



# Forward23+ Investor Presentation

Dato' Abdul Rahman Ahmad

16 October 2020

FORWARD  Together



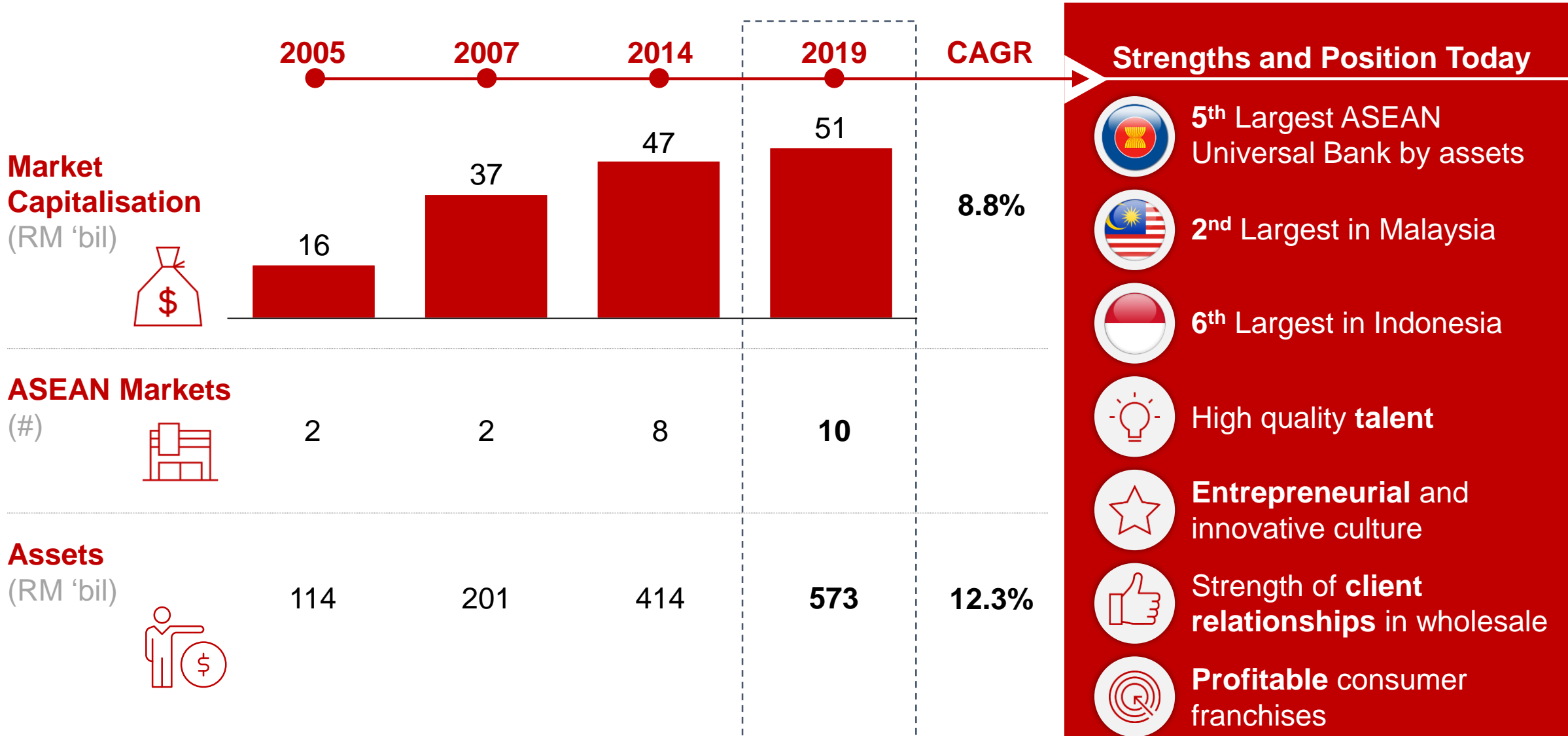


**Analysis of  
current situation**

# We have a terrific legacy and successfully pivoted from our core IB origins into a large diversified regional bank

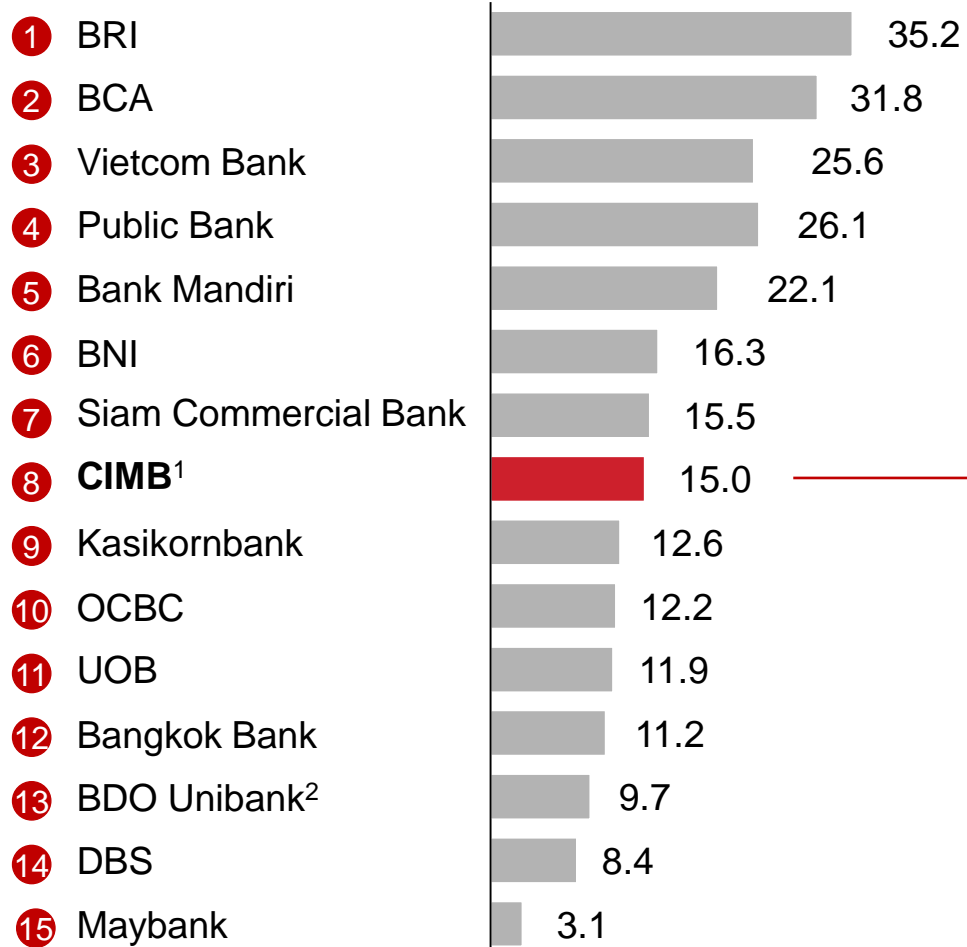


# Our franchise today is a leader in ASEAN with a number of strengths

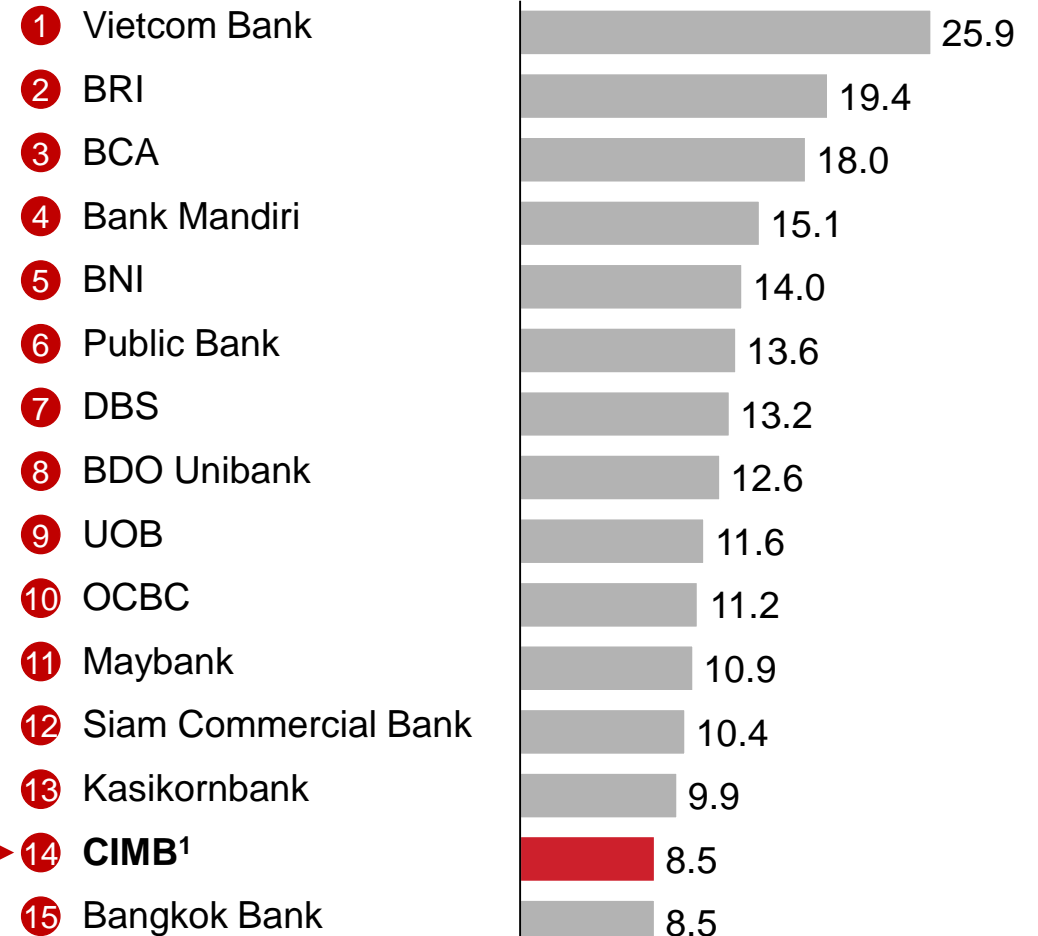


# Despite our strengths we lag behind our peers in terms of ROE...

2009 ROE (%)



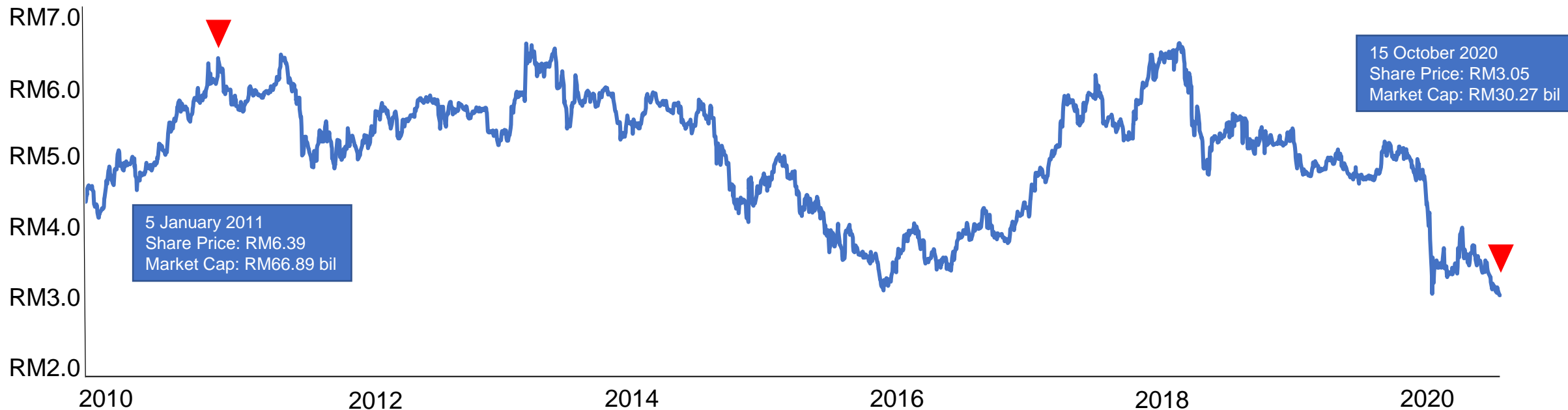
2019 ROE (%)



1. Reported ROE; If normalised 9.3%  
 2. Return on average equity from annual reports  
 Source: Annual reports

# This has led to a significant decline in shareholder value

## CIMB Adjusted 10-Year Share Price



Movement (%)	YTD	1Y	3Y	5Y
<b>CIMB Total Shareholder Return (TSR)</b>	<b>(39.4%)</b>	<b>(36.1%)</b>	<b>(45.5%)</b>	<b>(23.6%)</b>
<b>FBM KLCI Total Shareholder Return (TSR)</b>	<b>(3.1%)</b>	<b>(0.5%)</b>	<b>(5.0%)</b>	<b>3.5%</b>

