

Table of Contents

Governor's Message	ii
Acknowledgements	iii
FSR Team	iv
Data Convention and Coverage	v
Overview	1
Box 1: SBP Systemic Risk Survey-1st Wave (January, 2018)	5
Box 2: Regulatory Developments- Perspective of Growth and Stability of the Financial Sector	7
Chapter 1: Global and Domestic Macrofinancial Environment	13
Chapter 2: Financial Markets Risk Analysis	29
Box 2.1: Derivatives Market in Pakistan	40
Box 2.2: Commodity Market in Pakistan	42
Section A: Banking Sector	45
Chapter 3.1: Performance and Risk Analysis of the Banking Sector	47
Box 3.1.1: Growth issues in Consumer Finance and SBP Measures	60
Box 3.1.2: Analysis of the Overseas Operations of Banks in CY17	62
Box 3.1.3: FATF and AML/CFT Regime in Pakistan	64
Chapter 3.2: Performance and Risk Analysis of the Islamic Banking	67
Chapter 3.3: Performance and Risk Analysis of Microfinance Banks	79
Section B: Non-Banking Financial Sector	85
Chapter 4.1: Risk Analysis of Development Finance Institutions	87
Chapter 4.2: Risk Analysis of Non-Banking Financial Institutions	93
Box 4.2.1: Pension Funds in Pakistan	102
Box 4.2.2: Private Equity Funds in Pakistan	106
Chapter 4.3: Performance and Risk Analysis of Insurance Sector	111
Chapter 4.4: Performance and Risk Analysis of Exchange Companies	117
Section C: Non-Financial Sector	123
Chapter 5: Performance and Risk Analysis of Corporate Sector	125
Box: 5.1: Credit riskiness of corporate non-financial listed firms – An econometric analysis	133
Box: 5.2: The Determinants of Corporate Leverage: An empirical analysis of non-financial firms listed on PSX	136
Chapter 6: Soundness and Efficiency of Financial Market Infrastructures	139
Box 6.1: Emerging challenge of Cyber Attacks-Implications for financial sector	151
Chapter 7: Resilience of the Banking Sector Under Adverse Conditions	153
Appendix A	163
Acronyms	165
Annexures	171