

Presentation to Media and Analysts

New Horizons II Report Card

22 February 2007



- **Recap - New Horizons II**

- **Highlights of Our Achievements in 2006**

- **Customers**
- **Products**
- **Risk Management**
- **Productivity**
- **People**
- **Shareholder Value**
- **Overseas Expansion**

- **Appendix: Details of Report Card**

1. Focused Overseas Expansion

- Shift emphasis from adding more country flags to deepening market penetration in Malaysia, Indonesia, China
- Selectively explore opportunities to establish strategic partnerships in Indochina
- Grow 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

2. Improving our performance through a Balanced Business Scorecard

- Customers
- Products
- Risk Management
- Productivity
- People
- Shareholder Value

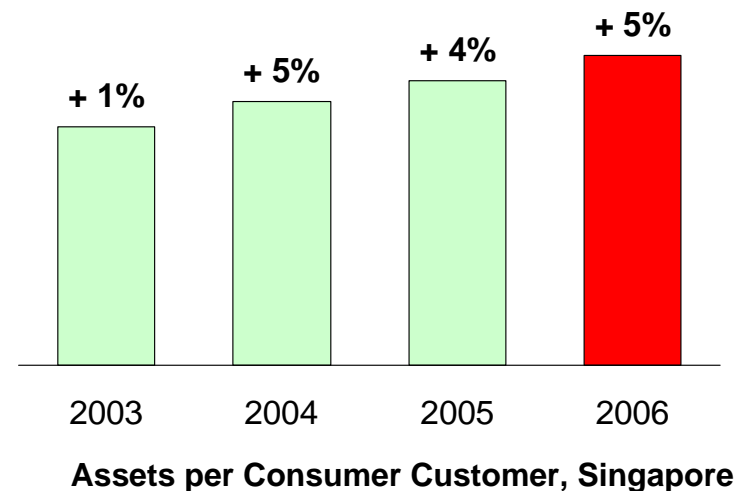
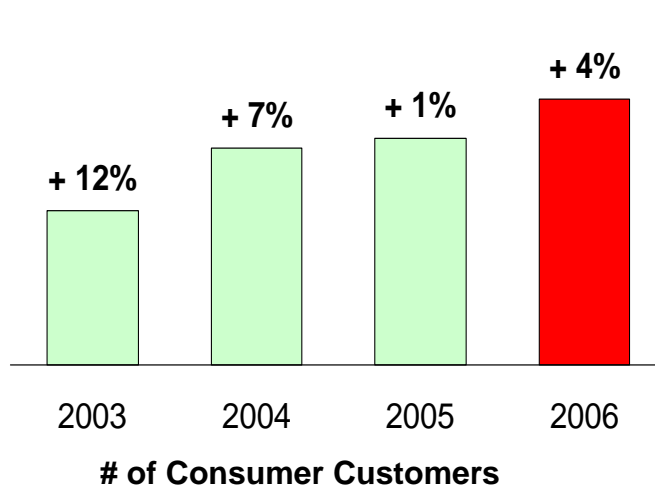
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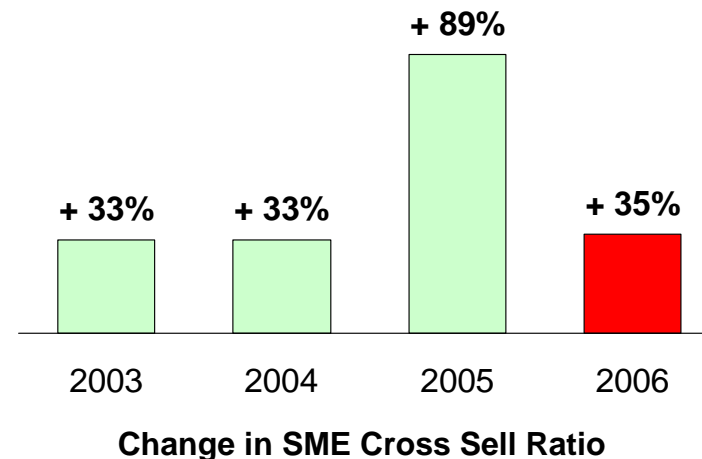
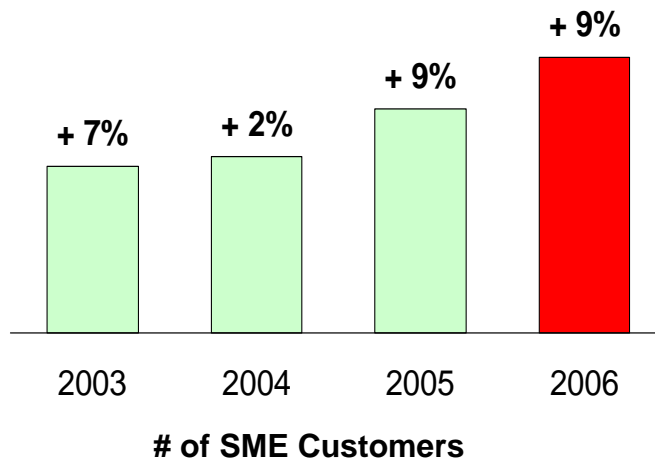
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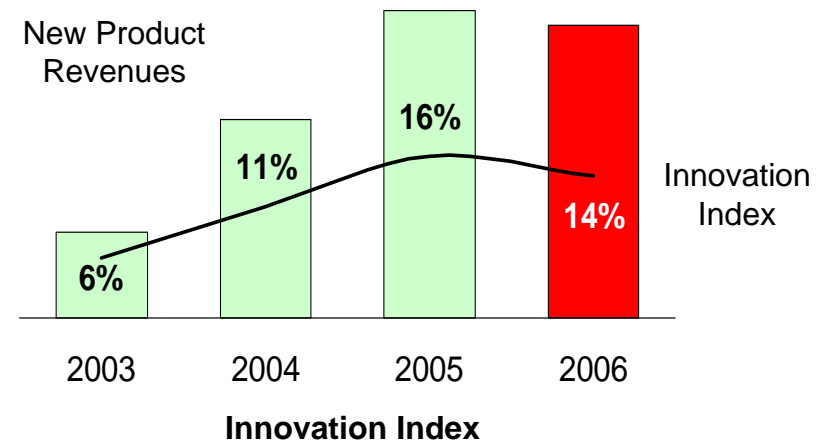
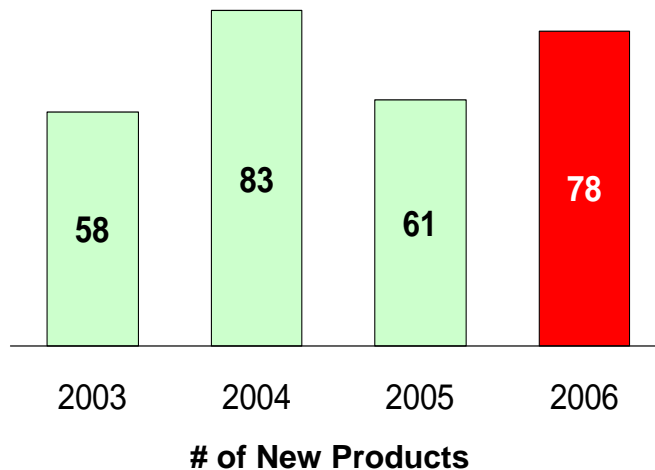
- Healthy growth in customer base and average assets per customer
- Deploying insights from extensive customer surveys => full-service Sunday banking, *Express Cash* within an hour
- Strong partnership with GEH: #1 bancassurance, higher EV products; accounted for half of the increase in Malaysia credit cards
- Building Emotional Engagement programme to offer differentiated customer experience



