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NBP Performance at a Glance

Editor's Corner

Dear Readers,

Commercial banks operating in Pakistan have been under criticism in the recent past on account of widening interest spread. Depositors feel that they are being denied their due share from the huge profits that the banks have earned in the recent past. Banks, however, are of the viewpoint that they are offering market related returns on time deposits, better services, diversified products to their clients and very low service charges relative to banks internationally. It is primarily the preponderance of zero or low yield current and saving deposits which has been responsible for the low return on all deposits. The combined share of such deposits is around 68 percent of the total deposits. Banks feel that depositors have the choice to keep their deposits in any of the long term schemes which offer better returns, but for cultural and convenience reasons do not generally want to make a switch.

The financial system of any country, is an undeniable determinant of its economic growth, as it provides an efficient channel that routes funds from surplus sectors in the economy towards deficit ones. Bank spreads, defined as the difference between the lending and deposit interest rates, cannot be sustained over a longer period since ultimately, to sustain their core business i.e. lending, banks will have to come up with schemes to build up their deposit base which invariably would mean higher rates.

Literature has shown that the factors contributing to the bank spread, include among others, the operational efficiency, the regulatory environment, the degree of banking competition, the degree of risk, the market structure and the macroeconomic environment among others.

Domestically, we see that the financial sector reforms have changed the sector's outlook. Significant structural changes have taken place in the industry, which has changed the nature of banks' lending and deposit taking activities. There has been a shift in terms of both, outreach and diversification of banking services. New products have been introduced by the banks and now there is greater competition, which has enabled customers to avail banking services at more competitive rates. Customers have high expectations and many alternatives from which to choose.

Banks are no longer making significant provisioning against non-performing loans or facing an unfavourable tax structure which used to increase the operating expenses and consequently banks had to raise the spread to remain profitable. Recent years have seen an improvement in the asset quality and profitability of the banks.

It is significant to note that in the year 1999 for example, the aggregate costs of carrying NPL (4.75%) and the intermediation cost (4.5%) was 9.25%. This, because of efficiencies created and NPLs reduced, is currently 4.75%.

The State Bank's second quarterly report for 2005-06 states, 'the dynamics of banking spread has also changed and therefore, the rising spread may not necessarily be depicting the operating inefficiencies in the sector, rather it may be reflecting the shift in the structure of deposits and advances portfolio.

The maturity profile of deposits as mentioned above is largely made up of shorter tenure current and saving deposits. The structure of loan portfolio has witnessed significant changes in terms of clientele and the nature of loans. Banks have been lending to new sectors, like consumer loans and small & medium enterprises, and as these are relatively riskier in nature the yield on such advances are higher. At end December 2005, 50.9 percent of the total bank deposits were placed at rate between 0 to 1 percent followed by 27.8 percent deposits placed at the rate between 1 to 4 percent. On the other hand, 44.5 percent of total bank advances were placed at the rate between 9 to 12 percent. This distribution of returns against deposits and advances is itself an indication of higher spread.

While banks' profitability has significantly enhanced, in the changed banking scenario, banks have to customize their operations to remain competitive, especially in the light of the growth expected in the mutual fund industry. There is increased competition for market share, due to expanding business activities of the private banks, strict regulatory requirements, increased minimum paid up capital requirements, implementation of Basel II, modernisation of core systems, increased automation and upgradation of IT, new products — all have a significant impact on banks' resources. All these requirements place pressures on banks' resources, as they have to be catered for the success of the 21st century bank.

Depositors could earn better returns if they diversify their deposits from current/savings into term deposits of various maturities. One feels that banks too have realized that they have to share more of their earnings with the depositors. This is evident by the figures quoted by the State Bank "Quarterly Performance Review of the Banking System, March 2006".

It is evident by an increase of 145 bps in the weighted average deposit rates since CY04. During the quarter Jan-Mar '06, these rates increased by another 20 bps. The rising rates have also had positive impact on the share of fixed deposits, which increased to 27 percent, from 18 percent in CY04 and 26 percent in CY05. The rates are expected to increase further given the growing liquidity strains, and the resultant stiff competition for funds. This would help further increase the share of fixed deposits in the total deposits of the banking system.

This is an encouraging development for the depositors who have long been demanding for better returns. With banks facing increased pressures on their earnings as they adapt to the changing banking scenario, any improvement in returns that they can accommodate would be welcome by the depositors.

Ayesha Mahmood

Banking Sector Performance - The Year 2005

Banking Sector Performance is an annual feature of our Bulletin, based on data from the Annual Accounts of the banks. This paper covers their performance for the year 2005. The banks have been grouped into three different categories - major banks, private and the two provincial banks, and the foreign banks operating in Pakistan. The performance of these banks has been evaluated by studying the different financial indicators.

During the last decade, the banking sector has gone through a number of changes. The reforms have been implemented in the context of a broader macroeconomic stabilization and structural agenda, providing an essential foundation to financial sector recovery. A major achievement of the reform process has been the transformation of a predominantly state owned and weak banking sector into a healthier, market based system, owned primarily by the private sector. This has been facilitated by the restructuring of major banks, ongoing consolidation of the sector, strengthening of regulatory capacity, and improvements in transparency, corporate governance and credit culture.

During the year, some major developments/changes were witnessed in the banking sector; Prudential Regulations were developed for agricultural financing, amendments were made to the Prudential Regulations for Corporate and Commercial Banking and SME financing. To strengthen the solvency of individual banks/DFIs, the State Bank raised the minimum paid up capital as well as Capital Adequacy Ratio based on Risk Weighted Assets. The existing minimum paid up capital requirement for locally incorporated banks/DFIs has been raised to Rs6 billion to be achieved in a phased manner by 2009.

The branches of foreign banks operating in Pakistan are also required to increase their assigned capital to Rs6 billion, within the timelines prescribed for the locally incorporated banks/DFIs. However, those branches of foreign banks whose head office holds a minimum paid

up capital of US\$100 million and have a CAR of 9 percent can be allowed to continue to maintain the minimum assigned capital of Rs2 billion.

The State Bank of Pakistan has been emphasising upon banks to adopt Basel II. Banks are operating in an environment where there is intense competition, significant losses and strict regulatory requirements, which has made it essential for them to evaluate their risk management practices. Adoption of Basel II by banks would result in a better understanding of credit risk management. Compliance with the Basel II Accord requires financial institutions to identify, generate, track and report on risk related data.

State Bank has given the commercial banks a time frame for adoption of the different approaches towards implementing Basel II. Now each bank is required to formulate its internal plans specifying the approach they are willing to adopt and the plans for moving to the particular approach.

Last year, the State Bank of Pakistan asked all commercial banks to introduce Basic Banking Accounts facility, so providing basic banking convenience to the low income segments of society. Such accounts have low minimum initial deposit (Rs1000), no limit on minimum balance, no fee for maintaining this account, maximum two deposit transactions and two chequing withdrawals allowed free of charge per month, unlimited free of charge ATM withdrawals, are some of the main features.

An improved macroeconomic environment domestically has supported the financial sector reform process. As investors confidence in the economy has strengthened, demand for credit by the private sector has grown. Corporate and consumer sectors remained the major beneficiaries of the growth in loans. While interest rates had started to rise early in the year to contain inflationary pressures, it did not significantly dampen the market's appetite for credit. Banks' enhanced and diversified their lending portfolios taking advantage of the improving mark up rates.

Reforms/
restructu-
ring of
banks

Amend-
ments in
PR, paid
up capital
raised

Banks to
adopt
Basel II

Intro-
duction of
Basic
Banking
Account
facility

Banks'
lending
rises

Banks perform well

During the year 2005, the commercial banks operating in Pakistan, both local and foreign have performed well. There has been an exceptional growth in profitability, higher lending supported by growth in the deposit base, significant investment in infrastructure, and human resources, substantially improved capital adequacy ratios, better risk management practices, adoption of good corporate governance and accountability being vigorously enforced by the State Bank of Pakistan.

Banks profitability shows significant growth

A review of the key performance indicators shows that in terms of profitability, 2005 proved to be an exceptional year for the banking industry. Increased business activities, especially branching into consumer financing, tightening of monetary policy by the State Bank of Pakistan to curb inflationary pressures, led to a gradual rise in benchmark rates during the year. Improved interest margins, accompanied by continued credit growth to the private sector, and an increase in the non-mark up revenues were factors responsible for the enhanced profitability of the banking sector.

Major banks' cumulative profits (*BT*) jumped by Rs31.5 billion to Rs60.2 billion, more than double the figure of the preceding year. National Bank of Pakistan (NBP) recorded the highest profit at Rs19.1 billion, while MCB showed a significant jump of Rs9 billion to reach Rs13 billion. Habib Bank Ltd (HBL) recorded a pre-tax profit of Rs13.8 billion, while ABL showed a phenomenal rise of more than eight times.

The cumulative profit (*BT*) of private banks grew by Rs7.6 billion in absolute terms or by 47.3 percent in 2005 to Rs23.6 billion. This was mainly attributable to enhanced profits accruing from Faysal Bank (Rs3.96 billion), Union Bank (Rs2.7 billion), Bank of Punjab (Rs3.2 billion), Bank Al-Falah (Rs2.56 billion) and Bank Al-Habib (Rs2.02 billion). KASB Bank and Crescent Commercial recorded losses, the later for the second consecutive year. Saudi Pak showed a substantial decline of 71.8 percent in their profits to Rs140 million.

Some banks show loss

In the foreign banks category, three banks were responsible for the Rs4.3 billion rise in group's profits. Standard Chartered's profits rose by 57 percent to Rs5.4 billion in 2005, Citibank's grew by 48.6 percent to Rs2.6 billion, followed by ABN Amro, whose profits jumped by 91 percent to Rs2.2 billion.

In this category, Deutsche Bank recorded the highest loss of Rs126 million. Against a profit of Rs15 million in 2004, American Express recorded a loss of Rs27 million last year, while Oman International has recorded a loss for two consecutive years. All these banks have high cost income ratios.

