

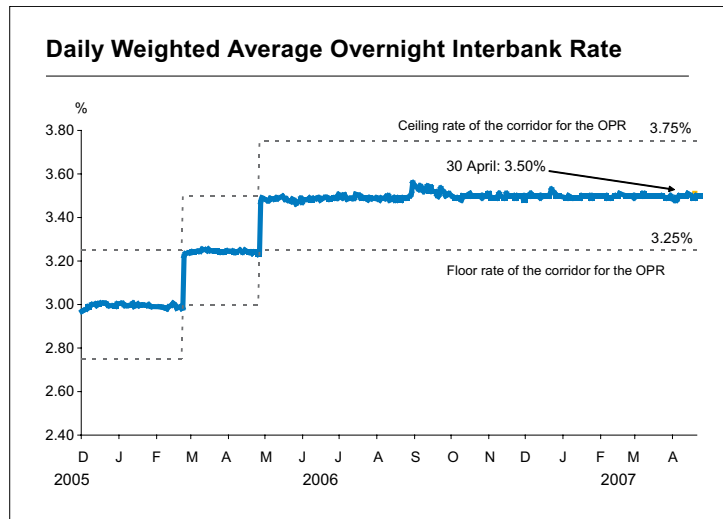
## MONETARY AND FINANCIAL DEVELOPMENTS

### *Lending rates remained stable while real FD rates for all maturities rose*

The OPR was left unchanged at 3.50% throughout the first quarter of 2007 as the prevailing level of the policy rate is consistent with the medium term outlook of relatively low and stable inflation and steady pace of economic growth.

Reflecting the unchanged OPR, the average overnight interbank rate remained stable, moving within a tight range of 3.48% to 3.51% during the period 1 January – 25 April. Interbank rates of other maturities also remained relatively stable.

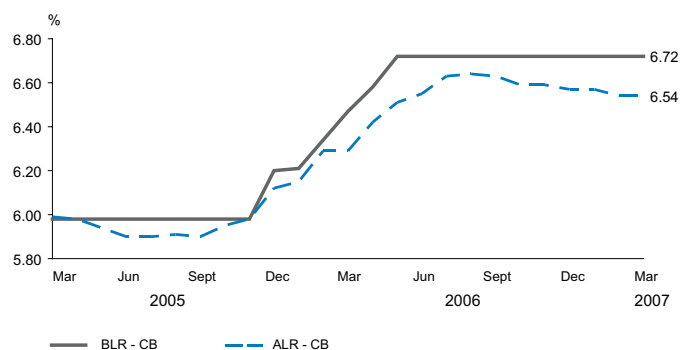
In terms of lending rates, the average base lending rate (BLR) of commercial banks (CBs) remained unchanged at 6.72%. However, the average lending rate (ALR) declined marginally to 6.54% as at end-March, from 6.57% as at end-2006. The average quoted fixed deposit (FD) rates of CBs for the 1-month and 12-month maturities ranged between 3.10% and 3.71% at the end of the first quarter (4Q 2006: 3.11% to 3.73%). Of significance, the real FD rates for all maturities rose significantly in March following the decline in inflation.



### Interest Rates

	2006			2007
	1Q	4Q	Year	1Q
	<b>At end-period (%)</b>			
Overnight Policy Rate (OPR)	3.25	3.50	3.50	3.50
Interbank rates				
Overnight	3.25	3.50	3.50	3.50
1-month	3.25	3.58	3.58	3.55
Base lending rates (BLR)				
Commercial banks	6.47	6.72	6.72	6.72
Average lending rates (ALR)				
Commercial banks	6.29	6.57	6.57	6.54
Fixed deposit rates				
Commercial banks				
3-month	3.06	3.19	3.19	3.18
12-month	3.70	3.73	3.73	3.71

