

MONETARY AND FINANCIAL DEVELOPMENTS

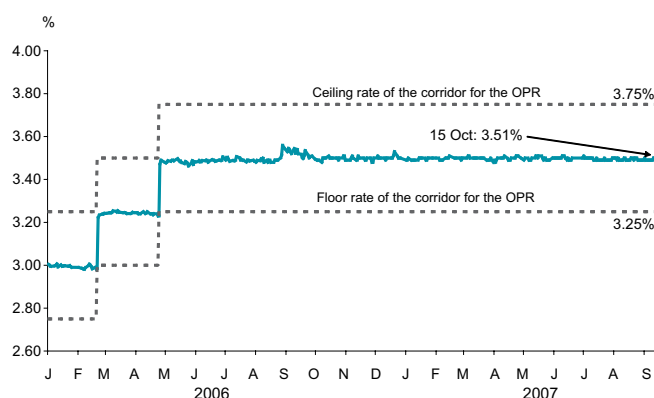
Average lending rate lower

The OPR was left unchanged at 3.50% throughout the third quarter of 2007 as the level of the policy rate was consistent with the medium term outlook of relatively low inflation and sustained economic growth.

Reflecting the unchanged OPR, the average overnight interbank rate was steady, moving within a tight range of 3.48% to 3.51% during the period 1 July – 15 October. Despite the heightened volatilities and uncertainty in global financial markets, interbank rates for other maturities also remained relatively stable, as Bank Negara Malaysia's operations contributed to stabilising the level of liquidity in the interbank market.

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), was considerably lower at 6.30% as at end-September, compared with 6.49% at end-June, largely reflecting the disbursement of lower priced syndicated bridging loans. The average quoted fixed deposit (FD) rates of CBs for tenures between 1 and 12 month on the other hand were relatively unchanged, ranging between 3.08% and 3.70% at the end of the third quarter (2Q: 3.09% to 3.71%).

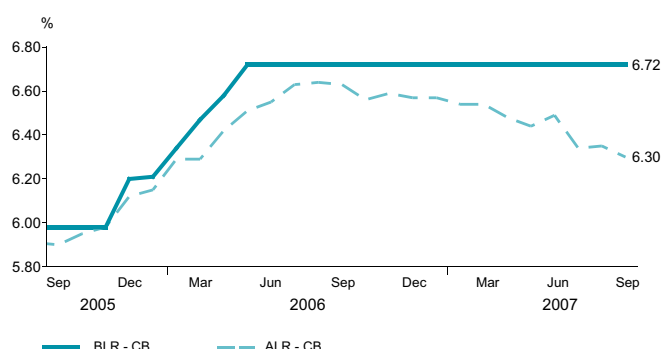
Daily Weighted Average Overnight Interbank Rate



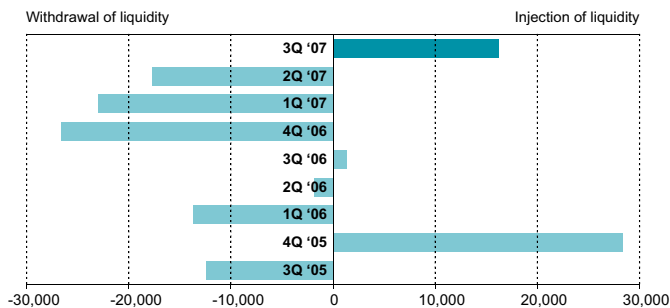
Interest Rates

	2007		
	1Q	2Q	3Q
	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	3.54
Base lending rates (BLR)			
Commercial banks	6.72	6.72	6.72
Average lending rates (ALR)			
Commercial banks	6.54	6.49	6.30
Fixed deposit rates			
Commercial banks			
3-month	3.18	3.17	3.15
12-month	3.71	3.71	3.70

