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BCHB Announces 1QFY09 Net Profit of RM614m

1) Summary

Bumiputra-Commerce Holdings Berhad ("BCHB") Group today reported a 14.8% Y-o-Y growth in 1QFY09 net profit to RM614 million or an earnings per share ("EPS") of 17.2 sen. This translates to a net Return on Equity ("ROE") of 14.2%, exceeding its 2009 target of above 12.5%. Compared to 4Q08 net profit increased substantially, by 92.5%.

"We had a good start to the year, exceeding our financial targets because revenues grew strongly, margins held firm and non-performing loans remained benign," said Dato' Sri Nazir Razak, BCHB CEO.

2) BCHB Y-on-Y Results

BCHB recognised a RM26 million net gain from "M&A-related charges" in 1Q09. This predominantly emanated from gains from the sale and leaseback of Menara Bumiputra Commerce and partially offset by non-recurring losses arising from merger-related activities in Indonesia and Thailand. From 1Q09, BCHB began consolidating CIMB Thai (*formerly known as BankThai*) as a 93.15% subsidiary. The 1Q09 results include full consolidation of Lippo Bank and CIMB Thai, both of which are not reflected in comparative 1Q08 numbers.

BCHB Group's 1Q09 revenues grew 24.6% while net profit improved by 14.8% compared to 1Q08. After adjusting for M&A-related charges, the Group's net earnings expanded by 9.9% Y-o-Y from RM535 million to RM588 million.

For 1Q09, the Group's Malaysian Consumer Bank profit before tax ("PBT") increased by 119% in line with the turnaround at CIMB Bank and CIMB Islamic, chalking a RM116 PBT versus RM53 million previously. Treasury and Investments posted a 21.5% increase in PBT to RM407 million as transaction volumes improved, while Asset Management and Insurance saw a 200% jump in PBT to RM33 million driven by higher contribution by CIMB-Aviva. Excluding

M&A-related charges, CIMB Niaga's PBT contribution expanded 55.1% to RM152 million with the inclusion of Lippo Bank. However, Corporate and Investment Banking operations continued to suffer primarily from the weak equity market conditions with a 54.0% drop in PBT to RM116 million. CIMB Thai's maiden contribution was a RM18 million loss (negative RM13 million excluding M&A related charges).

The resurgence of the Malaysian Consumer Bank sees it contribute 14% of Group PBT compared to just 7% in 1Q08. Treasury and Investments remained the largest contributor to Group PBT at 50%, while Investment Banking slipped to 14% from 34% previously. CIMB Niaga's growing prominence is evident in its 19% contribution compared to 13% in 1Q08, while Asset Management and Insurance rose from 1% to 4%. CIMB Thai's maiden contribution was a negative 2% to overall PBT.

The Group's total gross loans grew by 33.4% Y-o-Y in 1Q09 due to the consolidation of Lippo Bank and CIMB Thai. Excluding these additions, gross loans growth was 17.9%. The Malaysian consumer and corporate loans expanded 11.4% and 37.0% respectively. Mortgages, credit cards and the Group's micro credit lending grew by 24.2%, 9.9% and 96.3% respectively. Business banking and hire purchase loans contracted by 3.8% and 0.8% respectively. CIMB Niaga's loans expanded 53.6% in Ringgit terms with consolidation of Lippo Bank. Total Group deposits grew 27.2% with Malaysian retail deposits growing 17.9% from a year ago. Excluding the consolidation of Lippo Bank and CIMB Thai, deposits were 8.5% higher Y-o-Y.

The Group's loan loss provisions rose by 43.9% to RM272 million driven by higher provision in CIMB Niaga and consolidation of CIMB Thai, while total credit charge for 1Q09 was 0.20% of total loans compared to 0.19% in 1Q08. The Group's net non-performing loans ("NPL") ratio remained on a downtrend at 2.6% from 3.7% as at 1Q08. Similarly, loan loss coverage improved to 83.5% from 71.9% previously. Excluding CIMB Thai, 1Q09's net NPL ratio and loan loss coverage stood at 2.3% and 87.5% respectively. Cost to income ratio was marginally higher at 53.4% from 52.6%. Overhead expenses excluding M&A related charges rose 21.7% Y-o-Y mainly due to the consolidation of CIMB Thai.

CIMB Bank's Tier 1 capital and risk weighted capital ratios remained robust at 10.9% and 13.3% as at 31 March 2009 after the recapitalisation of CIMB Thai. BCHB's double leverage and gearing stood at 120.6% and 36.5% as at end-1Q09. As at end-1Q09, CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 12.8% and 16.3% respectively. CIMB Thai's Tier 1 capital and risk weighted capital ratios (based on Basel II framework) were at 6.2% and 9.8% as at 31 March 2009, and 6.2% and 12.3% upon completion of its sub-debt issuance in April 2009.

