KPMG Taseer Hadi & Co.
Chartered Accountants

Banking Perspective 2024

May 2024
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Banking Perspective

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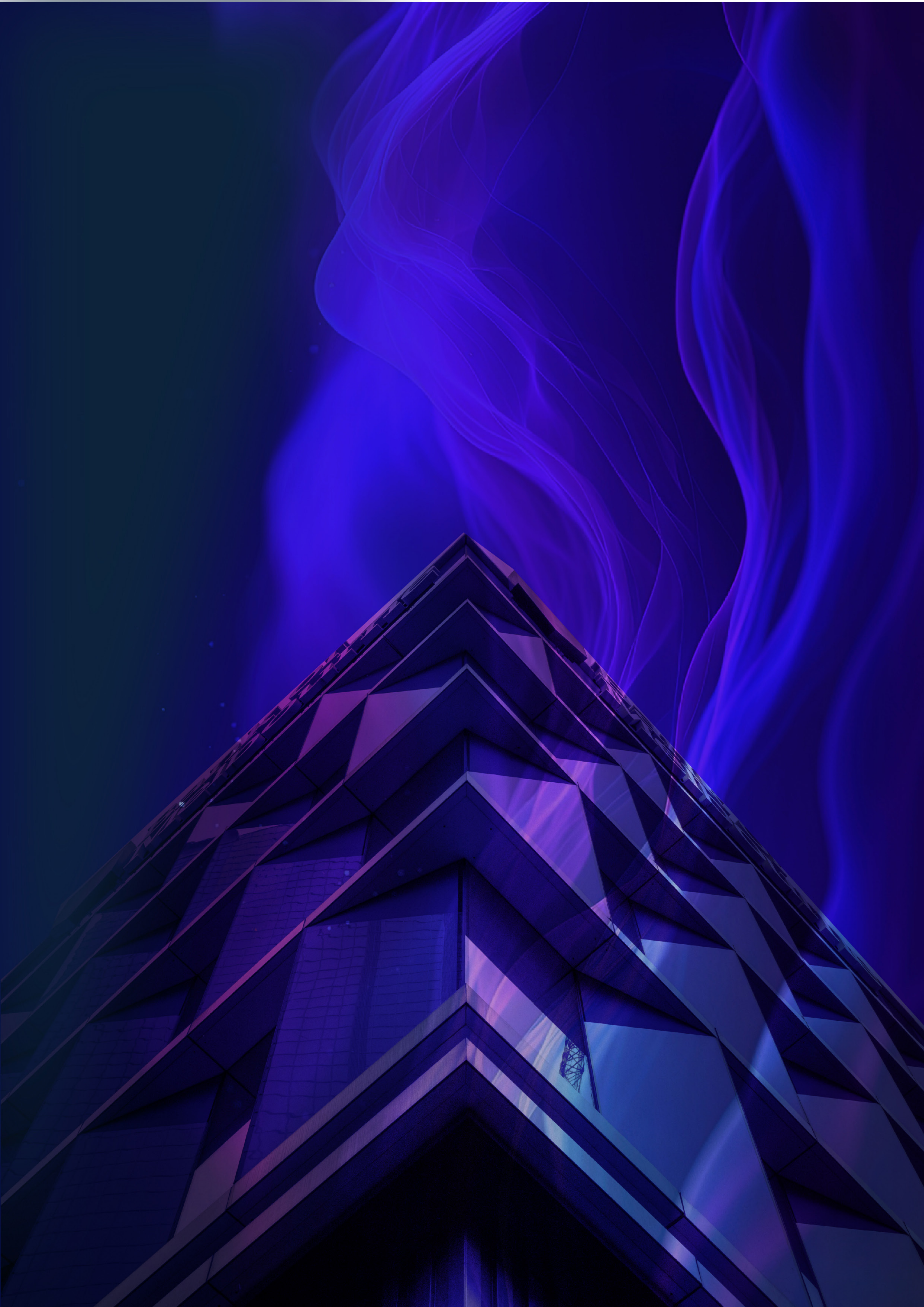

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The report is available at:
https://kpmg.com/pk/en/home/insights/2024/05/pakistan-banking-perspective-2024.html

Foreword

Welcome to the 2024 edition of our annual Pakistan Banking Perspective. This publication analyzes the financial results, as of 31 December 2023, of 22 leading commercial banks across Pakistan, comparing their performances to the previous year. The list of included banks can be found in Section 6 of this document.

Despite significant economic challenges, there are opportunities for growth if stakeholders take the right steps. Pakistan's economy faces issues like inflation, fiscal deficits, and external pressures, but with strategic action, prosperity is within reach. This document explores critical topics shaping the banking sector, offering insights for industry leaders and stakeholders. From economic outlook to sustainability reporting, digital transformation, and the future of Islamic banking, this address the pressing issues of today. By prioritizing strategic sectors, banks can drive economic revival and sustainable development. Identifying growth sectors and channeling resources effectively can stimulate economic activity and create opportunities. Financial inclusion is also crucial for growth, empowering individuals and businesses to invest, save, and access credit, thereby fostering entrepreneurship and reducing poverty and inequality. In the face of governance and compliance challenges, customer experience disruptions, and rapid technological advancements, resilience and adaptability are essential for banks' future success.

Embracing the Environmental, Social, and Governance (ESG) agenda is vital for long-term sustainability and investor confidence. This document highlights the importance of financial inclusion, promoting access to financial services for all segments of society to enhance economic growth and social welfare.

We extend our gratitude to our colleagues and industry partners who contributed to this document. We welcome feedback and discussion on the views presented. Please contact us for any queries or further discussion at pk-fmcm@kpmg.com.

Our information sources are published financial statements, and the views expressed in this report do not constitute advice.

Adnan Rizvi
Country Managing Partner

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Chartered Accountants

27 May 2024

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Disruption leads to new opportunities. Digital Banking is an opportunity for better, faster, and more agile banking. The SBP and government are supporting by managing several initiatives and providing encouraging policy decisions. The question remains: whether these banks, once in the market, will reach out to the unbanked customers through their digital channels, understand their needs and challenges, educate them to use DFS and help them get rid of exploiting high-cost middlemen mafias and unregulated credit providers?

46 IN THE NEWS

In this section, you will find a summary of key developments in the banking industry that made the headlines during the year 2023 and around.

49 INDUSTRY NUMBERS & RATIOS 2023

In this section, you will find a compilation of the statement of financial position for 2023, providing an industry-wide view of financial performance. In addition, key financial ratios and numbers are presented for bank-to-bank and prior-year comparative reference.

Navigating Economic Trends

A Macro Overview

01

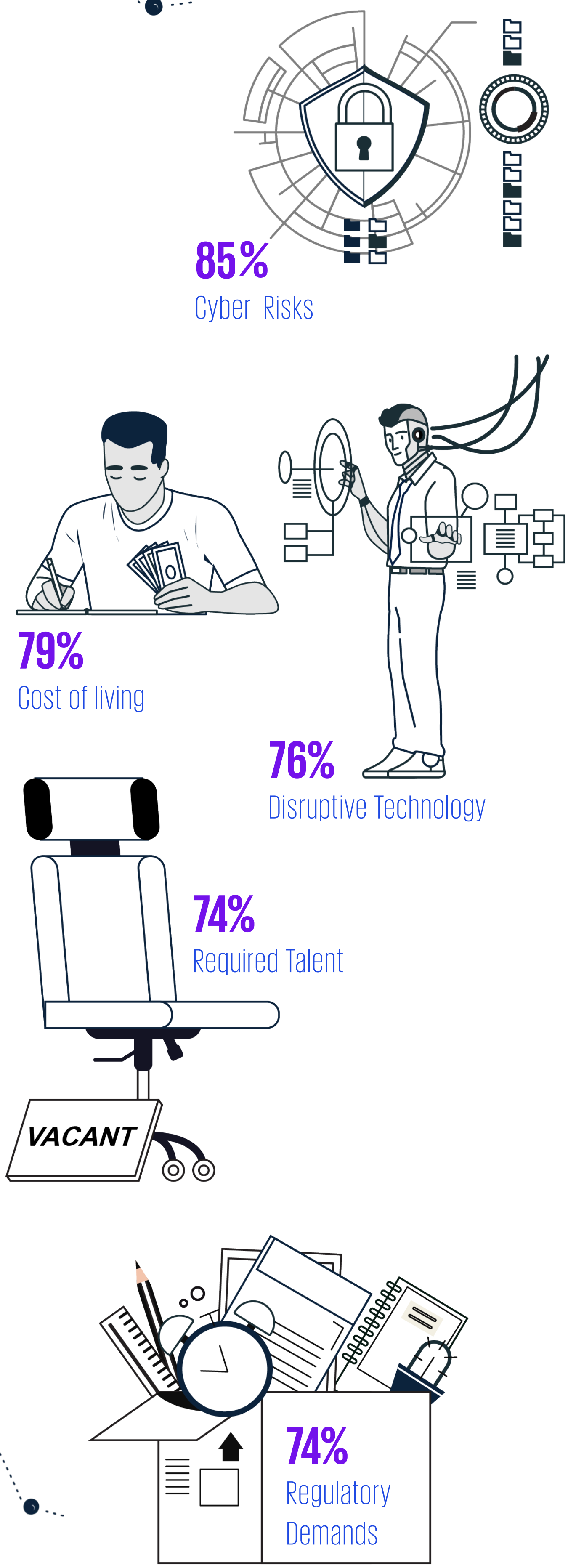
ECONOMY

Global outlook

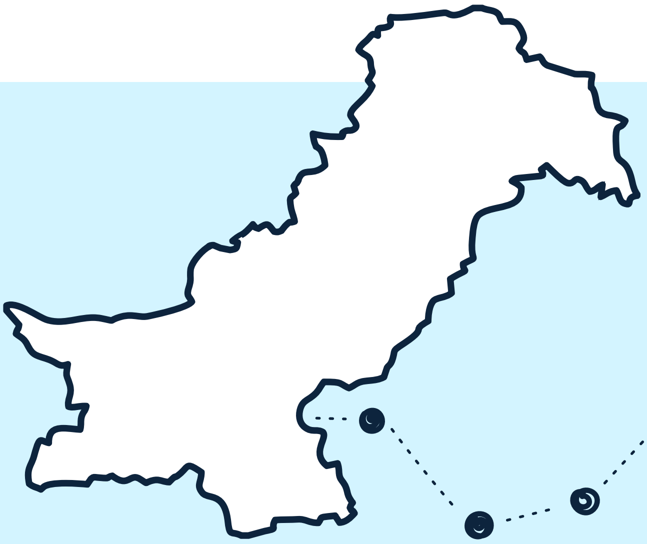
Twin engines of growth for Global economy i.e., economies USA and China, continued to face their respective challenges which kept global economic growth anemic. USA economy struggled to beat sticky inflation which forced The Federal Reserve to keep policy rates at higher levels while China economy could not come out of low growth cycle.
Major global geopolitical vulnerabilities continued to threaten supply chain disruptions. This resulted in the global inflation rate rising to 8.8%, the highest since the 2008 financial crisis. In response to inflationary pressures, central banks increased policy rates resulting in vulnerabilities in the financial sector, with some jurisdictions experiencing bank runs, causing investors to remain skeptical. Persistently high debt levels and uncertainties surrounding financial systems continue to pose challenges for policymakers.

Recently, food and energy prices have been stabilizing, and the resumption of higher Chinese economic growth is expected to brighten future global economy growth prospects. With robust management capabilities, capital reserves, and liquidity in place, there is optimism regarding growth prospects.

According to KPMG's "2023 Banking CEO Outlook," bank CEOs express cautious optimism. They feel well-equipped to navigate the current uncertainties, thanks to measures taken in recent years to bolster governance and risk management. The exhibit on the right highlights the single most pressing concern for organizations today, as expressed by CEOs, participating in the survey.



Pakistan Economy



Pakistan's economy is struggling to come out of **"Stagflation"**. It has borne the burnt of historically high inflation and extremely low GDP growth. "Stabilization" has been the overarching objective on which policy makers have formulated their policies. High interest rates, restricted imports and low public spending on development projects have been the primary tools in the policy makers' arsenal to battle twin deficits of fiscal and current accounts.

This resulted in stabilizing local currency exchange rate, bringing current account deficit to manageable levels, achieving primary fiscal account surplus, moderately building foreign exchange reserves and downward trajectory of core inflation.

Pakistan's economy on the back of substantial agriculture growth has started showing early signs of recovery as economy is expected to grow at 2 percent in the current year as compared with 0.29 per cent last year.

Macroeconomic resilience has improved, and short-term vulnerabilities eased which have created cautious optimism on economic prospects. Buoyant corporate results and expecting decline in interest rates have tossed Pakistan stock exchange to record highs.

However, Pakistan's economy is by far not out of the woods. It faces chronic structural challenges and needs major policy reforms before it can finally turn the leaf over consistent boom and bust cycles. Some of the key initiatives required to meet this end include:

Enhancing Tax to GDP Ratio

Pakistan has one of the lowest tax to GDP ratios in its region i.e., 9 % and far lower than other comparable developing countries which is resulting in ever increasing public debt. Major sectors of the economy including Real State, Agriculture, Realtors etc. are either out of tax ambit or tax contribution as compared with their contribution to economy is extremely low. With out tax policy reforms and sufficient revenue mobilization to bring tax to GDP ratio to at least 12% of GDP, Pakistan can not bring its ever-bulging public debt to sustainable levels.

ECONOMY

Reforms in Energy Sector

Inability of Pakistan's energy ecosystem to recover full cost of every unit of electricity and gas molecule sold to customers have come to be known, infamously, as circular debt. Ever increasing circular debt is disrupting energy supply chain and have been threatening the sustainability of entire economy. While policy makers have recently taken major steps to enhance tariffs to minimize accumulation of circular debt however, much broader and deeper reforms are needed to make the energy sector financially viable.

Privatizing loss making SOEs

Pakistan's limited fiscal space is further constrained by huge annual losses made by state owned enterprises. A general consensus among majority of policy makers have been to privatize loss making SOEs, however, Pakistan's privatization program have been a story of many false starts. Recently, there seems to be a renewed vigor from the policy makers for privatization of majority of SOEs. Market will be keenly watching the conclusion of ongoing privatization process of Pakistan International Airlines as its successful privatization can lead to enhanced confidence of local and international investors.

Increasing export competitiveness of Pakistan

Increasing export competitive-ness of Pakistan is critical for achieving sustainable economic growth and brining down trade deficit to a manageable level. Better export performance can improve foreign exchange earnings, boost industrial growth and create employment opportunities. To meet this end, Pakistan has to focus on improving the quality and value addition of its export products by investing in technological advancements and complying with international standards

Economic resilience to deal with the impacts of global crises, climate change and global political shifts is lacking. Building water reserves to manage climate shocks, agriculture and manufacturing innovation for food security, mass-scale human development required to live in the modern world and maturity of political systems remain a dream.

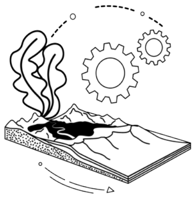
> Availability of developed human skills at scale and a stable political environment can attract technology-based FDI that can generate exportable output pulling us all from this vicious circle of economic dependency, is what we wish and hope for our generations to come.

Digital Financial Inclusion, to remove the middle-men mafia being the hurdle in providing access to capital for the agriculture and SME sectors. Execution of a national ESG agenda to deal with the impacts of climate change to which we are most vulnerable and working to improve social development and governance in the country. Today businesses are built around customers and organisations adjust their business models to evolving customer needs.

> Our banking industry must also redesign its business models to serve real customers and the population and look beyond easy ways to lend the government. We hope Digital Banking initiatives offer this opportunity.

ECONOMY

Pakistan has historically struggled to substantially increase its exports and have relied on traditional export items including textile goods and unprocessed agriculture products. However, recent substantial increase in IT exports have shown a promising opportunity which should be fully exploited in collaboration with private sector.



Agriculture sector Reforms

Reforms in Agriculture are imperative for ensuring food security, increasing rural livelihoods and driving economic growth. Despite being a significant contributor to GDP and employment, the sector suffers from low productivity, outdated farming practices and inadequate infrastructure. There has been a renewed focus from the policy makers to improve productivity of agriculture sector. However, comprehensive reforms are neded to modernize agriculture techniques, build appropriate storage facilities, improve water management and expand financial services.

Promising economic outlook-Short to Medium Term

With all downward risks including political instability, geo-political tensions, international supply chain disruptions, IMF program finalization, there are encouraging signs going ahead which include:

1. Declining Inflation
2. Expected substantial fall in interest rates
3. Stability in local currency rate
4. Potential foreign investment from friendly countries
5. Healthy corporate results

IMF on Pakistan Banking sector

Banks' sovereign exposure has continued to increase from 48 percent of assets at end-FY21 to 57.4 percent at end-January 2024, crowding out credit to the private sector.
As of end-December 2023, banks' capital adequacy ratio (CAR), at 19.7 percent, remains well above the regulatory minimum of 11.5 percent (including the capital conservation buffer). NPLs remained at 7.6 percent, with provisioning at 92.7 percent. Out of 32 banks, three small banks (two private and one public, holding less than 1.5 percent of total banking sector assets) continue to report CAR below the regulatory minimum while the microfinance bank sector faces persistent vulnerabilities.

Financial Performance Highlights

02

Financial Performance Highlights

Pakistan's banking sector has shown resilience in the face of significant macroeconomic challenges. Despite double-digit inflation and soaring policy rates, the sector recorded an impressive 90% growth in net profit.

