

RAM reaffirms rating of OCBC Bank
Reuters
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KUALA LUMPUR, Aug 25 — Malaysia's RAM Ratings has reaffirmed OCBC Bank (Malaysia) Berhad's (OCBC or "the Bank") respective long- and short-term financial institution ratings at AAA and P1.

Concurrently, all the long-term ratings of the Bank's debt issues have been reaffirmed, with a stable outlook.

OCBC's ratings remain supported by its established franchise in mid-sized corporates as well as small and medium-sized enterprises, sound asset quality, and commendable profitability as well as capitalisation.

The Bank continues to derive financial flexibility from OCBC Ltd, its parent company that is also Singapore's second-largest banking group; the latter held SGD229.28 billion of assets as at end-December 2010. In addition, OCBC benefits from its parent's regional network and adopts its best practices.

In fiscal 2010, OCBC's gross loans expanded 10.4 per cent year-on-year (y-o-y) while its share of the industry's loans remained at around 4 per cent.

The Bank's asset-quality indicators continued to hold up, supported by an established credit-underwriting framework and effective management of delinquencies.

OCBC's gross impaired-loan ratio stood at 2.6 per cent as at end-March 2011 (end-December 2009: 3.8 per cent). Notably, the Bank's pre-tax profit surged 17.1 per cent y-o-y in fiscal 2010, buoyed by broad-based income growth and lower provisioning charges.

As at end-March 2011, the Bank's overall risk-weighted capital-adequacy ratio had strengthened to a healthy 15.3 per cent, following the issuance of 500 million ringgit of subordinated bonds in late 2010.

Given the keen competition for customer deposits, OCBC's loan growth has been outstripping that of its deposits. As a result, its loans-to-deposits ratio climbed up from 76.2 per cent as at end-December 2009 to 82.8 per cent as at end-March 2011, albeit still deemed comfortable. — Reuters

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