- **Healthy growth in SME customers, higher cross-sell**
- **Improving customer satisfaction, providing differentiated offerings:**
 - **Faster credit approval**
 - **Collateral-free *Business Term Loan***
 - ***eAlerts@ocbc***
 - **Quick Cheque Deposit for SMEs at selected Shell petrol stations**
- **Aiming for leadership position in targeted sectors**



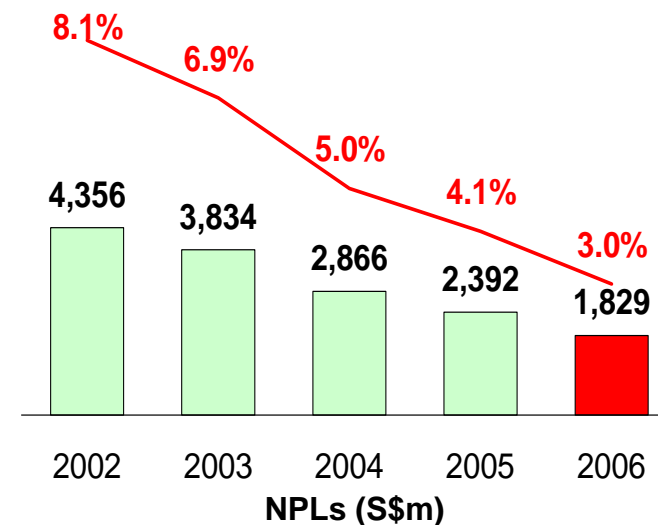
- New products accounted for 13.5% of revenues
- Strong growth in *velocity@ocbc* customers and transaction volumes
- New trade/cash mgmt products to better meet **SME** customers' needs
- Lion Capital continues to garner awards and new fund mandates
- Credit cards in S'pore and Malaysia crossed 1 million, up 18%
- Strong survey rankings for SGD and MYR treasury products



