

MONETARY AND FINANCIAL DEVELOPMENTS

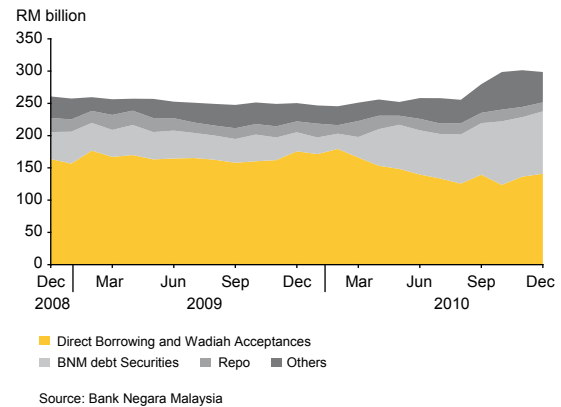
Interest rates remained stable

The OPR was left unchanged at 2.75% in the fourth quarter of 2010 and also at the MPC meeting held on 27 January 2011. At the prevailing level, the OPR remains accommodative and is considered to be appropriate and consistent with the assessment of growth and inflation prospects.

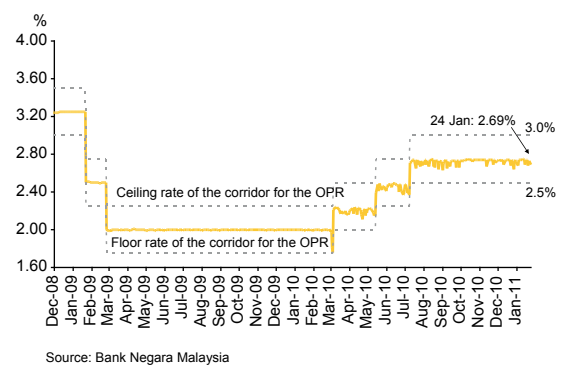
Reflecting the unchanged OPR, the average overnight interbank rate was stable, moving within a range of 2.67% to 2.75% during the period 1 October – 31 December 2010. Similarly, interbank rates of other maturities were also stable.

In terms of retail deposit rates, the average quoted fixed deposit (FD) rates of commercial banks (CBs) were relatively unchanged. As at end-December, the average quoted FD rates for tenures between 1 to 12 months ranged between 2.71% to 2.97% respectively. In terms of retail lending rates, the average base lending rate (BLR) of CBs was unchanged at 6.27%. The average lending rate (ALR) on loans outstanding, however, moderated to 5.05% (end-September: 5.19%). This was mainly due to a foreign currency loan issued at a lower lending rate by a foreign banking institution. Notably, retail lending rates remained below their pre-crisis levels.

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



Daily Weighted Average Overnight Interbank Rate

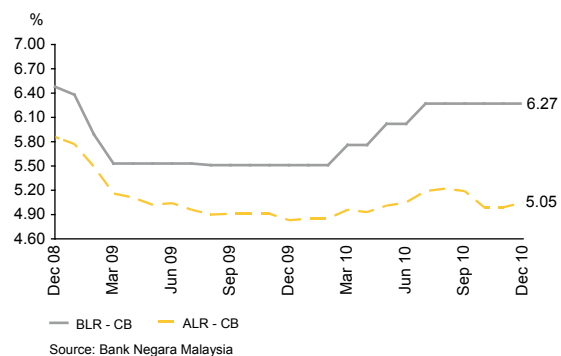


Interest Rates

	2009		2010	
	4Q	3Q	4Q	
	At end-period (%)			
Overnight Policy Rate (OPR)	2.00	2.75	2.75	
Interbank rates				
Overnight	1.99	2.73	2.72	
1-month	2.07	2.81	2.83	
Base lending rates (BLR)				
Commercial banks	5.51	6.27	6.27	
Average lending rates (ALR)				
Commercial banks	4.83	5.19	5.05	
Fixed deposit rates				
Commercial banks				
3-month	2.03	2.73	2.74	
12-month	2.50	2.95	2.97	

Source: Bank Negara Malaysia

Lending Rates of Commercial Banks (Average for the period)



Moderation in money supply growth

The monetary aggregates continued to grow at a sustained pace in the fourth quarter. M1, or narrow money increased by RM10.9 billion during the quarter. On an annual basis, M1 expanded by 11.7% as at end-December 2010 (end-September: 11.5%). M3, or broad money, expanded at an annual growth rate of 7.0% as at end-December (end-September: 8.5%). On a quarter-on-quarter basis, M3 increased by RM30.4 billion.

