Quarterly Performance Review of the Banking Sector

(October - December, 2017)

Financial Stability Department

State Bank of Pakistan

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Summary

The overall soundness of the banking sector remains satisfactory in Q4CY17 due to robust Capital, improving asset quality and comfortable liquidity position. Capital Adequacy Ratio (CAR) has increased up to 15.8 percent, well above the minimum regulatory requirement of 11.275 percent, while NPLs to loan ratio has dropped to 10 years low of 8.4 percent. Year-to-date (YTD) earnings of the banking sector however, have reduced largely due to one-off settlement payment made by a large bank during Q3CY17 and the prevalent low interest rate regime.

The asset base of the banking sector has expanded by 4.5 percent (15.9 percent on YoY basis), owing to 6.9 percent growth in net-advances and 1.5 percent growth in net-investment. Though private sector advances have observed some deceleration during the current quarter, YoY growth during CY17 has remained higher as compared to CY16. The slow down during the quarter has largely resulted from decline in advances to chemicals and pharmaceutical sector and meager growth in advances to sugar and energy sectors. On the funding side, deposits have witnessed growth of 3.2 percent during the reviewed quarter. However, on YoY basis, deposit growth has moderated to10.3 percent. Resultantly, banks’ borrowing has increased by 9.8 percent during the quarter.

A. Performance of the Banking Sector

On the asset side, banking sector has performed as per trend during Q4CY17. The **assets** of the banking sector have expanded by 4.5 percent— slightly lower than the 4.6 percent growth recorded in Q4CY16. Around 70.0 percent of the expansion in total assets has been contributed by net advances and net investments.

Advances growth has, however, decelerated as net advances have expanded by 6.9 percent during Q4CY17; lower than the comparable period of previous year (8.8 percent). Net investments, on the other hand, have inched up by 1.5 percent in the reviewed quarter against a dip of 1.5 percent in Q4CY16 (**Table 1**).

Table 1: Highlights of the Banking Industry

	CY15	CY16	Q1CY17	Q2CY17	Q3CY17	CY17
Key Variables (PKR Billion)						
Total Assets	14,143.2	15,831.1	16,155.5	17,500.5	17,559.7	18,341.5
Investments (net)	6,880.8	7,509.2	8,003.0	8,448.5	8,600.3	8,729.0
Advances (net)	4,815.8	5,498.8	5,605.1	6,118.8	6,093.7	6,512.5
Deposits	10,389.3	11,797.9	11,809.0	12,573.3	12,609.4	13,011.8
Borrowings from financial instituti	1,766.1	1,942.5	2,183.4	2,814.8	2,845.4	3,125.4
Lending to financial institutions	360.8	551.7	501.1	563.4	615.0	605.0
Equity	1,322.8	1,352.8	1,404.9	1,359.1	1,344.1	1,380.8
Profit Before Tax (ytd)	328.8	314.0	75.1	150.4	195.4	266.8
Profit After Tax (ytd)	199.0	189.9	49.1	89.9	111.7	157.8
Non-Performing Loans	605.4	604.7	603.8	614.8	611.8	592.5
Non-Performing Loans (net)	91.1	90.4	88.1	100.1	89.9	75.6
Key FSIs (percent)						
NPLs to Loans (Gross)	11.4	10.1	9.9	9.3	9.2	8.4
Net NPLs to Net Loans	1.9	1.6	1.6	1.6	1.5	1.2
Net NPLs to Capital	7.7	7.3	7.1	8.0	7.2	5.8
Provision to NPL	84.9	85.0	85.4	83.7	85.3	87.2
ROA (Before Tax)	2.5	2.1	1.9	1.8	1.6	1.6
CAR	17.3	16.2	15.9	15.6	15.4	15.8
Advances to Deposit Ratio	46.4	46.6	47.5	48.7	48.3	50.1

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

On YoY basis, banking sector's performance seems impressive as assets show growth of 15.9 percent in CY17 against 11.9 percent in CY16. Robust expansion in net advances (18.4 percent) and net investments (16.2 percent) have driven-up the performance of the banking sector.

Islamic banking institutions (IBIs) which represent 12.4 percent of the banking sector assets, have contributed 24.1 percent (PKR 188.6 billion – QoQ basis) in the asset expansion during Q4CY17. On YoY basis, IBIs explain 16.7 percent (PKR 418.8 billion) of the total asset expansion.

On the liability side, growth in deposits has been subpar. During Q4CY17, banks have been able to mobilize 3.2 percent additional deposits (10.3 percent YoY) against 6.4 percent (13.6 percent YoY) during Q4CY16. Resultantly, banks have borrowed a substantially higher amount of PKR 280.1 billion against retirement of PKR 69.4 billion during the same period last year.

Thus, the intermediation performance of the banking sector has been mixed during Q4CY17; perhaps a manifestation of challenging financial conditions.[1] Pressures on external account have remained high making the FX market volatile and widening the spread between inter-bank and Kerb market exchage rates.[2] Besides, the money supply (M2) has been decelerating largely due to contraction in Net Foreign Assets (NFA) of the banking system. Moreover, capital market has remained bearish in the reviewed quarter.

A deeper analysis reveals that the deceleration in advances is primarily attributed to **private sector**

[1] Financial Conditions generally refer to a set of variables whose movements would alter the demand and supply of financial instruments, such as Credit, in the economy. They may refer to movements in yield curve, bond spreads, exchange rate, equity prices, credit evaluation standards etc. (Hatzius, Jan; Hooper, Peter; Mishkin, Frederic S.; Schoenholtz, Kermit L. and Watson, Mark W. "Financial Condition Indexes: A Fresh Look After the Financial Crisis." NBER Working Paper No. 16150, National Bureau of Economic Research, July 2010, International Monetary Fund, "Global Financial Stability Report: Getting the Policy Mix Right", Washington D.C., April 2017)

[2] The spread, however, almost vanished in December -2017 due to 5% depreciation of PKR in the interbank market during the month.

(Table 2). The seasonal pick up in private sector advances stands at 7.3 percent– lower than 10.6 percent in Q4CY16. This is on account of decline in advances to chemical and pharmaceuticals sector and lower advances flows to sugar and energy sectors.

Table 2: Sector-wise Advances Flows

	Q4CY16			Q4CY17			QoQ Growth	
	Public	Private	Total	Public	Private	Total	Q4CY16	Q4CY17
Chemical and Pharmaceuticals	(0.0)	6.5	6.5	(0.0)	(37.6)	(37.6)	2.8	(14.1)
Agribusiness	(42.5)	19.6	(22.9)	(7.9)	24.2	16.3	6.3	7.2
Textile	-	123.8	123.8	-	135.1	135.1	17.3	16.0
Cement	-	11.3	11.3	-	25.8	25.8	21.2	33.7
Sugar	(3.7)	38.4	34.8	15.2	2.8	18.0	28.2	1.3
Shoes and leather garments	-	2.5	2.5	-	2.5	2.5	10.9	10.3
Automobile/transportation	7.3	3.8	11.1	1.0	7.6	8.6	8.8	16.7
Financial	(0.0)	12.0	12.0	-	(1.3)	(1.3)	14.6	(1.5)
Insurance	-	(0.2)	(0.2)	-	1.4	1.4	(6.5)	29.5
Electronics and electrical appliances	(0.0)	6.5	6.5	-	6.7	6.7	12.6	9.1
Energy	8.4	62.3	70.7	62.9	33.8	96.7	13.3	6.7
Individuals	-	24.4	24.4	-	9.9	9.9	5.0	1.7
Others	46.5	99.3	145.8	30.7	126.5	157.2	7.9	8.0
Total (Domestic Sector)	**16.0**	**410.2**	**426.2**	**101.8**	**337.4**	**439.1**	**10.6**	**7.3**

Flows in PKR billion; QoQ growth represents private sector advances.

