

Quarterly Performance Review of the Banking Sector

(July-September, 2017)



Financial Stability Assessment Division
Financial Stability Department
State Bank of Pakistan

QPR Team

Team Leaders

Mr. Muhammad Javaid Ismail	javid.ismail@sbp.org.pk
Dr. Asif Ali	asif.ali@sbp.org.pk

Team Members

Mr. Aqeel Ahmed	Performance of the Banking Sector	aqeel.ahmed@sbp.org.pk
Mr. Hassaan Zafar	Performance of the Banking Sector	hassaan.zafar@sbp.org.pk
Ms. Rabia Zulfiqar	Soundness of the Banking Sector	rabia.zulfiqar@sbp.org.pk
Mr. Muhammad Sadiq Ansari	Soundness of the Banking Sector	sadiq.ansari@sbp.org.pk
Mr. Abdul Rehman Ansari	Soundness of the Banking Sector	abdul.rehman@sbp.org.pk
Ms. Mariam Abbas	Data and Assistance	mariam.abbas@sbp.org.pk

Contents

Summary	04
Part A: Performance of the Banking Sector	05
Asset Growth	05
Advances	05
Investments	07
Deposits	08
Borrowings	09
Equity	09
Banking Infrastructure	09
Appendix A: Seasonality in Advances (Sector-wise)	10
Part B: Soundness of the Banking Sector	11
Interconnectedness	11
Residual Growth	11
Asset Quality	11
Liquidity	12
Earnings	13
Capital Adequacy	14
Exposure to Public Sector	14
Part C: Banking Sector Outlook for Q4CY17	15
Annexures (A-E)	16-20

Summary

Banking sector's asset base has expanded marginally during Q3CY17, though, on YoY basis, the growth has been quite robust (16.0 percent). Financing has observed a minor dip over the quarter in line with the seasonal pattern of the credit cycle. Encouragingly, share of fixed investment (long-term) loans in total loans continues to rise indicating improved business confidence. Funding needs of the system are met by a nominal growth in deposits and interbank borrowings. The rising long term advances and declining share of fixed deposits is widening the assets-liabilities mismatch against which the banks need to remain vigilant.

The overall risk profile of the banking sector remains within tolerable bounds in Q3CY17 characterized by high capital adequacy ratio, improving asset quality and favorable liquidity conditions. Earnings of the banking sector, however, have moderated due to low interest rates and increased administrative expenses, in addition to one-off settlement payment made by a large bank. Nevertheless, Capital Adequacy Ratio (CAR) at 15.4 percent remains well above the minimum regulatory required level of 10.65 percent.

In order to deliver better performance, banks need to calibrate the changing macroeconomic environment in their business models to capitalize the emerging opportunities as arising from, generally, growth in the economy and, particularly, from the China Pakistan Economic Corridor (CPEC).

A. Performance of the Banking Sector

The performance of the banking sector, both on QoQ and YoY basis, has remained quite satisfactory during Q3CY17.

The **assets** of the banking sector have inched up by 0.3 percent during Q3CY17 as compared to a decline of 1.6 percent during Q3CY16. The increase in asset base is primarily attributed to an increase of 1.8 percent in investments (net); while advances (net) have seen a moderate decline of 0.4 percent (2.5 percent decline in Q3CY16). The reduction in advances is seasonal in nature (**Appendix A**).

On YoY basis, however, there is a robust growth in net-advances (20.6 percent). This growth, among others things, is attributed to 51.5 percent increase in financing by Islamic banking institutions (34% share in YoY advances flow). Investments have also increased (12.8 percent) resulting in expansion of 16.0 percent in the asset base of the banking sector.

On the funding side, QoQ growth of 1.1 percent in borrowings from financial institutions coupled with an increase of 0.3 percent in deposit base has enabled the banks to finance the growth in assets (**Table 1**).

Table 1: Highlights of the Banking Industry

	CY15	Q3CY16	CY16	Q1CY17	Q2CY17	Q3CY17
Key Variables (PKR Billion)						
Total Assets	14,143.2	15,133.8	15,831.1	16,155.5	17,500.5	17,559.7
Investments (net)	6,880.8	7,624.5	7,509.2	8,003.0	8,448.5	8,600.3
Advances (net)	4,815.8	5,052.1	5,498.8	5,605.1	6,118.8	6,093.7
Deposits	10,389.3	11,092.1	11,797.9	11,809.0	12,573.3	12,609.4
Borrowings from financial instituti	1,766.1	2,011.9	1,942.5	2,183.4	2,814.8	2,845.4
Lending to financial institutions	360.8	332.0	551.7	501.1	563.4	615.0
Equity	1,322.8	1,324.4	1,352.8	1,404.9	1,359.1	1,344.1
Profit Before Tax (ytd)	328.8	233.3	314.0	75.1	150.4	195.4
Profit After Tax (ytd)	199.0	138.9	189.9	49.1	89.9	111.7
Non-Performing Loans	605.4	631.3	604.7	603.8	614.8	611.8
Non-Performing Loans (net)	91.1	109.1	90.4	88.1	100.1	89.9
Key FSIs (percent)						
NPLs to Loans (Gross)	11.4	11.3	10.1	9.9	9.3	9.2
Net NPLs to Net Loans	1.9	2.2	1.6	1.6	1.6	1.5
Net NPLs to Capital	7.7	9.1	7.3	7.1	8.0	7.2
Provision to NPL	84.9	82.7	85.0	85.4	83.7	85.3
ROA (Before Tax)	2.5	2.1	2.1	1.9	1.8	1.6
CAR	17.3	16.8	16.2	15.9	15.6	15.4
Advances to Deposit Ratio	46.4	45.5	46.6	47.5	48.7	48.3

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

Gross **advances** (domestic) to private sector have declined by PKR 5.4 billion during Q3CY17; significantly lower than the contraction of PKR 112.2 billion in the same period last year. The sector-wise analysis reveals that the broad based advances disbursement to various sectors (agriculture, textiles, automobiles, electronics) has resisted the overall fall in financing during the reviewed quarter (**Table 2**). This is despite a notable decline in advances to the energy sector; attributed mainly to retirement by one of the public sector oil companies.

Also, the “others” sector which constitutes various smaller sub-sectors has received advances flow of PKR 18.7 billion against a decline of PKR 58.3 billion last year. This is due not only to lower retirements in food products and beverages but also to higher financing demand by commerce & trade, transport, storage and communications, and machinery & equipment sectors.¹

Table 2: Advances Flows to Private Sector (Domestic)

	Q3CY16		Q3CY17	
	Flows	Growth	Flows	Growth
Chemical and Pharmaceuticals	(3.2)	(1.3)	(1.3)	(0.5)
Agribusiness	(5.5)	(1.8)	9.1	2.8
Textile	(17.9)	(2.4)	8.4	1.0
Cement	(4.6)	(8.0)	(0.7)	(0.9)
Sugar	(40.2)	(22.8)	(31.0)	(12.1)
Shoes and leather garments	(0.1)	(0.5)	(0.8)	(3.0)
Automobile/transportation	0.9	2.1	3.3	7.7
Financial	0.4	0.5	(7.1)	(7.4)
Insurance	1.7	114.7	0.0	0.7
Electronics and electrical appliances	(0.1)	(0.1)	9.9	15.5
Energy	21.4	4.8	(33.8)	(6.3)
Individuals	(6.6)	(1.3)	19.8	3.5
Others	(58.3)	(4.5)	18.7	1.2
Total (Domestic Sector)	(112.2)	(2.8)	(5.4)	(0.1)

Flows in PKR billion; growth in percent.

