

PROFIT BEFORE TAX (BAU):

**RM6.35**  
BILLION

ROE (BAU):

**8.1%**



**DATO' ABDUL RAHMAN AHMAD**  
Group Chief Executive Officer

# GROUP CEO'S REFLECTIONS

The financial performance stated in this section is on a BAU basis which excludes RM556 million of exceptional items encompassing: gain on deconsolidation of Touch 'n Go Digital of RM1,156 million; impairment of CIMB Thai goodwill of RM1,215 million; intangible assets write off and accelerated amortisation of RM402 million; and other exceptional items of RM95 million.

**2021 will be remembered as another challenging year that affected businesses and people alike across every aspect and one of mixed recovery amidst the periodic resurgence of COVID-19 variants. Global economies experienced various degrees of recovery and reduced lockdown restrictions, with some countries gradually returning to their respective pre-COVID states. The major markets CIMB operates in partially recovered with GDP growth of 3.1% in Malaysia, 3.7% in Indonesia, 7.2% in Singapore and 0.8% in Thailand.**

Governments recalibrated their national reserves and used fiscal policy instruments at their disposal to nurse their economies back to health. Central banks leveraged their tools to counter weakened consumption as well. In the final quarter of 2021, the Malaysian central bank announced that the Overnight Policy Rate would be maintained at 1.75% given the slower recovery, with an eye to revise it in 2022 when inflation is expected to rise. Small and large businesses recalibrated their balance sheets, while seeking help to maintain their cash flows. People persevered through despite their struggle between health, income, and growth.

In the second year of this pandemic, my belief in humanity's ability to rise above adversity and remain resilient has been reinforced. Businesses transformed their operations - many having to trim budgets, reallocate capital resources, reassess strategies, and reform processes. While business leaders had to adapt and shape the new normal, more opportunities to deliver 'shared value' to stakeholders presented themselves. At CIMB, we were uniquely positioned to leverage these, with our purpose of advancing customers and society. We supported our most critical and at-risk stakeholders with proactive financial relief schemes and solutions. We also consolidated our ASEAN franchise, drove recovery of our financial performance, managed our capitals prudently and achieved a 31% YoY accretion on shareholder value in 2021, making us the top performing financial institution stock on the FTSE Bursa Malaysia KLCI index.



FY21 results press conference with our Group Chief Financial Officer, Khairul Rifaie

# GROUP CEO'S REFLECTIONS

**Q A** **What is your view of CIMB Group's 2021 results? More specifically, what were the key drivers and what factors impeded growth?**

Despite the stop start nature of the opening of economies where we operate, the Group showed strong financial performance recovery where we either met or exceeded all of our financial profitability targets. Our Profit before Tax (PBT) and Net Profit tripled YoY to RM6.35 billion and RM4.65 billion respectively. We achieved a Return on Equity (ROE) of 8.1% whilst our capital position remained healthy as our Common Equity Tier 1 (CET1) rose to a new record high of 14.5%.

We also saw positive growth in operating income, driven by improved Net Interest Margin (NIM) from our Current Account Savings Account (CASA) franchise strategy and steady loan growth. Non-Interest Income (NOII) remains an area for improvement, as distribution and transaction margins compressed, while investment gains moderated. Deposits continued to achieve steady growth, driven by CASA. The Group's CASA ratio stood at 42.5% as at end December 2021.

Operating Expenses (OPEX) only increased marginally due to our disciplined cost controls. The good growth in income coupled with contained cost escalation resulted in positive JAW which meant our Pre-Provision Operating Profit (PPOP) grew strongly by 14.9%, which is the second highest amongst the top Malaysian banks.

Total provisions declined 53.6% YoY from reduced overlays and corporate provisions. The Group's credit cost remained elevated at 73bps, however, this still exceeded our FY21 target of 80-90bps.

Our people turnover and retention remained steady from previous years as we continued to focus on health and well-being, productivity and performance. Future resilience of our people will however depend on our ability to empower them with digital skills, enhance motivation levels by making sure employees are safe, healthy, professionally enriched, and productive. We raised our bar on Economic, Environmental, Social and Governance (EES&G) integration by adopting leading best practices, and also by achieving our 2024 Forward23+ target of 75th percentile on the S&P Global Corporate Sustainability Assessment (for DJSI inclusion), three years ahead of schedule. The challenge however remains to be at the forefront of the sustainability agenda whilst we continue engaging the industry and our clients to raise awareness and ensuring sustainability continues to drive business growth and competitiveness.

