Contents

Editor's Corner

Dear Readers,

Global oil prices have been rising steadily, and recently have surpassed $94 a barrel, with $100 a growing possibility. Increases in prices for crude oil have been matched by increases in the prices of petroleum and other products, like kerosene, LPG, fuel oil, diesel, naphtha and aviation fuel. Geopolitical tensions and conflicts in some major oil producing regions, especially in Middle East; growing demand; shrinking oil inventories, surplus production capacity among OPEC members, and refining capacity; alongwith supply disruptions; with falling value of the US dollar, (the oil rises have been higher in US dollars than in euros or yen) are factors which have kept the oil market on edge.

Crude futures have risen by about $15 in only a month and by $30 or 50 percent in a year. While the steep rise in oil prices will bring windfall profits for the producers, the oil importers, especially developing countries with high oil dependency would have a difficult time paying their bills, and the income and lives of their citizens would be affected.

Governments have been trying to protect their people by providing subsidies, but sustaining them over extended periods is proving difficult. Some Asian countries like China and India provide subsidies and maintain retail prices of gasoline, diesel, cooking gas and kerosene oil. Others like Thailand and the Philippines have stopped directly subsidising energy prices. Pakistan provides subsidy on various petroleum products. The Oil and Gas Regulatory Authority fortnightly notifies the maximum ex-depot sale price for various oil products. The maximum ex-depot sale price has remained unchanged since January 16, 2007; motor spirit at Rs53.70, HOBC at Rs64.88, kerosene oil at Rs35.23 and light diesel oil at Rs32.57 per liter.

Compared to January 1, 2007, when the government was providing a subsidy of Rs4.12 per liter on kerosene oil and Rs1.68 on light diesel oil, current figures (as of October 16, 2007) are substantially higher at Rs9.18 and Rs9.03 respectively.

The government is currently not imposing any Petroleum Development Levy (PDL) on kerosene, diesel and light diesel oil. The PDL received from petrol is being used to subsidise these products. The government has capped the sale price of these products at an affordable level. Kerosene is used by the poorer segment of society, while 90 percent of diesel is used by the transport sector. Generally, higher domestic oil prices pushes up transport costs and an increase in transport costs has adverse effects on the economy.

The domestic economy was partially cushioned from the high and rising international oil prices due to government subsidies. As the government kept domestic POL prices unchanged by subsidising key products, it helped contain inflationary expectations in the economy. The non-food component of CPI grew by 6 percent in FY07, against 8.6 percent in FY06. Since the beginning of 2007, the prices of various petroleum products have remained unchanged. As long as the government maintains the subsidies, price increases will be contained, but once the cap is removed and prices are allowed to rise with the increase in international oil prices, inflationary pressures are bound to increase domestically.

Rising oil prices translates into a higher import bill and subsequently a widening trade deficit. It also puts pressure on government expenditures in view of subsidies being provided. Petroleum group imports, constituting 24 percent of the import bill, saw a 4.6 percent increase in September '07 to $661.12 million, over last year's corresponding figure of $632.06 million. During this period, prices of petroleum products have risen substantially. The unit value of petroleum products rose to Rs478.2 per MT (against Rs429.7

per MT in '06), while the unit value of petroleum crude increased to Rs495.3 per MT (Rs485.4 per MT in September '06). If oil prices maintain the rising trend, the import bill is bound to increase in FY08, and the trade deficit which was contained in FY07 will widen. Earlier in FY06, the soaring oil prices were a major contributory factor contributing almost one-third of the exceptionally high import bill of $28.6 billion.

While oil price increases hit government finances, and the external balances, it also directly impacts the poor households, posing a challenge to the attainment of the Millennium Development Goals. A recent UNDP Report, Overcoming Vulnerability to Rising Oil Prices: Options for Asia and the Pacific, states "raising the poor's consumption of modern fuels – including oil-based ones like kerosene, diesel, and liquefied petroleum gas and electricity is essential for eradicating poverty. These energy sources are vital for meeting the poor's day to day needs and assuring them of a minimum level of human comfort."

Over the past three years, households in the Asia-Pacific region are paying, on average, 171 percent more for cooking fuels, 120 percent more for transportation, 67 percent more for electricity, and 55 percent more for lighting fuels. The total expenditure affected by high oil prices comes to 28 percent of household expenditure (12 percent on fuels & electricity and slightly over 16 percent on transport).

While the relationship between high oil prices and MDGs are not easily quantifiable, but the Report has drawn a number of conclusions. Higher retail prices of fuel and petroleum products would have spillover effects across the economy, leading to inflationary pressures, rising transport costs and health service costs, higher salaries and wages. This can slow the rate of poverty reduction, achieving universal primary education, promoting gender equality, reducing child mortality and in improving maternal health.

Countries worldwide have been exploiting renewable energy sources and investments in these have been growing because of significant oil price increases and increasing concerns for climate change. In Pakistan, the demand for energy has grown over the years. It remains dependent on costly oil imports, as production has remained flat. Natural gas produced domestically is widely consumed, by households, power sector, industrial, fertilizer, commercial and transport sector. Electricity supply is limited due to insufficient generation availability. To meet the growing energy demand, the country is pursuing a wide range of energy projects, which includes import of piped natural gas from Iran and Turkmenistan, import of LNG; increase in oil and gas exploration in the country; development of coal reserves and building of small dams for irrigation needs and for electricity generation.

Ayesha Mahmud

Banking Sector Performance – The Year 2006

Banking Sector Performance is an annual feature of our Bulletin. This paper covers the performance of the banks, based on data from their Annual Accounts for the year 2006. The banks for the purpose of this study have been grouped into three different categories – major banks, private and provincial banks and the foreign banks operating in Pakistan. The performance of these banks is discussed in the following pages.

Banks operating in Pakistan have performed well subsequent to the banking reforms of the 1990s. These included, initiatives such as, denationalisation and privatisation of state owned banks, setting up of new private banks, restructuring of the State Bank of Pakistan with more independence and more autonomy to make decisions.

Reforms bring positive changes

The reforms undertaken have given a new shape to the commercial banking industry in Pakistan where more than 80 percent of the banks are now being operated by the private sector. Alongwith this, there has been strengthening of financial performance and soundness of the banks, increasing outreach of financial services, diversification of businesses offered and consolidation of the banking sector through mergers and acquisitions. It is a success story of what good conducive reforms/policies in a congenial environment, accompanied by effective leadership, supportive regulations consistent with international standards and best practices and good corporate governance can achieve.

Banking sector trans-formed

Today the banking sector has transformed from a sluggish government dominated sector, to second in performance and efficiency indicators among the South Asian countries. The industry's assets have risen to over rupees four trillion and profits have crossed a hundred billion rupees. A World Bank study evaluates Pakistan after India as having higher capital adequacy, lower non-performing loans and stable liquidity position among the South Asian countries.

Banks adopting Basel II

This has been accompanied by a more independent central bank, with greater autonomy and supervisory domain. The State Bank of Pakistan has made greater efforts to bring the prudential regulatory and supervisory framework for banks at par with the BIS standards. Banks are now complying with Basel Core Principles. The SBP has issued directives for the adoption of Capital Adequacy Standards under Basel II framework. The framework is intended to strengthen risk management and increase the soundness of the banking system.

Pakistan's roadmap for implementation of Basel II Accord advocates that banks adopt the standardized approach from January 2008, progress on this front varies from bank to bank. There are a number of challenges that banks face as they move towards adoption of Basel II. However, those banks that can address the challenges and have the Basel framework in place would be able to get a competitive advantage over their counterparts.

Code of Corporate Gover-nance

Commercial banks operating in Pakistan have to comply with the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan. This provides guidelines for the Board of Directors, managers and shareholders. These guidelines are based on recommendations made by the Basel Committee and the OECD on corporate governance.

The Basel committee places major responsibility on the board of directors and senior bank management to fully understand the banks' risk exposure. The Board of the various banks is now duly complying with the requirements of the Code. Periodic financial statements are issued, proper books of accounts are maintained, with care exercised to follow appropriate accounting policies, and standards and have a sound and effective system of internal control. Alongwith the responsibilities of the Board of Directors, the guidelines issued, have responsibilities for management and the auditors. SBP has issued guidelines on Internal Controls. An effective internal control system is a part of effective risk management in banks.

Financial services outreach being extended

In the recent past, the State Bank of Pakistan has taken several initiatives to extend financial services to SMEs, agriculture, livestock and fish farming and to small borrowers through focus on development of microfinance outreach. The SBP has formulated a regulatory framework for establishing Mirco-finance Banks. The separate Prudential Regulations for microfinance banks is consistent with the best practices. Existing commercial banks have also been given guidelines by SBP to undertake microfinance business. They could do this either through establishment of microfinance counters in the existing branches, designating standalone microfinance branches establishing a microfinance subsidiary or developing linkages with Microfinance Banks.

Islamic banking being developed

The SBP is encouraging the development of Islamic finance. It has put in place a comprehensive and robust multi-tiered Shariah compliance mechanism to lend to customers and investors and build confidence in the Islamic banking industry. Islamic banks set up and the conventional banks are offering Islamic products through their Islamic branches/ windows.

Consolidation of financial sector

The liberalisation of the financial sector that took place in the 1990s saw the setting up of a number of private banks and other financial institutions. Not all of them performed well, and this threatened not only their profitability but also their very existence. Consequently the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan embarked on a process of consolidation of the financial sector, which included the banking sector, leasing companies, investment banks and modarbas.

The SBP raised the minimum paid up capital requirements from Rs500 million in 2001 to Rs3 billion by 2005 and to Rs6 billion by December 2009. This step of the SBP has ensured a strong capital base of banks and has been helpful in promoting mergers in the banking sector. A number of mergers and acquisitions have taken place in the banking sector. Some of the existing foreign banks operating in Pakistan have shown a growing interest in this process and have in the last few years acquired local banks.

Banks performed well in 2006

The year 2006 witnessed exceptional performance by the banking sector, as it did well in most areas of operation. There has been a notable growth in profitability, in the high yield earning assets, in non-interest income, in the deposit base, which lent support to lending activities, alongwith an increase in the assets and equity. Besides improved financial performance, banks adopted better risk management practices, undertook, enhanced investment in human resources and IT and some went for mergers and acquisitions.

Profits continue to grow

A review of the key performance indicators shows that in terms of profitability, 2006 proved to be another exceptional year for the banking industry. Profits both before and after tax, maintained the pace of growth. Profit before tax reached Rs121 billion in 2006, while after-tax profit increased to Rs83 billion, compared to Rs65 billion in 2005.

NBP has the highest profit

The major banks were the chief contributors for growth in profitability. In the major banks category, United Bank Limited (UBL) registered an increase of 50.5 percent, but in terms of amount, National Bank of Pakistan (NBP) had the highest profit (BT) of Rs26.3 billion, followed by Habib Bank Ltd (HBL) Rs18.8 billion and MCB Bank Rs18.5 billion. In fact NBP's profit was the highest in the industry contributing 31 percent of total profit before tax of the major banks. This was achieved through strong growth in core banking income. Interest income increased by Rs10 billion, as the bank's loan portfolio grew, as well as an increase in spreads. Non-interest income also rose by Rs2.8 billion in 2006 over 2005.

Amongst the private banks, Bank of Punjab and Bank Al-Habib have done well in terms of growth of profits. The shift of one of the foreign banks, Standard Chartered to the local private banks category helped to increase the group's before tax profit to Rs30.4 billion against Rs24 billion in CY2005. On the other hand, the foreign banks booked lower before tax profits of Rs6.0 billion, 50 percent lower over a year earlier. Among private/provincial banks, Standard Chartered recorded the highest profit of Rs7.1 billion, while Bank of Punjab registered the highest increase of nearly 51 percent.

SCB and Bank of Punjab perform well

Profitability as measured by Return on Assets (RoA) and Return on Equity (RoE) shows that RoA has improved for all banks, except foreign banks. RoE meanwhile experienced a decline due to increased requirements of minimum capital and to meet costs of mergers and acquisitions.

RoE declines

All the major banks showed an improved RoA, showing that assets employed have earned good returns. In the private banks category, the ratio remained unchanged, with declines registered for Crescent Bank and Saudi Pak Commercial Bank. The decline in the ratio for foreign banks category was because of the shift of Standard Chartered Bank to private banks, and mergers of Habib Bank AG Zurich and American Express with private banks, and decline in the ratio for Al Baraka Islamic Bank and HSBC.

RoA improves with exceptions

The RoE declined for major banks to 37.4 percent in 2006. In this category, MCB Bank despite a decline is still on the top as it registered the highest RoE of 45 percent, followed by UBL's 41.2 percent. Amongst private banks, Bank of Punjab leads, followed by Bank Al-Habib and Faysal Bank. Among the foreign banks, ABN Amro is on top, with Citibank following.

The Debt Management Ratio, average liabilities/average assets, shows that it is reducing which is a positive sign. For all banks the ratio has declined from 93.3 in 2004 to 90.6 in 2006, which shows fewer liabilities on every asset. NBP's average liabilities/average assets is reducing, which represents that in 2004 there was Re.0.928 liability on every Re1 asset, which has reduced to Re.0.871 on every Re1 asset. A similar trend Saudi Pak Commercial etc. On the other hand, banks like Bank Al-Habib, Bank of Punjab, KASB Bank, Faysal Bank, Meezan Bank have not done well with respect to this ratio.

Average liabilities/ average assets improves

Deposits of all banks grew at a relatively slower rate of 13 percent in 2006, compared to the preceding year when it had grown by 18 percent. This was partly attributable to slower increase in the deposits of UBL, Askari Commercial Bank, Bank Al-Falah, among few others. On the other hand, deposits of NBP have grown by 8.3 percent against a marginal fall in 2005, of Bank of Punjab by 55.6 percent, Habib Metropolitan Bank by 80.7 percent, Citibank by 31 percent, HSBC 95 percent.

Deposit growth slows down

Growth in advances slowed down (20.4 percent) for all banks in 2006, against a rise of 27.7 percent in CY05. Advances have fallen due to tight monetary policy being pursued by the SBP. This would affect the income of the banks and thus their profitability. Category-wise growth rate of major banks was half (15.6 percent) the 32 percent increase registered a year earlier. Meanwhile, interest income slowed corresponding to the slowdown in advances.

