Chapter No. 5

Money and Credit

Functioning of the financial markets, monetary stability and economic growth are closely related, due to the fact that monetary policy transmission signals work through the channels of financial markets and bank-based intermediation. Therefore an efficient financial system is a pre-requisite for stronger economic growth. For a successful financial system, financial intermediaries play a significant role, since they are critical for the successful allocation of capital among lenders and borrowers. In carrying out their functions, financial intermediaries reduce the exposure to potential risks by sharing the risks among various investors and consequently enhance the risk diversification. Furthermore, these intermediaries resolve an information asymmetry problem as it affects the sense of balance that any market needs to remain in a stable situation and reduce the transaction cost substantially. Thus it is evident that a strong financial system plays a vital role in improving the performance of the economy.

The global economy, after witnessing a benign macroeconomic environment for an extended period, has experienced a significant financial meltdown since August 2007 that started with emergence of the sub-prime mortgage loan portfolio, and badly shook the confidence in the financial markets around the world. The magnitude and the impact of the global crisis vary across regions and countries, depending on their domestic macroeconomic situation and extent of global integration. Advanced countries are facing severe liquidity crisis while some large Asian countries have been able to recover on the back of their strong reserve positions.

Notwithstanding precarious operating environment in the financial sector caused by confluence of factors emanating from both the domestic and international economic and financial developments, Pakistan's banking sector has shown remarkable resilience to global worsening. There has been a significant enhancement of capital and risk-weighted capital adequacy, supported by high provisioning requirements, which were tightened in 2007. Similarly, aggregate financial indicators presented a healthy picture and continued to exhibit strong performance. Capital adequacy of the banking system is strong at 12.1 percent at end-June 2008.

5.1 Monetary Policy Stance

The easy monetary policy stance during the years 2001-03 adopted to instigate a dormant economy in the absence of fiscal stimulus was successful in inducing a massive increase in aggregate demand, leading to increased capacity utilization in the economy, especially in the manufacturing sector, and driving real GDP growth to over 8 percent for the first time since 1984-85. A gradual shift in the monetary policy stance as rising inflation became a source of concern. Although the SBP raised interest rates steadily through the first 9 months of 2004-05, monetary policy largely remained accommodative. The rebirth of inflationary pressure, due to a surge in food prices and hike in oil prices signaled a tightening of the monetary policy.

The same tight monetary policy stance continued despite declines in both core and overall inflation in 2005-06. Notwithstanding the tight monetary policy stance, the SBP continued to strike a balance between promoting growth and containing inflation on the one hand and maintaining a stable exchange rate environment on the other. The tight monetary policy stance continued till April 2009. The increase in interest rates was in conformity with the international rising trends and these measures were also taken to curtail the lending ability of the commercial banks to the private sector. It aimed to curb strong domestic demand that was one of the main driving forces for fueling inflation. Demand pressures persisted during the last five years as reflected by high growth in credit to private sector, rising imports resulting in the widening of the current account deficit and an expansionary fiscal policy. Demand pressures as reflected by widening of fiscal and current account deficits and double-digit food inflation peaked in 2007-08.

During 2007-08, the SBP continued with tight monetary policy stance, thrice raising the discount rate and increased the Cash Reserve requirement (CRR) and Statutory Liquidity Requirement (SLR). In the light of continued inflationary buildup and increasing pressures in the foreign exchange market, the SBP announced a package of monetary measures on May 21, 2008 that included;(i) an increase of 150 bps in discount rate to 12 percent; (ii) an increase of 100 bps in CRR and SLR to 9 percent and 19 percent, respectively for banking institutions (iii) introduction of a margin requirement for the opening of letter of credit for imports (excluding food and oil) of 35 percent, and (iv) establishment of a floor of 5 percent on the rate of return on profit and loss sharing and saving accounts.

The year 2008-09 is characterized by a reduction in CRR by 2 percent in two equal phases to help alleviate the liquidity issues of the banking system. Later on, the SBP announced a 200 bps hike in discount rate to 15 per cent on November 12, 2008 in response to persistent hike in core inflation and current account deficit in a last ditch effort to demand compression. Following a slight reversal in the mounting inflationary and demand pressures, the SBP announced a downward adjustment of policy rate by 100 bps on April 20, 2009. SBP's tight monetary policy and rationalization of fiscal subsidies and expenditure controls are the key factors that contributed a reasonable progress towards macroeconomic stability. The private consumption grew by 5.2 percent in real term during 2008-09 which implies that notwithstanding substantial reduction in the fiscal and current account deficits, demand pressures are still confronting monetary management.

Improved fiscal discipline and falling international oil and commodity prices have started to ease the domestic inflationary pressures to some extent but supply shocks are working in opposite direction. CPI is moderating to some extent after rising to a record high of 25.3 percent in August 2008 to 17.2 percent in April 2009; however, in the global and regional comparison it is still significantly high. During July-March 2008-09 the fiscal deficit hovered around 3.1 percent of the GDP for 2008-09 which implies upon lower financing requirement by the government. The government has reduced its expenditures mainly by reducing the expenditures on subsidizing oil prices by gradually increasing domestic petroleum prices and massive cut in development expenditure. Government borrowing from the central bank has been dampened since November 2008 in line with the zero net borrowing from the SBP at end of each quarter restraint under macroeconomic stabilization program.

5.2 Monetary and Credit Development

Macroeconomic stabilization program has started yielding dividend as demand pressures are easing during the last few months. It is evident from a number of developments in monetary aggregates as credit to private sector drastically compressed and SBP budgetary financing are on lower trajectory.

The YoY growth in broad money (M2) declined sharply to 4.59 percent as on 9th May 2008-09 against 8.96 percent in the corresponding period last year. The money supply was limited to Rs 215.0 billion as the NFA of the banking system recorded a decline of over Rs 227.1 billion during the first ten months of the current fiscal year to May 9th .The slowdown in M2 growth is consistent with projections of fiscal and external current account deficits, expected to be around 8 percent. Net Domestic Credit (NDC) was limited to just Rs 442.1 billion as compared to Rs 655.4 billion in

2007-08. During 2008-09 the slow expansion in private sector credit has led to the slower growth in NDA of the banking system. This is shared both by NDA of SBP and the scheduled banks [See Table 5.1].

On the other hand the NFA of banking sector gradually improved since the first week of December, 2008 due to improved external inflows and reduction in external outflows.

Table-5.1: Profile of Monetary Indicators

	Jul-10May 2007-08	Jul-9May 2008-09
1.Net government sector Borrowing (a+b+c)	**421.4**	**458**
a .Borrowing for budgetary support	360.4	340
b.Commodity operations	60.9	119.8
c.Others	0.1	-1.7
2.Credit to Non-government Sector (d+e+f+g)	**414.4**	**160**
d.Credit to Private Sector	369.8	21.8
e.Credit to Public Sector Enterprises (PSEs)	44.300	138.4
f. PSEs Special Account-Debt repayment with SBP	-0.03	-0.086
g.Other Financial Institutions(SBP credit to NBFIs)	0.24	-0.137
3.Other Items(net)	**-180.4**	**-175.9**
4.Net Domestic assets (NDA)	**655.4**	**442.1**
Growth	**21.28%**	**10.99%**
5.Net Foreign Assets (NFA)	**-290.90**	**-227.10**
6.Monetary Assets(M2)	**364.4**	**215.0**
Growth	**8.96%**	**4.59%**

Source:SBP

Table-5.2 Monetary Indicators (Growth Rates) **(Percent)**

Indicators	FY 05	FY 06	FY 07	2007-08	Jul-10May* 2007-08	Jul-9May* 2008-09
Net Bank Credit to Government Sector	13.9	11.63	11.14	63	45.5	30.3
Bank Credit to Private Sector	34.36	23.47	17.3	16.5	14.9	0.75
Net Domestic Assets(NDA)	22.15	16.05	14.23	30.6	21.3	11
Net Foreign Assets (NFA)	9.22	11.52	38.65	-32.2	-29.5	-34
Money Supply(M2)	19.12	15.07	19.32	15.3	8.96	4.59

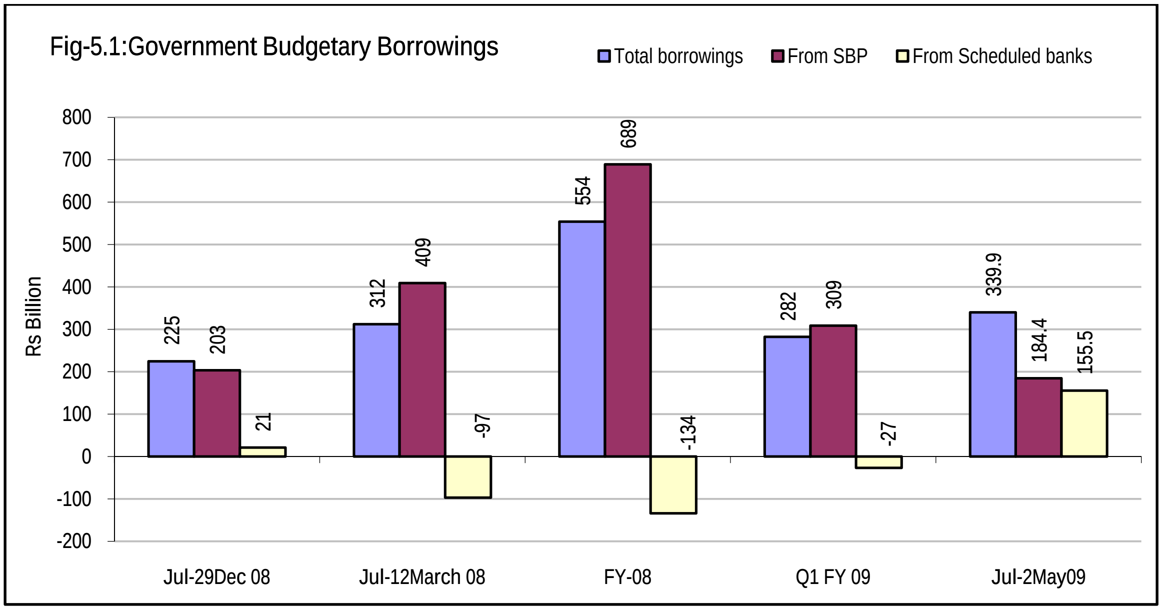
Pertains to 9May for 2008-09 and 10 May for 2007-08** ***Source: SBP

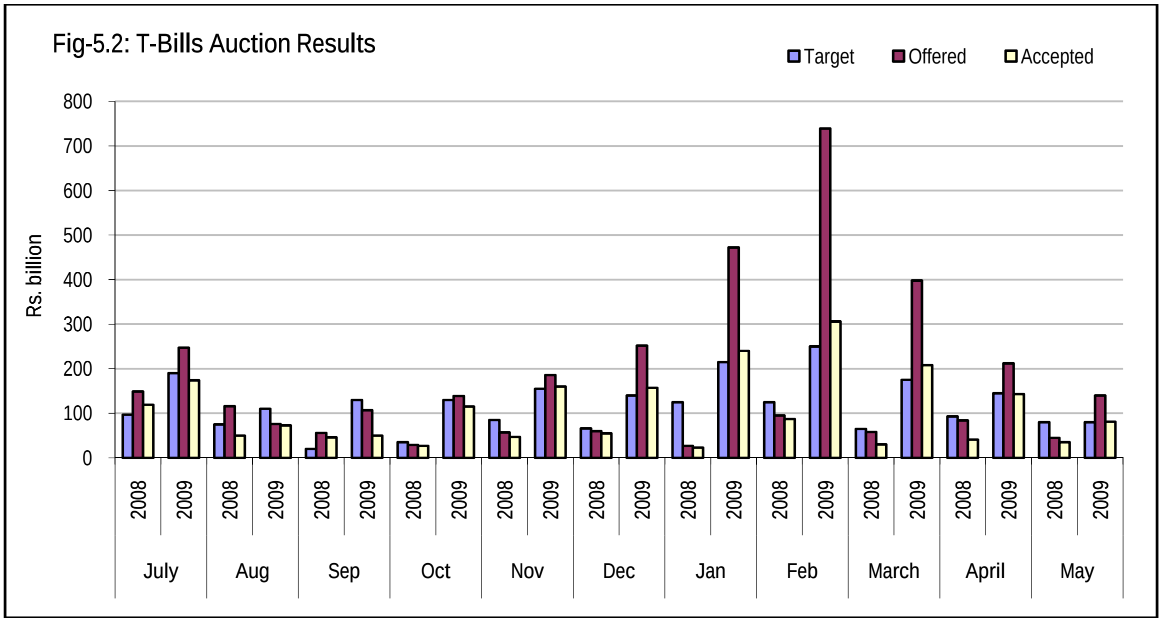
5.3 Analysis of Monetary Aggregates

5.3.i Bank credit to government

The net bank credit to the government for financing commodity operations and budgetary support amounted to Rs 458 billion during July-May 2008-09 against Rs 421 billion during the same period last year. Government's budgetary borrowing from the banking system decreased by Rs.339.9 billion during July-May 2008-09 against an increase of Rs 360.4 billion in the corresponding period of 2007-08 [See Table 5.2].

