

SBP – Regulatory and Supervisory Developments in CY24

As per SBP Act 1956, one of the statutory objectives of SBP is to maintain stability in the financial system.¹ The central bank performs this role by regulating and supervising key financial institutions and payment systems, including banks, microfinance banks (MFBs), Development Finance Institutions (DFIs), Exchange Companies (ECs), Payment System Operators and Providers (PSOs/PSPs), and Electronic Money Institutions (EMIs). Aligning its policies with international best practices, SBP plays a crucial role in strengthening financial stability, making the financial sector progressive through introduction of new technologies and supporting economic growth. In CY24, SBP took measures to support economic growth while enhancing its regulatory and supervisory regime to contain financial stability risks.

CY24 began with fragile financial stability and challenging geo-economic conditions, characterized by elevated inflation, supply chain disruptions, geopolitical uncertainties, and sustained monetary tightening. Major central banks maintained restrictive policy stances until the latter half of the year, when easing commodity prices and unwinding supply chains disruptions led to a decline in inflationary pressures. SBP too cut the policy rate from a high of 22 percent in June 2024 to 13 percent in December 2024. Central banks, including SBP, aimed to strike a balance between stimulating economic activity and maintaining price and financial stability, ensuring a measured approach to financial and macroeconomic challenges.

SBP closely monitored developments affecting financial stability and implemented various measures throughout CY24 to enhance its policy framework and address emerging systemic risks. Aligned with SBP Vision 2028, these measures were a significant step towards

¹ [State Bank of Pakistan Act, 1956](#)

² [SBP Vision 2028](#)

Appendix A

achieving the strategic goals set in SBP Strategic Plan 2023-2028.² In this regard, an overview of the regulatory and supervisory measures implemented by SBP is given below.

Financial Stability – A Macro Perspective

Resolution and Crisis Preparedness: In CY24, SBP achieved significant milestones to strengthen its resolution regime and crisis preparedness framework, essential components to maintain financial stability during financial distress. Legal amendments, proposed by SBP, in Banking Companies Ordinance (BCO) 1962 and Deposit Protection Corporation (DPC) Act 2016 were enacted to ensure consistency with the international standards and best practices on bank resolution. These amendments designated SBP as the Resolution Authority and brought Microfinance Banks (MFBs) under the scope of BCO's resolution regime. Accordingly, SBP established a new dedicated resolution department namely "Financial Institutions Resolution Department (FIRD)" to strengthen the financial sector safety net and SBP's resolution regime. The FIRD will perform the function of resolution of distressed Regulated Entities under the SBP regulatory and supervisory ambit.³

Additionally, World Bank fielded two missions in March 2024 and October 2024 under ongoing Technical Assistance (TA) to SBP to enhance financial sector stability and crisis preparedness by filling the gaps identified in the Crisis Simulation Exercise, conducted in March, 2023. The TA focused on capacity development of SBP team and provision of guidance on draft secondary regulations & internal policies aimed at improving institutional capacity in the following areas: (i) Early Intervention; (ii) Bank

³ [FIRD Circular No. 01 of 2024](#)

Resolution; (iii) Emergency Liquidity Assistance; (iv) Deposit Protection; and (v) Crisis Coordination Mechanism.

Deposit Protection: DPC, as mandated by the DPC Act 2016,⁴ aims to protect the eligible depositors by compensating them, to the extent of an amount determined by the Corporation, in case a bank is declared as a failed institution by SBP. The coverage or protected deposit amount is an important benchmark of the effectiveness of deposit insurance function, as sufficient coverage enhances the confidence and trust of depositors in the financial system of the country and avoids bank runs. The coverage amount of Rs 500,000 which was announced in September 2021 was revised to Rs 1,000,000 in October, 2024.⁵ Furthermore, in order to provide support to the Resolution Authority i.e., SBP in resolving the banks, the legal mandate of DPC was enhanced by amending the DPC Act, 2016. These amendments provided additional options to DPC for a smooth reimbursement to eligible depositors in case of bank failure and enhanced the Corporations mandate from Pay-box only to Pay-box plus.⁶

