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Editor's Corner

Dear Readers,

Shaukat Aziz as the new prime minister of the country represents a continuation of government policies. He became the country's finance minister in 1999 at the time when the military government took over and has continued with the present civilian government. During this period he has demonstrated his abilities in putting the economy on the path of sustained growth by initiating far reaching economic reforms.

The policies which he stewarded as Finance Minister have yielded positive results, in the form of a stabilised economy growing at a more than modest rate. The areas of policy focus have been; developing a poverty reduction strategy, addressing the issues of unsustainable public debt, privatisation of public sector enterprises and improved resource mobilisation among others.

The economy has recovered, with GDP growing at 6% and key macroeconomic fundamentals showing a marked improvement. Domestic investment picked up, exports and imports showed strong growth, debt burden declined, external balance of payments strengthened, fiscal consolidation took place, accelerated privatisation of public sector enterprises reduced the burden on the federal budget. Share prices continued to climb, attributable among others to high levels of workers' remittances, appreciation of the rupee, low interest rates, improved corporate profitability and better relations with India.

With him in position as Prime Minister one can see the continuation of the process of accelerated economic growth, greater private participation to achieve this end, a faster disinvestment of the public sector to achieve greater efficiency and productivity in the economy, deepening and strengthening of the stock market, continuation of tax reforms, enhanced social and development spending.

However, this will carry a price tag, as efficiency demands would necessitate supremacy of economics over politics. As Finance Minister, Mr. Aziz was able to override the political pressures and the general consensus is that he will continue on the same path.

We believe some of the key areas of focus will be as follows: -

- § Diversifying of public investment, other than the mega projects, towards the more backward regions of the country and fulfilling the aspirations of the marginalised segments of society. This would help in bringing the remote and backward areas of the country at par with the developed ones.
- § Effectively improving investment in human development by increasing the total resources available for this purpose. This implies provision of low cost healthcare to the poor and improving the family planning services to women so to reduce fertility rates and improve health of mothers and children. High fertility rates, high population growth rates, ill health and poverty are linked in a vicious cycle. This can be broken only through public action to reduce fertility rates.
- § Increasing literacy rate and the coverage and quality of education and removing the gender disparity. This is an important factor as it helps in increasing the earnings and in turn pulling the households out of poverty.

- § Empowering women and removing the bias against them in law, public policy and societal norms.
- § Improving governance in the economy. Due to poor economic management by the governments in the past, both the level of expenditure and the efficiency of its use have declined. Introduce efficiency criteria in the inter and intra-sectoral allocations not only in the public sector development programme but also in the current expenditure of the Budget. The share of development expenditure in total expenditure has fallen, which has had adverse effects on GDP growth, and for the deteriorating infrastructure.
- § There is the daunting challenge of providing livelihood to large numbers who are unemployed. In populous countries like Pakistan, policy makers are faced with the challenge of creating an economic structure that would provide employment opportunities to its masses. Policies would need to be directed at the various sectors of the domestic economy that can help absorb additional workers.

Emigration has provided a possible solution to the persistent problem of unemployment. Large numbers of Pakistanis have migrated in search for jobs. However, a subtle, but profound change has taken place after the 9/11 events. There has been a progressive tightening of visa regulations and it is no longer possible to easily seek employment abroad.

A significantly strengthened economic base now exists, and if the new PM takes some major initiatives for poverty reduction, the development of backward/remote areas, removal of gender bias, income disparities, and employment, a profound change in the lives of large numbers would result.

We wish him the best in his new position.

Ayesha Mahmud

Abstract of the Bulletin

Performance of Banks Operating in Pakistan

- § The monetary and credit policies pursued in the 1970s and 1980s had adversely affected the efficiency of the financial sector.
- § As part of the banking reforms, large public sector banks have been privatised.
- § Major restructuring has taken place in the banks, to improve their efficiency, upgrade technology, provide good customer care, strengthen their institutional capacity etc.
- § Of the banks analysed, there have emerged 14 leading banks which dominate the market in terms of assets, deposits, profitability etc.
- § Deposit growth of private banks has been substantial.
- § National Bank of Pakistan has the highest assets/deposits portfolio.
- § With the opening of new banks in the private sector, the asset growth of this sector has gone up considerably.
- § Private banks' advances have growth considerably.
- § Advances extended by HBL have outstripped all other banks.
- § National Bank of Pakistan recorded the highest profit of Rs.9 billion in 2003.
- § Amongst the private banks, Bank Al-Falah showed a substantial jump in its profits.
- § Non-interest income of the banks continue to grow.
- § In 2003, Standard Chartered Bank recorded the highest profit amongst the foreign banks.
- § Cost of funds for all banks has declined.
- § Banks earning ratios have improved.

Banking Sector Earnings

- § The year 2004 has been a good year for the banks as their interest earnings have risen.

§ Both lending and deposit rates have fallen in the recent past, narrowing the spread.

§ Banks are expected to continue to grow.

§ Interest rates are gradually moving up and credit demand is also increasing.

§ Banks have diversified their customer base, and are focusing on consumer finance, agricultural loans, SME financing.

Major Banks — NPLs Profile

§ Non-performing loans have been a major factor affecting banks' balance sheets.

§ A multipronged strategy has been adopted to reduce the stock of NPLs.

§ State Bank of Pakistan has undertaken restructuring of problem loans.

§ Prudential Regulations have been strengthened and provisioning standards increased.

§ Stringent provisioning standards and greater efforts at risk management have led to decreases in the NPL ratios.

Rising Interest Rates

§ Interest rates have shown a gradual rise in the past few months, as inflationary expectations have increased, the Pak Rupee has weakened among other factors.

§ T-bill rates are on a gradual rising trend.

§ The State Bank of Pakistan will however, strictly watch over interest rates to ensure smooth transition from an expansionary monetary policy stance to measured tightening.

Market Analysis

§ The market failed to pick up in July and August, trading was mostly range bound with the KSE-100 Index remaining between 5200 and 5485. Volume was low too as lack of market momentum and concerns over already high stock valuations kept buying activity to a minimum.

Performance of Banks Operating in Pakistan - 2003

1970s saw nationalization of banks

The banking sector in Pakistan is characterized by three different groups; state owned banks, private banks and foreign banks. In mid-1970s, the government, as a result of nationalization, merged domestic banks into five large state-owned banks, namely National Bank of Pakistan (NBP), Habib Bank Limited (HBL), United Bank Limited (UBL), Muslim Commercial Bank (MCB) and Allied Bank Limited (ABL). Later in 1989, First Women Bank (FWB) joined the public sector banks, established to promote economic prosperity and self reliance among women of rural and urban areas. Though foreign banks were operating in the 1970s, their activities were restricted through entry regulations and strict branch licensing policies.

Inefficiencies in the financial sector

The five large nationalized banks controlled the entire banking industry, with a market share of over 90% till early 1990s. Policies followed during 1970s and 1980s led to inefficiencies in the financial sector, political intervention into credit allocation and institutional inefficiencies. Operating costs rose considerably and non-performing loans reached an alarming proportion. Banks were mainly focusing on large and well established businesses, while small depositors and borrowers were being neglected. Most bank branches were incurring losses. The five large banks were either making small profit or incurring losses.

Financial liberalization

Financial liberalization of early 1990s, included privatization of public sector banks, opening of private banks, relaxation of restriction on foreign banks' entry, more efficient monetary and credit mechanism. The pace of privatization of state owned banks however, remained sluggish and only MCB and ABL could be partially privatized in the first phase. By 1997, 42 scheduled banks were operating (4 in public sector, 15 in private sector, 21 were foreign banks while 2 were semi privatized banks), with a network of 7800 branches. Foreign banks operations were affected after the freezing of foreign currency accounts in May 1998.

The ongoing banking reforms and restructuring process initiated in 1997, brought a major

Banking reforms initiated

change in the performance of commercial banking industry. Efficiency improved considerably, mainly that of state owned banks. Professional management was inducted in these banks; boards were given full autonomy, surplus staff was provided golden hand shake; a number of loss making branches were closed or merged; the alarming situation of non-performing loans particularly of state owned banks, received special focus and many small and weaker banks in the private sector as well as foreign banks were merged or amalgamated.

Banks privatised

As part of the restructuring process, four of the five state-owned banks have now been privatized (HBL, UBL, MCB, ABL). Amongst the two banks in the public sector, NBP has offloaded 23.2% of shares to the public through the stock exchange. The number of scheduled banks, thus stand reduced at 35 in 2003, against 42 in 1997, while the number of private banks which have risen to 18 (15 in 1997), continue to expand their network. The number of foreign banks has fallen, as a result of merger/acquisition to 12 (20 in 1997).

Lending diversified

The private banks are competing with foreign banks as well as with the five large banks (for the sake of comparison the state owned NBP and three privatised banks, HBL, UBL and MCB have been grouped as Major Banks. ABL has been excluded, as it has not made its balance sheet public after 1999. Meanwhile, private banks also include the two provincial banks, Bank of Punjab and Bank of Khyber). The services being provided by private banks and foreign banks have significantly improved.

Major banks have not lagged behind and have also upgraded their customer services. They have diversified their lending portfolios, with the main focus on consumer financing, SME financing, agricultural loans. They have introduced new products to suit the needs of their clientele. Most foreign and local banks are providing online banking facilities, particularly those operating in the private sector.

The balance sheet analysis reveals that in 2003 the staff to branch ratio is the lowest for five major banks (11) compared to private and provincial banks (20) and foreign banks (39). In the past four years, this ratio has remained

Foreign banks have a high staff to branch ratio

unchanged for major banks, while it inched up for private banks and fallen for foreign banks. Private banks are incurring lowest staff cost per employee (Rs.0.3 million). The ratio for foreign banks (Rs.0.9 million) is the highest amongst the three groups. There is also a large gap in the staff cost per branch amongst the three categories; foreign banks (Rs.37 million), private banks (Rs.6 million) and major banks (Rs4 million).

This perhaps partly explains why, private and foreign banks' are offering improved working environment to staff and quality services to their customers.

Fourteen leading banks

Major banks' market share, though falling since 1997, is still the highest at over 60% in 2003. Private and provincial banks share of market now stands at 28% and is rising, while the foreign banks share is on the decline (currently 12%). Amongst the second category of banks 6 of 18 banks Askari Commercial Bank, Bank Al-Falah, Bank Al Habib, Union Bank, Faysal Bank and Metropolitan Bank enjoy 60% share in the group's assets/deposits portfolios. At the same time, 4 of the 12 foreign banks, ABN Amro, Citibank, Standard Chartered and Habib Bank Zurich constitute over 85% of group's assets/deposits. Thus 14 banks (4 major 6 private and 4 foreign) out of the total 35 banks control 87% of the entire banking sector.

NBP is the market leader in terms of assets/deposits

The analysis further shows that the state owned NBP continues to be the market leader, with highest assets/deposits portfolio (20% of all banks and nearly 34% of major banks). In the private banks category, Bank Al-Falah enjoys largest assets and deposits base with a share of over 15% in private banks and 4% in all banks. Amongst foreign banks, Standard Chartered leads, with nearly 35% share in the group and 3.6% share in all banks. Deposits registered 48% growth in Bank Al-Falah during 2003, significantly higher than 21% increase in SCB's. There is a shift in deposit towards private banks, where average annual growth is 33%, compared to 10% in major banks and only 4% in foreign banks during the past four years (2000-03).

As a result of acquisition/mergers and opening of new banks in the past four years, assets

Private banks assets grow

growth of private & provincial banks has been substantial. The group's high growth (38%) was contributed by a big jump in the assets of Bank Al-Falah. Four other small and newly setup banks (KASB, Saudi Pak, Meezan and PICIC Commercial) having small asset base also emerged as the leading contributors to growth in assets. Major banks' asset growth (11%) was contributed by three banks — UBL, MCB & FWB, which was over and above the group's cumulative asset growth of 15%. However, asset base of NBP remains the highest amongst all banks.

Foreign banks' assets on the other hand declined (-5%), as some foreign banks changed hands and converted into private local banks. The decline in assets of foreign banks was, however, offset to some extent by asset growth in the group's two leading banks, Habib Bank Zurich and Standard Chartered (+7%).

Foreign banks advances/investment fall

Composition of assets reveal significant decline in advances and investment portfolios of three leading foreign banks — ABN Amro, Standard Chartered and Citibank (-10%). Investment portfolio of the later two banks alone declined by 12% and 54% respectively. NBP with largest portfolio continued to be the lead bank, though MCB recorded the highest growth that was over and above the major banks as well as entire banking sector's investment growth.

Private banks' advances rise

Private banks recorded highest increase in advances portfolio (+64%), mainly contributed by Bank Al-Falah, Askari Commercial, Al-Habib and Union Bank. Among the major banks, UBL and MCB contributed strong growth in advances. Though, growth in NBP advances was impressive in 2003, compared with double digit decline recorded in 2002, HBL emerged as the market leader.

There is sufficient liquidity with the banks. Advances to deposit ratio for the entire banking system was 53% in 2003. For both the private and foreign banks, the ratio, though declining, was the highest (over 66%) and well above the entire banking industry average (53%), while for major banks (46%) it was below the industry average. Among the 14 leading banks, Bank Al-Falah recorded the highest advances to deposits ratio (79%), followed by Habib Bank A.G. Zurich (72%). For NBP the ratio was 40%.

Earning assets to asset ratio improves

The analysis further reveals that earning assets to assets ratio also improved for the three groups. The ratio was 87% for private banks and 73% for major banks. Amongst the leading banks, the ratio stood lowest for HBL (50%) and highest for Askari Commercial (88%).

Earning assets to deposit ratio

Earning assets to deposit ratio exceeded 100% for private and foreign banks. In 2003, the ratio declined slightly for foreign and major banks, while it rose for private banks. Bank-wise, the earning assets to deposit ratio is the highest for Metropolitan Bank (136%) and lowest for HBL (61%). Besides UBL & MCB, most private and foreign banks recorded very high ratio.