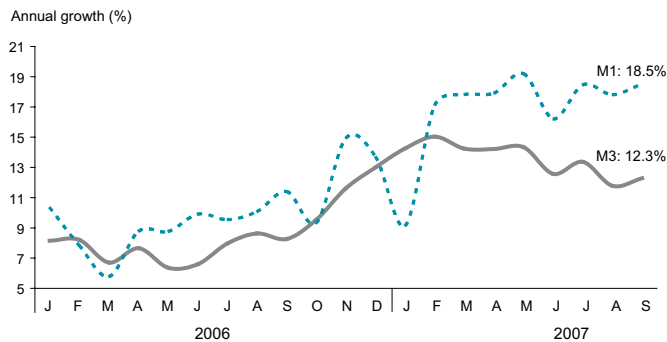
Lending Rates of Commercial Banks
(Average for the period)



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



Monetary Aggregates



Determinants of Broad Money, M3

	Change during the period				
	2006		2007		
	3Q	4Q	1Q	2Q	3Q
	RM billion				
M3	15.7	44.0	28.9	-0.6	15.6
Net claims on Government	-2.3	19.9	1.0	-20.7	10.6
Claims on private sector	6.5	7.9	5.2	16.1	32.9
Loans	9.1	8.2	8.1	12.8	30.6
Securities	-2.6	-0.3	-2.9	3.2	2.3
Net external operations ¹	11.9	22.7	37.3	40.2	-21.2
BNM	2.0	5.2	19.9	31.5	-7.6
Banking system	9.9	17.4	17.5	8.7	-13.5
Other influences	-0.3	-6.4	-14.7	-36.1	-6.7

¹ Pre-revaluation

Source: Bank Negara Malaysia

Sustained growth in M3

M1, or narrow money, a measure of transaction balances, expanded at a stronger annual rate of 18.5% (2Q: 16.2%) due to stronger growth of both currency in circulation and demand deposits.

M3, or broad money, increased at an annual rate of 12.3% at the end of the third quarter (2Q: 12.6%). The expansion in M3 was driven mainly by higher claims on the private sector, on account of an expansion in bank credit and the holdings of private debt securities by the banking system. The effect of Government operations also contributed to the expansion in M3. During the quarter, the Government incurred higher development and operating expenditure, the latter arising from the salary increase of civil servants. These were funded by withdrawals from deposits with BNM, as well as issuance of securities, which in part were subscribed by the banking institutions.

In contrast to the previous quarters, net external operations were contractionary, following the decline in net foreign assets of both Bank Negara Malaysia and the banking system, amid outflows from the financial markets.

Increase in financing in the third quarter

Gross financing of the private sector by the banking system and capital market was higher in the third quarter, amounting to RM169.1 billion (2Q: RM155.7 billion). The increase in financing was mainly due to significantly higher loan disbursements arising from drawdown of funds from one large syndicated bridging loan facility, particularly in the month of July. There was a net redemption in the private debt securities (PDS) market during the quarter following maturity of bonds in the transport, storage and communication sector. On a net basis, banking system loans and PDS outstanding expanded at a higher combined annual rate of 8.9% at end-September (end 2Q: 6.8%).

Loan applications and approvals for the business sector in the third quarter remained at high levels. Loan disbursements increased markedly during the period, even after excluding the drawdown of the large bridging loan facility. Disbursements were broad-based, with funds channeled to the manufacturing, wholesales and retail trade, as well as agriculture sectors. Loan disbursements to SMEs have also registered sustained improvement. Of the total loans disbursed, 23% were directed to the SMEs.