¹ <http://www.sbp.org.pk/ecodata/CreditLoans-arch.xls>

The segment-wise analysis of the domestic private sector advances reveals that the decline in corporate sector advances during Q3CY17 is substantially lower than the corresponding quarter of previous year. The higher credit disbursement for trade finance and fixed investment coupled with relatively lower retirement in working capital loans explains this lower decline in advances (**Table 3**).

Table 3: Segment-wise Domestic Advances Flows
(PKR billion)

	Q3CY16			Q3CY17		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Corporate Sector	9.1	(119.6)	(110.5)	25.2	(19.9)	5.3
Fixed Investment	26.8	32.1	58.9	15.4	46.3	61.7
Working Capital	(8.8)	(109.5)	(118.3)	21.8	(98.0)	(76.2)
Trade Finance	(8.8)	(42.2)	(51.0)	(12.0)	31.8	19.8
SMEs		27.4	27.4		(10.8)	(10.8)
Fixed Investment		5.6	5.6		4.1	4.1
Working Capital		14.4	14.4		(20.1)	(20.1)
Trade Finance		7.4	7.4		5.2	5.2
Agriculture		(3.7)	(3.7)		8.8	8.8
Consumer Finance		9.7	9.7		20.1	20.1
of which						
Credit Cards		1.4	1.4		3.5	3.5
Auto Loans		7.1	7.1		9.5	9.5
Mortgage Loans		2.4	2.4		5.1	5.1
Commodity Financing	(35.5)	(26.5)	(62.0)	(43.1)	(5.9)	(49.0)
Staff Loans		0.9	0.9		2.4	2.4
Others		(0.4)	(0.4)		(0.1)	(0.1)
Total	(26.4)	(112.2)	(138.6)	(17.9)	(5.4)	(23.3)

The SME segment, however, shows a decline of PKR 10.8 billion during Q3CY17 against disbursement of PKR 27.4 billion in Q3CY16. It is important to outline that strong advances flow to SMEs during Q3CY16 was on account of SBP's policy measures² that enhanced the coverage of SMEs.

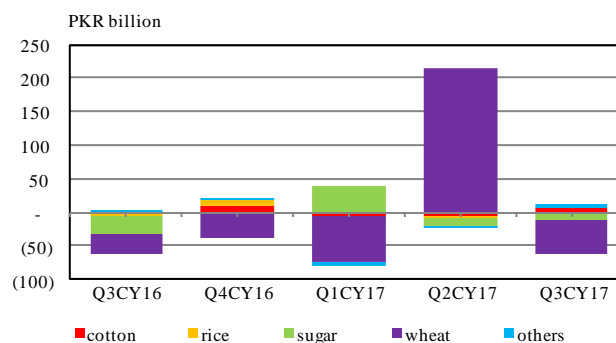
Consumer financing continued its steady growth with 5.0 percent increase during Q3CY17. This increase is primarily on account of auto loans followed by mortgage and credit card loans. It is essential to note that cars' production has been quite impressive during Q3CY17.³

In line with trend, Islamic Banking contributed 28 percent of the total increase in CF during Q3CY17 (24 percent YoY). Among the CF categories, 73 percent of the increase in auto financing has been disbursed by the Islamic Banks.

The seasonal decline in **commodity operations financing** during the reviewed quarter has remained relatively low as compared to the corresponding quarter of previous year. It is, primarily, on account of lower credit retirement by the private sector during Q3CY17. Unfavorable commodity prices in the market have disincentivized stock offloading. However, as **Figure 1** reveals, total credit retirement against wheat during Q3CY17 is significantly higher (PKR 51.2 billion) than in Q3CY16 (PKR 31.0 billion), mostly relating to public sector.

Figure 1

Commodity Finance Break-up - Domestic Operations (Flows)



It deserves special emphasis that the share of fixed investment loans is steadily increasing both in corporate and SME segments (**Figure 2**). In SME's case particularly, the share of fixed investment loans has risen to 25.6 percent in Q3CY17 from 14.5 percent in Q3CY14. This reflects improved investors' confidence in the long-term outlook of the domestic economy in response to favorable macroeconomic conditions including low interest

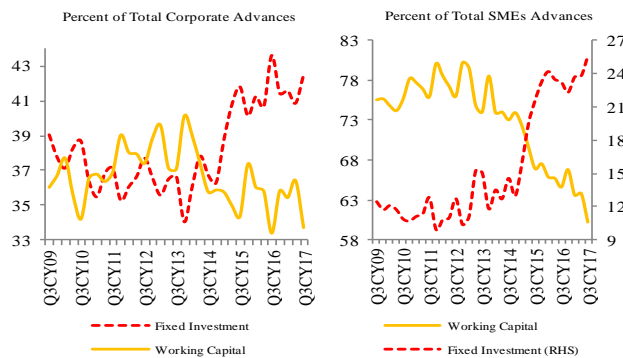
² For details of the measures taken, please see QPR of Q3CY16: http://www.sbp.org.pk/publications/q_reviews/2016/jul-Sep.pdf

³ As per Pakistan Automotive Manufacturers Association (PAMA), cars' production in Q3CY17 (54,873 units) is well above the average production since Q3CY13 (40,640 units).

rates.

Figure 2

Growing Share of Fixed Investment across Wide Segments



Moreover, simultaneous growth of fixed investment loans in both segments mirror a broad based enhancement of productive capacity in the future. Therefore, going forward, improved supply of goods and services can be expected.

Finally, it also implies that demand for credit might rise in future with the expected increase in economic activity. Banks need to calibrate the changing macroeconomic environment in their business models in order to better capitalize the emerging opportunities.

The share of foreign currency loans in total loans has declined to 9.4 percent in Q3CY17 from 11.2 percent in Q3CY16. It is pertinent to mention that since Q3CY09, this ratio on average has not exceeded 11.0 percent. On QoQ basis, foreign currency loans have declined by PKR 77.5 billion in Q3CY17; higher than the decline of PKR 35.3 billion in Q3CY16. This seems to be on account of lower imports and exchange rate dynamics.⁴

The overall **net investments** of the banking sector have surged by 1.8 percent during Q3CY17 against decline of 2.5 percent during Q3CY16. Banks'

investment in government securities have remained the prime driver behind investments growth. Following the recent trend, banks have continued to invest in short-term Market Treasury Bills (MTBs) and have divested from Pakistan Investment Bonds (PIBs) and Sukuks (PKR 11.7 billion) during Q3CY17 (**Table 4**).