The government's reliance on budgetary borrowings from SBP has declined since the committed implementation of the macroeconomic stabilization program in November 2008. The government has financed its additional borrowing needs from the scheduled banks and non-bank sources. Instead the government has retired some of its stock of obligations to the SBP. Hence, a significant portion of government's budgetary requirements is now financed by scheduled banks. Despite the fact that the government has retired a portion of MRTBs held by SBP, the decline in budgetary borrowing from SBP mainly reflects a rise in deposits at SBP. The rise in government deposits at SBP is mainly due to the receipts of US$500 million from World Bank, and transfer of Rs 63.0 billion SBP profits to the government.





The scheduled banks showed great interest to extend budgetary financing to the government as a result of decline in demand for bank credit from private sector following a slowdown in real economic activity aggravated by power shortages, rise in non-performing loans that has increased the risk averseness of the banks, and banks expectation that interest rates have peaked out obvious by huge offerings in 12-months T-bills.

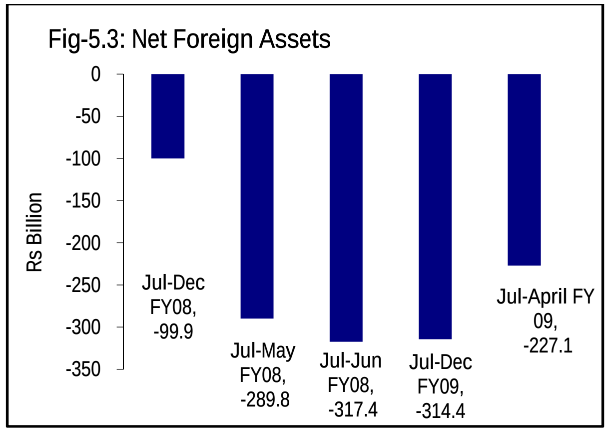
The credit of Rs.138.4 billion to the public sector enterprise (PSEs), and government borrowings worth Rs.119.8 billion for commodity operations has significantly contributed Rs.258.2 billion in NDA during Jul-May 2008-09 compared to an expansion of Rs.105.2 billion in the same period last year. Credit to PSEs increased by Rs.138.4 billion during July-May 2008-09 against an increase of Rs.44.3 billion in same period last year. Most of the credit to PSE s was extended to finance the gaps due to the circular debt issue. The issue has been solved by the government partially by negotiating with banks to convert these loans into Term Finance Certificates (TFCs) guaranteed by the government. Consequently credit to PSEs increased by Rs 78.7 billion during the first week of April, 2009 as Rs 80.2 billion worth of TFCs was issued to scheduled banks. As a result, credit to private sector decreased during that week The resolution of the circular debt would encourage the banks to extend fresh lending which was constrained due to the exhaustion of exposure limits of PSEs/Independent Power Producers (IPPS) and their own advances to deposits ratio (ADR) limits.

5.3.ii Net Foreign Assets

NFA has improved by Rs 130 billions as on 9th May, 2009 after contracting by Rs 357 billion on 6 December, 2008. This improvement mainly came by end-March 2009 as the government received $ 500 million each from the World Bank financing for poverty reduction and the Bank of China deposits with the SBP. Notwithstanding these inflows net foreign assets of the banking system decelerated by Rs 227.1 billion during Jul-May 2008-09, which is still a major source of drain on domestic liquidity. The improvements in external account and hence in NFA are mainly owed to a rise in worker's remittances; increase in external inflows from multilateral and bilateral sources and substantial retirement of foreign currency loans to commercial banks.

Due to the pressure on NFA of the banking sector, the country's external account position had worsened in 2007-08. The contraction in NFA of the SBP was much higher than the NFA of scheduled banks during Jul-Nov 2008-09 as compared to the corresponding period of last year. The NFA of scheduled banks came under pressure during the initial months of 2008-09 due to a rise in foreign currency loans which were encouraged both by: a) expectations of relatively stable Pak rupee exchange rate and b) higher interest rate differential between the rupee-based borrowings and foreign currency borrowings.

In spite of that, the contraction in NFA of SBP is in line with the SBA performance criteria for end June, 2009. Although improving, the deceleration in NFA is quite evident from the slower growth in broad money (M2). The expansion is lower than the expected nominal GDP growth, which predicts well for inflation expectations in the medium term; however, it is a source of stress in the short term [See Fig-5.3].



According to the latest weekly trends in SBP's NFA, the pressures on country's external account have already started to show some signs of ease mainly due to the recent decline in oil and other commodity prices in the international markets following various measures taken by the SBP (including monetary tightening) and inception of stabilization program with IMF support.

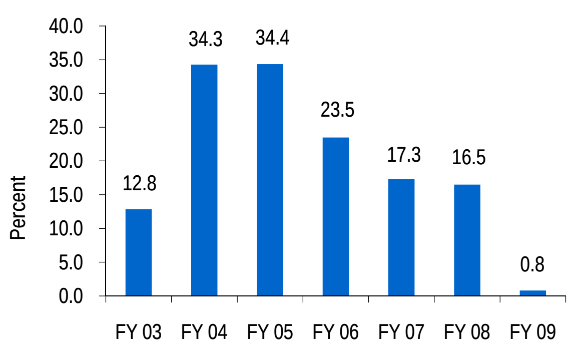
5.3.iii Net Domestic Assets

NDA of the banking system decelerated sharply during Jul-May 2008-09 to 11.0 percent as compared to 21.3 percent during the same period last year. The sharp deceleration in NDA growth of the banking system was mainly contributed by massive decrease in the credit to private sector and credit to other non-government sector during Jul-May 2008-09. Consequently, the growth in NDA of both SBP and of the scheduled banks has shown a significant slowdown. Banks have gradually shied away from extending credit to the private sector due to a slow growth in deposits and rising non performing loans. The demand for credit from the private sector decelerated owing to slowdown in economic activity exacerbated by power outrages, and aggressive monetary tightening by the SBP over the last 12 months. Hence, credit to private sector declined to Rs. 21.8 billion during July–May 2008-09 compared to Rs 369.8 billion in the corresponding period of the last year. However, the impact of decline in credit to private sector was partially offset by the increase in banks investment in risk-free government securities and loans to the public sector enterprises.

5.3.iv Credit to Private Sector (net)

Credit to private sector grew by Rs.21.8 billion during July-May 2008-09 as compared to Rs.369.8 billion during the corresponding period last year which implies sharpest deceleration in during almost one decade. The stock of private sector credit grew by 0.8 percent as compared to 16.5 percent in the comparable period of last year. Credit to private sector as percentage of GDP has declined to 22.2 percent in 2008-09 as compared to 28.1 percent during the same period last year. The one-off credit demand emanated from TFC issue by PEPCO to resolve inter-corporate circular debt between IPPs and OMC s inflated the credit growth in the fiscal year. Still the impact of this one-off demand for credit during 2008-09 was not significant as compared to 2007-08 [See Fig-5.4 & 5.5].

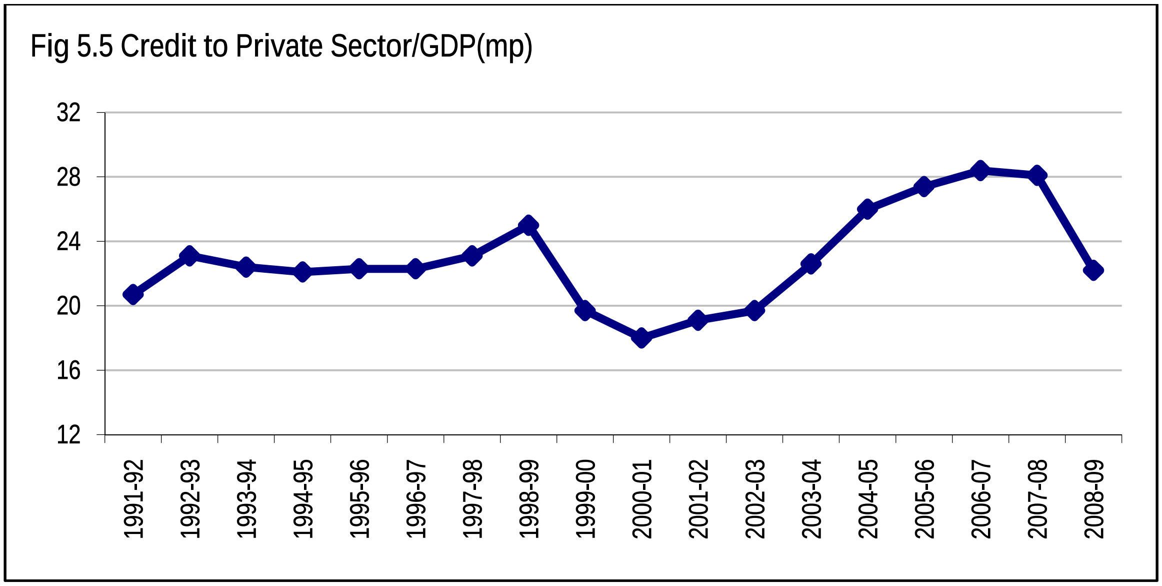
Fig 5.4 Growth of Private Sector



This sharp decline in private sector credit was mainly due to the exceptionally low demand for working capital that has witnessed the lowest growth in the recent past. The slow down in working capital requirements reflected the liquidity strains in the banking industry which limited the lending ability of a few banks. Similarly, a sharp decline in raw material prices has also lowered the working capital requirements. The distribution of credit to the private sector is heavily tilted towards capital intensive sector and the flow of credit to priority sector like agriculture is still low. According to the distribution of credit to the private sector, the manufacturing sector although declined to Rs 89.4 billion, still continued to be the largest recipient of bank credit during Jul-March 2008-09. The overall manufacturing sector accounted for almost 85 percent of the credit to private sector business. Although the SBP measures eased-off tight liquidity conditions to some extent in the inter-bank market since November 2008 onwards, still the effect on banks lending to private sector is weakened due to number of factors such as rising concerns regarding deteriorating credit quality, delays in cash recovery of loan proceeds and rising risks in stock market and real estate.

The structure of loan portfolio of the banks has changed significantly as by end December 2008, 78 percent of the total bank advances were lent at the rate of 12 percent and above as compared to the 70 percent of bank advances were extended at rates between 9 and 12 percent during the same period of last year. The banks have followed more strict credit criteria due to rising NPLs. Banks are focusing to finance those projects which are able to generate cash flows.

