

CIMB Group announces Net Profit of RM3.71 billion for first nine months of 2019 underpinned by strong operating income and steady loan growth

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for immediate release

- Net profit of RM3.71 billion in 9M19 with a 4.9% YoY growth (excluding the RM928 million one-off gain in 9M18), with annualised ROE of 9.1%
- Net profit was driven by strong operating income (+7.2% YoY) and reduced loan loss provisions (down 9.8% YoY)
- Lower loan loss charge of 0.38% in 9M19 compared to 0.45% in 9M18
- Steady loan growth of 5.6% YoY driven by Consumer and Wholesale Banking
- Group CET1 ratio strengthened to 13.1% as at 30 September 2019

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a Profit Before Tax (“PBT”) of RM4.90 billion for the first 9 months of 2019 (“9M19”), translating to a net Earnings Per Share (“EPS”) of 38.4 sen. This was underpinned by the Group’s strong operating income, steady loan growth and reduced provisions.

The Group recorded a strong operating income (+7.2% YoY) at RM13.27 billion, underpinned by growth in net interest income (“NII”) and non-interest income (“NOII”). NII grew 5.0% YoY to RM9.31 billion from the 5.6% loan growth, while the 12.8% improvement in NOII to RM3.96 billion came largely on the back of improved capital market activity. Net Interest Margin (“NIM”) slightly declined to 2.47% in 9M19 (*cf.* 2.52% in 9M18), mainly from the spread compression in Malaysia and Thailand.

Loan loss provisions declined 9.8% to RM1.03 billion, equivalent to a loan loss charge of 0.38%. The Group’s 9M19 net profit grew 4.9% YoY to RM3.71 billion or an annualised Return On average Equity (“ROE”) of 9.1%. These numbers exclude the one-off RM928 million gain from the partial sale of CIMB-Principal Asset Management (“CPAM”) and CIMB-Principal Islamic Asset Management (“CPIAM”) in 9M18.

Tengku Dato’ Sri Zafrul Aziz, Group CEO, CIMB Group said, “We are pleased to see the Group’s underlying performance remaining strong despite the challenging environment. The better performance was driven by higher net interest income and non-interest income, coupled with lower provisions. Our balance sheet growth remained strong with loans and deposits growing steadily, driven by our Malaysian Consumer business”.

The Group’s total gross loans grew by 5.6% YoY, with strong growth posted by Thailand (+9.0%) and Malaysia (+4.5%). Total deposits were 7.3% higher YoY, contributed by Malaysia (+8.9%) and Thailand (+6.1%). The Loan to Deposit Ratio (“LDR”) stood at 91.6% (*cf.* 93.1% at Sep-18), reflecting a strong liquidity position, with our CASA ratio strengthening to 34.3%. The Group’s gross impairment ratio stood at 3.2% as at end-September 2019, with an allowance coverage of 94.8%.

“The Group has been investing for the future to ensure we remain resilient and competitive. We are happy that the investments put in place, specifically in Touch ‘n Go, Philippines, Vietnam and Thailand, have already shown encouraging results. CIMB Philippines, through its digital banking proposition, has acquired more than a million customers within just 10 months of operations. The Group’s asset quality has also improved significantly from enhanced risk management initiatives,” said Tengku Zafrul.

The Group’s Commercial Banking PBT rose by 102.4% YoY to RM1.37 billion underpinned by significantly lower provisions and improved NOII. PBT at the Group’s Wholesale Banking division increased by 16.7% YoY to RM1.50 billion from lower corporate provisions and improved capital market activity which brought about a 14.2% growth in NOII. The OPR cut in Malaysia and increased provisions from MFRS9-related effects had an impact on the Group’s Consumer Banking with PBT declining 36.2% YoY to RM1.35 billion in 9M19.

CIMB Islamic 9M19 PBT increased by 24.5% YoY to RM945.3 million, driven by a strong 20.9% growth in operating income and 59.2% lower provisions. CIMB Islamic’s gross financing assets rose 8.5% YoY to RM76.9 billion, accounting for 21.3% of the Group’s total gross loans. Total deposits (including investment account) increased by 16.7% YoY to RM86.5 billion. CIMB’s “Islamic First” initiative continues to drive the business in Malaysia and Indonesia.

Malaysia saw stronger performances at Commercial and Wholesale, partially offset by weaker Consumer PBT, while non-Malaysia PBT contribution to the Group stood at 34% in 9M19 (cf. 32% in 9M18). Indonesia’s PBT was 6.2% higher YoY at RM963 million in 9M19 driven by stronger operating income, particularly from its Consumer business, while underlying provisions remained steady. Thailand’s PBT contribution of RM268 million was 18.8% lower YoY from weaker trading income and higher overheads. Total PBT contribution from Singapore was 11.5% higher YoY at RM359 million from better NIM.

As at 30 September 2019, CIMB Group’s total capital ratio stood at 16.7% while the Common Equity Tier 1 (“CET1”) capital ratio stood at 13.1%.

“We are pleased with our performance over the first nine months of this year despite the challenging operating environment. We remain on track to meet our key financial targets, while continuing to be vigilant on global uncertainties. Tangible progress has been made in all our Forward23-related investments to future-proof the Group. Going into 2020, we will continue to make the necessary investments, particularly in our people and technology, to ensure the Group’s resilience in anticipation of banking industry challenges,” concluded Tengku Zafrul.

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