The main impetus for the increase in broad money was higher credit extension to the private sector by the banking system. This was accounted for by an increase in loans of RM28.9 billion and higher holdings of private debt securities by the banks. In addition, broad money also expanded due to net foreign inflows. These inflows were sterilized by the issuance of securities by BNM. Thus, deposits were withdrawn for the purchases of those securities. This was reflected by the

moderation in “net other influences” which subsequently exerted a contractionary impact on money supply.

Private sector financing activity strengthened in the fourth quarter

In the fourth quarter, financing conditions remained supportive of economic activity. The demand for financing from both the public and private sectors were supported by continued access to financing, reasonably low cost of borrowing and ample liquidity in the financial system. Total gross financing raised by the private sector through the banking system and the capital market increased to RM220.9 billion in the fourth quarter (3Q 10: RM189.4 billion). The higher financing reflected increased loan disbursements as well as higher private debt securities (PDS) issuances and initial public offerings (IPOs) during the quarter. On a net basis, banking system loans and PDS outstanding rose by an annual rate of 11.4% as at end-December (3Q 10: 10.9%).

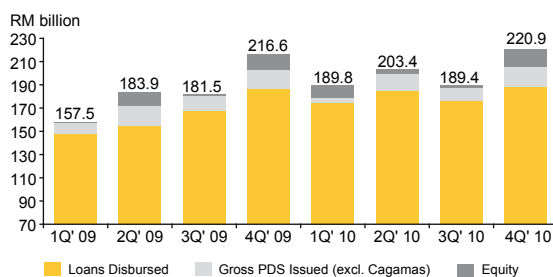
Determinants of Broad Money, M3

	Change during the period				
	2009		2010		
	4Q	Year	3Q	4Q	Year
	RM billion				
M3	41.5	85.4	23.9	30.4	71.5
Net claims on Govt	13.5	25.8	2.7	-3.5	-8.3
Claims on private sector	19.3	51.0	22.5	29.4	96.5
Loans	14.7	46.5	17.2	28.9	92.3
Securities	4.6	4.5	5.3	0.5	4.2
Net foreign assets ¹	6.6	11.8	19.0	14.8	50.2
BNM	1.7	-3.4	5.9	17.1	30.8
Banking System	4.8	15.1	13.0	-2.3	19.5
Other influences	2.1	-3.1	-20.2	-10.4	-67.0

