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To be the pre-eminent financial institution in Pakistan and achieve market recognition both in the quality and delivery of service as well as the range of product offering.

MISSION

To be recognized in the market place by Institutionalizing a merit & performance culture, Creating a powerful & distinctive brand identity, Achieving top-tier financial performance, and Adopting & living out our core values.

ECONOMIC BULLETIN

July - August 2005

Contents

Editor's Corner

Dear Readers,

Local and foreign banks operating in Pakistan have, over the last few years, started publishing their quarterly and half yearly balance sheets. Most of them have published their financial results for the period ended June 30, 2005.

Available un-audited figures show that the banks have performed well in the first half of 2005. Profitability has increased significantly. Advances and deposits have risen, as have investments. Earnings have improved following acceptance of innovative consumer finance products. Banks are giving focused attention to quality customer services, largely with a view to increase performance in the emerging competitive environment. A key to this is the investment into human resource development and use of information technology. Branch network has expanded with some having opened Islamic banking branches. Others are still pondering whether to follow or not. Their lending portfolios include commercial banking, small and medium enterprises, agriculture as well as consumer financing. Some large banks have received international recognition.

Total assets have risen significantly for the large Pakistani banks, with National Bank of Pakistan leading at Rs.578 billion, followed by Habib Bank Ltd at Rs.517 billion in the first six months of 2005. For most of the large banks assets grew by between Rs. 10 to 30 billion. Bank Alfalah with an asset size of Rs.185 billion overtook Allied Bank Ltd whose assets totaled Rs.170 billion in the period ended June '05. Assets of Askari Commercial Bank showed a substantial rise of Rs.20 billion. Askari Investment Management Ltd, a wholly owned subsidiary of the Bank was incorporated during this period.

The increasing health of the balance sheets of the banks has provided them an opportunity to increase their earnings. With an increased asset base, the loan portfolio of the banks has risen. The momentum in advances growth continued in the period under review. This was despite gradual increase in interest rates and the consequent apprehensions surrounding fall in consumer loans, implying continuity of economic activities and giving rise to optimisim for yet another profitable year for the banks. For instance, banks like NBP, HBL, Bank Alfalah, increased their lending portfolios by around Rs.30 billion, while UBL, MCB by around Rs.20 billion. There was growth in all sectors; corporate portfolio as well as retail banking portfolio. National Bank's retail banking portfolio has shown exceptional growth with number of customers increasing to over 550,000. Similarly the Bank is the second largest lender to the agricultural sector, just behind Zarai Taraqiati Bank, with a market share of around 19%. Retail lending by other banks has increased the demand for consumer durables, which in turn has spurred investment in industry.

As a result of increased lending to the different sectors of the economy, the Banks witnessed an overall strengthening in earning position — net interest income increased substantially for all banks, and earnings per share rose. As lending rates maintained their rising trend, net interest income posted higher growth. For NBP it rose by Rs.3.8 billion, for HBL by Rs.4.4 billion, MCB by Rs.3.3 billion and for UBL by Rs.3.1 billion compared to end December 2004 figures.

Net interest income received support by non-interest incomes, which though grew at a slightly slower pace. Of these, fee based income performed better as the active business activity maintained the demand for banks' fee earning services.

Deposits have surged: the NBP has the largest deposit base, of slightly over Rs.490 billion. The other banks have also done well in mobilizing larger sums in this six-month period. Examples include Bank Alfalah's increase in its deposit base by 25% outgrowing Allied Bank's deposit base which has expanded by 13%. Askari Commercial recorded a growth of 24%, UBL 17%, and MCB nearly 10%.

The investment portfolio of the banks increased during the six months under review. This was a result of an increase in yields on government securities, which induced banks to channel more funds towards investment.

Continuing the previous rising trend in profits, this six-month period saw National Bank of Pakistan recording a pre-tax profit of Rs.7 billion (Rs.4.0 billion in June 04). It was the highest in the banking sector and was primarily due to enhanced core banking income. This can be attributed to both growth in the overall quantum of advances and improvement in both yield on advances and on investments. The large privatised and private banks have also done well. ABL showed a positive turnaround from a loss to a profit within six month. Standard Chartered before tax profit rose to Rs.2 billion against Rs.1.5 billion for the year ended December 2004.

Notwithstanding efforts to the contrary, there was a minor increase in non performing loans by all banks and development financial institutions during the six months under review, although the percentage of cash provisions for NPS have increased to approximately 70% on an industry basis. These now total Rs.205.5 billion with commercial banks constituting 67.9% of the total outstanding defaults (public sector banks 28.5%, local private banks 69.7% and foreign banks 1.8%), specialized banks 30.2% and DFIs 1.9%.

Banks have Rs.201.4 billion in non-performing loans, while development finance institutions have Rs.4.1 billion on their books. While banks are enjoying good financial health and increased profits, small defaults have arisen partly because of consumer loans, auto and house loans.

Given the trends in the banking sector, the financial results for the year ending December 2005 are expected to be favourable.

Ayesha Mahmood

Banking Sector Performance — 2004 in Review

Pakistan's banking sector maintained its growth momentum during the year and showed significant growth of its core business activities. The key indicators show an impressive picture of its financial health. Today, Pakistan's financial sector stands at the threshold of a new era. The changing financial landscape has ushered in fresh business opportunities: automated and electronic banking, innovative products, diversified lending portfolios, mergers and consolidation, effective banking supervision. In effect the form and fabric of the banking sector has altered. With 35 scheduled banks operating in Pakistan; two nationalized, four privatized, 16 private, 2 provincial and 11 foreign, having a network of 6581 branches and over 81 thousand employees, the sector is providing well-diversified services to its customers.

Banks maintain growth momentum

Prior to the reforms of the early 1990s banks were faced with major issues. These included, but were not limited to, poor management and performance atypical of the public sector, weakness in the supervisory system, lack of governance in state owned banks, loose enforcement of regulations by the State Bank, crowding out of the private sector, deteriorating quality of assets, political patronage limiting access to credit by the chosen few, a large portfolio of non-performing loans, etc. Cumulatively these and other factors had worsened the overall performance of the banking sector and the quality of services being delivered.

Period prior to financial reforms

The private sector has become the dominant owner of the overall financial sector, with privatisation of major nationalised banks, and setting up of private banks. There is now better access to credit for the previously marginalized borrowers as financing to sectors that cater to middle and lower income groups, such as agriculture and SMEs are being focused upon by the commercial banks. Reforms accompanied by privatisation of banks increased competition, brought innovation in terms of new products, and improved the quality and standard of financial services available to the clientele.

Reforms bring positive results

They have also brought effective results as financial soundness indicators have shown marked improvement. Key financial ratios related to capital adequacy, management soundness, earnings and liquidity reveal significant improvement in the financial health. Also the sector has developed, diversified and is highly competitive today. The financial sector has grown in recent years, with all the segments expanding their asset bases in relation to GDP.

In the past five years, banks have encouraged usage of credit cards, made available consumer financing for automobiles, mortgages, consumer durables, and personal loans. Agricultural credit by banks has quadrupled over the past three years and there has been an increase in lending to small-and medium-sized enterprises (SMEs). The customer base has doubled in the past two years alone. Capitalization requirements have been raised substantially, improving the sector's overall capital adequacy ratios. Risk management techniques have been improved and good corporate governance and accountability has been rigorously enforced by SBP. Prudential regulations have been beefed up with good results.

New initiations

After the privatization of state owned HBL last year, NBP is the only large bank left in the public sector. However, the government sold some 23% of its ownership in the bank during 2001-03. The divestiture of state ownership in the commercial bank has substantially changed the structure of the banking sector. While ABL, MCB and UBL were privatized earlier, the subsequent privatization of HBL increased the private ownership share to 75-80%.

Ownership structure changes

National Bank of Pakistan enjoys the position of No.1 bank in the country, with a market share varying in the range of 16% to 23% in terms of assets and deposits. FWB, the only bank for women in the public sector, has a minor share of less than 0.5% in the entire industry. Foreign banks operating in Pakistan have around 10% market share.

Factors for growth in profits

Banking sector continues to register high growth in profits, deposits and advances. This is attributable among others, to revival of economic activities which has led to increased business and trade volumes; improved management of assets and liabilities, effective control over operating expenses and introduction of market oriented products and services.

Profits increase

The year 2004 was the third consecutive year of double-digit growth in profitability. This was primarily due to enhanced growth in banks' core business activities. During the year, commercial banks operating in Pakistan reported a combined profit (*BT*) of Rs.52.2 billion and a profit (*AT*) of Rs.35.5 billion. This was higher by 10.1% and 23.7% respectively over the previous year. In the previous year, a major portion of the profits comprised of capital gains on government securities.

NBP's profit highest in the sector

The five large banks still enjoy a major share in the banking industry. They together contributed to record growth of 22.5% in *PBT* and 35.4% in *PAT* in 2004. NBP with Rs.12bn *PBT* in 2004, continues to be the market leader. The 33% growth in NBP's profit last year, was the highest amongst the large banks and surpassed the entire industry's profit growth of 10%. The 47% growth in the bank's *PAT* was also higher over the sectors growth of 24%. The growth in the profits of HBL and UBL, though lower than NBP's, surpassed the overall industry growth. ABL profit was squeezed by 50% and was the smallest in the group.

Private banks profiti-bility growth slows

Private and provincial banks are steadily increasing their market share. In 2004, their share in overall banking sector's pre-tax profit was 31%, contributed mainly by nine banks (Askari, Al-Falah, Al-Habib, Soneri, Faysal, BoP, Metropolitan, Union and PICIC Commercial), which posted *PBT* of over Rs.14bn, more than 90% of the group's total. As a whole, this sector's profit growth was substantially smaller over the growth recorded a year earlier.

Of the 18 banks in this group, eight banks recorded an increase in their *PBT*, while another eight banks recorded declines and two banks suffered losses. Askari Bank emerged as the top profit earner with Rs.2.8bn of *PBT* and Rs.1.9bn of *PAT*, while Bank Al Falah which had attained No.1 position in 2003 after a record pre-tax profit of Rs.3.5bn, came down to fourth position after registering a sharp fall of almost 53%,.

In 2003, record profit of Bank Al Falah was a one-time gain on sale of PIBs. The profit of Faysal Bank, though 20% lower over 2003, was the second highest amongst the private banks. BoP occupied third position in terms of its profit earnings. For the first time, Union Bank was able to cross the figure of Rs.1bn after registering an impressive growth of 149%. Profitability of Soneri Bank, Bank Al-Habib, Metropolitan Bank and PICIC Commercial also exceeded Rs.1billion.

Eleven foreign banks operating in Pakistan

Mergers and acquisitions of some foreign banks in the past four years have reduced their numbers operating in the country. The existing ones have expanded their branch network, number of clientele has gone up and their market share is a little over 10%.

With the amalgamation of Bank of Ceylon with a local bank in the private sector last year, the number of foreign banks has been reduced to 11, operating with a network of 80 branches and a staff strength of nearly three thousand. Amongst these banks, ABN Amro, Citibank, Standard Chartered Bank and Habib Bank AG. Zurich account for 85%—88% of the group's assets and deposits and contribute to over 96% of the profitability of this group.

Foreign banks pre-tax profit falls

In 2004, foreign banks' pre-tax profit fell by nearly 2%, after growing by 16% a year earlier, as profits of Citibank and ABN Amro declined and growth slowed for SCB. Citibank and ABN Amro, the two main competitors of SCB posted significant declines (26% and 13% respectively) in their pre-tax profit. Inspite of a decline in the profits of SCB, its *PBT* was still 28% higher and accounted for 48% of the group total.

However, growth in after-tax profit of Citibank (49%) exceeded that of SCB (47%) and was the highest in the group. Pre-tax profit was the highest at Citibank in 2002 but in 2003 SCB became the top profit earner and it retained its position in 2004.

The Bank of Tokyo, with a small *PBT* of just Rs.53mn, recorded the highest growth (90%) in the group. HSCB, Amex Bank, Deutsche Bank and Rupali Bank posted small profits as their earnings declined by between 55-190%.

Top 16 banks

The analysis so far reveals that only 16 banks, comprising of five large banks, seven private local banks and four foreign banks in the sector control 85%—90% of the market. These banks are competing with each other to acquire a larger market share. For this they have devised aggressive policies targeting customers. Some small banks like PICIC Commercial, KASB Bank and Saudi Pak Commercial are also rapidly expanding their market share and likely to join this group soon.

Pakistan's Top 16 Banks - 2004

Selected Banks	Assets		Deposits		Pre-Tax Profit	
	Rs.Bn	Ranking	Rs.Bn	Ranking	Rs.Bn	Ranking
National Bank of Pakistan	549.7	1	465.6	1	12.02	1
Habib Bank Ltd	487.0	2	404.6	2	7.16	2
United Bank Ltd	272.6	3	230.3	3	4.89	3
MCB Bank	259.3	4	220.3	4	4.20	4
Allied Bank Ltd	154.2	8	126.4	8	0.46	16
Bank Al-Falah	154.8	7	129.7	7	1.65	10
Askari Commercial	107.2	9	83.3	11	2.84	6
Faysal Bank	78.5	14	56.5	15	2.21	7
Union Bank	77.7	13	63.0	12	1.41	11
Metropolitan Bank	67.9	5	48.6	5	1.38	12
Bank of Punjab	66.3	10	54.7	9	1.74	9
Bank Al-Habib	77.4	12	62.2	13	0.51	14
Standard Chartered	94.6	15	76.5	14	3.46	5
Citibank	66.1	11	47.1	10	1.75	8
ABN Amro	57.5	16	48.2	16	1.15	13
Habib Bank AG Zurich	41.2	6	28.2	6	0.51	15

Advances grow

Substantial growth in advances and increasing net interest income of banks have been a major source of growth in pre-tax profit, while reduced tax rate and tax-exempt gains helped banks increase their after tax profit substantially. Aggressive marketing and extensive efforts to facilitate improved banking services, lending to new business areas assisted banks to raise their advances portfolio. There was an impressive growth in banks advances to the private sector in 2004.

Increased deposits coupled with demand for consumer and SME financing has led to a broad-based loan growth. Banks advances have grown by 45% despite increase in lending rates. The private local banks contributed the highest growth (56%) in advances, as some banks like PICIC Commercial and Crescent Commercial, KASB with very small credit portfolio also reported very high growth ranging between 80% to 135%.

In the category of private banks ACBL, BAF, BAH, MBL, FB and UB cumulatively disbursed Rs.349 bn or 65% of the group total, while Bank Al Falah emerged the lead credit lender in this group, and it occupies the 10th position amongst the top 16 banks in terms of profitability.

HBL the biggest lender

Slightly more than half of the advances were disbursed by the five large banks. HBL retained its position as the biggest lender by disbursing 17% of the total advances, followed by NBP, which lent 14.5%. UBL registered the highest growth (52%) amongst the large banks, alongwith substantial credit expansion by ABL (45%) and MCB (41%).

Foreign banks' credit expansion was also impressive at 31% during the year. However, their share in total advances is on the decline, having fallen to 10% from 15% during the past three years. SCB, Citibank, ABN Amro and AGZ account for 89% of the group and 9% of total banks' advances. Here, while SCB is at the top with 32% share in total foreign banks lending, highest growth (46%) was registered by A.G. Zurich.

Assets grow

In 2004, banks' assets grew by 22%, primarily because of a substantial rise (37%) in the assets of private banks. Nearly 60% was held by the big five, 30% by the private banks 10% by the foreign banks. NBP has the largest asset base, nearly 20%, followed by HBL. Meanwhile, ABL posted the highest growth (31%), while assets of MCB declined by 5%. Amongst the private banks, BAF has the largest asset base, whose size now exceeds that of ABL, ACBL, FB and BAH.

Amongst the foreign banks, SCB has the largest asset base, while Citibank's is the second largest. Except Amex Bank, OIB and Rupali, which recorded decline in their assets, all other banks reported growth. Five banks in the group showed double-digit growth with DB, recording the highest growth. Citibank made a recovery from a decline in 2003 but its growth (8%) in 2004 was the smallest amongst the four leading banks of the group.

Deposits increase

Despite negative real rates of return, banks' deposit showed strong growth. In 2004, all banks' recorded a 22% growth, with the five large banks holding the major portion (61%) of these deposits. However, their share is on a downward slope, as growth in deposit mobilization has slowed.

