

MONETARY AND FINANCIAL DEVELOPMENTS

Interest rates remained stable

The Overnight Policy Rate (OPR) was left unchanged at 3.00% in the third quarter of 2011, following a 25 basis points increase in May. At the prevailing level, the OPR remains supportive of economic activity. The stance of monetary policy is consistent with the assessment of heightened uncertainties arising from global developments that have created greater downside risks to growth.

Reflecting the unchanged OPR, the average overnight interbank rate was stable, moving within a range of 2.79% to 3.00% during the period 1 July – 30 September 2011. Interbank rates of other short-term maturities were also stable.

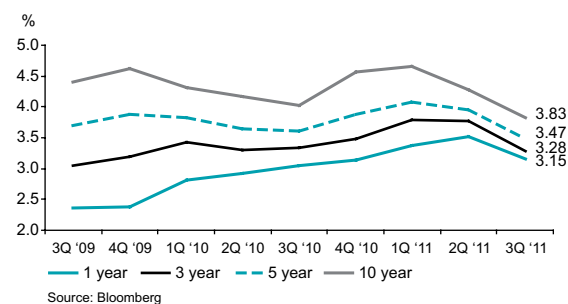
Rates on interest rate swaps and KLIBOR 3-month futures, however, declined during the third quarter. This reflected the moderation of expectations for future increases in the OPR given the uncertainties surrounding global growth and its implications to the Malaysian economy.

Retail deposit rates were stable during the quarter. The average quoted fixed deposit (FD) rates were relatively unchanged. As at end-September, the average quoted FD rates for tenures between 1 and 12 months ranged between 2.95% and 3.22% respectively.

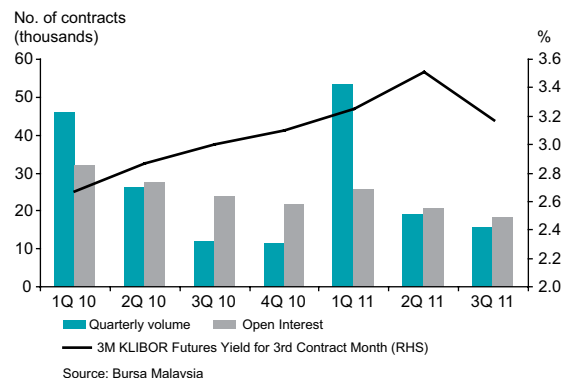
Borrowing costs were also stable between July and September 2011. The average base lending rate (BLR) of commercial banks (CBs) was unchanged at 6.54%. The weighted average

lending rate (ALR) on loans outstanding also remained stable at 5.70% as at end-September 2011 (end-June 11: 5.71%). With retail lending rates still below pre-crisis levels, the cost of financing continues to remain supportive of the economy.

