

CIMB Group announces RM1.066 billion Net Profit for 1QFY14

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for immediate release

1) Summary

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") today reported a 1Q14 net profit of RM1.066 billion, equivalent to a net earnings per share ("EPS") of 13.2 sen. Compared to its Business As Usual ("BAU") net profit of RM1.021 billion for 1Q13, the Group's 1Q14 net profit increased by 4.4% year-on-year ("Y-o-Y"). In 1Q13, the Group recorded a RM1.386 billion net profit which included a net gain of RM365 million from the sale of CIMB Aviva less restructuring charges. The Group's annualised 1Q14 net return on average equity ("ROE") was 13.0% with an enlarged equity base following the private placement of new shares in January 2014. Compared to 4Q13, the Group's net profit was 2.7% higher.

"We had a decent start to the year given the weaker than expected capital markets and lower contribution from Indonesia. We grew strongly in Singapore and are ahead of targets at our Regional Corporate Banking and Malaysia and Singapore Consumer Bank," said Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group.

2) CIMB Group Y-o-Y Results

For comparative purposes, we analyse the Y-o-Y performance based on BAU numbers for 1Q13. CIMB Group's 1Q14 revenues were 3.1% higher at RM3.538 billion. Net interest income was 6.3% higher while non-interest income declined by 2.9%, due to softer Treasury & Markets and weak equity markets. On a Y-o-Y basis, the decline in Rupiah impacted CIMB Niaga's earnings contribution to the Group by 12.4%.

Operating expenses declined 0.4% as the Group continues with its efforts in prioritizing cost efficiencies and minimising spend. The Group's profit before tax ("PBT") was higher 2.0% at RM1.431 billion.

The Group's regional Consumer Bank PBT expanded by 9.2% Y-o-Y in 1Q14 to RM592 million or 41% of Group core PBT (from 39% in 1Q13). PBT from the Malaysian consumer operations was 16.4% higher Y-o-Y with good revenue growth and lower overheads. The Singapore consumer operations chalked a PBT of RM15 million for 1Q14 from RM2 million in 1Q13. The consumer banking operations' PBT in Indonesia was 22.2% lower Y-o-Y due to flat revenues, higher overhead expenses and the weaker Rupiah. The Thai consumer operations PBT doubled to RM8 million in 1Q14 due to strong revenue growth riding on its much enlarged loan base.

The Group's Regional Wholesale Banking PBT declined by 3.9% Y-o-Y to RM694 million largely due to weaker treasury markets and slower deal flows. Treasury & Markets PBT were 7.7% lower Y-o-Y, while the Investment Banking PBT was 84.3% lower because of the weaker equity markets and the consolidation of the enlarged APAC operations, previously reported under Investments. Corporate Banking maintained an uptrend as its PBT expanded 10.2% Y-o-Y at RM410 million as all countries showed positive momentum. Investments PBT was 4.3% higher Y-o-Y. Corporate Banking contribution to Group core PBT increased to 29% from 26% in 1Q13 while Treasury & Markets and Investment Banking contribution dropped to 19% and 1% respectively.

Overall the contribution of the Group's core corporate and consumer banking business has increased from 65% to 70% of total PBT.

Non-Malaysian core PBT was lower at 38% in 1Q14 from 39% in 1Q13. CIMB Niaga's PBT rose 3.3% Y-o-Y to IDR1,481 billion but its contribution to the Group declined 9.4% Y-o-Y to RM413 million due to the Rupiah depreciation. Thailand's PBT contribution to the Group grew by 8.5% Y-o-Y at RM73 million as the strong growth at CIMB Thai was offset by much weaker performance at CIMB Securities (Thailand). Total PBT contribution from Singapore increased 60.5% to RM76 million as CIMB Bank Singapore continued to post strong balance sheet growth.

The Group's total gross loans (excluding the declining bad bank loan book) expanded 12.4% Y-o-Y or 14.0% after adjusting for foreign exchange fluctuations. Commercial banking loans increased 20.6% while retail loans and corporate loans grew 12.8% and 7.6% respectively. Geographically, Singapore gross loans growth was strongest at 72.3% while Thailand and Indonesia expanded by 20.0% and 9.5% respectively, in local currency terms. Malaysia loans were 9.0% higher Y-o-Y.

The Group's 1Q14 total deposits were flat Y-o-Y but 1.8% higher Y-o-Y after excluding foreign exchange fluctuations. The 4.9% expansion in retail deposits and 5.9% growth in commercial banking deposits were offset by the 6.8% decline in corporate and treasury deposits as the Group continued to reduce expensive deposits. The Group's CASA rose by 5.3% while the CASA ratio rose to 35.4% from 33.7% in 1Q13. Overall net interest margins were marginally lower at 2.85% from 2.88%.