### Lending Rates of Commercial Banks (Average for the period)

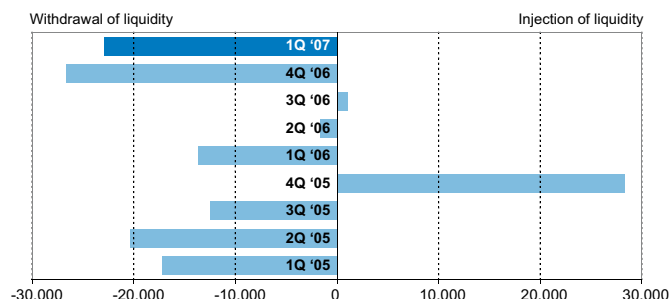


## Sustained growth in broad money

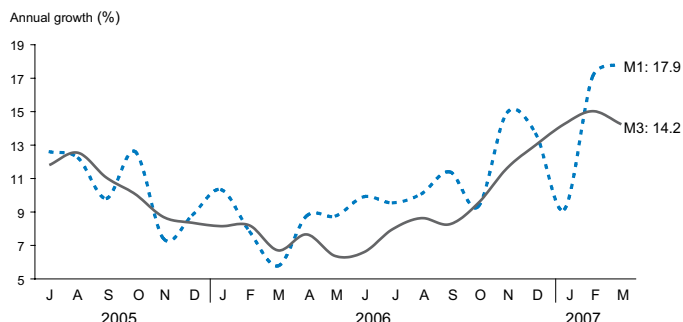
M1, or narrow money, expanded at a higher annual rate of 17.9% at the end of the first quarter of 2007 (4Q 2006: 13.8%), reflecting mainly the increase in demand deposits placed by business enterprises and, to a lesser extent, the higher amount of currency held by the private sector.

M3, or broad money, increased at a rate of 14.2% at the end of the first quarter of 2007 (4Q 2006: 13%). During the quarter, the expansion in M3 was driven mainly by the increase in net foreign assets following higher inflows in the form of export proceeds, net foreign direct investment and portfolio investments. Claims on the private sector expanded on account of the increase in loans outstanding. These were, however, offset to some extent by the lower holdings of private debt securities by the banking institutions. In contrast with the seasonally high spending at the end of the year, net claims on the Government had a more moderate expansionary impact on M3 in the first quarter as the drawdown of Government deposits with Bank Negara Malaysia was relatively smaller.

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



### Monetary Aggregates



### Determinants of Broad Money, M3

	Change during the period			
	2006			2007
	1Q	4Q	Year	1Q
	RM billion			
<b>M3</b>	<b>18.0</b>	<b>44.0</b>	<b>87.5</b>	<b>28.9</b>
Net claims on Government	2.8	19.9	8.3	1.0
Claims on private sector	5.6	7.9	34.7	5.2
Loans	7.5	8.2	36.8	8.1
Securities	-1.9	-0.3	-2.1	-2.9
Net external operations <sup>1</sup>	13.9	22.7	59.8	37.3
BNM	10.8	5.2	32.2	19.9
Banking system	3.1	17.4	27.6	17.5
Other influences	-4.3	-6.4	-15.3	-14.7

<sup>1</sup> Pre-revaluation

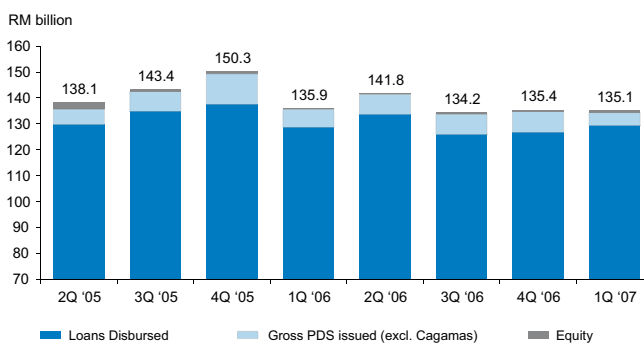
### Financing of the Private Sector through Banking System and Capital Market

	During the period (RM billion)				Annual growth (%)		
	2006	1Q 06	4Q 06	1Q 07 <sup>p</sup>	2006	4Q 06	1Q 07 <sup>p</sup>
<b>Gross total financing</b>	<b>547.3</b>	<b>135.9</b>	<b>135.4</b>	<b>135.1</b>	<b>-3.2</b>	<b>-9.9</b>	<b>-0.6</b>
Loans disbursed*	514.7	128.7	126.7	129.2	-2.6	-7.9	0.4
Gross PDS (excl. Cagamas)	30.7	6.9	8.1	5.1	-0.1	-31.0	-25.5
Equity	1.9	0.4	0.6	0.8	-69.7	-39.4	108.5
<b>Outstanding total financing (A)+(B)</b>	<b>45.4</b>	<b>11.1</b>	<b>6.3</b>	<b>11.0</b>	<b>6.2</b>	<b>6.2</b>	<b>6.1</b>
Banking system	46.7	9.9	9.5	9.4	7.9	7.9	7.7
Loans outstanding (A)	34.9	8.2	4.0	8.6	6.3	6.3	6.2
Holding of PDS	11.8	1.6	5.5	0.8	33.4	33.4	29.8
PDS outstanding (B)	10.5	2.9	2.3	2.4	6.0	6.0	5.6
Memorandum item							
Gross PDS (incl. Cagamas)	38.2	10.6	8.3	7.6	1.8	-45.3	-28.3

