

Quarterly Performance Review of the Banking Sector

(October-December 2014)

**Financial Stability Assessment and Publications Division
Off-Site Supervision & Enforcement Department
State Bank of Pakistan**

Note: State Bank of Pakistan has commenced publication of quarterly performance review (QPR) of the banking sector. The QPR for October-December, 2014 quarter is first in this series. The report provides a brief analysis, however, for detailed numbers stakeholders may like to refer to quarterly compendium of the banking system available at URL:

<http://www.sbp.org.pk/ecodata/fsi.asp>

Quarterly Performance Review of the Banking Sector¹

Performance of the banking sector remained sound on the back of unprecedented earnings and improved solvency. As a result, profitability of the sector surged by 49 percent YoY, while Capital Adequacy Ratio increased from 15.5 percent to 17.1 percent. The asset base observed healthy increase due to seasonal pick up in advances and increase in government borrowing from commercial banks supported by a modest increase in customer deposits. Asset quality slightly improved, while growth in equity led to a considerable decrease in capital impairment ratio.

Δ Assets of the banking sector observed robust growth of 8.8 percent (15.4 percent YoY)² in the Dec-14 quarter. This impressive growth resulted from seasonal pick up in advances and heavy government borrowing from commercial banks due to ceiling on SBP borrowing under Extended Fund Facility (EFF) program of IMF. The overall deposit growth, though decelerated, exhibited a decent increase of 5.6 percent (YoY 11 percent). Due to continued government borrowing, the market liquidity remained tight and stimulated borrowings from financial institutions with majority of it under SBP repo facility (**Table 1**).

Table 1: Highlights of the Banking Industry						
Indicators	CY11	CY12	Sep-13	CY13	Sep-14	Dec-14
Key Variables (PKR billion)						
Total Assets	8,171	9,720	9,759	10,487	11,129	12,106
Investments (net)	3,055	4,013	4,029	4,313	4,717	5,310
Advances (net)	3,349	3,805	3,749	4,110	4,209	4,447
Deposits	6,244	7,291	7,698	8,311	8,740	9,230
Borrowings	675	1,033	568	723	759	1,001
Equity	784	873	903	943	1,002	1,207
Profit Before Tax (ytd)	170	176	123	162	176	247
Profit After Tax (ytd)	112	117	82	112	115	163
Non-Performing Loans	592	618	604	607	608	605
Provisioning Charges	50	43	28	40	11	25
Non-Performing Loans (net)	182	176	142	139	136	122
Key FSIs (percent)						
NPLs to Loans (Gross)	15.7	14.6	14.3	13.3	13.0	12.3
Net NPLs to Net Loans	5.4	4.6	3.8	3.4	3.2	2.7
Net NPL to Capital	23.1	20.2	15.7	14.7	13.6	10.1
Provision to NPL	69.3	71.5	76.5	77.1	77.6	79.8
ROA (Before Tax)	2.2	2.0	1.7	1.6	2.2	2.2
CAR	15.1	15.6	15.5	14.9	15.5	17.1
Advances to Deposit Ratio	53.6	52.2	48.7	49.5	48.2	48.2

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

- Δ With some improvements in economic activity and energy supply to the industrial sector, the **advances** also picked up by 9.4 percent during Cy14. However, advances saw a modest increase of 5.3 during Dec-14 quarter (7 percent during Dec-13 quarter), mainly due to subdued manufacturing activities³ and increase in government borrowing from commercial banks. Most of the growth was observed in private sector advances with textile sector remaining the key user followed by food products and beverages, production and transmission of energy, automobiles and shoes & leather garments.
- Δ Analysis of quarterly data revealed slower growth in private sector advances (6.8 percent) over the corresponding period of last year (8.2 percent) as a result of lower demand for working capital finance. This deceleration may have resulted from a host of factors including continuous decline in inflation since June-14⁴ and disruption in gas supplies. On the other hand, advances for fixed investment financing increased by 6.5 percent in Dec-14 (YoY

¹ Analysis is largely based on the unaudited numbers submitted by banks to SBP on quarterly basis. From the data convention perspective, Dec-14 stands for October-December, 2014 quarter and represents unaudited numbers. While CY stands for calendar year and represents audited numbers.

