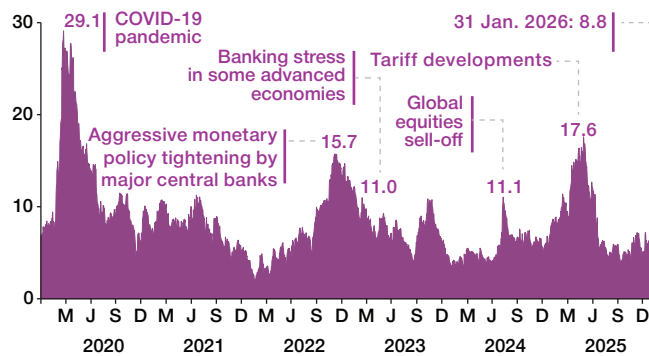


Key Highlights on Financial Stability Review – Second Half 2025

Orderly domestic financial markets amid lower volatility in global markets

Market stress eased following stable expectations of US monetary policy path and some initial clarity surrounding US trade policy

Financial Market Stress Index (FMSI)
Stress level, % (Minimum=0, Maximum=100)



Orderly domestic market conditions continue to be supported by several key factors

- Well-capitalised banking sector
- Deep and liquid financial markets
- Diversified investor base
- Strong economic fundamentals and domestic structural reforms

Looking ahead...

Uncertainties surrounding geopolitical conflict as well as US trade and monetary policies may heighten global market volatility

Financial institutions well-capitalised with strong buffers, ensuring uninterrupted financial intermediation

Banks maintained strong capital and liquidity buffers, above the regulatory minima



Banks

Total Capital Ratio (Jun. 2025: 18.2%)	18.1%
Liquidity Coverage Ratio (Jun. 2025: 160.5%)	154.8%
Net Stable Funding Ratio (Jun. 2025: 115.7%)	115.7%

Insurers and takaful operators remained well-buffered



Insurance

RM43.8 billion	Excess Capital Buffers (Jun. 2025: RM41.8 billion)
225%	Capital Adequacy Ratio (Jun. 2025: 223%)

Banking sector remained prudent in managing credit risk and continued to record healthy profitability

Banks maintained low impairments and prudent provisions...

...while continuing to generate healthy earnings

Gross Impaired Loans Ratio
(Jun. 2025: 1.4%)

1.4%

Banks

13.1%

Return on Equity
(Jun. 2025: 13.8%)



Loan Loss Coverage Ratio
(Jun. 2025: 130.4%)

127.2%

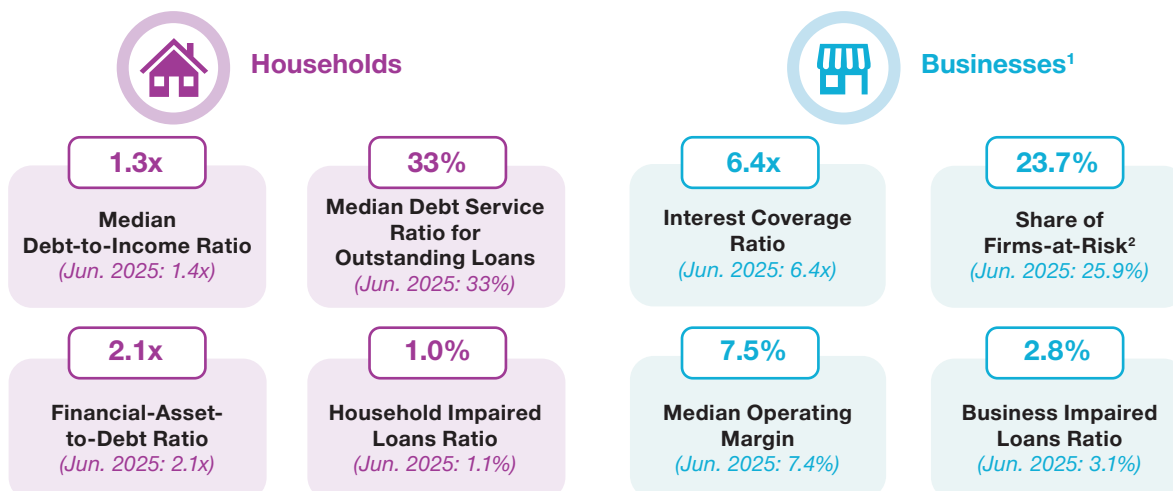
RM26.2 billion

Profit Before Tax
(Jun. 2025: RM28.6 billion)

