

CHAPTER 4

Monetary and Financial Developments

143 OVERVIEW

143 MONETARY DEVELOPMENTS

144 PERFORMANCE OF RINGGIT

145 BANKING SECTOR PERFORMANCE

149 CAPITAL MARKET PERFORMANCE

152 PERFORMANCE OF FBM KLCI

Information Box 4.1 – Key Capital Market Measures

156 ISLAMIC BANKING AND CAPITAL MARKET PERFORMANCE

158 CONCLUSION

159 REFERENCES

CHAPTER 4

Monetary and Financial Developments

Overview

Financial market remains resilient to withstand external headwinds

Amid a complex global environment, Malaysia's financial market remains resilient and orderly in supporting economic activity. The banking sector continues to meet the financing needs of businesses and households, while the capital market provides market-based funding to drive business expansion and productive investment. The current monetary policy stance remains consistent with the outlook for price stability and sustainable economic growth. The ongoing development of Islamic finance further broadens financing and investment opportunities, reinforcing depth and diversity of the domestic financial ecosystem.

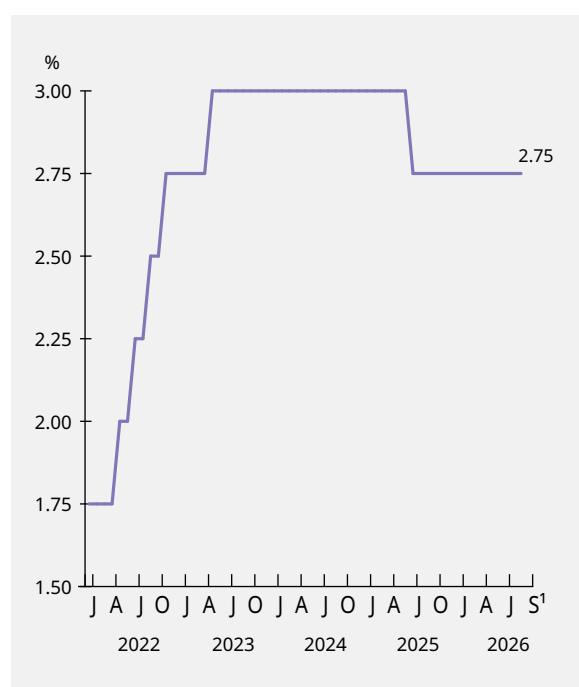
Monetary Developments

Steady monetary policy supports stable prices and sustainable growth

The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 2.75% in the first nine months of 2026, unchanged since the 25 bps reduction in July 2025. The monetary policy stance is consistent with the outlook of continued price stability and sustainable economic growth. Domestic economic activity is anchored by sound fundamentals, while inflationary pressures remained contained. The Statutory Reserve Requirement (SRR) ratio was maintained at

1.00%, ensuring sufficient liquidity and effective financial intermediation within the domestic banking system.

FIGURE 4.1. Overnight Policy Rate Level (%)

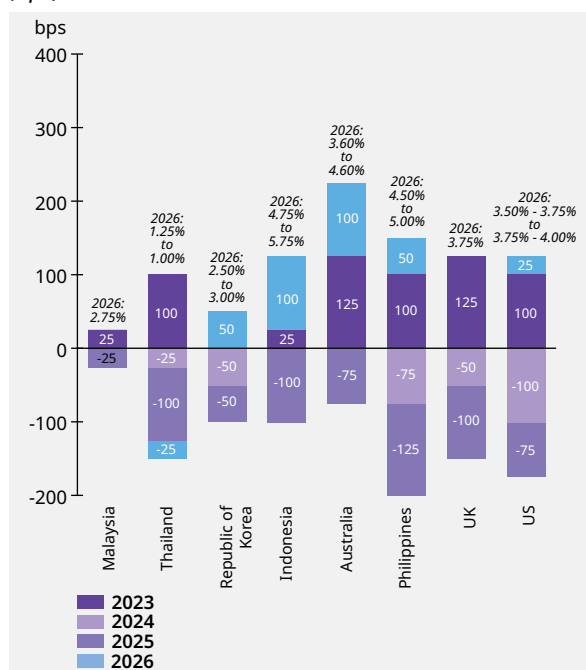


¹ End-September 2026
Source: Bank Negara Malaysia

Board fixed deposit rates moderated, while the interbank rate and lending rates were broadly stable as at end-July 2026. The 1-month and 12-month board fixed deposit rates declined by 2 and 10 bps to 2.06% and 2.20% respectively, reflecting banks' funding strategies to manage cost of funds. The interbank rate, as indicated by the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) remained at 3.45% in July after rising during the first half of 2026 amid seasonal funding pressures and

heightened demand for liquidity. Lending rates held stable, with the Base Lending Rate (BLR) unchanged at 6.43%, while the weighted Base Rate (BR) and Average Lending Rate (ALR) on outstanding loans stood at 3.39% and 4.69%, respectively. Meanwhile, the average savings deposit rate steady at 0.34%.

FIGURE 4.2. Monetary Policy Rate Adjustments for Selected Central Banks, January 2023 – September 2026 (bps)



Note: Policy rates remained unchanged in Malaysia and the UK during the first nine months of 2026

Source: Bank Negara Malaysia and Bloomberg

Monetary policy stances across major and regional economies remained divergent for January – September 2026. The US Federal Reserve (Fed) has increased the federal funds rate by 25 bps to 3.75% – 4.00% in September 2026. In the region, Bank Indonesia raised the BI-Rate from 4.75% to 5.75%, as policy geared towards supporting rupiah stability and containing inflationary pressures. On

the other hand, the Bank of Thailand has reduced the policy rate by 25 bps. Overall, this divergence reflects increasingly differentiated domestic economic conditions, with several central banks retaining a tightening bias, while others maintained or eased the policy stance in line with domestic growth and inflation considerations.

Performance of Ringgit

Ringgit remained resilient amid external headwinds

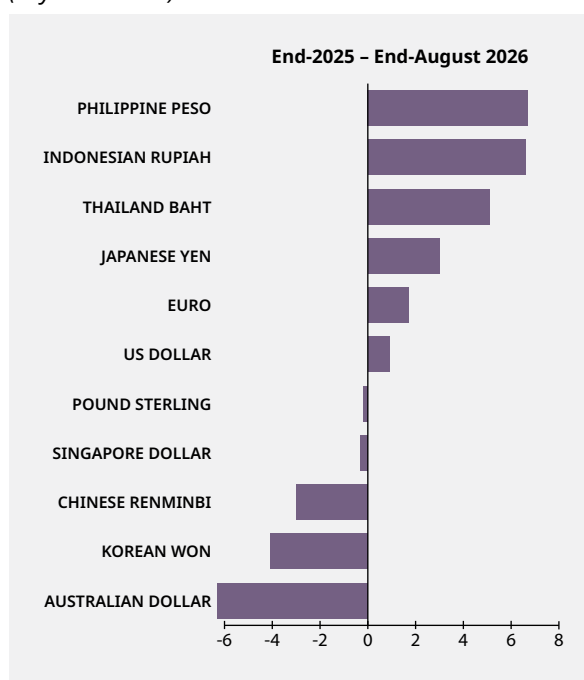
The ringgit strengthened in early 2026, appreciating by 4.3% against the US dollar over the first two months of the year (NEER¹: +3.2%). The positive momentum was subsequently reversed following escalation of the West Asia conflict at the end of February 2026, with the ringgit depreciating by 3.3% against the US dollar at end-August 2026 (NEER: -2.9%). Nevertheless, on a year-to-date basis, the ringgit appreciated by 0.9% against the US dollar as at end-August 2026, while strengthening against most major and regional currencies, including euro (1.7%), Japanese yen (3.0%), Philippine peso (6.7%), Indonesian rupiah (6.6%) and Thailand baht (5.1%).