<sup>p</sup> Preliminary

\* Banking system loans include loans sold to Cagamas

### Gross Private Sector Financing through Banking System and Capital Market



### Major loan indicators were higher in the first quarter

In the first quarter of 2007, gross financing of the private sector through the banking system and capital market amounted to RM135.1 billion (4Q 2006: RM135.4 billion). Gross financing was relatively stable compared with the preceding quarter amid higher loan disbursements and slightly lower private debt securities (PDS) issuances. Nevertheless, with gross financing through loans and PDS exceeding repayments and redemptions, there was a continued increase in net financing. On a net basis, banking system loans and PDS outstanding expanded at a steady combined annual rate of 6.1% at end-March (end-2006: 6.2%).

The major loan indicators were higher on an annual basis. Loan applications and approvals were notably higher, driven by increased demand by businesses. The manufacturing sector recorded higher loan applications, approvals and disbursements. In the household sector, loan indicators recorded an increase on an annual basis, particularly in terms of loans for the purchase of residential property.

Total loans outstanding expanded by 6.2% on an annual basis at the end of the first quarter of 2007 (end-4Q 2006: 6.3%), with loans outstanding to businesses and households increasing at an annual rate of 6.3% and 7.8% respectively (end-4Q 2006: 4.2% and 9.4% respectively).

## Loan Indicators

	During the period (RM billion)				Annual Growth %			
	2006	1Q 06	4Q 06	1Q 07 <sup>p</sup>	2006	1Q 06	4Q 06	1Q 07 <sup>p</sup>
<b>Total</b>								
Loan applications <sup>a</sup>	300.6	69.8	76.8	83.5	-1.6	1.9	6.5	19.6
Loan approvals <sup>a</sup>	190.7	45.3	49.7	53.1	-0.8	6.2	4.2	17.2
Loan disbursements <sup>a</sup>	514.7	128.7	126.7	129.2	-2.6	1.7	-7.9	0.4
Loan repayments <sup>a</sup>	480.3	119.4	121.8	118.0	-1.7	1.2	-5.2	-1.1
Change in loan outstanding <sup>c</sup>	34.9	8.2	4.0	8.6	6.3	8.4	6.3	6.2
<b>Of which:</b>								
<b>Business enterprises</b>								
Loan applications <sup>a</sup>	158.8	36.2	40.9	44.4	3.8	3.1	16.7	22.7
Loan approvals <sup>a</sup>	96.6	22.0	28.0	29.7	9.4	14.4	23.3	35.2
Loan disbursements <sup>a</sup>	362.5	91.4	89.5	90.0	-3.3	0.9	-8.3	-1.6
Loan repayments <sup>a</sup>	347.5	87.0	87.9	81.3	-5.3	-1.4	-9.3	-6.6
Change in loan outstanding <sup>c</sup>	9.4	-0.7	1.1	4.0	4.2	2.7	4.2	6.3
<b>SMEs<sup>d</sup></b>								
Loan applications <sup>a</sup>	67.0	10.9	19.4	19.9	n.a.	n.a.	n.a.	n.a.
Loan approvals <sup>a</sup>	39.5	7.9	11.8	10.6	n.a.	n.a.	n.a.	n.a.
Loan disbursements <sup>a</sup>	132.6	29.8	32.9	32.7	n.a.	n.a.	n.a.	n.a.
Change in loan outstanding <sup>c</sup>	6.5	6.3	-1.0	2.8	n.a.	n.a.	n.a.	n.a.
<b>Large corporations<sup>e</sup></b>								
Loan applications <sup>a</sup>	91.8	25.3	21.5	24.5	n.a.	n.a.	n.a.	n.a.
Loan approvals <sup>a</sup>	57.1	14.1	16.3	19.2	n.a.	n.a.	n.a.	n.a.
Loan disbursements <sup>a</sup>	229.9	61.7	56.7	57.3	n.a.	n.a.	n.a.	n.a.
Change in loan outstanding <sup>c</sup>	2.9	-7.0	2.1	1.2	n.a.	n.a.	n.a.	n.a.
<b>Households</b>								
Loan applications <sup>a</sup>	141.8	33.5	35.9	39.0	-6.9	0.7	-3.2	16.3
Loan approvals <sup>a</sup>	94.1	23.3	21.6	23.3	-9.4	-0.6	-13.2	0.1
Loan disbursements <sup>a</sup>	152.2	37.2	37.1	39.2	-0.9	3.6	-6.9	5.3
Loan repayments <sup>a</sup>	132.8	32.3	33.9	36.7	9.3	8.9	7.4	13.5
Change in loan outstanding <sup>c</sup>	28.7	8.3	5.8	3.8	9.4	14.5	9.4	7.8

