State Bank of Pakistan

Banking Supervision Department

Quarterly Performance Review of the Banking System

September 2004

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Quarterly Performance Review of the Banking System
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The review is based on the data mainly taken from the Quarterly Reports of Condition and Annual Audited Accounts submitted by banks. It covers their global[1] operations, unless otherwise indicated. The banks have been divided into four groups[2] namely, Public Sector Commercial Banks (PSCBs), Local Private Banks (LPBs), Foreign Banks (FBs) and Specialized Banks (SBs). PSCBs include nationalized commercial banks and two provincial banks, whereas LPBs consist of privatized banks and domestic private banks. The performance of the banking industry as a whole and these groups in particular has been evaluated by using the financial soundness indicators.

1. Overview

The successful restructuring of one of the big banks coupled with overall strong profitability led to significant improvement in the solvency indicators of the banking system. The Capital Adequacy Ratio (CAR), despite substantial rise in Risk-Weighted Assets (RWA), inched up by 0.6 percentage points over the last quarter to 10.4 percent. In pursuance of its policy of consolidation and strengthening of the banking system, the State Bank of Pakistan (SBP) further raised the minimum capital requirement for banks operating in Pakistan from Rs1.0 billion to Rs2.0 billion. The banks are required to achieve this mark in a phased-manner by December 2005[3]. This will give a further boost to the solvency of the banking system.

The banking system, on the back of rising economic activity, continued posting strong profits during this quarter as well. The encouraging aspect of profitability for this year so far is that it mainly stems from stable sources of income. The year-to-date after tax profit of commercial banks reached Rs23.6 billion, which represents around 83 percent of last year's profit of Rs28.4 billion[4]. The healthy growth in the core earnings depends a great deal on the strong growth in loans over the last few quarters. The increase in loans persisted, though at a slower pace compared with the last quarter, in this quarter as well. Despite the relatively slower growth in loans, the increase is still very encouraging given the fact that credit needs of businesses shrink substantially in this period because of a seasonal slow down. The surging credit demand and upward movement in interest rates have diverted the focus of banks from

[1] Domestic plus overseas operations of Pakistani banks and domestic operations of foreign banks operating in Pakistan
[2] The composition of these groups has been given in Annex-IV.
[3] The banks are to raise their paid-up capital net of losses to Rs1.5billion by December -04 and Rs2billion by December-05.
[4] Profit is for the whole year of 2003.

investment in the government securities, which had been occupying their attention for quite some time.

The growth in deposits, which was singularly responsible for the rapid expansion in the balance sheets of banks over the last many quarters and was also instrumental in creating the liquidity glut slowed down during this quarter. This forced banks to realign their asset-mix to meet growing credit demand. Consequently, the system had to experience some liquidity pressure. The quarter also saw building pressures on the Rupee as the trade deficit kept growing. To support the Rupee and to reign in inflationary tendencies, the SBP had to raise interest rates, which reinforced short-term liquidity strains. Resultantly, a number of banks had to resort to the SBP's three-day repo facility.

The banking system is yet to pass the acid test of showing resilience in difficult conditions because the conditions so far have remained greatly benign for their impressive performance over the past many quarters. The fast credit growth, though fairly diversified and broad-based, raises concern about its quality. Non-Performing Loans (NPLs), no doubt, remained well in check and in fact declined by Rs1.1 billion in this quarter. However, the gradual rise in interest rates has the potential of affecting the credit repayment capacity of borrowers, especially the consumer banking borrowers, and thus impinging upon the asset quality of the banking system. In addition to the credit risk, the impending liquidity and market risks might translate into greater pressures on profits of the banking system. In spite of these likely risks, the banking system is expected to display buoyancy as its conduct of business is now based primarily on commercial considerations. Banks are not only far better equipped in their credit appraisal systems but have also substantially enhanced their capital which would enable them to absorb unforeseen shocks.

2. Assets and Funding Structure

The quarter under review witnessed slow down in the growth of total assets of the banking system (see **Figure 2.1**). Comparing with the extraordinary growth of Rs228.7 billion (8.9 percent) in the last quarter, total assets increased by Rs68.8 billion (2.4 percent). The increase is still impressive considering the fact that total assets experienced a decline in the corresponding period last year. It signifies strong uplift in business activities since then. A visible shift in asset-mix in favour of loans further substantiates this fact (see **Table 2.1).** Deposits, which have been the main funding source, grew at a moderate pace during this quarter. Consequently, banks had to reduce their lending to financial institutions to meet increasing credit demand.

Figure-2.1: Assets of the Banking System

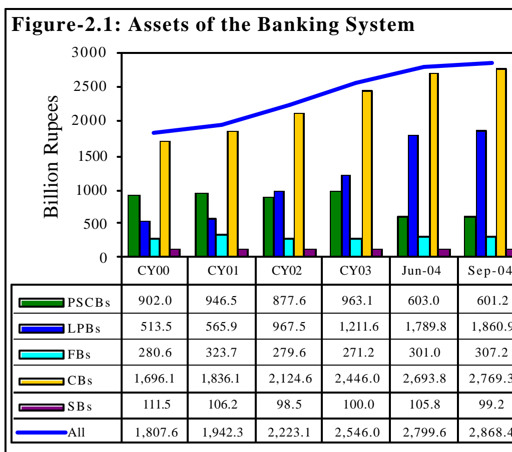
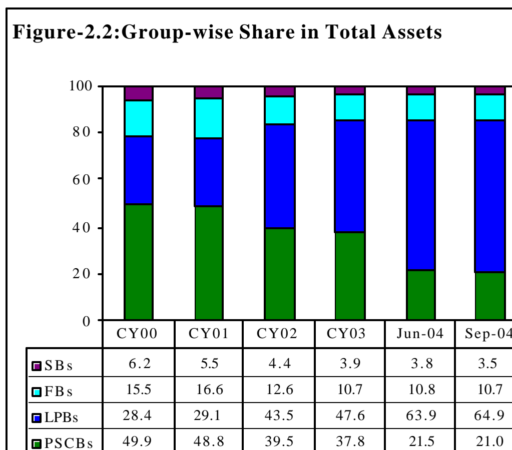


Table-2.1: Major Sources and Uses of Funds

(Percent)	CY00	CY01	CY02	CY03	Jun-04	Sep-04
Source						
Deposits	74.2	75.9	75.3	77.1	78.4	77.5
Borrowings	14.8	13.8	12.5	11.8	11.4	11.8
Equity	4.5	3.8	4.8	5.4	5.1	5.6
Others	6.5	6.5	7.3	5.7	5.1	5.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
Uses						
Loans	49.1	46.9	41.5	43.5	46.3	47.2
Investments	16.8	18.1	31.5	30.9	27.4	26.8
Others	34.0	35.1	27.0	25.5	26.3	26.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

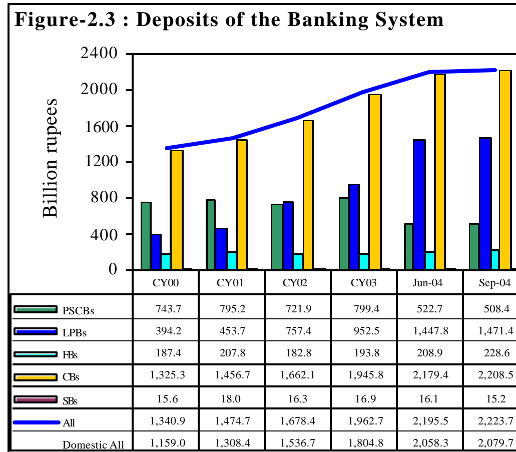
The LPBs, which enjoy the dominant position among all groups, extended their share even further with an increase of Rs71.1 billion (4.0 percent) in their asset base (see **Figure2.2**). The FBs, though at a relatively slower pace, also managed a rise of Rs6.2 billion. The PSCBs, which had spearheaded the extraordinary increase in total assets of the banking system during the last quarter, saw a decline as a result of across the board fall in deposits, which reduced their overall balance sheet footing. The share of SBs in total assets continued to decline.

Figure-2.2:Group-wise Share in Total Assets



Total **deposits** growth of the banking system with an increase of Rs28.2 billion was considerably muted as compared with the past trend (see **Figure 2.3**). This happened despite uninterrupted inflow of workers' remittances through banking channels. The main factor influencing the slow growth in deposits appears to be the withdrawal of public sector deposits, including those of federal and provincial governments as well as public sector enterprises. Another reason might have been the approaching month of Ramadan, which could have induced the people to keep their monies out of banks to avoid the *Zakat* levy. Moreover, the low rates of return on various deposit schemes, which have started to show signs of improvement on fresh deposits of late, also entail low opportunity cost.

Figure-2.3 : Deposits of the Banking System

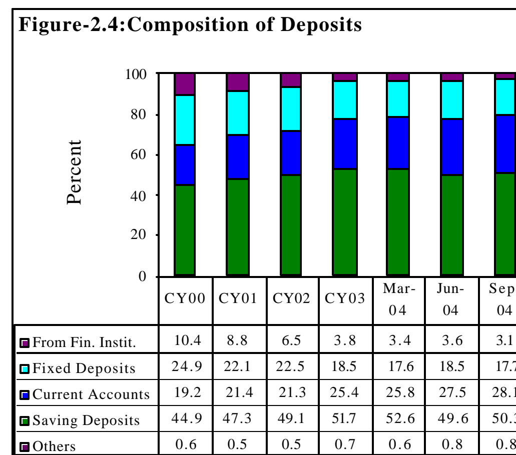


	CY00	CY01	CY02	CY03	Jun-04	Sep-04
PSCBs	743.7	795.2	721.9	799.4	522.7	508.4
LPBs	394.2	453.7	757.4	952.5	1,447.8	1,471.4
FBs	187.4	207.8	182.8	193.8	208.9	228.6
CBs	1,325.3	1,456.7	1,662.1	1,945.8	2,179.4	2,208.5
SBs	15.6	18.0	16.3	16.9	16.1	15.2
All	1,340.9	1,474.7	1,678.4	1,962.7	2,195.5	2,223.7
Domestic All	1,159.0	1,308.4	1,536.7	1,804.8	2,058.3	2,079.7

The five largest banks mainly bore the brunt of the fall in deposits. Consequently, the share of these five banks in the total deposits of the system decreased to 60.7 percent from 62.4 percent in the last quarter. The next five banks in the top ladder, on the other hand, kept the upward momentum and managed to increase their share to 14.6 percent from 13.8 percent in the last quarter.

The composition of deposits shows that saving and current deposits grew further in size with an increase of 2.8 percent and 3.4 percent, respectively (see **Figure 2.4**). Fixed deposits, however, continued to decline. The rates offered by banks are still too low to attract depositors to place their funds for longer periods. Moreover, gradual increase in yields seemed to have generated expectations of rise in returns on such deposits in the near future. This could have influenced the decision of depositors to keep their funds liquid and deploy them in longer maturities once the interest rates stabilized. The recent build up of pressure on

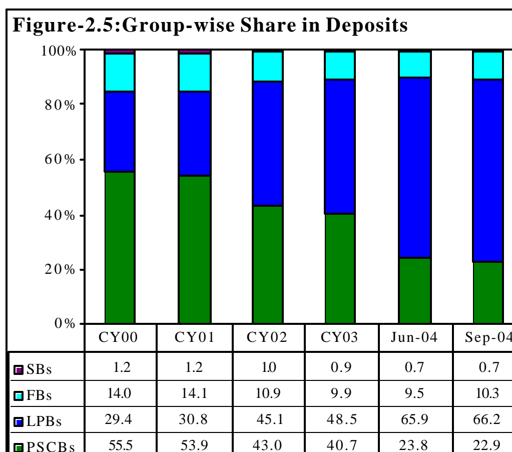
Figure-2.4:Composition of Deposits



	CY00	CY01	CY02	CY03	Mar-04	Jun-04	Sep-04
From Fin. Instit.	10.4	8.8	6.5	3.8	3.4	3.6	3.1
Fixed Deposits	24.9	22.1	22.5	18.5	17.6	18.5	17.7
Current Accounts	19.2	21.4	21.3	25.4	25.8	27.5	28.1
Saving Deposits	44.9	47.3	49.1	51.7	52.6	49.6	50.3
Others	0.6	0.5	0.5	0.7	0.6	0.8	0.8

the Rupee in the backdrop of external prepayments, and a higher oil import bill seemed to have increased the charm of foreign currency deposits, which increased by another Rs12.3 billion in this quarter.

