# Introduction

## Background

Banking sector plays a pivotal role in the economic development of a country. A growing and dynamic banking sector is essential for economic growth, as growth in the banking sector and the real economy mutually reinforces each other. State Bank being a central bank and regulator of the banking sector compiles and disseminates statistics on the Scheduled Banks operating in Pakistan. The publication contains various statistics related to Scheduled Banks, Microfinance Banks (MFBs) and Development Finance Institutions (DFIs). Core Statistics Department of State Bank of Pakistan compiles and disseminates data through different publications.

## Standards and Classifications

The publication uses the category of deposit holders and advances classified by borrower for foreign and domestic constituents. The domestic constituents are further classified as Government, Non-Financial Public Sector Enterprises (NFPSEs), Non-Bank Financial Companies (NBFCs), Private Sector (Business), Trust Funds & Non-Profit Institutions (NPIs), Personal, and Others. International Standard Industrial Classification (ISIC Rev[1]. 4.0) has been adopted since June-2019 for private sector deposits and advances. Data from MFBs/DFIs are collected on the same standards and definitions.

## Composition of Banking Groups

This publication is based on data of all scheduled banks, MFBs/DFIs operating in Pakistan in which scheduled banks are classified into main groups namely public sector banks, domestic private banks and foreign banks. In certain tables data has also been dichotomized for conventional and Islamic banking. Public sector banks are further divided into public sector commercial banks and specialized banks. Data on MFBs and DFIs is added in a separate chapters.

## Scheduled Banks

In terms of Section 13 of Banking Companies Ordinance 1962, the scheduled banks maintain minimum required capital and reserve balance which is determined by SBP from time to time. Currently as per BSD circular No. 7 of 2009 an aggregate value not less than Rs. 10 billion effective from December 31, 2013 onwards and conducting their affairs in a manner not detrimental to the interest of their depositors have been declared as scheduled banks.

**As per State Bank of Pakistan Act, 1956 (clause (a) of Sub-Section (2) of Section 37) "scheduled bank" is defined as:**

37-2. The Bank shall, by notification, in the official Gazette—

a) Declare any bank to be scheduled bank which is carrying on the business of banking in Pakistan and which—

   i. is a banking company as defined in section 227F of the Companies Act, 1913, or a co-operative bank, or a corporation or a company incorporated by or established under any law in force in any place in or outside Pakistan;

   ii. has a paid-up capital and reserves of an aggregate value of not less than five hundred thousand rupees: Provided that in the case of a co-operative bank, an exception may be made by the Bank;

[1] https://unstats.un.org/unsd/publication/seriesm/seriesm_4rev4e.pdf

iii. satisfies the Bank that its affairs are not being conducted in a manner detrimental to the interest of its depositors;

b) direct the descheduling of any scheduled bank which ceases to fulfill the requirements mentioned in clause (a) or goes into liquidation or otherwise wholly or partly ceases to carry on banking business; Provided that the Bank may, on application of the scheduled bank concerned and subject to such conditions, if any, as it may impose, defer the making of a direction under clause (b) for such period as the Bank considers reasonable to give the scheduled bank an opportunity of fulfilling the requirements mentioned in sub-clauses (ii) and (iii) of clause (a);

c) alter the description in the list of scheduled banks whenever any scheduled bank changes its name.

Explanation: - In sub-Section (2) the expression "value" means the real or exchangeable and not the nominal value of the capital and reserves and the valuation made by the Bank shall be final.

**Microfinance Banks**

According to Sub-Section (1) of Section 6 of Microfinance Institutions Ordinance 2001, the function of a microfinance bank is as follows:

*"A microfinance institution shall, in accordance with prudential regulations and subject to the terms and conditions of the license issued by the State bank, render assistance to micro-enterprises and provide microfinance services in a sustainable manner to poor persons, preferably poor women, with a view to alleviating poverty."*

**Development Finance Institutions (DFIs)**

Development finance institutions are financial auxiliaries which specialize in lending to project based financing for development purposes. State Bank of Pakistan licenses these institutions. These financial institutions are notified under Section 3-A of the Banking Companies Ordinance, 1962.

