

## **CIMB Group announces record quarterly net profit of RM1.18 billion for 1Q17**

Wednesday, 24 May 2017

*for immediate release*

- Record quarterly net profit of RM1.18 billion in 1Q17 with annualised ROE of 10.3%
- 1Q17 PBT improved 43.7% Y-o-Y to RM1.61 billion, on the back of 17.1% Y-o-Y operating income growth and lower provisions
- Cost-to-Income ratio improved to 52.6% for 1Q17 (cf. 57.4% in 1Q16) with operating expenses staying under control
- Improved capital markets resulted in 32.3% Y-o-Y improvement in non-interest income
- Loans grew 12.2% on the back of Malaysia loans expanding 11.8% Y-o-Y in 1Q17
- CASA growth momentum sustained with CASA ratio of 36.0%, with CIMB Niaga's CASA ratio improving to 55.7%
- Group's CET1 ratio strengthened to 11.5% as of 31 March 2017

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") today reported a Profit Before Tax ("PBT") of RM1.61 billion for the first quarter of 2017 ("1Q17"). On a year-on-year (Y-o-Y) basis, the Group's 1Q17 operating income expanded 17.1%, translating to a 30.0% Y-o-Y improvement in pre-provisioning operating profit ("PPOP") and a 45.0% Y-o-Y growth in Net Profit to RM1.18 billion. The 1Q17 net earnings per share ("EPS") stood at 13.3 sen, while the annualised 1Q17 net return on average equity ("ROE") was 10.3%.

"We had a good start to 2017, recording our highest ever quarterly net profit of RM1.18 billion in 1Q17 in tandem with the gradually improving regional economic conditions and capital market activity. Our main business units are gaining traction, with cost management initiatives continuing to show progress and asset quality showing sustained improvement. Better capital and balance sheet management has brought about more focused growth, improved margins, a healthier CASA ratio and a strengthened capital position," said Tengku Dato' Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

### **2) CIMB Group 1Q17 Y-o-Y Results**

CIMB Group's 1Q17 operating income grew 17.1% Y-o-Y to RM4.36 billion largely driven by a 32.3% growth in non-interest income in line with improved capital market activity. 1Q17 net interest income rose 11.5% from loans growth and improvement in Net Interest Margin ("NIM"), Operating expenses were 7.4% higher Y-o-Y but was only 3.9% higher after excluding foreign currency translation effects, as the Group's cost management initiatives continue to show progress. The positive JAW brought about the 30.0% improvement in the Group's PPOP. The Group's PBT was 43.7% higher at RM1.61 billion, with loan provisions declining 8.8% Y-o-Y.

The Group's Regional Consumer Bank PBT was 0.5% higher Y-o-Y in 1Q17 at RM561 million, making up 35% of Group PBT. While revenue growth was healthy and costs kept in check, the relatively flat PBT performance was attributed to higher provisions from the credit cards and auto finance business in Indonesia. The Regional Commercial Banking business continues to expand but the 7.8% lower PBT was due to the higher Y-o-Y provisions in Thailand. The Group's Regional Wholesale Banking PBT was 117.0% higher Y-o-Y at RM727 million from a combination of increased capital market activity and a stronger Corporate Banking performance with loans growth and lower provisions. Group Asset Management and Investments ("GAMI")'s PBT was 53.8% lower Y-o-Y without the equity accounting of the Bank of Yingkou, pending completion of its proposed sale. Group Funding churned a PBT of RM148 million from a loss in 1Q16, arising from lower funding costs and FX translation gains.

