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Media Release

RAM Ratings reaffirms Citibank’s AAA/Stable/P1 financial institution ratings

RAM Ratings has reaffirmed the AAA/Stable/P1 financial institution ratings of Citibank Berhad (the Bank). The ratings incorporate the Bank's strategic importance to Citigroup Inc, its robust capitalisation, and sturdy funding and liquidity profile. As part of the larger Citigroup, the Bank leverages on its parent's global franchise, connectivity, and technical expertise, allowing it to carve out a strong foothold in cash management and treasury solutions.

Residential property mortgages (44%) and credit-card receivables (24%) remained Citibank's largest lending exposures as at end-June 2016. Following its brisk 10.1% loan growth in fiscal 2015, the expansion of the Bank's gross loans moderated to an annualised 4.4% in 1H fiscal 2016, with loans mainly extended for working–capital purposes. Meanwhile, although its market share of credit-card receivables had receded to 17.0% as at end-June 2016 (end-December 2014: 18.5%), Citibank's position in this segment is still viewed to be strong. Amid stiff competition from large Malaysian banks, Citibank remains as one of the largest players in the industry.

While Citibank's gross impaired-loan ratio had eased slightly to 2.1% as at end-June 2016 (end-December 2015: 2.2%), its personal lending still exhibited some weakness. Given the Bank’s large proportion of unsecured consumer lending (29%), its credit-cost ratio remained high at an adjusted 0.8% (excluding one-off write-backs) in fiscal 2015. Nonetheless, this ratio tapered to an annualised 0.4% in 1H fiscal 2016, driven by write-backs on collective impairment provisions due to the improved historical loss rates of its other loan portfolios.

Underscored by its healthy trading income, Citibank's pre-tax profit strengthened to RM356 million in 1H fiscal 2016 (1H fiscal 2015: RM217 million). Although slightly narrower, the Bank’s net interest margin of 3.1% (annualised) remained among the highest in the industry due to its still-high proportion of credit-card receivables. On the other hand, Citibank’s profitability is facing increasingly greater pressure from Bank Negara Malaysia's payment-card reforms, as credit-card interchange fees will gradually be revised downwards to 0.48% (from 1.1%) by January 2021.

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Citibank has maintained its sturdy funding and liquidity profile. The Bank's proportion of low-cost current- and savings-account deposits made up a commendable 53% of its deposit base as at end-June 2016; this is among the highest in the industry, and highlights the Bank's strong cash-management franchise. At the same time, Citibank's capitalisation also remained robust, with respective common-equity tier-1 and total capital ratios of 13.8% and 14.7% (end-December 2015: 13.0% and 13.8%).

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