



External Relations Department

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Suspension of Dividends by banks/DFIs for two Quarters

Amid the growing concerns of COVID – 19 pandemic, State Bank of Pakistan (SBP) has, thus far, announced a number of regulatory relief measures for the financial sector and real economy. These measures are primarily aimed at ensuring the safety and soundness of banking sector while enhancing their lending capacity to support the economic activities in the country.

The banks/DFIs in Pakistan have much higher capital levels than prescribed globally or minimum levels advised by the State Bank of Pakistan. Accordingly, SBP sees no immediate signs of systemic capital fragility across the banking industry. However, banks/DFIs have been advised to suspend the dividend distribution for the next two quarters. The banks/DFIs that have approved dividend declaration for quarter ended March 2020 by 22nd April 2020 have been advised to suspend dividend distribution for June and September quarters 2020. All other banks have been advised to suspend dividend distribution for March and June 2020 quarters. This important decision has been taken keeping in view uncertainty arising out of COVID 19 pandemic and probability of higher infections in loan portfolios of banks as a result of that. This measure will also enhance loss absorption capacity of the banking system and will enable them to further support the real sector in Pakistan.

Notably, while releasing prescribed capital buffers and taking other regulatory relief measures, a number of other jurisdictions across the globe have also placed moratorium on dividend distribution and payment of cash bonuses to senior/executive officers and material risk takers.

We are confident that the suspension of dividend payout will further increase the resilience of banking sector and improve their ability to provide much needed credit support to the real economy. SBP will keep on closely monitoring the performance of banks/DFIs under its regulatory domain and take appropriate action as needed to ensure safety and soundness of individual banks/DFIs and the overall banking system.
