



External Relations Department

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Performance of the banking sector continued to improve: QPR of the Banking System for March, 2015 quarter

The Quarterly Performance Review of the Banking System for the quarter ended 31st March, 2015 released by SBP today highlighted that *the banking system posted profit before tax of PKR 80 billion over the quarter indicating YoY growth of 58 percent*. Accordingly, Return on Assets (ROA) increased to 2.6 percent in Mar-15 from 1.9 percent in Mar-14. *Solvency of the system improved further as Capital Adequacy Ratio (CAR) increased to 17.4 percent as of end Mar-15 from 17.1 percent as of end Dec-14* (against local bench mark of 10 percent and international benchmark of 8 percent).

During the quarter, asset base of the banking system rose by 3.5 percent (Rs.422 billion) to reach Rs 12.5 trillion. This growth came on account of increase in banks' investment in government securities, while advances observed net retirements primarily due to seasonal adjustments and drop in commodity prices. With continuing accumulation of huge stock of liquid assets in the form of government securities, the liquidity of the system remained at comfortable levels.

According to the report, the asset quality slightly deteriorated; Non-performing Loans to gross loans ratio increases by 50 bps to 12.8 percent and Net NPLs to Net Loans increased by 9 bps to 2.8 percent during January to March 2015. However, with increase in capital base during the quarter, capital impairment ratio (Net NPLs to Capital) declined by 27 bps to 9.8 percent, thus decreasing risk to the future earnings and equity of the banking system.

The State Bank of Pakistan has commenced publishing Quarterly Performance Review (QPR) of the banking sector from December 2014. The QPR for Mar-15 is placed at URL: http://www.sbp.org.pk/publications/q_reviews/gpr.htm
