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Kuala Lumpur, Friday February 25, 2011

CIMB Group posts record RM3.521 billion Net Profit in 2010

1) Summary

CIMB Group Holdings Berhad ("CIMB Group") today reported a record net profit of RM3.521 billion for 2010, representing a 25.4% year-on-year ("Y-o-Y") growth and equivalent to net earnings per share ("EPS") of 49.0 sen. The FY10 net return on equity ("ROE") of 16.3% was above the Group's full-year target of 16.0%. The Group declared a second interim dividend of 8.0 sen (single tier) amounting to a total net payment of RM595 million. This brings the total dividends for FY10 to RM1.933 billion or 26.08 sen per share, representing a 55% dividend payout and higher than the target of 9.25 sen per share.

For 4Q10 alone, the Group's net profit of RM878 million was 9.3% higher than 4Q09, but was 4.1% lower than the 3Q10 net profit of RM916 million.

"We had a very good year and are pleased to be able to reward shareholders with a record dividend pay-out," said Dato' Sri Nazir Razak, Group Chief Executive CIMB Group. "This is a perfect way to mark the final year of our 5-year transformation from a Malaysian investment bank to an ASEAN universal bank, underpinned by the turnaround in our Malaysian consumer bank, benefits from cross-divisional synergies and surge in contribution from CIMB Niaga."

2) CIMB Group Y-o-Y Results

CIMB Group's FY10 revenues increased by 12.7% Y-o-Y to RM11.811 billion, while the Group's profit before tax ("PBT") was 21.9% higher at RM4.647 billion.

In 2010, Corporate & Investment Banking ("CIB") PBT jumped 71.2% Y-o-Y at RM1.149 billion in tandem with the more robust regional capital markets and several major transactions over the past 12 months. PBT at Treasury and Investments were 17.5% lower Y-o-Y to RM1.217 billion mainly due to lower investment profits.

The Group's Malaysian consumer bank PBT declined by 16.9% Y-o-Y. However, excluding the one-off General Provision write-back in 4Q09 ahead of FRS139 implementation, the Malaysian consumer bank's FY10 PBT was flat.

CIMB Niaga's contribution surged 99.7% Y-o-Y to RM1.572 billion from RM787 million previously due to operational improvements and favourable operating conditions. CIMB Thai's PBT was flat Y-o-Y at RM47 million as provision coverage was improved. Asset Management and Insurance PBT was 38.3% lower Y-o-Y at RM87 million largely due to the non-recurrence of gains on change in accounting standards at CIMB Aviva in 2009.

CIMB Niaga was the largest contributor to FY10 Group PBT at 34% versus 21% in the previous corresponding period. The Malaysian Consumer Bank's contribution to Group PBT fell to 12% compared to 18% in FY09, while Treasury and Investments declined to 26%. Contribution from CIB rebounded to 25% from 18% previously. Group Asset Management ("GAM") and Insurance fell to 2% from 4% while CIMB Thai's contribution remained at 1%. Total non-Malaysian PBT contribution to the Group jumped to a new high of 48% in 2010 from 25% in 2009.

The Group's total gross loans expanded 12.4% Y-o-Y, largely driven by the 18.0% expansion (in RM terms) of CIMB Niaga's gross loans and the 15.3% growth in Malaysian consumer loans. Mortgages, credit cards and micro credit lending in Malaysia grew by 20.7%, 40.6% and 13.6% respectively Y-o-Y. Hire purchase loans grew by 10.6% Y-o-Y but commercial banking loans continued to decline by 1.1% Y-o-Y. Corporate loans improved by 1.8% Y-o-Y. The Group's overall net interest margins improved to 3.32% from 3.28% last year.

Total Group's deposits grew by 11.6%, underpinned by a 28.5% surge from CIMB Niaga as its deposit accumulation initiatives picked up pace. CIMB Bank's retail account balances grew 17.0% Y-o-Y as both its Malaysian and Singapore current and savings account balances grew strongly. CIMB Thai's deposits grew by 6.0%.

The total loan impairment charge (under FRS139 policies) for the Group was RM607 million for FY10. The Group's total credit charge was 0.36%, lower than the 0.60% full year target. The Group's gross impaired loans ratio was 6.1% for FY10 down from 6.6% as at end-9MFY10 and 7.6% at the beginning of the year, with an impairment allowance coverage of 82.3%. The Group's cost to income ratio rose to 55.3% compared to 52.8% in FY09.

