Glossary

General

Prior to 2006, banking institutions comprised commercial banks, Islamic banks, finance companies, merchant banks and discount houses.

From 2006, banking institutions comprise commercial banks, Islamic banks and investment banks.

Starting with the December 2013 issue of the MSB, the set of Monetary and Banking data pertaining to the balance sheets of financial institutions (excluding tables related to loans/financing) has been revised from 2007 onwards. This is a step taken by the Bank to establish a standard statistical taxonomy with harmonised data terminology and definitions to rationalise the reporting requirements across the financial industry and to be in line with the International Financial Reporting Standards (IFRS).

The old set of data was based on taxonomy introduced in 1999, with several revisions over the years to reflect developments in the financial sector. The new set of data is based on taxonomy that is aligned to IFRS, which will certainly contribute to more consistent financial and statistical reporting as well as facilitate country comparison. The key differences between the old and new set of Monetary and Banking data are mainly in data concepts and definitions, data classifications at a more granular level, as well as in terms of the termination of some outdated data components which are replaced with new data items to adequately reflect developments in the financial sector and the Malaysian economy.

In adopting the new taxonomy, there are a number of conceptual changes that contribute to the data differences between the old and new set of data. Among others, total assets and liabilities are now recorded on a net basis instead of gross basis, i.e. net of provision and depreciation, contributing to the lower value for total assets and liabilities. In general, this change accounts for a 2% to 3% decline in total assets/liabilities. There is also a reclassification of components for short-term and long-term assets and liabilities, for example changes in components for Deposits, Call Money, Cash and Cash Equivalents and Interbank Placements.

Following the revision to the taxonomy, data from January 2007 to December 2012, relating to balance sheet items, have been mapped from the old taxonomy to the new taxonomy, while data from January 2013 are collected from the financial institutions based on the new taxonomy. The mapping of the old set of data to the new taxonomy is an attempt to provide a longer data series to facilitate analysis of historical trends. Nevertheless, users should recognise that there is a break in the historical trend between December 2012 and January 2013, especially when studying components at a more granular level.

For Monetary Aggregates (Tables 1.3, 1.3.1 and 1.3.2), data items where possible, have been aligned to meet the existing conceptual definitions. Starting January 2014, the compilation uses data collected based on the new taxonomy, which will result in a break in the historical series. In order to facilitate trend analysis, a one year back series data consistent with January 2014 has been published in the MSB.

With regard to data related to loans/financing, the Bank will also be releasing a revised set of tables in the MSB at a later date.

Refer to the November 2013 MSB issue for historical data on Monetary and Banking, and December 2013 MSB issue for historical data on Monetary Aggregates (Tables 1.3, 1.3.1 and 1.3.2)

64 new insurance and takaful tables have been included in MSB, starting from the November 2013 issue.

1.1 Reserve Money

Reserve Money = Currency in Circulation + Required Reserves + Excess Reserves

Currency in Circulation refers to notes and coins issued by BNM less the amount held by banking institutions.

Required Reserves refer to the sum placed by banking institutions (except Discount Houses) with BNM in compliance with the Statutory Reserve Requirement (SRR). Banking institutions must place an amount that is equivalent to the SRR ratio times the eligible liabilities.

Excess Reserves refer to cash in vaults of the banking institutions and their current accounts (include Islamic Banking Scheme or SPI current accounts) with BNM.

Deposits of the Private Sector. This item was excluded from the definition of reserve money since April 1997. It refers to the demand and fixed deposits placed by other financial institutions and public agencies such as the Federal and State Public Authorities and other statutory bodies. As part of performing the role as the banker to the Government, BNM had been providing retail banking services (receive deposits and provide the same services as commercial banks ordinarily perform to their customers) to the other financial institutions and statutory bodies. However, with effect from 1 April 1997, BNM had ceased to provide these services.

Factors Affecting Reserve Money = Net claims on Government + Claims on the Private Sector + External Operations + Other Influences

Net claims on Government = Claims on Government - Government Deposits

Claims on Government refer to BNM holdings of Federal Government debt instruments (Malaysian Government Securities, Treasury Bills and Government Investment Issues).

Government Deposits refer to the deposits placed by the Federal and State Governments with BNM. However, State Governments no longer place deposits with BNM with effect from April 1997.

Claims on the Private Sector refer to BNM's contributions to the special funds, and loans and advances to non-bank financial institutions.

External Operations refer to the net international reserves of BNM.

Net International Reserves of BNM = External Assets of BNM - External Liabilities of BNM

External Assets of BNM refer to BNM holdings of gold and foreign exchange, holdings of Special Drawing Rights and its reserve position with the IMF.

External Liabilities of BNM refer to deposits placed with BNM by other central banks and international organisations.

Other Influences refer to the net of all other assets and liabilities in the balance sheet of BNM that have not been classified in any of the aforementioned categories. Among the major items are BNM's capital and reserves, net income of BNM and money market deposits of banking institutions.

1.28a Liquidity Coverage Ratio (LCR)

The release of Table 1.28a: Liquidity Coverage Ratio (LCR) in the MSB starting from the June 2015 issue is to replace Table 1.28: New Liquidity Framework. The LCR framework, which took effect from 1 June 2015 as part of the Basel III reforms, supersedes the Liquidity Framework and Liquidity Framework-i which was issued by the Bank in 1998. Table 1.28 will remain static after the May 2015 issue.

The LCR data will be on a monthly basis on the 12th of the second month after the end of the reporting month (e.g. 12 August for June's position). The same data will be updated in the e-Book version of MSB of the following month.

1.3 Monetary Aggregates: M1, M2 and M3

M1 = Currency in Circulation + Demand Deposits

Currency in Circulation refers to the notes and coins issued by BNM less the amount held by the commercial banks and Islamic banks.

Demand Deposits refer to the current accounts (includes SPI current accounts) of the non-bank private sector and investment banks (prior to 2006, finance companies, merchant banks and discount houses) placed with the commercial banks and Islamic banks.

M2 = M1 + Narrow Quasi-Money

Narrow Quasi-Money = Savings Deposits + Fixed Deposits + NIDs + Repos + Foreign Currency Deposits

Narrow Quasi-Money refers to the sum of deposits/interest-bearing instruments (including SPI deposits and instruments) placed by the non-bank private sector and investment banks with the commercial banks and Islamic banks (excluding inter-placements among these banking institutions). Foreign currency deposits refer to the deposits of foreign currencies held by residents (non-bank) and foreign entities with the commercial banks and Islamic banks.

