

**STATEMENT BY MR JEFFREY CHEW,
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In conjunction with the release of the National Budget for 2009

Kuala Lumpur, 29 August 2008 – OCBC Bank (Malaysia) Berhad is pleased to present its views on the 2009 National Budget presented by our Prime Minister this evening.

Introduction

The 2009 National Budget can be described as people-friendly as it is aimed at buffering the impact of the high energy and food prices on the people. It is heartening to see policies that are aimed at helping those in the lower and middle income categories.

Benefiting individuals

The Budget benefits individuals at all levels, in particular the lower income groups. We welcome the tax incentives to enhance the welfare of employees as they provide employers with the opportunity to be more innovative in their staff compensation schemes, beyond basic wages. For Government servants, the extended housing loan tenure would certainly benefit new loan customers. However, we believe this benefit should be further extended to those with existing loans as well. The tax exemption on savings interest will encourage savings to some degree; however, we expect this benefit to be seen as attractive only to those with savings of above RM100,000.

Assisting SMEs

The positive spin-off from infrastructure spending, especially on the upgrading of rural roads, police stations, schools, housing, shipping & public transport, will benefit other ancillary industries in which SMEs operate.

In the effort to modernize SMEs and further drive efficiencies, the government has proposed two significant incentives, namely the accelerated capital allowance from two years to one, and the implementation of the SME Modernisation Facility in the form of a financing facility amounting to RM700 million.

Enhancing capital markets

The efforts to further develop the Islamic capital market, particularly in the area of sukuk, is a move in the right direction with the next phase of growth clearly focused on developing the non-RM sukuk market. However, in addition to tax incentives for market intermediaries, critical measures are required to develop regional level bond markets and the supporting infrastructure. These entail, among others, developing a regional clearing & settlement system, a

vibrant secondary market by virtue of price transparency, and promoting regional credit rating agencies.

With the tax regime being fine-tuned to be comparable to the more developed REITs markets such as Singapore, it is expected to stimulate interest from foreign investors to boost the current lacklustre Malaysian REITs sector. These measures will position REITS as a dynamic asset class to boost the equity market besides enhancing the avenue for property owners and developers to unlock asset value.

Conclusion

With the expectation of a moderating inflation environment in the medium term, which appears to be aligned with BNM's earlier stance, the Budget is clearly pro-growth in the near-term. We expect the OPR to hold at 3.5% for at least the remainder of 2008; therefore we believe that the 5.4% GDP projected for 2009 is achievable if the global economy does not deteriorate significantly.

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