<sup>a</sup> The annual growth is for end-period

<sup>b</sup> Following reclassifications under the Financial Institutions Statistical System (FISS) effective April 2006, in order to maintain comparability on an annual basis for loan applications, approvals, disbursements and repayments, the category business enterprises has been expanded to include loans to other customers, namely non-bank financial institutions, Government, domestic non-business entities and foreign entities. These loans account for a relatively small share of the total compared with business enterprises. Trend wise, growth rates remain similar to those under the previous definition

<sup>c</sup> From 1Q 2006, loan indicators for SMEs and large corporations are not comparable on an annual basis as beginning March 2006, financial institutions have begun adopting the Standard SME Definitions as approved by the National SME Development Council, resulting in some reclassification between SMEs and large corporations

<sup>d</sup> Numbers may not add up due to rounding

<sup>e</sup> Preliminary. Data is subject to revision, arising from changes in the classification of loan indicators by economic sectors and purpose  
n.a. Not applicable

Source: Bank Negara Malaysia

## Loans by Sector

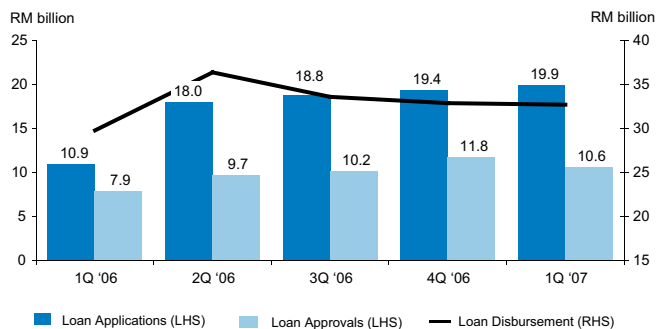
	Loans disbursed					Loans out- standing
	During the period				Share of total	Share of total
	2006	1Q 06	4Q 06	1Q 07**		
	RM billion				%	
Business enterprises	362.5	91.4	89.5	90.0	69.7	39.7
<i>Large corporations*</i>	229.9	61.7	56.7	57.3	44.4	22.2
<i>SMEs*</i>	132.6	29.8	32.9	32.7	25.3	17.5
Households	152.2	37.2	37.1	39.2	30.3	56.0
<b>Selected sectors</b>						
Agriculture, hunting, forestry and fishing	13.3	3.0	3.3	3.1	2.4	2.2
Mining and quarrying	2.0	0.6	0.3	0.3	0.3	0.2
Manufacturing	119.6	29.2	30.4	32.5	25.1	11.4
Construction	30.7	7.4	7.9	7.6	5.9	5.2
Real estates	10.2	2.7	2.0	2.4	1.9	2.9
Electricity, gas and water supply	2.8	1.8	0.4	0.3	0.2	0.8
Wholesale, retail, restaurants and hotels	89.9	22.8	21.2	20.5	15.9	8.7
Transport, storage and communication	10.4	2.6	2.8	2.5	2.0	1.9
Finance, insurance and business services	40.5	9.5	9.6	10.3	8.0	6.1
Consumption credit	100.3	24.5	24.7	25.4	19.7	23.8
<i>Of which:</i>						
<i>Credit cards</i>	49.1	11.3	13.6	13.8	10.7	3.3
<i>Purchase of passenger cars</i>	32.3	8.2	6.8	7.2	5.6	16.5
<b>Total</b>	<b>514.7</b>	<b>128.7</b>	<b>126.7</b>	<b>129.2</b>	<b>100.0</b>	<b>100.0</b>

\* From 1Q 2006, loan indicators for SMEs and large corporations are not comparable on an annual basis as beginning March 2006, financial institutions have begun adopting the Standard SME Definitions as approved by the National SME Development Council, resulting in some reclassification between SMEs and large corporations

\*\* Based on New FISS reporting system

Source: Bank Negara Malaysia

## Bank Lending to SMEs



\* From 1Q 2006, loan indicators for SMEs and large corporations are not comparable on an annual basis as beginning March 2006, financial institutions have begun adopting the Standard SME Definitions as approved by the National SME Development Council, resulting in some reclassification between SMEs and large corporations.

