



**FOR IMMEDIATE RELEASE**

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## **BCHB Announces FY08 Net Profit of RM1.952bn**

### **1) Summary**

Bumiputra-Commerce Holdings Berhad ("BCHB") Group today reported a net profit of RM1.952 billion for FY08 with earnings per share ("EPS") of 57.8 sen and net Return on Equity ("ROE") of 12.3%, below its 16% target but within analysts' current expectations. The company has declared an interim 25 sen dividend per share amounting to a total net payment of RM699.4 million, comprising 20.7 sen (less tax) and 4.3 sen tax-exempt.

"We look back at 2008 with a sense of satisfaction because our Malaysian consumer banking transformation has translated into a dramatic earnings turnaround, fully compensating for the large drop in contribution from our capital markets businesses. And, despite absorbing 2 major regional banking acquisitions and related merger costs, we strengthened our asset quality and capital ratios," said Dato' Sri Nazir Razak, BCHB CEO.

### **2) BCHB Y o Y Results**

In 2008, BCHB undertook the merger of Bank Niaga and Lippo Bank in Indonesia and acquired 42% of BankThai. Meanwhile in 2007, BCHB disposed of shareholdings in 2 insurance companies and its asset management business for a large gain. In analysing its 2008 financials, BCHB identified non-recurring gains and losses from these transactions as "M&A-related charges". For 2007, M&A-related charges amounted to a total net gain of RM674 million while for 2008 it was a negative after-tax of RM112 million.

BCHB Group's FY08 results consolidate 2 months results of ex-Lippo Bank and 42% equity accounting of 2 months BankThai results. In 2008, BCHB Group's revenues declined by 14% while net profit declined by 30% compared to 2007. However, adjusting for M&A-related charges, the Group's net earnings declined by 2.6% from RM2,119 million to RM2,064 million.

In 2008, the Group's Malaysian consumer bank saw a sharp turnaround in earnings from a loss of RM14 million in 2007 to a profit before tax ("PBT") of RM705 million as the 3-year transformation at CIMB Bank and CIMB Islamic translate into strong earnings. This mitigated the 37.3% and 20.2% drop in Corporate and Investment Banking and Treasury PBT to RM816 million and RM986 million respectively due to a decline in capital market activity and widening of bond credit spreads. Excluding M&A-related charges, CIMB-Niaga's earnings contribution increased by 2.3% from RM391 million to RM400 million, while asset management and insurance fell from RM111 million to a loss of RM50 million as CIMB-Aviva undertook a major investment portfolio and business restructuring exercise.

The complexion of the Group's earnings changed dramatically as the Malaysian consumer bank contributed 25% of total PBT in 2008, compared to a negative 1% for FY07. Investment banking and Treasury and Investments contribution was 29% and 34% compared to 44% and 41% in FY07. CIMB Niaga's contribution was slightly higher at 14% of Group PBT compared to 13% in 2007, while asset management and insurance fell from 4% to negative 2%.

The Group's total gross loans grew by 21.3% over the last 12 months. Excluding ex-Lippo Bank, total gross loans grew by 13.7% higher than its 12% target. Malaysian consumer and corporate loans grew by 12.2% and 20.3% respectively. Mortgages, credit cards and the Group's micro credit lending grew by 26.3%, 18.8% and 82.9% respectively. However, business banking and hire purchase loans contracted by 1.2% and 5.0% respectively. CIMB Niaga's loans grew by 58.6% in RM terms (77% in IDR terms) and by 7.0% in RM terms (19% in IDR terms) excluding ex-Lippo Bank. Total Group deposits grew 21.0% and 12.9% excluding ex-Lippo Bank, with Malaysian retail deposits growing 19.3% from a year ago.

The Group's loan loss provisions fell by 29.5% to RM794.7 million from RM1.13 billion previously and total credit charge for FY08 was 0.63%, better than its 0.7% target. Specific provisions were 47.5% lower while general provisions rose by 174% in line with the higher loan book. The Group continued to show improvements in asset quality indicators with a significantly lower net non-performing loans ("NPL") ratio of 2.3% from 3.8% as at 31 December 2007. Loan loss coverage took a big leap to 88.1% as at 31st December 2008, up from 69.3% a year ago. Cost to income ratio went up from 46.9% to 53.2% (from 50.3% to 52.0% after adjusting for M&A-related charges). Overhead expenses declined by 2.5% (5% excluding ex-Lippo Bank) year on year. Meanwhile, personnel costs (excluding merger costs and ex-Lippo Bank) dropped by 11%.

Over 2008, CIMB Bank raised RM2 billion in Tier 1 capital securities and RM1.5 billion Tier 2 sub-debt, while BCHB's equity increased by RM1.2 billion following the Niaga-Lippo merger. As a result, CIMB Bank's Tier 1 capital and risk

weighted capital ratios are robust at 10.8% and 13.9% as at 31 December 2008, compared to 9.0% and 12.2% a year ago, while BCHB's double leverage and gearing stood at 118.9% and 35.2% as end-FY08, well within the Group's targeted ratios.

### **3) BCHB Q on Q Results**

4Q08 revenue expanded by 11.7% to RM1.88 billion but profit after tax ("PAT") was 28.8% lower at RM318.6 million. Excluding M&A-related charges, Q-o-Q PAT was flat.

The Group's Malaysian consumer banking business PBT fell 16.5% Q-o-Q due to higher overhead expenses, including fixed asset write-offs. However, the PBT of Corporate and Investment Banking and Treasury and Investments recovered by 3.3% and 111% respectively. Excluding merger costs, CIMB Niaga's PBT improved 11.8% while asset management and insurance losses expanded.

