Quarterly Performance Review of the Banking Sector

(April-June, 2016)

Financial Stability Assessment Division

Financial Stability Department

State Bank of Pakistan

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Summary[1]

The key highlight of the quarter under review is the significant rise in advances, led by growth in private sector advances and financing for commodity operations. This coupled with the continuing investment in government papers has enhanced asset base of the banking sector by 7.7 percent. Deposit base has witnessed some deceleration in growth amid rising financial borrowings.

The Year-to-Date (YTD) profitability of the banking sector has narrowed by 5.4 percent over the corresponding quarter of last year due to declining interest rates. Asset quality slightly deteriorated largely due to seasonal increase in infection in agri-sector loans. Capital Adequacy Ratio with minor adjustment stayed at 16.1 percent, well above the local minimum requirement of 10.25 percent and international benchmark of 8.625 percent.

[1] Analysis in this document is largely based on the unaudited numbers submitted by banks to SBP on quarterly basis. From the data convention perspective, Jun-16 stands for April-June, 2016 quarter and represents unaudited numbers; H1 and H2 denotes first and second half years of a calendar year, respectively, also representing unaudited numbers; while CY symbolizes the calendar year and represents audited numbers.

A. Performance of the Banking Sector

The assets of the banking sector have observed 7.7 percent growth (YoY 16.1 percent) during Jun-16 compared to 5.7 percent growth during Jun-15 **(Table 1 and Annexure A&B)**. Deposits have provided the necessary funding support as they have grown by 6.8 percent (YoY 10.6 percent); while borrowings from financial institutions (mostly repo borrowing from SBP) have also remained high. The increase in assets has been contributed by a healthy growth in advances; particularly private sector advances and financing for commodity operations, and investments in government securities.

Table 1: Highlights of the Banking Industry

	CY14	Jun-15	CY15	Mar-16	Jun-16
Key Variables (PKR billion)					
Total Assets	12,106	13,244	14,143	14,281	15,374
Investments (net)	5,310	6,209	6,881	7,421	7,821
Advances (net)	4,447	4,552	4,816	4,782	5,180
Deposits	9,230	9,970	10,389	10,323	11,024
Borrowings	1,001	1,322	1,766	1,967	2,305
Equity	1,207	1,266	1,323	1,277	1,307
Profit Before Tax (ytd)	247	171	329	82	162
Profit After Tax (ytd)	163	99	199	53	94
Non-Performing Loans	605	630	605	619	635
Provisioning Charges (ytd)	25	25	39	3	10
Non-Performing Loans (net)	122	121	91	102	112
Key FSIs (percent)					
NPLs to Loans (Gross)	12.3	12.4	11.4	11.7	11.1
Net NPLs to Net Loans	2.7	2.7	1.9	2.1	2.2
Net NPLs to Capital	10.1	10.9	7.7	8.9	9.7
Provision to NPL	79.8	80.8	84.9	83.6	82.4
ROA (Before Tax)	2.2	2.7	2.5	2.3	2.2
CAR	17.1	17.2	17.3	16.3	16.1
Advances to Deposit Ratio	48.2	45.7	46.4	46.3	47.0

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

Gross advances have witnessed healthy growth of 7.6 percent (PKR 403 billion) during Jun-16 (YoY growth of 12.7 percent). Around 92 percent of gross advances are domestic, of which, PKR 172 billion are utilized for public sector commodity procurement operations followed by Fixed Investment loans by Public Sector Enterprises (PSEs) (PKR 102 billion).

Encouragingly, domestic financing to private sector has also picked up by 4.0 percent (YoY 11.8 percent) in Jun-16 against 2.1 percent growth in Jun-15 quarter (YoY 8.3 percent) and 0.4 percent in Jun-14 (YoY 10.4 percent). For the last few years, financing for commodity operations has been key source of increase in flow of advances in the second quarter of a calendar year. However, this time around, higher financing demand by corporate sector and individuals has pushed up the overall advances growth, despite retirements by key industrial sectors (textile and sugar). For example, Production and Transmission of Energy sector has revealed strong demand (PKR 33.5 billion) compared to net retirement (PKR 5.5 billion) in corresponding quarter of last year. Similarly, Individuals have borrowed around PKR 63.6 billion during Jun-16 compared to PKR 29.4 billion during Jun-15. Besides, Chemical and Pharmaceutical sector has seen higher flow of advances in June, 2016 (**Annexure C**).

Table 2: Segment-wise Domestic Advances Flows in Q2CY16

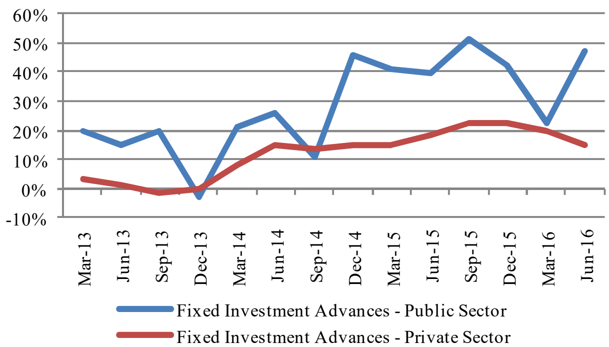
(PKR billion)