The government's urge to raise funds from the banking system provides an avenue for banks to park these funds in government securities. Due to the exceptionally strong credit demand and higher interest rate expectations, commercial banks were reluctant to lend to government till September 2008 and since October 2008 onwards, banks participation in T- bills auctions increased significantly. Consequently stock of Market Related Treasury Bills (MRTBs) with SBP declined to Rs. 1,157.6 billion by end-April 2009 from Rs.1393.4 billion in November 29, 2008 [See Fig-5.2].



One reason of higher acceptance was the change in the auction process for government papers. Now Ministry of Finance has replaced the SBP in the core decision making regarding the cut-off rates in the primary auction based on target volumes. Under the new arrangements, the cut-off rate will be the one at which the government realizes the auction target volume rather than the one set by the borrower.

Table-5.3 Private sector credit (Flows)	***(Rs.billion)***	
Sectors	**Jul-Mar**	
	2007-08	**2008-09**
Overall Credit (I to V)	368.0	57.1
I. Loans to Private Sector business	304.7	105
A. Agriculture	12.1	8.5
B. Mining And Quarrying	4.7	-1.4
C. Manufacturing	193.1	89.4
Textiles	94.2	2.4
D. Electricity, gas and water	37.3	22.7
E. Construction	15.0	-6.8
F. Commerce and Trade	28.5	-7.5
G. Transport, storage and communications	4.0	2.9
H. Services	10.0	-0.8
I. Other Private Business	-1.2	14.1
II. Trust funds and NPOs	0.5	-2.1
III. Personal	21.2	-47.1
IV. Others	-0.6	-6.3
V. Investment in Securities and Shares	42.2	7.7
		Source: SBP

5.4 Sectoral Analysis

The credit to private sector has lost its pace significantly since January 2009. The sharp decline in the private sector credit is attributed mainly to reduced demand and reluctance of scheduled banks to extend credit. The external demand compression mainly emanates from global recession; tight monetary policy and slowdown in economic activity. The ability of scheduled banks to lend is constricted by low deposit generation and heightened risk due to rising NPL's, particularly in textiles and consumer finance sectors.

It emerges from the sectoral analysis that although the slump in business sector advances is broad based, and various sectors including manufacturing, construction, commerce and trade sectors fell victim but impact on some sectors like textiles, construction, commerce and trade, is more pronounced. On the other hand there are sectors such as electricity, gas and water in which credit utilization has been significant mainly owing to issuance of the TFC to resolve inter-corporate circular debt.

5.4.i Agricultural Sector

The gross disbursement to agriculture sector grew by 9.6 percent and stood at Rs .151.9 billion in July-March 2008-09 as compared with 24.8 percent growth in the same period last year [Table

5.4]. Commercial banks gross disbursement to this sector inched up to Rs.102.9 billion. Private domestic banks played a significant role vis-à-vis traditional lender ZTBL, regarding the disbursement of agricultural credit during the last few years. The share of private domestic banks in total disbursement decreased from 21.6 percent (Rs.30 billion) during July-March 2007-08 to 18.8 percent (Rs.28.5 billion) during July-March 2008-09.

Table-5.4: Disbursement of Agriculture Loans

Name Of Banks	July-March	
	FY 08	FY 09
I. Total Commercial Banks (A+B)	95.1	102.9
A. Major Commercial Banks	65.1	74.4
B Private Domestic Banks	30	28.5
II.Total Specialized Banks(1+2)	43.5	48.9
1.Zarai Taraqiati Bank Limited	39.6	45.4
2.P.P.C.B	3.9	3.5
Grand Total (I+II)	138.6	151.9

Source:SBP

On the other hand the share of ZTBL increased to 30% (Rs.45.4billion) during July-Mar 2008-09 from 28.6 percent (Rs.39.6 billion) in the same period last year. The role of major commercial banks (ABL, HBL, MCB, NBP UBL) has increased regarding the disbursement of agricultural credit during 2008-09 as their share in total disbursements increased to 49 percent (Rs.74.4 billion) during July-Mar 2008-09 as against 47 percent (Rs.65.1 billion in) in the comparable period last year.

5.4.ii Power Sector

The demand for advances in the power sector declined during July-March 2008-09 but still account for significant fraction. Fall in demand from the power sector was mainly due to retirement of bank loans by few IPPs to avoid the rising financial expenses. The slowdown in demand from power sector was further compounded by the fact that a few IPPs had already exhausted their credit limit till September 2008.

5.4.iii Manufacturing

Credit to the manufacturing sector decreased to Rs.89.4 billion during July-March 2008-09 compared to Rs.193 billion in the same period last year. The main contribution to the decline in advances came from the textile sector where massive contraction from whopping Rs.94.2 billion to just Rs.2.4 billion has taken place.

5.4.iv Construction

The advances to construction sector stood at Rs. 6.8 billion during July-Mar 2008-09 as against Rs.15 billion in the corresponding period of last year. The credit crunch in the construction sector was mainly due to the slowdown in construction of domestic dwellings and slump in real estate prices. It was further compounded by the impact of fall in steel bar prices [See Fig-5.5].

Table5.5 Consumer Financing **(*Rs.billion)***

Consumer Financing	Change During Jul-Mar	
	FY 08	FY 09
1.House Building	10.2	-3.3
2.Transport i.e. purchase of cars etc	3.4	-19.6
3.Credit cards	1.8	-6.8
4.Consumer Durables	0.7	-0.2
5.Personal Loans	0.4	-25.3
6.Others	0.1	0.3
Total	**16.6**	**-54.9**

5.5 Consumer Loans

Almost all categories of the consumer financing declined substantially. Advances to consumer loans contracted by Rs.54.9 billion during July-March 2008-09 as against expansion of Rs.16.6 billion in the comparable period [Table 5.5].

5.6 Monetary Assets

The components of monetary assets (M2) include: Currency in Circulation, Demand Deposit, Time

Deposit, Other Deposits (Excluding IMF A/C, counterpart) and Resident's Foreign Currency.

Table-5.6 Monetary Aggregates *(Rs million)*

Items	End June		*July-May	July-May
	2007	2008	2007-08	2008-09
A. Currency in Circulation	840181	982,325	1026284	1182266
Deposit of which:				
B. Other Deposits with SBP	7012	4261	4341	4870
C.Total Demand &Time Deposits incl.RFCDs	3217962	3,702,557	3,398,967	3,717,021
of which RFCDs	207312	263,430	243252	279662
Monetary Assets Stock (M2) A+B+C	4065155	4,689,143	4429592	4,904,156
Memorandum Items				
Currency/Money Ratio	20.7	20.94892393	23.2	24.1
Other Deposits/Money ratio	0.2	0.090869483	0.1	0.1
Total Deposits/Money ratio	79.2	78.96020659	76.7	75.8
RFCD/Money ratio	5.1	5.617870899	5.5	5.7
Income Velocity of Money	2.3	2.4		

*** Pertains to 9th May for F09 and 10th May for 2007-08** *Source:SBP*

5.6.i Currency in Circulation

During July-May 2008-09, currency in circulation increased to Rs.199.9 billion as compared to Rs.186.1 billion during the same period last year. The currency in circulation consists of 24.1 percent of the money supply (M2) against 23.2 percent during the corresponding period last year [See Table 5.6].

5.6.ii Deposits

During July-May 2008-09 demand and time deposits has declined by Rs 14.4 billion as compared to Rs 181.0 billion during the same period last year. Similarly, Resident Foreign Currency Deposits (RFCDs) has increased by Rs.16 billion as compared to Rs 35.9 billion during the same period last year.

As an important indicator of financial development M2/GDP has shown a rising trend since 1999-00 and rose from 36.9 percent to 44.7 percent in 2007-08. However, during Jul-May 2008-09 it has declined to 37 percent as compared to 43 percent during the corresponding period last year. On the other hand another significant ratio DD+TD/M2 ratio which represents monetary depth has depicted a declining trend since 1999-00 by decreasing from 74.6 percent to 73.3 percent in 2007-08. In continuation of this tendency, the ratio decreased to 70.1 percent during July-May 2008-09 as against 71.2 percent in the preceding period.

Table-5.7: Key Indicators of Pakistan's Financial Development

Years	M2/GDP	DD+TD/M2
1999-00	36.9	74.6
2000-01	36.7	75.4
2001-02	40.0	75.4
2002-03	43.1	76.2
2003-04	44.9	76.8
2004-05	45.1	77.6
2005-06	45.0	72.5
2006-07	46.6	74.1
2007-08	44.7	73.3
July-May		
2007-08	43	71.2
2008-09	37.0	70.1

5.7 Monetary Management

A deteriorating external account position and the tight monetary stance of the SBP left the money market dry in terms of liquidity during most part of the current fiscal year 2008-09. The tight monetary policy stance of the SBP faced a major challenge during initial months of 2008-09 particularly due to exceptionally high pressures on rupee liquidity in the inter-bank market. Combination of number of developments led to this liquidity crunch. These include; a contraction in money supply, rise in currency in circulation, rising private and public sector credit demands, seasonal deposit withdrawals during Ramadan and Eid festival, and huge pulling out of bank deposits following rumors about the banking system. Resultantly, interest rates in the inter-bank market rose sharply. However, SBP intervened in the domestic money market through several measures such as drastic reduction in reserve requirement, liquidity injections through Open Market Operations (OMOs), discounting window and others. In addition to these steps, the SBP provided on a timely basis over Rs. 350 billion liquidity support to the banking sector. However, to contain inflationary pressures as well as government's budgetary borrowings, the SBP as part of the stabilization program raised the discount rate to 15 percent in November 2008. Later, in its quarterly monetary policy announcement the policy rate was reduced to 14 percent in April 2009.

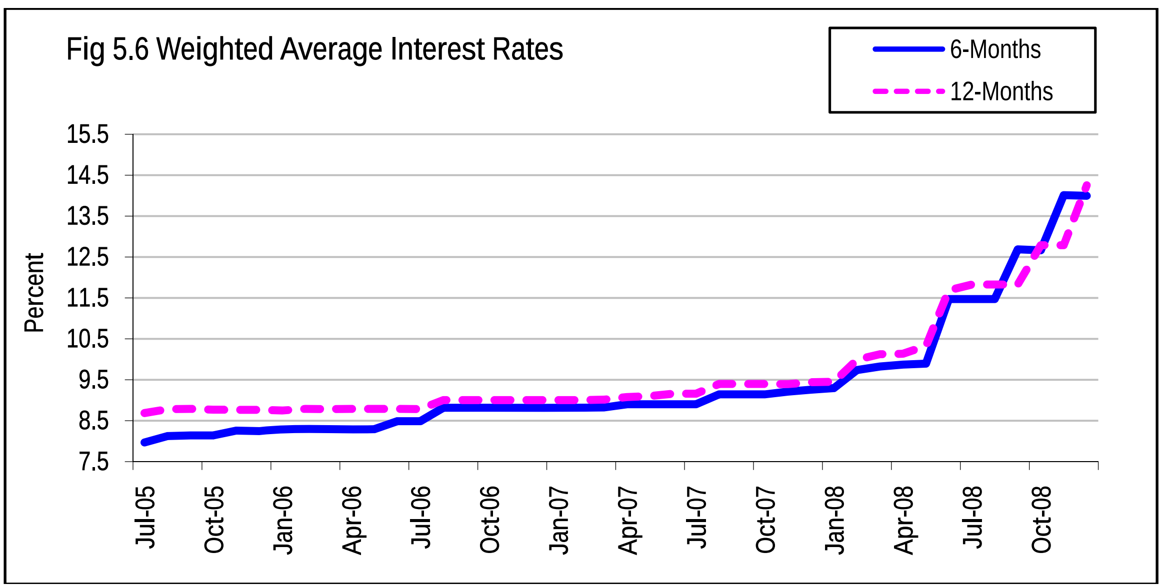
Complement to the tight monetary policy stance, the SBP continued recourse to Open Market operation (OMOs) more frequently to manage liquidity at the desired levels in the inter-bank market. The SBP moped up Rs 1101.5 billion during July-March 2008-09 against the injection of Rs 552.5 billion as compared to Rs 766.4 billion against the injection of Rs 118 billion in corresponding period of last year [Table-5.8].

