

New Horizons II

New Horizons II is our five-year strategy from 2006 to 2010. It continues on the broad strategic direction and successes of New Horizons (2003 to 2005). The emphasis is on embedding OCBC in the region through a build-and-transfer approach, and on continuing our efforts to build a high performance bank through a balanced scorecard discipline.

Seek International Growth

We will deepen our market penetration in Malaysia, Indonesia and China and explore opportunities to establish strategic partnerships in Indochina. Our aim is to grow our market share in the consumer and SME segments in Indonesia and China by transferring successful business models and product solutions to existing branches and alliances in the two countries.

Build a High Performance Bank

CUSTOMERS

We aim to sustain our top three consumer banking position and become one of the top three corporate banks in the combined Singapore-Malaysia market.

PRODUCTS

We will build more best-in-class products and strive to become known for product innovation by sustaining 15% revenue contribution from new products annually.

We aim to be one of the top three banks for wealth management, credit cards and unsecured lending in the combined Singapore-Malaysia market.

RISK MANAGEMENT

We will expand our balance sheet proactively to deliver enhanced risk-return, and execute our Basel II implementation plan in line with regulatory guidelines.

We aim to maintain our position as one of the highest rated banks in Asia-Pacific.

PRODUCTIVITY

We will leverage our cross-border processing hubs in Singapore and Malaysia to deliver further efficiency gains.

We strive to be an efficient, low cost service provider.

PEOPLE

We will build people resources with a focus on diversity, cross-border management skill sets and competencies to support our overseas expansion efforts.

We will maintain our share ownership schemes so that all our employees can easily own OCBC shares.

We aim to continually improve employee satisfaction so that we are increasingly recognised as a regional employer of choice.

SHAREHOLDER VALUE

We aim to deliver 10% earnings per share growth annually, as well as achieve and sustain ROE of above 12%.

We will periodically review our target minimum dividend payout of 45% of core earnings for possible increase.

We will continue to divest non-core assets at the right time and invest the gains in core financial services growth opportunities, and return excess capital to shareholders via share buyback programmes.

2009 Report Card

CUSTOMERS

- Expanded consumer customer base by 5%
- Expanded SME customer base by 10%
- Maintained No. 1 position in bancassurance
- Grew Fairprice Plus and NTUC Uplus customer base to exceed 250,000
- Extended Mighty Savers™ programme to Malaysia and Indonesia
- Added three new branches in Singapore, expanding network size to 57 branches
- Extended Sunday Banking/Weekend Banking services to 21 branches across Singapore and Malaysia
- Received the Service Excellence Award by SPRING Singapore and Best Retail Bank in Singapore by The Asian Banker
- Awarded the Best Contact Centre of the Year by the Contact Centre Association of Singapore for the third consecutive year
- Awarded Excellence in Bancassurance in Asia by The Asian Banker
- Received Singapore Innovation Class ("I-Class") Certification by SPRING Singapore for Emerging Business Unit

PRODUCTS

- Launched 80 new products which accounted for 5% of total revenue
- Awarded Best SME Cash Management Solution Bank by The Asset, and Best Cash Management Bank in Singapore by FinanceAsia
- Awarded Best Foreign Cash Management Bank in Malaysia by Asiamoney, and Best Corporate/Institutional Internet Bank in Malaysia by Global Finance
- Awarded Best Mobile Payments & Authorisation Solution of the Year in Southeast Asia by Alpha Southeast Asia
- Awarded Best Bond House in Singapore by Alpha Southeast Asia
- Awarded Best Structured Product Solution of the Year in SE Asia by Alpha Southeast Asia
- Ranked first in Singapore dollar-denominated bonds by IFR Asia
- Ranked first in Malaysia Loans Mandated Arranger by Bloomberg
- Ranked first in all Malaysian Ringgit-denominated treasury product categories in Asia Risk Corporate Survey 2009 for currency and interest rate derivatives
- Lion Global Investors garnered 14 awards at the Edge-Lipper Fund Awards, including "the Best Fund Group Over Three Years – Mixed Assets Group"
- Lion Global Investors garnered 17 local and overseas awards

RISK MANAGEMENT

- Remained one of the highest rated banks in Asia: Aa1 by Moody's, A+ by S&P and AA- by Fitch
- Received regulatory approval to migrate Singapore SME portfolio to Basel II Pillar 1 Internal Ratings Based ("IRB") Approach from Jan 2010
- Continued to improve on internal capital adequacy assessments, and developed three-year roadmap on further improvements
- Published additional disclosures on risk and capital management in line with Basel II Pillar 3 requirements
- Received regulatory approval to cut over to IRB for OCBC Malaysia
- Implemented Business Continuity Management Maturity Model in Singapore and Malaysia
- Extended Internal Control Attestation process to OCBC China
- Implemented Fraud Detection system in Singapore and Malaysia
- Implemented Fair Dealing framework to support delivery of Fair Dealing outcomes through clear strategies and alignment of organisational policies and practices

PRODUCTIVITY

- Improved productivity by 20%, and reduced unit processing cost by 6% across Singapore and Malaysia processing centres
- Completed cross-border hubbing for one more work stream, with up to 70% of Singapore transactions now being processed in Malaysia
- Reduced data centres in Singapore and Malaysia from five to three as part of data centre consolidation effort with Great Eastern
- Executed another five cross-functional process improvement projects with S\$7.5 million margin improvement, bringing cumulative margin improvements to S\$157.7 million to-date since 2003

PEOPLE

- Improved employee engagement score for the seventh consecutive year since 2002
- Kept employee share ownership at above 50%
- Exceeded average training days per staff annual target by 52%
- Enhanced Employee Share Purchase Plan to annual basis so that new employees can take part without waiting for two years, and existing employees can enjoy tax incentives on share gains under the IRAS' Equity Remuneration Incentive Scheme

SHAREHOLDER VALUE

- Improved core ROE to 12.2%, exceeding 12% target
- Increased core EPS by 29%, exceeding 10% growth target
- Maintained net dividend per share at 28 cents with payout ratio at 46% of core earnings
- Acquired ING Asia Private Bank for US\$1,446 million or S\$2,024 million, and renamed it Bank of Singapore, a wholly-owned private banking subsidiary of OCBC
- Invested RMB60 million or S\$12.2 million for a 19.99% stake in South China Trust Company Ltd
- Reached agreement to subscribe for additional shares in Bank of Ningbo (expected completion in mid-2010) for S\$347 million, increasing strategic stake from 10% to 13.7%
- Raised S\$1.4 billion of Lower Tier 2 subordinated notes

OVERSEAS EXPANSION

Malaysia

- Expanded OCBC Al-Amin branch network in Malaysia from one to five

Indonesia

- Opened 18 new branches, bringing total network to 382 branches
- Added three more Premier Banking Centres and provided customer access to Premier Banking facilities in Singapore and Malaysia
- Launched eAlerts@nisp to corporate customers

China

- Grew retail customer base by over 115%
- Opened a main branch in Chongqing and a sub-branch in Jiading, Shanghai
- Expanded non-branch channels to include internet banking and debit cards

Vietnam

- Conducted training for VP Bank employees and seconded senior OCBC executives to VP Bank to gain local market insights