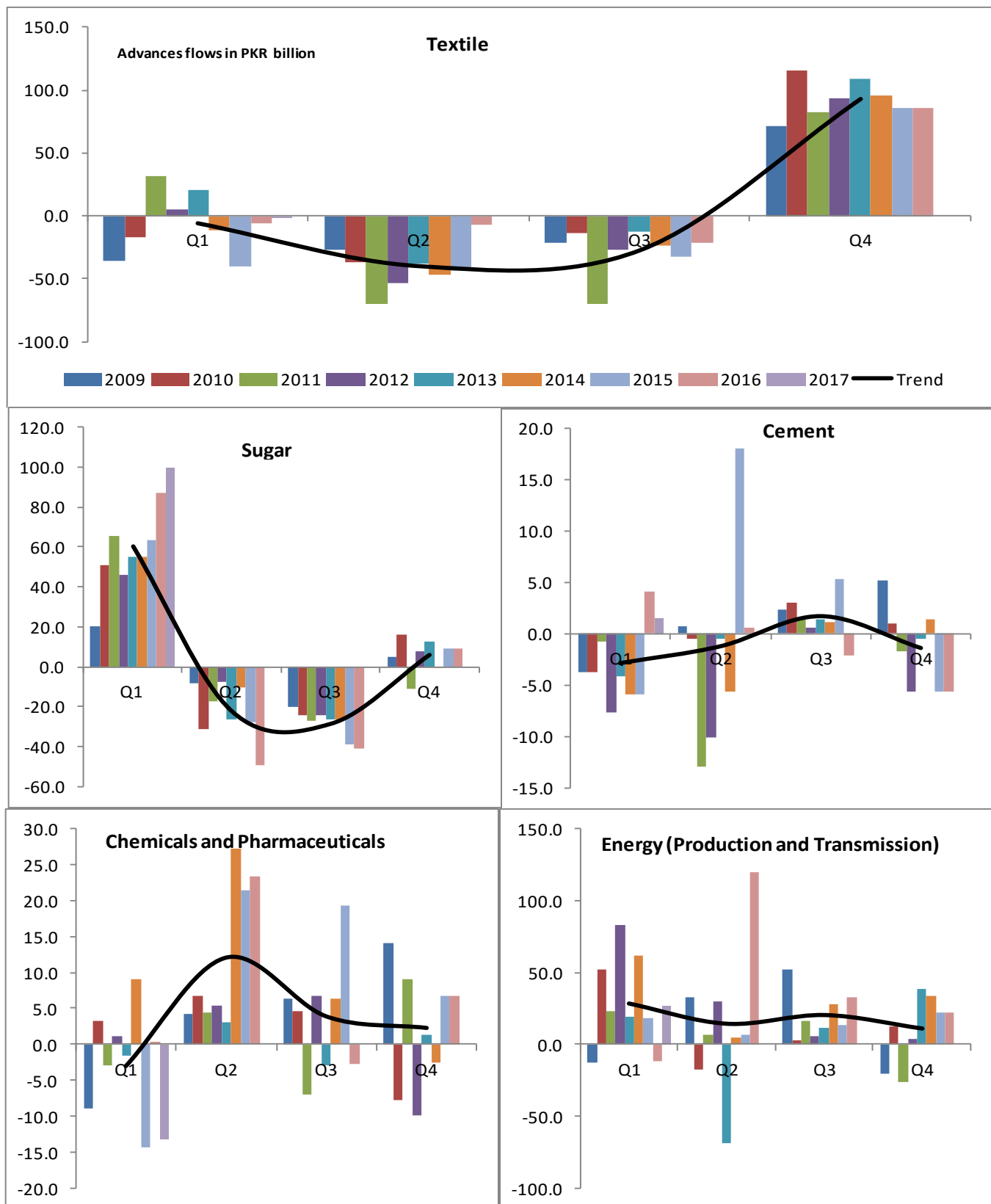
Source: Payment System Department, SBP

⁶ A higher rate of withholding tax was prescribed for non-filers of tax returns in finance bill 2015.

⁷ See Quarterly Performance Review of Banking Sector (April–June, 2016), State Bank of Pakistan

⁸ Burj bank Ltd. was merged into Al-Barka(Pakistan) during Q4CY16.

