

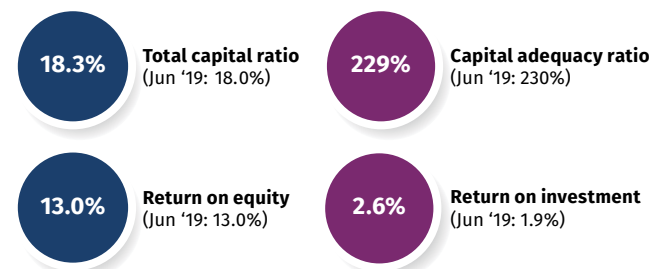
Key Highlights on Financial Stability Review – Second Half 2019

Financial institutions remained resilient despite the more challenging environment

Banks and insurers maintained strong capital buffers amid sustained profitability

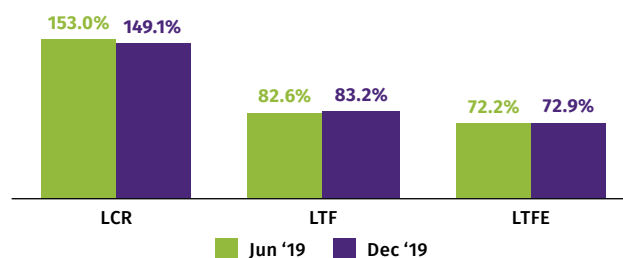
Banking Sector

Insurance and Takaful Sector



Sufficient liquidity, supported by stable funding sources

Banking System – Liquidity Coverage Ratio (LCR), Loan-to-Fund (LTF) and Loan-to-Fund and Equity (LTFE) Ratios

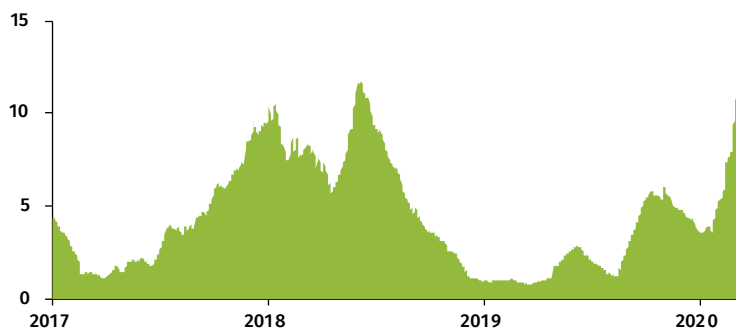


Domestic financial markets affected by domestic and external headwinds, but adjustments remained orderly

Market stress rose markedly in March 2020

Financial Market Stress Index

Stress level, %



Heightened market volatility amid weaker growth prospects due to COVID-19 pandemic



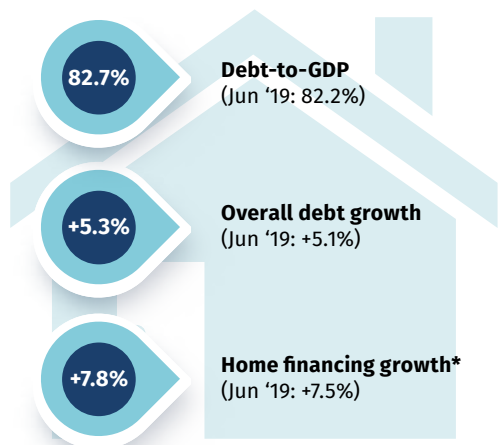
Financial institutions well-positioned to manage risks, with relatively low net open positions supported by active risk management and hedging strategies

Sustained debt-servicing capacity among households despite elevated levels of household debt

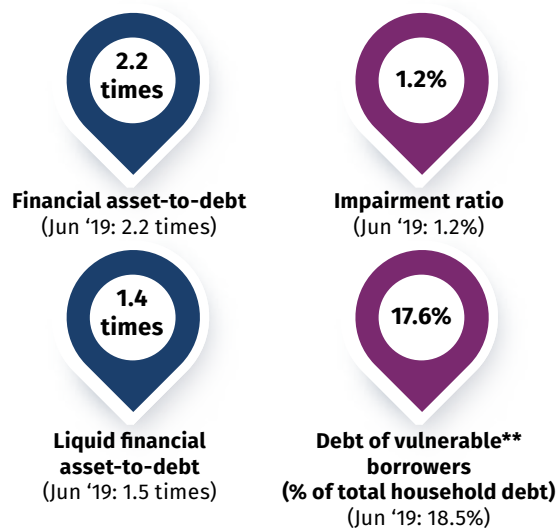
Household debt growth largely driven by home financing

Risks to the financial system mitigated by financial buffers and lower exposure to vulnerable** households