Minimum rate of return on saving deposits:

SBP had previously set the Minimum Profit Rate on saving deposits raised by the banks at 50 basis points below the prevailing SBP Repo Rate (Floor of the Interest Rate Corridor).⁷ In November 2024, SBP issued instructions that aforementioned Minimum Profit Rate requirement will not be applicable on the deposits of Financial Institutions (FIs), public sector enterprises and public limited companies.⁸

Enhancement in Regulatory Retail Portfolio

Limit: During COVID-19, SBP enhanced the regulatory retail portfolio limit from Rs 125

million to Rs 180 million in order to facilitate banks/DFIs in providing financing to their customers who were experiencing temporary financial constraints amid strained economy.⁹ To further stimulate credit to retail customers, especially Small and Medium Enterprises (SMEs), SBP enhanced the regulatory retail portfolio limit of Rs 180 million to Rs 300 million.¹⁰ This will encourage lending to retail customers by providing capital relief to banks/DFIs.

Designation of Domestic Systemically

Important Banks (D-SIBs): SBP announced the designation of D-SIBs for the year 2024 under the Framework for 'Domestic Systemically Important Banks'. In line with D-SIBs framework, SBP carried out the annual assessment based on banks' financials as of December 31, 2023. As per the assessment, three banks namely National Bank of Pakistan, United Bank Limited, and Habib Bank Limited were designated as D-SIBs for the year 2024. These banks are required to follow additional Common Equity Tier-1 (CET-1) capital requirements, in addition to implementing the enhanced supervisory requirements.¹¹

Publication of SBP's assessments of financial

stability: SBP regularly shares its assessment of financial stability with external stakeholders to keep them abreast with emerging risks, resilience of the system and financial soundness performance of the sector. In CY24, the SBP published Quarterly Compendium of Banking Statistics and Financial Soundness Indicators (FSIs) for December 2023, March 2024, June 2024, and September 2024 quarters, Mid-year Performance Review of banking sector for H1CY24, annual Financial Stability Review CY23, and Governor's Annual Report for FY24.

⁴ [Deposit Protection Corporation Act, 2016](#)

⁵ [DPC Circular Letter No. 03 of 2024](#)

⁶ A "pay box" mandate is where the deposit insurer is only responsible for the reimbursement of insured deposits. A "pay box plus" mandate is where the deposit insurer has additional responsibilities, such as certain resolution functions (e.g. financial support).

⁷ [BPRD Circular No. 07 of 2013](#)

⁸ [BPRD Circular No. 05 of 2024](#)

⁹ [BPRD Circular Letter No. 12 of 2020](#)

¹⁰ [BPRD Circular No. 04 of 2024](#)

¹¹ [External Communications Department | Press Release August 29, 2024](#)

International Participation: Cross-border engagement and knowledge sharing is important in understanding the risks faced by financial systems which are interlinked globally. SBP played an active part in cross-border knowledge sharing events and initiatives by contributing to various regional and international studies and sharing feedback on multilateral organizations, e.g., FSB and IMF, surveys and questionnaires. SBP also participated in FSB Regional Consultative Group for Asia (RCG Asia) meetings in Sri Lanka and Hong Kong, where vulnerabilities and financial stability issues affecting Asia were discussed, along with other emerging issues e.g., climate-related financial risks, artificial intelligence, and cross-border payments, etc. Furthermore, SBP participated in '23rd Annual International Conference on Policy Challenges for the Financial Sector' organized by IMF and World Bank in June 2024 in Washington, DC and 18th Asia-Pacific High-level Meeting on Banking Supervision in March 2024 in Tokyo, Japan.