² The 4th quarter is generally marked with the uptrend in growth path in balance sheet primarily due to cyclical resurge in credit demand in several industries in addition to government borrowing from scheduled banks that has remained quite consistent over the last few years.

³ The cumulative growth in Large Scale Manufacturing (LSM) index during Jul-Dec, 2014 reduced to 2.7 percent as compared to 6.6 percent in corresponding period last year.

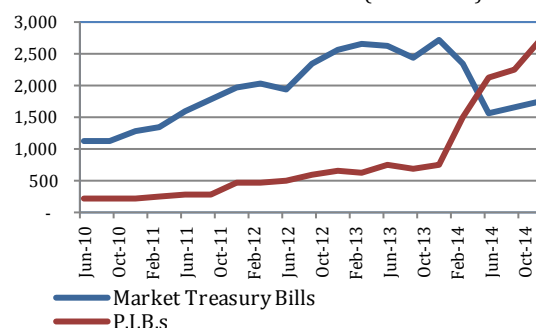
⁴ Decline in inflation [including Whole sale Price Index (WPI)] since start of FY15 might have squeezed the need for credit. The impact of subdued economic activity and receded inflation is quite reflective in terms of negative growth in working capital demand by private sector in CY14 compared to healthy growth of 10.4 percent in CY13.

increase of 17.6 percent). The resurgence in this segment (which remained on a downward trend after 2008 till 2013) is a positive sign for fixed capital formation thus promising future demand of credit. Amongst other segments, the financing to SME sector increased by 18.6 percent over the quarter, while consumer financing remained subdued with some increase in auto financing⁵. The commodity financing (mostly private sector) went up by 5.3 percent during Dec-14 (YoY 14.5 percent) compared to net retirement in Dec-13 (**Annexure C**).

- Δ In last few years, concentration of advances increased in Production and Transmission of Energy Sector (PTES) due to accumulation of circular debt owing to persistent structural issues⁶. Similarly, the share of advances for public sector commodity procurement operations (which is self liquidating in nature) surged to 10 percent of the domestic advances. Though financing to both these areas is necessary, early liquidation mechanism seems necessary to mitigate risks arising from continuous growth and concentration on banks' balance sheets.
- Δ The share of **investments** continued to increase in total assets due to growing stock of government securities. With QoQ 13.8 percent rise (YoY 25 percent), banks holding of Government Securities surged to PKR 4.8 trillion as of end December 2014, constituting more than 90 percent share in total investments and 40 percent share in total assets. Due to expected cut in policy rate, declining inflation, and improved balance of payments position, banks mostly invested in PIBs and partly in MTBs (Figure 1). Banks' consistent investment in PIBs since commencement of CY14 sharply raised PIBs' share in banks' investment in government securities to around 56.5 percent on Dec-31, 2014 (19.3 percent as of Dec 31, 2013). Most of these investments were concentrated in 3 years PIBs and were kept in available for sale category⁷ to effectively manage the market liquidity. In addition, banks enhanced their investments in fully paid up capital and ordinary shares by 7.9 percent (PKR 15 billion) due to bullish behavior of stock exchange⁸.
- Δ On the funding side, **deposits** also observed deceleration with QoQ growth of 5.6 percent to reach PKR 9.23 trillion as of December 31, 2014 (YoY increase of 11 percent for CY14). The slowdown in overall deposit growth may be attributed to:
 - a. Deceleration in credit uptake by private sector;
 - b. Lag in revisions of National Saving Scheme (NSS) in response to change in SBP policy rate. This provides an opportunity to institutional investors to gain from interest rate arbitrage and cause possible movement of deposits from banking sector to NSS. The data shows that deposits placed under NSS increased by PKR 225 billion during Nov-Dec, 2014 (when SBP reduced policy rate by 50 bps) compared to PKR 89 billion during Nov-Dec, 2013 (when SBP raised policy rate by 50 bps).

Figure 1

Banks' investment in PIBs and MTBs (PKR billion)



⁵ The automobile portion in LSM index showed positive cumulative growth of 12.5 percent during Jul-Dec, 2014 compared to negative 0.9 percent growth last year.

