

CIMB Group announces record PBT of RM5.69 billion for 9M18

Thursday, 29 November 2018

for immediate release

- Record 9M18 net profit of RM4.47 billion (+30.8% Y-o-Y) bolstered by RM928 million gain on sale of 20% of CPAM and 10% of CPIAM resulting in an ROE of 11.6% and an improved CIR of 48.0%
- BAU PBT of RM4.76 billion mainly from lower operating cost and provisions
- Robust loan growth supported by 11.0% Y-o-Y growth in Malaysia
- Improved loan loss charge of 0.45% in 9M18 (*cf.* 0.68% in 9M17)
- Strengthened Group CET1 ratio to 12.3% as at 30 September 2018

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM4.47 billion for the first 9 months of 2018 (“9M18”) bolstered by a gain from the sale of 20% of CIMB-Principal Asset Management (“CPAM”) and 10% of CIMB-Principal Islamic Asset Management (“CPIAM”) amounting to RM928 million. This raised the Group’s 9M18 Return On average Equity (“ROE”) to 11.6%, and reduced its Cost-to-Income Ratio (“CIR”) to 48.0%.

On a Business-As-Usual (“BAU”) basis, Profit Before Tax (“PBT”) was RM4.76 billion for 9M18 representing a 4.0% year-on-year (“Y-o-Y”) growth. Lower Y-o-Y operating expenses of 6.4% and loan loss provisions of 30.7% contributed to the Group’s increase in 9M18 BAU net profit by 3.6% Y-o-Y to RM3.54 billion. This was achieved despite a 5.6% Y-o-Y drop in operating income due to weaker capital markets in Malaysia. The 9M18 net earnings per share (“EPS”) stood at 38.0 sen, while the annualised ROE was 9.8%.

“We are pleased to deliver a record PBT of RM5.69 billion in 9M18 despite the challenging operating landscape. The good 9M18 performance was underpinned by lower provisions and costs, continued improvement from Consumer and Commercial banking, as well as a recovery in Wholesale banking revenue in 3Q18,” said Tengku Dato’ Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group 9M18 Y-o-Y Performance (BAU basis)

CIMB Group's 9M18 operating income was 5.6% lower Y-o-Y at RM12.38 billion from a 10.0% decline in non-interest income from slower capital markets in Malaysia in 2Q18 and a 3.7% decline in net interest income mainly from Commercial and Wholesale banking. This was offset by a RM163 million gain from the sale of 50% of CSI from 1H18. The Group's PBT was 4.0% higher Y-o-Y at RM4.76 billion, with operating expenses and loans provisions declining by 6.4% and 30.7% YoY, respectively. The 9M18 CIR stood at 51.6%.

The Group's Consumer Bank PBT was 23.1% higher Y-o-Y in 9M18 at RM2.36 billion, making up 49% of Group PBT. The better performance was attributed to 53.2% lower provisions with revenue growth underpinned by steady net interest income and non-interest income growth. The Commercial Banking PBT increased by 69.4% Y-o-Y from its regional business recalibration, although the lower cost and provisions were partially offset by a decline in operating income. PBT at the Group's Wholesale Banking division was RM1.27 billion or 31.3% lower Y-o-Y from the significantly weaker capital markets in 2Q18 and higher provisions. Group Asset Management and Investments ("GAMI") PBT improved 52.6% Y-o-Y from better performances in both public and private markets, with a 14.4% increase in public markets assets under management. Group Funding PBT increased 17.2% Y-o-Y mainly from the RM163 million gain arising from the sale of 50% of CSI.

Profit and Loss Summary (RM 'mil)	9M18 BAU*	9M17	Y-o-Y
Operating Income	12,379	13,111	(5.6%)
Operating expenses	(6,387)	(6,826)	(6.4%)
PBT	4,760	4,575	4.0%
Net profit	3,538	3,415	3.6%

PBT by Segments (RM 'mil)	9M18 BAU*	9M17	Y-o-Y
Consumer Banking	2,358	1,915	23.1%
Commercial Banking	471	278	69.4%
Wholesale Banking	1,268	1,845	(31.3%)
Corporate Banking	864	1,126	(23.3%)
Treasury & Markets	346	658	(47.4%)
Investment Banking	58	61	(4.9%)
GAMI	145	95	52.6%
Group Funding	518	442	17.2%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

Non-Malaysia PBT contribution to the Group stood at 35% in 9M18 compared to 33% in 9M17. Indonesia's PBT decreased by 5.3% Y-o-Y to RM915 million. However, excluding FX translation effects, Indonesia's PBT expanded 8.7% Y-o-Y in line with CIMB Niaga's improving performance. Thailand's PBT contribution of RM356 million was a 83.5% Y-o-Y increase mainly from improvements in Consumer and lower provisions. Total PBT contribution from Singapore was 14.2% higher Y-o-Y at RM330 million mainly from savings on the deconsolidation of CSI.