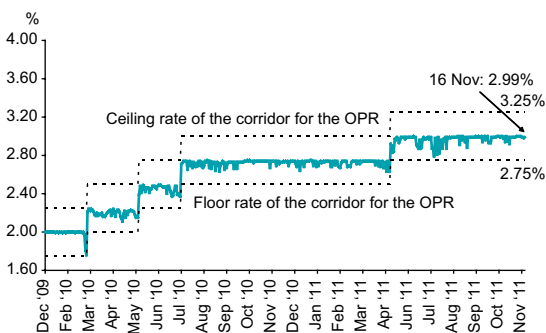
Interest Rate Swap: Rates



3-Month KLIBOR Futures



Daily Weighted Average Overnight Interbank Rate

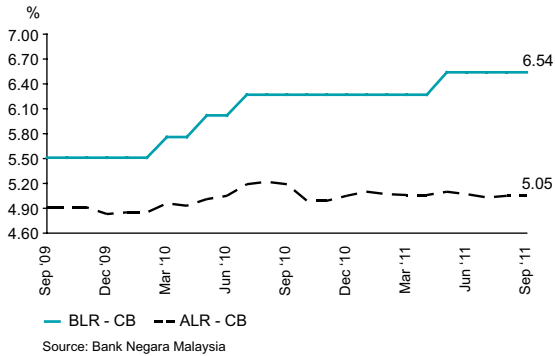


Interest Rates

	2010		2011		
	3Q	4Q	1Q	2Q	3Q
	At end-period (%)				
Overnight Policy Rate (OPR)	2.75	2.75	2.75	3.00	3.00
Interbank rates					
Overnight	2.73	2.72	2.74	2.97	2.99
1-month	2.81	2.83	2.79	3.08	3.09
Base lending rates (BLR)					
Commercial banks	6.27	6.27	6.27	6.54	6.54
Average lending rates (ALR)					
Commercial banks	5.19	5.05	5.06	5.07	5.05
Fixed deposit rates					
Commercial banks					
3-month	2.73	2.74	2.74	2.99	3.00
12-month	2.95	2.97	2.98	3.23	3.22

Source: Bank Negara Malaysia

Lending Rates of Commercial Banks (At end-period)



Determinants of Broad Money, M3

	Change during the period				
	2010		2011		
	3Q	4Q	1Q	2Q	3Q
	RM billion				
M3	24.1	30.5	28.0	44.9	28.8
Net claims on Govt	2.7	-3.4	-3.7	-11.4	10.4
Claims on private sector	22.5	29.1	22.8	37.8	20.2
Loans	17.2	28.6	26.5	29.3	22.6
Securities	5.3	0.5	-3.7	8.5	-2.4
Net foreign assets ¹	17.3	17.3	25.1	72.7	3.5
BNM	5.9	17.2	15.7	61.7	10.7
Banking System	11.3	0.1	9.3	11.0	-7.2
Other influences	-18.4	-12.5	-16.1	-54.2	-5.3

¹ Pre-revaluation

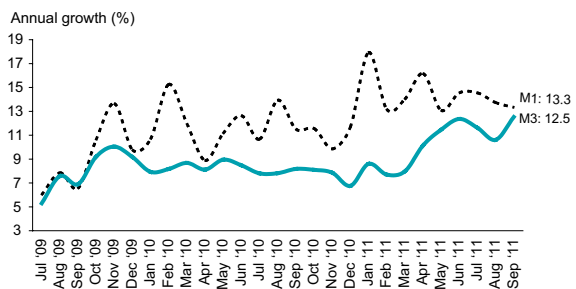
Source: Bank Negara Malaysia

M3 rose further during the quarter

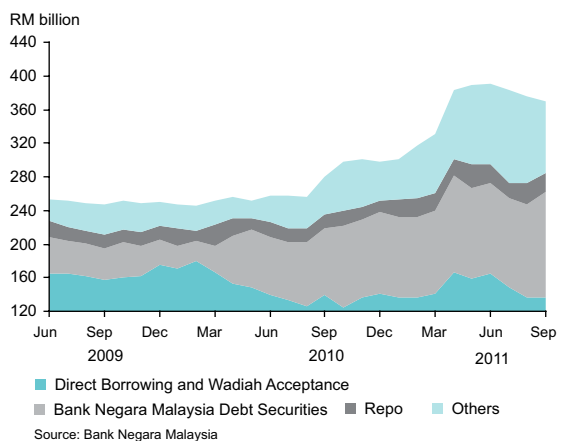
The monetary aggregates continued to grow during the third quarter. M1, or narrow money, increased by RM2.5 billion during the quarter. On an annual basis, M1 expanded by 13.3% as at end-September (end-June 11: 14.5%). M3, or broad money, increased by RM28.8 billion on a quarter-on-quarter basis to register an annual growth rate of 12.5% as at end-September 2011 (end-June 11: 12.4%).

The increase in M3 during the third quarter was underpinned by the continued expansion in credit, reflecting the sustained pace of economic activity. Adding to this expansionary impact on M3 was the increased spending by the Government. Meanwhile, net capital outflows led to a decline in the net foreign assets of the banking institutions, which in turn exerted a contractionary impact on broad money.