¹Pre-revaluation

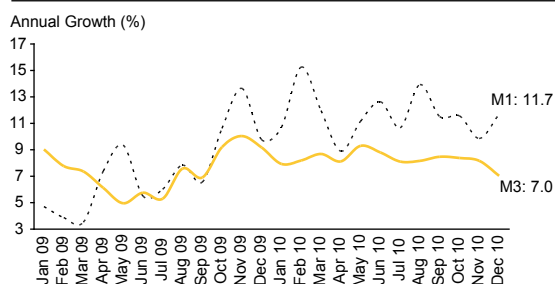
Source: Bank Negara Malaysia

Gross Private Sector Financing through Banking System and Capital Market



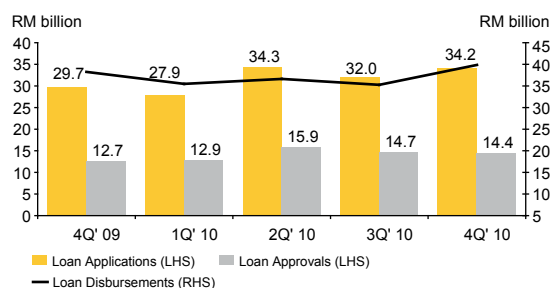
Source: Bank Negara Malaysia

Monetary Aggregates



Source: Bank Negara Malaysia

Bank Lending to SMEs



Source: Bank Negara Malaysia

Financing of the Private Sector through Banking System and Capital Market

	During the period (RM billion)				Annual growth (%)		
	2009	4Q 09	3Q 10	4Q 10	2009	3Q 10	4Q 10
Gross total financing	739.4	216.6	189.4	220.9	7.4	4.4	2.0
Loans disbursed*	657.2	187.0	176.1	188.8	2.7	5.1	1.0
Gross PDS (excl. Cagamas and issuances by non-residents)	56.1	16.4	11.2	17.4	30.9	-11.3	5.9
Equity	26.0	13.2	2.1	14.7	375.5	73.6	12.0
Net total financing (A)+(B)	82.4	30.1	25.0	38.2	8.4	10.9	11.4
Banking system	57.2	19.8	22.9	29.9	7.3	11.0	12.0
Loans outstanding (A)	57.0	19.8	19.2	29.5	7.8	11.8	12.8
Holding of PDS	0.2	0.0	3.7	0.4	0.3	1.3	2.0
PDS outstanding (B)	25.5	10.3	5.8	8.7	10.0	8.3	7.4
Memorandum item							
Gross PDS (incl. Cagamas and issuances by non-residents)	58.6	16.4	14.4	18.3	18.0	6.5	11.4

*Banking system loans include loans sold to Cagamas

Source: Bank Negara Malaysia

Loan Indicators

	During the period (RM billion)				Annual growth (%)			
	2009	4Q 09	3Q 10	4Q 10	2009	4Q 09	3Q 10	4Q 10
Total								
Loan applications	521.3	141.2	176.3	173.5	9.8	39.0	30.1	22.9
Loan approvals	286.9	80.4	91.2	91.8	-1.4	32.1	25.5	14.1
Loan disbursements	657.2	187.0	176.1	188.8	2.7	18.4	5.1	1.0
Loan repayments	595.1	162.4	165.2	168.1	4.7	13.2	13.4	3.5
Change in loans outstanding*	57.0	19.8	19.2	29.5	7.8	7.8	11.8	12.8
Of which:								
Business enterprises**								
Loan applications	237.8	61.2	84.7	82.1	-2.7	19.2	40.6	34.1
Loan approvals	127.7	37.1	43.7	43.4	-13.7	25.8	47.5	17.0
Loan disbursements	440.0	126.1	116.5	124.5	-3.4	12.0	5.9	-1.3
Loan repayments	407.3	112.8	113.6	113.2	1.0	10.7	15.7	0.4
Change in loans outstanding*	8.9	5.9	2.1	13.4	3.0	3.0	7.1	9.4
SMEs**								
Loan applications	104.6	29.7	32.0	34.2	4.2	49.4	12.2	14.9
Loan approvals	45.3	12.7	14.7	14.4	-16.3	10.3	18.3	13.5
Loan disbursements	143.2	38.3	35.3	39.9	-12.1	-3.3	-1.3	4.2
Loan repayments	132.1	34.9	33.9	37.5	-9.1	-3.4	3.2	7.6
Change in loans outstanding*	0.6	5.9	2.8	3.7	0.5	0.5	4.5	2.6
Large corporations								
Loan applications	133.2	31.5	52.8	47.9	-7.5	0.1	66.0	52.3
Loan approvals	82.4	24.4	29.0	29.0	-12.2	35.7	68.5	18.8
Loan disbursements	296.8	87.8	81.3	84.6	1.4	20.2	9.3	-3.6
Loan repayments	275.2	77.9	79.7	75.7	6.7	18.5	22.0	-2.9
Change in loans outstanding*	8.3	0.0	-9.0	18.0	4.9	4.9	4.1	14.1
Households								
Loan applications	283.5	80.0	91.6	91.4	23.1	59.3	21.6	14.3
Loan approvals	159.2	43.3	47.5	48.3	11.3	38.0	10.3	11.6
Loan disbursements	217.2	60.9	59.6	64.3	17.7	34.3	3.5	5.6
Loan repayments	187.8	49.6	51.6	54.9	13.9	19.4	8.5	10.7
Change in loans outstanding*	38.6	12.1	14.8	14.2	9.8	9.8	13.3	13.4

* The annual growth is for end-period.