⁶ Structural issues, among others, include line losses, overdue, theft, high cost of production etc

⁷ If investment is booked in AFS category, the capital gain with any decline in interest rate is booked in equity portion at revaluation reserves.

⁸ KSE100 index observed 8.1 percent growth during Oct-Dec, 2014.

- Δ The growth in customer deposits came from current deposits⁹ (7.3 percent) and saving deposits¹⁰ (3.6 percent) while increase in fixed deposits remained modest (3.2 percent) during Dec-14 quarter (**Annexure B**). Noticeably, bank-wise data reveals significant contribution in deposit growth from middle tier banks. Further, stability in foreign exchange market led to only 1.8 percent growth in foreign currency deposits compared to 5.4 percent growth in corresponding period last year.
- Δ Banks' accumulation of huge stock of liquid assets in the form of Government securities provided comfortable funding **liquidity** to banking system. Banks maintained Statutory Liquidity ratio of 47 percent of eligible demand and time liabilities, almost double the level required by SBP. However, increase in government borrowing from commercial banks translated into tight market liquidity during the quarter. Though SBP provided sizable injections to contain liquidity pressures¹¹, overnight rates remained hovering around upper bound of interest rate corridor. Volatility in rates was further aggravated by decelerating deposits and banks had to avail discount window 118 times which was considerably higher than the last quarter (98 times). The other indicators of fund based liquidity showed improvements as liquid assets to total assets inched up by 90 bps to 49.2 percent and advances to deposit ratio (ADR) remained unchanged at 48.2 percent during the period under review.
- Δ The **asset quality** continued to improve gradually over the last year and a half. This trend persisted during Dec-14 as total NPLs decreased by 0.6 percent to PKR 604 billion, which led to decline in NPLs to Loans ratio by 70 bps to 12.3 percent (**Annexure C**). Credit risk was adequately covered as provisions held against NPLs increased by 2.2 percentage points to 79.8 percent and Net NPLs to Net Loans declined by 50 bps to 2.7 percent. The capital impairment ratio (Net NPLs to Capital) also decreased by 350 bps to 10.1 percent indicating lower risk to the future earnings and equity of the banking system.
- Δ The operating performance of the banking industry observed marked improvement. The **profit before tax** surged by 52 percent (YoY) to reach PKR 247 billion during CY14; highest ever for the banking industry. A number of factors that contributed to this substantial growth included:
- High mark up income with major contribution by return on investments in Government bonds (grew by 24.7 percent YoY) followed by some improvement in return on advances (10.3 percent YoY).
 - Significantly lower provisioning charges (37 percent decline YoY),
 - Higher non-interest income (19.5 percent increase YoY) with improvement in fee based income and dealing in FX, and
 - Substantial increase in gain on sale of securities (44 percent increase YOY)

⁹ Current account deposits are the second key category of overall deposits after saving deposits and a cheapest source of funding for banks. This category has seen substantial growth due to a) efforts made by banks for enhancing share of low cost current deposits in their deposit mix through aggressive campaign and b) increase in demand for current accounts due to efficient IT based services offered to the customers.

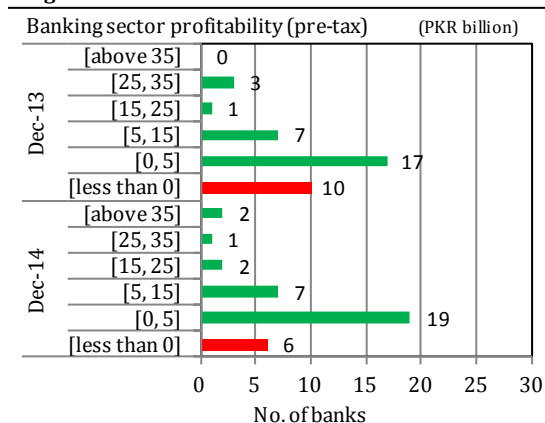
¹⁰ Saving deposits saw a substantial growth since 2008 due to Minimum Saving Rate (MSR) policy introduced by SBP, calculation of MSR on monthly average balances and tagging of MSR with interest rate corridor where deposit rate will remain 50 bps less than lower band of corridor.

