

It's more than commercial banking...



It's about **listening**



BCB Group

CORPORATE AND INSTITUTIONAL BANKING

The main sectors served by the Division during the year were Finance, Insurance, Real Estate and Business Services, Construction and Manufacturing. The financial facilities extended comprised largely funded products, which were mainly term loans and revolving credit. Efforts were also directed towards improving the customer acquisition rate and enhancing present business relationships. For fee income, it was mainly derived from facility fees and profit sharing fees.

Treasury and International Banking continued to be active during the year. The Foreign Exchange and Corporate Sales Desks performed well. For International Banking, the key deliverables for the year were diversifying the Division's loan portfolio in terms of country exposure, tenor and industry. There was a clear focus to increase the trade finance volume, increase investment portfolio in high-return investment papers and introduce new products to boost fee-based income.

BUSINESS BANKING

Efforts were directed at achieving growth in loan assets and better return on these assets, improving loan asset quality and strengthening the Bank's presence in the small and medium-sized enterprises market. Various programmes were also implemented to increase the utilisation rate of trade finance facilities, improve the contribution of non-interest income from non-borrowing customers and enhance the overall quality of customer service.

The Business Banking unit recorded the highest loan growth year on year at 12 percent. Approximately 53 percent of the Division's gross loans comprised loans to small and medium-sized enterprises. The leading sectors for loan disbursement during the year include manufacturing and wholesale.

RETAIL BANKING

Retail loans in 2004 amounted to RM13.4 billion, an increase of 6 percent from the previous year. Housing loans made up approximately 71 percent of retail loans with a year on year growth of 7.7 percent. During the year, a number of acquisition programmes have been designed such as a referral incentive scheme as well as preferential end financing packages.

During the year, the Division surpassed initial targets for approved new Credit Cards and loans for Amanah Saham Bumiputra (ASB). The Credit Cards business is an area of focus. Several new initiatives involving special credit card programmes were introduced during the year. Branches were empowered to process and approve ASB loans during the year.

The Bank's Branch Transformation Project began in earnest during the year. Feedback obtained indicated that customer satisfaction and service level at the branches have been very favourable since the commencement of the project in mid-2004. In December 2004, the Bank launched its Preferred Circle service. This service is offered by invitation only to high net worth and high standing individual customers of the Bank. Preferred Circle will be a one-stop center where all banking and financial needs of eligible customers are attended to in an exclusive environment. The service will be launched in phases with the initial opening of a Preferred Circle Centre at Jalan Tun Perak Branch and a Preferred Circle Lounge at Menara Choy Fook Onn Branch and Taman Tun Dr Ismail Branch.

The Bank will continue to focus on increasing sales through the setting up of a centralised call center for consumer loan products, redesigning and rebranding products and refining processes. There will also be aggressive marketing to retain or acquire market share through for instance the implementation of loyalty programmes.

RISK MANAGEMENT

Efforts continued to be directed towards enhancing the risk management framework in line with the road map to implement Basel II recommendations. The Basel II Project Management Office was established during the year. A number of initiatives have been in place to improve credit monitoring as well as enhance credit policy management, credit surveillance and retail process efficiency. Various tools such as risk-pricing matrix, credit risk management framework and credit data mart have been developed to assist in credit monitoring. Policies and procedures were reviewed to ensure that they are current and are in line with industry practices and comply with regulatory requirements.

The Bank's Decision Support System (DSS) project includes systems to assist in managing market risk. During the year, the new Fund Transfer Pricing system, the Asset and Liability Management (ALM) Data Autofeed and the first phase of the ALM system were completed. Policies, systems and manuals have been put in place to enhance risk identification, measurement and control of treasury risk.

Operational risk initiatives continued to be directed at driving revenue enhancement and improving process efficiency, attaining an acceptable level of operational risk management standards and harnessing the benefits of outsourcing. Charges for banking services are being reviewed and realigned to industry practice, with revised charges implemented for business loans, trade services and nominee services during the year under review. Various measures were introduced for more efficient banking services, such as credit scoring scorecards and statement-based fixed deposits.

