State Bank of Pakistan

Mid-Year Performance Review of the Banking Sector

January - June 2026

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Financial Stability Department
State Bank of Pakistan

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Summary

The balance sheet of the Banking sector expanded by 9.1 percent to Rs 68,997 billion during H1CY26, mainly driven by investments in government securities. The private sector advances grew moderately during the first half of CY26. On funding side, deposits remained the mainstay, supporting around 63 percent of assets whereas the borrowings contributed around 26 percent as of end June 2026.

Asset quality indicators presented a satisfactory picture. Encouragingly, the gross NPL ratio—backed by a contraction in NPLs and an increase in advances—dipped to 5.5 percent by end June 2026 from 6.1 percent as of end-December 2025. During the same period, provisioning coverage ratio further improved by 248 basis points to 110.2 percent. This conservative approach led net NPLs to capital ratio to clock in at *negative* 2.3 percent, manifesting muted risk to solvency. Profitability of the banking sector remained steady during the period under review. Although net interest income moderated, a significant increase in non-interest income, reversals in credit loss allowances and write-offs supported the sector's earnings. The solvency position of the sector—with CAR at 19.6 percent—remained strong as well. The results of the latest macro stress tests indicate that the banking sector in general and large systemically important banks in particular are expected to remain solvent, exhibit resilience and withstand assumed severe shocks over the projected horizon of two years.

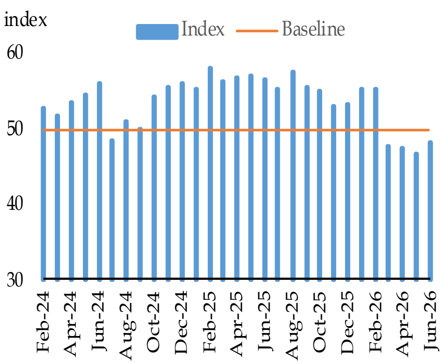
The stress in the equity market increased during H1CY26 while FX and money markets witnessed calmer conditions. The on-again, off-again conflict in the Middle East substantially dented investors' confidence, creating heightened volatility in equity prices in early period of the half year. However, equity market sentiments later improved in the wake of moderation in the conflict and associated ease in oil prices during the ceasefire negotiations that culminated in June 2026. In the FX market, stability prevailed owing to improved position of central bank reserves, driven in turn by a current account surplus, bilateral financial arrangements, and inflows from IMF. Finally, the money market continued to operate smoothly, with overnight rate hovering around SBP's policy rate.

The latest wave of Systemic Risk Survey (SRS), gauging views of independent respondents, reveals volatility in commodity prices, including oil, as the top-tier risk followed by global geopolitical risk. The Survey indicates satisfactory level of confidence of market participants in financial system stability and the regulator's ability to ensure financial stability.

Introduction

During H1CY26, the external economic environment, driven by heightened geopolitical conflict in the Middle East, affected domestic macroeconomic conditions. Inflation increased while economic activity slowed down, resulting in lower business confidence (**Figure A1**). However, important developments such as moderation in the conflict, improved fiscal and external buffers, a contained current account deficit, eased financial conditions, a successful IMF Review, and bilateral financial arrangements supported the overall economic momentum during the period under review **(Table A1)**.

Figure A1: Business Confidence Index



Source: State Bank of Pakistan

Operating within these macroeconomic conditions, banks' balance sheet grew by 9.1 percent to Rs 68,997 billion in H1CY26 (*versus* 11.0 percent in H1CY25). In terms of asset mix, 79.4 percent increase in flows came from investments while advances contributed 8.7 percent. As a result, the share of investments in total assets increased to 63.3 percent in June-2026 from 61.8 percent in December-2025 (**Figure A2**).

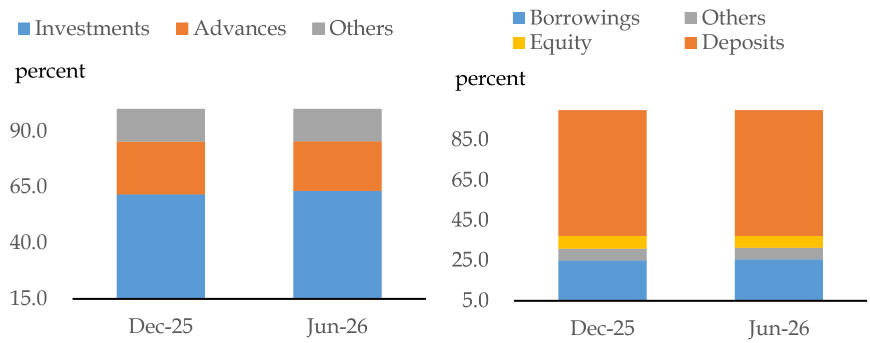
Table A1: Key Macroeconomic Indicators

billion (amount), percent (ratio)	Dec-24	Jun-25	Dec-25	Jun-26
Current Account Balance (USD - FY YTD)[1]	(1.9)	1.8	(1.4)	(0.3)
FX Reserves (USD)[2]	11.7	14.5	16.1	18.4
Fiscal Balance (PKR - FY YTD)[1]	(1,538)	(6,168)	542	(3,313)
LSM Index Growth (YoY)	(3.4)	4.0	0.4	(3.5)
CPI Inflation (YoY)	4.1	3.2	5.6	11.1

1. YTD indicates 'Year to Date', FY indicates 'Fiscal-Year
2. FX Reserves are 'as of' end of the period.

Source: SBP, PBS, MoF

Figure A2: Balance Sheet composition of the Banking Sector (percent of total assets)



Source: State Bank of Pakistan

On funding side, deposits increased by 9.3 percent to reach Rs 43,332 billion in H1CY26 (17.7 percent growth in H1CY25). Although borrowing witnessed an increase of 11.9 percent, its contribution in the assets remained steady at 25.7 percent in June-2026 (25.1 percent in December-2025).

Islamic Banking Institutions (**IBIs**) continued to exhibit a robust performance, growing by 13.0 percent in the first half of CY26 (11.5 percent in H1CY25). In the wake of persistent growth, IBIs share in the total assets and deposits of the banking sector reached 23.7 percent and 29.2 percent, respectively by end June-2026 (22.9 percent and 27.8 percent in December-2025). The expansion reflects not only the efforts of full-fledged Islamic banks but also a keen interest of conventional banks to open dedicated Islamic windows/branches to capitalize on faith-based customer base.

Advances

The gross advances (domestic and overseas) grew by a muted 2.9 percent during the period under review (15.2 percent *contraction* in H1CY25).[1] Domestic and overseas advances increased by 2.6 percent and 6.4 percent, respectively, in H1CY26.

Within domestic advances, **private sector advances**—constituting 75.4 percent of total domestic advances—increased by 2.7 percent in H1CY26 (17.0 percent *contraction* in H1CY25). Historically, private sector's borrowing usually observes slow momentum in the first half of calendar year reflecting seasonality (**Appendix A**).

[1] Domestic advances constitute around 93 percent of total gross advances at end June-2026.

Table A2: Segment-wise Domestic Private Sector Advances (Stocks)

billion Rupees	Dec-24	Jun-25	Dec-25	Jun-26
Corporate Sector:	**9,675**	**7,522**	**8,017**	**8,085**
Fixed Investment	3,424	3,081	3,125	3,193
Working Capital	4,377	2,542	2,978	2,867
Trade Finance	1,874	1,900	1,914	2,025
SMEs:	**600**	**657**	**848**	**889**
Fixed Investment	226	289	391	468
Working Capital	343	334	422	380
Trade Finance	30	34	35	41
Agriculture	**568**	**575**	**664**	**723**
Consumer Finance:	**837**	**903**	**1,024**	**1,156**
Credit Cards	141	156	182	206
Auto Loans	243	275	309	365
Consumer Durable	2	2	3	3
Mortgage Loan	200	209	222	271
Other personal Loans	251	260	308	311
Commodity Financing	**236**	**208**	**251**	**264**
Staff Loans	**366**	**296**	**315**	**303**
Housing Finance	282	219	229	217
Others than housing finance	84	77	86	86
Others	1	28	2	1
Total	**12,283**	**10,189**	**11,121**	**11,421**

Note: These advances represent lending to domestic private sector.

Source: State Bank of Pakistan

Segment-wise flow of domestic advances reveals that the corporate segment availed Rs 68 billion during reviewed period, of which, working capital advances *contracted* while trade financing and fixed investment financing increased (**Table A2**). The rise of fixed investment loans by Rs 69 billion is an upbeat development which manifests the impact of eased financial conditions and overall strengthening of macroeconomic fundamentals.

Encouragingly, advances to the **SME segment** —which constitutes 7.8 percent of total domestic private sector advances—increased by Rs 41 billion in H1CY26. This increase was mainly driven by long-term advances which grew by Rs 77 billion while working capital advances *contracted*. It is noteworthy that SMEs fixed investment advances have been consistently growing over the last few years. The share of fixed investment advances in total SMEs advances has risen to 52.6 percent in June-2026 from 32.4 percent in June-2023 (**Figure A3**). This development reflects various policy initiatives by the Government and SBP to promote sustainable and inclusive SMEs financing.[2]

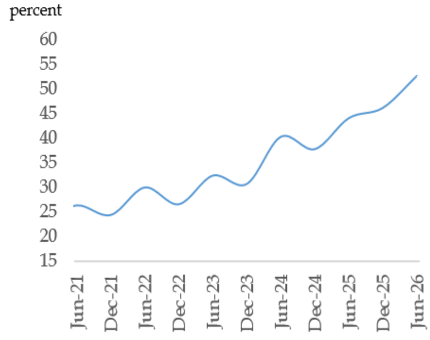
The banks' financing to the **Consumer segment**[3] increased by Rs 132 billion during H1CY26. The major push came from auto and mortgage financing which increased

[2] Government's schemes include CM Punjab Asaan Karobar Card, Prime Minister's Youth Business and Agriculture Loan Scheme (PMYB&ALS) and Risk Coverage Scheme for SMEs. Please see SH&SFD Circular No. 05 of 2025; SH&SFD Circular No. 02 of 2024; SH&SFD Circular No. 03 of 2024; and SH&SFD Circular No. 04 of 2024.

