

Promoting a Progressive and Inclusive Financial System

In 2025, we directed efforts at carrying out the remaining strategies laid out in the Financial Sector Blueprint 2022–2026. These strategies aim to have a financial system that is accessible, resilient and ready to support the country’s digital transformation and sustainable development agenda. This means widening financing options for Small and Medium Enterprise (SMEs) and microentrepreneurs, better financial skills and literacy across society, and enabling responsible innovation that delivers benefits safely and at scale. The year’s initiatives also include ongoing benchmark reforms to support a smooth and orderly transition from Kuala Lumpur Interbank Offered Rate (KLIBOR) to Malaysia Overnight Rate (MYOR) and Malaysia Islamic Overnight Rate (MYOR-i). This reform serves as a pre-emptive measure to safeguard the robustness of Malaysia’s domestic financial benchmark.

Advancing Access to Financing

Driving inclusive financing for SMEs

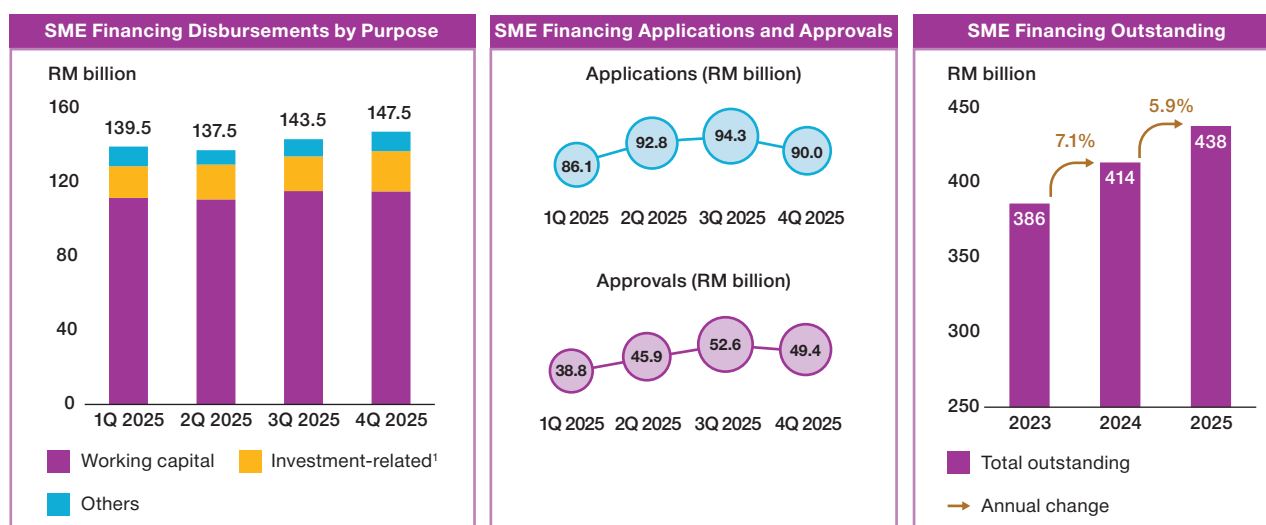
Access to quality financing for SMEs is key in building an inclusive financial system. Despite

concerns over the impact of global uncertainty on the domestic economy, SMEs continued to obtain financing from banks and development financial institutions (DFIs). The bulk of the financing disbursed was for working capital as businesses managed cash flows amid rising cost pressures. Banks and DFIs approved RM186.7 billion in new financing for over 206,000 SME accounts, in tandem with demand trends. Outstanding SME financing continued to grow by 5.9%.

Driving SME transition through the SME Focus Group under the Joint Committee on Climate Change

SMEs face growing pressure to adapt to climate risks and meet rising sustainability expectations. Many need clearer guidance, practical tools and support to accelerate this transition. To bridge this gap, the SME Focus Group (SFG) was formed under the Joint Committee on Climate Change (JC3), co-chaired by BNM and the financial industry. The SFG aims to support SMEs in embracing sustainable practices in the transition to a low-carbon economy.

Diagram 1: Performance of SME Financing



¹ Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (including cars) and construction activity.

Note: Reflects loan/financing from the banking system and DFIs.

Source: Bank Negara Malaysia

A significant outcome from this effort was the launch of the ESG Jumpstart Portal.¹ The portal serves as a one-stop resource hub providing training programmes, steps to obtain green certification, financing guides, and access to information on incentives. The portal also features practical tools such as ESG disclosure guides, a carbon management platform and greenhouse gas (GHG) reporting standards, helping SMEs begin their sustainable journeys more confidently. In 2025, the SFG organised its first Climate Conference for SMEs. The event brought together over 400 participants from the entire ecosystem – financial institutions, government agencies, SMEs and sustainability service providers. SMEs received help in terms of practical guidance and sharing of real business experiences. These improved their understanding of climate-related risks and opportunities.

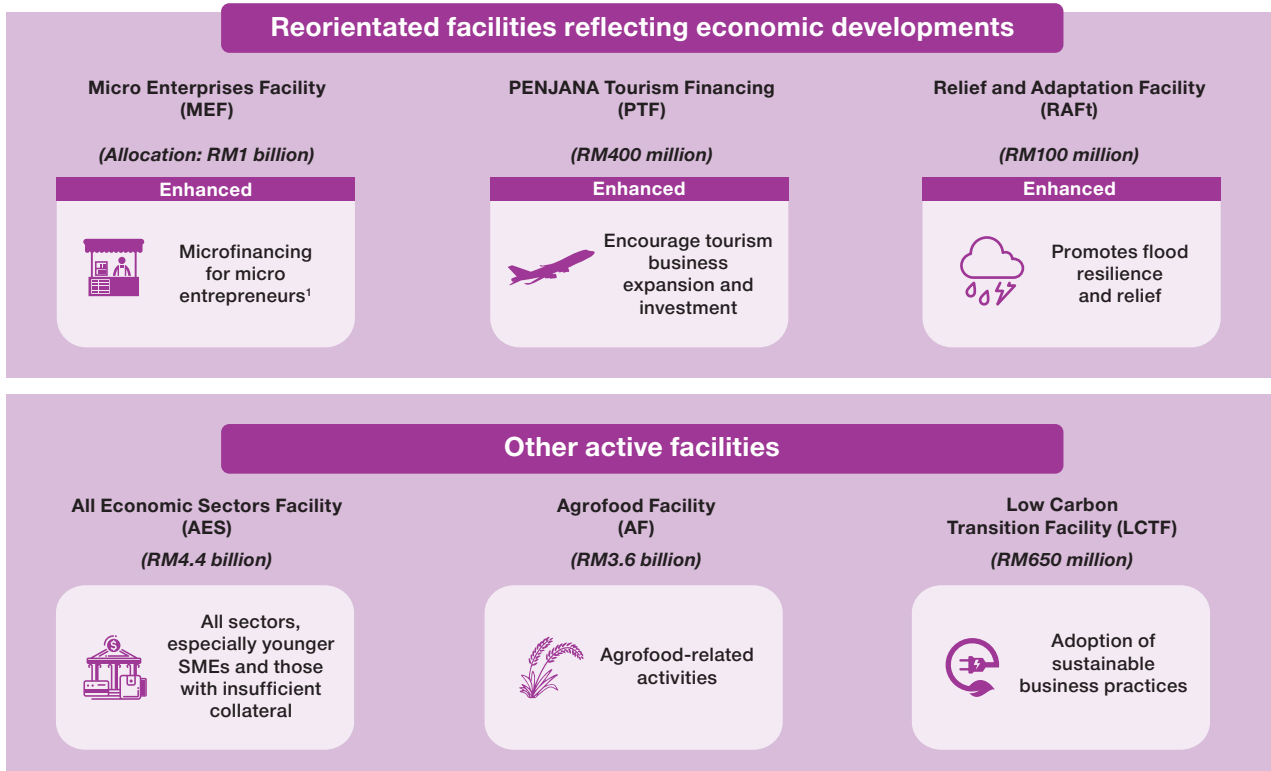
These include those that lack credit history and those operating in new or risky business areas. To plug this gap, BNM has, over the years, allocated funds to facilitate these underserved SMEs obtain financing at affordable rates. At present, BNM’s Fund for SMEs (the Funds) accounts for 7.4% of total SME financing outstanding, with financing disbursed amounting to RM29.3 billion since 2020 benefitting 82,714 SMEs. In 2025, we upsized selected funds by RM2.5 billion to meet the growing demand for digitalisation and climate resilience as well as for the agrofood sector. With tourism activities gaining momentum and in support of Visit Malaysia Year 2026, we redesigned the Penjana Tourism Financing (PTF) facility from a short-term relief measure into a long-term support structure. This is aimed to help SMEs upgrade their operations, improve productivity and adopt better business models.

Targeted enhancements to BNM’s SME Funds to better meet SMEs’ needs

Banks and DFIs continue to be the main financier for SMEs. While larger SMEs have ready access to financing, certain segments still face challenges.

Climate-related events such as heavy rain and floods are becoming more frequent. This requires businesses to build resilience. But such adaptation efforts can be costly especially for SMEs. This led us to expand the use of Disaster Relief Facility (DRF), previously meant for relief financing to now include adaptation financing. Renamed

Diagram 2: Active Facilities under BNM’s Fund for SMEs Providing Targeted Support to SMEs



¹ Includes self-employed, gig workers and iTEKAD participants.

Source: Bank Negara Malaysia

¹ The portal is available at (<https://imsme.com.my/jc3-esg-jumpstart-for-smes>).

