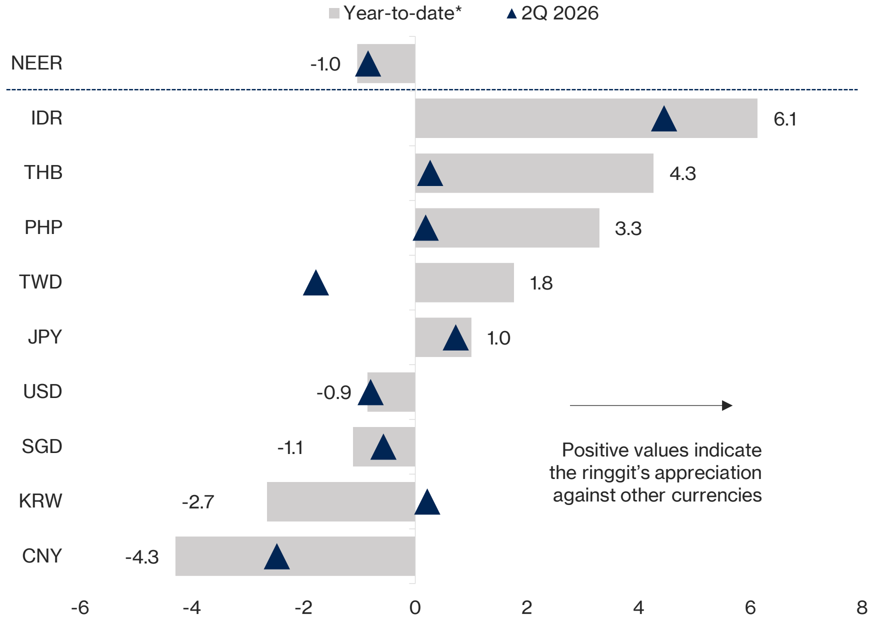
Financial Markets and Exchange Rate

The ringgit remained broadly stable against currencies of major trading partners during the quarter

The ringgit's overall performance remained broadly in line with the currencies of Malaysia's major trading partners in 2Q 2026, underpinned by resilient domestic economic prospects.

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



Note: *YTD as of 12 August 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

Lower bond yields
supported by non-resident inflows into the domestic bond market

MGS 10Y Yields
-3 bps
(1Q 2026: +14 bps)

Equity market declined
amid net foreign outflows, primarily reflecting portfolio rebalancing following the MSCI[3] index review

KLCI
-1.6% QoQ
(1Q 2026: +0.6%)

Key factors influencing global and domestic markets in 2Q 2026

Shift in expectations regarding the direction of US monetary policy amid evolving outlook on inflation and labour market conditions in the US

Global investor risk aversion eased amid optimism surrounding the potential de-escalation of the Middle East conflict

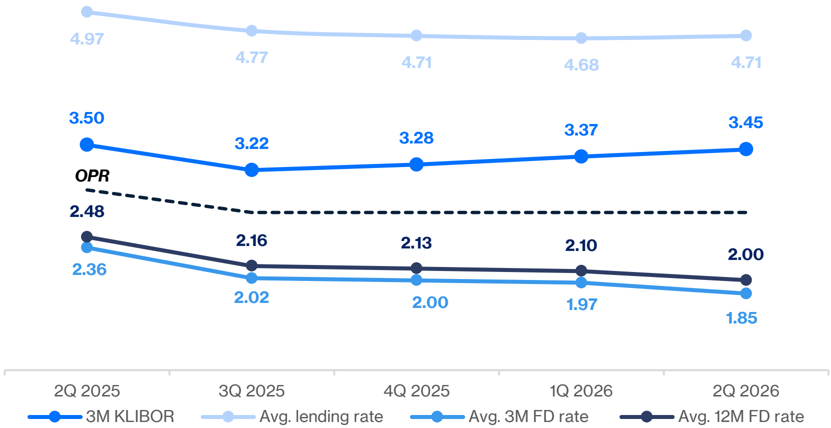
Strong domestic fundamentals, underpinned by firm economic prospects and ongoing structural reforms

[3] MSCI refers to Morgan Stanley Capital International
Source: Bank Negara Malaysia, Electronic Trading Platform (ETP) and Bursa Malaysia

