

CIMB Group registers FY20 PBT of RM1.53 billion; declares dividend payout of 40%

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for immediate release

- Exceeded cost reduction target of 5% or RM500 million for FY20
- Significant improvement in 4Q20 CIR at 49.4%, lowering FY20 CIR to 52.2%
- Good quarterly traction seen with 4Q20 operating income increasing by 5.6% QoQ to RM4.72 billion
- FY20 PPOP declined only marginally by 1% to RM8.21 billion
- Strong FY20 CASA growth of 22.6%, leading to CASA ratio increasing from 34.4% in FY2019 to 41.3%
- FY20 PBT of RM1.53 billion and Net Profit of RM1.19 billion, translating to an annualised ROE of 2.1%
- Strong capital position with 13.3% CET1 ratio supported by Group LCR remaining comfortably above 100%
- Proposed annual dividend of 4.81 sen per share, amounting to a total payout of RM477 million and a payout ratio of 40%

Kuala Lumpur - CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) announced a profit before tax (“PBT”) of RM1.53 billion and a net profit of RM1.19 billion for the financial year ended 31 December 2020 (“FY20”). Despite the year-on-year (“YoY”) decline in PBT and net profit, the Group’s underlying business proved resilient. FY20 pre-provisioning operating profit (“PPOP”) declined only marginally by 1% to RM8.21 billion, while operating income remained stable with a slight decrease of 3.4% to RM17.19 billion. Aggressive cost reduction targets were also exceeded with a 5.5% or RM524 million decrease in operating expenses leading to an improved cost-to-income ratio (“CIR”) of 52.2%, down 1.2% YoY. Topline resilience, cost discipline and proactive measures to protect asset quality enabled the Group to strengthen its financial position and ensure it remains well-capitalised against shocks, leading to its highest CET1 ratio of 13.3%. CASA also grew strongly by 22.6% in FY20, bringing the CASA ratio to 41.3% as at December 2020 from 34.4% in the previous year.

The Group’s FY20 performance translated to an annualised return on average equity (“ROE”) of 2.1% and earnings per share (“EPS”) of 12.0 sen. It declared a proposed annual dividend of 4.81 sen per share, amounting to a total payout of RM477 million and a payout ratio of 40% in line with its dividend policy.

FY20 Performance was largely impacted by the COVID-19 pandemic, resulting in elevated loan provisions arising from accounting adjustments incorporating macroeconomic factors and management overlays, as well as specific provisions made against COVID-19 related and legacy accounts. Against this backdrop, net-interest income (“NII”) grew marginally to RM12.73 billion YoY despite a 14 bps decrease in net interest margin (“NIM”) to 2.32% in FY20 due to the impact of lower interest rates and modification loss. As for non-interest income (“NOII”), stronger treasury and markets, wealth management, and investment banking activity in the second half of the year partially offset weakness in the first half, resulting in NOII of RM4.46 billion.

For the fourth quarter ended 31 December 2020 (“4Q20”), the Group reported sequential operating income growth of 5.6% quarter-on-quarter (“QoQ”) to RM4.72 billion compared to the third quarter ended 30 September 2020 (“3Q20”). This was underpinned by a 3.8% increase in NII and 10.3% NOII growth.



Dato' Abdul Rahman Ahmad, Group Chief Executive Officer of CIMB Group said, "2020 was defined by the acute disruption of COVID-19 on public health and the global economy, impacting individuals, businesses and governments alike. Pandemic-driven lockdowns and movement controls led to economic weakness and sharp GDP contractions across our core markets, resulting in revenue and profitability pressure across our business. The challenging operating environment required us to take a hard look at all areas of our business and recalibrate our strategy, leading to the introduction of our Forward23+ mid-term strategy in early 4Q20. As part of our plan to mitigate the challenging environment and strengthen our balance sheet, our most immediate priority was cost management, and in this regard we successfully surpassed our FY20 cost reduction target of 5% through rigorous cost optimisation measures."

"For 4Q20, we are also encouraged to see quarterly topline improvement in the Group's NII and NOII in our core markets. The strong quarterly operating income was driven by Group Consumer Banking's improved wealth management performance and deposit growth, while Group Wholesale Banking also made a significant contribution due to improved treasury and markets, and investment banking activities."

"Given the resilience of our underlying business and improved capital position, we are pleased to declare a proposed annual dividend of 4.81 sen per share, based on a dividend payout ratio of 40% in line with our dividend policy. As a financial intermediary, we are conscious of our responsibility to preserve capital buffers whilst providing returns to our shareholders. We will continue to manage capital prudently as we seek to strike the optimal balance between the current and future needs of our business and our stakeholders," added Dato' Abdul Rahman.

Gross Loans and Deposits

FY20 gross loans registered a slight decline of 1.0% YoY as the Group took steps to de-risk its balance sheet and strengthen its financial position. Total deposits grew by 2.3% primarily due to 22.6% growth in CASA, and the CASA ratio continued to strengthen to 41.3% as at Dec-20 compared to 34.4% as at Dec-19. The Group's Loan-To-Deposit ("LDR") ratio stood at 89.0% (cf. 92.0%).

Asset Quality

The Group saw elevated loan provisions arising from accounting adjustments incorporating macroeconomic factors and management overlays, as well as specific provisions made against COVID-19 related and legacy accounts. Gross Impaired Loans ("GIL") ratio stood at 3.6% as at Dec-20, with an allowance coverage of 91.6%. The Group's loan loss charge ("LLC") for FY20 came in at 1.46%.

