

The background of the entire page is a low-angle, upward-looking photograph of a modern skyscraper with a glass facade. The building's structure is composed of dark metal frames and large glass panels that reflect the sky and other parts of the building. The sky is a pale, overcast blue with soft, wispy white clouds. The overall mood is professional and contemporary.

Banks | Sector Report June'22

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BANKING SECTOR OVERVIEW

Banking Sector		Dec'21	Mar'22
A	Commercial Banks	29	29
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Scheduled Banks (A + B)		32	32

Key Figures | Scheduled Banks

Total Banking Assets Mar'22:
PKR~30,445bln, Dec'21:
PKR~29,772bln
(PKR~25,124bln Dec'20)

Growth: ~19% YoY

Net Investments Mar'22:
PKR~15,279bln, Dec'21:
PKR~14,464bln
(PKR~11,935bln Dec'20)

Growth: ~21% YoY

Gross Advances Mar'22:
PKR~11,132bln, Dec'21:
PKR~10,905bln
(PKR~8,869bln Dec'20)

Growth: ~23% YoY

NPLs: Mar'22: PKR~864bln,
PKR~860bln – Dec'21
(PKR~829bln Dec'20).

Growth: ~4% YoY

Closing Provision (General +
Specific): Mar'22: PKR~790bln
PKR~785bln Dec'21
(PKR~732bln Dec'20).

Growth: ~7% YoY

Banking Deposits Mar'22:
PKR~ 21,258bln Dec'21:
PKR~21,664bln
(PKR~18,519bln Dec'20)

Growth: ~17% YoY

Net Interest Income Mar'22:
PKR~**235bln** CY21:
PKR~826bln-
Dec'21(PKR~852bln CY20)

Growth: ~ (-3%) YoY

Total Banking Equity Mar'22:
PKR~1895bln, Dec'21:
PKR~1,877bln (PKR~1,862bln
Dec'20)

Growth: ~0.8% YoY

ADR Mar'22: 49% Dec'21:
47% (~45% Dec'20)

CAR Mar'22:16.4% Dec'21:
16.7% (~18.2% Dec'20)

PBT Mar'22: PKR~139bln,
CY21: PKR~451bln -
Dec'21(PKR~411bln CY20)

Growth: ~10% YoY

PAT Mar'22: PKR~ **83bln**,
CY21: PKR~267bln-
Dec'21(PKR~244bln CY20)

Growth: ~9% YoY

Source: SBP

*Growth rates are from Dec to Dec

Scheduled Banks | Five Years at a Glance

Financial Position	CY18	CY19	CY20	CY21	PKR mln 1QCY22
Assets					
Cash & Balances with Treasury Banks	1,574,551	1,987,096	2,014,703	2,270,389	2,031,819
Balances with Other Banks	147,829	232,671	277,988	224,210	259,266
Lending to Financial Institutions	909,754	978,640	1,079,071	1,078,835	783,504
Net Investments	7,913,923	8,939,438	11,934,634	14,463,789	15,278,882
Net Advances	7,955,195	8,248,973	8,291,572	10,019,702	10,243,185
Operating Fixed Assets	437,235	596,924	626,251	694,596	713,155
Deferred Tax Assets	81,082	74,052	91,820	118,419	136,257
Others	662,485	933,542	807,816	902,294	998,553
TOTAL BANKS ASSETS	19,682,054	21,991,337	25,123,855	29,772,234	30,444,621
Liabilities					
Bills Payable	243,237	231,178	313,827	328,081	372,679
Borrowings from Financial Institutions	3,001,186	2,932,082	3,216,866	4,602,473	5,574,769
Deposits and Other Accounts	14,254,201	15,953,489	18,518,525	21,663,913	21,214,267
Subordinated Loans	111,713	123,218	121,854	122,815	129,522
Liabilities Against Assets Subject to Finance Lease	7	7,446	7,534	8,025	7,966
Deferred Tax Liabilities	34,557	43,602	46,549	28,717	28,828
Other Liabilities	631,529	1,042,073	1,036,267	1,140,942	1,221,565
TOTAL BANKS LIABILITIES	18,276,439	20,333,089	23,261,422	27,894,967	28,549,596
Equity					
Share Capital	541,040	556,886	556,131	505,043	507,125
Reserves	315,570	349,529	392,599	438,117	456,389
Unappropriated Profits	433,205	521,807	642,965	736,289	753,317
Surplus/Deficit on Revaluation of Assets	115,799	230,026	270,737	197,818	178,193.00
TOTAL BANKS EQUITY	1,405,615	1,658,248	1,862,433	1,877,267	1,895,024
Financial Performance					
<i>Profit & Loss</i>					
Mark-up/Return/Interest Earned	1,153,014	1,851,790	1,924,328	1,807,572	599,066
Mark-up/Return/Interest Expense	607,964	1,156,062	1,071,898	981,544	363,878
Net Mark-up/Interest Income	545,050	695,727	852,430	826,028	235,188
Provisions & Bad Debts Written Off Directly/(Reversals)	36,201	67,855	123,039	43,204	3,529
Net Mark-up/Interest Income After Provision	508,849	627,872	729,391	782,824	231,659
Fee, Commission & Brokerage Income	112,726	123,895	118,322	141,786	40,089
Dividend Income	13,589	12,325	10,810	17,770	5,648
Income from Foreign Currency Transactions	26,100	26,269	21,854	34,746	12,822
Other Income	25,698	19,628	65,920	36,569	5,960
Total Non Mark-up/Interest Income	178,113	182,117	216,906	230,871	64,519
	686,962	809,989	946,298	1,013,695	296,178
Administration Expenses	415,852	495,018	521,253	551,809	157,324
Other Expenses	5,052	10,517	13,690	10,892	-352
Total Non Mark-up/Interest Expenses	434,882	505,535	534,943	562,701	156,972
Extra Ordinary Items	9,016	49	0	0	0
Profit /(Loss) Before Tax (PBT)	243,064	304,405	411,355	450,994	139,206
Taxation	93,542	133,656	167,315	183,604	55,477
Profit /(Loss) After Tax (PAT)	149,612	170,749	244,039	267,390	83,729

Foreword | Banking Prospects

The Economy | FY21 and beyond:

Pakistan's economy has gone through several turbulent phases. It was deeply impacted by the sheer magnitude of the COVID-19 pandemic. Almost everything came to a complete halt. The Government lifted the lockdowns relatively early, and took several measures to stimulate the economy. SBP took a proactive role and lowered interest rate to 7% to spur growth. The economic activity revived and Pakistan posted a GDP growth rate of ~4.0% in FY21 after a contraction in economy of -0.4% in FY20 (GDP growth figures were revised after base year was changed from FY05-06 to FY15-16). The GDP was forecasted to grow at ~5% in FY22 but this has been revised up to ~6%.

