Monetary Sector

5

The past two years have witnessed economic developments unprecedented in scale and gravity, with large ramifications for the conduct of public policy. On the one hand, the global economy was buffeted by the most severe recession since the Great Depression. On the other, world food and energy prices skyrocketed, leading to grave consequences for the poor and vulnerable, especially in developing countries. While global commodity prices have eased considerably from their recent lifetime peaks, they remain elevated.

The initial response of most governments was to fight off recession with large fiscal stimuli and monetary easing and other untested measures with regard to liquidity injections to ensure money and credit markets did not ”seize up”. The fear of deflation in many major economies lent a degree of congruence to fiscal and monetary policy. With many countries finally appearing to pull back from the worst of the crisis, the impact of price developments in global commodity markets since 2006 appears to have worked its way into inflationary pressure. The global gauge for food price inflation, the Food and Agricultural Organisation’s (FAO) Food Price Index was up over 20 percent earlier in 2010, while food inflation has traversed historical levels in many countries, including Pakistan and India.

This backdrop presents a policy dilemma. While growth has returned in many economies, though unevenly across regions, it remains fragile. This fragility is evident from ongoing developments in the Euro-zone with respect to the Greek debt crisis. While exit policies may appear premature under such circumstances, the return of inflation in some cases, and inflationary expectations in others, means that policymakers across a broad spectrum of countries and regions are treading a thin line.

In Pakistan’s case, policymakers are grappling with a similar dilemma. The growth recovery in the economy witnessed in 2009-10 is still relatively weak, and remains fragile. On the other hand, inflation remains elevated and has displayed considerable persistence. The danger of a high headline rate of inflation is that if it displays persistence, it could influence expectation-forming more than other measures such as core inflation, which the central bank relies on to gauge the appropriateness of monetary policy.

5.2. Recent Monetary and Credit Developments

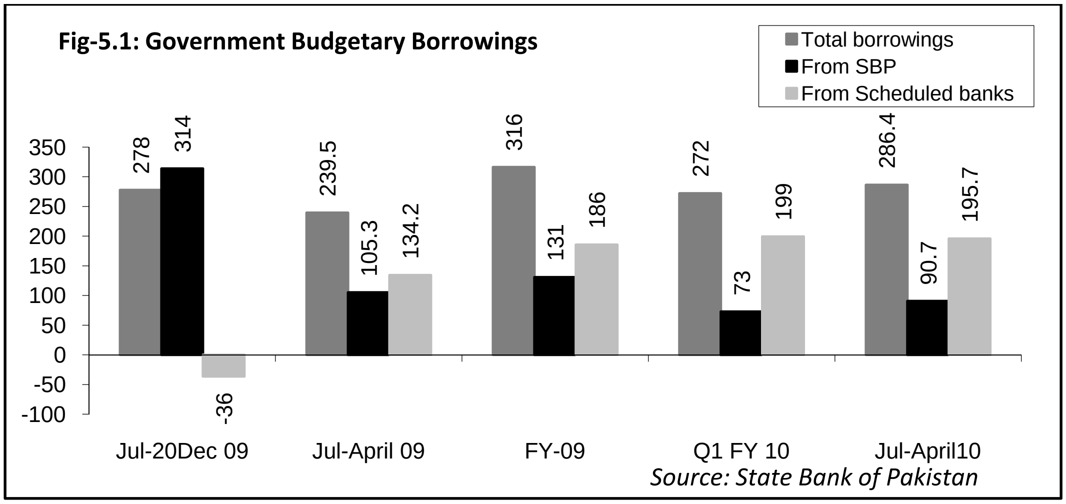
Developments in the monetary sector during July to April FY10 can be summed up as follows:

- A net retirement of bank credit by the private sector occurred in the first few months of the fiscal year, followed by a fairly strong uptick in subsequent months. As of third week of April, utilisation of bank credit by the private sector had increased to 4.8%, as against 1.6% in the corresponding period of 2008-09. Part of the subdued increase is accounted for by a sharp rise in provisioning by banks for non-performing loans, which is deducted from gross lending to arrive at the reported *net* figure of borrowing.

- However, the rise in private sector credit demand is concentrated in two sectors: *textiles* and *energy*. The trend in the former is in line with improving external demand for yarn, while in the case of the latter, the circular debt issue has accounted for a large increase in borrowing requirements for the affected companies.

5.2-a. Government Bank Borrowing

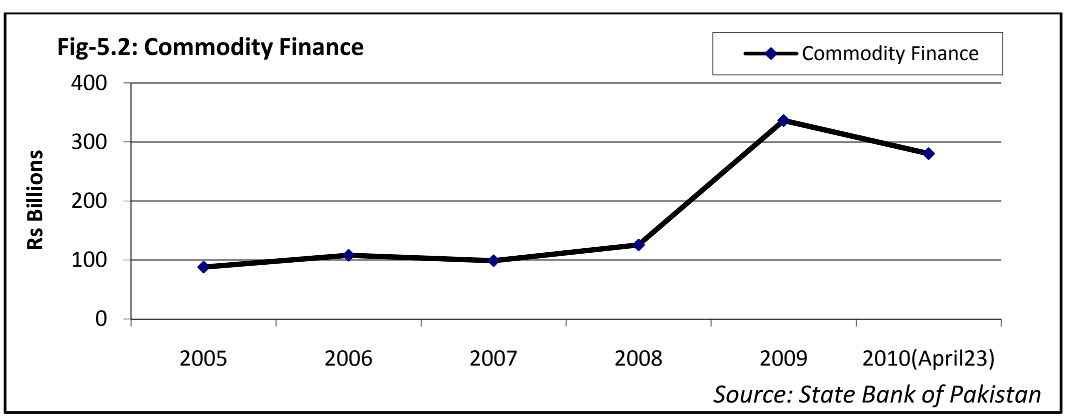
The net bank credit availed by the government for budgetary support as well as financing its commodity operations amounted to Rs. 286.4 billion during July-April 2010, against Rs. 239.5 billion during the same period last year.



Government budgetary borrowing from the banking system during year to date FY10 has remained higher compared to the corresponding period of FY09, rising sharply from October 2009. This has occurred mainly due to a pernicious combination of rising fiscal spending, and lower availability of external financing. The shortfall on this count overshadowed higher inflows from non-bank sources, as well as recourse to using a portion of IMF disbursements (up to 40% each of three tranches) as bridge financing.

5.2-b Commodity Finance

Commodity finance refers to advances provided to government, public sector corporations or private sector for the procurement of commodities such as cotton, rice, wheat, sugar, fertilizer etc. In Pakistan, the government's commodity operations are carried through state owned entities, such as PASSCO and TCP. These entities borrow commercially to finance their procurement operations, with the borrowing guaranteed by the government.



The financing for commodity operations peaked at Rs. 336.2 billion in June last year mainly because of record wheat procurement of 9.2 million tons by different federal and provincial departments and agencies. A combination of unprecedented scale of the procurement and the substantial increase in the domestic wheat support price has led to a sharp spike in the outstanding stock under this head.

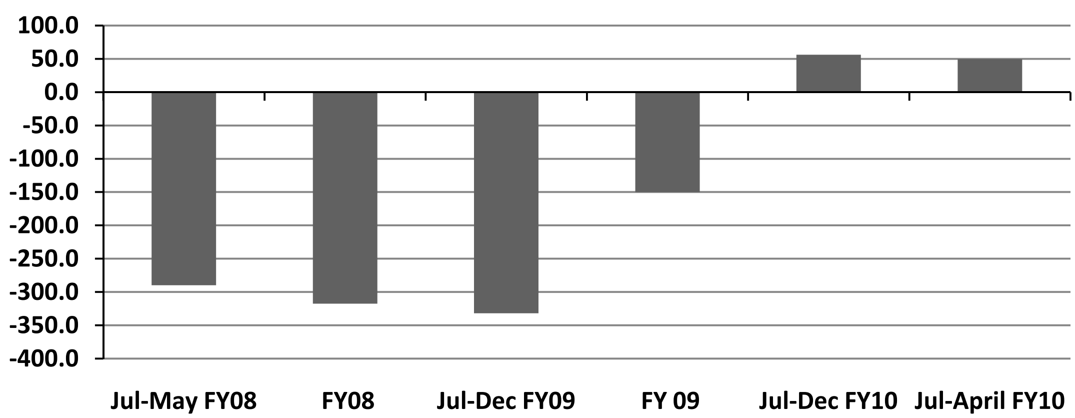
While financing for commodity operations is usually self-liquidating, to compound the problem, the fact that the procurement price of domestic wheat has risen substantially higher than the international price, has meant that government agencies have been able to retire only a portion of the outstanding loans availed for commodity operations. Stock of commodity finance fell by 56.1 billion during July-April 2010 compared to net increase of Rs. 47.2 billion in the corresponding period last year. While the stock of wheat financing declined to Rs. 200.6 billion by end February from its peak of Rs. 276.8 billion. Still the stock of wheat finance is higher than the average of the past three year's end February level of Rs. 53.8 billion.