## Higher financing activity in the capital market

Funds raised in the capital market increased significantly during the quarter. Total net funds raised by the public and private sectors amounted to RM9.4 billion (4Q 2006: RM7.5 billion).

Gross funds raised by the public sector through four issuances of Government securities amounted to RM13.6 billion. This includes an issuance of 10-year callable Malaysian Government Securities (MGS), the re-opening of the 5-year MGS and an issuance of Government Investment Issues (GII). After adjusting for redemptions, the net funds raised by the public sector was marginally higher than in the previous quarter, amounting to RM7.4 billion (4Q 2006: RM7.3 billion).

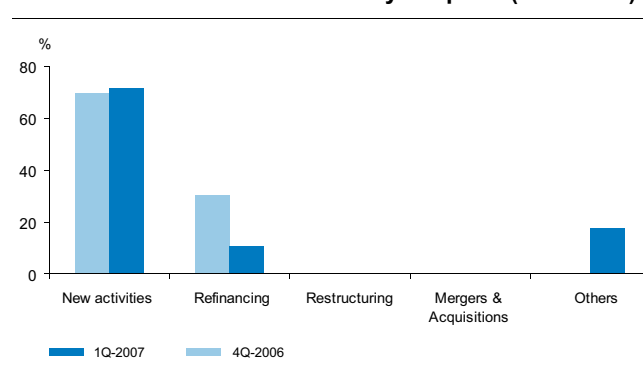
In the private sector, gross funds raised from the PDS market, which amounted to RM7.6 billion, were lower compared to the previous quarter (RM8.3 billion). Excluding Cagamas, the gross funds raised amounted to RM6.2 billion (4Q 2006: RM8.1 billion). The bulk of the funds were raised from the issuance of medium-term notes, which accounted for 84% of the total PDS issued during the quarter. This includes an issuance by a multilateral development bank amounting to RM500 million. Despite the lower gross funds raised, net

### Funds Raised in the Capital Market

	2005	2006		2007	
	Year	1Q	4Q	Year	
	RM million				
<b>By Public Sector</b>					
Government Securities, gross	28,276	5,265	6,500	26,830	10,109
Less Redemptions	15,800	500	2,850	12,850	4,800
Less Government holdings	-	-	-	-	-
<i>Equals</i> Net Federal receipts	12,476	4,765	3,650	13,980	5,309
Khazanah Bonds, net	833	(1,700)	1,070	(630)	(1,020)
Govt. Investment Issues, net	1,000	-	3,000	9,500	3,500
Merdeka Savings Bond, net	1,516	(500)	(433)	(1,931)	(358)
<b>Net Funds Raised</b>	<b>15,825</b>	<b>2,564</b>	<b>7,287</b>	<b>20,919</b>	<b>7,431</b>
<b>By Private Sector</b>					
Shares	6,315	381	632	1,916	795
Debt securities	38,196	10,574	8,297	38,887	7,582
<i>Private Debt Securities (PDS)</i>	35,656	6,889	8,097	31,737	6,232
Cagamas	2,540	3,685	200	7,150	1,350
Less Redemptions	18,617	5,498	8,747	31,519	6,390
Net Issues	19,579	5,076	(451)	7,368	1,192
<i>Net issues (excluding Cagamas)</i>	22,224	2,993	2,409	11,120	2,547
Net Funds Raised	25,894	5,457	182	9,284	1,987
<b>Total Net Funds Raised</b>	<b>41,719</b>	<b>8,022</b>	<b>7,469</b>	<b>30,203</b>	<b>9,418</b>
Short-term Papers and Notes, net <sup>1</sup>	1,579	1,312	653	2,563	599
<b>Total</b>	<b>43,297</b>	<b>9,334</b>	<b>8,122</b>	<b>32,766</b>	<b>10,017</b>

