

CIMB Group announces RM3,914 million Profit Before Tax for FY15, after restructuring costs

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for immediate release

- 9.8% Y-o-Y growth in FY15 operating income coupled with well-contained operating expenses brought about a pre-provision operating profit growth of 19.3% Y-o-Y
- Cost to income ratio improved by 350bps to 55.6% for FY15 from the structural cost management initiatives and strict cost discipline
- Provisions remained elevated from Indonesia and Thailand, impacting the FY15 net profit
- 4Q15 net profit improved 237% Y-o-Y from higher operating income and lower provisions
- FY15 annualised ROE stood at 8.6% excluding restructuring costs
- Excluding FX fluctuations, FY15 loan growth was 6.6% Y-o-Y, with deposits increasing 6.9%
- Significantly strengthened capital position with CET1 at 10.3% as of end December 2015
- Second interim dividend of 11.0 sen, bringing FY15 dividend payout to 41.9%

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a Profit Before Tax (“PBT”) of RM3,914 million for financial year 2015 (“FY15”), translating to a net earnings per share (“EPS”) of 33.6 sen. After excluding exceptional expenses from restructuring and the Mutual Separation Scheme (“MSS”), the Business As Usual (“BAU”) pre-provision operating profit grew 19.3% Y-o-Y from a 9.8% growth in operating income coupled with a 3.3% (-0.5% excluding FX) growth in operating expenses. With the increased Y-o-Y provisions, the FY15 BAU net profit grew 8.0% Y-o-Y with a net return on average equity (“ROE”) of 8.6%. The Group declared a second interim net dividend of 11.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme (“DRS”). For FY15, the total dividends amounted to 14.00 sen or RM1,193 million, translating to a dividend payout ratio of 41.9% of FY15 profits.

"Despite the difficult operating conditions in 2015, we are heartened by the numerous positives we can draw upon, including reporting our highest ever operating income and the continued strong growth shown by all business segments, in particular our regional Consumer and Commercial Banking businesses. Further, in Investment Banking, we continue to defend our market share.

CIMB Group navigated a challenging 2015 with prudence through the implementation of our business recalibration strategies and very strong focus on cost and capital management. This is reflected in the lower cost structure of the Group, with a reported cost to income ratio of 55.6% and the strengthened CET1 ratio of 10.3%," said Tengku Dato' Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group FY15 Y-o-Y Results

For comparative purposes, the Y-o-Y performance is based on BAU numbers for FY15. CIMB Group's FY15 operating income grew 9.8% Y-o-Y to RM15,395 million underpinned by a 15.8% improvement in non-interest income and a 7.4% growth in net interest income. Operating expenses increased by a smaller 3.3% Y-o-Y largely due the foreign currency translation effects which raised both personnel and administrative & general expenses. This brought about the 19.3% improvement in the Group's Pre-Provisioning Operating Profit ("PPOP"). The Group's PBT was 7.5% higher at RM4,598 million, partially offset by increased corporate and commercial loan provisions.

The Group's regional Consumer Bank PBT increased by 18.1% Y-o-Y in FY15 to RM1,726 million, making up 38% of Group PBT. Contributions were stronger fuelled by the consumer operations in Malaysia, Indonesia and Singapore. The regional Commercial Banking PBT was 6.3% lower Y-o-Y at RM666 million largely attributed to higher provisions in Indonesia and Thailand. The Group's Regional Wholesale Banking PBT improved by 14.4% Y-o-Y to RM1,686 million from better performances at Corporate Banking and Investment Banking, while Treasury & Markets was softer on the back of weaker capital markets. Group Asset Management and Investments ("GAMI")'s PBT was 17.8% lower Y-o-Y due to the large gains from divestments in FY14, while Group Funding PBT declined 17.2% Y-o-Y due to higher cost of funds and lower investment returns.