M3 = M2 + Deposits Placed with Other Banking Institutions

Deposits Placed with Other Banking Institutions refer to the sum of deposits/interest bearing instruments (including SPI deposits and instruments) placed by the non-bank private sector with investment banks (excluding inter-placements among banking institutions).

1.3.1 Broad Money, M3

Transaction Balances = Currency in Circulation + Demand Deposits

Currency in Circulation refers to notes and coins issued by BNM less the amount held by banking institutions.

Demand Deposits refer to the current accounts (includes SPI current accounts) of the non-bank private sector placed with the commercial banks and Islamic banks. Also includes call deposits placed with investment banks.

Broad Quasi-Money = Savings Deposits + Fixed Deposits + NIDs + Repos + Foreign Currency Deposits

Broad Quasi-Money refers to the amount of interest-bearing deposits/instruments (including SPI deposits and instruments) placed by the non-bank private sector with the banking institutions (excluding inter-placements among these institutions). Foreign currency deposits refer to the deposits of foreign currencies held by residents (non-bank) and foreign entities with the commercial banks, Islamic banks and investment banks.

1.3.2 Factors Affecting M3

Factors Affecting M3 = Net Claims on Government + Claims on the Private Sector + Net External Operations + Other Influences

Net Claims on Government = Claims on Government - Government Deposits

Claims on Government refer to the holdings of Federal Government debt instruments (Malaysian Government Securities (MGS), Treasury Bills and Government Investment Issues (GII)) and loans to the Federal and State Governments by BNM and banking institutions.

Government Deposits refer to the deposits placed by the Federal Government and State Governments with BNM and the banking institutions. However, State Governments no longer place deposits with BNM with effect from April 1997.

Claims on the Private Sector = Loans + Securities

Loans refer to the outstanding loans and advances (include loans sold to Cagamas with recourse, from December 1996 onwards) extended by BNM and the banking institutions to the non-bank private sector.

Securities refer to the holdings of private debt securities (notes and bonds), Cagamas notes and bonds, stocks and shares, by the banking institutions.

Net External Operations = Net International Reserves of BNM + Net External Assets of the Banking System

Net External Assets of the Banking System refer to the external assets of the banking institutions net of their external liabilities. Note that deposits of foreign customers are not included since they are classified under the various components of money supply such as demand deposits, fixed deposits and foreign currency deposits.

Other Influences refer to the net of all other assets and liabilities in the balance sheets of BNM and the banking institutions that cannot be classified in any of the aforementioned categories. Among the major items are paid-up capital and reserves, retained profits or losses of BNM and the banking institutions and provisions for bad and doubtful debts.

1.4 Bank Negara Malaysia: Statement of Assets

Gold and Foreign Exchange refer to BNM holdings of gold, foreign securities and investments, and other foreign assets. It also include holdings of currency issued by the Board of Commissioners of Currency Malaya and British Borneo since June 1967 and the amount due from the Monetary Authority of Singapore under the interchangeability arrangements (up to 7 August 1973). All transactions in foreign currencies during the year have been translated into ringgit at rates of exchange ruling on value dates. Prior to 1997, assets and liabilities in foreign currencies have been revalued at rates of exchange ruling on the balance sheet date at every end-year. However, with effect from 1997, BNM has adopted a conservative book value accounting where reserves were not revalued at rates of exchange ruling on the balance sheet date. Effective from 15 September 1998, following the fixing of the Ringgit/ US Dollar exchange rate at RM3.80, all assets and liabilities in foreign currencies have been revalued into ringgit at rates of exchange prevailing on the reporting date and the exchange revaluation gain has been reflected in the Bank's records. Effective from 1 January 1999, all assets and liabilities in foreign currencies will be revalued on a quarterly basis.

International Monetary Fund (IMF) Reserve Tranche Position refer to Malaysia's quota in the IMF less the Fund's holdings of Malaysian currency.

Holdings of Special Drawing Rights. Special Drawing Rights (SDRs) are unconditional reserves created by the IMF. They are allocated on agreed occasions to members of the IMF which are participants in the SDRs Department in accordance with an accepted formula to serve as a supplement to the international monetary reserves of the IMF.

Malaysian Government Papers refer to BNM holdings of the Government debt instruments (Malaysian Government Securities, Treasury Bills and Government Investment Issues).

Bills Discounted comprise loans extended under the Export Credit Refinancing (ECR) scheme.

Deposits with Financial Institutions refer to BNM gross placements with the financial institutions which include money market placements, pension warrant deposits and penalty deposits on-lent (deposits initially received from banking institutions for non-compliance with BNM's guidelines on lending to priority sectors).

Loans and Advances comprise mainly loans extended by BNM to the participating financial institutions under the various schemes such as New Entrepreneurs Fund, Enterprise Rehabilitation Fund, Low-Cost Housing Revolving Development Fund.

Deferred Expenditure represent the net deficiency arising from foreign exchange transactions in 1993. The Government has undertaken to make good this deficiency as and when required to do so by BNM. The amount outstanding is being amortised over a period of ten years, beginning 1994.

Other Assets include investment in shares acquired by BNM, under Section 30(1)(j) and Section 30(1)(00)(i) of the Central Bank of Malaysia Act 1958 (Revised-1994).

1.5 Bank Negara Malaysia: Statement of Capital and Liabilities

Paid-up Capital . The entire issued and paid-up capital of RM100 million is owned by the Government of Malaysia.

General Reserve Fund. Section 7(3)(a) of the Central Bank of Malaysia Act 1958 (Revised-1994), stipulates that the Minister of Finance, after consultation with the Board of Directors of the Bank, determines the proportion of the net profit to be credited to the general reserve fund.

Other Reserves comprise the Exchange Rate Fluctuation Reserve, the Investment Fluctuation Reserve, the Insurance Reserve and the Contingency Reserve.

Currency in Circulation. BNM started issuing the Malaysian currency (the Ringgit) on 12 June 1967. The statistics reported refer to the total notes and coins issued by BNM including the amount held by banking institutions.

