

Commercial Banking

Sector Overview

June 2017

Banking Snapshot | Key Figures

		Deposit Share	
		Dec16	Dec15
Scheduled Banks	34	100%	100%
Commercial Banks	30	99.4%	99.6%
Domestic Banks	26	98.2%	98.5%
Local Private Banks	21	77.8%	79.1%
Public Sector Banks	5	20.4%	19.4%
Foreign Banks	4	1.2%	1.0%
Specialized Banks	4	0.6%	0.4%

- United Bank upgraded to AAA in Jun-16
- Bank of Punjab upgraded to AA in Sep-16
- JS Bank upgraded to AA- in Oct-16
- Bank Alfalah upgraded to AA+ in Feb-17

Total Deposits and other Accounts

Dec16: 11,798 bln
(YoY: ~14%)

Gross Advances

Dec16: 6,013 bln
(YoY: ~13%)

No.of Depositors [Scheduled Banks]

Dec16: 46.5 mln
(YoY: ~7%)

No. of Borrowers [Scheduled Banks]

Dec16: 3.4 mln
(YoY: ~ 6%)

Total Branches [Scheduled Banks]

Dec16: 12,993
(YoY: ~10%)

ATMs

Dec16: 12,253
(YoY: ~11%)

Industry in Consolidation

- MCB - NIB Merger
- Sindh – Summit Merger

Pakistan Public Debt Profile

PKR bln

	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
Govt domestic borrowing	14,278	12,878	11,816	10,596	8,328
Bank*	6,370	6,110	4,811	3,760	3,444
Non bank	1,513	1,457	1,704	1,245	886
SBP	3,055	2,164	2,401	2,953	1,611
NSS	3,340	3,147	2,900	2,638	2,387
Govt Foreign borrowing	6,533	5,976	5,378	5,263	5,240
Pakistan total Public Debt	20,811	18,854	17,194	15,859	13,568
GDP	33,949	30,657	29,391	25,054	22,170
Total Public Debt as a % of GDP	61.3%	61.5%	58.5%	63.3%	61.2%

Govt. Securities Mix held by Banks*	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
PIBs	47%	52%	55%	20%	18%
T-Bills	49%	42%	37%	73%	76%
Others	4%	6%	8%	7%	6%
	30.5500%	21.6400%	24.0100%	29.5300%	16.1100%
Bank Borrowings as % of Govt. Domestic Borrowings	45%	47%	41%	35%	41%
Bank Borrowings as % of Total Public Debt	31%	33%	28%	24%	25%