Gross Loans (RM 'bil)	Sep-18	Sep-17	Y-o-Y
Consumer Banking	175.4	166.4	5.4%
Commercial Banking	43.6	42.7	2.1%
Wholesale Banking	119.4	113.6	5.1%
Total *	338.4	322.7	4.9%

By Geography	Y-o-Y
Malaysia	11.0%
Indonesia ^	2.2%
Thailand ^	5.5%
Singapore ^	3.9%
Others **	0.1%
Group ^^	7.3%

Deposits (RM 'bil)	Sep-18	Sep-17	Y-o-Y
Consumer Banking	169.4	166.7	1.6%
Commercial Banking	40.3	45.4	(11.2%)
Wholesale Banking	157.3	141.9	10.9%
Total	367.0	354.0	3.7%

By Geography	Y-o-Y
Malaysia	4.4%
Indonesia ^	3.8%
Thailand ^	5.6%
Singapore ^	8.7%
Others **	38.0%
Group ^^	6.0%

Notes:

* Gross loans excludes bad bank

^ In local currency

** Including Labuan, London, Cambodia, Vietnam, Hong Kong & Shanghai

^^ Excluding FX fluctuations

The Group's total gross loans (excluding the bad bank) grew by 4.9% Y-o-Y (+7.3% excluding FX effects), while total deposits were 3.7% higher Y-o-Y. The Group's Loan to Deposit Ratio ("LDR") stood at 93.1%, compared to 92.0% as at end-September 2017.

The Group's gross impairment ratio stood at 3.1% as at end-September 2018, with an allowance coverage of 107.1%. The Group's Cost-to-Income Ratio improved to 51.6% compared with 52.1% in 9M17, in line with continued cost management. The Group's Net Interest Margin ("NIM") was lower at 2.52% attributed to the contraction at CIMB Niaga.

Key Operating Ratios (%)	9M18 BAU*	9M17
Loan to Deposit (LDR)	93.1	92.0
Gross Impaired Loans Ratio	3.1	3.5
Allowance Coverage ^	107.1	85.3
Cost-to-Income	51.6	52.1
NIM ~**	2.52	2.67

Notes: * Excludes CPAM & CPIAM gain of RM928mil

** Daily Average

~ Annualised

^ Including regulatory reserve

As at 30 September 2018, CIMB Group's total capital ratio stood at 16.9% while the Common Equity Tier 1 ("CET1") capital ratio stood at 12.3%.

3) CIMB Group 3Q18 Q-o-Q Performance

Profit and Loss Summary (RM 'mil)	3Q18	2Q18 BAU*	3Q17	Q-o-Q	Y-o-Y
Operating Income	4,140	3,936	4,423	5.2%	(6.4%)
Overhead expenses	(2,159)	(2,087)	(2,267)	3.4%	(4.8%)
PBT	1,486	1,531	1,528	(2.9%)	(2.7%)
Net profit	1,180	1,053	1,132	12.1%	4.2%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

On a quarter-on-quarter (“Q-o-Q”) basis, 3Q18 operating income was 5.2% higher at RM4.14 billion from the better markets in 3Q18 leading to a 13.4% increase in non-interest income. Consumer Banking PBT declined 2.1% Q-o-Q from lower operating income and higher costs. Commercial Banking PBT was 1.7% higher Q-o-Q due to improved operating income and lower provisions. Wholesale Banking PBT was lower by 16.5% Q-o-Q largely attributed to higher provisions, as operating income improved in the quarter. GAMI PBT increased by 12.5% from both private and public markets, while Group Funding PBT was 25.2% higher mainly from reduced provisions. The Group’s 3Q18 net profit grew 12.1% Q-o-Q driven by better operating income from Commercial and Wholesale.

On a Y-o-Y basis, the 6.4% operating income decline in 3Q18 was attributed to a decline in non-interest income and net interest income of 17.0% and 1.6%, respectively. Consumer Banking PBT grew 3.9% Y-o-Y from better cost management. Regional Commercial Banking PBT rose 450.0% Y-o-Y from the reduction in provisions. Wholesale Banking PBT was 41.7% lower Y-o-Y across all wholesale segments given the weaker capital markets. GAMI PBT was 542.9% higher Y-o-Y from improvement in private markets, while Group Funding 3Q18 PBT was flat Y-o-Y. The Group’s 3Q18 net profit increased by 4.2% Y-o-Y to RM1.18 billion largely attributed to all segments except Wholesale banking.

