



State Bank of Pakistan

Mid-Year Performance Review of the Banking Sector

January - June 2025





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Financial Stability Department
State Bank of Pakistan

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The asset base of the banking sector expanded by 11.0 percent in H1CY25; primarily supported by an increase in investments while advances contracted. The contraction in advances was witnessed in both public and private segments, which reflects seasonal factors as well as reversal of a substantial increase in lending towards the end of CY24 – largely attributable to ADR-linked tax policy¹ and improvements in macro-financial conditions. On funding side, after witnessing a contraction in H2CY24, deposits grew at an impressive pace of 17.7 percent, thus lowering banks' reliance on borrowings, which remained almost stable over the period under review. Asset quality indicators presented a mixed picture. While the stock of non-performing loans (NPLs) declined during the period under review, gross NPL ratio marginally deteriorated to 7.4 percent in June 2025 (6.3 percent in December-2024), due to contraction in loan portfolio. Total loan-loss provisions held, however, improved to 106.2 percent of NPLs, with net NPLs to net Loans ratio clocking at *negative* 0.5 percent – representing muted risk to solvency from NPLs. On profitability front, the strong increase in earnings was primarily backed by higher net interest income as well as contained non-interest expenses. The solvency position of the banking sector remained steady as Capital Adequacy Ratio (CAR) stood at 21.4 percent at end June-2025 – well above the regulatory benchmark of 11.5 percent. Encouragingly, under different scenarios of stress testing exercise, the banking sector shows sufficient resilience to withstand severe shocks to key risk factors and hypothetical adverse economic conditions.

The average volatility in domestic financial market remained relatively higher during H1CY25, driven mainly by equity market. The equity market continued its upbeat momentum amid improving domestic macroeconomic conditions, punctuated by a few bouts of heightened volatility during Q2CY25 in the wake of external factors such as the US trade tariff policy and regional and geopolitical tensions, which materially impacted the market sentiments. Improved FX reserves due to the current account surplus and financial inflows kept FX market volatility under check while money market continued to operate smoothly.

According to the latest wave of Systemic Risk Survey, geopolitical risk was considered the top most risk by the independent respondents. Moreover, confidence was expressed in the stability of the financial system and the ability of the regulator to manage any unforeseen shocks.

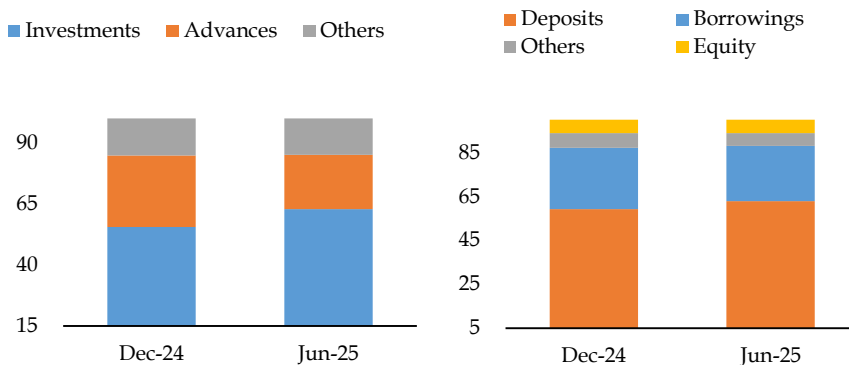
¹ Advances-to-deposit ratio (ADR)-linked tax policy would tax banks' income from government securities at progressively higher rate in case their ADR fell below 50 percent, thus creating the incentive for banks to increase their advances but contain the growth of deposits to achieve certain threshold of ADR.

Introduction

The first half of CY25 was marked by mixed macroeconomic developments at global and domestic fronts. Along with the US trade tariffs’ uncertainty – which kept global economy on the edge – regional geopolitical tensions momentarily intensified but got normalized shortly. Nonetheless, domestic economy continued to witness gradual recovery in H1CY25 supported by, inter alia, receding inflationary pressures,² further monetary easing,³ stable current account dynamics,⁴ financing under IMF program⁵ and relatively stable rupee-dollar parity.

In this backdrop, banking sector’s balance sheet expanded by 11.0 percent to Rs 59,572 billion in H1CY25 (11.5 percent growth in H1CY24). Investments, which grew by 25.8 percent, primarily supported the asset growth while advances contracted by 16.4 percent. The share of investments in total assets increased to 62.9 percent in June 2025 from 55.5 percent in December 2024 (**Figure A1**).

Figure A1: Balance sheet composition of the banking sector (percent of total assets)



Source: State Bank of Pakistan

² National CPI (12MMA) inflation persistently came down to 4.5 percent in June-2025 from 12.6 percent in December-2024

³ Policy rate was reduced by 100 bps in January-2025 with another cut of 100 bps in May-2025 reaching at 11.0 percent in June-2025

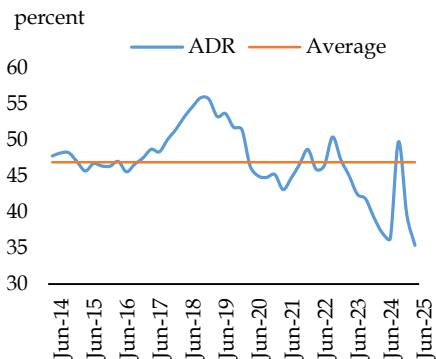
⁴ Current account surplus stood at US\$ 1.1 billion in H1CY25 against a deficit of US\$ 0.46 billion in H1CY24

⁵ [IMF Executive Board Completes First Review of the Extended Fund Facility Arrangement with Pakistan](#)

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On funding side, deposits grew at an impressive pace of 17.7 percent to reach Rs 37,423 billion in H1CY25 (11.7 percent growth in H1CY24),⁶ while borrowings remained stable with a negligible growth of 0.1 percent.⁷ With advances contracting and deposits showing notable growth, the Advances to Deposits Ratio (ADR) declined to 35.3 percent at end June-2025 – lowest level since June-2014, reflecting government’s increased reliance on banks for budgetary support (**Figure A2**).

Figure A2: Advances to Deposits Ratio



Source: State Bank of Pakistan

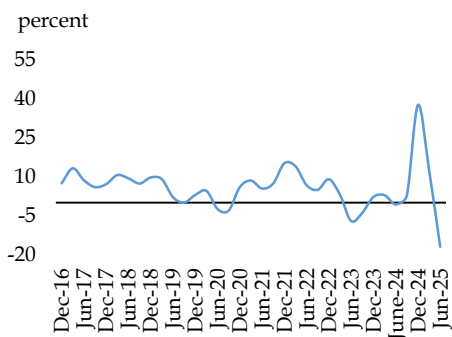
Islamic Banking Institutions (IBIs) performed relatively well as compared to conventional banks.⁸ IBIs asset base increased by 11.5 percent in the first half of CY25 (7.7 percent in H1CY24). Accordingly, IBIs share in banking sector’s asset and deposits inched-up to 20.7 percent in June 2025 (20.6 percent in December 2024) and 25.5 percent (24.9 percent in December 2024), respectively.

Advances

Overall gross advances (domestic & overseas) contracted by 15.2 percent in H1CY25 to Rs 14,338 billion (0.3 percent increase in H1CY24). Although, contraction was witnessed across domestic and overseas constituents, it was more pronounced in the former.⁹

Within domestic advances, **private sector advances** exhibited a *contraction* of 16.9 percent in the first half of CY25 (0.6 percent contraction in H1CY24). Financing to private sector, owing to seasonality in various economic sectors, usually observes relatively weak momentum in the first half of a year

Figure A3: Private Sector Advances (HoH Growth)



Source: State Bank of Pakistan

⁶ Deposits, as percent of total assets, increased to 62.8 percent in June 2025 from 59.2 percent in December 2024

⁷ Borrowings increased by only Rs 8.2 billion in H1CY25

⁸ Conventional banks’ assets increased by 10.8 percent in H1CY25

⁹ Overseas advances, with 6.8 percent share in total advances, contracted by 6.2 percent. Domestic advances contracted by 15.8 percent in H1CY25

(Appendix A). Nonetheless, in the current year, noticeable decline in private sector advances was mainly due to a short-term spike in the lending during Q4CY24 – mainly associated with ADR linked taxation policy towards the end of CY24 – which was followed by net retirements in H1CY25 (Figure A3).

Segment-wise advances reveal a substantial retirement of Rs 2,137 billion in H1CY25 by the major user of credit, i.e., the large corporate firms. Most of the retired loans pertained to working capital financing – accounting for 84.1 percent of the total corporate segment retirement (Table A1). The SMEs – which constitutes 6.4 percent of total domestic private sector advances – however, availed Rs 57 billion worth of bank financing. This was exclusively driven by fixed investment advances, which increased by Rs 63 billion in H1CY25. Encouragingly, SMEs long-term advances have been growing consistently over-time (Figure A4). This is due to various Government schemes¹⁰ as well as amendments in the SBP's regulations to rationalize the prudential requirements in the context of macroeconomic conditions and facilitate SMEs' access to finance. Specifically, under prudential regulations, clean limit was increased to Rs 10 million from Rs 5 million,¹¹

Table A1: Segment-wise Domestic Private Sector Advances (Stocks)

billion Rupees	Dec-23	Jun-24	Dec-24	Jun-25
Corporate Sector:	6,692	6,614	9,675	7,538
Fixed Investment	2,695	2,645	3,424	3,230
Working Capital	2,434	2,431	4,377	2,581
Trade Finance	1,562	1,538	1,874	1,728
SMEs:	526	474	600	657
Fixed Investment	161	191	226	289
Working Capital	335	257	343	338
Trade Finance	29	26	30	29
Agriculture	493	518	568	578
Consumer Finance:	808	792	837	893
Credit Cards	108	122	141	157
Auto Loans	247	225	243	277
Consumer Durable	2	2	2	2
Mortgage Loan	207	204	200	206
Other personal Loans	245	239	251	251
Commodity Financing	162	192	236	208
Staff Loans	303	335	366	294
Housing Finance	237	258	282	210
Others than housing finance	66	77	84	84
Others	1	0	1	39
Total	8,984	8,927	12,283	10,206

Note: These advances represent lending to domestic private sector.

