

## **CIMB Group announces RM2.016 billion Net Profit for 1HFY14**

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*for immediate release*

- 1H14 BAU net profit declined 2.8% due to difficult operating conditions in Indonesia, the weaker Rupiah and weaker capital markets.
- High growth momentum continued at Malaysia Consumer Bank, CIMB Bank Singapore and CIMB Thai.
- The regional Corporate and Consumer banking share increases to 70% of total Group PBT in 1H14.
- Group operating expenses fell 1.1% on tighter cost control resulting in an improved cost to income ratio of 57.9% compared to 1H13 BAU, while 1H14 gross impairment ratios improved to 3.1% from 3.6%.
- The main challenge for 2H14 remains in Indonesia in view of the prevailing economic and liquidity environment.
- CIMB Malaysia should have a steady 2H14, with continued growth in CIMB Singapore, brighter Thai economic outlook and gradually improving regional capital markets.
- Effective 1 September 2014, Dato' Sri Nazir Razak takes over as the Chairman and Tengku Dato' Zafrul Tengku Abdul Aziz appointed as the Acting CEO of CIMB Group.

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") today reported a net profit of RM2.016 billion for the first half of 2014 ("1H14"), equivalent to a net earnings per share ("EPS") of 24.6 sen. In 1H13, the Group reported a 1H13 net profit of RM2.440 billion, which includes a RM365 million net gain from the sale of CIMB Aviva. Excluding the exceptional gains, the Group's Business As Usual ("BAU") 1H14 net profit decreased by 2.8% year-on-year ("Y-o-Y"). The Group's annualised 1H14 net return on average equity ("ROE") was 12.2% with an enlarged equity base following the private placement of new shares in January 2014. The Group declared a first interim net dividend of 10.00 sen per share to be paid in the form of cash or an optional Dividend Reinvestment Scheme ("DRS"). The total interim dividend amounts to a net payment of RM834 million, translating to a dividend payout ratio of 41.3% of 1H14 profits.

"It was a difficult first half, due mainly to the tough conditions in Indonesia and the sharply weaker Rupiah, which combined to decrease CIMB Niaga's PBT contributions by 19.8%. Low financial market volumes and volatility across the region led to weaker IB and Treasury businesses. Nevertheless, excluding Indonesia and last year's exceptional gain, our PBT was up 5.9% Y-o-Y due to the strong performances of our Malaysian consumer bank, CIMB Bank Singapore and CIMB Thai," said Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group.

### **2) CIMB Group 1H14 Y-o-Y Results**

For comparative purposes, the Y-o-Y performance is based on BAU numbers for 1H13. CIMB Group's 1H14 operating income was 1.0% higher at RM6.945 billion. Net interest income was 6.4% higher while non-interest income declined by 10.0%, due to a combination of lower

volatility in treasury markets, weaker equity markets and decline in Indonesia bancassurance fees. CIMB Niaga's contribution to the Group was also impacted by an 11.8% Y-o-Y foreign exchange depreciation in the Rupiah. Operating expenses declined 1.1% as the Group's cost control efforts show results. The Group's profit before tax ("PBT") was 2.8% lower at RM2.712 billion.

The Group's regional Consumer Bank PBT expanded by 1.4% Y-o-Y in 1H14 to RM1.190 billion, making up 44% of Group PBT (from 42% in 1H13), with Thailand and Singapore turning profitable. Malaysia now contributes 79% of total Consumer Banking operations. The Group's Regional Wholesale Banking PBT declined by 11.3% Y-o-Y to RM1.228 billion due to the slower equity and treasury markets. Investments was up 26.2% Y-o-Y. The overall contribution of the Group's core corporate and consumer banking business has increased from 68% to 70% of total PBT.

