

## **CIMB Group sees healthy recovery in 1Q21; remains cautious in the short-term due to pandemic risks**

*The Group's performance was contributed by improved operating income across all segments*

Monday, 31 May 2021

*for immediate release*

- 1Q21 core<sup>1</sup> operating income of RM4.80 billion, up 15.9% from RM4.14 billion in 1Q20, with NII up 8.0% to RM3.47 billion and NOII up 43.2% to RM1.33 billion.
- Improved cost-to-income ratio of 48.7% as at Mar-21 from 52.2% in FY20 attributed to continued stringent cost optimisation
- Consequently, core pre-provisioning operating profit rose to RM2.46 billion, up 35.0% YoY from RM1.83 billion.
- With lower provisions, core profit before tax more than doubled to RM1.74 billion from RM714 million with core net profit up by 156.1% to RM1.30 billion, translating to return on average equity of 9.3%.
- Reported net profit of RM2.46 billion including a one-off revaluation gain of RM1.16 billion from the deconsolidation of TNG Digital.
- Total gross loans and deposits increased by 0.7% and 3.3% respectively. Total CASA continued to grow strongly by 19.8% YoY, leading to CASA ratio of 42.3% as at end Mar-21, from 41.3% as at end Dec-20
- CET1 ratio of 12.9% as at end Mar-21, marginally lower from 13.3% as at end Dec-20.

**Kuala Lumpur** – CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) announced a core<sup>1</sup> profit before tax (“PBT”) of RM1.74 billion for the first quarter ended 31 March 2021 (“1Q21”), an increase of 144.0% from RM714 million in the first quarter ended 31 March 2020 (“1Q20”). The Group’s core pre-provisioning operating profit (“PPOP”) strengthened by 35.0% to RM2.46 billion from RM1.83 billion year-on-year (“YoY”) whilst core net profit grew by 156.1% to RM1.30 billion from RM508 million. The performance translates to a core annualised return on average equity (“ROE”) of 9.3%.

1Q21 core operating income grew to RM4.80 billion, up 15.9% from RM4.14 billion in 1Q20 with performance improving across all segments. Of this, net interest income (“NII”) grew by 8.0% to RM3.47 billion, largely driven by improved net interest margins (“NIM”) in Malaysia and Indonesia. Core non-interest income (“NOII”) strengthened by 43.2% to RM1.33 billion, driven by stronger wealth management and trading income.

Despite a marginal 0.9% increase in operating expenses, the Group’s cost-to-income ratio (“CIR”) improved to 48.7% in 1Q21, from 52.2% in FY20, as CIMB continued to undertake stringent cost optimisation measures. Consequently, together with lower total provisions which decreased by 33.0% YoY to RM756 million mainly due to recoveries in legacy accounts and the absence of large impairments, CIMB saw significantly improved underlying profitability.

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<sup>1</sup> Core figures exclude a one-off revaluation gain of RM1.16 billion from the deconsolidation of TNG Digital. This is the result of a successfully sourced third-party investment in TNG Digital.



Loan growth remained muted due to a combination of the soft economic environment and shift in the Group's portfolio mix, with gross loans growing marginally by 0.7%. However, deposits increased by 3.3% and CASA continued to grow strongly with a 19.8% YoY growth, with CASA ratio strengthening to 42.3% as at Mar-21 from 41.3% as at Dec-20. The Group remains well-capitalised as its CET1 ratio stood at 12.9% as at Mar-21, from 13.3% as at Dec-20 due to risk-weighted assets ("RWA") optimisation initiatives.

Overall, CIMB recorded strong reported net profit of RM2.46 billion, including a one-off revaluation gain of RM1.16 billion from the deconsolidation of TNG Digital, a business jointly founded by CIMB's wholly-owned subsidiary Touch 'n Go ("TNG") and Ant Group. This is the result of a successfully sourced third-party investment in TNG Digital, which operates the Touch 'n Go eWallet, Malaysia's largest e-wallet company. Including this revaluation gain, the Group registered a reported operating income of RM5.96 billion, PPOP of RM3.62 billion and PBT of RM2.90 billion.

The revaluation gain from the deconsolidation arose pursuant to TNG Digital successfully receiving its first third-party investment of approximately RM200 million from a limited partnership fund managed by a US-based private equity firm which invests in online and mobile payment ecosystem companies globally. This investment is part of an ongoing fund raising exercise undertaken by TNG Digital to accelerate its growth and expansion plans. TNG Digital's fund raising initiatives will continue through 2021. We expect TNG to still remain the single largest shareholder of TNG Digital when the exercise fully completes.

Dato' Abdul Rahman Ahmad, Group Chief Executive Officer of CIMB Group, said, "The strong performance seen in the first quarter is an early indicator of recovery, underpinned by the resilience of our underlying business. I'm pleased to see positive momentum across all our businesses, with especially strong YoY income growth in our wholesale banking and consumer banking businesses. Our digital businesses also registered healthy growth, as CIMB Philippines reached 3.5 million customers, while TNG Digital achieved 15.5 million registered users."

"Our cost optimisation initiatives also continue to bear fruit, as we were able to further lower our CIR to 48.7%. While it may be too early to tell given the pandemic's resurgence causing ongoing risk to economic recovery, the positive start to FY21 signals that we are moving in the right direction on our Forward23+ strategic plan."