PBT by Segments (RM 'mil)	1Q17	1Q16	Y-o-Y
<b>Consumer Banking</b>	<b>561</b>	<b>558</b>	<b>0.5%</b>
<b>Commercial Banking</b>	<b>142</b>	<b>154</b>	<b>(7.8%)</b>
<b>Wholesale Banking</b>	<b>727</b>	<b>335</b>	<b>117.0%</b>
Corporate Banking	479	179	167.6%
Treasury & Markets	248	180	37.8%
Investment Banking	-	(24)	100.0%
<b>GAMI</b>	<b>36</b>	<b>78</b>	<b>(53.8%)</b>
<b>Group Funding</b>	<b>148</b>	<b>(2)</b>	<b>&gt;1000.0%</b>

Non-Malaysia PBT contribution to the Group rose to 28% in 1Q17 compared to 26% in 1Q16. Indonesia's PBT expanded by 135.5% Y-o-Y to RM292 million in line with CIMB Niaga's improving financial performance. Thailand's PBT contribution of RM102 million was 15.9% higher Y-o-Y as a better all-round operating performance offset the higher Y-o-Y Commercial Banking provisions. Total PBT contribution from Singapore was 121.0% higher at RM137 million on the back of improved revenues and lower loan loss provisions.

Gross Loans (RM 'bil)	Mar-17	Mar-16	Y-o-Y
Consumer Banking	163.5	147.7	10.7%
Commercial Banking	42.2	37.8	11.6%
Wholesale Banking	115.9	101.2	14.5%
<b>Total *</b>	<b>321.6</b>	<b>286.7</b>	<b>12.2%</b>

By Geography	Y-o-Y
Malaysia	11.8%
Indonesia ^	(0.3%)
Thailand ^	(0.4%)
Singapore ^	1.6%
Others **	(6.9%)
Group ^^	6.8%

Deposits (RM 'bil)	Mar-17	Mar-16	Y-o-Y
Consumer Banking	154.9	134.0	15.6%
Commercial Banking	45.9	41.7	10.1%
Wholesale Banking	153.2	143.9	6.5%
<b>Total</b>	<b>354.0</b>	<b>319.6</b>	<b>10.8%</b>

By Geography	Y-o-Y
Malaysia	13.1%
Indonesia ^	1.9%
Thailand ^	15.3%
Singapore ^	(2.5%)
Others **	(35.6%)
Group ^^	6.3%

Notes:

\* Gross loans excludes bad bank

^ In local currency

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

^^ Excluding FX fluctuations

The Group's total gross loans (excluding the bad bank) grew by 12.2% Y-o-Y, while total deposits grew 10.8% Y-o-Y. The Group's 1Q17 loan to deposit ("LDR") ratio stood at 91.7% compared to 90.6% in 1Q16.

The Group's gross impairment ratio was higher at 3.2% as at end-March 2017 from 3.0% in March 2016, with an allowance coverage of 79.6%. The Group's Cost-to-Income ratio improved to 52.6% compared with 57.4% in 1Q16, in line with the stronger revenues and controlled cost increases. The Group's NIM improved to 2.72% for 1Q17 from better liability management in Indonesia, Thailand and Singapore.

<b>Key Operating Ratios (%)</b>	<b>1Q17</b>	<b>1Q16</b>
Loan to Deposit (LDR)	91.7	90.6
Gross Impaired Loans Ratio	3.2	3.0
Allowance Coverage	79.6	84.8
Cost-to-Income	52.6	57.4
NIM ~**	2.72	2.62

Notes: \*\* Daily Average  
~ Annualised

As at 31 March 2017, CIMB Group's total capital ratio stood at 16.4% while the Common Equity Tier 1 ("CET1") capital ratio rose to 11.5%.

### 3) CIMB Group 1Q17 Q-o-Q Performance

On a quarter-on-quarter ("Q-o-Q") basis, 1Q17 operating income was 1.1% higher at RM4.36 billion, with net interest income growing 1.0% and a 1.4% growth in non-interest income. Consumer Banking PBT was 1.2% lower Q-o-Q largely due to the Indonesia bancassurance fees recognised in 4Q16. Regional Commercial Banking's PBT increased 494.4% Q-o-Q due to the higher provisions in Thailand and Singapore in 4Q16. Wholesale Banking PBT improved 30.5% Q-o-Q underpinned by a stronger performance in corporate banking and improved capital market activity. GAMI PBT was 63.6% higher Q-o-Q due to absence of investment impairments, while Group Funding PBT rose 46.5% due to the goodwill impairment in 4Q16 and FX gains. The Group's 1Q17 net profit was 38.2% higher Q-o-Q at RM1.18 billion predominantly due to the significantly lower loan loss provisions across all operating countries.

