

CIMB Group announces RM3.107 billion Net Profit for FY14

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for immediate release

- FY14 BAU pre-provisioning operating profit (“PPOP”) was 3.2% lower Y-o-Y despite the challenging external environment which impacted non-interest income
- FY14 BAU ROE stood at 9.3% as BAU net profit declined 24.6%. Reported net profit 31.6% lower from higher provisions and goodwill impairment.
- Operating expenses well contained on a BAU basis, rising 0.6% Y-o-Y on better controls.
- Strong capital position with CET1 ratio rising to 10.1% with release of regulatory reserves (compared to 8.0% as at Dec-13).
- 2015 prospects remains challenging with slowing economic growth and nearer term asset quality concerns in Indonesia.
- Better positioned to face impending headwinds with Target 2018 (“T18”) initiatives to recalibrate the Group’s organisational structure and address operational efficiencies.

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM3.107 billion for Financial Year 2014 (“FY14”), equivalent to a net earnings per share (“EPS”) of 37.5 sen. Excluding exceptional gains in both FY14 and FY13, the Group’s Business As Usual (“BAU”) FY14 net profit decreased by 24.6% year-on-year (“Y-o-Y”). The Group’s annualised FY14 net return on average equity (“ROE”) was 9.2%.

"2014 was a difficult year for the Group, with profitability impacted by slower revenues and a sharp increase in provisions for corporate banking loans in CIMB Niaga as well as in Malaysia. This was partially exacerbated by the weakened Rupiah. Capital markets continued to be challenged by low volumes and volatility which affected the IB and Treasury & Markets operations. However, we remain heartened by positive performances at the Malaysian consumer bank and CIMB Bank Singapore, while CIMB Thai is showing operational traction," said Tengku Dato’ Zafrul Tengku Abdul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group FY14 Y-o-Y Results

For comparative purposes, the Y-o-Y performance is based on BAU numbers for both FY14 and FY13. CIMB Group’s FY14 operating income was 1.0% lower at RM14.019 billion. Net interest income rose 6.1% while non-interest income declined by 14.9%, attributed to an overall softening in both treasury and equity market activity as well as lower bancassurance fees in Indonesia. CIMB Niaga’s contribution to the Group was also impacted by an 8.9% (average rate) Y-o-Y foreign exchange depreciation in the Rupiah. Operating expenses were better controlled, rising 0.6% Y-o-Y. As such, the Group’s Pre Provision Operating Profit (“PPOP”) was 3.2% lower. However, the Group’s PBT declined by 23.0% at RM4.277 billion owing to a jump in corporate loan provisions from Indonesia and Malaysia.

The Group's regional Consumer Bank PBT reduced by 0.6% Y-o-Y in FY14 to RM2.258 billion, making up 53% of Group PBT (from 41% in FY13). The stronger contributions from consumer operations in Malaysia, Singapore and Thailand were offset by a decline in Indonesia due to the effects from bancassurance regulations and currency translation. The Group's Regional Wholesale Banking PBT declined by 40.9% Y-o-Y to RM1.606 billion attributed to increased corporate banking provisions and softer capital market conditions. Investments PBT was down 26.5% Y-o-Y. The overall contribution of the Group's core corporate and consumer banking business has increased from 66% to 69% of total PBT.

PBT by Segments (RM 'mil)	FY14*	FY13**	Y-o-Y
Consumer Banking	2,258	2,271	(0.6%)
Malaysia	1,850	1,721	7.5%
Indonesia	298	578	(48.4%)
Thailand	20	(23)	n.a.
Singapore	77	(8)	n.a.
Others	13	3	333.3%
Wholesale Banking	1,606	2,718	(40.9%)
Investment Banking	(21)	204	n.a.
Corporate Banking	700	1,382	(49.3%)
Treasury & Markets^	927	1,132	(18.1%)
Investments *	413	562	(26.5%)

Notes: * FY14 - Excluding gains from sale of Karawaci building (RM66 mil), gains from sale of CIMB Insurance Brokers (RM61 mil) and IB goodwill impairment (RM128)

** FY13 - Excluding gains from sale of CIMB Aviva (RM515 mil) and restructuring charges (RM217 mil)

^ Excluding customer flows

Non-Malaysian PBT contribution to the Group was lower at 28% in FY14 compared to 38% in FY13, largely due to the 52.6% Y-o-Y decline in Indonesia's BAU PBT to RM838 million from the lower CIMB Niaga earnings and the Rupiah's depreciation. Thailand's PBT contribution to the Group declined 37.2% Y-o-Y to RM213 million due to extraordinary gains accounted in FY13, increased provisions and weaker earnings at CIMB Securities (Thailand). Total PBT contribution from Singapore expanded by 40.4% to RM323 million underpinned by the 60.1% Y-o-Y PBT growth in CIMB Bank Singapore.