5.2-c Net Foreign Assets (NFA)

The NFA of the banking system during July-April FY10 has increased by Rs. 49.7 billion after registering a significant decline of Rs. 236.8 billion during the same period of FY09. The increase in NFA is mainly contributed to by budgetary support of $745 million (approx. Rs. 62 billion) from the IMF. Sharply lower outflows on account of import payments have provided major support to the foreign currency reserves position.

Other factors that have contributed are the persistent increase in worker remittances, and the sharp unexpected rise in inflows under portfolio investment.

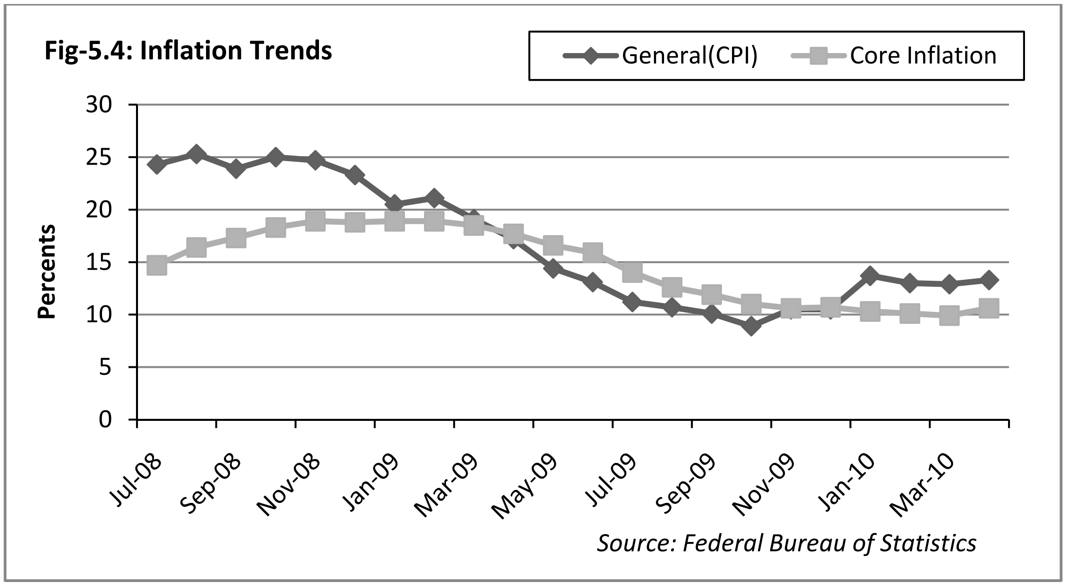
Fig-5.3: Net Foreign Assets



Source: State Bank of Pakistan

5.2-d. Inflation

After declining sharply from early calendar 2009, CPI inflation reached a recent trough of 8.9% year on year in October 2009. This occurred partly due to a favourable base effect, and partly due to subdued global price changes in commodities. However, since October, inflation in the economy has picked up sharply, on account of a number of adverse factors. Adjustments in administered prices of electricity tariffs, domestic petroleum products, gas, in conjunction with the large increase in the support price of wheat have been the main drivers of the refuelling of inflation in the economy since late last year.



5.3 Monetary policy stance

In response to several years of excessive money supply growth and fiscal profligacy, SBP reversed course of its monetary policy from end-2007 onwards. Initially, the stance was modified very incrementally (see Table 5.1), but in the face of persistent excessive demand pressures in the economy, SBP began a rather more aggressive tightening phase from May 2008.

Table 5.1: SBP Discount Rate

w.e.f	Policy rate
22-Jul-06	9.5
1-Aug-07	10
2-Feb-08	**10.5**
23-May-08	12
30-Jul-08	13
13-Nov-08	15
21-Apr-09	**14**
17-Aug-09	13
25-Nov-09 till date	12.5

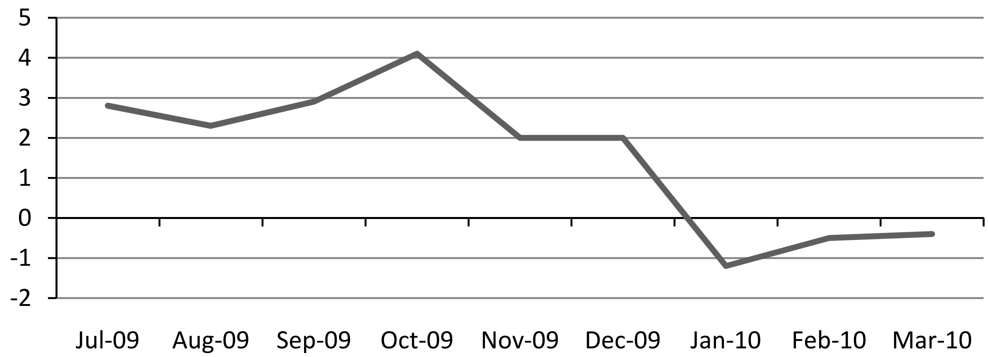
Source: SBP

The policy discount rate and the Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) were raised throughout calendar 2008. The measures announced by SBP in May 2008 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.

After peaking at 15% in November 2008, during the peak of the balance of payments crisis , the central bank has eased the policy discount rate in steps to the current 12.5%, in response to a gradual easing of both headline as well as core inflation, and the containment of aggregate demand pressures in the economy.

In real terms, however, with year-on-year CPI inflation at over 13%, the current stance of monetary policy would appear to be “neutral”, rather than “tight”.

Fig-5.5: Real Interest rate



Source: State Bank of Pakistan

Nonetheless, an appropriate monetary policy stance since 2008, in conjunction with rationalization of fiscal subsidies, have contributed to a large measure of macroeconomic stability.

However, a nascent revival in economic activity, on the one hand, and SBP's concerns about rising inflationary pressures due to higher oil prices and electricity tariff adjustments, on the other, means that the central bank is also facing a policy dilemma in determining the course, timing, pace and magnitude of any changes to its stance.

5.3 Developments in Monetary Indicators

The YoY growth in broad money (M2) increased sharply by 5.5 percent during July-April 2010 compared to 1.5 percent during the same period last year. This rise is mainly from YoY increase in Net foreign assets (NFA) of the banking sector as growth in net domestic assets (NDA) of the banking system slowed to 5.1 percent YoY basis by April, 2010.

Table 5.2: Monetary Indicators (Growth Rates) (Percent)

Indicators	FY 05	FY 06	FY 07	FY08	FY09	Jul-25April* 2008-09	Jul-23April* 2009-10
Net Bank Credit to Government Sector	13.9	11.6	11.1	63	34.7	18.9	11.3
Bank Credit to Private Sector	34.4	23.5	17.3	16.5	0.7	1.6	4.8
Net Domestic Assets(NDA)	22.2	16.1	14.2	30.6	14.9	7.6	5.1
Net Foreign Assets (NFA)	9.2	11.5	38.7	-32.2	-22.5	-35.5	9.6
Money Supply(M2)	19.1	15.1	19.3	15.3	9.6	1.4	5.5

**Pertains to 23 April for FY10 and 25 April for FY09* *Source: State Bank of Pakistan*

IMF has increased the SDR quota allocation for all of its member countries. Consequently, it has not only changed the composition of M2 growth, but the NFA of the banking system has also been increased sharply.

Similarly, the sharp acceleration in M2 growth is also explained by an uptrend in seasonal credit demand from the private sector. NFA of the SBP increased by Rs. 49.7 billion, while Net domestic assets (NDA) were increased to Rs. 233.9 billion during Jul-April 2010 compared to Rs. 304.6 billion during July-April 2009. The contraction in NDA was mainly due to the accounting adjustment of special SDR allocation by the IMF in August 2009. FY10 has also witnessed a significant increase in currency in circulation.

5.5 Analysis of Monetary Aggregates

Within the banking sector, borrowings from the commercial banks fell October onwards. Main reason was that the government largely adhered to its pre-auction targets that were set lower for Q2-FY10 in anticipation of revenue receipts such as coalition support funds. Consequently reliance on SBP borrowing increased during October-April 2010. Indeed the government's increased resource to SBP borrowing was made possible due to the available room for financing resulting from disciplined borrowing in the first quarter. However, in the absence of sufficient commercial bank borrowings, government borrowings from the central bank had exceeded its quarterly limits by the end of third week of December 2009.

Moreover, in the last few T-bill auctions, bank started to lock into shorter tenor government papers. This behaviour possibly reflects market anticipation for an increase in interest rate in the wake of renewed inflationary pressures and liquidity constraints. While the evidence suggest that increased biding by commercial banks, particularly for three month papers, also reflects high demand from money market funds.

