CIMB Group records double-digit net profit growth to RM3.42 billion in 1H23; declares first interim dividend of 17.50 sen per share, increasing its dividend payout ratio from 50% to 55%

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- 1H23 operating income grew 7.4% YoY to RM10.33 billion, driven by strong NOII growth of 32.0% to RM3.16 billion. NII growth remained muted YoY due to continued heightened cost of deposits.
- Total gross loans and deposits strong growth momentum continued, recording 8.3% and 9.5% YoY increase respectively, underpinned by key markets and business segments.
- The Group is benefiting from its diversified ASEAN portfolio with strong business growth in Indonesia and Singapore, contributing to the overall positive performance.
- Cost-to-income ratio improved to a record low of 46.0% in 1H23, driven by continued strong cost controls with operating expenses rising 6.2% YoY to RM4.75 billion.
- Stronger operating income, stringent cost controls and lower provisions across key markets led to an improved 1H23 profit before tax of 13.6% to RM4.72 billion and net profit growing strongly by 26.2% YoY to RM3.42 billion. This translates to an annualised return on average equity ("ROE") of 10.6%, a significant improvement from 9.1% recorded in 1H22.
- The Group's capital position remains strong with CET1 ratio at 14.2% as at end Jun-23.
- Proposed an all-cash first interim dividend of 17.50 sen per share, increasing its dividend payout ratio from 50% to 55%.

Kuala Lumpur: CIMB Group Holdings Berhad ("CIMB Group" or "the Group") today announced that the Group recorded a net profit of RM3.42 billion for the first half ended 30 June 2023 ("1H23"), an increase of 26.2%, compared to RM2.71 billion in the first half ended 30 June 2022 ("1H22"). Profit before tax ("PBT") grew strongly, reaching RM4.72 billion, up 13.6% YoY from RM4.15 billion in the preceding year. The positive performance was driven by strong operating income growth, stringent cost controls and lower provisions as the Group benefits from its diversified ASEAN portfolio, with strong business growth recorded in Indonesia and Singapore.

This translates to earnings per share ("EPS") of 32 sen and annualised 1H23 return on average equity ("ROE") of 10.6%, which significantly improved compared to 9.1% in 1H22. Accordingly, the Group has increased its dividend payout ratio to 55% for 1H23 from 50% in 1H22, which results in a proposed all-cash first interim dividend of 17.50 sen per share this year, amounting to RM1.87 billion. This was based on the reported 1H23 net profit, in line with the Group's dividend policy.

1H23 operating income was up by 7.4% YoY to RM10.33 billion. Out of this, non-interest income ("NOII") recorded a strong growth with a 32.0% increase YoY to RM3.16 billion, contributed by stronger markets-related and other income. However, net interest income ("NII") contracted marginally YoY to RM7.17 billion, due to net interest margin ("NIM") compression caused by heightened cost of deposits but was partially offset by positive loan growth momentum.

Total gross loans and deposit growth continued on an upward trajectory, recording 8.3% and 9.5% YoY increase respectively, across key markets and business segments. Meanwhile, total CASA contracted marginally YoY but improved 5.7% QoQ driven by regional initiatives that are starting to bear fruit. This led to a sustained CASA ratio of 38.5% as at end Jun-23.

The Group's cost-to-income ratio ("CIR") improved 50bps YoY to a record low of 46.0%, with operating expenses remaining under control, rising 6.2% YoY mainly due to an uptick from underlying operational cost. Accordingly, the Group's pre-provisioning operating profit ("PPOP") strengthened to RM5.58 billion, up 8.4% from positive JAW. Total provisions remained contained with a 2.9% decline YoY to RM880 million.

Compared with 2Q22, the Group's operating income for 2Q23 improved by 9.2%, underpinned by strong loan growth. This, together with lower provisions, resulted in a PBT and net profit growth of 17.9% and 38.4%, reaching RM2.48 billion and RM1.77 billion, respectively.

The Group's capital position remains strong and above target with its common equity tier 1 ("CET1") ratio at 14.2% as at Jun-23.

Dato' Abdul Rahman Ahmad, Group Chief Executive Officer of CIMB Group said, "The Group's positive performance in 1H23 was achieved on the back of strong NOII and loan growth as well as contained cost and provisions. With the Group's strong capital, funding and liquidity positions, we are pleased to increase the interim dividend to 17.50 sen per share, representing a payout ratio of 55%, an increase from 50% in 1H22."

"It is encouraging to see our diversified ASEAN portfolio showing positive results, with growth driven from the reshaped Indonesia and Singapore operations cushioning the Group from downside risks in weaker markets. We are particularly pleased with CIMB Niaga's transformation, which achieved a record high ROE of 15.4% for 1H23. This achievement validates the Group's Forward23+ strategic plan to reshape our portfolio as we leverage the strengths of our core segments and markets. Our priority continues to be on executing this strategic plan, especially in strengthening our CASA franchise and deposits to help moderate the competitive deposit environment."

<u>Gross Loans and Deposits</u>

CIMB Group's total gross loans and total deposits increased by 8.3% YoY to RM427.0 billion and 9.5% YoY to RM486.5 billion, respectively. The Group registered a loan-to-deposit ("LDR") ratio of 87.8% as at Jun-23. Total CASA dipped marginally YoY with CASA ratio recording 38.5% as at Jun-23.

Asset Quality

Total provisions decreased by 2.9% YoY to RM880 million. The decline was due absence of other provisions offset by recoveries, which led to an annualised 1H23 loan loss charge of 38bps.

The Group's allowance coverage stood at 91.6%, with the gross impaired loans ("GIL") ratio recording 3.3%.

Capital and Liquidity Management

The Group remains well-capitalised with its CET1 ratio maintaining steady at 14.2% and total capital ratio stood at 17.8% as at Jun-23. The liquidity coverage ratio ("LCR") remains comfortably above the regulatory requirement of 100% for all banking entities within the Group.

Segment Performance

Group Consumer Banking 1H23 operating income contracted marginally YoY whilst PBT dipped 5.4% YoY driven by lower NOII and higher operating expenses. NII slightly improved YoY and rose 7.1% QoQ supported by loan growth and improved NIM, while NOII contracted 4.3% due to lower investment and credit card fees from higher loyalty programme cost. Notwithstanding this, consumer loans grew 6.7% YoY driven by all core markets and deposits also grew 16.3% YoY on the back of higher fixed deposit growth.

Group Commercial Banking 1H23 operating income grew by 8.5% YoY whilst PBT improved by 23.4% mainly driven by an overall improvement across the business. Both NII and NOII increased by 6.8% and 15.8% YoY, respectively from foreign exchange and other income. Commercial loans grew by 8.0% YoY, underpinned by growth in all core markets excluding Thailand, while deposits growth remained strong at 12.9% YoY.

Group Wholesale Banking 1H23 operating income increased by 7.2% YoY while PBT contracted 5.2% due to higher provisions. NII declined 26.1% YoY while NOII improved significantly by 80.0% YoY due to the market related shift in Treasury & Markets' income composition. Wholesale loans recorded a 11.2% YoY increase, while deposits grew 1.5% YoY.

CIMB Digital Assets & Group Funding 1H23 operating income increased by 50.1%, whilst PBT grew a commendable 130.3% YoY from higher investment income and improved CDA performance. NII rose 49.1% YoY contributed by Philippines and Vietnam, whilst NOII recorded 56.0% increase YoY from higher FX and investment gains. The Group's digital businesses maintained positive with CIMB Philippines recording 7.1 million customers as at June-23, up 24.6% YoY with a deposit book of RM1.65 billion, up 16.2% YoY. Meanwhile, TNG Digital continued its upward momentum with 20.6 million registered users and 1.03 million merchants as at June-23.

CIMB Islamic 1H23 operating income grew by 4.1% YoY while PBT declined 13.0% YoY from elevated expenses and provisions. Net financing income ("NFI") contracted 3.9% due to net financing margin compression from higher cost of deposits while NOFI recorded higher by 62.6% YoY driven by higher trading and FX income. Islamic financing rose 16.0% YoY, whilst deposits grew 17.8% YoY.

Moving Forward

Dato' Abdul Rahman said, "As we step into the second half of 2023, we take a cautious position for the remainder of the year as global economic headwinds continue to persist. However, we anticipate the ASEAN markets, where the Group operates, to remain resilient, supported by the regional countries' economic policies and strong demand for tourism and services. Accordingly, we are optimistic to continue the momentum of positive financial performance where we are currently on track to meet our FY23 targets across all profitability metrics. The Group will continue to be guided by our Forward23+ strategic plan to strengthen our position to be the leading focused ASEAN bank, building on targeted segment growth, contained cost and asset quality management."

"At the same time, we remain committed to our purpose which is advancing our customers and society. We will continue to recalibrate our strategies with a commitment to increase shareholder value and ensure our customers continue to have access to financing solutions to support their financial resiliency. We will always be on the lookout to capture growth opportunities, leveraging our diversified ASEAN portfolio that will enhance our propositions across our core markets. This includes investments that will accelerate and deliver our Forward23+ strategic plan and beyond."

"As a purpose-driven organisation, sustainability will continue to be at the forefront of our agenda. We have been actively driving our ESG agenda to ensure the ecosystem grows in tandem, supported by our suite of responsible financing solutions including the recently launched sustainability-linked financing for SMEs. In 2022, we also expanded our sustainable finance target to RM60 billion, after achieving the earlier commitment of RM30 billion two years ahead of plan. In achieving our aspiration to be a sustainability leader in the region, we will also be hosting our annual flagship The Cooler Earth Sustainability Summit, themed '*Sustainability in Action: Opportunities for a Better Tomorrow*' this September, to encourage conversations on the opportunities arising from the transition towards a greener economy and more equitable society," he further concluded.

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 RM54.0 billion as at 30 June 2023. 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 nine ASEAN nations (Malaysia, Indonesia, Singapore, Thailand, Cambodia, Brunei, Vietnam, Myanmar 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 601 branches and around 33,000 employees as at 30 June 2023. CIMB's investment banking arm is one of the largest Asia Pacific-based investment banks, which together with its award-winning treasury & markets and corporate banking units comprise the Group's leading wholesale banking franchise. 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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