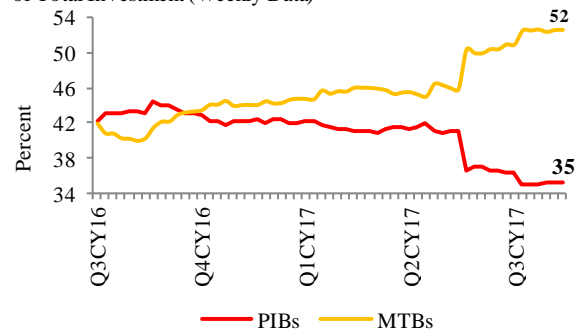
Table 4: Composition of Bank's Investment in Govt. Securities

PKR billion			
Flows during :	Q3CY15	Q3CY16	Q3CY17
MTBs	431.1	428.9	602.1
PIBs	38.1	(651.5)	(420.2)
Other Govt Securities (Sukuk)	12.3	(4.9)	(11.7)
Total Fed. Govt. Securities	481.5	(227.5)	170.2
Total Investments (Net)	504.6	(196.8)	151.7
Outstanding Stocks as of Sep 30:	2015	2016	2017
MTBs	2,605.2	3,099.2	4,386.9
PIBs	3,145.4	3,244.3	3,004.7
Others	388.0	637.5	475.0
Total Fed. Govt. Securities	6,138.7	6,981.1	7,866.6
Total Investments (Gross)	6,759.8	7,673.2	8,646.4
Less: Provision & Deficit	(46.0)	(48.7)	(46.2)
Total Investments (Net)	6,713.8	7,624.5	8,600.3

Consequently, the share of MTBs (in total net investments) has increased to 52.6 percent in Q3CY17 (42.0 percent in Q3CY16) while the share of PIBs in total investments has declined to 35.3 percent (42.3 percent in Q3CY16) (**Figure 3**).

Figure 3

Banks Investments in PIBs and Treasury Bills as Percent of Total Investment (Weekly Data)



Following are some key reasons behind the changing composition of investments in government securities:

⁴Total imports during Q3CY17 have stood at US\$ 12.9 billion as compared to US\$ 13.8 billion in previous quarter.

- The offer-to-target ratio (for PIBs auctions) has declined to 0.36 in Q3CY17 from 3.32 in Q3CY16, which reflects reduced banking sector interest in long-term government securities.
- There is a change in government's maturity preferences for budgetary borrowings. The target amount for PIBs auction of PKR 300 billion in Q3CY17 was significantly lower than the PIBs maturity of PKR 772.6 billion: representing abated interest of government in long-term borrowings; and
- Higher investments in MTBs can also be seen as a market risk management strategy by banks, owing to expectations of a possible change in direction of interest rates in the future.

Banks' investment in corporate securities (TFCs, Bonds, debentures, fully paid up shares etc.) has decreased by 2.6 percent during Q3CY17. Particularly, banks' investment in corporate debt instruments has declined by 1.3 percent (PKR 3.2 billion) while investments in shares/listed equity has declined by 0.9 percent (PKR 2.4 billion). This may be a manifestation of the ongoing volatility in the capital market.⁵

Based on the above discussion, it can be inferred that the changing composition of banks' earning assets (towards short-term investments and long-term loans) points towards repositioning by banks to remain profitable in the wake of evolving macroeconomic environment.

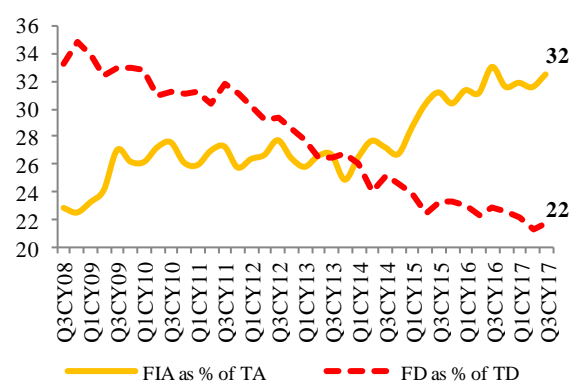
The **deposits** of the banking sector have seen a marginal increase of 0.3 percent in Q3CY17 (13.7 percent on YoY). Analysis reveals that customers' deposits (94.9 percent share in deposits) have decreased by 1.3 percent (PKR 163.1 billion)

during Q3CY17. Within customers' deposits, saving deposits have increased by 1.9 percent (PKR 88.9 billion) while current accounts – non remunerative deposits experienced a decrease of 8.0 percent (PKR 339.4 billion).⁶ The fixed deposits has expanded by PKR 59.9 billion (2.2 percent growth) during Q3CY17.

The analysis of long term deposits (i.e. fixed deposits (FD)) and advances (fixed investment advances (FIA)) yield critical insight. Steadily growing FIA in relation to total advances (TA) and persistent decline in share of FD in total deposits (TD) can expose banking sector to higher assets and liabilities mismatch, going forward (**Figure 4**).

Figure 4

Growing Gap between Long Term Advances and Deposits



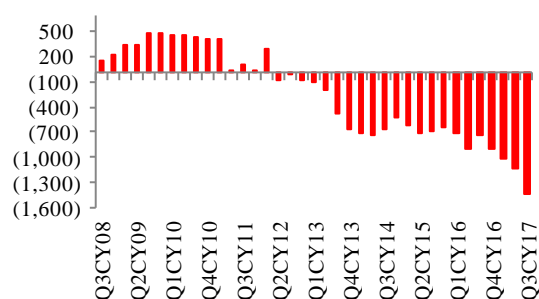
The gap between longer term assets and liabilities (maturing after 5 years) are also growing and it has reached to PKR -1.4 trillion in Q3CY17. In this perspective, banks need to bring risk mitigation strategies (such as mobilizing long term and stable deposits) to narrow down the prevailing assets-liabilities mismatch (**Figure 5**.)

⁵ Surplus on revaluation of listed shares held by banks has declined by PKR 8.8 billion during Q3CY17.

⁶ Saving deposits and current account (non remunerative) deposits' share in customers' deposits stand at 37.0 percent and 31.0 percent, respectively.

Figure 5

Growing Assets and Liabilities Mismatch over 5 Years
(PKR Billion-Stock)



It is pertinent to mention that Islamic banking institutions have become a key source of deposit mobilization. In Q3CY17, IBIs have generated 24.7 percent of the total quarterly deposits inflows of PKR 36.1 billion. In outstanding term, Islamic banking institutions' share in total banking sector deposits stand at 13.7 percent.

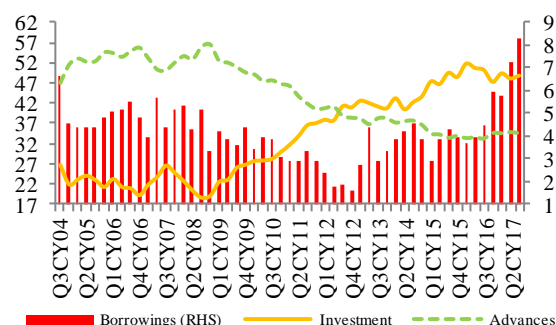
Banks' reliance on **borrowings** continues as depicted by an increase of 1.1 percent (PKR 30.6 billion) during Q3CY17, both from local and foreign sources. However, borrowings from SBP (repo) have declined by 12.0 percent (PKR 151.0 billion). Repo borrowings from the interbank market have increased by 18.6 percent (PKR 95.9 billion), while the overall unsecured borrowings by banks have also increased by 7.7 percent (PKR 48.9 billion).

Majority of the increase in unsecured borrowings have come from abroad (14.2 percent). As a result, the foreign currency liabilities in total liabilities have inched-up to 12.3 percent in the reviewed quarter from 12.0 percent in Q3CY16. However, this is still below the average of 13.3 percent since Q3CY09.

Analysis of the banks' borrowing (excluding those from SBP) pattern reveals that reliance of banks on financial institutions has been increasing (**Figure 6**). It is reflected by the fact that the interbank borrowing as a percentage of total liabilities has reached to 8.3 percent; highest level since Q3CY04, indicating growing interconnectedness among the financial institutions.

