

Acquisition of Bank of Commerce in the Philippines

8 May 2012



Agenda

1. Summary
2. Philippines Economy and Banking Sector
3. Overview of BoC
4. Details of Acquisition
5. Effects of Acquisition
6. Business Plan
7. Timeline
8. Final Remarks











SUMMARY

Summary

- 60% of Bank of Commerce (“BoC”) from the San Miguel Corporation (“SMC”) Group and others for PHP12.2 bil (RM881 mil), equivalent to 1.14x P/BV as at 31 Dec 2011. Post alignment with CIMB’s accounting and provisioning policies, P/BV could increase to about 1.30x
- SMC Retirement Plan retains 27% stake
- CIMB signs Collaboration Agreement with SMC for banking referrals into SMC eco-system
- BoC ranks 16th in term of total assets among 38 universal and commercial banks in the Philippines
- Philippines has been the “missing link” in CIMB Group’s ASEAN footprint
- “Option” on probable “take-off” of Philippines economy
- BoC has been in “clean-up” mode so it is under-leveraged with high growth potential
- SMC is a strong partner with impressive range of businesses and network of business partners
- BoC will leverage on CIMB Group’s management capabilities and ASEAN platform and network

PHILIPPINES ECONOMY AND BANKING SECTOR

5th Largest Economy and 2nd Largest by Population in ASEAN

	Indonesia	Thailand	Malaysia	Singapore	Philippines	Vietnam	Myanmar	Brunei	Cambodia	Laos
Population (mil)	240.5	64.3	28.7	5.3	95.8	89.3	62.4	0.4	14.4	6.6
Nominal GDP (USD 'bil)	834.3	339.4	266.5	247.6	216.1	121.6	50.2	15.6	13.2	7.9
CIMB's presence	 UB presence	 UB presence	 UB presence	 UB presence	 No presence	 IB presence	 Rep office	 IB presence	 CB presence	 WIP

Growing Optimism

- The **near-term outlook for the country is favourable**, characterized by moderating but still rapid growth
- Praise the Aquino government for starting “**reforms to address long-standing constraints to growth.**”

IMF, 2011

Philippines' recent performance indicates that the **country's economy has already stabilized** since the global financial crisis, with **more robust and less variable growth**

World Bank, 2011

There is a **clear market consensus** emerging that Aquino's economic program is on the right track, one that could see an **unprecedented influx of capital to the Philippines in 2012**

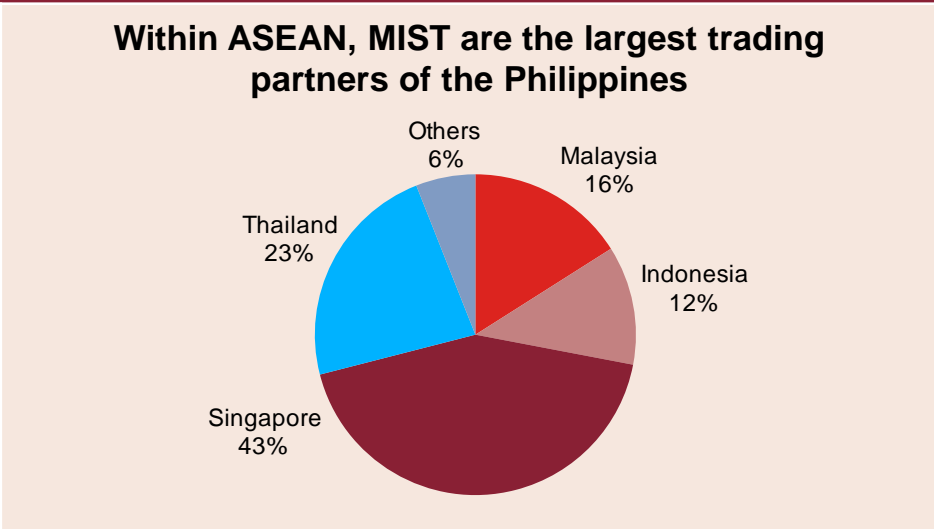
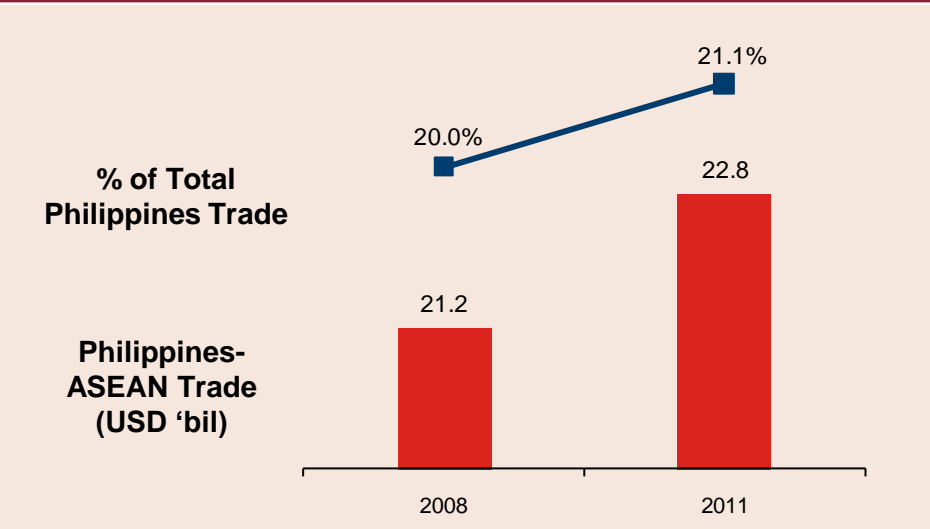
Asia Times Online, 2012

The Philippines has the potential to become **one of the top 10 countries** that can greatly contribute to global growth within the decade