Financing of the Private Sector through Banking System and Capital Market

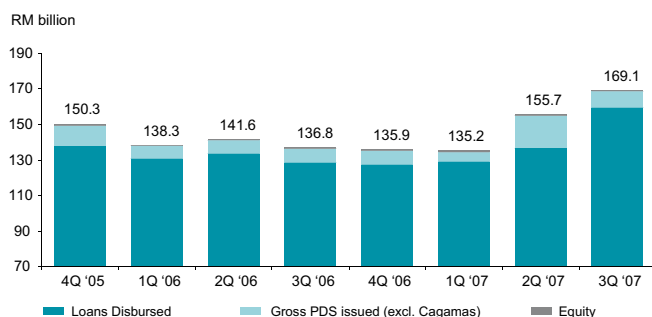
	During the period (RM billion)				Annual growth (%)		
	2006	3Q 06	2Q 07	3Q 07 ^p	2006	2Q 07	3Q 07 ^p
Gross total financing	552.6	136.8	155.7	169.1	-2.3	10.0	23.6
Loans disbursed*	519.9	128.3	136.7	159.3	-1.6	2.5	24.1
Gross PDS (excl. Cagamas)	30.7	7.9	18.5	9.5	-0.1	136.1	19.5
Equity	1.9	0.5	0.5	0.4	-69.7	33.4	-26.0
Outstanding total financing (A)+(B)	45.5	11.6	22.7	28.5	6.2	6.8	8.9
Banking system	48.1	9.6	16.5	31.4	8.1	7.3	10.7
Loans outstanding (A)	34.9	9.6	12.5	30.9	6.3	6.0	9.5
Holding of PDS	13.1	0.0	4.0	0.4	37.3	26.2	27.2
PDS outstanding (B)	10.5	2.0	10.3	-2.4	6.0	9.4	6.9
Memorandum item							
Gross PDS (incl. Cagamas)	38.2	9.2	21.0	11.9	1.8	94.5	28.8

^p Preliminary

* Banking system loans include loans sold to Cagamas

In the households sector, overall higher loan applications and approvals in the third quarter were largely for the financing of residential property and consumption credit, with the latter being largely for the purchase of passenger cars. Improved car sales during the second half of 2007, amid the launches of new models by car manufacturers, contributed to the steady increase in loans for the purchase of passenger cars. Disbursements to the household sector were also higher, mainly through credit cards loans, as well as loans for the purchase of residential property and passenger cars.

Gross Private Sector Financing through Banking System and Capital Market



Total loans outstanding rose by 9.5% on an annual basis at the end of the third quarter (end-2Q: 6%), with loans outstanding to businesses and households expanding at annual growth rates of 14.8% and 7.3% respectively (end-2Q: 6% and 7.2% respectively).

Loan Indicators

	During the period (RM billion)				Annual Growth %			
	2006	3Q 06	2Q 07	3Q 07 ^p	2006	3Q 06	2Q 07	3Q 07 ^p
Total								
Loan applications ⁿ	300.8	79.3	119.5	123.2	-1.5	-5.5	57.2	55.4
Loan approvals ⁿ	188.3	47.0	83.2	74.4	-2.0	-13.5	75.0	58.3
Loan disbursements ⁿ	519.9	128.3	136.7	159.3	-1.6	-4.8	2.5	24.1
Loan repayments ⁿ	478.2	117.7	123.0	123.6	-2.1	-3.1	2.6	5.0
Change in loan outstanding*	34.9	9.6	12.5	30.9	6.3	7.5	6.0	9.5
Of which:								
Business enterprises**								
Loan applications ⁿ	161.0	42.5	72.1	68.3	4.8	0.9	75.5	60.5
Loan approvals ⁿ	96.3	22.9	53.9	41.1	8.7	-12.0	125.4	79.1
Loan disbursements ⁿ	369.8	91.4	96.4	113.9	-1.2	-3.5	1.9	24.6
Loan repayments ⁿ	351.7	86.5	87.4	86.1	-3.9	-4.8	-2.6	-0.5
Change in loan outstanding*	11.3	2.9	6.5	23.8	5.0	4.4	6.0	14.8
SMEs**								
Loan applications ⁿ	71.4	19.5	23.9	28.7	20.0	12.8	26.4	47.0
Loan approvals ⁿ	40.2	10.4	14.3	16.2	14.9	6.0	42.4	55.6
Loan disbursements ⁿ	134.1	34.2	34.9	36.0	21.2	20.4	-5.5	5.3
Change in loan outstanding*	8.7	0.8	1.6	2.9	9.1	10.7	5.0	7.0
Large corporations								
Loan applications ⁿ	89.6	23.0	48.2	39.5	-4.7	-7.4	117.4	71.9
Loan approvals ⁿ	56.1	12.5	39.5	24.8	4.7	-22.9	185.7	98.8
Loan disbursements ⁿ	235.6	57.2	61.5	77.9	-10.7	-13.8	6.7	36.1
Change in loan outstanding*	2.6	2.0	4.9	20.9	2.0	-0.1	6.8	21.0
Households								
Loan applications ⁿ	139.8	36.7	47.4	54.9	-7.9	-12.1	35.7	49.5
Loan approvals ⁿ	92.0	24.1	29.3	33.3	-11.2	-15.0	24.0	38.4
Loan disbursements ⁿ	150.2	36.9	40.3	45.4	-2.6	-7.8	4.0	22.9
Loan repayments ⁿ	126.6	31.2	35.6	37.5	3.2	2.0	18.1	20.1
Change in loan outstanding*	26.6	7.5	5.2	8.6	8.7	10.7	7.2	7.3

