

# **Building a Premier Regional Bank**

## **Analysts' Briefing First Half 2002 Results**

**Address by  
Kuek Tong Au  
Executive Vice President**

**7 August 2002**

# Performance at a glance

	1H2002	2H2001	1H2001	Inc / (Dec) 1H02/1H01	Inc / (Dec) 1H02/2H01
Net Profit After Tax (NPAT) - \$m	591	470	455	30.0%	25.8%
NPAT (excluding goodwill) - \$m	684	518	455	50.5%	32.1%
Net Customer Loans - \$m	59,289	60,892	31,249	89.7%	(2.6%)
Non-Performing Loans - \$m	5,971	5,968	2,358	153.2%	0.1%
Cumulative Provisions - \$m	3,403	3,334	1,526	123.0%	2.1%
Customer Deposits - \$m	68,079	74,452	44,053	54.5%	(8.6%)
Total Assets - \$m	108,518	113,310	68,432	58.6%	(4.2%)
ROE (%)	9.2	9.2	12.8	(3.6% pt)	-
ROE - excluding goodwill (%)	10.7	10.2	12.8	(2.1% pt)	0.5% pt
Expense to Income Ratio (%)	35.7	40.3	37.9	(2.2% pt)	(4.6% pt)
Dividend Rate (%)	15.0	25.0	15.0	-	nm
NTA Per Share (\$)	5.74	5.65	6.90	(16.8%)	1.6%
CAR (%)	17.2	18.5	20.1	(2.9% pt)	(1.3% pt)

nm : not meaningful

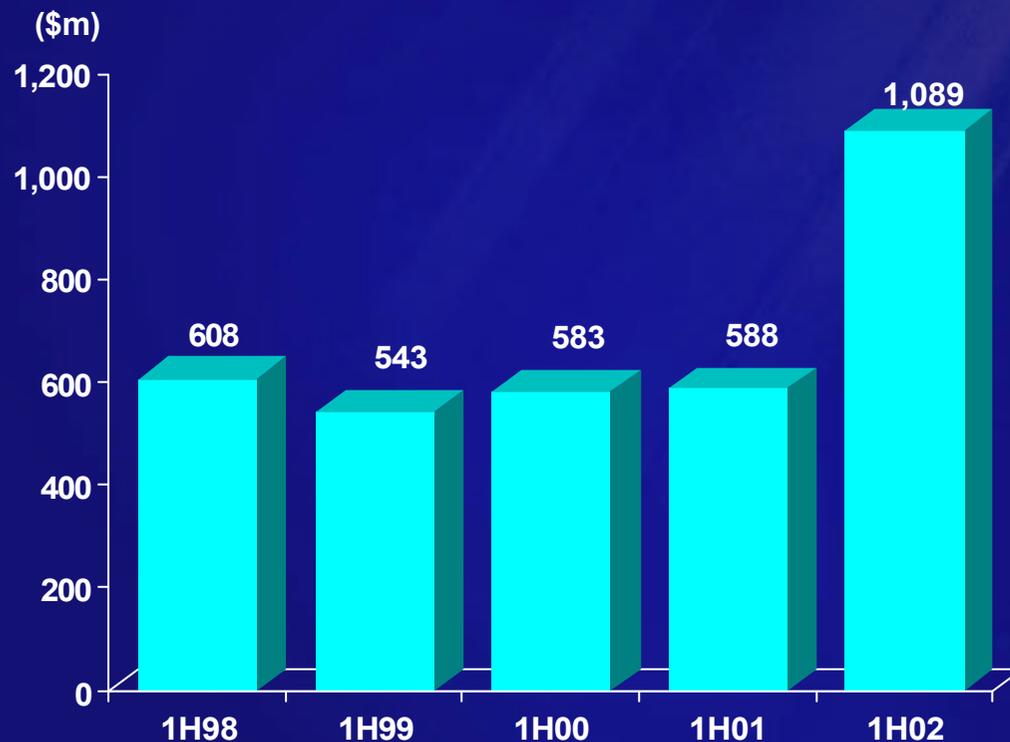
# Continuing our steady Financial Performance

(\$m)	1H2002	2H2001	1H2001	Inc/(Dec)% 1H02/1H01	Inc/(Dec)% 1H02/2H01
Net Interest Income	1,089	841	588	85.1	29.5
Non-Interest Income	386	433	362	6.6	(10.9)
Total Income	1,475	1,274	950	55.2	15.8
Less: Operating Expenses	527	514	360	46.4	2.6
Operating Profit before Goodwill and Provisions	948	760	590	60.5	24.7
Less: Goodwill amortisation	93	48	-	nm	94.3
Provisions	157	154	11	nm	2.2
Operating Profit	697	558	579	20.4	25.0
Exceptional Items	(18)	(12)	-	nm	47.5
Share of Profit of Associates	94	47	25	273.6	100.0
Profit before Tax & Minority Interests	773	593	605	27.9	30.4
Less: Tax & Minority Interests	182	123	150	21.6	48.2
Net Profit After Tax	591	470	455	30.0	25.8