[3] Consumer loans constitute 10.1 percent of total domestic private advances at end June-2026

by Rs 56 billion and Rs 49 billion, respectively. Continued macroeconomic stability and favorable financial conditions, among others, have been keeping auto financing momentum since the start of monetary easing. Mortgage financing has recently gained traction[4] owing to relatively reduced borrowing costs and the introduction of a subsidized scheme by the Government and its expanding scope[5].

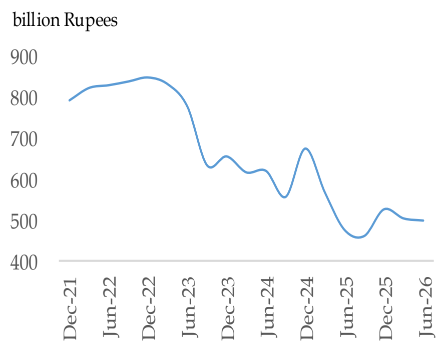
Figure A3: Share of Fixed Investment Loans in Total SMEs Loans



Source: State Bank of Pakistan

The **sector-wise** analysis of credit disbursement shows a mixed picture. Few sectors (e.g., chemical & pharmaceuticals, cement, sugar, agribusiness, wholesale & retail trade) availed financing while others including textiles, energy, and automobiles made net retirements during H1CY26. Eased financing conditions and revival in construction activity appears to drive up cement sector's financing. Sugar sector, unlike retirement of Rs 52 billion in H1CY25, availed Rs 205 billion in H1CY26. The rise was due to higher working capital financing driven by increased sugarcane production, lower refined sugar prices, as well as the absence of refined sugar exports impacting on the sector's cash flow.[6] Energy firms retired Rs 28 billion during H1CY26 possibly on account of improved cash flows emanating from circular debt settlements. Moreover, energy sector's advances have been trending downward over the last few years (**Figure A4**). Among others, this could be due to maturing of projects and resultant debt amortization.

Figure A4: Outstanding Private Energy Sector's Advances



Source: State Bank of Pakistan

Public sector advances increased by Rs 87 billion during the period under review. The principal contribution came from energy sector

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[4] Between September-2025 and June-2026, Rs 56 billion worth of loans were disbursed for housing segment.
[5] Government schemes include: Mera Ghar - Mera Ashiana (now called Wazir-e-Azam Apna Ghar Program-Ghar Ho Tu Apna). Please see SH&SFD Circular No.03 of 2025; SH&SFD Circular No.01 of 2026; SH&SFD Circular No.02 of 2026; SH&SFD Circular No.03 of 2026;
[6] Refine sugar prices averaged Rs 153/kg in H1CY26 against Rs 166/kg in H1CY25. Sugarcane production increased by 6.2 percent to 89 million tons in FY26 (Source: Pakistan Economic Survey). There were no exports of refined sugar in FY26 against exports of 765,734 MT in FY25 (Source: PBS)

financing, which increased by Rs 183 billion while agribusiness loans contracted Rs 64 billion. The significant increase in the advances towards energy sector was due to circular debt-related financing.

Investments

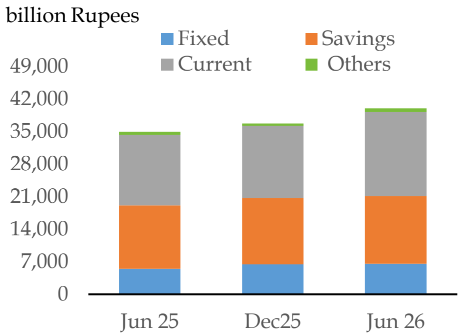
Banks' investments increased by 11.7 percent to Rs 43,646 billion in H1CY26. Almost entire increase came from investments in Government securities backed by budgetary borrowing.[7] Within Government securities, highest increase was recorded in MTBs followed by Ijara Sukuk and PIBs.[8] Accordingly, share of MTBs in total Government securities increased to 20.1 percent in June-2026 from 14.8 percent in December-2025. On the contrary, PIBs share declined to 60.7 percent from 66.5 percent in December-2025.

Further analysis of treasury auctions reveals that banks' interest in floating rate PIBs—reflected in offered to target ratio—significantly increased while it declined in case of fixed rate PIBs.[9] Also, offered to target ratio increased for MTBs auctions.[10] The banks' behavior in the treasury auctions seems to indicate expectations of an upward shift in the yield curve, with banks preferring short-term/floating rate investments instruments during the first half of CY26.[11]

Deposits and Borrowings

On the funding side, deposits of the banking sector exhibited a 9.3 percent growth (or Rs 3,673 billion) during H1CY26 **(Figure A5)**. The increase in customer deposits—which make more than 90 percent of total deposits—was mainly driven by current deposits followed by savings deposits.[12] On supply side, sluggish increase in savings and fixed

Figure A5: Composition of Customers' Deposits (stocks)



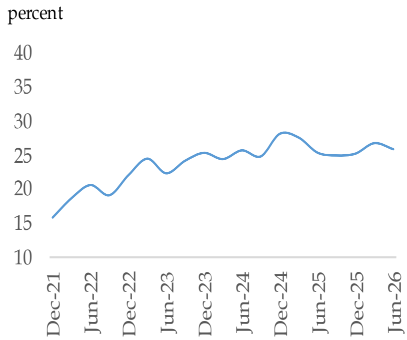
Source: State Bank of Pakistan

[7] Government borrowed Rs 4,300 billion in H1CY26 from commercial banks for budgetary borrowing (net).
[8] Investments in MTBs, Ijara Sukuk, and PIBs increased by Rs 2,943 billion, Rs 1,255 billion, and Rs 834 billion respectively.
[9] For floating rate PIBs (semi-annual) offered to target ratio increased to 12.9 in H1CY26 from 4.7 in H2CY25. The ratio declined to 3.7 from 4.7 in H2CY25 for fixed rate PIBs
[10] Offered to target ratio increased to 2.8 in H1CY26 from 2.5 in H2CY25
[11] On average, yield (3M,6M,1Y,3Y, 5Y, 10Y) increased by 1.9 percent between end Dec-2025 and end May-2026. Between end Dec-2025 and end June-2026, average yield increased by 1.0 percent.
[12] Customers' deposits increased by Rs 3,290 billion. Current, savings and fixed deposits increased by Rs 2,462 billion, Rs 326 billion, and Rs129 billion, respectively during H1CY26.

deposits may be due to lower rate of return during the period under review.[13] On demand side, with saving deposits offering a guaranteed minimum rate of return,[14] the banks have been mobilizing current accounts for quite some time to rationalize costs. Moreover, it may also reflect banks' preference for low cots current deposits amid expectations of increase in interest rates during Q2CY26.

Borrowings increased by Rs 1,890 billion during H1CY26, backed by secured borrowings from SBP.[15] **(Figure A6)**.

Figure A6: Percent of Assets Funded by Borrowings



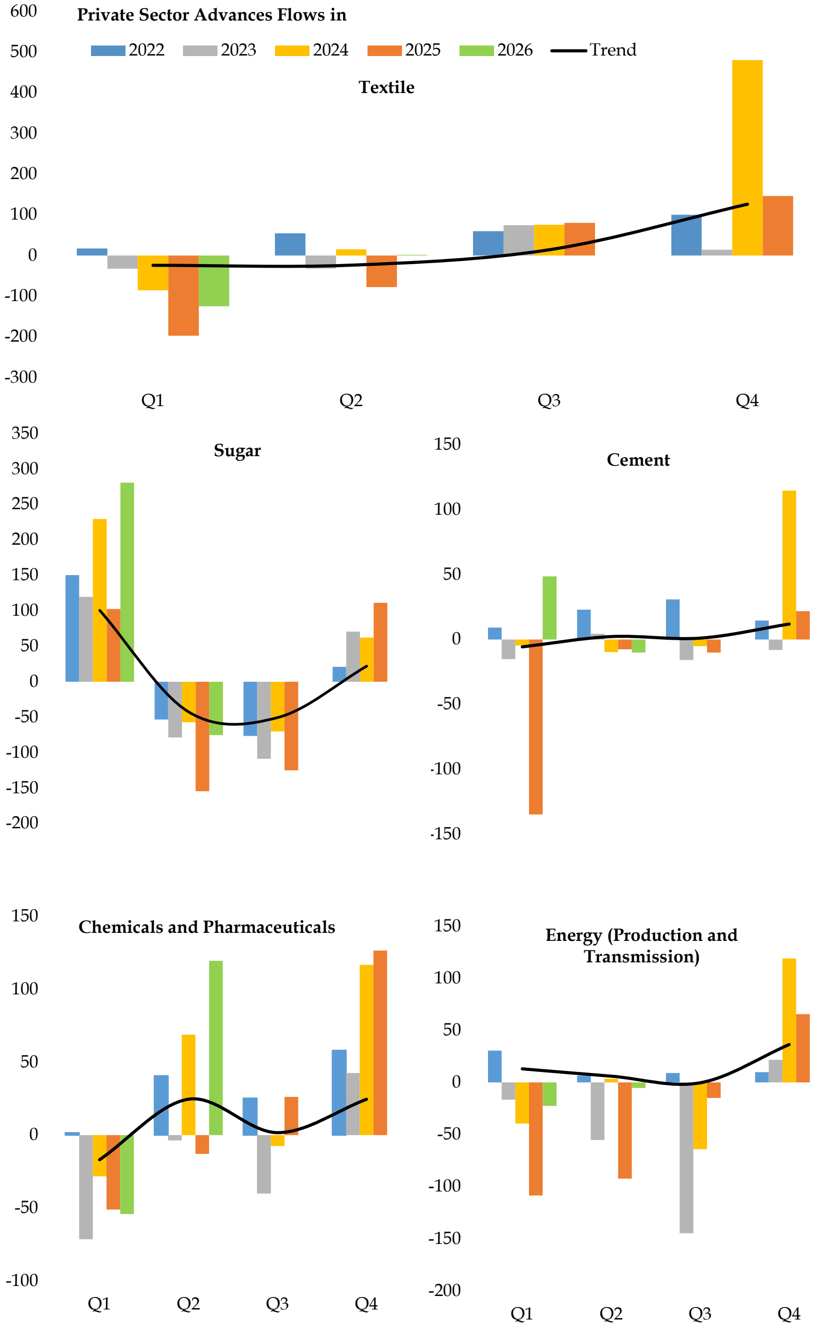
Source: State Bank of Pakistan

Shareholder Equity and Capital

The net assets (shareholders' equity plus revaluation surpluses) of the banks increased by Rs 32 billion (an increase of Rs 367 billion in H1CY25). Although plough back of profits increased shareholder equity by Rs 108 billion in H1CY26, a revaluation deficit of Rs 134 billion due to rise in secondary market yields kept net assets in check. Consequently, capital to asset ratio declined to 5.9 percent in June-2026 from 6.5 percent in December-2025 due to relatively faster growth in asset base.

