

Quarterly Performance Review of the Banking Sector

(January-March, 2016)



Financial Stability Assessment Division
Financial Stability Department
State Bank of Pakistan

Contents

Summary	02
<hr/>	
Part A: Performance of the Banking Sector	03
<hr/>	
Growth	03
Advances	03
Investments	05
Deposits	05
<hr/>	
Part B: Soundness of the Banking Sector	07
<hr/>	
Asset Quality	07
Liquidity	07
Profitability	07
Solvency	08
<hr/>	
Part C: Banking Sector Outlook for Jun-16	09
<hr/>	
Annexures	10

Summary¹

Performance of banking sector of Pakistan has remained steady during Mar-16, with profit after tax improving by 2 percent YoY to PKR 52.9 billion. While overall advances declined, private sector advances increased marginally (primarily in sugar and automobile sectors). Asset quality slightly declined over the quarter largely due to increase in infection in personal loans portfolio. Banks' continuing investment in government papers led to 1.0 percent growth in the asset base of the banking system. Deposit base saw a minor dip mainly in transitional financial institutions deposits. Continuing growth in private sector advances, accounting adjustments in the capital of one of the banks and payment of dividends adjusted the Capital Adequacy Ratio downwards to 16.3 percent, which is still well above the local benchmark 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, Mar-16 stands for January-March, 2016 quarter and represents unaudited numbers. While CY stands for calendar year and represents audited numbers.

A. Performance of the Banking Sector

The asset base of the banking sector observed 1.0 percent growth during Mar-16 quarter (YoY 14.0 percent) as compared to average growth of 2.8 percent during the same quarter of last two years (**Table 1 and Annexure A**). With a marginal decline in deposits, borrowing from financial institutions (mostly SBP) funded the increase in assets. Growth in assets was merely on account of banks' investment in government securities (mostly PIBs), while, the advances squeezed primarily due to net retirements against Government commodity operations and SMEs.

Table 1: Highlights of the Banking Industry

	CY13	CY14	Mar-15	CY15	Mar-16
Key Variables (PKR billion)					
Total Assets	10,487	12,106	12,528	14,143	14,281
Investments (net)	4,313	5,310	5,954	6,881	7,421
Advances (net)	4,110	4,447	4,336	4,816	4,782
Deposits	8,311	9,230	9,236	10,389	10,323
Borrowings	723	1,001	1,377	1,766	1,967
Equity	943	1,207	1,248	1,323	1,277
Profit Before Tax (ytd)	162	247	80	329	82
Profit After Tax (ytd)	112	163	52	199	53
Non-Performing Loans	607	605	620	605	619
Provisioning Charges (ytd)	40	25	12	39	3
Non-Performing Loans (net)	139	122	123	91	102
Key FSIs (percent)					
NPLs to Loans (Gross)	13.3	12.3	12.8	11.4	11.7
Net NPLs to Net Loans	3.4	2.7	2.8	1.9	2.1
Net NPLs to Capital	14.7	10.1	9.8	7.7	8.9
Provision to NPL	77.1	79.8	80.2	84.9	83.6
ROA (Before Tax)	1.6	2.2	2.6	2.5	2.3
CAR	14.9	17.1	17.4	17.3	16.3
Advances to Deposit Ratio	49.5	48.2	46.9	46.4	46.3

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

The contraction in overall advances (net), though as per established trend², was not as much as compared to last two year's average of 1.6 percent during the same quarter. Private sector advances, mostly for sugar and automobiles, showed some rise (0.8 percent);

² First quarter of every calendar year is generally marked with slowdown in growth of banking sector's balance sheet primarily due to cyclical decline in credit demand by important large scale industries such as textiles.

compared to decline in the corresponding quarter of the last two years. Investments – mostly in PIBs – grew at a slower pace [8.6 percent (QoQ) in Mar-16 compared to 12.1 percent (QoQ) in Mar-15].

Gross advances observed a decline of 0.6 percent (PKR 31 billion)³ during Mar-16 (YoY growth 9.6 percent), with most of this retirement in public sector commodity financing (PKR 66 billion or 12.5 percent). Advances to private sector (ATPS) surged by around PKR 31 billion or 1.0 percent (YoY 9.7 percent) compared to a fall of PKR 31 billion in Mar-15.

Among economic sectors, advances off-take was observed in Sugar⁴ (PKR 87 billion compared to PKR 64 billion in Mar-15), Automobile and Transport sectors⁵ (PKR 18 billion compared to retirement of PKR 254 million in Mar-15) and Cement (PKR 4 billion compared to retirement of PKR 6 billion in Mar-15). Retirements were observed in Agribusiness, Textiles, Production and Transmission of Energy and Electronics and Electrical Appliance.