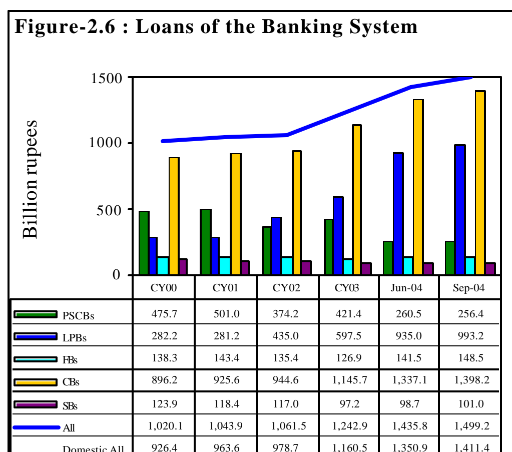
The LPBs, which now hold almost two-third of the total deposits of the system, made the largest gains both in absolute terms and relative share However, the performance of FBs was significant which recorded the highest increase at 9.4 percent as compared to the LPBs, which witnessed a 1.6 percent growth during the same period. The PSCBs, which were in the forefront during the last quarter, saw a decline of 2.7 percent. The SBs also registered a decrease by 5.7 percent (see **Figure 2.5**).



	CY00	CY01	CY02	CY03	Jun-04	Sep-04
SBs	1.2	1.2	1.0	0.9	0.7	0.7
FBs	14.0	14.1	10.9	9.9	9.5	10.3
LPBs	29.4	30.8	45.1	48.5	65.9	66.2
PSCBs	55.5	53.9	43.0	40.7	23.8	22.9

The **borrowing** needs of the banking system did not subside in this quarter as well. Relatively slower deposit growth combined with the SBP's measures to restrain inflationary tendencies and also to prop up the under-pressure Rupee generated liquidity pressures, forcing some banks to resort to borrowing to meet their maturing obligations as well as credit demand by businesses, which is untypical at this time of the year. This is supported by a significant rise in the borrowing under repo arrangements and unsecured borrowings by Rs9.8 billion and Rs6.4 billion, respectively. Consequently, the total borrowing by the banking system swelled by Rs19.6 billion. The majority of unsecured borrowing comprised overdrawn nostro accounts, which is indicative of increasing trade activities. The persistent rise in export refinance borrowing despite increasing trend in the export refinance rate also gives credence to this observation.

The **loan** portfolio of the banking system increased by Rs63.4 billion (see **Figure 2.6**) which is in sharp contrast to the historical trend whereby loans tend to decline during this period of the year because of seasonal slow down in business activities. The decline of Rs3.5 billion witnessed in the



	CY00	CY01	CY02	CY03	Jun-04	Sep-04
PSCBs	475.7	501.0	374.2	421.4	260.5	256.4
LPBs	282.2	281.2	435.0	597.5	935.0	993.2
FBs	138.3	143.4	135.4	126.9	141.5	148.5
CBs	896.2	925.6	944.6	1,145.7	1,337.1	1,398.2
SBs	123.9	118.4	117.0	97.2	98.7	101.0
All	1,020.1	1,043.9	1,061.5	1,242.9	1,435.8	1,499.2
Domestic All	926.4	963.6	978.7	1,160.5	1,350.9	1,411.4

corresponding quarter of the last year testifies this assertion. This is a strong indication that the growth momentum gained by the economy remains intact. The private sector was the real driver of the growth in loans as the public sector, which absorbed about 42 percent of the total growth in loans in the last quarter, experienced a decline of Rs5.9 billion.

The active participation by second tier banks has been the hallmark of increased lending activities during the last few quarters. The top five banks saw their share reduced to 51 percent from 52 percent in the last quarter as they accounted for merely 18 percent of the total growth of loans during this quarter. On the other hand, the next five big banks contributed 30 percent of the overall loans growth. Similarly, the next 10 banks effected 39 percent of the loans growth during the same period.

Besides increasing competition, efforts to diversify the loans portfolio have also been afoot. This is evident by the fact that the loan growth during this quarter was well dispersed across various sectors. Despite the fact that the corporate sector possesses 54.3 percent of the outstanding loans of the banking system, its share was 40.3 percent of the total loans growth (see **Table 2.2**). Of the remaining sectors, consumer finance registered the fastest growth by contributing 37.4 percent to the loans growth. Small and Medium Enterprise (SMEs) and agricultural sector also managed a satisfactory performance by attracting 25.8 percent and 15.0 percent respectively, of the overall loans growth.

Table-2.2: Sector-wise Break Up of Loans (Domestic Operations)*

(Billion Rupees)	Jun-04[R]	Sep-04[P]	Change during quarter	
			Amount	% age
Corporate Sector	**741.4**	**765.9**	**24.4**	**3.3**
Fixed Investments	322.6	340.4	17.7	5.5
Working Capital	250.3	265.0	14.7	5.9
Trade Finance#	168.5	160.5	(8.0)	(4.7)
SMEs	**231.7**	**247.3**	**15.6**	**6.7**
Fixed Investments	29.6	28.4	(1.2)	(4.2)
Working Capital	151.0	162.1	11.0	7.3
Trade Finance#	51.1	56.8	5.8	11.3
Agriculture production	**108.7**	**117.8**	**9.1**	**8.3**
Consumer Finance	**103.2**	**125.8**	**22.6**	**21.9**
Credit Cards	*11.2*	*12.7*	*1.6*	*14.0*
Housing Loans	*8.3*	*12.4*	*4.1*	*49.3*
Auto Loans	*33.1*	*41.4*	*8.2*	*24.9*
Consumer Durables	*1.4*	*1.8*	*0.4*	*25.0*
Personal Loans	*49.2*	*57.5*	*8.3*	*16.8*
Commodity Operations	**90.0**	**85.0**	**(5.0)**	**(5.6)**
Staff Loans	**39.7**	**40.0**	**0.3**	**0.7**
Of which Housing Loans	*28.0*	*28.3*	*0.3*	*1.0*
Others	**36.1**	**29.7**	**(6.4)**	**(17.8)**
Total	**1,350.9**	**1,411.4**	**60.5**	**4.5**

* Loans to both Public and Private sectors
# Also include Export Finance

Because of persistently strong growth over the last few quarters, the overall share of consumer finance in the total loans portfolio, which was 5.6 percent in December 2003, has increased to 8.9 percent (see **Figure 2.7**). The growth in the consumer sector was also all pervasive. However, auto loans and personal loans played a far more prominent role. Mortgage loans have also started to show vibrancy of late. The growth of Rs9.1 billion in agriculture lending during this quarter has also been impressive. However, because of the faster growth by the corporate and consumer sectors, its share in total outstanding loans diminished slightly to 8.3 percent from 9.0 percent in December 2003. The lending to SMEs sector has also been growing. However, in its case also, the comparatively faster growth in lending to other sectors led to a fall in its share from 18.5 percent in December 2003 to 17.5 percent in this quarter. The end-use distribution of loans shows that a greater portion of the loans went to meet the working capital needs of both the corporate and SMEs sectors. This

led to a further increase in the loans for working capital purposes (see **Figure-2.8**). Loans for fixed investment have slowed down in this quarter. The corporate sector employs around 92.3 percent of this type of loans.

The LPBs were the leader in loan growth as they contributed Rs58.1 billion (91.7 percent of all banks growth). The FBs and SBs also managed to increase their loans portfolio by Rs7.0 billion (11.1 percent of all banks) and Rs2.3 billion (3.7 percent of all banks), respectively. The PSCBs, which in percentage terms saw the fastest increase in the preceding quarter, witnessed a decline of Rs4.1 billion during this

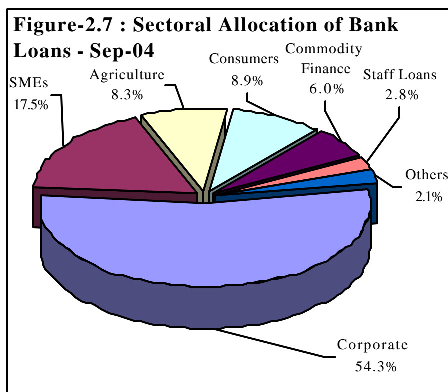


Figure-2.7 : Sectoral Allocation of Bank Loans - Sep-04

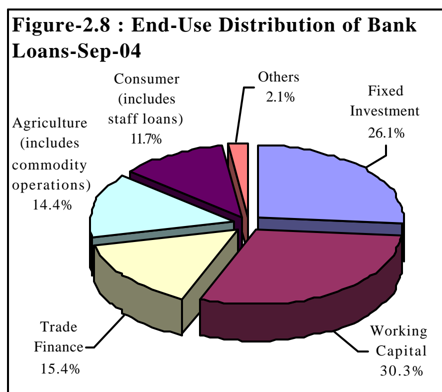


Figure-2.8 : End-Use Distribution of Bank Loans-Sep-04

quarter. The fall in loans by this sector may be traced to a sharp decline in commodity financing by the largest bank in this group.

The past trend suggests that the loan portfolio gathers momentum with the upswing of the credit cycle at the tail end of the year. Its strength in the next quarter would depend, to a large extent, upon the interest rate behaviour and prevailing liquidity conditions. So far, the SBP has succeeded in its efforts to allow a measured and well-calculated increase in interest rates to combat the inflationary pressures.

Investment portfolio of the banking system made a slight recovery during this quarter and with an increase of Rs5.3 billion reached Rs773.9 billion from Rs768.6 billion during the last quarter. The principal reason for this rise was the deliberate move by the largest public sector bank which reduced lending to financial institutions to invest in Market

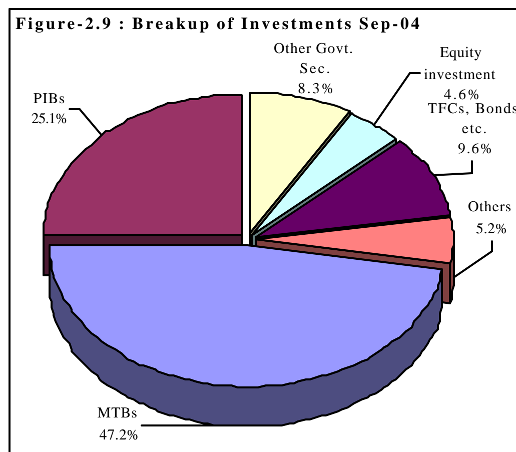
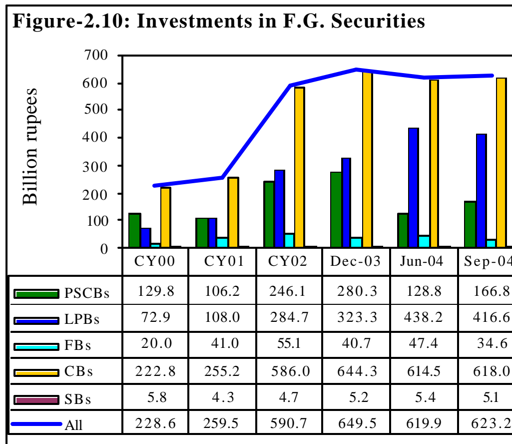


Figure-2.9 : Breakup of Investments Sep-04

Treasury Bills (MTBs). Majority of the banks, on the other hand, reduced their investment portfolios. By isolating the impact of this bank, the rest of the banking system actually saw a decline of Rs30.7 billion. The factors governing their loss of interest in investments remained the gradual rise in yields as well as the increasing credit demand.

