

## Operations Review

Our 2013 performance underscores the sound fundamentals of our leading banking, insurance and wealth management franchise. We achieved a resilient set of results, strengthened our balance sheet, and maintained a comfortable capital position. We built on the trust and confidence our customers have in us through superior service and an expanding suite of innovative financial products. We continued to deepen our capabilities and reach in our key markets of Singapore, Malaysia, Indonesia and Greater China, and harness synergies within the OCBC Group. With our well-diversified network and deep regional presence, we are well-placed to connect our customers with opportunities at home and abroad.

### KEY BUSINESS UNITS

#### GLOBAL CONSUMER FINANCIAL SERVICES

Despite another challenging year marked by a low interest rate environment and new restrictions on home and auto loans, our consumer banking business delivered a strong set of results in 2013. Income grew 7% to reach S\$1.5 billion, driven by robust loan and deposit growth, and higher fee income driven by the strong performance of our wealth management and bancassurance businesses. Pre-tax profit rose 17% to S\$551 million, bolstered by our continuous efforts to manage costs and improve efficiencies.

Total consumer loans grew by 10% or over S\$4 billion, underpinned by a sustained home loan pipeline boosted by strong sales in the previous year. Home loans grew 11% in Singapore and 19% in Malaysia. In particular, we saw strong demand from affluent customers in Singapore and Malaysia seeking financing for residential properties in London, Australia, New York and Tokyo. We achieved pole position in the overseas property financing market, with a 38% growth in this segment.

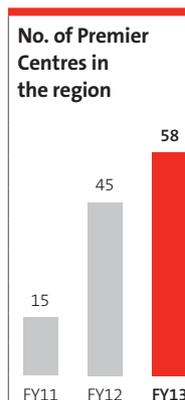
Total unsecured loans in Singapore, comprising credit card roll-over balances and personal loans, grew by 9%. Credit card spending increased by 14% while income from payment terminals at merchant outlets grew over 90%.

Total deposits grew by 6% or over S\$3 billion, on the back of a 10% growth in current and savings accounts in Singapore, and a 33% increase in Malaysia. Within the wealth management space, our consistent drive to deepen collaboration across the Group continued to bear fruit. Our long-standing partnership with Great Eastern

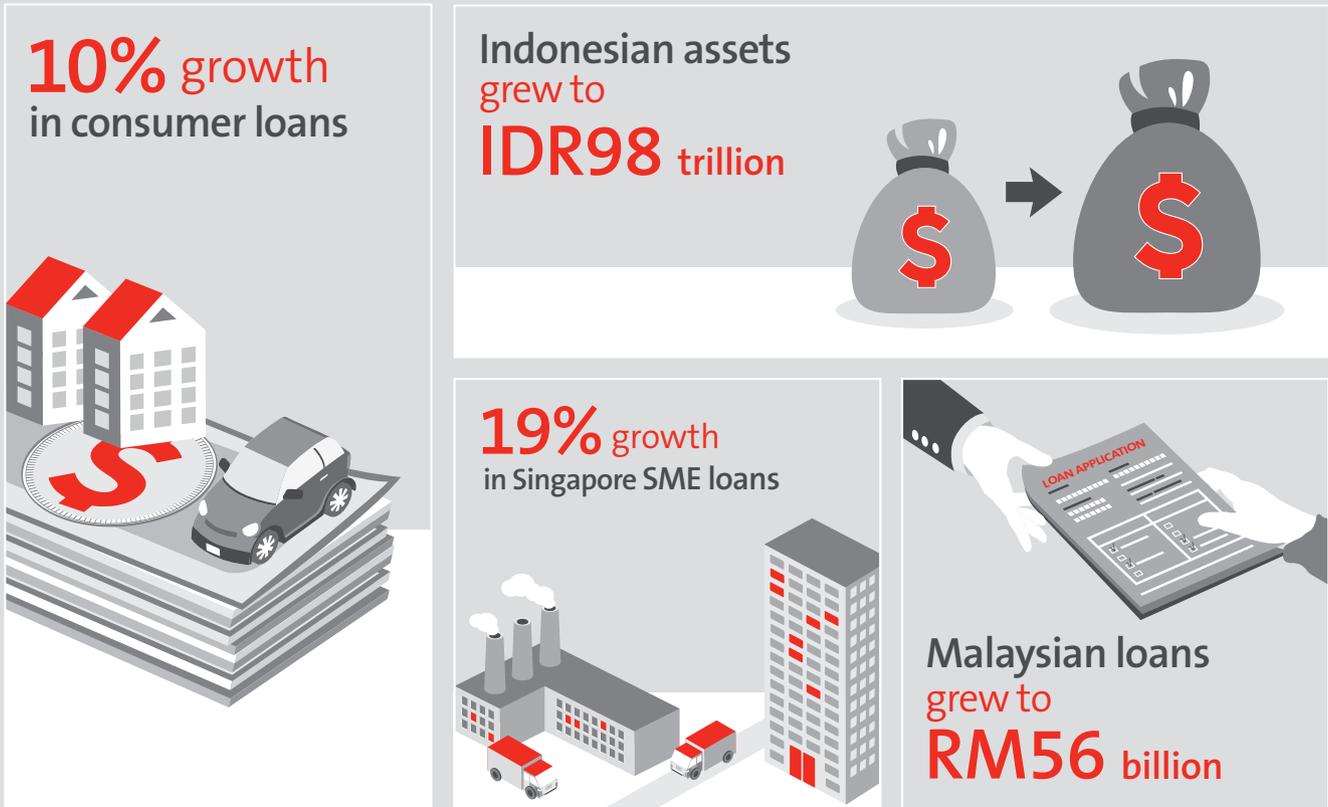
Holdings (“GEH”), in particular, has allowed us to remain Singapore’s market leader in bancassurance for the 13<sup>th</sup> consecutive year with a 39% market share. Apart from GEH, we also worked closely with Bank of Singapore, OCBC Securities and Lion Global Investors, harnessing the collective expertise of the Group to broaden the suite of products and services that we offer customers on our enhanced wealth platform. We further developed our research capabilities to deliver superior advisory services to our customers. Total fee and commission income rose 19% in Singapore, 10% in Malaysia and 58% in China, driven by strong growth in sales of bancassurance, unit trusts and other investment products.