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Relief and Adaptation Facility (RAfT), this facility offers flood adaptation financing to help SMEs pre-emptively manage flood-related risks and losses. Hence, aside from quick relief financing to restore operations, SMEs are also able to finance longer-term investments to build climate resilience, such as flood-proofing using RAfT. The shift acknowledges the new realities faced by SMEs and aim to help them become more resilient ahead of future disruptions.

Shifting towards guarantee-based support

Moving forward, financing will continue to complement other factors in supporting productive, sustainable and resilient SME growth. While the Funds have provided essential support over the years, a shift in approach is key in facilitating sustainable and market-led access to financing by SMEs.

BNM is moving from direct SME financing support to guarantee-based support to scale market-driven financing for underserved SMEs and future ready purposes such as innovation and climate investments.

From 2026, BNM will transition its SME Funds from direct lending to a guarantee model. This shift reflects the need for scalable financing models, with the financial system playing a critical role in sharing risks more effectively. Targeted guarantee schemes can reduce collateral needs and support a higher number of potential SME beneficiaries. It also encourages banks and DFIs to lend to viable

but underserved segments, and crowd in private financing to priority sectors. These schemes will support unserved and underserved segments, innovation and transformation, and climate-oriented investments. The transition framework is being actively shaped by reaching out to SME groups and associations and the financial community to ensure broad alignment and impact.

Revised framework on Skim Pembiayaan Mikro

Access to sustainable financing is important to support livelihoods and enable microentrepreneurs to gradually grow their business and incomes. The Skim Pembiayaan Mikro (SPM), offered by 16 participating financial institutions (PFIs), continues to be an important platform for convenient and effective access to microfinancing. Since inception in 2006, SPM has supported more than 340,000 microentrepreneurs (Diagram 3). In November 2024, we enhanced the scheme which began to show results in 2025. Microentrepreneurs are now able to tap into more microfinance products, with higher financing limit of up to RM100,000 and innovative features to facilitate business growth. These include third-party guarantees and blended component in the form of social funds that help lower risks and financing rates. These features allow those in the informal, gig and other underserved segments to obtain and afford financing. With higher financing limits, stamp duty exemptions are also aligned to support affordability for these segments. To further expand reach, the revised framework places greater emphasis on onboarding digital banks. Their data-driven approaches and digital processes remove geographical barriers and provide more efficient paperless financing.

Diagram 3: Empowering Microentrepreneurs: Success Story of Songkok Malaya



Songkok Malaya started in 2022, supplying and selling songkok and men's accessories. With support from Bank Simpanan Nasional's SPM financing products, the business strengthened its operations and expanded production capacity.

The financing enabled Songkok Malaya to scale output from 3,000 to 15,000 units annually and open a second branch. Upgraded operations and stronger digital presence boosted revenue to RM508,000, while growing market trust positioned the brand as a supplier for government agencies and selected schools nationwide.

Songkok Malaya's journey demonstrates how inclusive microfinancing can empower traditional craft enterprises to scale sustainably while creating local employment and preserving cultural heritage.

Source: Bank Simpanan Nasional

As at end-2025, SPM financing outstanding amounted to RM2.15 billion. The scheme now offers 19 new and revised products, with eight PFIs increasing financing limits and seven offering guarantees or targeting new customer segments.

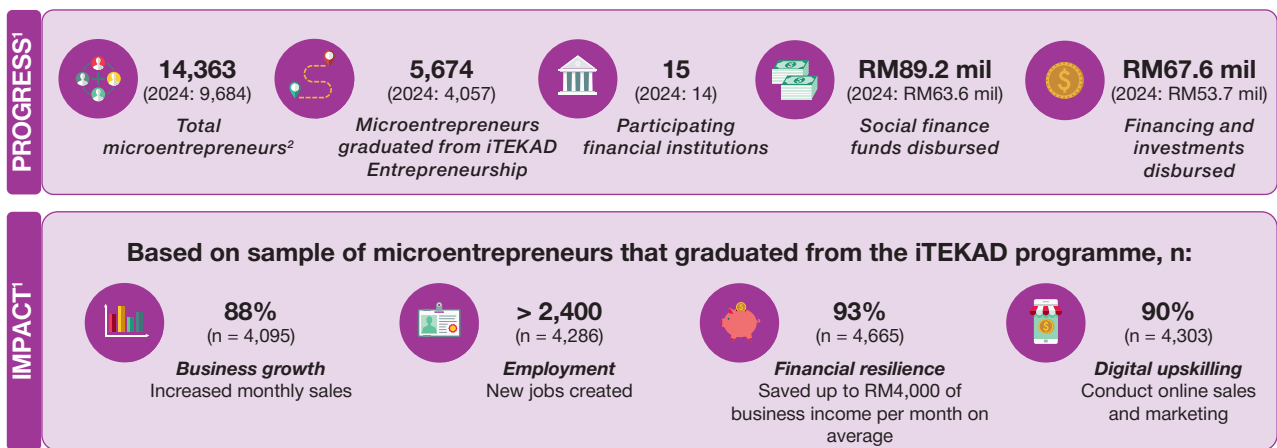
Empowering vulnerable segments through social finance

Social finance helps vulnerable segments improve their livelihoods and take part in economic activities. For the past few years, we have worked with the industry to expand the use of social finance by financial institutions. The iTEKAD Entrepreneurship² (iTEKAD) is one such example. Introduced in 2020, more than 14,000 low-income microentrepreneurs have been part of the initiative (Diagram 4).

iTEKAD has expanded beyond entrepreneurship support. In 2025, a risk-protection component and programmes that boost employability were added, helping participants build more secure and sustainable livelihoods.

iTEKAD began with entrepreneurship support. Today, it also offers risk protection and employability-oriented support – iTEKAD Protection and iTEKAD Employment (Diagram 5). Together, these programmes offer a more comprehensive approach to strengthen inclusion and resilience.

Diagram 4: Progress and Impact of iTEKAD Entrepreneurship in 2025



¹ Data as at end-December 2025.

² Total participants refer to the number of both ongoing and graduated participants, reflecting the total beneficiaries of iTEKAD Entrepreneurship.

Source: Bank Negara Malaysia, participating financial institutions

Diagram 5: Expansion of Programmes under iTEKAD



Source: Bank Negara Malaysia

² iTEKAD Entrepreneurship is a blended social finance programme which provides seed capital, structured training and microfinancing. It targets low-income segments of aspiring and existing microentrepreneurs.

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The government also continues to support the iTEKAD initiative. Under the fiscal budget 2026, the government has allocated a RM35 million matching grant to help broaden the reach of the iTEKAD initiative and increase the impact.³

DFIs as catalysts for an inclusive and sustainable growth

DFIs have an important role in the nation's developmental agenda and in pushing for inclusive development. In achieving these outcomes, a sound governance and accountability is crucial. This includes efforts to sharpen mandate alignment and implement high-impact strategies, which continue to lead to tangible outcomes in the real economy. Outstanding financing by DFIs grew 5.8% to RM193.9 billion (2024: 5.6% to RM183.3 billion), driven by higher demand across priority sectors. Approvals reached 1.8 million accounts (2024: 1.3 million accounts), with financing directed to high development value areas such as infrastructure, agriculture, MSMEs and low-income households. Microfinancing approvals

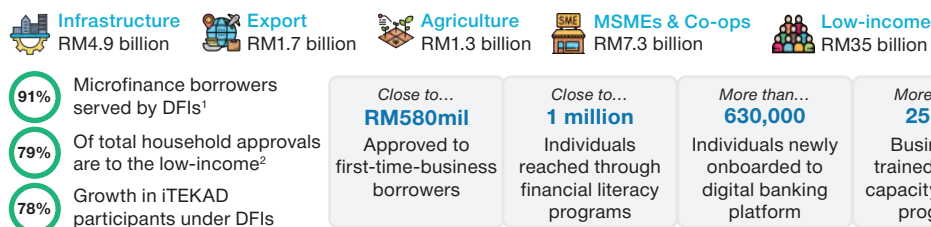
reached close to RM500 million, reaching first-time borrowers and gig workers. DFIs now account for 91% of the industry's microfinance portfolio. These financing activities helped raise incomes and financial resilience where more than 21,000 businesses saw growth and higher sales. DFIs' support has also created and sustained over 150,000 jobs.

Delivering these outcomes required not only financing, but also stronger institutional capability such that DFIs remain effective and focused. Many institutions have since set up dedicated teams that focus to fulfil their mandates effectively. Several have appointed a Chief Development Officer whose role is to reinforce closer alignment between developmental objectives and institutional strategies. Boards are also providing stronger oversight and cultivating a more explicit development-driven culture. Throughout the year, BNM also worked closely with DFIs through the Performance Measurement Framework (PMF) Working Group to enhance the framework and improve its implementation. The updated PMF provides clear guidance on mandate governance,

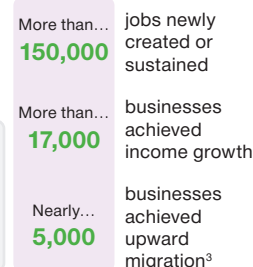
Diagram 6: DFIs' Developmental Achievements in 2025

Financial Additionality

In 2025, DFIs approved financing to 1.8 million accounts including low-income individuals and businesses in mandated sectors:



Design Additionality



Demonstration Additionality

RM6 billion

Funding crowd-in from private sector

27 projects

Supporting strategic sectors e.g. oil & gas, infrastructure, transportation, aviation

Policy Additionality

Spearheaded CFIL's⁴ launch to unite finance players in accelerating innovative climate-focused financing in Malaysia

Steered the Greening Halal Business (GHB) Pilot Programme as the lead implementing agency, driving ESG and green-readiness uplift among halal SMEs

Catalytic Developmental Initiatives

- ▶ **Advancing socio-economic mobility of unserved groups** through targeted rehabilitation-to-entrepreneurship pathways with relevant agencies e.g. *Jabatan Penjara*.
- ▶ **Unlocking credit access for thin-file MEs** by deploying alternative, data-driven credit scoring models that enable more accurate risk-based lending decisions.
- ▶ **Elevating access to collateral-free, affordable financing while providing risk mitigating ecosystem support** for underserved SMEs through an innovative anchor-based financing model.
- ▶ **Driving inclusive financial participation through blended financing and digital innovations** that enable small-scale enterprises to save more, transact seamlessly, and access low-cost capital.
- ▶ **Strengthening gig-worker financial security by applying behavioural insights** to empower them with practical money-management tools and build long-term financial resilience.

