

CIMB Group announces RM580 million Net Profit for 1QFY15

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for immediate release

- Strong 210.3% Q-o-Q growth in 1Q15 BAU net profit arising from revenue expansion, reduced operating costs and lower loan provisions
- 4.0% Y-o-Y growth in 1Q15 operating income in spite of the difficult operating environment, with a 1.0% Y-o-Y improvement in pre-provisioning operating profit (“PPOP”)
- Loan loss provisions from Indonesia remained elevated in 1Q15 but improved Q-o-Q
- 1Q15 annualised ROE stood at 8.2% excluding restructuring costs
- Strong 1Q15 loan growth of 12.8% Y-o-Y driven by Consumer and Commercial Banking
- T18 initiatives gaining traction with reduction in operating costs from internal reorganization and recently announced Mutual Separation Scheme (“MSS”)
- Cautious outlook given the economic environment and near term asset quality concerns in Indonesia.

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM580 million for 1Q15, equivalent to a net earnings per share (“EPS”) of 6.9 sen. Excluding exceptional restructuring expenses of RM202 million in 1Q15, the Group’s Business As Usual (“BAU”) 1Q15 net profit decreased by 26.6% year-on-year (“Y-o-Y”). The Group’s annualised BAU 1Q15 net return on average equity (“ROE”) was 8.2%.

"We have started 2015 on a better note after a difficult end to 2014. Our core banking operations are performing well especially the Consumer and Commercial Banking segments. Despite the continued challenging environment, we are pleased with the 4.0% Y-o-Y growth in operating income and much improved Q-o-Q profitability," said Tengku Dato' Zafrul Tengku Abdul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group 1Q15 Y-o-Y Results

For comparative purposes, the Y-o-Y performance is based on BAU numbers for both 1Q15 and 1Q14. CIMB Group’s 1Q15 operating income grew 4.0% Y-o-Y to RM3.680 billion underpinned by a 4.7% expansion in net interest income and a 2.5% growth in non-interest income. Operating expenses were 6.3% higher Y-o-Y on the back of increased personnel expenses, bringing about a 1.0% improvement in the Group’s PPOP. However, the Group’s PBT declined by 28.3% to RM1.026 billion owing to the higher corporate loan provisions from Indonesia.

The Group’s regional Consumer Bank PBT increased by 11.2% Y-o-Y in 1Q15 to RM437 million, making up 43% of Group PBT. Contributions were stronger from all geographies with a larger jump from the Indonesia consumer operations as well as lower operational losses from Thailand. The regional Commercial Banking PBT was 18.1% higher Y-o-Y at RM196 million on the back of solid asset growth. The Group’s Regional Wholesale Banking PBT declined by 56.6% Y-o-Y to RM293 million attributed to increased Corporate Banking provisions and softer

Treasury & Markets, 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 down 23.7% Y-o-Y on asset revaluations, while Group Funding PBT was 64.0% lower Y-o-Y due to higher cost of funds and lower investment returns.

PBT by Segments (RM ‘mil)	1Q15*	1Q14	Y-o-Y
Consumer Banking	437	393	11.2%
Commercial Banking	196	166	18.1%
Wholesale Banking	293	675	(56.6%)
Corporate Banking	117	440	(73.4%)
Treasury & Markets ~	170	244	(30.3%)
Investment Banking +	6	(9)	+ve
GAMI **	55	72	(23.7%)
Group Funding #	45	125	(64.0%)

Notes: * Excluding restructuring costs (RM202 mil)

~ Including treasury operations, markets and transaction banking

+ Including advisory, equities, capital markets, private banking and research

** Including asset management and strategic investments

Including capital investments in fixed income securities and investment in Group’s proprietary capital

Non-Malaysian PBT contribution to the Group was lower at 20% in 1Q15 compared to 38% in 1Q14, principally due to the 89.4% Y-o-Y decline in Indonesia’s PBT to RM45 million from lower CIMB Niaga earnings. Thailand’s PBT contribution to the Group declined 23.9% Y-o-Y to RM54 million following increased corporate banking provisions in 1Q15. Total PBT contribution from Singapore expanded by 46.1% to RM109 million as both the bank and securities operations performed better.

The Group’s total gross loans (excluding the declining bad bank loan book) expanded 12.8% Y-o-Y. Over the same period, total deposits grew by a similar 12.8% Y-o-Y. The Group’s loan to deposit (“LDR”) ratio was slightly lower at 90.3% compared to 90.7% previously.

Gross Loans by Business (RM ‘bil)	Mar-15	Mar-14	Y-o-Y
Retail Financial Services	134.7	119.0	13.2%
Commercial Banking	37.5	32.4	15.7%
Wholesale Banking	95.3	85.8	11.1%
Total Gross Loans*	267.5	237.2	12.8%

Growth by Geography	Mar-15
Malaysia	8.5%
Indonesia^	9.6%
Thailand^	10.6%
Singapore^	12.6%
Others**	44.8%



Total Deposits by Business (RM 'bil)	Mar-15	Mar-14	Y-o-Y
Retail Financial Services	124.8	116.4	7.2%
Commercial Banking	38.8	33.1	17.2%
Wholesale Banking [#]	135.7	115.8	17.2%
Total Deposits⁺	299.3	265.3	12.8%

Growth by Geography	Mar-15
Malaysia	11.8%
Indonesia [^]	12.5%
Thailand [^]	22.1%
Singapore [^]	18.3%
Others ^{**}	(23.6%)

Notes: * Gross loans excludes bad bank. Excluding FX fluctuations, total gross loans grew 10.8% Y-o-Y and 10.1% Q-o-Q

+ Excluding FX fluctuations, total group deposits grew 11.3% Y-o-Y and 4.1% Q-o-Q

[^] In local currency

[#] Including deposits with options classified as derivatives in MY & SG

^{**} Including Labuan, London, Cambodia, HK & Shanghai

The Group's gross impairment ratio rose to 3.2% as at March 2015 from 3.1% in March 2014, with a higher allowance coverage of 84.2% as at March 2015. The Group's BAU cost to income ratio was higher at 58.1% compared to 56.8% previously, as operating expenses grew ahead of operating income. The Group's Net Interest Margins ("NIM") were lower at 2.65%.

