

MONETARY AND FINANCIAL DEVELOPMENTS

Interest rates remained stable

The Overnight Policy Rate (OPR) was left unchanged at 3.00% in the fourth quarter of 2011 given the higher downside risks to growth and lower upside risks to inflation. At the prevailing level, the OPR remains supportive of economic activity.

The average overnight interbank rate was stable, moving within a range of 2.92% to 3.00% during the period 1 October – 31 December 2011. Interbank rates of other short-term maturities were also relatively stable.

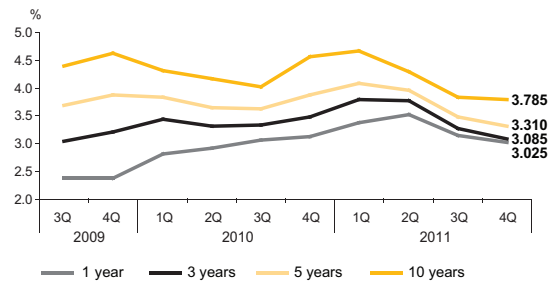
Rates on interest rate swaps and KLIBOR 3-month futures continued to decline in the fourth quarter as markets revised down expectations for an OPR increase amidst greater uncertainties about the global recovery.

In terms of retail deposit rates, the average quoted fixed deposit (FD) rates of commercial banks were stable during the quarter. As at end-December, the average quoted FD rates for tenures between 1 to 12 months ranged between 2.95% to 3.22%, respectively.

The average base lending rate (BLR) of commercial banks decreased slightly to 6.53% as at end-December due to the inclusion of a new foreign bank with a lower BLR in December. The weighted average lending rate (ALR) on loans outstanding also moderated slightly to 5.66% as at end-December 2011 (end-September 5.70%). The cost of

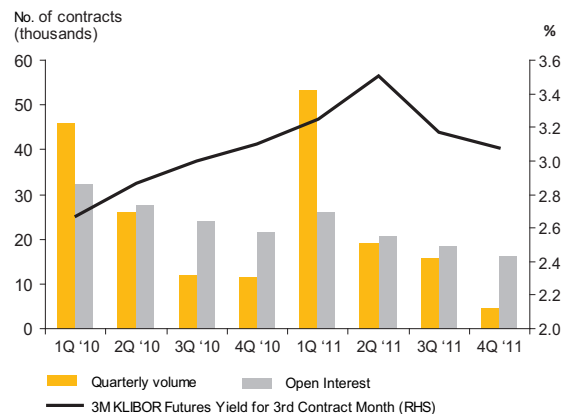
borrowing to businesses and households is still below pre-crisis levels and remains supportive of the economy.

Interest Rate Swap: Rates



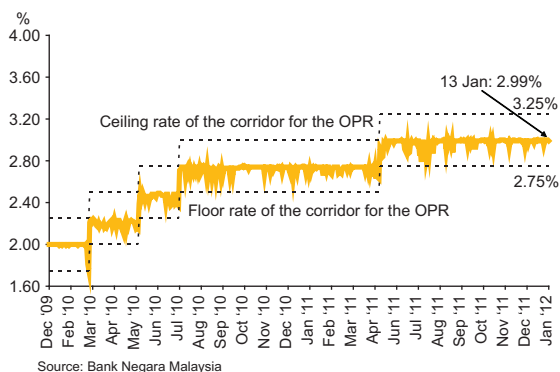
Source: Bloomberg

3 Month KLIBOR Futures



Source: Bursa Malaysia

Daily Weighted Average Overnight Interbank Rate



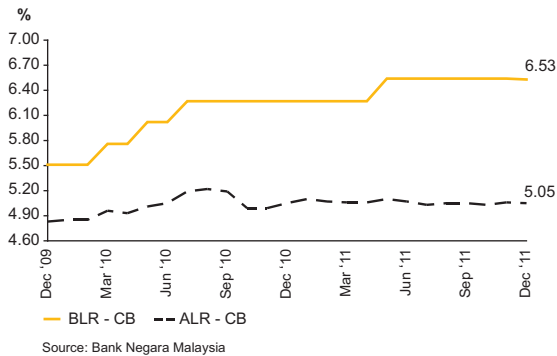
Source: Bank Negara Malaysia

Interest Rates

	2010	2011	
	4Q	3Q	4Q
	At end-period (%)		
Overnight Policy Rate (OPR)	2.75	3.00	3.00
Interbank rates			
Overnight	2.72	2.99	2.99
1-month	2.83	3.09	3.05
Base lending rates (BLR)			
Commercial banks	6.27	6.54	6.53
Average lending rates (ALR)			
Commercial banks	5.05	5.05	5.05
Fixed deposit rates			
Commercial banks			
3-month	2.74	3.00	2.99
12-month	2.97	3.22	3.22