Growth in advances

Banks' consumer financing grew by 26.8 percent, to Rs324.7 billion in 2006, substantially slower compared to the jump of 76 percent in 2005 when it had risen to Rs256 billion from Rs145.7 billion a year earlier. This area has been a major source of income for the banks and a slowdown affects the income of the banks.

Viewing the expense side, the level of interest expenses also experienced a significant increase of Rs56 billion in rupee terms to Rs130 billion in 2006.

Interest expense rises

This increase represents the increase in deposit rates. The *Banking System Review 2006* of the SBP states, "comparing the rate variance and the volume variances of the two, i.e. interest income on customers loans and interest expense on deposits during the CY06, it is obvious that the impact of increase in the is visible for MCB Bank and ABL, mybank, interest rate was higher on deposits, which amounts to Rs39.4 billion as compared to the Rs34.9 billion in case of customers' loans."

The administrative expenses witnessed an increase of 21.4 percent to Rs93 billion agaisnt Rs76 billion in CY05. The intermediation cost ratio moved up to 2.8 percent from 2.7 percent in 2005 for all banks. The ratio increased for UBL from 2.8 percent to 3.2 percent and for NBP from 2.4 percent to 2.7 percent, while it remained unchanged for HBL at 3.1 percent and for ABL at 2.7 percent and declined for MCB Bank. Some of the banks like Habib Metropolitan, Soneri Bank and both the provincial banks have low intermediation cost ratios, while Crescent Bank has an intermediation cost ratio of 9.8 percent and Deutsche Bank 14.7 percent. This increase is partly attributable to increased business operations of the banks.

Inter-mediation cost ratio

For all banks, staff strength has increased by nearly 6 percent, with the private/provincial banks hiring more people compared with the other categories of banks. Among the private banks, staff strength rose substantially for Bank Al-Falah, Soneri Bank, Faysal Bank, Meezan Bank, and Bank of Punjab. In the major banks category, NBP increased its staff strength so did UBL, MCB Bank and ABL. It declined for HBL.

Notwithstanding the increased staff strength of the banks, after tax profit per employee for all banks has risen to Rs0.91 million in 2006 from Rs0.76 million in 2005. For foreign banks the ratio declined and for private/ provincial banks it has remained unchanged. Similarly profit per branch has risen for all categories of banks. The details of other ratios for all banks is given in the accompanying tables.

Mergers/Change of Name

- State Bank of Pakistan declared Standard Chartered Bank (Pakistan) Ltd as a scheduled bank w.e.f. December 30, 2006. Union Bank has been merged with and into Standard Chartered Bank (Pakistan) Ltd w.e.f. December 4, 2006.
- The amalgamation of Jahangir Siddiqui Investment Bank and American Express Bank Ltd (Pakistan Branches) formed the JS Bank Ltd on December 2, 2006.
- Habib Bank AG Zurich merged with and into Metropolitan Bank Ltd, w.e.f. September 29, 2006. Name of Metropolitan Bank Ltd changed to Habib Metropolitan Bank Ltd w.e.f. October 26, 2006.
- Rupali Bank Ltd Pakistan operations were amalgamated with and into Arif Habib Rupali Bank Ltd, in terms of the scheme of amalgamation sanctioned on July 07, 2006. Arif Habib Rupali Bank Ltd was declared a scheduled bank w.e.f. August 5, 2006.
- BankIslami Pakistan Ltd commenced its operations from. April 7, 2006.
- Dubai Islamic Bank Pakistan Ltd commenced its operations from March 28, 2006.

Key Performance Indicators – All Banks

(Rs. Bn)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Assets Net	1737	1955	2252	919	1275	1717	304	343	224	2960	3573	4193
Equity	82	121	178	54	75	148	27	33	23	162	229	349
Deposits	1457	1585	1767	711	1002	1291	227	245	150	2394	2832	3208
Advances(Net)	822	1085	1258	537	683	956	159	170	120	1518	1938	2334
Investments	467	447	440	179	269	328	31	67	38	677	783	806
Gross Advances	901	1180	1342	551	697	974	162	173	123	1613	2050	2439
Non Performing Loans (NPLs)	123	113	102	25	26	38	3	2	1	150	141	141
Interest Income	63	115	164	36	72	118	12	22	19	111	209	301
Interest Expense	16	29	50	14	37	71	3	9	9	34	75	130
Net Interest Income	47	86	114	22	35	47	8	14	10	78	134	171
Non Interest Income	29	30	35	13	16	23	6	8	5	47	54	63
Revenue	76	115	149	35	51	71	14	22	16	125	189	236
Admn Expense	41	44	52	17	23	33	7	9	8	65	76	93
Profit/(Loss)B.T	29	60	85	16	24	30	7	12	6	52	96	121
Profit/(Loss)A.T	19	40	56	11	17	23	6	8	4	36	65	83
Employees (Nos)	58740	56627	55225	20200	25532	33271	2819	3591	2320	81759	85750	90816
Branches (Nos)	5486	5501	5560	1015	1270	1614	80	105	51	6581	6876	7225

Growth Rates – All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Assets Net	14.3	12.5	15.2	37.6	38.7	34.7	14.8	12.9	-34.7	20.7	20.7	17.3
Equity	65.2	43.3	52.4	35.7	41.0	95.6	11.8	20.1	-30.3	43.4	38.4	55.3
Deposits	14.3	8.8	11.5	44.1	40.9	28.8	18.0	7.9	-38.7	22.2	18.3	13.3
Advances	41.0	31.9	16.0	55.8	27.3	40.0	31.3	7.1	-29.4	44.7	27.7	20.5
Investments	-16.0	-4.3	-1.5	-3.4	50.1	22.1	-28.6	119.5	-42.8	-13.7	15.7	3.0
Interest Income	-0.2	81.1	43.5	22.7	97.5	64.0	-3.7	87.8	-15.0	5.8	87.7	44.1
Interest Expense	-14.2	82.6	77.5	3.7	159.0	90.9	-25.7	148.2	-0.2	-8.9	122.8	74.6
Net Interest Income	5.5	80.6	32.7	39.2	57.6	35.2	9.6	62.9	-24.5	13.8	72.2	27.6
Non Interest Income	8.7	3.6	18.0	-17.4	29.7	45.4	1.1	37.6	-36.6	-0.6	14.6	18.1
Revenue	7.4	51.6	28.9	11.5	47.3	38.9	5.8	52.2	-29.1	8.3	50.4	24.9
Admn Expense	16.4	7.5	17.2	31.7	38.1	43.8	15.6	28.5	-14.8	19.9	17.6	21.4
Profit/(Loss)B.T	22.1	109.0	40.6	-2.2	47.1	29.5	-2.0	60.2	-45.3	10.0	83.3	26.5
Profit(Loss)A.T	35.4	118.4	38.3	6.3	50.2	34.3	29.2	39.3	-47.1	23.7	85.4	25.6

Selected Ratios – All Banks

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Cost of Funds	1.1	1.8	2.8	2.0	3.8	5.5	1.4	3.1	3.6	1.4	2.6	3.9
Intermediation Cost	2.8	2.7	2.9	2.4	2.4	2.6	2.9	3.3	3.3	2.7	2.7	2.8
Pre Tax Margin	31.4	41.9	42.6	32.6	26.7	21.5	40.3	37.9	26.2	32.8	36.3	33.3
Non Interest Income Ratio	37.4	25.9	23.6	36.1	31.8	33.3	42.3	38.3	34.2	37.6	28.8	27.2
Gross Spread Ratio	75.1	74.9	69.2	60.6	48.4	39.9	70.8	61.4	54.6	69.9	64.3	56.6
Cost/Income Ratio	53.1	38.1	34.9	47.8	44.9	46.6	48.9	41.3	49.6	51.4	40.3	39.2
Income/Expenses Ratio (EIR)	1.5	1.7	1.7	1.5	1.4	1.3	1.7	1.6	1.4	1.5	1.6	1.5
Return on Equity	28.2	40.0	37.4	24.1	26.0	20.2	22.6	27.1	15.5	25.7	33.7	28.8
Return on Assets	1.1	2.2	2.7	1.4	1.5	1.5	2.0	2.5	1.5	1.9	2.9	3.1
Return on Deposits	1.4	2.7	3.3	1.9	2.0	2.0	2.8	3.4	2.2	2.4	3.7	4.0
Earning Assets/Deposits	101.0	103.1	106.7	131.0	123.0	110.7	111.8	111.6	117.0	110.3	110.4	108.9
Capital Ratio	4.0	5.5	7.1	5.9	5.9	7.5	9.1	9.3	11.7	5.1	5.9	7.4
Deposits Time Capital	14.0	10.2	8.4	10.6	10.8	8.3	8.0	9.8	7.1	12.1	10.2	8.2
Equity Multiplier (Time)	24.9	18.2	14.1	17.1	16.9	13.4	11.0	10.8	10.2	19.6	16.8	13.5
Capital to Risk Assets (CRA)	9.4	10.7	12.8	10.6	10.6	13.7	18.4	18.2	19.1	10.8	11.2	13.4
Advances+Investment/Assets	74.5	76.4	76.8	78.5	76.0	74.7	62.4	66.1	69.9	74.4	75.3	75.5
Earning Assets/Assets	84.7	84.9	85.0	99.4	96.1	84.9	82.5	81.4	81.6	88.8	88.3	84.7
Advances/Deposits(CDR)	51.3	62.7	69.9	73.3	71.3	71.5	66.9	69.8	73.6	58.9	66.1	70.7
Avg. Liabilities/Avg.Assets	94.0	92.0	90.5	92.9	92.8	90.7	90.8	90.7	90.2	93.3	92.1	90.6
Liabilities/Equity (Time)	23.4	16.8	12.9	15.8	15.7	12.1	10.0	9.8	9.2	18.3	15.5	12.2
Net Profit Margin	24.1	34.9	37.6	32.4	33.0	31.9	40.3	36.9	27.5	28.2	34.6	35.2
Net Interest Margin (NIM)	3.4	5.5	6.4	2.8	3.3	3.7	3.6	5.2	4.4	3.2	4.7	5.2
Cost of Funding Earning Assets	1.1	1.8	2.8	1.8	3.5	5.6	1.5	3.2	3.7	1.4	2.6	4.0
Yield on Earning Assets	4.6	7.3	9.2	4.6	6.8	9.3	5.0	8.4	8.1	4.6	7.2	9.2
Interest Spread	3.5	5.5	6.4	2.6	3.0	3.8	3.6	5.3	4.5	2.7	4.2	4.7
NPLs/Gross Advances	13.6	9.6	7.6	4.5	3.8	3.9	1.6	1.2	1.0	9.3	7.0	5.8
NPLs/Net Advances	5.2	1.7	1.4	2.0	1.4	1.0	-0.03	-0.06	-1.0	3.6	1.4	1.1
Admn Expenses/Employee (Rs.Mn)	0.7	0.8	0.9	0.8	0.9	0.9	2.5	2.5	3.3	0.8	0.9	1.0
Staff/Branch (Nos)	11	10	10	20	20	21	35	34	45	12	12	13
Profit After Tax/Branch (Rs.Mn)	3.4	7.4	10.1	11.1	13.3	14.0	72.7	77.2	84.1	5.4	9.5	11.5

Key Performance Indicators – Major Banks

(Rs. Bn)

Banks	Assets			Equity			Deposits			Advances			Investments		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	553.2	577.7	635.1	24.9	37.6	53.0	465.6	463.4	501.9	220.8	268.8	316.1	149.4	157.0	139.9
HBL	487.8	528.9	590.3	23.1	32.7	45.2	404.6	432.5	459.1	259.1	316.9	349.4	134.5	107.4	119.6
UBL	272.6	347.0	423.3	14.4	18.8	27.2	230.3	289.2	335.1	144.1	204.8	247.3	55.0	63.0	67.2
MCB Bank	259.2	298.8	342.1	9.2	18.3	35.7	221.1	229.3	257.5	137.3	180.3	198.2	67.2	69.5	63.5
ABL	154.9	192.6	252.0	9.4	12.9	16.2	126.4	161.4	206.0	59.5	111.2	144.0	57.3	44.9	47.0
Major Banks	**1727.7**	**1945.0**	**2242.8**	**81.0**	**120.3**	**177.3**	**1447.9**	**1575.9**	**1759.6**	**820.8**	**1082.0**	**1255.0**	**463.3**	**441.7**	**437.2**
FWB	9.6	10.5	9.0	0.6	0.7	0.9	8.7	8.7	7.0	1.6	2.5	3.0	3.7	5.4	3.1
Total	**1737.4**	**1955.5**	**2251.8**	**81.6**	**121.0**	**178.2**	**1456.6**	**1584.6**	**1766.6**	**822.4**	**1084.5**	**1258.0**	**467.0**	**447.1**	**440.3**

Banks	Interest Income			Interest Expense			Net Interest Income			Non Interest Income			Revenue		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	20.9	33.7	43.8	6.6	10.3	13.6	14.4	23.4	30.2	8.3	9.4	12.2	22.6	32.7	42.4
HBL	18.2	32.3	43.7	4.5	7.3	13.2	13.7	25.0	30.5	9.9	7.9	8.5	23.6	32.9	39.0
UBL	9.2	20.2	33.0	1.7	6.0	12.1	7.5	14.1	20.9	4.5	5.0	6.9	12.0	19.1	27.8
MCB Bank	9.1	17.8	25.8	2.1	2.8	4.5	7.0	15.0	21.2	4.2	5.7	5.0	11.3	20.4	26.2
ABL	5.2	9.9	17.2	0.8	2.0	6.8	4.5	7.9	10.4	1.7	1.9	2.4	6.2	9.8	12.8
Major Banks	**62.7**	**113.9**	**163.5**	**15.6**	**28.5**	**50.2**	**47.1**	**85.2**	**113.2**	**28.6**	**29.9**	**35.0**	**75.7**	**115.3**	**148.2**
FWB	0.5	0.7	0.7	0.1	0.2	0.2	0.3	0.4	0.5	0.09	0.05	0.06	0.4	0.5	0.6
Total	**63.2**	**114.6**	**164.2**	**15.7**	**28.8**	**50.4**	**47.4**	**85.7**	**113.7**	**28.7**	**30.0**	**35.1**	**76.1**	**115.8**	**148.8**