The federal government securities, which form the overwhelming portion which is around 80 percent (see **Figure 2.9**), saw a far greater activity in MTBs in this quarter. The MTBs registered an increase of Rs19.2 billion against the decline of Rs59.7 billion during the last quarter. The longer tenor securities i.e. Pakistan Investment Bonds (PIBs), which had drawn higher interest in the previous quarter, decreased by Rs12.4 billion. Absence of any PIBs auction since early June 2004, inter alia, appears to be the main reason for the decline in the level of PIBs holding by banks. Consequently, their share in total investments also declined to 25.1 percent from 26.9 percent during the last quarter. Conversely, the MTBs witnessed a rise in their share to 47.2 percent from 45.0 percent in the same period.

Figure-2.10: Investments in F.G. Securities



	CY00	CY01	CY02	Dec-03	Jun-04	Sep-04
PSCBs	129.8	106.2	246.1	280.3	128.8	166.8
LPBs	72.9	108.0	284.7	323.3	438.2	416.6
FBs	20.0	41.0	55.1	40.7	47.4	34.6
CBs	222.8	255.2	586.0	644.3	614.5	618.0
SBs	5.8	4.3	4.7	5.2	5.4	5.1
All	228.6	259.5	590.7	649.5	619.9	623.2

Because of the sharp escalation in the MTBs holding by the largest public sector bank, the share of investment of PSCBs in government securities increased to 26.8 percent from 20.8 percent during the last quarter (see **Figure 2.10**).

The sharp fall in lending to public sector enterprises also impacted overall exposure of banks to the public sector. Compared to a rise in the last quarter, it decreased during this quarter (see **Table 2.3**).

Table-2.3:Banks' Exposure to Public Sector

(Percent)	Dec-00	Dec-01	Dec-02	Dec-03	Jun-04	Sep-04
Credit	19.3	20.7	16.9	10	11.6	10.5
Total (Credit+Govt. papers)	36.6	35.5	44.3	39.9	39.2	35.7

Source: Weekly Statement

3. Financial Soundness of the Banking system

3.1 Solvency

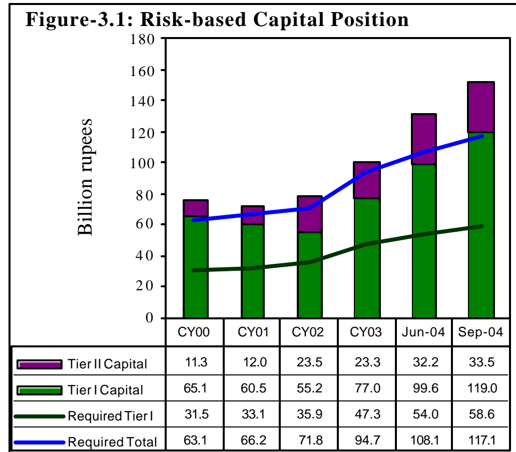
The current quarter is marked with some major developments that are expected to have important bearings on the overall solvency position of the banking system. These include:

? The successful restructuring of one of the big five banks that brought an additional capital of Rs14.2 billion into the system. With this development, all the commercial banks now stand compliant with the minimum CAR of 8 percent.

? The minimum capital requirement for the banks operating in Pakistan was further raised to Rs2 billion from Rs1 billion, to be achieved in a phased-manner by December 2005[5].

Though strong profitability, coupled with availability of some free reserves, would make it easier for most of the banks to achieve the mark of Rs2billion, some of them would have to either inject fresh capital or go for mergers and consolidation[6]. This will be in line with the policy being pursued by the SBP to have lesser but stronger banks.

Figure-3.1: Risk-based Capital Position



The banks continued strengthening their capital base through fresh injection as well as profit retentions during the current quarter. As a result, the risk-based capital of the banks further rose by Rs20.7 billion to Rs152.5 billion (see **Figure 3.1**). The major portion of this increase came through fresh injection, though profitability also supported this well by accounting for around 44.0 percent. However, the required level of risk-based capital also surged as the increase in RWA even surpassed the balance sheet expansion. This happened because of the reshuffling of asset-mix towards more risky assets and a substantial rise in non-funded exposure. This is testified by the rise in the ratio of RWA to total assets from 48.3 percent to 51.0 percent. The growth in the RWA at 8.4 percent during the quarter, however, remained below the risk-based capital growth of 15.7 percent. This led to significant improvement in the CAR, which after a long time reached double digits (see **Table 3.1**). The ratio would improve even further to 12.1 percent if one weak bank was

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[5] The banks are to raise their capital-net of losses to Rs1.5billion by December-04 and Rs2 billion by December-05.

[6] Of 39 banks, 14 already have a capital of more than Rs1.5billion and one of the remaining banks has merged with another bank in the post quarter development.

excluded. The other two ratios, i.e. tier 1 capital to RWA and balance sheet capital to total assets, also improved considerably.

Table-3.1: Capital Adequacy Indicators

Percent	CY00	CY01	CY02	CY03	Jun-04	Sep-04
CAR						
PSCBs	10.4	9.6	12.3	11.0	12.2	12.4
LPBs	9.2	9.5	9.7	9.0	9.4	10.6
FBs	18.0	18.6	23.2	23.0	18.6	17.9
CBs	11.4	11.3	12.6	11.1	10.9	11.6
SBs	(3.3)	(13.9)	(31.7)	(28.2)	(8.2)	(12.2)
All banks	9.7	8.8	8.8	8.5	9.8	10.4
Tier 1 Capital to RWA						
PSCBs	7.7	7.1	8.6	8.2	9.0	9.6
LPBs	8.1	8.4	6.6	7.1	7.2	8.4
FBs	17.9	18.6	23.0	23.0	18.5	17.8
CBs	9.8	9.7	9.7	9.1	8.7	9.5
SBs	(3.4)	(13.9)	(31.7)	(28.7)	(13.6)	(17.8)
All banks	8.3	7.3	6.2	6.5	7.4	8.1
Capital to Total Assets						
PSCBs	4.6	3.7	5.6	6.1	6.2	6.5
LPBs	3.5	3.8	5.2	5.1	5.1	5.9
FBs	8.8	8.5	10.6	10.0	7.9	7.8
CBs	4.9	4.6	6.1	6.0	5.7	6.2
SBs	(1.1)	(10.3)	(23.0)	(9.5)	(9.3)	(12.6)
All banks	4.6	3.8	4.8	5.4	5.1	5.6

The group-wise position of CAR shows a mixed picture. The LPBs and PSCBs saw improvement in their ratio, while FBs and SBs experienced a decline. The reason for the decline in the ratio of FBs is the faster expansion of risky assets in three of them. Further, some of these also remitted part of their profits to their head offices. Despite this decline, the CAR of FBs is still the highest among all groups. The deterioration in the ratio of SBs is due to heavy provision made by one of them to clean-up its balance sheet.

Table 3.2 : Capital Adequacy Indicators of Top Banks in terms of Size

Capital Adequacy	Top 5	Top 10	Top 20	Industry
Capital/RWA	11.1%	11.6%	11.7%	10.4%
Tier 1 Capital / RWA	8.4%	8.9%	9.2%	8.1%
Net Worth / Total Assets	5.8%	5.8%	6.1%	5.6%

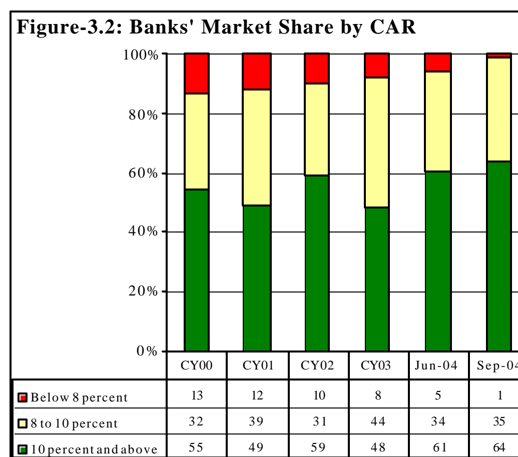
A comparative position of top 5, 10 and 20 banks reveals that solvency ratios of smaller banks, despite having relatively higher risk profile, are stronger than the large banks (see **Table 3.2**). This, however, is due to the higher degree of financial leverage of large banks because of their extensive branch network. The total assets of top 5 banks are more than three times of total assets of the next 5 top banks as compared to their capital, which is two times. Nevertheless, the encouraging aspect is that all the solvency ratios of top 5 banks are above the internationally accepted benchmark for the well capitalized banks[7].

[7] A bank with CAR of 10 percent & above and core capital to RWA ratio of 6 percent & above is considered a well-capitalized bank.

Dispersion analysis of CAR reveals that, since the last quarter, the number of banks below 8 percent remained unchanged at 2, however their share declined sharply to a mere 0.7 percent from 5.1 percent (see **Table 3.3** & **Figure 3.2**). The single most important factor, which caused the decline in their market share, was the elevation of one of the large banks to the upper bracket because of massive capital injection. It was the relegation of one of the SBs to the lower bracket, which kept the number of banks in this bracket intact at two. The positive change in the lower bracket naturally proved favourable for the higher brackets. The market share of banks with CAR above 10 percent increased to 63.9 percent from 60.5 percent. However, a glance at individual performances shows that 23 banks saw minor to significant decrease in their CARs, whereas the rest registered an increase in the same degree of intensity. The reason for the decline in CAR for greater number of banks is again traced to rapid expansion in their RWAs, which outpaced the growth in their capital.

Table 3.3 Distribution of Banks by CAR

	Total No. of Banks	Below 8%	8 to 10 %	10 to 15 %	Over 15 %
CY00	44	5	6	16	17
CY01	43	5	5	11	22
CY02	40	4	4	9	23
CY03	40	4	10	5	21
Jun-04	39	2	10	11	16
Sep-04	39	2	10	13	14



	CY00	CY01	CY02	CY03	Jun-04	Sep-04
Below 8 percent	13	12	10	8	5	1
8 to 10 percent	32	39	31	44	34	35
10 percent and above	55	49	59	48	61	64

3.2 Profitability

On the back of rising economic activity, the banking system showed a strong performance during the first three quarters of CY04 and the prospects of its achieving the last year's unprecedented level are quite bright. The year-to-date after tax profit of CBs reached Rs23.6 billion, which represents around 83 percent of last year's profit of Rs28.4 billion (see **Table 3.3**). The Return on Assets (ROA) matched to last year's level of 1.2 percent (see **Table 3.4**). Based on the results of first three quarters, the net interest income is likely to remain stable in CY04, whereas capital gains will shrink significantly. However, this reduction in capital gains is going to be made up by

Table-3.3: Profitability of Banking System

Billion rupees	CY00	CY01	CY02	CY03	Jun-04	Sep-04
Profit before tax						
PSCBs	3.9	0.2	10.9	16.1	5.5	8.6
LPBs	-0.6	5.0	11.9	23.8	13.5	20.7
FBs	3.7	5.0	6.6	7.1	3.2	5.2
Comm. Banks	7.0	10.3	29.4	47.1	22.2	34.8
SBs	-2.5	-9.2	-10.4	(2.5)	(1.4)	(1.9)
All Bank	4.5	1.1	19	44.6	20.7	32.9
Profit after tax						
PSCBs	1.8	-4.6	4.8	9.4	3.4	5.5
LPBs	-3.5	2.0	6.4	14.8	8.6	13.4
FBs	1.4	2.4	4.2	4.2	2.3	4.6
Comm. Banks	-0.2	-0.2	15.3	28.4	14.4	23.6
SBs	-2.6	-9.5	-12.4	(3.2)	(1.6)	(1.9)
All Banks	-2.8	-9.8	2.9	25.1	12.8	21.7

rising fee income and lowering incidence of NPLs and taxation. The SBs, however, may end up with aggregate loss for this year too, as they are still not out of the woods.

