

## **CIMB Group announces RM4.54 billion Net Profit for FY13**

Tuesday, 25 February 2014

*for immediate release*

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group") today reported a record net profit of RM4.54 billion for Financial Year 2013 ("FY13"), representing a 4.5% year-on-year ("Y-o-Y") growth and equivalent to net earnings per share ("EPS") of 60.0 sen and net return on average equity ("ROE") of 15.5%. The Group announced a second interim dividend of 11.0 sen in the form of cash or an optional Dividend Reinvestment Scheme ("DRS"). For FY13, the total dividends amounted to 23.82 sen or RM1.826 billion, translating to a dividend payout ratio of 40% of FY13 profits.

For the fourth quarter FY13 ("4Q13") alone, the Group's net profit of RM1.038 billion was 2.3% lower than 3Q13, and 4.1% lower compared its 4Q12 net profit of RM1.082 billion.

"The 2013 operating environment was far more challenging than we expected, especially in Indonesia and regional financial markets, so we are pleased with our overall performance." said Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group. "With the decline in contribution from CIMB Niaga and our markets businesses, our other divisions stepped up well. Our earnings complexion improved as regional consumer and corporate banking accounted for 67% of core PBT compared to 59% in 2012 and earning assets grew 15.5% year on year (excluding foreign exchange fluctuations). A lot of foundation work was completed this year to reduce structural costs, enhance systems, optimize internal synergies, especially across countries, and strengthen our franchise in new markets."

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

For FY13, CIMB Group's revenues were 8.7% higher Y-o-Y at RM14.672 billion, with net interest income growing by 6.8%. Non-interest income was 12.3% higher Y-o-Y, although it would have grown 1.3% Y-o-Y after excluding the RM515 million gain from the sale of the 51% interest in CIMB Aviva in 1Q13. Over the year the Rupiah declined 15% against the Ringgit and reduced translated Indonesian income by an average of 8.1%.

The Group's profit before tax ("PBT") was 3.0% higher at RM5.849 billion, but would be 2.2% lower after excluding the one-off gain and RM217 million in organisational restructuring charges.

The Group's regional Consumer Bank PBT expanded by 11.2% Y-o-Y to RM2.285 billion, representing 41% of Group core PBT (from 36% in FY12). PBT from the Malaysian consumer operations rose 6.0% Y-o-Y as good revenue growth and cost reductions were partially offset by lower provision write-backs. It was a good year for the Singapore consumer operations which posted its maiden full-year pre-tax profit of RM20 million. The consumer banking operations' PBT in Indonesia rose by 28.2% Y-o-Y despite the weaker Rupiah, due to strong non-interest

income growth from bancaassurance and foreign exchange products. The Thai consumer operations posted a RM16 million loss for FY13 despite strong asset growth due to higher provisions.

The Group's Regional Wholesale Banking PBT declined by 9.9% Y-o-Y to RM2.788 billion, as the volatile credit markets and slower treasury flows brought about the 21.0% Y-o-Y decline in Treasury & Markets PBT to RM1.157 billion. Investment Banking PBT declined by 33.6% Y-o-Y to RM202 million as 2012 was a bumper year for Malaysian IPOs. Corporate Banking showed good progress as its PBT was 7.8% higher Y-o-Y at RM1.429 billion with steady lending growth in all markets bar Indonesia and lower provisions. Corporate Banking contribution to Group core PBT increased to 26% from 23% in FY12 while Treasury & Markets and Investment Banking contribution dropped to 20% and 4% respectively.

Investments PBT was 46.7% higher Y-o-Y at RM776 million mainly due to the net RM298 million gain arising from the sale of the 51% interest in CIMB Aviva less organisational restructuring charges.

Non-Malaysian core PBT was lower at 39% in FY13 from 41% in FY12. CIMB Niaga's PBT rose 0.8% Y-o-Y to IDR5,832 billion but its contribution to the Group declined 7.3% Y-o-Y to RM1,766 million due to the Rupiah depreciation. Thailand's PBT contribution to the Group grew by 40.3% Y-o-Y at RM336 million with better performance at both CIMB Thai and CIMB Securities Thailand. Total PBT contribution from Singapore increased 49.9% to RM232 million as CIMB Bank Singapore continued to grow very strongly.

Total Group gross loans and credit (excluding the declining bad bank loan book) expanded 13.0% and 12.2% Y-o-Y respectively. After adjusting for foreign exchange fluctuations, the Group's total gross loans and credit were 16.5% and 15.5% higher Y-o-Y respectively. Commercial banking loans increased 18.5% while retail loans and corporate loans grew 13.3% and 10.0% respectively. From a geographical perspective, Singapore gross loans growth was strongest at 69.1% while Thailand and Indonesia expanded by 23.2% and 8.0% respectively, in local currency terms. Malaysia loans were 12.3% higher Y-o-Y.