Monetary Aggregates



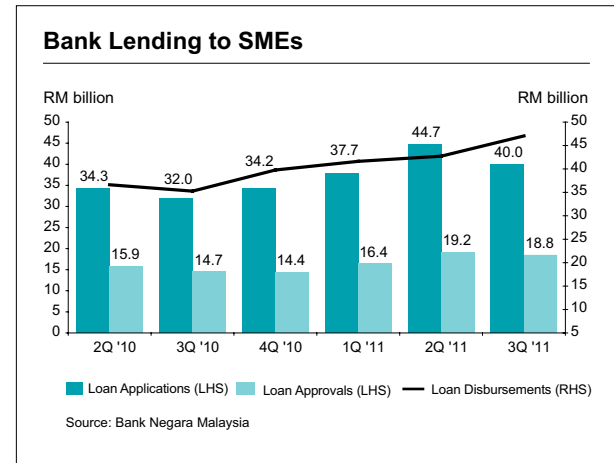
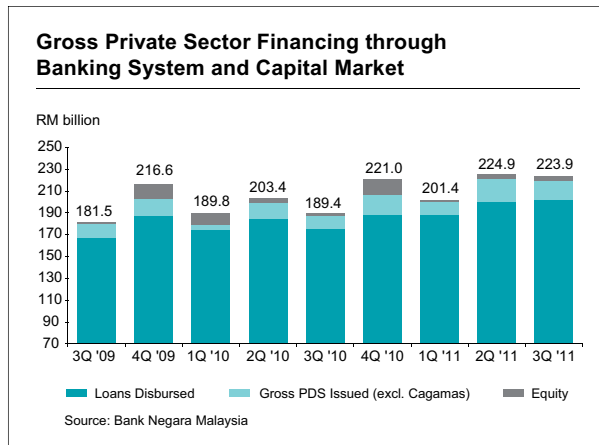
Outstanding Liquidity Placed with Bank Negara Malaysia (At end-period, RM billion)



Private sector financing remained resilient

Financing activity in the third quarter remained resilient with total gross financing raised by the private sector through the banking system

and the capital market sustained at RM223.9 billion (2Q 11: RM224.9 billion). On a net basis, banking system loans and PDS outstanding rose by an annual rate of 13.4% as at end-September (end-June 11: 12.8%).



Financing of the Private Sector through Banking System and Capital Market

	During the period (RM billion)					Annual growth (%)				
	2010		2011			2010		2011		
	3Q	4Q	1Q	2Q	3Q	3Q	4Q	1Q	2Q	3Q
Gross total financing	189.4	221.0	201.4	224.9	223.9	4.4	2.1	6.1	10.6	18.2
Loans disbursed*	176.1	188.9	188.6	200.8	202.1	5.1	1.0	8.2	8.4	14.8
Gross PDS (excl. Cagamas)	11.2	17.4	11.6	20.3	18.0	-11.3	5.9	161.3	45.9	61.1
Equity	2.1	14.7	1.1	3.8	3.8	73.6	12.0	-89.9	-9.7	79.3
Net total financing (A)+(B)	22.0	36.9	32.8	51.2	31.4	10.6	10.9	12.1	12.8	13.4
Banking system	22.9	29.5	25.9	38.9	25.9	11.0	11.9	12.4	13.1	13.1
Loans outstanding (A)	19.2	29.1	28.8	35.6	24.6	11.8	12.7	13.2	13.5	13.8
Holding of PDS	3.7	0.4	-2.8	3.3	1.3	1.3	1.9	2.1	7.7	3.4
PDS outstanding (B)	2.8	7.8	4.0	15.6	6.8	7.1	5.9	8.7	10.6	11.9
Memorandum item										
Gross PDS (incl. Cagamas)	14.4	18.3	12.2	20.9	19.1	6.5	11.4	161.3	42.0	32.4

*Banking systems loans include loans sold to Cagamas
Source: Bank Negara Malaysia

The major loan indicators remained healthy during the third quarter. In the business sector, the bulk of the loans were disbursed to finance working capital requirements of the *manufacturing; wholesale and retail, restaurants and hotels; finance, insurance and business services* and *construction* sectors. Demand for new financing by businesses moderated slightly with applications mainly from the *finance, insurance and business services; manufacturing* and *electricity, gas and water supply* sectors. On an annual basis, business loans outstanding rose at a higher rate of 14.1% as at end-September (end-June 11: 12.1%). The increase in business loans

outstanding was broad-based across all major sectors.