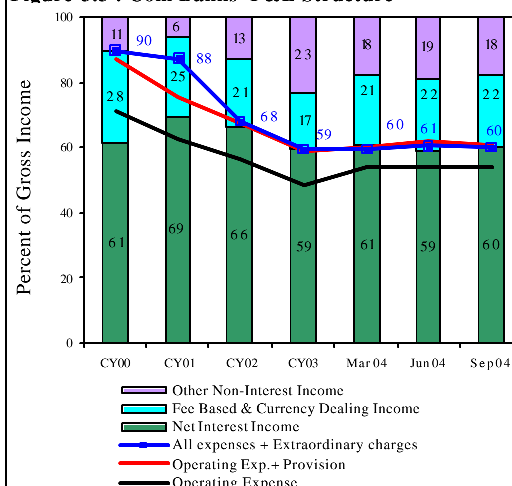
The quality of income of Commercial Banks (CBs) also improved over the last year as major part of their year-to-date income is derived from stable sources. Though share of overall non-interest income in the gross income almost remained same at around 40 percent, the composition of such income witnessed a significant change towards core income (see **Figure 3.3**). The gains on sale of securities which were a major driving force behind last year's strong profits were replaced by fee-based income. Accordingly, the share of such gains in gross income reduced to 7.8 percent from 16.5 percent in CY-03 whereas share of fee-based income rose by 4.5 percentage points to 17.3 percent. The improvement in the fee-based income is attributable to accelerated foreign trade activity. On an overall basis the share of non-core income has dropped to only 7.8 percent now as compared to 16.5 percent in CY-03 (see **Figures-3.4a &3.4b**).

On the expenses side, operating expenses of CBs grew at a slightly faster pace and stayed at around 82.1 percent of the last year's figure. This was the outcome of an expansionary policy being followed by most of the LPBs. Their income,

Table-3.4: Earnings and profitability indicators

(Percent)	CY00	CY01	CY02	CY-03	Jun-04	Sep-04
ROA (after tax)						
PSCBs	0.2	-0.5	0.6	1.0	1.2	1.1
LPBs	-0.7	0.4	0.7	1.4	1.0	1.1
FBs	0.6	0.8	1.5	1.5	1.7	2.1
Comm. Banks	-0.01	-0.01	0.8	1.2	1.1	1.2
SBs	-2.3	-8.8	-12.1	-3.2	-1.4	-3.0
All Banks	-0.2	-0.5	0.1	1.1	1.0	1.1
ROE (after tax)						
PSCBs	4.9	-12.2	11.5	17.3	18.3	17.1
LPBs	-17.4	10.3	17.3	26.2	19.1	20.1
FBs	6.1	9.1	15.2	14.9	18.1	24.0
Comm. Banks	-0.3	-0.3	14.3	20.5	18.7	19.9
SBs	-	-	-	-	-	-
All Banks	-3.5	-12.6	3.2	20.51	18.3	20.0
Net Interest Margin						
PSCBs	3.6	4.3	4.0	3.7	3.1	2.6
LPBs	3.4	4.3	4.3	3.5	3.0	3.4
FBs	3.2	3.3	3.1	3.4	3.1	3.3
Comm. Banks	3.5	4.1	3.8	3.5	3.1	3.2
SBs	3.2	3.3	7.5	7.1	6.8	9.2
All Banks	3.5	4.3	4.0	3.7	3.2	3.4
Intermediation cost						
PSCBs	3.4	3.2	2.9	2.3	2.1	1.8
LPBs	3.9	3.6	3.2	2.9	2.9	3.0
FBs	2.9	2.5	2.3	2.8	2.6	2.6
Comm. Banks	3.4	3.2	3.0	2.6	2.7	2.7
SBs	3.2	3.9	7.3	3.6	2.9	3.0
All Banks	3.4	3.2	3.2	2.7	2.7	2.7

Figure-3.3 : Com Banks' P&L Structure



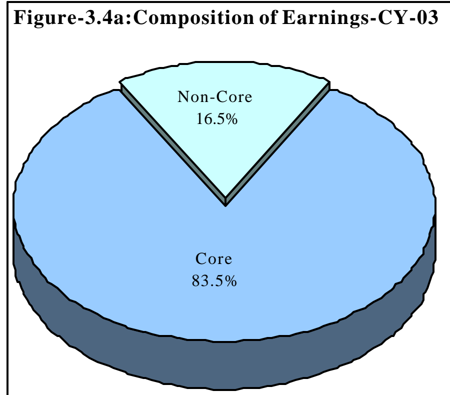


Figure-3.4a:Composition of Earnings-CY-03

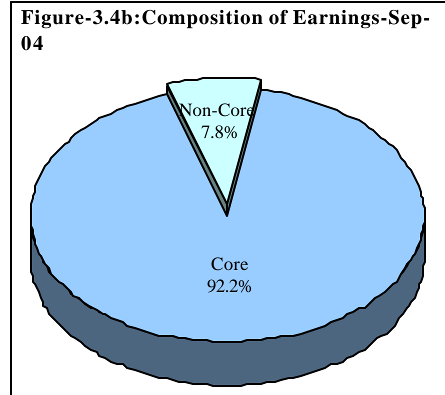


Figure-3.4b:Composition of Earnings-Sep-04

however, could not keep this pace. As a result, the cost income ratio of these banks went up by 4.9 percentage points to 53.5 percent against the generally acceptable level of maximum 60.0 percent. This also led to the increase in the cost income ratio of the banking system by 2.6 percentage points to 51.7 percent.

The provision charges, which used to consume large portion of banks' earnings, showed downward trend on account of better quality of fresh loaning. During the period under review the burden of these charges further reduced to around 7.0 percent of the gross income from 10.0 percent for the last year.

The year-to-date interest income and interest expenses, despite a substantial balance sheet expansion, remained subdued and constituted 72.4 percent and 65.0 percent respectively, of last year's figures. This was due to the lower interest rates for the period under review as compared to last year. The relatively larger reduction in interest expenses is attributed to the re-profiling of deposits. However, in response to change in the SBP stance on the monetary policy, the interest rates have started a gradual rising trend. As a result, both the return on earning assets and cost of funds inched up during Sep--04 quarter by 17 bps and 2 bps respectively (see **Figure-3.5**). The slow increase in cost of funds led to the improved spread as well as NIM at 3.5 percent and 3.2 percent respectively, though both are still below last year's level.

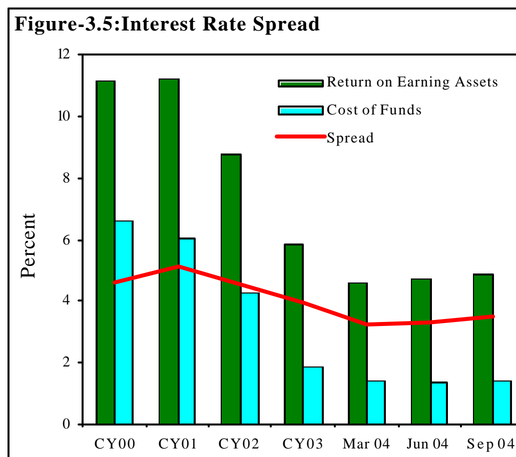


Figure-3.5:Interest Rate Spread

The group-wise position shows that, by virtue of size, LPBs contributed a major share of the system's profits. Since their administrative and provisioning expenses are relatively higher, they lagged behind FBs which lead on return on assets and equity. The performance of PSCBs more or less corresponds to that of the LPBs. The SBs, however, posted negative ROA as they are still undergoing restructuring process.

The outlook for this year and onward suggests that the banking sector is well set to post another remarkable performance on last year scales. Pick up in economic activity has enabled them to achieve and sustain an all time high level and enriched mix of earnings assets. If the economy continues to show the present vigour, which it is expected to do at least in the short run; banks will post commendable profits. While this elevated level of lending portfolio bodes well for the banks' future earnings, it also demands increased vigilance on the part of the banks and regulators. The banks have so far been able to keep it free from infection. However, a proactive provision for loan losses in this benign period so as to counter any cyclical patterns of economic activity would be advisable.

4. Risk Assessment of the Banking System

4.1 Credit Risk

The gross NPLs of banks decreased slightly during the quarter. This was mainly due to reduction in NPLs portfolio of the SBs by Rs2.1 billion (see **Figure 4.1**). The increase in NPLs of CBs is not much disturbing though, as many of the accounts were classified by banks due to the expiry of limits which in no way indicates deterioration in credit quality of their portfolios. Besides, banks have continued making substantial provisions against their infected portfolio and all the different groups as well as the overall banking industry has observed a significant reduction in net NPLs (see **Figure 4.2**).

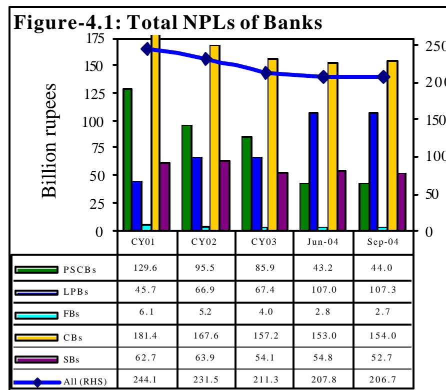


Figure-4.1: Total NPLs of Banks

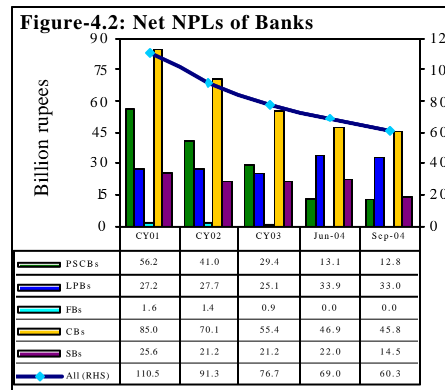
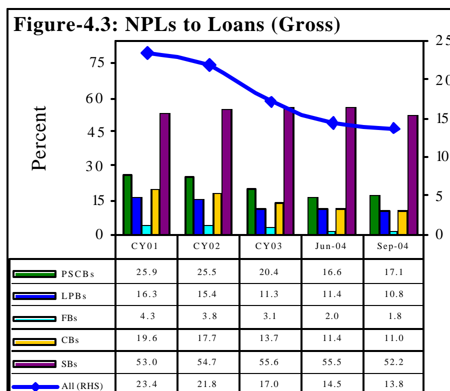


Figure-4.2: Net NPLs of Banks

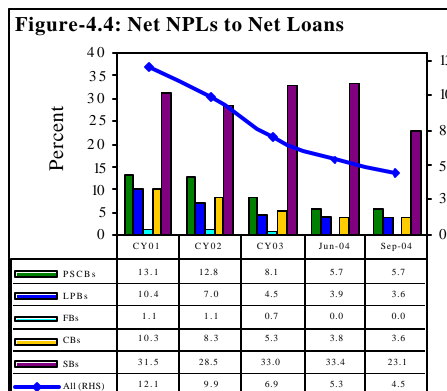
Group-wise, PSCBs and LPBs have experienced an increase in their gross NPLs, however, net NPLs showed a marginal decline. The FBs further decreased their already low level of NPLs marginally; net NPLs remaining intact at rock bottom. It was the SBs whose performance was quite impressive with a reduction of Rs2.1 billion and Rs7.5 billion in gross and net NPLs, respectively. The decline in their infected portfolio is also reflected in their key asset quality ratios. The ratios of NPLs to loans, both gross and net have come down to 13.8 percent and 4.5 percent, respectively from 14.5 percent and 5.3 percent at the end of last quarter (see **Figures 4.3 & 4.4**). The ratios for other groups of the industry reveal that the PSCBs displayed a poor performance by gaining 0.5 percentage points in their gross NPLs to loans ratio while net NPLs to net loans being intact at 5.7 percent. The LPBs did relatively better by improving these ratios by 0.6 and 0.3 percentage points, respectively. The FBs improved their gross NPLs to total loans ratio slightly while maintaining the other ratio at 0.0 percent. The SBs outdid the rest of the groups this quarter by showing improvement of 3.3 and an impressive 10.3 percentage points in these ratios, respectively.