By end September 2009, government retired its debt with SBP by using the proceeds from the transfer of SBP profits to government accounts and borrowing from commercial banks by issuing Rs. 40.5 billion worth of T-bills in the same month. Consequently the stock of MRTBs with SBP declined to Rs. 1010.8 billion by the end of September 2009 compared to Rs 1256.6 billion at end September 08.

The credit of Rs. 76.7 billion to the public sector enterprise (PSEs), and decline in government borrowings worth Rs. 56.1 billion for commodity operations has contributed Rs 233.9 billion in NDA during July-April FY10 compared to an increase of Rs. 304.6 billion during the same period last year. Credit to PSEs increased to just Rs 76.7billion during July-April FY10 against an increase of Rs. 142.2 billion in the same period last year. This increase caused by high credit demand from a power holding company in September 2009, a few POL related PSEs have availed the cushion for fresh lending after settlement of part of their outstanding bank credit with the issuance of PPTFCs and borrowing requirement from a public sector steel mill to finance its unfunded LC imports of raw material.

Building upon the discussion in Section 5.2-b some of the other monetary aggregates will be discussed here.

5.5-a. Net Domestic Assets

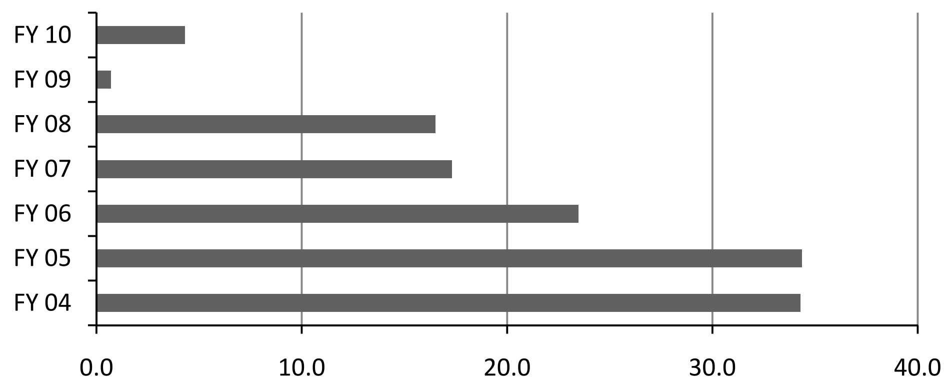
Net domestic assets of the banking system registered a decline by 5.1 percent during July-April 2010 compared to 7.6 percent during the same period last year. The slow pace in NDA of the banking system was due to the contraction in domestic demand. Moreover, fragile demand for private sector credit, low budgetary borrowing and slower credit off- take under commodity finance had restricted the expansion in NDA during July-April 10. On quarterly basis, during Q1-FY10, NDA had a negative contribution to M2 growth. However thereafter, NDA experienced a sharp increase, mainly due to a strong rise in private sector credit and increases recourse of the government to borrow from the banking system.

5.5-b. Credit to Private Sector (net)

Due to the slightly improved industrial and business activity, banks cautiously restarted lending to the private sector following an easing in classification of bad loans. There was an increase of Rs. 24 billion from November 30th to the end of the December 2009 as credit retirement on net basis ceased after mid November. Credit to private sector grew by Rs. 138.9 billion during July-April 2010 compared to Rs. 46.9 billion during the same period last year.

The trend decline in private sector credit, visible for twelve consecutive months, reversed from October 2009 onwards representing recovery in aggregate demand in the economy as well as increase in private sector participation in commodity finance (particularly for cotton, rice and sugarcane).

Fig 5.6 Growth of Private Sector



Source: State Bank of Pakistan

Despite the recovery in some macroeconomic indicators, private sector credit off-take is not growing fast because of high interest rates. However, average lending rate on entire stock on bank loans stood at 13.4 percent in March 2010 as compared to 14.4 percent in March 2009, thus it is still high.

Table 5.3: Private sector credit (Flows) **(Rs. Billions)**

Sectors	Jul-March		Growth (Percents)	
	FY09	**FY10**	**FY09**	**FY10**
Overall Credit (I to V)	58.3	141	2.2	5.3
I.Loans to Private Sector business	100.5	147.7	4.8	6.9
A. Agriculture	8.5	6.5	5.4	4
B.Mining And Quarrying	-1.4	1.7	-7.6	9.5
C.Manufacturing	88.4	95	7.3	7.7
Textiles	1.4	32.9	0.3	6.8
D.Electricity,gas and water	22.2	46.6	20	30.2
E.Construction	-6.8	-2	-8.6	-2.8
F.Commerce and Trade	-7.5	-4.3	-3	-1.8
G.Transport,storage and communications	2.4	6.4	2.6	6.6
H.Services	-1.0	2.9	-2.5	6.9
I.Other Private Business	**-3.4**	**-3.8**	-9.5	-13.8
II.Trust funds and NPOs	-2.3	0.8	-15	6.4
III.Personal	-45.7	-35.2	-10.9	-9.7
IV.Others	-6.5	0.8	-38.1	9.2
V.Investment in Securities and Shares	12.3	26.9	11.6	23.8

Source: State Bank of Pakistan

Table 5.4: Targets and Actual Disbursement of Agriculture Loans		
Name Of Banks	**Actual Disbursement (Rs Billions)**	
	July-March	
	FY 09	**FY 10**
I. Total Commercial Banks (A+B)	102.9	113.8
A. Major Commercial Banks	74.4	85.2
B Private Domestic Banks	28.5	28.6
II.Total Specialized Banks(1+2)	48.9	52.5
1.Zarai Taraqiati Bank Limited	45.4	49
2.P.P.C.B	3.5	3.5
Grand Total (I+II)	151.8	166.3

Source: SBP

5.5-b (i).Consumer Loans

The consumer loans continued their downward slide with increasing NPLs as banks avoiding the risks associated with these facilities, the rate of interest on these loans remain high. While inflationary pressures and low economic activity restrained the purchasing power of the consumers.

Table 5.5: Consumer Financing		**(Rs. billion)**
Consumer Financing	**Jul-March**	
	FY 09	**FY 10**
1.House Building	-3.3	-5.5
2.Transport i.e. purchase of cars etc	-19.6	-9.1
3.Credit cards	-6.8	-6.2
4.Consumer Durables	-0.2	-0.2
5.Personal Loans	-24	-19.7
6.Others	0.3	0.3
Total	**-53.6**	**-40.4**

Source: State Bank of Pakistan

The consumer credit contracted by 6.2 percent in FY10; however it has registered a marginal increase against the decline of 6.8 percent in FY09. This was compounded by banks' cautious behaviour about granting loans in view of deteriorating credit quality and higher insolvency of borrowers. The concern on individuals' ability to repay loans was particularly apparent in mortgage loans during FY10.

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-25April**	**July-23April**
	2008	**2009**	**2008-09**	**2009-10**
A. Currency in Circulation	982,325	1,152,173	1,122,684	1,289,898
Deposit of which:				
B. Other Deposits with SBP	4,261	4,662	4,821	6,216
C.Total Demand &Time Deposits incl.RFCDs	3,702,557	3,980,384	3,629,433	4,124,717
of which RFCDs	263,430	280,364	2,785,98	330,014
Monetary Assets Stock (M2) A+B+C	4,689,143	5,137,219	4,756,938	5,420,832

Table 5.6: Monetary Aggregates				(Rs million)
Items	End June		*July-25April	July-23April
	2008	2009	2008-09	2009-10
Memorandum Items				
Currency/Money Ratio	20.9	22.4	23.6	23.8
Other Deposits/Money ratio	0.1	0.1	0.1	0.1
Total Deposits/Money ratio	79	77.5	76.3	76.1
RFCD/Money ratio	5.6	5.5	5.9	6.1
Income Velocity of Money	2.4			