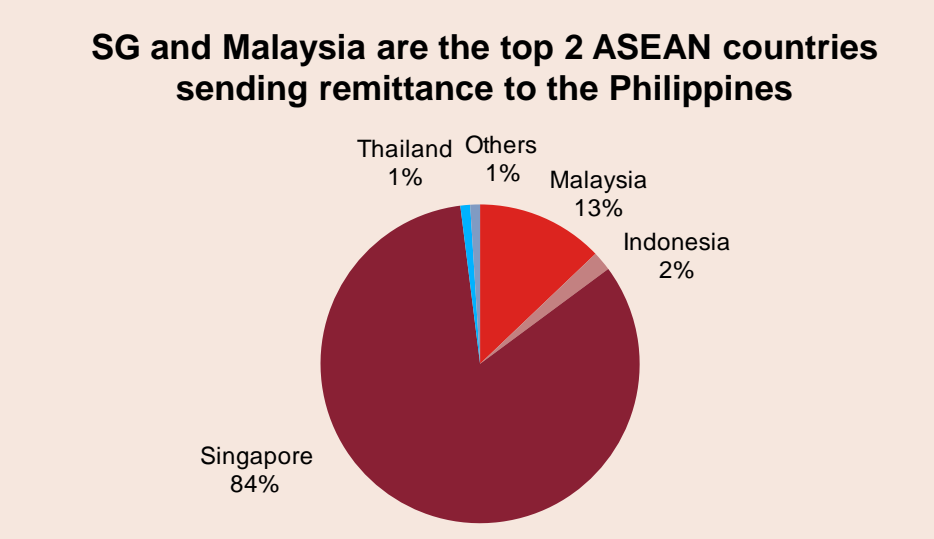
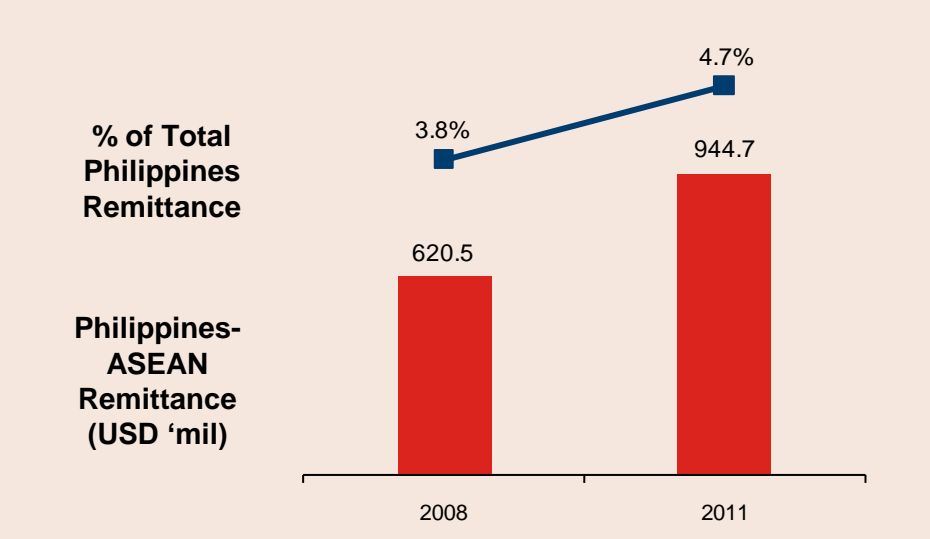
Goldman Sachs, 2012

