



KPMG Taseer Hadi & Co.
Chartered Accountants

Pakistan Banking Perspective 2021

June 2021

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Foreword

Alhamdulillah, we are beginning to see a gradual and phased return to normalcy with renewed confidence and optimism.

We are delighted to introduce our annual Pakistan Banking perspectives report for the year ended 31 December 2020 that analyses the financial results for leading listed commercial banks across Pakistan, comparing these with the previous year. This report provides banking industry leaders with brief analysis, comparing banking sector key performance indicators and furnishes forward-looking views and insights from our professionals and industry leads.

For the first time in this publication series, we are proud to include an interview with a sector leader about the existing challenges and future outlook of the industry. Also we have included views and insights from our service line leaders and prominent industry faces on issues that are relevant for now and will be vital going forward.

In this report, our financial services team explore a wide range of topics of critical importance to the industry. While banks endeavor to manage vast exposures to governance and compliance issues, disruptions around customer experience, empathy, culture and technology enabled delivery channels are taking priority. CEOs are focusing on building financial and operational

resilience to face the future developments in banking. During this time of rapid developments, embracing Environmental, Social and Governance (ESG) agenda is of immense importance to ensure investor confidence in the banking sector in the long-run.

Our source of information remain the published financial statements and views expressed do not constitute advice.

We believe this report is insightful and a thought-provoking read. We would be delighted to discuss with you the views outlined within it and explore how we could assist your organization in capitalizing on potential opportunities. Thank you for your support as we take yet another step forward in our exciting client service journey. The comments may be sent to rananadeem@kpmg.com.

25 June 2021



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Performance Highlights



Performance Highlights

Despite the pandemic situation and overall economic slowdown that was expected in financial year 2020, it proved to be a promising year for the banking sector in Pakistan with overall increase in profitability by 30.7% and 37.6% respectively for both conventional and Islamic banks. Total assets and deposits grew by 14% and 16% respectively.

Asset growth was driven mainly by increase in investments in government securities. Whereas, credit to private sector declined due to slowdown of economic activity. Growth in deposits can be attributed to restricted consumer spending due to pandemic. Reduction in interest rates lowered the average lending rates significantly but lack of active demand due to economic slowdown restricted the credit offtake. Banks managed operating expenses efficiently which showed increase of 5%. Banking spread also reduced by 13%.

Capital Adequacy Ratio of the banking sector was at 18.6% at the year end 2020, well above the requirement of 11.5%.

Covid-19 pandemic disrupted the economy including the banking business and both Government and SBP provided significant relief to businesses. In anticipation of expiry of waivers and relief measures and applicability of IFRS 9 in 2021 some

banks were careful in creating general provisions against doubtful advances.

On the flipside Covid 19 has truly accelerated the adoption of mobile and internet banking by consumers yielding additional returns for banks with enhanced customer experience and lower costs.

Going forward for banking industry fintech and associated players will continue to be an growing challenge. Volatile economic scenarios and inflationary pressures will impact asset quality and applicability of new financial reporting standards would require more provisions. Regulatory compliance and cyber security threats would further increase costs.

Besides all we believe banking industry have growth prospects. With fast increasing use of digital channels banking users will continue to increase and with a speed. Innovative products and solutions matching to customer needs and enhancing customer experience will play a key role.

In the following pages you will find number tables and graphs showing comparative performance along with views and insights from our professionals and industry leads.

Performance Highlights (All Banks)

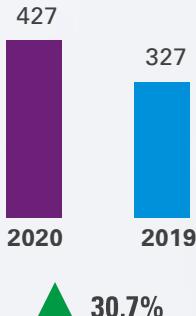
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(Amounts in PKR Billion)

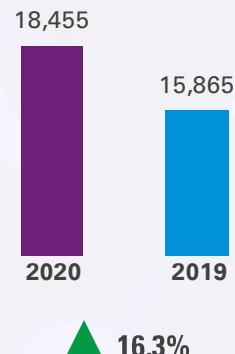
Total Assets



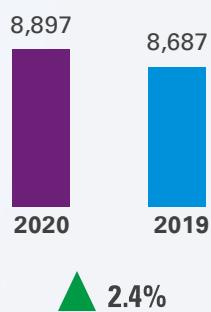
Profit Before Tax



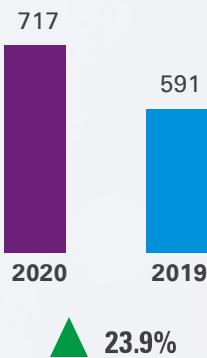
Deposits



Gross Advances



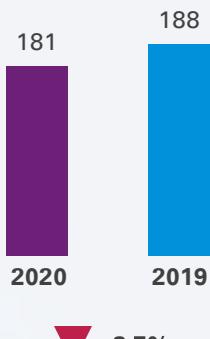
Net Interest Income



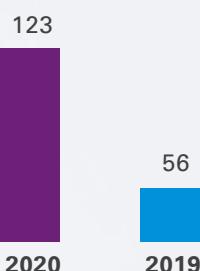
Spread (In Percentages)



Non-Funded Income



Provisions / Write-Off



Operating Expenses

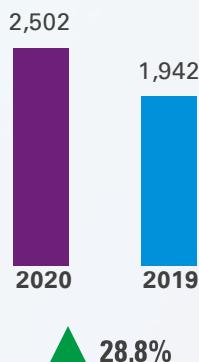


Performance Highlights (Islamic Banks)

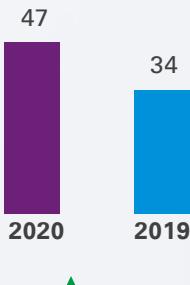
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(Amounts in PKR Billion)

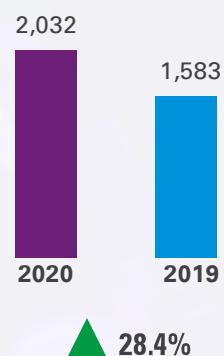
Total Assets



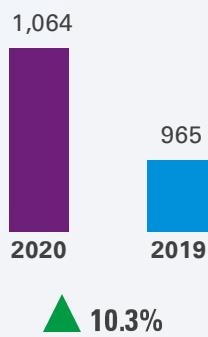
Profit Before Tax



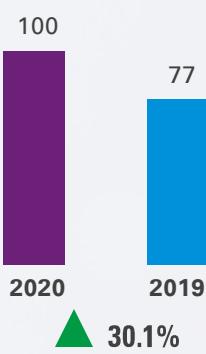
Deposits



Gross Islamic Financing and Related Assets



Net Income



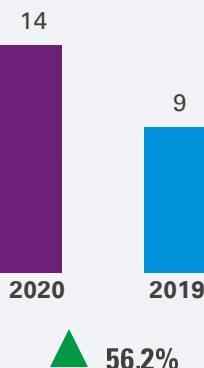
Spread (In Percentages)



Non-Funded Income



Provisions / Write-Off

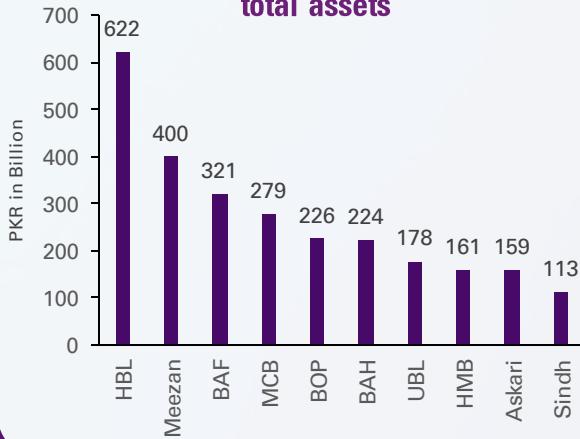


Operating Expenses

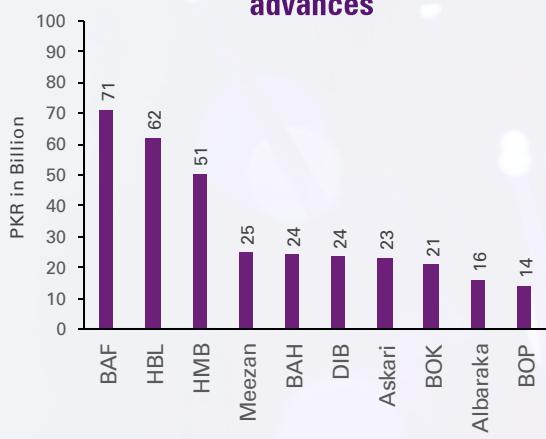


Top Performers

Top 10 Banks with high growth in total assets



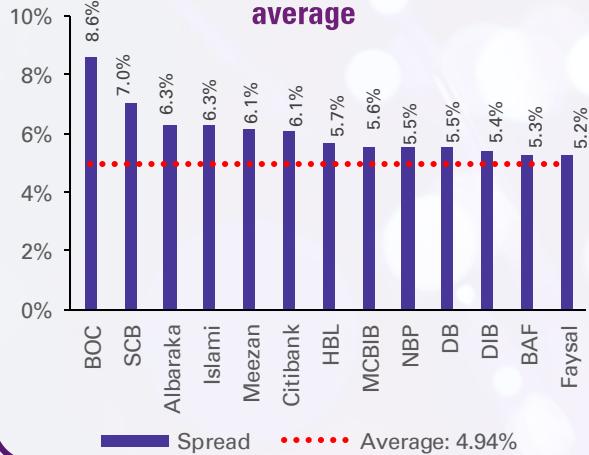
Top 10 Banks with high growth in advances



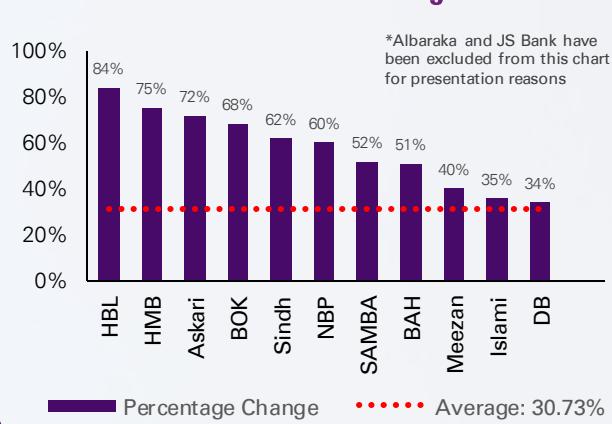
Top 10 Banks with high growth in deposits



Banks with higher spread than average



Banks with higher growth in profit before tax than average*



Banks with lower Operating Expenses to Average Deposits



Performance Summary





Performance Summary (All Banks)

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Bank	HBL		NBP		UBL		MCB	
	2020	2019	2020	2019	2020	2019	2020	2019
Ranking								
By total assets	1	1	2	2	3	3	4	4
By net assets	2	2	1	1	3	3	4	4
By profit before tax	1	4	3	3	5	2	2	1
Profit before tax	53,031	28,881	46,384	28,978	34,382	35,731	49,318	40,154
Net Interest Margin	4.1%	3.9%	4.2%	2.8%	4.3%	4.0%	4.8%	4.9%
Spread	5.7	6.8	5.5	6.1	4.7	4.9	4.6	5.6
Return on Average Equity	12.6%	7.3%	11.9%	7.4%	10.4%	10.6%	16.2%	14.8%
Return on Average Assets	0.9%	0.5%	1.0%	0.6%	1.0%	0.9%	1.7%	1.5%
Operating Cost to Net Interest Income Ratio	73.4%	92.1%	61.7%	93.4%	58.1%	70.5%	51.5%	60.8%
Operating Expenses to Average Deposit Ratio	3.6%	4.0%	2.8%	3.2%	2.6%	2.9%	2.9%	3.2%
Net provision / (reversal)	12,220	3,314	30,912	13,557	17,256	7,314	7,330	2,674
Impairment cover (Times)	5.3	9.7	2.5	3.1	3.0	5.9	7.7	16.0
Non Funded Income	20,088	22,749	27,788	32,554	17,362	22,218	14,903	15,448
Non Performing Advances to Gross Advances	6.2%	6.6%	11.1%	13.0%	12.3%	10.2%	8.7%	8.4%
Total Assets	3,849,063	3,227,132	3,017,210	3,132,360	2,201,876	2,023,738	1,891,276	1,612,215
Net Assets	265,495	224,752	274,402	239,223	207,632	190,872	192,991	171,347
Capital Adequacy Ratio	17.24%	15.35%	19.78%	15.82%	22.22%	17.96%	19.69%	17.84%
Average Advances to Average Deposits	44.8%	50.0%	48.4%	51.3%	40.3%	49.0%	40.5%	46.9%
CASA	83.1%	82.6%	83.8%	81.8%	76.3%	73.1%	89.8%	87.1%
Earnings per share (EPS)	21.06	10.45	14.33	7.79	17.07	15.60	24.82	20.14
Market Price	132.3	157.42	42.96	43.30	125.86	164.50	185.28	204.94
Market Capitalization	194,065	230,912	91,398	92,121	154,075	201,378	219,568	242,866

All figures in Million or otherwise stated



Bank	BAH		ABL		Meezan		BAF	
	2020	2019	2020	2019	2020	2019	2020	2019
Ranking								
By total assets	7	6	5	5	6	7	8	8
By net assets	8	9	5	5	9	8	6	6
By profit before tax	7	9	6	7	4	6	10	8
Profit before tax	28,709	19,040	29,975	24,702	37,790	26,978	18,443	22,915
Net Interest Margin	4.5%	3.8%	3.7%	3.4%	5.0%	4.9%	3.7%	5.1%
Spread	3.9	4.6	4.4	4.9	6.1	5.8	5.3	6.8
Return on Average Equity	25.2%	20.0%	14.6%	12.8%	33.3%	29.7%	11.9%	15.7%
Return on Average Assets	1.3%	1.0%	1.2%	1.0%	1.7%	1.5%	0.9%	1.3%
Operating Cost to Net Interest Income Ratio	60.5%	68.8%	64.1%	67.5%	46.7%	56.2%	72.1%	66.8%
Operating Expenses to Average Deposit Ratio	3.4%	3.3%	2.7%	2.8%	2.7%	3.0%	3.8%	3.9%
Net provision / (reversal)	4,547	3,399	844	547	8,210	4,186	7,589	3,029
Impairment cover (Times)	7.3	6.6	36.5	46.1872	5.6	7.4	3.4	8.6
Non Funded Income	9,782	9,103	8,182	8,091	10,067	10,647	10,335	10,091
Non Performing Advances to Gross Advances	1.4%	1.5%	2.8%	3.2%	2.8%	1.8%	4.3%	4.2%
Total Assets	1,522,779	1,299,139	1,593,090	1,483,383	1,526,561	1,126,115	1,387,674	1,067,110
Net Assets	80,444	61,933	133,769	117,212	73,231	62,781	92,661	89,283
Capital Adequacy Ratio	15.18%	14.42%	25.40%	21.79%	18.14%	17.17%	16.37%	16.69%
Average Advances to Average Deposits	42.0%	51.0%	31.8%	27.1%	42.1%	56.1%	52.7%	61.9%
CASA	78.1%	75.9%	85.3%	80.7%	76.4%	73.3%	77.9%	75.9%
Earnings per share (EPS)	16.03	10.07	16.05	12.65	15.83	12.12	5.89	7.35
Market Price	70.79	76.16	85.4	95.60	104.44	95.13	35.33	45.70
Market Capitalization	78,678	84,646	97,789	109,469	134,321	122,348	62,787	81,216

All figures in Million or otherwise stated



Bank	BOP		Askari		HMB		SCB	
	2020	2019	2020	2019	2020	2019	2020	2019
Ranking								
By total assets	9	9	11	11	10	10	12	13
By net assets	13	12	12	13	10	11	7	7
By profit before tax	13	11	11	13	9	12	8	5
Profit before tax	11,926	14,072	17,835	10,390	20,386	11,629	23,616	27,199
Net Interest Margin	2.4%	3.6%	3.6%	3.2%	3.3%	2.4%	4.7%	5.8%
Spread	3.2	4.8	4.6	5.1	2.8	4.1	7.0	6.7
Return on Average Equity	13.9%	19.5%	22.4%	18.5%	22.6%	15.8%	17.0%	22.9%
Return on Average Assets	0.7%	1.0%	1.2%	0.9%	1.3%	0.9%	2.0%	2.7%
Operating Cost to Net Interest Income Ratio	75.6%	55.9%	67.1%	83.0%	51.4%	74.2%	44.0%	42.2%
Operating Expenses to Average Deposit Ratio	2.2%	2.3%	2.8%	2.9%	2.3%	2.2%	2.3%	2.5%
Net provision / (reversal)	6,870	1,727	1,975	773	3,621	420	4,941	(17)
Impairment cover (Times)	2.7	9.1	10.0	14.4	6.6	28.7	5.8	-
Non Funded Income	4,473	3,638	7,014	6,390	9,570	8,476	9,420	9,090
Non Performing Advances to Gross Advances	13.0%	12.0%	6.7%	7.1%	5.7%	6.0%	11.4%	7.5%
Total Assets	1,095,848	869,682	992,887	833,443	1,025,618	865,030	721,905	619,971
Net Assets	52,383	46,867	54,681	42,402	61,338	47,830	81,678	72,917
Capital Adequacy Ratio	11.7%	14.7%	15.5%	13.4%	16.8%	14.7%	19.1%	16.9%
Average Advances to Average Deposits	52.0%	62.8%	50.8%	57.6%	37.0%	40.1%	38.4%	43.2%
CASA	65.4%	68.2%	87.1%	82.0%	60.3%	61.6%	91.4%	89.8%
Earnings per share (EPS)	2.58	3.09	8.61	5.58	11.50	6.34	3.39	4.14
Market Price	9.27	11.33	23.39	18.54	39	36.35	34.5	23.60
Market Capitalization	24,507	29,953	29,477	23,365	40,865	38,089	133,570	91,369

All figures in Million or otherwise stated



Bank	Faysal		ICBC		JS		Soneri	
	2020	2019	2020	2019	2020	2019	2020	2019
Ranking								
By total assets	13	12	15	14	14	15	16	16
By net assets	11	10	14	14	17	18	16	17
By profit before tax	15	14	12	10	20	23	17	17
Profit before tax	10,891	10,158	16,800	16,264	2,169	(86)	4,035	3,247
Net Interest Margin	4.2%	4.2%	7.0%	3.5%	2.1%	1.7%	2.5%	2.1%
Spread	5.2	6.2	3.7	2.3	2.9	4.3	3.7	4.2
Return on Average Equity	11.6%	12.2%	23.3%	29.9%	5.2%	-1.4%	11.1%	10.0%
Return on Average Assets	1.0%	1.0%	2.0%	2.0%	0.2%	-0.1%	0.5%	0.5%
Operating Cost to Net Interest Income Ratio	81.1%	82.7%	11.3%	14.2%	141.7%	164.5%	84.7%	102.6%
Operating Expenses to Average Deposit Ratio	3.9%	4.0%	1.3%	2.5%	3.5%	3.4%	2.7%	2.9%
Net provision / (reversal)	2,254	842	43	65	1,254	(89)	1,402	(589)
Impairment cover (Times)	5.8	13.1	391.3	250.7	2.7	-	3.9	-
Non Funded Income	6,356	7,488	3,002	2,324	5,511	4,928	2,855	3,053
Non Performing Advances to Gross Advances	7.7%	9.1%	-	-	4.6%	4.2%	6.2%	5.1%
Total Assets	710,064	629,861	515,105	505,398	536,077	473,213	485,345	442,541
Net Assets	60,218	55,205	48,314	37,714	22,916	19,481	23,157	20,214
Capital Adequacy Ratio	18.8%	19.1%	29.7%	26.2%	13.6%	13.7%	17.0%	15.8%
Average Advances to Average Deposits	61.9%	70.7%	29.6%	32.5%	55.1%	63.4%	47.2%	51.9%
CASA	71.7%	70.7%	75.1%	78.5%	51.3%	46.6%	67.2%	62.0%
Earnings per share (EPS)	4.40	3.96	-	-	0.86	(0.21)	2.18	1.73
Market Price	17.28	19.02	-	-	6.41	5.40	9.95	9.85
Market Capitalization	26,226	28,867	-	-	8,317	7,006	10,970	10,859

All figures in Million or otherwise stated



Bank	BOK		DIB		Islami		Sindh	
	2020	2019	2020	2019	2020	2019	2020	2019
Ranking								
By total assets	19	17	18	19	17	18	20	21
By net assets	20	20	15	15	18	16	19	19
By profit before tax	18	18	16	16	19	19	25	25
Profit before tax	3,806	2,261	4,787	5,688	2,532	1,869	(5,265)	(13,693)
Net Interest Margin	2.7%	1.8%	4.4%	4.5%	4.7%	4.7%	1.35%	1.7%
Spread	3.3	3.8	5.4	6.0	6.3	5.3	3.2	3.7
Return on Average Equity	13.5%	10.1%	12.4%	17.2%	7.7%	6.2%	-17.3%	-57.5%
Return on Average Assets	0.7%	0.5%	1.0%	1.3%	0.5%	0.4%	-1.4%	-5.2%
Operating Cost to Net Interest Income Ratio	62.5%	77.1%	62.8%	65.3%	70.2%	72.2%	168.1%	240.7%
Operating Expenses to Average Deposit Ratio	2.2%	2.0%	3.3%	3.4%	3.4%	3.7%	3.3%	4.1%
Net provision / (reversal)	1,610	(21)	2,135	722	2,601	2,773	3,737	10,034
Impairment cover (Times)	3.4	0.0	3.2	8.9	2.0	1.7	-	-
Non Funded Income	1,126	809	2,301	2,392	1,375	961	573	470
Non Performing Advances to Gross Advances	5.4%	4.4%	2.8%	2.5%	12.1%	10.6%	45.9%	43.8%
Total Assets	288,300	306,305	303,262	264,639	337,941	284,464	274,788	161,666
Net Assets	17,772	14,201	24,624	22,163	20,513	20,454	19,270	17,217
Capital Adequacy Ratio	19.4%	15.3%	16.9%	17.1%	16.1%	14.9%	16.2%	14.0%
Average Advances to Average Deposits	61.6%	57.7%	81.8%	82.1%	53.0%	63.2%	26.9%	60.9%
CASA	61.1%	58.3%	73.8%	66.7%	62.5%	58.5%	67.5%	76.5%
Earnings per share (EPS)	2.15	1.31	2.48	2.87	1.39	1.08	(1.60)	(7.95)
Market Price	-	13.56	-	-	12	11.09	-	-
Market Capitalization	-	13,563	-	-	13,304	12,296	-	-