Figure 6

Banks' Borrowings (percent of total liabilities), Investments and advances (percent of total assets)



Overall **equity** of the banking sector has diluted by 1.1 percent over the current quarter against a 1.3 percent expansion in Q3CY16. This seems to be a result of decline in the share capital owing to merger of two local private banks, materialized in July, 2017⁷ and settlement payment made by a large bank.

The growth in the banking sector has been supported by the expanding **banking sector infrastructure**. The data shows that banking sector has added another 115 branches and 122 ATMs during Q3CY17; while 122 additional branches have been linked to the online network (**Table 5**). There has also been expansion in the plastic cards, which is in tandem with the increase in credit card loans. Moreover, the growing banking sector has absorbed an additional 7,088 employees during the reviewed quarter.

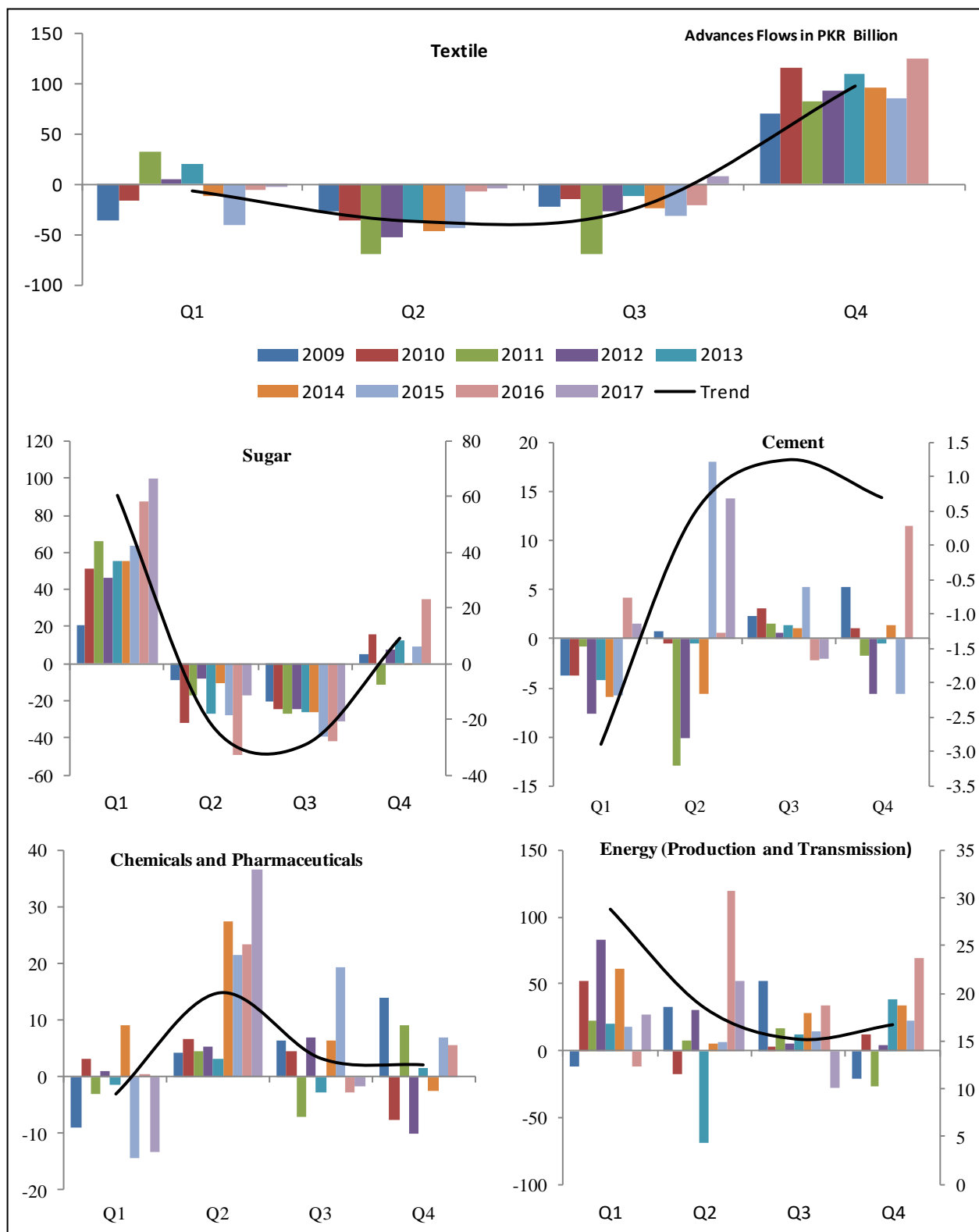
Table 5: Banking Sector Infrastructure-Commercial Banks

	As of June 30, 2017 (No.)	As of September 30, 2017 (No.)	Growth in Q3CY17
Total Bank Branches	13,417	13,532	0.9%
Online Branch Network	13,290	13,412	0.9%
ATMs	12,578	12,846	2.1%
Point of Sale (POS) Machines	53,140	48,919	-7.9%
ATM Propriety only Cards	3,779,641	3,900,244	3.2%
Credit Cards	1,292,136	1,333,916	3.2%
Debit Card	17,604,687	18,413,689	4.6%
Social Welfare Cards	8,176,589	8,195,187	0.2%
Employees	193,670	200,758	3.7%

Source: SBP

⁷ <http://www.sbp.org.pk/notifications/bprd/2017/ntf3.htm>

Appendix A- Seasonality in Advances (Sector-Wise)

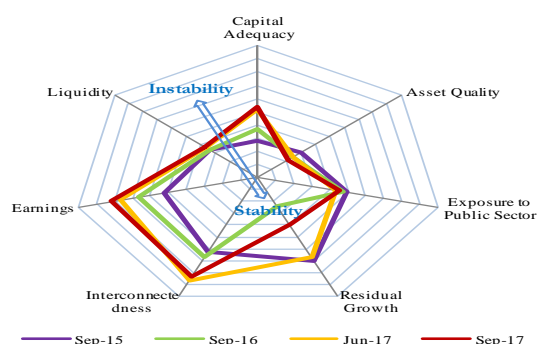


B. Soundness of the Banking Sector

The overall risk profile of the banking sector remains within tolerable bounds in Q3CY17. This can be gauged through the Banking Sector Stability Map (BSSM) which depicts risk levels, in relation to historical performance; along seven different dimensions i.e. capital adequacy, asset quality, public sector exposure, residual growth, interconnectedness, earnings and liquidity (**Figure 7**).⁸

Figure 7

Banking Sector Stability Map



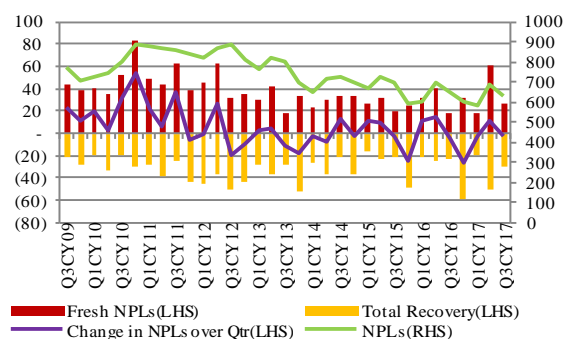
The current quarter is characterized by consistent improvement in asset quality, sound liquidity position and slightly declined yet robust capital adequacy (well above the required level) and diluted exposure to public sector. **Interconnectedness** within the banking sector has increased due to expansion in lending/borrowing from financial institutions (excluding SBP), but these are a small portion of total liabilities of banks and their overall impact remains limited. Similarly, **residual growth** has also slightly increased owing to increase in assets financed by

borrowings; which, though has increased reliance on non-core sources, yet it remains reasonable. Earnings have declined as growth in operational expenses has outpaced the growth in core income.

