

The background of the entire page is a low-angle photograph of a modern skyscraper with a glass facade. The building's glass panels reflect the sky and other parts of the building, creating a complex, geometric pattern. The sky is a pale, overcast blue with soft, wispy white clouds. The overall tone is professional and contemporary.

Banks | Sector Report June'21

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SECTOR OVERVIEW

Banking Sector		Dec'19	Dec'20
A	Commercial Banks	30	29
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	Private Banks	20	20
	Foreign Banks	5	4*
B	Specialized Banks	3	3
Scheduled Banks (A + B)		33	32

Key Figures | Scheduled Banks

Total Banking Assets
PKR~25,124bln Dec'20
(PKR~21,991bln Dec'19)
Growth: ~14% YoY

Net Investments Dec'20:
PKR~11,935bln
(PKR~8,939bln Dec'19)
Growth: ~34% YoY

Gross Advances Dec'20:
PKR~9,024bn
(PKR~8,869bln Dec'19)
Growth: ~2% YoY

NPLs: PKR~829bln
Dec'20 (PKR~761bln
Dec'19).
Increase: ~9% YoY

Closing Provision
(General + Specific):
PKR~732bln Dec'20
(PKR~620bln Dec'19).
Increase: ~18% YoY

Banking Deposits
PKR~18,519bln Dec'20
(PKR~15,953bln Dec'19)
Growth: ~16% YoY

ADR 45% Dec'20 (~52%
Dec'19)

Total Banking Equity:
PKR~1,862bln Dec'20
(PKR~1,658bln Dec'19)
Growth: ~12% YoY

Net Interest Income:
PKR~852bln CY20
(PKR~696bln CY19)
Growth: ~23% YoY

PBT PKR~411bln CY20
(PKR~304bln CY19)
Growth: ~35% YoY

PAT PKR~244bln CY20
(PKR~171bln CY19)
Growth: ~43% YoY

*Exit of Foreign Bank in CY20: Bank of Tokyo – MUFG

Scheduled Banks | Five Years at a Glance

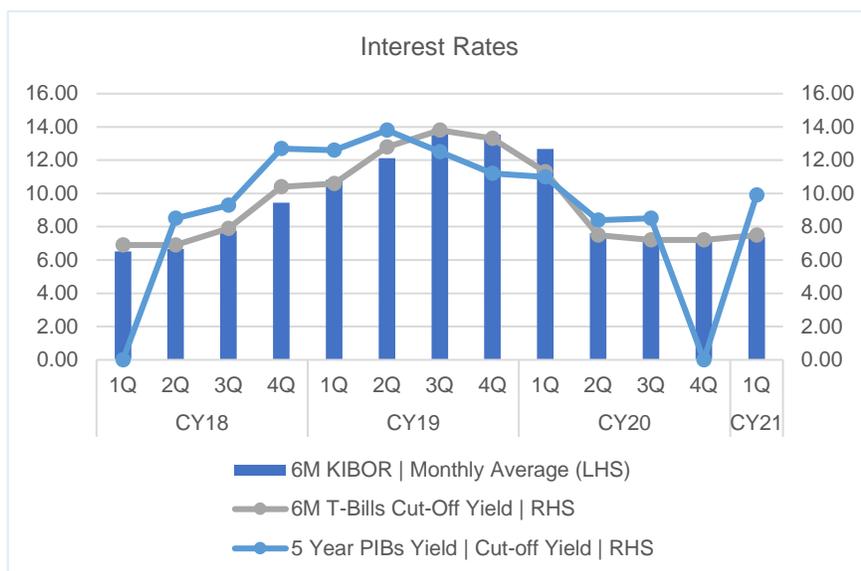
Financial Position	PKR mln				
	CY16	CY17	CY18	CY19	CY20
Assets					
Cash & Balances with Treasury Banks	1,184,521	1,303,914	1,574,551	1,987,096	2,014,703
Balances with Other Banks	168,394	156,332	147,829	232,671	277,988
Lending to Financial Institutions	551,695	604,990	909,754	978,640	1,079,071
Net Investments	7,509,164	8,729,019	7,913,923	8,939,438	11,934,634
Net Advances	5,498,813	6,512,485	7,955,195	8,248,973	8,291,572
Operating Fixed Assets	336,376	395,246	437,235	596,924	626,251
Deferred Tax Assets	64,681	72,354	81,082	74,052	91,820
Others	517,412	567,205	662,485	933,542	807,816
TOTAL BANKS ASSETS	15,831,058	18,341,545	19,682,054	21,991,337	25,123,855
Liabilities					
Bills Payable	182,858	218,588	243,237	231,178	313,827
Borrowings from Financial Institutions	1,942,458	3,125,432	3,001,186	2,932,082	3,216,866
Deposits and Other Accounts	11,797,867	13,011,778	14,254,201	15,953,489	18,518,525
Subordinated Loans	59,330	64,703	111,713	123,218	121,854
Liabilities Against Assets Subject to Finance Lease	41	21	7	7,446	7,534
Deferred Tax Liabilities	61,109	44,684	34,557	43,602	46,549
Other Liabilities	434,598	495,549	631,529	1,042,073	1,036,267
TOTAL BANKS LIABILITIES	14,478,261	16,960,755	18,276,439	20,333,089	23,261,422
Equity					
Share Capital	579,882	516,013	541,040	556,886	556,131
Reserves	205,314	271,448	315,570	349,529	392,599
Unappropriated Profits	344,615	410,371	433,205	521,807	642,965
Surplus/Deficit on Revaluation of Assets	222,985	182,958	115,799	230,026	270,737
TOTAL BANKS EQUITY	1,352,797	1,380,790	1,405,615	1,658,248	1,862,433
Financial Performance					
<i>Profit & Loss</i>					
Mark-up/Return/Interest Earned	938,026	998,671	1,153,014	1,851,790	1,924,328
Mark-up/Return/Interest Expense	453,232	499,819	607,964	1,156,062	1,071,898
Net Mark-up/Interest Income	484,793	498,851	545,050	695,727	852,430
Provisions & Bad Debts Written Off Directly/(Reversals)	5,305	3,706	36,201	67,855	123,039
Net Mark-up/Interest Income After Provision	479,489	495,146	508,849	627,872	729,391
Fee, Commission & Brokerage Income	90,266	102,898	112,726	123,895	118,322
Dividend Income	17,187	17,875	13,589	12,325	10,810
Income from Foreign Currency Transactions	14,015	14,308	26,100	26,269	21,854
Other Income	74,260	52,565	25,698	19,628	65,920
Total Non-Mark-up/Interest Income	195,728	187,646	178,113	182,117	216,906
	675,217	682,791	686,962	809,989	946,298
Administration Expenses	356,183	387,878	415,852	495,018	521,253
Other Expenses	5,003	4,417	5,052	10,517	13,690
Total Non-Mark-up/Interest Expenses	361,186	392,295	434,882	505,535	534,943
Extra Ordinary Items	0	23,717	9,016	49	0
Profit /(Loss) Before Tax (PBT)	314,030	266,779	243,064	304,405	411,355
Taxation	124,117	108,987	93,542	133,656	167,315
Profit /(Loss) After Tax (PAT)	189,914	157,792	149,612	170,749	244,039