Source: Bank Negara Malaysia

Lending Rates of Commercial Banks (At end-period)



Determinants of Broad Money, M3

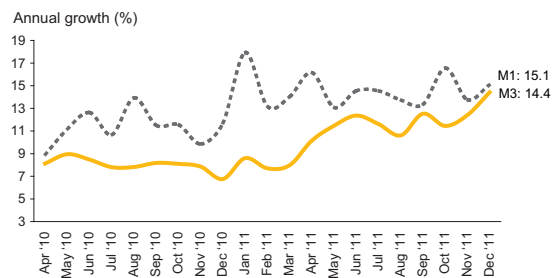
	Change during the period				
	2010		2011		
	4Q	Year	3Q	4Q	Year
	RM billion				
M3	30.5	68.8	28.8	54.9	156.5
Net claims on Govt	-3.4	-8.1	10.4	-7.3	-12.0
Claims on private sector	29.1	84.8	20.2	36.1	116.9
Loans	28.6	92.0	22.6	33.4	111.8
Securities	0.5	-7.1	-2.4	2.7	5.1
Net foreign assets ¹	17.3	64.4	3.0	1.8	102.5
BNM	17.2	30.9	10.7	6.5	94.5
Banking System	0.1	33.6	-7.7	-4.7	8.0
Other influences	-12.5	-72.4	-4.8	24.3	-50.9

¹ Pre-revaluation
Source: Bank Negara Malaysia

M3 continued to expand

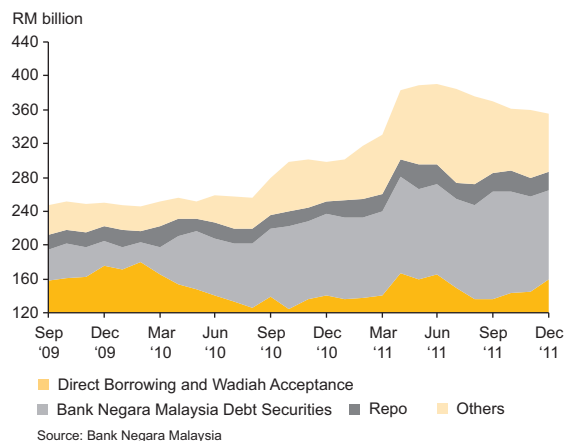
The monetary aggregates grew at a stronger pace during the fourth quarter. M1, or narrow money, increased by RM16.3 billion during the quarter. On an annual basis, M1 expanded by 15.1% as at end-December (end-September 2011: 13.3%). M3, or broad money, expanded at a faster annual growth rate of 14.4% as at end-December (end-September 2011: 12.5%), and increased by RM54.9 billion from the previous quarter.

Monetary Aggregates



Both domestic and external factors contributed to the increase in broad money. On the domestic side, broad money expanded following increased banking system credit extension and private sector redemption of securities issued by BNM. This was reflected by the increase in the *claims on private sector* and *other influences* categories. On the external side, Malaysia registered net foreign inflows in the fourth quarter, mainly from trade. The expansion in broad money, however, was partially offset by Government fund raising activities during the quarter.