Increasing Trade and Remittance Volume with ASEAN

Philippines-ASEAN Trade



Philippines-ASEAN Remittance

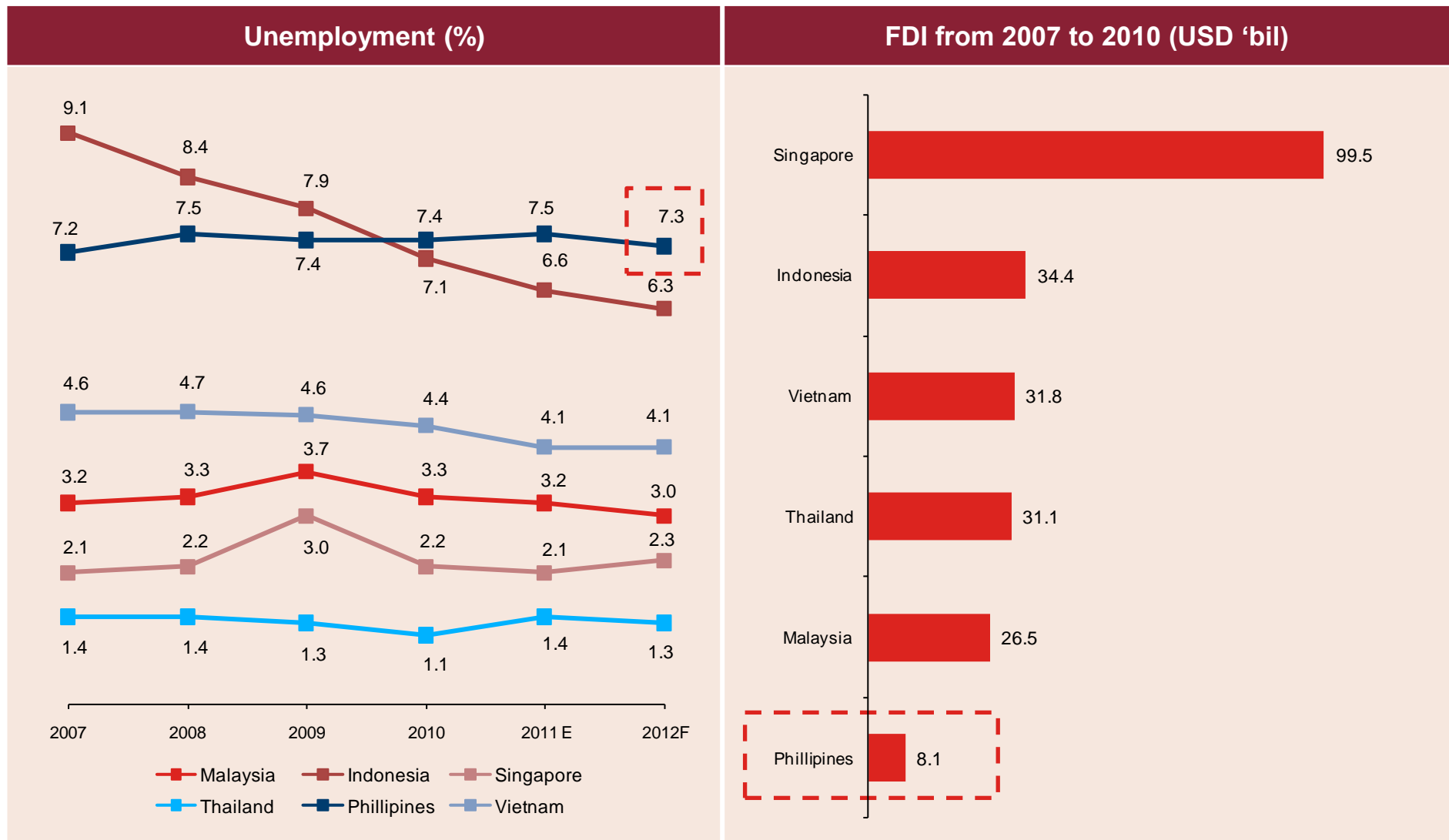


Improved Corruption Perception and Overall Competitiveness

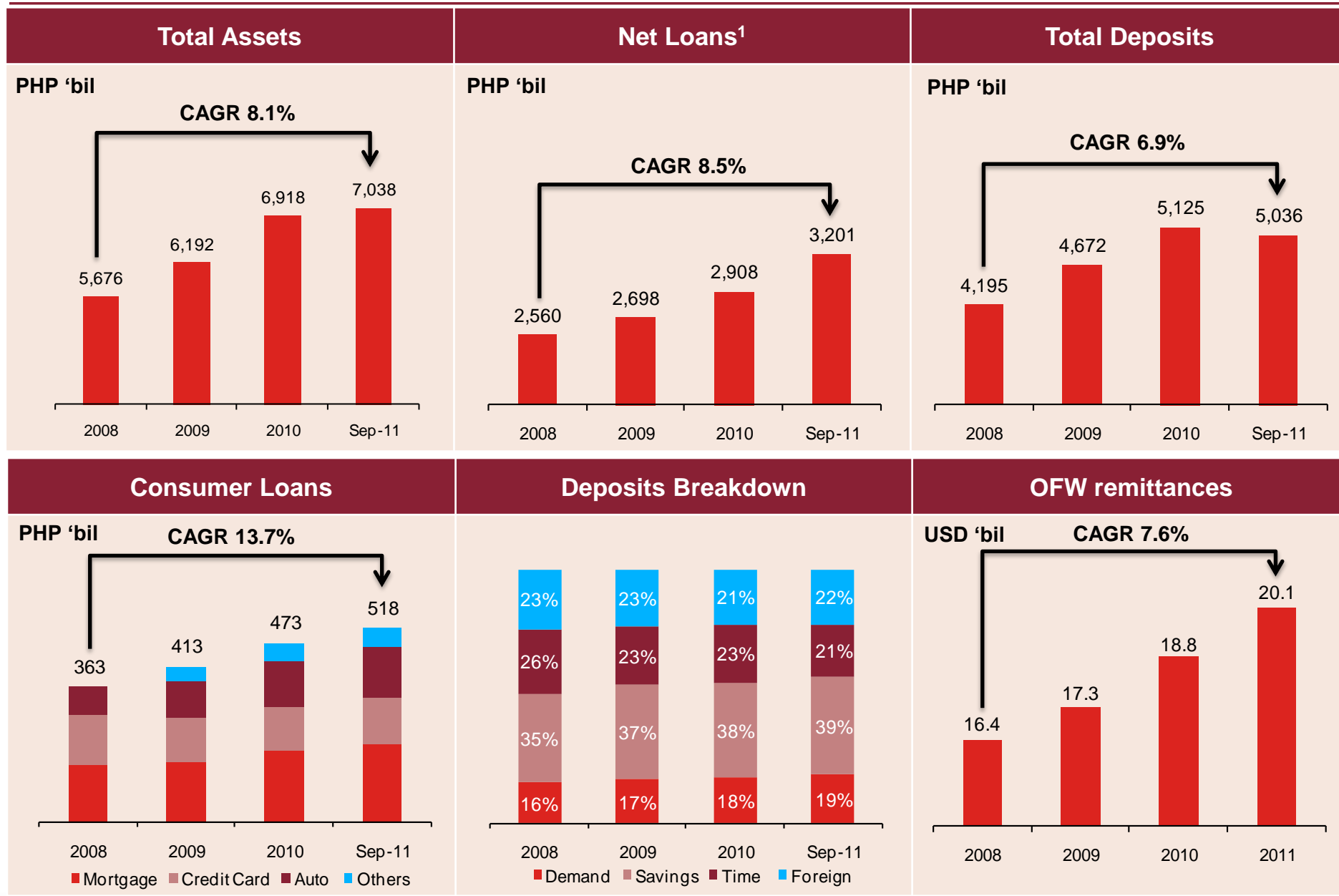
- World Economic Forum ranked the Philippines as 75th in the world in its 2011-2012 Global Competitiveness Report
- In the area of Macroeconomic Environment under the same report, Philippines improved 14 places to 54th in the world noting the country's improved national savings, managed inflation, low interest rate environment, lowering debt-to-GDP ratio, and credit ratings upgrade during the year

Corruption perception and overall competitiveness of ASEAN countries						
Countries	Corruption Index Ranking			Overall Competitiveness Index Ranking		
	2010	2011		2010	2011	
Singapore	3	5	↓	3	2	↑
Malaysia	56	60	↓	26	21	↑
Thailand	78	80	↓	38	39	↓
Indonesia	110	100	↑	44	46	↓
Vietnam	116	112	↑	59	65	↓
Philippines	134	129	↑	85	75	↑
Laos	154	154	↔	n.a	n.a	
Cambodia	154	164	↓	109	97	↑
Myanmar	176	180	↓	n.a	n.a	

