




OCBC's Offer for KCH The Next Step Forward




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The Next Step Forward



The next step forward for all of us



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Strength to Strength

Group Strategy

Mission

To be a world-class financial institution in Asia Pacific

Strategy

- ◆ Solidify home base
- ◆ Optimise capital structure
- ◆ Strengthen earnings stream
- ◆ Pursue expansion in core markets

Core markets

- ◆ Singapore
- ◆ Malaysia
- ◆ Greater China

KCH brings us a step closer to our mission

Strategic Objectives



Enhances domestic competitiveness

- ◆ Moves us to a very strong Number 2 in the Singapore market
- ◆ Achieves critical mass in the Singapore banking market
- ◆ Close business fit—greater competitiveness in SME and consumer markets
- ◆ Improves customer service proposition

Provides synergistic benefits

- ◆ Revenue enhancements from increasing the cross-sell penetration of KCH's customer base
- ◆ Cost synergies from re-configuration of distribution network, elimination of overlapping functions and premises, advertising and branding, and IT expenditure

Optimises capital structure

- ◆ Efficient use of excess capital
- ◆ Uses leverage to enhance ROE

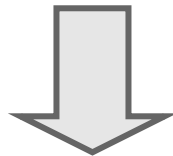
Supports future expansion

- ◆ Larger base of earnings and assets
- ◆ Better positioned for expansion in core markets

Excellent Business Fit

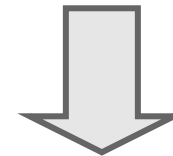
OCBC's strengths

- ◆ Focus on customer service
- ◆ Strong Asian heritage
- ◆ Focus on core markets
- ◆ Broad product range
- ◆ Deep talent pool



