



Group CEO's Reflections

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Group Chief Executive Officer

Although the worst of the pandemic was behind us, the year 2022 presented the world with highly challenging situations, ranging from elevated geopolitical tensions caused by the invasion of Ukraine and heightened trade conflict between the US and China to the rapid rise in interest rates to quell escalating inflation. These events together with grave concerns on climate crisis, not only caused seismic shifts in the global landscape but also presented the world in a new perspective.


With most countries reopening its borders and lifting economic restrictions, country GDPs showed promising recovery, including the major markets CIMB operates in; Malaysia recorded GDP growth of 8.7%, Indonesia 5.3%, Singapore 3.6%, and Thailand 2.6%. With the first ever unity government in Malaysia, the year ended with a sense of hope for transformative change that will bring positive benefits to the economy, the Rakyat as well as the nation as a whole.


In the post pandemic recovery era, supply chain disruptions reverberated across the globe causing economies, particularly the US, to grapple with higher than expected inflation. This, coupled with Europe plunging into an energy crisis from the Russia-Ukraine war, and China's Zero COVID Policy, affected the three largest economies.

These challenges led governments to attempt to cool inflation by curbing demand via rapid interest rate hikes, and constraints on government spending and fiscal policy. In Asia Pacific, several additional factors including rising debts, and labour shortages dampened optimism for a fast recovery.

In this context, stakeholders continue looking to us for critical support in their personal journeys over a myriad of ways. CIMB Group's new brand proposition of "Moving Forward With You" is a manifestation of these circumstances and expectations. Our intent is to refocus energies to a path of regrowth that makes sense for every stakeholder with whom we have interdependent relationships. With this in mind, driven by our purpose of advancing customers and society, we delivered continued support to our stakeholders as they rebuild their lives and livelihoods.



PBT (BAU): 
RM8,492
MILLION

ROE (BAU): 
10.2%

The financial performance stated in this section is on a BAU basis which excludes cukai makmur of RM665 million and RM101 million of exceptional items



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CAN YOU SHARE CIMB GROUP'S 2022 RESULTS? WHAT WERE THE PRIMARY FACTORS THAT CONTRIBUTED TO THE PERFORMANCE AND WHAT ITEMS CONTINUED TO POSE CHALLENGES?

Despite the continued macro-economic challenges, 2022 was generally more positive in the regional countries we operate in, catalysed by the reopening of economies post pandemic. The Group surpassed all our financial targets for the year amidst the global headwinds. Our Profit Before Tax (PBT) and Net Profit grew by 33.8% and 33.5% YoY to reach RM8.49 billion and RM6.21 billion respectively. We achieved a Return on Equity (ROE) of 10.2%, compared to 8.1% in FY21. We are pleased that this is the first time in many years that CIMB Group has delivered a double digit ROE.

Our Operating Income rose 8.0% YoY to RM19.8 billion, driven by Net Interest Margin (NIM) expansion, fee income and a healthy 7.7% rise in loans, surpassing industry growth/market benchmarks. Deposits grew steadily while the Group's CASA ratio stood at 39.9% as at December 2022, lower than last year due to increased economic activity and intense deposit competition.

We remain disciplined in cost management with Operating Expenses (OPEX) rising by only 3.2% YoY, enabling our Cost-to-Income Ratio (CIR) to improve by 210bps YoY to a record low of 46.5%. Consequently, Pre-Provisioning Operating Profit grew strongly by 12.5% YoY to RM10.61 billion from the positive JAW. Total provisions declined significantly by 31.5% YoY due to lower provisions and overlays benefiting from our portfolio de-risking, as well as higher writebacks. The Group's allowance coverage stood at 93.1% with Gross Impaired Loans Ratio (GIL) improving slightly to 3.3%. Credit cost fell from 73bps in FY21 to 51bps in FY22, meeting our Forward23+ target ahead of schedule.

The positive income growth, contained cost escalation and lower provisions meant that we were able to deliver a significant increase in profitability. Including exceptional items, such as Cukai Makmur, our reported Net Profit was 26.7% higher to reach RM5.44 billion with reported ROE at 9.0%. Our Common Equity Tier 1 (CET1) ratio remained resilient and stood at 14.5%. Given the strong capital position, we have announced an all-cash second interim dividend of 13.00 sen per share, bringing full year dividends of 26.00 sen per share equivalent to RM2.75 billion, translating to a dividend payout ratio of 50.5%, in line with our dividend policy.

Talent retention and turnover remained at healthy levels. Our Organizational Health Index (OHI) score has improved by 2 points, moving the Group to the second quartile. 2022 also marked the start of our refreshed values and culture framework, EPICC, as we work towards delivering impact together the right way in order to become the best organisation for the best talent with the right values to thrive in.

