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BCHB 9M07 Results - Net Profit Up by 118% to RM2.308 billion

BCHB Group Results

Bumiputra-Commerce Holdings Berhad ("BCHB Group") today reported a net profit of RM2.308 billion for the 9 months ended 30 September 2007, 118% higher than the RM1.057 billion earned in the corresponding period last year. Revenues and pre-tax profits were up 67% and 109% to RM7.031 billion and RM2.947 billion respectively compared to 9M06 resulting in a net earnings per share of 69.6 sen, up 107% from 9M06. The Group's annualised net return on equity ("ROE") for 9M07 was 22.2%, exceeding its 2007 ROE target of 18%.

For 3Q07, BCHB Group's profit after tax of RM1.032 billion is 56% higher than that of the previous quarter and included a RM628 million gain from the sale of 100% of its General insurance and 49% of its Life and Takaful businesses. The core business net profit in 3Q07 of RM404 million was 39% lower than the previous quarter reflecting the sharply contrasting capital market environment between the two periods. Nevertheless, even excluding the gain on sale of insurance, the Group's 9M07 net profit of RM1.679 billion has exceeded 2006 full year net profit of RM1.504 billion.

In comparison with 3Q06, the Group's net earnings excluding sale of insurance businesses was flat. Comparing 3Q06 and 3Q07, the Group's revenues from its Malaysian consumer banking operations improved by 19% while its wholesale (treasury and investment banking) revenues, including CIMB-GK, was up 9.2%. Asset management was up 46% while Bank Niaga's revenues improved by 4%.

The Group's cost to income ratio for 9 months to 30th September 2007 was 44% compared to 52.5% for 2006 as a whole. It is estimated that excluding the insurance sale, the 9M07 cost to income ratio is about 48%.

The total Group loans growth for the first nine months was 6.2% due to a 8% increase in loans in 3Q07 driven by corporate lending as well as continued growth in preferred product areas such as mortgages, credit cards and the Group's micro credit loans. As for the portfolios under restructuring, business

loans were flat while hire purchase continued to shrink, with a 10% reduction for the nine months. Bank Niaga's loans grew 10% year to date. Consumer deposits at CIMB Bank grew 7.5% over the nine months of the year.

The Group continued to show strong improvement in asset quality indicators with its lower net NPL ratio of 4.5% from 5.5% at the beginning of the year and 5.2% at mid-year. Loan loss coverage ("LLC") ratio stood at 65.1%, up from 61.0% as at 30 June 2007.

CIMB UB and PT Bank Niaga contributed 94% and 10% to the Group's profit before tax respectively. BCHB, the company, registered a loss of RM104 million (net of dividend income from subsidiaries) due to interest expenses. Income from the Group's foreign operations as a whole contributed 16% of pre-tax profit, 62% of which was from Bank Niaga.

CIMB Bank's pre-tax profit of RM1.5 billion (net of consolidation adjustments) represented 56% of CIMB UB's pre-tax profits while CIMB Islamic made RM75.0 million and represented 3%. CIMB-GK's pre-tax profit of RM131.0 contributed to 5% CIMB UB's pre-tax profit while CIMB Investment Bank contributed 8% at RM235 million.

The Group's shareholders funds increased from RM14.4 billion to RM14.8 billion over the quarter, lifting net tangible asset and book value per share to RM2.87 and RM4.39 per share respectively.

The Risk Weighted Capital Adequacy ratio for the investment banking and consumer banking operations were 15.4% and 12.3% respectively as at 30 September 2007. BCHB's gearing has declined to 33.8% from 46.9 % as at 30 June 2007.

Bank Niaga Results

Bank Niaga, which announced its 9M07 results on 29 October, reported net profit of IDR590 billion, 10% higher than 9M06. Net interest income reached an all time high of IDR1,916 billion and was 12% higher over the same period last year. For 9M07, the Bank achieved a net ROE of 17.6%.

On a quarter to quarter basis, net interest income declined by 2% from 2Q07 due to lower yields. Mortgages, which now represent 23% of the bank's total loans, grew by 7% during the quarter to IDR8.5 trillion and the bank retains a strong market share of about 10%. Cost to income ratio was 50.5%.

Corporate Developments

The significant corporate developments in 3Q07 were:

- a) CIMB Bank / SBB merger
- The CIMB Bank / SBB merger reached a final milestone on 31st August 2007 with the completion of the rebranding of all of the bank's 383 branches. A merger closing report was subsequently published on 28th September 2007.
 - In terms of synergy, the Group has already achieved RM129.5 million in synergies for the first nine months between SBB and CIMB, 86% of year to date PBT target for September. 3Q07 synergy realisation of RM53.7 million is a marked increase from the 1H07 average of RM37.9 million per quarter.
- b) CIMB-Niaga Synergy Programme
- The Group has started to also reap synergies from CIMB-Niaga. In 3Q07, RM12.91 million, 92% of 3Q07 target was achieved.
 - Synergies arose from sales of credit cards, corporate banking and treasury initiatives.
 - On 1st November in Jakarta, the Group launched "Star Choice", the first Rupiah denominated structured product.
- c) Streamlining of businesses
- The Group finalised the strategic joint venture of the Group's Life and Takaful insurance businesses with Aviva acquiring a 49% stake. In addition, the entire General business was disposed to Allianz;
 - CIMB Bank's branch in Tokyo will cease operations in December 2007. This cost saving exercise was enabled by the Group's strategic alliance with Bank of Tokyo-Mitsubishi;
 - The Group announced the proposed sale of Southern Investment Bank Berhad, an 80% subsidiary of CIMB Bank Berhad and SBB Securities Sdn Bhd, a wholly owned subsidiary of CIMB Bank to HLG Credit Sdn Bhd on the 19th October 2007 and is pending approval from Bank Negara Malaysia
- d) Mergers & acquisitions
- The Group's announced on the 16th October and 1st November 2007 its intentions to explore the potential acquisition of an equity stake in Affin Insurance Brokers and Protac Insurance Brokers respectively;
 - On 13th September 2007, the Group announced its interest in acquiring a 19.3% stake in Thailand's ACL Bank Co. Ltd as part of its regionalisation strategy. The Group, however, later announced on 17th October that the bid was unsuccessful.
- e) Capital management
- On 28th September 2007, the BCHB Group paid a special dividend of 25 sen per BCHB share.

- The Group is in the midst of negotiations for the sale of Menara Commerce, CIMB Bank's new office premises under construction. An announcement can be expected shortly.

CEO Remarks

Dato' Nazir Razak, Group CEO, said "We had an outstanding first half in the regional capital markets and the weaker core earnings in 3Q is in line with expectations of a slower 2H07. The third quarter will be our best in total earnings but our weakest in terms of core earnings due to difficult conditions in the regional and domestic capital markets."

He continued, "We are optimistic about 4Q07. We are seeing strong capital market flows again in Malaysia, Singapore and Indonesia. We also believe that the consumer sales momentum in 2Q and 3Q this year and higher performing loan base will translate to higher consumer bank contribution earnings."

"In terms of KPIs, our full year ROE is now likely to exceed 20% compared to our target 18% for 2007", Dato' Nazir concluded.

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