* The annual growth is for end-period

** Include loans to individual businesses

ⁿ Numbers may not add up due to rounding

^p Preliminary. Data is subject to revision, arising from changes in the classification of loan indicators by economic sectors and purpose

Source: Bank Negara Malaysia

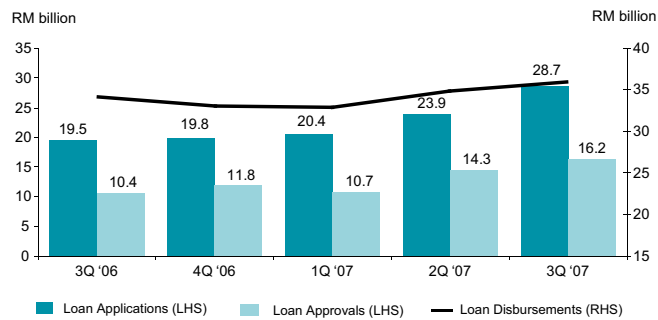
Loans by Sector

	Loans disbursed				Loans out-standing	
	During the period			Share of total	Share of total	
	2006	3Q 06	2Q 07	3Q 07		
	RM billion			%		
Business enterprises	369.8	91.4	96.4	113.9	71.5	42.1
<i>Large corporations</i>	235.6	57.2	61.5	77.9	48.9	24.7
<i>SMEs*</i>	134.1	34.2	34.9	36.0	22.6	17.3
Households	150.2	36.9	40.3	45.4	28.5	54.1
Selected sectors						
Agriculture, hunting, forestry and fishing	13.9	3.6	3.3	4.1	2.6	2.2
Mining and quarrying	2.0	0.5	0.6	0.4	0.3	0.2
Manufacturing	118.9	31.2	32.7	34.7	21.8	11.3
Construction	30.5	7.7	8.4	8.3	5.2	4.9
Real estates	10.5	2.4	3.0	3.2	2.0	2.9
Electricity, gas and water supply	2.9	0.4	0.3	0.3	0.2	0.6
Wholesale, retail, restaurants and hotels	90.7	22.7	21.7	23.8	15.0	8.6
Transport, storage and communication	10.3	2.3	4.4	19.6	12.3	4.9
Finance, insurance and business services	42.1	11.0	13.5	10.0	6.3	5.7
Consumption credit	100.4	25.4	25.1	29.5	18.5	23.1
<i>Of which:</i>						
<i>Credit cards</i>	48.9	12.7	13.1	14.7	9.2	3.3
<i>Purchase of passenger cars</i>	32.9	8.5	7.5	9.1	5.7	15.7
Total	519.9	128.3	136.7	159.3	100.0	100.0

* Include loans to individual businesses.

Source: Bank Negara Malaysia

Bank Lending to SMEs



Fund raising activity in the capital market remained strong

During the third quarter, fund raising activity in the capital market remained strong. Total net funds raised from both public and private sector amounted to RM12 billion. However, this amount is lower compared to the RM22 billion raised in the previous quarter which was significantly higher due to a large PDS issuance for a merger and acquisition (M&A) activity.

The public sector recorded total gross funds raised of RM13.4 billion through four issuances of government securities. This included an issuance of 5-year Government Investment Issues (GII) and three re-openings of 3-year, 10-year and 20-year Malaysian Government Securities (MGS). As redemptions during the quarter were negligible, the net funds raised by the public sector amounted to RM13.4 billion (2Q: RM10.7 billion).

