

# Performance Review by Group Chief Executive



Despite prioritising business transformation and merger integration, the BCHB Group achieved yet another record year with our net profit rising 86% to RM2.793 billion from RM1.504 billion the year before. This translates into an annualised net return on equity of 20% against 13.98% in 2006 and our medium term annual ROE target of 18%. Revenues and pre-tax profits were up 41% and 84% to RM9.011 billion and RM3.686 billion respectively compared to 2006. Net earnings per share of 83.9 sen was up 72% from the previous year.

Dear Shareholders,

In 2007 we focused on more and more details of transforming BCHB Group into a universal bank. A journey that began in mid-2005 with a series of mergers and acquisitions settled down to realities of strengthening foundations, capacity building and delivering financial performance. Our capacity building activities were broadly divided along the themes of “Optimisation” and “Regionalisation”. These two themes neatly encapsulated our efforts in capturing synergies throughout the universal bank both domestically and regionally. It is our fundamental belief that the Universal Banking model is the most powerful and effective business model for our industry today. However, it comes with tremendous management challenges, especially to derive the synergies which underpin the basis of this model.

### AN EXCELLENT YEAR IN SUMMARY

I am pleased to report that despite the enormity of the task that lay ahead of us at the start of the year and in spite of the difficult conditions in the global financial markets in the 2nd half of the year, the BCHB Group had an excellent 2007. In our first full year post the SBB merger, we exceeded all key financial and non-financial targets, strengthened the foundations of our new regional universal banking franchise and won an unprecedented haul of awards and accolades.

We registered record profits yet again and exceeded our annual net return on equity (“ROE”) target. Our total shareholder return performance comfortably exceeded the KLCI as targeted. We completed our corporate reorganisation with the transfer of ownership of Bank Niaga to CIMB Group and consolidated all our

operating entities under the CIMB brand and management structure. We also sold stakes in our insurance and takaful businesses, launched several new business partnerships, rationalised our international platform and introduced a new strategic shareholder at BCHB – Bank of Tokyo-Mitsubishi UFJ (“BTMU”).

The business and operational merger of CIMB-SBB was our biggest challenge for 2007. The migration of SBB’s operations onto CIMB Bank’s IT platform was effected on 18 March, one month ahead of schedule. Our re-branding exercise came to a close as scheduled on 31 August 2007 when the last 18 of our 382 branches were re-branded. While these developments were the most visible transformation events over 2007, there were a myriad of other activities that took place. In fact

to me, the sheer number of projects and initiatives and the commitment and energy levels of the staff involved were simply breathtaking.

The Group garnered an unprecedented haul of awards and accolades over 2007. All our three brand entities topped their respective classes – CIMB Bank was named “Bank of the Year in Malaysia 2007” by The Banker; CIMB Investment Bank was voted “Best Investment Bank in Malaysia” by Euromoney and Finance Asia; while CIMB Islamic received the accolade “Global Islamic Investment Bank of the Year”.

We are also proud that Bank Niaga was named “The Best Bank 2007” among Indonesian banks with assets of between IDR10-50 trillion by the Investor magazine.

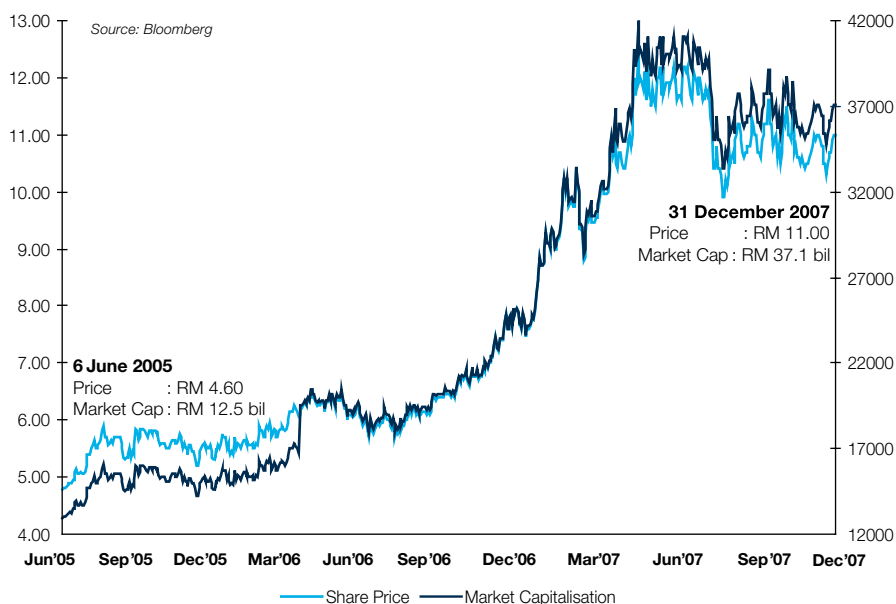
As further testimony for our progress, the Asian Banker 300 report (“AB300”) ranked BCHB as the 22nd strongest bank in Asia Pacific. The AB300 also credits us as the biggest improver in terms of strength, having jumped 130 places from our previous ranking of 152.

We also won top awards in the Asiamoney polls for our research and stock broking operations and were lauded “Most Improved Retail Bank in Asia” for 2007 by Asian Banking & Finance magazine. In a year which saw CIMB innovating in derivative products for both corporate and retail customers, we received Asia Risk’s award for “House of the Year” in Malaysia for risk management. In addition, many individual products and business lines also garnered a long list of accolades. To top it all, we played major roles in four market-defining M&A transactions in the domestic and regional markets.

Looking back on 2007, if I had to chose one word to describe the year that was, it would have to be “Synergy”. This is because we realised tremendous synergies between legacy banks, between treasury and consumer banking, between corporate and investment banking, across borders and throughout countless other aspects of our businesses. And of course, it was also the year that we completed the Synergy Drive mega-merger that created the new Sime Darby, by far Malaysia’s largest listed company.

All in all, 2007’s excellent achievements vindicate our decision to embrace the universal banking model. I daresay we

**BCHB Share Price and Market Capitalisation from June 2005 till December 2007**



are several steps closer to realising our broader ambition of becoming the most valued universal bank in South East Asia.

**SHAREHOLDER VALUE ENHANCED**

Our transformation continued to be underpinned by significant shareholder

value enhancement. In 2007, total shareholder return was 41.7% compared to 31.6% for the KLCI. From the announcement of the CIMB-BCB merger in June 2005 until end 2007, there has been a 139% appreciation in our share price and some RM24.6 billion value in terms of market capitalisation has been created for shareholders.



For shareholders who participated in the CIMB Berhad IPO via Restricted Offer for Sale in December 2002, your investment would have returned over 619% over five years. An initial capital investment of RM1,000 then would have returned profits of RM6,190 today, or an average of 123.8% per annum.

In August, we had a pleasant surprise for our shareholders when we announced a special dividend of 25 sen per share to shareholders. We also announced that the Company's annual dividend policy rate (excluding special dividends) would be increased from 15 sen to 25 sen per share for 2007 onwards.

**KEY ACCOMPLISHMENTS**

In 2007, we completed four major transformation initiatives that had commenced in 2006 - the operational integration of SBB, the completion of

CIMB Bank's re-branding exercise, the "re-energising" of our insurance businesses and the transfer of Bank Niaga from BCHB to CIMB.

**Integration Completed**

On 18 March 2007, the IT and operations of SBB and CIMB Bank were successfully integrated onto a single platform. I am happy to report that Single Platform Day 1 (SPD1) took place one month ahead of schedule with minimal glitches and that the previously distinct entities have been operating smoothly as one since then.

**Brand Strengthened**

The new "CIMB Group" brand and our consumer, investment and Islamic brand entities have collectively established themselves as a leading Malaysian brand in a very short space of time. All our branches were re-branded as "CIMB Bank" by 31 August 2007, and we used various mediums of advertising to drive acceptance of



*A truly Malaysian brand*

the new brand. Towards the end of the year, CIMB garnered fifth place (with a brand value of RM3.2 billion) on Malaysia's Top 50 Most Valuable Brands listing by the Brand Finance Institute, while Interbrand ranked CIMB sixth (with a brand value of RM3.4 billion) in its Malaysia's Most Valuable Brands 2007 listing.

### **Insurance Re-energised**

In 2007, we streamlined our insurance businesses through the strategic disposal of a 49% stake each in Commerce Life Assurance and Commerce Takaful to Aviva Asia Pte Ltd. As a late entrant into insurance business, the Group's priority had been to seek a strategic partner in life insurance and takaful which have strong synergies with our universal banking business.

The Group also completed the sale of Commerce Assurance Berhad to Allianz Malaysia Berhad and launched the bancassurance tie-up between Allianz and CIMB Bank. We felt that general insurance was becoming increasingly commoditised and we should concentrate on product distribution.

### **Bank Niaga Integrated**

The year also saw us completing the transfer of Bank Niaga from BCHB to the CIMB Group and start synergising operations in the key areas of credit cards, treasury and corporate banking. Our initiatives have translated into

rapid growth of Bank Niaga credit card sales, the launch of the first Rupiah-denominated structured product, "Star Choice" in November 2007, and Bank Niaga, CIMB Bank and PT CIMB-GK Indonesia collaborating on many corporate banking deals.

In addition to these four major initiatives, the Group also accomplished several other important milestones that aligned with our theme of optimising our business and operations:

### **Consumer Banking Revitalised**

The Group's consumer banking franchise has been in transformation since June 2005 with the merger of CIMB and BCB. In 2007, we began to see the results of that transformation process when the synergies from the CIMB-SBB integration vastly improved our standing as a consumer bank. We have shown strong growth in all key consumer banking products such as mortgages, deposits and credit cards, and taken the industry lead in structured deposits.

### **Dual Banking Established**

The Group has identified "dual banking" as the best way forward in Islamic consumer banking. This approach has been successfully implemented in our capital markets business for a number of years. We now offer both conventional and Islamic banking in all branches although it was only after the IT-cross platform between CIMB Bank and CIMB Islamic core banking



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systems was installed on 6 November that we could deliver the right service levels for Islamic consumer products. We believe that we are now set to grow exponentially in the Islamic consumer space.