Note: All data updated up to 15 October 2020

# We have a number of challenges that we need to tackle



1

## Portfolio allocation

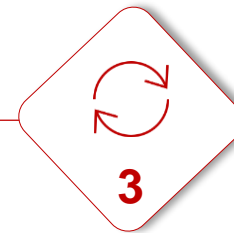
We **over-invest** in **low-return business** and **under-invest** in **higher return businesses**



2

## Cost

Our **C/I ratio** remains one of the **highest across ASEAN banks**



3

## Credit Management

**Asset quality** has been a consistent **challenge** caused by recurring **high provisions**



4

## Customer

**Decline in Malaysia NPS**



5

## Capital lockup

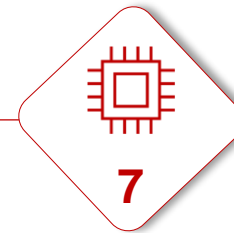
High **goodwill** and **intangible assets**



6

## Governance Complexity

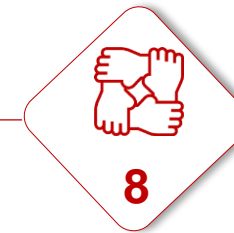
Multiple **organisation overlaps** hinders efficiency



7

## Technology

**Significant investments** required for stability, digitalization & analytics



8

## Performance Culture

- **Too focused on asset/revenue** and **not earnings driven**
- **Lack of link** between performance and reward