Source: State Bank of Pakistan

¹⁰ It includes CM Punjab Asaan Karobar Card, Prime Minister's Youth Business and Agriculture Loan Scheme (PMYB&ALS) and Risk Coverage Scheme for SMEs

¹¹ [SH& SFD Circular No.03 of 2024](#)

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and per party exposure limit for SE and ME was increased to Rs 100 million and Rs 500 million, respectively.¹²

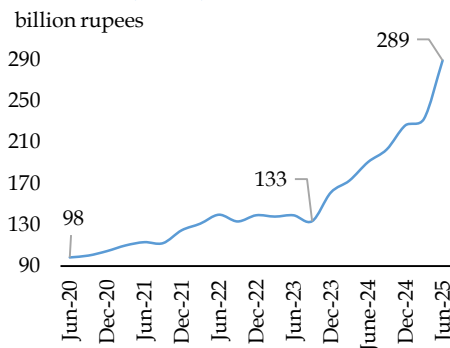
Consumer segment – which constitutes 8.7 percent of total domestic private sector advances – availed Rs 55 billion in H1CY25 as compared to a net retirement of Rs 16 billion in H1CY24. This increase mainly came from auto financing followed by credit card. The auto financing witnessed a revival from June 2024 onwards amid ease in financial conditions and macroeconomic stability (**Figure A5**).

The analysis of **sector-wise** private sector advances shows a significant and broad based retirement by economic sectors in the reviewed period. For instance, financial sector retired Rs 553 billion, followed by textiles (Rs 312 billion), insurance (Rs 261 billion), energy (Rs 189 billion), services (Rs 106 billion), and automobiles (Rs 61 billion). It is noteworthy that the sugar sector retired Rs 53 billion as compared to net disbursement of Rs 172 billion in H1CY24.

This appears due to improved cash flows of the sector – driven by exports¹³ and higher sugar prices¹⁴ – which resulted in net retirement of advances.

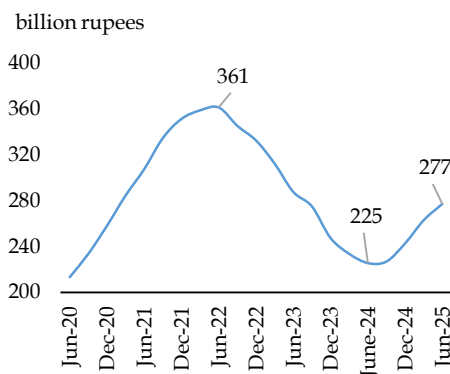
Public sector, which uses 23.6 percent of banking sector’s domestic advances, also retired Rs 435 billion of loans in the reviewed period. Under working capital and commodity segments, Rs 358 billion and Rs 290 billion were retired, respectively. Significant retirement in working capital financing reflects ADR related lending in Q4 of CY24. The outstanding stock of financing related to commodity operations is likely to dwindle further in future given the fact that the government is moving

Figure A4: SMEs Fixed Investment Advances (Stocks)



Source: State Bank of Pakistan

Figure A5: Auto Financing (Stocks)



Source: State Bank of Pakistan

¹² See [SH&SFD Circular No.04 of 2024](#)

¹³ Economic Coordination Committee (ECC) approved export of 0.100 million MT and 0.500 million MT of sugar in the months of August and October 2024, respectively.

¹⁴ Refined sugar price, on average, was recorded Rs 165/kg in H1CY25 against Rs 144/kg in H1CY24. (Data source: Pakistan Bureau of Statistics)

away from large-scale wheat procurement in domestic commodity market under fiscal consolidation and reforms.

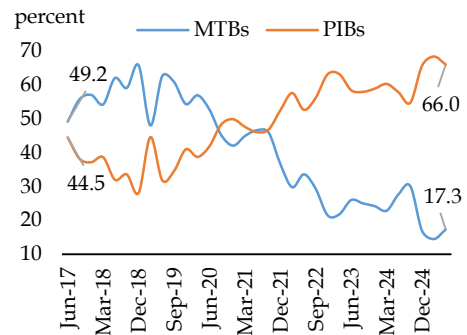
Investments

Banks' investments increased by 25.8 percent to reach Rs 37,492 billion in the first half of CY25. Almost entire rise came from investments in government securities because of higher budgetary borrowing.¹⁵ Within government securities, stock of PIBs and MTBs increased by Rs 5,041 billion and Rs 1,427 billion, respectively. Also, investments in Ijara Sukuk increased by Rs 897 billion in H1CY25.

Further analysis of auctions indicates that offered to target ratio was highest for PIBs floating rate (semiannual), followed by PIBs fixed rate and MTBs.¹⁶

It is noteworthy that the government debt from the banking sector has been persistently tilted towards longer-tenor maturities. Over the period of past eight years, share of PIBs in total federal government securities has risen to 66.0 percent in June 2025 from 44.5 percent at end June 2017 and that of MTBs declined to 17.3 percent from 49.2 percent in the same period (**Figure A6**).

Figure A6: Share of MTBs and PIBs in Outstanding Federal Government Securities



Source: State Bank of Pakistan

Deposits and Borrowings

The deposits grew by 17.7 percent to Rs 37,423 billion in H1CY25 – the highest half-yearly growth since CY14. A major factor in this healthy deposit mobilization was recovery after withdrawal of ADR related tax. The rise in customer deposits – which constitute above 90 percent of total deposits – primarily came from current deposits. These deposits increased by Rs 3,930 billion (or 35.0 percent) – accounting for 86.0 percent increase in total customer deposits inflow in H1CY25 (**Figure A7**). Fixed and

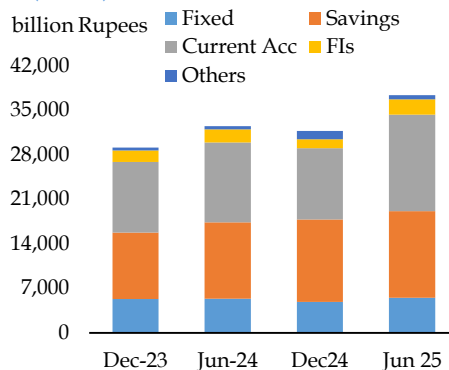
¹⁵ Government borrowed Rs 6.4 trillion in H1CY25 as compared to Rs 4.1 trillion in H1CY24 (Source: SBP Monetary Survey)

¹⁶ In case of PIBs floating rate (semiannual) the offered to target and acceptance to target ratios were 3.6 and 1.6, respectively. In case of PIBs fixed rate, the offered to target and acceptance to target ratios were 3.0 and 1.0, respectively. In case of MTBs, the offered to target and acceptance to target ratios were 1.9 and 0.5, respectively. The government did not announce targets for PIBs floating rate quarterly in H1CY25.

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savings deposits also increased by Rs 651 billion and Rs 658 billion, respectively, in H1CY25.¹⁷ It appears that a significant increase in fixed deposits as compared to previous year (Rs 51 billion in H1CY24) was due to depositors' preference to lock their funds at relatively higher prevailing rate of return amid expectations of a further decline in interest rates. Also, deposits of financial institutions¹⁸ witnessed a noticeable increase of Rs 1,059 billion during the reviewed period.

Figure A7: Composition of Deposits (Stocks)



Source: State Bank of Pakistan

The outstanding stock of borrowings increased only by Rs 8.2 billion to Rs 15,014 billion in H1CY25.¹⁹ Although banks borrowed Rs 902 billion from SBP, it was neutralized by a decline in unsecured and repo borrowings.²⁰ Further analysis indicates that the decrease in unsecured borrowings was mainly contributed by call borrowings and borrowings from abroad.

Shareholders' Equity and Capital

The banking sector's net assets (shareholders' equity plus revaluation surpluses) increased by 11.1 percent during H1CY25 (3.4 percent increase in H1CY24). The rise in net assets was mainly driven by shareholder equity, which increased by Rs 285 billion (Rs 48 billion increase in H1CY24).²¹ Moreover, the revaluation surplus contributed by Rs 82 billion in H1CY25 (Rs 48 billion rise in H1CY24). Capital to asset ratio slightly declined to 6.2 percent in June 2025 from 6.3 percent in December 2024, due to relatively faster growth in asset base.

¹⁷ Fixed and savings deposits constituted 15.8 percent and 39.0 percent, respectively, in customers' deposits at end June 2025.

¹⁸ Financial institution accounted for 6.5 percent of total deposits at end June 2025.

¹⁹ Banks' borrowings represented 25.2 percent of total assets at end June 2025 – down from 27.9 percent at end December 2024.

²⁰ Repo borrowings declined by Rs 185 billion in H1CY25. Unsecured borrowings declined by Rs 663 billion in H1CY25. Within unsecured borrowings, call borrowings declined by Rs 243 billion while others borrowings declined by 409 billion in H1CY25.

²¹ Under shareholder equity, retained earnings and reserves increased by Rs 185 billion and Rs 172 billion, respectively.

Appendix A: Seasonality in Private Sector Advances - Billion Rupees

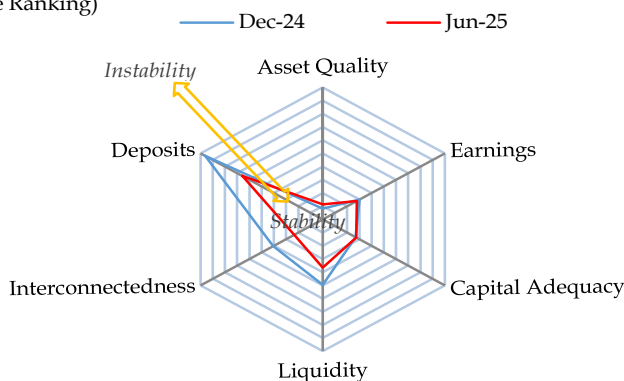


B. Soundness of the Banking Sector

The banking sector of Pakistan manifested stability along key risk dimensions. The Banking Sector Stability Map (BSSM)²² shows that key soundness indicators largely improved in June 2025 as compared to December 2024 (**Figure B1**). Particularly, the deposits witnessed noticeable improvement in H1CY25 owing to government's withdrawal of ADR-linked tax policy in December 2024.²³

Figure B1: Banking Sector Stability Map

(Percentile Ranking)



Source: State Bank of Pakistan

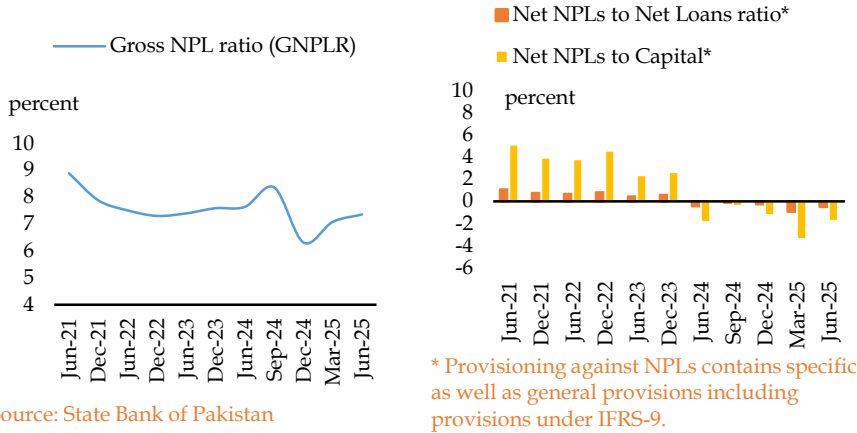
Asset Quality

Gross Non-performing Loans Ratio (GNPLR) deteriorated to 7.4 percent by end June 2025 from 6.3 percent in December 2024. Although NPLs declined by Rs 13 billion, higher contraction in advances pushed GNPLR up during H1CY25 (**Figure B2**). Around 85 percent decline in NPLs came from overseas operations mainly due to recovery and settlement efforts.