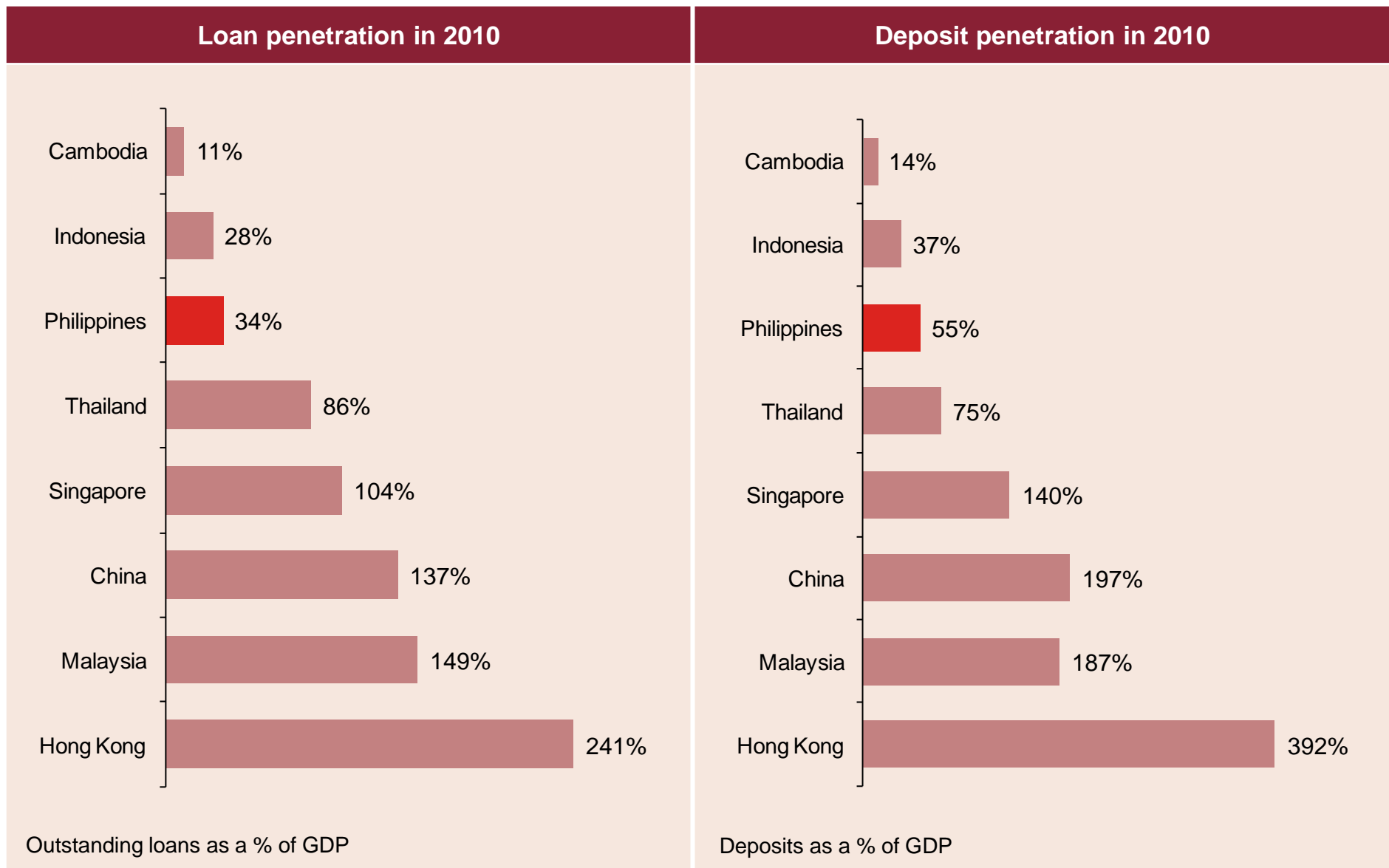
However Unemployment Rates and FDIs Remain An Issue



Philippines Banking Sector Has Yet To Take-Off



Overall Banking Penetration Is Still Low



OVERVIEW OF BOC

Overview of BoC



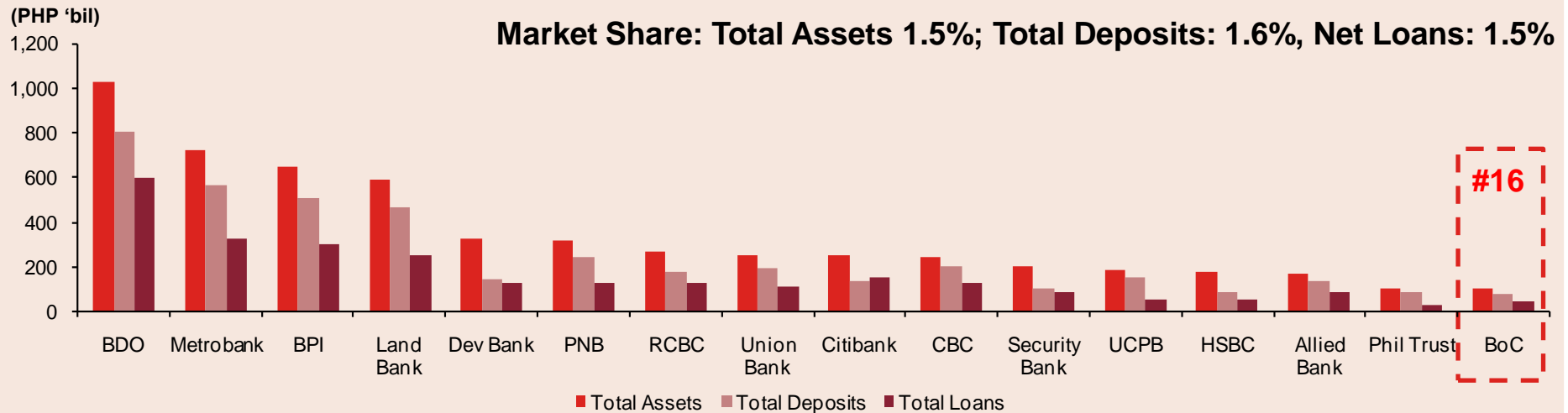
122 branches	300 ATMs	1,662 employees	~350k customers
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- 16th largest bank by total assets in Philippines
- Core business: Traditional deposit products, corporate banking, consumer banking, treasury, asset management, trust services, trade, and credit card service
- Owns 24.25% equity interest in Bancommerce Investment Corporation (“BIC”) which provides IB services
- 80.37% owned by SMC Group, 9.8% owned by Caritas Health Shield and 12.7% owned by minority shareholders