We continued to strengthen our engagement with OCBC Premier Banking customers through the sharing of investment insights from the OCBC Wealth Panel, made up of wealth experts across the Group. OCBC Premier Banking business, which serves affluent customers in the region with a network of 58 Premier Centres, produced another year of impressive growth. Our customer base grew 17% in Singapore, 18% in Malaysia and 26% in Indonesia; while total assets under management increased by 9%, which drove a 19% increase in income. We further expanded our OCBC Premier Banking proposition with the launch of OCBC Premier Private Client in Singapore, addressing the sophisticated wealth needs of affluent customers with investible funds of S\$1 million or more.

In July 2013, in collaboration with OCBC Securities, we launched the OCBC Blue Chip Investment Plan, an innovative product that has made investing convenient and accessible. Investors are able to set aside a fixed sum of money every month – as low



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as S\$100 – to invest in 20 blue-chip stocks. Our emphasis on providing customers with a user-friendly experience on our online platforms continued to pay off. Setting up an account takes less than five minutes.

FRANK by OCBC, our popular banking programme aimed at youths and young working adults, continued its success and doubled its customer base within a year. Our Workplace Banking programme in Singapore and Malaysia continued to reach out to a growing number of companies. The programme is highly effective in attracting new customers by signing up companies to offer banking facilities to their executives and managers conveniently at their workplace.

Our online banking channel continued to differentiate itself from the competition, winning praise from customers for its ease of use, visual appeal and functionality. We remained at the forefront of Internet banking offerings when we launched OCBC Money Insights in January 2013. A first in Singapore, the personal financial management tool enables customers to track expenses, set budgets, create savings goals, and

manage cash flow by integrating their individual savings, current and credit card accounts. With our enhanced platform, more customers changed their banking habits by migrating to e-statements and going online to make payments and remittances. The number of online banking customers grew by 12% in Singapore and 32% in Malaysia.

We continued to enhance the design and layout of our branches to improve customer experience. We opened a branch at Robinsons, a departmental store on Orchard Road, in December 2013. At the Jurong East Mall branch, we introduced an SMS queue alert service to reduce queue time for customers. In addition to expanding our regional network of Premier Centres from 45 to 58, we refurbished key locations by upgrading facilities so that customer events and seminars can be held in-house. November 2013 marked the seventh anniversary of our popular Sunday Banking service, now branded 'Sunday at OCBC', and we offer the widest network of full-service Sunday Banking in Singapore.

We were named 'Best Retail Bank in Singapore 2013' by *The Asian Banker Journal* in recognition of the transformative changes we have undertaken

**26%** increase  
in treasury income from  
customer flows



**13<sup>th</sup>**  
Consecutive  
Year



Market Leader  
in Bancassurance

**TOP 3**

Underwriters  
for Singapore Dollar Bonds

**22%**  
increase

in GEH's  
New Business  
Embedded Value



**22%** increase  
in new stockbroking accounts

China assets  
grew to  
**RMB58.9** billion

to engage customers and drive performance. We also received industry and public recognition for our commitment to service and product excellence. EasiCredit was named 'Best Consumer Credit Product 2013' by *The Asian Banker Journal*, and received the 'Excellence in Product Delivery 2013' award from *Financial Insights & Innovation Awards* for living up to its commitment of delivering "fast loan approvals". The Plus! Card was voted the 'Best Credit/Debit Card 2013' by consumers at the *AsiaOne People's Choice Awards*. It also won the *Banking & Payments Asia Trailblazer Award* for 'Excellence in Third Party Partnerships 2013'. We received two other *Banking & Payments Asia Trailblazer Awards* – 'Product Excellence in Credit Cards 2013' for Cashflo Card, and 'Service Provider Excellence in Application of Analytics 2013' for Robinsons Card. Secured Lending won the 'Best Home Mortgage Loan Provider 2013' award from *i.Property.com*, and at the *People's Choice Awards* ceremony, for being the first company worldwide to receive the coveted 'Crystal Mark' for mortgage loan documents. At the *SPRING Singapore's Excellent Service Award* ceremony, 180 staff members were honored for their outstanding service, with 41 receiving the top Star Award.