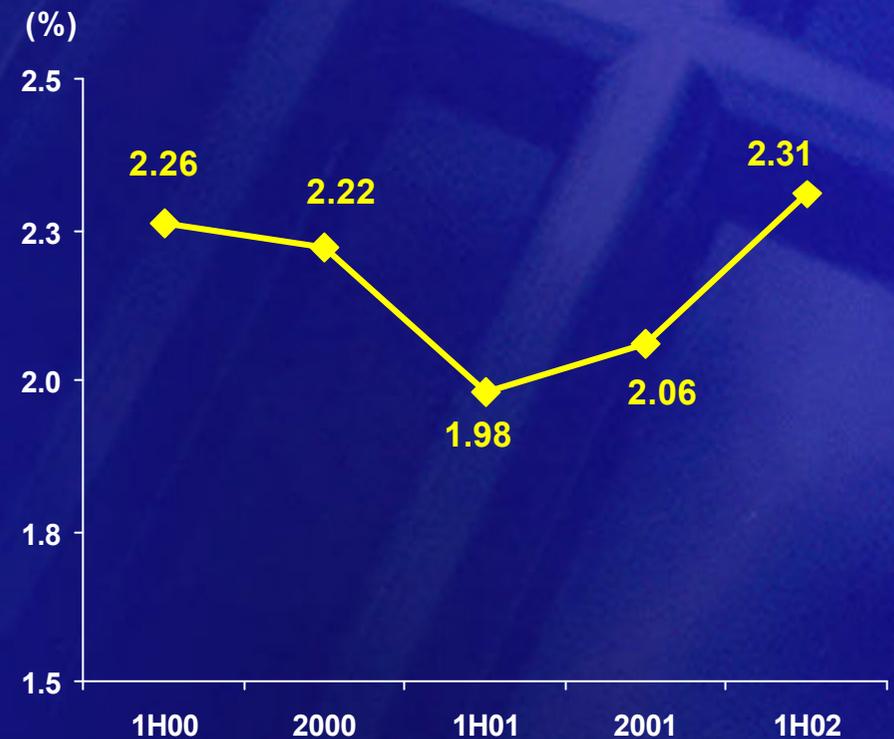
Operating Profit and NPAT were both significantly higher at \$697 million and \$591 million respectively as compared to first half and second half of 2001

# Higher Net Interest Income from expanded book size and improved margin

Net Interest Income



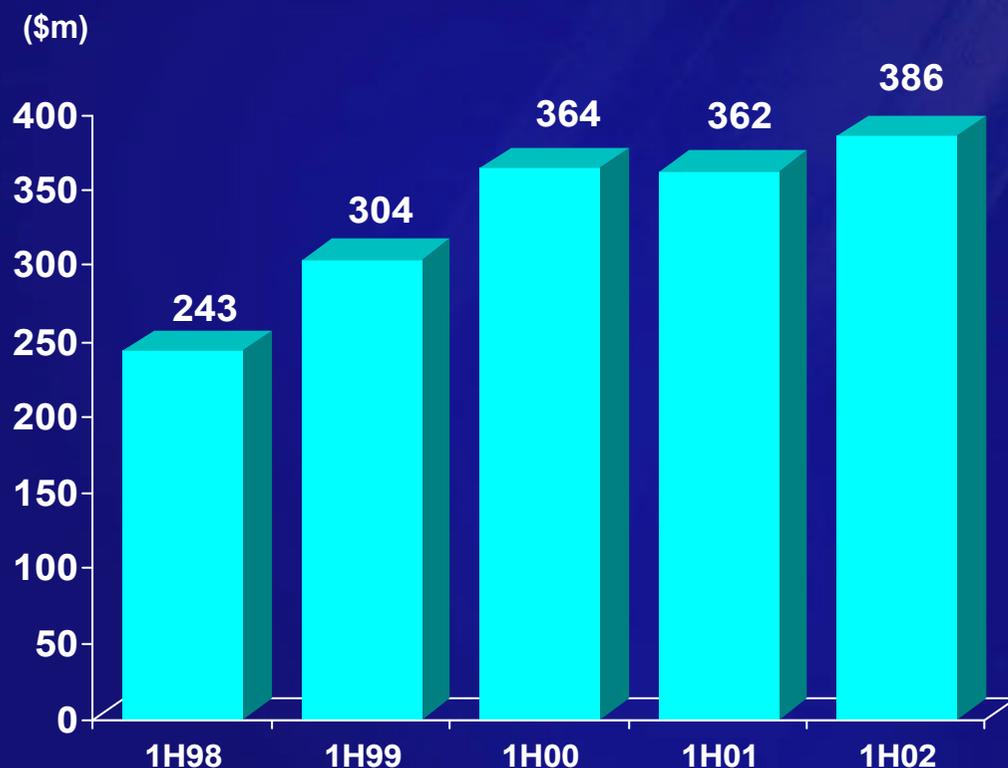
Net Interest Margin



Net interest income (NII) grew by 85.1% mainly due to an expanded loan portfolio and better average interest margin, partly offset by costs of subordinated notes issued

# Modest growth in Non-Interest Income

## Non-Interest Income



## Composition of Non-Interest Income

((\$m))

