

Thomas Aryanto

From: Omar Siddiq <omar.siddiq@cimb.com>
Sent: Friday, May 22, 2020 4:23 PM
To: AllStaff[CIMBGroup]
Subject: CIMB Group announces its 1Q2020 Financial Results

Good evening #teamCIMB,

As you are aware, we are currently living in unprecedented times and the industry has experienced a rather challenging start to the year. Today, the Group announced our 1Q20 results where we reported a net profit of RM508 mil, a 57.4% YoY decline which translates to an annualised return on equity (ROE) of 3.7%.

Our P&L is as follows: -

P&L FORWARD 23 1Q20			
(RM 'mil)	1Q20	1Q19	Y-o-Y
OPERATING INCOME	4,143	4,166	(0.6%)
OPERATING EXPENSES	(2,318)	(2,302)	0.7%
PPOP	1,825	1,864	(2.1%)
LOAN IMPAIRMENT	(968)	(300)	222.7%
OTHER PROVISIONS	(161)	34	(573.5%)
SHARE OF JV / ASSOCIATES	18	5	260.0%
PBT	714	1,603	(55.5%)
NET PROFIT	508	1,192	(57.4%)
ROE	3.7%	9.2%	(550BPS)

A few key highlights to note:

- In this challenging business environment, we reported a slight dip in operating income on the back of a 15.5% decline in non-interest income (NOII) due to weak trading income, especially in March 2020. This was partially cushioned by a rise in net interest income (NII) of 4.8%.

- Net interest margin (NIM) held up well, despite two OPR cuts in Malaysia, declining only 4bps YoY to 2.44%.
- Operating expenses (OPEX) remained under control but the Group's cost-to-income ratio (CIR) expanded to 56.0%, in line with weaker 1Q20 income.
- Gross loans and deposits continued to grow at 3.8% and 3.9% respectively, while we remain well capitalised with a CET1 ratio of 12.5%.
- Increased provisioning due to isolated credits also significantly impacted our PBT.

1Q20 Performance on a business segment basis:

PBT FORWARD23 BY SEGMENTS		
	Y-o-Y	% Contribution
CONSUMER BANKING	-8.5%	74%
COMMERCIAL BANKING	-127.4%	-12%
WHOLESALE BANKING	-84.7%	10%
GVP & FUNDING	-15.5%	28%

Consumer: Loans and deposits grew commendably by 5.4% and 5.6% YoY respectively. Operating income improved 8.1% YoY driven by NII (+8.0%) from loan growth and NOII (+8.7%) from improved wealth and bancassurance income. Consumer OPEX remained under control as we saw a rise in provisions due to the softer environment.





Commercial: Operating income saw a 4.0% growth, backed by Malaysia and Cambodia. OPEX was muted which led to a positive JAW. Gross loans shrunk by 4.8% YoY while deposits improved by 2.2%. Profit Before Tax (PBT) was impacted by isolated provisions which resulted in a decline of 127.4%.

Wholesale: Although NII improved by 10.2% from Corporate Banking's loan growth of 6.3% YoY, PBT was affected by the weaker NOII caused by the significant slowdown in Treasury & Markets activity particularly in March. Together with provisions, primarily from Indonesia, the gains in January and February were negated.

Group Ventures & Partnerships and Funding: PBT was 15.5% lower YoY due to higher expenses from Forward23-related investments, despite a 121.4% growth in NOII driven by higher trading income. Amongst CIMB's digital initiatives, Touch 'n Go Digital (TNGD), grew to 10.4 million users as at the end March 2020 from 6.8 million in December 2019, partly thanks to the Malaysian government's e-Tunai initiative. On a similar note, CIMB Philippines grew to 2.2 million customers.

1Q20 Performance by country:

PBT FORWARD 23 BY COUNTRY

	Y-o-Y	% Contribution
	-33.4%	76%
	-9.1%	44%
	+50.3%	29%
	-445.9%	-46%
OTHERS		-3%

Malaysia: Contributed 76% of the Group's 1Q20 PBT. However, the PBT shrunk by 33.4% YoY from weaker trading and FX income, higher Consumer provisions and lower NII from the two OPR cuts in 1Q20.

Indonesia: PBT declined 9.1% YoY from higher Corporate and Commercial provisions. On a QoQ basis however, lower provisions in 1Q20 resulted in an improvement to PBT.

Thailand: Impressive PBT growth of 50.3% YoY on the back of 6.5% loan growth, outperforming the industry's 1.5% loan growth as well as improved NOII due to treasury income.

Singapore: Significantly higher provisions from a Commercial customer heavily impacted the bottom line for 1Q20. Meanwhile, loans and deposits growth of 3.1% and 17.7% YoY outpaced the industry (2.5% and 7.3% respectively).

Our results vs FY20 targets are as below:

FY20 FORWARD 23 TARGETS

	1Q20	FY20 Target	
ROTCE	4.4%	10.8% – 11.3%	👎
ROE	3.7%	9.0 – 9.5%	👎
DIVIDEND PAYOUT RATIO	-	40.0 – 60.0%	
TOTAL LOAN GROWTH	3.8%	6.0%	👎
LOAN LOSS CHARGE	1.06%	0.40 – 0.50%	👎
CET1 (CIMB GROUP)	12.5%	>12.0%	👍
COST TO INCOME RATIO	56.0%	<53.4%	👎

In summary, 1Q20 was heavily impacted by lower trading and FX income in March as well as higher provisions. The rest of 2020 is expected to continue presenting challenges due to the ongoing COVID-19-driven global economic crisis impacting loan growth, NOII, higher provisions, and likely resulting in more OPR cuts.

To weather these uncertain times, we will be increasing our attention on managing our credit risks and engaging our customers upfront to assist them in dealing with the current situation. In addition, we will increase our focus on cost management to partially offset the shortfall on the top line. This includes deferring non-essential investments, with an added focus on efficiency. Likewise, we will continue to be vigilant on overall risk management and collections, as well as put additional emphasis on capital management and preservation.

Meanwhile, we are also incorporating necessary additional measures to adapt to the pandemic. People are our utmost priority, i.e. our customers, our communities, and of course, #teamCIMB. Most of you have been working offsite for the past 2 months in order to curb the spread of COVID-19. Our customers have been equally impacted by the economic slowdown and we continue to engage those affected with assistance programmes whilst easing processes for everyone else. We have also been active in contributions to the community directly and via CIMB Foundation, particularly towards the frontliners and the underserved.

What has become clear in the past few months is that we must rethink how CIMB does business in the 'new normal' of a world with COVID-19. As the Board of Directors and Group management review our Forward23 strategy, I cannot begin to thank all of you enough for the resilience and persistence you have shown in keeping our organisation operational. Your efforts have not gone unnoticed, and we sincerely appreciate your display of true #teamCIMB spirit, working together as one cohesive unit during these uncertain times.

Stay United, Stay Strong!

To all those celebrating, Selamat Hari Raya Maaf Zahir dan Batin.

For and on behalf of Group Executive Committee,

Omar Siddiq
Officer-In-Charge