National Bank of Pakistan has the largest deposit base, nearly 20% of all banks' deposits, followed by HBL. UBL contributed the highest growth (24.4%) in the group while MCB, with 15.2% share, recorded the lowest growth (4%), ABL the smallest bank in the group has 5% of all banks' deposits.

Deposits of private banks jump

Increasing efforts at deposit mobilization, has resulted in a 44% growth in deposits of the private local and provincial banks, with their share in total banks deposits rising to 30%. BAF, after registering an impressive growth of over 69% now joins the rank of large banks, as its deposit base exceeds that of ABL's. Within this group, FB posted the highest growth (over 80%) while UB recorded the lowest growth (25%). Its share amongst the private banks deposits is 9%.

ACBL and AHB, the two main competitors of BAF, also recorded impressive growth in their deposits and cumulatively account for 20% of private banks deposits. Some smaller banks like KASB, MBL and NIB with relatively small deposit base recorded very high growths ranging between 78%—128%.

Foreign banks accounting for 10% of the total deposits, showed an 18% rise during the year, with Deutsche Bank recording the highest growth of 42%. Within this group, SCB maintained its lead over its competitors with a 34% share in the group's depsoits and 3.2% of all banks. ABN Amro recorded a growth of 28%, while Citibank accounts for 21% of the group's deposits.

Net interest income grows

Rising net interest income (NII) was another major source of banks' profitability growth. In 2004, NII increased by over 14%, where the major contributory factors were improved returns on loans and expansion in the asset base. While the private banks registered the highest growth of over 40% in their NII, the large banks recorded a growth of only 6%. Foreign banks with the smallest share (slightly over 10%) recorded 10% growth. NBP continued to lead with the highest share of over 18% in total NII. The share of privatized banks was in the range of 6%-17% of total NII.

Consequently, gross spread ratio (GSR) was high at 70% for all banks; 75% for large banks, 71% for foreign banks and 61% for private banks. Bank-wise, ABL recorded the highest GSR (85%) followed by SCB (83%) and UBL (81%), while UB's ratio was the lowest (54%) amongst the top 16.

Non-fund based income falls

Non-fund based income (NFBI) of the entire banking sector declined by 1.5% in 2004, after an impressive growth of 49% a year earlier. The decline was mainly contributed by private banks, which registered a steep fall of over 18% after a record growth of 94% in 2003.

Large banks constitute a significant portion of NFBI (61% of the total). However, their non interest income ratio (NIIR) of 37% is the lowest in the entire sector. Foreign banks with the lowest NFBI (13% of the total), on the other hand, recorded the highest ratio (42%) amongst the three groups. NIIR of private banks was 36%.

Bank-wise HBL, FB and Citibank recorded highest NIIR (42%, 53% and 48% respectively) in their respective groups. Some banks, like Amex, DB and BOT inspite of their small size, recorded relatively very high ratio of over 70%. ABL amongst the larger banks recorded the smallest ratio (28%).

Cost of funds fall

Cost of funds ratio for the banks continued to decline. Due to a competitive market, private banks are offering attractive returns to mobilize deposits. Their cost of funds, though falling is relatively high at 2%, while large banks have reduced their cost of funds to 1.1% and for foreign banks the ratio is 1.4%.

Among the large banks, NBP's cost of funds was the highest at 1.5% while it was the lowest for ABL at 0.6%. Some banks in the private banks'group were offering high returns on deposits, which increased their cost of funds to over 3%. In the foreign banks category the ratio was the lowest for SCB (0.8%) and highest at 2.7% for AGZ.

Analysis of banking sector performance based on annual accounts as of end-December 2004 also reveals that because of increasing deposits and advances, the credit to deposit ratio (CDR) rose significantly. CDR is one of the indicators to judge the liquidity of banks. It indicates how efficiently banks utilize their available funds. An ideal situation for banks is one where CDR ranges between 60%-70%.

CDR ranges between 51-73%

In this analysis, CDR was 59% for all banks. Category wise, it ranged between 51%, for the five large banks to 67% for the foreign banks and a high of 73% for the private and provincial banks. Amongst the large banks, the ratio was the highest at 58% for privatized UBL and HBL and lowest at 41% for ABL.

In the private banks category, FB recorded a very high ratio (92%) followed by MB (82%) and UB (81%). CDR for ACBL and AHB was between 60%-70%. For BAF, the lead bank in the group, the ratio was 67%. A very high CDR some times becomes alarming for banks.

CDR high at DB, Amex & AGZ

In the foreign banks group, CDR was very high of DB, Amex and AGZ. These three banks have small deposits and advances. For the three leading banks (SCB, ABN Amro and Citibank) the ratio was in the range of 63%-67%, indicating efficient use of deposits by these banks. Rupali Bank's ratio was 9%, the lowest of all banks.

High earning assets ratio

Another indicator of liquidity, is the earning assets to total assets ratio. It shows the profitable investment in earning assets. Investment in non-earning assets results in low profitability. The ratio was as high as 85% for all banks.

The ratio for private local banks remained the highest (85.6%) amongst the three groups. For large banks the ratio was 84.7%, and for foreign banks it was 80.8%.

In the large banks category, HBL was at the top with earning assets ratio of 88.4%, followed by UBL (86.3%), MCB (86.2%) and ABL (85.5%). Amongst the private banks, the ratio was as high as 92% for MB and lowest (9%) for the newly set up DBL. Seven banks in the group recorded a higher ratio surpassing the entire group's average. For the three leading banks (ACBL, BAF, BAH) the ratio was slightly lower.

Amongst the larger foreign banks, AGZ attained the highest earning ratio (87%) followed byABN and SCB. The ratio was the lowest for Citibank (83%). Weaker banks in the group were OIB, BOT and DB with a low ratio ranging between 30%-54%. ABIB was slightly above the group's average.

Cost of funding earning assets declines

Cost of funding earning assets, declined further in 2004, with almost all banks reporting falls. On an average this ratio was 1.5% for all banks; being slightly higher at 2.1% for private banks. Among the top 16 banks the ratio was as high as 2.3% for BAF and UB, while it touched the low of 0.7% for ABL. NBP and Citibank (1.6%) were the leaders in their respective groups. The ratio of some relatively smaller banks was over 3.5%.

Share-holders equity increases

Banks are focusing more on capital management with greater stress on optimizing capital levels in terms of risk, regulatory requirements and shareholder returns. Capital management techniques include buy backs, securitisation of lending assets and issuing hybrid capital instruments. Analysis shows that there has been a massive growth (44%) in shareholders' equity.

Major portion of the equity was accounted for by large banks, which contributed a growth of 66% followed by private banks (35%) and foreign banks (12%) Amongst the top 16 banks, NBP holds the largest equity (31% of large banks and 25% of total banks). However, ACBL recorded the highest growth with a share of

11% in private banks and 4% in all banks equity. ABL and ABN Amro recorded decline in their equities.

Capital ratio improves

Capital ratio showed a gradual improvement for all banks. It was 5.1% for the entire sector. Foreign banks recorded the highest ratio (9%), which exceeded all banks. It was the lowest for large banks (4%). Amongst the top 16, Citibank was leading with a capital ratio of 9.5% followed by FB (9.4%) and UBL (5.2%). ABL recorded the lowest ratio (1.4%). However, the ratio was in double digit for many small banks, particularly in the foreign banks group.

Capital to Risk Asset (CRA) ratio was 10.8% for the entire sector. It ranged between 9.4% for the major banks to 18.4% for the foreign banks. UBL, KASB and Citibank were leading in their respective groups. Amongst the top 16 banks, the ratio was the highest for Citibank (20.7%) and lowest (4.7%) for ABL.

Net profit margins higher for foreign banks

Pre tax and net profit margins were also higher for foreign banks, exceeding the banking sector average. SCB's pre tax margin stood at 59.7% and net profit margin at 48.3%. For the private banks, both ratios recorded decline but were higher against the large banks. NBP and FB with pre tax margins of 41.1% and 48.2% were the leaders in their respective groups. Net profit margin of UBL (31%) and FB (50.9%) were the highest in their respective groups.

RoE declines

Profitability ratio analysis further shows that in 2004, RoE of the banks declined for all the three groups, cumulatively falling to 38% from 47% a year earlier. Large banks however, maintained their lead. Bank-wise, RoE of ACBL (60%) was the highest amongst all banks, while NBP (55%) and SCB (51%) were leading in their respective groups. ABL was able to improve its RoE (19.7%) in 2004 after negative ratio in the past three years.

Large banks RoA improves

RoA shows comparative efficiency of banks in asset management and is an important indicator of profitability. In 2004, RoA of large banks showed further improvement, while the ratio declined for private and foreign banks. However, despite declining RoA, foreign banks ratio (2.5%) was higher than the large banks (1.8%) and private banks (2%). For the entire sector, RoA was 1.9%. Bank wise, SCB earned the highest ratio (3.9%), while it was less than 1% for ABL (0.3%), the lowest amongst all banks. NBP (2.4%) and FB (3.5%) were the highest earner of RoA in their respective groups. Again for some small banks like Rupali, RoA exceeded 5%.

Banks RoD slightly lower

Return on Deposits (RoD) was slightly lower at 2.4% for all banks. Except large banks, the ratio recorded decline for private and foreign banks. Despite the decline, foreign banks maintained their lead over the other groups, with highest RoD (3.4%). The ratio was 2.1% for large banks and 2.7% for private banks. FB's ratio (5%) was the highest, while it was lowest for ABL (0.9%) amongst the top 16 banks. NBP (2.8%) and SCB (4.8%) were leading in their respective groups.

Banks' EDR improves

Equally important for depositors and shareholders is the Equity to Deposits ratio (EDR). The ratio increased for all banks (6.3%) in 2004. Foreign banks ratio at 12.3% was slightly lower over a year earlier but it remained higher than that for the other groups. Private banks ratio (7.7%) was down over 2003. The ratio for large banks improved but it remained the lowest (4.8%). Within the top 16, Citibank ratio (13.9%) was the highest, while that of ABL (1.9%) was the lowest. UBL (6.2%) and FB (12.9%) were the leaders in their respective groups.

Administratives expenses rise

In 2004 administrative expenses showed a further rise. Hiring of expertise, refurbishing and expansion of branch network, increase in salaries and allowances and investment in information technology pushed up expenses in almost all banks. In 2004 however, intermediation cost of banks was unchanged. The ratio for foreign banks at 2.9% was slightly higher than the other groups.

Large banks registered a marginal increase in their intermediation cost (2.8%), while for private banks the ratio was slightly lower at 2.4%. NBP, has managed to keep its administrative cost relatively low (2%), while Habib Bank has a high ratio (3.3%). Some private and foreign banks have very high ratio exceeding 4%, Citibank has the highest ratio at 4.6%.

Man-power strength increases

In 2004, banks added 148 new branches to their network, while manpower strength increased by nearly 4200. Of these, over 3000 were employed by the private banks, 264 by foreign banks and 284 were added to the staff strength of large banks. Similarly, foreign and private banks carried out expansion in their branch network. Private banks opened 171 branches and foreign banks 15 new branches. Large banks, however, reduced their branch network by closing 37 branches.

Lowest staff cost per branch in large banks

The analysis reveals that staff cost per branch for the entire banking sector went up by 10%. Inspite of reducing their per branch staff cost it remained the highest for foreign banks. Large banks and private banks recorded increase of 9%. Large banks per branch cost was the lowest. Bank-wise, Citibank has the highest staff cost per branch (Rs.87mn) followed by UB (Rs.21mn). ABL cost is the lowest (Rs.3.8mn).

At the same time, number of employees per branch is the lowest (9) at UBL and ABL, as compared to BAF (37)and it is the highest for Citibank (80). For large banks as a group, the ratio is only 11, which is the lowest. Foreign banks have the highest number of staff per branch (35) while for private banks' it is 20. The large banks, however, have been successful in improving the efficiency of their operations to the extent that their cost to income ratios are low. This ratio has come down to 69% and compares with that of private banks, which increased to 68%. Foreign banks ratio is still the lowest at 60%.

Employees per branch high at foreign banks

Challenges ahead

In the year 2004, the banks managed to consolidate the gains and achieve strong financial performance. While much has been achieved during these past few years, there are still formidable challenges ahead, which require concerted efforts by all. As banks access to SMEs, agriculture sector increases, portfolios diversify it would help them strengthen their earnings. While customer services would continue to receive focus there is a pressing need to develop new products for the depositors. Their is a lot of savings in the economy and it is upto the banks to be able to mobilize them.

Banks have to prepare themselves for Basel II. Implementing changes in business processes propagated by Basel II is a challenging task for banks.

List of Abbreviations

NBP	National Bank of Pakistan	SCBL	Saudi Pak Commercial Bank Limited
HBL	Habib Bank Limited	MBL	Meezan Bank Limited
UBL	United Bank of Pakistan	CCBL	Crescent Commercial Bank Limited
MCB	MCB Bank Limited	DBL	Dawood Bank Limited
ABL	Allied Bank Limited	ABN Amro	ABN Amro Bank N.A
FWB	First Women Bank Limited	SCB	Standard Chartered Bank
ACBL	Askari Commercial Bank Limited	AGZ	Habib Bank AG Zurich
BAF	Bank Al-Falah Limited	Amex	American Express Bank
BAH	Bank Al-Habib Limited	HSBC	HongKong & Shanghai Banking Corporation
BOP	Bank of Punjab	BOT	Bank of Tokyo
KASB	KASB Bank Limited	OIB	Oman International Bank S.A.O.G
MB	Metropolitan Bank Limited	ABIB	Al Baraka Islamic Bank
FB	Faysal Bank Limited	RB	Rupali Bank
UB	Union Bank Limited	DB	Deutsche Bank
PCBL	PICIC Commercial Bank Limited	PBT	Profit Before Tax
		PAT	Profit After Tax

Key Performance Indicators - All Banks

(Rs. Billion)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Assets Net	1383.5	1520.4	1732.5	485.2	667.5	918.8	260.8	264.8	303.6	2129.5	2452.7	2954.9
Equity	36.6	49.4	82.2	26.2	39.6	53.4	24.5	24.3	27.2	87.3	113.3	162.8
Deposits	1146.9	1275.1	1455.5	350.3	493.0	710.5	176.3	192.4	227.0	1673.6	1960.4	2392.0
Advances	507.6	580.2	823.8	212.0	344.5	538.3	124.1	121.3	159.2	843.7	1045.9	1521.2
Investments	482.5	555.9	462.4	156.6	185.3	177.6	53.7	43.4	30.9	692.7	784.5	670.9
Interest Income	86.0	63.3	63.3	31.9	29.7	36.6	17.7	12.2	11.8	135.6	105.3	111.7
Interest Expense	41.9	18.3	15.7	21.2	13.9	14.4	10.8	4.6	3.4	74.0	36.8	33.5
Net Interest Income	44.1	45.0	47.6	10.6	15.9	22.3	6.9	7.6	8.3	61.6	68.5	78.2
Non Fund Based Income	19.0	26.4	28.4	7.8	15.2	12.4	5.0	6.0	6.1	31.9	47.6	46.9
Revenue	63.1	71.5	76.6	18.4	31.1	34.7	11.9	13.6	14.4	93.5	116.2	125.8
Admn Expense	38.1	35.3	40.7	9.2	12.6	16.6	5.3	6.1	7.1	52.6	54.0	64.3
Profit/(Loss)B.T	14.6	23.6	28.9	8.3	16.4	16.0	6.3	7.4	7.2	29.2	47.4	52.2
Profit/(Loss)A.T	6.5	13.6	18.5	4.7	10.6	11.3	4.0	4.5	5.8	15.1	28.7	35.5
Employees (Nos)	58015	58434	58719	13596	16528	20164	2481	2555	2819	74092	77517	81702
Branches (Nos)	5686	5523.0	5486.0	727	845	1016	63	65	80	6476	6433	6581