### Businesses Streamlined

2007 will also be remembered as the year in which we methodically streamlined our businesses. We took decisive steps to bring in partners where we were weak and exit businesses which were non-strategic. Besides divesting stakes in our insurance businesses, we also divested interest in our asset management arm to enable our partner, The Principal Group, to maintain their 40% share of the business post merger with SBB's asset management arm. BTMU, Tune Money, Pos Malaysia, Singer and 7-Eleven were among our new business partners in various segments of our business. We also closed our Tokyo branch and are in the process of selling Southern Investment Bank, SBB Securities and SEA Bank (Mauritius).

### Capital and Gearing Optimised

We transformed our risk profile through various transactions that optimised our gearing and capital and which even enabled us to pay a surprise special dividend to shareholders in September 2007. These included the placement of 117 million new shares to BTMU that enlarged their shareholding in BCHB

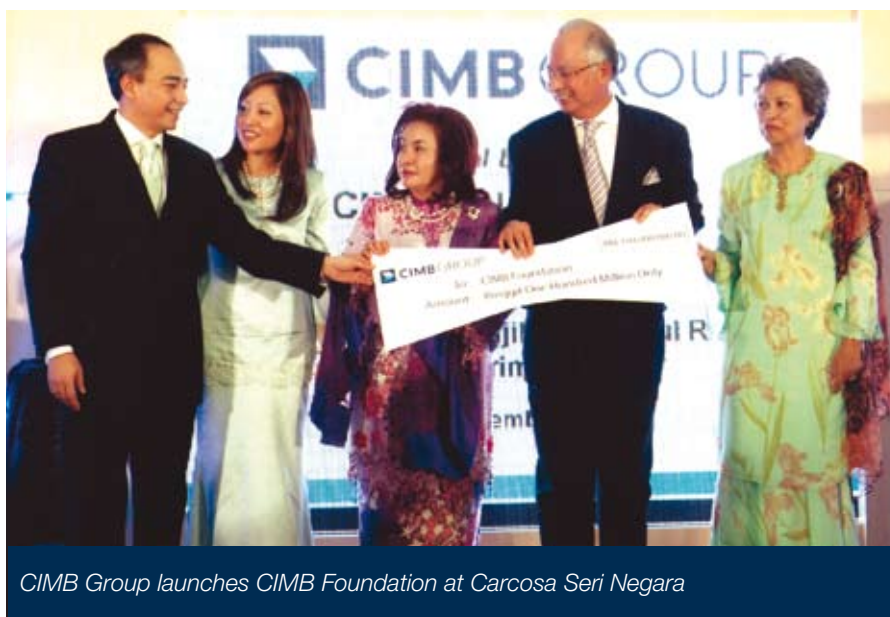
from 1.1% to 4.5%, and our RM6 billion Commercial Papers/Medium Term Notes ("CP/MTN") programme.

### Asset Quality Improved

We are enthusiastic about the advances we made in asset quality management. We created a new division, the "Bad Bank" or Group Special Asset Management. The Bad Bank focuses on paring down our non-performing loans by pursuing the recovery of legally claimable loans. We also strengthened collections in all business segments. Going forwards we are also closely monitoring NPL formation on all new loans by vintage to ensure that our new credit framework and products are as robust as we predicted.

### Corporate Social Responsibility Institutionalised

Our CSR agenda was taken to a new level in 2007 with two initiatives. Early in the year, Community Link was launched to leverage on our branch network to support a wide range of causes based on the varied needs of the different local communities we serve nationwide. In November, we launched CIMB Foundation, a not-for-profit organisation with an initial RM100 million grant from CIMB Group. The Foundation will focus on sustainable programmes in community development, sports and education, and will assume responsibility for Community Link.



**BCHB Group Financial Performance Snapshot**

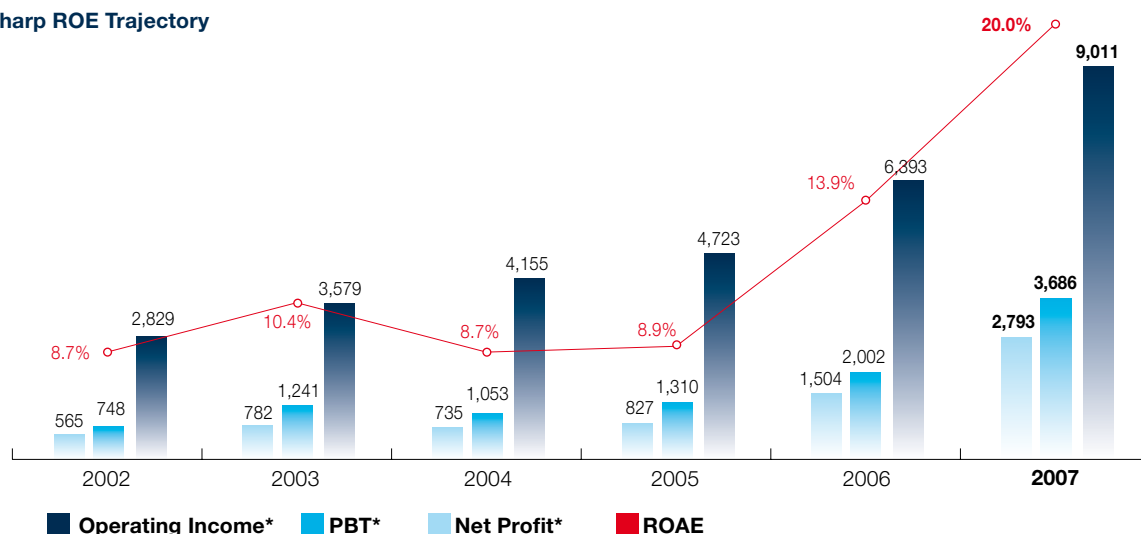
(RM million)	FY07	FY06	Y-o-Y
Net interest income	4,435	3,657	21%
Non interest income	4,576	2,736	67%
<b>Operating income</b>	<b>9,011</b>	<b>6,393</b>	<b>41%</b>
Loan provisions	(1,127)	(1,017)	11%
Other provisions	19	(52)	(136%)
Overhead expenses	(4,228)	(3,358)	26%
<b>PBT*</b>	<b>3,686</b>	<b>2,002</b>	<b>84%</b>
<b>Net profit</b>	<b>2,793</b>	<b>1,504</b>	<b>86%</b>
<b>Earnings per share (sen)</b>	<b>83.9</b>	<b>48.7</b>	<b>72%</b>

**Key Ratios**

%	FY07	FY06
ROAE	20.0	13.98
Net interest margin	2.43	2.54
Fee income/ Total income	16.2	17.3
Non-interest income/ Total income	50.8	42.8
Cost/ Income	46.9	52.5
Loan loss coverage	69.3	57.5
Gross NPL	7.2	8.8
Net NPL	3.8	5.5
Average shareholders' funds (RM million)	13,934	10,760
Double leverage (Company)	116%	150%

\* Includes share of profit of jointly controlled/associated companies

**BCHB's Sharp ROE Trajectory**



\* Amounts denoted in RM million



**STRONG FINANCIAL PERFORMANCE**

The BCHB Group achieved yet another record year with our net profit rising 86% to RM2.793 billion from RM1.504 billion the year before. This translates into an annualised net ROE of 20% against 13.98% in 2006 and our medium term annual ROE target of 18%. Revenues and pre-tax profits were up 41% and 84% to RM9.011 billion and RM3.686 billion respectively compared to 2006. Net earnings per share of 83.9 sen was up 72% from the previous year.

The Group’s investment banking and treasury divisions had a strong first half, capitalising on buoyant capital markets in Malaysia and the rest of the region. However, in the second half, our wholesale numbers were much weaker following the turn in global capital markets. This was somewhat mitigated by realisation of a profit of RM625 million arising from the completion of the sale of our insurance businesses.

We outperformed the total shareholder returns of our benchmark Bursa Malaysia indices - the Kuala Lumpur Composite Index by 1.9 times and the FBM100 by 1.8 times. The Group also paid a special dividend of 25 sen in September and a final 25 sen dividend per share amounting to a total net payment to shareholders of RM1.2 billion.

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 RM3.17 (50% increase) and RM4.67 (26% increase) per share respectively.

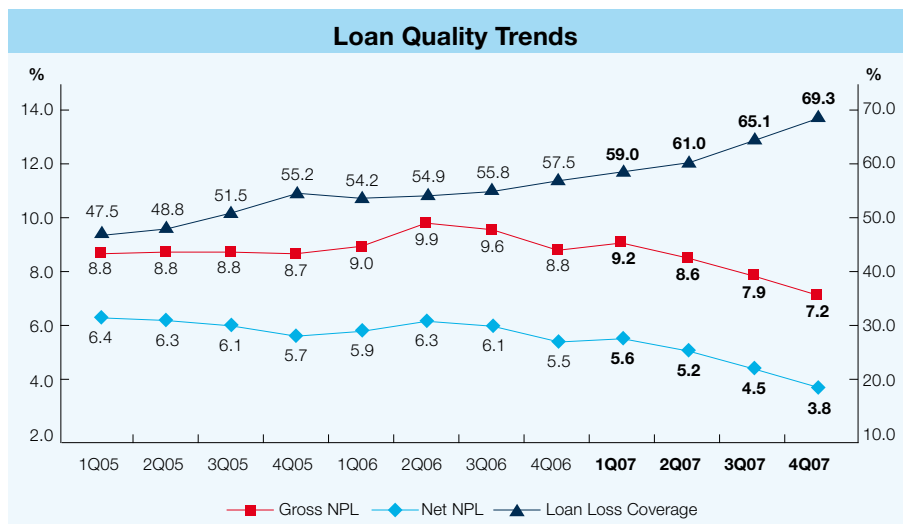
In terms of loans growth, the Group recorded an overall growth of 7.3% (excluding write-offs) as mortgages, credit cards and micro credit loans posted strong growth in loans of 19%, 23.2% and 74.7% respectively. The corporate lending book grew 8.2%. As for the portfolios that we deem still to be under restructuring, business loans were reduced by 4.5% while hire purchase continued to shrink by 9.1% for the full year. Bank Niaga’s loans grew 26% in IDR terms but 12.1% in RM terms. Consumer deposits showed robust growth of 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. This is even more impressive when looked at over the course for the last 3 years as shown in the chart below. Loan loss coverage ratio stood at 69.3% as at 31 December 2007, up from 57.5% a year ago. However, we were disappointed that the loan loss provision for the Group stood at 1.1%, whereas our target was to bring that to below 1%. This disappointment could be singularly attributed to two major accounting frauds in Malaysia and Indonesia, resulting in additional provisioning of about RM167 million.