Figure-4.3: NPLs to Loans (Gross)



	CY01	CY02	CY03	Jun-04	Sep-04
PSCBs	25.9	25.5	20.4	16.6	17.1
LPBs	16.3	15.4	11.3	11.4	10.8
FBs	4.3	3.8	3.1	2.0	1.8
CBs	19.6	17.7	13.7	11.4	11.0
SBs	53.0	54.7	55.6	55.5	52.2
All (RHS)	23.4	21.8	17.0	14.5	13.8

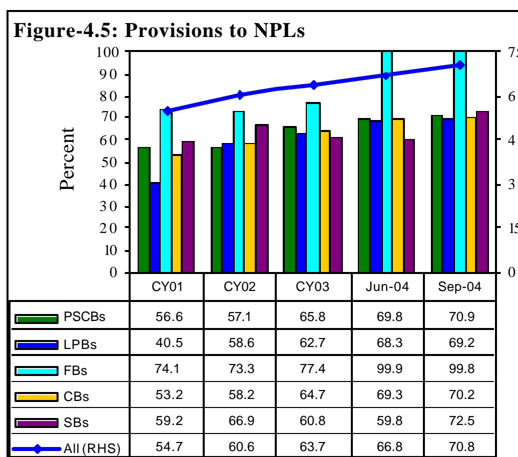
Figure-4.4: Net NPLs to Net Loans



	CY01	CY02	CY03	Jun-04	Sep-04
PSCBs	13.1	12.8	8.1	5.7	5.7
LPBs	10.4	7.0	4.5	3.9	3.6
FBs	1.1	1.1	0.7	0.0	0.0
CBs	10.3	8.3	5.3	3.8	3.6
SBs	31.5	28.5	33.0	33.4	23.1
All (RHS)	12.1	9.9	6.9	5.3	4.5

As can be inferred from the net NPLs to net loans ratio, the NPLs coverage ratios for all the groups have also witnessed a continued improving pattern **(see Figure 4.5)**. In the wake of issuance of new Prudential Regulations (PRs) wherein the banks are required to apply discounting factors on the value of their collateral to make up for possible erosion in the value of the collateral, banks have started making provisions more prudently so as to avoid any abrupt blow to their P&Ls on account of required provision in the future.

Figure-4.5: Provisions to NPLs



	CY01	CY02	CY03	Jun-04	Sep-04
PSCBs	56.6	57.1	65.8	69.8	70.9
LPBs	40.5	58.6	62.7	68.3	69.2
FBs	74.1	73.3	77.4	99.9	99.8
CBs	53.2	58.2	64.7	69.3	70.2
SBs	59.2	66.9	60.8	59.8	72.5
All (RHS)	54.7	60.6	63.7	66.8	70.8

Sector-wise breakup of loans and their corresponding NPLs reveal good credit risk containment for the corporate sector (see **Table 4.1**). Share of corporate sector loans in total domestic loans of the banking sector has slightly shrunk from 54.9 percent in last quarter to 54.3 percent in this quarter. Accordingly, its share in total domestic NPLs has also marginally decreased to 57.3 percent from 57.4 percent. Furthermore, NPLs, as percentage of total loans, have also decreased to 14.0 percent from 14.6 percent as of last quarter.

Table:4.1 Segmentwise Infection of Loans Portfolio as of 30-09-04

(Domestic Operations) (Rs In Billions)

Sector	Amount Outstanding	Share %	NPLs	Share	NPLs as % of Outstanding
Corporate	765.9	54.3%	107.3	57.3%	14.0%
SMEs	247.3	17.5%	27.1	14.5%	10.9%
Agriculture	117.8	8.3%	44.8	23.9%	38.1%
Consumers	125.8	8.9%	1.1	0.6%	0.8%
Credit Cards	*12.7*	0.9%	*0.3*	0.1%	*2.1%*
Auto Loans	*41.4*	2.9%	*0.3*	0.1%	*0.6%*
Consumer Durables	*1.8*	0.1%	*0.1*	0.1%	*7.9%*
Mortgage Loans	*12.4*	0.9%	*0.1*	0.0%	*0.4%*
Others	*57.5*	4.1%	*0.4*	0.2%	*0.6%*
Commodity Finance	85.0	6.0%	0.8	0.4%	1.0%
Staff Loans	40.0	2.8%	0.5	0.3%	1.4%
Others	29.7	2.1%	5.7	3.0%	19.1%
Total	**1,411.4**	**100%**	**187.3**	**100%**	**13.3%**

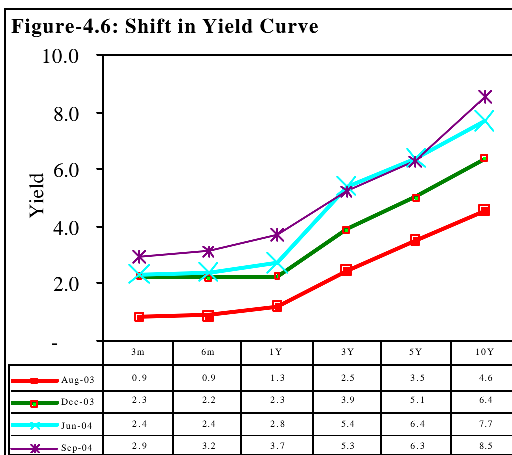
SMEs sector on the other hand displays a rather worrisome picture. The increase in NPLs of this sector outpaced the loan growth. Resultantly NPLs to total loans ratio deteriorated to 10.9 percent from 9.3 percent during the last quarter. The banks need to focus more on improving risk assessment and credit appraisal to ward off any further deterioration in this sector. Consumers sector has not displayed any signs of weakening credit quality until now. However, banks need to be cautious about aggressive lending to consumers and SMEs because large numbers and lower volumes might tempt banks to make compromised credit appraisals. Nevertheless, these sectors are promising and in fact in most of the successful economies, they are the backbone of loan growth. Therefore, prudently administered lending to these sectors can bring the needed impetus to the earnings of banks through an optimum risk/reward mix. The agriculture sector has also exhibited an improved performance by an increased share in total loans and a lesser share in total NPLs. Its NPLs to loans ratio has also come down to 38.1 percent from 42.2 percent during the last quarter. One of the reasons for this improvement could be that recently the focus of banks has been more towards agriculture development loans rather than production loans, which has helped tillers get better gains for their efforts and their repayment capacity has also improved. Overall, the credit risk of the banking sector has been on a tight rein.

4.2 Market Risk

While striking a balance between inflation and growth, the SBP changed its stance on its monetary policy to allow a gradual and measured rise in interest rates Consequently, the rise in interest rates and building pressure on the exchange rates due to the current account deficit have kept the rising trend of the market risk intact.

Increasing **interest rates** have been a threat to the profitability of banks that have substantial investment in fixed income securities. The secondary market yields on 3y, 5y, 10y, 15y and 20y bonds have been up since August 2003 (see **Figure 4.6**). However, the duration of these securities, though moderate since the start of this year, is still on the higher side. The weighted average duration of 3y, 5y, 10y, 15y and 20y bonds is at 1.19, 2.82, 5.60, 8.18 and 8.73 years, respectively. Accordingly, the price sensitivity of these bonds stayed at 1.17, 2.73, 5.27, 7.57 and 7.98 percent, respectively. As for MTBs, the weighted average price sensitivity for all of the three maturities of 3, 6 and 12 months is at 0.29 percent for the same rise in interest rates.

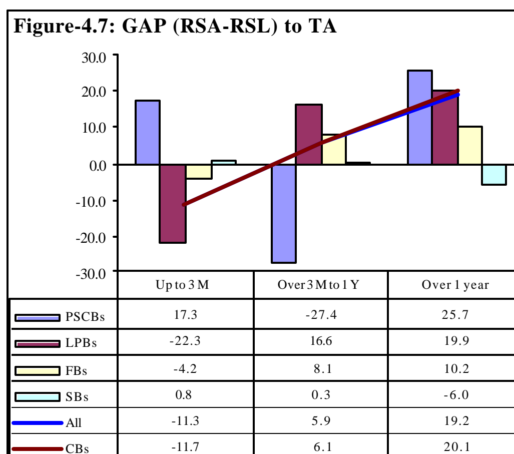
Figure-4.6: Shift in Yield Curve



	3m	6m	1Y	3Y	5Y	10Y
Aug-03	0.9	0.9	1.3	2.5	3.5	4.6
Dec-03	2.3	2.2	2.3	3.9	5.1	6.4
Jun-04	2.4	2.4	2.8	5.4	6.4	7.7
Sep-04	2.9	3.2	3.7	5.3	6.3	8.5

In line with International Accounting Standards (IAS), the current quarter witnessed a policy change in terms of which Held to Maturity securities are no longer subject to mark-to-market rule and the surplus/deficit on Held for Trading securities is to be routed through the profit and loss account. This has prompted banks with risky investments to categorize such portfolio under Held to Maturity category to avoid booking revaluation deficit and their good portfolio in the rest of the two categories i.e. Held for Trading and Available for Sale securities. As a result, the banks have shown surplus on revaluation of such securities as against deficit during the last quarter, despite further rise in interest rates since June 2004. Through such reshuffling, the banks are avoiding revaluation deficit at the expense of re-pricing gains in future. At the same time, the banks would have to compromise on lower returns till the maturity of these securities as most of the liability side bears a shorter re-pricing period and if interest rate on liability side rises, the banks would be left with lower spreads.

Re-pricing GAPs between the rate sensitive assets and the rate sensitive liabilities bears out this (see **Figure 4.7**). For the three-month bucket, the GAP remained negative as most of the deposits fall in this category. While for the more than one-year category, the rate sensitive assets well exceed the rate sensitive liabilities due to large investment in fixed income longer tenor securities. Resultantly, the GAP in this category exceeds the acceptable limit of +/- 10 percent. This significant mismatch creates re-pricing risk for banks.



	Up to 3 M	Over 3 M to 1 Y	Over 1 year
PSCBs	17.3	-27.4	25.7
LPBs	-22.3	16.6	19.9
FBs	-4.2	8.1	10.2
SBs	0.8	0.3	-6.0
All	-11.3	5.9	19.2
CBs	-11.7	6.1	20.1

Figure-4.7: GAP (RSA-RSL) to TA

The volume of the financial derivatives market, though growing, is still quite small. Until now, every individual transaction was to be approved by the SBP. However, in order to develop an Over The Counter (OTC) derivatives market, the banks and Development Financial Institutions (DFIs) have been given the option by the SBP to become either Authorized Derivatives Dealers (ADDs) or Non-Market Maker Financial Institutions (NMFIs) after meeting certain criteria. These institutions would be allowed to enter into foreign currency options, forward rate agreements and interest rate swaps.

