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Kuala Lumpur, Friday, 24 August 2007

BCHB 1H07 Results - Net Profit Surges by 97% to RM1.276 billion and Special Dividend Declared

BCHB Group Results

Bumiputra-Commerce Holdings Berhad Group ("BCHB") today reported a net profit of RM1,276 million for the 6 months ended 30 June 2007, 97% higher than the RM649 million earned in the corresponding period last year and equivalent to 85% of total net earnings for the whole of 2006. BCHB also surprised with a special dividend of 25 sen per share to shareholders and announced that its annual dividend policy rate (excluding special dividends) is increased from 15 sen to 25 sen per share for 2007 onwards.

Revenues and pre-tax profits were up 80% and 90% respectively compared to 1H06. Net earnings per share increased by 88% to 38.8 sen. The Group's annualised net return on equity ("ROE") for 1H07 was 19.5%, ahead of its annual ROE target of 18%.

The Group's strong earnings performance was largely due to CIMB Group's investment banking and treasury divisions capitalising on strong capital markets in Malaysia and the rest of the region. CIMB-GK, the Group's regional investment banking arm saw a year on year increase of 227% in 1H07 net profit. The consumer banking businesses contributed with slightly better revenues and lower loan losses as the bank's primary focus in 1H07 has been on the CIMB - Southern Bank Berhad ("SBB") operational integration and overall transformation initiatives for future growth.

Compared to 1H06, net interest income increased 35% to RM2.2 billion while non interest income was up 159% to RM2.4 billion. Loan loss provisions and overheads were up 105% and 67% respectively. Higher revenues and overheads reflected the enlarged scale of business following the Group's acquisition of SBB. Cost to income ratio for the Group for 1H07 was 47.1%, lower than 52.5% achieved for 2006 as a whole.

Total gross loans for the BCHB Group declined by 1.3% year to date to RM94 billion as CIMB UB continued to restructure its portfolios and emphasise on credit quality (vs quantity). In preferred products though the Group saw good growth; year to date performing mortgage loans was up 7.1%, credit cards 6.5% and CIMB Express 27.7%. Hire purchase contracted by 5.5% and business loans by 6.4%. Corporate loans fell by 1.6% and will continue to be more volatile as the Group shifts its emphasis to short term transactional loans. Bank Niaga's net loans increased 3%.

On a quarter to quarter basis, BCHB Group's revenue increased 17.7% to RM2.47 billion while net earnings rose 7.3% to RM660 million due to higher overheads, loan provisions and taxation rate. The Group has also shown an improvement in asset quality indicators. Loan loss coverage ("LLC") ratio stood at 61%, up from 59% as at 31 March 2007 while net NPL ratio was lower at 5.2% from 5.6% as at the end of the first quarter.

CIMB Universal Bank ("CIMB UB"), comprising the Group's Malaysian consumer bank and regional investment banking operations, and PT Bank Niaga contributed 93% and 12% to the Group's profit before tax respectively. BCHB, the company, registered a loss of RM85.0 million (net of dividend income from subsidiaries) due to interest expenses. Income from the Group's foreign operations as a whole contributed 19% of pre-tax profit, 64% of which was from Bank Niaga.

CIMB Bank's pre-tax profit of RM1,158.0 million (net of consolidation adjustments) represented 72% of CIMB UB's pre-tax profits while CIMB Islamic made RM84.0 million and represented 5%. CIMB-GK's pre-tax profit of RM89.0 contributed to 6% CIMB UB's pre-tax profit while CIMB Investment Bank contributed 11% at RM171 million.

The Group's shareholders funds increased from RM12.7 billion to RM14.4 billion during 1H07, lifting net tangible asset and book value per share to RM2.76 and RM4.29 per share respectively.

The Risk Weighted Capital Adequacy ratio for the investment banking and consumer banking operations were 16.8% and 12.6% respectively as at 30 June 2007. BCHB's gearing has declined to 46.9 % from 65.3% as at 31 March 2007 due to strong earnings and the completion of the new shares placement to Bank of Tokyo Mitsubishi UFJ ("BTMU"). With the completion of the sale of the Group's insurance businesses in 3Q07, BCHB has degeared from its high leveraged position following the SBB acquisition and is now able to reward shareholders with a special dividend of RM615 million and adopt a higher minimum annual dividend policy.

Bank Niaga Results

Bank Niaga, which announced its 1H07 results on 20 July, reported pre tax profit of IDR557.0 billion - 16% higher than 1H06. Net interest income reached an all time high of IDR1,280 billion and was 15% higher over the same period last year. Net profit grew by 15% from IDR353 billion to IDR406 billion. For 1H07, the Bank achieved a net ROE of 18.3%

Bank Niaga's improved financial performance is attributable to the continued good performance of their corporate and retail businesses as well as their remodeled treasury that put in a strong showing in non interest income. Mortgages, which now represent 23% of the bank's total loans, grew by 16% to IDR7.99 trillion and the bank retains a market share of around 10%. Cost to income ratio has improved with 49.2% as against 50.7% in 2006.

Corporate Developments

The significant corporate developments in 1H07 were:

- a) CIMB Bank / SBB merger
 - The Group has been operating on a single IT and operations platform since 18th March. All ex-SBB branches and products have since assumed the CIMB brand and the CIMB-SBB merger is in effect complete.
 - In terms of synergy, the Group estimates that it has achieved RM52.1 million of pre-tax profit derived from synergies between SBB and CIMB in 2Q07, up 120% from the previous quarter.
 - All the remaining 149 "Bumiputra-Commerce Bank" branches will be rebranded "CIMB Bank" by 31st August 2007 as scheduled.
- b) Completion of private placement of shares to BTMU
 - BCHB completed its placement of 117 million new shares to BTMU on 9 April 2007.
- c) Disposal of insurance businesses
 - On 22nd June, the Group formalized its strategic joint venture with Aviva which now holds a 49% stake of the Group's Life and Takaful insurance businesses. The Group has also signed a share sale agreement with Allianz on the 10th July for the disposal of 100% of its General insurance. The net gain of about RM630 million from both the disposals will be recognised in the third quarter 2007.
- d) Internal reorganisation
 - On 20th June, Bank Indonesia approved the change in controlling shareholder from BCHB to CIMB Group. The change is part of

BCHB's on-going internal reorganisation efforts to consolidate all its operating subsidiaries under CIMBG.

- On 1st July, CIMB set up Group Special Asset Management (“GSAM”) to focus on NPL management. GSAM is currently managing a portfolio of RM13.9 billion of legally claimable loans.

e) CIMB-Niaga Synergy Programme

- As part of the internal reorganization, a CIMB-Niaga Synergy Programme was launched. The Group has identified that at least RM261 million of pre-tax profit can be derived in synergies between CIMB and Niaga over the next 5 years mainly driven by corporate banking, credit cards and treasury initiatives.

CEO Remarks

“We had an outstanding first half in the regional capital markets; our newly combined balance sheets and resources were deployed to take full advantage of the buoyant market conditions. Although still in its early days, the consumer bank turnaround is already visible in the financial performance especially in the lower credit charges. We anticipate better top line growth in the second half and beyond as we only completed the CIMB - SBB integration in April. It is encouraging that 2Q consumer sales were much stronger than 1Q,” said Dato’ Nazir.

Dato’ Nazir continues “With the profits from the sale of our insurance businesses, we remain optimistic of better overall earnings in 2H07. However, core earnings could be lower as it is unlikely for the consumer banking turnaround to be able to fully offset an expected slowdown in regional capital markets activities.”

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