

New Horizons >>

New Horizons is our three-year strategy, announced in February 2003, intended to deliver international growth and improved overall performance of OCBC Bank.

Seeking international growth:

We will strengthen our market position in our two existing core markets of Singapore and Malaysia, and use this as a platform to transfer successful business models and product solutions to other ASEAN countries and China. Our plan is to establish a presence in a third country in 2005, and be poised to add another country, by 2006

Building a high performance bank:

Customers

We intend to rapidly expand our customer base, and to become a Top 3 consumer and SME bank in the combined Singapore-Malaysia market by 2005

Risk management

We will build our consumer and business loan books prudently, and continually improve our credit processes to maintain a sound credit portfolio and a strong credit rating

People

We will actively invest in training and career development, and offer employees new share ownership schemes to encourage at least 30% of them to become shareholders by 2005

Products

We will build best-in-class products and target a 15% revenue contribution from new products annually. In the combined Singapore-Malaysia market, we will strive to be Top 3 in wealth management, transaction banking, treasury and investment banking

Productivity

We will invest in cross functional process improvement to lower our unit costs and become an efficient, low cost service provider

Shareholder value

We will strive to achieve 10% earnings per share growth annually, a minimum dividend payout of 35% of core earnings, and a 12% ROE by 2005. We will seek to swap non-core assets for core financial services growth opportunities, and to return excess capital to shareholders via share buyback programmes

Report card

Major accomplishments towards our New Horizons strategic goals increasingly differentiate OCBC Bank from our competitors.

Customers

- ✓ OCBC among Top 3 consumer banks in Singapore & Malaysia combined
- ✓ Customer analytics contributed 20% of wealth management sales
- ✓ Retained #1 bancassurance and HDB loans positions in Singapore
- ✓ Launched 5 new products with GEH
- ✓ Over 40,000 union members applied for *NTUC-OCBC VISA Card*
- ✓ 15% increase in revenues from large corporate business
- ✓ Launched Chinese version of *Velocity@ocbc*
- ✓ Introduced 9 SME lending programmes targeting industry segments
- ✓ Cross-sell ratio for SME business improved 33%

Products

- ✓ First in Asia to offer customised marketing messages on ATMs
- ✓ Launched 83 new products which contributed 11% of revenues
- ✓ Wealth management product sales grew 64%
- ✓ Won an award for Operational Efficiency for trade operations (latest cut-off times for same day turnaround) from Asian Bankers Association
- ✓ 2X growth in customer-related treasury revenue
- ✓ Ranked #1 for Singapore Dollar FRAs in AsiaRisk's 2004 interbank survey
- ✓ Regained #1 position in Singapore syndicated loans; Improved to 2nd place for SGD bonds

Risk management

- ✓ S&P rating upgraded to A+; maintained ratings of Aa3 by Moody's and A+ by Fitch
- ✓ Issued US\$500m Medium Term Notes and S\$950m ECP to boost liquidity
- ✓ NPL ratio improved from 6.9% to 4.9%
- ✓ Provision coverage ratio improved to 83%
- ✓ Began implementing internal ratings approach for BASEL II
- ✓ Conducted 70 credit risk reviews
- ✓ Over 100 staff trained in credit process concepts

Productivity

- ✓ Unit costs reduced by average 15% across 59 product lines
- ✓ Executed 6 process improvement projects; \$37m margin improvement expected
- ✓ Investment of S\$55m over 2 years to hub operations on track; subsidiary in Malaysia achieved MSC status
- ✓ Completed centralisation of Malaysia back-room operations
- ✓ Over 6,000 staff completed quality training

People

- ✓ Over 1,200 employees completed "Career Best" training; internal job placements up 26%
- ✓ Average training days per staff increased by 19%
- ✓ Percentage of performance-linked compensation grew 13%
- ✓ Employee shareholding grew to 12%
- ✓ Launched Employee Share Purchase Plan
- ✓ Introduced new incentive schemes aligned with best practices

Shareholders

- ✓ Core EPS grew 27%
- ✓ Total dividends increased 65% to 38 cents; payout ratio 38% of core earnings
- ✓ Achieved 11.4% ROE
- ✓ Realised S\$97m gain from non-core asset divestments
- ✓ Increased stake in GEH to 81%, and acquired 22.5% stake in Bank NISP (another 28.5% in progress)
- ✓ Tier 1 and total CAR of 12.6% and 17.7%
- ✓ Raised S\$400m of Hybrid Tier 1 preference shares (Jan'05)
- ✓ Launched S\$500m share buyback programme; completed S\$337m in 2004
- ✓ OCBC share price rose 12%, outperforming peers

Overseas expansion Malaysia

- ✓ Consumer sales force increased by 67%; started referral scheme with GEH agents in East Malaysia
 - ✓ Bancassurance sales grew 107%; #1 and #2 in single and regular premium sales
 - ✓ Home loans grew 20%
 - ✓ Over 90% increase in credit cards issued
 - ✓ Launched *Cash Financing-I*, and pioneered *Auto Zakat* Deduction service in the region
- ## Indonesia
- ✓ ATM link up with Bank NISP underway
 - ✓ Implementation of *Velocity@ocbc* in Bank NISP in progress
 - ✓ Started discussions on GEH-Bank NISP bancassurance tie-up
- ## China
- ✓ On going discussions with potential partners



“Our customers come to us because they trust us to work hard to meet their needs. As the market leader in wealth management, we strive to help our customers achieve their increasingly sophisticated financial objectives, by offering dependable advice and innovative choices to help them make better informed decisions towards realising their dreams.”