All figures in Million or otherwise stated

Bank	Albaraka		Citibank		SAMBA		DB		BOC	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ranking										
By total assets	21	20	22	22	23	23	24	24	25	25
By net assets	23	22	22	23	21	21	24	24	25	25
By profit before tax	22	22	14	15	21	21	23	20	24	24
Profit before tax	1,538	8	10,926	8,494	1,668	1,100	1,522	1,137	(274)	(529)
Net Interest Margin	4.1%	4.4%	5.8%	5.6%	2.7%	3.1%	4.9%	7.1%	0.6%	0.0%
Spread	6.3	6.5	6.1	7.8	3.5	5.0	5.5	6.9	8.6	4.9
Return on Average Equity	5.9%	-1.6%	52.5%	42.9%	6.9%	5.1%	11.7%	8.8%	-2.5%	-10.1%
Return on Average Assets	0.43%	-0.1%	4.3%	3.3%	0.7%	0.5%	2.3%	1.9%	-0.9%	-1.7%
Operating Cost to Net Interest Income Ratio	86.5%	104.6%	23.3%	39.5%	81.6%	78.5%	102.0%	69.9%	2912.9%	22920.3%
Operating Expenses to Average Deposit Ratio	3.7%	4.5%	1.3%	2.6%	4.0%	4.0%	5.5%	5.9%	6.7%	5.2%
Net provision / (reversal)	1,208	1,190	13	(59)	354	502	-	-	-	-
Impairment cover (Times)	2.3	1.0	822.5	0.0	5.7	3.2	-	-	-	-
Non Funded Income	1,693	1,494	4,339	3,986	819	764	1,553	615	464	100
Non Performing Advances to Gross Advances	9.8%	11.4%	6.1%	4.9%	3.9%	4.2%	3.7%	1.0%	#DIV/0!	-
Total Assets	192,814	161,982	161,980	149,403	158,996	129,577	44,321	33,944	14,366	26,515
Net Assets	13,029	12,732	13,823	11,900	15,317	14,179	8,221	7,268	6,984	6,913
Capital Adequacy Ratio	12.9%	13.3%	29.0%	22.6%	18.2%	18.0%	53.9%	30.3%	128.0%	49.9%
Average Advances to Average Deposits	58.4%	66.7%	40.3%	46.7%	71.4%	80.9%	23.2%	38.7%	3.6%	4.0%
CASA	67.2%	64.2%	85.2%	74.6%	46.7%	45.9%	71.1%	78.0%	35.9%	99.3%
Earnings per share (EPS)	0.56	(0.14)	-	-	1.00	0.68	-	-	-	-
Market Price	-	-	-	-	7.50	8.00	-	-	-	-
Market Capitalization	-	-	-	-	7,562	8,066	-	-	-	-

All figures in Million or otherwise stated



Performance Summary (Islamic Banks)

Pakistan Banking Perspective | 2021

Bank	Meezan		DIB		Islami		Albaraka		MCBIB	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ranking										
By total assets	1	1	3	3	2	2	4	4	5	5
By net assets	1	1	2	2	3	3	4	4	5	5
By profit before tax	1	1	2	2	3	3	4	4	5	5
Profit before tax	37,790	26,978	4,787	5,688	2,532	1,869	1,538	8	393	(366)
Net Interest Margin	5.0%	4.9%	4.4%	4.5%	4.7%	4.7%	4.1%	4.4%	3.9%	5.2%
Spread	6.1	5.8	5.4	6.0	6.3	5.3	6.3	6.5	5.6	6.4
Return on Average Equity	33.3%	29.7%	12.4%	17.2%	7.7%	6.2%	5.9%	-1.6%	2.0%	-2.4%
Return on Average Assets	1.7%	1.5%	1.0%	1.3%	0.5%	0.4%	0.4%	-0.1%	0.2%	-0.2%
Operating Cost to Net Interest Income Ratio	46.7%	56.2%	62.8%	65.3%	70.2%	72.2%	86.5%	104.6%	106.1%	112.8%
Operating Expenses to Average Deposit Ratio	2.7%	3.0%	3.3%	3.4%	3.4%	3.7%	3.7%	4.5%	5.1%	5.8%
Net provision / (reversal)	8,210	4,186	2,135	722	2,601	2,773	1,208	1,190	15	200
Impairment cover (Times)	5.6	7.4	3.2	8.9	2.0	1.7	2.3	1.0	26.74	-
Non Funded Income	10,067	10,647	2,301	2,392	1,375	961	1,693	1,494	616	378
Non Performing Advances to Gross Advances	2.8%	1.8%	2.8%	2.5%	12.1%	10.6%	9.8%	11.4%	0.9%	0.7%
Total Assets	1,526,561	1,126,115	303,262	264,639	337,941	284,464	192,814	161,982	141,171	105,017
Net Assets	73,231	62,781	24,624	22,163	20,513	20,454	13,029	12,732	10,728	10,467
Capital Adequacy Ratio	18.1%	17.2%	16.9%	17.1%	16.1%	14.9%	12.9%	13.3%	12.0%	13.8%
Average Advances to Average Deposits	42.1%	56.1%	81.8%	82.1%	53.0%	63.2%	58.4%	66.7%	62.4%	68.2%
CASA	76.4%	73.3%	73.8%	66.7%	62.5%	58.5%	67.2%	64.2%	75.7%	70.9%
Earnings per share (EPS)	15.83	12.12	2.48	2.87	1.39	1.08	0.56	(0.14)	-	-
Market Price	104.44	95.13	-	-	12.00	11.09	-	-	-	-
Market Capitalization	134,321	122,348	-	-	13,304	12,296	-	-	-	-

All figures in Million or otherwise stated



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Industry Outlook from a Banker's Perspective



“ **The industry needs to undertake a massive educational campaign to drive customers digital** ”

Muhammad Aurangzeb

Chairman - PBA
President & CEO - HBL



Financial Resilience

How can we ensure that we remain financially resilient while continuing to meet pressure from regulators to support customers?

The pressure from regulators is here to stay. **Fair treatment of customers** has been a growing movement for well over a decade in most developed countries, with consequent pressure both on high/usurious interest rates as well as fees. Over time, **fees for commoditized services will continue to decline** – if not be eliminated. Similarly, **low/zero fees for digital services** – today charged at a premium as a value-add – will also be the norm as these become basic hygiene demanded by customers and as banks incentivize customers to ease branch footfall.

The banking sector has multiple stakeholders – including being one of the largest employers – and is fundamental to the strength of any economy. The sector will thus have to find ways to offset these pressures and remain solid and resilient. In my view, this will encompass the following streams – *rapid customer acquisition, new/enhanced revenue sources, relentless focus on efficiency and preservation of capital.*

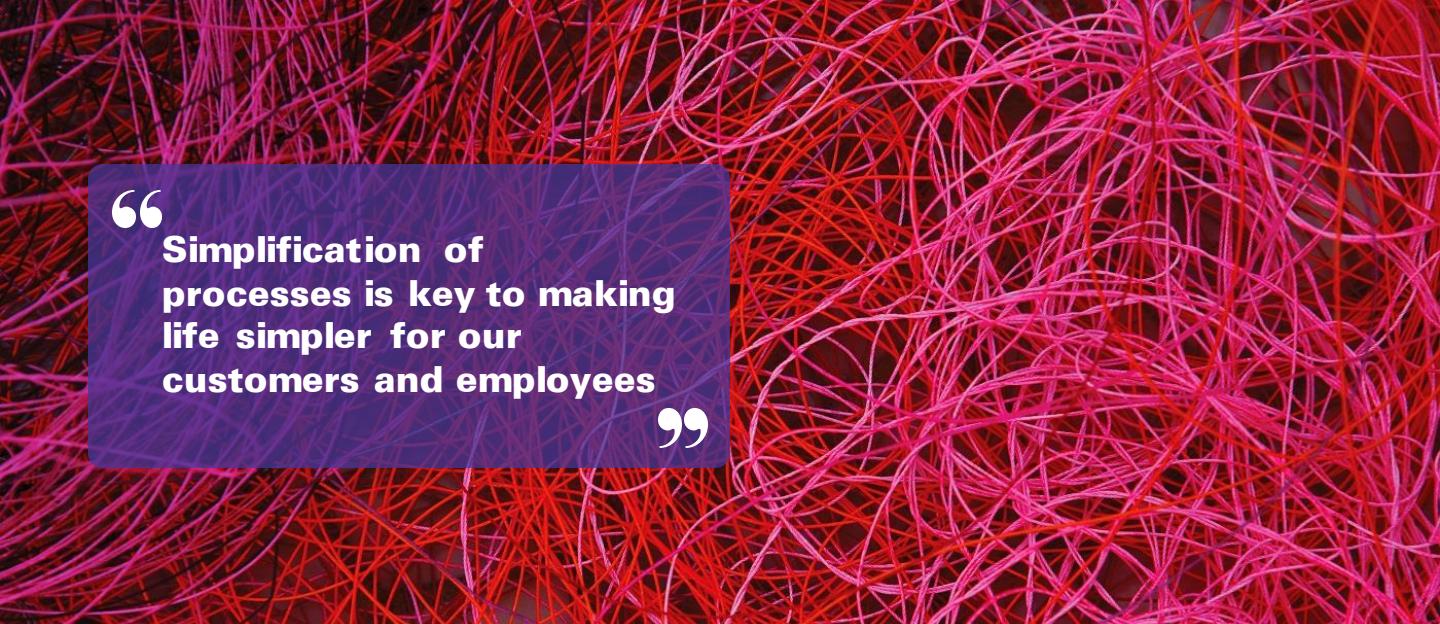
The following key drivers will be essential:

Continue to raise the bar on service! This is an area where we lack as an industry and as a country overall. Customers, in general, are intimidated by banks, and the run-around they are given to solve even minor problems just makes the situation worse. In my view, this is one of the greatest obstacles to financial inclusion.

A vast increase in the availability and use of digital channels/products. The industry needs to undertake a massive education campaign to drive customers digital. This will have a multifold benefit providing customers with 24x7 convenience at their fingertips, products that are hyper-tailored and “in-the-moment”, available exactly when and where needed, and an ever-increasing menu of choices.

Banks will benefit from new revenue streams – although the revenue per customer will be much smaller, this will be outweighed by a greatly increased customer base. Such a journey will also have to be supported at the national level through increased investment in infrastructure that is available, resilient, and reliable for the long-term, such as telecom/cable networks, bandwidth availability, etc.

Banks must become more efficient. While this is an obvious statement, there remains a lot to be done demonstratively on this front. Digital and digitalization are not the only answers to this. Most banks have a bureaucracy that has developed over decades which is a barrier to efficiency. **CEOs need to look at their organizations and see where layers are adding value and where they have merely evolved and taken on a life of their own.**



“Simplification of processes is key to making life simpler for our customers and employees”

The concept of producer-manager must be emphasized where someone's day job is not simply supervision.

Preserve capital. While shareholder returns and share price are key metrics, they are not the only metrics. Banks should have a retention policy that enables them to grow lending, albeit prudently. The current ADR ratio of the industry, hovering near 50%, is way too low given the needs of the country.

How do we improve profitability given the current economic outlook?

Banks need to diversify their revenue streams. In an environment where interest rates appear to be remaining dovish for some time in the near term, Government Securities will only take us so far.

Asset books need to be diversified towards lending and lending needs to be diversified to underserved areas of the economy – e.g., Agriculture, Consumer, and SME – where there is a huge demand and need.

Banks need to continuously innovate to develop new products and revenue streams. As products get copied and commoditized, fee streams will come under pressure and organizations need to stay ahead of the curve. They need to embed themselves in what we call the customer's plumbing so that an acquired customer becomes a customer for life – whether an individual or a corporate.

As banks increasingly digitize their products and operations, there must be a corresponding flattening of the HR curve. While both may increase in tandem in initial periods, over the medium-run, HR cost should reduce or at least flatten as technology spend increases. Banks should look at all areas of their operations to identify fat and waste.

Operational Resilience

What lessons have we learnt from large-scale remote working and increased use of technology/ digitalization?

Over the last one and a half years, we have seen digital become hygiene. The rapid adoption of digitization for clients and employees has been the key to survival during these times. There are three key lessons from the increased use of technology, the first of which is the understanding that all **Processes can be simplified** to bring about operational efficiency. This augments service delivery to internal and external customers. Secondly, employees **are empowered to take decisions responsibly** which further strengthens the culture of a value-driven organization and promotes ownership, and thirdly there has been a **change in mindset**. The Bank has seen a transition towards an agile, flexible, and digital culture where employees are receptive and adaptable to change.

What changes should we be making to our processes to incorporate these lessons?

The **simplification of processes** makes life simpler for our customers and our employees. Technology is the enabler that will help us to do this, and we need to continuously revamp our way of doing business. The organization needs to inculcate a technology-driven culture with a clear focus on making the workforce adaptable to this new way of life while facilitating customers at large. Continuous efforts towards building awareness and controls need to be made to ensure that we do business securely,

“ **Empower employees to make decisions responsibly, strengthen the culture of a value-driven organization** ”

protecting all customer information, and inculcate a value-driven culture focused on delivering business in a compliant environment.

Governance & Control

Given remote working will likely be a significant feature going forward, are we reviewing what that means for our governance arrangements, controls, risk management and 3LOD?

For HBL this means building and maintaining a cohesive remote working culture which includes the implementation of flexible work arrangement guidelines, split teams to reduce the strength at work so as not to disrupt operations, allowing limited access to systems while working from home, and strengthening information security measures. This ties in directly with building awareness about cyber-crime and information security measures and forming a Crisis Management Team activated to monitor risks and take immediate actions.

People, Conduct & Culture

Have we embedded a fair balance between our own commercial interests and those of our customers throughout our business?

The safety and security of our employees is paramount. The Bank transitioned and promoted digital modes of doing business. HBL strongly believes that financial inclusion is a key requisite for reducing poverty and achieving inclusive economic growth. HBL and Ehsaas (a Government of Pakistan poverty alleviation & social safety division) joined forces to enable the delivery of the Ehsaas Emergency Cash Program, the largest social safety net initiative in Pakistan and South Asia's history. HBL disbursed approximately PKR 175 Billion (USD 1 Billion) to an estimated 12 Million families over two months. HBL's national presence, largest distribution network, branchless banking platform Konnect by HBL, and investment in technology and talent, enabled the Bank to undertake this huge task. HBL and Ehsaas are already partnering on the Kafaalat program that benefits more than 3 million deserving women across the country.

HBL is also actively working towards Going Green and becoming an environmentally friendly organization.

How are we mitigating new and heightened conduct risks?

HBL is building awareness through continuous training and structured learning programmes. It is strengthening compliance, control measures,



“With regards to Cloud sourcing, efficiency, resilience, and cost-effectiveness are the obvious advantages”

and systems. The creation of an ethics and conduct function with monitoring at the management and board level, and the creation of the Enterprise Risk Management function will provide a data bank of risks and controls. Through rigorous communication campaigns, employee awareness is raised about misconduct, the HBL Values, and the expected work culture at the Bank.

Are we reviewing our employees' working practices?

Employees at the Bank are driven by the goal and objectives set and agreed upon at the beginning of the year and performance is reviewed during the year with appraisals annually to reward performers. Sales force monitoring through geo-fencing has also been introduced. Digital modes of interaction and communication – team meetings, virtual conferences and townhalls, virtual instructor-led training along with e-learning, virtual job fairs, and selection processes have been implemented. A virtual way to facilitate employees to interact with HR – mobile app, 24x7 helpline facilitates work from home and ensures availability of resources required.

The Bank has initiated EAP (employee assistance program) and launched programs related to stress management, awareness related to safety measures during COVID, health and family issues, as well as encouraging people to take their paid leave.

Systemic Risk

Are we prepared for increased regulatory scrutiny of emerging systemic risks, including cloud outsourcing, use of computer-led trading strategies, treatment of margin, use of leverage and liquidity management in open-ended funds?

Systemic risks relating to markets may potentially arise from 2 sources; the Stock Market, which trades solely on the PSX and the Government Bond market, which is by and large an OTC market (<0.01% of secondary market trades are routed via an exchange).

Computer-driven and algorithmic trading is non-existent in Pakistan. This is partially to do with the relatively small size of the stock market (Market Cap approx. \$55 Billion) has not attracted the attention of globally focused “quant” funds; and also due to the nature of the market, where the majority of trades are done via “voice” – i.e., phone calls from investors to brokers rather than via electronic orders. There appears to be general skepticism regarding the efficacy of computer-trading strategies, and to our knowledge, no broker/investor is considering implementing such a system. The government bond market, similarly, does not see any algorithm trading whatsoever. However, since this market is dominated by banks, a larger share goes through electronic platforms such as Bloomberg.



Margin and leverage on the stock market – in relative terms – has consistently reduced over the last 20 years. Previously a system known as “badla” was prevalent in the market, which was a form of margin financing of tenors up to 14 days provided by brokers to their clients and which played a significant part in investors’ strategies. Due to the absence of an initial margin and a system of margin calls, this resulted in dislocations in the market on several occasions. However, badla was discontinued some years ago and was replaced by conventional margin financing products, referred to as MTS and MFS. Together these forms of financing total around \$150 Million, and even if we include the open interest on Futures activity, the leverage figure increases to \$300 Million. These are much smaller than the amounts seen in badla, and there have been no systemic issues arising from margin financing since the discontinuation of badla.

There is only one meaningful source of leverage in the government bond market, and this relates to Banks’ use of the repo facility offered by the central bank / SBP. Banks use their surplus (unencumbered) securities to leverage their returns, and this usually amounts to around \$10-12 Billion in size. However, banks hold approximately \$35 Billion in surplus HQLA (High Quality Liquid Assets held more than regulatory minimums), so this form of leverage does not pose a systemic risk to the banking system.

Open-ended Funds have grown in recent years but still total approximately \$5.8 Billion, less than 6% of total banking sector assets; and <4% of Money Supply (M2), and hence is therefore a small part of the monetary system. Liquidity management in the Mutual Fund industry is conservative; cash or near-cash assets average approximately 10% of AUMs,

while the use of leverage tends to be below 2% for the industry. Therefore, the fund management industry is unlikely to be a source of systemic volatility for the financial system.

Regarding **Cloud sourcing**, there are obvious advantages in the outsourcing model: **efficiency, resilience, and cost-effectiveness**, because of these services being provided by a specialized entity thus eliminating the need to hire and retain expensive human resources to manage in-house data centers. However, these very advantages can lead to the very real risk of cloud outsourcing becoming a major contributor to systemic risk within the financial services industry. This is because of the considerable upfront expense involved to set up and run large-scale data centers, there are only a few such commercial entities. As a result, there is a large concentration of financial institutions that use the same cloud service provider. Whilst there is redundancy and resilience built into the cloud, in the unlikely event of a catastrophic disaster, all banks will be impacted negatively at the same time. Having outsourced their technology function to cloud service providers, financial institutions naturally reduce their investment into their HR and technology infrastructure, which means that recovering from a catastrophic failure in the cloud and migrating back to in-house functionality will not be possible. Additionally, cloud service providers should be part of the same regulatory regime that financial institutions operate within, to ensure that the systemic risk associated with them is visible.



“ **A focused approach on supporting cross-border flows also equips these banks with the necessary intelligence and market knowledge to act as change agents and bring about a regulatory transformation as well** ”

Cross-border Business

Are we alert to business opportunities that are opening up in other markets around the globe?

While the entire domestic banking sector is supporting international trade, a few local banks do also actively promote cross-border flows in a more targeted fashion. As more and more Pakistani businesses become global, they can access overseas operations of their domestic banking partners. While International banks operating in Pakistan have historically leveraged on their global footprint, it is noteworthy that 7 large institutions from Pakistan (NBP, HBL, UBL, MCB, Askari, BAFL, BAH) have set up international banking divisions specifically catering to cross-border banking needs of Pakistani corporates, as well as facilitating inward flows of investment. These operations, strategically placed within key trading corridors in Asia, Africa, Europe, and North America, offer capabilities to service cross-border trade and investment activity not just with Pakistan, but also on an intra-regional basis within these trading zones.

In addition, Pakistani banks are also using their overseas network in providing necessary support to strategic initiatives launched by the Government from time to time. HBL, with its largest overseas network amongst Pakistani banks, is playing an important role in facilitating cross-border transactions. Using key hubs such as Singapore, the GCC and UK, HBL has positioned itself as the bank of choice for outbound corporate activity, enabling businesses to launch successful international operations. By deploying local balance sheets in these markets, HBL has demonstrated

that it remains as relevant to Pakistani businesses overseas as in the domestic environment.

HBL's international network also positions it nicely to propagate and facilitate inbound trading activity as well as to channelize much-needed FDI flows from important sources such as China and Turkey. Supporting major projects under the CPEC initiative, enabling Turkish investment into the Pakistani dairy, consumer products & renewal energy sectors are live examples of this support. When it comes to strategic initiatives such as Roshan Digital Accounts, Naya Pakistan Certificates, Home Remittances, and access to international debt markets for Pakistani issuers, Pakistani banks in general and HBL have a demonstrated track record signifying their importance within the banking sector.

This focused approach on supporting cross-border flows also equips these banks with necessary intelligence and market knowledge to act as the change agents and bring about regulatory transformation as well. Enhanced trade finance capabilities in respect of supporting Chinese investment into key CPEC projects is another live example of this change that has very recently been allowed.



ESG in Banking

Have we embraced ESG as a strategic issue?

The climate change crisis has reinvigorated the globe and has led to a consensus for decisive action by all players. Pakistan has been at the forefront of initiatives as it is among the 10 most vulnerable countries susceptible to climate change. The government has taken various steps through the Ministry of Climate Change and implemented various programs to tackle such a crisis.

Initiatives under this program include:

- Ten Billion Trees Tsunami Program
- [Climate Resilient Urban Human Settlements Unit](#) (for development of Climate Resilient Safe & Sustainable Cities)
- [Establishment of Pakistan WASH \(water and sanitation\) Strategic Planning & Coordination Cell](#)
- Establishment of Sustainable Forest Management as well as National Ozone Unit

Additionally, in line with such an agenda the SBP in its capacity as the regulator has issued the Green Banking Guidelines (in 2017) encompassing environmental risk management, green business facilitation, Own impact reduction, and Capacity Building.

Moreover, SBP has taken initiatives such as subsidized renewable energy financing for promoting green finance. While there is immense focus on environment-related matters, further focus lies towards addressing social issues and streamlining governance standards. There is clear direction and initiative from all bodies to establish

social frameworks, a few key initiatives include the Kamyab Kisan, Kamyab Jawan and Ehsaas programs, with additional focus on gender diversification throughout the economy, poverty alleviation, and application of various social protection tools. Recently, SBP has also issued the Gender Bond Guidelines to further align with ESG practices.

The presence and effective implementation of ESG practices is key for sustainable growth and is being embraced not just on an institutional level but on a national basis. HBL remains committed to being a socially and environmentally focused financial institution by promoting sustainable/green finance, Agri-financing, and gender diversity.

HBL has taken several initiatives (independently and under the strategic guidance of AKFED and AKDN) that demonstrate its commitment to embracing ESG as a strategic issue such as the adoption of Green Investment Principles, the development of the Green Taxonomy, engagement with multilaterals and DFIs to improve ESG capabilities and in house capabilities. There is a strategic focus towards financing renewable energy projects while adopting a *no coal* policy (restricting itself from any further lending on coal-linked projects).

The Bank has targeted products for the financial inclusion of women and is working hand in hand with the government on the promotion and financing of low-cost housing through the Naya Pakistan Housing Program. Development Finance Initiatives are in play for enhancing agricultural yields, farmer credit, curtailing roles of middlemen and creation of a sustainable Agri finance model, as well as the promotion of



Social and Sustainable financing (waste-water treatment plants, waste reduction units, construction of labor colonies, rehabilitation of displaced communities, etc.)

Do we have a deep understanding of forthcoming rules and supervisory expectations?

