

CIMB Group announces record RM1.74 billion Profit Before Tax for 1Q18

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for immediate release

- 10.7% Y-o-Y growth in net profit to RM1.31 billion with annualised ROE of 10.2%
- 1Q18 PBT rose 8.0% Y-o-Y to a record RM1.74 billion from lower provisions and operating cost, as well as gain from disposal of 50% of CIMB Securities International
- Lower loan loss charge of 0.49% in 1Q18 compared to 0.52% in 1Q17
- Cost-to-Income ratio improved to 49.8% for 1Q18 (cf. 52.6% in 1Q17)
- Group CET1 ratio remains strong at 11.7% as of 31 March 2018 after adoption of MFRS9

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a Profit Before Tax (“PBT”) of RM1.74 billion for the first quarter of 2018 (“1Q18”) – representing a 8.0% year-on-year (“Y-o-Y”) growth on the back of lower operating expenses of 6.8% Y-o-Y and a 5.4% Y-o-Y decline in loan loss provisions. Operating income was 1.3% lower Y-o-Y from lower net interest income and the deconsolidation of CIMB Securities International (“CSI”), partially offset by a RM152 million gain arising from the CSI sale. The Group’s 1Q18 net profit improved 10.7% Y-o-Y to RM1.31 billion, translating into a net Earnings Per Share (“EPS”) of 14.2 sen and an annualised Return On average Equity (“ROE”) of 10.2%.

“We are pleased to announce a net profit of RM1.31 billion, an increase of 10.7% Y-o-Y, on the back of sustained cost discipline, lower provisions and a RM152 million gain from the disposal of 50% of CIMB Securities International. Commercial Banking’s recalibration is progressing well, while the Wholesale Banking business tracked weaker capital markets in 1Q18. Consumer Banking, however, had a great start, posting a 51.2% Y-o-Y PBT growth,” said Tengku Dato’ Sri Zafrul Aziz, Group CEO, CIMB Group.

“Our capital position is solid even after adoption of MFRS9, with a CET1 of 11.7%. The cost to income ratio improved to 49.8%, below our 50% year-end target, as operating expenses remained under control across all segments,” continued Tengku Zafrul.

2) CIMB Group 1Q18 Y-o-Y Performance

CIMB Group’s 1Q18 operating income was 1.3% lower Y-o-Y at RM4.30 billion mainly from a 3.5% decline in net interest income. This was offset by a 3.8% Y-o-Y improvement in non-interest income underpinned by a RM152 million gain from the sale of 50% of CSI. Continued cost management initiatives brought about the 6.8% Y-o-Y decline in operating expenses, resulting in the fourth consecutive quarter of positive JAW. The Group’s PBT was 8.0% Y-o-Y higher at RM1.74 billion, with loan provisions declining 5.4%.

The Group's Consumer Bank PBT was 51.2% higher Y-o-Y in 1Q18 at RM848 million, making up 49% of Group PBT. Consumer revenue growth was driven by a robust non-interest income performance, with net interest income growing steadily and costs remaining well managed. The Commercial Banking PBT declined by 14.1% Y-o-Y in line with the regional business recalibration with the lower revenue partially offset by a decline in costs and provisions. PBT at the Group's Wholesale Banking division was RM490 million or 32.6% lower Y-o-Y largely due to the comparatively weaker capital market activity in 1Q18. Group Asset Management and Investments ("GAMI") PBT improved 66.7% Y-o-Y from better performances in the asset management and private markets businesses. Group Funding PBT increased 50.7% Y-o-Y from the gain arising from the sale of 50% of CSI.

Profit and Loss Summary (RM 'mil)	1Q18	1Q17	Y-o-Y
Operating Income	4,303	4,361	(1.3%)
Overhead expenses	(2,141)	(2,296)	(6.8%)
PBT	1,743	1,614	8.0%
Net profit	1,306	1,180	10.7%

PBT by Segments (RM 'mil)	1Q18	1Q17	Y-o-Y
Consumer Banking	848	561	51.2%
Commercial Banking	122	142	(14.1%)
Wholesale Banking	490	727	(32.6%)
Corporate Banking	333	473	(29.6%)
Treasury & Markets	123	254	(51.6%)
Investment Banking	34	-	>100%
GAMI	60	36	66.7%
Group Funding	223	148	50.7%

Non-Malaysia PBT contribution to the Group declined to 31% in 1Q18 compared to 34% in 1Q17. Indonesia's PBT decreased 6.5% Y-o-Y to RM273 million. However, excluding FX translation effects, Indonesia's PBT expanded 7.7% Y-o-Y in line with CIMB Niaga's improving performance. Thailand's PBT contribution of RM108 million was a 5.9% Y-o-Y increase attributed to lower provisions. Total PBT contribution from Singapore was 10.9% lower Y-o-Y at RM122 million from weaker treasury and markets.