** Include loans to individual businesses.

Source: Bank Negara Malaysia

The major loan indicators remained strong in the fourth quarter. In the business sector, higher loan disbursements reflected mainly the drawdown of funds to finance working capital for the *finance, insurance and business services; electricity, gas and water supply; and manufacturing sectors*. Demand for new financing was sustained at high

levels with higher applications from the *transport, storage and communication; wholesale and retail, restaurants and hotels; electricity, gas and water supply and construction sectors*. On an annual basis, business loans outstanding expanded by 9.4% as at end-December (3Q 10: 7.1%).

Loans by Sector

	Loans disbursed				Loans out-standing	
	During the period			Share of total	Share of total	
	2009	4Q 09	3Q 10	4Q 10		
	(RM billion)			(%)		
Business enterprises	440.0	128.1	116.5	124.5	65.9	44.6
<i>Large corporations</i>	296.8	87.8	81.3	84.6	44.8	30.1
<i>SMEs*</i>	143.2	38.3	35.3	39.9	21.1	14.5
<i>Selected sectors</i>						
Agriculture, hunting, forestry and fishing	20.9	7.1	4.8	5.3	2.8	2.3
Mining and quarrying	2.3	0.5	0.9	1.2	0.7	0.4
Manufacturing	128.5	34.9	36.1	36.8	19.5	9.4
Construction	40.6	12.2	11.3	11.9	6.3	4.4
Real estate	20.7	6.5	6.9	7.5	4.0	4.4
Electricity, gas and water supply	8.0	2.6	0.9	2.6	1.4	1.3
Wholesale, retail, restaurants and hotels	105.5	28.4	30.6	30.9	16.4	7.4
Transport, storage and communication	22.6	6.8	4.2	4.3	2.3	2.9
Finance, insurance and business services	45.3	12.8	13.0	17.8	9.4	7.1
Households	217.2	60.9	59.6	64.3	34.1	55.4
Purchase of residential properties	55.6	16.8	13.7	15.1	8.0	25.6
Consumption credit	132.6	36.2	38.2	39.9	21.1	20.6
Of which:						
<i>Credit cards</i>	70.5	19.5	21.3	23.4	12.4	3.4
<i>Purchase of passenger cars</i>	32.8	8.2	9.4	9.1	4.8	12.5
Others	29.0	8.0	7.7	9.3	4.9	9.1
Total	657.2	187.0	176.1	188.8	100.0	100.0

*Include loans to individual businesses.

Source: Bank Negara Malaysia

Financing to the household sector remained steady. Demand for loans was mainly for the *purchase of residential and non-residential properties, and passenger cars*. Loan disbursements to households also increased during the quarter. Accordingly, household loans outstanding expanded by RM14.2 billion during the quarter to increase at an annual growth rate of 13.4% as at end-December (3Q 10: 13.3%).

Stronger fund raising activity in the capital market

Net funds raised in the capital market increased to RM30.5 billion (3Q 10: RM16.8 billion) during the quarter, driven by stronger fund raising activity by the private sector. Gross funds raised through PDS issuances rose to RM18.3 billion (3Q 10: RM14.4 billion). The funds were mainly used for refinancing (48.4% of total funds raised) and working capital. As with the previous quarter, the bulk of issuances came from firms in the finance sector. Funds raised from the equity market rose substantially to RM14.7 billion, due to a large IPO amounting to RM12.5 billion by a firm in the industrial products sector.

