

CIMB Group chalks a record RM3.29 billion 1H18 Net Profit

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for immediate release

- 1H18 record net profit of RM3.29 billion (+44.0% Y-o-Y) bolstered by RM928 million gain on sale of 20% of CPAM and 10% of CPIAM, which also increased ROE to 11.5% and reduced CIR to 46.1%
- On BAU basis, 1H18 net profit was RM2.36 billion, translating to a 3.3% Y-o-Y growth
- 7.4% Y-o-Y growth in BAU PBT to RM3.27 billion mainly from lower operating cost and provisions
- Improved loan loss charge of 0.45% in 1H18 (*cf.* 0.66% in 1H17)
- Strengthened Group CET1 ratio of 11.9% as at 30 June 2018
- Proposed first interim dividend of 13.00 sen or 51.6% payout ratio

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a record net profit of RM3.29 billion in the first half of 2018 (“1H18”) bolstered by a gain from the sale of 20% of CIMB-Principal Asset Management (“CPAM”) and 10% of CIMB-Principal Islamic Asset Management (“CPIAM”) amounting to RM928 million. This raised the Group’s 1H18 Return On average Equity (“ROE”) to 11.5%, and reduced its Cost-to-Income Ratio (“CIR”) to 46.1%.

On a Business-As-Usual (“BAU”) basis, Profit Before Tax (“PBT”) was RM3.27 billion for 1H18 representing a 7.4% year-on-year (“Y-o-Y”) growth. Lower Y-o-Y operating expenses of 7.3% and loan loss provisions of 29.4% contributed to the Group’s increase in 1H18 BAU net profit by 3.3% Y-o-Y to RM2.36 billion. This was achieved despite a 5.2% Y-o-Y drop in operating income due to weaker capital markets in Malaysia. The 1H18 net earnings per share (“EPS”) stood at 25.4 sen, while the annualised ROE was 9.7%. The Group declared a first interim net dividend of 13.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme (“DRS”). The total interim dividend amounts to a payment of approximately RM1.22 billion, translating to a dividend payout ratio of 51.6% of 1H18 net profits.

“We are pleased with our record net profit of RM3.29 billion, contributed partly by the RM928 million gain from the strategic realignment of our shareholding in CPAM and CPIAM, which also provided an uplift of 15bps to our CET1. Consumer banking chalked a stellar performance, posting a 34.7% Y-o-Y increase in PBT; while Commercial Banking’s PBT rose by 19.9% Y-o-Y. The weaker markets in Malaysia, however, contributed to a lower PBT for Wholesale Banking,” said Tengku Dato’ Sri Zafrul Aziz, Group CEO, CIMB Group.

2) CIMB Group 1H18 Y-o-Y Performance (BAU basis)

CIMB Group's 1H18 operating income was 5.2% lower Y-o-Y at RM8.24 billion from a 6.1% decline in non-interest income from slower capital markets in Malaysia and a 4.8% decline in net interest income mainly from Commercial and Wholesale banking. This was offset by a RM163 million gain from the sale of 50% of CSI. Continued cost discipline brought about the 7.3% Y-o-Y decline in operating expenses, resulting in a fifth consecutive quarter of positive JAW, translating to a 1H18 CIR of 51.3%. The Group's PBT was 7.4% Y-o-Y higher at RM3.27 billion, with loan provisions declining 29.4%.

The Group's Consumer Bank PBT was 34.7% higher Y-o-Y in 1H18 at RM1,611 million, making up 49% of Group PBT. Consumer revenue growth was underpinned by good non-interest income performance, steady net interest income growth and lower provisions. The Commercial Banking PBT increased by 19.9% Y-o-Y, an encouraging sign of its regional business recalibration, as lower cost and provisions is partially offset by a decline in operating income. PBT at the Group's Wholesale Banking division was RM914 million or 26.2% lower Y-o-Y from a combination of significantly weaker capital markets and higher provisions. Group Asset Management and Investments ("GAMI") PBT improved 13.6% Y-o-Y from better performances in the public markets, in line with a 14.4% increase in assets under management. Group Funding PBT increased 26.9% Y-o-Y mainly from the RM163 million gain arising from the sale of 50% of CSI.