**pertains to 25th April for FY09 and 23rd April for FY10* *Source:SBP*

5.6-a. Currency in Circulation

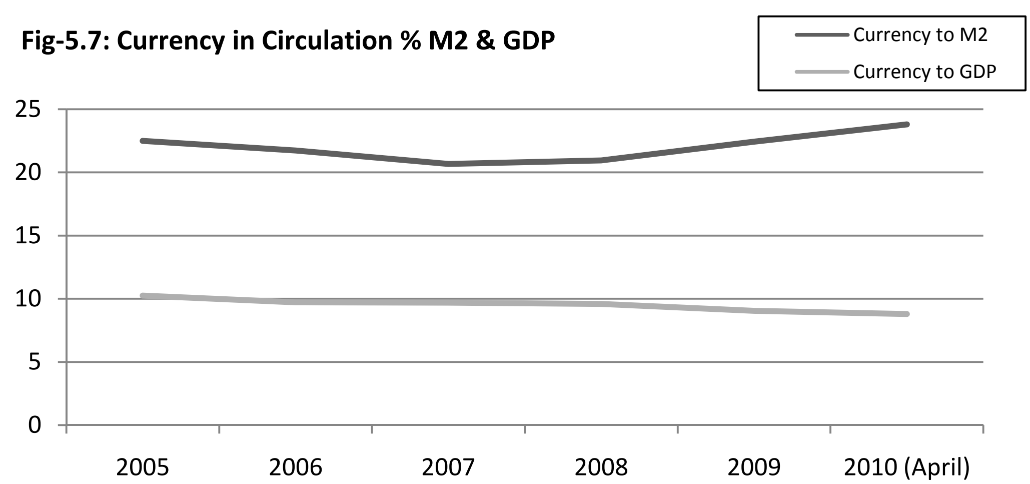
During July-April 2010, currency in circulation decreased to Rs. 137.7 billion as compared to Rs. 140.4 billion during the same period last year. However, the currency in circulation (CIC) as percent of the money supply (M2) has shown a very small increase and remained at 23.8 in FY10 against 23.6 percent in FY09 (Table 5.7). FY 10 has witnessed an expansion in broad money, as it increased by 5.5 percent against an increase of 1.5 percent during the same period last year. The increase in money supply shared by both currency in circulation and deposit money. Fig 5.7 shows the trends in CIC as percentage of M2 and as a percentage of GDP.

5.6-b. Deposits

During July-April 2010 demand and time deposits has increased by Rs. 144.3 billion against the decline of Rs. 73.1 billion in FY09. Similarly Resident Foreign Currency deposits (RFCDs) has increased by Rs. 49.7 billion as compared to Rs. 15 billions during the same period last year.

The M2-to-GDP ratio reflects the degree of financial development in the economy. Considering M2 as a proxy for the size of the financial sector, a rising M2/GDP ratio indicates that in nominal terms the financial assets are growing faster than the non-financial assets. As an important indicator of financial development M2/GDP has shown a rising trend since 1999-00 and rose from 36.9 percent to 47 percent in 2006-07.

Fig-5.7: Currency in Circulation % M2 & GDP



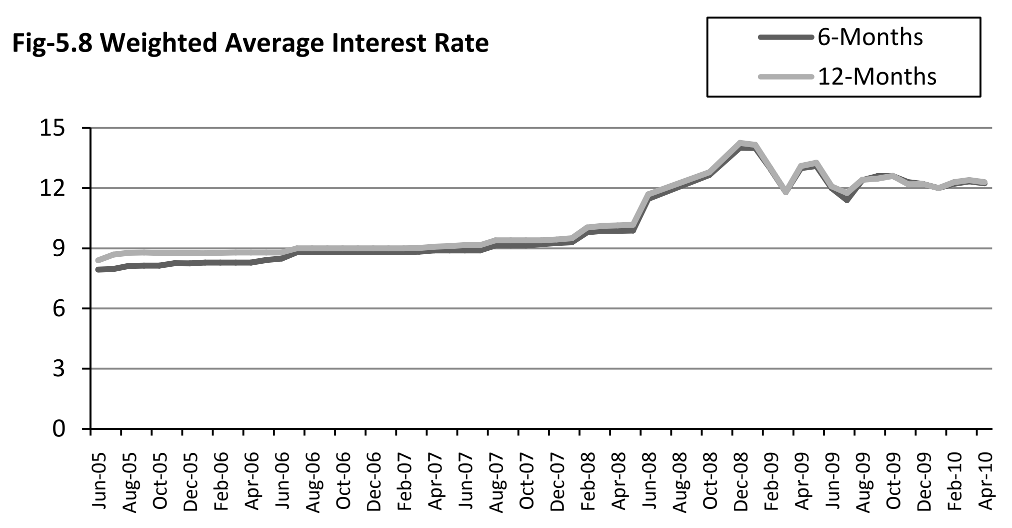
Source: State Bank of Pakistan

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
2008-09	39.2	58.2
July-April		
2008-09	37.3	70.4
2009-10	37.0	70

Source: State Bank of Pakistan

During July-April2010 M2/GDP ratio has increased to 37 percent as compared to 37.3 percent during the same period last year. On the other hand another significant ratio DD+TD/M2 which represent monetary depth has shown decreasing trend since 1999-00 by decreasing from 74.6 percent to 58.2 percent in 2008-09. However during July-April 2010 the ratio has increased by 70 percent as compared to an increase of 70.4 percent during the corresponding period of FY09.

Fig-5.8 Weighted Average Interest Rate



Source: State Bank of Pakistan

Weighted average lending rate (including zero mark-up) on outstanding loans stood at 13.4 percent, while weighted average deposit rate (including zero mark-up) stood at 6.1 percent.

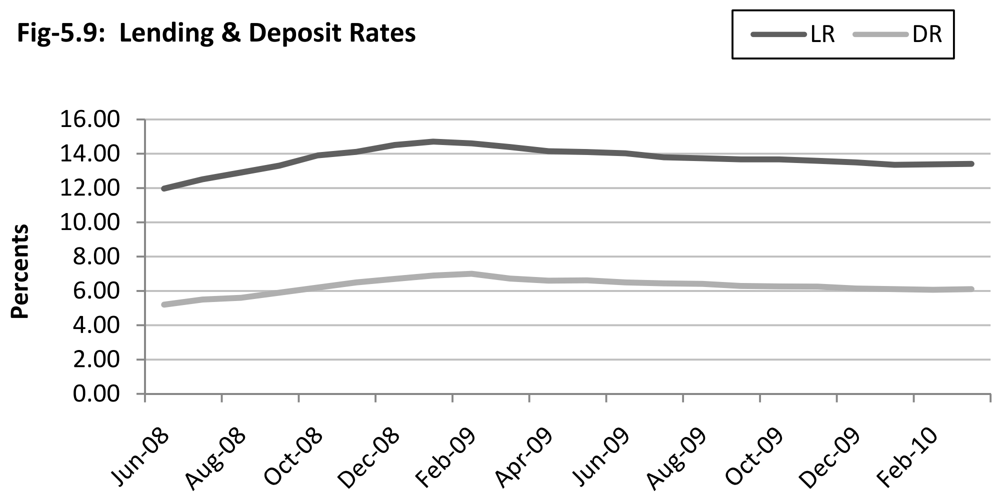
Table 5.8: Lending & Deposit Rates(W.A) %

	LR	DR	Spread
Jul-09	13.79	6.44	7.35
Aug-09	13.73	6.41	7.32
Sep-09	13.67	6.29	7.38
Oct-09	13.67	6.26	7.41
Nov-09	13.58	6.25	7.33
Dec-09	13.49	6.14	7.35
Jan-10	13.35	6.10	7.25
Feb-10	13.38	6.07	7.31
Mar-10	13.40	6.10	7.3

Source: State Bank Pakistan

The lending rates have declined during last one year due to the continuation of the easy monetary policy stance. Banks have also cut the deposit rates from its peak level of 6.7 percent in March 2009 to 6.1 percent in March 2010, in order to avoid fall in their profits (Fig 5.9).

Fig-5.9: Lending & Deposit Rates



Source: State Bank of Pakistan

5.7 Pakistan's Financial Sector: 2010

Pakistan's financial system has grown in recent years, still there is an enormous potential for growth. The system remains relatively small in relation to the economy, when compared with other emerging countries in Asia and around the world. This implies that many financing needs cannot be met and that much of the country's economic potential remains unfulfilled.

5.7-a Commercial Banks

The asset base of the banking system and its key elements posted strong growth; particularly the deposit base and lending to private sector, which consistently declined over first three quarters of CY09 showed the signs of recovery. However, the asset mix of the banking system further shifted towards the investment as banks continued to invest heavily in government papers and bonds of Public Sector Enterprises (PSEs).

As on December 2009, total number of branches of banks stood at 9,522 as compared to 9,146 on 30 June 2009. Hence there is an increase of 376 branches in six months of 2009-10. Assets of all banks showed a net expansion of Rs 441.9 billions during the first six months of FY10 and stood at Rs 6,529 billions. Hence the asset base of the banking system increased by 7 percent over the quarter.

Deposits of the system, after remaining lacklustre during the first three quarters of CY09, posted heatening growth. Total deposits of all banks registered an increase of Rs 223.4 billions in the first six months of FY10, and reached at Rs 4787 billions. On the asset side, lending portfolio also increased. Net investment increased by Rs 344.7 billions during the first six months of FY10 mainly contributed by private banks amounting to Rs 1375.6 billions. The public sector's demand for bank credit remained high for meeting budgetary requirements and resolving the issues of PSEs inter-corporate receivables (Table 5.9).