**Public Sector Banks**

The banks incorporated in Pakistan and their shares & capital controlled by the Government of Pakistan is referred as Public sector banks.

**Commercial Banks**

These are the scheduled banks mainly involved in the activities of deposits mobilization and extending credit through a branch network. These banks deal in short term collateralized lending such as trade financing, overdraft and provide a range of financial services to the clients. With the liberalization of banking rules and laws, commercial banks are now allowed to undertake other related activities such as underwriting, portfolio investment, securities market operations, specialized financing and related services.

**Specialized Banks**

These banks are established to provide credit facilities, assistance and advice to clients in a designated sector or in a designated line of credit; for example agriculture sector, industrial sector, housing sector, SME sector. These institutions perform lending function, but may not engage in routine commercial banking activities. These are established, organized, and chartered under special legislative acts instead of being chartered as a bank under the banking law.

**Domestic Private Banks**

The banks incorporated in Pakistan and controlled by the private sector are termed as domestic private banks.

**Foreign Banks**

Foreign banking company" means a banking company, not incorporated in Pakistan, which has a branch or branches doing banking business in Pakistan under a license issued by State Bank in this behalf.

**Islamic Banking**

Islamic Banking has been defined as banking in consonance with the ethos and value system of Islam and governed by Shariah principles. For the promotion of Islamic Banking in Pakistan, SBP issued policies/guidelines as per BPD circular No.1 of January 2003.Wherein a three-pronged strategy was adopted as under:

i. Establishment of full-fledged Islamic Bank(s) in the private sector
ii. Setting up subsidiaries for Islamic banking by existing commercial banks
iii. Allowing Stand-alone branches for Islamic banking in the existing commercial banks.

All Islamic banks, subsidiaries and stand-alone branches offer Sharia compliant products and services only. "Sharia compliant products and services" means banking products and services offered by banks to their clients which are duly approved by their Sharia Board.

**Scope of the Publication**

This publication contains statistical tables prepared from the data supplied on quarterly basis by the reporting institutions in Pakistan. Separate chapters on the data of MFBs/DFIs are also presented which contains various tables of advances, deposits, etc. pertaining to these banks/institutions.

# Explanatory Notes

The scheduled banks/MFBs/DFIs statistics are based on branch-wise actual data - (except for P/L accounts) - (as on end position) reported quarterly by these institutions in Pakistan. P/L accounts are quarterly flows data. The data are collected on various dimensions of major sources (deposits) and uses (advances, investments and bills purchased and discounted) of banks/MFBs/DFIs funds along with liabilities and assets statement. The data dimensions and terminologies that need some explanation is discussed for information of the users.

**Definitions of Assets and Liabilities**

**Currency**

Banknotes (paper money) and coins issued by the central bank and / or government that are of fixed nominal values and accepted as legal tender (payment that cannot be refused in settlement of a debt, i.e. money used as a unit of exchange within a country) in an economy. Pakistani Rupee is the currency unit for Islamic Republic of Pakistan.

**Transferable Deposits**

All demand deposits in national or foreign currency i.e., exchangeable on demand at par without penalty or restriction, freely transferable by cheque or otherwise, commonly used to make payments, are known as transferable deposits.

**Restricted Deposits**

These are the deposits for which withdrawals are restricted on the basis of, regulatory or commercial requirements etc.

**Other Deposits**

Deposits in national or foreign currency that are not readily available/transferable by cheque or otherwise and have some kind of penalty or short time restriction are classified under Other Deposits.
Some examples of Other Deposits are

1. Non-transferable savings deposits and term deposits
2. Special notice deposits

**Securities other than Shares**

Securities other than shares are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. Financial assets that are normally traded in the financial markets and that give holders the unconditional rights to receive stated fixed sums on specified dates or the unconditional rights to fixed money incomes or contractually determined variable money incomes. These securities are classified as short-term and long-term securities other than shares such as government market treasury bills, Pakistan investment bonds, government Ijara Sukuk, corporate bonds and negotiable certificates of deposits (not negotiable would be categorized under deposits), commercial papers, TFCs, PTCs, Modaraba certificates, negotiable CODs, and negotiable securities backed by loans or other securities. Preferred stock or shares that pay a fixed income but do not provide for participation in the distribution of residual value of an incorporated enterprise on dissolution are also included in this category.