Deposits Placed by Financial Institutions refer to statutory reserve deposits, clearing balances, money market deposits and vostro balances of banking institutions placed with BNM.

Deposits Placed by the Federal Government. The bulk of the liquid funds of the Federal Government are held with BNM, which act as its banker. The main account of the Government is the general deposit account, in which the operations of the Government are reflected.

Other Deposits include deposits placed by the Employees Provident Fund.

Bank Negara Bills and Bonds refer to the issuance of Bank Negara Bills and Malaysia Savings Bonds by BNM.

Allocation of Special Drawing Rights. IMF member countries are allocated Special Drawing Rights (SDRs) in proportion to their subscriptions to the IMF. The allocation represents a dormant liability of BNM to the IMF, against which assets are received in SDR from the IMF.

Other Liabilities include deposits of non-residents and other miscellaneous liabilities.

1.7, 1.7.1 - 1.7.5 Banking System: Statement of Assets

W.e.f. 2008, *Islamic banking system data* includes Islamic banking data of commercial banks and investment/merchant banks.

Cash and Cash Equivalents refer to cash and balances with banks and other financial institutions, short-term deposits which include money at call and other deposits with remaining maturity less than 3 months, and other cash and cash equivalents.

Other Deposits Placed and Reverse Repos include reverse repos and deposits with remaining maturity greater than 3 months i.e fixed deposits, specific and general investment accounts placed, clients and remisiers trust monies held as deposits, and other deposits placed.

Amounts Due from Designated Financial Institutions refer to conventional and IBS amounts owed by designated financial institutions which are booked in RM overdrawn vostro accounts, RM nostro accounts, RM surplus amount, RM interbank placements, FX nostro accounts and FX interbank placements.

Other Non-Banking Institutions refer to non-bank entities, i.e. non-bank financial institutions, business enterprises, government, individuals and *other* entities.

Negotiable Instruments of Deposit Held refer to the holding of RM-denominated negotiable instruments of deposit including Non-SPI NIDs and IBS NIDs issued by other commercial banks and merchant/investment banks.

Treasury Bills refer to debt securities issued by the Federal Government. The features include original maturity of less than one year, no interest is payable and the bills are issued at a discount to face value.

Government Securities refer to debt-securities issued by the Federal Government. The features include original maturity of more than one year and interest payable periodically, usually semi-annually.

Loans and Advances is reported net of provision for impairment from January 2013 onwards.

Property, Plant and Equipment is reported net of depreciation and impairment from January 2013 onwards.

Malaysian Government Investment Issues (MGII) refers to debt securities issued by the Federal Government. The features include original maturity of more than one year and profit payable periodically.

Investment account data has been incorporated in the MSB starting from the May 2016 issue. Beginning 1 July 2015, licensed Islamic banks under the Islamic Financial Services Act 2013 (IFSA) and licensed bank and licensed investment bank under the Financial Services Act 2013 (FSA) approved under section 15 of the FSA to carry on Islamic banking business are required to present separately monies accepted as Islamic deposit or investment account. The data on investment account can be found in Tables 1.7, 1.7.1 – 1.7.3 Statement of Assets.

1.9, 1.9.1 - 1.9.4 Banking System: Statement of Equities and Liabilities

W.e.f. 2008, *Islamic banking system data* includes Islamic banking data of commercial banks and investment/merchant banks.

Total Equities include current unaudited unadjusted profit/loss.

Deposits Under New Investment Fund refer to Government deposits placed with the commercial banks for the purpose of financing new projects (manufacturing, agriculture, mining and tourism) under the New Investment Fund which include deposits for loans to hawkers and petty traders.

Amount Due to Designated Financial Institutions refer to the amount of claims by designated financial institutions on a reporting institution in RM vostro accounts, RM overdrawn nostro accounts, RM borrowings, RM interbank borrowings, foreign currency (FX) overdrawn nostro accounts, FX interbank borrowings and IBS RM and FX amounts due to designated financial institutions which are the IBS equivalents of the aforementioned items.

Bills Payable refer to amounts payable to various beneficiaries arising from the sale of bank drafts, cashier's orders, mail transfers, telegraphic transfers and gift cheques.

Other Liabilities include recourse obligations on loans sold to Cagamas.

Investment account data has been incorporated in the MSB starting from the May 2016 issue. Beginning 1 July 2015, licensed Islamic banks under the Islamic Financial Services Act 2013 (IFSA) and licensed bank and licensed investment bank under the Financial Services Act 2013 (FSA) approved under section 15 of the FSA to carry on Islamic banking business are required to present separately monies accepted as Islamic deposit or investment account. The data on investment account can be found in Tables 1.9, 1.9.1 – 1.9.3 Statement of Equities and Liabilities.

1.9.6 Banking System: External Assets and External Liabilities

External Assets

Amount Due from Designated Financial Institutions refer to claims by reporting institutions on foreign banking institutions. Comprise both RM and foreign currency reverse repurchase agreement with foreign banking institutions, overdrawn RM vostro accounts of foreign banking institutions, foreign currency nostro accounts with foreign banking institutions and both RM and foreign currency interbank placements with foreign banking institutions

Stock and Shares comprise foreign currency denominated equity instruments of financial assets designated as fair value through profit and loss, financial assets held for trading and financial assets available for sale issued by foreign corporations and held by reporting institutions.

Investments include FX foreign government securities held, FX corporate debt securities held and FX other held to maturity investment held by reporting institutions.

Loans/Financing and Advances refer to RM and foreign currency loans/financing extended by domestic banks to foreign banking institution and foreign non-bank entities.

Other External Assets include RM gold, holdings of foreign currency other assets, investment at cost, cash and balances with banks and other financial institutions and property, plant and equipment.

External Liabilities

Amounts Due to Designated Financial Institutions refer to claims by foreign banking institutions on the reporting institutions. Comprise RM vostro account balances of foreign banking institutions, foreign currency overdrawn nostro accounts with foreign banking institutions and both RM and foreign currency interbank borrowings from foreign banking institutions.

Deposits Accepted comprise RM and foreign currency deposits accepted and repurchase agreement received from both foreign banking institution and foreign non-bank entities.

Bills Payable refers to RM and foreign currency bills payable to non-residents.