The Group's total gross loans (excluding the declining bad bank loan book) expanded 13.2% Y-o-Y. Over the same period, total deposits grew 7.3% Y-o-Y. As such, the Group's loan to deposit ("LDR") ratio increased to 93.0% from 88.4% previously.

Gross Loans by Business (RM 'bil)	Dec-14	Dec-13	Y-o-Y
Retail Financial Services	133.3	116.8	14.1%
Commercial Banking	46.8	39.8	17.6%
Wholesale	81.9	74.8	9.5%
Total Gross Loans*	262.0	231.4	13.2%

Growth by Geography	Dec-14
Malaysia	7.1%
Indonesia^	12.4%
Thailand^	11.0%
Singapore^	14.5%
Others~	53.9%

Total Deposits by Business (RM 'bil)	Dec-14	Dec-13	Y-o-Y
Retail Financial Services	111.5	103.6	7.6%
Commercial & Enterprise Banking	57.2	49.6	15.3%
Wholesale [#]	116.0	112.2	3.4%
Total Deposits	284.7	265.4	7.3%

Growth by Geography	Dec-14
Malaysia	2.7%
Indonesia^	6.7%
Thailand^	20.9%
Singapore^	36.5%
Others~	(34.0)%

Notes: * Gross loans excludes bad bank. Excluding FX fluctuations, total gross loans grew 11.4% Y-o-Y and 4.5% Q-o-Q

Includes deposits with options classified as derivatives in MY & SG

^ In local currency

~ Inclusive of Labuan, London, Cambodia, HK & Shanghai

The Group's gross impairment ratio improved to 3.1% as at December 2014 from 3.2% in December 2013, with allowance coverage of 82.7% as at December 2014. The Group's BAU cost to income ratio was higher at 59.1% compared to 58.2% previously, owing to the lower operating income and higher operating expenses. The Group's Net Interest Margins ("NIM") were slightly lower at 2.81%.

Key Operating Ratios (%)	Dec-14 BAU	Dec-13 BAU
Loan to Deposit (LDR)	93.0	88.4
Gross Impaired Loans Ratio	3.1	3.2
Allowance Coverage	82.7	84.8
Cost to Income	59.1	58.2
NIM	2.81	2.85

As at 31 December 2014, CIMB Group's total capital ratio stood at 15.1% while its Common Equity Tier 1 ("CET1") capital ratio stood at 10.1%. This represents a significant strengthening of CET1 by 210bps compared to the 31 December 2013 CET1 ratio of 8.0%, on the back of the RM3.55 billion equity issue in 1QFY14, release of the regulatory reserves by Bank Negara Malaysia ("BNM") in 4QFY14, as well as the continued Dividend Reinvestment Scheme ("DRS").

3) CIMB Group 4Q14 Y-o-Y Results

The Group's 4Q14 BAU operating income was 6.6% lower Y-o-Y at RM3.545 billion as the 6.7% increase in net interest income was offset by a 29.6% decline in non-interest income due to softer Treasury & Markets and lower fee-based income from CIMB Niaga. However, 4Q14 net profit was 76.0% lower Y-o-Y at RM252 million largely due to higher corporate banking loan impairments in Indonesia and Malaysia.

4) CIMB Group 4Q14 Q-o-Q Results

On a Q-o-Q basis, the 4Q14 operating income grew 0.5% to RM3.545 billion with the 2.6% growth in net interest income was partially offset by a 4.8% decline in non-interest income from slower capital market activity. However, 4Q14 net profit was 71.7% lower Y-o-Y at RM252 million largely due to higher corporate banking loan impairments in Indonesia and Malaysia.

5) CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased by 7.1% to RM526 million due to improved Islamic capital markets activity. CIMB Islamic's gross financing assets increased by 3.4% Y-o-Y, accounting for 13.8% of total Group loans. Total deposits grew by 7.3% Y-o-Y to RM41.3 billion.

6) Other Highlights

On the M&A front, CIMB Group decided to abort the proposed merger discussions with RHB Capital Berhad and Malaysia Building Society Berhad in light of the economic conditions.

In FY14, CIMB Group commenced CIMB Bank branch operations in Hong Kong and Shanghai to facilitate transaction banking requirements of our ASEAN corporate customers. CIMB Thai opened its branch in Laos in July 2014.

7) Target 18 ("T18") And Key Organisation Changes

On 26 February 2015, Tengku Dato' Zafrul Tengku Abdul Aziz was appointed as Group CEO. Dato' Sri Nazir Razak had taken over as Chairman of CIMB Group on 1 September 2014.

On 6 February 2015, CIMB Group Holdings 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, key management changes across the Group, several retirements and will entail forthcoming appointments of a new CEOs at CIMB Niaga and Group Asset Management & Investments and a Group Chief Compliance Officer.



As part of the T18 initiative, the Group announced its decision to close its offices in Sydney and Melbourne in Australia. This follows a strategic review of the Group's entire business and to align with its objective of reducing its Asia Pacific investment banking and equities operating cost by 30% in 2015.

8) Outlook

“We go into 2015 with a significantly strengthened capital position, allowing us to better handle the banking industry headwinds. The growth prospects for emerging markets are softer this year and we are making 2015 a year of recalibration with the T18 initiatives providing a platform to make some difficult decisions to streamline operations, implement management and organizational changes to future proof CIMB. Costs will be a primary focus and we have started to streamline our operations and align our cost structures with market realities,” said Tengku Zafrul.

Growth prospects for CIMB Malaysia should track the slower economic environment and moderation in consumer spending. CIMB Singapore is expected to perform positively with continued business expansion amidst steady economic growth, while the outlook for CIMB Thai suggests a gradual improvement in line with the expected economic recovery. Indonesia remains challenged by tight liquidity and slower asset growth although economic reforms are expected to gain traction from 2H15. The Group’s Treasury & Markets and Investment Banking businesses will have to maneuver difficult capital markets conditions given the volatile and unpredictable global markets,” said Tengku Zafrul.

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APPENDIX

Significant Corporate Developments in 2014

1) Capital Management

- On 13 January 2014, CIMB Group undertook a private placement of 500 million new ordinary shares at an issue price of RM7.10 per share. The issuance represented 6.08% of the enlarged issued and paid-up share capital of CIMB Group and raised a total amount of RM3.55 billion. The new shares were listed and quoted on the Main Market of Bursa Securities on 23 January 2014.
- On 31 March 2014, CIMB Islamic Bank completed its first issuance of a RM150 million Basel III compliant Perpetual Preference Shares to CIMB Bank.
- On 23 April 2014, CIMB Group issued and allotted 107,176,094 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Single Tier Second Interim Dividend announcement for FY13. The new shares were listed and quoted on the Main Market of Bursa Securities on 24 April 2014.
- On 7 July 2014, CIMB Thai issued RM400 million of 10-year non-callable 5-year Basel 3 compliant Tier 2 subordinated notes.
- On 29 October 2014, CIMB Group issued and allotted 87,228,960 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Single Tier First Interim Dividend announcement for FY14. The new shares were listed and quoted on the Main Market of Bursa Securities on 30 October 2014.

2) Mergers and Acquisitions

- On 10 July 2014, CIMB Group, RHB Capital and Malaysia Building Society (“MBSB”) announced the approval from BNM to commence discussions with the aim of merging the businesses of both RHB and CIMB as well as creating an enlarged Islamic Banking franchise with MBSB. On 8 October 2014, all three parties made a joint application to seek BNM approval for the proposed merger, which encompasses: i) the proposed disposal by CIMB Group of all its assets, liabilities, business and undertakings to RHB Capital for new RHB Capital shares; ii) the proposed acquisition by CIMB Islamic Bank of the assets and liabilities of RHB Islamic Bank for new ordinary shares in CIMB Islamic; and iii) the proposed merger of the assets and liabilities of CIMB Islamic, RHB Islamic and MBSB to create a mega Islamic Bank, which includes the acquisition by CIMB Islamic of all the assets and liabilities of MBSB in consideration for new redeemable convertible preference shares in CIMB Islamic. On 14 January 2015, CIMB Group announced the Board of Directors had decided to abort the proposed merger in light of the economic conditions.