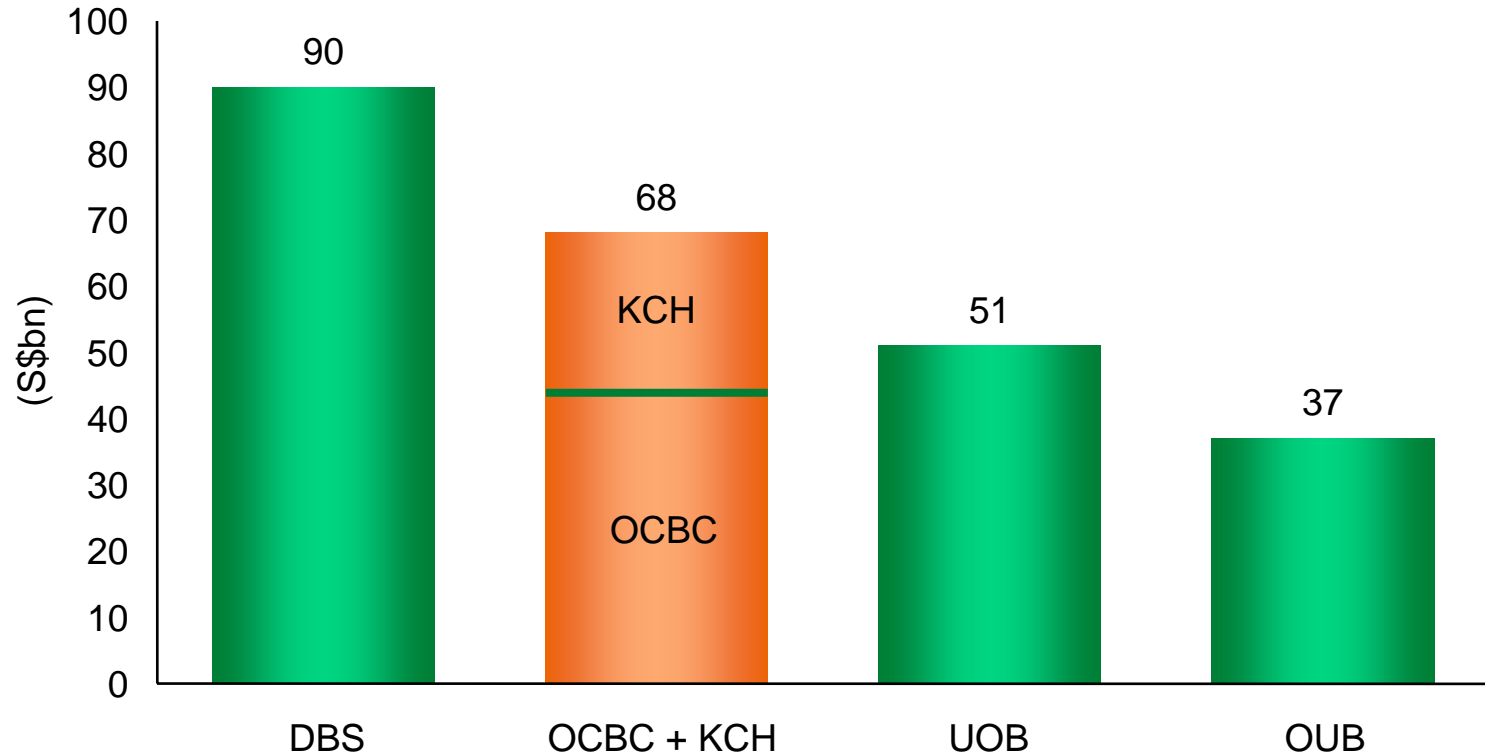
KCH's strengths

- ◆ Well managed niche bank
- ◆ SME franchise
- ◆ Innovative consumer banking approach
- ◆ Fast growing business