In the private sector, at RM11.9 billion, gross funds raised from the PDS market were lower compared to the previous quarter (2Q: RM21 billion). The bulk of the funds raised was mainly for new activities, primarily in the telecommunication and transport sub-sectors. On a net basis, funds raised through the PDS market, excluding Cagamas, amounted to RM0.6 billion (2Q: RM12.4 billion).

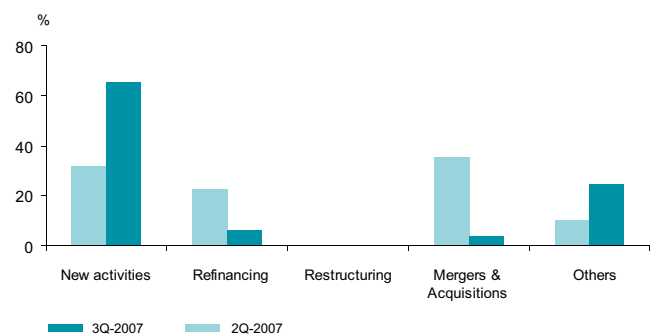
Funds raised through the equity market were lower during the third quarter. A total of RM383 million (2Q: RM512 million) was raised through four initial public offerings (IPOs); three on the main board and one on the Second Board.

Funds Raised in the Capital Market

	2005	2006		2007		
	Year	2Q	3Q	Year	2Q	3Q
RM million						
By Public Sector						
Government Securities, gross	28,276	5,741	9,324	26,830	9,107	9,924
Less Redemptions	15,800	1,300	8,200	12,850	-	-
Less Government holdings	-	-	-	-	-	-
<i>Equals</i> Net Federal receipts	12,476	4,441	1,124	13,980	9,107	9,924
Khazanah Bonds, net	833	-	-	(630)	524	-
Govt. Investment Issues, net	1,000	3,500	3,000	9,500	1,400	3,500
Merdeka Savings Bond, net	1,516	(502)	(495)	(1,931)	(375)	(386)
Net Funds Raised	15,825	7,438	3,629	20,919	10,656	13,038
By Private Sector						
Shares	6,315	384	518	1,916	512	383
Debt securities	38,196	10,784	9,233	38,887	20,971	11,891
<i>Private Debt Securities (PDS)</i>	35,656	8,819	7,933	31,737	20,571	11,891
Cagamas	2,540	1,965	1,300	7,150	400	-
Less Redemptions	18,617	7,684	9,590	31,519	10,038	13,702
Net Issues	19,579	3,099	(356)	7,368	10,934	(1,811)
<i>Net issues (excluding Cagamas)</i>	22,224	3,314	2,404	11,120	12,379	589
Net Funds Raised	25,894	3,484	161	9,284	11,446	(1,428)
Total Net Funds Raised	41,719	10,922	3,790	30,203	22,102	11,610
Short-term Papers and Notes, net ¹	1,579	1,175	(577)	2,563	1,164	(880)
Total	43,297	12,097	3,213	32,766	23,266	10,730

¹ Refers to Commercial Papers and Cagamas Notes only

Private Debt Securities Issued by Purpose (% of total)

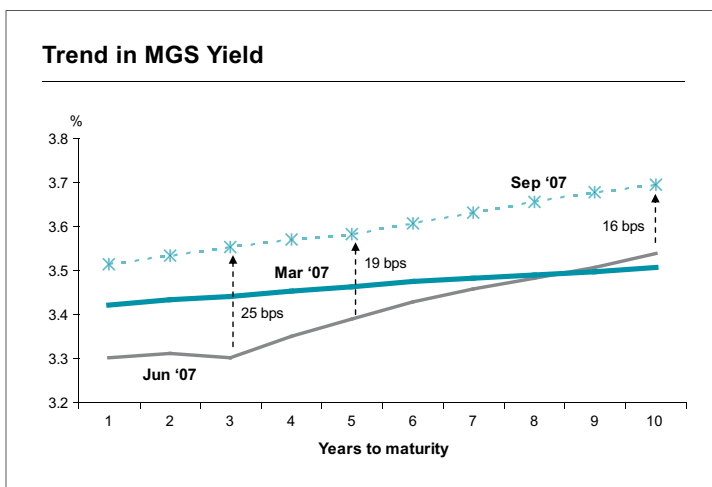
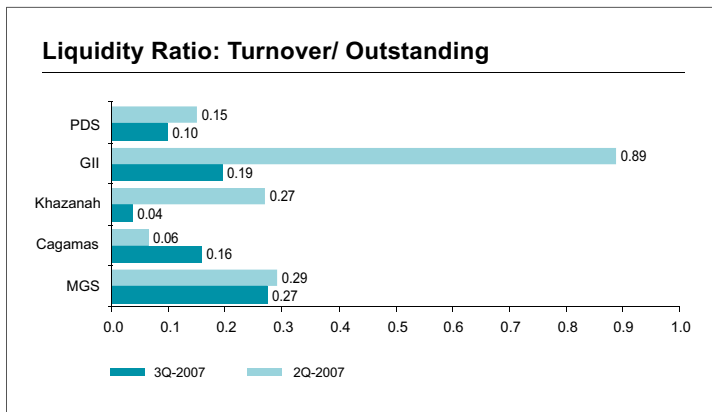