²² BSSM ranks the current period FSIs vis-à-vis their historical level. It is based on percentile rankings (scaled from 1 to 10) of various indicators and the summary score of these indicators in a particular dimension e.g., asset quality. Getting closer to 10 value of the summary statistic suggests increased risks but not necessarily immediate stability concern as the summary statistic is based on percentile rankings of historical series and the actual indicators for the quarter may still be in a comfortable position or above the minimum regulatory requirement. The methodology is based on Dattels, P., McCaughrin, R., Miyajima, K., & Puig, J. (2010). "Can you map global financial stability?" IMF Working Papers, 1-42

²³ Deposits experienced sharp decline in Q4CY24 due to ADR related tax policy on income of banks from government securities. However, deposits mobilization gained momentum in H1CY25.

Figure B2: Asset Quality Indicators



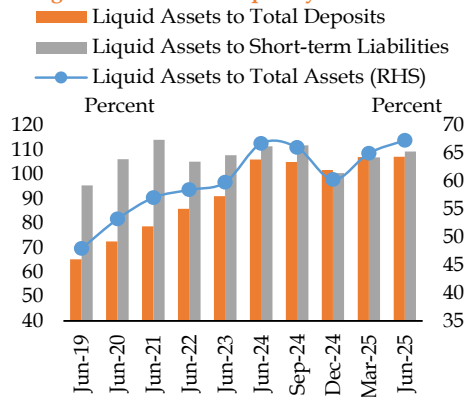
Source: State Bank of Pakistan

It is noteworthy that despite decline in NPLs, loan-loss allowances and provisions ratio improved to 106.2 percent in June 2025 from 103.9 percent in December 2024.²⁴ This may suggest improved risk management practices under the expected credit loss approach due to implementation of IFRS 9. With enhancement in provisions, the Net NPLs to Net Loans ratio improved further to *negative* 0.5 percent in June 2025 from *negative* 0.3 percent in December 2024. The stress testing exercise (sensitivity analysis) – based on June 2025 – also indicates that the banking sector possesses sufficient resilience to withstand severe but plausible hypothetical shocks to the credit risks factors (see **Annexure E**).

Liquidity

The liquidity profile of the sector remained satisfactory during H1CY25. Liquid assets to total assets improved to 67.4 percent in June 2025 from 60.3 percent in December 2024, the liquid assets to total deposits rose by 540 bps to 107.3 percent, and liquid assets to short-term liabilities increased by 880 bps to 109.4 percent during the reviewed period (**Figure B3**). The strength of liquidity indicators suggests that the banking sector retains

Figure B3: Trend in Liquidity Ratios



Source: State Bank of Pakistan

²⁴ Provisions include both specific and general provisions held under IFRS-9.

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significant buffers to manage and navigate through potential liquidity shocks.

The continued investment of the banks in government securities remains a key driver behind strong liquidity buffers. These securities provide the banks with readily accessible liquidity given their active secondary market while a regular mark-to-market practice also augments the transparency and market-based liquidity.²⁵

This is further manifested by Basel mandated liquidity requirements, viz.,

Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which showed improvement and continued to remain well above regulatory thresholds of 100 percent. The LCR and NSFR improved to 233.2 percent and 187.3 percent, respectively, in H1CY25 from 206.3 percent and 160.8 percent at end December 2024 (Figure B4).

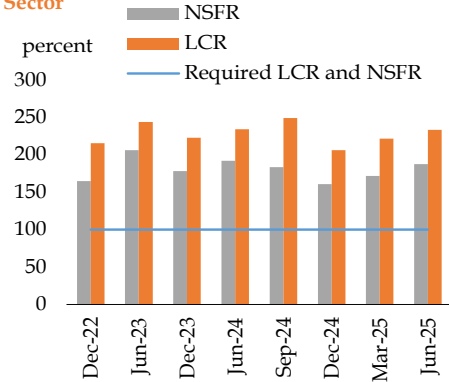
Profitability

Profitability remained steady despite significant decline in interest rates. The after-tax profit of the sector grew by 27.1 percent in H1CY25 as compared to a sluggish growth of 1.1 percent in H1CY24 (Figure B5).

Resultantly, after-tax ROA and ROE improved to 1.3 percent and 21.3 percent, respectively, from 1.2 percent and 20.4 percent in June 2024 (Figure B6).

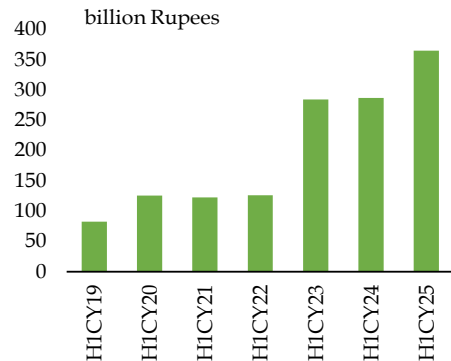
The strong growth in earnings was mainly driven by net interest income. The decline in policy rate led to a sharper drop in interest expenses compared to the fall in interest earnings as the funding side is repriced

Figure B4: Liquidity Indicators of Banking Sector



Source: State Bank of Pakistan

Figure B5: Profit After Tax (Year-to-Date)



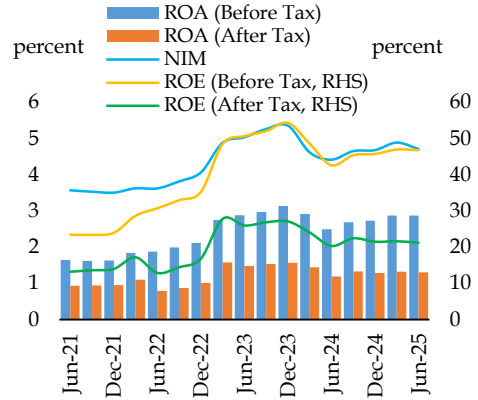
Source: State Bank of Pakistan

²⁵ 88.9 percent of the total MTBs and PIBs are classified as FVOCI (previously called AFS) and 4.1 percent are classified as FVPL (previously Held for Trading) – both the categories are regularly marked to market; while only 7.0 percent are classified as Amortized Cost (previously called Held to Maturity) at end June-2025.

relatively earlier than earning assets.²⁶ The net interest margin (NIM) of the banking sector thus improved to 4.7 percent from 4.4 percent in June-2024.

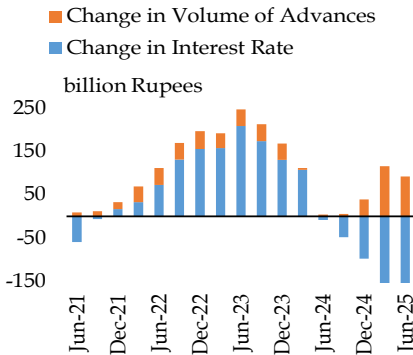
A detailed analysis of sources of interest income reveals that the decline in interest rate indeed proved to be a drag on interest earnings from advances and investments while the support and push in interest income came from expansion in volume of these assets (Figure B7, B8). Conversely, in case of deposits and borrowings, decline in interest expense due to change in interest rate was higher than the increase in expenses due to expansion in volume of these liabilities. (Figure B9, B10). As a result, net interest income improved even during the period of monetary policy easing.

Figure B6: Trend in Profitability Indicators



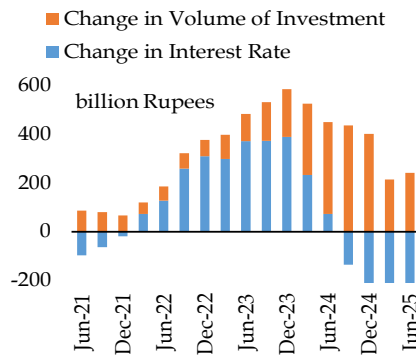
Source: State Bank of Pakistan

Figure B7: Change in Interest Earned on Advances due to



Source: State Bank of Pakistan

Figure B8: Change in Interest Earned on Investment due to

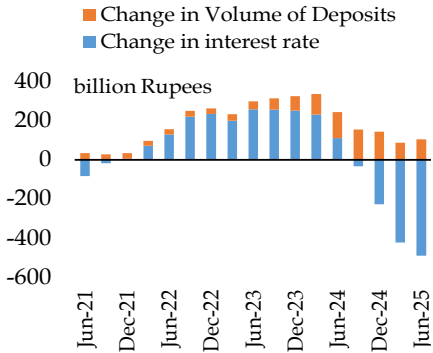


Source: State Bank of Pakistan

²⁶ After any change in SBP policy rate, saving deposits (conventional banking) are repriced from the next month while advances and investments are repriced as per their contractual maturity.

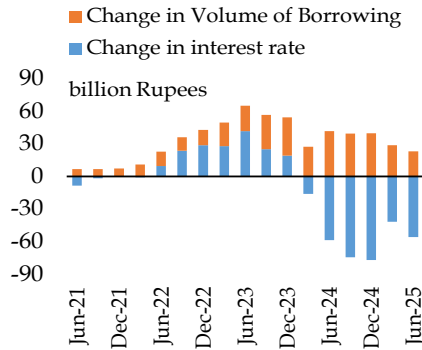
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Figure B9: Change in Interest Expense on Deposits due to



Source: State Bank of Pakistan

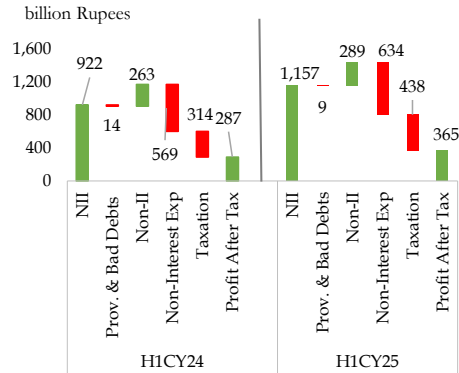
Figure B10: Change in Interest Expense on Borrowing due to



Source: State Bank of Pakistan

Although non-interest income of the banks exhibited a weak growth (10.1 percent in H1CY25 vs. 44.1 percent in H1CY24), there was a marked slowdown in growth of non-interest expenses (11.4 percent in H1CY25 vs. 30.3 percent in H1CY24) due to lowering of inflation, which also supported the overall profitability of the sector (**Figure B11**).