Macro Indicators	CY18	CY19	CY20	CY21	1QCY22
GDP (real) (PKR bln)	36,278	37,184	36,710	39,092	41,511
GDP Growth Rate	6.2%	2.5%	-1.3%	6.4%	6.0%
Government Debt (PKR bln)	26,637	32,669	36,272	41,543	42,995
<i>Local</i>	17,536	21,676	24,314	26,746	28,076
<i>Foreign</i>	9,101	10,993	11,958	14,796	14,919
Current Account Balance (USD mln)	(18,859)	(8,558)	(651)	(12,262)	(4,065)
Remittances (USD mln)	21,038	22,124	25,944	31,073	7,145
Trade Balance (USD mln)	(37,648)	(27,306)	(24,765)	(40,826)	(10,298)
Exchange Rate (PKR/USD) (Avg.)	139	155	160	177	183
Fiscal Deficit % of GDP	6.2%	9.3%	9.2%	8.7%	9.8%
KIBOR	7.7%	12.6%	9.0%	8.2%	11.3%
MPR	7.7%	11.3%	9.7%	8.2%	9.8%
Inflation	5.3%	9.4%	9.5%	9.5%	12.6%

Fiscal Side & Current Account:

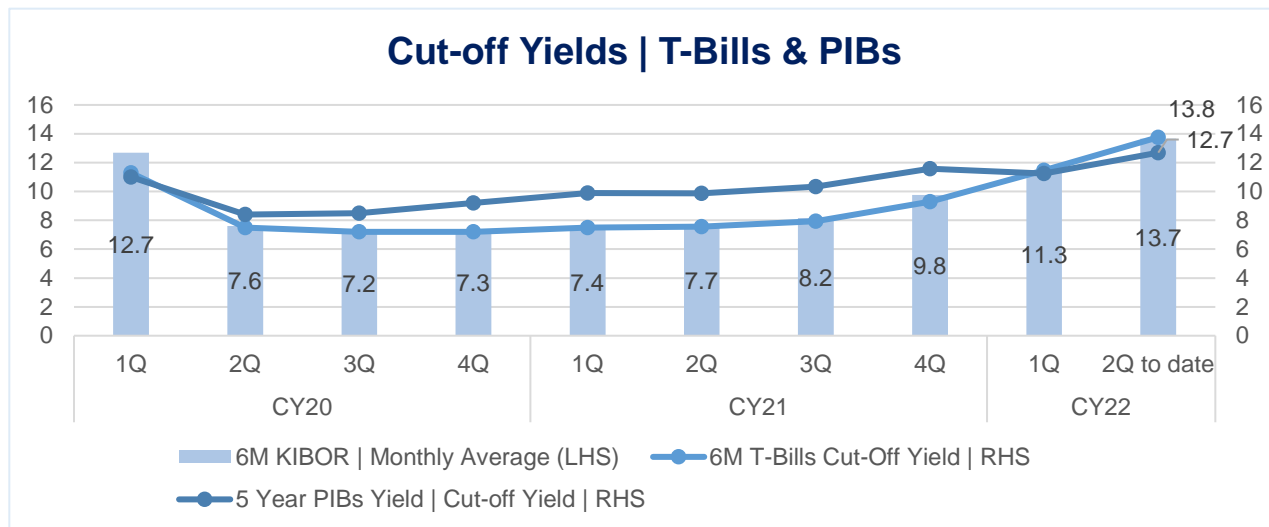
Currently, the Government is very constrained on the fiscal front with fiscal deficit approaching ~10% of GDP. Increasing trade imbalance (higher imports) and depreciating PKR has worsened the situation. Meanwhile, growing worker remittances and higher exports (25% growth in exports in 9MFY22) remain bright spots and prevented the situation from worsening further. The Government has borrowed excessively and total debt as of March'22 stands at over PKR~42,995bln. Out of this, around 35% are foreign borrowings and remaining are locally borrowed.

The current account showed a surplus of USD~0.8bln in FY21. It was mainly due to lower demand for raw materials from businesses, low import bill (mainly energy and food) and an increase in foreign remittances through SBP launched Roshan Digital Accounts for overseas Pakistanis. RDA is a flagship initiative of SBP through which funds received from non-resident Pakistanis grossed up to USD~4bln in Mar'22.

The current account deficit skyrocketed in 1QCY22 and reached USD~4bln based on higher energy and food prices. The rampant increase in imports and widening of the trade deficit has depleted the country's foreign

reserves, which stood at USD~17.5bln at End-1QCY22 (FY21: USD~23.9bln). The exchange rate has depreciated significantly to over PKR~183 per USD.

Inflation and interest rates



Inflation remains the primary concern for not only Pakistan but world over. International commodity prices entered a super cycle with global demand recovering quicker than expected after COVID-19 and supply side still not fully restored. This was further exacerbated by Ukraine-Russia war. Inflation in Pakistan is currently over 13% (End-April 22) as compared to ~9% at End-FY21. In order to curb rising inflation, SBP started increasing the interest rates. The first revision was in Sep'21 where a 25bps rise took Monetary Policy Rate (MPR) to 7.25%. SBP again raised twice to take the MPR to 12.25%. However, T-bills, PIBs and KIBOR rates have increased much aggressively and now stand around 15% in anticipation of further MPR hike.

The saga continues

The fiscal and current account deficits keep widening with foreign reserves depleting rapidly. This pace is not sustainable and radical steps are needed. The recent regime change in Pakistan has put things in flux. The political uncertainty and pressure on multiple fronts have made the situation more challenging. The new Government is trying to revive the IMF program but needs to make tough decisions to reduce subsidies on energy. This may lead to even higher inflation and, in turn, public pressure. High interest rates, rising inflation and pressure on PKR is expected to persist at least in the short term.

Banks | A brief Insight:

The banking sector continues to flourish and enjoy high profitability in Pakistan, despite tough economic conditions. The banking sector weightage is approximately ~25% of the KSE 100 index. The asset base of the sector grew by ~19% to reach almost PKR~30trn in CY21 (CY20: PKR~26trn). Banks' advances posted a hefty growth of ~21% in CY21 and crossed PKR~10trn mark for the first time. The investments also increased by around 20% and stood at PKR~14.5trn. The increase in advances was mainly due to lower interest rates, various schemes and incentives launched by SBP and higher demand from manufacturing and consumer sectors. High commodity prices in the second half also led to higher advances. The recent hike in interest rates is expected to dampen this growth in advances and banks are expected to take higher exposure in government securities.

The deposits of the banking industry increased to PKR~21.6trn (YoY growth of 17%). The CASA ratio of the banking industry stood at an average of 75% in CY21.

The NPL ratio of the industry improved to around ~8% in CY21 (CY20: ~9.2%) and recorded at PKR~860bln (CY20: PKR~829bln). The reduction in NPLs is attributable to strong growth in advances and relatively lower infection ratio stemming from the textile sector. The lower NPL ratio signifies strong credit quality of the banks. This will be under duress now as interest rates have increased and cost will rise for sectors that are dependent on imported raw material. The NPL provision coverage has risen to ~91.2 % showing little potential drag on the banking sector equity.

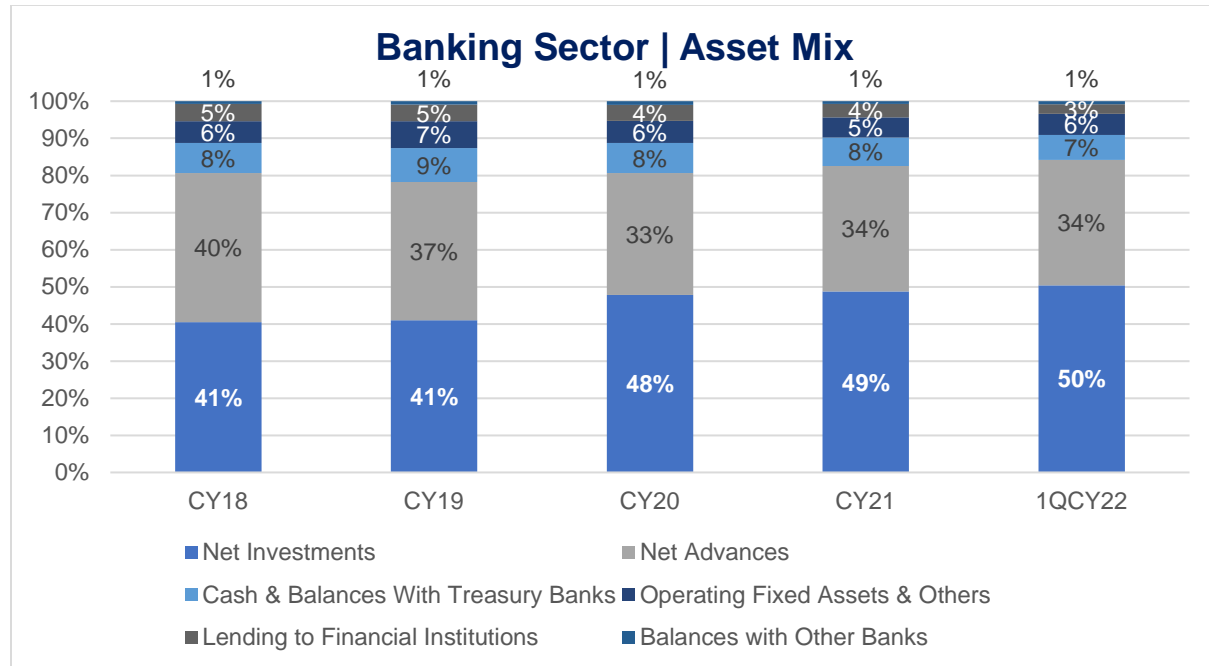
The overall equity base of the industry grew to over PKR~1.9trn in CY21. The CAR for the industry stood at ~16.7% in CY21 (CY20: ~18.2%). Although, the CAR dropped on YoY basis, it still remains well above the minimum regulatory requirement of ~12.5%.