**Loans extended (Advances)/ Borrowings**

Financial asset resulting from the delivery of cash or other assets by a lender to a borrower in return for an obligation to repay on a specified date or dates, or on demand, usually with mark-up or interest. They include repurchase arrangements not included in national broad money definitions (Repo), money at call, government lending funds, overdrawn local account, overdrawn nostro accounts, borrowings from subsidiary companies, borrowings from managed modarabas, borrowings from associated undertakings, borrowings from directors, borrowings from chief executive, borrowing from SBP, borrowings from financial institutions abroad, financial leases, subordinated loans etc. Borrowings are further classified by short-term and long-term. The value of a domestic currency loan should be the amount of the creditor's outstanding claim (equal to the debtor's obligation), which comprises the outstanding principal amount plus any accrued interest (i.e., interest earned but not yet due for payment). Such valuation is herein referred to as the book value of a loan. Short Term Loans are categorized as under

1. **Money at call**

These are unsecured borrowing transactions from financial institutions without underlying collateral. These are usually overnight transactions but can extend for a week or even months, if mutually agreed upon between lender and borrower. However, a lender places its money on call and has the right to 'call' it back even before its maturity

2. **Reverse Repurchase agreements / Repurchase agreements**
   i) **Reverse Repurchase agreements (Asset Side)**
   This is a mode of financing in which the seller (financial institution) of the securities agrees to repurchase them subsequently from the purchaser (financial institution) at a fixed rate and on a specified date. This is different from trading in securities in the stock exchanges where transactions are not based on repurchase agreement and the prices are determined as per market conditions. The agreement is called a reverse repo when viewed from the perspective of securities buyer - i.e., the "cash provider"

   ii) **Repurchase agreements (Liability Side)**
   Sale of securities to financial institutions against cash with an arrangement to repurchase the same at a fixed price either on a specified future date (often one or a few days hence, but increasingly further in the future) or with an "open" maturity fall under this category. The agreement is called a repo when viewed from the perspective of securities seller—i.e., the "cash taker".

3. **Bills purchased and discounted**

Advances extended through discounting or purchasing of a bill of exchange including export bills that is both drawn and made payable in Pakistan or abroad.

4. **Other short-term advances and financial leases**

A finance lease is a contract where by lesser purchases goods put at the disposal of the lessee and the lessee pays rentals that enables the lesser over the period of contract to cover all or virtually all costs including interests. The entire risks and rewards of ownership of an asset are de facto transferred from the legal owner of the goods (lesser) to the user of the goods (lessee). Title may or may not eventually be transferred. This de facto change in ownership is financed by a financial claim, which is the asset of the lesser and liability of the lessee. At the time of ownership change the market value of the asset is recorded as assets liabilities of the units. For subsequent periods principal payments will be subtracted for determining the outstanding claim / liability. Therefore, these are calculated as lease rentals receivable plus residual value of leased assets minus financial charges for future periods on leased assets.

**Insurance Technical Reserves**

These are current claims of policyholders and beneficiaries rather than net equity of insurance corporations. Generally these are classified as under:-

i) Prepayments of premiums
ii) Outstanding claims with insurance companies

**Financial Derivatives**

Financial derivatives are financial instruments that have no intrinsic value, and are linked to another specific financial instrument, indicator (foreign currencies, government bonds, share price indices, interest rates, etc.), or commodity (gold, coffee, sugar, etc.) through which specific financial risks can be traded in financial markets in their own right.

**Others Accounts Receivable**

Financial assets consisting of trade credit and advances, dividends receivable, settlement accounts, items in the process of collection, accrued income, head office / inter-branch adjustment, expenditure account, suspense items and miscellaneous asset items are classified in Others Accounts Receivable.