¹ Based on number of accounts outstanding under Skim Pembiayaan Mikro (SPM).

² Based on number of accounts approved in CCRIS.

³ Upward migration: informal to formal, micro→small→medium→large, or improvements in credit rating.

⁴ Climate Finance Innovation Lab.

Source: Bank Negara Malaysia

³ The matching grant allocations for the initiative in the previous years were RM20 million (2022), RM10 million (2023), RM25 million (2024) and RM20 million (2025).

strategic planning, demonstrating additionality,⁴ product design and transparent reporting. These improvements ensure DFIs remain focused on delivering development outcomes.

A major milestone took place in May 2025, when Bank Pembangunan Malaysia Berhad (BPMB) acquired SME Bank and EXIM Bank. This marks an important step towards a more unified and capable DFI ecosystem. The merger is expected to strengthen institutional capacity, improve efficiency and create a more impactful platform to support national development priorities.

Strengthening Financial Capability and Access for Meaningful Financial Inclusion

Enhancing inclusive access across physical and digital channels

Financial inclusion is a key pillar of BNM's developmental agenda. It reflects our commitment for all Malaysians, to have access to financial services that support their livelihoods and aspirations. In 2025, 99% of mukims have at least one financial access point within 10 km.

Digital financial usage in Malaysia has risen to 92% in 2024 (2021: 74%).⁵ Our attention therefore turned towards helping Malaysians benefit from digital financial services safely and in a meaningful manner. Our aim is to build 'cash-lite' communities where people rely more on digital options. Policy efforts focus on encouraging the use of digital tools for budgeting, saving and managing finances. These tools help build good habits and strengthen their financial resilience.

While adoption grows, we are also mindful of underserved areas where physical access is essential. This involved rolling out more agent banking, mobile banking units, MyDebit Cash Out (MDCO),⁶ white label self-service terminals⁷ and Interbank Cash Deposit (IBCD).⁸ Pos Malaysia is also playing a role in providing cash-out services

through its outlets nationwide. These efforts helped narrow access gaps for smaller towns and rural communities.

Launch of the second National Strategy for Financial Literacy 2026–30

In October, the Financial Education Network (FEN)⁹ launched the second National Strategy for Financial Literacy 2026–30 (NS2.0).¹⁰ Building on the first National Strategy (2019–23), NS2.0 sets out five priorities that address financial literacy needs across life stages, with a strong focus on vulnerable groups.

The National Strategy for Financial Literacy 2026–30 (NS2.0) sets a renewed vision to strengthen financial capability, promote informed financial decisions, and build long-term financial resilience for all Malaysians.

A Delivery Plan, to be published in 2026, will guide implementation to scale effective programmes, strengthen coordination and ensure measurable impact. Behavioural analytics will also play a bigger role in shaping interventions. For a start, a pilot Just-In-Time Financial Education (JITFE) programme with three DFIs¹¹ will be pursued to address over-indebtedness. The pilot delivers timely financial education at the critical decision-making point in the financing application process to nudge consumers towards more deliberate and informed borrowing.

FEN has also formed a National Coordination Office (FENNCO), hosted by BNM with representation from the Securities Commission Malaysia, Employees Provident Fund and Credit Counselling and Debt Management Agency.¹² The FENNCO strengthens alignment across agencies and ensures coordinated delivery of financial literacy programmes at scale.

⁴ Additionality refers to the distinct social and economic values created by DFIs that would not have materialised under a fully commercial environment.

⁵ Financial Capability and Inclusion Demand Side Survey 2021 and 2024.

⁶ MDCO is a feature that allows cardholders to withdraw cash from their bank account at participating merchants' POS terminals while making a purchase.

⁷ White label self-service terminal refers to a self-service terminal provided by a non-bank entity or a private company.

⁸ IBCD is a facility that allows consumers to deposit cash into accounts of other banks using Cash Deposit Machine (CDM) or Cash Recycler Machines (CRM).

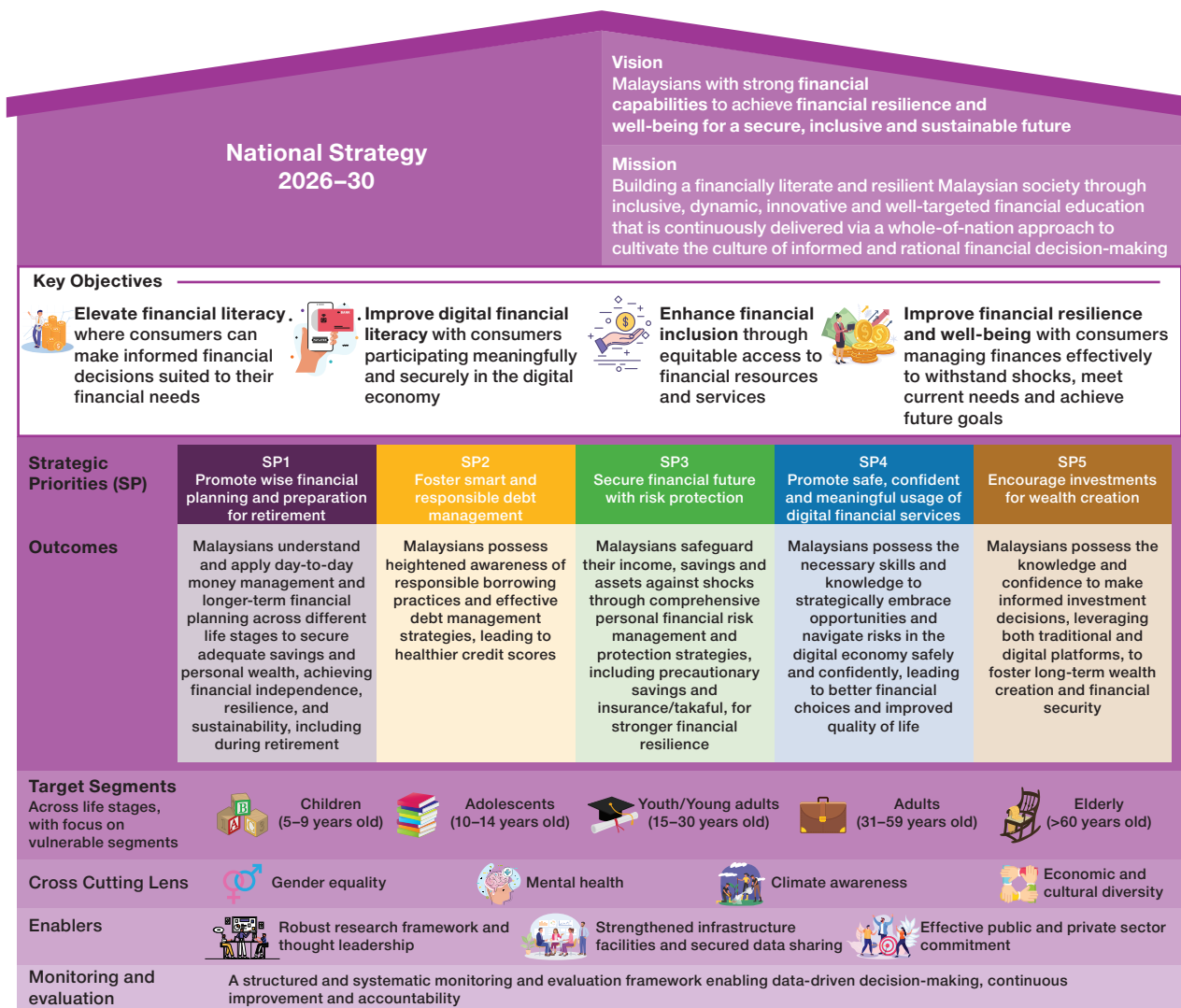
⁹ FEN is an inter-agency network co-chaired by BNM and Securities Commission Malaysia, with members comprising of Ministry of Education, Ministry of Higher Education, Malaysia Deposit Insurance Corporation, Employees Provident Fund, Credit Counselling and Debt Management Agency and Permodalan Nasional Berhad.

¹⁰ The National Strategy for Financial Literacy 2026–30 is available at (https://www.fenetwork.my/wp-content/uploads/2025/10/FEN_NS2_ENG_Interactive_FA_LowRes.pdf).

¹¹ Refers to Bank Rakyat, Bank Simpanan Nasional and Agrobank.

¹² Malaysia Deposit Insurance Corporation and Permodalan Nasional Berhad will support FENNCO's branding and communication by leading FEN Communications Working Group.

