



CIMB Group announces RM1.887 billion Net Profit for 1HFY11

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for immediate release

1) Summary

CIMB Group Holdings Berhad (“CIMB Group”) today reported a record half year net profit of RM1.887 billion for 1HFY11, representing a 9.3% year-on-year (“Y-o-Y”) growth and equivalent to net earnings per share (“EPS”) of 25.4 sen. The annualised 1H11 net return on equity (“ROE”) was 15.8%. The Group declared an interim net dividend of 12 sen per share amounting to a net payment of RM892 million, translating to a dividend payout ratio of 47% of 1HFY11 net profits.

For 2Q11, the Group’s net profit of RM970 million was 5.8% higher than 1Q11. On a Y-o-Y basis, this represented a 9.1% growth over the 2Q10 net profit of RM889 million.

“We had another quarter of record profits in 2Q11, underpinned by a strong uplift from our Malaysian consumer banking operations and continued high growth at CIMB Niaga. We are however still behind our ROE and balance sheet growth targets for the year as we have been treading more cautiously given the uncertain global environment,” said Dato’ Sri Nazir Razak, Group Chief Executive, CIMB Group.

2) CIMB Group Y-o-Y Results

CIMB Group’s 1H11 revenues decreased by 1.5% Y-o-Y to RM5.71 billion due to lower non-interest income as last year’s revenues were boosted by sales of ex-Lippo Bank bonds (excluding this, revenues would have increased 3.5%). The Group’s profit before tax (“PBT”) was 8.5% higher at RM2.51 billion as credit losses remained subdued.

For 1H11, the Group’s Malaysian consumer bank PBT increased by 83.3% Y-o-Y to RM715 million as the 11.9% improvement in revenue was enhanced by low credit charges. PBT at Corporate & Investment Banking (“CIB”) rose 1.2% Y-o-Y to RM493 million, while Treasury & Investments declined 15.7% Y-o-Y to RM461 million.

CIMB Niaga’s PBT rose 39.6% to IDR2,123 billion but its contribution to the Group was 11.1% lower Y-o-Y at RM736 million due to the absence of gains arising from the sale of ex-Lippo Bank bonds which occurred in 1H10. CIMB Thai’s PBT contribution (after GAAP and FRS139 adjustments) surged to RM49 million from RM26 million in 1H10. Asset Management and Insurance PBT rose 57.9% Y-o-Y to RM57 million due to the non-recurrence of provisions for doubtful debts made at CIMB Aviva in 1H10.



CIMB Niaga was the largest contributor to Group PBT at 29% compared to 36% in 1H10. The Malaysian Consumer Bank's contribution to Group PBT was significantly higher at 28% versus 17% in 1H11. Treasury and Investments contributed 19%, CIB 20% Group Asset Management ("GAM") and Insurance 2%, while CIMB Thai's contribution was 2%.

Total non-Malaysian PBT declined to 37% in 1H11 from 44% in 1H10 due to absence of the ex-Lippo Bank bond gains at CIMB Niaga.

The Group's total gross loans expanded 11.0% Y-o-Y, underpinned by the strong 25.9% growth (in RM terms) at CIMB Niaga as well as the 13.7% increase in Malaysian consumer loans. Mortgages, credit cards and the Group's micro credit lending grew by 17.3%, 19.1% and 72.0% respectively Y-o-Y. Hire purchase loans grew at a modest 4.6% Y-o-Y but commercial banking loans declined 1.0% Y-o-Y. Corporate loans contracted 5.3% Y-o-Y. The Group's overall net interest margins eased to 3.11% from 3.38% last year.

Total Group deposits grew by 8.8% Y-o-Y underpinned by a 26.7% expansion in CIMB Bank's retail deposits. CIMB Niaga's focus on deposit accumulation resulted in a 14.6% Y-o-Y growth. CIMB Thai's deposits however, grew by only 2.0%.

The total loan impairment for the Group declined by 66.2% Y-o-Y at RM92 million in 1H11 versus RM272 million in 1H10. This brought about a lower Group total annualised credit charge of 0.10% compared to the 0.40% full year target. The Group's gross impairment ratio continued to improve to 5.7% for 1H11 from 5.9% as at end-1Q11 and 7.2% as at 1H10, with an impairment allowance coverage of 80.4%. The Group's cost to income ratio rose to 56.2% compared to 53.8% in 1H10.

CIMB Bank's risk weighted capital ratio stood at 14.6% while its core capital ratio stood at 13.9% as at 30 June 2011 (after inclusion of 1H11 net profits and after the proposed dividends). CIMB Group's double leverage and gearing stood at 120.0% and 22.4% respectively as at end-June 2011.

3) CIMB Group Q-on-Q Results

The Group's 2Q11 revenues of RM2.96 billion were 7.6% higher than 1Q11, translating to a 5.8% Q-o-Q net profit growth to RM970 million.

