

**STATEMENT BY MR JEFFREY CHEW,
DIRECTOR & CEO, OCBC BANK (MALAYSIA) BERHAD
IN CONJUNCTION WITH THE RELEASE OF
OCBC BANK (MALAYSIA) BERHAD'S FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

14 MARCH 2011

OCBC Bank surpasses RM1 billion mark in operating profit

I am pleased on behalf of OCBC Bank (Malaysia) Berhad to announce today that our Bank has, for the first time, surpassed the RM1 billion mark in operating profit. This is for our financial year ended 31 December 2010. During this period revenue grew by 9% to RM1.7 billion while net profit increased 16% to RM706 million.

I am pleased to note that our operating profit grew 8% to RM1.1 billion despite higher overheads. Our overheads increased by 10% to RM656 million due to investments into infrastructure development initiatives involving branches and information technology as well as crewing up in human capital especially in beefing up our sales force.

OCBC Bank's cost to income ratio, which is one of the lowest in the industry, stood at 38%.

Our pre-tax profit saw a sharp rise of 17% to RM952 million underpinned by a strong credit underwriting framework and prudent risk management strategies. These have enabled us to reduce our provision numbers by 34% to RM129 million.

OCBC Bank's balance sheets remain solid and I am pleased to note that we have retained our position as the biggest lender among foreign banks with gross loans, advances and financing growing more than 10% to RM36 billion. The primary driver for loans growth came from mortgages, which grew 19% and business banking, which grew 9%. The business banking growth came



OCBC Bank (Malaysia) Berhad's Director & CEO
Mr Jeffrey Chew

mainly from the large corporates segment and SME government guarantee schemes.

Net interest income grew by 9% to RM1.1 billion, while non-interest income increased by 8% to RM448 million mainly due to increases in trading, commercial FX and fee-based activities.

Islamic Banking

Our Islamic banking subsidiary OCBC Al-Amin Bank Berhad registered 10% growth in revenue to RM158 million for the same financial year.

Gross financing assets grew by RM366 million or 16.7% to RM2.6 billion and, as at 31 December 2010, the quality of OCBC Al-Amin's financing assets remained strong.

Capital Position

OCBC Malaysia continues to maintain a strong capital position, with shareholders' funds of RM4.4 billion and a risk weighted capital ratio of 15.40% as at the end of the year.

In Perspective

To put in perspective what I have just shared, I should highlight that as at end 2010 the Singapore-based OCBC Group emerged to become the region's largest banking group in terms of market capitalisation and the second largest by assets.

And although the Singapore-based Bank is diversifying into several other markets outside Singapore, Malaysia continues to be the second largest market, having a hand in almost 20% of the business. In essence, OCBC Malaysia is increasingly becoming a bigger factor in the regional growth of the Bank and an even more major player in the Malaysia market.

This is supported by a number of factors.

Financials

First, I am pleased to say that OCBC Malaysia's revenue has doubled and pre-tax profit tripled in the past five years due to our high performance culture, strong credit underwriting measures and effective cost management.

To lend credence to our efforts, OCBC Malaysia won the Credit Guarantee Corporation's Top SMI Supporter Award for 3 consecutive years and remains the only foreign bank to have done so.

Risk Management

OCBC Bank has long been associated with prudent risk management practices. We are pleased to reveal that today we are one of the first two banks approved by BNM to IRB Approach for Basel II with effect from January 2010.

In processing SME loans, we have been successfully using a credit-scoring model to approve loans. This has resulted in faster turnaround time. Today, we are setting the standard through our approval & turnaround time for SME loans approvals.

I am pleased to add that our 2-3 months arrears/gross loans is 0.3% and remains one of the lowest in the industry.

Product Development

I am proud also to report that our progress thus far has been catalysed by our New Product Approval Process (NPAP) that was set up to ensure products are introduced meaningfully and in a timely manner.

During 2010, among the innovative products we introduced was the equity unit investment trusts without up front sales charges (the Pacific ELITE funds by Pacific Mutual).

OCBC also became the first foreign bank in Malaysia to offer a full suite of statutory payments connectivity to businesses, involving the Employees Provident Fund, Inland Revenue Board, Social Security Organisation and Pertubuhan Pungutan Zakat.

OCBC Al-Amin

Through OCBC Al-Amin, we are the only Singapore bank with an Islamic footprint in Malaysia. During 2011, we plan to increase the traction of OCBC Al-Amin in our Islamic banking business especially in the areas of personal financing, mortgages and wealth management through deeper engagement with the urban mass affluent and bumiputra segments. Accordingly, we are expecting high double digit growth in our Islamic banking business this year even as we continue to spearhead efforts in MIFC & ICBU as well.