The Group's total loan impairment of RM111 million in 1Q14 was 37.0% higher than the RM81 million in 1Q13 due to significantly lower recoveries and write-backs as well as increased provisioning in CIMB Thai. However, the Group's total credit charge remained relatively low at 0.19%. The Group's 1Q14 gross impairment ratio improved to 3.1% from 3.8% in 1Q13, with an allowance coverage (including regulatory reserve) of 108.4%. The Group's cost to income ratio was higher at 56.8% compared to previously. However, excluding the one-off items in 1Q13, the 1Q14 cost to income ratio shows a downward Y-o-Y trend.

As at 31 March 2014, CIMB Group's total capital ratio stood at 14.8% while its Common Equity Tier 1 (CET 1) capital ratio stood at 9.6%, following the completion of the RM3.55 billion private placement of new equity in January 2014.

3) CIMB Group Q-on-Q Results

The Group's 1Q14 revenues of RM3.538 billion were 6.8% lower than 4Q13, as net interest income was flat while non-interest income declined 18.6% Q-o-Q due to lower fee based income from our Consumer businesses, lower Treasury & Markets income and the absence of shared gains from Thai Asset Management Corporation ("TAMC"). 1Q14 net profit was 2.7% higher Q-o-Q at RM1.066 billion due to the 5.9% decline in costs and 64.0% contraction in loan impairment.

The Group's Consumer Banking PBT grew 13.2% Q-o-Q. The Malaysian retail operations were 7.5% higher Q-o-Q largely due to lower costs and provisions, while the Indonesian consumer division's PBT contribution to the Group was unchanged Q-o-Q. Wholesale Banking PBT was marginally 0.9% higher Q-o-Q as the stronger performance at Corporate Banking offset the declines in Treasury & Markets and Investment Banking. PBT from Investments were 1.4% lower Q-o-Q.

4) CIMB Niaga Results

On 29 April 2014, CIMB Niaga reported a 1Q14 net profit of IDR1,098 billion, a 4.2% Y-o-Y increase, with a 1Q14 net ROE of 16.7%. The improved Y-o-Y performance was underpinned by the larger asset base, a gradual growth in non-interest income, better net interest margins ("NIM") and lower provisions, which partially offset the slower Treasury & Markets income and higher overhead expenses. On a sequential basis, the 1Q14 net profit was 2.5% higher than 4Q13.

CIMB Niaga's gross loans grew 9.5% Y-o-Y for 1Q14 mainly driven by the commercial and corporate banking segments, which expanded by 10.7% and 12.7% respectively. Retail banking loans grew 5.1%. The Gross NPL stood at 2.6% as at end-March 2014 compared to 2.4% in 1Q13. CIMB Niaga's loan loss coverage (based on BI definition) stood at 98.8% as at end-1Q14 compared to 108.8% as at end-1Q13.

CIMB Niaga's core capital and risk weighted capital ratios stood at 14.1% and 16.4% respectively as at 31 March 2014.

5) CIMB Thai Results

On 18 April 2014, CIMB Thai announced a 40.8% Y-o-Y growth in net profit to THB441 million for 1Q14. The stronger performance was attributed to the strong loans growth, improved NIMs as well as expansion in non-interest income. Sequentially, CIMB Thai's net profit was 16.8% lower Q-o-Q due to the recognition of a THB1,101 million share of recoveries from bad loans managed by TAMC in 4Q13.

The annualised loan loss charge increased to 1.1% from 0.6% as at 1Q13, while the loan loss coverage ratio rose to 100.6% from 86.1% at end-1Q13 in anticipation of the potentially challenging operating conditions. CIMB Thai's net NPL ratio stayed unchanged at 1.8%.



As at 31 March 2014, CIMB Thai's Tier 1 capital and total capital ratios were at 9.9% and 13.3% respectively.

6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased by 33.9% to RM141 million due to a recovery in Islamic capital markets activity. CIMB Islamic's gross financing assets grew 4.7% Y-o-Y, accounting for 14.8% of total Group loans. Total deposits grew by 2.2% Y-o-Y to RM37.8 billion.

7) Geographic Expansion

In 1Q14, CIMB Group commenced operations of the CIMB Bank Hong Kong branch to facilitate transaction banking requirements of our ASEAN corporate customers. Our Shanghai bank branch is expected to be operational in 2Q14, while our maiden branch in Laos is expected to be established by 2Q14.

9) Outlook

"The operating environment in the regional capital markets as well as Indonesia as a whole remain challenging. We also have to adjust our growth expectations in Thailand as political tensions show little sign of abating. Malaysia and Singapore though continue to offer good growth opportunities for our corporate and consumer banking businesses."

"With corporate and consumer banking now accounting for 70% of our PBT, we are focused on optimising our balance sheet by deploying our newly enlarged capital base, and managing margins. In addition, we will continue to manage operating costs," Nazir added.