Household Debt Indicators



Household Key Indicators



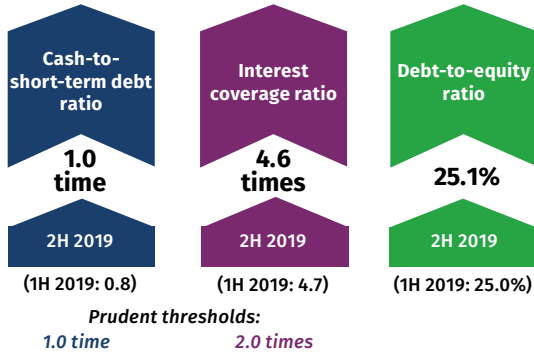
* Banking system only

** Borrowers with monthly earnings less than RM3,000

Despite challenging business outlook, debt-servicing capacity remains intact

Most firms have the capacity to continue servicing their debt

Business Sector Indicators



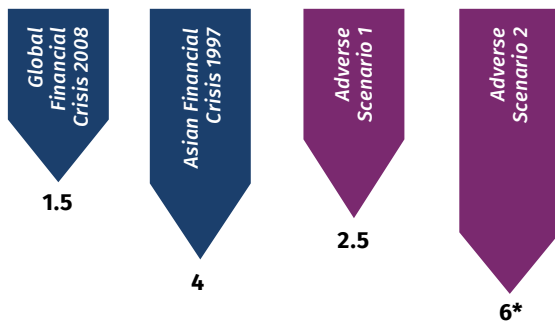
Measures announced will assist firms in managing the impact of COVID-19

- 6-month automatic deferment of loan repayments for SMEs
- Facilitation of corporates' requests to defer, restructure or reschedule loan repayments
- BNM Fund for SMEs of RM13.1 billion including guarantee schemes
- Lower cost of financing from OPR reductions in January and March 2020

Stress tests affirm ability of banking and insurance sectors to withstand severe stress

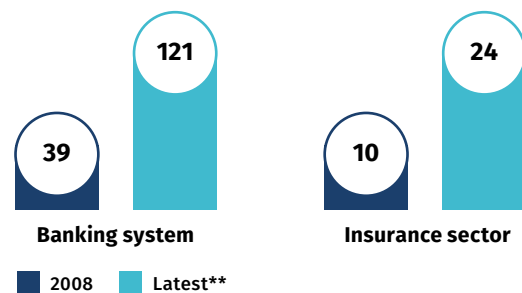
Simulated GDP shocks more severe than past stress events

Standard deviations from baseline



Banks and insurers' capital buffers sufficient to absorb potential losses and support lending activity

Excess capital (RM bil)

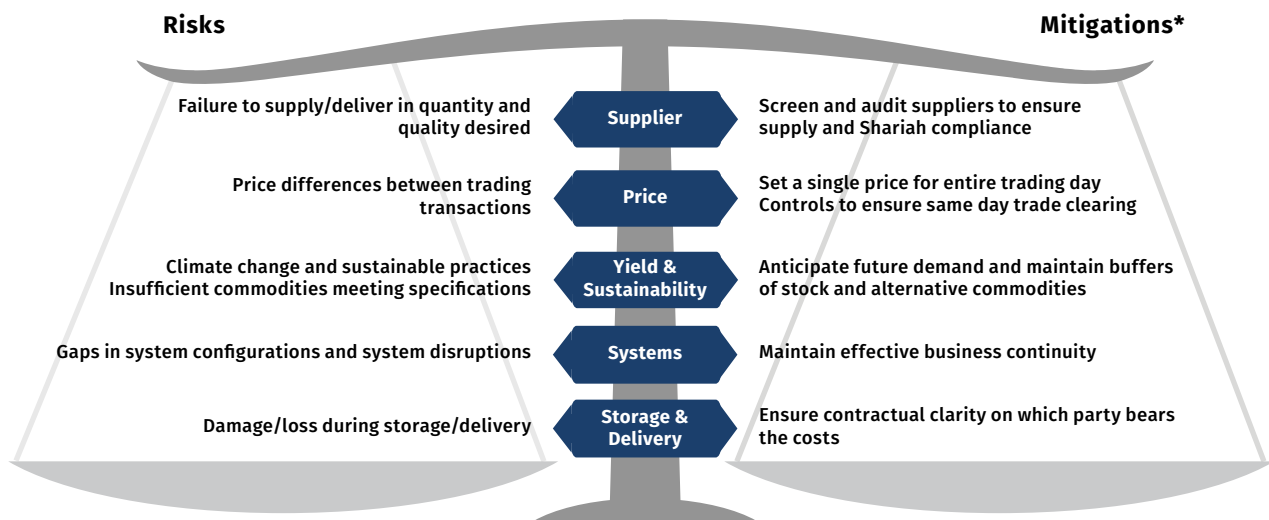


* Cumulative shock across stress test horizon

** As at February 2020 for banks and as at end-2019 for insurers

Box Article: Managing risks of commodity trading in Islamic financial transactions

Effective risk management practices limit commodity trading risks in Islamic financial institutions



* By Islamic financial institutions and commodity brokers/exchanges

Source: Bank Negara Malaysia and S&P Capital IQ