**Other Accounts Payable**

These accounts consist of provision for loan losses, provision for other losses, accumulated depreciation, adjustment for head office / branch, dividends payable, settlement accounts, suspense accounts, deferred tax liabilities, accrued wages, rent, social contributions, accrued taxes, mark-up / return / interest payable, mark-up on NPL and investment, income account, miscellaneous liability items.

**Shares and Other Equity**

Shares and other equity comprise all instruments and records acknowledging claims to the residual value of companies / corporations, after the claims of all creditors have been met are categorized as shares and other equity. Stock or share most commonly refers to a share of ownership in a company that entitles the owner of that share to literally a share in the ownership of the company, including the right to a fraction of the assets of the company, a fraction of the decision-making power, and potentially a fraction of the profits, which the company may issue as dividends.

**Retained Earnings**

The category of retained earnings shows all earnings (profit after-tax) from the overall operations less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks.

**Current Year Result**

Accumulated revenues during the year minus expenditures minus taxes minus retained earnings minus general and special reserves minus dividend payable are the current year result.

**General and Special Reserves**

General and special reserves are capital redemption reserve, profit prior to incorporation, share premium, statutory reserves and appropriations of retained earnings. General and special reserves should be valued as the nominal amount of earnings that have been retained.

**Valuation Adjustment**

Valuation adjustment represents the net counterpart of all changes (Surplus / deficit on revaluation) in the values of assets and liabilities on the balance sheets except for valuation changes recorded in the profit and loss accounts. The valuation adjustment is market valued by definition.

**Valuation Method**

Below given table shows the valuation methods of Assets and Liabilities

| Assets and Liabilities | Valuation method |
|---|---|
| Currency | Face value (in currency of denomination) |
| Deposits | Nominal value (in currency of denomination) |
| Securities other than Shares | Market or fair value(assets); book value(liability) |
| Loans (advances) | Nominal value |
| Shares and Other Equity | Market or fair value (assets); book value (liability) |
| Insurance Technical Reserve | Market or fair value |
| Financial derivatives | Market or fair value |
| Other accounts receivable/payable | Nominal value |

**Deposits**

**Outstanding Deposits:** This shows the position of deposits held by banks at the end of the quarter. Deposits are the amount held in various types of deposit accounts by Banks/MFBs/DFIs, such as demand deposits (such as basic banking accounts, Asaan accounts, and branchless banking accounts), time and saving deposits. Deposits include all types of deposits excluding interbank deposits, placements and margin deposits (deposits held by Banks/MFBs/DFIs as collateral against letters of credits, letters of guarantees).

**Current Deposits:** These are accounts wherein withdrawals and deposit of funds can be made frequently by the account holders. Generally, these are return free deposits kept with the banks.

**Call Deposits**: These include short notice and special notice deposits

**Savings Deposits:** Deposits consisting of cheque accounts on which a certain return is paid by the Bank.

**Fixed Deposits**: Deposits having fixed maturity dates and a rate of return determined or determinable on the basis of a bank’s financial performance during a period.

**Other Deposits:** These generally include security deposits, margin deposits and sundry deposits etc.

**Category of Deposit Holders:** Deposits are categorized according to the main business or profession of the deposit account holders. They are broadly classified as foreign constituent (non-resident) and domestic constituents, which is cascaded down to Government, Non- financial public sector enterprises (NFPSEs), Non-bank financial Companies (NBFCs), Private sector (Business), Trust Fund and Non-Profit Institutions, Personal and Others. The Private sector is further distributed into sub-heads such as Agriculture, Fishing, Mining and Quarrying, Manufacturing, Ship breaking, Electricity and Construction according to the ISIC Rev. 4.0 classification of United Nations.

**Size of Deposits Accounts:** The deposits accounts are classified under various classes (size) on the basis of the actual balances in the respective accounts at the end of the reporting period. Previously, the account size for the grouped accounts was estimated by the average size of the group to which it belongs.

**Debits/Credit to Deposit and Turnover:** The deposits are reported on net basis at the end of quarter.

The debits on these accounts help in analyzing the turnover in the respective accounts during the period. The co-efficient of turnover are calculated by dividing the debits with the averages amounts on deposits as reported by the Scheduled Banks/MFBs/DFIs.