RoA and RoE improves

Profitability as measured by RoA and RoE has improved considerably for the vast majority of banks. The accompanying tables give a detailed picture for all banks. There has been a substantial increase in RoE for the large banks. A mixed picture emerges for the private banks. In this category, there are banks like Crescent Bank and KASB which have shown a negative RoE. Similarly, in the foreign banks category, while ABN Amro, Standard Chartered and Citibank have recorded increases, American Express, Oman International and Rupali Bank show negative RoE. RoA shows comparative efficiency of banks in asset management and is an important indicator of profitability. In 2005, RoA of large banks shows further improvement, while the ratio has not shown much change for the private and foreign banks.

Top 17 banks

The following Table shows that 17 banks, comprising of the 5 major, 3 foreign and 9 private banks have a 90 percent share in the assets and deposits of the banking sector, while a higher 98 percent share in the profits. NBP has the distinction of being on the top with respect to all three indicators. HBL is placed 2nd for the three indicators - assets, deposits and profit. After privatisation, UBL and ABL are showing good performance and there has been a complete turnaround as seen by the profits declared by these two banks. UBL closely follows HBL, but in terms of profits it has been overtaken by MCB Bank. Standard Chartered's profits exceed those of all private banks.

Top 17 Banks - 2005

Selected Banks	Assets		Deposits		Profit (B.T)	
	Rs.Bn	Ranking	Rs.Bn	Ranking	Rs.Bn	Ranking
ABN Amro	59.6	17	47.4	17	2.19	13
Allied Bank Ltd.	192.2	6	162	6	4.8	6
Askari Comm.	145.1	7	119	7	2.9	9
Bank Al Falah	248.3	5	222	5	2.56	12
Bank Al Habib	91.5	12	76	11	2.02	15
Bank of Punjab	111.2	9	89	9	3.16	8
Citibank	76.5	14	53	15	2.59	11
Faysal Bank	110.3	10	75	12	3.97	7
Habib Bank Ltd.	528.9	2	433	2	14.83	2
MCB Bank Ltd.	298.8	4	229	4	13.02	3
Metropolitan Bank Ltd	79.7	13	57	13	2.03	14
National Bank of Pakistan	577.7	1	463	1	19.06	1
PICIC Comm. Bank	65.1	15	53.5	14	1.91	16
Soneri Bank	63.3	16	47.6	16	1.40	17
Standard Chartered	109.9	11	84	10	5.40	5
Union Bank	117.1	8	91	8	2.78	10
United Bank Ltd	347.1	3	289	3	9.48	4
Total 17 Banks	3569.0	*	2834	*	95.6	*

Note: Above banks account for 90% of total banks assets, 91% of banks total deposits and 98% of all banks PBT

Amongst the private banks, Faysal Bank has done well in terms of profits, while Askari Bank has enhanced its assets and deposits, so has Bank Al-Falah and Union Bank. Their net interest income has shown a substantial rise.

Given the excess liquidity with the banks, they have aggressively increased their advances portfolio. With rising interest rates, especially in new riskier areas of financing, the income of banks has gone up substantially. Substantial growth in advances and increasing net interest income of the banks have been a major source of growth in pre-tax profit, while reduced tax rates helped banks to increase their after tax profits.

HBL continues to be the biggest lender, disbursing nearly Rs317 billion, or 16.4 percent of all bank advances. It was followed by NBP, which lent nearly 14 percent. ABL registered the highest growth (85 percent) amongst the large banks, alongwith substantial credit expansion by UBL (44.0 percent) and MCB (31.3 percent).

Amongst the private banks, Bank of Punjab lent aggressively, with its lending rising by 61.4 percent, Faysal Bank also maintained the increasing trend, so did Bank Al-Falah, Askari Commercial etc. In this category, Saudi Pak and Crescent Commercial saw a decline in their lending.

HBL is the biggest lender

In the foreign banks category, while the bulk of advances was extended by Standard Chartered, it was Citibank which saw an increase of nearly 19 percent in its advances.

Net interest income grows

Correspondingly net interest income has risen quite sharply for the larger banks like NBP, HBL, UBL and MCB and also for Bank Al-Falah, Bank of Punjab, Union Bank, Faysal Bank, Standard Chartered, Citibank and ABN Amro.

Though banks are being criticised for offering low returns to the depositors, figures for 2005 reveal that the deposit base has grown by 18 percent, with substantial increases being recorded by the private banks. Major banks make up for half of the total deposits, with NBP leading, closely followed by HBL. In this category of banks, UBL has shown the fastest growth in deposits.

Deposits grow

In the private banks category, deposits of Bank Al-Falah rose by 71.4 percent, of Askari Commercial by 42.7 percent and of Union Bank by 44.8 percent. Standard Chartered has the largest deposit base in the foreign banks category (Rs83.6 billion), while Bank of Tokyo has shown the fastest rise in its deposits, growing by 157.8 percent, followed by Habib Bank AG Zurich (19 percent), Citibank (12.8 percent). Deposits of ABN Amro, Deutsche Bank have fallen.

Net Interest income has shown a substantial jump in 2005 for all categories of banks. For the five major banks this rose by Rs38.1 billion, with HBL accounting for Rs11.3 billion of this increase, NBP Rs8.9 billion, MCB Rs8 billion, UBL Rs6.6 billion and ABL Rs3.3 billion. For the private banks cumulatively, the increase was to the tune of Rs12.76 billion, and for foreign banks it was Rs5.1 billion.

Per branch statistics show that deposits have remained more or less at previous year's level, while advances per branch has risen for all banks. Lending by all major banks have risen between 25 - 46 percent. Citibank and ABN Amro have large advances per branch, so does Faysal Bank, Union Bank.

Profit per branch is the highest for NBP in case of major banks, while it is Faysal Bank, Union Bank, Metropolitan Bank and Meezan Bank in the private banks category, Citibank, ABN

Amro and Bank of Tokyo have high profits per branch. The accompanying tables gives details of other ratios for each bank.

Mergers/Change of Name

- Arif Habib Rupali Bank Limited declared a scheduled bank w.e.f. August 5, 2006. Rupali Bank operations were amalgamated with and into Arif Habib Rupali Bank Limited.
- Name of Dawood Bank Limited has been changed to Atlas Bank Limited w.e.f March 6, 2006.
- Name of The Bank of Tokyo – Mitsubishi Limited has been changed to The Bank of Tokyo – Mitsubishi UFJ, Limited w.e.f January 1, 2006.
- Name of NDLC – IFIC Bank Limited has been changed to NIB Bank Limited w.e.f November 27, 2005.
- Name of Muslim Commercial Bank has been changed to MCB Bank Limited w.e.f August 1, 2005.
- Name of Bolan Bank Limited has been changed to Mybank Limited w.e.f July 4, 2005.
- Name of Allied Bank of Pakistan Limited has been changed to Allied Bank Limited w.e.f March 28, 2005.

List of Abbreviations

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

Key Performance Indicators - All Banks

(Rs. Billion)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Assets Net	1520.4	1737.4	1955.1	667.5	918.6	1274.7	264.4	303.9	339.2	2452.3	2959.9	3569.1
Equity	49.4	81.6	116.9	39.6	53.7	75.0	24.3	27.2	32.5	113.3	162.5	224.5
Deposits	1275.1	1456.6	1585.2	493.0	710.5	1003.8	192.4	227.0	245.0	1960.4	2394.1	2833.9
Advances(Net)	580.2	818.0	1084.3	344.5	536.7	683.3	121.3	159.2	168.2	1045.9	1513.9	1935.8
Investments	555.9	467.0	447.1	185.3	179.0	268.6	43.4	30.9	67.4	784.6	677.0	783.1
Gross Advances	675.5	917.9	1179.1	356.7	550.5	700.0	124.1	161.8	171.3	1156.3	1630.1	2050.4
Non Performing Loans	135.8	125.0	113.1	23.7	24.6	26.2	3.2	2.5	2.1	162.6	152.1	141.4
Interest Income	63.3	63.2	114.4	29.7	36.5	72.1	12.2	11.8	21.9	105.3	111.4	208.4
Interest Expense	18.3	15.7	28.7	13.9	14.4	37.2	4.6	3.4	8.4	36.8	33.5	74.3
Net Interest Income	45.0	47.5	85.7	15.9	22.1	34.9	7.6	8.3	13.5	68.5	78.0	134.0
Revenue	26.4	28.7	29.7	15.2	12.5	16.1	6.0	6.1	8.4	47.6	47.3	54.2
Admn Expense	71.5	76.7	115.7	31.1	34.7	51.0	13.6	14.4	21.9	116.2	125.8	188.6
Profit/(Loss)B.T	35.3	41.0	44.1	12.6	16.6	22.9	6.1	7.1	9.0	53.9	64.7	76.0
Profit/(Loss)A.T	23.6	28.9	60.4	16.4	16.0	23.6	7.4	7.2	11.6	47.4	52.2	95.5
Employees (Nos)	13.6	18.5	40.4	10.6	11.2	17.4	4.5	5.8	8.0	28.7	35.5	65.8
Branches (Nos)	58434	58719	56291	16526	20200	25592	2555	2819	3586	77515	81759	85469
	5522	5489	5501	847	1015	1254	65	80	103	6434	6584	6858