### **4) Market Shares**

CIMB Investment Bank remained number one in M&A, primary bonds and stockbroking and number 3 in initial public offerings (IPOs) in Malaysia. CIMB Islamic continued to top almost all domestic and global Islamic investment banking league tables. CIMB Bank's share of preferred products such as mortgages, retail deposits and credit cards continued to improve. In Singapore, CIMB-GK maintained its pole position in corporate advisory. In Indonesia, CIMB Niaga is the second largest mortgage lender while CIMB-GK ranked 2<sup>nd</sup> in stockbroking and 4<sup>th</sup> for primary bonds. CIMB Principal Asset Management's AUM declined by 10.1% Y-o-Y due to market conditions but it remains the second largest asset manager in Malaysia.

With inclusion of the ex-Lippo Bank and BankThai, CIMB Group now has ASEAN's largest branch network with 1,150 branches across the region.

### **5) CIMB Niaga Results**

Bank CIMB Niaga on 18<sup>th</sup> February 2009 reported a net loss of IDR288 billion for 4Q08, bringing about a FY08 net profit of IDR678 billion. As a result, net ROE for CIMB Niaga for FY08 was 8.1%. Bank CIMB Niaga accounted for a full 12-month consolidation of Lippo Bank but the 4Q08 loss was principally driven by merger costs, foreign exchange related credit losses in ex-Lippo Bank and a strategic decision to improve loan loss coverage.

For the merged bank, loans growth was 23.3% and 3.6% on year and on quarter respectively driven by corporate and retail banking. Gross NPL ratio declined to 2.5% from 3.0% a year ago while net NPL ratio declined to 1.4% from 1.9%. Loan loss coverage was raised to 87.6% as at end December 2008 compared to 76.1% as at end-FY07.

## **6) Significant Corporate Developments in 4Q08**

### **6.1 Streamlining of business**

On 22<sup>nd</sup> October 2008, BCHB completed the disposal of its 100% equity interest in SBB Securities to HLG Credit Sdn Bhd. The proposed disposal of certain assets, liabilities and fund management business of Southern Investment Bank Berhad to HLG Credit was completed in January 2009.

### **6.2 Mergers and Acquisitions**

- (a) On 1<sup>st</sup> November 2008, BCHB announced completion of the merger between PT Bank Niaga and PT Bank Lippo. Based on the terms of the merger and BCHB's historical acquisition cost for ex-Bank Niaga, the BCHB's investment in CIMB-Niaga is valued at RM4.24 billion, equivalent to a price-to-book of 1.92 times as at 31 December 2008.
- (b) On 5<sup>th</sup> November 2008, CIMB Bank concluded the acquisition of approximately 42.13% of BankThai from the Financial Institutions Development Fund for a total cash consideration of approximately Baht5,904.9 million (or RM577.4 million). CIMB Bank proceeded to make a Tender Offer for the remaining BankThai shares. As at closing of the tender on 6 January 2009, CIMB Bank owns 92.04% of BankThai and invested a total cash consideration of RM1.3 billion.
- (c) On 15 January 2009, BankThai announced an equity recapitalisation plan of up to RM250 million. Based on the recapitalisation plan and earlier anticipated provisions, CIMB Bank's total investment in BankThai of up to RM1.55 billion will be equivalent to a price to book value (P/BV) of between 2.1 to 2.4 times.
- (d) On 10<sup>th</sup> November 2008, Commerce International Group Berhad completed the acquisition of 100% interest in Affin Insurance Brokers for RM2.5 million.

### 6.3 Capital Management

- (a) On 7 October 2008, CIMB Bank issued RM1 billion of Innovative Tier-1 Capital Securities. On 26 December 2008, CIMB Bank issued RM1 billion of Non-Innovative Tier-1 Capital Securities.
- (b) On 16 October 2008, CIMB Bank fully redeemed a USD300 million subordinated debt.
- (c) On 6 November 2008, BCHB issued new equity equivalent to RM1.2 billion to Khazanah Nasional Berhad pursuant to the merger between PT Bank Niaga Tbk and PT Bank Lippo Tbk.
- (d) Between 22 January 2008 and 31 December 2008, BCHB purchased 50.609 million BCHB shares at an average market price of RM9.12 per share. The total consideration was RM461.7 million compared to its targeted total buy-back of RM1 billion.

### 6.4 Others

- (a) On 3rd November 2008, BCHB announced that TPG Capital will invest up to US\$150 million in BCHB by subscribing for US\$ 150 million worth of 2-year senior unsecured bonds of CIMB Bank (L) Limited. TPG will receive approximately 50 million warrants to purchase ordinary shares of BCHB at a strike price of RM10 per share, exercisable at any time over a five year period.

## 7) Outlook

“We are bracing ourselves for a tough macro operating environment in 2009 as the global financial crisis morphs into a global economic crisis. We have sensibly strengthened our capital and asset quality ratios and reduced market risk positions to lessen earnings volatility. Our larger and more geographically diversified consumer bank base will provide a more solid earnings base going forward. Our main challenge then is to mitigate risk of higher credit defaults while pursuing revenues carefully in a higher “risk and reward” environment. In 2009, it is also opportune and imperative that we integrate our enlarged regional franchise to capitalize on internal synergies and take advantage of the “retreat” of global banks in both capital markets and commercial banking in South East Asia,” concluded Dato Sri Nazir.

BCHB Group has set a 2009 ROE target of 12.5% (Actual 2008: 12.3%) and a total loan growth target of 8% (Actual 2008: 13.7%).

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