Figure B11: Composition of Profit After Tax



Source: State Bank of Pakistan

The taxation charges, which are on a rising trend in recent years, rose further to 54.5 percent of pre-tax profit for H1CY25 (52.9 percent in CY24 and 52.2 percent in H1CY24). With rising taxation rate,²⁷ taxation charges have now surpassed half of the profit before tax of the sector. Nevertheless, banks managed to keep their profitability metrics steady, reflecting their earning capacity and effective cost management (**Table B1**).

It deserves emphasis that interest earnings from investments have been rising over the last few years as the government has continued to rely on bank credit to finance its budgetary needs. Interest income from investments further inched up to 69.9 percent of total interest earnings in H1CY25 (69.5 percent in H1CY24) (**Figure B12**).

²⁷ Government raised rate of tax on banking companies through the Income Tax (Amendment) Ordinance 2024, promulgated on December 28, 2024.

Table B1: Profit and Loss Statement of Banking Sector

	YTD (billion Rupees)			YoY Growth (percent)		
	H1CY23	H1CY24	H1CY25	H1CY23	H1CY24	H1CY25
Mark-Up/ Return/Interest Earned	2,723	3,838	3,022	100.7	41.0	(21.3)
Mark-Up/ Return/Interest Expenses	1,882	2,917	1,866	120.3	55.0	(36.0)
Net Mark-Up / Interest Income	841	922	1,157	67.3	9.6	25.5
Provisions & Bad Debts Written Off Directly/(Reversals)	32	14	9	80.7	(55.9)	(38.8)
Net Mark-Up / Interest Income After Provision	809	908	1,148	66.8	12.2	26.5
Fees, Commission & Brokerage Income	103	125	143	23.2	21.7	14.4
Dividend Income	13	16	18	33.9	21.9	15.5
Income From Dealing In Foreign Currencies	59	66	60	41.2	12.6	(8.8)
Other Income	8	56	68	(30.9)	589.0	(67.2)
Total Non - Markup / Interest Income	182	263	289	24.7	44.1	10.1
Total Non-Markup/Interest Expenses	437	569	634	31.9	30.3	11.4
Profit before Tax and Extra ordinary Items	555	601	803	84.9	8.4	33.6
Extra ordinary/unusual Items -- Loss/(Gain)	-	-	-			
PROFIT/(LOSS) BEFORE TAXATION	555	601	803	84.9	8.4	33.6
Taxation/ (Reversal, Benefit)	270	314	438	55.5	16.1	39.7
PROFIT/(LOSS) AFTER TAX	284	287	365	125.4	1.1	27.1

Note: YTD=Year to Date.

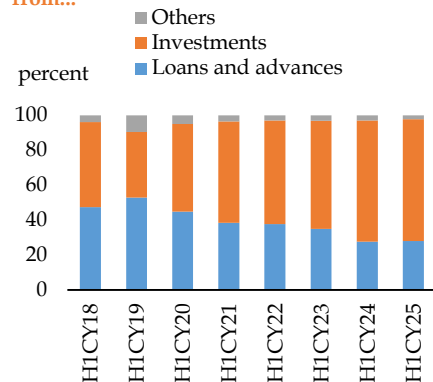
Source: State Bank of Pakistan

On the expense side, interest payments on deposits have remained the major contributor. However, its share in total interest expenses declined to 52.2 percent in H1CY25 from 58.1 percent in H1CY24, while the share of interest expenses on repo-based borrowing increased to 38.4 percent from 33.0 percent over the same period. The decline in interest expenses on deposits and their share in total interest expense was primarily due to falling interest rates as well as regulatory change related to exclusion of certain institutional depositors from applicability of minimum deposit rate²⁸ (Figure B13).

Capital Adequacy and Solvency

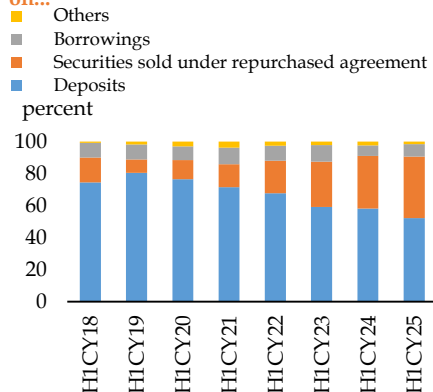
Banking sector exhibited a robust capital position during the period under review with its capital adequacy ratio (CAR) further improving to 21.4 from 20.6 percent in December 2024. The improvement came from

Figure B12: Share of Interest Earning from...



Source: State Bank of Pakistan

Figure B13: Share of Interest Expenses on...



Source: State Bank of Pakistan

²⁸ BPRD Circular No. 05 of 2025.

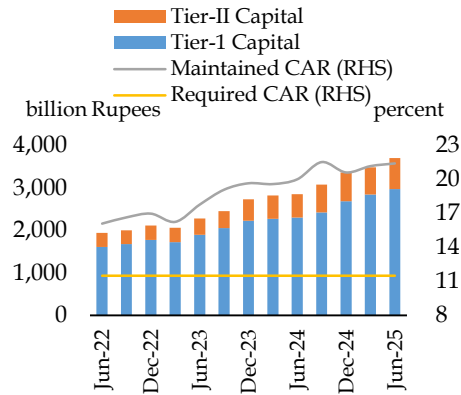
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a strong increase in capital base relative to the risk-weighted assets (**Figure B14**). The eligible capital grew at a faster pace of 9.5 percent as compared to 5.4 percent rise in risk-weighted assets in H1CY25. The growth in the capital was driven by higher earnings and revaluation gains in a declining interest rate environment.²⁹

While overall risk-weighted assets (RWAs) saw a moderate growth, the composition of this risk base has continued to shift over the past few years. The share of Credit RWAs in Total RWAs (TRWAs) declined to 66.7 percent in June-2025 from 69.2 percent in December-2024. This resulted from a contraction in advances during the reviewed period. In contrast, the share of Market RWAs and Operational RWAs in TRWA increased due to rising exposure in government securities and higher income growth, respectively (**Figure B15**).

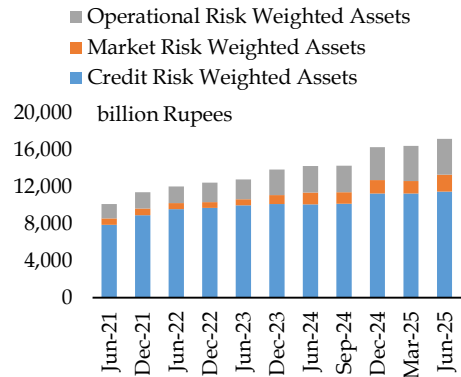
From a solvency perspective, the sector’s ability to absorb potential losses remains steady. The capital impairment ratio, viz., net NPLs to capital, remained *negative* 1.8 percent in H1CY25 indicating that total provisions held by banks exceeds the stock of NPL (*negative* 1.2 percent in H2CY24). As such, the sector possesses sufficient provisioning and capital buffers to withstand potential stress, and its delinquent loan portfolio poses limited risk to its overall health. The stress results, based on March 2025 data reveal that CAR of the

Figure B14: CAR of Banking Sector



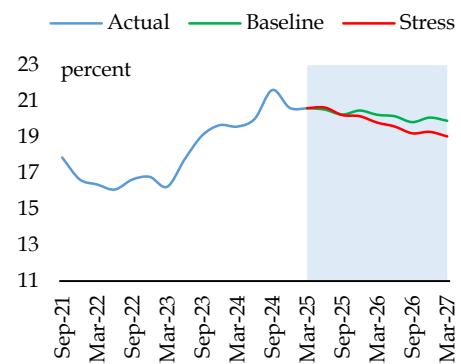
Source: State Bank of Pakistan

Figure B15: Trend in Risk Weighted Assets



Source: State Bank of Pakistan

Figure B16: Projected Capital Adequacy Ratio Under different assumed scenarios



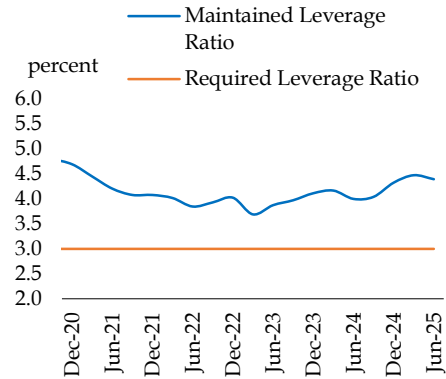
Source: State Bank of Pakistan

²⁹ Revaluation gains on government securities rose to Rs 492 billion at end June 2025 from Rs 307 billion at end December 2024.

banking sector is expected to remain comfortably above the minimum regulatory requirement of 11.5 percent under both baseline as well as hypothetically severe stressed macro-financial scenarios over the two-year forecast horizon (**Figure B16**). Results also indicate a strong resilience of the banks to withstand shocks to credit and market risk factors.

Besides risk-based capital requirements, banks in Pakistan are also required to maintain a non-risk based minimum leverage ratio of 3.0 percent as per Basel standards.³⁰ The ratio improved slightly to 4.4 percent in June 2025 from 4.3 percent in December 2024. The ratio, on average, has remained at 4.4 percent over the past seven years, higher than the minimum regulatory requirement (**Figure B17**).

Figure B17: Leverage Ratio



Source: State Bank of Pakistan

³⁰ Leverage ratio (LR), a non-risk based constraint on banks' exposures vis-à-vis capital levels, was introduced by the Basel Committee on Banking Supervision in 2014. It is defined as $LR = \text{Tier 1 Capital} / \text{Total Exposure}$. Exposure means On and Off balance sheet exposures at their nominal value, without assigning any lower risk weight to government exposures, sound firms etc. The ratio is designed to restrict the build-up of leverage in the banking sector, and to backstop the existing risk-weighted capital requirements (RWRs) with a simple, non-risk-weighted measure.

C. Financial Markets - Risk Assessment

The Financial Market Stress Index (FMSI), which reflects the combined volatility in different market segments, points to an increase in stress during H1CY25 (**Figure C1**), with main contribution coming from equity market volatility while other market constituents remaining relatively calmer (**Figure C2**).

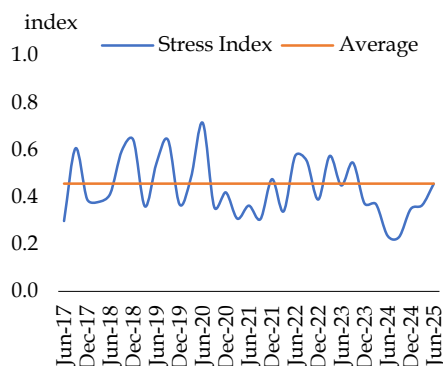
Domestic macroeconomic conditions continued to improve but external factors such as US trade tariff policy and regional geopolitical tensions had a short-lived yet material impact on equity market sentiments. FX and money markets, however, experienced lower level of volatility and continued to operate smoothly.