Segment-wise domestic advances of public and private sector combined reveals that there was growth in advances for fixed investment (4.1 percent) and trade finance (1.3 percent) while advances for working capital declined to 2.8 percent (**Table 2**). Consumer finance observed a slight dip, due to decline in "other personal loan" segment while auto finance loans continued to grow (growth: 7.2 percent QoQ and 34.1 percent YoY). Mortgage finance also observed rise (QoQ increase 5.9 percent, YoY growth of 14 percent)

³ However, this decline was lesser than the decline of 1.9 percent during the corresponding period last year.

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

⁵ Auto sector manufacturing showed strong growth since last couple of years (<http://www.pama.org.pk/statistical-information/sales-production/monthly-sales-production>).

compared to almost no flow in corresponding quarter of last year.

Table 2: Segment-wise Domestic Advances Flows in Q1CY16

	(PKR billion)	
	Public Sector	Private Sector
Corporate Sector	12.3	43.0
Fixed Investment	17.1	47.7
Working Capital	1.7	(20.8)
Trade Finance	(6.6)	16.1
SMEs	-	(21.6)
Fixed Investment	-	(2.4)
Working Capital	-	(19.3)
Trade Finance	-	0.0
Agriculture	-	(7.4)
Consumer Finance	-	(2.9)
Commodity Financing	(65.5)	21.8
Staff Loans	-	(3.6)
Others	-	1.2
Total	(53.2)	30.6

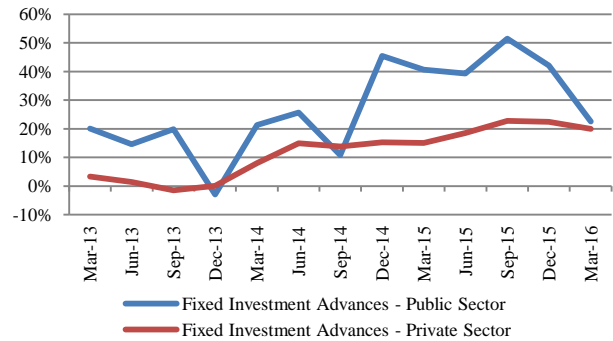
As highlighted in previous QPR, increase in fixed investment advances has become a regular feature of credit flows since last couple of years⁶. The share of fixed investment loans in total domestic advances have increased from 24 percent in Dec-13 to 32 percent in Mar-16. Such loans are generally availed for plants, equipments and other capacity building avenues (**Figure 1**). The renewed off-take of long-term loans by firms hints at increased productive capacity in future along with higher credit demand given that structural issues are resolved adequately. One of the key driving factors behind rise in fixed investment advances has been favorable macroeconomic environment including sustained easy monetary policy⁷ which has provided firms the opportunity to capitalize on cost savings and enhance their productive capacity.

⁶ Banking sector has observed consistent rise in fixed investment segment since Sep-14.

⁷ The weighted Average Lending Rate (WALR) on fresh disbursement reduced by 344 bps since November 2014 to 7.86 percent as of end Mar-16 (Source: SBP economic data).

Figure 1

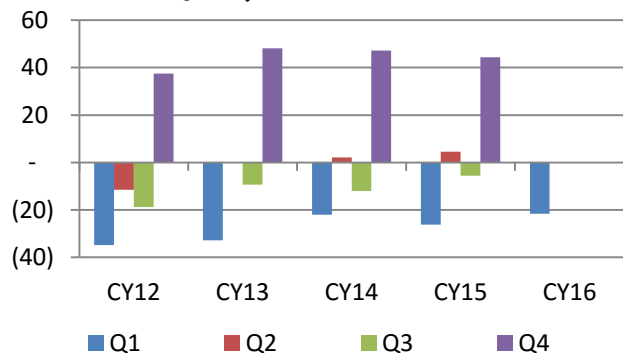
Trend in fixed investment advances - Domestic Operations (YoY percentage change)