LIM WYSON
Wealth Management
Consumer Financial Services
OCBC Bank

EXPANDING OUR WEALTH MANAGEMENT CAPABILITIES With the completion of our offer for Great Eastern Holdings in 2004, we now have a comprehensive wealth management platform to deliver more investment alternatives to our customers. Our customers in Singapore and Malaysia can choose from a wide array of banking and insurance products and services such as bancassurance, unit trusts and structured deposits.

We are also constantly looking out for third party wealth management products that are unique, in order to meet our customers’ needs. For example, customers who are looking for longer-term wealth accumulation with the comfort that their capital will be protected can invest in *The Accumulator*[™]. This first-of-its-kind unit trust in Singapore allows customers to invest in a fund where the capital protected base continues to increase as the fund’s unit value increases.

>> Listening to our Customers

Our financial planning and advisory process starts with profiling our customers, analysing their sensitivities to risk and understanding their financial aspirations. With an understanding of their requirements, we help them prioritise and plan for the future, and then we offer appropriate solutions to help them achieve their financial goals.





“We are excited to be working even more closely with Bank NISP. As our strategic partner, their local knowledge of the Indonesian market will be most valuable in our joint efforts to expand our businesses there.”

CYNTHIA GOH

International Division
OCBC Bank



CAPTURING GROWTH OPPORTUNITIES IN INDONESIA In line with our New Horizons strategy to seek overseas growth opportunities outside our key markets of Singapore and Malaysia, we acquired a 22.5% stake in Bank NISP in April 2004 and subsequently announced our intention to purchase a further 28.5% in December 2004. Bank NISP is ranked the 12th largest Indonesian bank by assets and has a network of 160 branches and offices as well as over 7,000 shared ATMs nationwide. It has a strong franchise in serving small and medium enterprises (SMEs) in Indonesia and is building its consumer banking business.

We will help Bank NISP develop a suite of wealth management products for their consumer banking customers. We will also help them grow their SME business by introducing our award-winning online corporate cash and trade management system *Velocity@ocbc* to expand their product offering.

<< Serving Customers in Indonesia

Bank NISP, with 800,000 customer accounts, was named Best Emerging Market Bank in Indonesia in 2004 by *Global Finance* magazine.



“Our customers always take centre stage. In 2004, we added new card offerings to our portfolio, each tailored to meet the varied and sophisticated needs of the diverse range of customer segments we serve.”

KELVIN GOH
Credit Card Centre
Consumer Financial Services
OCBC Bank

3 NEW CREDIT CARDS POSITIONED TO ENHANCE REWARDS FOR CARDHOLDERS With our new *NTUC-OCBC VISA Credit and Debit Cards*, union members can now enjoy more payment convenience as well as accumulate additional LinkPoints and redeem rewards at a faster rate.

Our *Titanium Card*, with its distinctive curved edges, is designed with a host of unique benefits and services suitable for fashionable, discerning and optimistic consumers.

The *OCBC Platinum Card* offers an exclusive suite of privileges to suit the needs of upwardly mobile and affluent individuals. Sophisticated consumers will be able to indulge in travel, golfing, dining and other offers that are designed to allow them to enjoy the finer things in life.

>> **Living Life to the Fullest**

Titanium, the new metal in town, gives privileged access to closed door horology events at The Hour Glass where cardholders will be educated on the art and trends in the making of fine time pieces. Trendy cardholders also have priority entry to the hottest clubs in town such as Zouk, Phuture and Velvet Underground.





Business @OCBC

Velocity@ocbc

Velocity@ocbc

7888 8888

Velocity@ocbc

Newly Improved and Accessible in COMBES Interface

Card Name	Balance	Limit	Interest Rate
USD Credit Balance As at 14 Aug 2004 (USD)	1,234.56	5,000.00	1.99%
USD Credit Card	1,234.56	5,000.00	1.99%
USD Credit Card	1,234.56	5,000.00	1.99%

View your Statement, Current Location, Online and Internet Transactions

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“It’s quite simple, really. While our customers focus their resources on growing their businesses, we work hard to ensure that their banking experience with us is as convenient and worry-free as possible. With our ongoing efforts to develop innovative system upgrades, we help them to continuously improve their operational productivity.”

CHRISTINA THIO
Group Transaction Banking
OCBC Bank



ENHANCING HIGH VELOCITY BUSINESS BANKING Our award-winning corporate internet banking platform *Velocity@ocbc* is currently used by over 30% of our corporate customers to manage their cash and trade functions. In 2004, we broke new ground by becoming the first bank in Singapore to offer a Chinese language on-line corporate banking system. Further, after customers gave us feedback on how we could improve *Velocity@ocbc*, we upgraded its product capabilities by giving customers access to trade finance services, including making available on-line applications for letters of credit, letters of credit amendments, banker’s guarantees and standby letters of credit, as well as allowing on-line tracking of the status of trade transactions.

We also re-engineered our trade processes in order to give our customers a time advantage over their competitors. We extended our daily cut-off times for the receipt of their trade applications to 6:00 PM and committed to delivering same day turnaround such that our customers can now rest assured that there will be no delays when they deal with OCBC Bank.

We won the Operational Efficiency Award in the 2004 Asian Banking Awards for having the best cut-off times in the industry with same day processing for trade products.

<< **Providing Customer Focused Solutions**

To better support our Mandarin-speaking customers, we pioneered the launch of a Chinese version of *Velocity@ocbc*, so that they too can leverage on our state-of-the-art internet banking platform to gain efficiencies in their cash and trade management activities.