#### GLOBAL CORPORATE BANK

Our Global Corporate Bank (including Bank OCBC NISP) registered a 7% increase in income to S\$2.75 billion, led by strong growth in net interest income and non-interest income from treasury and cash management activities. Net profit before tax rose 7% to S\$1.89 billion. Our core markets of Singapore and Malaysia continued to be significant income contributors on the back of strong loan growth. Lending activities in our other overseas markets continued to grow, supported by the increasing number of regional companies expanding abroad.

We participated in several sizeable corporate banking transactions which included our appointment as one of the bookrunners, underwriters and mandated lead arrangers in the S\$1.5 billion four-year Fixed Rate Notes issued by the Housing and Development Board under its S\$22 billion Multicurrency Medium Term Note Programme; the Initial Public Offerings of SPH REIT and OUE Hospitality Trust; and the S\$2.6 billion seven-year syndicated term loan to Senoko Energy Pte Ltd for the refinancing of its existing credit facilities. We participated in the S\$975 million term loan (with staggered loan maturities of three, five and seven-year terms)

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to SPH REIT; and were one of the mandated lead arrangers in a club deal for a five-year S\$750 million term loan and revolving credit facilities extended to Parkway Pantai Limited for the group's general corporate funding requirements.

In Singapore, we continued to be the leading bank in the small and medium-sized ("SME") business segment. Through providing them with innovative financial products and services to support their growth, we were the main bank of choice to our customers. Our total loan portfolio growth in Singapore remained steady at 19%.

The emphasis we place on customers continued to drive our innovation efforts, product design and service delivery activities. We simplified the process for multiple loan applications by reducing the number of forms customers had to submit from seven to one, and cut end-to-end turnaround time by 40%.

Our leadership position in the SME business segment was affirmed by the industry we were named the ASEAN SME Bank of the Year by *Asian Banking & Finance Retail Banking* for the third year running; the Best SME Bank in Singapore by *Alpha Southeast Asia* for the third time; and for the second time, Best SME Bank in Singapore by *Global Banking & Finance Review*.

### GLOBAL TRANSACTION BANKING

Our Global Transaction Banking division reported healthy growth in our cash management and trade finance businesses. We secured a significant number of new cash management and trade finance mandates across Singapore, Malaysia and China. We registered strong year-on-year growth of 21% in our current account and savings account ("CASA") balances, and 17% in cash fee income, demonstrating our continued ability to attract stable corporate operating deposits amidst an increasingly competitive environment.

Velocity@ocbc, our business Internet banking platform, remained well-accepted by our customers, and we grew our customer base by 19% in Singapore, 28% in Malaysia and 31% in China. Our trade finance business continued to do well as trade assets more than doubled year-on-year, underpinned by our tactical focus on commodities and major trade flows. In China, we stepped up efforts to launch new trade products and services for our corporate customers. As a result, our export trade business volume in China more than tripled.

Our transaction banking capabilities continued to receive recognition from the industry. We were named the Best Cash Management Bank in Singapore by *Alpha Southeast Asia* and Singapore Domestic Trade Finance Bank of the Year by *Asian Banking & Finance* for the second year running. For the third consecutive year, we were lauded by *Alpha Southeast Asia* for putting together the Best Yuan Trade Settlement Solution. We won six awards from *The Asset*, including Best in Treasury and Working Capital, SMEs in Singapore and Malaysia; Regional Best Working Capital Solution; Best Trade Finance Solution in Singapore and Malaysia; and Best SME Solution (Malaysia). Other awards received include the Achievement Award for Best Trade Finance Bank in Singapore, from *The Asian Banker*.

### GLOBAL TREASURY & INVESTMENT BANKING

Our Global Treasury Division achieved total income over S\$1 billion, led by strong treasury income growth from customer flows of 26%. However, market volatility, tighter liquidity conditions and the higher liquidity standards required under MAS Basel III implementation all posed challenges to our market-facing activities, resulting in a 49% drop in net trading income to S\$262 million.

We made headway in our strategic drive towards growing income contribution from our overseas treasury centres. Income generated by our overseas markets in 2013 grew on the back of improved product capabilities and an expanded overseas presence that included the opening of our New York treasury centre. Singapore and Malaysia remained our largest geographical markets.