PBT by Segments (RM 'mil)	3Q18	2Q18 BAU*	3Q17	Q-o-Q	Y-o-Y
Consumer Banking	747	763	719	(2.1%)	3.9%
Commercial Banking	176	173	32	1.7%	450.0%
Wholesale Banking	354	424	607	(16.5%)	(41.7%)
Corporate Banking	167	364	345	(54.1%)	(51.6%)
Treasury & Markets	170	53	212	220.8%	(19.8%)
Investment Banking	17	7	50	142.9%	(66.0%)
GAMI	45	40	7	12.5%	542.9%
Group Funding	164	131	163	25.2%	0.6%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

4) CIMB Islamic

CIMB Islamic's 9M18 PBT increased by 31.5% Y-o-Y to RM759 million, driven by strong 23.6% operating income growth due to a healthy balance sheet growth. CIMB Islamic's gross financing assets increased by 31.8% Y-o-Y to RM70.9 billion, accounting for 20.8% of total Group loans. Total deposits (including investment account) increased by 21.6% Y-o-Y to RM74.4 billion.

5) Outlook

"As 2018 draws to a close, we remain on track to meet our key T18 targets. However, we remain cautious amidst weaker regional economies and global trade tensions. Against this backdrop, we will continue to control asset quality and cost across all businesses and geographies, while we finalise our next mid-term plan to propel CIMB onto a stronger growth trajectory," said Tengku Zafrul.

If you require further information, please contact:

Suria Zainal
Group Corporate Communications
Group CEO's Office
CIMB Group Holdings Berhad
Tel: +603 - 2261 0638
Email: suriawati.zainal@cimb.com

APPENDIX

Significant Corporate Developments in 2018

1) Capital Management

- On 29 March 2018, CIMB Bank completed an issuance of RM700 million Basel 3-compliant Tier 2 Subordinated Debt back to back with CIMB Group.
- On 29 March 2018, CIMB Thai issued RM390 million Basel 3-compliant Tier 2 Subordinated Debt to replace THB3 billion unsecured subordinated notes, for which CIMB Thai exercised its option to early redeem on 9 November 2017.
- On 30 April 2018, CIMB Group issued and allotted 140,251,847 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY17. The new shares were listed and quoted on the Main Market of Bursa Securities on 2 May 2018.
- On 4 September 2018, CIMB Thai Bank announced a proposed increase of its registered capital by THB3,951,569,703 via a proposed 3-for-20 rights offering of 4,542,034,141 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB0.87 per share. The exercise was completed on 19 October 2018. Subsequent to the completion of rights offering exercise, CIMB Bank's shareholding in CIMB Thai Bank increased from 94.11% to 94.83%.
- On 13 September 2018, CIMB Bank redeemed its RM750 million Tier 2 subordinated debt issued under the RM10 billion Tier 2 subordinated debt programme.
- On 13 September 2018, CIMB Bank completed an issuance of RM1.2 billion Basel 3-compliant Tier 2 Subordinated Debt back to back with CIMB Group.
- On 5 October 2018, CIMB Bank redeemed its RM1.0 billion Subordinated Bonds issued under the Innovative Tier-1 Capital Securities Programme.
- On 16 October 2018, CIMB Bank redeemed its RM300 million Tier 2 subordinated debt issued under the RM10 billion Tier 2 subordinated debt programme.
- On 23 October 2018, CIMBGH completed an issuance of RM1.0 billion Basel 3-compliant Additional Tier 1 Capital Securities, the proceeds of which was used to subscribe to similar RM1.0 billion Basel 3-compliant Additional Capital Securities issued by CIMB Bank on a back to back basis.
- On 25 October 2018, CIMB Group issued and allotted 198,660,129 new CIMB Group shares pursuant to the DRS arising from the First Interim Dividend announcement for FY18. The new shares were listed and quoted on the Main Market of Bursa Securities on 25 October 2018.
- On 15 November 2018, CIMB Niaga issued Series A Subordinated Bond of IDR75 billion.

- On 15 November 2018, CIMB Niaga issued Series B Subordinated Bond of IDR75 billion.