Similarly, financing to the household sector remained high. Loan disbursements to households also increased during the quarter, mainly for the *purchase of residential and non-residential properties* and for *personal use*. Although household demand for financing was sustained, it nevertheless moderated across most purposes during the quarter. Accordingly, household loans outstanding expanded by RM15.2 billion during the quarter to increase at an annual growth rate of 12.5% as at end-September (end-June 11: 12.8%).

Loan Indicators

	During the period (RM billion)					Annual growth (%)				
	2010		2011			2010		2011		
	3Q	4Q	1Q	2Q	3Q	3Q	4Q	1Q	2Q	3Q
Total										
Loan applications	176.3	173.5	168.5	199.2	182.9	30.1	22.9	26.8	25.5	3.7
Loan approvals	91.2	91.8	87.6	109.7	97.3	25.5	14.1	25.0	21.4	6.7
Loan disbursements	176.1	188.9	188.6	200.8	202.1	5.1	1.0	8.2	8.4	14.8
Loan repayments	165.2	167.9	168.1	173.8	188.2	13.4	3.4	8.8	7.4	13.9
Change in loans outstanding*	19.2	29.1	28.8	35.6	24.6	11.8	12.7	13.2	13.5	13.8
Of which:										
Business enterprises**										
Loan applications	84.7	82.1	79.6	96.6	85.7	40.6	34.1	32.6	34.8	1.1
Loan approvals	43.7	43.4	38.9	55.4	46.2	47.5	17.0	32.8	29.2	5.8
Loan disbursements	116.5	124.6	122.1	134.8	135.9	5.9	-1.2	4.2	7.8	16.6
Loan repayments	113.6	113.0	109.8	116.9	130.2	15.7	0.2	4.3	5.0	14.6
Change in loans outstanding*	2.1	13.4	11.3	11.6	8.7	7.1	9.4	10.9	12.1	14.1
SMEs**										
Loan applications	32.0	34.2	37.7	44.7	40.0	12.2	14.9	35.0	30.6	25.2
Loan approvals	14.7	14.4	16.4	19.2	18.8	18.3	13.5	27.3	20.9	27.7
Loan disbursements	35.3	39.8	41.6	42.7	47.0	-1.3	4.0	17.3	16.6	33.4
Loan repayments	33.9	37.4	37.2	36.6	41.9	3.2	7.3	11.4	13.1	23.6
Change in loans outstanding*	2.8	3.5	3.4	7.5	5.7	4.5	2.4	2.4	14.1	16.1
Large corporations										
Loan applications	52.8	47.9	41.9	51.8	45.7	66.0	52.3	30.5	38.8	-13.4
Loan approvals	29.0	29.1	22.4	36.3	27.5	68.5	18.9	37.1	34.1	-5.3
Loan disbursements	81.3	84.8	80.4	92.0	88.8	9.3	-3.4	-1.5	4.2	9.3
Loan repayments	79.7	75.6	72.6	80.2	88.3	22.0	-3.0	1.1	1.7	10.8
Change in loans outstanding*	-0.7	9.8	7.9	4.1	3.0	8.7	14.2	17.0	10.8	12.8
Households										
Loan applications	91.6	91.4	88.9	102.6	97.2	21.6	14.3	22.0	17.8	6.2
Loan approvals	47.5	48.3	48.8	54.3	51.0	10.3	11.5	19.4	14.3	7.5
Loan disbursements	59.6	64.3	66.6	66.1	66.2	3.5	5.6	16.4	9.6	11.1
Loan repayments	51.6	54.9	58.3	57.0	58.0	8.5	10.6	18.4	12.8	12.4
Change in loans outstanding*	14.8	14.2	14.8	15.4	15.2	13.3	13.4	13.2	12.8	12.5

* The annual growth is for end-period.
** Include loans to individual businesses.

