

# **Building a Premier Regional Bank**

## **Analysts' Briefing Full Year 2002 Results**

**Address by  
Mr Wee Ee Cheong  
Deputy Chairman & President**

**28 February 2003**

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## Panel Members

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- **Mr Wee Ee Cheong**      **Deputy Chairman & President**
- **Mr Samuel Poon**      **SEVP, Institutional Banking**
- **Mr Terence Ong**      **SEVP, Global Treasury / Asset Mgt**
- **Mr Kuek Tong Au**      **EVP, Corporate Services**
- **Ms Sim Puay Suang**      **EVP, Personal Financial Services**
- **Mr David Loh**      **EVP, Risk Management**
- **Ms Susan Hwee**      **EVP, Information Technology**

# Agenda

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**Post-Integration Cost Savings**

**Financial Review**

**CAR and Asset Quality / Provisioning**

**Domestic & Regional Update**

# Post-Integration Cost Savings

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## Cost Savings Exceeded Expectations

- Achieved cost savings of \$195mn through better execution
- Above our estimate of \$190mn
- On track to realise target annual cost savings of \$250mn in 2003



# Agenda

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## 2002 – A Challenging Year

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- Weak market sentiments & sluggish loan demand
- 2<sup>nd</sup> half further dampened by terrorist attack in Bali & lingering geopolitical risk
- Strong downward pressure on margins as banks compete for housing loan pie
- Full year margins lower than 1<sup>st</sup> half, but improved 20 basis points year-on-year to 2.26%

# Overall Impact Cushioned by OUB Acquisition

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- Enlarged customer base and loan base doubled
- Enhanced leadership position in key market segments
- Expanded product offering and increased distribution reach
- Achieved operational efficiency & excellence through effective use of IT, optimisation of delivery channels, and streamlined backroom operations

# Strength in Cost Management

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## Balance between Managing Cost & Investing for the Future

- Consistent strength in cost management places us in good stead
- Do not compromise investments in strategic areas
- Ready to capitalise on opportunities when economy improves
- View ongoing investments in strategic capabilities & regional infrastructure as key to fulfilling regional ambitions



# Net Profit After Tax (NPAT)

## Delivering a Set of Respectable Results

- NPAT grew 15.1% to \$1.064bn year-on-year
- Achieved through swift integration, harnessing benefits of acquisition, & remaining focused on customers & business

