Letter to Shareholders

"Through the steady execution of our New Horizons I (2003–2005) and New Horizons II (2006–2010) strategies, we have made good progress in transforming OCBC into a larger, stronger and more diversified financial services group. We have steadily improved our market position in Singapore and Malaysia and built up our presence in Indonesia and China. We have also invested heavily in our people, brands, network, systems and processes, and broadened our range of products and services to serve the diverse needs of different customer segments. In particular, we have systematically built up our wealth management capabilities across multiple product and distribution platforms and customer segments."

2010 was a good year for Asia. Despite lingering economic uncertainties in the US and concerns over the levels of sovereign debt in certain European countries, Asia experienced a robust economic recovery underpinned by the region's strong economic fundamentals and a sharp rebound in domestic and external demand. China's economy expanded by 10.3% to become the second largest in the world, providing an engine of growth for the rest of Asia. GDP growth in Singapore reached 14.5%, the fastest pace in decades, contrasting sharply with the 0.8% contraction seen in 2009. Malaysia and Indonesia, two of our other key markets, also achieved healthy economic growth of 7.2% and 6.1% respectively.

PERFORMANCE REVIEW

Against this positive backdrop, OCBC was able to seize several growth opportunities to achieve another year of record revenues and earnings. Broad-based loan growth, strong gains in our fee income, including the contribution to our wealth management business from the Bank of Singapore, and healthy customer treasury flows, all served to underscore our sound customer franchise.

Group net profit of S$2,253 million increased 15% over S$1,962 million in 2009. Return on equity was 12.1%, and earnings per share increased 11% to 66.1 cents. These results included the consolidation of Bank of Singapore from 29 January 2010.

Our revenue growth was primarily driven by non-interest income, which was up 20% to S$2,378 million. Fee and commission income surged 36% to S$994 million, with the biggest increases coming from wealth management income, which tripled from S$65 million to S$189 million, and trade-related, loan-related and investment banking income. Net trading income and investment gains were also higher. Profit from life assurance was weaker, mainly due to the fact that the previous year's performance was boosted by the strong rebound in equity and bond markets from the lows of the global financial crisis.

Net interest income rose 4% to S$2,947 million, as strong asset growth was largely offset by narrower interest margins as a result of the continuing low interest rate environment. We grew our customer loans by 29% (23% excluding the consolidation of Bank of Singapore), with broad-based contributions from our key geographies as well as customer and industry segments.

Operating expenses increased 25% to S$2,254 million, reflecting the consolidation of Bank of Singapore, the stepping up of investments following a period of cost restraint, and higher business volume-related costs. In 2009, the stringent cost controls we put in place had reduced our expenses by 3%. Over the two year period from 2008 to 2010, and excluding Bank of Singapore, our expenses increased by a lower 13%.

Prudent risk management and credit underwriting discipline kept our credit losses low and our asset quality sound. Allowances for loans and other assets were reduced from S$429 million in 2009 to S$134 million in 2010, while our non-performing loans ratio improved from 1.7% to 0.9%.

We continue to maintain a strong capital position, with Tier 1 and total capital adequacy ratios of 16.3% and 17.6% respectively, as at 31 December 2010. These ratios were slightly above the levels

in 2009, and well above the regulatory minimum of 6% and 10% respectively. Our Core Tier 1 ratio, which excludes perpetual and innovative preference shares, improved from 12.0% to 12.5%.

Our key subsidiaries achieved healthy overall results. Great Eastern Holdings ("GEH") reported a marginal 2% decline in its net profit to S$507 million. However, GEH's underlying insurance business showed healthy growth, with new business weighted premiums increasing by 20% and new business embedded value climbing 30%. These results were driven by GEH's strategy of focusing on regular premium and protection products, which will improve longer term profitability. GEH's net profit contribution to the Group was S$405 million, representing 18% of Group earnings.

OCBC Bank (Malaysia) Berhad registered 16% growth in net profit to MYR 706 million (S$299 million), led by broad-based growth in net interest income, Islamic Banking income and non-interest income, as well as lower allowances. Loans grew 10% during the year, contributed mainly by housing loans and corporate loans, and the net interest margin improved, supported by rising interest rates.

