

## **CIMB Group announces RM1.386 billion Net Profit for 1QFY13**

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*for immediate release*

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group") today reported a 37.1% year-on-year ("Y-o-Y") growth in 1Q13 net profit of RM1.386 billion, equivalent to a net earnings per share ("EPS") of 18.7 sen. The annualised 1Q13 net return on average equity ("ROE") was 19.0%. Compared to 4Q12, the Group's net profit was 28.1% higher.

"On an operational basis, we had a decent start to the year with steady growth across most business segments. The 1Q13 results were glossed by the gain on sale of our 51% interest in CIMB Aviva. We also took this opportunity to take some restructuring charges that will bring about longer term cost benefits. Excluding these one-off gains and charges, the Group's net profit would have grown by 4.2% Y-o-Y," said Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group.

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

CIMB Group's 1Q13 revenues were 21.2% higher Y-o-Y at RM3.945 billion. Net interest income grew by 9.1% while non-interest income expanded by 42.5%, inflated by a RM515 million gain from the sale of the 51% interest in CIMB Aviva. Excluding this gain, the Group's non-interest income would have been 1.1% lower. The Group's profit before tax ("PBT") was 28.1% higher at RM1.718 billion, but would be 4.6% higher after excluding the one-off gain and RM200 million in restructuring charges.

For 1Q13, the Group's regional Consumer Bank PBT increased by 6.1% Y-o-Y to RM503 million. The Malaysia and Singapore consumer PBT were 0.5% lower Y-o-Y. The Indonesian consumer PBT grew 22.7% Y-o-Y underpinned by continued assets growth partially offset by currency translation. The Thai consumer PBT turned around from a small loss to a RM6 million profit in 1Q13.

The Group's regional Wholesale Banking PBT rose 9.9% Y-o-Y to RM734 million largely underscored by the Investment Banking and Corporate Banking PBT improving by 319.6% and 46.3% respectively, in tandem with the rise in corporate lending and deal flows as well as higher provisions made in 1Q12. Treasury & Markets PBT was 26.3 % lower Y-o-Y due to the slower credit markets and foreign exchange spreads in 1Q13.

Investments PBT jumped 141.9% Y-o-Y at RM481 million owing to the RM515 million gain arising from the sale of the 51% interest in CIMB Aviva partially offset by RM200 million in restructuring charges.

Consumer Banking operations remain the largest contributor to Group PBT at 36% (from 35% in 1Q12). Corporate Banking contribution to Group PBT jumped to 28% from 20% in 1Q12. Treasury & Markets, Investment Banking and Investments contributed 20%, 4% and 12% respectively.

CIMB Niaga's PBT rose 11.9% Y-o-Y to IDR1,433 billion while its contribution to the Group was only 5.8% higher Y-o-Y at RM456 million due to the depreciation of the Rupiah in 1Q13. CIMB Thai's PBT grew 7.3% to THB379 million but after GAAP and FRS139 adjustments, its contribution to the Group was 288.0% higher at RM38 million. Total PBT contribution from Thailand rose 345.0% from RM14.8 million to RM65.8 million after including the stronger contribution from CIMB Securities Thailand. Total non-Malaysian PBT decreased marginally to 40% in 1Q13 from 41% in 1Q12.

The Group's total gross loans and credit expanded 13.5% (excluding the declining bad bank loan book) and 14.2% Y-o-Y respectively. After adjusting for foreign exchange fluctuations, the Group's total gross loans and credit increased by 14.1% and 14.7% Y-o-Y respectively. Commercial banking loans increased 21.0% while retail loans and corporate loans grew 13.4% and 10.2% respectively. Geographically, Singapore gross loans growth was strongest at 20.1% from a low base while Thailand and Indonesia expanded by 21.7% and 13.3% respectively in respective local currencies. Malaysia loans were 12.6% higher Y-o-Y.

Total Group deposits grew by 13.4% Y-o-Y but were 11.5% higher Y-o-Y after excluding foreign exchange fluctuations. This was driven by an 15.6% expansion in Corporate & Treasury deposits and a 12.1% growth in commercial banking deposits. Retail deposits were 11.7% higher Y-o-Y. Geographically, deposit growth was strongest in Indonesia at 25.6%, while Thailand deposits expanded at 24.0% in the respective local currencies. Malaysia and Singapore deposits grew 8.9% and 20.1% respectively Y-o-Y in Ringgit terms. The Group's CASA ratio rose slightly to 33.7% from 33.6% last year while overall net interest margins were lower at 2.88% from 3.02% last year.

The Group's total loan impairment of RM81 million in 1Q13 was a 43.8% decline from the RM144 million in 1Q12 due to continued write-backs and recoveries. The Group's total credit charge was 0.15%. The Group's gross impairment ratio improved to 3.8% for 1Q13 from 4.8% as at 1Q12, with an allowance coverage of 82.3%. The Group's cost to income ratio rose to 56.3% compared to 55.1% in 1Q12 due to the combination of restructuring charges and new acquisitions.

