



External Relations Department

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Performance of the banking sector observed marked improvement: QPR of the Banking System for December, 2014 quarter

The Quarterly Performance Review of the Banking System for the quarter ended 31st December, 2014 released by SBP today highlighted that “the operating performance of banks shows marked improvement as profit before tax has surged by 52 percent (YoY) to reach PKR 247 billion during 2014”. “Accordingly, this is reflected in the profitability indicators; Net Interest Margin (NIM) has increased to 4.4 percent in Dec-14 from 3.9 percent in CY13 and ROA (before tax) has inched up to 2.2 percent in Dec-14 up from 1.6 percent in CY13”, the report adds.

The report states that high profitability, capital injections by some banks, and debt-equity swap of one bank has further improved the solvency of banking sector. With an increase of 1.6 percentage point, Capital Adequacy Ratio (CAR) of the banking sector has reached at 17.1 percent, which is well above the bench mark of minimum 10 percent. The report concludes that banking system is safe with strong capital cushion that may be utilized in times of stress.

According to the report, asset base of the banking sector of Pakistan soared by 8.8 percent or Rs.977 billion during October-December, 2014 to reach Rs 12.1 trillion. The report highlights that improvement in economic activity and better energy supply to industrial sector supported the 9.4 percent surge in advances during 2014, though the pace of advances somewhat slowed down during October to December 2014 over the corresponding period of last year. “Textile sector was the key user of advances followed by Food products and Beverages, Production and Transmission of Energy, Automobiles, and Shoe & Leather” the report says.

On the funding side, **deposits** growth of 5.6 percent during October-December, 2014 over the previous quarter and 11 percent over the corresponding period of 2013 supported the overall growth in balance sheet.

According to the report, the asset quality continued to improve as infection ratio further receded by 70 bps to reach 12.3 percent and Net NPLs to Net Loans declined by 50 bps to 2.7 percent during October to December 2014. “The capital impairment ratio (Net NPLs to Capital) also observed a substantial decrease by 350 bps to 10.1 percent indicating declining risk to the future earnings and equity of the banking system” it added.

The State Bank of Pakistan has commenced publishing Quarterly Performance Review (QPR) of the banking sector from December 2014.



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