

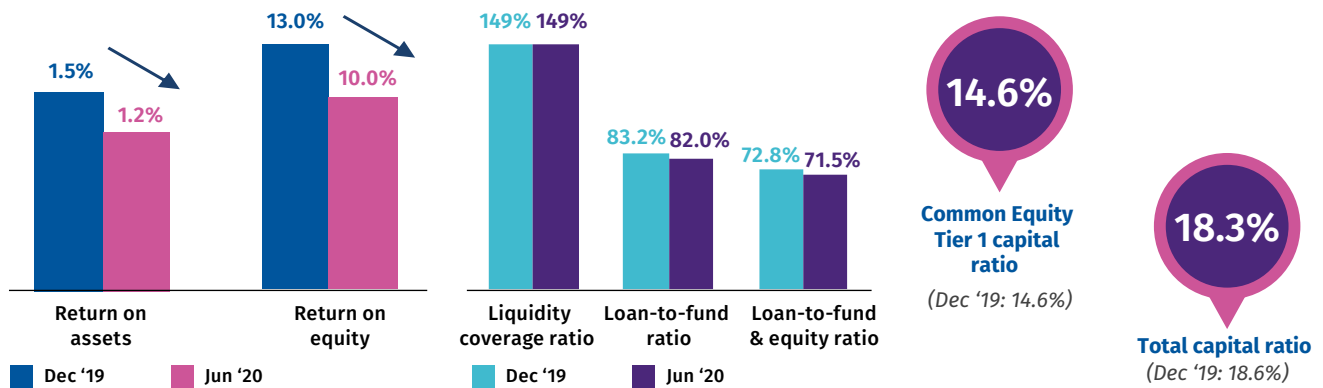
Key Highlights on Financial Stability Review – First Half 2020

Banks maintained healthy capital and liquidity positions despite increased pressure on earnings

Earnings declined in the first half of the year

Ample liquidity supported by stable funding conditions

Strong capital buffers to withstand potential losses

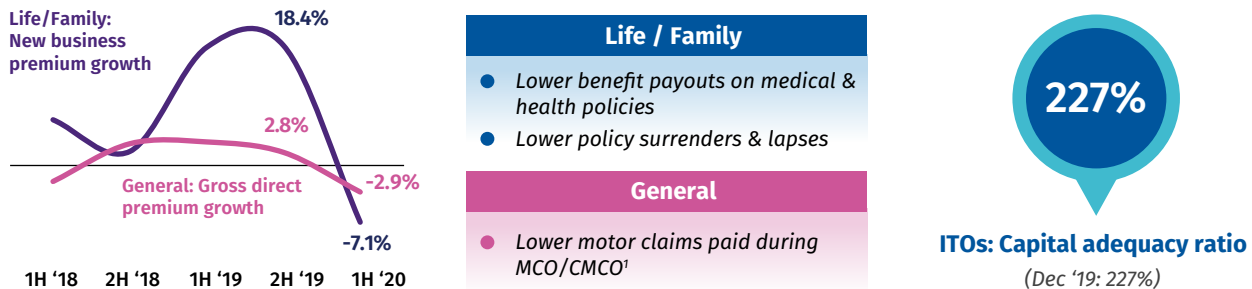


Insurance and takaful operators (ITOs) remained well-capitalised amid slower business growth