The overall profitability of the banks increased to PKR~267bln (CY20: PKR~244bln). Although net interest income dropped in CY21 by 2%, lower provisioning expense and higher non-markup income led to better profitability. Non-markup income increased by over 8% in CY21 mainly because of 66% growth in dividend income and 59% increase in income from foreign currency transactions. The net interest income is expected to grow with rising interest rates. Banking spreads have already crossed 5%-mark, first time since 2QCY20. Provisioning expense may also increase due to higher NPLs, but the banks are expected to have conservative lending approach. Meanwhile, banks having higher exposure in long tenured government securities may have to take hit if they reprice their portfolio.

Regulatory Updates:

SBP Initiatives	Description
 <p>SME ASAAN FINANCE A refinance scheme by State Bank of Pakistan</p>	<p>SME Asaan Finance Scheme (SAAF). It is a collateral free lending scheme for new and established SME businesses where SBP will share losses with participating institutions on pre-agreed parameters.</p>
 <p>Raast Pakistan's Instant Payment System ہلکے بھروسے میں - کلک بھروسے میں</p>	<p>Raast is Pakistan's first instant payment system that will enable end-to-end digital payments among individuals, businesses and government entities instantaneously. The state-of-the-art Pakistan's Faster Payment System will be used to settle small-value retail payments in real time.</p>
<p>TERF</p>	<p>Temporary Economic Refinance Facility (TERF) is a concessionary refinance facility aimed at promoting investment both new and expansion and/or Balancing, Modernization and Replacement (BMR).</p>
 <p>ROSHAN DIGITAL ACCOUNT دور رہ کر بھی پاس</p>	<p>Roshan Digital Account is a banking facility available to Non-resident Pakistanis, this facility allows Pakistani nationals living abroad to have access to banking services within Pakistan without having to visit a physical bank branch.</p>
 <p>SOHNI DHARTI Remittance Program</p>	<p>Sohni Dharti Remittance Program (SDRP) is a point-based loyalty scheme for remitters who work abroad and send money to their loved ones in Pakistan through banking channels or exchange companies. It is a unique and first-ever smartphone application available in English and Urdu language.</p>
 <p>EASY DATA Making Data Access Easier</p>	<p>Easy Data offers an intuitive and user-friendly interface, and contains time-series economic and financial data that is most relevant to central banking. Starting with a dashboard of key economic and financial indicators covering different areas, Easy Data helps users visualize data through interactive charts.</p>

ASSET ANALYSIS: SCHEDULED BANKS



Credit Quality Scheduled Banks (Figures in PKR bln)	CY18	CY19	CY20	CY21	1QCY22
Gross Advances	8,525	8,869	9,024	10,905	11,132
<i>Growth</i>	21%	4%	2%	21%	2%
Net Advances (Gross Advances - Provisions)	7,955	8,249	8,292	10,121	10,342
<i>Growth</i>	22%	4%	1%	22%	2%
NPLs	680	761	829	860	864
Provisions (General + Specific)	570	620	732	785	790
Net NPLs	110	141	97	75	74
Infection NPLs (%) to Gross Advances	8.0%	8.6%	9.2%	7.9%	7.76%
Coverage Ratio	84%	81%	88%	91%	91%
Drag on Equity (including Rev. Surplus)	7.8%	8.5%	5.2%	3.9%	3.8%
Capital Adequacy Ratio	16.2%	17.0%	18.6%	16.7%	16.40%
ADR	56%	52%	45%	47%	49%
Equity	1,406	1,658	1,862	1,942	1960

- Banking sectors assets posted an impressive growth of ~20% in CY21 while asset mix remained largely the same with investments comprising ~50% of total assets.
- Infection Ratio decreased from ~9.2% in CY20 to ~7.9% in CY21 due higher advances and lower NPLs showing healthy credit quality.
- ADR registered a growth of 2% in CY21. However, with rising interest rates, this is expected to remain constrained.
- CAR shows a falling trend since CY20. CAR for 1QCY22 stood at ~16.4%, which hints the banks on improving their capital mix.

SEGMENT WISE LOAN PORTFOLIO

Segment Wise Banking Credit Exposure	CY21				1QCY22			
	Gross Advances	NPLs	Infection (%)	Share in total advances	Gross Advances	NPLs	Infection (%)	Share in total advances
Corporate Sector	7,731	654	8.5%	71%	7,927	661	8.3%	71%
Fixed Investments	3,459	308	8.9%	32%	3,619	316	8.7%	33%
Working Capital	2,618	249	9.5%	24%	2,595	247	9.5%	23%
Trade Finance	1,654	98	5.9%	15%	1,713	98	5.7%	15%
SMEs	519	77	14.8%	5%	488	76	15.5%	4%
Fixed Investments	125	14	11.2%	1%	131	14	10.5%	1%
Working Capital	352	56	16.1%	3%	316	56	17.7%	3%
Trade Finance	42	6	14.3%	0%	42	6	14.5%	0%
Agriculture	405	62	15.3%	4%	406	57	14.0%	4%
Consumer Financing	821	30	3.7%	8%	863	31	3.6%	8%
(i) Credit Cards	65	3	4.0%	1%	69	3	3.8%	1%
(ii) Auto Loans	351	4	1.2%	3%	359	4	1.2%	3%
(iii) Consumer Durables	2	0	3.7%	0%	2	0	3.8%	0%
(iv) Mortgage Loans	148	10	6.7%	1%	174	10	5.6%	2%
(v) Other Personal Loans	255	13	5.3%	2%	260	14	5.5%	2%
Commodity Financing	991	8	0.8%	9%	979	8	0.9%	9%
Cotton	44	1	2.1%	0%	36	2	4.8%	0%
Rice	27	2	9.0%	0%	27	2	8.4%	0%
Sugar	95	2	1.9%	1%	89	2	2.1%	1%
Wheat	804	1	0.1%	7%	772	0	0.1%	7%
Others	21	2	10.4%	0%	55	2	3.8%	0%
Staff Loans	198	2	1.2%	2%	208	3	1.2%	2%
Others	241	27	11.3%	2%	259	28	10.8%	2%
TOTAL	10,905	860	7.90%	100%	11,132	864	7.80%	100%

- The Banking Sector remained concentrated towards Corporate Sector (~71% share). Although NPLs decreased in percentage terms, they increased by PKR~50bln in absolute terms on YoY basis for the Corporate Sector.
- Consumer financing increased from 7% to 8% in CY21 with mortgages and automobile loans leading the way.
- Total banking advances stands at PKR~11.1trn at the end of 1QCY22 which reflects a modest growth of ~2.1% from CY21.