CIMB Bank's risk weighted capital ratio stood at 15.4% while its Core Tier 1 capital ratio was 14.5% as at 31st December 2010, before the proposed second interim dividend. At the same time, CIMB Group's double leverage and gearing stood at 113.8% and 17.8% respectively.

3) CIMB Group Q-on-Q Results

The Group's 4Q10 revenues of RM3.169 billion were 10.2% higher versus 3Q10, but net profits were 4.1% lower on a Q-o-Q basis at RM878 million.

The Group's Malaysian Consumer Banking division PBT fell by 47.9% Q-o-Q due to higher provisions for business banking accounts, lower recoveries and higher overhead expenses. CIB surged by 62.5% on stronger deal flow but Treasury and Investments were 29.5% lower. CIMB Niaga's PBT contribution grew 12.6% Q-o-Q to RM394 million. GAM and Insurance PBT contributions declined 3.8% to RM25 million. CIMB Thai's PBT contribution (after GAAP adjustments) was a loss of RM14 million from a profit of RM35 million in 3Q10.

4) CIMB Niaga Results

On 17 February 2011, CIMB Niaga reported a FY10 net profit of IDR2,548 billion, a 62.5% Y-o-Y growth with a FY10 net ROE of 20.4%. The stronger performance was attributed to the strong loans and deposits growth and lower provisions. On a sequential basis, the 4Q10 net profit of IDR754 billion was 13.1% higher than 3Q10 primarily due to stronger revenue and lower provisions.

CIMB Niaga's gross loans grew 25.8% Y-o-Y in FY10 driven by strong performances from all major retail and corporate segments. Gross NPL of 2.5% as at end-December 2010 was an improvement from the 2.7% as at end-September 2010 and the 3.0% as at the corresponding period last year. CIMB Niaga loan loss coverage stood at 125.6% as at end-December 2010 compared to 108.6% as at end-December 2009.

CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 9.5% and 13.2% respectively as at 31 December 2010. Completion of the rights issue in early January 2011 translates to proforma Tier 1 capital and risk weighted capital ratios of 11.8% and 14.8% respectively.

5) CIMB Thai Results

On 19 January 2011, CIMB Thai announced a FY10 net profit of THB829 million, a significant improvement from the THB2 million profit in FY09. Additional provisions lifted its loan loss coverage ratio from 62.2% at the beginning of the year to 91.3% currently. For the 12-month period, CIMB Thai chalked revenue of THB7.135 billion, a 3.6% improvement Y-o-Y.

As at 31 December 2010, CIMB Thai's Tier 1 capital and risk weighted capital ratios (based on Basel II framework) were at 9.0% and 14.7% respectively. Following various recovery efforts and the sale of Sathorn Asset Management ("STAMC") of its "bad bank" to CIMB Group's South East Asia Special Asset Management ("SEASAM"), CIMB Thai's net NPL ratio has dropped to 2.5% from 7.0% at the start of the year.

6) CIMB Islamic

CIMB Islamic's Y-o-Y PBT jumped 136.8% to RM404 million as *Shariah*-compliant banking products continue to gain ground. CIMB Islamic's gross financing assets grew 39.3% Y-o-Y, accounting for 14.1% of total Group loans. Total deposits grew by 29.6% Y-o-Y to RM22.7 billion.

7) Market Shares

CIMB Group's market shares in key areas remain strong for FY10.

CIMB Investment Bank is the leading stockbroker in Malaysia and top of the league tables for Malaysian M&A's, Debt Capital Markets, Initial Public Offerings ("IPO") and

loan syndications.

With its total assets at RM34.8 billion as at 30 September 2010, CIMB Islamic is the second largest Islamic bank in Malaysia with a 13.8% market share and the second largest Islamic mortgage player with a 18.6% market share. CIMB Islamic was no. 2 for Malaysian sukuk and remained the world's leading sukuk player.

CIMB Bank is the second largest mortgage lender in Malaysia, third largest player in other key areas such as retail deposits and credit cards and fourth in SME loans and hire purchase financing.

In Singapore, CIMB Securities has the 3rd largest share of SGX trades and is number 3 in corporate advisory for mid-sized companies.

In Indonesia, CIMB Niaga, the country's 5th largest bank, is the 2nd largest mortgage lender while PT CIMB Securities is now the number 2 stockbroker in Indonesia.

CIMB Principal Asset Management remains the second largest asset manager in Malaysia.