The Group's Malaysian Consumer Banking division PBT jumped 8.5% Q-o-Q mainly driven by the consumer "good bank" as recoveries from GSAM were lower in the current period. CIB was 3.1% higher from better advisory activities in 2Q11 but Treasury and Investments was 17.8% lower. CIMB Niaga's PBT contribution expanded 19.0% Q-o-Q to RM400 million. GAM and Insurance PBT surged 65.0% to RM36 million. CIMB Thai's PBT contribution (after GAAP adjustments) was 67.6% lower at RM12 million compared to a RM37 million profit in 1Q11.



4) CIMB Niaga Results

On 8 August 2011, CIMB Niaga reported a 1H11 net profit of IDR1,546 billion, a 37.0% Y-o-Y growth with an annualised 1H11 net ROE of 19.7%. The improved performance was attributed to the strong loans and deposits growth and lower provisions. On a sequential basis, the 2Q11 net profit of IDR818 billion was 12.5% higher than 1Q11 due to stronger revenues and lower overhead expenses and provisions.

CIMB Niaga's gross loans grew 27.1% Y-o-Y in 1H11 driven by markedly improved performances from all retail and corporate segments. The Gross NPL of 2.7% as at end-June 2011 was relatively unchanged from the previous corresponding period but lower than the 2.9% in 1Q11. CIMB Niaga's loan loss coverage (based on BI definition) stood at 109.7% as at end-1H11 compared to 137.4% as at end-1H10.

CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 11.1% and 14.2% (after inclusion of 1H11 net profits) respectively as at 30 June 2011.

5) CIMB Thai Results

On 19 July 2011, CIMB Thai announced a 1H11 net profit of THB536 million, a 24.9% decline from the THB714 million in 1H10. Excluding the THB220 million net one-off gain arising from asset sales between the two periods, CIMB Thai's 1H11 net profit would have grown 9.9% Y-o-Y. The annualized loan loss charge of 0.3% for 1H11 was sharply improved from 0.8% in 1H10 while the loan loss coverage ratio rose from 57.4% at end-June 2010 to 80.4% currently. For the 6-month period, CIMB Thai chalked revenue of THB3.209 billion, a 3.5% Y-o-Y decline.

As at 30 June 2011, CIMB Thai's Tier 1 capital and risk weighted capital ratios (based on Basel II framework) were at 8.9% and 14.1% respectively (after inclusion of 1H11 net profits). Following various recovery efforts, CIMB Thai's net NPL ratio has dropped to 2.0% from 4.8% as at the previous corresponding period.

6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT jumped 66.0% to RM264 million as *Shariah*-compliant banking products continue to gain ground. CIMB Islamic's gross financing assets grew 6.0% Y-o-Y, accounting for 13.8% of total Group loans. Total deposits grew by 13.7% Y-o-Y to RM23.1 billion.



7) Outlook

“We retain our 17% ROE target for 2011 but have re-strategised for volatile financial markets and slower economic growth in the region. As we moderate our asset growth expectations, we will emphasise on internal efficiencies and sustaining our low credit costs to achieve this target,” said Dato’ Sri Nazir.

Meanwhile, Dato’ Sri Nazir also announced that the Group would be undertaking a major internal reorganisation exercise to streamline its management structures, improve internal efficiencies and enhance customer focus. The main changes would be in the wholesale businesses, namely investment banking, treasury and asset management.

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APPENDIX

Significant Corporate Developments in 2011

1) Capital Management

- On 15 November 2010, CIMB Niaga announced a 1-for-20 rights issue of up to 1,196,743,183 new CIMB Niaga shares at IDR1,250 each. The rights issue was completed and the new CIMB Niaga shares were listed on 12 January 2011.
- On 21 April 2011, CIMB Islamic completed the issuance of RM250 million 10-year Tier 2 Junior Sukuk.
- On 8 August 2011, CIMB Bank completed the issuance of RM1.5 billion (RM1.35 billion 10-year and RM150 million 15-year) subordinated debt.

2) Mergers and Acquisitions

- On 31 May 2011, CIMB Group announced that it had received Bank Negara Malaysia approval to commence negotiations with RHB Capital for a possible merger of the businesses of both banking groups.
- On 23 June 2011, CIMB Group announced the cessation of negotiations with RHB Capital for a possible merger.
- On 4 August 2011, CIMB Securities International entered into a joint venture to establish an investment banking advisory in Sri Lanka.

3) Others

- On 9 May 2011, Fitch Ratings revised the outlook for CIMB Bank and CIMB Investment Bank to Stable from Positive, while maintaining the long term rating for both entities at BBB+.
- On 13 May 2011, Fitch Ratings upgraded the foreign currency long-term ratings for CIMB Thai to BBB (stable) from BBB- (positive) previously. Concurrently, Fitch Ratings Thailand upgraded the local long-term rating for CIMB Thai to AA- from A+.
- On 25 May 2011, CIMB Group announced the postponement of its proposed listing on the Stock Exchange of Thailand ("SET"). Concurrently, CIMB Group



retracted its application for a 6-month extension from the Securities Commission.

- On 3 July 2011, Dagong Global Credit Rating Co. Ltd assigned CIMB Bank a long term local currency rating of AA (positive), and a long term foreign currency rating of AA- (positive)
- On 2 August 2011, CIMB Group announced the opening of its Mumbai representative office and signed a Business Cooperation Arrangement with Kotak Mahindra Bank Ltd.