Within chemical and pharmaceuticals sector, fertilizer companies have retired their advances during Q4CY17. Higher cash flows resulting from release of the stocks accumulated since CY16 and lower fertilizer production in CY17 due to higher LNG prices and its limited availability have led to the decline in advances by fertilizers. [3]

In case of sugar, availability of unsold production stocks resulting from the bumper crop in CY16 and the delay in sugarcane crushing, once again, due to dispute over sugarcane prices between farmers and producers explain the abated advances demand.[4]

Encouragingly, private sector advances to the textile sector – largest recipient of advances – continue to observe expansion during Q4CY17. When looking at the segments, this increase may corroborate with growth of 37.3 percent in working capital advances to SMEs. Rising exports to Euro Area and North America in CY17 explains the higher demand for advances by the textile sector.[5] Moreover, the government has recently announced incentive package for the textile sector which is likely to further facilitate textile exports going forward.[6]

Similar to textile, advances flow to "others" sector – which represents various smaller sub-sectors – has remained notably higher in Q4CY17. Relatively higher advances have been disbursed to commerce & trade, transport, storage, and communication sectors.

The segment-wise analysis reveals that deceleration in advances to the private sector**,** is mostly pronounced in fixed investment and trade finance of the corporate segment (**Table 3**). Among possible reasons, premature retirement of advances – by one of the major fertilizer companies – tangibly explain the notable deceleration in fixed investment advances. While exchange rate dynamics might have resulted in lower demand for trade advances.

[3] During Oct-Nov 2017, total fertilizer production was 531 thousand tones compared to 648.9 thousand tones in comparable period of previous year.
[4] In Nov-2017, sugar production was just 40 thousand tones as compared to 210.3 thousand tones in comparable month of previous year.

[5] Textile exports in Q4CY17 stood at US$ 3.3 billion as compared to US$ 3.1 billion in Q4CY16. Also for the entire CY17, textile exports are higher (US$ 12.9 billion) than CY16 (US$ 12.4 billion).
[6] http://www.sbp.org.pk/epd/2017/FECL25-Annex1.pdf

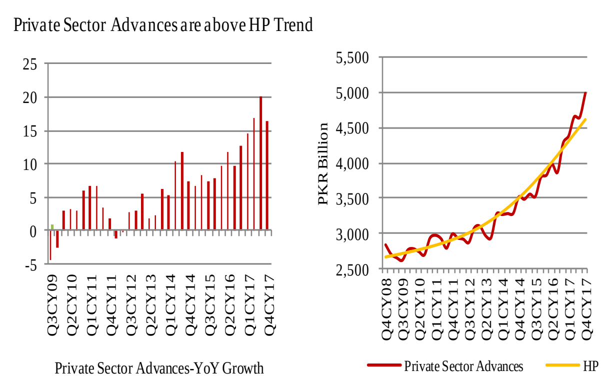
Table 3: Segment-wise Domestic Advances Flows

(PKR billion)

	Q4CY16			Q4CY17		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Corporate Sector	**59.5**	**295.1**	**354.6**	**84.8**	**237.4**	**322.2**
Fixed Investment	36.5	62.4	98.8	57.0	32.9	90.0
Working Capital	31.5	172.7	204.2	21.5	162.5	184.0
Trade Finance	(8.4)	60.0	51.6	6.3	42.0	48.3
SMEs		**69.3**	**69.3**	**0.0**	**73.8**	**73.8**
Fixed Investment		12.4	12.4		3.5	3.5
Working Capital		53.4	53.4	0.0	82.5	82.5
Trade Finance		3.5	3.5		(12.2)	(12.2)
Agriculture		**1.5**	**1.5**	**7.5**	**1.1**	**8.6**
Consumer Finance		**14.3**	**14.3**		**18.7**	**18.7**
of which		-				
Credit Cards		1.3	1.3		0.6	0.6
Auto Loans		9.1	9.1		9.6	9.6
Mortgage Loans		2.2	2.2		4.1	4.1
Commodity Financing	**(43.5)**	**27.2**	**(16.3)**	**9.5**	**3.8**	**13.3**
Staff Loans		**1.2**	**1.2**		**2.8**	**2.8**
Others		**1.6**	**1.6**		**(0.2)**	**(0.2)**
Total	**16.0**	**410.2**	**426.2**	**101.8**	**337.4**	**439.1**

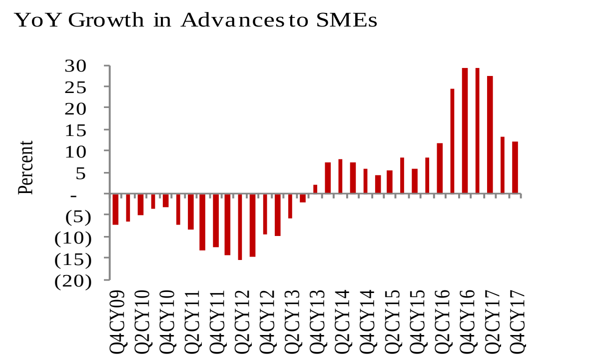
The deceleration in advances to private sector is also reflected in the slowdown in Large Scale Manufacturing Index (LSM). In Q4CY17, there is a marginal growth of 1.7 percent (YoY) in LSM compared to a strong acceleration of 5.9 percent in the comparable quarter of previous year. It deserves special emphasizes that despite slowing YoY growth in advances during Q4CY17, private sector advances still remain above the trend — as measured by Hodrick-Prescott (HP) filter (**Figure 1**).[7]

Figure 1



In the reviewed quarter, advances flow to **SMEs** is marginally higher than the previous year. The growth in advances to SMEs has remained unimpressive till Q3CY13, but afterwards, financing to SMEs has averaged around 6.0 percent (YoY) until Q1CY16 (**Figure 2**). To further boost the advances flow to SMEs, SBP took certain policy measures in CY16.[8] Resultantly, higher advances growth was seen in H2CY16 and H1CY17.

Figure 2



However, since Q3CY17, the YoY growth in advances to SMEs has normalized reflecting the abated effects of policy triggered structural change in advances to SMEs. As a result, contrary to CY16, banks have achieved 85.5 percent (PKR 438.4 billion) of the given SMEs financing target (PKR 512.5 billion) in CY17.[9]

Cognizant of the emerging trend, SBP has advised banks to undertake further policy measures to facilitate SMEs development and improve their access to financing.[10] In future, such measures are likely to enhance advances flow to SMEs.

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[7] HP filter is used to determine the long term trend of a time series by discounting the importance of short term fluctuations.

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

[9] In CY16, banks disbursed PKR 390.6 billion to SMEs – beyond the given target of PKR 385.6 billion.

[10] Among others, these measures include development of SME banking research and development divisions, reduction in credit approval process from 30 days to 15 days, adoption of non-financial advisory services to SMEs by the banks, and introduction of refinance scheme for working capital financing

Consumer financing shows 4.5 percent growth during Q4CY17. On YoY basis, consumer financing has surged by 20.8 percent (PKR 75.4 billion). Primarily, auto (PKR 43.5 billion) and mortgage loans (PKR 17.0 billion) are driving up consumer financing.

Contrary to the private sector, public sector has played a significant role in growth of gross advances. **Public sector advances** have remained significantly higher in Q4CY17 than the comparable quarter of previous year due to higher advances flow to the energy and sugar sectors (**Table 2**).

The segment-wise examination of public sector advances disclose that advances for fixed investment mostly explain considerable expansion during Q4CY17 (**Table 3**). Unlike Q4CY16, relative disbursement of advances for working capital needs remain lower in the reviewed quarter. In the agriculture segment, disbursement of PKR 7.5 billion – unseen in Q4CY16 – reflects urea procurement by public sector entities.