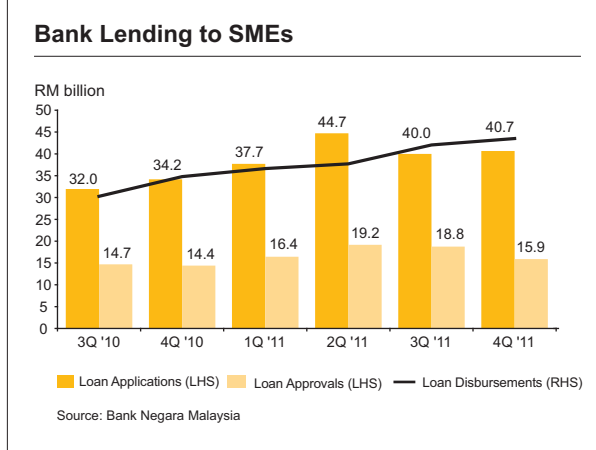
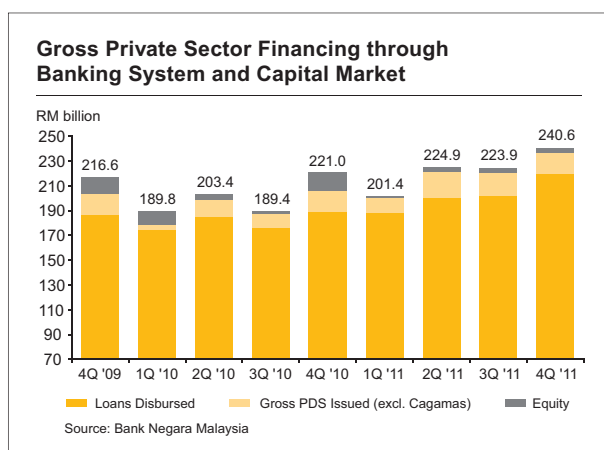
Outstanding Liquidity Placed with Bank Negara Malaysia (At end-period, RM billion)



Private sector financing activity strengthened in the fourth quarter

In the fourth quarter, total gross financing raised by the private sector through the banking system and the capital market increased to RM240.6

billion in the fourth quarter (3Q 11: RM223.9 billion). The higher financing reflected increased loan disbursements during the quarter. On a net basis, banking system loans and PDS outstanding expanded at an annual growth rate of 12.5% as at end-December (3Q 11: 13.4%).



Financing of the Private Sector through Banking System and Capital Market

	During the period (RM billion)					Annual growth (%)				
	2010		2011			2010		2011		
	4Q	2010	3Q	4Q	2011	4Q	2010	3Q	4Q	2011
Gross total financing	221.0	803.6	223.9	240.6	890.8	2.1	8.7	18.2	8.9	10.8
Loans disbursed*	188.9	724.6	202.1	219.7	811.3	1.0	10.2	14.8	16.3	12.0
Gross PDS (excl. Cagamas)	17.4	46.9	18.0	17.1	66.9	5.9	-16.4	61.1	-2.1	42.6
Equity	14.7	32.1	3.8	3.8	12.6	12.0	23.4	79.3	-73.9	-60.7
Net total financing (A)+(B)	36.9	116.1	31.4	32.1	147.4	10.9	10.9	13.4	12.5	12.5
Banking system	29.5	101.0	25.9	32.2	122.9	11.9	11.9	13.1	13.0	13.0
Loans outstanding (A)	29.1	99.8	24.8	31.3	120.2	12.7	12.7	13.8	13.6	13.6
Holding of PDS	0.4	1.2	1.3	1.0	2.7	1.9	1.9	3.4	4.3	4.3
PDS outstanding (B)	7.8	16.3	6.8	0.8	27.2	5.9	5.9	11.9	9.3	9.3
Memorandum item										
Gross PDS (incl. Cagamas)	18.3	52.1	19.1	17.4	69.6	11.4	-11.0	32.4	-5.2	33.4

*Banking systems loans include loans sold to Cagamas

Source: Bank Negara Malaysia

The major loan indicators posted strong performances in the fourth 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. In addition, financing extended for mergers and acquisitions activity during the quarter was also higher by RM4.7 billion, and was channelled mainly to the *construction* sector. Demand for new financing by businesses increased

with higher loan applications mainly from the *construction, real estate and wholesale and retail, restaurants and hotels* sectors. On an annual basis, business loans outstanding expanded at a growth rate of 13.5% as at end-December (end-September 11: 14.1%).

Financing to the household sector also rose with loans outstanding expanding by RM17.8 billion during the quarter to increase at an annual growth rate of 12.9% as at end-December (3Q 11: 12.5%).