CRA highest for foreign banks

The banks in recent years have started to focus more on optimizing capital levels in terms of risk, regulatory requirements and shareholders' returns. Most banks in 2003, managed their capital levels to satisfy their customers, shareholders and credit rating agencies. The analysis shows that capital to risk advances (CRA) ratio was the highest for foreign banks (21%) followed by private banks (12%) and major banks (9%). The ratio was above 10% at NBP, UBL, Faysal Bank, ABN Amro, SCB, Citibank and Habib Bank A.G. Zurich and below 8% in three banks Bank Al-Falah, Bank Al-Habib and Union Bank. Further, CRA was the highest in Citibank (24%) and lowest in Bank Al-Falah (6%).

High profits in 2003

The banking industry in the past three years, has consistently delivered profit growth. Almost all banks posted high profit in 2003, despite intense competition and falling interest spread and margins. The profit growth is attributable among others, to operational efficiency, non-fund based income growth, assets growth, gain in sale of securities and increased focus on credit risk management. Group-wise, private banks, showed a record growth of 97%, contributed mainly by Bank Al-Falah and Faysal Bank. However, in quantum terms, major banks posted record profit (49% of all banks).

NBP records historic profit

NBP maintained its leading position by earning historic profit (19% of all banks and 22% of 14 leading banks) for the third consecutive year. In 2003, Bank Al-Falah's profit topped in its group to match with MCB, UBL and HBL. It pushed Askari Bank to third position after Faysal Bank, which stood second in 2003.

Foreign banks' profit declines

Askari Bank had topped in 2002. Union Bank posted the smallest profit of less than 1% of all banks.

Foreign banks have shown a declining trend in profit growth since 2001. Citibank topped in 2002, earning high profit (35% of all foreign banks), but in 2003, Standard Chartered recorded the highest profit by earning 36% of the foreign banks and 7% of 14 leading banks' profit.

Operating efficiency improves

Improvement in operating efficiency of banks has contributed to profitability growth. Increased operating efficiency, particularly in major banks, is indicated by falling cost to income ratio. The ratio has declined in most banks but is still high in some small and newly opened banks. Restructuring process has enabled major banks to reduce their cost to income ratio by 34% since 2000. Group-wise, private banks have the lowest ratio (40%) and well below all banks. Despite significant decline, the ratio is highest for major banks (47%) with the exception of NBP, where the ratio is 39%. MCB has the highest ratio (55%).

Growth in net interest income

Amongst the private banks, Union Bank has posted a high cost to income ratio (63%), which is also the highest amongst the 14 leading banks. ABN Amro, Standard Chartered, Citibank and Habib Bank A.G. Zurich have recorded an increasing ratio. Some small and newly set up private and foreign banks have a ratio higher than 80%.

Substantial growth in net interest income has been achieved despite falling interest rates. Though in terms of growth, the highest increase, has been recorded by private banks (54%), mainly contributed by Bank Al-Falah, in quantum terms, net interest income is still the highest for major banks, accounting for 63% of all banks. Foreign banks have the lowest net interest income.

Non-interest income

At the sametime, focus by banks on non-fund based income has resulted in strong growth in non-interest income. Major banks continue to enjoy highest non-interest income with a share of over 55% in all banks. However, private banks have registered a strong growth (88%) during the year, while income from this source in foreign banks is only 13% of all banks.

Bank-wise, HBL enjoys the highest net interest income and non-interest income, with a share of 22% and 17% of all banks respectively. Amongst the 14 leading banks, net interest income is the lowest for Union Bank, (slightly over 1% of total banks), while Metropolitan Bank has the smallest non-fund based income (1% of all banks).

Cost of funds fall

As a consequence of falling interest rates, cost of funds for all banks has fallen further. Amongst the 14 leading banks, it is the lowest at UBL (1%) well below the industry average (2%), and highest at Habib Bank A. G. Zurich (4%) above all banks. Some of the small and newly established private and foreign banks still have significantly higher cost of funds. This ratio is as high as 5% for PICIC Commercial.

Intermediation cost of banks has also declined. Despite high administrative expense in major banks, the ratio has come down substantially. For private banks, the ratio is the lowest 2.5% and has remained almost unchanged for the past four years. The ratio for foreign banks matches that of major banks. Amongst the 14 leading banks, the ratio is the highest at 4% for Union Bank and lowest for Metropolitan Bank. In some private and foreign banks, the ratio is still quite high.

RoE, RoA and RoD improves for all banks

Increased operational efficiency and high profit growth in all banks has also positively impacted banks' earning ratios. In 2003, Return on Equity (RoE), Return on Assets (RoA) and Return on Deposits (RoD) have improved further for all banks. Private banks have a slight edge over the other two groups in recording higher RoE, RoA and RoD. Highest RoE has been posted by Bank Al-Falah (140%), while the ratio was the lowest at Union Bank (24%). The other two ratios, RoA and RoD were also the lowest for Union Bank (0.9%) and (1.3%) respectively.

Bank Al-Falah records high ROE

Foreign bank's RoE matched that of private banks. Faysal Bank's RoD at 9.8% was the highest amongst the leading banks. It also posted highest RoA (6.5%).

Bank-wise, amongst the leading banks, RoE crossed 140% at Bank Al-Falah, the highest amongst all banks. Faysal Bank in the same group, posted highest RoA (6.5%) and RoD (9.8%). At the sametime, Union Bank recorded the lowest RoE (24%), RoA (less than 1%) and RoD (slightly over 1%). Amongst the foreign banks, Citibank earned the highest RoA (4%) and RoD (6%), while ABN Amro posted the highest RoE (45%). All the three ratios were the lowest at Habib Bank A.G. Zurich. In the major banks' group, NBP with largest assets, deposits, profit and equity in the entire banking sector topped by posting high RoE (55%), while UBL posted the highest RoA (2.2%) and RoD (2.6%).

As today's financial landscape has changed, becoming more competitive, many banks are taking actions to cut costs, improve operations, streamline decision making, upgrade technology, improve quality and service, diversify into new areas of business. They are focusing on the human touch to building new strategies for better managing risk.

The entrance of new banks in the private sector compelled the state owned banks to improve their efficiency. Large banks were successful in improving their operational efficiency. With the completion of restructuring process, the performance of banks, particularly the large banks, will improve further in the coming years. The banks will increasingly focus on consumer financing and more loans in future will likely be offered for health facilities, education, housing and small and medium enterprises. The increasing competition is likely to improve quality, standard and range of banking services.

Key Performance Indicators - All Banks

(Rs. Billion)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Assets Net	1111.8	1271.0	1414.2	335.2	485.2	668.3	323.7	279.5	266.1	1770.6	2035.8	2348.6
Equity	26.6	41.8	53.4	22.9	27.2	40.7	27.2	28.3	25.1	76.8	97.3	119.2
Deposits	935.1	1043.1	1165.7	251.9	350.3	491.9	207.8	181.6	192.4	1394.8	1575.0	1850.0
Advances	492.9	462.3	546.4	154.5	212.0	340.9	138.8	131.6	121.8	786.2	805.9	1009.1
Investments	216.0	448.9	513.2	70.9	156.6	185.5	41.5	57.3	44.2	328.5	662.8	742.9
Interest Income	87.1	78.5	58.9	29.6	31.9	30.5	30.3	19.1	12.2	147.0	129.5	101.6
Interest Expense	48.5	38.2	17.4	21.3	21.2	14.1	22.5	11.8	4.6	92.4	71.2	36.2
Net Interest Income	38.6	40.3	41.4	8.3	10.6	16.4	7.8	7.3	7.6	54.6	58.2	65.5
Non Fund Based Income	15.1	17.5	24.6	4.7	7.8	14.7	5.3	5.3	6.0	25.1	30.6	45.3
Revenue	53.7	57.8	66.1	12.9	18.4	31.1	13.1	12.6	13.6	79.7	88.9	110.8
Admn Expense	32.4	34.5	31.0	6.8	9.2	12.6	6.7	5.7	6.1	45.9	49.4	49.8
Profit/(Loss) B.T	1.7	16.1	22.9	4.6	8.3	16.3	5.0	6.6	7.4	11.3	31.0	46.6
Employees (Nos)	55512	51068	51575	11537	13596	16640	3109	2677	2557	70158	67341	70772
Branches (Nos)	4977	4872	4771	611	727	845	84	72	66	5672	5671	5682

Growth Rates - All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Assets Net	6.9	14.3	11.3	24.4	44.8	37.7	15.3	-13.6	-4.8	11.3	15.0	15.4
Equity	-15.4	57.0	27.6	39.4	18.6	49.9	10.9	4.1	-11.3	5.9	26.8	22.5
Deposits	9.9	11.5	11.8	32.1	39.1	40.4	10.8	-12.6	5.9	13.5	12.9	17.5
Advances	3.8	-6.2	18.2	14.7	37.2	60.8	3.6	-5.2	-7.5	5.7	2.5	26.1
Investments	-1.1	107.8	14.3	77.0	120.8	18.5	96.0	38.0	-22.9	17.5	101.8	12.1
Interest Income	7.0	-9.9	-25.0	30.8	7.6	-4.3	21.6	-36.8	-36.1	14.0	-11.9	-21.5
Interest Expense	-7.3	-21.3	-54.3	26.1	-0.6	-33.6	19.8	-47.3	-61.0	4.9	-22.9	-49.3
Net Interest Income	32.8	4.5	2.8	44.7	28.6	54.2	27.1	-6.5	4.4	33.6	6.6	12.4
Non Fund Based Income	-10.9	16.0	40.4	10.3	67.7	87.9	2.1	-0.4	14.1	-4.9	21.9	48.1
Revenue	16.7	7.7	14.2	30.1	42.7	68.4	15.6	-3.8	8.3	18.5	11.5	24.6
Admn Expense	-1.2	6.6	-10.1	24.6	34.6	36.9	1.2	-14.8	7.7	2.3	7.6	0.7
Profit/(Loss) B.T	-65.6	832.8	41.9	68.0	82.4	97.4	35.6	32.0	12.1	-1.2	174.6	50.2

Selected Ratios - All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Liquidity Ratio:												
Advances/Deposits	54.2	48.3	45.7	65.3	60.8	66.5	69.0	69.5	67.8	58.3	53.6	53.1
Equity/Deposits	3.3	3.5	4.3	8.9	8.4	8.0	13.1	14.2	14.3	5.7	5.9	6.3
Earning Assets/Deposits	92.8	81.5	88.8	114.0	115.5	119.0	118.3	120.6	119.3	100.2	93.4	99.3
Earning Assets/Assets	77.0	67.6	73.0	83.5	84.8	86.9	77.4	77.8	81.7	78.2	72.9	77.7
Solvency & Debt Management Ratio:												
Equity/Assets	2.7	2.9	3.5	6.5	6.2	5.9	8.6	9.2	9.8	4.4	4.6	4.9
Equity/Liabilities	2.8	3.0	3.8	7.1	6.7	6.4	9.3	10.1	10.9	4.7	4.9	5.3
Liabilities/Assets	95.8	95.4	94.5	92.2	92.5	92.7	91.9	91.0	89.8	94.4	94.1	93.5
Capital/Ratio(CRA)	6.0	7.2	9.4	13.6	13.7	12.3	19.0	20.5	21.1	9.8	11.0	11.9
Profitability Ratio:												
Net Profit Margin	-7.4	13.0	20.3	20.0	25.5	34.0	18.1	33.1	33.0	1.2	18.5	25.7
Pre Tax Margin	1.7	16.8	27.4	13.2	20.9	36.2	14.1	27.1	40.3	6.6	19.4	31.7
Net Interest Margin (NIM)	4.7	5.0	4.2	3.3	3.1	3.3	3.3	3.1	3.4	4.2	4.2	3.8
Return on Equity(ROE)	5.9	47.1	48.1	23.1	33.1	48.4	19.4	23.3	27.5	15.1	35.5	43.1
Return on Assets(ROA)	0.2	1.4	1.7	1.5	2.0	2.8	1.7	2.2	2.7	0.7	1.6	2.1
Return on Deposits(ROD)	0.2	1.6	2.1	2.1	2.7	3.9	2.5	3.4	3.9	0.9	2.1	2.7
Management Soundness:												
Cost of Funds	5.1	3.6	1.5	7.9	5.9	2.8	8.5	4.5	2.0	6.2	4.2	1.9
Intermediation Cost	3.4	3.3	2.6	2.5	2.5	2.5	2.5	2.2	2.6	3.5	3.3	2.9
Yield on Earning Assets	10.5	9.7	6.0	11.7	9.2	6.1	12.9	8.1	5.5	11.2	9.3	6.0
Interest Margin	44.3	51.4	70.4	27.9	33.4	53.8	25.7	38.1	62.2	37.2	45.0	64.4
Revenue/Admn.Expenses	165.6	167.5	212.9	189.3	200.6	246.9	196.4	221.1	222.8	173.6	179.5	222.7
Per Branch:												
Employees (Nos.)	11.2	10.5	10.8	18.9	18.7	19.7	37.0	37.2	38.7	12.4	11.9	12.5
Staff Cost (Rs.Mn.)	4.5	5.0	4.3	4.9	5.5	6.4	37.3	29.2	36.5	5.0	5.4	5.0
Deposits (Rs.Mn.)	179.4	203.0	231.5	362.3	414.2	498.4	2352.4	2704	2883	231.3	262.0	302.0
Profit(AT) (Rs.Mn.)	-0.8	1.5	2.8	4.2	6.5	12.5	28.2	57.7	68.2	0.2	2.9	5.0
Per Employee:												
Staff Cost (Rs.Mn.)	0.4	0.5	0.4	0.3	0.3	0.3	1.0	0.8	0.9	0.4	0.5	0.4
Deposits (Rs.Mn.)	16.1	19.4	21.4	19.2	22.1	25.3	63.6	72.2	73.1	18.7	22.2	24.5

Key Performance Indicators- Major Banks

(Rs. Billion)

