



Media Release

RAM Ratings affirms UOB Malaysia's AAA rating

RAM Ratings has affirmed United Overseas Bank (Malaysia) Bhd's (UOB Malaysia or the Bank) AAA/Stable/P1 financial institution ratings as well as the ratings of its debt instruments (Table 1).

The affirmation reflects our view that parental support from United Overseas Bank Limited (UOB Ltd or the Group) will be forthcoming if needed, given the Bank's high strategic importance to the Group. Among UOB Ltd's largest asset and profit contributors outside Singapore, the Bank has built an entrenched local presence over three decades.

The acquisition of Citibank Berhad's (Citi Malaysia) consumer banking business has further strengthened the Bank's retail footprint, making it one of the largest credit card players in Malaysia. In 1H 2023, the acquired higher-yielding Citi Malaysia retail business contributed to better pre-provision earnings, with the Bank's fee income improving owing to higher card-related fees and net interest margin holding steady in contrast to the declining trend seen in the industry.

UOB Malaysia reported a gross impaired loan (GIL) ratio of 2.6% as at end-June 2023, which is improved from 2.9% a year earlier but still above pre-pandemic and industry levels. The relatively higher ratio is attributed to the Bank's proactive impairment of borrowings and stringent policy of reclassifying impaired loans as performing only after all arrears have been cleared. UOB Malaysia's GIL coverage of 89% as at the same date, while lower than the industry's 92%, is reasonable considering its highly secured portfolio. We expect conservative underwriting practices and risk controls to continue to uphold the Bank's sound asset quality.

UOB Malaysia's post-acquisition common equity tier-1 capital ratio moderated to a still-healthy 15.4% as at end-June 2023 (end-June 2022: 18.0%; industry end-June 2023: 14.8%). A wide base of current and savings account deposits (38%) and individual deposits (54%) as at the same date underpin its favourable funding profile.

Table 1: UOB Malaysia's issue ratings

	Rating/Outlook
RM8 bil Medium Term Notes Programme (2018/-):	
- Senior Notes	AAA/Stable
- Tier-2 Subordinated Notes	AA ₁ /Stable
Proposed RM5 bil Islamic Medium Term Notes Programme:	
- Senior Notes	AAA/Stable
- Basel III Compliant Tier-2 Subordinated Notes	AA ₁ /Stable

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