Foreword | The Banking Prospects

The Economy | 2020 and beyond:

The year 2020 was a narrative of two halves for the Pakistan economy. Despite kicking off with nascent signs of economic recovery, the emergence of the global COVID-19 pandemic and its induced lockdown measures took a toll at the country's economic performance as business activities almost came to a halt and many major sectors were severely impacted. Consequently, the country's GDP contracted by ~0.4% in FY20. However, unlike many other nations struck by the catastrophe, the recovery path for domestic economy remained brisk and structured supported by timely fiscal and monetary stimulus. Multiple initiatives by the Government and apex regulators came handy to achieving economic stabilization. Major steps included Government's relief package of PKR~1.4trn, SBP's decision to slash the policy rate by 625bps, loan restructuring and deferrals allowance by the SBP and introduction of Temporary Economic Refinance Facility (TERF). The country's current account balance flipped in surplus in the first two quarters of FY21 owing to restricted imports and debt repayment relief from G-20 countries (USD~1.7bln). Although, the account turned negative again in 3QFY21 attributed to eased imports, majorly in the non-oil segment, the deficit is expected to remain below 1% of the GDP. Additionally, improved remittances and export inflows (USD~21bln, up ~7% FY21(P) YoY) kept the external account stable, with foreign exchange reserves averaging above USD~20bln in 9MFY21. This is largely credited to the overwhelming response on Roshan Digital Account, an initiative by the SBP, to encourage overseas Pakistan to remit money in Pakistan, the balance of which has now crossed USD1bln. Cumulatively, these indicators contributed to the appreciation of PKR by ~3% against USD in 2QFY21. Pakistan has also been able to secure the much-awaited IMF Extended Fund Facility (EFF) tranche of USD500mln in Mar'21 based on its satisfactory progress under the fund-supported program.

The effect of economic indicators is gradually surfacing on the Industrial Sector as well. Large Scale Manufacturing (LSM) registered a promising growth of ~9% in 9MFY21 stemming from some major sectors of the economy. However, the Industrial Sector is inevitably exposed to supply shocks due to inflationary pressure on the economic output as international commodity prices are on a continual rising trajectory. Meanwhile, uncertainty with regards to the third wave of COVID-19 and business slowdown persists while vaccination drive remains relatively slow. Considering the economic



conditions, the SBP has forecasted a GDP growth of ~3% for FY21, while the Government is projecting close to 4% GDP growth. While rising inflation is one of the key concerns, the SBP hints on keeping the policy rate stable in the short-term and any change is expected to come in a gradual and measured manner.

Banks | A brief Insight:

In an economy of USD~250bln, the banking system holds a deposit base of USD~117bln (PKR~19trn) ~48% of the GDP. The number, though seems significant, is low when compared to regional peers showing room for growth. The country's deposit base grew by ~16% YoY in CY20 almost in line with PKR depreciation of ~16% in FY20 and aligned to the growth in M1 and M2 money supply. The growth seems impressive in PKR terms yet remains slow in dollar terms. The deposit base is majorly fueled through CASA deposits contributing around ~70% with an average mix of ~30% CA and ~40% SA. Additionally, funding is also supported through interbank borrowings (85% deposits and 15% borrowings). On the other hand, the sector added PKR~3trn to its total asset base in CY20 clocking in at PKR~25trn. Almost ~80% of the banking assets are represented by Advances and Investments. While Investments recorded a broad-based increase of ~33% in CY20, growth in advances remained muted at ~1% on account of depressed demand and conservative lending resulting in the Sector ADR to drop to ~45% in Dec'20 (~52% in Dec'19). The design of the Sector's loan book represents concentration at segment level. Almost ~71% of the banking loans are advanced to the corporate sector, while only ~5% are extended to SMEs, though they make up over 30% of the GDP and only ~7% is utilized in consumer financing. In a portfolio of PKR~9trn, almost PKR~2.7trn advances are in Energy and Textile Sectors alone (~30%). Average non-performing loans (NPLs) range around ~10% of the loan book with Sugar and Electronics sectors being the most significant contributors to the Infection ratio. Interestingly, textile sector, which was once the highest contributor to Banking NPLs, has now improved its position and is lower than electronics and sugar in credit infection. Total equity of the sector expanded by 12% in CY20 to PKR~1.9trn (CY19: PKR~1.7trn), majorly on account of improved profit generation across the board.

Banks | Performance Analysis:

The year 2020 has been a period of turbulence, uncertainties and a bounce back for the domestic economy. Despite the disruptions, the country's banking system has demonstrated resilience to the economic shocks through the support of regulatory measures and relief incentives. All these measures have played a role in steering the future direction of the banks in the short to medium term.

The sector's performance has largely remained a function of two key drivers (i) changes in interest rate environment and (ii) loan deferments and restructuring. The reduction in interest rates has impacted the sector's performance in a number of ways. As interest rates have declined, the yield on earning assets has fallen resulting in banking spreads to shrink due to lower ADR. On the other hand, the reduction has come with a timing difference on assets and deposits. The banking assets have gradually absorbed the change till 4QCY20 while the impact on deposits did not come off laggard. Consequently, the Net Interest Income (NII), has benefitted to a great extent in CY20 and grew by a handsome ~23% recording around PKR~850bln. The

interest rate cut also enabled the banks to record promising one-off gains on government paper (PIBs and T-bills), which fostered their profitability. Additionally, the mix of banking deposits of ~30% current accounts kept the cost of funding in check. The demand for private sector credit remained muted for most of 2020, pushing the banks to redirect their funding towards Government papers to earn better profits. Almost ~54% of the Mark-up earned during CY20 pertained to investments. On the contrary, provision expense of the sector increased drastically by ~105% in CY20, despite SBP's allowance for deferment and restructuring of loans. This was generally a strategic decision since most banks enjoyed higher profits and prudently recorded discretionary provisions to reserve cushion against provisions that might arise in 2021 from pandemic-affected customers, once SBP relaxations and waivers are rolled back. Up till April 16, 2021, a principal amount of PKR~911bn has been approved by the banks, DFIs and MFBs for deferment and restructuring of loans of which Corporate Sector share is around ~79%. This mix is aligned to the concentration of banking loans in the corporate sector.