Diagram 7: National Strategy for Financial Literacy 2026–30 at a Glance



Source: Bank Negara Malaysia

Scaling financial literacy through the Train the Trainers Programme

Teachers have important roles in schools and communities. Alongside the Ministry of Education (MOE) and the Financial Industry Collective Outreach (FINCO),¹³ FEN introduced the Personal Financial Management Train-the-Trainers (TTT) Programme (Diagram 8). The Programme, delivered to 209 master trainers, comprising teachers, MOE officials as well as lecturers from Institut Pendidikan Guru across five regions nationwide. The master trainers will further train teachers nationwide to build teachers’ financial literacy and confidence so they can better guide students and the community towards better financial decisions. Cascading approach helps financial education

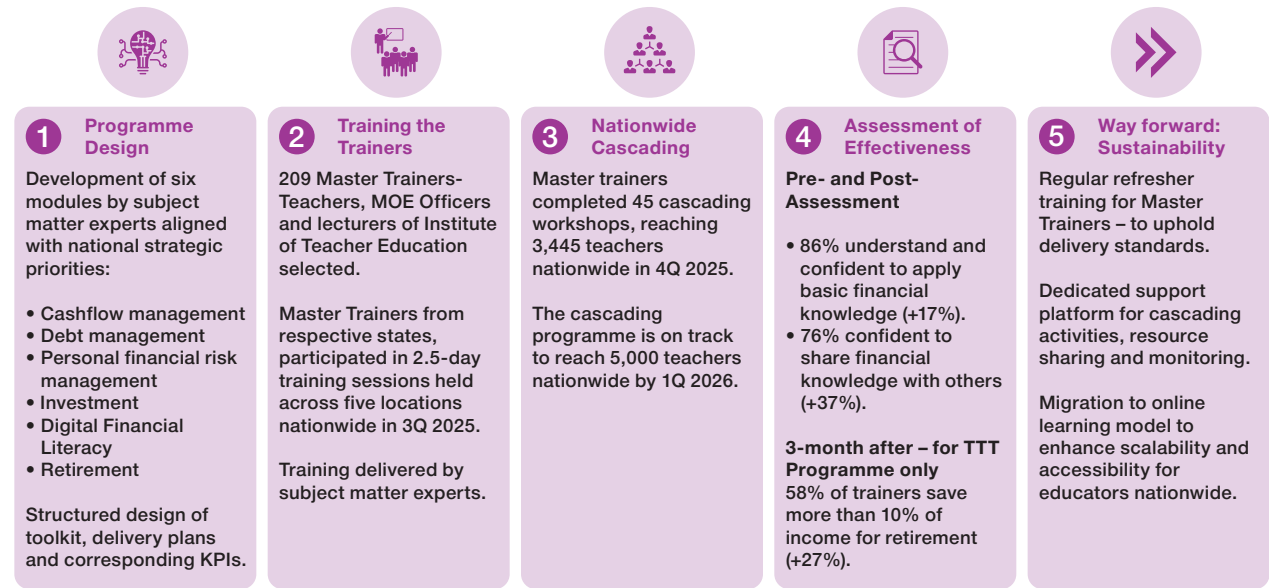
reach teachers, students and communities nationwide by equipping teachers with the right knowledge and tools.

Advancing inclusive access for persons with disabilities

BNM also continued efforts to support persons with disabilities (PWD), stressing on inclusive access and fair treatment (Diagram 9). We designed our online engagements to be accessible to support both visually and hearing-impaired groups. We have audio-friendly content, Malaysian sign-language interpreters and screen-reader compatible materials. These features make it easier for PWDs to participate and build confidence, in turn supporting them to make informed financial decisions. Building on this foundation, BNM will expand these efforts through dedicated programmes and partnerships to help PWDs navigate financial services more confidently.

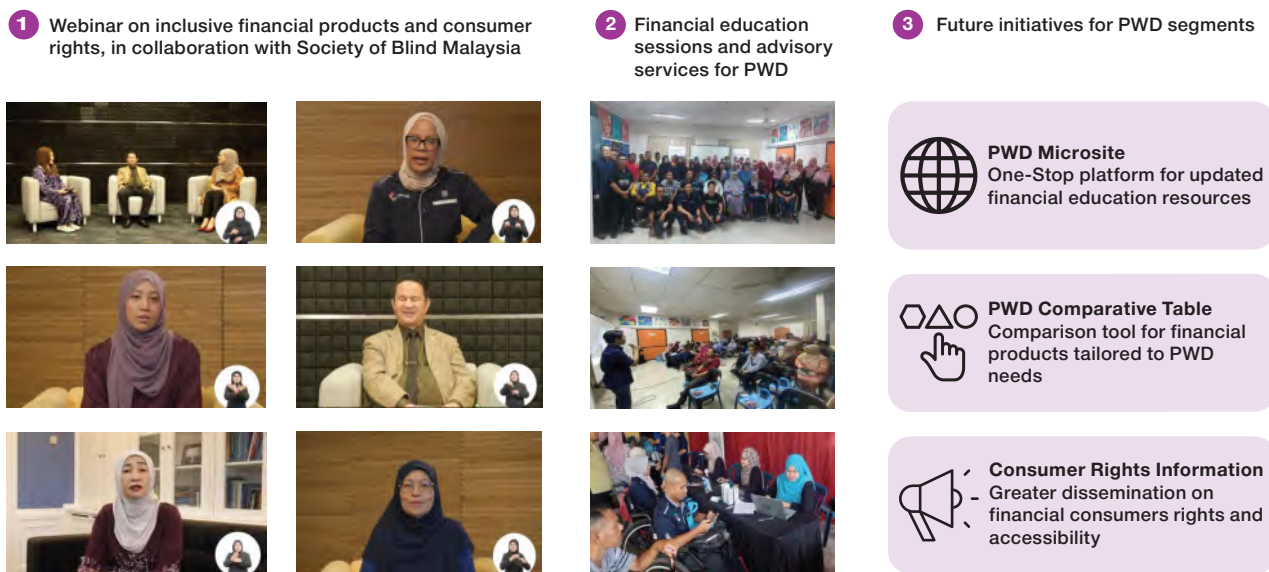
¹³ FINCO helps underprivileged children and youth gain education and life skills in four areas: English, Aspirations, Money Management, and Disaster Relief. Supported by 107 financial institutions, FINCO runs programmes that make a lasting impact on B40 communities.

Diagram 8: Personal Financial Management for Teachers



Source: Bank Negara Malaysia

Diagram 9: Highlights of Financial Inclusion Initiatives for PWD in 2025 and Future Initiatives



Source: Bank Negara Malaysia

Promoting inclusive financial protection offerings

In the protection segment, BNM worked to deepen the microinsurance and microtakaful market. The third phase of the Perlindungan Tenang (PT) voucher programme under Budget 2025 took effect in September 2025, with

eligible households receiving RM30 vouchers to purchase protection products. Stamp duty exemptions were also extended under Budget 2026 to keep premiums and contributions affordable. Uptake continued to grow, supported by targeted outreach and financial education campaigns such as the Financial Literacy Month and Karnival Celik Kewangan.

Facilitating market entry for financial inclusion

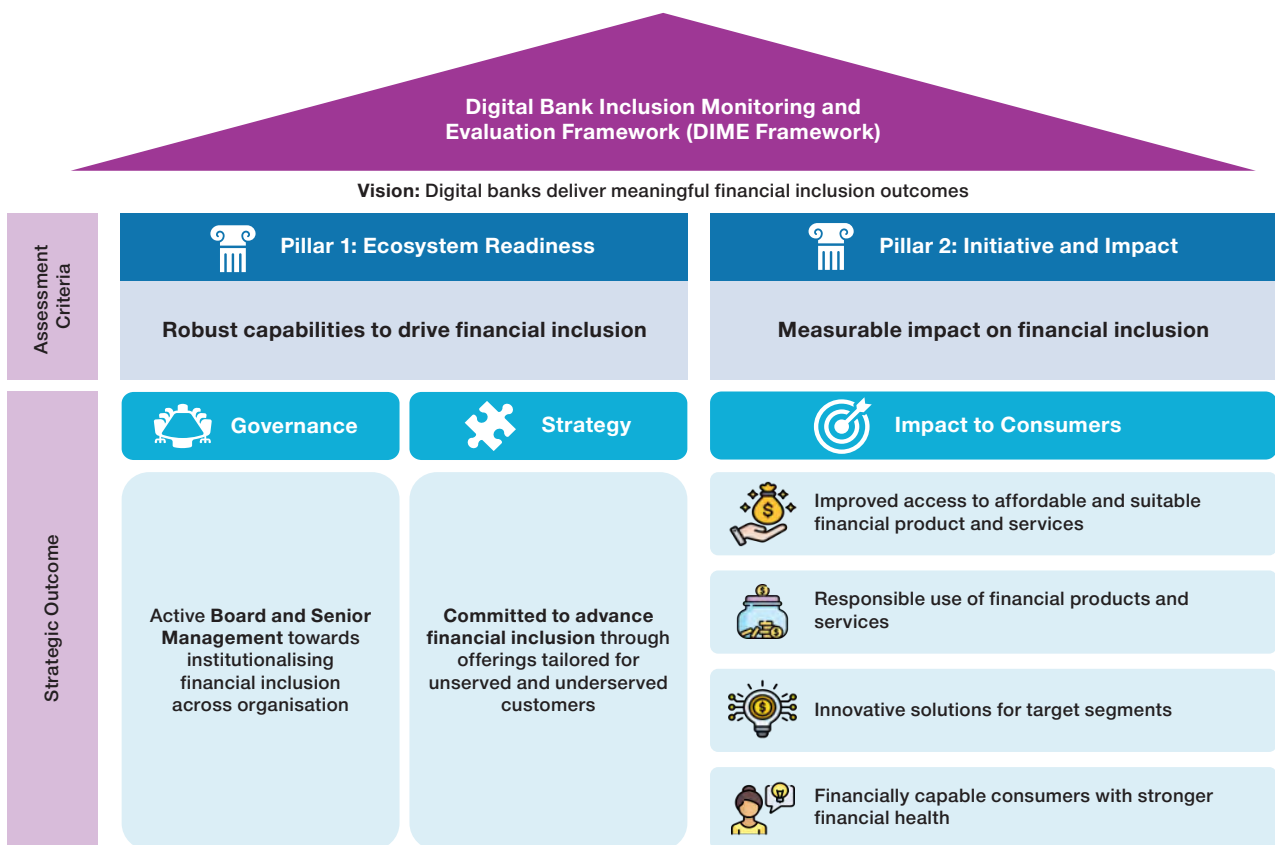
By end of 2025, all five digital banks have begun operations, marking a significant milestone for inclusion. Digital banks have collectively served 2.4 million customers, with total deposits of RM4.2 billion. About 65% of customers are from unserved and underserved segments, including low-income households, gig workers and youth. Some digital banks also began offering small-value financing. Of the RM1 billion financing approved, 34% are for unserved and underserved customers. While modest at this early stage, this performance reflects meaningful progress in addressing unmet financial needs.