Banks	Admn Expenses			Operating Profit			Provisions/Other Expenses			Profit/Loss (B.T)			Profit/Loss (A.T)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	8.9	11.2	13.4	13.8	21.5	29.0	1.8	2.4	2.6	12.0	19.1	26.3	6.2	12.7	17.0
HBL	13.8	14.1	15.4	9.8	18.8	23.6	2.6	4.9	4.7	7.2	13.8	18.8	5.8	9.6	12.7
UBL	6.8	7.9	10.9	5.2	11.3	16.9	0.3	1.8	2.6	4.9	9.5	14.3	3.7	5.9	9.5
MCB Bank	7.2	6.5	6.5	4.5	14.3	19.7	0.5	1.3	1.2	4.1	13.0	18.5	2.4	8.9	12.1
ABL	4.1	4.3	5.2	2.2	5.5	7.6	1.7	0.7	0.9	0.5	4.8	6.7	0.2	3.0	4.4
Major Banks	**40.8**	**43.9**	**51.4**	**35.5**	**71.3**	**96.8**	**6.8**	**11.2**	**12.0**	**28.7**	**60.2**	**84.6**	**18.3**	**40.3**	**55.7**
FWB	0.2	0.3	0.3	0.2	0.2	0.3	0.0	0.0	0.1	0.2	0.2	0.3	0.12	0.13	0.2
Total	**41.0**	**44.1**	**51.7**	**35.7**	**71.6**	**97.1**	**6.8**	**11.2**	**12.1**	**28.9**	**60.4**	**84.9**	**18.5**	**40.4**	**55.9**

Source: Annual Reports of the Banks

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

Major Banks – Selected Ratios

(In %)

Banks	Cost of Fund			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio (NIIR)			Gross Spread Ratio (GSR)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	1.5	2.2	2.8	2.0	2.4	2.7	41.0	44.2	47.0	36.5	28.7	28.7	68.7	69.4	68.9
HBL	1.1	1.6	2.7	3.3	3.1	3.1	25.8	34.4	36.1	41.8	23.9	21.8	75.4	77.3	69.8
UBL	0.8	2.2	3.5	3.1	2.8	3.2	35.6	37.7	35.8	37.5	26.2	25.0	81.2	70.0	63.2
MCB Bank	0.9	1.1	1.7	3.1	2.7	2.4	30.5	55.4	60.1	37.6	27.8	19.0	77.3	84.3	82.4
ABL	0.6	1.3	3.4	3.2	2.7	2.7	6.9	40.9	33.9	27.7	19.8	19.0	84.9	79.5	60.5
Major Banks	**1.1**	**1.8**	**2.8**	**2.8**	**2.7**	**2.9**	**31.4**	**41.9**	**42.6**	**37.5**	**26.0**	**23.6**	**75.1**	**75.0**	**69.2**
FWB	1.3	2.4	2.7	2.5	2.8	3.3	38.4	31.1	32.7	20.3	11.1	11.3	75.6	66.7	67.1
Total	**1.1**	**1.8**	**2.8**	**2.8**	**2.7**	**2.9**	**31.4**	**41.8**	**42.6**	**37.4**	**25.9**	**23.6**	**75.1**	**74.9**	**69.2**

Banks	Cost / Income Ratio			Income Expense Ratio			ROE			ROA			ROD		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	39.2	34.3	31.8	1.7	1.8	1.9	29.0	40.6	37.5	1.2	2.2	2.8	1.5	2.7	3.5
HBL	58.4	42.9	39.6	1.3	1.5	1.6	36.4	34.6	32.6	1.2	1.9	2.3	1.5	2.3	2.8
UBL	56.6	41.2	39.4	1.6	1.6	1.6	28.9	35.9	41.2	1.5	1.9	2.5	1.8	2.3	3.0
MCB Bank	61.5	31.2	24.7	1.4	2.2	2.5	28.7	64.9	45.0	0.9	3.2	3.8	1.1	4.0	5.0
ABL	66.4	43.4	41.1	1.1	1.7	1.5	8.4	27.6	30.2	0.1	1.8	2.0	0.2	2.1	2.4
Major Banks	**53.5**	**38.1**	**34.8**	**1.5**	**1.7**	**1.7**	**28.2**	**40.0**	**37.4**	**1.1**	**2.2**	**2.7**	**1.4**	**2.7**	**3.3**
FWB	50.4	52.1	52.0	1.6	1.5	1.5	25.7	21.1	21.1	1.3	1.3	1.7	1.5	1.5	2.1
Total	**53.5**	**38.1**	**34.9**	**1.5**	**1.7**	**1.7**	**28.2**	**40.0**	**37.4**	**1.1**	**2.2**	**2.7**	**1.4**	**2.7**	**3.3**

Banks	Solvency Ratios									Equity Multiplier (Time)			Capital Risk Assets Ratio (CRA)		
	Earning Assets/Deposits			Capital Ratio			Deposit Time Capital								
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	94.3	97.3	102.9	4.2	5.5	7.5	11.7	7.7	6.2	23.8	18.1	13.4	11.3	12.8	15.5
HBL	106.7	107.4	109.9	4.3	5.5	7.0	13.7	11.4	9.4	23.1	18.2	14.4	9.0	9.7	11.7
UBL	101.7	102.7	105.2	5.2	5.3	6.0	12.8	13.3	12.1	19.1	18.7	16.8	10.9	9.7	10.3
MCB Bank	106.0	107.1	113.1	3.2	4.9	8.4	16.9	11.8	7.5	31.4	20.3	11.9	7.2	8.7	14.3
ABL	96.8	104.1	102.6	1.7	6.4	6.6	38.3	11.6	11.4	59.5	15.5	15.3	4.6	13.1	11.4
Major Banks	**101.0**	**103.1**	**106.6**	**4.0**	**5.5**	**7.1**	**14.0**	**10.2**	**8.4**	**24.9**	**18.2**	**14.1**	**9.3**	**10.6**	**12.8**
FWB	105.6	104.9	110.9	5.0	6.3	8.1	13.8	13.2	9.4	20.0	15.9	12.4	33.1	30.9	28.4
Total	**101.0**	**103.1**	**106.7**	**4.0**	**5.5**	**7.1**	**14.0**	**10.2**	**8.4**	**24.9**	**18.2**	**14.1**	**9.4**	**10.7**	**12.8**

Banks	Liquidity Ratio									Debt Management Ratio (DMR)					
	Advances+Inv./Assets			Earning Assets/Assets			Advances/Deposits (CDR)			Avg. Liabilities/Avg. Assets			Liabilities/Equity (Time)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	68.2	70.4	72.7	79.4	79.9	81.9	44.4	52.7	60.6	92.8	89.3	87.1	22.0	16.2	11.7
HBL	79.8	80.4	79.8	88.5	88.4	87.6	57.9	68.8	74.7	94.0	92.8	91.5	21.7	16.9	13.2
UBL	72.0	75.4	75.6	86.3	86.1	85.2	58.0	67.3	72.4	93.4	93.7	93.3	17.8	17.5	15.6
MCB Bank	80.9	81.4	79.8	86.2	86.5	85.9	54.2	70.5	77.8	95.2	93.1	89.9	29.9	18.9	10.7
ABL	72.7	78.5	78.1	85.5	86.2	84.8	41.6	59.3	69.5	97.7	92.9	92.7	58.1	14.4	14.1
Major Banks	**74.5**	**76.5**	**76.8**	**84.7**	**84.9**	**84.9**	**51.6**	**62.9**	**70.1**	**94.0**	**91.9**	**90.5**	**23.4**	**16.8**	**12.7**
FWB	61.2	65.2	71.9	91.6	90.6	89.2	17.4	23.6	35.3	93.7	93.5	91.5	18.8	14.8	11.4
Total	**74.5**	**76.4**	**76.8**	**84.7**	**84.9**	**85.0**	**51.4**	**62.7**	**69.9**	**94.0**	**92.0**	**90.5**	**23.4**	**16.8**	**12.9**

Banks	Net Profit Margin			Net Interest Margin (NIM)			Cost of Fund Earning Assets			Yield on Earning Assets			Interest Spread		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	27.6	38.8	40.2	3.5	5.2	6.1	1.6	2.3	2.7	5.2	7.5	8.8	3.7	5.3	6.1
HBL	24.4	29.3	32.6	3.4	5.6	6.2	1.1	1.6	2.7	4.5	7.2	8.9	3.4	5.6	6.2
UBL	30.8	31.1	34.0	3.6	5.3	6.4	0.8	2.3	3.7	4.4	7.6	10.0	3.6	5.4	6.5
MCB Bank	20.7	43.0	46.3	3.1	6.2	7.7	0.9	1.2	1.6	4.0	7.4	9.4	3.1	6.2	7.7
ABL	3.1	31.5	34.2	3.8	5.3	5.5	0.7	1.4	3.6	4.5	6.6	9.1	3.9	5.3	5.7
Major Banks	**24.0**	**35.0**	**37.6**	**3.4**	**5.5**	**6.4**	**1.1**	**1.8**	**2.8**	**4.6**	**7.3**	**9.2**	**3.5**	**5.5**	**6.4**
FWB	28.5	27.3	30.4	3.9	4.8	5.6	1.3	2.4	2.7	5.2	7.2	8.3	3.9	4.8	5.6
Total	**24.1**	**34.9**	**37.6**	**3.4**	**5.5**	**6.4**	**1.1**	**1.8**	**2.8**	**4.6**	**7.3**	**9.2**	**3.5**	**5.5**	**6.4**

Banks	NPLs/Gross Advances			Net NPLs /Net advances.			Admn Exp./Employee (Rs.Mn)			Staff/Banch			Profit (A.T)/Branch (Rs.Mn)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
NBP	14.4	11.3	10.4	3.2	1.2	1.3	0.6	0.8	1.0	11	11	11	5.1	10.2	13.6
HBL	15.3	11.8	8.1	4.3	2.5	2.3	0.7	0.9	1.1	13	11	10	3.9	6.6	8.6
UBL	12.5	7.7	6.2	12.3	1.2	1.1	0.7	0.8	1.1	9	9	9	3.5	5.6	8.9
MCB Bank	6.1	4.5	4.1	1.6	0.3	0.0	0.7	0.7	0.7	10	10	9	2.6	9.4	12.2
ABL	22.2	10.6	6.9	8.4	3.6	1.9	0.6	0.6	0.7	9	9	10	0.3	4.2	5.9
Major Banks	**13.7**	**9.6**	**7.6**	**5.3**	**1.7**	**1.4**	**0.7**	**0.8**	**0.9**	**11**	**10**	**10**	**3.4**	**7.4**	**10.1**
FWB	4.0	2.0	1.5	2.0	0.3	-0.1	0.4	0.5	0.6	13	14	14	3.3	3.5	4.4
Total	**13.6**	**9.6**	**7.6**	**5.2**	**1.7**	**1.4**	**0.7**	**0.8**	**0.9**	**11**	**10**	**10**	**3.4**	**7.4**	**10.1**

Source : Annual Reports of the Banks

Key Performance Indicators – Private & Provincial Banks

(Rs.Bn)

Banks	Assets			Equity			Deposits			Advances			Investments		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	107.2	145.1	166.0	5.6	7.6	9.6	83.3	118.8	131.8	69.8	86.0	99.2	17.2	25.7	28.6
Soneri Bank	49.9	63.3	70.7	2.9	3.8	5.2	37.4	47.6	53.0	24.4	32.1	35.4	14.0	16.4	16.7
Bank Al-Habib	77.4	91.5	115.0	3.3	4.7	6.2	62.2	75.8	91.4	47.4	55.3	71.0	14.4	19.8	21.0
Bank Al-Falah	154.8	248.3	275.7	4.4	6.7	10.6	129.7	222.3	239.5	88.9	118.9	150.0	35.5	57.4	56.5
Standard Chartered Bank (Pakistan)	-	-	249.8	-	-	40.5	-	-	156.6	-	-	133.0	-	-	34.7
Bank of Khyber	23.8	25.0	27.2	1.8	2.0	2.9	15.8	17.5	19.1	9.0	10.6	9.2	6.9	7.7	8.6
Bank of Punjab	66.3	111.2	164.9	4.4	6.8	10.7	54.7	88.5	137.7	39.4	63.6	101.3	16.2	18.0	28.2
KASB Bank	15.9	19.1	26.5	1.7	1.7	2.1	11.2	14.8	21.3	8.3	10.7	14.5	2.7	3.8	4.7
Habib Metropolitan Bank Ltd	67.9	79.6	148.7	3.6	5.0	10.7	48.6	56.7	102.5	40.1	43.5	83.3	15.6	22.8	39.6
Faysal Bank	78.5	110.3	115.5	6.3	8.1	9.1	56.5	74.7	74.4	50.5	62.3	74.5	12.3	24.4	22.5
mybank	13.4	17.2	26.5	1.7	2.5	3.9	10.9	12.9	19.2	7.2	9.3	13.5	1.9	3.3	3.0
Prime Commercial Bank	40.3	53.8	52.3	3.2	3.4	3.8	30.1	38.9	40.7	21.3	25.5	32.1	6.3	13.4	11.6
Union Bank	77.7	117.1	-	3.3	5.1	-	63.0	91.2	-	50.8	69.0	-	6.8	19.2	-
PICIC Commercial Bank	52.0	65.1	70.3	3.5	4.2	4.5	44.1	53.5	59.5	25.8	33.2	34.9	13.2	13.7	15.7
Saudi Pak Commercial Bank	42.8	47.7	59.1	1.5	3.2	2.9	33.3	37.1	49.0	25.5	19.5	29.0	9.7	12.5	15.7
Meezan Bank	19.7	30.7	46.4	1.9	3.0	4.8	13.8	22.8	34.4	12.3	19.7	27.0	1.4	1.6	2.9
Crescent Comm. Bank	10.6	9.6	8.1	2.4	1.6	1.6	5.1	6.0	5.6	4.0	3.7	2.4	2.6	2.2	2.2
NIB Bank	16.6	32.0	46.4	1.4	4.3	4.4	10.6	21.1	30.6	11.7	19.6	31.1	1.2	5.1	6.6
Atlas Bank	3.7	8.0	17.0	1.0	1.5	3.1	0.2	2.2	8.8	0.01	0.8	7.8	1.0	1.7	3.6
Dubai Islamic Bank	-	0.5	8.4	-	0.4	3.5	-	-	4.3	-	-	3.3	-	-	0.8
Bank Islami Pakistan			4.0			2.0			1.8			0.9			0.5
Arif Habib Rupali Bank			5.7			3.0			2.5			1.4			1.7
JS Bank			12.5			3.0			7.2			1.7			2.6
All Private/Prov. Banks	**918.6**	**1275.2**	**1716.7**	**53.7**	**75.7**	**148.1**	**710.5**	**1002.3**	**1290.9**	**536.6**	**683.3**	**956.5**	**179.0**	**268.7**	**328.0**