PBT by Segments (RM 'mil)	FY15 BAU*	FY14 BAU^	Y-o-Y
Consumer Banking	1,726	1,462	18.1%
Commercial Banking	666	711	(6.3%)
Wholesale Banking	1,686	1,474	14.4%
Corporate Banking	932	744	25.3%
Treasury & Markets	801	875	(8.5%)
Investment Banking	(47)	(145)	67.6%
GAMI	226	275	(17.8%)
Group Funding	294	355	(17.2%)

Notes: * Excluding : IB restructuring costs (RM202 mil); MY MSS cost (RM316 mil); ID MSS cost (RM166 mil)

^ Excluding : Gain from sale of Karawaci building (RM66 mil), Gain from sale of CIMB Insurance Brokers (RM61 mil) and IB goodwill impairment (RM128 mil)

Non-Malaysia PBT contribution to the Group was lower at 21% in FY15 compared to 28% in FY14, principally due to the 53.4% Y-o-Y decline in Indonesia's PBT to RM393 million from lower CIMB Niaga earnings. Thailand's PBT contribution was also 31.1% lower Y-o-Y at RM153 million given the higher provisions in FY15. Total PBT contribution from Singapore was 9.9% higher at RM378 million from continued performance improvement at the bank.

The Group's total gross loans (excluding the bad bank) expanded 12.8% Y-o-Y or 6.6% excluding FX fluctuations. Total deposits grew 12.6% Y-o-Y or 6.9% excluding FX fluctuations. The Group's loan to deposit ("LDR") ratio remained relatively unchanged at 92.9% compared to 93.0% previously.

Gross Loans (RM 'bil)	Dec-15	Dec-14	Y-o-Y
Consumer Banking	147.8	130.1	13.6%
Commercial Banking	40.0	37.1	7.8%
Wholesale Banking	107.0	94.1	13.7%
Total *	294.8	261.3	12.8%

By Geography	Y-o-Y
Malaysia	9.1%
Indonesia ^	0.6%
Thailand ^	4.5%
Singapore ^	2.2%
Others**	10.6%
Group ^^	6.6%

Deposits (RM 'bil)	Dec-15	Dec-14	Y-o-Y
Consumer Banking	135.2	119.2	13.4%
Commercial Banking	44.0	37.8	16.4%
Wholesale Banking	141.3	127.7	10.6%
Total	320.5	284.7	12.6%

By Geography	Y-o-Y
Malaysia	6.4%
Indonesia ^	2.2%
Thailand ^	(7.4%)
Singapore ^	8.8%
Others **	63.3%
Group ^^	6.9%

Notes:

* Gross loans excludes bad bank

^ In local currency

** Including Labuan, London, Cambodia, Hong Kong & Shanghai

^^ Excluding FX fluctuations

The Group's gross impairment ratio reduced to 3.0% as at December 2015 from 3.1% in December 2014, with a higher allowance coverage of 84.7% as at December 2015. The Group's BAU cost to income ratio improved to 55.6% compared with 59.1% in FY14, as the cost management initiatives continue to gain traction. The Group's Net Interest Margins ("NIM") were lower at 2.66% driven mainly by the higher cost of deposits in Malaysia.

Key Operating Ratios (%)	FY15 BAU	FY14 BAU
Loan to Deposit (LDR)	92.9	93.0
Gross Impaired Loans Ratio	3.0	3.1
Allowance Coverage	84.7	82.7
Cost to Income	55.6	59.1
NIM **	2.66	2.80

Notes: ** Daily Average

As at 31 December 2015, CIMB Group's total capital ratio stood at 15.2% while the Common Equity Tier 1 ("CET1") capital ratio stood at 10.3%.

3) CIMB Group 4Q15 Performance

On a Q-o-Q basis, 4Q15 operating income grew 5.2% to RM4,041 million arising from a 14.7% growth in non-interest income and a 1.6% increase in net interest income. The Consumer Banking and Commercial Banking PBT were 3.8% and 10.3% lower respectively due to higher provisions during the quarter. Wholesale Banking PBT grew 4.2% on the back of a stronger performance in Treasury & Markets and Investment Banking in 4Q15. 4Q15 BAU net profit was 5.8% lower Q-o-Q at RM850 million attributed to the higher provisions.