Banks	Assets			Equity			Deposits			Advances			Investment		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	415.1	432.8	471.9	12.0	14.3	18.1	349.6	362.9	395.6	170.3	140.5	161.0	71.8	143.5	166.2
HBL	333.8	403.0	434.9	9.5	12.3	16.8	283.4	328.2	360.6	167.2	167.5	183.7	57.8	142.9	158.9
FWB	7.2	8.2	9.7	0.2	0.2	0.4	6.2	6.6	8.1	0.8	0.8	1.3	2.4	5.5	5.3
Nationalised Banks	756.1	844.1	916.5	21.7	26.8	35.3	639.2	697.6	764.3	338.4	308.9	345.9	132.0	291.9	330.3
UBL	168.6	191.8	225.4	-0.8	8.7	10.3	141.3	162.7	189.8	77.9	74.5	103.3	28.6	67.4	54.6
MCB	187.1	235.1	272.3	5.0	6.3	7.7	154.5	182.7	211.5	76.6	78.9	97.2	55.4	89.6	128.3
Privatised Banks	355.7	427.0	497.7	5.0	15.0	18.1	295.9	345.4	401.3	154.5	153.4	200.5	84.0	157.0	182.9
Total	1111.8	1271.0	1414.2	26.6	41.8	53.4	935.1	1043.1	1165.7	492.9	462.3	546.4	216.0	448.9	513.2

Banks	Interest Income			Interest Expense			Net Interest Income			Non Fund Based Income			Revenue		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	31.3	27.1	19.5	18.9	14.7	6.7	12.4	12.4	12.7	4.5	5.2	7.2	16.9	17.6	20.0
HBL	26.7	24.0	19.3	15.4	11.6	5.7	11.3	12.4	13.6	5.5	6.2	7.8	16.8	18.6	21.4
FWB	0.6	0.6	0.5	0.3	0.4	0.2	0.2	0.3	0.4	0.0	0.0	0.1	0.3	0.3	0.5
Nationalised Banks	58.6	51.7	39.3	34.6	26.6	12.6	24.0	25.1	26.7	10.0	11.4	15.2	34.0	36.5	41.8
UBL	11.5	11.4	9.3	6.3	5.5	1.9	5.1	5.9	7.3	2.9	3.5	4.9	8.0	9.4	12.3
MCB	17.0	15.4	10.4	7.5	6.1	2.9	9.5	9.3	7.4	2.2	2.6	4.5	11.7	11.9	12.0
Privatised Banks	28.5	26.8	19.6	13.9	11.6	4.9	14.6	15.2	14.8	5.1	6.1	9.5	19.7	21.3	24.3
Total	87.1	78.5	58.9	48.5	38.2	17.4	38.6	40.3	41.4	15.1	17.5	24.6	53.7	57.8	66.1

Banks	Admn Expense			Provisions			Other Expenses			Profit/Loss (BT)			Profit/Loss (AT)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	8.6	9.1	7.8	2.1	2.1	2.6	3.2	0.3	0.5	3.0	6.0	9.0	1.1	2.3	4.2
HBL	11.7	11.8	9.8	2.6	2.5	5.5	0.2	0.2	0.6	2.2	4.1	5.5	1.1	2.0	4.0
FWB	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.1	0.0	0.2
Nationalised Banks	20.4	21.1	17.8	4.8	4.6	8.1	3.4	0.5	1.2	5.4	10.3	14.7	2.3	4.3	8.4
UBL	4.7	5.9	6.6	1.3	0.7	0.6	7.8	0.0	0.6	-5.7	2.8	4.5	-7.5	1.5	2.8
MCB	7.3	7.5	6.6	2.2	0.7	0.8	0.0	0.5	1.0	2.1	3.1	3.6	1.1	1.7	2.2
Privatised Banks	12.0	13.4	13.2	3.5	1.5	1.3	7.9	0.6	1.5	-3.6	5.9	8.1	-6.4	3.2	5.0
Total	32.4	34.5	31.0	8.3	6.1	9.5	11.3	1.1	2.7	1.7	16.2	22.9	-4.1	7.5	13.4

Source: Annual Reports of the Banks

NBP National Bank of Pakistan
HBL Habib Bank Limited
FWB First Women Bank Limited
UBL United Bank Limited
MCB Muslim Commercial Bank Limited

Major Banks - Selected Ratios

(In %)

Banks	Cost of Funds			Intermediation Cost			Pre-Tax Margin			NFBI/Revenue			Interest Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	5.5	4.0	1.7	2.5	2.5	2.0	8.4	18.7	33.7	26.6	29.5	36.3	39.7	45.8	65.4
HBL	5.1	3.4	1.5	3.9	3.5	2.6	6.9	13.6	20.2	32.7	33.3	36.3	42.3	51.7	70.6
FWB	6.5	5.1	2.2	2.7	2.5	2.9	19.2	20.3	40.1	9.3	10.8	29.1	42.0	44.1	66.8
Nationalised Banks	5.3	3.7	1.6	3.1	3.0	2.3	7.8	16.3	27.1	29.5	31.3	36.2	40.9	48.5	68.0
UBL	4.3	3.4	1.0	3.2	3.6	3.6	-39.8	18.7	31.8	36.3	37.2	40.3	44.7	51.9	79.2
MCB	4.8	3.3	1.3	4.6	4.1	2.9	10.9	17.3	24.2	18.8	21.8	37.9	55.7	60.5	71.7
Privatised Banks	4.5	3.3	1.2	3.9	3.9	3.2	-10.8	17.9	27.9	25.9	28.6	39.1	51.3	56.9	75.2
Total	5.1	3.6	1.5	3.4	3.3	2.6	1.7	16.8	27.4	28.2	30.3	37.3	44.3	51.4	70.4

Banks	Equity/Deposits			Advances/Deposits			ROE			ROA			ROD		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	3.5	3.7	4.3	46.6	43.6	39.8	25.8	46.1	55.6	0.8	1.4	2.0	0.9	1.7	2.4
HBL	3.3	3.6	4.2	62.3	54.7	51.0	24.3	37.5	37.7	0.7	1.1	1.3	0.8	1.3	1.6
FWB	3.0	3.4	4.3	14.5	12.9	14.4	81.9	62.6	84.3	-2.1	1.7	3.0	2.4	2.1	3.7
Nationalised Banks	3.4	3.6	4.2	53.4	48.4	44.8	25.6	42.4	47.5	0.7	1.3	1.7	0.9	1.5	2.0
UBL	2.2	2.6	5.4	55.8	50.1	50.4	-193.6	70.6	47.4	-3.5	1.5	2.2	-4.2	1.8	2.6
MCB	3.3	3.4	3.6	56.1	46.1	44.7	44.4	54.9	51.5	1.2	1.5	1.4	1.4	1.8	1.8
Privatised Banks	2.9	3.1	4.4	55.9	48.0	47.4	-44.7	58.8	49.1	-1.0	1.5	1.8	-1.3	1.8	2.2
Total	3.3	3.5	4.3	54.2	48.3	45.7	5.9	47.2	48.1	0.2	1.4	1.7	0.2	1.6	2.1

Banks	Earning Assets/Deposits			Equity/Assets			Admn Expense/Revenue			Expense/Income			Net Profit Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	82.4	88.8	95.4	3.0	3.1	3.6	50.6	51.8	39.1	91.6	81.3	66.3	6.6	12.8	21.0
HBL	100.2	51.1	61.0	2.8	3.0	3.5	69.8	63.6	45.8	93.1	86.4	79.8	6.6	11.0	18.8
FWB	98.1	106.5	111.1	2.5	2.8	3.6	52.1	54.4	45.5	80.8	79.7	59.9	37.9	14.6	32.3
Nationalised Banks	90.5	71.7	79.3	2.9	3.0	3.5	60.1	57.8	42.6	92.2	83.7	72.9	7.0	11.9	20.0
UBL	93.3	98.0	101.9	1.8	2.2	4.6	58.1	62.2	54.0	139.8	81.4	68.2	-92.9	15.5	22.9
MCB	101.7	105.3	112.1	2.6	2.7	2.8	62.7	63.4	55.0	89.1	82.7	75.8	9.5	14.6	18.6
Privatised Banks	97.7	101.8	107.3	2.3	2.6	3.6	60.8	62.9	54.5	110.8	82.1	72.1	-32.2	15.0	20.8
Total	92.8	81.5	88.8	2.7	2.9	3.5	60.4	59.7	47.0	98.3	83.2	72.6	-7.6	13.0	20.3

Banks	Equity/Advances			Liability/Assets			Equity/Liabilities			Earning Assets/Assets			Net Interest Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	7.5	8.4	10.7	95.6	95.1	94.3	3.1	3.3	3.8	69.8	74.6	79.9	4.5	3.9	3.5
HBL	5.3	6.5	8.3	96.2	95.6	94.8	2.9	3.1	3.7	83.1	42.4	50.1	4.1	7.9	6.5
FWB	20.3	26.1	30.2	95.9	93.5	92.9	2.7	3.0	3.8	84.5	87.9	91.0	5.2	4.1	4.3
Nationalised Banks	6.4	7.5	9.5	95.9	95.3	94.5	3.0	3.2	3.7	75.9	59.9	65.9	4.3	5.2	4.6
UBL	3.9	5.2	10.7	94.6	95.9	93.3	1.9	2.3	4.9	76.3	82.7	86.1	4.1	4.0	4.1
MCB	5.8	7.3	8.0	96.6	95.6	95.5	2.7	2.8	2.9	81.7	84.1	87.0	6.4	5.2	3.4
Privatised Banks	5.2	6.5	9.4	95.6	95.7	94.5	2.5	2.7	3.8	79.1	83.4	86.6	5.3	4.7	3.7
Total	6.0	7.2	9.4	95.8	95.4	94.5	2.8	3.0	3.8	77.0	67.6	73.0	4.7	5.0	4.2

Banks	Revenue/Admn.Expense			Yield on Earning Assets			Employees/Branch (Nos)			Profit(AT)/Branch (Rs.Mn)			Profit(AT)/Employee (Rs.Mn)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	197.8	193.0	255.7	11.4	8.6	5.4	12.2	10.1	11.1	0.9	1.9	3.5	0.1	0.2	0.3
HBL	143.2	157.2	218.4	9.7	15.3	9.2	12.8	12.9	12.8	0.7	1.4	2.7	0.1	0.1	0.2
FWB	191.8	183.8	219.7	12.3	9.3	6.5	12.7	13.1	13.8	2.7	1.2	4.2	0.2	0.1	0.3
Nationalised Banks	166.4	172.9	234.8	10.6	10.8	6.8	12.5	11.7	12.0	0.8	1.6	3.1	0.1	0.1	0.3
UBL	172.1	160.9	185.0	9.1	7.6	5.2	8.0	7.6	8.2	-6.7	1.3	2.6	-0.8	0.2	0.3
MCB	159.4	157.6	181.7	11.5	8.7	4.7	10.9	10.5	10.3	1.0	1.7	2.3	0.1	0.2	0.2
Privatised Banks	164.4	159.1	183.4	10.4	8.2	4.9	9.4	9.0	9.2	-2.9	1.5	2.4	-0.3	0.2	0.3
Total	165.6	167.5	212.9	10.5	9.7	6.0	11.2	10.5	10.8	-0.8	1.5	2.8	-0.1	0.1	0.3

Banks	Staff Cost/Branch (Rs.Mn)			Staff Cost/Employee (Rs.Mn)			Deposits/Staff (Rs.Mn)			Deposits/Branch (Rs.Mn)			Adv+Inv/Deposits		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
NBP	5.0	5.8	4.8	0.4	0.6	0.4	22.0	29.2	28.6	267.5	295.9	316.3	68.3	73.8	80.6
HBL	5.4	5.6	4.2	0.4	0.4	0.3	14.2	16.1	18.3	181.2	207.6	234.1	85.2	87.5	94.8
FWB	2.2	2.7	3.3	0.2	0.2	0.2	9.9	12.9	14.0	125.9	167.7	193.5	48.1	75.2	87.6
Nationalised Banks	5.2	5.7	4.5	0.4	0.5	0.4	17.5	21.1	22.4	218.9	246.2	269.9	75.7	80.1	87.4
UBL	2.4	3.4	3.9	0.3	0.4	0.5	15.2	18.0	20.0	121.0	136.7	163.7	78.8	81.7	85.0
MCB	5.0	5.2	4.5	0.5	0.5	0.4	12.5	15.4	19.4	136.9	161.4	199.9	90.0	89.1	99.9
Privatised Banks	3.7	4.2	4.2	0.4	0.5	0.5	13.7	16.6	19.7	128.7	148.7	181.0	84.6	85.6	92.9
Total	4.5	5.0	4.3	0.4	0.5	0.4	16.1	19.4	21.4	179.4	203.0	231.5	78.5	81.9	89.2

Key Performance Indicators- Private & Provincial Banks

(Rs. Million)

Banks	Assets			Equity			Deposits			Advances			Investments		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	50980	70313	85387	2557	3027	3901	41200	51732	61657	23291	30036	44778	11706	26737	22104
Soneri Bank	20534	27998	36966	1543	1792	2230	16054	20545	27868	10199	11378	17349	4942	9844	11913
Bank Al-Habib	29025	49437	58148	1532	1822	2726	24697	34240	46178	15902	23775	35232	5664	18831	14109
Bank Al-Falah	40098	65167	98953	1361	1616	3253	30207	51685	76698	19132	28319	49216	11397	24470	28904
Bank of Khyber	17229	18843	19797	1117	1258	1563	14123	13989	15367	6926	6575	5382	5713	6316	9544
Bank of Punjab	24803	29525	43621	2391	3305	5208	19035	23767	34938	5772	6621	18344	5970	8295	11458
KASB Bank	5376	4037	8991	707	593	1216	3991	2640	5451	2147	490	1804	1111	2118	2395
Metropolitan Bank	27118	41381	58982	1845	2075	2753	17902	28515	39338	12988	19444	32230	8265	15014	17959
Faysal Bank	41898	36671	47606	3914	4121	5080	31860	24458	31332	24023	21935	29420	4274	6842	11425
Bolan Bank	8444	10595	11726	857	1112	1092	6685	7761	9006	3002	3298	4524	630	1328	1929
Prime Commercial Bank	14526	21637	29566	1287	1380	1536	10367	14640	21634	6239	9016	13664	4166	7534	9827
Union Bank	30128	55849	67328	1266	2243	2507	20721	37760	50452	13869	28890	40409	2720	11823	9287
PICIC Commercial Bank	13464	27982	40134	804	1323	1784	9619	21155	32500	6330	10876	14317	2686	10306	21737
Saudi Pak Commercial	9513	18830	35142	518	16	1145	4816	12341	24578	3785	7773	18536	1095	6279	9370
Meezan Bank	2053	6971	11102	1203	1476	1637	637	5080	7757	865	3532	7397	588	856	1212
Crescent Commercial Bank	-	-	6129	-	-	1826	-	-	3478	-	-	1493	-	-	1366
NIB(NDLC+IFIC)	-	-	8693	-	-	1255	-	-	3682	-	-	6792	-	-	952
All Private/Prov. Banks	335189	485237	668271	22900	27158	40712	251913	350306	491914	154468	211958	340887	70926	156592	185490