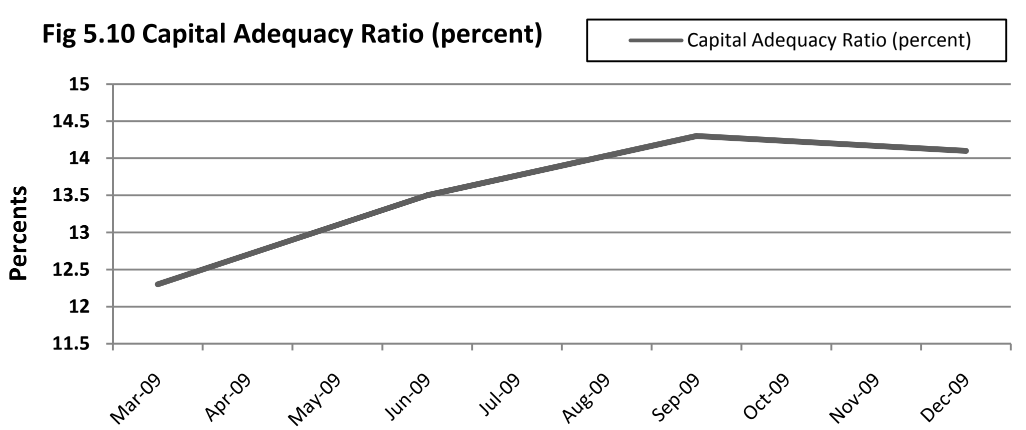
Table 5.9: Highlights of the Banking System **(Rs. Billions)**

	2005	2006	2007	2008	Sep-09	Dec-09
Total Assets	3,660	4,353	5,172	5,627	6,105	6,529
Investments (net)	800	833	1,276	1,080	1,593	1,753
Advances (net)	1,991	2,428	2,688	3,183	3,119	3,248
Deposits	2,832	3,255	3,854	4,217	4,483	4,787
Equity	292	402	544	563	641	662
Profit Before Tax (PBT)	94	124	107	63	70	91
Profit After Tax (PAT)	63	84	73	43	42	54
Non-Performing Loans	177	177	218	359	422	432
Non-Performing Loans (net)	41	39	30	109	128	125
	Basel-I		**Basel-II**			
Capital Adequacy Ratio (all banks)	11.3	12.7	12.3	12.3	14.3	14.1

Source: State Bank of Pakistan

Strong growth in assets of the banking system along with an increase in private sector lending and investment in PSEs bonds during the first six months of FY10 led to a slight contraction in baseline indicators of solvency. However, the ratio remains high and in the satisfactory range. Moreover, risk to solvency from heightened credit risk lowered on the back of deceleration in loan's infection rate and adequate provisioning by banks for loan losses.

Fig 5.10 Capital Adequacy Ratio (percent)



Source: State Bank of Pakistan

During the Q2-FY10 capital adequacy ratio (CAR) dropped by 0.2 percentage points and stood at 14.1 percent against 14.3 percent in September 2009, because banks made significant lending to private sector and invested heavily in bonds of PSEs, leading to relatively greater increase in risk weighted assets (RWA). Similarly, higher growth in asset base vis-à-vis capital base contracted the capital to total assets ratio by 0.4 percentage points to 10.1 percent.

5.7-b Islamic Bank

The growth momentum in Islamic banking has remained exceptionally strong worldwide, and this trend is shared both at local and global Islamic Financial Services Industry (IFSI). Despite the remarkable achievement during the past few years, still the Islamic financial service industry (IFSI) needs careful nurturing and development to make a significant impact on the financial landscape of the country.

Table 5.10(a): Islamic Banks **(Rs Billion)**

	CY04	CY05	CY06	CY07	CY08	CY09(Dec)
Assets of the Islamic banks	44.1	71.5	119.3	205.9	276.0	366.3
Deposits of the Islamic Banks	30.2	49.9	83.7	147.4	201.6	282.6
Share in Banks Assets	1.45%	1.95%	2.79%	3.98%	4.90%	5.60%
Share in Bank Deposits	1.26%	1.75%	2.62%	3.82%	4.78%	5.90%

Source: Islamic Banking Department, State Bank of Pakistan

Despite the robust growth in most of the indicators of Islamic banking during CY09, there were some slippages in asset quality and a slight decline in financing billion at the end of December 2009 and reflected a share of 5.6 percent in banking assets (Table 5.10.a). While the total deposits of Islamic banks reached to Rs 282.6 billions from Rs 30.2 billion in CY04, thus it contributed to 5.9 percent in bank deposits as compared to 1.3 percent only in CY04.

Table 5.11(b): Financing Products by Islamic banks %age

Mode of Financing	CY04	CY05	CY06	CY07	CY08	CY09(Dec)
Murabaha	57.4	44.4	48.4	44.5	36.5	42.3
Ijara	24.8	29.7	29.7	24	22.1	14.2
Musharaka	1	0.5	0.8	1.6	2.1	1.8
Mudaraba				0.3	0.2	0.4
Diminishing Muskaraka	5.9	12.8	14.8	25.6	28.9	30.4
Salam	0.7	0.6	1.9	1.4	1.8	1.2
Istisna	0.4	1.4	1.4	1	2.9	6.1
Qarz/Qarz-e-hasna						
Others	9.8	12.1	3	1.6	5.4	3.6

Source: State Bank of Pakistan

The high growth momentum in IBIs observed in the last few years stabilized to a more sustainable pace in CY08, during which the overall banking industry faced with a plethora of challenges emanating from its operating environment.

In terms of modes of financing, gradual standardization in shariah complaint principles have helped IBIs in achieving an increased degree of diversification in the utilized modes of financing. According to the table 5.11 (b), the initial pattern of concentration in financing products of Islamic banks show that highest share is contributed by Murabaha, Ijarah and diminishing Musharakah in CY09. Murabaha has still the highest share in financing products by contributing 42.3 percent in CY09. On the other hand

Ijarah and Musharakah have sizeable shares with a share of 30.4 percent; diminishing Musharakah is currently the second most utilized mode of financing.

5.7-c Microfinance in Pakistan

Microfinance is an important market-oriented strategy of the financial sector to broaden the financial access and support the objective of economic and social development. Pakistan is amongst the few countries globally that have national strategy which identifies drivers and challenges to achieve both targets along with an implementation plan drawn along side with industry stakeholders to monitor progress against the national strategy.

Table 5.12: Microfinance Institutions

Indicators		Number of MFBs	Number of Branches	Total No. of Borrowers	Gross loan portfolio (Rs. In '000)	Average Loan Size (Rs)	Total No. of Depositors	Deposits (Rs. In '000)
6-Dec	MFBs	6	145	326,498	2,847,389	8,721	70,891	1,419,841
	MFIs	21	847	508,962	4,907,267	9,642	-	-
	Total	**27**	**992**	**835,460**	**7,754,656**	**9,282**	70,891	1,419,841
7-Dec	MFBs	6	232	435,407	4,456,259	10,235	146,258	2,822,845
	MFIs	24	870	831,775	8,293,724	9,971	-	-
	Total	**30**	**1,102**	**1,267,182**	**12,749,983**	**10,062**	146,258	2,822,845
8-Dec	MFBs	7	271	542,641	6,461,462	11,907	254,381	4,115,667
	MFIs	20	1,186	1,190,238	11,952,000	14,940	-	-
	Total	**27**	**1,457**	**1,732,879**	**18,413,462**	**10,626**	254,381	4,115,667
9-Dec	MFBs	8	284	703,044	9,004,000	13,576	459,024	7,099,206
	MFIs	21	1,159	1,123,001	12,719,000	11,326	-	-
	Total	**29**	**1,443**	**1,826,045**	**21,723,000**	**12,131**	**459,024**	**7,099,206**

Source: Investment Wing, Finance Division

As a result of endeavours of the past few years, microfinance in Pakistan has come a long way from a nascent stage to an industry, which is now well-poised to grow. With current outreach of 1.82 million borrowers, the sector saw phenomenal growth of almost 43% in years 2007 and 2008. Similarly, in the year 2009 the industry witnessed an overall positive trend, albeit mild, in respect of growth in all of its major indicators, with a healthy growth in the deposits indicator that grew by 72% on YoY basis. It is encouraging that the MFBs have made progress on a number of fronts during the year. A mix of vibrant and mature MFBs primarily contributed to the overall deposit growth of the sector. Gross Loan Portfolio (GLP) recorded a significant a 15% growth during the year of 2009. Given the tight liquidity situation in the market, it is now imperative for MFBs to develop their internal deposit base. The borrowings by MFBs have declined to Rs. 4.76 billion from Rs. 5.069 billion during the year 2009.

5.7-d Non-Bank Financial Institutions (NBFIs)

During FY09 the assets of NBFIs increased by 20.4 percent against the robust growth of 22.3 percent in FY07, to reach Rs. 478.3 billion (Table 5.13). The number of operative entities in FY08 was 237 (subsequently decreasing to 233 in FY09) in comparison with 209 in FY07. The size of total assets of the sector relative to GDP at 5 percent, and total financial sector asses at 7.6 percent, is small as is the proportion of its deposits in the total deposits of the financial sector at 0.98 percent.