Much work has been done in Pakistan on the ESG front in the last five years however, the economy is still in the developmental stages in terms of its alignment with ESG best practices. In line with the tone set by the UN Climate Change conference for climate action work in areas including finance, the transparency of climate action, forests and agriculture, technology, etc., the expectations set out in SBP Green Banking Guidelines (GBG) identify the need for assessing Environmental Due Diligence and formulating Environmental Management Plans to ultimately determine the impact of 'green investments.' Additionally, SBP is also in the process of drafting specific regulations on Environmental Risk Management.

HBL has been at the forefront of embracing ESG practices by the implementation of its Social & Environmental Management Policy (SEMS) in 2016. HBL's SEMS policy adequately covers all aspects of the GBG, having implemented Environmental and Social Due Diligence Processes across its major credit lines, and is closely working with various Multilaterals and DFIs to align its policies with International best practices. The Bank is continuously working and providing support to the regulator for enhancement of ESG practices and local policies and was a member of the consultative committee for issuance of GBG. In addition, HBL is also a member of the consultative committee of the National Commission for the establishment of carbon markets in Pakistan.

Do we have the necessary tools and expertise to deliver against these?

HBL has invested in ESG capacity building to maintain a skilled and dedicated team in place for understanding and implementation of both local and international regulations. Recognizing our role as a responsible financial institution, HBL is committed to sustainable development and the maintenance of high levels of ESG practices in the banking ecosystem. These ESG practices are embedded and drive our business through robust governance systems and risk management protocols, enabling us to structure and implement sustainable solutions for our clients across our global network.

HBL has also embarked on a meaningful awareness campaign to educate all employees on reducing the use of paper. For its electricity need, HBL is also following up on a planned gradual conversion of its branches to partial solarization, as well as installing sensor-based electricity consumption tools. The HBL Tower Head Office Karachi is the first LEED-certified building in its class in Pakistan. Additionally, it is further investing in the ESG space with increased engagements with international stakeholders like IFC/CDC UK, as well as create linkages with prestigious institutions like Germany's GIZ, Frankfurt Business School, and Peking University China. Also, with the adoption of the Green Investment Principles and the development of its Green Taxonomy HBL intends to become a fully integrated green financial institution through which it can set a benchmark for others to follow.



Are we fully attuned to changing demands?

The ESG space is continually evolving with a strong focus on sustainable financing. This has surely but slowly impacted the mindset of the banking industry. While there is space to grow, HBL considers its responsibility to educate our clients on the same and motivate them to adopt ESG practices. Moreover, HBL is working on developing expertise to introduce and manage green analytics for its products & services through Green Taxonomy. HBL recognizes the need to play a role to support the communities in which we operate and will continue to assist them in taking measures to protect our environment.

HBL is working on various initiatives aimed at sustainable operations to improve the carbon footprint of the Bank while also addressing some pressing social issues necessary for economic and sustainable growth, namely the provision of end-to-end farming solutions through the Development Finance initiative's three-pronged strategy which involves (i) Agronomy (ii) arrangement of Inputs and (iii) mechanization, to address low production yields and inefficiency in the selling of crop in the market and manipulation by the middlemen.

In line with SBP's initiatives, HBL's focus has shifted towards financing and facilitating renewable energy projects. In 2020, HBL decided not to undertake any new financing related to coal-linked projects. Recently, HBL co-managed the issuance of USD 500mn Green Eurobond in International Capital Markets.

To comply with Green Banking guidelines, HBL is working on its '*own impact*' reduction by conserving the fuel, electricity expenses and implementing green purchasing practices.





Voices & Views



Empathy, can do wonders in Banking



Empathy in Banking

Leading corporates, including banks, across the globe are rising to the challenge of treating their customers with empathy, which has become even more pivotal during these challenging times. In doing so, empathetic banks will be able to offer a caring experience by delivering ease & convenience in the moments when it will be felt the most. It is when long term place made in the hearts of customers, ensuring sustainability of businesses for years to come.

Customers go through a certain journey of awareness, research, discovery, decision, with their banks, and then they advocate for or against their services among other customers. So, depending on what point they are at, in that journey, there is a specific experience to engage with them and that must be relevant to their expectations or needs, not something that is kind of trending.

Growing maturity on technology and AI backed solutions paired with banking customers' growing willingness to use digital channels even for complex interactions, afford banking leaders the opportunity to offer, most importantly at scale, more personalized services and experiences to their clients, with an inherent element of compassion.

"Paycheck to Purpose", supplemented with the feature of care, for internal customers, is the key for motivation, particularly in these testing times, to go an extra mile in extending the best in class services to their clientele.



Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport.

Empathy is the emotional capacity to show you understand someone else's experience. Empathy-creating behaviors are central to establishing a strong relationship and involve reflecting back to the customer that you know how they feel. Then going that one extra step because you understand how they feel.



Zafar Masud

**Chief Executive Officer
The Bank of Punjab**

A strategic issue that must be embraced

ESG in Banking

"Recurring global crises has brought home the significance of harnessing resilience and sustainability. Customers, investors and stakeholders besides assessing financial strengths, focus on enhancing the company's culture, values and purpose. An integrated ESG strategy both at the company and financial institution level if effectively deployed can nurture and reinforce sustainability for people and the planet. Societal responsibility, ethics and support for progressive climate related products and services are paramount. My advice for banks would be:

1 Put ESG at the very heart of what you do

Integrated holistically from customer to employees and from strategies to activities, all to be viewed from an ESG lens.

2 Use ESG as a practical and value-adding tool

It can help companies strengthen their resilience and banks financing these firms can generate significant commercial value, and understand and price risk.

3 Take bold action, now

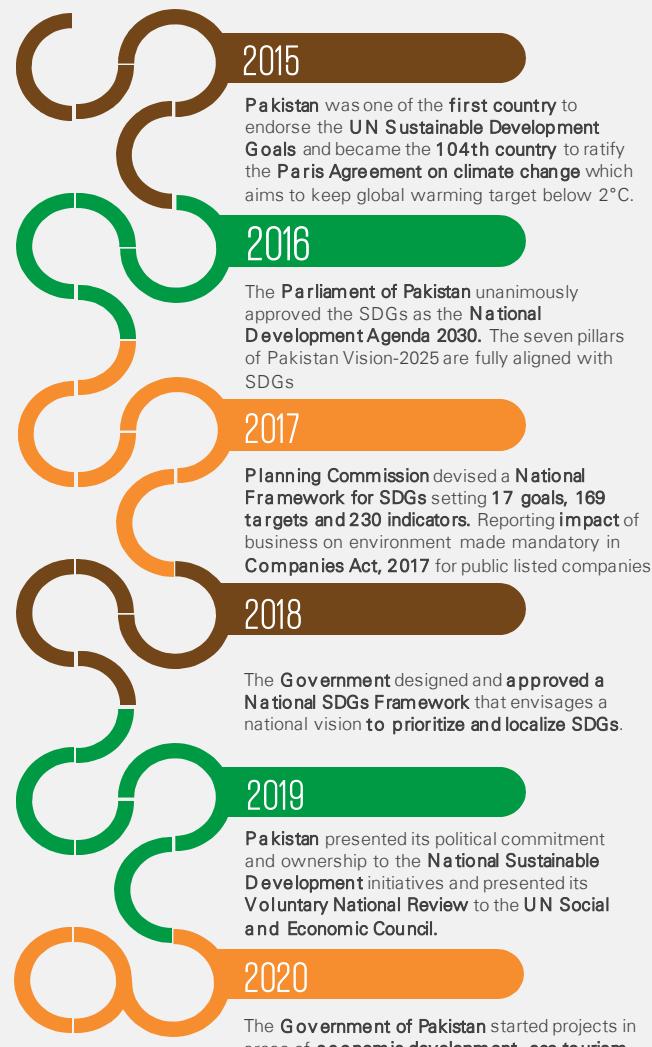
Focus on green recovery and sustainable development will help deal with COVID-19 crisis but it can happen only if banks accelerate and mainstream ESG finance. Banks need to adopt standard taxonomy to review investments being finance in order to assess present and future risks. Recognizing the environment, social and governance challenges is not easy, but banking system has to adopt a far reaching ESG ambition and vision. Consultation is critical with stakeholders to bring them on the journey."



Dr. Shamshad Akhtar

**Chairperson PSX
Ex-Governor State Bank of Pakistan**

Chronology of ESG Initiatives in Pakistan



"Audit is a critical pillar in a bank's governance structure and the relationship between auditors and Audit Committees plays a vital role in good governance.

Our experience indicates it is more advantageous for a quality audit to ensure timely involvement of the auditors in understanding the business of the Bank and the background of significant audit matters."

Audit profession is continually improving, evolving and reacting to audit regulator challenges.

However, in order to unlock the value of external audit for stakeholders, there should be collective responsibility to ensure auditors work jointly with audit committee and regulators. The ultimate objective is the same: to contribute to the quality of financial statements that provide a 'true and fair view'.

Drawing on insights from our surveys and discussions with audit committees and business leaders, we understand that following issues are relevant to our banking industry and will require audit committees to consider carry out their 2021 agendas:

Reassess the Committee's agenda

Covid-19, technology and business model disruptions have substantially increased oversight responsibilities for a range of risks beyond the core financial reporting and related control risks – including cybersecurity, data privacy, health & safety, sustainability and other operational risks.

Understanding the impact of COVID-19 on the external audit process

Audit committees should understand what changes to the audit process auditors are contemplating in light of COVID-19 and why. New or heightened risks the auditor may need to consider, include:

- Liquidity, access to capital, debt covenant compliance;
- Ability to continue as a going concern;
- Cybersecurity risk and changes in internal controls over financial reporting due to virtual working;
- Asset impairment;

- Fair value estimates;
- Third-party vendor considerations;
- Business interruption; and
- Fraud risk.

The internal control environment is a critical area of focus. With the shift to remote working and financial reporting processes moving from in-person to virtual, there is an increased risk of internal control breakdowns. Frequent communication with auditor is more important than ever.

Oversee the scope and quality of the company's ESG reports and disclosures

Investors want to understand:

- How is the company addressing ESG as a long-term strategic issue and embedding it into the company's core business activities (strategy, operations, risk management, incentives, and corporate culture) to drive long-term performance and value creation?
- Is there a clear commitment and strong leadership from the top as well as enterprise-wide buy-in?
- Real transparency is not easy, and it's usually uncomfortable. But to make real progress and be accountable as a Bank today, you have to 'show your work.' What targets have you set and what are you doing to reach those targets?
- Audit Committee and Auditors have a role to play.



Riaz Pesnani

**Partner, Head of Audit
KPMG in Pakistan**

Strategic choice, regulatory burden or a bottleneck?



Governance, Risk and Compliance (GRC)

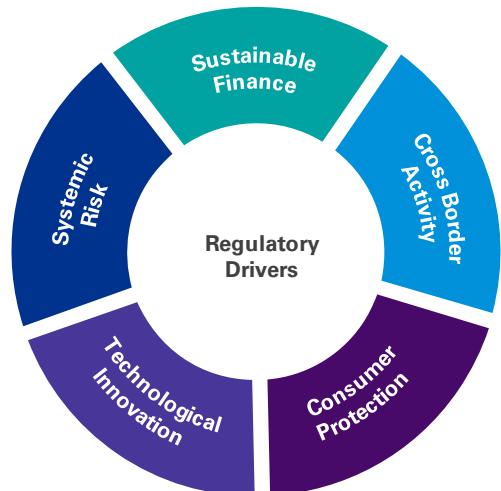
Banking sector's appetite for growth remains strong, the complexity of risk environment increases as banks grow and become exposed to multiple Governance and Compliance issues. In Pakistan, regulatory landscape is evolving as regulators play catch-up to their developed market counterparts and they seek to facilitate greater integration with global financial system and attract foreign investment. Important insights into upcoming regulatory developments may be gained in this manner, particularly in areas relating to cybersecurity, data-privacy, ESG, adopting changes to IFRS and risk-based compensation.

To succeed in an environment characterized by continual change, banks must adopt GRC frameworks that are mature and flexible. In all cases, the selected framework should be tailored to the bank's circumstances, strategic objectives, and growth plans. If this framework alignment is sufficiently detailed, compliance costs need not rise as the bank grows and regulations change.

Technology can help, IT tools can be leveraged for the automation of self-assessments, provision of real-time compliance calendars, and implementation of bank-wide dashboards diagnosing the overall control & compliance health of the organization.

Failure to do so, may lead to an exponential increase in compliance costs that can potentially reduce opportunities for growth making it look like a burden and a bottleneck than a strategic choice.

“To succeed in an environment characterized by continual change, banks must adopt GRC frameworks that are mature and flexible.”

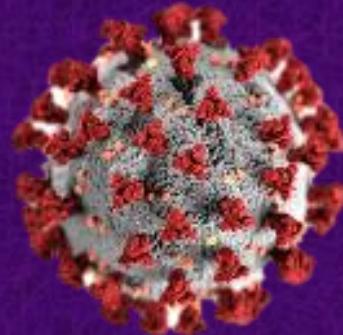


Five key drivers influencing regulatory priorities



Armughan Kausar
Chief Internal Auditor
Habib Bank Limited

Regulatory Measures in the wake of Covid-19



Covid-19 Pandemic is a black swan event that altered the course of economy across all major sectors globally-and Pakistan was no exception. Initial impacts of the pandemic on the economy were felt over an 11 day period spanning from 16 March 2020 to 27 March 2020, when PSX and the benchmark KSE-100 index suffered record losses, with the KSE-100 index closing at its lowest since 2009. Role of State Bank of Pakistan (SBP), however, remained significant navigating the financial sector and the local economy throughout the crisis.

Measures to Uplift Economy during Covid-19 Crisis

Keeping in line with the emergency policy measures adopted by the Central Banks across the globe to ease economic pressures in their respective economies, SBP took following measures to help manage the impact:

- Proactive reduction in the policy rate by a cumulative 625 bps from 13.25 per cent to 7.0 percent, within 3 month period (March 2020- June 2020). This was the largest policy rate reduction among emerging market economies and assisted with the reduction in commodity prices and inflation and encouraged investment through loan re- pricing;
- Specific policy measures for health sector such as refinancing facilities for battling Covid-19 and ease in import procedures of medical equipment,
- Efforts to prevent business insolvencies and generate employment during the pandemic by introducing sector specific measures for construction, export oriented businesses etc.

Regulatory Interventions to Sustain Financial Sector

Despite being in the year of crisis, Pakistan's banking sector performed well during the FY 2020. Promising progress of the banking sector in Pakistan is a result of

the timely and monitored regulatory interventions by SBP which helped to facilitate banks and its customers.

Some of these measures include:

- Relaxation in the capital conservation buffer from 2.5 percent to 1.5 percent;
- Margin requirement for exposure against shares was reduced from 30 percent to 20 percent;
- 'Performing' borrowers as of 31 December, 2020 were permitted to defer payment of principle for 1 year;
- Debt Burden ratio limit for borrowers increased from 50 percent to 60 percent;
- Release and use of general provisioning against secured and unsecured consumer finance portfolio was permitted to allow banking sector to sustain impacts of pandemic on their balance sheet; and
- Prudential Regulations for Consumer Finance were revised to facilitate consumer spending.

Opportunity for Digitalization

Pandemic presented an opportunity for expediting digital disruption initiatives for transforming banking landscape in Pakistan. To this end, SBP has drafted Digital Banking Regulatory Framework. Other initiatives include digitalization of Forex regulatory approval system, introduction of Asaan Mobile Account Scheme in collaboration with NADRA and PTA, and encouraging digital transfer services by waiving fund transfer fees.

Overall, proactive initiatives by SBP has helped the financial sector in Pakistan to exhibit a promising outlook for growth, the challenge, however, is to maintain the momentum as global economic scenario shifts to post- pandemic recovery.



Amir Jamil Abbasi

**Senior Partner
KPMG in Pakistan**

Banks in Pakistan, the aggrieved taxpayers

The aggrieved taxpayers

On an industry wide comparison, the banking sector can easily be ranked as the largest contributor to taxes with the highest corporate tax rate. In addition, super tax, additional tax on income from specified securities, sales tax/ FED on banking services and role as a withholding agent put banks at the forefront in our taxation system. All these add to costs of doing banking business and in turn increase the cost of credit for the customers in an economy where financial inclusion and access to credit are still a challenge.

The much talked about 7th Schedule to the Income Tax Ordinance, 2001 is not helping the industry avoid long drawn litigation on tax assessments. Treatment of provision against doubtful advances or impairment of investments are neither aligned to accounting standards nor the substance of the matter. In most cases, these advances never get recovered and write-offs are not advised by lawyers as they feel it may weaken the legality of claims in courts of law. In my view, there is a dire need to review and revamp the 7th Schedule keeping in view the developments in financial reporting standards since it was first enacted, and making it comprehensive enough to be a self-contained code for taxation of banks without the need to resort to other provisions of the Ordinance, and limiting the tax authorities' discretions for amendments that draw litigations which continue over many years.

The 18th amendment to the Constitution brought authority to the provinces to collect sales tax on services, though this substantially increased compliance cost for service providers operating nationally, such as banks, which are now filing five monthly returns; one to FBR for Federal excise duty in Islamabad and four for provincial sales tax, with tax rates varying in each jurisdiction. There are also tax audits and notices from each revenue authority, requiring banks to incur substantial cost in terms of man-hours and infrastructure to compile information and ensure compliances. Nevertheless, the sword of penalties and additional taxes always remain hanging. As a way forward, the collection and reporting need to be centralized, through filing of one return and mechanisms to be evolved for making tax compliance easy. FBR is working on this mechanism for some time in collaboration with provinces, and a unified return may become a possibility in future.

On the international front over the past few years Banks are implementing regulations, focusing on greater transparency which is adding to their operating costs. Examples include the automatic Exchange of Information (AEOI) regimes in compliance with US Foreign Account Tax Compliance Act (FATCA) and the OECD's Common Reporting Standards (CRS); Economic Substance Regulations (ESR); regulations around the Ultimate beneficial owner (UBO); Country by Country Reporting (CbCR).



Kamran Butt

**Partner, Head of Tax
KPMG in Pakistan**

"The past 5 years, and especially the year 2020, have introduced a level of disruption never experienced before. The ability of emerging fintech companies to quickly gain traction in the global financial services market is forcing financial institutions to adopt the customer-centered innovations that will help them provide a more tailored, value-added customer experience. New competitors (both in the shape of fintech startups and technology giants responding to opportunities to add value) as well as new solutions are catalysts for change in an industry long defined by tradition. From AI, automation and augmented reality to the cloud, Internet of Things (IoT) and data analytics, fintech is transforming the financial services' status quo.

The unfolding and challenging misfortune of the abominable Coronavirus has exposed many fault lines, not least the relative maturity of much of the country's digital transformation efforts. Companies with digital as an agenda with significant investment in digital have been far more effective in serving customers, maintaining supply chains and manufacturing, and connecting with and caring for employees in this challenging time of need while others have suffered; simply they were not ready to meet and respond to the changing demands for digitalization.

While the government of the day has pushed the digital agenda through multiple layers in our society with initiatives like Roshan Digital Accounts and RAAST first Instant Payment Systems, many organizations including large-size enterprises and banks – the economic backbone of Pakistan – have struggled to keep pace, weighed down by a lack of 'connected' digital infrastructure, data, and new operating models. Among others, communication is something they struggled with the most. This is because it is hard to engage with and support customers, employees, vendors, alliances, and partners when your digital lines of communication aren't fully formed.

True digital interaction goes way beyond a mobile app, website, or a toll-free number. Some also say it's a mindset; nevertheless, it all comes down to how it contributes to the bottom lines of an organization.

Meet customers where they are. Customers are now millennial, Generation Zoomers and the future is Gen Alpha [α] who want to browse, buy, engage with sales and customer service, and track delivery – all digitally. Encouragingly, in the financial sector, the creation of a seamless, digital customer experience has accelerated significantly during the pandemic through speedy efforts to

build new digital business models, products, and revenue streams.

With more than 76 million smartphone users, and one of the biggest retail market, inception of an era of digital banking in Pakistan would turn the tables on financial sector and banking. The current government's Digital Pakistan Policy has precisely emphasized the need to develop a framework to allow e-banking activities to maximize the usage of mobile financial services but is this enough. It is important for the banks to come to people if people cannot go to the banks.

Number one digital transformation priority is to improve the quality of the customer experience. Interestingly, our big players in the financial sector have this agenda on priority and commitment in the form of larger budget allocation to increase the pace of digitalization but the targeted improvement is much needed not just some Robotic Process Automations (RPAs) or developing data lakes.

In the medium-to-longer term, the digitally equipped banking and related businesses need to evolve into a connected enterprise built around the customer, linking front, middle and back offices and responding swiftly to local and global market signals. Digital channels improve reach and boost revenue while digitizing the supply chain and automating tasks helps efficiency, data capturing, and analyzing data to better understand customers and refine the value proposition.

Advice: don't get obsolete!



Team Digital Advisory

Syed Ahson Ali Shah

Partner, Advisory

Risk Consulting | Management Consulting

Banking in 2030



The banking industry of 2030 will look very different from what it looks like today - some of what we see will be evolutionary and some will be radically different. Whilst predictions into the future are always fraught with uncertainty, we are confident that the landscape will be far more competitive, efficient and innovative in delivering consumers "autonomous experiences" that we may not visualize today.

Leading banks of tomorrow will understand that technology will not limit what is possible. Instead they will harness digital capability to put the customer firmly in control of their destination and preferred model for dealing with their bank and other service providers.

How will Banks evolve?

Banks will transform alongside the shifts in how people work, live and play

Over the next decade we will see more changes in the banking industry than we have witnessed in the past 100 years. This isn't solely due to advancing technologies, but a confluence of inter-related, structural factors – demographic, socio-economic, regulatory and environmental changes.

These changes are likely to result in people living longer, changing jobs more frequently, participating increasingly in the sharing economy, being healthier, having better access to services to support mental and physical wellbeing, being more conscious of the environment, and having more access to information.

These will all combine to fundamentally transform how we work, how we live, how we play and how we engage with our finances.

These transformations will also be built into the Bank of the Future's efforts to improve the financial wellbeing of customers, enhanced beyond today's capabilities. At its core, improving financial wellbeing will be structured around helping customers achieve; meeting their financial obligations; having financial freedom to make choices to enjoy life; controlling their finances; and having financial security, even under adverse circumstances.

The four primary areas that will enhance financial services' ability to deliver improved financial wellbeing are summarized:

1 Data

This will become widely available as everyday objects become connected to the internet. Its importance will continue to increase exponentially as disparate sets of data merge to provide a comprehensive 360 degree story about our lives. Customers will begin using its significance to extract more value from products and services offered to them, whilst demanding higher levels of security and transparency on how their data is being used.

2 Business Models

Leading banks will explore opportunities adjacent to their core offerings, extending their business models. While players in other sectors will begin bundling financial services with their own, leading to a blurring of industry boundaries.

3 Regulation

These major shifts will require policy makers to come up with completely new ways to identify and manage risks, regulate activities being undertaken by a broader range of participants, and judge on the outcomes they deliver to customers.

4 Technology

This is both the enabler and driver of change, and we can already foresee the technologies with the greatest impact to the financial services industry over the next 10-15 years. These are – Blockchain, Biometrics, 5G, cloud computing, Internet of Things, AR/VR and Quantum computing – transforming both the nature of services, as well as how they are delivered and consumed.