<sup>1</sup> Refers to Commercial Papers and Cagamas Notes only

### Private Debt Securities Issued by Purpose (% of total)



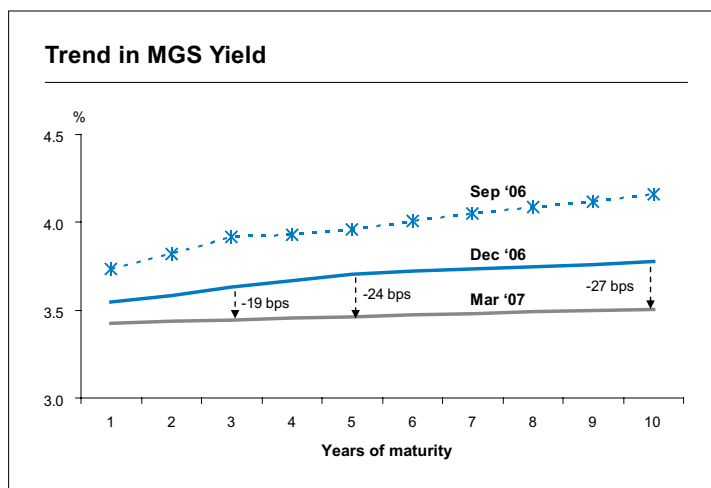
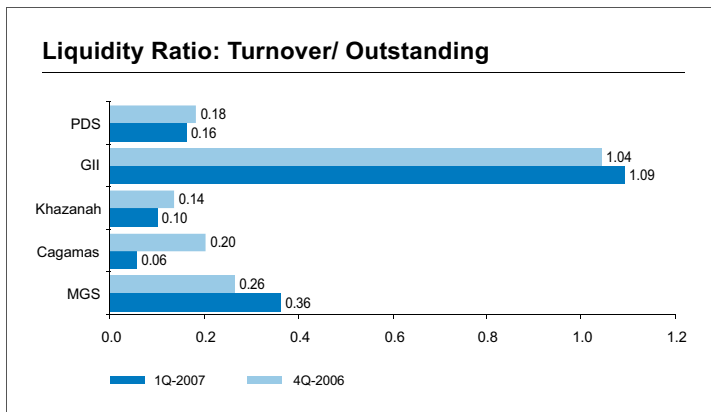
funds raised through the PDS market were significantly higher at RM1.2 billion (4Q 2006: net redemption of RM451 million), on account of the lower redemptions during the quarter.

Funds raised in the equity market during the quarter increased to RM795 million (4Q 2006: RM632 million). Most of the funds were raised through 12 initial public offerings (IPOs) totaling about RM572 million. For the first time, an Islamic plantation REIT was introduced to the market in January. During the quarter, there were

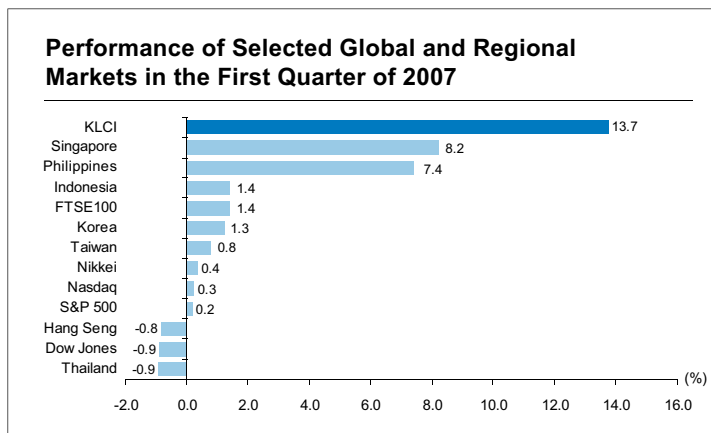
six new listings on Bursa Malaysia: three on the Main Board, two on the Second Board and one on the MESDAQ Market.

### Higher secondary trading in the bond market

Total trading in the secondary market increased to RM120.2 billion in the first quarter of 2007 (4Q 2006: RM105.1 billion). Government Securities (MGS and GII) continued to account for the bulk of the trades (73% of total trading), followed by PDS (26%). In terms of liquidity, the GII was the most liquid paper, with a liquidity ratio of 1.09, followed by the MGS.



During the quarter, the MGS benchmark yield curve shifted downwards by 12 – 27 basis points across the tenures. The decline in yields has caused the yield curve to flatten significantly since December 2006. As a result of higher demand following the continuous inflows, MGS yields for maturities of up to the 9-years declined below the OPR of 3.5% for the first time since the introduction of the OPR in April 2004. Consequently, the yield spreads for the 3-year, 5-year and 10-year MGS declined by 19, 24 and 27 basis points respectively compared to the previous quarter.