Most importantly, these results are thanks to the incomparable commitment of #teamCIMB, who have worked closely with our customers to support them, while constantly adapting in these challenging times.

	FY21 Target	FY21	
<b>ROTCE</b>	8-9%	9.6%	
<b>ROE (Core)</b>	6-7%	8.1%	
<b>Dividend Payout Ratio</b>	40-60%	50%	
<b>Total Loan Growth</b>	4-5%	3.3%	
<b>Cost to Income Ratio</b>	<52%	48.6%	
<b>Loan Loss Charge</b>	80-90BPS	73BPS	
<b>CET1 (CIMB Group)</b>	>12.5%	14.5%	

**Q A** **Can you elaborate on how your mid-term Forward23+ strategy contributed to your FY2021 performance and how it addressed your recovery efforts in 2021?**

We developed our Forward23+ Strategic Plan with the ambitious aim to be the leading focused ASEAN bank. 2021 was the first full year of its implementation and we are pleased with its progress.

A key pillar under Forward23+ is to Deliver Sustainable Financial Returns, given that we have historically lagged behind our peers in terms of ROE. We made considerable headway in reshaping our portfolio by focusing in core areas of growth such as Consumer Malaysia and Indonesia, Commercial Malaysia and SME in Indonesia.

We also increased allocation in our Group Funding as we continue to increase bond holdings and rebuild our loan book. We reduced our asset allocation in Commercial (ex-SME) Indonesia and Singapore while we continue to fix the businesses. Consequently, this impacted our overall loan growth which came in at 3.3% YoY, short of our target. But we now have the right platform and are well positioned to accelerate our asset growth as economies recover.

Cost optimisation initiatives continued to be a core focus in 2021 to further improve our productivity and efficiency. We successfully identified RM410 million worth of cost take-out opportunities, to be materialised in stages, out of which RM195 million has been realised in 2021. This resulted in a record low Cost to Income Ratio (CIR) of 48.6%, bringing us closer to our Forward23+ target of 45%. Together with the cost savings crystallised in FY20, this meant that we delivered on our targeted cost take-out of RM1 billion set at the inception of Forward23+.

Our focus to improve asset quality is also showing results with significantly lower provisions compared to FY20 which was impacted by the pandemic. However, we continued to take a prudent approach and Cost of Credit remains elevated from overlays which we will retain until the end of the targeted financial assistance programmes.



Virtual breakfast and discussion session with #teamCIMB



### In addressing stakeholders' concerns and expectations, what were the top priorities for CIMB Group in 2021 – from recovery to resilient growth perspectives?

CIMB has always approached value creation holistically by looking at both financial and non-financial factors. This balanced approach enables us to grow our business strategically whilst creating greater long-term value for all our stakeholders.

One top priority we identified under Forward23+ is to improve our digital and operational resiliency, given the paradigm shift towards digital transactions. This is also one area we recognise that we need to do much better, given the heightened expectations of our customers and some of the legacy issues we faced. In the past couple of years, we have sustained technology and operational investments to focus on infrastructure and platform reliability. We saw the availability of CIMB Clicks and BizChannel across Malaysia, Indonesia, Singapore, Thailand (MIST) improve dramatically to no less than 99.25%. We are now on track to roll-out our Next Gen Clicks app by 2Q22 and have commenced work on the Next Gen BizChannel. We intend to accelerate this further and plan to invest RM1.2 billion in 2022 to further digitise and improve our technology and operational resiliency.

As a result of our Customer Centricity efforts, we improved our Net Promoter Score (NPS) significantly compared to FY20. In particular, CIMB Malaysia made positive gains and CIMB Thai ranked highly in its market.

At the same time, we worked on enhancing the way we operate with the launch of Target Empowerment and Alignment Model (TEAM) to replace the previous Regional Operating Model (ROM). This framework aims to elevate accountability, ensure centralisation and alignment of tasks while empowering day-to-day execution at country level. Implementation is still in progress, but we hope the new CIMB TEAM will solidify our position as a truly ASEAN bank.