Adnan Rizvi

**Head of Advisory
KPMG in Pakistan**

Detailed Banking Results



Summary of Financial Information (All Banks)

Pakistan Banking Perspective | 2021

Assets as at 31 December 2020

Bank	Cash & Bank	Investments	Lendings to Financial Institutions	Loans and Advances - Net of Provisions	Operating Fixed Assets & Intangible Assets	Other Assets	Total Assets
Rupees in Millions							
ABL	135,624	831,704	17,996	496,502	76,375	34,887	1,593,090
Albaraka	25,951	57,117	2,748	90,279	5,726	10,992	192,814
Askari	81,613	449,612	-	395,416	22,392	43,854	992,887
BAF	105,722	549,359	77,306	577,318	32,283	45,688	1,387,674
BAH	125,617	765,319	2,175	510,050	44,272	75,346	1,522,779
BOC	9,024	3,974	240	(0)	557	571	14,366
BOK	24,933	113,479	7,298	129,063	4,004	9,523	288,300
BOP	71,779	567,804	15,087	391,890	15,513	33,776	1,095,848
Citibank	32,729	87,893	640	36,439	531	3,749	161,980
DB	13,914	-	26,210	2,505	242	1,449	44,321
DIB	22,377	66,580	2,398	199,416	4,007	8,484	303,262
Faysal	62,760	276,470	2,985	318,180	25,996	23,673	710,064
HBL	431,814	1,948,577	30,154	1,223,510	99,603	115,405	3,849,062
HMB	56,968	582,509	1,000	321,656	9,231	54,255	1,025,617
ICBC	33,723	252,705	187,431	33,423	707	7,116	515,104
Islami	34,344	95,622	41,640	129,972	14,877	21,485	337,941
JS	31,550	201,808	23,240	250,456	11,542	17,482	536,076
MCB	161,065	1,036,218	17,968	547,686	65,547	62,794	1,891,276
Meezan	155,722	438,796	342,069	512,532	24,973	52,469	1,526,561
NBP	264,985	1,466,404	126,805	983,871	63,125	112,018	3,017,210
SAMBA	8,819	67,890	9,936	65,635	2,081	4,636	158,996
SCB	65,638	349,445	69,552	178,216	38,006	21,048	721,905
Sindh	19,094	170,756	8,213	57,407	3,386	15,931	274,788
Soneri	34,232	249,956	8,956	164,545	12,319	15,339	485,345
UBL	287,722	1,167,804	22,212	611,852	59,502	52,784	2,201,876
	2,297,720	11,797,798	1,044,256	8,227,818	636,797	844,753	24,849,142
PY Total	2,217,018	8,893,796	940,895	8,112,635	603,270	961,209	21,728,823
Increase/ Decrease	3.64%	32.65%	10.99%	1.42%	5.56%	-12.12%	14.36%

Summary of Financial Information (All Banks)

Pakistan Banking Perspective | 2021

Liabilities and Equity as at 31 December 2020

Bank	Bills Payable	Borrowings	Deposits	Subordinated Loans	Other Liabilities	Equity	Total
Rupees in millions							
ABL	9,622	193,928	1,216,668	-	39,102	133,769	1,593,090
Albaraka	3,697	5,722	159,364	3,175	7,827	13,029	192,814
Askari	12,630	84,164	790,982	12,000	38,429	54,681	992,887
BAF	22,571	315,055	881,750	7,000	68,638	92,661	1,387,674
BAH	31,013	211,627	1,099,223	14,990	85,482	80,444	1,522,779
BOC	-	-	5,874	-	1,507	6,984	14,366
BOK	944	57,063	203,072	-	9,450	17,772	288,300
BOP	4,169	154,841	835,070	6,792	42,593	52,383	1,095,848
Citibank	1,476	18,849	118,239	-	9,593	13,822	161,980
DB	973	241	30,965	-	3,920	8,221	44,321
DIB	4,246	17,351	237,553	7,120	12,368	24,624	303,262
Faysal	13,543	58,447	540,632	-	37,224	60,218	710,064
HBL	46,434	544,108	2,830,371	22,356	140,298	265,495	3,849,062
HMB	15,421	205,812	680,391	-	62,657	61,338	1,025,617
ICBC	2,425	325,902	119,301	-	19,163	48,314	515,104
Islami	4,949	16,127	281,311	2,000	13,039	20,513	337,941
JS	4,982	48,302	431,424	7,493	20,959	22,916	536,076
MCB	26,452	184,577	1,388,738	-	98,518	192,991	1,891,276
Meezan	26,494	94,501	1,254,412	18,000	59,923	73,231	1,526,561
NBP	16,795	138,539	2,418,928	-	168,545	274,402	3,017,210
SAMBA	3,358	56,197	78,426	-	5,698	15,317	158,996
SCB	10,712	23,293	556,506	-	49,716	81,678	721,905
Sindh	592	63,128	185,635	-	6,163	19,270	274,788
Soneri	6,708	87,021	345,499	6,994	15,967	23,157	485,345
UBL	29,741	131,827	1,764,392	10,000	58,284	207,632	2,201,876
	299,948	3,036,622	18,454,728	117,919	1,075,064	1,864,862	24,849,142
PY Total	226,358	2,805,230	15,864,705	118,897	1,086,576	1,627,057	21,728,823
Increase/ Decrease	32.51%	8.25%	16.33%	-0.82%	-1.06%	14.62%	14.36%

Summary of Financial Information (All Banks)

Pakistan Banking Perspective | 2021

Income Statement for the year ended 31 December 2020

Bank	Net Markup / Interest Income	Non Markup / Interest Income	Operating Expenses	Profit Before Provisions	Net Provision (reversal)	Profit / (Loss) Before Tax	Taxation	Profit / (Loss) from Discontinuing Operations	Profit / (Loss) After Tax	Other Comprehensive Income
Rupees in Millions										
ABL	48,396	13,443	31,020	30,818	844	29,975	11,597	-	18,378	2,760
Albaraka	6,376	1,886	5,516	2,746	1,208	1,538	774	-	764	(473)
Askari	30,276	9,843	20,309	19,810	1,975	17,835	6,978	-	10,857	3,307
BAF	44,694	13,546	32,208	26,032	7,589	18,443	7,600	-	10,843	(465)
BAH	57,643	10,510	34,897	33,256	4,547	28,709	10,752	-	17,957	4,444
BOC	26	464	764	(274)	-	(274)	(99)	-	(176)	(3)
BOK	6,762	2,878	4,223	5,416	1,610	3,806	1,655	-	2,152	1,919
BOP	23,424	13,076	17,704	18,796	6,870	11,926	5,046	-	6,881	613
Citibank	7,228	5,392	1,682	10,939	13	10,926	4,169	-	6,756	(12)
DB	1,410	1,551	1,439	1,522	-	1,522	617	-	906	21
DIB	11,895	2,495	7,468	6,922	2,135	4,787	1,893	-	2,894	(433)
Faysal	24,548	8,352	19,911	13,145	2,254	10,891	4,210	-	6,681	(1,568)
HBL	130,104	30,595	95,449	65,250	12,220	53,031	22,117	-	30,913	13,537
HMB	29,424	9,717	15,134	24,007	3,621	20,386	8,051	-	12,335	6,148
ICBC	15,602	3,002	1,761	16,843	43	16,800	6,792	-	10,008	(727)
Islami	12,492	1,635	8,764	5,133	2,601	2,532	1,056	92	1,568	(1,508)
JS	9,911	7,551	14,039	3,422	1,254	2,169	1,060	-	1,108	2,406
MCB	75,843	19,269	39,037	56,648	7,330	49,318	19,756	-	29,562	4,047
Meezan	64,829	11,061	30,258	46,000	8,210	37,790	15,115	-	22,675	(3,819)
NBP	104,379	37,359	64,443	77,296	30,912	46,384	15,798	-	30,586	4,636
SAMBA	3,699	1,341	3,018	2,022	354	1,668	657	-	1,012	126
SCB	28,140	12,800	12,383	28,557	4,941	23,616	10,483	-	13,133	2,421
Sindh	3,157	623	5,307	(1,527)	3,737	(5,265)	(2,105)	-	(3,160)	1,379
Soneri	10,655	3,807	9,026	5,436	1,402	4,035	1,634	-	2,400	1,646
UBL	77,073	18,844	44,784	51,638	17,256	34,382	13,594	-	20,789	3,931
	827,987	241,041	520,544	549,857	122,925	426,932	169,202	92	257,822	44,334
PY Total	668,332	205,020	491,233	383,549	56,294	327,255	137,010	(1,246)	188,999	112,351
Increase / Decrease	23.89%	17.57%	5.97%	43.36%	118.36%	30.46%	23.50%	-107.41%	36.41%	-60.54%

Summary of Financial Information (Islamic Banks)

Pakistan Banking Perspective | 2021

Assets as at 31 December 2020

Bank	Cash & Bank	Investments	Due From Financial Institutions	Islamic Financing and Related Assets – Net	Fixed Assets & Intangible Assets	Other Assets	Total Assets
Rupees in Millions							
Albaraka	25,951	57,117	2,748	90,279	5,726	10,992	192,814
DIB	22,377	66,580	2,398	199,416	4,007	8,484	303,262
Islami	34,344	95,622	41,640	129,972	14,877	21,485	337,941
MCBIB	14,869	27,618	829	84,896	6,188	6,771	141,171
Meezan	155,722	438,796	342,069	512,532	24,973	52,469	1,526,561
	253,263	685,733	389,684	1,017,095	55,771	100,200	2,501,749
PY Total	193,040	375,136	292,643	930,071	57,667	93,660	1,942,217
Increase / Decrease	31.2%	82.8%	33.2%	9.4%	-3.3%	7.0%	28.8%

Liabilities and Equity as at 31 December 2020

Bank	Bills Payable	Due to Financial Institutions	Deposits	Subordinated Loans	Other Liabilities	Equity	Total
Rupees in Millions							
Albaraka	3,696	5,722	159,364	3,175	7,827	13,029	192,814
DIB	4,246	17,351	237,553	7,120	12,368	24,624	303,262
Islami	4,949	16,128	281,311	2,000	13,039	20,513	337,941
MCBIB	2,471	20,597	99,253	-	8,122	10,728	141,171
Meezan	26,494	94,501	1,254,412	18,000	59,923	73,231	1,526,561
	41,857	154,298	2,031,894	30,295	101,278	142,125	2,501,749
PY Total	28,002	75,371	1,582,586	26,281	101,382	128,595	1,942,217
Increase / Decrease	49.5%	104.7%	28.4%	15.3%	-0.1%	10.5%	28.8%

Income Statement for the year ended 31 December 2020

Bank	Profit / Return	Other Income	Operating Expenses	Profit Before Provisions	Net Provision / (reversal)	Profit / (Loss) Before Tax	Taxation	Profit / (Loss) from Discontinuing Operations	Profit / (Loss) After Tax	Other Comprehensive Income
Rupees in Millions										
Albaraka	6,376	1,886	5,516	2,746	1,208	1,538	774	-	764	(473)
DIB	11,895	2,495	7,468	6,922	2,135	4,787	1,893	-	2,894	(433)
Islami	12,492	1,635	8,764	5,133	2,601	2,532	1,056	92	1,568	(1,508)
MCBIB	4,395	678	4,665	408	15	393	185	-	208	53
Meezan	64,829	11,061	30,258	46,000	8,210	37,790	15,115	-	22,675	(3,819)
	99,988	17,755	56,671	61,210	14,170	47,040	19,024	92	28,109	(6,180)
PY Total	76,853	16,660	50,578	43,248	9,072	34,176	14,362	(21)	19,794	15,787
Increase / Decrease	30.1%	6.6%	12.0%	41.5%	56.2%	37.6%	32.5%	-539.6%	42.0%	-139.1%

Summary of Financial Information

(Islamic Banking Business of Conventional Banks)

Pakistan Banking Perspective | 2021

Assets as at 31 December 2020

Bank	Cash & Bank	Investments	Due from Financial Institutions	Islamic Financing and Related Assets	Operating Fixed Assets	Other Assets	Total Assets
Rupees in Millions							
ABL	3,372	19,650	1,454	32,642	1,661	851	59,631
Askari	6,314	12,216	-	64,270	1,757	5,563	90,119
BAF	14,779	47,421	14,292	103,279	6,039	10,524	196,336
BAH	5,734	71,453	2,175	58,304	479	1,198	139,343
BOK	8,693	18,981	-	48,423	511	3,735	80,343
BOP	5,660	16,997	8,632	33,201	1,671	2,961	69,122
Faysal	23,693	67,555	28,000	190,397	14,905	6,415	330,964
HBL	12,771	139,619	5,257	153,363	1,163	6,222	318,396
HMB	4,970	27,627	1,000	56,673	481	3,550	94,302
MCB	14,869	27,618	829	84,896	5,549	7,410	141,171
NBP	5,725	42,110	-	37,547	905	2,676	88,961
SCB	3,504	27,947	7,783	38,839	129	2,041	80,243
Sindh	-	-	-	-	-	-	-
Soneri	1,822	11,098	1,981	8,859	578	856	25,194
UBL	12,062	62,730	19,959	20,538	984	8,719	124,992
	123,968	593,022	91,364	931,230	36,811	62,722	1,839,117

Liabilities and Equity as at 31 December 2020

Bank	Bills Payable	Due to Financial Institutions	Deposits	Other Liabilities	Equity	Total
Rupees in millions						
ABL	482	9,553	41,839	3,757	4,000	59,631
Askari	1,477	11,811	65,306	4,529	6,997	90,119
BAF	5,432	23,968	133,038	22,370	11,529	196,336
BAH	138	18,962	93,238	16,803	10,202	139,343
BOK	303	10,428	59,000	4,016	6,597	80,343
BOP	212	608	61,540	2,647	4,114	69,122
Faysal	6,030	47,087	248,091	13,705	16,053	330,964
HBL	8	32,183	257,414	6,021	22,767	318,396
HMB	786	16,610	68,493	2,616	5,797	94,302
MCB	2,471	20,597	99,253	8,122	10,728	141,171
NBP	339	-	75,268	7,226	6,128	88,961
SCB	129	3,634	57,742	10,053	8,686	80,243
Sindh	-	-	-	-	-	-
Soneri	319	544	22,113	530	1,689	25,194
UBL	2,488	3,633	111,478	2,324	5,069	124,992
	20,613	199,617	1,393,814	104,720	120,355	1,839,117

Summary of Financial Information

(Islamic Banking Business of Conventional Banks)

Pakistan Banking Perspective | 2021

Income Statement for the year ended 31 December 2020

Bank	Net Profit / Return	Other Income / (Loss)	Operating Expenses	Profit / (Loss) Before Provisions	Net Provision / (Reversal)	Profit / (Loss) Before Tax
Rupees in Millions						
ABL	1,870	211	1,326	755	0	754
Askari	3,975	385	2,158	2,202	439	1,763
BAF	8,720	1,091	5,393	4,418	1,077	3,340
BAH	4,446	767	2,349	2,863	118	2,744
BOK	3,415	405	1,957	1,863	471	1,392
BOP	2,499	118	1,646	971	414	556
Faysal	9,748	1,338	6,548	4,538	261	4,276
HBL	12,414	376	2,417	10,372	907	9,465
HMB	1,676	659	769	1,565	187	1,379
MCB	4,395	678	4,665	408	15	393
NBP	4,538	426	2,456	2,509	400	2,109
SCB	4,547	755	2,053	3,249	589	2,659
Sindh	-	-	-	-	-	-
Soneri	393	82	448	27	175	(147)
UBL	4,120	178	1,771	2,528	13	2,515
	66,755	7,468	35,957	38,267	5,067	33,199

Summary of Financial Information

Conventional vs Islamic Business Break-up

Pakistan Banking Perspective | 2021

For the year ended 31 December 2020

Bank	Total Assets			Profit/(Loss) Before Tax		
	Conventional Business	Islamic Business	Consolidated	Conventional Business	Islamic Business	Consolidated
Rupees in Millions						
ABL	1,533,459	59,631	1,593,090	29,220	754	29,975
Askari	902,768	90,119	992,887	16,072	1,763	17,835
BAF	1,191,338	196,336	1,387,674	15,103	3,340	18,443
BAH	1,383,436	139,343	1,522,779	25,965	2,744	28,709
BOK	207,957	80,343	288,300	2,415	1,392	3,806
BOP	1,026,726	69,122	1,095,848	11,370	556	11,926
Faysal	379,100	330,964	710,064	6,615	4,276	10,891
HBL	3,530,666	318,396	3,849,062	43,566	9,465	53,031
HMB	931,315	94,302	1,025,617	19,008	1,379	20,386
MCB	1,750,105	141,171	1,891,276	48,925	393	49,318
NBP	2,928,249	88,961	3,017,210	44,275	2,109	46,384
SCB	641,662	80,243	721,905	20,957	2,659	23,616
Soneri	460,151	25,194	485,345	4,182	(147)	4,035
UBL	2,076,884	124,992	2,201,876	31,867	2,515	34,382

Composition of Deposits (All Banks)

Bank	Individual		Government		Public Sector Entities		Banking Companies		Non-Banking Financial Institutions		Private Sector and Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Millions														
ABL	557,554	457,188	125,647	125,409	94,232	108,999	10,902	9,374	129,639	77,134	298,695	270,915	1,216,668	1,049,019
Al baraka	67,706	59,197	9,308	8,021	2,008	1,854	578	1	10,429	6,050	69,335	54,531	159,364	129,654
Askari	295,671	245,870	257,515	239,953	63,779	48,142	0.1	0.1	7,858	4,925	166,159	140,355	790,982	679,246
BAF	420,058	361,511	63,503	31,193	60,538	57,074	4,576	6,226	37,198	42,390	295,878	283,880	881,750	782,275
BAH	694,691	582,960	43,377	29,895	52,702	36,378	341	3,889	16,116	10,003	291,996	240,505	1,099,223	903,630
BOC	15	7	-	-	1,513	27	-	-	-	-	4,346	16,975	5,874	17,009
BOK	48,715	35,118	113,802	113,655	2,111	4,445	18	52	3,044	1,025	35,381	27,873	203,072	182,168
BOP	157,876	152,925	409,081	352,521	92,393	68,178	3,122	5,693	4,107	4,612	168,491	107,087	835,070	691,016
Citibank	222	217	-	-	26	289	4,467	3,973	1,770	1,561	111,754	107,192	118,239	113,232
DB	24	36	-	-	-	0	-	-	45	43	30,896	20,394	30,965	20,474
DIB	116,017	101,600	25,128	23,123	2,270	5,716	1	0	23,734	21,152	70,402	58,362	237,553	209,952
Faysal	129,367	128,076	19,873	24,230	11,059	22,532	4,758	2,830	18,307	24,453	357,269	255,664	540,632	457,785
HBL	1,531,356	1,297,817	154,363	131,104	135,997	133,886	9,120	8,514	293,797	133,389	705,738	732,887	2,830,371	2,437,597
HMB	288,049	252,754	36,953	21,440	45,775	57,515	3,252	5,195	9,904	47,890	296,457	226,466	680,391	611,260
ICBC	1,084	133	-	-	662	3,277	1,209	1,117	-	-	116,347	89,939	119,301	94,466
Islami	75,345	60,268	5,800	5,571	9,776	9,483	86	427	17,612	10,615	172,691	142,194	281,311	228,557
JS	147,143	135,584	92,317	73,503	52,157	37,476	2,950	2,926	18,226	31,038	118,630	88,017	431,424	368,544
MCB	873,722	751,908	60,114	73,276	87,103	52,949	4,894	10,220	32,298	29,286	330,607	308,954	1,388,738	1,226,593
Meezan	859,472	628,758	13,812	20,376	22,175	14,839	23	34	10,373	7,482	348,557	261,079	1,254,412	932,569
NBP	847,731	700,613	674,985	602,786	257,337	237,284	368,302	379,109	29,052	20,197	241,522	257,997	2,418,928	2,197,985
SAMBA	29,306	26,470	16,176	13,483	5,507	3,119	91	118	1,617	2,708	25,729	25,984	78,426	71,882
SCB	293,655	241,576	320	1,044	3,089	6,721	18,514	18,975	3,348	2,424	237,580	194,889	556,506	465,629
Sindh	20,991	16,276	127,198	82,919	1,830	6,229	9	5	3,179	4,561	32,427	24,095	185,635	134,086
Soneri	134,958	116,173	33,360	36,305	41,829	38,818	5,499	8,244	44,946	15,012	84,907	87,532	345,499	302,083
UBL	1,024,508	893,984	99,009	68,423	114,365	93,004	14,656	37,049	95,055	58,857	416,799	406,680	1,764,392	1,557,995
	8,615,235	7,247,020	2,381,642	2,078,231	1,160,233	1,048,231	457,367	503,970	811,656	556,806	5,028,595	4,430,448	18,454,728	15,864,705

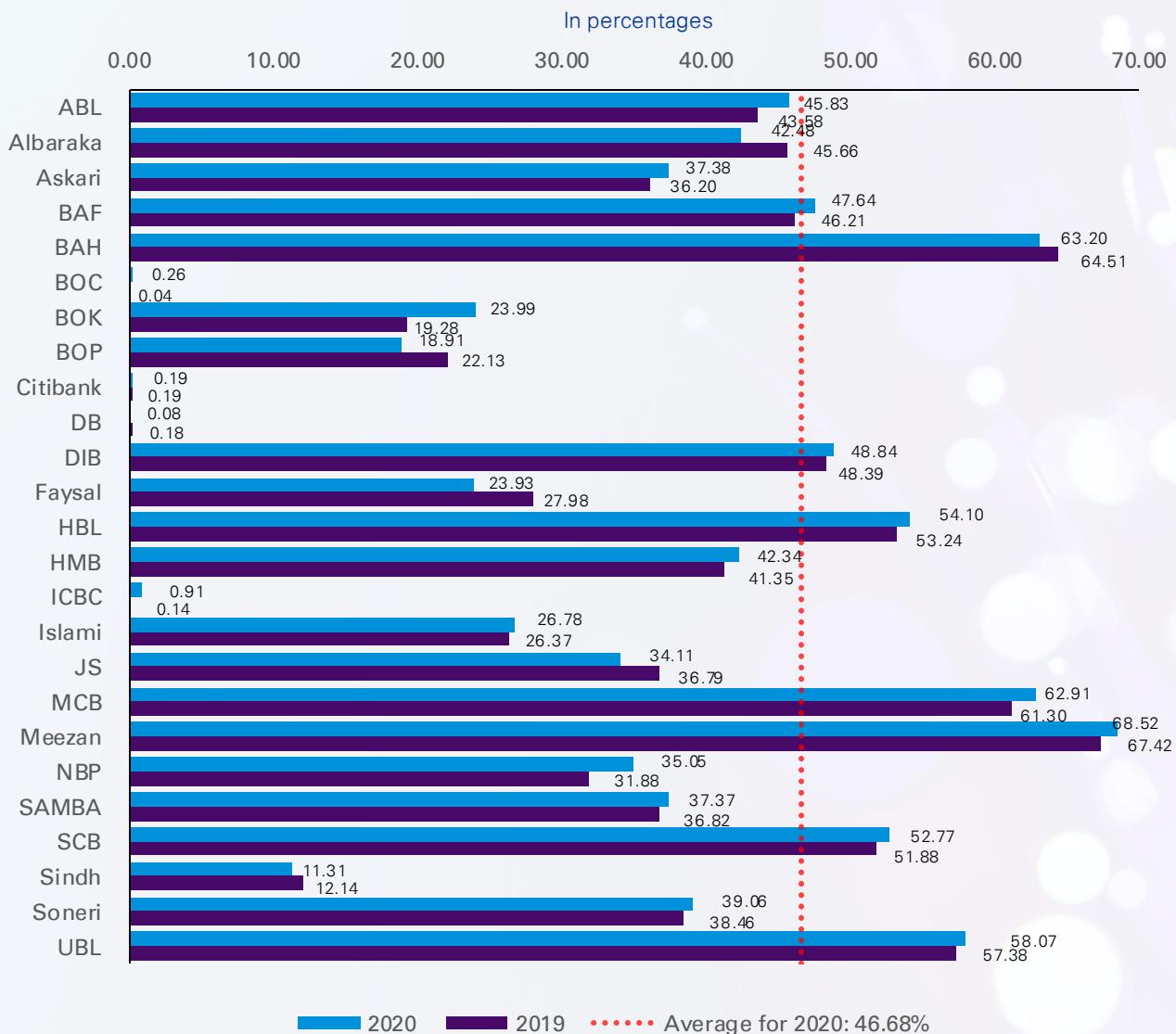
Composition of Deposits (Islamic Banks)