Banks | Future Outlook | Stable:

Pakistan's economy has rebounded well from COVID related shocks. SBP has hinted at a stable interest rate environment. Hence no major upward revision in the interest rates is expected in the short-term barring very high inflation. Any change in SBP's stance regarding interest rate environment is expected to be gradual and measured. This means that in the short term, yields and spreads are expected to remain largely in the same range as they are now. The benefit of timing difference on spread adjustment and gains on interest cut have already been factored into the sector profitability. While Industrial activity is gearing up and an uptick in private sector lending is very likely, this may come with a need to expand the banking sector's risk appetite too. Sectors where infection ratio is alarmingly high (Sugar and Electronics) are prone to significant risks of defaults and cautious approach is necessitated. Highest risk lies for the banks where reserves created to counter any sudden deterioration in asset quality are insufficient. It is also pertinent to highlight that the application of IFRS-9 is around the corner, based on which, the provision expense is expected to elevate under the "Expected Credit Loss" method. So, an increase in volume would come with a risk that would need cautious management strategies. The banking credit reflects that almost ~41% of the sector loan book is dedicated to Short-Term Working Capital Loans and Trade Finance – a concentrated exposure in short lived loans. Another key challenge to the performance of the sector is its high operating costs. Almost ~55% of the core and non-core income earned by the banks is consumed by the operating costs of the sector, leaving no major buffer to absorb unanticipated losses. The Sector's ADR has historically averaged around ~50%. While this is a sign that no funding constraints exist for the sector, yet it also signifies room for credit growth even just to reach even split of assets. The low ADR has been an approach that supported the banking sector's profitability as banks go for "safe lending" to the Government. It also implies that on an economic level, our banking sector still lacks behind in energizing the banking penetration, providing impetus for growth of small industries and supporting financial inclusion in the country. Pakistan continues to be among the top 7 unbanked economies of the world, SMEs, holding over ~30% share in GDP have a meagre share of ~5% in banking credit. The Government intends to stimulate the economy through SME and consumer banking inclusion and various initiatives are underway.

SBP's Measures and Initiatives:

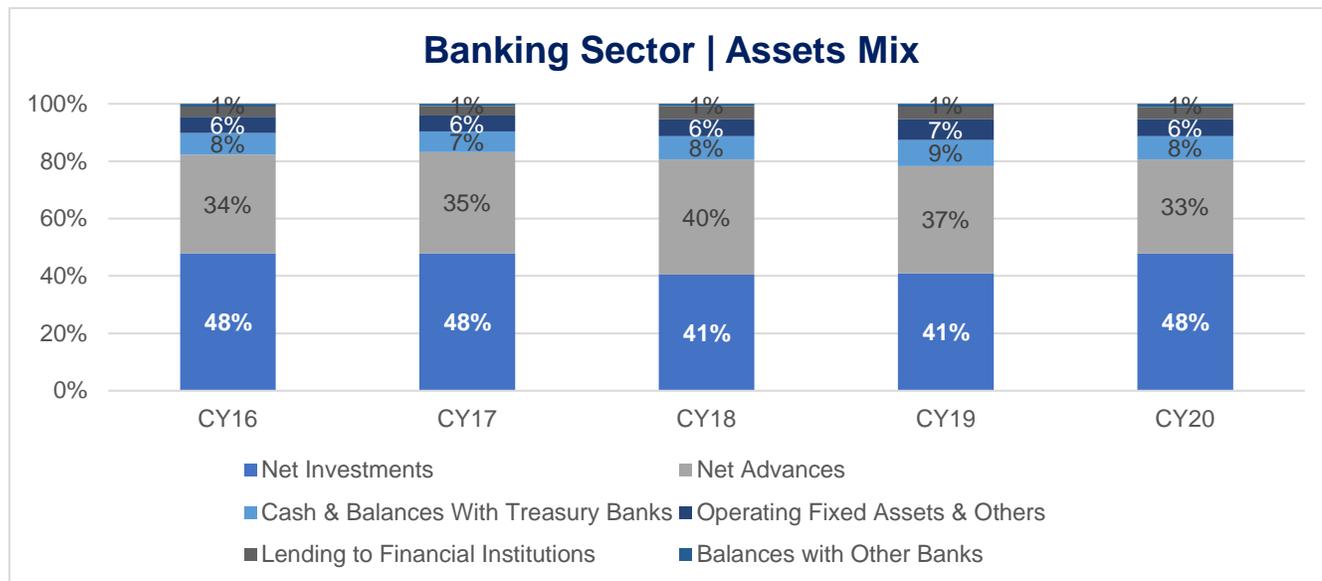
COVID-19 | Major Measures:

- The Monetary Policy Committee (MPC) reduced the policy rate by a cumulative 625 basis points from 13.25 percent to 7 percent in a short span of time from mid-March to June 2020.
- Temporary Economic Refinance Facility (TERF) is a concessionary refinance facility aimed at promoting investment both new and expansion and/or Balancing, Modernization and Replacement (BMR).
- Loan Extension and Restructuring Package of State Bank of Pakistan (Debt Relief Scheme) was announced to facilitate the borrowers in restructuring and deferment of their loans.
- **SBP Rozgar Scheme:** The Scheme aims to prevent layoff by financing wages and salaries of employees (permanent, contractual, daily wagers as well as outsourced) for six months for all kind of businesses except for Government entities.

Other Initiatives:

- Issuance of **SBP Amendment Act, 2021**, giving more autonomy to the central bank, both in terms of defined policy goals and appointments, minimize government and political interventions, and ensure partial impunity for SBP officials from federal and provincial investigation agencies in case of any alleged wrongdoing.
- Issuance of **draft regulatory framework for digital banks**. The proposed framework entails guidelines for licensing, and supplementary regulations for digital banks. It sets out different types of digital bank licenses, constitution models, minimum eligibility criteria and competencies for sponsors, directors, and CEOs.
- Launch of **Roshan Apni Car and Roshan Samaaji Khidmat** after a promising response on Roshan Digital Account (Sep'20).
- Launch of **Raast**: Raast is Pakistan's first instant payment system that will enable end-to-end digital payments among individuals, businesses and government entities instantaneously. The state-of-the-art Pakistan's Faster Payment System will be used to settle small-value retail payments in real time while at the same time provide a cheap and universal access to all players in the financial industry including banks and fintechs.
- SBP has issued **regulatory framework to facilitate Business-to-Consumer (B2C)** e-Commerce exports from Pakistan. Under the new regulatory framework, the mandatory requirement of 'Export' (E) form has been done away with and now an exporter can export goods up to USD 5,000/- per consignment without the requirement of 'E' Form. This step facilitates exports in small quantities directly to the consumers.

ASSET ANALYSIS: SCHEDULED BANKS



Credit Quality Scheduled Banks (Figures in PKR bln)	CY16	CY17	CY18	CY19	CY20
Gross Advances	6,013	7,029	8,525	8,869	9,024
<i>Growth</i>	13%	17%	21%	4%	2%
Net Advances (Gross Advances - Provisions)	5,499	6,512	7,955	8,249	8,292
<i>Growth</i>	14%	18%	22%	4%	1%
NPLs	605	593	680	761	829
Provisions (General + Specific)	514	517	570	620	732
Net NPLs	90	76	110	141	97
Infection NPLs (%) to Gross Advances	10.1%	8.4%	8.0%	8.6%	9.2%
Coverage Ratio	85%	87%	84%	81%	88%
Drag on Equity (including Rev. Surplus)	6.7%	5.5%	7.8%	8.5%	5.2%
Capital Adequacy Ratio	16.2%	15.8%	16.2%	17.0%	18.6%
ADR	47%	50%	56%	52%	45%
Equity	1,353	1,381	1,406	1,658	1,862

- Growth in Gross and Net Advances remained muted at ~2% and ~1%, respectively, in CY20.
- Infection Ratio increased from ~8.6% of Gross Loans to ~9.2% in CY20. However, a sizable increase in Equity, majorly in Tier-I Revenue Reserves, kept the risk of drag on equity low.
- ADR reduced in CY20 to ~45% (~52% in CY19), owing to nominal growth in Advances as shift towards investments in high yielding Government Securities was witnessed in CY20.