To strengthen accountability and ensure inclusion is always at the centre of digital banking, BNM introduced the Digital Bank

Inclusion Monitoring and Evaluation (DIME) Framework (Diagram 10). The framework outlines expectations for digital banks to embed financial inclusion into their strategies, governance arrangements, and product design. Pilot assessments in 2025 indicated strong alignment with these expectations. Digital banks have clear inclusion strategies, structured governance to track outcomes, and products tailored to underserved segments. They also use data analytics to serve thin-file customers,¹⁴ offer flexible repayment options, and provide near-instant approvals, helping individuals and SMEs manage cash flow more effectively.

BNM expects digital banks to deepen this commitment by linking services to everyday digital platforms, including telecommunications, utilities and public services. This would improve accessibility and reach.

Diagram 10: Assessment Pillars under DIME Framework



Source: Bank Negara Malaysia

¹⁴ Refers to unserved and underserved customers who lack documentation e.g. identity for verification, credit history, collateral, financial track record, or insufficient data to support pricing of risks by banks.

Catalysing structural reforms for medical and health insurance/takaful

In late 2024, BNM introduced interim measures¹⁵ to ease the impact of premium repricing on policyholders¹⁶ and maintain access to MHIT coverage. By June 2025, nearly 200,000 policyholders aged 60 and above had their premium hikes deferred, and more than 15,000 policyholders managed to reinstate their policies without extra underwriting. The premium increase for over 90% of repriced policies due to medical inflation was below 10%.

The rise of private healthcare costs and medical and health insurance/takaful (MHIT) premiums has understandably raised concerns for Malaysians. In response, BNM has accelerated our focus on affordability and long-term sustainability of MHIT. We pursue a two-phase approach – beginning with measures to ease immediate pressures, before subsequently advancing work on deeper, more comprehensive reforms.

Concurrently, broader structural reforms are also underway. Under the RESET framework, initiatives (Diagram 11) are aimed at addressing underlying drivers of medical cost inflation and making private healthcare more sustainable, value-based and accessible for Malaysians.¹⁷ To support effective nation-wide coordination for system level reforms, the Joint Ministerial Committee on Private Healthcare Costs (JBMKKS) was formed. JBMKKS is co-chaired by the Finance Minister II and the Health Minister. During the year, the Grievance Mechanism

Committee (now known as Healthcare Partners Protocol & Solutions Committee (HPPSC) was reactivated.¹⁸ It serves as a structured platform for insurers and takaful operators (ITOs), private hospitals, medical professionals and consumer interest groups to resolve common issues relating to medical claims and pre-authorisation processes such as guarantee letters (GLs).

Ministry of Health (MOH), Ministry of Finance and BNM have been working closely with ITOs, medical professional groups, hospitals and subject-matter experts to design a base MHIT plan¹⁹ (Diagram 12). The base MHIT plan, targeted for pilot in 2H 2026 and full rollout in early 2027, aims to give more people essential coverage, manage healthcare costs, and support value-based health outcomes.

We also made some progress on transparency that aims to support better decisions by consumers and policy makers. For the first time, insurance and takaful industry associations are making price ranges for common healthcare services available.²⁰ Private hospitals and clinics must also now display retail drug prices. These initiatives enable patients to compare potential costs ahead of time. New and enhanced consumer tools are also available, including a Financial Education Network microsite²¹ and a healthcare budget planner.²² These serve to guide consumers in making more informed choices. To further strengthen the evidence-based findings underpinning these initiatives, the World Bank, together with Insurance Services Malaysia, undertook a study on medical inflation cost drivers in MHIT claims as commissioned by JBMKKS.

Measures are also underway to reduce fragmentation in the healthcare system. This involves strengthening access to and interoperability of electronic medical records. MOH is leading efforts to enable seamless sharing of clinical data, beginning with laboratory and radiology results through pilot initiatives with selected public and private hospitals.

¹⁵ These measures provided temporary relief through gradual premium adjustments spread over a minimum of three years, pauses in repricing for policyholders aged 60 and above under minimum plans, reinstatement of policies that had lapsed due to repricing pressures, and the availability of lower-cost product alternatives. For more information, please refer to (<https://www.bnm.gov.my/-/mhitr-pr>).

¹⁶ Any reference to insurance policy/insurance premiums/policyholders includes takaful certificate/takaful contributions/takaful participants for standalone MHIT products and cost of insurance/tabarru' for unit-deducting MHIT riders.

¹⁷ For further information, please refer to the feature article 'Securing Sustainable Access to Medical and Health Insurance/Takaful Protection' in BNM's Annual Report 2024.

¹⁸ HPPSC is an advisory body comprising representatives from BNM, Ministry of Health, insurance and takaful industry associations (Life Insurance Association of Malaysia, Malaysian Takaful Association, and Persatuan Insurans Am Malaysia), Association of Private Hospitals Malaysia and Malaysian Medical Association.

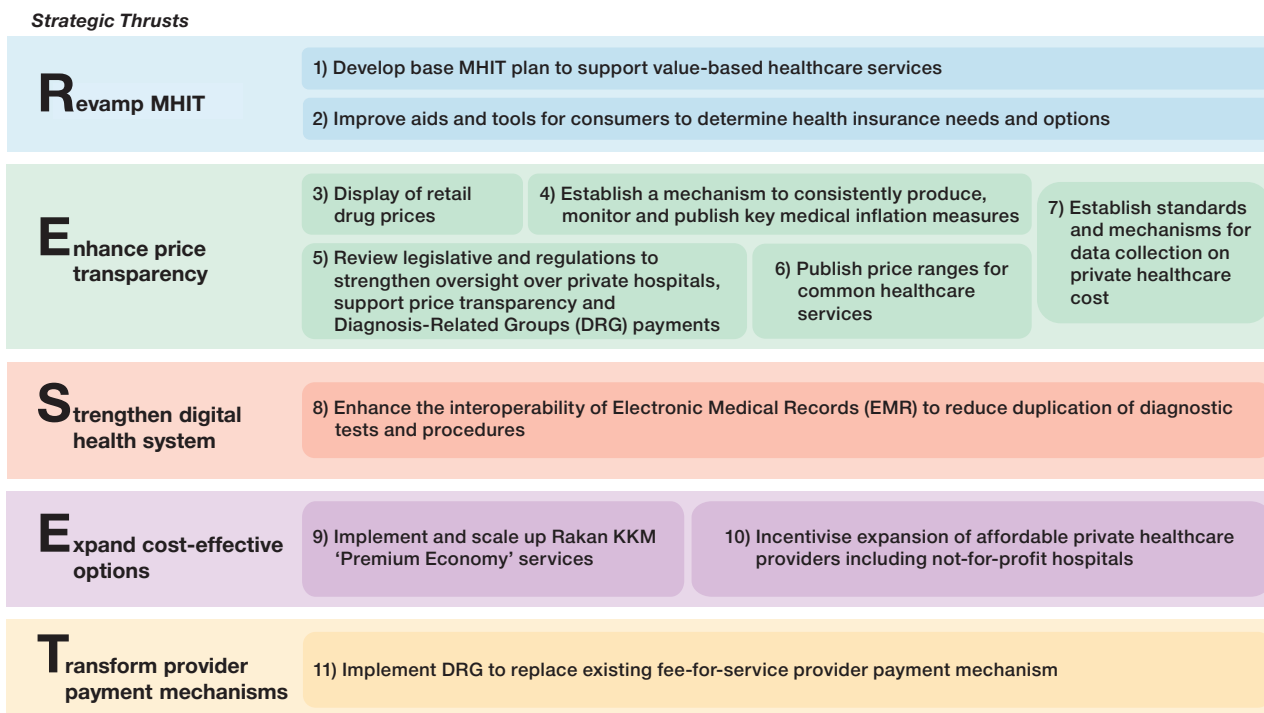
¹⁹ For more information, please refer to (<https://bnm.gov.my/web/guest/-/mhitrreset>).

²⁰ Based on insured patient data. For more information, please refer to the respective websites of Life Insurance Association of Malaysia, Malaysian Takaful Association and Persatuan Insurans Am Malaysia.

²¹ For more information, please refer to (<https://www.fenetwork.my/medical-and-health-insurance-takaful/>).

²² For more information, please refer to the respective websites of Financial Education Network, Life Insurance Association of Malaysia, Malaysian Takaful Association and Persatuan Insurans Am Malaysia.

