

CIMB Group announces RM3.502 billion Net Profit for 9MFY13

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for immediate release

1) Summary

CIMB Group Holdings Berhad (“CIMB Group”) today reported a record net profit of RM3.502 billion for 9 months FY13 (“9MFY13”), representing a 7.3% year-on-year (“Y-o-Y”) growth and equivalent to net earnings per share (“EPS”) of 46.5 sen. Its annualised net return on average equity (“ROE”) was 16.0% and in-line with its full year target. For third quarter FY13 (“3Q13”), the Group’s net profit of RM1.062 billion was 0.8% higher than 2Q13.

“Despite weak and volatile capital markets and difficult operating conditions in Indonesia, we remain in line with our ROE target due to outperformances at our regional consumer banking operations and regional corporate bank,” said Dato’ Sri Nazir Razak, Group Chief Executive, CIMB Group. “Loans and deposits are growing at above market averages in all countries bar Indonesia, while exceptional gains have come in as scheduled.”

2) CIMB Group Y-o-Y Results

CIMB Group’s 9MFY13 revenue increased by 7.4% Y-o-Y to RM10.875 billion, with a 7.3% growth in net interest income. The 7.6% expansion in non-interest income was 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 6.7% lower. The Group’s profit before tax (“PBT”) was 4.3% higher at RM4.491 billion, but would be 3.0% lower after excluding the one-off gain and RM200 million in restructuring charges.

For 9MFY13, the Group’s Regional Consumer Bank PBT expanded by 16.9% Y-o-Y to RM1.713 billion. Its largest contributor, the Malaysia and Singapore (“MS”) consumer operations, PBT grew 15.6% Y-o-Y to RM1.34 billion on the back of 7.8% revenue growth and lower operating costs and despite lower provision write-backs. The consumer operations’ PBT in Indonesia expanded by 24.0% Y-o-Y (in IDR terms) riding on moderate assets growth and larger CASA. The Thai consumer operations posted a smaller loss of RM3 million compared to a RM13 million loss in 9MFY12 while the Singapore consumer operations PBT jumped 220% to RM16 million. Consumer banking strengthened its position as the largest contributor to Group PBT at 41% (from 34% in 9MFY12).

The Group’s Regional Wholesale Banking PBT declined by 14.1% Y-o-Y to RM2.083 billion, largely due to the 34.0% Y-o-Y weaker Treasury & Markets PBT of RM785 million on the back of slower credit markets and treasury flows especially in Indonesia. Investment Banking PBT declined by 9.4% Y-o-Y due to the absence of mega Malaysian IPOs it enjoyed last year and weaker markets. However, Corporate Banking PBT improved by 7.3% to RM1.143 billion in line with good growth in corporate lending in all countries except for Indonesia and lower provisions.

Corporate Banking contribution to Group PBT increased to 27% from 25% in 9MFY12 while Treasury & Markets and Investment Banking contributed 19% and 4% respectively.

Investments PBT was 66.7% higher Y-o-Y at RM695 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, and jump in value of the Group's stake in Tune Insurance Holdings Berhad.

From a geographic perspective, non-Malaysian PBT decreased to 38% in 9MFY13 from 42% in 9MFY12. CIMB Niaga's PBT rose 2.4% Y-o-Y to IDR4,359 billion while its contribution to the Group was 4.0% lower Y-o-Y at RM1,361 million due to the 12.1% depreciation of the Rupiah over the 9-month period. CIMB Thai's PBT contribution to the Group was 36.3% lower Y-o-Y at RM124 million due to last year's receipt of a THB 1,344 million payment from the Thai Asset Management Corp ("TAMC"). Adjusting for the TAMC gain, overall PBT contribution from Thailand jumped 119.5% Y-o-Y as CIMB Thai's contribution would have been higher by 92.7% while CIMB Securities Thailand's profits jumped 441.4%. Total PBT contribution from Singapore grew 28.2% to RM160 million as both the bank and securities company did better.

The Group's total gross loans and credit expanded 14.2% (excluding the declining bad bank loan book) and 14.3% Y-o-Y respectively. After adjusting for foreign exchange fluctuations, the Group's total gross loans and credit increased by 16.7% and 16.6% Y-o-Y respectively. Commercial banking loans increased 20.5% while retail loans and corporate loans grew 12.8% and 13.5% respectively. Geographically, Singapore gross loans growth was strongest at 41.8% from a low base while Thailand and Indonesia expanded by 28.7% and 12.0% respectively in local currency terms. Malaysian loans were 13.9% higher Y-o-Y.

Total Group deposits grew by 11.3% Y-o-Y but were 13.3% higher Y-o-Y after excluding foreign exchange fluctuations. This was driven by a 13.3% expansion in Corporate & Treasury deposits and a 14.4% growth in commercial banking deposits. Retail deposits were 7.9% higher Y-o-Y. Geographically, deposit growth was strongest in Singapore at 35.8%. The Group's CASA grew by 14.4% while the CASA ratio improved to 34.9% from 33.6% last year. Overall net interest margins were lower at 2.87% from 3.08% last year largely due to the sharp rise in Rupiah deposit cost.

The Group's total loan impairment of RM352 million in 9MFY13 was 27.1% higher than the RM277 million in 9MFY12 due to higher provision at CIMB Niaga and MS Consumer as well as lower recoveries. The Group's total credit charge was 0.21% in 9MFY13, well below its original estimate of 0.4%.

The Group's gross impairment ratio improved to 3.4% for 9MFY13 from 4.2% as at 9MFY12, with an allowance coverage of 82.2%. The Group's cost to income ratio rose to 58.1% compared to 55.8% in 9MFY12 due to the combination of restructuring charges and new acquisitions.