(Rs.Mn)

Banks	Interest Income			Interest Expenses			Net Interest Income			Non Interest Income			Revenue		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	4487	8781	12597	1117	4278	6977	3370	4502	5620	1634	1553	2139	5004	6055	7759
Soneri Bank	1948	3681	5536	752	2014	3768	1195	1667	1768	480	611	755	1675	2278	2523
Bank Al-Habib	2432	4936	7858	962	2143	4078	1470	2792	3779	870	1036	1363	2340	3828	5142
Bank Al-Falah	5620	12247	21191	2434	7205	15233	3186	5042	5958	1520	2268	3225	4706	7310	9183
Standard Chartered Bank (Pakistan)	-	-	14851	-	-	4406	-	-	10446	-	-	3672	-	-	14118
Bank of Khyber	937	1416	1943	417	908	1305	520	508	638	305	302	307	839	828	957
Bank of Punjab	2555	6125	11644	719	2669	7574	1836	3456	4070	1097	1331	2954	2933	4787	7024
KASB Bank	641	1074	1790	318	664	1429	323	409	361	116	206	593	439	615	954
Habib Metropolitan Bank Ltd	2784	4359	7289	1261	2225	4416	1523	2134	2873	755	993	1729	2278	3127	4602
Faysal Bank	2753	6338	9728	1118	3312	6089	1635	3026	3639	1831	2063	2753	3466	5089	6392
mybank	552	1026	1686	141	323	866	411	703	820	98	249	452	520	952	1272
Prime Commercial Bank	1641	3089	4536	656	1436	2782	986	1652	1754	560	467	699	1546	2119	2453
Union Bank	4295	8144	-	1442	3658	-	2853	4485	-	1604	2576	-	4457	7061	-
PICIC Commercial Bank	2336	4172	5796	1067	2062	3530	1269	2210	2266	676	959	857	1944	3069	3123
Saudi Pak Commercial Bank	1857	2633	3702	1147	1849	3261	711	783	441	394	660	706	1104	1388	1327
Meezan Bank	534	1459	2704	250	690	1464	284	769	1240	365	622	691	649	1391	1931
Crescent Comm. Bank	233	469	483	136	403	552	97	66	-69	116	117	84	213	183	15
NIB Bank	803	1717	3499	413	1119	2452	391	598	1047	112	236	468	503	834	1523
Atlas Bank	70	380	893	16	242	763	55	138	130	1	11	97	55	149	227
Dubai Islamic Bank	-	-	156	-	-	30	-	-	126	-	-	34	-	-	160
Bank Islami Pakistan			100			19			81			44			125
Arif Habib Rupali Bank			143			23			120			21			141
JS Bank			2			1.6			0.5			0.1			1
All Private/Prov. Banks	**36479**	**72045**	**118127**	**14366**	**37201**	**71019**	**22114**	**34841**	**47109**	**12532**	**16260**	**23643**	**34670**	**51063**	**70952**

Banks	Admn Expenses			Operating Profit			Provision/Other Expenses			Profit/Loss (B.T)			Profit/Loss (A.T)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	1845	2592	3277	3159	3463	4482	316	604	1135	2843	2859	3347	1923	2022	2250
Soneri Bank	642	792	1029	1033	1486	1494	-14	86	45	1047	1400	1449	648	920	985
Bank Al-Habib	1315	1728	2432	1025	2100	2710	-14	78	21	1039	2022	2689	541	1464	1761
Bank Al-Falah	2678	4313	5875	2029	2997	3308	374	434	742	1654	2563	2566	1092	1702	1763
Standard Chartered Bank (Pakistan)	-	-	5155	-	-	8963	-	-	1794	-	-	7169	-	-	5563
Bank of Khyber	303	362	372	536	466	585	238	232	360	299	235	225	264	219	202
Bank of Punjab	1116	1275	1752	1817	3512	5272	81	347	504	1736	3165	4769	1368	2353	3804
KASB Bank	428	622	854	11	-7	101	-4	504	48	15	-511	53	98	-273	137
Habib Metropolitan Bank Ltd	814	971	1349	1464	2156	3253	86	58	110	1378	2098	3143	815	1506	2096
Faysal Bank	1135	1428	1867	2331	3661	4525	124	-308	655	2207	3969	3870	1753	3069	2817
mybank	381	531	587	139	421	685	52	212	62	87	211	623	84	274	493
Prime Commercial Bank	943	1155	1570	603	964	883	78	199	356	525	765	527	345	495	360
Union Bank	2567	3198	-	1890	3863	-	480	1085	-	1410	2778	-	830	1745	-
PICIC Commercial Bank	823	1148	1351	1122	1921	1773	-5	16	494	1126	1906	1279	896	1504	969
Saudi Pak Commercial Bank	520	733	1262	584	655	65	87	515	490	497	140	-425	326	65	-319
Meezan Bank	409	718	1023	240	673	908	19	40	128	221	633	780	224	419	604
Crescent Comm. Bank	222	493	647	-9	-310	-632	75	430	238	-84	-740	-870	-87	-744	-609
NIB Bank	394	712	1221	109	122	302	77	95	272	31	27	30	123	104	125
Atlas Bank	51	131	308	4	18	-81	42	8	59	-38	10	-141	-25	4	9
Dubai Islamic Bank	-	-	764	-	-	-604	-	-	29	-	-	-633	-	-	-411
Bank Islami Pakistan			145			-20			15			-34			-8
Arif Habib Rupali Bank			90			50						50			44
JS Bank			1			-0.4						-0.4			-0.4
All Private/Prov. Banks	**16585**	**22902**	**32930**	**18085**	**28161**	**38021**	**2092**	**4635**	**7556**	**15992**	**23530**	**30465**	**11218**	**16848**	**22635**

Source : Annual Reports of the Banks

Private & Provincial Banks – Selected Ratios

(In %)

Banks	Cost of Fund			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio(NIR)			Gross Spread Ratio(GSR)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	1.3	3.8	5.1	2.1	2.3	2.4	46.4	27.7	22.7	32.7	25.6	27.6	75.1	51.3	44.6
Soneri Bank	1.9	4.0	6.4	1.6	1.6	1.7	43.1	32.6	23.0	28.7	26.8	29.9	61.4	45.3	31.9
Bank Al-Habib Ltd.	1.6	2.8	4.4	2.1	2.3	2.6	31.5	33.9	29.2	37.2	27.1	26.5	60.4	56.6	48.1
Bank Al-Falah Ltd.	2.1	3.9	6.4	2.3	2.3	2.5	23.2	17.7	10.5	32.3	30.8	35.1	56.7	41.2	28.1
Standard Chartered Bank (Pak)	-	-	3.3	-	-	3.8	-	-	38.7	-	-	26.0	-	-	70.3
Bank of Khyber	2.3	4.3	5.8	1.7	1.7	1.6	24.1	13.6	10.0	36.9	36.5	32.0	55.5	35.9	32.9
Bank of Punjab	1.5	3.5	6.3	2.3	1.7	1.5	47.5	42.4	32.7	37.4	27.8	42.1	71.9	56.4	35.0
KASB Bank Limited	3.1	4.4	7.1	4.1	4.1	4.2	2.0	-39.9	2.2	24.5	33.5	62.2	50.4	38.1	20.2
Habib Metropolitan Bank Ltd	2.2	3.4	4.3	1.4	1.5	1.3	38.9	38.0	34.9	33.1	31.8	37.6	54.7	49.0	39.4
Faysal Bank Ltd	2.2	4.3	6.8	2.2	1.8	2.1	48.2	47.2	31.0	52.8	40.5	43.1	59.4	47.7	37.4
mybank Ltd	1.3	2.5	4.9	3.5	4.1	3.4	13.4	16.5	29.1	18.8	26.2	35.5	74.5	68.5	48.6
Prime Commercial Bank	2.1	3.4	5.9	3.0	2.8	3.3	23.9	21.5	10.1	36.2	22.0	28.5	60.1	53.5	38.7
Union Bank Ltd	2.2	4.1	-	3.9	3.6	-	46.8	54.1	0.0	36.0	36.5	-	66.4	55.1	-
Picic Comm. Bank Ltd	2.5	3.9	5.7	2.0	2.2	2.2	37.4	37.1	19.2	34.8	31.2	27.4	54.3	50.6	39.1
Saudi Pak Comm. Bank	3.2	4.5	6.8	1.4	1.8	2.6	22.1	4.3	-9.6	35.6	45.7	61.6	38.3	29.8	11.9
Meezan Bank Ltd	2.0	3.3	4.5	3.2	3.4	3.2	24.6	30.4	23.0	56.2	44.7	35.8	53.2	52.7	45.9
Crescent Bank	2.5	6.0	8.3	4.1	6.9	9.8	-24.0	-126.3	-153.3	54.3	63.9	556.3	41.7	14.1	-14.3
NIB Bank	3.8	5.5	7.5	3.7	3.5	3.7	3.4	1.4	0.8	22.2	28.3	30.7	48.7	34.8	29.9
Atlas Bank Ltd	13.8	5.6	8.0	2.1	3.0	3.5	-53.2	2.3	-14.2	1.8	7.4	42.7	78.6	36.3	14.6
Total	**2.0**	**3.8**	**5.5**	**2.4**	**2.4**	**2.6**	**32.6**	**26.6**	**21.5**	**36.1**	**31.8**	**33.3**	**60.6**	**48.4**	**39.9**

Banks	Cost/Income Ratio			Income/Expense Ratio			ROE			ROA			ROD		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	36.9	42.8	42.2	1.9	1.4	1.3	40.6	30.7	26.1	2.0	1.6	1.4	2.7	2.0	1.8
Soneri Bank	38.3	34.8	40.8	1.7	1.5	1.3	25.4	27.5	21.9	1.5	1.6	1.5	2.0	2.2	2.0
Bank Al-Habib Ltd.	56.2	45.1	47.3	1.4	1.5	1.4	18.0	36.5	32.2	0.8	1.7	1.7	1.0	2.1	2.1
Bank Al-Falah Ltd.	56.9	59.0	64.0	1.3	1.2	1.1	26.9	30.6	20.4	0.9	0.8	0.7	1.1	1.0	0.8
Standard Chartered Bank (Pak)	-	-	36.5	-	-	1.6	-	-	22.5	-	-	3.1	-	-	4.6
Bank of Khyber	36.1	43.7	38.8	1.3	1.1	1.1	15.6	11.3	8.2	1.2	0.9	0.8	1.7	1.3	1.1
Bank of Punjab	38.1	26.6	24.9	1.9	1.7	1.5	36.6	42.0	43.6	2.5	2.7	2.8	3.1	3.3	3.4
KASB Bank Limited	97.5	101.1	89.4	1.0	0.7	1.0	6.7	-15.8	7.0	0.8	-1.6	0.6	1.2	-2.1	0.8
Habib Metropolitan Bank Ltd	35.7	31.1	29.3	1.6	1.6	1.5	25.8	34.8	26.6	1.3	2.0	1.8	1.9	2.9	2.6
Faysal Bank Ltd	32.7	28.1	29.2	1.9	1.9	1.4	29.6	42.7	32.7	2.8	3.3	2.5	4.0	4.7	3.8
mybank Ltd	73.3	55.8	46.1	1.1	1.2	1.4	6.0	13.1	15.4	0.7	1.8	2.3	0.8	2.3	3.1
Prime Commercial Bank	61.0	54.5	64.0	1.3	1.3	1.1	15.4	15.5	10.0	1.0	1.1	0.7	1.3	1.4	0.9
Union Bank Ltd	57.6	45.3	-	1.3	1.4	-	28.4	41.5	0	1.1	1.8	0.0	1.5	2.3	0
Picic Comm. Bank Ltd	42.3	37.4	43.3	1.6	1.6	1.2	34.0	39.2	22.4	1.9	2.6	1.4	2.3	3.1	1.7
Saudi Pak Comm. Bank	47.1	52.8	95.1	1.3	1.1	0.9	24.9	2.8	-10.5	0.8	0.1	-0.6	1.1	0.2	-0.7
Meezan Bank Ltd	63.1	51.6	53.0	1.3	1.4	1.3	12.8	17.3	15.6	1.5	1.7	1.6	2.1	2.3	2.1
Crescent Bank	104.1	269.4	4284.8	0.8	0.4	0.4	-4.2	-37.6	-38.5	-1.0	-7.4	-6.9	-2.0	-13.4	-10.5
NIB Bank	78.4	85.4	80.2	1.0	1.0	1.0	9.3	3.7	2.9	1.0	0.4	0.3	1.6	0.7	0.5
Atlas Bank Ltd	93.1	88.5	135.7	0.6	1.0	0.9	-4.6	0.3	0.4	-1.4	0.1	0.1	-21.5	0.3	0.2
Total	**47.8**	**44.9**	**46.4**	**1.5**	**1.3**	**1.2**	**24.1**	**26.1**	**20.2**	**1.4**	**1.5**	**1.5**	**1.9**	**2.0**	**2.0**