	Public Sector	Private Sector	Total
Corporate Sector	**55.2**	**133.1**	**188.4**
Fixed Investment	102.3	38.4	140.7
Working Capital	(36.0)	41.4	5.4
Trade Finance	(11.1)	53.4	42.3
SMEs		**14.0**	**14.0**
Fixed Investment		1.3	1.3
Working Capital		8.7	8.7
Trade Finance		4.0	4.0
Agriculture		**12.3**	**12.3**
Consumer Finance		**17.0**	**17.0**
of which			-
Auto Loans		7.7	7.7
Commodity Financing	**172.2**	**(24.9)**	**147.2**
Staff Loans		**2.2**	**2.2**
Others		**(0.2)**	**(0.2)**
Total	**227.4**	**153.5**	**380.9**

As also highlighted in previous QPRs, Fixed Investment advances remained on the rise since last few years and the momentum has continued during this quarter (9.0 percent growth in Jun-16 compared to 4.1 percent growth in Mar-16) **(Table 2)**. In Jun-16, Fixed Investment financing is availed by PSEs (72 percent) followed by private sector (28 percent) **(Figure 1)**. With continuing growth in Fixed Investment loans, it share in total domestic advances has increased from 24 percent in Dec-13 to 33 percent in Jun-16.

Figure 1

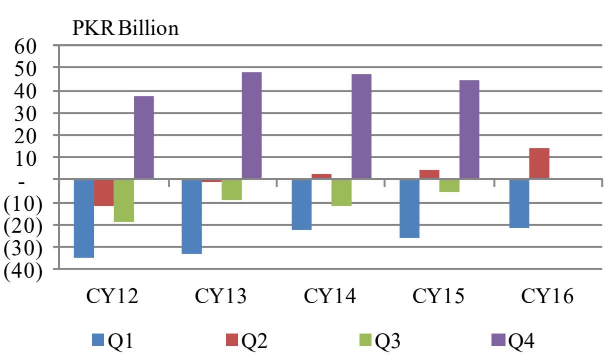
Year -on-Year (YoY) growth in Fixed Investment Advances - Domestic Operations



SMEs have also seen moderate growth of 4.9 percent (YoY 11.7 percent) during Jun-16; against 1.8 percent (YoY 5.4 percent) growth in corresponding quarter of last year (**Figure 2**). Financing for Working Capital (PKR 8.7 billion or 14.1 percent) followed by Trade Finance (PKR 4.0 billion or 14.1 percent) have raised the overall SME financing during the quarter.

Figure 2

SMEs Advances- Quarterly Flows

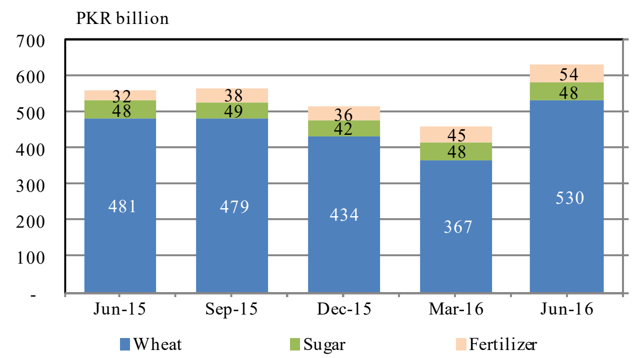


Consumer financing[2] has continued on the steady growth path with 5.3 percent growth in Jun-16 (YoY 9.6 percent) on account of auto[3] financing, mortgage loans, and other personal loans.

The stock of public sector Commodity Financing has surged due to seasonal credit demand – mostly for the procurement of wheat **(Figure 3)**. Noticeably, these flows in Jun-16 (PKR 172) are higher than what were seen during the same period of last year (PKR 152 billion).

Figure 3

Public Sector Commodity Finance Break-up - Domestic Operations



The higher growth in advances, besides improved economic conditions[4], may be attributed to a number of factors such as (a) lagged effect of decline in interest rate including WALR which has reduced by 365 bps since November 2014 to 7.65 percent as of end Jun-16, (b) pickup in manufacturing activity as the LSM index has surged by 3.45 percent during Jul-May, 2016 and (c) improved security situation[5] etc.

Investments continue to rise due to growing stock of Government Securities. With QoQ growth of 4.9 percent (YoY 27.4 percent), banks holding of

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[2] In order to align with changing business environment and international best practices, SBP has revised it's Prudential Regulations on Consumer Finance in August 2016. (http://www.sbp.org.pk/bprd/2016/C10.htm)

[3] The auto financing has remained on high growth path since last three years.

[4] https://www.imf.org/en/News/Articles/2016/08/04/14/01/PR16373-Pakistan-IMF-Staff-Completes-Twelfth-and-Final-Review-Mission

[5] http://oicci.org/wp-content/uploads/2015/12/BCI-Wave-12.pdf

Government Securities has reached to PKR 7.2 trillion as of end June 2016; representing more than 90 percent share in total investments.

During the quarter, banks have invested net amount of PKR 239.6 billion (growth: 6.6 percent) in PIBs followed by PKR 105.3 billion in MTBs (4.1 percent) **(Table 3)**. Around 73 percent (PKR 282 billion) of overall increase in investments is placed in Available for Sale (AFS) category followed by 26 percent (PKR 100 billion) in Held to Maturity (HTM)[6] – no additional placement has been made in Held for Trading category.