Capital and Liquidity Management

The Group remains well-capitalised with its highest CET1 ratio of 13.3%, including the reinstatement of regulatory reserve from retained earnings, and a total capital ratio of 17.6% as at Dec-20. Liquidity management continues to be a priority, with liquidity coverage ratio ("LCR") remaining comfortably above 100% for all banking entities within the Group.

Segment Performance

Group Consumer Banking FY20 operating income remained relatively flat YoY, with NII growth of 3.7% offsetting a decline in NOII. Consumer CASA registered strong growth, increasing by 30.2% YoY. On a



quarterly basis, 4Q20 saw sequential growth, as NII grew by 1.0% QoQ due to improved loan growth and NIM, while NOII grew by 28.7% in line with stronger wealth management performance and the sale of non-performing loans (“NPLs”) in Malaysia.

Group Commercial Banking FY20 operating income remained stable with a slight decrease of 3.5% YoY, as a 1.9% increase in NII partially offset the decline in NOII. Deposits grew by 8.1% YoY, driven by a 19.0% increase in CASA. In 4Q20, operating income registered 4.1% growth QoQ underpinned by better NIM, while tighter cost controls led to a 10.0% improvement in PPOP.

Group Wholesale Banking FY20 operating income was flat, as the YoY NII growth of 10.6% offset weaker NOII performance. However, 4Q20 performance was encouraging with operating income registering 9.1% growth QoQ. The improved performance was due to a 1.8% increase in NII, in addition to a 24.1% increase in NOII from stronger fees and Treasury & Markets revenue.

CIMB Digital Assets & Group Funding Key digital businesses continue to record growth with CIMB Philippines reaching 3.1 million customers and TNG Digital reaching 15.2 million registered users and 293,000 merchants. Principal Asset Management recorded 5.1% growth in assets under management (“AUM”) to RM92.6 billion despite the impact of the pandemic. FY20 operating income and PBT saw a decline however, from the impact of the OPR cuts on NII during the year and absence of the gain from sale of the Malaysia equities business in 2019.

CIMB Islamic FY20 operating income grew by 1.2% YoY. This was primarily contributed by a 2.9% improvement in net financing income (“NFI”) due to a 5.2% growth in Islamic financing, which was partially offset by the impact of modification loss and lower NIM. As for 4Q20, QoQ operating income registered 0.8% growth, primarily due to the 8.4% increase in NFI which outpaced weakness in non-financing income (“NOFI”).

Moving Forward

Dato’ Abdul Rahman said, “Given the resurgence of COVID-19 and the necessary restrictions until the majority of the population have been vaccinated, the Group will maintain a cautious growth stance in FY21. We anticipate that economic recovery will continue to be uneven with downside risks in the short term before improving in the second half of the year. Enhanced risk management, prudent cost optimisation and targeted investments across the business will remain priorities as we seek to drive efficient growth. With expected lower provisions, we anticipate considerably better financial performance in FY21.”

“Moving forward, FY21 will be the first full year of our Forward23+ strategy. We recognise that disciplined execution will be crucial to its success and have developed the necessary core programmes from the strategic themes of Forward23+ to ensure delivery of specific and measureable business outcomes. We have also begun reshaping our portfolio to ensure we are well-positioned to accelerate growth in key segments. In this context, Digital is a main priority as online banking has become the primary banking experience for most customers, and we will continue to enhance our digital platforms to improve customer experience. At the same time, Wealth Management will also be a key growth driver regionally, and we look forward to introducing more bespoke and innovative solutions to meet our clients’ financial needs.”

“The Group is aware that borrowers continue to be impacted by the ongoing pandemic, and we will continue to provide support to affected borrowers. In Malaysia, over the COVID-19 period, we have provided financial payment relief assistance to around 150,000 individual & SME borrowers, amounting to RM19.43 billion, with



an approval rate of virtually 100%. It is also encouraging to see that the majority of borrowers who are eligible for targeted payment assistance have resumed payments. Having said that, we continue to welcome all affected customers who are in need of financial help to come forward to discuss payment relief options with us,” Dato’ Abdul Rahman added.

About CIMB

CIMB is one of ASEAN’s leading banking groups and Malaysia’s second largest financial services provider, by assets. Listed on Bursa Malaysia via CIMB Group Holdings Berhad, it had a market capitalisation of approximately RM42.7 billion as at 31 December 2020. It offers consumer banking, commercial banking, wholesale banking, transaction banking, Islamic banking and asset management products and services. Headquartered in Kuala Lumpur, the Group is present in all 10 ASEAN nations (Malaysia, Indonesia, Singapore, Thailand, Cambodia, Brunei, Vietnam, Myanmar, Laos and Philippines). Beyond ASEAN, the Group has market presence in China, Hong Kong, India, South Korea, the US and UK.

CIMB has one of the most extensive retail branch networks in ASEAN with 668 branches and around 34,000 employees as at 31 December 2020. The Group’s investment banking arm is one of the largest Asia Pacific-based investment banks, while it offers comprehensive research coverage of around 950 stocks in the region via its CGS-CIMB joint venture. CIMB is also the 92.5% shareholder of Bank CIMB Niaga in Indonesia, and 94.8% shareholder of CIMB Thai in Thailand.

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