

## **CIMB Group announces RM2.440 billion Net Profit for 1HFY13**

Monday, 26 August 2013

*for immediate release*

### **1) Summary**

CIMB Group Holdings Berhad (“CIMB Group”) today reported a 15.1% year-on-year (“Y-o-Y”) growth in net profit to RM2.44 billion for the first half of 2013 (“1H13”), equivalent to a net earnings per share (“EPS”) of 32.6 sen. The annualised 1Q13 net return on average equity (“ROE”) was 16.6%. The Group declared a first interim net dividend of 12.82 sen per share to be paid in the form of cash or an optional Dividend Reinvestment Scheme (“DRS”). The total interim dividend amounts to a net payment of RM976 million, translating to a dividend payout ratio of 40.0% of 1HFY13 profits.

"We saw strong performances at the Malaysia and Singapore (“MS”) consumer bank, the regional corporate banking business as well as continued good traction in our Singapore and Thailand operations. These helped mitigate the challenging operating conditions at CIMB Niaga and the Treasury Markets business. The 1H13 results were buoyed by one-off gains from the sale of our 51% interest in CIMB Aviva, partially offset by one-off charges in 1Q13. Excluding these one-off gains and charges, the Group’s net profit would have been flat," said Dato’ Sri Nazir Razak, Group Chief Executive, CIMB Group.

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

CIMB Group’s 1H13 revenues were 12.3% higher Y-o-Y at RM7.39 billion. Net interest income grew by 8.1% while non-interest income expanded by 20.1%, inflated by a RM515 million gain from the sale of the 51% interest in CIMB Aviva in 1Q13. Excluding this gain, the Group’s non-interest income would have been 2.2% lower. The Group’s profit before tax (“PBT”) was 10.5% higher at RM3.105 billion, but would be 0.7% lower after excluding the one-off gain and RM200 million in restructuring charges.

For 1H13, the Group’s regional Consumer Bank PBT increased by 12.2% Y-o-Y to RM1,137 million. The MS consumer PBT was 14.7% higher Y-o-Y on the back of assets growth and lower cost increases. The Indonesian consumer PBT grew 3.1% Y-o-Y due to more cautious assets growth and lower margins. The Thai consumer PBT posted a smaller loss of RM1 million compared to a RM4 million loss in 1H12.

The Group’s regional Wholesale Banking PBT declined by 6.8% Y-o-Y to RM1,414 million. This was predominantly due to the 32.3% Y-o-Y weaker Treasury & Markets PBT of RM509 million on the back of slower credit markets and lower foreign exchange spreads especially in Indonesia. Investment Banking PBT declined by 8.2% Y-o-Y due to the absence of mega IPOs it enjoyed last year. However, Corporate Banking PBT improved by 24.6% to RM769 million in line with good growth in corporate lending in all countries except for Indonesia and lower provisions.

Investments PBT jumped 97.1% Y-o-Y at RM554 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 41% (from 36% in 1H12). Corporate Banking contribution to Group PBT jumped to 28% from 22% in 1H12. Treasury & Markets, Investment Banking and Investments contributed 18%, 5% and 8% respectively.

CIMB Niaga's PBT rose 6.0% Y-o-Y to IDR2,900 billion while its contribution to the Group was 0.2% lower Y-o-Y at RM916 million due to the depreciation of the Rupiah in 1H13. CIMB Thai's PBT grew 65.8% to THB655 million but after GAAP and FRS139 adjustments, its contribution to the Group was 123.2% higher at RM72 million. Total PBT contribution from Thailand rose 188.2% from RM40.6 million to RM117.0 million after including the stronger contribution from CIMB Securities Thailand. Total PBT contribution from CIMB Singapore grew 24.1% to RM135 million. Total non-Malaysian PBT decreased marginally to 39% in 1H13 from 40% in 1H12.

The Group's total gross loans and credit expanded 11.9% (excluding the declining bad bank loan book) and 12.7% Y-o-Y respectively. After adjusting for foreign exchange fluctuations, the Group's total gross loans and credit increased by 13.3% and 13.7% Y-o-Y respectively. Commercial banking loans increased 21.4% while retail loans and corporate loans grew 13.0% and 6.1% respectively. Geographically, Singapore gross loans growth was strongest at 27.2% from a low base while Thailand and Indonesia expanded by 22.6% and 9.8% respectively in respective local currencies. Malaysia loans were 11.8% higher Y-o-Y.