8) Corporate Social Responsibility

CIMB Group was extremely active with its CSR programmes in 2010. CIMB Foundation disbursed a total of RM18.3 million in 2010 covering all its three pillars of Community Development, Sports and Education. Community Link, the flagship programme of the Foundation undertook 154 projects throughout all states in Malaysia. Community Link also expanded to Indonesia, Singapore and Thailand in 2010 with pilot projects implemented in the three countries. CIMB Group won two awards in the Prime Minister's CSR Awards 2010 for its CSR programmes in Community & Social Welfare as well as Arts & Culture.

9) Outlook

"I think we will have to contend with quite different operating conditions in the region for 2011; slower economic growth, rising interest rates and more volatile capital markets. Nevertheless, we are setting ourselves a higher ROE target of 17% for 2011. We will look to new areas for strong growth, such as regional transaction banking, CIMB Singapore and CIMB Thai. Meanwhile, after 5 years it is also timely for us to refresh our more established franchises in Malaysia and Indonesia to sharpen their competitive edge," said Dato' Sri Nazir.

CIMB Group has set targets of total region-wide loan and deposits growth of 18% and 20% respectively. The Group also announced a dividend payout target of between 40%-60% per annum going forwards.

If you have further queries or require more information, please contact:

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APPENDIX

Significant Corporate Developments in 2010

1) Mergers and Acquisitions

- a. On 26 March 2010, CIMB Group completed the acquisition of the 32.22% interest in Touch N' Go Sdn Bhd ("TnG") for RM53.8 million. CIMB Group now holds a 52.22% equity interest in TnG.
- b. On 14 May 2010, CIMB Group entered into a conditional share sale and purchase agreement with Khazanah Nasional to acquire up to 19.67% equity interest in CIMB Niaga for RM1.94 billion via the issue of 268 million CIMB Group shares at RM7.25 per share. Upon completion, CIMB Group will hold 97.93% in CIMB Niaga. The exercise received shareholder approval at the EGM on 26 July 2010 and was completed on 19 August 2010.

2) Capital Management

- a. On 23 February 2010, CIMB Group proposed a 1-for-1 bonus issue of up to 3,582,387,823 new CIMB shares of RM1.00 each. To facilitate this issue CIMB Group's authorized share capital will be raised from RM5 billion to RM10 billion. The ex-date for the bonus issue was 19 May 2010.
- b. On 26 March 2010, CIMB Thai announced a 2-for-9 rights issue of up to 2,966,533,592 new CIMB Thai shares at THB1 per share. The rights issue was completed and the new CIMB Thai shares were listed on 27 October 2010.
- c. On 2 April 2010, CIMB Group increased the offering size of its Proposed listing on the Stock Exchange of Thailand ("SET"), from up to 35 million CIMB Shares to up to 50 million CIMB Shares (100 million after completion of the bonus issue).
- d. On 5 April 2010, CIMB Group completed the issuance of RM750 million cumulative subordinated fixed rate notes.
- e. On 9 July 2010, CIMB Niaga completed the issuance of a 7-year Rp1.38 trillion sub-debt.
- f. On 15 October 2010, CIMB Group issued 101,244,826 net CIMB shares of RM1.00 each arising from the conversion of a similar number of warrants. The new CIMB Group shares were listed on 18 October 2010.
- g. On 15 November 2010, CIMB Niaga announced a 1-for-20 rights issue of up

to 1,196,743,183 new CIMB Niaga shares at IDR1,250 each. The rights issue was completed and the new CIMB Niaga shares were listed on 12 January 2011.

- h. On 23 December 2010, CIMB Bank completed the issuance of RM2.0 billion of sub-debt.
- i. On 23 December 2010, CIMB Niaga completed the issuance of a 10-year Rp1.60 trillion sub-debt.

3) Others

- a. On 5 April 2010, CIMB Group announced its plans to set-up a research institute dedicated to promoting ASEAN integration, to be named CIMB ASEAN Research Institute ("CARI").
- b. On 12 April 2010, CIMB Group announced the submission of the application to the SET in respect of the Proposed SET Listing. On 12 October 2010, CIMB Group received the approval from the Securities Commission for the extension of time of 6 months up to 6 April 2011 to complete the Proposed SET Listing.
- c. On 7 May 2010, MARC upgraded the long-term ratings for CIMB Bank and CIMB Islamic Bank to AAA (stable) from AA+ previously. On 28 June 2010, Fitch Ratings Indonesia upgraded the long term rating for CIMB Niaga to AAA (stable) from AA+ previously.
- d. On 9 May 2010, CIMB Group obtained an approval-in-principle to offer banking services in Cambodia by the National Bank of Cambodia. On 19 November 2010, CIMB Group officially received the banking licence and commenced operations with the opening of its first branch in Phnom Penh.