

MONETARY AND FINANCIAL DEVELOPMENTS

Interest rates were stable

The OPR was left unchanged at 3.50% throughout the first quarter of 2008, as the prevailing level of the policy rate remained consistent with the outlook for economic growth and inflation.

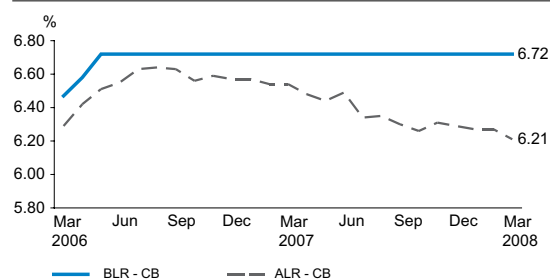
Concurrently, the daily weighted average overnight interbank rate moved within a narrow range of 3.49% - 3.51%. Interbank rates of other maturities were also relatively stable during the quarter.

In terms of lending rates, the average base lending rate (BLR) of commercial banks (CBs) was unchanged at 6.72%. The average lending rate (ALR) on the other hand softened to 6.21% as at end-March, compared with 6.29% as at end-2007, due to competition amidst ample liquidity conditions. The average quoted fixed deposit (FD) rates of CBs for tenures of between 1 to 12 months were relatively unchanged, ranging between 3.08% and 3.70% at the end of the first quarter.

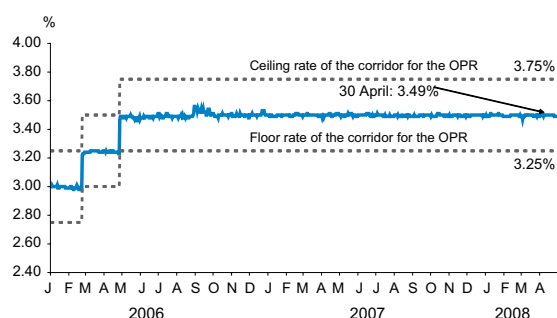
Interest Rates

	2007		2008
	1Q	4Q	1Q
At end-period (%)			
Overnight Policy Rate (OPR)	3.50	3.50	3.50
Interbank rates			
Overnight	3.50	3.50	3.50
1-month	3.55	3.54	3.55
Base lending rates (BLR)			
Commercial banks	6.72	6.72	6.72
Average lending rates (ALR)			
Commercial banks	6.54	6.29	6.21
Fixed deposit rates			
Commercial banks			
3-month	3.18	3.15	3.14
12-month	3.71	3.70	3.70

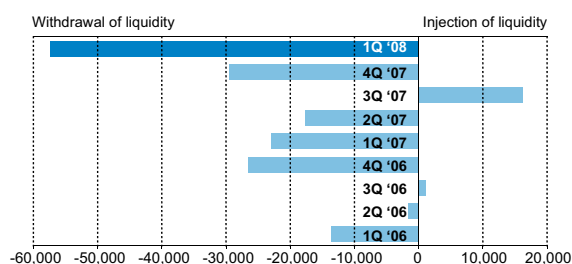
Lending Rates of Commercial Banks (Average for the period)



Daily Weighted Average Overnight Interbank Rate



Bank Negara Malaysia Liquidity Operations (During the quarter, RM million)



M3 expanded at a faster pace

M3, or broad money, expanded significantly by RM51.6 billion during the first quarter. Consequently, there was a turnaround in the trend of the growth in broad money, which after moderating to 9.5% at the end of 2007, increased to 12.1% at end-March 2008. Growth in M3 was underpinned by the strong increase in inflows during the first quarter, stemming from higher export proceeds, foreign direct investment and portfolio investment. The expansion in M3 was also supported by the significant increase in lending to the private sector and to a lesser extent, expansionary Government operations.