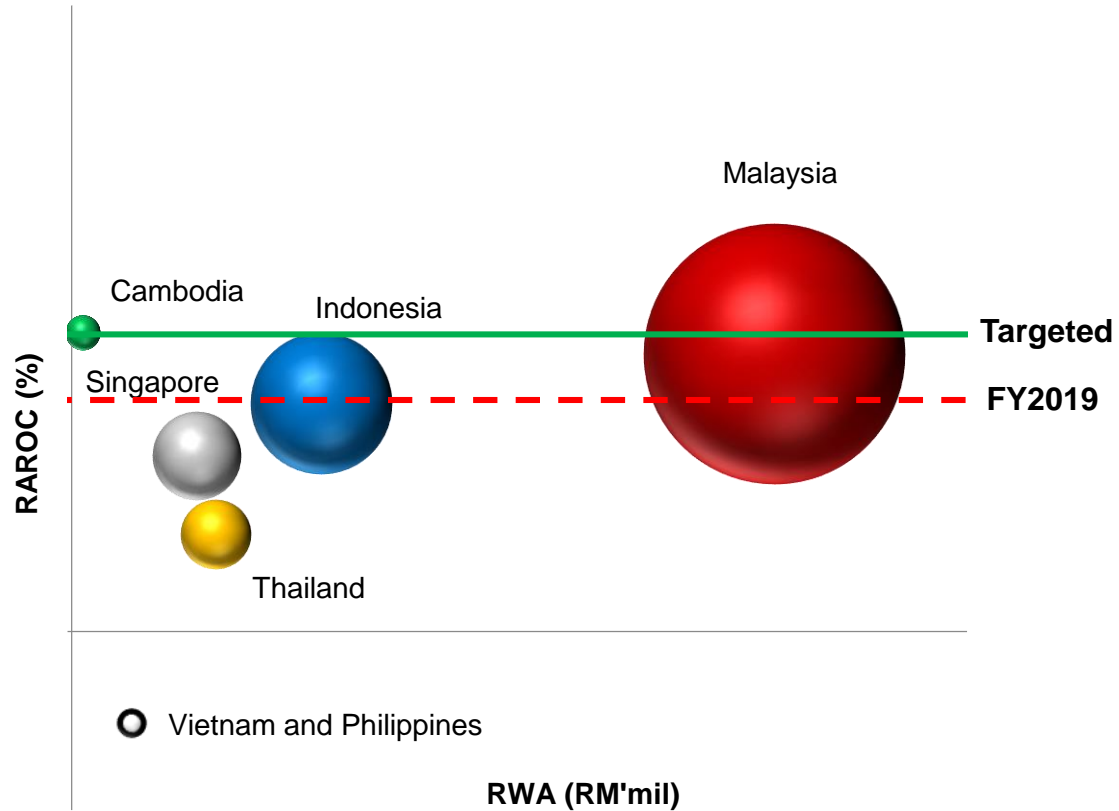


External disruption of **COVID-19**

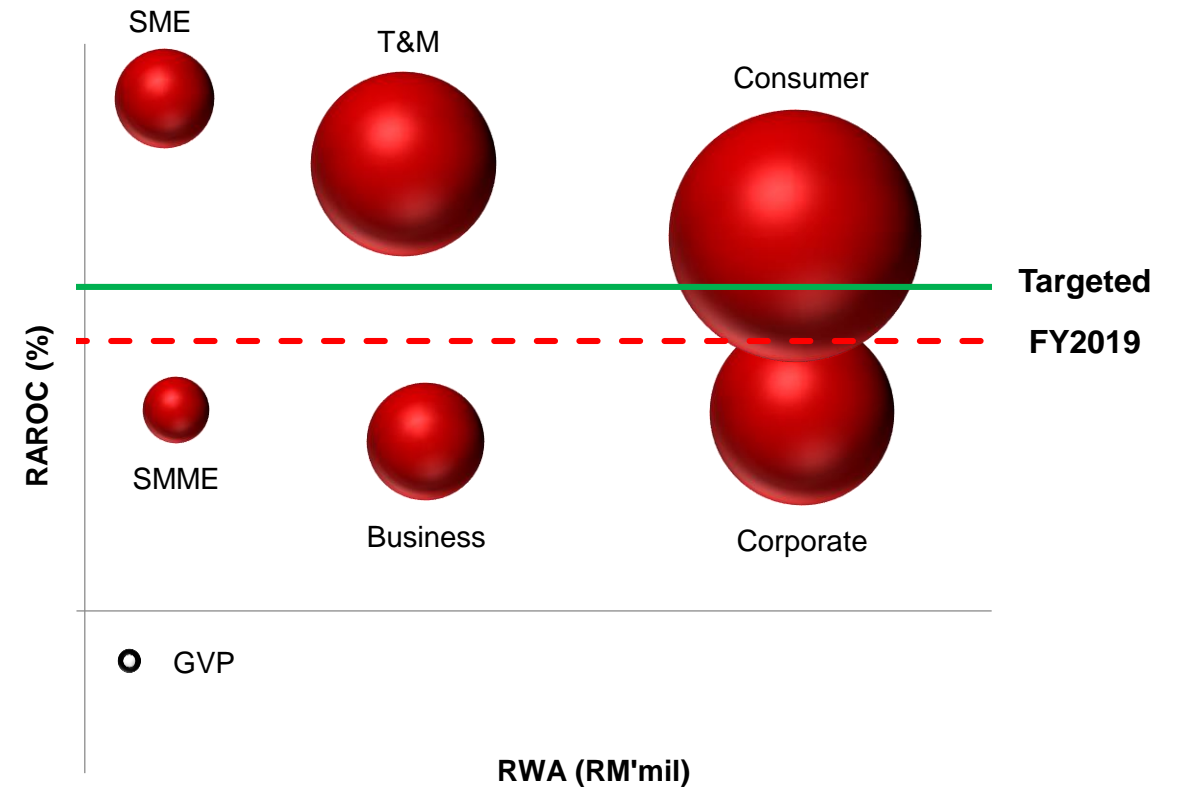


# To invest better to grow profitable businesses and fix underperforming areas

3-Year Average: Countries



3-Year Average: Regional Business Units



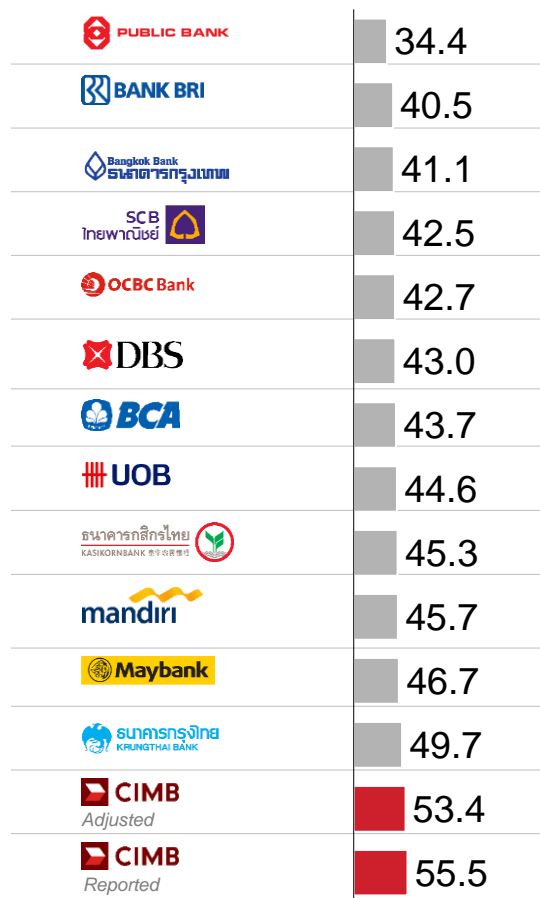
Over-investment in underperforming businesses and under-investment in well performing businesses