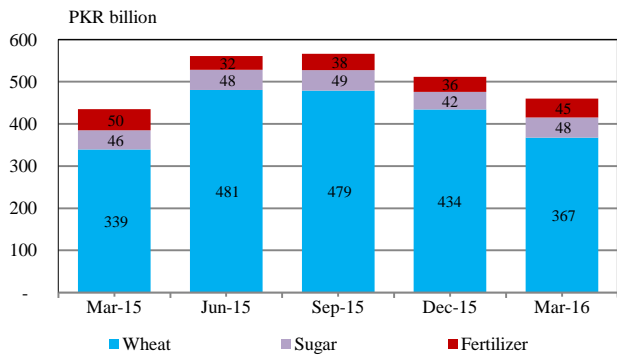
The financing to SME sector declined by 7.1 percent during Mar-16 (YoY growth of 8.3 percent). Most of the decline was observed in working capital (9.4 percent QoQ). SME financing follows a cyclical pattern as there is retirement during the first nine months of a calendar year while off-take in the last quarter (**Figure 2**). The decline in SME financing during Mar-16 was, however, less than the corresponding quarters in previous years.

Figure 2

SMEs Advances- Quarterly Flows



The stock of financing for public sector **commodity operations** declined by 12.5 percent due to retirement in wheat financing (which is also seasonal in nature) (**Figure 3**). Noticeably, the net retirement in wheat financing during Mar-16 (PKR 67 billion) was higher than the retirements seen during Mar-15 (PKR 24 billion).

Figure 3**Public Sector Commodity Finance Break-up - Domestic Operations**

Investments decelerated as they surged by 7.8 percent during Mar-16 compared to 12.1 percent during the same quarter of last year. However, with YoY growth of 24.6 percent their share in total assets reached historic high level of 52 percent; amplifying the concentration and market risks. With QoQ rise of 8.6 percent (YoY 26.8 percent), banks holding of Government Securities increased to PKR 6.9 trillion as of Mar-16; representing more than 90 percent share in total investments (**Table 3**).

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

	PKR billion		
Flows during:	Q1CY14	Q1CY15	Q1CY16
MTBs	(382)	387	22
PIBs	759	222	327
Others	(31)	10	197
Total Govt. Securities	347	619	546
Total Investments	359	646	542
Outstanding Stocks as of:	Mar-14	Mar-15	Mar-16
MTBs	2,323	2,120	2,565
PIBs	1,496	2,936	3,656
Others	276	364	650
Total Govt. Securities	4,094	5,420	6,871
Total Investments	4,706	6,000	7,474

Banks mainly invested in long-term PIBs, which increased by PKR 327 billion (9.8 percent QoQ and 24.5 percent YoY). Most of these PIBs were placed in

“Available for Sale⁸ (AFS)” category with smaller portion placed under “Held to Maturity (HTM)” category of investments. The anticipation of continuity of easy monetary policy due to low inflation expectations and earning motivation to maintain existing income streams, perhaps, induced banks to go for higher yielding PIBs.

The second largest investment mode during the quarter was “other federal government securities” mainly comprising of Ijarah Sukuk⁹. The investment in MTBs moderated (PKR 22 billion) during the quarter which was quite in contrast to the trend seen during Jun-Dec, 2015 when banks mainly picked MTBs to invest in. Like PIBs, most of the MTBs were also placed in AFS and HTM categories.

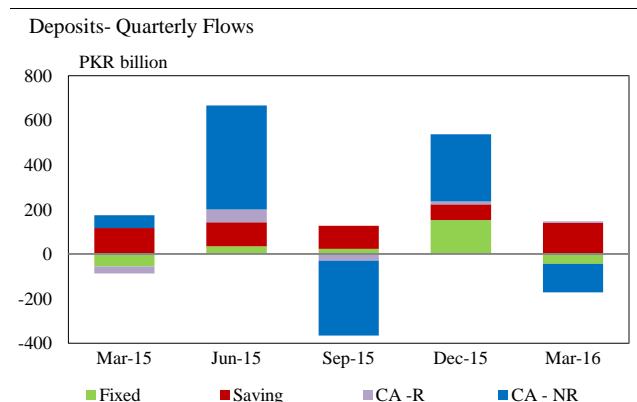
Other avenues of investment (e.g. equity shares, bonds, debenture, TFCs etc) did not observe any change during the quarter. These investments remained within the exposure limits prescribed by the SBP¹⁰.

On the funding side, **deposits** base (much aligned with credit cycle) slightly declined by 0.6 percent (YoY growth 11.8 percent) as of Mar-16 (**Figure 4 and Annexure B**). The segregated data shows that the customer deposits observed a negligible decline of 0.2 percent which largely resulted from dip in non-remunerative current deposits (3.9 percent) followed by marginal decrease in fixed deposits (1.8 percent). However, saving deposit continued to grow during Mar-16 adding another PKR 139 billion (3.6 percent) into the banking sector. The deposits of Financial Institutions – more transitory in nature- saw a considerable decrease that pushed down the overall deposit base of the banking sector.

