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Performance of the Banking Sector Remained Impressive: SBP

Substantial improvement has been observed in the banking sector during July-September quarter of 2014. The profit (before tax) reached historically high level of Rs 176 billion as of end September, 2014 showing 44 percent increase over the end September, 2013. Similarly, the return on assets (ROA) and return on equity (ROE) inched up to 1.4 percent and 15.9 percent respectively up from 1.1 percent and 12.3 percent a year earlier.

The quarterly banking sector statistics for the quarter ended September, 2014, released by the State Bank of Pakistan today, indicate that Capital Adequacy Ratio (CAR) of the banking system improved to 15.5 percent in September, 2014 compared to 15.1 percent a quarter earlier largely on the back of healthy profits. The CAR at its existing level is well above the minimum ratio of 10 percent set by the SBP, despite implementation of strict Basel-III capital standard. Encouragingly, the stress test results also show that capital base of the system is strong enough to withstand unusual shocks due to credit, market and liquidity risks.

The indicators of asset quality of the banking sector, with marginal changes, also reflect stability. Non-Performing Loans (NPLs) to Loan ratio net of provisions at 3.2 percent in September, 2014 is far below its peak of 6.4 percent in September, 2011.

The Quarterly Compendium of the Banking Sector for the quarter ended September, 2014 can be accessed at following link:

<http://www.sbp.org.pk/ecodata/fsi.asp>