2) Mergers and Acquisitions

- On 6 June 2017, CIMB Group signed a conditional Share Purchase Agreement with China Galaxy International Financial Holdings Limited (“CGI”) for the sale of 50% interest in CIMB Securities International Pte Ltd (“CSI”). CSI is the holding company for the cash equities business in Singapore, Indonesia, Thailand, Hong Kong, India, South Korea, United Kingdom and United States of America. On 6 September 2017, CIMB Group Sdn Bhd signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities for RM55 million cash. On 18 January 2018, the CSI disposal was completed for approximately SGD167 million (approximately RM500 million). On 10 August 2018, CIMB Group received BNM approval to incorporate a Malaysia-based JV as the holding company of Jupiter Securities which will be the platform for the partnership’s Malaysia operations. On 28 September 2018, the proposed acquisition of Jupiter Securities was completed.
- On 24 July 2017, CIMB Group’s 52.22% subsidiary Touch ‘n Go Sdn Bhd (“TNG”) entered into an Investment Agreement with Alipay Singapore E-Commerce Pte Ltd, a subsidiary of Ant Financial Services Group, to form a JV, in which TNG will be the majority shareholder, to launch a new mobile platform for payments and other related financial services in Malaysia (“Proposed Joint Venture”). On 8 November 2017, BNM approved the incorporation of the JV entity, TNG Digital Sdn Bhd. On 8 January 2018, TnG Digital received BNM approval to operate and offer mobile e-wallet services in Malaysia. On 14 February 2018, the Proposed Joint Venture was completed, upon which TnG Digital became a subsidiary of TnG.
- On 11 January 2018, CIMB Group Sdn Bhd entered into sale and purchase agreements to divest 20% of CIMB-Principal Asset Management Bhd (“CPAM”) and 10% of CIMB-Principal Islamic Asset Management (“CPIAM”) to Principal Financial Group for RM470.3 million. CIMB Group will retain 40% ownership in both entities. On 25 May 2018, CIMB Group announced the completion of the divestment.

3) Others

- On 29 January 2018, Moody’s reaffirmed CIMB Investment Bank’s long term and short term issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 14 February 2018, Fitch Ratings reaffirmed CIMB Thai’s long-term and short-term national rating at AA(tha) and F1+(tha) respectively. The outlook is stable.
- On 16 March 2018, Fitch Ratings reaffirmed CIMB Niaga’s long-term and short-term issuer default ratings at BBB and F3, as well as long-term and short-term national ratings at AAA(Idn) and F1+(Idn). The outlook is stable.

- On 13 April 2018, Moody's upgraded CIMB Niaga's long-term and short-term foreign currency deposits rating from Baa3 and P-3 to Baa2 and P-2 respectively. The outlook is stable.
- On 24 May 2018, CIMB Niaga completed a Cash Dividend distribution of IDR 595,547,660,321 to all its shareholders for FY2017.
- On 21 June 2018, Moody's reaffirmed CIMB Thai's long-term and short-term foreign currency deposits rating at Baa2 and P-2 respectively. The outlook is stable.
- On 26 June 2018, Moody's reaffirmed (i) CIMB Bank's and CIMB Islamic Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively; and (ii) CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook for all is stable.
- On 28 June 2018, Moody's reaffirmed CIMB Niaga's long-term and short-term foreign currency deposits rating at Baa2 and P-2 respectively. The outlook is stable.
- On 9 August 2018, RAM reaffirmed CIMB Thai's long-term and short-term financial institution ratings at AA2 and P1 respectively. Also, RAM reaffirmed CIMB Thai's RM2.0 billion Basel III Compliant Tier 2 Subordinated Notes Programme at AA3. The outlook is stable.
- On 13 August 2018, Fitch Ratings downgraded CIMB Niaga's long-term issuer default rating from BBB to BBB-, as well as long-term national ratings from AAA(idn) to AA+(idn). The short-term issuer default rating and short-term national ratings are reaffirmed at F3 and F1+ respectively. The outlook is stable.
- On 14 August 2018, Fitch Ratings downgraded CIMB Thai's long-term national rating from AA(tha) to AA-(tha). The short-term national rating is reaffirmed at F1+(tha). The outlook is stable.
- On 24 September 2018, Dato' Sri Nazir Razak announced his intention to retire as Group Chairman of CIMB Group and all other positions within the CIMB group of companies and on 19 October 2018 stepped down from his position. On 20 October 2018, Datuk Mohd Nasir Ahmad was appointed as Group Chairman.
- On 19 November 2018, CIMB announced a Group organisational change. Shahnaz Jammal is appointed as CEO of Group Wholesale Banking; Khairulanwar Rifaie appointed as Group Chief Financial Officer; Effendy Shahul Hamid appointed as CEO of Group Ventures and Partnerships; and, Gurdip Singh as Group Chief Strategy and Design Officer, effective 1 January 2019. Victor Lee Meng Teck will be appointed as CEO of Group Commercial Banking and Transaction Banking effective 17 January 2019. Omar Siddiq will be appointed Group Chief Operating Officer effective 26 November 2018.