<b>PBT by segment (RM 'mil)</b>	<b>1H14</b>	<b>1H13</b>	<b>Y-o-Y</b>
<b>Consumer banking</b>	<b>1,190</b>	<b>1,173</b>	<b>1.4%</b>
Malaysia	939	873	7.6%
Indonesia	199	305	(34.8%)
Thailand	9	(4)	n.a.
Singapore	37	(1)	n.a.
Others	6	-	n.a.
<b>Wholesale banking</b>	<b>1,228</b>	<b>1,384</b>	<b>(11.3%)</b>
Investment Banking	13	137	(90.5%)
Corporate Banking	706	718	(1.7%)
Treasury & Markets	509	529	(3.8%)
<b>Investments *</b>	<b>294</b>	<b>233</b>	<b>26.2%</b>

Note: \* Excludes gains from sale of CIMB Aviva and restructuring charges in 1Q13

Non-Malaysian PBT contribution to the Group was lower at 35% in 1H14 from 39% in 1H13. This was mainly due to the 20.1% Y-o-Y decline in Indonesia's PBT to RM741 million from the lower CIMB Niaga earnings and the Rupiah's depreciation. Thailand's PBT contribution to the Group grew 5.2% Y-o-Y at RM125 million as the strong growth at CIMB Thai was offset by much weaker performance at CIMB Securities (Thailand). Total PBT contribution from Singapore rose 13.2% to RM160 million as CIMB Bank Singapore PBT grew by 58.2% Y-o-Y.

The Group's total gross loans (excluding the declining bad bank loan book) expanded 8.5% Y-o-Y or 11.3% after adjusting for foreign exchange fluctuations. Over the same period, total deposits grew 4.8% Y-o-Y or 7.8% higher Y-o-Y after excluding foreign exchange fluctuations. This raised the Group's loan to deposit ("LDR") ratio to 89.7% from 86.2% previously.

<b>Gross Loans by Business (RM 'bil)</b>	<b>1H14</b>	<b>1H13</b>	<b>Y-o-Y</b>	<b>Growth by Geography</b>	<b>1H14</b>
Retail Financial Services	123.4	110.4	11.8%	Malaysia	6.7%
Commercial Banking	42.3	37.3	13.4%	Indonesia	9.1%
Corporate Banking	72.1	71.4	1.0%	Thailand	17.8%
<b>Total Gross Loans</b>	<b>237.8</b>	<b>219.1</b>	<b>8.5%</b>	Singapore	50.5%
				Others	36.7%

Total Deposits by business (RM 'bil)	1H14	1H13	Y-o-Y
Retail Financial Services	105.7	102.8	2.8%
Commercial & Enterprise Banking	49.5	48.4	2.3%
Corporate & Treasury ^	116.0	107.6	7.8%
<b>Total deposits</b>	<b>271.2</b>	<b>258.8</b>	<b>4.8%</b>

Growth by Geography	1H14
Malaysia	4.0%
Indonesia	10.6%
Thailand	14.1%
Singapore	20.8%
Others	14.2%

The Group's gross impairment ratio improved to 3.1% as at June 2014 from 3.6% in June 2013, with allowance coverage (including regulatory reserve) of 104.5% as at June 2014. The Group's cost to income ratio was marginally higher at 57.9% compared to 57.7% previously. However, compared to the BAU of 59.1% in 1H13, the 1H14 cost to income ratio improved markedly. The Group's Net Interest Margins ("NIM") were unchanged at 2.88%.

Key Operating Ratios (%)	June-14	Jun-13
Loan to deposit (LDR)	89.7	86.2
Gross impaired loans ratio	3.1	3.6
Allowance coverage after regulatory reserve	104.5	100.6
Cost to income	57.9	57.7
NIM	2.88	2.88

As at 30 June 2014, CIMB Group's total capital ratio stood at 14.7% while its Common Equity Tier 1 (CET 1) capital ratio stood at 9.5%.