Growth Rates - All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Assets Net	9.9	14.3	12.5	37.6	37.6	38.8	1.4	14.9	11.6	15.2	20.7	20.6
Equity	35.1	65.2	43.3	51.0	35.7	39.7	-0.9	11.8	19.6	29.8	43.4	38.2
Deposits	11.2	14.2	8.8	40.7	44.1	41.3	9.1	18.0	7.9	17.1	22.1	18.4
Advances	14.3	41.0	32.1	62.5	55.8	27.3	-2.3	31.3	5.7	24.0	44.7	27.6
Investments	15.2	-16.0	-4.3	18.3	-3.4	50.0	-19.1	-28.7	117.7	13.4	-13.8	15.7
Interest Income	-26.4	-0.2	81.0	-6.7	22.7	97.6	-31.0	-3.7	86.1	-22.3	5.9	87.0
Interest Expense	-56.3	-14.2	82.6	-34.7	3.7	159.0	-57.3	-25.7	145.5	-50.2	-8.9	121.8
Net Interest Income	2.1	5.7	80.2	49.2	39.2	57.7	10.4	9.6	61.7	11.1	13.9	71.9
Revenue	38.7	8.7	3.5	94.6	-17.4	28.7	19.9	1.1	37.6	49.4	-0.6	14.6
Admn Expense	13.2	7.4	50.8	68.5	11.5	47.2	14.4	5.8	51.5	24.3	8.3	49.9
Profit/(Loss)B.T	-7.6	16.4	7.6	36.9	31.7	38.0	16.0	16.4	26.8	2.6	19.9	17.5
Profit/(Loss)A.T	62.3	22.5	108.6	97.5	-2.2	47.3	16.1	-2.0	60.3	62.3	10.1	83.1
	110.8	35.4	118.9	124.1	6.3	55.3	13.4	28.8	37.9	89.4	23.7	85.5

Selected Ratios - All Banks

(In %)

	Major Banks			Private & Provincial Banks			Foreign Banks			All Banks		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Cost of Funds	1.4	1.1	1.8	2.8	2.4	3.8	2.0	1.4	3.1	1.8	1.4	2.6
Intermediation Cost	2.7	2.8	2.7	2.5	2.4	2.4	2.7	2.9	3.3	2.7	2.7	2.7
Pre Tax Margin	26.4	31.4	41.9	36.4	32.6	26.7	40.3	40.4	38.2	31.0	32.9	36.4
Non Interest Income Ratio	36.9	37.4	25.7	48.8	36.1	32.1	44.3	42.4	38.5	41.0	37.6	28.8
Gross Spread Ratio	71.0	75.2	74.9	53.4	60.8	48.4	62.2	70.8	61.5	65.0	70.0	64.3
Advances to Deposits Ratio(CDR)	44.9	51.4	62.4	66.4	73.4	71.2	66.5	66.9	69.4	52.0	58.8	65.9
Return on Equity	55.0	44.0	60.8	49.7	34.4	36.6	30.1	28.0	38.7	47.2	37.8	49.4
Return on Assets	1.6	1.8	3.3	2.8	2.0	2.1	2.8	2.5	3.6	2.1	1.9	2.9
Retrun on Deposits	2.0	2.1	4.0	3.9	2.7	2.7	4.0	3.4	4.9	2.6	2.4	3.7
Capital Ratio	3.0	4.0	5.4	5.7	5.9	6.2	9.3	9.1	9.3	4.4	5.1	5.9
Capital to Risk Assets (CRA)	7.9	9.4	10.5	11.8	10.5	10.6	19.9	18.4	18.2	10.6	10.8	11.2
Cost to Income Ratio	49.3	53.5	38.1	40.5	47.8	45.6	44.7	48.9	41.3	46.4	51.4	40.3
Net Profit Margin	19.1	24.1	32.3	34.0	32.3	33.6	33.0	40.3	36.7	24.7	28.2	34.9
Debt Management Ratio	95.2	93.8	92.0	92.6	92.8	92.8	90.4	90.7	90.8	94.0	93.3	92.2
Net Interest Margin (NIM)	3.7	3.4	5.5	3.1	2.8	3.2	3.5	3.6	5.1	3.5	3.3	4.8
Cost of Funding Earning Assets	1.5	1.1	1.9	2.7	1.8	3.6	2.1	1.5	3.2	1.9	1.4	2.7
Yield on Earning Assets	5.2	4.6	7.3	5.9	4.6	6.9	5.6	5.0	8.3	5.4	4.7	7.5
Interest Spread	3.8	3.5	5.5	3.2	3.3	3.1	3.6	3.2	3.7	3.6	4.3	4.9
NPLs/Gross Advances	20.4	13.8	9.8	6.6	4.5	3.7	2.6	1.6	3.3	14.1	9.3	6.9
NPLs Provisions/Net Advances	15.8	11.6	8.8	3.5	2.6	2.4	2.4	1.6	1.8	1.4	1.1	1.0
Employees/ Branch(Nos)	11	11	10	20	20	20	39	34	35	12	12	12
Deposits/ Branch (Rs.Bn)	0.2	0.2	0.3	0.5	0.6	0.7	2.8	2.6	2.3	0.3	0.3	0.4
Profit After Tax/Branch (Rs.Mn)	2.5	3.4	7.3	12.5	11.1	13.5	69.3	72.7	78.0	4.5	5.4	9.6
Admn Expense/Employee (Rs.Mn)	0.6	0.7	0.8	0.8	0.8	0.9	2.4	2.5	2.5	0.7	0.8	0.9
Deposits/Employee (Rs.Mn)	21.0	23.3	27.0	25.5	29.8	33.5	72.1	74.4	65.8	23.4	26.7	30.6

Key Performance Indicators- Major Banks

(Rs. Billion)

Banks	Assets			Equity			Deposits			Advances			Investment		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
NBP	469.0	553.2	577.7	18.1	24.9	36.2	395.5	465.5	463.4	161.3	220.8	268.8	166.2	149.4	157.0
HBL	434.9	487.8	528.9	16.8	23.1	32.0	360.6	404.6	432.5	183.7	259.1	316.9	158.9	134.5	107.4
UBL	216.9	272.6	347.0	11.2	14.4	18.8	185.1	230.3	289.2	96.1	139.7	201.2	56.5	55.0	63.0
MCB	272.3	259.2	298.8	7.7	9.2	17.9	211.5	221.1	229.3	97.2	137.3	180.3	128.3	67.2	69.5
ABL	117.5	154.9	192.2	-4.9	9.4	11.4	114.2	126.4	161.9	40.7	59.5	110.9	40.7	57.3	44.8
Major Banks	1510.7	1727.7	1944.6	49.0	81.0	116.2	1266.9	1447.9	1576.5	578.9	816.4	1078.1	550.6	463.3	441.7
FWB	9.7	9.6	10.5	0.4	0.6	0.7	8.1	8.7	8.7	1.3	1.6	2.5	5.3	3.7	5.4
Total	1520.4	1737.4	1955.1	49.4	81.6	116.9	1275.1	1456.6	1585.2	580.2	818.0	1080.6	555.9	467.0	447.1

Banks	Interest Income			Interest Expense			Net Interest Income			Non Interest Income			Revenue		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
NBP	19.5	20.9	33.6	6.7	6.6	10.3	12.7	14.4	23.3	7.2	8.3	9.4	20.0	22.6	32.7
HBL	19.0	18.2	32.3	5.4	4.5	7.3	13.6	13.7	25.0	7.8	9.9	7.9	21.4	23.6	32.9
UBL	8.9	9.2	20.2	1.9	1.7	6.0	7.1	7.5	14.1	4.5	4.5	5.0	11.6	12.0	19.1
MCB	10.4	9.1	17.8	2.9	2.1	2.8	7.4	7.0	15.0	4.5	4.2	5.4	12.0	11.8	20.7
ABL	5.0	5.2	9.8	1.2	0.8	2.0	3.8	4.5	7.8	2.1	1.7	1.9	6.1	6.3	9.8
Major Banks	62.8	62.7	113.7	18.2	15.6	28.5	44.6	47.1	85.2	26.2	28.6	29.6	71.0	76.3	115.2
FWB	0.5	0.5	0.7	0.2	0.1	0.2	0.3	0.3	0.4	0.1	0.09	0.05	0.5	0.4	0.5
Total	63.3	63.2	114.4	18.3	15.7	28.7	45.0	47.4	85.7	26.4	28.7	29.7	71.5	76.7	115.7

Banks	Admn Expenses			Operating Profit			Provisions/Other Expenses			Profit/Loss B.T			Profit/Loss A.T		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
NBP	8.3	8.9	11.2	11.7	13.8	21.5	2.7	1.8	2.5	9.0	12.0	19.1	4.2	6.2	12.7
HBL	9.8	13.8	14.1	11.6	9.8	18.8	6.1	2.6	4.9	5.5	7.2	13.8	4.0	5.8	9.6
UBL	6.2	6.8	7.9	5.4	5.2	11.3	1.1	0.3	1.8	4.3	4.9	9.5	2.6	3.7	5.9
MCB	6.6	7.2	6.5	5.4	4.5	14.3	1.8	0.5	1.3	3.6	4.1	13.0	2.2	2.4	8.9
ABL	4.2	4.1	4.3	1.8	2.2	5.5	0.9	1.7	0.7	1.0	0.5	4.8	0.4	0.2	3.0
Major Banks	35.1	40.8	43.9	35.9	35.5	71.3	12.6	6.8	11.2	23.4	28.7	60.2	13.5	18.3	40.3
FWB	0.2	0.2	0.3	0.3	0.2	0.2	0.0	0.0	0.0	0.3	0.2	0.2	0.2	0.12	0.13
Total	35.3	41.0	44.1	36.2	35.7	71.6	12.6	6.8	11.2	23.6	28.9	60.4	13.6	18.5	40.4

Source: Annual Reports of the Banks

Key Performance Indicators - Foreign Banks

(Rs. Million)

Banks	Assets			Equity			Deposits			Advances			Investment		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	45963	57506	59593	2843	2811	4129	37679	48213	47005	23430	32088	32927	9442	6523	13027
Standard Chartered Bank	84124	94632	109933	6369	7194	8761	67881	76514	83646	39952	51508	50215	15584	13165	25359
Citibank	61362	66328	76474	5868	6173	5751	39748	47103	53116	25288	33008	39163	5190	955	19845
Habib Bank AG Zurich	32855	41203	44910	1660	2074	2809	22928	28167	33436	17363	25405	27728	9069	7437	6076
American Express	10042	8298	8242	1270	1359	1422	5122	5070	5726	2394	2070	695	2330	1641	1922
HSBC*	10115	12031	13272	1233	1630	2215	7339	8924	8604	4994	4761	5744	196	-	570
Deutsche Bank	3879	5109	5597	1134	1328	2221	1461	2069	1505	1444	2020	1898	17	15	184
Oman International	1848	1845	1814	1002	1035	1030	745	504	493	323	486	519	149	45	-
Bank of Tokyo	4359	4472	4215	1712	1836	1750	2630	2107	984	71	823	2122	693	392	-
Al Baraka Islamic Bank	9663	11939	14619	1138	1657	2352	6627	8128	10312	5982	6991	7205	339	416	92
Rupali Bank	620	562	567	85	92	82	207	178	128	25	11	10	351	359	309
All Foreign Banks	264428	303925	339236	24314	27189	32522	192367	226977	244955	121265	159171	168226	43359	30948	67384

Banks	Interest Income			Interest Expense			Net Interest Income			Non Interest Income			Revenue		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	2160	2210	4417	667	515	1587	1493	1695	2830	775	694	1501	2268	2389	4331
Standard Chartered Bank	3815	3735	7013	903	652	1738	2912	3083	5276	1598	2062	2450	4510	5145	7726
Citibank	3311	3145	5635	1266	832	2036	2045	2313	3599	2253	2120	2593	4298	4434	6192
Habib Bank AG Zurich	1600	1611	2692	1117	911	1773	483	700	919	378	319	499	861	1019	1418
American Express	344	225	347	206	128	247	138	97	100	291	276	343	430	373	443
HSBC*	327	275	657	135	129	374	192	146	283	172	168	205	364	314	488
Deutsche Bank	111	71	200	23	22	88	88	49	112	363	189	271	451	238	383
Oman International	81	41	42	60	21	31	21	20	11	14	13	10	35	33	21
Bank of Tokyo	75	60	191	48	30	98	27	32	92	71	88	105	99	120	197
Al Baraka Islamic Bank	358	351	661	187	184	440	171	167	211	129	181	455	300	348	676
Rupali Bank	32	33	31	6	7	13	27	26	18	3	4	-18	30	30	0
All Foreign Banks	12213	11757	21885	4618	3431	8424	7596	8327	13461	6049	6114	8413	13645	14441	21873

Banks	Admn Expense			Operating Profit			Provisions/Other Expenses			Profit/Loss(BT)			Profit/Loss (A.T)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	927	1123	1666	1341	1266	2665	17	119	474	1324	1147	2190	806	714	1308
Standard Chartered Bank	1825	1790	2349	2685	3355	5377	-9	-101	-50	2694	3456	5427	1688	2481	4057
Citibank	1841	2509	2963	2457	1925	3229	102	179	636	2355	1746	2594	1323	1970	1508
Habib Bank AG Zurich	416	486	613	445	533	805	16	21	17	429	511	788	323	380	554
American Express	369	386	472	61	-14	-29	23	-28	-2	38	15	-27	80	51	56
HSBC*	186	223	256	178	91	232	-29	-1	6	207	92	227	231	58	176
Deutsche Bank	278	256	381	173	-18	2	-12	-19	128	185	0.4	-126	-34	0.4	-59
Oman International	41	36	30	-6	-3	-10	0	2	2	-6	-6	-12	-6	-6	-12
Bank of Tokyo	73	66	65	26	54	132	-2	0	0	28	54	132	20	34	113
Al Baraka Islamic Bank	135	166	222	165	182	454	21	15	67	144	167	388	94	127	346
Rupali Bank	14	18	23	16	12	-23	51	-19	-1	-35	32	-22	-23	8	-13
All Foreign Banks	6104	7059	9040	7541	7382	12833	179	169	1278	7362	7213	11558	4502	5817	8034

* Hongkong & Shanghai Banking Corporation

Source: Annual Reports of the Banks

Foreign Banks - Selected Ratios

(In %)

Banks	Cost of Fund			Intermediation Cost			Pre-Tax Margin			Non Interest Income Ratio(NIR)			Gross Spread Ratio(GSR)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	1.6	1.1	3.0	2.2	2.4	3.1	45.1	39.5	37.0	34.2	29.0	34.7	69.1	76.7	64.1
Standard Chartered	1.2	0.8	2.0	2.5	2.2	2.7	49.8	59.6	57.3	35.4	40.1	31.7	76.3	82.5	75.2
Citibank	2.4	1.5	3.3	3.5	4.6	4.8	42.3	33.1	31.5	52.4	47.8	41.9	61.8	73.5	63.9
Habib Bank AG Zurich	4.2	2.7	4.6	1.6	1.5	1.6	21.7	26.5	24.7	43.9	31.2	35.2	30.2	43.5	34.1
American Express	2.1	1.8	4.0	3.8	5.4	7.6	5.8	3.0	-4.0	67.8	74.8	77.4	40.1	42.9	28.8
HSBC	1.7	1.4	3.6	2.3	2.4	2.5	41.5	20.8	26.3	47.3	53.5	42.0	58.7	53.1	43.1
Deutsche Bank	1.0	1.0	3.9	12.4	11.7	16.9	39.0	0.2	-27.0	80.6	79.4	70.8	78.8	69.0	56.0
Oman International	5.1	2.7	4.0	3.5	4.5	3.9	-6.0	-10.6	-23.2	40.7	39.8	46.9	26.0	48.0	26.2
Bank of Tokyo	1.7	1.1	3.9	2.6	2.5	2.6	18.7	34.9	45.1	72.6	73.9	53.3	36.0	52.5	48.9
Al Baraka Islamic Bank	2.5	2.1	4.1	1.8	1.9	2.1	29.5	31.3	34.8	43.1	52.0	67.3	47.7	47.4	33.6
Rupali Bank	1.5	1.8	4.1	3.3	4.6	7.3	-97.8	85.4	-169.2	11.1	13.3	-	81.8	78.8	58.1
Total	2.0	1.4	3.1	2.6	2.9	3.3	40.4	40.3	38.6	44.3	42.4	38.5	62.2	70.8	61.5

Banks	Deposit Time Capital			Advances/Deposits(CDR)			ROE			ROA			ROD		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	12.1	15.2	13.8	67.1	64.6	68.3	44.6	40.6	63.1	2.9	2.2	3.7	3.7	2.7	4.6
Standard Chartered	9.7	10.6	10.4	66.1	63.3	63.5	43.3	51.0	68.0	3.3	3.9	5.3	4.3	4.8	6.8
Citibank	6.3	7.4	8.6	63.2	67.1	72.0	37.7	29.0	43.5	3.8	2.7	3.6	5.8	4.0	5.2
Habib Bank AG Zurich	11.0	12.7	12.6	72.0	83.7	86.3	27.0	27.4	32.2	1.4	1.4	1.8	2.0	2.0	2.6
American Express	4.4	3.9	3.9	65.2	43.8	25.6	3.0	1.1	-1.9	0.3	0.2	-0.3	0.7	0.3	-0.5
HSBC	5.8	5.7	4.6	70.7	60.0	59.9	18.5	6.4	11.8	2.2	0.8	1.8	3.2	1.1	2.6
Deutsche Bank	2.0	1.4	1.0	89.8	98.1	109.6	17.8	0.03	-7.1	4.3	0.0	-2.4	8.9	0.02	-7.1
Oman International	0.9	0.6	0.5	63.6	64.8	98.2	-0.6	-0.6	-1.2	-0.3	-0.3	-0.6	-0.6	-0.9	-2.4
Bank of Tokyo	1.6	1.3	0.9	2.9	18.9	95.3	1.6	2.9	7.4	0.6	1.2	3.1	1.0	2.2	8.6
Al Baraka Islamic Bank	4.9	4.7	4.4	91.2	87.9	77.0	12.4	11.9	19.4	1.6	1.5	2.9	2.4	2.3	4.2
Rupali Bank	1.3	1.9	1.2	24.9	9.3	6.9	-36.3	35.7	-25.3	-5.4	5.3	-3.9	-17.0	16.3	-14.4
Total	7.2	8.0	8.0	66.5	66.9	69.4	30.1	28.0	38.7	2.8	2.5	3.6	4.0	3.4	4.9

Banks	Earning Assets/Deposits			Capital Ratio			Capital Risk Asset Ratio(CRA)			Cost/Income Ratio			Net Profit Margin		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	108.5	102.7	103.2	6.5	5.5	5.9	12.2	10.2	10.7	40.9	47.0	38.5	35.5	29.9	30.2
Standard Chartered	110.7	103.9	107.0	7.5	7.6	7.8	15.1	14.8	15.7	40.5	34.6	30.4	37.4	48.2	52.5
Citibank	126.7	122.2	118.0	10.1	9.5	8.4	24.5	20.7	16.5	42.8	56.6	47.9	30.8	44.4	24.4
Habib Bank AG Zurich	122.7	126.2	118.6	5.2	5.0	5.7	10.3	8.7	9.2	48.3	47.8	43.2	37.5	37.3	39.1
American Express	169.6	130.8	105.3	10.5	14.3	16.8	34.2	58.9	100.6	86.0	103.6	106.6	18.6	13.7	12.6
HSBC	116.1	108.5	111.2	11.9	12.9	15.2	24.2	29.4	36.6	51.1	71.0	52.5	63.5	18.5	36.1
Deutsche Bank	119.9	133.3	143.2	24.0	27.4	33.1	55.4	71.1	90.6	61.7	107.6	99.5	-7.5	0.2	-15.4
Oman International	99.2	89.8	114.0	45.0	55.2	56.4	167.2	251.8	210.8	115.5	110.1	144.8	-16.9	-18.3	-58.0
Bank of Tokyo	78.5	100.4	154.9	36.9	40.2	41.3	2160.7	396.8	121.8	73.8	55.5	33.0	20.3	28.2	57.4
Al Baraka Islamic Bank	122.7	118.9	112.2	12.9	12.9	15.1	21.2	21.5	28.2	44.9	47.8	32.8	31.3	36.6	51.2
Rupali Bank	295.9	274.3	287.3	14.9	14.9	15.4	188.2	494.7	828.6	47.0	59.0	-	-77.2	25.3	-
Total	117.3	111.8	111.1	9.3	9.1	9.3	19.9	18.4	18.2	44.7	48.8	41.3	33.0	40.3	36.7

