

ECONOMICS OVERVIEW

The Malaysian economy continued to expand by 5.3% in the first quarter of 2007 (2006: 5.9%). Domestic demand, driven by private sector consumption and investment activities, was reinforced by increased public investment spending. On the supply side, growth was supported by strong expansion in the services sector and higher construction activity. Service sector now represent the biggest single economic sector at 9.6% in 1Q07.

The leading index is rising cautiously, suggesting that the Malaysian economy will continue to expand moderately. Exports grew at 10.3% versus 10.8% increase in imports.

Unemployment remained below 3.4%, reflecting a situation of full employment which has prevailed since 1992.

The Consumer Sentiments Index has risen to 115.9 in 2Q07 after recording 104.2 in 2Q06. Average inflation rate was expected to be lower at between 2.0 and 2.5 compared to 3.6% in 2006 due to moderating oil price.

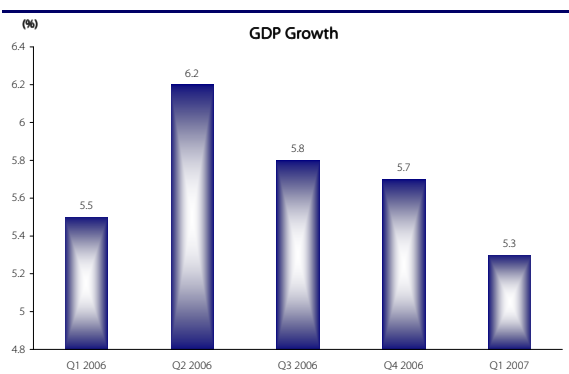
The Malaysian Institute of Economic Research's (MIER) Business Conditions Index rose to 122.1 in 2Q07 from 102.4 points in 2Q06 reflecting a positive business senti-

Positive factors included the 9MP rollout, higher investment approvals and the recent relaxation of FIC requirements.

Leading Economic Indicators

Gross Domestic Product	1Q 07	5.3 %
Inflation Rate	1Q 07	2.6 %
Industrial Production Index	1Q 07	2.7 %
Unemployment Rate	1Q 07	3.4 %
Consumer Sentiment Index	2Q 07	115.9
Business Sentiment Index	2Q 07	122.1

Source: BNM & MIER



Source: BNM

"Malaysia's economic fundamentals are expected to improve in 2007 at a healthy 6% growth", Bank Negara Governor Tan Sri Dr Zeti Akhtar.

Commercial Banks	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	2007
Total exposure to the property sector (RM mil)	144,345.1	160,335.4	193,402.2	224,174.4	253,977.6	262,657.1*
Total NPLs in the property sector (RM mil)	19,342.1	18,567.0	21,021.8	24,855.9	25,920.0	25,925.3**
% NPLs over total loan disbursement	13.4 %	11.6 %	10.9 %	11.09 %	10.21 %	-

Note:

*:The NPLs are prepared based on the sum purchase of residential property, purchase of non residential property, real estate and construction from January 2007 – May 2007.

** :The NPLs are prepared based on the sum purchase of residential property, purchase of non residential property, real estate, construction, renting & business activities.