Table 5.13 Asset Composition of the Financial Sector

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Investment Banks	27,001	37,936	35,568	51,041	54,527	41,458	58,017	30,875
Modaraba	17,456	15,973	18,026	21,572	23,927	25,186	29,703	23,087
Leasing	46,948	46,842	44,806	53,635	63,999	63,956	65,920	56,055
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	2,562
Mutual Funds	29,094	57,180	103,080	136,245	177,234	313,661	339,718	225,201
DFIs	68,729	78,803	94,752	107,811	116,939	97,700	84660	121,906
Housing Finance	22,434	21,562	19,493	18,657	19,702	17,742	18996	18,603
Total Assets	213,461	261,137	318,071	393,665	462,293	565,181	600,774	478,289
Growth	3.9	22.3	21.8	23.8	17.4	22.3	6.3	-20.4

Source: Financial Stability Department, SBP

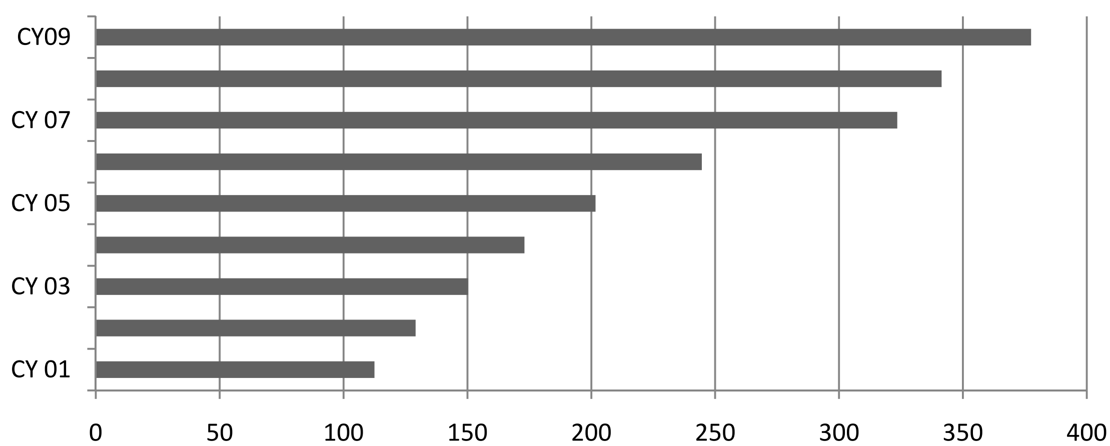
Mutual funds lead the sector in terms of their share in total assets, which strengthened further to 58.5 percent during FY08, as against 55.3 percent in FY07.

NBFC's borrowings from banks against their credit lines declined by 34.7 percent. Given the perceived lack of confidence in the economy and to some extent, in the financial sector, during that time, financing raised through epoits/CoDa/CoIs declined ever more drastically by 91.3 percent, whereas financing from other funding sources declined by 15.3 percent.

5.7-e. Insurance Sector

The factors such as the emergence of macroeconomic instability since late 2007, turmoil in global financial markets and dislocation of the domestic equity market along with the deteriorating security situation, posed substantial challenges to the performance of insurance sector in CY08.

Fig 5.11 Assets of Insurance Sector



Source: State Bank of Pakistan

In response, the insurance industry showed its resilience in that it was able to absorb a sudden and unexpected shock of meeting insurance claims of more than Rs 6.0 billion arising from the riots caused by the assassination of former prime minister Benazir Bhutto on 27th December, CY07. At the close of

CY08, the asset base of the insurance sector stood at Rs 341.4 billion, up 5.5 percent in comparison with CY07. The asset base further increased by 10.6 percent in CY09 to Rs 377.5 billion. The level of concentration is high, though relatively less skewed in general insurance companies such that the top five companies hold more than 70 percent of the total assets of the general insurance sector.

Table 5.1

COMPONENTS OF MONETARY ASSETS

Stock Rs. in million		2004	2005	2006	2007	2008	2009	End March 2009	End March 2010 P
1.	Currency Issued	617,508	712,480	791,834	901,401	1,054,191	1,231,871	1,192,420	1,359,776
2.	Currency held by SBP	2,960	3,107	3,005	3,148	2,900	2,693	2,697	2,550
3.	Currency in tills of Scheduled Banks	36,432	43,472	48,439	58,072	68,966	77,006	75,193	80,014
4.	Currency in circulation (1-2-3)	578,116	665,901	740,390	840,181	982,325	1,152,173	1,114,531	1,277,213
5.	Other deposits with SBP[1]	2,116	3,335	4,931	7,012	4,261	4,662	4,244	5,997
6.	Scheduled Banks Total Deposits	1,905,260	2,291,408	2,661,584	3,217,962	3,702,556	3,980,384	3,686,512	4,163,660
7.	Resident Foreign Currency Deposits (RFCD)	145,694	180,295	195,501	207,312	263,430	280,364	279,662	330,014
8.	Monetary assets (4+5+6)	2,485,492	2,960,644	3,406,905	4,065,155	4,689,143	5,137,218	4,805,287	5,446,870
9.	Growth rate (%)	19.6	19.1	15.1	19.3	15.3	9.6	2.5	6.0
Memorandum Items									
1.	Currency / Money ratio	23.3	22.5	21.7	20.7	20.9	22.4	23.2	23.4
2.	Demand Deposits / Money ratio	31.8	32.1	31.9	65.0	65.5	62.4	61.9	61.8
3.	Time Deposits / Money ratio	39.0	39.2	40.5	9.0	7.8	9.6	9.0	8.6
4.	Other Deposits / Money ratio	0.1	0.1	0.1	0.2	0.1	0.1	1.1	0.1
5.	RFCD / Money ratio	5.9	6.1	5.7	5.1	5.6	5.5	5.8	6.1
6.	Income Velocity of Money[2]	2.4	2.4	2.1	2.3	2.4	2.8		

P : Provisional

Source: State Bank of Pakistan

1 : Excluding IMF A/c Nos 1 & 2 SAF Loans A/c deposits money banks, counterpart funds, deposits of foreign central banks, foreign governments and international organizations etc

2 : Income velocity of money is defined by the State Bank as GDP at current factor cost/quarterly average of Monetary Assets (M2)

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 in 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 in private sector deposits which have now being included in government deposits

d : Totals may not tally due to separate rounding off

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

(Rs million)

	2006	2007	2008	2009	End March 2009	End March 2010 P
	A. Stock End June					
1 Public Sector Borrowing (net) (i + ii + iii + iv + v + vi)	833,686	926,530	1,508,541	2,034,304	1,727,000	2,206,152
i Net Budgetary Support	708,037	810,053	1,364,604	1,681,022	1,570,239	1,920,010
ii Commodity Operations	107,762	98,552	125,423	336,202	140,267	269,884
iii Zakat Fund etc.	(14,308)	(14,269)	(13,681)	(15,114)	(15,700)	(15,937)
iv Utilization of privatization proceeds by Govt./WAPDA	37,651	37,657	37,657	37,657	37,657	37,657
v Use of Privatization proceeds/ NDRP Fund for Debt Retirement	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)
vi Payment to HBL on A/C of HC&EB	287	287	287	287	287	287
2 Non-Government Sector	2,190,769	2,576,474	3,019,924	3,189,994	3,237,329	3,425,323
i Autonomous Bodies[1]	36,979	58,148	87,387	112,186	114,675	114,714
ii Net Credit to Private Sector & PSCEs (a + b + c + d)	2,153,790	2,518,326	2,932,536	3,077,808	3,122,654	3,310,609
a. Private Sector	2,113,890	2,479,608	2,889,814	2,906,897	2,964,066	3,054,109
b. Public Sector Corp. other than 2(i)	47,237	46,010	49,894	177,819	165,990	262,662
c. PSEs Special Account Debt Repayment with SBP	(23,225)	(23,478)	(23,597)	(23,683)	(23,683)	(23,683)
d. Other Financial Institutions (SBP credit to NBFIs)	15,889	16,187	16,425	16,776	16,281	17,522
3 Counterpart Funds	(546)	(519)	(543)	0	0	0
4 Other Items (Net)	(327,346)	(422,223)	(506,834)	(604,410)	(621,622)	(762,143)
5 Domestic Credit (1+2+3+4)	2,696,564	3,080,263	4,021,633	4,619,888	4,342,708	4,869,332
6 Foreign Assets (Net)	710,341	984,982	667,511	517,330	462,579	557,538
7 Monetary Assets (5+6)	3,406,905	4,065,155	4,689,143	5,137,218	4,805,287	5,446,870
	B. Changes over the year (July-June)					
8 Public Sector Borrowing (net) (I + ii + iii + iv + v + vi)	86,879	92,844	582,011	525,763	218,459	171,847
i Net Budgetary Support	67,063	102,015	554,551	316,418	205,635	238,988
ii Commodity Operations	19,926	(9,210)	26,871	210,779	14,844	(66,318)
iii Zakat Fund etc.	(110)	39	588	(1,434)	(2,019)	(822)
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	408,401	385,705	443,449	170,070	217,405	235,329
i Autonomous Bodies[1]	4,755	21,169	29,239	24,799	27,288	2,528
ii Net Credit to Private Sector & PSCEs (a + b + c + d)	403,646	364,536	414,210	145,272	190,118	232,801
a. Private Sector	401,797	365,718	410,206	17,083	74,252	147,212
b. Public Sector Corp. other than 2(i)	2,399	(1,227)	3,884	127,925	116,096	84,843
c. PSEs Special Account Debt Repayment with SBP	489	(253)	(118)	(86)	(86)	0
d. Other Financial Institutions (NBFIs)	(1,038)	298	238	351	(144)	746
10 Counterpart Funds	(7)	27	(24)	543	543	0
11 Other Items (Net)	122,416	(94,877)	(84,093)	(97,576)	(114,788)	(157,733)
12 Domestic Credit Expansion (8+9+10+11)	372,857	383,699	941,370	598,800	321,620	249,444
13 Foreign Assets (Net)	73,403	274,551	(317,381)	(150,181)	(204,933)	60,208
14 Monetary Expansions (12+13)	446,260	658,250	623,988	448,075	116,144	309,652