Other External Liabilities include RM subordinated borrowings, both RM and foreign currency debt certificates/sukuk issued, RM interest/profit payable and RM miscellaneous other liabilities to non-residents.

1.10 - 1.17, 1.13.1, 1.14.1, 1.15.1, 1.19, 1.19.1 - 1.19.5, 1.20, 1.20.1 - 1.20.7 Classification of Loans by Purpose and Sector

With effect from April 2006, following reclassifications under the Financial Institutions Statistical System (FISS), loans to all customers except households are classified under BOTH economic sector/industry AND purpose. Loans to households are classified under purpose only.

Loans by sector (economic sectors/industries + household sector) = Loans by purpose (Total Loans)

Household Sector = Total loans by purpose to households

Under the previous classification (**1.13.1, 1.14.1, 1.15.1, 1.19.3, 1.20.2, 1.20.5, 1.20.6**), loans to all customers except households are classified under EITHER economic sector/industry OR purpose, while loans to households are classified under purpose only.

Loans by economic sectors/industries + Loans by purpose = Total Loans

Therefore, the breakdown by sectors and purpose in tables **1.10 - 1.17, 1.19, 1.19.1, 1.19.2, 1.19.4, 1.19.5, 1.20, 1.20.1, 1.20.3** are not strictly comparable to the breakdown of sectors and purpose in tables **1.13.1, 1.14.1, 1.15.1, 1.19.3, 1.20.2, 1.20.5, 1.20.6**.

The classification of the broad economic sectors/industries and their sub-sectors/industries have been updated based on the Malaysian Standard Industrial Classification (MSIC) 2000 published by the Department of Statistics, Malaysia. The broad economic sectors/industries remain similar to those in tables **1.13.1, 1.14.1, 1.15.1, 1.19.3, 1.20.2, 1.20.5, 1.20.6**. The following are explanatory notes on several of the economic sectors/industrics (For definitions of the other economic sectors/industries, please refer to explanatory notes on Classification of Loans by Sector):

Finance, insurance, and business activities include loans granted to banking institutions and non-bank financial institutions (including financial holding companies and insurance companies); to finance the renting of machinery and equipment; computer and related activities; research and experimental development in sciences, engineering, social sciences and humanities; and other business activities such as the provision of legal, accounting, architectural, engineering and advertising services.

Education, health and others include loans granted to finance services such as public administration and defence; health and social work; education; and other community, social and personal service activities (e.g. sewage and sanitation activities; recreationanl, cultural and sporting activities).

The following are explanatory notes on the new sub-items of loans by purpose (Definitions of the other sub-items of loans by purpose remain the same. Please refer to explanatory notes in **1. 10- 1. 17, 1. 19, 1. 19. 1, 1. 20, 1. 20. 1 – 1. 20. 5 :** *Classification of Loans by Sector: Banking System*)

Purchase of Fixed Assets Other Than Land and Building refers to the purchase of fixed assets, other than land and building that are used/to be used for the business activity of the borrower. The category includes plant and equipment for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Working Capital refers to loans/financing granted for use by a business to facilitate its daily business undertakings/transactions (for example: operating expenses, purchasing inventory, receivables financing) and is generally not for the purpose of financing the purchase of long-term assets or investments.

Classification of Loans by Sector

Agriculture, Hunting, Forestry and Fishing refers to loans granted for the purpose of financing customers in the cultivation of crops, livestock farming, timber extraction, forest management, poultry, farming, fishing and agricultural services.

Mining and Quarrying refers to loans granted to finance coal mining, crude petroleum and natural gas production, metal ore mining and quarrying.

Manufacturing refers to loans granted to finance customers in the manufacturing of a multitude of goods, including processing of food, rubber, palm oil, etc., manufacture of wearing apparel, leather goods, wood and wood products, paper and paper products, printing, publishing, manufacture of chemical and chemical products, petroleum, coal, rubber and plastic products, manufacture of iron and steel products, manufacture of fabricated metal products, machinery and equipment, etc.

Electricity, Gas and Water refers to loans granted to finance customers in generation, transmission and distribution of electrical energy for sale to households, industrial and commercial users, production of gas in gas works, distribution of manufactured gas and natural gas.

Wholesale and Retail Trade, Restaurants and Hotels refers to loans granted to finance customers in wholesale trade, retail trade and those operating restaurants and hotels.

Broad Property Sector

Of which:

Construction refers to loans granted to finance customers in general contracting including civil engineering work, special contracting work, construction of industrial buildings and factories, construction of infrastructure, commercial complexes, residential dwellings and other construction activity.

Residential Property refers to loans granted for the purchase or refinancing the purchase of residential property which were classified as low cost (RM25, 000 and below), lower medium cost (RM25, 001 -RM60, 000), medium cost (RM60,001-RM100,000), higher medium cost (RM100,001 -RM150,000) and higher cost houses (more that RM150,000).

Non-Residential Property refers to loans granted for the purchase and refinancing of the purchase of non-residential property. Non-residential means landed property, which are not used for human dwelling purposes. It includes industrial buildings, factories, land, commercial complexes, warehouses and other structures not meant for human dwelling.

Real Estate refers to loans granted to companies involved in letting and operating real estate services on own account. Include renting of land to others, development and sale of land on own account, sub-dividing real property etc. Include real estate agents, brokers and managers engaged in renting, buying, selling and managing real estate for others for a fee and commission.

Transport, Storage and Communication refers to loans granted to finance customers in the provision of transport, storage and communication services to others.

Finance, Insurance and Business Services

of which:

Finance refers to loans granted to banking institutions and non-bank financial institutions.

Insurance refers to life insurance, reinsurance and general insurance services, insurance broking and loss assessing for insurance claims purposes.

Business Services refer to loans extended for provision of legal services, accounting services, auditing services, data collection etc.

Consumption Credit

Of which:

Personal Uses refer to loans granted to individuals only for private use, exclude loans to purchase securities, consumer durables, transport vehicles, residential property, non-residential property and loans or credit obtained through the use of credit cards.

Purchase of Consumer Durables refer to loans granted for the acquisition of consumer durable goods such as televisions, refrigerators, washing machines etc.

Purchase of Passenger Cars refers to loans for the purchase of motor vehicles which are used primarily to carry a limited number of people, and includes multipurpose vehicles fitted to carry passengers.