Financial Stability – A Micro Perspective

Establishment of Cyber Risk Management Department (CRMD): Recognizing the significance of cybersecurity in maintaining financial stability, SBP established Cyber Risk Management Department (CRMD) which is primarily responsible for supervision of cyber risk of SBP regulated entities and for strengthening cyber resilience of the banking system. Additionally, it is also entrusted with the responsibilities of oversight of digital frauds and taking measures to counter these frauds.¹²

Guidelines on Non-Performing Loans (NPLs) Management Strategy: SBP developed Guidelines to facilitate banks to deal with the existing stock of NPLs and minimize their further build-up. Accordingly, SBP advised banks to develop a comprehensive NPLs

Management Strategy, duly approved by their Board of Directors, in accordance with the issued guidelines. The guidelines dictate that the strategy should, at a minimum, include identification, management, monitoring and mitigation of NPLs.¹³

Charging-Off of Loans, Advances and Finances: NPLs of the banking industry include a considerable portion of fully provisioned legacy non-performing loans. To address the issues concerning these legacy NPLs, SBP allowed and prescribed minimum prerequisites to banks to charge-off the fully provisioned corporate/commercial and SMEs NPLs. The instructions clarified that such charge-offs will not constitute any financial relief and banks' rights to recover from their borrowers will remain intact. However, charged-off NPLs will not appear on the banks' financial statements and will instead be kept in the memorandum accounts.¹⁴

Implementation of International Financial Reporting Standard 9 (IFRS 9): To address challenges being faced by FIs in implementing IFRS-9, SBP extended compliance timelines and introduced amendments in SBP IFRS-9 application instructions. Under revised instructions, FIs were allowed to use host country accounting practices for overseas associates until IFRS-9 is adopted in those jurisdictions. The implementation timelines of the following IFRS 9 aspects were extended: (i) Measurement of unquoted equity securities; (ii) Exposure at default models; (iii) Effective interest rate method and (iv) Modification accounting. To ensure smooth implementation, FIs were advised to prepare Board-approved plans to comply with the revised instructions and timelines.¹⁵

Guidelines on Transfer and Assignment of Non-Performing Assets (NPAs): SBP revised the Guidelines on Transfer and Assignment of Non-Performing Assets (NPAs) to Corporate

¹² [BSD-1 Circular No. 01 of 2024](#)

¹³ [BPRD Circular No. 03 of 2024](#)

¹⁴ [BPRD Circular No. 02 of 2024](#)

¹⁵ [BPRD Circular Letter No. 16 of 2024](#)

Restructuring Companies (CRCs) to facilitate banks/DFIs in the process and help in revival of the sick industrial units. The revised guidelines introduced a new section on Consortium/Syndicate Financing, which provides guidance on handling NPAs arising from consortium or syndicated loans. Additionally, the revised guidelines emphasize the importance of data sharing, confidentiality, and compliance with data protection laws, reflecting a heightened focus on information security.¹⁶

Launch of New Electronic Credit Information Bureau (CIB) System (V2): SBP introduced the upgraded eCIB System (V2) which became operational starting January 1, 2025, replacing the existing eCIB system. The enhancements and modifications made were aimed at improving the comprehensiveness of Credit Information Reports. The updates were aligned with international standards and technological advancements, reflecting SBP's broader vision to modernize the financial infrastructure in Pakistan.¹⁷

Foreign Exchange Policy and Operations

Equity Investment Abroad by Residents: SBP made revisions in the framework for Equity Investment Abroad by residents, contained in the Foreign Exchange Manual, to facilitate export oriented companies, particularly those operating in the IT sector, in expanding their footprints abroad and increase the exports of the country. These revisions, inter alia, include permission for export oriented companies in the IT sector to acquire interest (percentage of shareholding) in entities abroad, and relaxation of restriction of establishing/acquiring one entity per jurisdiction for export oriented companies in the IT sector.¹⁸

Liberalization of the Use of Funds Held in Exporters' Special Foreign Currency Accounts