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

PKR billion

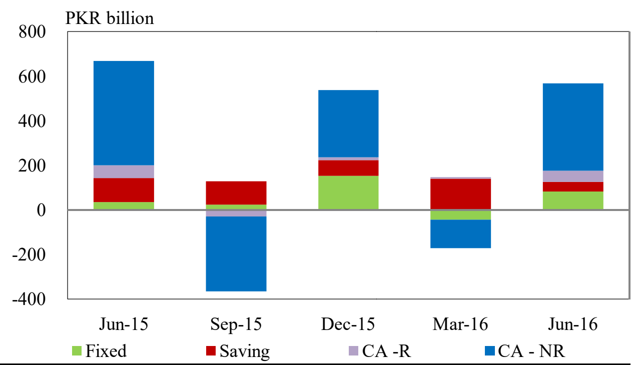
Flows during:	**Q2CY14**	**Q2CY15**	**Q2CY16**
MTBs	(770)	54	105
PIBs	622	172	240
Others	60	11	(7)
Total Govt. Securities	(88)	237	338
Total Investments	(149)	256	401
Outstanding Stocks as of:	**Jun-14**	**Jun-15**	**Jun-16**
MTBs	1,552	2,174	2,670
PIBs	2,117	3,107	3,896
Others	336	376	642
Total Govt. Securities	4,006	5,657	7,209
Total Investments	4,557	6,255	7,875

In addition, banks have enhanced their investments in other avenues (i.e. ordinary shares, TFCs, bonds etc) by around 9.7 percent (PKR 48 billion) primarily due to bullish trends in capital markets of Pakistan.[7,8] However, these investments have remained within the exposure limits prescribed by SBP[9].

On the funding side, **deposit** base has grown by 6.8 percent (YoY 10.6 percent) to reach PKR 11.0 trillion during Jun-16 quarter, as compared to 7.9 percent (YoY 13.6 percent) during Jun-15 **(Figure 4 and Annexure B)**.

Figure 4

Deposits- Quarterly Flows



The deceleration in deposit growth (both YoY and QoQ) may be attributable to a number of factors including: a) decline in return on deposits as the minimum rate on saving deposits is falling with the decline in the benchmark rate (floor rate of the SBP corridor[10]), b) shift in depositors' preference to alternative modes of savings (e.g. prize bonds[11], capital market etc), c) imposition of withholding tax on cash withdrawals[12] etc. The decomposed data of

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6 As per accounting standards, value of investments placed in HTM is not affected by market risk (change in interest rate).

7 During the reviewed quarter, KSE-100 index increased by around 14 percent to reach 37,783 while KMI-30 index grew by 14 percent to close at 66,162 on end June 2016 (http://www.scstrade.com/MarketStatistics/MS_HistoricalIndices.aspx).

8 In June 2016, the American stock index firm MSCI included the KSE-100 in its emerging markets index, which represents 10% of the world's market capitalization.

9 As per R-6 (B.i) of SBP prescribed Prudential Regulations (PRs), aggregate equity investment limit for banks is 30 percent of their equity. http://www.sbp.org.pk/publications/prudential/PRs-Jan-2015.pdf

10 Weighted Average Deposit Rate (WADR) –fresh deposits including zero mark up - of banking sector has declined by further 11 bps to reach 3.58 percent as of end Jun-16 (57 bps reduction YoY) http://www.sbp.org.pk/ecodata/Lendingdepositrates.pdf.

11 Government raised PKR 123 billion through prize bonds during Jul-15 to Jun-16 compared to PKR 76 billion in corresponding period of last year.

12 Though there is deceleration in deposit growth post imposition of withholding tax on cash transactions, given several other factors having similar impact on deposits (as mentioned above), the evidence is inconclusive to form a firm opinion that withholding tax is the sole reason behind slowdown in growth in banking deposits.

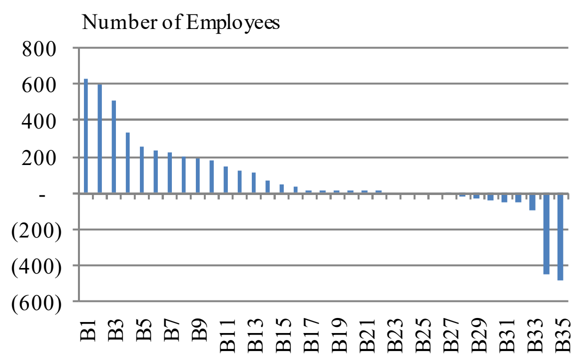
customer deposits – representing 95 percent of overall deposits – shows most of the growth has come from non-remunerative current deposits (PKR 392 billion or 12.5 percent) followed by fixed deposits (PKR 82 billion or 3.4 percent) and saving deposits (PKR 44 billion or 1.1 percent). Currency-wise break-up of deposits shows that entire increase has taken place in local currency deposits (8.9 percent) during Jun-16, while PKR value of FCY deposits has declined by 7.9 percent.

In order to fulfill the fiscal funding need and credit demand from private sector, banks have also used financial borrowings. The weekly data reveals that financial borrowings are primarily driven by repo borrowing from SBP which has injected liquidity into the system to anchor overnight money market rate closer to the SBP target rate.

The banking growth is also reflected in expanding branch network, considerable positive absorption of fresh employees, and rise in banking infrastructure (ATMs, credit cards etc). During the reviewed quarter, banking sector has absorbed 2,692 additional full-time employees (QoQ increase of 1.5 percent). Importantly, the hiring is quite broad based contributed by most of the banks **(Figure 5)**.