Drain in the interbank dollar liquidity on account of heavy import bills and prepayment of external debt, in addition to narrowing of the Rupee-Dollar interest rates spread have put a strain on the **exchange rate**. Though the SBP remained a net seller of foreign currency in the interbank market, the Rupee witnessed depreciation

(see **Figure 4.8**). Since the middle of July 2004, the swap points turned positive and six months forward rate swap points have been up from –0.0456 since the start of this quarter to 0.5163 by the end quarter and 1.1663 in mid of November 2004 (see **Figure 4.9**). Despite this, around 12 banks were running overall short Net Open Position (NOP) as of September 30. Though the exposure is well within the limits, if the Rupee becomes weaker, the banks would have to pay a price to square their positions.

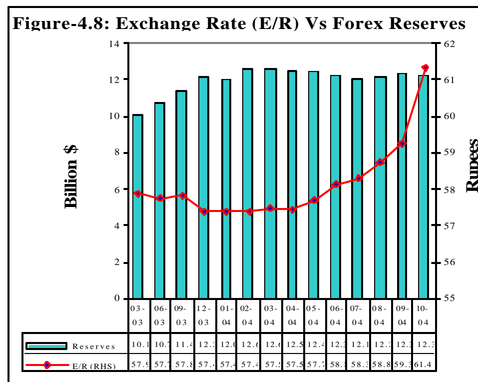


Figure-4.8: Exchange Rate (E/R) Vs Forex Reserves

Despite all the positive trends in the **equities** market, exposure in shares in terms of equity has largely been normalized. While absolute investment in shares remained in the vicinity of Rs27 billion, overall exposure in terms of capital declined to 17 percent as against 19 percent in the previous quarter.

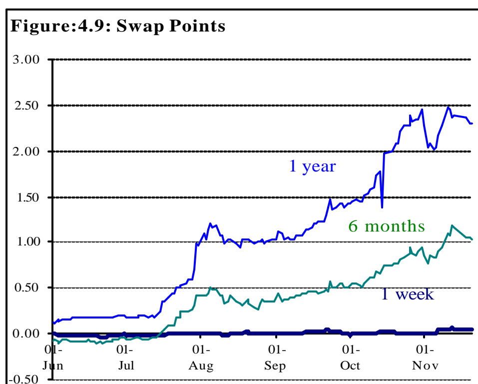


Figure:4.9: Swap Points

Bank-wise, the number of banks exceeding the 20 percent benchmark[8] decreased and in the post quarter period it further declined to 2. Whilst the investment in equities has somewhat rationalized, some of the banks are still assuming excessive indirect exposure i.e. Carry Over Transactions (COT).

The total exposure on the stock market remains high. **Figure 4.10** shows the share of banks in the overall banking system and the bank-wise total exposure in stock market viz. shares, Term Finance Certificates (TFCs) and National Investment Trust (NIT) units comes to 32 percent of the equity of the overall banking system. Given the volatility of the stock market, the risk of a sudden fall in prices is there.

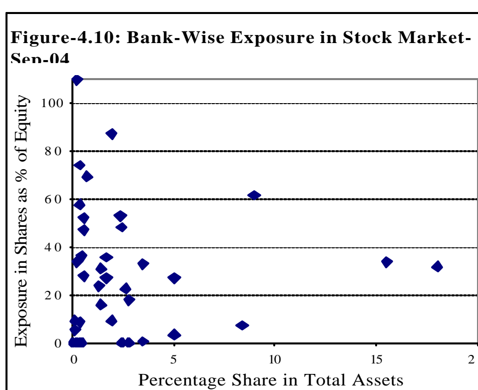


Figure-4.10: Bank-Wise Exposure in Stock Market-Sep-04

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[8] *Exposure in shares(net of subsidiaries and strategic investments) and mutual funds in terms of equity*

However an analysis simulating adverse shocks suggests that the impact is severely restricted (see **Figure 4.11**). The share of the banks carrying high exposures is not so high in the overall banking system; hence the potential for any systemic risk remains low.

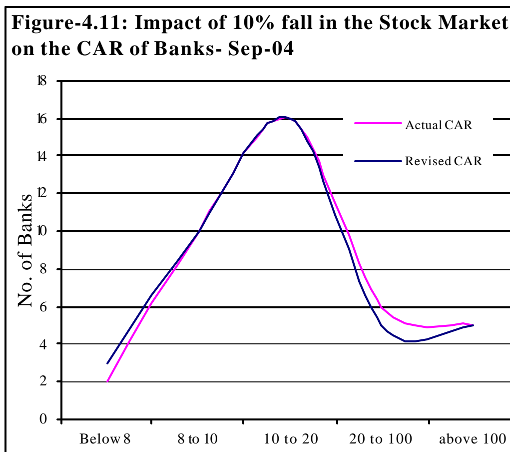


Figure-4.11: Impact of 10% fall in the Stock Market on the CAR of Banks- Sep-04

4.3 Liquidity Risk

Liquidity conditions came, for a short period, under pressure during this quarter as the SBP strove to tackle rising inflationary tendencies. The SBP remained engaged in mopping up liquidity quite frequently through Open Markt Operations (OMOs) during the quarter, effecting a modest rise in interest rates. The banks had, therefore, to resort to the SBP discount window to meet short-term liquidity requirements. The visits were more frequent during the last month of the quarter. This change in monetary stance, no doubt, succeeded in wiping out excess liquidity. The situation still remained under control as banks continued to hold sufficient liquid assets mainly in the form of government securities. Liquid assets in terms of total assets dropped slightly to 41.6 percent (see **Figure 4.12**). Loans to deposits ratio, though increased to 60.8 percent (net of export refinance at 57 percent), however, the level is still comfortable.

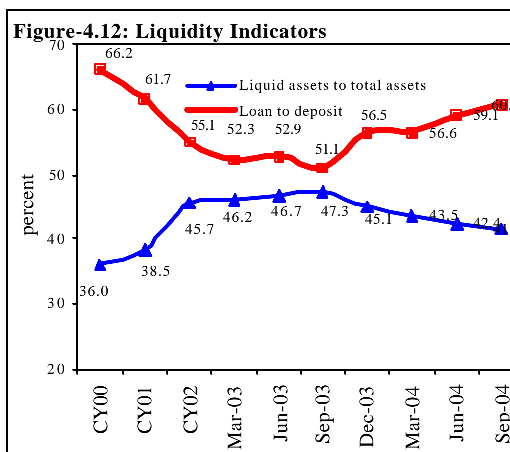
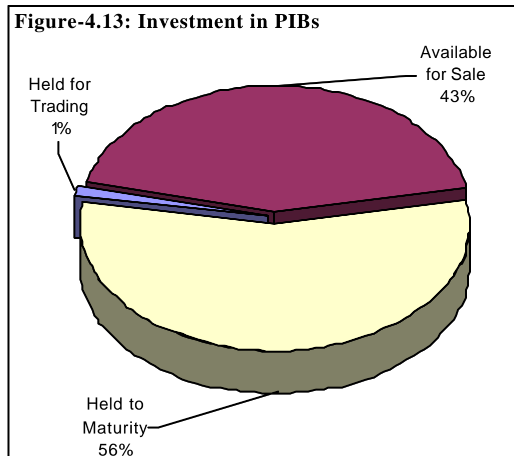


Figure-4.12: Liquidity Indicators

Maturity GAPs across all the time buckets remained within an acceptable level. Secondary market trading, which is one of the indicators of market liquidity, continued to gain momentum during the quarter. However, wiping out of the additional liquidity from the interbank market has widened the bid/ask spreads of these securities. Moreover, the post quarter witnessed a shift in the average daily turnover of the securities away from PIBs to MTBs. This can be attributed to the fact that banks have moved most of their PIBs portfolio under the Held to Maturity

category while a negligible portfolio rests with the Held for Trading category (see **Figure 4.13**). Hence, most of the trading activity after the quarter end is witnessed in MTBs.

Figure-4.13: Investment in PIBs



Financial Soundness Indicators — Annex-I

Indicators	1997	1998	1999	2000	2001	2002	2003	Jun-04	Sep-04
CAPITAL ADEQUACY									
Risk Weighted CAR									
Public Sector Commercial Banks	(1.3)	11.6	10.6	10.4	9.6	12.3	11.0	12.2	12.4
Local Private Banks	11.9	11.4	10.7	9.2	9.5	9.7	9.0	9.4	10.6
Foreign Banks	14.6	15.6	18.6	18.0	18.6	23.2	23.0	18.6	17.9
Commercial Banks	**6.0**	**12.5**	**12.2**	**11.4**	**11.3**	**12.6**	**11.1**	**10.9**	**11.6**
Specialized Banks	(6.2)	(1.4)	0.3	(3.3)	(13.9)	(31.7)	(28.2)	(8.2)	(12.2)
All Banks	**4.5**	**10.9**	**10.9**	**9.7**	**8.8**	**8.8**	**8.5**	**9.8**	**10.4**
Tier 1 Capital to RWA									
Public Sector Commercial Banks	(2.0)	8.3	7.7	7.7	7.1	8.6	8.2	9.0	9.6
Local Private Banks	11.4	10.2	9.3	8.1	8.4	6.6	7.1	7.2	8.4
Foreign Banks	14.4	15.4	18.4	17.9	18.6	23.0	23.0	18.5	17.8
Commercial Banks	**5.5**	**10.5**	**10.3**	**9.8**	**9.7**	**9.7**	**9.1**	**8.7**	**9.5**
Specialized Banks	(6.3)	(1.6)	0.3	(3.4)	(13.9)	(31.7)	(28.7)	(13.6)	(17.8)
All Banks	**4.1**	**9.1**	**9.2**	**8.3**	**7.3**	**6.2**	**6.5**	**7.4**	**8.1**
Capital to Total Assets									
Public Sector Commercial Banks	0.3	4.9	3.8	4.6	3.7	5.6	6.1	6.2	6.5
Local Private Banks	4.9	4.9	4.9	3.5	3.8	5.2	5.1	5.1	5.9
Foreign Banks	7.9	8.8	9.7	8.8	8.5	10.6	10.0	7.9	7.8
Commercial Banks	**3.1**	**5.6**	**5.0**	**4.9**	**4.6**	**6.1**	**6.0**	**5.7**	**6.2**
Specialized Banks	8.8	0.2	1.7	(1.1)	(10.3)	(23.0)	(9.5)	(9.3)	(12.6)
All Banks	**3.5**	**5.3**	**4.8**	**4.5**	**3.8**	**4.8**	**5.4**	**5.1**	**5.6**
ASSET QUALITY									
NPLs to Total Loans									
Public Sector Commercial Banks	30.8	29.0	30.7	26.3	25.9	25.5	20.4	16.6	17.1
Local Private Banks	10.2	11.1	15.5	15.4	16.3	15.4	11.3	11.4	10.8
Foreign Banks	5.0	5.3	5.1	4.7	4.3	3.8	3.1	2.0	1.8
Commercial Banks	**20.1**	**19.5**	**22.0**	**19.5**	**19.6**	**17.7**	**13.7**	**11.4**	**11.0**
Specialized Banks	50.6	47.2	51.6	52.4	53.0	54.7	55.6	55.5	52.2
All Banks	**23.5**	**23.1**	**25.9**	**23.5**	**23.4**	**21.8**	**17.0**	**14.5**	**13.8**
Provision to NPLs									
Public Sector Commercial Banks	52.9	55.6	48.8	59.2	56.6	57.1	65.8	69.8	70.9
Local Private Banks	57.8	53.3	35.0	36.9	40.5	58.6	62.7	68.3	69.2
Foreign Banks	65.9	75.0	63.4	65.9	74.1	73.3	77.4	99.9	99.8
Commercial Banks	**54.2**	**56.2**	**46.6**	**53.9**	**53.2**	**58.2**	**64.7**	**69.3**	**70.2**
Specialized Banks	22.8	65.3	54.2	58.1	59.2	66.9	60.8	59.8	72.5
All Banks	**46.6**	**58.6**	**48.6**	**55.0**	**54.7**	**60.6**	**63.7**	**66.8**	**70.8**
Net NPLs to Net Loans									
Public Sector Commercial Banks	17.0	15.0	18.5	12.7	13.1	12.8	8.1	5.7	5.7
Local Private Banks	4.6	5.5	10.7	10.3	10.4	7.0	4.5	3.9	3.6
Foreign Banks	1.8	1.4	1.9	1.7	1.1	1.1	0.7	0.0	0.0
Commercial Banks	**10.3**	**9.6**	**13.1**	**10.1**	**10.3**	**8.3**	**5.3**	**3.8**	**3.6**
Specialized Banks	44.1	23.6	32.8	31.6	31.5	28.5	33.0	33.4	23.1
All Banks	**14.1**	**11.1**	**15.3**	**12.2**	**12.1**	**9.9**	**6.9**	**5.3**	**4.5**
Net NPLs to Capital									
Public Sector Commercial Banks	2,081.0	119.9	212.0	124.5	160.2	83.4	50.0	34.7	32.7
Local Private Banks	43.3	51.4	103.5	153.5	125.2	54.8	40.5	36.8	30.1
Foreign Banks	10.0	7.1	9.9	9.0	5.8	4.7	3.3	0.0	0.0
Commercial Banks	**143.6**	**72.1**	**117.4**	**96.7**	**100.7**	**54.2**	**37.5**	**30.6**	**26.5**
Specialized Banks	380.0	11,139.0	1,502.3	-	-	-	-	-	-
All Banks	**183.8**	**92.6**	**149.8**	**131.3**	**150.5**	**85.5**	**55.4**	**48.1**	**37.6**
EARNINGS									
Return on Assets (Before Tax)									
Public Sector Commercial Banks	(3.4)	(0.4)	(0.4)	0.5	-	1.3	1.8	1.9	1.7
Local Private Banks	1.4	0.9	0.9	(0.1)	0.9	1.4	2.2	1.6	1.7
Foreign Banks	3.0	1.7	1.8	1.4	1.7	2.3	2.6	2.3	2.4
Commercial Banks	**(0.8)**	**0.4**	**0.3**	**0.4**	**0.6**	**1.5**	**2.1**	**1.8**	**1.8**
Specialized Banks	(0.2)	(9.4)	1.8	(2.3)	(8.4)	(10.2)	(2.5)	(1.2)	(3.0)
All Banks	**(0.8)**	**(0.3)**	**0.4**	**0.3**	**0.1**	**0.9**	**1.9**	**1.6**	**1.6**
Return on Assets (After Tax)									
Public Sector Commercial Banks	(3.1)	0.7	(1.0)	0.2	(0.5)	0.6	1.0	1.2	1.1
Local Private Banks	0.5	0.4	0.4	(0.7)	0.4	0.7	1.4	1.0	1.1
Foreign Banks	1.4	0.4	0.7	0.6	0.8	1.5	1.5	1.7	2.1
Commercial Banks	**(1.3)**	**0.5**	**(0.3)**	**(0.0)**	**(0.0)**	**0.8**	**1.2**	**1.1**	**1.2**
Specialized Banks	(0.2)	(9.4)	1.7	(2.3)	(8.8)	(12.1)	(3.2)	(1.4)	(3.0)
All Banks	**(1.2)**	**(0.1)**	**(0.2)**	**(0.2)**	**(0.5)**	**0.1**	**1.1**	**1.0**	**1.1**