SECTOR WISE LOAN PORTFOLIO

Sector Wise Financing (figures in PKR bln)	CY21				1QCY22			
	Advances	NPLs	Infection (%)	Share in total Advances	Advances	NPLs	Infection (%)	Share in total Advances
Energy	1,521	78	5%	13.9%	1,560	84	5%	14.0%
Textile	1,782	156	9%	16.3%	1,801	154	9%	16.2%
Individuals	1,072	63	6%	9.8%	1,108	63	6%	10.0%
Agribusiness	932	67	7%	8.5%	869	63	7%	7.8%
Pharma & Chemicals	375	17	4%	3.4%	378	16	4%	3.4%
Sugar	251	59	23%	2.3%	401	58	15%	3.6%
Financial Sector	337	10	3%	3.1%	345	11	3%	3.1%
Cement	213	5	3%	2.0%	221	6	3%	2.0%
Automobile	195	17	9%	1.8%	200	17	9%	1.8%
Electronics	151	24	16%	1.4%	156	24	15%	1.4%
Shoes & Leather garments	44	5	13%	0.4%	48	6	12%	0.4%
Insurance	6	0	1%	0.1%	6	0	1%	0.1%
Others	4,027	358	9%	36.9%	4,040	362	9%	36.3%
Total	10,905	860		100.0%	11,132	864		100.0%

- Textile sector has the largest share in banking credit (~16%) followed by Energy (~14%).
- In terms of NPLs Sugar (mainly Omni Group mills), Electronics and Leather remained in double figures. Textile NPLs reduced in absolute terms in CY21 to ~9% (~13% in CY20). However, Infection ratio of Sugar sector has gone down by ~8% in 1QCY22 due to a ~60% increase in its advances.
- Others include a sum of all other economic sectors.

Extra Large & Large Banks

Extra Large Banks	Advances			Growth (%)	NPLs			Infection Ratio			ADR			System Share		
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22
HBL	1,117	1,385	1,439	24%	82	74	79	7%	5%	6%	42%	44%	48%	14%	14%	14%
NBP	983	1,113	1,188	13%	171	198	204	17%	18%	17%	41%	37%	45%	12%	11%	12%
Total/Average	2,101	2,498	2,627	19%	253	272	283	12%	12%	11%	41%	40%	47%	26%	25%	26%

Large Banks	Advances			Growth (%)	NPLs			Infection Ratio			ADR			System Share	
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY21	1QCY22
UBL	530	646	656	22%	84	86	87	16%	13%	13%	32%	37%	37%	7%	7%
MCB	463	590	585	27%	51	50	51	11%	9%	9%	36%	42%	39%	6%	6%
Meezan	513	758	739	48%	15	14	14	3%	2%	2%	41%	52%	51%	8%	7%
ABL	496	653	626	32%	14	14	13	3%	2%	2%	41%	46%	44%	7%	6%
AL Habib	510	734	747	44%	7	8	8	1%	1%	1%	46%	56%	55%	7%	8%
Alfalah	577	674	674	17%	26	25	24	4%	4%	4%	65%	59%	57%	7%	7%
Total/Average	3,090	4,055	4,027	31%	197	197	198	6%	5%	5%	44%	49%	47%	41%	41%

Grand Total	5,190	6,552	6,654	26%	451	469	481	9%	8%	8%	42%	44%	47%	67%	67%
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- Overall Net Advances of Large Banks increased by 19% YoY in CY21.
- The best performing large banks in terms of growth in net advances (CY21) are Meezan, Al Habib and ABL.
- In terms of low infection ratios, the best performing large banks have been Al Habib, Meezan and ABL in CY21 and 1QCY22.
- Extra Large Banks: Market Share > 10%, Large Banks 5% - 10%, Medium Banks 2% - 5%, Small Banks <2%.

Medium Banks

Medium Banks	Advances			Growth (%)	NPLs			Infection Ratio			ADR			System Share	
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY21	1QCY22
BOP	391	484	504	24%	57	52	52	15%	11%	10%	47%	48%	49%	5%	5%
Askari	395	478	466	21%	28	31	31	7%	7%	7%	50%	47%	47%	5%	5%
Habib Metro	312	398	429	28%	19	17	17	6%	4%	4%	46%	52%	55%	4%	4%
Standard Chartered	178	234	252	31%	23	21	21	13%	9%	8%	32%	37%	39%	2%	3%
Faysal	318	396	403	25%	26	23	23	8%	6%	6%	59%	62%	62%	4%	4%
JS Bank	250	254	247	2%	12	14	14	5%	5%	6%	58%	55%	55%	3%	2%
Total/Average	1,845	2,245	2,300	3%	166	159	158	9%	7%	7%	49%	50%	51%	23%	23%

Small Banks

Small Banks	Advances			Growth (%)	NPLs			Infection Ratio			ADR			System Share	
	CY20	CY21	1QCY 22		CY20	CY2 1	1QC Y22	CY20	CY21	1QCY 22	CY20	CY21	1QCY 22	CY21	1QCY2 2
Soneri Bank	165	165	161	1%	11	10	10	7%	6%	6%	48%	41%	45%	1.7%	1.6%
Bank Islami	130	181	196	39%	18	17	17	13%	9%	9%	46%	53%	59%	1.8%	2.0%
DIB	199	225	239	13%	6	7	7	3%	3%	3%	84%	86%	90%	2.3%	2.4%
Bank of Khyber	129	125	139	-3%	7	11	11	6%	9%	8%	64%	56%	59%	1.3%	1.4%
Al Baraka Bank	90	96	97	7%	10	12	12	11%	13%	12%	57%	54%	57%	1.0%	1.0%
Silk Bank*	99	NA	NA	NA	35	NA	NA	35%	NA	NA	64%	NA	NA	NA	NA
MCB Islamic	85	96	97	13%	1	1	1	1%	1%	1%	86%	79%	78%	1.0%	1.0%
Samba	66	81	NA	24%	3	5	NA	4%	7%	NA	84%	78%	NA	0.8%	NA
Sindh Bank	57	48	46	-16%	35	34	37	62%	72%	81%	31%	22%	21%	0.5%	0.5%
First Women Bank	11	9	9	-18%	2	3	3	17%	27%	28%	44%	26%	23%	0.1%	0.1%
Summit Bank*	61	27	NA	-56%	36	NA	NA	59%	NA	NA	31%	25%	NA	NA	NA
Total/Average	1,093	1,054	984	2%	163	100	97	20%	16%	18%	58%	52%	54%	10%	10%

- Overall Net Advances of Medium and Small Banks increased by ~3% and ~2% YoY respectively in CY21.
- In terms of growth in Net advances, Bank Islami and Standard Chartered stood out as the best performers among their peers.
- Extra Large Banks: Market Share > 10%, Large Banks 5% - 10%, Medium Banks 2% - 5%, Small Banks <2%.
- *Data for Silk Bank is available till CY20 and for Summit Bank till CY21.