Figure 5

New Hiring of Full Time Employees



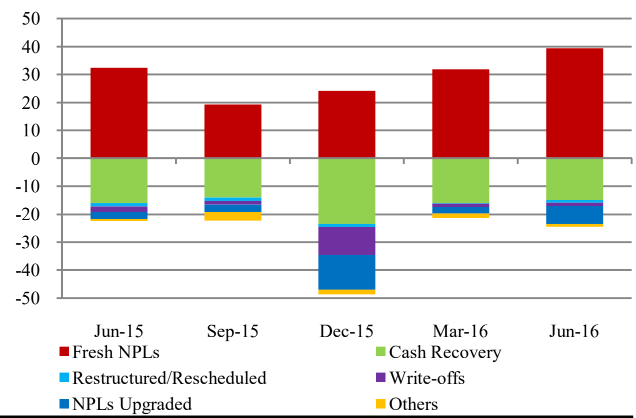
Similarly, 72 new branches (QoQ increase of 0.6 percent) are added in to the banking network mostly by few medium size banks. It may be worth mentioning that around 94 percent of banking branches are operating online on real time basis as of end June 2016. The changing dynamics of technology and business expansion has led to growth of banking infrastructure; 275 new ATMs (2.5 percent growth) are installed and 12,965 new credit cards (2.2 percent growth) have been issued during the reviewed quarter.

B. Soundness of the Banking Sector

Asset quality of the banking system has slightly deteriorated as NPLs have grown by 2.5 percent to PKR 634.5 billion in Jun-16 **(Annexure C)**. A significant portion of the fresh NPLs (48 percent) has come from agriculture loans **(Figure 6)**.

Figure 6

Fresh NPLs & Total Recovery (PKR billion)



Despite rise in NPLs, infection ratio has come down to 11.1 percent in Jun-16 from 11.7 percent in last quarter due to considerable growth in loans. Provision coverage ratio, however, has slightly decreased to 82.4 percent in Jun-16 from 83.6 percent in Mar-16. This is largely due to the fact that the aforementioned rise in agriculture NPLs is classified in Other Assets Especially Mentioned (OAEM) category[13], which does not require any provisioning.[14] Consequently, net NPLs to net loans and net NPLs to Capital ratios have risen to 2.2 percent and 9.7 percent from 2.1 percent and 8.9 percent in Mar-16, respectively.

During Jun-16, banks have recovered PKR 24.4 billion, of which, PKR14.8 billion includes cash recoveries. However, the recoveries during Jun-16 are 7.2 percent lower than previous quarter and 7.5 percent lesser than Jun-15. Most of the cash recoveries have come from top five banks (34.6 percent) and agriculture loans (14.0 percent) during the quarter under review.

Banking system's fund based **liquidity** has remained comfortable mainly due to continued investment in government securities, albeit at a slower pace. Banks' investment in government securities has posted a growth of 4.9 percent over the last quarter (8.6 percent in Mar-16) due to continued fiscal reliance on commercial banks. As a result, against the required level of 24 percent, banks are able to maintain Statutory Liquidity Ratio (SLR) of 49.6 percent of eligible demand and time liabilities as of Jun-16.

The receding pace of bank's investment in government securities and rise in deposits during Jun-16 (6.8 percent) compared to 0.6 percent dip during Mar-16, lead to decline in Liquid Assets to Deposits ratio from 77.3 percent as of Mar-16 to 77.0 percent as of Jun-16. Similarly, Liquid Assets to Total Assets ratio has slightly declined to 55.2 percent during the quarter under review from 55.9 percent previously.

The market liquidity, on the other hand, has remained under stress during the quarter. This compelled SBP to make frequent OMO injections to keep the overnight (O/N) repo rates closer to SBP target rate.

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[13] As per Prudential Regulations, categories of NPLs for Agriculture financing are different from other types of financing: OAEM (90 days overdue), Substandard (One year overdue), Doubtful (One and a half year overdue), Loss (Over two years overdue). This is due the fact that agriculture loans are characterized by longer recovery periods based on the harvesting cycle of different Rabi & Kharif crops. Therefore, due to cropping cycle, every year in June and December quarters, a certain amount of agriculture loans fall into OAEM category, which are subsequently recovered in the following September and March quarters respectively.

[14] Prudential Regulation R-11 for Agriculture Financing: http://www.sbp.org.pk/publications/prudential/PRsAgriApproved.pdf

Consequently, the volatility in O/N repo rates has reduced in Jun-16 compared to the last quarter.

With the sizeable rise in advances, the Advances to Deposit Ratio (ADR) has improved by 66 bps to reach 47 percent. This is the first time since Sep-14 that the increase in loans has led to rise in ADR.

As indicated in the last QPR, earning of the banking system has narrowed due to declining interest rates and lower non-mark-up income. **Profit after tax** for the first half of CY16 has declined by 5.4 percent to PKR 93.7 billion over the corresponding period of last year. The profitability of banks has received a major dent from decline in interest earned on advances and a steep decline (29.1 percent) in gains on sale of investment portfolio.