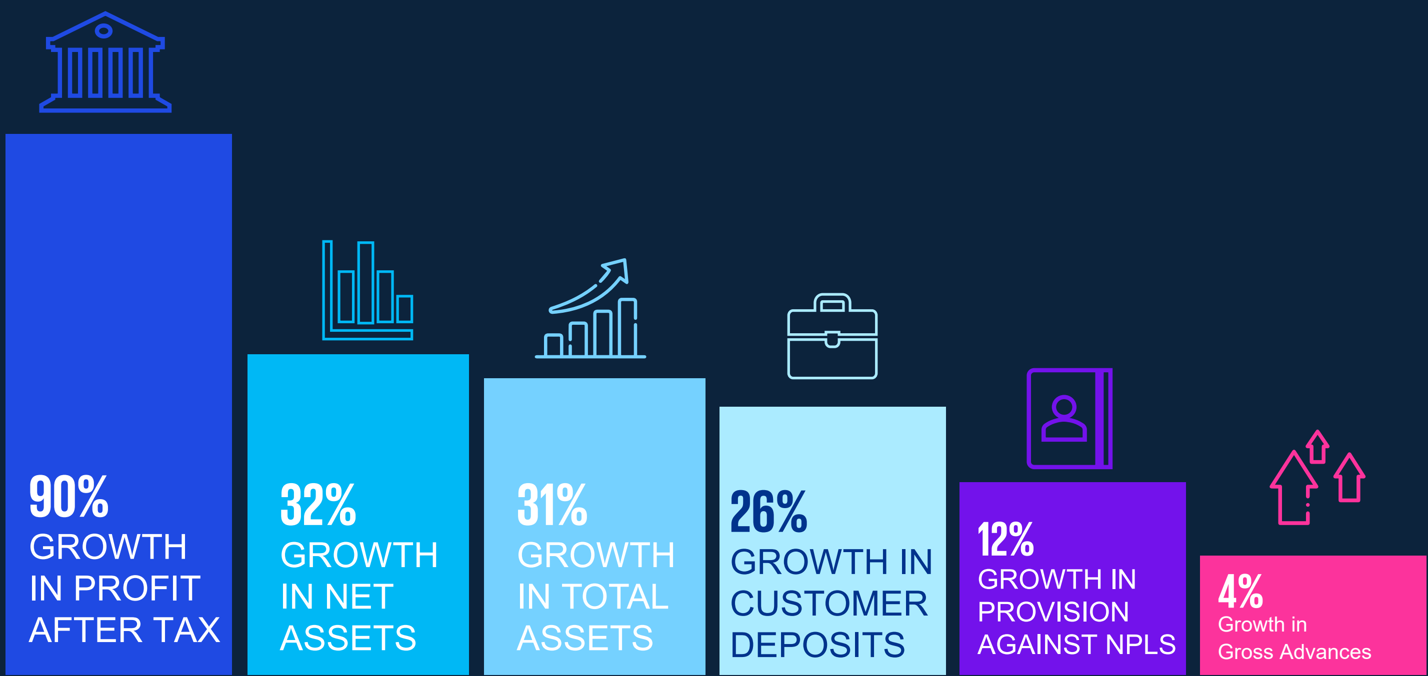
However, a significant portion of the sector's investments remain in government bonds due to intensified government borrowings, driven by fiscal account deficit.

Total assets rose from PKR 34 trillion to PKR 44 trillion, and total deposits increased from PKR 23 trillion to PKR 29 trillion, highlighting the trust and confidence placed by the public in traditional banking institutions, despite the emergence of new players in the market.

In the face of adversity, Pakistan's banking sector has not only remained resilient but has emerged stronger. The significant growth in profits, coupled with expansions in total assets and deposits, and managed NPL ratio paints a picture of a sector that is not just surviving, but thriving amidst challenging economic conditions.

Historically high interest rates and the government's unending appetite for funds from the banks have crowded out private sector resulting in net reduction of financing to the private sector.

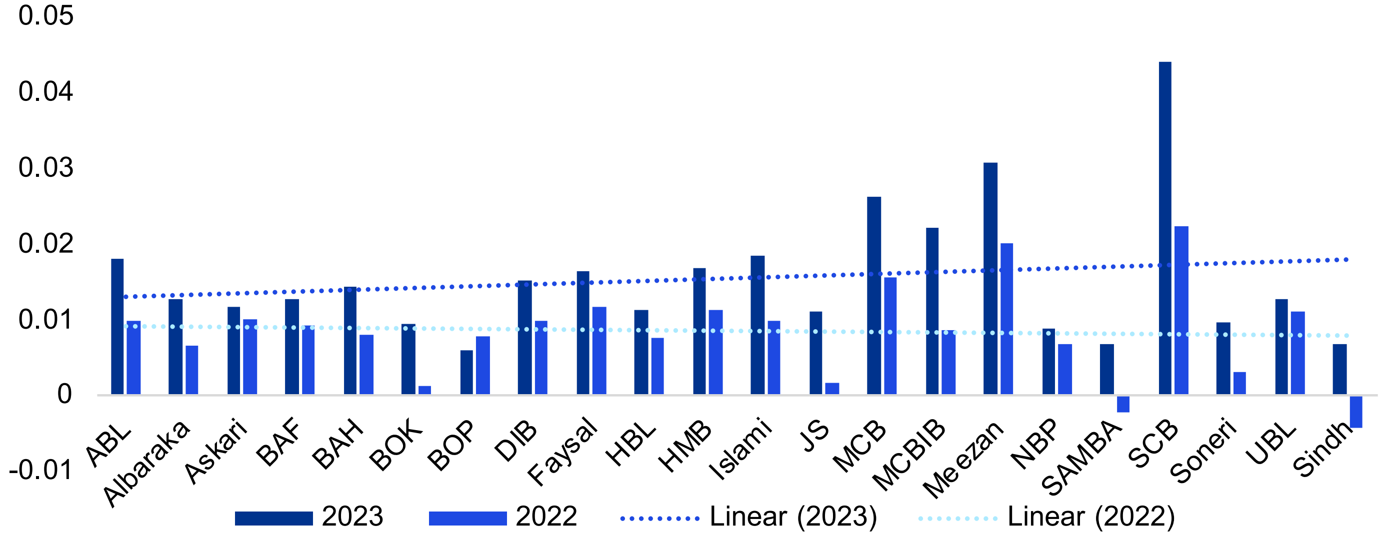
Amount in PKR Mn	2023	2022	GROWTH
Profit after tax	602,081	317,381	90%
Total Assets	44,882,802	34,378,393	31%
Net Assets	2,673,276	2,022,108	32%
Gross Advances	13,211,345	12,707,189	4%
Total customer deposits	29,349,375	23,237,949	26%
Provisions against NPLs	754,567	672,783	12%



Profitability

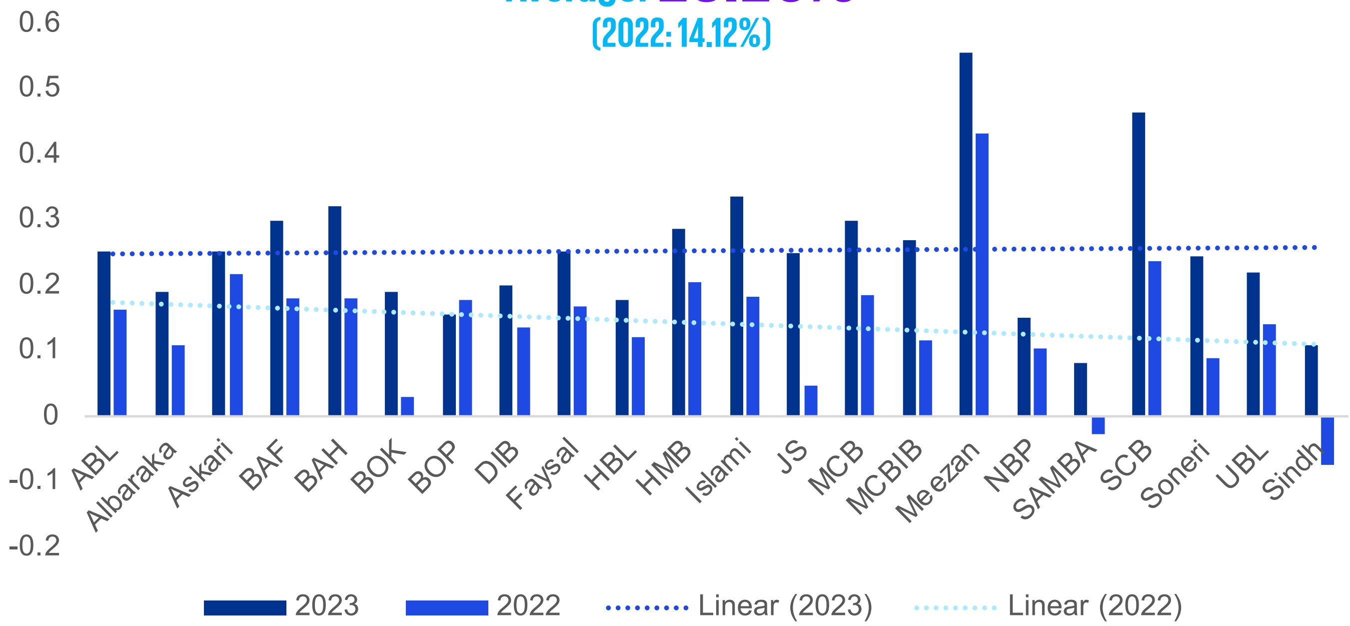
Return on Average Assets

Average: 1.56%
(2022: 0.85%)

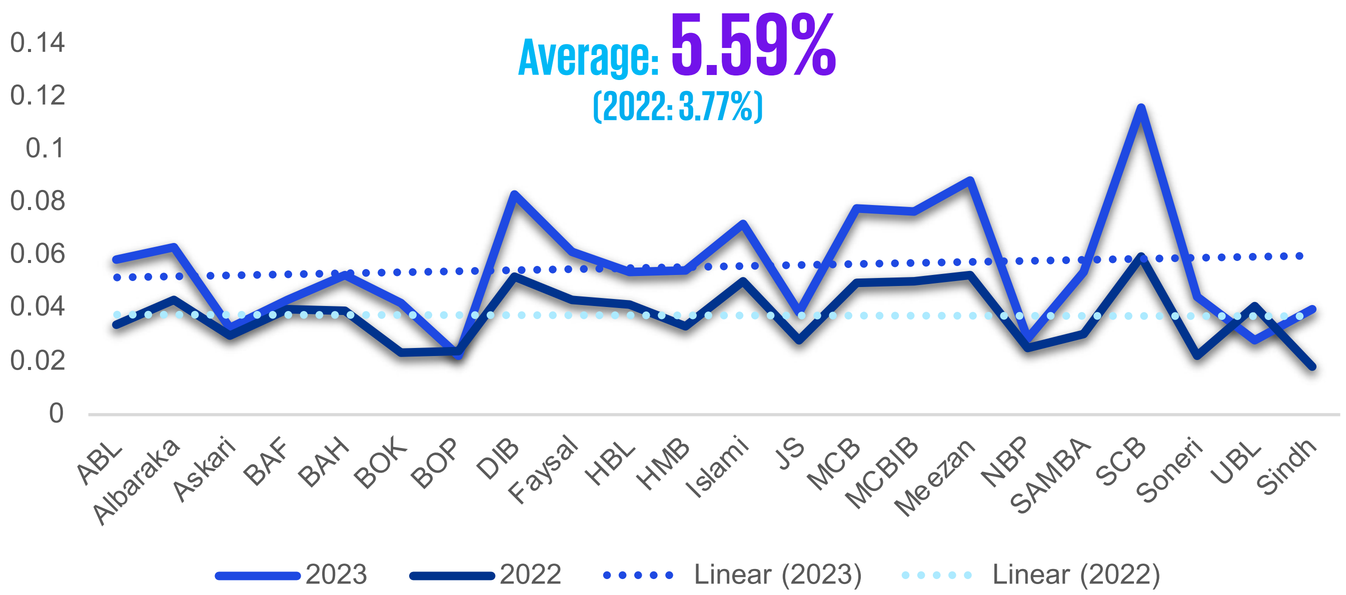


Return on Average Equity

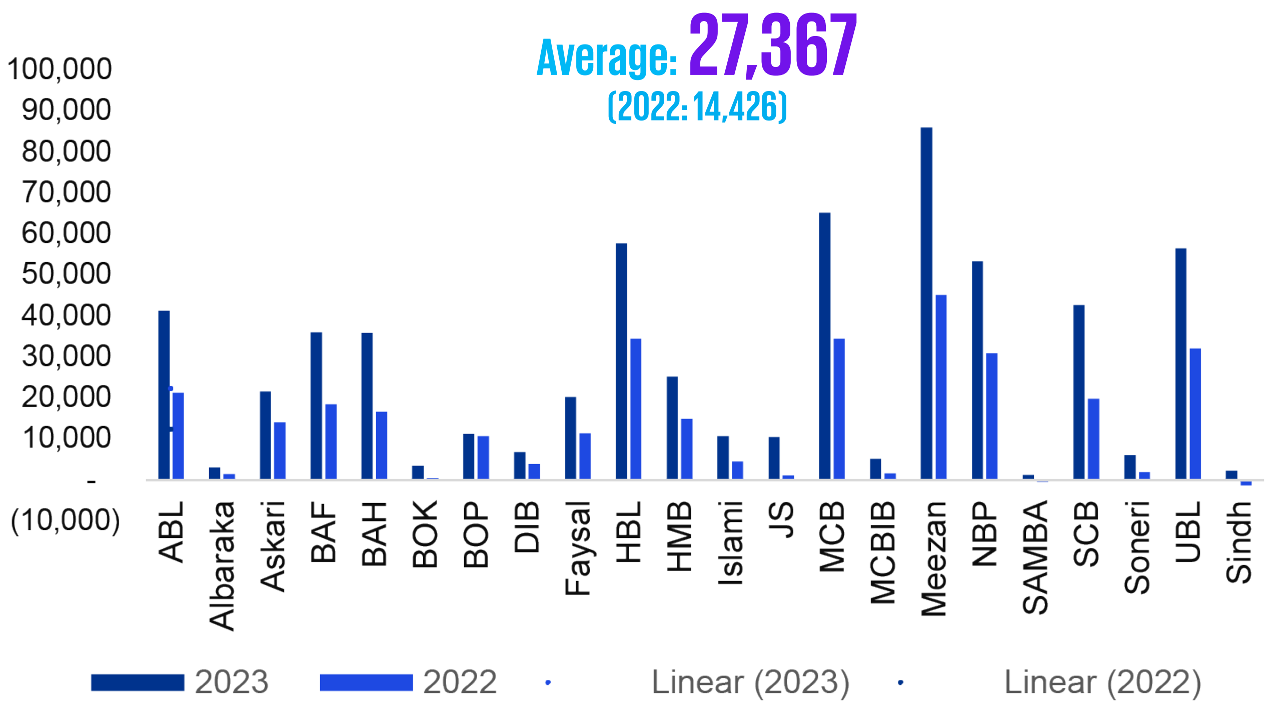
Average: 25.20%
(2022: 14.12%)



Net Interest Margin



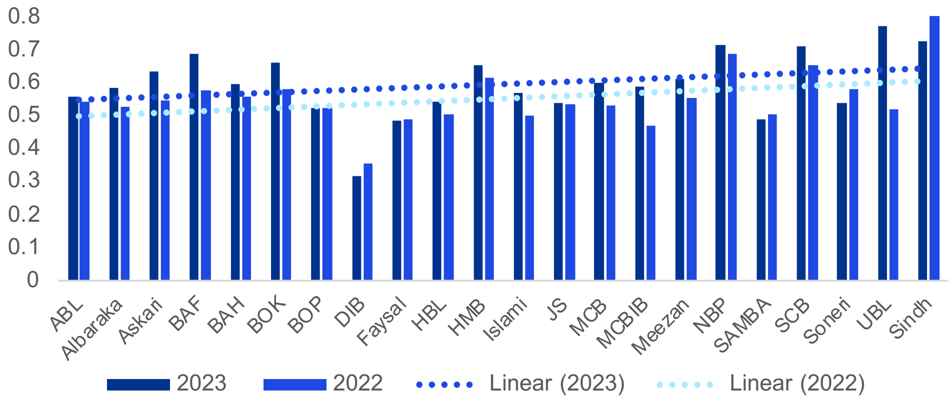
Profit After Tax



Liquidity

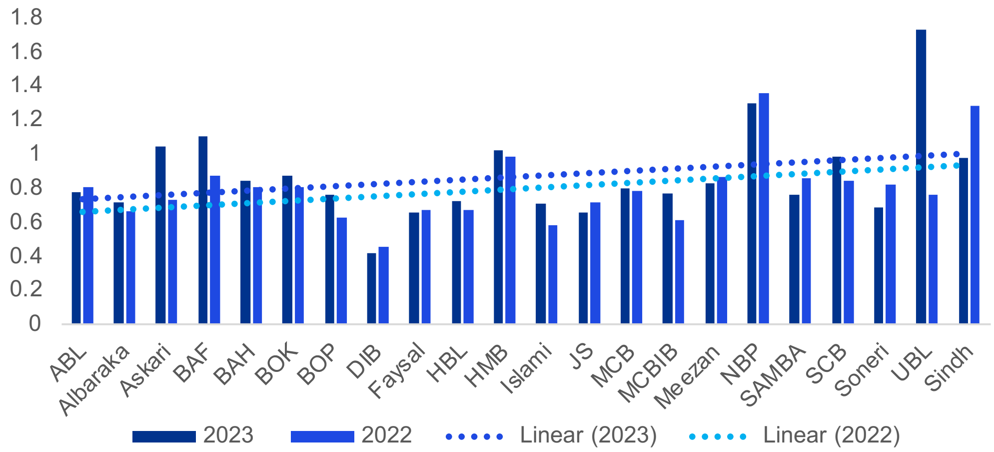
Liquid Assets to Total Assets

Average:
59.6%
(2022: 55.3%)