Interest Rates and Liquidity

Interbank rates increased while fixed deposit rates declined during the quarter

Interest rates,
End-period, %

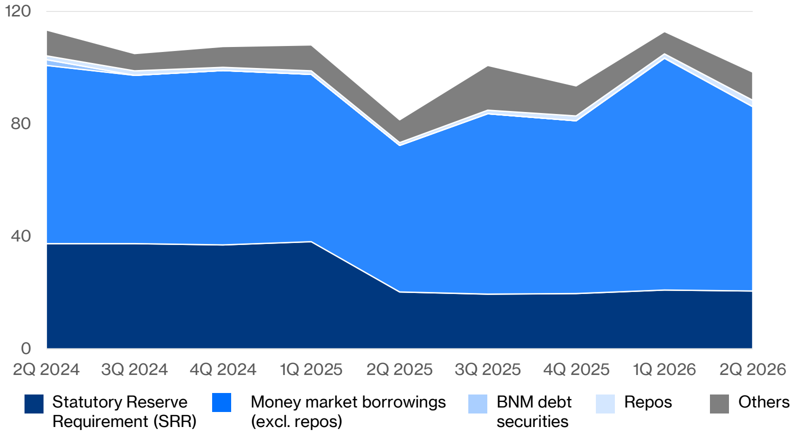


- **The 3M KLIBOR increased** by 8 basis points during the quarter, mainly reflecting higher funding demand by banks towards the end of the quarter.
- **Retail board fixed deposit (FD) rates declined** by 2 to 13 basis points across tenures during the quarter, reflecting banks' funding strategies to 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



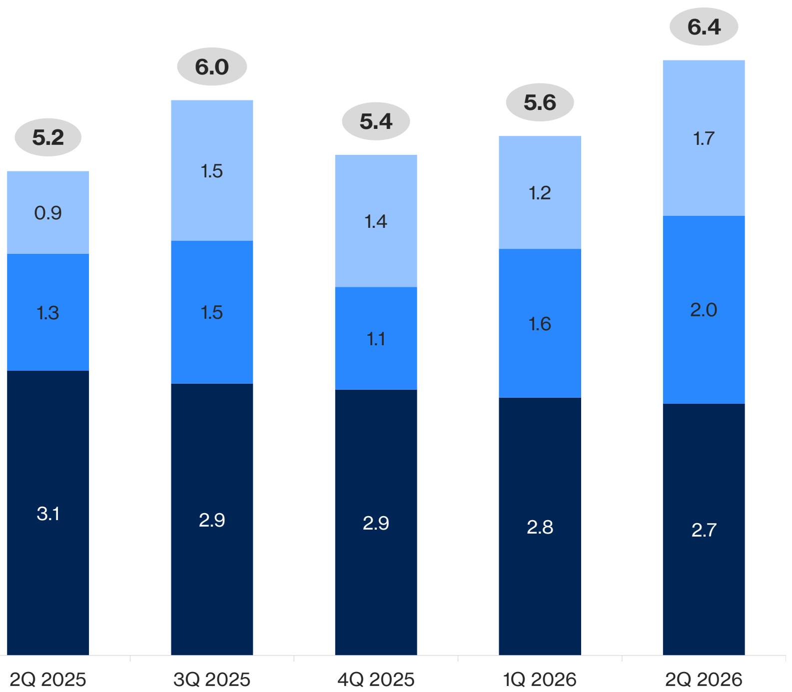
- **Total banking system liquidity decreased** during the quarter amid lower liquidity injection by BNM in line with reduced demand for liquidity by banks.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placements with BNM as at end-June 2026.

Source: Bank Negara Malaysia

Credit Conditions

Credit growth increased amid higher growth in outstanding corporate bonds and 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] **6.4%** 1Q 2026: 5.6%	• Outstanding loans[5] grew by 6% (1Q 2026: 5.5%), mainly due to higher business loan growth while household loan growth was sustained. • Outstanding corporate bonds grew by 8.1% (1Q 2026: 5.9%), given higher issuances in the utilities sector, mainly for working capital purposes.
Business Loans **7.2%** 1Q 2026: 5.7%	• Outstanding business loans expanded by 7.2% (1Q 2026: 5.7%) following higher loan growth across both working capital and investment-related purposes.[6] • The higher growth was driven mainly by loans to non-SMEs during the quarter. • Financing demand among businesses increased, particularly for working capital, which was supported by higher approvals by banks.
Household Loans **5.3%** 1Q 2026: 5.4%	• Household loans expanded by 5.3% (1Q 2026: 5.4%) amid stable loan growth for the purchase of houses. • Household financing demand, as reflected in applications, rose during the quarter and was met with continued financing approvals.

[4] All numbers quoted are in terms of annual change.
[5] Refers to loans from the banking system and development financial institutions (DFIs).
[6] Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets as well as for construction activities
Source: Bank Negara Malaysia