### **Gross Loans and Deposits**

CIMB Group's total gross loans increased by 0.7% to RM366.6 billion YoY while total deposits grew by 3.3% to RM412.2 billion. The Group's loan-to-deposit ("LDR") ratio stood at 88.9% as at Mar-21, a marginal decrease from 89.0% in the preceding quarter. However, CASA continued to grow strongly with 19.8% YoY growth, with CASA ratio strengthening to 42.3% as at Mar-21 from 41.3% as at Dec-20.

### **Asset Quality**

Total provisions decreased by 33.0% YoY to RM756 million, mainly due to recoveries in legacy accounts in Singapore and the absence of large impairments. Of this, loan impairments accounted for RM716 million, a 26% decrease YoY.

The Group's allowance coverage rose to 101.9% as at 1Q21 compared to 75.9% in 1Q20, while the gross impaired loans ("GIL") ratio stood at 3.4% as at Mar-21, a slight improvement from 3.6% at Dec-20. Annualised loan loss charge stood at 0.78%, in line with the credit cost guidance of 80-90 bps for 2021.

### **Capital and Liquidity Management**

The Group remains well-capitalised against shocks with a CET1 ratio of 12.9% and total capital ratio of 17.1% as at Mar-21. 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 ongoing uncertainty and risks posed by the pandemic.

### **Segment Performance**

**Group Consumer Banking** 1Q21 operating income grew by 10.1% YoY whilst PBT grew by 21.1%. NII increased by 6.2% from loan growth and improved NIM, while NOII increased by 22.2% due to strong wealth management performance. Consumer loans grew by 4.4% YoY, while deposits declined by 3.4%.

**Group Commercial Banking** 1Q21 operating income grew by 2.6% YoY whilst PBT increased by 309.3% largely due to lower expected credit loss ("ECL") from the absence of large provisions and writeback from legacy accounts. NII grew by 4.3% driven by improved NIM, while NOII saw a 4.5% contraction. Commercial loans declined by 3.0% YoY, while deposits grew by 10.6%.

**Group Wholesale Banking** 1Q21 operating income grew by 43.2% YoY whilst PBT grew by 323.8%, largely due to strong NOII growth of 209.4% underpinned by increased treasury and markets and investment banking activities. NII increased by 10.6% YoY. Wholesale loans declined by 2.9% YoY, while deposits grew by 8.2%.

**CIMB Digital Assets & Group Funding** 1Q21 core operating income increased by 5.7% YoY excluding the one-off revaluation gain of RM1.16 billion from the deconsolidation of TNG Digital, whilst core PBT increased by 6.0%. NII grew by 18.9%, outpacing a 17.5% decline in core NOII. The Group's digital businesses continue to grow strongly with CIMB Philippines reaching 3.5 million customers as at Mar-21, up 63.6% YoY, and a deposit book of RM982 million, up 466.0% YoY. TNG Digital's momentum continues to be strong, achieving 15.5 million registered users as at Mar-21, up 49.7% YoY, and 324,000 total merchants, up 10.6% from Dec-20.



**CIMB Islamic** 1Q21 operating income grew by 16.8% YoY whilst PBT grew by 38.1%. Net financing income (“NFI”) grew by 24.4% on the back of improved NIM and lower funding costs. However, non-financing income (“NOFI”) declined by 12.4% YoY due to lower FX gains. Islamic financing grew by 6.7% YoY, while deposits grew by 14.2%.

### **Moving Forward**

Dato’ Abdul Rahman said, “CIMB Group remain cautious in view of downside risks in the short-term, particularly given the ongoing resurgence of Covid-19 cases and imposition of movement restrictions in Malaysia and regionally. We will be guided by our Forward23+ strategy for the rest of FY21 as we continue reshaping our portfolio and make focused investments in key segments that offer strong opportunities for profitable growth, such as wealth management, treasury and markets, transaction banking and intra-ASEAN wholesale banking. Meanwhile, we are intensifying asset monitoring efforts and engaging our customers for further signs of financial distress. Where needed, we will take proactive measures to protect asset quality and strengthen our financial position with a focus on risk-adjusted returns.”

”Cost remains a core focus and we are pleased to see our cost initiatives gaining traction. At the same time, we will continue to spend strategically in key areas such as technology to drive digitisation across the bank. Accordingly, we maintain our earlier announced key financial targets for FY21 such as ROE of 6-7% and CIR of below 52% although loan growth target of 4-5% may be at risk given the uncertain economic recovery. As for non-financial targets, we will continue to drive positive impacts through our sustainability agenda within the bank and with our customers, for example through our Green, Social, Sustainable Impact Products and Services (“GSSIPS”) framework to promote sustainable financing and solutions across the region.”

“The Group also remains committed to continue to providing support to borrowers who continue to be financially affected by the pandemic. We would like to stress that repayment assistance remains available to all affected borrowers, and we encourage them to reach out to us to discuss any loan repayment assistance,” Dato’ Abdul Rahman concluded.

As of end-May, CIMB has processed more than 165,000 financial payment relief applications for individual and SME borrowers in Malaysia, amounting to more than RM22 billion, with an approval rate of virtually 100%.

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## About CIMB

CIMB is one of ASEAN's leading 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 RM43.1 billion as at 31 March 2021. 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, South Korea, the US and UK.

CIMB has one of the most extensive retail branch networks in ASEAN with 644 branches and around 34,000 employees as at 31 March 2021. CIMB's investment banking arm is one of the largest Asia Pacific-based investment banks, which together with its award-winning treasury & markets and corporate banking units comprise the Group's leading wholesale banking franchise. 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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