Profit and Loss Summary (RM 'mil)	1H18 BAU*	1H17	Y-o-Y
Operating Income	8,239	8,688	(5.2%)
Overhead expenses	(4,228)	(4,559)	(7.3%)
PBT	3,274	3,047	7.4%
Net profit	2,359	2,283	3.3%

PBT by Segments (RM 'mil)	1H18 BAU*	1H17	Y-o-Y
Consumer Banking	1,611	1,196	34.7%
Commercial Banking	295	246	19.9%
Wholesale Banking	914	1,238	(26.2%)
Corporate Banking	697	781	(10.8%)
Treasury & Markets	176	446	(60.5%)
Investment Banking	41	11	272.7%
GAMI	100	88	13.6%
Group Funding *	354	279	26.9%

Notes: * Excludes CPAM & CPIAM gain of RM928mil

Non-Malaysia PBT contribution to the Group stood at 34% in 1H18, remaining the same as 1H17. Indonesia's PBT decreased 5.6% Y-o-Y to RM590 million. However, excluding FX translation effects, Indonesia's PBT expanded 8.6% Y-o-Y in line with CIMB Niaga's improving performance. Thailand's PBT contribution of RM257 million was a 50.3% Y-o-Y increase attributed to lower provisions. Total PBT contribution from Singapore was 5.1% higher Y-o-Y at RM225 million mainly from savings on the deconsolidation of CSI.

Gross Loans (RM 'bil)	Jun-18	Jun-17	Y-o-Y
Consumer Banking	171.5	164.9	4.0%
Commercial Banking	42.7	42.1	1.4%
Wholesale Banking	115.7	112.2	3.1%
Total *	329.9	319.2	3.4%

By Geography	Y-o-Y
Malaysia	9.4%
Indonesia ^	3.0%
Thailand ^	6.3%
Singapore ^	11.0%
Others **	(6.7%)
Group ^^	7.0%

Deposits (RM 'bil)	Jun-18	Jun-17	Y-o-Y
Consumer Banking	164.6	164.9	(0.2%)
Commercial Banking	42.1	45.2	(6.9%)
Wholesale Banking	147.3	138.8	6.1%
Total	354.0	348.9	1.5%

By Geography	Y-o-Y
Malaysia	4.4%
Indonesia ^	9.1%
Thailand ^	2.7%
Singapore ^	1.9%
Others **	3.6%
Group ^^	4.7%

Notes:

* Gross loans excludes bad bank

^ In local currency

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

^^ Excluding FX fluctuations

The Group's total gross loans (excluding the bad bank) grew by 3.4% Y-o-Y (+7.0% excluding FX effects), while total deposits were 1.5% higher Y-o-Y. The Group's Loan to Deposit Ratio ("LDR") stood at 94.0%, compared to 92.4% as at end-June 2017.

The Group's gross impairment ratio remained unchanged at 3.2% as at end-June 2018, with a higher allowance coverage of 106.8%. The Group's Cost-to-Income Ratio improved to 51.3% compared with 52.5% in 1H17, in line with continued cost management. The Group's Net Interest Margin ("NIM") was lower at 2.52% attributed to the contraction at CIMB Niaga.

Key Operating Ratios (%)	1H18 BAU*	1H17
Loan to Deposit (LDR)	94.0	92.4
Gross Impaired Loans Ratio	3.2	3.2
Allowance Coverage ^	106.8	91.1
Cost-to-Income	51.3	52.5
NIM ~**	2.52	2.71

Notes: * Excludes CPAM & CPIAM gain of RM928mil

** Daily Average

~ Annualised

^ Including regulatory reserve

As at 30 June 2018, CIMB Group's total capital ratio stood at 16.5% while the Common Equity Tier 1 ("CET1") capital ratio stood at 11.9%.

3) CIMB Group 2Q18 Q-o-Q Performance (BAU basis)

Profit and Loss Summary (RM 'mil)	2Q18 BAU*	1Q18	2Q17	Q-o-Q	Y-o-Y
Operating Income	3,936	4,303	4,327	(8.5%)	(9.0%)
Overhead expenses	(2,087)	(2,141)	(2,263)	(2.5%)	(7.8%)
PBT	1,531	1,743	1,433	(12.2%)	6.8%
Net profit	1,053	1,306	1,103	(19.4%)	(4.5%)

