



- Home
- News
- Business
- Sport
- Metro
- Tech
- Lifestyle
- Opinion
- Videos
- Property
- Jobs
- Autos
- More



Business News [Home](#) > [Business](#) > [Business News](#)

Monday, 17 July 2017 | MYT 8:32 AM

CIMB Research Neutral on banks, impact from Alam Maritim manageable





KUALA LUMPUR: CIMB Equities Research is maintaining its Neutral outlook for Malaysian banks due to the negative impact from the adoption of the new accounting standard on loans, weaker net profit growth in 2018 and unattractive valuations.

In its outlook report issued on Monday, it said a news reported stated that [Alam Maritim Resources](#) missed the sukuk principal payment of RM30mil that was due on July 6, 2017.

“The potential impairment loss/provision for exposures to Alam Maritim would be negative for banks but the impact would not be significant, based on our assessment,” it said.

CIMB Research also cited the negative impact from the adoption of the Malaysian Financial Reporting Standard (MFRS) 9, which comes into effect in January 2018.

MFRS 9 is based on expected loss model unlike the existing standard - MFRS 139 - which is based on the incurred loss model.

“The upside risks to our call are better-than-expected loan and fee income growth while the key downside risk is a spike in impaired loans.

The research house pointed out Alam Maritim was the second oil and gas corporate in Malaysia that has shown difficulties in servicing its debt; Perisai Petroleum defaulted on its bond repayment in October 2016.

While the sukuk holders could be partly non-bank financial institutions, the non-repayment of the sukuk could trigger the classification of banks' lending to Alam Maritim, even if the company is still paying these loans promptly.

“Based on our observation, the default by Perisai did not have any material impact on banks' earnings.

“The biggest impact that banks suffered so far for their exposures to oil and gas companies were the RM452mil impairment losses incurred by two banks for their exposures to Swiber bonds in Singapore in 2Q16,” it said.

CIMB Research said as shown in the company's 1Q17 quarterly results, Alam Maritim had total borrowings of RM149.3m in March 2017 – RM75mil sukuk and RM74.3mil bank borrowings.

It said that based on Alam Maritim's FY16 annual report, its banker is Maybank (and Maybank International).

Assuming that the RM74.3mil bank borrowing is extended by Maybank and the loan is classified as impaired, the loan loss provisioning from this would trim Maybank's FY17 net profit by a miniscule 0.4%, based on the assumption that the provision is 50% of the exposure.

“Impact on the sector's net profit (for banks under our coverage) would be at a negligible 0.1%. The impact on Maybank and the sector would be even smaller if the loans have been classified as restructured and rescheduled (R&R) loans.