Growth Rates - All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Assets Net	13.8	9.9	13.9	44.8	37.6	37.7	14.0	1.6	14.7	19.7	15.2	21.8
Equity	64.5	35.1	66.4	14.5	51.0	35.0	35.7	-0.9	11.7	39.6	30.8	44.0
Deposits	11.4	11.2	14.2	39.1	40.7	43.9	20.8	9.1	18.0	17.2	17.1	22.0
Advances	-7.2	14.3	42.0	37.2	62.5	56.3	21.9	-2.3	31.3	5.0	24.0	45.4
Investments	108.4	15.2	-16.8	120.8	18.3	-4.2	71.1	-19.2	-28.6	107.5	13.2	-14.5
Interest Income	-9.9	-26.4	0.0	7.6	-6.7	23.2	-18.0	-31.0	-3.7	-7.5	-22.3	6.1
Interest Expense	-21.8	-56.3	-14.4	-0.6	-34.7	3.7	-31.4	-57.3	-25.7	-18.5	-50.2	-9.0
Net Interest Income	5.4	2.1	5.9	28.6	49.2	40.1	18.2	10.4	9.6	10.2	11.1	14.2
Non Fund Based Income	17.5	38.7	7.6	67.7	94.6	-18.4	30.1	19.9	1.2	28.9	49.4	-1.5
Revenue	8.8	13.2	7.2	42.7	68.5	11.7	23.0	14.4	5.9	15.9	24.3	8.2
Admn Expense	3.0	-7.6	15.3	34.6	36.9	31.9	14.5	16.1	15.7	8.5	2.6	19.2
Profit/(Loss)B.T	1537.6	62.3	22.5	82.4	97.5	-2.1	41.1	16.1	-2.0	194.2	62.3	10.2
Profit/(Loss)A.T	226.3	110.8	35.4	81.9	124.1	6.8	56.1	13.4	29.3	-	89.4	23.9

Selected Ratios - All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Cost of Funds	3.6	1.4	1.1	5.9	2.7	2.0	5.1	2.0	1.4	4.3	1.8	1.4
Intermediation Cost	3.3	2.7	2.8	2.5	2.5	2.4	2.5	2.7	2.9	3.0	2.7	2.7
Pre Tax Margin	13.9	26.7	31.6	20.9	36.4	32.6	27.9	40.3	40.4	17.4	31.0	32.9
Net Profit Margin	10.2	19.1	24.1	25.5	34.0	33.0	33.3	33.0	40.3	16.2	24.7	28.3
Gross Spread Ratio	51.3	71.0	75.2	33.4	53.4	60.8	38.9	62.2	70.8	45.4	65.0	70.0
Non Interest Income Ratio	30.1	36.9	37.0	42.3	48.8	35.7	42.3	44.3	42.4	34.1	41.0	37.3
Cost of Funding Earning Assets	4.0	1.5	1.1	6.1	2.7	2.1	5.6	2.1	1.5	4.7	1.9	1.5
Yield on Earning Assets	8.2	5.2	4.6	9.2	5.9	5.3	9.1	5.6	5.0	8.5	5.4	4.9
ROE	49.6	55.0	44.0	33.7	49.7	34.4	29.8	30.1	28.0	38.8	47.2	37.8
ROA	1.1	1.6	1.8	2.0	2.8	2.0	2.6	2.8	2.5	1.5	2.1	1.9
ROD	1.3	2.0	2.1	2.7	3.9	2.7	3.9	4.0	3.4	1.9	2.6	2.4
Interest Spread	4.6	3.7	3.5	3.3	3.2	3.3	4.0	3.6	3.6	5.4	4.2	3.1
Advances to Deposits Ratio(CDR)	48.5	44.9	51.4	60.8	65.4	73.4	70.1	66.5	66.9	53.1	52.0	59.0
Earning Assests to Assets	80.6	84.5	84.7	84.8	87.7	87.4	79.5	82.3	80.8	81.3	85.1	85.2
Capital Ratio	2.3	3.0	4.0	6.0	5.7	5.9	8.7	9.3	9.1	3.9	4.4	5.1
Capital to Risk Assets (CRA)	5.6	7.9	9.4	13.4	11.8	10.5	18.9	19.9	18.4	9.1	10.6	10.8
Equity to Assets	2.3	3.0	4.0	6.1	6.0	6.1	8.7	9.3	9.1	3.9	4.4	5.2
Debt Management Ratio	96.1	95.2	93.8	92.5	92.6	91.0	91.0	90.3	90.8	94.7	94.0	93.2
Equity to Deposit	2.7	3.5	4.8	8.1	7.8	7.7	13.2	13.3	12.3	4.9	5.5	6.3
Cost to Income Ratio	86.2	73.8	69.1	79.1	63.6	67.6	72.1	59.7	59.6	82.6	69.1	67.6
Admn Cost to Revenue	60.4	49.3	53.1	49.8	40.5	47.8	44.1	44.7	48.9	56.3	46.4	51.2
Revenue to Admn Expenses	165.4	202.7	188.3	200.6	246.9	209.1	226.9	223.5	204.6	177.7	215.3	195.5
Per Branch												
Employees (Nos)	10	11	11	19	20	20	39	39	35	11	12	12
Staff Cost (Rs.Mn)	4.7	4.6	5.0	5.5	6.4	7.0	30.6	36.9	36.0	5.0	5.2	5.7
Deposits (Rs.Mn)	0.2	0.2	0.2	0.4	0.5	0.6	2.6	2.8	2.6	0.2	0.3	0.3
Per Employee												
Staff Cost (Rs.Mn)	0.5	0.4	0.5	0.3	0.3	0.4	0.8	0.9	1.0	0.4	0.4	0.5
Deposits (Rs.Mn)	18.8	20.7	23.25	22.1	25.7	29.8	64.9	72.1	74.4	20.9	23.4	26.7

Key Performance Indicators- Major Banks

(Rs. Billion)

Banks	Assets			Equity			Deposits			Advances			Investment		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	432.8	469.0	549.7	14.3	18.1	25.3	362.9	395.5	465.6	140.5	161.3	221.4	143.5	166.2	144.7
FWB	8.2	9.7	9.6	0.2	0.4	0.6	6.6	8.1	8.7	0.8	1.3	1.6	5.5	5.3	3.7
NCBs	*441.0*	*478.7*	*559.4*	*14.5*	*18.5*	*25.8*	*369.4*	*403.6*	*474.3*	*141.4*	*162.5*	*223.1*	*149.0*	*171.5*	*148.4*
HBL	403.0	434.9	487.0	12.3	16.8	23.1	328.2	360.6	404.6	167.5	183.7	258.3	142.9	158.9	134.5
UBL	191.8	216.9	272.6	8.7	11.2	14.4	162.7	185.1	230.3	74.5	96.1	146.2	67.4	56.5	55.0
MCB	235.1	272.3	259.3	6.3	7.7	9.4	182.7	211.5	220.0	78.9	97.2	137.3	89.6	128.3	67.2
ABL	112.5	117.5	154.2	-5.3	-4.9	9.5	103.9	114.2	126.4	45.3	40.7	58.8	33.6	40.7	57.3
Privatised Banks	*942.5*	*1041.7*	*1173.1*	*22.0*	*30.9*	*56.4*	*777.5*	*871.4*	*981.2*	*366.2*	*417.6*	*600.7*	*333.4*	*384.4*	*314.0*
Total	*1383.5*	*1520.4*	*1732.5*	*36.6*	*49.4*	*82.2*	*1146.9*	*1275.1*	*1455.5*	*507.6*	*580.2*	*823.8*	*482.5*	*555.9*	*462.4*

Banks	Interest Income			Interest Expense			Net Interest Income			Non Fund Based Income			Revenue		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	27.1	19.5	20.9	14.7	6.7	6.6	12.4	12.7	14.4	5.2	7.2	8.3	17.6	20.0	22.7
FWB	0.6	0.5	0.5	0.4	0.2	0.1	0.3	0.3	0.3	0.0	0.1	0.09	0.3	0.5	0.4
NCBs	*27.8*	*20.0*	*21.4*	*15.1*	*6.9*	*6.7*	*12.7*	*13.1*	*14.7*	*5.2*	*7.4*	*8.4*	*17.9*	*20.4*	*23.1*
HBL	24.0	19.0	18.1	11.6	5.4	4.5	12.4	13.6	13.7	6.2	7.8	9.8	18.6	21.4	23.5
UBL	11.4	8.9	9.2	5.5	1.9	1.7	5.9	7.1	7.5	3.5	4.5	4.4	9.5	11.6	11.9
MCB	15.4	10.4	9.3	6.1	2.9	2.1	9.3	7.4	7.3	2.6	4.5	4.0	11.9	12.0	11.8
ABL	7.5	5.0	5.2	3.7	1.2	0.8	3.8	3.8	4.4	1.5	2.1	1.7	5.2	6.08	6.2
Privatised Banks	*58.2*	*43.3*	*41.9*	*26.9*	*11.4*	*9.0*	*31.4*	*31.9*	*32.9*	*13.8*	*19.0*	*20.0*	*45.2*	*51.0*	*53.5*
Total	*86.0*	*63.3*	*63.3*	*41.9*	*18.3*	*15.7*	*44.1*	*45.0*	*47.6*	*19.0*	*26.4*	*28.4*	*63.1*	*71.5*	*76.6*

Banks	Admn Expenses			Provisions			Other Expenses			Profit (Loss) BT			Profit (Loss) AT		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	9.1	8.3	8.9	2.1	2.6	1.7	0.3	0.1	0.04	6.0	9.0	12.0	2.3	4.2	6.2
FWB	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.2	0.05	0.2	0.1
NCBs	*9.3*	*8.5*	*9.1*	*2.1*	*2.6*	*1.8*	*0.3*	*0.1*	*0.0*	*6.2*	*9.3*	*12.2*	*2.3*	*4.4*	*6.4*
HBL	11.8	9.8	13.8	2.5	5.5	2.3	0.2	0.6	0.3	4.1	5.5	7.2	2.0	4.0	5.7
UBL	5.9	6.2	6.7	0.7	0.6	0.3	0.1	0.6	0.0	2.8	4.3	4.9	1.5	2.6	3.7
MCB	7.5	6.6	7.0	0.7	0.8	0.3	0.5	1.0	0.3	3.1	3.6	4.2	1.7	2.2	2.5
ABL	3.6	4.2	4.1	3.0	0.6	1.5	0.2	0.3	0.2	-1.6	1.0	0.5	-1.1	0.4	0.2
Privatised Banks	*28.8*	*26.8*	*31.6*	*7.0*	*7.4*	*4.4*	*0.9*	*2.4*	*0.7*	*8.4*	*14.4*	*16.7*	*4.2*	*9.3*	*12.1*
Total	*38.1*	*35.3*	*40.7*	*9.1*	*10.1*	*6.2*	*1.3*	*2.5*	*0.8*	*14.6*	*23.6*	*28.9*	*6.5*	*13.6*	*18.5*

Source: Annual Reports of the Banks

NBP National Bank of Pakistan
FWB First Women Bank Limited
HBL Habib Bank Limited
UBL United Bank Limited
MCB MCB Bank Limited
ABL Allied Bank Limited

Major Banks - Selected Ratios

(In %)

Banks	Cost of Funds			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio			Gross Spread Ratio		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	4.0	1.7	1.5	2.5	2.1	2.0	18.7	33.7	41.1	29.5	36.3	36.6	45.8	65.4	68.7
FWB	5.1	2.2	1.3	2.5	2.6	2.5	20.3	41.2	38.4	10.8	30.2	20.3	44.1	65.6	75.6
NCBs	**4.0**	**1.7**	**1.5**	**2.5**	**2.1**	**2.0**	**18.7**	**33.9**	**41.1**	**29.2**	**36.2**	**36.3**	**45.8**	**65.4**	**68.8**
HBL	3.4	1.4	1.1	3.5	2.6	3.3	13.6	20.4	25.6	33.3	36.3	41.8	51.7	71.4	75.4
UBL	3.4	1.0	0.8	3.6	3.4	3.1	18.7	32.1	35.8	37.2	39.2	37.0	51.9	78.9	81.2
MCB	3.3	1.3	0.9	4.1	2.9	3.0	17.3	24.2	31.5	21.8	37.9	33.9	60.5	71.7	78.0
ABL	3.5	1.0	0.6	3.4	3.7	3.2	-17.7	13.4	6.6	28.1	35.3	27.9	50.3	76.8	85.1
Privatised Banks	**3.4**	**1.3**	**0.9**	**3.7**	**3.0**	**3.2**	**11.6**	**23.0**	**27.0**	**30.5**	**37.2**	**37.4**	**53.9**	**73.7**	**78.5**
Total	**3.6**	**1.4**	**1.1**	**3.3**	**2.7**	**2.8**	**13.9**	**26.4**	**31.6**	**30.1**	**36.9**	**37.0**	**51.3**	**71.0**	**75.2**

Banks	Equity/Deposits			Advances/Deposits (CDR)			ROE			ROA			ROD		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	3.7	4.3	5.0	43.6	39.8	44.4	46.1	55.6	55.4	1.4	2.0	2.4	1.7	2.4	2.8
FWB	3.4	4.3	5.8	12.9	14.4	17.4	62.6	84.3	43.5	1.7	3.0	2.2	2.1	3.7	2.5
NCBs	**3.7**	**4.3**	**5.1**	**43.1**	**39.3**	**43.9**	**46.3**	**56.1**	**55.2**	**1.4**	**2.0**	**2.4**	**1.7**	**2.4**	**2.8**
HBL	3.6	4.2	5.2	54.7	51.0	57.8	37.5	37.7	35.9	1.1	1.3	1.6	1.3	1.6	1.9
UBL	2.6	5.7	6.2	50.1	49.1	58.4	70.6	43.3	38.2	1.5	2.1	2.0	1.8	2.5	2.4
MCB	3.4	3.6	4.0	46.1	44.7	54.4	54.9	51.5	49.1	1.5	1.4	1.6	1.8	1.8	1.9
ABL	-4.9	-4.6	1.9	50.3	39.4	41.3	-32.8	-18.8	19.7	-1.5	0.8	0.3	-1.6	0.9	0.4
Privatised Banks	**2.2**	**3.2**	**4.7**	**51.2**	**47.5**	**55.0**	**52.2**	**54.3**	**38.3**	**1.0**	**1.4**	**1.5**	**1.2**	**1.7**	**1.8**
Total	**2.7**	**3.5**	**4.8**	**48.5**	**44.9**	**51.4**	**49.6**	**55.0**	**44.0**	**1.1**	**1.6**	**1.8**	**1.3**	**2.0**	**2.1**

Banks	Earning Assets to Deposits			Capital Ratio			Revenue/Admn. Expenses			Cost to Income Ratio			Net Profit Margin		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	88.8	95.4	93.8	3.1	3.6	4.3	193.0	241.1	255.6	81.3	66.3	58.9	12.8	21.0	27.5
FWB	106.5	111.1	105.6	2.8	3.6	5.0	183.8	230.1	198.2	79.7	58.8	61.6	14.6	33.5	28.5
NCBs	**89.1**	**95.7**	**94.1**	**3.1**	**3.6**	**4.3**	**192.8**	**240.8**	**254.2**	**81.3**	**66.1**	**58.9**	**12.8**	**21.3**	**27.5**
HBL	102.2	106.4	106.6	3.0	3.5	4.3	157.2	218.4	170.7	86.4	79.6	74.4	11.0	18.8	24.2
UBL	98.0	101.0	101.7	2.2	4.9	5.2	160.9	188.5	177.6	81.4	67.9	64.2	15.5	22.7	31.1
MCB	105.3	112.1	106.2	2.7	2.8	3.2	157.6	181.7	168.5	82.7	75.8	72.4	14.6	18.6	21.5
ABL	86.1	87.0	96.5	-4.5	-4.4	1.7	145.4	143.2	152.6	117.7	88.1	94.7	-20.4	6.3	2.7
Privatised Banks	**99.8**	**104.0**	**104.1**	**1.9**	**2.7**	**3.9**	**156.6**	**190.6**	**169.3**	**88.4**	**77.0**	**73.3**	**9.2**	**18.2**	**22.6**
Total	**96.3**	**101.4**	**100.9**	**2.3**	**3.0**	**4.0**	**165.4**	**202.7**	**188.3**	**86.1**	**73.8**	**69.1**	**10.2**	**19.1**	**24.1**

