

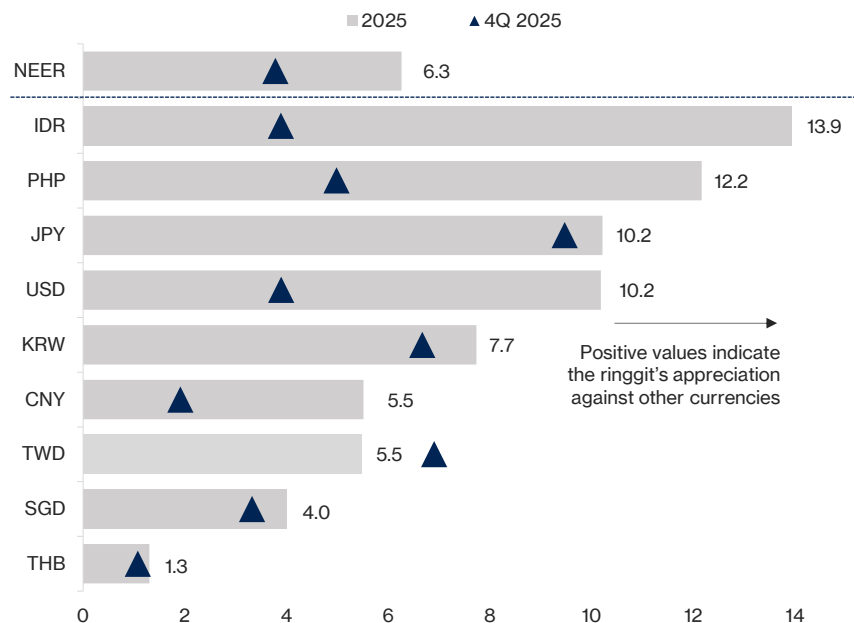
Monetary and Financial Developments

Financial Markets and Exchange Rate

The ringgit appreciated against currencies of trading partners during the quarter

The ringgit's appreciation was driven by developments in the external environment, including the US Federal Reserve's policy rate cuts in October and December, as well as favourable domestic economic prospects.

Performance of the ringgit against selected major and regional currencies % year-to-date and quarter-on-quarter



Note: NEER refers to the ringgit nominal effective exchange rate, which measures the ringgit's performance against a basket of currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia

Domestic financial market developments were driven by both global and domestic factors



Bond yields increased marginally

following higher issuances of Government securities

MGS 10Y Yields

+4 bps

(3Q 2025: -2 bps)



Equity market rose

in line with global equities, supported by demand from local institutional investors towards the end of the quarter

KLCI

+4.2% QoQ

(3Q 2025: +5.1%)

Key factors influencing global and domestic markets



Narrowing interest rate differentials reflecting policy rate cuts by the US Federal Reserve amid cooling US labour market conditions



Continued easing of tariff-related uncertainties, following finalised trade deals between the US and several regional countries



Positive domestic economic prospects, underpinned by reform efforts, reinforced investor confidence and improved overall sentiment

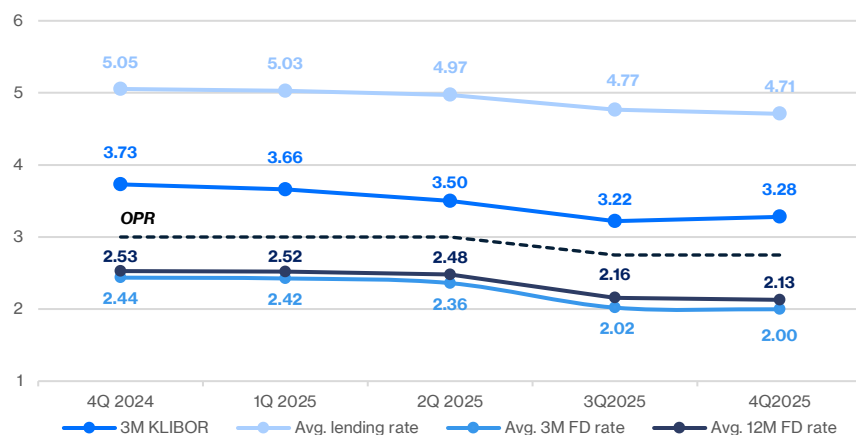
Source: Bank Negara Malaysia, Electronic Trading Platform (ETP) and Bursa Malaysia