Despite external headwinds, Malaysia's strong economic position and ongoing structural reforms have sustained market confidence, providing underlying support to the ringgit. BNM has also continued to strengthen the domestic foreign exchange market through engagements with government-linked investment companies (GLICs), government-linked companies (GLCs) and private corporates to encourage the timely repatriation

¹ Refers to the ringgit nominal effective exchange rate (NEER), which measures the ringgit's performance against a basket of currencies of Malaysia's major trading partners.

and conversion of foreign currency earnings. In addition, initiatives to promote the wider use of local currencies with key trading partners such as China, Indonesia and Thailand have gained broader market acceptance. This has helped to reduce reliance on third-currency conversions, lower transaction and hedging costs as well as diversify sources of onshore foreign exchange liquidity.

FIGURE 4.3. Performance of Ringgit against Selected Currencies (% year-to-date)



Source: Bloomberg

Banking Sector Performance

Banking sector remains well positioned to absorb shocks and support growth

The banking system remained resilient to withstand adverse shocks, sustaining the provision of credit to households and businesses, underpinned by strong capital buffers and sufficient liquidity. As at end-July 2026, the Common Equity Tier 1 Capital (CET1), Tier 1 Capital and Total Capital ratios were above the regulatory minimum level² at 14.6%, 15.1% and 18.2%, respectively. Liquidity was robust, with the aggregate Liquidity Coverage Ratio (LCR) at 148.7% and Net Stable Funding Ratio (NSFR) at 114.8%³. This reflects banks' strong capacity to manage short-term liquidity needs and maintain stable funding over the longer term. The loan-to-fund ratio held steady at 82.8%, driven by continued growth in deposits, which accounted for 73.2% of total funding.

From an asset quality perspective, the low gross impaired loans ratio of 1.4% as at end-July 2026 indicates that most borrowers continue to meet their repayment obligations. Additionally, the banking system's loan loss coverage ratio (including regulatory reserves) remained adequate at 125% of gross impaired loans, reflecting banks' continued prudent provisioning practices.

² The Basel III minimum regulatory levels of CET1 Capital (4.5%), Tier 1 Capital (6%) and Total Capital ratios (8%) respectively, of risk-weighted assets (RWA). Meanwhile, for LCR and NSFR, the minimum requirement is 100%.

³ NSFR data is reported on a quarterly basis and the latest position is as at June 2026.

FIGURE 4.4. Banking System: Impaired Loans and Gross Impaired Loans Ratio (End-period)¹ End-July 2026

Source: Bank Negara Malaysia

Total outstanding loans rose by 5.6% to RM2,435.1 billion as at end-July 2026, underpinned by continued expansion in financing to the business sector, which grew by 8%. Compared with the same period in the previous year, financing demand was robust with loan applications and approvals recording double-digit growths of 10% to RM975.7 billion and 14.7% to RM517.4 billion, respectively. The increase in credit demand was mainly for working capital purposes. In addition, banking system's repayment activities rebounded by 3.6% to RM1,287.7 billion, in line with higher loan disbursements of 4.3% to RM1,340.9 billion.

TABLE 4.1. Banking System: Loan Indicators, January – July 2025 and 2026

	RM BILLION		CHANGE (%)	
	2025	2026	2025	2026
Total¹				
Loans applications	887.2	975.7	5.2	10.0
Loans approvals	451.1	517.4	4.2	14.7
Loans disbursements	1,285.8	1,340.9	0.6	4.3
Loans repayments	1,243.4	1,287.7	-1.0	3.6
Loans outstanding ²	2,306.0	2,435.1	5.4	5.6
<i>of which:</i>				
Business Sector				
Loans applications	370.1	441.0	10.9	19.2
Loans approvals	211.9	275.1	5.7	29.8
Loans disbursements	856.1	899.3	2.4	5.1
Loans repayments	823.8	848.5	-0.7	3.0
Loans outstanding ²	775.3	837.4	4.6	8.0
<i>of which:</i>				
SMEs				
Loans applications	205.2	203.0	7.7	-1.1
Loans approvals	99.6	107.8	-2.7	8.2
Loans disbursements	318.3	315.4	6.2	-0.9
Loans repayments	300.8	296.0	3.4	-1.6
Loans outstanding ²	403.7	423.4	7.5	4.9
Household Sector				
Loans applications	491.6	507.6	0.6	3.3
Loans approvals	216.8	221.0	-0.7	1.9
Loans disbursements	293.9	303.6	-0.2	3.3
Loans repayments	287.8	298.4	0.8	3.7
Loans outstanding ²	1,381.5	1,451.3	5.8	5.1

¹ Refers to the sum of outstanding loans to businesses, households, government, financial institutions and other entities² As at end-period

Note: Loans for all segments include data from the banking system.

Total may not add up due to rounding

Source: Bank Negara Malaysia

The household segment continued to account for the largest share of total banking system loans, particularly for purchase of residential properties and passenger cars. As at end-July 2026, loan applications rose by 3.3% amounting to RM507.6 billion, while loan approvals and disbursements rebounded by 1.9% to RM221 billion and 3.3% to RM303.6 billion, respectively. Loan repayment performance increased by 3.7% or RM298.4 billion, consistent with steady income growth and household debt-servicing capacity. Moving forward, household financing is expected to be supported by stable labour market conditions, sustained household spending and income-related policy measures, including the implementation of phase two of the salary adjustment under the Public Service Remuneration System (SSPA).

Financing conditions remained favourable, supported by continued access to financing, resilient credit flows and ongoing policy support. As at end-July 2026, financing activity in the business segment was firm, supported by sustained demand for working capital and investment-related loans. Loan applications expanded by 19.2% to RM441 billion, while approvals rose by 29.8% to RM275.1 billion, reflecting stronger financing needs. Disbursements to the business sector increased by 5.1% to RM899.3 billion, with SMEs accounting for 35.1% during the period. Higher disbursement growth was observed particularly in the E&E and ICT sectors.