Banks	Capital/Risk Asset Ratio(CRA)			Debt Management Ratio(DMR)			Equity/Liabilities			Earning Assets/Assets			Admn. Cost/Revenue		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	8.4	10.7	11.3	95.1	94.3	93.1	3.3	3.8	4.6	74.6	80.2	79.3	51.8	41.5	39.1
FWB	26.1	30.2	33.1	93.5	92.9	93.7	3.0	38	5.3	87.9	91.0	91.6	54.4	43.5	50.4
NCBs	**8.5**	**10.9**	**11.5**	**95.2**	**94.3**	**93.1**	**3.2**	**3.8**	**4.6**	**74.8**	**80.4**	**79.5**	**51.9**	**41.5**	**39.3**
HBL	6.5	8.3	9.0	95.6	94.8	94.0	3.1	3.7	4.6	84.8	87.4	88.4	63.6	45.8	58.6
UBL	5.2	11.7	10.6	95.9	93.3	93.4	2.3	5.2	5.6	82.7	86.0	86.3	62.2	53.1	56.3
MCB	7.3	8.0	7.3	95.6	95.5	95.1	2.8	2.9	3.4	84.1	87.0	86.2	63.4	55.0	59.3
ABL	-	-	4.7	103.1	103.3	93.8	-4.3	-4.3	1.8	79.1	82.5	85.5	68.8	69.9	65.5
Privatised Banks	**4.5**	**6.7**	**8.6**	**96.6**	**95.7**	**94.1**	**2.0**	**2.8**	**4.2**	**83.5**	**86.5**	**87.1**	**63.9**	**52.5**	**59.1**
Total	**5.6**	**7.9**	**9.4**	**96.1**	**95.2**	**93.8**	**2.4**	**3.1**	**4.3**	**80.6**	**84.5**	**84.7**	**60.4**	**49.3**	**53.1**

Banks	Cost of Funding Earning Assets			Yield on Earning Assets			Net. Interest Margin(NIM)			Interest Spread			Staff Cost/Employee(Rs.Mn)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	4.6	1.9	1.6	8.6	5.4	5.2	3.9	3.5	3.6	4.6	3.7	3.7	0.6	0.4	0.5
FWB	5.2	2.1	1.3	9.3	6.2	5.2	4.1	4.1	3.9	4.2	4.0	3.9	0.2	0.2	0.3
NCBs	**4.7**	**1.9**	**1.6**	**8.6**	**5.4**	**5.2**	**3.9**	**3.5**	**3.6**	**4.6**	**3.7**	**3.7**	**0.6**	**0.4**	**0.5**
HBL	3.7	1.5	1.1	7.7	5.2	4.5	4.0	3.7	3.4	4.2	3.8	3.4	0.4	0.4	0.5
UBL	3.7	1.1	0.8	7.6	5.1	4.4	4.0	4.0	3.6	4.3	4.1	3.6	0.4	0.4	0.5
MCB	3.4	1.3	0.9	8.7	4.7	4.1	5.2	3.4	3.2	5.4	3.4	3.2	0.5	0.4	0.5
ABL	4.4	1.2	0.7	8.8	5.3	4.5	4.4	4.0	3.8	5.3	4.2	3.9	0.3	0.4	0.4
Privatised Banks	**3.7**	**1.3**	**0.9**	**8.0**	**5.1**	**4.3**	**4.3**	**3.7**	**3.4**	**4.6**	**3.8**	**3.4**	**0.4**	**0.4**	**0.5**
Total	**4.0**	**1.5**	**1.1**	**8.2**	**5.2**	**4.6**	**4.2**	**3.7**	**3.5**	**4.6**	**3.7**	**3.5**	**0.5**	**0.4**	**0.5**

Banks	Staff Cost/Branch(Rs.Mn)			Deposits/Branch (Rs.Bn)			Deposits/Employee(Rs.Mn)			Staff/Branch (Nos)			Profit (AT)/Branch (Rs.Mn)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
NBP	5.8	4.8	5.3	0.3	0.3	0.4	29.2	28.6	31.3	10	11	11	1.9	3.5	5.1
FWB	2.7	3.3	3.4	0.2	0.2	0.2	12.9	14.0	16.6	13	14	13	1.2	4.2	3.3
NCBs	**5.7**	**4.8**	**5.2**	**0.3**	**0.3**	**0.3**	**28.6**	**28.0**	**30.8**	**10**	**11**	**11**	**1.9**	**3.5**	**5.0**
HBL	5.6	5.5	6.2	0.2	0.2	0.3	16.1	18.3	20.5	13	13	13	1.4	2.7	3.9
UBL	3.4	3.6	3.9	0.1	0.2	0.2	18.0	19.7	22.6	8	8	9	1.3	2.4	3.5
MCB	5.2	4.6	4.9	0.2	0.2	0.2	15.4	19.4	21.8	10	10	10	1.7	2.3	2.7
ABL	2.7	4.1	3.8	0.1	0.1	0.2	14.3	15.9	17.8	9	9	9	-1.3	0.5	0.2
Privatised Banks	**4.4**	**4.6**	**4.9**	**0.2**	**0.2**	**0.2**	**16.0**	**18.5**	**20.8**	**10**	**10**	**11**	**0.9**	**2.2**	**2.9**
Total	**4.7**	**4.6**	**5.0**	**0.2**	**0.2**	**0.2**	**18.8**	**20.7**	**23.3**	**10**	**11**	**11**	**1.1**	**2.5**	**3.4**

Key Performance Indicators- Private & Provincial Banks

(Rs. Million)

Banks	Assets			Equity			Deposits			Advances			Investments		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	70313	85387	107167	3027	3901	5573	51732	61657	83319	30036	44777	69938	26737	22104	17239
Soneri Bank	27998	36966	49852	1792	2230	2879	20545	27868	37384	11378	17348	24376	9844	11912	13983
Bank Al-Habib	49437	58066	77436	1822	2726	3274	34240	46178	62171	23775	35231	47367	18831	14109	14414
Bank Al-Falah	65167	98952	154834	1616	3753	4369	51685	76698	129715	28319	49216	88931	24470	28904	35503
Bank of Khyber	18843	18992	23818	1258	1563	1822	13989	15367	15834	6575	5382	9001	6316	9543	6917
Bank of Punjab	29525	43621	66320	2363	3052	4420	23767	34938	54724	6621	18344	39439	8295	11458	16197
KASB Bank	4037	8990	16214	539	1216	1750	2640	5451	11201	490	3647	8295	2118	2395	2715
Metropolitan Bank	41381	58982	67891	2075	2753	3568	28515	39338	48596	19444	32230	40122	15014	17959	15560
Faysal Bank	36671	47606	78538	4121	5610	6251	24458	31332	56460	21935	29626	51373	6842	11218	11503
Bolan Bank	10595	11759	13436	1112	1092	1684	7761	9006	10922	3298	5853	7245	1328	1929	1937
Prime Commercial Bank	21637	29628	40336	1380	1536	2943	14640	21634	30117	9016	13664	21264	7534	9816	6310
Union Bank	55849	67328	77711	2243	2507	3336	37760	50452	62955	28890	40409	51075	11823	9287	6572
PICIC Commercial Bank	27982	40134	52008	1323	1784	3483	21155	32500	44092	10876	14317	25828	10306	21737	13199
Saudi Pak Commercial	18830	35142	42721	16	1145	1466	12341	24578	33271	7773	18536	25487	6279	9370	9707
Meezan Bank	6971	11102	19697	1476	1637	1861	5080	7757	13770	332	7397	12340	856	1212	1429
Crescent Commercial Bank	-	6129	10593	-	1826	2353	-	3478	5093	-	1693	4016	-	1366	2594
NIB	-	8693	16557	-	1255	1378	-	4779	10649	-	6792	12158	-	952	767
Dawood Bank Ltd.	-	-	3687	-	-	1034	-	-	233	-	-	58	-	-	1008
Total	**485237**	**667478**	**918816**	**26216**	**39586**	**53444**	**350306**	**493011**	**710505**	**211958**	**344462**	**538313**	**156592**	**185271**	**177554**

Banks	Interest Income			Interest Expenses			Net Income			Non-Fund Based Income			Revenue		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	4858	4074	4487	3017	1380	1117	1841	2694	3370	846	954	1633	2687	3648	5003
Soneri Bank	2137	1714	1948	1512	790	752	625	924	1195	492	463	480	1117	1388	1675
Bank Al-Habib	2776	2403	2432	1976	1132	962	801	1271	1470	701	1431	870	1502	2702	2340
Bank Al-Falah	4551	4033	5620	3112	2029	2434	1439	2005	3186	695	3392	1520	2134	5397	4706
Bank of Khyber	1617	1474	1087	1065	658	417	552	816	670	139	142	155	691	958	826
Bank of Punjab	2070	1664	2555	998	484	719	1072	1180	1836	374	831	1097	1446	2012	2933
KASB Bank	282	381	641	218	173	318	64	208	323	125	154	116	189	386	474
Metropolitan Bank	2680	2685	2784	1768	1312	1261	912	1373	1523	546	651	755	1458	2024	2278
Faysal Bank	3046	2075	2753	2168	946	1118	879	1129	1635	977	2714	1831	1856	3843	3466
Bolan Bank	517	509	552	314	114	141	203	395	411	253	123	98	456	518	520
Prime Commercial Bank	1395	1469	1641	965	649	656	430	820	986	449	461	560	880	1281	1546
Union Bank	3131	3464	4295	2091	1694	1442	1040	1770	2853	1006	1693	1604	2046	3464	4457
PICIC Commercial Bank	1777	1869	2336	1297	1327	1068	479	541	1268	326	967	679	806	1508	1947
Saudi Pak Commercial	725	1305	1857	532	872	1147	193	432	711	581	713	394	774	1145	1104
Meezan Bank	311	376	534	192	182	250	120	193	284	288	287	365	408	481	649
Crescent Commercial Bank	-	76	233	-	30	136	-	46	97	-	192	116	-	237	213
NIB	-	172	803	-	83	413	-	90	391	-	8	112	-	98	503
Dawood Bank Ltd.	-	-	70	-	-	16	-	-	55	-	-	1	-	-	57
Total	**31872**	**29742**	**36629**	**21223**	**13853**	**14367**	**10649**	**15888**	**22263**	**7798**	**15176**	**12386**	**18448**	**31088**	**34696**

Banks	Admin Expenses			Provisions			Other Expenses			Profit/Loss(BT)			Profit/Loss(AT)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	1090	1436	1845	351	308	315	2	1	0.1	1244	1902	2843	687	1103	1923
Soneri Bank	441	500	642	44	73	15	12	2	1	621	813	1047	350	439	648
Bank Al-Habib	760	1075	1315	119	108	-15	4	6	1	620	1513	1039	290	1012	541
Bank Al-Falah	1183	1799	2678	55	87	373	1	4	1	895	3506	1654	446	2123	1092
Bank of Khyber	247	307	303	238	240	237	5	14	1	200	397	286	142	305	259
Bank of Punjab	900	999	1116	54	8	47	60	2	34	432	1002	1736	284	689	1368
KASB Bank	204	326	428	34	16	-1	54	-13	-4	-102	56	50	-114	25	120
Metropolitan Bank	513	662	814	68	135	85	1	3	1	876.3	1224	1378	430	678	815
Faysal Bank	619	835	1135	-21	248	123	3	14	1	1255	2745	2207	656	2151	1753
Bolan Bank	381	373	381	50	137	30	1	2	22	25	6	87	4	-20	84
Prime Commercial Bank	512	719	943	57	125	75	4	7	3	306	430	525	176	277	345
Union Bank	1563	2190	2567	169	154	453	28	554	27	286	566	1410	164	428	830
PICIC Commercial Bank	326	564	823	-29	120	-6	0.3	1	1	509	825	1130	319	621	900
Saudi Pak Commercial	262	414	539	-380	-299	37	51	52	51	842	979	478	654	378	307
Meezan Bank	195	255	409	-61	-16	19	3	0.0	0.2	271	241	221	223	214	224
Crescent Commercial Bank	-	74	222	-	46	74	-	1	1	-	117	-84	-	111	-87
NIB	-	62	394	-	8	73	-	-	4	-	28	31	-	21	123
Dawood Bank Ltd.	-	-	51	-		-2	-	-	44	-	-	-38	-	-	25
Total	**9195**	**12590**	**16604**	**747**	**1497**	**1965**	**228**	**648**	**189**	**8278**	**16350**	**15999**	**4709**	**10554.4**	**11270**

Source: Annual Reports of the Banks

Private & Provincial Banks - Selected Ratios

(In %)

Banks	Cost of Funds			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio			Gross Spread Ratio		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	5.5	2.0	1.3	2.0	2.0	2.1	21.8	37.8	46.5	31.5	26.1	32.7	37.9	66.1	75.1
Soneri Bank	7.2	2.8	1.9	2.1	1.8	1.6	23.6	37.4	43.1	44.1	33.4	28.7	29.2	53.9	61.4
Bank Al-Habib	5.5	2.3	1.6	2.1	2.2	2.1	17.8	39.5	31.5	46.7	52.9	37.2	28.8	52.9	60.4
Bank Al-Falah	6.6	2.7	2.1	2.5	2.4	2.3	17.1	47.2	23.2	32.6	62.9	32.3	31.6	49.7	56.7
Bank of Khyber	6.9	4.1	2.3	1.6	1.9	1.7	11.4	24.6	23.1	20.1	14.8	18.8	34.1	55.4	61.6
Bank of Punjab	4.3	1.5	1.5	3.9	3.2	2.3	17.7	40.1	47.5	25.8	41.3	37.4	51.8	70.9	71.9
KASB Bank	5.8	3.4	3.0	5.4	6.4	4.0	-25.0	10.5	6.6	66.0	39.9	26.4	22.8	54.7	50.4
Metropolitan Bank	5.9	3.0	2.2	1.7	1.5	1.4	27.2	36.7	38.9	37.5	32.2	33.1	34.0	51.1	54.7
Faysal Bank	6.5	2.8	2.2	1.9	2.5	2.2	31.2	57.3	48.2	52.7	70.6	52.8	28.8	54.4	59.4
Bolan Bank	3.8	1.2	1.3	4.6	3.9	3.5	3.2	1.0	13.4	55.5	23.7	18.8	39.3	77.6	74.5
Prime Commercial Bank	6.0	2.8	2.1	3.2	3.1	3.0	16.6	22.3	23.9	51.1	36.0	36.2	30.9	55.8	60.1
Union Bank	5.4	3.1	2.2	4.0	4.0	3.9	6.9	11.0	23.9	49.2	48.9	36.0	33.2	51.1	66.4
PICIC Commercial Bank	7.2	4.4	2.5	1.8	1.9	2.0	24.2	29.1	37.5	40.5	64.1	34.9	27.0	29.0	54.3
Saudi Pak Commercial	3.9	3.4	3.2	1.9	1.6	1.5	64.5	48.4	21.2	75.1	62.2	35.1	26.6	33.1	38.3
Meezan Bank	6.7	2.6	2.0	6.8	3.7	3.2	45.2	36.4	24.6	70.7	59.8	56.2	38.4	51.4	53.2
Crescent Commercial Bank	-	1.6	2.5	-	3.8	4.1	-	43.6	-24.1	-	80.8	54.3	-	60.1	41.7
NIB	-	1.2	3.8	-	0.9	3.7	-	15.4	3.4	-	7.9	22.2	-	52.1	48.7
Dawood Bank Ltd.	-	-	0.6	-	-	2.1	-	-	-54.0	-	-	1.8	-	-	77.8
Total	**5.9**	**2.7**	**2.0**	**2.5**	**2.5**	**2.4**	**20.9**	**36.4**	**32.6**	**42.3**	**48.8**	**35.7**	**33.4**	**53.4**	**60.8**

