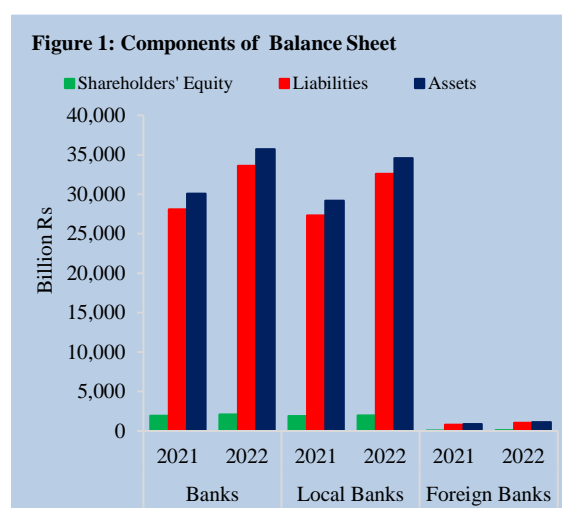


1. Banks

Performance at a Glance

The banking sector comprises of local private sector banks, public sector banks, specialized banks and foreign banks. The ownership composition of the banking sector is highly skewed towards local banks (94.81 percent in terms of their balance sheet size), therefore, the developments in banking sector are largely driven by the performance of local banks (Figure 1).

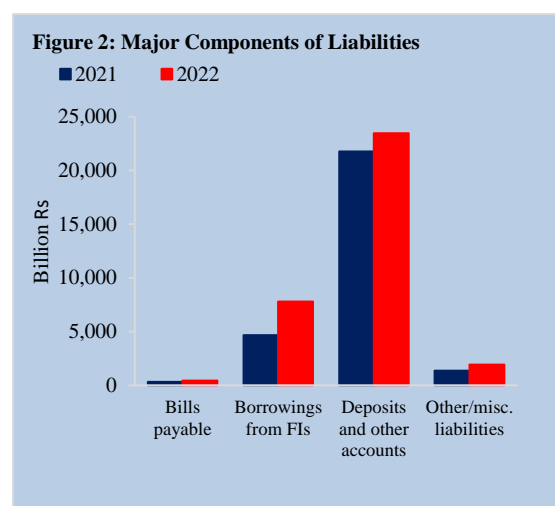


The balance sheet size of the banking sector further expanded in CY22. Specifically, the assets of the banking sector increased to Rs 35.72 trillion in CY22, posting a growth of 18.80 percent. The liabilities increased by Rs 5.52 trillion, showing a 19.64 percent growth while the equity (including others) increased by Rs 131.49 billion, recording a growth of 6.72 percent. In terms of operational performance, the profit before taxation increased by Rs 217.16 billion in CY22, registering a YoY growth of 47.33. The profit after taxation increased by Rs 51.19 billion, posting a YoY growth of 19.05 percent.

Liabilities

The liabilities of the banking sector increased by Rs 5.52 trillion or 19.64 percent during CY22, reaching Rs 33.63 trillion. A further analysis of

liabilities reveals that deposits & other accounts of banking sector (having 69.75 percent share in total liabilities) posted a growth of 7.81 percent during CY22, increasing from Rs 21.76 trillion in CY21 to Rs 23.46 trillion in CY22 (Figure 2).



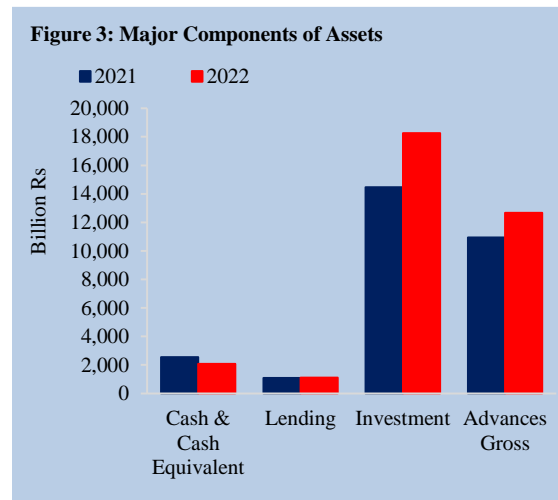
Equity

The shareholders' equity (including others) of banking sector increased from Rs 1.96 trillion in CY21 to Rs 2.09 trillion in CY22, recording a growth of 6.72 percent. While the equity of local banks (with a 94.81 percent share in banking sector's equity) witnessed a growth of 5.46 percent, reaching Rs 1.98 trillion in CY22, the growth of foreign banks' equity was recorded at 36.60 percent. The reserves of the banking sector increased by Rs 66.57 billion whereas unappropriated profit increased by Rs 124.01 billion during CY22.