Note: Figures in the parentheses represent negative signs. P : Provisional 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 8207 million being mark up debited to the borrowers account

5 : Credit to NHA by commercial Banks

6 : Credit to NHA and CAA by commercial banks

TABLE 5.3

SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS: LIABILITIES AND ASSETS

(Rs million)

Outstanding Amount at end June		2005	2006	2007	2008	2009	End March 2009	End March 2010 P
LIABILITIES								
1.	Capital (paid-up) and Reserves	190,652	315,414	484,296	551,313	639,098	612,821	670,416
DEMAND LIABILITIES IN PAKISTAN								
2.	Inter-banks Demand Liabilities	22,993	28,608	54,796	35,856	60,235	44,702	46,873
2.1	Borrowing	(99)	0	0	0	0	0	0
2.2	Deposits	(22,894)	(28,608)	54,796	35,856	60,235	44,702	46,873
3.	Demand Deposits (General)	1,211,674	1,350,011	2,889,589	3,352,974	3,473,440	3,221,722	3,673,275
4.	Other Liabilities	70,107	97,266	137,089	167,862	218,269	203,150	223,794
5.	Total Demand Liabilities (2+3+4)	1,304,774	1,475,885	3,081,474	3,556,693	3,751,944	3,469,574	3,943,942
TIME LIABILITIES IN PAKISTAN								
6.	Inter-banks Time Liabilities	10,756	25,759	3,861	6,344	17,470	7,563	12,979
6.1	Borrowing	(1,024)	0	0	0	0	0	0
6.2	Deposits	(9,732)	(25,759)	3,861	6,344	17,470	7,563	12,979
7.	Time Deposits (General)	1,231,745	1,490,182	512,565	522,843	684,685	621,973	737,408
8.	Other Liabilities	27,288	34,236	69,786	87,554	86,659	77,105	95,947
9.	Total Time Liabilities (6+7+8)	1,269,789	1,550,177	586,212	616,741	788,814	706,641	846,334
10.	Total Demand and Time Liabilities	2,574,563	3,026,061	3,667,686	4,173,434	4,540,758	4,176,214	4,790,276
11.	Borrowing From SBP	185,068	198,725	269,109	213,328	293,655	305,863	365,121
12.	Borrowing from Banks Abroad	6,245	2,953	7,015	5,287	9,139	10,332	12,957
13.	Money at Call and Short Notice in Pakistan	22,243	172,893	220,941	169,637	192,979	205,182	178,501
14.	Other Liabilities	645,616	168,011	136,119	218,672	323,587	313,917	400,167
15.	Total Liabilities	3,624,387	3,884,057	4,785,167	5,331,671	5,999,217	5,624,329	6,417,437
16.	Total Statutory Reserves	127,041	148,585	229,338	316,878	184,585	171,244	194,853
16.1	On Demand Liabilities	(64,089)	72,364	211,867	316,878	184,585	171,244	194,853
16.2	On Time Liabilities Assets	(62,952)	76,221	17,471	0	0	0	0
ASSETS								
17.	Cash in Pakistan	43,462	48,439	58,072	68,966	77,006	75,193	80,014
18.	Balances with SBP	188,092	202,501	307,433	414,098	278,432	255,996	275,572
19.	Other Balances	49,021	56,460	65,656	63,622	80,986	51,661	50,662
20.	Money at Call and Short Notice in Pakistan	22,166	232,535	239,031	157,218	185,049	158,111	167,613
21.	17+18+19+20 as % of 10	11.8	17.8	18.0	17.0	14.0	13.0	12.0
FOREIGN CURRENCY								
22.	Foreign Currency held in Pakistan	6,777	6,449	7,463	11,009	13,518	15,519	14,056
23.	Balances with Banks Abroad	116,627	93,387	170,509	159,327	189,374	197,133	191,010
24.	Total Foreign Currency (22 + 23)	123,404	99,836	177,972	170,336	202,892	212,652	205,066
BANK CREDIT ADVANCES								
25.	To Banks	190	0	0	0	0	0	0
26.	To Others	1,680,491	2,079,056	2,379,226	2,809,938	3,088,274	2,952,001	3,156,934
27.	Total Advances	1,680,681	2,079,056	2,379,226	2,809,938	3,088,274	2,952,001	3,156,934
28.	Bills Purchased and Discounted	120,480	135,924	145,707	140,864	148,693	141,248	153,693
29.	Total Bank Credit (27 + 28)	1,801,161	2,214,980	2,524,932	2,950,801	3,236,967	3,093,249	3,310,627
30.	29 as % of 10	70.0	73.2	69.0	71.0	71.0	74.0	69.0
INVESTMENT IN SECURITIES AND SHARES								
31.	Central Government Securities	173,788	177,860	174,425	173,171	214,164	199,441	243,041
32.	Provincial Government Securities	77	77	76	76	0	0	0
33.	Treasury Bills	415,016	411,691	655,921	559,825	756,955	666,477	1,018,764
34.	Other Investment in Securities & Shares	140,453	165,598	235,330	286,960	385,035	369,208	476,285
35.	Total Investment in Securities and Shares (29 to 32)	729,334	755,227	1,065,753	1,020,032	1,356,154	1,235,125	1,738,091
36.	35 as % of 10	28.3	25.0	29.0	24.0	30.0	30.0	36.0
37.	Other Assets	563,552	195,096	211,141	266,656	307,222	279,796	300,064
38.	Advance Tax Paid	42,386	6,423	8,144	18,178	47,136	36,798	54,667
39	Fixed Assets	61,809	72,560	127,031	201,764	227,373	225,748	235,063
40.	Total Assets	3,624,387	3,884,057	4,785,167	5,331,671	5,999,217	5,624,329	6,417,437
41.	Excess Reserves (18-16)	61,051	53,916	78,095	97,220	93,847	84,752	80,718

Figures in the parentheses represent negative sign   P : Provisional   Source: State Bank of Pakistan

Note:

1 : 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 the purpose of CRR & SLR

2 : Definition of time & demand liabilities as mentioned in BSD circular no 9 dated 18 July 2008 have been revised. As per new definition, time liabilities will include deposits with tenor of one year and 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	Narrow Money M1	Monetary Assets (M2) (Rs million)	Growth Percentage	Income Velocity of Monetary Assets (M2)
1980-81	73.56	104.62	13.20	2.70
1981-82	80.93	116.51	11.40	2.70
1982-83	96.54	146.03	25.30	2.70
1983-84	103.45	163.27	11.80	2.70
1984-85	118.97	183.91	12.60	2.70
1985-86	134.83	211.11	14.80	2.60
1986-87	159.63	240.02	13.70	2.50
1987-88	185.08	269.51	12.30	2.60
1988-89	206.36	290.46	7.80	2.70
1989-90	240.16	341.25	17.50	2.70
1990-91	265.14	400.64	17.40	2.70
1991-92	302.91	505.57	26.20	2.70
1992-93	327.82	595.39	17.80	2.30
1993-94	358.77	703.40	18.10	2.40
1994-95	423.14	824.73	17.20	2.40
1995-96	448.01	938.68	13.80	2.40
1996-97	443.55	1,053.23	12.20	2.50
1997-98	480.33	1,206.32	14.50	2.30
1998-99	643.04	1,280.55	6.20	2.40
1999-2000	739.03	1,400.63	9.40	2.20
2000-01	1275.61	1,526.04	9.00	2.60
2001-02	1494.14	1,751.88	14.80	2.50
2002-03	1797.36	2,078.48	18.60	2.30
2003-04	2174.74	2,485.49	19.60	2.30
2004-05	2512.21	2,960.64	19.10	2.40
2005-06	2720.68	3,406.91	15.10	2.40
2006-07	3155.63	4,065.16	19.30	2.30
2007-08	4689.14	4,689.14	15.30	2.40
2008-09		5,137.22	9.60	2.80
End March				
2008-09	-	5,137.20	8.12	-
2009-10 P	-	5,431.50	1.67	-

