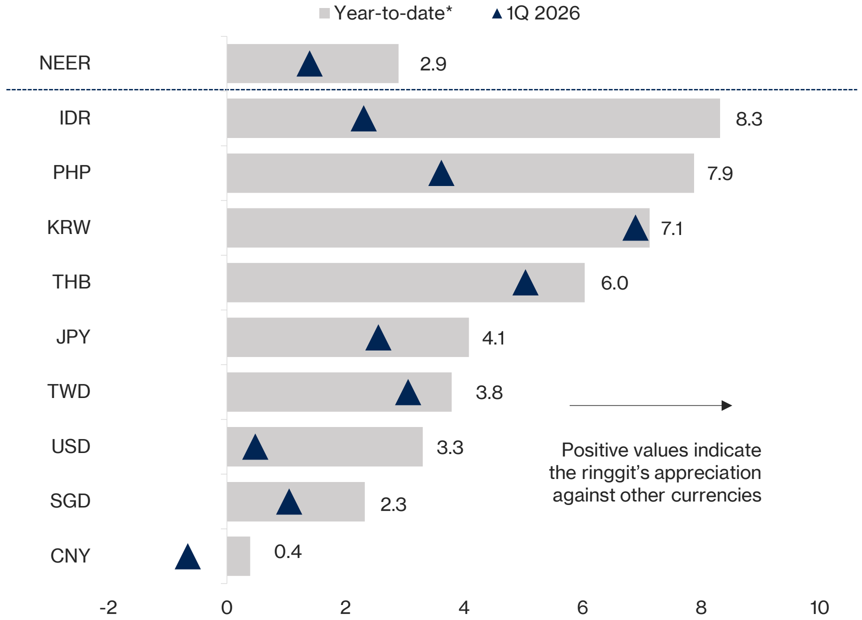
Financial Markets and Exchange Rate

The ringgit appreciated against currencies of most trading partners

Underpinned by solid domestic fundamentals, the ringgit appreciated despite escalations in geopolitical tensions and reduced expectations for policy rate cuts by the US Federal Reserve.

Performance of the ringgit against selected major and regional currencies
% year-to-date and quarter-on-quarter



Note: *YTD as of 13 May 2026.
NEER refers to the ringgit nominal effective exchange rate, which measures the ringgit's performance against a basket of currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia

Domestic financial market developments were driven by both global and domestic factors

Bond yields increased
in line with bond markets abroad, reflecting heightened global inflation expectations driven by higher oil prices

MGS 10Y Yields
+14 bps
(4Q 2025: +4 bps)

Equity market rose marginally
supported by net foreign inflows into the domestic market

KLCI
+0.6% QoQ
(4Q 2025: +4.2%)

Key factors influencing global and domestic markets

Reduced expectations for rate cuts by the US Federal Reserve amid higher oil prices and elevated inflationary pressures, following escalation of the Middle East conflict

Tighter global financial conditions as heightened geopolitical uncertainty contributed to elevated market volatility amid global risk-off sentiment

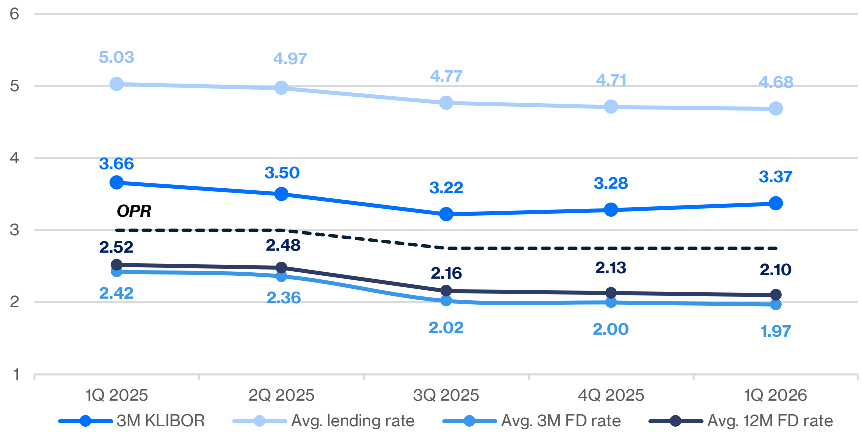
Strong domestic fundamentals, underpinned by firm economic prospects and ongoing structural reforms

Source: Bank Negara Malaysia, Electronic Trading Platform (ETP) and Bursa Malaysia

Interest Rates and Liquidity

Interbank rates increased during the quarter while lending rates remained broadly stable