Banks	Solvency Ratio									Equity Multiplier (Time)			Capital Risk Assets Ratio (CRA)		
	Earning Assets/Deposits			Capital Ratio			Deposit Time Capital								
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	117.0	109.7	108.1	4.9	5.2	5.5	13.1	13.6	12.6	20.3	19.2	18.1	8.3	8.4	9.3
Soneri Bank	119.2	118.2	117.0	5.9	5.9	6.7	11.6	11.7	10.2	17.0	16.9	14.9	12.2	11.8	13.3
Bank Al-Habib Ltd.	109.7	107.3	107.1	4.4	4.7	5.3	15.6	15.2	14.2	22.6	21.1	18.9	7.3	7.8	8.7
Bank Al-Falah Ltd.	103.6	96.8	96.3	3.2	2.8	3.3	20.6	27.7	23.4	31.2	36.3	30.3	5.9	5.3	6.4
Standard Chartered Bank (Pak)	-	-	112.0	-	-	13.6	-	-	4.8	-	-	7.4	-	-	26.7
Bank of Khyber	122.1	130.5	127.0	6.8	6.3	6.3	7.5	7.1	6.6	12.6	12.6	10.6	23.6	19.8	24.8
Bank of Punjab	108.7	109.9	107.8	6.8	6.3	6.3	6.9	6.7	7.6	14.7	15.9	15.8	12.9	10.9	10.6
KASB Bank Limited	125.2	115.0	107.4	11.8	9.9	8.6	5.7	7.6	9.3	8.5	10.1	11.7	24.5	18.2	15.5
Habib Metropolitan Bank Ltd	132.9	128.3	130.4	5.0	5.9	6.9	10.9	10.7	9.7	20.1	17.0	14.5	8.7	10.4	12.4
Faysal Bank Ltd	129.0	129.9	136.8	9.4	7.6	7.6	4.8	5.4	5.3	10.6	13.1	13.1	14.6	12.6	12.6
mybank Ltd	103.1	106.6	113.0	11.0	13.6	14.7	7.2	5.7	4.2	9.1	7.3	6.8	21.2	25.2	28.2
Prime Commercial Bank	120.1	121.4	117.5	6.4	6.8	6.8	10.6	10.3	11.1	15.6	14.7	14.7	12.8	13.6	12.6
Union Bank Ltd	109.8	110.9	-	4.0	4.3	-	19.0	18.2	-	24.8	23.2	-	6.4	7.0	
Picic Comm. Bank Ltd	108.6	106.2	105.4	5.7	6.5	6.4	13.3	12.9	13.9	17.5	15.3	15.6	13.1	13.0	12.7
Saudi Pak Comm. Bank	113.9	110.5	106.6	3.4	5.2	5.7	20.3	12.7	11.2	29.8	19.4	17.5	5.9	10.4	12.6
Meezan Bank Ltd	115.3	108.7	108.3	11.4	9.6	10.0	5.6	7.1	7.3	8.8	10.4	10.0	17.7	15.1	16.5
Crescent Bank	142.2	128.1	103.9	24.9	19.6	17.9	2.0	2.8	3.7	4.0	5.1	5.6	73.1	51.1	51.8
NIB Bank	150.1	138.6	136.6	10.4	11.6	11.0	5.9	5.7	6.0	9.6	8.6	9.1	14.2	18.0	17.0
Atlas Bank Ltd	1505.8	451.3	204.8	29.1	21.9	18.6	0.2	0.9	2.4	3.4	4.6	5.4	1631.7	297.7	53.7
Total	**131.0**	**123.0**	**110.7**	**5.9**	**5.9**	**7.5**	**10.6**	**10.8**	**8.3**	**17.1**	**17.0**	**13.4**	**10.5**	**10.6**	**13.7**

Private & Provincial Banks – Selected Ratios

(In %)

Banks	Liquidity Ratio									Debt Management Ratio					
	Advances+Investment/Assets			Earning Assets/Assets			Advances/Deposits (CDR)			Avg.Liabilities/Avg.Assets			Liabilities/Equity (Time)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	80.0	78.8	77.0	88.1	87.9	87.1	79.1	77.1	73.9	94.3	94.1	93.6	19.2	18.0	16.9
Soneri Bank	77.9	76.7	75.0	89.6	88.8	87.8	63.9	66.4	67.1	93.5	93.6	92.7	15.9	15.9	13.8
Bank Al-Habib Ltd.	82.0	81.0	80.8	87.7	87.6	86.7	76.2	74.4	75.4	94.9	94.6	94.3	21.4	19.9	17.8
Bank Al-Falah Ltd.	79.8	74.6	73.1	84.2	84.5	84.9	66.9	59.0	58.2	96.1	96.8	96.2	30.0	35.2	29.1
Standard Chartered Bank (Pak)	-	-	67.5	-	-	74.0	-	-	77.1	-	-	86.2	-	-	6.3
Bank of Khyber	72.1	70.0	68.0	532.4	477.2	88.7	46.1	58.9	54.2	90.3	90.4	89.4	11.4	11.4	9.5
Bank of Punjab	77.7	77.4	76.5	88.6	88.7	88.3	64.4	72.0	72.9	88.1	87.9	89.2	13.0	13.9	14.1
KASB Bank Limited	68.5	73.1	74.0	83.9	85.6	84.9	71.7	73.1	69.9	88.2	90.2	91.5	7.5	9.1	10.7
Habib Metropolitan Bank Ltd	83.4	82.7	82.9	92.1	91.6	90.9	82.3	79.4	79.7	93.6	93.3	92.8	18.8	15.9	13.4
Faysal Bank Ltd	82.2	79.2	81.4	89.6	90.2	90.4	92.3	86.7	91.7	85.6	87.0	87.6	9.1	11.4	11.5
mybank Ltd	67.3	70.9	66.2	81.5	82.7	82.7	65.7	69.6	71.1	89.1	86.3	82.6	8.1	6.3	5.6
Prime Commercial Bank	73.0	70.7	77.9	88.8	89.0	88.1	67.5	67.8	72.5	93.0	92.9	93.3	14.5	13.7	13.7
Union Bank Ltd	74.0	74.9	-	85.8	87.8	-	80.5	77.7	-	95.9	95.6	-	23.8	22.2	
Picic Comm. Bank Ltd	81.5	73.3	71.9	90.3	88.5	88.0	52.4	60.5	60.3	93.8	93.5	94.0	16.4	14.3	14.7
Saudi Pak Comm. Bank	80.9	74.2	71.8	84.5	85.9	85.9	76.1	63.9	56.3	96.4	93.9	92.8	28.7	18.2	16.3
Meezan Bank Ltd	72.7	69.7	66.5	80.6	78.9	80.3	91.7	87.8	81.7	87.5	89.8	89.9	7.7	9.4	9.0
Crescent Bank	57.8	61.8	58.9	72.9	70.2	67.8	66.6	69.9	52.9	74.9	80.3	82.3	3.0	4.1	4.6
NIB Bank	81.9	77.6	79.5	91.7	90.7	90.0	120.1	98.7	98.0	89.6	88.5	89.1	8.6	7.6	8.1
Atlas Bank Ltd	29.1	30.9	56.1	9.5	24.3	90.4	3.4	35.4	78.3	71.9	77.9	81.9	2.5	3.6	4.4
Total	**78.6**	**76.1**	**74.7**	**99.4**	**96.1**	**84.9**	**73.3**	**71.3**	**71.1**	**92.8**	**92.8**	**84.5**	**15.8**	**15.7**	**11.3**

Banks	Net Profit Margin			Net Interest Margin (NIM)			Cost of Fund Earning Assets			Yield on Earning Assets			Interest Spread		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	38.4	33.4	29.0	4.0	4.1	4.1	1.3	3.9	5.2	5.3	7.9	9.3	4.0	4.1	4.2
Soneri Bank	38.7	40.4	39.0	3.1	3.3	3.0	1.9	4.0	6.4	5.0	7.3	9.4	3.1	3.3	3.0
Bank Al-Habib Ltd.	23.1	38.2	34.2	2.5	3.8	4.2	1.6	2.9	4.6	4.1	6.7	8.8	2.5	3.9	4.3
Bank Al-Falah Ltd.	23.2	23.4	19.2	3.0	3.0	2.7	2.3	4.2	6.9	5.3	7.2	9.5	3.2	3.3	3.1
Standard Chartered Bank (Pak)	-	-	39.4	-	-	7.8	-	-	3.3	-	-	11.0	-	-	7.8
Bank of Khyber	31.5	26.4	21.1	0.5	0.4	2.8	0.4	0.8	5.6	0.8	1.2	8.4	-1.5	-3.1	2.6
Bank of Punjab	46.7	49.2	54.2	3.8	4.4	3.3	1.5	3.4	6.2	5.2	7.8	9.6	3.7	4.3	3.2
KASB Bank Limited	22.3	-44.4	14.4	3.1	2.7	1.9	3.1	4.4	7.4	6.2	7.2	9.2	3.1	2.8	2.1
Habib Metropolitan Bank Ltd	35.8	48.2	45.5	2.6	3.2	2.8	2.2	3.3	4.3	4.8	6.5	7.0	2.5	3.1	2.7
Faysal Bank Ltd	50.6	60.3	44.1	2.9	3.6	3.6	2.0	3.9	6.0	4.9	7.4	9.5	2.7	3.2	2.7
mybank Ltd	16.1	28.8	38.8	4.0	5.5	4.5	1.4	2.5	4.8	5.4	8.1	9.3	4.1	5.6	4.4
Prime Commercial Bank	22.3	23.4	14.7	3.2	3.9	3.8	2.1	3.4	6.0	5.3	7.4	9.7	3.2	3.9	3.8
Union Bank Ltd	18.6	24.7	-	4.6	5.2	-	2.3	4.3	0.0	6.9	9.5	0	4.7	5.4	-
Picic Comm. Bank Ltd	46.1	49.0	31.0	3.0	4.1	3.8	2.6	4.0	5.9	5.6	8.1	9.7	3.1	4.2	4.0
Saudi Pak Comm. Bank	29.5	9.7	-24.0	2.2	2.0	1.0	3.5	4.8	7.1	5.6	6.8	8.1	2.5	2.3	1.3
Meezan Bank Ltd	34.6	30.1	31.3	2.3	3.9	4.0	2.0	3.5	4.7	4.3	7.3	8.7	2.3	4.1	4.2
Crescent Bank	-40.9	-406.6	-4033.1	1.6	0.9	-1.1	2.2	6.1	9.2	3.8	6.6	8.0	1.3	0.6	-0.3
NIB Bank	24.3	12.5	8.3	3.4	2.7	3.0	3.6	5.1	6.9	6.9	7.8	9.9	3.1	2.3	2.4
Atlas Bank Ltd	-45.5	2.7	4.0	3.1	2.5	1.2	0.9	4.4	6.8	4.0	6.9	7.9	-	1.4	-0.1
Total	**32.4**	**33.0**	**31.9**	**2.8**	**3.3**	**3.7**	**1.8**	**3.5**	**5.6**	**4.6**	**6.8**	**9.3**	**2.6**	**3.0**	**3.8**

Banks	NPLs/Gross Advances			Net NPLs /Net Advances			Admn Expenses/Employee(Rs.Mn)			Staff/Branch (Nos)			Profit(A.T)/Branch(Rs.Mn)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Askari Commercial Bank	1.5	2.7	3.6	-1.0	-0.1	0.1	0.9	0.9	1.0	28	28	27	25.6	20.4	18.4
Soneri Bank	1.1	1.1	1.0	-0.3	-0.1	-0.2	0.7	0.7	0.8	18	20	19	12.5	15.1	13.7
Bank Al-Habib Ltd.	0.4	0.7	0.5	0.1	0.3	0.2	0.9	1.0	1.0	20	18	16	7.3	14.6	11.6
Bank Al-Falah Ltd.	3.3	0.9	1.5	1.8	-0.4	0.0	0.8	0.8	0.9	38	35	34	12.1	11.6	9.1
Standard Chartered Bank (Pak)	-	-	6.5	-	-	1.0	-	-	1.7	-	-	27	-	-	47.5
Bank of Khyber	27.2	23.6	28.7	16.7	12.5	14.1	0.8	0.8	0.8	12	15	16	9.1	7.6	7.0
Bank of Punjab	2.9	2.1	2.3	1.6	1.0	1.3	0.4	0.4	0.5	12	13	14	5.4	8.8	14.3
KASB Bank Limited	7.0	9.4	6.7	4.8	3.8	2.2	1.1		1.0	19	20	24	4.7	-7.8	3.9
Habib Metropolitan Bank Ltd	0.2	0.2	0.5	-1.0	-1.0	-0.5	0.8	1.1	0.9	22	18	19	17.3	29.5	25.6
Faysal Bank Ltd	4.7	4.0	4.7	2.4	2.3	2.6	1.3	1.3	1.3	18	19	20	35.1	54.8	37.1
mybank Ltd	12.7	13.5	7.3	9.6	9.6	4.5	0.4	0.5	0.6	21	20	19	1.7	5.5	9.9
Prime Commercial Bank	3.6	3.0	5.1	1.7	1.4	3.4	0.9	0.7	0.9	22	25	25	7.0	8.0	5.2
Union Bank Ltd	6.8	5.7	-	4.6	3.0	-	1.8	2.0	-	27	25	-	15.7	26.8	-
Picic Comm. Bank Ltd	1.8	1.8	4.9	0.8	0.9	3.0	0.9	1.0	1.1	10	10	10	9.4	13.1	7.5
Saudi Pak Comm. Bank	10.6	23.0	16.0	4.5	12.3	7.4	0.7	0.8	1.2	19	17	20	8.8	1.3	-6.4
Meezan Bank Ltd	0.5	0.9	1.5	-0.2	0.3	0.6	0.8	0.9	0.7	32	28	22	14.0	15.0	9.7
Crescent Bank	48.2	38.9	49.5	25.2	12.5	15.4	0.7	1.8	1.7	28	16	21	-7.3	-41.3	-33.8
NIB Bank	11.9	3.5	3.2	7.3	0.7	0.6	1.0	1.2	1.3	40	22	22	12.2	3.9	3.0
Atlas Bank Ltd	14.7	1.6	6.0	-1.8	0.0	1.6	0.9	0.9	1.2	28	14	12	-12.5	0.4	0.5
Total	**4.5**	**3.8**	**3.9**	**2.0**	**1.4**	**1.0**	**0.8**	**0.9**	**0.9**	**20**	**20**	**21**	**11.1**	**13.3**	**14.0**

Key Performance Indicators – Foreign Banks

(Rs. Mn)

