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StarBiz Special

Regional green financing plans

OCBC Bank looks to sustainable projects to up profits

FINANCE

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PETALING JAYA: OCBC Bank (M) Bhd, which saw its net profit rise 30% year-on-year in the third quarter (Q3) of 2021, has earmarked several key areas to capitalise on to boost its earnings this year despite elevated loan loss provisioning.

Its chief executive officer Datuk Ong Eng Bin told *StarBiz* that moving into 2022, the banking group expects further improvement in core profitability in line with the improved market conditions.

"Loan loss provisioning will continue to stay elevated, as we provide for the weaker borrowers who exit from the moratorium relief programme in the first quarter of the year. However, the provision will be lower compared with 2021.

"Revenue growth will come mainly from better credit origination momentum and an improved appetite among our customers in investment and wealth products. This will be in line with the improved business and consumer sentiment," he added.

For Q3 ended Sept 30, 2021, the bank posted a higher net profit of RM487mil compared with RM376mil in the similar period the previous year. Net interest income stood at RM1.2bil against RM1.1bil in 2020.

Ong spelt out some of the key areas which the bank will be focusing on this year to improve its bottom line and as part of its expansion plans.

Key to OCBC's upcoming initiatives would

"The aim is to increase our momentum in renewable energy and sustainable financing."

Datuk Ong Eng Bin



be the quest to be a leading regional sustainable bank, he said, noting that in Malaysia, OCBC Bank would leverage on its strong investment banking reputation in green financing.

Ong said: "The aim is to increase our momentum in renewable energy and sustainable financing and continue to pursue lead roles in well-structured sustainable and green project financing transactions.

"Second, with more companies adopting the China Plus One strategy, we will capture opportunities, including capital and trade flows, from relocation of advanced manufacturing companies seeking diversification of supply chains away from China to Malaysia, to making their supply chain more resilient against the pandemic as well as against geopolitical tensions.

"Our third core focus would be to bank on our existing strong foundations in wealth management.

"We are looking to extend the OCBC Group's wealth capabilities to include expanding our product shelf, enhancing advisory services and boosting our execution of wealth sales to

our Premier and high-net-worth customers via digital channels."

In fact, aligning to Bank Negara's approach behind the Financial Sector Blueprint, the bank has pivoted towards helping customers to grow their wealth via investment solutions.

"We recently launched a new wealth offering, the Global Wealth Platform, which enables customers to invest into more products and monetise their assets for further investment via the enhanced wealth financing proposition. OCBC Bank looks forward to customers warming up to this new wealth platform," he added.

To face competition, Ong said OCBC's key competitive differentiator lies in its strong brand - both locally and regionally - including an underlying commitment to moving with the times whilst anchored to its unyielding principles and values.

On the consumer front, he said the bank has made steady progress in wealth management over the years has become a well-respected player in the field.

Capitalising on its strength in business banking

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He said the bank would leverage on the strong support of the OCBC Group to deepen this wealth-management expertise and strengthen its premier and affluent banking propositions that target high-net-worth customers.

OCBC would at the same time capitalise on its strength in business banking to capture new inbound and outbound opportunities from China and intra-Asean, and support cus-

tomers' overseas investments and expansion efforts by leveraging on the strength of the OCBC Group network.

"Sustainability will be a key driver in the banking industry, and will remain a key pillar of our efforts alongside our digital initiatives. We are moving more intensely along our sustainable financing journey with focused strategies to stay ahead of the market by driving industry innovations," he said.

As for the prospect of the banking sector in 2022, Ong said the outlook remained strong

and stable, underpinned by its strong capital position and liquidity condition to buffer any downside risks.

Impaired loans are envisaged to rise as loan moratorium programmes expire, he said, adding that the pre-emptive provisions made since 2020 would mitigate the overall impact to the banks' positions.

"Pre-tax profitability is expected to improve with higher loan growth, which is projected at 4% to 5% this year and lower impairment charges. Net profit, however, will be weighed

down by the one-off prosperity tax.

"At the same time, heightened cybersecurity threats continue to pose significant concerns to digital banking operations and innovations.

"Significant investments into cybersecurity and data privacy will be required to combat the emerging cyber threat landscape as the industry looks to retain a positive experience for customers and ensure they are able to bank safely, especially when doing so remotely," he said.

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