

CIMB Group announces Net Profit of RM2.70 billion for 1H19, up 14.5% YoY

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for immediate release

- 14.5% YoY growth in net profit to RM2.70 billion with annualised ROE of 9.7%
- RM1.51 billion 2Q19 net profit representing 26.6% QoQ growth
- Improved performance driven by stronger operating income (up 4.8% YoY) and reduced loan loss provisions (down 15.7% YoY)
- Lower loan loss charge of 0.35% in 1H19 compared to 0.45% in 1H18
- Steady loan growth of 6.9% YoY driven by above-industry growth in Malaysia
- Group CET1 ratio stood at 12.9% as at 30 June 2019
- Proposed first interim dividend of 14.0 sen or 50.4% payout ratio

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a Profit Before Tax (“PBT”) of RM3.56 billion for the first half of 2019 (“1H19”). The 8.7% year-on-year (“YoY”) increase was underpinned by stronger operating income and a 15.7% YoY decline in loan loss provisions, with an 8.7% YoY increase in operating expenses. The Group’s 1H19 net profit was 14.5% higher YoY at RM2.70 billion, translating to a net Earnings Per Share (“EPS”) of 28.1 sen and an annualised Return On average Equity (“ROE”) of 9.7%. The Group declared a first interim net dividend of 14.0 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme (“DRS”). The total interim dividend amounts to a payment of approximately RM1.36 billion, translating to a dividend payout ratio of 50.4% of 1H19 profits.

“We are pleased with the 14.5% YoY increase in our net profit to RM2.70 billion underpinned by our above-industry loan growth in Malaysia and better Treasury and Markets income. Malaysia’s PBT improved 5.3% YoY, contributing 67% to the Group’s PBT. Indonesia also posted an encouraging 20.2% YoY growth, supported by its strong Consumer business. Overall, the Group remained resilient with lower loan loss provisions despite challenging external headwinds,” said Tengku Dato’ Sri Zafrul Aziz, Group CEO, CIMB Group.

2) CIMB Group 1H19 YoY Performance

CIMB Group’s 1H19 operating income was 4.8% higher YoY at RM8.64 billion. Net interest income (“NII”) grew 3.3% YoY from the 6.9% loans growth, while the 8.5% improvement in non-interest income (“NOII”) came largely on the back of better capital market activity in the second quarter of 2019 (“2Q19”). Operating expenses rose 8.7% YoY from incremental investments and Forward23-related expenses, bringing about a Cost-to-Income Ratio (“CIR”) of 53.2% for 1H19. Loan loss provisions declined by 15.7% to RM629 million resulting in an 8.7% growth in the Group’s PBT to RM3.56 billion.

The Group's Consumer Banking PBT declined 47.4% YoY in 1H19 from a combination of lower operating income, higher operating expenses, increased seasonal provisions and MFRS9 related effects. Commercial Banking PBT rose by 106.3% YoY to RM1.01 billion underpinned by better NII as gross loans grew 4.4%, while provisions were significantly lower. PBT at the Group's Wholesale Banking division increased by 14.0% YoY to RM976 million as improved capital market activity brought about a 33.7% growth in NOII, partially offset by higher operating expenses and loan provisions. Group Ventures & Partnerships and Funding ("GVPF") PBT was 70.8% higher YoY from an improved performance in the Group's fixed income portfolio.

Profit and Loss Summary (RM 'mil)	1H19	1H18 BAU*	YoY
Operating Income	8,635	8,239	4.8%
Operating expenses	(4,596)	(4,228)	8.7%
PBT	3,559	3,274	8.7%
Net profit	2,701	2,359	14.5%

PBT by Segments (RM 'mil)	1H19	1H18 BAU*	YoY
Consumer Banking	766	1,456	(47.4%)
Commercial Banking	1,011	490	106.3%
Wholesale Banking	976	856	14.0%
Corporate Banking	623	665	(6.3%)
Treasury & Markets	363	161	125.5%
Investment Banking	(10)	30	(133.3%)
GVPF *	806	472	70.8%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

Gross Loans (RM 'bil)	Jun-19	Jun-18	YoY
Consumer Banking	175.8	162.3	8.3%
Commercial Banking	66.4	63.6	4.4%
Wholesale Banking	113.7	107.0	6.3%
Total	355.9	332.9	6.9%

By Geography	YoY
Malaysia	6.6%
Indonesia ^	2.5%
Thailand ^	10.0%
Singapore ^	(6.8%)
Others *	21.1%
Group ^^	4.9%

Deposits (RM 'bil)	Jun-19	Jun-18	YoY
Consumer Banking	171.3	147.7	16.0%
Commercial Banking	62.5	64.1	(2.5%)
Wholesale Banking	155.2	142.2	9.1%
Total	389.0	354.0	9.9%

By Geography	YoY
Malaysia	10.1%
Indonesia ^	3.3%
Thailand ^	6.5%
Singapore ^	3.0%
Others *	10.9%
Group ^^	8.1%

Notes:

^ In local currency

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

^^ Excluding FX fluctuations

Non-Malaysia PBT contribution to the Group rose to 33% in 1H19 compared to 31% in 1H18. Indonesia's PBT was 20.2% higher YoY at RM701 million in 1H19 driven by stronger operating income from improved NIM. Thailand's PBT contribution of RM199 million was 16.4% lower YoY from weaker trading income and higher overheads. Total PBT contribution from Singapore was 2.8% higher YoY at RM224 million from better NIM.

The Group's total gross loans grew by 6.9% YoY while total deposits were 9.9% higher YoY. The Loan to Deposit Ratio ("LDR") stood at 91.5%, compared to 94.0% as at end-June 2018. The Group's gross impaired loans ratio stood at 3.1% as at end-June 2019, with an allowance coverage of 96.6%. The Group's CIR stood at 53.2% compared with 51.3% in 1H18 from higher operating expenses. The Group's NIM was lower at 2.46% mainly from the spread compression in Malaysia.

Key Operating Ratios (%)	1H19	1H18 BAU*
Loan to Deposit (LDR)	91.5	94.0
Gross Impaired Loans Ratio	3.1	3.2
Allowance Coverage ^	96.6	106.8
Cost-to-Income	53.2	51.3
NIM ~***	2.46	2.53
CET1**	12.9	12.0

Notes: * Excludes CPAM & CPIAM gain of RM928mil

*** Daily Average ~ Annualised ^ Including regulatory reserve

** Post CIMBGH's interim dividend, DRS, reinvestment of cash dividend surplus into CIMB Bank and includes unaudited profits

As at 30 June 2019, CIMB Group's total capital ratio stood at 16.6% while the Common Equity Tier 1 ("CET1") capital ratio stood at 12.9%.

3) CIMB Group 2Q19 QoQ Performance

Profit and Loss Summary (RM 'mil)	2Q19	1Q19	2Q18 BAU*	QoQ	YoY
Operating Income	4,469	4,166	3,936	7.3%	13.5%
Overhead expenses	(2,294)	(2,302)	(2,087)	(0.3%)	9.9%
PBT	1,956	1,603	1,531	22.0%	27.8%
Net profit	1,509	1,192	1,053	26.6%	43.3%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

On a quarter-on-quarter ("QoQ") basis, 2Q19 operating income increased by 7.3% to RM4.47 billion from a 33.3% improvement in NOI. Consumer Banking PBT declined 68.6% QoQ attributed to lower NII and higher seasonal provisions. The 115.0% QoQ improvement in Commercial Banking PBT was underpinned by operating income growth coupled with sharply improved provisions. Wholesale Banking PBT increased by 4.6% QoQ as the 6.0% operating income growth was partially offset by higher provisions. GVPF PBT rose by 163.1% largely driven by the improved performance in the Group's fixed income portfolio. As a result, the Group's 2Q19 net profit was 26.6% higher QoQ.

On a YoY basis, the 13.5% growth in Group operating income emanated from the stronger capital market-driven NOII, reflected in the 78.2% YoY jump in Wholesale Banking PBT. Consumer Banking PBT was 74.2% lower YoY from reduced NII, higher operating expenses and provisions. Commercial Banking improved 89.0% YoY from reduced provisions. GVPF improved 229.9% YoY from the improved performance in the Group's fixed income portfolio in 2Q19, which contributed to the Group's 43.3% YoY growth in 2Q19 net profit.

PBT by Segments (RM 'mil)	2Q19	1Q19	2Q18 BAU*	QoQ	YoY
Consumer Banking	183	583	709	(68.6%)	(74.2%)
Commercial Banking	690	321	365	115.0%	89.0%
Wholesale Banking	499	477	280	4.6%	78.2%
Corporate Banking	303	320	232	(5.3%)	30.6%
Treasury & Markets	203	160	46	26.9%	341.3%
Investment Banking	(7)	(3)	2	(133.3%)	(450.0%)
GVPF *	584	222	177	163.1%	229.9%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

4) CIMB Islamic

CIMB Islamic 1H19 PBT increased by 12.2% YoY to RM557 million, driven by strong 17.1% operating income growth and 19.1% lower provisions. CIMB Islamic's gross financing assets rose 14.2% YoY to RM76.4 billion, accounting for 21.5% of the Group's total gross loans. Total deposits (including investment account) increased by 18.0% YoY to RM84.7 billion.

5) Outlook

"Our main focus for 2H19 will be on loan growth, revenue generation and asset quality management. Key financial targets are on track as our main markets continue to grow despite the challenging operating environment driven by continued trade tensions. CIMB will continue to invest in its people and technology, particularly in the next two years, to achieve our Forward23 objectives," said Tengku Zafrul.

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APPENDIX

Significant Corporate Developments in 2019

1) Capital Management

- On 24 April 2019, CIMB Group issued and allotted 162,964,518 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY18. The new shares were listed and quoted on the Main Market of Bursa Securities on 25 April 2019.
- On 15 May 2019, CIMB Bank PLC completed a Tier 2 Subordinated Loan issuance of USD15 million, at 4.5% per annum with a maturity of 10 years callable at the end year 5. The entire Subordinated Loan was subscribed by CIMB Bank via its offshore Labuan branch.
- On 28 June 2019, CIMBGH completed an issuance of RM1.0 billion Basel III-compliant Additional Tier 1 Capital Securities under the RM10 billion Basel III AT1 Programme, at 5.40% per annum with an Issuer's call option to redeem at the end of year 5 and on each coupon payment date thereafter, subject to approval from Bank Negara Malaysia.
- On 28 June 2019, CIMBGH exercised its option to redeem its existing RM1.38 billion Subordinated Fixed Rate Notes on the first optional redemption date.
- On 8 July 2019, CIMB Thai issued RM550 million Basel III compliant Tier 2 subordinated notes. The subordinated notes carry fixed interest rate of 4.15% per annum payable every six months. The subordinated notes will mature on 6 July 2029. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand.
- On 8 July 2019, CIMB Thai exercised its option to early redeem the RM400 mil Basel III compliant Tier 2 subordinated notes.

2) Mergers and Acquisitions

- On 6 June 2017, CIMB Group Sdn Bhd 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”). 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 28 September 2018, the proposed acquisition of Jupiter Securities was completed. On 18 December 2018, CIMB Group Sdn Bhd and CGI subscribed to new shares in CGS-CIMB Holdings, which will be the holding company for the Malaysia stockbroking business of the CGS-CIMB joint venture. On 9 May 2019, High Court of Malaya granted the court orders for the Proposed Business Transfer, effective 1 July 2019. On 28 June 2019, the shares subscription in CGS-CIMB Holdings was completed. CGS-CIMB joint venture rebranded as “CGS-CIMB Securities” on the same day.