**Advances**

**Outstanding Advances:** The total amount of advances/loans recoverable at the end of the quarter are termed as outstanding advances.

**Category of Borrowers:** Borrowers are first classified on the basis of non-resident and domestic constituents. The latter is then further classified into government, non- financial public sector enterprises, non- bank financial companies, private sector (business), trust funds and non-profit institutions, personal and others. As with deposits, the group "Private Sector (Business)" has been further classified into various subgroups based on ISIC Rev. 4.0.

**Type of Securities:** In banking business, the security, or collateral, consists of assets, property, deposits or valuables held as guarantee against a credit or a loan. Type of security helps in the analysis of the quality of advances of the banking system. A list of classification of securities has been prepared as per international classification that can be seen under the tables of advances classified by securities in the statistical tables. Some enhancements have been made to this list in the headings of "Real Estate", "Bank Deposits", "Other Secured Advances" and "Unsecured Advances"

**Foreign Constituent (Non-Resident):** This covers the transactions with the non-residents working in our economy. This includes Officials (embassies, consulates, foreign missions), Business (corporations working in Pakistan for short periods such as construction companies) and Individuals (students, travelers).

**Government:** This includes Federal Government, Provincial and Local Governments.

**Non-Financial Public Sector Enterprises (NFPSEs):** These are the resident non-financial corporations which are controlled by government, through ownership of more than half the voting shares, legislation, decree, or regulations that establish specific corporate policy or allow the government to appoint the directors.

**Nonbank Financial Companies (NBFCs) and Financial Auxiliaries:** Non-banking financial companies, or NBFCs, are financial institutions that provide banking services, but do not hold a banking license while Financial Auxiliaries are all resident corporations and quasi corporations primarily engaged in activities closely related to financial intermediation but which do not themselves perform an intermediation role. NBFCs and Financial Auxiliaries are categorized into groups of development finance institutions, leasing companies, investment banks, modaraba companies, housing finance companies, mutual funds, venture capital companies, discount houses, stock exchange, exchange companies and insurance companies etc.

**Private Sector (Business):** This is that part of the economy which is run for private business profit and is not owned by the state. This includes the majors sectors like Agriculture, Manufacturing etc.

**Trust Fund:** This includes the Private Trusts and Non-profit Institutions and Non-government Organizations (NGOs)/Community Based Organizations (CBOs).

**Personal:** This includes bank employees and consumers who are classified under advances, while in case of deposits, Salaried Persons, Self-employed and Other Persons (house-wives, students etc.) are included.

**Others:** This includes all those advances which are not classified elsewhere.

**Rate of Interest/Return:** This is the cost of using others' money expressed as a rate, or a %age of the principal amount for a period of time usually a year.

**Size of Accounts for Advances:** The classification and system for size of accounts for advances is identical to the size of accounts for deposit as explained above.

**Category of Financing:** This refers to the purpose of financing. The major financing categories are Export financing, Import financing, Government self-employment schemes, Working capital/short term and Fixed investment/long term.

**Loan Tenure**: This refers to the actual loan maturity that is decided at the time of the loan agreement between the borrower and the reporting institutions. The tenure is mainly divided into three main categories as short term, medium term and long term depending upon time within which the loan is planned to be matured.

**Rate of Margin:** Margin for collateral is the excess of the market/assessed value of the collateral over the amount of loan. Banks typically prefer to provide loan amount less than the assessed value of collateral, because in the event of default, there are costs in loan recovery and losses with forced sale of collateral; hence a margin of collateral is maintained.

**Bills Purchased and Discounted:** Classification of Bills Purchased and Discounted provides the economic group wise claims of scheduled banks. Type of bills includes Import Bills, Inland Bills, and Foreign Bills. Sectoral classification of bill issuers is based on ISIC Rev. 4.0 classification of United Nations.