Loan Indicators	During the period (RM billion)					Annual growth (%)				
	2010		2011			2010		2011		
	4Q	2010	3Q	4Q	2011	4Q	2010	3Q	4Q	2011
Total										
Loan applications	173.5	641.3	182.9	191.6	742.2	22.9	23.0	3.7	10.5	15.7
Loan approvals	91.8	343.4	97.3	103.2	397.8	14.1	19.7	6.7	12.4	15.8
Loan disbursements	188.9	724.6	202.1	219.7	811.3	1.0	10.2	14.8	16.3	12.0
Loan repayments	167.9	649.3	188.2	195.5	725.6	3.4	9.1	13.9	16.5	11.8
Change in loans outstanding*	29.1	99.8	24.6	31.3	120.2	12.7	12.7	13.8	13.6	13.6
Of which:										
Business enterprises**										
Loan applications	82.1	298.4	85.7	96.0	357.8	34.1	25.5	1.1	16.9	19.9
Loan approvals	43.4	159.3	46.2	52.4	192.9	17.0	24.7	5.8	20.5	21.1
Loan disbursements	124.6	483.2	135.9	150.8	543.5	-1.2	9.8	16.6	21.1	12.5
Loan repayments	113.0	443.1	130.2	137.8	494.7	0.2	8.8	14.6	21.9	11.6
Change in loans outstanding*	13.4	28.5	8.7	13.3	44.9	9.4	9.4	14.1	13.5	13.5
SMEs**										
Loan applications	34.2	128.3	40.0	40.7	163.1	14.9	22.7	25.2	19.0	27.1
Loan approvals	14.4	57.8	18.8	15.9	70.2	13.5	27.7	27.7	10.4	21.5
Loan disbursements	39.8	147.2	47.0	48.5	179.9	4.0	2.7	33.4	21.9	22.3
Loan repayments	37.4	137.2	41.9	43.9	159.7	7.3	3.8	23.6	17.2	16.4
Change in loans outstanding*	3.5	3.0	5.7	8.3	24.9	2.4	2.4	16.1	19.4	19.4
Large corporations										
Loan applications	47.9	170.1	45.7	55.3	194.7	52.3	27.7	-13.4	15.5	14.4
Loan approvals	29.1	101.5	27.5	36.5	122.7	18.9	23.1	-5.3	25.6	20.9
Loan disbursements	84.8	336.0	88.8	102.3	363.6	-3.4	13.2	9.3	20.7	8.2
Loan repayments	75.6	306.0	88.3	93.9	335.0	-3.0	11.2	10.8	24.3	9.5
Change in loans outstanding*	9.8	25.5	3.0	5.0	20.0	14.2	14.2	12.8	9.8	9.8
Households										
Loan applications	91.4	342.9	97.2	95.7	384.4	14.3	20.9	6.2	4.7	12.1
Loan approvals	48.3	184.1	51.0	50.8	204.9	11.5	15.6	7.5	5.2	11.3
Loan disbursements	64.3	241.4	66.2	68.9	267.7	5.6	11.1	11.1	7.1	10.9
Loan repayments	54.9	206.2	58.0	57.7	231.0	10.6	9.8	12.4	5.2	12.0
Change in loans outstanding*	14.2	57.9	15.2	17.8	63.2	13.4	13.4	12.5	12.9	12.9