Investments (net) have increased by PKR 128.7 billion in the reviewed quarter mainly due to MTBs (PKR 205.3 billion) (**Table 4**). Banks' appetite for PIBs has been fading in anticipation of higher future interest rates. This is reflected in the offer to target ratio for PIBs auction which has come down to 0.27 in Q4CY17 from 0.35 in Q3CY17.

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

	PKR billion		
Flows during :	**Q4CY15**	**Q4CY16**	**Q4CY17**
MTBs	(62.2)	19.8	205.3
PIBs	183.9	(46.0)	(13.3)
Other Govt Securities (Sukuk)	64.9	(162.5)	(10.5)
Total Fed. Govt. Securities	186.6	(188.7)	181.4
Total Investments (Net)	167.0	(115.4)	128.7

for selective SMEs sectors. For details, please see IH&SMFED Circulars No.9, 10, 11 of 2017.

On YoY basis, investments have increased by PKR 1.2 trillion (16.2 percent). Investments in MTBs have risen by PKR 1.4 trillion while PIBs investments have declined by PKR 206.9 billion.

The analysis of banks' investments in corporate sector reveals decline in equity/listed shares by PKR 18.5 billion and PKR 31.2 billion, respectively, on QoQ and YoY basis. The slowdown in capital market during the reviewed quarter seems to drive down banks' equity investments. The decline in surplus on revaluation of listed shares (held by banks) reflects the impact of capital market performance on banks' corporate investments.[11]

The **deposit** growth has moderated during Q4CY17. The lower inflow of deposits chiefly reflects the business strategy of some banks to limit the growth of domestic remunerative deposits and scaling back of operations by few banks in overseas market. The slowdown in deposits has resulted in the advances to deposit ratio improving to 50.1 percent in Q4CY17.

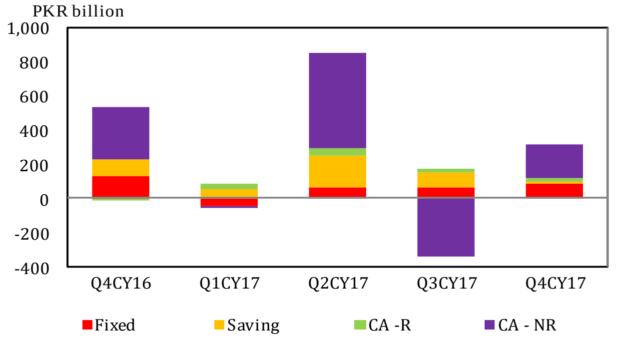
Lower deposit mobilization has been witnessed in almost all categories of deposits (**Figure 3**). Fixed deposits have increased by PKR 89.8 billion in Q4CY17 against PKR 135.4 billion in Q4CY16. Similarly, saving deposits have risen merely by PKR 31.4 billion compared to PKR 89.5 billion in Q4CY16.[12]

[11] Surplus on revaluation of listed shares held by banks has declined by PKR 19.6 billion during Q4CY17 (PKR 42.2 billion –YoY).

[12] Fixed and saving deposits together represent 57.9 percent of the total banking deposits.

Figure 3

Deposits- Quarterly Flows



In fact, deposit generation has been decelerating since Q2CY17; while currency to deposits ratio remains elevated (**Figure 4**).[13] Moreover, on YoY basis, the deposit growth of 10.3 percent is lowest since CY09 (and below the average of 13.5 percent during CY09-CY17). The downtrend in deposit growth seems to be on account of continued deceleration in money supply (M2) driven – in turn by – notable contraction in Net Foreign Assets (NFA) of the banking system (**Figure 5**).

Figure 4

YoY Growth in Total Deposits and Currency to

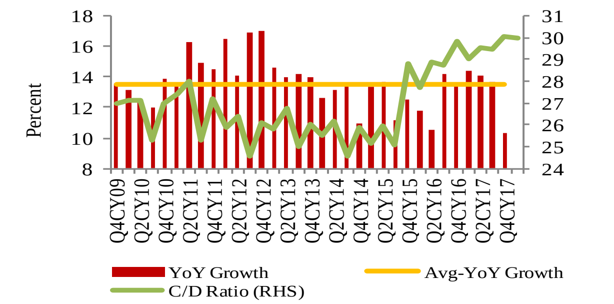
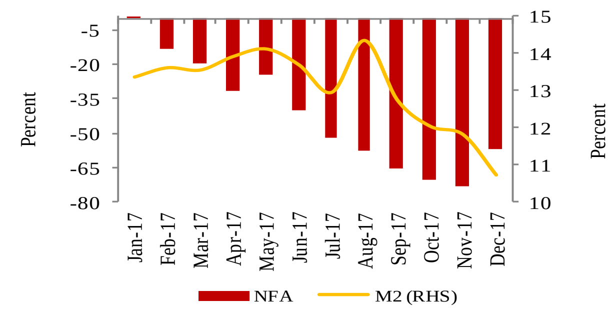


Figure 5

YoY Growth in Money Supply and Net Foreign Assets



It remains important to highlight the significance of IBIs in total deposits generation: IBIs have contributed 38.7 percent (PKR 155.8 billion) and 25.7 percent (PKR 311.7 billion), respectively, on QoQ and YoY basis.

Less than expected mobilization of deposits during Q4CY17 has compelled the banks to borrow from SBP to bridge liquidity needs. Resultantly, banks' borrowing has increased by 9.8 percent (PKR 280.1 billion) during Q4CY17. Banks have borrowed PKR 407.2 billion from SBP (repo), while interbank and unsecured borrowing has declined by PKR 174.7 billion during the quarter. (**See liquidity section**).

On YoY basis, banks' borrowing have observed phenomenal growth of 60.9 percent. On weekly basis during the reviewed quarter, banks – on average – have borrowed PKR 17.1 billion as opposed to decline in borrowings by PKR 5.3 billion in Q4CY16. Funding asset through borrowing at

[13] In Q4CY17, currency to deposits ratio has inched up to 30.0 percent from 29.0 percent a year earlier.

such a scale require banks to review their strategies for raising sustainable funds.

Banking sector’s **equity** has increased by PKR 36.7 billion (2.7 percent) in the reviewed quarter as compared to PKR 28.4 billion (2.1 percent) in Q4CY16. Relatively higher equity expansion in Q4CY17 is due to higher reserves and retained earnings.

The growth in the banking sector has been supported by the expanding **banking sector infrastructure.** Banks have added 305 branches and 416 ATMs during Q4CY17; while 304 additional branches have been linked to the online network (**Table 5**). There has also been rise in Point of Sales (POS) machines and plastic cards.