Source: Bank Negara Malaysia

Loans by Sector

	Loans disbursed					Loans out-standing	
	During the period					Share of total	Share of total
	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	3Q 11	
	(RM billion)					(%)	
Business enterprises	116.5	124.6	122.1	134.8	135.9	67.2	45.0
<i>Large corporations</i>	81.3	84.8	80.4	92.0	88.8	44.0	30.1
<i>SMEs*</i>	35.3	39.8	41.6	42.7	47.0	23.3	14.9
<i>Selected sectors</i>							
Agriculture, hunting, forestry and fishing	4.8	5.3	5.6	5.9	5.3	2.6	2.1
Mining and quarrying	0.9	1.2	1.1	1.1	1.6	0.8	0.4
Manufacturing	36.1	36.8	41.2	42.0	44.9	22.2	9.4
Construction	11.3	11.9	10.3	10.1	10.8	5.3	3.9
Real estate	6.9	7.5	6.4	8.5	8.9	4.4	4.9
Electricity, gas and water supply	0.9	2.6	1.5	1.2	1.6	0.8	1.1
Wholesale, retail, restaurants and hotels	30.6	30.9	30.8	33.8	37.2	18.4	7.3
Transport, storage and communication	4.2	4.3	4.4	4.3	4.6	2.3	2.8
Finance, insurance and business services	13.0	17.8	14.9	18.7	13.0	6.4	7.5
Households	59.6	64.3	66.6	66.1	66.2	32.8	55.0
Purchase of residential properties	13.7	15.1	15.0	15.7	16.8	8.3	25.5
Consumption credit	38.2	39.9	40.1	40.9	40.3	20.0	19.9
Of which:							
<i>Credit cards</i>	21.3	23.4	23.3	24.2	22.7	11.3	3.2
<i>Purchase of passenger cars</i>	9.4	9.1	8.9	8.6	8.8	4.4	11.8
Others	7.7	9.3	11.4	9.5	9.1	4.5	9.6
Total	176.1	188.9	188.6	200.8	202.1	100.0	100.0

*Include loans to individual businesses.
Source: Bank Negara Malaysia

Fund raising in the capital market driven by the private sector

Net funds raised in the capital market amounted to RM12.7 billion during the quarter (2Q 11: RM20.8 billion). Of this, 88%, or RM11.1 billion were raised by the private sector, especially through private debt securities. During the quarter, new PDS issuances amounted to RM19.1 billion (2Q 11: RM20.9 billion). Funds were mostly raised for working capital and general corporate purposes. Funds raised from the equity market remained unchanged from the previous quarter at RM3.8 billion. The bulk of funds was raised through initial public offerings (RM3.2 billion), while the rest was raised via rights issues (RM0.7 billion).

In the public sector, gross funds of RM24.8 billion were raised through the issuance of a 7-year Malaysian Government Securities (MGS), as well as the re-opening of a 5-year and 15-year MGS, and a 5-year and 10-year

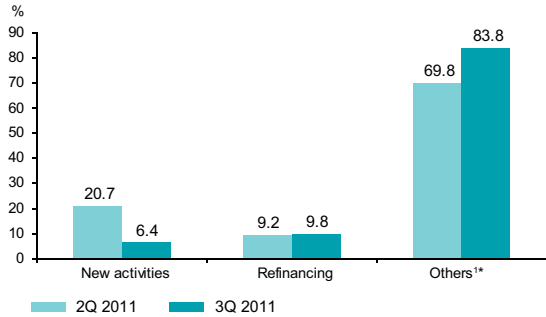
Government Investment Issue (GI). After adjusting for redemptions, net funds raised by the public sector amounted to RM1.6 billion in the third quarter.

Net Funds Raised in the Capital Market

	2010		2011		
	3Q	4Q	1Q	2Q	3Q
	RM billion				
By Public Sector	8.9	7.1	24.6	3.5	1.6
Government securities, <i>net</i>	9.0	7.1	24.6	5.0	1.6
<i>Malaysian Government Securities</i>	9.9	6.6	15.1	16.7	14.0
<i>Government Investment Issues</i>	6.0	3.0	9.5	10.0	10.8
<i>Less: Redemptions</i>	7.0	2.5	-	21.8	23.2
Khazanah Bonds, <i>net</i>	-	-	-	-	-
Savings Bonds, <i>net</i>	(0.1)	(0.1)	(0.1)	(1.4)	(0.0)
By Private Sector	7.9	23.4	5.1	17.3	11.1
Shares	2.1	14.7	1.1	3.8	3.8
Debt securities, <i>net</i>	5.8	8.7	4.0	13.5	7.3
<i>Private Debt Securities</i>	14.4	18.3	12.2	20.9	19.1
<i>Less: Redemptions</i>	8.6	9.6	8.2	7.4	11.8
Total	16.8	30.5	29.7	20.8	12.7