Credit Cards refer to credit extended to customers using credit/charge cards issued by a reporting institution and includes cash withdrawals through such cards.

Purchase of Securities refers to loans granted to finance both primary and secondary market purchases of securities. Include loans granted to substitute for another loan granted previously by another party for the purchase of securities.

Purchase of Transport Vehicles refers to loans granted for the purposes of financing the purchases of motor vehicles other than passenger cars and other transport vehicles.

Community, Social and Personal Services refer to loans granted to finance customers for services such as public administration and defense, sanitary and similar services, social and related community services, recreation and cultural services and personal and household services.

1.18, 1.18.1, 1.18.2 Loans by Type: Banking System

Hire-purchase refers to the outstanding amount of receivables from hire-purchase facilities usually granted to firms and individuals for the purchase of capital assets, particularly motor vehicles, machinery and equipment and consumer durables.

Leasing refers to the outstanding amount of receivables from leasing facilities (lease rental). The assets leased are usually equipment and machinery.

Block discounting refers to the outstanding amount of receivables from block discounting facilities, normally to equipment dealers who had extended hire-purchase or lease finance facilities to their customers.

Bridging loans refer to loans granted by banks as a participating lender under syndicated or consortium loan agreements.

Factoring refers to the outstanding amount of receivables arising from purchases of the book debts, normally trade receivables.

Personal loans refer to loans granted to individuals for non-specified personal purposes, for a fixed period with a fixed repayment schedule.

Housing Loans refer to loans granted to individuals for the purchase of residential property.

Trust receipts refer to outstanding advances granted to customers against letters of trust, generally for the settlement of sight bills drawn on the customers by their suppliers.

Floor stocking loans refer to advances generally granted by finance companies to motor vehicle dealers to finance purchases of new or used vehicles from suppliers, for the purposes of maintaining a stock of goods for sales.

Overdraft refers to debit balances of the current account of customers.

Revolving credit facilities refer to advances extended to customers under loan agreements which allow the customer to borrow money and make repayments, at any time during the tenor of the agreement.

Skim Perbankan Islam (SPI) loans refer to all loans granted to customers under the Islamic banking operations.

FX loans refers to all foreign currency denominated loans granted by a bank to its customers.

1.21, 1.21.1 - 1.21.4, 1.22, 1.22.1 - 1.22.3 Non-Performing Loans/Impaired Loans and Impairment Provisions

Beginning January 2010, loans are reported based on Financial Reporting Standards (FRS) 139. The adoption of FRS 139 requirement is based on the financial year of the banks. Classification of impaired loans/financing and provisioning for loan/financing impairment are in line with FRS 139 as detailed in Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing.

Total loans = Outstanding gross loans (including housing loans sold to Cagamas Berhad).

Prior to that, Table 1.21 is based on the following definitions:

Non-performing loans refer to the outstanding amount of loans (principal and interest) classified as non-performing when principal or interest is six months or more in arrears. Interests on these loans are subsequently suspended. With effect from financial year beginning 1 January 1998, loans are classified as non-performing when they are six months or more in arrears.

Interest-in-suspense refers to the interest portion which is subsequently suspended or not recognised as interest income after an account is classified as non-performing. With effect from financial year beginning 1 January 1998, banking institutions are required to claw-back interest to day one of default for new non-performing loans.

Specific provisions refer to the provisions made on specific accounts that are deemed sub-standard, doubtful or bad. Banking institutions are required to provide at least 50% on the shortfall in value of security over the outstanding amount of the loan, net of unearned interest and interest suspended for all doubtful accounts and 100% for all bad accounts.

General provisions refer to the general provisions made on the total loan portfolio. Banking institutions are required to maintain general provisions amounting to at least 1.5% of total outstanding loans, net of interest-in-suspense and specific provisions for bad and doubtful debts.

Total loans refer to outstanding gross loans including housing loans sold to Cagamas Berhad. Net total loans refer to total loans net interest in suspense and specific provisions.

Ratios are computed on a net basis where interest in suspense and specific provisions is removed from gross non-performing loans and gross total loans. While total provisions consist of general provisions plus value of collateral.

1.21b, 1.21.1b, 1.21.2b and 1.21.3b Impaired Loans/Financing and Provisions

Beginning January 2018, impaired loans are reported based on Malaysian Financial Reporting Standards (MFRS) 9. The adoption of MFRS 9 requirement is based on the financial year of the banks. Classification of impaired loans/financing and provisioning for loan/financing impairment are in line with MFRS 9.

The changes are as follow:

Total provisions comprise 12 Months Expected Credit Losses (ECL), Lifetime ECL Not Credit Impaired and Lifetime ECL Credit Impaired reported by banks that have adopted MFRS 9, and Collective Impairment Provisions and Individual Impairment Provisions reported by banks that have yet to adopt MFRS 9.

Ratio of Total Provisions to Total Loan/Financing is the new ratio introduced as an indicator of banks provisioning to replace Ratio of individual and collective impairment provisions to total impaired loans.

1.24.1 - 1.24.2 Islamic Banking System: Deposits by Type and Holder

Islamic banking scheme (IBS) data represent IBS of commercial and investment/merchant banks.

Foreign Currency (FX) NIDs issued is not reportable by banking institutions.

Statutory Agency include*s local governments.*

1.25, 1.25.1 - 1.25.4 Banking System: Deposits and Repurchase Agreement by Holder

Statutory Agency includes local governments.

Financial Institutions include BNM, domestic banking institutions, domestic non-bank financial institutions and foreign banking institutions. Domestic liquidity deposits accepted from these institutions are excluded.

Others include domestic other entities and foreign non-bank entities.

1.25.5 Banking System: Foreign Currency and Other Deposits by Holder

Statutory Agency includes local governments.

Financial Institutions include BNM, domestic banking institutions, domestic non-bank financial institutions and foreign banking institutions. Domestic liquidity deposits accepted from these institutions are excluded.

Foreign Currency Deposits by Customer refers to all foreign currency deposits accepted whether from residents or non-residents.

Others include domestic other entities and foreign non-bank entities.

