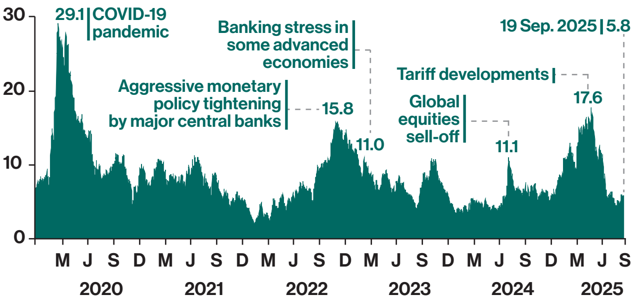
Key Highlights on
Financial Stability Review – First Half 2025

Domestic financial markets remained orderly despite heightened global market volatility

Market volatility eased following expectations for favourable outcomes from remaining US trade negotiations

Financial Market Stress Index (FMSI)

Stress level, % (Minimum=0, Maximum=100)



Orderly market conditions continued to be preserved, supported by...

- Robust domestic capital markets
- Strong and resilient financial institutions
- Continued presence of a diversified investor base
- Healthy demand for government bonds

Financial institutions remained resilient and well-capitalised to meet financing and protection needs

Banks continued to demonstrate strong capital and liquidity positions...

18.2%	Total Capital Ratio *(Dec. 2024: 18.6%)*
160.5%	Liquidity Coverage Ratio *(Dec. 2024: 160.7%)*
115.7%	Net Stable Funding Ratio *(Dec. 2024: 116.3%)*

...supported by sound asset quality

1.4%	Gross Impaired Loans Ratio *(Dec. 2024: 1.4%)*
130.4%	Loan Loss Coverage Ratio[1] *(Dec. 2024: 129.6%)*

Insurers and takaful operators remained well-capitalised to withstand potential headwinds

RM42 billion
Excess Capital Buffers
(Dec. 2024: RM41 billion)

222.5%
Capital Adequacy Ratio
(Dec. 2024: 224.3%)

Households' and businesses' debt repayment capacity remained intact

Households' debt-servicing capacity is supported by positive labour market conditions

41%	Median Debt Service Ratio for New Loans *(Dec. 2024: 41%)*
1.4x	Median Debt-to-Income Ratio *(Dec. 2024: 1.4x)*
1.7%	Share of Household Loans under RA[2] *(Dec. 2024: 1.8%)*
1.1%	Household Loan Impairment Ratio *(Dec. 2024: 1.1%)*

Businesses are resilient amid global trade uncertainties, geopolitical developments and cost pressures

7.3%	Operating Margin *(Dec. 2024: 8.0%)*
6.2x	Interest Coverage Ratio *(Dec. 2024: 6.5x)*
24.4%	Share of Firms-at-Risk (Overall Business) *(Dec. 2024: 25.7%)*
1.5x	Cash-to-Short-Term Debt Ratio *(Dec. 2024: 1.5x)*

[1] Including regulatory reserves.
[2] Share of household loans under repayment assistance (RA) as a proportion of total banking system and development financial institutions' loans.

Source: Bank Negara Malaysia, Bloomberg, Reuters and S&P Capital IQ

Box Article: Transition from KLIBOR[3] to MYOR/MYOR-i[4]

Malaysia is transitioning to the more robust, transaction-based MYOR/MYOR-i, in line with global financial benchmark reforms

Given the differing features of KLIBOR and MYOR/MYOR-i, market participants must ensure adequate preparations that commensurate with their respective operations and exposures

1. **Establishing Internal Governance Arrangements**
   To oversee the transition of operational functions and business lines to MYOR/MYOR-i
2. **Reviewing and Updating Contracts**
   To ensure alignment with the shift to MYOR/MYOR-i
3. **Enhancing Systems**
   To ensure seamless integration to new calculations and reporting requirements
4. **Ensuring Sufficient Resources**
   For staff training and customer engagement to promote awareness

To facilitate a coordinated and orderly transition, BNM has also collaborated with key industry players to implement a series of initiatives such as:

- **Publication of a transition roadmap** outlining key timelines and milestones to accelerate the financial industry's adoption of MYOR/MYOR-i, with KLIBOR set to cease by the end of transition
- **Establishment of the KLIBOR Transition Coordination Subcommittee and four Working Groups under the Financial Markets Committee**, tasked with recommending market conventions and legacy management approaches
- **Creation of a dedicated transition subpage** to disseminate updates and educational material to promote awareness
- **Publication of compounded MYOR/MYOR-i and indices** to serve as a standardised reference for market participants[5]
- **Concurrent efforts to support MYOR-i transition for Islamic financial market**, including promoting active interbank activity, broadening market participation, enhancing hedging capabilities and promoting diversification of MYOR-i-based financial products

Box Article: Progress in Strengthening Senior Management Accountability through Responsibility Mapping

Responsibility Mapping[6] elevates the standards of professional conduct among senior management, supports long-term financial stability and upholds the best interest of the financial institutions, shareholders and customers through a stronger culture of accountability

Responsibility Mapping

Policy Objectives

- Clarify individual responsibility of members of senior management and ensure that they are held accountable for areas under their purview
- Ensure responsibilities are assigned to individuals who have the professional competence and capabilities to effectively perform the responsibilities
- Additional supervisory tool for promoting strong risk culture in financial institutions

Principles of Responsibility Mapping

Principle 1	Principle 2	Principle 3	Principle 4
Establish process to identify and assign responsibilities to members of senior management	Allocate responsibilities to individual members of senior management	Hold individuals to standards expected of senior management	Complete and updated documentation of responsibilities

[3] Refers to Kuala Lumpur Interbank Offered Rate (KLIBOR).
[4] Refers to Malaysia Overnight Rate (MYOR) and Malaysia Islamic Overnight Rate (MYOR-i) respectively.
[5] Target publication in Q4 2025.
[6] The Responsibility Mapping policy document was issued on 29 December 2023 and is set to take effect on 1 January 2026.

Source: Bank Negara Malaysia