⁸ As per applicable accounting standards, any gain/loss in AFS category translates into equity part of balance sheet.

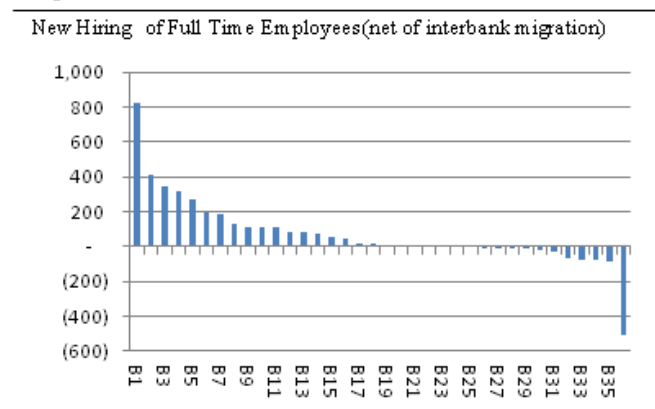
⁹ Government raised funds through two issues of Ijarah Sukuk during the quarter. First, in February 2016 (PKR 116 billion); while the second in Mar 2016 (PKR 80 billion).

¹⁰ As per R-6 (1B) of SBP prescribed Prudential Regulations (PRs), aggregate equity investment limit for banks is 30 percent of the equity.

Figure 4

quarter, with opening of 51 new branches, overall branches reached to 12,682, with 95 percent of these branches providing real time online banking (RTOB). The banking sector also added 335 new ATMs during Mar-16 which increased the number of ATMs to around 11000.

Currency-wise break-up highlighted relatively larger decrease in foreign currency deposits (PKR 53 billion or 3.9 percent)¹¹ and almost negligible decline in local currency (PKR 13 billion or 0.1 percent). The FCY deposits remained well within the limits prescribed by the SBP¹².

Figure 5

The banking sector growth is also reflected in terms of absorption of new human resource through continuous expansion in infrastructure (number of branches, ATMs etc). Overall, 2,500 new full time employees (1.4 percent growth QoQ) were hired by the banking sector during Mar-16. The hiring was broad based spreading across several banks (**Figure 5**). During the

¹¹ PKR/USD exchange rate remained stable and slightly appreciated by 0.1 percent during Mar-16

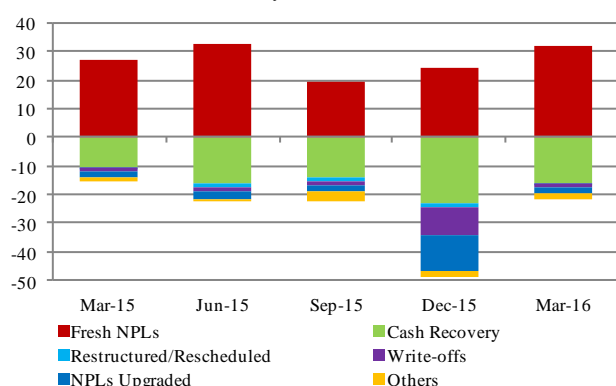
¹² As per O-5 of PRs, deposits mobilized under FE 25 scheme, after netting-off the deposits utilized to finance trade related activities such as financing against Import and Export documents, should not at any point exceed twenty percent of the local currency deposits of the bank.

B. Soundness of the Banking Sector

Asset quality of the banking sector slightly declined during Mar-16; NPLs grew by 2.3 percent to reach PKR 619 billion, while provisions increased by 0.6 percent to reach PKR 516 billion. As a result, both NPLs to loans and Net NPLs to net loans ratios increased by 32 bps and 23 bps to reach 11.7 and 2.1 percent, respectively. Increase in infection ratio largely resulted from deterioration in asset quality of personal loans and SMEs.

Figure 6

Fresh NPLs & Total Recovery (PKR billion)



In terms of banks' recovery efforts, total recoveries (PKR 21.3 billion), though less than the last quarter, are higher when compared to Mar-15 (PKR 15.5 billion) (**Figure 6**). Large and medium sized banks have been the main contributor towards cash recoveries during the quarter under review.

Banking system's fund based **liquidity** remained comfortable due to growing share of investments in government securities (91.9 percent share in total investments in Mar-16 compared to 91.2 percent in Dec-15). Government continued to borrow from commercial banks for meeting its fiscal needs besides shifting its borrowings from SBP (PKR 98.6 billion) to banks. Market liquidity remained under some pressure

as volatility in O/N repo rates was slightly higher compared to the last quarter¹³.

