Business

Singapore bank OCBC raises 2023 target, third-quarter net profit beats forecast

An OCBC Bank signage is pictured at their office in Singapore Jul 11, 2023. (File photo: Reuters/Edgar Su)

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SINGAPORE: Singapore's second largest bank Oversea-Chinese Banking Corp (OCBC) raised its targeted 2023 net interest margin, a key profitability gauge, after posting on Friday (Nov 10) a better-than-expected 21 per cent jump in third-quarter net profit.

That is higher than the 2.2 per cent net interest margin expected by OCBC earlier for 2023. Net interest margin was 2.28 per cent in the first nine months of this year.

The bank sees 2023 return on equity above 14 per cent but loan growth in the low single-digit range, reflecting market conditions, versus earlier projections of low-to-mid single-digit loan growth.

"Looking ahead, macroeconomic conditions are expected to be clouded by growing uncertainties from inflationary risks, tightening monetary policies and heightened geopolitical risks," Wong said in a statement.

OCBC, which counts Singapore, greater China and Malaysia among its key markets, said its July to September net profit rose to S$1.81 billion (US$1.33 billion) from S$1.49 billion a year earlier, underpinned by higher net interest income.

This beat the mean estimate of S$1.80 billion from four analysts polled by LSEG.

The quarterly results from OCBC rounded up a relatively positive third-quarter earnings season by Singapore banks despite global macroeconomic challenges.

Larger peer DBS Group reported on Monday a stronger-than-expected third-quarter net profit on the back of higher interest rates, which it forecast will also help keep its profit steady next year.

United Overseas Bank also expected a stronger 2024 outlook despite posting slightly weaker-than-expected third-quarter earnings.

Singapore banks have benefited from higher global interest rates and strong inflows of wealth drawn in by the city-state's political stability.