

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 3 consumer banking position and become one of the top 3 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 3 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.

2007 REPORT CARD

Customers

- Expanded consumer customer base by 10%
- Maintained No. 1 position in bancassurance business
- Launched Supermarket Banking with NTUC Fairprice
- Remodelled six branches in Singapore and Malaysia to offer improved customer experience
- Expanded ATM network, becoming the second largest in Singapore
- Introduced handicap-friendly "ATM Plus" terminals with new cash-in and out functionalities
- Doubled Full Service Sunday Banking branches to ten
- Expanded SME customer based by 15%
- Increased cross sell ratio for SMEs by 13%
- Introduced instant account opening for SMEs with immediate issuance of cheque books
- Raised profile of offerings with the "Stay Curious" marketing campaign

Products

- Launched 84 new products which accounted for 11.2% of total revenue
- Launched "Mighty Savers", a distinctive savings programme for young families with children
- Launched 1-hour approval turnaround for EasiCredit Express Cash
- Ranked Best Cash Management Bank in Singapore by Finance Asia and Asiamoney
- Ranked Best Trade Finance Bank in Singapore by Alpha South East Asia and in Malaysia by The Asset
- Ranked first in all Singapore Dollar denominated treasury product categories by Asia Risk End User Survey 2007
- Ranked first in foreign exchange services by corporates and financial institutions in Asiamoney Polls
- Increased number of credit cards in circulation by 17%
- Lion Capital awarded the Edge-Lipper's "Best Fund Group over three years – Mixed Asset Group" and S&P's "Best Fund Group over five years"
- Lion Capital garnered 17 local and overseas awards

Risk Management

- Implemented Basel II framework from January 2008
- Set up new teams to strengthen portfolio analytics for enhanced credit and market risk management
- Maintained strong credit ratings: Aa1 by Moody's (upgraded in May 2007), A+ by S&P and AA- by Fitch
- Implemented a robust internal control attestation process

Productivity

- Improved productivity by 26% and reduced unit processing cost by 15% across seven operations factories
- Completed cross-border hubbing for six work streams, with up to 70% of Singapore transactions now being processed in Malaysia

- Executed 10 process improvement projects with S\$11.4 million margin improvement

People

- Improved employee engagement score by 6%
- Maintained employee shareholding above 30%
- Increased average training days per staff by more than 50% since 2002
- Launched leadership training program for senior executives
- Relocated another 70 employees overseas for cross-border assignments
- Opened a new staff recreation club at OCBC Centre
- Opened a childcare centre, The Little Skool-House, at OCBC Centre

Shareholder Value

- Improved core ROE to 13.4%
- Increased core EPS by 32%
- Raised net dividend per share by 22% to 28 cents with a payout ratio 46% of core earnings
- Realised S\$90 million non-core asset divestment gains and invested S\$88 million in Bank NISP's rights issue
- Raised S\$225 million of Lower Tier 2 subordinated notes

Overseas Expansion

Malaysia

- Obtained regulatory approval to establish an Islamic Banking subsidiary
- Opened a new branch adopting the remodelled format in Damansara

Indonesia

- Expanded network with 93 new Bank NISP branches and 148 Bank NISP ATMs
- Launched wealth management platform at Bank NISP
- Established exclusive partnership between Bank NISP and Great Eastern Indonesia for bancassurance solutions

China

- Commenced business as OCBC Bank (China) Limited on 1 August 2007
- Opened two new sub-branches in Shanghai and Chengdu
- Hosted 11 executives seconded from Bank of Ningbo for two years to OCBC Singapore

Vietnam

- VP Bank launched Vietnam's first MasterCard Platinum EMV card for affluent customers
- Rolled out MasterCard merchant and ATM acquiring businesses and systems at VP Bank