Banks	Equity/Deposits			Advances/Deposits (CDR)			ROE			ROA			ROD		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	6.0	6.1	6.5	57.4	66.0	79.1	44.6	54.9	60.0	2.1	2.4	3.0	2.7	3.4	2.9
Soneri Bank	9.1	8.3	7.8	59.0	59.3	63.9	37.3	40.5	41.0	2.6	2.5	2.4	3.4	3.4	3.2
Bank Al-Habib	5.7	5.7	5.5	67.3	73.4	76.2	37.0	66.5	34.6	1.6	2.8	1.5	2.1	3.8	1.9
Bank Al-Falah	3.6	4.2	3.9	57.9	60.4	66.9	60.1	130.6	40.7	1.7	4.3	1.3	2.2	5.5	1.6
Bank of Khyber	8.4	9.6	10.8	48.0	40.7	46.1	16.9	28.2	18.3	1.1	2.1	1.3	1.4	2.7	1.8
Bank of Punjab	10.8	9.2	8.3	29.0	42.5	64.4	18.2	37.0	46.5	1.6	2.7	3.2	2.0	3.4	3.9
KASB Bank	19.6	22.4	17.8	39.8	51.1	71.7	-15.6	6.2	3.4	-2.2	0.9	0.4	-3.1	1.4	0.6
Metropolitan Bank	8.4	7.1	7.2	69.9	76.2	82.3	44.7	50.7	43.6	2.6	2.4	2.2	3.8	3.6	3.1
Faysal Bank	14.3	16.5	12.9	81.6	92.4	92.3	31.2	59.7	39.0	3.2	6.5	3.5	4.5	9.8	5.0
Bolan Bank	13.6	13.2	13.9	43.6	54.6	65.7	2.5	0.6	6.3	0.3	0.1	0.7	0.3	0.1	0.9
Prime Commercial Bank	10.7	8.0	8.7	61.0	62.5	67.5	22.9	29.5	23.4	1.7	1.7	1.5	2.4	2.4	2.0
Union Bank	6.0	5.4	5.2	73.1	78.6	80.7	16.3	23.8	48.3	0.7	0.9	1.9	1.0	1.3	2.5
PICIC Commercial Bank	6.9	5.8	6.9	55.9	47.0	52.4	47.8	53.2	42.9	2.5	2.4	2.5	3.3	3.1	3.0
Saudi Pak Commercial	3.1	3.1	4.6	67.4	71.3	77.4	315.4	168.7	36.6	5.9	3.6	1.2	9.8	5.3	1.7
Meezan Bank	46.9	24.2	16.2	76.9	85.1	91.7	20.2	15.5	12.6	6.0	2.7	1.4	9.5	3.8	2.1
Crescent Commercial Bank	-	52.5	47.8	-	48.7	66.6	-	12.8	-4.0	-	3.8	-1.0	-	6.7	-2.0
NIB	-	26.3	17.1	-	142.1	122.8	-	4.4	2.4	-	0.6	0.2	-	1.2	0.4
Dawood Bank Ltd.	-	-	234.0	-	-	14.2	-	-	-7.1	-	-	-0.2	-	-	-32.7
Total	**8.1**	**7.8**	**7.7**	**60.8**	**66.4**	**73.4**	**33.7**	**49.7**	**34.4**	**2.0**	**2.8**	**2.0**	**2.7**	**3.9**	**2.7**

Banks	Earning Assets/Deposits			Capital Ratio			Revenue/Admn Expenses			Cost / Income Ratio			Net Profit Margin		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	113.2	120.6	117.1	4.6	4.4	4.9	246.5	254.0	271.2	78.2	62.2	53.5	25.6	30.2	38.4
Soneri Bank	116.3	119.2	119.2	6.9	6.2	5.9	253.6	277.6	260.9	76.4	62.7	58.1	31.4	31.6	38.7
Bank Al-Habib	115.8	117.2	109.7	4.3	4.2	4.4	197.7	251.5	177.9	82.2	60.5	69.4	19.3	37.4	23.1
Bank Al-Falah	111.1	112.0	103.6	2.8	3.3	3.2	180.4	300.0	175.7	82.9	52.8	76.8	20.9	39.3	23.2
Bank of Khyber	111.1	113.5	122.1	6.6	7.5	7.9	279.3	312.2	272.9	88.6	75.4	77.0	20.5	31.8	31.3
Bank of Punjab	104.0	109.4	108.7	8.5	7.4	6.8	160.7	201.3	262.8	82.3	59.9	52.5	19.6	34.3	46.7
KASB Bank	109.8	131.3	127.3	13.8	13.9	11.8	92.8	118.4	111.0	125.0	93.7	98.0	-60.4	6.5	25.3
Metropolitan Bank	133.7	136.1	132.9	5.7	4.8	5.0	284.3	305.7	279.9	72.8	63.3	61.0	29.5	33.5	35.8
Faysal Bank	113.3	133.4	129.0	10.2	1.5	9.4	299.7	460.2	305.5	68.8	42.7	51.9	35.4	56.0	50.6
Bolan Bank	98.2	107.8	103.1	10.3	9.9	11.0	119.9	138.5	136.5	96.8	99.0	88.3	0.8	-3.9	16.1
Prime Commercial Bank	125.6	126.1	120.0	7.4	5.7	6.4	171.7	178.1	163.9	83.4	77.7	76.2	20.0	21.6	22.3
Union Bank	117.9	119.2	109.8	4.1	3.9	4.0	130.9	158.2	173.6	93.1	89.0	76.1	8.0	12.4	18.6
PICIC Commercial Bank	119.7	115.4	108.6	5.1	4.6	5.7	247.0	267.7	236.7	75.8	70.9	62.9	39.6	41.2	46.2
Saudi Pak Commercial	132.7	122.7	115.9	1.9	2.2	3.4	296.0	276.8	208.1	35.5	51.5	79.5	84.5	33.0	27.4
Meezan Bank	95.3	114.8	115.3	29.7	17.2	11.4	209.0	188.1	158.6	54.8	63.7	75.4	54.7	44.5	34.6
Crescent Commercial Bank	-	139.1	142.2	-	29.8	25.0	-	319.7	96.1	-	56.3	123.8	-	46.6	40.9
NIB	-	169.7	150.1	-	14.4	11.4	-	157.3	127.5	-	84.6	96.7	-	21.1	27.7
Dawood Bank Ltd.	-	-	1480.9	-	-	2.9	-	-	112.5	-	-	157.2	-	-	43.4
Total	**115.5**	**119.9**	**115.3**	**6.0**	**5.7**	**5.9**	**200.6**	**246.9**	**209.1**	**79.1**	**63.7**	**67.6**	**25.5**	**34.0**	**33.0**

Private & Provincial Banks - Selected Ratios

(In %)

Banks	Capital Risk Assets Ratio			Debt Management Ratio			Equity/Liabilities			Earning Assets/Assets			Admn. Cost/Revenue		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	10.5	9.3	8.3	94.4	94.1	94.3	4.9	4.7	5.2	86.7	87.9	88.1	40.6	39.4	36.9
Soneri Bank	15.5	14.0	12.2	92.1	92.5	93.5	7.5	6.7	6.3	87.7	88.8	89.6	39.4	36.0	38.3
Bank Al-Habib	8.5	7.7	7.3	94.5	94.7	94.9	4.5	4.5	4.7	87.0	87.6	87.7	50.6	39.8	56.2
Bank Al-Falah	6.3	6.9	5.9	94.5	94.9	96.1	3.0	3.4	3.3	86.4	87.6	84.2	55.4	33.3	56.9
Bank of Khyber	17.6	23.6	21.7	92.4	90.1	90.4	7.1	8.3	8.1	86.6	88.0	89.0	35.8	32.0	36.6
Bank of Punjab	37.3	21.7	12.9	89.5	88.4	88.1	9.8	8.4	7.7	81.9	87.8	88.6	62.2	49.7	38.1
KASB Bank	49.3	43.7	24.8	84.5	84.8	88.3	16.3	16.4	13.3	77.4	81.6	84.1	107.7	84.5	90.1
Metropolitan Bank	12.1	9.3	8.7	92.5	93.1	93.6	6.2	5.2	5.3	90.6	92.0	92.1	35.2	32.7	35.7
Faysal Bank	17.5	17.8	14.0	88.4	84.3	85.6	11.6	13.0	10.5	81.2	88.3	89.8	33.4	21.7	32.7
Bolan Bank	31.3	24.1	21.2	89.6	90.1	89.1	11.5	11.0	12.4	74.5	80.9	81.5	83.4	72.0	73.3
Prime Commercial Bank	17.5	12.9	12.8	91.7	93.8	93.5	8.0	6.1	6.8	86.8	89.3	88.8	58.2	56.1	61.0
Union Bank	8.2	6.9	6.4	95.5	95.6	95.9	4.3	4.0	4.2	80.2	85.3	85.8	76.4	63.2	57.6
PICIC Commercial Bank	12.4	12.3	13.1	92.2	93.4	93.8	5.6	4.9	6.1	88.9	90.9	90.3	40.5	37.3	42.2
Saudi Pak Commercial	4.6	4.4	5.9	97.4	97.5	96.5	1.9	2.2	3.5	80.4	83.9	84.6	33.8	36.1	48.1
Meezan Bank	60.9	28.5	17.7	59.7	81.6	87.5	49.7	21.1	13.0	60.3	81.5	80.6	47.9	53.2	63.1
Crescent Commercial Bank	-	107.8	73.2	-	69.9	74.9	-	42.6	33.3	-	78.9	72.9	-	31.3	104.1
NIB	-	18.5	13.9	-	85.5	89.6	-	16.9	11.6	-	93.3	91.7	-	63.6	78.4
Dawood Bank Ltd.	-	530.0	1631.7	-	-	7.2	-	-	40.6	-	-	9.3	-	-	88.9
Total	**13.4**	**11.8**	**10.5**	**92.5**	**92.6**	**90.9**	**6.5**	**6.2**	**6.3**	**84.8**	**87.7**	**87.4**	**49.8**	**40.5**	**47.8**

Banks	Cost of Funding Earning Assets			Yield on Earning Assets			Net Interest Margin			Interest Spread			Staff Cost/Employee(Rs.Mn)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	5.7	2.0	1.3	9.2	6.0	5.3	3.5	3.9	4.0	3.8	4.0	4.0	0.3	0.4	0.4
Soneri Bank	7.1	2.7	1.9	10.0	5.9	5.0	2.9	3.2	3.1	2.9	3.2	3.1	0.2	0.2	0.2
Bank Al-Habib	5.8	2.4	1.6	8.1	5.1	4.1	2.3	2.7	2.5	2.6	2.8	2.5	0.3	0.3	0.3
Bank Al-Falah	6.8	2.8	2.3	10.0	5.6	5.3	3.2	2.8	3.0	3.4	2.9	3.2	0.3	0.4	0.3
Bank of Khyber	6.8	3.9	2.2	10.4	8.9	5.7	3.5	4.9	3.5	3.4	4.8	3.4	0.4	0.5	0.5
Bank of Punjab	4.5	1.5	1.5	9.3	5.2	5.2	4.8	3.7	3.8	5.0	3.6	3.7	0.2	0.2	0.2
KASB Bank	6.0	3.3	3.0	7.7	7.2	6.0	1.8	3.9	3.0	1.9	3.8	3.0	0.3	0.4	0.4
Metropolitan Bank	5.7	2.8	2.2	8.6	5.8	4.8	2.9	3.0	2.6	2.7	2.8	2.5	0.2	0.2	0.2
Faysal Bank	6.8	2.5	2.0	9.5	5.6	4.9	2.8	3.0	2.9	3.0	2.8	2.7	0.8	0.6	0.6
Bolan Bank	4.4	1.3	1.4	7.3	5.6	5.4	2.9	4.4	4.0	3.5	4.4	4.1	0.1	0.1	0.2
Prime Commercial Bank	6.1	2.8	2.1	8.9	6.4	5.3	2.7	3.6	3.2	2.8	3.6	3.2	0.3	0.4	0.4
Union Bank	6.1	3.2	2.3	9.1	6.6	6.9	3.0	3.4	4.6	3.7	3.5	4.7	0.5	0.7	0.8
PICIC Commercial Bank	7.0	4.3	2.6	9.6	6.0	5.6	2.6	1.8	3.0	2.5	1.7	3.1	0.2	0.3	0.3
Saudi Pak Commercial	4.7	3.9	3.5	6.4	5.8	5.6	1.7	1.9	2.2	2.4	2.3	2.4	0.2	0.2	0.3
Meezan Bank	7.0	2.5	2.0	11.4	5.1	4.3	4.4	2.6	2.3	4.7	2.5	2.3	0.6	0.5	0.3
Crescent Commercial Bank	-	1.3	2.2	-	3.1	3.8	-	1.9	1.6	-	1.6	1.3	-	0.2	0.2
NIB	-	2.0	3.6	-	4.3	6.9	-	2.2	3.4	-	1.8	3.1	-	0.1	0.5
Dawood Bank Ltd.	-	-	0.9	-	-	4.1	-	-	3.2	-	-	-	-	0.0	0.4
Total	**6.1**	**2.7**	**2.1**	**9.2**	**5.9**	**5.3**	**3.1**	**3.1**	**3.2**	**3.3**	**3.2**	**3.2**	**0.3**	**0.3**	**0.4**

Banks	Staff Cost/Branch (Rs.Mn)			Deposits/Branch (Rs.Bn)			Deposit/Employee (Rs.Mn)			Staff/Branch (Nos)			Profit(AT)/Branch(Rs.Mn)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Askari Commercial Bank	10.5	10.7	11.1	1.0	1.0	1.0	31.9	32.9	34.2	32	30	28	14.9	19.0	25.6
Soneri Bank	3.5	3.9	4.0	0.5	0.6	0.6	23.5	27.4	34.8	20	20	18	9.0	10.0	12.5
Bank Al-Habib	4.9	5.2	6.5	0.5	0.6	0.7	29.3	32.1	37.1	18	18	20	5.1	14.5	7.3
Bank Al-Falah	10.6	12.7	12.1	0.9	1.1	1.1	27.2	30.1	30.8	33	36	37	9.9	36.0	12.1
Bank of Khyber	5.1	6.4	6.1	0.5	0.5	0.5	37.4	39.9	43.3	13	13	12	4.9	10.5	8.9
Bank of Punjab	2.5	2.7	2.8	0.1	0.1	0.2	7.1	9.7	14.3	12	13	12	1.2	2.9	5.4
KASB Bank	4.3	6.7	7.7	0.2	0.2	0.4	11.4	12.3	20.9	16	17	19	-6.4	1.3	5.7
Metropolitan Bank	4.1	4.6	5.1	0.7	0.8	0.9	30.4	37.7	42.1	22	23	22	12.3	17.0	17.3
Faysal Bank	15.3	10.8	10.4	1.2	0.7	0.9	61.1	38.6	48.8	20	19	18	28.5	55.2	35.1
Bolan Bank	3.0	2.6	3.2	0.1	0.2	0.2	7.0	8.3	9.7	21	20	21	0.1	-0.4	1.7
Prime Commercial Bank	6.7	7.7	8.8	0.4	0.4	0.5	19.0	20.2	24.4	20	21	22	5.3	6.4	7.0
Union Bank	17.7	20.8	20.9	0.9	1.0	1.1	25.9	33.4	40.1	33	31	27	4.8	9.9	15.7
PICIC Commercial Bank	2.8	3.2	3.1	0.4	0.4	0.4	30.2	38.4	40.8	12	11	10	7.6	9.7	9.5
Saudi Pak Commercial	3.3	5.0	5.1	0.3	0.7	0.8	18.0	29.1	40.4	17	23	19	23.4	13.5	8.3
Meezan Bank	16.3	12.5	11.1	0.5	0.6	0.7	18.0	27.0	21.1	27	24	32	37.2	21.4	14.0
Crescent Commercial Bank	-	4.8	6.3	-	0.3	0.4	-	13.1	12.8	-	22	28	-	18.5	7.3
NIB	-	14.5	19.5	-	1.2	0.8	-	9.6	19.1	-	125	40	-	10.3	13.9
Dawood Bank Ltd.	-	-	11.2	-	-	0.1	-	0.0	2.1	-	-	28	-	-	12.5
Total	**5.5**	**6.4**	**7.0**	**0.4**	**0.5**	**0.6**	**22.1**	**25.5**	**29.8**	**19**	**20**	**20**	**6.5**	**12.5**	**11.3**

Key Performance Indicators - Foreign Banks

(Rs. Million)

Banks	Assets			Equity			Deposits			Advances			Investment		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	45722	45963	57506	3089	2843	2811	34696	37679	48213	25141	23430	32088	8935	9442	6523
Standard Chartered Bank	81133	84124	94602	6074	6369	7163	56439	67881	76514	42234	39952	51508	17653	15583	13165
Citibank	62148	61362	66064	6623	5870	6173	40838	39748	47103	25657	25288	33008	11280	5190	955
Habib Bank AG Zurich	28027	32855	41203	1528	1660	2074	20192	22928	28167	13674	17363	25405	9361	9069	7437
American Express	13588	10042	8298	1207	1270	1359	5979	5122	5070	4841	2394	2070	4192	2330	1641
HSBC*	8754	10115	12031	1007	1233	1630	5773	7339	8924	4270	4994	4761	304	196	-
Deutsche Bank	4764	3879	5109	936	1134	1327	2701	1461	2069	2293	1444	2020	197	17	15
Oman International	2611	1848	1845	1004	1002	1035	1142	745	504	877	323	486	295	149	45
Bank of Tokyo	5129	4359	4472	1789	1712	1836	3007	2630	2107	91	71	823	816	693	392
Al Baraka Islamic Bank	8226	9663	11939	1172	1138	1657	5345	6627	8128	4931	5982	6991	203	339	416
Rupali Bank	670	620	562	108	85	92	203	207	178	77	25	11	418	351	359
Total	**260771**	**264828**	**303631**	**24538**	**24316**	**27157**	**176315**	**192367**	**226977**	**124086**	**121265**	**159171**	**53653**	**43359**	**30948**