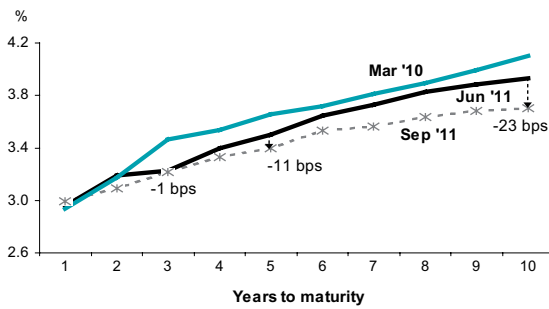
Source: Bank Negara Malaysia and Bursa Malaysia

Private Debt Securities Issued by Purpose (% of total)



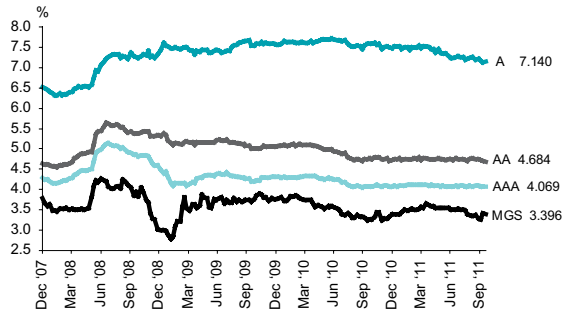
¹ Includes issuance by non-residents and Cagamas
* Includes working capital and general business activities
Source: Bank Negara Malaysia

Trend in MGS Yields



Source: Bank Negara Malaysia

5-year MGS and 5-year Corporate Bond Yields



Source: Bank Negara Malaysia

Bond yields declined further in the third quarter

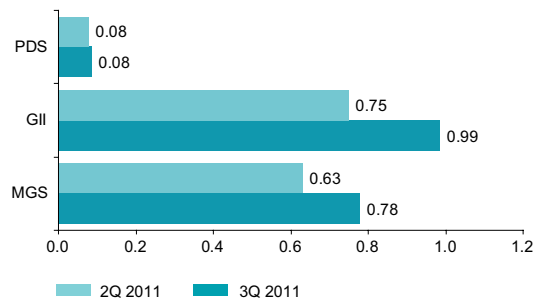
MGS yields declined in July and August 2011, on sustained demand from residents and non-residents due to concerns of a double-dip recession in the advanced economies. There was some upward pressure on yields in September following a slight decline in non-resident holdings of MGS due to the worsening sovereign debt crisis in Europe. Overall, however, yields continued to decline, with the benchmark 3-year, 5-year and 10-year MGS recording a decline of 1, 11 and 23 basis points respectively.

In the PDS market, corporate bond yields also recorded a slight decline, in line with MGS yields. Yields on the 5-year AAA-rated and AA-rated papers recorded a minor decline of 2.2 and 8.7 basis points respectively, while yields on the A-rated papers declined by 12.7 basis points.

Secondary trading in the bond market increased further during the third quarter

Total trading in the secondary market increased to RM344 billion during the quarter (2Q 11: RM268 billion). As with the previous quarter, the increase was concentrated mainly in government securities, with both the MGS and GII segments registering higher liquidity ratios of 0.78 and 0.99 respectively. The liquidity ratio for the PDS segment remained stable at 0.08.

Liquidity Ratio: Turnover / Outstanding



Source: Bank Negara Malaysia

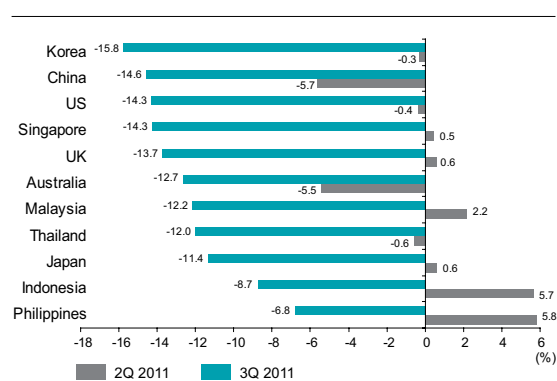
KLCI declined in the third quarter

The FBM (FTSE Bursa Malaysia) KLCI declined by 192 points to 1,387.1 (end-June: 1,579.1) representing a decrease of 12.2% in the third quarter (2Q 11: +2.2%). This was in line with the deteriorating outlook for the advanced economies, as well as increased uncertainty and heightened risk aversion among investors. As a result, market capitalisation decreased to RM1.17

trillion at end-September (end-June: RM1.34 trillion). Daily average turnover was relatively unchanged at 1.02 billion units in 3Q 11 (2Q 11: 1.04 billion units).