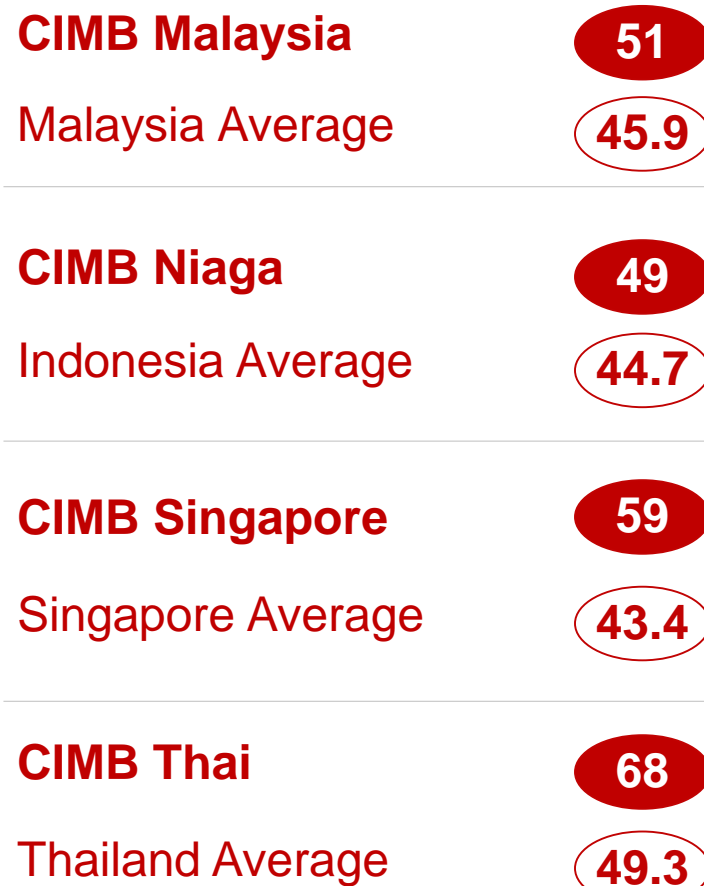
# Our Cost/Income ratio remains significantly higher than average

## CIR FY2019 benchmarks (%)



Median = 43.7

## CIR FY2019 by country (%)



## CIMB cost structure

Total cost of RM9.5 bil with a growth rate of 3% p.a.

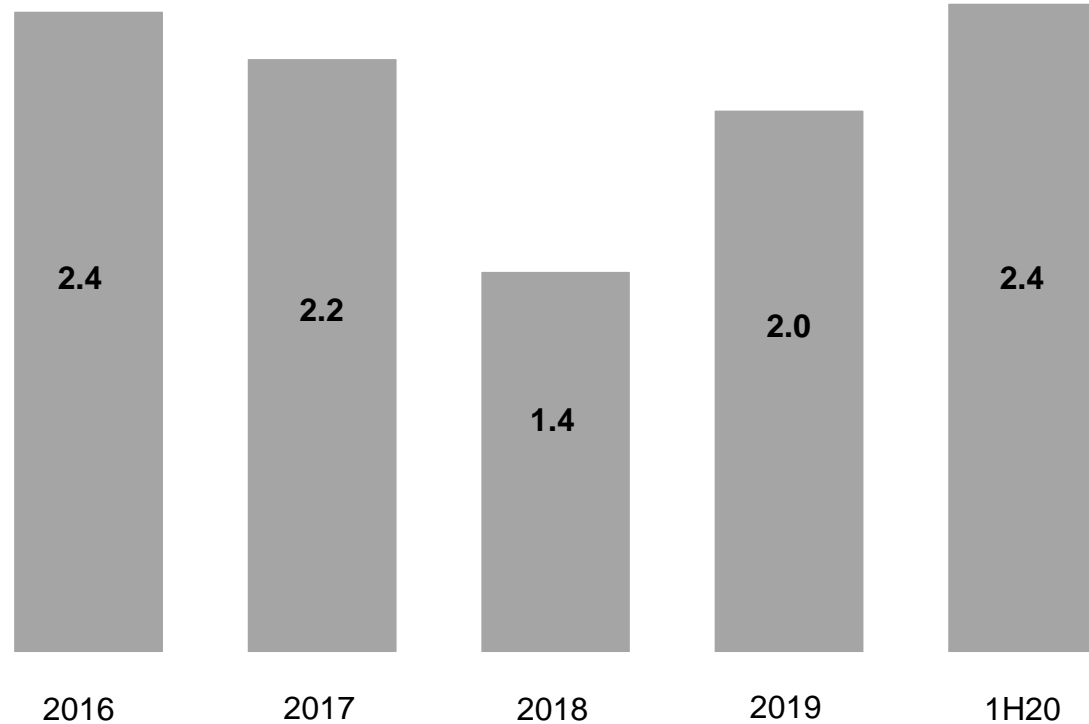
	3Y CAGR
Personnel	4%
Establishment	(2%)
Marketing	11%
Admin and General	6%
<b>Total (BAU)</b>	<b>3%</b>
<b>Operating income</b>	<b>3.5%</b>

Personnel cost has remained high despite reduction in employees – average cost per employee is increasing

CIMB Group	2016	2019	3Y CAGR
Number of staff beginning of year (#)	40,446	36,197	(4.0%)
Average p-cost per staff (RM '000)	121	161	10.0%

# Asset quality has been a consistent challenge, with recurring elevated provisions ex-Malaysia

## Provisions (RM 'bil)



## Credit cost: 3Y ave (2017-19) (bps)

Malaysia	Maybank	39
	Public Bank	6
	RHB	21
	<b>CIMB</b>	<b>16</b>
Indonesia	BCA	116
	BRI	240
	Mandiri	188
	<b>CIMB</b>	<b>187</b>
Singapore	DBS	30
	OCBC	21
	UOB	21
	<b>CIMB</b>	<b>31</b>
Thailand	SCB	137
	Bangkok Bank	127
	KasikornBank	126
	<b>CIMB</b>	<b>119</b>

Credit cost (bps)