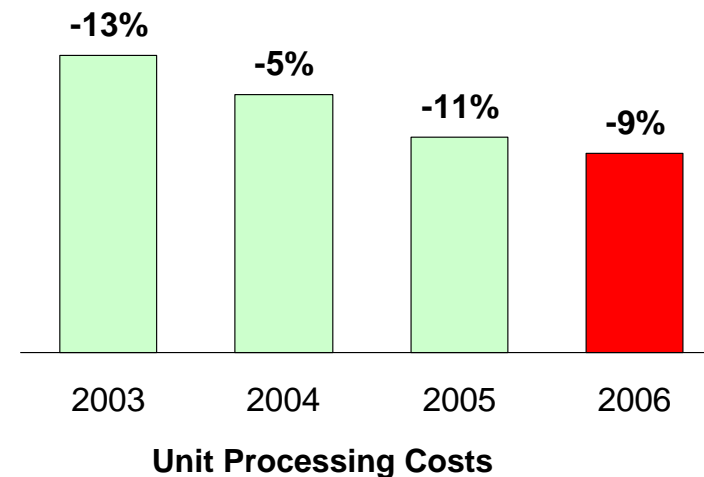
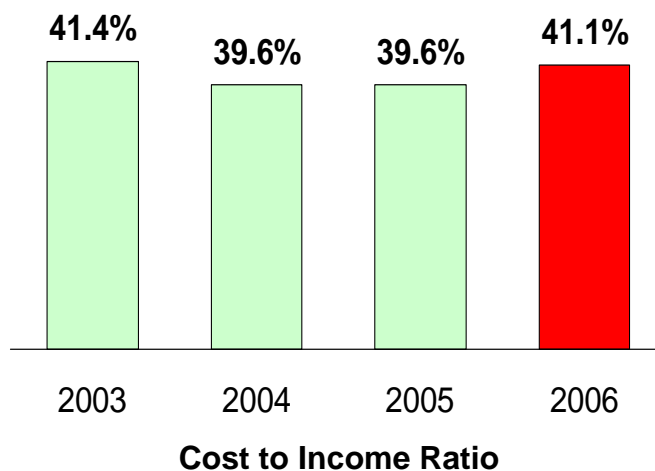
- **On track to implement Basel II in 2008 – parallel run for credit risk in 2007**
 - Advanced IRB Approach for major retail portfolios
 - Foundation IRB Approach for major corporate portfolios
- **New team set up to undertake active portfolio management strategies**
- **Maintained our strong credit ratings**
- **Risk Management House of the Year Award 2006 by Asia Risk**

	S&P	Moody's	Fitch
2006	A+	Aa3	AA-
2005	A+	Aa3	AA-
2004	A+	Aa3	A+
2003	A	Aa3	A+

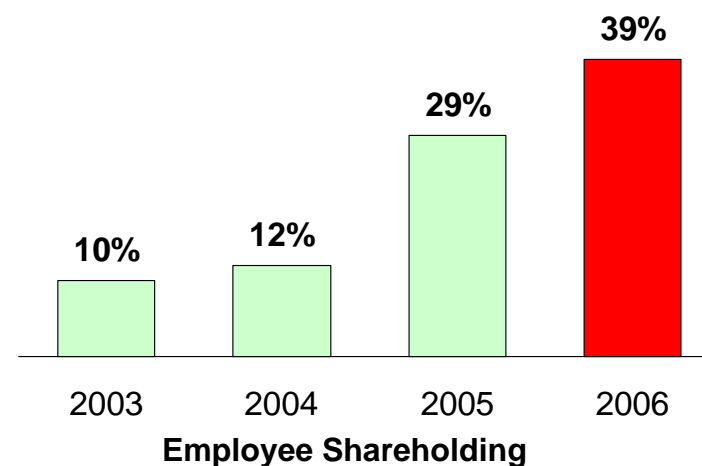
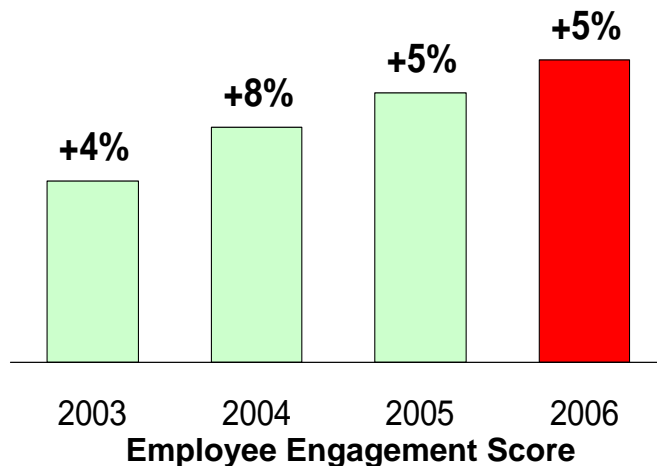
Credit Ratings