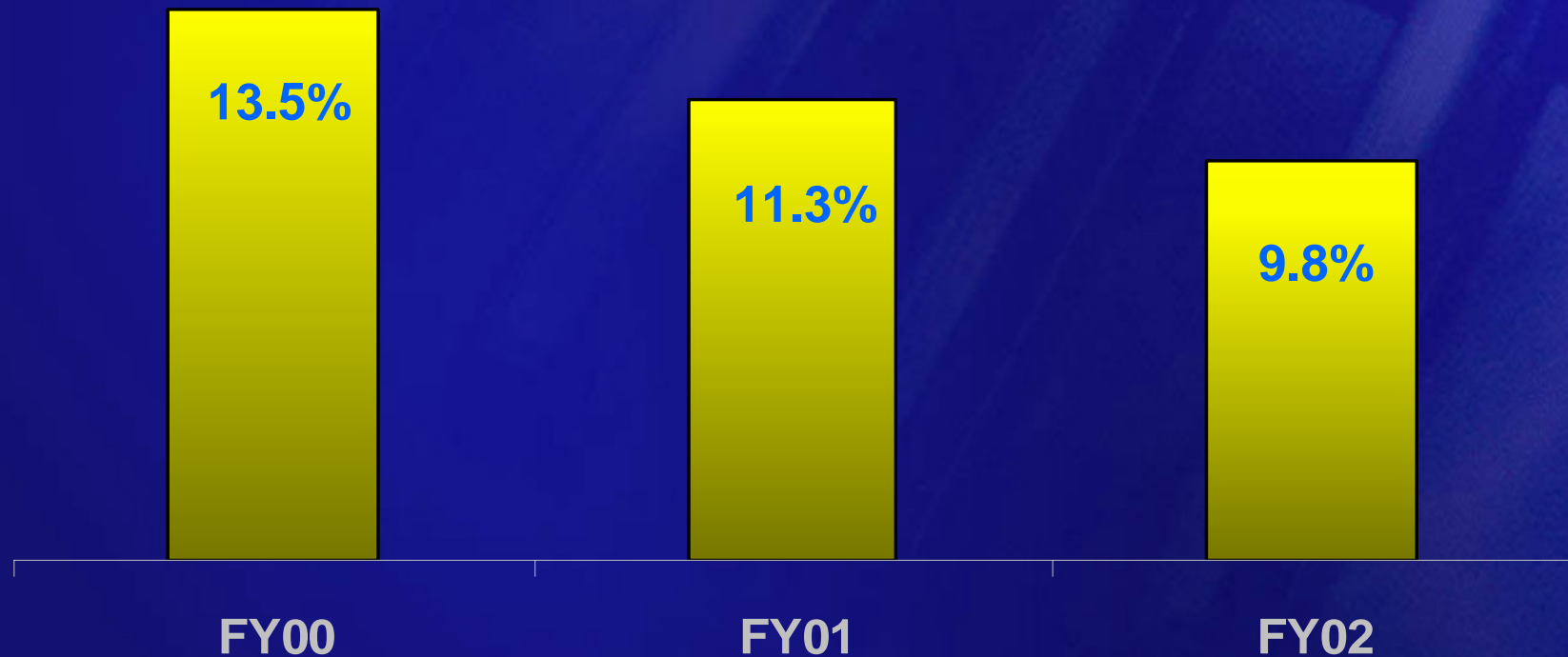


# Return on Equity

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## Temporary Setback in Cash ROE

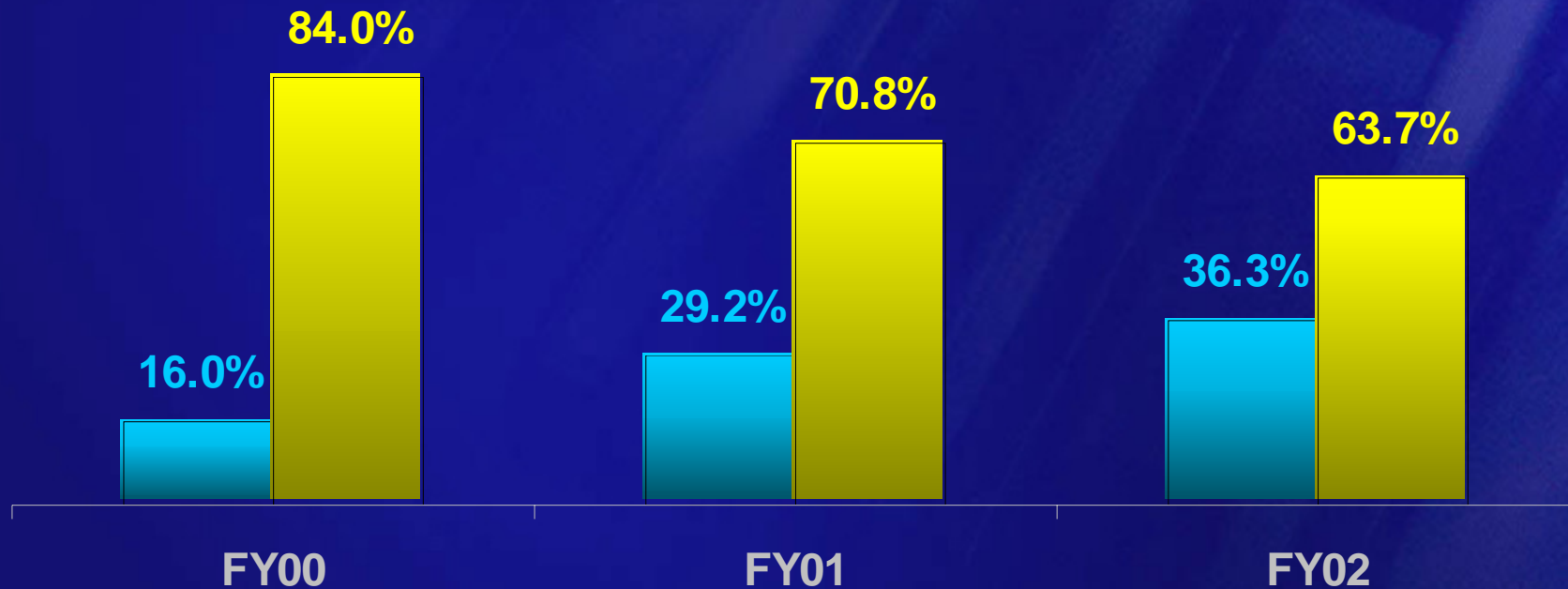
- Due to enlarged capital base post-acquisition