Bank	Individual		Government		Public Sector Entities		Banking Companies		Non-Banking Financial Institutions		Private Sector and Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Millions														
Albaraka	67,706	59,197	9,308	8,021	2,008	1,854	578	1	10,429	6,050	69,335	54,531	159,364	129,654
DIB	116,017	101,600	25,128	23,123	2,270	5,716	1	0	23,734	21,152	70,402	58,362	237,553	209,952
Islami	75,345	60,268	5,800	5,571	9,776	9,483	86	427	17,612	10,615	172,691	142,194	281,311	228,557
MCBIB	43,739	35,008	4,253	7,693	4,861	269	2	1,038	6,137	4,866	40,260	32,980	99,253	81,854
Meezan	859,472	628,758	13,812	20,376	22,175	14,839	23	34	10,373	7,482	348,557	261,079	1,254,412	932,569
	1,162,279	884,831	58,302	64,783	41,090	32,160	692	1,500	68,285	50,166	701,246	549,146	2,031,894	1,582,586

Individual Deposits to Total Deposits (All Banks)

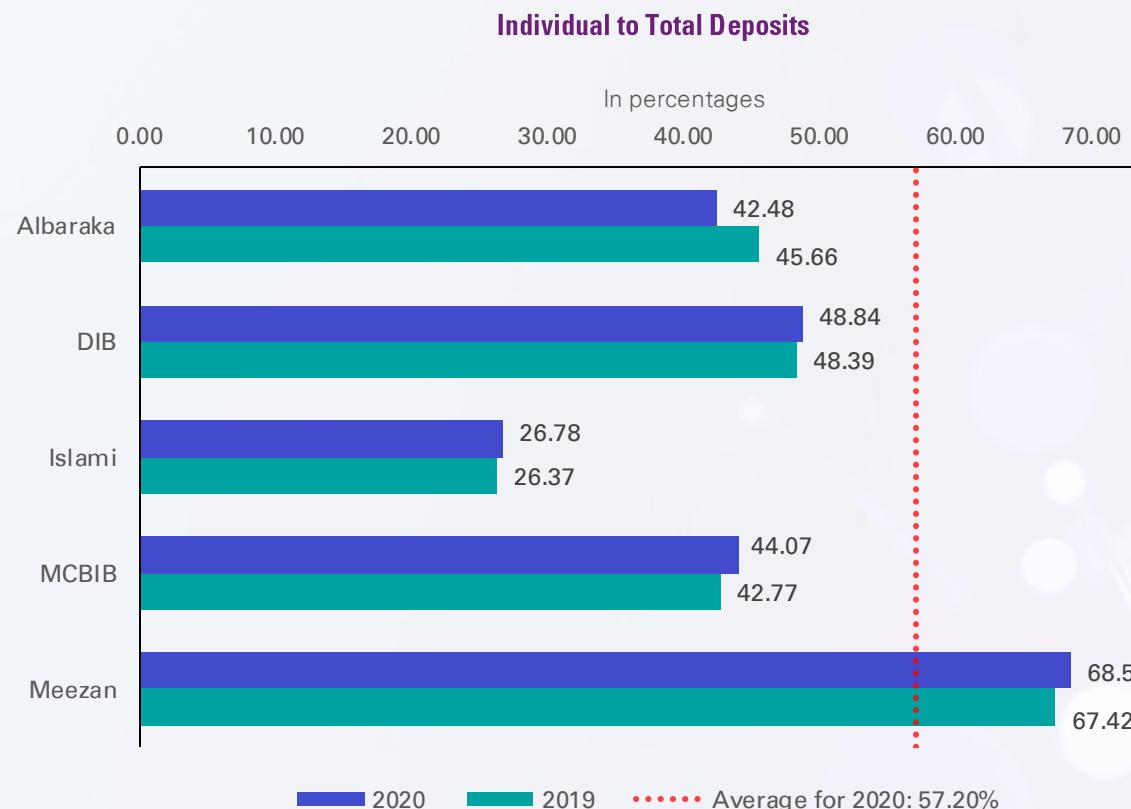
The ratio of individual deposits to total deposits have increased by 1% to 46.68% in 2020. BAH, HBL, MCB, Meezan, SCB and UBL have managed to maintain a ratio of more than 50%.

Individual Deposits to Total Deposits



Individual Deposits to Total Deposits (Islamic Banks)

The ratio of individual deposits to total deposits in Islamic Banks has slightly increased from 55.91% in 2019 to 57.2% in 2020.

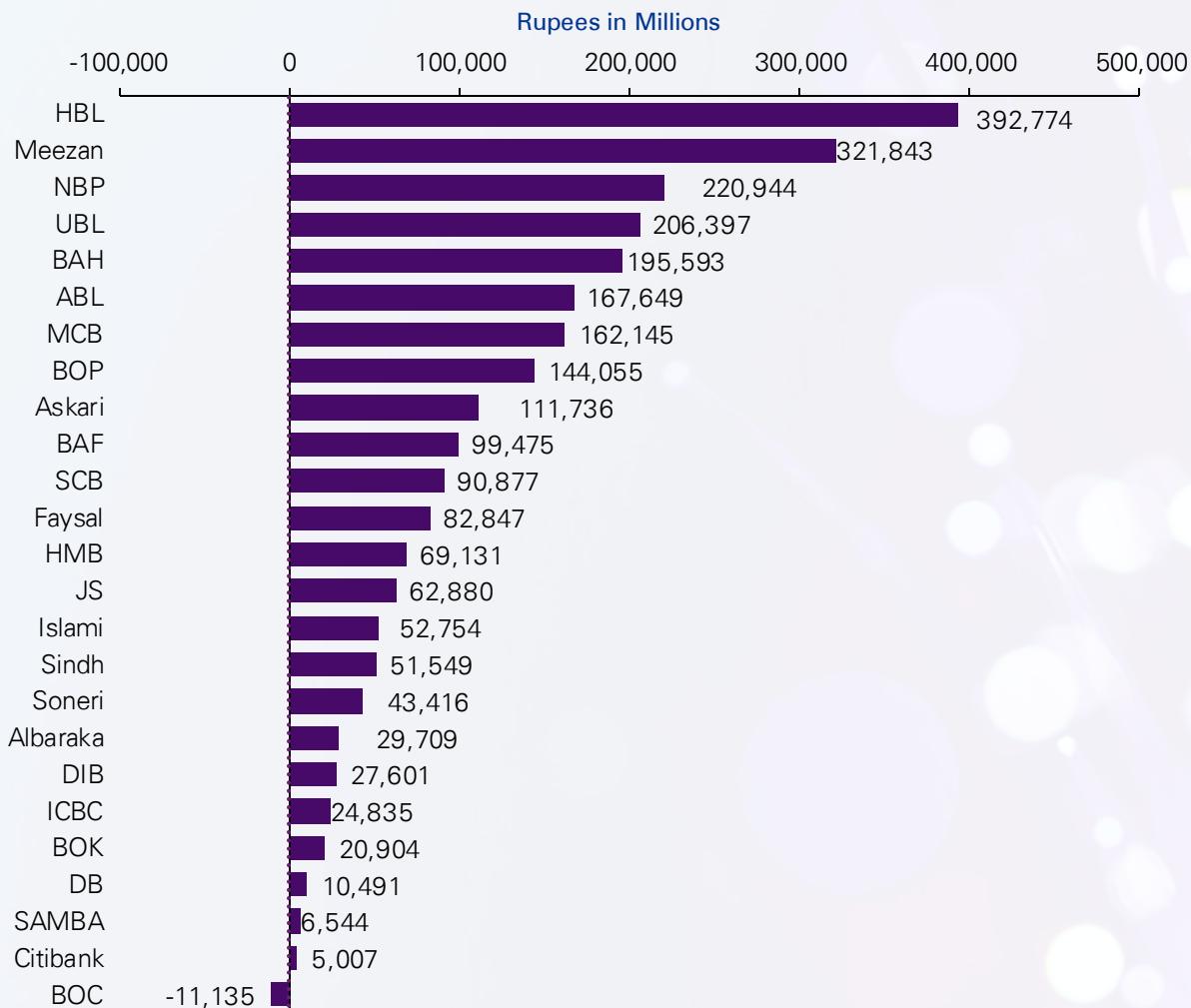


Growth of Deposits (All Banks)

Banks	Deposits			Annual Increase	
	2020	2019	2018	2020-19	2019-18
	Rupees in Millions			In Percentages	
ABL	1,216,668	1,049,019	984,463	16.0	6.6
Albaraka	159,364	129,654	99,915	22.9	29.8
Askari	790,982	679,246	573,597	16.4	18.4
BAF	881,750	782,275	702,847	12.7	11.3
BAH	1,099,223	903,630	796,852	21.6	13.4
BOC	5,874	17,009	7,228	(65.5)	135.3
BOK	203,072	182,168	171,168	11.5	6.4
BOP	835,070	691,016	595,562	20.8	16.0
Citibank	118,239	113,232	95,036	4.4	19.1
DB	30,965	20,474	20,100	51.2	1.9
DIB	237,553	209,952	182,187	13.1	15.2
Faysal	540,632	457,785	409,384	18.1	11.8
HBL	2,830,371	2,437,597	2,137,293	16.1	14.1
HMB	680,391	611,260	542,839	11.3	12.6
ICBC	119,301	94,466	66,540	26.3	42.0
Islami	281,311	228,557	184,430	23.1	23.9
JS	431,424	368,544	319,807	17.1	15.2
MCB	1,388,738	1,226,593	1,122,307	13.2	9.3
Meezan	1,254,412	932,569	785,445	34.5	18.7
NBP	2,418,928	2,197,985	2,011,313	10.1	9.3
SAMBA	78,426	71,882	65,225	9.1	10.2
SCB	556,506	465,629	424,899	19.5	9.6
Sindh	185,635	134,086	113,641	38.4	18.0
Soneri	345,499	302,083	262,379	14.4	15.1
UBL	1,764,392	1,557,995	1,448,324	13.2	7.6
	18,454,728	15,864,705	14,122,778	16.33	12.33

Growth of Deposits (All Banks)

Growth in Deposits (2019 - 2020)

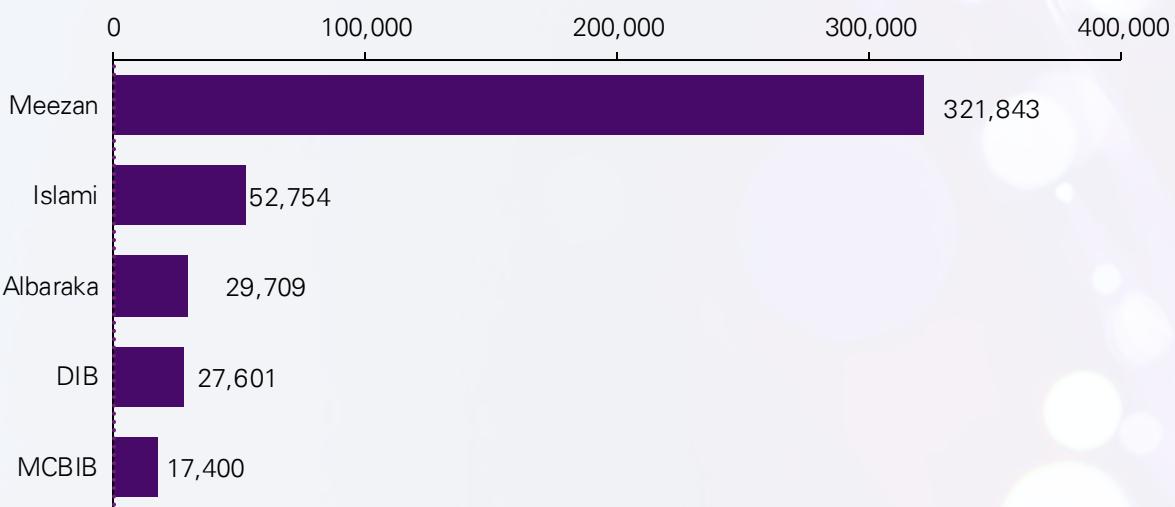


Growth of Deposits (Islamic Banks)

Banks	Deposits			Annual Increase	
	2020	2019	2018	2020-19	2019-18
Rupees in Millions				In Percentages	
Albaraka	159,364	129,654	99,915	22.91	29.76
DIB	237,553	209,952	182,187	13.15	15.24
Islami	281,311	228,557	184,430	23.08	23.93
MCBIB	99,253	81,854	73,307	21.26	11.66
Meezan	1,254,412	932,569	785,445	34.51	18.73
	2,031,894	1,582,586	1,325,283	28.39	19.41

Growth in Deposits (2019 - 2020)

Rupees in Millions

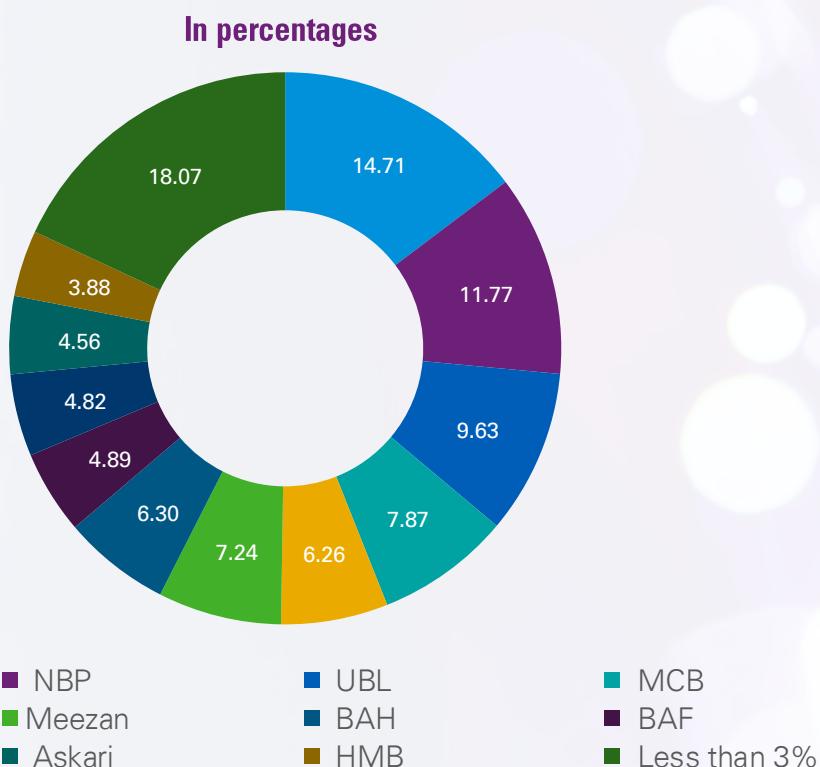


Market Share of Customer Deposits

Deposits from financial institutions have been excluded to analyze deposits from customers.

Bank	2020	2019	2020	2019
	Rupees in Millions		In Percentages	
HBL	2,527,454	2,295,694	14.71	15.53
NBP	2,022,159	1,798,705	11.77	12.17
UBL	1,654,681	1,462,090	9.63	9.89
MCB	1,351,529	1,187,064	7.87	8.03
ABL	1,076,128	962,502	6.26	6.51
Meezan	1,244,016	925,052	7.24	6.26
BAH	1,082,766	889,739	6.30	6.02
BAF	839,976	733,659	4.89	4.96
BOP	827,827	680,711	4.82	4.61
Askari	783,531	674,374	4.56	4.56
HMB	667,235	558,175	3.88	3.78
Less than 3%	3,104,083	2,613,318	18.07	17.68
	17,181,385	14,781,083	100.00	100.00

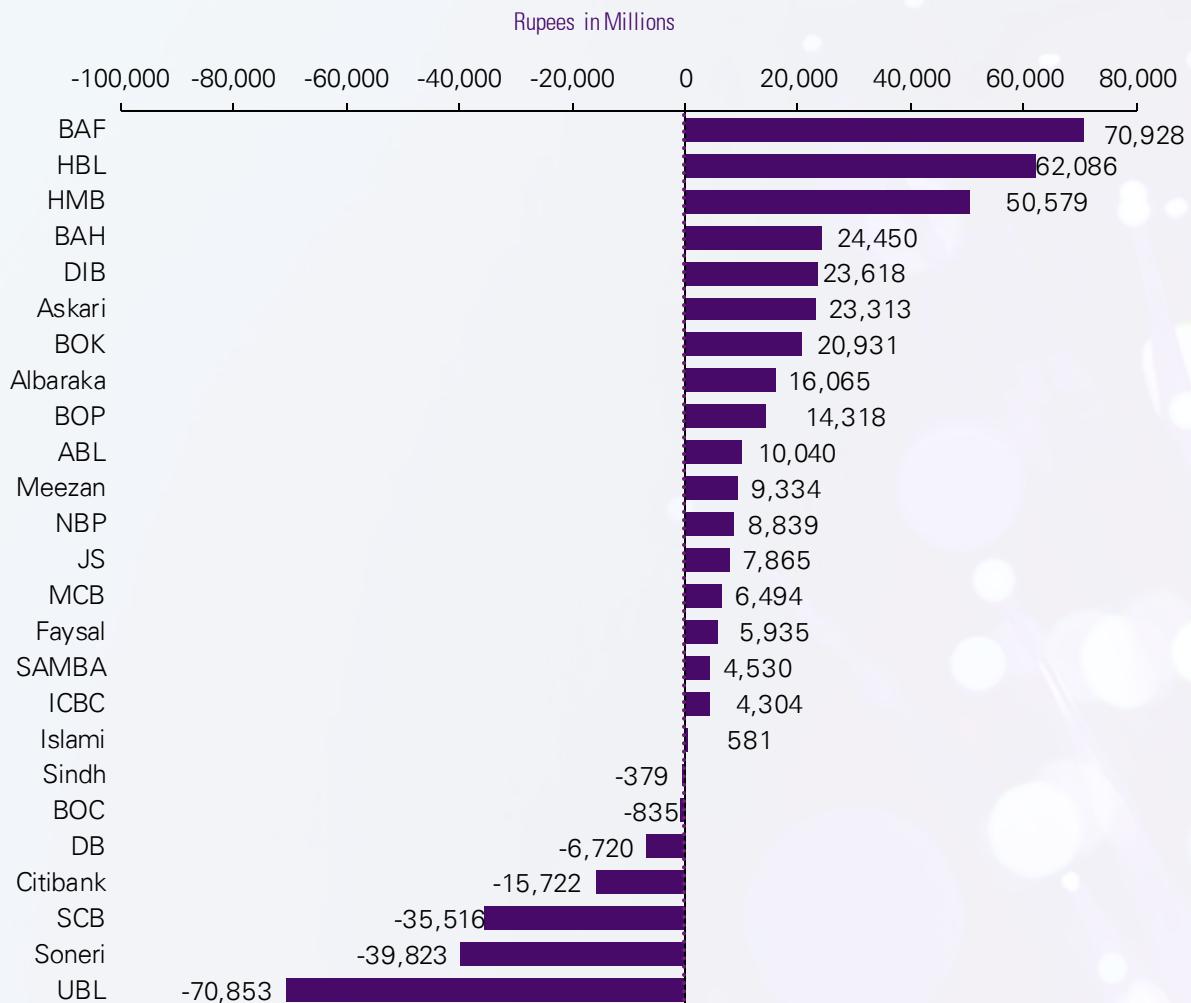
*Deposits from financial institutions have been excluded to analyze deposits from customers.