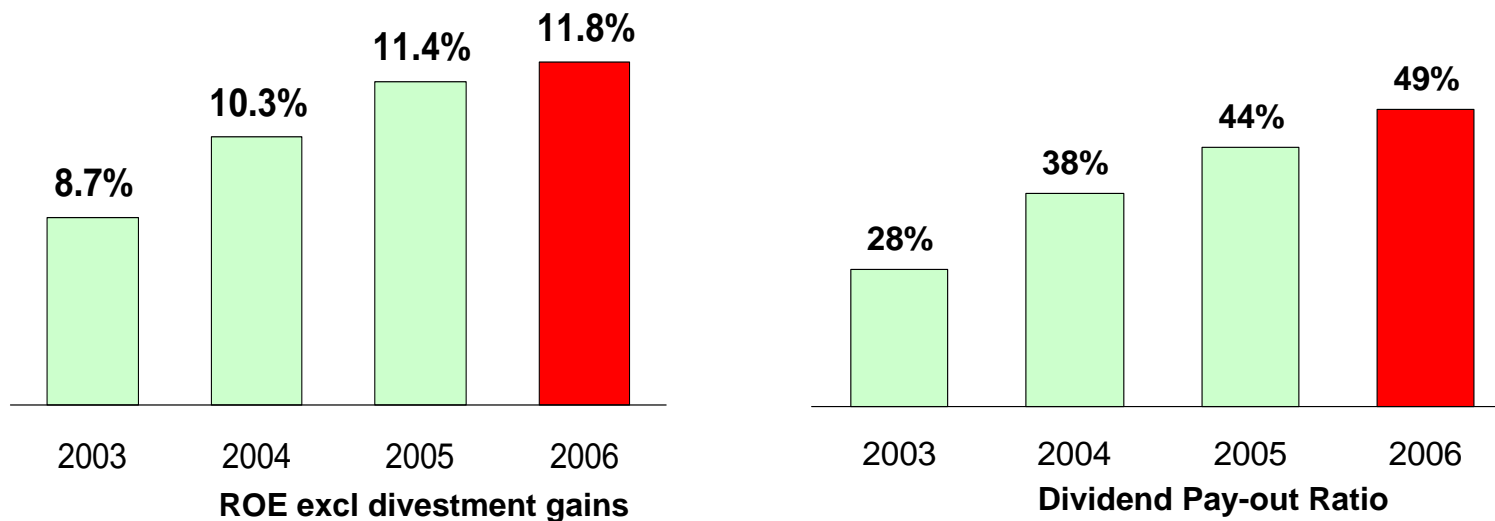
- **Unit processing costs reduced by 9% across 7 operations factories**
- **Completed cross-border hubbing for 4 work streams, with up to 70% of Singapore transactions now being processed in Malaysia**
- **Quality training – more than 7,600 employees trained to-date**
- **10 process improvement projects with expected \$19m margin savings**



- Employee engagement score up
- Employee shareholding of 39%, up from 29%; higher participation rate in 2nd ESPP
- More opportunities for cross-border assignments for employees
- OCBC Learning-3 management development programme
- Average training man-days up 16%



- Core ROE exceeded 12% for 2H06
- Core EPS growth of 13% vs 10% target
- Raised minimum payout to 45%, actual payout 49% => including share buybacks, returning 84% of 2006 core earnings
- S\$559m divestment gains, invested S\$449m in GEH, NCB and VP Bank
- Ranked 16th among global large-cap FIs for total shareholder returns