Foreign Banks - Selected Ratios

(In %)

Banks	Advances+Investment/Assets			Debt Management Ratio(DMR)			Liabilities/Equity (Time)			Earning Assets/Assets			Net Interest Margin (NIM)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	73.0	69.1	72.2	93.5	94.5	94.1	14.4	17.3	15.9	85.7	85.3	83.9	3.8	3.8	5.8
Standard Chartered	69.8	67.2	68.6	92.0	92.2	92.5	12.2	12.2	11.9	83.3	83.9	83.8	4.2	4.1	6.2
Citibank	54.6	50.6	65.2	89.7	90.6	91.7	8.9	9.6	11.0	82.7	83.3	83.0	4.0	4.4	6.1
Habib Bank AG Zurich	81.3	80.0	77.4	93.5	94.6	94.3	17.9	18.8	16.6	86.9	87.1	84.9	1.8	2.2	2.5
American Express	58.2	46.0	38.3	89.4	85.7	83.2	8.5	6.0	4.9	79.7	72.7	68.8	1.5	1.4	1.8
HSBC	51.7	44.9	43.7	88.0	87.1	84.8	7.4	6.7	5.6	80.7	79.7	77.1	2.5	1.7	2.9
Deutsche Bank	45.7	38.9	38.5	75.9	72.6	66.9	3.2	2.7	2.0	57.8	52.4	47.8	3.5	2.1	4.4
Oman International	36.9	37.2	28.7	54.4	44.5	43.6	1.2	0.8	0.8	42.0	30.4	31.1	2.2	3.5	1.9
Bank of Tokyo	17.6	22.4	38.4	63.1	59.8	58.7	1.7	1.5	1.4	46.6	53.9	55.1	1.2	1.3	3.9
Al Baraka Islamic Bank	64.0	63.6	55.4	86.2	85.4	84.0	6.7	6.6	5.6	82.1	81.2	77.9	2.3	1.9	2.1
Rupali Bank	67.5	63.1	61.0	75.5	82.9	77.3	5.1	5.5	5.0	94.1	89.3	77.9	4.4	4.9	4.1
Total	63.2	62.4	66.2	90.3	90.7	90.8	9.7	10.0	9.8	82.3	82.5	81.6	3.5	3.6	5.1

Banks	Cost of Funding Earning Assets			Yield on Earning Assets			Interest Spread			NPLs/Gross Advances			NPLs Provisions/Gross NPLs		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	1.7	1.2	3.2	5.5	5.0	9.0	3.9	3.9	6.0	0.2	0.1	0.5	0.2	0.4	1.5
Standard Chartered	1.3	0.9	2.0	5.5	5.0	8.2	4.3	4.2	6.2	3.1	2.0	7.9	3.2	1.9	1.2
Citibank	2.5	1.6	3.4	6.5	5.9	9.5	4.1	4.4	6.2	3.0	1.6	1.5	2.6	2.1	2.9
Habib Bank AG Zurich	4.2	2.8	4.9	6.1	5.0	7.4	1.9	2.3	2.8	1.8	1.4	0.9	1.6	1.0	0.8
American Express	2.2	1.9	4.3	3.7	3.4	6.1	1.6	1.6	2.1	6.4	5.1	13.4	5.8	5.4	15.7
HSBC	1.8	1.5	3.8	4.3	3.1	6.7	2.6	1.7	3.1	2.5	1.6	1.2	2.5	1.7	1.4
Deutsche Bank	0.9	0.9	3.4	4.4	3.0	7.8	3.4	2.0	3.9	2.4	0.0	0.0	1.9	0.2	0.3
Oman International	6.4	3.8	5.5	8.6	7.3	7.4	3.6	4.6	3.4	4.4	3.0	2.8	4.6	3.5	3.7
Bank of Tokyo	2.2	1.3	4.1	3.4	2.6	7.9	1.7	1.4	4.0	-	-	-	-	-	-
Al Baraka Islamic Bank	2.5	2.1	4.3	4.9	4.0	6.4	2.4	1.9	2.3	3.7	2.8	3.8	2.0	1.9	2.7
Rupali Bank	1.0	1.3	3.0	5.3	6.3	7.1	3.9	4.4	2.9	96.7	92.8	93.4	-	-	-
Total	2.1	1.5	3.2	5.6	5.0	8.3	3.6	3.6	5.3	2.6	1.6	3.3	2.4	1.6	1.8

Banks	Admn Expenses/Employee(Rs.Mn)			Deposits/Branch (Rs.Bn)			Deposit/Staff (Rs.Mn)			Staff/Branch (Nos)			Profit(AT)/Branch (Rs. Mn)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
ABN Amro	3.4	3.5	4.0	5.2	6.1	5.3	134.0	133.4	113.1	39	46	47	115.1	102.0	145.2
Standard Chartered	2.9	2.4	2.0	3.1	2.5	1.9	98.5	99.2	69.0	32	25	27	84.4	85.6	94.3
Citibank	3.0	3.9	3.9	5.0	5.4	6.3	65.9	68.3	66.5	76	80	94	165.4	246.1	188.5
Habib Bank AG Zurich	1.0	1.0	1.1	1.8	1.5	1.4	51.0	52.5	55.4	35	29	25	26.9	22.4	25.2
American Express	2.1	2.3	2.9	1.4	1.3	1.3	31.9	30.3	32.7	44	42	41	20.0	12.7	14.0
HSBC	1.5	1.8	1.9	3.3	4.1	4.4	52.0	66.1	63.5	63	62	69	115.6	29.0	88.0
Deutsche Bank	4.6	4.1	6.2	1.0	0.9	0.9	34.1	28.5	29.3	31	31	31	-17.0	0.2	-29.5
Oman International	2.0	1.6	1.6	0.5	0.3	0.2	47.2	28.4	26.2	10	11	10	-3.0	-3.0	-6.0
Bank of Tokyo	2.1	1.7	1.8	2.8	2.4	1.5	80.5	62.3	41.8	35	38	37	20.0	33.6	113.0
Al Baraka Islamic Bank	0.8	0.8	0.9	1.0	1.1	1.0	34.2	36.0	36.6	29	29	28	15.7	18.1	38.4
Rupali Bank	0.5	0.6	1.0	0.2	0.2	0.2	7.1	6.9	6.4	29	28	24	-23.0	7.6	-12.7
Total	2.4	2.5	2.5	2.8	2.6	2.30	72.1	74.4	65.8	39	35	35	69.3	72.7	78.0

Banks Employees and Branches

Nos.

Banks	Employees			Branches		
	2003	2004	2005	2003	2004	2005
NBP	13272	13745	13824	1199	1226	1242
HBL	18800	18625	16314	1470	1472	1470
UBL	8815	9206	9354	1077	1072	1058
MCB	10164	9889	9377	986	946	952
ABL	6859	6768	6909	752	735	741
Major Banks	57910	58233	55778	5484	5451	5463
FWB	524	507	513	38	38	38
Total	58434	58740	56291	5522	5489	5501
Askari Commercial Bank	1723	2118	2754	58	75	99
Soneri Bank	882	937	1132	44	52	61
Bank Al-Habib	1253	1462	1809	70	74	100
Bank Al-Falah	2133	3388	5291	59	90	147
Bank of Khyber	368	360	370	29	29	29
Bank of Punjab	3019	3144	3430	241	253	266
KASB Bank	328	398	569	19	21	35
Metropolitan Bank	901	1045	1143	40	47	51
Faysal Bank	722	899	1068	39	50	50
mybank*	1014	1031	978	50	50	50
Prime Commercial Bank	900	1059	1375	43	49	62
Union Bank	1319	1413	1614	43	53	65
PICIC Commercial Bank	698	939	1164	64	95	115
Saudi Pak Commercial Bank	634	704	869	28	37	50
Meezan Bank	238	511	786	10	16	18
Crescent Commercial Bank	133	334	495	6	12	18
NIB	249	403	593	2	10	27
Atlas Bank**	12	55	152	2	2	11
All Private/Prov.Banks	16526	20200	25592	847	1015	1254
ABN Amro	270	322	421	7	7	9
Standard Chartered	631	728	1160	20	29	43
Citibank	611	636	753	8	8	8
Habib Bank AG Zurich	423	487	556	12	17	22
American Express	174	168	165	4	4	4
HSBC***	126	123	138	2	2	2
Deutsche Bank	61	62	61	2	2	2
Oman International	20	22	19	2	2	2
Bank of Tokyo	35	38	37	1	1	1
Al Baraka Islamic Bank	175	205	252	6	7	9
Rupali Bank	29	28	24	1	1	1
All Foreign Banks	2555	2819	3586	65	80	103
Grand Total	77515	81759	85469	6434	6584	6858

* Previously Bolan Bank.