**Investments:** The Scheduled Banks/MFBs/DFIs report their investments in domestic and foreign securities/shares with details of holdings of each type of securities/shares. The holdings are classified by issuing institutions of securities/shares such as Federal and Provincial Governments' securities, foreign securities and other securities/shares (including shares, debentures, NIT units, participation term certificates, Sukuk, term finance certificate, certificate of investment, mutual fund and Modaraba certificates, shares of other public and private sector enterprises). The purchase price (book value), original value (face value) and market value (in case of tradable securities/shares) are reported for each investment. From June, 2019 onwards, some Islamic Investments products have also been added in the field "Type of Security". These securities are further enhanced in June 2022 and onwards by adding "Variable Rental Rate (VRR) and Fixed Rental Rate (FRR)" GOP Ijara Sukuk and "Islamic Naya Pakistan Certificate".

**Term to Maturity:** Term to maturity of investment securities has been introduced in this revamped version of publication. It is mainly divided into short term, medium term and long term, which are further classified into various slabs.

**Profit and Loss Accounts**

Profit and loss accounts are based on quarterly financial statements of Scheduled Banks/MFBs/DFIs. The following items are included in the profit and loss:

**Mark up Interest Earned:** Mark up interest earned comprise interest received on loans, advances, investments, lending to financial institutions, or balances with banks.

**Mark up Interest Expense**: Mark up interest expenses constitute interest expense on deposits, borrowings, subordinated debt or cost of foreign currency swaps.

**Non-Mark up Interest Earned:** Non-mark up interest earned comprises of fees and commission, dividend income, foreign exchange income, income from derivatives, gain on securities, rent on property and gain on sale of fixed assets.

**Non-Mark up Interest Expense:** Operating expenses, such as compensation of salaries, property expenses (rent, taxes, insurance, utilities cost, rental lease, fuel expenses, security charges, repair and maintenance, depreciation) , information technology expenses, workers welfare fund, penalties etc. Provision /Reversals Provision or reversal on balances with banks, loans, advances, off balance sheet item or diminution in value of the investments are taken into account.

**Number of Employees:** Branch wise number of employees with segregation of contractual and permanent employees is added.

**Regional Data:** Regional Database provides a unique set of statistics by regions/provinces. The regional/province wise data on Advances and Deposits by Borrowers/Categories is disseminated due to the increasing demand from users. Regional distribution of data on "Outstanding Advances" is based on disbursements by the bank branches located in the respective regions. Place of actual utilization for these advances may be different from the place of disbursements. The regional position therefore may not reflect the true picture since offices of large companies/firms operating in different regions might have used banking facilities located in different regions. Therefore, there comes a huge responsibility on the part of users to keep these limitations of data in mind while drawing any conclusion on the basis of these data.

**Data Coverage**

The data covered in this publication is un-audited and domestic operations only.

**Rounding Off**

Throughout the publication "-" is supposed to mean "exactly 0" while any figure showing as "0.0" or "0.00" might not necessarily be exactly 0 since it could only be showing as such due to rounding.

**Data Revision**

For practical purposes, all data pertaining to the "current" time period may please be treated as "provisional" and may be subject to revision in the next releases of the same publication according to Data Revision Policy. For example, data for December 2022 in the publication of December 2022 would be provisional in nature and would be subject to change in the future.

## Definitional, Coverage and Reporting Time differences between data as per 'Quarterly Compendium of the Banking System' and 'Quarterly Statistics on Scheduled Banks, Microfinance Banks and Development Finance Institutions in Pakistan'

1. Quarterly Compendium of the Banking System is based on *regulatory reporting requirements*, fulfilled by Scheduled Banks/DFIs/MFBs, at Head Office level, within 12 working days of the reported period. It includes overseas operations, loans/ investment 'net of provisions', interbank deposits, along with customers deposits, and excludes accrued interest/profit.

2. Quarterly Statistics on Scheduled Banks, Microfinance Banks and Development Finance Institutions in Pakistan is based on IMF's guidelines as per 'Manual on Monetary and Financial Statistics – 2000' (https://www.imf.org/external/pubs/ft/mfs/manual/pdf/mmfsft.pdf), for statistical reporting by Scheduled Banks/DFIs/MFBs, largely at branch level, within 45 calendar days of the reported period. It consists of domestics operations only, and includes accrued interest/profit while reporting loans on 'gross bases'.