ITOs recorded a decline in annual business growth

Improved underwriting performance amid lower claims

ITOs maintained healthy buffers, well above regulatory minimum



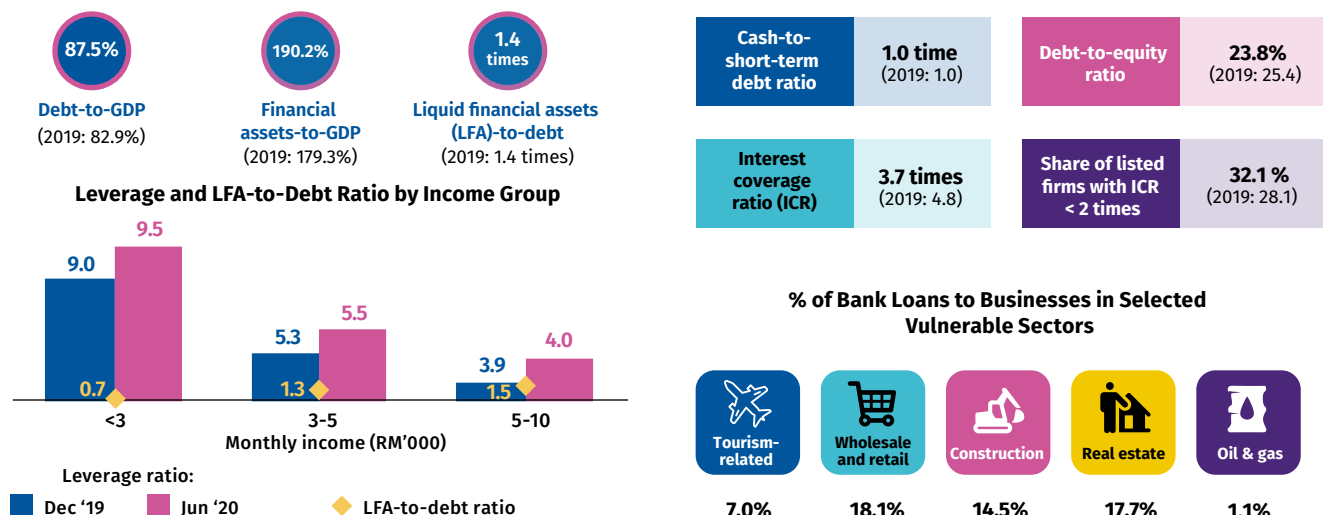
Debt-servicing capacity of households and businesses supported by debt relief measures, but some deterioration in asset quality expected

Households: Healthy aggregate financial buffers but vulnerabilities remain for more leveraged borrowers

Businesses: Weaker financials of firms with certain sectors facing a more challenging outlook

Household Sector Indicators

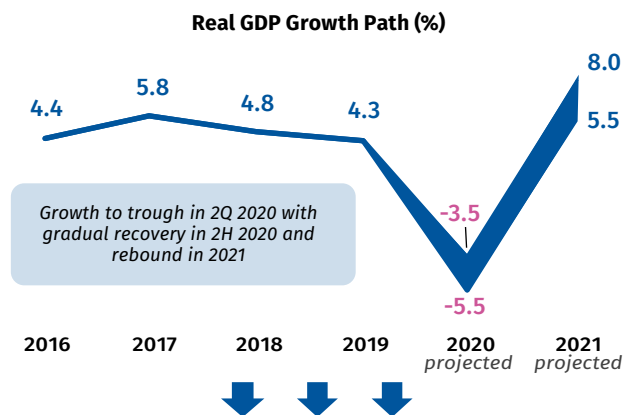
Business Sector Indicators



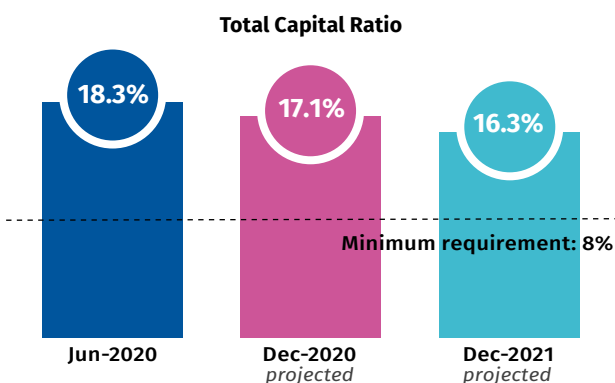
¹ Movement Control Order / Conditional Movement Control Order
 Source: Bank Negara Malaysia, Bursa Malaysia, Department of Statistics Malaysia, Employees Provident Fund, Securities Commission Malaysia, and S&P Capital IQ

Recent stress tests affirm resilience of the banking sector to an increase in credit losses under more adverse economic conditions

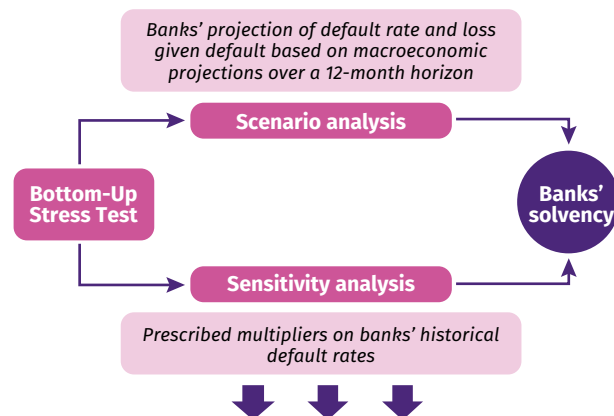
Macro simulation based on the Bank's updated macroeconomic outlook²...