We further enhanced our systems and processes, while deepening specialist know-how critical to navigating the evolving financial market landscape and regulatory environment. In particular, we have focused on improving risk weighted assets usage for capital efficiency in order to maintain business competitiveness under Basel III capital requirements.

We received the industry nod for service excellence, product innovation, and expertise in Asian markets and currency products. In the *AsiaRisk Awards 2013*, we stood out among top global houses in the Asian market place when we were named the Regional Derivatives House of the Year. We also topped the *AsiaRisk Corporate Rankings 2013* for SGD and IDR-denominated interest rate and currency products. In the *AsiaMoney FX Poll 2013*, we were ranked Best Overall Domestic Provider of FX Services, as voted by Corporates and Financial Institutions. In the *AsiaMoney Fixed Income Poll*

2013, we were recognised for being Overall Best for Interest Rates in Singapore and Indonesia, Best for Credit Derivatives in Malaysia, and for offering Best Pricing and Best Sales Service in Commodities Derivatives for SGD Commodities.

#### GLOBAL INVESTMENT BANKING

Our Global Investment Banking division delivered a good set of results in 2013. In particular, we maintained a strong franchise in syndicated loans where we achieved a market share of 8.5%. We were ranked second in the Bloomberg 2013 mandated arranger league table for Singapore syndicated loans, with US\$2.9 billion from 27 deals. Notable loan syndication deals included being the mandated lead arranger for a S\$680 million syndicated loan facility for Lend Lease Retail Investments 1 Pte Ltd and a S\$145 million syndicated loan facility for the acquisition and privatisation of Kian Ann Engineering Ltd. We were ranked among the top three underwriters in the Bloomberg 2013 league table for Singapore dollar bonds, testament to the active role our Singapore Capital Markets team played in helping our local customers raise funds from debt capital markets. Key transactions included bond issuances for the Housing & Development Board, Sembcorp Industries Ltd, Guthrie GTS Limited and Tat Hong Holdings Limited. We continued to be active in the Malaysian debt capital market, delivering several innovative transactions.

In Malaysia, we were ranked in the top three in the Bloomberg 2013 mandated lead arranger league table for Malaysia syndicated loans with US\$1.4 billion. Notable loan syndication transactions included being the sole coordinator and mandated lead arranger for a US\$1.0 billion facility for MISC Capital (L) Ltd and the mandated lead arranger for a RM700 million syndicated facility to the Ramsay Sime Darby Healthcare Group.

We worked with OCBC NISP and several other financial institutions in Indonesia. Our efforts there enabled us to top the Bloomberg 2013 mandated arranger league table for Indonesia syndicated loans with US\$1.3 billion from 22 deals. Seven out of the 22 deals were completed with OCBC NISP, via the role of lead-arranger or co-lead arranger. One of our key transactions was a syndicated term loan facility arranged for Indonesia Eximbank totaling US\$620 million. This was the largest syndicated loan for an Indonesian financial institution in 2013.

In equity capital markets, we were active in supporting our customers in fund-raising and corporate advisory. We ranked in the top eight in the Bloomberg 2013 underwriters' league table for Singapore equity offerings. Our Singapore Corporate

Finance team managed and successfully listed various companies on the Singapore Stock Exchange despite challenging and volatile markets. We acted as the joint financial adviser and joint global coordinator for Soilbuild Business Space REIT as well as joint bookrunners and underwriters for SPH REIT and OUE Hospitality Trust.

Our Mezzanine Capital Unit has extended more than S\$2.5 million in interest-free loans to 18 Singapore companies since the Emerging Enterprise Awards debuted in 2008. This is our sixth year sponsoring the Awards, which aims to recognise outstanding small businesses and support their expansion. We continued to provide private equity and special opportunities financing solutions to companies across Singapore, Malaysia, Indonesia and China.

#### GROUP OPERATIONS & TECHNOLOGY

As part of Group Operations & Technology's journey to increase productivity and enhance service quality, it worked on several process improvement projects in 2013.

Key investments were made in new technology to strengthen system resilience and streamline technology capabilities across the OCBC Group.

In August 2013, we successfully upgraded our core banking system in Singapore. Two months after, the core banking systems in Singapore and Malaysia were aligned to create one common core banking platform. As a result, we are able to leverage the standardised core IT architecture to create unified processes and product offerings across both countries.

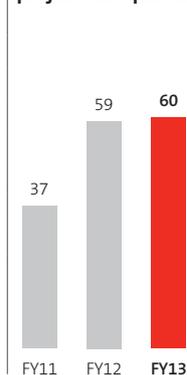
We consolidated our data centres, enabling us to reduce operational costs, while simplifying and standardising our infrastructure for greater efficiency.

During the year, we completed 60 process re-engineering projects, reaping more than S\$3 million in annualised savings across Singapore, Malaysia, Indonesia and China.