Box A – Seasonality in Advances (Sector-wise)

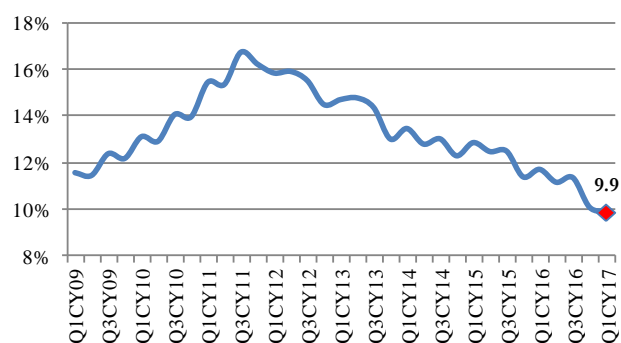


B. Soundness of the Banking Sector

The **asset quality** of the banking sector continues to observe improvement. In Q1CY17, infection ratio (NPLs/Total Loans) moved down to 9.9 percent; showing noticeable improvement of 182 bps over the same quarter of previous year. This positive development has been brought about by a decline of 2.4 percent (YoY) in NPLs and a strong growth of 15.5 percent (YoY) in advances. The infection ratio stands at its lowest level since 2009 (**Figure 6**).

Figure 6

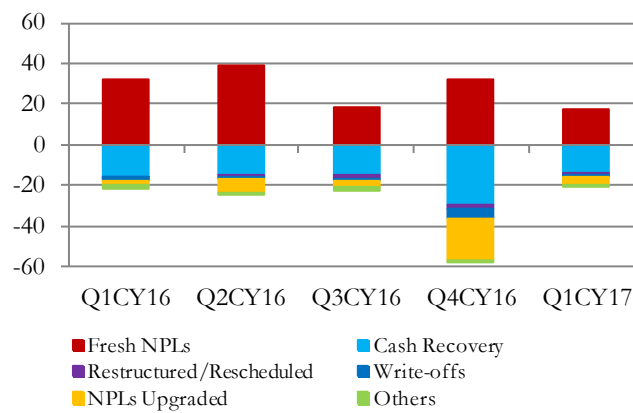
NPLs to Total Loans Ratio



In Q1CY17, the flow of fresh NPLs is considerably lower than the same quarter in the previous year (**Figure 7**), while recoveries against NPLs remained almost at the same level. Further, the amount of write-offs has been relatively lower; and the quantum of restructuring/rescheduling and up-gradation of NPLs has been substantially higher. The later aspect particularly points to the fact that an upbeat economic activity is encouraging an optimistic behavior in borrowers about their repayment capacities, going forward.

Figure 7

Fresh NPLs & Total Recovery (PKR billion)



Reduction in net-NPLs (PKR 13.5 billion) has also helped lower the risks to the banking sector's equity. Capital impairment ratio (Net NPLs to capital) after declining by 180 bps has reached at 7.1 percent in Q1CY17 from 8.9 percent in Q1CY16. Besides NPLs, the capital base has also improved (YoY increase of PKR 97 billion and QoQ decline of PKR 2 billion).

Liquid assets to total assets ratio has slightly improved to 54 percent in Q1CY17 from 53.7 percent in Q4CY16. Marginal improvement in the ratio has been observed on account of greater proportionate increase in liquid assets. Noticeably, increase in liquid assets (PKR 222.5 billion) during Q1CY17 was almost exclusively due to investment in government securities (PKR 478.9 billion).⁹

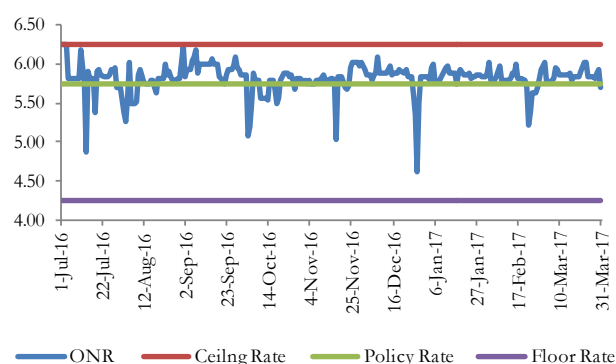
⁹ The other components of liquid assets i.e. cash and due from treasury banks, balances with other banks, repurchase agreement lending, have declined during the reviewed quarter.

