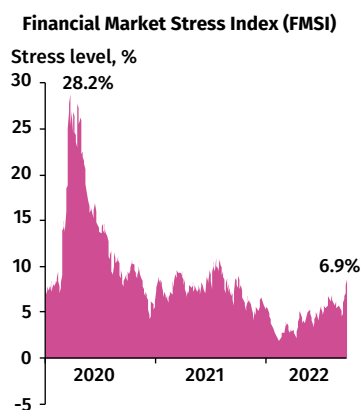


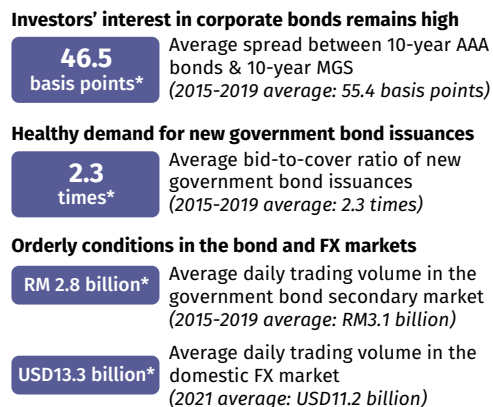
# Key Highlights on Financial Stability Review – First Half 2022

Conditions in the domestic financial markets remained orderly despite significant volatility in global markets

While elevated, financial market stress is well below the peak in 2020



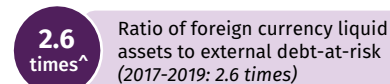
Liquidity conditions in the bond and foreign exchange (FX) markets remain healthy



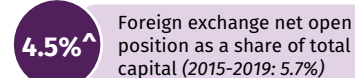
\*Data as at 23 September 2022.

Financial institutions are able to manage the impact from volatile market conditions

**Banks have sufficient foreign currency liquid assets**



**Foreign currency exposures remain manageable**



^Data as at June 2022.

Financial institutions remained well-positioned to support economic recovery

Banks maintained healthy capital and liquidity buffers to support financial intermediation



**Total Capital Ratio**  
(Dec '21: 19.2%)



**Excess Capital Buffers**  
(Dec '21: RM135.4 billion)



**Liquidity Coverage Ratio**  
(Dec '21: 153%)

Insurers and takaful operators remained well-capitalised above regulatory minimum



**Capital Adequacy Ratio**  
(Dec '21: 222%)



**Excess Capital Buffers**  
(Dec '21: RM36.8 billion)

Banks have strong provisioning buffers to absorb any increases in credit losses, while earnings continued to improve



**Gross Impaired Loans Ratio**  
(Dec '21: 1.7%)

**1.8%**

**Total-Provisions-to-Total Loans**  
(Dec '21: 1.8%; 2015-2019 average: 1.4%)

**117%**

**Loan Loss Coverage Ratio**  
(including regulatory reserve)  
(Dec '21: 123%; 2015-2019 average: 113%)



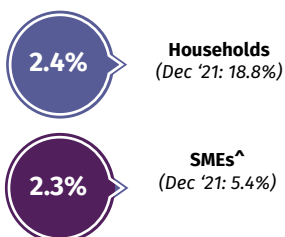
**Return on Equity**  
(Dec '21: 9.5%)

Data as at June 2022 unless stated otherwise.

## Households and businesses continued to recover since the pandemic, but risks linger in some segments

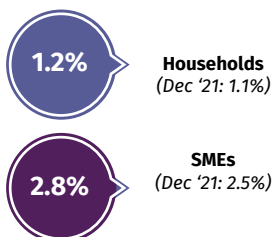
### The share of loans under repayment assistance (RA) continues to decline

**Debt under RA**  
(as % of total banking system and development financial institutions loans)



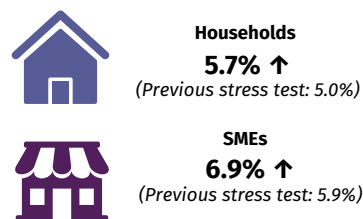
### Uptick in impairment due to a small fraction of borrowers who remained vulnerable after exiting RA

**Impairment Ratio**  
(as % of total banking system loans to households and SMEs, respectively)



### Banks are able to withstand increases in impairment under simulated severe macroeconomic and financial shocks

**Simulated Impaired Loans Ratio\* under Stress Test with Additional Shocks by end-2023**



#### Parameters of the Additional Shocks\*\*

- USD/MYR** ▶ Worse than levels seen during the Asian Financial Crisis
- US Federal Funds Rates** ▶ Largest 12-month increase in four decades
- MGS Yields** ▶ Highest level in the past two decades

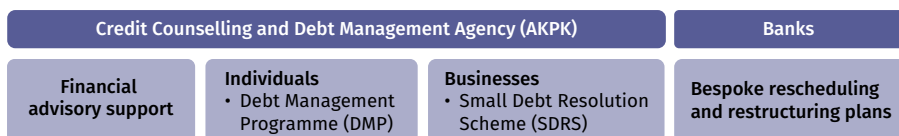
Data as at June 2022 unless stated otherwise.

<sup>^</sup> SMEs continued to account for 94% of firms benefitting from repayment assistance.

\* As % of total banking system loans to households and SMEs, respectively.

\*\* Increasing the severity of shock parameters applied to the macro stress test published in the BNM Financial Stability Review for Second Half 2021.

## Financial advice and assistance continue to be available for borrowers who are affected in the current environment



## Box Article: 2021 Financial Capability and Inclusion Demand Side (FCI) Survey

### The pandemic has led to an overall improvement in financial knowledge, but has made it more challenging for some

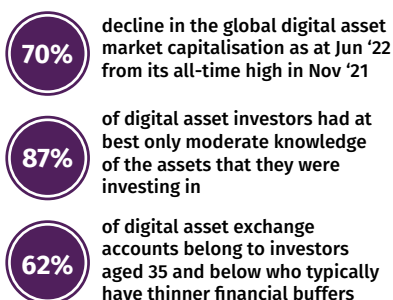
<p>The Malaysia Financial Literacy and Capability index improved to 59 (2018: 57) indicating that individuals are more financially aware following the pandemic</p>	<p>Digital financial literacy remains low despite wider adoption of digital products. 37% of individuals share their passwords and/or personal identification number with close friends</p>
<p>Salaried workers tend to feel more confident in their income stream, leading to a tendency to over-commit to debt</p>	<p>Withdrawals from retirement savings have led to more individuals (2021: 27% of respondents; 2018: 16%) being worried about their long-term resilience</p>
<p>Short-term financial resilience improved slightly, due to the various assistance and support measures</p>	<p>1 in 3 individuals indicated no interest in learning about insurance/takaful products</p>

## Box Article: The State of Play of Digital Assets in Malaysia and Linkages to Financial Stability

### Financial stability risks associated with the current adoption of digital assets in Malaysia remain low

- Low level of digital asset adoption compared to traditional assets
- Small deposit outflows from banks into digital assets
- Exposure of banks are limited to facilitating low-risk client services

### Price volatility and proliferation of unregistered service providers pose heightened risks to investors



### The Bank remains vigilant in monitoring market and regulatory developments

- On-going surveillance of domestic and global digital asset developments
- Collaborative arrangements with other agencies to facilitate information sharing and manage potential regulatory arbitrage
- Refinements to regulatory framework to be guided by developments in international standards
- Regional cooperation to strengthen surveillance and oversight arrangements