

## VIS Rating affirms OCB's A+ issuer rating, stable outlook

Hanoi, 15 May 2025 - VIS Rating has today affirmed Orient Commercial Joint Stock Bank's (OCB) A+ long-term issuer rating. The rating outlook remains stable.

### **RATING RATIONALE**

The rating affirmation with a stable outlook reflects VIS Rating's view that OCB will continue on its course to strengthen its core deposit base, stabilize its asset risk through de-risking of its lending operations, and improve its profitability.

VIS Rating expects OCB's digitalization efforts will drive further growth in low-cost current and savings account (CASA) deposits, the refinement of its customer segmentation, and credit underwriting criteria to support lower credit costs. At the same time, we expect the bank's focus on cross-selling and productivity gains will support improving profitability over the next 12-18 months.

OCB's A+ long-term issuer rating reflects its above-average standalone assessment and our expectation of a moderate likelihood of government support for the bank in times of need. The bank's standalone assessment incorporates its strong profitability, above-average capital and funding structure, as well as its average asset risk and liquidity resources relative to peers.

OCB's low-cost CASA deposits increased significantly to 12.0% of its gross loans at end-2024 from 10.2% in 2023, driven by both retail and corporate CASA deposits. According to the bank management, its new OMNI platform and Open Banking model allowed the bank to grow new CASA deposits. In 2024, CASA deposits from corporate customers grew 103% year-on-year (yoy), while retail CASA deposits grew 12% yoy, higher than the industry growth rate.

The bank is actively offering transactional banking and cash management solutions to its corporate customers, and we expect these efforts will help to improve its low-cost CASA funding over time.

As of end-2024, the bank's reported non-performing loans (NPL) ratio rose by 50 basis points (bps) year-over-year to 3.2%, mainly due to retail mortgages. Including loans that had turned bad and had either been foreclosed or were undergoing foreclosure and legal proceedings, we assess its total problem loans to be 4.9% of total gross loans, lower than 5.8% at end-2023. We note the improvement was driven by the bank's active remediation and foreclosure efforts. The bank aims to complete the recovery of its problematic mortgage loans by 2026.

Tighter credit underwriting standards for new retail loans and further diversifying its corporate lending will also help to stabilize the bank's asset risk and bring down credit costs.

The bank's return on average tangible assets (ROAA) declined to its five-year low of 1.2% in 2024. The surge in credit costs from its problematic retail mortgage loans erased the widening of NIMs by 20 bps to 3.5%. As credit costs begin to moderate, we expect the bank's efforts to increase its sales productivity through cross-selling of multiple products and services to its core retail, small and medium enterprises (SME) and corporate customers will support stronger core revenue growth. The bank maintains a cost-income ratio target of below 40% for 2025, with a focus to optimize its physical network and operational processes.

OCB's tangible common equity was at 12.0% of risk-weighted assets at end-2024, higher than industry-average. The bank's reported total capital adequacy ratio (CAR) of 12.5% under the local Basel II standards was similarly higher than the industry average of 11.5%.

The bank plans to pay a cash dividend of approximately VND 1.7 trillion in 2025. If successfully executed, the bank's core capitalization will slightly decline over the next 12-18 months.

As of end-2024, liquid assets have made up 22% of its total assets - in line with the industry average – and are comprised of cash and cash equivalents, government securities, and interbank placements. We expect no material changes to the bank's liquidity risk management practices over the next 12-18 months, and liquidity risks will continue to be well-managed.

OCB's A+ rating incorporates our assumption of a moderate likelihood of support from the government during extraordinary circumstances. This assumption takes into account the bank's modest business coverage and systemic impact in the country, as well as the new regulatory framework that provides the regulator with multiple tools and mechanisms to address ailing banks.

Established in 1996, OCB is a mid-sized commercial bank with a modest but fast-growing nationwide presence supported by its digitalization efforts. Its major shareholders include Aozora Bank Limited (Japan) holding 15.0% stake at end-2024.

**Factors that could lead to an upgrade of the rating**

OCB's A+ rating could be upgraded if the bank (1) successfully implements its de-risking strategy and improves its asset quality and loss absorption buffers on a sustained basis, for example by exhibiting a track record of maintaining its problem loan ratio at below 1%; or (2) the bank demonstrated its ability to strengthen and maintain its core low-cost deposit funding to a level that is at or stronger than industry average.

**Factors that could lead to a downgrade of the rating**

OCB's A+ rating could be downgraded if (1) the bank's loan delinquencies and new problem loan formation rate continue to rise from current levels or its exposure to higher-risk borrowers continues to increase or it is unable to resolve its existing asset quality issues through active foreclosures; or (2) the bank's loss absorption buffer deteriorates over the next 12-18 months from either further deterioration in asset quality or profitability; or (3) the bank experiences a weakening in its core deposit funding base and/or a significant increase in its reliance on short-term market funds that subjects it to higher liquidity risks.