The impact of tight monetary stance and liquidity management began to translate into a rise in other interest rates, with varied magnitude, at different stages of the economy. For instance, 6-months T-bills cutoff witnessed an increase of 169 basis points to 13.2 percent during Jul-May 2008-09. However, 6-months and 12-months KIBOR decreased by 26 bps and 39 bps to 13.68 percent and 13.83 percent respectively at end May 2008 in view a cut of 100 bps in the policy rate in April 2009 [See Fig-5.6].

Table-5.8: Summary of OMOs *(Rs. billions)*

	Injection		Absorption	
	2007-08	**2008-09**	**2007-08**	**2008-09**
Jul			141.8	298.2
Aug		78.2	228.3	41.2
Sep		176.4	71.3	9.5
Oct	40.9	187.3		36.0
Nov		39.4	124.7	223.7
Dec		11.2	69.0	100.6
Jan	27.5		52.3	178.9
Feb			70.9	142.1
Mar	49.6	60.0	8.1	71.3
Total	118.0	552.5	766.4	1101.5

Source: SBP



The SBP accepted Rs 1484.2 billion from the primary market of T-Bills during the first nine months of 2008-09 as compared to Rs 491.7 billion in 2007-08 [Table-6.9]. Market offered a total amount of Rs 2617.1 billion in first nine months of 2008-09 as compared to Rs 638.2 billion in the same period of last year.

Table-5.9: Market Treasury Bills Auctions *(Rs million)*

	JUL-JUN			Jul-March					
	FY2007-08			Offered		Accepted		W.A.Rate*	
	Offered	Accepted	W.A Rate*	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
3-Months	154833.3	136659.0	10	49625.3	1413218	45225.32	975798.4	9.1	12.6
6-Months	89008	75974	10.2	64125	272584	56395	176401	9.3	12.8
12-Months	613215	436486.8	10.4	524440	931292.7	390105	332008	9.6	13
Total	8570563	649119.8		638190.3	2617094.7	491725.32	1484207.4		

Average of maximum and minimum rates

Source: SBP

In the first nine months of 2008-09 heavy investment was in 3-months T-bills which constituted almost 66 percent of the total accepted amount [Fig-5.7]. The monetary tightening stance adopted by the central bank moved the market to short term outlook, more so post-May 2007-08. Banks, in anticipation of further raise in interest rates, displayed complete concentration of bids in 3-months T-bills. It was only after the announcement of a 200 bps raise in the discount rate in November 2008 that banks switched to a long view and offered huge bids in longer-tenor MTBs in order to lock-in higher rates on the back of expectations of a peak-out in the interest rate cycle.

The government has added force to the issuance of long-term papers and the Pakistan Investment Bonds (PIBs) market observed a revival since 2006. During 2006-07 and 2007-08, five and seven auctions were conducted respectively; raising Rs. 87.9 billion and Rs. 73.6 billion (including short selling and non-competitive bids) against the targets of Rs. 100 billion each correspondingly. These auctions proved helpful in accrediting the government's commitment to build up the domestic debt market. An important feature in 2006-07 was the lengthening of the yield curve to 30 years. Moreover, the PIB portfolio was expanded by introducing a 7-years maturity on top of an upward revision of coupon rates in 2008-09. The SBP mopped up Rs 23 billion from the primary market of PIBs during the first nine months of 2008-09 as compared to Rs 68.8 billion in the same period of 2007-08 [See Table-5.10 & Fig-5.8].

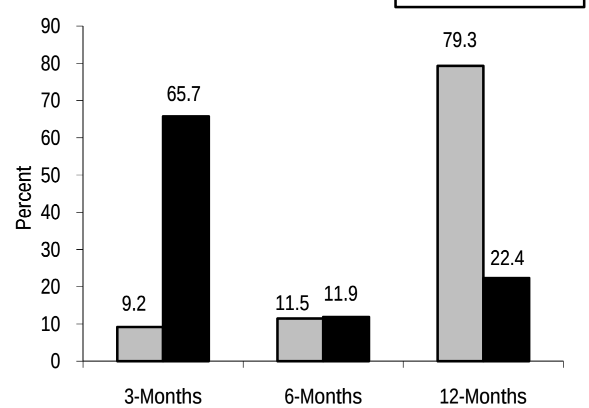


Fig 5.7 Contribution of T-bills

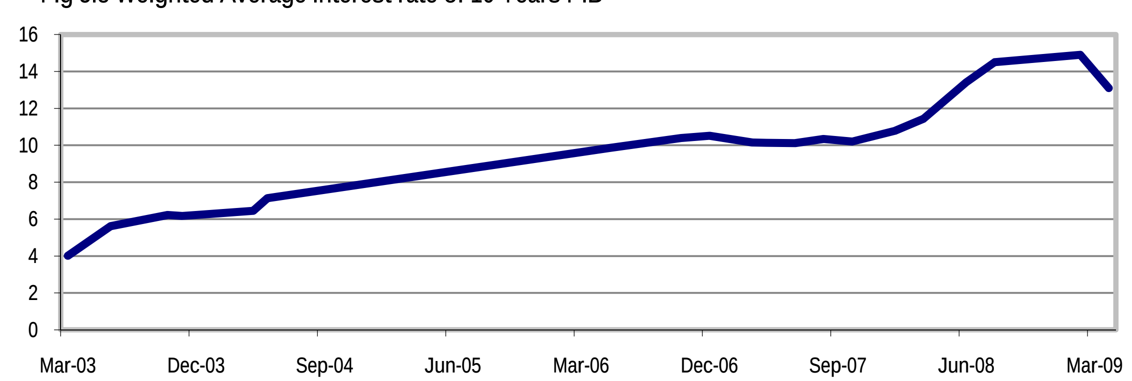


Fig 5.8 Weighted Average Interest rate of 10 Years PIB

Table-5.10 Pakistan Investment Bonds Auctions *(Rs million)*

PIBs	Offered	Accepted	*W.A Rate	Offered		Accepted		*W.A Rate	
	Jul-Jun			Jul-Mar					
	FY 2007-08			FY 08	FY 09	FY 08	FY 09	FY 08	FY 09
3 Years	11260	5169	10.90	11,044	9523	4,953	4165	10.11	13.8
5 Years	21311	10777	10.30	21,177	4410	10,777	3023	10.30	14.3
10 Years	61593	23875	11.80	58,805	25254	23,038	8509	10.81	14.7
15 Years	16138	8613	12.30	14,876	2536	7,801	1236	11.49	15
20 Years	11750	9050	12.60	9,550	3500	7,850	1500	11.69	15.7
30 Years	19800	16100	12.80	17,600	7000	14,400	4500	11.91	15.4
Total	141852	73584		133,052	52223	68,819	22933		

***: Average of minimum and maximum rates** *Source: SBP*

Table-5.11 Lending & Deposit Rates(W.A)

	LR	DR	Spread
Jun-07	10.3	4.0	6.3
Jul-07	10.4	4.0	6.4
Aug-07	10.5	4.1	6.4
Sep-07	10.5	4.1	6.3
Oct-07	11.0	4.1	6.8
Nov-07	10.7	4.1	6.6
Dec-07	11.0	4.1	6.8
Jan-08	10.8	4.2	6.6
Feb-08	10.8	4.2	6.6
Mar-08	10.9	4.2	6.7
Apr-08	10.9	4.2	6.7
May-08	11.3	4.2	7.1
Jun-08	12.7	5.2	7.5
Jul-08	13.0	5.5	7.5
Aug-08	13.2	5.6	7.6
Sep-08	14.4	5.8	8.6
Oct-08	15.5	6.2	9.3
Nov-08	14.7	6.5	8.2
Dec-08	14.3	6.7	7.6
Jan-09	15.3	6.9	8.4
Feb-09	14.8	7.0	7.8

Source:SBP

Market offered a total amount of Rs 52.2 billion in first nine months of 2008-09 as compared to Rs.133 billion in the same period of last year. In the first nine months of 2008-09 heavy investment was in 10-years PIBs which constituted almost 37 percent of the total accepted amount (Fig 5.9).

At the second stage of monetary transmission, changes in SBP policy rate translated into an increase in financial institutions' lending and deposit rates [Table-5.11 and Fig-5.10]. The spread between the lending and deposit rates has increased from 7.5 percent in June 2008 to 7.8 percent in February 2009. The weighted average lending rate has risen by 210 bps during the same period accompanied by 180 bps addition in the deposit rates.

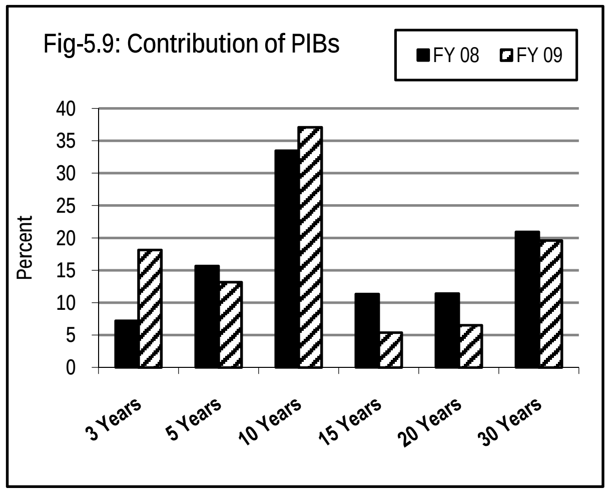
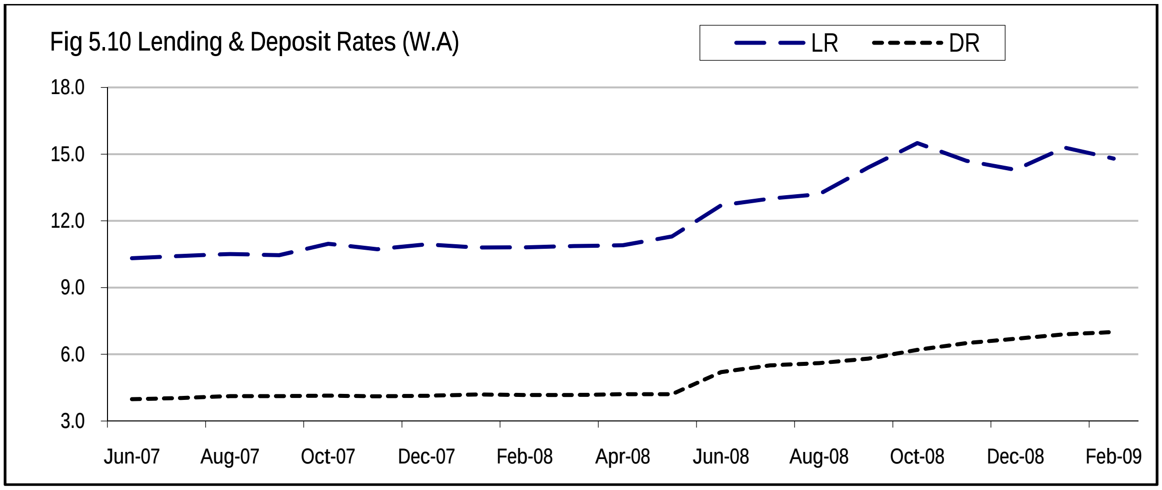


Fig-5.9: Contribution of PIBs

5.8 Pakistan Financial Sector Performance

Pakistan's financial system has grown with leaps and bounds in the past few years but it still remains small relative to the size of the economy and in comparison with other developing countries in Asia and around the world. The small size of Pakistan's financial system implies that many financing needs cannot be met and much of the country's economic potential remains unexplored. Notwithstanding a wide range of important structural reforms of banking sectors and wide ranging policy initiatives of the SBP has facilitated the financial stability in Pakistan, still many remain to be defined and implemented. The financial assets have grown significantly in nominal terms in recent years, but they have not grown much in relation to the real economy as measured by the GDP, particularly in the last few years.