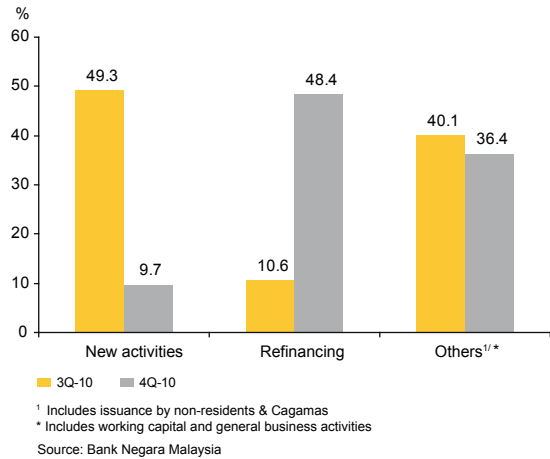
In the public sector, gross funds of RM9.6 billion were raised through issuances of the 10-year Government Investment Issues (GII) and the re-opening of the 3-year and 7-year MGS. After adjusting for redemptions, net funds raised by the public sector in the fourth quarter amounted to RM7.1 billion (3Q 10: RM8.9 billion).

Net Funds Raised in the Capital Market

	2009		2010		
	4Q	Year	3Q	4Q	Year
RM billion					
By Public Sector	5.6	57.8	8.9	7.1	37.0
Government securities, <i>net</i>	5.7	53.3	9.0	7.1	34.9
<i>Malaysian Government Securities</i>	13.5	61.3	9.9	6.6	37.7
<i>Government Investment Issues</i>	3.5	28.5	6.0	3.0	21.0
<i>Less: Redemptions</i>	11.4	36.5	7.0	2.5	23.9
Khazanah Bonds, <i>net</i>	-	(2.4)	-	-	-
Savings Bonds, <i>net</i>	(0.1)	6.9	(0.1)	(0.1)	2.2
By Private Sector	24.0	52.6	7.9	23.4	50.5
Shares	13.2	26.0	2.1	14.7	32.1
Debt securities, <i>net</i>	10.8	26.5	5.8	8.7	18.4
<i>Private Debt Securities</i>	16.4	58.6	14.4	18.3	52.1
<i>Less: Redemptions</i>	5.6	32.0	8.6	9.6	33.8
Total	29.6	110.3	16.8	30.5	87.5

Source: Bank Negara Malaysia and Bursa Malaysia

Private Debt Securities Issued by Purpose (% of total)



In the PDS market, the 5-year corporate bond yields remained stable despite the increase in the benchmark 5-year MGS yields. The AAA-rated papers recorded a slight increase of 1 basis point, while the A-rated papers recorded a slight decline of 5 basis points. Yields on the AA-rated papers were unchanged during the quarter.

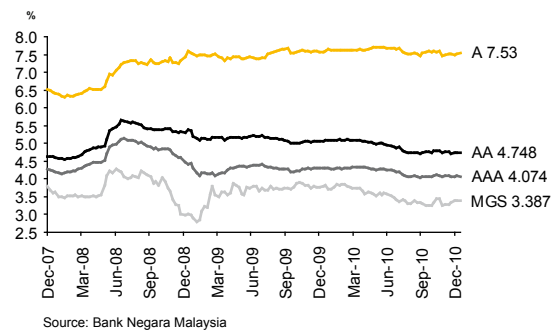
Secondary trading

Total trading in the secondary bond market declined to RM158 billion during the quarter (3Q 10: RM179 billion). As a result, liquidity ratios across all segments fell, with the MGS, GII and PDS segments registering liquidity ratios of 0.43, 0.30 and 0.07 respectively.