Banks	Assets			Equity			Deposits			Advances			Investments		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	57506	59584	71433	2811	4129	4902	48213	47005	53051	32088	32927	39719	6523	13027	14002
Standard Chartered Bank	94632	113558	-	7194	8882	-	76514	83589	-	51508	52185	-	13165	25273	-
Citibank	66328	76474	91316	6173	5751	6069	47103	53115	63104	33008	39163	51289	955	19845	21937
Habib Bank AG Zurich	41203	44910	-	2074	2809	-	28167	33436	-	25405	27728	-	7437	6076	-
American Express	8298	8242	-	1359	1422	-	5070	5726	-	2070	695	-	1641	1922	-
HSBC	12031	13272	23387	1630	2215	2416	8924	8604	14714	4761	5744	11202	-	570	196
Deutsche Bank	5109	5597	9312	1328	2221	2768	2069	1505	3326	2020	1898	4175	15	184	1159
Oman International	1845	1814	2763	1035	1030	2025	504	493	618	486	519	368	45	-	-
Bank of Tokyo	4472	4215	6717	1836	1750	2366	2107	984	1459	823	2122	3776	392	-	-
Al Baraka Islamic Bank	11939	14769	18868	1657	2357	2191	8128	10312	13821	6991	7418	9693	416	92	1183
Rupali Bank	562	567	-	92	82	-	178	128	-	11	10	-	359	309	-
All Foreign Banks	**303925**	**343002**	**223796**	**27189**	**32648**	**22737**	**226977**	**244897**	**150093**	**159171**	**170409**	**120222**	**30948**	**67298**	**38477**

Banks	Interest Income			Interest Expense			Net Interest Income			Non Interest Income			Revenue		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	2210	4417	6788	515	1587	2603	1695	2830	4185	694	1501	1720	2389	4331	5905
Standard Chartered Bank	3735	7210	-	652	1830	-	3083	5380	-	2062	2445	-	5145	7825	-
Citibank	3145	5635	9017	832	2036	4413	2313	3599	4904	2120	2593	2675	4434	6192	7579
Habib Bank AG Zurich	1611	2692	-	911	1773	-	700	919	-	319	499	-	1019	1418	-
American Express	225	347	-	128	247	-	97	100	-	276	343	-	373	443	-
HSBC	275	657	1151	129	374	648	146	283	503	168	205	217	314	488	720
Deutsche Bank	71	200	375	22	88	139	49	112	236	189	271	483	238	383	719
Oman International	41	42	47	21	31	41	20	11	6	13	10	6	33	21	12
Bank of Tokyo	60	191	287	30	98	166	32	93	121	88	105	83	120	198	204
Al Baraka Islamic Bank	351	662	1112	184	440	824	167	222	288	181	454	146	348	676	434
Rupali Bank	33	31	-	7	13	-	26	18	-	4	-18	-	30	-	-
All Foreign Banks	**11757**	**22083**	**18777**	**3431**	**8516**	**8534**	**8327**	**13567**	**10243**	**6114**	**8407**	**5330**	**14441**	**21974**	**15573**

Banks	Admn Expense			Operating Profit			Provisions/Other Expenses			Profit/Loss(BT)			Profit/Loss (A.T)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	1123	1666	2302	1266	2665	3603	119	474	559	1147	2190	3044	714	1308	2035
Standard Chartered Bank	1790	2380	-	3355	5445	-	-101	-55	-	3456	5500	-	2481	4125	-
Citibank	2509	2963	4053	1925	3229	3526	179	636	951	1746	2594	2575	1970	1508	1645
Habib Bank AG Zurich	486	613	-	533	805	-	21	17	-	511	788	-	380	554	-
American Express	386	472	-	-14	-29	-	-28	-2	-	15	-27	-	51	56	-
HSBC	223	256	480	91	232	240	-1	6	-7	92	227	248	58	176	167
Deutsche Bank	256	381	528	-18	2	191	-19	128	19	0.4	-126	172	0.4	-59	199
Oman International	36	30	36	-3	-10	-24	2	2	1	-6	-12	-25	-6	-12	-25
Bank of Tokyo	66	65	65	54	133	139	0	0	1	54	133	138	34	113	122
Al Baraka Islamic Bank	166	222	261	182	454	173	15	67	3	167	388	170	127	346	144
Rupali Bank	18	23	-	12	-23	-	-19	-1	-	32	-22	-	8	-13	-
All Foreign Banks	**7059**	**9071**	**7725**	**7382**	**12903**	**7848**	**169**	**1278**	**1527**	**7213**	**11558**	**6322**	**5817**	**8102**	**4287**

Source: Annual Reports of the Banks

Foreign Banks – Selected Ratios

(In %)

Banks	Cost of Fund			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio(NIR)			Gross Spread Ratio(GSR)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	1.1	3.0	4.4	2.4	3.1	3.9	39.5	37.0	35.8	29.0	34.7	29.1	76.7	64.1	61.7
Standard Chartered	0.8	2.1	-	2.2	2.7	-	59.6	57.0	-	40.1	31.2	-	82.5	74.6	-
Citibank	1.5	3.3	5.7	4.6	4.8	5.6	33.1	31.5	22.0	47.8	41.9	35.3	73.5	63.9	54.4
Habib Bank AG Zurich	2.7	4.6	0.0	1.5	1.6	0.0	26.5	24.7	-	31.2	35.2	-	43.5	34.1	-
American Express	1.8	4.0	0.0	5.4	7.6	0.0	2.9	-4.0	-	74.1	77.4	-	42.9	28.8	-
HSBC	1.4	3.6	4.2	2.4	2.5	3.1	20.7	26.4	18.1	53.5	42.0	30.1	53.1	43.1	43.7
Deutsche Bank	1.0	3.9	3.9	11.7	16.9	14.7	0.2	-26.8	20.0	79.4	70.8	67.2	69.0	56.0	62.9
Oman International	2.7	4.0	5.5	4.5	3.9	4.8	-10.6	-22.4	-47.2	39.8	46.2	50.0	48.0	26.2	12.8
Bank of Tokyo	1.1	3.9	5.0	2.5	2.6	2.0	34.9	45.1	37.3	73.9	53.3	40.7	52.5	48.9	42.2
Al Baraka Islamic Bank	2.1	4.1	6.0	1.9	2.1	1.9	31.3	34.8	13.5	52.0	67.2	33.6	47.4	33.6	25.9
Rupali Bank	1.8	4.1	0.0	4.6	7.3	-	85.4	-169.2	-	13.3	-	-	78.8	58.1	-
Total	**1.4**	**3.1**	**3.6**	**2.9**	**3.3**	**3.3**	**40.3**	**37.9**	**26.2**	**40.3**	**36.9**	**27.5**	**70.8**	**61.4**	**54.6**

Banks	Cost/Income Ratio			Income/Expenses Ratio			ROE			ROA			ROD		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	47.0	38.5	39.0	1.7	1.6	1.6	25.3	37.7	45.1	1.4	2.2	3.1	1.7	2.7	4.1
Standard Chartered	34.6	30.4	-	2.5	2.3	-	36.6	51.3	-	2.8	4.0	-	3.4	5.2	-
Citibank	56.6	47.9	53.5	1.5	1.5	1.3	32.7	25.3	27.9	3.1	2.1	2.0	4.5	3.0	2.8
Habib Bank AG Zurich	47.8	43.2	-	1.4	1.3	-	20.4	22.7	-	1.0	1.3	-	1.5	1.8	-
American Express	100.7	106.6	-	1.1	1.0	-	3.9	4.0	-	0.6	0.7	-	1.0	1.0	-
HSBC	71.0	52.4	66.7	1.3	1.4	1.2	4.1	9.2	7.2	0.5	1.4	0.9	0.7	2.0	1.4
Deutsche Bank	107.6	99.5	73.4	1.0	0.8	1.3	0.03	-3.3	8.0		-1.1	2.7	0.02	-3.3	8.2
Oman International	110.1	146.9	291.7	0.9	0.8	0.7	-0.6	-1.2	-1.6	-0.3	-0.7	-1.1	-1.0	-2.4	-4.5
Bank of Tokyo	55.5	33.0	31.9	1.5	1.8	1.6	1.9	6.3	5.9	0.8	2.6	2.2	1.4	7.3	10.0
Al Baraka Islamic Bank	47.8	32.8	60.1	1.5	1.5	1.2	9.1	17.3	6.3	1.2	2.6	0.9	1.7	3.8	1.2
Rupali Bank	59.0	-	-	6.7	0.4	-	8.6	-14.6	-	1.3	-2.2	-	3.9	-8.3	-
Total	**48.8**	**41.9**	**49.6**	**1.7**	**1.6**	**1.4**	**22.6**	**27.1**	**15.5**	**2.0**	**2.5**	**1.5**	**2.8**	**3.4**	**2.2**

Banks	Solvency Ratio									Equity Multiplier (Time)			Capital Risk Assets Ratio (CRA)		
	Earning Assets/Deposits			Capital Ratio			Deposit Time Capital								
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	102.7	103.2	109.4	5.5	5.9	6.9	15.2	13.8	11.1	18.3	16.9	14.5	10.2	10.7	12.4
Standard Chartered	103.9	107.0	-	7.6	7.7	-	10.3	9.9	-	13.2	13.0	-	14.8	15.5	-
Citibank	122.2	118.0	124.4	9.5	8.4	7.0	7.4	8.6	9.9	10.6	12.0	14.2	20.7	16.5	13.0
Habib Bank AG Zurich	126.2	118.6	-	5.0	5.7	-	12.7	12.6	-	19.8	17.6	-	8.7	9.2	-
American Express	130.8	105.3	-	14.3	16.8	-	3.9	3.9	-	7.0	5.9	5.8	58.9	100.6	-
HSBC	108.5	111.2	125.1	12.9	15.2	12.6	5.7	4.6	5.0	7.7	6.6	7.9	29.4	36.6	27.3
Deutsche Bank	133.3	143.2	164.2	27.4	33.1	33.5	1.4	1.0	1.0	3.7	3.0	3.0	71.1	90.6	82.2
Oman International	89.8	114.0	86.2	55.2	56.4	66.7	0.6	0.5	0.4	1.8	1.8	1.5	251.8	205.5	344.4
Bank of Tokyo	100.4	154.9	270.0	40.2	41.3	37.7	1.3	0.9	0.6	2.5	2.4	2.7	396.8	121.8	69.8
Al Baraka Islamic Bank	118.9	112.2	109.9	12.9	15.0	13.5	4.7	4.4	5.3	7.7	6.7	7.4	21.5	27.8	26.6
Rupali Bank	293.9	287.3	-	14.9	15.4	-	1.9	1.2	-	6.7	6.5	6.9	494.7	828.6	-
Total	**111.8**	**111.6**	**117.0**	**9.1**	**9.3**	**9.8**	**8.0**	**7.9**	**7.1**	**11.0**	**10.8**	**10.2**	**18.4**	**18.2**	**19.1**

Foreign Banks – Selected Ratios

(In %)

Banks	Liquidity Ratio									Debt Management Ratio (DMR)					
	Advances+Investment/Assets			Earning Assets/Assets			Advances/Deposits(CDR)			Avg.Liabilities/Avg.Assets			Liabilities/Equity (Time)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	69.1	72.2	76.1	85.3	83.9	83.6	64.6	68.3	72.6	94.5	94.1	93.1	17.3	15.9	13.5
Standard Chartered	67.2	68.3	-	83.9	83.2	-	63.3	64.8	-	92.2	92.2	-	12.2	11.9	-
Citibank	50.6	65.2	78.8	83.3	83.0	86.2	67.1	72.0	77.8	90.8	91.9	93.0	9.6	11.0	13.2
Habib Bank AG Zurich	80.0	77.4	-	87.1	84.9	-	83.7	86.3	82.9	94.6	94.3	-	18.8	16.6	-
American Express	46.0	38.3	-	72.7	68.8	-	43.8	25.6	-	85.7	83.2	-	6.0	4.9	-
HSBC	44.9	43.7	48.3	79.7	77.1	79.6	60.0	59.9	72.7	87.1	84.8	87.4	6.7	5.6	6.9
Deutsche Bank	38.9	38.5	49.7	52.4	47.8	53.2	98.1	109.6	125.7	72.6	66.9	66.6	2.7	2.0	2.0
Oman International	27.2	28.7	19.4	30.4	29.9	20.9	64.8	100.8	79.8	44.5	43.6	33.2	0.8	0.8	0.5
Bank of Tokyo	22.4	38.4	54.0	53.9	55.1	60.3	18.9	95.3	241.4	59.8	58.7	62.3	1.5	1.4	1.7
Al Baraka Islamic Bank	63.6	55.9	54.7	81.2	78.3	78.9	87.9	78.1	70.9	85.4	83.6	86.5	6.6	5.6	6.4
Rupali Bank	63.1	61.0	-	89.3	77.9	-	9.3	6.9	7.8	82.9	77.3	-	5.5	5.0	-
Total	**62.4**	**66.2**	**69.9**	**82.5**	**81.4**	**81.6**	**66.9**	**69.8**	**73.6**	**90.8**	**90.7**	**90.2**	**10.0**	**9.8**	**9.2**

Banks	Net Profit Margin			Net Interest Margin (NIM)			Cost of Funding Earning Assets			Yield on Earning Assets			Interest Spread		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	29.9	30.2	34.5	3.8	5.8	7.6	1.2	3.2	4.8	5.0	9.0	12.4	3.9	6.0	8.0
Standard Chartered	48.2	52.7	-	4.1	6.2	-	0.9	2.1	-	5.0	8.3	-	4.2	6.2	-
Citibank	44.4	24.4	21.7	4.4	6.1	6.8	1.6	3.4	5.7	5.9	9.5	12.5	4.4	6.2	6.8
Habib Bank AG Zurich	37.3	39.1	-	2.2	2.5	0.0	2.8	4.9	-	5.0	7.4	-	2.3	2.8	-
American Express	13.3	12.6	-	1.4	1.8	0.0	1.9	4.3	-	3.4	6.1	-	1.6	2.1	-
HSBC	18.5	36.1	23.2	1.7	2.9	3.4	1.5	3.8	4.4	3.1	6.7	7.9	1.7	3.1	3.7
Deutsche Bank	0.2	-15.4	27.7	2.1	4.4	6.0	0.9	3.4	3.5	3.0	7.8	9.5	2.0	3.9	5.6
Oman International	-18.3	-58.0	-208.3	3.5	2.0	1.3	3.8	5.7	8.6	7.3	7.7	9.8	4.6	3.4	4.3
Bank of Tokyo	28.2	57.4	59.8	1.3	3.9	3.7	1.3	4.1	5.0	2.6	7.9	8.7	1.4	4.0	3.7
Al Baraka Islamic Bank	36.6	51.2	33.2	1.9	2.1	2.2	2.1	4.2	6.2	4.0	6.3	8.4	1.9	2.2	2.4
Rupali Bank	25.3	-	-	4.9	4.1	0.0	1.3	3.0	-	6.3	7.1	-	4.4	2.9	-
Total	**40.3**	**36.9**	**27.5**	**3.6**	**5.2**	**4.4**	**1.5**	**3.2**	**3.7**	**5.0**	**8.4**	**8.1**	**3.6**	**5.3**	**4.5**

