

Presentation to Media and Analysts

New Horizons Report Card

11 February 2004



- **Recap - New Horizons**
- **Our Achievements in 2003**
 - **Customers**
 - **Products**
 - **Risk Management**
 - **Productivity**
 - **People**
 - **Shareholders**
 - **Overseas Expansion**
- **Conclusion**

1. Going International for Growth

Build and Transfer

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

2. Improving our performance through a Balanced Business Scorecard

- Customers
- Products
- Risk Management
- Productivity
- People
- Shareholders

- **Recap - New Horizons**

- **Our Achievements in 2003**






- **Customers**
- **Products**
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- **Conclusion**

OUR ACTION PLANS

1. Research and segment the market further
2. Survey customers to understand their needs and offer appropriate products to as many segments as possible
3. Leverage our Great Eastern partnership in as many ways as possible
4. Rapidly expand our existing customer base
5. Experiment with different business models to deliver financial services to the mass market






OUR ACHIEVEMENTS

-  • Market research now in hand giving us important insights into mass consumer market
-  • Interviewed 1,730 customers during customer satisfaction survey
- More than 3,000 customers surveyed monthly as part of customer service survey program
-  • Retained # 1 Bancassurance position
- Launched 13 new products with GE
-  • 12% growth in number of consumer customers
-  • Online application for HDB Home loans; In-principle application approval within an hour

OUR ACTION PLANS

1. **Maintain our current strong large corporate position**
2. **Research and segment the SME market so as to offer sound and competitive lending programs**
3. **Survey customers to better understand their needs and offer appropriate products to as many segments as possible**
4. **Rapidly expand our SME customer base**

OUR ACHIEVEMENTS

-  • **9% growth in total revenues of large corporate business**
-  • **Introduced 11 new SME lending programs targeting industry segments**
-  • **SME customer satisfaction survey completed with more than 800 customers interviewed**
-  • **Cross sell ratio for SME business increased 33%**
-  • **7% expansion in number of SME customers**

Our Achievements – Product Innovation

(combined Singapore and Malaysia market)



OUR ACTION PLANS

1. Strive to build “best in class” products

2. Constantly innovate, and target 15% of our revenues each year to come from new products

3. Drive for volume to reduce unit costs

OUR ACHIEVEMENTS



• **Velocity@ocbc**

- Rated best-in-class in Singapore by Global Finance magazine for 3rd consecutive year
- Number of customers using Velocity@ocbc increased 39%
- Transaction volume increased 100%



• **Launched 58 new products in 2003**



• **New product revenue doubled to 6% of revenues in respective segments**



• **Productivity improved by 39% based upon volume increases far exceeding incremental total processing costs**

Our Achievements – Product Innovation *(continued)*





(combined Singapore and Malaysia market)