Indicators	1997	1998	1999	2000	2001	2002	2003	Jun-04	Sep-04
ROE (Avg. Equity& Surplus) (Before Tax)									
Public Sector Commercial Banks	(272.7)	(14.6)	(9.6)	10.9	0.5	26.3	29.9	29.8	27.3
Local Private Banks	29.0	17.5	18.5	(3.2)	25.4	32.3	42.2	29.8	30.9
Foreign Banks	37.7	20.5	19.3	15.6	19.3	24.2	25.2	24.8	27.4
Commercial Banks	(23.8)	8.0	6.5	8.8	12.2	27.5	34.0	28.9	29.3
Specialized Banks	(1.8)	(211.0)	182.8	-	-	-	-	-	-
All Banks	(20.2)	(6.4)	8.7	5.7	1.4	21.1	36.4	29.7	30.3
ROE (Avg. Equity &Surplus) (After Tax)									
Public Sector Commercial Banks	(255.0)	24.0	(24.0)	4.9	(12.2)	11.5	17.3	18.3	17.1
Local Private Banks	10.9	7.3	8.1	(17.4)	10.3	17.3	26.2	19.1	20.0
Foreign Banks	17.2	5.1	7.1	6.1	9.1	15.2	14.9	18.1	24.0
Commercial Banks	(36.2)	12.0	(6.2)	(0.3)	(0.3)	14.3	20.5	18.7	19.9
Specialized Banks	(2.0)	(211.6)	179.1	-	-	-	-	-	-
All Banks	(30.7)	(2.7)	(3.9)	(3.5)	(12.6)	3.2	20.5	18.3	20.0
NII/Gross Income									
Public Sector Commercial Banks	36.1	58.6	56.5	61.8	69.9	69.5	64.1	61.2	60.4
Local Private Banks	50.2	54.9	53.4	63.2	72.1	65.5	56.8	58.3	60.6
Foreign Banks	56.1	50.1	50.0	54.0	59.4	57.5	55.3	56.2	56.8
Commercial Banks	46.5	55.6	54.3	61.2	68.9	66.1	59.4	58.7	60.1
Specialized Banks	88.5	85.1	71.7	78.6	86.7	78.0	75.8	86.3	93.2
All Banks	48.7	59.3	55.6	62.3	70.4	67.1	60.5	60.2	62.4
Cost / Income Ratio									
Public Sector Commercial Banks	140.0	92.1	84.7	70.1	62.3	56.9	42.8	45.1	44.4
Local Private Banks	60.9	73.8	76.6	80.9	67.3	60.0	53.2	57.4	57.3
Foreign Banks	43.6	55.5	57.0	59.4	54.5	45.4	48.3	48.9	47.9
Commercial Banks	85.8	78.5	76.9	71.6	62.7	56.7	48.6	53.8	53.5
Specialized Banks	74.6	32.2	62.2	70.5	59.0	84.7	55.6	56.9	27.8
All Banks	85.2	72.7	75.8	71.6	62.4	59.1	49.1	54.0	51.7
LIQUIDITY									
Liquid Assets/Total Assets									
Public Sector Commercial Banks	39.4	40.4	38.6	37.1	36.5	49.0	49.0	45.9	47.8
Local Private Banks	40.6	40.1	38.0	34.0	39.8	47.1	42.9	41.2	40.1
Foreign Banks	47.6	46.0	40.3	45.2	50.3	48.5	49.8	49.4	44.8
Commercial Banks	41.4	41.3	38.7	37.5	39.9	48.1	46.0	43.1	42.3
Specialized Banks	14.1	14.6	10.5	12.7	13.6	16.4	22.2	22.3	21.0
All Banks	39.5	39.7	36.8	36.0	38.5	46.7	45.1	42.4	41.6
Liquid Assets/Total Deposits									
Public Sector Commercial Banks	46.0	48.4	46.4	45.0	43.4	59.6	59.0	52.9	56.5
Local Private Banks	49.9	49.7	48.0	44.3	49.6	60.2	54.5	50.9	50.7
Foreign Banks	57.9	56.9	55.6	67.7	78.3	74.2	69.7	71.1	60.2
Commercial Banks	49.4	50.3	48.2	48.0	50.3	61.5	57.9	53.3	53.0
Specialized Banks	102.8	134.8	78.8	90.8	79.8	98.5	131.5	146.2	136.9
All Banks	50.0	51.0	48.6	48.5	50.7	61.8	58.5	54.0	53.6
Advances/Deposits									
Public Sector Commercial Banks	48.4	46.5	50.8	54.0	53.8	44.3	45.6	44.1	44.3
Local Private Banks	56.6	57.0	59.6	67.5	57.9	52.3	58.3	59.5	62.5
Foreign Banks	54.3	56.7	68.2	71.5	66.8	72.0	63.9	66.4	63.8
Commercial Banks	51.8	51.2	55.9	60.5	56.9	51.0	53.6	56.5	58.4
Specialized Banks	551.7	671.3	586.8	553.0	450.5	453.8	381.5	408.6	412.7
All Banks	57.6	56.6	62.0	66.2	61.7	54.9	56.5	59.1	60.8

Selected Indicators for Different Categories of Banks **Annex-II**

Indicators	Top 5 Banks	Top 10 Banks	Top 20 Banks	Industry
Share of Total Assets	55.77%	73.43%	92.98%	100.00%
Share of Total Deposits	60.71%	75.28%	94.22%	100.00%
Share of Gross Earnings	52.82%	74.37%	94.18%	100.00%
Share of Foreign Exchange				
Share of Risk Weighted Assets	48.80%	68.80%	91.39%	100.00%
Capital Adequacy				
Capital/RWA	11.08%	11.59%	11.66%	10.42%
Tier 1 Capital / RWA	8.41%	8.86%	9.19%	8.13%
Net Worth / Total Assets	5.75%	5.81%	6.09%	5.59%
Asset Composition				
Sectoral Distribution of Loans (Domestic)				
- Corporate Sector:	49.53%	66.02%	92.22%	100.00%
- SMEs:	50.49%	66.30%	88.61%	100.00%
- Agriculture	24.12%	92.34%	94.57%	100.00%
- Consumer Finance:	36.45%	73.80%	93.96%	100.00%
- Commodity Financing	68.03%	83.54%	97.74%	100.00%
- Staff Loans	79.30%	90.43%	95.64%	100.00%
- Others	32.50%	61.40%	93.26%	100.00%
- Total	48.01%	70.61%	92.39%	100.00%
NPLs / Gross Loans	16.72%	16.06%	13.20%	13.79%
Net NPLs / Capital	39.67%	39.49%	31.82%	37.62%
Earning & Profitability				
ROA	0.70%	0.67%	0.83%	1.07%
ROE	13.69%	12.73%	14.44%	20.00%
Net Interest Margin / Gross Income	60.51%	63.87%	62.63%	62.36%
Income from Trading & Foreign Exchange / Gross Income	11.94%	10.84%	11.73%	11.98%
Non-Interest Expense / Gross Income	57.64%	52.64%	50.68%	51.73%
Liquidity				
Liquid Assets / Total Assets	46.17%	43.17%	41.77%	41.55%
Liquid Assets held in Govt. Securities / Total Liquid Assets	58.91%	56.42%	53.42%	52.29%
Liquid Assets / Total Deposits	54.70%	54.31%	53.17%	53.60%

Bank-wise Major Statistics (Unaudited) September 30, 2004 Annex-III

(Rs in Million)

