

**EXECUTIVE
BOARD
MEETING**

SM/21/15
Correction 4

February 22, 2021

To: Members of the Executive Board

From: The Secretary

Subject: **Malaysia—Staff Report for the 2021 Article IV Consultation**

Board Action: The attached corrections to SM/21/15 (2/4/21) have been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of
Staff's Analysis or
Views**

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Questions: Ms. Choueiri, APD (ext. 34095)

Table 7. Malaysia: Banks' Financial Soundness Indicators, 2016–20Q2

	2016	2017	2018	2019	2020Q2
	(In percent; end of period)				
Capital adequacy					
Regulatory capital to risk-weighted assets	17.0	17.8	18.1	18.6	18.3
Regulatory Tier 1 capital to risk-weighted assets	14.6	15.0	14.6	15.1	15.1
Asset quality					
Nonperforming loans net of provisions to capital 1/	6.6	6.2	4.9	5.2	5.0
Nonperforming loans to total gross loans	1.6	1.5	1.5	1.5	1.5
Earnings and profitability					
Return on assets	1.3	1.4	1.4	1.5	1.2
Return on equity	12.3	13.1	12.6	12.9	10.1
Interest margin to gross income	61.0	61.1	61.0	57.8	54.7
Non-interest expenses to gross income	44.0	43.2	42.0	42.3	42.9
Liquidity					
Liquid assets to total assets (liquid asset ratio)	20.7	22.0	23.1	23.0	22.8
Liquid assets to short-term liabilities	130.3	138.3	151.0	158.8	151.2
Loan-deposit ratio 2/	89.8	89.6	88.3	88.8	87.2
Liquidity Coverage Ratio 3/	124.3	134.9	143.2	149.1	149.2
Sensitivity to market risk					
Net open position in foreign exchange to capital	6.3	6.1	5.5	4.2	4.8
Sectoral distribution of total loans to nonbanking sector					
Residents	97.3	97.0	97.1	97.5	97.5
Other financial corporations	3.5	3.3	3.2	3.5	3.5
General government	1.6	1.9	2.0	1.8	2.0
Nonfinancial corporations	36.7	35.9	35.5	35.4	35.5
Other domestic sectors	55.5	56.0	56.3	56.9	56.5
Nonresidents	2.7	3.0	2.9	2.5	2.5

Sources: Bank Negara Malaysia; and IMF, *Financial Soundness Indicators* database.

1/ Loans are classified as nonperforming if payments are overdue for three months or more. Total loans include housing loans sold to Cagamas Berhad. Net nonperforming loans exclude interest-in-suspense and specific provisions. There is a methodology change since 2018 following the implementation of Malaysian Financial Reporting Standards (MFRS) 9.

2/ Deposits exclude those accepted from banking institutions and Bank Negara Malaysia. Loans exclude loans sold to Cagamas Berhad and loans extended to banking institutions. Beginning July 2015, loans exclude financing funded by Islamic Investment Accounts.

3/ Introduced in July 2015.