SEGMENT WISE LOAN PORTFOLIO

Figures in PKR bln Segment Wise Banking Credit Exposure	CY19				CY20			
	Gross Advances	NPLs	Infection (%)	Share in total advances	Gross Advances	NPLs	Infection (%)	Share in total advances
Corporate Sector	6,357	563	9%	72%	6,422	605	9%	71%
Fixed Investments	2,802	269	10%	32%	3,097	283	9%	34%
Working Capital	2,307	201	9%	26%	2,087	226	11%	23%
Trade Finance	1,247	92	7%	14%	1,239	96	8%	14%
SMEs	480	77	16%	5%	461	79	17%	5%
Fixed Investments	105	12	12%	1%	105	12	12%	1%
Working Capital	331	57	17%	4%	315	59	19%	3%
Trade Finance	44	8	18%	0%	41	8	19%	0%
Agriculture	345	61	18%	4%	338	77	23%	4%
Consumer Financing	573	26	5%	6%	635	31	5%	7%
(i) Credit Cards	49	3	5%	1%	51	3	6%	1%
(ii) Auto Loans	220	3	1%	2%	258	4	2%	3%
(iii) Consumer Durables	1	0	5%	0%	1	0	6%	0%
(iv) Mortgage Loans	93	11	12%	1%	94	12	12%	1%
(v) Other Personal Loans	210	9	4%	2%	231	12	5%	3%
Commodity Financing	799	7	1%	9%	833	8	1%	9%
Cotton	32	1	4%	0%	32	1	3%	0%
Rice	21	3	13%	0%	29	3	9%	0%
Sugar	72	3	4%	1%	72	2	3%	1%
Wheat	588	0	0%	7%	611	1	0%	7%
Others	87	1	1%	1%	89	1	1%	1%
Staff Loans	151	2	1%	2%	164	2	1%	2%
Others	165	25	15%	2%	171	26	16%	2%
TOTAL	8,869	761		100%	9,024	829		100%

- The Banking Sector has a concentrated segment exposure with ~71% of credit advanced to the Corporate Sector, while only ~5% is extended to the SME Sector.

SECTOR WISE LOAN PORTFOLIO

Sector Wise Financing (figures in PKR bln)	CY19				CY20			
	Advances	NPLs	Infection (%)	Share in total Advances	Advances	NPLs	Infection (%)	Share in total Advances
Energy	1,493	47	3%	17%	1,394	58	4%	15%
Textile	1,206	180	15%	14%	1,343	170	13%	15%
Individuals	764	61	8%	9%	815	65	8%	9%
Agribusiness	705	63	9%	8%	702	80	11%	8%
Pharma & Chemicals	311	15	5%	4%	327	17	5%	4%
Sugar	221	51	23%	2%	238	57	24%	3%
Financial Sector	252	11	4%	3%	230	11	5%	3%
Cement	191	4	2%	2%	204	6	3%	2%
Automobile	177	18	10%	2%	143	18	12%	2%
Electronics	120	20	17%	1%	111	22	20%	1%
Shoes & Leather garments	39	6	15%	0%	37	6	15%	0%
Insurance	4	0	0%	0%	6	0	2%	0%
Others	3,387	286	8%	38%	3,473	319	9%	38%
Total	8,869	761		100%	9,024	829		100%

- Energy and textile sectors contribute the highest share to the banking sector's credit (~15% each).
- Sugar sector followed by electronics and textile have the highest ratio of credit delinquencies in banking credit. The Infection ratio of textile sector has stood at ~13% in CY20 (~15% in CY19).
- Others include a sum of all other economic sectors.

Large Banks

Extra Large Banks	Advances			Growth (%)	NPLs			Infection Ratio			ADR			System Share	
	CY19	CY20	1QCY21		CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20	1QCY21
HBL	1,073	1,117	1,102	4%	82	82	75	8%	7%	7%	47%	42%	42%	14%	14%
NBP	1,073	983	948	-8%	149	171	183	14%	17%	19%	49%	41%	42%	12%	12%
Total/Average	2,146	2,101	2,050		231	253	257	11%	12%	13%	48%	41%	42%	26%	25%

Large Banks	Advances			Growth (%)	NPLs			Infection Ratio			ADR			System Share	
	CY19	CY20	1QCY21		CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20	1QCY21
UBL	636	530	541	-17%	77	84	80	12%	16%	15%	43%	32%	33%	7%	7%
MCB	497	463	429	-7%	49	51	52	10%	11%	12%	43%	36%	33%	6%	5%

Meezan	494	513	522	4%	9	15	15	2%	3%	3%	46%	41%	42%	6%	6%
ABL	485	496	429	2%	16	14	14	3%	3%	3%	53%	41%	35%	6%	5%
AL Habib	489	510	533	4%	7	7	7	1%	1%	1%	54%	46%	46%	6%	7%
Alfalah	511	577	583	13%	22	26	25	4%	4%	4%	65%	65%	64%	7%	7%
Total/Average	3,112	3,090	3,038		181	197	192	5%	6%	6%	51%	44%	42%	38%	38%

Grand Total	5,258	5,190	5,088	-1%	411	451	450	8%	9%	10%	49%	42%	42%	64%	63%
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- Overall Net Advances of Large Banks declined by ~1% YoY in CY20.
- The best performing large banks in terms of growth in net advances (CY20) are Bank Alfalah followed by HBL, Meezan and Bank Al Habib.
- In terms of low infection ratios, the best performing large banks have been Meezan, ABL, Al Habib and Alfalah in CY20 and 1QCY21.
- Extra Large Banks: Market Share > 10%, Large Banks > 5%, Medium Banks 2% - 5%, Small Banks <2%.

Medium Banks

Medium Banks	Advances			Growth	NPLs			Infection Ratio			ADR			System Share	
	CY19	CY20	1QCY21		CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20	1QCY21
BOP	383	391	415	2%	51	57	57	13%	15%	14%	55%	47%	50%	5%	5%
Askari	373	395	414	6%	28	28	28	8%	7%	7%	55%	50%	52%	5%	5%
Metro	264	312	346	18%	18	19	19	7%	6%	6%	43%	46%	48%	4%	4%
Standard Chartered	218	178	214	-18%	18	23	22	8%	13%	10%	47%	32%	38%	2%	3%
Faysal	310	318	322	3%	30	26	24	10%	8%	7%	68%	59%	59%	4%	4%
JS Bank	243	250	251	3%	10	12	13	4%	5%	5%	66%	58%	59%	3%	3%
Total/Average	1,791	1,845	1,962	3%	156	166	163	8%	9%	8%	56%	49%	51%	23%	24%

