**Keppel Tat Lee Bank announces 390% increase in Net Profit for 1999**
**15th February 2000**

Keppel Tat Lee Bank (KTB), the Singapore bank with which Allied Irish Banks plc has a strategic alliance, announced its year end results to 31st December 1999. Details of the statement issued by KTB are attached.

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**PRESS RELEASE**

**Keppel TatLee Bank Reports Record Profit**
Keppel TatLee Bank achieved a record 390% improvement in net Profits from $53 million to $260 Million. Return on average shareholders' funds more than trebled to 10.2% from 2.9% and earnings per share rose from 6.6 cents to 23.9 cents. These results were achieved after the first year successful merger of Keppel Bank and Tat Lee Bank on 26 December 1998. Group performance has substantially surpassed even the pre-crisis highest combined profits of $161 million for the two banks in 1996.

**Highlights of the Group's 1999 performance:**

**1.** Strong underlying interest income driven by growth in loan assets and improving spreads. (1999: $464 million; 1998: $263 million; proforma 1998:$400 million)
**2.** Higher non-interest income driven by strong brokerage income and exceptional profits from divestment of long-term investments. (1999: $174 million; 1998: $87 million; proforma 1998:$126 million).
**3.** Cost benefits achieved from merger result in improved expense-to-income ratio from 46.4% to 32.7%.
**4.** Decrease in total non-performing loans (NPLs) by 20% to $1,767 million and substantial reduction in bad debts provision made during the year.
Resulting from the strong performance, the Board is recommending a final dividend of 6% and a special dividend of 5%. The total proposed dividend of 11% less tax is the highest in the history of the Bank.

The recent strategic alliance with Allied Irish Banks p.l.c. (AIB) represents a fresh direction for the Group. Key human resources from AIB have been added and successful practices in AIB are being implemented in the Bank. This will enhance the capabilities of Keppel TatLee Bank and further strengthen our position and market presence.

In 1999, we took advantage of our stronger position to build market share. This produced very satisfactory results, particularly in the domestic banking unit where our loan growth outperformed the industry average in 1999. Of significance is the impressive success the Group had in the home loan market, where our housing loans portfolio increased by 30%. This reflects the Group's capacity to deliver value and service to this important element in consumer financing. We see continued increase in market share in the year 2000.

Going forward, we will focus on the mid to high-end consumer market. We aim to be a strong consumer brand synonymous with innovative products and good customer service. We will further invest in people and technology to develop and cross-sell investment and bancassurance products to boost fee-based income.

Another main area of focus is the small and medium-sized enterprises (SMEs) market. Keppel TatLee Bank is committed to developing its presence and capability in this growing segment of the Singapore economy, strongly promoted by the Government. The Technopreneur Fund launched during the year received very positive response from the rapidly growing technology companies. 25% of the funds that were committed have already been drawn down. The Bank expects to play a key role in helping SMEs to manage the financial aspects of their business in the emerging e-commerce environment.

Our business across the region is starting to benefit from recovery in the markets where we operate. The Group will exploit regional opportunities and make strategic investments that fit well into our core business and add to shareholder value.

Investment is on-going in the exploitation of technology, particularly in Internet delivery, to benefit both the Bank and its customers. We remain confident that the Bank can grow its customer base to improve earnings in our target markets and increase non-interest income. Our range of products and services will be broadened to ensure that our target customers use Keppel TatLee as their bank of choice.

**Financial Review**

**(1) Profit**

**Table 1: Summary of Group Performance**

| | 1999 | 1998 | Incr/(Decr) | Incr/(Decr)<br>v.<br>Proforma 1998 |
|---|---|---|---|---|
| | $'Mil | $'Mil | % | % |
| Net Interest Income | 464.2 | 263.1 | 76.5 | 16.0 |
| Non Interest Income | 173.6 | 87.1 | 99.3 | 37.9 |
| Income before operating expenses | 637.8 | 350.2 | 82.1 | 21.3 |
| ess : Expenses | 208.7 | 162.6 | 28.3 | (17.6) |
| Operating Profit | 429.1 | 187.6 | 128.8 | 57.3 |

| | | | | |
|---|---|---|---|---|
| Less : Provisions | 96.4 | 105.3 | (8.4) | (70.2) |
| | 332.7 | 82.3 | 304.3 | 757.8 |
| Share of results of associates | 9.3 | 1.7 | 435.8 | 435.8 |
| Net profit before tax | 342.0 | 84.0 | 307.0 | 800.3 |
| Net profit before extraordinary items | 259.7 | 53.0 | 389.9 | 463.8 |
| Net profit attributable to members | 259.7 | 430.1 | (39.6) | 463.8 |

· Proforma 1998 represents the combined full year 1998 results of Keppel and Tat Lee Bank Groups.

**Net profits** - Profits increased by 390% or $206.7 million to $259.7 million in 1999. Driving the 1999 performance were mainly:
(i) Enhanced earnings from the enlarged business base.
(ii) Improved interest margin due to lower funding cost.
(iii) Improved cost efficiency.
(iv) Higher fee income, particularly brokerage commission.

Included in this year's results were the exceptional profits from the disposal of the Group's investment in TLB Land ($18 million) and Tat Lee Securities' share in the former Stock Exchange of Singapore ($10.5 million). Excluding the profits from the divestments, net profits registered a 336% increase over 1998.

**Net Interest Income** - Net interest income grew by 76.5% to $464.2 million due to the higher interest earnings from a bigger average asset base during the year and better interest spreads. Net interest margin was boosted by the lower funding cost with the relatively low interest rate environment in 1999. The Group's proactive asset and liability management also contributed to the higher margin.

**Non-interest income** - Non-interest income of $173.6 million was $86.5 million or 99.3% higher due to the broader customer base which created opportunities for more fee-based activities and hence the higher fee income. Strong growth in brokerage commission from stockbroking operations with the active stock market was another factor. Exceptional profits of $28.5 million were recorded from the divestment of the Group's stake in TLB Land and share in the former Stock Exchange (See Appendix 1(a) on other operating income).

**Operating Expenses -** The first full year of operating expenses for the merged group amounted to $208.7 million in 1999. This is an increase of 28.3% over 1998. However, compared to proforma 1998 expenses, a decline of about 18% was registered. Excluding investment expenses to support future growth, the Group achieved its target cost savings of approximately $50 million or 20% of its recurring expenses, as announced at the time of merger. As the Group streamlined its operations including closure of branches, it was able to benefit from synergy and economies of scale. Hence, with the substantial growth of 82.1% in total income before operating expenses, cost efficiency as measured by expense-to-income ratio improved significantly from 46.4% to 32.7%. Maintaining these levels will be challenging given upward market pressure for key skills and the Bank's desire to grow fee-based activity.

**Provisions -** The total provision made in 1999 was $96.4 million compared to $105.3 million in 1998. The decrease is more pronounced when compared to the proforma provisions of more than $300 million for both Keppel Bank and Tat Lee Bank in 1998. The lower provision made in the second half this year of $30.1 million compared to the first half of $66.3 million reflects the increased stability in credit portfolio quality as economic climate in the Asian countries improved.

**(2) Loans & Advances**

Gross non-bank loans and advances of the Group increased by 5.5% to $13.4 billion from end-December 1998. In the aftermath of the economic crisis, the Group continues to be selective and cautious in its lending approach. Loans and advances to customers are spread across the various industrial sectors. Good progress is recorded in financing of promising small and medium-sized local businesses as well as retail lending, particularly housing loans and other personal credits. A breakdown of loans and advances by type of industry exposure and residual maturity is shown in Appendix 1(b)(i).

