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## **CIMB Group makes RM2.643 billion Net Profit for 9 Months FY10 Announces RM1 billion special dividend**

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group") today reported a net profit of RM2.643 billion for 9 Months FY10 (9MFY10), representing a 31.9% year-on-year ("Y-o-Y") growth and equivalent to net earnings per share ("EPS") of 37.2 sen. The annualised net return on equity ("ROE") of 16.7% is higher than the Group's full-year target of 16%. For 3Q10, the Group's net profit of RM916 million was 3.0% higher than 2Q10, and 26.0% above its 3Q09 net profit of RM727 million.

The Group has declared a special dividend of 13.45 sen (single tier) amounting to a net payment of RM1 billion. The dividend will be paid to shareholders before 31 December 2010.

The 9MFY10 results are the Group's first set of financials in full compliance with the Basel II framework, yet another step forward in the CIMB Group's commitment towards upholding the highest levels of corporate governance and transparency.

"We have posted another record quarter in net earnings. The other main highlights of 3Q10 are our adoption of Basel II standards, the improvements in our asset quality ratios and of course, the special dividend," said Dato' Sri Nazir Razak, Group Chief Executive CIMB Group. "The special dividend is a reward to shareholders for their patience as our recent pay-out ratios have been low because we were cautious ahead of our implementation of FRS139 in 1Q10 and Basel II, and about the direction of global banking reform which is now much clearer with the recent announcements on Basel III."

### **2) CIMB Group Y-o-Y Results**

CIMB Group's 9MFY10 revenues increased by 11.4% Y-o-Y to RM8.787 billion while the Group's profit before tax ("PBT") was 28.7% higher at RM3.499 billion.

For 9MFY10, the Group's Malaysian consumer bank PBT grew 20.2% Y-o-Y from a combination of sustained improvements in Retail Banking and Credit Cards as well as better recoveries at Group Special Assets Management ("GSAM"). Corporate & Investment Banking ("CIB") PBT was 74.3% higher Y-o-Y at RM746 million in line with the more robust regional capital markets over the past 9 months. PBT at Treasury and Investments declined 18.0% Y-o-Y to RM964 million mainly due to lower investment realisations during the period.

CIMB Niaga's contribution surged 111.1% Y-o-Y to RM1.178 billion from RM558 million previously attributed to the strong loans growth, operational improvements and continued favourable operating conditions. PBT from CIMB Thai jumped 190.5% Y-o-Y in 9MFY10 to RM61 million from RM21 million in 9MFY09. Asset Management and Insurance PBT was 51.9% lower Y-o-Y at RM62 million largely due to the non-recurrence of gains on change in accounting standards at CIMB Aviva last year.

CIMB Niaga remains the largest contributor to 9MFY10 Group PBT with 34% versus 21% in the previous corresponding period. The Malaysian Consumer Bank's contribution to Group PBT was slightly lower at 14% compared to 15% in 9MFY09, while Treasury and Investments declined to 27%. Contribution from CIB rebounded to 21% from 16% previously. Group Asset Management ("GAM") and Insurance fell to 2% from 5% while CIMB Thai's contribution increased from 1% to 2% Y-o-Y. The 9MFY10 total non-Malaysian contribution to PBT was 47% and it hit a record high of 53% in 3Q10 alone.

The Group's total gross loans expanded 11.7% Y-o-Y, largely driven by the 25.2% expansion (in RM terms) of CIMB Niaga's gross loans and the 15.0% growth in Malaysian consumer loans. Mortgages, credit cards and micro credit lending in Malaysia grew by 21.6%, 39.3% and 21.4% respectively Y-o-Y. Hire purchase loans grew by 8.9% Y-o-Y but business banking loans continued to decline by 4.7% Y-o-Y. Corporate loans declined by 2.9% Y-o-Y. The Group's overall net interest margins continued to improve to 3.34% from 3.26% previously underpinned by its higher margin Indonesian business.

Total Group's deposits grew by 16.7%, led by a 26.5% surge from CIMB Niaga as its deposit accumulation initiatives picked up pace. CIMB Bank's retail account balances grew 20.0% Y-o-Y as the Singapore retail franchise sustained its strong growth momentum. CIMB Thai's deposits shrank 9.9% but this was consistent with its strategy of reducing legacy high cost deposits.

The total loan impairment (under FRS139 policies) for the Group was RM418 million in 9MFY10. Although this is a 49.0% Y-o-Y decline versus the loan loss provision of RM820 million in 9MFY09, the numbers are not directly comparable due to differing accounting treatments. The Group's total annualised credit charge was 0.34%, much lower than the 0.60% full year target. The Group's gross impaired loans ratio was 6.6% for 9MFY10 down from 7.2% three months ago, with an impairment allowance coverage of 79.3%. The Group's cost to income ratio rose slightly to 54.8% compared to 53.0% in 9MFY09.