The banking sector of Pakistan has grown substantially amongst different segments of the financial sector. Over the last seven years the extraordinary performance of the banking sector has induced foreign direct investment (FDI) of $ 4.2 billion of which almost 90 percent has been received by the banking sector. Similarly, the privatization of the banking system made it more dynamic and competitive. Despite the significant growth in the banking sector, the recent global financial crisis and the current privately owned structure of the domestic banking system highlights the need for a financial safety net to deal with systemic risk. It includes depositor protection, liquidity and Lender of Last Resort facilities in the SBP, an exit framework to deal effectively with inevitable bank failures in ways that will strengthen rather that weaken the banking sector as a whole and improved coordination mechanism with the Government of Pakistan in case of systemic problems. The financial sector needs to become more diversified in order to meet the country's future financing needs, as it is too bank oriented. Growth of financial sector and real economic growth depends on each other. Hence, a faster growth of financial sector leads the economy towards sustainable growth.

Table-5.12: Asset Composition of the Financial Sector ***(Rs. Million)***

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Investment Banks	27,001	37,936	35,568	51,041	54,527	41,458	58,017
Modaraba	17,456	15,973	18,026	21,572	23,927	25,186	29,703
Leasing	46,948	46,842	44,806	53,635	63,999	63,956	65,920
Discount Houses	1,527	1,987	1,341	1,504	1,834	1,417	0
Venture Capital Companies	272	854	1,005	3,200	4,131	4,061	3,760
Mutual Funds	29,094	57,180	103,080	136,245	177,234	313,661	339,718
Total Assets	122,298	160,772	203,826	267,197	325,652	449,739	497,118
	CY 02	CY 03	CY 04	CY 05	CY 06	CY 07	CY08*
DFIs	68,729	78,803	94,752	107,811	116,939	97,700	84660
Housing Finance	22,434	21,562	19,493	18,657	19,702	17,742	18996
Insurance	129,066	150,330	172,992	201,665	244,657	323,530	N.A.
Total Assets	220,229	250,695	287,237	328,133	381,298	438,972	103656

*** Provisional** ***Source: SBP***

5.8.i Commercial Banks

During Jul-Dec 2008-09, the banking system in Pakistan successfully weathered a liquidity stress that emerged in usual timeframe i.e. Eid-ul-Fitar deposit withdrawal and a number of global, domestic and industry specific factors further compounded it. Particularly, the failure of some global financial giants burdened the liquidity profile of banks that together with closure of capital market raised concerns about the strength of the Pakistani banks. However, the offsetting measures taken by the SBP enabled the system to avert this temporary stress from converting into a financial crisis [See Table 5.12].

In Jul-Dec 2008-09, total number of branches of banks stood at 9,115 as compared to 8536 in 2007-08 which implies an increase of 579 branches in the first six months of 2008-09. Assets of all banks showed a net expansion of Rs.139.7 billion in the first six months of 2008-09 and stood at Rs.5652.7 billion as compared to Rs.5171.4 billion in the same period last year. Hence, the asset base of the banking system increased by 2.6 percent over the quarter. While the total deposits of all banks registered an increase of Rs.28.7 billion in the first six months of 2008-09 and reached at the level of Rs.4216.9 billion as compared to Rs.3854.7 billion recorded in the same period of last year. Net investment of the banks followed a declining trend since the last quarter of CY07. Net investment decreased by Rs.41.1 billion in Jul-Dec 2008-09 mainly contributed by the private banks amounting to Rs.837.6 billion as compared to Rs.936.6 billion for the six months of last year [Table 5.13].

Table-5.13: Performance of Scheduled Banks

	30-Jun-08	Jul-Dec	
		2007-08	2008-09
1. No. of Branches	8,536	8,390	9,115
Public Sector Commercial Banks	1,714	1,697	1,722
Local Private Banks	6,217	6,092	6,770
Specialized Banks	534	534	534
Foreign Banks	71	67	89
2. Assets (Rs. Billion)	5,513.0	5,171.4	5,652.7
Public Sector Commercial Banks	1,048.3	1,035.9	1,064.0
Local Private Banks	4,134.7	3,835.7	4,229.2
Specialized Banks	131.2	127.1	127.6
Foreign Banks	198.9	172.7	231.7
3. Net Advances (Rs. Billion)	2,921.9	2,689.0	3,202.2
Public Sector Commercial Banks	531.1	487.7	570.4
Local Private Banks	2,223.7	2,040.2	2,450.0
Specialized Banks	75.9	72.6	79.9
Foreign Banks	91.1	88.5	102.0
4. Deposits (Rs. Billion)	4,188.2	3,854.7	4,216.9
Public Sector Commercial Banks	833.4	812.9	819.9
Local Private Banks	3,204.2	2,910.0	3,236.2
Specialized Banks	13.6	14.3	13.3
Foreign Banks	137.1	117.6	147.5
5. Net Investments (Rs. Billion)	1,123.2	1,275.3	1,082.1
Public Sector Commercial Banks	221.2	296.4	211.2
Local Private Banks	866.1	936.6	837.6
Specialized Banks	17.5	15.9	10.7
Foreign Banks	18.4	26.4	22.6

Source: SBP

The banking sector of Pakistan has undergone a significant change in recent years as about 81 percent of the banking assets are now controlled by the private sector. The stress on the economy increased the non-performing loans (NPLs). The gross NPLs to gross advances and net NPLs to net advances ratios are considered as a key indicator of lending quality of any bank. The NPLs of the banking system increased by 12.5 percent to Rs.313 billion (Rs.100 billion during the current year). The increase in NPLs during Jul-Dec 2008 depicted worsening of the asset quality ratios. NPLs-to-loan ratio of the banking system has increased by 0.7 percentage points to 9.1 percent in this period. The NPLs-to-loan ratio (net) which declined to below 1 percent by the end of 2007 started to inch up during 2008 and reached 2.5 percent during the period under review. The worsening business and economic environment enhanced the content of credit risk, which forced the banks to adopt cautious lending strategy, especially in the consumer sector where the advances have been decreasing since the start of 2008. Banks are already strengthening their credit extension and administration process and increasing the efforts for the recovery of NPLs. The increase in NPLs is contributed by two factors; firstly the flow of NPLs into categories requiring partial provisions and secondly, the inception of FSV benefit. Although FSV benefit may have increased net NPLs, it may keep in check the damping profitability of the system.

5.8.ii Islamic bank

Islamic banking is rapidly transforming into a viable alternate form of financing. From relatively humble beginnings in 1963 when the first Islamic bank was established in Egypt, today Islamic finance boasts of assets of around US$ 1.0 trillion, and has successfully made inroads into a wide range of products such as infrastructure and housing finance, asset management, *Takaful* business, debt issuance via Sukuk, etc. The ongoing financial crisis in advanced economies has actually given a boost to the appeal of the Islamic Finance, which is built on transactions backed by real assets, and stricter lending principles.

The growth rate, particularly in recent times, has been tremendous and geographically broad-based. Islamic banking has also made swift progress in Pakistan since its re-launch in 2002 as a parallel mode of financial intermediation along with conventional financial institutions, as evidenced by the commendable growth rate in excess of 60.0 percent per annum in both the assets and deposit base.

Table 5.14 Islamic Banks ***(Rs.Million)***

	FY04	FY05	FY06	FY07	2007-08	2008-09 (Dec)
Assets of the Islamic banks	44143	71493	119294	205212	200415	271,084
Deposits of the Islamic Banks	30185	49932	83740	146945	141933	198,049
Share in Banks Assets	1.40%	2.10%	2.90%	4.20%	4.10%	5.30%
Share in Bank Deposits	1.25	1.90%	2.80%	4.10%	3.90%	5.20%

Source: SBP

The overall deposits of IBIs at the end of December 2008 stood at Rs.198 billion and reflected a share of 5.2 percent in banks deposits as compared to 1.4 percent only in 2003-04. On the other hand the performance in terms of assets has also been tremendous. Total assets of Islamic banks reached to Rs.271.1 billions from Rs. 44.1 billion in 2003-04 and contributed 5.3 percent in banking assets till end-December 2008 [Table 5.14]. Keeping in view the small size of the industry and its evolutionary nature, the growth achieved so far has been impressive and has persistently outpaced its conventional counterparts.

Table 5.14 (a): Financing Products by Islamic banks (%age)

Mode of Financing	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09(Dec)
Murabaha	57.4	44.4	48.4	38.9	38.7	40.7
Ijara	24.8	29.7	29.7	25.4	24.2	22.3
Musharaka	1	0.8	0.8	0.9	1.3	2.1
Mudaraba				0.3	0.2	0.2
Diminishing Muskaraka	5.9	14.8	14.8	25.1	24.8	29
Salam	0.7	1.9	1.9	1.4	1.6	1.6
Istisna	0.4	1.4	1.4	0.9	2.4	2.9
Qarz/Qarz-e-hasna						
Others	9.8	3	3	7.1	6.7	1.1

Source: SBP

The highest share in financing products of Islamic banks is contributed by *Murabaha*, *Ijara* and diminishing *Musharakah* in 2008-09 (Dec). *Murabah* is still the mainstay of Islamic banking though its share has reduced substantially over the years. *Ijarah* and in particular *musharakah* now have sizeable shares. With a share of 29 percent *Musharakah* is currently the second most utilized mode of finance.

5.9 MICROFINANCE INSTITUTIONS

The operations of Microfinance Providers (MFPs), including Microfinance Banks (MFBs), Microfinance Institutions (MFIs), Rural Support Programs (RSPs) and Others have witnessed significant improvement, which is reflected in almost all aspects of the microfinance industry, Number of new MFBs branches has grown, total assets have increased, and products are being diversified, outreach is being extended, branch network is being expanded and growth has been achieved in the total number of borrowers and advances. The potential client base of microfinance sector is estimated to be around 25-30 million borrowers, of whom a significant portion still remains un-served, by both regulated and unregulated market players. There are 40 MFPs which include six Microfinance Banks and operate through a total number of 1,550 branches to serve a cliental of approximately two million; 60% of whom are based in rural areas. Female clients make up 50%of the total microfinance cliental as of December 2008, which nearly matches the composition of women’s 49% in the general population (76.36 million).

With a focus on expanding microfinance reach to 3 million borrowers by 2010, a strategy for Expanding Microfinance Outreach (EMO) has been developed by the SBP which was approved by the Government in February 2007. The EMO strategy stresses on the fact that commercialization of the sector is key to financial and social sustainability. A lot of synergies shall however have to be created amongst the existing service providers so as to increase the outreach to 3 million; for instance, entry of new players, setting up of credit unisons or members institutions models, use of technology, introduction of credit information bureau for the microfinance sector, use of Pakistan Post as a delivery channel, and modification in the policy and regulatory environment borrowers by 2010.