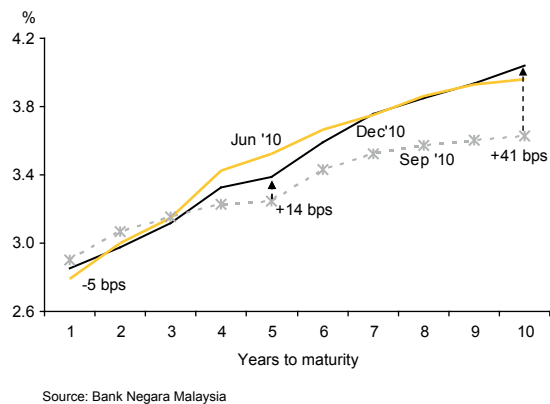
Long-term yields increased

Following the Budget 2011 announcement on 15 October, MGS yields of longer maturities increased during the last quarter of 2010 on expectations of larger debt issuances in 2011 and the positive economic outlook. The 5-year and 10-year MGS yields recorded an increase of 14 and 41 basis points respectively. However, short-term yields were largely unaffected. Yields on the 1-year MGS and 3-year MGS recorded a slight decline of 5 and 4 basis points respectively. As a result, the benchmark MGS yield curve was steeper in the fourth quarter.

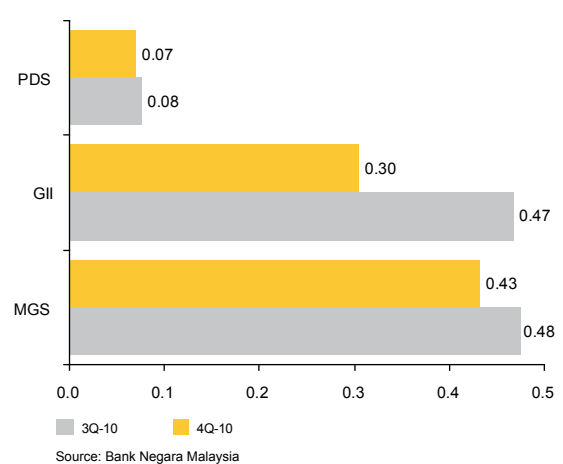
5-year MGS and 5-year Corporate Bond Yield



Trend in MGS Yields

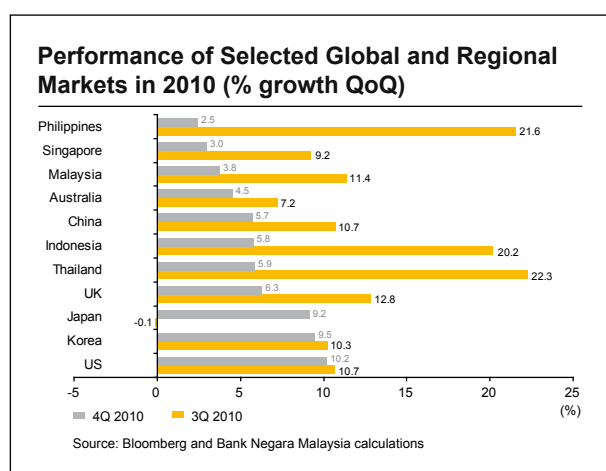


Liquidity Ratio: Turnover / Outstanding



KLCI continued to rise in the fourth quarter

The FBM KLCI ended the fourth quarter higher at 1,518.91 (since 3Q 10: 3.8%), supported by investor optimism following the Government's announcement of key projects in the Economic Transformation Programme (ETP). The domestic equity market was also supported by gains in the plantation sector due to rising crude palm oil prices. Regional equity markets, including Malaysia's, were lifted by expectations and the eventual implementation of a second round of quantitative easing by the US Federal Reserve. Market capitalisation



increased to RM1.28 trillion at end-Dec 2010 (3Q 10: RM1.15 trillion), while the daily average turnover was higher at 1.28 billion units (3Q 10: 0.92 billion units) during the quarter.

On 18 January 2011, the KLCI closed higher at 1,570.04 points (since end-2010: +3.37%) with market capitalisation of RM1.33 trillion (since end-2010: +4.01%).