Overseas Expansion

Indonesia

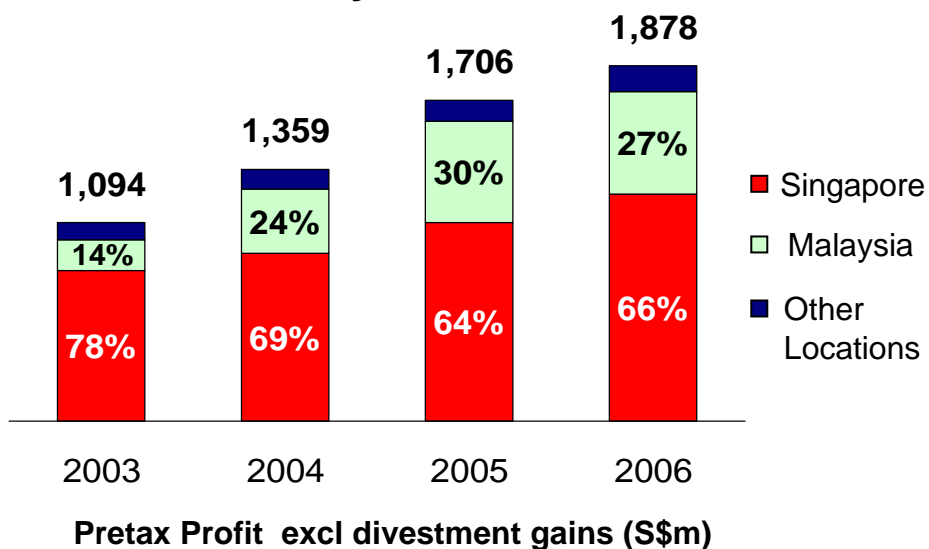
- Support Bank NISP's network expansion
- Healthy sign-ups for *velocity@nisp*; bancassurance fees up 40%; customer services programme and SME business model launched

China

- Launched joint initiatives with NCB, co-developing various products
- GEH's insurance JV in Chongqing commenced operations
- Local incorporation approved, preparation underway

NCB – 2006 Unaudited Results

Net Profit	S\$126 m (+113%)
Loan Growth	+44%
NPL Ratio	0.3%
CAR	11.5%



- **Good progress in our score-card**
- **Deeper penetration in overseas markets**
- **Strategy delivering healthy results and business momentum => stay the course**

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OUR ACTION PLANS

PROGRESS

1. Focus on new customer acquisitions in the Mass Consumer, Premier and Private Banking segments

- ✓ 4% growth in number of consumer customers
- ✓ 33% growth in Premier Banking customer base

2. Survey customers to understand their needs and deploy these insights into our value propositions

- ✓ Interviewed > 3,000 customers at annual customer engagement study on top of monthly customer satisfaction survey
- ✓ Executed 3 data gathering campaigns (using Direct Mail, SMS and ATM121) to capture enhanced insights into customers' needs and preferences
- ✓ Deployed product & segment dashboards to empower business managers with granular customer profile information
- ✓ Adopted innovative event-based marketing and servicing techniques to improve sales and service communications
- ✓ First in Asia to launch interactive ATM

OUR ACTION PLANS

3. Leverage our Great Eastern / Lion Capital partnership to cross sell more products




PROGRESS

- ✓ • Maintained #1 position in Bancassurance sales in Singapore
- ✓ • Launched 8 new products with GE, including:
 - ⇒ *MaxHealth Vantage* - first-in-market plan providing complete health and medical protection under a single policy
 - ⇒ *Wealth Link* - single premium investment-linked insurance plan to address wealth transfer and estate planning needs
- ✓ • GE Malaysia's credit card referral program contributed half of the 36% increase in Malaysia card base
- ✓ • Designed new *Multi Income Fund* (launched in Jan 07) jointly with Lion Capital

OUR ACTION PLANS

PROGRESS

4. Differentiate through service excellence grounded on Quality programmes

-  • Rolled out 20 new customer experience initiatives after successful pilot-runs
-  • Introduced convenience banking through Sunday Banking (5 branches) and Mobile Banking
-  • Rolled out an integrated program to drive service excellence through Building Emotional Engagement (BEE), with more than 2,400 participants across Singapore and Malaysia

Sustain our top 3 consumer bank position in the combined Singapore and Malaysia market



Including the insurance business, OCBC remains one of the top 3 consumer financial services providers in the combined Singapore & Malaysia market