TABLE 4.2. *Banking System: Loans Outstanding by Sector, End-July 2025 and 2026*

	RM BILLION		SHARE (%)	
	2025	2026	2025	2026
Business Sector	775.3	837.4	33.6	34.4
Non-SMEs	369.8	410.7	16.0	16.9
SMEs	403.7	423.4	17.5	17.4
<i>Selected sectors</i>				
Primary agriculture	29.9	27.7	3.9	3.3
Mining and quarrying	8.8	8.3	1.1	1.0
Manufacturing	137.3	146.3	17.7	17.5
Construction	95.3	103.8	12.3	12.4
Electricity, gas and water supply	23.2	28.0	3.0	3.3
Wholesale and retail trade	165.1	174.6	21.3	20.8
Hotels and restaurants	22.2	22.9	2.9	2.7
Transport and storage	33.2	33.0	4.3	3.9
Information and communication	26.2	36.2	3.4	4.3
Finance, insurance, real estate and business activities	206.3	226.9	26.6	27.1
Household Sector	1,381.5	1,451.3	59.9	59.6
<i>of which:</i>				
Purchase of residential properties	865.4	912.4	62.6	62.9
Purchase of non-residential properties	86.1	90.6	6.2	6.2
Purchase of passenger cars	206.6	219.2	15.0	15.1
Credit cards	47.4	49.0	3.4	3.4
Personal use	119.4	120.9	8.6	8.3
Purchase of securities	56.3	58.5	4.1	4.0
Others	0.3	0.7	0.0	0.1
Other sectors	149.2	146.4	6.5	6.0
Total¹	2,306.0	2,435.1	100.0	100.0

¹ Refers to the sum of outstanding loans to businesses, households, government, financial institutions and other entities
 Note: Total may not add up due to rounding
 Source: Bank Negara Malaysia

As at June 2026, Malaysia's household debt stood at RM1,754.2 billion, equivalent to 83.2% of GDP, improved from 84.7% at end-2025, backed by stronger nominal GDP growth. Household debt growth also moderated and broadly aligned with historical trends, mainly driven by financing residential properties and passenger cars, which collectively accounted for 75.3% of total household debt. Despite the elevated debt level, household financial positions remained sound, supported by strong asset holdings and healthy net financial wealth.

Households demonstrated adequate debt-servicing capacity, supported by favourable labour market conditions and steady income growth. The median debt service ratio (DSR) stood at 32.1% with median DSRs across all income groups remaining below 60%, while the median debt-to-income ratio was stable at 1.3 times. The household impaired-loans ratio remained low at 1.1%. These indicators suggest that households generally maintain sufficient financial capacity to meet debt obligations, thereby mitigating risks to overall financial stability.

Moving forward, household credit risk is expected to remain stable and manageable. The Government and BNM continue to promote sustainable household borrowing through prudent underwriting and loan affordability assessments under BNM's responsible financing requirements and guidelines. Targeted repayment assistance

is also available to borrowers experiencing financial difficulties. BNM is strengthening pre-emptive credit risk management through enhanced requirements to promote responsible borrowing and more risk-sensitive underwriting. Starting 1 January 2027, financial consumers applying for new personal financing exceeding RM100,000 will be required to complete a financial education module conducted by the financial service provider or the Credit Counselling and Debt Management Agency (AKPK). Financial service providers will also be required to apply prudent DSR and minimum net disposable income thresholds that take into account borrowers' income levels and household circumstances. Complementing these measures, initiatives by the Financial Education Network (FEN) under the National Strategy for Financial Literacy 2026 – 2030, will further enhanced households' financial capability and long-term resilience.

At the same time, utilisation of alternative financing and payment arrangements, including Buy Now, Pay Later (BNPL) facility continues to grow. These arrangements provide flexibility in managing purchases and short-term cash flows. However, this may increase financial commitments, particularly when multiple credit facilities are used concurrently. This reinforces the need for consumers to assess their repayment capacity before taking on additional financial obligations, highlighting the importance of prudent financial management.

Capital Market Performance

Capital market fundraising gains momentum

Fundraising activities in the domestic capital market were vibrant during the first seven months of 2026, supported by sustained investor demand and conducive domestic market conditions. Gross private sector fundraising increased by 58.9% to RM120.7 billion, driven by higher activities in both the equity and corporate bond markets. Gross funds raised in the equity market expanded by 34.4% to RM5.8 billion, while corporate bond issuances surged by 60.4% to RM114.9 billion.

Corporations continued to tap the debt capital market to diversify funding sources and secure longer-term financing. Relatively favourable funding conditions also facilitated market-based financing by creditworthy issuers. Medium-term notes remained the predominant instrument, accounting for 96.9% of total corporate bond issuances. Activities were concentrated in finance, insurance, real estate and business services (65.6%); construction (13.5%); and electricity, gas and water (11.4%) sectors.

During the first seven months of 2026, 42 initial public offerings (IPOs) across diverse sectors raised RM5.8 billion, reflecting sustained interest in equity market financing as companies sought capital to scale up operations and pursue new investment opportunities. This momentum was further supported by ongoing efforts by Bursa Malaysia and the Securities Commission Malaysia (SC) to enhance market accessibility, streamline the listing process and facilitate equity fundraising.

TABLE 4.3. *Funds Raised in the Capital Market, January – July 2025 and 2026*

	RM MILLION	
	2025	2026
Public Sector		
Government securities		
Malaysian Government Securities	47,599.6	55,419.0
Malaysian Government Investment Issues	54,830.7	55,191.5
New issues of debt securities	102,430.3	110,610.5
Less: Redemptions	19,720.0	53,953.3
Net funds raised by the public sector	82,710.3	56,657.2
Private Sector		
Shares¹/Warrants		
Initial Public Offers	4,279.2	5,751.1
Rights Issues	-	-
Warrants	-	-
New issues of shares/warrants	4,279.2	5,751.1
Debt securities²		
Straight bonds	402.0	870.5
Convertible bonds	-	-
Islamic bonds	1,956.3	2,725.0
Medium-term notes	69,297.7	111,323.7
New issues of debt securities	71,655.9	114,919.2
Less: Redemptions	44,244.7	72,149.4
Net issues of debt securities	27,411.2	42,769.8
Net funds raised by the private sector	31,690.4	48,521.0
Total net funds raised	114,400.7	105,178.1

¹ Excludes funds raised by the exercise of Employee Share Option Scheme, Transferable Subscription Rights, Warrants and Irredeemable Convertible Unsecured Loan Stocks

² Excludes short-term papers on conventional and Islamic principles
Note: Total may not add up due to rounding
Source: Bank Negara Malaysia

Private sector fundraising was driven by continuous investment momentum, particularly in semiconductors, digital infrastructure, data centres and cloud computing, as well as advanced manufacturing and other high-value activities. Government initiatives under the New Industrial Master Plan 2030 (NIMP 2030) and National Energy Transition Roadmap (NETR), alongside developments associated with the Johor-Singapore Special Economic Zone (JS-SEZ) also provided further impetus. In addition, financing requirements associated with major infrastructure and development projects under Budget 2026 and the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan) are expected to support issuance activities as projects progress towards implementation.