Businesses and households' debt repayment capacity remained sound

Households' financials remained sound, underpinned by favourable labour market conditions

Resilient businesses amid elevated cost pressures



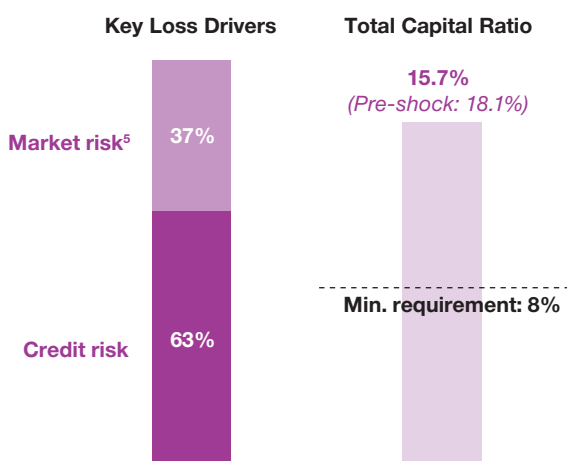
Stress test results affirm the resilience of financial institutions against adverse shocks and support economic recovery

Two Adverse Scenarios (AS) more severe than the 2008 Global Financial Crisis and the 2020 pandemic were used to assess financial institutions' resilience

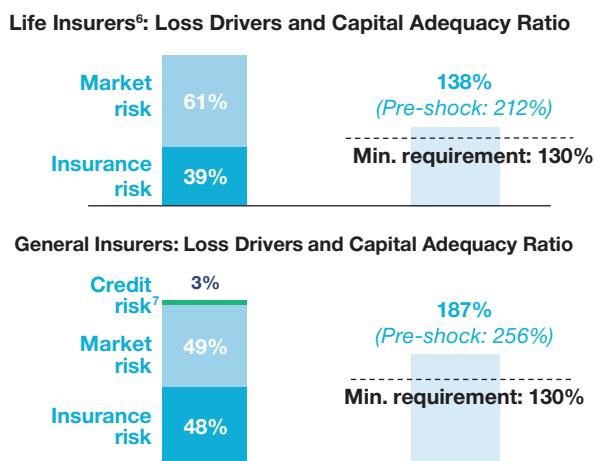


Credit risk and market risk are the key drivers of losses for the banking and insurance systems, respectively. However, post-shock capital ratios³ in aggregate remained above regulatory minima

Banking System Under Adverse Scenario 2 (AS2)⁴
(2026p–2028p)



Insurance System Under Adverse Scenario 1 (AS1)⁴
(2026p–2028p)



p Projected

¹ All indicators cited in this section, except for business impaired loans ratio, are based on reporting by listed firms in Malaysia.

² Firms-at-risk refers to firms with interest coverage ratio below the prudent threshold of two times.

³ Refers to the lowest aggregate post-shock capital ratios over the 3-year stress test horizon.

⁴ Banks incur higher losses under AS2, whereas insurers experience higher losses under AS1.

⁵ Market risk refers to revaluation losses on bonds held in the fair value through other comprehensive income (FVOCI) portfolio and market risk losses from fair value through profit or loss (FVTPL).

⁶ Stress scenario for life insurers includes updated insurance assumptions following recent developments on MHIT products.

⁷ Credit risk for insurers refer to losses from reinsurance defaults.

Source: Bank Negara Malaysia