**Improved economies of scale, greater productivity
and more efficient distribution network**

2000 total Singapore assets



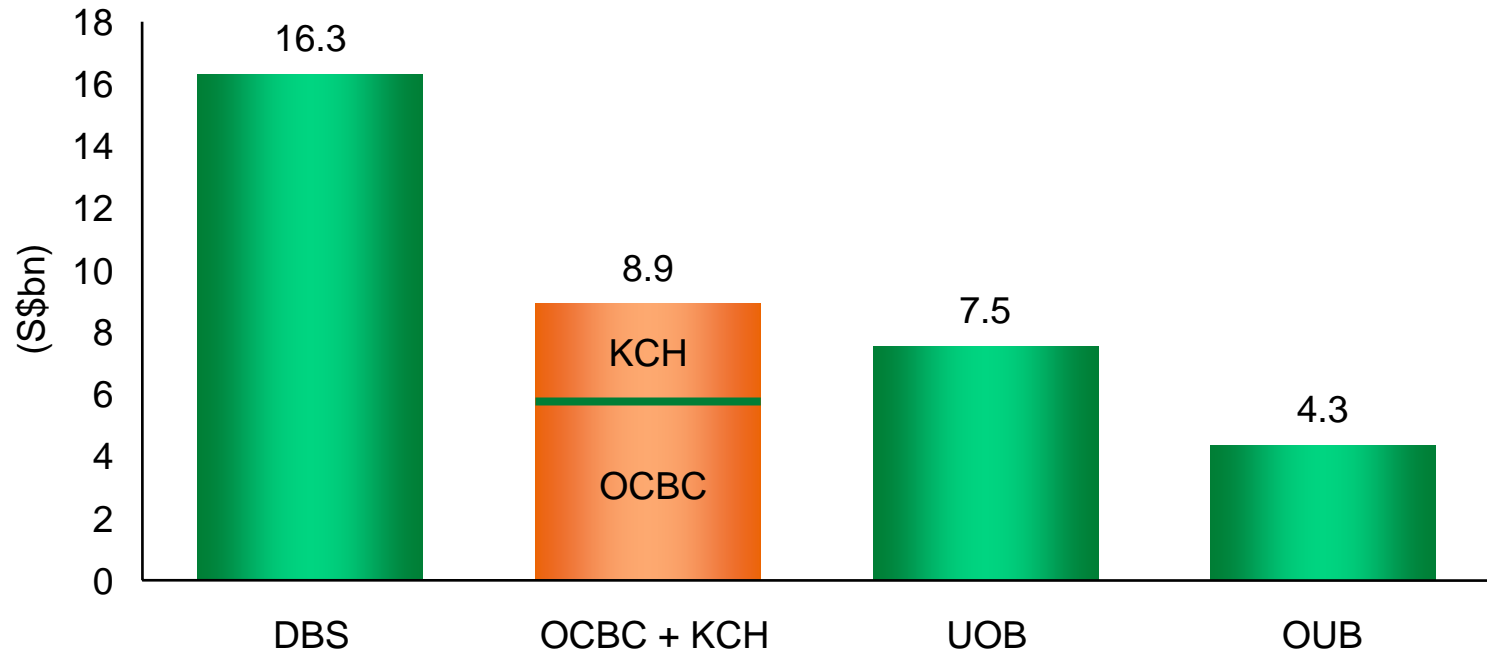
Source: 2000 annual reports

Note: As at 31 December 2000

Scale in the Singapore market to expand further in core markets

Gaining Market Share

2000 housing loans



Source: 2000 annual reports

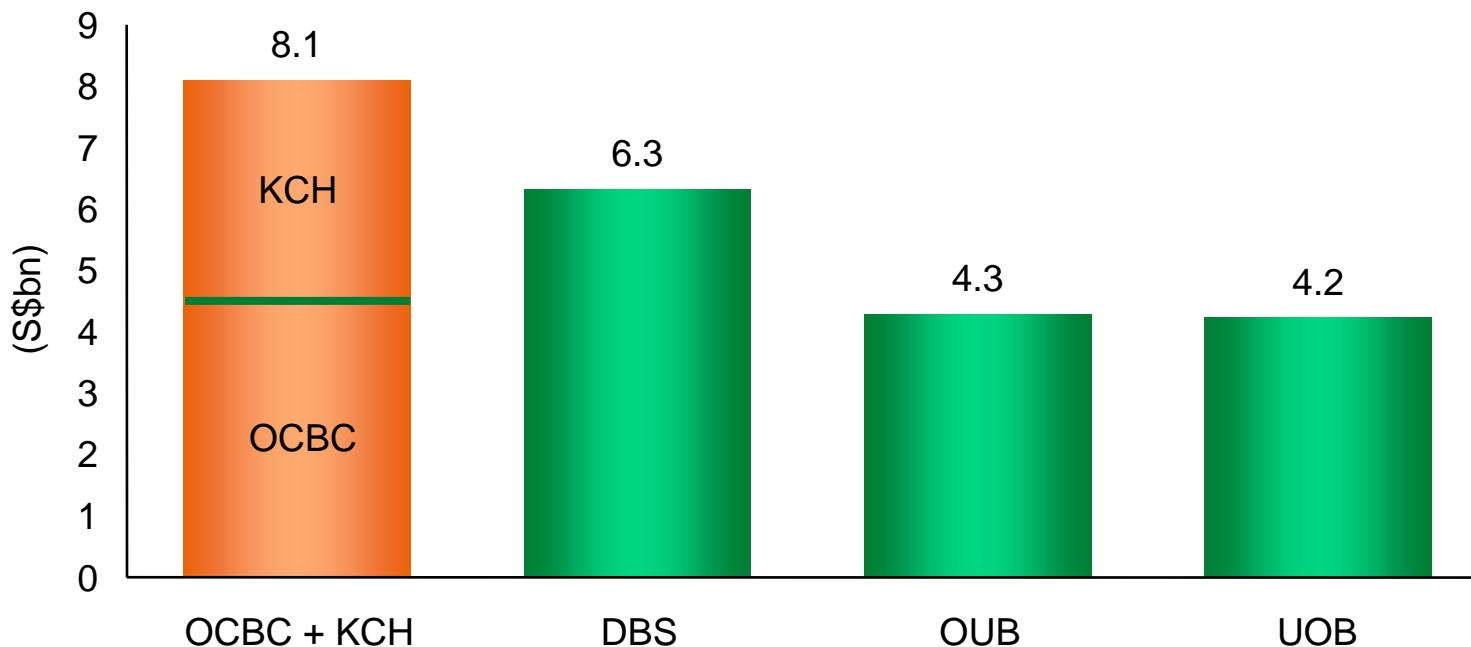
Note: Group level consolidated as at 31 December 2000

- Estimated domestic market share of 19.1% in housing loans

Second largest player in Singapore

Gaining Market Share (continued)