Gross public sector fundraising through Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) rose by 8% to RM110.6 billion, up from RM102.4 billion in the corresponding period of 2025. MGS and MGII issuances amounted to RM55.4 billion and RM55.2 billion respectively, supporting the Federal Government's deficit financing and refinancing requirements. However, higher redemptions reduced the net raise of public sector funds to RM56.7 billion. Demand for government securities remained healthy, backed by Malaysia's deep domestic savings and a broad investor base. The Government's borrowing programme continues to be guided by prudent debt management and fiscal consolidation objectives.

Moving forward, the domestic capital market is expected to continue supporting public and private sector financing. Corporate fundraising is anticipated to remain favourable, underpinned by financing for business expansion and investment, particularly across infrastructure, construction, utilities and technology-related activities. The Capital Market Masterplan 2026 – 2030 (CMP), launched by the SC in March 2026 will further catalyse capital formation by enhancing market

vibrancy and elevating the value proposition of the domestic capital market. The ongoing execution of national development priorities and multi-year investment projects are set to generate further opportunities. In addition, the recently established regulatory cooperation framework between Malaysia and Hong Kong on dual IPO listings and the mutual recognition of selected investment funds is expected to enhance cross-border capital market connectivity, broaden investment opportunities and strengthen Malaysia's attractiveness as a fundraising and investment destination. Meanwhile, net Government bond issuances are projected to moderate in tandem with continued fiscal consolidation efforts, reinforcing the capital market capacity to mobilise long-term funds for productive investment and sustainable economic growth.

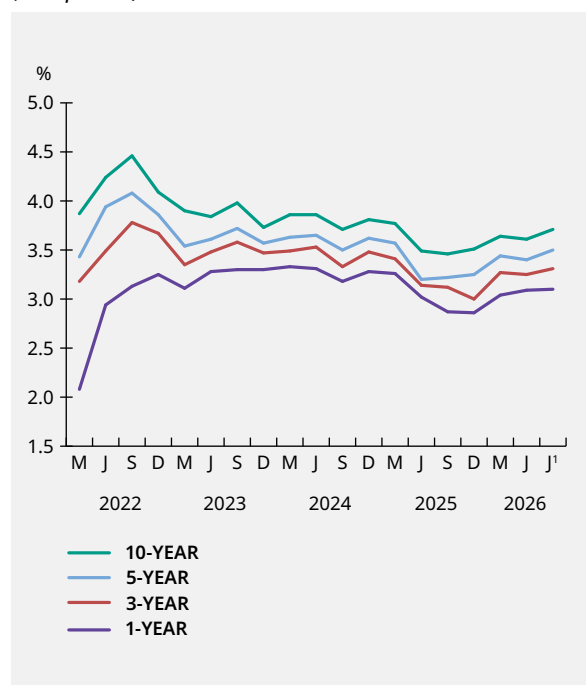
TABLE 4.4. *New Issuance of Corporate Bonds by Sector, January – July 2025 and 2026*

	RM MILLION		SHARE (%)	
	2025	2026	2025	2026
Agriculture, forestry and fishing	72.9	200.0	0.1	0.2
Manufacturing	738.7	1,100.6	1.0	1.0
Construction	7,566.0	15,503.1	10.6	13.5
Electricity, gas and water	4,480.0	13,134.0	6.3	11.4
Transport, storage and communication	1,036.0	3,440.0	1.4	3.0
Finance, insurance, real estate and business services	55,416.2	75,339.1	77.3	65.6
Government and other services	1,944.6	4,977.9	2.7	4.3
Wholesale and retail trade, restaurants and hotels	401.5	1,224.5	0.6	1.1
Mining and quarrying	0.0	0.0	0.0	0.0
Total	71,655.9	114,919.2	100.0	100.0

Note: Includes corporate bonds issued by Cagamas and non-resident corporations
Total may not add up due to rounding
Source: Bank Negara Malaysia

MGS yields trended higher during the first seven months of 2026 amid heightened volatility in global bond markets. Yields across the 1-, 3-, 5- and 10-year maturities increased broadly by around 20 – 30 bps from end-2025 levels to 3.1%, 3.3%, 3.5% and 3.7%, respectively, as at end-July 2026.

FIGURE 4.5. *Malaysian Government Securities Indicative Yields (End-period)*

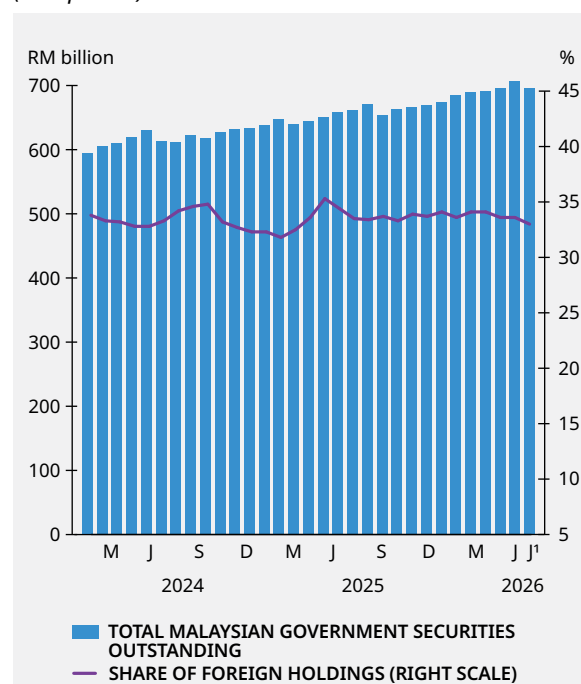


¹ End-July 2026
Source: Bank Negara Malaysia

The upward movement in MGS yields largely reflected external uncertainties and developments in global bond markets. Higher energy prices stemming from the prolonged conflict in West Asia increased inflation expectations, while resilient economic conditions in advanced economies reinforced the expectations that interest rates would remain higher for longer. Collectively, these developments placed upward pressure on

global bond yields, including MGS yields. Nevertheless, the rise in MGS yields was relatively contained compared with regional markets, supported by sustained demand from domestic and foreign investors. Foreign participation remained supportive, with net foreign inflows into the bond market reaching RM3.4 billion from January to July 2026, continuing the positive trend recorded in 2025 underpinned by Malaysia's stable interest rate environment and favourable domestic conditions. Looking ahead, foreign holdings of MGS are expected to remain broadly stable in 2027, supported by Malaysia's sound economic fundamentals, ongoing Government reforms and stable interest rate environment. However, changes in global financial conditions and broader external developments may continue to influence capital flows.