¹¹ The daily average volume of outstanding OMOs injection increased from PKR63 billion in Q3CY14 to PKR281 billion in Q4CY14 (Source: Monetary Policy Statement, January 2015)

Δ Accordingly, all the profitability indicators saw improvement; NIM increased to 4.4 percent in Dec-14 from 3.9 percent in CY13 and ROA (before tax) inched up to 2.2 percent in Dec-14 up from 1.6 percent in CY13 (**Annexure D**). Bank-wise statistics revealed that healthy profitability was broadly distributed as 31 institutions posted profits, while the count for loss making banks decreased (**Figure 2**). Concentration of earnings decreased further as share of top 5 banks in earnings came down to 66.2 percent in Dec-14 from 71.2 percent in CY13.

Δ **Solvency** of the system observed considerable improvement over the quarter as Capital Adequacy Ratio (CAR) increased from 15.5 percent to 17.1 percent (benchmark minimum; 10 percent). This improvement of 1.6 percentage points over the quarter was a result of accumulating profits, fresh equity injection by some banks including the CAR non-compliant banks, and debt equity swap of a public sector bank. As of end Dec-14, only three banks with asset share of 1.42 percent fell short of the CAR requirements¹². The injection of fresh capital reduced number of MCR non-compliant banks from 13 to 10 over a year. Given the strong solvency position, the banking system is safe with strong cushion that may be utilized in stress times (**Table 2**). However, SBP will continue to closely watch and follow the non-compliant banks for early redressal of capital adequacy concerns.

Figure 2



Δ **Going forward**, multiple factors will drive the asset structure of banking sector in the first quarter of 2015. The credit to private sector in the first quarter of CY usually follow subdued pattern due to slowdown in demand for finance in addition to retirement of commodity finance. The receding cost of production may complement this cyclical decline. However, slash in policy rate by 50 bps in November 2014 (and thereafter by 150 bps in January and March 2015), well supported by positive developments on economic front may dilute this downside impact. The cap on government borrowing from SBP under IMF EFF program and expected shortfall in FBR revenue¹³ in FY15 may however induce the government to meet its funding needs from commercial banks. As such, deposit mobilization from banks' customers will be the key to managing the funding requirements. Despite the recent reduction in policy rate, banking profitability is expected to remain intact due to relatively higher return on huge stock of longer tenor PIBs built during CY14. The equity, which observed significant boost due to debt-equity swap of one public sector banks, is expected to grow gradually on the back of stable earnings. Though solvency of the system is improving, the capital deficient banks need to make continuous efforts to meet the capital requirements for enhancing their resilience.

Table 2: Capital Cushion

	Existing	Simulated	Cushion
Capital (PKR billion)	1,069	1,069	
RWA (PKR billion)	6,261	10,693	4,432
CAR (%)	17.1%	10.0%	

¹² Of these three banks, the CAR of one bank has come quite close to minimum 10 percent after significant improvement in the quarter under review.

¹³ FBR revenues are expected to reduce due to slowdown in manufacturing activities and decline in oil prices. On the other hand, security related measures may push the expenditure up (Source: MPS, January 2015)