(ESFCAs): Aimed at facilitating exporters and promoting ease of doing business, SBP introduced amendments in Foreign Exchange Manual to liberalize the utilization of retained funds in ESFCAs. As a result, all exporters are able to freely utilize the funds held in ESFCAs for making all types of payments abroad of current account nature, for their own business purposes, without prior SBP approval. Furthermore, SBP advised ADs to issue debit cards, on request of exporters, against the balances held in ESFCAs.¹⁹

Issuance of Regulatory Framework for ECs: SBP developed a consolidated and updated "Regulatory Framework for Exchange Companies (RFEC)" after a comprehensive review of the existing regulatory instructions. The framework elaborates corporate governance structures, sets forth internal controls & IT systems requirements, and strengthens the supervisory & enforcement regime. Further, it updates reporting requirements and provides a single, unified source of regulatory guidance for the ECs.²⁰

Promotion of Home Remittances: SBP together with the Government of Pakistan has introduced various policy initiatives, from time to time, to increase the flow of home remittances through formal channels. In CY22, with a view to encourage ECs in enhancing their home remittance mobilization efforts, SBP introduced an incentive of Rs 1 for each US\$ of home remittances surrendered in interbank market by ECs.²¹ In CY24, SBP revised this rate to Rs 2 for each USD of home remittances surrendered to SBP designated bank(s). Additionally, SBP also introduced the performance based rate of Rs 3 and Rs 4 per US\$ which will be paid to ECs, if they meet SBP specified criteria based on growth and volume of home remittances.²² Moreover, SBP introduced a similar inventive model for reimbursement of telegraphic transfer (T.T) charges scheme against home remittances

¹⁶ [BPRD Circular Letter No. 15 of 2024](#)

¹⁷ [CPD Circular Letter No. 02 of 2024](#)

¹⁸ [FE Circular No. 01 of 2024](#)

¹⁹ [EPD Circular Letter No. 02 of 2024](#)

²⁰ [FE Circular No. 02 of 2024](#)

²¹ [EPD Circular Letter No. 03 of 2022](#)

²² [EPD Circular Letter No. 10 of 2024](#)

to incentivize the Authorized Dealers (ADs) and MFBs to maximize their efforts for increasing remittance inflows.²³

Advance Payment for Import of Goods: SBP allowed ADs to effect import advance payments with appropriate due diligence, without prior approval of SBP, against irrevocable letters of credit or invoices, up to 100 percent of the value of letter of credit or invoice, as the case may be.²⁴

Import of Cash US Dollars: In CY23, SBP introduced a temporary measure to allow ECs to import cash US Dollars, on need basis, against the value of their export consignments of permissible foreign currencies. This arrangement was in place till December 31, 2023,²⁵ however, in September 2024, SBP extended the validity of these instructions till June 30, 2025 to ensure adequate supply of cash US\$ in open market.²⁶

Regulatory Frameworks for Diversified Payment Rights (DPRs): SBP introduced the following frameworks in Foreign Exchange Manual to facilitate ADs in raising long-term funds from outside Pakistan using foreign exchange future flows: (i) Framework Governing International Payment Orders; and (ii) Foreign Exchange Future Flow Transactions Framework for Long Term Fund-Raising by Authorized Dealers. The frameworks lay out procedures and instructions for ADs to raise long-term funds from a Special Purpose Vehicle outside Pakistan, by selling their DPRs to it.²⁷

Supervisory Action - License Cancellations and Suspensions: In CY24, SBP suspended the authorization of some ECs and cancelled others' license on account of contraventions of the applicable laws and SBP's regulations. Consequently, SBP disallowed those ECs, their

head offices and authorized branches from undertaking any kind of business activity (during the suspension period, in case of suspension of authorization).^{28,29,30,31}