Fee & Comm

Dividend & Rental

Dealing Income  
- FX/Securities

Other Income

Non-Interest Inc

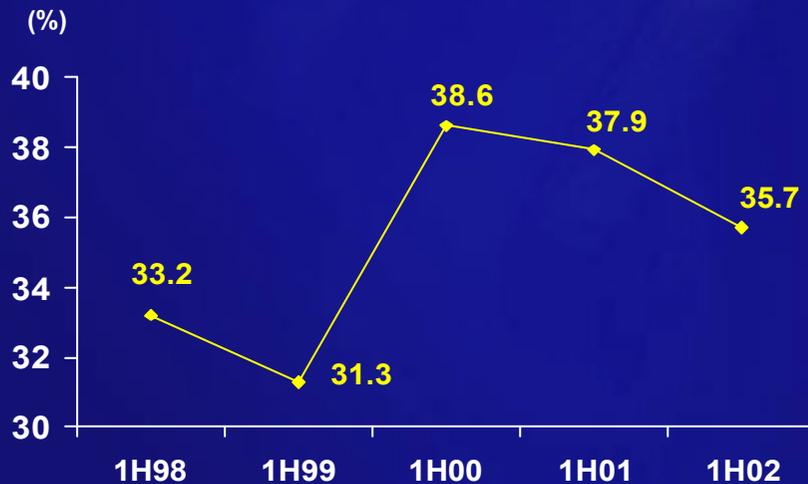
1H02	1H01	Inc/(Dec)	
		Amt	%
247	145	102	70.4
58	45	13	30.3
45	108	(63)	(58.3)
35	64	(29)	(45.3)
386	362	24	6.6

Non-interest income rose by 6.6%, contributed mainly by higher fee and commission income

# Effectively managing our Costs

(\$ m)	1H2002	1H2001	Inc/(Dec) %
Staff Costs	271	186	45.7
Other Operating Expenses	256	174	47.1
<b>Total</b>	<b>527</b>	<b>360</b>	<b>46.4</b>

**Expense to Income Ratio**



**Cost Savings**



Expense to Income ratio improved by 2.2% point to 35.7%, reflecting the continued careful management of expenses by the Group. With integration completed swiftly, the Group is on track to achieve cost savings of approximately \$250m

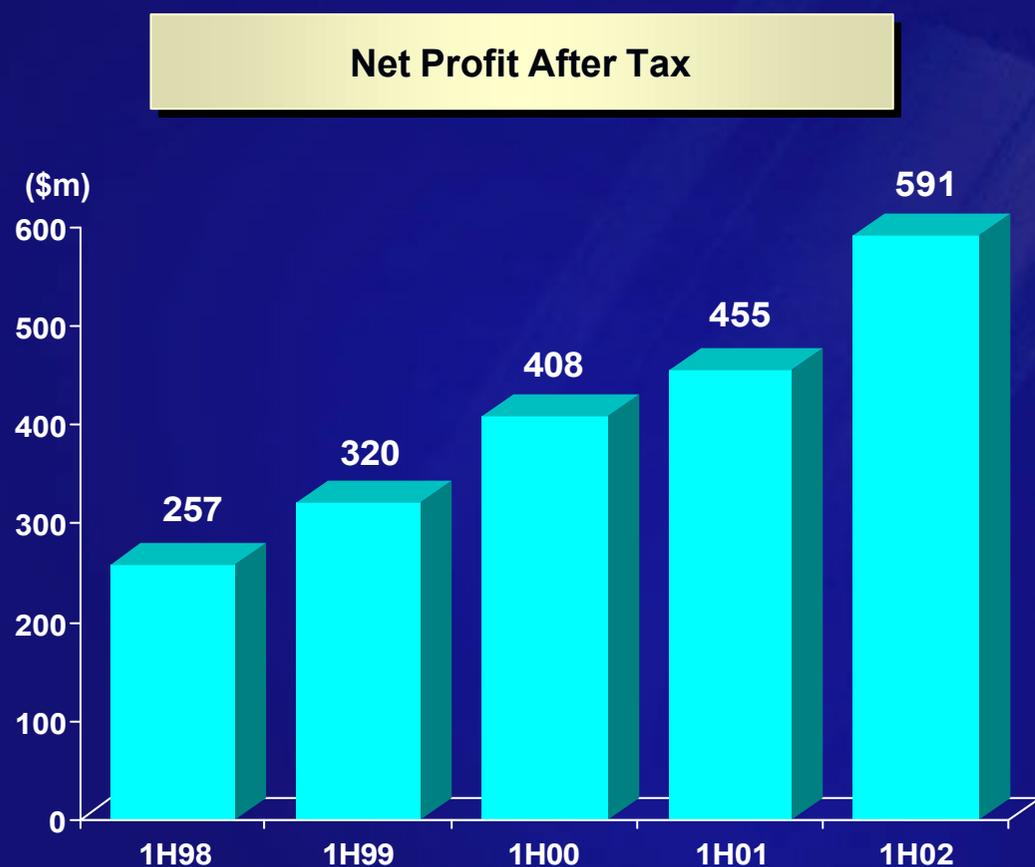
# Higher investment in IT

## IT Operating Expenses

(\$m)	1H2002	1H2001	Inc/(Dec) %
IT Operating Expenses	102	60	70.0
Non IT Operating Expenses	425	300	41.7
Total Operating Expenses	527	360	46.4
IT Operating Expenses / Total Operating Expenses (%)	19.4	16.7	2.7% pt