The Group has also grown leaps and bounds on the ESG front. As a bank committed in its journey to become a sustainability leader in ASEAN, we have once again made considerable progress on the S&P Global Corporate Sustainability Assessment and achieved our sustainable finance target of RM30 billion two years ahead of plan.

CIMB's steady performance during the year is the product of #teamCIMB responding to challenges with agility and their commitment to our ambition of becoming the leading focused ASEAN bank.



			FY22 Results	FY22 Targets
	ROE (Reported)		9.0%	7.5-8.0%
	ROE		10.2%	8.5-9.0%
	Dividend Payout Ratio		50.5%	40-60%
	Total Loan Growth		7.7%	5-6%
	Cost to Income Ratio		46.5%	<49.0%
	Loan Loss Charge		51bps	60-70bps
	CET1 (CIMB Group)		14.5%	>13.0%



Empowering change agents for our new values and culture, EPICC

CIMB IS NOW AT THE MIDPOINT OF ITS FORWARD23+ STRATEGY. COULD YOU HIGHLIGHT THE PROGRESS AND SHARE HOW IT CONTRIBUTED TO YOUR FY2022 PERFORMANCE?

When we first formulated our Forward23+ Strategic Plan, it was predicated on resolving our lagging ROE which impacted shareholder value. With two years to go, our strategy is making positive progress and building strong momentum towards delivering our FY2024 targets.

We have substantially completed re-shaping our portfolio through growing key profitable segments in focused areas such as Consumer and Wealth Management, SME, Treasury & Markets and ASEAN network business. Considerable progress has been made to sustainably reduce our credit cost, achieving our Forward23+ FY2024 target ahead of schedule. Cost optimisation continued being our focus as we successfully crystallised another RM382 million of cost savings in FY22, bringing our CIR from a high of 53.4% in FY19 to 46.5% in FY22, which is closer to market benchmarks. Together with cost savings since FY20, we met the target set at the inception of Forward23+ to take out RM1.0 billion of cost from our business.

Our focus to digitise for value is paying off with system uptime exceeding our targets coupled with significantly lower number of unscheduled downtime incidents for both CIMB Clicks and BizChannel.

Country	% Availability		
	FY21	FY22	FY22 Targets
CIMB Clicks			
Clicks	99.25%	99.75%	99.00%
Octo Clicks and Mobile	99.75%	99.20%	98.75%
Clicks	99.51%	99.75%	98.86%
Thai Digital App	98.75%	99.31%	98.05%
BizChannel			
BizChannel	99.99%	100.00%	99.75%
BizChannel	99.93%	100.00%	99.50%
BizChannel	100.00%	100.00%	99.75%
BizChannel	99.87%	99.95%	99.75%



Group CEO's Reflections

ON THE BACK OF RECOVERING ECONOMIES AND IN ORDER TO BALANCE THE EXPECTATIONS OF DIFFERENT STAKEHOLDERS, WHAT DID CIMB PRIORITISE IN 2022?

The Group remains committed to creating long-term value for all stakeholders and continues to review and refine our strategies in light of changing economic conditions. Underlying every decision and strategic priority is a thoughtful measure of the value created.

A key focus area for the year was our digital reliability, where we invested almost RM900 million to enhance our digital platforms and further strengthen our technology resilience. The returns on such investments are clearly shown in the improved availability rate and significantly reduced downtime incidents of our digital platforms. As planned, we launched the early release version of our next generation mobile banking app in Malaysia, the CIMB OCTO App, in August 2022. With the upcoming new enhancements, we aim to provide a personalised and future-ready customer experience, while protecting and safeguarding customers' interests and safety.

On the Customer Centricity front, the NPS of most key markets improved. We recognise that extra effort, especially in Malaysia, needs to be put in to regain customers' trust and be their bank of choice. With that, we have launched our refreshed brand proposition 'Moving Forward with You' to reinforce our promise of placing customers at the heart of everything we do and be with them every step of the way.

On our journey to becoming a Purpose-Driven Organisation, we also made positive progress in addressing these areas:-

- 2022 marked the start of our refreshed values and culture journey. Our EPICC culture which stands for Enabling Talent, Passion, Integrity & Accountability, Collaboration and Customer Centricity was successfully rolled out in the beginning of the year and we have since then conducted various cascades and engagement sessions across the region and levels to ensure participation, understanding and that #teamCIMB embraces the true meaning of EPICC.
- We continued to place staff wellbeing and their personal development as our top priority. To ensure our people are able to navigate challenges skilfully, regular mental wellbeing workshops and a wide range of learning programmes were made readily available for their selection.
- We also made progress developing innovative Islamic finance solutions, the Sustainable Term Investment Account-i, which is the first-of-its-kind in ASEAN, and the Sustainable Collateralised Commodity Murabahah transaction, and delivered significant headway on our Sustainability front that I will elaborate on later.