Banking sector's capacity to meet its short term obligations appears comfortable during Q1CY17 as liquid assets to short-term liabilities ratio has improved to 108.6 percent in Q1CY17 from 107.2 percent in Q4CY16. Similarly, liquid assets to total deposits ratio has gone up to 73.9 percent during Q1CY17 from 72.1 percent in Q4CY16.

Overnight repo rate has averaged at 5.83 percent during Q1CY17, slightly exceeding SBP's policy target rate of 5.75 percent (**Figure 8**). The reviewed quarter has observed OMO injections of PKR 13.2 trillion, lower than PKR 16.8 trillion injected in Q1CY16. Relatively lower government budgetary borrowing from the banking sector (PKR 413.2 billion against PKR 465.4 billion in Q1CY16) and improved deposit inflows (PKR 11 billion vs PKR (66) billion) in Q1CY17 explains the lower volume of OMO injections.

Figure 8

Movement of Overnight Repo Rate (Daily Data)



The **profitability** of the banking sector has moderated as the profits (before taxation) experienced a decrease of PKR 6.4 billion during Q1CY17 compared to an increase of PKR 1.7 billion in the same quarter of previous year. Almost stagnant net interest income, decline in non-markup income and increased administrative expenditures (by PKR 6.9 billion) explain reduction in profits during the reviewed quarter. Lower provisions of PKR 0.52 billion during Q1CY17 as compared with PKR 3.4 billion in Q1CY16 have partially offset the decline in profits.

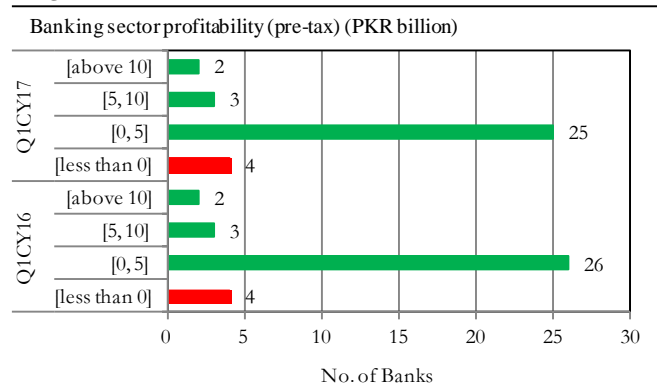
The prevailing low interest rate environment is weighing on the interest earnings of the sector as the net interest income has shown a marginal improvement of PKR 0.12 billion during the reviewed quarter. The recent increase in volume of advances has led to this nominal increase, though return on advances remains on the downhill.

Non-interest income, however, has declined by PKR 2.2 billion mainly on account of low income from gain on sale of securities and dividend income. Cost to income ratio noticeably went up to 55.5 percent in Q1CY17 from 50.6 percent in Q1CY16 due to expansion in administrative expenses – mainly because of strengthening of banking infrastructure - and decline in gross income. (See Section A).

Return on assets (before tax) has declined to 1.9 percent during Q1CY17 from 2.3 percent in Q1CY16. Since banks investments in federal government securities constitute principal share of total assets (45 percent), low interest rate environment has driven down banks earning on low yield securities. Return on equity (before tax) came down to 21.7 percent during reviewed quarter from 25.1 percent in Q1CY16. This is primarily on account of increased average equity (by PKR 78.9 billion) during the reviewed quarter.

Banking sector's net interest margin (NIM) stood at 3.4 percent during Q1CY17 from 3.9 percent in Q1CY16. Relatively higher expansion in average earning assets (PKR 1.54 trillion) than interest income primarily explains slowing net interest margin.

Bank-wise data reveals that the contribution of the profit remained broad based as 30 banks posted pre-tax profits whereas 4 banks experienced losses during Q1CY17 (**Figure 9**). Concentration of earnings remains unchanged at 60 percent (share of top 5 banks in pre-tax profit) in the reviewed quarter.

Figure 9

Capital Adequacy Ratio (CAR) has slightly declined to 15.9 percent during Q1CY17 from 16.2 percent in Q4CY16. Banks are, however, well positioned from solvency standpoint as the prevailing CAR is well above the minimum required level of 10.65 percent. Though *eligible* capital decreased by PKR 2 billion on QoQ basis, downtick in CAR is primarily on account of increase in total Risk Weighted Assets (RWA) of PKR 127.2 billion. The analysis of components reveals that the expansion in RWAs has been exclusively contributed by credit RWAs which have increased by PKR 142.4 billion during Q1CY17; while market and operational RWAs have declined by PKR 11.6 billion and PKR 3.5 billion, respectively.