FX Market

FX liquidity conditions remained benign during the first half of CY25 as manifested in stable exchange rate dynamics (**Figure C3**). The parity against US dollar averaged at Rs 280.6 in H1CY25 against Rs 278.2 in H2CY24 – a mild depreciation of 0.9 percent (0.28 percent appreciation in H2CY24).

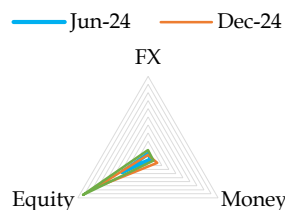
Although trade deficit (goods & services) widened to US\$ 16.3 billion in H1CY25 against US\$ 13.1 billion in H2CY24, strong inflow of remittances kept current account balance in surplus.³¹ SBP's FX reserves increased by 23.6 percent to US\$ 14.5 billion at end June-2025. Besides the purchases in the FX market, the disbursement of US\$ 1.0 billion from IMF under EFF program³² in May 2025 as well other official

Figure C1: Financial Markets Stress Index



Source: SBP Staff Calculations

Figure C2: Financial Markets Stability Map



Note: Volatility in the respective markets is calculated using Exponential Weighted Moving Average (EWMA) method. Daily Overnight repo rate, KSE-100 index and Interbank PKR/USD Exchange Rate are used as indicators for the money, equity and foreign exchange markets, respectively.

Source: State Bank of Pakistan

³¹ Workers' remittances amounted to US\$ 20.5 billion in H1CY25 (US\$ 17.8 billion in H2CY24). Current account surplus stood at US\$ 1.1 billion in H1CY25 against US\$ 1.0 billion in H2CY24

³² <https://www.imf.org/en/News/Articles/2025/05/09/pr-25137-pakistan-imf-completes-1st-rev-of-eff-arrang-and-approves-req-for-arrang-under-rsf>

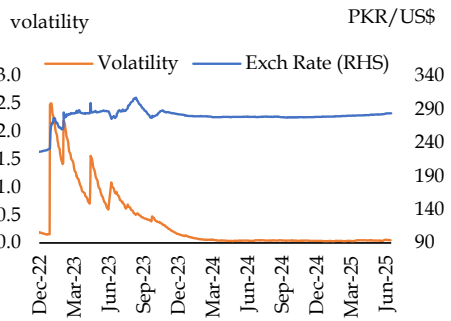
inflows at end June 2025 helped SBP increase its FX reserves. Despite widening trade deficit and central bank interventions, the average gap between exchange rates in open market and inter-bank market remained stable over two half-year periods (H1CY25 versus H2CY24). Moreover, foreign currency deposits – which constitute 11.0 percent of total deposits – have been trending upward indicating ameliorated confidence and improving macro-financial conditions.³³

Encouragingly, Fitch upgraded country’s credit rating in April 2025.³⁴ The country’s risk premium – measured by Credit Default Swap spread – also continued to decline in H1CY25. ^{35,36} The latest stress test results point to low sensitivity and high resilience of banks to FX risks due to conservative regulatory limits on FX exposures. On the basis of June 2025 data, even after a severe 30 percent hypothetical depreciation of PKR against USD, capital adequacy ratio of all CAR-compliant banks remains above minimum regulatory requirement (**Annexure E**).

Money Market

The volatility in the money market remained relatively contained due to effective monetary policy operations of the SBP. In the wake of receding inflationary pressures, monetary policy stance further eased in the first half of 2025. Policy rate was lowered by 200 basis points to reach 11.0 percent in June 2025.³⁷ The interest rate corridor mechanism

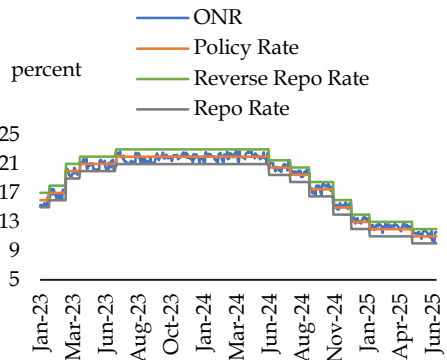
Figure C3: Exchange Rate and its Volatility*



*Volatility is measured using Exponential Weighted Moving Average Method based on daily data.

Source: State Bank of Pakistan

Figure C4: Interest Rate Corridor



Source: State Bank of Pakistan

³³ Foreign currency deposits stood at, on average US\$ 7.0 billion in H1CY25, US\$ 6.7 billion in H2CY24 and US\$ 6.6 billion in H1CY24.

³⁴ Fitch Ratings upgraded Pakistan's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B-' from 'CCC+'. Source: <https://www.fitchratings.com/research/sovereigns/fitch-upgrades-pakistan-to-b-outlook-stable-15-04-2025>

³⁵ Specifically, the 5-years CDS spread

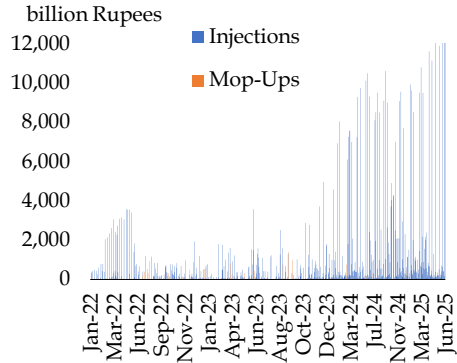
³⁶ CDS spread declined to 9.9 percent, on average, in H1CY25 from 15.6 percent in H2CY24 (20.1 percent in H1CY24)

³⁷ Policy rate was reduced by 100 bps in January-2025 with another cut of 100 bps in May-2025.

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continued to operate smoothly (**Figure C4**). The relative volatility in Overnight Repo Rate (ONR), on average, did not observe noticeable change in H1CY25 as compared to H2CY24. Nonetheless, the average gap between ONR and policy rate was higher, illustrating some liquidity pressures in the money market.³⁸ Relatively higher government borrowing from the banking sector³⁹ and relatively weak deposits momentum during first five months of 2025⁴⁰ resulted in significant OMOs injections, on average, during the reviewed period (**Figure C5**). The net retirement in advances, however, supported banks’ liquidity.⁴¹

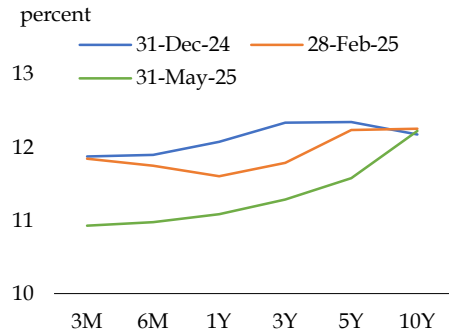
Figure C5: OMOs Injections and Mop-ups



Source: State Bank of Pakistan

In line with easing monetary stance, the treasury’s yield curve experienced a modest downward shift across almost all maturities post December 2024 (**Figure C6**). In the auctions, banks keenly participated in floating rate securities followed by fixed rate and MTBs.

Figure C6: Yield Curve



Source: Mutual Funds Association of Pakistan

In secondary market, trading volume of the government securities observed a significant rise. It increased to around Rs 100 trillion in H1CY25 from Rs 52 trillion in H2CY24 – possibly reflecting banks’ motive to book capital gains in a declining interest rate scenario (**Figure C7**).

Equity Market

The regional- and geo-political developments as well as tariffs related uncertainties caused a few temporary volatility spikes in the equity market. The growth

³⁸ The average gap in H1CY25 was 28 bps against 18 bps in H2CY24. There were 97 instances of positive gap (from policy rate) and 22 instances of negative gap (from policy rate) in H1CY25

³⁹ Government borrowed Rs 6.4 trillion in H1CY25 as compared to decline of Rs 1.1 trillion in H2CY24

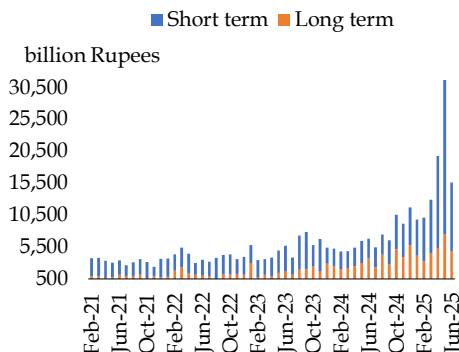
⁴⁰ Although total deposits have risen significantly in H1CY25 but weekly data shows that the main chunk of deposits was mobilized towards the end of June 2025.

⁴¹ Domestic sector advances (including private and public) declined by Rs 2.5 trillion in H1CY25

momentum, however, continued, albeit at a slower pace as the KSE-100 index further increased by 9.1 percent during H1CY25 (46.8 percent growth in H2CY24). The index surpassed 125,000 mark around end June 2025, setting a new all-time high record. The trading volume averaged at 254 million shares in H1CY25 (282 million shares in H2CY24).

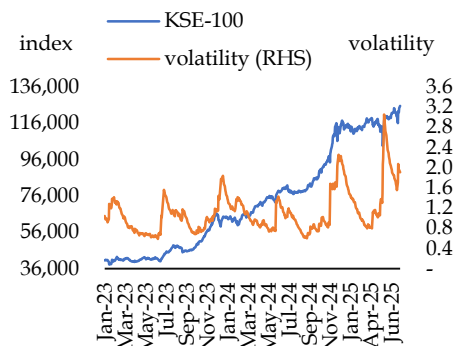
The equity market momentum was primarily due to a continued monetary easing, stable exchange rate dynamics, and successful conclusion of first review under the IMF’s Extended Fund Facility (EFF) arrangement etc. Nonetheless, there were some short-lived bouts of heightened volatility during the reviewed period (**Figure C8**). For instance, the index lost 3.3 percent on April 07, 2025 due to concerns emanating from uncertainty around trade tariffs by the USA. The index was also down by 5.9 percent on May 08, 2025 owing to a sharp rise in geopolitical conflict.⁴² However, investors’ confidence rebounded significantly⁴³ on May 12, 2025, driven by ease in the conflict, IMF’s approval for the second tranche under EFF as well as additional financing under Resilience and Sustainability Facility (RSF). In June 2025, again, there was some stress in the equity market due to a rise in regional geopolitical conflict. However, stability returned to markets as the geopolitical tensions receded.

Figure C7: Secondary Market Trading



Source: State Bank of Pakistan

Figure C8: KSE-100 Index and its Volatility



Source: State Bank of Pakistan and Pakistan Stock Exchange

⁴² KSE-100 index generally remained under pressure between April 22 to May 08 2025 due to geopolitical tensions between Pakistan and India.

⁴³ The index rose to 117,298 from 107,175 in a single day.

Box 1: SBP's Systemic Risk Survey - 16th Wave (July 2025)

(Disclaimer: The results represent the opinion of the respondents of the survey and do not reflect the views of the State Bank of Pakistan.)

