

## **CIMB Group announces RM1,220 million Net Profit for 1HFY15**

Friday, 28 August 2015

*for immediate release*

- Continued Q-o-Q growth momentum with 2Q15 Business As Usual (“BAU”) net profit improving 12.1% from expansion in operating income and lower operating costs
- 8.2% Y-o-Y growth in 1H15 operating income from all operating divisions and countries, with an 11.1% Y-o-Y growth in BAU pre-provisioning operating profit (“PPOP”)
- Loan loss provisions were elevated in 1H15 mainly from Indonesia
- 1H15 annualised ROE stood at 8.7% excluding IB restructuring and MSS costs
- 1H15 loan growth of 12.2% Y-o-Y, with deposits increasing 6.2% excluding FX fluctuations
- First phase of operating cost rationalization under T18 initiative complete following internal reorganization and recently completed Mutual Separation Scheme (“MSS”)
- Outlook for the rest of 2015 remains cautious in view of regional economic uncertainties as well as continued asset quality concerns in Indonesia

### **1) Summary**

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM1.220 billion for the first half of 2015 (“1H15”), equivalent to a net earnings per share (“EPS”) of 14.4 sen. Excluding exceptional expenses of RM518 million (consisting RM202 million in restructuring expenses and RM316 million from the MSS, the Group’s BAU 1H15 net profit decreased by 17.7% year-on-year (“Y-o-Y”), on the back of a 8.2% Y-o-Y growth in operating income offset by increased provisions. The Group’s annualised BAU 1H15 net return on average equity (“ROE”) was 8.7%. The Group declared a first interim net dividend of 3.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme (“DRS”). The total interim dividend amounts to a net payment of RM255 million, translating to a dividend payout ratio of 20.9% of 1H15 profits.

"We posted a respectable 1H15 financial performance in an increasingly challenging operating environment on the back of continued Q-o-Q growth. Our core banking operations continue to make positive headway, particularly in Consumer and Wholesale Banking across the region. The 8.2% Y-o-Y increase in operating income was largely driven by the expansion in gross loans, while we are pleased to have kept core operating expenses firmly under control," said Tengku Dato’ Zafrul Tengku Abdul Aziz, Group Chief Executive, CIMB Group.

### **2) CIMB Group 1H15 Y-o-Y Results**

For comparative purposes, the Y-o-Y performance is based on BAU numbers for 1H15. CIMB Group’s 1H15 operating income grew 8.2% Y-o-Y to RM7.514 billion underpinned by a 17.3% expansion in non-interest income and a 4.4% growth in net interest income. The 6.0% Y-o-Y increase in operating expenses were largely due to higher personnel expenses from inflationary effects in Indonesia, bringing about an 11.1% improvement in the Group’s PPOP. However, the Group’s PBT was 18.0% lower at RM2.225 billion on the back of the higher corporate loan provisions from Indonesia.

The Group's regional Consumer Bank PBT increased by 15.3% Y-o-Y in 1H15 to RM925 million, making up 42% of Group PBT. Contributions were stronger from all geographies with the Indonesia consumer operations performing significantly better in addition to lower operational losses from Thailand. The regional Commercial Banking PBT was 14.1% lower Y-o-Y at RM304 million on the back increased provisions in Indonesia and Thailand. The Group's Regional Wholesale Banking PBT declined by 35.6% Y-o-Y to RM737 million attributed to increased Corporate Banking provisions and softer Treasury & Markets performance, while the Investment Banking operations improved from increased market activity after excluding the one-off restructuring costs. Group Asset Management and Investments ("GAMI") PBT was 6.7% lower Y-o-Y on asset revaluations, while Group Funding PBT declined 52.0% Y-o-Y due to higher cost of funds and lower investment returns.