70

70

40

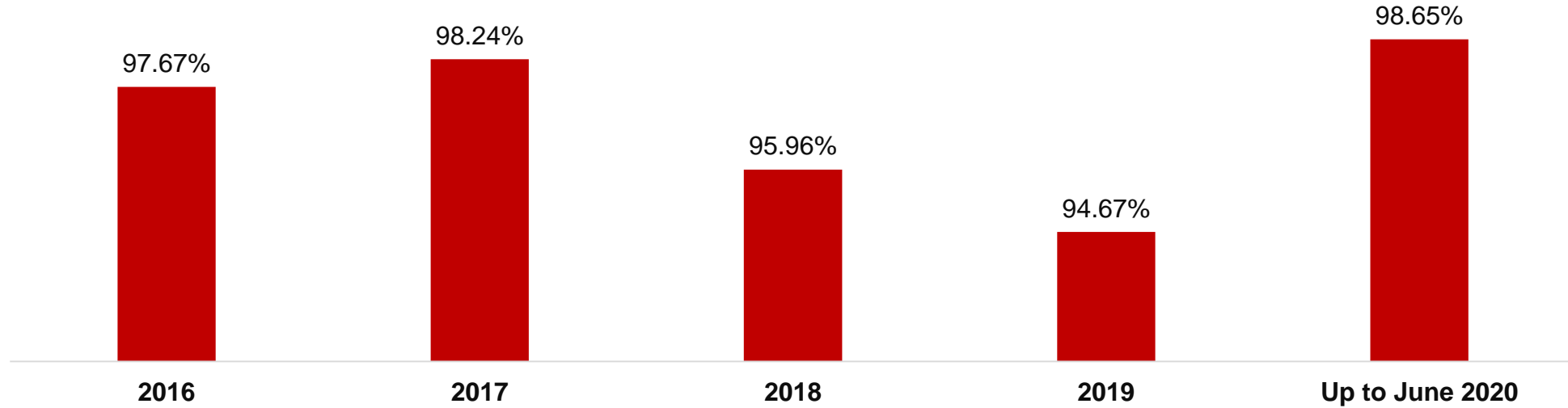
55

132

Note: CIMB provisions are normalised

# Addressing Technology Infrastructure

**CIMB Clicks total uptime  
(scheduled, unscheduled & service degradation)**



## Key Focus Areas

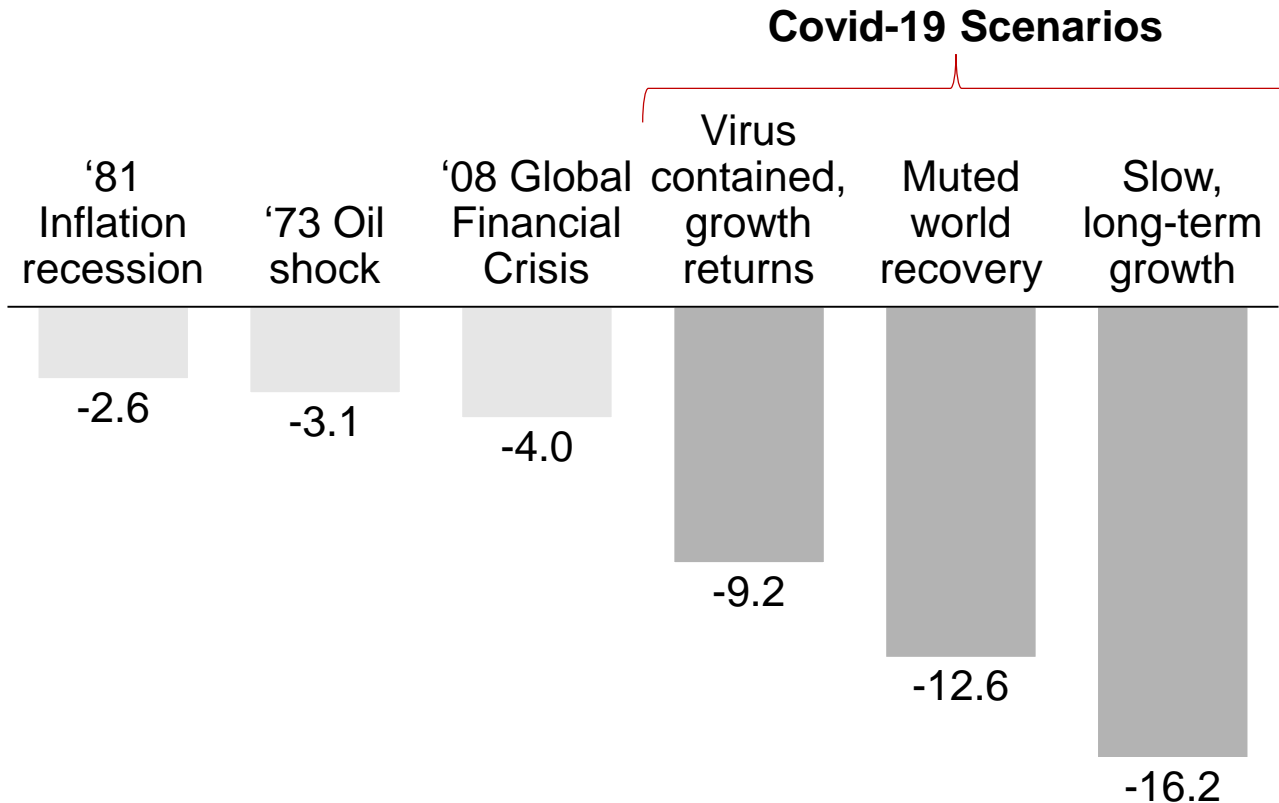
- 1** CIMB Clicks improving, but remains an issue
- 2** Investments required to update critical technology infrastructure
- 3** Innovate, strengthen digital presence and analytics



# On top of this, we are amidst a once in a lifetime crisis with Covid-19

United States, comparison of post-WWII recessions  
% real GDP peak drop during crisis

Significant uncertainty in outcomes



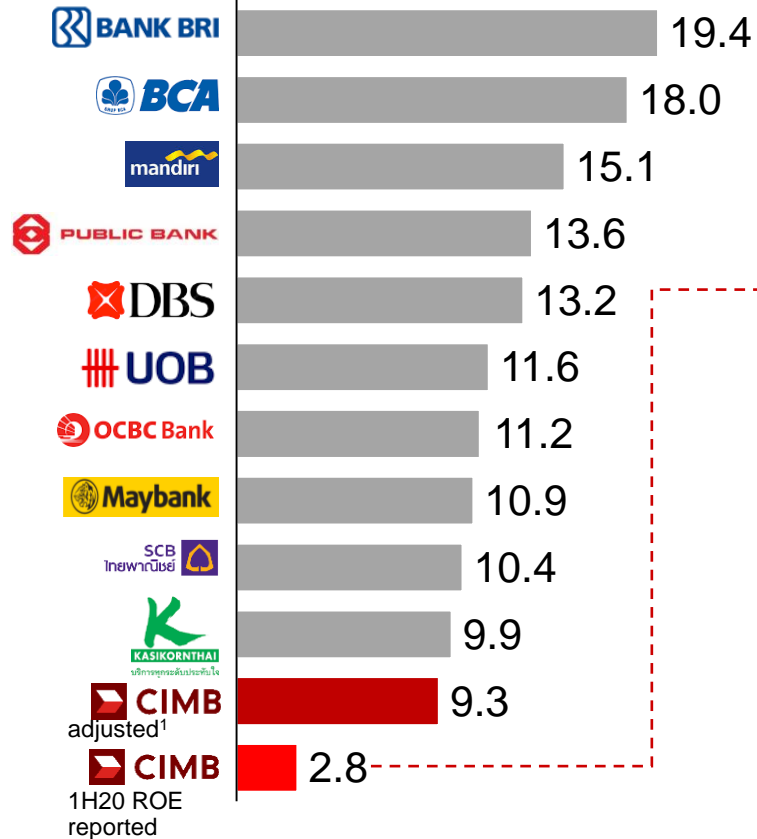
- **Virus contained, growth returns:** Expected GDP recovery in **Q1 2021**
- **Muted world recovery:** Virus resurgence; slow long-term growth with expected GDP recovery in **Q2 2023**
- **Slow long-term growth:** Virus resurgence with expected GDP recovery **beyond 2023**