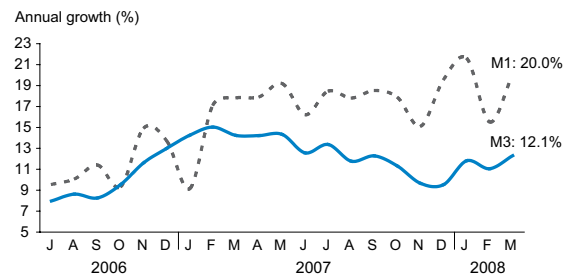
“Other influences” on the other hand were contractionary on M3, mainly reflecting Bank Negara Malaysia’s sterilisation operations, which limited the impact of the inflows on broad money expansion.

Similarly, M1, a measure of transactional balances, rose at an annual rate of 20% at end-March 2008 (end-2007: 19.6%), reflecting the increase in both currency in circulation and demand deposits.

Gross private sector financing remained strong

Financing activity in the first quarter remained strong in support of domestic economic activity. Despite the global financial turmoil, domestic credit conditions remained favourable, with demand for financing supported by ample liquidity in the domestic financial system. The cost of financing also

Monetary Aggregates



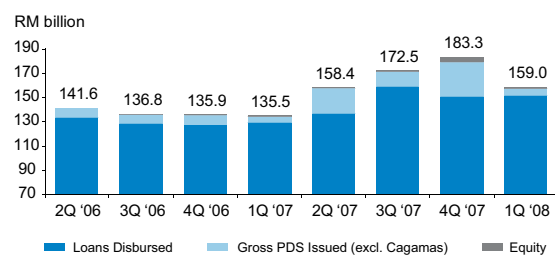
Determinants of Broad Money, M3

	Change during the period			
	2007			2008
	1Q	4Q	Year	1Q
	RM billion			
M3	28.9	28.5	72.5	51.6
Net claims on Government	1.0	8.5	-0.6	1.7
Claims on private sector	5.2	-3.3	50.9	17.3
Loans	8.1	-3.1	48.4	16.3
Securities	-2.9	-0.2	2.5	0.9
Net external operations ¹	37.3	20.7	77.0	45.7
BNM	19.9	7.2	50.9	52.5
Banking system	17.5	13.5	26.1	-6.8
Other influences	-14.7	2.7	-54.8	-13.0

¹ Pre-revaluation

Source: Bank Negara Malaysia

Gross Private Sector Financing through Banking System and Capital Market



Financing of the Private Sector through Banking System and Capital Market

	During the period (RM billion)				Annual growth (%)		
	2007	1Q 07	4Q 07	1Q 08	2007	4Q 07	1Q 08
Gross total financing	649.6	135.5	183.3	159.0	17.6	34.9	17.4
Loans disbursed*	575.9	129.2	150.7	151.4	10.8	18.5	17.2
Gross PDS (excl. Cagamas)	66.5	5.1	28.7	6.5	116.4	255.0	26.6
Equity	7.1	1.1	3.8	1.1	272.0	504.0	-2.2
Outstanding total financing (A)+(B)	84.0	6.2	19.5	22.8	10.7	10.7	12.7
Banking system	59.7	7.6	5.0	17.8	9.3	9.3	10.8
<i>Loans outstanding (A)</i>	51.2	8.5	-0.7	17.4	8.6	8.6	10.0
<i>Holding of PDS</i>	8.5	-0.9	5.7	0.5	17.6	17.6	20.9
PDS outstanding (B)	32.7	-2.3	20.2	5.5	17.1	17.1	21.4
Memorandum item							
Gross PDS (incl. Cagamas)	31.7	6.2	28.7	10.0	113.0	255.0	60.0

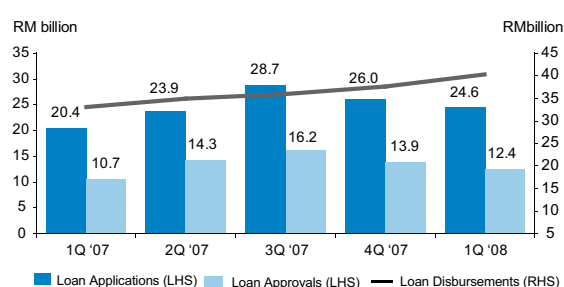
* Banking system loans include loans sold to Cagamas

remained low. As a result, on a net basis, banking system loans and PDS outstanding expanded at a faster pace of 12.7% at end-March (end-2007: 10.7%). Gross financing raised by the private sector from the banking system and capital market increased at a more moderate pace of 17.4% after the significant expansion in the fourth quarter of 2007 (4Q 2007: 34.9%), which reflected the large issuance of PDS by one firm to refinance a bridging loan contracted earlier in 2007.