* 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
	4Q 10	2010	3Q	4Q	2011	4Q 11	
	(RM billion)					(%)	
Business enterprises	124.6	483.2	135.9	150.8	543.5	68.6	44.9
<i>Large corporations</i>	84.8	336.0	88.8	102.3	363.6	46.6	29.7
<i>SMEs*</i>	39.8	147.2	47.0	48.5	179.9	22.1	15.3
<i>Selected sectors</i>							
Agriculture, hunting, forestry and fishing	5.3	24.6	5.3	6.1	22.9	2.8	2.2
Mining and quarrying	1.2	3.5	1.6	1.3	5.1	0.6	0.5
Manufacturing	36.8	144.0	44.9	47.4	175.6	21.6	9.2
Construction	11.9	42.8	10.8	14.0	45.1	6.4	4.0
Real estate	7.5	23.7	8.9	9.6	33.3	4.4	5.1
Electricity, gas and water supply	2.6	5.3	1.6	1.4	5.6	0.6	1.0
Wholesale, retail, restaurants and hotels	30.9	122.8	37.2	38.0	139.7	17.3	7.3
Transport, storage and communication	4.3	19.7	4.6	6.4	19.7	2.9	3.0
Finance, insurance and business services	17.8	59.5	13.0	16.4	63.0	7.5	7.2
Households	64.3	241.4	66.2	68.9	267.7	31.4	55.1
Purchase of residential properties	15.1	57.8	16.8	17.0	64.5	7.8	25.5
Consumption credit	39.9	149.4	40.3	41.6	162.9	18.9	19.9
Of which:							
<i>Credit cards</i>	23.4	83.1	22.7	23.6	93.7	10.7	3.2
<i>Purchase of passenger cars</i>	9.1	37.2	8.8	9.3	35.7	4.3	11.6
Others	9.3	34.1	9.1	10.3	40.3	4.7	9.7
Total	188.9	724.6	202.1	219.7	811.3	100.0	100.0

*Include loans to individual businesses.

Source: Bank Negara Malaysia

Fund raising in the capital market increased in the fourth quarter

Net funds raised in the capital market increased to RM19.4 billion during the quarter (3Q 11: RM12.7 billion). Of this amount, net funds of RM15.9 billion was raised by the public sector. Gross funds raised were RM19 billion (3Q 11: RM24.8 billion) but redemptions by the public sector were significantly lower at RM3.1 billion during the quarter (3Q 11: RM23.2 billion). Funds were raised through the re-opening of a 3-year, 5-year and 10-year Malaysian Government Securities (MGS), as well as a 3-year and 7-year Government Investment Issue (GII).

In the private sector, new PDS issuances amounted to RM17.4 billion (3Q 11: RM19.1 billion). As with the previous quarter, funds were mostly used for working capital and general corporate purposes. There was also an increase in funds raised for new activities, refinancing and mergers and acquisitions. The equity market

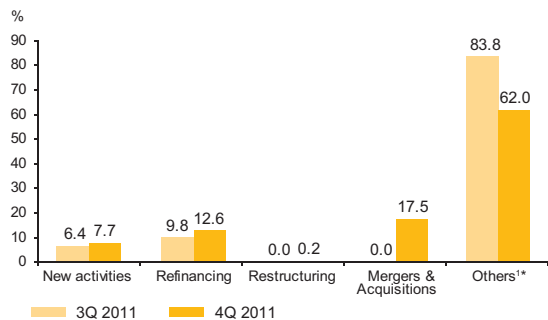
raised RM3.8 billion during the quarter. The bulk of funds was raised through rights issues (RM3.1 billion), and the remaining was raised via initial public offerings (RM0.7 billion). After adjusting for redemptions, net funds raised by the private sector amounted to RM3.5 billion.

Net Funds Raised in the Capital Market

	2010		2011		
	4Q	Year	3Q	4Q	Year
	RM billion				
By Public Sector	7.1	37.0	1.6	15.9	45.6
Government securities, <i>net</i>	7.1	34.9	1.6	15.9	47.1
<i>Malaysian Government Securities</i>	6.6	37.7	14.0	12.9	58.8
<i>Government Investment Issues</i>	3.0	21.0	10.8	6.1	36.4
<i>Less: Redemptions</i>	2.5	23.9	23.2	3.1	48.1
Khazanah Bonds, <i>net</i>	-	-	-	-	-
Savings Bonds, <i>net</i>	(0.1)	2.2	(0.0)	(0.0)	(1.6)
By Private Sector	23.4	50.5	11.1	3.5	37.1
Shares	14.7	32.1	3.8	3.8	12.6
Debt securities, <i>net</i>	8.7	18.4	7.3	0.3	24.5
<i>Private Debt Securities</i>	18.3	52.1	19.1	17.4	69.6
<i>Less: Redemptions</i>	9.6	33.8	11.8	17.7	45.1
Total	30.5	87.5	12.7	19.4	82.7