As against the required level of 24 percent, banks maintained Statutory Liquidity Ratio (SLR) of 48.9 percent of eligible demand and time liabilities as of Mar-16. The increase of 4.9 percent in liquid assets further pushed up both liquid assets to total assets ratio and liquid assets to total deposit ratio to 55.9 percent and 77.3 percent, respectively in Mar-16, from 53.8 percent and 73.3 percent in Dec-15.

Profitability of the banking system remained steady as profit after tax for the first quarter of CY16 witnessed YoY increase of 2.1 percent. The sector posted **profit after tax** of PKR 52.9 billion (PKR 81.6 billion before tax) in Mar-16 as against PKR 52.1 billion (PKR 79.9 billion before tax) during the corresponding quarter of last year. The profitability mainly improved on the back of lower provisions charge in Mar-16 relative to Mar-15.

Though banks succeeded in maintaining the level of profitability, Net Interest Margin (NIM) narrowed to 3.9 percent in Mar-16 from 4.4 percent in Mar-15. Decline in interest rate over the last year & a half and increasing stock of low yielding risk free government securities has mainly attributed to dip in NIM¹⁴. This coupled with rising cost to income ratio also slipped down the ROA to 2.3 percent in Mar-16 from 2.5 percent in Mar-15 (**Annexure D**).

As discussed in earlier paragraphs, banks are expanding their outreach through new branches, ATM

¹³ Monetary Policy compendium April 2016

¹⁴ The dip in interest rates translated into 8 percent YoY decline in interest revenue in Mar-16 over the year. Similarly average earning assets, mostly comprising of low yield investments in government securities, grew by 27 percent over the last year.

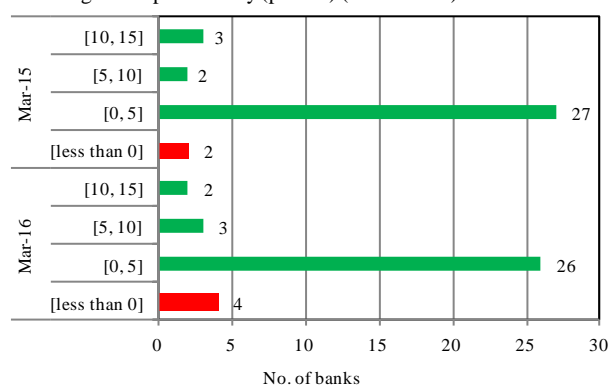
networks and IT based branchless banking services, and corresponding increase in human resources. This has added to the cost to income ratio of the banks; it increased to 50.6 percent in Mar-16 from 47 percent in Mar-15.

Despite growing cost, earnings per employee of the banking sector have remained around PKR 1.80 million in Mar-16 indicating efficient operations. Segregated analysis shows a diverse picture; the earnings per employee for foreign banks stood at PKR 20.2 million followed by Private sector banks with earnings of PKR 1.85 million per employee. The ratio remained lowest for the Public sector banks at PKR 1.54 million.

in private sector credit, were the main contributing factors toward this adjustment. The present level of CAR, however, remains well above the minimum requirement of 10.25 percent indicating high level of capital cushion available for stress times.

Figure 7

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



Bank-wise statistics revealed a broad based contribution in banking profits as 31 banks posted pre-tax-profits, while 4 banks posted losses in Mar-16. Concentration of earnings further reduced as the share of top 5 banks in total profits decreased to 60 percent in Mar-16; down from 63 percent in Mar-15 (**Figure 7**).

Solvency, measured in terms of Capital Adequacy Ratio (CAR) observed a downward adjustment to 16.3 percent in the first quarter of CY16 compared to 17.3 percent in Dec-15. Analysis of components of the CAR show that decline in eligible capital by 4.6 percent due to one off accounting adjustment by a public sector bank, dividend payout by most of the profitable banks and 1.2 percent increase in the RWAs due to expansion

C. Banking Sector Outlook For Jun-16

In the second quarter of a calendar year, advances to private sector usually pick up in conjunction with commodity financing. Favorable monetary conditions and developments on other fronts such as CPEC may provide further impetus to the credit demand during Jun-16. The funding of expected credit requirements will be contingent upon the mix of deposit mobilization efforts by banks, and extent of government borrowings. Deposits of the banks generally follow credit trends; however, given the recent deceleration in deposits, banks need to increase efforts for enhancing the deposits' growth to match the expected rise in credit needs.