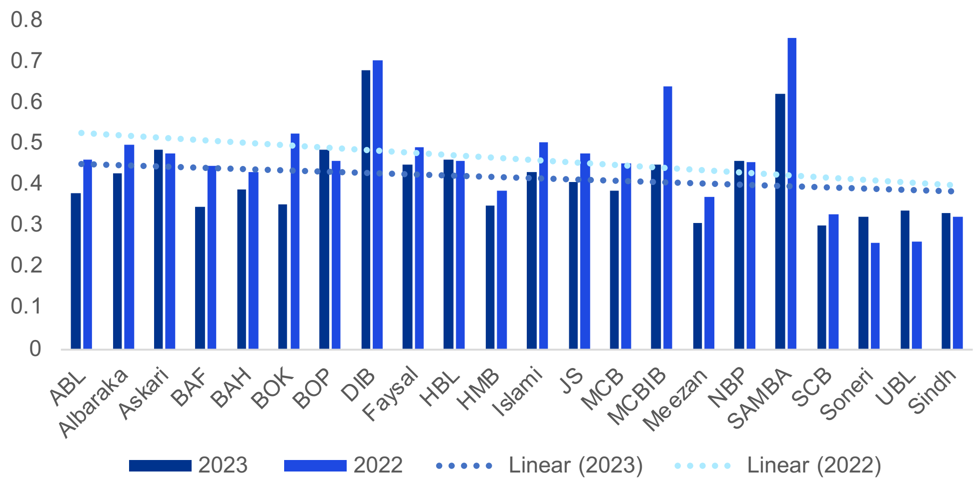
Liquid Assets to Total Deposits

Average:
87.1%
(2022: 80%)

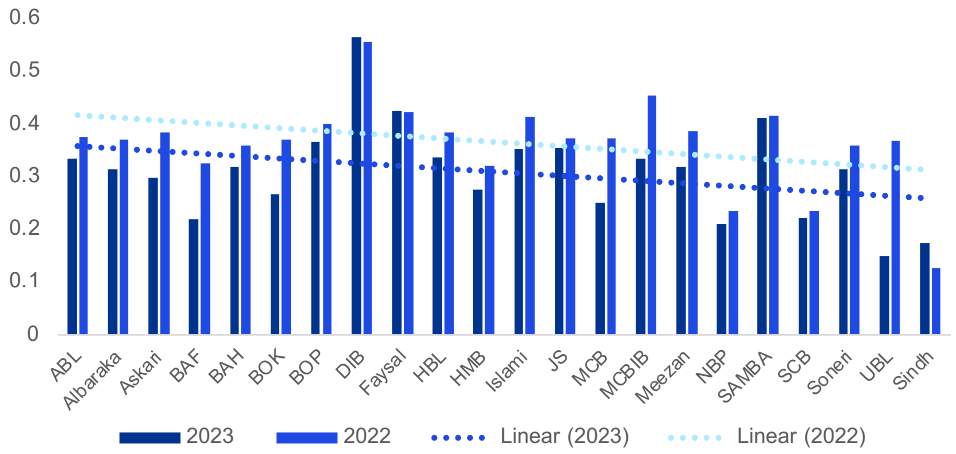


Advances to Deposits Ratio

Average:
42%
(2022: 46%)



Asset Quality

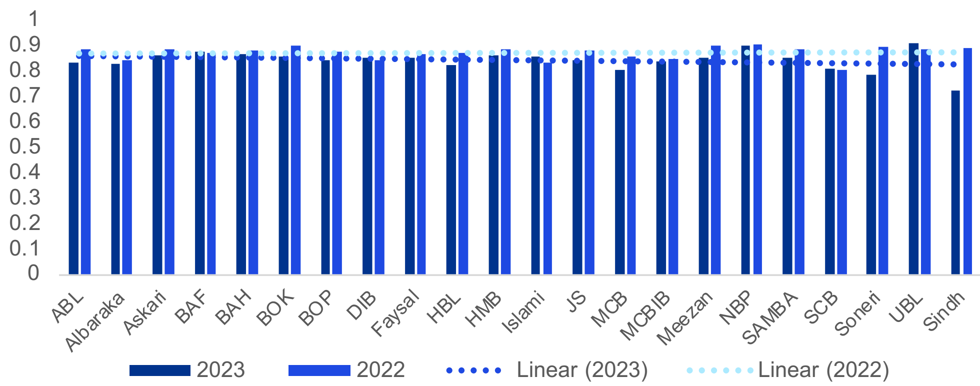


Advances to Total Assets

Average:

30.9%

(2022: 36.3%)

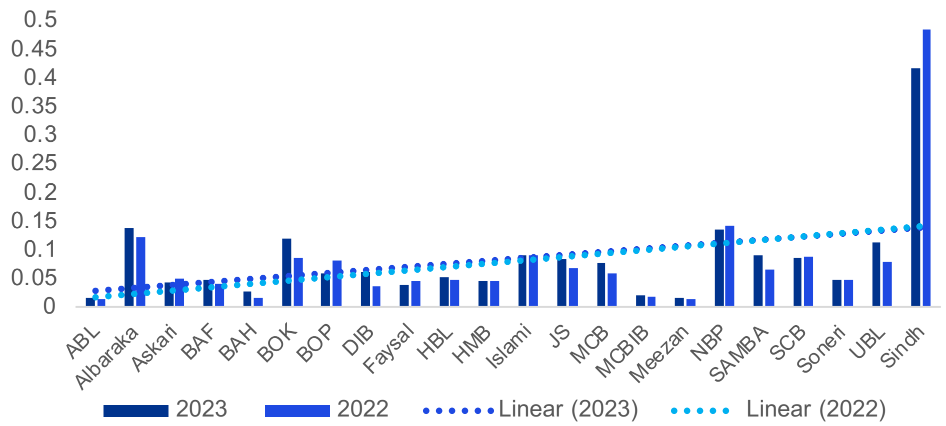


Earning Assets to Total Assets

Average:

84.3%

(2022: 87.3%)



Infection Ratio

Average:

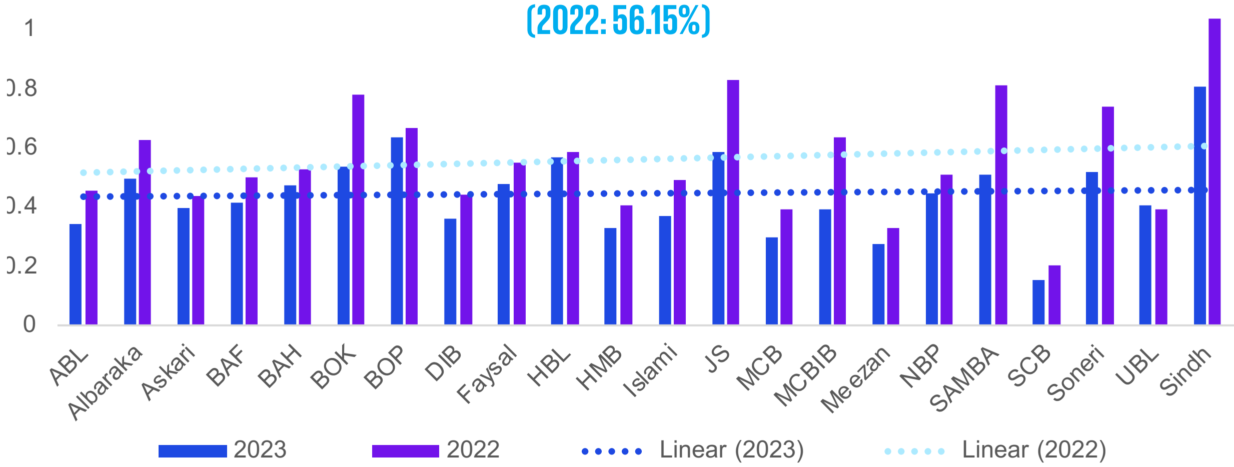
8.4%

(2022: 7.9%)

Efficiency

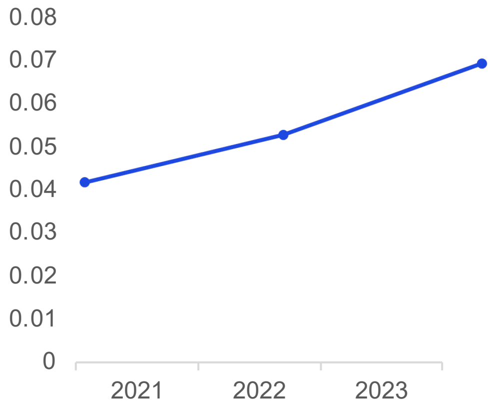
Cost to income ratio

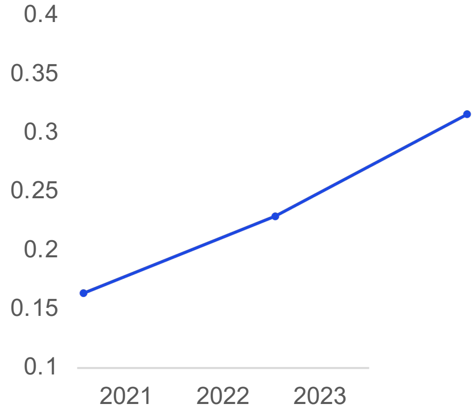
Average: 44.51%
(2022: 56.15%)



Spread Analysis

Average:
7.0%
(2022: 5.1%)



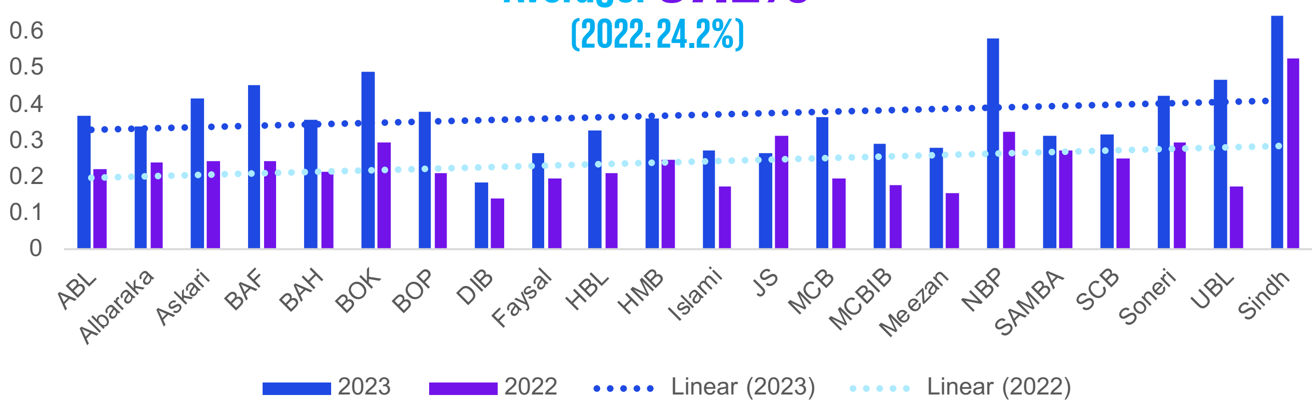


Average Operational Efficiency

Average:
37.2%
(2022: 24.2%)

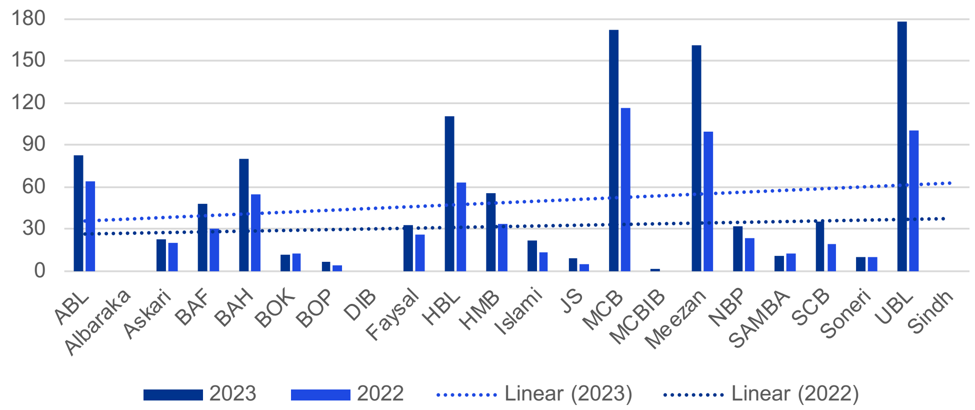
Operational Efficiency

Average: 37.2%
(2022: 24.2%)

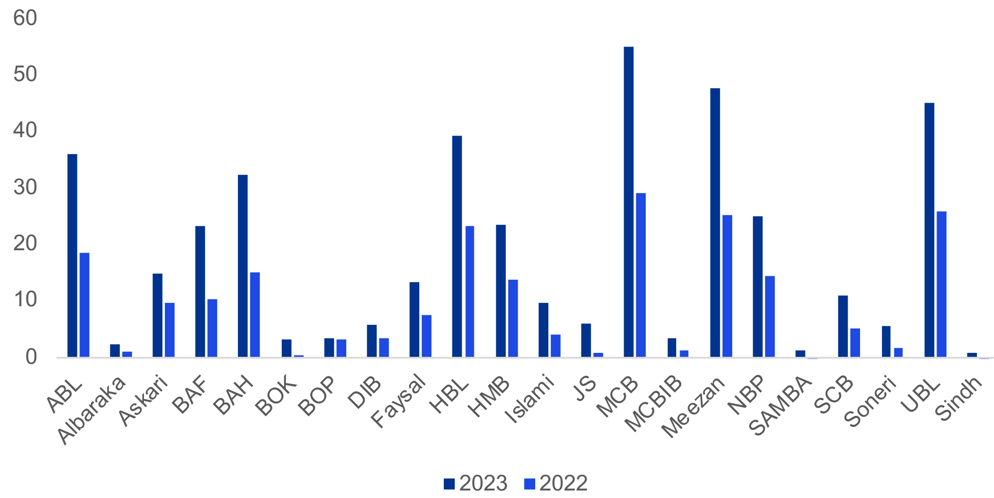


Valuation

Market Price Per Share



Earning Per Share

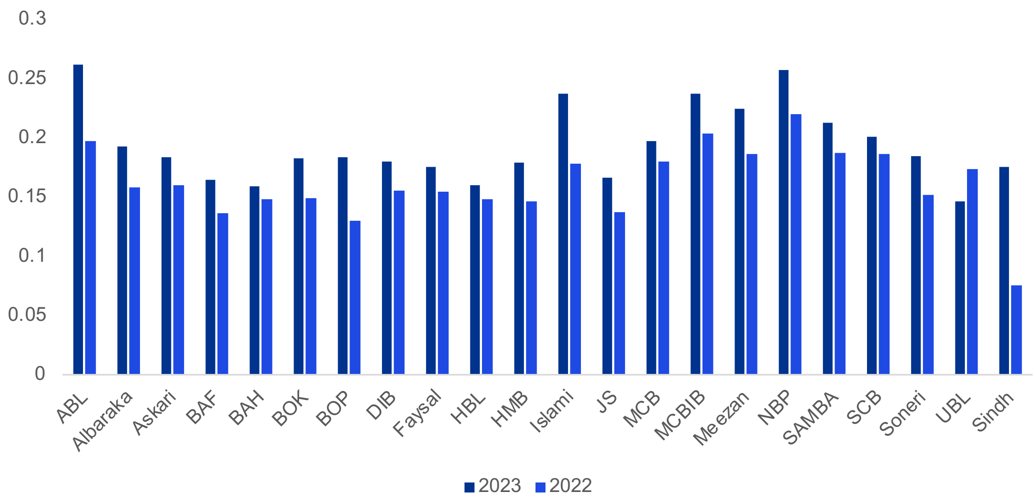


Capital Adequacy Ratio

Average:

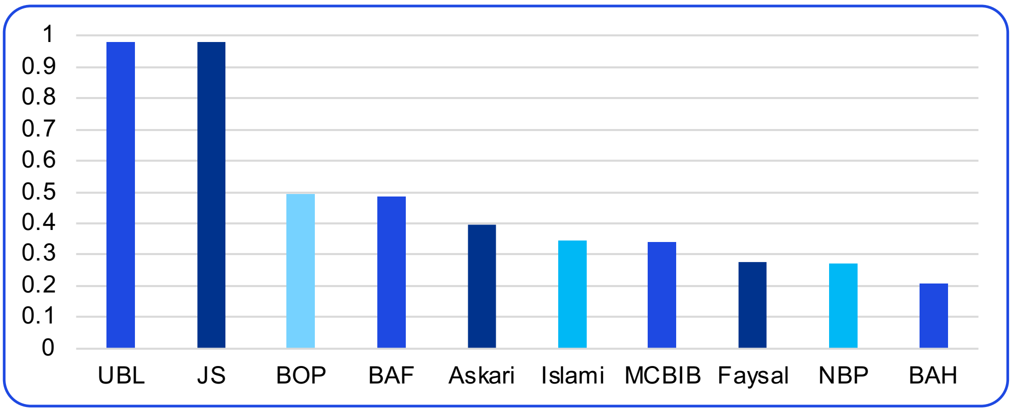
19.4%

(2022: 16.2%)