For further media queries, please contact:

Effendy Shahul Hamid
Group Chief Marketing & Communications Officer
CIMB Group
Tel: +603-2261 0688
Fax: +603-2261 0601
Email: effendy.hamid@cimb.com

Josandi Thor
Managing Director
Head of Brand, Marketing and Communications
Group Marketing and Communications
CIMB Group
Tel: +603-2261 0628 / +65-6302 3885
Fax: +603-2261 0601
Email: josandi.thor@cimb.com



APPENDIX

Significant Corporate Developments in 2014

1) Capital Management

- On 9 May 2013, CIMB Group announced its intention to resume with the proposal to undertake the dual listing of ordinary shares on the Stock Exchange of Thailand (“SET”). On 30 May 2013, the Securities Commission (“SC”) approved the proposed SET listing. On 10 June 2013, approval was attained from Bursa Malaysia Securities for the proposed SET listing. On 15 November 2013, the Group submitted an application to the SC for a 6-month extension to complete the proposed SET listing. On 25 February 2014, the Group announced that it has decided to abort the proposed SET listing in light of the market conditions in Thailand.
- On 13 January 2014, CIMB Group undertook a private placement of 500 million new ordinary shares at an issue price of RM7.10 per share. The issuance represented 6.08% of the enlarged issued and paid-up share capital of CIMB Group and raised a total amount of RM3.55 billion. The new shares were listed and quoted on the Main Market of Bursa Securities on 23 January 2014.
- On 31 March 2014, CIMB Islamic Bank completed its first issuance of a RM150 million Basel III compliant Perpetual Preference Shares to CIMB Bank.
- On 23 April 2014, CIMB Group issued and allotted 107,176,094 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the Dividend Reinvestment Scheme (“DRS”) arising from the Single Tier Second Interim Dividend announcement for FY13. The new shares were listed and quoted on the Main Market of Bursa Securities on 24 April 2014.

2) Others

- On 2 January 2014, Dagong Global Credit Rating Co. affirmed CIMB Bank’s long term local and foreign currency issuer default ratings of ‘AA’ and ‘AA-’ respectively. The outlook is stable.
- On 12 January 2014, Moody's affirmed CIMB Niaga's bank financial strength rating (“BFSR”) of D, which maps to a ba2 baseline credit assessment. Moody’s affirmed CIMB Niaga’s issuer rating at Baa3/P3. The outlook is stable.
- On 15 January 2014, Moody's assigned rating on CIMB Thai’s long-term local/foreign currency deposit and issuer ratings of Baa2/P2. CIMB Thai attained BFSR of D which maps to a ba2 baseline credit assessment. The outlook is stable.

- On 22 January 2014, MARC affirmed CIMB Islamic's long-term and short-term Financial Institution ratings at 'AAA' and 'MARC-1'. MARC also affirmed CIMB Islamic's RM2.0 billion Tier 2 Junior Sukuk Programme at 'AA+_{IS}' and set the outlook for all ratings as stable.
- On 25 March 2014, Fitch Ratings affirmed CIMB Thai's long-term issuer default rating at 'BBB' and national long-term rating at 'AA-(tha)', both with stable outlook. Short-term issuer default rating and national rating are affirmed at 'F3' and 'F1+(tha)' respectively.
- On 25 March 2014, Fitch Ratings affirmed CIMB Thai's THB10bn Debenture Programme at 'F1+(tha)', THB3bn 5.35% and THB3bn 4.8% Subordinated Lower Tier 2 at 'A+(tha)', and THB2.5bn 5.25% Subordinated Upper Tier 2 Notes at 'A(tha)'.
- On 15 April 2014, Fitch Ratings affirmed CIMB Niaga's long-term issuer default rating at 'BBB' and national long-term rating at 'AAA(idn)', both with stable outlook. Fitch also assigned 'F3' and 'F1+(idn)' for Niaga's short-term issuer default rating and national short-term rating.
- On 15 April 2014, Fitch Ratings affirmed CIMB Niaga's IDR1.6 trillion 10.85% Subordinated Debt II and IDR1.38 11.3% trillion Subordinated Debt at 'AA(idn)', and IDR8trn Senior Unsecured Debt Programme and Senior Unsecured Bonds at 'AAA(idn)'.
- On 16 May 2014, Moody's reaffirmed CIMB Bank's BFSR at C-, local currency rating at A1/P1 and foreign currency rating at A3/P2. The outlook is revised to positive from stable for CIMB Bank's foreign currency deposit, issuer, senior unsecured debt and senior unsecured MTN program ratings.
- On 16 May 2014, Moody's reaffirmed CIMB Islamic Bank's BFSR at D+, local currency rating at A1/P1 and foreign currency rating at A3/P2. The outlook is revised to positive from stable for CIMB Islamic's foreign currency deposit and issuer ratings.