1.27 Statutory Reserve and Liquid Asset Requirement

Statutory Reserve Requirement (SRR). The commercial banks, Islamic banks and investment/merchant banks are required to maintain a sum equivalent to the Statutory Reserve Requirement ratio (which is a specified percentage of their eligible liabilities) in the form of cash reserves with BNM.

1.28 New Liquidity Framework

Liquid Asset Requirement (LAR). The commercial banks, Islamic banks and investment/merchant banks are required to maintain a sum equivalent to the Liquid Asset Requirement ratio (which is a specified percentage of their eligible liabilities) in the form of designated liquid assets.

Liquid Assets are designated assets which a banking institution may hold in order to meet the Liquid Asset Requirement. They include RM cash balances, RM balances in current accounts with BNM, RM call money placed with discount houses, RM overnight interbank placements with discount houses, maximum liquidity trade bills, RM debt securities issued by the Federal Government, RM debt securities issued by BNM, RM Cagamas Notes, RM Cagamas Bonds -Tier 1.

Beginning 2 January 2001, the LAR had been replaced with the New Liquidity Framework. Under this framework, banking institutions are required to forecast their assets and liabilities based on maturity profiles.

Compliance Requirements as Per Agreed defined as the compliance requirement as a percentage of deposits is shown in brackets in the table. Under the Liquidity Framework, the compliance requirement is set to equal a specified percentage of the banking institution's deposit base, and incorporates the requirement that, for example, banking institutions must be able to withstand the withdrawal of up to 3% of its deposit base over a one week period (3 days for investment banks), or 5% of its deposit base over a one month period. In contrast, under the old framework, banking institutions are required to hold liquid assets equivalent to a specified percentage of their eligible liabilities.

The transformation of merchant banks into investment banks have been accompanied by changes in the reporting requirement of liquidity surpluses where the liquidity surplus of investment banks is measured on a 3 day basis to take into account the short term flows arising mainly from stockbroking activities. As a result, beginning December 2006, liquidity surpluses in these columns reflect the reporting of surplus liquidity on a 3 day basis for investment banks alongside the reporting of liquidity on a 1 week basis for merchant banks in the midst of transforming into investment banks.

1.28a Liquidity Coverage Ratio

Beginning June 2015, the NLF had been replaced with the Basel III Liquidity Coverage Ratio framework (LCR). The LCR seeks to ensure that banking institutions hold sufficient high-quality liquid assets (Stock of HQLA) to withstand an acute liquidity stress scenario over a 30-day horizon.

LCR is calculated by dividing the amount of Stock of HQLA with the total Net Cash Outflows.

Stress assumptions are incorporated into the LCR through haircuts applied to the stock of HQLA and run-off factors applied to the cash flow items.

Stock of HQLA refers to Level 1, Level 2A and Level 2B assets which are defined in the framework. Among others, it includes cash, central bank reserves, sovereign bonds/sukuk, corporate bonds/sukuk rated AAA and Cagamas Residential Mortgage-backed Securities (RMBS) and A-rated corporate bonds/sukuk (foreign currency only).

Net Cash Outflows refers to the total cash outflows less total cash inflows expected over a 30-day liquidity stress scenario, and which are calculated based on the run-off and inflow rates specified in the framework.

1.29, 1.29.1 - 1.29.4 Constituents of Capital: Banking System

Tier-1 Capital refers to paid-up capital, non-cumulative perpetual preference shares, share premium, statutory reserve fund, general reserve fund, retained profits, surplus/ loss arising from sale of fixed and long-term investments as well as minority interests (consistent with the components of Tier-1 capital) and after deducting goodwill. Beginning November 2000, Tier-1 Capital includes audited half year after-tax profits.

Tier-2 Capital refers to hybrid capital instruments, minority interests arising from preference shares, subordinated term debt, revaluation reserves and general provisions for bad and doubtful debts.

Total Capital refers to the total of tier-1 capital and eligible tier-2 capital. Eligible tier-2 capital is equivalent to total tier-2 capital or total tier-1 capital, whichever is lower.

Investment in subsidiaries and holdings of other banking institutions capital refer to the banking institution's equity investments in subsidiaries and holdings of other financial institutions' capital in terms of shares, hybrid capital instruments or subordinated term debts.

Capital Base refers to total capital after deducting investment in subsidiaries and holdings of other banking institutions' capital.

Total Risk-Weighted Assets is the sum of assets by risk-weights.

Risk Weighted Capital Ratio refers to the ratio of capital base to risk-weighted assets.

Core Capital Ratio refers to the ratio of tier-1 capital to risk-weighted assets. However, if the total of investment in subsidiaries and holdings of other banking institutions' capital is greater than the tier-2 capital of the institution, then the core capital is equivalent to the capital base.

The following data have been revised due to a computational change in the *Islamic Banking Scheme's* risk-weighted assets for the period January 2013 onwards:

1. Tables 1.29a and 1.29.2a: *Total Risk Weighted Assets*; and
2. Table 1.29.4a: *Total Risk Weighted Assets, CET1 Capital Ratio (%), Tier 1 Capital Ratio (%) and Total Capital Ratio (%).*

2.1 Interest Rates: Banking Institutions

Fixed Deposit Rate refers to the average fixed deposit rates of commercial banks, Islamic banks and merchant banks for maturities of 1-, 3-, 6-, 9-and 12-months. Rates for fixed deposits with maturities exceeding 12-months are negotiable and are therefore not included.

Savings Deposit Rate refers to the average savings deposit rates of commercial banks and Islamic banks, weighted to account for the different rates that apply in the case of multi-tiered savings accounts, in addition to the traditional single-rate savings accounts.

Average Lending Rate refers to the weighted average lending rates on loans extended by the commercial banks and investment banks.