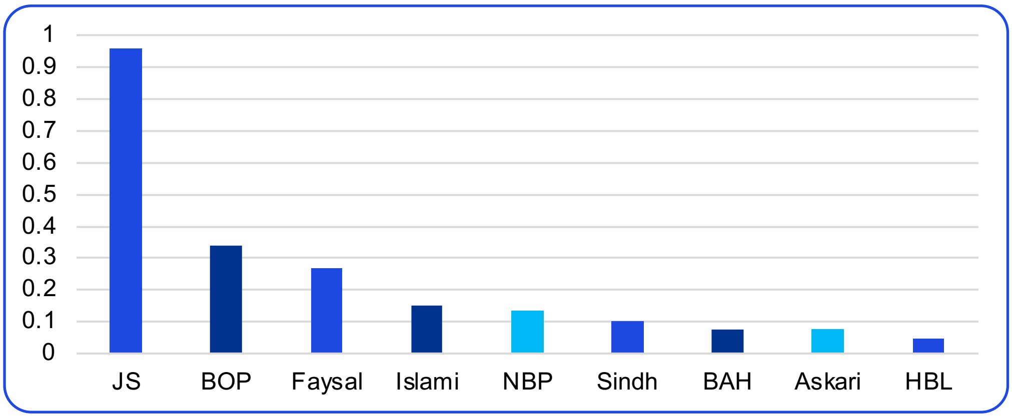


Top Performing Banks

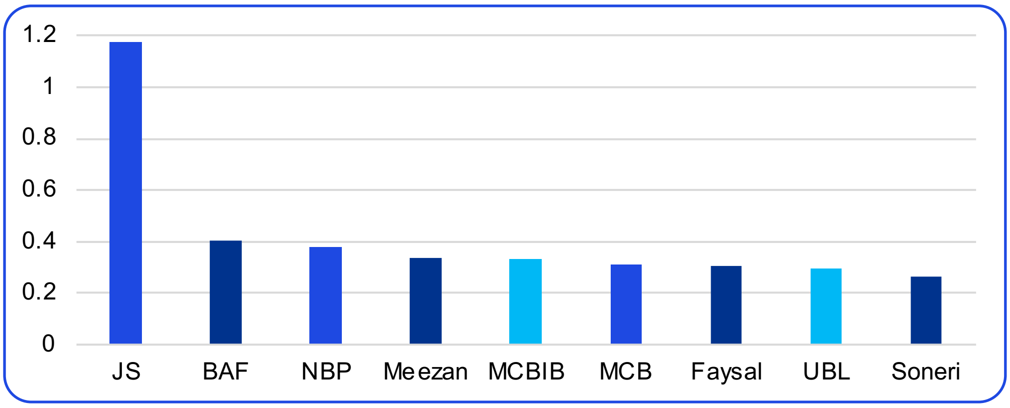
Top 10 Bank with highest growth in total assets



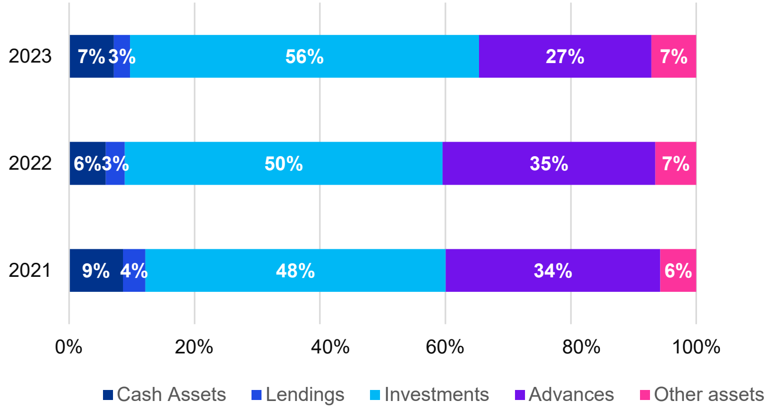
Top 10 Banks with highest growth in gross advances



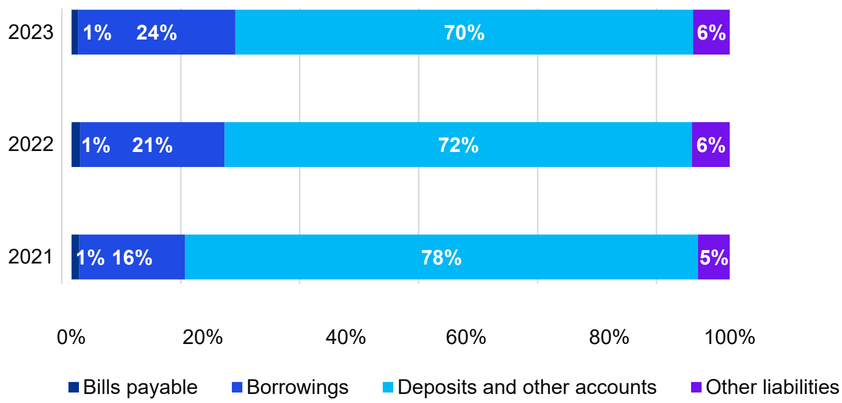
Top 10 Banks with highest growth in deposits



Composition of total assets



Composition of total liabilities



Banking

The Way Forward

03

Banking - The Way Forward

Banks face a more complex environment than ever before: client demands and rapid enhancement in digital capabilities, digitization and new sources of competition are forcing banks to innovate. To stay ahead, banks are undergoing significant transformations. The future of banking promises to be a landscape redefined by these changes, where only those who strategically adapt and continuously innovate will thrive.

In this section, we first look at the drivers of change in the banking sector, reinforced by KPMG's survey of over 400 commercial banking leaders from around the world, who are involved with customer-centric strategy and enablement decisions. Drivers of change include:

Customer

Shifting client interactions from branches and business centers, towards embedded financial applications enabling customers to access services when and where they need them. Accordingly, Banks are building adaptable platforms and ecosystems to provide seamless customer experiences and innovative products.

Prioritizing customer centricity, 78 percent of survey respondents report investing in experience-centric design. However, progress is still needed, as 45 percent rate themselves 'below average' in securely building solutions and deploying technologies. A major hurdle is the struggle to acquire sufficient digital talent. Comparing our local readiness to these global averages highlights the areas we need to improve.

Data, Digital & Technology

AI can drive decision-making and prepare banks for cloud and API-enabled ecosystems that are open to integration, greater connectivity and data sharing. Distributed ledgers will increase transaction efficiency, and enhance information sharing, security and transparency. 'Open banking' rules give customers greater control and ownership of their personal information. However, data privacy has become critical with increasing compliance demands.

The ethical application of AI as lending decisions become more automated, it is important to avoid bias, which can become embedded during the development of credit models.

Trust

Rising expectations of sustainability and corporate purpose mean that ESG policies and targets should be integrated into processes, risk policies and business models. Stakeholders are constantly scrutinizing the impact of banks' products, services, culture, operations and relationships upon people and the environment.

Sustainable growth within the SME segment is crucial, given their significant contribution to global economies, particularly in developing markets like ours. Despite their importance, SMEs often find themselves underserved, caught between larger corporations and retail clients. This gap represents untapped revenue potential for commercial banks and presents an opportunity for sustainable expansion.

To respond quickly to market signals and to focus on the customer experience, banks should embrace the concept of a connected enterprise approach, linking the front, middle and back offices to accelerate their journey to digital transformation.

Following the identification of drivers for change, we will delve into the three primary future business models we envision. These include the reimagined digital commercial bank, Banking-as-a-Service models, and platform providers. In these models, clients and their data are anticipated to hold central importance, shaping the strategies of each, whether operating independently or in combination.

01

These banks will transform into fully connected digital banks, leveraging capital and data while commercializing traditional cost centers through the re-bundling of services.

They will offer a full range of hybrid value propositions and banking services to generate new income streams.
They will focus on intricate and substantial private equity financing, leveraging human relationships and complex case expertise.
In addition, they will leverage data-driven insights, including those at the industry and individual client level. They convert sector insights into thought leadership publications and can commercialize those insights.

Reimagined digital bank

02

Banking-as-a-Service (BaaS) providers will develop and license services and products, and manage user interfaces to provide banking services to end users, through intermediary partners.

They will rely on products and services for income streams and deliver through APIs using a platform-based infrastructure. Examples include payment management solutions, risk scoring products, KYC verification services, risk profiles and financial crime screening to reduce the verification and onboarding of customers to under 48 hours.
In addition, banks could start packaging new financial products, and offer smart contracts digital currencies and software IP licensing.

Banking-as -a- Service

03

The platform provider develops infrastructure to enable the banking ecosystem by providing, maintaining or policing a banking platform or ecosystem with either open or closed access, for its own and others' purposes.

The platform is a gateway to any number of services and clients and the technological infrastructure is a key source of income.
Applications include the development of digital product marketplaces, 'mega apps', cloud services and API governance, and the management of third-party data connections.
As a result, you could see capital market disintermediation and new data and information trusts.

Platform provider

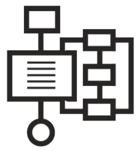
Financial services will become a set of capabilities rather than an industry. These will be capabilities that can be provided to many and shared by all. The future will be about proliferating these across all our industries — both verticals and the public sector — so that capital (balance sheet, risk, private market and patient capital and liquidity are available at the point of need. Essentially, the traditional financial services industry will need to become perimeter-less. We are seeing this happen as our large legacy institutions begin to externalize their products, functions and intellectual property.
Antony Ruddenklau - Global Head of Innovation Financial Services, KPMG International

Trust with stakeholders is earned when a reactive approach to risk shifts to an embedded and value-driven approach. As banks transition towards a connected enterprise, they should consider the following imperatives:

01 Crime & Cyber

As banks create new digital channels, business models, remote working capabilities and customer experiences, companies are processing more data in a fast-changing environment, which increases their cyber & crime risks. These risks are a new reality, and they threaten to damage the critical trust with customers, regulators, employees, investors and regulators.

02 Technology & Disruption



Banks must have the ability to continuously respond and adapt to their customers' ever-changing needs. Sometimes, that means undergoing transformational change, while maintaining control over operations, managing the risks associated with a greater dependence than ever before on technology, and sustaining the level of service customers demand.

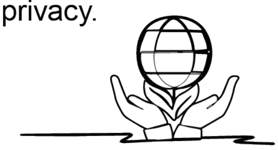
03 Regulation & Governance

Domestic and foreign regulators are prompting extensive reviews, audits, investigations and litigation besides tasking banks with tackling increasingly complex regulatory themes such as third-party risk management, consumer protection, data privacy and financial reporting. On the other hand, banks are receiving pressure from the business to minimize the financial impact of regulation & governance. To thrive in this environment, banks must adopt dynamic new approaches to risk and regulation that are powered for the digital era.

04 Brand & Reputation

Today consumers expect more than product quality and customer service, they are now demanding that businesses act responsibly as well, they prefer to buy from brands whose actions align with their beliefs. They are willing to pay more to an ethical retailer. It is more important than ever to earn the trust of your customers in how your business acts, how you protect customer data and privacy.

05 Environmental & Geopolitical



Today ESG is no longer a siloed concept, but is something that needs to be embedded in a company's entire strategy and operations. Further, banks must take an agile and holistic approach as political uncertainty and the shifting of traditional geopolitical ties on a global scale complicates their ability to effectively manage risk & compliance.

Analyzing Key Areas and Strategic Implications

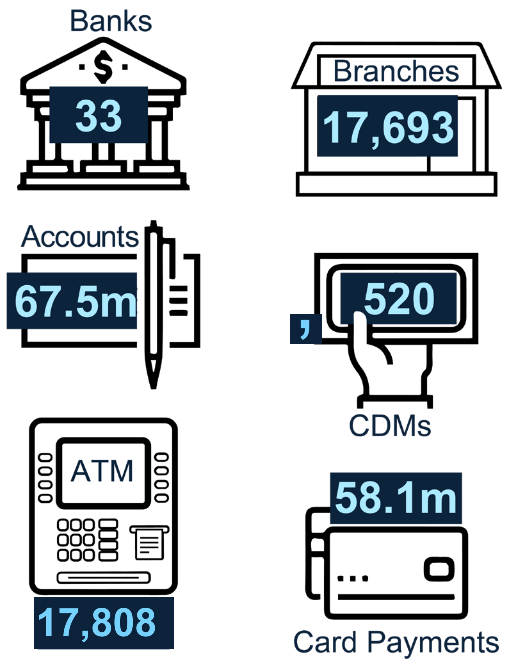
04

The Case of Financial Inclusion in the Country and Customer Outreach

Often considered a must, financial inclusion is the key enabler for reducing poverty and promoting economic prosperity.

Pakistan has faced persistent challenges with a significant portion of its population having limited or no access to formal financial services. According to World Bank's Index 2021, only 21 per cent of the adult population held an account vis-à-vis an average of 76 percent. Analogously, only 13 percent of women in Pakistan held an account contrary to a global average of 74 percent. However, as per Karandaaz Financial Inclusion Survey (K-FIS), financial inclusion increased to 30% in 2022.

Banking Infrastructure



Cognizant of the challenges, the Central bank of Pakistan implemented the National Financial Inclusion Strategy (NFIS) in 2015 to enhance Pakistan's banking and payment systems, and promote inclusive financial and economic growth.

More recently, SBP launched the Banking on Equality Policy, 2021 to improve women's financial inclusion, released customers' Digital Onboarding Framework, 2022 for speedy digital account opening, and issued licenses to set up the first five Digital Banks in Pakistan.

In 2019, the NFIS defined targets for FY 2023, taking measures to promote the government's policies for agriculture and small-medium-enterprises (SMEs) to ensure small-scale farmers and businesses get access to credit.

The government as part of its 100-day agenda prioritized NFIS and set the following headline targets to be achieved by FY 2023.

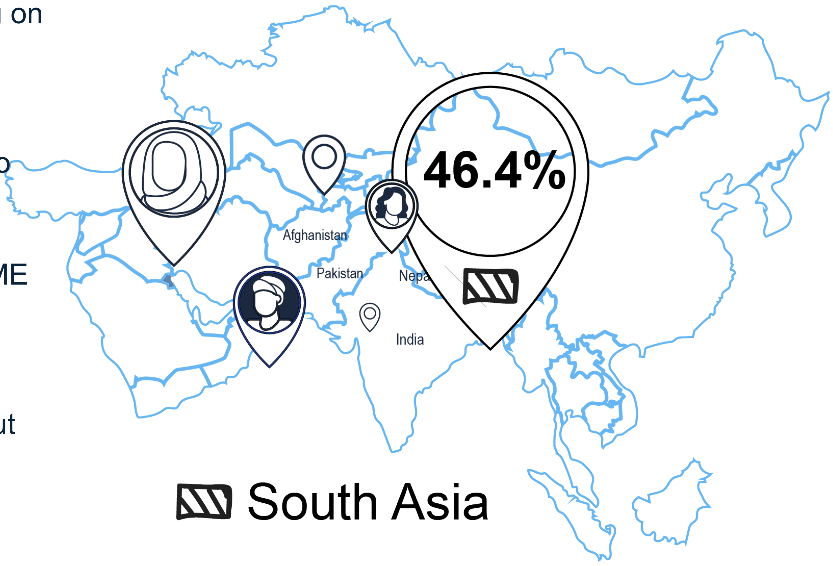
> Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

Targets set in NFIS	Target	2023	Gap
Account Ownership at Financial Institution	50%	30%	20%
Female Account Ownership	25%	13%	12%
Share of Islamic Banking	25%	19.6%	5.40%
Share of Islamic Branches	30%	25.6%	4.40%
SME Financing			
Number of SME Borrowers	700,000	172,292	527,708
SME Financing as % of Private Sector	17%	6.04%	10.96%
Agricultural Financing			
Annual Disbursement	1.8 tr	1.2 tr	0.6 tr

The Case of Financial Inclusion in the Country and Customer Outreach

Pakistan significantly lags in its financial inclusion efforts as per the targets set out by SBP in the Strategy with 70% of 227 million people still financially excluded and majority of SMEs relying on informal financial services.

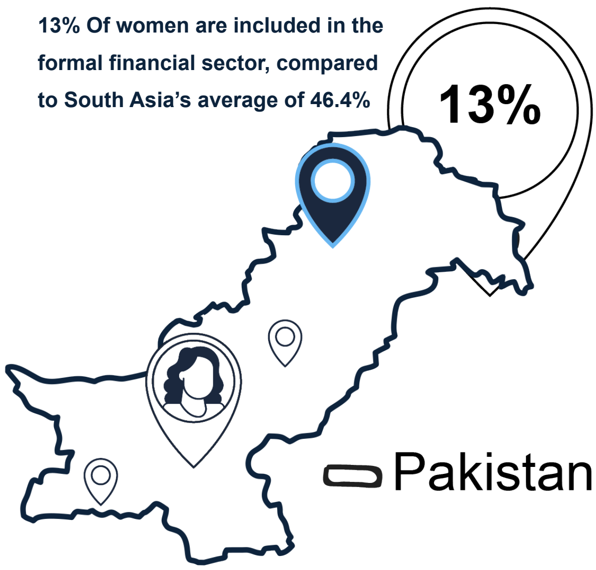
The outstanding SME financing portfolio grew by 0.4% contributing to just 6% of the total lending to private sector, indicating the banks' reluctance to invest in new credit products tailored to SMEs to achieve NFIS targets. Despite higher APR for SME segment and progressive policies for SME financing, banks continue to adopt risk averse approach, albeit at the expense of capturing the largest business segment which contributes about 40% of GDP and presents tremendous market opportunity for banking industry.



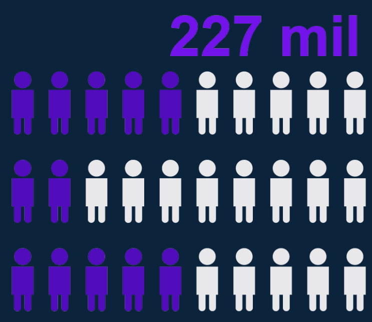
Banking on Equality

Research by the Center for Global Development (CGD) suggests that women who use financial services have increased opportunities to earn income and exercise agency by accessing jobs, starting businesses, and gaining intra-household bargaining power.

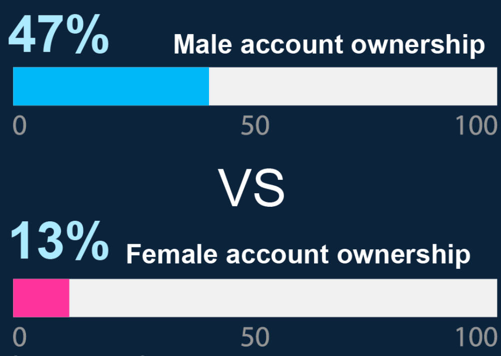
Pakistan is ranked 145 out of 146 countries in the Global Gender Gap Index 2022 by World Economic Forum (WEF) with the lowest score in economic participation and opportunity against the global average.



