

## **CIMB Group announces record RM2.120 billion Net Profit for 1HFY2012**

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*for immediate release*

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group") today reported another record half year net profit of RM2.120 billion for the first half of 2012 ("1H12"), representing a 12.3% year-on-year ("Y-o-Y") growth and equivalent to net earnings per share ("EPS") of 28.5 sen. The annualised 1H12 net return on average equity ("ROE") was 16.0%. The Group declared an interim net dividend of 5 sen per share amounting to a net payment of RM372 million.

"The Group posted another solid performance in 1H12, underpinned by continued strong growth at CIMB Niaga and CIMB Singapore and outperformance at Corporate Banking and Treasury Markets ("CBTM)" said Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group. "Overall, our top line grew very well to offset higher operating and credit costs which were anticipated."

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

CIMB Group's 1H12 revenues increased by 15.3% Y-o-Y to RM6.581 billion attributed to sharp improvement in non-interest income coupled with a steady growth in net interest income. The Group's profit before tax ("PBT") was 11.9% higher at RM2.811 billion as the revenue improvement was partially offset by increased credit charges and overhead expenses.

For 1H12, the Group's regional Consumer Bank PBT expanded by 12.4% Y-o-Y to RM1.122 billion. The Malaysia & Singapore consumer operations PBT grew 6.9% Y-o-Y as growth continued to moderate. The consumer operations in Indonesia rose 31.7% Y-o-Y from a combination of higher assets and better margins. The Thai consumer operations lost RM4 million partly due to the retrospective implementation of a new deposit insurance framework.

In 1H12, the Group's regional Wholesale Banking PBT rose 19.1% Y-o-Y to RM1.418 billion principally driven by the jump in the Markets division PBT to RM717 million as debt capital markets and foreign exchange flows were strong and synergies from the "CIMB 2.0" reorganisation started to show. Investment Banking PBT was 18.1% Y-o-Y lower despite a strong 2Q due to lower M&A income. Corporate Banking PBT fell 16.4% Y-o-Y due to higher provisions. Investments PBT were lower by 15.6% Y-o-Y at RM271 million due to one-off write-backs in 1H11.

Consumer Banking operations remain the largest contributor to Group PBT at 40% (no change from 1H11). Markets contribution to Group PBT jumped to 25% from 14% in 1H11. Corporate Banking, Investment Banking and Investments contributed 20%, 5% and 10% respectively.

CIMB Niaga's PBT rose 28.8% Y-o-Y to IDR2,735 billion while its contribution to the Group was 24.8% higher Y-o-Y at RM918 million, accounting for 33% of Group PBT. CIMB Thai's PBT fell 29.8% to THB395 million and after GAAP and FRS139 adjustments, its contribution to the Group was 33.7% lower at RM32 million, equivalent to 1% of Group PBT. CIMB Singapore's PBT rose 91.1% to RM108.3 million increasing its share of Group PBT to 4%. Total non-Malaysian PBT increased to 43% in 1H12 from 37% in 1H11.

The Group's total gross loans expanded 13.1% Y-o-Y. Excluding the declining bad bank loan book, the Group's total gross loans increased by 14.5% Y-o-Y. Corporate loans saw a large increase of 19.3% while retail loans grew by 9.8%. Within the retail segment, mortgages, term loans, credit cards and the Group's micro lending grew by 11.5%, 8.6%, 4.3% and 21.3% respectively Y-o-Y. Commercial banking loans were 19.8% higher Y-o-Y while auto loans rose 5.6%.

Total Group deposits grew by 7.3% Y-o-Y driven by an 11.6% expansion in retail deposits and a 14.8% growth in commercial banking deposits. Corporate and Treasury deposits were 0.2% higher Y-o-Y. Geographically, deposit growth was strongest in Thailand at 20.2% from a low base, while Malaysian deposits expanded at 6.2%. Indonesia and Singapore deposits grew 7.2% and 13.1% respectively Y-o-Y. The Group's CASA ratio increased slightly to 34.9% from 34.3% last year. The Group's overall net interest margins were only marginally lower at 3.09% from 3.11% last year.

The Group's total loan impairment of RM195 million in 1H12 was a significant rise from the RM92 million in 1H11, which included substantial write-backs and recoveries. The Group's total annualised credit charge was 0.20% which is still below the 0.31% full year target. The Group's gross impairment ratio continued to improve to 4.4% for 1H12 from 5.7% as at 1H11, with an allowance coverage of 82.3%. The Group's cost to income ratio improved to 55.3% compared to 56.2% in 1H11.

CIMB Bank's risk weighted capital ratio stood at 15.1% while its Tier 1 capital ratio stood at 13.1% as at 30 June 2012 (after inclusion of 1H12 net profits and proposed dividends). CIMB Group's double leverage and gearing stood at 118.6% and 21.2% respectively as at end-June 2012.

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

The Group's 2Q12 revenues of RM3.326 billion were 2.2% higher than 1Q12, translating to a 9.7% Q-o-Q net profit improvement to RM1.109 billion. Net interest income was 5.6% higher while non-interest income was 3.7% lower Q-o-Q.

