Key Highlights on Financial Stability and Payment Systems in 2017

Domestic financial stability continued to be preserved

- Risks to financial stability were largely contained
  - Moderated growth of household debt
  - Low and stable default risk of Malaysian corporations
  - Pick-up in deposits growth
  - Improved onshore FX liquidity
  - Strong market support from domestic institutional investors
- Financial institutions maintained strong buffers
  - Banking Sector
    - CET 1 capital ratio: 13.3%
    - Net impaired loans ratio: 1.1%
    - Loan loss coverage ratio: 115%
  - Insurance and Takaful Sector
    - Capital adequacy ratio: 234%

Financial intermediation activities remained supportive of the economy

- Businesses and households continued to have access to financing
  - Approval rate
    - SMEs: 77%
    - Residential properties: 73%
  - Annual growth
    - Total outstanding financing: 4.1%
    - Financing to households: 5.1%
    - Financing to SMEs: 6.0%
- Insurance and takaful solutions expanded for the wider society and economy
  - Annual growth
    - Premiums and contributions: 3.5%

New innovations in 2017

- Simple & affordable products for the B40 segment
- Direct distribution channels for pure protection products
- Greater pricing differentiation for fire & motor protections

Further progress made in e-payments

Growth since 2011

- more than 2x increase in e-payment transactions per capita
- 42% decline in cheque usage
- almost 2x number of POS terminal
- more than 6x increase in debit card transactions volume

Various initiatives introduced to develop and strengthen the industry

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Source: Bank Negara Malaysia
### Preserving resilient households; expanding financial access

**Indebted to Debt: An Assessment of Debt Levels and Financial Buffers of Households**

Healthy household financial position with sufficient liquid financial assets (LFA) to cover debts; though lower income groups are more vulnerable to shocks

**AKPK – Advancing Prudent Financial Behaviour**

Strengthening the resilience of households through proactive interventions and financial education

- **683,169 individuals** received financial counselling
- Borrowers with a total debt value of **RM21.7 billion** are being assisted under the debt management programme

**Financial education** for B40 and M40 | university students | retirees

**Expanding Insurance and Takaful Solutions for the Underserved Segment**

Financial safety net expanded through simple and affordable protection solutions for the wider society

- **94%** of borrowers have positive financial margin
- Coverage of potential losses under severe stress scenarios by banking system buffers

### Elevating the talent quality and professionalism of the industry

**Financial Sector: Employment Conditions and Preparing the Workforce for the Future**

A more productive, higher-skilled and agile workforce is required to meet the emerging needs of the future

**Strengthening Conduct and Culture in the Financial Industry**

Uncompromising standards of integrity and professionalism are critical to preserve public trust and confidence

**Five imperatives for building the financial sector workforce of the future**

1. **Strengthen** core competencies and professional standards
2. **Identify** types and number of jobs at risk of displacement
3. **Incorporate** consideration of the transition of staff into new roles within business plans
4. **Expand** talent pool diversity
5. **Enhance** data quality and transparency to support talent management

**Two-pronged approach to influence the conduct of individuals within the industry**

1. **Individual**
   - Robust screening
   - Codes of conduct
   - Whistleblowing
   - Enforcement
2. **Contextual**
   - Culture supervision
   - Accountability
   - Professionalisation
   - Remuneration

**Source:** Bank Negara Malaysia, Agensi Kaunseling dan Pengurusan Kredit