The analysis of banking sector soundness during Q1CY17 suggests three prime facts. First, improvement in asset quality is primarily on account of significant expansion in advances. Second, reduced banking sector profitability is due to almost stagnant net interest income, decline in non-markup income and elevated administrative expenditures. Finally, banks appear to be well positioned from solvency point of view as CAR is well above the minimum required level.

C. Banking Sector Outlook For Q2CY17

The advances of the banking sector are expected to grow in line with historical trend during Q2CY17. The growth momentum is likely to be supplemented by favorable macroeconomic conditions (i.e. low interest rates, strengthening aggregate demand and uptick of industrial activity), increase in wheat procurement operations and positive outlook (CPEC related projects gain steam).

The investments are expected to rise given that government has announced auction targets both for PIBs and MTBs¹⁰, and as government's development outlays are expected to gain momentum towards the end of the fiscal year. On the funding side, deposit growth would be determined by both the anticipated withdrawals due to upcoming Eid ul Fitr and the growth of advances. The deposit inflows generally get a boost from disbursement of loans and advances; however, the level of Eid related withdrawals may moderate the deposit growth in Q2CY17. Anticipated uptick of advances and investments due to shifts in government borrowing pattern may induce funding pressures and make it challenging for banks to meet the expected credit growth.

The profitability of the banking sector is expected to see some recovery given anticipated increase in both advances and investments. However, it may remain modest given the shift of banks from long maturity high-yielding bonds towards short maturity low-yielding ones.

The solvency indicators of the banking sector continue to provide a healthy reading. The uptick in advances is expected to increase the utilization of capital and may result in downward adjustment in CAR. However, continuous plough back of retained earnings will support in keeping CAR comfortably higher than both the local and international benchmarks. Overall, the banking sector is expected to remain sound and resilient in the next quarter.

¹⁰ The target for auction of T-bills and PIBs during June 2017 is PKR 600 billion (maturing amount of PKR 427.8 billion) and PKR 50 billion (maturing amount of PKR 6.83 billion), respectively. <http://www.sbp.org.pk/ecodata/index2.asp>