On 16 November 2011, the KLCI ended higher at 1,476.8 (since end-September: +6.5%), with market capitalisation of RM1.27 trillion (since end-September: +7.9%).

Performance of Selected Global and Regional Equity Markets in 2011 (% growth QoQ)



Source: Bloomberg and Bank Negara Malaysia calculations

Bursa Malaysia: Selected Market Indicators

	2010		2011		
	As at end				
	Sept	Dec	Mar	June	Sept
Price Indices					
Composite	1,463.5	1,518.9	1,545.1	1,579.1	1,387.1
FBMEMAS ¹	9,811.6	10,375.0	10,612.5	10,842.3	9,397.6
ACE Market ²	3,877.0	4,347.6	4,333.5	4,198.2	3,598.0
Market capitalisation (RM billion)	1,150.1	1,275.3	1,311.0	1,342.2	1,172.3
No. of companies listed	958	957	954	953	952
	During the quarter				
	3Q	4Q	1Q	2Q	3Q
Average daily turnover					
Volume (million units)	920.9	1,276.5	1,730.1	1,038.8	1,018.9
Value (RM million)	1,481.7	2,002.5	2,233.9	1,638.7	1,887.4

¹ FBMEMAS stands for FTSE Bursa Malaysia EMAS Index

² From 3 August 2009, Mesdaq market was replaced with ACE Market

Source: Bursa Malaysia

Bursa Malaysia: Market Turnover

	2010				2011					
	3Q		4Q		1Q		2Q		3Q	
	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion
Turnover	58.0	93.4	79.1	124.2	102.1	131.8	65.4	103.2	63.2	117.0
Of which:										
Main Board	49.3	91.7	65.7	121.1	84.1	128.4	49.5	100.0	47.4	114.4
Of which										
Consumer Products	4.2	5.0	3.6	5.5	4.0	5.4	4.0	5.0	2.9	4.9
Industrial Products	8.9	9.9	15.4	22.7	18.8	21.2	10.5	15.7	7.9	12.9
Construction	4.5	8.5	4.5	8.7	4.6	9.0	2.8	5.9	3.3	6.1
Trading/Services	15.1	34.5	19.3	40.0	33.5	46.2	17.2	36.5	15.7	42.6
Finance	3.5	18.7	4.6	22.7	4.4	24.6	4.7	20.9	5.7	31.1
Properties	6.7	4.6	11.5	8.8	12.8	9.6	6.3	7.2	6.8	7.8
Plantations	1.0	5.1	2.3	7.9	2.4	8.2	1.2	5.2	1.9	5.6
Infrastructure	1.8	2.2	1.7	2.4	1.1	2.4	0.7	2.1	0.9	2.2
ACE Market ¹	4.1	0.6	5.6	1.3	8.3	1.2	10.9	2.1	9.8	1.5