Of significance, loans outstanding increased markedly by 10% at end-March (end-2007: 8.6%). The strong expansion in loans outstanding was due to both the business and household sectors, with loans outstanding to these sectors expanding at higher annual rates of 11.6% and 8% respectively (end-2007: 10.4% and 7.4% respectively).

The favourable loans performance was underpinned by robust growth in loan disbursements. Loan disbursements were broad-based. In particular, financing channelled

Bank Lending to SMEs



to SMEs has increased consistently since 2005 and currently accounts for 26.6% (4Q 2007: 25%) of total loan disbursements. In the household sector, funds were mainly distributed for the purchase of residential property, passenger cars and personal use.

Given the absence of large scale merger and acquisition activity, loan applications and approvals have returned to more moderate levels. On an annual basis, however, loan applications and approvals continued to register strong growth rates.

Loan Indicators

	During the period (RM billion)				Annual Growth (%)			
	2007	1Q 07	4Q 07	1Q 08	2007	1Q 07	4Q 07	1Q 08
Total								
Loan applications	457.5	83.5	131.2	112.1	52.1	21.5	71.0	34.2
Loan approvals	298.6	53.1	87.9	72.1	58.6	20.4	77.1	35.7
Loan disbursements	575.9	129.2	150.7	151.4	10.8	-1.4	18.5	17.2
Loan repayments	518.6	118.0	153.8	138.8	8.4	-0.1	25.6	17.6
Change in loan outstanding*	51.2	8.5	-0.7	17.4	8.6	6.2	8.6	10.0
Of which:								
Business enterprises**								
Loan applications	262.6	44.9	77.3	56.5	63.1	24.2	87.3	25.8
Loan approvals	181.5	29.8	56.7	38.5	88.4	39.5	101.8	29.0
Loan disbursements	406.3	90.3	105.6	106.3	9.9	-3.9	17.8	17.7
Loan repayments	370.1	81.6	115.0	97.4	5.3	-6.2	30.2	19.3
Change in loan outstanding*	24.6	4.2	-9.9	7.6	10.4	6.1	10.4	11.6
SMEs**								
Loan applications	99.1	20.4	26.0	24.6	38.8	55.2	31.5	20.5
Loan approvals	55.1	10.7	13.9	12.4	37.1	36.1	17.0	16.0
Loan disbursements	141.5	33.0	37.6	40.3	5.5	10.8	13.3	22.3
Loan repayments	126.6	29.3	34.5	35.1	3.4	16.0	10.1	19.8
Change in loan outstanding*	9.5	2.7	2.3	4.6	9.1	6.0	9.1	10.7
Large corporations								
Loan applications	163.5	24.5	51.3	31.9	82.4	6.5	138.7	30.1
Loan approvals	126.4	19.2	42.9	26.1	125.2	41.6	163.6	36.2
Loan disbursements	264.8	57.3	68.1	66.0	12.4	-10.8	20.4	15.1
Loan repayments	243.5	52.3	80.5	62.3	6.3	-15.3	41.3	19.1
Change in loan outstanding*	15.1	1.5	-12.3	2.9	11.4	6.2	11.4	12.3
Households								
Loan applications	194.9	38.6	53.9	55.6	39.4	18.4	51.9	44.0
Loan approvals	117.1	23.3	31.2	33.6	27.3	2.3	44.8	44.4
Loan disbursements	169.6	38.9	45.0	45.1	12.9	5.0	20.2	16.0
Loan repayments	148.5	36.4	38.8	41.4	17.3	17.0	13.8	13.9
Change in loan outstanding*	24.5	3.9	6.7	6.2	7.4	7.7	7.4	8.0