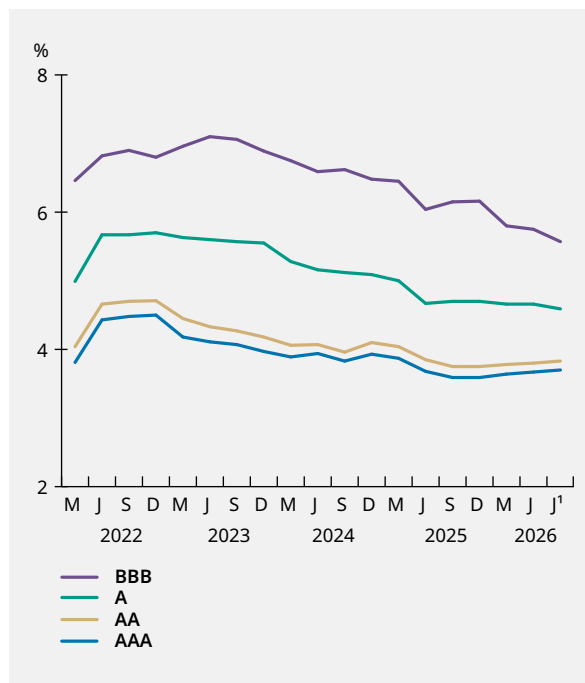
FIGURE 4.6. *Share of Foreign Holdings in Total Malaysian Government Securities Outstanding (End-period)*



¹ End-July 2026
Source: Bank Negara Malaysia

Corporate bond yields showed mixed movements across rating categories during the first seven months of 2026. The 5-year AAA- and AA-rated bond yields increased by approximately 11 and 7 bps, respectively. These increases remained relatively contained compared to the 5-year MGS yield, underscoring the resilience of the corporate bond market amid a rising interest rate environment. Meanwhile, the indicative 5-year A-rated bond yield fell by 11 bps, while the 5-year BBB-rated bond yield declined by 59 bps respectively, amid strong demand for higher-yielding credit instruments.

FIGURE 4.7. 5-Year Corporate Bond Yields (End-period)



¹ End-July 2026
Source: Bank Negara Malaysia

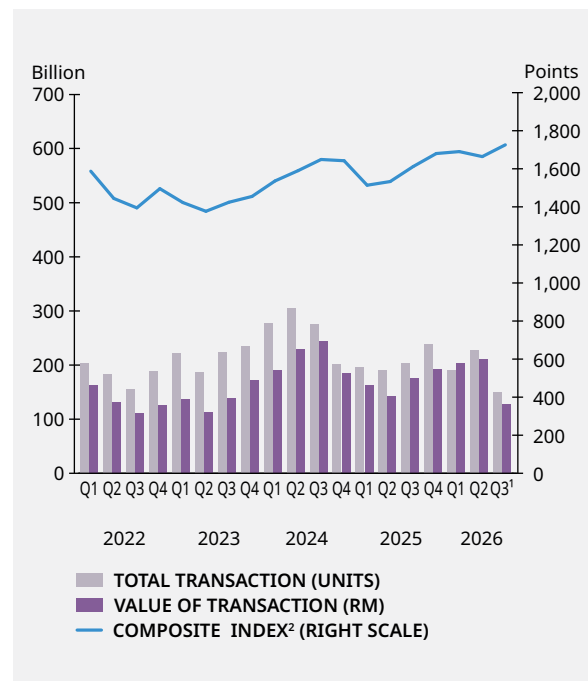
Overall, Malaysia's bond market remained resilient during the first seven months of 2026, anchored by strong domestic institutional investor base and economic conditions. Demand for Government securities remained healthy, while corporate issuers maintained access to market-based financing.

Performance of FBM KLCI

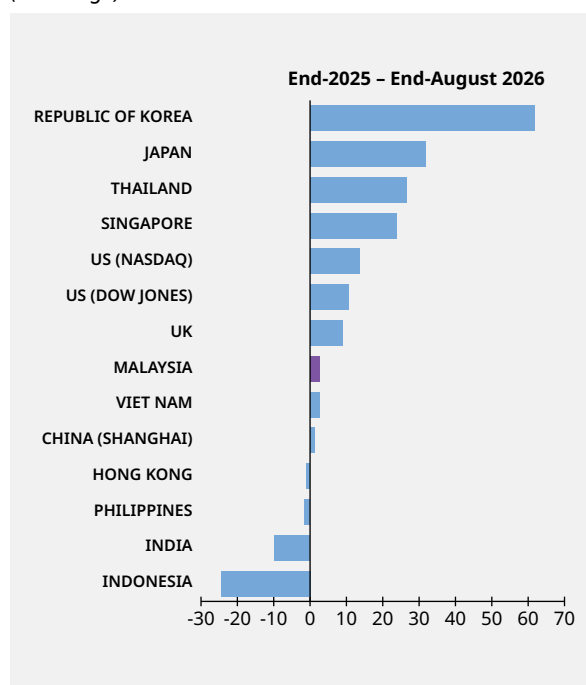
FBM KLCI remains resilient

The FBM KLCI recorded mixed performance during the first eight months of 2026. The index opened the year at 1,680.11 points and advanced to a seven-year high of 1,771.25 points on 27 January, before retreating due to escalating geopolitical tensions. Notwithstanding, the domestic equity market regained momentum in July, with the FBM KLCI rising by 3.7% month-on-month to 1,724.90 points at end-July from 1,664.06 points at end-June, supported by renewed investor interest and improved regional sentiment. The index closed at 1,725.88 points at end-August, with a growth of 2.7% year-to-date as the re-escalation of external volatilities tempered gains. Meanwhile, market capitalisation stood at RM2,191.73 billion with total trading volume and value during the first eight months reaching 567 billion units and RM540.9 billion, respectively. These developments signify the resilience of the domestic equity market.

FIGURE 4.8. Performance of Bursa Malaysia



¹ End-August 2026
² As at end-period
Source: Bursa Malaysia

FIGURE 4.9. Performance of Selected Stock Markets (% change)

Source: Bloomberg

Moving forward, ongoing capital market initiatives, including measures under the CMP such as the MY Value Up Programme as well as enhancements to the FBM KLCI and FBM70 indices are set to strengthen market vibrancy and competitiveness. The expansion of the FBM KLCI from 30 to 50 constituents to be implemented in phases from December 2026 to June 2027 will broaden coverage of Main Market capitalisation and improve sectoral representation. In addition, market segmentation review will strengthen public market clarity, enhance listing quality and provide a more structured pathway for companies to progress from the ACE Market to the Main Market. Collectively, these initiatives will widen investment opportunities, enhance market participation and facilitate more effective capital mobilisation for Malaysia's sustainable economic development.