Key projects included:

- Enhancement of security measures for ATM cards with the adoption of the Europay, MasterCard and Visa (EMV) chip technology.
- Implementation of a consolidated card application processing system across Singapore and Malaysia that reduced the unit processing time for credit card applications by up to 74%.

**No. of process re-engineering projects completed**



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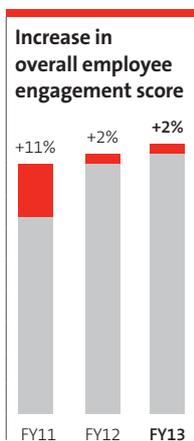
- Consolidation of our overseas offices' trade finance systems into one global system, enhancing our operational and trade processing capabilities to support the increase in customers' trade volumes.
- Deployment of a common management information system across Singapore and Malaysia to build a central repository of business data for the Group.

### GROUP CUSTOMER EXPERIENCE

We enhanced our customers' experience across product and service touch points, leveraging data-driven customer insights, design-led thinking and quality initiatives to strengthen our service culture. Customer analytics continued to be the cornerstone of all our product segmentation and service differentiation initiatives. The use of analytics was further expanded across the Group with the development of new capabilities to support other Group entities as well.

The design team continued to play a pivotal role in various projects, instilling design principles aimed at enhancing user experience. At our branches and contact centres, we raised the bar in customer experience through initiatives such as service audits, and ensuring that we hire people with the right attributes.

Our research capabilities and the ability to monitor customer experience have allowed us to draw meaningful insights for simplifying banking and serving our customers better.



### GROUP QUALITY & SERVICE EXCELLENCE

We facilitated nine cross-functional process improvement projects across Singapore, Malaysia, Indonesia and Greater China as part of the Group's efforts to deliver service excellence to customers, making work simple and hassle-free for employees, and reaping income and productivity gains for our shareholders.

The nine cross-functional process improvement projects executed in 2013 played a crucial role in facilitating the growth of our overseas property financing and general insurance businesses in Singapore, Islamic equipment financing and agency mortgage loan businesses in Malaysia, trade business in China and treasury investment business in Hong Kong.

At the same time, we supported Bank OCBC NISP in its efforts to streamline the processes in the areas

of loans, cash management and deposit account opening, so as to provide their retail and corporate customers with a differentiated experience.

During the year, we trained and certified 131 employees as OCBC Quality Leaders, the equivalent of the industry's benchmark of 6 sigma green belt leaders, to drive quality and process improvements.

As a result of all these efforts, we contributed more than S\$35.7 million in potential margin improvements.

### GROUP HUMAN RESOURCES

Our Group headcount grew by 3% to 25,350, largely due to increases in Singapore, Malaysia and Indonesia, reflecting our strategy of deepening our presence and supporting business growth in these core markets.

We conducted our annual Hewitt Employee Engagement Survey for the eleventh time in 2013. This saw an employee participation rate of 99% and an increase of two percentage points in our overall employee engagement score for the Group. Our score is within Aon Hewitt's High Performance/Best Employer Range and way above the Global Financial Norm engagement score of 57%.

Employee development remained a key focus in 2013. We maintained the average man-days of training per employee at above six days for the eighth consecutive year, exceeding our annual target of five days yet again.

In April 2013, we opened the S\$60 million OCBC Campus, a regional learning and development hub that provides continuous learning and development opportunities for our employees across the OCBC Group. This 10-storey training facility located in the Central Business District has learning space spanning over 32,000 sq ft and caters for more than 130 classroom-based programmes and 60 e-learning courses.

In September 2013, we launched a S\$1.6 million learning management system, My Learning Portal, a one-stop personalised online portal for employees to manage their personal and team's learning activities. Employees can make use of the learning resources available on the portal, including online certification programmes, training videos, and e-learning courses focusing on Banking & Finance, Leadership & Employee Development and Quality & Service. Virtual classes are available for employees across different geographies.

As part of our ongoing efforts to enhance our employee work-life integration programmes, we implemented My Flexi-Hour in Singapore and China, allowing employees to leave the office earlier on designated days each month.

We organised our first Kids @ Work event in June 2013, where about 50 children of our Singapore employees spent a day at OCBC Centre and OCBC Campus. This gave them a better understanding and appreciation of what their parents do at work.

Our employee share ownership schemes continued to record a high participation rate. 67% of bank employees were OCBC shareholders at the end of 2013.

## KEY SUBSIDIARIES & PARTNER BANK

### OCBC MALAYSIA

The Malaysian economy, supported by strong domestic demand, remained resilient in 2013 despite the challenging global environment. With strong demand for both home loans and corporate loans, OCBC Malaysia grew its total loans by 17% to RM56 billion (S\$22 billion). This growth contributed to an increase of 17% in net profit, turning in a record RM946 million (S\$374 million) for the year. RAM Rating Services Berhad reaffirmed our long-term financial institution rating as AAA and our short term rating as P1, with a stable outlook.