The Group's increased investment in IT underlines our commitment in developing IT for strategic advantage

# Respectable Net Profit growth amidst uncertain market conditions

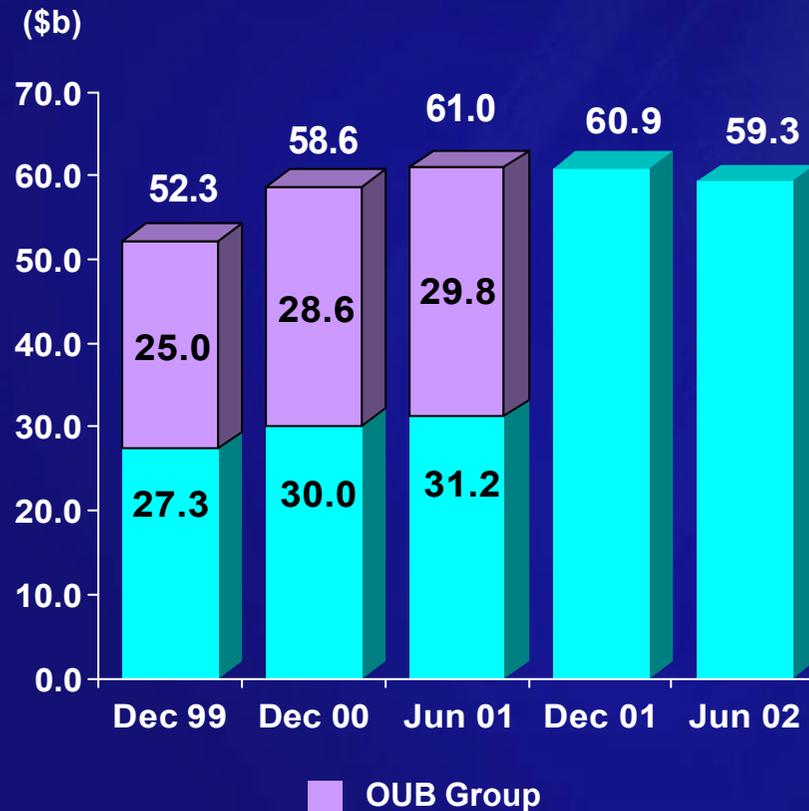


	(\$m)
<b>1H01 Profit</b>	<b>455</b>
<b>Positive Factors</b>	
↑ Net interest income	501
↑ Non-interest income	24
↑ Pre-tax Associates'	69
<b>Negative Factors</b>	
↑ Operating expenses	(167)
↑ Goodwill amortisation	(93)
↑ Provisions charged	(146)
↑ Exceptional items	(18)
↑ Tax and MI	(32)
<b>1H02 Profit</b>	<b>591</b>

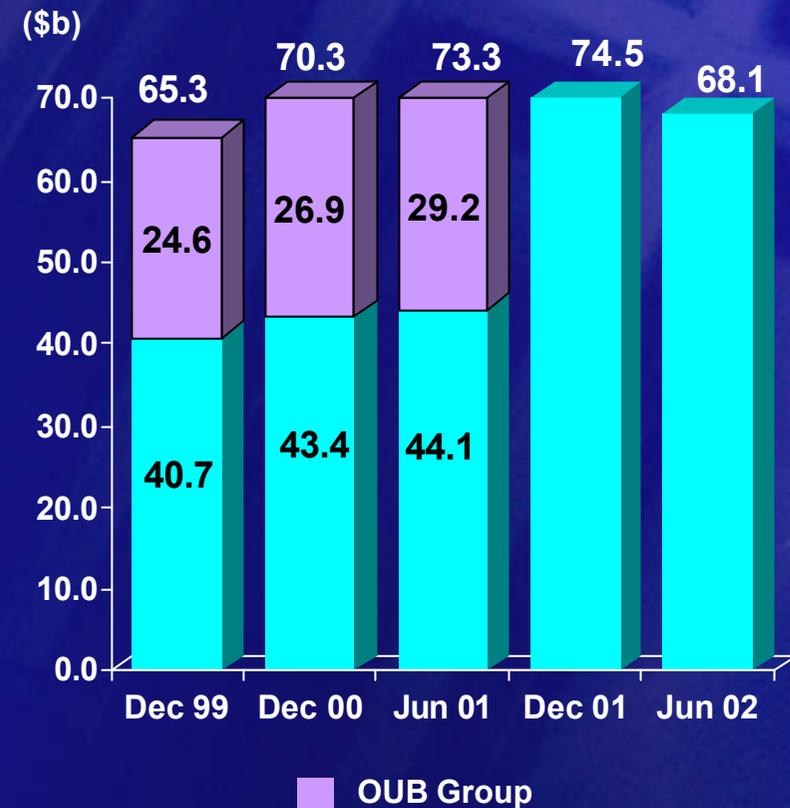
Net Profit growth was largely driven by higher operating income, partially offset by higher operating expenses, higher provisions on the enlarged Group, coupled with amortisation of goodwill

