

Key Highlights on Financial Stability Review – First Half 2019

Financial institutions remained resilient

Strong capitalisation and sound profitability

Banking Sector

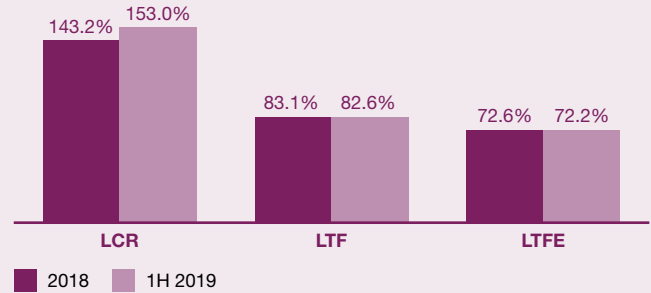


Insurance and Takaful Sector



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

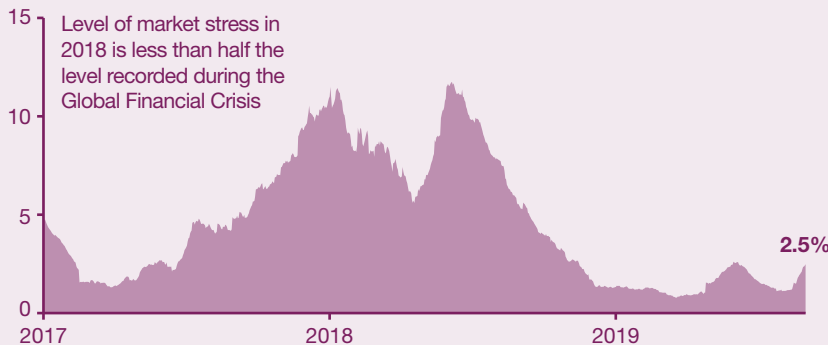


Domestic financial markets orderly despite domestic and external headwinds

Overall market stress increased in 2Q 2019 but remained well below 2018 levels

Financial Market Stress Index (FMSI)

Stress level, %



- Marginal increase driven by:
- US monetary policy outlook
 - Escalating trade tensions
 - Potential removal of Malaysian Government Securities from benchmark indices

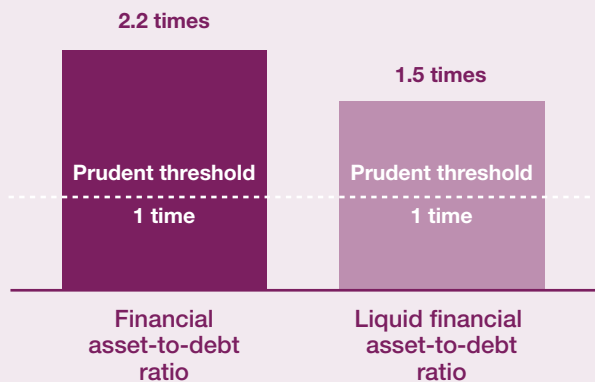


Manageable market risk exposures, supported by active risk management and hedging strategies by financial institutions

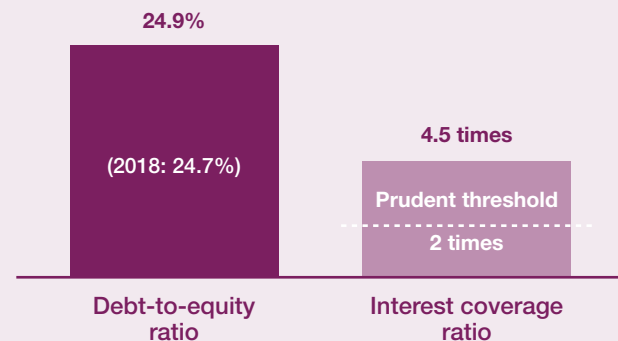
Sustained debt-servicing capacity of households and businesses

Overall financials of households and businesses remained healthy

Financial Buffers of Household Sector



Leverage and Debt-servicing Capacity of Non-financial Corporates

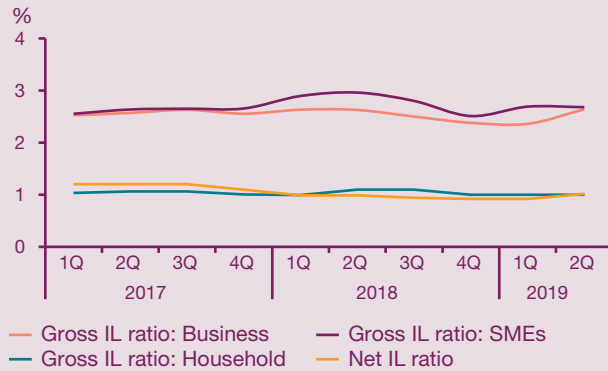


Asset quality in the banking system remained intact

Sound risk management practices have kept impairment levels low

Supported by strong buffers to absorb potential future losses

Banking System – Impaired Loans (IL) Ratio by Sector



126.9%
Loan loss coverage ratio



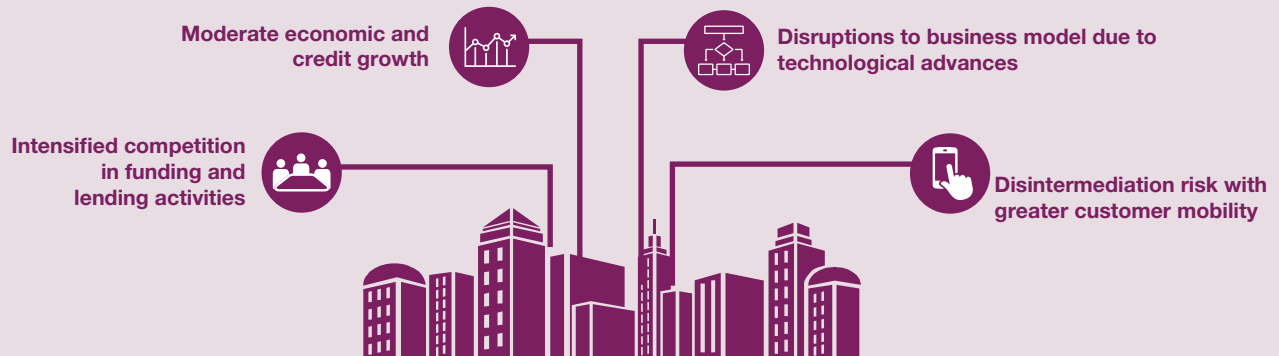
RM103.3 billion
Excess capital¹

¹ Excess capital refers to total capital above the regulatory minimum, which includes the capital conservation buffer requirement for 2019 (2.5%) and bank-specific higher minimum requirements

Key Highlights on Box Articles

Malaysian Banks' Profitability – Past Trends and Future Prospects

A confluence of cyclical and structural factors is expected to influence banks' profitability moving forward



Banks are well-positioned to capitalise on these developments, supported by strong financial buffers, high level of public confidence and investments to increase technological agility

Enhancing the Financial Sector's Cyber Security in the Digital Economy

National-level cyber security coordination is vital to manage cyber security in a cohesive, coherent and comprehensive manner