**(3) Deposits**

Non-bank deposits which amounted to $12.9 billion represents an increase of 7% from last year. At 68% of the Group's total deposits which stood at $19.1 billion, non-bank deposits form a significant part of the Group's overall funding. With the enlarged branch network, the Group will continue to build a stable retail deposit base. As at 31 December 1999, net loans to non-bank deposits ratio stood at 95.7%. An analysis of the residual maturity of bank and non-bank deposits is shown in Appendix 1(b)(ii).

**(4) Shareholders' Funds and Capital Adequacy (Appendix 1c)**

Shareholders' funds rose by $157 million to $2.6 billion as at end of December 1999. The increase was due to proceeds from shares issued and retained earnings.

Group's capital adequacy is measured by the ratio of the Group's capital to risk-weighted assets, including both on and off balance sheet items based on Bank for International Settlements (BIS) guidelines. The Group's tier 1 capital comprising shareholders' funds and minority interests amounted to $2.7 billion as at end of the year. Risk-weighted assets including market risks expanded by 12.6% to $16.0 billion. As at end of 1999, tier 1 capital ratio was 17.1% while total capital ratio was 18.8% (based on BIS guidelines).

**(5) Country Exposures (Appendix 1e)**

1999 was a period of consolidation in regional exposure. The Group's exposure to the five regional countries (RC), namely Malaysia, Indonesia, Thailand, Korea and Philippines, amounted to $1,220 million as at end of December 1999. This was a decrease of 11% from $1,373 million as at end of December 1998. In total, the exposure to RC represents 5.0% of the Group's total assets.

Exposure to Indonesia was $561 million or 2.3% of total assets, down by 22% from end 1998 mainly due to reduced exposure in non-bank loans. Exposure to Thailand dropped by 48% to $212 million, also mainly due to lower non-bank exposure, representing 0.9% of Group's total assets.

The Group's net exposures to China and Hong Kong as at end of December 1999 amounted to $117 million and $484 million, representing 0.5% and 2.0% of total assets respectively.

**(6) Non-Performing Loans (NPLs) (Appendix 1f)**

Total NPLs decreased by 20% or $446 million from $2,213 million as at end of December 1998 to $1,767 million as at end of December 1999. Of the total NPLs:

(a) 58% or $1,030 million were in the substandard or least severe category;

(b) 15% or $267 million were non-defaulting but graded under substandard;

(c) 57% or $1,013 million were secured by collaterals. Cumulative specific provisions of $667 million covered 88% of
otheremaining unsecured NPLs of $754 million. Including general provisions, total cumulative specific and general provisions of $1,155 million amply covered the unsecured NPLs of $754 million.
Regional NPLs of $356 million as at end of 1999 represented a decline of 49% or $348 million from $704 million the year before. This was in part due to repayments, restructuring as well as accounts being upgraded to performing loans. Those loans whose recoverability is remote and which have been fully provided for were also written off.
NPLs in Singapore decreased by $98 million or 6.7% from $1,465 million to $1,367 million as at end-December 1999. This was mainly due to payments partially offset by a net increase in NPLs of $105 million (new NPLs net of upgraded cases). Of the Singapore NPLs:
(a) 65% or $893 million were in the substandard category;
(b) 13% or $183 million were non-defaulting but graded substandard;
(c) 70% or $955 million were secured by collaterals.

**(7) Provisions Coverage (Appendix 1g)**
Total cumulative specific and general provisions for global loans amounted to $1,155 million as at 31 December 1999. This covered 8.6% of total non-bank loans, 65% of total NPLs and 153% of the unsecured NPLs.
Total cumulative provisions set aside for exposures to the five RC stood at $493 million. This covered 139% of regional NPLs and 76% of regional non-bank loans. Provisions set aside for Indonesia amounting to $375 million represented 158% of Indonesian NPLs and more than 100% of non-bank loans. For Thailand, total provisions against NPLs and non-bank loans were 103% and 93% respectively.
In respect of Singapore exposure, total provisions set aside amounted to $620 million. These covered 45% of Singapore NPLs and 5.1% of Singapore non-bank loans.