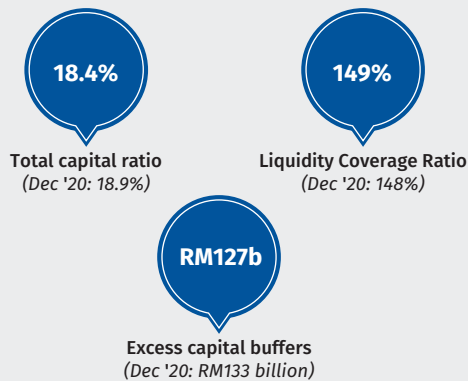


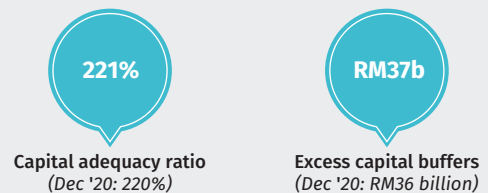
Key Highlights on Financial Stability Review – First Half 2021

Domestic financial stability continues to be firmly supported by a resilient financial sector

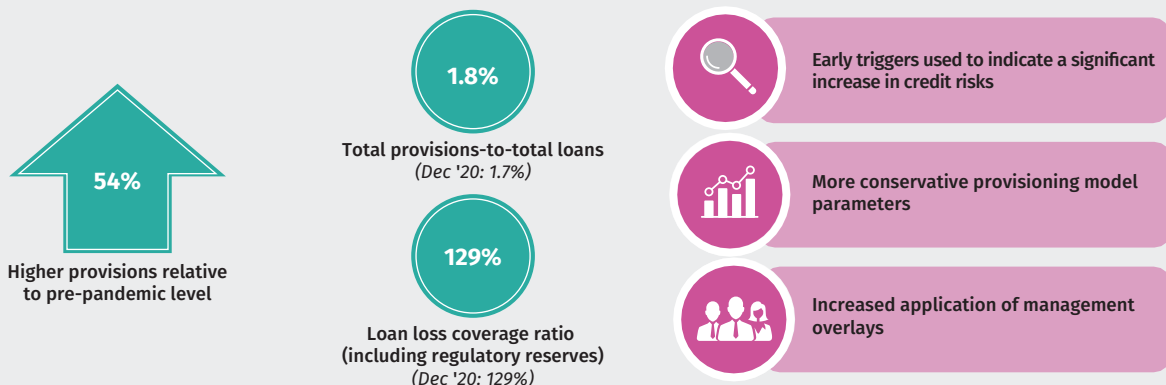
Healthy capital and liquidity buffers enable banks to ensure continued support for economic recovery



Insurers and takaful operators remain well-capitalised, with sustained underwriting performance



Banks further increased buffers to absorb potential credit losses, in line with prudent provisioning practices



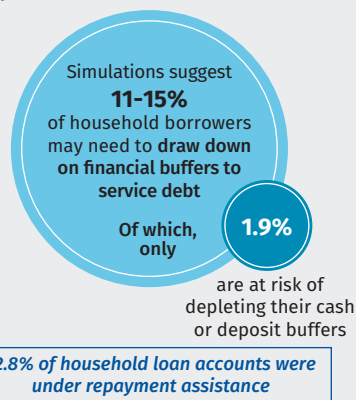
Stress tests affirm resilience of the banking system to withstand adverse economic and financial shocks

Most household borrowers continue to have sufficient financial buffers, although some borrowers are facing greater financial stress

Financial buffers of overall households remained intact

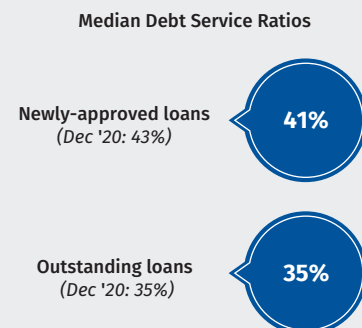


Repayment assistance continues to support distressed borrowers



Note: Estimation on simulated income and employment shocks excludes the impact of policy measures to ease borrowers' cashflows

Sound underwriting standards have maintained prudent debt service ratios among households