Annexures

Annexure: A

Balance Sheet and Income Statement of Banks						
						PKR million
Financial Position	CY11	CY12	Sep-13*	CY13	Sep-14*	Dec-14*
ASSETS						
Cash & Balances With Treasury Banks	701,963	836,605	769,599	858,512	723,655	723,664
Balances With Other Banks	177,037	184,746	135,065	185,423	139,503	149,631
Lending To Financial Institutions	208,205	170,758	253,891	275,939	418,810	429,380
Investments - Net	3,054,869	4,013,239	4,029,191	4,313,323	4,717,006	5,309,630
Advances - Net	3,349,219	3,804,140	3,748,605	4,110,159	4,209,044	4,447,300
Operating Fixed Assets	238,266	248,673	253,919	259,800	272,903	277,030
Deferred Tax Assets	78,016	66,805	90,534	80,306	82,639	67,077
Other Assets	363,198	386,188	477,748	403,233	565,577	702,550
TOTAL ASSETS	8,170,773	9,711,154	9,758,553	10,486,693	11,129,137	12,106,261
LIABILITIES						
Bills Payable	85,261	112,275	146,731	129,227	142,636	137,651
Borrowings From Financial Institution	675,251	1,027,098	567,969	722,643	759,303	1,001,447
Deposits And Other Accounts	6,243,606	7,293,698	7,697,638	8,310,529	8,739,840	9,229,773
Sub-ordinated Loans	57,728	55,160	43,068	40,070	47,784	44,329
Liabilities Against Assets Subject To Finance Lease	114	52	49	34	46	33
Deferred Tax Liabilities	20,917	70,399	19,494	19,731	22,332	37,149
Other Liabilities	303,539	270,262	380,915	321,690	414,994	448,432
TOTAL LIABILITIES	7,386,415	8,828,945	8,855,864	9,543,923	10,126,934	10,898,816
NET ASSETS	784,358	882,209	902,690	942,770	1,002,203	1,207,445
NET ASSETS REPRESENTED BY:						
Share Capital	449,540	427,583	480,268	482,091	498,934	587,053
Reserves	133,359	194,543	178,725	176,095	176,460	189,242
Unappropriated Profit	127,235	148,169	140,527	157,492	197,945	227,151
Share Holders' Equity	710,134	770,295	799,520	815,678	873,339	1,003,446
Surplus/Deficit On Revaluation Of Assets	74,224	111,914	103,170	127,102	128,863	203,999
TOTAL	784,358	882,209	902,690	942,780	1,002,203	1,207,445
PROFIT AND LOSS STATEMENT						
	CY11	CY12	Sep-13*	CY13	Sep-14*	Dec-14*
Mark-Up/ Return/Interest Earned	747,716	792,749	574,863	777,398	671,209	919,821
Mark-Up/ Return/Interest Expenses	405,802	454,182	330,784	444,047	375,720	504,990
Net Mark-Up / Interest Income	341,914	338,567	244,079	333,350	295,489	414,830
Provisions & Bad Debts Written Off Directly/(Reversals)	50,030	39,668	27,743	40,162	11,186	25,323
Net Mark-Up / Interest Income After Provision	291,884	298,899	216,336	293,188	284,303	389,507
Fees, Commission & Brokerage Income	47,527	54,720	44,860	62,579	51,897	70,421
Dividend Income	12,040	21,630	10,827	14,599	10,685	14,098
Income From Dealing In Foreign Currencies	24,795	21,620	14,834	20,972	20,150	28,396
Other Income	23,461	39,602	32,742	41,941	35,672	54,434
Total Non - Markup / Interest Income	107,822	137,572	103,263	140,091	118,403	167,349
	399,707	436,471	319,599	433,280	402,706	556,856
Administrative Expenses	222,196	251,349	194,428	266,199	222,089	304,588
Other Expenses	7,821	6,100	2,537	4,633	4,684	5,726
Total Non-Markup/Interest Expenses	230,017	257,450	196,966	270,832	226,772	310,313
Profit before Tax and Extra ordinary Items	169,690	179,021	122,634	162,448	175,934	246,543
Extra ordinary/unusual Items - Gain/(Loss)	(239.14)	842.88	1.81	(4.64)	4.11	3.79
PROFIT/ (LOSS) BEFORE TAXATION	169,929	178,178	122,632	162,453	175,930	246,539
Less: Taxation	58,331	59,946	40,545	50,019	60,537	83,171
PROFIT/ (LOSS) AFTER TAX	111,598	118,232	82,087	112,434	115,393	163,368