CAPITAL ADEQUACY | BY BANKS

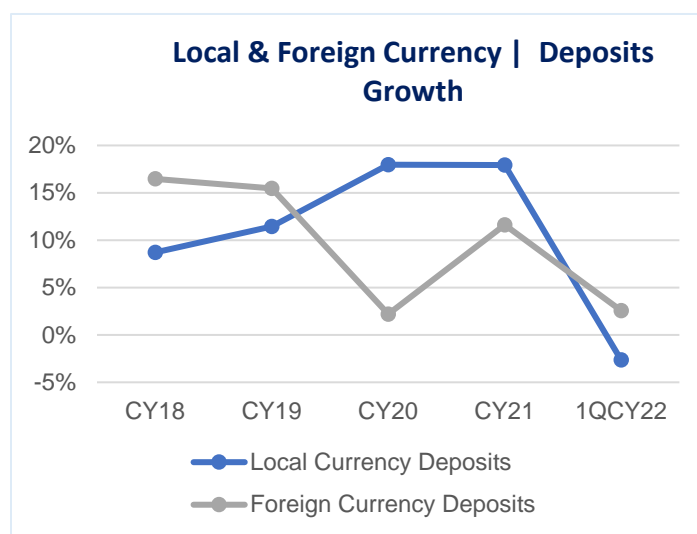
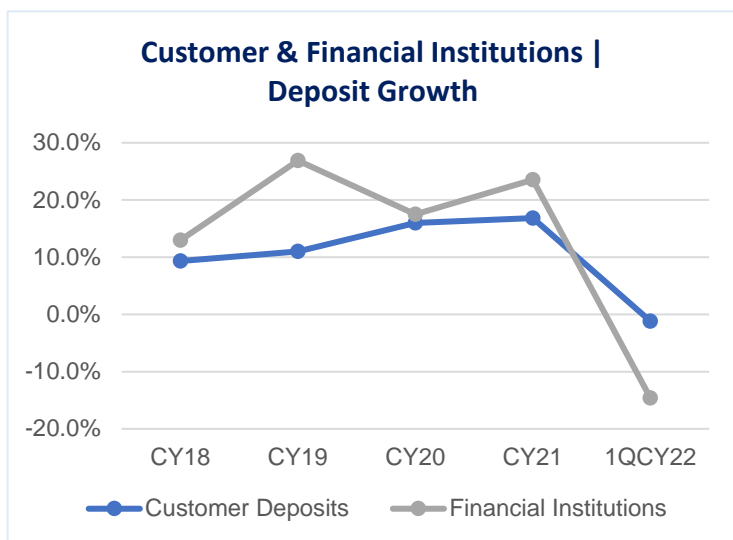
CAR	CY20	CY21	1QCY22
Extra Large Banks			
HBL	19%	17%	16%
NBP	20%	20%	22%
Average	19%	19%	19%
Large Banks			
UBL	24%	22%	22%
MCB	21%	17%	16%
Meezan	25%	18%	18%
ABL	18%	22%	23%
AL Habib	15%	13%	13%
Alfalah	17%	14%	15%
Average	20%	18%	18%
Medium Banks			
BOP	16%	12%	12%
Askari	15%	13%	14%
Metro	17%	14%	13%
Standard Chartered	19%	17%	16%
Faysal	19%	18%	17%
JS Bank	13%	14%	14%
Average	17%	15%	14%
Small Banks			
Soneri Bank	17%	14%	13%
Bank Islami	16%	14%	14%
DIB	17%	16%	15%
Bank of Khyber	19%	15%	14%
AlBaraka Bank	13%	13%	14%
Silk*	4%	NA	NA
MCB Islamic	12%	17%	16%
Samba	18%	20%	19%
Sindh*	15%	12%	12%
First Women Bank	36%	30%	25%
Summit Bank**	-8%	NA	NA
Average	14%	17%	16%

DEPOSIT ANALYSIS: SCHEDULED BANKS

Scheduled Banks (PKR bln)	CY18	CY19	CY20	CY21	1QCY22**
Deposits	14,254	15,953	18,519	21,720	21,258
Growth	10%	12%	16%	17%	-2%
Average PKR depreciation (year-end)	26%	12%	3%	11%	7%
GDP	36,278	37,184	36,690	38,902	41,511
Deposit to GDP Ratio	39%	43%	50%	56%	51%

Deposit Classification (PKR bln)	CY18	CY19	CY20	CY21	1QCY22
Customer Deposits	13,417	14,891	17,271	20,179	19,941
Financial Institutions	837	1,062	1,248	1,542	1,317
TOTAL	14,254	15,953	18,519	21,721	21,258

Deposit by Currency (PKR bln)	CY18	CY19	CY20	CY21	1QCY22
Local Currency	12,600	14,043	16,566	19,539	19,022
Foreign Currency	1,655	1,911	1,953	2,180	2,236
TOTAL	14,255	15,954	18,519	21,719	21,258



DEPOSIT BY BANKS

Large Banks

Extra Large Banks	Total Deposits			Growth CY21	CA			SA			CASA (%)			Market Share*	
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY21	1QCY22
HBL	2,669	3,184	2,979	19%	35%	34%	37%	50%	46%	45%	84%	80%	83%	15.0%	14.6%
NBP	2,419	3,019	2,635	25%	54%	57%	51%	29%	25%	29%	84%	82%	80%	14.3%	12.9%
Total/Average	5,088	6,203	5,614	22%	45%	45%	44%	39%	36%	37%	84%	81%	81%	29.3%	27.6%

Large Banks	Total Deposits			Growth CY21	CA			SA			CASA (%)			Market Share	
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY21	1QCY22
UBL	1,640	1,751	1,775	7%	42%	46%	47%	37%	37%	36%	80%	82%	82%	8.30%	8.70%
MCB	1,290	1,412	1,492	9%	36%	38%	40%	55%	53%	50%	91%	91%	90%	6.70%	7.30%
Meezan	1,254	1,456	1,455	16%	39%	45%	46%	36%	37%	36%	76%	82%	81%	6.90%	7.20%
ABL	1,217	1,413	1,417	16%	38%	41%	37%	47%	41%	36%	85%	82%	73%	6.70%	7.00%
AL Habib	1,100	1,310	1,368	19%	48%	39%	39%	30%	30%	29%	78%	68%	68%	6.20%	6.70%
Alfalah	882	1,139	1,178	29%	45%	44%	47%	33%	33%	34%	78%	77%	81%	5.40%	5.80%
Total/Average	7,382	8,481	8,685	15%	41%	42%	42%	40%	38%	37%	81%	80%	79%	40.10%	42.70%

Grand Total	12,471	14,684	14,299	18%	43%	44%	43%	40%	37%	37%	83%	81%	80%	69.4%	70.3%
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- Best Performers in Large Banks (CY21) with highest growth in total deposits: **NBP, Alfalah Bank, Al Habib and HBL.**
- Extra Large Banks: Market Share > 10%, Large Banks 5% - 10%, Medium Banks 2% - 5%, Small Banks <2%.
- *Market share is based on total deposits (customers + financial institutions).