The Group’s cost to income ratio for the full year to 31 December 2007 improved to 46.9% compared to 52.5% for 2006 as a whole. If we exclude the income from the sale of our insurance businesses, cost to income improved to about 50.4%.

**Asset quality indicators : Significant improvements**



**PRO-ACTIVE CAPITAL MANAGEMENT**

**BCHB Group Credit Ratings**

Rating Agency	Issuer Rating
<b>Moody's</b>	
CIMB Investment Bank	A3
CIMB Bank	A3
<b>S&amp;P</b>	
BCHB	BBB-
CIMB Investment Bank	BBB
CIMB Bank	BBB+
<b>Fitch Ratings</b>	
CIMB Investment Bank	BBB
CIMB Bank	BBB+
<b>RAM</b>	
BCHB	A1
CIMB Investment Bank	AA2
CIMB Bank	AA2
<b>MARC</b>	
CIMB Bank	AA
BCHB	AA-

as at 31 December 2007

In 2007, we actively and optimally managed the capital base of the Group across entities with unprecedented vigour and attention to detail. Key initiatives include the sale and leaseback of Menara Bumiputra-Commerce to Pelaburan Hartanah Bumiputera for RM460 million, a new share buyback programme and launch of a RM1.3 billion nominal value domestic issuance, comprising RM650 million 3-month commercial papers ("CPs"), RM300 million 6-month CPs and RM350 million 18-month medium term notes ("MTNs") following the establishment of our RM6 billion CP/MTN facility.

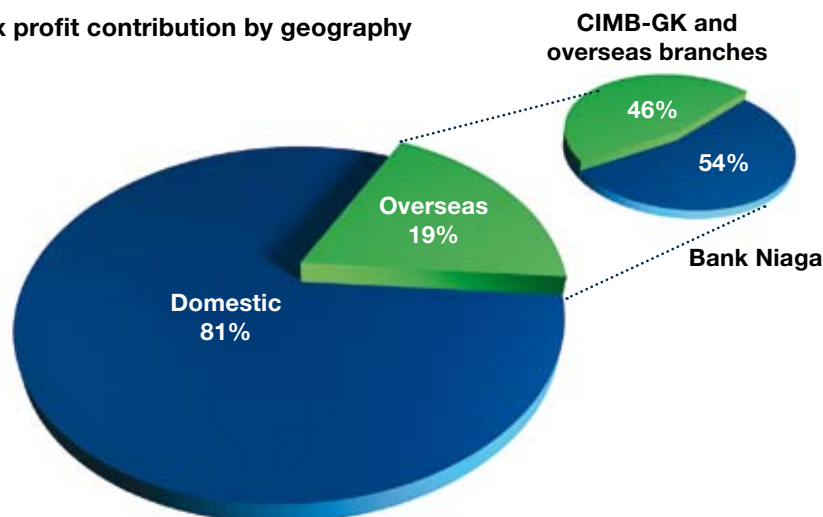
The Risk Weighted Capital Adequacy ratio for the investment banking and consumer banking operations were 30.1% and 12.5% respectively as at 31 December 2007. BCHB's double leverage and gearing stood at 116% and 33.6% respectively as at 31 December 2007.

Our capital management paradigm sets out to balance our credit rating profile with maximising returns to equity holders. We have quite dramatically de-leveraged ourselves from the "highs" post-SBB acquisition to gearing and double leverage levels we deem very comfortable and consistent with our various credit ratings. Going forwards, we plan to dynamically manage our capital position to maintain key ratios at the current levels.

**DIVISIONAL PERFORMANCE**

In last year's annual report, we introduced an additional method of looking at the financial performance of the Group's entities to supplement the disclosure under the Group's financial statements. This method reflects how Management views, discusses and tracks the performance of the Group. This additional commentary which was introduced in the CEO's Performance

**Pre-tax profit contribution by geography**



## Performance Review by Group Chief Executive

Review, and used at the Group's Annual General Meeting, enhanced shareholders' understanding of the Group's financials in the light of its operations as a universal bank. This year, we continue to provide shareholders with this additional commentary in line with the Group's structure, with its 3 key entities being BCHB (the holding company), CIMB Universal Bank and Bank Niaga.

To briefly recap, BCHB is principally the listed vehicle for the Group. CIMB Universal Bank comprises 5 core divisions — consumer banking, corporate and investment banking, treasury and investments, asset management and insurance. Bank Niaga is the Group's consumer banking arm in Indonesia.

Overall, CIMB Universal Bank contributed RM3.389 billion being 91.9% of the Group's profit before tax with Bank Niaga contributing RM391 million (10.6%). For 2006, the contributions were 90.9% and 6.5% respectively. The loss of RM94 million attributed to BCHB, the holding company, represents funding and administrative costs.

In terms of domestic and overseas contribution, 81% of the Group's profit before tax was from its Malaysian operations while 19% was from its overseas entities. Although our overseas contribution dropped from 23% in 2006, this was a reflection of a strong turnaround in our domestic businesses. Of the profit before tax from overseas businesses, 46% was attributed to CIMB-GK and overseas

### Revenue by segment - wholesale numbers in 2H07 were slower

(RM million)	1Q07	2Q07	3Q07	4Q07
Consumer Banking	777	780	797	811
Corporate & Investment Banking	466	658	507	524
Treasury & Investments	493	584	789*	294
GAM & Insurance	109	129	99	45
Bank Niaga	289	332	279	289
Other income	(35)	(13)	(9)	17
<b>Total income</b>	<b>2,099</b>	<b>2,470</b>	<b>2,462</b>	<b>1,980</b>
Loan provisions	(285)	(368)	(358)	(116)
Other provisions (incl. impairment)	(6)	(20)	62	(17)
Overhead expenses	(983)	(1,168)	(965)	(1,111)
<b>PBT</b>	<b>826</b>	<b>916</b>	<b>1,205</b>	<b>739</b>
<b>Net profit</b>	<b>615</b>	<b>660</b>	<b>1,032</b>	<b>486</b>

\* RM164 million excluding insurance gain

### BCHB Group: Contribution by entity

(RM million)	CIMB Universal Bank	Bank Niaga	BCHB (Holding company) & Others	BCHB Group
Revenue	7,915	1,189	(93)	9,011
Profit/(loss) before tax	3,389	391	(94)	3,686
Net profit/ (loss)	2,683	188	(78)	2,793

branches, compared to only 21% last year. We are very pleased with the surge of revenues from regional investment banking and stock broking, as they indicate that CIMB is gaining traction regionally in investment banking. Bank Niaga contributed 54% of the Group's overseas profit before tax.

### CIMB Universal Bank

CIMB Universal Bank houses the bulk of the Group's operations. As a universal bank, the Group operates across entities in a manner which best serves its customers and creates value for stakeholders. While many different legal entities such as CIMB Bank, CIMB Investment Bank, CIMB Islamic and CIMB-GK make up "CIMB Universal Bank", the 5 divisions - consumer banking, corporate and investment banking, treasury and investments, asset management and insurance - operate seamlessly to serve the financial needs of all customers from

the smallest retail customers to the largest corporations.

### Malaysian Consumer Banking

Malaysian Consumer banking has 4 main parts. Retail Banking caters to all our individual retail customers including our Hire Purchase monoline, while Business Banking serves our base of small and medium enterprise ("SME") and mid-sized corporate customers. Direct Banking and Cards is a division which houses the "Direct Access" monoline, the credit cards business and CIMB Express, our micro-credit business. Consumer Sales and

Distribution is responsible for all our non-monoline sales efforts as well as the entire branch network.

Our improved consumer banking franchise began to show traction as key consumer banking products such as mortgages, business premise loans, credit cards and deposits showed large increases and exceeded growth targets. Overall, consumer loans grew 5.2% to RM55.3 billion (excluding write-offs) while retail deposits grew 17% to RM30.6 billion. Our credit card franchise saw an increase in card base of 46% and loans growth of 23.2%.

### Consumer Banking - Loans Growth

Divisions/ Products	Gross loans end 2006 (RM billion)	Gross loans end 2007 (RM billion)	FY07 Loans Growth	FY07 Loans Growth (excl. write offs)
<b>Consumer Banking</b>	<b>53.5</b>	<b>55.3</b>	<b>3.3%</b>	<b>5.2%</b>
Mortgages	16.1	19.1	18.9%	19.0%
- Of which performing	14.0	17.4	23.9%	23.9%
HP	13.6	11.8	(12.9%)	(9.1%)
Credit cards	1.8	2.2	23.2%	32.1%
CIMB Express	0.3	0.5	74.7%	100.3%
Business	14.9	14.0	(6.0%)	(4.5%)

In 2006, our consumer bank seemed to hog the media with the hostile acquisition of SBB and the rebranding of CIMB. In 2007 however, the frenzied activity was all in the office - as we completed the business and IT integration of SBB, as well as the physical rebranding of all consumer bank branches to CIMB Bank.

On 18 March 2007, all 382 SBB branches, BCB and CIMB Bank branches went live as "one bank" operating on a single IT and operations platform. This was done in record time one month ahead of schedule, in a total of 7 months from start to finish, making this possibly the fastest merger IT integration in the region. While this placed a heavy burden on our available resources, we had taken a strategic decision to quickly put the merger "to bed" so that we could then concentrate on the real business of extracting value. I am happy to inform shareholders that this has turned out to be the correct strategy as the synergy targets which

### Consumer Banking - Deposit Growth

Divisions/ Products	End 2006 (RM billion)	End 2007 (RM billion)	% FY07 growth
<b>Retail</b>	<b>26.1</b>	<b>30.6</b>	<b>17.2%</b>
Savings	7.2	8.1	11.7%
Current	3.0	3.7	21.1%
Fixed deposits	15.9	18.8	18.2%
<b>Business</b>	<b>15.3</b>	<b>17.3</b>	<b>12.8%</b>

we had announced (ie. RM200 million profit before tax per year for 3 years) were exceeded by 14%. Also, key SBB staff remained with us and so, by and large, did its customers.