CIMB Group's total capital ratio stood at 14.0% while its Tier 1 capital ratio stood at 10.0% as at 30 September 2013. CIMB Bank's total capital ratio stood at 13.2%. CIMB Group's double leverage and gearing stood at 114.0% and 15.7% respectively as at end-September 2013.

3) CIMB Group Q-on-Q Results

The Group's 3Q13 revenues of RM3.485 billion were 1.2% higher than 2Q13, translating to a 0.8% Q-o-Q net profit growth to RM1.062 billion. Net interest income was 1.6% higher while non-interest income was 0.2% higher Q-o-Q. Overheads rose by 0.8% while loan provisions increased 181.7%.

The Group's Consumer Banking PBT was 7.2% lower Q-o-Q. The MS consumer bank PBT declined 10.6% Q-o-Q as improved revenues was offset by higher provisions during the period. Wholesale Banking PBT was 3.1% lower Q-o-Q at RM659 million largely due to the weaker Investment Banking PBT in line with the softer capital markets. Treasury & Markets PBT improved 23.9% Q-o-Q while Corporate Banking was 2.9% lower. PBT from Investments were 94.3% higher Q-o-Q as the Group recognized most of its gains from the listing of Tune Insurance Holdings Berhad.

4) CIMB Niaga Results

On 29 October 2013, CIMB Niaga reported a 9MFY13 net profit of IDR3,212 billion, a 3.6% Y-o-Y increase, with an annualised 9MFY13 net ROE of 18.1%. The higher profit was due to the asset base expansion in consumer banking partially offset by lower net interest margins ("NIM"), weaker income from Treasury and Markets operations and higher overhead expenses. On a sequential basis, the 3Q13 net profit was flat compared to 2Q13. Annualised loan loss charge was 0.7% for 9MFY13, slightly better than 0.8% for 9MFY12.

CIMB Niaga's gross loans grew 12.0% Y-o-Y for 9MFY13 mainly driven by the commercial banking and retail segments. Corporate banking loans were only 2.2% higher due to more cautious disbursements. The Gross NPL of 2.3% as at end-September 2013 was an improvement from the 2.4% in 9MFY12. CIMB Niaga's loan loss coverage (based on BI definition) stood at 111.1% as at end-9MFY13 compared to 113.1% as at end-9MFY12.

CIMB Niaga's Tier 1 capital and total capital ratios stood at 13.3% and 15.8% respectively as at 30 September 2013.

5) CIMB Thai Results

On 21 October 2013, CIMB Thai announced a 9MFY13 net profit of THB961 million which was 18.7% lower Y-o-Y. This decline was attributed to the TAMC gains recognized in 9MFY12. CIMB Thai's net profit was 80.8% higher Q-o-Q owing to improved revenues and slower increase in overhead expenses. The annualised loan loss charge was 0.7% for 9MFY13, better than 1.1% for 9MFY12.

As at 30 September 2013, CIMB Thai's Tier 1 capital and total capital ratios were at 10.4% and 14.7% respectively. CIMB Thai's net NPL ratio fell to 1.7% compared to 2.1% as at 30 September 2012.

6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT decreased Y-o-Y by 8.3% to RM342 million due to lower Islamic capital markets activity. CIMB Islamic's gross financing assets grew 13.2% Y-o-Y, accounting for 15.7% of total Group loans. Total deposits grew by 25.0% Y-o-Y to RM38 billion.

7) Geographic Expansion

In 3Q13, CIMB Group commenced investment banking operations in Taiwan. The Group remains in the process of establishing bank branches in Laos, Shanghai and Hong Kong.

8) Outlook

"This year we have built on the "CIMB 2.0" changes we implemented last year, completed our IB platform expansion and restructured our cost base for the long term. At the same time, we have had to navigate a much tougher operating environment than expected, especially in Indonesia which accounts for about 30% of our earnings," said Nazir. "So, we are quite pleased with what we have delivered so far."

"In 4Q13, we have seen a surge in capital markets transactions and continued positive momentum in all markets except Indonesia. We have a decent chance of meeting our 16% ROE target for 2013, and given the expected contraction in CIMB Niaga's contribution, that would be a very satisfying outcome indeed," 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 (“BNM”) 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 (“SC”) 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 15 November 2013, the Group submitted an application to the SC for a 6-month extension to complete the proposed SET listing.
- On 13 June 2013, CIMB Bank announced that it had obtained approval from the SC on 10 June 2013 and from BNM on 3 May 2013 for the proposed program to issue up to RM10 billion in Basel 3-compliant Tier 2 subordinated debt. On 13 September 2013, CIMB Bank completed the inaugural issuance of RM750 million subordinated debt under the program. On 16 October 2013, CIMB Bank completed the second issuance of RM300 million subordinated debt under the program.
- On 13 September 2013, CIMB Group received approval from Bursa Securities for the proposed single tier first interim dividend in respect for FY13 applicable for the DRS. On 30 October 2013, the Group issued & allotted 113,495,493 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 31 October 2013.

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, BNM approved the proposed sale. CIG Bhd entered into a SPA 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 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 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.
- On 29 August 2013, MARC assigned a 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 8 November 2013, Moody's assigned A1/P-1 local currency deposit ratings to CIMB Bank and reaffirmed CIMB Bank's foreign currency deposits ratings at A3/P-2, both with stable outlook.

- On 8 November 2013, Moody's assigned a local currency deposit & issuer rating A1/P-1 to CIMB Islamic Bank, and a foreign currency deposits & issuer rating of A3/P-2, both with stable outlook.