# Slight decline in Loans and Deposits

## Customer Loans



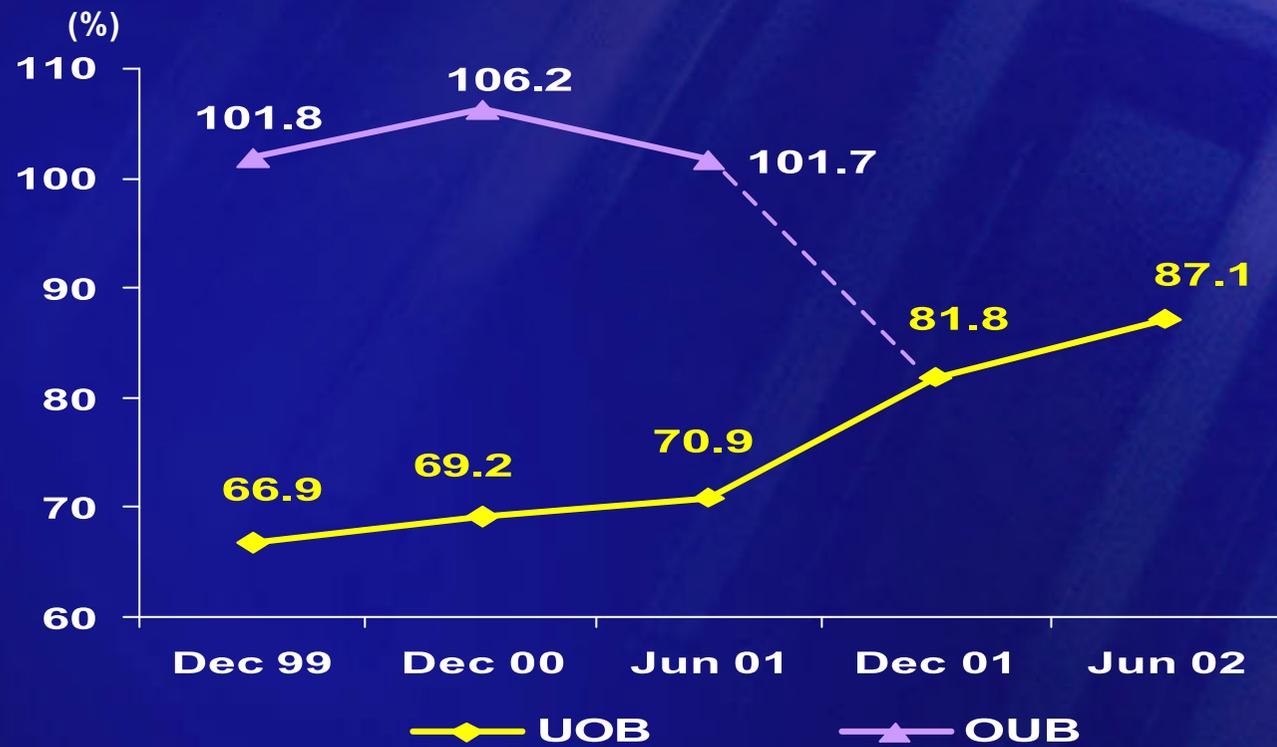
## Customer Deposits



Customer loans decreased by 2.6% to \$59.3 billion, while customer deposits reduced by 8.6% to \$68.1 billion