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

Distribution of Deposits						
					PKR billion	
	CY11	CY12	Sep-13*	CY13	Sep-14*	Dec-14*
DEPOSITS	6,244	7,294	7,698	8,311	8,740	9,230
Customers	5,961	6,972	7,478	7,975	8,479	8,886
Fixed Deposits	1,941	2,078	2,037	2,216	2,197	2,268
Saving Deposits	2,137	2,642	2,962	3,094	3,346	3,467
Current accounts - Remunerative	206	343	259	381	310	323
Current accounts - Non-remunerative	1,640	1,868	2,172	2,241	2,568	2,764
Others	37	41	48	43	59	64
Financial Institutions	283	321	219	336	261	344
Remunerative Deposits	187	214	157	217	182	201
Non-remunerative Deposits	96	107	63	119	79	143
Break up of Deposits Currency Wise	6,244	7,294	7,698	8,311	8,740	9,230
Local Currency Deposits	5,399	6,310	6,578	7,129	7,515	7,983
Foreign Currency Deposits	844	984	1,119	1,182	1,225	1,247
<i>* based on unaudited Quarterly Report of Condition (QRC) submitted by banks.</i>						

Annexure: C

Segment-wise Advances and Non Performing Loans (NPLs)												
	Sep-13			Dec-13			Sep-14			Dec-14		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
amount in PKR billion, ratio in percent												
Corporate Sector	2,746.2	414.5	15.1	3,013.7	405.0	13.4	3,117.8	423.4	13.6	3,289.5	429.1	13.0
SMEs Sector	235.9	91.3	38.7	284.0	91.7	32.3	252.4	90.1	35.7	299.3	91.2	30.5
Agriculture Sector	221.7	39.0	17.6	230.7	32.3	14.0	254.6	40.7	16.0	264.4	32.9	12.4
Consumer sector	271.8	40.1	14.8	273.2	37.2	13.6	292.0	36.0	12.3	294.0	34.2	11.6
<i>i. Credit cards</i>	22.4	3.6	16.3	21.4	2.2	10.5	22.6	2.4	10.8	22.8	2.4	10.5
<i>ii. Auto loans</i>	54.3	4.4	8.0	55.8	3.7	6.6	68.7	4.0	5.8	70.9	3.6	5.1
<i>iii. Consumer durable</i>	0.2	0.1	47.4	0.2	0.1	35.3	0.3	0.1	21.4	0.3	0.1	20.3
<i>iv. Mortgage loans</i>	53.1	15.7	29.5	53.1	15.1	28.5	52.0	14.1	27.2	52.3	14.1	27.0
<i>v. Other personal loans</i>	141.8	16.3	11.5	142.6	16.1	11.3	148.4	15.3	10.3	147.7	14.0	9.5
Commodity financing	527.7	5.1	1.0	478.9	5.3	1.1	521.1	5.3	1.0	548.5	5.4	1.0
Staff Loans	86.1	1.2	1.4	85.9	1.3	1.5	91.6	1.3	1.5	93.6	1.2	1.3
Others	121.0	12.6	10.4	139.2	12.3	8.9	151.7	11.5	7.6	140.7	10.6	7.5
Total	4,210.3	603.8	14.3	4,505.5	585.1	13.0	4,681.3	608.3	13.0	4,930.0	604.7	12.3

Sector-wise Advances and Non Performing Loans (NPLs)												
	Sep-13			Dec-13			Sep-14			Dec-14		
	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio	Advances	NPLs	Infection Ratio
amount in PKR billion, ratio in percent												
Agribusiness	359.2	41.5	11.6	340.3	34.7	10.2	390.2	43.9	11.3	393.9	37.1	9.4
Automobile/Transport	64.0	10.6	16.6	60.8	10.5	17.2	63.8	10.3	16.1	72.3	9.6	13.2
Cement	55.2	15.4	27.9	54.7	13.8	25.3	44.3	8.8	19.9	45.6	8.9	19.5
Chemical & Pharmace	148.9	14.6	9.8	150.3	13.4	8.9	192.9	16.6	8.6	190.4	16.2	8.5
Electronics	51.9	24.5	47.2	58.9	24.3	41.3	60.6	11.4	18.8	65.9	11.0	16.7
Financial	105.3	8.1	7.7	121.0	8.3	6.8	116.3	8.2	7.1	125.3	7.6	6.1
Individuals	353.5	49.7	14.1	383.2	47.1	12.3	405.7	54.1	13.3	432.8	53.3	12.3
Insurance	0.5	0.0	0.2	0.4	0.0	0.2	0.9	0.0	0.1	0.7	0.0	0.1
Others	1,814.7	205.8	11.3	1,917.1	204.6	10.7	1,962.2	217.1	11.1	2,028.0	224.4	11.1
Production/Transmission	455.0	15.0	3.3	493.1	15.0	3.0	587.5	29.0	4.9	621.3	29.4	4.7
Shoes & Leather garm	24.5	3.0	12.1	26.6	3.0	11.3	21.5	3.0	14.2	23.1	3.5	15.0
Sugar	108.0	6.9	6.4	120.3	6.3	5.2	139.2	5.4	3.9	138.4	5.8	4.2
Textile	669.6	208.6	31.1	778.9	204.2	26.2	696.3	200.5	28.8	792.4	198.0	25.0
Total	4,210.3	603.8	14.3	4,505.5	585.1	13.0	4,681.3	608.3	13.0	4,930.0	604.7	12.3