# Offshore Profit Contribution

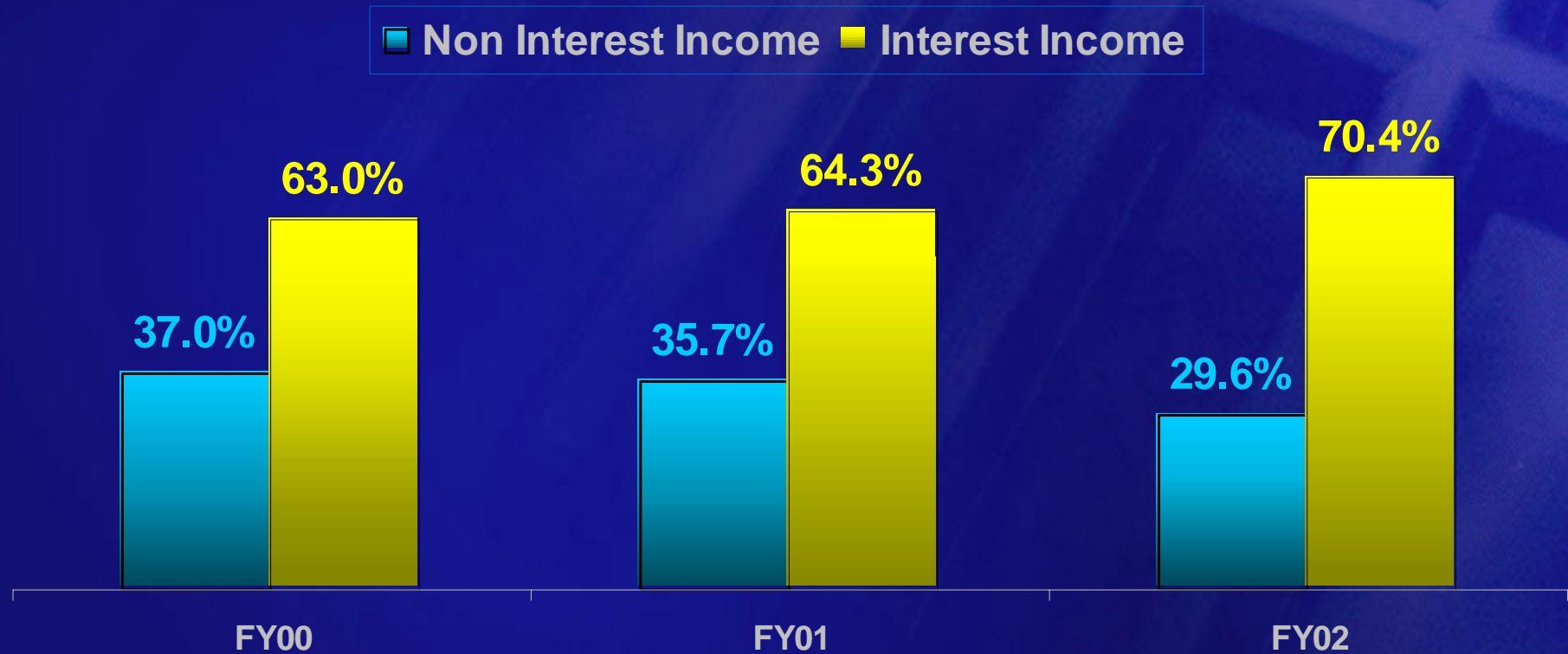
## Reaping Rewards from our Regional Efforts