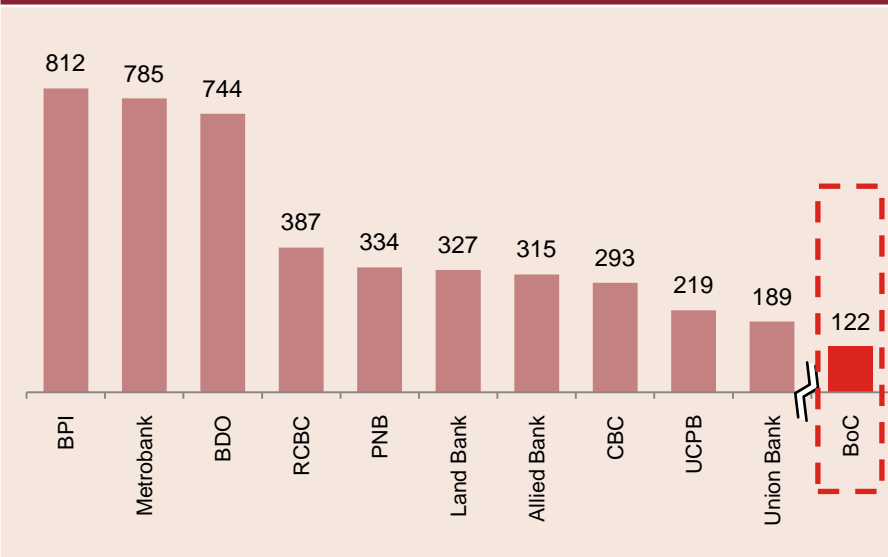
Recent History

2007	<ul style="list-style-type: none"> ▪ SMC Group injected capital into BoC for 34% stake
2008 - 2012	<ul style="list-style-type: none"> ▪ SMC Group injected further capital into BoC and gradually increase its stake to 80.37% ▪ SMC Group undertook various initiatives to clean up and deleverage the bank <ul style="list-style-type: none"> ▪ Orderly disposal of structured notes ▪ Management overhaul and workforce rationalisation ▪ Embarked on IT transformation programme
Present	<ul style="list-style-type: none"> ▪ Healthy capital position with CAR of 23% ▪ Low LDR (~45%) as SMC has been focusing on cleaning up the bank and exploring options for a partner to manage the bank

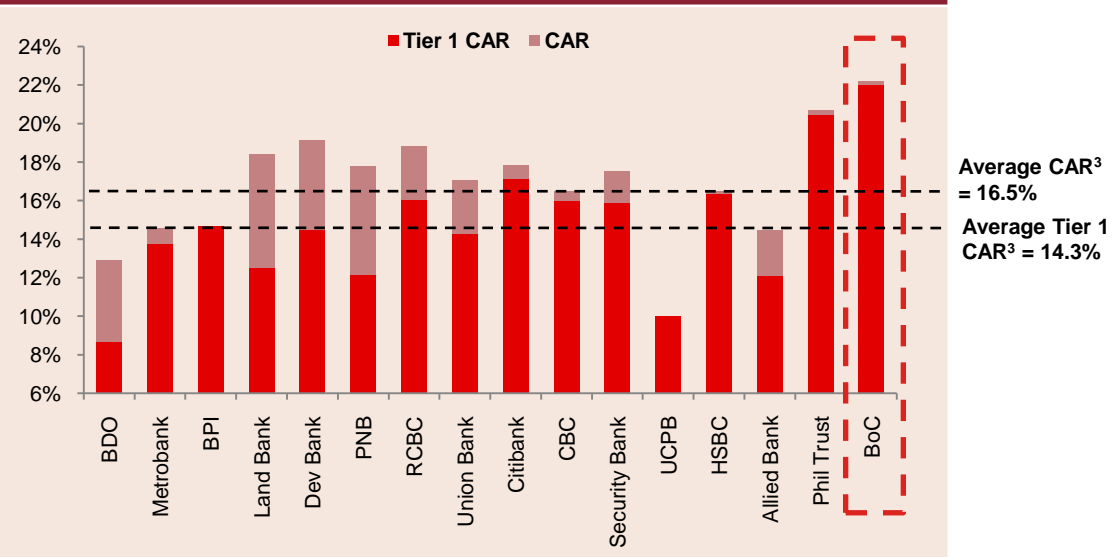
Total Assets, Total Deposits and Net Loans¹