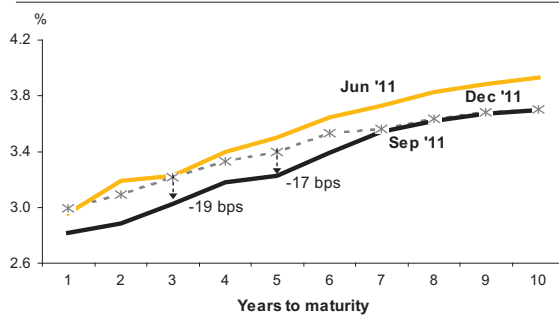
Source: Bank Negara Malaysia and Bursa Malaysia

Private Debt Securities Issued by Purpose (% of total)



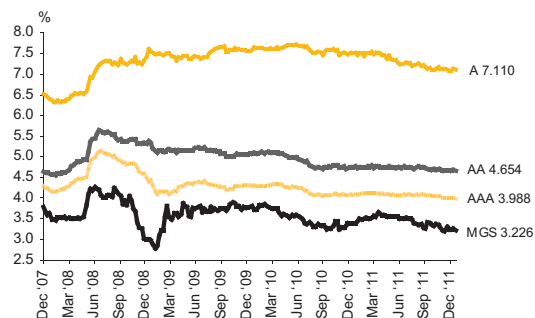
¹ Includes issuance by non-residents and Cagamas
* Includes working capital and general business activities
Source: Bank Negara Malaysia

Trend in MGS Yields



Source: Bank Negara Malaysia

5-year MGS and 5-year Corporate Bond Yields



Source: Bank Negara Malaysia

Bond yields declined

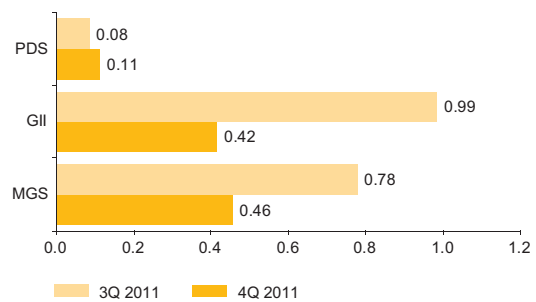
MGS yields on the short and medium term tenures continued to decline in the fourth quarter. Despite the volatility in international financial markets, non-resident interest in the domestic bond market was sustained. The benchmark 3-year and 5-year MGS recorded a decline of 19 and 17 basis points respectively in fourth quarter of 2011.

In the PDS market, corporate bond yields also recorded a slight decline, in line with MGS yields. The 5-year AAA, AA and A-rated papers declined by 8, 3 and 3 basis points respectively.

Secondary trading in the bond market declined in the fourth quarter

Total trading in the secondary market declined to RM209 billion during the quarter (3Q 11: RM344 billion), due to the year-end holiday season. Both the MGS and GII segments registered lower liquidity ratios of 0.46 and 0.42 respectively. This however was partially mitigated by the PDS segment, which registered a marginally higher liquidity ratio of 0.11.

Liquidity Ratio: Turnover / Outstanding



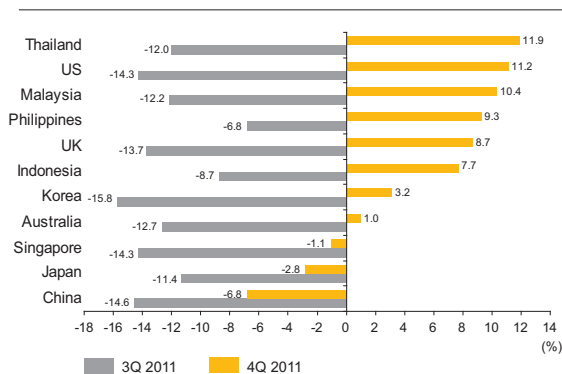
Source: Bank Negara Malaysia

KLCI rose in the fourth quarter

The FBM (FTSE Bursa Malaysia) KLCI rose by 143.6 points, ending the fourth quarter at 1,530.7 (end-September: 1,387.1). The index increased 10.4% in the fourth quarter (3Q 11: -12.2%) as the market recovered from the sell-off experienced in the previous quarter. Optimism surrounding better-than-expected economic data for Malaysia and the country's major trading partners lifted investor confidence and renewed interest in domestic equities. As a result, market capitalisation

increased to RM1.28 trillion at end-December (end-September: RM1.17 trillion) while the daily average turnover increased to 1.62 billion units (3Q 11: 1.02 billion units) during the quarter. Open interest in the FBM KLCI futures increased to 23,505 contracts as at end-4Q 2011 (3Q 11: 21,447). On 13 February 2012, the KLCI ended higher at 1,562.8 points (since end-December: +2.10%), with market capitalisation of RM1.34 trillion (since end-December: +4.7%).