OUR ACTION PLANS

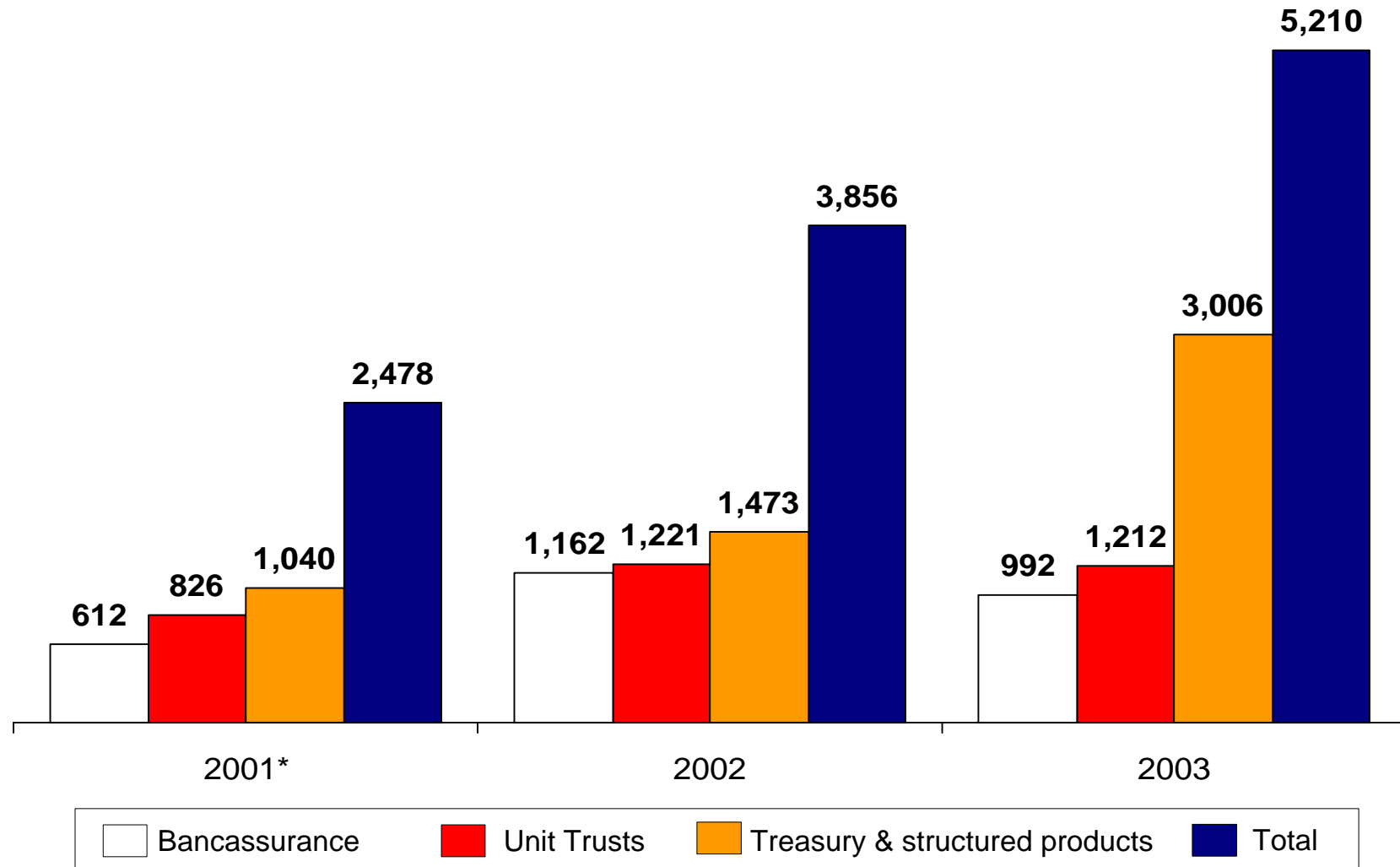
Become one of the top 3 banks in the combined Singapore, Malaysia markets for wealth management, transaction banking, treasury and investment banking products in 3 years

OUR ACHIEVEMENTS

-  • **Wealth Management** (See chart on Pg 10)
 - Combined Bancassurance, Unit Trusts, YEDs, Structured product sales grew 35% to an all time record
 - Bottomline of Premier and Private Banking businesses improved 57%
-  • **Transaction Banking**
 - Monthly aggregate transaction value jumped more than 1.5 times
 - Transaction volume increased 100%
-  • **Treasury**
 - Trading profits fell due to interest rate volatility
 - + More than 50% boost in customer related earnings
-  • **Investment Banking**
 - Dropped to 4th place in Singapore syndicated loans league table
 - + Climbed up to 4th position in Malaysia syndicated loans league table & in Singapore dollar bond issues

Wealth Management Sales by Product

(S\$m)







* 2001 figure for treasury & structured products is estimated

OUR ACTION PLANS

1. Continue to build our consumer and business loan books
2. Maintain highly liquid liability base
3. Deliver 100% “Pass” results for internal audits
4. Maintain a strong “A” credit rating or better

OUR ACHIEVEMENTS

-  • **Loans**
 1. Domestic loans market share increased from 19.9% to 20.7%
 2. Malaysia loans market share increased from 4.7% to 4.9%
-  • **Highly liquid liability base comprises:**
 1. Diversified sources of funds
 2. Strong & stable customer deposit base
 3. Regulatory liquid assets
-  • **Developing unit-by-unit self assessments as we work towards our target of 100% “pass” audits**
-  • **Continued to be one of the highest rated banks in Asia: Aa3 by Moody, A+ by Fitch and A by S&P**

OUR ACTION PLANS

5. Implement credit processes which allow us to continue to originate and maintain a sound credit portfolio






OUR ACHIEVEMENTS

- Trained more than 500 staff in credit process concepts
- **Credit Risk Review – emphasizing credit process & portfolio quality**
 1. Established a new credit review team within Audit function.
 2. Conducted 21 Credit Risk Reviews
- **Provision coverage ratio improved from 62% to 67%**
- **NPL ratio improved from 8.1% to 6.9%.**
- **Loan related provision charges reduced by S\$171 million**

OUR ACTION PLANS

- 1. Centralise operations in 2 locations that will back each other up as recovery centres**
- 2. Relentlessly drive down unit costs**
- 3. Implement cross functional process improvement techniques and strive for 6-sigma excellence**