Base Lending Rate (BLR) refers to the average of the base lending rates that commercial banks and Islamic banks quote to their best customers. Effective 1 November 1995, quoted BLRs have been subject to a ceiling rate set by BNM, using the computed BLR formula. This framework was revised on 1 September 1998 to allow a faster transmission of changes in monetary policy to interest rates levels. Essentially, the formula computation for the ceiling BLR is now based on the prevailing BNM 3-month intervention rate instead of the previous month's average KLIBOR. In relation to this, banking institutions are now required to adjust their BLR within one week of any revision in the computed BLR arising from a change in the intervention rate or the SRR. In addition, to promote greater operational efficiency among banking institutions, the fixed administrative margin of banking institutions in the BLR formula was reduced from 2.50% to 2.25%. The current computed BLR formula is as follows: -

Computed BLR = **[**Adjusted BNM Intervention Rate[1]**]** + Fixed administrative charge of 2.25%[2]

For commercial banks : **[**BNM Intervention Rate[1] / 1 -SRR% x 80%**]** + 2.25%[2]

For finance companies : **[**BNM Intervention Rate[1] / 1 -SRR% **]** + 2.25%[2]

[1] Prior to 1 September 1998 : Average "KLIBOR"
[2] Prior to 1 September 1998 : 2.50%

The adjustment to the BNM intervention rate in the above formulas is to take into account the SRR cost and in the case of the commercial banks, the reduction in funding cost due to the presence of zero-interest current account balances.

Base Lending Rate (BLR) was the main reference rate for floating rate loans by financial institutions between 1983 and 2014. Since its introduction, the methodology for computing the BLR had been revised several times to ensure more responsive changes in retail lending rates to adjustments in monetary policy. Since 2004, however, the computation of the BLR was liberalised, in line with the transition towards a more market-based interest rate framework, and banks were allowed to determine their own respective BLRs. Effective 2 January 2015, the BLR was superseded by the Base Rate (BR) as the main reference rate for new retail floating rate loans. The BLR, however, continues to be the reference rate for existing floating rate loans that were contracted before the 2 January 2015. The average BLR is computed as a simple average of the individual BLRs of financial institutions.

Base Rate (BR) replaced the Base Lending Rate (BLR) as the main reference rate for new retail floating rate loans effective 2 January 2015. The BR comprises of the financial institutions' benchmark cost of funds and the Statutory Reserve Requirement (SRR). Other components of loan pricing such as borrower credit risk, liquidity risk premium, operating costs and profit margin would be reflected in a spread above the BR. This increases the visibility of the factors underlying changes to the BR. The greater transparency in turn would enable more informed decision making by consumers. Under this cost-plus structure, banks would be able to manage interest rate risk more effectively, while facilitating more effective monetary policy transmission to retail lending rates. The average BR is computed by taking a simple average of the BR of financial institutions which offer retail loans.

2.3 Interest Rates: Interbank Money Market

Daily rates refer to the average of interbank deposit rates for the day, with individual rates being weighted accordingly by the volume of transactions at those rates. *Monthly rates* refer to the average for the trading days of the month, and *annual rates* refer to the average for all trading days during the year.

2.5 Malaysian Government Securities: Market Indicative Yield

All yields are referred to as the market indicative yield to maturity. They are only indicative due to the lack of liquidity and lack of supply of these papers covering a wide spectrum of maturity.

Tables 2.9, 2.10 Funds Raised in the Capital Market

Capital Market is defined as comprising the government bond market, the stock market and the private debt securities market. All government bonds and private debt securities are bonds with maturity of more than a year. *Funds Raised* is recorded as proceeds received on payment date whenever possible.

Malaysian Government Securities are bonds issued by the Federal Government. *Khazanah Bonds* are bonds issued by Khazanah Nasional Bhd, the wholly-owned subsidiary of the Ministry of Finance primarily for benchmarking purposes. *Government Investment Issues* are bonds issued by the Federal Government as a part of the initiative to develop Islamic/ interest-free banking schemes in the country. *Malaysia Savings Bonds* were issued primarily to Malaysian individuals to inculcate the savings habit and to educate individuals on the intricacies of investing in bonds. *Islamic bonds* are bonds issued based on Islamic principles. *Cagamas bonds* are securitised mortgage-backed bonds issued by the national mortgage corporation, Cagamas Berhad.

Initial Public Offer includes the following methods of listing: public issue; offer-for-sale, placement and tender. Public issue is an offer made to the public for subscription of an issuer's own securities.

Offer-for-sale is an offer made to the public for securities already issued. *Placement* is an offer of securities to persons selected or approved by the issuers, a process often done to satisfy the minimum prescribed size of listed securities held by the public.

Tender is an offer of a portion of securities by way of tender at a minimum bidding price.

Rights issue is an offer of new securities of companies already listed on the exchange to their existing shareholders. *Private placement* is an offer of new securities to persons/parties considered desirable by a public company (company already listed on the exchange).

Special issue is an offer of securities made to Bumiputera investors approved by the relevant authorities in accordance with the National Development Policy.

2.11 New Issues of Private Debt Securities (excluding Cagamas Bonds), by Sector

The sectors of classification in the table are based on the National Accounts (Gross Domestic Product) Classification by Economic Activity. New issues of private debt securities refer to the gross funds raised by issuers operating in each particular sector. They do not refer to the purpose of the utilisation of proceeds.

2.12 Bursa Malaysia Securities Berhad: Selected Indicators

KLCI or Kuala Lumpur Composite Index refers to the share price performance of 100 component stocks on the KLSE's Main Board while *EMAS* or Exchange Main Board Share Index refers to the share price performance of all Main Board companies. Similarly, *Second Board Index* tracks the share price performance of all Second Board companies. *Average daily turnover* is total turnover divided by the number of trading days during the period. *Market capitalisation* is calculated based on the number of securities outstanding times the closing share price of all securities listed on the exchange. *Net P/ E ratio* refers to the ratio of current share price over net earnings per share of the 100 companies of the KLCI.

2.13 Futures and Options Markets: Selected Indicators

Open interest refers to total outstanding of all contracts as at a particular point in time. *Average daily turnover* is total turnover divided by the number of trading days during the period.

3.5.8 Consumer Price Index

The Consumer Price Index (CPI), which is based on the Laspeyres formula, measures the average rate of change in prices of a fixed basket of goods and services which represents the expenditure pattern of all households in Malaysia with 2000 as the base year. It is a composite index, weighted by regional expenditure weights, of three regional indices computed separately for Peninsular Malaysia, Sabah and Sarawak.

3.5.10 Producer Price Index

The Producer Price Index (PPI) is a general purpose index which is based on the Laspeyres formula. It is designed to measure the average rate of change in prices charged by domestic producers of commodities or products and those paid by importers in Malaysia with 1989 as the base year. The Index takes into account commodities or products originating from four industrial sectors, namely, agriculture, forestry, logging and fishing; mining and quarrying; manufacturing; and water, gas and electricity.