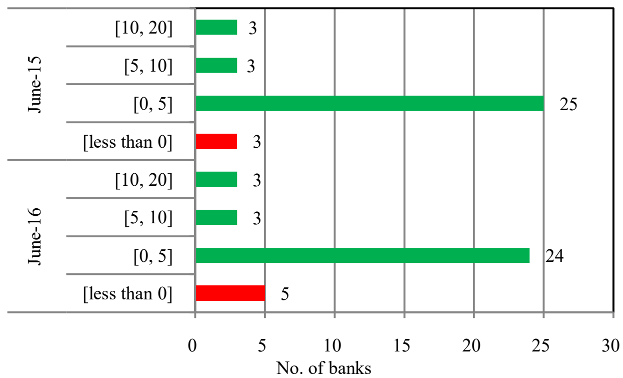
The impact of declining interest rate clearly reflected in Net Interest Margin (NIM), which has reduced to 3.9 percent as of end June 2016 from 4.5 percent as of end June 2015. Declining revenues on lending activity, lower returns on high stock of risk free government securities and higher expense on huge repo borrowings has decelerated the Net Interest Income (NII), which led to decline in NIM of the banking sector. Similarly ROA has slipped down to 2.2 percent as of end June 2016 from 2.7 percent as of end June 2015.

Apart from decline in NIM, rising cost to income ratio has also affected banks' overall profitability; the cost to income ratio has increased to 51.0 percent as of end June 2016 from 46.1 percent as of end June 2015 (**Annexure D**). Some of this rising cost of banking industry is connected with ongoing expansion of branch network, growth in human resources employed and investment in IT infrastructure (see section A above).

Bank-wise statistics reveal a broad based contribution in banking profits as 30 banks has posted profits, while the count for loss making banks has increased to 5 in H1CY16 from 3 in H1CY15. Concentration of earnings have marginally reduced as the share of top 5 banks in total profits has decreased to 60.9 percent in H1CY16; down from 62.0 percent in H1CY15 (**Figure 7**).

Figure 7

Banking sector profitability (pre-tax) (PKR billion)



Solvency of the system has remained strong with Capital Adequacy ratio (CAR) and Leverage ratio (LR) staying well above the minimum local and international benchmarks.

During Jun-16, the CAR has seen slight downward adjustment to 16.1 percent compared to16.3 percent in Mar-16. Analysis of the components shows increase in both Capital and risk weighted assets (RWAs). However, higher growth in the RWAs, as consequence of rise in private sector credit has led to marginal decline in CAR. Nonetheless, CAR at present level is well above the minimum required level of 10.25 percent**.**

The leverage ratio[15] of the banking sector at 5.2 percent as of end June, 2016 is at comfortable level though marginally below 5.3 percent in Mar-16. This marginal decrease has resulted from higher increase in exposure (2.8 percent) compared to the Tier 1 capital (1.7 percent) during Jun-16. Similar to CAR, the leverage ratio is well above the minimum benchmark of 3 percent set by the Basel Committee on Banking Supervision.

15 Leverage ratio is defined as Teir-1 Capital (after related deductions) to total exposure covering both on balance sheet and off-balance sheet items. (Basel-III Capital instructions issued vide BP&RD Circular No.6 of 2013; http://www.sbp.org.pk/bprd/2013/C6.htm). The parallel run period of leverage ratio in Pakistan is from December 31, 2013 to December 31, 2017.

C. Banking Sector Outlook For Sep-16

Demand for credit is expected to be slack in September quarter due to retirement of both commodity financing in the public sector and working capital loans by textiles and cement sectors. Deposits of the banks, which closely follow credit trends, may witness further decelerated growth due to Eid related withdrawals and slowing remittances from abroad. The ongoing progress on macroeconomic front (i.e. lagged impact of monetary easing, large investments in power projects under China-Pakistan Economic Corridor and other related developments, positive sentiments, improved Balance of Payments, etc.) may, however, provide some growth in advances.

In an environment of low interest rates, falling yield on public debt and some shift in pattern of government borrowings[16], profitability of the banking system is expected to remain in check. Lower provisioning charge and off take of high yielding private credit might partially offset the downward pressure on interest income, though.

Capital Adequacy might also come down a bit as the growth in advances will push the credit risk weighted assets higher and slowdown in earnings will result in lower internal capital generation. Besides these changes, banks need to take into account already announced regulatory measures related to Basel-III which are falling due in the coming quarters and devise capital enhancement plans accordingly.

[16] The post Jun-16 Monetary Survey as on August, 26, 2016 shows shifting of government borrowings to SBP (http://www.sbp.org.pk/ecodata/BroadMoney_M2.pdf).