* 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	
	2007	1Q 07	4Q 07	1Q 08			
	(RM billion)				(%)		
Business enterprises	406.3	90.3	105.6	106.3	70.2	40.7	
Large corporations	264.8	57.3	68.1	66.0	43.6	22.7	
SMEs*	141.5	33.0	37.6	40.3	26.6	18.0	
<i>Selected sectors</i>							
Agriculture, hunting, forestry and fishing	14.1	3.1	3.6	3.7	2.4	2.2	
Mining and quarrying	2.0	0.3	0.7	0.5	0.3	0.2	
Manufacturing	135.1	32.5	35.3	36.2	23.9	11.6	
Construction	32.6	7.6	8.4	9.3	6.1	5.1	
Real estates	12.3	2.4	3.6	4.1	2.7	3.3	
Electricity, gas and water supply	1.3	0.3	0.4	0.8	0.5	0.7	
Wholesale, retail, restaurants and hotels	91.9	20.5	25.8	25.2	16.6	8.7	
Transport, storage and communication	32.2	2.5	5.6	2.7	1.8	2.3	
Finance, insurance and business services	45.7	10.3	11.9	14.3	9.5	6.3	
Households	169.6	38.9	45.0	45.1	29.8	54.7	
Purchase of residential properties	39.9	8.5	11.1	10.5	6.9	26.1	
Consumption credit	109.5	25.4	29.3	29.4	19.4	22.0	
<i>Of which:</i>							
Credit cards	57.9	13.7	15.4	14.7	9.7	3.4	
Purchase of passenger cars	27.8	6.4	7.4	8.4	5.6	14.4	
Others	20.2	5.1	4.6	5.3	3.5	6.6	
Total	575.9	129.2	150.7	151.4	100.0	100.0	

* Include loans to individual businesses.

Source: Bank Negara Malaysia

Higher financing from the capital market

Total net funds raised from both the public and private sectors were significantly higher at RM12.4 billion (4Q 2007: +RM567 million).

The public sector raised gross funds of RM16.3 billion through the issuance of a 5-year Malaysian Government Securities (MGS), the 3-year callable MGS, two re-openings of the 3-year and 10-year MGS and a new issue of Government Investment Issues (GII). After adjusting for redemptions, net funds raised by the public sector were higher at RM10.6 billion.

In the private sector, gross funds raised from the PDS market moderated in the first quarter to RM10 billion (4Q 2007: RM28.7 billion). During the quarter, there were also issuances by four non-resident quasi-sovereign and multinational corporations in the Malaysian capital market, amounting to RM3.5 billion. On a net basis, funds raised through the PDS market amounted to RM700 million during the quarter.

Funds raised through the equity market were lower during the first quarter, amounting to RM1.1 billion. A total of RM232 million was raised through seven initial public offerings (IPOs); four on the Second Board and three on MESDAQ, while the remaining was raised through rights issues and warrants.

Higher secondary trading in the bond market

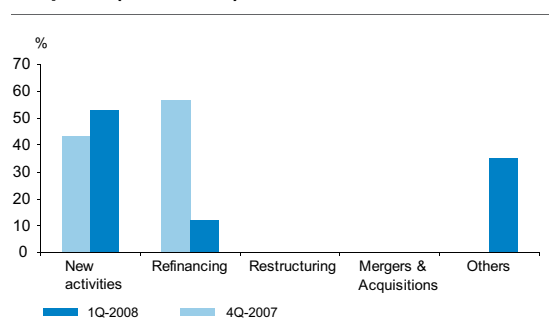
Total trading in the secondary market rose to RM102.3 billion in the first quarter (4Q 2007: RM79.6 billion). Government securities (MGS and GII) accounted for 80% of the total trade, followed by private debt securities with 19% of total trade. In terms of liquidity, the MGS was the most liquid paper, registering a liquidity ratio of 0.38, followed by the GII with a liquidity ratio of 0.18.