TABLE 4.5. Bursa Malaysia: Selected Indicators, End-August 2025 and 2026

	2025	2026
Indices		
FBM KLCI	1,575.12	1,725.88
FBM EMAS	11,702.89	12,764.63
FBM 100	11,474.57	12,574.85
FBM SCAP	15,739.94	16,118.07
FBM ACE	4,722.02	5,249.38
Total trading¹		
Volume (million units)	530,875.72	567,043.63
Value (RM million)	429,542.89	540,893.66
Average daily trading¹		
Volume (million units)	3,277.01	3,544.02
Value (RM million)	2,651.50	3,380.59
Market capitalisation (RM billion)		
	1,950.31	2,191.73
Total number of listed companies		
Main Market	787	814
ACE Market	229	265
LEAP Market	47	51
Market liquidity		
Turnover value/market capitalisation (%)	22.0	24.7
Market concentration		
10 highest capitalised stocks/market capitalisation (%)	32.0	32.6

¹ Based on market transactions and direct business transactions between January and August
Source: Bursa Malaysia

INFORMATION BOX 4.1

Key Capital Market Measures

Several key measures were undertaken by the Securities Commission Malaysia (SC) and Bursa Malaysia in the first eight months of 2026 to enhance the liquidity and efficiency of Malaysia's capital market as follows:

1

Bursa Malaysia's First Financial Performance-based Indexes to Strengthen Quality-driven Investing

The Bursa Malaysia Quality 50 Index (BMQ) and Bursa Malaysia Quality 50 Shariah Index (BMQ-S) are Bursa Malaysia's first financial performance-based indexes, designed to elevate the visibility of resilient local enterprises. The new benchmarks identify 50 financially resilient Main and ACE Market companies outside the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) based on profitability, capital structure and earnings quality, providing investors with a standardised tool to identify fundamentally strong companies. The indexes broaden access to quality investment opportunities, strengthen investor confidence and support a more vibrant Malaysian equity market.

12 JAN



12 FEB



Malaysia's First Social Exchange to Strengthen Access to Social Impact Financing

2

Malaysia's first Social Exchange platform, Impakrintas, operational since 19 February 2026, provides a regulated and transparent avenue for non-profit organisations (NPOs) to raise donations for eligible social impact projects while giving donors greater visibility over their contributions. The Government allocated a RM2 million grant, administered by the SC, to partially defray eligible NPOs' onboarding and fundraising costs, while donations through the platform qualify for tax treatment under the Income Tax Act 1967. The platform strengthens public-private collaboration in social impact financing. It will progressively expand to include social enterprises, community-based initiatives and other market-based avenues that support social and climate-resilient outcomes.

3

Capital Market Masterplan 2026 – 2030 to Drive Malaysia's Capital Market Transformation

The Capital Market Masterplan 2026 – 2030 (CMP) sets out Malaysia's five-year strategy to expand the capital market to between RM5.8 trillion – RM6.3 trillion by 2030 while strengthening the country's global leadership in Islamic finance through Maqasid al-Shariah-driven innovations. The Masterplan introduces 56 strategic initiatives to enhance market vibrancy, broaden access to capital, increase investment opportunities, accelerate sustainable and Islamic finance as well as strengthen regional market connectivity. Aligned with the Ekonomi MADANI framework, the CMP is projected to elevate the capital market at a compound annual growth rate (CAGR) of 6% – 8%, optimising market valuations and mobilising climate transition financing while broadening public access to wealth creation.

9 MAR



16 MAR



MyCIF's Silver Economy Scheme and VC-led Profit-Sharing Incentive to Improve MSME Funding Access

4

The Malaysia Co-Investment Fund (MyCIF), administered by the SC, has launched two landmark funding initiatives allocating RM50 million to accelerate MSME growth. MyCIF introduced the Silver Economy Scheme to channel alternative financing focusing in care-tech, specialised healthcare and senior living solutions. Furthermore, under the VC/PE Profit-Sharing Incentive, MyCIF will share 50% of exit profits with venture capital (VC) and private equity (PE) firms that lead deals on regulated equity crowdfunding (ECF) platforms, bridging critical early-stage financing gaps while building a robust wealth-creation pipeline aligned with the Ekonomi MADANI framework.

5

ICM Innovation Lab to Advance Maqasid al-Shariah-Driven Islamic Capital Market Innovation

The SC established the Islamic Capital Market (ICM) Innovation Lab (FIKRALab) under the CMP as a structured co-creation and applied R&D platform to develop new ICM products and instruments. Anchored on Maqasid al-Shariah as well as guided by halal and *toyyib* principles, FIKRALab expands beyond fintech-centric ICM innovation by enabling deeper collaboration between the SC and industry in ideation, research, product design and pilot testing. Key features include Maqasid al-Shariah clinics to assess and enhance existing ICM products and to reinforce real economy linkages, beginning with a pilot project to develop an innovative instrument to unlock shariah-derived income within mixed activity groups. The first FIKRALab cohort is expected to commence in Q4 2026, focusing on new generation ICM products and services, Islamic social finance and social capital as well as sustainability and transition finance.

26 MAR



27 MAR



Launching of HKEX Bursa Malaysia Large Cap Index to Strengthen Regional Market Connectivity

6

Bursa Malaysia and Hong Kong Exchanges and Clearing Limited (HKEX) signed an MoU to deepen regional market connectivity, with the HKEX Bursa Malaysia Large Cap Index introduced as the first outcome of the partnership. The index tracks 60 leading listed companies across both markets, comprising 30 constituents from each market with index weightings of approximately 40% for Malaysia and 60% for Hong Kong. It provides investors with a new cross-market benchmark and supports future exchange traded fund (ETF) products. The partnership opens opportunities for collaboration in dual listings, shariah-compliant products and carbon markets thus enhancing Malaysia's international market profile.

7

Equities Trading Data Reclassification to Enhance Investor Segmentation Transparency

Bursa Malaysia officially implemented an equities trading data reclassification on 6 April 2026 to provide greater transparency and highly granular insights into retail and institutional fund flows. Under this new reporting framework, nominee accounts are now accurately categorised at the trade level based on end-beneficiary information rather than lumped into institutional data. On the other hand, foreign-owned institutions incorporated in Malaysia are refined by fund origin to better reflect true market activity. The structural update does not alter total daily trading values. This reclassification will provide investors and market participants with highly precise data to support informed investment decisions.

6 APR



8 MY Value Up Programme to Enhance Corporate Valuation and Market Attractiveness of Malaysian Public-listed Companies

Bursa Malaysia and the SC launched the MY Value Up Programme under the CMP to strengthen long-term corporate value creation among Malaysian public-listed companies (PLCs). The programme initially targets the top 88 PLCs, representing approximately 80% of Bursa Malaysia's total market capitalisation, encouraging companies to articulate their growth strategies, enhance forward-looking disclosures and strengthen engagement with investors. The programme supports stronger corporate valuations, enhances Malaysia's market attractiveness and positions Malaysian companies as globally competitive investment propositions.