Money Market

Buyback of Market Treasury Bills (MTBs): The Federal Government introduced a policy of buyback of Government Securities in H2CY24, under which the Government decided to buyback a certain portion of MTBs. In pursuance of the Government's decision, the operational modalities of buyback transactions (such as auction mechanism, price, the securities to be offered for buyback etc.) were developed by SBP in consultation with the Debt Management Office (DMO) of the Federal Government. In accordance with the agreed mechanism and terms, buyback auctions of MTBs were conducted on September 30, 2024, October 10, 2024 and October 30, 2024, wherein a sizeable amount of MTBs were bought back from the market. Through the move, the Government was able to effectively use available liquidity and save financing costs.³²

Framework for Collateral and Counterparty Eligibility: SBP introduced new policies on Collateral and Counterparty Eligibility for SBP's Monetary Policy Lending Operations and Mudarabah Based Financing Facilities, with an objective to strengthen risk mitigation measures for these facilities.

Under the Collateral Policy, based on duration and volatility estimates, haircuts were introduced on government securities used as collateral for availing financing from SBP under the above mentioned facilities. These haircuts would provide a safety buffer against loss in value of the collateral in the times of distress

²³ [EPD Circular Letter No. 09 of 2024](#)

²⁴ [EPD Circular Letter No. 01 of 2024](#)

²⁵ [EPD Circular Letter No. 11 of 2023](#)

²⁶ [EPD Circular Letter No. 07 of 2024](#)

²⁷ [EPD Circular Letter No. 05 of 2024](#)

²⁸ [External Communications Department | Press Release February 12, 2024](#)

²⁹ [External Communications Department | Press Release February 13, 2024](#)

³⁰ [External Communications Department | Press Release November 15, 2024](#)

³¹ [External Communications Department | Press Release December 09, 2024](#)

³² [DMMD Circular No. 06 of 2024](#)

and potentially resulting in impairment of the SBP's balance sheet.

The Counterparty Eligibility Policy has been defined to integrate financial soundness into the eligibility assessment process. As per this policy, the eligibility criteria have been defined based on Basel III capital and liquidity requirements to ensure a level playing field and maintain market neutrality.

The framework will be applicable from July 02, 2025.³³

Islamic Banking

Adoption of Shariah Standards: In CY24, SBP adopted several 'Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah Standards and notified the same from time to time to strengthen Shariah compliance framework and harmonize the Shariah practices in the Islamic banking industry. In this regard, SBP issued a compendium of adopted Shariah standards to consolidate the instructions on adoption of Shariah standards and to provide ease of access to the end users.³⁴

Profit Sharing on Saving Deposits: SBP advised Islamic Banking Institutions (IBIs) to pay profit on their PKR saving deposits (excluding deposits of financial institutions, public sector enterprises and public limited companies) equivalent to at least 75 percent of the weighted average gross yield of all pools of an IBI. SBP further provided instructions to IBIs on determining the gross yield of each pool.³⁵

Revision in Shariah Governance Framework (SGF): SBP issued the SGF in 2014 with an objective to strengthen the overall Shariah compliance environment in the IBIs and has been updating it from time to time.³⁶ In CY24,

SBP revised the SGF to align it with international best practices, market developments and to incorporate the feedback received from stakeholders.³⁷

Conversion from conventional to Islamic: Transformation to a Shariah-compliant banking system has been adopted as one of the strategic goals of SBP Vision 2028. In pursuance of this goal and to facilitate banks in their conversion from conventional to Islamic, SBP developed broad parameters which will help banks to devise their own conversion plans. These parameters, inter alia, include vision and strategy, governance structure, communication plan with stakeholders and customer facilitation.³⁸ To further streamline the process of conversion, SBP revamped the existing criteria, issued in 2010, for conversion of conventional banking branches into Islamic banking branches.³⁹

