



External Relations Department

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Banking Sector remains sound and stable, says the SBP Quarterly Performance Review for Q3CY16

State Bank of Pakistan has released its Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended 30th September, 2016 (Q3CY16) today. In terms of the QPR, banking sector has remained in sound and stable state during the reviewed quarter. The solvency profile of the banking sector has strengthened as Capital Adequacy Ratio (CAR) has improved to 16.8 percent, while profit after tax has stood at PKR 138.9 billion for the first nine months of CY 2016.

The report highlights that the asset base of the banking sector has registered a decrease of 1.6 percent. The reviewed quarter is marked with seasonal decline in gross advances by 2.3 percent on account of net retirement by private sector and commodity operation financing. Textile, sugar, cement, agribusiness, and chemical and pharmaceutical sectors have observed net retirement while production and transmission of energy sector has revealed positive financing demand. Banks' investments have fallen by 2.5 percent during Q3CY16.

Deposits of the banking sector, after observing some deceleration in recent past, have inched up by 0.6 percent which is in contrast to fall of deposits usually seen in the third quarter of a calendar year. The rise in deposits is due to lower decline in current deposits and higher growth in saving and fixed deposits.

During the reviewed quarter, Non-Performing Loans (NPLs) have observed marginal decline, though, NPLs to gross advances ratio has slightly increased. The ratio has inched up by 20 bps to 11.3 percent as of September 30, 2016 but entirely on account of decline in seasonal financing activity. The coverage ratio, provisions to NPLs, has, on the other hand, improved by 30 bps to reach 82.7 percent as of September 30, 2016.

The dip in interest margins and rising costs has narrowed the Year-to-Date profitability of the banking sector. As a result, return on assets has declined to 2.1 percent as compared to 2.2 percent in Q2CY16 and 2.6 percent in Q3CY15. However, strong solvency remains intact as CAR has further strengthened by 70 bps to reach 16.8 percent as of September 30, 2016.

The Quarterly Performance Review can be accessed at URL:
http://www.sbp.org.pk/publications/q_reviews/2016/Jul-Sep.pdf