Gross Loans (RM 'bil)	Mar-18	Mar-17	Y-o-Y
Consumer Banking	169.1	163.8	3.2%
Commercial Banking	42.3	41.9	1.0%
Wholesale Banking	111.7	115.9	(3.6%)
Total *	323.1	321.6	0.5%

By Geography	Y-o-Y
Malaysia	7.9%
Indonesia ^	1.8%
Thailand ^	4.0%
Singapore ^	3.6%
Others **	(3.0%)
Group ^^	5.3%

Deposits (RM 'bil)	Mar-18	Mar-17	Y-o-Y
Consumer Banking	166.1	155.4	6.9%
Commercial Banking	42.0	45.8	(8.3%)
Wholesale Banking	155.3	152.8	1.6%
Total	363.4	354.0	2.7%

By Geography	Y-o-Y
Malaysia	8.9%
Indonesia ^	8.8%
Thailand ^	(4.0%)
Singapore ^	0.6%
Others **	5.5%
Group ^^	7.0%

Notes:

* Gross loans excludes bad bank

^ In local currency

** Including Labuan, London, Cambodia, Hong Kong & Shanghai

^^ Excluding FX fluctuations

The Group's total gross loans (excluding the bad bank) grew by 0.5% Y-o-Y (+5.3% excluding FX effects), while total deposits were 2.7% higher Y-o-Y. The Group's Loan to Deposit Ratio ("LDR") stood at 89.7% compared to 91.7% in 1Q17.

The Group's gross impairment ratio stood at 3.2% as at end-March 2018, with an allowance coverage of 105.3%. The Group's Cost-to-Income Ratio improved to 49.8% compared with 52.6% in 1Q17, in line with continued cost management. The Group's Net Interest Margin ("NIM") was lower at 2.57% attributed to the NIM contraction at CIMB Niaga.

Key Operating Ratios (%)	1Q18	1Q17
Loan to Deposit (LDR)	89.7	91.7
Gross Impaired Loans Ratio	3.2	3.2
Allowance Coverage ^	105.3	93.2
Cost-to-Income	49.8	52.6
NIM ~**	2.57	2.72

Notes: ** Daily Average

~ Annualised

^ Including regulatory reserve

As at 31 March 2018, CIMB Group's total capital ratio stood at 16.4% while the Common Equity Tier 1 ("CET1") capital ratio stood at 11.7%.

3) CIMB Group 1Q18 Q-o-Q Performance

Profit and Loss Summary (RM 'mil)	1Q18	4Q17	Q-o-Q
Operating Income	4,303	4,515	(4.7%)
Overhead expenses	(2,141)	(2,307)	(7.2%)
PBT	1,743	1,535	13.6%
Net profit	1,306	1,060	23.2%

On a quarter-on-quarter (“Q-o-Q”) basis, 1Q18 operating income was 4.7% lower at RM4.30 billion from the 10.3% and 1.9% respective declines in non-interest income and net interest income. Consumer Banking PBT rose 30.1% Q-o-Q from a combination of improved revenue and lower costs and provisions in 1Q18. Commercial Banking PBT was 390.5% higher Q-o-Q due to improved provisions. Wholesale Banking PBT was lower by 32.1% Q-o-Q largely attributed to the weaker capital markets during the period. GAMI PBT increased 62.2% due to better performance in the asset management and private markets businesses, while the gain from the sale of 50% of CSI brought about the 34.3% increase in Group Funding PBT. The Group’s 1Q18 net profit was 23.2% higher Q-o-Q owing to lower operating expenses and provisions.