3) BCHB Q-on-Q Results

The 33.5% Q-o-Q expansion in 1Q09 revenues from RM1.883 billion to RM2.514 billion drove a 92.5% growth in net profit of RM614 million. Excluding M&A-related charges, Q-o-Q net profit was up 31.5%.

The Group's Malaysian Consumer Banking business PBT fell 31.0% Q-o-Q due to a decline in recoveries at the "bad" bank. Excluding legacy assets, Q-o-Q earnings of the consumer bank was 51.3% higher. Corporate and Investment Banking slipped 52.3% but Treasury and Investments made a stellar 164% Q-o-Q improvement. GAM and Insurance turned around to a RM33 million PBT from a negative RM62 million in 4Q08. CIMB Niaga's PBT improved 46.2% excluding M&A related charges while CIMB Thai expectedly started off with a small negative contribution in 1Q09.

Year-to-date, the Group's total gross loans increased by 10.0% with the Malaysian universal bank's loans growing by 4.7%. Total deposits increased by 9.1% YTD but were flat after excluding CIMB Thai.

4) Market Shares

CIMB Investment Bank remained number one in primary bonds and stockbroking and number 3 in M&A advisory in Malaysia in 1Q09. CIMB Islamic continued to stay at the forefront of all domestic and global Islamic investment banking league tables. CIMB Bank is now the second largest mortgage lender in Malaysia and retained its share of retail deposits and credit cards. In Singapore, CIMB-GK has moved up to fourth in stockbroking market share and remains a leader in corporate advisory. CIMB Niaga is Indonesia's second largest mortgage lender while CIMB-GK ranked 8th in stockbroking and 10th for IDR Sukuk. CIMB Principal Asset Management maintained its position as the second largest asset manager in Malaysia.

5) CIMB Niaga Results

Bank CIMB Niaga on 29 April 2009 reported a net profit of IDR263 billion for 1Q09 with a net ROE of 10.9%. This is a significant turnaround from the negative IDR288 billion in 4Q08 although 18.8% lower on a Y-o-Y basis due to merger costs and higher provisions.

For 1Q09, CIMB Niaga's loans growth was 15.2% Y-o-Y underpinned by corporate and retail banking. However, loans were 1.3% lower Q-o-Q as CIMB Niaga adopted a more cautious lending approach given the more challenging operating environment. Gross NPL rose to 2.9% from 2.5% a year ago while net NPL ratio increased to 1.7% from 1.6% previously. Loan loss coverage rose to

85.3% as at end March 2009 compared to 82.2% as at end-1Q08 but was lower versus the 87.6% as at end-FY08.

6) Significant Corporate Developments in 1Q09

6.1 Streamlining of business

On 31 January 2009, BCHB completed the disposal of certain assets, liabilities and fund management business of Southern Investment Bank Berhad to HLG Credit.

6.2 Mergers and Acquisitions

- (a) On 13th January 2009, CIMB Bank announced the acquisition of a further 42.13% of CIMB Thai after completion of the Tender Offer exercise. Upon completion of the subsequent rights issue, CIMB Bank's shareholding in CIMB Thai was raised to 93.15%.
- (b) On 16 February 2009, BCHB completed the sale and lease back of Menara Bumiputra Commerce to Pelaburan Hartanah Bumiputra Berhad for a cash consideration of RM460 million.
- (c) On 16 March 2009, Commerce International Group Berhad ("CIGB") entered into an agreement to dispose its 49% interest in PT Commerce International ("PTCI") to Sun Life Assurance Company of Canada for USD22.7 million (approx. RM84.1 million). PTCI will enter into a bancassurance agreement with CIMB Niaga for the distribution of life insurance products through CIMB Niaga's distribution network.
- (d) On 20 April 2009, CIMB Bank completed the acquisition of a 19.99% interest in Bank of Yingkou Co. Ltd. for RMB348.8 million cash (approx. RM186 million). This translated to a P/B valuation of 1.26x as at completion date.

6.3 Capital Management

- (a) On 15 April 2009, CIMB Investment Bank fully redeemed its USD100 million 5% subordinated bonds.

6.4 Others

- (a) On 17 April 2009, TPG Capital invested USD140 million in BCHB by subscribing for USD140 million worth of 2-year senior unsecured bonds of CIMB Bank (L) Limited. TPG will receive 50.6 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 encouraged by the turnaround in regional capital markets in 2Q09 so far. Furthermore, our balance sheet is now well positioned and our consumer bank momentum in Malaysia and Indonesia is strong. However, we remain cautious as economic indicators are still quite mixed so we are not ready to revise our targets for the year,” 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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