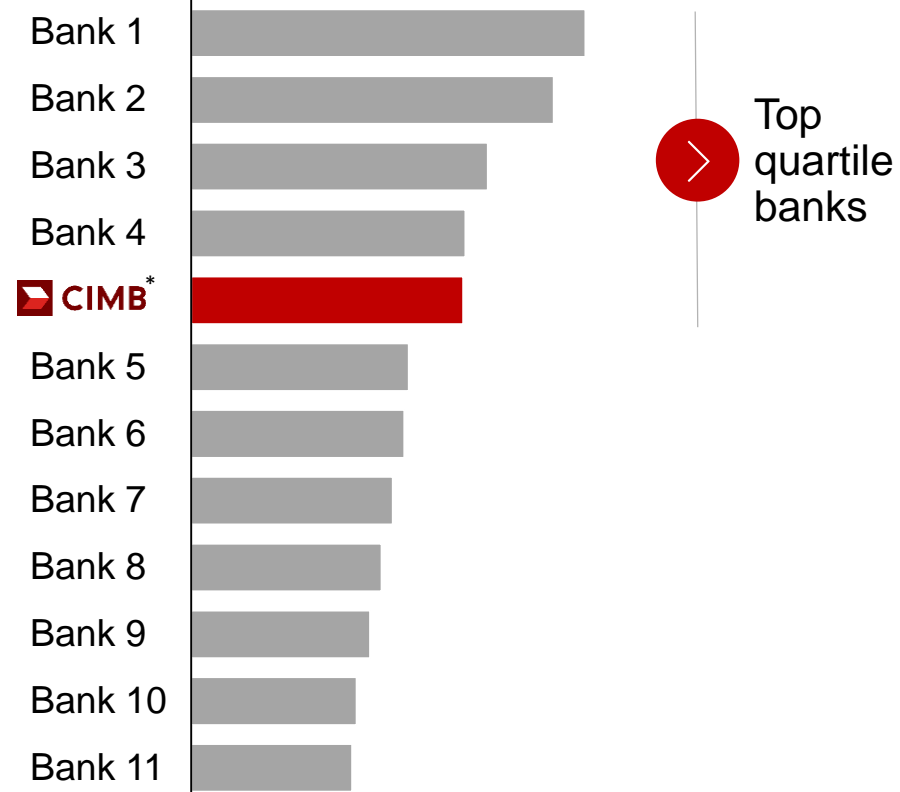
**Recalibrated  
Strategic Plan**

# Our ambition is to be a top-quartile bank in ASEAN in terms of ROE

## 2019 ROE (%)



## 2024 ROE (%)

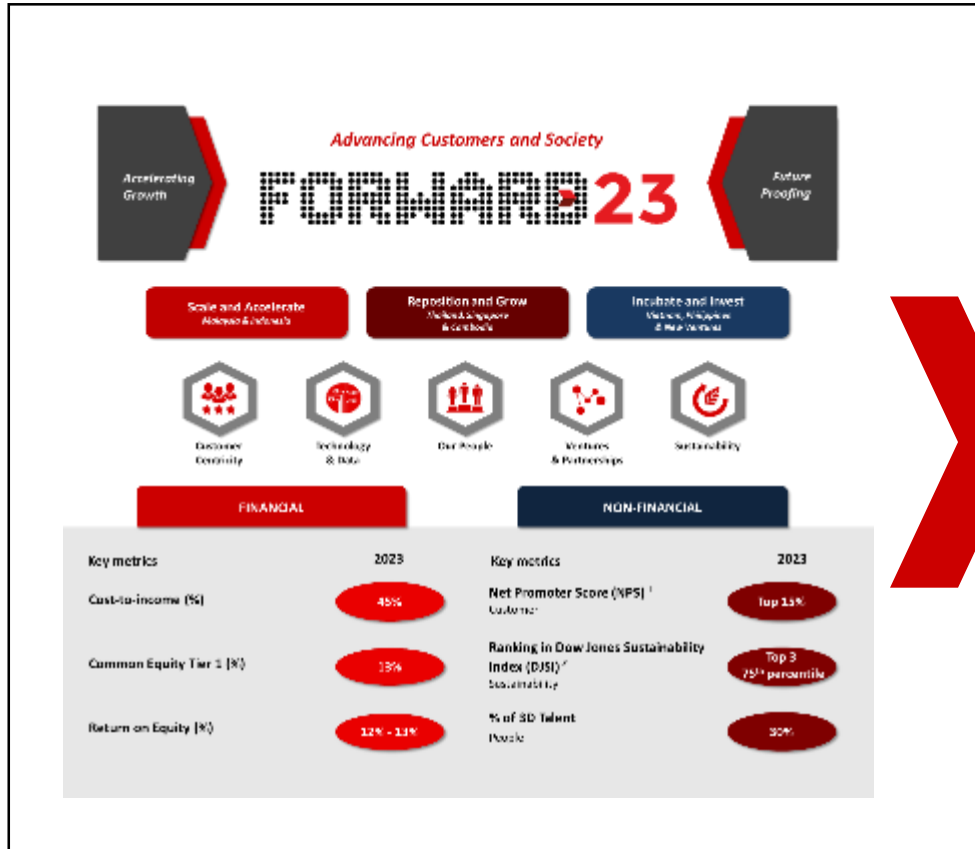


Aim to:

- Build a **Great, High Performing Sustainable Business and Organisation**
- Become a **Top Quartile ASEAN Bank**

\* Weighted average top quartile  
 1. 2019 financial results and ratios excludes MSS, FMC costs, and impairments / write off of intangible assets  
 Source: Annual Reports

# The path ahead builds upon the foundations of Forward23, incorporating a set of key guiding principles



When defining the path ahead we applied these guiding principles

- Forward23 as starting point; **Refine not throw out**
- Incorporate **new normal**
- Accept **trade-offs**
- Detailed and measureable **performance metrics**
- **Collective ownership** – aligning top down and bottom up resulting in clear accountability
- **Turnaround** mindset



# Recalibrating our Forward23 Strategy



## Vision

*To be the leading focused ASEAN bank*

## Strategic Themes

### ① Delivering Sustainable Financial Returns

#### a) Reshape portfolio

- Accelerate profitable growth
- Fix & turnaround underperforming businesses

#### b) Drive cost efficiency

- Reset cost base
- Tighten expense management
- Increase productivity

#### c) Digitise for value

- Strengthen technology
- Digitise & automate front & back office
- Focus on data & analytics

#### d) Focused investments

- Facilitate intra-ASEAN wholesale
- Preferred & wealth
- CASA, fee income and transaction banking
- Islamic Finance
- Selective CIMB digital investments

### ② Disciplined Execution

- Performance culture
- Simplify corporate, oversight & management structure
- Regional operating model

### ③ Customer Centricity

- Strengthen reliability
- Transform Customer journeys
- Treat customers Fairly

### ④ Transform Fundamentals

- Risk management
- Capital optimisation
- Finance & Compliance

### ⑤ Purpose-driven organisation

a) Culture & Values

b) Human capital

c) Sustainability





# We have a clear view on where we will compete and how will we win

## FORWARD 23<sup>+</sup>








### To be the leading focused ASEAN bank

Leading	Focused	ASEAN
---------	---------	-------

We seek to be amongst the **leading ASEAN banks (top quartile)** when measured by **financial metrics** such as **ROE\*** and **CIR** as well as **non-financial metrics such as NPS**, Organisational Health and Sustainability