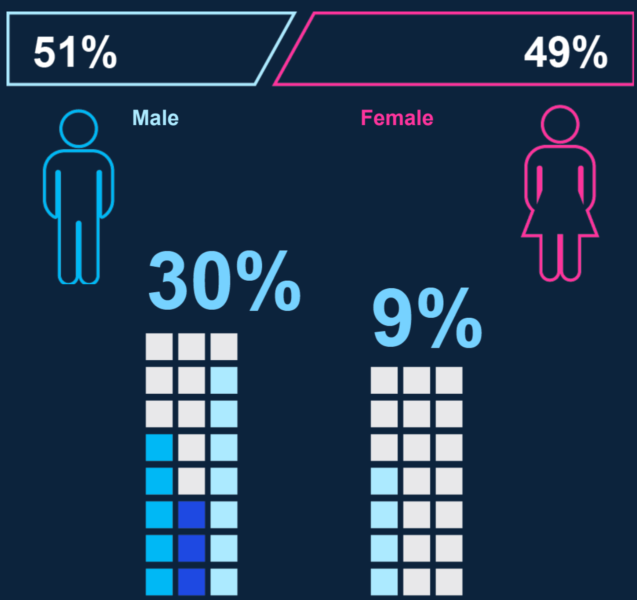
To achieve broad financial inclusion, stakeholders should focus on serving lower-income clients profitably and safely. This can be done by designing model templates, building strategic partnerships, launching pilot projects, and fostering an environment conducive to financial inclusion.



Source: PBS



Source: K-FIS 2023

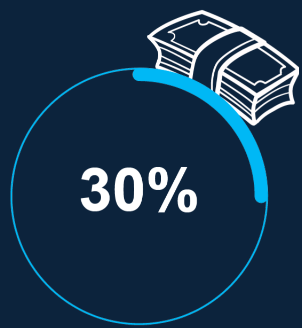


Account Ownership

Increase in account ownership to 30% between 2020-2022

Source: K-FIS 2023

Ranked 149th In Fixed Broad-band Speed



Financial Inclusion in Pakistan Karandaaz

Improve banking experience of customers through standardized services and fair treatment

Enhance communication and outreach to improve customer confidence and experience

(SBP Vision 2028: SG-2-T03 & 05)

Implement financial literacy initiatives with enhanced focus on digital means

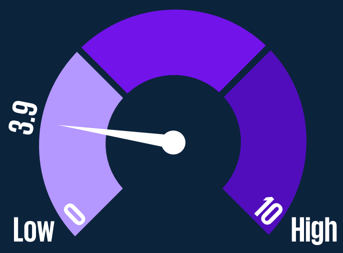
(SBP Vision 2028: SG-3-T06)

Promote inclusion and diversity in access to financial services by implementing the National Financial Inclusion Strategy (NFIS) and the Banking on Equality Policy (BoE)

Strengthen financial inclusion framework through targeted policy initiatives for priority areas, including agriculture, SMEs, microfinance, housing finance and trade finance by implementing National SME Policy

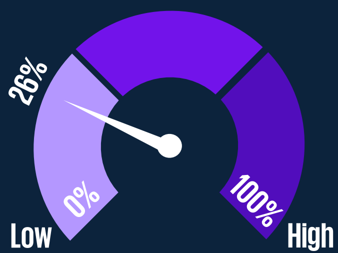
(SBP Vision 2028: SG-3-T01 & 03)

Digital Skills Index



Source: Wiley Gap Index

Financial Skills Literacy



Source: S&P Global Financial Literacy Survey

Credit Risk Measurement

IFRS 9 Impacts

Credit Risk is fundamental to the banking business and its measurement is the art which bankers endeavor to master. International Financial Reporting Standard 9 – Financial Instruments (IFRS 9, the Standard), issued in July 2014 by the International Accounting Standards Board, is a global accounting standard that addresses the classification, measurement, and de-recognition of financial instruments and the impairment of financial assets.

IFRS 9 stands out from existing regulations as it assesses credit risk based on expected losses. It mandates provisions for delinquent loans, even if a loss hasn't yet occurred. This proactive approach differentiates it from traditional models that only account for incurred losses.

IFRS 9 provides a comprehensive and robust approach to accounting for financial instruments and introduces two significant changes that are expected to impact the Banking Industry's financial statements in Pakistan:

Classification and measurement of Debt Instruments

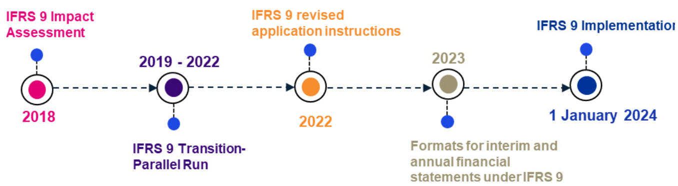
The Standard introduces a more principles-based approach, which requires entities to classify financial assets based on their business model for managing the assets and the contractual cash flow characteristics of the asset into one of the three following categories:

- Fair Value through Profit or Loss
- Fair Value through Other Comprehensive Income
- Amortized Cost

Expected Credit Loss (ECL)

The Standard also replaces the current incurred loss model with a more forward-looking approach to account for credit losses based on the expectation of future losses and adjustments for macroeconomic forecasts. Consequently, this requires development of complex statistical models to estimate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

SBP initiated the IFRS 9 journey in 2018 and instructed it's regulates to assess the quantitative and qualitative impact of the Standard. Over the next four years, the SBP issued various circulars to prepare IFRS 9 pro-forma financial statements for parallel reporting. However, based on the feedback received from the stakeholders, revised instructions issued overtime to aid in the extension of transition period as shown below:



IFRS 9 is a complex and technical standard that requires FIs to make significant efforts to streamline their processes and systems to adapt to the requirements prescribed by the Standard and the SBP. The Standard also requires a specific skill set to build predictive PD models. Consequently, FIs had to invest in the capacity building of their existing teams or develop teams solely for the purpose.

Banks have expressed skepticism, taking into account the uncertainties that pervade our economy. This skepticism is further fueled by the fact that Loss Given Default (LGD) calculations often show higher values due to the weak recourse to law. The loan recovery litigation process, in many cases, extends over decades, further complicating the situation.

The following illustrations summarizes the impact of IFRS 9 on banking industry as on 31 December 2023 (Banks that are highly impacted):

Figure 1. Additional charge under IFRS 9 as % of total gross exposure:

Banks have chosen to adopt the modified retrospective approach for restatement. This means that comparative figures will not be restated upon the initial application of IFRS 9. Rather, the cumulative effect will be documented as an equity adjustment at the commencement of the accounting period.

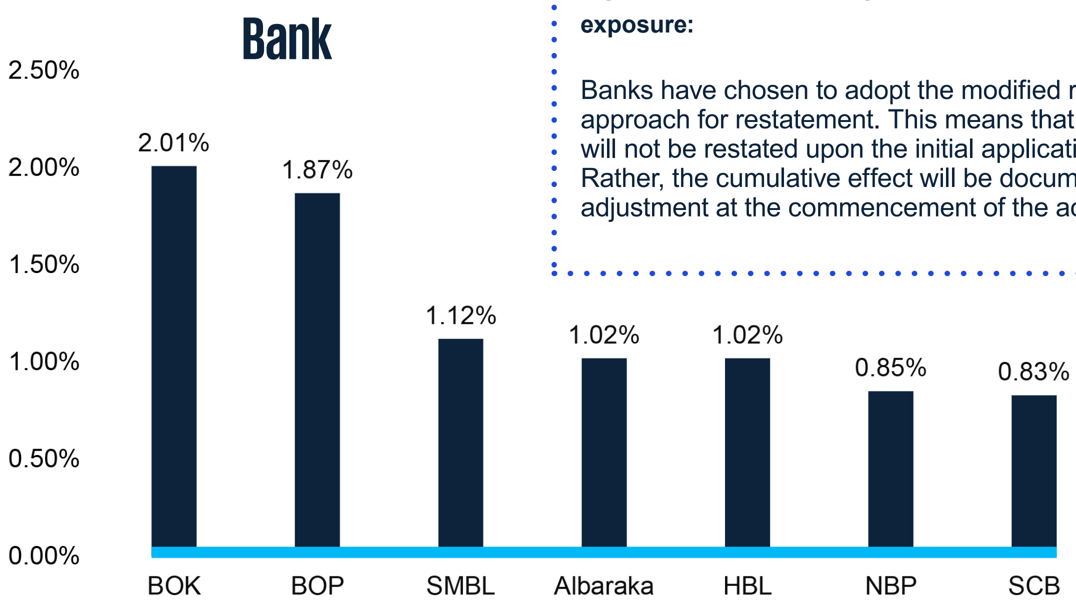


Figure 1. Additional charge as % of total gross exposure:

Varying impacts were observed in the industry depending on the current infection ratio of banks and the future macroeconomic outlook of the country, and the impact ranged between 0.01% to 2.01%.

The impact on equity of Banks ranged between 0.04% to 19.71% as of 31 December 2023.

Figure 2. Additional charge under IFRS 9 as % of total equity

The financial impacts of IFRS 9 in 2024 will be shaped by a series of factors, with banks' financial instruments and prevailing economic conditions playing a pivotal role. The choices banks make in accounting practices and the judgements they pass will significantly influence their financial impacts. As the regulators and auditors expect uniformity in data usage and methodological application, the true test will come when on-balance sheet impacts undergo rigorous audits and regulatory examinations. This scrutiny is essential to ensure the integrity and comparability of financial statements across the board, providing a clear picture of each institution's fiscal health.

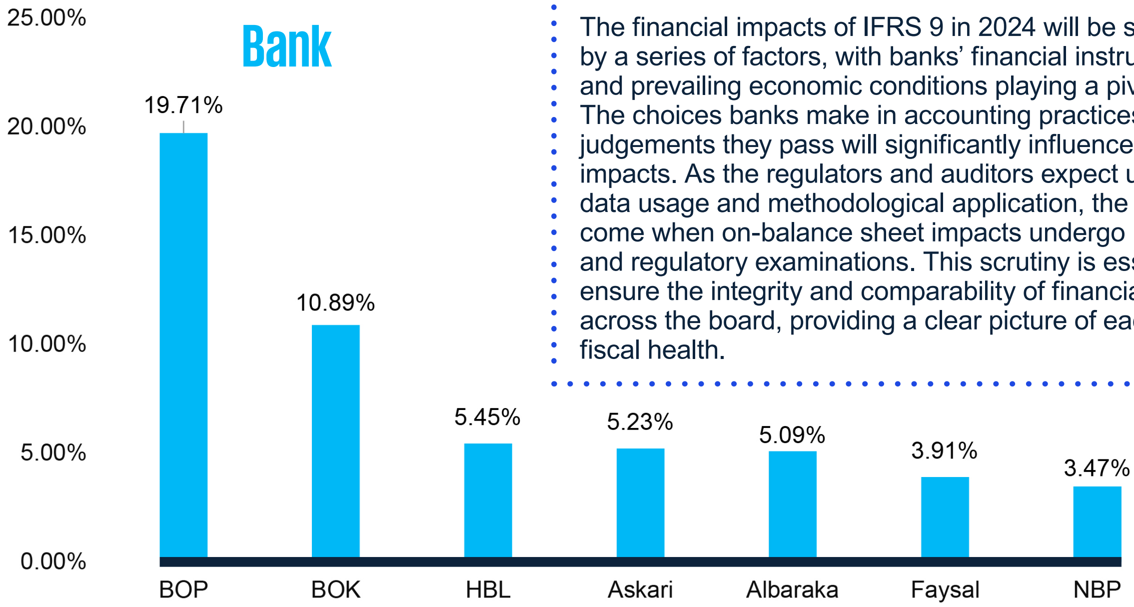


Figure 2. Additional charge as % of total equity:

Figure 2 shows the additional provisioning impact of IFRS 9 on the Bank's equity as of 31 December 2023 for 7 banks whose equity has been most significantly impacted due to adopting IFRS 9.

Sustainability Reporting

Are banks ready?

In response to global shifts towards sustainability, Pakistan's banking industry is embracing ESG principles, spurred by regulatory directives from the State Bank of Pakistan (SBP). These guidelines promote sustainable banking practices, with the SBP's Development Finance Department assisting banks in integrating ESG principles and monitoring their progress. While many banks have started implementing ESG risk-assessment frameworks, challenges such as expertise gaps and awareness limitations persist. Overcoming these obstacles will be crucial for aligning with international standards and meeting stakeholder expectations, thereby strengthening the industry's resilience and competitiveness while contributing to broader sustainability goals in Pakistan.

Current Frameworks, Standards, Guidelines

Securities and Exchange Commission of Pakistan (SECP) Contributions:

2013

1. **CSR Voluntary Guidelines:**
   - Encourage companies to adopt socially responsible busines practices and contribute to the development of society.
   - Guidelines are not mandatory but are intended to serve as a reference for companies in the development and implementation of their CSR programs that are aligned with the country's development priorities.

2019

1. **Listed Companies (Code of Code Governance) Regulations:**
   - Recognizes the importance of ESG and sustainability considerations in the operations of companies and aims to promote the integration of these considerations into the governance practices of companies in Pakistan.

2021

1. **Green Bonds Guidelines (GBG):**
   - Based on the principles of International Capital Market Association (ICMA)'s Green Bond Principles and UNSDGs SECP issued GBG to provide a framework for companies to issue green bonds and ensure that the proceeds from the bonds are used for environmentally sustainable projects.
2. **Gender Bonds Guidelines:**
   - Based on the principles of ICMA's Social Bond Principles, UN Women's Empowerment Principles and UNSDGs SECP issued Gender Bonds Guidelines to promote women's economic development, gender equality in human development, and socioeconomic advancement and empowerment.

2022

1. **ESG Regulatory Roadmap:**
   - The roadmap sets out the SECP's vision for ESG reporting, disclosure and sustainable finance, and outlines a series of actions to be taken to achieve this vision.
     1. ESG considerations are progressive, integrated in strategic plans and focused on achieving targets.
     2. Introducing phase-wise regulatory intervention.
     3. No one size fit all solution for advancing ESG's implementation and standardization.
     4. Encourage disclosure of ESG targets achieved.
     5. Materiality, consistency, quantitative and balanced approach is ensured in ESG reporting.

State Bank of Pakistan (SBP) Contribution:

- Salient Features:
  1. Role of Board, Management and Organizational arrangements.
  2. Environmental risk management (EnvRM) guidelines.
  3. Green Business Facilitation
  4. Guidelines on Own Impact Reduction

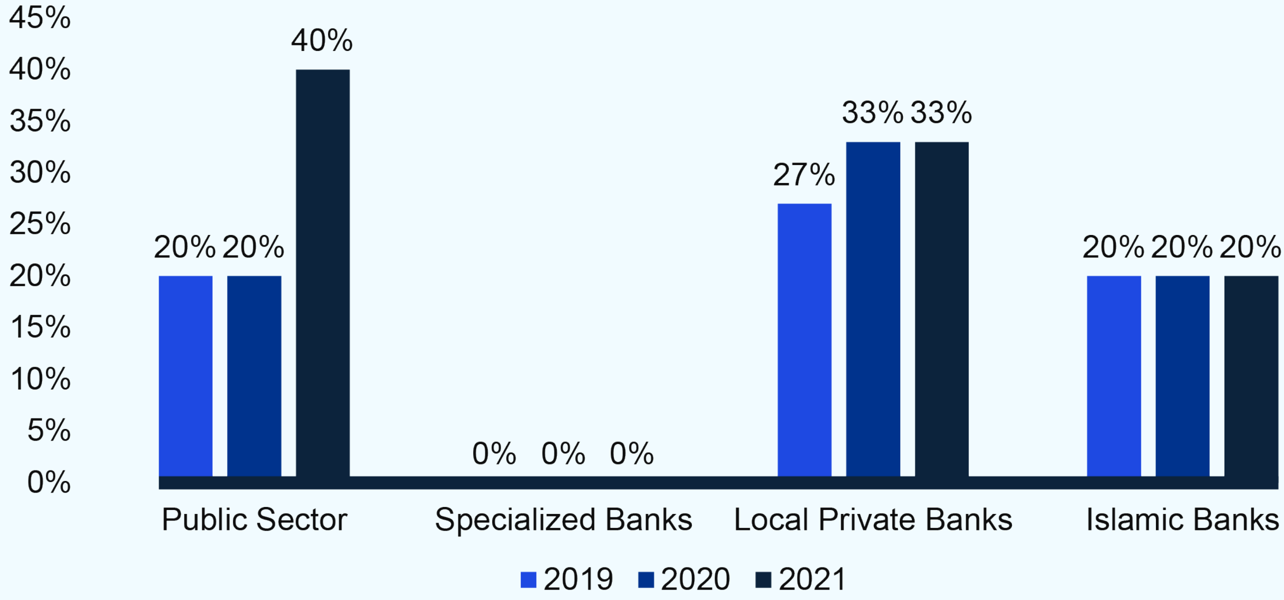
- Provide tools and procedures to strengthen implementation of the GBGs..
- The purpose of the manual is to support the implementation of responsible banking practices and to ensure that banks and financial institutions have the necessary systems, processes, and procedures in place to manage environmental and social risks associated with their lending activities.

Pakistan Stock Exchange (PSX) and Pakistan Institute of Corporate Governance (PICG):

1. **PICG / PSX taskforce on ESG, 2021**
   - Aims to develop strong advocacy of ESG.
2. **PSX joins SSE initiative, 2022**
   - A partnership program organised by United Nations Conference on Trade and Development (UNCTAD), the UN Global Compact, UN Environment Programme Finance Initiative (UNEP-FI) and the Principles for Responsible Investment (PRI).