The breakup of the equity reveals that the share capital/head office account of banking sector witnessed a growth of 12.95 percent, reaching Rs 513.93 billion in CY22. For foreign banks, share capital is recorded as the head office capital account, which showed a growth of 23.33 percent, reaching Rs 59.83 billion in CY22. Similarly, the share capital of local banks grew by 11.71 percent during CY22.

Assets

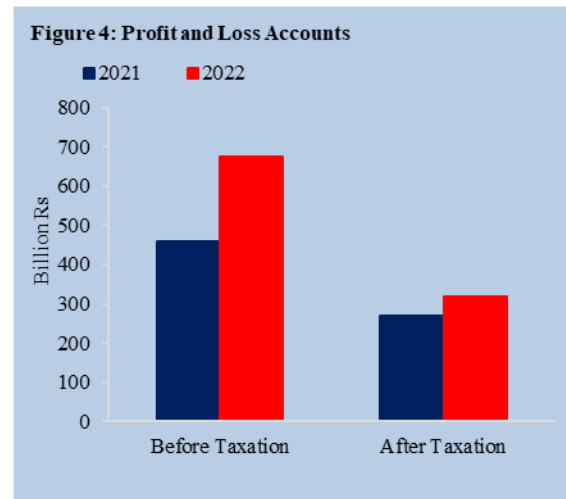
Total assets of the banking sector increased from Rs 30.06 trillion in CY21 to Rs 35.72 trillion in CY22, posting a growth of 18.80 percent. A further analysis of the assets of the banking sector reveals that the investment increased by Rs 3.81 trillion, registering a growth of 26.34 percent. Gross advances of the banking sector increased during CY22, reaching Rs 12.67 trillion showing a growth of 15.77 percent (Figure 3).



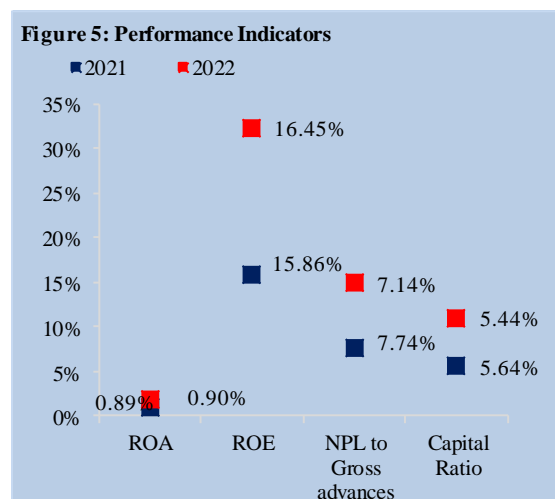
Ownership-wise breakup of banking sector assets indicates that local banks assets increased by Rs 5.39 trillion during CY22 while the assets of foreign banks increased by Rs 263.44 billion. Lending to financial institutions by foreign banks increased by Rs 33.86 billion during CY22. A further analysis of advances reveals that Non-Performing Loans (NPLs) increased by 6.79 percent in CY22 whereas provisions against NPLs increased by 8.97 percent. Further, Advances net of provisions recorded a growth of 16.28 percent, and reached Rs 11.84 trillion in CY22 from Rs 10.18 trillion in CY21.

Profitability and Operating Efficiency

In terms of profitability of banking sector, both profits before and after taxation increased during CY22. Specifically, profit before taxation increased from Rs 458.83 billion in CY21 to Rs 675.99 billion in CY22 witnessing a YoY growth of 47.33 percent (Figure 4).



The profit after taxation increased from Rs 268.68 billion in CY21 to Rs 319.86 billion in CY22. Increase in profitability of banking sector is attributed mainly to local banks as their profit before taxation increased by Rs 193.31 billion in CY22. The foreign banks, recorded an increase of Rs 23.85 billion and Rs 9.13 billion in profit before and after taxation respectively in CY22. In terms of efficiency indicators, Return on Equity (ROE) increased to 16.45 percent in CY22 from 15.86 percent in CY21 (Figure 5).



Similarly Return on Assets (ROA) increased to 0.90 percent in CY22 from 0.89 percent in CY21. On the income side, Interest/markup income of all banks during CY22 stood at Rs 3,401.87

billion nearly twice of Rs 1,833.75 billion recorded in CY21. Similarly, interest/markup expenses increased by 122.10 percent during CY22. As a result, the net interest/markup income stood at Rs 1, 144.88 billion in CY22,

constituting a YoY growth of 40.04 percent. Non-markup/interest income of banking sector increased to Rs 323.6 billion in CY22, depicting a YoY growth of 23.75 percent.