Bank OCBC NISP's net profit fell 26% to IDR 321 billion (S$48 million), caused mainly by a one-time expense of IDR 188 billion arising from its merger with our other Indonesian subsidiary, Bank OCBC Indonesia. We undertook the merger of these two entities to consolidate our different banking businesses under a single presence and create a greater scale for our Indonesian operations. We expect to reap revenue, cost and operational synergies over the longer term. Following the merger's completion on 1 January 2011, Bank OCBC NISP's total assets increased 13% to IDR 50.1 trillion, and OCBC Bank's stake in the enlarged entity increased from 81.9% to 85.06%. During the year, Bank OCBC NISP expanded its loan book by 28% and improved its deposit franchise significantly, with its low-cost savings deposits growing by 35%.

Bank of Singapore achieved 18% growth in assets under management during the year, while its earning asset base, which includes loans, grew 20% to US$32 billion. Its global branding campaign, launched in early 2010, has been successful in building name recognition, helping retain existing customers and attract new customers while enhancing its ability to bring in talent from global private bank competitors. More than 200 new staff were hired during the year, including 60 relationship managers. In addition to growing its business in existing markets, Bank of Singapore increased its assets from customers based in Europe and the Middle East, markets which were previously the purview of a separate unit under the ING organisation. Cross-sell and referral efforts between OCBC Bank and Bank of Singapore have also been successful, covering the areas of property and business financing, deposits, insurance sales and customer acquisition.

DIVIDENDS

The Board has recommended a final tax-exempt dividend of 15 cents per share, bringing the full year 2010 dividend to 30 cents, an increase from the previous year's 28 cents. Our Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the final dividend in the form of shares, which will be issued at a 10% discount to the average of the daily volume weighted average prices from 19 April 2011 (the ex-dividend date) to 21 April 2011 (the books closure date).

Letter to Shareholders

DELIVERING SHAREHOLDER VALUE IN NEW HORIZONS II

2010 marked the final year of our five-year New Horizons II strategy. Much progress has been made in improving our performance and strengthening our businesses over this period. We highlight here our achievements in meeting our financial and shareholder value targets over 2006-2010.

Group core revenue increased from S$2.9 billion in 2005 to S$5.3 billion in 2010, while core net profit grew from S$1,298 million to S$2,253 million. These represent annual compounded growth rates of 13% and 12% respectively. Core earnings per share grew at a compounded rate of 11% per annum, above our 10% target, while dividends per share increased 63% over the period, from 18.4 cents to 30 cents.

Return on equity averaged 11.9% (12.2% on a cash basis), not quite meeting our target of sustaining ROE at above 12%, but a respectable outcome considering that this period spanned the global financial crisis of 2008-2009 which also led to higher proposed capital requirements under Basel III. Most importantly, our consistent investments in risk management infrastructure and our disciplined credit process helped us weather the crisis well, with OCBC achieving the lowest credit losses and best NPL performance among the Singapore banks.

We continued to invest heavily in inorganic growth – spending approximately S$3.2 billion since 2006 – by acquiring or increasing our investments in various financial services businesses. These include Bank of Singapore, GEH, Bank OCBC NISP, Bank of Ningbo, AVIC Trust (formerly South China Trust), VP Bank and PacificMas Berhad. Over the same five-year period, we sold several non-core assets, including a number of properties as well as our equity stakes in Robinsons, Straits Trading Company and Raffles Holdings, realising total gains of S$820 million.

Even as we made various acquisitions and investments, increased our dividends and spent an additional S$520 million on share buybacks, our capital position remained strong throughout the period. We raised approximately S$6.1 billion of alternative Tier 1 and Tier 2 capital to optimise our capital mix and provide additional room for growth. The Scrip Dividend Scheme which we revived in 2009 also helped strengthen our core Tier 1 capital. Our Aa1 credit rating from Moody's is a testament to the strength of our capital base and balance sheet which has grown dramatically as part of our New Horizons II strategy.

Over the five year period, OCBC's share price increased by 47%, outperforming the Straits Times Index (36% increase) as well as the shares of our Singapore peers.

