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MAYBANK-LOAN

MAYBANK TARGETS LOAN GROWTH OF 6-7 PCT FOR 2003

KUALA LUMPUR, Sept 24 (Bernama) -- Malayan Banking Bhd (Maybank) has projected a loan growth of six to seven percent for its financial year ending June 30 2003 compared with a five percent decline in the financial year just ended.

The bulk of the loan is expected to come from the consumer loans and small and medium scale industries (SMEs), while less demand is expected from the corporate sector for capital expenditure.

Despite the target, the bank would be on alert for any internal developments due to the current volatile external factors including the threat of a war, its executive vice president Hooi Lai Hoong said at a conference held in conjunction with the ongoing KLSE Investors' Week here today.

Malaysia's economy is still exposed to the external economic development as a chunk of activities are on trade, with US being its major market, she said.

That is why there is also a change of focus towards generating domestic growth but it would take time to really see the effect, said Hooi.

On the bank's non-performing loans (NPL), she said the bank expects to continue to see improvement as many of its borrowers had come back with new proposals to repay their loans.

As at June 2002, its NPL stood at 6.87 percent, far better than 7.8 percent in Dec 2001.

Asked on how a possible rise in the statutory reserves ratio (SRR) would affect Maybank, Hooi said if the government allowed a full economic cycle which means an increase in SRR and which would also allow the rise in Basic Lending Rate (BLR), the impact would be minimal.

She said every one percent rise in the SRR means a reduction of RM15 million in the bank's interest income per year quoting an analysis done by Maybank.

A full cycle means every one percent rise in SRR would see a five basis points increase in BLR and Maybank could gain approximately RM18 to RM20 million per year in interest income.

Currently, the SRR is at an all-time low of four percent. Prime Minister Datuk Seri Dr Mahathir Mohamad had announced at the 2003 Budget that the government might consider increasing the SRR in view of the sluggish loans growth.

Banking stocks on the Kuala Lumpur Stock Exchange (KLSE) have since taken a plunge due to fears of a possible rise in SRR.

"The increase in BLR would offset the rise in SRR but there are ample of liquidity in the market... I do not think the SRR will move up," said Hooi.

On the interest rates regime, she said it would depend on the authority and the performance of the economy on whether it needs to be moved upward or downward.

"At this point, there is a lot of liquidity in the market, so I don't see any pressure on rates to move up. Whether it moves down, would depend on the authority," she said. -- BERNAMA

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