Classification wise Non Performing Loans (NPLs) and Provisions (specific)											
	CY12		Sep-13*		CY13		Sep-14*		Dec-14*		PKR million
	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	NPLs	Provisions	
OAEM	14,320	-	18,434	-	13,785	26	22,253		15,260	-	
Sub Standard	46,060	9,172	44,461	9,044	50,202	11,320	56,829	11,372	57,179	14,748	
Doubtful	54,847	19,978	38,254	17,014	32,353	14,336	33,603	14,497	36,746	16,306	
Loss	499,702	393,684	502,621	410,766	511,070	428,513	495,641	427,473	495,514	433,552	
Total	614,929	422,834	603,770	436,825	607,410	454,195	608,326	453,341	604,698	464,606	

Financial Soundness Indicators of the Banking System							
							percent
Indicators	CY09	CY10	CY11	CY12	CY13	Sep-14*	Dec-14*
CAPITAL ADEQUACY							
Risk Weighted CAR**	14.0	13.9	15.1	15.6	14.9	15.5	17.1
Tier 1 Capital to RWA	11.6	11.6	13.0	13.0	12.6	13.2	14.3
ASSET QUALITY							
NPLs to Total Loans	12.6	14.9	15.7	14.5	13.3	13.0	12.3
Provision to NPLs	69.9	66.7	69.3	71.5	77.1	77.6	79.8
Net NPLs to Net Loans	4.1	5.5	5.4	4.6	3.4	3.2	2.7
Net NPLs to Capital	20.4	26.7	23.1	19.9	14.7	13.6	10.1
EARNINGS							
Return on Assets (Before Tax)	1.3	1.5	2.2	2.0	1.6	2.2	2.2
Return on Assets (After Tax)	0.9	1.0	1.5	1.3	1.1	1.4	1.5
ROE (Avg. Equity & Surplus) (Before Tax)	13.2	15.5	23.0	21.4	17.9	24.2	24.3
ROE (Avg. Equity & Surplus) (After Tax)	8.9	9.6	15.1	14.2	12.4	15.9	16.1
NII/Gross Income	72.4	74.7	76.0	71.1	70.4	71.4	71.3
Cost / Income Ratio	51.2	52.7	51.1	54.1	57.2	54.9	53.3
LIQUIDITY							
Liquid Assets/Total Assets	32.7	36.1	45.5	48.4	48.6	48.3	49.2
Liquid Assets/Total Deposits	44.5	47.1	59.5	64.5	61.3	61.4	64.5
Advances/Deposits	67.7	61.6	53.6	52.2	49.5	48.2	48.2
* based on unaudited Quarterly Report of Condition (QRC) submitted by banks.							
** Data for Dec-13 onwards is based on Basel III and data from CY08 to Sep-13 is based on Basel II with the exception of the data of IDBL, PPCBL, and SME Bank, which is based on Basel I.							