SBP completed the 16th wave of its biannual Systemic Risk Survey (SRS) in July 2025 to measure the risk perceptions of the market participants as well as their confidence in the stability of the financial system.

The survey is meant to assess the present and future (over the next six months) perceptions of the respondents related to five broad categories of risks i.e. global, macroeconomic, financial markets, institutional and general. The respondents for the current iteration included a broad range of stakeholders. The response rate for the current wave was 43 percent – lower than 54 percent response rate for the 15th wave.

Summary of Results:

The respondents identified, on the aggregate level, risks under “Macroeconomic” and “General” categories as the most critical *current* systemic risks. Perception regarding “General Risk” was led by “Geopolitical Risk” and “Natural Disaster/Increasing Threat to Climate Change”. Over the *next six months*, however, the risk perception across these broad categories is expected to be lower. **(Chart A & B)**.

The top three current risks highlighted by the participants include “Geopolitical Risk for Pakistan” followed by “Foreign Exchange Risk.” and “Cyber Security Risk”. However, for the next six months, risk perception over these risks is likely to improve. **(Chart C)**.

While comparing the current wave with the last two waves, there is a deterioration in the risk perception on “Cyber Security Risks” and “Slowdown in Global growth”. On the other hand, risk perception has improved for “Social Unrest” and “Energy Crisis” **(Chart E)**.

Finally, the responses illustrate that the participants have further strengthened their confidence on the stability of the financial system of Pakistan as well as on the regulator’s ability to achieve its objective of ensuring financial stability **(Chart D)**.

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Chart A: Perception on sources of systemic risk- at present

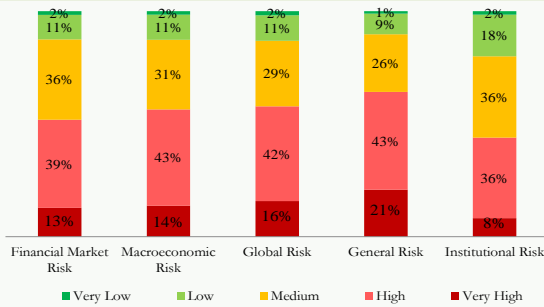


Chart B: Perception on sources of systemic risk during next 6 months

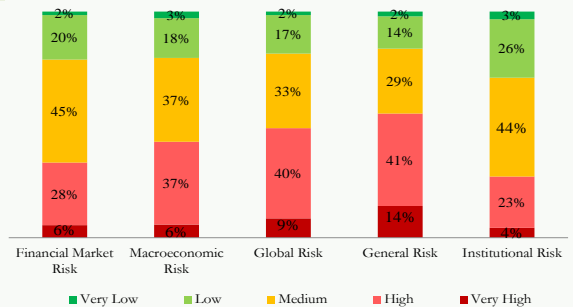


Chart C: Top 10 Risks Identified

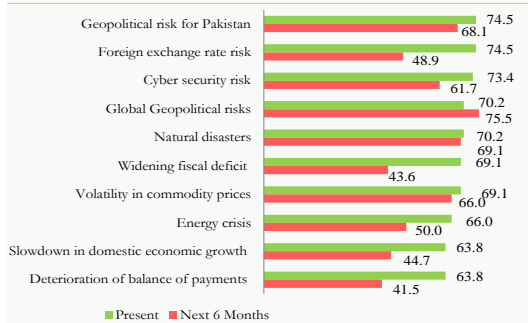


Chart D: Confidence in Financial Stability - Comparison with 16th & 15th wave

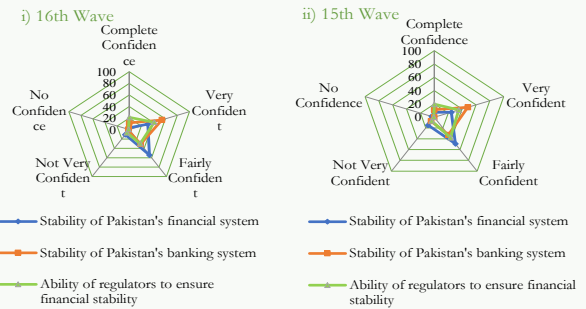
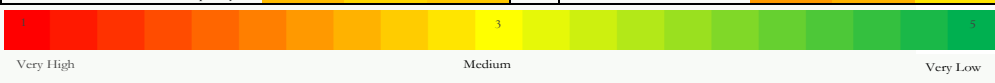


Chart E: Comparison of SBP's Systemic Risk Survey (SRS) Results (14th, 15th and 16th waves)

		14th Wave	15th Wave	16th Wave		14th Wave	15th Wave	16th Wave		
		(Jul-24)	(Jan-25)	(July-25)		(Jul-24)	(Jan-25)	(July-25)		
		Present (Average)	Present (Average)	Present (Average)		Present (Average)	Present (Average)	Present (Average)		
Global Risks	Slowdown in global growth	2.48	2.49	2.40	Institutional Risks	Regulatory risk	2.63	2.73	2.67	
	Sovereign default risk	2.82	2.95	2.74		Legal risk	2.85	2.86	2.83	
	Lack of funding from abroad	2.06	2.20	2.50		Asset quality deterioration	2.39	2.52	2.55	
	Volatility in commodity prices	2.02	2.19	2.15		Shortfall in capital requirement	2.44	2.66	2.77	
Macroeconomic Risks	Slowdown in domestic growth	2.01	2.22	2.34		Access to funding (deposit mobilization & borrowings)	2.68	2.78	2.78	
	Increase in domestic inflation	2.04	2.34	2.29		Excessive private sector credit	2.81	2.86	2.87	
	Widening fiscal deficit	1.99	2.15	2.21		Concentration risk in PSC	2.78	2.73	2.73	
	Deterioration of BoP	1.98	2.30	2.22		Concentration risk in mutual fund	3.06	2.90	3.07	
	Sovereign rating downgrade	2.32	2.61	2.61		Operational risk	2.63	2.64	2.60	
	Slowdown in corporate sector growth	2.30	2.38	2.52		Cyber security risk	2.27	2.12	2.12	
	Slowdown in infrastructure development	2.46	2.68	2.72		Disruption in financial market	2.68	2.76	2.74	
	Deterioration in household savings	1.93	2.18	2.36		General Risks	Terrorism	2.29	2.28	2.56
	Volatility in real estate prices	2.71	2.89	2.85			Geopolitical risk for Pakistan	2.21	2.21	2.26
Energy crisis	1.87	2.28	2.32	Natural disasters/ Increasing threat of climate change			2.11	2.39	2.20	
Political uncertainty	1.98	2.07	2.23	Social unrest			2.21	2.40	2.80	
Financial Market Risks	Foreign exchange rate risk	2.00	2.25	2.01						
	Equity price risk	2.63	2.82	2.70						
	Interest rate risk	2.32	2.75	2.69						
	Liquidity risk	2.47	2.68	2.57						



Banking sector's performance is likely to remain steady in the second half of CY25. The subdued inflation, relatively stable exchange rate, prudent fiscal policy, and country's improved credit rating are likely to support economic recovery. Nonetheless, recent torrential rains and flooding could pose some challenges to the economic recovery. Amid easing financial conditions, economic recovery and a seasonal demand, banks' advances are expected to rise in H2CY25. Particularly, with relatively lower tariffs rate of 19 percent compared to regional competitors, textiles exports to USA may see some uptick translating into higher credit demand. While continued fiscal consolidation, realization of planned official inflows⁴⁴, and increase in non-tax revenue⁴⁵ can taper government's needs for bank credit, however, recent flooding could exert pressures on fiscal account.

The cumulative reduction in policy rate is likely to depress banks' interest earnings. However, with an expected rise in lending amid easy monetary and improving economic conditions, the volume effect on earning may outweigh the rate impact. The credit risk of the banks is expected to remain contained owing to anticipated improvement in re-payment capacity of the borrowers amid easing financial conditions, improved business confidence and further traction in economic activity. The recent heavy floods may weaken the repayment capacity of agri borrowers; however, the banking sector's soundness is likely to remain immune due to relatively contained share of agri advances in overall loan portfolio and adequate capital cushions available with the banks.⁴⁶ Accordingly, the earning as well as solvency position of the banking sector is likely to remain steady. Encouragingly, results of the latest macro stress tests suggest that the banking sector, in general, and the large systemically important banks, in particular, are expected to show resilience and withstand assumed severe macroeconomic shocks over the projected period of two years.

⁴⁴ https://www.sbp.org.pk/m_policy/2025/Reports/MPR-Aug-2025.pdf

⁴⁵ <https://www.sbp.org.pk/press/2025/Pr-28-Aug-2025.pdf>

⁴⁶ For more details on physical risks arising from climate change, please see [Box 4.1 of Financial Stability Review-2023](#)

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E. Annexures (A-F)