Bursa Malaysia: Selected Market Indicators

	2009		2010		
	As at end				
	Dec	Year	Sep	Dec	Year
Price Indices					
Composite	1,272.8	1,272.8	1,463.5	1,518.9	1,518.9
FBMEMAS ¹	8,507.6	8,507.6	9,811.6	10,375.0	10,375.0
FTSE Second Board ²	-	-	-	-	-
ACE Market ³	4,299.6	4,299.6	3,877.0	4,347.6	4,347.6
Market capitalisation (RM billion)	999.5	999.5	1,150.1	1,275.3	1,275.3
No. of companies listed	960	960	958	957	957
	During the quarter				
	4Q	Year	S3	S4	Year
Average daily turnover					
Volume (million units)	915.2	1,000.2	920.9	1,276.5	1,021.2
Value (RM million)	1,210.3	1,220.9	1,481.7	2,002.5	1,573.9

¹FBMEMAS stands for FTSE Bursa Malaysia EMAS Index

²From 3 August 2009, FTSE Second Board was merged with the Main board and renamed as Main Market

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

Source: Bursa Malaysia

Bursa Malaysia: Market Turnover

	2009				2010					
	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	57.7	76.2	248.1	302.8	58.0	93.4	79.1	124.2	268.0	413.0
Of which:										
Main Board	48.3	73.7	210.4	292.7	49.3	91.7	65.7	121.1	225.5	403.3
Of which										
Consumer Products	3.8	3.8	11.3	14.5	4.2	5.0	3.6	5.5	15.3	19.3
Industrial Products	10.1	9.5	44.5	36.0	8.9	9.9	15.4	22.7	47.6	58.9
Construction	2.5	4.7	15.7	22.4	4.5	8.5	4.5	8.7	16.4	29.0
Trading/Services	15.4	27.7	70.5	105.6	15.1	34.5	19.3	40.0	68.2	140.2
Finance	4.2	15.1	17.1	56.6	3.5	18.7	4.6	22.7	17.7	86.2
Properties	4.6	3.5	29.3	19.4	6.7	4.6	11.5	8.8	33.1	21.6
Plantations	1.1	4.4	5.9	21.6	1.0	5.1	2.3	7.9	6.1	25.5
Infrastructure	1.6	1.8	5.7	10.3	1.8	2.2	1.7	2.4	5.8	8.9
Second Board ¹	-	-	10.8	4.0	-	-	-	-	-	-
Mesdaq ²	5.6	1.4	16.7	3.4	4.1	0.6	5.6	1.3	20.3	3.9

¹From 3 August 2009, FTSE Second Board was merged with the Main board and renamed as Main Market