On a Y-o-Y basis, 4Q15 operating income was 14.0% higher at RM4,041 million on the back of a 9.6% increase in net interest income and a 25.4% growth in non-interest income. The Consumer Banking PBT expanded by 22.4% Y-o-Y due to asset growth across all geographies and better cost controls. Wholesale Banking PBT posted a RM468 million PBT in 4Q15 compared to a loss in 4Q14 owing to lower Corporate Banking provisions and improved Treasury & Markets and Investment Banking operations. Commercial Banking PBT was 7.9% lower due to higher provisions in 4Q15. As a result, the 4Q15 BAU net profit of RM850 million was 237.3% higher Y-o-Y from the RM252 million in 4Q14.

PBT by Segments (RM 'mil)	4Q15 BAU*	3Q15 BAU*	4Q14 BAU^	Q-o-Q	Y-o-Y
Consumer Banking	404	420	330	(3.8%)	22.4%
Commercial Banking	175	195	190	(10.3%)	(7.9%)
Wholesale Banking	468	449	(169)	4.2%	+ve
Corporate Banking	223	336	(248)	(33.6%)	+ve
Treasury & Markets	241	153	130	57.5%	85.4%
Investment Banking	4	(40)	(51)	+ve	+ve
GAMI	35	65	49	(46.2%)	(28.6%)
Group Funding	82	80	(14)	2.5%	+ve

Notes: * Excluding : 3Q15 ID MSS cost (RM134 mil); 4Q15 ID MSS cost (RM32mil)

^ Excluding : Gain from sale of Karawaci building (RM66 mil), Gain from sale of CIMB Insurance Brokers (RM61 mil) and IB goodwill impairment (RM128 mil)

4) CIMB Islamic

CIMB Islamic's FY15 Y-o-Y PBT increased by 2.9% to RM541 million from improved performance in the Consumer segment. CIMB Islamic's gross financing assets increased by 10.8% Y-o-Y, accounting for 13.6% of total Group loans. Total deposits grew by 7.1% Y-o-Y to RM44.2 billion.

5) Target 18 (“T18”) And Key Organisation Changes

On 26 February 2015, Tengku Dato’ Sri Zafrul Aziz was confirmed as Group Chief Executive Officer (“CEO”). Dato’ Sri Nazir Razak took 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 organisation 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 saw 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. On 4 January 2016, Mohamed Rafe bin Mohamed Haneef was appointed as CEO/ED of CIMB Islamic Bank and CEO, Group Islamic Banking. On 20 January 2016, Tengku Dato’ Sri Zafrul Tengku Abdul Aziz was appointed as CEO of CIMB Bank Berhad.

As part of the T18 Cost and Productivity 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 business related operating costs. On 15 May 2015, 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 3,614 applications approved (1,908 in Malaysia and 1,706 in Indonesia). Overall, the Group’s staff strength decreased by 8.6% Y-o-Y from a combination of the MSS and natural attrition.

6) Outlook

“In line with further deceleration in growth and volatility in markets, it was timely that we embarked on our Group-wide T18 recalibration initiative. This has allowed us to enter 2016 on a firmer footing; with a lower cost structure and an improved capital position. Looking ahead, by country, we expect CIMB Malaysia and Singapore to remain solid. In Indonesia, we expect performance to improve albeit on lower provisions while Thailand’s asset quality will be closely monitored amidst economic uncertainty.