The significant risk dimension i.e. the **asset quality** has improved due to reduction in NPLs and enhanced provision coverage (Provision-to-NPLs). With cash recoveries outweighing fresh NPLs, seasonal reversals of agricultural NPLs and upgrade of some classified loans, the stock of NPLs decreased by PKR 3.0 billion to reach PKR 611.8 billion during Q3CY17 (**Figure 8**). Aging of NPLs shows that most of the current level of the NPL corresponds to the period of build-up witnessed in CY09-CY12.

Figure 8

Fresh NPLs and recoveries (PKR billion)



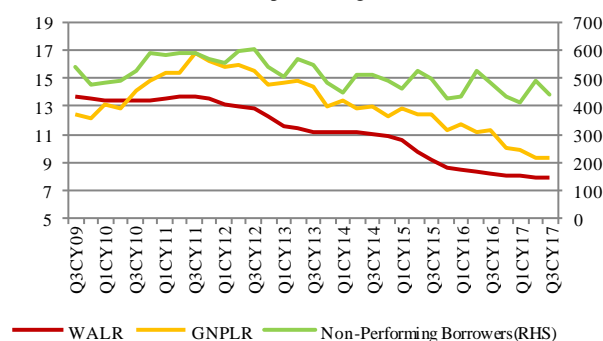
With decline in classified loans, various asset quality indicators have also improved. NPLs to Loans ratio has decreased to 9.2 percent in Q3CY17 (11.3 percent in Q3CY16), which is lowest since Q4CY08. With improvement in provisions coverage (Provisions to NPLs) ratio to 85.3 percent compared to 83.7 percent in the last quarter, net-NPLs to net-loans ratio has also decreased to 1.5 percent in Q3CY17 (2.1 percent in Q3CY16). The easy monetary policy stance, as manifested in lower weighted average lending rates (WALR), has

⁸ Each dimension comprises of various financial soundness indicators, and then the dimensions are scaled for mapping risk ranging from zero to one. Lower risk scale value corresponds to higher stability, and vice versa. For details on BSSM please see Technical Appendix in Financial Stability Report, 2015 (<http://www.sbp.org.pk/FSR/2015/pdf/TechnicalAppendix.pdf>)

led to improvement in the repayment capacity of the borrowers. Further, there is a downward trend in both the number of non-performing borrowers and quantum of fresh NPLs (**Figure 9**).

Figure 9

Lower interest rates impacting Classified Advances (Percent) and number of non-performing borrowers (in '000')



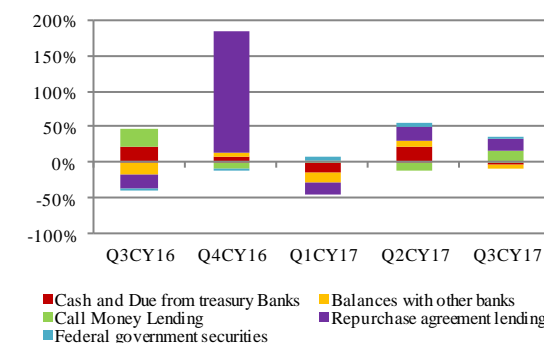
Connected lending⁹, another dimension of asset quality, has remained small and have been hovering around 2 percent of the advances portfolio over the last decade. While lending to related parties increased over the quarter by 18.7 percent (against an 8.7 percent increase in the similar quarter last year), given the small size of portfolio and NPLR of less than 0.01 percent, there are minimal concerns from concentration of loans to related parties.

The **fund based liquidity** position of the banking sector reveals availability of sufficient ready-funding buffers to meet contractual and unforeseen obligations. Almost 54.5 percent of total assets constitute liquid portfolio in Q3CY17 compared to 53.7 percent in Q2CY17. While in the last quarter the seasonal build-up of liquid assets was concentrated in the non-earning cash and balances with treasuries, increasing inter-bank activity for placement of liquidity has led to parking of liquid

assets in earning liquid assets i.e. call and repo lending (**Figure 10**).¹⁰

Figure 10

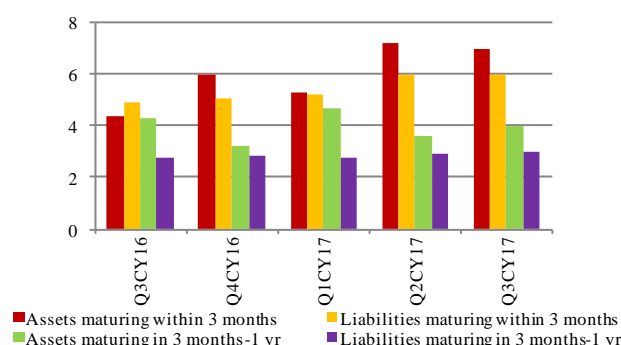
Growth rate of Liquid Assets (Percent)



Analysis shows that significant portion of banks liabilities are maturing within 3 months. However, banks hold sufficient liquid assets to meet these liabilities (Figure 11). In fact, the overall liquid assets to short-term liabilities ratio has risen to 107.2 percent from 106.0 percent in Q2CY17.

Figure 11

Maturity Profile of short-term assets/liabilities(trillions)



The liquidity position further exhibits enhanced ability of the sector to meet any unforeseen requirements as the liquid assets to total deposits ratio has improved by 1.1 percentage point to 76.0 percent over the quarter (**Figure 12**). Excluding the

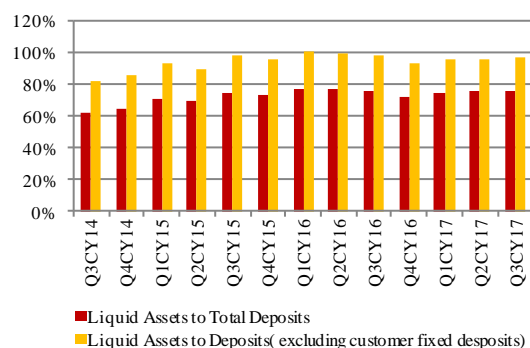
⁹ Advances to entities related to banks through ownership/ common directorship, and individuals through employment linkages.

¹⁰ This excludes investments in provincial government securities which are stagnant.

fixed deposits, the liquidity cover improves to 97.2 percent against 95.3 percent in the previous quarter.

Figure 12

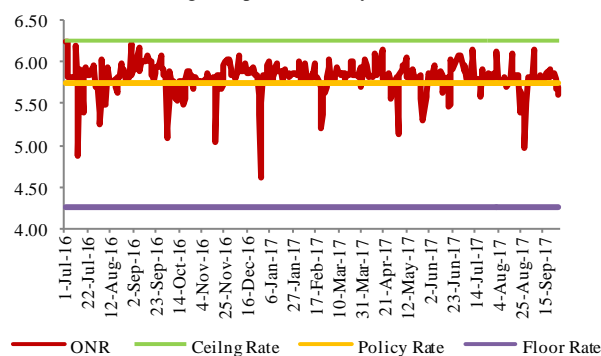
Liquid Assets to Deposits (percentage)



The **market-based liquidity**, in response to calibrated interventions by SBP, has remained satisfactory as limited upward pressure has been witnessed in the overnight repo rate. Average daily overnight repo rate at 5.79 percent has stayed much closer to SBP's target rate of 5.75 percent than the previous quarter's daily average of 5.82 percent and last year's corresponding average daily rate of 5.85 percent (**Figure 13**).