PBT by Segments (RM 'mil)	1H15 BAU*	1H14	Y-o-Y
<b>Consumer Banking</b>	<b>925</b>	<b>802</b>	<b>15.3%</b>
<b>Commercial Banking</b>	<b>304</b>	<b>354</b>	<b>(14.1%)</b>
<b>Wholesale Banking</b>	<b>737</b>	<b>1,144</b>	<b>(35.6%)</b>
Corporate Banking	380	738	(48.5%)
Treasury & Markets	358	467	(23.3%)
Investment Banking	(1)	(61)	98.4%
<b>GAMI</b>	<b>126</b>	<b>135</b>	<b>(6.7%)</b>
<b>Group Funding</b>	<b>133</b>	<b>277</b>	<b>(52.0%)</b>

Notes: \* Excluding IB restructuring costs (RM202 mil) and MSS (RM316 mil)

Non-Malaysia PBT contribution to the Group was lower at 22% in 1H15 compared to 35% in 1H14, principally due to the 87.4% Y-o-Y decline in Indonesia's PBT to RM93 million from lower CIMB Niaga earnings. Thailand's PBT contribution declined 18.4% Y-o-Y to RM102 million following increased provisions in 1H15. Total PBT contribution from Singapore expanded by 36.9% to RM219 million as both the bank and securities operations performed better.

The Group's total gross loans (excluding the bad bank) expanded 16.5% Y-o-Y or 12.2% higher excluding FX fluctuations. Total deposits grew 9.6% Y-o-Y or 6.2% excluding FX fluctuations. The Group's loan to deposit ("LDR") ratio rose to 94.0% compared to 88.8% previously.

Gross Loans (RM 'bil)	Jun-15	Jun-14	Y-o-Y
Consumer Banking	138.2	121.1	14.1%
Commercial Banking	38.4	32.8	17.1%
Wholesale Banking	100.7	84.1	19.7%
<b>Total *</b>	<b>277.3</b>	<b>238.0</b>	<b>16.5%</b>

By Geography	Y-o-Y
Malaysia	10.4%
Indonesia ^	9.8%
Thailand ^	10.8%
Singapore ^	15.0%
Others**	47.5%

Deposits (RM 'bil)	Jun-15	Jun-14	Y-o-Y
Consumer Banking	124.6	112.4	10.9%
Commercial Banking	40.9	32.9	24.3%
Wholesale Banking	131.8	125.9	4.7%
<b>Total ~</b>	<b>297.3</b>	<b>271.2</b>	<b>9.6%</b>

By Geography	Y-o-Y
Malaysia	4.1%
Indonesia ^	12.2%
Thailand ^	11.4%
Singapore ^	15.4%
Others **	(8.7%)

Notes: \* Excluding FX fluctuations, total gross loans grew 12.2% Y-o-Y

~ Excluding FX fluctuations, total group deposits grew 6.2% Y-o-Y

^ In local currency

\*\* Including Labuan, London, Cambodia, HK & Shanghai

The Group's gross impairment ratio rose to 3.3% as at June 2015 from 3.1% in June 2014, with a higher allowance coverage of 86.1% as at June 2015. The Group's BAU cost to income ratio improved to 56.7% compared to 57.9% previously, as the growth in operating income outstripped the increase in operating expenses. The Group's Net Interest Margins ("NIM") were lower at 2.64% mainly due to the higher consumer deposit costs in Malaysia.

Key Operating Ratios (%)	1H15 BAU	1H14
Loan to Deposit (LDR)	94.0	88.8
Gross Impaired Loans Ratio	3.3	3.1
Allowance Coverage	86.1	84.1
Cost to Income	56.7	57.9
NIM ^**	2.64	2.88

Notes: ^ Annualised

\*\* Daily Average

As at 30 June 2015, CIMB Group's total capital ratio stood at 13.9% while the Common Equity Tier 1 ("CET1") capital ratio stood at 9.7%. This is higher than the 30 June 2014 CET1 ratio of 9.5% following the release of the regulatory reserves by Bank Negara Malaysia ("BNM") in 4Q14, as well as the continued DRS.

