

WELCOME REMARKS BY TAN SRI ABDUL WAHID OMAR
“Future Proof Banking Post Pandemic - Gearing Up for Recovery”
2022 Malaysian Banking and Finance Summit
29 March 2022

OPENING

Yang Berhormat, Dato’ Sri Mustapa Mohamed
Minister in the Prime Minister’s Department, (Economy)

Yang Berbahagia, Tan Sri Michael Yeoh,
President, KSI Strategic Institute for Asia Pacific

Yang Berbahagia, Datuk Seri Mohamed Iqbal Rawther
Chairman, The Economic Club of Kuala Lumpur

Esteemed Speakers & Panellists,

Members of the Media,

Distinguished Guests, Ladies and Gentlemen.

Assalamu’alaikum warohmatullahi wabarakatuh and a very good morning to all.

1. On behalf of KSI and ECKL, I am delighted to welcome all of you to the 2022 Malaysian Banking and Finance Summit. The theme of this year’s Summit **“Future Proof Banking Post Pandemic - Gearing Up for Recovery”** is apt and timely, considering the (almost full) re-opening of the economy from 1st April 2022. The topics to be addressed today are all pertinent and relevant as we move toward a new normal and consider new approaches to steering Malaysia’s strained economy toward a robust, sustainable, and inclusive recovery.
2. We are especially grateful for Yang Berhormat Dato’ Sri Mustapa bin Mohamed, Minister in the Prime Minister’s Department (Economy) for agreeing to grace our summit and deliver the keynote address.
3. In anticipation of the discussions to follow later, please allow me to touch on three areas in my welcome address:-
 - Firstly, the banking industry’s resilience amid Covid-19 challenges
 - Secondly, future proofing the banking industry via promotion of sustainable financing and embracing digitalisation; and
 - Third, a quick outline of today’s programme.

THE BANKING INDUSTRY'S RESILIENCE AMID COVID-19 CHALLENGES

Ladies and Gentlemen,

4. Malaysia has undergone three significant crises in the last three decades: the Asian Financial Crisis in 1997/98, the Global Financial Crisis in 2008, and the Financial Markets Turbulence in August 2015. However, the three crises mentioned pale in comparison to the global COVID-19 pandemic we have been experiencing in the past two years. To date, the COVID-19 has caused 4.1 million cases and more than 34,000 deaths in our own backyard, and 480 million cases and 6.1 million deaths worldwide.
5. Aside from the loss of life, socioeconomic wellbeing has also been severely impacted on an unprecedented scale. In 2020, the global economy contracted 3.2 percent and Malaysia was not spared with our GDP contracting by 5.6 percent. Its unemployment rate reached an all-time high of 5.3 percent or 826,100 unemployed persons in May 2020¹. Median monthly household income declined by 11.3 percent from 5,873 Ringgit in 2019 to 5,209 Ringgit in 2020. Poverty incidence rate increased from 5.6 percent in 2019 to 8.4 percent in 2020 meaning some 639,800 households are now living below the poverty line income of 2,208 Ringgit per month.
6. Despite encountering challenges brought about by the pandemic and catastrophic flooding last year, Malaysia's economy fared well notwithstanding the turbulent year with a growth of **3.1 percent**. The gradual re-opening of the economy since early May 2020, coupled with the eight stimulus packages amounting to 530 billion Ringgit which were introduced throughout 2020 and 2021, have helped cushion the impact of the crisis and its spillover effects on the economy.
7. In addition to the Government's stimulus packages, the resilience of the financial system is another critical aspect that supports the nation's economic recovery. Having learnt the lessons from the Asian Financial Crisis 1997/98 and the Global Financial Crisis 2008, the banking sector today is better capitalised, more liquid, better managed, well-supervised and regulated.
8. Malaysia's banking system remains resilient with healthy capital and liquidity buffers to facilitate financial intermediation activities. According to Bank Negara Malaysia (BNM) statistics, the banking system's core equity Tier 1 capital ratio of **15.2 percent as of 31 December 2021**² is significantly higher than the 9.05 percent core capital ratio as of 31 December 1997 and 10.61 percent as of 31 December 2008.

¹ [Key Statistics of Labour Force in Malaysia, May 2020](#)

² Source: BNM's Monthly Highlights and Statistics (January 2022 and December 2021 editions) and Quarterly Bulletin 4Q 2021

9. Asset quality of the banks improved significantly with net impaired loans ratio improving from a high of 13.59 percent in 1998 to 2.24 percent in 2008 and **0.9 percent as of 31 December³ 2021**. Similarly, the loan loss cover ratio improved from 39 percent to 75 percent and **129.2 percent as of 30 June 2021⁴**, respectively. And with the Loan-to-Fund ratio remained broadly stable at **82.3 percent⁵** as of 31 December 2021, there is sufficient liquidity for the banks to fund future loans growth in order to expand the economy further.
10. From a capital market perspective, Malaysian banks and financial services companies are well-represented in our stock market with significant weighting in both the FBM KLCI and the FTSE4GOOD Bursa Malaysia sustainability index. The eight banking stocks alone (i.e. Maybank, Public, CIMB, HLB, RHB, AmBank, Affin and Alliance) have combined market capitalisation of **334 billion Ringgit** or **18 percent** of the total market capitalisation of **1,806 billion Ringgit** as at **end February 2022**.
11. On the ESG front, financial services stocks make up **41.3 percent** of the FTSE4GOOD Bursa Malaysia index weightage as of **15 March 2022** compared to **11 percent** for **Telco & media**, **9.6 percent** for **Utilities** and **9.5 percent** for **Consumer Products & Services**. We anticipate that these financial services firms will play an important role in pushing corporate Malaysia to commit to net zero greenhouses gas (GHG) emissions by 2050.
12. On the back of these prospects, I am optimistic that 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 this Friday 1st April 2022, Malaysia is poised to achieve its forecast GDP between 5.5 to 6.5 percent in 2022. This corresponds to IMF and World Bank predictions of 5.7 percent and 5.8 percent, respectively.