### The KLCI strengthened further

The KLCI began the first quarter of 2007 on a positive note arising from improved market sentiments. The growing momentum in the implementation of Ninth Malaysia Plan projects, mergers and acquisitions activity, as well as

### Bursa Malaysia: Turnover of Corporate Securities

	2006						2007	
	1Q		4Q		Year		1Q	
	million units	RM million	million units	RM million	million units	RM million	million units	RM million
Turnover	45,988	53,671	57,015	78,257	197,819	250,331	118,982	156,614
Of which:								
Main Board	26,565	42,744	36,338	66,458	121,666	204,801	87,148	137,851
Of which								
Consumer Products	1,808	4,834	977	2,665	4,765	13,945	1,796	4,695
Industrial Products	3,147	3,133	4,474	5,395	16,232	17,747	8,771	11,725
Construction	3,048	3,120	2,787	5,262	11,107	15,807	7,469	16,864
Trading/Services	6,191	14,985	10,465	26,467	31,469	76,299	20,181	44,458
Finance	2,711	9,046	3,689	12,719	12,092	38,618	8,846	28,428
Properties	4,106	2,040	5,742	3,681	21,022	10,981	16,381	11,369
Plantations	518	2,708	1,004	5,516	3,384	17,190	1,341	8,318
Mining	0	1	33	68	34	87	32	43
Second Board	5,837	4,532	5,432	4,023	21,914	16,617	8,527	4,955
Mesdaq	13,438	6,288	10,735	4,981	48,712	25,559	17,050	8,386

Source: Bursa Malaysia

continued strong corporate earnings exerted a positive influence on the KLCI. Following developments in the global equity markets, the KLCI experienced a sharp correction from 27 February to 5 March, during which the KLCI declined by 12.8%. Nevertheless, the KLCI subsequently rebounded, buoyed by renewed investor interest following the announcements of the liberalisation of foreign exchange administration policies and the abolishment of real property gains tax.

### Bursa Malaysia: Selected Market Indicators

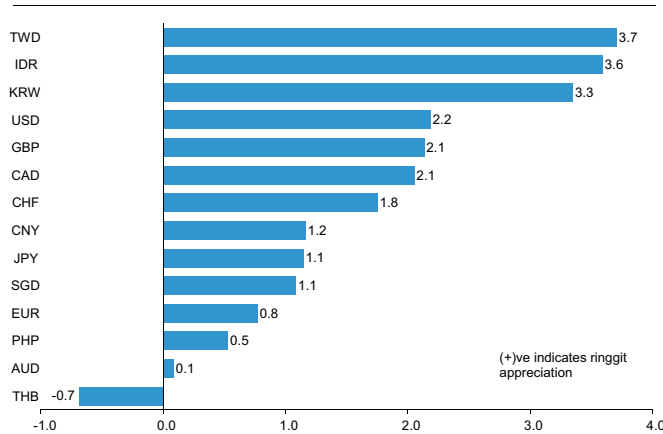
	As at end			
	2006			2007
	1Q	4Q	Year	1Q
Price Indices				
Composite	926.6	1,096.2	1,096.2	1,246.9
FBM30 <sup>1</sup>	6,000.0	7,059.9	7,059.9	7,924.6
FBMEMAS <sup>2</sup>	6,000.0	7,169.6	7,169.6	8,332.8
Second Board	91.1	92.0	92.0	99.3
Mesdaq	111.2	119.9	119.9	138.5
Average daily turnover				
Volume (million units)	779.5	934.7	802.9	1,983.0
Value (RM million)	909.7	1,282.9	1,018.9	2,610.2
Market capitalisation (RM billion)	732.9	848.7	848.7	985.1
No. of companies listed	1,025	1,027	1,027	1,023