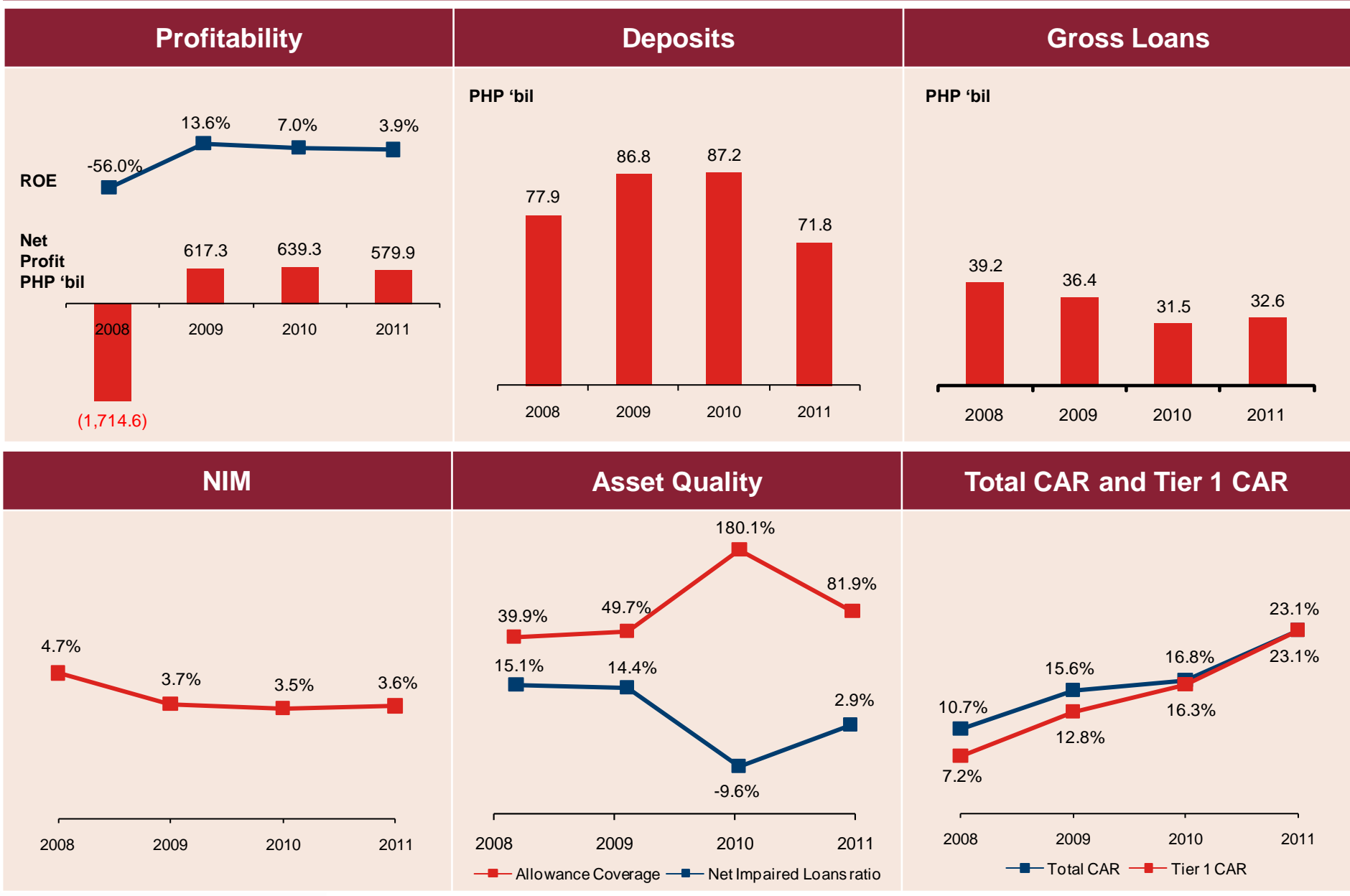
Branch Network²



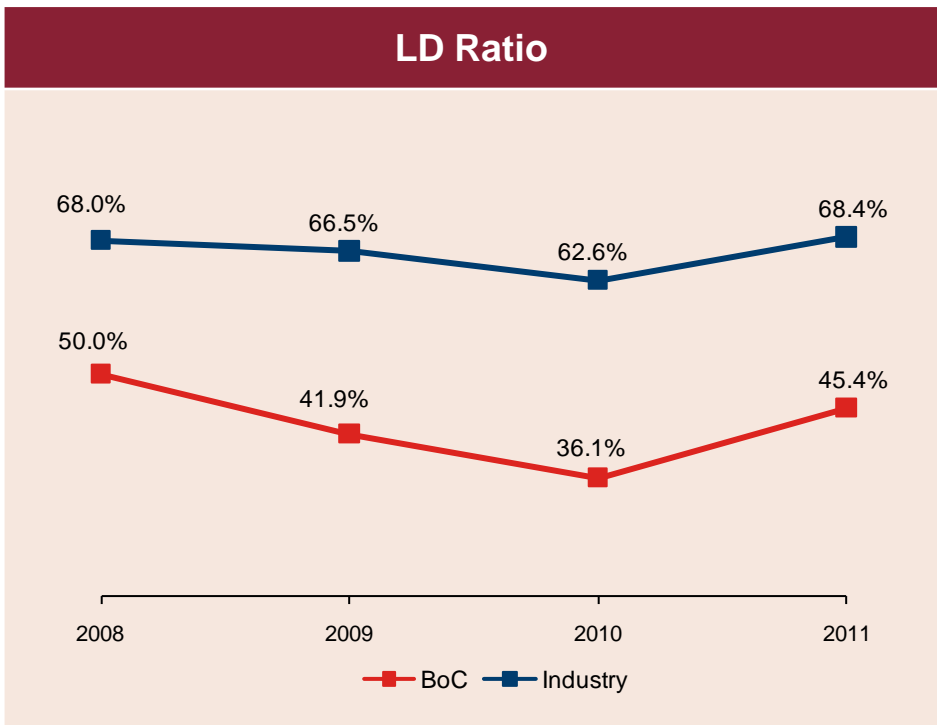
Capital Adequacy Ratio¹



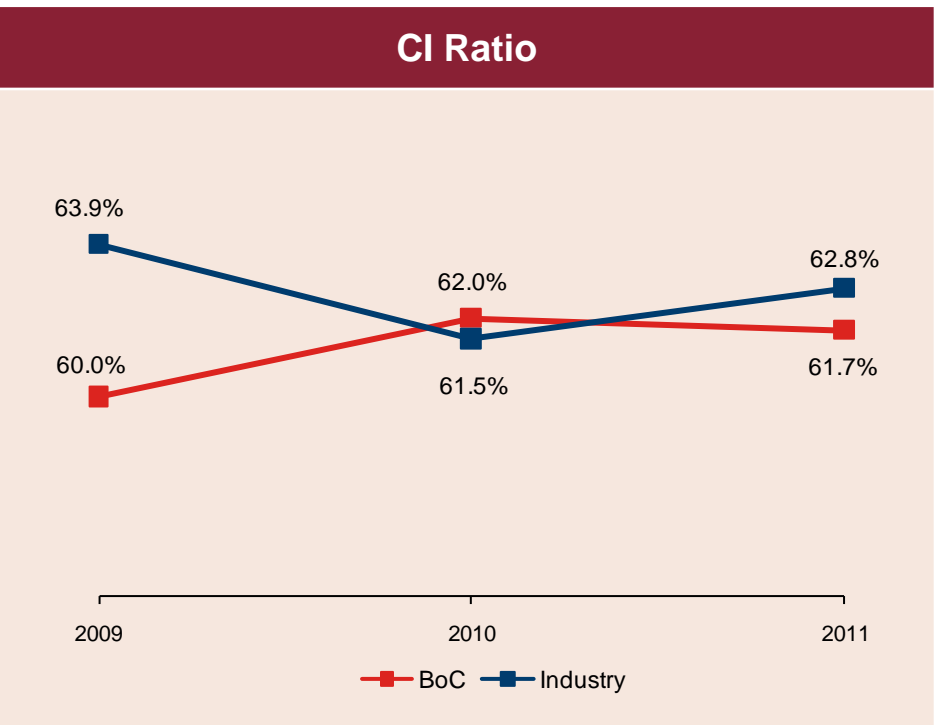
BoC Indicators (1)



BoC Indicators (2)



- Low LDR ~ 45% as BoC has not pursued aggressive loan growth
- Corporate and SME loans comprise ~95% of total loan book
- Significant growth potential to expand its retail loan portfolio

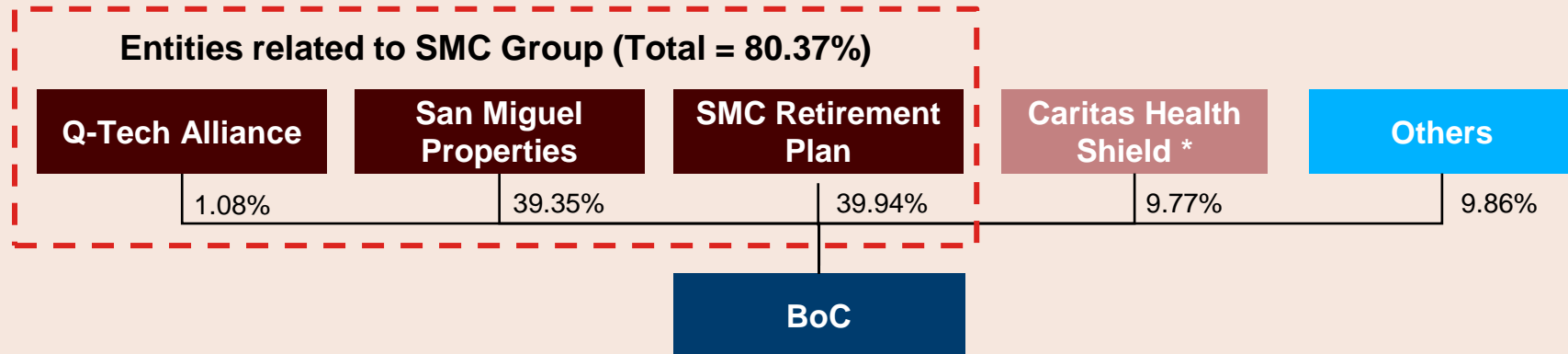


- Higher CI Ratio for Philippines banks relative to other ASEAN banks due to:
 - Continued reliance on counter service in branches
 - Under developed IT infrastructure to enhance operations efficiency