OUR ACTION PLANS

PROGRESS


1. **Grow our current strong large corporate position**

 • **8% growth in total revenues of large corporate business**

2. **Expand our customer base and grow market share in the SME Segment**

 • **9% growth in number of SME customers**
 • **No.1 LEFS (Local Enterprise Finance Scheme) distributor**

3. **Survey customers and work towards an overall improvement in customer satisfaction**

 • **Customer surveys completed with following initiatives implemented:**
⇒ Credit approval process improved, with reduced paperwork for business loans
⇒ Launched in-house Giro (iGIRO), which allows for same-day high volume Giro transactions between OCBC customers, compared to two days previously

OUR ACTION PLANS

PROGRESS

4. Increase cross sell and wallet share penetration of SME customers through innovative delivery methods and differentiated package offerings

- Cross sell ratio for SME business increased by 35%
- Launched more than 10 innovative products and services for target SME industry segments in Singapore and Malaysia
 - ⇒ *Business Term Loan* and Margin Enhancement Program
 - ⇒ *eAlerts @ocbc*
 - ⇒ Business banking desks in selected branches
 - ⇒ Quick Cheque Deposit service at five selected Shell petrol stations in Singapore

Become one of the top 3 corporate banks in the combined Singapore and Malaysia market



Business Banking revenue grew 14% in 2006, loans grew 12%

Our Achievements – Product Innovation



OUR ACTION PLANS

PROGRESS

1. Strive to build “best in class” products

- ✓ • **Best Corporate/Institutional Internet Bank in Malaysia by Global Finance in 2006**
- ✓ • **MasterCard 2006 Platinum Award for Best Innovative Card Product in Asia Pacific/Middle East & Africa – *Titanium Card***
- ✓ • **New Asset-Backed Securitization Benchmark Deal Award 2006 (Malaysia) by Rating Agency Malaysia Berhad**

2. Add to our SME Cash management capabilities and enhance our trade finance services / solutions with increasing focus on supporting our customers expanding regionally

- ✓ • **Launched various new products to better meet SME customers’ needs**
 - ⇒ *eAlerts @ocbc* (Singapore) to provide up-to-date notification on current account information
 - ⇒ *Easi-ProCheck* (Malaysia) to streamline customers’ cheque issuance and reconciliation processes
 - ⇒ *Order-Based Import Financing Program*, a pre-approved credit program to support Malaysian SMEs’ trade financing needs

Our Achievements – Product Innovation

(continued)



OUR ACTION PLANS

2. Add to our SME Cash management capabilities and enhance our trade finance services / solutions with increasing focus on supporting our customers expanding regionally
(cont'd)

3. Strengthen our position in Singapore, Malaysia and Indonesia for investment banking products and expand our Mezzanine Capital portfolio

PROGRESS

- First local bank in Singapore to sign up for the IFC (International Finance Corporation) Global Trade Finance Program, which facilitates trade with emerging markets
- Continued growth in *velocity@ocbc* usage:
 - ⇒ Singapore: No. of corporate customers increased 19%, transaction volume up 21%
 - ⇒ Malaysia: No. of corporate customers increased 29%, transaction volume up 11 times
- Dropped to 3rd position in Singapore syndicated loans and 7th position in Malaysia syndicated loans league tables
- Garnered 80% market share of tax credit-driven equity fund raising exercises by Singapore companies
- Launched first SGD 'AAA'-rated commercial mortgage-backed securitization for a Singapore REIT

Our Achievements – Product Innovation

(continued)



OUR ACTION PLANS

PROGRESS

4. Expand Lion Capital to become globally recognised top tier Asia-based fund manager

- 17 local and overseas prestigious awards for funds' performance in 2005
- Majority of segregated accounts and Asian funds achieved out-performance in 2006
- Structured credit products garnered more than S\$4bn in AUM, including new clients from Australia, New Zealand, Korea, China and Canada
- Won 16 new mandates exceeding S\$500m from Singapore and the region
- Exploring expansion opportunities for sales/ investment offices in Malaysia, China and other regional markets
- Well-regarded Asian fund specialist by investors outside the region

Our Achievements – Product Innovation

(continued)



OUR ACTION PLANS

PROGRESS

5. Be one of the top 3 banks in the combined Singapore / Malaysia market for wealth management, credit cards and unsecured lending

- Maintained No 1 position in Bancassurance
- Combined wealth management sales fell 21% as the flat yield curve reduced demand for structured deposits
- Launched *Express Cash* in Singapore, allowing customers to get cash within an hour of application at all branches
- More than 500,000 customers for unsecured lending products, more than 1m cards in circulation and over S\$1bn in receivables