Small Banks

Small Banks	Advances			Growth	NPLs			Infection Ratio			ADR			System Share	
	CY19	CY20	1QCY21		CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20	1QCY21
Soneri Bank	205	165	200	-20%	11	11	11	5%	7%	5%	68%	48%	59%	2%	2%
Bank Islami	132	130	153	-1%	8	18	19	6%	13%	12%	58%	46%	53%	2%	2%
DIB	178	199	205	12%	5	6	7	3%	3%	3%	85%	84%	83%	2%	3%
Bank of Khyber	110	129	137	18%	5	7	7	5%	6%	5%	60%	64%	64%	2%	2%
AlBaraka Bank	75	90	99	20%	9	10	10	12%	11%	10%	58%	57%	64%	1%	1%
Silk*	106	99		-7%	35	35		33%	35%		72%	64%	0%	1%	0%
MCB Islamic	51	85	85	65%	0	1	0	1%	1%	0%	63%	86%	84%	1%	1%
Samba	61	66	69	7%	3	3	4	4%	4%	5%	85%	84%	88%	1%	1%
Sindh	61	57	58	-7%	34	35	35	55%	62%	61%	46%	31%	30%	1%	1%
First Women Bank*	10	11		8%	2	2		18%	17%		58%	44%	0%	0%	0%
Summit Bank*	86	61		-28%	17	36		20%	59%		59%	72%	0%	1%	0%
Total/Average	1,076	1,093	1,005	2%	128	163	92	15%	20%	13%	65%	62%	48%	13%	12%

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

CAPITAL ADEQUACY | BY BANKS

Extra Large Banks	Capital Adequacy Ratio		
	CY19	CY20	1QCY21
HBL	17%	19%	20%
NBP	15%	20%	22%
Average	16%	19%	21%

Large Banks	Capital Adequacy Ratio		
	CY19	CY20	1QCY21
UBL	19%	24%	24%
MCB	19%	21%	20%
Meezan	22%	25%	26%
ABL	17%	18%	18%
AL Habib	14%	15%	14%
Alfalah	17%	17%	16%
Average	18%	20%	20%

Medium Banks	Capital Adequacy Ratio		
	CY19	CY20	1QCY21
BOP	15%	16%	14%
Askari	13%	15%	14%
Metro	15%	17%	15%
Standard Chartered	17%	19%	17%
Faysal	19%	19%	19%
JS Bank	13%	13%	13%
Average	15%	17%	15%

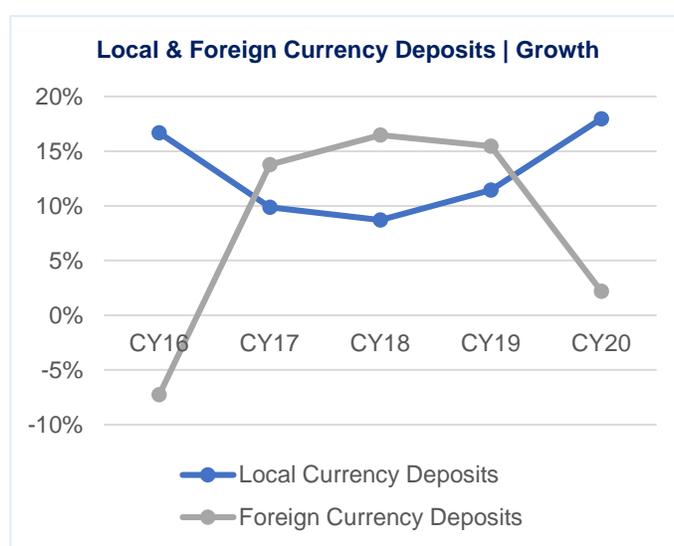
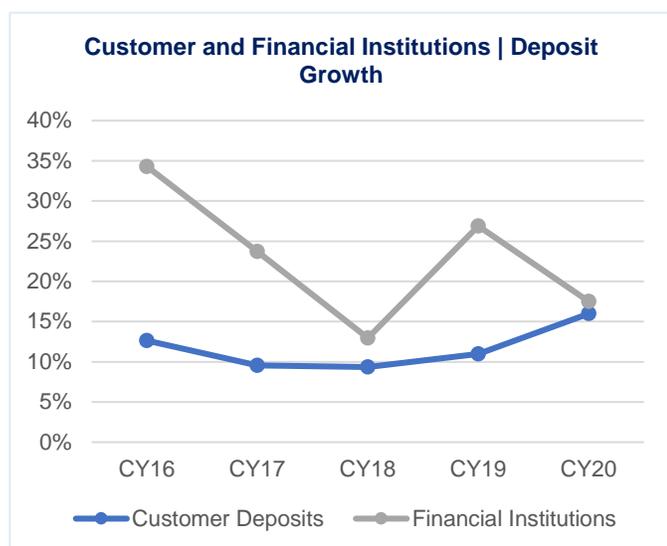
Small Banks	Capital Adequacy Ratio		
	CY19	CY20	1QCY21
Soneri Bank	16%	17%	15%
Bank Islami	15%	16%	15%
DIB	17%	17%	16%
Bank of Khyber	15%	19%	17%
AlBaraka Bank	13%	13%	13%
Silk*	6%	4%	
MCB Islamic	14%	12%	12%
Samba	18%	18%	20%
Sindh*	13%	15%	14%
First Women Bank	35%	36%	
Summit Bank**	4%	-8%	
Average	15%	14%	15%

DEPOSIT ANALYSIS: SCHEDULED BANKS

Scheduled Banks (PKR bln)	CY16	CY17	CY18	CY19	CY20
Total Deposits	11,798	13,011	14,254	15,953	18,519
<i>Growth</i>	14%	10%	10%	12%	16%
<i>Average PKR depreciation (FY)</i>	3%	0%	5%	24%	16%
GDP (FY)	27,402	29,978	32,383	35,783	38,878
Deposit to GDP Ratio	43%	43%	44%	45%	48%

Deposit Classification (PKR bln)	CY16	CY17	CY18	CY19	CY20
Customer Deposits	11,199	12,270	13,417	14,891	17,271
Financial Institutions	599	741	837	1,062	1,248
TOTAL	11,798	13,011	14,254	15,953	18,519

Deposit by Currency (PKR bln)	CY16	CY17	CY18	CY19	CY20
Local Currency	10,549	11,591	12,600	14,043	16,566
Foreign Currency	1,249	1,421	1,655	1,911	1,953
TOTAL	11,798	13,012	14,255	15,954	18,519



DEPOSIT BY BANKS

Large Banks

Extra Large Banks	Total Deposits			Growth CY20	CA			SA			CASA (%)			Market Share*	
	CY19	CY20	1QCY21		CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20	1QCY21
HBL	2,302	2,669	2,630	16%	36%	35%	35%	48%	50%	49%	84%	84%	84%	14.6%	14.4%
NBP	2,198	2,419	2,280	10%	55%	54%	55%	27%	29%	31%	82%	84%	85%	13.3%	12.5%
Total/Average	4,500	5,088	4,911	13%	45%	45%	45%	38%	39%	40%	83%	84%	85%	27.9%	26.9%