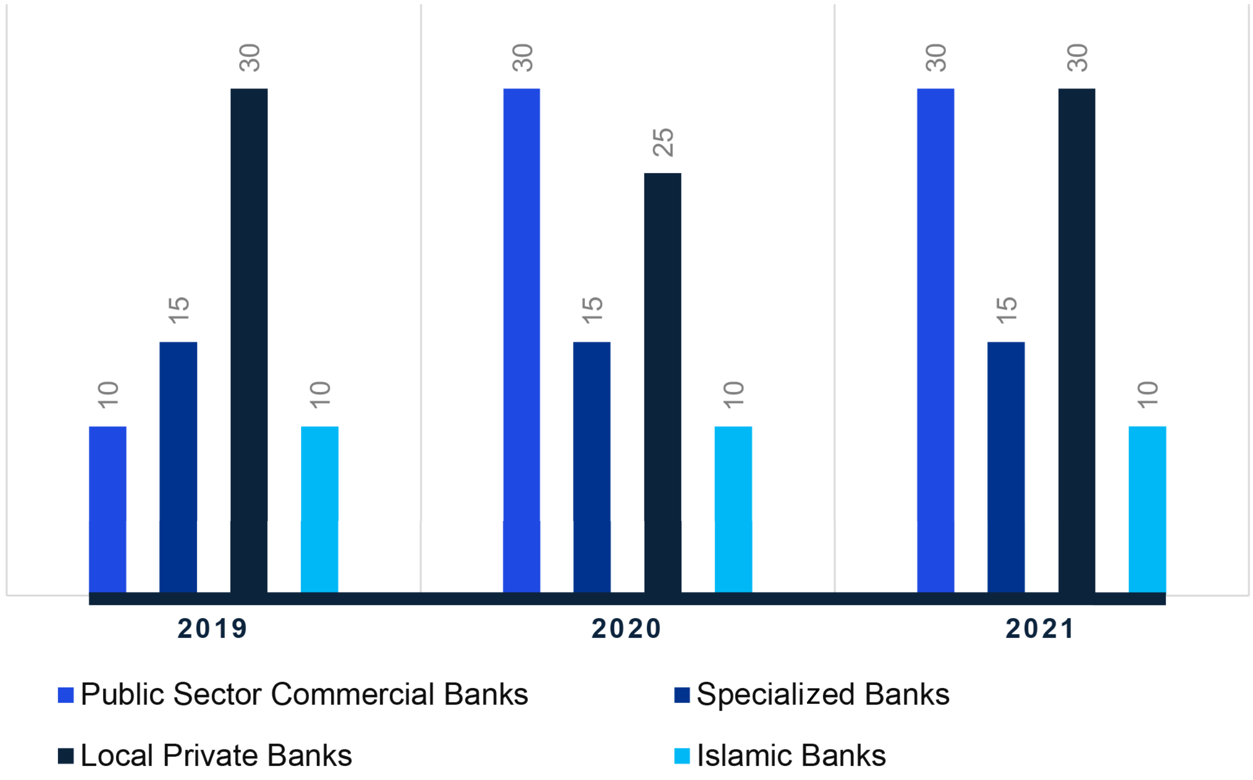
Sustainability / ESG Reporting

The SBP now emphasizes effective communication of ESG data to shareholders and other stakeholders. Similar to global counterparts like the Bank of England, which spurred ESG adoption through targeted initiatives, the SBP categorizes financial institutions to evaluate their ESG performance.



Public-sector commercial banks lead in ESG reporting, showing a notable increase to 40% in 2021. Local private banks follow closely, albeit with less improvement. Islamic banks maintain consistent reporting levels, influenced by both regulatory measures and stakeholder pressure. The introduction of Green Bonds Guidelines in 2021 aims to further enhance Pakistan’s ESG outlook, with private-sector banks showing the highest adoption levels. However, overall progress in adopting Green Banking Guidelines remains modest across all categories assessed.

Adoption of Green Banking Guidelines



Pakistan's commitment to achieving the UN Sustainable Development Goals (SDGs) is underscored by its alignment with the SDG 2030 agenda, as outlined in the SBP's report and supported by initiatives like Pakistan's Vision 2025. Despite dedicated regulatory and legislative efforts, Pakistan ranks 125 out of 163 countries in terms of SDG progress, highlighting the need for effective collaboration and partnerships to meet these international targets. The banking sector in Pakistan demonstrates a degree of recognition of the SDGs, with around 20-25% of reporting banks mapping their targets against these goals, often in conjunction with initiatives like Green Banking and Banking on Equality mandated by the central bank.

Islamic Banking, prevalent in Pakistan since 2004, is identified as having a significant role in achieving SDGs, particularly in poverty alleviation and economic growth. Local private banks lead in reporting against the SDGs, reflecting a broader trend towards incorporating sustainability goals into banking practices. While Development Financial Institutions (DFIs) and Microfinance Banks (MFBs) may lag in setting specific SDG targets due to reporting practices, there is increasing pressure for all banks to disclose their contributions to the SDG 2030 Agenda.

Mandates such as Banking on Equality, aimed at supporting women's financial inclusion, intersect with SDGs related to poverty reduction, gender equality, and sustainable infrastructure. Similarly, initiatives like the Mera Pakistan, Mera Ghar scheme for affordable housing and financing schemes for renewable energy projects align with various SDGs. Overall, the banking sector's integration of SDGs reflects a broader shift towards sustainable development in Pakistan, driven by both regulatory mandates and industry initiatives.

Reporting on SDGIs | Banking in Pakistan

Which Sustainable Development Goals are given the highest priority?

3 GOOD HEALTH & WELL-BEING — **Good Health and Well-Being**

4 QUALITY EDUCATION — **Quality Education**

5 GENDER EQUALITY — **Gender Equality**

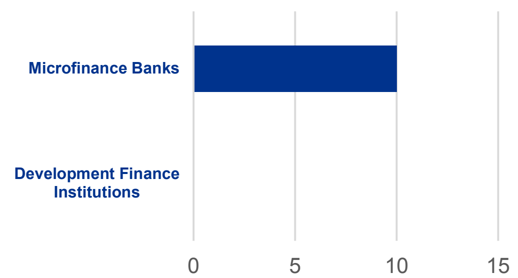
7 RENEWABLE ENERGY — **Renewable Energy**

8 DECENT WORK AND ECONOMIC GROWTH — **Decent Work and Economic Growth**

The percentage of banks reporting on SDGs between 2019-2021:

Public Sector Commercial Banks	Local Private Banks	Specialized Banks	Islamic Banks
20% of all reporting banks	**40%** of all reporting banks	**0%** of all reporting banks	**25%** of all reporting banks

DFIs and MFBs (in %)



20% of the sampled banks report on any progress or commitments against the Sustainable Development Goals

General ESG reporting Also remains high in this specific category

Key Trends in SDG Reporting:

- The highest reporting on SDG was in 2021, where **local private banks** increased reporting by **18% between 2019-2021**.
- Reporting on **SDG13: Climate Action**, has increased between 2019-2021.
- Reporting on **SDG1: No Poverty. SDG 14: Life Under Water** and **SDG15: Life on Land remains** low.
- Reporting against specific SDG targets remains consistently low, with only local private banks providing limited information.

> Support structural reforms in the economic and financial systems for effective mitigation of climate risks by building climate information architecture, including reliable and quality data and disclosure standards. Also, incorporate climate-related risks into supervisory and macro-prudential assessments.
>
> (SBP Vision 2028: SG-2-T04)

> Develop policies to promote climate resilient and sustainable financing initiatives to strengthen the role of financial institutions in mitigating the adverse impacts of climate change.
>
> (SBP Vision 2028: SG-3-T04)

Islamic banking

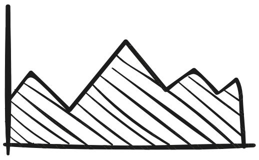
Future or formality

Islamic banking in Pakistan has made significant strides since its inception, reflecting the country's commitment to aligning its financial system with Islamic principles. The local and global growth trends, coupled with regulatory support from the Federal Shariah Court of Pakistan's landmark judgment and the State Bank of Pakistan's complementary role, have further fueled this development.

Islamic banking in Pakistan is on track to become a robust and sustainable alternative financial system, shaping the future of finance in the country.

The Global Growth

Financial Performance



- **Total Revenue:** The total revenue increased from USD 3.72 billion in 2018 to USD 4.68 Billion in 2022, representing a cumulative growth of 26%;

- **Earning before Taxes & Zakat:** The earnings before taxes and Zakat increased from USD 1.14 Billion in 2018 to USD 1.90 Billion in 2022, representing a cumulative growth of 68%; and

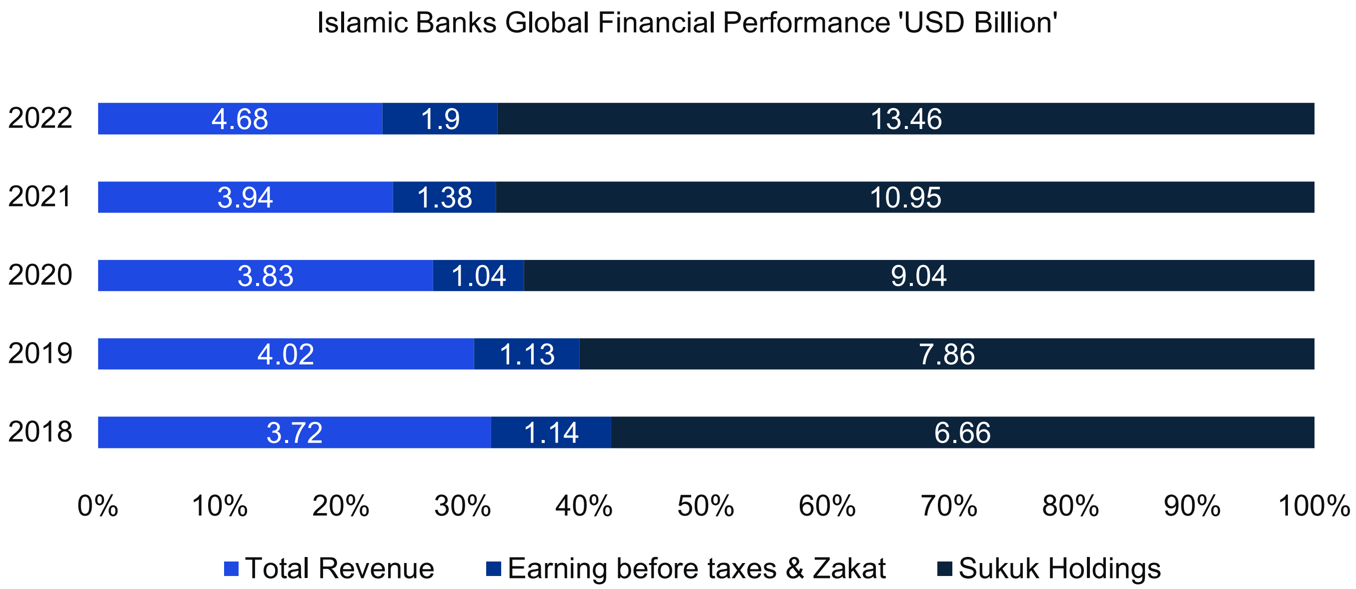
- **Sukuk Holdings:** Sukuk holdings have experienced uphill growth, with a more than 100% increase over the period 2018 to 2022, signaling a strong performance and an enhanced interest in Sukuk investments. This also reflects that holdings may contribute to the bank's overall liquidity and income

Financial Health

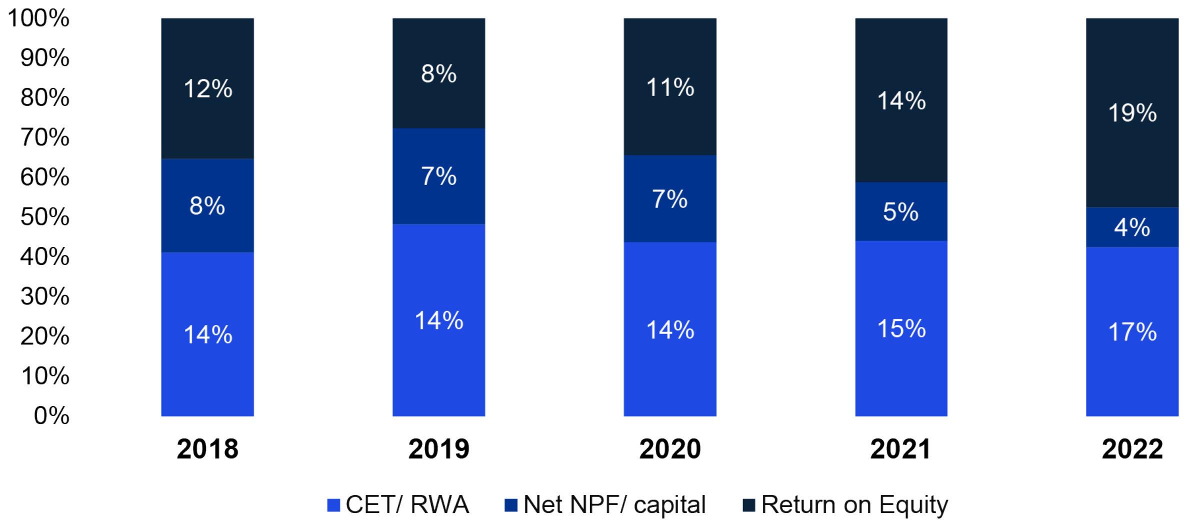
1. **Total Assets:** The total assets of the banks increased from USD 79.80 Billion in 2018 to USD 118.81 Billion in 2022, representing a cumulative growth of 49%.

2. **Net NPF/ Capital:** The ratio experienced a downhill trend, reaching 4%, indicating a slight decline. The decreasing trend in non-performing financing to capital ratio and growth is a positive sign, suggesting a healthier loan portfolio with a lower risk of non-performing assets.

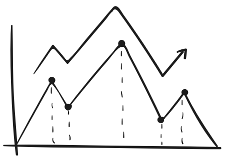
3. **Return on Equity:** ROE demonstrated a positive trajectory, growing from 12% to 19%. The overall positive trajectory in ROE indicates improved profitability. The fluctuations in growth percentages may be attributed to various factors affecting financial performance.



Islamic Banks Global Financial Health, ‘USD Billion’

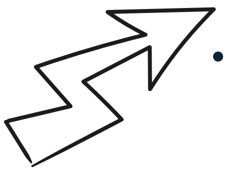


The Domestic Growth



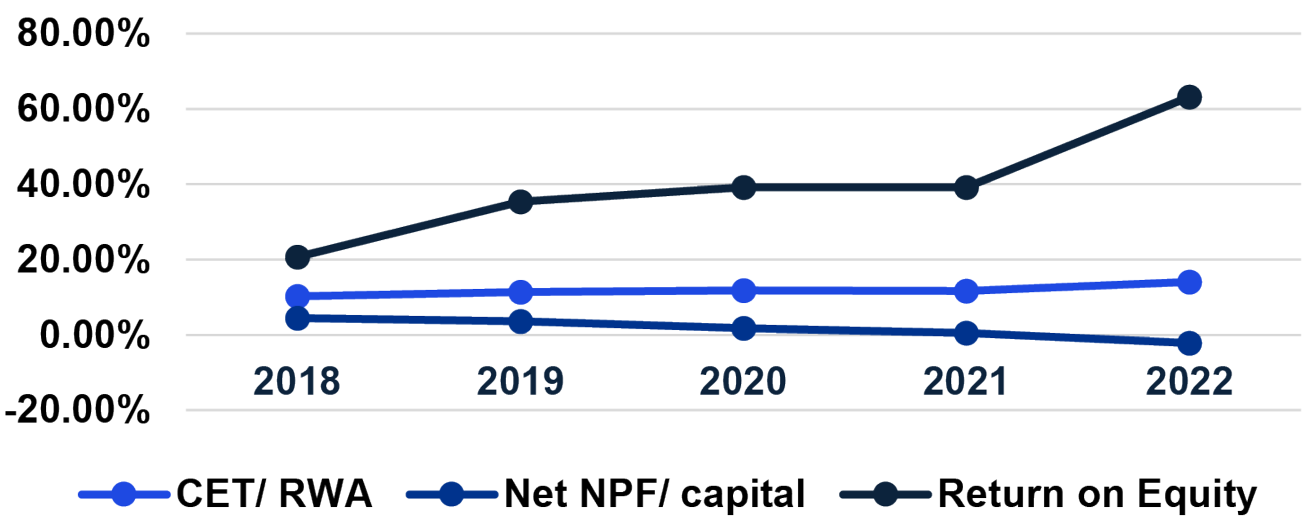
According to the SBP, the market share of Islamic banking assets and deposits has reached around 20 percent and 22 percent respectively and the number of Islamic branches has increased to 4,534 by June 2023.

Further, the growth in our local Islamic Banking industry may be witnessed through the following indicators:



- **Capital Ratio:** The capital ratio declined from 6.3% in 2018 to 5.4% in 2022, resulting in a negative growth of -13%. This trend indicates a decrease in the proportion of capital to risk-weighted assets over the specified period. This suggests potential challenges in maintaining a strong capital base relative to the risk exposure.
- **Return on Equity:** RoE increased from 19.8% in 2018 to 34.8% in 2022, resulting in a cumulative growth of 76%.

Pakistan’s Islamic Bank Growth



The Regulatory Perspective:

Judgment by Federal Shariat Court on Riba Case

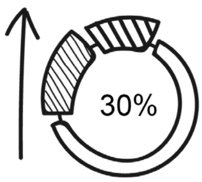
On April 28, 2022, the FSC announced judgment regarding the riba (interest) case which was pending for the past two decades.
The judgment has fixed a timeframe of five years for the complete elimination of interest from the economy by 31 December 2027.

Strategic Plan for Islamic Banking Industry 2021-25

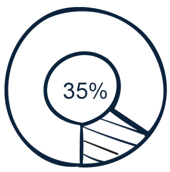
To steer the growth of the Islamic banking industry on a sustainable basis, SBP has been providing proactive guidance through the issuance of Strategic Plans for the industry. So far, SBP has issued two five-year Strategic Plans. At the conclusion of the second plan, SBP prepared the third Strategic Plan (2021-25).
In line with its approach, SBP has prepared the strategy in consultation with all relevant stakeholders: departments of SBP, Islamic Banking Institutions (IBIs), National Institute of Banking and Finance (NIBAF), Pakistan Banks' Association (PBA) and Sub-Committee for Islamic banking.