On our journey to becoming a Purpose-Driven Organisation, we made positive progress such as:-

- We completed our new KPI and bonus framework in 2021 internally with #teamCIMB, where we introduced collective scorecards by countries and divisions, to ensure more alignment between staff and the Group's direction and targets;
- We also built our EPICC culture framework that was rolled out in January 2022. I truly believe that organisational excellence stems from a good work culture. Our goal is for CIMB to be the best organisation for the best talent with the right values to thrive; and
- We accelerated our progress on Green, Social, Sustainable Impact Products and Services (GSSIPS) Framework operationalisation where we mobilised RM25.9 billion towards our target to provide RM30 billion in sustainable finance by 2024. This includes all forms of financial services, including financing, equity and debt capital market transactions, wealth management and deposits aligned to the GSSIPS Framework.

Most importantly, we are incredibly proud of how we helped our customers to navigate through the adverse impact of the pandemic. For instance, throughout the last two years, CIMB Malaysia has processed over 534,000 financial payment relief assistance applications for individual, SME and business banking borrowers, amounting to RM93.8 billion in total gross loan value. This includes the various payment relief assistance programmes since 2020, except for the blanket moratorium in March 2020.



### How are you progressing on your Sustainability agenda?

In September 2021, in conjunction with The Cooler Earth Sustainability Summit, we announced our enhanced commitments to accelerate our sustainability agenda by setting ambitious targets which included:

- Achieving net zero greenhouse gas (GHG) Scope 1 and 2 emissions in our operations by 2030;
- Achieving overall Net Zero GHG by 2050 (including scope 3 and financed emissions);
- Increasing our sustainable finance commitment target from RM10 billion to RM30 billion by 2024 aimed at creating positive impact under our GSSIPS Framework;
- Rolling out our No Deforestation, No Peat, No Exploitation (NDPE) policy in phases starting mid-2022; and
- Investing RM150 million over five years and 100,000 employee volunteer hours annually by 2024.



## GROUP CEO'S REFLECTIONS

We are constantly developing new sustainable financial products and services. These included, amongst others, an RM2.45 billion sustainability-linked derivative transaction in October 2021. This landmark deal is the world's first Malaysian Ringgit-denominated sustainability-linked derivative transaction and Asia's largest ESG linked derivative trade to date. In total, we mobilised RM25.9 billion of sustainable finance in 2021, up from RM10.9 billion in 2020.

In 2021, we established the Group Sustainability and Governance Committee (GSGC) which provides the Board with stronger oversight of our sustainability journey. We have also set sustainability-linked KPIs for the Group's top 100 executives. This is to ensure that everyone understands and moves towards our commitments as a group.

Moving into 2022, our focus will be on sustainable finance innovation, working closely with our clients to identify and seize opportunities to improve on their sustainability performance, and to prepare for upcoming regulatory changes such as the EU Carbon Border Adjustment Mechanism. We will also be rolling out our Group Human Rights Policy, to help safeguard against human rights violations in our operations, and in our clients' businesses.



CEO Action Network (CAN) 1st Anniversary Showcase



We are constantly developing new sustainable financial products and services.

**RM30 BILLION**

Sustainable Finance to be mobilised by 2024

**RM150 MILLION**

Investment over five years



### What has been your position on Climate Change and the global Climate Emergency? How do you see the role of banks in accelerating climate action and climate justice?

According to the recent IPCC Working Group II Sixth Assessment Report, human-induced climate change has caused widespread adverse impacts to nature and people. These include severe and, in some cases, irreversible, damage to the very ecosystems that we rely on for freshwater, food, health, and physical safety, the destruction of which has already led to untold damage to infrastructure, homes, people and key economic sectors. The banking sector has both the ability and responsibility to act in the best interest of stakeholders in mitigating and adapting to climate change impacts, by directing and shifting capital flows from high- to low-carbon activities. This will be a transformation journey of unprecedented scale and scope, which is urgently needed to help address the multiple environmental crises and social challenges faced by humanity.

To align our strategy and operations to meeting the goals of the Paris Climate Agreement, CIMB has made strong commitments including net zero GHG Scope 1 and 2 emissions in our operations by 2030 and overall Net Zero by 2050 (including scope 3 and financed emissions); together with an NDPE commitment. In addition to being a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking, and the Collective Commitment to Climate Action (CCCA), we are now also a member of the Net-Zero Banking Alliance (NZBA), and an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). We invite our stakeholders to refer to our Sustainability Report 2021 for details and join us in championing responsible banking and sustainable development.