Secondary trading in the bond market

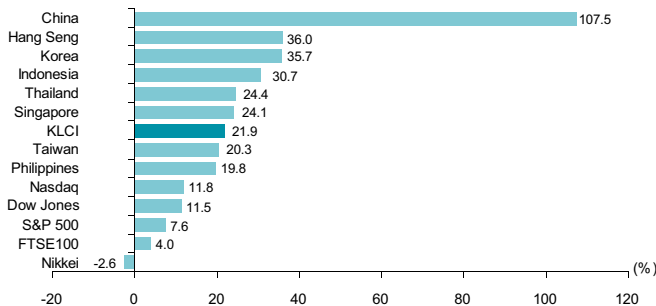
Total trading in the secondary market declined to RM81.3 billion in the third quarter (2Q: RM110.6 billion). The bulk of the total trade came from government securities (MGS and GII), accounting for 73% of the total trade, followed by private debt securities, which accounted for 24% of total trade. In terms of liquidity, the MGS was the most liquid paper, registering a liquidity ratio of 0.28, followed by the GII with a liquidity ratio of 0.21.

MGS yields rose between 16 – 25 bps across all maturities during the quarter under review. MGS yields were relatively unchanged despite the uncertainties in the subprime debt market in August. However as risk aversion among investors and volatility in financial markets escalated, MGS yields rose as investors began to reduce their exposure to emerging market securities which were

perceived to be riskier. Following the U.S. Federal Open Market Committee's (FOMC) decision to reduce the discount rate by 50 bps to 5.75% on 17 August, MGS yields began to decline. Nevertheless, the MGS yields did not decline to the levels seen prior to August. By the end of the quarter, yields across all maturities up to the 10-year MGS ended higher than during the previous quarter with the shorter-end maturity yields increasing the most.



Performance of Selected Global and Regional Markets (29 Dec 2006 - 28 Sep 2007)



Equity market rebounded after the correction in August

In the third quarter of 2007, the KLCI underwent a market correction in line with the correction in global equity markets caused by the turmoil in the US subprime debt market. After hitting a low of 1,191.6 on 17 August, the KLCI began to recover as strong domestic market fundamentals remained intact. Concerns that the US subprime

Bursa Malaysia: Turnover of Corporate Securities

	2006				2007					
	3Q		4Q		1Q		2Q		3Q	
	million units	RM million	million units	RM million	million units	RM million	million units	RM million	million units	RM million
Turnover	37,040	49,741	57,015	78,257	118,982	156,614	89,043	142,815	80,066	132,416
Of which:										
Main Board	22,422	40,720	36,338	66,458	87,148	137,851	61,619	126,501	58,242	121,284
Of which										
Consumer Products	660	2,200	977	2,665	1,796	4,695	2,020	5,100	1,685	4,724
Industrial Products	3,410	3,787	4,474	5,395	8,771	11,725	7,773	11,188	6,916	11,293
Construction	1,596	2,626	2,787	5,262	7,469	16,864	5,080	12,854	6,074	15,664
Trading/Services	5,958	15,148	10,465	26,467	20,181	44,458	16,266	43,912	16,822	41,543
Finance	2,475	7,291	3,689	12,719	8,846	28,428	5,530	21,567	4,188	19,253
Properties	4,084	2,331	5,742	3,681	16,381	11,369	12,125	13,312	12,690	13,251
Plantations	1,078	4,848	1,004	5,516	1,341	8,318	2,064	10,835	1,595	7,154
Infrastructure	469	1,146	1,196	2,512	1,539	3,231	943	2,347	2,205	4,355
Second Board	3,853	2,758	5,432	4,023	8,527	4,955	11,000	7,885	6,496	4,864
Mesdaq	10,352	6,085	10,735	4,981	17,050	8,386	9,704	6,083	8,499	4,910