**We will not be everything to everyone. We shall focus on key markets and segments, where we play to win**

#### Where will we compete

-  **Universal Bank:** Across all segments
-  **Focused Universal Bank:** Consumer and SME; high quality wholesale
-  **ASEAN focus:** ASEAN wholesale and Preferred; niche in commercial
-  **Focused player:** ASEAN wholesale and Preferred; niche in consumer finance
-  **Universal** community focused bank
-  **Selective investments:** Digital attacker leveraging on partnerships to create a hedge on future
- 

#### How will we win

- 1 Lead the market on **customer experience** and **service** for focused customer segments
- 2 Stay competitive in **providing value** to customers by becoming more efficient
- 3 Leveraging our **ASEAN footprint** as a **differentiator** where relevant
- 4 Investing in **technology, digital and analytics** to lead on service, experience and value
- 5 Being **brilliant at the basics:** end to end risk management, controls, performance orientation

We are a **local ASEAN bank**. This identity resonates with our staff and external stakeholders. It provides an element of **differentiation** and aspiration

\* Weighted average top quartile



# Our portfolio needs to be reshaped



Malaysia	Indonesia	Singapore	Thailand	Cambodia	Digital
↑ SME/ Commercial	↑ Consumer & SME	↑ Wealth Management	↑ Wealth Management	↑ SME/ Commercial	🤝 TnG & TNGD
↑ Consumer	↑ Wealth Management	↑ T&M	↑ Consumer	↑ Consumer	🤝 Philippines
↑ Wealth Management	↑ T&M	⊙ Corporate	↑ T&M	↑ Wealth Management	⊙ Vietnam
↑ Transaction banking	↑ Transaction banking	⊙ Commercial	⊙ Corporate <sup>1</sup>	↑ Transaction banking	
↑ T&M	⊙ COBA	⊙ ASEAN transaction banking	⊙ Transaction banking	↑ T&M	
↑ Corporate	⊙ COMBA	⊙ Consumer	✗ Commercial	↑ Corporate	

## FORWARD 23+

- 1 Undertake stringent portfolio review
- 2 Implementation of dynamic allocation framework
  - Stronger growth vs market for performing businesses
  - Slower growth vs market for businesses that need to be fixed

1. Focused on ASEAN

# Reshaping our portfolio will involve the following:

## 1 Accelerating growth in focus areas



**CASA Growth**  
Strengthen funding base



**NOII Growth**  
Improve cross-sell



**Selected Asset Growth and T&M**

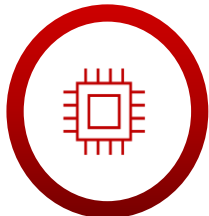
## 2 Improving segments that require fixing



**COBA and COMBA**



**Become a focused player in these markets**



**Selective Digital investments**

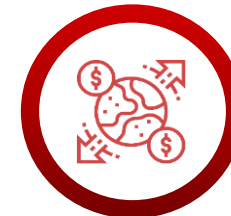
## 3 Focused investments in growth areas



**Intra-ASEAN Wholesale**



**Preferred customers/ Wealth**



**Transaction banking**



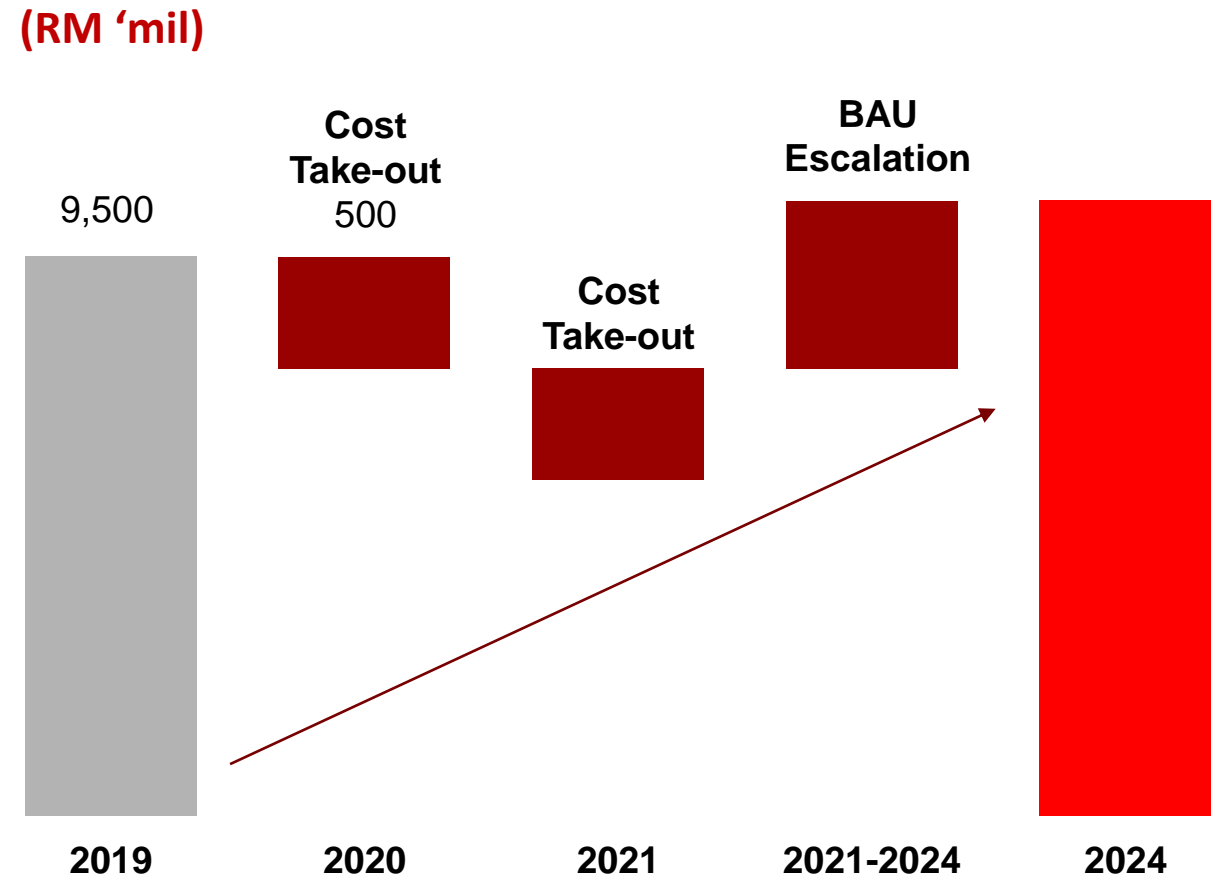
# Tackling cost efficiency is non-negotiable



## Levers

- Reset the cost base
- Digitise and automate
- Eliminate duplication, streamline structure and operating model
- Increase productivity
- Tight expense management

## Cost Trajectory



# Our fundamentals need to be transformed to support the franchise

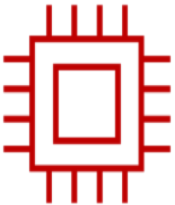


## Elements of digitise for value



### Technology Stability/ Availability

- **Baselining** completed with execution underway
- **Complete Bolster** activities to improve **resiliency**
- **Develop Boost technology blueprint** for advanced capabilities



### Digitise

- **Strengthen digital** for revenue generation
- **Digitise to transform** customer journeys
- **Automate front to back** office to improve productivity



### Data & Analytics

- **Data led insights** to better serve customers
- Strengthen **risk** through **analytics**



