

Malaysian Banks' Loan Sector To Grow At 10.7 Per Cent
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KUALA LUMPUR, March 5 (Bernama) -- The Malaysian banks' loan sector is expected to grow at 10.7 per cent this year as compared to 10.6 per cent in 2013, a leading research house said Wednesday.

HwangDBS Vickers Research said the application for business loans have been gaining traction over the last three months based on a six-month moving average trend.

The research house also set an average target due to the weaker consumer demand, coupled with lower returns on equity (ROE) targets on flat loan growth as well as the compressed net interest margin (NIM).

"Every one percentage point decline in loan growth would cause one per cent drop in earnings while every 10 basic points decline in NIM would lead to a four to five per cent drop in earnings," HwangDBS said in a research note.

Banks have generally guided for lower ROE targets in 2014 against 2013, given the cautious sentiments," it said, adding that flat loan growth, NIM compression and capital conservation needs would cap ROE expansion," the research firm added.

HwangDBS' top pick are Public Bank, Hong Leong Bank and SME Bank.

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