Interest Rate

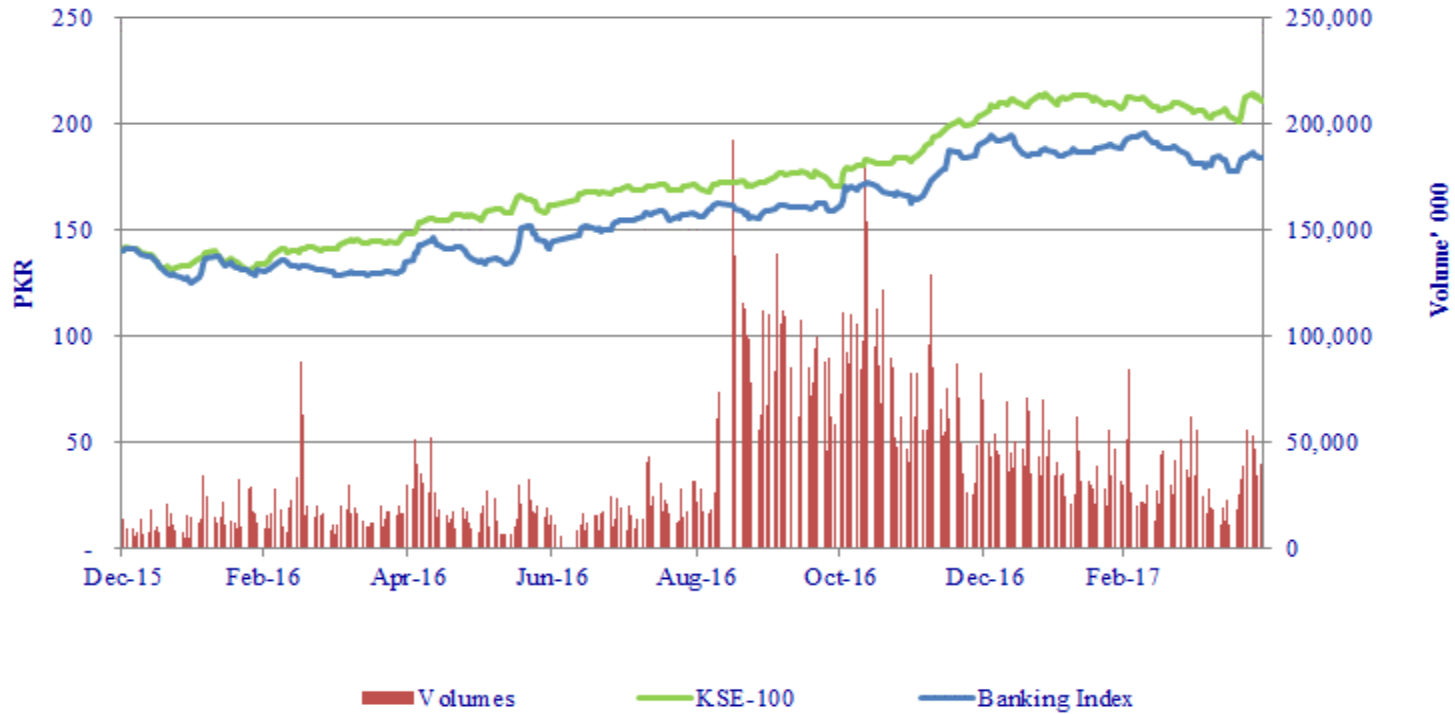


		Rate Change			
		MPS Dates	Reverse Repo	Repo	Policy Rate
CY15	26-Jan-15		8.50%	6.00%	-
	24-Mar-15		8.00%	5.50%	-
	25-May-15		7.00%	5.00%	6.50%
	25-Jul-15		7.00%	5.00%	6.50%
	14-Sep-15		6.50%	4.50%	6.00%
	12-Nov-15		6.50%	4.50%	6.00%
CY16	30-Jan-16		6.50%	4.50%	6.00%
	9-Apr-16		6.50%	4.50%	6.00%
	23-May-16		6.25%	4.25%	5.75%
	30-Jul-16		6.25%	4.25%	5.75%
	24-Sep-16		6.25%	4.25%	5.75%
	28-Jan-17		6.25%	4.25%	5.75%

	CY14				CY15				CY16				CY17
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	May
6M Kibor - monthly average	10.10	10.17	10.19	9.65	8.18	6.89	6.81	6.52	6.42	6.11	6.05	6.15	6.16
5Yr PIB yield - period end	12.55	12.55	12.99	10.80	8.66	8.88	8.24	7.99	7.46	6.88	6.69	6.69	6.89
6M Tbills - period end	9.98	9.97	9.98	9.47	7.89	6.94	6.48	6.39	6.28	5.96	5.90	5.90	6.01

Listed Banks (20) | Stock Performance

Performance | Banking Industry Vs. KSE-100



	1QCY17	CY16	CY15
Banking Sector Return	-5.1%	36.1%	-15.4%
KSE-100 Index Return	0.7%	45.7%	2.1%
Delta	-5.8%	-9.6%	-17.5%

Credit Risk | Scheduled Banks

	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
	PKR bln				
Gross Advances	6,013	5,330	4,930	4,579	4,247
Growth YoY	13%	8%	8%	8%	14%
Advances (net of Provision)	5,499	4,816	4,447	4,110	3,805
Growth YoY	14%	8%	8%	8%	19%
NPLs	605	605	605	607	618
Growth YoY	0%	0%	0%	-2%	12%
Provision	(514)	(514)	(483)	(469)	(442)
Growth YoY	0%	7%	3%	6%	15%
Equity incl. Rev Surplus	1,353	1,323	1,207	943	873
Growth YoY	2%	10%	28%	8%	19%
Risk Weighted Assets	7,800	6,865	6,260	5,603	5,246

	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
Infection Ratio	10.1%	11.4%	12.3%	13.0%	14.5%
Coverage	85.0%	84.9%	79.8%	77.1%	71.5%
Drag on Equity (incl Rev Surplus)	6.7%	6.9%	10.1%	14.7%	20.2%
CAR	16.7%	17.3%	17.5%	15.4%	15.4%

	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
ADR	46.6%	46.4%	48.2%	48.6%	51.5%
Liquid Assets / Deposits	72%	73%	65%	60%	54%