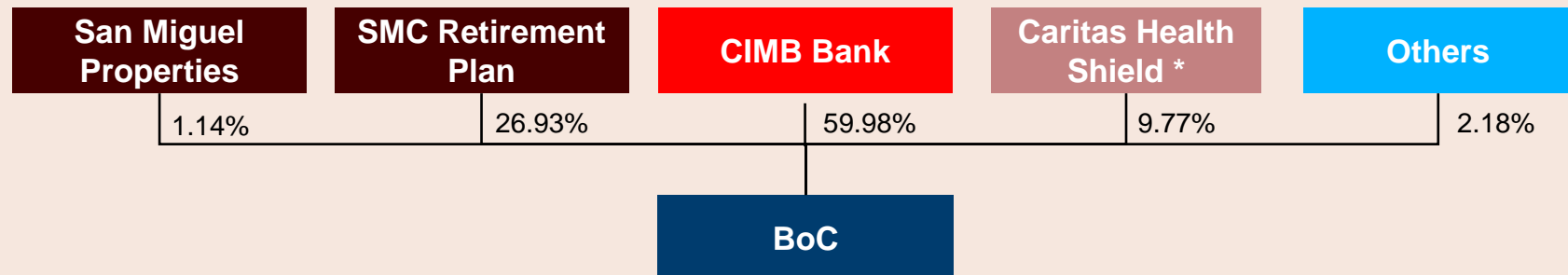
DETAILS OF ACQUISITION

Acquisition Structure

Current Shareholding Structure



Post Acquisition



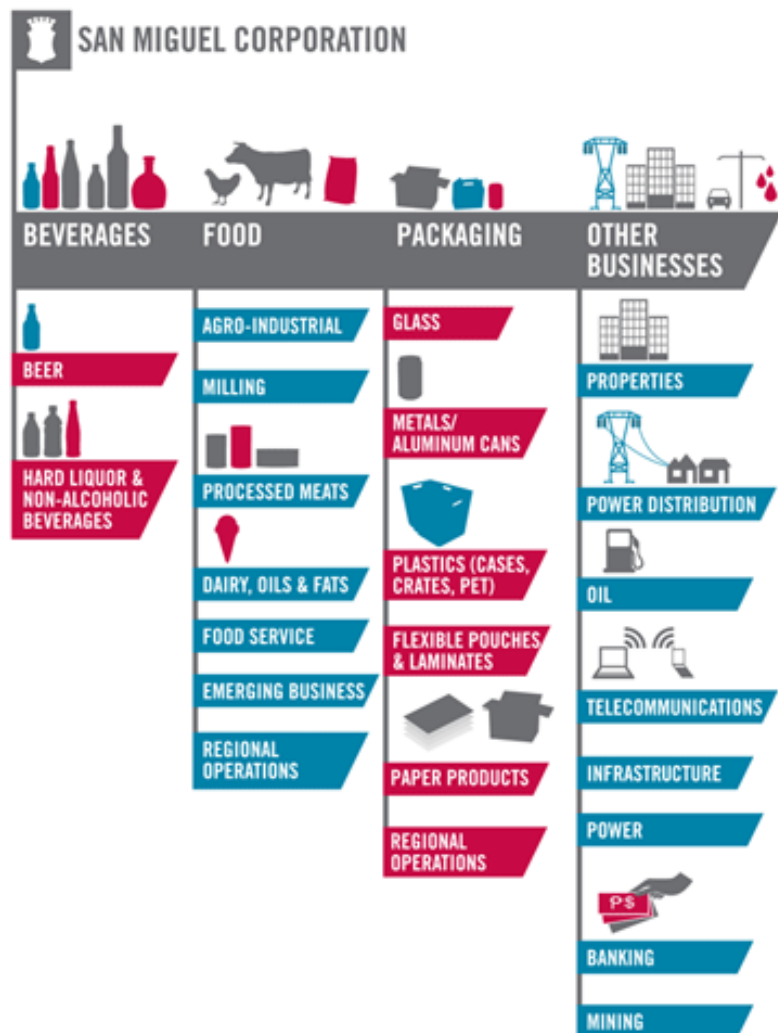
Purchase Consideration and Valuations

	RM 'mil
Purchase Consideration	881
59.98% book value	770
P/BV	1.14x

- We will be acquiring:
 - A ready banking platform in the Philippines
 - Low LD ratio and high capital for growth
 - Collaboration with one of the largest conglomerates in Philippines

- RM111 mil premium to book for controlling stake
- 2011 net P/E multiple of 35x as BoC operating at suboptimal levels
- Post alignment with CIMB's accounting and provisioning policies, P/BV could increase to about 1.30x

Overview of SMC Group



- Philippines' most diversified conglomerate and one of the largest publicly listed companies
- Total revenue in 2011 is PHP536 bil (RM38.8 bil) contributed about 5% to the country's GDP
- Subsidiaries and affiliates have very strong industry-leading positions in key sectors of the Philippine economy
- Has over 17,000 employees as of end 2011
- Growing presence in ASEAN

Key Businesses	2011 Revenue (PHP 'bil)	2010 Revenue (PHP 'bil)	Annual growth
Beverages	87.0	90.3	-4%
Food	89.6	80.4	11%
Power	71.4	66.1	8%
Packaging	24.1	23.4	3%
Fuel & Oil	274.0	229.1	20%



SMC Group recently completed an investment in PAL Holdings, the parent company of **Philippine Airlines Inc.** and **Air Philippines Corp**