Banks	Interest Income			Interest Expense			Net Interest Income			Non-Fund Based Income			Revenue		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	4251	4858	4074	2903	3017	1380	1348	1841	2694	796	846	954	2145	2687	3648
Soneri Bank	1893	2137	1714	1455	1512	790	438	625	924	536	492	463	974	1117	1388
Bank Al-Habib	2591	2776	2404	1807	1976	1145	784	801	1258	358	701	1431	1142	1502	2689
Bank Al-Falah	3392	4551	4033	2515	3112	2029	877	1439	2005	378	695	3392	1255	2134	5397
Bank of Khyber	1729	1617	1474	1401	1065	658	328	552	816	149	139	142	477	691	958
Bank of Punjab	2173	2070	1665	1113	998	484	1060	1072	1180	240	374	831	1299	1446	2012
KASB Bank	656	282	381	525	218	173	131	64	208	91	125	170	223	189	378
Metropolitan Bank	2188	2680	2685	1488	1768	1312	700	912	1373	438	546	651	1138	1458	2024
Faysal Bank	4754	3046	2075	3864	2168	947	891	879	1128	660	977	2714	1550	1856	3842
Bolan Bank	698	517	521	409	314	115	289	203	407	66	253	112	354	456	519
Prime Commercial Bank	1137	1395	1474	694	965	649	443	430	825	249	449	456	692	880	1281
Union Bank	2450	3131	3464	1853	2091	1694	598	1040	1770	667	1006	1693	1264	2046	3464
PICIC Commercial Bank	1047	1777	2618	754	1297	1547	293	479	1070	214	326	439	507	806	1509
Saudi Pak Commercial	588	725	1301	540	532	872	48	193	429	-137	581	717	-89	774	1146
Meezan Bank	81	311	376	29	192	182	52	120	193	-53	288	287	-1	408	481
Crescent Commercial Bank	-	-	76	-	-	30	-	-	46	-	-	192	-	-	238
NIB(NDLC+IFIC)	-	-	172	-	-	83	-	-	90	-	-	8	-	-	98
All Private/Prov. Banks	29627	31872	30505	21348	21223	14088	8279	10649	16417	4651	7798	14653	12930	18448	31070

Banks	Admn Expenses			Provisions			Other Expenses			Profit/Loss (BT)			Profit/Loss (AT)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	853	1090	1436	283	351	309	1	2	1	1009	1244	1902	550	687	1103
Soneri Bank	362	441	500	59	44	73	2	12	2	551	621	813	270	350	439
Bank Al-Habib	539	760	1062	52	119	108	0	4	6	551	620	1513	246	290	1012
Bank Al-Falah	744	1183	1803	-14	55	88	1	1	2	524	895	3504	311	446	2123
Bank of Khyber	234	247	308	77	238	240	3	5	13	163	200	397	231	142	305
Bank of Punjab	837	900	999	40	54	8	1.5	60	2	421	432	1002	236	284	689
KASB Bank	184	204	327	112	34	16	14	53	-14	-87	-102	49	-68	-114	25
Metropolitan Bank	369	513	662	26	68	135	0	1	3	743	876	1224	335	430	679
Faysal Bank	534	619	835	61	-21	248	30	3	14	925	1255	2745	410	656	2151
Bolan Bank	309	381	375	34	50	137	1	1	2	10	25	6	9	4	-20
Prime Commercial Bank	361	512	719	89	57	125	1	4	7	241	306	430	153	176	277
Union Bank	1040	1563	2190	199	169	154	16	28	554	9	286	566	31	164	428
PICIC Commercial Bank	235	326	564	-23	-29	120	0	0	1	296	509	825	112	319	621
Saudi Pak Commercial	195	262	414	274	-380	-299	225	51	52	-782	842	979	-182	654	378
Meezan Bank	36	195	255	-1	-61	-16	-	3	-	-	271	241	-54	223	214
Crescent Commercial Bank	-	-	74	-	-	46	-	-	1	-	-	117	-	-	111
NIB(NDLC+IFIC)	-	-	62	-	-	8	-	-	0	-	-	28	-	-	21
All Private/Prov. Banks	6830	9195	12586	1267	747	1498	295	227	645	4573	8278	16341	2589	4709	10555

Source: Annual Reports of the Banks

Private & Provincial Banks - Selected Ratios

(In %)

Banks	Cost of Funds			Intermediation Cost			Pre-Tax Margin			NFBI/Revenue			Interest Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	7.1	5.5	2.0	2.1	2.0	2.0	20.0	21.8	37.8	37.1	31.5	26.1	31.7	37.9	66.1
Soneri Bank	8.0	7.2	2.8	2.0	2.1	1.8	22.7	23.6	37.3	55.0	44.1	33.4	23.2	29.2	53.9
Bank Al-Habib	7.4	5.5	2.3	2.2	2.1	2.2	18.7	17.8	39.5	31.3	46.7	53.2	30.3	28.8	52.3
Bank Al-Falah	7.9	6.6	2.7	2.3	2.5	2.4	13.9	17.1	47.2	30.1	32.6	62.9	25.9	31.6	49.7
Bank of Khyber	9.6	6.9	4.1	1.6	1.6	1.9	8.7	11.4	24.6	31.3	20.1	14.8	18.9	34.1	55.4
Bank of Punjab	5.6	4.3	1.5	4.2	3.9	3.2	17.5	17.7	40.1	18.4	25.8	41.3	48.8	51.8	70.9
KASB Bank	7.9	5.8	3.4	2.8	5.4	6.4	-11.7	-25.0	8.9	40.9	66.0	44.9	20.0	22.8	54.7
Metropolitan Bank	7.0	5.9	3.0	1.7	1.7	1.5	28.3	27.2	36.7	38.5	37.5	32.2	32.0	34.0	51.1
Faysal Bank	13.3	6.5	2.8	1.8	1.9	2.5	17.1	31.2	57.3	42.6	52.7	70.6	18.7	28.8	54.4
Bolan Bank	5.6	3.8	1.2	4.2	4.6	3.9	1.3	3.2	1.0	18.6	55.5	21.6	41.3	39.3	78.0
Prime Commercial Bank	6.3	6.0	2.8	3.3	3.2	3.1	17.4	16.6	22.3	36.0	51.1	35.6	39.0	30.8	56.0
Union Bank	7.0	5.4	3.1	3.9	4.0	4.0	0.3	6.9	11.0	52.7	49.2	48.9	24.4	33.2	51.1
PICIC Comm. Bank	7.2	7.2	5.1	2.3	1.8	1.9	23.5	24.2	27.0	42.2	40.5	29.1	28.0	27.0	40.9
Saudi Pak Commercial	5.9	3.9	3.4	2.1	1.9	1.6	-173.4	64.5	48.5	154.1	75.1	62.6	8.2	26.6	33.0
Meezan Bank	9.1	6.7	2.6	11.2	6.8	3.7	-123.7	45.2	36.3	-	70.7	59.8	64.2	38.4	51.4
Crescent Commercial Bank	-	-	1.6	-	-	3.8	-	-	43.7	-	-	80.8	-	-	60.1
NIB(NDLC+IFIC)	-	-	2.9	-	-	2.2	-	-	15.4	-	-	7.9	-	-	52.1
All Private/Prov. Banks	7.9	5.9	2.8	2.5	2.5	2.5	13.2	20.9	36.2	36.0	42.3	47.2	27.9	33.4	53.8

Banks	Equity/Deposit			Advances/Deposits			ROE			ROA			ROD		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	6.7	6.0	6.1	57.6	57.4	66.0	42.3	44.6	54.9	2.3	2.1	2.4	2.8	2.7	3.4
Soneri Bank	9.4	9.1	8.3	70.2	59.0	59.3	39.1	37.3	40.4	2.7	2.6	2.5	3.7	3.4	3.4
Bank Al-Habib	6.7	5.7	5.7	72.0	67.3	73.4	38.6	37.0	66.5	2.1	1.6	2.8	2.6	2.1	3.8
Bank Al-Falah	4.5	3.6	3.8	67.8	57.9	60.4	46.4	60.1	143.9	1.5	1.7	4.3	2.1	2.2	5.5
Bank of Khyber	6.6	8.4	9.6	47.9	48.0	40.7	18.6	16.9	28.2	1.0	1.1	2.1	1.2	1.4	2.7
Bank of Punjab	12.7	13.3	14.5	33.0	29.0	42.5	18.4	15.2	23.5	1.8	1.6	2.7	2.3	2.0	3.4
KASB Bank	14.2	19.6	22.4	81.7	39.8	28.4	-11.8	-15.6	5.4	-1.2	-2.2	0.8	-1.7	-3.1	1.2
Metropolitan Bank	10.6	8.4	7.1	78.5	69.9	76.2	45.1	44.7	50.7	3.1	2.6	2.4	4.8	3.8	3.6
Faysal Bank	12.8	14.3	16.5	74.9	81.5	92.0	29.3	31.2	59.7	2.8	3.2	6.5	3.7	4.5	9.8
Bolan Bank	12.1	13.6	13.2	48.8	43.6	46.7	1.4	2.5	0.6	0.1	0.3	0.1	0.2	0.3	0.1
Prime Commercial Bank	13.0	10.7	8.0	70.0	61.0	62.5	20.0	22.9	29.5	1.9	1.7	1.7	2.6	2.4	2.4
Union Bank	6.2	6.0	5.4	71.8	73.1	78.6	0.8	16.3	23.8	0.0	0.7	0.9	0.0	1.0	1.3
PICIC Comm. Bank	10.0	6.9	5.8	73.9	55.9	60.8	39.5	47.8	53.1	2.6	2.5	2.4	3.9	3.3	3.1
Saudi Pak Commercial	2.9	3.1	3.1	94.6	67.4	71.3	-520.0	315.4	168.6	-8.0	5.9	3.6	-15.1	9.8	5.3
Meezan Bank	188.7	46.9	24.2	135.7	76.9	85.1	-5.8	20.2	15.5	-3.4	6.0	2.7	-11.0	9.5	3.8
Crescent Commercial Bank	-	-	52.5	-	-	42.9	-	-	12.8	-	-	3.8	-	-	6.7
NIB(NDLC+IFIC)	-	-	34.1	-	-	184.5	-	-	4.4	-	-	0.6	-	-	1.5
All Private/Prov. Banks	8.9	8.3	8.1	65.4	60.8	66.5	23.1	33.1	48.4	1.5	2.0	2.8	2.1	2.7	3.9

Banks	Earning Assets/Deposits			Equity/Assets			Revenue/Admn. Expense			Expense/Income			Net Profit Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	106.0	113.2	120.6	5.3	4.6	4.4	251.5	246.5	254.0	80.0	78.2	62.2	25.6	25.6	30.2
Soneri Bank	118.9	116.3	119.2	6.9	6.9	6.2	269.2	253.6	277.6	77.3	76.4	62.7	27.8	31.4	31.6
Bank Al-Habib	108.8	115.8	117.2	5.4	4.3	4.2	212.0	197.7	253.3	81.3	82.2	60.5	21.5	19.3	37.6
Bank Al-Falah	113.4	111.1	112.0	3.3	2.8	3.0	168.7	180.4	299.2	86.1	82.9	52.8	24.8	20.9	39.3
Bank of Khyber	108.7	111.1	113.5	5.4	6.6	7.3	203.6	279.3	310.9	91.3	88.6	75.4	48.4	20.5	31.8
Bank of Punjab	103.8	104.0	109.4	9.9	10.5	11.6	155.2	160.7	201.3	82.5	82.3	59.9	18.2	19.6	34.3
KASB Bank	118.3	109.8	131.3	9.8	13.8	13.9	120.9	92.8	115.8	111.7	125.0	91.1	-30.3	-60.4	6.6
Metropolitan Bank	140.4	133.7	136.1	6.9	5.7	4.8	308.5	284.3	305.7	71.7	72.8	63.3	29.4	29.5	33.5
Faysal Bank	108.2	113.3	133.4	9.5	10.2	10.9	290.3	299.7	460.2	82.9	68.8	42.7	26.4	35.4	56.0
Bolan Bank	103.9	98.2	107.8	8.7	10.3	9.9	114.7	119.9	138.5	98.7	96.8	99.0	2.5	0.8	-3.9
Prime Commercial Bank	114.2	125.6	126.1	9.5	7.4	5.7	191.5	171.7	178.2	82.6	83.4	77.7	22.1	20.0	21.6
Union Bank	116.0	117.9	121.4	4.1	4.1	3.9	121.5	130.9	158.2	99.7	93.1	89.0	2.4	8.0	12.4
PICIC Comm. Bank	134.4	119.7	115.4	6.5	5.1	4.6	216.2	247.0	267.8	76.5	75.8	73.0	22.0	39.6	41.2
Saudi Pak Commercial	154.4	132.7	92.0	1.5	1.9	2.2	-45.7	296.0	276.9	273.4	35.5	51.5	204.8	84.5	33.0
Meezan Bank	-	95.3	114.8	58.6	29.7	17.2	-2.0	209.0	188.1	223.7	54.8	63.7	7591.5	54.7	44.5
Crescent Commercial Bank	-	-	139.1	-	-	29.8	-	-	319.7	-	-	56.3	-	-	46.6
NIB(NDLC+IFIC)	-	-	-	-	-	14.4	-	-	157.3	-	-	84.6	-	-	21.1
All Private/Prov. Banks	114.0	115.5	119.0	6.5	6.1	5.9	189.3	200.6	246.9	86.8	79.1	63.8	20.0	25.5	34.0

Private & Provincial Banks - Selected Ratios

(In %)