3.5.11 House Price Indicators

The Malaysian House Price Index (MHPI), is a transaction based house price index, which captures the change in prices paid for an "average" house. Price change is estimated by pricing a basket of house characteristics of the "average" house transacted in the current period and comparing this price with the price of the same basket of house characteristics in the base year (2000). Fundamentally, it is a ratio that shows how much the cost of housing has changed between two periods (the base and the current periods) if the house buyers maintain the standard of living in the latter period.

3.6, 3.6.1, 3.6.1.1, 3.6.2 Balance of Payments

The balance of payments is currently compiled in conformity with the methodology set forth in the Fifth Edition of the Balance of Payments Manual of the International Monetary Fund.

3.6.9 - 3.6.10 Direct Investment Abroad

Direct investment abroad (DIA) refers to Malaysia's direct investor's claims on and liabilities to a direct investment enterprise in another economy. It reflects the lasting interest of the long-term investment in which the direct investor has a significant degree of influence on the management of the direct investment enterprise. The items classified under direct investment abroad are equity capital, reinvested earnings and other capital (debt securities, loans, trade credits and others).

3.6.11 - 3.6.12 Foreign Direct Investment

Foreign direct investment (FDI) refers to Malaysia's direct investment enterprise's liabilities to and claims on the direct investor and affiliate from another economy. It reflects the lasting interest of the long-term investment in which the direct investor has a significant degree of influence on the management of the Malaysian direct investment enterprise. The items classified under foreign direct investment are equity capital, reinvested earnings and other capital (debt securities, loans, trade credits and others).

3.6.13 Portfolio Investment

Portfolio investment consists of equity securities and debt securities (bonds and notes and money market instruments) traded between residents and non-residents.

3.6.14 - 3.6.18 International Investment Position

International Investment Position (IIP) is Malaysia's stock of external financial assets and liabilities at the end of a period. The primary dimension in IIP classification is by financial assets and liabilities which is further categorised by functional types of investment, i.e. direct investment, portfolio investment, financial derivatives, other investments and reserve assets (only for assets). The difference between external financial assets and liabilities

reflects Malaysia's net IIP, which could be a net asset or liability position.

4.6.3, 4.6.8, 4.6.9 Life Insurance

Forfeiture refers to the termination of a policy due to non-payment of premiums before the policy has acquired a surrender value.

4.6.1, 4.6.2, 4.6.4, 4.6.5, 4.6.6, 4.6.7 Life Insurance

Whole Life Insurance refers to insurance payable on death whenever this may occur according to the policy conditions.

4.6.1, 4.6.4, 4.6.5, 4.6.6, 4.6.7, 4.8.4, 4.8.5, 4.8.6, 4.8.7 Life Insurance and Family Takaful

Endowment Insurance/Takaful refers to insurance/takaful payable on survival to the maturity date stated in the policy/certificate or on prior death.

4.6.1, 4.6.2, 4.6.3, 4.6.4, 4.6.5, 4.6.6, 4.6.7, 4.6.8, 4.6.9, 4.8.1, 4.8.2, 4.8.3, 4.8.5, 4.8.6, 4.8.7, 4.8.8, 4.8.9, 4.8.10, 4.8.c Life Insurance and Family Takaful

Group Life Insurance/ Family Takaful refers to life insurance/family takaful usually without medical examination, on a group of people under a master policy/certificate. It is typically issued to an employer for the benefit of the employees, or to members of an association.

4.6.1, 4.6.2, 4.6.3, 4.6.4, 4.6.5, 4.6.6, 4.6.7, 4.8.1, 4.8.2, 4.8.3, 4.8.4, 4.8.5, 4.8.6, 4.8.7 Life Insurance and Family Takaful

Life Insurance/Family Takaful Annuity refers to a contract that provides for an income for a term dependent upon human life.

4.6.1, 4.6.2, 4.6.4, 4.6.5, 4.6.6, 4.6.7, 4.8.4, 4.8.5, 4.8.6, 4.8.7 Life Insurance and Family Takaful

Term (Temporary) Insurance/Takaful refers to insurance/takaful payable only on death within a specified period.

4.6, 4.6.4, 4.6.5, 4.6.8, 4.6.a, 4.7, 4.7.1, 4.7.2, 4.7.6, 4.7.10, 4.7.11, 4.7.12, 4.7.13, 4.7.14, 4.7.a, 4.7.c, 4.8, 4.8.1, 4.8.2, 4.8.3, 4.8.4, 4.8.7, 4.8.10, 4.8.a, 4.8.c, 4.9, 4.9.1, 4.9.6, 4.9.a, 4.9.c Life Insurance, General Insurance, Family Takaful and General Takaful

Premiums/Contributions refer to the monetary consideration payable once or periodically by a policyholder or certificate holder to an insurer or takaful operator in return for the insurance/takaful coverage provided.

4.7.10, 4.7.13, 4.9.5 General Insurance and General Takaful

Claims Ratio refers to the ratio of net claims incurred to earned premium/contribution income.

4.7.10, 4.7.13, 4.7.14, 4.7.a, 4.9.5, 4.9.6, 4.9.a General Insurance and General Takaful

Earned Premium/Contribution Income refers to net premium/contribution plus changes in premium/contribution liabilities during the year.

4.7.10, 4.7.13, 4.7.20, 4.7.a, 4.9.5, 4.9.7, 4.9.a General Insurance and General Takaful

Net Claims Incurred refers to net claims paid plus changes in claims liabilities during the year.

4.7.3, 4.7.5, 4.9.2 General Insurance and General Takaful

Retention Ratio refers to the ratio of net premiums/contributions to gross premiums/contributions.

4.7.a, 4.9.a General Insurance and General Takaful

Underwriting Profit/Loss refers to earned premium/contribution income less net claims incurred, commissions and management expenses.

4.7.10, 4.7.13, 4.7.15, 4.7.16, 4.7.17, 4.7.18, 4.7.19, 4.7.20, 4.7.a, 4.9.2, 4.9.3, 4.9.4, 4.9.5, 4.9.7, 4.9.a General Insurance and General Takaful

Claims refer to notifications to an insurer or takaful operator that payment of an amount is due under the terms of the policy/certificate.