The rebranding of our consumer bank branches which began with the launch of the new CIMB Bank brand on 7 September 2006 was also completed as scheduled on 31 August 2007, with all 382 branches being converted to "CIMB Bank". In February 2008, we right-sized our branch network further and brought the total number of branches to 364.

Despite making strides in consumer banking, we were aware that we are still not on par with the best. With the physical integration of the consumer bank completed, and in line with our paradigm of continuous self-improvement, we launched "Transformation 2" ("T2") in the 4th quarter of 2007. We recognised that while our basic services had improved tremendously, we lagged our competitors in customer service and differentiating products. Therefore, for T2, we are focusing on 3 major aspects - IT and operations infrastructure, upgrading the skills of our people and branding. We expect to complete planning T2 in the first quarter of 2008 and embark on various specific projects and initiatives thereafter.

In 2007, Retail Banking continued to stir the market with its innovative products and campaigns. In line with our aim to leverage on the strengths of CIMB Group to differentiate ourselves from competitors, Retail Banking

launched new loan products such as "Home Fixed", a fixed rate home loan leveraging on CIMB's strength in asset/liability management. For deposits, new deposit products launched in the year such as Fixed Rate Negotiable Instruments of Deposit (structured deposits) and capital protected structured products also leveraged on CIMB's strength as a market leader in treasury. We also leveraged on our strength as the global leader in Islamic finance to launch "Fixed Rate Investment Account-i", a Syariah-compliant deposit product which paid customers their returns upfront. The "Dream Deposit Drive" campaign which offered fixed deposit customers the chance to win 3 Mercedes Benzes was also a success.

In 2007, we moved our private banking unit to Retail Banking, as part of our strategy to offer differentiated services to different customer segments throughout the consumer bank. Private banking registered a 27% growth in assets under management to RM4.4 billion at the end of 2007. The unit won the Euromoney award for "Best Private Banker for Super-Affluent Clients" in Malaysia for 2007.

CIMB Clicks, our internet banking portal, saw tremendous growth, with its user base increasing more than 100% in the course of the year to over 400,000. CIMB Club customer base, on the other hand, grew significantly from just above 2,000 in 2006 to over 23,000 in 2007, with the number of CIMB Club centres increasing to 27 nationwide.

Our hire purchase business saw a turnaround with a return to profitability, although its loan base shrank 9.1%, the result of a deliberate decision to consolidate the business and focus on asset quality. Net NPL ratio shrank from 3.1% to 2.2% while stocks of repossessed vehicles dropped to less than half versus the previous year. This industry remains challenged by fierce price competition.

Business Banking also underwent a period of consolidation in 2007 with active restructuring and rescheduling of weaker accounts together with a new focus on asset quality. We were also extremely concerned about the rampant abuse of the Banker's Acceptance ("BA") product and imposed much stricter compliance standards. Loans to small and medium enterprise (SME) customers shrank by 4.5% with BAs accounting for much of the reduction. The drive to improve deposits went well with business deposits increasing by 12.8% for the year. The division also worked closely

with the Islamic banking division to increase Islamic financing packages to SME customers.

Direct Banking and Cards saw rapid growth. The Direct Access monoline grew retail loans by 21% to end the year with a loan base of RM1.6 billion. Our credit card base grew by 46% and outstandings grew by 23.2% while card spending increased by 43%. Credit card applications received through the CIMB Bank branch network increased by 144%. Clearly the idea that the legacy SBB cards business could grow exponentially by riding on our enlarged branch network was proven. Our merchant acquiring business grew 17%. On an industry basis, CIMB ranked 4th by credit card loan base and 2nd in the acquiring business.

CIMB Express' loans growth exceeded its target, ending the year with a total loan base of RM460 million, an increase of 74.7%. The division widened its distribution network to locations in Malaysia where the Group had minimal

or no physical presence through partnerships with Pos Malaysia, Singer and 7-Eleven. The division also widened its product suite by introducing "Xpress Cash Financing-i", a Syariah-compliant version of its flagship product, "Xpress Cash".

Consumer Sales and Distribution began to demonstrate its true potential in 2007. Branch product sales reached record levels in key product areas such as mortgage loans (172% above budget) and business premise loans (155% above budget) while in-branch sale of credit cards saw an increase of more than 4 times vs 2006 numbers. The bank also opened close to 700,000 new deposit accounts in 2007, amounting to a 14% increase in customer accounts. We opened branches 12 new locations during the year, including, notably, the first full service bank branch at the Main Terminal building of the Kuala Lumpur International Airport.



Launch of CIMB Bank branch at Kuala Lumpur International Airport



## Performance Review by Group Chief Executive

### Corporate and Investment Banking

At the beginning of 2007, we set out to retain our leading position across all segments of the Malaysian capital markets as well as to expand our regional franchise. And what a year it turned out to be! In investment banking, the Group maintained its leading position in Malaysia, and grew in prominence in key regional markets. CIMB retained its position as Investment Bank of the Year for Malaysia by Finance Asia for the seventh consecutive year

A special highlight was CIMB playing the leading role in 4 major deals which were market-defining transactions in the domestic and regional markets, namely the Sime Darby mega-merger, the Wilmar Group cross-border merger and the privatisations of Maxis and Malakoff.

In 2007, CIMB-GK expanded its network with the official opening of 2 new offices - CIMB-GK Securities Thailand and CIMB-GK Securities USA. Based in New York City, the latter is an institutional sales office, promoting Malaysian and other South East Asian stocks to US investors. At the end of 2007, we also announced a partnership with the Vietnam Shipbuilding Industry Group ("Vinashin") to set up a new joint-venture securities firm in Vietnam.

The regional investment banking franchise has also demonstrated its ability to make inroads into the regional markets. Despite intense competition, the teams in Singapore and Hong Kong recorded strong growth in revenues with 61 transactions completed in Singapore and 77 in Hong Kong. In

### Full Year 2007 Rankings: Asia ex-Japan completed M&A

Completed M&A				
Rank	Adviser	USD mil	Deals	% Share
1	JP Morgan	60,586	37	12.33
2	UBS	52,594	43	10.70
3	Goldman Sachs	49,202	45	10.01
4	Credit Suisse	41,382	29	8.42
5	Citi	37,698	53	7.67
<b>6</b>	<b>CIMB Group</b>	<b>37,249</b>	<b>108</b>	<b>7.58</b>
7	Morgan Stanley	32,411	50	6.60
8	ABN Amro	27,681	28	5.63
9	HSBC	24,394	30	4.96
10	Rothschild	23,574	29	4.80

source: Dealogic

### CIMB's Key Investment Banking Deals: Domestic

"Synergy Drive" - Sime Darby Berhad's RM35 billion merger of Kumpulan Sime Darby Berhad, Kumpulan Guthrie Berhad, Golden Hope Plantations Berhad and their subsidiaries.

Binariang GSM Sdn Bhd's RM40 billion privatisation of Maxis Communications Berhad.

Employees Provident Fund Board's RM12.4 billion takeover offer for Rashid Hussain Berhad and RHB Capital Berhad.

MMC Corporation Berhad's RM9.3 billion privatisation of Malakoff Berhad.

PPB Group Berhad's RM4.6 billion disposal of its interest in PPB Oil Palms Berhad, PGEO Group Sdn Bhd and Kuok Oils & Grains Pte Ltd to Wilmar International Limited.

Khazanah Nasional Berhad's USD850 million exchangeable Sukuk.

terms of M&A transactions, we ranked 3rd in Singapore while in Hong Kong, our small team of 11 staff emerged no. 1 in the mid-cap category. Combined, CIMB-GK raised a total of over SGD5.3 billion for equity-linked transactions and advised on M&A and advisory transactions of over another SGD30 billion.

We are pleased with the progress we have made on the international scene. For Asia ex-Japan, CIMB advanced one rank from last year to finish sixth

in the M&A section, the highest ranking Asian bank among the top 10 banks. And in Thailand, we were named by Asiamoney as the most improved broker, a commendable achievement for a franchise which had yet to complete a full year of operations.

2007 was another record year of M&A in Malaysia with the industry M&A deal value reaching RM123.6 billion. The Bank continued to top the domestic M&A league table with 30 deals announced (exceeding RM50 million) for a total deal value of RM74 billion or a 36% market share by value. The M&A market continued to facilitate a funding source shift from the equity capital market to the debt capital market, as evidenced by a substantial number of deals to take listed companies private. Out of the total industry M&A deal value in 2007, approximately RM62.2 billion were privatisations.

The industry also saw a substantial increase in the value of equity/equity-linked issues from RM9.2 billion in 2006

to RM16.6 billion in 2007. Although there were fewer IPOs in 2007 – 27 IPOs versus 40 the year before, the total issue size of RM2.7 billion in 2007 exceed 2006’s issue size of RM1.9 billion. In both equity/equity-linked issues as well as IPOs, CIMB took the pole position in terms of market share. For equity-linked issues, CIMB was no. 1 with RM11.3 billion worth of issues and a market share of 67%. For IPOs, CIMB advised on 7 IPOs with a total amount raised of RM1.6 billion.

2007 was also a good year for corporate lending activities on the domestic market. Our corporate banking franchise has been strengthened by its link-up with our investment banking franchise. Gross loans for corporate and investment banking grew 8.2% to RM30.7 billion (excluding write offs).

Regional and international lending were also given a boost with the launch of CIMB Bank in Singapore, joining our branches in London and Hong Kong as regional centres for international loans

### CIMB’s Key Investment Banking Deals: Overseas

Wilmar International Limited’s USD4.3 billion merger with the oils and grains business held by Kuok Group and Wilmar Holdings Pte Ltd, and USD600 million convertible bond issue.