Large Banks	Total Deposits			Growth CY20	CA			SA			CASA (%)			Market Share*	
	CY19	CY20	1QCY21		CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20	1QCY21
UBL	1,467	1,640	1,637	12%	40%	42%	43%	35%	37%	36%	75%	80%	80%	9.0%	9.0%
MCB	1,145	1,290	1,314	13%	35%	36%	37%	53%	55%	53%	88%	91%	91%	7.1%	7.2%
Meezan	933	1,254	1,249	35%	36%	39%	40%	37%	36%	37%	73%	76%	77%	6.9%	6.8%
ABL	1,049	1,217	1,232	16%	37%	38%	38%	44%	47%	47%	81%	85%	85%	6.7%	6.8%
AL Habib	904	1,100	1,167	22%	35%	48%	50%	29%	30%	29%	65%	78%	79%	6.0%	6.4%
Alfalah	782	882	913	13%	43%	45%	46%	32%	33%	32%	76%	78%	78%	4.8%	5.0%
Total/Average	6,279	7,382	7,512	18%	38%	41%	42%	39%	40%	39%	76%	81%	82%	40.5%	41.2%

Grand Total	10,779	12,471	12,423	16%	42%	43%	44%	38%	40%	40%	80%	83%	83%	68.4%	68.1%
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- Best Performers in Large Banks (CY20) with highest growth in total deposits: **Meezan Bank, Bank Al Habib, HBL and ABL.**
- Extra Large Banks: Market Share > 10%, Large Banks > 5%, Medium Banks 2% - 5%, Small Banks <2%.
- *Market share is based on total deposits (customers + financial institutions).

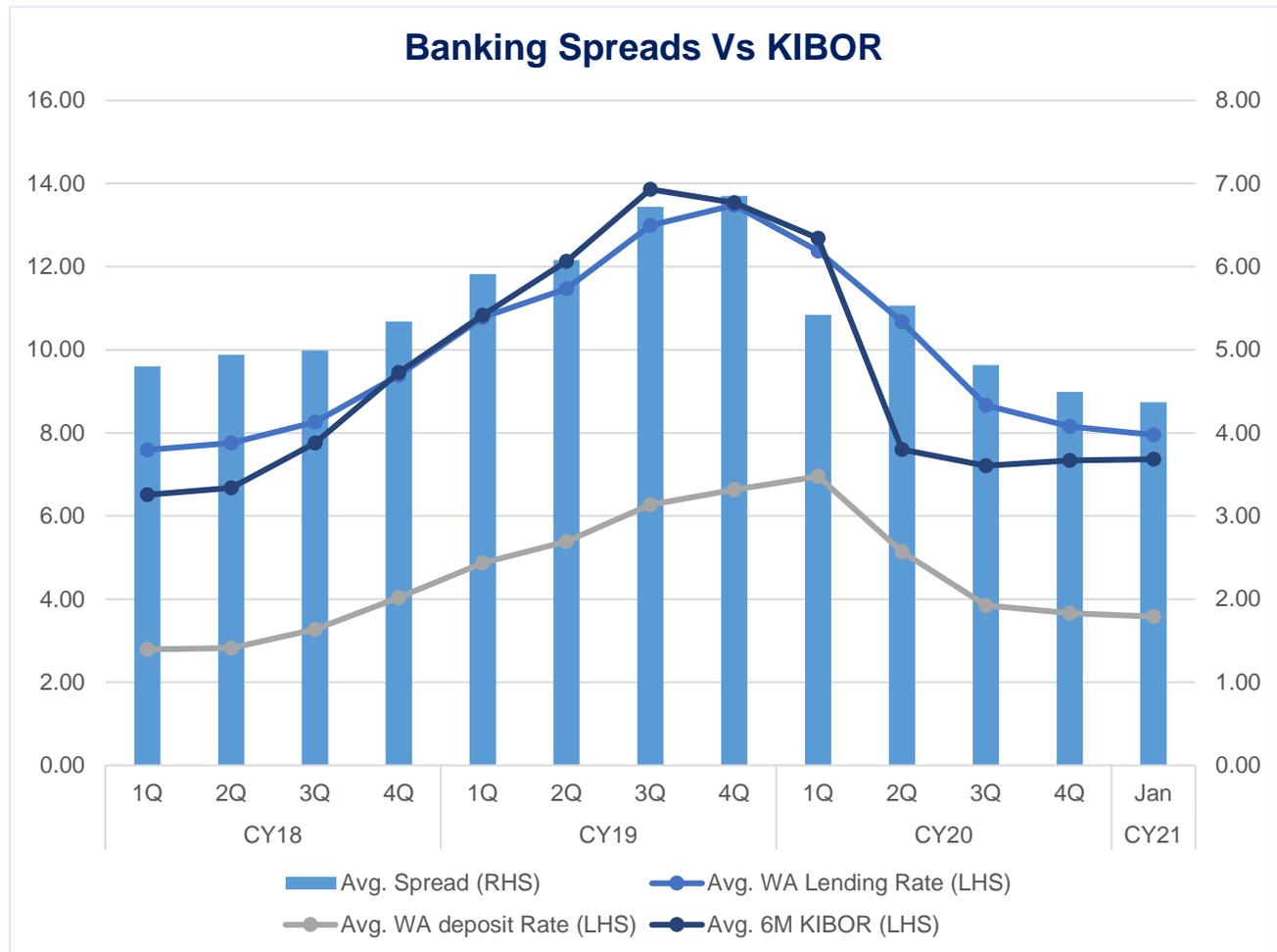
MEDIUM & SMALL BANKS:

Medium Banks	Total Deposits			Growth	CA			SA			CASA (%)			Market Share*	
	CY19	CY20	1QCY21		CY20	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20
BOP	691	835	827	21%	20%	18%	17%	48%	47%	48%	68%	65%	66%	4.6%	4.5%
Askari	679	791	803	16%	29%	32%	31%	53%	55%	56%	82%	87%	87%	4.3%	4.4%
Metro	612	681	715	11%	29%	32%	33%	33%	27%	28%	62%	59%	60%	3.7%	3.9%
Standard Chartered	466	557	558	20%	38%	38%	39%	47%	47%	47%	85%	85%	86%	3.1%	3.1%
Faysal	458	541	549	18%	32%	31%	35%	38%	40%	39%	70%	71%	74%	3.0%	3.0%
JS Bank	370	433	426	17%	21%	24%	24%	24%	27%	28%	45%	50%	52%	2.4%	2.3%
Total/Average	3,275	3,837	3,878	17%	28%	29%	30%	41%	41%	41%	69%	70%	71%	21.1%	21.3%