Notes: * Excludes CPAM & CPIAM gain of RM928mil

On a quarter-on-quarter ("Q-o-Q") basis, 2Q18 operating income was 8.5% lower at RM3.94 billion from the 26.4% and 0.2% decline in non-interest income and net interest income respectively. Consumer Banking PBT declined 10.0% Q-o-Q from lower non-interest income and higher costs in 2Q18. Commercial Banking PBT was 41.8% higher Q-o-Q due to lower costs and improved provisions. Wholesale Banking PBT was lower by 13.5% Q-o-Q largely attributed to the weaker capital markets during the period. GAMI PBT reduced by 33.3% from private markets, while the gain from the sale of 50% of CSI recognised in 1Q18 brought about the 41.3% decrease in Group Funding PBT. The Group's 2Q18 net profit was 19.4% lower Q-o-Q driven by lower operating income across all segments.

On a Y-o-Y basis, the 9.0% operating income decline in 2Q18 was attributed to a decline in non-interest income and net interest income of 16.9% and 6.0%, respectively. Consumer Banking PBT grew 20.2% Y-o-Y from sustained business momentum and better cost management. Regional Commercial Banking PBT grew 66.3% Y-o-Y from the reduction in provisions. Wholesale Banking PBT was 17.0% lower Y-o-Y mainly from Treasury & Markets and Investment Banking given the weaker capital markets. GAMI PBT was 23.1% lower Y-o-Y from a drop in both public and private markets, while Group Funding 2Q18 PBT was flat Y-o-Y. The Group's 2Q18 net profit fell 4.5% Y-o-Y to RM1.05 billion largely attributed to the weaker capital markets in 2Q18.

PBT by Segments (RM 'mil)	2Q18 BAU*	1Q18	2Q17	Q-o-Q	Y-o-Y
Consumer Banking	763	848	635	(10.0%)	20.2%
Commercial Banking	173	122	104	41.8%	66.3%
Wholesale Banking	424	490	511	(13.5%)	(17.0%)
Corporate Banking	364	333	308	9.3%	18.2%
Treasury & Markets	53	123	192	(56.9%)	(72.4%)
Investment Banking	7	34	11	(79.4%)	(36.4%)
GAMI	40	60	52	(33.3%)	(23.1%)
Group Funding *	131	223	131	(41.3%)	-

Notes: * Excludes CPAM & CPIAM gain of RM928mil

4) CIMB Islamic

CIMB Islamic's 1H18 PBT increased by 33.6% Y-o-Y to RM497 million, driven by strong 25.8% operating income growth amid healthy balance sheet growth. CIMB Islamic's gross financing assets increased by 30.9% Y-o-Y to RM66.9 billion, accounting for 20.1% of total Group loans. Total deposits increased by 20.0% Y-o-Y to RM68.9 billion.

5) Outlook

"The Group is relatively cautious on 2018 growth prospects in view of rising global trade tensions and market uncertainties. Nevertheless, we remain focused on achieving our T18 targets, subject to recovery of capital markets, and continued improvement in asset quality across Indonesia, Thailand and Singapore. CIMB Malaysia is expected to track the domestic economy and investment climate. CIMB Singapore's prospects will be driven by regional economic conditions. CIMB Thai and CIMB Niaga's business recalibration initiatives are progressing well."

"We are finalizing our next mid-term growth plan which will be strongly premised on customers, people and sustainability, among others. We have already begun embedding sustainability principles into our operations Group-wide, and this is complemented by CIMB's founding membership of the United Nations' (UN) Environment Programme Finance Initiative Principles for Responsible Banking (UNEP-FI). Coupled with our strengthened capital position, disciplined cost management and continued focus on customer experience, we are confident that we will be able to serve our stakeholders not just effectively, but also sustainably," continued Tengku Zafrul.

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APPENDIX

Significant Corporate Developments in 2018

1) Capital Management

- On 29 March 2018, CIMB Bank completed an issuance of RM700 million Basel 3-compliant Tier 2 Subordinated Debt back to back with CIMB Group. The Subordinated Debt was issued as a single tranche at 4.95% per annum with a maturity of 10 years non-callable at the end of year 5.
- On 29 March 2018, CIMB Thai issued RM390 million Basel 3-compliant Tier 2 Subordinated Debt to replace THB3 billion unsecured subordinated notes, for which CIMB Thai exercised its option to early redeem on 9 November 2017.
- On 30 April 2018, CIMB Group issued and allotted 140,251,847 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY17. The new shares were listed and quoted on the Main Market of Bursa Securities on 2 May 2018.