Interest rates,
End-period, %

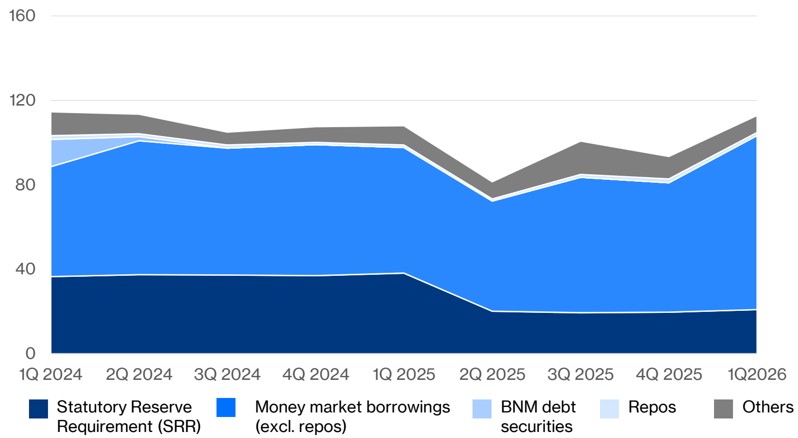


- **The 3M KLIBOR increased** by 9 basis points during the quarter, mainly reflecting higher funding demand by banks towards the quarter-end period.
- **Retail board fixed deposit (FD) rates declined** by 1 to 8 basis points across tenures, reflecting banks' funding strategies to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans remained broadly stable** during the quarter.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity continued to facilitate financial intermediation

Outstanding ringgit liquidity placed with BNM,
End-period, RM billion



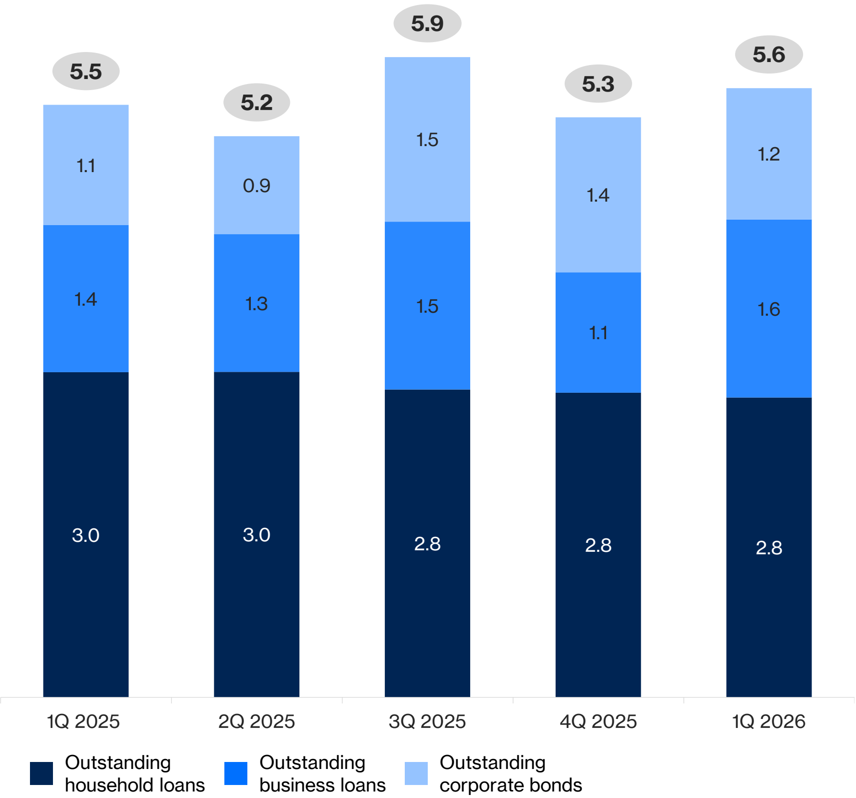
- **Total banking system liquidity increased** during the quarter amid higher liquidity injection by BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placements with BNM as at end-March 2026.

Source: Bank Negara Malaysia

Credit Conditions

Credit growth increased amid higher growth in outstanding business loans

Credit to the Private Non-Financial Sector,
Contribution to growth, ppt



Note: Figures may not add up due to rounding.
Source: Bank Negara Malaysia

Key developments

Credit to the Private Non-Financial Sector[4]

5.6%
4Q 2025: 5.3%

- Outstanding loans[5] grew by 5.6% (4Q 2025: 4.9%), mainly due to the increase in business loan growth while household loan growth was sustained.
- Growth in outstanding corporate bonds moderated to 5.8% (4Q 2025: 6.9%) amid lower issuances in the quarter.

Business Loans

5.8%
4Q 2025: 3.9%

- Outstanding business loans expanded by 5.8% (4Q 2025: 3.9%) following higher loan growth among non-SMEs across purposes.
- Meanwhile, SME loan growth was broadly sustained.
- Financing demand among businesses remained steady, particularly for working capital needs.

Household Loans

5.4%
4Q 2025: 5.5%

- Household loans rose by 5.4% (4Q 2025: 5.5%) amid steady loan growth across most purposes.
- Demand for household loans remained broadly stable and continued to be met with sustained approvals.

[4] All numbers quoted are in terms of annual change.
[5] Refers to loans from the banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia