

Building a Premier Regional Bank

Analysts' Briefing First Half 2003 Results

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Panel Members

- **Mr Samuel Poon** **SEVP, Institutional & Individual Financial Services**
- **Mr Terence Ong** **SEVP, Global Treasury / Asset Management**
- **Mr Kuek Tong Au** **EVP, Corporate Services**
- **Ms Sim Puay Suang** **EVP, Personal Financial Services**
- **Mr David Loh** **EVP, Risk Management & Compliance**

Agenda

1H03 Operations Review

Financial Highlights

Moving Forward

Creditable 1H03 Operating Profit despite Challenging Environment

Operating profit (before goodwill amortisation & provisions) grew 9.7% on the back of :

- **Uncertainties from Iraq war and SARS outbreak**
- **Low interest rate environment**
- **Continued downward pressure on loan margin in light of intense competition**

Seizing Pockets of Opportunities

- **Tap current favorable interest rate environment to lock in low-cost funds**
 - Issued US\$1 billion 4.50% Subordinated Notes due 2013
- **Making inroads in China**
 - Set up fund management company to pave way for growth in fund management franchise
- **Enhance CDO capability**
 - Launched 3rd synthetic CDO, increasing UOBAM's total asset under management to US\$10.5 billion
- **Entrench relationship in target mass affluent segment**
 - Offered groundbreaking FirstZero Home Loan to bring in higher value customers that provide better cross-selling opportunities

Regional Updates

- **UOB Malaysia remains a key contributor, accounting for about 13% of Group profits**
- **UOB Radanasin benefited from pick-up in economic activities in Thailand and has turned in profits of THB 112 million (S\$4.7 million)**
- **UOB Indonesia continues to be profitable and is in good position to ride on the more stable economic and political environment**
- **UOB Philippines seeing reduced losses from streamlining and consolidation**

Quarter-on-Quarter Profits Declined

	2Q03 \$m	1Q03 \$m	Inc / (Dec) %	2Q02 \$m	Inc / (Dec) %
Net Interest Income	532	535	(0.6)	544	(2.2)
Non-Interest Income	259	249	4.0	201	29.2
Total Income	791	785	0.8	745	6.2
Less: Operating Expenses	271	266	2.1	250	8.6
Operating Profit before Goodwill and Provisions	520	519	0.2	495	5.0
Less: Goodwill Amortisation	51	51	0.3	45	13.1
Provisions	175	90	94.3	147	19.0
Operating Profit after Goodwill and Provisions	294	378	(22.2)	303	(2.9)
Exceptional Item	-	-	-	(10)	(100.0)
Share of Profit of Associates	27	3	863.7	46	(42.0)
Profit before Tax & Minority Interests	321	381	(15.8)	339	(5.5)
Less: Tax & Minority Interests	81	100	(19.4)	65	24.9
Net Profit After Tax	240	281	(14.5)	275	(12.6)

Performance at a Glance

	1H03	1H02	Increase / (Decrease)	
			Amount	%
Operating Profit before Goodwill and Provisions - \$m	1,039	948	91	9.7
Net Profit After Tax (NPAT) - \$m	521	591	(70)	(11.9)
NPAT (excluding goodwill) - \$m	623	684	(61)	(9.0)
Net Customer Loans - \$m	59,760	59,289	471	0.8
Non-Performing Loans - \$m	5,393	5,971	(578)	(9.7)
Cumulative Provisions - \$m	3,496	3,403	93	2.7
Customer Deposits - \$m	66,828	68,079	(1,251)	(1.8)
Total Assets - \$m	107,894	109,096	(1,202)	(1.1)
ROE (excluding goodwill) - %	9.7	10.6	(0.9)%pt	-
Expense-to-Income Ratio - %	34.1	35.7	(1.6)%pt	-
Dividend Rate - %	20.0	15.0	5.0 %pt	-
NAV Per Share - \$	8.21	8.12	0.09	1.1

Profits Declined amidst Difficult Economic Conditions

	1H03	1H02	Inc / (Dec)	
	\$m	\$m	\$m	%
Net Interest Income	1,067	1,089	(22)	(2.0)
Non-Interest Income	509	386	123	31.9
Total Income	1,576	1,475	101	6.9
Less: Operating Expenses	537	527	10	1.8
Operating Profit before Goodwill and Provisions	1,039	948	91	9.7
Less: Goodwill Amortisation	102	93	9	9.6
Provisions	265	157	108	68.5
Operating Profit after Goodwill and Provisions	672	697	(25)	(3.6)
Exceptional Item	-	(18)	(18)	(100.0)
Share of Profit of Associates	30	94	(64)	(68.4)
Profit before Tax & Minority Interests	702	773	(71)	(9.3)
Less: Tax & Minority Interests	181	182	(1)	(0.8)
Net Profit After Tax	521	591	(70)	(11.9)

Lower Net Interest Income from Continued Low Interest Rate Environment and Flat Yield Curve

Net Interest Income

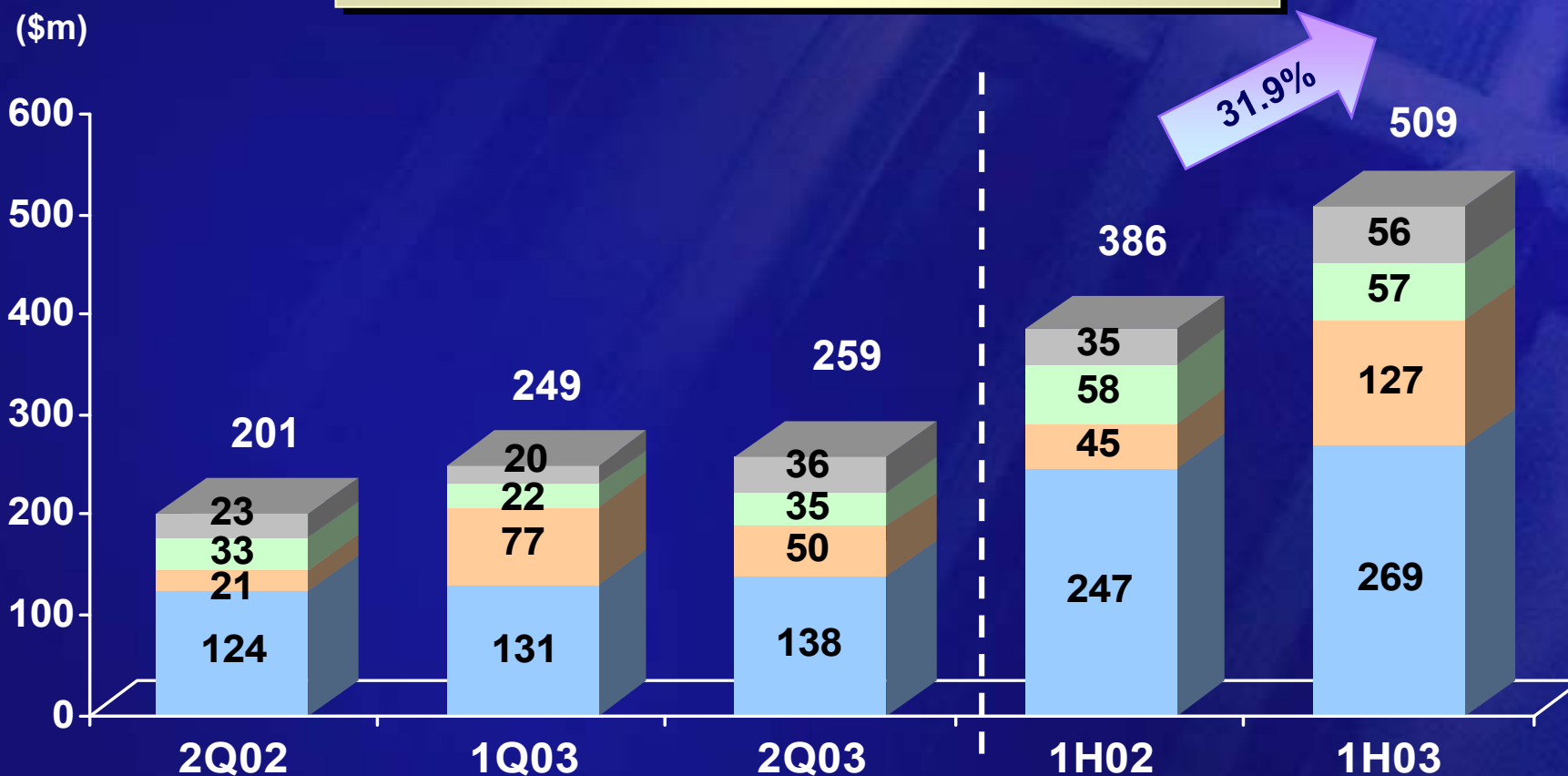


Net Interest Margin



Robust Growth in Non-Interest Income

Non-Interest Income (Non-NII)



Non-NII / Total Income :

26.9%

31.8%

32.8%

26.2%

32.3%

■ Fee & Commission ■ Profit fr Sec/Derivatives/FX ■ Dividend & Rental ■ Other Income

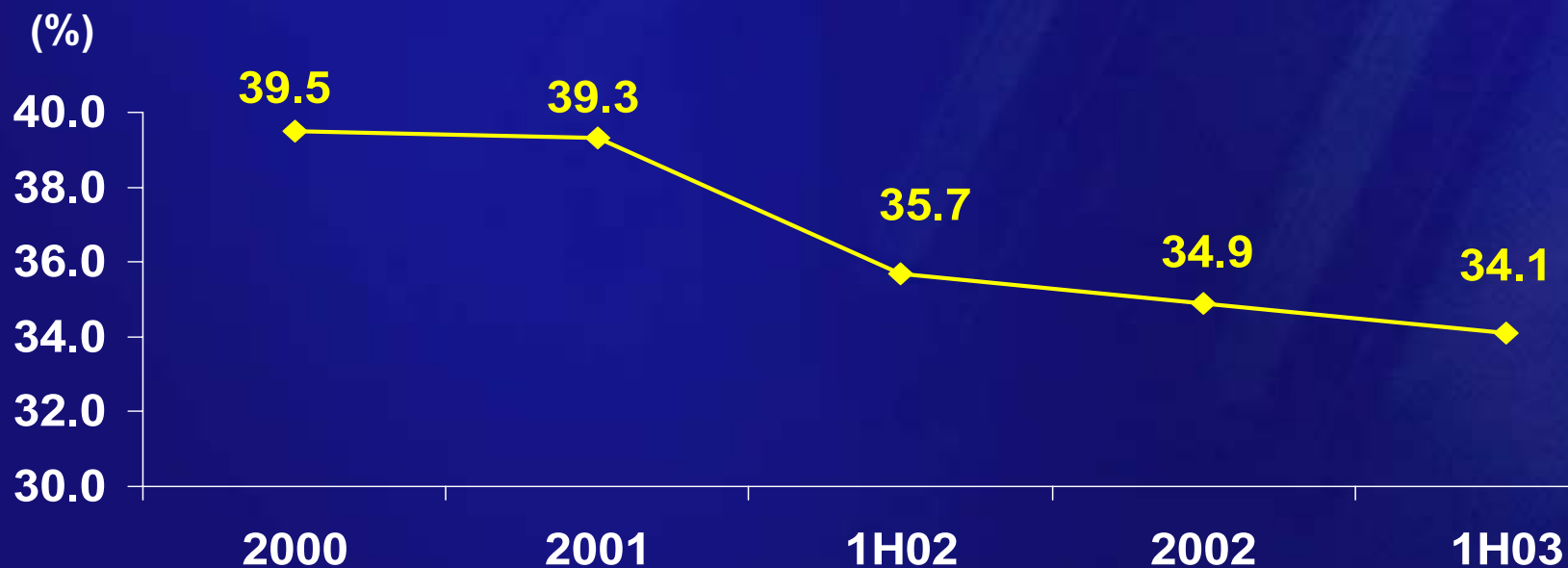
Stronger Fee and Commission Income

	1H03	1H02	Increase / (Decrease)	
	\$m	\$m	\$m	%
Credit card	40	43	(3)	(7.1)
Fund management	32	39	(7)	(18.6)
Futures broking & stockbroking	17	31	(14)	(43.8)
Investment-related	28	12	16	141.4
Loan-related	62	40	22	55.1
Service charges	24	20	4	19.3
Trade-related	54	49	5	10.4
Others	11	13	(2)	(17.3)
Fee and Commission Income	269	247	22	8.5

Effective Cost Management

	1H03 \$m	1H02 \$m	Inc / (Dec) %	2Q03 \$m	1Q03 \$m	Inc / (Dec) %
Staff Costs	262	271	(3.3)	130	132	(1.0)
Other Operating Expenses	275	256	7.3	141	134	5.2
Total	537	527	1.8	271	266	2.1

Expense-to-Income Ratio



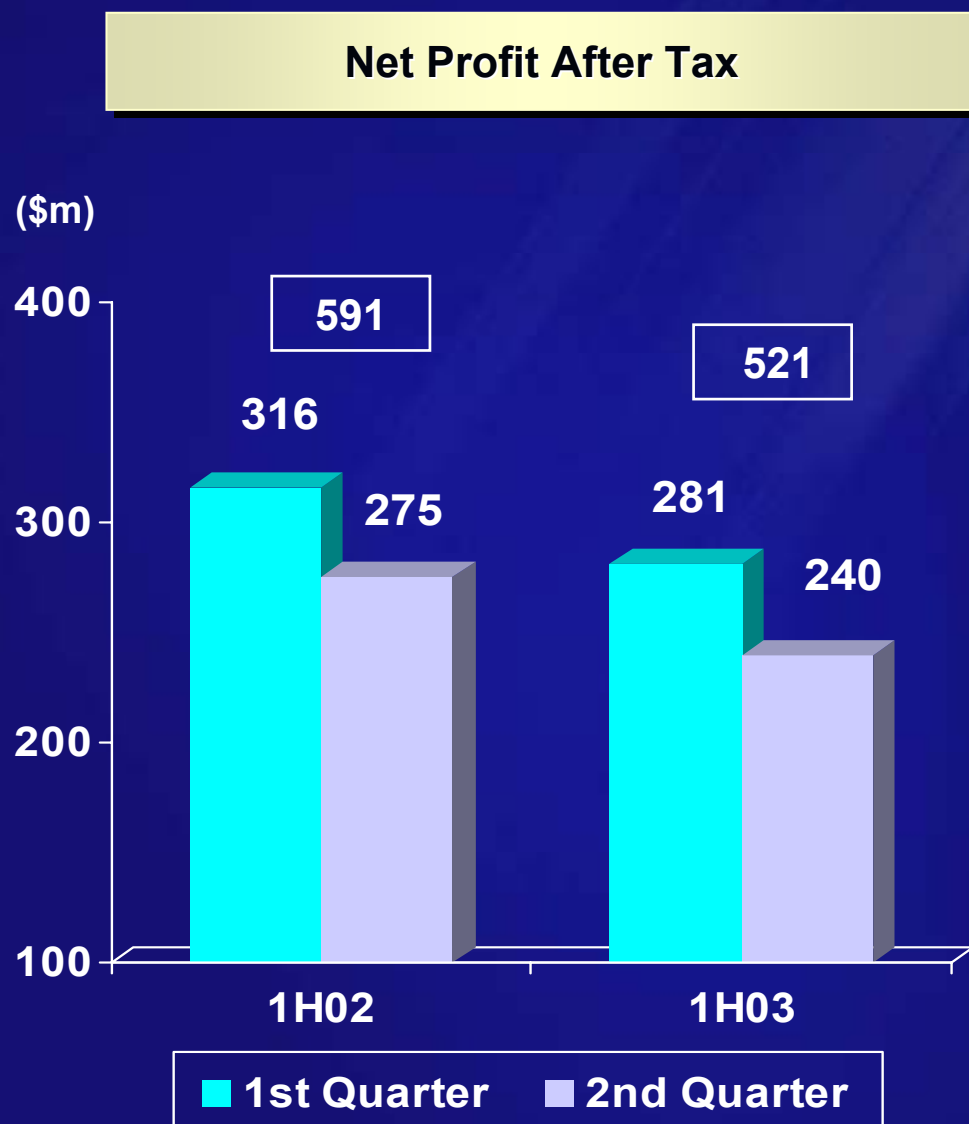
Higher Provision Charges Necessary

Provisions Charged to Income Statement

	1H03	1H02	Inc / (Dec)	2Q03	1Q03	Inc / (Dec)
	\$m	\$m	%	\$m	\$m	%
Specific provisions for loans	245	191	28.4	163	82	98.0
Specific provisions for investments and other assets	20	(34)	nm	12	8	54.6
Total provisions	265	157	68.5	175	90	94.3

nm : not meaningful

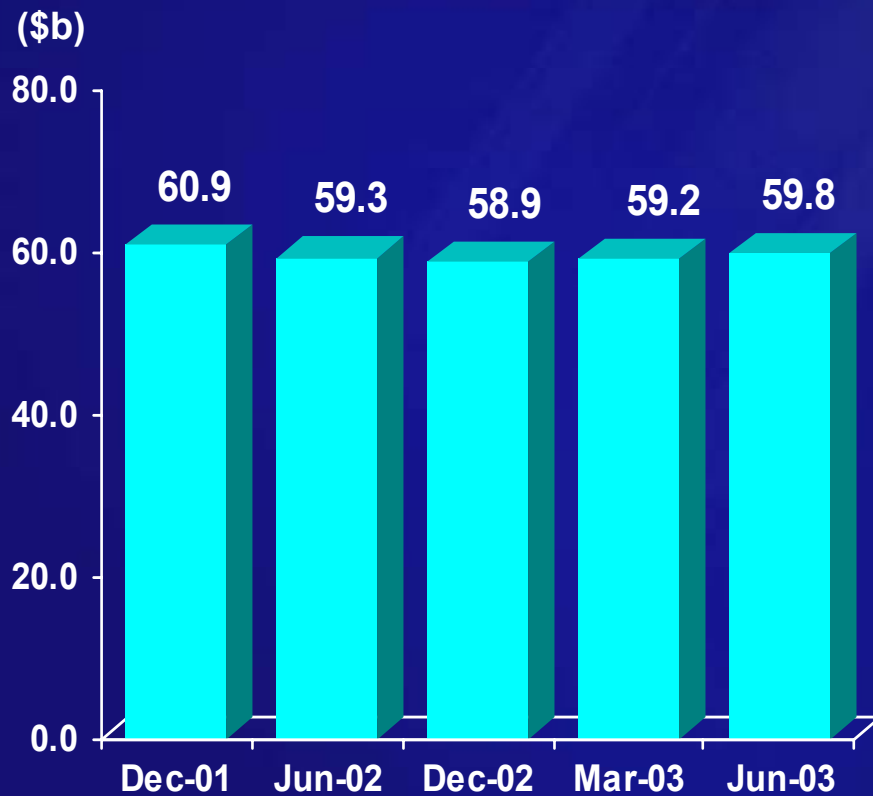
Respectable Net Profit in this Challenging Times



	(\$m)
1H02 Net Profit	591
<u>Positive Factors</u>	
↑ Non-interest income	123
↓ Exceptional item	18
↓ Tax and MI	1
<u>Negative Factors</u>	
↑ Provision charges	(108)
↓ Pre-tax associates' profit	(64)
↓ Net interest income	(22)
↑ Operating expenses	(10)
↑ Goodwill amortisation	(9)
1H03 Net Profit	521

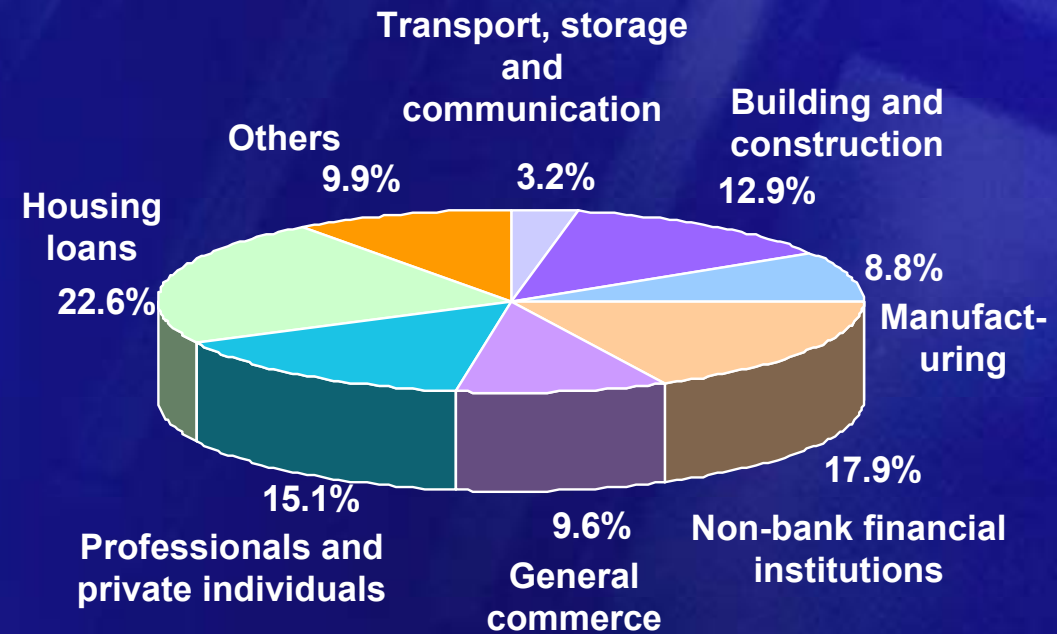
Improved Loans Demand and Diversified Portfolio

Net Customer Loans



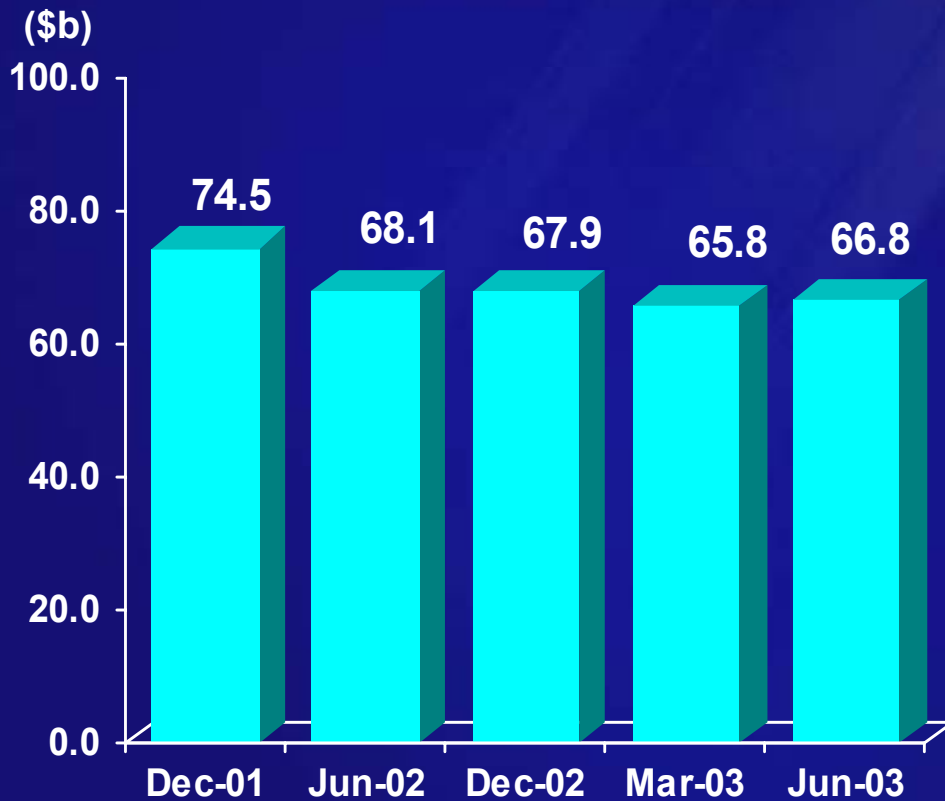
Gross Loans by Industrial Classification

Jun-03



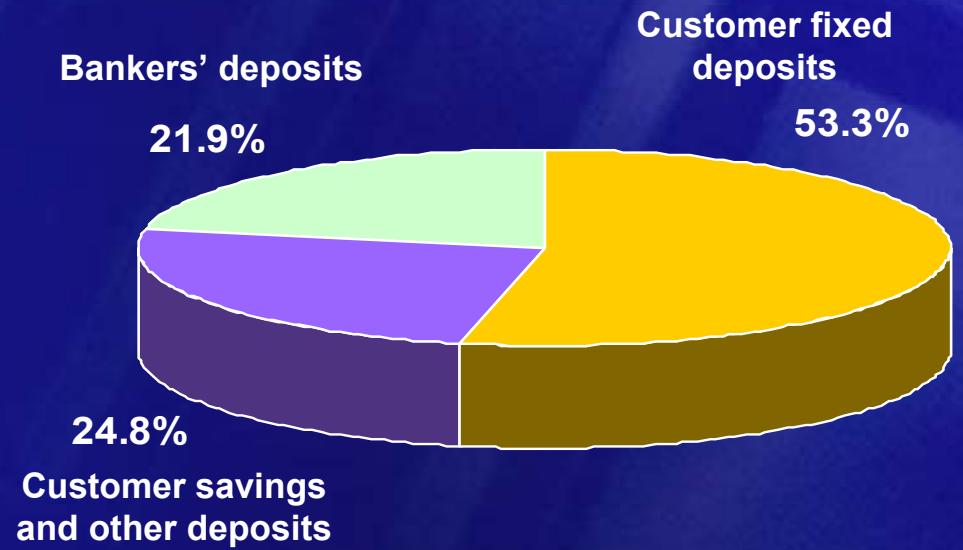
Slight Decline in Deposits

Customer Deposits



Total Deposits by Type

Jun-03

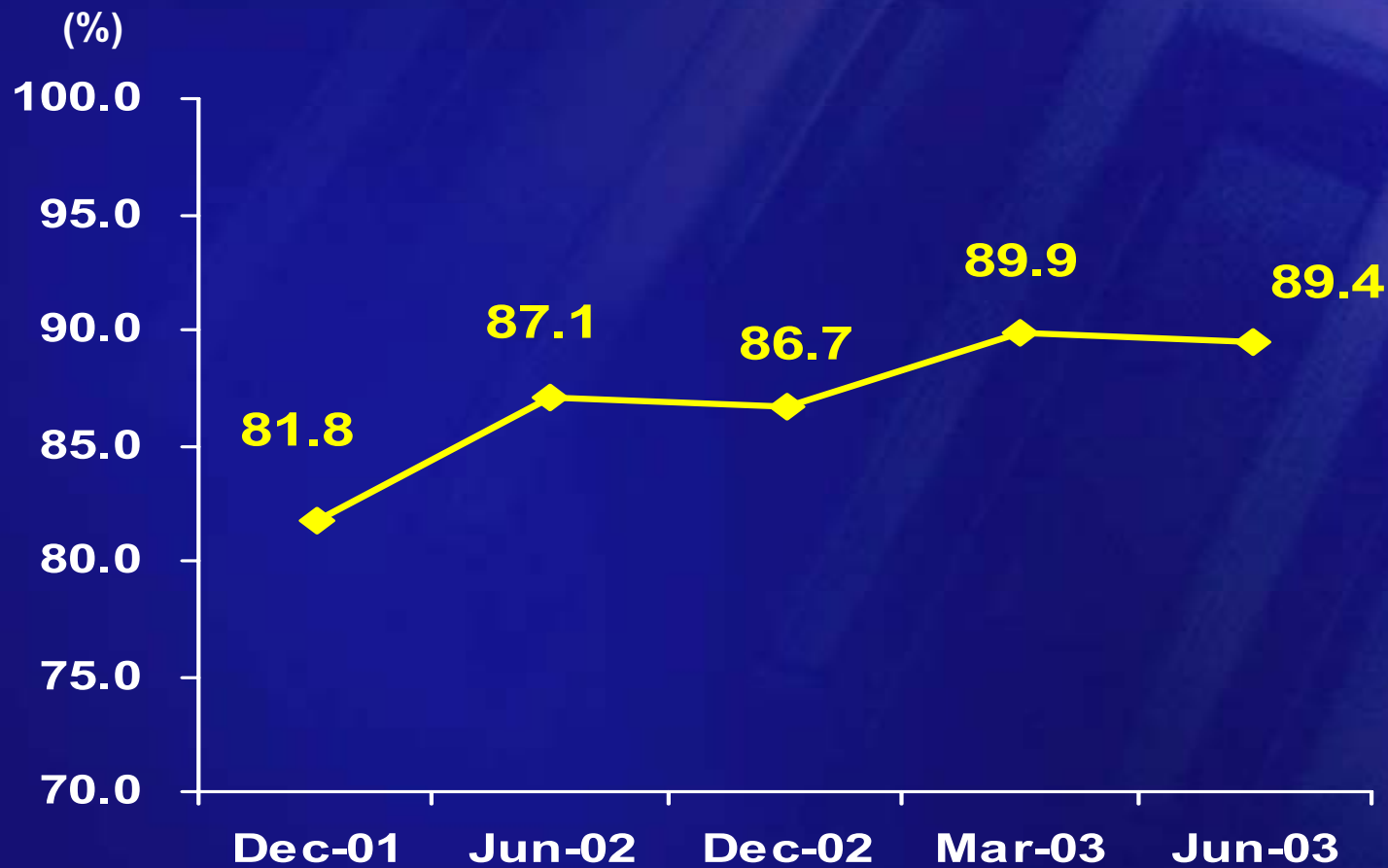


% of Total Deposits

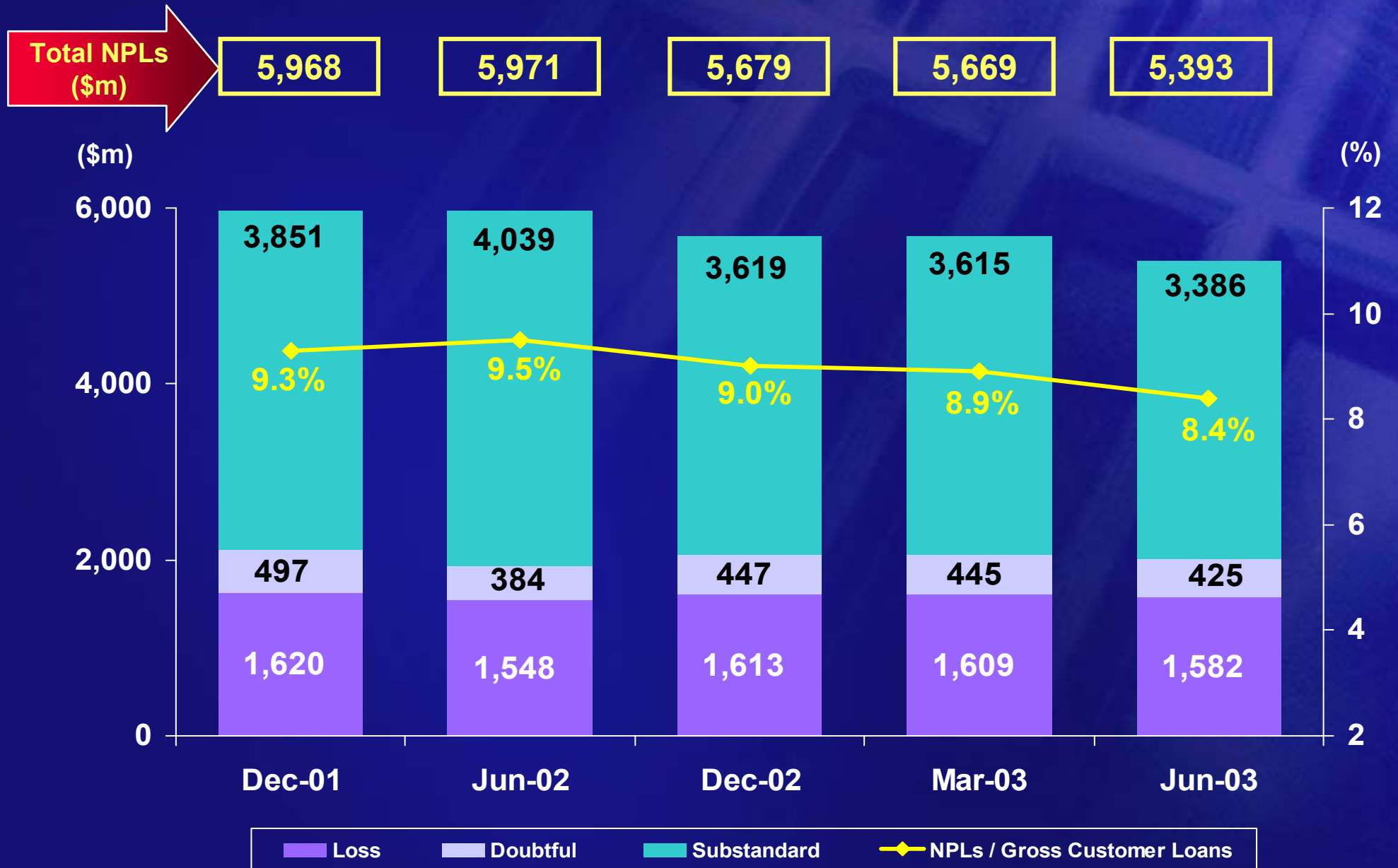
Period	% of Total Deposits
Dec-01	80.4%
Jun-02	77.4%
Dec-02	77.9%
Mar-03	75.3%
Jun-03	78.1%

Better Utilisation of Surplus Funds

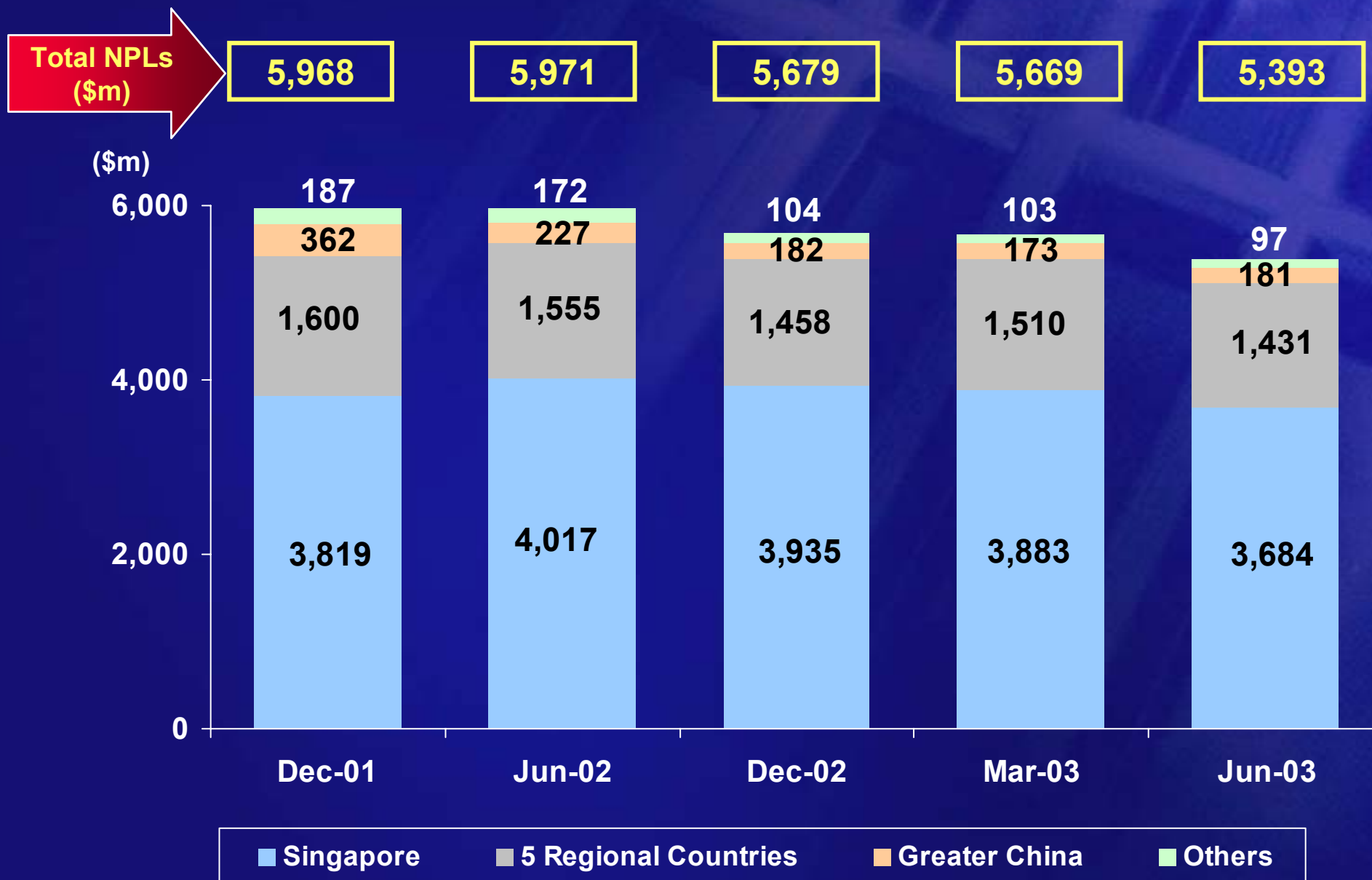
Loans / Deposits Ratio



Improved Non-Performing Loans (NPLs) Ratio



Reduction in NPLs across Regions



Reduction in NPLs across Major Sectors

NPLs By Industrial Classification

	Jun-03 \$m	Dec-02 \$m	Jun-02 \$m	Inc / (Dec)	
				Jun-03/ Dec-02 \$m	Jun-03/ Jun-02 \$m
Transport, storage and communication	123	124	99	(1)	24
Building and construction	770	843	1,108	(73)	(338)
Manufacturing	875	874	906	1	(31)
Non-bank financial institutions	1,016	1,029	1,076	(13)	(60)
General commerce	755	769	761	(14)	(6)
Professionals and private individuals	972	1,014	1,006	(42)	(34)
Housing loans	612	668	588	(56)	24
Others	206	294	404	(88)	(198)
Total NPLs *	5,329	5,615	5,948	(286)	(619)

* Excluding debt securities

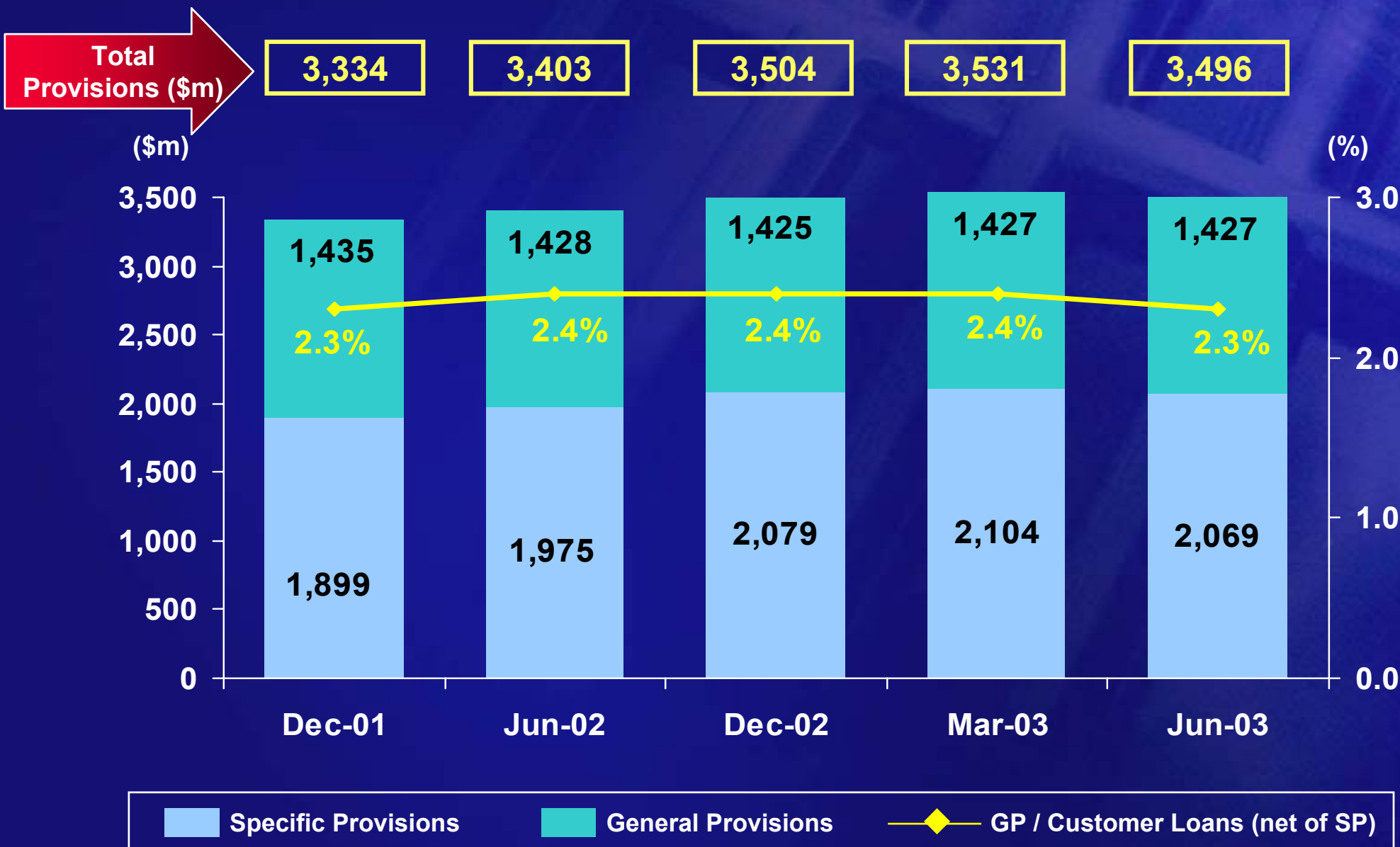
Improved NPLs Ratio for Major Sectors

NPLs Ratio By Industrial Classification

	Inc / (Dec)				
	Jun-03 %	Dec-02 %	Jun-02 %	Jun-03/ Dec-02 % pts	Jun-03/ Jun-02 % pts
Transport, storage and communication	6.1	6.0	4.9	0.1	1.2
Building and construction	9.5	9.2	11.5	0.3	(2.0)
Manufacturing	15.7	16.2	16.3	(0.5)	(0.6)
Non-bank financial institutions	9.0	9.5	9.8	(0.5)	(0.8)
General commerce	12.4	12.4	12.1	-	0.3
Professionals and private individuals	10.2	10.9	11.0	(0.7)	(0.8)
Housing loans	4.3	4.8	4.3	(0.5)	-
Others	3.3	5.3	7.6	(2.0)	(4.3)
Total NPLs* /					
Gross Customer Loans	8.4	9.0	9.5	(0.6)	(1.1)

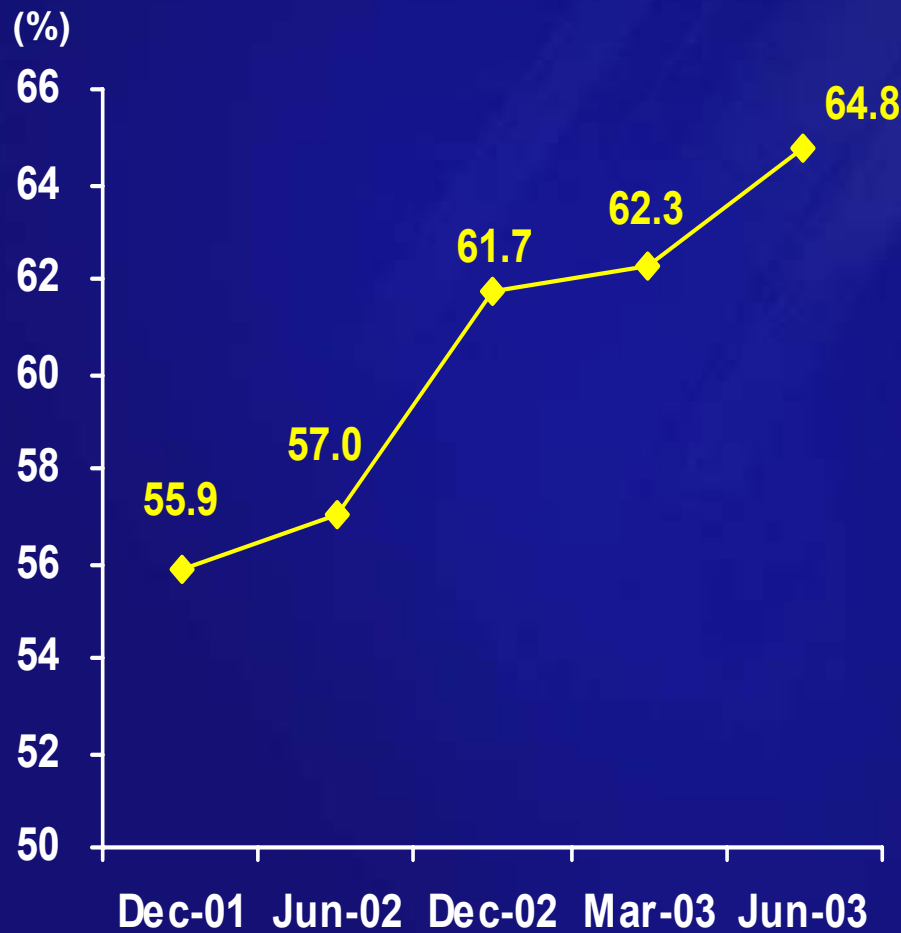
* Excluding debt securities

Cumulative Provisions Maintained Despite Drop in NPLs

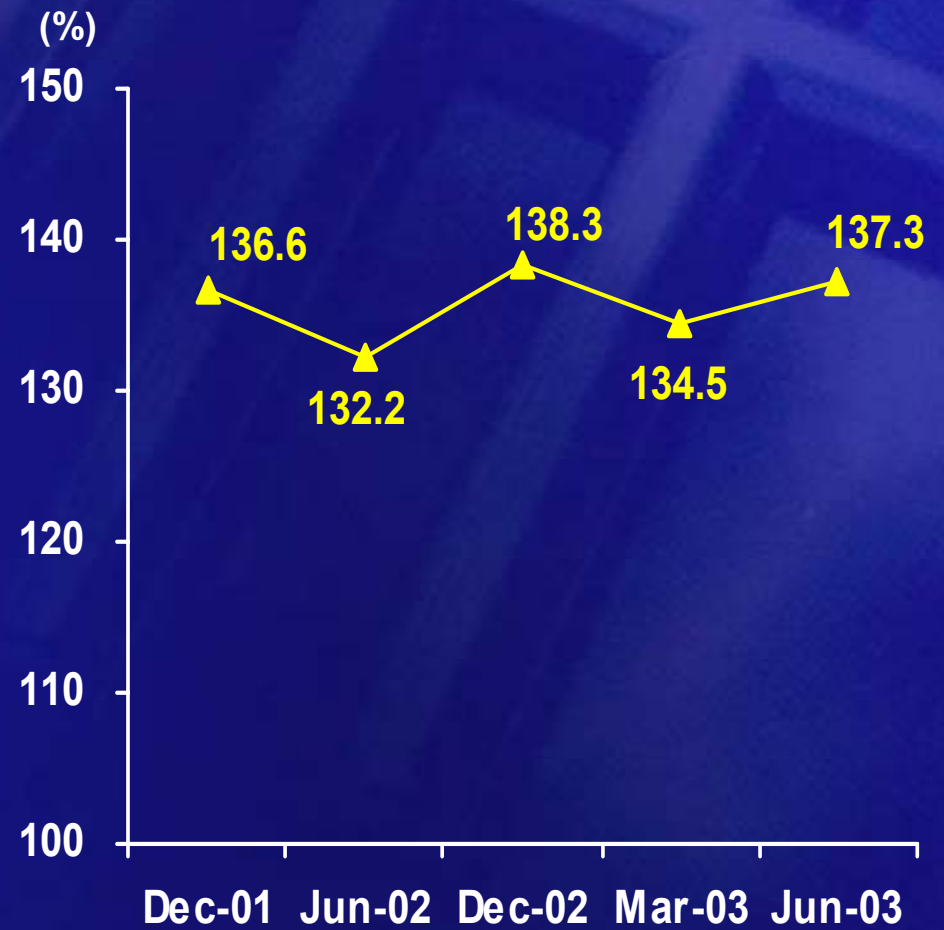


Increase in Provision Coverage

Cumulative Provisions /
Total NPLs Ratio

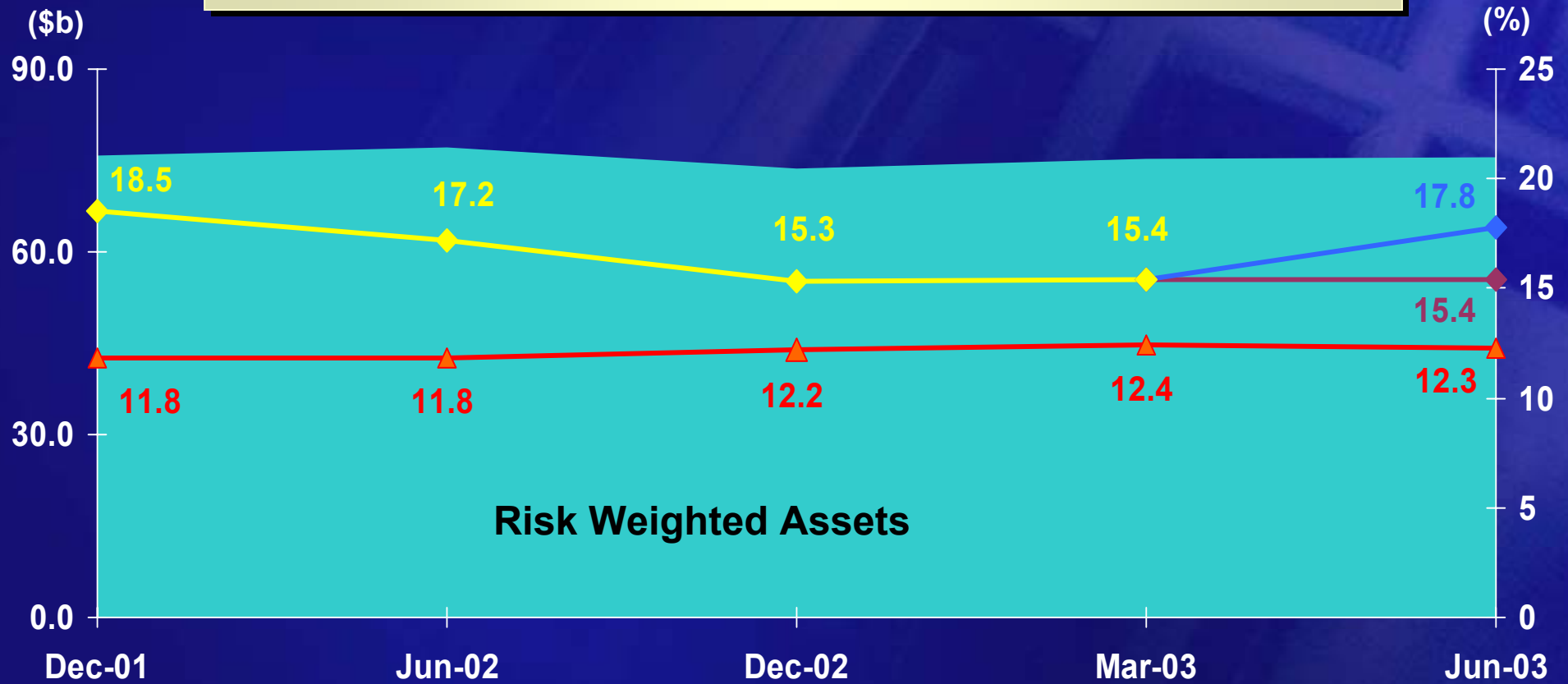


Cumulative Provisions /
Unsecured NPLs Ratio



Strong Capital Position

Capital Adequacy Ratio (BIS)



Risk Weighted Assets

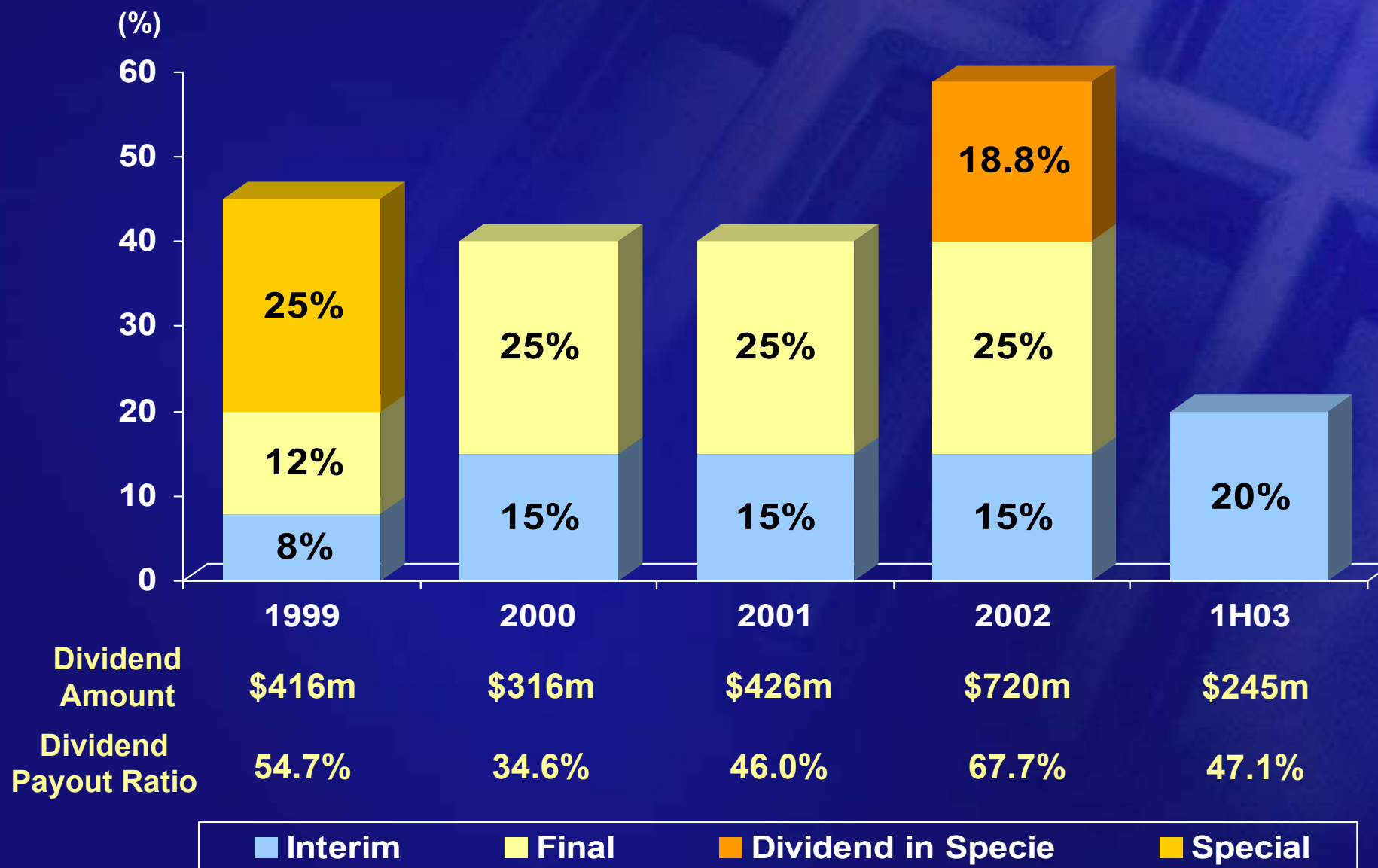
Tier 1 CAR

Total CAR

Total CAR including US\$1 billion 4.50% Subordinated Notes

Total CAR excluding US\$1 billion 4.50% Subordinated Notes

Higher Dividend Payout to Reward Shareholders



In Summary ...

	1H03	1H02	Inc / (Dec)	2Q03	1Q03	Inc / (Dec)
Net Profit After Tax	\$521m	\$591m	(11.9)%	\$240m	\$281m	(14.5)%
ROE (excluding goodwill)	9.7%	10.6%	(0.9)% pt	9.0%	10.4%	(1.4)% pt
Expense to Income Ratio	34.1%	35.7%	(1.6)% pt	34.3%	33.8%	0.5% pt
NPL/Gross Customer Loans	8.4%	9.5%	(1.1)% pt	8.4%	8.9%	(0.5)% pt
Dividend Rate	20.0%	15.0%	5.0% pt	20.0%	-	20.0% pt

Moving Forward

- **Receding event risk, both SARS and Iraq war**
- **Signs of pick-up in the operating environment**
- **Region will be key to our future, remain confident of region's fundamental prospects and long-term growth potential**

Focused Business Strategy

Strengthen Domestic Position



- Continue to strengthen market positions in Consumer and SME markets
- Reinforce fee-based activities
- Prudent cost management

Focused Regional Expansion



- Continue to grow existing operations organically
- Seize opportunities as and when they arise
- Prepared to move aggressively, but in a calculated and disciplined manner

Establish Strategic Partnerships



- Build partnerships via strategic alliances and joint ventures
- Continue to build skill-sets and adopt international best practices
- Further develop cross-selling opportunities by broadening the range of products and services

Invest for the Future



- Continue to invest in technology, infrastructure, customer franchise and human resources for long term growth
- Continue to explore opportunities in new markets and products

The Vision

**To be a premier bank in the
Asia-Pacific region**

***Committed to providing quality products and
excellent customer service***