20 APR



28 APR



9 Tokenised Sukuk Pilot to Advance Digital Innovation in the Islamic Capital Market

Khazanah Nasional Berhad in collaboration with the SC, successfully priced Malaysia's first tokenised sukuk valued at RM100 million under the Sukuk Danum Programme. The pilot uses Distributed Ledger Technology (DLT) to create a secure and immutable digital representation of the sukuk, enabling round-the-clock access to relevant information. This also provides a controlled and credible environment to test the benefits of tokenisation which include enhanced efficiency and transparency, broader market participation and support a more vibrant capital market. The tokenisation initiative establishes the regulatory and market foundations for future tokenised issuances therefore reinforcing Malaysia's leadership in ICM innovation.

10 Market Segmentation Review to Strengthen Public Market Framework

Under the CMP, the Equity Guidelines was revised to strengthen the public market framework by enhancing the distinct roles of the Main Market and ACE Market. The framework raises the Main Market's profit admission requirements, financial reporting standards, flexibility in assessing operating cash flow and broader eligibility for infrastructure-type listings. Meanwhile, the ACE Market is reinforced as a sponsor-driven platform for growth companies with enhanced listing requirements, including a minimum of two years post-listing track record prior to transfer to the Main Market. The reforms strengthen listing quality, improve investor protection and support companies at different stages of growth.

28 MAY



21 JUL



11 NIMP CoSIF Expands Digitalisation Support with New Smart Manufacturing Scheme

MITI and SC have launched a new Smart Manufacturing scheme under the New Industrial Master Plan 2030 (NIMP 2030) Strategic Co-Investment Fund (NIMP CoSIF) to accelerate automation and Industry 4.0 adoption among SMEs and mid-tier companies (MTCs)¹. Featuring an enhanced 2:1 government-to-private matching ratio until 2030, the Government will contribute RM2 for every RM1 raised via ECF and peer-to-peer (P2P) platforms for businesses investing in robotics, artificial intelligence and digital solutions. Additionally, the co-investment ratio for other sectors will be temporarily raised from 1:2 to 1:1 until end-2027, providing immediate financing support to strengthen industrial resilience and scale up local enterprises.

11

12 SC and Hong Kong SFC Sign Landmark MoU to Strengthen Collaboration and Capital Market Connectivity

The SC and the Hong Kong Securities and Futures Commission (SFC) signed an MoU to strengthen regulatory cooperation and capital market connectivity between Malaysia and Hong Kong, supporting the CMP's aspiration to position Malaysia as a gateway to regional investment opportunities. The MoU expands mutual recognition and cross-listing to include ETFs and real estate investment trusts (REITs), while facilitating a simplified dual-IPO listing framework with a single set of submission documents and enabling eligible Malaysian PLCs to apply for secondary listings in Hong Kong. The simplified dual IPO framework takes effect in September 2026. The collaboration broadens investment opportunities, expands access to capital and deepens cross-border participation.

23 JUL



20 AUG



13 Enhancements to FBM KLCI and FBM70 Indices to Reflect a Broader, More Diversified Equity Market

Bursa Malaysia and FTSE Russell introduced enhancements to the FBM KLCI and FTSE Bursa Malaysia Mid 70 Index (FBM70) to ensure Malaysia's flagship benchmark remains representative, investible and aligned with the needs of domestic and international investors. The FBM KLCI will expand from 30 to 50 constituents, increasing coverage of Main Market capitalisation from approximately 60% to 70% and broadening representation across sectors. Based on simulations by FTSE Russell, the expanded index would include Technology, Energy and REITs for the first time, while moderating concentration in Financial Services. The FBM70 will be reduced to 50 constituents and renamed the FTSE Bursa Malaysia Mid Cap Index. The enhancements will be implemented in phases, starting on 21 December 2026 and will be fully implemented by 21 June 2027.

13

¹ Mid-tier companies (MTC) is defined as companies with annual revenues between RM50 million to RM500 million in the manufacturing sector, and between RM20 million to RM500 million in the services and other sectors.

Islamic Banking and Capital Market Performance

Islamic finance demonstrates resilience and sustained growth

Islamic finance serves as a key pillar of Malaysia's financial sector development, contributing to inclusive and sustainable economic growth. The role extends beyond financial sector deepening, to include support for SMEs development, household resilience, halal sector competitiveness and sustainable finance to reaffirm Malaysia's position as a global Islamic finance hub. As at July 2026, Islamic financing expanded by 7.9% to RM1,076.4 billion, accounting for 44.4%⁴ of total banking sector loans and financing. The growth was primarily driven by the household sector, which constituted 63.1% of total Islamic financing and expanded by 7.1% to RM678.9 billion, while financing to the business sector was supported by strong growth in the real estate segment, which surged by 33.5% to RM54.5 billion. With a total capital ratio of 18.5% and a LCR of 145.1%, the Islamic banking sector remains resilient and is well positioned to sustain economic growth.

The Government through BNM champions value-based finance to deliver meaningful socioeconomic outcomes through greater innovation and wider industry adoption. Key domestic initiatives include the Risk Sharing Fund (i-CITA) to promote risk-sharing financing and the expansion of social finance initiative beyond iTEKAD Entrepreneurship, to encompass iTEKAD Protection and iTEKAD Employment. These expanded initiatives aim to enhance access to affordable social takaful

TABLE 4.6. *Islamic Banking: Key Indicators, End-July 2025 and 2026*

	RM BILLION		CHANGE (%)	
	2025	2026	2025	2026
Assets	1,270.0	1,364.1	9.4	7.4
Financing	997.7	1,076.4	8.0	7.9
Primary agriculture	18.4	11.9	-9.5	-35.5
Mining and quarrying	3.4	3.1	12.3	-10.6
Manufacturing	39.1	45.9	3.6	17.3
Electricity, gas and water supply	9.3	13.0	36.1	40.2
Wholesale and retail trade, restaurants and hotels	67.0	67.1	7.4	0.2
Construction	37.6	39.7	-21.7	5.8
Real estate	40.8	54.5	5.5	33.6
Transport, storage and communication	29.1	34.1	15.1	17.0
Finance, insurance and business activities	74.1	76.4	43.0	3.1
Education, health and others	8.2	8.3	-4.2	1.9
Households	633.7	678.9	8.6	7.1
Others	37.1	42.3	-2.5	14.1
Liabilities	1,175.0	1,265.0	9.4	7.7
Deposits	908.1	693.6	8.0	6.1
Investment	0.2	0.2	-8.6	-10.5
Savings	79.6	84.8	3.4	6.6
Demand	173.5	192.5	16.2	10.9
Others	654.8	686.1	6.6	4.8
Investment account	182.4	202.2	15.9	10.8

Note: Key indicators data for Islamic banking excluding DFIs.
Total may not add up due to rounding
Source: Bank Negara Malaysia

coverage and support vulnerable communities through capacity building, employability support, and financial management guidance. Internationally, Malaysia strengthened its leadership through industry stewardship,

⁴ Islamic Banking figures not including Development Financial Institutions (DFIs)

capacity building, shariah collaboration and targeted partnerships. This is further supported by the establishment of the Malaysia International Islamic Financial Centre (MIFC) Advisory Panel in June 2026. In the Islamic financial market, Malaysia is transitioning from the KLIBOR to the Malaysia Overnight Rate (MYOR) and Malaysia Islamic Overnight Rate (MYOR-i), with KLIBOR to be discontinued effective 1 January 2029. In addition, MYOR-i will become the benchmark for new Islamic financial products from the second half of 2027, enhancing the transparency and reliability while fostering a robust shariah-compliant financial ecosystem.