Advances Book | Segmental Analysis | Scheduled Banks*

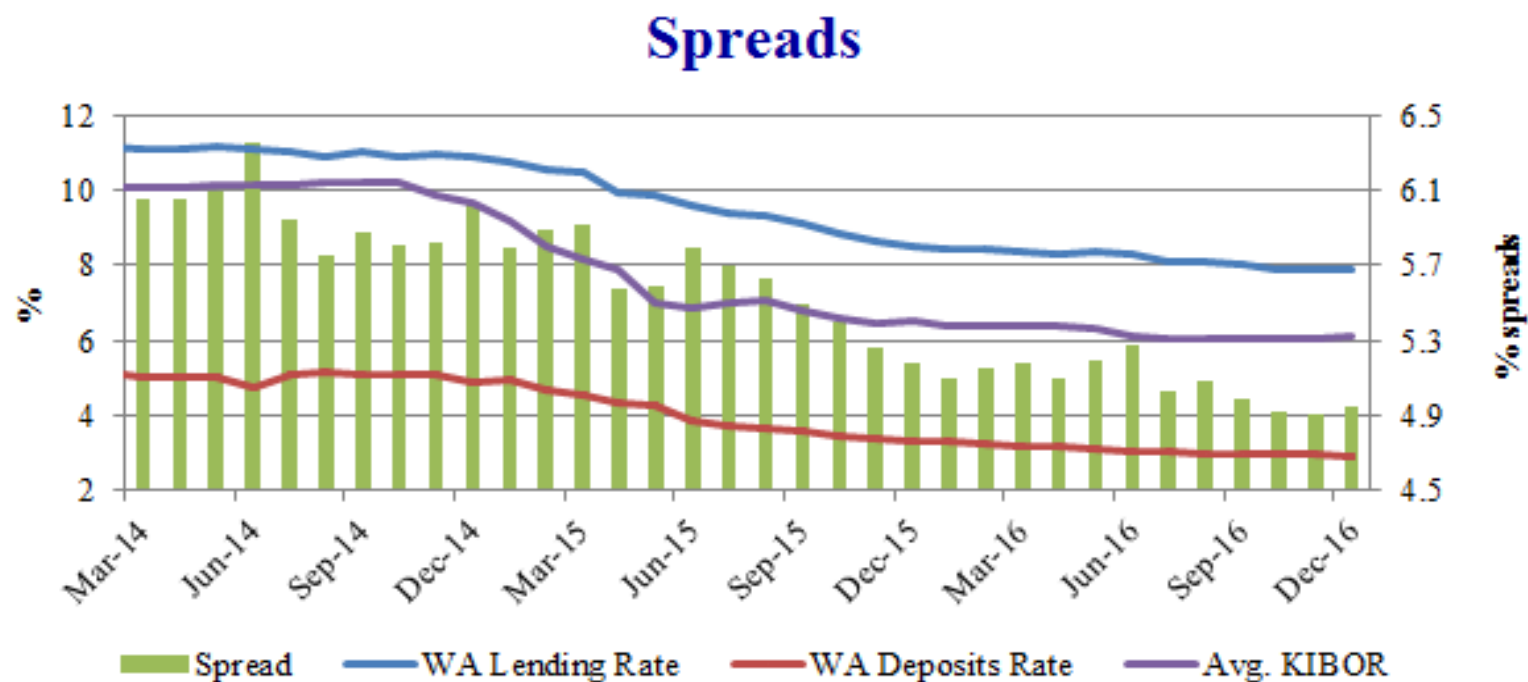
Sectors	Dec-16		Dec-15		Dec-14		Dec-13	
	Advances (PKR bln)	Infection Ratio	Advances (PKR bln)	Infection Ratio	Advances (PKR bln)	Infection Ratio	Advances (PKR bln)	Infection Ratio
Textile	852	22.6%	762	26.0%	792	25.0%	779	26.2%
Energy	892	3.5%	681	6.0%	621	4.7%	493	3.0%
Individuals	550	10.5%	455	10.1%	433	12.3%	383	12.3%
Agribusiness	548	7.6%	474	8.5%	394	9.4%	340	10.2%
Chemicals	250	5.1%	224	6.0%	190	8.5%	150	8.9%
Financial	183	5.8%	148	6.5%	125	6.1%	121	6.8%
Others	2,737	9.0%	2,586	9.7%	2,374	11.1%	2,561	11.7%
Total	6,013	10.1%	5,330	11.4%	4,930	12.3%	4,827	13.0%