Digital Financial Services

Licensing and In-Principal Approvals to EMIs: SBP has given License to M/s. E-Processing Systems Private Limited (EPSPL) to commence commercial operations as an EMI. Under the license, the EMI shall offer e-money wallets to consumers, merchants and agents. In addition, as of December 2024, two EMIs, namely M/s. Wemsol Private Limited and M/s. HubPay Private Limited, were in pilot operations. Meanwhile, three more EMIs – M/s. YAP Pakistan Private Limited, M/s. Cerisma Private Limited, and M/s. Toko Lab Private Limited – were given in-principle approval and were in the process of developing organizational and technological infrastructure to commence pilot operations.⁴⁰ Moreover, in November 2024, SBP granted in-principle approval to M/s. Accept Technologies Private Limited (M/s. PayMob) for

³³ [DMMD Circular No. 09 of 2024](#)

³⁴ [IFPD Circular No. 07 of 2024](#)

³⁵ [IFPD Circular No. 09 of 2024](#)

³⁶ [IBD Circular No. 03 of 2014](#)

³⁷ [IFPD Circular No. 08 of 2024](#)

³⁸ [IFPD Circular No. 03 of 2024](#)

³⁹ [IFPD Circular No. 05 of 2024](#)

⁴⁰ [External Communications Department | Press Release November 20, 2024](#)

establishing as a Payment System Operator (PSO)/Payment Service Provider (PSP).⁴¹

Digital Supply Chain Finance: SBP issued instructions to banks to develop and implement digital solutions for supply chain finance within six months to leverage the technology for increasing the SMEs' access to finance as well as digitizing the retail payments. The instructions require banks to establish effective Supply Chain Finance (SCF) function having suitably trained HR and systems to develop and offer digital SCF products to the SMEs. SBP further advised banks to either develop their own digital solutions for SCF or partner with any Fintech, Service Providers for providing digital SCF.⁴²

Electronic FX Trading Platform for Interbank Trading: Building an innovative and inclusive digital financial ecosystem is a key priority area of SBP Vision 2028. In this context, SBP introduced a Centralized Foreign Exchange (FX) Trading Platform called 'FX Matching' for interbank FX market. The objective was to provide the interbank market participants a centralized trading platform that offers FX trading on anonymous basis and real time price visibility. The adoption of FX Matching platform is a key step for enhancing the depth and transparency of the interbank FX market. SBP issued instructions to ADs to formally launch the interbank FX trading on the FX Matching platform.⁴³

Measures to Promote SME and Agriculture Financing

Risk Coverage Scheme for SMEs: Considering the critical importance of SMEs in inclusive economic growth and employment creation, the Government of Pakistan, on the recommendation of the SBP, approved a Risk Coverage Scheme for securing banks' fresh exposure against SMEs. The scheme is part of

the efforts of the Government and the SBP to double the size of SME financing to Rs 1,100 billion in the next 5 years. As part of the scheme, SBP will allocate Risk Coverage Limits to each participating Financial Institution against fresh SME finance and the Government will absorb credit loss (principal portion only) on the banks' fresh exposure against SMEs: first loss coverage of 20 percent to Small Enterprises (SEs) and 10 percent to Medium Enterprises (MEs) against banks' fresh exposure.⁴⁴

Amendment in Prudential Regulations for SME Financing: To boost SME financing and facilitate SMEs' access to finance, SBP increased clean lending limit to Rs 10 million from Rs 5 million for SMEs.⁴⁵ Moreover, SBP increased the per party exposure limit for small enterprises (SEs) from Rs 25 million to Rs 100 million and for Medium Enterprises (MEs) from Rs 200 million to Rs 500 million.⁴⁶

Amendment in Prudential Regulations for Agriculture Financing: Previously, banks/DFIs were allowed to obtain credit report relating to the borrower from electronic Credit Information Bureau (eCIB) of SBP only while considering proposals for any exposure. To enhance flow of agriculture financing, SBP relaxed this requirement through an amendment in prudential regulations for agriculture financing which now allow banks/DFIs to obtain credits reports from any credit bureau licensed by SBP of which they are a member, in addition to eCIB of SBP.⁴⁷

