

Appendix 1

Summary List of Banks that comprise the domestic commercial banking sector

Malaysia	Singapore	Thailand	Indonesia
10 merged banks : 1) Affin Bank 2) Alliance Bank 3) AM Bank 4) Bumiputra-Commerce 5) EON Bank 6) Hong Leong Bank 7) Maybank 8) Public Bank 9) RHB Bank 10) Southern Bank	3 major banks : 1) Development Bank of Singapore 2) UOB 3) OCBC	3 major locally incorporated commercial banking groups : 1) Majority-owned by Thais 2) Majority-owned by Foreigners 3) State-owned banks	5 major groups : 1) State-owned banks 2) Regional Development Banks 3) Private national forex banks 4) Private national non-forex banks 5) Joint banks
N = 10	N = 3	N = 13	N = 135

Appendix 2 : Summary Statistics of Malaysian Local Banks

Panel A

	Total Capital (RM million)		Assets (RM million)		Cost (RM million)		Income (RM million)		Profit before tax (RM million)		Shareholders' Equity (RM million)	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Affin Bank	NA	NA	15809.6	20070.1	268.5	391.5	496.1	687.3	(97.7)	(738.3)	1623.2	1220.1
Alliance Bank	786.1	1838.6	14016.2	15891.3	193.8	239.6	537.2	526.9	156.4	185.7	896.5	1422.5
AM Bank	1272.5	1352.8	11730.8	10580.6	62.7	112.8	171.3	279.6	80.0	102.0	NA	NA
BCBB	5095.7	5268.8	59634.9	58559.4	928.8	975.2	1938.8	1907.2	520.8	117.0	3966.3	4101.8
EON Bank	NA	NA	9154.4	16118.1	124.2	251.9	272.8	480.4	85.9	101.1	1305.4	1453.8
Hong Leong Bank	1919.7	2660.9	18506.2	24474.3	205.7	558.0	677.4	1095.0	313.2	685.0	1729.5	2464.3
Maybank	11900.8	12025.2	96806.0	111473.0	1114.7	1448.8	3415.5	4026.0	1544.0	1435.0	8753.0	8638.0
Public Bank	3907.6	5300.3	32415.0	40578.0	391.0	573.8	980.6	1154.9	634.0	571.0	3625.0	5293.0
RHB Bank	5119.9	5282.8	48931.0	48993.0	620.2	678.2	1572.5	1605.5	500.8	465.7	4537.0	4669.0
Southern Bank	2595.0	2530.7	17340.5	17425.6	229.1	272.1	530.7	652.4	110.6	240.6	1948.6	2102.3
Total	32597.3	36260.1	324344.6	364163.4	4138.7	5501.9	10592.9	12415.2	3848.0	3164.8	28384.5	31364.8

Panel B

	RWCR (%)		Loan/Deposit (%)		NPL/Total Loan (%)		LPR	
	2000	2001	2000	2001	2000	2001	2000	2001
Affin Bank	NA	NA	89.24	95.99	10.66	18.62	2.12	1.66
Alliance Bank	3.58	10.02	92.4	87.3	10.5	11.6	1.5	1.5
AM Bank	12.2	12.03	149.8	124.5	11.44	14.48	NA	NA
BCBB	11.78	11.42	80.5	87.2	4.7	7.2	NA	NA
EON Bank	12.54	11.20	110.3	97.6	NA	NA	1.8	0.7
Hong Leong Bank	13.18	14.13	71.0	67.7	5.5	7.5	1.8	1.6
Maybank	14.6	11.61	101.23	96.36	4.29	6.99	3.5	2.61
Public Bank	15.8	16.8	61.1	65.6	1.32	4.23	1.61	1.6
RHB Bank	13.2	12.4	90.9	98.0	3.2	6.7	1.8	1.8
Southern Bank	10.31	9.22	105.1	102.0	7.3	8.3	1.5	1.5
Total	107.19	108.83	951.57	922.25	58.91	85.62	15.63	12.97
Average	11.91	12.09	95.2	92.2	6.55	9.51	1.95	1.62

Appendix 3 : Summary Statistics of Singapore Local Banks

Panel C

	Total Capital (SD million)		Assets (SD million)		Cost (SD million)		Income (SD million)		Profit before tax (SD million)		Shareholders' Equity (SD million)	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
DBS	10495	13529	111228	151294	1246	1741	2931	3545	1675	1363	10500	13500
OCBC	9762	11673	59710	85226	493	670	1726	2209	4014	3540	8151	8763
UOB	7704	14055	66324	113310	169.1	206.2	1905	2224	1186	1198	6770	12654
Total	27961	39257	237262	349830	1908.1	2617.2	6562	7978	4014	3540	25421	34917

Panel D

	CAR (%)		Loan/Deposit (%)		NPL/Total Loan (%)		LP/TL (%)	
	2000	2001	2000	2001	2000	2001	2000	2001
DBS	18.9	17.4	64.4	63.9	6.2	5.2	13.4	11.5
OCBC	24.1	18.8	82.9	88.7	11.6	9.8	6.1	8.0
UOB	19.8	18.5	69.2	81.8	7.8	9.2	10.4	6.4
Average	20.9	18.2	72.2	78.1	8.5	8.1	9.97	8.63