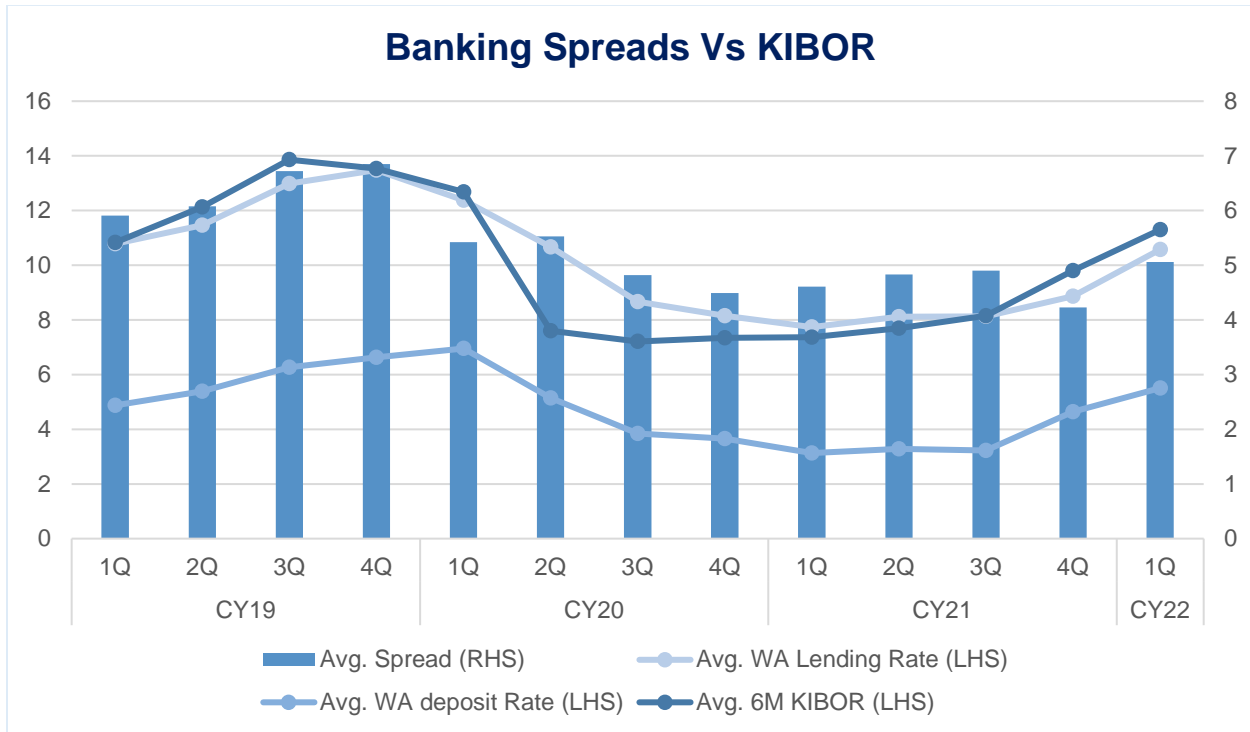
MEDIUM & SMALL BANKS:

Medium Banks	Total Deposits			Growth CY21	CA			SA			CASA (%)			Market Share*	
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY21	1QCY22
BOP	835	1,003	1,019	21%	18%	18%	18%	47%	47%	49%	65%	64%	67%	4.7%	5.0%
Askari	791	1,015	998	16%	32%	30%	30%	55%	49%	51%	87%	80%	81%	4.8%	4.9%
Metro	681	772	774	11%	32%	35%	38%	27%	29%	28%	59%	63%	66%	3.6%	3.8%
Standard Chartered	557	627	650	20%	38%	37%	40%	47%	50%	52%	85%	87%	91%	3.0%	3.2%
Faysal	541	644	649	18%	31%	33%	41%	40%	42%	38%	71%	75%	79%	3.0%	3.2%
JS Bank	433	461	451	17%	24%	24%	26%	27%	25%	27%	50%	49%	53%	2.2%	2.2%
Total/Average	3,837	4,522	4,540	17%	29%	30%	32%	41%	40%	41%	70%	70%	73%	21.4%	22.3%

Small Banks	Total Deposits			Growth CY21	CA			SA			CASA (%)			Market Share*	
	CY20	CY21	1QCY22		CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY21	1QCY22
Soneri Bank	345	403	360	17%	25%	25%	30%	42%	43%	41%	67%	68%	71%	1.9%	1.8%
Bank Islami	282	345	332	22%	32%	38%	39%	30%	30%	30%	63%	68%	69%	1.6%	1.6%
DIB	238	262	264	10%	29%	33%	36%	45%	47%	46%	74%	80%	82%	1.2%	1.3%
Bank of Khyber	203	222	236	9%	17%	16%	16%	44%	49%	51%	61%	65%	67%	1.0%	1.2%
Sindh*	186	218	0	17%	26%	28%	26%	41%	44%	44%	67%	72%	70%	1.0%	0.0%
AlBaraka Bank	159	179	172	12%	24%	24%	25%	43%	46%	47%	67%	70%	72%	0.8%	0.8%
MCB Islamic	99	123	125	24%	31%	31%	34%	45%	40%	36%	76%	71%	70%	0.6%	0.6%
Samba*	78	79	NA	1%	22%	NA	NA	25%	NA	NA	47%	NA	NA	0.4%	NA
Silk*	154	NA	NA	NA	17%	NA	NA	42%	NA	NA	59%	NA	NA	NA	NA
First Women Bank	25	26	23	0.1%	44%	51%	46%	26%	29%	31%	71%	80%	77%	0.1%	0.1%
Summit Bank**	146	109	NA	NA	31%	31%	NA	51%	54%	NA	82%	85%	NA	0.5%	NA
Total/Average	1,916	1,965	1,512	3%	27%	31%	36%	40%	42%	41%	67%	73%	77%	9.3%	7.4%

- Best Performers in Medium and Small Banks (CY21) with highest growth in total deposits were **MCB Islamic, Bank Islami and BOP**.
- CASA is highest for Standard Chartered followed by DIB and Askari in 1QY22.

BANKING SPREADS:



- Banking spreads remained below 5% in CY21 on the back of low interest rates.
- Spreads started increasing in late 4QCY21 and have reached over 5% in 1QCY22 with an increase in policy rate and subsequently KIBOR.
- Spreads are expected to increase further in CY22 and remain above 5% as KIBOR has already crossed 15% mark, highest in the country's history.

PROFITABILITY ANALYSIS | COMMERCIAL BANKS

Commercial Banks				PKR bln	
Description	CY18	CY19	CY20	CY21	1QCY22
Mark-up/Return/Interest Earned	1,133	1,831	1,905	1,808	599
<i>Growth</i>	16%	62%	4%	-5%	48%
Mark-up/Return/Interest Expense	599	1,146	1,061	982	364
<i>Growth</i>	22%	91%	-7%	-7%	70%
Net Mark-up/Interest Income	534	685	844	826	235
<i>Growth</i>	10%	28%	23%	-2%	23%
Provisions & Bad Debts Written Off Directly/(Reversals)	31	58	119	43	4
Profit /(Loss) Before Tax (PBT)	247	314	416	451	139
<i>Growth</i>	-6%	27%	32%	8%	38%
Profit /(Loss) After Tax (PAT)	152	178	248	267	84
<i>Growth</i>	-2%	17%	39%	8%	35%

BANK WISE PROFITS

Extra Large Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	CY22*
HBL	53	59	14	32	34	8	14%	13%	13%
NBP	46	53	16	31	28	10	12%	10%	13%
Total/Average	99	112	30	63	62	18	13%	12%	13%

Large Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	CY22*
UBL	34	52	16	21	31	10	12%	15%	19%
MCB	48	52	15	29	31	9	16%	18%	21%
Meezan	37	47	15	22	28	9	35%	33%	41%
ABL	30	28	8	18	17	5	15%	14%	15%
AL Habib	29	30	8	18	19	5	25%	21%	23%
Alfalah	18	23	8	10	14	5	11%	14%	20%
Total/Average	196	234	70	118	140	42	19%	19%	23%

Medium Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	CY22*
BOP	12	18	3	7	12	2	14%	23%	15%
Askari	18	16	6	11	10	4	22%	17%	25%
Metro	20	22	6	12	13	4	24%	21%	23%
Standard Chartered	24	25	12	13	14	7	17%	17%	35%
Faysal	11	13	3	7	8	2	11%	12%	13%
JS Bank	2	2	1	1	1	0.4	6%	6%	8%
Total/Average	86	96	31	51	59	19	16%	16%	20%