- On 23 July 2014, CIMB-Principal Asset Management Company Limited (“CPAM Thailand”) entered into a conditional S&P agreement with Finansa Public Company Limited for the proposed acquisition of Finansa Asset Management Limited for THB225 million cash. On 22 January 2015, CIMB Group announced that the proposed acquisition was completed.
- On 30 December 2014, CIG Berhad, a subsidiary of CIMB Group, received BNM approval for the disposal of its 49%-interest in CIMB Insurance Brokers Sdn Bhd.

3) Others

- On 12 January 2014, Moody's affirmed CIMB Niaga's bank financial strength rating (“BFSR”) of D, which maps to ‘ba2’ baseline credit assessment and ‘ba1’ adjusted baseline credit assessment. Moody's affirmed CIMB Niaga's issuer rating and long-term bank deposits rating at Baa3/P3 and short-term bank deposits rating at P-3. The outlook is stable.
- On 25 February 2014, CIMB Group announced the abortion of its proposed dual listing on the Stock Exchange of Thailand.
- On 25 March 2014, Fitch Ratings affirmed CIMB Thai's long-term issuer default rating and national long-term rating at ‘BBB’ and ‘AA-(tha)’ respectively, both with stable outlook. Short-term issuer default rating and national rating are affirmed at ‘F3’ and ‘F1+(tha)’ respectively. Fitch also assigned a bb- and 2 for CIMB Thai's viability and support ratings respectively. The outlook is stable.
- On 25 March 2014, Fitch Ratings affirmed CIMB Thai's THB10bn Unsecured Subordinated Short-term Debenture Programme at ‘F1+(tha)’ and THB3bn 5.35% and THB3bn 4.80% Subordinated Lower Tier 2 at ‘A+(tha)’.
- On 15 April 2014, Fitch Ratings affirmed CIMB Niaga's long-term issuer default rating at ‘BBB’ and national rating at ‘AAA(idn)’, both with stable outlook. Fitch also assigned ‘F3’ and ‘F1+(idn)’ for Niaga's short-term issuer default rating and national rating respectively. (Rating for unsecured bonds is repeated below)
- On 15 April 2014, Fitch Ratings affirmed CIMB Niaga's IDR1.6 trillion 10.85% Subordinated Debt II and IDR1.38 trillion 11.3% Subordinated Debt at ‘AA(idn)’, and IDR8 trillion Senior Unsecured Debt Programme and Senior Unsecured Bonds at ‘AAA(idn)’. Fitch also assigned bb and 2 for CIMB Niaga's viability and support ratings respectively. The outlook is stable.
- On 11 June 2014, Moody's affirmed CIMB IB's long-term issuer ratings at A3 and the short-term issuer ratings at P-2. The outlook is stable.