Table 5: Banking Sector Infrastructure-Commerical Banks

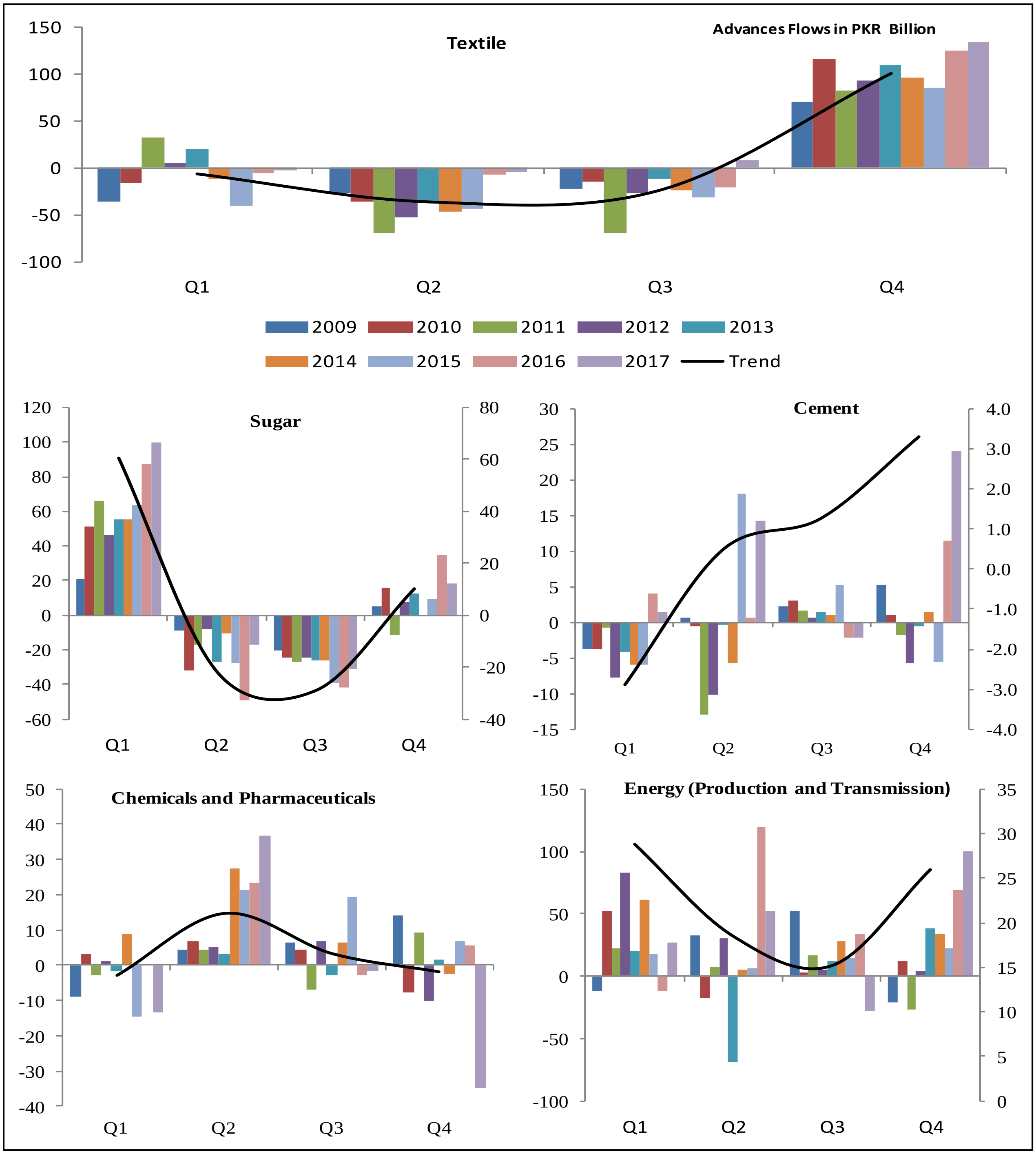
	As of September 30, 2017 (No.)	As of December 31, 2017 (No.)	Growth in Q4CY17
Total Bank Branches	13,532	13,837	2.3%
Online Branch Network	13,412	13,716	2.3%
ATMs	12,846	13,262	3.2%
Point of Sale (POS) Machines	48,919	51,886	6.1%
ATM Propriety only Cards	3,900,244	4,038,377	3.5%
Credit Cards	1,333,916	1,374,073	3.0%
Debit Card	18,413,689	19,205,793	4.3%
Social Welfare Cards	8,195,187	8,494,698	3.7%
Employees	200,758	202,015	0.6%

Source: SBP

Moreover, the growing banking sector has absorbed an additional 1,257 employees during the reviewed quarter.

The overall performance of banks in Q4CY17 presents a mix picture. While assets have grown as per trend, the deposit growth has remained subpar and advances to private sector have also decelerated

Appendix A- Seasonality in Advances (Sector Wise - Public and Private)

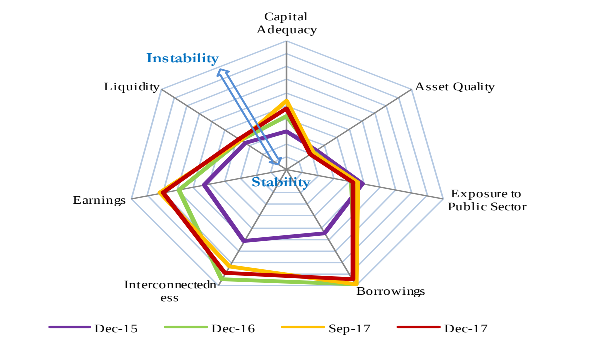


B. Soundness of the Banking Sector

The banking sector has remained sound and stable during Q4CY17. Not only has the risk profile improved in some dimensions, it has remained within tolerable bounds in others. The quantification of risk dimensions (in percentile terms in relation to historical trend) can be well gauged with the help of Banking Sector Stability Map (BSSM) **(Figure 6)**[14].

Figure 6

Banking Sector Stability Map

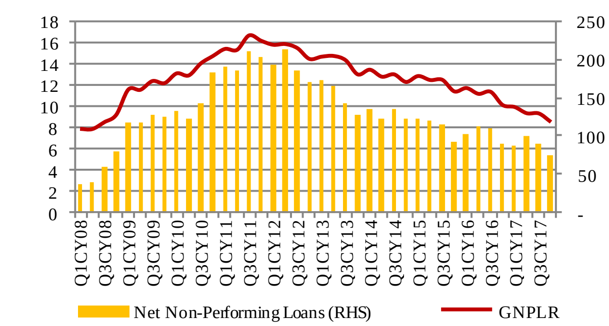


The BSSM depicts improvement in asset quality, exposure to public sector, borrowings, solvency (i.e. capital adequacy which is well above the minimum required level) and earnings (to some extent).[15] The interconnectedness has slightly enhanced due to rise in interbank call dealings. The borrowings (excluding SBP), though quite high, has reduced during the reviewed quarter. However, high value of both of these indicators in the BSSM is due to their relative rankings in terms of their own historical trend. In absolute terms, interbank call dealings do not have significant share in banking liabilities or assets and, thus, reveal limited systemic repercussions per se. The dip in liquidity has surfaced in Q4CY17 relative to previous quarters, but the indicator remains closer to origin on BSSM (meaning within tolerable bounds) posing minimal threat to stability of the banking sector. While slightly diluting the liquidity indicators, banks reduced exposure to government securities has declined the concentration risk to the public sector.

As most of the investment portfolio is still parked in the credit risk-free government securities, **asset quality** of the banking sector is mainly determined by the quality of advances. In Q4CY17, not only have the advances expanded but the classified loans have also declined. As a result, various asset quality indicators have improved. Gross NPLs to Loans ratio (GNPLR) has decreased to 8.4 percent in Q4CY17 (10.1 percent in Q4CY16), reaching the historical lows since Q4CY08 (**Figure 7**).

Figure 7

Net Non-performing loans (PKR billion) and GNPLR (Percent)



Besides, provision coverage ratio (Provisions to NPLs) has also improved to 87.2 percent (85.0 percent in Q4CY16) while net-NPLs to net-loans ratio has declined to 1.2 percent in Q4CY17 (1.6 percent in Q4CY16).

[14] 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)

[15] Leverage is defined as assets funded by financial borrowings (excluding SBP borrowings).

These improvements in asset quality indicators are a manifestation of enabling environment (especially the low interest rates) and seasonal factors. The last quarter of a calendar year is normally associated with a momentum in recovery efforts by banks. Accordingly, the quarter has witnessed PKR 19.27 billion reduction in NPLs, driven mostly by cash recoveries of PKR 26.58 billion further augmented by seasonal reversals in overdue agricultural loans (**Figure 8 & 9**).