■ Offshore (Including ACU) ■ Onshore



# Income Mix

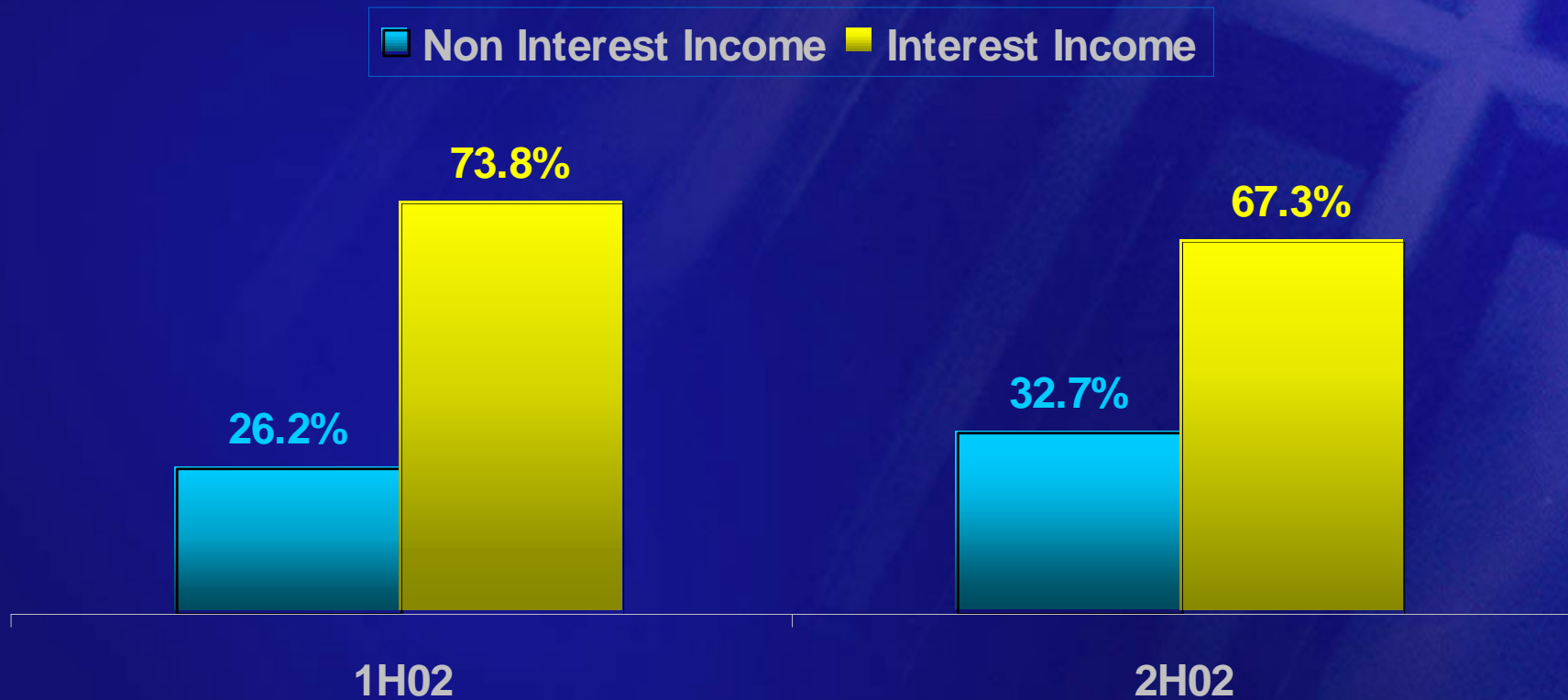
## Continue Efforts to Build Up Non-Interest Income