The Group's total deposits grew by 7.3% Y-o-Y but were 10.2% higher Y-o-Y after excluding foreign exchange fluctuations. This was primarily driven by the 9.5% expansion in corporate and treasury deposits. Commercial banking and retail deposits posted a 6.0% and 5.7% Y-o-Y growth respectively. Geographically, deposit growth was strongest in Singapore at 36.1%. The Group's CASA rose by 5.8% while the CASA ratio stood at 34.2% from 34.7% in FY12. Overall net interest margins were lower at 2.85% from 3.07% last year mainly due to the higher Rupiah deposit costs.

The Group's total loan impairment of RM660 million in FY13 was 100.6% higher than the RM329 million in FY12 due to an uptick in provisioning in CIMB Thai, significantly lower recoveries and write-backs, as well as the exceptionally low level of provisions in the Malaysian consumer bank in 2012. The Group's total credit charge was 0.28% for FY13, well below its original estimate of 0.4%.

The Group's FY13 gross impairment ratio improved to 3.2% from 3.8% in FY12, with an allowance coverage (including regulatory reserve) of 108.3%. The Group's cost to income ratio was higher at 57.6% compared to 56.4% in FY12 from the one-off organisational restructuring charges and new acquisitions.

As at 31 December 2013, CIMB Group's total capital ratio stood at 13.7% while its Common Equity Tier 1 (CET 1) capital ratio stood at 8.1%, just above its internal target of 8%, due to the impact of the Rupiah depreciation. On 13 January 2014 the Group undertook a private placement of new equity raising RM3.55 billion and lifting its proforma CET 1 to 9.5%.

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

The Group's 4Q13 revenues of RM3.797 billion was 9.0% higher than 3Q13, lifting pre-provision profits up by 16.4% but net profit was 2.3% lower Q-o-Q at RM1.038 billion owing to a 54.0% Q-o-Q increase in loan impairment. Net interest income was 0.8% higher but non-interest income grew a stronger 26.6% Q-o-Q. Overheads rose 3.8% Q-o-Q.

The Group's Consumer Banking PBT was 3.2% lower Q-o-Q, at RM572 million, as higher provisions and lower recoveries at the Malaysia consumer bank brought about a 5.0% Q-o-Q PBT decline. However, Wholesale Banking PBT grew 7.0% Q-o-Q to RM705 million as Investment Banking PBT improved on the back of stronger deal flows. Treasury & Markets PBT rose by 7.5% Q-o-Q while Corporate Banking was 1.2% lower. PBT from Investments declined 40.4% Q-o-Q due to the gains recognized in 3Q13 from the Tune Insurance Holdings Berhad listing. CIMB Niaga's contribution fell 9.0% Q-o-Q as the Rupiah continued to decline.

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

On 18 February 2014, CIMB Niaga reported a FY13 net profit of IDR4,282 billion, a 1.2% Y-o-Y increase, with a FY13 net ROE of 17.7%. Several sharp hikes in interest rates and various new liquidity rules resulted in a 53bp drop in the bank's net interest margins ("NIM") and at the same time the bank prudently slowed down its loan growth to 8.0% (compared to a CAGR of 17.1% over the previous 5 years and industry average of 18.7% year-to-November 2013).

Sequentially, the 4Q13 net profit was relatively unchanged compared to 3Q13. The FY12 loan loss charge of 0.8% was flat versus FY12.

The Gross NPL of 2.2% as at end-December 2013 was slightly better than the 2.3% in FY12. CIMB Niaga's loan loss coverage (based on BI definition) stood at 118.5% as at end-FY13 compared to 114.2% as at end-FY12.

CIMB Niaga's core capital and risk weighted capital ratios stood at 13.0% and 15.4% respectively as at 31 December 2013.

## 5) CIMB Thai Results

On 17 January 2014, CIMB Thai announced a 14.1% Y-o-Y growth in FY13 net profit to THB1,490 million. The growth was underpinned by healthy loan growth, relatively stable NIMs and stronger non-interest income. Loan loss charge for FY13 increased to 1.6% from 1.0% the previous year as CIMB Thai lifted its loan loss coverage ratio to 107.8% from 85.1% at the end of 2012 in anticipation of more difficult operating conditions.

CIMB Thai's 4Q13 net profit rose 27.0% to THB530 million on the back of the THB1,101 million share of recoveries from bad loans managed by the Thai Asset Management Company ("TAMC").

As at 31 December 2013, CIMB Thai's Tier 1 capital and total capital ratios were at 9.9% and 14.1% respectively. CIMB Thai's net NPL ratio fell to 1.5% compared to 2.0% as at 31 December 2012.

## 6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT decreased by 8.3% Y-o-Y to RM491 million due to lower Islamic capital markets activity. CIMB Islamic's gross financing assets grew 6.6% Y-o-Y, accounting for 15.1% of total Group loans. Total deposits grew by 9.1% Y-o-Y to RM38.5 billion.

## 7) Geographic Expansion

In 2013, the Group expanded its investment banking presence to Korea, Taiwan and India to complete its APAC platform. The Group did not proceed with its proposed acquisition of Bank of Commerce in the Philippines.

## 8) Market Shares and other highlights

The Group retained its overall leadership of investment banking in Malaysia and ASEAN. These include being number 1 across almost all segments of the Malaysian debt and equity capital markets, number 1 brokerage in Singapore, and number 2 brokerage in Indonesia. The Group made significant advances in equity capital markets and brokerage in APAC and was acknowledged by International Financing Review ("IFR") as the Best Domestic Bank in Asia for establishing itself as a leading Asian IB in APAC. 2013 was the first year CIMB won "best deal" awards in 4 countries – Australia, Indonesia, Malaysia and Taiwan.

In Consumer Banking, the Group made market share advances in selective areas most notably in credit cards in Indonesia and Malaysia; SME, ASB loans and wealth management products in Malaysia and commercial loans in Singapore. In Malaysia and Indonesia, CIMB has positioned itself as a leader in digital banking, launching a series of innovative products and service propositions including CIMB Niaga's Rekening Ponsel and CIMB Bank Malaysia's KWIK account and Plug & Pay.

Other highlights for 2013 were the successful completion of the Mutual Separation Scheme in Malaysia which saw staff count reduce by 1,217 and the implementation of 1Platform, the Group's region-wide new core banking system, in Malaysia, which was completed in February 2014.

## 9) Outlook

"2014 will be a fascinating year. In global terms, we are in an era of unprecedented transition – potentially massive capital flow back from emerging to developed markets, shift in growth momentum from east to west, and so on. These trends will impact countries differently and in the region, Indonesia had it hardest in 2013 while so far, the prognosis for 2014 is weakest for Thailand as the situation is compounded by domestic political turmoil," said Nazir. "Malaysia and Singapore are expected to show higher GDP growth on the back of stronger exports but have to contend with inflationary pressures which will impact consumer demand. Indonesia seems to be showing signs of stabilization but growth is expected to slow and industry NPLs rise in 2014."

"After being surprised by the Indonesian Rupiah and interest rates last year, we hope that we have positioned the firm better for 2014. Our capital position is now strong, our earning asset base grew well last year and our operating foundations have been improved. Furthermore, we have already mobilised to manage asset quality more closely," Nazir added.

"We think we will continue to grow strongly in Singapore, recover some momentum in Indonesia and grow steadily in Malaysia. In Thailand, we will need to be very focused and agile to navigate the uncertain environment. With the completion of the APAC platform, markets permitting, IB will do better as a whole and we don't expect regional treasury markets to be as challenging as they were in 2013," said Nazir.

Following the enlargement of its capital base and given the uncertain environment, the Group has set a ROE range of 13.5-14.0% for 2014.

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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.
- On 13 January 2013, CIMB Group undertook a private placement of 500 million new ordinary shares at an issue price of RM7.10 per share. The issuance represented 6.08% of the enlarged issued and paid-up share capital of CIMB Group and raised a total amount of RM3.55 billion. The new shares were listed and quoted on the Main Market of Bursa Securities on 23 January 2014.

## 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 had 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 medium term note ("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 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 1 October 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 1 October 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 1 October 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 1 October 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 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.
- On 20 November 2013, Moody's affirmed the local and foreign currency ratings of CIMB Bank and CIMB Islamic of A1/P1 and A3/P2. Moody's further affirmed CIMB Bank Labuan Branch's foreign currency senior unsecured debt at A3 and foreign currency senior unsecured MTN at (P)A3. CIMB Bank Singapore Branch's local currency senior unsecured debt is affirmed at A3, and foreign currency senior unsecured MTN at (P)A3. All the long-term foreign currency ratings are revised to positive from stable; all other ratings remain on stable outlook.
- On 27 November 2013, Standard and Poor's revised four Malaysian Banks to negative outlook in view of rising housing prices and elevated household debt levels, CIMB Group Holding was one of the entities.
- On 9 December 2013, Standard and Poor's reaffirmed CIMB Bank's Issuer Credit Rating long term of A- and short term A-2. Both ratings carried a stable outlook.
- On 9 December 2013, Standard and Poor's reaffirmed CIMB Group Holdings Issuer Credit Rating long term of BBB- and short term of A-3. The rating outlook is negative.
- On 10 December 2013, Fitch Ratings 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 National Long Term Rating of AAA(idn) on Senior Unsecured Bonds.
- On 12 January 2014, Moody's affirmed the CIMB Niaga's bank financial strength rating (BFSR) of D, which maps to a ba2 baseline credit assessment.
- On 15 January 2014, Moody's assigned a first time rating on CIMB Thai long-term local/foreign currency deposit and issuer ratings of Baa2/P2.