OCBC Malaysia continued to be ranked among the largest foreign banks by assets, deposits, loans and branch network. We opened two OCBC *Al-Amin Xpres* branches catering to young urban professionals – one located at the Masjid Jamek Light Rapid Transit (“LRT”) station and the other at the Ampang Park LRT station. Our network of Islamic banking branches increased from eight to 10, complementing our 31 conventional branches. We relocated our Bukit Mertajam branch from Jalan Arumugam Pillai to Pusat Perniagaan Gemilang and moved our Alor Setar branch from Jalan Raja to Kawasan Perusahaan Mergong 2 as the lifestyle patterns of our customers changed geographically. The relocated branches feature enhanced services and facilities, including the addition of an OCBC Premier Banking Centre and Business Banking Centre, safe deposit boxes, alongside enhancements to the self-service lobby, retail and teller services.

In November 2013, we tested Malaysia’s first error-sensitive trade finance e-form with a group of corporate customers. To minimise errors commonly made on trade finance facility application forms, customers were guided step-by-step as

they completed the forms via a combination of user-friendly features such as simpler language, drop-down lists, default selections and automatic rejection of characters like the ampersand (&), which cannot be used in SWIFT transmissions. This resulted in customers completing the applications in less than five minutes instead of the usual 30 minutes, while avoiding common errors. The official rollout of the e-form is targeted for March 2014.

Also in November 2013, our credit cards were re-launched with new features. In particular, the unprecedented 0.5% to 1.2% rebate on all retail purchases – with no maximum rebate limit – and the automatic triggering of instalment payment plans for large ticket purchases, have been well-received by customers.

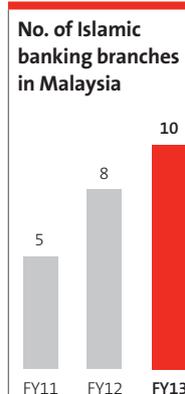
On the Islamic banking front, customer response to our unsecured term financing product for SMEs, Business Cash-i, continued to be good. In less than two years since the product was launched in 2012, the customer base grew strongly. We expanded our array of Islamic derivative products with two new products – Profit Rate Swap-i and Cross Currency Swap-i. Both received a good response from business customers who use these products to hedge their profit and exchange rate risks.

OCBC Malaysia received several awards in 2013. These included Best SME Solution in Malaysia, Best Trade Finance Solution in Malaysia, Best Islamic Project Finance, and Best in Treasury and Working Capital for SME in Malaysia, all bestowed by *The Asset*.

### BANK OCBC NISP

Bank OCBC NISP maintained its ranking as Indonesia’s seventh-largest private sector national bank in terms of assets. Total assets grew 23% to IDR98 trillion (S\$10.2 billion), driven by strong loan and deposit growth. Total loans increased by 21% to IDR64 trillion (S\$6.7 billion). Consumer loans accounted for 20% of total loans outstanding while SME loans made up 31%. Asset quality remained healthy, with a low gross non-performing loans ratio of 0.7%. Deposits increased 13% to IDR69 trillion (S\$7.2 billion).

As at end-2013, Bank OCBC NISP had a total of 339 branches and offices, along with 752 ATMs. Its Internet banking services for individuals and businesses continued to see good growth during the year. The total number of Internet banking users increased by 52% while total transaction volume rose 54%.



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Synergies gained from collaborating with the OCBC Group yielded positive results. Bank OCBC NISP worked closely with Great Eastern Holdings on the bancassurance front and collaborated with OCBC's Capital Markets unit to complete seven syndicated loan deals, taking the role of lead-arranger or co-lead arranger.

Over the year, several initiatives were implemented to increase productivity across Bank OCBC NISP. One key initiative involved various improvement projects covering the areas of customer engagement, order acquisition, order fulfilment and after-sale service. Ongoing efforts to improve productivity resulted in a 14% increase in revenue per employee, and a 20% increase in net profit after tax per employee.

Bank OCBC NISP won the Most Trusted Company in Indonesia 2013 award from the *Indonesian Institute for Corporate Governance*. It was named Indonesia's Domestic Retail Bank of The Year 2013 by *Asian Banking & Finance* and was commended for having the Best Corporate Governance for Best Role of Stakeholder in 2013 by the *Institute for Corporate Directorship*.

### OCBC CHINA

China's economy entered 2013 amid optimism that expansion would pick up. Instead, growth slowed for two straight quarters and the full-year growth rate was 7.7%. The banking industry was not spared from the economic slowdown and the compression of net interest margins. Coupled with more regulatory requirements, volatility in the inter-bank market and continued competition, 2013 was a very challenging year. Notwithstanding these challenges, OCBC China – our wholly-owned subsidiary in China – made good progress in expanding our business portfolio and customer base. On a year-on-year basis, total assets increased by 16.9% to RMB58.9 billion (S\$12.3 billion). Total non-bank loans rose by 17.3% and deposit balances increased by 19.3%. The total number of business banking customers grew by 14.7% while total number of retail customers was 8.4% higher than a year ago. OCBC China ended the year with a total staff strength of 856, 4.6% more than 2012. In 2013, total income for OCBC China was RMB746 million (S\$152.2 million) and net profit after tax was RMB72 million (S\$14.7 million).