2000 personal loans ex-housing



Source: 2000 annual reports

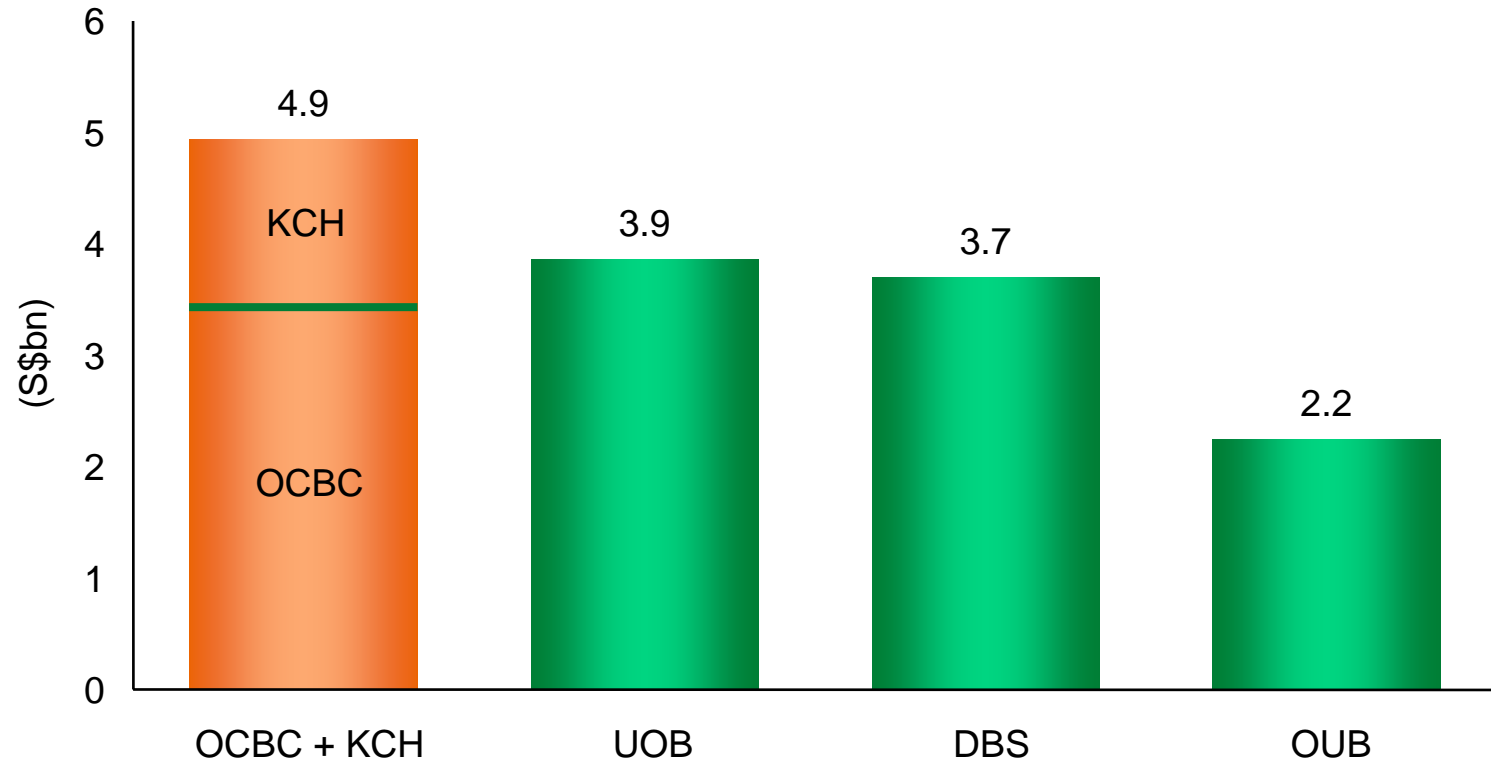
Note: Group level consolidated as at 31 December 2000

- Estimated domestic market share of 24.4% in personal loans ex-housing

No. 1 position in Singapore

Gaining Market Share (continued)

2000 commerce loans



Source: 2000 annual reports

Note: Group level consolidated as at 31 December 2000

No. 1 in commerce sector loans (Group level)

Margins and Cost Efficiency

Net interest margin

	%
OUB	2.34
OCBC + KCH	2.26
UOB	2.22
DBS	2.02

Cost-to-income ratio

	%
OCBC + KCH	37
OUB	38
UOB	39
DBS	42

Source: 2000 annual reports, OCBC estimates

Note: The pro-forma consolidated financial information contained herein is provided for illustrative purposes only. It does not purport to represent what the actual results of operations or financial position of the OCBC Group would have been had the acquisition of KCH occurred on the dates assumed, nor is it necessarily indicative of future consolidated operating results or financial position of the OCBC Group