Annexure A

Balance Sheet and Profit & Loss Statement of Banks
million Rupees

Financial Position	CY21	H1CY22	CY22	H1CY23	CY23	H1CY24	CY24	H1CY25
ASSETS								
Cash & Balances With Treasury Banks	2,276,963	2,330,437	1,829,335	2,953,977	2,922,048	3,367,430	3,005,489	3,452,702
Balances With Other Banks	253,008	329,621	265,732	419,914	395,676	488,677	374,727	432,287
Lending To Financial Institutions	1,095,663	1,300,829	1,132,188	931,113	1,629,493	1,379,374	1,379,764	1,074,416
Investments - Net	14,554,438	17,829,457	18,400,000	21,504,292	26,019,114	30,972,911	29,791,301	37,491,774
Advances - Net*	10,120,509	10,889,864	11,818,241	12,059,652	12,178,293	12,083,484	15,805,050	13,217,570
Operating Fixed Assets	704,729	750,991	824,231	891,189	951,397	1,034,822	907,680	969,919
Right of Use Assets#							169,755	199,688
Intangible Assets#							76,743	144,781
Deferred Tax Assets	133,061	178,968	202,613	290,272	198,305	222,061	146,713	96,926
Other Assets	919,931	1,250,573	1,323,191	1,746,243	2,069,286	2,137,979	2,035,464	2,492,292
TOTAL ASSETS	30,058,303	34,860,740	35,795,532	40,796,653	46,363,611	51,686,738	53,692,687	59,572,355
LIABILITIES								
Bills Payable	328,566	367,963	439,979	435,836	409,720	444,865	701,486	696,499
Borrowings From Financial Institution	4,738,036	7,143,910	7,845,098	9,058,174	11,672,920	13,200,823	15,006,037	15,014,243
Deposits And Other Accounts	21,719,885	23,730,225	23,461,394	26,784,947	29,128,202	32,538,037	31,791,776	37,422,953
Sub-ordinated Loans	122,815	136,827	161,581	175,008	176,073	172,846	171,337	165,888
Liabilities Against Assets Subject To Finance Lease	8,025	8,109	8,268	13,106	9,873	40,127	217,693	247,844
Deferred Tax Liabilities	29,319	20,684	9,793	(8,941)	48,862	61,947	184,283	225,348
Other Liabilities	1,170,116	1,505,355	1,783,706	2,004,373	2,131,021	2,543,453	2,316,986	2,129,802
TOTAL LIABILITIES	28,116,763	32,913,074	33,709,818	38,462,502	43,576,672	48,803,918	50,389,598	55,902,576
NET ASSETS	1,941,540	1,947,666	2,085,713	2,334,150	2,786,939	2,882,820	3,303,089	3,669,779
NET ASSETS REPRESENTED BY:								
Share Capital	568,000	581,950	592,776	613,887	628,419	628,664	626,016	554,389
Reserves	445,470	471,971	509,887	612,217	652,682	688,997	731,130	902,794
Unappropriated Profit	721,894	761,847	873,629	1,016,124	1,209,273	1,221,023	1,391,551	1,576,454
Share Holders' Equity	1,735,364	1,815,769	1,976,291	2,242,228	2,490,374	2,538,684	2,748,697	3,033,637
Surplus/Deficit On Revaluation Of Assets	206,176	131,897	109,422	91,922	296,565	344,136	554,392	636,142
TOTAL	1,941,540	1,947,666	2,085,713	2,334,150	2,786,939	2,882,820	3,303,089	3,669,779
PROFIT AND LOSS STATEMENT								
Mark-Up/ Return/Interest Earned	1,831,650	1,356,779	3,420,449	2,723,065	6,366,447	3,838,419	7,640,008	3,022,374
Mark-Up/ Return/Interest Expenses	992,650	854,211	2,243,024	1,882,145	4,463,672	2,916,749	5,600,804	1,865,517
Net Mark-Up / Interest Income	839,000	502,567	1,177,424	840,920	1,902,775	921,670	2,039,204	1,156,858
Provisions & Bad Debts Written Off Directly/(Reversals)	50,405	17,505	58,768	31,636	61,614	13,957	64,008	8,539
Net Mark-Up / Interest Income After Provision	788,595	485,063	1,118,656	809,283	1,841,161	907,713	1,975,197	1,148,319
Fees, Commission & Brokerage Income	142,803	83,316	173,148	102,674	217,417	124,998	265,463	143,026
Dividend Income	18,003	9,659	21,681	12,930	25,684	15,756	29,087	18,191
Income From Dealing In Foreign Currencies	34,746	41,436	80,448	58,505	111,283	65,886	102,862	60,109
Other Income	43,161	11,742	23,193	8,114	37,144	55,904	186,228	67,859
Total Non - Markup / Interest Income	238,713	146,154	298,470	182,222	391,527	262,544	583,640	289,186
Total Income	1,027,308	631,216	1,417,126	991,506	2,232,688	1,170,258	2,558,836	1,437,504
Administrative Expenses*	565,230	328,629	704,573	426,588	916,191	553,137	1,013,741	255,150
Other Expenses	10,987	2,735	9,531	10,352	29,798	16,022	122,101	378,986
Total Non-Markup/Interest Expenses	576,216	331,364	714,104	436,940	945,989	569,159	1,135,841	634,136
Profit before Tax and Extra ordinary Items	451,092	299,852	703,022	554,566	1,286,699	601,099	1,422,995	803,368
Extra ordinary/unusual Items - Gain/(Loss)	-	-	-	-	-	-	55,214	-
PROFIT/(LOSS) BEFORE TAXATION	451,092	299,852	703,022	554,566	1,286,699	601,099	1,367,781	803,368
Less: Taxation	186,870	173,661	366,532	270,110	644,475	313,650	724,142	438,120
PROFIT/(LOSS) AFTER TAX	264,222	126,191	336,490	284,456	642,224	287,450	643,638	365,248

Provisions include general and specific provisions

*Administrative Expenses starting from Sep 2024 onwards represents only Salaries, Allowance, etc.; all other administrative expenses have been merged into Other Expenses.

#Right of use Assets' and 'Intangible Assets' were introduced in the financial statements format prescribed by BPRD via their Circular No. 02 of 2023.

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

Annexure B

Distribution of Deposits

billion Rupees								
	CY21	H1CY22	CY22	H1CY23	CY23	H1CY24	CY24	H1CY25
DEPOSITS	21,720	23,730	23,461	26,785	29,128	32,538	31,792	37,423
Customers	20,179	22,015	22,583	25,336	27,289	30,506	30,403	34,975
Fixed Deposits	4,227	4,462	4,503	4,886	5,310	5,361	4,876	5,527
Saving Deposits	7,562	7,967	8,298	9,109	10,469	12,030	12,971	13,629
Current Accounts							11,227	15,157
Remunerative	1,019	1,153	1,174	1,263	1,255	1,707		
Non-remunerative	7,138	8,060	8,162	9,578	9,841	10,878		
Others	233	373	447	500	415	532	1,329	662
Financial Institutions	1,540	1,716	878	1,448	1,839	2,032	1,389	2,448
Fixed Deposits							135	137
Saving Deposits							829	1,484
Current Accounts							420	822
Remunerative	927	1,093	748	903	1,255	1,361		
Non-remunerative	613	622	130	545	584	671		
Others							5	5
Break up of Deposits Currency Wise	21,720	23,730	23,461	26,785	29,128	32,538	31,792	37,423
Local Currency Deposits	19,539	21,170	20,787	23,468	26,273	28,952	27,521	33,289
Foreign Currency Deposits	2,180	2,560	2,674	3,317	2,855	3,586	4,271	4,134

Break up of deposits by remunerative and non remunerative categories was discontinued via BPRD Circular No. 02 of 2023.

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

Mid-Year Performance Review of the Banking Sector (January –June 2025)

Annexure C

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

Amount in million Rupees, ratio in percent

	CY23			H1CY24			CY24			H1CY25		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	8,878,428	779,085	8.8	8,803,067	780,630	8.9	12,304,672	755,753	6.1	9,851,689	741,793	7.5
SMEs Sector	537,795	76,095	14.1	484,358	79,472	16.4	677,718	122,210	18.0	711,668	115,939	16.3
Agriculture Sector	501,720	59,546	11.9	527,544	64,155	12.2	578,498	56,852	9.8	739,303	101,549	13.7
Consumer sector	814,807	34,209	4.2	800,257	36,667	4.6	891,241	38,465	4.3	901,474	43,049	4.8
<i>i. Credit cards</i>	107,645	1,619	1.5	122,016	2,072	1.7	140,693	2,403	1.7	156,840	2,875	1.8
<i>ii. Auto loans</i>	247,398	4,541	1.8	225,499	4,856	2.2	242,634	4,567	1.9	277,183	4,686	1.7
<i>iii. Consumer durable</i>	1,519	52	3.5	2,017	73	3.6	2,182	479	22.0	2,484	158	6.3
<i>iv. Mortgage loans</i>	211,519	12,168	5.8	207,595	13,134	6.3	207,813	14,222	6.8	209,109	15,379	7.4
<i>v. Other personal loans</i>	246,727	15,828	6.4	243,131	16,532	6.8	297,918	16,794	5.6	255,858	19,951	7.8
Commodity financing	1,407,078	8,807	0.6	1,539,805	9,222	0.6	1,397,383	63,895	4.6	1,079,326	18,916	1.8
<i>Cotton</i>	70,332	1,410	2.0	62,328	1,376	2.2	92,105	5,063	5.5	86,106	5,803	6.7
<i>Rice</i>	32,646	2,541	7.8	15,519	2,454	15.8	23,925	2,571	10.7	15,154	2,402	15.9
<i>Sugar</i>	100,871	1,621	1.6	205,620	1,556	0.8	227,883	1,497	0.7	246,751	5,891	2.4
<i>Wheat</i>	1,064,423	717	0.1	1,117,651	1,211	0.1	908,561	51,145	5.6	650,868	1,058	0.2
<i>Others</i>	138,805	2,519	1.8	138,687	2,625	1.9	144,908	3,619	2.5	80,447	3,762	4.7
Staff Loans	303,074	2,802	0.9	335,636	3,162	0.9	366,326	3,486	1.0	294,445	3,892	1.3
Others	657,693	34,274	5.2	650,193	31,046	4.8	698,542	27,245	3.9	760,420	30,237	4.0
Total	13,100,595	994,818	7.6	13,140,861	1,004,354	7.6	16,914,380	1,067,905	6.3	14,338,324	1,055,374	7.4

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

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

Amount in million Rupees, ratio in percent

	CY23			H1CY24			CY24			H1CY25		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	1,030,469	65,930	6.4	1,167,594	67,949	5.8	1,679,887	60,097	3.6	1,513,666	105,567	7.0
Automobile/Transportation	191,168	19,258	10.1	174,718	17,663	10.1	194,525	21,615	11.1	135,477	27,336	20.2
Cement	256,209	7,326	2.9	242,127	7,719	3.2	351,146	10,127	2.9	204,501	10,619	5.2
Chemical & Pharmaceuticals	435,472	16,589	3.8	476,211	18,699	3.9	591,310	18,781	3.2	530,650	19,143	3.6
Electronics	158,175	25,923	16.4	165,089	26,029	15.8	197,069	30,803	15.6	186,426	26,480	14.2
Financial	405,467	11,431	2.8	374,143	11,128	3.0	1,729,350	8,916	0.5	924,994	11,176	1.2
Individuals	1,151,752	63,590	5.5	1,189,218	65,284	5.5	1,248,106	62,336	5.0	1,109,575	69,659	6.3
Insurance	4,372	62	1.4	2,856	62	2.2	266,272	62	0.0	6,799	62	0.9
Others	5,311,860	461,137	8.7	5,119,295	467,445	9.1	5,883,973	546,981	9.3	5,533,390	484,362	8.8
Production/Transmission of Energy	1,767,480	82,560	4.7	1,742,310	85,506	4.9	1,740,903	77,395	4.4	1,529,788	68,795	4.5
Shoes & Leather garments	49,695	5,841	11.8	51,293	5,932	11.6	41,186	2,494	6.1	43,406	2,990	6.9
Sugar	294,808	53,171	18.0	466,826	53,429	11.4	459,088	53,108	11.6	405,574	51,375	12.7
Textile	2,043,668	182,000	8.9	1,969,183	177,509	9.0	2,531,565	175,191	6.9	2,214,077	177,810	8.0
Total	13,100,595	994,818	7.6	13,140,861	1,004,354	7.6	16,914,380	1,067,905	6.3	14,338,324	1,055,374	7.4

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

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

million Rupees

	CY23		H1CY24		CY24		H1CY25	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	22,955	-	22,632	-	15,898	4,413	13,648	4,821
Sub Standard	79,510	10,814	58,036	19,003	103,785	27,686	114,546	37,231
Doubtful	69,767	34,465	96,916	52,310	73,988	43,110	52,268	33,593
Loss	822,586	763,236	826,770	787,884	874,235	819,832	874,912	844,262
Total	994,818	808,514	1,004,354	859,197	1,067,905	895,042	1,055,374	919,906

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

Starting from Sep 2024, regulated entities have reported expected credit loss instead of provisions as per relevant SBP guidelines.