Banks	Equity/Advances			Liabilities/Assets			Equity/Liabilities			Earning Assets/Assets			Net Interest Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	11.6	10.5	9.3	94.7	94.4	94.1	5.6	4.9	4.7	84.8	86.7	87.9	3.6	3.5	3.9
Soneri Bank	13.3	15.5	14.0	93.1	92.1	92.5	7.4	7.5	6.7	88.0	87.7	88.8	2.5	2.9	3.2
Bank Al-Habib	9.3	8.5	7.7	94.4	94.5	94.6	5.7	4.5	4.5	86.9	87.0	87.6	3.4	2.3	2.7
Bank Al-Falah	6.6	6.3	6.3	94.4	94.5	95.2	3.5	3.0	3.1	83.4	86.4	87.6	3.1	3.2	2.8
Bank of Khyber	13.8	17.6	23.6	95.6	92.4	90.3	5.6	7.1	8.1	88.2	86.6	86.2	2.3	3.5	4.9
Bank of Punjab	38.4	46.0	34.1	90.1	89.5	88.4	11.0	11.7	13.2	81.2	81.9	87.8	5.7	4.8	3.7
KASB Bank	17.4	49.3	78.8	90.2	84.5	84.8	10.9	16.3	16.4	81.6	77.4	81.6	2.1	1.8	3.9
Metropolitan Bank	13.5	12.1	9.3	92.7	92.5	93.1	7.4	6.2	5.2	91.0	90.6	92.0	3.2	2.9	3.0
Faysal Bank	17.1	17.5	17.9	90.7	88.4	84.9	10.4	11.6	12.9	80.0	81.2	88.3	3.3	2.8	3.0
Bolan Bank	24.9	31.3	28.2	58.2	89.6	90.2	14.9	11.5	11.0	74.1	74.5	81.0	4.7	2.9	4.5
Prime Commercial Bank	19.3	17.5	12.9	90.0	91.7	93.8	10.6	8.0	6.1	83.6	86.8	89.3	4.2	2.7	3.6
Union Bank	8.6	8.2	6.9	96.3	95.5	95.6	4.3	4.3	4.0	76.8	80.2	87.0	2.7	3.0	3.3
PICIC Comm. Bank	13.5	12.4	12.3	93.0	92.2	93.4	7.0	5.6	4.9	87.4	88.9	90.9	2.9	2.6	3.5
Saudi Pak Commercial	3.1	4.6	4.4	98.4	97.4	97.5	1.6	1.9	2.2	82.5	80.4	62.9	0.6	1.7	2.5
Meezan Bank	139.1	60.9	28.5	0.0	59.7	81.6	-	49.7	21.1	-	60.3	81.5	-	4.4	2.6
Crescent Commercial Bank	-	-	122.3	-	-	69.9	-	-	42.6	-	-	78.9	-	-	1.9
NIB(NDLC+IFIC)	-	-	18.5	-	-	85.5	-	-	16.9	-	-	93.3	-	-	2.2
All Private/Prov. Banks	13.6	13.7	12.3	92.2	92.5	92.7	7.1	6.6	6.4	83.5	84.8	86.9	3.3	3.1	3.3

Banks	Adv+Inv/Deposits			Staff Cost/Employee (Rs.Mn)			Yield Earning Assets			Admn.Expense/Revenue			Deposit/Branch(Rs.Mn)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	86.0	98.7	109.1	0.3	0.3	0.4	11.2	9.2	6.0	39.8	40.6	39.4	993.9	1010.1	977.5
Soneri Bank	97.2	99.4	104.3	0.2	0.2	0.2	10.6	10.0	5.9	37.1	39.4	36.0	501.4	469.2	550.1
Bank Al-Habib	88.5	108.9	114.3	0.3	0.3	0.3	11.2	8.1	5.1	47.2	50.6	39.5	518.5	517.0	574.4
Bank Al-Falah	99.9	101.7	102.0	0.3	0.3	0.4	11.8	10.0	5.6	59.3	55.4	33.4	792.0	909.9	1088.0
Bank of Khyber	80.4	90.8	94.8	0.4	0.4	0.5	12.0	10.4	8.9	49.1	35.8	32.2	456.1	484.7	506.1
Bank of Punjab	60.2	62.3	76.2	0.2	0.2	0.2	11.6	9.3	5.2	64.4	62.2	49.7	74.5	88.4	121.8
KASB Bank	99.7	88.5	84.1	0.2	0.3	0.3	10.7	7.7	7.2	82.7	107.7	86.3	289.1	184.2	212.9
Metropolitan Bank	113.5	120.0	124.7	0.2	0.2	0.2	10.0	8.6	5.8	32.4	35.2	32.7	620.8	663.1	848.2
Faysal Bank	88.4	101.3	124.8	0.8	0.8	0.6	17.8	9.5	5.6	34.5	33.4	21.7	1763.7	1224.3	715.3
Bolan Bank	61.5	57.2	66.1	0.1	0.1	0.1	11.3	7.3	5.8	87.2	83.4	72.2	119.3	144.5	167.7
Prime Commercial Bank	100.1	107.8	110.4	0.4	0.3	0.4	10.7	8.9	6.4	52.2	58.3	56.1	423.4	378.9	421.8
Union Bank	89.0	98.0	102.5	0.4	0.5	0.7	11.1	9.1	6.5	82.3	76.4	63.2	592.1	860.0	1025.7
PICIC Comm. Bank	100.8	98.1	120.5	0.2	0.2	0.3	10.4	9.6	8.5	46.3	40.5	37.3	374.7	366.4	419.2
Saudi Pak Commercial	120.3	110.3	113.6	0.2	0.2	0.2	7.3	6.4	7.7	-218.9	33.8	36.1	259.9	306.4	659.3
Meezan Bank	-	102.2	101.2	-	0.6	0.5	-	11.4	5.1	-5014.1	47.9	53.2	-	476.4	641.8
Crescent Commercial Bank	-	-	82.2	-	-	0.2	-	-	3.1	-	-	31.3	-	-	289.9
NIB(NDLC+IFIC)	-	-	210.3	-	-	0.1	-	-	4.3	-	-	63.6	-	-	920.5
All Private/Prov. Banks	90.4	98.6	106.3	0.3	0.3	0.3	11.7	9.2	6.1	52.8	49.8	40.5	362.3	414.2	498.4

Banks	Staff Cost/Branch (Rs.Mn)			Staff / Branch			Deposit/Employee (Mn)			Profit (AT)/Branch			Profit(AT)/Employee		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Askari Commercial Bank	10.4	10.5	10.7	35.6	31.7	29.7	27.9	31.9	32.9	15.3	14.9	19.0	0.4	0.5	0.6
Soneri Bank	3.7	3.5	3.9	22.1	20.0	20.0	22.7	23.5	27.4	9.0	9.0	10.0	0.4	0.4	0.5
Bank Al-Habib	5.3	4.9	5.2	18.1	17.7	17.9	28.7	29.3	32.1	6.0	5.1	14.5	0.3	0.3	0.8
Bank Al-Falah	10.3	10.6	12.7	30.0	33.4	36.2	26.4	27.2	30.1	9.7	9.9	36.0	0.3	0.3	1.0
Bank of Khyber	4.7	5.1	6.4	12.6	13.0	12.7	36.2	37.4	39.9	8.0	4.9	10.5	0.6	0.4	0.8
Bank of Punjab	2.3	2.5	2.7	12.7	12.4	12.5	5.9	7.1	9.7	1.0	1.2	2.9	0.1	0.1	0.2
KASB Bank	4.3	4.1	6.8	24.7	16.2	23.4	11.7	11.4	9.1	-3.8	-6.4	1.3	-0.2	-0.4	0.1
Metropolitan Bank	4.2	4.1	4.6	22.4	21.8	22.5	27.7	30.4	37.7	13.4	12.3	17.0	0.6	0.6	0.8
Faysal Bank	12.3	15.3	10.8	26.1	20.0	18.5	67.5	61.1	38.6	29.3	28.5	55.2	1.1	1.4	3.0
Bolan Bank	2.3	3.0	2.6	21.1	20.5	20.3	5.7	7.0	8.3	0.2	0.1	-0.4	0.0	0.0	0.0
Prime Commercial Bank	7.2	5.3	10.1	20.7	19.9	20.9	20.5	19.0	20.2	6.9	5.3	6.4	0.3	0.3	0.3
Union Bank	12.0	17.7	20.8	26.8	33.1	30.7	22.1	25.9	33.4	1.0	4.8	9.9	0.0	0.1	0.3
PICIC Comm. Bank	3.8	2.8	3.2	15.5	12.1	10.9	24.3	30.2	38.4	5.6	7.6	9.7	0.4	0.6	0.9
Saudi Pak Commercial	3.6	2.8	5.0	20.8	17.0	22.6	12.5	18.0	29.1	-9.1	23.4	13.5	-0.4	1.4	0.6
Meezan Bank	-	16.3	11.5	-	26.5	24.5	-	18.0	26.2	-	37.2	21.4	-	1.4	0.9
Crescent Commercial Bank	-	-	4.8	-	-	22.2	-	-	13.1	-	-	18.5	-	-	0.8
NIB(NDLC+IFIC)	-	-	14.5	-	-	124.5	-	-	7.4	-	-	10.3	-	-	0.1
All Private/Prov. Banks	4.8	5.4	6.4	18.9	18.7	19.7	19.2	22.1	25.3	4.2	6.5	12.5	0.2	0.3	0.6

NDLC National Development Leasing Company
IFIC International Finance & Investment Corporation

Key Performance Indicators - Foreign Banks

(Rs Million)

Banks	Assets			Equity			Deposits			Advances			Investments		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	52799	45722	45963	2686	3089	2843	34192	34696	37679	23861	25141	23430	9317	8935	9442
Standard Chartered	41135	81133	83723	2365	6074	6369	24460	56439	67881	21497	42234	39952	5817	17653	15584
Citibank	61970	62148	61362	5699	6623	5870	41486	40838	39748	27119	25657	25288	6799	11280	5190
American Express	14071	13588	10042	1105	1207	1270	5957	5979	5122	4979	4841	2394	3118	4192	2330
Credit Agricole Indosuez	10406	8870	-	590	698	-	5307	2809	-	4267	4144	-	1252	1817	-
Societe Generale	7056	-	-	887	-	-	2959	-	-	2902	-	-	0	-	-
SC & Grindlays Bank ¹	38172	-	-	3140	-	-	32809	-	-	16599	-	-	1149	-	-
HSBC*	10695	8754	10115	787	1007	1234	5833	5773	7339	4348	4270	4994	571	304	196
Deutsche Bank	7033	4764	3879	658	936	1134	3994	2701	1461	3169	2293	1444	44	197	17
Mashreq Bank	7644	4968	-	1179	1268	-	3756	2075	-	2221	1634	-	394	626	-
Emirates Bank Int.	24879	-	-	1515	-	-	14326	-	-	9029	-	-	7351	-	-
Doha Bank	1890	1722	1701	864	837	824	175	40	37	639	518	514	10	-	-
Oman International	3117	2611	1848	779	1004	1002	1823	1142	745	1131	877	324	136	295	149
Bank of Tokyo	8594	5129	4359	1669	1789	1712	6517	3007	2630	916	91	71	808	816	693
Habib Bank AG Zurich	21428	28027	32856	1380	1528	1660	16679	20192	22928	10651	13674	17363	4118	9361	9900
IFIC Bank	2044	2054	-	386	385	-	1362	203	-	1214	1106	-	25	343	-
Al Baraka Islamic Bank	6951	8226	9663	890	1172	1138	4725	5345	6627	4016	4931	5982	182	203	339
Bank of Ceylon	2830	1162	-	565	616	-	1110	145	-	122	116	-	1139	884	-
Rupali Bank	951	670	620	71	108	85	290	203	207	142	77	25	452	418	351
All Foreign Banks	323666	279547	266130	27214	28342	25140	207761	181588	192404	138822	131604	121780	41533	57323	44190

Banks	Interest Income			Interest Expense			Net Interest Income			Non-Fund Based Income			Revenue		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	4989	3473	2161	3708	2029	667	1281	1444	1493	759	789	771	2040	2233	2264
Standard Chartered	3964	4438	3815	2899	2428	904	1065	2010	2911	516	955	1598	1581	2966	4510
Citibank	6526	5072	3311	4219	2820	1266	2307	2252	2045	1283	1897	2254	3591	4149	4299
American Express	1112	885	344	948	706	206	164	179	138	296	336	291	459	515	430
Credit Agricole Indosuez	902	593	-	804	512	-	99	81	-	126	125	-	224	206	-
Societe Generale	938	-	-	879	-	-	59	-	-	64	-	-	123	-	-
SC & Grindlays Bank ¹	3521	-	-	2292	-	-	1229	-	-	762	-	-	1991	-	-
HSBC*	625	552	327	515	386	135	111	166	192	157	133	172	267	299	364
Deutsche Bank	619	295	111	472	150	24	147	146	87	167	155	363	314	301	450
Mashreq Bank	822	505	-	725	323	-	97	182	-	90	53	-	187	235	-
Emirates Bank Int.	1837	-	-	1395	-	-	441	-	-	296	-	-	737	-	-
Doha Bank	26	7	6	140	7	-	-114	-	6	10	1	-	-104	1	6
Oman International	169	146	81	161	128	60	8	18	21	25	17	14	33	35	35
Bank of Tokyo	864	376	75	632	269	48	232	107	27	94	69	71	327	176	98
Habib Bank AG Zurich	2044	1875	1600	1700	1511	1117	344	364	483	428	376	378	772	740	861
IFIC Bank	170	129	-	123	91	-	47	38	-	64	38	-	111	75	-
Al Baraka Islamic Bank	594	550	358	447	370	187	148	180	171	147	137	129	295	318	300
Bank of Ceylon	450	179	-	348	81	-	103	98	-	33	30	-	135	128	-
Rupali Bank	91	46	32	77	31	6	14	15	27	6	181	3	20	196	30
All Foreign Banks	30264	19121	12220	22483	11841	4619	7782	7280	7601	5320	5292	6046	13102	12571	13647