CONTINUING THE JOURNEY: NEW HORIZONS III

Through the steady execution of our New Horizons I (2003–2005) and New Horizons II (2006–2010) strategies, we have made good progress in transforming OCBC into a larger, stronger and more diversified financial services group. We have steadily improved our market position in Singapore and Malaysia and built up our presence in Indonesia and China. We have also invested heavily in our people, brands, network, systems and processes, and broadened our range of products and services to serve the diverse needs of different customer segments. In particular, we have systematically built up our wealth management capabilities across multiple product and distribution platforms and customer segments, combining the strengths of our insurance, fund management, stockbroking and treasury businesses, and – with the acquisition of Bank of Singapore last year – our private banking business which now covers high net worth customers across 40 plus countries.

As we look into the future, our base case scenario is that economic growth will remain healthy in our key markets, underpinned by political stability, pro-business policies, increased expenditure on infrastructure, rising affluence and continued growth in China. But Asia's outstanding growth rates also mean that competition will intensify – competition for customers, talent, capital and licenses. We can also expect the continued entry of non-bank players in the financial services space, enabled by new technologies. And as a direct result of the financial crisis, banks will have to operate under more stringent capital, funding and liquidity requirements given the proposed Basel III regulations. We believe striking the right balance between capital, growth and profitability will become increasingly important for banks to compete effectively.

As we adapt to an ever evolving business environment, the core pillars of our strategy that have served us well over the past several years will remain relevant. OCBC's strategy going forward will focus on the following key elements:

Balanced Business Scorecard: We will continue our disciplined approach of driving performance improvement through a balanced business scorecard, focusing on customers, products, risk management, productivity, people and shareholder value. We will retain our key financial targets of 10% EPS growth, ROE of 12%, and 45% minimum dividend payout.

Customer Experience: Over many decades, we have earned our customers' trust and confidence by maintaining a solid reputation for financial strength and integrity. Building on this foundation, our goal now is to create a superior and differentiated customer experience at OCBC that will ultimately give us a sustainable competitive advantage. To do so we will continue to improve our service delivery by leveraging our customer insights to develop superior customer value propositions, by focusing on quality and by investing in customer experience delivery capabilities across our organisation.

Deeper Presence in Malaysia, Indonesia and Greater China: Outside of our home market, we will remain focused on deepening our presence and driving growth in Malaysia, Indonesia and Greater China. We will expand our distribution network and capabilities in Malaysia and strive to take market share. In Indonesia, following the merger of our two subsidiaries, we will build on the enlarged franchise to invest and grow more effectively in this market through our single business presence. In China, we will expand through closer integration of our businesses across Greater China, including Hong Kong and Taiwan, and build our private banking business through Bank of Singapore.

Leveraging Group Synergies: Over the years we have enhanced our capabilities and expanded our franchise under various business units and subsidiaries, including OCBC Malaysia, Bank of Singapore, Great Eastern, Lion Global Investors, OCBC Securities, Bank OCBC NISP, OCBC China and OCBC Al-Amin. While intra-Group collaboration has contributed to our overall growth, we can do more to harness the potential synergies between these various entities and deepen as well as widen our relationships with our customers. This will further differentiate OCBC from our competitors. We will seek to increase cross-sell and customer referrals across the Group. We will also leverage on our common corporate resources across the Group to increase operational efficiencies. Finally, we will balance organic growth with selective acquisitions that fit our overall franchise.

OUTLOOK FOR 2011

The global economy is expected to continue its steady recovery from the recession of 2008-2009. The IMF recently raised its global GDP growth forecast for 2011 to 4.4%, reflecting greater optimism over the US recovery and prospects for continued growth in emerging economies, led by China. Most economists expect growth in Asia to moderate after the sharp recovery in 2010, but the consensus is that Asia will remain the fastest growing region in the world. In Singapore, the official GDP projection for 2011 is 4-6%, and for Malaysia and Indonesia, forecasts are in the range of 5-6%. While we are mindful of the risks from rising inflationary pressures, on balance, given the positive economic environment and strong business confidence, we are optimistic regarding the overall outlook for the year ahead.

ACKNOWLEDGEMENTS

Once again, we would like to thank our fellow Board members for their invaluable advice, counsel and support. We acknowledge and commend our staff and management for their dedication, teamwork and contribution to the Group's achievements over these years. We also extend our gratitude to our shareholders and loyal customers for their continued support and confidence in OCBC.

CHEONG CHOONG KONG
Chairman

DAVID CONNER
Chief Executive Officer

18 February 2011