China is a key market for OCBC Group. Apart from banking with Chinese companies within China, OCBC also supports the financing and treasury needs of these companies outside of the country, as part of its onshore and offshore strategy. This generates further income streams for the Group.

In September 2013, OCBC China unveiled its RMB1 billion (S\$209 million) corporate office in Shanghai's increasingly prominent financial district of Pudong, making it the first fully-owned subsidiary of a Singapore bank to operate and own a headquarters building in China. The six-storey OCBC Tower is OCBC Bank's largest fixed asset investment to date in the country. This building provides 18,000 sq m of office space and has enabled the consolidation of OCBC China's full range of banking divisions – including the consumer and corporate banking units, the middle office and support functions – under one roof.

In June 2013, we opened a branch in Shaoxing, Zhejiang. We are the first foreign bank to have a presence in this city, targeting local enterprises in the region. We are preparing to establish a sub-branch in the China (Shanghai) Pilot Shanghai Free Trade Zone to capture business opportunities arising from China's financial reforms. We have also received approval from the China Banking Regulatory Commission ("CBRC") to prepare for establishing a branch in Suzhou to enable OCBC China to further capitalise on the growth potential in the Yangtze River Delta region.

Our scale of operations has expanded in tandem with our growing presence in the country. By tapping on OCBC Bank's network across its key markets in Asia, OCBC China helped facilitate cross-border trades and assisted Chinese corporations in expanding overseas. In addition, 2013 marked the first full year of operations for OCBC Bank's China Business Office, a unit established in September 2012 to support OCBC China's efforts on this front. Based in Singapore and working in tandem with OCBC China, China Business Office recorded strong growth in 2013. The number of large Chinese corporations and state-owned enterprises banking with OCBC China increased, and the number of accounts opened for Chinese corporates in Singapore more than quadrupled from January to December 2013. OCBC China also helped more non-Chinese corporates expand their businesses in China, leading to an increase of about 31% of loans to such customers banking with OCBC China.

OCBC China provides onshore wealth management services under the OCBC Premier Banking brand. In October 2013, we obtained approval from the China Securities Regulatory Committee to distribute local unit trusts, enabling our customers to diversify their wealth allocations with China equity market offerings. In recognition of our efforts to meet the wealth management needs of professionals, executives, SME owners and high net worth

individuals in China, OCBC China was named “Best Wealth Management Brand” by *National Business Daily* and “Best Foreign Bank” and “Best Wealth Management Bank” by *Chengdu Business Daily*.

We continued to strengthen our relationships with financial institutions. We successfully concluded our first syndicated loan for a Chinese financial leasing company in July 2013 to meet the customer’s working capital financing needs.

Not only have OCBC China’s philanthropic initiatives been impacting the local community positively, they have earned the bank several accolades. In April 2013, the OCBC China Little Debate, targeted at children of migrant workers in Shanghai, won the Golden Elephant Award for Top Ten Brands in corporate social responsibility projects in financial services in China by *Money Weekly*. The same initiative also won the Warm-hearted Finance Award given by *China Financial Herald*, a publication of China Business Network, in November 2013.

#### **BANK OF SINGAPORE**

Bank of Singapore registered good revenue growth of 19%, supported by the growth of assets under management (“AUM”) by 8% to US\$45.9 billion, and an increase in the earning assets base (“EAB”) by 9% to US\$56.5 billion. We continued to attract a healthy inflow of net new money, amounting to close to US\$3 billion. Our cost to income ratio remained better than the industry’s.

Singapore, Indonesia, Malaysia, Thailand and the Philippines remained our top performers, further strengthening our position as market leaders in these locations.

Accounting for 7% of our total AUM, our discretionary portfolios continued to perform well, especially those with exposure to equities as an asset class. Our Balanced, Growth and Global Equity mandates posted returns of between 7% and 18% in 2013. Overall, total AUM of our discretionary portfolios rose 41%.

Bank of Singapore continued to attract talented bankers from global private banks, ending 2013 with more than 300 relationship managers. Total staff strength increased 23% to almost 1,200, of which more than half of them are client-facing.

We continued to invest in technology to meet the increasingly challenging demands – from regulatory compliance and superior products to fast and convenient services – of the private banking industry. Capital expenditure increased 61% to

US\$7 million. We launched a premium equity service helmed by seasoned equity advisors to assist clients who are very active in equities and derivatives trading in November 2013. We also rolled out our automated trade and order management system for cash equity trading, providing enhanced order execution in December 2013. We have made good progress in automating trade order management for other asset classes. Once the system is fully implemented, our relationship managers will be able to execute trades and place orders faster, freeing up time for them to provide advisory services.