### 3) CIMB Group 2Q15 Q-o-Q Results

On a Q-o-Q basis, the 2Q15 operating income grew 4.2% to RM3.834 billion from a 6.0% expansion in non-interest income and a 3.3% increase in net interest income. The Consumer and Wholesale Banking PBT improved on the back of asset growth and lower corporate banking provisions. The Commercial banking PBT was lower from higher provisions in Thailand and Indonesia. 2Q15 BAU net profit was 12.1% higher Q-o-Q at RM877 million due to the improvement in operating income as well as lower operating expenses.

PBT by Segments (RM 'mil)	2Q15 BAU*	1Q15 BAU*	Q-o-Q
<b>Consumer Banking</b>	<b>491</b>	<b>434</b>	<b>13.1%</b>
<b>Commercial Banking</b>	<b>105</b>	<b>199</b>	<b>(47.2%)</b>
<b>Wholesale Banking</b>	<b>444</b>	<b>293</b>	<b>51.5%</b>
Corporate Banking	263	117	124.8%
Treasury & Markets	188	170	10.6%
Investment Banking	(7)	6	-ve
<b>GAMI</b>	<b>71</b>	<b>55</b>	<b>29.1%</b>
<b>Group Funding</b>	<b>88</b>	<b>45</b>	<b>95.6%</b>

Notes: \* Excluding 1Q15: IB restructuring costs (RM202 mil); 2Q15: MSS (RM316 mil)

#### 4) CIMB Islamic

CIMB Islamic's 1H15 Y-o-Y PBT decreased by 7.3% to RM257 million due to the slower Islamic capital markets activity. CIMB Islamic's gross financing assets increased by 12.5% Y-o-Y, accounting for 13.8% of total Group loans. Total deposits grew by 8.5% Y-o-Y to RM43.5 billion.

#### 5) Target 18 ("T18") And Key Organisation Changes

On 26 February 2015, Tengku Dato' Zafrul Tengku Abdul Aziz was confirmed as Group Chief Executive Officer ("CEO"). Dato' Sri Nazir Razak had taken over as Chairman of CIMB Group on 1 September 2014. On 20 July 2015, CIMB Group announced the appointment of Datuk Mohd Nasir Ahmad and Dato' Lee Kok Kwan as Independent Director and Non-Executive Non-Independent Director respectively.

On 6 February 2015, CIMB Group outlined its new T18 plans and key organization changes, with a mid-term target of achieving an ROE of 15%, CET1 ratio of over 11%, a cost to income ratio of below 50% and a 60% consumer banking income contribution by end-2018. The reorganisation exercise will see the creation of new regional divisions and key management changes across the Group. On 12 March 2015, the Group announced the appointment of Effendy Shahul Hamid as CEO, Group Asset Management & Investments and Kwan Keen Yew as Group Chief Compliance Officer. On 1 June 2015, Tigor M. Siahaan was appointed as President Director of CIMB Niaga.

As part of the T18 initiative, the Group closed its offices in Sydney and Melbourne in Australia, in line with the objective of reducing its Asia Pacific investment banking and equities operating cost by 30% in 2015. On 15 May, the Group announced a voluntary MSS to employees in Malaysia and Indonesia as part of the realignment of cost structures and operating efficiencies. On 1 July 2015, the MSS was completed with a total of 3,599 applications approved (1,891 in Malaysia and 1,708 in Indonesia).

## 6) Outlook

"2015 is turning out to be a testing year for the financial services industry. It is timely that we are on track in recalibrating our organisation to be leaner and more efficient. It is now even more crucial that we push through our T18 operational and structural realignment to ensure that our core operations remain strong in this difficult environment," said Tengku Zafrul.

"Our stance continues to be a cautious one, in light of the recent moderation of regional economies and softer capital markets. Our Malaysia operations remain robust, but we are mindful of potentially slower domestic consumption. CIMB Singapore continues to perform well as our businesses expand. Economic conditions may give rise to some challenges at CIMB Thai while asset quality concerns will remain a factor in CIMB Niaga on the back of continued economic uncertainty," said Tengku Zafrul.

