

CIMB Group announces record RM4.35 billion Net Profit for FY12

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for immediate release

1) Summary

CIMB Group Holdings Berhad ("CIMB Group") today reported a record net profit of RM4.35 billion for Financial Year 2012 ("FY12"), representing a 7.8% year-on-year ("Y-o-Y") growth and equivalent to net earnings per share ("EPS") of 58.4 sen and net return on average equity ("ROE") of 16.0%. The Group announced a second interim dividend of 18.38 sen in the form of cash or an optional Dividend Reinvestment Scheme ("DRS"). For FY12, the total dividends amounted to 23.38 sen or RM1.7 billion, translating to a dividend payout ratio of 40.0% of FY12 profits.

For the fourth quarter FY12 ("4Q12") alone, the Group's net profit of RM1.082 billion was 5.3% lower than 3Q12, and 4.5% lower compared its 4Q11 net profit of RM1.133 billion.

"We delivered another set of record profits for FY12, underpinned by strong earnings growth in most of our business lines," said Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group. "I am especially pleased that this was achieved without aggressive lending growth and despite investing and undergoing substantial internal changes in line with our "CIMB 2.0" theme, to strengthen our competitive edge going forwards."

2) CIMB Group Y-o-Y Results

CIMB Group's FY12 revenues were 11.3% higher Y-o-Y at RM13.495 billion. Net interest income grew by 10.6% while non-interest income expanded by 12.7% underpinned by a record year in capital market transactions and an uplift in treasury markets activity. Excluding the gain on deconsolidation of CIMB Aviva of RM250 million in 4Q11, the uplift in non-interest income was 19.8%. The Group's profit before tax ("PBT") was 9.1% higher at RM5.678 billion.

In 2012, the Group's regional Consumer Bank PBT expanded by 23.9% Y-o-Y to RM2.323 billion. The Malaysia & Singapore consumer operations PBT grew 17.7% Y-o-Y despite only moderate revenue growth due to provision write-backs in Malaysia and our Singapore unit reaching breakeven point. The consumer banking operations' PBT in Indonesia expanded by 45.9% Y-o-Y from a combination of better margins and growth in assets. The Thai consumer operations have yet to break-even and posted a RM3 million loss.

The Group's regional Wholesale Banking PBT rose 23.1% Y-o-Y to RM2.868 billion largely underscored by the Treasury & Markets division and Investment Banking PBT improving by 43.8% and 18.3% respectively, in line with our best ever year in capital markets as a whole. Corporate Banking PBT was 7.0% Y-o-Y higher. Investments PBT were lower by 51.2% Y-o-Y at RM487 million due to a combination of the large gain on deconsolidation of CIMB Aviva in 2011 and initial costs related to the acquisition of selected APAC IB businesses of The Royal Bank of Scotland ("RBS").

Consumer Banking operations remain the largest contributor to Group PBT at 41% (from 36% in FY11). Treasury & Markets contribution to Group PBT jumped to 24% from 18% in FY11. Corporate Banking, Investment Banking and Investments contributed 21%, 5% and 9% respectively.

CIMB Niaga's PBT rose 31.8% Y-o-Y to IDR5,787 billion but its contribution to the Group was only 24.5% higher Y-o-Y at RM1.906 billion due to the 8.9% depreciation of Rupiah in 2012. CIMB Niaga accounted for 34% of Group PBT. CIMB Thai's PBT rose 21.2% to THB1.668 billion and after GAAP and MFRS139 adjustments, its contribution to the Group was 61.9% higher at RM211 million, equivalent to 4% of Group PBT. CIMB Singapore's PBT rose 73.3% to RM156 million increasing its share of Group PBT to 3%. Total non-Malaysian PBT increased to 41% in FY12 from 36% in FY11.

The Group's total gross loans and credit expanded 9.8% (excluding the declining bad bank loan book) and 11.8% Y-o-Y respectively. After adjusting for foreign exchange fluctuations, the Group's total gross loans and credit increased by 12.1% and 14.1% Y-o-Y respectively. Corporate loans increased 6.4% while retail loans and commercial banking loans grew 10.1% and 15.7% respectively.