Growth in Advances (All Banks)

Bank	Gross Advances			Annual Increase / (Decrease)	
	2020	2019	2018	2020-19	2019-18
Rupees in Millions					In Percentages
ABL	510,244	500,204	453,906	2.01	10.20
Al baraka	97,355	81,290	79,772	19.76	1.90
Askari	421,862	398,549	369,259	5.85	7.93
BAF	600,902	529,974	518,398	13.38	2.23
BAH	522,693	498,244	485,945	4.91	2.53
BOC	-	835	134	(100.00)	100.00
BOK	134,907	113,976	99,167	18.36	14.93
BOP	443,715	429,398	426,222	3.33	0.75
Citibank	38,820	54,542	42,748	(28.83)	27.59
DB	2,610	9,330	6,354	(72.02)	46.83
DIB	204,412	180,794	155,463	13.06	16.29
Faysal	339,745	333,811	320,258	1.78	4.23
HBL	1,305,409	1,243,323	1,152,434	4.99	7.89
HMB	341,101	290,522	252,674	17.41	14.98
ICBC	33,761	29,457	22,943	14.61	28.39
Islami	145,266	144,685	129,484	0.40	11.74
JS	254,659	246,794	255,464	3.19	(3.39)
MCB	598,366	591,872	610,029	1.10	(2.98)
Meezan	531,588	522,254	522,264	1.79	(0.00)
NBP	1,160,933	1,152,094	1,060,517	0.77	8.64
SAMBA	68,573	64,043	55,892	7.07	14.58
SCB	199,753	235,269	187,162	(15.10)	25.70
Sindh	76,916	77,294	79,685	(0.49)	(3.00)
Soneri	172,693	212,516	194,831	(18.74)	9.08
UBL	691,203	762,055	815,572	(9.30)	(6.56)
	8,897,486	8,703,122	8,296,576	2.23	4.90

Growth in Advances (2019 - 2020)

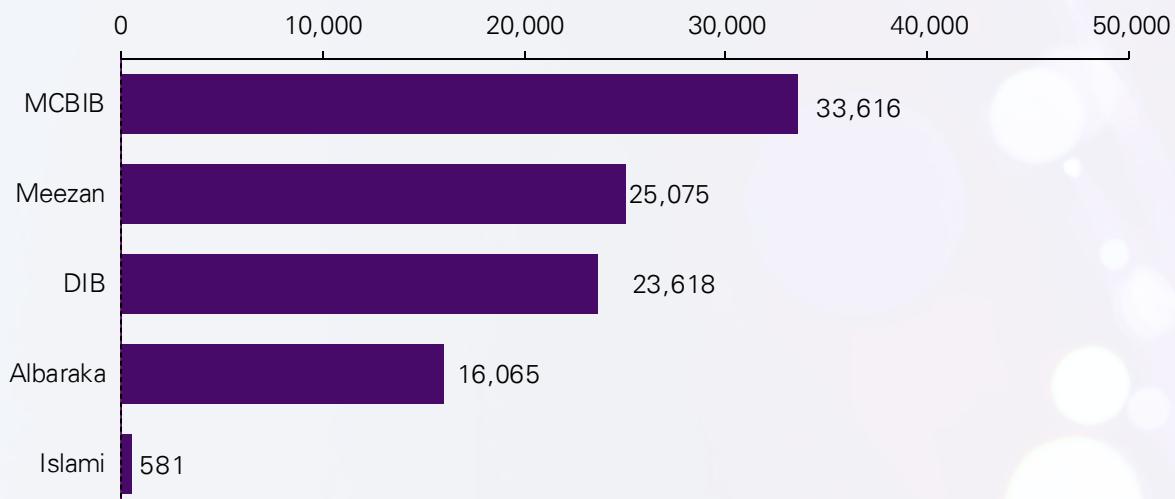


Growth in Advances (Islamic Banks)

Bank	Gross Advances			Annual Increase / (Decrease)	
	2020	2019	2018	2020-19	2019-18
Rupees in Millions			In Percentages		
Albaraka	97,355	81,290	79,772	19.76	1.90
DIB	204,412	180,794	155,463	13.06	16.29
Islami	145,266	144,685	129,484	0.40	11.74
MCBIB	84,962	51,347	62,922	65.47	(18.40)
Meezan	531,588	506,513	522,264	4.95	(3.02)
	1,063,583	964,628	949,905	10.26	1.55

Growth in Advances (2019 - 2020)

Rupees in Millions



Classification of Non-Performing Advances (All Banks)

Classification	2020		2019
	Percentage		
OAEM	1.76%		3.08%
Substandard	5.18%		5.00%
Doubtful	9.70%		7.04%
Loss	83.36%		84.88%
	100.00%		100.00%

Bank	OAEM		Substandard		Doubtful		Loss		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Millions										
ABL	32	35	253	810	611	197	13,264	14,812	14,161	15,854
Albaraka	29	25	607	974	367	1,642	8,509	6,609	9,512	9,250
Askari	1,406	2,125	481	477	1,956	661	24,567	24,870	28,411	28,134
BAF	65	1,713	3,576	2,382	7,896	1,918	14,323	16,405	25,861	22,418
BAH	63	83	165	377	1,255	1,928	5,899	4,870	7,381	7,258
BOK	45	31	353	96	1,615	220	5,263	4,678	7,276	5,027
BOP	191	185	6,286	1,179	8,086	8,204	42,914	42,061	57,477	51,630
Citibank	-	-	-	-	-	3.91	2,381	2,671	2,381	2,675
DB	-	-	-	-	-	-	97	97	97	97
DIB	4	54	51	467	261	857	5,373	3,162	5,687	4,540
Faysal	205	1,484	2,727	1,528	901	4,305	22,393	23,093	26,225	30,409
HBL	1,229	934	5,542	4,393	1,383	2,650	73,021	73,929	81,175	81,906
HMB	-	-	14	434	5,387	629	13,901	16,471	19,302	17,533
Islami	149	525	485	695	1,948	1,904	14,946	12,263	17,529	15,388
JS	297	841	1,178	1,159	3,264	2,442	6,995	5,911	11,734	10,353
MCB	67	149	311	710	479	3,190	51,088	45,756	51,946	49,806
Meezan	80	23	790	558	966	447	13,097	7,969	14,933	8,996
NBP	1,627	1,299	5,419	10,292	15,817	6,489	106,261	131,296	129,124	149,377
SAMBA	-	-	76	23	-	-	2,619	2,650	2,696	2,673
SCB	182	129	1,653	1,117	3,953	534	16,906	15,958	22,695	17,738
Sindh	37	584	33	2,018	1,576	1,515	33,693	29,708	35,339	33,824
Soneri	28	23	764	572	142	377	9,852	9,931	10,785	10,903
UBL	6,010	9,890	3,755	2,408	6,833	5,844	68,659	59,305	85,257	77,447
	11,747	20,134	34,520	32,671	64,695	45,959	556,021	554,472	666,983	653,235

Classification of Non-Performing Advances (Islamic Banks)

Classification	2020	2019
	Percentage	
OAEM	0.58%	1.66%
Substandard	4.19%	7.01%
Doubtful	7.72%	13.51%
Loss	87.51%	77.82%
	100.00%	100.00%

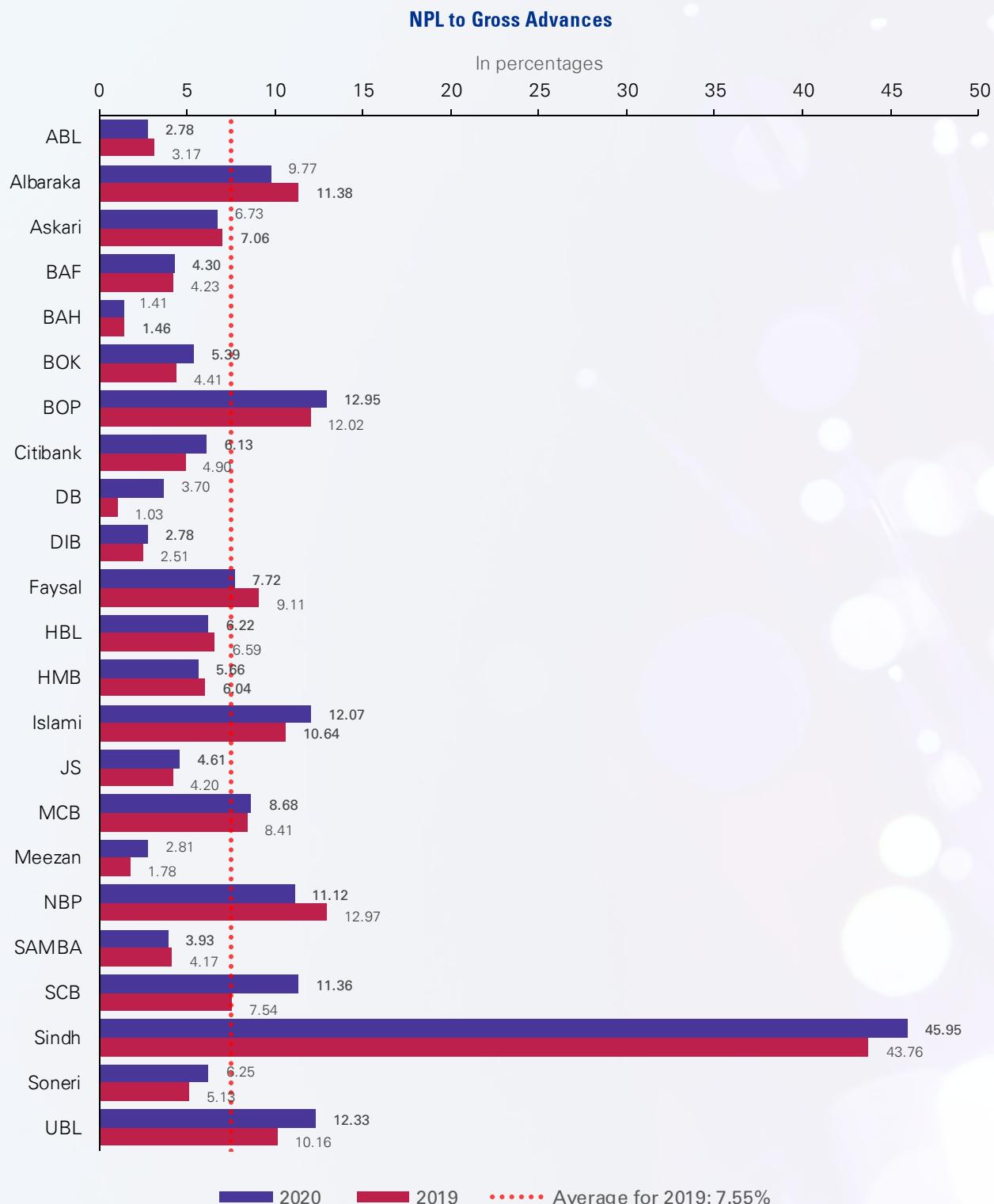
Bank	OAEM		Substandard		Doubtful		Loss		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Millions										
Albaraka	29	25	607	974	367	1,642	8,509	6,609	9,512	9,250
DIB	4	54	51	467	261	857	5,373	3,162	5,687	4,540
Islami	149	525	485	695	1,948	1,904	14,946	12,263	17,529	15,388
MCBIB	18	15	97	8	194	358	447	1	756	381
Meezan	80	23	790	558	966	447	13,097	7,969	14,933	8,996
	281	641	2,031	2,702	3,736	5,208	42,371	30,003	48,418	38,555

Non-Performing Loans to Gross Advances (All Banks)

Gross advances as a proportion of total gross advances of the banks under have remained the same.

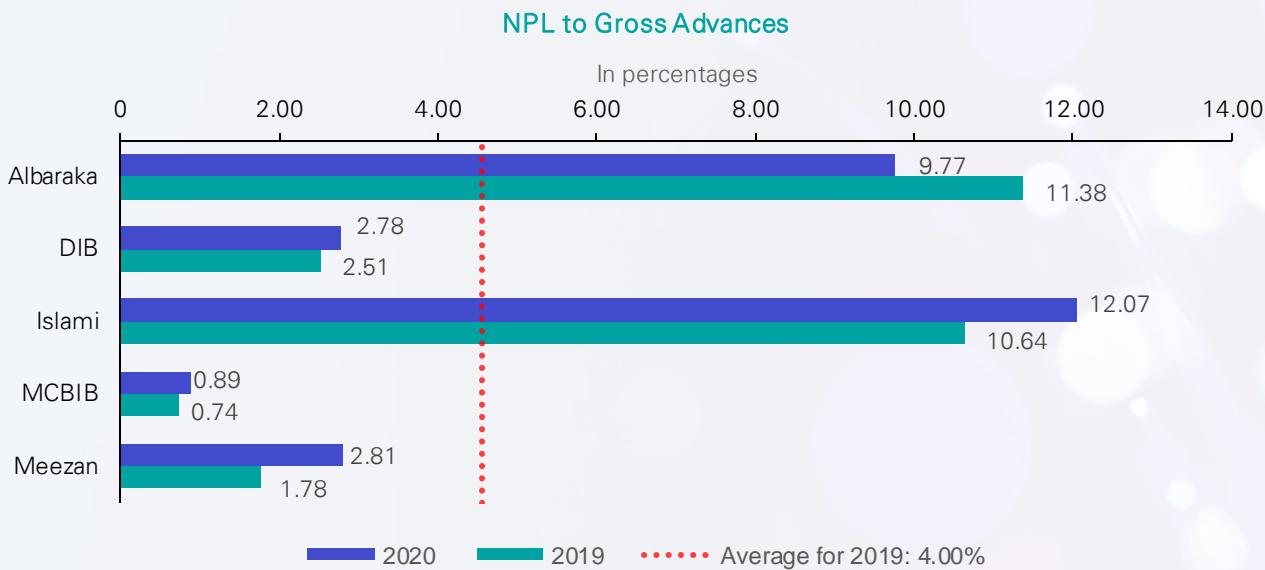
Bank	Gross Advances		Non-Performing Loans		NPL to Gross Advances	
	2020	2019	2020	2019	2020	2019
Rupees in Millions						In Percentages
ABL	510,244	500,204	14,161	15,854	2.78	3.17
Albaraka	97,355	81,290	9,512	9,250	9.77	11.38
Askari	421,862	398,549	28,411	28,134	6.73	7.06
BAF	600,902	529,974	25,861	22,418	4.30	4.23
BAH	522,693	498,244	7,381	7,258	1.41	1.46
BOK	134,907	113,976	7,276	5,027	5.39	4.41
BOP	443,715	429,398	57,477	51,630	12.95	12.02
Citibank	38,820	54,542	2,381	2,675	6.13	4.90
DB	2,610	9,330	97	97	3.70	1.03
DIB	204,412	180,794	5,687	4,540	2.78	2.51
Faysal	339,745	333,811	26,225	30,409	7.72	9.11
HBL	1,305,409	1,243,323	81,175	81,906	6.22	6.59
HMB	341,101	290,522	19,302	17,533	5.66	6.04
Islami	145,266	144,685	17,529	15,388	12.07	10.64
JS	254,659	246,794	11,734	10,353	4.61	4.20
MCB	598,366	591,872	51,946	49,806	8.68	8.41
Meezan	531,588	506,513	14,933	8,996	2.81	1.78
NBP	1,160,933	1,152,094	129,124	149,377	11.12	12.97
SAMBA	68,573	64,043	2,696	2,673	3.93	4.17
SCB	199,753	235,269	22,695	17,738	11.36	7.54
Sindh	76,916	77,294	35,339	33,824	45.95	43.76
Soneri	172,693	212,516	10,785	10,903	6.25	5.13
UBL	691,203	762,055	85,257	77,447	12.33	10.16
	8,863,725	8,657,089	666,983	653,235	7.52	7.55

Non-Performing Loans to Gross Advances (All Banks)

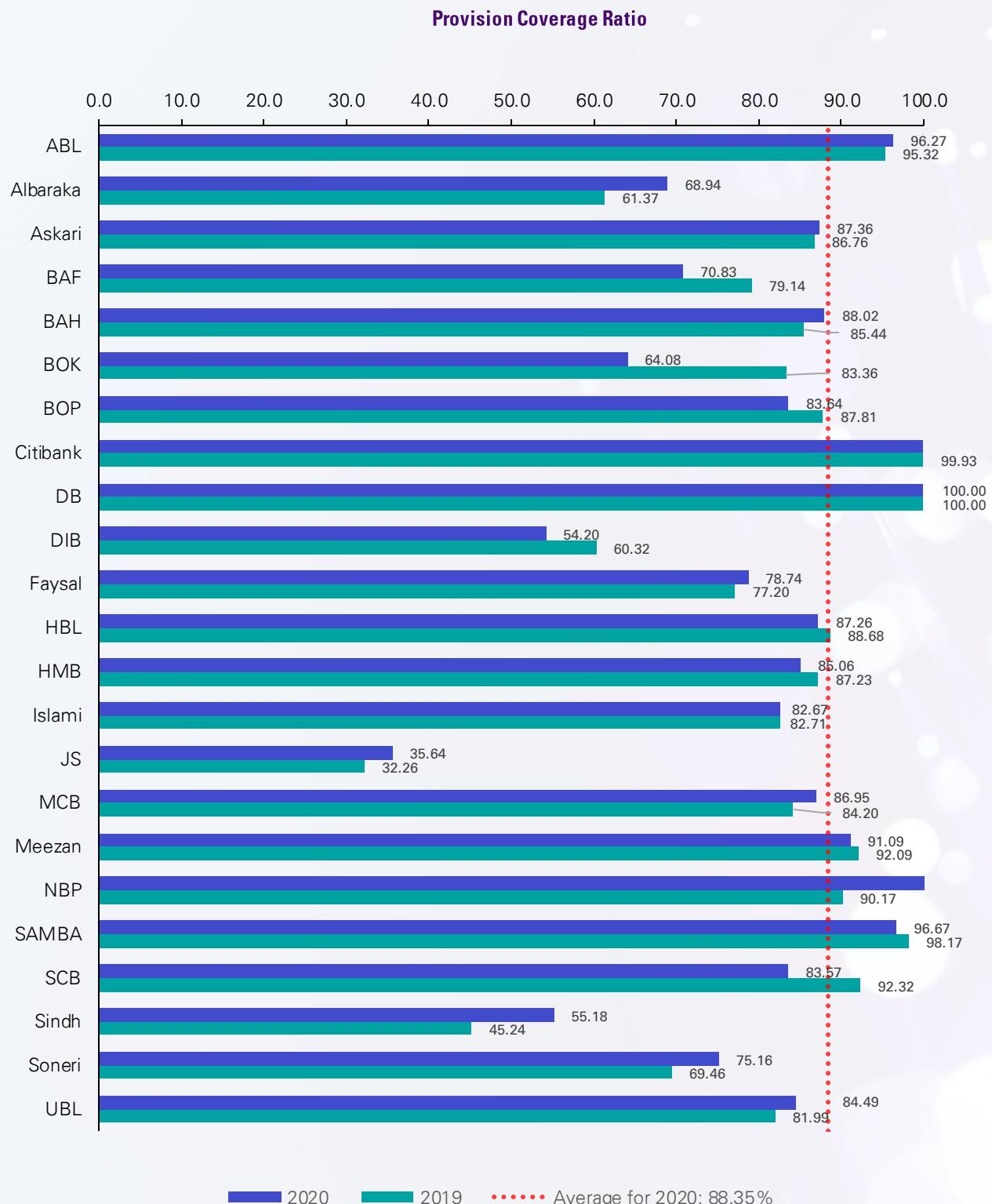


Non-Performing Loans to Gross Advances (Islamic Banks)

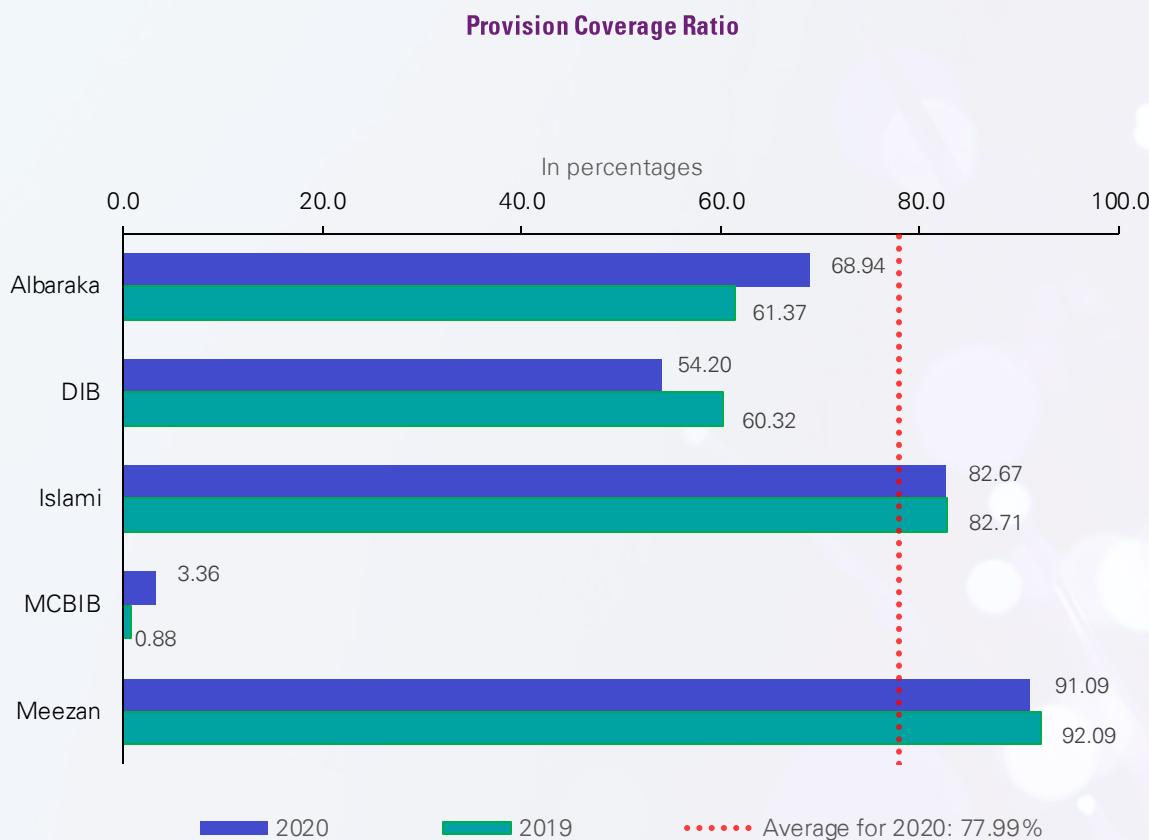
Bank	Gross Advances		Non-Performing Loans		NPL to Gross Advances	
	2020	2019	2020	2019	2020	2019
Rupees in Millions						In Percentages
Albaraka	97,355	81,290	9,512	9,250	9.77	11.38
DIB	204,412	180,794	5,687	4,540	2.78	2.51
Islami	145,266	144,685	17,529	15,388	12.07	10.64
MCBIB	84,962	51,347	756	381	0.89	0.74
Meezan	531,588	506,513	14,933	8,996	2.81	1.78
	1,063,583	964,628	48,418	38,555	4.55	4.00



Provision Coverage Ratio (All Banks)



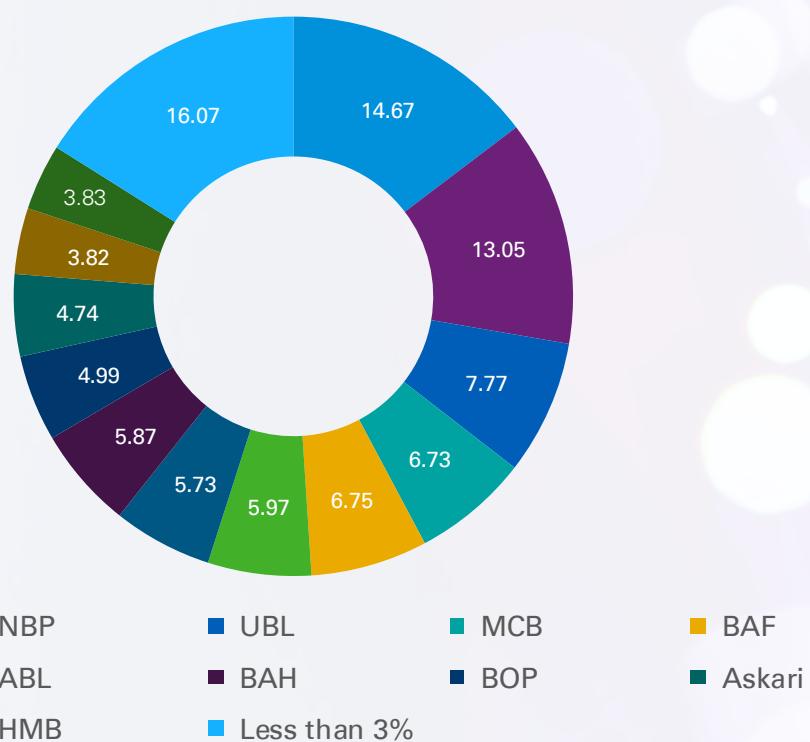
Provision Coverage Ratio (Islamic Banks)



Market Share of Advances

Bank	2020	2019	2020	2019
	Rupees in Millions		In Percentages	
HBL	1,305,409	1,243,323	14.67	14.29
NBP	1,160,933	1,152,094	13.05	13.24
UBL	691,203	762,055	7.77	8.76
MCB	598,366	591,872	6.73	6.80
BAF	600,902	529,974	6.75	6.09
Meezan	531,588	522,254	5.97	6.00
ABL	510,244	500,204	5.73	5.75
BAH	522,693	498,244	5.87	5.72
BOP	443,715	429,398	4.99	4.93
Askari	421,862	398,549	4.74	4.58
Faysal	339,745	333,811	3.82	3.84
HMB	341,101	290,522	3.83	3.34
Less than 3%	1,429,722	1,450,825	16.07	16.67
	8,897,486	8,703,125	100.00	100.00

In Percentages



Credit Risk by Industry Sector (Gross Advances)