Figure 8

Fresh NPLs & Total Recovery(PKR billion)

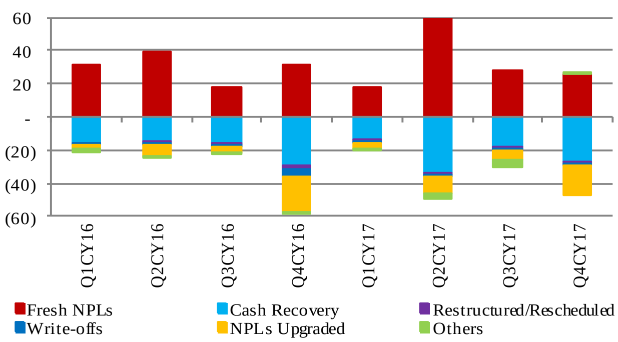
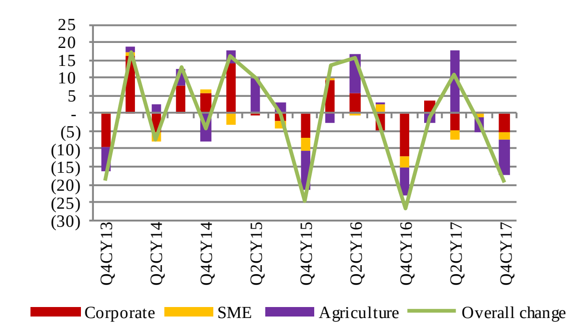


Figure 9

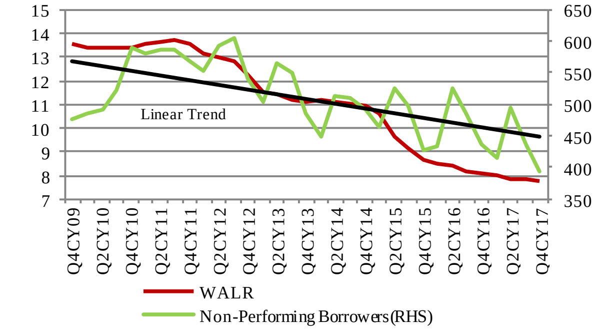
Segment-wise Quarterly change in NPLs(PKR billion)



The much improved repayment capacity of borrowers- due to lower weighted average lending rates (WALR) - has further supported the reduction in NPLs through lesser fresh additions to both the stock of NPLs and number of non-performing borrowers which has followed a downward trend (**Figure 10**).

Figure 10

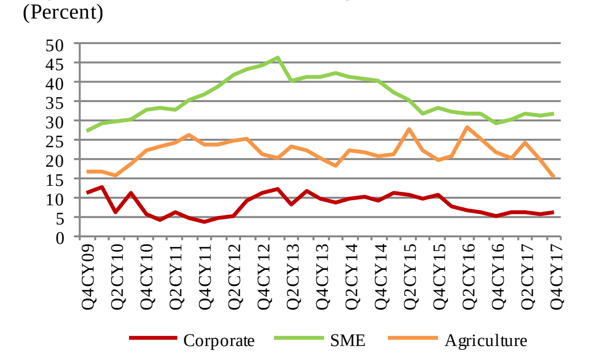
Interest rate (Percent) and number of non-performing borrowers (in '000')



Among the borrowers, the major chunk pertains to agriculture (34.9 percent of total borrowers) followed by SMEs (4.5 percent) and Corporate (2.6 percent). Although, the number of non-performing agricultural borrowers frequently changes due to seasonality in cash flows received from agriculture produce, pass-through of the easy monetary policy stance is more apparent in the case of non-performing corporate clients especially the long-term ones (**Figure 11**).

Figure 11

Segment-wise ratio of Non-Performing borrowers to Total borrowers (Percent)



Another aspect of assets quality i.e. Connected lending[16], has remained small accounting for around 2 percent of the advances portfolio over the last decade. Lending to related parties has shrunk over the quarter by 19.4 percent (against an 18.7 percent increase in the

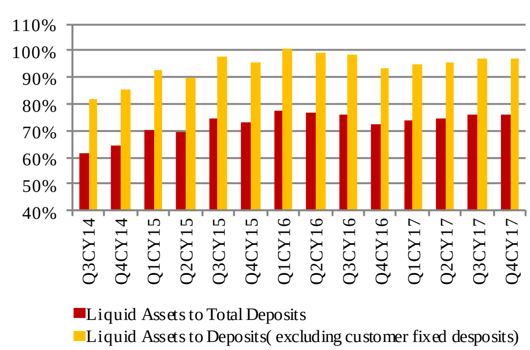
[16] Advances to entities related to banks through ownership/ common directorship, and individuals through employment linkages.

last quarter). Further, given the small size of the portfolio i.e. PKR 88.44 billion with an NPLR of less than 0.01 percent, there seems to be minimal concerns from concentration of loans to related parties.

On the **liquidity** front, investments in government securities provide comfort to the overall liquidity profile of the banking sector (but maturity preferences have indicated some deterioration). The overall fund based liquidity with 54.0 percent of total assets constituting liquid portfolio, reveals availability of sufficient buffers to meet most payment obligations including deposit withdrawals**.** Liquid assets to total deposits ratio has stayed at 76.1 percent over the quarter; however if fixed deposits are excluded the ratio improves to 97.3 percent (**Figure 12**).

Figure 12

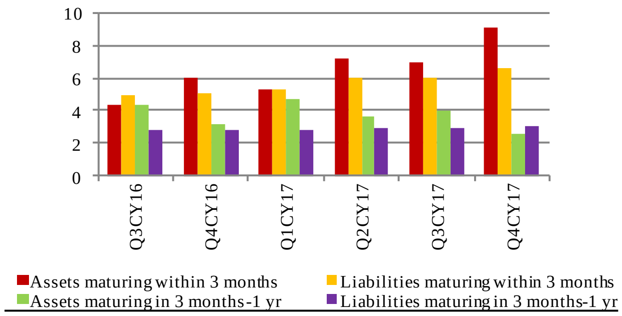
Liquid Assets to Deposits (percentage)



Increase in repo borrowing from SBP due to market liquidity conditions has resulted in liquid assets to short-term liabilities ratio coming down to 103.0 percent from 107.2 percent in Q3CY17 (but remains above 100 percent). Further**,** banks' inclination towards the 3 month MTBs has led to a maturity mismatch in the 3 months to 1 year bucket (**Figure 13**).

Figure 13

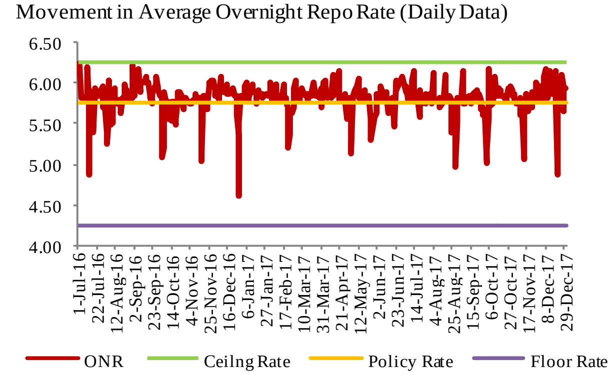
Maturity Profile of short-term assets/short-term liabilties(PKR Trillions)



Some pressure has been witnessed in the inter-bank market during the quarter which compelled SBP to maintain the flow of **Market-based liquidity** through calibrated interventions. Over the last quarter, the overnight repo rate has stayed close to the ceiling rate. Average daily overnight repo rate at 5.81 percent has strayed slightly further from SBP's target rate of 5.75 against the previous quarter's relatively much closer rate of 5.79 percent (**Figure 14**).