[13] Weighted Average Deposit Rate (WADR) on incremental deposits was 4.6 percent in H1CY26 against 4.8 percent in H1CY25.
[14] Lately, some categories of saving deposits have been exempted from application of minimum deposit rate (see BPRD Circular No. 05 of 2024).
[15] Secured borrowings increased by Rs 2,302 billion while unsecured borrowings contracted by Rs 412 billion.

Appendix A: Seasonality in Private Sector Advances – Billion Rupees

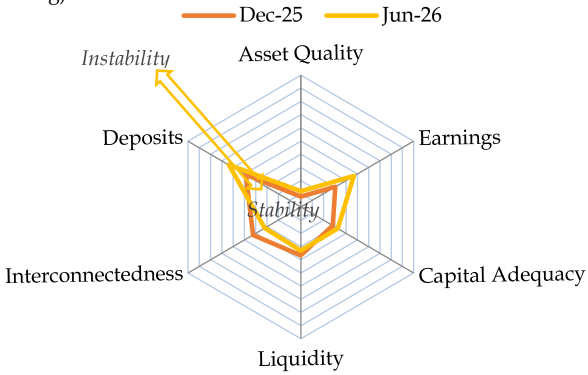


B. Soundness of the Banking Sector

The Banking Sector Stability Map (BSSM)[16] shows a mixed picture during H1CY26: earnings and deposits moderated, and Capital Adequacy Ratio (CAR) slightly declined over December-2025. Nonetheless, liquidity and interconnectedness improved along with satisfactory credit risk dynamics. (**Figure B1**).

Figure B1: Banking Sector Stability Map

(Percentile Ranking)



Source: State Bank of Pakistan

Asset Quality

Asset quality indicators improved in the reviewed period. Gross Non-performing Loans Ratio (GNPLR) ratio fell to 5.5 percent by end June-2026 from 6.1 percent in December-2025 (**Figure B2**). This is because NPLs reduced by Rs 62 billion while gross advances increased by Rs 460 billion in H1CY26. The major reduction in NPLs came from *agribusiness* and *individuals*.[17]

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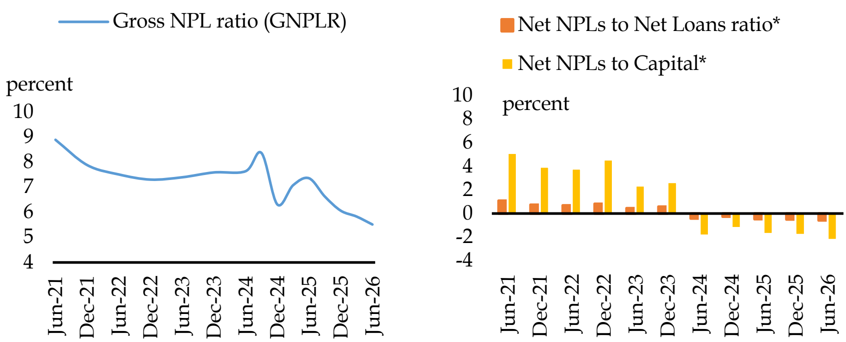
[16] BSSM ranks the current period FSIs vis-à-vis their historical level. It is based on percentile rankings (scaled from 1 to 10) of various indicators and the summary score of these indicators in a particular dimension e.g., asset quality. Getting closer to 10, value of the summary statistic suggests 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

[17] Agribusiness and individuals recorded decrease in NPLs of Rs 54 billion and Rs 19 billion, respectively.

Figure B2: Asset Quality Indicators



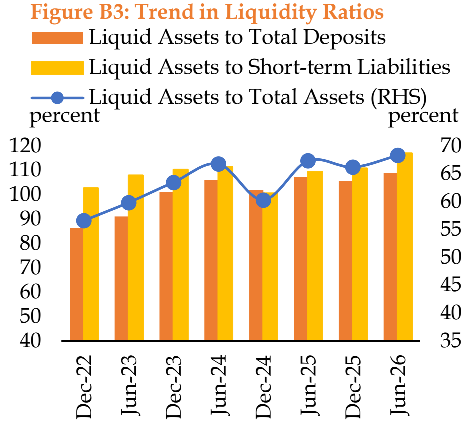
Source: State Bank of Pakistan

Besides, provisioning coverage ratio also improved to 110.2 percent in June-2026 from 107.7 percent in December-2025.[18] Hence, Net NPLs to Net Loans ratio further improved to *negative* 0.6 percent in June-2026 from *negative* 0.5 percent in December-2025. It reflects, inter-alia, strengthened credit risk management and the forward-looking expected credit loss (ECL) framework under IFRS-9. The latest stress testing exercise (sensitivity analysis) also indicates that the banking sector possesses sufficient resilience to withstand certain severe, but plausible, hypothetical shocks to the credit risks factors (see **Annexure E**).

Liquidity

The liquidity buffers of the banking sector remained strong during H1CY26. For instance, liquid assets to total assets ratio improved to 68.3 percent in June-2026 from 66.2 percent in December-2025. Also, liquid assets to total deposits moved up to 108.8 percent from 105.6 percent in December-2025. In addition, liquid assets to short-term liabilities increased to 117.0 percent from 110.8 percent in December-2025 (**Figure B3**). The prevailing liquidity indicators suggest banking sector's resilience against potential liquidity shocks. For instance, our sensitivity analysis results show that banks can withstand substantial deposit withdrawals even for five consecutive days.

Figure B3: Trend in Liquidity Ratios

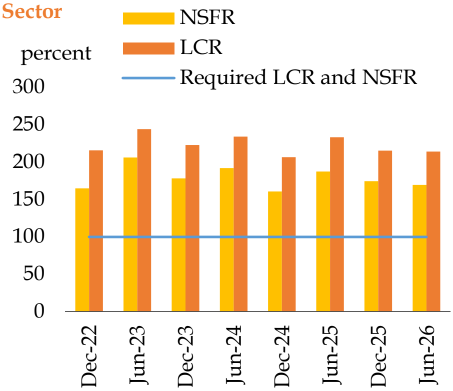


Source: State Bank of Pakistan

[18] Provisions include both general and specific provisions held under IFRS-9.

The sector's heavy investments in federal government securities remain a key driver behind strong liquidity buffers.[19] These securities have an active secondary market that provides banks with readily accessible liquidity.[20]

Figure B4: Liquidity Indicators of Banking Sector



Source: State Bank of Pakistan

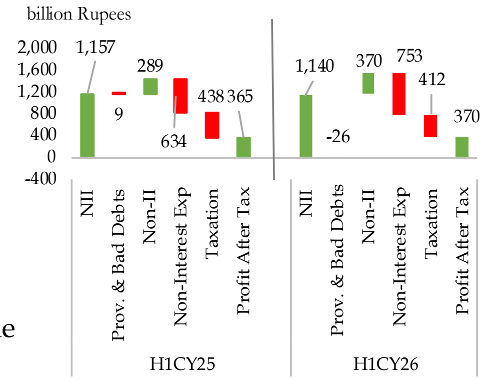
Importantly, the statutory Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) continued to remain well above regulatory thresholds of 100 percent. LCR and NSFR slightly declined to 214.1 percent (215.0 percent in December-2025) and 169.5 percent (174.3 percent in December-2025), respectively in June-2026 (**Figure B4**).

While banking sector's liquidity buffers remain strong, placements in cash or near-cash liquid assets carries implications for profitability as such assets yield lower returns.

Profitability

After-tax earnings were recorded at Rs 370 billion during H1CY26 against Rs 365 billion in comparable period of previous year (**Figure B5**). As a result of modest increase in profitability amid a reasonable growth in asset base in June-2026, after-tax ROA and ROE lowered to 1.1 percent (1.3 percent in June-205) and 19.0 percent (21.3 percent in June-2025), respectively(**Figure B6**).

Figure B5: Composition of Profit After Tax



Source: State Bank of Pakistan

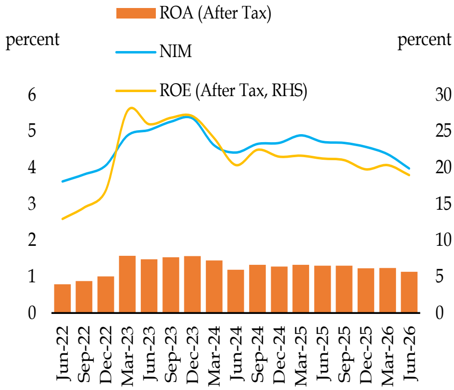
A further analysis reveals that net interest income (NII) slightly moderated to Rs 1,140 billion against Rs 1,157 billion in H1CY25. Higher interest expenses due to an increase of 100 bps in the policy rate in late April-2026

[19] In June 2026, 96.1 percent of investments were in federal government securities.