Banks	NPLs/Gross Advances			Net NPLs/Net Advances			Admn Expenses/Employee(Rs.Mn)			Staff/Branch (Nos)			Profit(A.T)/Branch(Rs.Mn)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
ABN Amro	0.4	1.5	1.7	-0.3	-1.0	-0.8	3.5	4.0	3.6	46	47	53	102.0	145.2	169.6
Standard Chartered	1.9	1.2	-	0.1	-0.4	-	2.4	2.0	-	25	28	-	85.6	95.9	-
Citibank	2.1	2.8	2.7	-0.5	-1.3	-1.7	3.9	3.9	4.1	80	75	55	246.1	150.8	91.4
Habib Bank AG Zurich	1.0	0.8	-	0.4	0.1	-	1.0	1.1	-	29	25	-	22.4	25.2	-
American Express	5.1	13.6	-	-	-0.1	-	2.3	2.9	-	42	41	-	12.8	14.0	-
HSBC	1.7	1.4	0.7	-0.1	-0.2	-	1.8	2.0	1.5	62	65	54	29.0	88.0	33.4
Deutsche Bank	0.2	0.3	0.5	-0.2	-0.3	-0.5	4.1	6.2	8.4	31	31	32	0.2	-29.5	99.5
Oman International	3.4	3.5	5.2	-0.4	-0.8	-1.1	1.6	1.6	1.6	11	10	11	-3.0	-6.0	-12.5
Bank of Tokyo	-	-	-	-	-	-	1.7	2.7	2.2	38	24	29	33.6	113.0	122.0
Al Baraka Islamic Bank	1.9	2.5	1.9	0.9	1.2	0.7	0.8	0.9	0.9	29	28	28	18.1	38.4	13.1
Rupali Bank	92.8	93.4	-	-	-	-	0.6	1.0	-	28	24	-	7.6	-12.7	-
Total	**1.6**	**1.2**	**1.0**	**-0.03**	**-0.6**	**-1.0**	**2.5**	**2.5**	**3.4**	**35**	**34**	**45**	**72.6**	**77.2**	**84.7**

All Bank Employees and Branches

Nos.

Banks	Employees			Branches		
	2004	2005	2006	2004	2005	2006
NBP	13745	13824	14019	1226	1242	1250
HBL	18625	16314	14572	1469	1470	1477
UBL	9206	9354	9738	1072	1058	1059
MCB	9889	9675	9179	946	952	994
ABL	6768	6947	7204	735	741	742
Major Banks	**58233**	**56114**	**54712**	**5448**	**5463**	**5522**
FWB	507	513	513	38	38	38
Total*	**58740**	**56627**	**55225**	**5486**	**5501**	**5560**
Askari Commercial Bank	2118	2754	3241	75	99	122
Soneri Bank	937	1190	1341	52	61	72
Bank Al-Habib	1462	1809	2408	74	100	152
Bank Al-Falah	3388	5218	6543	90	147	194
Stamdard Chartered (Pakistan)	-	-	3101	-	-	117
Bank of Khyber	360	449	463	29	29	29
Bank of Punjab	3144	3429	3681	253	266	266
KASB Bank	398	701	836	21	35	35
Habib Metropolitan Bank Ltd	1045	924	1561	47	51	82
Faysal Bank	899	1068	1463	50	56	75
mybank	1031	978	969	50	50	50
Prime Commercial Bank	1059	1546	1693	49	62	69
Union Bank	1413	1614	-	53	65	-
PICIC Commercial Bank	939	1164	1262	95	115	129
Saudi Pak Commercial Bank	704	869	1013	37	50	50
Meezan Bank	511	786	1389	16	28	62
Crescent Commercial Bank	334	281	378	12	18	18
NIB Bank	403	600	916	10	27	41
Atlas Bank	55	152	247	2	11	20
Dubai Islamic Bank	-	-	364	-	-	10
Arif Habib Rupali Bank	-	-	150	-	-	7
JS Bank	-	-	18	-	-	4
Bank Islami Pakistan	-	-	234	-	-	10
All Private/Prov.Banks	**20200**	**25532**	**33271**	**1015**	**1270**	**1614**
ABN Amro	322	421	633	7	9	12
Stamdard Chartered	728	1186	-	29	43	-
Citibank	636	753	998	8	10	18
Habib Bank AG Zurich	487	556	-	17	22	-
American Express	168	165	-	4	4	-
HSBC	123	130	269	2	2	5
Deutsche Bank	62	61	63	2	2	2
Oman International	22	19	22	2	2	2
Bank of Tokyo	38	24	29	1	1	1
Al Baraka Islamic Bank	205	252	306	7	9	11
Rupali Bank	28	24	-	1	1	-
All Foreign Banks	**2819**	**3591**	**2320**	**80**	**105**	**51**
Grand Total	**81759**	**85750**	**90816**	**6581**	**6876**	**7225**

** Including FWB*

Banks' Lending

Banks' loan portfolio has grown

The loan portfolio of the banks has grown in recent years and this growth is all embracing, with substantial funds flowing to the corporate sector, consumers, small and medium enterprises (SMEs) and to the agriculture sector.

Total loans extended by the banking system has doubled in the last seven years, having risen from Rs1020 billion in 2000 to Rs2502 billion by March '07. In the quarter ended March '07, loans declined by Rs24 billion over the year earlier, as against an increase of Rs400 billion in '06. During this period, the share of local private banks surged by Rs1.54 trillion or in percentage terms the share rose from 27.6 percent to 73 percent of total loans.

Rising share of private banks

It was a period when the assets of new private banks showed a relatively faster growth, two large nationalised banks were privatised and the structure of the banking system changed from public to private ownership. The privatisation of the nationalised banks gained substantial momentum 2000 onwards.

The share of state-owned financial institutions in aggregate assets of the financial sector has dropped, so has their share in total lending of the banking system. The later fell from 46.7 percent in 2000 to 18.4 percent in March '07. Loan portfolio of the foreign banks has decreased.

Loans of Banking System

(Rs.Bn)

	2000	2001	2002	2003	2004	2005	2006	2007 (March)
Public Sector Commercial Banks	476	501	374	422	302	379	465	461
Local Private Banks	282	281	435	597	1153	1486	1843	1825
Foreign Banks	138	143	135	127	162	171	123	122
Commercial Banks	896	926	945	1146	1616	2036	2430	2408
Specialized Banks	124	118	117	97	99	91	95	93
All Banks	1020	1044	1062	1243	1715	2126	2526	2502

Source: Banking System Review 2006 State Bank of Pakistan

Diversi-fication in loan portfolio

In recent years there has been a diversification in the loan portfolio of the banks. This has helped them not only in meeting the requirement of the various sectors of the economy but has also aided in broadening risk diversification and generating more productive opportunities of earnings. Break up of loans shows that the corporate sector receives the bulk, nearly 55 percent of the loans extended by the banking system.

Though the corporate sector receives the largest share Rs1.3 trillion, the highest growth in loans has been observed by consumer finance, where loans rose by Rs268 billion or nearly fourfold by March '07 against Rs65.6 billion in 2003. This is followed by SMEs, where an increase of Rs172 billion was recorded between 2003 - 2007 (March).

Sector-wise Loans Trends

(Domestic Operations) (Rs.Bn)

	2003	2004	2005	2006	2007 (March)
Corporate	606.5	873	1076	1279	1306
Agriculture	104.7	119.3	138.0	142	140
SMEs	215.0	284.0	361.4	408	387
Consumer	65.6	152.6	252.8	325	334
Others	169.0	191.5	214.6	246	208
Total	1160.8	1620.4	2042.8	2400.0	2375

Source: State Bank of Pakistan

A break down of consumer finance reveals that there has been a change in the pattern of share of various products of consumer finance.

Category-wise Consumer Finance

(In %)

	2002	2003	2004	2005	2006	2007 (March)
Credit Cards	27.0	13.6	9.3	11.0	12.1	12.4
Auto Loans	36.9	33.9	32.5	32.5	32.0	31.4
Consumer Durables	-	2.4	1.1	1.0	0.4	1.2
Mortgage Loans	8.5	6.3	11.0	13.4	15.1	15.6
Personal Loans	27.7	43.8	46.2	43.0	40.4	39.4

Source: Banking System Review 2005 & 2006

Personal loans constitute the largest share of consumer finance

Personal loans continue to have the dominant share, on account of the popularity of the personal loan scheme of a large bank. The share however, has fallen from 46.2 percent in 2004 to 40.4 percent in 2006 and further to 39.4 percent in March '07. This was followed by Auto loans, which holds 31.4 percent share. The share of mortgage loans has picked up to 15.6 percent, while the share of credit cards rose in the last two years, though it has dropped substantially over CY2002. The growing share of this product has benefited the banks which enjoy higher returns, as well as diversification of their loan portfolio.

While the incidence of non-performing loans (NPLs) remained comfortable some years back, last year, "the quality of consumer portfolio witnessed some deterioration as NPLs of this sector increased to Rs7.0 billion from Rs3.1 billion in CY05. In terms of loans, this ratio increased to 2.2 percent from 1.2 percent in CY05", states the Banking System Review 2006, of the State Bank of Pakistan.

NPLs to loan ratio highest for agricul-ture

On the other hand, the NPLs to loans ratio for the corporate sector declined to 6.5 percent in CY06 from 7.0 percent in 2005, while for the SME sector, the ratio was significantly down to 9 percent from 12 percent (in absolute terms the NPLs of the SMEs have declined to Rs36 billion from Rs42 billion in 2005). This ratio is the highest for the agricultural sector, because of a relatively higher rate of default in agriculutre.

As banks began to diversify their loan portfolio, small and medium enterprises was one of the sectors to receive focus. SMEs are receiving increasing focus in Pakistan like in other countries of East and South Asia because of their significance to the economy – contributing 30 percent to GDP, employing 78 percent of the industrial labour force with a share of 25 percent in manufacturing exports and contributing 35 percent towards value addition in manufacturing.

Banks' exposure to SMEs rises

While there is an SME Bank to meet the financing needs of the SME sector, it alone cannot meet the entire needs. As this sector is growing in Pakistan, the demand for finances is also rising. Because of this rising demand, commercial banks are also playing an active role. This rising need for finances by the SMEs and the enhanced consumer financing has helped banks to broadbase their loan growth in the last couple of years. Banks' exposure to this sector is the second largest after the corporate sector. By virtue of their wider outreach they can reach far flung areas.

Loans to SMEs rises

Loans extended by commercial banks to the SMEs increased by Rs193 billion to Rs408 billion in 2006 from Rs215 billion in 2003. Nearly three fourths of the loans are under working capital, trade finance takes about 14 percent, while the rest is under fixed investment category. As the growth in loans to this sector has been at a slightly slower rate, compared to consumer finance, it has resulted in a slight reduction in the share of SMEs in total bank loans from 18.5 percent in 2003 to 17 percent in 2006.

Agriculture with a contribution of 21 percent to GDP, continues to remain an important sector for employment and income generation. It employs 43.4 percent of the total workforce, is a source of livelihood for 66 percent of the population and contributes directly or indirectly upto 60 percent of the export earnigns.

As agriculture is an important sector of the economy, any improvements in the sector will have a wider positive impact on economic growth and benefit a large segment of those who are associated with the sector.

Besides other factors which are essential for the development of this sector, agriculture credit is of paramount significance. Credit requirements of the agricultural sector are met by the specialised institutions and the commercial banks. Through ensuring conducive policy and regulatory environment, elimination of mandatory credit allocations and actively involving commercial banks in agri-finance, besides Zarai Taraqiati Bank and the Punjab Provincial Cooperative Bank, not only has the coverage of agricultural credit increased, but also the size of the total loans extended to the sector, though the share in total loans is still low.

Loans to agriculture

Though the demand for credit has risen over the years, the agriculture loans extended to the farming community has been low. The share of agricultural credit in the overall credit portfolio of the banks is around 6 percent. In absolute terms, total loans to agriculture have increased to Rs142 billion in CY2006 from Rs105 billion in 2003.

In terms of outreach the Table below shows that the total number of borrowers has increased over the last four years. The major jump was in the number of borrowers availing consumer financing, followed by the number of borrowers under SMEs.

While loan diversification has benefited the banks as it has contributed to a rise in banking profitability, the banks have to keep an eye on their loan infection, especailly in the category of consumer finance, for the sustainability of the performance achieved in the recent past.

Sector-wise Number of Borrowers

(In 000)

	Dec 2002	Dec 2003	Dec 2004	Dec 2005	Mar 2006	June 2006
Corporate Sector	14.2	17.7	19.3	20.0	19.5	19.6
SME Sector	67.5	91.7	106.2	161.3	161.0	158.0
Agriculture	1340.0	1411.5	1503.8	1534.5	1526.0	1535.1
Consumer Finance	252.2	721.2	1619.2	2407.8	2457.0	2476.3
Commodity Operation	1.5	2.1	3.2	6.7	6.0	5.8
Staff Loans	72.6	69.8	72.6	73.0	73.2	70.8
Others	56.7	63.7	73.7	44.1	42.4	42.6
Total	1804.6	2377.7	3398.2	4247.3	4285.7	4308.3

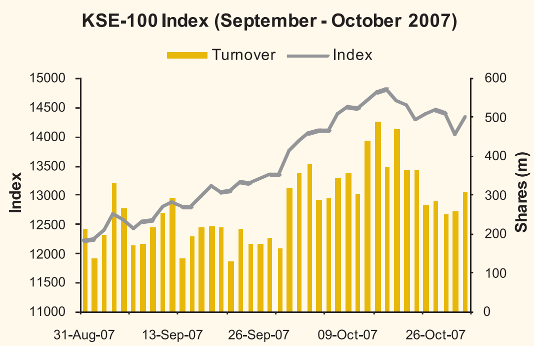
Source: Quarterly Performance Review of the Banking System June 06 State Bank of Pakistan

Market Analysis

Market Review

KSE Index rises

The bull run that began near the end of August continued into September due to a technical rebound as there was institutional support in selective large cap scrips at the lower levels. The KSE-100 Index jumped by 1,126 points or 9.2 percent to close at 13,353 while the KSE-30 Index surged by 1,285 points or 8.6 percent to 16,183.