In the month of January 2008, the MGS benchmark yields declined significantly between 16 – 49 basis points. The downward shift in the yield curve was mainly due to the rebuilding of

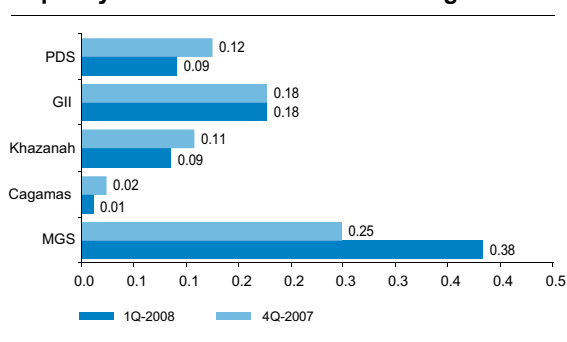
Funds Raised in the Capital Market

	2006	2007		2008	
	Year	1Q	4Q	Year	
	RM million				
By Public Sector	20,919	7,431	(5,946)	25,178	10,633
Government Securities, <i>net</i>	23,480	8,809	(5,552)	27,187	10,633
<i>Malaysian Government Securities</i>	26,830	10,109	14,048	43,187	14,283
<i>Government Investment Issues</i>	9,500	3,500	-	10,000	2,000
<i>Less: Redemptions</i>	12,850	4,800	19,600	26,000	5,650
Khazanah Bonds, <i>net</i>	(630)	(1,020)	-	(496)	-
Merdeka Savings Bond, <i>net</i>	(1,931)	(358)	(394)	(1,513)	-
By Private Sector	9,284	2,318	6,513	20,300	1,802
Shares	1,916	1,126	3,819	7,126	1,101
Debt securities, <i>net</i>	7,368	1,192	2,694	13,174	700
<i>Private Debt Securities</i>	31,737	6,232	28,746	67,606	9,969
<i>Cagamas</i>	7,150	1,350	-	1,750	-
<i>Less: Redemptions</i>	31,519	6,390	26,052	56,182	9,268
Total	30,203	9,749	567	45,478	12,435

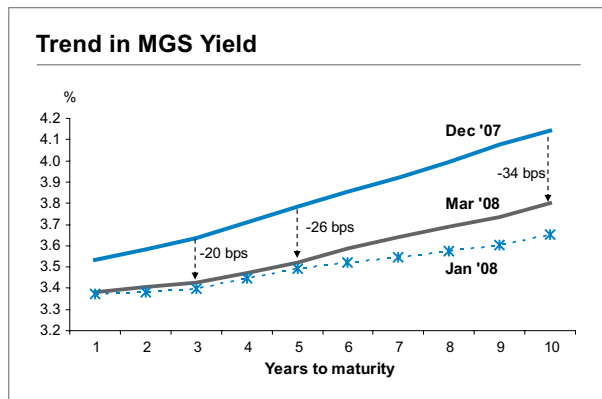
Private Debt Securities Issued by Purpose (% of total)



Liquidity Ratio: Turnover / Outstanding



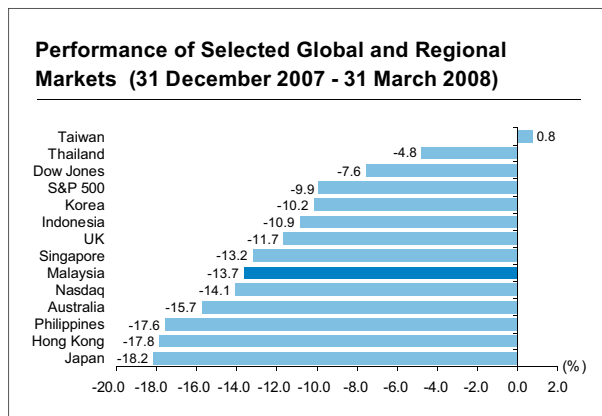
portfolios by investors in the early part of the year and the strengthening of the ringgit, which influenced buying momentum in the market. However, since mid-February, MGS yields have been gradually trending upwards especially in the longer-tenures on concerns over higher



domestic inflation. Overall, the quarterly yield spreads for the 3-year, 5-year and 10-year MGS declined by 20, 26 and 34 basis points respectively.