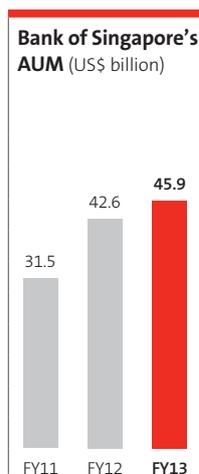
Bank of Singapore continued to win recognition for its sound business model and good investment performance. We were named Outstanding Private Bank in Asia Pacific by *Private Banker International*. For three consecutive years since 2010, we have been named Best Private Bank in Singapore by *FinanceAsia*, Best Private Wealth Management Bank in Southeast Asia and Singapore by *Alpha South East Asia*, and Best Private Bank, Singapore by *Asian Private Banker*. *Asiamoney* also gave us a repeat award as Best Domestic Private Bank in Singapore.

#### **GREAT EASTERN HOLDINGS**

Great Eastern Holdings (“GEH”) reported a net profit after tax for the year of S\$675 million. Excluding the divestment gains of S\$422 million in 2012, net profit after tax decreased by 12% mainly as a result of unrealised mark-to-market losses arising from less favourable financial market conditions. GEH underlying business maintained its strong growth, with new business weighted premiums increasing 27% year-on-year to S\$1.0 billion in 2013. This was attributed to the strength of its multi-channel distribution strategy in Singapore as well as from stable sales of its conventional insurance products and strong performance of the takaful business in Malaysia. New business embedded value grew 22% to S\$423 million from a year ago, due to a shift in distribution channel and product mix towards higher margin sales, as well as a change in risk-adjusted discount rates to better reflect market conditions.

#### **OCBC SECURITIES**

Despite a year marked by market volatility, OCBC Securities achieved a 22% increase in new accounts opened in 2013, a 17% growth in net brokerage income and a 19% rise in share financing net interest income. The growth was largely attributed to enhanced cross-sell efforts within the OCBC Group, leveraging OCBC Bank’s extensive branch network in Singapore and large customer base in both OCBC Bank and Bank of Singapore.



## Operations Review

OCBC Securities launched several initiatives aimed at promoting customer convenience and access to investment opportunities. Notable ones include the OCBC Securities Investor Hub unveiled in January 2013. The Hub features a first-of-its-kind multimedia trading gallery, a dealing gallery, customised service touch-points and a seminar room. In June 2013, in collaboration with OCBC Bank's Global Consumer Financial Services division, the OCBC Blue Chip Investment Plan was rolled out and offered to retail customers, facilitating investments in pre-selected blue chip stocks for as little as S\$100 a month. The OCBC Blue Chip Investment Plan received good feedback from retail investors, particularly the less savvy investors who do not have the time to research and monitor investments in equities.

OCBC Securities' focus on delivering service excellence to its customers won industry recognition. It received the Best Retail Broker Award - Merit award at the 14<sup>th</sup> SIAS Investors' Choice Awards, and was recognised for having the Best Online Securities Platform by *Asian Banking & Finance*.

### GROUP PROPERTY MANAGEMENT

Our office and residential investment properties, with an aggregate net lettable floor area of more than two million square feet, remained at full or near-full occupancy in 2013.

OCBC Bank is the first Singapore bank to dedicate a building in the country's central business district to meeting employees' learning and development needs. Officially opened in April 2013, this dedicated learning and development facility – named OCBC Campus – is a wholly-owned 10-storey building. Occupying over 32,000 sq ft of learning space, OCBC Campus has 12 classrooms, eight discussion rooms, a service simulation laboratory, a multi-purpose hall, a video recording studio and a theatrette.

In September 2013, OCBC Bank's wholly-owned subsidiary in China, OCBC China, unveiled its new head office in Pudong, Shanghai. The building is equipped with training and recreational facilities, a staff dining lounge and an auditorium that can seat about 250 people.

The redevelopment of the former Specialists' Shopping Centre and Hotel Phoenix site at Orchard Road is nearing completion. The new development will comprise a six-level shopping complex (including two basement levels) and a hotel with more than 500 rooms. It is expected to receive the relevant Temporary Occupation Permits in first half of 2014. To date, about 95% of the available retail space at the shopping complex has been leased.

### BANK OF NINGBO

We continued to deepen our collaboration with Bank of Ningbo ("BON") in the area of product and business development, which included expanding our bilateral business in offshore financing, trade finance, and private banking. As part of our efforts to support business expansion in these areas, we helped BON to streamline their processes and conducted training for their relationship managers.

BON reported a strong set of financial results in 2013. Net profit was RMB4.8 billion, an increase of 19% from a year ago. Total loans as at 31 December 2013 was 18% higher than a year ago, driven by healthy loan demand and BON's business expansion in various key cities in China. Its nationwide network increased from 173 branches and sub-branches last year to 217 as at end January 2014, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou, Beijing, Wuxi and Jinhua.