Annexure: E

Group-wise Composition of Banks

CY12	CY13	Sep-14	Dec-14
A. Public Sector Com. Banks (5)	A. Public Sector Com. Banks (5)	A. Public Sector Com. Banks (5)	A. Public Sector Com. Banks (5)
First Women Bank Ltd.	First Women Bank Ltd.	First Women Bank Ltd.	First Women Bank Ltd.
National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan
Sindh Bank Ltd.	Sindh Bank Ltd.	Sindh Bank Ltd.	Sindh Bank Ltd.
The Bank of Khyber	The Bank of Khyber	The Bank of Khyber	The Bank of Khyber
The Bank of Punjab	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab
B. Local Private Banks (22)	B. Local Private Banks (22)	B. Local Private Banks (22)	B. Local Private Banks (22)
AlBaraka Bank (Pakistan) Ltd..	AlBaraka Bank (Pakistan) Ltd..	AlBaraka Bank (Pakistan) Ltd..	AlBaraka Bank (Pakistan) Ltd..
Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.	Allied Bank Ltd.
Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.	Askari Bank Ltd.
Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.	Bank AL Habib Ltd.
Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.	Bank Alfalah Ltd.
BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.	BankIslami Pakistan Ltd.
Burj Bank Ltd.	Burj Bank Ltd.	Burj Bank Ltd.	Burj Bank Ltd.
Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.	Dubai Islamic Bank Pakistan Ltd.
Faysal Bank Ltd.	Faysal Bank Ltd.	Faysal Bank Ltd.	Faysal Bank Ltd.
Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.	Habib Bank Ltd.
Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.
JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.	JS Bank Ltd.
KASB Bank Ltd.	KASB Bank Ltd.	KASB Bank Ltd.	KASB Bank Ltd.
MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.	MCB Bank Ltd.
Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.	Meezan Bank Ltd.
NIB Bank Ltd.	NIB Bank Ltd.	NIB Bank Ltd.	NIB Bank Ltd.
SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.	SAMBA Bank Ltd.
Silk Bank Ltd.	Silk Bank Ltd.	Silk Bank Ltd.	Silk Bank Ltd.
Soneri Bank Ltd.	Soneri Bank Ltd.	Soneri Bank Ltd.	Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.	Summit Bank Ltd.	Summit Bank Ltd.	Summit Bank Ltd.
United Bank Ltd.	United Bank Ltd.	United Bank Ltd.	United Bank Ltd.
C. Foreign Banks (7)	C. Foreign Banks (7)	C. Foreign Banks (7)	C. Foreign Banks (6) ###
Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.	Bank of Tokyo - Mitsubishi UFJ, Ltd.
Barclays Bank PLC	Barclays Bank PLC	Barclays Bank PLC	Barclays Bank PLC
Citibank N.A.	Citibank N.A.	Citibank N.A.	Citibank N.A.
Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
HSBC Bank Middle East Ltd.	HSBC Bank Middle East Ltd.	HSBC Bank Middle East Ltd.	Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.	Industrial and Commercial Bank of China Ltd.	HSBC Bank Oman S.A.O.G. #
HSBC Bank Oman S.A.O.G. #	HSBC Bank Oman S.A.O.G. #	HSBC Bank Oman S.A.O.G. #	
D. Specialized Banks (4)	D. Specialized Banks (4)	D. Specialized Banks (4)	D. Specialized Banks (4)
Industrial Development Bank Ltd. ##	Industrial Development Bank Ltd. ##	Industrial Development Bank Ltd. ##	Industrial Development Bank Ltd. ##
Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.	Punjab Provincial Co-operative Bank Ltd.
SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.	SME Bank Ltd.
Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.	Zarai Taraqati Bank Ltd.
All Commercial Banks (34)	All Commercial Banks (34)	All Commercial Banks (34)	All Commercial Banks (33)
Include A + B + C	Include A + B + C	Include A + B + C	Include A + B + C
All Banks (38)	All Banks (38)	All Banks (38)	All Banks (37)
Include A + B + C + D	Include A + B + C + D	Include A + B + C + D	Include A + B + C + D

#The name of "Oman International Bank S.A.O.G." was changed to "HSBC Bank Oman S.A.O.G." with effect from June 03, 2012.

The name of "Industrial Development Bank of Pakistan" was changed to "Industrial Development Bank Ltd." with effect from November 13, 2012.

HSBC Bank Middle East Limited (HBME Branch Business) was de-scheduled on October 17, 2014, on account of its merger with and into Meezan Bank Limited