# Income Mix

## Continue Efforts to Build Up Non-Interest Income

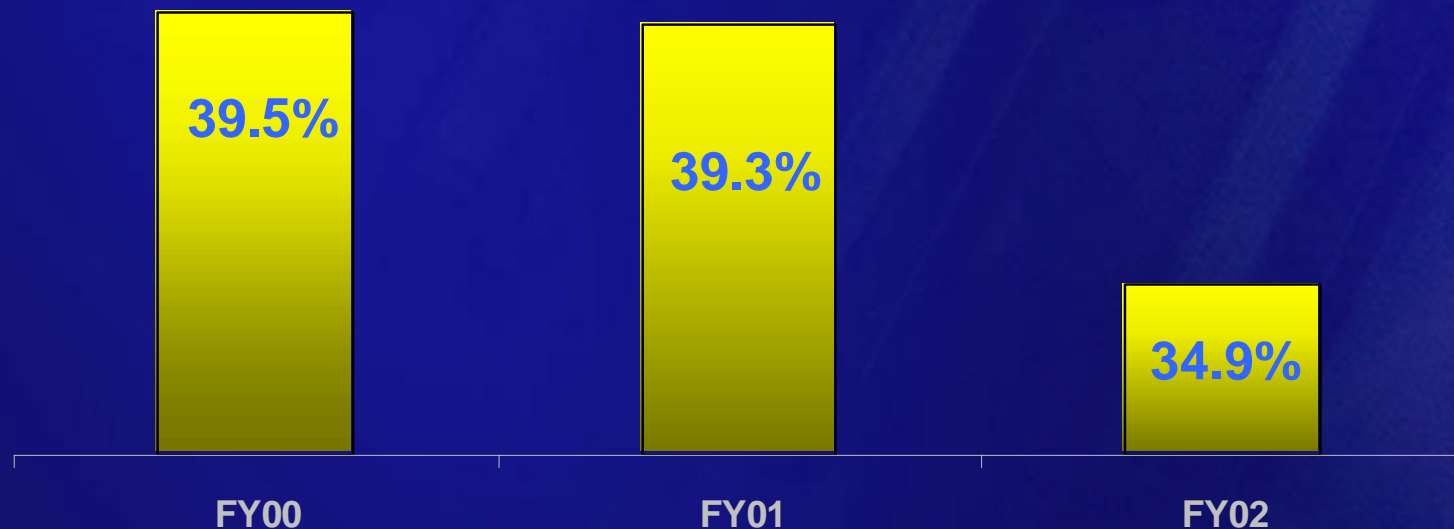


# Expense to Income Ratio

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## Driven by integration Cost Savings & Good Cost Discipline

- Continue to explore ways to streamline operations for efficiency
- ISO 9000 : 2001 certification for operations sets the stage for re-engineering & regional hubbing down the road



# Sustained Investments in Information Technology (IT)

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## IT a Key Business Enabler

- IT expenses as proportion of total expenses rose 1.1 percentage pts from 17.5% to 18.6%
- Initiated Global Hubbing Project as part of plan to put regional infrastructure in place
- Adopt business driven approach for strategic projects such as Value Based Management (VBM) and Customer Relationship Management (CRM)

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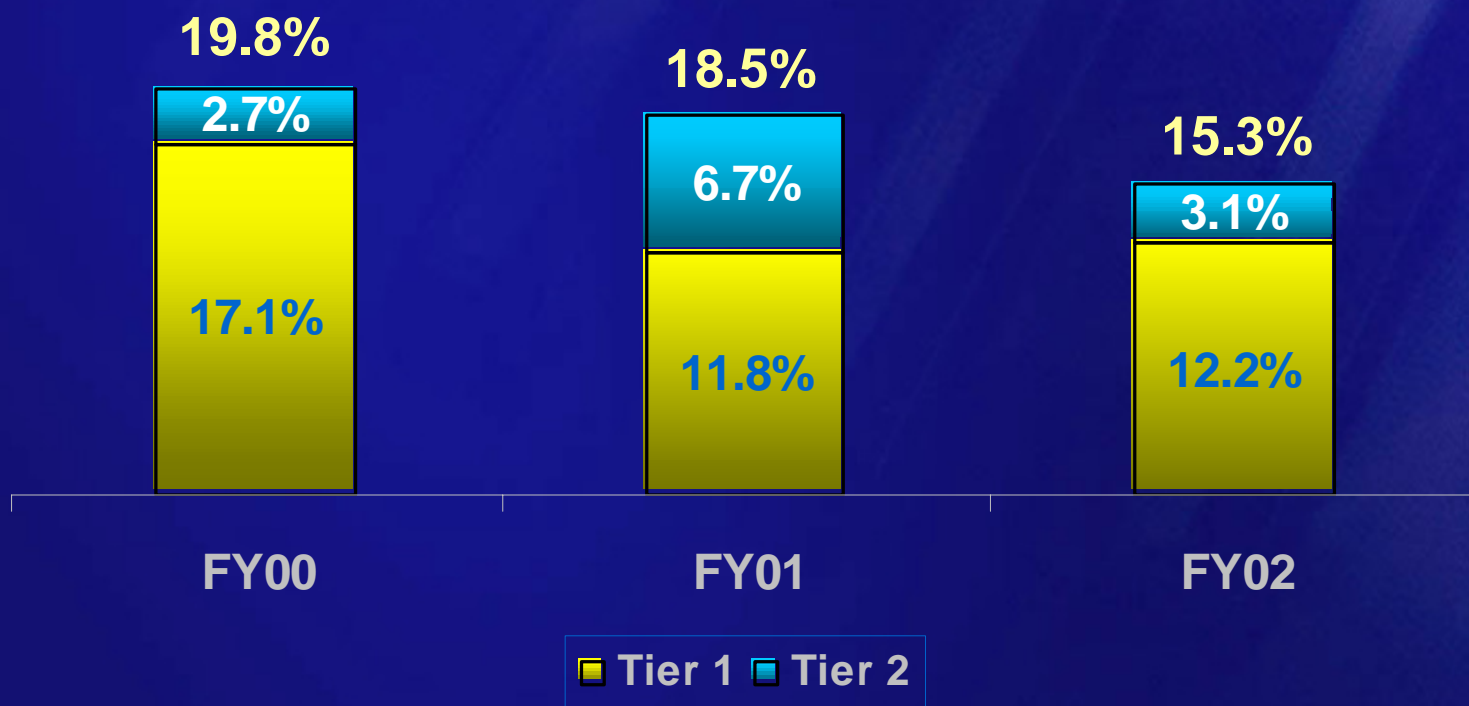
**Domestic & Regional Update**