This Plan gives headline targets in terms of

i. Increasing share in both assets and deposits of the Islamic banking industry to 30 percent of the overall banking industry,



ii. Achieving 35 percent share in the branch network of the overall banking industry and

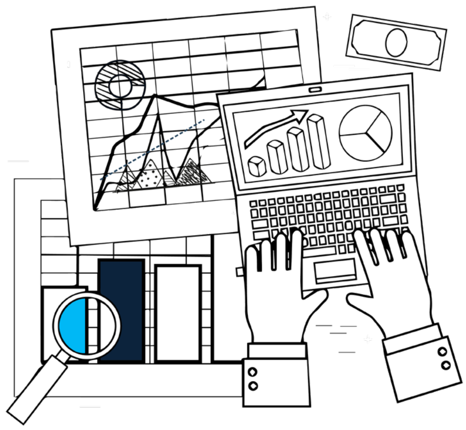


iii. Achieving 10 percent and 8 percent share of SME financing and Agriculture Financing respectively in private sector financing of the Islamic banking industry

Accordingly, the plan signifies the following six pillars to focus on to achieve these envisaged targets:

1. Strengthening Legal Landscape
2. Enhancing Conduciveness of Regulatory Framework
3. Reinforcing Comprehensive Shariah Governance Framework
4. Improving Liquidity Management Framework
5. Expanding Outreach & Market Development
6. Bolstering Human Capital & Raising Awareness

The Strategic Plan gives a consensus agenda and strategy to take the industry to its next level of growth and development.



Along with ensuring a conducive legal and regulatory framework, it emphasizes the need for Islamic Banking Institutions (IBIs) to resort to innovative products based on distinctive Shariah characteristics to cater to unserved sectors, which are critical for the growth of the country's economy.

The industry will be required to fully capitalize on the potential of Islamic finance to achieve the shared vision of a vibrant and sustainable Islamic banking sector in Pakistan.

SBP Strategic Plan 2023-2028 (SBP VISION 2028)

Since the market share of Islamic banking assets and deposits has reached around 20 percent and 22 percent respectively, the recent landmark judgment by the Federal Shariat Court requires Pakistan's banking sector to be Shariah-compliant by 2027. SBP in its Strategic Plan 2023-2028, has set as Strategic Goal 4 transforming to a Shariah-Compliant Banking System.

Achieving this goal requires a well-thought-out plan and coherent actions from all stakeholders. In light of the above, through the SBP Vision 2028, SBP aims to:

1. Strengthen the legal and regulatory environment
2. Transform existing conventional banks into Islamic banks
3. Strengthen the Shariah Governance Framework
4. Conduct market development and research in the field of Islamic financial services
5. Enhance capacity building and awareness

As SBP has a vision of promoting and creating a conducive environment for Islamic Banking as evident through its Strategic Plan for Islamic Banking Industry 2021-25 and SBP Strategic Plan 2023-2028 (SBP VISION 2028), the next anticipated step may be the regulatory requirement for conversion to an Islamic Banking model paving way for Industry-wide mass conversions.

Successful Conversion Journey

Domestically, we have an example of a commercial bank that successfully converted into an Islamic Bank. Although it was a time-consuming and gradual process, it's journey demonstrates, that through particular focus on the following key areas, any conversion journey can be a success story for the organization:

- People and Culture
- Policies and Procedures
- Technology
- Retail banking
- Marketing & Communication Plan
- Borrowings & Treasury
- Corporate & Investment Banking
- Non-Performing Loans
- Accounting Policies & Procedures

Despite its growth, Islamic banking in Pakistan faces several challenges and criticisms. One of the primary concerns is the lack of true adherence to Shariah principles in some financial products, leading to accusations of 'Islamic banking in name only.' Critics argue that many Islamic banks resort to financial engineering to mimic conventional banking practices, diluting the authenticity of Islamic finance. Additionally, the shortage of qualified Shariah scholars and the absence of standardized Shariah governance frameworks pose challenges to ensuring compliance with Islamic law.

> Transform existing conventional banks to Islamic banks by strengthening the Shariah Governance Framework (SGF). With growing market share of Islamic Baking assets and deposits and the judgement by the Federal Shariat Court, requiring Pakistan's banking sector to be Shariah-compliant by 2027, has set an ambitious target for the Islamic banking industry. Coordination and conversion roadmap and developing solutions for liquidity management are high on agenda.
>
> (SBP Vision 2028: SG-4-T02 & 03)

Digital Banking

Disruption or Opportunity

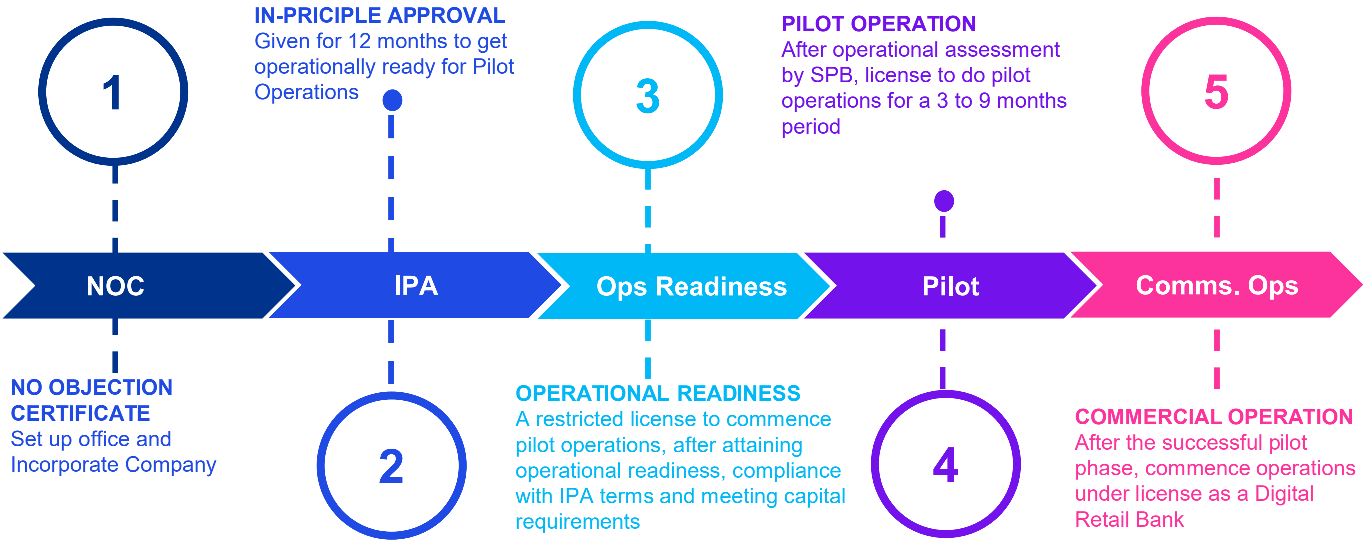
Disruption creates new opportunities, prompting banks worldwide to modernize, become more agile, and enhance their relevance.
The positive impact of digitization on fiscal growth is proven. Digitizing responsibly boosts financial inclusion, allows equitable participation in the economy, accelerates attainment of the Sustainable Development Goals and future proofs enterprise.
In Pakistan, individuals, especially women, informal businesses like SMEs and the Agriculture sector retain huge growth potential. But their financial needs and methods of work are poorly understood with very dismal access to credit and other financial products. One of our recent landscaping reports on digitizing payments calculates that only a fifth of the population is formally banked, despite the huge bank branch network in the country. However, adult literacy of 60%, may be lower than in peer countries, telco density of 88% are promising.

Disruption to the Banking sector is an opportunity for better, faster, and more agile banks hence the formation of digital banks.

The SBP, in 2022, took the initiative to introduce Digital Banks in the country by issuing Licensing and Regulatory Framework for Digital Banks, stating its objectives as:

- Promote financial inclusion.
- Provide credit access to unserved and underserved.
- Provide affordable/cost effective digital financial services.
- Encourage application of financial technology and innovation in banking.
- Foster new set of customer experience.
- Further develop digital eco-system.

The initiative attracted overwhelming interest from over 40 companies including domestic and foreign entities to apply for its licenses. In the first phase, after due process under the Framework, 5 applicants were given 'in-principal' approval, arguably, none of those were from the existing commercial banks.



Setting up digital banks will also require less capital **(PKR 1.5 bn during pilot phase and PKR 4 bn over the transition period of 3 years)** and operational costs will be lower relative to the brick-and-mortar banks currently in existence, encouraging new technology-oriented entrepreneurs to enter this new field of business. After completion of the transition phase, DRBs may graduate to receive a license of a DFB, subject to fulfillment of minimum capital requirement and completion of a two-year progression.

> Digital banks would need a focused strategy for SMEs considering their significant share in the untapped market.

A multifaceted strategy that encompasses the following initiatives will be needed.

Choose the fields of play wisely, given the current resources, positioning and potential returns. For example, SMEs may provide higher expected take rates, but the acquisition costs may be high. Whereas large businesses may have low take rates but offer high volumes. Such choices impact business models and sustainability. Therefore, Digital Banks would need a focused strategy for SMEs considering their significant share in the untapped market.

It may not indicate that digital banks may ignore large merchants. Here, the approach may be to partner in augmenting their economic aspiration like innovating customer journeys by introducing new payment services, BNPL, both from customer experience and cost perspectives. Feasibility of all such choices is determined by the lifetime value of customer exceeding the acquisition and lifetime maintenance cost. Therefore, in many cases costs of onboarding customers by digital banks may be kept at zero, aiming that customers will gradually adopt to various products and services.

In our market, financial institutions remain under economic uncertainty and strict regulatory scrutiny requiring digital banks to build more resilient organizations equipped with sound GRC frameworks.

Data, algorithms, and AI will be at the heart of digital banking business models. High quality data about consumer behaviors, like in telco businesses, will guide the product design and customer journeys and of course the lending strategies.

These digital banks in building, claim to follow a neo banking model which is constructed around Open Banking digital architecture where various elements/ entities of banking value chain combine to form products and services to fulfil economic and financial needs of the customers.

When it comes to conventional retail banking services like having accounts, debits cards, ATM access, fund transfers and basic consumer credit, speed, ease, and trust will be the key to onboard and retain customers. For advanced services like QR payments, mobile-tap, E-giros, vehicle and other economic lending, data assets and strength of AI backed algorithms will be the success factors.

Technology-driven digital banks are designed to operate on a low-cost model, primarily by minimizing the need for physical infrastructure. Core banking systems and other IT infrastructure are typically cloud-based, significantly reducing setup costs. However, front-end systems often require continuous updates to meet customer expectations and needs.

The SBP and government are supporting by managing several initiatives and providing encouraging policy decisions. The question is given the whitespace in financial sector, as no fully digital banks in operation, and in a market having very low financial inclusion rate, will these five prospective digital banks be able create the needed impacts? Another question is, will these digital banks be able to ignite the development of national digital ecosystem? forcing the conventional financial institutions to follow the footsteps helping the country to achieve growth through financial inclusion and reducing the cash in the economy.

The answer lies in the expectation that these digital banks will be built around the customer.

They will offer speed and trust required to convince the conventional banks' customers to shift and enjoy real-time seamless banking supporting their economic activity. More importantly will they be able reach out to the unbanked customers through their digital channels, understand their needs and challenges, educate them to use DFS and help them get rid of exploiting high-cost middlemen mafias and unregulated credit providers.

If this does not happen, these banks will be the small fish in a big pond consumed sooner by the big fish.

Build an Innovative and Inclusive Digital Financial Services Ecosystem by strengthening the governance framework, encouraging technological advancements, promoting digitization of government payments and receipts, reducing currency in circulation through digitization, improving the oversight framework of payment systems, and creating awareness to mitigate risks in the use of digital financial services.

(SBP Vision 2028: SG-5)

In the News

Essential Updates and Headlines

05

Essential Updates and Headlines

(1) Faysal Bank's Conversion to Islamic Bank

Faysal Bank announced its conversion to a full-fledged Islamic bank on the first day of the calendar year. The bank converted its assets, deposits, operations, branches, and licenses from conventional to Shariah-based bank and became the second-largest Islamic bank in the industry.
This transition is said to be the biggest conversion of any conventional bank, considering the size of the operations. The transformation of Faysal Bank also provided a roadmap for other banks seeking to convert their operations from conventional to Islamic banking.

(2) MCB Bank Acquires 81% Stake in Asset Management Company

MCB Bank acquired an additional 30 percent stake in its subsidiary, MCBAH Savings and Investments, at the cost of Rs. 649 million. Through this deal, the bank received 21.6 million shares, or 30 percent, of another sponsor, Arif Habib Corporation, at a share price of Rs. 30. Hence, its overall shareholding in the subsidiary increased to over 81 percent from 51 percent.

(3) JS Bank Acquires Major Shareholding in Bank Islami

JS Bank Acquired major shares in BankIslami to convert the Islamic bank into its subsidiary with ownership of the significant shareholding. The bank increased its stakes in the Islamic bank by 75 percent by purchasing shares from the parent financial entity, JS Group.

(4) Prominent Banks Plan for Conversion to Islamic Banking

Prominent conventional banks with a separate division of Islamic banking announced their plans for full-fledged conversion to Islamic Banking in light of a verdict issued by the Federal Shariat Court last year.

(5) Bank Alfalah Acquires Stakes in QistBazaar

Bank Alfalah acquired 7.2 percent stakes in BNPL QistBazaar at a cost of Rs. 140 million. The deal can be a win-win situation for both entities in scaling up their business and profitability.
Bank Alfalah's move to invest in QistBazaar can prove a steppingstone to strengthening the fintech landscape of the country, as more banks are likely to follow suit for collaboration and investment in fintech companies.

(6) Major Banks to Set up Exchange Companies

Several banks made announcements to set up subsidiaries for providing currency exchange services. This move was driven by government's initiative to formalize the currency exchange business in the country by bringing under the umbrella of a stringent regulatory framework.

(7) Summit Bank Receives Investment from UAE

Summit Bank received a significant capital injection of Rs. 10 billion from its sponsor, a prominent UAE based investor.
Moreover, Summit Bank plans to convert its entire operation from a conventional banking system to Islamic. The board of directors approved a three-year conversion plan, and the bank has been renamed Bank Makramah Limited.

(8) Silk Bank Attracts Investors

The bank has attracted interest from MCB Bank, United Bank Limited, International Commercial Bank of South Sudan, and Pakistan Housing Finance Company for investment and merger. Currently, these financial institutions are carrying out the due diligence of the bank, which shows the increasing competition among these entities in striking a deal with Silk Bank.

9) Meezan Bank Collaborates to Launch Islamic Microfinance Services

Meezan Bank took the initiative to collaborate with SAFCO Microfinance Company Private Limited (SMCL) for the launch of Islamic microfinance services in the low-income segment of society.

The step will further accelerate the penetration of Islamic banking across the country. The microfinance company established its inaugural Islamic microfinance branch under the brand name 'Yaqeen' in Hyderabad, Pakistan.

(10) HBL to Set Up a Specialized Agri Subsidiary

Habib Bank Limited received approval from the State Bank of Pakistan to set up a specialized subsidiary for the agriculture sector. The subsidiary will work to provide financial access to farmers and other players in the agriculture sector. The institution has plans to be deeply involved in the sector's development.

Industry Numbers & Ratios 2023

06

List of Banks Included

NBP	National Bank of Pakistan
BOP	The Bank of Punjab
BOK	The Bank of Khyber
Sindh	Sindh Bank Limited
HBL	Habib Bank Limited
UBL	United Bank Limited
ABL	Allied Bank limited
MCB	MCB Bank Limited
BAH	Bank Al-Habib Limited
BAF	Bank Al-Falah Limited
HMBL	Habib Metropolitan Bank Limited
JS	JS Bank Limited
SAMBA	Samba Bank Limited
Askari	Askari Bank Limited
SCB	Standard Chartered Bank (Pakistan) Limited
Soneri	Soneri Bank Limited
Meezan	Meezan Bank Limited
Islami	Bank Islami Pakistan Limited
DIB	Dubai Islamic Bank Pakistan
Albaraka	Al-Baraka Bank (Pakistan) Limited
MCBIB	MCB Islamic Bank Limited
Faysal	Faysal Bank Limited

Industry Numbers & Ratios 2023

Consolidated statement of financial position as at 31 December 2023 (Rs in Mn)	2023	2022
Assets		
Cash and balances with treasury banks	2,896,841	1,747,023
Balances with other banks	316,082	212,023
Lendings to financial institutions	1,146,403	980,638
Investments	24,971,055	17,213,254
Advances	12,333,275	11,948,962
Fixed assets (Including Right of use assets)	932,052	764,450
Intangible assets	85,566	74,044
Deferred tax assets	61,514	139,308
Other assets	2,140,012	1,298,690
Total assets	**44,882,802**	**34,378,393**
Liabilities		
Bills payable	415,486	436,232
Borrowings	10,093,427	6,825,499
Deposits and other accounts	29,349,375	23,237,949
Liabilities against assets subject to finance lease	216	133
Liabilities against ROUA	8,683	8,761
Subordinated debt	175,811	157,646
Deferred tax liabilities	24,894	6,311
Other liabilities	2,141,635	1,683,755
Total liabilities	**42,209,527**	**32,356,285**
Net assets	**2,673,276**	**2,022,108**
Represented by		
Share capital / head office capital account / Islamic Banking Fund	367,479	347,210
Share Deposit Money	-	-
Reserves	740,689	600,326
Surplus / (deficit) on revaluation of assets	283,736	116,264
Unappropriated profit(Loss) / unremitted profit	1,245,986	938,376
Total equity attributable to the equity holders of the Bank	**2,637,890**	**2,002,176**
Non-controlling interest	35,385	19,932
	2,673,276	**2,022,108**