Name of Bank	Capital	Total Assets	Deposits
The Bank of Khyber	1,885	20,495	13,982
The Bank of Punjab	6,303	54,962	43,587
First Women Bank Ltd	641	9,553	7,677
National Bank of Pakistan	30,327	516,173	443,185
Allied Bank of Pakistan Ltd	10,131	143,538	124,845
Bank Alfalah Ltd.	4,963	142,589	100,460
Bank Alhabib Ltd.	3,584	73,684	58,811
Askari Commercial Bank Ltd.	5,788	107,676	77,889
Bolan Bank Ltd.	1,134	11,586	9,236
Crescent Commercial Bank Ltd.	1,748	5,862	2,379
Dawood Bank Ltd.	1,058	1,946	69
Faysal Bank Ltd.	8,511	69,029	49,918
Habib Bank Ltd.	25,304	444,213	366,448
KASB Bank Ltd.	1,242	13,831	8,722
Trust Bank Ltd.	693	5,076	1,506
Meezan Bank Ltd.	1,795	16,054	9,843
MCB	11,360	256,246	216,464
Metropolitan Bank Ltd.	3,967	66,240	46,269
NDLC-IFIC Bank Ltd.	1,298	14,942	8,808
PICIC Commercial Bank Ltd.	3,067	47,656	39,248
Prime Commercial Bank Ltd.	1,802	36,326	26,356
Saudipak Commercial Bank Ltd.	1,504	39,438	28,693
Soneri Bank Ltd.	2,734	46,464	34,502
UBL	14,867	239,541	199,146
Union Bank Ltd.	3,122	78,970	61,827
ABN AMRO Bank	2,675	55,349	44,007
Habib Bank AG Zurich	1,782	38,315	27,117
Al-Baraka Islamic Bank	1,297	10,072	7,330
American Express Bank Ltd	1,074	10,582	5,445
Citibank, N.A.	5,976	69,642	48,827
Deutsche Bank	1,121	4,204	1,561
The Hongkong & Shanghai Banking Corp. Ltd	1,284	12,138	8,305
Oman International Bank	1,004	1,955	644
Rupali Bank Limited	110	512	149
Standard Chartered Bank	5,976	99,452	82,039
Bank of Tokyo -Mitsubishi	1,741	4,985	3,209
Industrial Development Bank of Pakistan	- 24,523	10,326	11,632
Zarai Taraqiati Bank Ltd	10,479	78,038	1,789
Punjab Provincial Cooperative Bank Ltd	1,527	10,786	1,786
All Banks	**160,353**	**2,868,447**	**2,223,707**

List of Abbreviations **Annex-IV**

CAR	Capital Adequacy Ratio
CBs	Commercial Banks
COT	Carry Over Transactions
CY	Calendar Year
FBs	Foreign Banks
LPBs	Local Private Banks
MCR	Minimum Capital Requirement
MTBs	Market Treasury Bills
NII	Net Interest Income
NPLs	Non Performing Loans
OMOs	Open Market Operations
PIBs	Pakistan Investment Bonds
PSCBs	Public Sector Commercial Banks
PTCs	Participation Term Certificates
ROA	Return on Assets
ROE	Return on Equity
RSAs	Rate Sensitive Assets
RSLs	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
SBP	State Bank of Pakistan
SBs	Specialized Banks
SMEs	Small and Medium Enterprises
TFCs	Term Finance Certificates
ZTBL	Zarai Taraqiati Bank Limited

Capital Adequacy Ratio: The amount of risk-based capital (Tier I and II) as a percent of Risk-Weighted Assets.

Corporate; It means and includes public limited companies and such entities, which do not come under the definition of SME.

Discount rate: It is the rate at which the SBP provides three-day repo facility to banks, acting as the lender of last resort.

GAP: This term is commonly used to describe the rupee volume of the interest-rate sensitive assets versus interest-rate sensitive liabilities mismatch for a specific time frame; often expressed as a percentage of total assets.

Interbank rates: The two-way quotes namely bid and offer rates quoted in interbank market are called as interbank rates.

Intermediation cost: Administrative expenses divided by the average deposits and borrowings.

Liquid assets: The assets that are easily and cheaply turned into cash – notably cash and short term securities. It includes cash and balances with banks, call money lending, lending under repo and investment in government securities.

Net interest income: Total interest income less total interest expense. This residual amount represents most of the income available to cover expenses other than the interest expense.

Net Interest Margin (NIM): Net interest income as a percent of average earning assets.

Net loans: Loans net of provision held for NPLs.

Net Non-Performing Loans (NPLs): The value of non-performing loans minus provision for loan losses.

Net NPLs to net loans: Net NPLs as a percent of net loans. It shows the degree of loans infection after making adjustment for the provision held.

Non-Performing Loans (NPLs): Loans and advances whose mark-up/interest or principal is overdue by 90 days or more from the due date are classified as non-performing.

NPLs to loans ratio: NPLs as a percent of gross loans.

Paid-up capital This is the equity amount actually paid by the shareholders to a company for acquiring its shares.

Rate Sensitive Assets (RSA): Assets susceptible to interest rate movements; that will be re-priced or will have a new interest rate associated with them over the forthcoming planning period.

Return On Assets: It measures the operating performance of an institution. It is the widely used indicator of earning and is calculated as net profit as percentage of average assets.

Risk Weighted Assets: Each asset and off-balance sheet item is assigned to one of the four broad risk categories based on the perceived credit risk of the obligor. These risk categories are

assigned weights of 0 percent, 20 percent, 50 percent and 100 percent. The standard risk category is 100 percent. The Rupee value of the amount in each category is multiplied by the risk weights associated with that category. The off-balance sheet items are first converted to credit equivalent values by using the conversion factors. The resulting values for each of the risk categories are added together. The resulting sum is the total risk weighted assets.

SME: It means an entity, ideally not a public limited company, which does not employ more than 250 persons (if it is a manufacturing concern) and 50 persons (if it is a trading/service concern) and also fulfils the following criteria of either ‘a’ and ‘c’ or ‘b’ and ‘c’ as relevant:

(a) A trading / service concern with total assets at cost excluding land and building up to Rs50 million.

(b) A manufacturing concern with total assets at cost excluding land and building up to Rs100 million.

(c) Any concern (trading, service or manufacturing) with net sales not exceeding Rs300 million as per latest financial statements.

Tier I capital: The risk based capital system divides capital into two tiers - core capital (Tier I) and supplementary capital (Tier II). Tier I capital is defined as common stockholders’ equity (including the common stock, surplus and undivided profits), non-cumulative perpetual preferred stock and minority interest in consolidated subsidiaries.

Tier II capital: The supplementary Capital (Tier II) is limited to 100 percent of the core capital (Tier I). It includes cumulative perpetual preferred stock, mandatory convertible debt, the general provision or reserves for loan losses, term subordinated debt, limited life preferred stock and other hybrid capital instruments.

Yield risk: The risk arising out of the changes in interest rates on a bond or security when calculated as that rate of interest which, if applied uniformly to future time periods sets the discounted value of future bond coupon and principal payments equal to the current market price of the bond.

Group-wise Composition of Banks 1997 – September 2004

Annex-VI

1997-1998	1999-2000	2001	2002	2003	Sep-2004
A. Public Sector Comm. Banks (6) - Habib Bank Ltd. - National Bank of Pakistan - United Bank Ltd. - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (16)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - Platinum Commercial Bank Ltd - Prime Commercial Bank Ltd. - Prudential Commercial Bank Ltd - Gulf Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd - Allied Bank of Pakistan - Trust Bank Ltd. - Indus Bank Ltd. **C. Foreign Banks (20)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - ANZ Grindlays Bank - Bank of America - Bank of Ceylon - The Bank of Tokyo–Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez - Deutsche Bank A.G. - Doha Bank - Emirates Bank International - Habib Bank A. G. Zurich - The Hongkong & Shanghai Banking Corporation Ltd. - IFIC Bank Ltd. - Mashreq Bank PJSC - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Societe Generale - Standard Chartered Bank **D. Specialized Banks (4)** - Agriculture Development Bank of Pakistan - Industrial Development Bank of Pakistan - Federal Bank for Co-operatives - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (42)** Include A + B + C **All Banks (46)** Indude A + B + C + D	**A. Public Sector Comm. Banks (6)** - Habib Bank Ltd. - National Bank of Pakistan - United Bank Ltd. - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (14)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - Platinum Commercial Bank Ltd - Prime Commercial Bank Ltd. - Prudential Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan **C. Foreign Banks (20)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - ANZ Grindlays Bank - Bank of America - Bank of Ceylon - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez - Deutsche Bank A.G. - Doha Bank - Emirates Bank International - Habib Bank A. G. Zurich - The Hongkong & Shanghai Banking Corporation Ltd. - IFIC Bank Ltd. - Mashreq Bank PJSC - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Societe Generale - Standard Chartered Bank **D. Specialized Banks (4)** - Agriculture Development Bank of Pakistan - Industrial Development Bank of Pakistan - Federal Bank for Co-operatives - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (40)** Include A + B + C **All Banks (44)** Include A + B + C + D	**A. Public Sector Comm. Banks (6)** - Habi b Bank Ltd. - National Bank of Pakistan - United Bank Ltd. - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (14)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - Platinum Commercial Bank Ltd - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan **C. Foreign Banks (19)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - Standard Chartered Grindlays Bank - Bank of Ceylon - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez - Deutsche Bank A.G. - Doha Bank - Emirates Bank - Habib Bank A. G. Zurich - The Hongkong & Shanghai Banking Corporation Ltd. - IFIC Bank Ltd. - Mashreq Bank PJSC - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Societe Generale - Standard Chartered Bank **D. Specialized Banks (4)** - Agriculture Development Bank of Pakistan - Industrial Development Bank of Pakistan - Federal Bank for Co-operatives - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (39)** Include A + B + C **All Banks (43)** Include A + B + C + D	**A. Public Sector Comm. Banks (5)** - Habib Bank Ltd. - National Bank of Pakistan - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (16)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - KASB Bank Ltd. - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan - United Bank Ltd. - Meezan Bank **C. Foreign Banks (16)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - Bank of Ceylon - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez - Deutsche Bank A.G. - Doha Bank - Habib Bank A. G. Zurich - The Hongkong & Shanghai Banking Corporation Ltd. - IFIC Bank Ltd. - Mashreq Bank PJSC - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Standard Chartered Bank **D. Specialized Banks (3)** - Zari Taraqiati Bank Ltd. - Industrial Development Bank of Pakistan - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (37)** Include A + B + C **All Banks (40)** Include A + B + C + D	**A. Public Sector Comm. Banks (5)** - Habib Bank Ltd[1] - National Bank of Pakistan - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (18)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - KASB Bank Ltd. - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan - United Bank Ltd. - Meezan Bank - NDLC-IFIC Bank Ltd - Crescent Bank Ltd. **C. Foreign Banks (14)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - Bank of Ceylon[2] - The Bank of Tokyo–Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez[3] - Deutsche Bank A.G. - Doha Bank[4] - Habib Bank A. G. Zurich - The Hongkong & Shanghai Banking Corporation Ltd. - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Standard Chartered Bank **D. Specialized Banks (3)** - Zari Taraqiati Bank Ltd. - Industrial Development Bank of Pakistan - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (37)** Include A + B + C **All Banks (40)** Include A + B + C + D	**A. Public Sector Comm. Banks (4)** - National Bank of Pakistan - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (21)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - KASB Bank Ltd. - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan - United Bank Ltd. - Meezan Bank - NDLC-IFIC Bank Ltd - Crescent Bank Ltd. - Habib Bank Ltd - Dawood Bank - Trust Bank **C. Foreign Banks (11)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - The Bank of Tokyo–Mitsubishi - Citibank, N.A. - Deutsche Bank A.G. - Habib Bank A. G.Zurich - The Hongkong & Shanghai Banking Corporation Ltd. - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Standard Chartered Bank **D. Specialized Banks (3)** - Zari Taraqiati Bank Ltd. - Industrial Development Bank of Pakistan - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (36)** Include A + B + C **All Banks (39)** Include A + B + C + D

1. *HBL now stands as local private bank after being privatized on 26-02-2004.*
2. *Bank of Ceylon now stands as local private bank (Dawood Bank) after acquisition by a private group on 25-03-2004.*
3. *Credit Agricole now stands as local private bank after being merged into NDLC-IFIC Bank on 19-04-2004.*
4. *Doha Bank now stands as local private bank (Trust Bank) after acquisition by a private group on 05-05-2004.*