PBT by Segments (RM 'mil)	1Q18	4Q17	Q-o-Q
Consumer Banking	848	652	30.1%
Commercial Banking	122	(42)	390.5%
Wholesale Banking	490	722	(32.1%)
Corporate Banking	333	459	(27.5%)
Treasury & Markets	123	183	(32.8%)
Investment Banking	34	80	(57.5%)
GAMI	60	37	62.2%
Group Funding	223	166	34.3%

4) CIMB Islamic

CIMB Islamic’s 1Q18 PBT increased by 6.3% Y-o-Y to RM207 million, driven by strong 25.8% operating income growth which was partially offset by increased provisions due to provision writebacks in 1Q17. CIMB Islamic’s gross financing assets increased by 28.9% Y-o-Y to RM63.7 billion, accounting for 19.5% of total Group loans. Total deposits increased by 28.6% Y-o-Y to RM70.5 billion.

5) Outlook

“We are optimistic for the rest of 2018, and confident of achieving our T18 targets by end-2018. Plans to complete our presence in all 10 ASEAN countries are well on track, with our digital banking launch in Vietnam and the opening of our first branch in the Philippines. We expect continued growth momentum in Malaysia with further improvement in loan growth and asset quality across Indonesia, Thailand and Singapore.”

“We are currently working on our next mid-term growth plan which will be strongly premised on, among others, digital, innovation and sustainability. These, coupled with our strengthened capital position, disciplined cost management and continued focus on customer experience will ensure we continue to serve our stakeholders effectively, moving forward,” continued Tengku Zafrul.

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APPENDIX

Significant Corporate Developments in 2017

1) Capital Management

- On 29 March 2018, CIMB Bank completed an issuance of RM700 million Basel 3-compliant Tier 2 Subordinated Debt back to back with CIMB Group. The Subordinated Debt was issued as a single tranche at 4.95% per annum with a maturity of 10 years non-callable at the end of year 5.
- On 29 March 2018, CIMB Thai issued RM390 million Basel 3-compliant Tier 2 Subordinated Debt to replace THB3 billion unsecured subordinated notes, for which CIMB Thai exercised its option to early redeem on 9 November 2017.
- On 30 April 2018, CIMB Group issued and allotted 140,251,847 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY17. The new shares were listed and quoted on the Main Market of Bursa Securities on 2 May 2018.

2) Mergers and Acquisitions

- On 6 June 2017, CIMB Group signed a conditional Share Purchase Agreement with China Galaxy International Financial Holdings Limited (“CGI”) for the sale of 50% interest in CIMB Securities International Pte Ltd (“CSI”). CSI is the holding company for the cash equities business in Singapore, Indonesia, Thailand, Hong Kong, India, South Korea, United Kingdom and United States of America. On 6 September 2017, CIMB Group Sdn Bhd signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities for RM55 million cash. The proposed acquisition is in connection with the proposed partnership with CGI, wherein Jupiter Securities shall be the platform for the partnership’s Malaysia operations. On 18 January 2018, the disposal of the 50% interest in CSI was completed for approximately SGD167 million (approximately RM500 million).
- On 24 July 2017, CIMB Group’s 52.22% subsidiary Touch ‘n Go Sdn Bhd (“TNG”) entered into an Investment Agreement with Alipay Singapore E-Commerce Pte Ltd, a subsidiary of Ant Financial Services Group, to form a JV, in which TNG will be the majority shareholder, to launch a new mobile platform for payments and other related financial services in Malaysia. On 8 November 2017, BNM approved the incorporation of the JV entity, TNG Digital Sdn Bhd. On 8 January 2018, the JV entity received BNM approval to operate and offer mobile e-wallet services in Malaysia.
- On 11 January 2018, CIMB Group Sdn Bhd entered into sale and purchase agreements to divest 20% of CIMB-Principal Asset Management Bhd (“CPAM”) and 10% of CIMB-Principal Islamic Asset Management (“CPIAM”) to Principal Financial Group for RM470.3 million. CIMB Group will retain 40% ownership in both entities. On 25 May 2018, CIMB Group announced the completion of the divestment.

3) Others

- On 29 January 2018, Moody's reaffirmed CIMB Investment Bank's long term and short term issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 13 April 2018, Moody's upgraded CIMB Niaga's long-term and short-term foreign currency deposits rating from Baa3 and P-3 to Baa2 and P-2 respectively. The outlook is stable.
- On 4 May 2018, Moody's reaffirmed CIMB Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively. Moody's also reaffirmed CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively and CIMB Islamic Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively. The outlook for all is stable.
- On 24 May 2018, CIMB Niaga completed a Cash Dividend distribution of IDR 595,547,660,321 to all its shareholders for FY2017.