

## **CIMB Group announces record RM4.031 billion Net Profit in 2011**

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*for immediate release*

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### **1) Summary**

CIMB Group Holdings Berhad (“CIMB Group”) today reported a record net profit of RM4.031 billion for 2011, representing a 15.1% year-on-year (“Y-o-Y”) growth and equivalent to net earnings per share (“EPS”) of 54.2 sen. The FY11 net return on equity (“ROE”) was also a record high 16.4%, but below the Group’s full-year target of 17%. The Group announced a second interim dividend of 10.0 sen amounting to a net payment of RM743 million. This brings the total FY11 dividends to RM1.635 billion or 22.0 sen, translating to a dividend payout ratio of 40.6% of FY11 profits.

For 4Q11 alone, the Group’s net profit of RM1.133 billion was 12.0% higher than 3Q11, and 29.8% above its 4Q10 net profit of RM873 million.

“We delivered record profits and ROE in a year when revenue growth was subdued due to the high 2010 non interest income base, compressing interest margins and our more cautious approach to asset growth. We managed costs well and drove down credit charges. I am therefore very pleased with our operating results and especially proud of the efforts and sacrifices made by most of our staff across the region this year. Our primary disappointment was our share price which significantly underperformed benchmarks,” said Dato’ Sri Nazir Razak, Group Chief Executive, CIMB Group.

### **2) CIMB Group Y-o-Y Results**

CIMB Group’s FY11 revenues were 2.1% higher Y-o-Y at RM12.122 billion. Net interest income grew by 3.0% while non-interest income was up just 0.3% higher Y-o-Y as last year’s non-interest revenues were boosted by several large items including the sale of ex-Lippo bonds. The Group’s profit before tax (“PBT”) was 12.4% higher at RM5.203 billion driven by lower credit losses and better cost management.

In 2011, the Group’s Malaysian Consumer Bank PBT increased by 86.1% Y-o-Y to RM1.327 billion as the 7.6% revenue uplift was complemented by sharply lower credit charges and lower overhead costs. The Consumer Bank’s performance was also boosted by a 24% growth in retail deposits. PBT at Treasury & Investments improved 27.6% Y-o-Y to RM1.393 billion, while Corporate & Investment Banking (“CIB”) was 33.1% lower Y-o-Y at RM751 million in view of several major transactions in 2010.

CIMB Niaga's PBT rose 24.6% to IDR4,392 billion but its contribution to the Group was 2.7% lower Y-o-Y at RM1.530 billion due to the absence of gains arising from the sale of ex-Lippo Bank bonds which occurred in FY10. CIMB Thai's PBT contribution (after GAAP and FRS139 adjustments) improved by 134.0% to RM110 million. Asset Management and Insurance PBT rose 5.7% Y-o-Y to RM92 million.

CIMB Niaga was the largest contributor to Group PBT at 29% compared to 34% in FY10. The Malaysian Consumer Bank's contribution to Group PBT was significantly higher at 26% versus 15% in FY10. Treasury and Investments contributed 27%, CIB 14%, Group Asset Management ("GAM") and Insurance 2%, while CIMB Thai's contribution was 2%.

Total non-Malaysian PBT declined to 38% in FY11 from 48% in FY10 due to absence of the ex-Lippo Bank bond gains at CIMB Niaga.

The Group's total gross loans expanded 14.3% Y-o-Y, underpinned by the strong 23.4% growth (in RM terms) at CIMB Niaga as well as the 11.7% increase in Malaysian consumer loans. Mortgages, credit cards and the Group's micro credit lending grew by 14.5%, 9.0% and 78.9% respectively Y-o-Y. Commercial banking loans were 4.5% higher Y-o-Y while hire purchase loans were unchanged. Corporate loans expanded 12.8% Y-o-Y. The Group's overall net interest margins eased to 3.12% from 3.34% last year.

Total Group deposits grew by 11.1% Y-o-Y driven by a 25.8% expansion in CIMB Bank's retail deposits. CIMB Niaga's deposit grew by 14.0% Y-o-Y (in RM terms) growth while CIMB Thai's deposits grew by 6.2% (in RM terms).