** Formerly Dawood Bank Ltd.

*** Hongkong and Shanghai Banking Corporation.

Consumer Financing

(End June : Bn.Rs)

	2004						2005					
	All Banks		Commercial Banks		Foreign Banks		All Banks		Commercial Banks		Foreign Banks	
	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share
Consumer Financing	122.4	9.8	122.2	10.7	32.9	25.1	213.8	12.6	213.7	13.4	32.9	21.4
i. House Building	9.7	0.8	9.7	0.8	2.7	2.0	29.0	1.7	29.0	1.8	4.9	3.2
ii. Transport	31.6	2.5	31.5	2.8	5.9	4.5	66.1	3.9	66.1	4.1	6.9	4.5
iii. Credit Cards	12.4	1.0	12.4	1.1	6.9	5.3	19.5	1.2	19.5	1.2	8.7	5.7
iv. Consumer Durable	2.0	0.2	1.9	0.2	0.0	0.0	2.4	0.1	2.3	0.1	0.0	0.0
v. Personal Loans	48.1	3.9	48.1	4.2	16.2	12.4	91.9	5.4	91.8	5.8	12.3	8.0
vi. Others	18.6	1.5	18.6	1.6	1.2	0.9	4.9	0.3	4.9	0.3	0.0	0.0

Source: State Bank of Pakistan

Growth in Electronic Banking

Period	On-line Branches	No. of ATMS	ATM Transactions during the period (Mn No.)	Value of ATM Transactions (Mn Rs)	Credit Card Amount Outstanding (Mn. Rs)
30.06.2003	994	445	3.68	16068	6707
31.12.2003	1581	552	4.43	21019	8938
30.06.2004	2181	676	5.60	26687	11160
31.12.2004	2475	786	7.00	37502	14123
30.06.2005	2897	1028	8.56	43810	19340
31.12.2005	3265	1217	7.94	46675	27099

Source: State Bank of Pakistan

Pattern of Shareholding

% Share

	NBP	HBL	MCB	UBL	ABL
State Bank of Pakistan	75.1979	60.547	-	48.69	-
General Public (Local)	5.4219	-	32.3227	-	9.3448
Modarabas & Mutual Funds	1.3993	-	1.9838	-	0.1074
Banks, DFIs, NIT	3.2160	-	4.4539	-	14.6158
Insurance Companies	3.0320	-	7.1429	-	0.0429
Associated Cos, undertaking & related parties	0.0009	-	20.0265	-	37.9538
Others (Limited Cos, Pensions/Foreign Cos, Provident Funds & others not listed above)	11.732	39.453*	28.2782	25.50** 25.50***	1.4429
Directors, CEO & their spouse & children	-	-	5.7920	-	36.5109

* Aga Khan Fund for Economic Development holds 38.5% of the shares

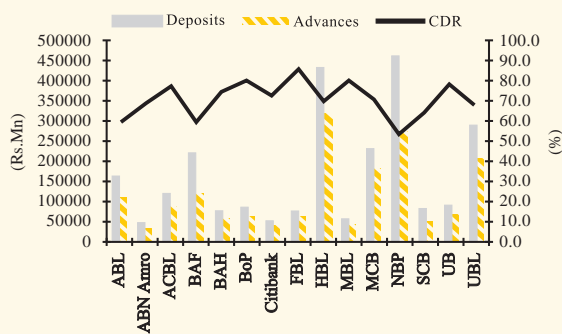
** Bestway Group

*** Abu Dhabi Group

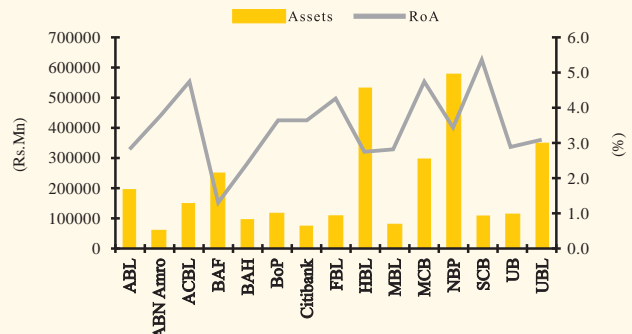
Banking Sector Performance at a Glance

2005

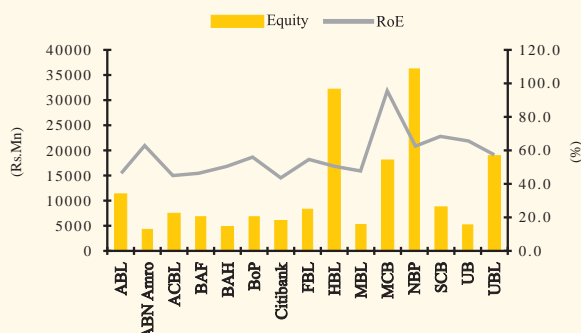
Deposits & Advances



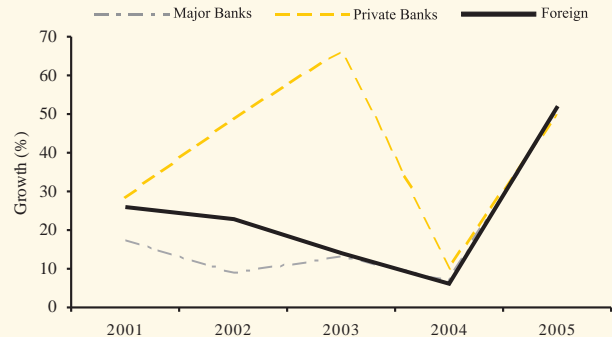
Return on Assets



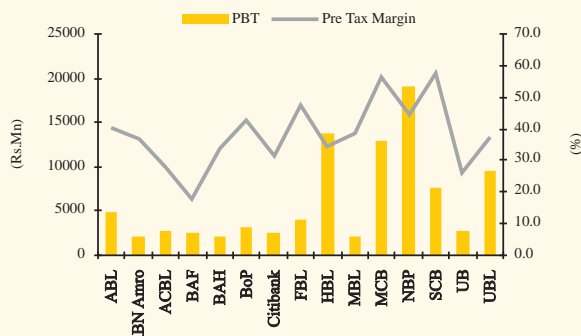
Return on Equity



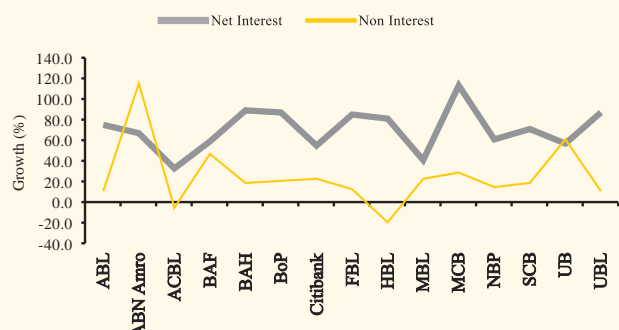
Gross Income



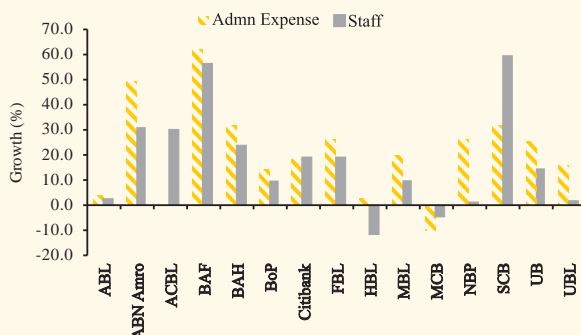
Profitability



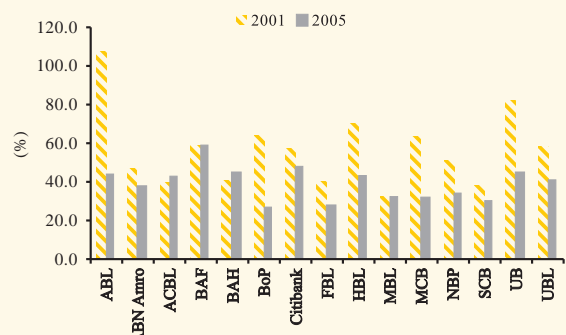
Interest/Non Interest Income



Staff Cost



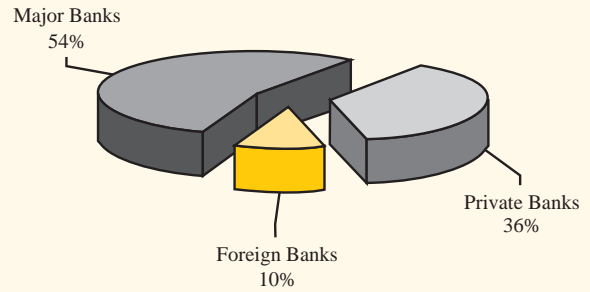
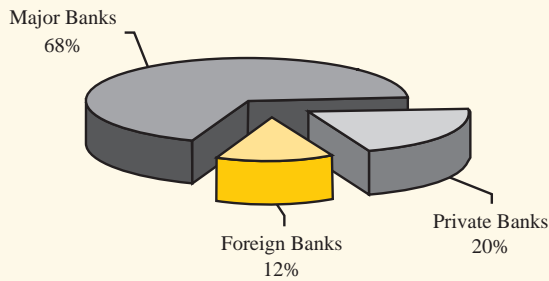
Cost Income Ratio



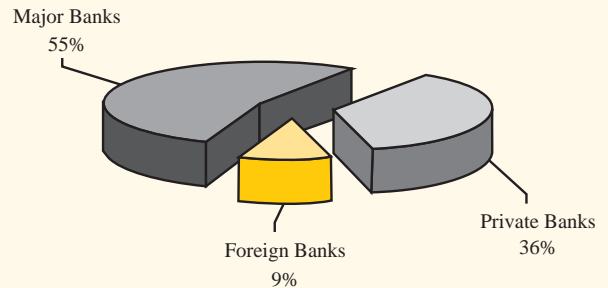
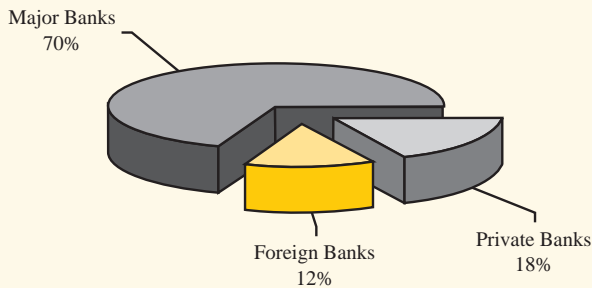
2001