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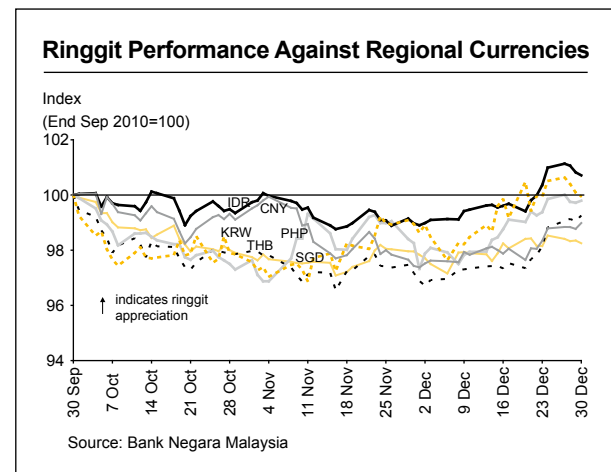
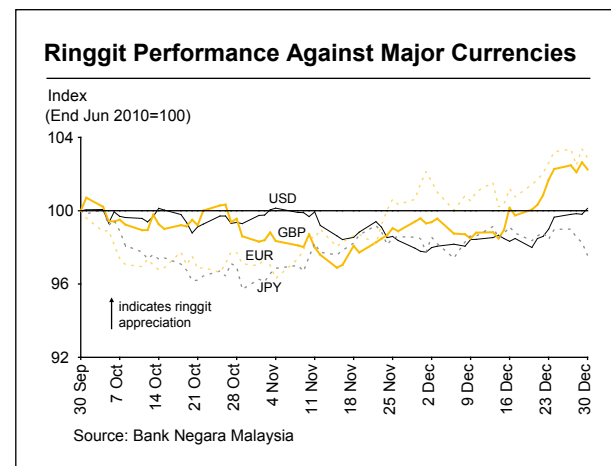
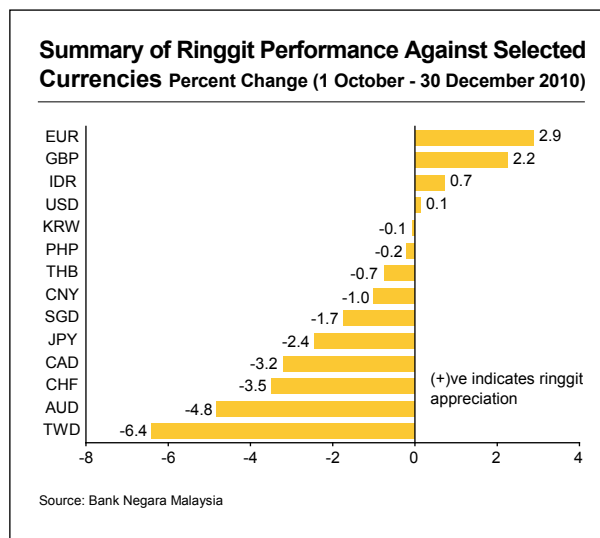
Source: Bursa Malaysia

Mixed performance of the ringgit during the quarter

For the fourth quarter, the ringgit appreciated marginally (+0.1%) against the US dollar as the appreciation and depreciation during the interim months roughly offset each other. The ringgit broadly depreciated in October and November amid higher risk-aversion following lingering concerns over the European sovereign debt problems and tensions in the Korean Peninsula. The ringgit, however, ended the year stronger as it strengthened against the US dollar and currencies of major trade partners following optimism in the growth outlook for Asia, which boosted investor sentiments towards regional financial markets. Against other major currencies, ringgit appreciated against the euro (2.9%) and pound sterling (2.2%) but depreciated against the Japanese yen (-2.4%). Against regional currencies, the ringgit broadly depreciated in the range of -0.1% to -1.7% as country specific factors led to a strengthening of these currencies against the ringgit. The ringgit,

however, appreciated by 0.7% against the Indonesian rupiah.

During the period between 1 January to 14 February 2011, the ringgit appreciated against the U.S dollar (1%) and the Japanese yen (3.3%), but depreciated against the pound sterling (-2.5%) and the euro (-1.2%). The ringgit appreciated against regional currencies in the range of 0.1% to 3.1%, with the exception of the Korean won, against which the ringgit depreciated by 0.4%.



Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	4Q 09	3Q 10	4Q 10	21 Jul 05	4Q 09	3Q 10
US dollar	3.8000	3.4245	3.0875	3.0835	23.2	11.1	0.1
Euro	4.6212	4.9191	4.1979	4.0804	13.3	20.6	2.9
Pound sterling	6.6270	5.5001	4.8892	4.7817	38.6	15.0	2.2
100 Japanese yen	3.3745	3.7076	3.6943	3.7869	-10.9	-2.1	-2.4
Singapore dollar	2.2570	2.4401	2.3442	2.3859	-5.4	2.3	-1.7
100 Thai baht	9.0681	10.271	10.151	10.227	-11.3	0.4	-0.7
100 Philippine peso	6.8131	7.4196	7.0254	7.0400	-3.2	5.4	-0.2
100 Indonesian rupiah	0.0386	0.0364	0.0346	0.0344	12.4	6.0	0.7
100 Korean won	0.3665	0.2937	0.2706	0.2707	35.4	8.5	-0.1
Chinese renminbi	0.4591	0.5016	0.4615	0.4662	-1.5	7.6	-1.0

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

Source: Bank Negara Malaysia