Note : DBS - Development Bank of Singapore
OCBC - Overseas Chinese Banking Corporation
UOB - United Overseas Bank

Appendix 4 : Summary Statistics of Thai and Indonesian Local Banks

Panel E

	Total Capital		Assets		Cost		Income		Profit before tax	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Thailand (Billion Baht)	401.5	436.7	5493.5	5665.0	29.48	29.68	65.97	75.94	-14.39	-0.8
Indonesia (Trillion Rupiah)	50.9	60.7	802.3	751.4	NA	NA	22.8	37.8	3.6	4.5

Appendix 5

Summary of Recommendations for building the capabilities of domestic banking institutions outlined under FSMP

Recommendation 3.1	Develop industry-wide benchmarks to drive performance improvement in domestic banking institutions.
Recommendation 3.2	Improve awareness of best practices and conduct focused training.
Recommendation 3.3	Enhance credit skills and monitor the requirement for accreditation of credit officers and managers.
Recommendation 3.4	Remove restrictions on salaries and staff mobility in banking industry.
Recommendation 3.5	Uplift restriction on employment of expatriates.
Recommendation 3.6	Set up board committees to further improve corporate governance.
Recommendation 3.7	Allow group rationalisation and facilitate the operation of one-stop financial centre.
Recommendation 3.8	Encourage strategic alliances.
Recommendation 3.9	Streamline the regulation of discount houses and merchant banks to level the playing field.
Recommendation 3.10	Encourage merger between merchant banks and stockbroking companies or discount houses of the same group to create full-fledged investment banks.
Recommendation 3.11	Encourage ownership of banking institutions by institutional investors.
Recommendation 3.12	Encourage outsourcing of non-core functions.
Recommendation 3.13	Require management of banking institutions to give greater attention to the development of ICT.
Recommendation 3.14	Encourage the development of new delivery channel.
Recommendation 3.15	Adopt 'what is not prohibited is allowed' regulatory philosophy and phase out product pre-approval requirement.
Recommendation 3.15.1	Replace product pre-approval requirements with a simple new product notification process.
Recommendation 3.15.2	Outlining guidelines for all applications for regulatory exemptions.
Recommendation 3.16	Deregulate pricing and rules of association on rates, fees and charges gradually.
Recommendation 3.17	Mandate all banking institutions to be rated.
Recommendation 3.18	Encourage competition and participation of banking institutions in areas currently served by fringe institutions.
Recommendation 3.19	Facilitate the development of a conducive tax regime.
Recommendation 3.20	Merge the association of banks, merchant banks and finance companies into a single association.
Recommendation 3.21	Continue implementing risk-based supervision with more focused supervisory attention for weak institutions.
Recommendation 3.22	Refine calculation of risk weightings for the purpose of capital adequacy calculations.
Recommendation 3.23	Implement a system of incremental enforcement actions.
Recommendation 3.24	Implement a transparent and clearly structured early warning system and set of prompt corrective measures for weak banking institutions.
Recommendation 3.25	Enhance surveillance of the financial sector through the use of modern technology.
Recommendation 3.26	Develop comprehensive framework for consolidated supervision of financial conglomerates.
Recommendation 3.27	Increase efficiency and competition in the payments system.
Recommendation 3.28	Allow market forces to shape developments in the payments system while BNM assumes the role of regulator.
Recommendation 3.29	Allow incumbent foreign banks to set up hared ATM network.
Recommendation 3.30	Allow use of electronic communication networks and electronic trading platform.
Recommendation 3.31	Introduce an expanded credit guarantee scheme.
Recommendation 3.32	Require provision of advisory services on financial planning and management to

- SMIs and small borrowers.
- Recommendation 3.33 Allow banking institutions to rationalise their branch network and relocate branches, subject to certain conditions.
- Recommendation 3.34 Initiate an active and structured consumer education programme.
- Recommendation 3.35 Increase product-specific and institutional transparency and move towards full disclosure.
- Recommendation 3.36 Encourage consumers to pursue formal administrative and legal redress.
- Recommendation 3.37 Expand the operations of BMB to cover full range of retail banking-related consumer complaints.
- Recommendation 3.38 Implement anti-trust regulation.
- Recommendation 3.39 Establish a deposit insurance fund.