Total Group deposits grew by 10.0% Y-o-Y but were 12.0% higher Y-o-Y after excluding foreign exchange fluctuations. This was driven by an 8.2% expansion in retail deposits and a 11.1% growth in commercial banking deposits. Corporate and Treasury deposits were 11.6% higher Y-o-Y. Geographically, deposit growth was strongest in Singapore at 41.4% from a low base, while Malaysian deposits expanded at 7.8%. Indonesia and Thailand deposits grew 4.3% and 32.1% respectively Y-o-Y in Ringgit terms. The Group's CASA ratio increased to 35.1% from 34.2% last year while overall net interest margin was marginally lower at 3.07% from 3.12% in FY11.

The Group's total loan impairment of RM329 million in FY12 was a 32.4% decline from the RM487 million in FY11. The Group's total credit charge was 0.16%. The Group's gross impairment ratio improved to 3.8% for FY12 from 5.1% as at FY11, with an allowance coverage of 82.8%. The Group's cost to income ratio rose to 56.4% compared to 54.7% in FY11 partly as a result of new acquisitions.

CIMB Bank's risk weighted capital ratio is expected to be 16.0% while its core capital ratio is expected to be 12.8% as at 31 December 2012 (after inclusion of FY12 net profits and proposed DRS). CIMB Group's double leverage and gearing stood at 124.1% and 26.1% respectively as at end-December 2012.

3) CIMB Group Q-on-Q Results

The Group's 4Q12 revenues of RM3.369 billion were 4.9% lower than 3Q12, translating to a 5.3% Q-o-Q net profit decline to RM1.082 billion. Net interest income was 1.3% higher while non-interest income was 15.8% lower Q-o-Q.

The Group's Consumer Banking PBT rose 18.5% Q-o-Q. The Malaysian retail operations was 28.1% higher largely due to provision write-backs in 4Q12 while the Indonesian consumer division's PBT contribution to the Group was 9.6% lower Q-o-Q. Wholesale Banking PBT decreased 23.7% Q-o-Q as Corporate Banking and Treasury & Markets division had a slower quarter with higher loan provisions and less active debt and treasury markets. Investment Banking though was 434.1% higher Q-o-Q at RM135 million in 4Q12 on stronger fee income. PBT from Investments were 25.4% lower Q-o-Q due to the higher costs in relation to the RBS acquisition.

4) CIMB Niaga Results

On 14 February 2013, CIMB Niaga reported a FY12 net profit of IDR4,233 billion, a 33.4% Y-o-Y growth, with an FY12 net ROE of 20.9%. The improved performance was attributed to the sustained loan growth, improved NIMs and higher non-interest income from Treasury and Markets operations partially offset by higher overhead expenses and provisions. On a sequential basis, the 4Q12 net profit was 1.2% higher than 3Q12.

CIMB Niaga's gross loans grew 15.7% Y-o-Y for FY12 mainly driven by the business banking and retail segments. The Gross NPL of 2.3% as at end-December 2012 was an improvement from the 2.6% in FY11. CIMB Niaga's loan loss coverage (based on BI definition) stood at 114.2% as at end-FY12 compared to 104.0% as at end-FY11.

CIMB Niaga's core capital and risk weighted capital ratios stood at 12.3% and 15.1% respectively as at 31 December 2012.

5) CIMB Thai Results

On 18 January 2013, CIMB Thai announced a FY12 net profit of THB1,581 million, a 20.1% growth from the THB1,316 million in FY11. CIMB Thai's 4Q12 net profit declined 84.8% to THB160 million due to the THB1,344 million share of recoveries from bad loans managed by TAMC in 3Q12. The loan loss charge for FY12 increased to 1.0% from 0.9% previously as CIMB Thai continued to increase loan provisions.

As at 31 December 2012, CIMB Thai's core capital and risk weighted capital ratios were at 10.3% and 16.2% respectively. CIMB Thai's net NPL ratio fell to 2.0% compared to 2.3% as at 31 December 2011.