2005

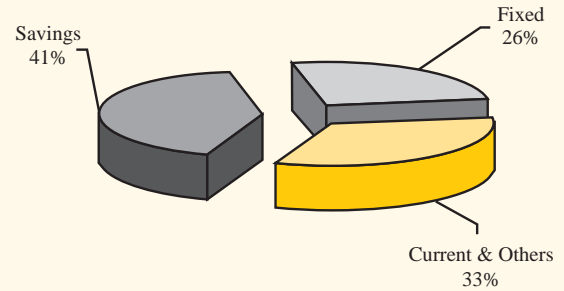
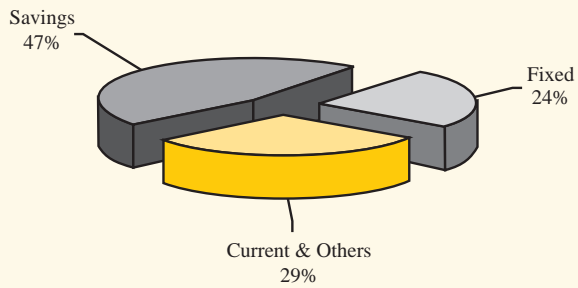
Share in Assets



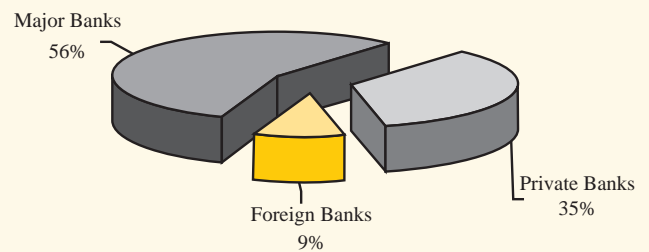
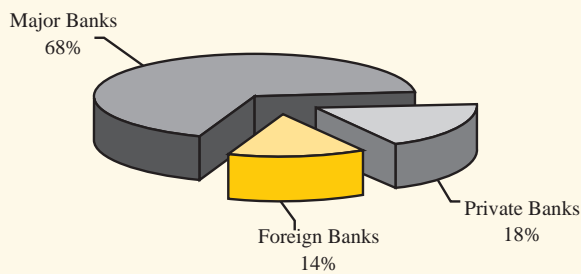
Share in Liabilities



Deposits by Type



Share in Advances



Credit Ratings of Banks/DFIs as of 28-08-2006

Sr. No.	Name of Bank/DFI	Rating Agency	Previous Credit Rating			Latest Credit Rating		
			Short Term	Long Term	Date of Rating	Short Term	Long Term	Date of Rating
Nationalized Banks								
1	First Women Bank Limited	PACRA	A2	BBB	Aug, 2002	A2	BBB+	Aug, 2003
2	National Bank of Pakistan	JCR-VIS	A-1+	AAA	June, 2006	A-1+	AAA	June, 2006
Privatized Banks								
3	Allied Bank Limited	JCR-VIS	A-1+	A+	Nov, 2005	A-1+	A+	Aug, 2006
4	Habib Bank Limited	JCR-VIS	A-1+	AA	June, 2005	A-1+	AA	June, 2006
5	MCB Bank Limited	PACRA	A1+	AA	June, 2005	A1+	AA+	May, 2006
6	United Bank Limited	JCR-VIS	A-1+	AA	June, 2005	A-1+	AA	June, 2006
Provincial Banks								
7	The Bank of Khyber	JCR-VIS	A-2	BBB	Sep, 2005	A-2	BBB	June, 2006
8	The Bank of Punjab	PACRA	A1+	AA-	June, 2005	A1+	AA	June, 2006
Private Banks								
9	Askari Commercial Bank Limited	PACRA	A1+	AA+	June, 2005	A1+	AA+	June, 2006
10	Bank Al-Falah Limited	PACRA	A1+	AA	June, 2005	A1+	AA	June, 2006
11	Bank Al-Habib Limited	PACRA	A1+	AA	June, 2005	A1+	AA	June, 2006
12	Mybank Limited	JCR-VIS	A-2	BBB	Feb, 2005	A-2	A-	June, 2006
13	CresBank	JCR-VIS	A-2	BBB+	June, 2005	A-2	BBB	June, 2006
14	Faysal Bank Limited	JCR-VIS	A-1	AA	July, 2005	A-1+	AA	Feb, 2006
15	KASB Bank Limited	JCR-VIS*, PACRA	A2	BBB+	June, 2005	A2	BBB+	June, 2006
16	Metropolitan Bank Limited	PACRA	A1+	AA+	June, 2005	A1+	AA+	June, 2006
17	Meezan Bank Limited	JCR-VIS	A-1	A+	June, 2005	A-1	A+	June, 2006
18	NIB (NDLC-IFIC Bank) Limited	PACRA	A1	A+	July, 2005	A1	A+	July, 2006
19	PICIC Commercial Bank Limited	JCR-VIS	A-1	A+	June, 2005	A-1	A+	June, 2006
20	Prime Commercial Bank Limited	PACRA	A1	A+	June, 2005	A1	A+	June, 2006
21	Saudi Pak Commercial Bank Ltd.	PACRA, JCR-VIS	A3	BBB	June, 2005	A-2	A	Aug, 2006
22	SME Bank Limited	JCR-VIS	A-3	BB+	June, 2004	A-2	BBB	March, 2005
23	Soneri Bank Limited	PACRA	A1+	AA-	March, 2005	A1+	AA-	June, 2006
24	Union Bank Limited	PACRA	A1+	AA-	June, 2005	A1+	AA-	June, 2006
Foreign Banks								
25	ABN Amro Bank	Standard & Poor's	A-1+	AA-	April, 2005	A-1+	AA-	Sep, 2006
		Moody's	P-1	Aa3		P-1	Aa3	
		Fitch-IBCA	F1+	AA-		F1+	AA-	
26	Al-Baraka Islamic Bank	PACRA, JCR-VIS**	A1	A-	March, 2005	A-1	A	June, 2006
27	American Express Bank	Standard & Poor's	N/A	N/A	June, 2003	A-1	A+	June, 2004
		Moody's	P1	A2		P-1	A2	
		Fitch-IBCA	F1	A-		F-1	A+	
28	Bank of Tokyo-Mitsubishi Limited	Standard & Poor's	A-1	A	June, 2005	A-1	A	March, 2006
		Moody's	P1	A1		P1	A1	
		Fitch-IBCA	F1	A-		F1	A-	
29	Citibank N.A	Standard & Poor's	A-1+	AA	April, 2004	A-1+	AA	Dec, 2005
		Moody's	P-1	Aa1		P-1	Aa1	
		Fitch-IBCA	F1+	AA+		F1+	AA+	
30	Deutsche Bank AG	Standard & Poor's	A-1+	AA-	March, 2005	A-1+	AA-	Dec, 2006
		Moody's	Nil	Nil		P-1	Aa3	June, 2006
31	Habib Bank AG Zurich	JCR-VIS	A-1+	AA+	June, 2005	A-1+	AA+	June, 2006
32	Hong-Kong Shanghai Banking Corporation (Non HK\$)	Standard & Poor's	Nil	A+	March, 2004	Nil	Nil	August, 2005
		Moody's	A1	Aa3		P-1	A1	
		Fitch-IBCA	Nil	AA-		Nil	Nil	
33	Oman International Bank	JCR-VIS	A-2	BBB	June, 2005	A-2	BBB	June, 2006
34	Standard Chartered	Standard & Poor's	A-1	A	2005	A-1	A+	2006
		Moody's	P-1	A2				
		Fitch-IBCA	F1	A+				
Specialised Banks								
35	Punjab Provincial Cooperative Bank	JCR-VIS	A-3	BB+	Feb, 2004	A-3	BB+	Dec, 2005
36	Zarai Taraqati Bank Ltd	PACRA	A-1+	AAA	April, 2004	A2	BBB+	June, 2005
		JCR-VIS	A-3	BB+	April, 2004	A-3	BB+	
Development Financial Institutions								
37	Pak Kuwait Investment Co. (Pvt) Ltd	PACRA	A1+	AAA	June, 2005	A1+	AAA	June, 2006
		JCR-VIS	A-1+	AAA	May, 2005	A-1+	AAA	June, 2006
38	Pak Libya Holding Company	PACRA	A1+	AA-	May, 2005	A1+	AA-	June, 2006
39	Pak-Oman Investment Company	JCR-VIS	A-1+	AA+	May, 2005	A-1+	AA+	June, 2006
40	Pak Industrial Credit & Investment Cor.	PACRA	A1+	AA	June, 2005	A1+	AA	June, 2006
41	Saudi Pak Industrial & Agricultural Investment Co.	JCR-VIS	A-1+	AA+	April, 2005	A-1+	AA+	June, 2006
42	Investment Corporation of Pakistan	PACRA	A1+	AA	March, 2005	A1+	AA	October, 2005
43	House Building Finance Corporation	PACRA	A1	A	Aug, 2005	A1	A	June, 2006
Micro Finance Institutions								
44	The First Microfinance Bank Ltd	JCR-VIS	A-1+	A+	June, 2004	A-1+	A+	June, 2005

Banking Sector - HY06 Financial Performance

The banking sector has continued to impress market participants by posting double digit year-on-year growth in earnings. Cumulative profit after tax (PAT) of 21 listed banks during the first half of 2006 was reported at Rs31192 million compared to Rs18499 million reported during the corresponding period of last year, registering an increase of 69% (YoY).