OUR ACHIEVEMENTS





-  • **Hubbing project well underway:**
 1. First phase implementation rollout in 2Q/3Q 2004
 2. Standardisation and centralisation of Malaysia operations rollout in 2Q/3Q 2004
 3. Target project completion in 4Q 2004/1Q 2005
-  • **Productivity improved by 39% based upon volume increases far exceeding incremental total processing costs**
-  • **Quality training conducted bank-wide for more than 3,000 staff**
 - Executed 5 process improvement projects with expected margin improvement of \$30 million
 - 10 projects planned for 2004

OUR ACTION PLANS

1. Develop more local talent in each of our markets through extensive training and proactive career development programmes
2. Reward high performing employees through increasingly differentiated incentive compensation programs
3. Implement new share ownership schemes to enable all our employees to participate easily

More than 30% of our employees as shareholders in 3 years





OUR ACHIEVEMENTS

-  • “Career Best” training conducted for 1,140 employees
- Doubling of staff internal mobility
- Average training days per staff rose 15%
-  • Percentage of performance linked compensation paid to high performers increased by 20%
-  • Implemented Deferred Share Plan for VPs and above
-  • *Employee shareholding grew to 10% from 6% previously*

OUR ACTION PLANS

1. Deliver 10% EPS growth p.a.
2. Target minimum 25% dividend to core earnings ratio
3. Seek to “swap” non-core assets for core financial services growth opportunities
4. Raise alternative Tier 1 capital to improve ROE





OUR ACHIEVEMENTS

-  • **20% core EPS growth (sale of non core assets excluded)**
-  • **Dividends:**
 1. 1H 03: 11¢ , 2H 03: 12¢
Total dividends: 23¢, increase of 15%
 2. Payout ratio: 28%
-  • **\$126 million gains from non core asset divestment**
 - Divested stakes in F&N & WBL Corp
 - Sold property at Mount Emily
 - Associate Raffles Investments sold remaining stake in Raffles Hotel
-  • **Capital Management Initiatives**
 1. Raised S\$895 m of Tier 1 pref shares
 2. Cancelled 0.94% of OCBC’s shares in conjunction with our F&N share divestment
 3. Paid special dividend of S\$0.4975 (net) per share with option to elect for pref shares

OUR ACTION PLANS

5. Deliver 12% ROE in three years
 6. Maintain Tier 1 capital (and total capital) at a comfortable cushion above regulatory minimums
 7. 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*

OUR ACHIEVEMENTS

-  • **ROE Target – On track**
 1. 2003 ROE – 10%
 2. Excluding non core gains, ROE improved from 7.4% to 8.7%
-  • **Tier 1 capital and total capital strengthened to 12.6% and 21.8%**
-  • **Bought back 0.94% of OCBC's shares in conjunction with our F&N share divestment**
 - **Obtained shareholders' approval to buy back 5% of OCBC's capital base. Program yet to be launched**
-  • ***Including dividends, adjusted total return on OCBC's share of 35% is in line with STI's returns for calendar 2003***

OUR ACTION PLANS

- **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 & China during 2003**
- **Transfer successful customer/ product solutions from Singapore and Malaysia to other ASEAN countries and China within 24 months**

OUR ACHIEVEMENTS



- **Increased Malaysia consumer sales force by 45%**
- **Four-fold growth in Unit Trust sales in Malaysia**
- **Malaysia home loans outstanding rose 24%**
- **In Singapore, achieved top position in Bancassurance sales, HDB home loans, new car sales and top 2 in Unit Trust sales**



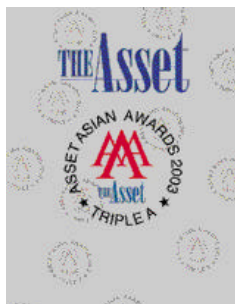
Customer/product solutions experimentation postponed to 1Q 2004 due to Iraq war and SARS

Our Achievements – Awards in 2003



Best Domestic Commercial Bank in Singapore
AsiaMoney

Ranked 1st in Singapore and 2nd in Asia for Banks
AsiaMoney Corporate Governance Survey



Best Domestic Bank
The Asset, Oct 2003



**Best Corporate/Institutional
Internet Bank in Singapore - 2003**

**Best Online Cash
Management Bank in Asia - 2003**

Asia's investors' choice awards

**Ranked 3rd in Singapore Corporate
Governance Award**
Securities Investors Association of Singapore



**Review
200:
Singapore
Top 10
Companies**

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- **Conclusion**

- ❑ **Good progress in the first year of 3-year strategic plan**
- ❑ **Stayed the course in pursuing long term strategic goals in spite of the difficult environment**
- ❑ **Initial results validate concept and value potential of strategic plan**
- ❑ **Actively capitalizing on growth opportunities as capability building initiatives gather momentum**