Figure 13

Movement of Overnight Repo Rate (Daily Data)



Year-to-date (YTD) **earnings** of the banking sector (i.e. profit before tax) have declined by 16.2 percent as compared to last years' decline of 7.3 percent. Besides low interest rates and higher administrative expenses, the decline in earnings is due to settlement payment made by a large bank which, if excluded, would result in decline in

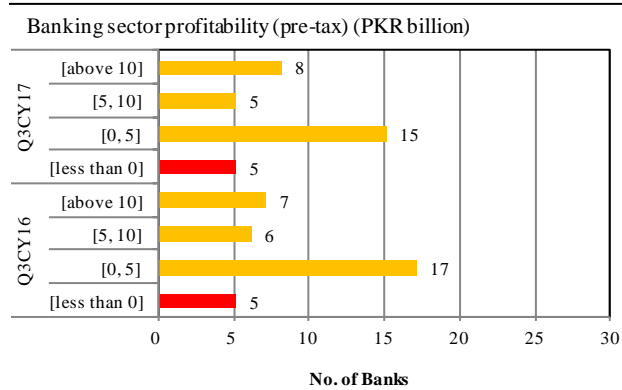
earnings by 6.1 percent only. However, lower provisioning (on YTD basis) has helped offset some of the decline in profits.

The low interest rates are impacting the profitability through decline in yield spread and evaporating gain on sale of securities. However, Net Interest Income (NII) has started to pick-up pace (rise of 0.8 percent), led by 10.5 percent increase in interest earned on advances to customers. The share of interest earned on advances in total interest earned has increased to 42.2 percent from 39.5 percent last year. On the contrary, the share of investment (dominated by low yield government securities) in interest earnings has reduced to 54.9 percent from 57.6 percent as in Q3CY16. Thus, the growing advances (quantity impact) are offsetting the low interest (price) impact, to some extent.

Analysis of the Islamic banks reveals that their bottom-line performance has remained promising during the first three quarters of CY17. The profits (before tax) have improved by 44.9 percent due to a significant 51.5 percent growth in advances (net).

Overall, the downturn in earnings along with asset expansion have jointly pushed the Return on Assets (before tax) (ROA) down to 1.6 percent in Q3CY17 from 1.8 percent in Q2CY17 and 2.1 percent in Q3CY16. Likewise, Return on Equity (before tax) (ROE) has dropped to 19.1 percent in Q3CY17 from 21.9 percent in Q2CY17 and 23.8 percent in Q3CY16.

Bank wise data indicates that number of loss making banks has remained unchanged at 5 during Q3CY17 as compared to Q3CY16, though the composition has changed (**Figure 14**). The contribution in profits was relatively more broad-based in Q3CY17 as contribution of top five banks has declined to 57.4 percent from 63.7 percent in Q3CY16.

Figure 14

Capital Adequacy Ratio (CAR) of the banking sector has slightly moved downward from 15.6 in the last quarter to 15.4 percent in Q3CY17, however, it is still well above the minimum regulatory required level of 10.65 percent.

Generally, the third quarter is characterized by improvement in CAR due to decline in advances and hence the Total Risk Weighted Asset (TRWA). However, decline in CAR during the current quarter may be attributed to two main reasons (i) the TRWA has stayed un-changed due to rise in credit risk weighted asset and (b) eligible capital of the banking sector has slightly declined due to one-off settlement payment made by a large bank to a foreign regulator.¹¹

The mix of risk weighted assets within TRWAs show some contrasting pattern. The Credit Risk Weighted Assets (CRWAs) – comprising 77 percent share in TRWAs - have risen by 1.2 percent. Against this the Market Risk Weighted Assets (MRWAs) – with 10 percent share in TRWAs – have declined by 6.9 percent mainly due to dip in long-term government

bonds and equity instruments (low interest rate and equity price risks).¹²

Banks' **exposure to public sector** has diluted by 120 bps since the corresponding quarter last year mostly because of reduction in investments in government securities (44.8 percent of total assets). Although the BSSM considers public exposure as a concentration risk to a single entity (Government), it may be worth noting that it mainly comprises of government bonds which are considered liquid and are also credit-risk free.

In the nutshell, the analysis of banking sector soundness during Q3CY17 suggests that i) NPLs exhibit seasonality and improvement in asset quality is driven by suppressed addition to the stock of NPLs; ii) even with lower profitability the solvency position of the sector is comfortable and capable of withstanding additional one-off tail events that eroded profitability; iii) liquidity is in comfortable zone; and iv) interconnectedness, though increasing, has not been alarming.

¹¹ By excluding this penalty amount, the CAR of the banking sector would have increased to 15.75 percent during Q3CY17.

¹² The rising portion of short-term MTBs in investment portfolio explains the low interest rate risk due to smaller maturities. The reduced portfolio of listed instruments in banking book signals lower equity price risk.

C. Banking Sector Outlook for Q4CY17

The seasonal pattern along with robust growth in Large Scale Manufacturing Index (LSM) observed during Jul-Sep 2017 suggests that advances to private sector will rise in Q4CY17. The core funding source of the banks i.e. deposits are likely to improve in the upcoming quarter for two reasons. First, banks would proactively seek to mobilize deposits in order to meet the anticipated rise in private sector advances. Second, the expected increase in advances, would further improve deposits base due to the feedback effect.

The risks to the resilience of the banking sector are likely to remain muted in Q4CY16. Despite narrowing return margins and anticipated rise in risk weighted assets (due to expected uptick in advances), Capital Adequacy Ratio (CAR) is expected to remain well above the minimum regulatory requirement. The interest income from advances is likely to further rise (quantum impact of expected increase in advances) which in turn will compensate the reduced earnings from low yielding government bonds.

