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Asset quality of the banking sector improves in Q4CY17, says the 4th QPR of the Banking Sector

The Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended 31st December, 2017 has been released by SBP today. As highlighted in the report, improving asset quality, stable liquidity, robust solvency and slow pick-up in private sector advances are the key developments during the 4th quarter of CY17.

As per trend, asset base of the banking sector has expanded by 4.5 percent in Q4CY17. The promising demand from textile and cement sectors have improved gross advances (domestic) to private sector (by 7.3 percent QoQ and 16.4 percent YoY), despite retirements in chemical and pharmaceuticals. Banks have mostly invested in short-term MTBs while investments in PIBs and Sukuk have declined. Moderate growth in deposits and higher inter-bank borrowings have supported the funding needs of the banks.

Besides steady performance, the risk profile of the banking sector has remained satisfactory amid moderation in profitability. Asset quality has improved as the Non Performing Loans (NPLs) to gross loans (infection) ratio, recorded at 8.4 percent as of end December 2017, has touched the lowest level in a decade. The banking sector has earned profits (before tax) of PKR 266.8 billion during Oct-Dec, 2017 (ROA of 1.6 percent and ROE of 19.5 percent). Encouragingly, Net Interest Income (NII) has improved; thanks to high growth in advances since the last few years. The Capital Adequacy Ratio (CAR) of the banking sector has improved to 15.8 percent, which is, well above the minimum required CAR of 11.275 percent.

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