



## External Relations Department

---

ERD/M&PRD/PR/01/2017-57

June 13, 2017

### **The banking sector continues its steady expansion, says the Quarterly Performance Review of the Banking Sector**

State Bank of Pakistan has released its Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended March 31, 2017 (Q1CY17) on June 9, 2017. The document has highlighted that the asset base of the banking sector has expanded due to rise in both the advances and investments supported by marginal rise in deposits and increase in borrowings from financial institutions. The profitability of the banking sector has moderated while the asset quality has improved and the capital adequacy remains at satisfactory level.

Against the usual pattern of seasonal retirement of advances during first quarter of a calendar year, Q1CY17 witnessed an uptick in private sector advances. Besides corporate sector's borrowing for fixed investments, a healthy growth in production of sugarcane led to higher levels of borrowing by both public and private sectors under financing for sugar. The corporate sector, capitalizing on the low interest rates and improved business environment, has been enhancing its longer-term exposures, thereby strengthening the capital formation. Within consumer finance, auto and mortgage finance have mainly contributed towards the growth of this sub-segment. Moreover, Islamic banking industry has contributed significantly in growth in overall advances.

Deposits, the key funding source of the banking sector, have increased by 0.1 percent in Q1CY17 in contrast to 0.6 percent contraction in Q1CY16. Flow of funds have largely been seen in savings (PKR 54 billion), current account-remunerative (PKR 44 billion) and others categories. Apart from deposits, borrowings from financial institutions provided the funding necessary for asset expansion.

Asset quality of the banking sector has improved with decline in non-performing loans ratio to 9.9 percent. This positive development has been brought about by a decline of 2.4 percent (YoY) in NPLs and a strong growth of 15.5 percent (YoY) in advances. The infection ratio stands at its lowest level since 2009.

The banking sector has posted profit after tax of PKR 49 billion during Q1CY17 compared to PKR 52 billion in Q1CY16. This moderation in profits coupled with growth in assets narrowed down the ROA to 1.2 percent (1.5 percent as of end March, 2016).

Capital Adequacy Ratio (CAR) has slightly adjusted downwards to 15.9 percent during Q1CY17 mainly due to continuing growth in private sector advances. Banks are well positioned from solvency standpoint as the prevailing CAR is well above the minimum required level of 10.65 percent.

The Quarterly Performance Review can be accessed at URL:

[http://www.sbp.org.pk/publications/q\\_reviews/qpr.htm](http://www.sbp.org.pk/publications/q_reviews/qpr.htm)