# Capital Adequacy Ratio (CAR)

## Manage Capital Efficiently in Line with Growth Strategies

- Currently at 15.3%
- Repayment of USD sub-debts in May & September 2002



# Asset Quality and Provisioning

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## Asset Quality

- NPLs improved by 4.8% to \$5.68bn
- General provisions not reversed
- Coverage increased from 55.9% to 61.7%

## Provisioning

- Loans provisions higher in 2H02 than 1H02
- Impact mainly from drop in collateral values

# Agenda

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# Singapore

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## **Continue to Focus on Consumer & SME Markets**

- Adopt customer centric approach to build total & long term relationship with customers
- Enhance value proposition for customers rather than compete based on pricing
- Large customer base, market share & distribution network
- Improve profitability through deepening relationship & cross selling
- Stable management with proven record of execution & delivery



# Consumer

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## **Total Relationship & Value-Focused Strategy Targeting Mass Affluent Segment**

- Extensive renovation of branch network targeting at mass affluent market and fulfillment of investment needs
- Deploy CRM capabilities to improve customer loyalty and entrench customer relationships
- Expand range of products and services to meet target segment needs
- Intensify use of data-mining to support marketing initiatives and increase effectiveness of sales targeting
- Launch of UOB Rewards Plus – 1<sup>st</sup> bank wide reward program

## Strength in Customer Relationship Management

- Remain a committed player
- Leverage on stable management and strength in customer relationship management as we :
  - Tap & foster relationships with customers in selectively new and growth industries
  - Deepen relationships through multiple product holdings
  - Support our customers as they venture & expand overseas

# ASEAN

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## **Malaysia** - Growing in significance as a key contributor

- Leverage on window of opportunity as local banks consolidate
- Strengthen fee-based business such as bancassurance
- Aspiring to be a prominent player in the domestic capital market

## **Thailand** – Next major contributor to the Group

- Ended year with small \$8mn loss due to higher than expected negative carry for AMC notes
- Immediate term – Focus on growing consumer, trade & related businesses



# ASEAN

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## **Philippines** – Returning operations to profitability

- Focus on cost and liability management
- Selective loan growth & investments in high grade sovereign papers

## **Indonesia** – Positioning for steady expansion

- 99% owned subsidiary and branch network reinforces commitment
- Increase emphasis on trade financing activities



# Australia

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- Increasing profit contribution
- Active participation in loan syndications to top tier corporates
- Continue to expand project financing as arranger, sub-arranger or underwriter

# Greater China

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## Expanding Scope of Business & Network

- Significant network in Greater China with a total of 12 offices
- Beef up corporate business
  - Follow existing customers in ASEAN as they expand into China
  - Leverage on our network to serve Greater China customers as they expand beyond Greater China
  - Focus on foreign JVs & top tier Chinese companies to manage risks better
- Build consumer & private banking businesses
  - Strengthen credit card business in Hong Kong
  - Expand selectively into consumer business line in China as opportunities arise

# Greater China

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- Multi-pronged approach
  - Eg. Use private equity in addition to pure lending where relevant
  - Helps deepen understanding of domestic markets while containing risks
- Lay foundation for long term growth by investing in people, systems & infrastructure
- Besides organic growth, open to alliances, JVs or acquisitions if price is right

# Outlook

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## Moderated Outlook for 2003

- Uncertainty surrounding the war has not abated
- Expect to see slower growth, but global environment to look more positive in 2<sup>nd</sup> half
- Build regional infrastructure and branding to further expand regional presence



## Committed to the Region

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- Long term player with intimate understanding of the region
- Region continues to present pockets of opportunities
- Strategic initiatives will position us to ride on next wave of opportunity as economy improves

### Our Vision

**“ To be a Premier Bank in the  
Asia-Pacific Region ”**