Table 5.15 Disbursement of Loans by Microfinance Banks ***(Rs. Million)***

Institution	2007-08	July-March	
		2007-08	2008-09
Khushali Banks	4,066	2,590	1,899
Microfinance Banks (Others)	3,680	2,283	2,567
Microfinance Institutions (MFIs)	20,718	12,913	10,401
Total	28,464	17,786	14,867

Source: SBP

During Jul-Dec, 208 Khushali Bank, disbursed loans amounting Rs.1.9 billion (December 2008) as compared to Rs. 2.6 billion in the same period last year. The share of all other microfinance banks in loan disbursement increased to Rs. 2.6 billion (December 2008) from Rs. 2.3 billion in July-March 2007-08. Microfinance Institutions have also disbursed loans amounting to Rs. 10.4 billion as compared to Rs. 12.9 billion.

5.10 Non-Bank Financial Institutions (NBFIs)

The introduction of the NBFCs i.e. Non-Banking Finance Companies in 2002, aimed at enabling the existing single-product institutions serving specific market niches to offer a whole variety and range of financial products though a one window operation akin to universal banking, subject to compliance with the prescribed progressively tiered regulatory requirements. The group of Non-Bank Financial Institutions (NBFIs) includes the Non-Bank Finance Companies (NBFCs), Mutual Funds, *Modarbas* and Development Finance Institutions (DFIs). During 2006-07, the assets of NBFIs increased by 22.7 percent, in comparison with growth of 17.4 percent. The number of operative entities increased to 237 in 2007-08, as compared to 209 in 2006-07. Total assets of the sector relative to GDP were at 5.9 percent and total financial sector assets were at 8 percent in 2007-08.

The success story among NBFIs hinges upon mutual funds which started in the 1960s with two state-owned funds, National Investment Trust (NIT) and Investment Corporation of Pakistan (ICP), is now a thriving segment of the financial sector and registered accelerated growth since 2002-03. In 2007-08, there were 95 mutual funds on offer, with total net assets of Rs.330 billion in comparison with Rs.24.8 billion in 2001-02.

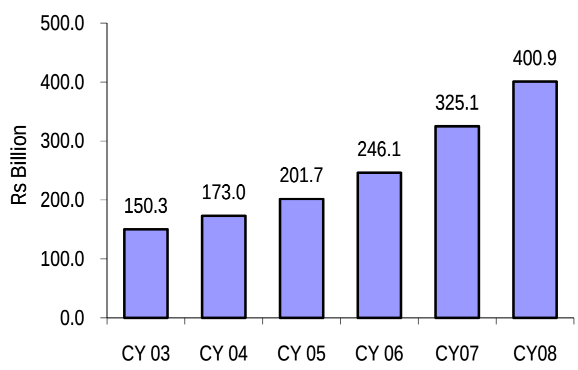
5.11 Insurance Sector

The significant role of the insurance sector in fostering financial stability is obvious as it does so by enabling economic agents (households and corporates) to implement economic transactions by providing transfer and dispersion of risks. The insurance sector faces operational risks in the course of its business, as a result of different factors such as business practice, fraud (moral hazards) and business disruption and/or system failure. Therefore, the insurance companies are required to optimally manage there risks, in order to play their due role in the financial sector and in the economy.

The insurance sector of Pakistan being small and with little correlation with the developments of the international insurance market has shown a promising consistent growth during the last few years. The insurance sector in Pakistan comprises of forty-two (42) insurance/*takaful* companies, out of which thirty-four (34) (including 3 general *takaful*, National Insurance Company Limited and Pakistan Reinsurance Company Limited) and eight (8) (including 2 family *takaful* and State Life Insurance Corporation of Pakistan) belong to non-life and life sector, respectively. While 258 insurance surveyors and 404 authorized surveying officers are engaged in providing independent claim assessment support to insurance/*takaful* companies.

Pakistan's insurance industry continues to lag behind some of the developing countries in terms of the penetration in the real economy and share of insurance premiums in comparison with emerging markets premium. For 2008, the insurance penetration in Pakistan is estimated to be 0.75, which is significantly less than other developing countries. In order to improve the dismal level of insurance penetration and to rationalize public sector insurers role, a highest level effort to identify the issues and to agree remedial actions therefore, were made in April 2007.

Fig 5.11 Assets of Insurance Sector



Despite its continued small size and low penetration level, the insurance industry performed well in 2008 by posting a strong growth. The life insurance sector posted strong gains on account of handsome gains on investments. On the other hand with general insurance, the claim ratio in life insurance has decreased marginally. Since 2003, the number of foreign companies in both life and general insurance has decreased sharply. SECP as regulator of insurance sector has devised a strategy to promote foreign investment in the insurance sector which will promote competition and introduce new innovative products in the insurance market.

Table 5.1

COMPONENTS OF MONETARY ASSETS

	Stock Rs. in million	End June 2002	2003	2004	2005	2006	2007	2008	End March 2008	2009
1.	Currency Issued	462,095	527,557	617,508	712,480	791,834	901,401	1,054,191	1,048,617	119,682
2.	Currency held by SBP	1,865	2,565	2,960	3,107	3,005	3,148	2,900	2,855	2,689
3.	Currency in title of Scheduled Banks	26,414	30,415	36,432	43,472	48,439	58,072	68,966	63,761	65,738
4.	Currency in ciculation (1-2-3)	433,816	494,577	578,116	665,901	740,390	840,181	982,325	982,001	1,128,394
5.	Other deposits with SBP[1]	13,847	3,499	2,116	3,335	4,931	7,012	4,261	3,850	4,243
6.	Scheduled Banks Total Dposits[2]	1,304,214	1,580,399	1,905,260	2,291,408	2,661,584	3,217,962	3,702,556	3,422,237	3,634,632
7.	Resident Foreign Currency Deposits (RFCD)	157,456	126,138	145,694	180,295	195,501	207,312	263,430	234,882	284,165
8.	Monetary assets (4+5+6)	1,751,877	2,078,475	2,485,492	2,960,644	3,406,905	4,065,155	4,689,143	4,408,088	4,767,268
9.	Growth rate (%)	14.8	18.6	19.6	19.1	15.1	19.3	15.3	8.4	1.7
	Memorandum									
1.	Currency / Money ratio	24.8	23.8	23.3	22.5	21.7	20.7	20.9	22.3	23.7
2.	Demand Deposits / Money ratio	24.0	29.2	31.8	32.1	31.9	65.0	65.5	65.0	61.3
3.	Time Deposits / Money ratio	41.5	40.7	39.0	39.2	40.5	9.0	7.8	7.3	8.9
4.	Other Deposits / Money ration	0.8	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
5.	RFCD / Money ration	9.0	6.1	5.9	6.1	5.7	5.1	5.6	5.3	5.9
6.	Income Velocity of Money[3]	2.5	2.5	2.4	2.4	2.1	2.0	2.4		

P : Provisional

1 Excluding IMF A/c Nos 1 & 2 SAF Loans A/c deposits money banks, counterpart funds, deposits of foreign central banks and foreign governments.
2 Excluding inter banks deposits and deposits of federal and provincial governments, foreign constituents and international organization etc.
3 Income velocity of money is taken as GDP at current factor cost / quarterly average of monetary assets (A2)

Explanatory Notes:

a Data series on monetary aggregates other than M1 are based on weekly returns reported by scheduled banks to SBP.
b Data series on M1 aggregates (as Sr. # 8) is issued on monthly returns reported by scheduled banks to SBP and published is Statistical Bulletin from Aril 2008.
c The stock data of M2 has been revised since June 2002 due to treatment of privatization commission deposits with NBP as government deposits. These deposits were previously included private sector deposits which have now being included in government deposits.
d Totals may not tally due to separte rounding off

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

(Rs million)

					End March	
	2005	2006	2007	2008	2008	2009 P
	A. Stock End June					
1 Public Sector Borrowing (net)						
(i + ii + iii + iv + v + vi + vii)	752515	833686	926530	1510322	1238722	1900227
i Net Budgetary Support	646682	708037	810053	1364604	1119187	1748265
ii Commodity Operations	87836	107762	98552	127204	101239	135468
iii Zakat Fund etc.	(14198)	(14308)	(14269)	(13681)	(13899)	(15700)
iv Utilization of privatization						
proceeds by Govt./WAPDA	37657	37651	37657	67657	37657	37657
v Use of Privatization proceeds/						
NDRP Fund for Debt Retirement	(5749)	(5749)	(5749)	(5749)	(5749)	(5749)
vi Payment to HBL on A/C of HC&EB	287	287	287	287	287	287
2 Non-Government Sector	1782368	2190769	2576474	3018144	2955791	3178838
i Autonomous Bodies1	32224	36979	58148	87387	81627	102731
ii Net Credit to Private Sector	1750144	2153790	2518326	2930757	2874164	3076107
& PSCEs						
a. Private Sector	1712093	2113890	2479608	2888035	2832887	2985092
b. Public Sector Corp. other than 2(i)	44838	47237	46010	49894	48427	98388
c. PSEs Special Account Debt Repayment	(23714)	(23225)	(23478)	(23597)	(23504)	23683
d. Other Financial Institutions (NBFIs)	16927	15889	16187	16425	16353	16310
3 Counterpart Funds	(539)	(546)	(519)	(543)	(533)	(498)
4 Other Items (Net	(204929)	(327346)	(422223)	(506834)	(507986)	(684154)
5 Domestic Credit (1+2+3+4)	2329415	2696564	3080263	4021632	3685994	4394911
6 Foreign Assets (Net)	636938	710341	984982	667511	722094	372357
7 Monetary Assets (5+6)	2966352	3406905	4065155	4689143	4408088	4767268
	B. Changes over the year (July-June)					
8 Public Sector Borrowing (net)						
(i+ii+iii+iv+v+vi+vii)	95785	86879	92844	583792	312191	389905
i Net Budgetary Support	71796	67063	102015	445441	309135	383662
ii Commodity Operations	21963	19926	(9210)	(28652)	2687	8265
iii Zakat Fund etc.	2026	(110)	39	588	370	(2021)
iv Utilization of privatization						
proceeds by Govt./WAPDA	-	-	-	-	-	-
v Use of Privatization proceeds/						
NDRP Fund for Debt Retirement	-	-	-	-	-	-
vi Payment to HBL on A/C of HC&EB	-	-	-	-	-	-
9 Non-Government Sector	418699	408401	385705	441670	379317	160694
i Autonomous Bodies1	(2069)	4755	21169	29239	23479	15344
ii Net Credit to Private Sector & PSCEs	420768	403646	364536	412431	355838	145351
a. Private Sector	437848	401797	365718	408427	353279	97058
b. Public Sector Corp. other than 2(i)	(9014)	2399	(1227)	3884	2418	48494
c. PSEs Special Account Debt Repayment	(1606)	489	(253)	(118)	(25)	(86)
d. Other Financial Institutions (NBFIs)	(6460)	(1038)	298	238	166	(115)
10 Counterpart Funds	88	(7)	27	(24)	(14)	
11 Other Items (Net)	(88525)	122416	(94877)	(84092)	(85763)	(177320)
12 Domestic Credit Expansion (8+9+10+11)	426048	372857	383699	941369	605731	
13 Foreign Assets (Net)	53748	73403	274551	317381	(262798)	(295154)
14 Monetary Expansions (13+14)	479796	446260	658250	623988	342934	78125

Source: State Bank of Pakistan

1 Till end June 1996 autonomous bodies consisted of WAPDA, OGDC, PTC, NFC,and PTV, thereafter their composition has been changed as WAPDA, OGDC, PTC, SSGC SNGPL, KESC and Pakistan Railways.

2 Adjusted for SAF loans amounting to Rs 7371 million

3 Adjusted for Rs 5278 million to exclude the impact arising due to mark up debited to the borrowers account.

4 Adjusted for Rs 8207million being mark up debited to the borrowers account

5 Credit to NHA by commercial Banks.

6 Credit to NHA and CAA by commercial banks

Note: Figures in the parentheses represent negative signs.

