

TARIKH : 30 MAC 2022
AKHBAR : THE MALAYSIAN RESERVE
MUKA SURAT : 9

Banking system remains resilient despite Covid-19, says Bursa chairman

Banking system remains resilient despite Covid-19, says Bursa chairman

From a capital market perspective, Malaysian banks and financial services firms are well-represented in the stock market

by S BIRRUNTHA

MALAYSIA'S banking system remains resilient despite the challenges posed by the Covid-19 pandemic, according to Bursa Malaysia's non-executive chairman Abdul Wahid Omar.

He said the local banking system was supported by healthy capital and liquidity buffers to facilitate sustained financial intermediation activities.

He cited statistics by Bank Negara Malaysia, which showed the banking system's core equity Tier 1 capital ratio of 15.2% as of Dec 31, 2021, was significantly higher than the 9.05% core capital ratio as of Dec 31, 1997, and 10.61% as of Dec 31, 2008.

Asset quality of the banks improved significantly with the net impaired loans ratio improving from a high of 13.59% in 1998 to 2.24% (2008) and 0.9% as of Dec 31, 2021.

"Similarly, the loan loss cover ratio improved from 39% to 75% and 129.2% as of June 30, 2021, respectively.

"The loan-to-fund ratio remained broadly stable at 82.3% as of Dec 31, 2021, and there is sufficient liqui-



Abdul Wahid says as the demand for sustainable solutions increases, the banking industry is now seen as a catalyst

idity for the banks to fund future loans growth in order to expand the economy further," he said while speaking at the 2022 Banking and Finance Summit organised by KSI Strategic Institute for Asia Pacific yesterday.

Abdul Wahid added from a capital market perspective, Malaysian banks and financial services companies are well-represented in the stock market with significant weighting in both the FTSE Bursa Malaysia KLCI and the FTSE4Good Bursa Malaysia sustainability index.

He highlighted the eight banking stocks alone — Malayan Banking Bhd, Public Bank Bhd, CIMB Group Holdings Bhd, Hong Leong Bank Bhd, RHB Bank Bhd, AMMB Holdings Bhd, Affin Bank Bhd and

Alliance Bank Malaysia Bhd — have combined market capitalisation of RM334 billion or 18% of the total market capitalisation of RM1.81 trillion as at the end of February 2022.

From an environmental, social and governance (ESG) perspective, he said financial services stocks make up 41.3% of the FTSE4Good Bursa Malaysia index weightage as of March 15, 2022, compared to 11% for telecommunication companies and media, 9.6% for utilities and 9.5% for consumer products and services.

He anticipates financial services firms will play an important role in pushing corporate Malaysia to commit to net-zero greenhouse gas emissions by 2050.

"On the back of these prospects, I

an optimistic Malaysia's GDP can rebound to pre-pandemic levels — and based on the economic recovery observed in 2021 and with the reopening of the borders from April 1 — Malaysia is poised to achieve its forecast GDP between 5.5% to 6.5% in 2022.

"This corresponds to International Monetary Fund and World Bank predictions of 5.7% and 5.8% respectively," he said.

Abdul Wahid added as the demand for sustainable solutions increases, the banking industry is now seen as a catalyst and must play an instrumental role in supporting the transition to a more sustainable future.

Among the ways financial institutions could advance the ESG agenda is to channel financing towards low-carbon and nature-positive initiatives.

Minister in the Prime Minister's Department (Economy) Datuk Seri Mustapa Mohamed stressed the financial sector must continue to play an important role in the sustainability agenda.

He said the recent floods have shown how vulnerable Malaysia and the world were to climate change, hence, the transition to a greener economy must be accelerated.

Some 270 banks representing 45% of banking assets worldwide have committed to the United Nations Environment Programme Finance Initiative's Principles for

Responsible Banking in aligning their strategic roadmaps and sustainability targets to the Paris Climate Agreement and Sustainable Development Goals.

"There is a need for financial institutions in Malaysia to follow suit with their global counterparts," he said in his keynote address during the summit yesterday.

Mustapa said "business as usual" would no longer cut it and as a mobiliser of capital, the banking industry can play a crucial role in supporting the transition of companies towards a low-carbon economy through sustainable financing and investment.

He added the government remains confident in achieving its projected economic growth of between 5.5% and 6.5% in 2022.

The minister also pointed out the recent economic indicators suggested Malaysia's economic growth would be driven by robust external trade and a net inflow of foreign investments, as well as more resilient private consumption growth.

Although this bodes well for Malaysia, particularly as we head towards the reopening of international borders, there may be some pushback arising from the economic impact of the war between Russia and Ukraine, he added.

"The sharp increase in the prices of a number of commodities such as wheat, oil and corn come to mind," he noted.