KLCI affected following developments in global financial markets

The Kuala Lumpur stock market began the first quarter on a positive note with the KLCI rising to a new high of 1,516.2 on 11 January 2008 due to the strong performance of the plantations sector arising from the higher crude palm oil



prices. Subsequently, the KLCI weakened in line with regional equity markets on renewed concerns over the depth of the US economic slowdown and domestic developments. Nonetheless, the implementation of policy measures by the US Federal Reserve to ease the tight liquidity conditions in credit markets, and the cumulative reduction in the Fed Funds rate by 200 basis points within the first quarter, have restored to some extent stability in the global equity markets. The KLCI ended the first quarter at 1,247.5 (since end-2007: -13.7%). Market capitalisation was lower at RM952.3 billion (since end-2007: -13.9%) and trading activity decreased to a daily average turnover of 930.4 million units (since end-2007: -26.7%).

On 26 May 2008, the KLCI closed at 1,273.4 (since end-2007: -11.9%), with market capitalisation lower at RM971.4 billion (since end-2007: -12.2%).

Bursa Malaysia: Selected Market Indicators

	As at end			
	2007			2008
	1Q	4Q	Year	1Q
Price Indices				
Composite	1,246.9	1,445.0	1,445.0	1,247.5
FBM30 ¹	7,924.6	9,343.7	9,343.7	8,232.9
FBMEMAS ²	8,332.8	9,810.8	9,810.8	8,423.7
Second Board	99.3	-	-	-
Mesdaq	138.5	-	-	-
FTSE Second Board	-	6,732.4	6,732.4	5,884.6
FTSE Mesdaq	-	6,109.2	6,109.2	4,923.2
Average daily turnover				
Volume (million units)	2,078.5	1,268.5	1,548.4	930.4
Value (RM million)	2,765.7	1,898.7	2,345.7	2,035.2
Market capitalisation (RM billion)	985.1	1,106.2	1,106.2	952.3
No. of companies listed	1,023	987	987	989

¹ FBM30 stands for FTSE Bursa Malaysia 30 Index
² FBMEMAS stands for FTSE Bursa Malaysia EMAS Index

Source: Bursa Malaysia

Bursa Malaysia: Turnover of Corporate Securities

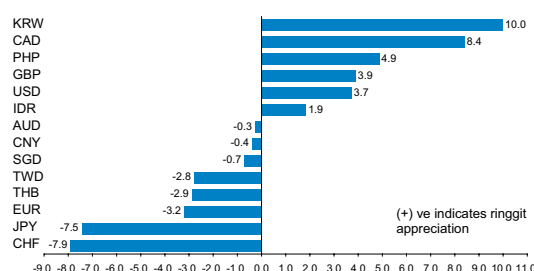
	2007						2008	
	1Q		4Q		Year		1Q	
	million units	RM million	million units	RM million	million units	RM million	million units	RM million
Turnover	123,632	164,163	78,648	117,720	382,846	579,684	53,982	145,481
Of which:								
Main Board	90,866	144,661	50,667	106,134	270,525	519,033	36,488	137,875
Of which:								
Consumer Products	1,959	5,130	1,752	4,777	7,790	20,344	931	4,627
Industrial Products	9,174	12,524	4,906	8,213	29,512	44,796	3,409	9,086
Construction	7,688	17,770	3,486	9,748	22,772	57,378	4,722	15,929
Trading/Services	20,975	46,296	15,545	38,069	72,166	177,366	10,383	48,862
Finance	9,316	28,825	3,728	17,445	23,623	89,857	3,391	26,425
Properties	16,818	12,045	7,300	7,814	50,140	48,528	4,234	6,386
Plantations	1,451	8,639	2,177	9,658	7,509	37,186	2,262	17,449
Infrastructure	1,685	3,612	1,408	4,694	6,278	15,375	1,148	4,534
Second Board	8,762	5,214	7,254	4,707	34,671	23,765	4,118	3,689
Mesdaq	17,731	8,846	6,139	3,050	43,098	23,691	5,621	2,845

