



**FOR IMMEDIATE RELEASE**

Kuala Lumpur, Thursday August 14, 2008

## **BCHB Announces 1H Net Profit of RM1.185bn**

### **1) Summary**

Bumiputra-Commerce Holdings Berhad ("BCHB Group") today reported a net profit of RM650m for 2Q'08 and RM1.185billion for 1H'08. This represents a 21% Q on Q increase from RM535m earned in 1Q'08 but a 7% Y on Y decline from the RM1.276billion recorded on 1H'07 which was a buoyant period for the regional capital markets. ROE for 2Q'08 and 1H'08 were 16.5% and 15.1% respectively. The key highlight of the results is the surge in earnings of the Group's Malaysian consumer bank due to its business transformation efforts over the past two years.

"We are pleased with our first half financial performance especially seeing consumer banking earnings coming through to mitigate the impact of weak capital markets. Overall, our 1H'08 results are in line with our expectations at the beginning of the year" said Dato' Sri Nazir Razak, BCHB Group CEO. "However, we have moderated our outlook for 2H'08 and now expect our full year ROE to be about 16%, below our KPI target of 18%."

### **2) BCHB Group Q on Q Results**

For 2Q'08, revenue and profit before tax ("PBT") were up on quarter by 7% and 26% respectively to RM2.158billion and RM947m. Net earnings per share of 19.3 sen was up 21% from 1Q'08.

The Group's Malaysian consumer banking business PBT was up 85% to RM308m from RM168m in 1Q'08 due to a 7% increase in revenue and a sharp 39% decline in loan loss provisions on quarter. PBT of Corporate and Investment Banking and Treasury and Investments were up 12% and 6% respectively while Bank Niaga's PBT was up 7%.

### 3) BCHB Group Y o Y Results

For 1H'08 revenues and PBT were lower than 1H'07 by 8.6% and 2.7% respectively. Net earnings per share of 35.3 sen was 9.0% lower. PBT of the Malaysian consumer bank was an estimated 135% higher than 1H'07, contributing 28% of total PBT, compared to 12% for 1H'07. Investment banking and Treasury contribution was 25% and 33% compared to 27% and 42% in 1H'07. Bank Niaga's contribution was unchanged at 12% of the Group's PBT for the first half.

The Group's total loans grew by 16.3% (excl write-offs) over the last 12 months. Malaysian consumer and corporate loans grew by 11.9% and 19.7% respectively. Mortgages, credit cards and the Group's micro credit lending grew by 27.1%, 41.9% and 93.5% respectively over the year. Business loans and hire purchase loans contracted by 1.8% and 6.5% respectively in line with the Group's ongoing efforts to restructure its loan portfolios in these segments. Bank Niaga's loans grew by 35.9% in IDR terms (25.0% in RM terms). Total Group deposits grew 20.9% with domestic retail deposits growing 21.9% from a year ago.

The Group's loan loss provisions fell by 44% whilst overhead expenses declined by 2% year on year. Specific provisions declined by an impressive 66% while general provisions rose by 222% in line with the higher loan book. The Group continued to show improvements in asset quality indicators with a lower net NPL ratio of 3.3% from 5.2% as at 30<sup>th</sup> June 2007. Loan loss coverage also improved to 74.2% as at 30<sup>th</sup> June 2008, up from 61% a year ago. The Group's cost to income ratio for 1H'08 was 50% compared to 47% in 1H'07.

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 30<sup>th</sup> June 2008 compared to 12.5% at the end of 2007. BCHB's double leverage and gearing stood at 118.6% and 33.8% respectively as at 30<sup>th</sup> June 2008, well within the company's targetted ratios. Shareholders' funds declined from RM15.7 billion as at 31<sup>st</sup> December 2007 to RM15.6 billion as a result of its 2007 dividend payment, share buy backs and decline in the "assets for sale" (AFS) book.