[20] 87.9 percent of the total MTBs and PIBs are classified as FVOCI (previously AFS), 4.0 percent are classified as FVPL (previously Held for Trading), while only 8.1 percent are classified as AC (previously Held to Maturity) at end June-2026.

may have kept NII in check.[21] Encouragingly, however, credit loss allowances (CLA) and write-offs witnessed a reversal of Rs 26 billion in H1CY26 (against a charge of Rs 9 billion in H1CY25). This was primarily owing to improved cash recoveries as well as a moderation of CLA amid expectations of improvement in risk profile of borrowers due to anticipated revival of economic activity.[22]

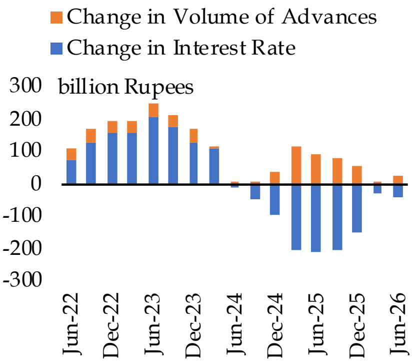
Figure B6: Trend in Profitability Indicators



Source: State Bank of Pakistan

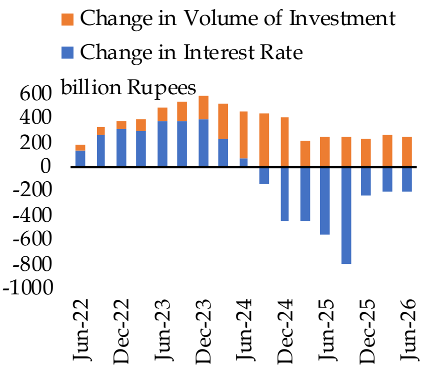
Contrary to NII, Non-interest income increased to Rs 370 billion—higher than Rs 289 billion recorded in H1CY25. Relatively elevated non-interest income was mainly driven by income from dealing in foreign currencies, gain on sale of securities, and fee and commission. Factors such as increase in remittances, opening of letters of credit for a higher quantum of trade and elevated oil prices during H1CY26 explain higher fees & commissions and FX gains. The noticeable increase in gains on sale of securities reflects banks' efforts to book gains by selling securities to avoid value erosion in the wake of an upward shift in secondary market yields.[23]

Figure B7: Changein 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

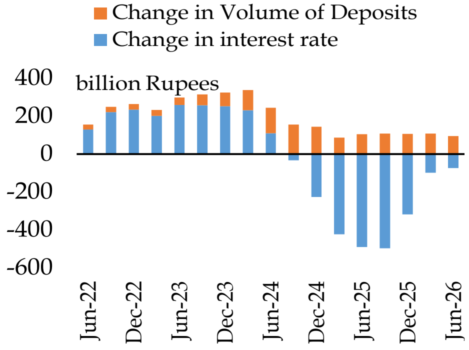
[21] In H1CY26, interest expenses were recorded Rs 1,946 billion against Rs 1,866 billion in H1CY25. Following a change in the policy rate, saving deposits are repriced relatively earlier, while earning assets are repriced according to their respective contractual maturity or repricing date

[22] Better cash recoveries resulted, inter alia, due to banks' recovery efforts.

[23] Banking sector recorded gains on sale of securities of Rs 85 billion (against Rs 49 billion in H1CY25). Average yield in the secondary market increased by 1.8 percent between end December 2025 and end May 2026. Average yield, however, increased by 1.0 percent between end December 2025 and end June 2026.

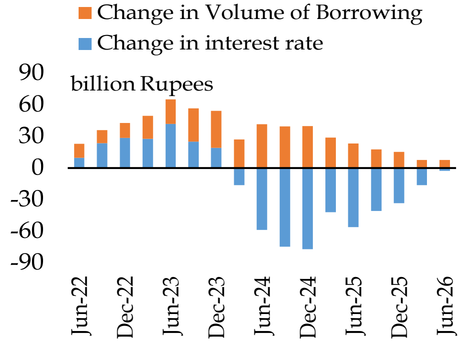
A detailed rate-volume analysis indicates that while expansion in assets supported interest income from advances and investments (volume effect), lower interest rates undermined interest earnings (rate effect) (**Figure B7&B8**). Similarly, volume of deposits and borrowings would have risen interest expenses but lower rates helped contract such expenses (**Figure B9&B10**).

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

Non-interest expenses during H1CY26 increased to Rs 753 billion against Rs 634 billion in H1CY25. Major increase in these expenses came from salaries, other administrative expenses, depreciation, and advertisement etc. Accordingly, cost to income ratio of the banking sector increased to 49.9 percent in June-2026 from 43.9 percent in June-2025 (**Tabel B1**).

Table B1: Profit and Loss Statement of Banking Sector

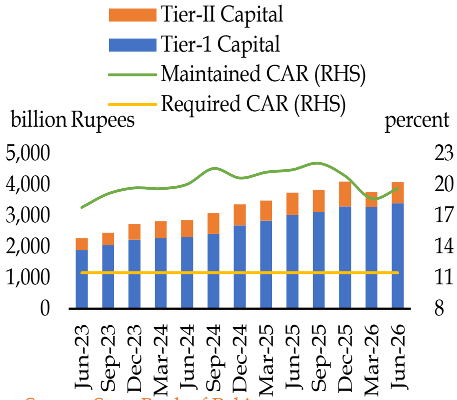
	YTD (billion Rupees)		YoY change (percent)	
	H1CY25	H1CY26	H1CY25	H1CY26
Mark-Up/ Return/ Interest Earned	3,022	3,085	(21.3)	2.1
Mark-Up/ Return/ Interest Expenses	1,866	1,946	(36.0)	4.3
Net Mark-Up / Interest Income	**1,157**	**1,140**	**25.5**	**(1.5)**
Provisions & Bad Debts Written Off Directly/(Reversals)	**9**	**(26)**	**(38.8)**	**(401.8)**
Net Mark-Up /Interest Income After Provision	**1,148**	**1,165**	**26.5**	**1.5**
Fees, Commission & Brokerage Income	143	163	14.4	14.0
Dividend Income	18	22	15.5	19.2
Income From Dealing In Foreign Currencies	60	83	(8.8)	38.9
Other Income	68	102	21.4	49.7
Total Non - Markup / Interest Income	**289**	**370**	**10.1**	**27.9**
Total Non-Markup/Interest Expenses	**634**	**753**	**11.4**	**18.8**
Profit before Tax and Extra ordinary Items	803	782	33.6	(2.6)
Extra ordinary/ unusual Items – Loss/ (Gain)	-	-		
PROFIT/ (LOSS) BEFORE TAXATION	**803**	**782**	**33.6**	**(2.6)**
Taxation/ (Reversal, Benefit)	438	412	39.7	(5.9)
PROFIT/ (LOSS) AFTER TAX	**365**	**370**	**27.1**	**1.2**
Note: YTD=Year to Date.				

Source: State Bank of Pakistan

Capital Adequacy and Solvency

Capital Adequacy Ratio (CAR) moderated to 19.6 percent from 20.8 percent in December-2025. The moderation was mainly due to contraction in total *eligible* capital of 0.5 percent while risk-weighted assets increased by 5.8 percent H1CY26 (**Figure B11**). With bulk of investments locked in treasury securities, an increase of benchmark rate during the period resulted in revaluation deficits, which shrank overall 'revaluation surpluses' by Rs 134 billion and led to a contraction of 14.8 percent in Tier-II capital.

Figure B11: CAR of Banking Sector

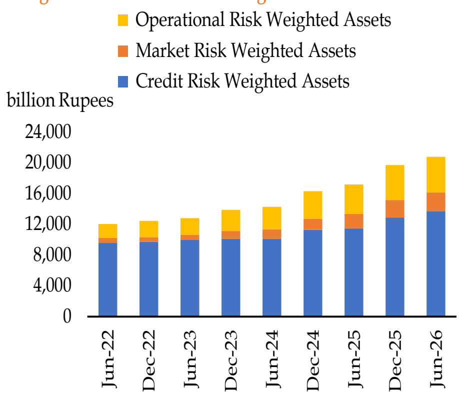


Source: State Bank of Pakistan

Within risk weighted assets (RWA), Credit RWAs increased by Rs 889 billion driven by growth in advances in H1CY26. Market RWA and Operational RWAs saw an uptick of Rs 128 billion and Rs 132 billion, respectively **(Figure B12)**.

The sector's ability to absorb potential losses remained strong because net NPLs to capital further improved to *negative* 2.3 percent in June-26 from *negative* 1.8 percent in December-25. The comfortable level of CAR as well as the latest stress testing analysis indicate a strong resilience of the banks to withstand shocks to credit and market risk factors **(Figure B13).**

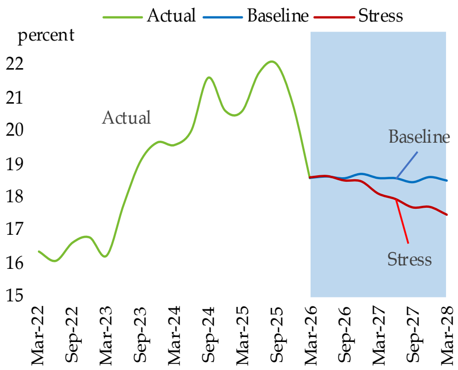
Figure B12: Trend in Risk Weighted Assets



Source: State Bank of Pakistan

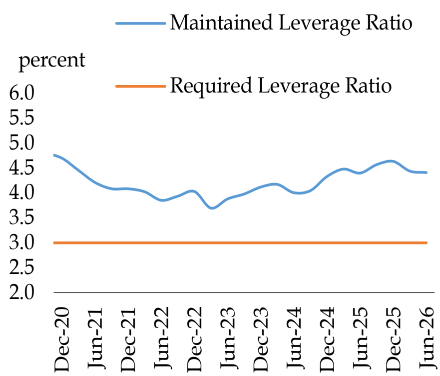
Besides risk-based capital requirements, banks in Pakistan are also required to maintain a non-risk based minimum leverage ratio of 3.0 percent as per Basel standards.[24] The ratio slightly declined by 20 bps to 4.4 percent in June-2026 over the half year. Importantly, the average ratio has remained at 4.2 percent over the past seven years **(Figure B14).**

Figure B13: Projected CAR under different assumed Scenarios



Source: SBP Calculations

Figure B14: Leverage Ratio



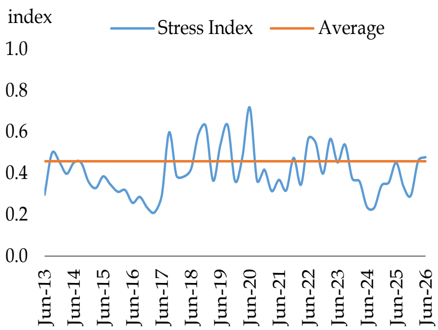
Source: State Bank of Pakistan

[24] 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 = Tier 1 Capital/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

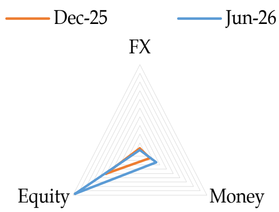
The stress indicator for financial markets comprising equity, forex and money markets hovered around historical average on aggregate basis (**Figure C1**).[25] The stress, measured by volatility in each market, was predominantly driven by the equity market as both FX and money markets saw calmer conditions (**Figure C2**).