Annexure

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

PKR million

Financial Position	CY12	CY13	Dec-14*	Jun-15*	Dec-15*	Mar-16*	Jun-16*
ASSETS							
Cash & Balances With Treasury Banks	836,605	858,512	723,664	853,112	909,429	814,061	910,418
Balances With Other Banks	184,746	185,423	149,631	176,757	198,395	160,122	186,575
Lending To Financial Institutions	170,758	275,939	429,380	497,091	360,772	274,231	313,933
Investments - Net	4,013,239	4,313,323	5,309,630	6,209,132	6,880,765	7,420,710	7,821,344
Advances - Net	3,804,140	4,110,159	4,447,300	4,552,132	4,815,827	4,781,948	5,179,829
Operating Fixed Assets	248,673	259,800	277,030	297,599	310,102	311,259	318,147
Deferred Tax Assets	66,805	80,306	67,077	62,711	65,644	69,357	70,347
Other Assets	386,188	403,233	702,550	595,355	602,301	449,523	573,167
TOTAL ASSETS	**9,711,154**	**10,486,693**	**12,106,261**	**13,243,890**	**14,143,234**	**14,281,213**	**15,373,761**
LIABILITIES		-	-	-			
Bills Payable	112,275	129,227	137,651	204,751	145,089	147,775	198,412
Borrowings From Financial Institution	1,027,098	722,643	1,001,447	1,322,377	1,766,145	1,967,189	2,304,736
Deposits And Other Accounts	7,293,698	8,310,529	9,229,773	9,969,916	10,389,260	10,323,344	11,024,200
Sub-ordinated Loans	55,160	40,070	44,329	41,359	51,366	58,426	54,683
Liabilities Against Assets Subject To Finance Lease	52	34	33	26	50	47	45
Deferred Tax Liabilities	70,399	19,731	37,149	53,157	47,622	63,103	68,081
Other Liabilities	270,262	321,690	448,432	385,874	420,935	444,189	416,624
TOTAL LIABILITIES	**8,828,945**	**9,543,923**	**10,898,816**	**11,977,459**	**12,820,468**	**13,004,072**	**14,066,782**
NET ASSETS	**882,209**	**942,770**	**1,207,445**	**1,266,430**	**1,322,767**	**1,277,142**	**1,306,980**
NET ASSETS REPRESENTED BY:		-	-	-			
Share Capital	427,583	482,091	587,053	581,443	619,862	578,227	579,168
Reserves	194,543	176,095	189,242	203,984	192,039	193,088	195,038
Unappropriated Profit	148,169	157,492	227,151	244,627	290,908	275,609	290,008
Share Holders' Equity	**770,295**	**815,678**	**1,003,446**	**1,030,055**	**1,102,809**	**1,046,924**	**1,064,215**
Surplus/Deficit On Revaluation Of Assets	111,914	127,102	203,999	236,375	219,958	230,218	242,765
TOTAL	**882,209**	**942,780**	**1,207,445**	**1,266,430**	**1,322,767**	**1,277,142**	**1,306,980**

PROFIT AND LOSS STATEMENT	CY12	CY13	Dec-14*	Jun-15*	Dec-15*	Mar-16*	Jun-16*
Mark-Up/ Return/Interest Earned	792,749	777,398	919,821	495,108	981,760	234,533	474,920
Mark-Up/ Return/Interest Expenses	454,182	444,047	504,990	249,190	485,575	114,206	227,297
Net Mark-Up / Interest Income	**338,567**	**333,350**	**414,830**	**245,917**	**496,185**	**120,327**	**247,623**
Provisions & Bad Debts Written Off Directly/(Reversals)	39,668	40,162	25,323	25,188	38,874	3,418	9,692
Net Mark-Up / Interest Income After Provision	**298,899**	**293,188**	**389,507**	**220,729**	**457,311**	**116,908**	**237,930**
Fees, Commission & Brokerage Income	54,720	62,579	70,421	41,548	82,640	21,194	45,660
Dividend Income	21,630	14,599	14,098	9,645	16,910	4,657	8,635
Income From Dealing In Foreign Currencies	21,620	20,972	28,396	12,135	22,824	4,051	8,094
Other Income	39,602	41,941	54,434	54,918	86,369	21,650	40,734
Total Non - Markup / Interest Income	**137,572**	**140,091**	**167,349**	**118,246**	**208,743**	**51,553**	**103,122**
	436,471	433,280	556,856	338,975	666,053	168,461	341,052
Administrative Expenses	251,349	266,199	304,588	164,145	330,006	85,984	176,585
Other Expenses	6,100	4,633	5,726	3,836	7,231	925	2,241
Total Non-Markup/Interest Expenses	**257,450**	**270,832**	**310,313**	**167,981**	**337,237**	**86,909**	**178,826**
Profit before Tax and Extra ordinary Items	179,021	162,448	246,543	170,995	328,817	81,552	162,226
Extra ordinary/unusual Items - Gain/(Loss)	842.88	(4.64)	3.79	0.19	0.51	0.17	0.33
PROFIT/ (LOSS) BEFORE TAXATION	**178,178**	**162,453**	**246,539**	**170,995**	**328,816**	**81,552**	**162,226**
Less: Taxation	59,946	50,019	83,171	71,902	129,811	28,613	68,482
PROFIT/ (LOSS) AFTER TAX	**118,232**	**112,434**	**163,368**	**99,092**	**199,006**	**52,939**	**93,744**

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

Annexure B

Distribution of Deposits

PKR billion

	CY12	CY13	Dec-14*	Jun-15*	Dec-15*	Mar-16*	Jun-16*
DEPOSITS	**7,294**	**8,311**	**9,230**	**9,970**	**10,389**	**10,323**	**11,024**
Customers	**6,972**	**7,975**	**8,886**	**9,657**	**9,943**	**9,924**	**10,518**
Fixed Deposits	2,078	2,216	2,268	2,248	2,425	2,381	2,463
Saving Deposits	2,642	3,094	3,467	3,690	3,863	4,003	4,047
Current accounts - Remunerative	343	381	323	348	331	338	389
Current accounts - Non-remunerative	1,868	2,241	2,764	3,289	3,254	3,126	3,518
Others	41	43	64	83	69	76	101
Financial Institutions	**321**	**336**	**344**	**312**	**446**	**399**	**507**
Remunerative Deposits	214	217	201	229	393	300	322
Non-remunerative Deposits	107	119	143	83	53	100	184
Break up of Deposits Currecy Wise	**7,294**	**8,311**	**9,230**	**9,970**	**10,389**	**10,323**	**11,024**
Local Currency Deposits	6,310	7,129	7,983	8,748	9,042	9,029	9,832
Foreign Currency Deposits	984	1,182	1,247	1,222	1,347	1,294	1,192