<sup>1</sup> FBM30 stands for FTSE Bursa Malaysia 30 Index

<sup>2</sup> FBMEMAS stands for FTSE Bursa Malaysia Emas Index

Source: Bursa Malaysia

**Summary of Ringgit Performance Against Selected Currencies** Percent Change (1 January - 30 March 2007)

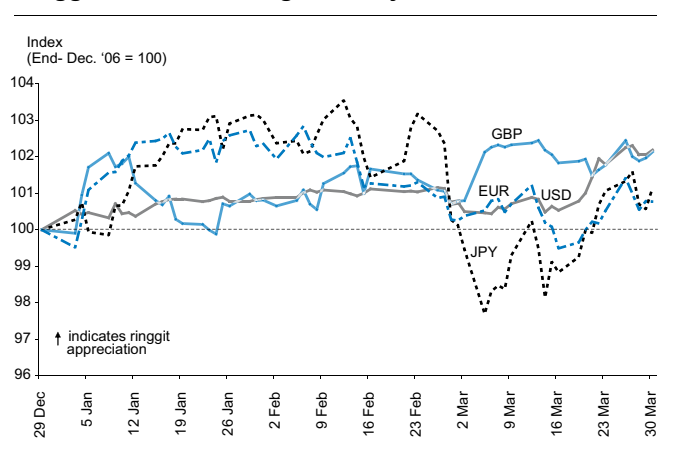


The KLCI ended the first quarter at 1,246.87 points (4Q 2006: 1,096.24 points). Market capitalisation was higher at RM985.1 billion (4Q 2006: RM848.7 billion). Trading activity rose with average quarterly turnover of 1,983 million units (4Q 2006: 934.68 million units).

As at 29 May 2007, the KLCI closed higher at 1,343 points (+22.5% since end-2006), with market capitalisation of RM1,067.3 billion (+25.8% since end-2006).

**Exchange Rate Developments**

**Ringgit Performance Against Major Currencies**

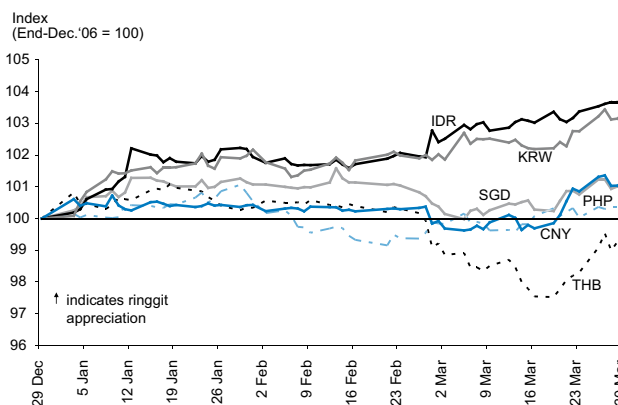


In the first quarter of 2007, the ringgit appreciated against the major currencies amidst net trade and investment inflows. The ringgit appreciation was generally in line with the major regional trading partners. During the quarter, the US dollar declined following the release of weak economic data and expectations of a potential reduction in the US policy rate. The Japanese yen weakened on market expectations that the policy rate in Japan would remain unchanged in the near-term. Against regional

currencies, the ringgit appreciated in the range of 0.5% - 3.6%, the exception being a slight depreciation against the Thai baht (0.7%).

For the period 1 April – 28 May 2007 the ringgit appreciated against the major currencies. The ringgit recorded a mixed performance against regional currencies. The ringgit appreciated against the Singapore dollar (2.7%), Korean won (0.9%), Chinese renminbi (0.9%) and Thai baht (0.9%), but depreciated against the Philippine peso (2.9%) and Indonesian rupiah (2.7%).

### Ringgit Performance Against Regional Currencies



### Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	1Q 06	4Q 06	1Q 07	21 Jul 05	1Q 06	4Q 06
US dollar	3.8000	3.6860	3.5315	3.4560	10.0	6.7	2.2
Euro	4.6212	4.4829	4.6460	4.6105	0.2	-2.8	0.8
Pound sterling	6.6270	6.4337	6.9315	6.7867	-2.4	-5.2	2.1
100 Japanese yen	3.3745	3.1397	2.9675	2.9339	15.0	7.0	1.1
Singapore dollar	2.2570	2.2778	2.3028	2.2781	-0.9	0.0	1.1
100 Thai baht	9.0681	9.4914	9.8111	9.8785	-8.2	-3.9	-0.7
100 Philippine peso	6.8131	7.2077	7.2027	7.1649	-4.9	0.6	0.5
100 Indonesian rupiah	0.0386	0.0407	0.0393	0.0379	1.9	7.3	3.6
100 Korean won	0.3665	0.3781	0.3797	0.3674	-0.3	2.9	3.3
Chinese renminbi	0.4591	0.4599	0.4523	0.4471	2.7	2.9	1.2

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