Small Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY20	CY21	1QCY22	CY20	CY21	1QCY22	CY20	CY21	CY22*
Soneri Bank	4.0	5.1	0.9	2.4	2.9	0.5	11.1%	13.2%	10.7%
Bank Islami	2.8	3.4	0.9	1.7	2.1	0.5	8.6%	9.5%	9.1%
DIB	4.8	5.1	1.5	2.9	3.1	0.9	12.4%	11.2%	12.8%
Bank of Khyber*	3.8	1.7	0.6	2.2	1.1	0.4	13.5%	6.7%	9.2%
AlBaraka Bank	1.5	0.7	0.6	0.8	0.6	0.3	5.9%	4.7%	9.5%
Silk*	0.6	NA	NA	0.2	NA	NA	1.5%	NA	NA
MCB Islamic	0.4	0.2	0.2	0.3	0.1	0.1	2.9%	0.9%	4.7%
Samba	1.7	1.3	NA	1.0	0.8	NA	6.9%	5.0%	NA
Sindh	NA	NA	NA	NA	NA	NA	NA	NA	NA
First Women Bank	0.4	-1.7	0.1	0.4	-1.7	0.0	9.3%	1.9%	-288.0%
Summit Bank**	NA	NA	NA	-8.8	NA	NA	NA	NA	NA
Total/Average	20.0	15.8	4.8	3.0	9.0	2.8	8.0%	6.6%	9.3%***

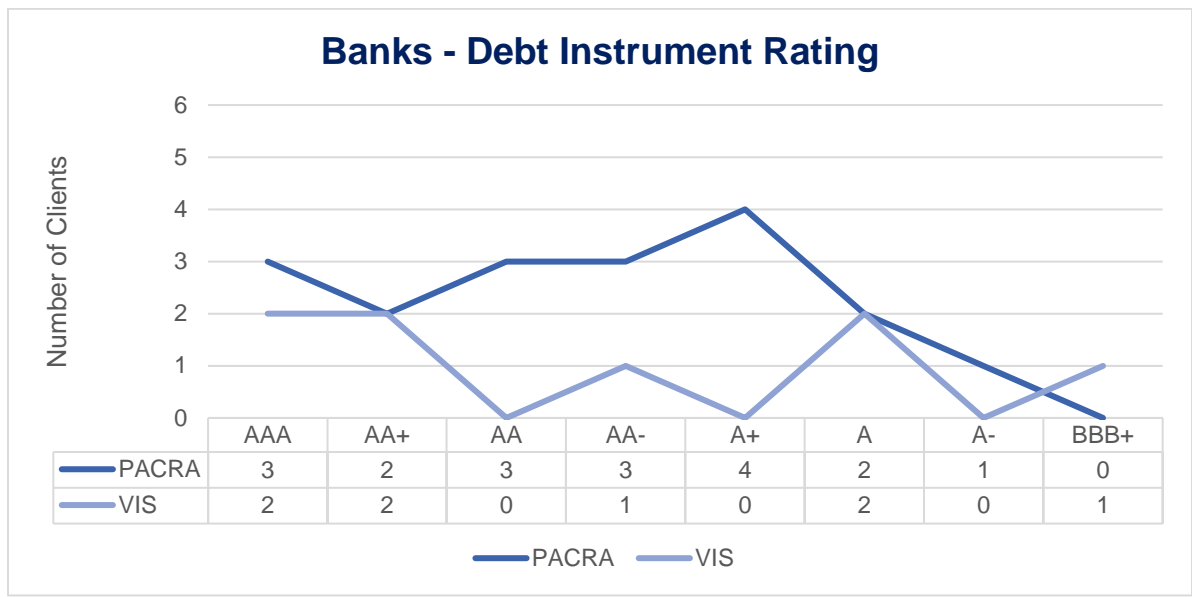
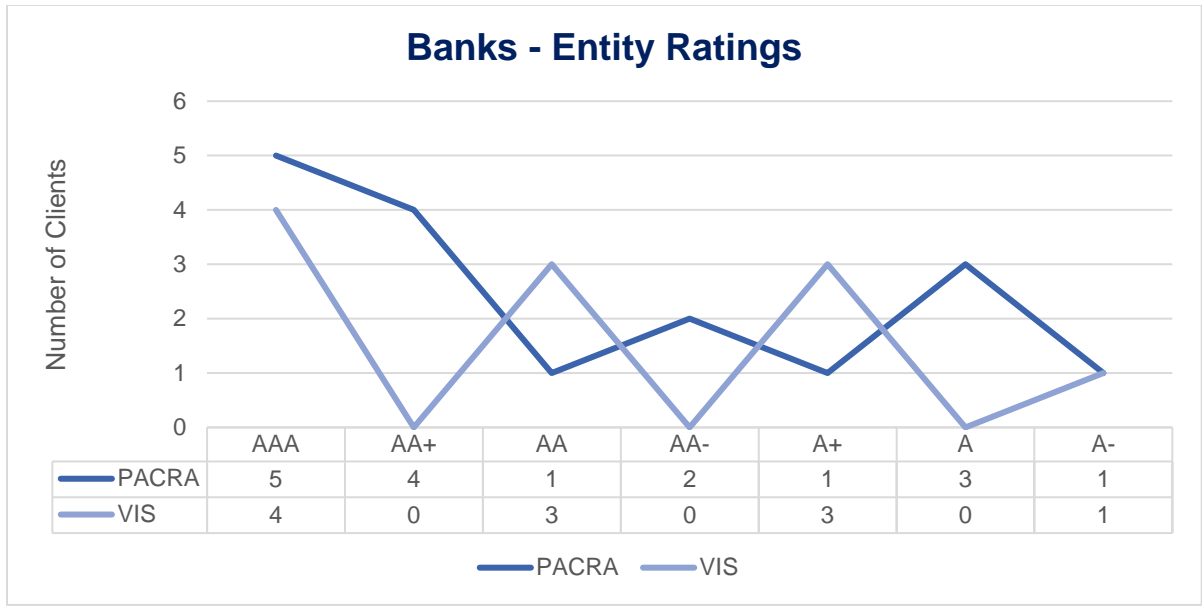
*Annualized; **Numbers not available

*** FWBL numbers were not used in the calculation of sector average ROE, however with addition of FWBL numbers, sector ROE drops to ~33.2%

KEY FINANCIAL RATIOS | SCHEDULED BANKS:

Financial Ratios	CY17	CY18	CY19	CY20	CY21
Capital Adequacy Ratio (CAR)	15.8%	16.2%	17.0%	18.6%	16.7%
Tier-I Capital to RWA	12.9%	13.2%	14.0%	14.8%	13.5%
NPLs to Gross Loans	8.4%	8.0%	8.6%	9.2%	7.9%
Provisions to NPLs (Coverage)	87.2%	83.8%	81.4%	88.3%	91.2%
Return On Assets (ROA)	0.9%	0.8%	0.8%	1.0%	1.0%
Return On Equity (ROE)	11.5%	10.7%	11.3%	13.8%	14.1%
Cost/Income	57.1%	60.2%	57.6%	50.0%	53.5%
Liquid Assets/Total Assets	54.0%	48.7%	49.7%	54.8%	76.7%

RATING CURVE:



ISLAMIC BANKS | LIST OF PLAYERS

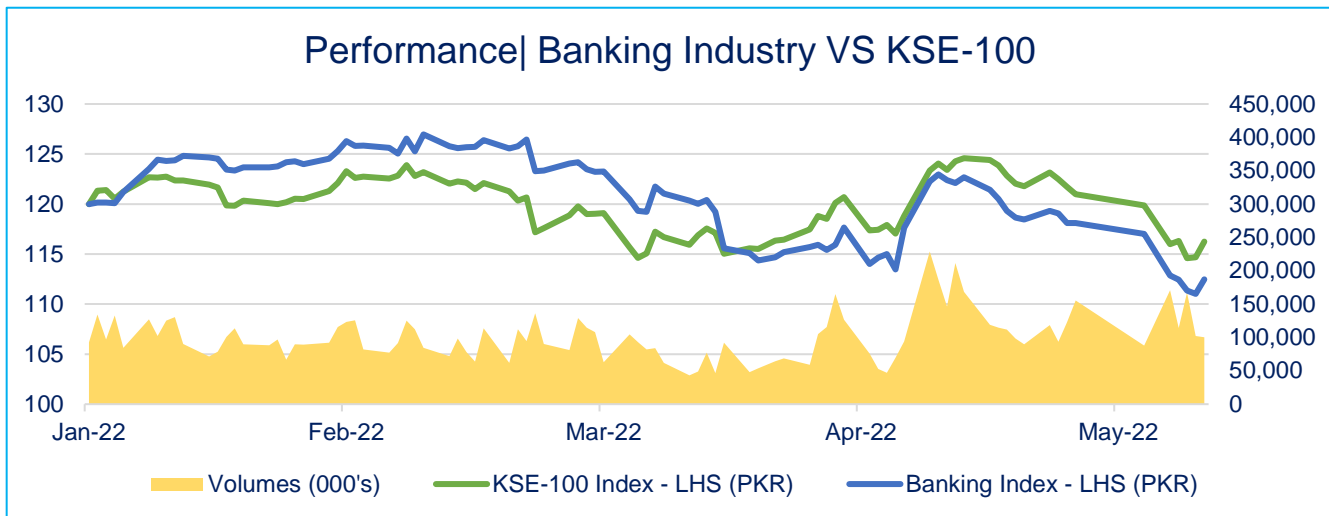
S.No	Name	Conventional Banks having Islamic Banking Branches	Islamic Banks
1	Habib Bank Ltd.	✓	
2	National Bank of Pakistan	✓	
3	United Bank Ltd.	✓	
4	MCB Bank Ltd.		
5	Meezan Bank Ltd.		✓
6	Allied Bank Ltd.	✓	
7	Bank AL Habib Ltd.	✓	
8	Bank Alfalah Ltd.	✓	
9	The Bank of Punjab	✓	
10	Askari Bank Ltd.	✓	
11	Habib Metropolitan Bank Ltd.	✓	
12	Standard Chartered Bank (Pakistan) Ltd.	✓	
13	Faysal Bank Ltd.		✓
14	JS Bank Ltd.		
15	Soneri Bank Ltd.	✓	
16	Bank Islami Pakistan Ltd.		✓
17	Dubai Islamic Bank Pakistan Ltd.		✓
18	Sindh Bank Ltd.	✓	
19	The Bank of Khyber	✓	
20	First Women Bank Ltd.		
21	AlBaraka Bank (Pakistan) Ltd.		✓
22	Silk Bank Ltd	✓	
23	MCB Islamic Bank Ltd.		✓
24	Summit Bank Ltd	✓	
25	SAMBA Bank Ltd.		
26	Industrial and Commercial Bank of China Ltd.		
27	Deutsche Bank AG		
28	Bank of China Limited		
29	Citibank N.A.		
Total		15	6

ISLAMIC BANKS | FINANCIAL SUMMARY

Islamic Banks & Window Operations (PKR mIn)	CY21			1QCY22		
	Banks	Islamic Window	Total	Banks	Islamic Window	Total
Statement of Financial Position						
ASSETS						
Cash & Balances with Treasury Banks	243,659	149,848	393,507	217,387	137,587	354,974
Balances With Other Banks	34,936	30,807	65,742	35,505	29,747	65,252
Due from Financial Institutions	276,431	95,493	371,925	221,126	76,561	297,687
Investments – Net	940,328	911,600	1,851,928	1,243,830	957,880	2,201,711
Financing – Net	1,358,161	1,239,165	2,597,326	1,368,710	1,323,026	2,691,736
Operating Fixed Assets	54,142	43,182	97,324	56,455	44,569	101,024
Deferred Tax Assets	10,636	20	10,656	12,448	224	12,673
Other Assets	109,570	78,655	188,225	114,462	105,254	219,716
TOTAL ASSETS	3,027,863	2,548,770	5,576,632	3,269,924	2,674,849	5,944,773
LIABILITIES						
Bills Payable	52,950	23,578	76,528	61,745	26,165	87,910
Due to Financial Institution	299,919	371,435	671,354	525,257	342,612	867,869
Deposits And Other Accounts	2,358,923	1,851,766	4,210,689	2,349,112	1,896,584	4,245,696
Sub-ordinated Loans	34,734	-	34,734	34,734	-	34,734
Liabilities Against Assets Subject To Finance Lease	-	-	-	-	-	-
Deferred Tax Liabilities	2,055	934	2,988	2,227	1,094	3,321
Other Liabilities	118,759	141,083	259,843	131,336	230,342	361,678
TOTAL LIABILITIES	2,867,341	2,388,795	5,256,136	3,104,411	2,496,798	5,601,210
NET ASSETS	160,522	159,974	320,496	165,512	178,051	343,563
NET ASSETS REPRESENTED BY: -						
Share Capital	64,298	69,836	134,135	64,298	79,402	143,700
Reserves	29,437	66	29,503	30,505	40	30,545
Unappropriated Profit	58,171	88,428	146,599	65,635	96,637	162,272
Share Holders' Equity	151,906	158,331	310,238	160,438	176,079	336,517
Surplus/Deficit On Revaluation Of Assets	8,615	1,643	10,259	5,074	1,972	7,046
TOTAL	160,522	159,974	320,496	165,512	178,051	343,563
PROFIT AND LOSS STATEMENT						
Mark-Up Income	179,056	135,681	314,737	60,667	49,920	110,588
Mark-Up Expenses	76,493	61,096	137,588	29,560	26,593	56,153
Net Mark-Up Income	102,563	74,585	177,148	31,107	23,327	54,434
Provisions & Bad Debts Written Off Directly/(Reversals)	3,584	5,017	8,601	-677	892	215
Net Mark-Up Income After Provision	98,979	69,568	168,547	31,784	22,435	54,220
Fees, Commission & Brokerage Income	14,000	6,402	20,402	4,258	2,163	6,421
Dividend Income	1,308	35	1,342	325	16	340
Income From Dealing In Foreign Currencies	5,655	1,642	7,297	1,560	721	2,281

Other Income	1,735	828	2,563	157	230	387
Total Non - Markup Income	22,697	8,907	31,604	6,299	3,130	9,430
Total Income	121,676	78,475	200,151	38,084	25,565	63,649
Administrative Expenses	63,100	41,258	104,357	19,718	12,620	32,338
Other Expenses	(158)	1,395	1,237	90	358	448
Total Non-Markup Expenses	62,942	42,653	105,595	19,808	12,978	32,786
Profit before Tax and Extra ordinary Items	58,734	35,822	94,556	18,276	12,587	30,863
Extra ordinary/unusual Items -- Gain/(Loss)	-	-	-	-	-	-
PROFIT/ (LOSS) BEFORE TAXATION	58,734	35,822	94,556	18,276	12,587	30,863
Less: Taxation	23,829	8,499	32,328	7,202	2,720	9,922
PROFIT/ (LOSS) AFTER TAX	34,905	27,323	62,228	11,074	9,867	20,941

LIST ED BANKS | STOCK PERFORMANCE



Market Capitalization of the Sector was recorded at PKR~1.153trn as of 16th May 2022.

BIBLIOGRAPHY

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- Pakistan Stock Exchange
- Banks Financial Statements
- PACRA Database

PACRA Research

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