

New Horizons



The New Horizons strategy is our three-year plan to seek international growth via a build-and-transfer approach, and to build a high performance bank by focusing our efforts utilising a balanced business scorecard approach.

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

Products

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

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

Productivity

We will improve cross functional processes to lower our unit costs and become an efficient, low cost service provider

People

We will develop and foster human capital, and seek to have at least 30% of our employees as shareholders by 2005

Shareholder value

We aim to achieve 10% earnings per share growth annually, a minimum dividend payout of 25% 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

With initiatives under the New Horizons strategy already showing encouraging progress in the first year, OCBC Bank will actively capitalise on growth opportunities as these capability-building initiatives gather further momentum in 2004.

Customers	Products	Risk management	Productivity
✓ 12% increase in number of consumer customers ✓ Retained #1 position in Bancassurance sales ✓ 7% growth in SME customers; cross-sell ratio improved 33% ✓ Completed SME and consumer customer satisfaction surveys and market research ✓ Introduced 11 new SME lending programmes targeting industry segments	✓ Launched 58 new products, which contributed 6% of revenues ✓ <i>Velocity@ocbc</i> rated best-in-class in Singapore by <i>Global Finance</i> magazine for 3rd consecutive year ✓ Wealth management product sales grew at a record rate of 35% ✓ Customer-related earnings in treasury activities increased by 50% ✓ Improved to 4th position for SGD bond issues and Malaysia syndicated loans	✓ Continued to be one of Asia's highest rated banks: Aa3 by Moodys, A+ by Fitch and A by S&P ✓ Provision coverage ratio improved to 67% ✓ NPL ratio improved from 8.1% to 6.9% ✓ Established new credit review team under Audit function, and conducted 21 credit risk reviews	✓ Productivity improved 39% ✓ Executed 5 process improvement projects with expected margin improvement of \$30 million ✓ Twin hubbing project in Singapore and Kuala Lumpur well underway

People	Shareholders	Overseas expansion
✓ Over 1,100 employees completed career management training; Internal job posting success rate doubled ✓ Over 3,000 and 500 employees trained in quality and credit process concepts respectively ✓ Average training days per staff increased 15% ✓ Percentage of performance-linked compensation increased 20% ✓ 10% of employees hold OCBC shares	✓ Core EPS growth of 20% ✓ Total dividends increased 15% to 23 cents, yielding 28% payout ratio ✓ Paid special dividend of S\$0.4975 per share (net) ✓ Achieved ROE of 10% ✓ Realised \$126 m gain from non-core asset divestments ✓ Tier 1 capital and total capital improved to 12.6% and 21.8% ✓ Raised S\$895 m of Tier 1 preference shares ✓ Cancelled 0.94% of share capital in conjunction with F&N share divestment	Strengthened market positions in core markets in preparation for regional growth: ✓ Increased Malaysia consumer sales force by 45% ✓ Unit Trust sales in Malaysia grew four-fold ✓ Malaysia home loans rose 24% ✓ In Singapore, achieved top position in sales of Bancassurance, HDB home loans and new car loans; Top 2 in Unit Trust sales

Business banking goes high velocity

Recognising that business customers are facing an increasingly dynamic and competitive landscape, we re-organised our Business Banking team to be even more responsive, and to provide stronger support to customers at different stages of development. Several new initiatives were launched in 2003, including specially tailored credit programmes for highly specialised SME segments, such as high-technology manufacturing (at right), in both Singapore and Malaysia. We also re-engineered our business process to dramatically improve the turnaround time for the issuance of Letters of Credit, resulting in same-day approvals increasing from 30% to 95%. Our corporate Internet banking platform, *Velocity@ocbc*, revolutionised the customer cash management experience, both in terms of speed and ease-of-use, and has won the prestigious Best Corporate /Institutional Internet Bank in Singapore award by US-based *Global Finance* magazine for three years running.