KCH will set OCBC on its path to No. 1



	Bank branches	ATMs	Finance company branches
OCBC	40	283	7
KCH	34	98	16
Combined	74	381	23

Source: 2000 annual reports, OCBC estimates

To service our customers better



Transaction Highlights

Transaction Highlights



Transaction structure

- ◆ Voluntary offer for KCH
- ◆ All cash

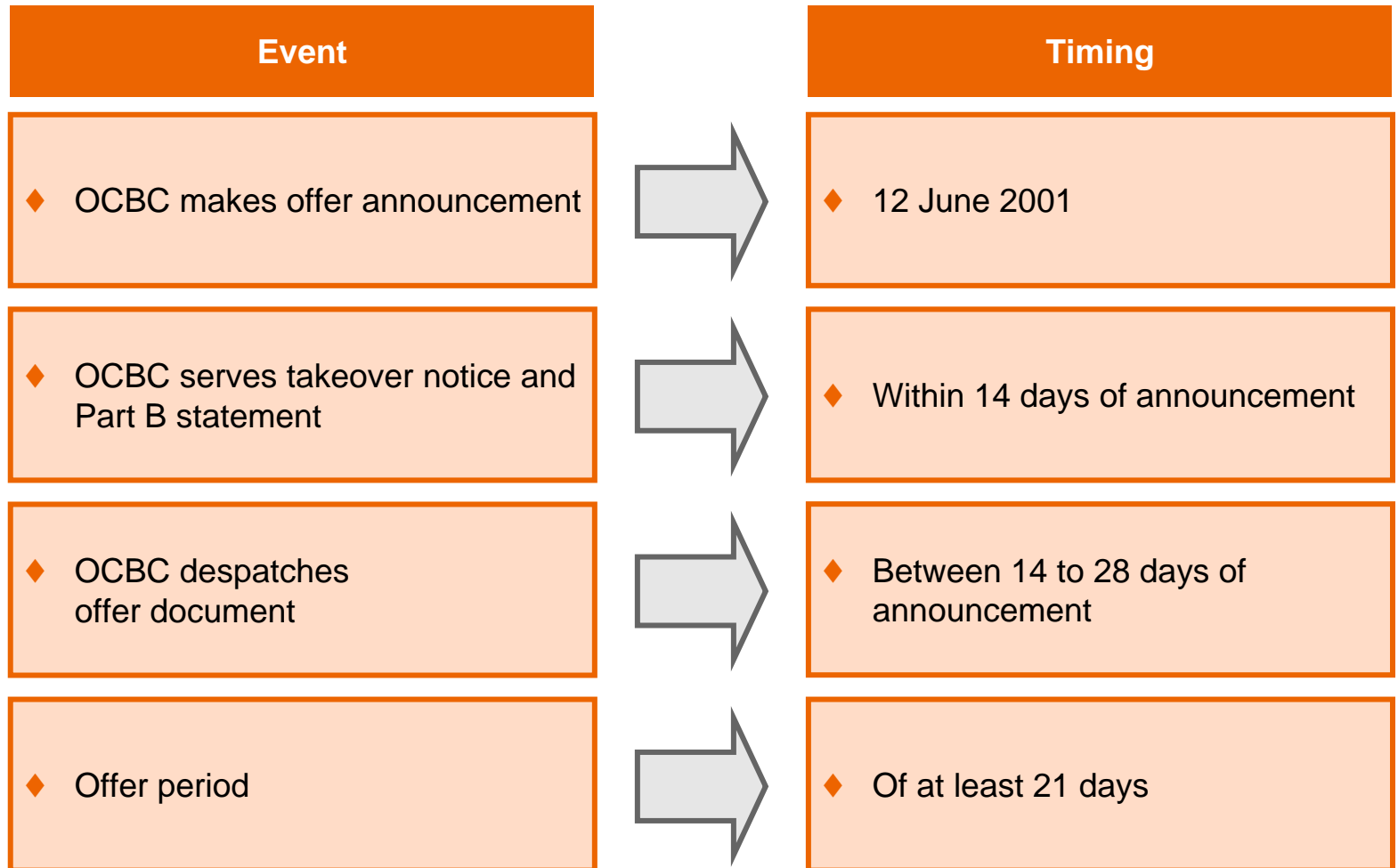
Conditions

- ◆ >50% of KCH
- ◆ Regulatory approvals

Completion

- ◆ 3Q 2001

Timeline



We look forward to KCH's Board recommendation

Offer Terms

General offer

Per share / Listed Warrant

Share offer	S\$3.38 cash
Listed Warrant offer	S\$1.01 cash

Other arrangements

Per Allied Irish Banks warrant / ESOP

Allied Irish Banks warrants	S\$0.04 cash
ESOPs	See through price

Note: Under the terms and conditions of the Allied Irish Banks warrants, Allied Irish Banks cannot transfer its warrants to parties which are not related to Allied Irish Banks and without the prior consent of KCH (such consent is not to be unreasonably withheld)

**The implied total transaction value is
approximately S\$4.8 billion**

KCH acquisition multiples

Implied 2000 price / book	1.7x
Implied 2000 price / earnings	15.7x
Implied 2001 price / earnings	14.6x

Source: I/B/E/S consensus estimates for 2001 earnings

Attractive Proposition for All

Share offer: S\$3.38 per share

- 32% premium to 90-market day average price

Price / share	30-day average	60-day average	90-day average
% premium	19	29	32

Note: As at market close on 11 June 2001

Listed Warrant offer: S\$1.01 per Listed Warrant

- 125% premium to 90-market day average price

Price / Listed Warrant	30-day average	60-day average	90-day average
% premium	48	106	125


Note: As at market close on 11 June 2001

Attractive proposition for all shareholders and warrant holders



Value Enhancing Proposition

Significant Synergistic Benefits

- 
- Revenue enhancements from increasing the cross-sell penetration of KCH's customer base
 - Cost synergies from rationalisation of operations
 - Customer attrition and revenue synergies conservatively estimated
 - Restructuring charge as a percentage of annual recurring synergies is expected to be in line with international norm
 - Restructuring will enable an efficient organisation due to a permanent reduction in cost structure