At the soft launch of Malaysia's new CIMB OCTO App in August 2022



“ ...improved availability rate and significantly reduced downtime incidents of our digital platforms. ”



Senior Management attending the EPICC Leadership Alignment Session



Delivering the opening address at our flagship event, The Cooler Earth Sustainability Summit, in September 2022



“ Revised sustainable finance target from RM30 billion to RM60 billion. ”

AT THE FOREFRONT OF CHAMPIONING SUSTAINABLE BUSINESS PRACTICES, WHERE ARE YOU NOW WITH ESG INTEGRATION EFFORTS? HOW IS CIMB POSITIONED TO DEMONSTRATE ITS SUSTAINABILITY LEADERSHIP?

With only eight years left to 2030, we must take drastic and immediate measures to accelerate progress on the Sustainable Development Goals (SDGs) or fall victim to the tragedy of the commons. Cooperation between every entity is fundamental to a just transition into a future state where universal human rights and respect for the environment are safeguarded.

At CIMB, we are always working on solutions to aid speedy transitions to a sustainable economy. For instance, during the year, we championed our MicroBizReady programme, where 55 female entrepreneurs were empowered with skills to grow a small business, enabling them to build financial independence. Another target segment has been SMEs and MSMEs, through CIMB Islamic’s Sustainable Term Investment Account-i Tranche - a business and SME-friendly investment fund that finances Shariah-compliant assets which contribute to SDG 8, Decent Work and Economic Growth.

In addition, RM5 million in rebates was offered to eligible MSMEs through the NCIA-CIMB Entrepreneur Scheme in an endeavour to stimulate the recovery of the Northern Corridor Economic Region. Separately, an additional RM100 million was allocated to the Low Carbon Transition Facility (LCTF) that supports small and medium businesses in adopting low-carbon and sustainable practices. This is in line with our intent to bridge the transition finance gap for all levels of business especially amongst the often overlooked smaller SMEs that cannot qualify for green finance.

During the year, we also launched the Group Human Rights Policy, which outlines our firm stance on the fair and just treatment of anyone in contact with our business including our employees and crucially, the human rights requirements that extend to our clients’ operations as well.

At our flagship event, The Cooler Earth Sustainability Summit 2022, further commitments and announcements were made on CIMB’s progress towards becoming an ASEAN sustainability leader:

- Obtained baseline Scope 3 financed emissions across all our operating markets

- Committed to reducing thermal coal mining exposure by half from end-2021 levels by 2030 and fully by 2040
- Announced a carbon intensity reduction target of 36% for the cement sector
- Raised the sustainable finance target from RM30 billion to RM60 billion

In the coming year, our sustainability focus will continue to be on expanding our sustainable finance solutions through our GSSIPS framework, engaging with clients in high-impact sectors on their sustainability performance, and meeting new regulatory changes that can potentially affect our operations. In the meantime, we are looking at other high-impact sectors in our portfolio and actively engaging with these clients on systematically reducing their emissions footprint in line with our reduction targets.

All our efforts culminated in our S&P Global Corporate Sustainability Assessment score of 69, achieving the 80th percentile. We have surpassed our Forward23+ targets but will continue to put in the effort, ensuring CIMB stays at the forefront of the sustainability agenda.

In addition, the 2022 Financial System Benchmark assessed 400 global financial institutions on their progress to supporting a just and sustainable economy. Proudly, CIMB has been ranked amongst the top 5 (4th) banks of the world. While this is a proud moment, such recognition reinforces the need for us to continue to sustain and accelerate our efforts in line with our critical role and responsibility towards advocating responsible banking principles and agenda for greater benefit of the industry and our stakeholders.

| Read more about our Sustainability Performance in the CIMB Group Sustainability Report 2022 and/or Sustainability Statement on pages 174-185 of this report



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Offsite meeting with Group Executive Committee (GEXCO) and their respective teams, where we brainstormed on the 2023 Budget and Business Plans

HOW DO YOU SEE THE GLOBAL TRENDS, REGIONAL MARKET FORCES AND LOCAL EMERGING REGULATIONS SHAPING 2023 AND WHAT IS IN STORE FOR CIMB GROUP?

