

CIMB Group announces RM2,024 million Net Profit for 9M15

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for immediate release

- 8.4% Y-o-Y growth in 9M15 operating income coupled with well contained operating expenses brought about a pre-provision operating profit growth of 12.4% Y-o-Y
- Continued stresses in Indonesia resulted in increased provisions, impacting the 9M15 net profit
- Sustained Q-o-Q growth momentum with 3Q15 net profit improving 2.9% from higher operating income and lower provisions, excluding restructuring costs
- Benefits of cost management initiatives starting to show results from 3Q15
- 9M15 annualised ROE stood at 8.8% excluding restructuring costs
- Excluding FX fluctuations, 9M15 loan growth was 10.7% Y-o-Y, with deposits increasing 10.0%

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM2,024 million for 9 months 2015 (“9M15”), equivalent to a net earnings per share (“EPS”) of 23.9 sen. The Group saw a 8.4% year-on-year (“Y-o-Y”) expansion in 9M15 operating income with well contained operating expenses, although increased Y-o-Y provisions brought about the 11.9% Y-o-Y reduction in the Business As Usual (“BAU”) 9M15 net profit, after excluding exceptional expenses from restructuring and the Mutual Separation Scheme (“MSS”).

The Group’s annualised BAU 9M15 net return on average equity (“ROE”) was 8.8%. For the third quarter of 2015 (“3Q15”), the Group’s BAU net profit of RM902 million was 2.9% higher quarter-on-quarter (“Q-o-Q”).

"Our continued improvement in Q-o-Q performance, amidst the prevailing economic uncertainties and challenges, reaffirms our business recalibration and the Group’s commitment towards managing cost. This is reflected in our 8.4% Y-o-Y operating income growth and containment of operating expenses over the period. In addition to the structural cost alignment initiatives of streamlining the ex-ASEAN IB operations and the MSS in Malaysia and Indonesia, we have also improved processes and increased automation to enhance efficiency. We will continue to push the cost management agenda further.

In terms of business segments, we are pleased to see the Group’s business strategies bearing results, with our Consumer and Commercial Banking operations gaining good traction across the region," said Tengku Dato’ Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group 9M15 Y-o-Y Results

For comparative purposes, the Y-o-Y performance is based on BAU numbers for 9M15. CIMB Group's 9M15 operating income grew 8.4% Y-o-Y to RM11.354 billion underpinned by a 12.8% improvement in non-interest income and a 6.6% growth in net interest income. The 5.5% Y-o-Y increase in operating expenses were largely due to higher personnel expenses from inflationary effects in Indonesia, bringing about a 12.4% improvement in the Group's Pre-Provisioning Operating Profit ("PPOP"). However, the Group's PBT was 11.7% lower at RM3.434 billion on the back of the higher corporate loan provisions from Indonesia.

The Group's regional Consumer Bank PBT increased by 17.4% Y-o-Y in 9M15 to RM1.329 billion, making up 39% 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 6.0% lower Y-o-Y at RM490 million largely due to higher provisions in Indonesia and Thailand. The Group's Regional Wholesale Banking PBT declined by 26.1% Y-o-Y to RM1,214 million attributed to higher Corporate Banking provisions and the softer Treasury & Markets performance, while Investment Banking operations improved as a result of better market activity and cost management, after excluding the one-off restructuring costs. Group Asset Management and Investments ("GAMI")'s PBT was 15.8% lower Y-o-Y due to the large gains from divestments in 9M14, while Group Funding PBT declined 43.1% Y-o-Y due to higher cost of funds and lower investment returns.

PBT by Segments (RM 'mil)	9M15 BAU*	9M14	Y-o-Y
Consumer Banking	1,329	1,132	17.4%
Commercial Banking	490	521	(6.0%)
Wholesale Banking	1,214	1,643	(26.1%)
Corporate Banking	697	968	(28.0%)
Treasury & Markets	551	769	(28.3%)
Investment Banking	(34)	(94)	63.8%
GAMI	191	226	(15.8%)
Group Funding	210	369	(43.1%)

Notes: * Excluding 1Q15: IB restructuring costs (RM202 mil); 2Q15: MY MSS cost (RM316 mil); 3Q15: ID MSS cost (RM134 mil)

Non-Malaysia PBT contribution to the Group was lower at 25% in 9M15 compared to 32% in 9M14, principally due to the 67.8% Y-o-Y decline in Indonesia's PBT to RM283 million from lower CIMB Niaga earnings. Thailand's PBT contribution grew 22.0% Y-o-Y to RM233 million from improved banking operations in 9M15. Total PBT contribution from Singapore expanded by 21.3% to RM319 million due to the better performance at the bank.

The Group's total gross loans (excluding the bad bank) expanded 19.7% Y-o-Y or 10.7% excluding FX fluctuations. Total deposits grew 17.7% Y-o-Y or 10.0% excluding FX fluctuations. The Group's loan to deposit ("LDR") ratio rose to 94.9% compared to 93.5% previously.