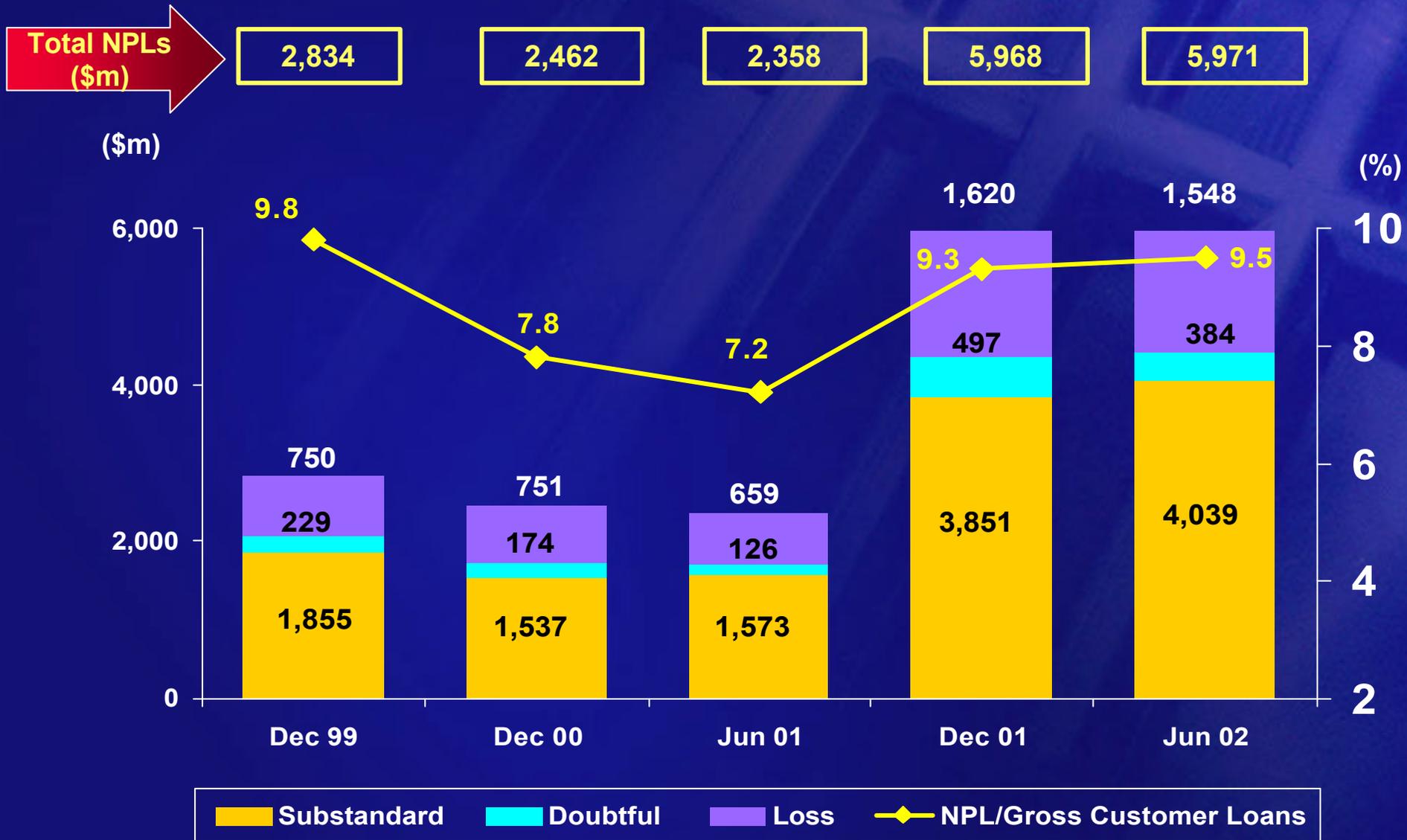
# Increase in L/D ratio

Loans / Deposits Ratio

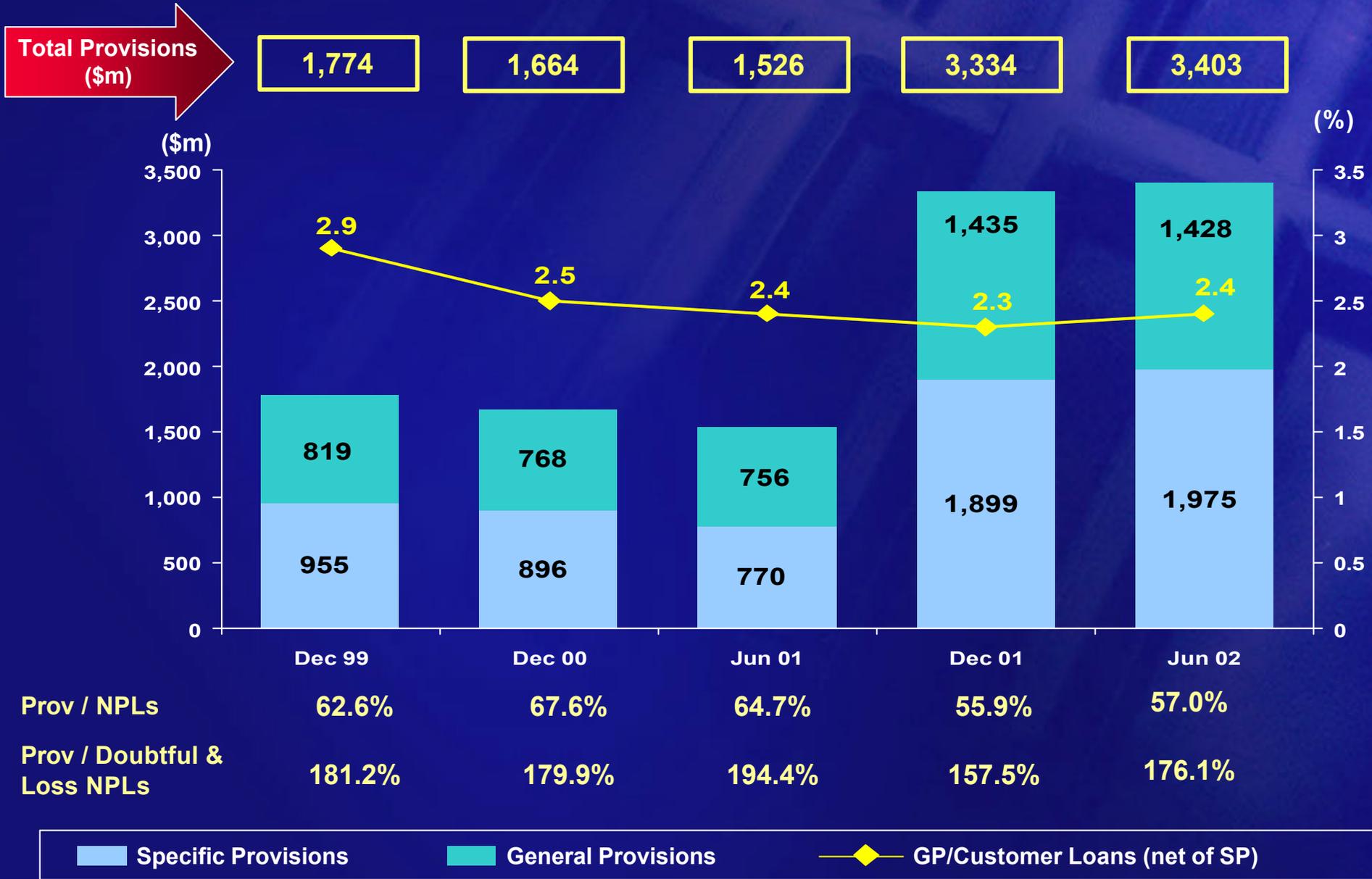


L/D ratio increased by 5.3% point to 87.1%, reflecting synergy from better utilisation of surplus funds