Develop-ments help market

The average daily turnover was 202 million shares during September 2007 as against 196.6 million shares traded during August 2007. Also, investor sentiment became slightly positive at this time due to various news reports about a rapprochement between President Musharraf and Ms. Bhutto. On September 10, former Prime Minister Nawaz Sharif attempted to return to Pakistan but within a few hours of landing in Islamabad, he was deported to Saudi Arabia. There was an instant positive reaction in the market on this development as this depicted that President Musharraf remained powerful. Also, the announcement by the Election Commission regarding the presidential election being held on October 6 helped boost investor sentiments.

Net inflow of foreign funds

In addition to political developments, there was a net inflow of foreign funds as reflected in the SCRA figures during the month of September of $156.6 mn. There was buying interest in oil stocks because of the rising international crude oil prices crossing $80 a barrel. Cement stocks were in the limelight due to strong export sales during August and the export potential of the Indian market.

Market continues rally

The KSE-100 Index gained 967 points or 7.25 percent during October 2007 to close at 14319 while the KSE-30 Index added 1104 points or 6.8 percent to 17288. The average daily turnover during October was 341 mn shares compared to 202 mn shares during September 2007. The market continued its rally which began near the end of August and continued in the Ramadan period (September 14 to October 11). During Ramadan, the KSE-100 Index surged by around 1600 points or 12 percent. Liquidity and political developments were the major factors in sustaining the current bull run. The net inflow of foreign funds according to SCRA figures during October 2007 (up to October 29) was $302.0 mn and the year to date inflow stood at $296.3 mn.

Political develop-ments

Again, political developments continued to impact investor sentiments during the month. The market's reaction to the September 28 verdict of the Supreme Court to throw out the petitions filed against the President's dual offices as not maintainable was strongly positive as this paved the way for President Musharraf's re-election that took place on October 6. On October 5, the Supreme Court decided not to postpone the Presidential election as 3 petitions were filed against the candidature of President Musharraf by the opposing candidates.

With most of the opposition parties absent during the Presidential election due to either resignations (in the case of the APDM) or abstentions (in the case of PPP), President Musharraf was re-elected (unofficial pending Supreme Court decision) with a huge margin leading to another euphoric reaction by investors ahead of the Eid holidays that began on October 12. In addition to this, the development of an understanding between Musharraf and Ms. Bhutto and the promulgation of the National Reconciliation Ordinance was well received by the market.

Interest in oil, banking and cement stocks

Setting aside political events, the market also found support from institutional investors showing robust buying interest in oil, banking and cement stocks. With international crude oil prices crossing $90 a barrel (West Texas Intermediate) led to renewed buying activity in oil stocks such as OGDC, PPL, refineries and OMCs due to expectations of solid earnings growth for the current fiscal year. Cement stocks were in the limelight as 1QFY08 sales depicted a 33 percent YoY growth on the back of surging export sales.

However, near the end of the month, the Index has shown some intraday volatility because of a combination of profit taking in major Index stocks and technical correction as the market appeared overbought.

Regional valuation

The Pakistan market remains the lowest PE multiple in the region with a FY08F PEx of 10.27 up from 9.68x on September 27 while the regional average is 16.58x. Based on PEG, Pakistan is trading at par with its neighbor India but other markets such as Thailand, Taiwan and South Korea remain more attractive. Our estimate for sustainable market PEx is around 11x which suggest a potential upside of about 5 percent leading to a NEUTRAL stance at current levels.

Regional Valuation Comparison

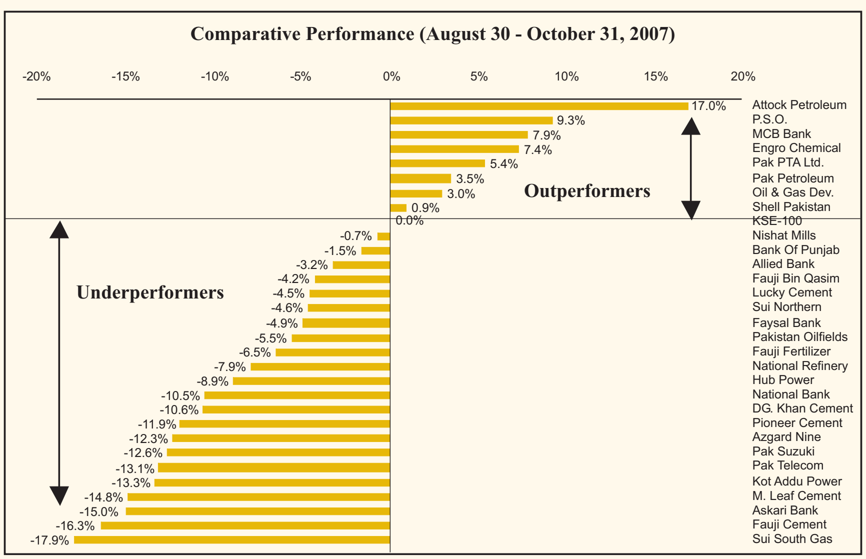
Country	2008F PEx	2008F EPS Growth (%)	2008F PE/Growth
China	29.42	27.88	1.06
Hong Kong	20.23	-4.33	-4.67
India	17.41	21.02	0.83
Indonesia	15.21	15.78	0.96
Malaysia	14.22	11.97	1.19
Philippines	15.81	15.02	1.05
Pakistan	**10.27**	**12.00**	**0.86**
Singapore	15.94	14.15	1.13
South Korea	12.43	15.58	0.80
Taiwan	13.16	17.45	0.75
Thailand	11.98	17.88	0.67

Source: Thomson One Analytics; Pakistan Data: TSL Estimates
Date: October 29, 2007

With the verdict from the Supreme Court regarding President's Musharraf's eligibility as a presidential candidate expected in the beginning of November, it would be wise for investors to take a cautious approach by moving to the sidelines and waiting for the verdict before taking any course of action. Also, the market appears to be slightly volatile but is likely entering a consolidation phase.

Looking ahead

Political developments will continue to affect sentiments and with the current assemblies finishing their terms on November 15, the next important event would be the appointment of the caretaker government and the fixing of the election date as it is not clear yet if the election campaign period would be for 60 or 90 days. With valuations at their peaks, we would recommend investors to sell on strength and to accumulate on dips.



Comparative Performance (August 30 - October 31, 2007)

(Contributed by Taurus Securities Ltd, a subsidiary of National Bank of Pakistan)

Book/Report Reviews

The State of Pakistan's Children 2006
Published by Society for the Protection of the Rights of the Child

The *State of Pakistan's Children* brings to the forefront the myriad problems that are being faced by the children of Pakistan, ranging from child labour to all kinds of violence. Majority of the injustices go unchecked, as Pakistan has not given the children what is due to them, their rights. They continue to suffer immensely in silence. Many of the victims of societal injustices have life long scars, which are troublesome for the victims and problematic for the society.

Children who are the future of this country, if provided with proper education, healthcare and social protection can grow into responsible adults. This necessitates government raising expenditures on social sectors and having laws for the protection of the child and monitoring the implementation of these laws.

Putting all school going children into schools, would help ward off to some extent street abuses and child labour. Once educated, these young people would have the advantage of finding suitable jobs, incomes would flow in, resulting in less inequalities in income distribution.

Pakistan lags behind in its human welfare indicators as compared with the other regional countries. Reaching the Millennium Development Goals is a challenge. The first chapter of the book deals with the health issues while the third chapter talks about the greatest challenge facing Pakistan, is of creating an environment where every child goes to school.

An estimated 25 million children are not going to school and approximately 10 million are in child labour. In addition, Pakistan also suffers from the malady of serious gender imbalance. A large number of girls do not go to school for a variety of cultural and other reasons, which is a cause for concern. Promoting gender equality has been weak.

With regard to health, while much needs to be done, recent years have however, seensome improvement in healthcare facilities, Dispensaries, Basic Health Units, Mother & Child Health Centre, Rural Health Centres have been set up and lady health workers recruited in rural areas.

Violence against children in Pakistan is widespread, neglected and an accepted phenomenon. Child labour is one of the worst forms of child abuse, which impacts negatively on children, leaving a lifelong mark on their personality. There are a number of countries who have successfully taken children out of work and put them in schools. Pakistan too needs to make sustained investment both in terms of commitment and resources to betterthe conditions of a large number of children. Children subjected to violence, exploitation, corporal punishment abuse are at risk of death, poor physical and mental health, educational problems and poor parenting skills later in life.

Principles of Auditing 2007
Prof. Dr. Khawaja Amjad Saeed

In today's world, auditing as a routine check has been replaced with risk analysis and with an approach to ensure that we have productive auditing which must result in profit improvement through profit planning, elimination of wastage and productive utilization of resources of an enterprise. Globally and domestically several standards on Auditing have been developed by International Federation of Accountants, New York and the Institute of Chartered Accountants of Pakistan. This new edition has incorporated all available International Standards on Auditing. This book has updated the author's earlier books on the same subject.

The first few pages gives a brief description of each of the seventeen chapters discussed in the book. Beginning with a description of the objectives of audit, it goes on to discuss the audit procedures, internal control, procedures regarding verification and the need for verification details governing auditors' report, procedures in respect of audit, liabilities of an auditor, the various special points in different classes of audit, and a chapter is devoted to business investigation. The concluding chapter summarises in a tabulated form the important auditing case, law and the verdict of the court for each case.

Pakistan Economy – Key Economic Indicators

	FY '03	FY '04	FY '05	FY '06	FY '07
Domestic Economy					
Size*					
GNP (Rs.bn)	5027.5	5765.1	6634.2	7743.8	8867.7
GDP (Rs.bn)	4875.6	5640.6	6499.8	7593.9	8706.9
Per Capita Income (US$)	586	669	733	833	925
Growth** (%)					
GNP	6.3	7.3	8.7	6.4	6.9
GDP	4.7	7.5	9.0	6.6	7.0
Agriculture	4.1	2.4	6.5	1.6	5.0
Manufacturing	6.9	14.0	15.5	10.0	8.4
Services Sector	5.2	5.8	8.5	9.6	8.0
Consumer Price Index (%)	3.1	4.6	9.3	7.9	7.8
Wholesale Price Index (%)	5.6	7.9	6.8	10.1	6.9
Revenue Receipts (% GDP)	14.4	13.5	13.5	13.5	13.9
Tax Revenue	10.8	10.3	9.6	9.4	9.6
Total Expenditure (% GDP)	17.7	15.9	15.4	15.8	15.7
Fiscal Deficit (% GDP)	4.5	3.9	3.3	4.3	4.3
Domestic Debt (Rs.bn)	1853.7	1979.5	2150.0	2321.7	2597.0
as % GDP	38.0	35.1	33.1	30.6	29.8
Education Expenditure (% GDP)	1.86	2.20	2.13	1.92	2.42
Health Expenditure (% GDP)	0.59	0.58	0.57	0.51	0.57
State and Markets					
SBP General Index of Share Prices (2000-1=100)	204.1	323.3	362.8	427.0	547.5
KSE 100 Index	3403	5279	7450	9989	13772
Aggregate Market Capitalisation	746.4	1402.8	2036.7	2766.4	3980.8
Total Investment (% GDP)	16.8	16.6	19.1	21.7	23.0
National Savings (% GDP)	20.6	17.9	17.5	17.2	18.0
Domestic Savings (% GDP)	17.4	15.7	15.4	15.3	16.1
Reserve Money (M_O) % growth	14.5	15.4	17.6	10.2	20.9
Broad Money (M_2) % growth	18.0	19.6	19.1	15.1	19.3
Private Sector Credit as % of GDP	2.99	5.77	6.74	5.29	4.20
NPL to Advances	17.0	11.6	8.3	7.7	-
Global Links					
Exports (f.o.b.) $ mn	10974	12459	14482	16553	17080
Imports (f.o.b.) $ mn	11333	13738	18996	24994	27024
Trade Balance $ mn	(-)359	(-)1279	(-)4514	(-)8441	(-)9944
Services Account ($ mn)	(-)2	(-)1316	(-)3293	(-)4430	(-)4143
Income (net) ($ mn)	(-)2211	(-)2207	(-)2386	(-)2667	(-)3569
Current Transfers (Net ($ mn)	6642	6114	8659	10548	10562
Current Account Balance ($ mn)	4070	1811	(-)1534	(-)4990	(-)7094
External Debt & Liabilities ($ bn)	35.47	35.26	35.83	37.24	40.17
as % GDP	42.6	36.0	32.7	29.4	28.0
Total Debt to GDP (%)	78.4	70.0	64.7	59.0	56.8
Foreign Private Investment ($ mn)	816.2	921.7	1676.6	3872.5	6960.0
Portfolio	*18.2*	*(-)27.7*	*152.6*	*351.5*	*1820.4*
Direct	*798.0*	*949.4*	*1524.0*	*3521.0*	*5139.6*
Gold & Foreign Exchange Reserves ($ mn)	11472	13155	13338	14590	17924
Exchange Rate (Rs/$)average	58.4995	57.5745	59.3576	59.8566	60.6342
People					
Population (mn)	146.7	149.6	152.5	155.4	158.2
Labour Force (mn)	43.0	44.1	45.9	46.8	50.5
Literacy Rate (%)	51.6	53.0	53.0	54.0	-
Telephones (mn)	4.0	4.5	5.1	5.1	5.2
Mobile Phones (mn)	2.4	5.0	12.8	34.5	55.5
Motor Vehicles on Road (mn)	5.3	5.7	6.0	7.1	8.1

* Market Prices ** Constant Factor Cost of 1999-2000
M_o = currency in circulation + other deposits with SBP + currency in tills of scheduled banks + banks' deposits with SBP.
M_1 = currency in circulation + other deposits with SBP + scheduled banks' demand deposits.
M_2 = M_1 + scheduled banks' time deposits + resident foreign currency deposits.

Source: Annual Report 2006-07, State Bank of Pakistan Economic Survey 2006-07