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State Bank Quells Rumors and Reiterates that the Banking System of Pakistan is Stable

Since the imposition of moratorium on KASB Bank Ltd, rumors are being spread that the financial condition of some banks is weak and they may also face supervisory action. These are also being accompanied with misleading information attributed to State Bank of Pakistan (SBP). The SBP has taken strong notice of such misinformation and it is clarified that no such information has been circulated through media nor it has been placed on SBP's website. The public need not to pay attention to such rumors, which are trying to undermine the overall stability and performance of the banking system.

The SBP reassures the general public that country's banking sector is stable and strong. To strengthen the banking system, the SBP had set certain milestones for enhancing banks' capital base, which are being achieved satisfactorily. SBP is regularly engaged with banks for capital improvement. Consequently, equity base of the banking system has increased by 11 percent to above PKR 1,000 billion in September, 2014 from PKR 900 billion in September 2013.

It is reiterated that the banking sector's performance has been quite impressive. As already reported in the quarterly banking system statistics for end September 2014, the banks in Pakistan earned historical profit before tax of PKR 176 billion for first 9 months of the year 2014, while its solvency remains strong with Capital Adequacy Ratio(CAR) of 15.5 percent. The banking sector is the second largest sector in terms of market capitalization and dividend payouts among the companies listed on the stock exchanges. The capital position of the banking system will further strengthen due to expected fresh capital inflows and improving profitability.

The continuous improvement in capital base of banks clearly contradicts the rumors currently circulating in the media. The SBP assure the public that its policies are directed towards safeguarding the interest of depositors and stability of the banking system. Regulatory action like the one taken in respect of KASB Bank only aims at resolving the problems faced by the institution thus protecting depositors' interest. State Bank of Pakistan reiterates its commitment to ensure the stability of the banking system of the country.