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

The first half of 2026 was marked by unusual spike in domestic economic uncertainty, emanating from heightened geopolitical stress in the Middle East (**Figure C3**). Although macroeconomic conditions broadly remained supportive,[26] uncertain outlook for international commodity prices and supply chain disruptions significantly affected equity market sentiments.

Equity Market

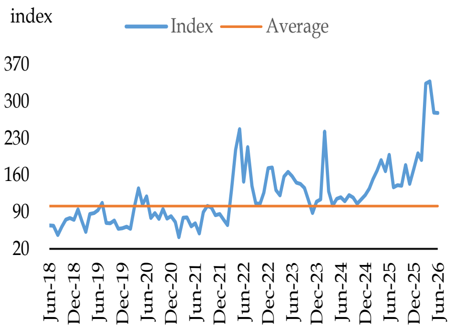
KSE-100 index grew by 2.5 percent in H1CY26 as compared to a strong 38.5 percent expansion in H2CY25. The index reached around 190,000 on January 23,2026. Nonetheless, the geopolitical conflict in the Middel East—beginning towards the end of February—and associated repercussions on international commodity prices, including oil, had material impact on investors’ risk appetite. Between February 27

[25] The Financial Market Stress Index (FMSI) indicates that 53% of the past observations stand above the stress level recorded in H1CY26. The underlying volatility in respective markets is calculated by using Exponential Weighted Moving Average (EWMA) on daily percent changes of Weighted Average Overnight Repo Rate, interbank PKR/USD exchange rate and KSE-100 index.

[26]. CPI inflation (YoY) steadily grew to 11.1 percent in June-2026 from 5.6 percent in December-2025.

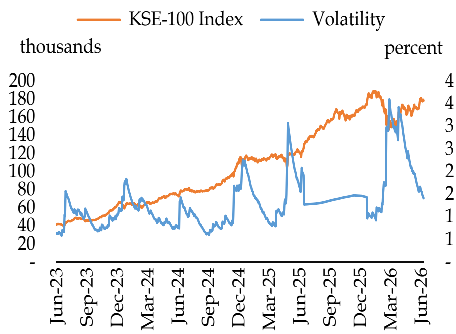
and Mar 31,2026, the index sharply declined by 11.5 percent to 148,743, leading to significant spike in volatility (**Figure C4**).

Figure C3: Economic Policy Uncertainty Index



Source: State Bank of Pakistan

Figure C4: KSE-100 Index and its Volatility



Source: State Bank of Pakistan

With moderation in the conflict and softening of oil prices, equity market sentiments gradually improved. Moreover, a number of other positive developments supported the underlying macroeconomic outlook including Pakistan's successful re-entry in international capital markets in April-2026,[27] timely repayment of external obligations, disbursement of USD 1.3 billion in early May-2026 by the IMF,[28] and bilateral financial arrangements.[29] Due to these developments, the index recovered to 178,415 by end of June-2026, manifesting 19.9 percent growth in Q2CY26. However, uneven progress on geopolitical front dominated the market sentiments during March-June 2026. The trading volume averaged 366 million shares in H1CY26 (401 million shares in H2CY25).

FX Market

FX market conditions remained stable during the first half of CY26 (**Figure C5**). The parity against US dollar averaged Rs 279.2 in H1CY26 against Rs 281.7 in H2CY25—a mild gain of 0.9 percent. Robust workers remittances kept current account balance

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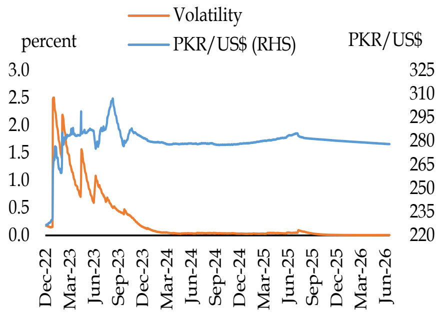
[27] Pakistan successfully re-entered international capital markets with the launch of a Eurobond through private placement after a gap of four years, priced at just under 7 percent, reflecting renewed investor confidence in the country's macroeconomic trajectory.

[28] IMF Executive Board Completes Third Review of the Extended Arrangement under the Extended Fund Facility and Second Review of the Arrangement under the Resilience and Sustainability Facility with Pakistan

[29] A friendly country provided USD 3 billion facility and extended an existing USD 5 billion deposit from an annual rollover to a three-year term through 2028

in surplus despite noticeable trade deficit (on goods & services) during the period under review.[30]

Figure C5: Exchange Rate and its Volatility*



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

Source: State Bank of Pakistan

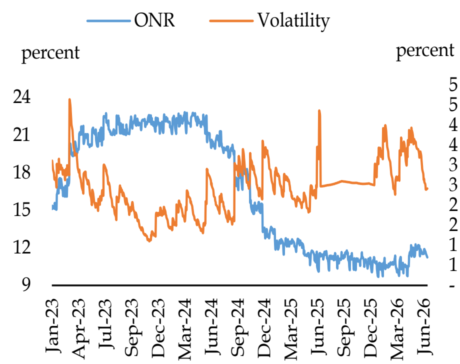
Besides, inflows from IMF, issuance of Eurobond, and bilateral financial arrangements bolstered the position of external account. In this backdrop and along with SBP's purchases, SBP's FX reserves increased to USD 18.4 billion by end June-2026 from USD 16.1 billion in December-2025. It is noteworthy that the country timely honored its external debt obligation of USD 1.4 billion against Eurobond in April-2026. Despite external debt repayments, widening of trade deficit, and SBP interventions, the average gap between open market and inter-bank exchange rates declined to Rs 0.65 in H1CY26 from Rs 1.25 in H2CY25. Encouragingly, SBP further reduced its forward liabilities to USD 0.9 billion from USD 1.9 billion in December-2025.

Moreover, despite external shock, Fitch affirmed Pakistan credit rating, reflecting progress on fiscal consolidation and macro stability measures.[31]

Money Market

The interest rate corridor continued to work smoothly owing to SBP's effective monetary management. The central bank increased policy rate by 100 bps to 11.5 percent in April-2026. The persistent increase in inflation,[32] mainly due to the impact of higher global energy prices in the wake of geopolitical conflict, propelled tightening of policy stance.

Figure C6: Trend in ONR and its Volatility



Source: State Bank of Pakistan

The relative volatility in the Overnight Repo Rate (ONR), on average, remained at a lower

[30] Current account surplus stood at USD 1.1 billion in H1CY26. Workers' remittances amounted to USD 22 billion.

[31] Fitch Affirms Pakistan at 'B-'; Outlook Stable

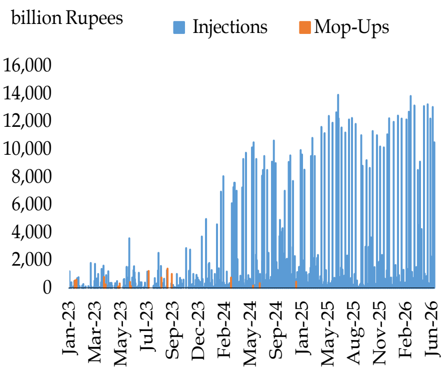
[32] YoY inflation increased to 11.1 percent in June-2026 from 5.6 percent in December-2025

level during H1CY26 (**Figure C6**). The analysis reveals that demand for liquidity in the money market was relatively higher as compared to H2CY25. This is evident from average size of OMOs injections that increased to Rs 2,284 billion in H1CY26 from Rs 1,877 billion in H2CY25 (**Figure C7**). Relatively higher government budgetary borrowing appears to explain elevated liquidity demand in the period under review.[33] Nonetheless, increased deposit mobilization and lower credit demand supported liquidity conditions in H1CY26.[34]

In perspective of changing inflation and monetary policy dynamics, treasury's yield curve shifted upward across all maturities during the first half of CY26 (**Figure C8**).[35] Accordingly, banks auction pattern exhibited relatively higher tilt towards MTBs and floating rate PIBs (semi-annual) anticipating further rise in interest rates.[36]

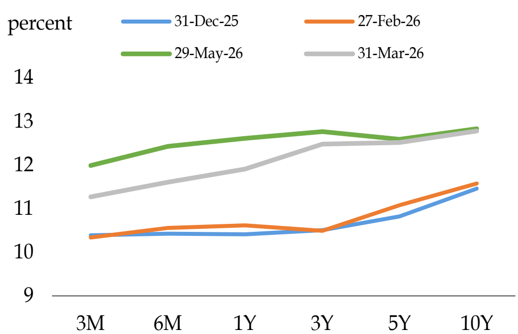
In the secondary market, average trading volume of government securities increased to Rs 16,551 billion in H1CY26 from Rs 9,845 billion in H2CY25. The surge in trading volume potentially indicates portfolio repositioning by the banks to avoid revaluation losses in the reviewed period amid expectations of a rise in interest rate.