- On 23 January 2019, CIMB Group Sdn Bhd received approval from the Securities and Exchange Commission of the Philippines to establish its investment banking business via a 60:40 JV (CIMB Bancom Capital Corporation) with Bancom II Consultants, Inc. and PLP Group Holdings, Inc.
- On 23 January 2019, CIMB Group's wholly-owned indirect subsidiary, CIG Berhad, entered into a Share Purchase Agreement to divest its entire 51% interest in CIMB Howden Insurance Brokers to HBG Malaysia Sdn Bhd for RM59.6 million. On 31 January 2019, the divestment was completed.
- On 25 April 2019, Touch N' Go Sdn Bhd ("TnG"), a 52.22% subsidiary of CIMB Group Holdings, proposed an issuance and allotment of ordinary shares to its shareholders in proportion to their shareholdings. On 17 May 2019, CIMBGH subscribed for its share in full. Subsequent, CIMBGH subscribed for excess shares not taken up by other shareholders, raising its effective shareholding in TnG to 66.58%. On 26 July 2019, CIMBGH entered into a conditional Sales & Purchase Agreement to acquire 19.43% of TnG shares from MTD Equity Sdn Bhd. The exercise was completed on 21 August 2019, raising CIMBGH's shareholding in TnG to 86.01%.

3) Others

- On 16 January 2019, CIMB Group announced that the President/CEO of CIMB Thai, Kittiphun Anutarasoti would take voluntary personal leave until 31 March 2019 due to personal reasons. On 4 February 2019, the Group Chief Operating Officer of CIMB Group, Omar Siddiq was appointed Acting President and CEO of CIMB Thai effective 30 January 2019. On 29 March 2019, CIMB Group announced the extension of Kittiphun Anutarasoti's voluntary personal leave until 31 May 2019. On 2 May 2019, Adisorn Sermchaiwong was appointed Acting President and CEO of CIMB Thai, replacing Omar Siddiq from 1 May 2019 to 31 May 2019. On 27 May 2019, the Group announced a further extension of Kittiphun Anutarasoti's term of voluntary personal leave until further notice.
- On 24 January 2019, CIMB Group announced the retirement of Watanan Petersik and Glenn Muhammad Surya Yusuf from the Board of Directors. On 31 January 2019, Afzal bin Abdul Rahim was appointed as Independent Director and a member of the Group's Nomination & Remuneration Committee. On 7 May 2019, Didi Syafruddin Yahya and Tongurai Limpiti were appointed as Independent Directors on the Board of Directors. On 9 May 2019, Didi Syafruddin Yahya was appointed as a member of the Nomination & Remuneration Committee.
- On 29 January 2019, 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 21 February 2019, CIMB Group announced the appointment of Jefferi M. Hashim as CEO of CIMB Investment Bank effective 1 March 2019, and retirement of Dato' Kong Sooi Lin effective 1 April 2019.
- On 23 April 2019, Fitch Ratings reaffirmed CIMB Niaga's long term and short term issuer default rating at BBB- and F3, long term and short term national ratings at AA+ (idn) and F1+(idn) respectively. The outlook is stable.

- On 15 May 2019, CIMB Niaga completed a Cash Dividend distribution of IDR 696,485,584,153 to all its shareholders for FY2018.
- On 31 May 2019, Moody's reaffirmed CIMB Thai's long term and short term foreign and local currency deposit and issuer rating at Baa2 and P-2 respectively. The outlook is stable.
- On 4 June 2019, Moody's reaffirmed CIMB Niaga's long term and short term foreign currency deposits ratings at Baa2 and P-2 respectively. The outlook is stable.
- On 14 June 2019, Moody's reaffirmed (i) CIMB Bank's long term and short term foreign currency deposits and issuer ratings at A3 and P-2 respectively; (ii) CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook for all is stable.
- On 18 June 2019, Moody's reaffirmed CIMB Islamic's long term and short term foreign currency deposits and issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 28 August 2019, RAM reaffirmed (i) CIMB Bank's AAA/Stable/P1 financial institution ratings and the issue ratings of its debts instruments (ii) CIMB Group's AA1/Stable/P1 corporate credit ratings and the issue ratings of its debt instruments (iii) CIMB Islamic Bank's AAA/Stable/P1 financial institution ratings and the AAA/Stable rating of the Bank's RM10.0 billion Sukuk Wakalah Programme (iv) CIMB Investment Bank's AAA/Stable/P1 financial institution ratings.