



External Relations Department

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Quarterly Performance Review of the Banking Sector for the quarter ended 30th June, 2016

The Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended 30th June, 2016, has been released by SBP. The report highlights that the asset base of the banking sector has registered an increase of 7.7 percent.

The reviewed quarter is marked with significant rise in advances by 7.6 percent led by growth in advances to private sector and financing for commodity operations. Private sector advances grew by 4.0 percent over June, 2016 quarter as compared to 2.1 percent in corresponding period of last year. Despite seasonal net retirements in textile and sugar sectors, strong financing demand from several manufacturing sectors (e.g. production and transmission of energy, chemical and pharmaceutical, individuals) has resulted in overall healthy growth in advances.

Asset quality has declined slightly during Apr-Jun, 2016 due to rise in Non-Performing Loans. However, proportionally larger growth in advances has pushed down NPLs to Loan ratio to 11.1 percent as of end June, 2016 from 11.7 percent as of end March, 2016.

Investments grew by 4.9 percent with most of it going into Government papers. This continuing increase in investment in Government securities has further strengthened already comfortable liquidity position of the banking system.

The deposit base, which grew by 6.8 percent and mainly provided for the funding needs of the system, observed some deceleration, due to multiple factors including declining return on deposits, shift in depositors' preference to alternative modes of savings (e.g. prize bonds, capital market etc), imposition of withholding tax etc. Banks met the balance of the funding needs through financial borrowing.

Profit after tax for the first half of CY16 has narrowed by 5.4 percent to PKR 93.7 billion over the corresponding period of last year, largely due to decline in interest rates.. Further, rising cost to income ratio owing to infrastructure expansion, hiring of human resource, IT related investment etc also has hit the profitability of the banking sector. Solvency of the system has remained strong with Capital Adequacy ratio (CAR) of 16.1 percent staying well above the minimum local and international benchmarks.

The report is accessible at URL: http://www.sbp.org.pk/publications/q_reviews/qpr.htm