6. Be the bank of choice for treasury instruments in selected currencies

- Ranked top two in 6 (out of 7) Singapore Dollar denominated categories by Asia Risk Interdealer Survey 2006
 - ⇒ No. 1 in SGD Interest Rate Swaptions
 - ⇒ Joint No. 1 in SGD Interest Rate Options
 - ⇒ No. 1 in SGD Forward Rate Agreements
 - ⇒ No. 1 in SGD Currency Forwards
 - ⇒ No. 2 in SGD Interest Rate Swaps
 - ⇒ No. 2 in SGD Cross Currency Swaps

Our Achievements – Product Innovation

(continued)



OUR ACTION PLANS

6. **Be the bank of choice for treasury instruments in selected currencies**
(cont'd)

PROGRESS

- **Ranked Top 3 in all Ringgit-denominated categories by Asia Risk Interdealer Survey 2006**
 - ⇒ No. 1 in MYR Forward Rate Agreements
 - ⇒ No. 3 in MYR Interest Rate Swaps

- **Ranked number 1 by AsiaRisk End User Survey 2006 for:**
 - ⇒ SGD Interest Rate Swaps
 - ⇒ SGD Currency Options (joint rank)
 - ⇒ SGD Forward Rate Agreements

Become known for product innovation by sustaining new product revenues above 15%



Launched 78 new products
New product revenues maintained at 13.5% of revenues in 2006

Our Achievements – Risk Management

OUR ACTION PLANS

PROGRESS

1. Execute our Basel II implementation plan in line with regulatory guidelines

- Approval from MAS to conduct parallel run for Credit Risk in 2007
- On track to comply with Standardized Approach for Operational Risk Management by 2008

2. Manage our balance sheet proactively to deliver enhanced risk-return with portfolio rebalancing and hedging

- A new team set up to undertake active portfolio management strategies

3. Build a robust management attestation process to provide 'positive assurance' of the effectiveness of internal control systems

- A robust Internal Control Attestation process being put in place

4. Maintain our strong credit ratings

- Continue to be one of the highest rated banks in Asia: Aa3 by Moody's, A+ by S&P and AA- by Fitch
- Risk Management House of the Year Award 2006 by Asia Risk

Our Achievements – Productivity



OUR ACTION PLANS

PROGRESS

1. Continue to drive for productivity gains and unit cost reduction while enhancing service quality

 • **Productivity gains of 11% and unit cost reductions of 9% across 7 product processing factories for 2006**

⇒ Account Services, Cards and Investment processing factories in Singapore achieved productivity gains of more than 20% and unit cost reductions in excess of 15% for 2006

2. Leverage our cross-border processing hubs in Singapore and Malaysia to deliver further efficiency gains

 • **Hubbing project – On track:**

⇒ Completed cross-border hubbing for Account Services, Card Operations, Trade Finance Operations and Cards Application Processing in Malaysia

3. Continue to re-engineer cross functional processes in pursuit of Six Sigma Quality Excellence

 • **Institutionalised compulsory Quality training programme; more than 7,600 employees trained to-date**

 • **Executed 10 process improvement projects with expected margin improvement of S\$19m**


OUR ACTION PLANS

PROGRESS

1. **Build people resources with a focus on diversity, cross border management skills and competencies to support our overseas expansion efforts**

 • **79 employees moved overseas and given cross-border assignments to/from Singapore, Malaysia, Indonesia and China**


2. **Continue to develop talent within OCBC through evolving training and career development programmes**

 • **OCBC Learning-3 developed to provide a structured 3-year management development programme for all new executives, covering:-**

- ⇒ Industry / regulatory and internal requirements
- ⇒ Culture and core values
- ⇒ Leadership competencies

 • **Rolled out e-learning programmes to all overseas offices**

3. **Sustain minimum of 5 man days of training on average for all employees**

 • **Average training days per staff rose 16% to 7.9**

OUR ACTION PLANS

4. **Maintain share-ownership schemes to enable all our employees to easily own OCBC Shares**

Continue to improve employee satisfaction so as to be increasingly recognised as a regional employer of choice

PROGRESS

-  • **41% of eligible employees participated in 2nd Employee Share Purchase Plan (ESPP) in 2006, up from 33% for 1st ESPP in 2004**
-  • **Deferred Share Plan now entering its 4th year with more than 88% of eligible senior executives as recipients**
-  • **Employee shareholding**
 - ⇒ Employee shareholding grew to 39%, if employees on deferred shares and share purchase schemes are included, up from 29% in 2005
-  • **Overall OCBC Employee Survey**
 - ⇒ Engagement score improved by 5% from 2005