INFORMATION TECHNOLOGY

Information technology (IT) services during the year under review aimed to derive benefits from outsourcing initiatives, improve IT cost management, conduct a pilot study on shared services and support business initiatives. To manage IT costs, unit pricing for infrastructure, output-based pricing for applications and benchmarking for competitive market pricing of IT services have been undertaken.

A review of the Bank's IT network infrastructure was completed during the year. Other projects implemented to support the Bank's business initiatives include Credit Risk Management, e-HR Performance Appraisal and DSS Profitability Management.

I-COMMERCE

The Bank's foray into I-Commerce is through products such as Channel-e, mobile banking, BizChannel and eDealer. The operating environment for I-Commerce continues to be promising, particularly in personal Internet Banking and SMS-based banking. Financial transactions through Channel-e were trending upwards through the year, with funds transfers making up the major portions of these transactions. Subscribers have begun to increasingly use Channel-e for bill payments.

Joint campaigns with the Business Banking Division helped to increase BizChannel subscriptions for the year under review. Funds transfers formed the major component of transactions and there was a doubling of transactions for eTrade Finance. There was a deliberate attempt for gradual growth in Channel-e subscriptions. This was to accommodate a new Internet Banking platform which was completed in December 2004. The Bank provides the web based eDealer service to Bumiputra-Commerce Finance (BCF) which in turn provides the service to Proton-Commerce.

HUMAN RESOURCES

Talent management and succession planning are crucial elements of the Bank's value driven culture. The process to determine the Bank's future leaders is ongoing to ensure continuity in management. Another value promoted by the Bank is attention to customer service and to encourage improvements in this area, the "Teaming2Win" programme was introduced in all branches during the year under review.

The performance-linked rewards scheme was implemented during the year. The drive within the Bank towards a performance-based culture was promoted through programmes such as the Assessment Centre which was launched in June 2004. This programme which puts participants through a number of interactive exercises will greatly assist the Bank to assess the capabilities and potential of its employees, particularly at the supervisory and managerial levels.

GROUP REVIEW

The Bank

At the Bank, gross loans growth for the year ended 31 December, 2004 was 8.9 percent while deposits grew by 16.2 percent. In terms of business unit, Business Banking registered the highest growth of 12 percent followed by Corporate Banking at 8 percent and Retail Banking at 6 percent. There was a change in the fourth quarter in the NPL classification to three months from six months. The change in the period of classification was made to conform with international standards and to be in line with Basel II Accord requirements. The net NPL ratio on a three month classification as at end of December 2004 was 8.10 percent. The cost to income ratio improved to 50.41 percent at the end of 2004 from 53.37 percent. There was a focused and concerted effort all year to reduce overall costs. At the end of the year, the core capital ratio and the risk weighted capital adequacy ratio stood at 8.87 percent (2003: 9.49 percent) and 13.17 percent (2003: 14.43 percent) respectively.

BUMIPUTRA-COMMERCE FINANCE BERHAD (BCF)

It was a challenging year for BCF with intensifying business competition from the existing financiers which included manufacturers who provide in-house financing. Loan growth at BCF was strong at 59 percent from RM4.68 billion in 2003 to RM7.43 billion in 2004 due to aggressive and extensive marketing efforts. BCF recorded a PBT for the financial year ended 31 December 2004 amounting to RM7.5 million, an 89.9 percent decline year on year compared to the RM74.7 million recorded in 2003 mainly due to the change in NPL classification from 6 months to 3 months.

The announcement on the new tariff structure with the implementation of the Asean Free Trade Area (AFTA) stabilised the uncertainty in car consumer market behaviour. In widening its customer reach, BCF has expanded its business outlets to 76 and enhanced the eDealer system to improve its market share. BCF continued to improve collection methods by leveraging on the Credit Scoring Model, establishment of a dedicated Call Centre and the introduction of Field Operation Officers.

BUMIPUTRA-COMMERCE BANK (LABUAN) LIMITED (BCBL)

BCBL registered PBT for the year amounting to RM57.0 million, a 7.8 percent increase from the RM52.9 million recorded in 2003. Loans growth was around 5 percent year on year. The modest growth was mainly due to prepayments and principal maturity. In terms of country exposure, Malaysia remained the highest with 73 percent followed by 16 percent to Indonesia. As for industry exposure, manufacturing heads the list with 26 percent followed by purchase of securities at 19 percent.