Streamlining of Agricultural Lending Procedures and Documentation: Keeping in view the difficulties faced by banks in obtaining Khasra Girdawari from their borrowers in processing agriculture loan applications, SBP allowed the use of following alternative documents for the same to verify and monitor the farming activity: (i) Digital Survey Report based on the digital Geo-fencing / Remote

⁴¹ [External Communications Department | Press Release November 05, 2024](#)

⁴² [SH&SFD Circular No. 01 of 2024](#)

⁴³ [DMMD Circular No. 01 of 2024](#)

⁴⁴ [SH&SFD Circular No. 02 of 2024](#)

⁴⁵ [SH&SFD Circular No. 03 of 2024](#)

⁴⁶ [SH&SFD Circular No. 4 of 2024](#)

⁴⁷ [ACFID Circular Letter No. 01 of 2024](#)

sensing through satellite images of the farm; (ii)
Bonafide Certificate providing details of crops.⁴⁸

⁴⁸ [ACFID Circular Letter No. 02 of 2024](#)

Appendix B

Indicators used to derive Financial Sector Vulnerability Index (FSVI)

FSVI was first introduced in FSR 2016, and since then it has been modified and regularly published in the subsequent reviews. In FSR-2018, few modifications were made in terms of coverage, indicators and methodology (See Appendix A in FSR-2018).

To recall, FSVI is a composite index derived from averaging the sub-indices of macro-economy, financial markets, banking sector, Non-Banking Financial Institutions, Development Finance Institutions, Insurance Companies and Corporate Sector. The complete list of indicators used within each dimension is given in the table below:

Financial Sector Vulnerability Index (FSVI) and Financial Sector Heat Map (FSHM): Risk Areas, Risk Dimensions and Indicators				Table 1
Sr. No.	Risk Area	Risk Dimension	Risk Indicator(s)	Impact on Financial Stability
1	Macro-economy $\frac{1}{n} \sum Ex, R, F, In$ n = 4	External Sector (Ex) $Ex = \frac{1}{n} \sum_{i=1}^n ex_i,$ n = 3	$ex_1 =$ Total Liquid Foreign Reserve Position (with SBP) as percent of GDP $ex_2 =$ Current Account Balance as Percentage of GDP $ex_3 =$ Balance of Trade as Percentage of GDP $ex_4 =$ Terms of Trade Index $ex_5 =$ Real Effective Exchange Rate Index	Positive Positive Positive Positive Negative
		Real Sector (R)	Real GDP Growth	Positive
		Fiscal Sector (F)	Fiscal Deficit as Percentage of GDP	Negative
		Inflation (In)	CPI inflation	Negative
2	Financial Markets $\frac{1}{n} \sum FE, MM, CM$ n = 3	Foreign Exchange (FE)	Mark-to-market Revaluation Exchange Rate Exponential Moving Weighted Average (EMWA) Volatility	Negative
		Money Market (MM)	Overnight Repo Rate Exponential Moving Weighted Average (EMWA) Volatility	Negative
		Capital Market (CM)	KSE-100 Index Exponential Moving Weighted Average (EMWA) Volatility	Negative
3	Banking Sector $\frac{1}{n} \sum C, AQ, E, L, D, I$ n = 6	Capital Adequacy (C) $C = \frac{1}{n} \sum_{i=1}^n c_i, n = 3$	$c_1 =$ Capital Adequacy Ratio (CAR) $c_2 =$ TIER 1 (CAR) $c_3 =$ Capital to Asset Ratio	Positive Positive Positive
		Asset Quality (AQ) $AQ = \frac{1}{n} \sum_i aq_i,$ n = 4	$aq_1 =$ NPLs to Total Loans $aq_2 =$ Net NPLs to Capital $aq_3 =$ Provisions to NPLs $aq_4 =$ Loss to NPLs	Negative Negative Positive Negative
		Earnings (E) $E = \frac{1}{n} \sum_{i=1}^n e_i,$ n = 6	$e_1 =$ Return on Assets Before Tax $e_2 =$ Return on Equity (Avg. Equity and Surplus) Before Tax $e_3 =$ Net Interest Margin $e_4 =$ Net Interest Income/Gross Income $e_5 =$ Cost to Income Ratio $e_6 =$ Trading Income to Total Income	Positive Positive Positive Positive Negative Negative
		Liquidity (L) $L = \frac{1}{n} \sum_{i=1}^n l_i,$ n = 4	$l_1 =$ Liquid Assets/Total Assets $l_2 =$ Liquid Assets/Total Deposits $l_3 =$ Liquid Assets/Short term liabilities $l_4 =$ Borrowings/Assets	Positive Positive Positive Negative
		Deposits (D) $D = \frac{1}{n} \sum_{i=1}^n d_i,$ n = 2	$d_1 =$ Deposits to Assets $d_2 =$ Deposit growth (YoY)	Positive Positive
		Interconnectedness (I) $I = \frac{1}{n} \sum_{i=1}^n i_i,$ n = 2	$i_1 =$ Call lending and borrowing/Total Assets $i_2 =$ Financial Liabilities (SBP exclusive)/Total Assets	Negative Negative
4	Non-Banking Financial Institutions	Assets (A)	Asset Growth (YoY)	Positive