Our Achievements – Shareholder Value



OUR ACTION PLANS

PROGRESS

1. Grow revenues faster than expenses

- Core revenue grew 12%, versus 14% for expenses (excl one-time charges)

2. Deliver 10% EPS growth per annum

- EPS growth of 58% (13% excluding divestment gains)

3. Achieve and sustain ROE of above 12%

- Core ROE improved from 11.4% to 11.8%; exceeded 12% for 2H06
- Cash ROE (excluding divestment gains) improved from 11.7% to 12.2%

4. Periodically review our target minimum dividend payout of 35% of core earnings for possible increase

- Raised target minimum dividend payout from 35% to 45% of core earnings
- Net DPS increased 25% to 23 cents; payout increased from 44% to 49% of core earnings

Our Achievements – Shareholder Value

(continued)



OUR ACTION PLANS

5. Continue to divest non-core assets at the right time and invest the gains in core financial services growth opportunities

6. Continue policy of returning any excess capital to shareholders via share buy back programmes

PROGRESS

-  • **Realised S\$559m gains from divestments**
 - ⇒ Divested stakes in Robinsons and Straits Trading in compliance with MAS requirements
 - ⇒ Voluntary divestments – Kim Seng Rd property, and stakes in Southern Bank (general offer) and Raffles Holdings (exit offer/special dividend)

-  • **Invested S\$449m in core financial services**
 - ⇒ Increased stake in GEH from 82.3% to 86.9% through voluntary cash offer and other purchases, for S\$302m
 - ⇒ Acquired 12.2% stake in Ningbo Commercial Bank for S\$122m
 - ⇒ Acquired 10% stake in VP Bank for S\$25m

-  • **Launched 3rd S\$500m share buyback programme (completed S\$231m to-date)**

Our Achievements – Shareholder Value

(continued)



OUR ACTION PLANS

PROGRESS

7. Maintain Tier 1 capital (and total capital) at a comfortable cushion above regulatory minimums

- Tier 1 and total CAR of 13.1% and 15.8%, well above regulatory minimums

8. Raise alternative Tier 1 / Tier 2 capital as necessary to meet additional capital needs

- No new capital issues in 2006 given comfortable CAR
- Commencement of 20% annual amortisation of outstanding S\$3.8bn Tier 2 subordinated debt

Build the basis for our share price to outperform the STI

OCBC's share price rose 15% in 2006, underperforming STI'S 27% increase.

Mercer Oliver Wyman ranked OCBC 16th among premier large-cap financial institutions globally, for achieving consistent out-performance in total shareholder returns over 3, 5 and 10 years

Our Achievements – Overseas Expansion (Indonesia)



OUR ACTION PLANS

PROGRESS

1. Work with NISP to become a top tier nationwide bank focused on SMEs and consumers

- Implemented risk management framework
- Launched customer service programme for branch staff and introduced business model for small enterprises

2. Expand our geographical branch coverage

- 69 new branches established in Indonesia (total of 259 branches)

3. Broaden Bank NISP's consumer and SME product suite, including wealth management, credit cards, cash management and trade services, to drive customer acquisition

- > 700 SME customers signed up for *Velocity@NISP*
- Launched pilot for structured deposits

4. Work closely with GE Indonesia to build their life business through bancassurance and agency models

- Increased collaboration between GE and Bank NISP, with 40% growth in insurance fee income

Build Indonesia as a major growth engine after Singapore and Malaysia

- Branch network expansion and core capability building in progress***

Our Achievements – Overseas Expansion (China)



OUR ACTION PLANS

PROGRESS

1. Leverage on strategic partnership in China as part of strategy to grow our retail and SME customer franchise

- Completed purchase of 12.2% stake in Ningbo Commercial Bank
- Launched joint initiatives in trade finance, investment banking, cross-border financing and treasury

2. Experiment with customer and product solutions through our partners

- Co-developing wealth management, transaction banking and cash management products for consumer and SME customers

3. Continue to support GE's initiatives in life insurance in China through alliance tie-ups where possible

- GEH established Great Eastern Life Assurance (China) Company Ltd, a joint venture with Chongqing Land Properties Group

Build capabilities to take on larger opportunities should they become available with regulatory changes

- Received CBRC approval in Feb 2007 to commence preparation for local incorporation; capability building underway***

New Horizons II Report Card

Thank You