Banks	Admn Expense			Provisions			Other Expenses			Profit/Loss(BT)			Profit/Loss(AT)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	858	907	927	3	11	10	9	7	3	1170	1308	1324	733	1026	806
Standard Chartered	598	1195	1825	104	21	-9	185	1	-	693	1749	2693	355	1038	1688
Citibank	1680	1708	1841	142	150	69	1	5	34	1768	2287	2356	860	1064	1323
American Express	397	349	370	4	2	23	70	-	-	-11	164	37	-18	138	80
Credit Agricole Indosuez	183	192	-	-26	-8	-	-	1	-	67	22	-	47	46	-
Societe Generale	155	-	-	59	-	-	-	-	-	-91	-	-	-82	-	-
SC & Grindlays Bank ¹	924	-	-	153	-	-	407	-	-	507	-	-	41	-	-
HSBC*	152	183	186	14	10	-29	-	-	-	102	106	207	70	89	231
Deutsche Bank	320	292	278	13	-16	-12	-	3	-	-19	22	185	-19	119	-33
Mashreq Bank	103	110	-	7	-50	-	4	1	-	73	174	-	21	113	-
Emirates Bank Int.	563	-	-	160	-	-	-	-	-	14	-	-	21	-	-
Doha Bank	74	43	20	-8	-6	-10	36	-	-	-206	-37	-4	-298	-37	-4
Oman International	44	43	41	-	-	0	-	-	-	-12	-9	-6	-12	-9	-6
Bank of Tokyo	99	90	73	-	-2	-2	-	-	-	227	88	27	156	28	20
Habib Bank AG Zurich	326	324	416	40	40	15	-	1	-	407	375	430	303	297	323
IFIC Bank	52	54	-	-	-	-	-	-	-	60	21	-	30	11	-
Al Baraka Islamic Bank	104	119	135	26	25	21	2	-	-	164	173	144	114	146	94
Bank of Ceylon	27	30	-	-	1	-	-	-	-	108	97	-	48	52	-
Rupali Bank	13	48	14	1	71	50	-	-	1	6	78	-35	2	37	-23
All Foreign Banks	6671	5686	6125	693	248	127	713	17	38	5026	6619	7357	2371	4156	4499

1 ANZ Grindlays Bank was merged/acquired by Standard Chartered on 30-11-2002.
 - Merger/Amalgamation/Acquisition
 * HongKong & Shanghai Banking Corporation

Source: Annual Reports of the Banks

Foreign Banks - Selected Ratios

(In %)

Banks	Cost of Funds			Intermediation Cost			Pre-Tax Margin			NFBI/Revenue			Interest Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	8.8	4.5	1.6	2.0	2.0	2.2	20.4	30.7	45.2	37.2	35.3	34.1	25.7	41.6	69.1
Standard Chartered	8.6	4.4	1.2	1.8	2.2	2.5	15.5	32.4	49.8	32.6	32.2	35.4	26.9	45.3	76.3
Citibank	9.0	5.4	2.4	3.6	3.3	3.5	22.6	32.8	42.3	35.7	45.7	52.4	35.4	44.4	61.8
American Express	7.3	5.9	2.1	3.0	2.9	3.8	-0.8	13.5	5.8	64.3	65.2	67.8	14.7	20.2	40.1
Credit Agricole Indosuez	9.2	5.8	-	2.1	2.2	-	6.5	3.0	-	56.0	60.8	-	10.9	13.6	-
Societe Generale	12.7	-	-	2.2	-	-	-9.1	-	-	51.9	-	-	6.3	-	-
SC&Grindlays Bank	7.0	-	-	2.8	-	-	11.8	-	-	38.3	-	-	34.9	-	-
HSBC*	6.8	4.6	1.7	2.0	2.2	2.3	13.0	-15.5	41.5	58.6	44.5	47.3	17.7	30.1	58.7
Deutsche Bank	7.6	3.7	1.0	5.1	7.2	12.4	-2.4	5.0	39.0	53.1	51.6	80.6	23.8	49.4	78.8
Mashreq Bank	9.9	6.6	-	1.4	2.2	-	8.0	31.1	-	48.2	22.7	-	11.8	36.0	-
Emirates Bank Int.	7.0	-	-	2.8	-	-	0.6	-	-	40.2	-	-	24.0	-	-
Doha Bank	11.0	1.6	0.6	5.8	9.2	52.5	-566.9	-463.3	-69.5	-9.7	83.3	4.9	-434.0	1.4	95.9
Oman International	8.9	6.7	5.1	2.4	2.3	3.5	-6.1	-5.7	-6.0	75.8	47.7	40.7	4.7	12.4	26.0
Bank of Tokyo	7.8	5.1	1.7	1.2	1.7	2.6	23.7	19.7	16.3	28.9	39.2	72.2	26.9	28.5	36.7
Habib Bank AG Zurich	9.4	7.0	4.2	1.8	1.5	1.6	16.4	16.7	21.7	55.4	50.9	43.9	16.8	19.4	30.2
IFIC Bank	7.3	9.2	-	3.1	5.5	-	25.5	12.7	-	57.5	49.9	-	27.9	29.3	-
Al Baraka Islamic Bank	8.4	5.8	2.5	2.0	1.9	1.8	22.1	25.1	29.5	49.8	43.3	43.1	24.9	32.7	47.7
Bank of Ceylon	12.0	6.4	-	0.9	2.4	-	22.3	46.5	-	24.1	23.6	-	22.8	54.8	-
Rupali Bank	7.9	4.9	1.9	1.4	7.6	4.6	5.7	34.3	-97.8	28.9	92.1	11.1	15.7	33.5	81.8
All Foreign Banks	8.5	4.6	2.0	2.5	2.2	2.6	14.1	27.1	40.3	40.6	42.1	44.3	25.7	38.1	62.2

Banks	Adv.+Inv/Deposits			Adv./Deposits			ROE			ROA			ROD		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	86.6	97.6	92.5	71.2	71.1	67.1	47.3	45.3	44.6	2.5	2.7	2.9	3.7	3.8	3.7
Standard Chartered	96.2	107.8	92.8	78.2	78.8	66.1	32.2	41.5	43.3	1.9	2.9	3.3	3.0	4.3	4.3
Citibank	78.3	86.1	83.7	66.2	64.1	63.2	35.5	37.1	37.7	3.2	3.7	3.8	4.6	5.6	5.8
American Express	130.7	143.5	123.9	88.4	82.3	65.2	-1.1	14.2	3.0	-0.1	1.2	0.3	-0.2	2.8	0.7
Credit Agricole Indosuez	122.5	141.5	-	94.3	103.6	-	11.1	3.4	-	0.7	0.2	-	1.4	0.5	-
Societe Generale	79.7	-	-	77.3	-	-	-10.0	-	-	-1.1	-	-	-2.3	-	-
SC&Grindlays Bank	71.4	-	-	65.1	-	-	16.3	-	-	1.4	-	-	1.7	-	-
HSBC*	86.6	81.8	74.5	79.9	74.3	70.7	13.8	-3.0	18.5	1.2	-0.3	2.2	1.9	1.8	3.2
Deutsche Bank	72.2	85.2	94.9	69.7	81.6	89.8	-2.8	2.8	17.8	-0.2	0.4	4.3	-0.4	0.7	8.9
Mashreq Bank	59.0	83.6	-	46.4	66.1	-	6.1	14.2	-	0.8	2.8	-	1.6	6.0	-
Emirates Bank Int.	106.6	-	-	66.2	-	-	0.9	0.0	-	0.1	-	-	0.1	-	-
Doha Bank	169.1	542.6	1340.1	166.6	538.1	1340.1	-20.2	-4.3	-0.5	-8.6	-2.0	-0.3	-34.4	-34.0	-11.6
Oman International	74.8	82.3	87.2	70.2	67.7	63.6	-1.7	-1.0	-0.6	-0.5	-0.3	-0.3	-0.8	-0.6	-0.6
Bank of Tokyo	26.7	27.6	29.7	14.7	10.6	2.9	13.4	5.1	1.6	2.4	1.3	0.6	3.0	1.8	1.0
Habib Bank AG Zurich	93.4	102.5	116.6	71.9	66.0	72.0	31.6	25.8	27.0	2.0	1.5	1.4	2.7	2.0	2.0
IFIC Bank	96.8	171.7	-	94.8	148.2	-	18.8	5.5	-	3.1	1.0	-	4.7	2.7	-
Al Baraka Islamic Bank	99.7	92.7	95.7	96.2	88.8	91.2	21.3	16.7	12.4	2.6	2.3	1.6	4.0	3.4	2.4
Bank of Ceylon	102.2	180.1	-	13.1	19.0	-	18.0	16.5	-	3.0	4.9	-	8.4	15.5	-
Rupali Bank	191.2	220.7	212.1	37.2	44.5	24.9	7.9	87.2	-36.3	0.5	9.6	-5.4	1.6	31.5	-17.0
All Foreign Banks	84.9	94.8	94.9	69.0	69.5	67.8	19.4	23.3	27.5	1.7	2.2	2.7	2.5	3.4	3.9

Banks	Earning Assets/Deposits			Equity/Assets			Revenue/AdmnExpenses			Expense/Income			Net Profit Margin		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	124.3	121.3	108.5	5.4	5.9	6.5	237.8	246.1	244.3	79.6	69.3	54.8	35.9	45.9	35.6
Standard Chartered	125.1	120.8	110.7	5.9	6.9	7.5	264.3	248.2	247.1	84.5	67.6	50.2	22.5	35.0	37.4
Citibank	106.3	114.9	126.7	9.0	9.9	10.1	213.7	243.0	233.5	77.4	67.2	57.7	24.0	25.6	30.8
American Express	185.8	183.8	169.6	7.1	8.4	10.5	115.8	147.5	116.2	100.8	86.5	94.2	-3.8	26.8	18.6
Credit Agricole Indosuez	165.6	187.8	-	6.4	6.7	-	122.5	107.5	-	93.5	97.0	-	20.9	22.3	-
Societe Generale	142.3	-	-	11.2	-	-	79.3	-	-	109.1	-	-	-66.9	-	-
SC&Grindlays Bank	96.3	-	-	8.5	-	-	215.5	-	-	88.2	-	-	2.1	-	-
HSBC*	136.4	138.5	116.1	8.5	9.2	11.9	176.2	163.6	195.8	87.0	84.5	58.5	26.2	29.7	63.5
Deutsche Bank	107.3	115.1	119.9	8.5	13.5	24.0	98.1	103.2	162.0	102.4	95.0	61.0	-6.1	39.7	-7.3
Mashreq Bank	95.6	101.4	-	13.7	19.4	-	181.2	213.5	-	92.0	68.9	-	11.0	48.2	-
Emirates Bank Int.	133.9	-	-	7.1	-	-	130.9	-	-	99.4	-	-	2.8	-	-
Doha Bank	178.8	589.5	1401.3	42.7	47.1	48.5	-139.4	1.4	30.4	666.9	563.3	169.5	287.6	-6100.0	-65.0
Oman International	96.9	101.7	99.2	27.1	31.1	45.0	74.1	79.7	86.6	106.1	105.7	106.0	-36.2	-26.6	-16.9
Bank of Tokyo	82.3	109.6	78.5	18.0	25.2	36.9	329.2	195.2	136.5	76.3	80.3	81.3	47.6	15.7	20.2
Habib Bank AG Zurich	114.7	112.6	122.7	6.3	5.9	5.2	237.1	228.6	207.0	83.6	83.3	78.3	39.3	40.1	37.5
IFIC Bank	117.8	186.6	-	16.3	18.8	-	214.5	138.6	-	74.5	87.3	-	26.7	14.5	-
Al Baraka Islamic Bank	124.6	109.8	122.7	12.4	13.6	12.9	284.5	266.4	222.6	77.9	74.9	70.5	38.6	45.9	31.3
Bank of Ceylon	242.1	251.7	-	16.7	29.6	-	497.4	423.8	-	77.7	53.6	-	35.2	40.3	-
Rupali Bank	239.9	270.8	295.9	6.5	11.0	14.9	152.3	411.6	212.9	94.3	65.7	197.8	11.9	18.7	-77.2
All Foreign Banks	118.3	120.6	119.3	8.6	9.2	9.8	196.4	221.1	222.8	85.9	72.9	59.7	18.1	33.1	33.0

Foreign Banks - Selected Ratios

(In %)

Banks	Equity/Advances			Liabilities/Assets			Equity/Liabilities			Earning Assets/Assets			Net Interest Margin (NIM)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	10.9	11.8	12.2	94.6	94.0	93.5	5.7	6.2	6.9	86.1	84.8	85.7	3.2	3.5	3.8
Standard Chartered	11.8	13.2	15.1	94.1	92.9	92.2	6.2	7.4	8.2	79.1	79.9	83.5	3.7	4.1	4.2
Citibank	19.4	23.3	24.5	91.0	89.9	89.7	9.9	11.0	11.3	74.4	76.2	82.7	5.6	4.8	4.0
American Express	19.2	23.5	34.2	92.9	91.5	89.4	7.7	9.1	11.7	78.1	79.3	79.7	1.4	1.6	1.5
Credit Agricole Indosuez	13.8	15.3	-	93.6	93.3	-	6.8	7.2	-	81.0	79.1	-	1.3	1.1	-
Societe Generale	29.5	-	-	88.8	-	-	12.6	-	-	69.8	-	-	1.0	-	-
SC&Grindlays Bank	15.9	-	-	95.8	-	-	8.9	-	-	79.1	-	-	4.2	-	-
HSBC*	17.4	20.8	24.2	91.4	90.6	88.0	9.3	10.2	13.5	83.3	82.7	80.7	1.5	2.1	2.5
Deutsche Bank	20.9	29.2	55.4	91.8	86.4	75.9	9.3	15.6	31.6	62.5	65.3	57.8	3.0	3.8	3.5
Mashreq Bank	54.8	63.5	-	86.3	-	-	15.9	24.2	-	51.5	46.9	-	2.2	6.1	-
Emirates Bank Int.	18.2	-	-	92.8	-	-	7.6	-	-	78.6	-	-	2.6	-	-
Doha Bank	102.3	146.9	160.9	57.3	52.9	51.5	74.5	89.0	94.2	44.8	35.1	31.5	-10.6	-	1.1
Oman International	66.3	88.8	167.1	72.9	68.6	54.4	37.1	45.4	82.6	56.4	52.7	42.0	0.5	1.2	2.2
Bank of Tokyo	155.5	343.3	2156.7	81.6	74.8	63.1	22.0	33.7	58.5	64.7	76.1	46.6	3.8	2.0	1.2
Habib Bank AG Zurich	12.1	12.0	10.3	93.6	93.1	93.5	6.7	6.3	5.6	82.9	84.0	86.9	2.0	1.8	1.8
IFIC Bank	26.7	33.2	-	86.7	80.6	-	18.8	23.3	-	76.2	71.3	-	3.2	2.6	-
Al Baraka Islamic Bank	19.7	23.1	21.2	87.9	86.3	86.2	14.1	15.7	15.0	81.4	72.9	82.1	2.9	3.3	2.3
Bank of Ceylon	355.2	496.4	-	82.7	67.4	-	20.2	43.9	-	86.6	79.1	-	3.3	6.2	-
Rupali Bank	54.9	81.2	188.2	93.4	82.9	75.5	7.0	13.3	19.7	76.5	82.5	94.1	1.8	2.3	4.4
All Foreign Banks	19.0	20.5	21.1	91.9	91.0	89.8	9.3	10.1	10.9	77.4	77.8	81.7	3.3	3.1	3.4