2) Mergers and Acquisitions

- On 6 June 2017, CIMB Group signed a conditional Share Purchase Agreement with China Galaxy International Financial Holdings Limited (“CGI”) for the sale of 50% interest in CIMB Securities International Pte Ltd (“CSI”). CSI is the holding company for the cash equities business in Singapore, Indonesia, Thailand, Hong Kong, India, South Korea, United Kingdom and United States of America. On 6 September 2017, CIMB Group Sdn Bhd signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities for RM55 million cash. On 18 January 2018, the CSI disposal was completed for approximately SGD167 million (approximately RM500 million). On 10 August 2018, CIMB Group received BNM approval to incorporate a Malaysia-based JV as the holding company of Jupiter Securities which will be the platform for the partnership’s Malaysia operations.
- On 24 July 2017, CIMB Group’s 52.22% subsidiary Touch ‘n Go Sdn Bhd (“TNG”) entered into an Investment Agreement with Alipay Singapore E-Commerce Pte Ltd, a subsidiary of Ant Financial Services Group, to form a JV, in which TNG will be the majority shareholder, to launch a new mobile platform for payments and other related financial services in Malaysia (“Proposed Joint Venture”). On 8 November 2017, BNM approved the incorporation of the JV entity, TNG Digital Sdn Bhd. On 8 January 2018, TnG Digital received BNM approval to operate and offer mobile e-wallet services in Malaysia. On 14 February 2018, the Proposed Joint Venture was completed, upon which TnG Digital became a subsidiary of TnG.

- On 11 January 2018, CIMB Group Sdn Bhd entered into sale and purchase agreements to divest 20% of CIMB-Principal Asset Management Bhd (“CPAM”) and 10% of CIMB-Principal Islamic Asset Management (“CPIAM”) to Principal Financial Group for RM470.3 million. CIMB Group will retain 40% ownership in both entities. On 25 May 2018, CIMB Group announced the completion of the divestment.

3) Others

- On 29 January 2018, Moody’s reaffirmed CIMB Investment Bank’s long term and short term issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 14 February 2018, Fitch Ratings reaffirmed CIMB Thai’s long-term and short-term national rating at AA(tha) and F1+(tha) respectively. The outlook is stable.
- On 16 March 2018, Fitch Ratings reaffirmed CIMB Niaga’s long-term and short-term issuer default ratings at BBB and F3, as well as long-term and short-term national ratings at AAA(Idn) and F1+(Idn). The outlook is stable.
- On 13 April 2018, Moody’s upgraded CIMB Niaga’s long-term and short-term foreign currency deposits rating from Baa3 and P-3 to Baa2 and P-2 respectively. The outlook is stable.
- On 24 May 2018, CIMB Niaga completed a Cash Dividend distribution of IDR 595,547,660,321 to all its shareholders for FY2017.
- On 21 June 2018, Moody’s reaffirmed CIMB Thai’s long-term and short-term foreign currency deposits rating at Baa2 and P-2 respectively. The outlook is stable.
- On 26 June 2018, Moody’s reaffirmed (i) CIMB Bank’s and CIMB Islamic Bank’s long term and short term foreign currency deposits ratings at A3 and P-2 respectively; and (ii) CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook for all is stable.
- On 28 June 2018, Moody’s reaffirmed CIMB Niaga’s long-term and short-term foreign currency deposits rating at Baa2 and P-2 respectively. The outlook is stable.
- On 9 August 2018, RAM reaffirmed CIMB Thai’s long-term and short-term financial institution ratings at AA2 and P1 respectively. Also, RAM reaffirmed CIMB Thai’s RM2.0 billion Basel III Compliant Tier 2 Subordinated Notes Programme at AA3. The outlook is stable.
- On 13 August 2018, Fitch Ratings downgraded CIMB Niaga’s long-term issuer default rating from BBB to BBB-, as well as long-term national ratings from AAA(idn) to AA+(idn). The short-term issuer default rating and short-term national ratings are reaffirmed at F3 and F1+ respectively. The outlook is stable.



- On 14 August 2018, Fitch Ratings downgraded CIMB Thai's long-term national rating from AA(thai) to AA-(thai). The short-term national rating is reaffirmed at F1+(thai). The outlook is stable.