In an environment of low interest rates and falling yield on public debt, it would be challenging for the banking system to maintain the present level of profitability. Though off-take of high yielding private credit might partially offset the downward pressure on interest income, growth in profitability is expected to remain under pressure in coming months. While banking system is maintaining high solvency ratios, expected growth in credit is likely to attract high capital charge. Banks, therefore, need to closely evaluate the situation and plan for capital generation for matching increase in credit requirements and enhancing their resilience.

Annexures

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

PKR million

Financial Position	CY12	CY13	Dec-14*	Mar-15*	Dec-15*	Mar-16*
ASSETS						
Cash & Balances With Treasury Banks	836,605	858,512	723,664	807,152	909,429	814,061
Balances With Other Banks	184,746	185,423	149,631	125,401	198,395	160,122
Lending To Financial Institutions	170,758	275,939	429,380	369,835	360,772	274,231
Investments - Net	4,013,239	4,313,323	5,309,630	5,954,013	6,880,765	7,420,710
Advances - Net	3,804,140	4,110,159	4,447,300	4,336,347	4,815,827	4,781,948
Operating Fixed Assets	248,673	259,800	277,030	292,734	310,102	311,259
Deferred Tax Assets	66,805	80,306	67,077	63,613	65,644	69,357
Other Assets	386,188	403,233	702,550	578,922	602,301	449,523
TOTAL ASSETS	9,711,154	10,486,693	12,106,261	12,528,018	14,143,234	14,281,213
LIABILITIES						
Bills Payable	112,275	129,227	137,651	132,820	145,089	147,775
Borrowings From Financial Institution	1,027,098	722,643	1,001,447	1,377,023	1,766,145	1,967,189
Deposits And Other Accounts	7,293,698	8,310,529	9,229,773	9,236,428	10,389,260	10,323,344
Sub-ordinated Loans	55,160	40,070	44,329	43,497	51,366	58,426
Liabilities Against Assets Subject To Finance Lease	52	34	33	27	50	47
Deferred Tax Liabilities	70,399	19,731	37,149	48,166	47,622	63,103
Other Liabilities	270,262	321,690	448,432	441,860	420,935	444,189
TOTAL LIABILITIES	8,828,945	9,543,923	10,898,816	11,279,823	12,820,468	13,004,072
NET ASSETS	882,209	942,770	1,207,445	1,248,196	1,322,767	1,277,142
NET ASSETS REPRESENTED BY:						
Share Capital	427,583	482,091	587,053	586,289	619,862	578,227
Reserves	194,543	176,095	189,242	197,240	192,039	193,088
Unappropriated Profit	148,169	157,492	227,151	217,446	290,908	275,609
Share Holders' Equity	770,295	815,678	1,003,446	1,000,976	1,102,809	1,046,924
Surplus/Deficit On Revaluation Of Assets	111,914	127,102	203,999	247,219	219,958	230,218
TOTAL	882,209	942,780	1,207,445	1,248,196	1,322,767	1,277,142
PROFIT AND LOSS STATEMENT						
	CY12	CY13	Dec-14*	Mar-15*	Dec-15*	Mar-16*
Mark-Up/ Return/Interest Earned	792,749	777,398	919,821	255,258	981,760	234,533
Mark-Up/ Return/Interest Expenses	454,182	444,047	504,990	137,152	485,575	114,206
Net Mark-Up / Interest Income	338,567	333,350	414,830	118,106	496,185	120,327
Provisions & Bad Debts Written Off Directly/(Reversals)	39,668	40,162	25,323	11,641	38,874	3,418
Net Mark-Up / Interest Income After Provision	298,899	293,188	389,507	106,465	457,311	116,908
Fees, Commission & Brokerage Income	54,720	62,579	70,421	18,362	82,640	21,194
Dividend Income	21,630	14,599	14,098	4,047	16,910	4,657
Income From Dealing In Foreign Currencies	21,620	20,972	28,396	7,253	22,824	4,051
Other Income	39,602	41,941	54,434	24,911	86,369	21,650
Total Non - Markup / Interest Income	137,572	140,091	167,349	54,574	208,743	51,553
	436,471	433,280	556,856	161,039	666,053	168,461
Administrative Expenses	251,349	266,199	304,588	79,402	330,006	85,984
Other Expenses	6,100	4,633	5,726	1,751	7,231	925
Total Non-Markup/Interest Expenses	257,450	270,832	310,313	81,152	337,237	86,909
Profit before Tax and Extra ordinary Items	179,021	162,448	246,543	79,886	328,817	81,552
Extra ordinary/unusual Items - Gain/(Loss)	842.88	(4.64)	3.79	0.24	0.51	0.17
PROFIT/ (LOSS) BEFORE TAXATION	178,178	162,453	246,539	79,886	328,816	81,552
Less: Taxation	59,946	50,019	83,171	27,763	129,811	28,613
PROFIT/ (LOSS) AFTER TAX	118,232	112,434	163,368	52,123	199,006	52,939