The total loan impairment for the Group declined by 19.8% Y-o-Y at RM487 million in FY11 versus RM607 million in FY10. As a result, the Group's total annualised credit charge was 0.25% compared to the 0.40% full year target. The Group's gross impairment ratio continued to improve to 5.1% for FY11 from 5.5% as at 9MFY11 and 6.1% as at end-FY10, with an impairment allowance coverage of 81.1%. The Group's cost to income ratio improved to 54.7% compared to 55.7% in FY10.

CIMB Bank's risk weighted capital ratio stood at 16.8% while its Tier 1 capital ratio stood at 14.5% as at 31 December 2011 (after inclusion of FY11 net profits and proposed second interim dividend). CIMB Group's double leverage and gearing stood at 119.1% and 21.8% respectively as at end-December 2011.

### **3) CIMB Group Q-on-Q Results**

The Group's 4Q11 revenues of RM3.381 billion were 11.5% higher than 3Q11, translating to a 12.0% Q-o-Q net profit growth to RM1.133 billion. Net interest income increased by 4.6% while non-interest income grew by 24.7%.

The Group's Malaysian Consumer Banking division PBT declined 24.1% Q-o-Q mainly due to a one off change in methodology in provisions for retail loans. CIB was 42.7% lower given the slower advisory activities in 4Q11 but Treasury and Investments was 73.3% higher due to a large gain on deconsolidation of investment in CIMB Aviva. CIMB Niaga's PBT contribution was 3.5% lower Q-o-Q at RM390 million. GAM and Insurance PBT fell 5.6% to RM17 million. CIMB Thai's PBT contribution (after GAAP adjustments) increased three-fold to RM49 million compared to 3Q11.

#### 4) CIMB Niaga Results

On 22 February 2012, CIMB Niaga reported a FY11 net profit of IDR3,174 billion, a 24.6% Y-o-Y growth, translating to a FY11 net ROE of 19.1%. The improved performance was attributed to the strong loans and deposits growth, much improved non interest income and lower provisions. On a sequential basis, the 4Q11 net profit of IDR796 billion was 4.4% lower than 3Q11 as the better revenues were offset by higher overhead expenses.

CIMB Niaga's gross loans grew 19.8% Y-o-Y for FY11 as all retail and corporate segments expanded robustly. The Gross NPL of 2.6% as at end-December 2011 was unchanged compared to the previous corresponding period and 3Q11. CIMB Niaga's loan loss coverage (based on BI definition) stood at 104.0% as at end-FY11 compared to 122.0% as at end-FY10.

CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 10.2% and 13.1% respectively as at 31 December 2011.

#### 5) CIMB Thai Results

On 19 February 2012, CIMB Thai announced a FY11 net profit of THB1.316 billion, a 58.8% improvement from the THB829 million in FY10. In 4Q11, CIMB Thai enjoyed a windfall gain of THB1.009 billion being share of recoveries from legacy bad loans managed by Thai Asset Management Corp, which was partly used to increase provisions following the national flood disaster. The annualised loan loss charge was 1.0% for FY11 while the loan loss coverage ratio declined from 91.6% at end-December 2010 to 81.6% currently. For FY11, CIMB Thai posted revenue of THB7.565 billion, a 19.0% Y-o-Y increase.

As at 31 December 2011, CIMB Thai's Tier 1 capital and risk weighted capital ratios were at 7.7% and 13.0% respectively. CIMB Thai's net NPL ratio rose to 2.3% from 1.8% as at the previous corresponding period.

#### 6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased 10.9% to RM447 million as *Shariah*-compliant products continue to gain ground. CIMB Islamic's gross financing assets grew 24.7% Y-o-Y, accounting for 14.8% of total Group loans. Total deposits grew by 28.9% Y-o-Y to RM29.2 billion.

## 7) Outlook

"I think 2012 could surprise on the upside as most of the downside risks are already quite visible. On our part, we believe recent changes to our business model and processes have made us more competitive in our regional wholesale business and our 2012 deal pipeline is very good. Despite the anticipated slower credit growth environment for retail loans in Malaysia, we believe we can build on the huge advances we made in consumer banking as a whole last year. We expect CIMB Niaga to continue its high growth rates in line with robust Indonesian markets and CIMB Thai's transformation to pick up momentum following the commissioning of our new core banking system in March/April this year. We are overall cautiously optimistic and have set a ROE target of 16.4% for the year," said Dato' Sri Nazir.