The Group's Consumer Banking PBT increased 13.2% Q-o-Q underlined by the 41.8% growth in Indonesia, where loan growth was coupled with NIM expansion. Singapore's consumer operations turned a maiden quarterly profit. Wholesale Banking PBT increased 19.5% Q-o-Q with Investment Banking showing a jump from RM14 million in 1Q to RM134 million. PBT from Investments were 39.8% lower Q-o-Q due to higher realised fixed income gains in 1Q12.

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

On 26 July 2012, CIMB Niaga reported a 1H12 net profit of IDR1,984 billion, a 28.3% Y-o-Y growth, with an annualised 1H12 net ROE of 20.7%. The improved performance was attributed to strong loan growth, improved NIMs and higher non-interest income from Markets operations offset by higher overhead expenses and provisions. On a sequential basis, the 2Q12 net profit was 11.8% higher than 1Q12.

CIMB Niaga's gross loans grew 17.9% Y-o-Y for 1H12 mainly driven by continued growth at the corporate and business banking segments. The Gross NPL of 2.5% as at end-June 2012 was an improvement from the 2.7% in 1H11 and 1Q12. CIMB Niaga's loan loss coverage (based on BI definition) stood at 108.6% as at end-1H12 compared to 109.7% as at end-1H11.

CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 12.1% and 15.1% respectively as at 30 June 2012.

#### **5) CIMB Thai Results**

On 20 July 2012, CIMB Thai announced a 1H12 net profit of THB373 million, a 30.5% decline from the THB536 million in 1H11. Sequentially, CIMB Thai's net profit declined by 91.7% owing to a THB136 million one-off legacy legal claim and increased deposit insurance. The annualised loan loss charge was 0.4% for 1H12 while the loan loss coverage ratio declined to 75.2% from 80.4% at end-1H11. For the 6-month period, CIMB Thai chalked revenue of THB3.215 billion, a 6.2% Y-o-Y increase.

As at 30 June 2012, CIMB Thai's Tier 1 capital and risk weighted capital ratios were at 7.9% and 12.4% respectively. CIMB Thai's net NPL ratio rose to 2.2% from 2.0% as at the previous corresponding period.

#### **6) CIMB Islamic**

CIMB Islamic's Y-o-Y PBT decreased 8.5% to RM242 million due to higher provisions. CIMB Islamic's gross financing assets grew 23.8% Y-o-Y, accounting for 15.1% of total Group loans. Total deposits grew by 23.0% Y-o-Y to RM28.5 billion.

## 7) Outlook

"With this first half performance, we think we can achieve our full year financial targets, even though we anticipate that the global environment will slow economic growth in ASEAN. We have seen performance improvements arising from "CIMB 2.0", especially in the wholesale divisions, and we expect more to come." said Dato' Sri Nazir. "We will nevertheless remain vigilant in navigating the firm through these uncertain economic times and rapidly changing regulatory environment for banks."

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## APPENDIX

### Significant Corporate Developments in 2012

#### 1) Capital Management

- On 21 February 2012, CIMB Thai fully redeemed its USD40 mil subordinated notes
- On 8 March 2012, CIMB Thai announced a 3-for-10 rights issue at THB1 per share. On 7 August 2012, the offering was completed and CIMB Thai successfully raised a total capital of THB4.769 billion.

#### 2) Mergers and Acquisitions

- On 15 February 2012, CIMB Securities International (“CSI”) completed acquisition of 70.06% interest in SICCO Securities plc (“SSEC”) in Thailand for THB767.9 million. On the same date, CSI announced the purchase of shares from the market bringing its interest to 82.07%. CSI subsequently made a tender offer for the remaining shares it does not own and upon completion of the tender offer on 11 April 2012, CSI owned approximately 97% of SSEC.
- On 2 April 2012, CIMB Group entered into a sales and purchase agreement 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 (approximately RM431.8 mil). On 30 June 2012, the acquisition of the businesses in Indonesia, Malaysia, Singapore and Thailand were completed. On 12 July 2012, the proposed acquisition of the business in India was terminated due to an unexpected legal issue arising in connection with the sale of the India Business by RBS.
- On 5 March 2012, CIMB Securities (Singapore) entered into a strategic collaboration agreement with John Keells Stock Brokers to facilitate CIMB Group’s stock broking business in Sri Lanka.
- On 8 May 2012, CIMB Bank entered into share purchase agreements with San Miguel Properties, San Miguel Corporation Retirement Plan, Q-Tech Alliance Holdings and various minority shareholders for the proposed acquisition of 59.98% in Bank of Commerce in the Philippines for PHP12,203 million (RM881 million).

### 3) Others

- On 18 January 2012, Moody's raised CIMB Niaga's foreign currency long-term/short-term deposit to Baa3/Prime-3 from Ba2/Not Prime and foreign currency issuer to Baa3 from Ba1. The revised ratings have stable outlook.
- On 29 March 2012, CIMB Group entered into a 40:60 joint venture with The Rohatyn Group to jointly sponsor, manage and administer the CapAsia Funds.