Source: Bursa Malaysia

Bursa Malaysia: Selected Market Indicators

	As at end				
	2006		2007		
	3Q	4Q	1Q	2Q	3Q
Price Indices					
Composite	967.6	1,096.2	1,246.9	1,354.4	1,336.3
FBM30 ¹	6,260.4	7,059.9	7,924.6	8,587.9	8,413.5
FBMEMAS ²	6,270.7	7,169.6	8,332.8	9,107.9	8,997.5
Second Board	83.2	92.0	99.3	110.7	105.8
Mesdaq	108.1	119.9	138.5	137.7	122.9
Average daily turnover					
Volume (million units)	573.9	934.7	1,983.0	1,436.2	1,251.0
Value (RM million)	782.0	1,282.9	2,610.2	2,303.5	2,069.0
Market capitalisation (RM billion)	745.5	848.7	985.1	1,088.3	1,031.3
No. of companies listed	1,027	1,027	1,023	1,012	1,001

¹ FBM30 stands for FTSE Bursa Malaysia 30 Index

² FBMEMAS stands for FTSE Bursa Malaysia Emas Index

Source: Bursa Malaysia

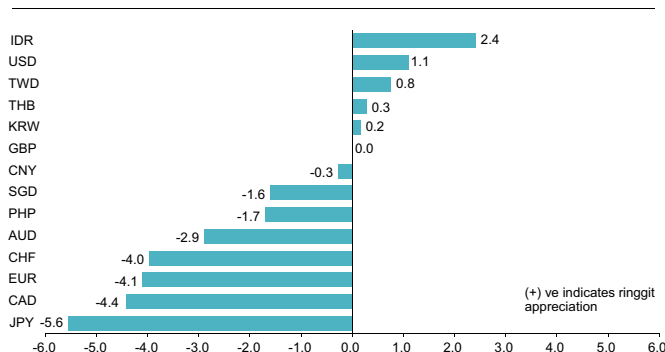
mortgage default turmoil could spread to the broader economy had prompted the Federal Reserve to loosen its monetary policy stance on 18 September. Regional markets responded positively with the KLCI recovering, supported by the strong performances of the plantation, construction and property sectors. Nonetheless, during the quarter under review, the KLCI declined 1.3% and ended the quarter at 1,336.3 points (2Q: 1,354.4). Market capitalisation was lower at RM1,031.3 billion (2Q: RM1,088.3 billion). Trading activity decreased with an average daily turnover of 959.3 million units (2Q: 1,427.8 million units).

On 8 November 2007, the KLCI reached a record high of 1,413.9 points. As at 27 November 2007, the KLCI closed at 1,365 points (since end-2006: 24.5%), with market capitalisation higher at RM1,052.2 billion (since end-2006: 24%).