Banks	Interest Income			Interest Expense			Net Interest Income			Non-Fund Based Income			Revenue		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	3473	2160	2210	2029	667	515	1444	1493	1695	789	775	694	2233	2268	2389
Standard Chartered Bank	4438	3815	3735	2428	903	652	2010	2912	3083	955	1598	2062	2966	4510	5145
Citibank	5072	3311	3145	2820	1266	832	2252	2045	2313	1897	2253	2120	4149	4298	4434
Habib Bank AG Zurich	1875	1600	1611	1511	1117	911	364	483	700	376	378	319	740	861	1019
American Express	885	344	225	706	206	128	179	138	96	336	291	287	515	430	383
HSBC*	552	327	275	386	135	130	166	192	145	133	172	168	299	364	313
Deutsche Bank	295	111	71	150	23	22	146	88	49	155	363	189	301	451	238
Oman International	146	81	41	128	60	21	18	21	20	17	14	13	35	35	33
Bank of Tokyo	376	75	61	269	48	30	107	27	31	69	71	88	176	99	119
Al Baraka Islamic Bank	550	358	351	370	187	184	180	171	167	137	129	181	318	300	348
Rupali Bank	46	32	33	31	6	7	15	27	26	1891	3	4	196	30	30
Total	**17708**	**12213**	**11757**	**10827**	**4618**	**3432**	**6881**	**7596**	**8324**	**5045**	**6049**	**6125**	**11926**	**13645**	**14449**

Banks	Admin Expense			Provisions			Other Expense			Profit/Loss(BT)			Profit/Loss (A.T)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	907	927	1123	11	14	119	7	3	0.4	1308	1324	1147	1026	806	714
Standard Chartered Bank	1195	1825	1785	21	-9	-106	1	0.4	5	1749	2693	3461	1038	1688	2485
Citibank	1708	1841	2509	150	69	175	5	34	4	2287	2355	1746	1064	1323	1969
Habib Bank AG Zurich	324	416	486	40	16	21	1	0	0	375	429	511	297	323	380
American Express	349	369	396	2	-0.08	-28	0	23.0	0.1	164	37	15	138	80	51
HSBC*	183	186	221	10	-29	-1	0	0	0.3	106	207	93	89	231	58
Deutsche Bank	292	278	256	-10	-12	-21	3	0.01	2	22	184	0.4	119	-34	0.4
Oman International	43	41	36	0	0	2	0	0	1	-9	-6	-6	-9	-6	-6
Bank of Tokyo	90	73	66	-2	-2	-	0	0.4	0.2	88	27	52	28	20	34
Al Baraka Islamic Bank	119	135	166	25	21	15	0	0.1	0.3	173	144	167	146	94	127
Rupali Bank	48	14	18	71	50	-20	0	1	1	78	-35	32	37	-23	8
Total	**5257**	**6104**	**7063**	**311**	**117**	**155**	**17**	**61**	**14**	**6342**	**7359**	**7217**	**3971**	**4502**	**5820**

** Hongkong & Shanghai Banking Corporation*

Source: Annual Reports of the Banks

Foreign Banks - Selected Ratios

(In %)

Banks	Cost of Funds			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio			Gross Spread Ratio		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	4.5	1.6	1.1	2.0	2.2	2.4	30.7	45.1	39.5	35.3	34.2	29.0	41.6	69.1	76.7
Standard Chartered Bank	4.4	1.2	0.8	2.2	2.5	2.3	32.4	49.8	59.7	32.2	35.4	40.1	45.3	76.3	82.5
Citibank	5.4	2.4	1.5	3.3	3.5	4.6	32.8	42.3	33.1	45.7	52.4	47.8	44.4	61.8	73.5
Habib Bank AG Zurich	7.0	4.2	2.7	1.5	1.6	1.5	16.7	21.7	26.5	50.9	43.9	31.2	19.4	30.2	43.5
American Express	5.9	2.1	1.8	2.9	3.8	5.6	13.5	5.8	3.0	65.2	67.8	74.8	20.2	40.1	42.9
HSBC*	4.6	1.7	1.4	2.2	2.3	2.4	15.5	41.5	21.0	44.5	47.3	53.7	30.1	58.7	52.7
Deutsche Bank	3.7	1.0	1.0	7.2	12.4	11.7	5.0	39.0	0.2	51.6	80.6	79.4	49.4	78.8	69.0
Oman International	6.7	5.1	2.7	2.3	3.5	4.5	-5.7	-6.0	-10.6	47.7	40.7	39.8	12.4	26.0	48.0
Bank of Tokyo	5.1	1.7	1.2	1.7	2.6	2.5	19.7	18.7	34.9	39.2	72.6	74.2	28.5	36.0	50.7
Al Baraka Islamic Bank	5.8	2.5	2.1	1.9	1.8	1.9	25.1	29.5	31.3	43.3	43.1	52.0	32.7	47.7	47.4
Rupali Bank	4.8	1.5	1.8	7.5	3.3	4.6	34.3	-97.8	85.1	92.1	11.1	13.3	33.5	81.8	78.8
Total	**5.1**	**2.0**	**1.4**	**2.5**	**2.7**	**2.9**	**27.9**	**40.4**	**40.4**	**42.3**	**44.3**	**42.4**	**38.9**	**62.2**	**70.8**

Banks	Equity/Deposits			Advances/Deposits(CDR)			ROE			ROA			ROD		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	8.4	8.2	6.6	71.1	67.1	64.6	45.3	44.6	40.6	2.7	2.9	2.2	3.8	3.7	2.7
Standard Chartered Bank	10.4	10.0	9.4	78.8	66.1	63.3	41.5	43.3	51.1	2.9	3.3	3.9	4.3	4.3	4.8
Citibank	15.0	15.5	13.9	64.1	63.2	67.1	37.1	37.7	29.0	3.7	3.8	2.7	5.6	5.8	4.0
Habib Bank AG Zurich	7.9	7.4	7.3	66.0	72.0	83.7	25.8	27.0	27.4	1.5	1.4	1.4	2.0	2.0	2.0
American Express	19.4	22.3	25.8	82.3	65.2	43.8	14.2	3.0	1.2	1.2	0.3	0.2	2.8	0.7	0.3
HSBC*	15.5	17.1	17.6	74.3	70.7	60.0	11.8	18.5	6.5	1.1	2.2	0.8	1.8	3.2	1.1
Deutsche Bank	23.8	49.8	69.7	81.6	89.8	98.1	2.8	17.8	0.03	0.4	4.3	0.01	0.7	8.9	0.02
Oman International	60.2	106.3	163.1	67.7	63.6	64.8	-1.0	-0.6	-0.6	-0.3	-0.3	-0.3	-0.6	-0.6	-0.9
Bank of Tokyo	36.3	62.1	74.9	10.6	2.9	18.9	5.1	1.6	2.9	1.3	0.6	1.2	1.8	1.0	2.2
Al Baraka Islamic Bank	20.5	19.3	18.9	88.8	91.2	87.9	16.7	12.4	11.9	2.3	1.6	1.5	3.4	2.4	2.3
Rupali Bank	36.2	46.8	45.9	44.5	24.9	9.3	87.2	-36.3	35.7	9.6	-5.4	5.3	31.5	-17.0	16.4
Total	**13.2**	**13.3**	**12.3**	**70.1**	**66.5**	**66.9**	**29.8**	**30.2**	**28.0**	**2.6**	**2.8**	**2.5**	**3.9**	**4.0**	**3.4**

Banks	Earning Assets/Deposits			Capital Ratio			Revenue/Admn Expenses			Cost/Income			Net Profit Margin		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	121.3	108.5	102.7	5.9	6.5	5.5	246.1	244.7	212.7	69.3	54.9	60.5	45.9	35.5	29.9
Standard Chartered Bank	120.8	110.7	103.9	6.9	7.5	7.6	248.2	247.1	288.1	67.6	50.2	40.3	35.0	37.4	48.3
Citibank	114.9	126.7	122.2	9.9	10.1	9.5	243.0	233.5	176.7	67.2	57.7	66.9	25.6	30.8	44.4
Habib Bank AG Zurich	112.6	122.7	126.2	5.9	5.2	5.0	228.6	207.0	209.4	83.3	78.3	73.	40.1	37.5	37.3
American Express	183.8	169.6	130.8	8.4	10.5	14.3	147.5	116.3	96.7	86.5	94.2	97.0	26.8	18.6	13.3
HSBC*	138.5	116.1	108.5	9.2	11.9	12.9	163.6	195.8	141.6	84.5	58.5	79.0	29.7	63.5	18.5
Deutsche Bank	115.1	119.9	133.3	13.5	24.0	27.4	103.2	162.0	93.0	95.0	61.0	99.8	39.7	-7.5	0.2
Oman International	101.7	99.2	89.7	31.1	45.0	55.2	79.7	86.6	90.8	105.7	106.0	110.6	-26.6	-16.9	-18.3
Bank of Tokyo	109.6	78.5	100.4	25.2	36.9	40.2	195.2	135.5	178.8	80.3	81.3	65.2	15.7	20.3	28.5
Al Baraka Islamic Bank	109.8	122.7	118.9	13.6	12.9	12.9	266.4	222.6	209.1	74.9	70.5	68.7	45.9	31.3	36.6
Rupali Bank	270.8	295.9	274.3	11.0	14.9	14.9	411.6	212.9	169.5	65.7	197.8	14.9	18.7	-77.2	25.3
Total	**120.7**	**117.3**	**111.8**	**8.7**	**9.3**	**9.1**	**226.9**	**223.5**	**204.6**	**72.1**	**59.6**	**59.6**	**33.3**	**33.0**	**40.3**

Foreign Banks - Selected Ratios

(In %)

Banks	Capital toRisk Asset Ratio			Debt Management Ratio			Equity/Liabilities			Earning Assets/Assets			Admn. Cost/Revenue		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	11.8	12.2	10.2	94.0	93.5	94.5	6.2	6.9	5.8	84.8	85.7	85.3	40.6	40.9	47.0
Standard Chartered Bank	13.2	15.1	14.8	92.9	92.0	92.2	7.4	8.2	8.2	79.9	83.3	83.9	40.3	40.5	34.7
Citibank	23.3	24.5	20.7	89.9	89.7	90.6	11.0	11.3	10.4	76.2	82.7	83.3	41.2	42.8	56.6
Habib Bank AG Zurich	12.0	10.3	8.7	93.1	93.5	94.6	6.3	5.6	5.3	84.0	86.9	87.1	43.7	48.3	47.8
American Express	23.5	34.2	58.9	91.5	89.4	85.7	9.1	11.7	16.7	79.3	79.7	72.7	61.1	51.1	70.6
HSBC*	20.8	24.2	29.4	90.6	88.0	40.1	10.2	13.5	14.8	82.7	80.7	79.7	96.9	61.7	107.6
Deutsche Bank	29.2	55.4	71.1	86.4	75.9	72.6	15.6	31.6	37.7	65.3	57.8	52.4	125.4	115.5	110.1
Oman International	88.8	167.1	251.6	68.6	54.4	44.5	45.4	82.6	123.9	52.7	42.0	30.3	51.2	73.8	55.9
Bank of Tokyo	343.3	2159.4	396.8	74.8	63.1	59.8	33.7	58.5	67.1	76.1	46.6	53.9	51.1	73.8	55.9
Al Baraka Islamic Bank	23.1	21.2	21.5	86.3	86.2	85.4	15.7	15.0	15.1	72.9	82.1	81.2	37.5	44.9	47.8
Rupali Bank	81.2	188.2	494.7	82.9	75.5	82.9	13.3	19.7	18.0	82.5	94.1	89.3	24.3	47.0	59.0
Total	**18.9**	**19.9**	**18.4**	**91.0**	**90.3**	**90.8**	**9.6**	**10.3**	**10.0**	**79.5**	**82.3**	**82.5**	**44.1**	**44.7**	**48.9**

Banks	Cost of Funding Earning Assets			Yield on Earning Assets			Net Interest Margin (NIM)			Interest Spread			Staff Cost/Employee(Rs.Mn)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	4.9	1.7	1.2	8.3	5.5	5.0	3.5	3.8	3.8	3.8	3.9	3.9	1.3	1.4	1.6
Standard Chartered Bank	5.0	1.3	0.9	9.1	5.5	5.0	4.1	4.2	4.1	4.6	4.3	4.2	0.7	1.2	1.2
Citibank	6.0	2.5	1.6	10.7	6.5	5.9	4.8	4.0	4.4	5.3	4.1	4.4	0.8	0.9	1.1
Habib Bank AG Zurich	7.3	4.2	2.8	9.0	6.1	5.0	1.8	1.8	2.2	2.0	1.9	2.3	0.4	0.5	0.5
American Express	6.4	2.2	1.9	8.1	3.7	3.4	1.6	1.5	1.4	2.2	1.6	1.6	0.8	1.0	1.2
HSBC*	4.8	1.8	1.5	6.9	4.3	3.1	2.1	2.5	1.6	2.3	2.6	1.7	0.7	0.7	1.0
Deutsche Bank	3.9	0.9	0.9	7.7	4.4	3.0	3.8	3.5	2.1	3.9	3.4	2.0	1.7	2.1	1.8
Oman International	8.5	6.4	3.8	9.7	8.6	7.3	1.2	2.2	3.5	3.0	3.6	4.6	0.8	0.9	0.7
Bank of Tokyo	5.2	2.2	1.3	7.2	3.4	2.6	2.0	1.2	1.3	2.1	1.7	1.4	1.1	1.1	0.9
Al Baraka Islamic Bank	6.7	2.5	2.1	10.0	4.9	4.0	3.3	2.3	1.9	4.1	2.4	1.9	0.4	0.6	0.4
Rupali Bank	4.6	1.0	1.3	6.9	5.3	6.3	2.3	4.4	4.9	2.1	3.9	4.4	0.4	0.2	0.3
Total	**5.6**	**2.1**	**1.5**	**9.1**	**5.6**	**5.0**	**3.5**	**3.5**	**3.6**	**4.0**	**3.6**	**3.6**	**0.8**	**0.9**	**1.0**

Banks	Staff Cost/Branch (Rs.Mn)			Deposits/Branch(Rs.Bn)			Deposits/Employee(Rs.Mn)			Staff/Branch (Nos)			Profit (AT)Branch (Rs. Mn)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
ABN Amro	51.9	53.6	74.3	4.9	5.2	6.1	126.6	134.0	133.4	39	39	46	146.5	115.1	102.0
Standard Chartered Bank	20.5	38.4	29.4	1.9	3.1	2.5	68.1	98.5	99.2	28	32	25	49.4	84.4	85.7
Citibank	61.1	67.6	86.9	5.1	5.0	5.4	64.6	65.9	68.3	80	76	80	133.0	165.4	246.3
Habib Bank AG Zurich	16.7	16.8	14.4	2.0	1.8	1.5	52.5	51.0	52.5	80	76	80	74.2	80.8	95.0
American Express	39.3	44.3	50.5	1.5	1.4	1.3	32.3	31.9	30.3	46	44	42	34.5	20.0	12.8
HSBC*	44.5	45.0	45.0	2.9	3.3	4.1	45.3	52.0	66.1	64	63	62	44.4	115.6	29.0
Deutsche Bank	38.7	64.0	57.0	1.1	1.0	0.9	49.2	34.1	28.5	23	31	31	39.8	-17.0	0.2
Oman International	10.5	9.0	7.6	0.7	0.5	0.3	57.0	47.2	28.4	13	10	11	-4.6	-3.0	-3.0
Bank of Tokyo	48.0	37.0	36.0	4.8	2.8	2.4	110.7	80.5	62.3	43	35	38	27.7	20.0	33.6
Al Baraka Islamic Bank	10.8	9.9	10.3	1.0	1.0	1.1	33.3	34.2	36.0	30	29	29	29.2	15.7	18.1
Rupali Bank	10.0	7.0	8.0	0.2	0.2	0.2	9.5	7.1	6.9	26	29	28	36.7	-23.0	7.6
Total	**30.6**	**36.9**	**36.0**	**2.6**	**2.8**	**2.6**	64.9	72.1	74.4	**39**	**39**	**35**	**63.0**	**69.3**	**72.8**