Under the new Basel II framework, CIMB Bank's risk weighted capital ratio stood at 15.0% while its Core Tier 1 capital ratio was 12.4% as at 30th September 2010. At the same time, CIMB Group's double leverage and gearing stood at 116.7% and 21.8% respectively.

### **3) CIMB Group Q-on-Q Results**

The Group's 3Q10 revenues of RM2.911 billion were 4.1% lower versus 2Q10, but net profits were 3.0% higher on a Q-o-Q basis at RM916 million.

The Group's Malaysian Consumer Banking division PBT fell by 13.9% Q-o-Q due to lower recoveries at GSAM and higher provisions for business banking accounts. Corporate and Investment Banking declined by 6.8% but Treasury and Investments surged 32.0%. CIMB Niaga's PBT contribution was 13.6% lower Q-o-Q due to the higher gains from legacy bond sales in 2Q10. GAM and Insurance PBT contributions declined 7.1% to RM26 million. CIMB Thai's PBT contribution (after GAAP adjustments) jumped by 75.0% Q-o-Q to RM35 million versus RM20 million in 2Q10.

#### **4) CIMB Niaga Results**

On 29 October 2010, CIMB Niaga reported a 9MFY10 net profit of IDR1,795 billion, a 55.8% Y-o-Y growth with a 9MFY10 net ROE of 19.8%. The stronger performance was attributed to the strong loans growth and lower provisions. On a sequential basis, the 3Q10 net profit of IDR666 billion was 10.1% higher than 2Q10 primarily due to stronger revenue and lower provisions.

CIMB Niaga's gross loans grew 29.2% Y-o-Y in 9MFY10 driven by strong performances from all retail and corporate segments. Gross NPL of 2.7% as at end-September 2010 was unchanged from end-March 2010 but was a slight improvement compared to 2.8% as at the corresponding period last year. CIMB Niaga continues to retain the 2nd lowest position in net NPL ratios amongst Indonesian banks while loan loss coverage was increased to 136.4% as at end-September 2010 compared to 96.8% as at end-September 2009.

CIMB Niaga's Tier 1 capital and risk weighted capital ratios stood at 10.0% and 12.6% respectively as at 30 September 2010.

#### **5) CIMB Thai Results**

On 19 October 2010, CIMB Thai announced a 9MFY10 net profit of THB894 million compared to a THB41 million loss in 9MFY09. This had included a THB508 million gain from the sale of the Sathorn building and BT Asset Management. For the 9-month period, CIMB Thai chalked revenue of THB5.245 billion, which was 1.9% lower Y-o-Y.

As at 30 September 2010, CIMB Thai's Tier 1 capital and risk weighted capital ratios (based on Basel II framework) were at 6.7% and 12.4% respectively.

#### **6) CIMB Islamic**

CIMB Islamic's Y-o-Y PBT jumped 128.7% to RM279 million as *Shariah*-compliant banking products continue to gain ground. CIMB Islamic's gross financing assets grew 83.4% Y-o-Y, accounting for 14.0% of total Group loans. Total deposits grew by 37.3% Y-o-Y to RM21.3 billion.

## **7) Market Shares**

CIMB Group's market shares in key areas remain strong for 9MFY10.

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 RM37.4 billion as at 30 June 2010, CIMB Islamic is the second largest Islamic bank in Malaysia with a 12% market share and the second largest Islamic mortgage player with a 17.7% market share. CIMB Islamic remained no 1 for Malaysian sukuk and is also 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, credit cards and SME loans and fourth in hire purchase financing.

In Singapore, CIMB Securities has the 3rd largest share of SGX trades and is number 4 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 1 stockbroker in Indonesia with the largest share of IDX trades.

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

## **8) Outlook**

"We remain on course for another good year, as we are in line to meet our key targets after 9 months and we have had a good 4Q so far especially in investment banking with major deals successfully completed in Hong Kong, Malaysia and Indonesia." said Nazir.

"Our focus is now on 2011 and how to build on our new benchmarks set this year, particularly in regional capital markets and Indonesian banking, and to revitalise some key areas including our Malaysian SME business and transaction banking in all our markets"

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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 up to RM1.94 billion via the issue of up to 268 million CIMB Group shares at RM7.25 per share. Upon completion, CIMB Group will hold up to 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 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).
- c. On 5 April 2010, CIMB Group completed the issuance of RM750 million cumulative subordinated fixed rate notes.
- d. On 29 June 2010, CIMB Niaga completed the issuance of Rp1.38 trillion of sub-debt.
- e. 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.
- f. 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.

- g. On 15 November 2010, CIMB Niaga announced a 1-for-17 rights issue of up to 1,407,933,156 new CIMB Niaga shares at IDR1,065 each.

### **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.
- 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.