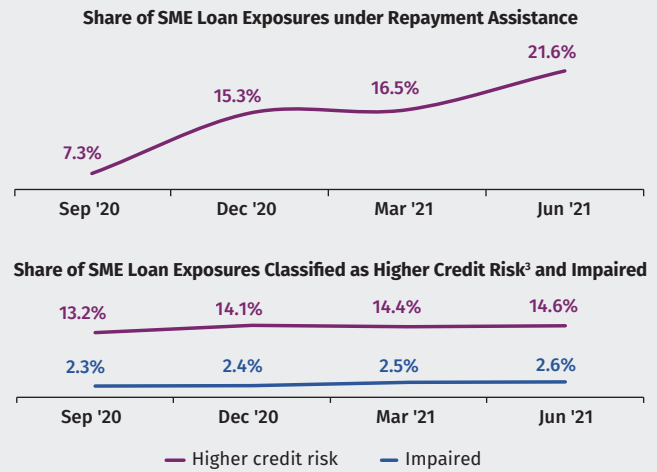
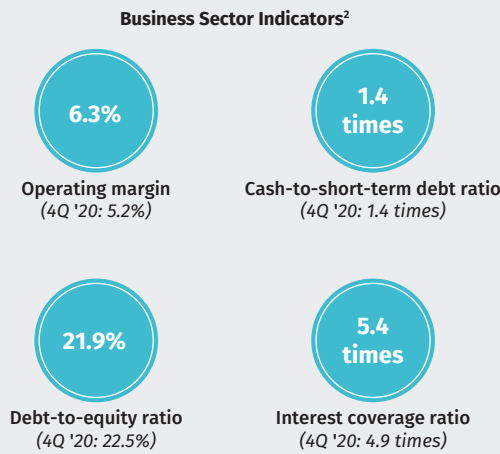


¹ Prudent threshold is one time
Source: Bank Negara Malaysia

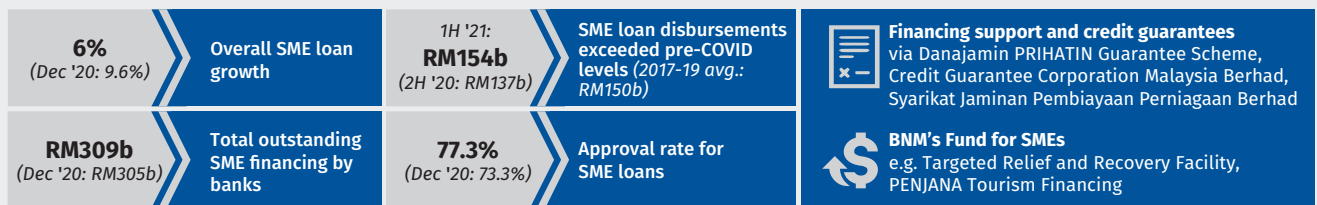
Businesses have partly recovered, but continue to face headwinds amid the uneven economic recovery

Larger businesses continued to strengthen buffers amid a recovery in earnings

SMEs have been more affected but recent increase in credit risk remains modest amid sustained policy support



Bank lending continued to support financing needs of SMEs, with additional capacity from various financing support measures



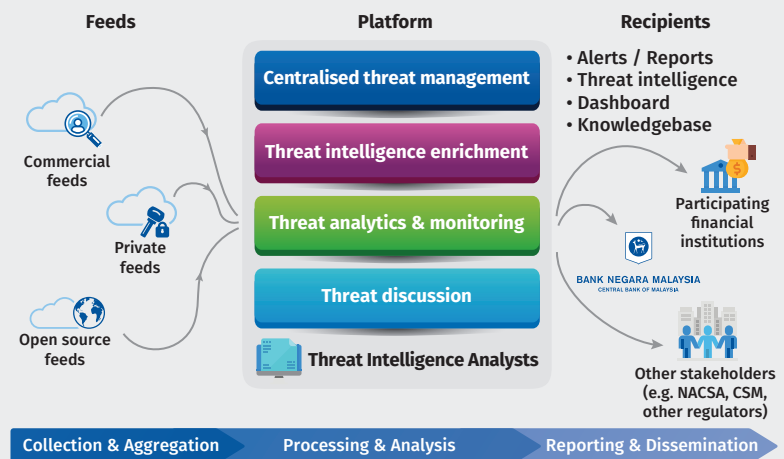
Note: Figures are as at June 2021, unless otherwise specified

Managing risks from information technology disruptions and cyber-attacks continues to be a high priority for the financial sector

Measures taken by financial institutions to strengthen operational and cyber resilience

- Ongoing enhancements to business continuity and disaster recovery plans
- Strengthened collaborative arrangements to detect and respond to cyber threats
- Strengthened internal policies and oversight arrangements for third party service providers
- Continuous review of the adequacy of controls to protect confidential data under extended remote working arrangements

Deployment of Financial Sector Cyber Threat Intelligence Platform (FinTIP) will further support the financial sector's cyber response capabilities



² Data as at 1Q 2021; Prudent thresholds for cash-to-short-term debt ratio and interest coverage ratio are one time and two times, respectively

³ As measured by loans classified by banks under Stage 2 based on MFRS 9

Source: Bank Negara Malaysia and S&P Capital IQ