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## APPENDIX

### Significant Corporate Developments in 2011

#### 1) Capital Management

- On 15 November 2010, CIMB Niaga announced a 1-for-20 rights issue of up to 1,196,743,183 new CIMB Niaga shares at IDR1,250 each. The rights issue was completed and the new CIMB Niaga shares were listed on 12 January 2011.
- On 21 April 2011, CIMB Islamic completed the issuance of RM250 million 10-year Tier 2 Junior Sukuk.
- On 30 May 2011, CIMB Islamic issued 250 million new ordinary shares amounting to RM250 million, which were fully subscribed by CIMB Bank.
- On 14 July, CIMB Thai issued THB3 billion of unsecured 10-year subordinated notes. CIMB Thai fully settled its USD50 million subordinated loans on 17 July 2011.
- On 8 August 2011, CIMB Bank completed the issuance of RM1.5 billion (RM1.35 billion 10-year and RM150 million 15-year) subordinated debt.
- On 19 October 2011, CIMB Niaga announced its intention to call the USD200 million subordinated notes, which were subsequently called on 22 November 2011.
- On 15 December 2011, CIMB Niaga completed the issuance of a IDR1.5 trillion fixed rate Senior Debt.

#### 2) Mergers and Acquisitions

- On 31 May 2011, CIMB Group announced that it had received Bank Negara Malaysia's approval to commence negotiations with RHB Capital for a possible merger of the businesses of both banking groups.
- On 23 June 2011, CIMB Group announced the cessation of negotiations with RHB Capital for a possible merger.
- On 4 August 2011, CIMB Securities International entered into a joint venture to establish an investment banking advisory in Sri Lanka.
- On 29 September 2011, CIMB Securities International ("CSI") entered into an agreement for the proposed acquisition of 70.06% interest in SICCO Securities plc in Thailand for THB767.9 million. The acquisition was completed on 15 February 2012 and CSI announced the purchase of shares from the market, bringing its interest to 82.07%. CSI made a tender offer for remaining shares it does not own.

- On 6 October 2011, CIMB Group confirmed that it is in discussions with San Miguel Corp with regards to a possible acquisition of a stake in Bank of Commerce in the Philippines. On 12 January 2012, CIMB Group informed that it hoped to conclude negotiations by 1Q12.

### 3) Others

- On 9 May 2011, Fitch Ratings revised the outlook for CIMB Bank and CIMB Investment Bank to Stable from Positive, while maintaining the long term rating for both entities at BBB+.
- On 13 May 2011, Fitch Ratings upgraded the foreign currency long-term ratings for CIMB Thai to BBB (stable) from BBB- (positive) previously. Concurrently, Fitch Ratings Thailand upgraded the local long-term rating for CIMB Thai to AA- from A+.
- On 25 May 2011, CIMB Group announced the postponement of its proposed listing on the Stock Exchange of Thailand (“SET”). Concurrently, CIMB Group retracted its application for a 6-month extension from the Securities Commission.
- On 3 July 2011, Dagong Global Credit Rating Co. Ltd assigned CIMB Bank a long term local currency rating of AA (positive), and a long term foreign currency rating of AA- (positive)
- On 2 August 2011, CIMB Group announced the opening of its Mumbai representative office and signed a Business Cooperation Arrangement with Kotak Mahindra Bank Ltd.
- On 25 August 2011, Moody’s revised CIMB Investment Bank’s long and short term local currency ratings to A3 and P-1 (Stable) respectively. Concurrently, Moody’s lowered CIMB Bank’s outlook from Positive to Stable, while maintaining the long and short term ratings at A3 and P-1 respectively.
- On 28 September 2011, Pefindo assigned a idAAA rating for both Senior Debt, and Corporate Rating (local currency rating) of Bank CIMB Niaga.
- On 19 December 2011, Fitch Ratings upgraded CIMB Niaga’s Long-Term Issuer Default Ratings (IDRs) to BBB from BB+ with Stable Outlook, following the upgrade on Indonesia’s sovereign ratings.
- On 30 December 2011, CIMB Thai disposed unsecured retail impaired loans portfolio to Sathorn Asset Management Company Ltd (“STAMC”) for THB200 million.
- On 18 January 2012, Moody’s raised CIMB Niaga’s foreign currency long-term/short-term deposit to Baa3/Prime-3 from Ba2/Not Prime and foreign currency issuer to Baa3 from Ba1. The revised ratings have stable outlook.