Figure 14

Movement in Average Overnight Repo Rate (Daily Data)



Year-to-date (YTD) **profit (before tax)** of the banking sector has declined by 15.0 percent (YoY) primarily due to one-off settlement payment made by a large bank during Q3CY17. If excluded, the decline in profit (before tax) reduces to 7.5 percent, (though still higher than reduction of 4.5 percent in CY16). Other reasons for decline in profitability include lower non-interest income (by 4.1 percent) and higher administrative expenses (of 8.9 percent). Moreover, the profits generated during Q4CY17 alone (i.e. QoQ) at PKR

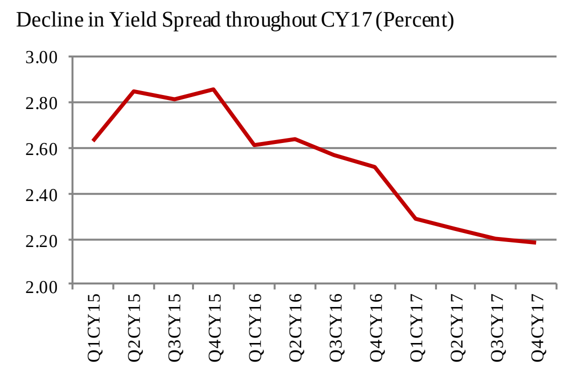
71.4 billion are lower than last three year's average of PKR 76.2 billion (CY14-CY16).

As far decline in Non-Interest Income, substantial decline in gain on sale of securities i.e. PIBs is the major reason. Continuous low interest rates have resulted in the stock of high yielding government bonds getting thinner and thinner. Moreover, rising administrative expenses has increased the cost to income ratio to 57.1 percent in CY17 from 53.1 percent in CY16.

Accordingly, profitability (before tax) indicators have declined in CY17; Return on Assets (ROA) stood at 1.6 percent (2.1 percent in CY16) and Return on Equity (ROE) at 19.5 percent (23.8 percent in CY16). Similarly, Net Interest Margin (NIM) has also declined to 3.3 percent in CY17 from 3.7 percent in CY16 (4.4 percent in CY15).

In spite of low interest rates and declining yield spread throughout CY17 (**Figure 15**), NII has risen by 2.9 percent (vs. declined of 2.3 percent in CY16) mainly due to 13.4 percent surge in interest earned on advances to customers. The share of income from advances in interest earned continues to increase (from 40.4 percent in CY16 to 43.1 percent in CY17) at the cost of declining share of income from investment (from 56.2 percent in CY16 to 53.6 percent in CY17), dominated by low yield government securities. Moreover, declining provisioning charge (PKR 3.7 billion in CY17 compared to PKR 5.3 billion in CY16) has also helped to offset some of the decline in profits of the banking sector.

Figure 15



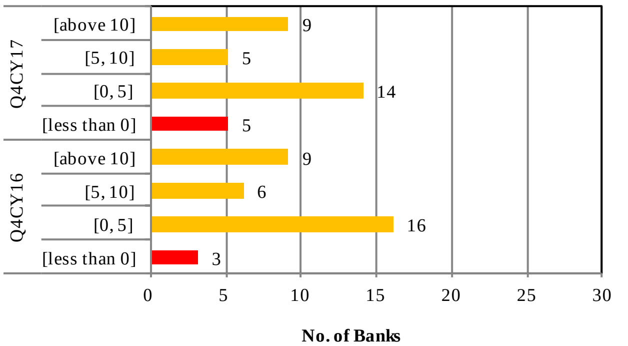
Segregated analysis shows that Islamic banking institutions[17] have played an important role in achieving the current level of profitability. The YTD profits (before tax) of Islamic banking have improved by 31.3 percent as compared to last years' marginal decline of approximately 0.1 percent. This improvement is largely driven by 27.8 percent growth in net mark-up income (2.8 percent in CY16) which in turn is due to 41.2 percent surge in mark-up earned on financing to customers. Likewise, non-markup income has also witnessed strong growth of 25.5 percent (6.1 percent in CY16), primarily sourced by 40.9 percent growth in fee, commission and brokerage income.

Bank wise data reveals that the number of loss making banks has increased to 5 in CY17 from 3 in CY16 (**Figure 16**). The two additional loss making banks posted marginal profits in CY16 and they belong to the lowest quartile of the banking sector in terms of asset base. Rising cost of operations has compelled these banks to incur losses in CY17.

[17] Islamic Banking Institutions mean Islamic Banks and Islamic Bank Branches of Conventional Banks.

Figure 16

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



Concentration of earnings, on the other hand, has reduced further with the share of top five banks in total profit (before tax) decreasing to 57.7 percent in CY17 from 63.3 percent in CY16. One-off settlement payment made by a large bank has played an important part in this improvement in concentration.

Unlike the general trend of slight dip in **Capital Adequacy Ratio** (CAR) during the 4th quarter of a calendar year, Q4CY17 is characterized by improvement in CAR by 33 bps which moves up to 15.8 percent. This rise in CAR is due to 4.8 percent increase in eligible capital (highest since Dec-14); enough to supersede 2.6 percent growth in total risk weighted assets (TRWA). Both components of eligible capital i.e. Tier I and Tier II are up during the quarter. While the appropriation of profits into retained earnings and issuance of perpetual debt (by one bank) have augmented the Tier I capital, Tier II capital has expanded, primarily, on account of revaluation of assets and off loading of the mutual funds portfolio.[18,19]

On the risk front, TRWA growth is mainly driven by enhanced financing activity leading to 2.5 percent growth in credit risk weighted assets (77 percent share in TRWA). In addition, operational risk weighted assets (14 percent share) have also inched up by 5.5 percent.[20] In contrast, market risk weighted assets (9 percent share) have declined by 1.3 percent, likely, due to banks' net retirement of PIBs.[21]

To summarize, the analysis of banking sector soundness during Q4CY17 suggests that i) NPLs in the corporate loan portfolio are declining; ii) profits have dipped for second consecutive year, however, improvement in net interest income is a welcome sign; iii) liquidity is still in a comfortable zone; and iv) already comfortable capital adequacy has further improved.

[18] The investment in mutual funds over certain threshold needs to be deducted from eligible capital as per SBP's instructions on Basel III capital standards (See BPRD's Circular No.6 of 2013)

[19] As per Basel III standards, the recognition rate for revaluation reserves for inclusion in Tier II capital has been increased (See Q13:http://www.sbp.org.pk/bprd/basel/FAQs-Basel-III.pdf)

[20] ORWA generally grow only at the end of the year as most of banks are using Basic Indicator Approach (BIA) for calculating ORWA. As per BIA, the gross income of the bank for each of the past three financial years as appearing in the annual audited accounts is used when determining the operational risk charge (See Q91: http://www.sbp.org.pk/bprd/Basel/FAQs-Basel-II-MCR.pdf).

[21] As per Basel instructions, instruments of higher maturity attract higher risk weight (http://www.sbp.org.pk/bsd/2006/Annex_C8.pdf)

C. Banking Sector Outlook for Q1CY18

In the first quarter of a calendar year, private sector advances usually follow seasonal moderation. However, weekly data on advances— for the first two months of 2018— suggests surprise pick-up. Therefore, advances to private sector in Q1CY18 are likely to rise. The recent increase in SBP policy rate will take some time to influence the demand for advances. Given the likely higher cost of production due to rising oil prices and exchange rate depreciation, the working capital needs of the firms may rise, however.

Banking sector is likely to maintain high investment concentration in MTBs given the interest rate expectations. On the funding side, deposit generation is expected to remain moderate on account of external sector pressures. However, likely increase in advances may have a positive impact on deposit mobilization.

In Q1CY18, profitability of the banking sector will depend on momentum of advances, developments in the FX market, and performance of the capital market. The resilience of the banking sector — reflected by CAR — is likely to experience some pressures on account of expected increase in Risk Weighted Assets.