- On 3 July 2014, CIMB Group announced a leadership transition plan effective 1 September 2014. Tan Sri Md Nor Yusof, Chairman of CIMB Group, will retire from the Board of Directors. Dato' Sri Nazir Razak will take over as Chairman of CIMB Group. On 29 August 2014, CIMB Group announced that Tengku Dato' Zafrul Tengku Abdul Aziz will be Acting Group CEO effective 1 September 2014. On 25 February, CIMB Group announced the appointment of Tengku Dato' Zafrul Tengku Abdul Aziz as Group CEO.
- On 22 July 2014, Moody's affirmed CIMBGH's long-term and short-term issuer ratings at 'A3' and 'P-2' respectively. The outlook is stable.
- On 6 August 2014, Moody's affirmed CIMB Bank's BFSR at 'C-', which maps to 'baa1' baseline and adjusted baseline credit assessment. Moody's also affirmed local currency bank deposits ratings at 'A1/P-1' and foreign currency bank deposit ratings at 'A3/P-2'. The outlook of CIMB Bank's foreign currency deposit, senior unsecured debt is positive. All other ratings carry a stable outlook.
- On 11 August 2014, CIMB Strategic Assets Sdn Bhd, a wholly-owned subsidiary of CIMB Group, entered into a 50:50 joint venture agreement with MC Emerging Capital Partners BV, a wholly owned subsidiary of Mitsubishi Corporation, to set up CIMB-MC Capital Ltd (Cayman Islands), an investment holding company dedicated to establishing and managing a private equity fund.
- On 15 August 2014, Moody's assigned a provisional rating to CIMB Bank's proposed USD5.0 billion Euro MTN Programme. '(P)A3' was assigned to foreign currency senior unsecured MTN while '(P)Baa3' was assigned to foreign currency subordinated MTN. Moody's also assigned 'A3' for CIMB Bank's USD1.0 billion Multi-Currency Euro Medium Term Notes Programme and USD350 million 5-year Senior Unsecured Notes with a positive outlook.
- On 26 August 2014, MARC affirmed CIMB Bank's long-term and short-term financial institution ratings at AAA and MARC-1 respectively. MARC also assigned AA+ to CIMB Bank's RM5.0 billion Subordinated Debt Programme and RM10 billion Tier-2 Basel III compliant Subordinated Debt Programme; AA to CIMB Bank's RM4.0 billion Perpetual Non-Innovative Tier 1 Stapled Capital Securities and RM1.0 billion Innovative Tier-1 Capital Securities. The outlook is stable.
- On 26 August 2014, MARC affirmed CIMB Islamic's long-term and short-term financial institution ratings at 'AAA' and 'MARC-1'. MARC also affirmed CIMB Islamic's RM2.0 billion Tier 2 Junior Sukuk Programme at 'AA+IS'. The outlook for all ratings is stable.

- On 23 September 2014, S&P reaffirmed the long-term and short-term issuer credit ratings on CIMB Group Holdings Berhad at 'BBB-' and 'A-3' respectively with negative outlook. The ratings were subsequently withdrawn. On 23 December 2014, S&P affirmed CIMB Bank's and CIMB Investment Bank's long-term local and foreign currency ratings at A- and short-term local and foreign currency ratings at A-2, with stable outlook. S&P also assigned axAA and axA-1 to CIMB Bank's and CIMB Investment Bank's long-term and short-term ASEAN regional rating respectively. CIMB Bank's USD350 million 5-year Senior Unsecured Notes was affirmed at A-.
- On 17 October 2014, RAM affirmed the long-term and short-term financial institution ratings of CIMB Bank, CIMB Islamic Bank, and CIMB Investment Bank at AAA and P1 respectively. RAM also affirmed CIMB Bank's RM10 billion Tier-2 Subordinated Debt Programme at AA₁. The outlook is stable.
- On 17 October 2014, RAM affirmed CIMBGH's long-term and short-term financial institution ratings at AA₁ and P1 respectively. Also, RAM affirmed CIMBGH's RM3.0 billion Subordinated Notes Programme at AA₃ and the RM6.0 billion Conventional and Islamic Commercial Papers/ Medium-term Notes Programme at AA₁/P1. The outlook is stable.
- On 17 October 2014, RAM affirmed CIMB Thai's long-term and short-term financial institution ratings at AA₂ and P1. Also, RAM affirmed CIMB Thai's RM2.0 billion Basel III Compliant Tier 2 Subordinated Notes Programme at AA₃. The outlook is stable.
- On 12 November 2014, Moody's affirmed CIMB Islamic Bank's BFSR at 'D+', local currency bank deposits rating at 'A1/P-1' and foreign currency bank deposits rating at 'A3/P-2'. The outlook of CIMB Islamic Bank's foreign currency deposits rating is positive. All other ratings carry a stable outlook. Moody's also assigned 'ba1' to CIMB Islamic's baseline credit assessment and 'baa1' to the adjusted baseline credit assessment.
- On 24 November 2014, Moody's affirmed CIMB Thai's issuer and long-term bank deposits rating at Baa2 and short-term bank deposits rating at P-2. CIMB Thai was assigned BFSR of D which maps to a baseline credit assessment of ba2 and adjusted baseline credit assessment of baa2. The outlook is stable.
- 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 6 February 2015, CIMB Group Holdings outlined its new Target 2018 ("T18") plans and key organization changes. On 9 February 2015, the Group announced its decision to close its offices in Sydney and Melbourne in Australia.