Genting International PLC’s SGD2.2 billion rights issue, and SGD 450 million and SGD425 convertible bond issues.

Golden Agri-Resources Ltd’s SGD800 million share placement.

Indofood Agri Resources Ltd’s Reverse Take Over of CityAxis Holdings Limited and SGD423 million share placement.

PT Wijaya Karya Tbk’s IDR775 billion IPO.

Adviser to China Oriental Group Company Limited (“COG”) for the HKD8.4 billion unsolicited takeover attempt by Smart Triumph Corporation of COG.

Geely Automobile Holdings Limited’s HKD2 billion acquisition of the automobile manufacturing business from its parent, and 23% interest in Manganese Bronze Holdings plc.



Announcement of Binariang GSM Sdn Bhd’s general offer for Maxis Communications Berhad

**CIMB's leading position across the Malaysian capital market**

Sector	Rank	Market share
M&A advisory	1	36%
IPO advisory	1	47%
Equity/equity-linked	1	67%
Primary bonds	1	30%
Sukuk issuance	1	39%

syndication and regional financing transactions through our International Banking and Transactions Services (“IBTS”) department.

IBTS also secured several cash management mandates in the course of the year, leveraging on our online business banking platform, CIMB Biz Channel. We were also named the “Best Cash Management Bank” in Malaysia by Finance Asia, Asiamoney and Alpha South East Asia magazines.

In our equities business, we saw a volatile year in which most regional equity markets surged to new highs led by the Chinese market, followed by a global correction caused by sub-prime woes and fears of a US credit crunch and recession.

Institutional Equities which has been consolidated group-wide under CIMB-GK demonstrated the synergies of the new structure. This unit recorded strong earnings growth of 90.8% year on year. The research arm of our Institutional Equities franchise also saw our analysts getting top bilings in analysts awards. In the Asiamoney Brokers Poll for Malaysia, CIMB was voted by domestic and foreign institutional investors as the best broker in 13 out of 16 major categories. The comprehensive sweep included awards for Best Overall Country Research, Best Analyst and Best Research Coverage. In the Starmine Analysts Awards, CIMB-GK emerged no. 1 for Singapore-Malaysia and no. 6 for Hong Kong.

Retail Equities also had a very good year riding on Bursa Malaysia’s turnover expanding by 109%. Retail

Equities recorded a 107% increase in turnover, and with income growing by 120% from 2006.

Equity Derivatives launched a large number of call warrants throughout 2007. This was a major highlight for us because it saw the fruition of several years of groundwork in what was then a “blue ocean” space. The Group dominated the structured warrants market in Malaysia with a market share of approximately 70%. We issued 107 new warrants including 45 warrants on foreign shares which made their debut in 2007. We also listed 2 warrants on the Singapore Exchange. The launch of the CIMB Warrants Portal in 2007 also contributed to the continuing education of investors and increased interest in the product.

**Treasury and Investments**

The Group Treasury division originates and intermediates in interest rate, credit, foreign exchange, commodities and their derivatives across various market segments including the consumer, SME, corporate, institutional investor and inter-bank markets. Group Treasury is also responsible for the asset liability management of the Group’s loan and deposit balance sheet as well as funding the BCHB Group of companies including its banking subsidiaries.

The division performed well in 2007 with its dominance of the Ringgit debt capital market while making advances in other areas such as foreign exchange, structured products, originating fixed rate loans for the various retail, SME and corporate market segments and asset/liability management of the Group’s loan and deposit balance

**CIMB's Key Debt Transactions: Domestic**

Binariang GSM Sdn Bhd's RM2 billion nominal value of Islamic CP Programme, RM19 billion nominal value of Islamic MTN Programme and RM3 billion nominal value Junior Sukuk.

Cagamas Berhad's RM20 billion Islamic and Conventional CP Programme and RM40 billion Islamic and Conventional MTN Programme.

Nucleus Avenue (M) Berhad's RM600 million Islamic CP Programme, RM5.6 billion Islamic MTN Programme and RM1.7 billion Islamic Junior Sukuk.

Tesco Stores (Malaysia) Sdn Bhd's RM3.5 billion nominal value Islamic CP/ MTN Programmes and Conventional CP/MTN Programmes.

Projek Lebuhraya Utara-Selatan Berhad's RM3.55 billion nominal value of Senior Sukuk Musyarakah.

MISC Berhad's RM2.5 billion Islamic MTN Programme.

**CIMB's Key Debt Transactions: Overseas**

PT Excelcomindo Pratama Tbk IDR1.5 trillion senior bonds issue.

PT Bentoel Internasional Investama Tbk IDR1.35 trillion senior bonds issue.

PT Truba Jaya Engineering Tbk IDR200 billion senior bonds issue.

sheet. Total income increased by 79% over the year (22% increase if excluding the one-off gain on disposal of the insurance businesses).

The Group maintained its pole position in the domestic (Ringgit private debt securities) league tables with a 30% market share. 2007 was a remarkable year for the Ringgit debt market and the Group played a pivotal role in two landmark transactions - the privatisations of Malakoff Berhad and Maxis Communications Berhad by MMC Corporation Berhad and Binariang GSM Sdn Bhd respectively. The Group also expanded its market-making activities to credit derivatives by making markets in credit default swaps (CDS) on debt transactions arranged by the Group. In 2007, the Group was named "Best Bond House" in Malaysia by both Finance Asia and Alpha South East Asia magazine, and "Best Domestic Debt House" by Asiamoney.

In structured finance, we also led the market completing the largest Asset Backed Securitisation transaction in Malaysia to date, Cagamas Berhad's RM2.4 billion Residential Mortgage-Backed Securities. The Group also improved and expanded its structured finance offerings and started marketing operating lease instruments in aviation, real estate and infrastructure assets.

Management of the Group's loan and deposit balance sheet continued to be a key focus of Group Treasury. The "Matched Duration Option Adjusted Funds Transfer Pricing" framework introduced in 2006 for CIMB Bank was fully implemented in 2007 and was

extended to CIMB Islamic. 2007 also ushered in a declining interest margin environment for Malaysian banks as spreads of loans rolling off the balance sheet were higher than spreads of new loans being written at the margin. For CIMB Bank, we have been able to hold steady the bank's loan and deposit interest margin through improved asset/liability balance sheet management capabilities.

We also used our asset and liability management expertise to spearhead several initiatives to help CIMB Bank differentiate its product offering from competitors including the introduction of fixed rate mortgages and flippable (from floating rate to pre-determined fixed rate) loans. We also proliferated a wider range of deposit offerings in structured products offering consumers choices beyond traditional fixed deposits. We increased the hedging efficiency of the loan and deposit balance sheet by developing the risk analytics to better model the embedded floor risk exposure inherent in non-maturity deposits and the prepayment risks of the Group's hire purchase portfolio.

In recognition as market leaders in derivatives, structured products and asset/liability management, we were named "House of the Year for Malaysia" by Asia Risk. We had previously won that award in 2004 and 2006.

It was also a busy year for the primary and secondary market-making businesses. The Group entered into Malaysia's first interbank Ringgit CDS where the development of the Ringgit CDS market is critical to improving

the financial system's infrastructure in intermediating credit risks in both the corporate debt and loan markets. We also started market making actively in Ringgit interest rate options, capturing approximately 20% of the market, and expanded our price making capabilities of Ringgit interest rate volatility term structure out to 10 years. This will improve our ability to develop and offer longer dated loan and deposit products with features that better meet the risk and return requirements of our consumer, SME and corporate banking customers. We also began market-making activities in over the counter commodity products to more comprehensively address the hedging requirements of our corporate customers.

In the foreign exchange (FX) business, we gained traction in developing a much wider range of FX products to better facilitate the hedging requirements of our customers ranging from longer term FX products to option based products. The Group also rolled out an e-trading platform called "CIMB FX Online" to CIMB Bank branches nationwide. The e-trading platform will result in more dynamic and better prices as well as more efficient execution to better serve the needs of our customers.

In 2007, the Group also committed resources into maintaining our leadership in structured investments. With close to 20 issues in the year, we were by far the no. 1 issuer of structured products in Malaysia. To date, our structured products cover many asset classes in equity, commodity, interest rates and hybrids with the intention to

provide our investors access to global markets, across many asset classes and in a cost effective manner.

Notably, Islamic All-Stars, which was launched in January 2007 in both Malaysia and Singapore, was the first Syariah-compliant equity linked structured product in both countries respectively. The Islamic All-Stars not only represented the development of a completely new asset class but more importantly it represented a significant breakthrough in the development of the global Islamic derivative and hedging markets where CIMB Islamic Bank executed the first Islamic Profit Rate Swap and Syariah-compliant Equity Option transactions globally.

This simultaneous breakthrough across many products and different markets was recognized in The Asset's Mid-Year 2007 Triple A Derivatives and Structured Products Awards where the Islamic All-Stars won Asia's Most Innovative Syariah-Compliant Structured Product, Best Guaranteed Fund in Malaysia and Best Local Currency Structured Product in Malaysia. We were also named the Best Domestic Provider in Malaysia for Local Currency Products in Structured Interest Rate Products by Asiamoney.

We are now focused on bringing the structured products deposit class to its next stage of development by actively providing prices and liquidity to our customers. This gives them the flexibility to redeem their investments and cash out their capital gains at prevailing market prices without penalty, anytime prior to maturity.

### Structured Products: Key Issues in 2007

- Islamic All-Stars
- All-Stars Global Guaranteed Deposit
- Twin Win FRNID
- Best Performer Islamic Structured Product
- Takaful Global Giants
- Dynamic Growth + Income Capital Guaranteed FRNID

### CIMB-Principal: Innovative Funds in 2007

#### Principal Protected Funds

- CIMB Islamic Structured Growth Fund
- CIMB-Principal Global Income Fund

#### Environment / Alternative Energy

- CIMB-Principal Climate Change Equity Fund

#### Regional Focus

- CIMB-Principal Greater China Equity Fund
- CIMB-Principal ASEAN Equity Fund

#### Retirement Funds

- CIMB-Principal Lifecycle Funds
- CIMB Islamic Kausar Lifecycle Funds

#### Indonesian Funds

- CIMB Islamic Equity Growth Syariah Fund

*(the first Syariah-compliant equity fund with offshore exposure in Indonesia)*



### Asset Management

In asset management, the Group grew assets under management (“AUM”) by 22.5% from RM17.4 billion to RM21.3 billion. Including assets under management of CIMB-GK and our Private Banking unit, the Group’s total AUM stands at RM26.6 billion, an increase of 28% over the year. In Indonesia, CIMB-GK Securities Indonesia ranked no.1 in AUM in the Islamic Mutual Funds League Table.