Impact pre-synergies

OCBC Group	2000	2000P ^{1,5,7}	% accretion /		% accretion /	
			dilution	2001F ^{2,6}	2001P ^{1,2,5,6,7}	dilution
EPS (S\$)						
Cash ³	0.65	0.80	23.1	0.71	0.87	22.5
Reported ⁴	0.65	0.72	10.8	0.71	0.80	12.7
ROE (%)						
Cash ^{3,8}	10.7	17.6	64.5	10.9	17.2	57.8
Reported ^{4,9}	10.7	11.9	11.2	10.9	12.1	11.0
Book value per share (S\$)	6.34	6.17	(2.7)	7.05	6.83	(3.1)
Tier 1 CAR (%)	20.7	10.9				
Total CAR (%)	21.6	17.3				

Notes:

- 1 Proforma immediately post acquisition; before synergies and after financing cost
- 2 I/B/E/S consensus estimates for 2001 figures. These estimates have been obtained from publicly available sources and have not been independently verified by OCBC or its advisers. Such estimates are not necessarily indicative of the operating results or the financial position of OCBC Group for the relevant period
- 3 One-off write off of goodwill against reserves
- 4 Goodwill of approximately S\$2bn, amortised over 20 years
- 5 Approximately S\$3bn of Tier 2 debt
- 6 Post 2000 dividend of S\$386m
- 7 Assuming no exercise of the Allied Irish Banks warrants, Listed Warrants and ESOPs
- 8 Cash ROE computed by taking EPS before goodwill amortisation and dividing by NTA
- 9 Reported ROE computed by taking EPS after goodwill amortisation and dividing by average combined equity

Note: The pro-forma consolidated financial information contained herein is provided for illustrative purposes only in respect of the OCBC Group and is not applicable to KCH. It does not purport to represent what the actual results of operations or financial position of the OCBC Group would have been had the acquisition of KCH occurred on the dates assumed, nor is it necessarily indicative of future consolidated operating results or financial position of the OCBC Group

Financial Objectives

Cost-to-income ratio	<40%
Return on book value	>15%
Return on net tangible assets	>20%
Group Tier 1 CAR	10%
Group Total CAR	14%

Source: OCBC estimates



Next Steps

Next Steps



Focus on the customer experience

Seamless integration

Develop retail wealth management business
across the organisation

Expansion in core markets

The Next Step Forward



The next step forward for all of us