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BCHB Announces 1HFY09 Net Profit of RM1.277bn. ROE Target Revised Up To 14-15%

1) Summary

Bumiputra-Commerce Holdings Berhad ("BCHB") Group today reported a net profit of RM1.277 billion for 1HFY09, representing a 7.8% Y-o-Y growth and equivalent to earnings per share ("EPS") of 36.2 sen. Annualized net return on equity ("ROE") was 14.5%, well-ahead of the Group's 2009 KPI target of 12.5%. The Group's net profit for 2Q '09 was RM663 million, 8% higher than 1Q'09.

"We are pleased to record another quarter that's well ahead of targets. Relative to 1Q, in 2Q CIMB-Niaga's contribution surged on the back of improved net interest margins and strong treasury income growth while corporate and investment banking rebounded with the turnaround in regional equities markets," said Dato' Sri Nazir Razak, BCHB Group CEO. "Our out-performance has also been a result of various strategic moves over the last year, to reduce earnings volatility, protect net interest margins and strengthen our capital base, as well the multi-year transformation of our Malaysian consumer bank."

2) BCHB Y o Y Results

BCHB Group's 1H09 revenues increased 22.2% Y-o-Y to RM 5.103 billion while net profit grew by 7.8%. The two periods are not strictly comparable as in 1H'09 the Group included two new acquisitions, ex-Lippo Bank and ex-Bank Thai.

For 1H09, the Group's Malaysian consumer "good" bank PBT grew by an impressive 28% Y-o-Y on the back an 11.7% growth in revenues. As expected, sharply slower recoveries at Group Special Assets Management (or "bad" bank) though meant that overall Malaysian consumer bank contribution fell by 12.7%.

PBT contribution from Treasury & Investments increased 7.8% Y-o-Y to RM735 million but Corporate & Investment Banking with RM297 million was still 35.4% below last year's achievement. The enlarged CIMB Niaga's contribution surged

in 1H09 with its PBT expanding 82.8% to RM371 million from RM203 million previously. Asset Management and Insurance PBT contribution expanded 118% to RM74 million due to the turnaround in CIMB-Aviva's performance. CIMB Thai made its maiden contribution to the Group with a loss of RM24 million.

The Malaysian Consumer Bank contributed 15% of Group PBT compared to 18% in 1H08. Treasury and Investments retained its position as the largest contributor to Group PBT at 43%. Corporate & Investment Banking contribution was lower at 17% from 27% previously. CIMB Niaga continues to grow in prominence, now making up 22% of Group PBT versus just 12% in 1H08. Asset Management and Insurance rose from 2% to 4%, while CIMB Thai made a small negative contribution.

Total non-Malaysian contribution to the Group jumped to 22% in 1H09 from 16% in the previous corresponding period.

The Group's total gross loans expanded 26.1% Y-o-Y with the addition of the 2 new acquisitions. Excluding the new acquisitions, gross loans grew by 9.8% Y-o-Y underpinned by the Malaysian consumer and corporate loans which grew 11.1% and 14.8% respectively. Mortgages, credit cards and the Group's micro credit lending grew by 21.0%, 4.7% and 97.6% respectively Y-o-Y. Business banking and hire purchase loans declined by 4.8% and 0.2% Y-o-Y respectively. CIMB Niaga's loans grew 55.9% (but only 3.3% after excluding effect of ex-Bank Lippo). Total Group deposits grew Y-o-Y by 19.7% and 2.5% excluding ex-Bank Thai and ex-Lippo Bank, with Malaysian retail deposits growing 13.7% Y-o-Y.

The Group's loan loss provisions increased 57.7% Y-o-Y to RM574 million in 1H09 attributed to increased provision at the enlarged CIMB Niaga, overseas divisions as well as the inclusion of CIMB Thai. Loan loss provision in Malaysia fell 25.7%. BCHB Group's total credit charge for 1H09 stood at 0.42% (0.37% excluding CIMB Thai). The Group's asset quality continues to improve with a net non-performing loans ("NPL") ratio of 2.4% from 2.5% as at 30 March 2009. Similarly, loan loss coverage improved to 86.8% from 85.6%. Excluding CIMB Thai, the 1H09 net NPL ratio and loan loss coverage were 2.1% and 91.5% respectively. Cost to income ratio was higher at 52.2% from 48.2% last year, as ratios from new acquisitions remain high.

CIMB Bank's risk weighted capital ratio continued to improve to 13.8% as at 30 June 2009 versus 13.3% as at 31 March 2009. BCHB's double leverage and gearing stood at 114.5% and 29.5% as at end-1H09.

3) BCHB Q on Q Results

2Q09 Group revenues of RM2.589 billion were 3.0% higher than the RM2.514 billion generated in 1Q09, giving rise to an 8.0% increase in Q-o-Q net profit of

RM663 million. Adjusted for M&A related charges, Q-o-Q net profit was up 15.5%.

The Group's Malaysian Consumer Banking division PBT improved 24.6% Q-o-Q with recoveries at the bad bank. Excluding these legacy assets, the consumer bank earnings were 2.9% higher. Corporate and Investment Banking expanded 56.0% in tandem with a recovery in capital markets but Treasury and Investments fell 19.4% Q-o-Q, with Malaysian treasury contributions slipping 9.9% following a stellar 1Q. CIMB Niaga's PBT improved by a further 43.6% Q-o-Q, while GAM and Insurance PBT contributions rose 24.6% to RM41 million. CIMB Thai posted a marginally smaller RM11 million pre-tax loss in 2Q09 compared to the RM13 million pre-tax loss in 1Q09.