In 2007, CIMB-Principal acquired Niaga Aset Manajemen, the fund management arm of Bank Niaga in Indonesia. This move was part of the ongoing rationalisation of CIMB Group’s fund management businesses, a process which will see the Group’s regional fund management units housed under the CIMB-Principal brand. The Group also consolidated its private equity (CIMB Private Equity) and venture capital (Commerce Asset Ventures) businesses.

On the private equity side of the business, the Group continued to expand its portfolio. The South East Asian Strategic Assets Fund (“SEASAF”) made its sixth investment. In real estate, CIMB-Mapletree added to its fund assets notably, the building at Lot A, KL Sentral which will house CIMB Group’s headquarters, and a block of YNH Property Berhad’s luxury condominiums, Ceriaan Kiara, in the sought-after residential enclave of Mont Kiara in Kuala Lumpur. CIMB Private Equity completed its acquisition of a stake in Cosmo Restaurants Sdn Bhd, the franchisee of the “Burger King” brand in Malaysia.

In terms of fund distribution, CIMB-Principal worked with CIMB Bank to set up its first CIMB-Principal Unit Trust Investment Corner at CIMB Bank’s branch at The Curve in Petaling Jaya. The Investment Corner creates better cross-selling opportunities as it dedicates space and visibility to CIMB-Principal’s range of investment products. To date, 25 Investment Corners have been set up at CIMB Bank branches throughout Malaysia.

Following its rebranding to “CIMB Wealth Advisors” in 2006, our agency force achieved record sales of RM1.6 billion in 2007, more than double its 2006 figures. This was its best sales performance since its inception in 1990. CIMB Wealth Advisors also launched its “New Branch Experience” following extensive renovations to all its 13 branches and 18 sales offices for its agency force of over 4,700 unit trust consultants and financial planners to conduct meetings and consultancy assessment of potential customers.

Fund performance at CIMB-Principal had improved after several difficult years and we won the “Best Mixed Assets Group Award” in the Edge-Lipper Malaysia Unit Trust Fund Awards for the performance of the following funds in 2007 - CIMB-Principal Balanced Fund, CIMB Islamic Balanced Growth Fund and CIMB-Principal Income Plus Fund.

CIMB-Principal was named Malaysia Fund House of the Year for 2007 by AsianInvestor. This was the 2nd consecutive year we won the award. The Chief Executive of CIMB-Principal was named “CEO of the Year” for Malaysia in 2007 by Asia Asset Management.

### Insurance

Group Insurance was launched as a new division of CIMB Group in 2007. The major focus of Group Insurance was to complete the sale of a 49% stake in Commerce Life Assurance Berhad and Commerce Takaful Berhad



Signing of a strategic partnership between CIMB Group and Aviva PLC



**Leading the market in Islamic finance innovation**

Launched Islamic All-Stars Global, world’s first equity based Islamic structured product.

Joint lead arranger for Khazanah Nasional Berhad’s USD850 million exchangeable Sukuk - the largest equity-linked issue out of Malaysia and the largest exchangeable Sukuk issued globally.

Sole lead arranger and lead manager for Nucleus Avenue (M) Berhad’s RM7.9 billion Islamic hybrid Sukuk - the world’s first corporate hybrid Sukuk and the longest subordinated debt tenor in Malaysia.

Launched Fixed Rate Investment Account-i - the world’s first retail fixed rate Islamic deposit product where the return is paid upfront at the onset of the tenor.

to Aviva Pte Ltd, and the sale of 100% of Commerce Assurance Berhad to Allianz General Insurance Malaysia Berhad. Both transactions were completed in the 3rd quarter of 2007.

We officially launched the new brand “CIMB Aviva” in June 2007 to reflect the new partnership. Hot on the heels of the launch of the brand was the launch of the first product by CIMB Aviva, “Takaful Global Giants”, an investment-linked product which combines 100% capital protection if held to maturity, together with returns linked to the performance of 20 Shariah-compliant global blue-chips.

A strategic alliance with Allianz to distribute general insurance products through CIMB Bank was launched in the 4th quarter of 2007.

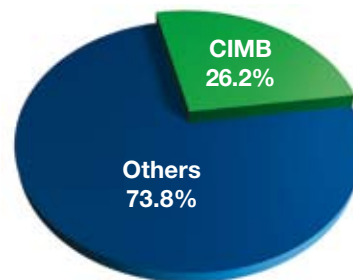
**Islamic Banking**

CIMB Islamic operates on a dual banking or parallel basis for the entire range of products and services of CIMB Group. CIMB Islamic also oversees the overall development, marketing, execution and distribution of CIMB Group’s Islamic banking and finance products and services.

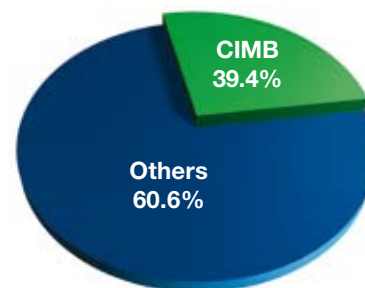
In 2007, CIMB Islamic contributed RM170 million or approximately 5% of the BCHB Group’s profit before tax, out of which RM93 million was from CIMB Islamic Bank Berhad itself.

In 2007, the Group maintained its leadership in global sukuk issuance, and dominated the local sukuk market. It also continued to lead the market in innovation with the introduction of

**Global sukuk market share**



**Domestic sukuk market share**



several firsts, both domestically and globally.

In the Group’s retail Islamic offering, the Group’s strategic decision to adopt a dual banking model at all branches gained momentum after the IT cross-platform project was completed on 6th November. With this, all 364 branches of CIMB Bank will also function as CIMB Islamic branches. This will boost the introduction of new Syariah-compliant products which are currently in the pipeline.

It was a proud moment for all of us when CIMB Islamic retained the title of “Islamic Investment Bank of the Year”, a global award by The Banker, for the 2nd consecutive year. CIMB Islamic’s awards list this year also included awards for retail banking when it was

named “Best Islamic Retail Bank” by the International Islamic Business & Finance magazine.

It also won awards in fund management, as well as a series of product awards for the innovative structured investment product “Islamic All-Stars Global”. The CEO of CIMB Islamic was named “Islamic Banker of the Year” by two internationally renowned magazines, the International Islamic Business & Finance magazine and Islamic Finance News.

Going forwards, the challenge for CIMB Islamic is to defend its excellent share of global investment banking while growing our share of the Islamic consumer market exponentially.

### Group Special Asset Management

The Group also stepped up its efforts to pare down its Non-Performing Loans with the creation of a new division, Group Special Asset Management. This division, which is also dubbed the “Bad Bank”, focuses on the recovery of NPLs. As at year end, the “Bad Bank” managed a portfolio of RM12.9 billion of legally claimable loans, with a net book value of RM2.7 billion.

To boost recovery efforts in mortgages, Group Special Asset Management launched CIMB Property Mart, a showroom for properties to be sold by private treaty and auction by the Group nationwide. The property gallery, the first to be set up by a bank in Malaysia, allows the public to browse for properties on sale, learn about the auction process and obtain financing, all in one place.

### Bank Niaga: Financial Performance Snapshot

(IDR billion)	FY07	FY06	Y-o-Y
Net interest income	2,447	2,212	11%
Non-interest income	683	692	(1%)
Other operating expense	(1,559)	(1,467)	6%
<b>Operating income before provision</b>	<b>1,571</b>	<b>1,437</b>	<b>9%</b>
Loan provisions	(565)	(353)	60%
Other provisions	(13)	(56)	(77%)
Non-operating (loss)/ income	34	(96)	135%
<b>PBT</b>	<b>1,027</b>	<b>932</b>	<b>10%</b>
<b>Net profit</b>	<b>770</b>	<b>648</b>	<b>19%</b>
<b>Net profit (RM mil)</b>	<b>294</b>	<b>259</b>	<b>14%</b>
<b>ROE*</b>	<b>17.7%</b>	<b>16.9%</b>	<b>5%</b>

\* ROE calculated against Tier 1 capital

The Group also announced plans to corporatise the “Bad Bank” for greater transparency and more effective disclosure of its NPL portfolio in 2008.

### Bank Niaga

Bank Niaga continued to show commendable performance, moving up one rank to become Indonesia’s 6th largest bank in terms of assets. In 2007, 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%.

It continued to defend its strong market share in mortgages. Mortgages, which now represent 22% of the bank’s total loans, grew by 27% over the year to IDR9.1 trillion and the bank retained

a mortgage market share of about 9.5%.

Net NPL ratio improved from 2.5% to 2.3%, and the loan loss coverage ratio increased from 60.1% to 67.6%. The bank’s capital adequacy ratio (including market risk charge) was 15.4%. Cost to income ratio was 49.7%.

As at 31 December 2007, the bank’s market capitalisation was IDR11.1 trillion. In 2007, the Bank paid 2006 final dividend of IDR10.14 per share and 2007 interim dividend of IDR19.75 per share.

Bank Niaga expanded its branch network and electronic delivery channels to 256 branches, 469 ATMs and 235 self service terminals (“SSTs”) by end of 2007, from 240 branches, 397 ATMs, and 204 SSTs in 2006.



### CIMB-Niaga Synergy Programme Results

#### Treasury

Bank Niaga's income from Treasury surpassed budget.  
Introduction of the first Rupiah-denominated structured deposit products Star Choice.  
Set up treasury operations in Medan and Bali to increase client coverage.

#### Credit Cards

Launched Niaga Platinum card in partnership with MasterCard.  
New credit card issuance grew by 53%.  
Credit card sales volume improved 39%.

