



OCBC New Horizons

Building a Platform for Growth

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AGENDA

- OCBC 3.0 Report Card
- Market Scan
- Overseas Expansion Alternatives
- OCBC Strategy - Building a Platform for Growth:
New Horizons
- Conclusion

ACHIEVEMENTS

INCOMPLETE

WHERE

Singapore

- ✓ New core banking system; Cohen Brown Training; Number 1 in Bancassurance and Unit Trust; Branch operations centralised

- ✗ Centralisation of subsidiary operations

Malaysia

- ✓ Launched CFS with successful mortgage business

- ✗ Cohen Brown training; Centralisation of branch operations

Greater China

- ✓ Set up China regional office in Shanghai in 2001; Licence upgraded in 2002

- ✗ OCBC China Strategy

CUSTOMER

Consumer

- ✓ New call centre capabilities; Improved customer focus and service; Implemented CRM

Businesses

- ✓ 2001/2002 Top arranger - Syndicated loans, 2000/2001 Top 3 book-runner - domestic S\$ bonds

PRODUCTS

Trade / Payments

- ✓ Establishment of specialised trade finance team
- ✓ Velocity - 2001/2002 Asia Pacific's best corporate/institutional Internet Bank

OCBC 3.0 REPORT CARD

ACHIEVEMENTS

INCOMPLETE

PRODUCTS

Cards /
Mortgages

- ✓ Robinsons co-branded card version
- ✓ Market leader for mortgage loan origination in Singapore in 2002

✗ Underbidder for Chase portfolio in Hong Kong

OTHERS

Acquisitions

- ✓ Acquired Keppel Capital Holdings; achieved integration in 6 months

Risk

- ✓ Co-grantor processes; cashflow training programs
- ✓ Account and portfolio credit risk grading
- ✓ Value-at-risk measurement approach to market risk management

Channels

- ✓ Remodelled branches in Singapore
- ✓ Launched on-line services such as finatiQ and iOCBC
- ✓ Best major retail bank website in S'pore by Lafferty Grp in 2001

Financials /
Capital
Management

- ✓ Sub debt issuance
- ✓ Preference share issuance
- ✓ Reduced Tier One CAR from 20% to 11%

✗ Divestment of non core assets
✗ Top quartile ROE and EPS growth performance

OCBC 3.0 efforts have laid the groundwork for future growth

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- Singapore market is mature
- 1997 crisis receding regionally
- Opportunities in Malaysia to be exploited
- Bank consolidation - Singapore/Malaysia
- Liberalisation moving forward - WTO
- Growth opportunities in ASEAN and China

CONCLUSION

⇒ Must seek **NEW HORIZONS** for **GROWTH** by going overseas

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Alternatives:-

- Acquisition
- Alliances
- Build and Transfer

Priority approach - Build and Transfer

- Build on our OCBC Malaysia franchise
- Develop cross border management skills
- 18 - 24 months down the road; transfer successful business models, product solutions and management skills to existing overseas branches, acquisitions and/or alliances

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OUR STRATEGY STARTS WITH CUSTOMERS

For Consumers, we will

- research and segment the market further
- survey customers to understand their needs and offer appropriate products to as many segments as possible
- leverage our Great Eastern partnership in as many ways as possible
- rapidly expand our existing customer base
- experiment with different business models to deliver financial services to the mass market

..... become one of the top 3 consumer banks in the combined Singapore and Malaysia markets in 3 years

OUR STRATEGY STARTS WITH CUSTOMERS

For Businesses, we will

- maintain our current strong large corporate position
- research and segment the SME market so as to offer sound and competitive lending programs
- survey customers to better understand their needs and offer appropriate products to as many segments as possible
- rapidly expand our SME customer base

..... become one of the top 3 SME banks in the combined Singapore and Malaysia markets in 3 years

OUR STRATEGY SPRINGS FROM PRODUCT STRENGTHS

We will

- strive to build “best in class” products
- constantly innovate, and target 15% of our revenues each year to come from new products
- drive for volume to reduce unit costs

..... become one of the top 3 banks in the combined Singapore and Malaysia markets for wealth management, transaction banking, treasury and investment banking products in 3 years

We will

- continue to build our consumer and business loan books
- maintain highly liquid liability bases
- deliver 100% “pass” results for internal audits
- implement credit processes which allow us to continue to originate and maintain a sound credit portfolio
- maintain a strong “A” credit rating or better

..... be “solid as a rock”

OUR STRATEGY REQUIRES ONGOING PRODUCTIVITY GAINS

We will

- centralise operations into 2 locations that will back each other as recovery centres
- relentlessly drive down unit costs
- implement cross functional process improvement techniques and strive for 6 sigma quality excellence

..... be an efficient, low cost provider

We will

- first, aggressively exploit our strong distribution capability in Malaysia and Singapore to become even more entrenched as a community bank
- experiment with basic customer / product solutions in ASEAN and China during 2003
- transfer successful customer / product solutions from Singapore and Malaysia to other ASEAN countries and China within 24 months

..... take market share in Singapore and Malaysia, become solidly established in one other country and be poised to add another country in 3 years

OUR STRATEGY REQUIRES EMPLOYEE COMMITMENT

We will

- develop more local talent in each of our markets through extensive training and proactive career development programs
- reward high performing employees through increasingly differentiated incentive compensation programs
- implement new share ownership schemes to enable all our employees to participate easily

**..... see more than 30% of our employees as
shareholders in 3 years**

We will

- grow revenues > expenses
- deliver 10% EPS growth p.a.
- deliver 12% ROE (based on present CAR requirements)

..... be a high performance bank in 3 years

OUR STRATEGY DELIVERS SHAREHOLDER VALUE

We will

- target a minimum 25% dividend : core earnings ratio
- seek to “swap” non-core assets for core financial services growth opportunities
- raise alternative Tier 1 capital to improve ROE
- maintain Tier 1 capital (and total capital) at a comfortable cushion above regulatory minimums
- seek to return excess capital to shareholders via share buy-back programs

..... build the basis for our share price to outperform the STI over the next 5 years

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OCBC New Horizons is about

- Seeking new horizons for growth by going overseas
- Choosing Build-and-Transfer as our priority approach for overseas expansion
- Building a high performance bank focused on:
 - *Expanding customer base*
 - *Product strengths*
 - *Sound risk management*
 - *Productivity gains*
 - *Employee development and commitment*
 - *Delivering revenue and earnings growth*
 - *Delivering shareholder value*



OCBC New Horizons

Thank You