In terms of market shares the 1H'08 highlight was the improved position of CIMB-GK in Singapore where it was no.1 in corporate advisory and in Indonesia where it ranked 4<sup>th</sup> in stockbroking, primary bonds and M&A. In Malaysia, CIMB Investment Bank remained no. 1 in M&A, primary bonds and stockbroking and no.2 in IPOs. CIMB Bank's share of preferred products such as mortgages, credit cards and retail deposits has improved while its share of hire purchase and business loans has declined marginally.

#### **4) CIMB Niaga Results**

Bank CIMB Niaga reported a net profit of IDR221billion and IDR428billion for 2Q'08 and 1H'08 respectively. Net ROE was 17.70% and 17.35% for 2Q'08 and 1H'08 respectively. Net profits were up 7% over the quarter and 5% over the year.

Loans growth was 35.9% on year and 8.7% on quarter, driven by corporate and business banking. Mortgages grew by 29% on year and 8% on quarter. Niaga continued to maintain its position as the second largest mortgage lender in Indonesia with a 9.3% market share.

#### **5) Significant Corporate Developments**

##### **5.1 Streamlining of business**

On 1<sup>st</sup> April 2008, CIMB Bank completed the sale of its 60% stake in South East Asian Bank Limited to British American Investment Co. (Mauritius) Ltd. for a total cash consideration of approximately Mauritius Rupees 339m (RM40m).

##### **5.2 Mergers and Acquisitions**

(a) On 20<sup>th</sup> May 2008, Bank Negara Malaysia approved the acquisition by CIMB Bank of approximately 19.99% equity stake in Bank of Yingkou Co. Ltd. for RM168.5m. This proposal is now only subject to CBRC approval.

(b) On 2<sup>nd</sup> June, 2008, BCHB announced the signing of the agreement for the merger between PT Bank Niaga and PT Bank Lippo. Approvals for the merger have been obtained from Bapepam, Bank Negara Malaysia, Securities Commission, Bursa Securities and shareholders of Bank Niaga, Bank Lippo and BCHB. This proposal is now only subject to Bank Indonesia and Ministry of Law approvals and the Group is optimistic that its target “ legal day 1 ” of 1<sup>st</sup> October 2008 will be met.

At the closing date of the standby offer on 28<sup>th</sup> July 2008, the total acceptances were approximately 93.2%. The potential new cash investment in the merged bank is approximately IDR5.45trillion or RM1.911billion and BCHB's stake would increase to 78%.

(c) On 20<sup>th</sup> June 2008, CIMB Group entered into a Share Purchase Agreement (“SPA”) to purchase approximately 42.13% of BankThai for

a total cash consideration of approximately Baht5,904.9m (or RM577.4m) and a Tender Offer for the remaining shares in BankThai which assuming the maximum take-up amounts to Baht8,112.0m (or RM793.2m). Approval was granted by BNM on 5<sup>th</sup> August 2008 for the acquisition and this proposal is now only subject to the Minister of Finance of Thailand's approval.

### 5.3 Capital Management

- (a) BCHB has bought back 43.522m BCHB shares at an average price of RM 9.34 for year to date to 8<sup>th</sup> August 2008.
- (b) On 13<sup>th</sup> August 2008, BCHB announced the signing of an SPA between CIMB Bank Berhad, CIMB Bank (L) Limited and Sinesinga Sdn Bhd (SPV ultimately owned by the Standard Bank Group of South Africa) for the sale of 202 non performing loans (corporate and commercial) worth RM1.109 billion. The estimated gain from the sale is RM106m. The transaction is pending MOF/BNM approval.

## 6) Outlook

2H'08 is expected to be very challenging for the regional banking industry as higher prices and slower economic growth will impact consumers and margins of business customers. The current low volume and volatile Malaysian and regional debt and equity markets are likely to persist for most of 2H'08.

In view of the operating environment, we expect our ROE for 2008 to be about 16%, lower than our target of 18%. For 2H'08, we expect our Malaysian consumer bank to sustain its new level of earnings contribution while treasury and investment banking will seek to offset weaker capital markets by turning to more traditional sources of earnings such as corporate banking, mergers and acquisitions and foreign exchange. We will also focus on building our regional franchise, integrating CIMB-Niaga and BankThai into the Group and maximizing synergies.

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