



CIMB Group announces 3Q20 Profit Before Tax of RM454 million; on track to achieve RM500 million or 5% in absolute cost reduction for FY20

The Group's underlying business remains solid and is well-positioned to support customers and communities during this challenging period

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for immediate release

- Underlying business remains resilient, total gross loans and deposits increased by 1.6% and 6.1% respectively, with continued improvement in CASA ratio to 40.0%.
- 3Q20 operating income grew by 15.5% to RM4.47 billion QoQ due to 32.9% growth in NOII from improved trading and FX activity and 10.0% growth in NII compared to 2Q20.
- On track to achieve aggressive cost reduction target of RM500 million for FY20 to mitigate the impact of the challenging economic environment, with 9M20 Opex down by RM385 million or 5.5% YoY.
- 9M20 PBT of RM1.36 billion and net profit of RM979 million, translating to an annualised ROE of 2.3% and EPS of 9.9 sen.
- 3Q20 PBT of RM454 million and net profit of RM194 million.
- Capital position remains strong with a higher CET1 ratio of 13.0%, while the liquidity coverage ratio remains comfortably above 100%

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") announced a profit before tax ("PBT") of RM454 million for the third quarter ended 30 September 2020 ("3Q20"), up 132% quarter-on-quarter ("QoQ") compared to the second quarter ended 30 June 2020 ("2Q20"). The Group registered a net profit of RM194 million in 3Q20.

For the nine months ended 30 September 2020 ("9M20"), CIMB Group registered a PBT of RM1.36 billion and net profit of RM979 million. This translates to an annualised ROE of 2.3% and EPS of 9.9 sen for 9M20.

On a QoQ basis, 3Q20 operating income grew by 15.5% to RM4.47 billion from RM3.87 billion in 2Q20, driven by a 10.0% increase in net interest income ("NII") to RM3.23 billion and 32.9% increase in non-interest income ("NOII") to RM1.24 billion. The strong growth in NOII was due to improved trading and FX activity in 3Q20. Pre-provisioning operating profit ("PPOP") increased by 29.9% to RM2.26 billion QoQ.

The challenging operating environment from the ongoing COVID-19 pandemic continued to affect the Group's performance. Elevated provisions in key markets on specific accounts to strengthen the balance sheet, adjustments due to macro-economic factors ("MEF") and modification loss arising from the moratorium given to borrowers in Malaysia also impacted performance. However, the Group's underlying business remains resilient as operating income grew QoQ across nearly all segments, with gross loans and deposits increasing by 1.6% and 6.1% respectively, while the CASA ratio strengthened to 40.0%.



Dato' Abdul Rahman Ahmad, Group Chief Executive Officer of CIMB Group, said, "Our 3Q20 performance came within expectations due to the continued impact of the pandemic, and the 4Q20 economic outlook remains subdued given the resurgence in COVID-19 cases domestically and globally. Nonetheless, we are encouraged to see quarterly improvements with underlying performance remaining resilient despite the impact of elevated provisioning on specific accounts, modification loss and MEF adjustments. The Group also registered strong operating income across nearly all segments amidst a further Overnight Policy Rate ("OPR") cut in 3Q20 to 1.75% in Malaysia and low-interest rate environment in our core markets. This was driven by a strong rebound in Group Consumer Banking's wealth management and bancassurance units, and supported by an improved CASA ratio and stronger loan growth Group-wide. We are also pleased to see a significant contribution to 3Q20 performance from Group Wholesale Banking's stronger Treasury & Markets operations and improved Investment Banking activity.

"Additionally, we have aggressively brought down our operating expenses with a significant improvement in CIR to 49.4% in 3Q20, including modification loss impact. We are on track to achieve our aggressive cost reduction target of RM500 million for FY20 to mitigate the impact of the challenging economic environment. We have also intensified asset quality monitoring and are proactively taking steps to strengthen our financial position, guided by an enhanced risk management approach," Dato' Abdul Rahman added.

Cost Management

The Group continues to drive down costs through prudent cost optimisation measures and deferment of non-essential expenditure Group-wide. 9M20 operating expenses ("Opex") have declined by 5.5% to RM6.65 billion year-on-year ("YoY"), with tight cost controls leading to a cost reduction in most segments. Including modification loss, 9M20 cost to income ratio ("CIR") stood at 53.3%.

On a QoQ basis, the CIR improved to 49.4% in 3Q20 compared to 55.0% in the preceding quarter due to the positive JAWS, in addition to the modification loss impact in 2Q20. Excluding the modification loss impact, 3Q20 CIR stood at 50.5% while 9M20 CIR stood at 52.5%.

Gross Loans and Deposits

CIMB Group's total gross loans and total deposits contracted marginally, declining by 0.9% and 0.4% respectively on a QoQ basis as at Sep-20. The Group's loan-to-deposit ("LDR") ratio stood at 87.7%, a slight decrease from 88.2% in the preceding quarter.

