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Kuala Lumpur, Friday, 9 May 2008

## **BCHB 1Q08: Net Profit Up 10% To RM535 million**

### **BCHB Group Results**

Bumiputra-Commerce Holdings Berhad Group ("BCHB Group") today reported a net profit of RM535 million for the first quarter ended 31<sup>st</sup> March 2008, 10% higher than the RM486 million earned in the previous quarter. Revenues and profit before tax ("PBT") were up 2% and 1% to RM2.019 billion and RM749 million respectively compared to 4Q07. Net earnings per share of 15.9 sen was up 11% from 4Q07. The Group's annualised net return on equity ("ROE") for 1Q08 was 13.6% compared to 13.0% in 4Q07. Compared to 1Q07, revenues and net profit declined by 4% and 13% from RM2.103 billion and RM615 million respectively.

"Given the tough global and domestic capital market environment, the decline in our earnings from the capital markets was less than would have been anticipated. More significantly, our Malaysian consumer bank saw a sharp increase in its contribution to profits as financial results of our transformation initiatives begin to show" said Dato' Nazir Razak, Group CEO. "We are now more balanced in our sources of earnings, and less dependent on the capital markets."

For the first three months of the year, profit before tax ("PBT") from the Malaysian consumer bank was an estimated 68% higher than 4Q07, contributing 22% of total PBT compared to 15% on average for 2007. Meanwhile, investment banking and treasury contribution was 27% and 36% respectively. Bank Niaga's contribution was unchanged at 13% of the Group's PBT over the quarter.

The Group's total loans grew by 7.1% over the 12 months to 31<sup>st</sup> March 2008 driven by growth in mortgages, credit cards and the Group's micro credit loans of 23.2%, 37.1% and 105.7% respectively. Adjusting for loans written off, the loan book grew by 8.4%. The corporate lending book rose by 3%. However, business loans and hire purchase loans contracted by 3% and 9% respectively in line with the Group's continued emphasis on restructuring its loan portfolios in these segments. Bank Niaga's loans grew 32.5% in IDR terms (20.0% in RM terms).

Total Group deposits grew 26% with domestic consumer deposits growing 20% from a year ago.

Loan provisions fell 34% whilst overhead expenses increased 8% year on year. The improvement in loan loss provisions came mainly from the consumer banking division as efforts to improve asset quality over the last 2 years have started to translate into lower credit charges. The Group continued to show strong improvements in asset quality indicators with its lower net NPL ratio of 3.7% from 5.6% over the year and 3.8% over the quarter. Loan loss coverage ("LLC") ratio stood at 71.9% as at 31<sup>st</sup> March 2008, up from 59.0% a year ago and 69.3% as at 31<sup>st</sup> December 2007. The Group's cost to income ratio for the first quarter 2008 was 52.7% compared to 56.1% for 4Q07 and 46.9% in 1Q07.

The Group's shareholders funds increased from RM15.7 billion to RM15.8 billion over the quarter, lifting net tangible asset and book value per share to RM3.21 and RM4.71 per share respectively.

With the issuance of the RM1.5 billion CIMB Bank sub debt on 28<sup>th</sup> March 2008, the risk weighted capital adequacy ratio for CIMB Bank rose to 14.4% as at 31<sup>st</sup> March 2008 compared to 12.5% at the end of 2007. BCHB's double leverage and gearing stood at 117.6% and 34.0% respectively as at 31<sup>st</sup> March 2008.

### **Bank Niaga Results**

Bank Niaga reported a net profit of IDR207 billion for the first quarter ended 31<sup>st</sup> March 2008, resulting in a ROE of 17.0% for 1Q08. The first quarter net profit achieved is a 15% improvement over the quarter and a 2% improvement over the year.

Mortgages, which represent 22% of the bank's total loans, grew 25% over the year to IDR9.6 trillion as the bank retains a strong mortgage market share of about 9.4%. Cost to income ratio as at 31<sup>st</sup> March 2008 was 58.85%.

### **Significant Corporate Developments**

The significant corporate developments in 1Q08 were:

- a) CIMB Bank / SBB merger
  - The Group has achieved RM85.6 million in synergies for the first quarter, meeting year to date SBB-BCB synergy target by 171%.
- b) CIMB-Niaga Synergy Programme
  - The Group has achieved RM13.8 million in synergies for the first quarter. This is only 32% of the year to date target as our 1Q priority was on the proposed Niaga-Lippo merger.

c) Streamlining of businesses

- On 1<sup>st</sup> April 2008, BCHB entered into a Sale and Purchase Agreement with British American Investment Co. (Mtius) Ltd. to dispose of its 60% equity interest in SEA Bank for a total cash consideration of approximately 339 million Mauritius Rupees (or approximately RM40.0 million) which will result in a gain of approximately RM15.9 million to BCHB Group.

d) Mergers & acquisitions and partnerships

- On 17<sup>th</sup> March 2008, the Group announced its proposed acquisition of 19.99% in Bank of Yingkou in Liaoning Province for RM156 million valued at 1.58x adjusted book and 8.81x FY07 price earnings.
- On 16<sup>th</sup> April 2008, BCHB obtained approval from China Banking Regulatory Commission ("CBRC") to open a Shanghai representative office.

e) Capital management

- BCHB has bought back 22.476 million BCHB shares at an average price of RM9.91 since 1<sup>st</sup> January to 7<sup>th</sup> May 2008. To date, 5.353 million shares have been cancelled
- Final dividend of 25 sen for FY07 is payable on 30<sup>th</sup> May 2008
- CIMB Bank issued a RM1.5 billion subordinated bonds on 28<sup>th</sup> March 2008.
- CIMB Bank has issued a Request for Proposal for its proposed sale of RM1.5 billion non-performing loan assets.

## Outlook

"We are optimistic that we will be able to meet our 18% ROE target for 2008 as we expect contribution from consumer banking to continue to improve and our capital markets pipeline remains healthy. We acknowledge however that we are contending with much weaker capital markets and domestic economic outlook than we anticipated and will have to look at additional revenue maximizing and cost savings strategies going forwards", Dato' Nazir concluded.

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