#### Corporate Banking

CIMB, PT CIMB GK Indonesia and Bank Niaga have begun to cooperate on corporate lending and syndications.

#### Priority Banking

Reciprocal recognition of Bank Niaga Preferred Circle and CIMB Club customers being implemented in stages.

#### Customer Service

The first batch of Bank Niaga service ambassadors started work in CIMB Bank branches in Malaysia as a move to improve customer service in CIMB Bank.

#### Synergy Value

In 2007, the Group achieved RM28.8 million (IDR70 billion) in CIMB-Niaga synergies which exceeded target by about 7%. For 2008, the Group has raised its synergy targets from RM47 million to RM132 million.

The bank was named the “Best Bank for Service Quality” in Indonesia by the Institute of Service Management Studies. Bank Niaga also won “Best Syariah Unit” in the category of banks with assets above IDR 500 billion by *Investor* magazine.

In 2007, we began the CIMB Niaga Synergy Programme. We believe that there are large potential synergies to be obtained and the results of year one have been encouraging.

### Key Support Services

#### Group Finance

During the year, Group Finance continued to make commendable progress with its efforts to further improve finance work flows and processes to better serve the Group.

The division continues to assist in monitoring financial performance of business units monthly. As a measure to improve the Group’s cost to income ratio, cost saving measures were implemented and cost overruns were reported in monthly management accounts. Cost allocations to business and support units group-wide were also finalised following the reorganisation of our business model over the last two years.

Group Finance also devoted resources to prepare for the implementation of FRS 139, the accounting standard for financial instruments approved by the Malaysian Accounting Standards Board. Work on the first phase of implementation of FRS 139 to loan impairments was completed while

work on other areas such as hedge accounting, effective interest rate and embedded derivatives are in progress. An annual impairment test for goodwill and intangible assets was also introduced.

Tax planning was also a priority with the Group, particularly in situations involving acquisitions, divestments, changes in corporate structure and business operations as well as in client transactions. Through tax planning, the Group achieved significant tax savings and refunds in 2007.

#### Group Information and Operations Division (“GIOD”)

2007 was a hectic year for GIOD. One of the most challenging and critical tasks for the division was to merge the IT and operations platforms of BCB and SBB to a single platform, which required changes to more than 1,200 programmes within 7 months. On the weekend prior to 18 March 2007 (Single Platform Day 1), 400 GIOD staff worked throughout a 42-hour conversion window to ensure a successful migration of 4.2 million records residing on 20 different systems applications to the single platform. Despite the mammoth task and the short time frame, the execution was close to 100% in timeliness and accuracy.

Operations challenges for GIOD centred around responding to the sharp growth experienced by the consumer banking franchise. In mortgages for example, the credit administration process was revamped to cater for increased sales volume. ATM uptime improved

to 98.26% in 2007 from 97.41% in 2006 despite an increase in machines and transactions. Our ATM Proview Monitoring project which proactively manages the ATM network won the “Best ROI Award” in The Banker’s Technology Awards 2007.

EPIC-i, the Group’s operations arm, was rebranded as iCIMB. As part of the Group’s strategic initiative to create a Regional Group Operations Centre, we also established iCIMB (MSC) which was granted “MSC Malaysia” status by the Multimedia Development Corporation Sdn Bhd (MDeC). This will enable iCIMB to strive towards its aspiration to provide world class operations at a competitive cost to cater to the Group’s domestic and regional businesses.

In the area of legal and compliance, we regionalised our compliance framework which will enable better compliance management and reporting for the Group. We also introduced the “GIOD Compliance Award” to branches and business units to encourage and promote a strong compliance culture and high internal control standards.

We commenced long term capacity planning under the Transformation 2 initiative. The IT and operations planning is geared towards building a robust, flexible and scalable system to enable the Group to deliver its products and services effectively as a regional universal bank.

The implementation of Murex for our Treasury operations which was also extended to CIMB Bank Singapore in

2007 won the MIS Asia IT Award in the “Best Business Enabler” category. The project also received commendation from The Asian Banker.

### **Group Strategy**

In 2007, one of Group Strategy’s main projects completed was the project management of the implementation of the SBB merger. Through the Programme Management Office, the Group put in place a robust integration governance structure, maintained “business as usual” throughout the integration process and ensured that all stakeholder communications were made accurately and promptly. Synergy targets were also identified and tracked for more transparent disclosure. The same approach was also adopted with necessary modifications for the CIMB Niaga Synergy Programme which is also managed by Group Strategy.

Group Strategy also managed the sale of the stakes in Commerce Life and Commerce Takaful to Aviva and Commerce Assurance to Allianz. Other internal restructuring projects included the equity placement to BTMU, and disposal of non-core assets such as Menara Bumiputra-Commerce.

Regionalisation of CIMB Group was a key part of Group Strategy’s agenda in 2007. Group Strategy oversaw the joint venture with Vinashin to establish a securities firm in Vietnam. In China, the Group focused on identifying a provincial bank to facilitate entry to the mainland, a move which came to fruition in 2008 with the purchase of a 19.99% stake in the Bank of Yingkou Co., Ltd. In Thailand, the Group made

it to the shortlist of 2 banks competing to purchase a stake in ACL Bank Public Company Limited, but was ultimately unsuccessful.

Group Strategy also set up a Blue Ocean Taskforce to inculcate a “Blue Ocean” mindset throughout the Group. The taskforce will spearhead and identify “Blue Ocean” initiatives in line with Professor Chan Kim’s “Blue Ocean Strategy”. At the Group’s invitation, Professor Chan Kim conducted a workshop for the Group’s senior management outlining the principles of “Blue Ocean Strategy”. The “Finding Our Blue Ocean” group-wide competition attracted 70 entries, and selected winning ideas are being implemented.

2007 was a very eventful year for Investor Relations. With the number of strategic moves made by the Group in the year, investors and analysts continued to follow the Group closely. In addition to the analyst briefings, conference calls organised for BCHB’s financial results, we held over 100 Investor Relations meetings, domestically and overseas, throughout the year to uphold our high standards of transparency and accountability towards investors. We won the Finance Asia award for “Best Investor Relations Company in Malaysia” in 2007 and “Best Investor Relations Officer, Malaysia” by Asiamoney.

### Group Risk Management

One of Group Risk Management division’s key projects is the implementation of the Basel III framework to ensure the Group complies with the

International Convergence of Capital Measurement and Capital Standards prescribed by the Bank of International Settlements. The Group received board and regulatory approval to migrate directly to an Internal Ratings-Based Approach. Several projects have been completed to ensure migration to the Basel II framework by 2010, with parallel runs in place by 2009.

Major risk frameworks continued to be refined. The division developed new rating and scoring models for retail, SME and corporate loans. These rating models are used to improve business decision-making, to monitor credit quality of customers and to estimate risk parameters for Basel II compliance. With the Regional Risk Middle Office established, the risk function was standardised for better risk monitoring and reporting as well as to support business units more effectively.

### Group Corporate Resources

Group Corporate Resources covers Human Resources, Property and Administration and the Sports and Recreation Departments.

In Human Resources, we increased the staff training expenditure by 27%, and started upgrading and refurbishing our training centre in Bangi. The CIMB Complete Banker, a premier programme for new graduates, continued to be upgraded and base pay for participants increased to enable us to attract the best talents. We launched the Global Employee Exchange Programme (GEEP) to facilitate staff movement throughout the Group across countries. We also initiated the CIMB Apprentice



## Performance Review by Group Chief Executive

Programme as an alternative entry route to employment in the Group, commencing with an intake for new staff in sales and loan recovery.

We benchmarked ourselves against Malaysian companies and global financial services companies through an independent survey conducted by Towers Perrin. The survey drew favourable conclusions with CIMB performing strongly against local and global benchmarks particularly in alignment of staff with the Group's goals and values and support for the Group's long term vision. It also ranked the Group highly in leadership, training and career development opportunities.

As part of talent management, the Commerce Leadership Institute continued to work with senior management to groom the Group's future leaders. A total of 138 candidates who had been identified for the talent management and succession planning pool underwent a continuous development programme throughout the year. A 360-degree evaluation programme was also introduced for senior management. Leadership development programmes were launched at all other staff levels, from clerical to management, to develop the leadership potential of our employees.

Property and Administration managed the physical renovations of CIMB Bank branches under the re-branding initiative, as well as renovations to head office premises and new office premises overseas. For better efficiency and consistency, manuals for renovations as well as branch design and corporate signage were produced. Processes for procurement, insurance and telecommunications were also revised.

The Sports and Recreation Department managed the "fun" part of the Group's activities. About 50 sports, recreational and social events were organised. In sports, CIMB Investment Bank emerged 2nd in the Inter Merchant Games while in the Interbank Games, CIMB Bank was placed 3rd overall. We triumphed in the Kuala Lumpur Football Association's First Division in our maiden effort in the league.

### Group Corporate Communications

Among the major initiatives of the department was to have a more comprehensive framework for messaging and branding for the Group both domestically and regionally, building on the success of the Group's new brand that was launched in September 2006. As a measure of the progress of our new brand, the CIMB brand was ranked 5th by Brand Finance and 6th by Interbrand among Malaysian brands, valuing the brand at RM3.2 billion and RM3.4 billion respectively.

The Group was involved in the sponsorship of world-class events in Malaysia. These included a concert by operatic pop quartet, Il Divo, and the presentation of the multi-award winning Broadway production "Chicago - The Musical".



*CIMB was ranked 6th in Malaysia's Most Valuable Brands by the Association of Accredited Advertising Agents Malaysia*

## OUR COMMITMENT TO CSR

In 2007, the Group spent approximately RM8 million in total for CSR activities. In line with the transformation of the Group, we also revamped the way we conduct our corporate social responsibilities from being one of ad-hoc sponsorships and donations to one that is focused and impactful.