4) Market Shares

CIMB Investment Bank retained its top spot in stockbroking and was number 2 in primary bonds and number 3 in M&A advisory in Malaysia in 1H09. CIMB Islamic was number 2 within the domestic and global Islamic investment banking league tables. CIMB Bank reaffirmed its position as the second largest mortgage lender in Malaysia and maintained its share of retail deposits and credit cards. In Singapore, CIMB-GK remained fourth in stockbroking market share and amongst the leaders in corporate advisory. CIMB Niaga is Indonesia's second largest mortgage lender while CIMB-GK moved up to 3rd in stockbroking and 14th for IDR Sukuk. CIMB Principal Asset Management maintained its position as the second largest asset manager in Malaysia.

5) CIMB Niaga Results

On 30 July 2009, Bank CIMB Niaga reported a 20% Y-o-Y growth in net profit to IDR696 billion for 1H09 with a net ROE of 14.5%. The improvement was underpinned by a sharp expansion in Net Interest Margins ("NIMs") to 6.9% in 2Q09 compared to 5.7% in 2Q08 and stronger treasury income. This more than offset the 15% Q-o-Q increase in provision expenses.

CIMB Niaga's gross loans grew 3.3% Y-o-Y in 1H09 with expansion in the corporate and retail segments. Business banking loans declined in line with the drop-off in business activity. Gross NPL rose to 2.7% at end-June 2009 from 2.3% as at the corresponding period last year, while net NPL ratio increased to 1.7% from 1.5% previously. CIMB Niaga has the 2nd lowest net NPL ratios amongst Indonesian banks. Loan loss coverage rose to 96.3% as at end-1H09 compared to 80.3% as at 1H08.

As at end-1H09, CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 12.3% and 15.4% respectively.

6) CIMB Thai Results

On 21 July 2009, CIMB Thai announced a THB505 million net loss for 1H09 on the back of THB3.416 billion in revenues. The loss was largely expected in view of M&A-related charges, pre-acquisition provision expenses as well as the fact that the recapitalization of CIMB Thai was only completed in April 2009. On a Q-o-Q basis, revenues improved 11.1% while net losses were 5% lower at THB246 million.

CIMB Thai's Tier 1 capital and risk weighted capital ratios (based on Basel II framework) were at 6.1% and 12.1% as at 30 June 2009.

7) Outlook

"With the strong 1H09 performance, we now estimate that our 2009 ROE will be between 14-15%, ahead of our 12.5% target. We anticipate heightened level of capital markets activity in Malaysia and across the region, and relatively stable global financial markets. Nevertheless, we must remain prudent and vigilant as the global recovery is still fragile and there may still be some lag-effect in NPL formation," said Dato' Sri Nazir.

"CIMB Niaga has just completed its system merger and re-branding but is still strengthening foundations of the newly enlarged franchise. CIMB Thai is still at early stage of its transformation and CIMB Bank (Singapore) is only on its starting blocks. Meanwhile, the Group is actively pursuing various strategies to integrate its businesses across the region and realize synergies. Therefore, although we will continue to rely largely on our Malaysian businesses in 2009, next year we expect our non-Malaysian businesses to drive growth," concluded Dato' Sri Nazir.

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Media Contact: -

Effendy Shahul Hamid
Head, Group Corporate Communications
CIMB Group
Phone: +603 2087 3030
Fax : +603 2093 1008
Email : effendy.hamid@cimb.com

APPENDIX

Significant Corporate Developments in 1H09

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 Hong Leong Investment Bank (formerly known as HLG Credit).

2) Mergers and Acquisitions

- (a) On 13 January 2009, CIMB Bank increased its shareholding in CIMB Thai to 92.04% upon completion of its Tender Offer exercise. Subsequently, upon completion of CIMB Thai's rights issue on 19 March 2009, CIMB Bank's shareholding in CIMB Thai was further raised to 93.15%, with CIMB Bank's total investment value in CIMB Thai amounting to RM1.54 billion.
- (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 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 1.29x as at completion date.
- (d) On 28 July 2009, BCHB completed the disposal of a 49% equity interest in PT CIMB Sun Life to PT Sun Life Indonesia Services for USD22.7 million (approx. RM84.1 million)
- (e) On 7 August 2009, CIMB Investment Bank subscribed for an initial 10% equity interest in Vinashin Shipbuilding Finance Company Securities LLC ("VFC Securities") in Vietnam for approx. RM6.7 million, with an option to increase its shareholding to 40% for up to RM39.2 million. VFC Securities was granted a securities license by the Vietnam State Securities Commission on 18 December 2008.

3) Capital Management

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

- (b) On 30 June 2009, CIMB Bank fully redeemed its USD200 million subordinated bonds.
- (c) On 30 June 2009, BCHB injected equity of RM1 billion into CIMB Bank which is recognized as Tier 1 capital at the Bank.
- (d) On 10 July 2009, CIMB Bank fully redeemed its RM667 million ICULS via issuance of 667 million new CIMB Bank shares to CIMB Group Sdn Bhd. The ICULS were previously recognized as Tier 2 capital of CIMB Bank and the new shares issued are recognized as Tier 1 capital of CIMB Bank.

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.
- (b) On 2 July 2009, CIMB Strategic Assets Sdn Bhd entered into a 60:40 joint venture with Standard Bank Group International Limited to jointly manage the USD500 million Islamic Infrastructure Fund. The private equity fund is sponsored by the Asian Development Bank (“ADB”) and the Islamic Development Bank (“IDB”) with an initial seed capital of USD250 million. CIMB Bank (L) Limited and Standard Bank Plc jointly committed a further USD12 million.
- (c) On 10 August 2009, BCHB announced a proposed name change to CIMB Group Holdings Berhad. The proposed name change is subject to approval from shareholders at a shareholders' meeting to be convened.