Employees and Branches
All Banks

Banks	Employees					Branches				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
NBP	15351	15163	12195	13272	13745	1428	1245	1204	1199	1226
FWB	484	484	496	524	507	38	38	38	38	38
NCBs	**15835**	**15647**	**12691**	**13796**	**14252**	**1466**	**1283**	**1242**	**1237**	**1264**
HBL	22779	19352	19005	18800	18625	1755	1516	1473	1471	1469
UBL	11879	8899	8446	8815	9206	1390	1117	1112	1077	1072
MCB	12133	11614	10926	10164	9889	1210	1061	1045	986	946
ABL	7217	7082	6947	6859	6747	925	856	814	752	735
Privatised Banks	**54008**	**46947**	**45324**	**44638**	**44467**	**5280**	**4550**	**4444**	**4286**	**4222**
Total	**69843**	**62594**	**58015**	**58434**	**58719**	**6746**	**5833**	**5686**	**5523**	**5486**
Askari Commercial Bank	1147	1281	1456	1723	2118	29	36	46	58	75
Soneri Bank	599	663	779	882	937	24	30	39	44	52
Bank Al-Habib	584	742	1007	1253	1462	32	41	57	70	74
Bank Al-Falah	695	959	1504	2133	3352	32	32	45	59	90
Bank of Khyber	358	365	376	368	360	29	29	29	29	29
Bank of Punjab	3149	3064	3002	3019	3144	243	242	242	241	253
KASB Bank	405	444	292	328	398	18	18	18	19	21
Metropolitan Bank	494	561	763	901	1045	21	25	35	40	47
Faysal Bank	287	366	461	722	899	11	14	23	39	50
Bolan Bank	1156	1054	1026	1014	1031	50	50	50	50	50
Prime Comm. Bank	395	455	658	900	1059	17	2	33	43	49
Union Bank	741	858	1127	1319	1413	27	32	34	43	53
PICIC Commercial Bank	273	309	510	698	939	15	20	42	64	95
Saudi Pak Comm. Bank	464	416	476	634	704	20	20	28	28	37
Meezan Bank	-	-	159	238	511	-	-	6	10	16
Crescent Commercial Bank	-	-	-	133	334	-	-	-	6	12
NIB	-	-	-	249	403	-	-	-	2	10
Dawood Bank Ltd.	-	-	-	12	55	-	-	-	-	2
All Privatised/Prov.Banks	**10747**	**11537**	**13596**	**16526**	**20164**	**568**	**611**	**727**	**845**	**1015**
ABN Amro	282	281	272	270	322	5	7	7	7	7
Standard Chartered	330	278	594	631	728	6	6	21	20	29
Citibank	587	605	637	611	636	5	8	8	8	8
Habib Bank AG Zurich	295	309	351	423	487	6	7	9	12	17
American Express	252	201	185	174	168	4	4	4	4	4
HSBC*	123	131	128	126	123	2	2	2	2	2
Deutsche Bank	125	96	68	61	62	3	3	3	2	2
Oman International	29	23	26	20	22	2	2	2	2	2
Bank of Tokyo	66	55	43	35	38	1	1	1	1	1
Al Baraka Islamic Bank	131	143	151	175	205	4	5	5	6	7
Rupali Bank	28	27	26	29	28	1	1	1	1	1
All Foreign Banks	**2248**	**2149**	**2481**	**2555**	**2819**	**39**	**46**	**63**	**65**	**80**
Grand Total	**82838**	**76280**	**74092**	**77515**	**81702**	**7353**	**6490**	**6476**	**6433**	**6581**

** Hongkong & Shanghai Banking Corporation*

Basel II

*John Foulley**

Basel II provides opportunities

The introduction of the Basel II directive represents a tremendous opportunity for the Banks in Pakistan to adopt best practices and improve their profitability. In this article, we will provide an outline of the Basel II directive, the three pillars which form the new framework, the new role of the regulator and the challenges and benefits that Banks in Pakistan will reap as a result of this new Capital Accord.

Introduction To Basel II

The introduction of the "International Convergence of Capital Measurement and Capital Framework" aims to address two dimensions of the banking environment. The first one relates to the ability for banks to operate in a level playing field where the capital charge is in direct proportion to the risk taken, to a larger extent than previously possible under Basel I. The second dimension is to reinforce and strengthen the soundness and stability of the banking system.

These two imperatives have provided the regulator and the Basel Committee an opportunity to discuss and rewrite prudential regulations in the context of a more global financial system, directly correlating the risk taken with a capital charge.

Banks have a direct incentive to improve their risk policy and specifically, elements related to their credit risk, which constitute the largest changes made to the previous accord. The introduction of Operational Risk also provides financial institutions with the minimum standard required in determining and assessing processes in a view, to reduce the operational risk losses and to improve the quality of operational processes.

New Capital Accord

The New Capital Accord also provides additional levels of freedom between the banks of Pakistan and the regulator; State Bank of Pakistan. The first level of freedom is in the discretion given to the State Bank of Pakistan to reformulate or specify some of the prudential elements defined in the Basel framework. The second degree of freedom is provided at the bank level stating that no bank should change their business processes for the sole purpose of complying. The implications are many and complex. No single rule can be applied on a formulaic basis for the purpose of calculating capital requirements but instead a case by case approach relying on a continuous dialogue between the bank and their regulator.

Levels of freedom

The Three Pillars

The Basel Document is built around three principles referred to as 'pillars'. They are defined as follow:

First Pillar: Minimum Capital Requirements

Second Pillar: Supervisory Review Process

Third Pillar: Market Discipline

Market Risk

There are no fundamental changes in the way Market Risk is calculated and banks should therefore concentrate on the two new dimensions of Credit and Operational Risk before they consider further improvements for the purpose of improving their Market Risk.

The First Pillar is the simplest to understand yet the most difficult to implement as it introduces significant changes to the way banks account for Risk, specifically Credit Risk which is now examined in greater details, and the introduction of Operational Risk.

Credit Risk

For Credit Risk, the Basel Committee provides the option between a relatively simple Standardised Approach where the Capital

* *Head of Risk Practice, Asia-Pacific*
SAS Institute

John has a Master in Finance from the CERAM, Nice, France and has more than 10 years experience in the field of Risk Management in the Banking Industry. He travels to Pakistan on a regular basis and participates in the implementations projects of Basel II banks in Pakistan.

Charge is a direct function to an available External Rating provided by a Rating Agency. The alternative is the Internal Rating Based approach where the bank can choose different level of sophistication based on the data it has stored and its modeling ability.

Need for internal measurements

It is worth noting that the Internal Rating Based requires the bank to calculate 'Internal' probability of default (likelihood that a debtor will become unable to repay its credit), ie there is no market that would encapsulate a rule valid for all banks. Taking the example of Thailand, Bank A might traditionally have been lending money to the agricultural sector and have debtors which specific characteristics and behaviour. Bank B might be recently opened, with no branch and focusing on an internet only platform providing services to the more affluent customer segments. These two examples, while being extreme, illustrate the need for internal measurements as the composition of the bank portfolio is a function of its history, traditional lending base, activity and clientele.

For the most sophisticated approach to Credit Risk, banks are not only required to calculate the likelihood of default, but also the financial impact when a default occurs. In simple terms, how much money is lost when that default occurs. This element is referred to as Loss Given Default or LGD.

Further options are provided by calculating an Exposure at Default or Credit Equivalent. The problem to solve here is to understand what is the total exposure to a customer at the moment of default. This is done by estimating a Credit Conversion Factor, allowing the bank to convert undrawn exposures (such as a credit card for example which would show an available amount) into Exposure at Default (EAD).

Operational Risk

Operational Risk is a new element for banks and most certainly the most difficult to comprehend as it encapsulates all the banks operations. The definition as available in the Basel Accord states "Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." [1]

Move towards a standardized approach

A basic indicator approach provides an easy way out of the calculation of the operational risk capital requirements. Ultimately, the regulator will require banks to move to a minimum of a standardized approach requiring the implementation of building blocks to understand the nature of the operational risk materializing within the bank, as well as a monitoring of processes and review process to constantly improve the way the bank works.

Such concepts are defined in the Basel Documents require the bank to assess the quality of its processes (Control Self-Assessment or Risk Control Self-Assessments –CSA, RCSA), capture operational risk losses, monitor drivers of risk (elements that influence the occurrence or severity of operational risk losses) with the help of indicators, referred to as Key Risk Indicators (KRI).

Understanding CSA & KRI

To further understand the two concepts of CSA and KRI we can look at the following examples. In Bank A, the Back Office has been the center of frequent losses due to errors in settlement amount and instructions. The department will define a set of questions allowing it to understand the quality of its process. This might cover very diverse elements such as the holiday policy (the loss occurred because no one was available to enter the transactions), the training policy (no one understood the structure of the products), the quality of the IT system (we trade the product but it is not handled in the transactional system, we use paper and spreadsheets but one copy got lost). A list of questions is drawn and description given illustrating different possible answers. This approach, being subjective, is necessary to introduce checks and balances in the process (for example Audit department reviewing the questions and answers). Key Risk Indicators provide a more objective view of risk drivers as they are directly observable. For example, if we identify a link between amount of training given and level of losses, we can observe the training budget year on year.

While relatively simple to understand, the implementation of such new practice requires

[1] *"International Convergence of Capital Measurement and Capital Standards" – Basel Committee on Banking Supervision - §644*

top management buy-in and a change in culture in the organization.

For most advanced organizations, the loss data captured as part of the compliance exercise can be used to predict future potential losses using the Advance Measurement Approach.

Pressure within banks to manage operational risk

Within banks there is pressure to manage and quantify operational risk in a formalised and structured way. This pressure mainly comes from regulators. But it also comes through recognition that the increasing sophistication of financial products and systems suggests that operational risk need not be a minor concern. Furthermore, banks are recognising that expected losses due to operational risk should be priced into their products. For example, the expected loss of credit card fraud should affect the pricing of credit cards. At a basic measurement level this structuring of operational risk requires three sources of loss or potential loss information.

In particular, there is a need for an internal loss database representing actual loss events, self-assessment and scenario analysis representing expert opinions on loss events that could potentially be experienced, and an external loss database collecting actual external loss events.

A New Role For The Regulator – The Regulatory Review Process

The nature of the roles of the bank and its regulator are defined in detail in the Basel Capital Accord:

"The supervisory review process recognises the responsibility of bank management in developing an internal capital assessment process and setting capital targets that are commensurate with the bank's risk profile and control environment. In the Framework, bank management continues to bear responsibility for ensuring that the bank has adequate capital to support its risks beyond the core minimum requirements."

"Supervisors are expected to evaluate how well banks are assessing their capital needs relative to their risks and to intervene, where appropriate. This interaction is intended to foster an active dialogue between banks and supervisors such that when deficiencies are identified, prompt and decisive action can be taken to reduce risk or restore capital.

Accordingly, supervisors may wish to adopt an approach to focus more intensely on those banks with risk profiles or operational experience that warrants such attention."[2]

The important word here is dialogue. Basel II with its inherent complexity provides for many interpretations. There is also discretion provided to the regulator to answer differently based on the nature and complexity of the bank raising the questions.

We will explore more of this dimension in the implication for banks in Pakistan.

The Carrot and the Stick; Market Discipline

The greater the transparency, the better the overall banking system. The State Bank of Pakistan provides guidelines and will soon formulate its expectations on what and how bank should be reporting.

"The Committee is aware that supervisors have different powers available to them to achieve the disclosure requirements. Market discipline can contribute to a safe and sound banking environment, and supervisors require firms to operate in a safe and sound manner.

Supervisory authority

Under safety and soundness grounds, supervisors could require banks to disclose information. Alternatively, supervisors have the authority to require banks to provide information in regulatory reports. Some supervisors could make some or all of the information in these reports publicly available. Further, there are a number of existing mechanisms by which supervisors may enforce requirements. These vary from country to country and range from "moral ????suasion"

[2] *"International Convergence of Capital Measurement and Capital Standards" – Basel Committee on Banking Supervision - §721 & §722*

through dialogue with the bank's management (in order to change the latter's behaviour), to reprimands or financial penalties."

More importantly, the new directive emphasizes the need for public disclosure when possible and desirable. This puts us in a voluntary code where market participants may choose to advertise their transparency and advertise their controls. When in the 1990's the largest American banks started publishing reports detailing their market risk, they were sending a very clear message to the market. We know where our risks are, and we are managing them. Rather than being information to be kept internally, this provided an incentive for transparency.

"Banks that do not comply with the Basel II Accord may also be disciplined at the interbank market where they may be charged a premium on funding, which ultimately will translate into lower margins.

Should the affected bank transfer the additional cost to customers, it may in turn lose competitiveness in the longer term."[3]

What Does It Means For Banks In Pakistan?

As far as the implementation of Basel II is concerned, one of the most important challenges that most organizations are facing is the lack of data or lack of consolidated view of all exposures.

The Implementation challenges

Traditionally, banks have operated in silos with operational systems taking care of their individual business units: a treasury department, a core banking system, a credit card system and a loan origination system. Based on our previous experience and implementations, 70% to 80% of the work is related to data management and data quality.

The Capital Accord requires the ability to calculate aggregated exposures for each and every customer, be it an individual or a corporation. This means pulling data from each of the system that might be used to service that customer.

In most cases, we are confronted with the additional difficulty of having to deal with inconsistent data across the board. A unique customer might be stored under different names or spelling in the operational system, or referenced with two different addresses.

Additional challenge

An additional challenge to address is the change in culture in engaging with the regulator. Any bank would typically be talking to regulators on existing prudential regulations, providing reports as expected by the regulator. However, a new mindset is required when implementing Basel II where constant guidance and validation is required from State Bank of Pakistan. This is due to the fact that the organization is faced with implementation questions that are not resolved in the Capital Accord but require validation from the regulator.

An example would further illustrate the case. a)State Bank of Pakistan currently defines what constitutes an SME for Prudential Regulation purposes. b) Basel II on the other hand defines an SME according to the amount of revenue or profit generated. c)Banks themselves might operate a specific branch network view of the SME. In this case, we would need to reconcile these three differing views of a single reality.

Bank A might choose to define an SME as satisfying disclosure requirements (annual reports) and being treated at an SME branch. This treatment would be appropriate if agreed upon with the regulator and this is the time where State Bank of Pakistan's opinion needs to be constantly solicited and referenced.

Additional implementation challenges face the bank in the treatment of Operational Risk. Operational Risk is largely an unknown and un-practiced discipline. It is therefore critical that initiatives evolving around this are clearly sponsored and owned by senior management and enjoy the buy-in at the highest level of the organization.

Furthermore Incentive Plans and HR Policy need to be aligned towards the delivery of the ultimate goal that the organization is targeting.

[3] *Mr. Choo Yee Kwan, Chief Risk Officer, Maybank, Business Times June 28, 2004*

Incentive plans and HR policy need to be aligned

Operational Risk being a new discipline, its success is highly dependent on an extensive educational program and the rigorous collection of losses (which in many cases will be a new additional responsibility for each head of department). The emphasis at the beginning of this process should be on the accurate and exhaustive collection of losses (Key Performance Indicators can be created on the number of losses reported by each department). At a later stage of the roll-out process, when the number of losses collected is consistent over time, the emphasis needs to turn to the improvements of processes with the introduction of RCSA and KRI.

The Human Resource and Training Education initiative are both key to a successful roll-out of Operational Risk.

And the Benefits!

Successfully implementing Basel will provide each of the participants in the Pakistan market with new competitive tool.

To start, the requirement to build an aggregated view of the customers' products and exposures provides a 'Single Customer View' a very desirable marketing tool. When armed with such a tool, an account officer can very quickly identify opportunities in their portfolio and provide additional services to their client base rather than only engaging at the time chosen by the client (for example, if it is noticed that the client has a fixed deposit of 2M PKR, and no loan or credit, the decision can be made to grant him a credit or provide investment services that are more profitable to the bank).

Furthermore, based on the requirements of the Internal Rating Based approach, banks can build a better understanding of the risk of their clients and their portfolio. As a result the decision to grant credit is more scientific and structured, yielding fewer 'bad' lending decisions.

This can lead to a significant reduction of Non Performing Loans as a percentage of new credit granted. The 'good' credit decisions are also more numerous which allows the bank to increase its approval rate for new credit without significantly affecting its risk appetite. In some cases, an increase of credit granted was correlated with a reduction in NPL. The bank wins on two fronts, increased market shares and reduced losses.

Finally, the framework implemented provided the clarity and transparency for the Board of the Bank to make strategic decisions based on rational factors. For example, if both Investment Banking and Retail Banking generated the same amount of profit while taking two very different amounts of risk, the decision can be taken by the board to allocate more capital to the entity providing the best rapport of risk/profit.