Bank	Agriculture, Forestry, Hunting and Fishing	Textile	Chemical and Pharma	Power (Electricity), Gas, Water, Sanitary	Wholesale and Retail Trade	Transport, Storage and Communication	Individuals	Food and Allied	Others (less than 3%)	Total	Public / Government	Private
Rupees in Thousands											In Percentages	
ABL	84,694	76,744	25,228	139,166	7,533	16,343	10,774	21,039	128,723	510,244	43%	57%
Albaraka	2,288	9,264	6,120	2,148	2,484	6,743	23,216	25,122	19,969	97,355	16%	84%
Askari	7,730	51,348	12,362	29,093	13,333	3,239	33,990	26,057	244,711	421,862	31%	69%
BAF	63,797	119,115	20,765	89,842	21,864	5,018	66,895	67,429	146,176	600,902	18%	82%
BAH	11,982	163,703	16,796	48,336	79,543	10,544	23,864	69,264	98,661	522,693	11%	89%
BOC	-	-	-	-	-	-	-	-	-	-	-	-
BOK	2,917	11,549	1,024	76	-	55	4,508	4,307	110,473	134,907	60%	40%
BOP	16,241	81,536	10,768	74,470	-	50,472	43,372	50,584	116,272	443,715	26%	74%
Citibank	-	1,357	13,759	11	9	6,006	285	-	17,393	38,820	0%	100%
DB	-	97	1,036	-	868	-	249	-	361	2,610	0%	100%
DIB	303	17,871	12,811	18,040	22,480	9,108	34,095	47,175	42,530	204,412	16%	84%
Faysal	13,224	48,193	10,161	69,631	9,896	30,713	39,498	8,469	109,960	339,745	19%	81%
HBL	127,157	139,531	49,371	186,637	71,000	-	105,895	75,952	549,865	1,305,409	22%	78%
HMB	2,775	137,982	25,013	29,957	-	1,727	4,211	4,121	135,315	341,101	13%	87%
ICBC	-	6,384	900	9,896	400	-	39	-	16,141	33,761	0%	100%
Islami	962	13,187	900	11,890	5,725	370	32,181	38,176	41,758	145,148	36%	64%
JS	7,798	23,293	6,712	23,897	12,161	35,247	33,123	36,296	76,132	254,659	21%	79%
MCB	6,213	86,056	44,424	40,921	54,748	2,182	49,897	85,516	228,408	598,366	18%	82%
Meezan	7,033	98,527	14,799	83,455	11,363	28,242	50,751	99,770	137,647	531,588	21%	79%
NBP	63,054	132,991	4,033	283,229	36,643	55,191	184,107	82,796	318,887	1,160,933	29%	71%
SAMBA	53	12,293	3,959	1,600	3,647	1,982	4,461	3,049	37,528	68,573	0%	100%
SCB	1,669	28,560	16,267	15,991	5,381	42,369	31,676	27,194	30,645	199,753	1%	99%
Sindh	2,463	965	1,528	9,998	1,500	643	1,522	30,706	27,591	76,916	15%	85%
Soneri	2,623	26,941	6,943	25,599	19,606	-	7,929	37,476	45,575	172,693	25%	75%
UBL	7,599	75,022	6,337	155,747	38,286	-	67,544	75,454	265,214	691,203	30%	70%
	432,573	1,362,508	312,016	1,349,632	418,470	306,194	854,082	915,957	2,945,936	8,897,368	23%	77%

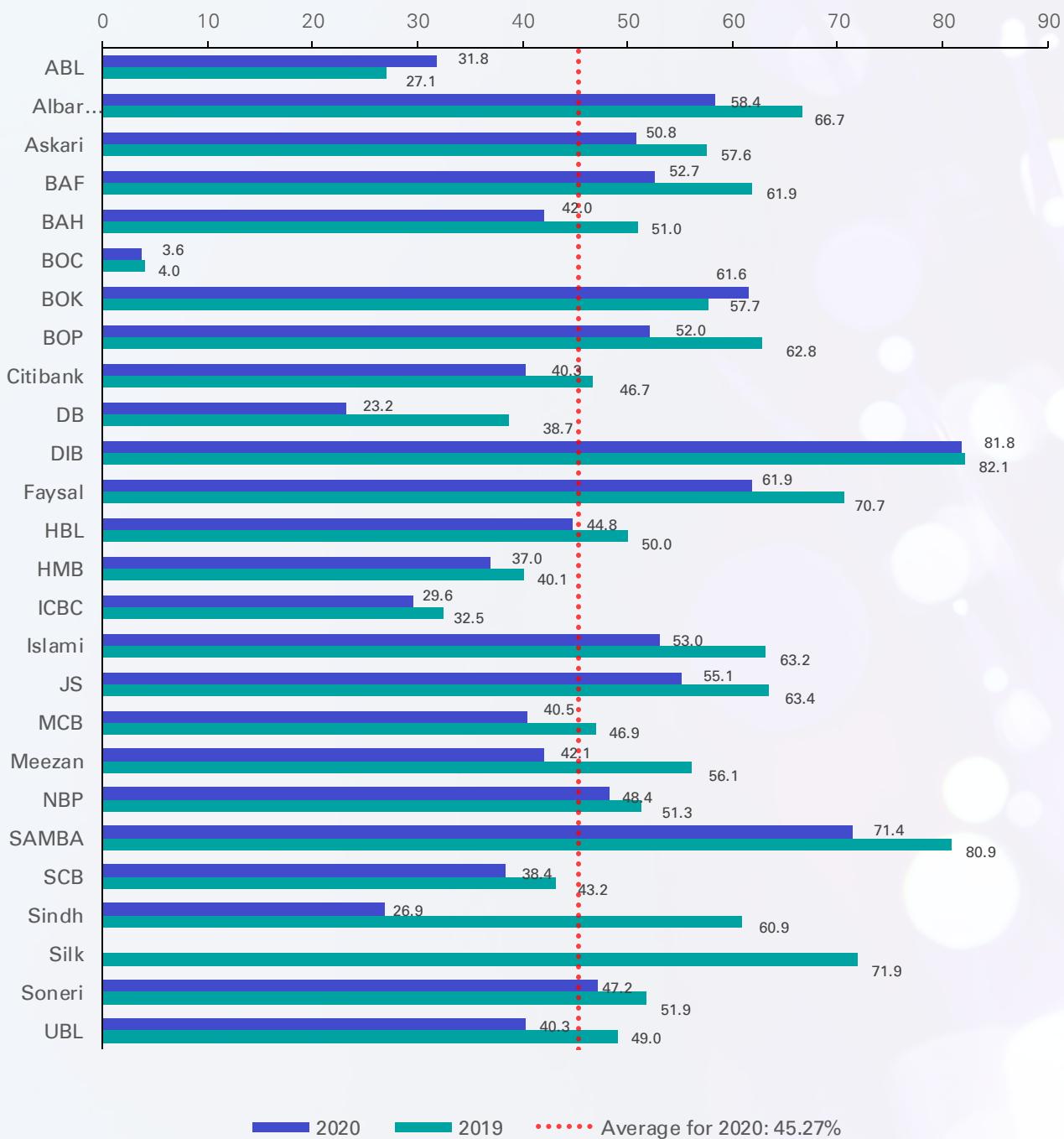
Average Advances to Average Deposits

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Average Advances to Average Deposits (All Banks)

Average advances to average deposits ratio

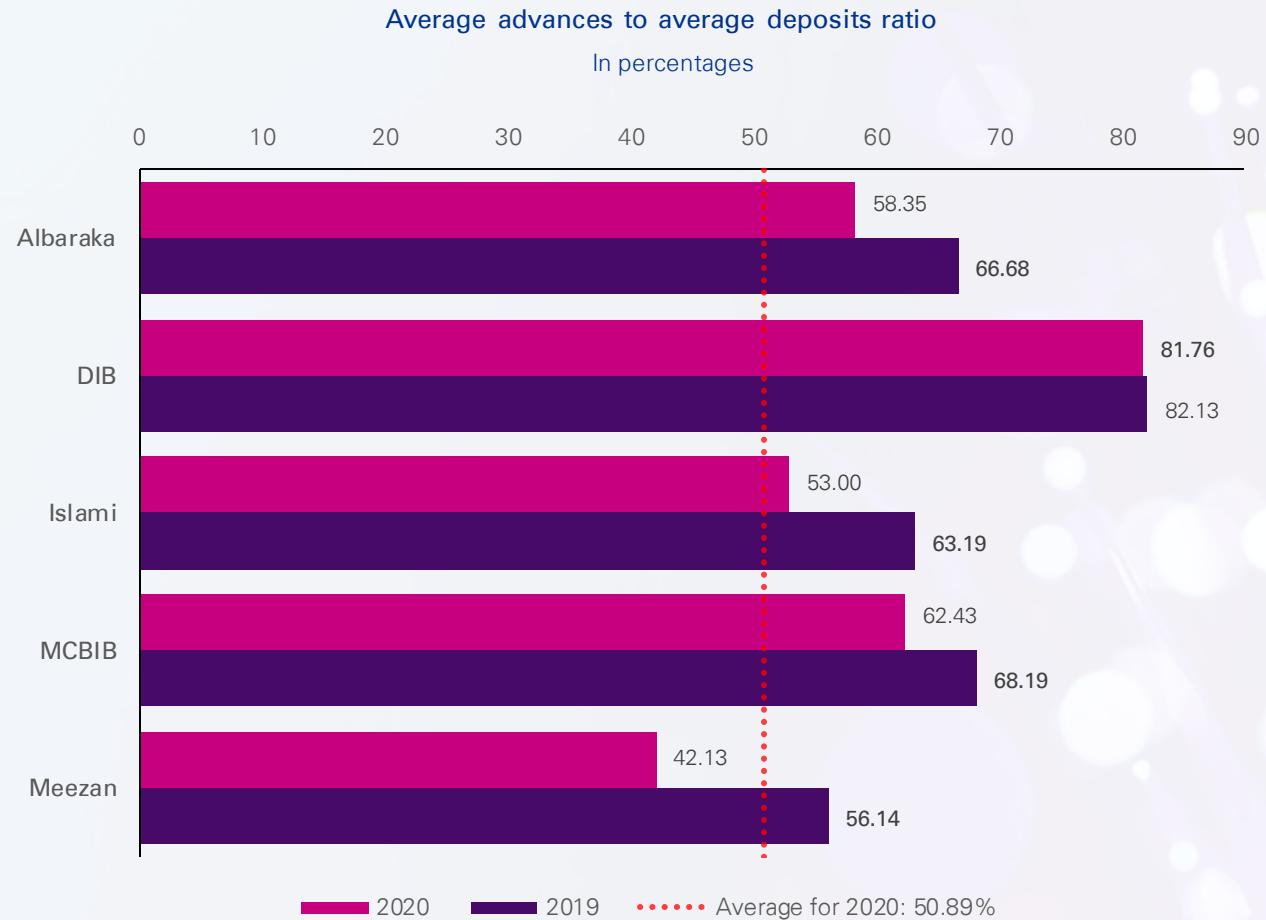
In percentages



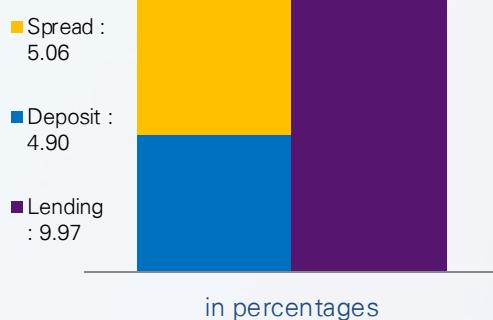
Average Advances to Average Deposits

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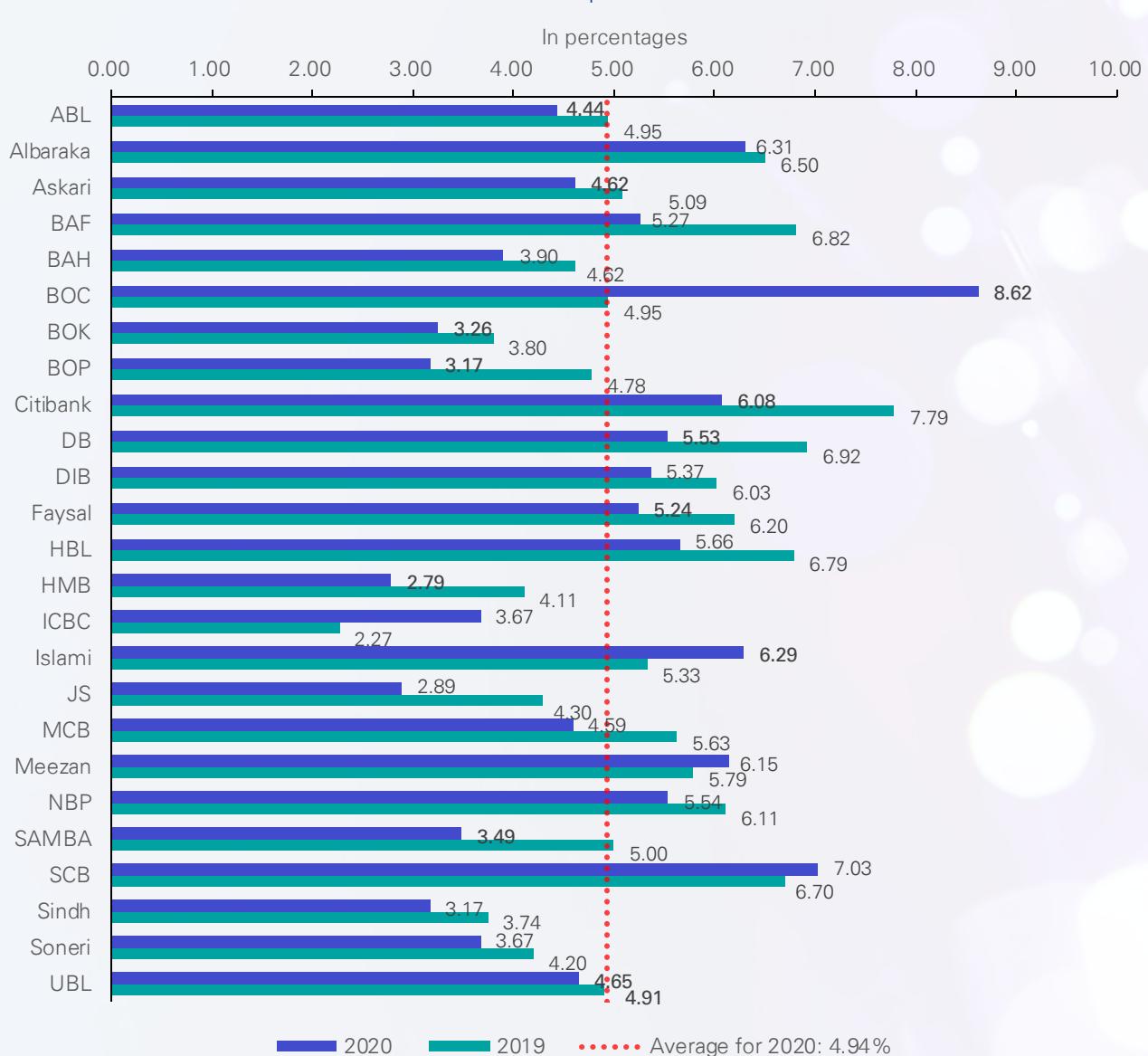
Average Advances to Average Deposits (Islamic Banks)



Average Spread - 2020



	2020	2019	2018	2017	2016	2015
	In Percentage					
Weighted average lending rate	10.0	11.7	8.2	7.9	8.5	9.6
Weighted average deposit rate	4.9	5.9	3.3	2.9	3.3	4.1
Banking spread	5.1	5.9	4.9	5.0	5.2	5.5





Non – Funded Income (All Banks)

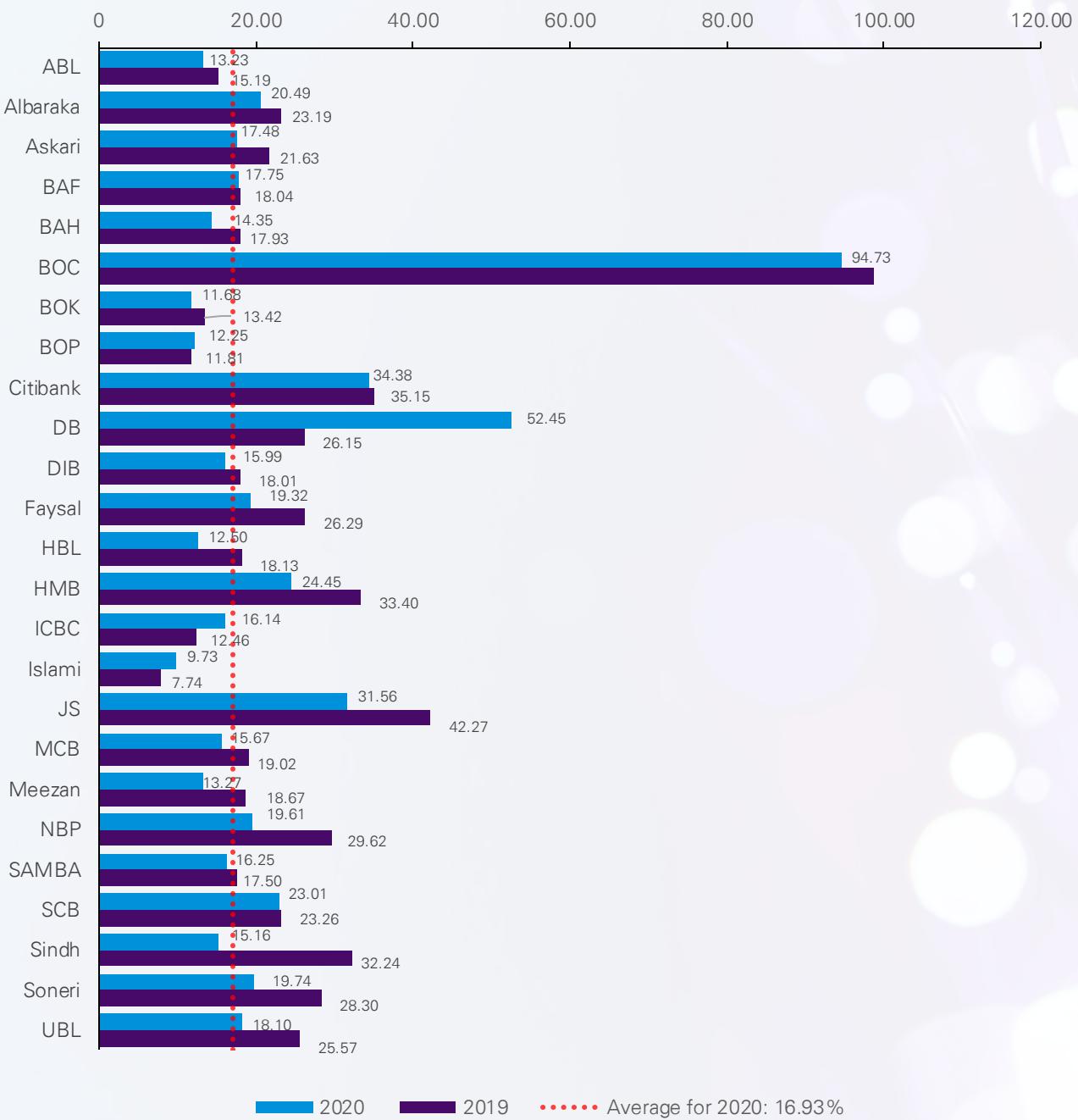
Total Non-funded income as proportion of the total income decreased to 16.81% from 21.53% last year.

Bank	Non-Funded Income		Total Income		Non-Funded Income to Total Income	
	2020	2019	2020	2019	2020	2019
Rupees in Millions						In Percentages
ABL	8,182	8,091	61,839	53,263	13.23	15.19
Albaraka	1,693	1,494	8,262	6,441	20.49	23.19
Askari	7,014	6,390	40,119	29,541	17.48	21.63
BAF	10,335	10,091	58,240	55,924	17.75	18.04
BAH	9,782	9,103	68,154	50,768	14.35	17.93
BOC	464	100	490	101	94.73	98.73
BOK	1,126	809	9,640	6,030	11.68	13.42
BOP	4,473	3,638	36,500	30,811	12.25	11.81
Citibank	4,339	3,986	12,621	11,340	34.38	35.15
DB	1,553	615	2,961	2,352	52.45	26.15
DIB	2,301	2,392	14,391	13,284	15.99	18.01
Faysal	6,356	7,488	32,900	28,477	19.32	26.29
HBL	20,088	22,749	160,699	125,485	12.50	18.13
HMB	9,570	8,476	39,141	25,378	24.45	33.40
ICBC	3,002	2,324	18,603	18,645	16.14	12.46
Islami	1,375	961	14,126	12,424	9.73	7.74
JS	5,511	4,928	17,462	11,659	31.56	42.27
MCB	14,903	15,448	95,112	81,236	15.67	19.02
Meezan	10,067	10,647	75,890	57,028	13.27	18.67
NBP	27,788	32,554	141,739	109,914	19.61	29.62
SAMBA	819	764	5,040	4,365	16.25	17.50
SCB	9,420	9,090	40,940	39,076	23.01	23.26
Sindh	573	470	3,779	1,458	15.16	32.24
Soneri	2,855	3,053	14,463	10,787	19.74	28.30
UBL	17,362	22,218	95,918	86,899	18.10	25.57
	180,951	187,879	1,069,028	872,684	16.93	21.53

Non – Funded Income (All Banks)

Non-funded income to total income

In percentages



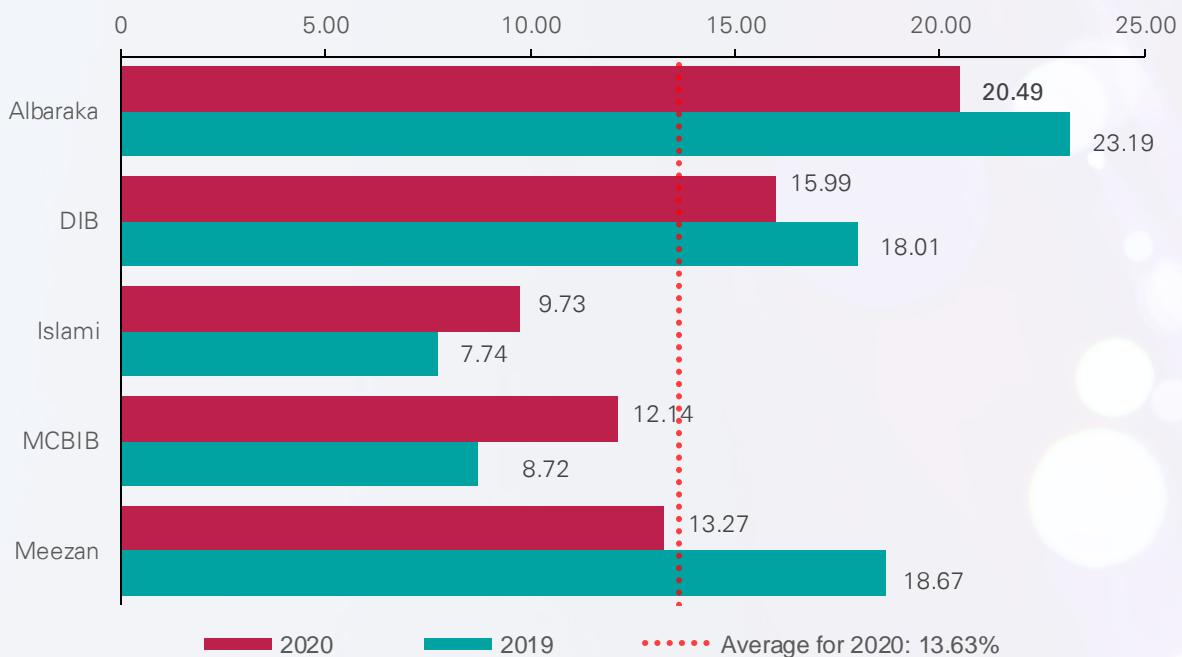
Non – Funded Income (Islamic Banks)

Total non-funded income as proportion of the total income for Islamic Banks was 13.63% as compared to 16.97% last year.