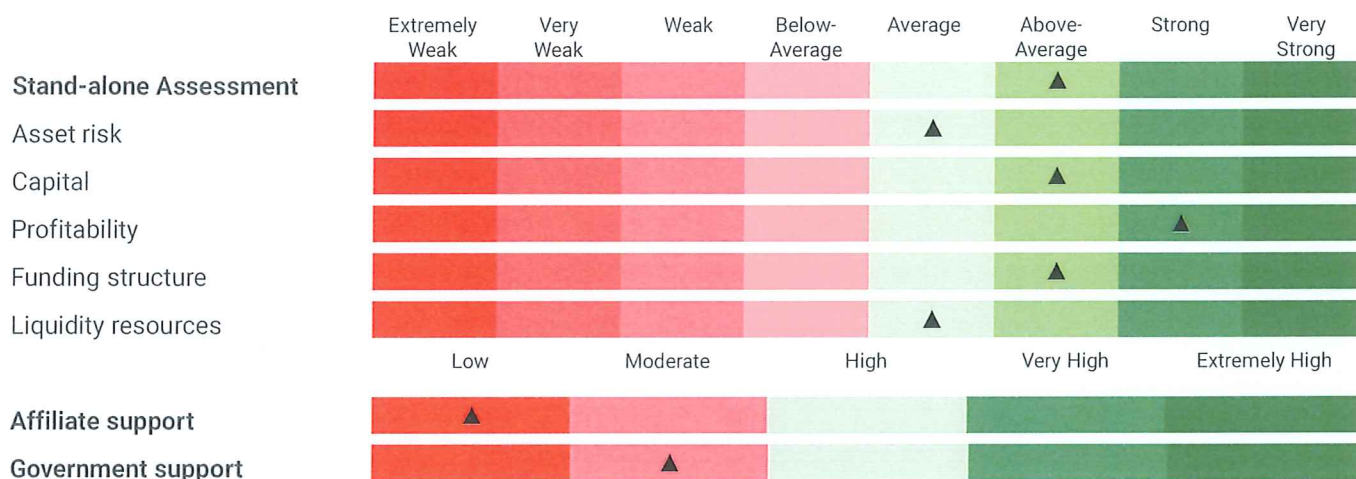


## RATING METHODOLOGY

Rating Methodology: Financial Institutions.

For detailed information, please see our full methodologies at: <https://visrating.com/how-to-get-rated/view/financial-institutions-rating-methodology.2>

## SUMMARY OF KEY FACTORS



Source: VIS Rating

## CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
15 May 2024	Long-term Issuer Credit Rating	A+	Stable	First-time assignment
15 May 2025	Long-term Issuer Credit Rating	A+	Stable	Update

## RATING SCALE

### Long-Term Rating

AAA	Issuers or debt instruments demonstrate the <b>strongest</b> creditworthiness relative to other domestic entities and transactions.
AA	Issuers or debt instruments demonstrate <b>very strong</b> creditworthiness relative to other domestic entities and transactions.
A	Issuers or debt instruments demonstrate <b>above-average</b> creditworthiness relative to other domestic entities and transactions.
BBB	Issuers or debt instruments demonstrate <b>average</b> creditworthiness relative to other domestic entities and transactions.
BB	Issuers or debt instruments demonstrate <b>below-average</b> creditworthiness relative to other domestic entities and transactions.
B	Issuers or debt instruments demonstrate <b>weak</b> creditworthiness relative to other domestic entities and transactions and may be approaching default, with strong recovery prospects.
CCC	Issuers or debt instruments demonstrate <b>very weak</b> creditworthiness relative to other domestic entities and transactions and are likely in or near default, typically with moderate recovery prospects.
CC	Issuers or debt instruments demonstrate <b>extremely weak</b> creditworthiness relative to other domestic entities and transactions and are typically in default, typically with poor recovery prospects.
C	Issuers or debt instruments demonstrate the <b>weakest</b> creditworthiness relative to other domestic entities and transactions and are typically in default, with very poor recovery prospects.

*Note: VIS Rating appends the modifiers + and – to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier – indicates a ranking in the lower end of that generic rating category*

## REGULATORY DISCLOSURES

For further specification of VIS Rating's Rating Symbols and Definitions, please see <https://visrating.com/how-to-get-rated/>.

OCB's ownership stake in VIS rating: 0%

The ownership ratio of OCB held by VIS Rating's staff: 0%

Cases in which analysts and credit rating council members cease their participation in the credit rating contract before the contract expires and the reason for the cessation: 0

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The rating action has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited.

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### Vietnam Investors Service and Credit Rating Agency Joint Stock Company

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