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				
	Dec	Year	Sep	Dec	Year
Price Indices					
Composite	1,518.9	1,518.9	1,387.1	1,530.7	1,530.7
FBMEMAS ¹	10,375.0	10,375.0	9,397.6	10,489.1	10,489.1
ACE Market ²	4,347.6	4,347.6	3,598.0	4,068.6	4,068.6
Market capitalisation (RM billion)	1,275.3	1,275.3	1,172.3	1,284.5	1,284.5
No. of companies listed	957	957	952	941	941
	During the quarter				
	4Q	Year	3Q	4Q	Year
Average daily turnover					
Volume (million units)	1,276.5	1,021.2	1,018.9	1,615.5	1,343.8
Value (RM million)	2,002.5	1,573.9	1,887.4	1,411.7	1,566.1

¹FBMEMAS stands for FTSE Bursa Malaysia EMAS Index
²From 3 August 2009, Mesdaq market was replaced with ACE Market

Source: Bursa Malaysia

Bursa Malaysia: Market Turnover

	2010				2011					
	4Q		Year		3Q		4Q		Year	
	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion
Turnover	79.1	124.2	268.0	413.0	63.2	117.0	98.5	86.1	329.2	438.2
Of which:										
Main Board	65.7	121.1	225.5	403.3	47.4	114.4	68.3	81.6	249.3	424.5
Of which										
Consumer Products	3.6	5.5	15.3	19.3	2.9	4.9	8.1	6.0	19.1	21.3
Industrial Products	15.4	22.7	47.6	58.9	7.9	12.9	14.6	10.7	51.8	60.5
Construction	4.5	8.7	16.4	29.0	3.3	6.1	2.7	4.1	13.5	25.1
Trading/Services	19.3	40.0	68.2	140.2	15.7	42.6	20.1	28.2	86.4	153.4
Finance	4.6	22.7	17.7	86.2	5.7	31.1	6.0	15.5	20.9	92.1
Properties	11.5	8.8	33.1	21.6	6.8	7.8	8.4	6.7	34.3	31.4
Plantations	2.3	7.9	6.1	25.5	1.9	5.6	2.0	4.9	7.4	23.9
Infrastructure	1.7	2.4	5.8	8.9	0.9	2.2	1.3	2.6	4.0	9.3
ACE Market ¹	5.6	1.3	20.3	3.9	9.8	1.5	18.7	2.7	47.7	7.5