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

Annexure B

Distribution of Deposits

PKR billion

	CY12	CY13	Dec-14*	Mar-15*	Dec-15*	Mar-16*
DEPOSITS	7,294	8,311	9,230	9,236	10,389	10,323
Customers	6,972	7,975	8,886	8,971	9,943	9,924
Fixed Deposits	2,078	2,216	2,268	2,212	2,425	2,381
Saving Deposits	2,642	3,094	3,467	3,583	3,863	4,003
Current accounts - Remunerative	343	381	323	291	331	338
Current accounts - Non-remunerative	1,868	2,241	2,764	2,822	3,254	3,126
Others	41	43	64	63	69	76
Financial Institutions	321	336	344	265	446	399
Remunerative Deposits	214	217	201	200	393	300
Non-remunerative Deposits	107	119	143	66	53	100
Break up of Deposits Currency Wise	7,294	8,311	9,230	9,236	10,389	10,323
Local Currency Deposits	6,310	7,129	7,983	8,013	9,042	9,029
Foreign Currency Deposits	984	1,182	1,247	1,223	1,347	1,294

* 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

	Dec-14			Mar-15			Dec-15			Mar-16		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,289.5	429.1	13.0	3,243.9	443.3	13.7	3,533.9	433.7	12.3	3,590.8	442.9	12.3
SMEs Sector	299.3	91.2	30.5	274.1	87.8	32.0	318.3	83.0	26.1	294.9	83.0	28.1
Agriculture Sector	264.4	32.9	12.4	260.3	36.6	14.1	291.2	37.8	13.0	284.3	34.9	12.3
Consumer sector	294.0	34.2	11.6	298.4	35.0	11.7	335.6	29.0	8.7	333.5	35.1	10.5
<i>i. Credit cards</i>	22.8	2.4	10.5	22.4	2.4	10.8	24.7	2.4	9.7	24.8	2.4	9.8
<i>ii. Auto loans</i>	70.9	3.6	5.1	76.1	3.8	4.9	95.1	2.7	2.8	102.0	2.7	2.7
<i>iii. Consumer durable</i>	0.3	0.1	20.3	0.3	0.1	20.4	0.3	0.1	21.0	0.3	0.1	22.8
<i>iv. Mortgage loans</i>	52.3	14.1	27.0	52.6	13.8	26.2	54.4	13.5	24.8	56.7	12.9	22.8
<i>v. Other personal loans</i>	147.7	14.0	9.5	147.0	14.9	10.2	161.1	10.4	6.5	149.7	16.9	11.3
Commodity financing	548.5	5.4	1.0	523.7	5.7	1.1	594.1	7.0	1.2	550.4	5.6	1.0
Staff Loans	93.6	1.2	1.3	94.2	1.2	1.3	103.4	1.3	1.2	99.9	1.3	1.3
Others	140.7	10.0	7.1	139.4	10.7	7.7	153.7	13.7	8.9	145.6	16.3	11.2
Total	4,930.0	604.1	12.3	4,833.9	620.3	12.8	5,330.1	605.4	11.4	5,299.5	619.1	11.7