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

Annexure C

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

amount in PKR billion, ratio in percent

	Mar-15			Jun-15			Mar-16			Jun-16		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,243.9	443.3	13.7	3,302.2	442.8	13.4	3,590.8	442.9	12.3	3,794.7	448.5	11.8
SMEs Sector	274.1	87.8	32.0	279.3	88.3	31.6	294.9	83.0	28.1	310.0	82.2	26.5
Agriculture Sector	260.3	36.6	14.1	276.1	45.8	16.6	284.3	34.9	12.3	296.6	45.9	15.5
Consumer sector	298.4	35.0	11.7	320.7	34.1	10.6	333.5	35.1	10.5	349.9	34.3	9.8
i. Credit cards	22.4	2.4	10.8	24.0	2.5	10.3	24.8	2.4	9.8	25.6	2.5	9.6
ii. Auto loans	76.1	3.8	4.9	84.4	3.6	4.3	102.0	2.7	2.7	109.8	2.6	2.4
iii. Consumer durable	0.3	0.1	20.4	0.3	0.1	20.0	0.3	0.1	22.8	0.3	0.1	24.0
iv. Mortgage loans	52.6	13.8	26.2	53.8	13.3	24.8	56.7	12.9	22.8	59.1	12.6	21.3
v. Other personal loans	147.0	14.9	10.2	158.2	14.6	9.2	149.7	16.9	11.3	155.1	16.6	10.7
Commodity financing	523.7	5.7	1.1	650.6	6.7	1.0	550.4	5.6	1.0	697.7	4.4	0.6
Staff Loans	94.2	1.2	1.3	98.5	1.2	1.2	99.9	1.3	1.3	102.0	1.4	1.3
Others	139.4	10.7	7.7	133.8	11.2	8.4	145.6	16.3	11.2	151.9	17.7	11.7
Total	4,833.9	620.3	12.8	5,061.4	630.0	12.4	5,299.5	619.1	11.7	5,702.8	634.5	11.1

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

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

amount in PKR billion, ratio in percent

	Mar-15			Jun-15			Mar-16			Jun-16		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	384.8	40.4	10.5	425.3	50.2	11.8	417.4	42.9	10.3	504.2	58.1	11.5
Automobile/Transportation	72.0	14.9	20.8	62.5	12.0	19.2	70.9	12.2	17.2	81.7	12.3	15.1
Cement	39.8	8.6	21.5	57.9	8.6	14.9	61.8	7.1	11.5	62.4	7.0	11.2
Chemical & Pharmaceuticals	176.0	15.9	9.1	197.4	16.0	8.1	224.0	14.6	6.5	247.3	14.7	5.9
Electronics	67.9	12.0	17.7	71.6	12.0	16.8	70.1	10.6	15.1	69.1	10.7	15.5
Financial	112.2	8.7	7.8	115.8	8.7	7.5	142.8	10.2	7.1	162.4	9.4	5.8
Individuals	412.5	52.9	12.8	438.4	52.5	12.0	462.9	48.3	10.4	531.8	47.3	8.9
Insurance	0.6	0.0	0.1	0.1	0.0	1.3	1.4	0.0	0.1	1.7	0.0	0.0
Others	1,951.8	218.4	11.2	2,139.4	219.9	10.3	2,167.0	225.9	10.4	2,297.1	222.3	9.7
Production/Transmission of Energy	639.1	37.3	5.8	645.3	36.7	5.7	669.6	37.1	5.5	789.2	38.4	4.9
Shoes & Leather garments	23.0	3.8	16.4	24.8	3.9	15.9	23.4	3.8	16.3	24.4	3.8	15.5
Sugar	202.1	6.5	3.2	174.6	8.3	4.8	232.1	11.5	4.9	182.6	13.6	7.4
Textile	752.2	200.8	26.7	708.2	201.2	28.4	756.0	195.0	25.8	748.8	197.0	26.3
Total	4,833.9	620.3	12.8	5,061.4	630.0	12.4	5,299.5	619.1	11.7	5,702.8	634.5	11.1

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

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

PKR million

	CY13		Dec-14*		Jun-15*		Dec-15*		Mar-16*		Jun-16*	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	13,785	26	15,260	-	25,759	-	17,475	-	17,651	-	30,185	-
Sub Standard	50,202	11,320	57,179	14,748	55,517	11,676	40,649	8,539	51,710	10,517	52,773	13,322
Doubtful	32,353	14,336	36,746	16,306	30,719	13,421	28,044	11,523	28,994	11,462	34,842	13,683
Loss	511,070	428,513	495,514	433,552	518,014	458,854	519,277	468,847	520,730	468,239	516,746	466,859
Total	607,410	454,195	604,698	464,606	630,010	483,950	605,444	488,909	619,086	490,218	634,546	493,864