	$\frac{1}{n} \sum_{n=2} A, E$	Earnings (E)	Net Sales	Positive
5	Development Finance Institutions $\frac{1}{n} \sum_{n=4} C, AQ, E, L$	Capital Adequacy (C) $C = \frac{1}{n} \sum_{i=1}^n c_i, n = 3$	$c_1 = \text{Capital Adequacy Ratio (CAR)}$ $c_2 = \text{TIER 1 (CAR)}$ $c_3 = \text{Capital to Asset Ratio}$	Positive Positive Positive
		Asset Quality (AQ) $AQ = \frac{1}{n} \sum_{i=1}^n aq_i, n = 3$	$aq_1 = \text{NPLs to Total Loans}$ $aq_2 = \text{Net NPLs to Capital}$ $aq_3 = \text{Net NPLs to Net Loans}$	Negative Negative Negative
		Earnings (E) $E = \frac{1}{n} \sum_{i=1}^n e_i, n = 4$	$e_1 = \text{Return on Assets Before Tax}$ $e_2 = \text{Return on Equity (Avg. Equity and Surplus) Before Tax}$ $e_3 = \text{Net Interest Income/Gross Income}$ $e_4 = \text{Cost to Income Ratio}$	Positive Positive Positive Negative
		Liquidity (L) $L = \frac{1}{n} \sum_{i=1}^n l_i, n = 3$	$l_1 = \text{Liquid Assets/Total Assets}$ $l_2 = \text{Liquid Assets/Total Deposits}$ $l_3 = \text{Advances /Deposits}$	Positive Positive Positive
6	Insurance Companies $\frac{1}{n} \sum_{n=2} Li, NL$	Life (Li) $Li = \frac{1}{n} \sum_{i=1}^n li_i, n = 4$	$li_1 = \text{Claims ratio}$ $li_2 = \text{Return on Assets before tax}$ $li_3 = \text{Return on Investment before tax}$ $li_4 = \text{Capital to Assets}$	Negative Positive Positive Positive
		Non-life (NL) $NL = \frac{1}{n} \sum_{i=1}^n nli_i, n = 5$	$nli_1 = \text{Claims ratio}$ $nli_2 = \text{Premium Retention}$ $nli_3 = \text{Return on Assets before tax}$ $nli_4 = \text{Return on Investment before tax}$ $nli_5 = \text{Capital to Assets}$	Negative Negative Positive Positive Positive
7	Corporate Sector	Corporate Debt	Debt Burden (average of asset/equity and debt/equity)	Negative