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

Annexure D

Financial Soundness Indicators of the Banking Sector

percent

Indicators	CY22	H1CY23	CY23	H1CY24	CY24	H1CY25
CAPITAL ADEQUACY						
Risk Weighted CAR [^]	17.0	17.8	19.7	20.0	20.6	21.4
Tier 1 Capital to RWA	14.2	14.8	16.0	16.2	16.4	17.2
ASSET QUALITY						
NPLs to Total Loans	7.3	7.4	7.6	7.6	6.3	7.4
Provision to NPLs*	89.5	94.4	92.7	105.3	103.9	106.2
<i>Specific provisions to NPLs</i>	81.0	83.6	81.3	85.5	83.8	87.2
Net NPLs to Net Loans	0.8	0.4	0.6	1.2	-0.3	-0.5
Net NPLs to Capital ^{^^}	4.6	2.4	2.7	5.1	-1.2	-1.8
EARNINGS						
Return on Assets (Before Tax)	2.1	2.9	3.1	2.5	2.7	2.9
Return on Assets (After Tax)	1.0	1.5	1.6	1.2	1.3	1.3
ROE (Avg. Equity & Surplus) (Before Tax)	35.3	50.7	54.4	42.6	45.8	46.8
ROE (Avg. Equity & Surplus) (After Tax)	16.9	26.0	27.1	20.4	21.5	21.3
NII/Gross Income	79.8	82.2	82.9	77.8	77.7	80.0
Cost / Income Ratio	48.4	42.7	41.2	48.1	43.3	43.9
LIQUIDITY						
Liquid Assets/Total Assets	56.6	59.9	63.5	66.8	60.3	67.4
Liquid Assets/Total Deposits	86.4	91.2	101.1	106.1	101.9	107.3
Advances/Deposits	50.4	45.0	41.8	37.1	49.7	35.3

[^] Data for Dec-13 and onwards is based on Basel III, with the exception of IDBL, PPCBL, and SME Bank, which is based on Basel I.

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

* Provisions include general and specific provisions

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

Mid-Year Performance Review of the Banking Sector (January –June 2025)

Annexure E

Stress Testing Results of the Banking System

Position based as June 30, 2025 (Un-audited)

Shock Details		Number of Banks with CAR*				
		< 0%	0% - 8%	8% - 11.50%	> 11.5%	
Pre-Shock Position		2	0	0	28	
Credit Shocks		Nature of Shock	< 0%	0% - 8%	8% - 11.5%	> 11.5%
C-1	10% of performing loans become non-performing, 50% of substandard loans downgrade to doubtful, 50% of doubtful to loss.	Hypothetical	1	0	0	28
C-2	Default of top 3 private sector borrowers/Groups (fund based) exposures, including outstanding or limit which ever is higher and investments in borrowers' (FCs, equity etc., as defined under Revised PRs, net of deductions.	Hypothetical	1	0	1	27
C-3	Default of top 3 private sector borrowers/Groups (fund based and Non-Fund based) exposures, including outstanding or limit which ever is higher and investments in borrowers' (FCs, equity etc., as defined under Revised PRs, net of deductions.	Hypothetical	1	0	1	27
C-4	ANPLs under substandard downgrade to doubtful and a doubtful downgrade to loss.	Hypothetical	1	0	0	28
C-5	Increase in provisions against NPLs equivalent to 25% of Net NPLs.	Hypothetical	1	0	0	28
C-6	Increase in NPLs to Loans Ratio (NPLR) equivalent to the historical maximum quarterly increase in NPLs to Loans Ratio of the individual banks.	Historical	1	0	1	27
C-7	Increase in NPLs of all banks equivalent to the historical maximum quarterly rise	Historical	1	0	0	28
C-8	Increase in NPLs to Loans Ratio of Textile Sector of the banks equivalent to the historical maximum quarterly increase in these banks.	Historical	1	0	0	28
C-9	Increase in NPLs to Loans Ratio of Consumer Sector of the banks equivalent to the historical maximum quarterly increase in these banks.	Historical	1	0	0	28
C-10	Increase in NPLs to Loans Ratio of Agriculture & SME Sector of the banks equivalent to the historical maximum quarterly increase in these banks.	Historical	1	0	0	28
C-11	Critical Infection Ratio (The ratio of NPLs to Loans where capital would wipe out)	Hypothetical		7.3%	58.8%	51.5%
			Number of Banks with CAR			
			< 0%	0% - 8%	8% - 11.50%	> 11.50%
R-1	Parallel upward shift in the yield curve – increase in interest rates by 300 basis points along all the maturities.	Hypothetical	1	1	1	26
R-2	Upward shift coupled with steepening of the yield curve by increasing the interest rates along 3m, 6m, 1y, 3y, 5y and 10y maturities equivalent to the historical maximum quarterly increase.	Historical	1	1	1	26
R-3	Downward Shift plus flattening of the yield curve by decreasing the interest rates along 3m, 6m, 1y, 3y, 5y and 10y maturities equivalent to the historical maximum quarterly increase.	Historical	1	0	0	28
R-4	Impact of increase in interest rate by 400bps on investment portfolio only	Hypothetical	1	0	1	27
ER-1	Depreciation of Pak Rupee exchange rate by 30%.	Hypothetical	1	0	0	28
ER-2	Depreciation of Pak Rupee exchange rate by 25.3% equivalent to the historical quarterly highest level of depreciation of rupee against dollar.	Historical	1	0	0	28
ER-3	Appreciation of Pak Rupee exchange rate by 7.10% equivalent to the historical quarterly highest level of appreciation of rupee against dollar.	Historical	1	0	0	28
IQ-1	Fall in general equity prices by 36.1% equivalent to maximum decline in the index.	Historical	1	0	0	28
IQ-2	Fall in general equity prices by 50%.	Hypothetical	1	1	0	27
Liquidity Shocks		No. of Banks with no Liquidity after				
L-1	Withdrawal of Customer deposits by 2%, 5%, 10%, 10% and 10% for five consecutive days respectively.	Hypothetical	3 Days	4 Days	5 Days	
L-2	Withdrawal of Wholesale Deposits and Unsecured Borrowings by 10%, 20%, and 50% for three consecutive days respectively.	Hypothetical	1 Day	2 Days	3 Days	
L-3	Shock to Liquidity Coverage Ratio Applying 20% haircut to the value of Investments in Government and Marketable Securities	Hypothetical	Number of Banks with LCR<1			0

*Excluding EXM and PPCBL

Source: State Bank of Pakistan (unaudited Quarterly Report of Condition (QRC) submitted by banks)

Mid-Year Performance Review of the Banking Sector (January –June 2025)

Annexure F

Group-wise Composition of Banks

CY22	H1CY23	CY23	H1CY24	CY24	H1CY25
A. Public Sector Com. Banks (5) First Women Bank Ltd.	A. Public Sector Com. Banks (5) First Women Bank Ltd.	A. Public Sector Com. Banks (5) First Women Bank Ltd.	A. Public Sector Com. Banks (5) First Women Bank Ltd.	A. Public Sector Com. Banks (5) First Women Bank Ltd.	A. Public Sector Com. Banks (5) First Women Bank Ltd.
National Bank of Pakistan	National Bank of Pakistan	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.	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 Khyber	The Bank of Khyber
The Bank of Punjab	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab
B. Local Private Banks (20) AlBaraka Bank (Pakistan) Ltd.	B. Local Private Banks (20) AlBaraka Bank (Pakistan) Ltd.	B. Local Private Banks (20) AlBaraka Bank (Pakistan) Ltd.	B. Local Private Banks (20) AlBaraka Bank (Pakistan) Ltd.	B. Local Private Banks (20) AlBaraka Bank (Pakistan) Ltd.	B. Local Private Banks (20) AlBaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.	Allied Bank 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.	Askari Bank Ltd.	Askari Bank Ltd.
Bank Al. Habib Ltd.	Bank Al. Habib 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.	Bank Alfalah Ltd.	Bank Alfalah Ltd.
BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.
Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan 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.	Faysal Bank Ltd.	Faysalpa Digital Bank Limited
Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.	Faysal Bank Ltd.
Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Bank Ltd.
JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.	Habib Metropolitan Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.	JS Bank Ltd.
MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.	MCB Bank Ltd.
Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.	MCB Islamic Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	Meezan Bank Ltd.
Silk Bank Ltd.	Silk Bank Ltd.	Silk Bank Ltd.	Silk Bank Ltd.	Silk Bank Ltd.	SAMBA Bank Ltd.
Soneri Bank Ltd.	Soneri 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.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.	Summit Bank Ltd.	Bank Makramah Ltd. (formerly Summit Bank Ltd.)	Bank Makramah Ltd. (formerly Summit Bank Ltd.)	Bank Makramah Ltd. (formerly Summit Bank Ltd.)	Bank Makramah Ltd. (formerly Summit Bank Ltd.)
United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.
C. Foreign Banks (4) Citibank N.A.	C. Foreign Banks (4) Citibank N.A.	C. Foreign Banks (4) Citibank N.A.	C. Foreign Banks (4) Citibank N.A.	C. Foreign Banks (4) Citibank N.A.	C. Foreign Banks (4) Citibank N.A.
Deutsche Bank AG	Deutsche Bank AG	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 China Ltd.	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.
Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
D. Specialized Banks (3)* Punjab Provincial Co-operative Bank Ltd.	D. Specialized Banks (3)* Punjab Provincial Co-operative Bank Ltd.	D. Specialized Banks (3)* Punjab Provincial Co-operative Bank Ltd.	D. Specialized Banks (3)* Punjab Provincial Co-operative Bank Ltd.	D. Specialized Banks (2)* Punjab Provincial Co-operative Bank Ltd.	D. Specialized Banks (2)* Punjab Provincial Co-operative Bank Ltd.
SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.
Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.		
All Commercial Banks (29) Include A + B + C	All Commercial Banks (29) Include A + B + C	All Commercial Banks (29) Include A + B + C	All Commercial Banks (29) Include A + B + C	All Commercial Banks (29) Include A + B + C	All Commercial Banks (29) Include A + B + C
All Banks (32) Include A + B + C + D	All Banks (32) Include A + B + C + D	All Banks (32) Include A + B + C + D	All Banks (32) Include A + B + C + D	All Banks (31) Include A + B + C + D	All Banks (31) Include A + B + C + D

Source: State Bank of Pakistan