Banks	Yield on Earning Assets			Equity/Deposits			Staff Cost/Employee (Rs.Mn)			Admn. Expenses/Revenue			Deposits/Branch (Rs.Mn.)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	12.6	8.3	5.5	7.8	8.4	8.2	1.2	1.3	1.4	42.1	40.6	40.9	6377	4920	5169
Standard Chartered	13.6	9.1	5.5	9.3	10.4	10.0	1.5	0.7	1.2	37.8	40.3	40.5	3877	6741	2960
Citibank	15.8	10.7	6.5	12.8	15.0	15.5	0.8	0.8	0.9	46.8	41.2	42.8	7766	5145	5036
American Express	9.8	8.1	3.7	16.9	19.4	22.3	0.9	0.8	1.0	86.4	67.8	86.0	1534	1491	1387
Credit Agricole Indosuez	11.7	7.8	-	13.0	15.9	-	1.1	1.1	-	81.6	93.0	-	2322	1352	-
Societe Generale	16.5	-	-	22.8	-	-	0.9	-	-	126.2	-	-	996	-	-
SC&Grindlays Bank	12.2	-	-	10.3	-	-	2.1	-	-	46.4	-	-	2004	-	-
HSBC*	8.7	6.9	4.3	13.9	15.5	17.1	0.6	0.7	0.7	56.8	161.1	51.1	2641	2901	3278
Deutsche Bank	12.5	7.7	4.4	14.6	23.8	49.8	1.6	1.7	2.1	101.9	96.9	61.7	1537	1115	693
Mashreq Bank	18.4	17.1	-	25.4	42.0	-	1.6	2.1	-	55.2	46.8	-	2341	1457	-
Emirates Bank Int.	10.6	-	-	12.1	-	-	0.7	-	-	76.4	-	-	1290	-	-
Doha Bank	2.4	1.2	1.1	170.4	790.6	2156.4	2.1	4.0	3.5	-71.7	7100.0	328.5	299	107	38
Oman International	11.7	9.7	8.6	46.5	60.2	106.3	0.9	0.8	0.9	135.0	125.4	115.5	742	741	471
Bank of Tokyo	14.1	7.2	3.4	22.8	36.3	62.1	1.0	1.1	1.1	30.4	51.2	73.8	7459	4762	2819
Habib Bank AG Zurich	12.0	9.0	6.1	8.7	7.9	7.4	0.5	0.4	0.5	42.2	43.7	48.3	2470	2633	2395
IFIC Bank	11.5	8.8	-	25.3	49.2	-	0.3	0.3	-	46.6	72.2	-	628	391	-
Al Baraka Islamic Bank	11.8	10.0	4.9	18.9	20.5	19.3	0.3	0.4	0.3	35.1	37.5	44.9	1012	1007	1197
Bank of Ceylon	14.6	11.3	-	46.6	94.1	-	0.4	0.6	-	20.1	23.6	-	1278	627	-
Rupali Bank	11.2	6.9	5.3	20.4	36.2	46.8	0.2	0.4	0.2	65.7	24.3	47.0	340	246	205
All Foreign Banks	12.9	8.1	5.5	13.1	14.3	14.3	1.0	0.8	0.9	50.9	45.2	44.9	2352	2704	2833

Banks	Staff Cost/Branch (Rs.Mn)			Staff/Branch (Nos)			Deposits/Employee(Rs.Mn)			Profit (AT)/Branch(Rs.Mn)			Profit/Employee(Rs.Mn)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
ABN Amro	48.9	51.9	53.6	40.1	38.9	38.6	113.5	126.6	134.0	104.6	146.5	115.1	2.6	3.8	3.0
Standard Chartered	70.8	20.5	38.4	46.3	28.3	31.6	83.7	68.1	98.5	59.2	49.4	84.4	1.3	1.7	2.7
Citibank	61.4	61.1	67.6	75.6	79.6	76.4	64.2	64.6	65.9	107.5	133.0	165.4	1.4	1.7	2.2
American Express	43.5	39.3	44.3	50.3	46.3	43.5	30.5	32.3	31.9	-4.4	34.5	20.0	-0.1	0.7	0.5
Credit Agricole Indosuez	24.7	25.3	-	21.7	22.7	-	71.5	59.7	-	15.6	15.3	-	0.7	0.7	-
Societe Generale	18.0	-	-	19.3	-	-	51.8	-	-	-20.5	-	-	-1.1	-	-
SC&Grindlays Bank	46.1	-	-	21.7	-	-	92.5	-	-	2.7	-	-	0.1	-	-
HSBC*	42.0	44.5	45.0	65.5	64.0	63.0	40.3	45.3	52.0	35.0	44.4	115.6	0.5	0.7	1.8
Deutsche Bank	52.0	38.7	64.0	32.0	22.7	30.5	48.1	49.2	34.1	-6.4	39.8	-16.5	-0.2	1.8	-0.5
Mashreq Bank	26.0	29.0	-	16.5	13.5	-	141.9	108.0	-	10.3	56.6	-	0.6	4.2	-
Emirates Bank Int.	25.9	-	-	34.8	-	-	37.1	-	-	2.1	-	-	0.1	-	-
Doha Bank	15.0	8.0	7.0	7.0	2.0	2.0	85.5	53.8	19.3	-298.0	-36.6	-4.0	-42.6	-18.3	-2.0
Oman International	10.0	10.5	9.0	11.5	13.0	10.0	64.5	57.0	47.2	-5.9	-4.6	-3.0	-0.5	-0.4	-0.3
Bank of Tokyo	53.0	48.0	37.0	55.0	43.0	35.0	135.6	110.7	80.5	155.5	27.7	20.0	2.8	0.6	0.6
Habib Bank AG Zurich	20.0	16.7	16.8	44.1	39.0	35.3	48.0	52.5	51.0	43.3	33.0	26.9	1.0	0.8	0.8
IFIC Bank	10.0	10.0	-	39.5	38.5	-	15.9	10.2	-	14.9	5.5	-	0.4	0.1	-
Al Baraka Islamic Bank	9.2	10.8	10.2	28.6	30.2	29.2	28.3	33.3	34.2	22.7	29.2	15.7	0.8	1.0	0.5
Bank of Ceylon	11.0	13.0	-	26.0	22.0	-	49.2	28.5	-	47.6	51.7	-	1.8	2.4	-
Rupali Bank	5.0	10.0	5.0	27.0	26.0	29.0	12.6	9.5	7.1	2.4	36.7	-23.0	0.1	1.4	-0.8
All Foreign Banks	37.3	29.2	36.5	37.0	37.2	38.7	63.6	72.2	73.1	28.2	57.7	68.2	0.8	1.6	1.8

Banking Sector Earnings

Banks' lending increases

The banking sector has become very competitive over the last three years, yet despite this, earnings appear to be continually on the rise. So far, 2004 has been a good year for the sector, despite earlier fears that earnings would fall due to lower capital gains. Banks have managed to offset falling spreads with increased lending. Current deposit rates of 1.5-2% for the larger banks are well below the rate of inflation. Total advances of scheduled banks rose 13.2% to Rs.1324 billion at end June 2004, compared to the beginning of the year, outpacing deposit growth of 11.8% (deposits of Rs.1992 bn by June `04) in the same period. There was thus an improvement in the overall advance to deposit ratio for scheduled banks from 65.7% as of Dec. `03 to 66.5% by June `04.

The main highlights for the sector are as follows:-

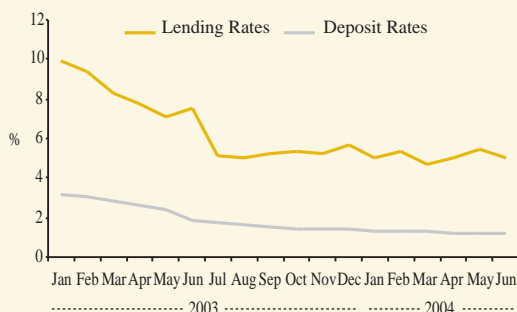
§ Increased lending activity has offset the drop in lending rates and overall interest earnings have risen. The weighted average lending rate for scheduled banks fell from 9.95% in Jan'03 to as low as 4.69% in Mar'04 before rising again to 5.05% by Jun'04 (SBP data).

Interest earnings rise

§ Deposit rates have continued to decline too, but may have now bottomed out and should remain flat for the foreseeable short term. Weighted average deposit rates as of Jun'03 were 1.21% compared to 3.2% in Jan'03.

Weighted Average Lending and Deposit Rates

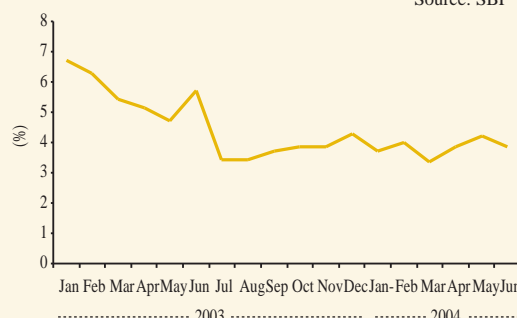
Source: SBP



§ Further pressure on spreads could still come as a result of competition between banks but overall interest rates are on the rise, and the worst is over for banks in terms of the narrowing of spreads.

Average Interest Rate Spread has Stabilized

Source: SBP

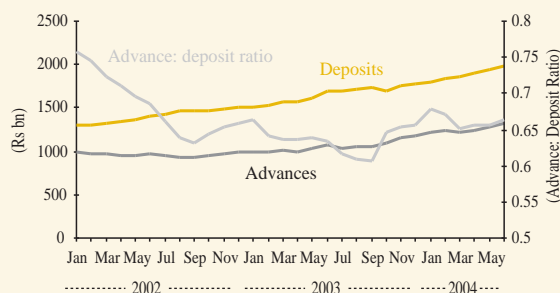


§ Rising interest rates means last year's windfall of capital gains income from repriced investments will not be repeated, much of this is being offset by higher net interest income however.

§ The advance to deposit ratio has increased, easing the liquidity pressure on banks.

Advance: Deposit Ratio is Slowly Improving Again

Source: SBP



§ There is increasing focus on consumer finance, and a rise in agricultural loans is the likely next trend as the government is trying to encourage lending to the underserved rural market.

Half yearly earnings show promise

Earnings reported for the half-year show that many banks have been able to maintain or grow net interest income. Some, including Askari Bank, Faysal Bank and Metropolitan Bank also managed to grow non-interest

income and report net profit growth in excess of 20% (Askari Bank's earnings were up 124% because of the sale of its NIT units). Highlights for banks which had reported earnings by August 24, 2004 are shown in the table.

(Rs. Mn)

Banks	Net Interest Income		Non-Interest Income		PAT		PAT Growth (%)
	HY04	HY03	HY04	HY03	HY04	HY03	
Askari Bank	1412	1147	1025	419	1179	526	124
Bank Al-Habib	676	584	453	544	247	364	-32
Faysal Bank	707	169	1250	1219	1140	943	21
KASB Bank	154	87	51	80	67	19	244
Meezan Bank	106	113	180	96	111	92	20
Metropolitan Bank	682	568	368	271	379	270	40
Prime Bank	458	374	238	202	172	150	15
Soneri Bank	571	411	233	255	295	206	43
Union Bank	1047	682	767	851	358	239	50
Growth	40.6%		16.0%		40.5%		

Sample of HY04 earnings announced till August 24, 2004.

Long term outlook is sunny

Banks should continue to grow. Credit demand is increasing, and this is coinciding with a gradual increase in interest rates so that sector earnings should strengthen. Deposit growth remains strong too. Banks are also beginning to tap a more diversified base of customers. This is exemplified by the growth in consumer financing seen over the last 3 years. There is also renewed focus towards the SME sector

and rural markets. This means less reliance on corporate lending where margins are razor thin due to competition. Such diversification comes with higher credit risk however, and though more stringent regulation by the SBP means past mistakes are less likely to be repeated, banks will have to ensure tight discipline to keep NPLs low. Too conservative an approach, however, will retard economic growth.

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

Major Banks - NPLs Profile

Focus on
banks'
NPLs

Non performing loans (NPLs) were one of the major factors that undermined the performance of the financial sector during the 1990s. NPLs create problems for the banking sector's balance sheet as they have a negative impact on the income statement as a result of provisioning for loans losses. A multipronged strategy has been adopted in Pakistan to reduce the outstanding stock of NPLs. The strategy includes, pursuing banks and development financial institutions to accelerate recovery process, establishment of the Corporate & Industrial Restructuring Corporation (CIRC), referring the cases of wilful defaulters to National Accountability Bureau, and authorisation of the Banks' Board of Directors to write off loans in a transparent manner.

SBP issues
new
guide-
lines

In pursuance of the new guidelines by the State Bank of Pakistan, banks' have undertaken restructuring of problem loans. Loan classification has been tightened and provisioning standards increased. Banks are waiving some of the accrued mark up and/or by writing off a portion of the principal amount

Prudential
Regula-
tions
tightened

and by loan recovery. These stringent provisioning standards have prompted greater efforts at risk management and led to decreases in the NPL ratios.

The Prudential Regulations in Pakistan require banks' to classify their non-performing loans under four categories, other assets especially mentioned, substandard, doubtful and loss. A breakdown of major banks' (NBP, HBL, UBL and MCB) non-performing loans by categories shows that a major portion of NPLs falls in the loss category i.e. those loans are not performing for at least two years and that full provisioning has been made against these loans. Details for the last three years of the major banks operating in Pakistan are given in Table 2.