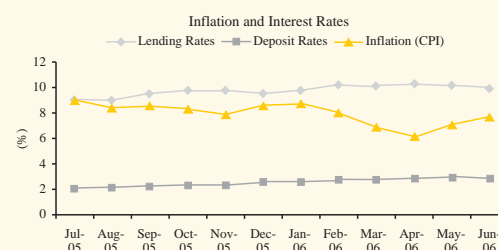
Banks	Profit After Tax		
	Jun-06	Jun-05	% Chg
Allied Bank Limited	2260.51	1040.61	117%
Askari Commercial Bank Ltd.	1118.05	863.99	29%
Atlas Bank Limited	11.68	4.97	135%
Bank Al Habib Limited	944.08	547.27	73%
Bank Of Punjab	2431.36	1531.42	59%
Crescent Commercial Bank Limited	(109.88)	(319.39)	-66%
Faysal Bank	1945.00	1914.00	2%
KASB Bank Limited	36.28	61.03	-41%
Meezan Bank Limited	317.40	61.55	416%
Metropolitan Bank Limited	838.30	523.43	60%
Muslim Commercial Bank	5741.16	3039.61	89%
My Bank Ltd.	222.43	1869.46	19%
National Bank of Pakistan	8016.41	4393.61	82%
NIB Bank Limited	21.96	42.39	-69%
PICIC Commercial Bank Limited	649.93	733.12	-11%
Prime Bank	231.09	225.57	2%
Saudi Pak Bank Limited	97.44	114.14	-15%
Soneri Bank	534.53	480.86	11%
The Bank of Khyber	178.32	169.88	5%
Union Bank	1020.54	799.53	28%
United Bank Limited	4694.60	2084.79	125%
TOTAL	31192.18	18498.83	69%

Source: Quarterly Reports

An interesting observation worth pointing out here is that many banking institutions had posted a quarter-on-quarter decline in earnings during the first quarter of 2006. This may be attributable to the ongoing practice of numerous economic agents who aggressively try to attract more deposits (and also increase disbursements) as the year end approaches in order to meet their targets. In doing so, the institutions might have offered higher than usual rates on deposits with its impact being felt in the financial results of first quarter ended March 06. This phenomena can be substantiated by observing the trend in weighted average spreads which had bottomed out in December '05 (6.98%) and since then have gradually picked up and remained within the range of 7.00% - 7.50%.

Overall, the observed deceleration in bottom-line growth is primarily attributable to the high base effect and more importantly due to the increasing cost of funds. Weighted average deposit rates have increased from 2.06% in July '05 to 2.86% by the end of July '06. Consequently, average spreads for the banking

sector reduced to 7.04% in June '06 after peaking at 7.43% in October '05. The effect of higher cost of funds is more pronounced on medium and small sized banks.



The graph above shows that although average real (net of inflation) deposit rates still lie in the negative zone, they have reduced to -4.76% in Jun '06 from -6.89% reported during the same period last year.

Total banking deposits grew to Rs 2,166 billion, up by 4.70% (Rs 125bn) during the six months of 2006 while advances during the same period have increased by 4.08% (Rs 83billion). This translates into an advance to deposit ratio of 71% (as of Jun '06) compared to 72% (as of Dec '05). Robust credit appetite shown by the private sector during the last couple of years has caused the sector ADR ratio surge to record high levels which alongside SBP's latest increase in the cumulative SLR & CRR requirements from 20% to 25% has made the environment extremely challenging for the banks. Therefore, there is growing pressure on banks (particularly the medium and small sized) to improve rates in order to mobilize more deposits.

Despite massive credit off-take to the private sector and robust growth in consumer loans (12.4% of total loans in Dec '05, 9.4% in 2004) during the last couple of years, the NPL ratio does not present an alarming situation. Net NPLs to Net Loans for commercial banks have stayed constant at 1.4% as of June '06 compared to 13%+ in 1999. The latest amendments to the Prudential Regulations with regard to the provisioning of NPLs have allowed more transparent reporting of infected loans by the banking sector.

(Contributed by Taurus Securities Ltd.)

Earnings Decline

Non-Performing Loans

Market Analysis

The KSE-100 Index declined by 434 points or 4.1% during August 2006 to close at 10,063. The average daily turnover during August 2006 was 178.1m shares compared to 207.3m shares during July 2006. The market was volatile throughout the month because of minor political uncertainty pertaining to the Supreme Court of Pakistan's judgment on the Pakistan Steel Mill privatization.

The market rallied during the first week of August on the back of good results of companies such as PSO, Shell Pakistan and UBL, which were above expectations. Also, the Minister of Privatization's statement regarding the possibility of issuing OGDC's GDRs by the end of September added support to the rally. The KSE-100 Index increased by 349 points or 3.3% to 10,846 on August 7 and the average daily turnover was about 243m shares.

The market was in a bearish patch during the next 18 days of the month as the Index shed 1,262 points or nearly 12% from August 7 to August 25 to 9,584 and the average daily turnover during this period dipped to 153m shares. The key factors behind this bearish patch are as follows:

- The market was technically overbought which led to both profit taking and weak holder selling in large cap scrips such as OGDC, PTCL, PPL and UBL.
- The release of the detailed judgment of the Supreme Court of Pakistan regarding the Pakistan Steel Mill sell-off as the apex court ruled that the decisions of the Cabinet Committee on Privatization depicted disregard of mandatory rules and also material which was essential for arriving at a fair price for the unit. The political fallout of the detailed judgment led to a no-trust motion tabled by the opposition parties on August 23.
- Declining international oil prices from around US\$78 a barrel to around US\$70 led to selling pressure in petroleum stocks in the local bourses. Also, the well head gas revisions by Ogra for the next 6 months starting July 1, 2006 were minor with

Qadirpur field's pricing dropping by 30.5% which led to additional selling pressure in E&P stocks which comprise around 30-35% of total market capitalization.

Despite the unrest in Balochistan from the killing of Akbar Bugti in a military operation, the market began to recover in the dying days of the month. The Index during the last 4 days gained 479 points of around 5% on improved average daily turnover of 178m shares. The main reason for this rebound can be attributed to a combination of factors such as the market being technically oversold, domestic institutional support in major stocks, foreign buying of around US\$5m and the defeat of the no-trust motion against the Prime Minister on August 29.

Despite strong corporate results with most companies meeting market expectations, a phenomenon of subdued market response has started to emerge recently. In the coming month, annual and half yearly results from cement and textile sectors may result in some activity in the respective sectors; however this will only affect the index marginally. The extension in phasing out of CFS until December 31, 2006 could lead to minor uncertainty as long as restraint is exercised in issuing ad hoc notices before the finalization of rules. With fewer triggers expected to move the market, we feel that the Index will trade in a tight band during the next month. However, our assessment could change significantly if the OGDC GDR pricing is announced in the immediate term. It is fair to say that the privatization play is over for the moment and now close attention will be paid to fundamental strengths of these units such as PSO, PPL and OGDC. We advise investors to gradually accumulate on dips large cap stocks such as NBP, MCB, OGDC and POL. Currently, the market PEX based on FY06A/E earnings is 8.9 while the FY07 forward PEX comes to 8.1. Our sustainable market PEX is 10.6, indicating a potential 12 month upside of 27% or 2,800 points based on FY07F earnings.

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

Bearish
spell

Slight
month
end
recovery

Looking
ahead

Pakistan Economy - Key Economic Indicators

Economy Size & Growth			FY '03	FY '04	FY '05	FY '06
GNP - Market Prices	Rs. bn		4974.6	5657.1	6715.6	7864.5
GDP - Market Prices	Rs. bn		4822.8	5640.6	5681.1	7713.1
Per Capita Income	Market Prices	Rs.	33899	38524	44028	50618
	Market Prices	US\$	579	669	742	847
Growth*						
GNP	%		6.3	7.3	8.3	6.4
GDP	%		4.7	7.5	8.6	6.6
Agriculture	%		4.3	9.2	9.2	4.3
Large-scale manufacturing	%		7.2	18.1	15.6	9.0
Services Sector	%		5.2	5.9	8.0	8.8
Rate of Inflation						
		%				
Consumer Price Index ^x	%		3.1	4.6	9.3	7.9
Wholesale Price Index ^x	%		5.9	7.9	6.8	10.1
Balance of Payments		\$mn				
Exports (f.o.b)			10889	12396	14401	16777
Imports (f.o.b)			11333	13604	18753	23629
Trade Balance			(-444)	(-1208)	(-4352)	(-6852)
Services Account (Net)			(-2128)	(-3594)	(-5841)	(-6994)
Current Transfers (Net)			5737	6116	8440	8492
Current Account Balance			3164	1314	(-1753)	(-5354)
Fiscal Balance		% of GDP				
Total Revenue (Net)			14.9	14.3	13.7	14.2
Total Expenditure			18.6	16.7	18.2	17.6
Overall Deficit			(-3.7)	(-2.4)	(-3.3)	(-4.2)**
Domestic & Foreign Debt						
Domestic Debt	Rs. bn		1894.5	2012.2	2158.4	2296.9
As % GDP			39.3	35.7	32.8	29.8
Total External Debt & Liabilities	\$bn		35.47	35.26	35.83	37.26
As % of GDP			43.1	36.7	32.6	28.9
As % of Foreign Exchange Earnings			181.2	164.7	134.3	130.2
Investment & Savings		% of GDP				
Gross Investment			16.9	16.6	18.1	20.0
Gross Fixed Investment			15.3	15.0	16.5	18.4
National Savings			20.8	17.9	16.5	16.4
Domestic Savings			17.6	15.7	14.5	14.4
Foreign Investment	\$mn		816.3	921.7	1676.6	3872.5
Portfolio			22.1	(-27.7)	152.6	351.5
Direct			798.0	949.4	1524.0	3521.0
Monetary Aggregates		%				
M1			26.2	24.0	18.4	9.1
M2			18.0	19.6	19.3	12.2
Literacy Rate	%		51.6	53.0	53.0	53.0
Foreign Exchange Reserves	\$mn		10719	12328	12623	13137
Exchange Rate	Rs./\$		58.4995	57.5745	59.3576	59.8566
Stock Market Growth Rate		%				
SBP General Index of Share Prices ^x			91.2	53.2	15.1	18.7
Aggregate Market Capitalisation			83.1	81.9	48.3	37.4

* Constant Factor Cost of 1999-2000 ^x 2000-01 base
 ** Excluding earthquake spending the deficit is 3.4%.

Source: Annual Plan FY'07 and
 State Bank of Pakistan