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

Annexure D

Financial Soundness Indicators of the Banking Sector

percent

Indicators	CY10	CY11	CY12	CY13	Dec-14*	Jun-15*	Dec-15*	Mar-16*	Jun-16*
CAPITAL ADEQUACY									
Risk Weighted CAR^	13.9	15.1	15.6	14.9	17.1	17.2	17.3	16.3	16.1
Tier 1 Capital to RWA	11.6	13.0	13.0	12.6	14.3	14.1	14.4	13.2	13.0
ASSET QUALITY									
NPLs to Total Loans	14.9	15.7	14.5	13.3	12.3	12.4	11.4	11.7	11.1
Provision to NPLs	66.7	69.3	71.5	77.1	79.8	80.8	84.9	83.6	82.4
Net NPLs to Net Loans	5.5	5.4	4.6	3.4	2.7	2.7	1.9	2.1	2.2
Net NPLs to Capital^^	26.7	23.1	19.9	14.7	10.1	10.9	7.7	8.9	9.7
EARNINGS									
Return on Assets (Before Tax)	1.5	2.2	2.0	1.6	2.2	2.7	2.5	2.3	2.2
Return on Assets (After Tax)	1.0	1.5	1.3	1.1	1.5	1.6	1.5	1.5	1.3
ROE (Avg. Equity& Surplus) (Before Tax)	15.5	23.0	21.4	17.9	24.3	27.5	25.8	25.1	24.9
ROE (Avg. Equity &Surplus) (After Tax)	9.6	15.1	14.2	12.4	16.1	15.9	15.6	16.3	14.4
NII/Gross Income	74.7	76.0	71.1	70.4	71.3	67.5	70.4	70.0	70.6
Cost / Income Ratio	52.7	51.1	54.1	57.2	53.3	46.1	47.8	50.6	51.0
LIQUIDITY									
Liquid Assets/Total Assets	36.1	45.5	48.4	48.6	49.2	52.3	53.8	55.9	55.2
Liquid Assets/Total Deposits	47.1	59.5	64.5	61.3	64.5	69.5	73.3	77.3	77.0
Advances/Deposits	61.6	53.6	52.2	49.5	48.2	45.7	46.4	46.3	47.0

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

^ Data for Dec-13 and onwards is based on Basel III, and data from CY08 to Sep-13 is based on Basel II with the exception of IDBL,PPCBL, and SME Bank, which is based on Basel I.

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

Annexure E

Group-wise Composition of Banks

Dec-14	Dec-15	Mar-16	Jun-16
A. Public Sector Com. Banks (5)	**A. Public Sector Com. Banks (5)**	**A. Public Sector Com. Banks (5)**	**A. Public Sector Com. Banks (5)**
First Women Bank Ltd.	First Women Bank Ltd.	First Women Bank Ltd.	First Women Bank Ltd.
National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan
Sindh Bank Ltd.	Sindh Bank Ltd.	Sindh Bank Ltd.	Sindh Bank Ltd.
The Bank of Khyber	The Bank of Khyber	The Bank of Khyber	The Bank of Khyber
The Bank of Punjab	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab
B. Local Private Banks (22)	**B. Local Private Banks (22)**	**B. Local Private Banks (22)**	**B. Local Private Banks (22)**
AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.	AlBaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.
Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.
Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.
Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.
BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.
Burj Bank Ltd.	Burj Bank Ltd.	Burj Bank Ltd.	Burj Bank Ltd.
Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.
Faysal Bank Ltd.	Faysal Bank Ltd.	Faysal Bank Ltd.	Faysal Bank Ltd.
Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.
Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.
JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.
*KASB Bank Ltd.**	MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.
MCB Bank Ltd.	*MCB Islamic Bank Ltd.****	MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.
Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.
NIB Bank Ltd.	NIB Bank Ltd.	NIB Bank Ltd.	NIB Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.
Silk Bank Ltd	Silk Bank Ltd	Silk Bank Ltd	Silk Bank Ltd
Soneri Bank Ltd.	Soneri Bank Ltd.	Soneri Bank Ltd.	Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd	Summit Bank Ltd	Summit Bank Ltd	Summit Bank Ltd
United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.
C. Foreign Banks (6)	**C. Foreign Banks (4)**	**C. Foreign Banks (4)**	**C. Foreign Banks (4)**
Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.
*Barclays Bank PLC***	Citibank N.A.	Citibank N.A.	Citibank N.A.
Citibank N.A.	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
Deutsche Bank AG	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China Ltd.			
HSBC Bank Oman S.A.O.G. [#]			
D. Specialized Banks (4)	**D. Specialized Banks (4)**	**D. Specialized Banks (4)**	**D. Specialized Banks (4)**
Industrial Development Bank Ltd.	Industrial Development Bank Ltd.	Industrial Development Bank Ltd.	Industrial Development Bank Ltd.
Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.
SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.
Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.
All Commercial Banks (33)	**All Commercial Banks (31)**	**All Commercial Banks (31)**	**All Commercial Banks (31)**
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (37)	**All Banks (35)**	**All Banks (35)**	**All Banks (35)**
Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D

** KASB Bank Limited was de-scheduled on May 7, 2015, on account of its amalgamation with and into BankIslami Pakistan Limited, under Section 47 of the Banking Companies Ordinance, 1962.*

***Barclays Bank PLC (Pakistan Branch Business) was de-scheduled on June 11, 2015, on account of its merger with and into Habib Bank Limited.*

**** "MCB Islamic Bank Limited" was declared as a Scheduled Bank with effect from September 14, 2015.*

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