Table 1 shows the written off loans and other financial relief provided by the four banks during the last three years. In 2002, these banks gave substantial financial relief/waiver. While NBP wrote off Rs.1.4 billion of the principal amount, HBL wrote off Rs.2.1 billion of interest/mark up.

Written off loans or any other financial relief
(Rs. 500,000 or above)

(Rs. Mn)

Banks	Outstanding Liabilities at beginning of year				Principal Written off	Interest Mark-up Written off	Other Financial Relief/ Waiver Provided	Total (5+6+7)
	Principal	Interest Mark-up	Others	Total				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
National Bank								
2001	906.9	1107.6	9.3	2023.8	37.7	67.9	762.6	868.2
2002	2222.7	2186.0	498.5	4907.1	1418.7	230.0	2206.0	3854.6
2003	837.6	752.3	1664.0	3253.9	282.0	104.3	2194.7	2581.0
Habib Bank Ltd.								
2001	-	-	-	537.9	93.8	379.7	114.0	587.5
2002	-	-	-	2356.9	848.6	2080.7	554.2	3483.5
2003	-	-	-	1497.0	305.0	905.0	406.0	1616.1
United Bank Ltd.								
2001	84.7	113.9	141.3	340.0	30.9	105.6	141.9	278.4
2002	960.6	593.9	1.2	1555.7	319.8	120.4	1416.1	1856.4
2003	968.1	302.4	1.2	1271.7	363.4	154.4	837.1	1354.9
Muslim Comm. Bank								
2001	1227.4	678.7	0.8	1906.9	475.0	7.8	526.0	1008.9
2002	1942.8	882.2	16.3	2841.4	719.2	247.5	559.0	1525.7
2003	2030.8	847.4	505	2883.7	316.9	43.9	729.5	1090.3

Source: Annual Reports of the Banks

Classification of Non-Performing Loans

(Rs. Mn)

	2001			2002			2003		
National Bank of Pakistan Advances placed under non-performing status	44259.0			43706.1			39771.6		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
OAEM	1088.7	8.7	1097.4	438.2	6.3	444.5	592.6	13.6	606.2
Substandard	2479.0	66.8	2545.8	1381.5	265.1	1646.6	762.4	25.1	787.5
Doubtful	5960.2	-	5960.2	3999.1	951.3	4950.4	1594.2	153.8	1748.1
Loss	34171.6	483.7	34655.6	36385.9	278.6	36664.6	36343.4	286.4	36629.8
	43699.5	559.2	44259.0	42204.8	1501.3	43706.1	39292.6	478.9	39771.6
Habib Bank Ltd. Advances placed under non-performing status	56220.5			53012.6			47726.5		
OAEM	2217.3	-	2217.3	1664.5	-	1664.5	1169.3	-	1169.3
Substandard	2846.2	-	2846.2	2277.9	-	2277.9	3089.6	-	3089.6
Doubtful	896.6	-	896.6	864.5	-	864.5	2081.1	-	2081.1
Loss	35068.4	-	35068.4	33813.1	-	33813.1	27266.6	-	27266.6
Subsidiaries	-	15192.0	15192.0	-	14392.5	14392.5	-	14119.8	14119.8
	41028.5	15192.0	56220.5	38620.1	14392.5	53012.6	33606.7	14119.8	47726.5
United Bank Ltd. Advances placed under non-performing status	37584.2			29161.1			19337.4		
OAEM	412.8	651.8	1064.6	187.7	950.0	1137.8	129.4	298.4	427.8
Substandard	981.0	97.7	1078.7	345.8	59.5	405.3	45.5	8.7	54.2
Doubtful	352.8	390.9	743.7	254.1	62.3	316.4	101.4	272.2	373.3
Loss	18665.7	15424.8	34090.5	16896.1	9880.1	26776.2	11093.7	6967.5	18061.2
Subsidiaries	606.7	-	606.7	-	525.4	525.4	-	420.9	420.9
	21018.9	16565.3	37584.2	17683.7	11477.3	29161.1	11370.0	7967.7	19337.4
Muslim Commercial Bank Advances placed under non-performing status	13436.6			12033.1			10999.5		
OAEM	1345.0	-	1345.0	204.2	-	204.2	140.9	-	140.9
Substandard	834.0	1.4	835.4	252.1	7.2	259.3	178.9	3.5	182.4
Doubtful	1037.2	3.1	1040.3	1431.2	1.9	1433.1	1187.2	-	1187.2
Loss	7306.8	2909.1	10215.9	7313.4	2823.1	10136.5	6670.2	2818.7	9489.0
	10523.0	2913.6	13436.6	9200.9	2832.2	12033.1	8177.2	2822.2	10999.5

Source: Annual Reports of the Banks

OAEM (Other assets

especially mentioned):

Substandard:

Doubtful:

Loss:

Where mark-up/interest or principal is overdue (past due) by 90 days from the due date.

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

Where mark-up/interest or principal is overdue by one year or more from the due date.

Where mark-up/interest or principal is overdue beyond two years or more from the due date.

Rising Interest Rates

Gradual tightening of monetary policy

A change has occurred in the State Bank of Pakistan's monetary policy stance from easy to gradual tightening. The Pak Rupee has weakened against the US dollar in recent weeks and inflationary pressures have picked up. A fall in external current account surpluses, expectations of higher Government borrowings from the interbank rupee market due to absence of financing from the Saudi Oil Facility, fall in external economic assistance, lower inflows from National Savings Schemes (NSS) are some of the other factors influencing interest rate expectations. There has been a rise in global interest rates.

Fischer effect

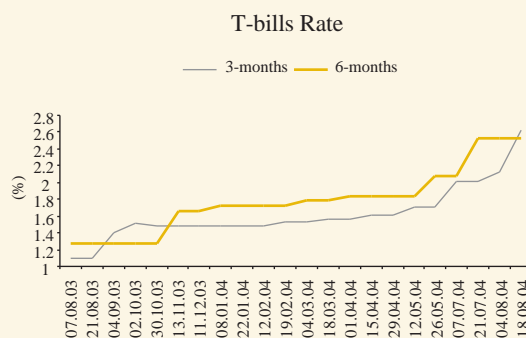
Interest rates rise because of a number of reasons. A major one is expected inflation. This cause was first identified by the great economist Irving Fischer and is often called the Fischer effect. Higher expected inflation tends to raise interest rates because lenders demand compensation for the fact that the future interest and principal they receive will not be worth as much as the money they lend, in terms of goods and services it would purchase.

Domestic prices rising

Domestically there has been a strengthening of prices, particularly food, since October 2003, mainly due to supply shortages of wheat. Non-food CPI has been relatively stable. The upturn started in March 2004. In July 2004, CPI rose 9.33% over the corresponding month last year due to an increase in the prices of construction materials and in the prices of palm oil.

T-bill rates rising

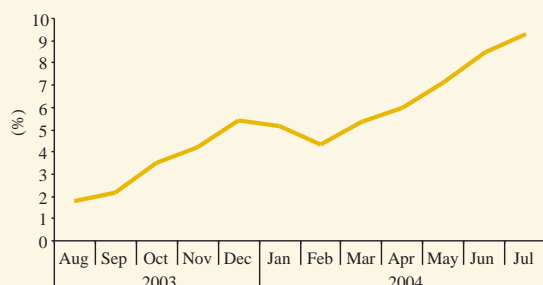
A change in interest rates expectations, is evident in the change of T-bill rates. These are on a gradual rising trend. The low interest rate environment had pushed the T-bills to as low as 1.27% in August 2003 but these have nearly doubled over the year to 2.52% by mid August 04.



The Monetary Policy Statement (July-December 2004) states "The rising trend of interest rates is expected to continue for some time to come in view of decelerating foreign capital inflows, modest inflationary expectations, significant credit provision for the private sector (Rs.200 billion) during FY05 and also rising interest rates in the international financial markets. However, SBP will be quite vigilant and will make sure that the process of interest rate hikes is gradual and that it does not adversely impact the on-going growth momentum essential to achieve the growth target of 6.6% set for FY05."

The State Bank of Pakistan will restrain interest rates from rising as it could be quite troublesome: profits get eroded, internal accruals fall and domestic investment stalls. By pursuing a low interest rate policy consumer financing received a boost and private sector credit picked up. Private sector credit off-take reached as high as Rs.301.2 billion towards the end of the last fiscal year ending June 2004. Unchecked rise in interest rates will make credit more expensive, which will have serious repercussions for growth and thereby impact indirectly on tax revenues.

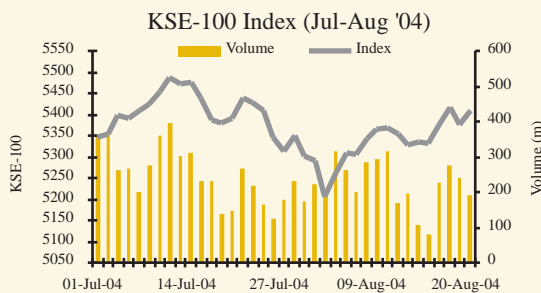
Consumer Price Index



Market Analysis

Market Review

The market failed to pick up in July and August, and the KSE-100 index trading was range bound between approximately 5200 and 5485 (till August 23, 2004). Average daily volume remained low during this period too at 234m shares.



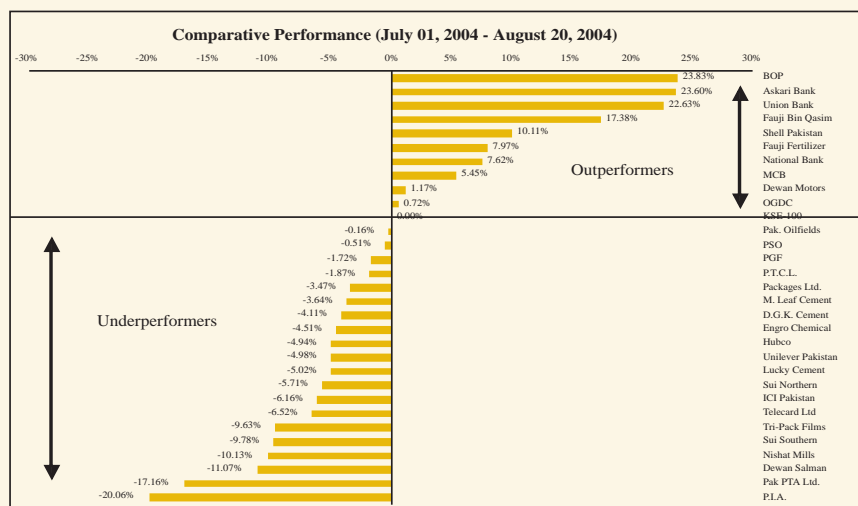
The failure of the market to pick up is unexpected. What appears to be more important at present is the absence of positive factors to raise market valuations. Certainly macroeconomic factors point towards caution- interest rates are rising, inflation seems to have jumped particularly in the last two months, fuel prices are high, and the rupee has begun to devalue. Recent earnings announcements have been mixed, but generally positive, and what's more, for most sectors the long term outlook is favorable. The poor market performance since mid-April marks a period of consolidation in which investors absorb the

changing economic circumstances and reevaluate their expectations.

Top Performers

Out of the most actively traded shares, banks were the top performers in July and August 2004, led by Bank of Punjab, Askari Bank and Union Bank. Banks have fared very well in the half year (HY04) with rising credit demand and interest income offsetting the drop in lending rates. Deposit rates in many cases were lowered further too and this helped increase their net interest income. Bank shares appear to be fully to slightly overvalued now for the short term, but earnings are expected to grow significantly over the next 2-3 years for the sector and the sector is still attractive for long term investment.

Both Fauji Fertilizer Company (FFC) and Fauji Fertilizer Bin Qasim (FFBQ) also ranked amongst the outperformers. FFC announced surprisingly strong earnings for HY04 as a result of high sales growth and improved margins (last year's depreciation and maintenance expenses were high). FFC's interim dividend for the half year of Rs8 per share compares favorably against Rs5.25 in HY03. FFC also announced that it was increasing its authorized capital from Rs3bn to Rs5bn, and this fuelled speculation that the company might be preparing for a merger with FFBQ, leading to the improvement in FFBQ share prices.



**Inflation
and
economic
concerns**

Inflation is becoming a serious concern. Consumer price inflation as measured by the CPI rose to 9.33% for the month of July 2004 versus July 2003, led by a 14.93% increase in food and beverage prices, a 9.05% increase in house rent, and a 7.5% increase in transportation and communication costs. High inflation continued into August, with SPI inflation was recorded at 13.05% for the week ending August 19, 2004, compared to 13.8% in July. As of the end of August, indication was that wheat prices were to increase further rather than reduce.

International oil prices crossed US\$48 per barrel by mid-August, and the likelihood of a reduction appears low at this point. So far the government has sheltered the local economy from the brunt of the rise in international oil prices by lowering its levies on petroleum products. If oil prices continue to rise, the government may have no choice but to allow the price to be passed on to the local market, and this would fuel inflation further. High oil prices can threaten the government's economic growth rate target of 6% this year.

Furthermore, the government will face a revenue shortfall as a result of its actions, and this may have to be met through greater borrowing, enhancing this year's budget deficit and adding to the upward pressure on interest rates.

At the same time, the Pakistani rupee has devalued against the US dollar and this is raising the cost of imports. The rupee fell from Rs58.4 per US dollar on July 1, 2004 to Rs59.1 by August 20, 2004 in the kerb market. It has devalued 3.1% since the start of the calendar year when it was at Rs57.3 per dollar.

The higher inflation plus devaluation of the rupee both call for a rise in interest rates.

The SBP wishes to make any increase gradual, but it may have no choice but to accelerate its plans given the very high inflation rate in particular. This is a negative development for the economy and for the markets.

Outlook

Despite the unfavorable developments in some macroeconomic variables, there is overall demand growth in most sectors. Top line growth is expected to continue and this will ultimately drive the bottom line. It is important to point out that much of the inflation is as a result of supply constraints, especially in the food and beverages category, and core inflation is much lower. Hence while the rise in inflation is worrying, it may not be structural or long lasting.

As far as the market is concerned, ultimately liquidity will lead to further growth, though steep rises are not expected given current valuations.

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