Annexure

Annexure A

Balance Sheet and Profit & Loss Statement of Banks

PKR million

Financial Position	CY13	CY14	CY15	CY16	Q2CY17	Q3CY17	CY17
ASSETS							
Cash & Balances With Treasury Banks	858,512	723,664	909,429	1,184,521	1,241,640	1,187,502	1,303,914
Balances With Other Banks	185,423	149,631	198,395	168,394	158,090	151,989	156,332
Lending To Financial Institutions	275,939	429,380	360,772	551,695	563,382	614,993	604,990
Investments - Net	4,313,323	5,309,630	6,880,765	7,509,164	8,448,540	8,600,272	8,729,019
Advances - Net	4,110,159	4,447,300	4,815,827	5,498,813	6,118,822	6,093,710	6,512,485
Operating Fixed Assets	259,800	277,030	310,102	336,376	363,668	368,717	395,246
Deferred Tax Assets	80,306	67,077	65,644	64,681	65,735	71,262	72,354
Other Assets	403,233	702,550	602,301	517,412	540,609	471,213	567,205
TOTAL ASSETS	**10,486,693**	**12,106,261**	**14,143,234**	**15,831,058**	**17,500,488**	**17,559,657**	**18,341,545**
LIABILITIES							
Bills Payable	129,227	137,651	145,089	182,858	199,661	192,909	218,588
Borrowings From Financial Institution	722,643	1,001,447	1,766,145	1,942,458	2,814,776	2,845,369	3,125,432
Deposits And Other Accounts	8,310,529	9,229,773	10,389,260	11,797,867	12,573,296	12,609,411	13,011,778
Sub-ordinated Loans	40,070	44,329	51,366	59,330	53,565	60,616	64,703
Liabilities Against Assets Subject To Finance Lease	34	33	50	41	29	25	21
Deferred Tax Liabilities	19,731	37,149	47,622	61,109	55,915	47,201	44,684
Other Liabilities	321,690	448,432	420,935	434,598	444,131	460,030	495,549
TOTAL LIABILITIES	**9,543,923**	**10,898,816**	**12,820,468**	**14,478,261**	**16,141,373**	**16,215,562**	**16,960,755**
NET ASSETS	**942,770**	**1,207,445**	**1,322,767**	**1,352,797**	**1,359,115**	**1,344,095**	**1,380,790**
NET ASSETS REPRESENTED BY:							
Share Capital	482,091	587,053	619,862	579,882	596,124	507,715	516,013
Reserves	176,095	189,242	192,039	205,314	206,552	263,358	271,448
Unappropriated Profit	157,492	227,151	290,908	344,615	348,183	383,162	410,371
Share Holders' Equity	**815,678**	**1,003,446**	**1,102,809**	**1,129,812**	**1,150,859**	**1,154,235**	**1,197,832**
Surplus/Deficit On Revaluation Of Assets	127,102	203,999	219,958	222,985	208,256	189,860	182,958
TOTAL	**942,780**	**1,207,445**	**1,322,767**	**1,352,797**	**1,359,115**	**1,344,095**	**1,380,790**

PROFIT AND LOSS STATEMENT	CY13	CY14	CY15	CY16	Q2CY17	Q3CY17	CY17
Mark-Up/ Return/Interest Earned	777,398	919,821	981,760	938,026	479,233	725,651	998,671
Mark-Up/ Return/Interest Expenses	444,047	504,990	485,575	453,232	234,345	358,317	499,819
Net Mark-Up / Interest Income	**333,350**	**414,830**	**496,185**	**484,793**	**244,888**	**367,334**	**498,851**
Provisions & Bad Debts Written Off Directly/(Reversals)	40,162	25,323	38,874	5,305	2,589	3,012	3,706
Net Mark-Up / Interest Income After Provision	**293,188**	**389,507**	**457,311**	**479,489**	**242,299**	**364,322**	**495,146**
Fees, Commission & Brokerage Income	62,579	70,421	82,640	90,266	49,556	73,985	102,898
Dividend Income	14,599	14,098	16,910	17,187	8,763	12,041	17,875
Income From Dealing In Foreign Currencies	20,972	28,396	22,824	14,015	7,905	11,830	14,308
Other Income	41,941	54,434	86,369	74,260	35,257	46,012	52,565
Total Non - Markup / Interest Income	**140,091**	**167,349**	**208,743**	**195,728**	**101,481**	**143,868**	**187,646**
	433,280	556,856	666,053	675,217	343,780	508,190	682,791
Administrative Expenses	266,199	304,588	330,006	356,183	189,108	283,614	387,878
Other Expenses	4,633	5,726	7,231	5,003	4,308	5,460	4,417
Total Non-Markup/Interest Expenses	**270,832**	**310,313**	**337,237**	**361,186**	**193,416**	**289,074**	**392,295**
Profit before Tax and Extra ordinary Items	162,448	246,543	328,817	314,031	150,364	219,115	290,496
Extra ordinary/unusual Items - Gain/(Loss)	(4.64)	3.79	0.51	0.27	0.15	23,717.28	23,717.35
PROFIT/ (LOSS) BEFORE TAXATION	**162,453**	**246,539**	**328,816**	**314,030**	**150,364**	**195,398**	**266,779**
Less: Taxation	50,019	83,171	129,811	124,117	60,506	83,677	108,987
PROFIT/ (LOSS) AFTER TAX	**112,434**	**163,368**	**199,006**	**189,914**	**89,858**	**111,721**	**157,792**

Annexure B

Distribution of Deposits

PKR billion

	CY13	CY14	CY15	CY16	Q2CY17	Q3CY17	CY17
DEPOSITS	**8,311**	**9,230**	**10,389**	**11,798**	**12,573**	**12,609**	**13,012**
Customers	**7,975**	**8,886**	**9,943**	**11,199**	**12,132**	**11,969**	**12,270**
Fixed Deposits	2,216	2,268	2,425	2,670	2,691	2,751	2,841
Saving Deposits	3,094	3,467	3,863	4,342	4,579	4,668	4,699
Current accounts - Remunerative	381	323	331	409	475	505	480
Current accounts - Non-remunerative	2,241	2,764	3,254	3,685	4,239	3,899	4,095
Others	43	64	69	92	148	145	155
Financial Institutions	**336**	**344**	**446**	**599**	**441**	**641**	**741**
Remunerative Deposits	217	201	393	385	369	425	458
Non-remunerative Deposits	119	143	53	214	73	215	284
Break up of Deposits Currecy Wise	**8,311**	**9,230**	**10,389**	**11,798**	**12,573**	**12,609**	**13,012**
Local Currency Deposits	7,129	7,983	9,042	10,548	11,166	11,202	11,591
Foreign Currency Deposits	1,182	1,247	1,347	1,249	1,407	1,407	1,421

