

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	RISK MANAGEMENT	PEOPLE
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.	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.	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.
PRODUCTS	PRODUCTIVITY	SHAREHOLDER VALUE
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.	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.	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.

2008 Report Card

CUSTOMERS

- Expanded consumer customer base by 11%
- Awarded the Best Retail Bank in Singapore 2008 by The Asian Banker
- Maintained No. 1 position in bancassurance business
- Introduced iQ programme which offers banking convenience to mass affluent customers in Malaysia
- Re-modelled 30 branches and increased full-service Sunday Banking branches to 15
- Re-launched Private Bank in Singapore with a new centre
- Rolled out financial services proposition for the family, capturing over 75% of Baby Bonus' Children Development Accounts
- Launched EasiRemit real time remittance to China via ATMs and Mobile Banking
- Launched the first all-network mobile phone banking service in Malaysia
- Expanded SME customer base by 15%
- Launched full-service Business Banking Centre in Ubi, Singapore
- Introduced BizExpress, a document collection service for SMEs

PRODUCTS

- Launched 66 new products which accounted for 7.2% of total revenue
- Ranked Best SME Cash Management Solution Bank by The Asset
- Ranked Best Cash Management Solution in SE Asia by Alpha SE Asia
- Ranked Best Cash Management Bank by FinanceAsia and Alpha SE Asia
- Ranked Best Foreign Cash Management Bank in Malaysia by Asiamoney poll
- Ranked first in Singapore Dollar-denominated categories and Malaysian Ringgit-denominated categories by Asia Risk End User Survey 2008
- Lion Global Investors awarded the Edge-Lipper's Best Fund Group over three years – Mixed Assets Group, Morningstar's Best Asean Equity Award for 2007 and Best Equity Japan Fund
- Lion Global Investors garnered 12 local and overseas awards
- Awarded Best Deposit-linked Product for Mighty Savers™ by The Asian Banker

RISK MANAGEMENT

- Adopted Basel II Pillar 1 Internal Ratings Based Approach for more than 80% of credit portfolios, and Standardised Approaches for Operational Risk and Market Risk
- Maintained strong credit ratings: Aa1 by Moody's, A+ by S&P and AA- by Fitch
- Extended internal control attestation process to OCBC Malaysia
- Enhanced oversight of overseas offices for better portfolio quality management
- Completed hubbing of collection activities in Singapore and Malaysia

PRODUCTIVITY

- Improved productivity by 10% and reduced unit processing cost by 5% across 15 operations factories
- Completed cross-border hubbing for another two work streams, with up to 70% of Singapore transactions now being processed in Malaysia
- Executed 10 process improvement projects with estimated margin improvements of S\$26 million

PEOPLE

- Improved employee engagement scores by 29% since 2002
- Maintained employee share ownership above 30%
- Exceeded average training days per staff target by 56%
- Relocated another 84 employees overseas for cross-border assignments
- Extended leadership training programme to senior executives of Bank OCBC NISP and GEH
- Launched a structured in-house Banking & Finance curriculum with over 50 programmes
- Enhanced OCBC Flex Plan for all employees and extended family-related benefits to non-Singaporean children

SHAREHOLDER VALUE

- Core ROE declined to 9.9% due to difficult operating environment
- Core EPS declined by 23%
- Maintained net dividend per share at 28 cents with increase in payout ratio to 58% of core earnings
- Realised S\$174 million non-core asset divestment gains
- Invested S\$188 million in total in acquisition of PacificMas and increased holdings in VP Bank, Bank OCBC NISP and GEH
- Raised S\$2.5 billion in Tier 1 preference shares in Singapore, and RM1.6 billion in Lower Tier 2 subordinated bonds in Malaysia

OVERSEAS EXPANSION

Malaysia

- Established Islamic subsidiary, OCBC Al-Amin, with first branch opened in Petaling Jaya

Indonesia

- Expanded Bank OCBC NISP's network by 24 new branches and 45 new ATMs
- Rebranded Bank NISP to Bank OCBC NISP to reflect the strategic partnership between both banks
- Launched Quality training in Bank OCBC NISP, with a total of 1,280 employees trained
- Launched Premier Banking with five Premier Centres and three Premier in-branch locations

China

- Obtained regulatory approval to offer retail RMB business in April 2008
- Opened branches in Guangzhou and Beijing, and one new sub-branch in Chengdu
- Expanded retail customer base by over 230%, using reinforced "family focused bank" concept
- Launched branding campaign in Shanghai and Chengdu to build OCBC's brand recognition
- Established Cash Management and Trade Finance teams to support corporate customers

Vietnam

- Acquired an additional 5% stake in VP Bank
- Transferred full card centre management ownership to VP Bank
- Commenced Technical Assistance programme covering Credit Risk Management, Treasury and Consumer Banking