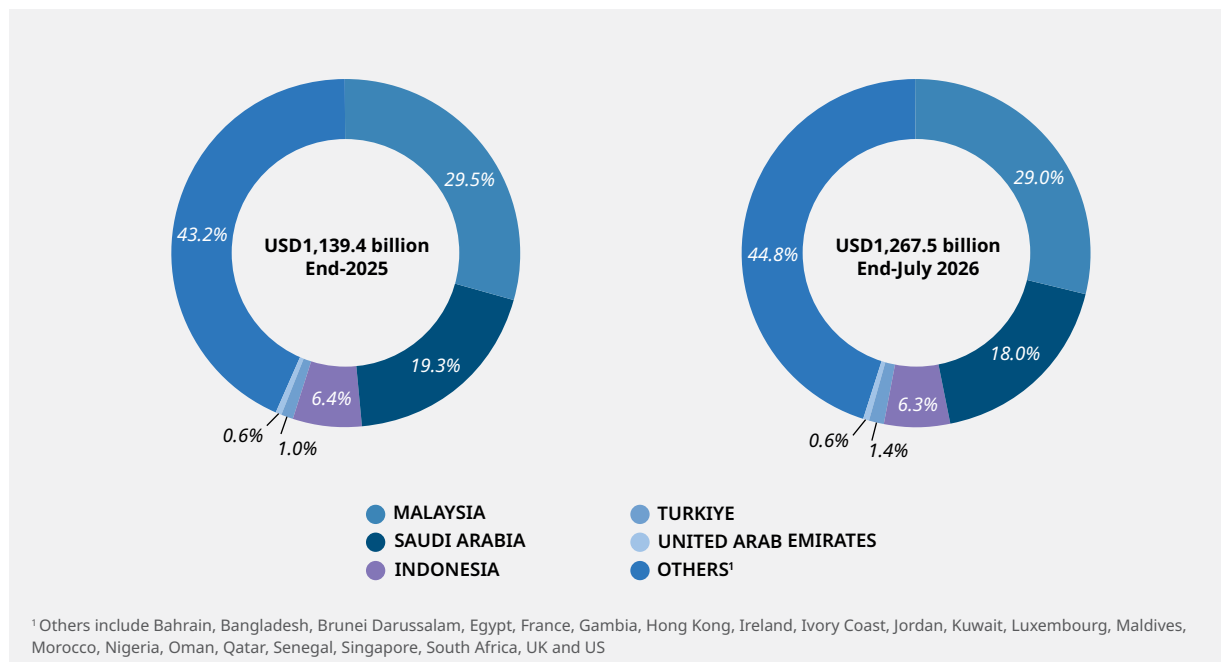
The Islamic capital market (ICM) is a major part of Malaysia's financial system, supported by a well-established shariah governance framework and a broad range of investment instruments. At end-2025, total ICM size reached RM2.75 trillion, accounting for 63.7% of Malaysia's capital market, with sukuk and shariah-compliant equities forming its main components. The ICM continued to evolve through product innovation, digitalisation and purpose-driven Islamic finance, thereby reinforcing its role in mobilising capital for sustainable economic development and positive social outcomes.

Malaysia maintained its leadership in the global sukuk market, accounting for approximately 29% of total global sukuk outstanding as at end-July 2026. Domestic sukuk outstanding stood at RM1,490.5 billion, representing 63.3% of Malaysia's total bonds and sukuk outstanding. Total sukuk issuance increased by 22.4% to RM175.5 billion compared with the corresponding period in 2025, reflecting sustained market-based fundraising activities. The local sukuk market continues to serve as a vital conduit for capital mobilisation anchored by broad investor participation and a well-developed Islamic finance ecosystem.

In July 2026, Malaysia successfully issued a USD1.5 billion Global Sukuk, attracting strong investor demand that resulted in a 4.7 times oversubscription. This exceptional market reception enabled the issuance to achieve record-breaking low spread for a Malaysian sovereign dollar offering, underscoring solid global investor confidence in Malaysia's macroeconomic fundamentals, prudent fiscal discipline and a well-developed ICM. This issuance further reinforces Malaysia's access to international capital markets, while establishing a pricing benchmark for Malaysian entities, including government-linked companies and corporate borrowers seeking access to offshore funding.

As at end-July 2026, 80.7% out of 1,111 companies listed on Bursa Malaysia were shariah-compliant public listed companies, with market capitalisation stood at RM1,411.9 billion, representing 65% of the total market capitalisation. Shariah-compliant equities were concentrated mainly in the industrial products and services (30%), consumer products and services (21%) as well as technology (11%) sectors, providing investors with broad exposure across key segments of the economy.

The ICM also made further progress in innovation and digitalisation, unlocking new opportunities for market development, including developing shariah-based solutions. The Maqasid Al-Shariah Guidance Note on sukuk encouraged issuers and investors to look beyond technical shariah compliance and the broader socioeconomic impact of financing. These include creating economic value, supporting social well-being and promoting responsible investment outcomes. Additionally, the launch of Malaysia's first tokenised sukuk marked a significant milestone in leveraging digital technology in the sukuk market, offering the potential to improve operational efficiency, market transparency and investor accessibility.

FIGURE 4.10. *Global Sukuk Outstanding by Country (% share)*

Note: Total may not add up due to rounding
 Source: Bank Negara Malaysia

Moving forward, Malaysia's ICM is expected to remain as an important source of financing and investment, driven by sustained demand for shariah-compliant and sustainable investment solutions. Ongoing efforts to broaden the investor base, strengthen regional financial linkages and expand access to international capital markets through upcoming new sustainable sukuk frameworks, will further catalyse market expansion. Coupled with strategic initiatives under the CMP, these developments are set to enhance Malaysia's global competitiveness and reinforce its leadership as an international ICM hub.

Conclusion

Malaysia's financial ecosystem is expected to remain resilient and supportive of economic activity, with the continuous role played by the banking system and capital market in meeting the financing needs. Financial intermediation will continue to support households and businesses with the upcoming Financial Sector Blueprint 2027 – 2030 and initiatives under the Capital Market Masterplan 2026 – 2030 providing the overarching policy direction. Collectively, continued reforms, broader investor participation and diverse funding sources will further strengthen the financial system.

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