



## External Relations Department

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July 25, 2016

### **SBP's Clarification on misleading press reports regarding Written-off Loans Published on July 23rd, 2016**

The State Bank of Pakistan hereby clarifies that the reports appearing in various sections of the press on July 23, 2016 regarding "Loans written-off during last 30 years" by Banks/DFI's are factually incorrect and misleading.

It is clarified that during the aforesaid period, for amounts of Rs 50 million and above, the total amount of written-off loans/waiver of mark-up/other charges amounts to Rs. 171 billion and not Rs. 430 billion as reported in the press.

Similarly, during the last 3 years, banks/ DFIs written-off loans/ waiver of mark-up/other charges amounted to Rs. 20 billion and not Rs 280 Billion. The written off amounts are Rs 5.91 billion for 2013, Rs 4.518 billion for 2014 and Rs 9.815 billion for 2015, quite in contrast to the exaggerated amounts stated in the press.

The press has reported the banks write-off's in generic terms without delving into the details of principal, mark-up and other charges waived off by the banks. Whereas in a large number of cases, quoted by the press, the amount written off pertains to mark-up and other charges only.

It would be pertinent to mention here that more than 80% of the banking sector operating in Pakistan is now owned by the private sector and the rest by the public sector which are both duly monitored and guided by their respective board of directors. The financial institutions, despite their best efforts, have to write-off some loans which are irrecoverable due to some bonafide business reasons i.e. adverse business cycle, deteriorated economic conditions, changes in policy, global environment etc. The writing-off of loans by the banks is a common practice all across the globe and Pakistani banks are no exception. The banks have to provide for their loan losses under the State Bank of Pakistan Prudential Regulations and more than 80% of the non performing loans are fully provided for.

Further, as a matter of transparency, banks / DFIs disclose the details of written-off loans of Rs. 0.5 million and above in their published Annual Audited Financial Statements.

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