Total Group deposits grew by 12.5% Y-o-Y but were 13.5% higher Y-o-Y after excluding foreign exchange fluctuations. This was driven by a 16.1% expansion in Corporate & Treasury deposits and a 12.5% growth in commercial banking deposits. Retail deposits were 8.7% higher Y-o-Y. Geographically, deposit growth was strongest in Singapore at 39.7%, while Thailand deposits expanded at 21.4% in the respective local currencies. Malaysia deposits grew 11.4% while Indonesia Rupiah-based deposits grew 9.0% Y-o-Y. The Group's CASA ratio reduced slightly to 34.2% from 34.4% last year while overall net interest margins were lower at 2.88% from 3.09% last year.

The Group's total loan impairment of RM152 million in 1H13 was a 22.1% decline from the RM195 million in 1H12 due to continued write-backs and recoveries. The Group's total credit charge was 0.14% in 1H13. The Group's gross impairment ratio improved to 3.6% for 1H13 from 4.4% as at 1H12, with an allowance coverage of 82.1%. The Group's cost to income ratio rose to 57.7% compared to 55.3% in 1H12 due to the combination of restructuring charges and new acquisitions.

CIMB Bank's total capital ratio stood at 13.1% while its Tier 1 capital ratio stood at 12.1% as at 30 June 2013 (after inclusion of 1H13 net profits and post reinvestment of excess cash pursuant to the DRS). CIMB Group's double leverage and gearing stood at 114.3% and 16.1% respectively as at end-June 2013.

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

The Group's 2Q13 revenues of RM3.445 billion were 12.7% lower than 1Q13, translating to a 24.0% Q-o-Q net profit decline to RM1.054 billion. Net interest income was 3.7% higher while non-interest income was 34.7% lower 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 was 23.7% higher Q-o-Q. The MS consumer bank PBT grew 27.6% Q-o-Q with improved revenues from assets growth and a reduction in costs. Wholesale Banking PBT was 6.1% lower Q-o-Q largely due to the weaker Treasury & Markets performance in 2Q13. Investment Banking PBT expanded by 45.0% Q-o-Q to RM81 million from improved capital markets, while Corporate Banking was 1.2% lower. PBT from Investments were 84.7% lower Q-o-Q due to the large gain from sale of CIMB Aviva in 1Q13.

#### **4) CIMB Niaga Results**

On 29 July 2013, CIMB Niaga reported a 1H13 net profit of IDR2,134 billion, a 7.6% Y-o-Y increase, with a 1H13 net ROE of 18.2%. The higher profits were attributed to the asset base expansion and lower provisions partially offset by lower NIMs, weaker income from Treasury and Markets operations and higher overhead expenses. On a sequential basis, the 2Q13 net profit was 2.4% higher than 1Q13.

CIMB Niaga's gross loans grew 9.8% Y-o-Y for 1H13 mainly driven by the commercial banking and retail segments. Corporate banking loans declined 3.5% due to large repayments and more cautious disbursements. The Gross NPL of 2.2% as at end-June 2013 was an improvement from the 2.5% in 1H12. CIMB Niaga's loan loss coverage (based on BI definition) stood at 112.9% as at end-1H13 compared to 108.6% as at end-1H12.

CIMB Niaga's Tier 1 capital and total capital ratios stood at 13.4% and 15.9% respectively as at 30 June 2013.

#### **5) CIMB Thai Results**

On 18 July 2013, CIMB Thai announced a 1H13 net profit of THB544 million, a 62.5% growth from the THB335 million in 1H12 driven by the stronger loans growth and non-interest income. Sequentially, CIMB Thai's net profit was 26.3% lower Q-o-Q owing to higher overheads and provisions as well as lower non-interest income in the current period. The annualised loan loss charge was 0.7% for 1H13 while the loan loss coverage ratio rose to 83.1% from 75.2% at end-1H12. For the 6-month period, CIMB Thai posted revenue of THB4.042 billion, a 25.7% Y-o-Y increase.

As at 30 June 2013, CIMB Thai's Tier 1 capital and total capital ratios were at 10.2% and 14.5% respectively. CIMB Thai's net NPL ratio fell to 1.9% compared to 2.2% as at 30 June 2012.

#### **6) CIMB Islamic**

CIMB Islamic's Y-o-Y PBT decreased Y-o-Y by 1.0% to RM239 million due to lower Islamic capital markets activity. CIMB Islamic's gross financing assets grew 13.2% Y-o-Y, accounting for 15.4% of total Group loans. Total deposits grew by 24.5% Y-o-Y to RM35 billion.

## 7) Geographic Expansion

In 2Q13, CIMB Group commenced investment banking operations in Taiwan, and ceased negotiations for the acquisition of Bank of Commerce in the Philippines. The Group remains in the process of establishing bank branches in Laos, Shanghai and Hong Kong.