P : Provisional

TABLE 5.3

SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS: LIABILITIES AND ASSETS

(Rs million)

									End December	
	Outstanding Amount at end June	2002	2003	2004	2005	2006	2007	2008	2008	2009 P
	LIABILITIES									
1.	Capital (paid-up) and Reserves									
	Demand liabilities in Pakistan	85,886	112,230	131225	190,652	315,414	484,296	551,313	543,730	588,230
2.	Inter-banks Demand Liabilities	13,261	9,937	20755	22,993	28,608	54,796	35,856	40,378	69,349
2.1	Borrowing	(10)	(1)	(15)	(99)	0	0	0	0	0
2.2	Deposits	(13,251)	(9,936)	(20740)	(22,894)	(28,608)	54,796	35,856	40,378	69,349
3.	Deposits (General)	609,657	785,333	1014947	1,211,674	1,350,011	2,889,589	3,352,974	3,160,815	3,234,394
4.	Other Liabilities	47,333	53,352	56532	70,107	97,266	137,089	167,897	179,528	207,390
5.	Total Demand Liabilities (2+3+4)	670,251	848,622	1092234	1,304,774	1,475,885	3,081,474	3,556,727	3,380,720	3,511,133
	TIME LIABILITIES IN PAKISTAN									
6.	Inter-banks Time Liabilities	2,104	3,991	4806	10,756	25,759	3,861	6,344	4,094	6,434
6.1	Borrowing	(659)	(621)	(1878)	(1,024)	0	0	0	0	0
6.2	Deposits	(1,445)	(3,370)	(2928)	(9,732)	(25,759)	3,861	6,344	4,094	6,434
7.	Time Deposits (General)	803,749	903,153	1026919	1,231,745	1,490,182	512,565	522,843	417,083	589,804
8.	Other Liabilities	12,808	16,020	20703	27,288	34,236	69,786	87,554	73,558	74,148
9.	Total Time Lilibilities (6+7+8)	818,661	923,164	1052428	1,269,789	1,550,177	586,212	616,741	494,735	670,386
10.	Total Demand and Time Liabilities	1,488,912	1,771,786	2144662	2,574,563	3,026,061	3,667,686	4,173,469	3,875,455	4,181,519
11.	Borrowing From SBP	135,556	137,882	162335	185,068	198,725	269,109	213,293	256,672	277,883
12.	Borrowing from Banks Abroad	12,642	21,243	9872	6,245	2,953	7,015	5,287	19,009	10,486
13.	Money at Call and Short Notice in Pakistar	31,877	28,551	27479	22,243	172,893	220,941	169,637	163,290	141,695
14.	Other Liabilities	*546159	*468312	527452	645,616	168,011	136,119	218,672	173,409	307,372
15.	Total Liabilities	2,301,032	2,540,004	3003025	3,624,387	3,884,057	4,785,167	5,331,671	5,031,565	5,507,185
16.	Total Statutory Reserves	73,677	87,893	105955	127,041	148,585	229,338	316,878	248,543	172,089
16.1	On Demand Liabilities	(32,850)	(41,934)	(53574)	(64,089)	72,364	211,867	316,878	233,824	172,089
16.2	On Time Liabilities Assets	(40,828)	(45,959)	(52381)	(62,952)	76,221	17,471	0	14,719	0
	ASSETS									
17.	Cash in Pakistan	26,414	30,415	36432	43,462	48,439	58,072	68,966	68,371	86,649
18.	Balances with SBP	124,883	140,077	151406	188,092	202,501	307,433	414,098	278,335	245,156
19.	Other Balances	27,268	31,306	36762	49,021	56,460	65,656	63,622	59,237	75,684
20.	Money at Call and Short Notice in Pakistar	32,831	28,686	30444	22,166	232,535	239,031	157,218	139,892	137,351
21.	17+18+19+20 as % of 10	14.2	13.0	12.0	11.8	17.8	18.0	17.0	14.0	13.0
	FOREIGN CURRENCY									
22.	Foreign Currency held in Pakistan	5,003	5,435	4806	6,777	6,449	7,463	11,009	13,056	19,698
23.	Balances with Banks Abroad	89,416	68,578	60976	116,627	93,387	170,509	159,327	105,980	131,825
24.	Total Foreign Currency	94,419	74,013	65782	123,404	99,836	177,972	170,336	119,036	151,523
	BANK CREDIT ADVANCES									
25.	To Banks	1,626	253	63	190	0	0	0	0	0
26.	To Others	894,524	988,572	1258022	1,680,491	2,079,056	2,379,226	2,809,938	2,607,774	3,064,610
27.	Total Advances	896,150	988,825	1258085	1,680,681	2,079,056	2,379,226	2,809,938	2,607,774	3,064,610
28.	Bills Purchased and Discounted	75,588	80,687	99924	120,480	135,924	145,707	140,864	13,777	144,816
29.	Total Bank Credit	971,738	1,069,512	1358009	1,801,161	2,214,980	2,524,932	2,950,801	2,741,551	3,209,426
30.	29 as % of 10	65.3	60.4	63.3	70.0	73.2	69.0	71.0	71.0	77.0
	INVESTMENT IN SECURITIES AND SHARES									
31.	Central Government Securities	154,292	191,709	240842	173,788	177,860	174,425	173,171	184,896	172,547
32.	Provincial Government Securities	1,728	1,234	77	77	77	76	76	76	37
33.	Treasury Bills	231,507	412,449	408438	415,016	411,691	655,921	559,825	721,653	560,584
34.	Other Investment in Securities & Sahres	83,493	118,234	132026	140,453	165,598	235,330	286,960	262,118	298,287
35.	Total Investment in Securities and Shares	471,020	723,626	781,383	729,334	755,227	1,065,753	1,020,032	1,168,743	1,031,455
36.	35 as % of 10	31.6	40.8	36.4	28.3	25.0	29.0	24.0	30.0	25.0
37.	Other Assets	*456377	*353842	442162	563,552	195,096	211,141	266,656	268,218	324,389
38.	Advance Tax Paid	64,270	49,789	53879	42,386	6,423	8,144	18,178	13,776	25,518
39	Fixed Assets	31,812	38,738	46766	61,809	72,560	127,031	201,764	174,404	220,034
40.	Total Assets	2,301,032	2,540,004	3003025	3,624,387	3,884,057	4,785,167	5,331,671	5,031,565	5,507,185
41.	Excess Reserves (18-16)	51,206	52,184	45451	61,051	53,916	78,095	97,220	29,792	73,067

Figures in the parentheses represent negative sing, * : Contra Items, P : Provisional

Source: State Bank of Pakistan

Note : Effective 22 July 2006, demand & time deposits have been re-classified in accordance with BSD circular no. 9 2006 dated 18 July 2006. the time deposits of less than 6 months are included in demand deposits for for the prupose of CRR & SLR

- Definition of time & demand liabilites as mentioned in BSD circular no 9 dated 18 July 2008 have been revised. As per new definition, time liabilities will included deposits with tenor of one year nad above. Accordingly, time deposits with tenor of less of than one year will become part of demand deposits.

TABLE 5.4

INCOME VELOCITY OF MONEY

(Rs billion)

End June Stock	Naroow Money M1	Monetary Assets (M2) (Rs million)	Growth Percentage	Income Velocity of Monetary Assets (M2)
1980-81	73.56	104.62	13.2	2.7
1981-82	80.93	116.51	11.4	2.7
1982-83	96.54	146.03	25.3	2.7
1983-84	103.45	163.27	11.8	2.7
1984-85	118.97	183.91	12.6	2.7
1985-86	134.83	211.11	14.8	2.6
1986-87	159.63	240.02	13.7	2.5
1987-88	185.08	269.51	12.3	2.6
1988-89	206.36	290.46	7.8	2.7
1989-90	240.16	341.25	17.5	2.7
1990-91	265.14	400.64	17.4	2.7
1991-92	302.91	505.57	26.2	2.7
1992-93	327.82	595.39	17.8	2.3
1993-94	358.77	703.40	18.1	2.4
1994-95	423.14	824.73	17.2	2.4
1995-96	448.01	938.68	13.8	2.4
1996-97	443.55	1,053.23	12.2	2.5
1997-98	480.33	1,206.32	14.5	2.3
1998-99	643.04	1,280.55	6.2	2.4
1999-2000	739.03	1,400.63	9.4	2.2
2000-01	1275.6	1,526.04	9.0	2.6
2001-02	1494.14	1,751.88	14.8	2.5
2002-03	1797.36	2,078.48	18.6	2.3
2003-04	2174.74	2,485.49	19.6	2.3
2004-05	2512.21	2,960.64	19.1	2.4
2005-06	2720.68	3,406.91	15.1	2.1
2006-07	3155.63	4,065.16	19.3	2.0
2007-08	4689.14	4,689.14	15.3	2.2
End March				
2007-08	-	4,395.15	8.1	-
2008-09	-	4,767.27	1.7	-

P:Provisonal

Source: State Bank of Pakistan

Explanatory Note:

a: It may be noted that data series of M1 from 2000-01 is not comparable as compilation of M1 based on weekly data has been discontinued by the SBP. Now M1 is being compiled on the basis of monthly returns and will be reported in the monthly statistical Bulletin of the SBP beginning from April 2008 in its table 2.1

b: The stock data of M2 has been revised since June 2002 due to treatment of privatization commission deposits with NBP as government deposits. These deposits were previously uncluded in private sector deposits which have now being included in government deposits.

TABLE 5.5

LIST OF DOMESTIC, FOREIGN BANKS AND DFIs (As on 30-04-2009)

Public Sector Commercial Banks

1 First Women Bank Ltd.
2 National Bank of Pakistan
3 The Bank of Khyber
4 The Bank of Punjab

Specialized Scheduled Banks

1 The Punjab Provincial Co-operative Bank
2 SME Bank Limited
3 Zarai Taraqiati Bank Limited

Private Local Banks

1 Allied Bank Limited
2 Askari Bank Limited
3 Bank Al Falah Limited
4 Bank Al Habib Limited
5 My Bank Limited
6 Creacent Commercial Bank Limited
7 NIB Bank Limited
8 Faysal Bank Limited
9 Habib Bank Limited
10 KASB Bank Limited
11 MCB Bank Limited
12 Meezan Bank Limited
13 Atlas Bank Limited
14 Saudi Pak Commercial Bank Limited
15 Soneri Bank Limited
16 United Bank Limited
17 Arif Habib Bank Limited
18 Dubai Islamic Bank Pakistan Limited
19 Bank Islami Pakistan Limited
20 Royal Bank of Scotland
21 Habib Metropolitan Bank Limited
22 JS Bank Limited
23 Standard Chartered Bank (Pakistan) Limited
24 Emirates Global Islamic Bank
25 Dawood Islamic Bank Limited

Foreign Banks

1 Al-Baraka Islamic Bank B.S.C. (E.C.)
2 Citibank N.A.
3 Deutshe Bank A.G.
4 The Hong Kong & Shanghai Banking Corporation Limited
5 Oman International Bank S.A.O.G.
6 The Bank of Tokyo - Mitsubishi UFJ Limited\

Development Financial Institutions

1 Industrial Development Bank of Pakistan
2 Pak Kuwait Investment Company of Pakistan (Pvt) Limited
3 Pak Labya Holding Company (Pvt) Limited
4 Pak Oman Investment Company (Pvt) Limited
5 Saudi Pak Industrial & Agricultural Investment company (Pvt) Limited
6 Pak-Brunai Investment Company Ltd
7 Pak-China Investment Co. Ltd.
8 Pak-Iran Joint Investment Co. Ltd.