Customer Experience

We have invested heavily in customer experience measures, spending SGD1 million to design a complaint recording system called the GIFT System. This stems from our view of complaints as a GIFT from customers. These GIFTS ensure we are constantly receiving a healthy flow of valuable feedback from our customers at all times.

Through this system, all staff are able to log in and attend to complaints, feedback & suggestions. The data in GIFT is used to perform a root-cause analysis in order to get to the heart of the matter. This is not just to prevent recurrences but also to serve as a platform to move the bank to a higher level of service. Thus far, 85% of all complaints are resolved within 3 days, with the remaining being complex matters requiring more time.

Operational improvements

Since 2004, we have initiated more than 17 cross functional projects with savings of close to RM57 million. This has partly contributed to our reasonable CIR of 38%. We are pleased also to say that our mortgage loans turnaround time is currently rated one of the best among foreign banks. This is one of the

contributing factor for being able to achieve our 19% growth in our mortgage business. Not surprisingly, we are today the largest lender among foreign banks in Malaysia, including as lender to large corporates, large SMEs and small SMEs.

Prudence

While we are a strong lender, we remain a prudent one. It is noteworthy that we are rated among the world's 50 safest banks by Global Finance. Amidst being a safe bank, we are also a strong bank. I am happy to note that OCBC is the strongest bank in SouthEast Asia and 3rd strongest in Asia Pacific as attested to by *The Asian Banker*.

Synergy

Where synergies are concerned, OCBC Bank continues to harness synergistic efforts between us and our sister company Great Eastern Life Assurance. I am pleased to report that total cross-selling amounts last year crossed the RM100 million mark. The consolidation of the data centre of Great Eastern with that of OCBC Bank was one of the major, notable, projects for 2010.

Human resource development

Every year, OCBC Bank conducts an independent employee satisfaction survey to determine employees' engagement levels. Since 2005, OCBC Malaysia's score has been progressively growing and in 2010 it was 67%, a percentage that has elevated us to the "High Performance, Best Employer" range. The global financial company norm is 58%.

We are pleased also with the results of our internal job posting (IJP) efforts, which seeks to retain staff within the Bank by allowing them to move from department to department when they feel they might not be happy remaining where they currently are.

Todate about one in four new positions have been filled through the IJP system. In addition, we have been providing staff with opportunities to be posted overseas as well. In the area of training, we have mandated that all staff must complete at least 5 days of training per year, with more than 100 courses available to fulfil both hard and soft skills needs.

Competitive Edge

Our competitive edge remains the solid OCBC brand name, having been around for the past 80 years and having been trusted to act prudently for our customers. Many customers have been with us for several generations. We possess a strong credit underwriting framework and maintain a good service culture and efficient processes due to significant involvement in process improvements.

Limitations

One of our key limitations currently is our lack of economies of scales in our distribution network, currently standing at 29 conventional branches and 5 Islamic ones. In order to overcome this limitation meaningfully, we have signed up for participation in the MEPS Network and will roll out this convenience to all our customers once we are ready with a full suite of other options besides cash withdrawals. These other options include balance transfers and bills payment.

Moving Ahead

Moving ahead, we at OCBC Malaysia are looking to move beyond our traditional business banking strength to also further develop our growing consumer banking and Islamic banking presence. Currently, business banking contributes about 57% to the top line, followed by 27% from the consumer business and the remaining 17% from treasury. We are working towards a more balance ratio, ideally at 40% BB, 40% Consumer and 20% from Treasury.

Conclusion

In conclusion, we are pleased with our sound financial performance for 2010 and are confident of our growth prospects for this year. We will focus on continuing our growth journey in business banking alongside making a deeper thrust into the retail banking segment. Notable in all these efforts will be our ongoing commitment to further entrench ourselves in the Islamic banking business through our subsidiary OCBC Al-Amin.

Thank you.

About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's.

OCBC Bank and its subsidiaries offer a broad array of specialist financial services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 500 branches and representative offices in 15 countries and territories, including more than 400 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset

management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which has been ranked among the top five global private banks in Asia.

OCBC Bank offers Islamic banking products and services in Malaysia through its wholly-owned subsidiary, OCBC Al-Amin Bank Berhad.

For more information, please visit www.ocbc.com