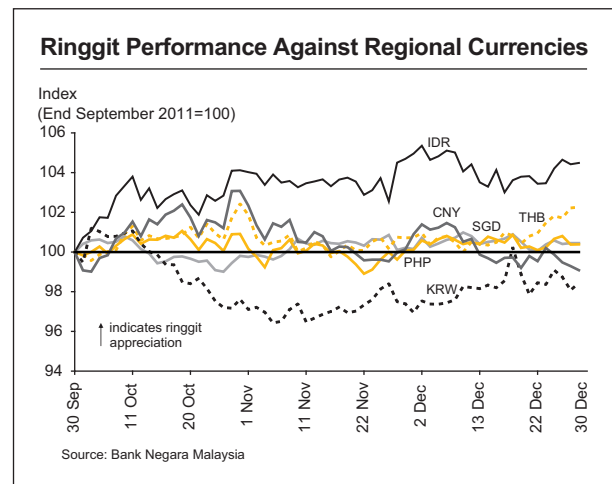
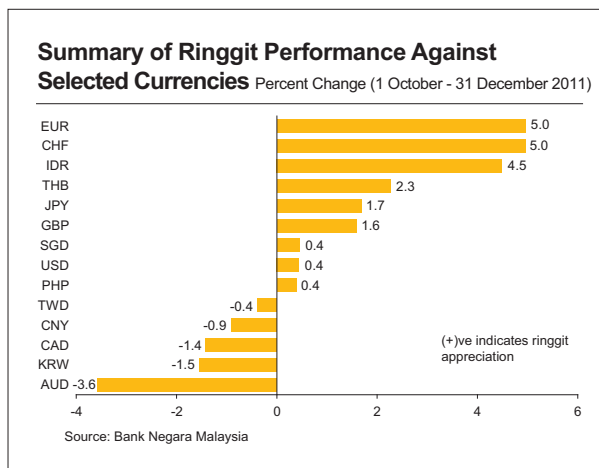
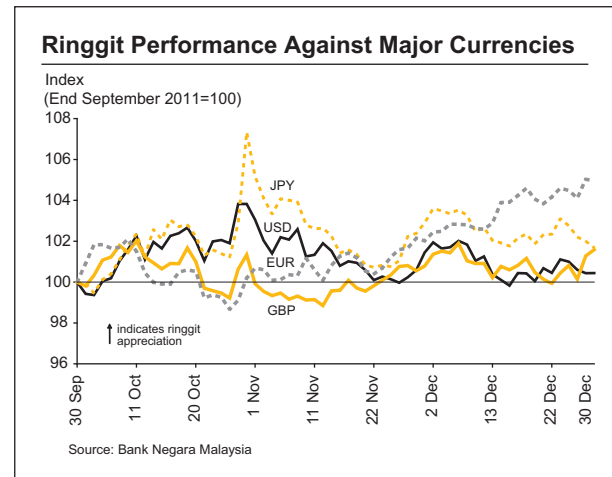
¹From 3 August 2009, Mesdaq market was replaced with ACE Market

Source: Bursa Malaysia

Ringgit strengthened against major currencies

The global foreign exchange markets remained volatile in the last quarter of the year as uncertainty surrounding the European sovereign debt crisis continued to influence investor sentiments towards emerging market assets. In general, exchange rate performance was largely news-driven, as markets reacted to developments in Europe. For the quarter as a whole, however, ringgit appreciated against the US dollar, mainly due to optimism surrounding better-than-expected economic data, especially in the US and PR China. Announcements of coordinated central bank measures on 30 November 2011 to enhance liquidity support to the global financial system also helped to restore market confidence and encouraged greater demand for emerging market assets. Overall, in line with the regional trend, the ringgit appreciated by 0.4% against the US dollar in the fourth quarter. Against other major currencies, the ringgit appreciated against the euro (5.0%),

Japanese yen (1.7%) and the pound sterling (1.6%). Against regional currencies, the ringgit strengthened against the Indonesian rupiah (4.5%), Thai baht (2.3%), Singapore dollar (0.4%) and the Philippine peso (0.4%) but depreciated against the Chinese renminbi (-0.9%) and Korean won (-1.5%).



During the period 1 January - 13 February 2012, the ringgit appreciated against the Japanese yen (5.1%), US dollar (5.0%), euro (2.6%) and

the pound sterling (2.5%). The ringgit broadly strengthened against regional currencies, appreciating in the range of 1.3% and 4.9%.

Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	4Q 10	3Q 11	4Q 11	21 Jul 05	4Q 10	3Q 11
US dollar	3.8000	3.0835	3.1910	3.1770	19.6	-2.9	0.4
Euro	4.6212	4.0804	4.3160	4.1118	12.4	-0.8	5.0
Pound sterling	6.6270	4.7817	4.9738	4.8962	35.3	-2.3	1.6
100 Japanese yen	3.3745	3.7869	4.1663	4.0975	-17.6	-7.6	1.7
Singapore dollar	2.2570	2.3859	2.4537	2.4427	-7.6	-2.3	0.4
100 Thai baht	9.0681	10.227	10.236	10.009	-9.4	2.2	2.3
100 Philippine peso	6.8131	7.0400	7.2746	7.2468	-6.0	-2.9	0.4
100 Indonesian rupiah	0.0386	0.0344	0.0362	0.0347	11.5	-0.9	4.5
100 Korean won	0.3665	0.2707	0.2703	0.2746	33.5	-1.4	-1.5
Chinese renminbi	0.4591	0.4662	0.4988	0.5034	-8.8	-7.4	-0.9

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

Source: Bank Negara Malaysia