Overview of the Collaboration Agreement with SMC



CIMB to be the preferred banking services provider for the SMC ecosystem		
Scope	<ol style="list-style-type: none"> 1) Channeling/referral of wholesale and retail banking opportunities 2) SMC companies shall provide relevant information necessary to undertake credit review of the vendors/dealers 3) Co-location of retail distribution points, e.g. setting up branches/ATMs at Petron stations 	
	Wholesale banking	Retail banking
Entities/Subjects	<ul style="list-style-type: none"> ▪ SMC Group ▪ Vendors/suppliers of the SMC Group ▪ Dealers/sub-dealers of the SMC Group 	<ul style="list-style-type: none"> ▪ Employees of the SMC Group and of affiliate companies of SMC ▪ Retail customers of the SMC Group
Products/Services	<ul style="list-style-type: none"> ▪ Loans and deposits ▪ Transaction banking ▪ Treasury ▪ Investment banking ▪ Securities services, e.g. trustee & custodial services 	<ul style="list-style-type: none"> ▪ Salary accounts ▪ Housing loans ▪ Car loans ▪ Staff personal loans ▪ Credit/debit cards

EFFECTS OF ACQUISITION

Proforma Financial Effects

31 Dec-11 (RM 'mil)			Proforma	BoC Contribution
Balance Sheet				
Total assets	300,203	6,928	307,131	2.31%
Gross loans	191,393	2,361	193,754	1.23%
Customer deposits	221,933	5,204	227,137	2.34%
Income Statement				
Total Income	12,122	353	12,475	2.91%
Net interest income *	7,947	234	8,181	2.95%
Net earnings	4,031	42	4,056	0.63%

Proforma Key Ratios

31 Dec-11 (%)			Proforma	Increase / (Decrease)
NIM	3.12	3.60	3.13	+0.01
Non-interest income / total income	34.4	33.8	34.4	-
Cost / Income	54.7	61.7	54.9	+0.20
Allowance coverage	81.1	81.9	81.1	-
Net impaired loans ratio	1.0	2.9	1.0	-
Loans to deposit ratio	86.2	45.4	85.3	-0.90
CASA ratio	34.5	67.3	35.3	+0.80

Proforma Financial Impact

Impact to Balance Sheet, P&L & Key Ratios	<ul style="list-style-type: none">Minimal impact to CIMB Group financials & key ratios
Estimated Capital Impact	<ul style="list-style-type: none">CIMB Bank's capital position remains strong post- transaction, well above the proposed internal targets and the minimum regulatory ratios for Basel 2<ul style="list-style-type: none">Under Basel 2<ul style="list-style-type: none">Core Tier 1 ratio and Tier 1 ratio remain unchangedRWCR: ~ 70 bps decline in FY2012No impact to CIMBGH's DL & Gearing ratio
Estimated EPS and ROE Impact	<ul style="list-style-type: none">EPS & ROE accretive from 2013 onwards<ul style="list-style-type: none">Expect only 3-4 months consolidation for 2012

BUSINESS PLAN

Initial Thoughts

- To be among the top 10 banks in the Philippines in terms of assets
- To be No.1 ASEAN universal bank of choice in the Philippines for local and regional customers
- Key focus areas : **Wholesale, Mass Affluent Retail and Remittance**

Supported by CIMB Group's UB platform

People

Leverage our product experts, e.g. Treasury, IB, retail

Branding / Marketing

Shared ASEAN branding customised for local market

Systems / Platforms

Regional ATM link, CIMB Clicks, 1Platform, etc

Products

CIMB Money Transfer, credit cards, CIMB Preferred , etc

							
Branches	321	630	157	2	7	122	1,239
ATMs	2,199	1,749	533	6	10	300	4,797
Staff	20,575	13,933	4,198	1,323	93	1,662	41,784
Customers	7.8 mil	4.2 mil	2.2 mil	277 k	3 k	350 k	14.8 mil

Detailed Plan Being Formulated

Overview of Business Strategy for Philippines

Wholesale Banking

- Tap into ready pool of corporates to offer integrated/ regional corporate banking products and IB services
- Strengthen transaction banking capabilities to enhance deposit-taking, especially CASA
- Systematically target the mid corporate/ SME especially those in the SMC ecosystem value chain, e.g. suppliers, dealers, retailers
- Position CIMB as the preferred ASEAN bank for cross-border transactions, e.g. trade finance, regional treasury products, etc
- Upgrade license from commercial to universal bank

Retail Banking

- Leverage regional strengths to simultaneously target 2 distinct market propositions in the Philippines:
 - Affluent segment – Replicate regional offerings in the Philippines, e.g. CIMB Preferred, regional credit card proposition, regional ATM link, etc
 - Regional remittance – Leverage our regional footprint and explore global partnerships to capture the vast cross-border remittance opportunities in the Philippines

TIMELINE

Indicative Timeline

Details	Indicative Timing
Signing of Definitive Agreements / Bursa Announcement	8 May 2012
Submission / application to regulatory authorities and any other relevant parties	Late May 2012
Regulatory approvals obtained (assume 3 months) #	Late Aug 2012
Completion	Late Aug 2012
Registration of shares	Late Sep 2012

FINAL REMARKS

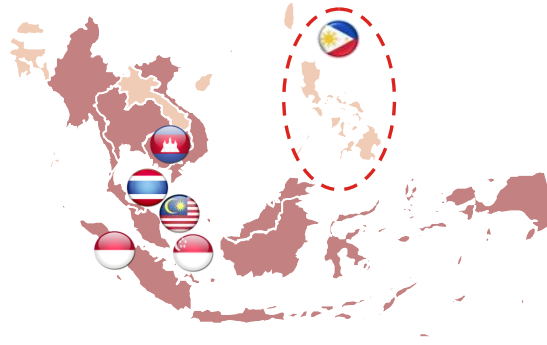
In Summary

High Growth Potential



- Banking market still underpenetrated
- 5th largest economy in ASEAN with a stable growth rate
- Stabilising political situation
- Increasing trading links with ASEAN

Widen Platform



- Increasing CIMB Group's presence in ASEAN to cover 99% of ASEAN population and almost 100% of ASEAN GDP
- Enhances our scale and position to capture intra-ASEAN flows

Strong Partnership



- Leverage on SMC companies' retail footprint to strengthen BoC's distribution capabilities
- Tap into SMC's >17,000 employee base for distribution of retail banking products
- Tap into SMC companies' vendors and clients base

Final Remarks

- Recent acquisitions of BOC and RBS IB for a total of RM1,730 mil cash
- No equity dilution, small goodwill addition and EPS neutral in 2012 and positive in 2013
- Enhanced CIMB Group's intrinsic franchise value
 - Effectively full coverage of ASEAN
 - Largest retail branch network in ASEAN
 - Largest APAC based IB
- No further (significant) acquisitions being contemplated

THANK YOU