The Group’s focus for the year will be the execution of key T18 projects in areas like Transaction Banking, Commercial Banking and Digital Banking with continued vigilance on asset quality, cost management and capital management,” 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. The exercise was completed on 6 November 2015.
- On 4 September 2015, CIMB Bank PLC successfully issued USD7.0 million Tier 2 subordinated debt, intended to qualify as a Tier 2 capital for CIMB Bank PLC for the purpose of computation of minimum Solvency Requirements by the National Bank of Cambodia (“NBC”).
- On 23 October 2015, CIMB Group issued and allotted 37,480,662 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the First Interim Dividend announcement for FY15. The new shares were listed and quoted on the Main Market of Bursa Securities on 26 October 2015.
- On 2 November 2015, CIMB Bank fully settled its USD200 million subordinated loan to SBB Capital Corporation (“SCC”) concurrent with the redemption of SCC’s Preference Shares on the first optional redemption date.
- On 23 December 2015, CIMB Bank redeemed in full the RM1.0 billion 10 years tranche Subordinated Debt on its first optional redemption date.
- On 23 December 2015, CIMB Group completed a RM2.0 billion Subordinated Debt issuance under the newly set-up Basel III-Compliant Tier 2 Subordinated Debt Programme.

2) Others

- 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 4 January 2016, Mohamed Rafe bin Mohamed Haneef was appointed as CEO, Group Islamic Banking and CEO/ED of CIMB Islamic Bank. On 20 January 2016, Tengku Dato' Sri Zafrul Tengku Abdul Aziz was appointed as CEO of CIMB Bank Berhad.
- On 7 August 2015, CIMB Group Holdings obtained an in-principle approval to establish and operate a 100%-owned subsidiary in Vietnam.
- On 17 November 2015, CIMB Group Holdings entered into a strategic collaboration agreement with Philippine Long Distance Telephone Company ("PLDT") to offer digital financial solutions in the Philippines and across ASEAN.
- On 1 December 2015, RAM affirmed CIMB Group Holdings' long-term and short-term financial institution ratings at AA1/P1, RM3.0 billion Subordinated Notes Programme rating at AA3/- and RM6.0 billion Conventional and Islamic Commercial Papers/ Medium Term Notes Programme rating at AA1/P1. RAM also affirmed CIMB Bank's, CIMB Islamic Bank's and CIMB Investment Bank's long-term and short-term financial institution ratings at AAA/P1 and CIMB Bank's RM10 billion Basel III compliant Tier 2 Subordinated Debt Programme rating at AA1. The outlook of all entities is stable.
- On 11 December 2015, MARC assigned CIMB Group Holdings' RM10.0 billion Basel III compliant Tier 2 Subordinated Debt Programme a final rating of AA. The outlook is stable.
- On 16 December 2015, Fitch Ratings affirmed CIMB Niaga's long-term and short-term issuer default ratings at BBB/F3, as well as long-term and short-term national ratings at AAA(idn)/F1+(idn). The outlook is stable.
- On 21 December 2015, S&P affirmed CIMB Bank's long-term and short-term local and foreign currency ratings at A-/A-2 and long-term and short-term ASEAN regional ratings at aXAA/aXA-1 with stable outlook. S&P also affirmed CIMB Investment Bank's long-term and short-term local and foreign currency ratings at A-/A-2 and long-term and short-term ASEAN regional ratings at axAA/axA-1 with stable outlook.
- On 5 January 2016, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency deposits ratings at Baa3/P-3. The outlook is stable.

- On 11 January 2016, Moody's affirmed the long-term and short-term foreign and domestic currency deposits ratings of CIMB Bank at A3/P-2 and senior unsecured debt ratings at A3. Moody's affirmed the long-term and short-term issuer ratings of CIMB Group Holdings Berhad at Baa1/P-2. Moody's affirmed the long-term and short-term foreign and domestic currency deposits ratings of CIMB Islamic Bank at A3/P-2. The outlook was revised from positive to stable, following the change in outlook for Malaysia's rating.
- On 28 January 2016, Moody's affirmed CIMB Investment Bank's long-term and short-term issuer rating at A3/P-2. The outlook is stable.