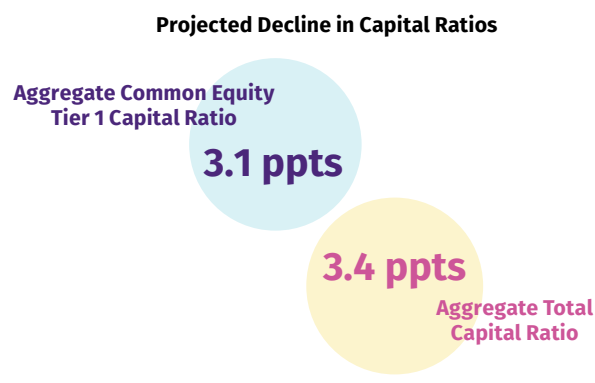
Banking sector has sufficient buffers to absorb potential credit losses



...complemented by bottom-up approach to assess individual banks' resilience

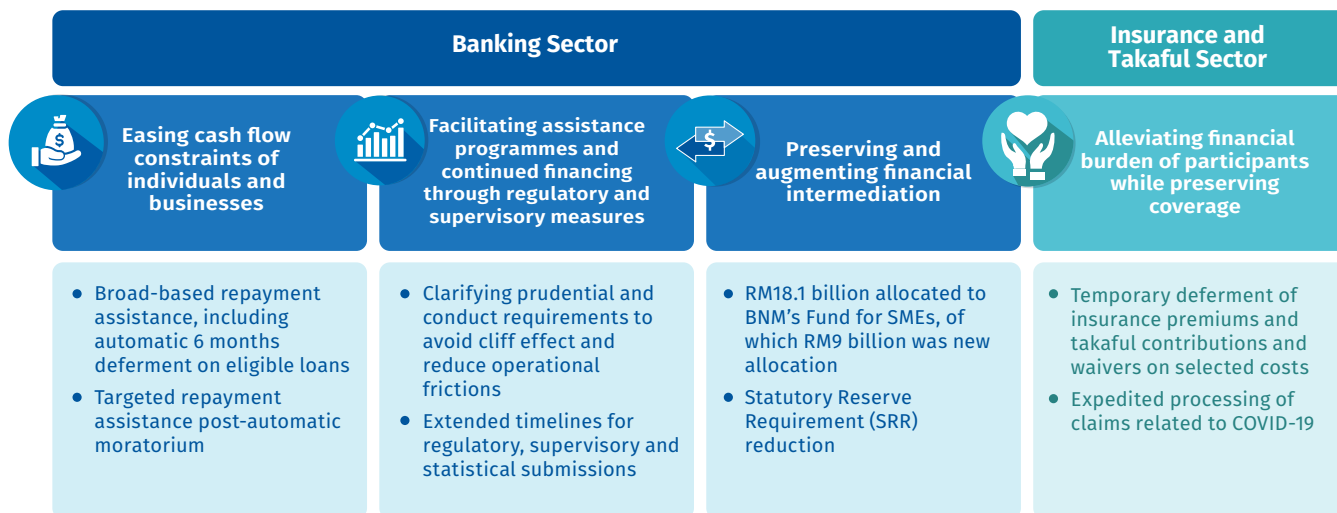


Individual banks remain resilient under more severe conditions



Box Article: Measures to Mitigate the Impact of COVID-19 and Preserve Financial Stability

Financial institutions continue to support the economy while ensuring the pandemic does not evolve into a financial crisis



² For details on the Bank's macroeconomic outlook, refer to the BNM Quarterly Bulletin 2Q 2020
Source: Bank Negara Malaysia