Segments	Dec-16		Dec-15		Dec-14		Dec-13	
	Advances (PKR bln)	Infection Ratio	Advances (PKR bln)	Infection Ratio	Advances (PKR bln)	Infection Ratio	Advances (PKR bln)	Infection Ratio
Corporate Sector	4,057	10.6%	3,534	12.3%	3,289	13.0%	3,014	13.4%
Commodity financing	619	0.7%	594	1.2%	549	1.0%	479	1.1%
Consumer sector	372	8.1%	336	8.7%	294	11.6%	273	13.6%
<i>i. Auto loans</i>	126	2.1%	95	2.8%	71	5.1%	56	6.6%
<i>ii. Mortgage loans</i>	62	17.7%	54	24.8%	52	27.0%	53	28.5%
<i>iii. Credit cards</i>	28	8.3%	25	9.7%	23	10.5%	21	10.5%
<i>iv. Consumer durable</i>	0	21.2%	0	21.0%	0	20.3%	0	35.3%
<i>v. Other personal loans</i>	156	9.2%	161	6.5%	148	9.5%	143	11.3%
Agriculture Sector	294	12.9%	291	13.0%	264	12.4%	231	14.0%
SMEs Sector	405	20.3%	318	26.1%	299	30.5%	284	32.3%
Staff Loans	104	1.4%	103	1.2%	94	1.3%	86	1.5%
Others	162	10.5%	154	8.6%	141	7.5%	139	8.9%
Total	6,013	10.1%	5,330	11.4%	4,930	12.3%	4,505	13.0%

*This includes commercial bank (30) and 04 specialized banks (1. ZTBL, 2. SME Bank, 3. Punjab Provincial Co-operative Bank, and 4. Industrial Development Bank)

Source: SBP - Banking Compendium

Spreads | Scheduled Banks



	CY14				CY15				CY16			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Avg. WA Lending Rate	11.2	11.1	11.0	10.9	10.6	9.8	9.3	8.7	8.4	8.3	8.1	7.9
Avg. WA Deposits rate	5.1	4.9	5.1	5.0	4.7	4.2	3.7	3.4	3.3	3.1	3.0	3.0
Avg. Spread	6.0	6.2	5.9	5.9	5.9	5.7	5.6	5.3	5.1	5.2	5.0	4.9
Avg. KIBOR	10.1	10.2	10.2	9.9	8.6	7.3	7.0	6.5	6.4	6.3	6.0	6.0

Profitability | Scheduled Banks

					PKR bln
	CY16	CY15	CY14	CY13	CY12
Net Interest Income (PKR bln)	485	496	415	332	340
Growth YoY	-2%	20%	25%	-2%	0%
Non- Interest Income (PKR bln)	196	209	167	140	138
Growth YoY	-6%	25%	19%	2%	26%
Expenses (PKR bln)	361	337	310	271	258
Growth YoY	7%	9%	14%	5%	12%
(Provisions) / Reversals	(5)	(39)	(25)	(36)	(32)
Growth YoY	-86%	54%	-30%	12%	-38%
Profit (Loss) After Tax (PKR bln)	190	199	163	111	121
Growth YoY	-5%	22%	47%	-9%	10%
Cost to Total Net Revenue	53%	48%	53%	57%	54%
ROE	14.2%	15.7%	15.2%	12.2%	14.6%

Islamic Banking | Snapshot

		PKR bln				
Islamic Banking		CY16	CY15	CY14	CY13	CY12
P&L	Net Interest Income	50	48	39	31	29
	Non - Interest Income	12	11	11	8	7
	Profit / (Loss) After Tax	12	12	13	8	8
B/S	Financing - Net	821	645	409	315	231
	Deposits And Other Accounts	1,573	1,375	1,070	868	706
	Total Equity	124	106	82	70	63
Islamic Banking Share in Domestic Commercial Banks		CY16	CY15	CY14	CY13	CY12
P&L	Net Interest Income	11%	10%	10%	10%	9%
	Non-Interest Income	6%	6%	7%	6%	6%
	Profit / (Loss) After Tax	7%	7%	8%	7%	7%
B/S	Financing - Net	15%	14%	10%	8%	6%
	Deposits And Other Accounts	14%	13%	12%	11%	10%
	Total Equity	10%	9%	8%	8%	8%

Banking Sector | Challenges & Opportunities

Challenges

- Low interest rates have squeezed spreads on private lending
- Maturity of high yielding PIBs; putting a drag on banks' earnings
- Withholding tax on banking transactions; limiting flow of volumes
- Continuation of Super Tax in FY18 budget
- Rise of technology; challenging the age old brick and mortar traditional banks on technology front

Opportunities

- Uptick in economic activity
- CPEC and overall improvement in economic activity is likely to enhance borrowing appetite of domestic industries
- Consumer financing resulting in higher consumer credit offtake

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