Annexures

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

PKR million

Financial Position	CY12	CY13	CY14	CY15	Q3CY16	CY16	Q3CY17
ASSETS							
Cash & Balances With Treasury Banks	836,605	858,512	723,664	909,429	1,106,360	1,184,521	1,187,502
Balances With Other Banks	184,746	185,423	149,631	198,395	156,287	168,394	151,989
Lending To Financial Institutions	170,758	275,939	429,380	360,772	331,997	551,695	614,993
Investments - Net	4,013,239	4,313,323	5,309,630	6,880,765	7,624,525	7,509,164	8,600,272
Advances - Net	3,804,140	4,110,159	4,447,300	4,815,827	5,052,083	5,498,813	6,093,710
Operating Fixed Assets	248,673	259,800	277,030	310,102	320,935	336,376	368,717
Deferred Tax Assets	66,805	80,306	67,077	65,644	67,288	64,681	71,262
Other Assets	386,188	403,233	702,550	602,301	474,307	517,412	471,213
TOTAL ASSETS	9,711,154	10,486,693	12,106,261	14,143,234	15,133,782	15,831,058	17,559,657
LIABILITIES							
Bills Payable	112,275	129,227	137,651	145,089	154,495	182,858	192,909
Borrowings From Financial Institution	1,027,098	722,643	1,001,447	1,766,145	2,011,892	1,942,458	2,845,369
Deposits And Other Accounts	7,293,698	8,310,529	9,229,773	10,389,260	11,092,103	11,797,867	12,609,411
Sub-ordinated Loans	55,160	40,070	44,329	51,366	61,525	59,330	60,616
Liabilities Against Assets Subject To Finance Lease	52	34	33	50	45	41	25
Deferred Tax Liabilities	70,399	19,731	37,149	47,622	64,445	61,109	47,201
Other Liabilities	270,262	321,690	448,432	420,935	424,917	434,598	460,030
TOTAL LIABILITIES	8,828,945	9,543,923	10,898,816	12,820,468	13,809,423	14,478,261	16,215,562
NET ASSETS	882,209	942,770	1,207,445	1,322,767	1,324,359	1,352,797	1,344,095
NET ASSETS REPRESENTED BY:							
Share Capital	427,583	482,091	587,053	619,862	580,073	579,882	507,715
Reserves	194,543	176,095	189,242	192,039	199,717	205,314	263,358
Unappropriated Profit	148,169	157,492	227,151	290,908	312,400	344,615	383,162
Share Holders' Equity	770,295	815,678	1,003,446	1,102,809	1,092,189	1,129,812	1,154,235
Surplus/Deficit On Revaluation Of Assets	111,914	127,102	203,999	219,958	232,169	222,985	189,860
TOTAL	882,209	942,780	1,207,445	1,322,767	1,324,359	1,352,797	1,344,095
PROFIT AND LOSS STATEMENT							
	CY12	CY13	CY14	CY15	Q3CY16	CY16	Q3CY17
Mark-Up/ Return/Interest Earned	792,749	777,398	919,821	981,760	701,993	938,026	725,651
Mark-Up/ Return/Interest Expenses	454,182	444,047	504,990	485,575	337,693	453,232	358,317
Net Mark-Up / Interest Income	338,567	333,350	414,830	496,185	364,300	484,793	367,334
Provisions & Bad Debts Written Off Directly/(Reversals)	39,668	40,162	25,323	38,874	10,128	5,305	3,012
Net Mark-Up / Interest Income After Provision	298,899	293,188	389,507	457,311	354,172	479,489	364,322
Fees, Commission & Brokerage Income	54,720	62,579	70,421	82,640	65,349	90,266	73,985
Dividend Income	21,630	14,599	14,098	16,910	12,061	17,187	12,041
Income From Dealing In Foreign Currencies	21,620	20,972	28,396	22,824	10,172	14,015	11,830
Other Income	39,602	41,941	54,434	86,369	57,253	74,260	46,012
Total Non - Markup / Interest Income	137,572	140,091	167,349	208,743	144,835	195,728	143,868
	436,471	433,280	556,856	666,053	499,007	675,217	508,190
Administrative Expenses	251,349	266,199	304,588	330,006	262,074	356,183	283,614
Other Expenses	6,100	4,633	5,726	7,231	3,661	5,003	5,460
Total Non-Markup/Interest Expenses	257,450	270,832	310,313	337,237	265,735	361,186	289,074
Profit before Tax and Extra ordinary Items	179,021	162,448	246,543	328,817	233,272	314,031	219,115
Extra ordinary/unusual Items - Gain/(Loss)	842.88	(4.64)	3.79	0.51	0.30	0.27	23,717.28
PROFIT/ (LOSS) BEFORE TAXATION	178,178	162,453	246,539	328,816	233,272	314,030	195,398
Less: Taxation	59,946	50,019	83,171	129,811	94,358	124,117	83,677
PROFIT/ (LOSS) AFTER TAX	118,232	112,434	163,368	199,006	138,913	189,914	111,721

Annexure B

Distribution of Deposits

PKR billion

	CY12	CY13	CY14	CY15	Q3CY16	CY16	Q3CY17
DEPOSITS	7,294	8,311	9,230	10,389	11,092	11,798	12,609
Customers	6,972	7,975	8,886	9,943	10,629	11,199	11,969
Fixed Deposits	2,078	2,216	2,268	2,425	2,535	2,670	2,751
Saving Deposits	2,642	3,094	3,467	3,863	4,253	4,342	4,668
Current accounts - Remunerative	343	381	323	331	379	409	505
Current accounts - Non-remunerative	1,868	2,241	2,764	3,254	3,376	3,685	3,899
Others	41	43	64	69	86	92	145
Financial Institutions	321	336	344	446	463	599	641
Remunerative Deposits	214	217	201	393	303	385	425
Non-remunerative Deposits	107	119	143	53	160	214	215
Break up of Deposits Currency Wise	7,294	8,311	9,230	10,389	11,092	11,798	12,609
Local Currency Deposits	6,310	7,129	7,983	9,042	9,884	10,548	11,202
Foreign Currency Deposits	984	1,182	1,247	1,347	1,208	1,249	1,407

Annexure C

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

Amount in PKR million, ratio in percent

	CY15			Q3CY16			CY16			Q3CY17		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,533,889	433,657	12.3	3,689,535	443,632	12.0	4,056,705	431,280	10.6	4,492,789	430,557	9.6
Fixed Investments	1,556,224	209,772	13.5	1,801,992	197,070	10.9	1,911,181	193,440	10.1	2,139,462	196,050	9.2
Working Capital	1,269,905	146,854	11.6	1,167,987	164,529	14.1	1,371,718	155,375	11.3	1,457,303	150,893	10.4
Trade Finance	707,759	77,031	10.9	719,555	82,033	11.4	773,806	82,465	10.7	896,025	83,614	9.3
SMEs Sector	318,298	82,966	26.1	335,266	84,746	25.3	404,618	82,078	20.3	376,898	78,713	20.9
Fixed Investments	71,442	10,695	15.0	75,761	11,706	15.5	88,294	11,149	12.6	94,706	12,580	13.3
Working Capital	216,856	65,606	30.3	218,091	64,704	29.7	270,820	62,584	23.1	226,706	57,745	25.5
Trade Finance	30,000	6,665	22.2	41,414	8,337	20.1	45,504	8,345	18.3	55,485	8,388	15.1
Agriculture Sector	291,183	37,815	13.0	293,197	46,269	15.8	294,339	38,064	12.9	307,459	48,699	15.8
Consumer sector	335,583	29,047	8.7	359,903	33,295	9.3	371,804	30,159	8.1	429,298	30,271	7.1
i. Credit cards	24,666	2,384	9.7	27,067	2,498	9.2	28,307	2,340	8.3	43,574	2,351	5.4
ii. Auto loans	95,089	2,686	2.8	116,824	2,667	2.3	125,898	2,600	2.1	149,893	2,710	1.8
iii. Consumer durable	326	69	21.0	303	69	22.6	318	67	21.2	609	73	12.1
iv. Mortgage loans	54,404	13,467	24.8	61,753	12,102	19.6	61,609	10,894	17.7	75,470	10,790	14.3
v. Other personal loans	161,099	10,441	6.5	153,955	15,960	10.4	155,671	14,258	9.2	159,752	14,346	9.0
Commodity financing	594,121	7,015	1.2	635,649	4,611	0.7	619,347	4,571	0.7	722,076	6,184	0.9
Cotton	17,488	1,314	7.5	9,130	1,148	12.6	17,816	1,140	6.4	63,351	735	1.2
Rice	19,073	3,403	17.8	10,530	2,829	26.9	18,858	2,761	14.6	14,649	1,243	8.5
Sugar	78,305	1,922	2.5	46,243	405	0.9	46,097	392	0.8	11,609	2,830	24.4
Wheat	390,201	200	0.1	504,551	133	0.0	467,010	135	0.0	561,848	134	0.0
Others	89,054	176	0.2	65,195	95	0.1	69,566	145	0.2	70,619	1,242	1.8
Staff Loans	103,406	1,284	1.2	102,922	2,060	2.0	104,139	1,409	1.4	112,666	1,802	1.6
Others	153,659	13,660	8.9	157,815	16,715	10.6	162,128	17,104	10.5	174,409	15,586	8.9
Total	5,330,138	605,444	11.4	5,574,287	631,326	11.3	6,013,080	604,666	10.1	6,615,596	611,813	9.2