However, the CASA ratio continued to strengthen to 40.0% as at Sep-20, up 1.6% QoQ. In addition, 3Q20 net interest margin ("NIM") increased by 16 bps to 2.31% QoQ.

Asset Quality

The Group's enhanced risk management approach entailed intensified asset quality monitoring in view of the challenging macroeconomic environment due to COVID-19. The Group's gross impaired loans ("GIL") as at Sep-20 stood at 3.4%, a slight improvement from 3.6% at Jun-20.

However, loan impairments rose by 3.4% QoQ, largely due to additional provisioning overlay and those related to COVID-19, with allowance coverage rising to 93.9% in 3Q20. The Group's annualised 9M20 loan loss charge stood at 1.44%.

Capital and Liquidity Management

The Group remains well-capitalised with an improved CET1 ratio of 13.0% and total capital ratio strengthening to 16.7% as at Sep-20. The Group's liquidity coverage ratio ("LCR") remains comfortably above 100% for all banking entities within the Group. Capital management and conservation remains a core priority in view of the global economic slowdown and uncertainty.

Segment Performance

Group Consumer Banking 3Q20 operating income increased by 25.5% QoQ, with NII and NOII growing by 22.1% and 39.3% compared to 2Q20. The strong growth in NOII was due to improved wealth management and bancassurance fees.

Group Commercial Banking 3Q20 operating income was flat QoQ, due to the combination of a 7.4% increase in NOII and 1.2% decline in NII.

Group Wholesale Banking 3Q20 operating income grew by 7.7% QoQ, driven by 22.3% growth in NOII and 1.7% growth in NII. The improved performance was primarily driven by stronger Treasury & Markets operations and improved Investment Banking activity.

CIMB Digital Assets & Group Funding (previously known as Group Ventures, Partnerships & Funding) 3Q20 operating income increased by 36.2% QoQ, with NII and NOII growing by 9.3% and 63.0% respectively.

CIMB Islamic 3Q20 operating income grew by 68.4% QoQ. Net financing income ("NFI") grew by 73.7% due to financing growth and lower modification loss, while non-financing income ("NOFI") rose by 44.5% from improved trading/FX income and higher fee-related income.

Moving Forward

Dato' Abdul Rahman said, "Given the uncertain operating environment, we have rolled out our mid-term strategic plan, Forward23+, that will allow us to navigate the macroeconomic challenges. Under Forward23+, our aim is to be the leading focused ASEAN bank, where we will focus on key markets and segments in which we have competitive advantage through our strong



ASEAN footprint. We will accelerate investments in focus areas with high growth potential where we have already established a unique value proposition and leverage on economic recovery.”

In Malaysia, CIMB has continued the focus to help its affected borrowers to navigate through the challenging environment caused by COVID-19. CIMB has reached out and engaged more than 407,000 borrowers to assist our customers, out of which around 76,000 customers have accepted the repayment relief offered with an approval rate of virtually 100%. Further, in line with the government’s recent announcement on the expanded assistance to B40 and microenterprise borrowers, CIMB is offering its Expanded Targeted Payment Assistance programme which involves a deferment of monthly instalments for a period of 3 months or 50% reduction in monthly instalments for the next 6 months to these segments. The programme is available from 1 December 2020 to 30 June 2021 for eligible customers and loan/financing facilities.

“CIMB Group is well-positioned to support customers and communities during this challenging period. We are working closely with and support all government’s initiatives to prioritise customers who have been financially affected by the pandemic. At the same time, we will continue to innovate to better support our customers’ needs. This includes enhancing our digital banking service and implementing greater operational efficiencies. In order to ensure our business remains resilient against shocks, we will sharpen our focus on cost optimisation, prudent capital management and proactive measures to strengthen asset quality.” Dato’ Abdul Rahman concluded.

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About CIMB

CIMB is one of ASEAN's leading universal banking groups and Malaysia's second largest financial services provider, by assets. Listed on Bursa Malaysia via CIMB Group Holdings Berhad, it had a market capitalisation of approximately RM30.6 billion as at 30 September 2020. It offers consumer banking, commercial banking, wholesale banking, transaction banking, Islamic banking and asset management products and services. Headquartered in Kuala Lumpur, the Group is present in all 10 ASEAN nations (Malaysia, Indonesia, Singapore, Thailand, Cambodia, Brunei, Vietnam, Myanmar, Laos and Philippines). Beyond ASEAN, the Group has market presence in China, Hong Kong, India, Korea, the US and UK.

CIMB has one of the most extensive retail branch networks in ASEAN with 673 branches and around 34,000 employees as at 30 September 2020. The Group's investment banking arm is one of the largest Asia Pacific-based investment banks, while it offers comprehensive research coverage around of 950 stocks in the region via its CGS-CIMB joint venture. CIMB is also the 92.5% shareholder of Bank CIMB Niaga in Indonesia, and 94.8% shareholder of CIMB Thai in Thailand.

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