Appendix 6 : Future Landscape of the Malaysian Banking Sector

- The domestic banking groups, through a process of mergers, acquisitions, assets swaps and alliances, will evolve into more differentiated competitors, spurred by increasingly more demanding customers and shareholders. Banking institutions will be competing on cost, to be global and to dominate in certain product segments in Malaysia at the expense of generalist institutions.
- More and more banking institutions with differentiated strategies based on their strengths and market niches will emerge. As such, fewer large, broad based institutions will thrive, exploiting their privileged relationships with retail customers and mid-market corporate to provide a full range of financial services to market segments that value banking relationships and/or convenience.
- Domestic banking institutions in the future are increasingly outsourcing and entering into strategic alliances to access the skills they do not possess internally. External access to technology, while entail high costs, ensures banking institutions access to the latest technology and will reduce replacement costs.
- Banking institutions are increasingly specialising in specific product markets or specific functions along the business chain of traditional services. These specialist providers provide specialised products such as mortgages and credit cards on the basis of lower costs or better marketing. These players are likely to be regional or global in scale. Some competing only in particular segments of the business system, while outsourcing all other functions (such as mortgage originators, credit card processors or custodial service providers) and some dominating certain customer inches, such as the SMIs or high net worth individuals, by providing specifically tailored services beyond traditional banking offerings to satisfy the needs of customers they understand better than a more generalist competitor.
- Banking institutions will continue to leverage on the advancements made in technology, in reengineering work processes and delivery modes, and offering state-of-the-art products and services that serve as complete financial solution for varying types of consumers. Since ICT will continue to be a key driver in banking, greater recognition of ICT as a driver change among domestic banking institutions will see the rise in investment in ICT. One of the key areas of new technology investment is the development of alternative delivery channels, notably the internet. Internet financial service providers are developing strong value propositions with high participation from banking players, both in the context of wired and wireless internet banking.
- Banking institutions in the future will be increasingly dependent on intangible assets such as talent. Hence, human resource management is expected to strengthen in order to attract and retain the best skills and talent. Human factor will become a defining characteristic of a successful banking institution.

- Banking institutions will adopt greater flexibility in product pricing that would lead to competitive and differentiated strategies among banking institutions.
- There will be an increasingly more diversified banking sector meeting the requirements of a more diversified economic structure. Banks will provide their traditional customers with access to market-based savings products as well as capital market instruments instead of just deposits and bank loans.
- The payment infrastructure of the banking system in the future will be redefined as a result of significant innovation in technologies. An efficient and stable payments system will be developed through the adoption of a flexible, proactive and effective regulatory framework.
- Labuan International Offshore Financial Centre (IOFC) will thrive on Islamic finance and insurance activities and business generated through the Labuan International Financial Exchange, such as trading of financial and non-financial products, in addition to the traditional and other peripheral activities. Policy convergence with the onshore regulations is expected as offshore institutions are continuously encroaching into the domestic businesses, providing greater competition and innovation in the financial system.
- Transparency, corporate governance and risk management in the banking system will be enhanced, both at the product and institutional levels to promote consumers' awareness of banking and financial products. Specifically, the adoption of best practices with regard to credit practices would be closely monitored, consistent with the requirement of the credit risk management guidelines issued by Bank Negara Malaysia.
- The needs for active and structured consumer education programmes are increasing in order to increase consumer understanding of banking institutions' products, which in turn will give rise to more active consumerism.
- Banks in the future will undertake changes in regulatory philosophies and approaches with an aim to provide conducive environment for growth and expansion. The key to this is the ability of individual banking institutions to adapt swiftly as well as respond and adjust to new rules.
- Regulators which include BNM, Labuan Offshore Financial Services Authority (LOFSA) and the Securities Commission (SC) will work closely to keep abreast with the convergence between the financial service providers.

Source : Financial Sector Masterplan, 2001

Appendix 7 : Summary Statistics of Malaysian Foreign banks

Panel F

	Total Capital (RM million)		Assets (RM million)		Cost (RM million)		Income (RM million)		Profit before tax (RM million)		Shareholders' Equity (RM million)	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Citibank	1612.6	1801.7	20107.0	22674.6	371.5	431.7	960.0	1037.6	464.1	489.2	1418.4	1576.2
HSBC Bank	1830.6	1884.8	23137.2	24492.5	552.1	484.1	1038.8	1013.1	482.8	439.4	1572.3	1640.8
OCBC Bank	2007.0	2023.4	20879.0	21223.0	204.7	234.1	673.7	666.3	317.0	319.0	1726.0	1734.0
Total	5450.2	5709.9	64123.2	68390.1	1128.3	1149.9	2672.5	2717.0	1263.9	1247.6	4716.7	4951.0

Panel G

	ROA (%)		ROE (%)		Cost/Income (%)		RWCR (%)		Loan/Deposit (%)		NPL/Total Loan (%)	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Citibank	2.3	2.2	32.7	31.0	38.7	41.6	12.40	11.95	96.0	100.0	2.40	2.35
HSBC Bank	2.1	1.8	30.7	26.8	53.1	47.8	13.19	12.49	61.6	74.5	8.2	5.7
OCBC Bank	1.5	1.5	18.4	18.4	30.4	35.1	13.23	12.73	102.6	111.3	6.34	7.35
Average	1.97	1.83	26.8	25.2	40.7	41.5	12.94	12.39	86.7	95.3	5.6	5.1

Note : HSBC – Hongkong & Shanghai Bank (Malaysia) Berhad
OCBC – Overseas Chinese Banking Corporation (Malaysia) Berhad