"2003 WAS AN INTERESTING YEAR FOR OUR BUSINESS BANKING CUSTOMERS AND FOR OURSELVES. MANY CUSTOMERS WELCOMED THE IMPROVEMENTS WE HAVE MADE TO OUR BUSINESS PROCESSES, FINANCIAL SOLUTIONS AS WELL AS TECHNOLOGICAL TOOLS TO TAKE AWAY THE HASSLES OF BANKING. INITIATIVES SUCH AS *VELOCITY@OCBC* REALLY HELPED LIGHTEN THEIR CASH MANAGEMENT WORKLOAD, AND ENABLED THEM TO FOCUS ON THE MORE IMPORTANT TASK OF MAKING THEIR BUSINESSES SUCCESSFUL."

MAYA LIM

Vice President, Enterprise Banking
OCBC Bank

► Focused on creating value
for SME customers

JCS Automation, a leading provider of fully integrated, customised cleaning systems for high-tech industries, including the aerospace, electronics and semiconductor industries, is a business banking customer of OCBC Bank, which employs a wide range of products, including *Velocity@ocbc*, to help them manage their financial needs more effectively.





► **Now, you can relax, too**

Delighting in the results achieved through the thoughtful bundling of wealth management products available through OCBC Bank, many young couples like them have found investing with us a good way to make their money work harder for them.

Leading the way in wealth management

To meet the diverse financial needs of our mass retail customers, we have been working hard to broaden our palette of products and services. These initiatives range from providing greater convenience in financial transactions and deposits to increasing the number of options in home and car loans, credit cards, and wealth management products. In Wealth Management, we continue to be the market leader in bancassurance, and one of the top two unit trust distributors in Singapore. We have proven to be a market innovator by pioneering objective, third-party evaluation of unit trusts by Mercer Investment Consulting* to help customers better assess investment options. We were also the first to introduce a range of innovative products like the *Three-Year Growth Plus Fund* and *Bond-Linked Structured Deposit*, which have shorter tenures.

* An independent global investment consulting firm which administers the Mercer Retail Fund Ratings, the first-of-its kind rating system in Singapore.

“OUR CUSTOMERS COME TO OCBC BANK BECAUSE WE TAKE THE TIME TO LISTEN TO THEM AND MAKE AN EFFORT TO UNDERSTAND THEIR GOALS AND ASPIRATIONS BEFORE OFFERING SOLUTIONS. IT IS THIS QUALITY THAT MAKES OCBC A TRUSTED NAME AND THE ACCLAIMED MARKET LEADER IN WEALTH MANAGEMENT IN SINGAPORE.”

ANNE TAY

Vice President, Wealth Management
OCBC Bank



Strengthening our presence in Malaysia

Building on our 25-branch network, OCBC Bank in Malaysia continues to make in-roads to increase our market share in both consumer and business banking. In 2003, we successfully replicated a number of products, services and business models that have performed well in Singapore. By increasing our consumer banking sales force by 45%, we saw growth across several product segments – sales of unit trusts and home loans grew four-fold and 10% respectively. We also introduced a suite of products for our SME customers, including new credit programmes for equipment financing, cash management services, and small business loans. To better serve our customers, the overall banking experience at OCBC is being transformed with new branch interiors (at right) as well as improved call centre and back-office processes.



“THE NEWLY RETROFITTED BRANCHES HAVE REALLY CHANGED THE WAY OUR CUSTOMERS VIEW OCBC BANK. THE NEW-LOOK BRANCHES ARE DESIGNED TO MAKE BANKING AT OCBC SIMPLER AND MORE COMFORTABLE. OUR SERVICE LEVELS HAVE ALSO BEEN RAISED FURTHER AND OUR OFFERING OF PRODUCTS EXPANDED TO INCLUDE MORE WEALTH MANAGEMENT PRODUCTS, ADDITIONAL SME LOANS, A WIDER RANGE OF ISLAMIC BANKING PRODUCTS, AND MORE.”

CHOK SIEW WEI

Branch Manager, Ampang Branch
OCBC Bank Malaysia

► **Putting our best
foot forward**

The new face of Ampang branch in Kuala Lumpur, Malaysia. The look and feel of branches in Malaysia and Singapore are now consistent across the OCBC network, emphasising our commitment to deliver a high standard of customer service in both personal and business banking.