Figure C7: OMOs Injections and Mop-ups



Source: State Bank of Pakistan

Figure C8: Yield Curve



Source: Mutual Funds Association of Pakistan

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33 Government budgetary borrowing increased by 13.8 percent in H1CY26 against 3.8 percent in H2CY25.
34 Banking sector's net advances increased by 3.4 percent in H1CY26 as compared to 12.4 percent growth in H2CY25. Deposits recorded a growth of 9.3 percent in H1CY26 as compared to 6.0 percent in H2CY25
35 On average, yield across different maturities (3M, 6M, 1Y, 3Y,10Y,15Y) increased by 1.1 percent in H1CY26
36 The auction data indicates that for MTBs, offered to target ratio increased to 2.8 in H1CY26 from 2.5 in H2CY25. In case of floating rate PIBs (semi-annual), offered to target ratio jumped to 12.9 from 4.7 in H2CY25. On the contrary, for fixed rate PIBs, the offered to target ratio declined to 3.7 in H1CY26 from 4.7 in H2CY25.

Box 1: SBP's Systemic Risk Survey - 18th Wave (July 2026)

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

SBP completed the 18th wave of its biannual Systemic Risk Survey (SRS) in July/August 2026 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, viz., global, macroeconomic, financial markets, institutional and general. The respondents for the current iteration included a broad range of stakeholders.[37] The response rate for the current wave remained 47 percent— higher than 45 percent response rate for the 17th wave.

Summary of Results:

The respondents identified, on the aggregate level, risks under "Global" and "Macroeconomic" categories as the most critical *current* systemic risks. The key drivers for "Global Risk" included "volatility in commodity prices" and "global geopolitical risk", being the top two risks. On the other hand, perception regarding "Macroeconomic Risk" was led by "increase in domestic inflation". Over the *next six months*, however, the risk perception across these broad categories is expected to be less critical, except global geopolitical risks **(Chart A, B, and C)**.

Comparing the current wave with the last iteration, there seems to be a deterioration in the risk perception on "volatility in commodity prices" and "increase in domestic inflation". On the other hand, risk perception has improved for "lack of funding from abroad" **(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).**

[37] The respondents included executives from commercial banks, insurance companies, exchange companies, MFBs, DFIs, major financial market infrastructures, financial journalists, members of academia, SECP officials and think tanks.

Chart A: Perception on sources of systemic risk at present

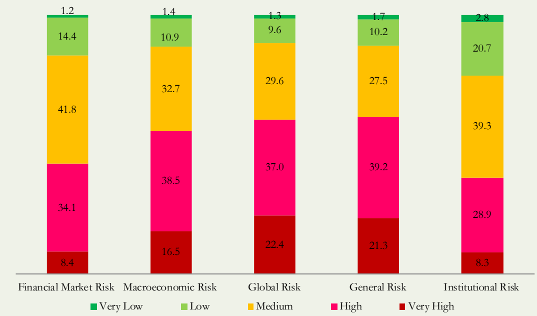

Chart B: Perception on sources of systemic risk in next 6 months

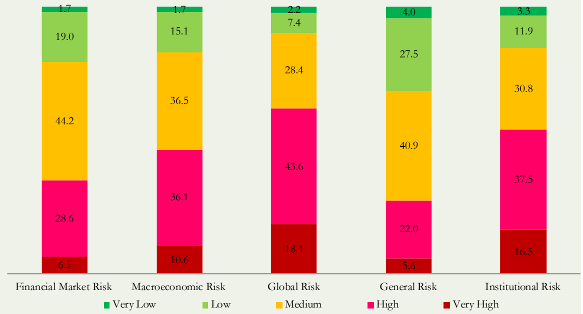

Chart C: Top 10 Risks Identified

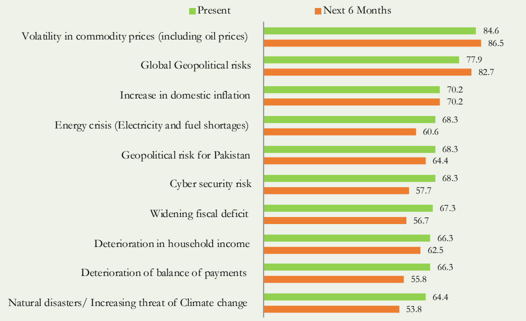

Chart D: Confidence in Financial Stability

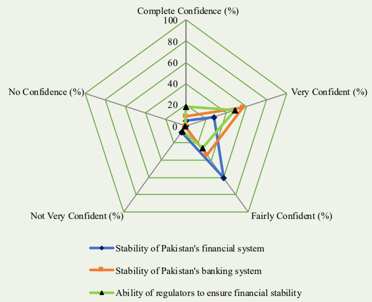

Chart E: Comparison of SBP's Systemic Risk Survey (SRS) Results (17th and 18th Wave)

Risk Categories		17th Wave (Jan-26) Present (Average)	18th Wave (July-26) Present (Average)
Global	Slowdown in global growth	2.5	2.4
	Sovereign default	3.0	2.9
	Lack of funding from abroad	2.4	2.6
	Volatility in commodity prices	2.2	1.7
Macroeconomic	Volatility in Global Financial markets	2.5	2.4
	Global Geopolitical risks	1.9	1.9
	Slowdown in corporate sector growth	2.5	2.5
	Slowdown in Agriculture	2.5	2.7
	Slowdown in infrastructure development	2.7	2.7
	Deterioration in household income	2.2	2.2
	Slowdown in domestic growth	2.2	2.2
	Deterioration of BoP	2.2	2.2
	Widening fiscal deficit	2.2	2.2
	Increase in domestic inflation	2.4	2.1
	Sovereign rating downgrade	2.7	2.8
	Volatility in real estate prices	3.0	3.0
	Energy crisis	2.4	2.1
	Political uncertainty	2.4	2.4
Financial Market	Foreign exchange rate	2.3	2.5
	Equity price risk	2.8	2.8
	Interest rate	2.7	2.5
	Liquidity risk	2.8	2.9

Risk Categories		17th Wave (Jan-26) Present (Average)	18th Wave (July-26) Present (Average)
Institutional	Asset quality deterioration	2.6	2.7
	Shortfall in capital requirements	2.8	2.8
	Excessive private sector credit	3.0	3.0
	Concentration risk in PSC	2.8	2.9
	Access to funding	2.9	3.0
	Disruption in financial markets	2.9	2.8
	Cyber security risk	2.1	2.1
	Regulatory	2.7	2.8
	Legal	2.8	2.9
	Concentration risk in mutual funds	3.0	3.3
	Operational risk	2.7	2.7
	AML/CFT Risks	2.6	2.6
General	Terrorism	2.4	2.3
	Geopolitical risk for Pakistan	2.1	2.1
	Natural disasters	2.1	2.3
	Domestic Social unrest	2.5	2.5

1 3 5

Very High Medium Very Low

Banking sector's performance is likely to follow a steady momentum during the second half of CY26. Amid contained inflation, currency stability, and continued economic recovery, credit demand is expected to rise. Also, seasonal uptick and increase in aggregate exposure limit of unrated large private sector borrowers from Rs 3 billion to Rs 10 billion are likely to augment banks' advances during H2CY26.[38] Nonetheless, uncertainty around the Middel East conflict remains a downside risk to macroeconomic outlook, hence to the sector's performance.[39]

The reliance of the government on the banks for budgetary financing is likely to remain higher given the estimated borrowing needs for FY27.[40] Also, there is a substantial decline in the estimated *non-tax* revenue for FY27.[41]

Banks' earnings, despite low interest rates, are likely to remain intact due to expected increase in lending volume (towards private and public sectors). Credit risk appears to remain in check owing to eased financial conditions, resilient economic activity, and anticipated improvement in re-payment capacity of the banks' borrowers. In addition, solvency position of the sector is likely to remain strong. This view is reinforced by the results of the latest macro stress tests which 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.

[38] See BPRD Circular Letter No. 16 of 2026
[39] Monetary Policy Report- August 2026
[40] The estimated Government's budgeted borrowing from banks is Rs 4,012 billion for FY27—significantly higher than Rs 2,231 billion in FY26. Please see Table 1 of Budget in Brief and Table 1 of Summary of Fiscal Operations
[41] Contribution from SBP's transfer of profits to the government in FY27 is projected to be declined by 40.9 percent. Please see Table 23 in the document available at Federal Budget 2026-27. However, the actual decline in SBP's transferred profit is 20.4 percent.

E. Annexures (A-F)

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

million Rupees

Financial Position	CY23	H1CY24	CY24	H1CY25	CY25	H1CY26
ASSETS						
Cash & Balances With Treasury Banks	2,922,048	3,367,430	3,005,489	3,452,702	3,563,672	3,711,550
Balances With Other Banks	395,676	488,677	374,727	432,287	406,140	599,900
Lending To Financial Institutions	1,629,493	1,379,374	1,379,764	1,074,416	1,093,264	1,022,877
Investments - Net	26,019,114	30,972,911	29,791,301	37,491,774	39,065,820	43,646,460
Advances - Net*	12,178,293	12,083,484	15,805,050	13,217,570	14,857,319	15,361,715
Operating Fixed Assets	951,397	1,034,822	907,680	969,919	1,053,812	1,163,650
Right of Use Assets#			169,755	199,688	230,916	265,350
Intangible Assets#			76,743	144,781	140,799	146,782
Deferred Tax Assets	198,305	222,061	146,713	96,926	82,674	125,339
Other Assets	2,069,286	2,137,979	2,035,464	2,492,292	2,737,032	2,953,337
TOTAL ASSETS	**46,363,611**	**51,686,738**	**53,692,687**	**59,572,355**	**63,231,448**	**68,996,960**
LIABILITIES						
Bills Payable	409,720	444,865	701,486	696,499	554,624	839,101
Borrowings From Financial Institution	11,672,920	13,200,823	15,006,037	15,014,243	15,848,649	17,738,660
Deposits And Other Accounts	29,128,202	32,538,037	31,791,776	37,422,953	39,658,585	43,331,791
Sub-ordinated Loans	176,073	172,846	171,337	165,888	158,880	159,293
Liabilities Against Assets Subject To Finance Lease	9,873	40,127	217,693	247,844	310,406	346,811
Deferred Tax Liabilities	48,862	61,947	184,283	225,348	364,528	166,722
Other Liabilities	2,131,021	2,543,453	2,316,986	2,129,802	2,331,284	2,378,166
TOTAL LIABILITIES	**43,576,672**	**48,803,918**	**50,389,598**	**55,902,576**	**59,226,957**	**64,960,544**
NET ASSETS	**2,786,939**	**2,882,820**	**3,303,089**	**3,669,779**	**4,004,491**	**4,036,416**
NET ASSETS REPRESENTED BY:						
Share Capital	628,419	628,664	626,016	554,389	548,491	562,366
Reserves	652,682	688,997	731,130	902,794	942,678	987,343
Unappropriated Profit	1,209,273	1,221,023	1,391,551	1,576,454	1,767,755	1,875,274
Share Holders' Equity	**2,490,374**	**2,538,684**	**2,748,697**	**3,033,637**	**3,258,924**	**3,424,983**
Surplus/Deficit On Revaluation Of Assets	296,565	344,136	554,392	636,142	745,567	611,433
TOTAL	**2,786,939**	**2,882,820**	**3,303,089**	**3,669,779**	**4,004,491**	**4,036,416**