Annexure

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

PKR million

Financial Position	CY12	CY13	CY14	CY15	Q1CY16	CY16	Q1CY17
ASSETS							
Cash & Balances With Treasury Banks	836,605	858,512	723,664	909,429	814,061	1,184,521	1,027,157
Balances With Other Banks	184,746	185,423	149,631	198,395	160,122	168,394	143,889
Lending To Financial Institutions	170,758	275,939	429,380	360,772	274,231	551,695	501,113
Investments - Net	4,013,239	4,313,323	5,309,630	6,880,765	7,420,710	7,509,164	8,003,006
Advances - Net	3,804,140	4,110,159	4,447,300	4,815,827	4,781,948	5,498,813	5,605,140
Operating Fixed Assets	248,673	259,800	277,030	310,102	311,259	336,376	355,097
Deferred Tax Assets	66,805	80,306	67,077	65,644	69,357	64,681	66,271
Other Assets	386,188	403,233	702,550	602,301	449,523	517,412	453,822
TOTAL ASSETS	9,711,154	10,486,693	12,106,261	14,143,234	14,281,213	15,831,058	16,155,494
LIABILITIES							
Bills Payable	112,275	129,227	137,651	145,089	147,775	182,858	173,521
Borrowings From Financial Institution	1,027,098	722,643	1,001,447	1,766,145	1,967,189	1,942,458	2,183,411
Deposits And Other Accounts	7,293,698	8,310,529	9,229,773	10,389,260	10,323,344	11,797,867	11,808,972
Sub-ordinated Loans	55,160	40,070	44,329	51,366	58,426	59,330	55,978
Liabilities Against Assets Subject To Finance Lease	52	34	33	50	47	41	33
Deferred Tax Liabilities	70,399	19,731	37,149	47,622	63,103	61,109	61,008
Other Liabilities	270,262	321,690	448,432	420,935	444,189	434,598	467,682
TOTAL LIABILITIES	8,828,945	9,543,923	10,898,816	12,820,468	13,004,072	14,478,261	14,750,604
NET ASSETS	882,209	942,770	1,207,445	1,322,767	1,277,142	1,352,797	1,404,890
NET ASSETS REPRESENTED BY:							
Share Capital	427,583	482,091	587,053	619,862	578,227	579,882	649,016
Reserves	194,543	176,095	189,242	192,039	193,088	205,314	202,593
Unappropriated Profit	148,169	157,492	227,151	290,908	275,609	344,615	330,034
Share Holders' Equity	770,295	815,678	1,003,446	1,102,809	1,046,924	1,129,812	1,181,643
Surplus/Deficit On Revaluation Of Assets	111,914	127,102	203,999	219,958	230,218	222,985	223,247
TOTAL	882,209	942,780	1,207,445	1,322,767	1,277,142	1,352,797	1,404,890
PROFIT AND LOSS STATEMENT							
	CY12	CY13	CY14	CY15	Q1CY16	CY16	Q1CY17
Mark-Up/ Return/Interest Earned	792,749	777,398	919,821	981,760	234,533	938,026	233,406
Mark-Up/ Return/Interest Expenses	454,182	444,047	504,990	485,575	114,206	453,232	112,960
Net Mark-Up / Interest Income	338,567	333,350	414,830	496,185	120,327	484,793	120,446
Provisions & Bad Debts Written Off Directly/(Reversals)	39,668	40,162	25,323	38,874	3,418	5,305	516
Net Mark-Up / Interest Income After Provision	298,899	293,188	389,507	457,311	116,908	479,489	119,930
Fees, Commission & Brokerage Income	54,720	62,579	70,421	82,640	21,194	90,266	23,439
Dividend Income	21,630	14,599	14,098	16,910	4,657	17,187	2,733
Income From Dealing In Foreign Currencies	21,620	20,972	28,396	22,824	4,051	14,015	3,688
Other Income	39,602	41,941	54,434	86,369	21,650	74,260	19,527
Total Non - Markup / Interest Income	137,572	140,091	167,349	208,743	51,553	195,728	49,387
	436,471	433,280	556,856	666,053	168,461	675,217	169,317
Administrative Expenses	251,349	266,199	304,588	330,006	85,984	356,183	92,951
Other Expenses	6,100	4,633	5,726	7,231	925	5,003	1,246
Total Non-Markup/Interest Expenses	257,450	270,832	310,313	337,237	86,909	361,186	94,197
Profit before Tax and Extra ordinary Items	179,021	162,448	246,543	328,817	81,552	314,031	75,120
Extra ordinary/unusual Items - Gain/(Loss)	842.88	(4.64)	3.79	0.51	0.17	0.27	0.11
PROFIT/ (LOSS) BEFORE TAXATION	178,178	162,453	246,539	328,816	81,552	314,030	75,119
Less: Taxation	59,946	50,019	83,171	129,811	28,613	124,117	26,013
PROFIT/ (LOSS) AFTER TAX	118,232	112,434	163,368	199,006	52,939	189,914	49,107

Annexure B

Distribution of Deposits

PKR billion

	CY12	CY13	CY14	CY15	Q1CY16	CY16	Q1CY17
DEPOSITS	7,294	8,311	9,230	10,389	10,323	11,798	11,809
Customers	6,972	7,975	8,886	9,943	9,924	11,199	11,269
Fixed Deposits	2,078	2,216	2,268	2,425	2,381	2,670	2,625
Saving Deposits	2,642	3,094	3,467	3,863	4,003	4,342	4,397
Current accounts - Remunerative	343	381	323	331	338	409	454
Current accounts - Non-remunerative	1,868	2,241	2,764	3,254	3,126	3,685	3,678
Others	41	43	64	69	76	92	116
Financial Institutions	321	336	344	446	399	599	540
Remunerative Deposits	214	217	201	393	300	385	369
Non-remunerative Deposits	107	119	143	53	100	214	171
Break up of Deposits Currency Wise	7,294	8,311	9,230	10,389	10,323	11,798	11,809
Local Currency Deposits	6,310	7,129	7,983	9,042	9,029	10,548	10,455
Foreign Currency Deposits	984	1,182	1,247	1,347	1,294	1,249	1,354