## 8) Outlook

"We are going through the tougher macro operating environment that we have been bracing for, as evident in our relatively slower asset growth rates in recent quarters. This period of adjusting for a major flow back of funds to developed markets and weaker outlook for Asean economies brings volatile financial markets and other downside risks. At the same time, banks also have to navigate new rules as regulators attempt to mitigate stresses to their domestic economies," said Nazir.

"We will focus on managing the bank carefully through this period but at the same time we will look for opportunities that it brings for us in terms of supporting our clients through temporary difficulties and exploiting financial market fluctuations. As it stands, we think that at the operational level we will do better in the second half riding on improved momentum in MS consumer and regional corporate banking and more flows in treasury markets. However, while our IB pipeline is good, more deals could be delayed and CIMB Niaga's contribution will depend on how the Indonesian economy weathers the current headwinds," 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”). On 30 May 2013, the Securities Commission approved the proposed SET listing. On 10 June 2013, approval was attained from Bursa Malaysia Securities for the proposed SET listing. Upon attaining all necessary approvals, the proposed SET listing is expected to be implemented by end 2013.
- On 13 June 2013, CIMB Bank announced that it had obtained approval from the Securities Commission on 10 June 2013 and from Bank Negara Malaysia on 3 May 2013 for the proposed program to issue up to RM10 billion in Basel 3-compliant Tier 2 subordinated debt.

#### 2) Mergers and Acquisitions

- On 2 April 2012, CIMB Group entered into a sales and purchase agreement (“SPA”) 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 (approx 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 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.

- On 8 May 2012 CIMB Bank entered into SPAs with San Miguel Properties, Inc., San Miguel Corporation Retirement Plan, Q-Tech Alliance Holdings, Inc. and various minority shareholders in relation to the proposed acquisition of 59.98% of the total issued and paid-up share capital of Bank of Commerce (“Proposed Acquisition”). On 21 June 2013, CIMB Bank announced that the SPAs in relation to the proposed acquisition has lapsed. As an agreement on new terms could not be reached, the parties to the SPAs did not proceed with the proposed acquisition.

### 3) Others

- 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.
- On 6 June 2013, CIMB Securities International, a wholly-owned subsidiary of CIMB Group, disposed of its 99.99% interest in CIMB-GK Securities (Thailand) Ltd to a third party.
- On 28 June 2013, CIMB Group’s wholly owned subsidiary CIMB Strategic Assets Sdn Bhd incorporated a 50:50 joint venture with HLFG Principal Investments (L) Limited, to establish and manage a private equity fund known as Bangsar Capital Holdings (L) Limited.
- On 15 July 2013, Moody's affirmed the A3/P-2 foreign currency deposit and issuer ratings of CIMB Bank. Concurrently, Moody's raised CIMB Bank's baseline credit assessment to baa1, from baa2. The A3 foreign currency senior unsecured debt and (P)A3 foreign currency senior unsecured MTN program were affirmed.

In addition, Moody's upgraded the rating on non-cumulative guaranteed preference shares issued by SBB Capital Corporation to Ba1(hyb) from Ba2(hyb).

- On 18 July 2013, Moody's assigned CIMB Niaga a bank financial strength rating (BFSR) of D, which maps to a ba2 baseline credit assessment.
- On 12 June 2013, MARC assigned a preliminary rating of AA+ to CIMB Bank's proposed RM10 billion Basel III-compliant Tier 2 Subordinated Debt Programme. MARC affirmed the long-term and short-term financial institution ratings on CIMB Bank at AAA/MARC-1 and the ratings of all corporate debt issuances by the bank.
- On 2 August 2013, RAM Ratings reaffirmed the respective long and short-term ratings of AAA and P1 for CIMB Islamic. The long term rating has a stable outlook.
- On 5 August 2013, RAM Ratings reaffirmed CIMB Group's respective AA1 and P1 long and short-term corporate credit ratings. The RM6.0 billion Conventional and Islamic Commercial Papers/Medium-Term Notes Programme was reaffirmed at AA1 and P1 respectively. The RM3.0 billion Subordinated Notes Programme was also reaffirmed at AA3. The outlook for all remains stable.
- On 5 August 2013, RAM Ratings reaffirmed the respective long and short-term ratings of AAA and P1 for CIMB Investment Bank. The long term rating has a stable outlook.
- On 5 August 2013, RAM Ratings reaffirmed the respective long and short-term ratings of AAA and P1 for CIMB Bank. RAM also obtained a rating of AA1 for CIMB Bank's proposed RM10 billion Basel III-compliant Tier 2 Subordinated Debt Programme. Both ratings carry a stable outlook.