6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased 19.8% to RM535.5 million. CIMB Islamic's gross financing assets grew 17.3% Y-o-Y, accounting for 16.0% of total Group loans. Total deposits grew by 20.6% Y-o-Y to RM35.3 billion.

7) Market Shares

CIMB remained the no.1 investment bank in ASEAN. In Malaysia and Singapore, we were the top brokerage house while in Malaysia, Thailand and Singapore, we topped the IPO league tables. For Malaysia we were also no.1 for Equity Capital Markets ("ECM") and Debt Capital Markets ("DCM"). In consumer banking, our market positions remained largely intact but we lost some ground in Malaysian residential mortgages and credit cards and Indonesian mortgages, and gained ground in Indonesian credit cards, Malaysian auto loans and retail deposits.

8) Geographic Expansion

In 2012, CIMB Group commenced investment banking operations in Australia and is on schedule to commence investment banking operations in Taiwan, Korea and India in 1Q13. The Group is also in negotiations for the acquisition of Bank of Commerce in the Philippines and in the process of establishing bank branches in Laos, Shanghai and Hong Kong.

9) Outlook

"Although still quite fragile, the global operating environment is showing signs of improvement which is key to sustaining growth in Asia. ASEAN economies remain robust although there are downside risks from political events and inflationary pressures." said Nazir

"We are excited about our stronger and enlarged business platform. We believe that we can sustain a net ROE of 16% for 2013 on our higher capital and cost base, by driving revenues and efficiencies especially from our newly merged business units and enlarged investment banking operations." Nazir concluded.

If you have further queries or require more information, please contact:

Effendy Shahul Hamid
Head, Group Marketing & Communications
CIMB Group
Tel: +603 - 2087 3030
Fax: +603 - 2093 1008
Email: effendy.hamid@cimb.com

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.
- On 20 September 2012, CIMB Islamic Bank completed the issuance of a 10-year RM300 million Tier 2 Junior Sukuk.
- On 30 October 2012, CIMB Niaga completed the issuance of a IDR2,000 billion Senior Bond which comprises a 3-year Series A of IDR600 billion and a 5-year Series B of IDR1,400 billion.
- On 9 November 2012, CIMB Thai completed the issuance of a THB3,000 million Tier 2 subordinated debt.
- On 22 November 2012, CIMB Niaga Auto Finance completed the issuance of a IDR600 billion Senior Bond.
- On 30 November 2012, CIMB Bank completed the issuance of a 10-year RM1.5 billion Tier 2 subordinated debt.
- 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.

2) Mergers and Acquisitions

- On 15 February 2012, CIMB Securities International (“CSI”) completed the 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 82.06%. 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 97.37% of SSEC. On 12 September 2012, CSI acquired an additional 2.22% interest via a delisting tender offer, raising its effective interest to 99.59%.

- 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 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 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). On 7 November 2012, Bank Negara Malaysia approved the proposed acquisition. On 20 November 2012, the Central Bank of the Republic of the Philippines approved the proposed acquisition subject to certain conditions being met.
- On 17 January 2013, CIMB Group’s wholly-owned subsidiary, CIG Bhd, entered into an implementation agreement with Renggit 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.

3) Others

- On 18 January 2012, Moody’s raised CIMB Niaga’s foreign currency long-term/short-term deposit ratings to Baa3/Prime-3 from Ba2/Not Prime and foreign currency issuer rating 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.
- On 23 January 2013, Fitch Ratings affirmed both CIMB Bank and CIMB Investment Bank’s long-term issuer default ratings at ‘BBB+’ with stable outlook and simultaneously withdrew all the ratings of CIMB Bank and CIMB Investment Bank, at the request of the banks, for business reasons.
- On 31 January 2013, Moody’s revised downwards, alongside six other banks in Malaysia, both CIMB Bank and CIMB Investment Bank’s foreign currency (and local currency for CIMB Investment Bank) short-term ratings to Prime 2 from Prime 1, reflecting Moody’s observations of the transition risk of short-term ratings that A-3 rated banks represent over time. The revised ratings have stable outlook.