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

amount in PKR million, ratio in percent

	CY15			Q3CY16			CY16			Q3CY17		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	473,845	40,315	8.5	571,671	51,613	9.0	548,098.7	41,706	7.6	607,332	51,828	8.5
Automobile/Transportation	53,312	12,331	23.1	82,498	12,211	14.8	95,274.4	12,604	13.2	99,843	12,260	12.3
Cement	57,623	7,361	12.8	60,254	6,894	11.4	71,722.4	6,789	9.5	85,552	6,610	7.7
Chemical & Pharmaceuticals	223,608	13,517	6.0	244,563	14,044	5.7	250,091.6	12,780	5.1	271,800	13,195	4.9
Electronics	81,159	10,456	12.9	70,781	12,187	17	78,173	13,326	17.0	91,179	13,748	15.1
Financial	148,136	9,601	6.5	168,200	10,527	6	182,648	10,544.3	5.8	206,725	10,410.3	5.0
Individuals	454,622	45,779	10.1	522,171	57,594	11	550,384	58,023	10.5	609,144	57,010	9.4
Insurance	379	1	0.2	3,480	1	0	3,013	1	0.0	4,584	1	0.0
Others	2,223,916	215,255	9.7	2,134,828	209,368	10	2,285,719	205,981	9.0	2,587,821	205,237	7.9
Production/Transmission of Energy	681,463	40,698	6.0	822,337	36,594	4	892,059	31,094.7	3.5	943,568	34,012.0	3.6
Shoes & Leather garments	25,388	3,811	15.0	24,369	3,728	15	27,171	3,770	13.9	25,782	4,277	16.6
Sugar	144,716	8,549	5.9	141,288	20,029	14	176,250	15,563.3	8.8	227,259	16,305.4	7.2
Textile	761,973	197,771	26.0	727,848	196,537	27	852,476	192,483	22.6	855,008	186,920	21.9
Total	5,330,138	605,444	11.4	5,574,287	631,326	11	6,013,080	604,666	10.1	6,615,596	611,813	9.2

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

PKR million

	CY13		CY14		CY15		Q3CY16*		CY16		Q3CY17	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	13,785	26	15,260	-	17,475	-	27,098	-	22,599	-	28,080	-
Sub Standard	50,202	11,320	57,179	14,748	40,649	8,539	53,884	11,101	34,260	7,291	33,725	7,254
Doubtful	32,353	14,336	36,746	16,306	28,044	11,523	34,513	15,113	34,175	16,746	39,500	15,986
Loss	511,070	428,513	495,514	433,552	519,277	468,847	515,832	466,338	513,631	466,870	510,508	469,152
Total	607,410	454,195	604,698	464,606	605,444	488,909	631,326	492,553	604,666	490,907	611,813	492,393

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

Annexure D

Financial Soundness Indicators of the Banking Sector

Indicators	CY10	CY11	CY12	CY13	CY14	CY15	Q3CY16*	CY16	Q2CY17	Q3CY17	percent
CAPITAL ADEQUACY											
Risk Weighted CAR^	13.9	15.1	15.6	14.9	17.1	17.3	16.8	16.2	15.6	15.4	
Tier 1 Capital to RWA	11.6	13.0	13.0	12.6	14.3	14.4	13.6	13.0	12.7	12.7	
ASSET QUALITY											
NPLs to Total Loans	14.9	15.7	14.5	13.3	12.3	11.4	11.3	10.1	9.3	9.2	
Provision to NPLs	66.7	69.3	71.5	77.1	79.8	84.9	82.7	85.0	83.7	85.3	
Net NPLs to Net Loans	5.5	5.4	4.6	3.4	2.7	1.9	2.2	1.6	1.6	1.5	
Net NPLs to Capital^^	26.7	23.1	19.9	14.7	10.1	7.7	9.1	7.3	8.0	7.2	
EARNINGS											
Return on Assets (Before Tax)	1.5	2.2	2.0	1.6	2.2	2.5	2.1	2.1	1.8	1.6	
Return on Assets (After Tax)	1.0	1.5	1.3	1.1	1.5	1.5	1.3	1.3	1.1	0.9	
ROE (Avg. Equity & Surplus) (Before Tax)	15.5	23.0	21.4	17.9	24.3	25.8	23.8	23.8	21.9	19.1	
ROE (Avg. Equity & Surplus) (After Tax)	9.6	15.1	14.2	12.4	16.1	15.6	14.2	14.4	13.1	10.9	
NII/Gross Income	74.7	76.0	71.1	70.4	71.3	70.4	71.6	71.2	70.7	71.9	
Cost / Income Ratio	52.7	51.1	54.1	57.2	53.3	47.8	52.2	53.1	55.8	56.5	
LIQUIDITY											
Liquid Assets/Total Assets	36.1	45.5	48.4	48.6	49.2	53.8	55.6	53.7	53.8	54.5	
Liquid Assets/Total Deposits	47.1	59.5	64.5	61.3	64.5	73.3	75.9	72.1	74.9	76.0	
Advances/Deposits	61.6	53.6	52.2	49.5	48.2	46.4	45.5	46.6	48.7	48.3	

^ 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

CY15	Q3CY16	CY16	Q3CY17
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 (21)	B. Local Private Banks (20)
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 ^{##}	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.	MCB Bank Ltd.	MCB Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	MCB Islamic Bank Ltd.	MCB Islamic Bank Ltd.
MCB Islamic Bank Ltd.*	MCB Islamic Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.
Meezan Bank Ltd.	Meezan Bank Ltd.	NIB Bank Ltd.	SAMBA Bank Ltd.
NIB Bank Ltd.	NIB Bank Ltd.	SAMBA Bank Ltd.	Silk Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	Silk Bank Ltd.	Soneri Bank Ltd.
Silk Bank Ltd.	Silk Bank Ltd.	Soneri Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Soneri Bank Ltd.	Soneri Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Summit Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Summit Bank Ltd.	United Bank Ltd.
Summit Bank Ltd.	Summit Bank Ltd.	United Bank Ltd.	
United Bank Ltd.	United Bank Ltd.		
C. Foreign Banks (4)	C. Foreign Banks (4)	C. Foreign Banks (4)	C. Foreign Banks (5)
Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.
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.
			Bank of China Limited [^]
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 Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.
All Commercial Banks (31)	All Commercial Banks (31)	All Commercial Banks (30)	All Commercial Banks (30)
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (35)	All Banks (35)	All Banks (34)	All Banks (34)
Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D

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

** Burj Bank Ltd was acquired by Al Baraka Bank on October 30, 2016.

[^]SBP declared "Bank of China Limited" as a scheduled Bank with effect from September 18, 2017.