Micro Finance Banks

1 Khushhali Bank
2 Network Micro Finance Bank Limited
3 The First Micro Finance Bank Limited
4 Rozgar Micro Finance Bank Limited
5 Tameer Micro Finance Bank Limited
6 Pak Oman Micro Finance Bank Limited

Source: State Bank of Pakistan and Finance Division.

TABLE 5.6

SCHEDULED BANKS IN PAKISTAN (Weighted Average Rates of Return on Advances)

(Percent)

As at the End of		Precious Metal	Stock Exchange Securities	Merchan-dise	Machinery	Real Estate	Financial Obli-gations	Others	Total Advances*
I. INTEREST BEARING									
1999	Jun	13.39	14.15	13.89	15.19	14.08	14.95	14.29	14.47
		(15.57)	(14.16)	(13.91)	(15.18)	(14.49)	(15.13)	(16.11)	(14.88)
	Dec	11.41	13.79	14.56	14.17	13.75	13.14	14.07	14.09
		(16.50)	(13.44)	(14.35)	(14.30)	(14.78)	(13.25)	(16.29)	(14.75)
2000	Jun	11.10	13.76	13.67	13.15	12.23	13.65	13.34	13.25
		(11.81)	(13.45)	(13.83)	(13.15)	(13.73)	(14.03)	(13.98)	(13.77)
	Dec	11.53	13.57	12.88	13.82	12.90	13.49	12.93	13.08
		(12.73)	(12.82)	(13.68)	(13.74)	(13.62)	(13.56)	(13.36)	(13.58)
2001	Jun	11.75	13.54	13.69	13.50	12.84	13.07	12.05	13.07
		(13.87)	(14.06)	(13.59)	(13.55)	(13.86)	(13.00)	(13.87)	(13.64)
2002	Jun	8.10	11.27	13.12	13.56	12.72	13.88	12.47	13.00
		(8.14)	(11.70)	(13.13)	(13.67)	(12.98)	(13.81)	(13.39)	(13.29)
2003	Jun	12.01	11.97	9.39	15.66	12.63	7.74	10.66	11.87
		(12.01)	(11.82)	(9.67)	(15.68)	(12.86)	(7.66)	(11.49)	(12.35)
2004	Jun	9.20	6.01	6.89	11.21	9.08	7.08	9.04	8.41
		(9.20)	(6.01)	(7.08)	(11.77)	(9.08)	(7.03)	(9.05)	(8.54)
2005	Jun	8.51	6.86	6.09	4.59	6.68	6.76	8.86	7.01
		(8.51)	(8.29)	(6.01)	(4.07)	(6.68)	(6.70)	(9.02)	(7.01)
2006	Jun	11.58	14.84	8.68	8.55	10.23	10.31	9.59	9.71
		(11.58)	(14.09)	(8.51)	(8.55)	(10.23)	(10.31)	(9.99)	(9.66)
2007	Jun	10.87	11.37	10.73	11.07	12.30	11.05	10.76	11.25
		(10.87)	(12.11)	(10.68)	(11.06)	(12.30)	(11.05)	(10.81)	(11.30)
	Dec	11.45	10.36	9.82	11.09	12.85	10.02	11.93	11.64
		(11.45)	(10.42)	(9.82)	(11.09)	(12.85)	(10.02)	(11.98)	(11.66)
2008	Jun	13.62	12.37	11.78	13.16	12.21	13.32	13.02	12.53
		(13.62)	(12.60)	(11.77)	(13.16)	(12.21)	(13.32)	(13.14)	(12.57)
II. ISLAMIC MODES OF FINANCING									
1999	Jun	11.27	15.69	15.12	15.75	13.76	14.49	15.00	14.82
		(10.01)	(15.39)	(15.03)	(15.92)	(14.92)	(14.57)	(15.87)	(15.23)
	Dec	10.91	14.42	14.82	15.41	13.57	13.89	14.74	14.49
		(16.28)	(14.51)	(14.68)	(15.45)	(14.84)	(13.86)	(15.82)	(14.96)
2000	Jun	10.61	13.12	13.48	14.31	13.08	13.42	13.83	13.54
		(11.10)	(13.48)	(14.07)	(14.39)	(14.39)	(13.40)	(14.94)	(14.27)
	Dec	11.24	13.51	13.54	14.48	12.97	13.15	14.07	13.59
		(11.32)	(13.68)	14.01	(14.53)	(14.24)	(13.09)	(15.09)	(14.24)
2001	Jun	11.02	13.47	13.39	14.53	13.31	13.84	14.03	13.65
		(11.28)	(13.57)	(13.88)	(14.42)	(14.52)	(13.86)	(14.78)	(14.24)
2002	Jun	9.30	13.09	12.85	13.70	13.47	13.32	13.32	13.20
		(9.50)	(13.33)	(12.73)	(13.81)	(14.05)	(13.22)	(14.00)	(13.52)
2003	Jun	11.43	5.92	7.50	9.39	11.47	7.79	10.31	9.19
		(11.43)	(5.77)	(7.95)	(9.54)	(12.08)	(8.62)	(10.84)	(9.71)
2004	Jun	10.86	4.86	5.73	6.61	9.27	5.88	8.34	7.19
		(10.86)	(5.28)	(5.96)	(6.81)	(9.68)	(5.82)	(9.01)	(7.60)
2005	Jun	9.03	7.15	7.93	7.80	10.16	8.21	10.15	8.94
		(9.03)	(7.17)	(7.95)	(7.88)	(10.22)	(8.19)	(10.67)	(9.13)
2006	Jun	10.66	10.03	9.63	9.14	11.23	9.25	12.37	10.68
		(10.66)	(10.20)	(9.66)	(9.20)	(11.26)	(9.25)	(12.90)	(10.83)
2007	Jun	12.04	11.26	10.11	10.80	11.92	10.43	13.02	11.57
		(12.04)	(11.34)	(10.03)	(10.84)	(11.92)	(10.49)	(13.40)	(11.68)
	Dec	9.70	11.27	10.26	10.76	11.80	10.58	12.93	11.55
		(9.70)	(11.41)	(10.23)	(10.82)	(11.79)	(10.62)	(13.26)	(11.65)
2008	Jun	11.75	12.87	11.53	12.26	12.11	11.23	13.90	12.48
		(11.75)	(12.93)	(11.55)	(12.22)	(12.12)	(11.23)	(14.21)	(12.55)

Source: State Bank of Pakistan

* Weighted average rates shown in parentheses represent Private Sector.

Table 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. million)

No.	Securities	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March 2008-09
1	Market Treasury Bills								
A	Three Month Maturity								
	Amount Offered								
	i) Face value	128,358	109,106	216,637	1,011,659	389,173	186,652	157,946	1,413,218
	ii) Discounted value	125,693	108,332	214,315	1,002,708	382,026	183,039	154,340	1,372,004
	Amount Accepted								
	i) Face value	72,862	29,231	115,575	724,359	210,541	136,102	139,771	975,798
	ii) Discounted value	71,429	29,042	115,174	716,768	206,768	133,484	136,574	947,622
	Weighted Average Yield								
	i) Minimum % p.a.	5.362	1.658	0.995	2.017	7.549	8.315	8.687	11.451
	ii) Maximum % p.a.	12.150	5.815	1.702	7.479	8.326	8.689	11.316	13.855
B	Six Month Maturity								
	Amount Offered								
	i) Face value	287,853	747,018	328,990	470,885	182,112	125,483	91,476	272,584
	ii) Discounted value	276,882	731,354	326,114	460,185	173,289	120,197	87,279	255,885
	Amount Accepted								
	i) Face value	163,665	349,009	158,430	256,914	69,752	90,433	78,242	176,401
	ii) Discounted value	157,934	341,225	157,256	251,166	67,094	86,629	74,673	165,626
	Weighted Average Yield								
	i) Minimum % p.a.	5.645	1.639	1.212	2.523	7.968	8.485	8.902	11.668
	ii) Maximum % p.a.	12.555	12.404	2.076	7.945	8.487	8.902	11.472	14.011
C	Twelve Month Maturity								
	Amount Offered								
	i) Face value	202,984	695,425	476,719	136,713	555,757	787,636	658,709	931,293
	ii) Discounted value	187,339	665,337	466,729	128,569	509,202	717,951	598,425	823,027
	Amount Accepted								
	i) Face value	84,568	264,938	241,019	70,688	459,440	661,786	441,130	332,008
	ii) Discounted value	78,444	253,908	236,421	65,799	422,647	607,211	402,784	294,106
	Weighted Average Yield								
	i) Minimum % p.a.	6.383	2.356	1.396	2.691	8.456	8.786	9.160	11.778
	ii) Maximum % p.a.	11.984	6.941	2.187	8.401	8.791	9.160	11.688	14.261

(Contd.)

Note *: MTBs was introduced in 1998-99

**: PIBs was introduced in 2000-01

Table 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. in million)

No.	Securities	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March 2008-09
2	Pakistan Investment Bond								
A.	Amount Offered	238,360	211,963	221,291	8,016	16,012	199017	141853	12,640
	03 Years Maturity	46,124	26,074	38,514	2,400	3,896	36982	11260	9,523
	05 Years Maturity	47,346	45,620	58,840	2,603	6,526	39799	21311	4,410
	10 Years Maturity	144,890	140,268	93,041	3,013	5,590	65986	61593	25,254
	15 Years Maturity	-	-	14,316	0	0	12750	16138	2,536
	20 Years Maturity	-	-	16,579	0	0	20200	11750	3,500
	30 Years Maturity	-	-	-	-	-	23300	19800	7000
B.	Amount Accepted	107,695	74,848	107,658	771	10,161	87867	73584	-
	(a) 03 Years Maturity.								
	(i) Amount Accepted	24,819	9,651	14,533	100	2,846	10882	5169	4,165
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	8.356	1.792	3.734	0.000	9.158	9.311	9.619	13.697
	(2) Maximum % p.a.	12.475	7.952	4.235	0.000	9.389	9.778	12.296	13.883
	(a) 05 Years Maturity.								
	(i) Amount Accepted	24,382	14,369	27,765	427	4,075	10174	10777	3,023
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	9.392	3.119	4.867	0.000	9.420	9.528	9.796	14.335
	(2) Maximum % p.a.	12.994	8.887	5.270	0.000	9.646	10.002	10.800	14.336
	(a) 7 Years Maturity.								
	(i) Amount Accepted	-	-	-	-	-	-	-	2,935
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	-	-	-	-	-	14.327
	(2) Maximum % p.a.	-	-	-	-	-	-	-	14.704
	(a) 10 Years Maturity.								
	(i) Amount Accepted	58,194	50,828	51,606	244	3,240	30211	23875	8,509
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	10.420	4.014	6.168	0.000	9.8005	10.106	10.179	14.472
	(2) Maximum % p.a.	13.981	9.587	7.127	0.000	9.8454	10.507	13.411	14.864
	(a) 15 Years Maturity. *								
	(i) Amount Accepted	-	-	6,996	0	-	9250	8613	1,236
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	7.683	0.000	-	10.85	11.108	14.750
	(2) Maximum % p.a.	-	-	8.994	0.000	-	11.058	13.441	15.356
	(a) 20 Years Maturity. *								
	(i) Amount Accepted	-	-	6,757	0	-	11250	9050	1500
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	8.706	0.000	-	11.173	11.373	157002
	(2) Maximum % p.a.	-	-	8.993	0.000	-	11.392	13.855	15.700
	(a) 30 Years Maturity.								
	(i) Amount Accepted						16100	16100	4500
	(ii) Weighted Average Yield #	-	-	-	-	-			
	(1) Minimum % p.a.	-	-	-	-	-	11.546	11.588	14.6078
	(2) Maximum % p.a.	-	-	-	-	-	11.680	14.118	16.2248

Note *: MTBs was introduced in 1998-99
**: PIBs was introduced in 2000-01