Source: Bursa Malaysia

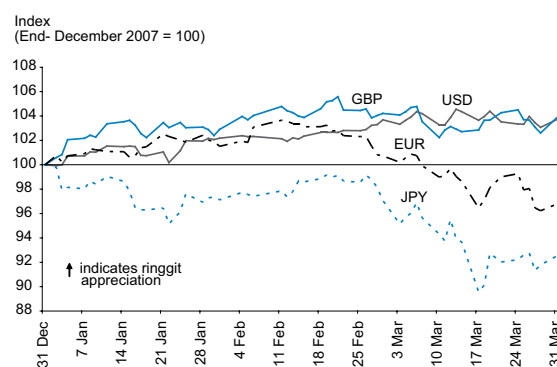
Exchange Rate Developments

The ringgit experienced greater two way movements during the first quarter, reflecting volatile portfolio flows as investors reacted to events related to the turbulence in the international financial markets, and reassessed their positions on concerns that the US economic slowdown would have a spillover effect upon the region. The upward trend of the ringgit against the US dollar during this period was also supported by the positive investor sentiment on the Malaysian economy following the release of strong GDP growth numbers for 2007 on 27 February 2008. It also reflected the weakness of the US dollar arising from the deteriorating fundamentals of the US economy. During the quarter, the ringgit appreciated against the US dollar by 3.7% and the pound sterling by 3.9%, but depreciated against the Japanese yen and the euro by 7.5% and 3.2% respectively. The ringgit also recorded a mixed performance against regional currencies during the first quarter, appreciating against the Korean won (10.0%), Philippine peso (4.9%) and the Indonesian rupiah (1.9%), but depreciating against the Thai baht (-2.9%), the Singapore dollar (-0.7%) and the Chinese renminbi (-0.4%).

Summary of Ringgit Performance Against Selected Currencies Percent Change (1 January - 31 March 2008)



Ringgit Performance Against Major Currencies



Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	1Q 07	4Q 07	1Q 08	21 Jul 05	1Q 07	4Q 07
US dollar	3.8000	3.4560	3.3065	3.1875	19.2	8.4	3.7
Euro	4.6212	4.6105	4.8756	5.0369	-8.3	-8.5	-3.2
Pound sterling	6.6270	6.7867	6.6070	6.3586	4.2	6.7	3.9
100 Japanese yen	3.3745	2.9339	2.9534	3.1912	5.7	-8.1	-7.5
Singapore dollar	2.2570	2.2781	2.2938	2.3102	-2.3	-1.4	-0.7
100 Thai baht	9.0681	9.8785	9.8159	10.108	-10.3	-2.3	-2.9
100 Philippine peso	6.8131	7.1649	8.0158	7.6421	-10.8	-6.2	4.9
100 Indonesian rupiah	0.0386	0.0379	0.0352	0.0346	11.6	9.6	1.9
100 Korean won	0.3665	0.3674	0.3532	0.3211	14.1	14.4	10.0
Chinese renminbi	0.4591	0.4471	0.4527	0.4545	1.0	-1.6	-0.4

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

During the period 1 April to 27 May 2008, the ringgit depreciated against the US dollar (-1.9%), the euro (-1.8%) and the pound sterling (-1.2%), but appreciated against the Japanese yen (1.5%). The ringgit recorded a mixed performance against regional currencies, appreciating against the Korean won (3.2%), the Philippine peso (2.8%) and the Thai baht (0.6%) but depreciating against the Singapore dollar (-3.2%), the Chinese renminbi (-2.9%) and the Indonesian rupiah (-0.4%).

Ringgit Performance Against Regional Currencies