Annexure C

C1: Segment-wise Advances(Gross) and Non Performing Loans (NPLs)

Amount in PKR million, ratio in percent

	CY15			Q1CY16			CY16			Q1CY17		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,533,889	433,657	12.3	3,590,766	442,893	12.3	4,056,705.4	431,280.1	10.6	4,209,440	432,524	10.3
SMEs Sector	318,298	82,966	26.1	294,890	82,987	28.1	404,618	82,078	20.3	374,802	81,969	21.9
Agriculture Sector	291,183	37,815	13.0	284,320	34,866	12.3	294,339	38,064	12.9	289,629	37,716	13.0
Consumer sector	335,583	29,047	8.7	333,547	35,068	10.5	371,804	30,159	8.1	387,426	29,741	7.7
<i>i. Credit cards</i>	24,666	2,384	9.7	24,793	2,430	9.8	28,307	2,340	8.3	28,606	2,336	8.2
<i>ii. Auto loans</i>	95,089	2,686	2.8	102,006	2,749	2.7	125,898	2,600	2.1	137,381	2,440	1.8
<i>iii. Consumer durable</i>	326	69	21.0	311	71	22.8	318	67	21.2	415	68	16.4
<i>iv. Mortgage loans</i>	54,404	13,467	24.8	56,717	12,947	22.8	61,609	10,894	17.7	65,093	10,836	16.6
<i>v. Other personal loans</i>	161,099	10,441	6.5	149,722	16,871	11.3	155,671	14,258	9.2	155,932	14,061	9.0
Commodity financing	594,121	7,015	1.2	550,412	5,615	1.0	619,347	4,571	0.7	579,323	4,242	0.7
Staff Loans	103,406	1,284	1.2	99,878	1,336	1.3	104,139	1,409	1.4	107,166	1,460	1.4
Others	153,659	13,660	8.9	145,649	16,321	11.2	162,128	17,104	10.5	173,072	16,118	9.3
Total	5,330,138	605,444	11.4	5,299,462	619,086	11.7	6,013,080	604,666	10.1	6,120,858	603,771	9.9

C2: Sector-wise Advances(Gross) and Non Performing Loans (NPLs)

amount in PKR million, ratio in percent

	CY15			Q1CY16			CY16			Q1CY17		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	473,845	40,315	8.5	417,359	42,872	10.3	548,099	41,706	7.6	476,019	41,045	8.6
Automobile/Transportation	53,312	12,331	23.1	70,919	12,177	17.2	95,274	12,604	13.2	105,531	12,587	11.9
Cement	57,623	7,361	12.8	61,757	7,111	11.5	71,722	6,789	9.5	73,252	6,694	9.1
Chemical & Pharmaceuticals	223,608	13,517	6.0	224,023	14,577	6.5	250,092	12,780	5.1	236,823	12,471	5.3
Electronics	81,159	10,456	12.9	70,098	10,573	15.1	78,173	13,326	17.0	82,994	13,114	15.8
Financial	148,136	9,601	6.5	142,779	10,177	7.1	182,648	10,544	5.8	195,646	10,346	5.3
Individuals	454,622	45,779	10.1	462,943	48,275	10.4	550,384	58,023	10.5	551,533	57,537	10.4
Insurance	379	1	0.2	1,383	1	0.1	3,013	1	0.0	2,731	1	0.0
Others	2,223,916	215,255	9.7	2,167,046	225,938	10.4	2,285,719	205,981	9.0	2,326,624	206,141	8.9
Production/Transmission of Energy	681,463	40,698	6.0	669,638	37,143	5.5	892,059	31,095	3.5	918,636	32,305	3.5
Shoes & Leather garments	25,388	3,811	15.0	23,396	3,815	16.3	27,171	3,770	13.9	25,028	3,673	14.7
Sugar	144,716	8,549	5.9	232,101	11,451	4.9	176,250	15,563	8.8	275,636	15,288	5.5
Textile	761,973	197,771	26.0	756,018	194,976	25.8	852,476	192,483	22.6	850,406	192,570	22.6
Total	5,330,138	605,444	11.4	5,299,462	619,086	11.7	6,013,080	604,666	10.1	6,120,858	603,771	9.9