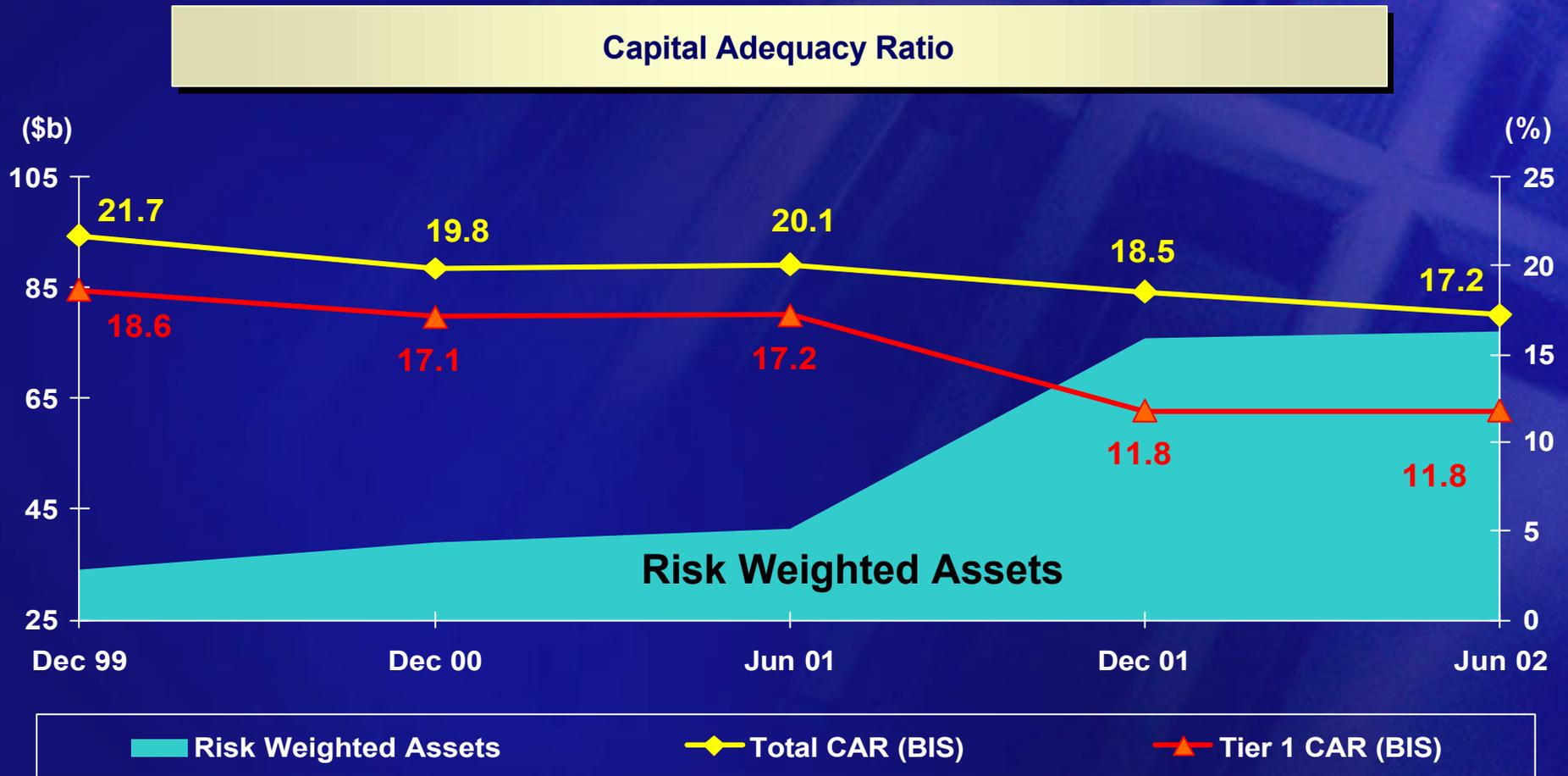
# Improved NPL profile



# Increase in Provision Coverage

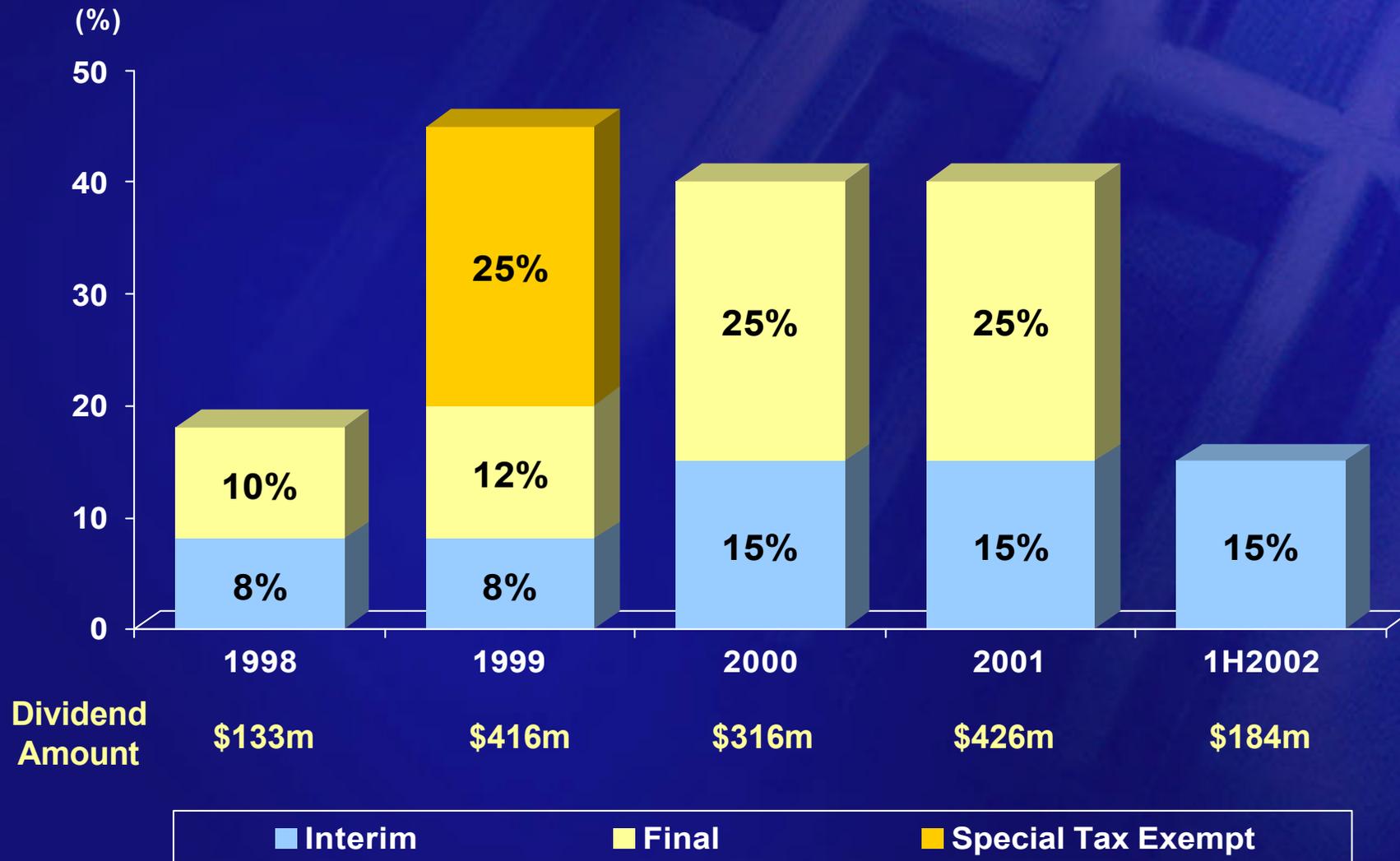


# Strong Capital Position



**Group CAR at 17.2% is still well above the minimum required BIS ratio of 8%**

# Maintaining High Dividend payout to reward shareholders



## In summary ...

	1H2002	2H2001	1H2001	Variance	
				1H02/1H01	1H02/2H01
<b>Net Profit After Tax</b>	<b>\$591m</b>	<b>\$470m</b>	<b>\$455m</b>	<b>+30.0%</b>	<b>+25.8%</b>
<b>ROE (excluding goodwill)</b>	<b>10.7%</b>	<b>10.2%</b>	<b>12.8%</b>	<b>-2.1% pt</b>	<b>+0.5% pt</b>
<b>Expense to Income Ratio</b>	<b>35.7%</b>	<b>40.3%</b>	<b>37.9%</b>	<b>-2.2% pt</b>	<b>-4.6% pt</b>
<b>NPL/Gross Customer Loans</b>	<b>9.5%</b>	<b>9.3%</b>	<b>7.2%</b>	<b>+2.3% pt</b>	<b>+0.2% pt</b>
<b>Dividend Payout</b>	<b>15.0%</b>	<b>25.0%</b>	<b>15.0%</b>	<b>-</b>	<b>nm</b>