Industry Numbers & Ratios 2023

Consolidated profit and loss account for the year ended 31 December 2023 (Rs in Mn)	2023	2022
Mark-up / return / Profit /interest earned	5,995,492	3,283,387
Mark-up / return / Profit /interest expensed	(4,147,190)	(2,156,286)
Net markup / interest income	**1,848,303**	**1,127,102**
Non-markup / interest income		
Fee, commission and brokerage income	225,770	177,672
Dividend income	20,915	18,691
Share of profit of associates and joint ventures	11,877	4,949
Foreign exchange income/(loss)	99,272	102,378
Gain / (Loss) from derivatives	3,083	1,914
Gain / (loss) on securities -n et (Realized gain + Unrealized gain on HFT Inv)	(1,133)	877
Other income	17,651	15,827
Gain on disposal of associates	-	-
Total non-markup interest income	**377,433**	**322,308**
Total Income	**2,225,736**	**1,449,410**
Non-mark-up / Interest expense		
Operating expenses	910,902	692,776
Worker's welfare fund	22,340	12,369
Other charges	3,665	2,162
Total non-mark-up / interest expenses	**936,906**	**707,307**
Profit before Provisions and Taxation	1,288,830	742,103
(Reversal)/Provisions and write offs - net	79,145	78,546
Extraordinary/Unusual items	3,577	-
Profit before taxation	**1,213,261**	**663,557**
Taxation	611,180	346,177
Profit after taxation	**602,081**	**317,381**
(Loss)/Gain from Discontinued operations	-	21
PAT from Cont. and Discontinued. Operations	**602,081**	**317,402**

Industry Numbers & Ratios 2023

	Ranking by Total Assets		Capital Adequacy Ratio		Current Deposit Mix		Return on Avg. Asset		Return on Avg. Equity		Net Interest Margin	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
NBP	1	1	25.8%	22.0%	53.6%	49.2%	0.89%	0.68%	15.07%	10.23%	2.85%	2.51%
UBL	2	3	14.6%	17.4%	43.1%	44.0%	1.27%	1.11%	21.93%	14.02%	2.79%	4.10%
HBL	3	2	16.0%	14.8%	33.4%	40.3%	1.14%	0.77%	17.74%	12.10%	5.37%	4.15%
BAF	4	7	16.4%	13.7%	37.9%	44.5%	1.29%	0.92%	29.86%	18.04%	4.32%	3.95%
Meezan	5	4	22.5%	18.6%	48.3%	46.9%	3.07%	2.01%	55.65%	43.08%	8.86%	5.27%
BAH	6	6	16.0%	14.8%	46.1%	49.1%	1.43%	0.81%	32.16%	17.93%	5.26%	3.89%
MCB	7	5	19.8%	18.0%	43.6%	44.6%	2.63%	1.57%	29.93%	18.52%	7.79%	4.98%
ABL	8	8	26.2%	19.7%	40.3%	37.8%	1.80%	1.00%	25.22%	16.35%	5.88%	3.37%
BOP	9	10	18.4%	13.0%	17.2%	17.6%	0.61%	0.80%	15.47%	17.80%	2.20%	2.40%
Askari	10	9	18.4%	16.0%	27.3%	30.6%	1.18%	1.01%	25.19%	21.74%	3.27%	2.97%
HMB	11	11	17.9%	14.6%	36.9%	34.9%	1.69%	1.13%	28.53%	20.50%	5.41%	3.35%
Faysal	12	12	17.5%	15.5%	30.9%	34.5%	1.66%	1.18%	25.07%	16.73%	6.12%	4.34%
JS	13	14	16.7%	13.8%	32.0%	28.0%	1.12%	0.18%	24.95%	4.63%	3.84%	2.78%
SCB	14	13	20.1%	18.7%	50.2%	39.2%	4.42%	2.25%	46.39%	23.75%	11.60%	5.99%
Soneri	15	15	18.4%	15.2%	26.2%	28.8%	0.98%	0.32%	24.42%	8.80%	4.42%	2.18%
Islami	16	16	23.8%	17.8%	34.8%	38.4%	1.86%	1.00%	33.60%	18.08%	7.17%	5.05%
DIB	17	17	18.0%	15.6%	28.4%	24.9%	1.53%	0.98%	19.98%	13.58%	8.29%	5.19%
BOK	18	19	18.3%	14.9%	16.8%	17.0%	0.96%	0.13%	18.96%	2.76%	4.23%	2.30%
Sindh	19	18	17.6%	7.5%	25.8%	26.0%	0.68%	-0.43%	10.68%	-7.42%	3.95%	1.79%
MCBIB	20	21	23.8%	20.4%	27.6%	27.7%	2.21%	0.86%	26.85%	11.49%	7.66%	5.04%
Albaraka	21	20	19.3%	15.8%	26.9%	18.9%	1.27%	0.67%	18.89%	10.78%	6.33%	4.31%
SAMBA	22	22	21.3%	18.7%	22.2%	22.4%	0.69%	-0.23%	7.97%	-2.80%	5.39%	3.01%

Industry Numbers & Ratios 2023

	Cost Income Ratio		Spread		Operational Efficiency		Liquid assets to total assets		Liquid assets to total deposits		Average advances to average deposits	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
NBP	44.4%	50.9%	5.4%	4.7%	58.3%	32.4%	71.6%	69.0%	129.9%	135.9%	45.9%	45.6%
UBL	40.8%	39.3%	5.0%	2.5%	47.0%	17.5%	77.3%	52.1%	173.1%	76.2%	33.8%	26.3%
HBL	56.8%	58.8%	7.2%	6.0%	32.7%	21.2%	54.2%	50.3%	72.4%	67.2%	46.0%	45.9%
BAF	41.6%	49.9%	6.5%	5.3%	45.4%	24.5%	68.8%	57.8%	110.6%	87.7%	34.6%	44.7%
Meezan	27.3%	33.0%	11.6%	6.4%	28.0%	15.7%	61.1%	55.5%	83.2%	86.4%	30.7%	37.1%
BAH	47.5%	52.6%	5.6%	4.2%	36.0%	21.2%	59.6%	55.7%	84.5%	80.8%	39.0%	43.0%
MCB	29.7%	39.2%	7.9%	3.5%	36.7%	19.5%	60.1%	53.0%	80.2%	78.6%	38.6%	45.4%
ABL	34.2%	45.7%	6.6%	2.9%	37.1%	22.2%	55.7%	54.3%	77.5%	80.5%	37.9%	46.0%
BOP	63.5%	66.7%	8.4%	4.1%	38.1%	21.1%	52.3%	52.2%	76.2%	63.0%	48.5%	45.9%
Askari	39.6%	43.8%	4.9%	4.4%	41.7%	24.2%	63.5%	54.8%	104.3%	73.2%	48.4%	47.6%
HMB	32.9%	40.4%	5.9%	2.8%	36.1%	24.6%	65.6%	61.6%	102.0%	98.8%	34.9%	38.6%
Faysal	47.8%	55.2%	8.2%	6.3%	26.6%	19.5%	48.6%	48.9%	65.5%	67.3%	44.8%	49.2%
JS	58.6%	83.2%	6.7%	4.1%	26.4%	31.5%	53.8%	53.6%	65.7%	71.9%	40.8%	47.5%
SCB	15.3%	20.5%	13.3%	7.5%	31.6%	25.2%	71.0%	65.4%	98.9%	84.4%	30.0%	32.8%
Soneri	51.9%	73.8%	3.9%	4.3%	42.4%	29.7%	53.9%	58.2%	68.5%	82.3%	32.3%	25.8%
Islami	37.1%	49.0%	10.8%	7.2%	27.2%	17.2%	56.9%	50.1%	42.1%	45.6%	43.0%	50.4%
DIB	36.2%	44.2%	10.6%	8.1%	18.4%	14.2%	31.8%	35.4%	42.1%	45.6%	67.9%	70.1%
BOK	53.5%	77.9%	2.8%	4.9%	49.0%	29.5%	66.0%	58.2%	87.4%	80.6%	35.4%	52.5%
Sindh	80.9%	103.7%	3.1%	4.5%	64.4%	52.9%	72.6%	80.1%	97.8%	128.7%	33.0%	32.3%
MCBIB	39.1%	63.6%	8.3%	6.8%	29.1%	17.7%	58.9%	47.2%	76.9%	61.0%	44.8%	63.8%
Albaraka	49.4%	62.9%	7.4%	6.4%	33.9%	23.8%	58.5%	52.7%	72.1%	66.2%	42.9%	49.8%
SAMBA	51.2%	81.3%	4.1%	5.4%	31.5%	27.2%	48.9%	50.4%	76.1%	85.7%	62.1%	75.7%

Industry Numbers & Ratios 2023

	Infection Ratio		Advances to total assets		Earning per share		Market Price		Market Capitalization	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
NBP	13.6%	14.3%	21.0%	23.4%	25.0	14.5	32.1	23.6	68,314	50,188
UBL	11.3%	8.0%	14.8%	36.8%	45.0	25.8	177.8	100.8	217,708	123,336
HBL	5.2%	4.9%	33.6%	38.4%	39.0	23.2	110.8	63.7	162,586	93,482
BAF	4.8%	4.0%	21.9%	32.5%	23.2	10.4	48.5	30.1	76,508	47,536
Meezan	1.7%	1.3%	31.9%	38.6%	47.7	25.1	161.4	99.5	289,037	178,139
BAH	2.8%	1.8%	31.7%	35.8%	32.3	15.0	80.5	55.3	89,514	61,440
MCB	7.8%	6.0%	25.0%	37.2%	54.9	29.0	172.6	116.2	204,482	137,657
ABL	1.6%	1.5%	33.5%	37.5%	36.1	18.6	83.0	64.0	95,041	73,250
BOP	6.0%	8.2%	36.4%	39.9%	3.4	3.3	6.5	4.6	21,200	13,592
Askari	4.4%	5.1%	29.8%	38.3%	14.8	9.7	23.2	20.1	33,682	25,331
HMB	4.5%	4.7%	27.6%	32.0%	23.4	13.7	55.3	34.0	57,966	35,574
Faysal	3.8%	4.6%	42.4%	42.3%	13.3	7.5	32.6	25.8	49,447	39,202
JS	8.3%	6.8%	35.3%	37.3%	6.0	0.8	9.0	4.7	18,538	6,085
SCB	8.7%	9.0%	22.0%	23.3%	11.0	5.1	35.5	19.8	137,248	76,657
Soneri	4.9%	4.7%	31.2%	36.0%	5.5	1.7	10.5	10.0	11,587	11,025
Islami	9.0%	9.0%	35.2%	41.3%	9.6	4.0	22.2	13.4	24,613	14,812
DIB	6.1%	3.8%	56.4%	55.6%	5.8	3.4	-	-	-	-
BOK	12.1%	8.7%	26.5%	37.0%	3.2	0.4	12.2	13.0	13,421	14,336
Sindh	41.7%	48.5%	17.3%	12.6%	0.8	-0.5	-	-	-	-
MCBIB	2.2%	1.9%	33.5%	45.4%	3.3	1.1	1.7	-	2,683	-
Albaraka	13.9%	12.2%	31.2%	37.0%	2.3	1.1	-	-	-	-
SAMBA	9.1%	6.5%	41.1%	41.6%	1.2	-0.4	10.7	12.5	10,828	12,553

Indicative Financial Position

Assets as at 31 December 2023

	Cash and Bank	Investments	Lendings to Financial Institutions	Loans and advances – Net of provision	Operating fixed assets and Intangible assets	Other assets	Total Assets
	Rupees in Mn						
NBP	338,460	4,414,174	192,430	1,398,073	66,999	258,737	6,668,874
UBL	310,786	4,435,751	39,316	872,041	87,624	159,157	5,904,675
HBL	604,132	2,562,299	88,598	1,861,345	164,615	253,359	5,534,348
BAF	219,683	2,072,157	119,554	735,062	63,201	140,011	3,349,668
Meezan	254,070	1,578,342	34,964	961,673	61,533	128,733	3,019,316
BAH	148,479	1,504,488	1,650	868,868	79,797	138,919	2,742,202
MCB	228,053	1,372,344	89,713	670,673	90,598	228,704	2,680,085
ABL	158,580	1,154,597	9,418	780,296	125,812	104,346	2,333,050
BOP	109,455	913,088	143,326	807,545	35,318	207,471	2,216,204
Askari	174,849	1,182,498	-	633,046	28,881	106,500	2,125,773
HMB	112,737	920,635	5,496	433,633	23,776	77,387	1,573,663
Faysal	85,849	589,955	-	580,711	42,849	71,920	1,371,285
JS	87,485	582,645	16,502	434,453	36,591	72,325	1,230,001
SCB	119,921	226,712	365,241	220,183	38,762	31,129	1,001,948
Soneri	45,665	310,341	-	205,754	17,401	79,401	658,562
Islami	42,663	314,084	16,502	230,194	19,807	31,541	654,791
DIB	32,887	121,362	2,900	243,068	7,091	23,685	430,992
BOK	27,856	223,348	2,000	101,588	7,377	21,017	383,186
Sindh	54,972	166,398	-	52,529	4,170	25,003	303,072
MCBIB	22,277	132,544	2,500	89,347	6,316	14,015	267,000
Albaraka	23,560	122,881	8,099	79,756	5,545	15,532	255,374
SAMBA	10,504	70,412	8,192	73,436	3,555	12,634	178,734
2023 Total	3,212,924	24,971,055	1,146,403	12,333,275	1,017,618	2,201,527	44,882,802
2022 Total	1,959,046	17,213,254	980,638	11,948,962	838,494	1,437,999	34,378,393
Increase/(Decrease)	64.0%	45.1%	16.9%	3.2%	21.4%	53.1%	30.6%

KPMG

Indicative Financial Position

Liabilities and Equity as at 31 December 2023

	Bills payable	Borrowings	Deposits	Sub-ordinated loans	Other liabilities	Equity	Total
	Rupees in Mn						
NBP	68,000	2,177,743	3,673,110	-	352,606	397,414	6,668,874
UBL	21,735	2,823,888	2,634,716	10,000	128,464	285,873	5,904,675
HBL	51,701	665,043	4,142,352	19,699	289,533	366,021	5,534,348
BAF	26,005	910,216	2,084,941	14,000	174,883	139,623	3,349,668
Meezan	39,724	377,495	2,217,421	20,990	173,670	190,017	3,019,316
BAH	48,083	477,438	1,933,731	29,985	125,237	127,727	2,742,202
MCB	27,271	235,664	2,009,829	-	165,570	241,751	2,680,085
ABL	9,322	373,674	1,676,590	-	76,138	197,326	2,333,050
BOP	5,508	453,966	1,520,836	30,205	125,118	80,571	2,216,204
Askari	12,394	643,363	1,292,795	12,000	67,526	97,696	2,125,773
HMB	28,353	335,271	1,011,486	-	100,364	98,189	1,573,663
Faysal	16,550	166,887	1,018,265	-	78,657	90,925	1,371,285
JS	10,794	88,032	1,007,819	11,345	52,023	59,988	1,230,001
SCB	18,332	48,265	719,535	-	119,593	96,223	1,001,948
Soneri	8,738	68,742	517,869	7,998	26,602	28,613	658,562
Islami	5,125	60,659	522,541	2,850	27,245	36,372	654,791
DIB	4,395	33,909	324,877	7,120	23,527	37,165	430,992
BOK	3,759	50,461	289,292	-	19,374	20,301	383,186
Sindh	899	38,267	224,842	-	14,235	24,828	303,072
MCBIB	2,175	25,814	204,460	-	12,514	22,036	267,000
Albaraka	5,646	7,650	207,338	4,624	11,863	18,253	255,374
SAMBA	975	30,982	114,732	4,995	10,687	16,363	178,734
2023 Total	415,486	10,093,427	29,349,375	175,811	2,175,428	2,673,276	44,882,802
2022 Total	436,232	6,825,499	23,237,949	157,646	1,698,960	2,022,108	34,378,393
Increase/(Decrease)	-4.8%	47.9%	26.3%	11.5%	28.0%	32.2%	30.6%

Indicative Income Statement

for the year ended 31 December 2023

	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
	Rupees in Mn								
NBP	169,354	44,772	95,159	118,681	15,382	103,299	49,978	-	53,321
UBL	148,975	22,969	70,094	99,451	(11,133)	110,585	54,114	-	56,471
HBL	242,133	57,451	170,231	126,817	13,266	113,551	55,794	-	57,757
BAF	125,952	30,087	64,982	89,062	10,325	78,738	42,651		36,086
Meezan	226,493	25,647	68,772	179,407	7,340	172,067	86,044	-	86,023
BAH	124,144	24,353	70,525	76,183	4,175	72,007	36,077	-	35,930
MCB	165,422	36,746	60,128	138,594	1,075	137,519	72,248	-	65,271
ABL	112,913	26,563	47,681	89,786	2,977	86,809	45,508	-	41,301
BOP	40,992	17,753	37,304	21,062	(67)	21,129	9,876	-	11,254
Askari	59,451	13,264	28,786	43,149	966	42,183	20,642	-	21,540
HMB	73,198	15,422	29,147	58,226	5,102	53,124	27,888	-	25,236
Faysal	71,071	13,217	40,248	43,034	1,187	41,846	21,600	-	20,247
JS	39,515	13,202	30,902	21,403	6,648	18,331	7,946	-	10,385
SCB	94,159	13,325	16,485	89,058	(163)	89,221	46,599	-	42,622
Soneri	22,759	6,459	15,154	13,746	1,389	12,357	6,282	-	6,075
Islami	40,184	3,371	16,160	26,975	6,887	20,089	9,478	-	1 0,610
DIB	30,436	3,795	12,405	21,404	7,372	14,032	7,313	-	6,719
BOK	13,893	2,109	8,560	7,407	705	6,702	3,220	-	3,481
Sindh	8,613	1,865	8,478	1,941	1,154	788	(1,469)	-	2,256
MCBIB	17,184	1,737	7,390	11,272	704	10,568	5,414	-	5,153
Albaraka	13,363	2,117	7,646	7,691	1,567	6,124	3,020	-	3,104
SAMBA	8,101	1,208	4,765	4,480	2,286	2,193	958	-	1,235
2023 Total	1,848,303	377,433	910,902	1,288,830	79,145	1,213,261	611,180	-	602,081
2022 Total	1,127,102	322,308	692,776	742,103	78,546	663,557	346,177	-	317,402
Increase/(Decrease)	64.0%	17.1%	31.5%	73.7%	0.8%	82.8%	76.6%	-100.0%	89.7%

Definitions

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.

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.

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