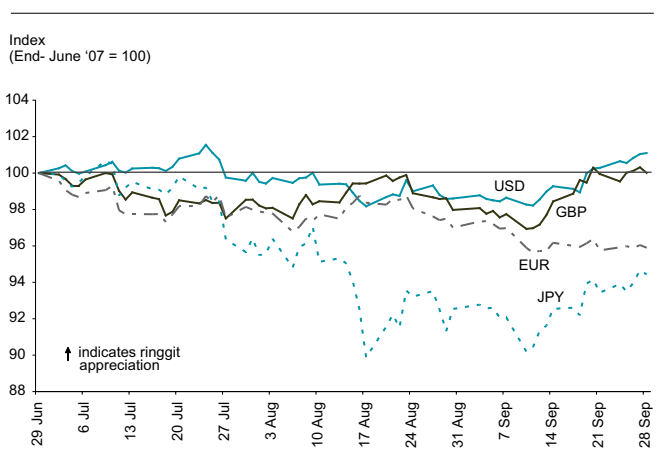
Exchange Rate Developments

In the light of the turmoil in the major financial markets arising from changing investor sentiments regarding losses related to the US subprime mortgages, most currencies, including the ringgit, experienced greater volatility during the quarter. At the beginning of July, the ringgit was on an appreciating trend amid trade and investment inflows. Since 25 July, however, the ringgit had depreciated against the major currencies following reversals by global investors out of debts and equities triggered by the international financial market turmoil during this period. Regional currencies were similarly affected by the reassessment of risks associated with emerging market assets by global investors. However, this trend reversed in the ringgit and other regional currencies following the reduction in the US discount rate on 17 August by the Federal Open Market Committee (FOMC), and the subsequent reduction in the Fed Funds rate and the discount rate by 50 basis points each on 18 September. The interest rate cuts and market expectations of further interest rate reductions by the Fed restored some degree of investor confidence. For the quarter as a whole, the ringgit strengthened against the US dollar by 1.1%. Against other major currencies, the ringgit declined by 5.6% and 4.1% against the Japanese yen and the euro respectively, and recorded an appreciation against the British pound. The ringgit exhibited a mixed performance against

Summary of Ringgit Performance Against Selected Currencies Percent Change (1 July - 30 September 2007)



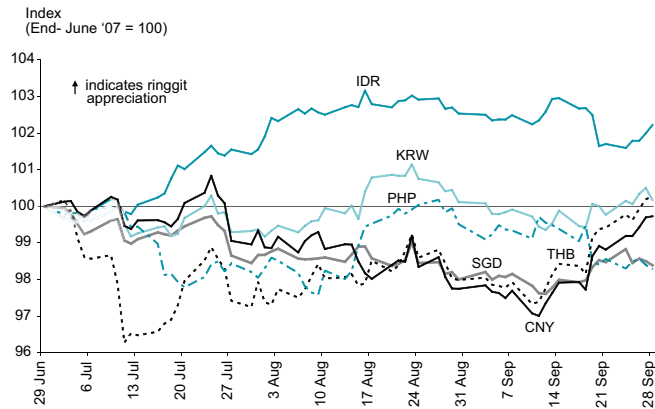
Ringgit Performance Against Major Currencies



regional currencies, appreciating against most currencies in the range of 0.2% to 2.4 %, but depreciating against the Singapore dollar (1.6%) and the Philippine peso (1.7%).

For the period 1 October – 27 November, the ringgit appreciated against the US dollar (1.4%) but depreciated against the Japanese yen (4.5%), the euro (3.4%), and the British pound (1%). Against regional currencies, the ringgit appreciated against the Indonesian rupiah (4%), Korean won (3%) and Thai baht (0.2%), but depreciated against the Philippine peso (3.5%) and the Singapore dollar (2%).

Ringgit Performance Against Regional Currencies



Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	3Q 06	2Q 07	3Q 07	21 Jul 05	3Q 06	2Q 07
US dollar	3.8000	3.6845	3.4545	3.4170	11.2	7.8	1.1
Euro	4.6212	4.6821	4.6425	4.8410	-4.5	-3.3	-4.1
Pound sterling	6.6270	6.9171	6.9171	6.9167	-4.2	0.0	0.0
100 Japanese yen	3.3745	3.1279	2.8000	2.9649	13.8	5.5	-5.6
Singapore dollar	2.2570	2.3221	2.2547	2.2916	-1.5	1.3	-1.6
100 Thai baht	9.0681	9.8109	10.000	9.9723	-9.1	-1.6	0.3
100 Philippine peso	6.8131	7.3477	7.4692	7.5992	-10.3	-3.3	-1.7
100 Indonesian rupiah	0.0386	0.0399	0.0382	0.0373	3.5	7.0	2.4
100 Korean won	0.3665	0.3901	0.3732	0.3726	-1.6	4.7	0.2
Chinese renminbi	0.4591	0.4660	0.4535	0.4548	0.9	2.5	-0.3

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