Bank	Non-Funded Income		Total Income		Non-Funded Income to Total Income	
	2020	2019	2020	2019	2020	2019
	Rupees in Millions				In Percentages	
Albaraka	1,693	1,494	8,262	6,441	20.49	23.19
DIB	2,301	2,392	14,391	13,284	15.99	18.01
Islami	1,375	961	14,126	12,424	9.73	7.74
MCBIB	616	378	5,074	4,337	12.14	8.72
Meezan	10,067	10,647	75,890	57,028	13.27	18.67
	16,052	15,872	117,743	93,513	13.63	16.97

Non-funded income to total income

In percentages



Operating Expenses

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All Banks

Bank	Compensation Expenses		Property Expenses		Information Technology Expenses		Other Operating Expenses		Total		Number of Staff	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Millions												
ABL	14,260	13,749	7,607	7,140	2,588	2,506	5,826	5,199	30,281	28,595	11,822	11,847
Albaraka	2,365	2,135	1,389	1,371	424	415	1,216	1,293	5,394	5,215	2,007	2,077
Askari	11,623	8,783	3,589	3,739	1,029	922	3,977	4,790	20,218	18,235	7,949	7,848
BAF	14,629	12,922	5,271	4,653	3,191	2,818	8,527	8,810	31,619	29,203	10,808	10,283
BAH	15,533	12,274	5,408	4,750	2,144	1,333	11,082	9,430	34,168	27,786	15,555	14,161
BOC	471	348	194	169	49	49	50	64	764	630	46	49
BOK	2,135	1,729	800	765	470	439	818	688	4,223	3,620	1,438	1,342
BOP	8,782	7,257	2,248	2,155	1,394	1,220	4,641	3,956	17,065	14,588	10,012	9,681
Citibank	795	746	385	329	152	122	133	1,535	1,465	2,732	149	133
DB	457	392	174	180	62	61	714	557	1,408	1,190	86	83
DIB	3,191	2,957	1,613	1,315	670	580	1,895	1,807	7,370	6,659	3,099	3,095
Faysal	7,673	6,597	4,459	3,939	2,698	2,438	4,739	4,237	19,571	17,211	6,803	6,938
HBL	39,982	34,799	14,571	13,594	8,713	7,433	30,752	36,410	94,018	92,236	20,889	21,109
HMB	6,713	5,920	2,852	2,617	839	713	4,169	3,732	14,574	12,982	4,913	4,510
ICBC	1,049	1,611	154	143	73	45	149	191	1,424	1,989	99	100
Islami	3,619	3,095	2,135	2,024	805	706	2,018	1,896	8,578	7,721	3,605	3,592
JS	6,736	5,714	2,171	2,288	1,419	829	3,576	2,932	13,900	11,762	5,578	5,208
MCB	18,201	17,018	6,712	7,110	3,517	3,531	9,334	10,027	37,764	37,685	15,567	15,564
Meezan	16,104	13,401	5,689	5,059	1,841	1,536	5,635	5,458	29,269	25,454	13,010	12,350
NBP	41,470	46,186	8,375	8,494	2,470	2,252	11,811	10,295	64,127	67,228	15,109	16,594
SAMBA	1,573	1,374	458	456	366	309	588	592	2,984	2,731	817	786
SCB	6,394	6,071	2,607	2,532	902	649	1,975	1,876	11,878	11,129	2,647	2,823
Sindh	2,647	2,502	1,394	1,345	220	186	1,045	1,064	5,306	5,097	2,322	2,284
Soneri	3,697	3,313	1,905	1,796	1,157	972	2,099	2,110	8,858	8,190	3,272	3,113
UBL	17,653	16,682	6,626	7,579	4,551	3,974	14,913	15,609	43,743	43,844	13,485	13,770
	247,755	227,577	88,788	85,542	41,744	36,036	131,680	134,559	509,968	483,713	171,087	169,340

Islamic Banks

Bank	Compensation Expenses		Property Expenses		Information Technology Expenses		Other Operating Expenses		Total		Number of Staff	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Millions												
Albaraka	2,365	2,135	1,389	1,371	424	415	1,216	1,293	5,394	5,215	2,007	2,077
DIB	3,191	2,957	1,613	1,315	670	580	1,895	1,807	7,370	6,659	3,099	3,095
Islami	3,619	3,095	2,135	2,024	805	706	2,018	1,896	8,578	7,721	3,605	3,592
MCBIB	2,100	2,065	1,157	1,156	677	505	721	752	4,655	4,479	1,633	1,619
Meezan	16,104	13,401	5,689	5,059	1,841	1,536	5,635	5,458	29,269	25,454	13,010	12,350
	27,379	23,653	11,983	10,925	4,418	3,743	11,485	11,206	55,265	49,527	23,354	22,733

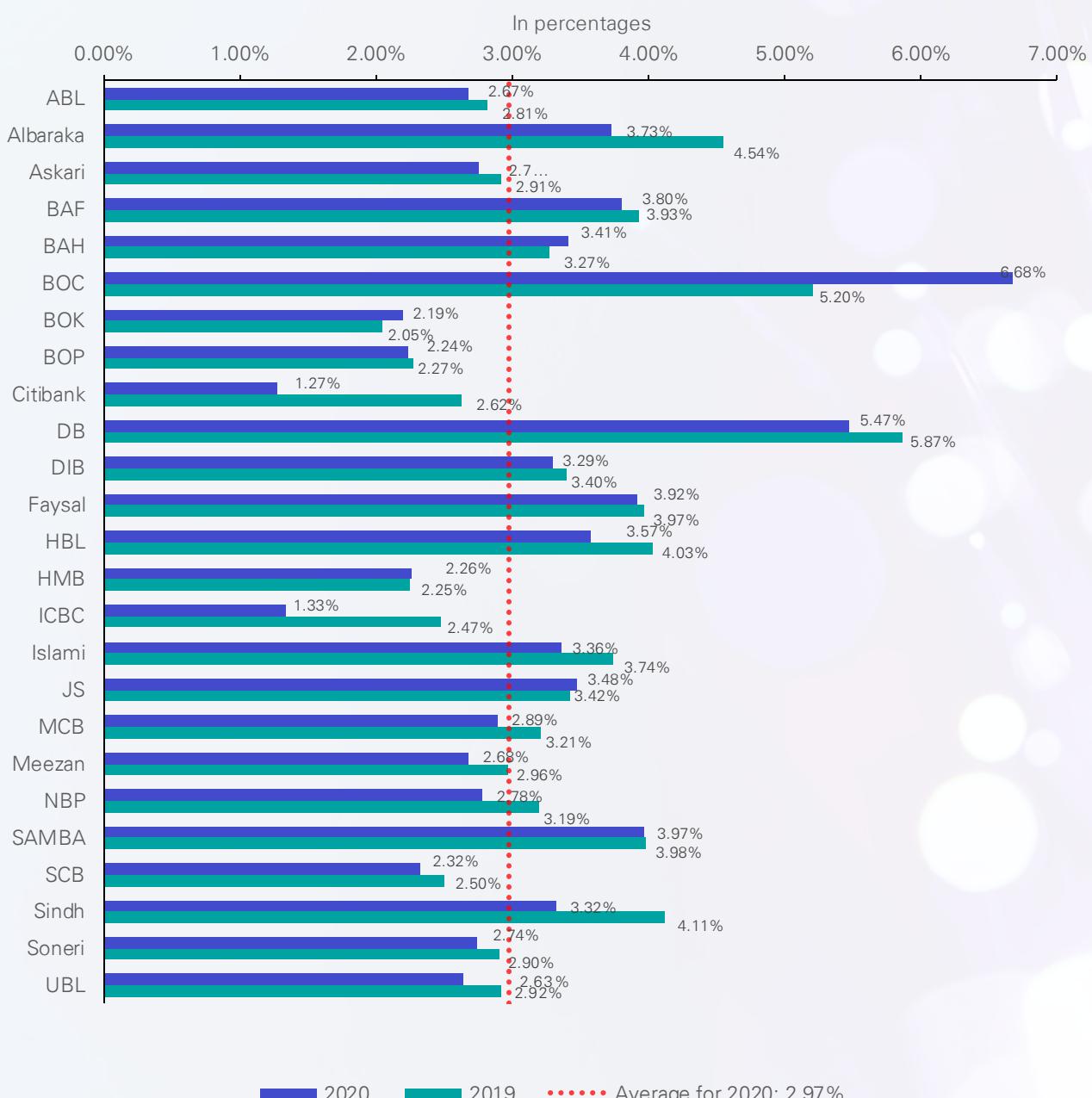
Operating Expenses

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Operating Expenses to Average Deposits (All Banks)

Operating expenses have increased by 5.43%. Operating expenses to average deposits have decreased from 3.23% to 2.97%.

Operating expenses to average deposits

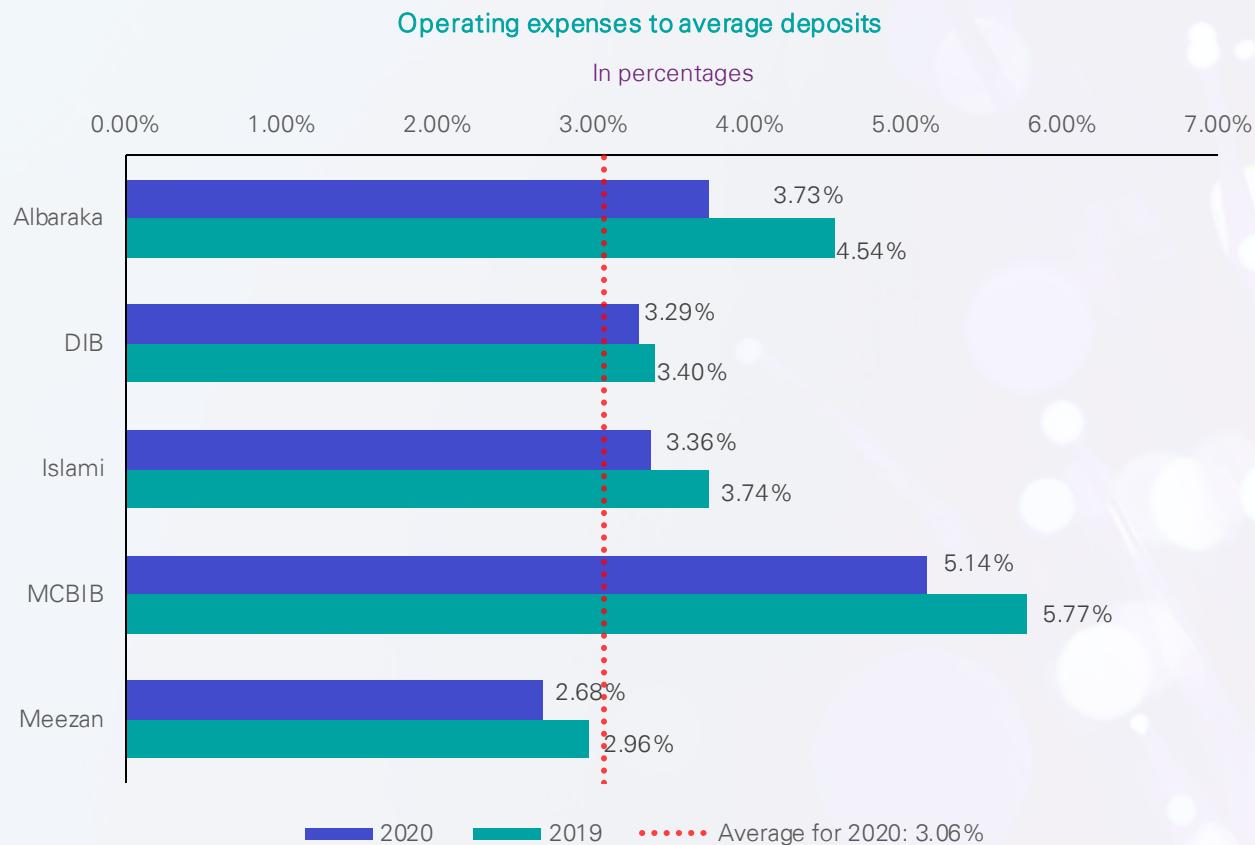


Operating Expenses

Pakistan Banking Perspective | 2021

Operating Expenses to Average Deposits (Islamic Banks)

Operating expenses have increased by 5.43%. Operating expenses to average deposits have decreased from 3.23% to 2.97%.



Operating Expenses

Pakistan Banking Perspective | 2021

Remuneration of Executives (All Banks)

Bank	CEO Remuneration		Remuneration of Key Management Personnel		Remuneration Per Key Management Personnel		Number of Key Management Personnel	
	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Thousands							Count	
ABL	62,574	56,522	425,488	425,176	25,029	22,378	17	19
Albaraka	37,000	36,585	230,470	210,013	10,020	10,001	23	21
Askari	49,163	40,691	371,290	277,838	14,280	11,577	26	24
BAF	255,308	154,775	512,779	454,323	30,163	30,288	17	15
BAH	124,692	90,358	690,902	460,121	16,450	12,781	42	36
BOC	43,142	37,831	222,058	189,581	20,187	17,235	11	11
BOK	32,315	11,201	128,856	94,212	9,204	7,247	14	13
BOP	110,340	104,601	223,926	229,277	8,957	9,553	25	24
Citibank	76,493	99,515	673,819	532,209	7,324	8,725	92	61
DB	70,061	63,848	340,648	376,124	5,161	5,699	66	66
DIB	94,287	91,287	223,176	199,962	20,289	19,996	11	10
Faysal	120,874	95,045	424,021	322,305	26,501	18,959	16	17
HBL	222,422	219,295	1,344,529	1,416,269	42,017	42,917	32	33
HMB	124,951	113,480	336,754	353,352	14,031	15,363	24	23
ICBC	59,840	57,471	356,851	490,112	25,489	23,339	14	21
Islami	48,396	42,000	128,048	120,495	8,537	7,531	15	16
JS	85,835	42,180	590,903	379,732	18,466	14,605	32	26
MCB	127,106	108,100	602,083	615,397	22,299	22,792	27	27
Meezan	275,146	215,076	689,492	601,765	36,289	31,672	19	19
NBP	62,011	58,337	484,289	400,921	14,244	13,825	34	29
SAMBA	110,745	100,451	242,382	195,010	20,199	15,001	12	13
SCB	142,042	171,546	458,250	427,673	26,956	28,512	17	15
Sindh	46,190	41,463	225,994	218,513	7,062	6,622	32	33
Soneri	139,492	70,361	219,867	183,656	13,742	13,118	16	14
UBL	221,183	94,926	1,101,004	974,206	22,938	21,649	48	45
	2,741,608	2,216,945	11,247,879	10,148,242	465,834	431,384	682	631

Remuneration of Executives (Islamic Banks)

Bank	CEO Remuneration		Remuneration of Key Management Personnel		Remuneration Per Key Management Personnel		Number of Key Management Personnel	
	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in Thousands							Count	
Albaraka	37,000	36,585	230,470	210,013	10,020	10,001	23	21
DIB	94,287	91,287	223,176	199,962	20,289	19,996	11	10
Islami	48,396	42,000	128,048	120,495	8,537	7,531	15	16
MCBIB	45,836	55,182	100,475	166,269	7,729	10,392	13	16
Meezan	275,146	215,076	689,492	601,765	36,289	31,672	19	19
	500,665	440,130	1,371,661	1,298,504	82,864	79,591	81	82

Auditors' Remuneration

Bank	Auditors' Remuneration		
	Audit Fee	Others	Total
Rupees in Thousands			
ABL	8,515	10,652	19,167
Albaraka	2,835	11,458	14,293
Askari	7,836	22,133	29,969
BAF	28,408	17,413	45,821
BAH	3,711	5,392	9,103
BOC	756	1,044	1,800
BOK	3,019	7,396	10,415
BOP	3,350	7,718	11,068
Citibank	1,780	1,890	3,670
DB	2,763	855	3,618
DIB	1,271	5,856	7,127
Faysal	5,152	43,457	48,609
HBL	106,516	209,157	315,673
HMB	3,225	6,928	10,153
ICBC	1,387	1,201	2,588
Islami	7,532	9,975	17,507
JS	5,389	11,308	16,697
MCB	16,500	24,795	41,295
Meezan	5,930	15,272	21,202
NBP	12,452	193,405	205,857
SAMBA	2,575	4,835	7,410
SCB	15,751	9,922	25,673
Sindh	9,563	2,113	11,676
Soneri	2,420	7,730	10,150
UBL	59,456	69,959	129,415
	318,092	701,864	1,019,956

Definitions and Acronyms

Average Advances	The average of opening and closing gross advances at two-year ends.
Average Assets	The average of opening and closing total assets at two-year ends.
Average Deposits	The average of opening and closing deposits at two-year ends.
Average Equity	The average of opening and closing equity at two-year ends.
Annual Increase	The percentage change compared to the previous year.
Annualised Increase	The percentage change over the last two years on annualised basis.
CASA	Current and saving deposits to total deposits.
Equity	Equity includes share capital / head office capital account, reserves, unappropriated profit / accumulated loss, non-controlling interest and surplus / deficit on revaluation of assets.
Gross Advances	Loans, cash credits, overdrafts, ijarah, etc. and local & foreign bills discounted & purchased before provisions.
Impairment Cover	Number of times impairment charge on advances and investments is covered by net profits before charging impairment.
Interest Bearing Assets	Interest bearing assets means cash and balances with treasury banks, balances with other banks, lending to financial institutions, fixed income investments and advances (excluding non-performing assets).
Interest Bearing Liabilities	Interest bearing liabilities means borrowings, deposits and other accounts, sub-ordinated loans and liabilities against assets subject to finance lease.
Market Capitalization	Product of total outstanding number of ordinary shares and market price as at year end.
Non-funded Income	Fee, commission & brokerage, rent, income from dealing in foreign currencies, profit on sale of fixed & other assets and other non-fund receipts.
Non-mark-up / Non-Interest Income / Other Income	Fee, commission and brokerage income, dividend income, income from dealing in foreign currencies, gain on sale of securities, unrealised profit on revaluation of investments classified as held for trading, share of profit from joint venture and associate and other income.

Definitions and Acronyms

Net Interest Margin	Mark-up / return / interest earned (before provisions) as a percentage of interest-bearing assets less mark-up / return / interest expensed as a percentage of interest-bearing liabilities.
Non-Performing Advances	Classified advances that fulfil the criteria of non-performing advances as specified in the Prudential Regulations issued by the State Bank of Pakistan.
Net Provisions	Charge & reversal of provision against non-performing advances, against off balance sheet obligations, for diminution in value of investments, bad debts directly written-off and recoveries of previously written-off debts.
Other Comprehensive Income	Includes effect of translation of net investment in foreign branches, gains and losses on re-measurement of actuarial liability, surplus / (deficit) on revaluation of fixed assets and investments, surplus / (deficit) arising on revaluation of assets of associated undertaking.
Operating Cost	All expenses charged to arrive at profit before tax excluding cost of funds and provisions.
Operating Fixed Assets	Operating fixed assets include intangible assets.
Other Assets	Other assets include deferred tax assets.
Other Liabilities	Other liabilities include deferred tax liabilities and liabilities against assets subject to finance lease.
Return on Average Assets	Profit after tax as a percentage of average total assets.
Return on Average Equity	Profit after tax as a percentage of average equity.
Right-of-Use Assets	An asset that represents a lessee's right to use an underlying asset for the lease term.
Spread	Difference between mark-up / return / interest earned on advances as a percentage of average advances (net of provision), at two-year ends, and mark-up / return / interest expense of deposits as a percentage of average deposits, at two-year ends.
Taxation	Charge for current (including prior) and deferred taxation in the profit and loss account.
Total Income	Sum of net mark-up income and non – mark-up income.

Glossary

Albaraka	Albaraka Bank (Pakistan) Limited
ABL	Allied Bank Limited
Askari	Askari Bank Limited
BAF	Bank Alfalah Limited
BAH	Bank Al-Habib Limited
BOC	Bank of China Limited – Pakistan Operations
BOP	Bank of Punjab
Islami	BankIslami Pakistan Limited
Citibank	Citibank N.A., Pakistan Branches
DB	Deutsche Bank AG, Pakistan Operations
DIB	Dubai Islamic Bank (Pakistan) Limited
Faysal	Faysal Bank Limited
HBL	Habib Bank Limited
HMB	Habib Metropolitan Bank Limited
ICBC	Industrial and Commercial Bank of China - Pakistan Branches
JS	JS Bank Limited
MCB	MCB Bank Limited
MCBIB	MCB Islamic Bank Limited
Meezan	Meezan Bank Limited
NBP	National Bank of Pakistan
SAMBA	Samba Bank Limited
Sindh	Sindh Bank Limited
SCB	Standard Chartered Bank (Pakistan) Limited
BOK	The Bank of Khyber
UBL	United Bank Limited

Credit Ratings

Bank	Rating Agency	Credit Rating Assigned	
		Short term	Long Term
HBL	VIS Credit Rating Company Limited	A-1+	AAA
NBP	VIS Credit Rating Agency	A-1+	AAA
	PACRA Credit Rating Agency	A1+	AAA
UBL	VIS	A-1+	AAA
MCB	PACRA	A1+	AAA
ABL	Pakistan Credit Rating Agency Limited	A1+	AAA
BAF	PACRA	A1+	AA+
	VIS	A-1+	AA+
BAH	Pakistan Credit Rating Agency Limited (PACRA)	A1+	AA+
Askari	PACRA	A1+	AA+
Meezan	VIS	A-1+	AA+
SCB	Pakistan Credit Rating Agency (PACRA)	A1+	AAA
HMB	PACRA	A1+	AA+
	PACRA	A1+	AA
Faysal	VIS	A-1+	AA
	PACRA	A1+	AA-
Soneri	PACRA	A1+	AA-
JS	Pakistan Credit Rating Agency Limited	A1+	AA-
BOK	VIS Credit Rating Company Ltd	A-1	A
	The Pakistan Credit Rating Agency Limited (PACRA)	A1	A
Sindh	JCR-VIS	A-1	A+
DIB	VIS Credit Rating Company Limited	A-1+	AA
Albaraka	JCR-VIS	A-1	A+
	PACRA	A1	A
Citibank	Moody's Investor Services	P-1	Aa3
ICBC	Moody's Investor Services	P-1	A1
SAMBA	VIS Credit Rating Company Limited	A-1	AA
DB	Standard & Poor's	A-2	BBB+
	Fitch	F2	BBB
Islami	PACRA	A1	A+
BOP	Pakistan Credit Rating Agency	A1+	AA
MCBIB	Pakistan Credit Rating Agency	A-1	A
BOC	Standard & Poor's	A-1	A

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