PROFIT AND LOSS STATEMENT	CY23	H1CY24	CY24	H1CY25	CY25	H1CY26
Mark-Up/ Return/Interest Earned	6,366,447	3,838,419	7,640,008	3,022,374	6,028,433	3,085,334
Mark-Up/ Return/Interest Expenses	4,463,672	2,916,749	5,600,804	1,865,517	3,704,248	1,945,635
Net Mark-Up / Interest Income	**1,902,775**	**921,670**	**2,039,204**	**1,156,858**	**2,324,184**	**1,139,699**
Credit Loss Allowance & Write-offs - Net*	61,614	13,957	64,008	8,539	(9,528)	(25,776)
Net Mark-Up / Interest Income After Provision	**1,841,161**	**907,713**	**1,975,197**	**1,148,319**	**2,333,712**	**1,165,475**
Fees, Commission & Brokerage Income	217,417	124,998	265,463	143,026	292,652	163,052
Dividend Income	25,684	15,756	29,087	18,191	34,510	21,689
Income From Dealing In Foreign Currencies	111,283	65,886	102,862	60,109	127,851	83,489
Income From Derivatives	-	-	7,870	953	2,734	958
Gain/Loss on Securities	-	-	124,042	49,250	84,878	84,916
Net Gain/Loss on Derecognition of Financial Assets	-	-	-	(656)	(1,311)	(983)
Other Income	37,144	55,904	54,316	18,312	38,108	16,662
Total Non - Markup / Interest Income	**391,527**	**262,544**	**583,640**	**289,186**	**579,423**	**369,781**
Total Income (NII & Non-Interest Income)	2,232,688	1,170,258	2,558,836	1,437,504	2,913,135	1,535,257
Administrative Expenses**	916,191	553,137	1,013,741	253,655	529,604	299,010
Other Expenses	29,798	16,022	122,101	380,480	818,539	454,163
Total Non-Markup/Interest Expenses	**945,989**	**569,159**	**1,135,841**	**634,136**	**1,348,143**	**753,173**
Profit before Tax and Extra ordinary Items	1,286,699	601,099	1,422,995	803,368	1,564,992	782,084
Extra ordinary/unusual Items - Gain/(Loss)	-	-	55,214	-	-	-
PROFIT/ (LOSS) BEFORE TAXATION	**1,286,699**	**601,099**	**1,367,781**	**803,368**	**1,564,992**	**782,084**
Less: Taxation	644,475	313,650	724,142	438,120	849,420	412,302
PROFIT/ (LOSS) AFTER TAX	**642,224**	**287,450**	**643,638**	**365,248**	**715,572**	**369,782**

Provisions include general and specific provisions

*Provisions & Bad Debts Written Off Directly/(Reversals) renamed to Credit Loss Allowance & Write-offs - Net with implementation of IFRS-9

**Administrative Expenses from H1CY25 onwards represents only Salaries, Allowance, etc.; all other administrative expenses have been merged into Other Expenses.

#Right of use assets and Intangible assets are now part of prescribed financial statements format by BPRD via their Circular No. 02 of 2023.

Source: State Bank of Pakistan

Annexure B

Distribution of Deposits

billion Rupees	CY23	H1CY24	CY24	H1CY25	CY25	H1CY26
DEPOSITS	**29,128**	**32,538**	**31,792**	**37,423**	**39,659**	**43,332**
Customers	**27,289**	**30,506**	**30,403**	**34,975**	**36,751**	**40,041**
Fixed Deposits	5,310	5,361	4,876	5,527	6,438	6,568
Saving Deposits	10,469	12,030	12,971	13,629	14,285	14,611
Current Accounts			11,227	15,157	15,581	18,043
Remunerative	1,255	1,707				
Non-remunerative	9,841	10,878				
Others	415	532	1,329	662	446	819
Financial Institutions	**1,839**	**2,032**	**1,389**	**2,448**	**2,908**	**3,291**
Fixed Deposits			135	137	413	228
Saving Deposits			829	1,484	1,722	2,297
Current Accounts			420	822	740	746
Remunerative	1,255	1,361				
Non-remunerative	584	671				
Others			5	5	34	20
Break up of Deposits Currency Wise	**29,128**	**32,538**	**31,792**	**37,423**	**39,659**	**43,332**
Local Currency Deposits	26,273	28,952	27,521	33,289	35,124	38,566
Foreign Currency Deposits	2,855	3,586	4,271	4,134	4,535	4,765

Remunerative and Non remunerative deposits breakup were not required as per prescribed financial statements format by BPRD via their Circular No. 02 of 2023.

Source: State Bank of Pakistan

Annexure C

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

Amount in million Rupees, ratio in percent

	CY24			H1CY25			CY25			H1CY26		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	12,304,672	755,753	6.1	9,851,689	741,793	7.5	10,896,483	672,208	6.2	11,212,874	661,262	5.9
Fixed Investments	4,635,711	367,923	7.9	4,449,518	350,278	7.9	4,857,278	338,079	7.0	5,211,389	330,856	6.3
Working Capital	5,567,432	272,757	4.9	3,387,421	286,840	8.5	3,744,310	230,703	6.2	3,635,531	233,630	6.4
Trade Finance	2,101,528	115,073	5.5	2,014,750	104,675	5.2	2,294,894	103,426	4.5	2,365,954	96,776	4.1
SMEs Sector	677,718	122,210	18.0	711,668	115,939	16.3	902,935	113,049	12.5	943,018	109,962	11.7
Fixed Investments	266,112	49,638	18.7	319,601	44,916	14.1	411,970	26,852	6.5	492,936	29,984	6.1
Working Capital	367,885	55,939	15.2	348,389	55,689	16.0	446,816	78,347	17.5	403,158	75,204	18.7
Trade Finance	43,720	16,633	38.0	43,678	15,334	35.1	44,149	7,851	17.8	46,924	4,774	10.2
Agriculture Sector	578,498	56,852	9.8	739,303	101,549	13.7	673,606	102,777	15.3	728,774	46,894	6.4
Consumer sector	891,241	38,465	4.3	901,474	43,049	4.8	1,031,707	44,409	4.3	1,163,576	44,805	3.9
i. Credit cards	140,693	2,403	1.7	156,840	2,875	1.8	182,412	3,445	1.9	206,437	4,258	2.1
ii. Auto loans	242,634	4,567	1.9	277,183	4,686	1.7	308,914	4,048	1.3	364,603	4,133	1.1
iii. Consumer durable	2,182	479	22.0	2,484	158	6.3	2,732	80	2.9	2,774	99	3.6
iv. Mortgage loans	207,813	14,222	6.8	209,109	15,379	7.4	225,155	14,632	6.5	273,951	14,510	5.3
v. Other personal loans	297,918	16,794	5.6	255,858	19,951	7.8	312,495	22,205	7.1	315,812	21,805	6.9
Commodity financing	1,397,383	63,895	4.6	1,079,326	18,916	1.8	1,311,620	9,296	0.7	1,242,641	18,872	1.5
Cotton	92,105	5,063	5.5	86,106	5,803	6.7	130,686	5,068	3.9	90,438	8,576	9.5
Rice	23,925	2,571	10.7	15,154	2,402	15.9	39,631	1,238	3.1	30,898	1,961	6.3
Sugar	227,883	1,497	0.7	246,751	5,891	2.4	226,850	1,183	0.5	262,044	5,613	2.1
Wheat	908,561	51,145	5.6	650,868	1,058	0.2	875,306	1,365	0.2	774,197	2,287	0.3
Others	144,908	3,619	2.5	80,447	3,762	4.7	39,147	442	1.1	85,064	435	0.5
Staff Loans	366,326	3,486	1.0	294,445	3,892	1.3	315,322	4,798	1.5	303,655	4,955	1.6
Others	698,542	27,245	3.9	760,420	30,237	4.0	764,269	17,784	2.3	761,121	15,316	2.0
Total	16,914,380	1,067,905	6.3	14,338,324	1,055,374	7.4	15,895,941	964,322	6.1	16,355,659	902,065	5.5