Small Banks	Total Deposits			Growth	CA			SA			CASA (%)			Market Share*	
	CY19	CY20	1QCY21		CY20	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY20
Soneri Bank	302	345	338	14%	23%	25%	28%	39%	42%	42%	62%	67%	70%	1.9%	1.9%
Bank Islami	229	282	287	23%	30%	32%	33%	29%	30%	31%	59%	63%	64%	1.5%	1.6%
DIB	210	238	245	13%	25%	29%	27%	42%	45%	50%	67%	74%	77%	1.3%	1.3%
Bank of Khyber	182	203	215	11%	19%	17%	15%	39%	44%	44%	58%	61%	60%	1.1%	1.2%
Sindh*	134	186	193	38%	33%	26%	23%	44%	41%	44%	76%	67%	67%	1.0%	1.1%
AlBaraka Bank	130	159	155	23%	20%	24%	22%	36%	43%	45%	56%	67%	68%	0.9%	0.8%
MCB Islamic	82	99	101	21%	27%	31%	31%	44%	45%	44%	71%	76%	75%	0.5%	0.6%
Samba	72	78	78	9%	23%	22%	24%	22%	25%	23%	46%	47%	47%	0.4%	0.4%
Silk**	148	154	154	4%	22%	17%	0%	47%	42%	0%	69%	59%	0%	0.8%	0.8%
First Women Bank**	18	25	25	43%	44%	44%	0%	34%	26%	0%	77%	71%	0%	0.1%	0.1%
Summit Bank**	146	146	146	0%	30%	0%	0%	35%	0%	0%	66%	0%	0%	0.8%	0.8%
Total/Average	1,652	1,916	1,936	16%	27%	24%	19%	37%	35%	29%	64%	59%	48%	10.5%	10.6%

- Best Performers in Medium Banks (CY20) with highest growth in total deposits: **Sindh Bank, First Women Bank, Al Baraka and Bank Islami.**
- Extra Large Banks: Market Share > 10%, Large Banks > 5%, Medium Banks 2% - 5%, Small Banks <2%.
- *Market Share is based on total deposits (customers + financial institutions)
- **Silk and Summit Banks numbers are available till CY19. FWBL numbers are available till CY20.

BANKING SPREADS:



- As witnessed in the graph, average spread remained above ~5% in the 1st and 2nd Quarters of CY20, and gradually declined in the 3rd and 4th quarters. Resultantly, the net interest income of the Banking Sector has increased by ~23% YoY in CY20.

PROFITABILITY ANALYSIS | COMMERCIAL BANKS

Commercial Banks					PKR bln
Description	CY16	CY17	CY18	CY19	CY20
Mark-up/Return/Interest Earned	917	975	1,133	1,831	1,905
<i>Growth</i>		6%	16%	62%	4%
Mark-up/Return/Interest Expense	448	491	599	1,146	1,061
<i>Growth</i>		10%	22%	91%	-7%
Net Mark-up/Interest Income	469	484	534	685	844
<i>Growth</i>		3%	10%	28%	23%
Provisions & Bad Debts Written Off Directly/(Reversals)	4	1	31	58	119
Profit /(Loss) Before Tax (PBT)	307	262	247	314	416
<i>Growth</i>		-15%	-6%	27%	32%
Profit /(Loss) After Tax (PAT)	185	155	152	178	248
<i>Growth</i>		-16%	-2%	17%	39%

BANK WISE PROFITS

Extra Large Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21
HBL	29	53	14	15	32	8	8%	14%	14%
NBP	28	46	13	16	31	8	7%	12%	11%
Total/Average	57	99	27	31	63	16	8%	13%	13%

Large Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21
UBL	34	34	12	19	21	7	12%	12%	16%
MCB	40	48	11	24	29	7	15%	16%	15%
Meezan	26	37	10	15	22	6	31%	35%	34%
ABL	24	30	7	14	18	4	13%	15%	13%
AL Habib	19	29	7	11	18	5	20%	25%	23%
Alfalah	22	18	5	13	10	3	16%	11%	16%
Total/Average	166	196	53	97	118	32	18%	19%	20%

Medium Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21
BOP	14	12	3	8	7	2	20%	14%	15%
Askari	10	18	4	7	11	3	19%	22%	21%
Metro	11	20	5	7	12	3	16%	24%	23%
Standard Chartered	27	24	5	16	13	3	23%	17%	17%
Faysal	10	11	4	6	7	2	12%	11%	14%
JS Bank	0	2	1	0	1	0	0%	6%	7%
Total/Average	73	86	22	44	51	14	15%	16%	16%

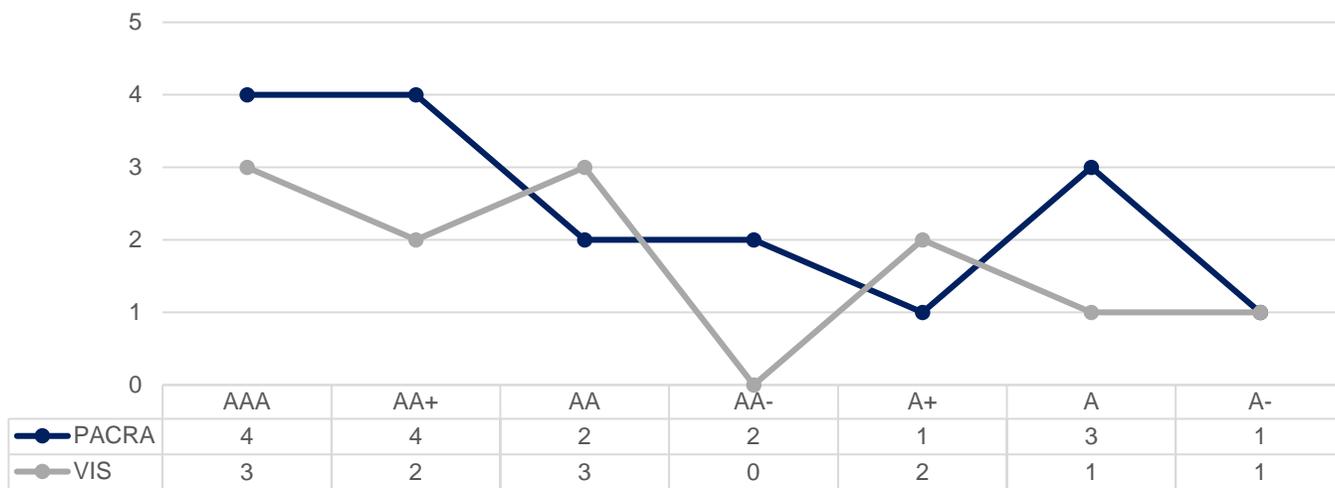
Small Banks	Profit Before Tax			Profit After Tax			Return on Equity (ROE)		
	CY19	CY20	1QCY21	CY19	CY20	1QCY21	CY19	CY20	1QCY21
Soneri Bank	3	4	1	2	2	1	10%	11%	14%
Bank Islami	2	3	1	1	2	0	6%	9%	8%
DIB	6	5	1	3	3	1	17%	12%	13%
Bank of Khyber	2	4	1	1	2	0	10%	13%	10%
AlBaraka Bank	0	2	1	0	1	0	-2%	6%	11%
Silk*	-6	1	0	-4	0	0	-31%	2%	0%
MCB Islamic	0	0	0	0	0	0	-2%	3%	2%
Samba	1	2	-1	1	1	0	5%	7%	-9%
Sindh*	-14	-5	0	-8	-3	0	-58%	-18%	-2%
First Women Bank	0	0	0	0	0	0	7%	9%	0%
Summit Bank**	-2	-11	0	-2	-9	0	-27%	-127%	0%
Total/Average	-8	4	4	-6	0	2	-6%	-7%	4%