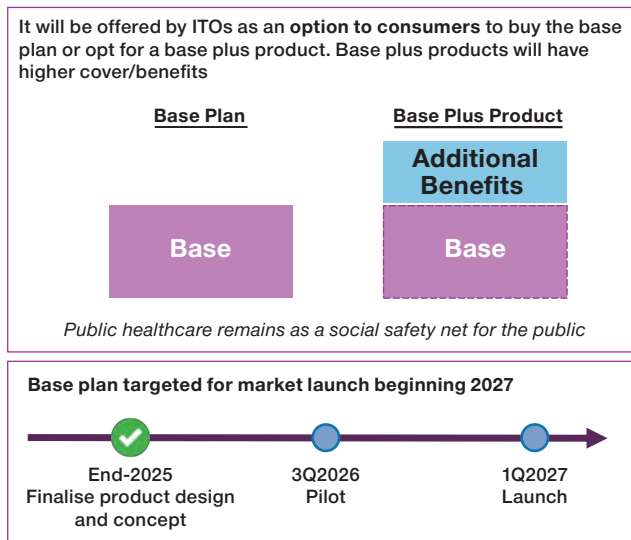
Diagram 11: Whole of Nation Approach for RESET



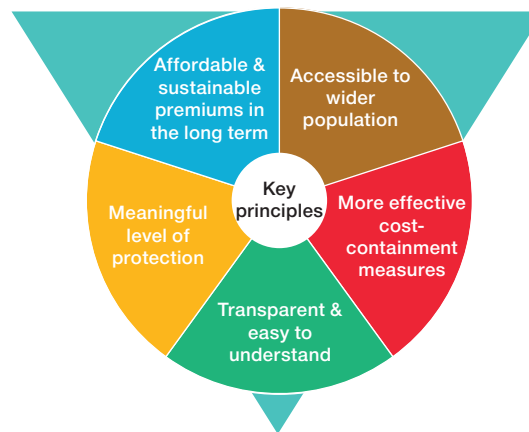
Source: Bank Negara Malaysia and Ministry of Health

Diagram 12: Base MHIT Plan as an Anchor for Broader Reforms

Base plan will be the foundational layer of private MHIT offerings for treatment at private healthcare facilities



Balancing underlying principles to achieve the base plan objectives



- 1 Help more Malaysians get a base level of MHIT protection
- 2 Optimise healthcare spending and reduce crowding in public hospitals
- 3 Accelerate progress towards value-based health outcomes

Source: Bank Negara Malaysia



Establishment of JBMKKS, co-chaired by the Finance Minister II and Health Minister, to enable more aligned efforts across stakeholders in the healthcare ecosystem

In parallel, the Budget 2026 introduced incentives to expand affordable private healthcare options. Private hospitals will be allowed to set up Hospital Welfare Funds to help underprivileged patients, with donations eligible for tax exemptions. At the same time, licensing requirements for ambulatory care and diagnostic centres are being simplified to encourage growth of more cost-effective options for patients and policyholders.

The diagnostic-related groups (DRG) payment system is being developed for hospital



Ministerial-level panel discussion at Sasana Symposium 2025 between MOH, MOF, BNM and World Bank

services.²³ For private hospitals, DRG will form a core feature of the base MHIT plan, promoting more consistent pricing and strengthening cost-effective containment measures across the sector.

Looking forward, BNM will continue its efforts through the JBMKKS. We will work closely with stakeholders to support broader healthcare reforms for the country. These efforts will help us prepare towards the national rollout of the base MHIT plan in 2027.

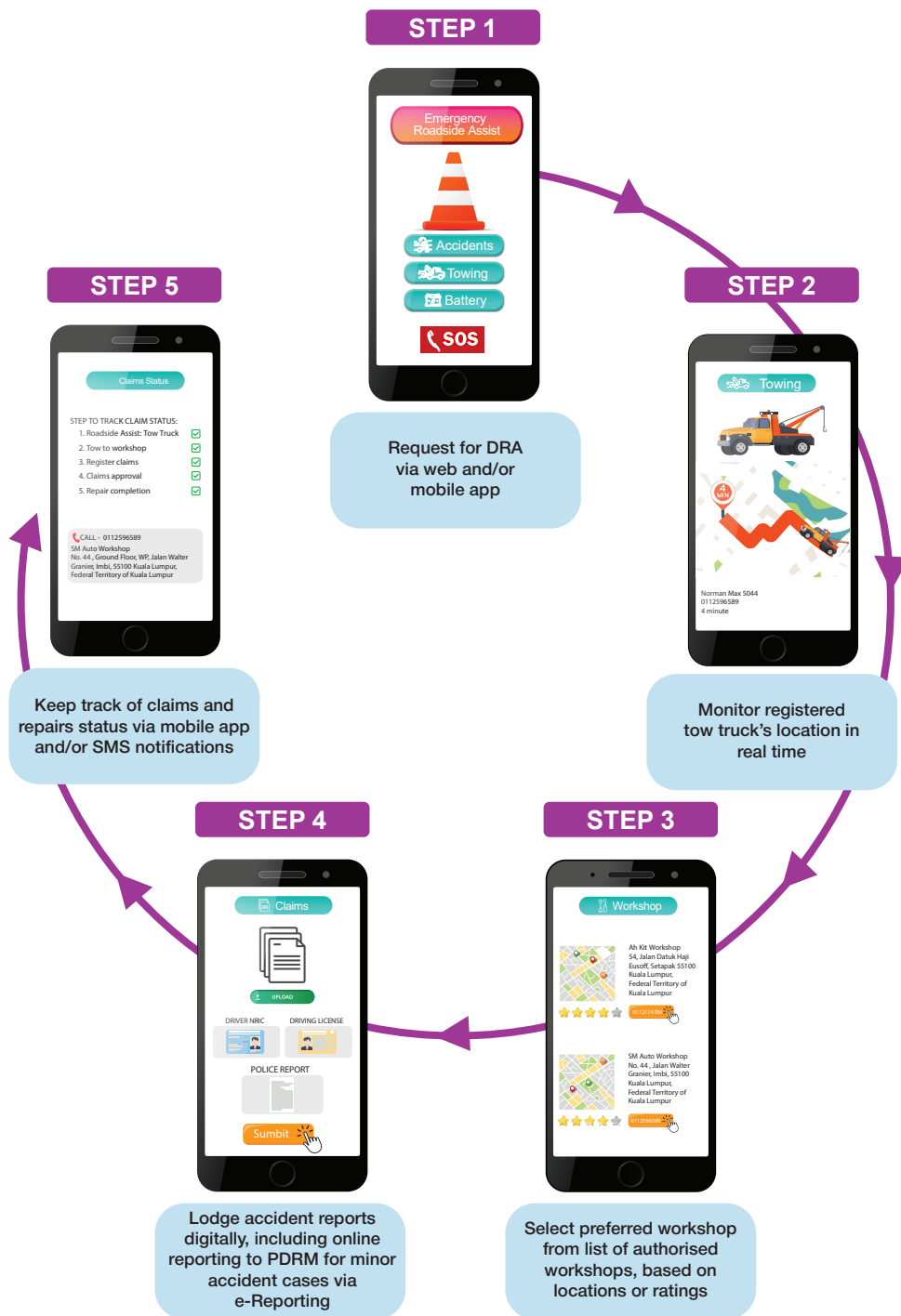
²³ A payment mechanism that replaces fee-for-service by grouping patients based on their diagnoses and medical needs, with each group assigned a predetermined rate.

Advancing reforms in motor insurance and takaful ecosystem

Reforms also gained momentum in the motor insurance and takaful space. We helped pilot an electronic police reporting (e-PR) system for minor

accidents on the North-South PLUS Highway. The pilot was developed with Royal Malaysian Police (PDRM), Ministry of Transport (MOT), Road Transport Department (*Jabatan Pengangkutan Jalan*, JPJ), National Anti-Financial Crime Centre (NFCC), as well as general insurers and takaful

Diagram 13: Example of an End-to-End Digital Motor Claims Journey on a Mobile App



Following the successful rollout of Digital Roadside Assistance (DRA) solution by all GITOs in 2024, the industry advanced steadily towards driving meaningful take-up and usage of DRA in 2025 to enhance consumer experience and support transition towards an end-to-end digital claims journey.

Note: The above diagram is for illustration only. The actual user interface may vary across participating GITOs.

Source: Bank Negara Malaysia

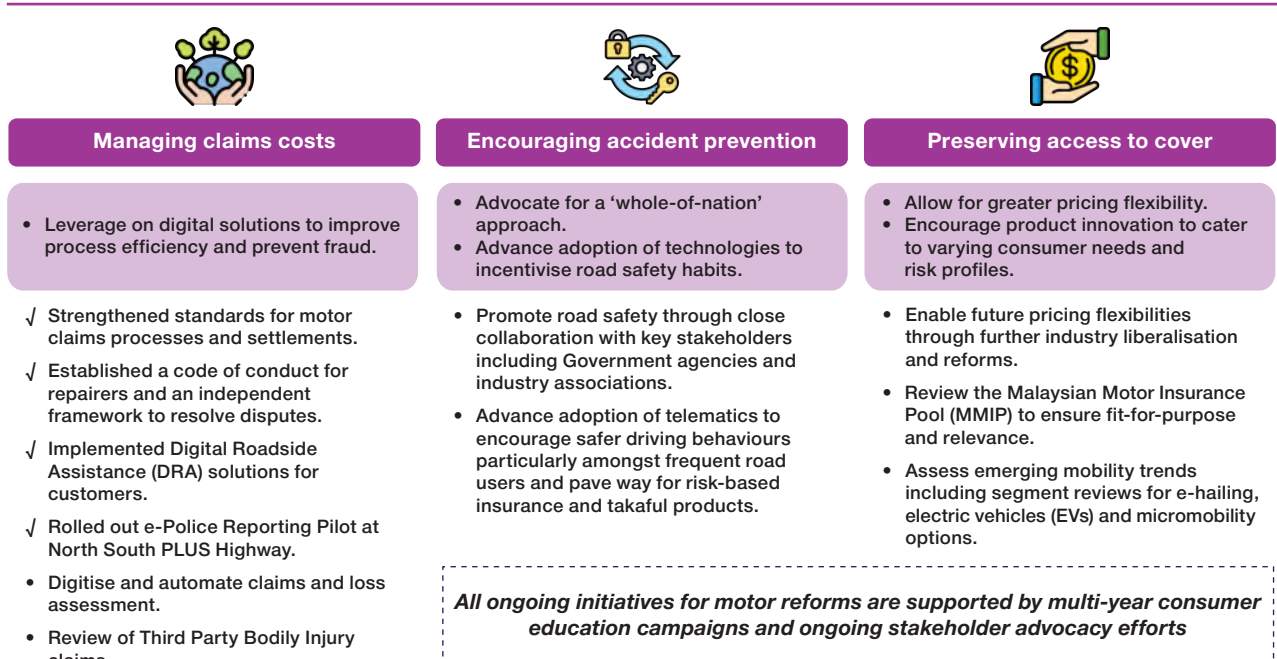


Inter-agency meeting with key stakeholders of e-Police Reporting Technical Working Group. Attended by representatives from PDRM, MOT, JPJ, NFCC, industry associations and appointed vendor. The meeting successfully identified and finalised the key components of pilot run