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## APPENDIX

### Significant Corporate Developments in 2015

#### 1) Capital Management

- On 3 April 2015, CIMB Group Holdings Bhd redeemed its RM150 million subordinated notes.
- On 28 April 2015, CIMB Group issued and allotted 66,040,583 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY14. The new shares were listed and quoted on the Main Market of Bursa Securities on 29 April 2015.
- On 27 August 2015, CIMB Thai announced a rights issue of 3,689,853,654 new ordinary shares with a par value of THB 0.50 per share at a ratio of 7 rights shares for every 40 existing CIMB Thai shares held at an offer price of THB1 per share.

#### 2) Mergers and Acquisitions

- On 14 January 2015, CIMB Group announced the Board of Directors had decided to abort the proposed merger with RHB Capital and Malaysia Building Society Bhd (“MBSB”) in light of the economic conditions.
- On 1 April 2015, CIMB Group’s wholly owned subsidiary CIMB Real Estate Sdn Bhd completed the acquisition of the 40-storey commercial building called “Menara CIMB” for RM646 million.

#### 3) Others

- On 7 January 2015, Dagong Global Credit Rating Co. affirmed CIMB Bank’s long term local and foreign currency issuer default ratings of ‘AA’ and ‘AA-’ respectively. The outlook is stable.
- On 25 February 2015, CIMB Group confirmed the appointment of Tengku Dato’ Zafrul Tengku Abdul Aziz as Group CEO. On 12 March 2015, Effendy Shahul Hamid was appointed CEO, Group Asset Management & Investments and Kwan Keen Yew was appointed Group Chief Compliance Officer. On 1 June 2015, Tigor M. Siahaan was appointed as President Director of CIMB Niaga. On 14 July 2015, CIMB Group announced the resignation of Badlisyah Abdul Ghani as CIMB Islamic Bank’s CEO. On 20 July 2015, CIMB Group announced the appointment of Datuk Mohd Nasir Ahmad and Dato’ Lee Kok Kwan as Independent Director and Non-Executive Non-Independent Director respectively. On 21 August 2015, CIMB announced the resignation of Dato’ Sulaiman Mohd Tahir as CEO and Executive Director of CIMB Bank.

- On 2 March 2015, Fitch Ratings affirmed CIMB Thai's long-term and short-term national ratings at AA-(tha) and F1+(tha) respectively. The outlook is stable.
- On 13 April 2015, Fitch Ratings affirmed CIMB Niaga's long-term and short-term issuer default ratings at BBB and F3 respectively, as well as long-term and short-term national ratings at AAA(idn) and F1+(idn) respectively. The outlook is stable.
- On 15 May 2015, CIMB Group announced a MSS to all employees in Malaysia and Indonesia. On 1 July 2015, CIMB Group and CIMB Niaga completed the MSS with a total of 3,599 applications approved.
- On 9 June 2015, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency deposits ratings at Baa3 and P-3 respectively. The outlook is stable.
- On 10 June 2015, Moody's reaffirmed CIMB Thai's long-term and short-term foreign currency deposits ratings at Baa2 and P-2 respectively. The outlook is stable.
- On 16 June 2015, Moody's lowered CIMB Group Holdings long-term issuer rating from A3 to Baa1, driven by Moody's new bank rating methodology. On 2 July 2015, Moody's reaffirmed the rating and the positive outlook.
- On 16 June 2015, Moody's lowered CIMB Bank's A1/P-1 local currency rating to A3/P-2, driven by Moody's new bank rating methodology. On 2 July 2015, Moody's reaffirmed the long-term and short-term foreign currency ratings at A3 and P-2 respectively. The outlook is positive.
- On 16 June 2015, Moody's lowered CIMB Islamic Bank's A1/P-1 local currency rating to A3/P-2, driven by Moody's new bank rating methodology. On 2 July 2015, Moody's reaffirmed the long-term and short-term foreign currency ratings at A3 and P-2 respectively. The outlook is positive.
- On 10 July 2015, Moody's affirmed CIMB Investment Bank's long-term and short-term issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 7 August 2015, CIMB Group Holdings obtained an in-principle approval to establish and operate a 100%-owned subsidiary in Vietnam.