CIMB Bank's total capital ratio stood at 13.4% while its Tier 1 capital ratio stood at 12.1% as at 31 March 2013 (after inclusion of 1Q13 net profits). CIMB Group's double leverage and gearing stood at 116.5% and 18.1% respectively as at end-March 2013.

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

The Group's 1Q13 revenues of RM3.945 billion were 17.1% higher than 4Q12, translating to a 28.1% Q-o-Q net profit growth to RM1.386 billion. Net interest income was 0.8% lower while non-interest income was 54.5% higher Q-o-Q largely due to the RM515 million gain arising from the sale of the 51% interest in CIMB Aviva in 1Q13.

The Group's Consumer Banking PBT declined 18.1% Q-o-Q. The Malaysian retail operations were 20.6% lower largely due to provision write-backs in 4Q12 while the Indonesian consumer division's PBT contribution to the Group was 8.6% lower Q-o-Q. Wholesale Banking PBT increased 12.1% Q-o-Q as Corporate Banking and Treasury & Markets were generally weaker in 4Q12. However, Investment Banking was 55.7% lower Q-o-Q at RM60 million in due to significantly stronger fee income for the last quarter of 2012. PBT from Investments were 370.6% higher Q-o-Q due to the large gain from sale of CIMB Aviva partially offset by restructuring charges.

### 4) CIMB Niaga Results

On 29 April 2013, CIMB Niaga reported a 1Q13 net profit of IDR1,054 billion, a 12.5% Y-o-Y increase, with a 1Q13 net ROE of 18.3%. The stronger performance was attributed to the larger asset base, higher non-interest income from Corporate Banking operations and lower provisions partially offset by lower NIMs, weaker income from Treasury and Markets operations and higher overhead expenses. On a sequential basis, the 1Q13 net profit was 6.8% lower than 4Q12.

CIMB Niaga's gross loans grew 13.3% Y-o-Y for 1Q13 mainly driven by the business banking and retail segments. Corporate banking loans only grew by 2.5% due to large repayments. The Gross NPL of 2.4% as at end-March 2013 was an improvement from the 2.7% in 1Q12, but slightly higher than the 2.3% in 4Q12. CIMB Niaga's loan loss coverage (based on BI definition) stood at 108.8% as at end-1Q13 compared to 106.9% as at end-1Q12.

CIMB Niaga's Tier 1 capital and total capital ratios stood at 13.4% and 16.1% respectively as at 31 March 2013.

### 5) CIMB Thai Results

On 19 April 2013, CIMB Thai announced a 1Q13 net profit of THB313 million, an 11.4% improvement from the THB281 million in 1Q12 driven by the stronger loans growth and non-interest income. Sequentially, CIMB Thai's net profit expanded by 91.5% owing to lower provisions in the current period. The annualised loan loss charge was 0.6% for 1Q13 while the loan loss coverage ratio rose to 86.1% from 71.1% at end-1Q12. For the 3-month period, CIMB Thai chalked revenue of THB1.974 billion, a 19.9% Y-o-Y increase.

As at 31 March 2013, CIMB Thai's Tier 1 capital and total capital ratios were at 10.4% and 15.1% respectively. CIMB Thai's net NPL ratio fell to 1.8% compared to 2.4% as at 31 March 2012.

## 6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT decreased Y-o-Y by 17.1% to RM105 million due to lower Islamic capital markets activity. CIMB Islamic's gross financing assets grew 17.0% Y-o-Y, accounting for 15.9% of total Group loans. Total deposits grew by 19.8% Y-o-Y to RM37.0 billion.

## 7) Geographic Expansion

In 1Q13, CIMB Group commenced investment banking operations in South Korea and India. Taiwan is on schedule to commence in 2Q13. The Group is also still in negotiations for the acquisition of Bank of Commerce in the Philippines and in the process of establishing bank branches in Laos, Shanghai and Hong Kong.

## 9) Outlook

"We are pleased to have successfully completed the sale of CIMB Aviva and taken up some restructuring charges to strengthen our capital position and reduce running costs. With the RBS APAC IB acquisition nearing full completion and the Malaysian general elections behind us, we hope to see more wholesale banking opportunities going forwards. At the same time, our regional consumer franchise continues to improve and grow," said Nazir.

"We remain mindful however, of macroeconomic challenges ahead as regional policy-makers respond to the slower external demand, domestic inflationary pressures and strong liquidity inflows." Nazir concluded.