The global economy is expected to remain uncertain due to supply disruptions and inflationary pressure. The International Monetary Fund (IMF) has forecasted that global inflation will rise from 4.7% in 2021 to 8.8% in 2022, but is expected to decline to 6.5% in 2023 and 4.1% by 2024. The Global Economic Prospects report estimates that global growth will slow down sharply from 2.9% in 2022 to 1.7% in 2023 due to factors such as monetary policy tightening, financial stress, and geopolitical tensions. Shipping bottlenecks, critical supply shortages, and labour shortages have caused higher inflation, and emerging market and developing economies are expected to experience subdued growth. Policymakers need to prioritise reforms to promote long-term growth and bolster the resilience of vulnerable groups, and global cooperation and national policies are necessary to support investment and growth prospects.

ASEAN was among the fastest growing regions in 2022 and it is projected to moderate to 4.3% in 2023 largely due to slower trade demand which outweighs the positive impact of China's reopening. However, the outlook for the emerging Southeast Asian countries like Vietnam, Indonesia and the Philippines remain relatively positive compared to other parts of the world.

With the anticipated economic outlook as such, our broad strategy remains, and we will stand guided by our Forward23+ Strategic Plan. For 2023, our business plan and strategic themes have been refined further to navigate the prevailing economic uncertainty. In summary we intend to:

- Aggressively strengthen our CASA and deposit franchise, accelerate the execution of our Affluent strategy, grow Islamic Finance, adopt the one-bank client approach for Wholesale and drive Non-Interest Income (NOII) growth;
- Move to the next phase of enhancing our operational resilience and institutionalise it across the Group;
- Double down on digitisation to invest deeply in our digital capabilities and technology resiliency. This includes transforming our end-to-end customer journey and internal processes;
- Optimise asset quality and focus our attention on addressing our gross impairment loan ratio which currently lags behind our peers;
- Remain focused on cost discipline, risk management and asset quality to mitigate downside risks;
- Continue executing our planned culture and human capital transformation programmes across EPICC, employee experience and talent management; and
- Intensify efforts to advance our ESG agenda particularly in developing key capabilities to deliver sustainable products and services to our clients.

Our headline targets for FY2023 are:

	FY23 Targets
ROE	10.2-11.0%
Dividend Payout Ratio	40-60%
Total Loan Growth	5-6%
Cost to Income Ratio	<46.5%
Loan Loss Charge	45-55bps
CET1 (CIMB Group)	>13.5%

CONCLUSION AND APPRECIATION

Several key leadership changes occurred in 2022 to help the Group strive towards our Forward23+ targets and ambitions. We welcomed the appointment of Chu Kok Wei and Novan Amirudin as Co-CEOs of Group Wholesale Banking. Chu’s appointment demonstrates the strength and expertise of our existing leadership bench, whilst Novan’s appointment will introduce new perspectives and complementary networks that will help us to build on our leading Wholesale Banking franchise.

I would also like to thank Samir Gupta, CEO of Group Consumer Banking, for his contributions to the Group in the past 12 years. Samir was an outstanding member of our GEXCO team and I will forever be grateful for his strong support and counsel. I wish him all the best in his future endeavours. Effendy Shahul Hamid, who was CEO of CIMB Digital Assets, took over Group Consumer and Digital Banking effective 1 January 2023. His strong background in forward-looking banking and financial services trends bodes well for the consumer banking and digital business franchise we want to build for the future.

At the Board level, the leadership team and I are pleased to welcome Hafriz Abdul Rahman and Christina Ong Soo Chan to the Board of CIMB Bank Berhad, Surina Shukri to the Board of CIMB Investment Bank Berhad and Zuhaida Zulkifli to the Board of CIMB Islamic. We are confident their diverse experience and exposure will add value to the Board’s strategic decision-making.

Meanwhile, allow me to thank Tan Sri Md Nor Md Yusof for his service as the Chairman of CIMB Foundation and Datin Grace Yeoh Cheng Geok for her service on the Board of CIMB Bank Berhad. Their guidance has been instrumental in the strength of CIMB’s business performance, and we wish them all the best in their future endeavours.

To our Chairman and Board of Directors, thank you for your continued trust, support and confidence. I would also like to thank the regulatory authorities for another year of guidance to the banking industry and helping us navigate the new normal. We also owe thanks to our shareholders, customers, clients, peers and partners for having faith and placing their trust in us throughout the recovery period.

My final appreciation is dedicated to #teamCIMB, who have demonstrated incredible resilience during trying times, and continued to be the backbone of the Group. Let us move forward together in this new year, working as a team in our on-going journey to becoming the leading focused ASEAN bank.

Dato’ Abdul Rahman Ahmad
Group Chief Executive Officer