Annexure C

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

Amount in PKR million, ratio in percent

	Q3CY16			CY16			Q3CY17			CY17		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Corporate Sector	3,689,535	443,632	12.0	4,056,705	431,280	10.6	4,492,789	430,557	9.6	4,829,625	425,369	8.8
SMEs Sector	335,266	84,746	25.3	404,618	82,078	20.3	376,898	78,713	20.9	452,415	76,680	16.9
Agriculture Sector	293,197	46,269	15.8	294,339	38,064	12.9	307,459	48,699	15.8	316,169	38,386	12.1
Consumer sector	359,903	33,295	9.3	371,804	30,159	8.1	429,298	30,271	7.1	448,465	27,846	6.2
i. Credit cards	27,067	2,498	9.2	28,307	2,340	8.3	33,629	2,351	7.0	34,248	2,307	6.7
ii. Auto loans	116,824	2,667	2.3	125,898	2,600	2.1	159,838	2,710	1.7	169,476	2,673	1.6
iii. Consumer durable	303	69	22.6	318	67	21.2	609	73	12.1	652	66	10.1
iv. Mortgage loans	61,753	12,102	19.6	61,609	10,894	17.7	75,470	10,790	14.3	79,979	10,634	13.3
v. Other personal loans	153,955	15,960	10.4	155,671	14,258	9.2	159,752	14,346	9.0	164,109	12,166	7.4
Commodity financing	635,649	4,611	0.7	619,347	4,571	0.7	722,076	6,184	0.9	735,365	5,911	0.8
Cotton	9,130	1,148	12.6	17,816	1,140	6.4	14,649	1,243	8.5	24,808	1,050	4.2
Rice	10,530	2,829	26.9	18,858	2,761	14.6	11,609	2,830	24.4	21,010	2,676	12.7
Sugar	46,243	405	0.9	46,097	392	0.8	63,351	735	1.2	43,787	1,132	2.6
Wheat	504,551	133	0.0	467,010	135	0.0	561,848	134	0.0	580,290	136	0.0
Others	65,195	95	0.1	69,566	145	0.2	70,619	1,242	1.8	65,470	916	1.4
Staff Loans	102,922	2,060	2.0	104,139	1,409	1.4	112,666	1,802	1.6	115,449	1,779	1.5
Others	157,815	16,715	10.6	162,128	17,104	10.5	174,409	15,586	8.9	131,961	16,576	12.6
Total	5,574,287	631,326	11.3	6,013,080	604,666	10.1	6,615,596	611,813	9.2	7,029,449	592,547	8.4

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

amount in PKR million, ratio in percent

	Q3CY16			CY16			Q3CY17			CY17		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
Agribusiness	571,671	51,613	9.0	548,098.7	41,706	7.6	607,331.9	51,828	8.5	623,438	41,387	6.6
Automobile/Transportation	82,498	12,211	14.8	95,274.4	12,604	13.2	99,842.5	12,260	12.3	108,707	12,027	11.1
Cement	60,254	6,894	11.4	71,722.4	6,789	9.5	85,551.7	6,610	7.7	109,561	6,472	5.9
Chemical & Pharmaceuticals	244,563	14,044	5.7	250,091.6	12,780	5.1	271,800.0	13,195	4.9	236,955	12,864	5.4
Electronics	70,781	12,187	17	78,173	13,326	17.0	91,179	13,748	15.1	97,804	12,503	12.8
Financial	168,200	10,527	6	182,648	10,544.3	5.8	206,725	10,410.3	5.0	172,695	8,782.4	5.1
Individuals	522,171	57,594	11	550,384	58,023	10.5	609,144	57,010	9.4	618,877	54,734	8.8
Insurance	3,480	1	0	3,013	1	0.0	4,584	1	0.0	5,934	1	0.0
Others	2,134,828	209,368	10	2,285,719	205,981	9.0	2,587,821	205,237	7.9	2,748,079	206,879	7.5
Production/Transmission of Energy	822,337	36,594	4	892,059	31,094.7	3.5	943,568	34,012.0	3.6	1,043,522	33,589.0	3.2
Shoes & Leather garments	24,369	3,728	15	27,171	3,770	13.9	25,782	4,277	16.6	28,364	5,307	18.7
Sugar	141,288	20,029	14	176,250	15,563.3	8.8	227,259	16,305.4	7.2	245,590	14,489.9	5.9
Textile	727,848	196,537	27	852,476	192,483	22.6	855,008	186,920	21.9	989,922	183,511	18.5
Total	5,574,287	631,326	11	6,013,080	604,666	10.1	6,615,596	611,813	9.2	7,029,449	592,547	8.4

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

PKR million

	CY14		CY15		Q3CY16		CY16		Q3CY17		CY17*	
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions
OAEM	15,260	-	17,475	-	27,098	-	22,599	-	28,080	-	19,780	-
Sub Standard	57,179	14,748	40,649	8,539	53,884	11,101	34,260	7,291	33,725	7,254	32,829	6,446
Doubtful	36,746	16,306	28,044	11,523	34,513	15,113	34,175	16,746	39,500	15,986	35,108	14,912
Loss	495,514	433,552	519,277	468,847	515,832	466,338	513,631	466,870	510,508	469,152	504,831	463,536
Total	604,698	464,606	605,444	488,909	631,326	492,553	604,666	490,907	611,813	492,393	592,547	484,894

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

Annexure D

Financial Soundness Indicators of the Banking Sector

percent

Indicators	CY11	CY12	CY13	CY14	CY15	Q3CY16	CY16	Q3CY17	CY17
CAPITAL ADEQUACY									
Risk Weighted CAR^	15.1	15.6	14.9	17.1	17.3	16.8	16.2	15.4	15.8
Tier 1 Capital to RWA	13.0	13.0	12.6	14.3	14.4	13.6	13.0	12.7	12.9
ASSET QUALITY									
NPLs to Total Loans	15.7	14.5	13.3	12.3	11.4	11.3	10.1	9.2	8.4
Provision to NPLs	69.3	71.5	77.1	79.8	84.9	82.7	85.0	85.3	87.2
Net NPLs to Net Loans	5.4	4.6	3.4	2.7	1.9	2.2	1.6	1.5	1.2
Net NPLs to Capital^^	23.1	19.9	14.7	10.1	7.7	9.1	7.3	7.2	5.8
EARNINGS									
Return on Assets (Before Tax)	2.2	2.0	1.6	2.2	2.5	2.1	2.1	1.6	1.6
Return on Assets (After Tax)	1.5	1.3	1.1	1.5	1.5	1.3	1.3	0.9	0.9
ROE (Avg. Equity& Surplus) (Before Tax)	23.0	21.4	17.9	24.3	25.8	23.8	23.8	19.1	19.5
ROE (Avg. Equity &Surplus) (After Tax)	15.1	14.2	12.4	16.1	15.6	14.2	14.4	10.9	11.5
NII/Gross Income	76.0	71.1	70.4	71.3	70.4	71.6	71.2	71.9	72.7
Cost / Income Ratio	51.1	54.1	57.2	53.3	47.8	52.2	53.1	56.5	57.1
LIQUIDITY									
Liquid Assets/Total Assets	45.5	48.4	48.6	49.2	53.8	55.6	53.7	54.5	54.0
Liquid Assets/Total Deposits	59.5	64.5	61.3	64.5	73.3	75.9	72.1	76.0	76.1
Advances/Deposits	53.6	52.2	49.5	48.2	46.4	45.5	46.6	48.3	50.1

^ 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

Q3CY16	CY16	Q3CY17	CY17
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 (21)**	**B. Local Private Banks (20)**	**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[##]	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.	SAMBA Bank Ltd.
NIB Bank Ltd.	SAMBA Bank Ltd.	Silk Bank Ltd	Silk Bank Ltd
SAMBA Bank Ltd.	Silk Bank Ltd	Soneri Bank Ltd.	Soneri Bank Ltd.
Silk Bank Ltd	Soneri Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Soneri Bank Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Summit Bank Ltd	Summit Bank Ltd
Standard Chartered Bank (Pakistan) Ltd.	Summit Bank Ltd	United Bank Ltd.	United Bank Ltd.
Summit Bank Ltd	United Bank Ltd.		
United Bank Ltd.			
C. Foreign Banks (4)	**C. Foreign Banks (4)**	**C. Foreign Banks (5)**	**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
		Bank of China Limited^	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 Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.	Zarai Taraqiati Bank Ltd.
All Commercial Banks (31)	**All Commercial Banks (30)**	**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 (34)**	**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 aquired by Al Baraka Bank on October 30, 2016.

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