# Customer centricity can be a differentiator moving forward



## What will we do?



Strengthen **reliability**



Transform customer journeys



Understand customer needs deeply



Treat customers **fairly**



## What should customers expect?



>**99.95%** uptime of digital channels



**Market-leading** turnaround time



**Relevant, value adding and competitive** products and services



**Top quartile by NPS** in focus segments

# Our fundamentals need to be transformed to support the franchise



## Elements of Fundamentals Transformation



### **Risk Management**

Holistic approach across client selection, underwriting, market risk, collections



### **Capital Optimisation**

Data driven and fact-based; rigorous and dynamic asset allocation



### **Finance**

Single source of truth; modern and automated



### **Compliance**

Enhance compliance culture across the organisation



# We need to step up on disciplined execution



## Elements of disciplined execution



Deliver what we promise **consistently**



Clear **transparent accountability**



**Simpler performance management, KPIs**  
(rigorous metrics and tracking)



**Linking performance to rewards**





# Our journey will involve strengthening and creating a purpose driven organisation



## Overall purpose

To build a high performing sustainable organisation to help advance customers and society



## Culture & Values

Performance  
Integrity & Accountability  
Passion



## Human capital

Best talent  
Better place to work



## Sustainability

Embrace sustainable practices  
Shape our role in society



# Targets remain as previously committed in Forward23 but we will be more granular and clearly define both near term and longer term outcomes

## 2022 Objectives

- 1 Cost reduction**  
Cost take out of RM800mil - RM1bil

---

- 2a Winning in Malaysia**  
Top 2 bank in market share in focused segments

---

- 2b Winning in Indonesia**  
Grow 1.5x Market in focused segments  
Turnaround COBA and COMBA

---

- 2c Growing sustainable franchise in SG and TH**

---

- 3 Performance Culture and Disciplined Execution**

## 2024 Targets

- 1 ROE**      Top Quartile\*

---

- 2 CIR**      45%

---

- 3 CET 1**    13%

---

- 4 NPS**      Top Quartile

---

- 5 DJSI<sup>1</sup> Ranking**    75<sup>th</sup> Percentile

---

- 6 Talent**    High Performing Organisation

## Aspiration

- 1 Building a great sustainable organisation**

---

- 2 Top 2 Malaysian Banking Group by ROE**

---

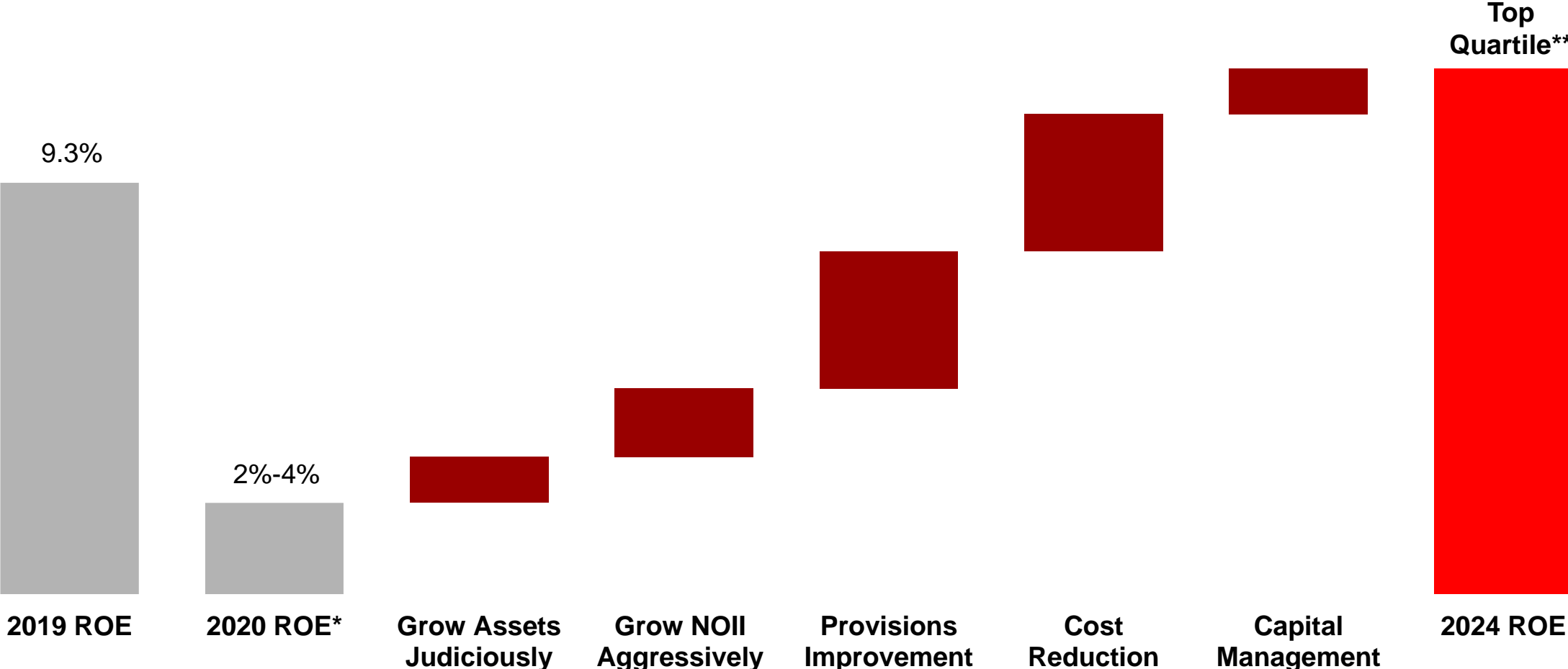
- 3 Best performing ASEAN FI by market cap growth**

\* Weighted average top quartile  
1. Dow Jones Sustainability Index



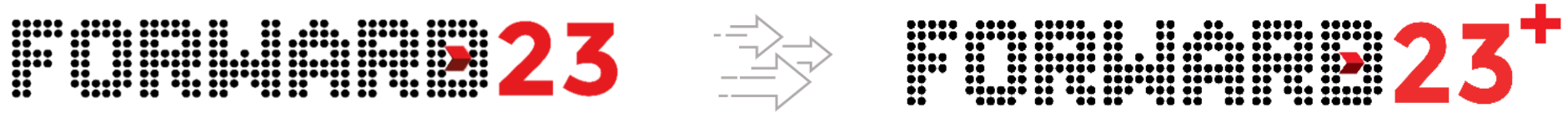
# ROE Trajectory

FORM 23+



\*2020 ROE is based on FY20 guidance  
\*\* Weighted average top quartile

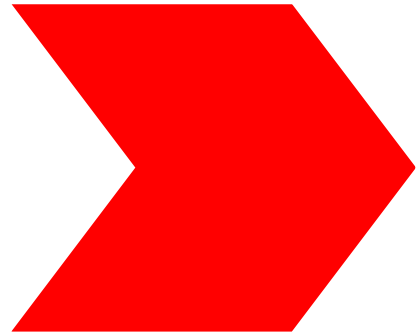
# Final Remarks



- Forward23+ is a recalibration of our existing strategy and is extended to 2024 due to Covid-19 disruption
- Transiting from an asset growth to earnings growth model/plan
- Forward23+ will be focused on getting CIMB's ROE into the top quartile\* in ASEAN
- Committed to cost management to lower CIR from improved efficiency without compromising growth
- Build a great sustainable organisation

\* Weighted average top quartile





THANK YOU