P : Provisional

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 included in private sector deposits which have now being included in government deposits

TABLE 5.5

LIST OF DOMESTIC, FOREIGN BANKS AND DFIs (As on 30-03-2010)

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 Industrial Development Bank of Pakistan Limited
2 The Punjab Provincial Co-operative Bank
3 SME Bank Limited
4 Zarai Taraqiati Bank Limited

Private Local Banks

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

Foreign Banks

1 Al-Baraka Islamic Bank B.S.C. (E.C.)
2 Barclays Bank PLC
3 Citibank N.A.
4 Deutshe Bank A.G.
5 HSBC Bank Middle East Limited
6 Oman International Bank S.A.O.G.
7 The Bank of Tokyo - Mitsubishi UFJ Limited

Development Financial Institutions

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

Micro Finance Banks

1 Kashf Microfinance Bank Limited
2 Khushhali Bank
3 Network Micro Finance Bank Limited
4 Pak Oman Micro Finance Bank Limited
5 Rozgar Micro Finance Bank Limited
6 The First Micro Finance Bank Limited
7 Tameer 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									
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)
	Dec	14.64	13.88	13.83	12.05	13.60	16.55	13.74	13.60
		(14.64)	(14.11)	(13.83)	(12.04)	(13.60)	(16.55)	(13.52)	(13.60)
2009	Jun	14.86	12.15	13.45	11.91	14.14	15.30	13.21	13.54
		(14.86)	(10.11)	(13.07)	(11.91)	(13.75)	(15.27)	(13.10)	(13.54)
	Dec	14.07	11.62	12.38	12.78	13.70	12.43	12.35	12.66
		(14.07)	(10.28)	(12.17)	(12.78)	(13.70)	(11.87)	(11.99)	(12.48)
II. ISLAMIC MODES OF FINANCING									
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)
	Dec	15.02	15.76	14.42	14.62	13.51	15.00	15.89	14.72
		(15.02)	(15.66)	(14.19)	(14.67)	(13.49)	(15.02)	(15.96)	(14.72)
2009	Jun	14.18	15.01	14.19	14.20	13.27	15.83	15.08	14.31
		(14.18)	(15.04)	(13.73)	(14.10)	(13.30)	(16.79)	(15.20)	(14.30)
	Dec	14.18	13.61	12.10	12.72	12.71	11.93	14.88	13.22
		(14.14)	(14.02)	(12.18)	(12.70)	(12.71)	(11.55)	(14.96)	(13.10)

* : Weighted average rates shown in parentheses represent Private Sector.

Source: State Bank of Pakistan

Table 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. million)

No.	Securities	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	July-March 2009-10
1	Market Treasury Bills *								
A	Three Month Maturity								
	Amount Offered								
	i) Face value	109,106	216,637	1,011,659	389,173	186,652	157,946	1,413,218	341,507
	ii) Discounted value	108,332	214,315	1,002,708	382,026	183,039	154,340	1,372,004	332,201
	Amount Accepted								
	i) Face value	29,231	115,575	724,359	210,541	136,102	139,771	975,798	131,251
	ii) Discounted value	29,042	115,174	716,768	206,768	133,484	136,574	947,622	127,682
	Weighted Average Yield								
	i) Minimum % p.a.	1.658	0.995	2.017	7.549	8.315	8.687	11.451	11.306
	ii) Maximum % p.a.	5.815	1.702	7.479	8.326	8.689	11.316	13.855	12.442
B	Six Month Maturity								
	Amount Offered								
	i) Face value	747,018	328,990	470,885	182,112	125,483	91,476	272,584	532,948
	ii) Discounted value	731,354	326,114	460,185	173,289	120,197	87,279	255,885	502,496
	Amount Accepted								
	i) Face value	349,009	158,430	256,914	69,752	90,433	78,242	176,401	232,907
	ii) Discounted value	341,225	157,256	251,166	67,094	86,629	74,673	165,626	219,552
	Weighted Average Yield								
	i) Minimum % p.a.	1.639	1.212	2.523	7.968	8.485	8.902	11.668	11.385
	ii) Maximum % p.a.	12.404	2.076	7.945	8.487	8.902	11.472	14.011	12.594
C	Twelve Month Maturity								
	Amount Offered								
	i) Face value	695,425	476,719	136,713	555,757	787,636	658,709	931,293	1,188,207
	ii) Discounted value	665,337	466,729	128,569	509,202	717,951	598,425	823,027	1,057,814
	Amount Accepted								
	i) Face value	264,938	241,019	70,688	459,440	661,786	441,130	332,008	634,792
	ii) Discounted value	253,908	236,421	65,799	422,647	607,211	402,784	294,106	566,046
	Weighted Average Yield								
	i) Minimum % p.a.	2.356	1.396	2.691	8.456	8.786	9.160	11.778	11.470
	ii) Maximum % p.a.	6.941	2.187	8.401	8.791	9.160	11.688	14.261	12.609

* : MTBs was introduced in 1998-99

(Contd.)

Table 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. in million)

No.	Securities	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	July-March 2009-10
2	Pakistan Investment Bonds **								
A.	Amount Offered	211,963	221,291	8,016	16,012	199,017	141,853	12,640	16,860
	03 Years Maturity	26,074	38,514	2,400	3,896	36,982	11,260	9,523	11,317
	05 Years Maturity	45,620	58,840	2,603	6,526	39,799	21,311	4,410	5,050
	10 Years Maturity	140,268	93,041	3,013	5,590	65,986	61,593	25,254	57,839
	15 Years Maturity	-	14,316	0	0	12,750	16,138	2,536	3,055
	20 Years Maturity	-	16,579	0	0	20,200	11,750	3,500	8,595
	30 Years Maturity	-	-	-	-	23,300	19,800	7,000	11,525
B.	Amount Accepted	74,848	107,658	771	10,161	87,867	73,584	-	
	(a) 03 Years Maturity.								
	(i) Amount Accepted	9,651	14,533	100	2,846	10,882	5,169	4,165	8,193
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	1.792	3.734	0.000	9.158	9.311	9.619	13.697	12.210
	(2) Maximum % p.a.	7.952	4.235	0.000	9.389	9.778	12.296	13.883	12.475
	(a) 05 Years Maturity								
	(i) Amount Accepted	14,369	27,765	427	4,075	10,174	10,777	3,023	5,692
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	3.119	4.867	0.000	9.420	9.528	9.796	14.335	12.295
	(2) Maximum % p.a.	8.887	5.270	0.000	9.646	10.002	10.800	14.336	12.564
	(a) 7 Years Maturity								
	(i) Amount Accepted	-	-	-	-	-	-	2,935	1,875
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	-	-	-	-	14.3273	12.4159
	(2) Maximum % p.a.	-	-	-	-	-	-	14.7041	12.696
	(a) 10 Years Maturity								
	(i) Amount Accepted	50,828	51,606	244	3,240	30,211	23,875	8,509	32,738
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	4.014	6.168	0.000	9.8005	10.106	10.179	14.472	12.426
	(2) Maximum % p.a.	9.587	7.127	0.000	9.8454	10.507	13.411	14.864	12.705
	(a) 15 Years Maturity								
	(i) Amount Accepted	-	6,996	0	-	9,250	8,613	1,236	1,035
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	7.683	0.000	-	10.85	11.108	14.750	12.848
	(2) Maximum % p.a.	-	8.994	0.000	-	11.058	13.441	15.356	12.922
	(a) 20 Years Maturity								
	(i) Amount Accepted	-	6,757	0	-	11,250	9,050	1,500	1,525
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	8.706	0.000	-	11.173	11.373	15.700	13.099
	(2) Maximum % p.a.	-	8.993	0.000	-	11.392	13.855	15.700	13.299
	(a) 30 Years Maturity								
	(i) Amount Accepted					16,100	16,100	4,500	1,775
	(ii) Weighted Average Yield #	-	-	-	-				
	(1) Minimum % p.a.	-	-	-	-	11.546	11.588	14.608	13.551
	(2) Maximum % p.a.	-	-	-	-	11.680	14.118	16.225	13.749

** : PIBs was introduced in 2000-01

Source: State Bank of Pakistan