¹ From 3 August 2009, Mesdaq market was replaced with ACE Market

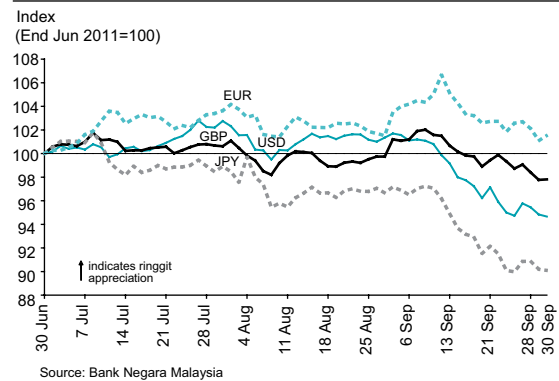
Source: Bursa Malaysia

Mixed performance of the ringgit against major currencies

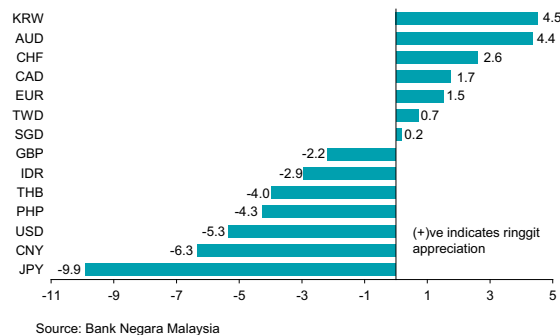
Global foreign exchange markets experienced considerable volatility during the third quarter as investors adjusted their positions in light of the various high profile events affecting the world economy. The ringgit depreciated against the US dollar in the third quarter, in line with other regional currencies. The depreciation, mostly in September 2011, reflected mounting concerns over the European sovereign debt crisis and the sustainability of global economic recovery, which led to higher risk aversion and prompted some investors to unwind holdings of emerging market assets. Overall, the ringgit depreciated by 5.3% against the US dollar. Against other major currencies, the ringgit appreciated against the euro (1.5%), but depreciated against the pound sterling (-2.2%) and the Japanese yen (-9.9%). Ringgit's

depreciation against the Japanese yen was in line with the regional trend. Against regional currencies, the ringgit strengthened against the Korean won (4.5%) and Singapore dollar (0.2%), but depreciated against the Indonesian rupiah (-2.9%), Thai baht (-4.0%), Philippine peso (-4.3%) and Chinese renminbi (-6.3%).

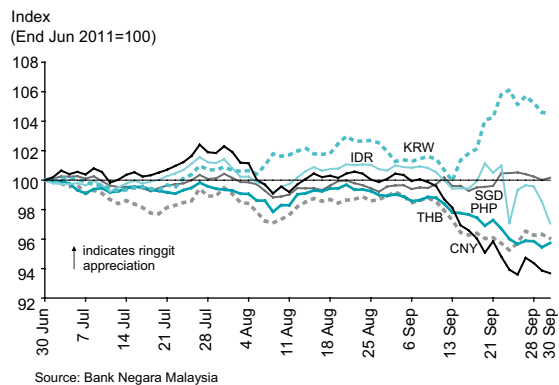
Ringgit Performance Against Major Currencies



Summary of Ringgit Performance Against Selected Currencies Percent Change (1 July - 30 September 2011)



Ringgit Performance Against Regional Currencies



During the period between 1 October and 16 November 2011, the ringgit appreciated against the US dollar (0.8%), Japanese yen (1.4%) and euro (1.3%) but depreciated against the pound sterling (-0.4%). Against regional currencies,

the ringgit strengthened against the Indonesian rupiah (3.3%), Singapore dollar (0.4%) and Chinese renminbi (0.1%) but depreciated against the Philippine peso (-0.1%), Thai baht (-0.3%) and Korean won (-3.0%).

Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	3Q 10	2Q 11	3Q 11	21 Jul 05	3Q 10	2Q 11
US dollar	3.8000	3.0875	3.0205	3.1910	19.1	-3.2	-5.3
Euro	4.6212	4.1979	4.3820	4.3160	7.1	-2.7	1.5
Pound sterling	6.6270	4.8892	4.8648	4.9738	33.2	-1.7	-2.2
100 Japanese yen	3.3745	3.6943	3.7538	4.1663	-19.0	-11.3	-9.9
Singapore dollar	2.2570	2.3442	2.4577	2.4537	-8.0	-4.5	0.2
100 Thai baht	9.0681	10.151	9.8308	10.236	-11.4	-0.8	-4.0
100 Philippine peso	6.8131	7.0254	6.9649	7.2746	-6.3	-3.4	-4.3
100 Indonesian rupiah	0.0386	0.0346	0.0352	0.0362	6.7	-4.5	-2.9
100 Korean won	0.3665	0.2706	0.2826	0.2703	35.6	0.1	4.5
Chinese renminbi	0.4591	0.4615	0.4673	0.4988	-8.0	-7.5	-6.3

* (+) indicates appreciation of ringgit against respective currency and (-) indicates depreciation.

Source: Bank Negara Malaysia