Source: State Bank of Pakistan

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

Amount in million Rupees, ratio in percent

	CY24			H1CY25			CY25			H1CY26		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	1,679,887	60,097	3.6	1,465,952	107,331	7.3	1,686,739	111,277	6.6	1,661,337	55,590	3.3
Automobile/Transportation	194,525	21,615	11.1	137,845	28,052	20.4	216,332	21,772	10.1	165,393	13,882	8.4
Cement	351,146	10,127	2.9	208,826	10,746	5.1	220,577	10,352	4.7	261,451	11,325	4.3
Chemical & Pharmaceuticals	591,310	18,781	3.2	517,389	19,140	3.7	677,851	13,087	1.9	743,088	8,040	1.1
Electronics	197,069	30,803	15.6	187,371	26,347	14.1	202,526	18,318	9.0	207,232	18,235	8.8
Financial	1,729,350	8,916	0.5	933,315	11,176	1.2	869,189	7,362	0.8	711,045	5,803	0.8
Individuals	1,248,106	62,336	5.0	1,130,757	69,013	6.1	1,202,826	62,502	5.2	1,406,919	41,360	2.9
Insurance	266,272	62	0.0	4,163	62	1.5	4,081	62	1.5	5,721	62	1.1
Others	4,128,529	446,950	9.3	3,718,795	338,883	8.8	3,936,181	317,418	8.1	3,815,538	335,879	8.8
Production/Transmission of Energy	1,740,903	77,395	4.4	1,481,339	66,006	4.5	1,789,424	61,697	3.4	1,944,206	55,384	2.8
Shoes & Leather garments	41,186	2,494	6.1	41,535	2,979	7.2	44,829	2,789	6.2	54,898	4,188	7.6
Sugar	459,088	53,108	11.6	406,532	50,998	12.5	392,510	44,205	11.3	597,592	39,498	6.6
Textile	2,531,565	175,191	6.9	2,251,158	175,266	7.8	2,481,810	164,898	6.6	2,361,229	177,318	7.5
Mining and Quarying	50,862	1,836	3.6	38,120	2,407	6.3	48,445	1,096	2.3	53,849	104	0.2
Other Leather Garments	6,152	1,396	22.7	11,368	1,477	13.0	16,560	1,164	7.0	9,986	1,017	10.2
Construction	210,445	18,125	8.6	270,995	42,500	15.7	328,275	36,163	11.0	359,259	39,665	11.0
Gas, Water, Sanitary	97,063	3,043	3.1	168,013	5,765	3.4	111,334	5,423	4.9	82,491	2,638	3.2
Wholesale and Retail Trade	478,586	50,344	10.5	527,769	57,255	10.8	629,392	53,429	8.5	754,535	62,415	8.3
Exports/Imports	23,257	1,946	8.4	19,696	1,387	7.0	14,501	983	6.8	4,688	308	6.6
Transportation, Storage and Communication	507,515	1,872	0.4	578,771	14,009	2.4	634,390	11,797	1.9	714,603	9,361	1.3
Services	381,563	21,468	5.6	238,614	24,575	10.3	388,171	18,528	4.8	440,599	19,993	4.5
Total	16,914,380	1,067,905	6.3	14,338,324	1,055,374	7.4	15,895,941	964,322	6.1	16,355,659	902,065	5.5

Source: State Bank of Pakistan

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

million Rupees

	CY24		H1CY25		CY25		H1CY26	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	15,898	4,413	13,648	4,821	25,233	7,398	12,894	6,189
Sub Standard	103,785	27,686	114,546	37,231	106,797	87,255	49,932	25,159
Doubtful	73,988	43,110	52,268	33,593	47,352	30,065	63,333	39,351
Loss	874,235	819,832	874,912	844,262	784,940	759,961	775,906	731,968
Total	1,067,905	895,042	1,055,374	919,906	964,322	884,679	902,065	802,667

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

CY24 onwards, regulated entities have reported expected credit loss instead of provisions as per relevant SBP guidelines.

Source: State Bank of Pakistan

Annexure D

Financial Soundness Indicators of the Banking Sector

percent

Indicators	CY23	H1CY24	CY24	H1CY25	CY25	H1CY26
CAPITAL ADEQUACY						
Risk Weighted CAR^	19.7	20.0	20.6	21.8	20.8	19.6
Tier 1 Capital to RWA	16.0	16.2	16.4	17.6	16.8	16.3
ASSET QUALITY						
NPLs to Total Loans	7.6	7.6	6.3	7.4	6.1	5.5
Provision to NPLs*	92.7	105.3	103.9	106.2	107.7	110.2
Specific provisions to NPLs	81.3	85.5	101.3	103.7	104.5	106.9
Net NPLs to Net Loans	0.6	1.2	-0.3	-0.5	-0.5	-0.6
Net NPLs to Capital^^	2.7	5.1	-1.2	-1.7	-1.8	-2.3
EARNINGS						
Return on Assets (Before Tax)	3.1	2.5	2.7	2.9	2.7	2.4
Return on Assets (After Tax)	1.6	1.2	1.3	1.3	1.2	1.1
ROE (Avg. Equity& Surplus) (Before Tax)	54.4	42.6	45.8	46.8	43.3	39.8
ROE (Avg. Equity &Surplus) (After Tax)	27.1	20.4	21.5	21.3	19.8	19.0
NII/Gross Income	82.9	77.8	77.7	80.0	80.0	75.5
Cost / Income Ratio	41.2	48.1	43.3	43.9	46.4	49.9
LIQUIDITY						
Liquid Assets/Total Assets	63.5	66.8	60.3	67.4	66.2	68.3
Liquid Assets/Total Deposits	101.1	106.1	101.9	107.3	105.6	108.8
Advances/Deposits	41.8	37.1	49.7	35.3	37.5	35.5

^ 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

* Provisions include general and specific provisions

Source: State Bank of Pakistan

Annexure E

Stress Testing Results of the Banking System

Position based as June 30, 2026 (Un-audited)

	Shock Details		Number of Banks with CAR*			
			< 0%	0% - 8%	8% - 11.50%	> 11.5%
	Pre-Shock Position		0	1	0	31
	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	0	1	1	30
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' TFCs, equity etc., as defined under Revised PRs, net of deductions.	Hypothetical	1	0	1	30
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' TFCs, equity etc., as defined under Revised PRs, net of deductions.	Hypothetical	1	0	1	30
C-4	All NPLs under substandard downgrade to doubtful and all doubtful downgrade to loss.	Hypothetical	0	1	0	31
C-5	Increase in provisions against NPLs equivalent to 25% of Net NPLs.	Hypothetical	0	1	0	31
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	2	29
C-7	Increase in NPLs of all banks equivalent to the historical maximum quarterly rise	Historical	0	1	0	31
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	0	1	1	30
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	0	1	0	31
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	0	1	1	30
				NPLR	**Critical NPLR**	**Difference**
C-11	Critical Infection Ratio (The ratio of NPLs to Loans where capital would wipe out)	Hypothetical		5.5%	61.8%	56.3%
			Number of Banks with CAR			
	Market Shocks		**< 0%**	**0% - 8%**	**8% - 11.50%**	**> 11.50%**
IR-1	Parallel upward shift in the yield curve - increase in interest rates by 300 basis points along all the maturities.	Hypothetical	0	1	0	31
IR-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	0	1	0	31
IR-3	Downward Shift plus flattening of the yield curve by decreasing the interest rates along 3m, 6m, 1y, 3y, 5y and 10y maturities equivalevent to the historical maximum quarterly increase.	Historical	0	0	1	31
IR-4	Impact of Increase in interest rate by 100bps on investment portfolio only	Hypothetical	0	0	1	31
ER-1	Depreciation of Pak Rupee exchange rate by 30%.	Hypothetical	0	0	1	31
ER-2	Depreciation of Pak Rupee exchange rate by 25.3% equivalent to the historical quarterly highest depreciation of rupee against dollar.	Historical	0	0	1	31
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	0	0	1	31
EQ-1	Fall in general equity prices by 36.1% equivalent to maximum decline in the index.	Historical	0	0	1	31
EQ-2	Fall in general equity prices by 50%.	Hypothetical	0	0	1	31
	Liquidity Shocks			**No. of Banks with no liquidity after**		
				3 Days	**4 Days**	**5 Days**
L-1	Withdrawal of customer deposits by 2%, 5%, 10%, 10% and 10% for five consecutive days respectively.	Hypothetical		2	2	2
				1 Day	**2 Days**	**3 Days**
L-2	Withdrawal of Wholesale Deposits and Unsecured Borrowings by 10%, 20%, and 50% for three consecutive days respectively.	Hypothetical		1	1	1
				Number of Banks with LCR<1		
L-3	Shock to Liquidity Coverage Ratio Applying 20% haircut to the value of Investments in Government and Markatable Securities	Hypothetical			1	

* Excluding PPCBL

Source: State Bank of Pakistan

Annexure F

List of Banks

H1CY24	CY24	H1CY25	CY25	H1CY26
A. Public Sector Com. Banks (5)	**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.	First Women Bank Ltd.
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.
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
B. Local Private Banks (20)	**B. Local Private Banks (20)**	**B. Local Private Banks (20)**	**B. Local Private Banks (21)**	**B. Local Private Banks (19)**
AlBaraka Bank (Pakistan) Ltd.	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.	Allied 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 Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.
BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	Bank Islami Pakistan Ltd.	Bank Islami 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.
		Easypaisa Digital Bank Limited	Easypaisa Bank Limited	
Habib 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.	Habib Metropolitan Bank Ltd.
JS 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 Bank Ltd.
MCB Islamic 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.	Meezan Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.
Silk Bank Ltd	Silk 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.
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.)	Bank Makramah Ltd. (formerly Summit Bank Ltd.)
United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.
			Mashreq Bank Pakistan Limited	
C. Foreign Banks (4)	**C. Foreign Banks (4)**	**C. Foreign Banks (4)**	**C. Foreign Banks (4)**	**C. Foreign Banks (4)**
Citibank N.A.	Citibank N.A.	Citibank N.A.	Citibank N.A.	Citibank N.A.
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.
Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
				D. Digital Banks (3)
				Easypaisa Bank Limited
				Mashreq Bank Pakistan Limited
				Raqami Islamic Digital Bank Limited
D. Specialized Banks (3)	**D. Specialized Banks (2)**	**D. Specialized Banks (2)**	**D. Specialized Banks (2)**	**E. Specialized Banks (2)**
Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.
SME Bank Ltd.				
Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.
All Commercial Banks (29)	**All Commercial Banks (29)**	**All Commercial Banks (29)**	**All Commercial Banks (30)**	**All Commercial Banks (28)**
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (32)	**All Banks (31)**	**All Banks (31)**	**All Banks (32)**	**All Banks (33)**
Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D + E

STATE BANK OF PAKISTAN