The framework also provides the bank with the ability to free up significant amounts of capital which can then be used for organic growth opportunities or acquisitions.

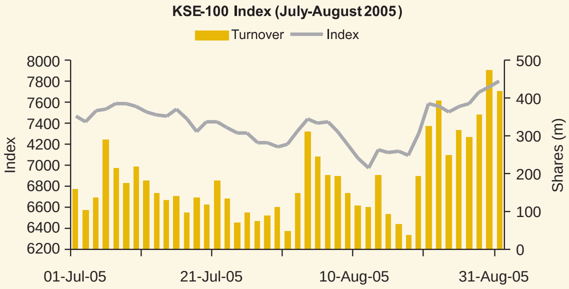
Credit Ratings of Banks/DFIs
As of 31-08-2005

Sr. No.	Name of Bank/DFI	Rating Agency	Previous Credit Rating			Latest Credit Rating		
			Short Term	Long Term	Date of Rating	Short Term	Long Term	Date of Rating
Nationalised Banks								
1	First Women Bank Limited	PACRA	A2	BBB	Aug, 2002	A2	BBB+	Aug, 2003
2	National Bank of Pakistan	JCR-VIS	A-1+	AAA	May, 2004	A-1+	AAA	June, 2005
Privatised Banks								
3	Allied Bank Limited	JCR-VIS	A-1	A	Dec, 2004	A-1	A	May, 2005
4	Habib Bank Limited	JCR-VIS	A-1+	A+	April, 2004	A-1+	AA	June, 2005
5	MCB Bank Limited	PACRA	A1+	AA	June, 2004	A1+	AA	June, 2005
6	United Bank Limited	JCR-VIS	A-1+	A+	June, 2004	A-1+	AA	June, 2005
Provincial Banks								
7	The Bank of Khyber	JCR-VIS	A-2	BBB	June, 2004	A-2	BBB	July, 2005
8	The Bank of Punjab	PACRA	A1	A+	June, 2004	A1+	AA-	June, 2005
Private Banks								
9	Askari Commercial Bank Limited	PACRA	A1+	AA+	June, 2004	A1+	AA+	June, 2005
10	Bank Al-Falah Limited	PACRA	A1+	AA-	June, 2004	A1+	AA	June, 2005
11	Bank Al-Habib Limited	PACRA	A1+	AA	June, 2004	A1+	AA	June, 2005
12	Mybank Limited	JCR-VIS	A-3	BB+	June, 2004	A-2	BBB	Feb, 2005
13	CresBank	JCR-VIS	A-2	BBB+	June, 2004	A-2	BBB+	June, 2005
14	Faysal Bank Limited	JCR-VIS	A-1	AA	Feb, 2004	A-1	AA	July, 2005
15	KASB Bank Limited	JCR-VIS*, PACRA	A2	BBB+	April, 2004	A2	BBB+	June, 2005
16	Metropolitan Bank Limited	PACRA	A1+	AA+	June, 2004	A1+	AA+	June, 2005
17	Meezan Bank Limited	JCR-VIS	A-1+	A+	June, 2004	A-1	A+	June, 2005
18	NIB (NDLC-IFIC Bank) Limited	PACRA	A2	A-	July, 2004	A1	A+	July, 2005
19	PICIC Commercial Bank Limited	JCR-VIS	A-1	A	June, 2004	A-1	A+	June, 2005
20	Prime Commercial Bank Limited	PACRA	A1	A	June, 2004	A1	A+	June, 2005
21	Saudi Pak Commercial Bank Ltd.	PACRA	A3	BBB	June, 2004	A3	BBB	June, 2005
22	SME Bank Limited	JCR-VIS	A-3	BB+	June, 2004	A-2	BBB	March, 2005
23	Soneri Bank Limited	PACRA	A1+	AA-	June, 2004	A1+	AA-	March, 2005
24	Union Bank Limited	PACRA	A1	A+	June, 2004	A1+	AA-	June, 2005
Foreign Banks								
25	ABN Amro Bank	Standard & Poor's	A-1+	AA-	April, 2004	A-1+	AA-	April, 2005
		Moody's	P-1	Aa3		P-1	Aa3	
		Fitch-IBCA	F1+	AA-		F1+	AA-	
26	Al-Baraka Islamic Bank	PACRA, JCR-VIS**	A1	A-	June, 2004	A-1	A	March, 2005
27	American Express Bank	Standard & Poor's	N/A	N/A	June, 2003	A-1	A+	June, 2004
		Moody's	P1	A2		P-1	A2	
		Fitch-IBCA	F1	A-		F-1	A+	
28	Bank of Tokyo-Mitsubishi Limited	Standard & Poor's	A-2	A-	June, 2004	A-1	A	June, 2005
		Moody's	P-1	A2		P1	A1	
		Fitch-IBCA	F1	A-		F1	A-	
29	Citibank N.A	Standard & Poor's	A-1+	AA	May, 2003	A-1+	AA	April, 2004
		Moody's	P-1	Aa1		P-1	Aa1	
		Fitch-IBCA	F1+	AA+		F1+	AA+	
30	Deutsche Bank AG	Standard & Poor's	A-1+	AA-	Sept, 2004	A-1+	AA-	March, 2005
		Moody's	Nil	Nil		Nil	Nil	
31	Habib Bank AG Zurich	JCR-VIS	A-1+	AA+	June, 2004	A-1+	AA+	June, 2005
32	Hong-Kong Shanghai Banking Corporation (Non HK$)	Standard & Poor's	Nil	A+	March, 2004	Nil	Nil	August, 2005
		Moody's	A1	Aa3		P-1	A1	
		Fitch-IBCA	Nil	AA-		Nil	Nil	
33	Oman International Bank	JCR-VIS	A-2	BBB	June, 2004	A-2	BBB	June, 2005
34	Standard Chartered	Standard & Poor's	A-1	A	July, 2003	A-1	A	July, 2004
		Moody's	P-1	A2		P-1	A2	
		Fitch-IBCA	F1	A+		F1	A+	
Specialised Banks								
35	Punjab Provincial Cooperative Bank	JCR-VIS	A-3	BB+	Feb, 2004	A-3	BB+	Jan, 2005
36	Zarai Taraqiati Bank Ltd	PACRA	A-1+	AAA	April, 2004	A2	BBB+	April, 2005
		JCR-VIS	A-3	BB+	April, 2004	A3	BB+	April, 2005
Development Financial Institutions								
37	Pak Kuwait Investment Co. (Pvt) Ltd	PACRA	A1+	AAA	June, 2004	A1+	AAA	June, 2005
		JCR-VIS	A-1+	AAA	June, 2004	A-1+	AAA	May, 2005
38	Pak Libya Holding Co.	PACRA	A1+	AA-	June, 2004	A1+	AA-	May, 2005
39	Pak-Oman Investment Co	JCR-VIS	A-1+	AA+	June, 2004	A-1+	AA+	May, 2005
40	Pakistan Industrial Credit & Investment Corporation	PACRA	A1+	AA	June, 2004	A1+	AA	June, 2005
41	Saudi Pak Industrial & Agricultural Investment Company	JCR-VIS	A-1+	AA+	April, 2004	A-1+	AA+	April, 2005
42	Investment Corporation of Pakistan	PACRA	A1+	Nil	March, 2004	A1+	AA	March, 2005
Micro Finance Institutions								
43	The First Microfinance Bank Ltd	JCR-VIS	A-1+	A+	Sept, 2003	A-1+	A+	June, 2004

* For April 2004 credit ratings   ** For March 2005   Source: State Bank of Pakistan

Market Analysis

The index during the month of July – Aug05 gained over 4% on an average daily volume of 184m shares. The market remained range bound for the most of the period under review on extremely low turnover. The lackluster performance of the market finally came to an end when the Prime Minister of Pakistan endorsed the decision taken by the State Bank of Pakistan and Securities and Exchange Commission of Pakistan with regards to the substitution of the Carryover Transaction (COT) with Continuous Funding System (CFS).



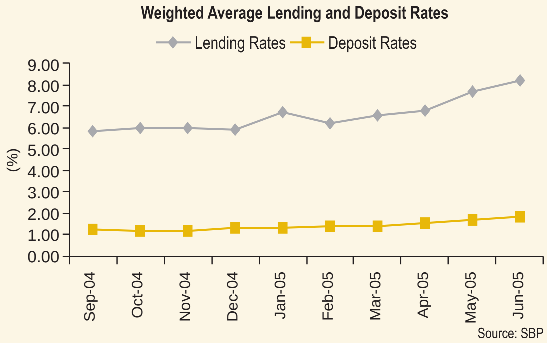
Corporate announcements made by most of the companies (quarter ended June '05) have been positive and have shown a remarkable improvement, primarily driven by top-line growth which augurs well for the growth in the overall economy. Sectors which have done well in particular were banking, OMCs and Fertilizers (results for most of the cement and textile companies have not been made public yet).

Banking Sector

As expected, the banking industry in general has performed exceptionally well during the current calendar year. The cumulative profit after tax increased to Rs22.8b almost doubling from last year. The marked improvement in profitability has influenced financial ratios for the industry as a whole. The ROA and ROE for the sector stood at 1.4% and 22.1% respectively for 1HY05.

Factors which have contributed to the profitability of the sector:

§ In light of the rising level of inflation, the central bank tightened the monetary policy and consequently raised cut-off yields on its securities. Banks responded quickly in raising their lending rates but were reluctant to aggressively increase their offerings on deposits and as a result spreads improved considerably for the industry. The spread between the weighted average lending and deposit rate as of June '05 stood at 636 bps (approximately).



Source: SBP

§ The increase in lending rates so far has been well complimented with the private sector credit off-take. Total advances of schedule banks stood at Rs1759.6 billion as of June '05 compared to Rs1324.5 billion in the same period last year, showing an increase of Rs435.1 billion. Apart from the corporate sector which required funds for BMR purposes, there was also a high demand of capital from consumer, SME and agriculture sectors.

§ The high credit off-take was achievable due to the increase in the deposit base of the sector which rose by Rs362.7 billion to Rs2355.7 billion (as of June '05). The advance to deposit ratio for the industry stood at 75% at June '05 compared to 66% in June '04.

§ Total investments by schedule banks have registered a marginal increase from Rs712.2 billion in CY04 to Rs716.1 billion in CY05. The reluctance shown by banks in increasing their investment's portfolio in part may be attributable to the rising interest rate environment which has a negative impact on the valuation of debt instruments (the negative correlation between the interest rates and market value of debt instruments).

§ Apart from the above mentioned factors, banks have also been able to take advantage of the increased trade related activity witnessed in the economy. More active presence by the banks in trade related activities has enabled them to diversify their sources of incomes which will prove to be beneficial for them in times of declining interest rates.

Earnings Review

Company	Period	PAT (Rsm) 2005	PAT (Rsm) 2004	EPS 2005	EPS 2004	% Chg (PAT)
BANKS						
ACBL	HY	864	1,179	5.73	7.82	-26.7
Bank Alfalah	HY	847	593	2.82	1.98	42.8
Bank Al-Habib	HY	547	247	3.00	1.35	121.2
BOP	HY	1,531	888	8.47	4.91	72.5
Faysal	HY	1,914	1,140	5.97	3.56	68.0
MCB	HY	3,040	1,289	8.20	3.48	135.8
Meezan Bank	HY	150	111	0.88	0.65	35.5
My Bank	HY	186	55	1.22	0.36	238.4
National Bank	HY	4,394	2,180	7.44	3.70	101.5
NIB	HY	42	77	0.30	0.63	-45.0
PICIC Comm. Bank	HY	733	430	3.22	1.89	70.3
Prime Comm. Bank	HY	226	172	0.97	0.74	31.0
Soneri Bank	HY	481	295	2.91	1.78	63.2
Union Bank	HY	800	358	3.30	1.58	123.5

In terms of increase in profitability on a year on year basis, My Bank tops the list followed by MCB and Union Bank. The 1HY05 - PAT for NIB and Askari Bank have registered a decline compared to the same period last year.

The marked improvement in profitability has influenced financial ratios for the industry as a whole. The ROA and ROE for the sector stood at 1.4% and 22.1% respectively for 1HY05.

The remarkable performance of the banking sector has not gone un-noticed in the capital market. Amongst banks, MCB has been the top performer (see chart on Comparative Performance) during the two months July 01-Aug 31 '05, followed by Bank of Punjab, Faysal Bank, Union Bank and NBP.

Autos

The growth in the autos sector is attributable to various factors. The main driver of growth is the increase in installed capacities and sales of the auto manufacturers to fill the gap between demand and supply which had widened due to the rapid increase in car financing. The increased investment in the public sector transport schemes like Urban Transport System (UTS) within the country and exports to Afghanistan led to an increase in the sales of trucks and buses. Agricultural financing (agri-loans) has boosted the sales of tractors.

The auto sector was adversely affected in the Jan-March 2005 by the hike in the prices of steel and the appreciation of Japanese Yen against Pak Rupee together which had increased the cost of inputs. Furthermore, the measure taken by the government in FY'05-'06 budget to further reduce duties on CBUs had an adverse impact on the sector. However subsequently, the stability in the prices of steel and in the exchange rate of Japanese Yen against Pak Rupee during April-June 2005 has normalized the situation.

Fertilizers

All fertilizer manufacturing companies posted robust increase both in their top-line as well as bottom-line during 1HY05. Record fertilizer offtake complimented with high prices contributed significantly to the profitability of the Fertilizer Companies. Agricultural sector topping the government's priority list, easy credit availability from banks at very reasonable rates, favorable weather conditions and an increase in income of the farmers are some of the factors that have contributed significantly to the record fertilizer off-take and their prices.

Continuous Funding System

The 55-year old Carryover Transaction (COT) was finally replaced by Continuous Funding System (CFS) on August 22, 2005. The new mode of financing has been adopted from 'Takasbank', the central securities depository of Turkey, with the objective to avert any crisis which occurred in the past because of sudden withdrawal of funds by financiers.

CFS allows more relaxation to investors in terms of the number of scrips available, extension in the availability of the facility (i.e. number of days allowed) etc. The increase in the cap from the previous Rs12b to Rs25 under CFS has helped the market to a great extent to steer itself out of the liquidity crises and consequently volumes have improved considerably since the introduction of the new facility.

NBP Performance at a Glance

(Rs. Bn)

Items	2000	2001	2002	2003	2004
Total Assets	371.6	415.1	432.8	468.9	549.7
Deposits	316.5	349.6	362.9	395.5	465.6
Advances	140.3	170.3	140.5	161.3	221.4
Investments	72.6	71.8	143.5	166.2	144.7
Shareholders' Equity	11.4	12.0	14.3	18.1	25.2
Pre-Tax Profit	1.03	3.02	6.04	9.01	12.02
After-Tax Profit	0.46	1.15	2.25	4.20	6.24
Earning Per Share (Rs.)	1.24	3.08	5.49	8.53	12.68
Return on Assets (Pre-Tax Profit) (%)	0.3	0.8	1.4	2.0	2.4
Number of Branches	1428	1245	1204	1199	1226
Number of Employees	15351	15163	12195	13272	13745

NBP Products

NBP Saiban

- Finance available for home purchase, home construction and home improvement.
- Period of repayment ranges between 3-20 years.
- Loans available upto a maximum of Rs.10 million.
- Mark-up choices available. Rate ranges between 9.0 - 12.85%. Rates subject to change
- Minimum approval and disbursement timing.
- Limited to areas where there are no documentation, fee, resale and foreclosure related issues, so to protect the bank's interest.

NBP Advance Salary

- 15 months salary in advance (certain conditions apply).
- Minimum documentation.
- Repayable in 5 years.
- No processing charges; no collaterals, no guarantees, no insurance.
- Mark-up charged at 13% per annum on reducing balance method.

NBP Cash n Gold

- Facility of Rs.5000 against 10 gms of gold.
- Mark-up 9% per annum.
- No maximum limit of cash.
- Repayable after one year.
- Roll over facility.
- No penalty for early repayment.

NBP Kisan Dost

- Loans available for the farmers for production, development purposes, for purchase of tractors, for installation of tubewells, for purchase of agricultural implements, mirco loans, for godown construction, for construction of fish pond, for livestock farming, for milk processing, for cold storage, bio-gas plants etc.
- Mark-up 9% per annum.
- Loans available at the farmer's doorsteps.
- Agricultural experts to guide farmers.
- Loans available against agricultural passbooks, gold ornaments and paper security.