In May 2007, we launched one of our flagship CSR initiatives “Community Link”. This innovative programme aims to forge closer ties with the local communities served by our consumer bank branches. Community Link empowers customers to select their preferred cause within their community by voting, and to contribute by just transacting with our branches because we automatically channel a portion of profits and cost savings (eg when clients use ATMs) to the selected cause. Community Link has spawned

more than 50 projects nationwide to-date. Despite Community Link being very new, we were honoured by being named among the “Top 3 organisations” in the community and social welfare category at the Anugerah CSR Perdana Menteri in November last year.

In July, we announced the renewal of our partnership with the the National Sports Council and the Squash Rackets Association of Malaysia in Rakan Sukan Squash. Initiated in 2005 with a sponsorship amount of RM1.5 million per annum, the renewed sponsorship carries an increased contribution of RM2 million per annum. A key focus area is supporting development programmes for junior squash players. This spawned the CIMB National Junior Circuit for Under 11’s and Under 9’s, a development programme which seeks to discover young talents from all over the country and attracts participants as young as 4 years of

age. The sponsorship sum is also used to organise the CIMB KL Open and CIMB Malaysian Open squash tournaments which attracts the world’s top players each year. In August 2007, the Group initiated sponsorship of the inaugural CIMB Singapore Squash Masters tournament, which was very well received and has revived interest in the sport in Singapore.

Having experienced first-hand the synergy between CSR and the reach of our large business network, we recognise the value which can be created from focused CSR programmes which emphasize sustainability and demand results. The success of Community Link and our Rakan Sukan Squash programmes led us to believe that we can create more impact if we institutionalise our CSR efforts; hence the idea of CIMB Foundation to spearhead our CSR efforts for all communities we serve, in Malaysia, Indonesia and other markets where CIMB operates.

The Board of Trustees of CIMB Foundation comprise Tan Sri Dato’ Seri Siti Norma Yaakob, Datuk Dr Richard Leete and Puan Rosnah Kamarul Zaman as independent members together with Tan Sri Md Nor Yusof and Dato’ Shukri Hussin.

At the launch of the Foundation, in addition to taking over sponsorship of the Community Link and Rakan Sukan Squash programmes, CIMB Foundation also announced the creation of the CIMB-Niaga Scholarship for Indonesian students to study in Malaysia.



Launch of CIMB Community Link at Kota Damansara Community Forest Park



I am also pleased to note that our sponsorship of Nicol David has been very successful. Quite distinct from our role as Rakan Sukan Squash, CIMB is also the main sponsor for Nicol, who ended 2007 as the world number one player. In 2007, Nicol won 8 Women’s International Squash Players Association (“WISPA”) tournaments, and was named WISPA Player of the Year for the 3rd year in a row. At the end of 2007, she was named Asian Sportswoman of the Year by the Asian Sports Press Union in their inaugural awards. Nicol continues to be an inspiration to all of us at CIMB, and I’m sure, to all Malaysians as well.

The BCHB-COBRA Rugby Development Programme which ran from 2005 to 2007 continued to flourish. The programme trains teachers as rugby coaches and increases the availability of rugby as a sport to schoolboys under the age of 15.

We also continued our sponsorship of two schools in Penang, Sekolah Kebangsaan Pulau Betong, Balik Pulau and Sekolah Kebangsaan Jelutong, under PINTAR, a project launched by Khazanah Nasional in 2006.

#### AWARDS & ACCOLADES

The Group has always emphasised the importance of creating value for our clients and stakeholders, and has shown its deep commitment to value creation in all its dealings. We were therefore delighted when all our three brand entities were crowned the best in their class:

**CIMB Bank**  
**Bank of the Year**  
for the 2nd consecutive year.

**CIMB Islamic**  
**Global Investment Bank of the Year**  
for the 2nd consecutive year.

**CIMB Investment Bank**  
**Best Investment Bank**  
for the 7th consecutive year.

In fact, our full list of awards was longer than ever and we were thrilled to see newer business lines like structured products and derivatives and cash management winning awards. It was also most gratifying to be acknowledged as the “Most Improved Retail Bank in Asia” by the Asian Banking & Finance magazine.

#### PROSPECTS, STRATEGIC PRIORITIES AND GOALS

##### Global economy: Prospects for 2008

The recent disruptions in the global credit markets have clouded global prospects for 2008. The odds for a US recession are rising and slower US growth coupled with credit market turmoil will hinder the global economy. Skyrocketing oil prices stoking inflationary pressures will in turn limit the monetary policy solutions.

We project U.S economic growth to slow to 1.0% for this year from 2.2% in 2007. The lagged impact of interest rate reductions along with the stimulus package is expected to provide modest support to economic growth probably

between the 2nd and 3rd quarters of 2008.

Emerging markets have weathered the recent financial storm pretty well. Ten years after the 1997 Asian financial crisis, Asian economies have built strong lines of defence against external shocks. And the continued brisk growth rates in China and India, and in intra-regional trade have reduced dependence on the US economy.

In our main overseas markets, we expect the Singapore economy to consolidate, with GDP growth easing to 5.8% this year from 7.7% in 2007. In Indonesia, the strength of domestic demand will continue to sustain GDP growth at 6.0% in 2008 (6.3% in 2007). As for Thailand, greater political clarity post election, along with potential pent-up demand is expected to lift growth prospects higher to 5.7% for 2008 compared with 4.8% in 2007.

**Malaysian economy:  
Prospects for 2008**

We have maintained our forecast for Malaysia's real GDP growth to moderate to 5.8% in 2008 compared with 6.3% in 2007, at least until there is greater clarity on the impact of the recent general elections. We think a soft decoupling of sorts from the US is a likely scenario for Malaysia given the resilient domestic demand and higher planned investments by both the government and private sectors.

Malaysia's real GDP growth for 2008 is expected to be broad-based, but the services sector will remain the prime mover of economic growth, supported by domestic consumption spending as well as higher tourist arrivals and finance, real estate and business services. The construction sector should continue to benefit from the ongoing Ninth Malaysia Plan infrastructure projects and continued development of both residential and non-residential sectors. Buoyant commodity and crude oil prices should sustain the growth of the agriculture and mining sectors respectively. The manufacturing sector is expected to grow moderately on the back of higher demand for construction-related materials, but export-oriented industries will remain weak.

Bank Negara Malaysia is expected to maintain an accommodative monetary policy to ensure steady pace of domestic demand.

The key risk to the economy in 2008 is political. The results of the recent general election has brought about a new political backdrop for the economy. Given the weak external environment, if Government spending plans slow down or investors shy away due to new political uncertainties, economic growth could be much weaker than we anticipate.

**2008 Strategic Priorities**

**Consumer bank transformation**

Focus on Transformation 2 and Green Wave (Islamic) initiatives.

**Universal Banking a reality**

Further integrate capital market and banking platforms. The new Corporate Client Solutions division will strengthen corporate sales.

**Regional operating model**

Standardise certain business and support functions for all markets.

**Blue Ocean philosophy instilled**

Focus on differentiation and uncontested spaces.

**Pursue inorganic growth**

Expand our geographical footprint and product offerings.

**Regional talent**

Develop and groom regional talent pool.

**Strategic Priorities**

For 2008, we are adopting the theme “Regionalisation, Optimisation and Innovation” or “ROI”. This is an important follow-through from our 2007 themes and highlights the need for Blue Ocean thinking (a focus on differentiating ourselves and exploring uncontested spaces) throughout the length and breadth of the Group. In support of our ROI theme, we have identified six core strategic priorities as above.

**New Targets for 2008**

We are retaining our medium-term net ROE target of 18% as well as the KLCI as our TSR benchmark for 2008. We have also listed, in the table, secondary targets for loans, deposits, loan loss and capital management.

We are optimistic that 2008 will see strong improvement in contribution from our consumer bank. Much

has been done to strengthen our operations, and sales and transactions numbers in the 4th quarter of 2007 were very encouraging. Furthermore the improved quality of our asset base should start showing up in lower loan loss provisions.

We are however bracing ourselves for a more challenging operating environment in our treasury and investment banking businesses. The global market slowdown and domestic political uncertainties will negatively impact capital market flows, at least in the first half of the year.

We acknowledge the need for additional steps to cater for a more uncertain operating environment. We intend to first, be prudent and prepare for near term market volatility; secondly, further diversify our earnings sources; and thirdly, maximise internal value creation opportunities.

**New targets for 2008**

ROE	> 18%
TSR	> KLCI
Total loans growth	12%
Retail deposit	25%
Loan loss charge	0.7%
Tier 1 (at Bank)	8 %
RWCR (at Bank)	12.5%
Double leverage	115% - 120%
Gearing	< 35%



In early 2008, we strengthened our capital and liquidity position with a RM1.5 billion subordinated debt issue at CIMB Bank. We have also instructed our staff to be stricter on cost controls.

We will be looking for stronger contribution from our international operations and new businesses. One of the major projects we are planning is the merger between Bank Niaga and Lippo Bank. This will enlarge our presence by becoming the 5th largest bank in Indonesia. More importantly, we believe that this merger would provide us substantially more opportunities to realise synergies, between CIMB-Niaga-Lippo, in a high growth market. We will also be looking at our newer private equity funds and CIMB Express to excel this year.

We believe that there is so much more value that we can create for our customers by becoming better universal bankers. By creating the right management environment, we believe that our various businesses can combine forces to create more synergies in products, services and cost-savings to enable us to defend in areas where we lead and advance where we are still behind. In this regard, we have reorganised our marketing teams to ensure all customer segments are covered by relationship managers armed with the full suite of universal banking products and services.

## ACKNOWLEDGEMENTS

On behalf of the Management, I would like to express our utmost gratitude to our many stakeholders – the Malaysian Government, our shareholders, regulators, customers, partners and friends – for their steadfast support especially during our transition phase. My sincere thanks also goes to our Board of Directors and the members of our International Advisory Panel for their counsel and guidance in steering the BCHB Group forward.

We would not have been able to achieve the many successes that we did without the worthy efforts and sacrifices of my 25,614 hard-working colleagues working in 11 countries. This group of talented and committed individuals continues to drive the Group closer towards its vision of becoming the most valued universal bank in South East Asia and we look forward to their continuing support.

Finally, I thank each and every shareholder for their faith in us and ask for their support and trust as our great company blazes new trails and explores new frontiers of excellence.



Nazir Razak