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

	Dec-14			Mar-15			Dec-15			Mar-16		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	393.9	37.1	9.4	384.8	40.4	10.5	473.8	40.3	8.5	417.4	42.9	10.3
Automobile/Transportation	72.3	9.6	13.2	72.0	14.9	20.8	53.3	12.3	23.1	70.9	12.2	17.2
Cement	45.6	8.9	19.5	39.8	8.6	21.5	57.6	7.4	12.8	61.8	7.1	11.5
Chemical & Pharmaceuticals	190.4	16.2	8.5	176.0	15.9	9.1	223.6	13.5	6.0	224.0	14.6	6.5
Electronics	65.9	11.0	16.7	67.9	12.0	17.7	81.2	10.5	12.9	70.1	10.6	15.1
Financial	125.3	7.6	6.1	112.2	8.7	7.8	148.1	9.6	6.5	142.8	10.2	7.1
Individuals	432.8	53.3	12.3	412.5	52.9	12.8	454.6	45.8	10.1	462.9	48.3	10.4
Insurance	0.7	0.0	0.1	0.6	0.0	0.1	0.4	0.0	0.2	1.4	0.0	0.1
Others	2,028.0	224.4	11.1	1,951.8	218.4	11.2	2,223.9	215.3	9.7	2,180.5	225.9	10.4
Production/Transmission of Energy	621.3	29.4	4.7	639.1	37.3	5.8	681.5	40.7	6.0	669.6	37.1	5.5
Shoes & Leather garments	23.1	3.5	15.0	23.0	3.8	16.4	25.4	3.8	15.0	23.4	3.8	16.3
Sugar	138.4	5.8	4.2	202.1	6.5	3.2	144.7	8.5	5.9	232.1	11.5	4.9
Textile	792.4	198.0	25.0	752.2	200.8	26.7	762.0	197.8	26.0	742.5	195.0	26.3
Total	4,930.0	604.7	12.3	4,833.9	620.3	12.8	5,330.1	605.4	11.4	5,299.5	619.1	11.7

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

	CY12		CY13		Dec-14*		Mar-15*		Dec-15*		Mar-16*	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	14,320	-	13,785	26	15,260	-	15,309	-	17,475	-	17,651	-
Sub Standard	46,060	9,172	50,202	11,320	57,179	14,748	57,550	12,199	40,649	8,539	51,710	10,517
Doubtful	54,847	19,978	32,353	14,336	36,746	16,306	42,542	18,901	28,044	11,523	28,994	11,462
Loss	499,702	393,684	511,070	428,513	495,514	433,552	504,934	445,738	519,277	468,847	520,730	468,239
Total	614,929	422,834	607,410	454,195	604,698	464,606	620,335	476,838	605,444	488,909	619,086	490,218

* 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*	Mar-15*	Dec-15*	Mar-16*
CAPITAL ADEQUACY								
Risk Weighted CAR [^]	13.9	15.1	15.6	14.9	17.1	17.4	17.3	16.3
Tier 1 Capital to RWA	11.6	13.0	13.0	12.6	14.3	14.2	14.4	13.2
ASSET QUALITY								
NPLs to Total Loans	14.9	15.7	14.5	13.3	12.3	12.8	11.4	11.7
Provision to NPLs	66.7	69.3	71.5	77.1	79.8	80.2	84.9	83.6
Net NPLs to Net Loans	5.5	5.4	4.6	3.4	2.7	2.8	1.9	2.1
Net NPLs to Capital ^{^^}	26.7	23.1	19.9	14.7	10.1	9.8	7.7	8.9
EARNINGS								
Return on Assets (Before Tax)	1.5	2.2	2.0	1.6	2.2	2.6	2.5	2.3
Return on Assets (After Tax)	1.0	1.5	1.3	1.1	1.5	1.7	1.5	1.5
ROE (Avg. Equity & Surplus) (Before Tax)	15.5	23.0	21.4	17.9	24.3	26.0	25.8	25.1
ROE (Avg. Equity & Surplus) (After Tax)	9.6	15.1	14.2	12.4	16.1	17.0	15.6	16.3
NII/Gross Income	74.7	76.0	71.1	70.4	71.3	68.3	70.4	70.0
Cost / Income Ratio	52.7	51.1	54.1	57.2	53.3	46.8	47.8	50.6
LIQUIDITY								
Liquid Assets/Total Assets	36.1	45.5	48.4	48.6	49.2	51.9	53.8	55.9
Liquid Assets/Total Deposits	47.1	59.5	64.5	61.3	64.5	70.4	73.3	77.3
Advances/Deposits	61.6	53.6	52.2	49.5	48.2	46.9	46.4	46.3

* 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^{^^} 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

CY13	Dec-14	Dec-15	Mar-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.	<i>KASB Bank Ltd.*</i>	MCB Bank Ltd.	MCB Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	<i>MCB Islamic Bank Ltd.***</i>	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 (7)	C. Foreign Banks (6)	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	<i>Barclays Bank PLC**</i>	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.
<i>HSBC Bank Middle East Ltd.#</i>	Industrial and Commercial Bank of China Ltd.		
Industrial and Commercial Bank of China Ltd.	HSBC Bank Oman S.A.O.G.		
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 (34)	All Commercial Banks (33)	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 (38)	All Banks (37)	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 Middle East Limited (HBME Branch Business) was de-scheduled on October 17, 2014, on account of its merger with and into Meezan Bank Limited.

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.