Monetary and Financial Developments

Interest Rates and Liquidity

Fixed deposit and average lending rates continued to decline during the quarter

Interest rates,
End-period, %

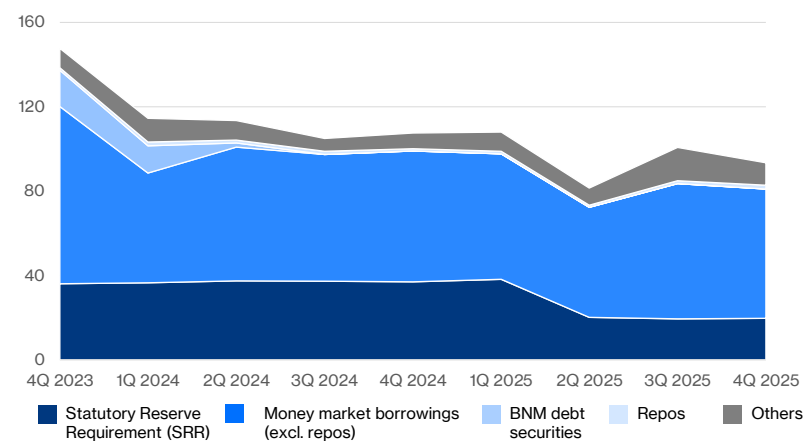


- **The 3M KLIBOR edged higher** amid seasonal funding demand by banks towards the year-end period, albeit at a smaller magnitude relative to recent years. Since then, KLIBOR rates have begun easing gradually in January 2026 across most tenures.
- **Retail board fixed deposit (FD) rates declined** between 1 to 7 basis points across tenures during the quarter, reflecting banks' funding strategies to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans decreased** by 6 basis points during the quarter, reflecting continued pass-through from the reduction in the Overnight Policy Rate (OPR) on 9 July 2025.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity continued to facilitate financial intermediation

Outstanding ringgit liquidity placed with BNM,
End-period, RM billion



- **Total banking system liquidity decreased slightly** amid an increase in currency in circulation as demand for cash increased during the year-end period.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placements with BNM as at end-December 2025.

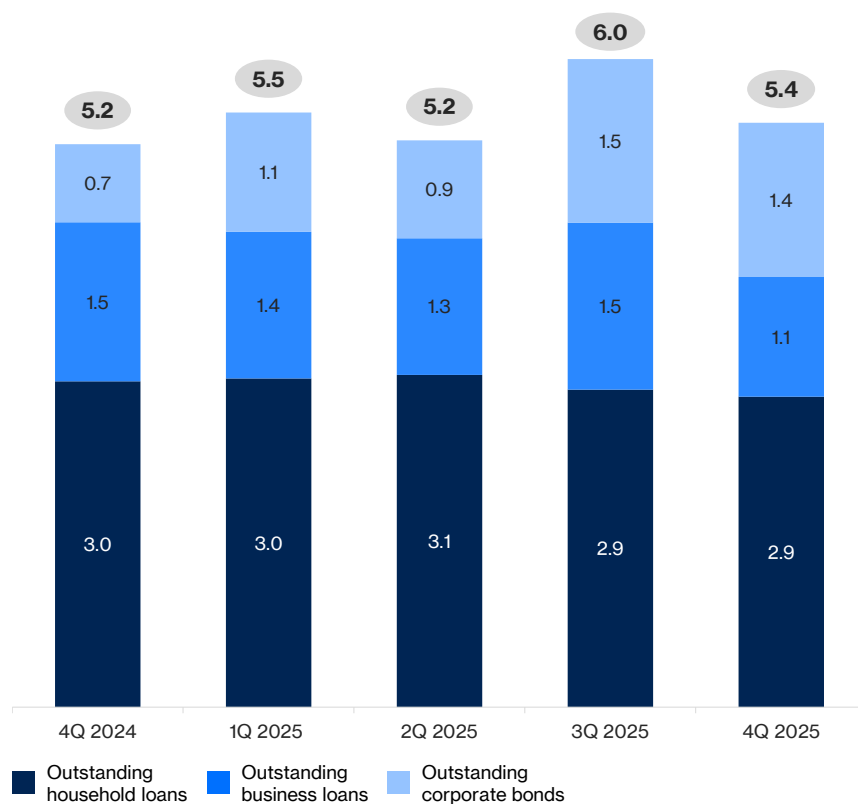
Source: Bank Negara Malaysia

Monetary and Financial Developments

Credit Conditions

Credit growth moderated amid slower expansion in outstanding business loans

Credit to the Private Non-Financial Sector,
Contribution to growth, ppt



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

Key developments

Credit to the Private Non-Financial Sector⁶

5.4%
3Q 2025: 6%

- Growth in outstanding loans⁷ moderated (5%; 3Q 2025: 5.6%) following slower business loan expansion, while growth in household loans remained stable.
- Outstanding corporate bonds grew at a more moderate pace of 6.9% (3Q 2025: 7.3%) amid higher redemptions.

Business Loans

3.9%
3Q 2025: 5.5%

- Growth in business loans moderated to 3.9%, mainly reflecting slower loan growth for working capital purposes among SMEs (4.3%; 3Q 2025: 6%).
- Business loan growth for investment-related⁸ purposes also eased but remained above its long-term average.⁹
- On a quarterly basis, loan disbursements expanded across SMEs and non-SMEs.

Household Loans

5.6%
3Q 2025: 5.7%

- Steady expansion in household loans at 5.6%, with sustained loan growth across most purposes.
- Demand for household loans remained broadly steady and continued to be met by sustained approvals.

⁶ All numbers quoted are in terms of annual change.

⁷ Refers to loans from the banking system and development financial institutions (DFIs).

⁸ Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets, as well as for construction activities.

⁹ Refers to quarterly average of loan growth from 2022 to 2024.

Source: Bank Negara Malaysia