KEY FINANCIAL RATIOS | SCHEDULED BANKS:

Financial Ratios	CY16	CY17	CY18	CY19	CY20
Capital Adequacy Ratio (CAR)	16.2%	15.8%	16.2%	17.0%	18.6%
Tier-I Capital to RWA	13.0%	12.9%	13.2%	14.0%	14.8%
NPLs to Gross Loans	10.1%	8.4%	8.0%	8.6%	9.2%
Provisions to NPLs (Coverage)	85.0%	87.2%	83.8%	81.4%	88.3%
Return On Assets (ROA)	0.9%	0.9%	0.8%	0.8%	1.0%
Return On Equity (ROE)	14.4%	11.5%	10.7%	11.3%	13.8%
Cost/Income	53.1%	57.1%	60.2%	57.6%	50.0%
Liquid Assets/Total Assets	53.7%	54.0%	48.7%	49.7%	54.8%

RATING CURVE:

Banks - Entity Ratings



Banks - Debt Instrument Ratings



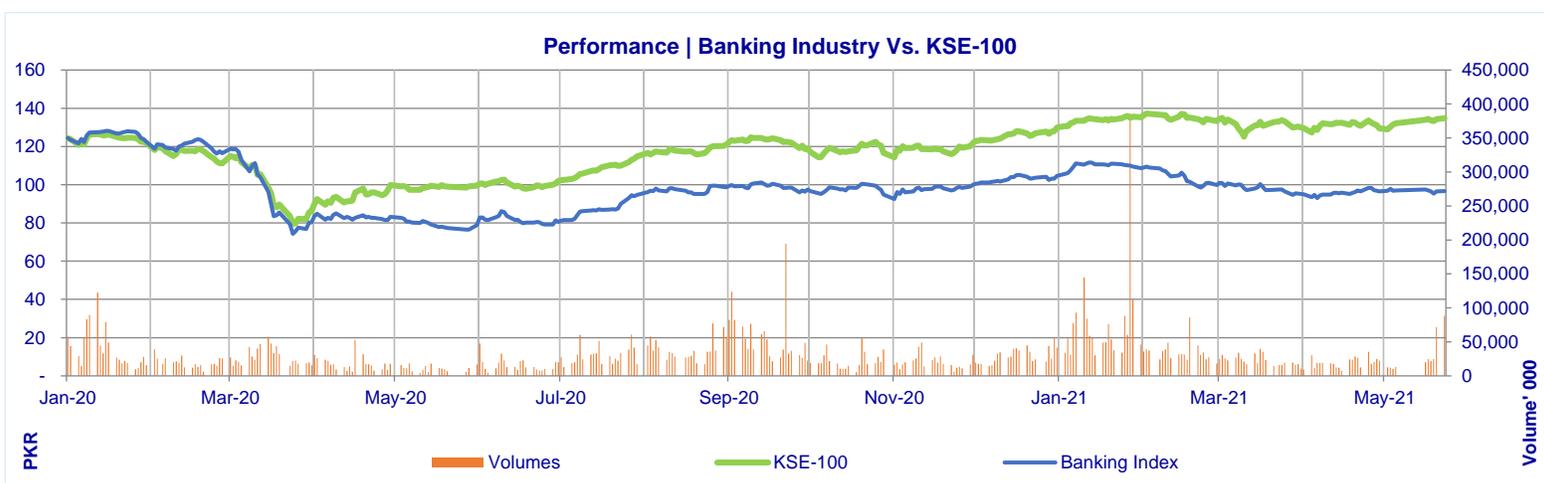
ISLAMIC BANKS | LIST OF PLAYERS

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

ISLAMIC BANKS | FINANCIAL SUMMARY

Islamic Banks & Window Operations (PKR mln)	CY19			CY20			1QCY21		
	Banks	Islamic Window	Total	Banks	Islamic Window	Total	Banks	Islamic Window	Total
Statement of Financial Position									
Assets									
Cash & Balances with Treasury Bank	162,249	103,001	265,250	203,025	101,186	304,211	209,826	98,359	308,185
Balances with other banks	30,191	22,704	52,894	50,238	13,198	63,436	27,572	13,932	41,503
Due from Financial Institutions	292,642	158,315	450,956	389,683	130,353	520,037	345,741	111,967	457,708
Investments	358,441	238,470	596,912	680,784	580,380	1,261,164	734,406	610,766	1,345,171
Advances	932,346	690,182	1,622,528	1,023,616	857,424	1,881,040	1,064,368	888,885	1,953,254
Others	151,197	143,999	295,196	152,063	87,495	239,558	161,938	120,848	282,787
Total Assets	1,927,065	1,356,671	3,283,737	2,499,410	1,770,037	4,269,446	2,543,851	1,844,757	4,388,608
Liabilities									
Deposits and other accounts	1,582,900	1,069,180	2,652,080	2,032,632	1,356,329	3,388,961	2,036,045	1,421,054	3,457,099
Others	226,908	181,666	408,574	326,682	294,709	621,391	365,176	292,377	657,553
Total Liabilities	1,809,808	1,250,846	3,060,655	2,359,315	1,651,038	4,010,352	2,401,221	1,713,431	4,114,652
Equity									
Share Capital	60,811	45,400	106,211	62,176	51,860	114,036	62,176	62,486	124,662
Reserves	22,241	363	22,604	25,443	46	25,489	26,260	53	26,313
Others	34,205	60,062	94,267	52,475	67,093	119,568	54,194	68,787	122,981
Total EQUITY	117,257	105,825	223,082	140,095	118,999	259,094	142,630	131,326	273,956
Profit & Loss Account									
Interest Earned	166,867	113,094	279,961	182,188	124,619	306,807	40,310	29,269	69,579
Interest Expensed	89,876	59,197	149,072	82,085	56,504	138,589	17,352	13,054	30,406
Net Markup/Interest Income	76,991	53,897	130,888	100,103	68,115	168,218	22,958	16,215	39,173
Total Non Markup Income	15,546	6,308	21,854	16,750	6,946	23,696	5,396	2,293	7,689
Total Non Markup Expense	50,468	28,160	78,628	57,807	33,289	91,096	14,704	9,426	24,129
Provisions/reversals and write-offs	6,385	1,666	8,051	8,097	4,346	12,443	197	1,272	1,469
Net Markup/Interest Income After	70,606	52,231	122,837	92,006	63,769	155,775	22,760	14,944	37,704
Profit Before Tax	35,685	30,379	66,064	50,949	37,425	88,374	13,453	7,810	21,263
Profit After Tax	14,925	5,717	20,642	30,389	29,137	59,526	8,043	6,118	14,161

LISTED BANKS | STOCK PERFORMANCE



Market Capitalization of the Sector was recorded at PKR~1.3trn as at June 2, 2021.

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PACRA Research & Publishing Unit (R&P)

Contact:

Saniya Tauseef (R&P Lead), saniya.tauseef@pacra.com

Insia Raza (Research Analyst), insia.raza@pacra.com

Contact Number: +92 42 3586 9504

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