Key Operating Ratios (%)	1Q15 BAU	1Q14
Loan to Deposit (LDR)	90.3	90.7
Gross Impaired Loans Ratio	3.2	3.1
Allowance Coverage	84.2	83.8
Cost to Income	58.1	56.8
NIM	2.65	2.87

As at 31 March 2015, CIMB Group's total capital ratio stood at 14.3% while the Common Equity Tier 1 ("CET1") capital ratio stood at 10.0%. This is higher than the 31 March 2014 CET1 ratio of 9.6% following the release of the regulatory reserves by Bank Negara Malaysia ("BNM") in 4Q14, as well as the continued Dividend Reinvestment Scheme ("DRS").

3) CIMB Group 1Q15 Q-o-Q Results

On a Q-o-Q basis, the 1Q15 operating income grew 3.8% to RM3.680 billion as the 18.4% expansion in non-interest income more than offset the 1.8% decline in net interest income. The Consumer, Commercial and Wholesale Banking operations grew well from asset growth, improved capital market flows and increased bancassurance revenues. 1Q15 BAU net profit was 210.3% higher Y-o-Y at RM782 million due to the lower corporate banking loan impairments in Indonesia and absence of large provisions in Malaysia.

PBT by Segments (RM 'mil)	1Q15*	4Q14^	Q-o-Q
Consumer Banking	437	339	28.9%
Commercial Banking	196	198	(1.0%)
Wholesale Banking	293	(182)	+ve
Corporate Banking	117	(244)	+ve
Treasury & Markets ~	170	122	39.3%
Investment Banking +	6	(60)	+ve
GAMI **	55	52	5.6%
Group Funding #	45	(21)	+ve

Notes: * Excluding IB restructuring costs (RM202 mil)

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

~ Including treasury operations, markets and transaction banking

+ Including advisory, equities, capital markets, private banking and research

** Including asset management and strategic investments

Including capital investments in fixed income securities and investment in Group's proprietary capital

4) CIMB Islamic

CIMB Islamic's Y-o-Y PBT decreased by 18.8% to RM114 million due to the slower Islamic capital markets activity. CIMB Islamic's gross financing assets increased by 6.2% Y-o-Y, accounting for 14.2% of total Group loans. Total deposits grew by 27.5% Y-o-Y to RM48.2 billion.

5) 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 1Q15 in light of the economic conditions.

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

On 26 February 2015, Tengku Dato' Zafrul Tengku Abdul Aziz was confirmed 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 and key management changes across the Group. On 12 March 2015, the Group had announced the nomination of Tigor M. Siahaan as President Director of CIMB Niaga, pending regulatory approvals, as well as the appointment of Effendy Shahul Hamid as CEO, Group Asset Management & Investments and Kwan Keen Yew as Group Chief Compliance Officer.

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.

7) Outlook

"As predicted, 2015 looks challenging and is CIMB's year of recalibration. We will continue to focus on cost management and operational streamlining, at the same time continue to ensure core operations remain robust. It's early days yet, but the changes and decisions we have taken in line with T18 are starting to show some results, and we will continue to be single minded and focused on the execution our plans," said Tengku Zafrul.

"We remain cautious on the Group's outlook given the regional economic environment and the moderation in consumer spending in Malaysia. CIMB Singapore continues to perform positively with continued business growth. CIMB Thai will likely show operational improvements despite the uncertain macroeconomic environment. And as expected, CIMB Niaga remains challenged by near term asset quality concerns in light of ongoing economic uncertainties," said Tengku Zafrul.

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APPENDIX

Significant Corporate Developments in 2015

1) Capital Management

- On 3 Apr 2015, CIMB Group Holdings Bhd redeemed its RM150 million subordinated notes.
- On 29 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.

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 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. On 12 March 2015, Tigor M. Siahaan was nominated President Director of CIMB Niaga, Effendy Shahul Hamid was appointed CEO, Group Asset Management & Investments and Kwan Keen Yew was appointed Group Chief Compliance Officer.
- On 23 March 2015, Moody’s reaffirmed CIMB Group Holdings long term issuer rating of A3. The rating is under review following Moody’s change in methodology.
- On 23 March 2015, Moody’s reaffirmed CIMB Bank and CIMB Islamic’s foreign currency rating of A3/P-2, the outlook is stable. The local currency rating is A1/P-1. The rating is under review following Moody’s change in methodology.

- On 23 March 2015, Moody's reaffirmed CIMB Thai's deposit and issuer rating of Baa2/P-2 with a stable outlook.
- On 15 May 2015, CIMB Group announced a Mutual Separation Scheme to all employees in Malaysia and Indonesia.