³ Source: BNM's Monthly Highlights and Statistics (January 2022 and December 2021 editions) and Quarterly Bulletin 4Q 2021

⁴ [BNM's Financial Stability Review First Half 2021 \(page 32\)](#)

⁵ [BNM's Monthly Highlights and Statistics in December 2021 \(page 2\)](#)

FUTURE PROOFING THE BANKING SECTOR VIA PROMOTION OF SUSTAINABLE FINANCING AND EMBRACING DIGITILISATION.

Ladies and Gentlemen,

13. If the COVID-19 pandemic has taught us anything, we, as humans, must adjust to a new normal and resume global economic activities with greater resilience and agility. We must explore all possibilities in this space. One key approach that comes to mind is the inclusion of sustainability concepts and good ESG practices in our business strategy.
14. 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.
15. Aside from widening sustainable finance offerings, banks could potentially influence corporate behavior by shaping policy outcomes via platforms such as the Joint Committee on Climate Change (JC3). Doing so will indirectly compel businesses to better manage their material ESG concerns and in the long run, create positive impacts on the planet and society.
16. The Climate Change and Principle-based Taxonomy (CCPT) issued by Bank Negara Malaysia in April 2021 is an encouraging reflection of Bank Negara's commitment to guide the financial sector to be more climate resilient and to enable an orderly transition to a greener economy. I am heartened to note that the transition towards a low carbon economy is now being supported by a growing number of financial institutions. Banks such as HSBC, for example, have pledged to be net-zero by 2050 and includes a commitment to stop funding coal projects by 2030. Many other banks, including Maybank and CIMB, have made similar commitments.
17. Beyond sustainability, the COVID-19 pandemic has become a catalyst for digitalisation, with the 'low-touch' economy becoming more prevalent in the banking industry. As digitalisation continues to shift consumer and business behaviour, financial institutions must consider embracing new technological applications and migrating to broader digital channels in order to provide better financial services.
18. Customers will increasingly expect a more frictionless, cost effective and personalised experience. In this sense, it is critical that financial industry players have clear digitalisation strategies - not just to remain relevant, but

also to ensure that transformation efforts do not unwittingly increase risks that may threaten operational resilience and confidence in the industry.

OUTLINE OF TODAY'S PROGRAMME

Ladies and Gentlemen,

19. We will have a very interesting day ahead of us. Starting with the Opening Keynote Address by Yang Berhormat, Dato' Sri Mustapa Mohamed on "Banks, Economic Recovery and Sustainability". This will be followed by the CEO Leadership roundtable on the topic of "Leadership, Challenges, Transformation Post Pandemic", which will be moderated by Datuk Seri Mohamed Iqbal Rawther. We have five CEOs from diverse background namely OCBC Bank's CEO Dato' Ong, Investment banker Dato Charon, Senior Islamic banker Dato' Vaseehar, JP Morgan Malaysia Chairman Osman Murad and CTOS Digital's Mr Eric Hamburger.
20. After lunch, we will have Session 2 on "Future Ready Banking - Optimising Technology, Talent and Innovation" to be moderated by Tan Sri Michael Yeoh. This will be followed by Session 3 on "Digital Banks and Fintechs - Towards Financial Inclusion", which will be moderated by the Vice-Chair of Digital Economy Task Force, United Nations Economic and Social Commission for Asia and the Pacific, Mr Eddie Hu.
21. We will conclude with panel Session 4 is on "Sustainability in Banking - How Banks Can Promote ESGs", which will be moderated by Ms Firoz Abdul Hamid, Writer and Advisor Strategic Transformation.

CLOSING

Ladies and Gentlemen,

22. As Malaysia continues to navigate the exceptionally volatile times ahead, my hope is that the financial sector will continue to serve the Malaysian economy from a position of strength. We must stay focused on a path to recovery towards building a more resilient, sustainable and inclusive future. We made it through the 1997 Asian Financial Crisis, the 2008 Global Financial Crisis and the 2015 Financial Markets Turbulence. With the help and grace of Allah SWT, we will make it through this one as well.
23. Let me conclude by thanking Yang Berhormat, Dato' Sri Mustapa Mohamed, for gracing our Summit this morning. I would also like to convey my appreciation

to all our speakers and moderators for bringing your insights to the conversations we will have today.

24. To all, thank you very much for joining us, and I wish you a productive Summit ahead.