Gross Loans (RM 'bil)	Sep-15	Sep-14	Y-o-Y
Consumer Banking	144.0	124.3	15.8%
Commercial Banking	39.7	34.6	14.7%
Wholesale Banking	110.8	87.2	27.1%
Total *	294.5	246.1	19.7%

By Geography	Y-o-Y
Malaysia	10.5%
Indonesia ^	12.3%
Thailand ^	9.2%
Singapore ^	7.9%
Others**	31.7%
Group ^^	10.7%

Deposits (RM 'bil)	Sep-15	Sep-14	Y-o-Y
Consumer Banking	131.3	113.0	16.2%
Commercial Banking	43.7	33.6	30.1%
Wholesale Banking	138.9	120.2	15.6%
Total	313.9	266.8	17.7%

By Geography	Y-o-Y
Malaysia	10.8%
Indonesia ^	11.3%
Thailand ^	3.2%
Singapore ^	17.6%
Others **	(8.4%)
Group ^^	10.0%

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 rose to 3.4% as at September 2015 from 3.3% in September 2014, with an allowance coverage of 84.9% as at September 2015. The Group's BAU cost to income ratio improved to 56.2% compared with 57.8% in 9M14, as the cost management initiatives begin to show traction. The Group's Net Interest Margins ("NIM") were lower at 2.65% driven mainly by the higher cost of consumer deposits in Malaysia.

Key Operating Ratios (%)	9M15 BAU	9M14
Loan to Deposit (LDR)	94.9	93.5
Gross Impaired Loans Ratio	3.4	3.3
Allowance Coverage	84.9	99.3
Cost to Income	56.2	57.8
NIM ^**	2.65	2.86

*Notes: ** Daily Average*

^ Annualised

As at 30 September 2015, CIMB Group's total capital ratio stood at 13.4% while the Common Equity Tier 1 ("CET1") capital ratio stood at 9.3%.

3) CIMB Group 3Q15 Performance

On a Q-o-Q basis, 3Q15 operating income grew 0.2% to RM3.840 billion as a result of a 6.4% expansion in net interest income and a 13.0% decrease in non interest income, mainly from weaker treasury and markets performance. Consumer Banking PBT declined by 12.2% due to increased provisions arising from seasonal festive effects. Commercial Banking PBT improved on the back of asset growth, lower operating costs and lower provisions. Wholesale Banking PBT was lower as a result of the weaker Treasury & Markets and Investment Banking performance during the period. 3Q15 BAU net profit was 2.9% higher Q-o-Q at RM902 million attributed to the improvement in operating income and lower provisions.

On a Y-o-Y basis, 3Q15 operating income was 8.8% higher at RM3.840 billion on the back of a 10.8% increase in net interest income and a 4.1% growth in non interest income. The Consumer and Commercial banking PBT expanded by 21.9% and 11.6% respectively due to asset growth across all geographies and greater control on operating expenses. Wholesale banking PBT was lower Y-o-Y as a result of the weaker Treasury & Markets and Investment Banking operations. 3Q15 BAU net profit was 1.3% higher Y-o-Y from improved operating income and lower provisions.

PBT by Segments (RM 'mil)	3Q15 BAU*	2Q15 BAU*	3Q14	Q-o-Q	Y-o-Y
Consumer Banking	423	482	347	(12.2%)	21.9%
Commercial Banking	193	102	173	89.2%	11.6%
Wholesale Banking	449	457	472	(1.8%)	(4.9%)
Corporate Banking	330	256	239	28.9%	38.1%
Treasury & Markets	154	207	266	(25.6%)	(42.1%)
Investment Banking	(35)	(6)	(33)	(483.3%)	(6.1%)
GAMI	65	71	86	(9.3%)	(24.4%)
Group Funding	79	87	101	(9.2%)	(21.8%)

Notes: * Excluding 2Q15: MY MSS cost (RM316 mil); 3Q15: ID MSS cost (RM134 mil)

4) CIMB Islamic

CIMB Islamic's 9M15 Y-o-Y PBT decreased by 5.3% to RM378 million due to slower Islamic capital markets activity. CIMB Islamic's gross financing assets increased by 13.6% Y-o-Y, accounting for 13.4% of total Group loans. Total deposits grew by 3.6% Y-o-Y to RM43.2 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 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 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.

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 business related operating costs by 30% in 2015. 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 3,599 applications approved (1,891 in Malaysia and 1,708 in Indonesia).

6) Outlook

“2015 is proving to be a challenging year for the financial services industry. Our Malaysia operations showed encouraging performance in difficult conditions, but we continue to be cognisant of moderating economic growth and a slowdown in consumer spending. In Singapore, despite industry tightening measures, we continue to sustain positive growth momentum on the back of our cost-efficient business platform. CIMB Niaga in Indonesia continues its growth momentum, and our key focus will be on asset quality. While prospects for our Thai operations are challenging in the prevailing economic environment, we remain committed in view of the long-term strategic prospects.

We embarked on our three-year T18 recalibration initiatives earlier this year and as a result, the Group is well positioned to face the prevailing headwinds from a structural alignment and cost management perspective. While our growth strategy continues to be measured considering the environment of weaker regional economies and capital markets, we remain confident that our T18 strategy will continue to deliver the results we set out to achieve,” concluded 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") in connection and concurrent with the redemption of SCC's USD200 million 6.62% Non-Cumulative Guaranteed Preference Shares on the First optional Redemption Date of 2 November 2015.

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 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.
- On 6 November 2015, MARC affirmed CIMB Bank's long-term and short-term financial institution ratings at AAA and MARC-1 respectively. MARC also reaffirmed CIMB Islamic Bank's long-term and short-term Financial Institution ratings at 'AAA' and 'MARC-1' respectively. The outlook is stable.
- 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.