Meeting between Governor and YB Transport Minister in 17 July 2025 accelerated the pilot implementation of e-PR and secured agreement to establish an interagency taskforce to jointly address cross-cutting motor ecosystem issues

Diagram 14: Key Reforms and Initiative to Ensure Sustainability, Affordability and Accessibility of the Motor Insurance and Takaful Ecosystem



Source: Bank Negara Malaysia

operators (GITO).²⁴ The pilot aims to simplify reporting, streamline claims processes, reduce fraud and support the move to a fully digital motor ecosystem. Diagram 13 shows the end-to-end digital claims journey for policyholders.

BNM also introduced measures to manage rising claims and improve road safety. These efforts aim to promote safer driving behaviours and reduce accident risks which will help contain

claims cost. A joint task force with the MOT, JPJ and Agensi Pengangkutan Awam Darat was formed in late 2025 to coordinate safety efforts and promote smart-driving technology that encourage safer behaviour on the road. Work with GITO and e-hailing operators continued to address protection gaps and keep coverage affordable, recognising that drivers who spend longer hours on the road could face higher accident risks.

Engagements with industry, consumer groups and e-hailing associations also stressed the need for safer driving as accident rates rise. Next,

²⁴ The launch of e-PR pilot run allows road users to lodge minor accident cases quickly, safely and conveniently via PDRM's online e-Reporting system at (<https://ereporting.rmp.gov.my/>).

BNM will improve claims processing through automation, strengthen fraud detection via data-sharing arrangements and support wider national road-safety efforts. BNM will also work with the industry to respond to new trends, including the growing use of electric vehicles, to support affordable and sustainable motor protection.

Advancing Digitalisation in Financial Services

Driving responsible innovation through co-creation

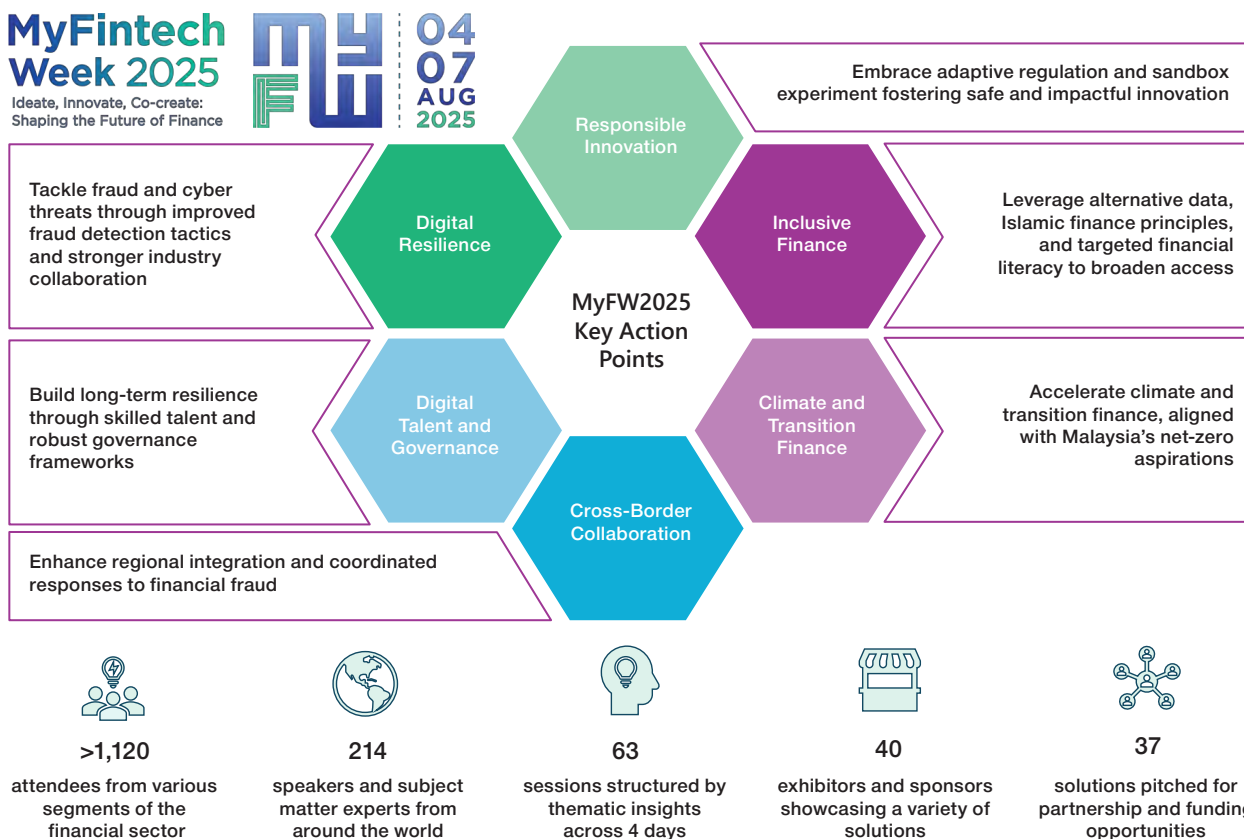
BNM stays focused on promoting responsible innovation to support trust, resilience and efficiency in the Malaysia’s financial system. As the landscape becomes more complex, effective collaboration between regulators and industry is important to ensure new innovations are secure, scalable, and aligned with the public interest. In 2025, BNM advanced this work through structured engagements that strengthened dialogue, built collaborative platforms, and targeted policies that supported interoperable solutions. These efforts were aimed at driving

digitalisation while safeguarding financial stability, consumer protection and system resilience.

BNM advanced responsible, secure and interoperable innovation through targeted policies and industry collaboration – supporting digitalisation while safeguarding stability and consumer protection.

One of the key platforms enabling this was the third edition of MyFintech Week, co-hosted by BNM and industry partners in August 2025. Through strategic collaboration with the Securities Commission Malaysia, Asian Institute of Chartered Bankers, Malaysia Digital Economy Corporation, and Fintech Association of Malaysia, the event brought together more than 1,000 participants and 200 speakers to discuss digital innovation and resilience, inclusive finance, climate action and cross-border collaboration. The discussions helped shape practical action points for building a more inclusive and future-ready financial ecosystem. Highlights are shown in Diagram 15.

Diagram 15: MyFintech Week 2025



Source: Bank Negara Malaysia

Artificial intelligence (AI) is gaining traction in the financial sector. We saw more financial service providers (FSPs) in Malaysia adopting AI to strengthen customer analytics, enhance operational efficiency and improve risk management across Malaysia’s financial sector.²⁵ To further support responsible innovation, BNM issued a discussion paper outlining our regulatory and development approaches on AI. The public consultation was completed in October 2025 and a feedback statement will be released in 2026. Additionally, the Chief Risk Officers Forum of the Asian Institute of Chartered Bankers launched the AI Governance Framework. This industry-led framework provides best practices for managing AI risks and supports greater harmonisation of responsible AI standards across the sector (Diagram 16). BNM welcomes this development and encourages other sectors, including insurance and takaful, to develop or align with complementary guidelines suited to their respective needs.

Looking ahead, BNM will continue to promote responsible AI use by developing industry guidelines and best practices, facilitating

knowledge-sharing, and supporting talent development. Public awareness efforts through education and financial literacy programmes will also be strengthened. These measures aim to ensure that AI adoption enhances financial services in ways that deliver real value, such as stronger fraud detection, better customer experience, and improved risk management.

Alongside AI, BNM also advanced work on frontier technologies that can reshape financial services. One key area is the industry exploration of asset tokenisation. In October 2025, we issued a discussion paper explaining BNM’s approach and seeking industry feedback on potential use cases, proof-of-concepts and pilot initiatives. To support this work, BNM launched the Digital Asset Innovation Hub (DAIH) as the main platform for collaboration, capacity building, and testing tokenisation use cases. Under the DAIH, BNM also set up the Asset Tokenisation Industry Working Group to coordinate knowledge sharing and joint experiments. More details on these initiatives can be found in the chapter on ‘Promoting Safe and Efficient Payments and Remittance Services’.

Diagram 16: Summary of Responsible AI Principles under the AI Governance Framework



Source: Chief Risk Officers' Forum and supported with the Chief Information Security Officer's Forum of the Asian Institute of Chartered Bankers (AICB)

²⁵ As reported in the Artificial Intelligence in the Malaysian financial sector discussion paper 2025, more than 70% of FSPs in Malaysia have implemented at least one AI application in their operations.