### How do you see the economy in 2022 and what is in store for CIMB Group?

Our global economic growth forecast stands at 4.2% for 2022. This is following a growth of 5.8% in 2021. The slower growth expected this year is due to base effects, as the global economy recorded robust growth recovering from the pandemic in 2021 as well as the heightened geo political risks given the situation in Ukraine.








At the same time, levels of policy support from governments and central banks would likely be unwound this year. Governments are looking to reduce fiscal assistance to prevent the rise in debt servicing costs and future fiscal drag. Meanwhile, major central banks are looking to normalise policy rates in 2022, due to rising inflation.

Growth in ASEAN is expected to pick up in the second half of 2022 with continued loosening of restrictions. As ASEAN countries have controlled the levels of the pandemic, economies have begun to recover with private consumption and investment activity beginning to normalise. Hopefully, as the economy reopens its borders to tourists, this may add support to economies with a high share of tourism GDP. This would likely benefit Thailand the most, with other countries such as Malaysia and Indonesia not far behind.

With the anticipated economic recovery, CIMB will focus on:

- Expanding our CASA franchise and loan growth;
- Executing our Affluent strategy where we will enhance our proposition by developing more value adding products and services with seamless cross-border solutions, delivering superior wealth advisory with better client coverage and improving our digital affluent capabilities;
- Leveraging on our established Wholesale ASEAN network by continuing to focus on client coverage and structured account planning to drive asset growth, as well as explore new growth segments and industries;
- Rejuvenating our NOII growth through renewed focus in Transaction Banking;
- Committing to investing and enhancing our digital capabilities, technology and operational resiliency. We have also started embarking on a major review of mitigating controls and policies and procedures, surrounding our transaction processing infrastructure. As mentioned, we plan to spend RM1.2 billion in 2022, to further digitise and improve our technology and operational resiliency; and
- Cost discipline, risk management and asset quality whilst intensifying our efforts to advance our ESG agenda and work towards our sustainability commitments.

Our headline targets for FY2022 are:

FORWARD 23 <sup>+</sup>	
FY22 TARGETS	
	FY22 Target
 <b>ROE (Reported)</b>	7.5-8.0%
 <b>ROE (Core)</b>	8.5-9.0%^
 <b>Dividend Payout Ratio</b>	40-60%
 <b>Total Loan Growth</b>	5-6%
 <b>Cost to Income Ratio</b>	<49.0%
 <b>Loan Loss Charge</b>	60-70BPS
 <b>CET1 (CIMB Group)</b>	>13.0%

^ Excluding cukai makmur

## CONCLUSION AND APPRECIATION

In 2021, we made several changes to our senior management team to be more focused and to accelerate the path towards our Forward23+ goals. We welcomed the appointment of Haniz Nazlan as Group Chief Strategy Officer and internally, we appointed Vera Handajani as Group Chief Risk Officer, Lani Darmawan as President Director and CEO of CIMB Niaga as well as Gurdip Singh Sidhu as Group Chief Sustainability Officer.

I would also like to thank a few executives for their past contributions to the Group: David Richard Thomas, Group Chief Risk Officer, Tigor M. Siahaan, President Director and CEO of CIMB Niaga as well as Omar Siddiq, CEO of Group Wholesale Banking. Though we have parted ways, the legacy they leave behind is permanently impactful. "Once a CIMBian, always a CIMBian" and I wish them all the best in their future endeavours.

At the Board level, allow me to express my gratitude to Dato' Robert Cheim Dau Meng for his service as the Chairman of CIMB Investment Bank Berhad and Puan Rosnah Dato' Kamarul Zaman for her service on the Boards of CIMB Bank Berhad and CIMB Islamic Bank Berhad. We cannot thank them enough for all the guidance.

I would like to extend my sincerest appreciation to our Group Chairman and members of the Board for their continued trust and support. I must also thank the regulators for overseeing the banking industry and providing guidance to help us navigate through the pandemic. I am beyond grateful to our customers, clients, peers and partners for placing their trust in us.

Most importantly, thank you #teamCIMB for your hard work, support and commitment throughout the challenging year. I look forward to working closely with each and every one of you as we embrace new challenges ahead and continue with our momentum to strive towards our ambition to be the leading focused ASEAN bank.



**Dato' Abdul Rahman Ahmad**  
Group Chief Executive Officer