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## APPENDIX

### Significant Corporate Developments in 2013

#### 1) Capital Management

- On 18 January 2013, CIMB Group proposed the establishment of a dividend reinvestment scheme (“DRS”) that would allow shareholders the option to elect to reinvest dividends in new CIMB Group shares. At an EGM on 25 February 2013, CIMB Group shareholders approved the proposed DRS. The proposed DRS received the necessary approvals from Bursa Securities and Bank Negara Malaysia on 5 February 2013 and 25 March 2013 respectively. On 8 May 2013, the Group issued and allotted 183,075,800 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS. The new shares were listed and quoted on the Main Market of Bursa Securities on 9 May 2013.
- On 9 May 2013, CIMB Group announced its intention to resume with the proposal to undertake the dual listing of ordinary shares on the Stock Exchange of Thailand (“SET”). The proposed SET listing is subject to the approval of the Securities Commission of Malaysia (“SC”), Bursa Malaysia Securities, Securities and Exchange Commission of Thailand, SET and other relevant parties. If approvals are obtained, the proposed SET listing is expected to be implemented by end 2013.

#### 2) Mergers and Acquisitions

- On 2 April 2012, CIMB Group entered into a sales and purchase agreement with The Royal Bank of Scotland (“RBS”) for the proposed acquisition of selected cash equities, equity capital markets and M&A corporate finance businesses in Australia, China, Hong Kong, India, Taiwan, Indonesia, Malaysia, Singapore and Thailand for GBP88.4 million (approximately RM431.8 mil). On 27 April 2012, the acquisition of the businesses in Indonesia, Malaysia, Singapore and Thailand were completed. On 30 June 2012, the acquisition of the businesses in China and Hong Kong was completed. On 12 July 2012, the proposed acquisition of the businesses in India was terminated due to a legal issue arising in connection with the sale of the India Business by RBS. On 2 November 2012, the acquisition of the businesses in Australia was completed. On 28 March 2013, the acquisition of the businesses in Taiwan was completed.
- On 8 May 2012, CIMB Bank entered into share purchase agreements with San Miguel Properties, San Miguel Corporation Retirement Plan, Q-Tech Alliance Holdings and various minority shareholders for the proposed acquisition of 59.98% in Bank of Commerce in the Philippines for PHP12,203 million (RM881 million). On 7 November 2012, Bank Negara Malaysia approved the proposed acquisition. On 20 November 2012, the Central Bank of the Republic of the Philippines approved the proposed acquisition subject to certain conditions being met.



- On 17 January 2013, CIMB Group's wholly-owned subsidiary, CIG Bhd, entered into an implementation agreement with Renggis Ventures Sdn Bhd ("RVSB"), a wholly-owned subsidiary of Khazanah Nasional, for the proposed sale of a 51%-stake in CIMB Aviva Assurance and CIMB Aviva Takaful to RVSB for RM1.11 billion. On 28 March 2013, Bank Negara Malaysia approved the proposed sale. CIG Bhd entered into a sale and purchase agreement dated 29 March 2013 with RVSB in respect of the disposal. The proposed disposal was completed on 12 April 2013.

### 3) Others

- On 23 January 2013, Fitch Ratings affirmed both CIMB Bank and CIMB Investment Bank's long-term issuer default ratings at 'BBB+' with stable outlook and simultaneously withdrew all the ratings of CIMB Bank and CIMB Investment Bank, at the request of the banks, for business reasons.
- On 31 January 2013, Moody's revised downwards, alongside six other banks in Malaysia, both CIMB Bank and CIMB Investment Bank's foreign currency (and local currency for CIMB Investment Bank) short-term ratings to Prime 2 from Prime 1, reflecting Moody's observations of the transition risk of short-term ratings that A-3 rated banks represent over time. The revised ratings have stable outlook.
- On 24 March 2013, CIMB Securities Limited begun its investment banking and brokerage businesses in Seoul, South Korea after obtaining an equities brokerage licence from the Financial Services Commission of Korea.
- On 14 April 2013, CIMB Securities (India) Pte. Ltd, started its investment banking and brokerage businesses in Mumbai, India after obtaining a stock broking licence from the Securities and Exchange Board of India.
- On 23 April 2013, Fitch Ratings affirmed the National Long-Term ratings of CIMB Thai at 'AA-(tha)' with a stable outlook. Fitch also affirmed CIMB Thai's Long-Term Foreign-Currency IDR at 'BBB'.
- On 23 April 2013, Fitch Ratings has affirmed the Long-Term Foreign Currency Issuer Default Ratings (IDR) of CIMB Niaga at 'BBB' with a stable outlook. The National Long-Term rating was affirmed at 'AAA(idn)'. Fitch also affirmed CIMB Niaga Auto Finance ("CNAF") National Long-Term rating at 'AA+(idn)' with a stable outlook.
- On 10 May 2013, CIMB Australia entered into a strategic alliance agreement for the provision of research reports and cooperation on corporate advisory and capital markets work to RBS Morgans Holdings Pty Limited.