<b>PBT by Segments (RM 'mil)</b>	<b>1Q17</b>	<b>4Q16</b>	<b>Q-o-Q</b>
<b>Consumer Banking</b>	<b>561</b>	<b>568</b>	<b>(1.2%)</b>
<b>Commercial Banking</b>	<b>142</b>	<b>(36)</b>	<b>494.4%</b>
<b>Wholesale Banking</b>	<b>727</b>	<b>557</b>	<b>30.5%</b>
Corporate Banking	479	416	15.1%
Treasury & Markets	248	130	90.8%
Investment Banking	-	11	(100.0%)
<b>GAMI</b>	<b>36</b>	<b>22</b>	<b>63.6%</b>
<b>Group Funding</b>	<b>148</b>	<b>101</b>	<b>46.5%</b>

#### 4) CIMB Islamic Bhd

CIMB Islamic's 1Q17 Y-o-Y PBT increased by 1.1% to RM193 million from improved performance in the Consumer segment. CIMB Islamic's gross financing assets increased by 18.4% Y-o-Y to RM49.5 billion, accounting for 15.3% of total Group loans. Total deposits increased by 25.7% Y-o-Y to RM54.8 billion.

#### 5) Outlook

"Our 1Q17 results are testament to the stronger foundations that we have built since we embarked on our T18 Strategy. The strong start to the year also provides the impetus for us to continue embedding the 5C's – **capital, cost, culture, customer experience and compliance** – across all our T18 programmes. We will continue to keep a tight rein on cost, strive to enhance operating income whilst expecting improvement in asset quality.

"Looking ahead, the Group is cautiously optimistic for the rest of 2017, with more stable economic conditions, increased regional activity, improved capital markets and declining provisions across our key geographies. The Group is currently on track to achieve its key financial targets for 2017," said Tengku Zafrul.

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## APPENDIX

### Significant Corporate Developments in 2017

#### 1) Capital Management

- On 19 January 2017, CIMB Thai announced a proposed increase of its registered capital by THB2,752,747,964 via a proposed 2-for-9 rights issue of 5,505,495,928 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB1.00 per share.
- On 28 April 2017, CIMB Group issued and allotted 183,726,322 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY16. The new shares were listed and quoted on the Main Market of Bursa Securities on 2 May 2017.

#### 2) Mergers and Acquisitions

- On 17 October 2016, CIMB Group signed a Heads of Terms with China Galaxy International Financial Holdings Limited to explore a strategic partnership via a 50:50 joint venture in the stockbroking business and to identify further areas of cooperation in the relevant markets where they operate. On 24 March 2017, China Galaxy Securities announced the passing of resolutions by its Board of Directors in connection with the proposed partnership.
- On 30 December 2016, CIMB Bank proposed to dispose of a 18.21% stake in the Bank of Yingkou Co. Ltd. for a total consideration of RMB1.507 billion (approximately RM972 million) to Shanghai Guozhjie Investment Development Co. Ltd.

#### 3) Others

- On 21 February 2017, Moody's reaffirmed CIMB Niaga's long-term and short-term foreign currency deposits rating at Baa3 and P-3 respectively. The outlook was revised from stable to positive due to a change in outlook on Indonesia's Baa3 sovereign rating from stable to positive.
- On 27 February 2017, 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 3 April 2017, 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 10 April 2017, 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 10 April 2017, CIMB Group announced the impending appointment of Olivier Crespin as the Chief FinTech Officer.
- On 17 April 2017, 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 20 April 2017, RAM assigned an AAA/Stable rating to CIMB Bank's proposed RM20 billion MTN Programme.