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

PKR million

	CY13		CY14		CY15		Q1CY16		CY16		Q1CY17	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	13,785	26	15,260	-	17,475	-	17,651	-	22,599	-	17,580	-
Sub Standard	50,202	11,320	57,179	14,748	40,649	8,539	51,710	10,517	34,260	7,291	43,101	8,205
Doubtful	32,353	14,336	36,746	16,306	28,044	11,523	28,994	11,462	34,175	16,746	35,542	17,312
Loss	511,070	428,513	495,514	433,552	519,277	468,847	520,730	468,239	513,631	466,870	507,549	462,346
Total	607,410	454,195	604,698	464,606	605,444	488,909	619,086	490,218	604,666	490,907	603,771	487,863

* 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	CY14	CY15	Q1CY16	CY16	Q1CY17
CAPITAL ADEQUACY									
Risk Weighted CAR [^]	13.9	15.1	15.6	14.9	17.1	17.3	16.3	16.2	15.9
Tier 1 Capital to RWA	11.6	13.0	13.0	12.6	14.3	14.4	13.2	13.0	12.9
ASSET QUALITY									
NPLs to Total Loans	14.9	15.7	14.5	13.3	12.3	11.4	11.7	10.1	9.9
Provision to NPLs	66.7	69.3	71.5	77.1	79.8	84.9	83.6	85.0	85.4
Net NPLs to Net Loans	5.5	5.4	4.6	3.4	2.7	1.9	2.1	1.6	1.6
Net NPLs to Capital ^{^^}	26.7	23.1	19.9	14.7	10.1	7.7	8.9	7.3	7.1
EARNINGS									
Return on Assets (Before Tax)	1.5	2.2	2.0	1.6	2.2	2.5	2.3	2.1	1.9
Return on Assets (After Tax)	1.0	1.5	1.3	1.1	1.5	1.5	1.5	1.3	1.2
ROE (Avg. Equity & Surplus) (Before Tax)	15.5	23.0	21.4	17.9	24.3	25.8	25.1	23.8	21.8
ROE (Avg. Equity & Surplus) (After Tax)	9.6	15.1	14.2	12.4	16.1	15.6	16.3	14.4	14.2
NII/Gross Income	74.7	76.0	71.1	70.4	71.3	70.4	70.0	71.2	70.9
Cost / Income Ratio	52.7	51.1	54.1	57.2	53.3	47.8	50.6	53.1	55.5
LIQUIDITY									
Liquid Assets/Total Assets	36.1	45.5	48.4	48.6	49.2	53.8	55.9	53.7	54.0
Liquid Assets/Total Deposits	47.1	59.5	64.5	61.3	64.5	73.3	77.3	72.1	73.9
Advances/Deposits	61.6	53.6	52.2	49.5	48.2	46.4	46.3	46.6	47.5

[^] 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

<u>Compliance status of MCR and CAR</u>			
<u>as of March 31, 2017</u>			
amount in PKR million, ratio in percent			
CAR - Minimum required = 10.25%			
1	Total Assets		16,155,494
2	Compliant banks	Assets	15,702,673
		Share in Assets	97.20%
		Number of banks	29
3	Non-Compliant banks	Assets	452,821
		Share in Assets	2.80%
		Number of banks	5
MCR			
1	Total Assets		16,155,494
2	Compliant banks	Assets	16,143,591
		Share in Assets	99.93%
		Number of banks	32
3	Non-Compliant banks	Assets	11,903
		Share in Assets	0.07%
		Number of banks	2

Annexure F

Group-wise Composition of Banks

CY15	Q1CY16	CY16	Q1CY17
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 (21)	B. Local Private Banks (21)
AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.
Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.
Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.
Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.
BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.
Burj Bank Ltd.	Burj Bank Ltd.	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.	MCB Bank Ltd.	MCB Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.
MCB Islamic Bank Ltd.	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)
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 (4)	C. Foreign Banks (4)	C. Foreign Banks (4)	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.
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.	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of
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
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 (31)	All Commercial Banks (31)	All Commercial Banks (30)	All Commercial Banks (30)
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (35)	All Banks (35)	All Banks (34)	All Banks (34)
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 Oman S.A.O.G. was de-scheduled on November 04, 2015, on account of its merger with and into Meezan Bank Limited.

Burj Bank Ltd was acquired by Al Baraka Bank on October 30, 2016.