PROMOTING A PROGRESSIVE AND INCLUSIVE FINANCIAL SYSTEM

In November 2025, BNM issued an exposure draft on open finance, setting out requirements for safe and consistent data-sharing practices. The draft proposes that designated financial service providers offer open finance services, supported by strong consumer-consent mechanisms and safeguards for data protection. Open finance gives customers greater control over their financial data. With clear consent parameters on what data is shared, with whom, for what purpose, and for how long, customers can make more informed decisions and access financial products tailored to their needs. Beyond empowering customers, open finance also promotes more secure and standardised data-sharing paving the way for data-driven innovation as illustrated in Diagram 17. To prepare the ecosystem, BNM is working closely with PayNet and the industry to develop the necessary infrastructure. PayNet has formed a pilot group with major banks and the EPF to test high-impact use cases that can deliver tangible benefits to customers. These steps move Malaysia closer to a secure, inclusive, and trusted open finance framework.

Enhancing key enablers for innovation

Strengthening key enablers for innovation is another priority. MyDigital ID continued to play an important role in advancing the country's digital economy. By 2025, financial institutions had completed Phase 1 of Sandbox testing, helping to build a trusted national digital identity. Phase 2 is now

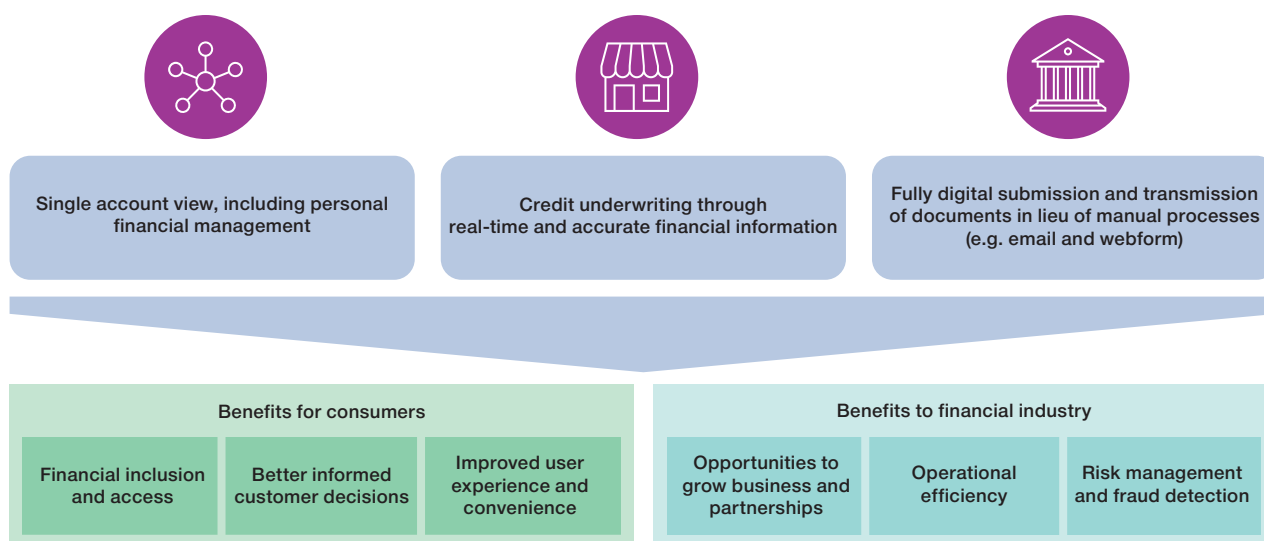
in progress, with wider industry participation to support smooth adoption across the sector. As digital threats such as deepfake technology grow more advanced, coordinated action across the ecosystem will be important to preserve trust and system integrity.

The Financial Technology Regulatory Sandbox also continued to support safe testing of new ideas. In 2025, two Green Lane initiatives focused on solutions that improve inclusion, such as income estimation models and electronic Know-Your-Customer (e-KYC) processes for foreign workers. These efforts help expand access and improve efficiency. The Sandbox will keep supporting the testing of high-impact innovations in a controlled setting.

Deepening Financial Markets

BNM continued to advance reforms in Malaysia's financial markets. While markets continued to function smoothly, the enhancement of domestic benchmark rates will further safeguard their integrity. Working closely with the industry, BNM supported initiatives aimed at strengthening benchmark rate reforms and improving market infrastructure. In October 2025, we announced plans to transition from KLIBOR to MYOR and MYOR-i,²⁶ supported by a three-year roadmap with clear timelines and milestones. This transition will affect individuals and businesses with existing KLIBOR-based loans or financial products.

Diagram 17: Open Finance Use Cases and Benefits

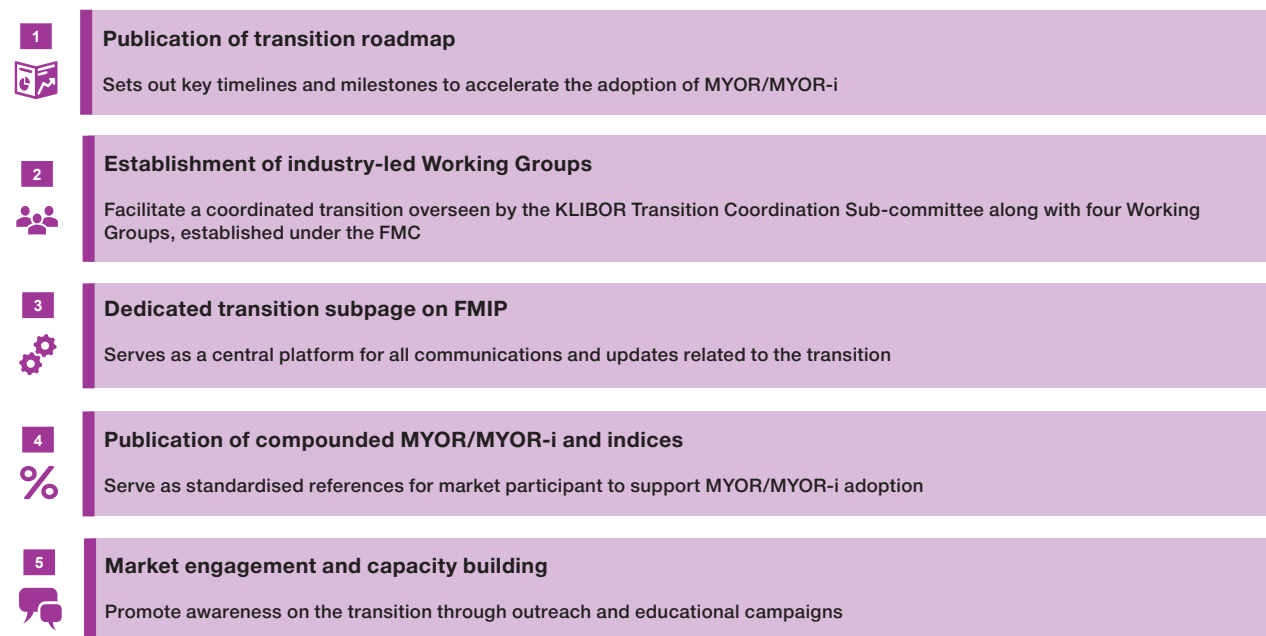


Note: Use cases listed are for illustrative purposes only and are not exhaustive nor indicative of endorsement from BNM.

Source: Bank Negara Malaysia

²⁶ The official press release on the transition is available at (<https://www.bnm.gov.my/-/klibor-to-myor>).

Diagram 18: Efforts to Ensure a Smooth and Orderly Transition



Source: Bank Negara Malaysia

The shift to a benchmark that is anchored in transaction-driven market data means loan pricing will become fairer and transparent. This transition also aligns with global benchmark reforms and supports the Financial Sector Blueprint 2022–2026 by strengthening the credibility of Malaysia’s financial benchmarks and moving towards a more transparent, transaction-based reference rate.

Diagram 18 outlines the efforts to support a smooth and orderly transition. These efforts will continue, with regular updates provided to market participants via the Financial Markets Committee (FMC).²⁷

Another focus area relates to financial market infrastructure development where key systems were upgraded to enhance market resilience and operational readiness. These include modernising the Fully Automated System for Issuing/Tendering (FAST), the Institutional Securities Custodian Programme (ISCAP) and the Ringgit Operations Monitoring System (ROMS). In 2025, BNM launched the FAST Modernisation Project, a multi-year effort to transform FAST into a future-ready platform with modular architecture, API integration and cloud-based scalability. Both FAST and ISCAP have already migrated to a secure cloud

environment, with added safeguards such as one-time password (OTP) verification. ROMS upgrades began with Phase 1 in December 2025, focusing on foreign exchange market reporting, while Phase 2 covering money market reporting is scheduled for rollout in the third quarter of 2026.

Going Forward

In our pursuit to build an inclusive and progressive financial system, we have set several priorities for 2026. These include accelerating the transition to guarantee schemes to help SMEs access financing more easily and promoting responsible innovation to close gaps in access and protection. Expanding financial literacy programmes will help to empower households. Reforms in insurance and takaful will continue to ensure affordability and sustainability. Digitalisation will advance securely through open finance, strong AI governance and trusted digital identity systems. Success will depend on collaboration across industry and government. On this front, we will continue to work with partners to strengthen climate resilience, protect vulnerable groups, and build a financial system that is future-ready, inclusive and trusted.

²⁷ For more details, refer to our box article on ‘Transition from KLIBOR to MYOR / MYOR-i’ in BNM’s Financial Stability Review for First Half 2025 available at (https://www.bnm.gov.my/documents/20124/19635466/fsr25h1_en_box1.pdf).