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Kuala Lumpur, Thursday, 21 February 2008

BCHB FY07 Results - Net Profit Up by 86% to RM2.8 billion

BCHB Group Results

Bumiputra-Commerce Holdings Berhad Group ("BCHB Group") today reported a net profit of RM2.793 billion for the full year ended 31st December 2007, 86% higher than the RM1.504 billion earned in 2006. Revenues and pre-tax profits were up 41% and 84% to RM9.011 billion and RM3.686 billion respectively compared to FY06. Net earnings per share of 83.9 sen was up 72% from FY06. The Group's annualised net return on equity ("ROE") for FY07 was 20%, exceeding its 2007 ROE target of 18%.

For 2007, BCHB has declared a final 25 sen dividend per share amounting to a total net payment of RM627 million. The Group has also disclosed that it plans to buy back and cancel up to RM1 billion worth of BCHB shares over the course of 2008. This signals a shift in its capital management paradigm in favour of share buybacks and cancellation. The Group is maintaining its ROE target at 18% for 2008.

For 4Q07, BCHB Group's profit after tax of RM486 million is 10% higher than that of the previous quarter core's net profit of RM442 million (which excludes the previous quarter's gain from the sale of 100% of its General insurance and 49% of its Life and Takaful businesses). Compared to 4Q06 net earnings of RM447 million, 4Q07 performance was up 9%. Excluding the gain on sale of insurance, the Group's FY07 net profit of RM2.203 billion has exceeded 2006 full year net profit of RM1.504 billion by 46%.

The Group's cost to income ratio for the full year to 31st December 2007 was 46.9% compared to 52.5% for 2006 as a whole. It is estimated that excluding the insurance sale, the FY07 cost to income ratio is about 50.4%.

The total Group loans growth for the full year was 7.3% (excluding write-offs) as mortgages, credit cards and the Group's micro credit loans posted strong growth in loans of 24%, 32% and 100% respectively. The corporate lending book grew 8.2%. As for the portfolios under restructuring, business loans were down 4.5%

while hire purchase continued to shrink by 9.1% reduction for the full year. Bank Niaga's loans grew 26% in IDR terms but 12.1% in RM terms. Consumer deposits at CIMB Bank grew 17.2% over the year.

The Group continued to show strong improvement in asset quality indicators with its lower net NPL ratio of 3.8% from 5.5% at the beginning of the year. Loan loss coverage ("LLC") ratio stood at 69.3% as at 31st December 2007, up from 57.5% a year ago.

CIMB Bank's pre-tax profit of RM2.1 billion (net of consolidation adjustments) represented 62% of CIMB UB's pre-tax profits while CIMB Islamic made RM95.0 million and represented 3%. CIMB-GK's pre-tax profit of RM181.0 contributed to 5% of CIMB UB's pre-tax profit while CIMB Investment Bank contributed 8% at RM281 million.

The Group's shareholders funds increased from RM11.8 billion to RM15.7 billion over the year, lifting net tangible asset and book value per share to RM3.18 (51% increase) and RM4.67 (26% increase) per share respectively.

The Risk Weighted Capital Adequacy ratio for the investment banking and consumer banking operations were 20.2% and 12.5% respectively as at 31st December 2007. BCHB's double leverage and gearing stood at 116% and 33.6% respectively as at 31st December 2007.

Bank Niaga Results

Bank Niaga reported net profit of IDR770 billion, 19% higher than FY06. Net interest income reached an all time high of IDR2,447 billion and was 11% higher over the same period last year. For FY07, the Bank achieved a net ROE of 17.7%.

Mortgages, which now represent 22% of the bank's total loans, grew by 27% over the year to IDR9.1 trillion and the bank retains a strong mortgage market share of about 9.5%. Cost to income ratio was 49.7%.

Significant Corporate Developments

The significant corporate developments in 4Q07 were:

- a) CIMB Bank / SBB merger
 - The Group has achieved RM227.6 million in synergies for the full year exceeding the FY07 SBB-BCB synergy target by 14%.

- b) CIMB-Niaga Synergy Programme

- The Group achieved RM28.8 million (IDR70 billion) in CIMB-Niaga synergies which exceeded target by about 7%. Synergies arose from sales of credit cards, corporate banking and treasury initiatives.
- c) Streamlining of businesses
- CIMB Bank's branch in Tokyo has ceased operations on 14th December 2007.
 - The Group's proposed sale of Southern Investment Bank Berhad and SBB Securities Sdn Bhd to HLG Credit Sdn Bhd announced on 19th October 2007 is still pending approval from the Bank Negara.
 - On 4th December 2007, BCHB announced the proposed sale of its 60% equity interest in SEA Bank to British American Investment Co. (Mtius) Ltd.
- d) Mergers & acquisitions and partnerships
- CIMB Bank, on 18th January 2008, signed a Participation Agreement with Lenlyn UK Ltd, the world's second largest retail foreign exchange provider for the management of its retail forex business.
 - On 27th December 2007, BCHB announced Khazanah's decision to pursue the option to merge Bank Niaga and Bank Lippo to comply with Bank Indonesia's Single Presence Policy.
- e) Capital management
- On 3rd December 2007, BCHB signed a Sale & Purchase agreement with Pelaburan Hartanah Bumiputera Berhad for the sale and leaseback of Menara Bumiputra-Commerce for RM460 mil.
 - BCHB has bought back 4.135 million BCHB shares at an average price of 10.40 since 1st January to 20th February 2008. BCHB is now embarking on a more active programme with a view to buy back and cancel up to RM1 bil in shares in 2008.

CEO Remarks

Dato' Nazir Razak, Group CEO, said "We are delighted with our overall financial results for 2007, our first full year post merger with SBB. We had an outstanding first half in the regional capital markets and then successfully navigated the adverse conditions in the global capital markets. As a result, we maintained our no. 1 market share in almost all segments of the Ringgit capital markets and the global Sukuk market. Our consumer bank also performed commendably despite the huge resource commitment to the operational integration challenge that followed the merger. We were acknowledged by The Banker as Malaysia's "Bank

of the Year” in 2007 and by the Banking and Finance Magazine as “Asia’s Most Improved Retail Bank.”

“Indeed, it is the success of the SBB merger integration and overall consumer business transformation that gives rise to our optimism about 2008 as we are seeing encouraging momentum in asset and deposit growth and anticipating lower credit losses in our consumer business. Although global capital markets remain volatile, we remain positive about activity levels in domestic and regional capital and global Sukuk markets in 2008. We are also pleased with our progress in enlarging our international platform which offers significant growth potential, for the longer term”, Dato’ Nazir concluded.

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