Contents

	Page No.
Foreword	
List of Select Abbreviations	i-iii
Overview	1
Chapter I : Macro-Financial Risks	5-19
Global backdrop	5
Domestic economy	9
Corporate sector	14
Chapter II : Financial Institutions: Soundness and Resilience	20-42
Scheduled commercial banks	20
Performance	20
Risks	25
Resilience - Stress tests	25
Scheduled urban co-operative banks	35
Performance	35
Resilience - Stress tests	35
Non-banking financial companies	35
Performance	35
Resilience - Stress tests	36
Interconnectedness	37
Chapter III : Financial Sector: Regulation and Development	43-64
International and domestic regulatory developments	43
Other developments, market practices and supervisory concerns	56
Annex 1: Systemic Risk Survey	65
Annex 2: Methodologies	69

		Page No.
LIST (OF BOXES	
3.1	Impact of Ind AS implementation on banks	44
3.2	Insurance Industry – new challenges & opportunities	49
3.3	Cyber Risks to financial stability	61
LIST (OF CHARTS	
1.1	Advanced Economies production and global PMI	5
1.2	Advanced Economies Financial condition index	5
1.3	RWI/ISL container throughput index	6
1.4	Changes in world trade and dollar TWI	6
1.5	Movement in commodity indices	6
1.6	Profit margins of world, US and EM indices	8
1.7	Composition of portfolio flows to emerging markets	8
1.8	US <i>vis-à-vis</i> EM equity PE ratios	8
1.9	Drivers of CPI (excluding food and fuel inflation)	10
1.10	Evolution of leverage of select PSUs	10
1.11	Market borrowings	11
1.12	Indian equity and bonds markets since demonetisation	11
1.13	Monthly FPI/FII net debt investments vis-à-vis 10-year yields	12
1.14	GoI cumulative borrowing vis-à-vis secondary market liquidity	12
1.15	Secondary market liquidity vis-à-vis OIS/ G-Sec spread	12
1.16	Flow of resources to the commercial sector	13
1.17	Trends in residential property prices	13
1.18	NGNF listed companies: 'Weak' companies – current trend	15
1.19	Borrowings by select industries	16
1.20	Risk profiles of select industries	17
1.21	Corporate sector stability indicator and map	18
1.22	Weak Companies- Impact of shocks	18
1.23	Leveraged weak companies- Impact of shocks	19
2.1	Select performance indicators of SCBs	21
2.2	Select asset quality indicators of SCBs	23
2.3	Select asset quality indicators of large borrowers of SCBs	24

		Page No.
2.4	Banking stability indicator	25
2.5	Banking stability map	25
2.6	Macroeconomic scenario assumptions	25
2.7	Projection of GNPAs of SCBs	26
2.8	Projection of CRAR	26
2.9	Projection of CET 1 capital ratio	27
2.10	Credit risk - Shocks and impacts	28
2.11	CRAR-wise distribution of banks	28
2.12	Credit concentration risk: Individual borrowers – Stressed advances	29
2.13	Credit concentration risk: Individual borrowers – Exposure	29
2.14	Sectoral credit risk: Infrastructure - shocks and impacts	30
2.15	Equity price risk	31
2.16	Liquidity risk – Shocks and impacts using HQLAs	32
2.17	Liquidity risk – Shocks and impacts	32
2.18	Bottom-up stress tests – Credit and market risks – Impact on CRAR	33
2.19	Bottom-up stress tests – Liquidity risk	33
2.20	MTM of total derivatives - Select banks - March 2017	34
2.21	Stress tests - Impact of shocks on derivative portfolio of select banks	34
2.22	Asset quality and capital adequacy of the NBFC sector	36
2.23	Interbank market	37
2.24	Share of different bank groups in the Interbank market	37
2.25	Composition of fund based interbank market – March 2017	38
2.26	Network structure of the Indian banking system – March 2017	38
2.27	Connectivity Statistics of the banking system	39
2.28	Network plot of the financial system– March 2017	39
2.29	Net lending $(+ve)$ / borrowing $(-ve)$ by the institutions	40
2.30	Gross exposure (receivable) of pension funds	41
2.31	Exposure to housing finance companies – March 2017	41
2.32	Top 10 banks with maximum contagion impact - Solvency losses – March 2017	42
2.33	Top 10 banks with maximum contagion impact - Liquidity losses – March 2017	42
3.1	Select capital and liquidity ratios for group 1 banks	46

	\mathbf{P}_{i}	age No.
3.2	NPS – subscribers and AUM	50
3.3	Fund raised from capital market and bank credit	56
3.4	FPI Investment in equities and bonds	57
3.5	Net purchases of MFs and FIIs in equities	57
3.6	Mutual funds – trends in resource mobilisation	58
3.7	Mutual funds – Asset under management	58
3.8	Product segment-wise share in all- India commodity futures turnover (2016-17)	58
3.9	Trend in notes in circulation and digital transactions	59
3.10	Trends in digital transactions	59
LIST O	F TABLES	
1.1	Select financial ratios of performance of NGNF listed companies	14
1.2	NGNF listed companies: Change in corporate borrowings	14
1.3	NGNF listed companies: Tail risk in corporate leverage	15
2.1	Credit concentration risk: Group borrowers – Exposure	30
2.2	Interest rate risk – Bank groups - shocks and impacts	31
2.3	Consolidated balance sheet of NBFC sector: Y-o-Y growth	36
2.4	Select ratios of NBFC sector	36
2.5	Inter-sector assets and liabilities – March 2017	40
3.1	Important prudential and consumer protection measures & rationale thereof (January – June 2017)	51
3.2	Secondary market turnover data for corporate bonds	57