### 3) CIMB Group 2Q14 Y-o-Y Results

On a Y-o-Y basis, the 2Q14 operating income of RM3.407 billion was 1.1% lower compared to 2Q13 as the 6.6% growth in net interest income was offset by the 17.5% decline in non-interest income due to lower fee-based income from CIMB Niaga. 2Q14 net profit was 9.9% lower Y-o-Y at RM950 million due to higher loan impairments at CIMB Niaga and lower contribution from joint ventures and associates.

### 4) CIMB Group 2Q14 Q-o-Q Results

The Group's 2Q14 operating income of RM3.407 billion were 3.7% lower than 1Q14, as the 4.0% Q-o-Q increase in net interest income was offset by the 20.0% Q-o-Q reduction in non-interest income in light of the lower fee-based income from CIMB Niaga's Consumer business. 2Q14 net profit was 10.9% lower Q-o-Q at RM950 million due to higher loan impairment at CIMB Niaga.

### 5) CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased by 16.0% to RM277 million due to a recovery in Islamic capital markets activity. CIMB Islamic's gross financing assets grew 0.6% Y-o-Y, accounting for 14.5% of total Group loans. Total deposits grew by 13.3% Y-o-Y to RM40.1 billion.

## 6) Other Highlights

On the M&A front, the Group received Bank Negara Malaysia approval to commence discussions with RHB Capital Berhad and Malaysia Building Society Berhad to potentially undertake the largest merger in Malaysian banking history. Discussions remain on-going.

In 1H14, CIMB Group commenced CIMB Bank branch operations in Hong Kong and Shanghai to facilitate transaction banking requirements of our ASEAN corporate customers. In July 2014, CIMB Thai opened its branch in Laos.

## 7) Leadership Transition Plan

On 3 July 2014, the Group announced a leadership transition plan effective 1 September 2014, where the Chairman Tan Sri Md Nor Yusof will retire from the Board of Directors. Dato' Sri Nazir Razak will take over as Chairman of CIMB Group. The Group announces today that on 1 September 2014, Tengku Dato' Zafrul Tengku Abdul Aziz will be Acting Group CEO.

## 8) Outlook

"CIMB Niaga is a large component of our portfolio and the operating environment in Indonesia is expected to remain challenging as last year's sharp turn in Indonesia's terms of trade, interest rates and currency impacts borrowers and liquidity in the system.

CIMB Malaysia should have a steady second half, while CIMB Singapore continues to grow strongly. With the improving economic outlook for Thailand, we are also optimistic on the outlook for CIMB Thai. Given our strong market shares in treasury markets and investment banking we remain primed to benefit when market volumes and volatility improve," Nazir added.

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## APPENDIX

### Significant Corporate Developments in 2014

#### 1) Capital Management

- On 9 May 2013, CIMB Group announced its intention to resume with the proposal to undertake the dual listing of ordinary shares on the Stock Exchange of Thailand (“SET”). On 30 May 2013, the Securities Commission (“SC”) approved the proposed SET listing. On 10 June 2013, approval was attained from Bursa Malaysia Securities for the proposed SET listing. On 15 November 2013, the Group submitted an application to the SC for a 6-month extension to complete the proposed SET listing. On 25 February 2014, the Group announced that it has decided to abort the proposed SET listing in light of the market conditions in Thailand.
- 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.

#### 2) Mergers and Acquisitions

- On 10 July 2014, CIMB Group, RHB Capital and Malaysia Building Society (“MBSB”) announced the approval from Bank Negara Malaysia 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. The three parties entered into a 90-day exclusivity agreement to negotiate and finalise pricing, structure and other relevant terms and conditions.
- On 23 July 2014, CIMB-Principal Asset Management Company Limited (“CPAM Thailand”) entered into a conditional S&P agreement with Finasia Public Company Limited for the proposed acquisition of Finasia Asset Management Limited for THB225 million cash.



### 3) Others

- On 2 January 2014, 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 12 January 2014, Moody's affirmed CIMB Niaga's bank financial strength rating ("BFSR") of D, which maps to a ba2 baseline credit assessment and a ba1 adjusted baseline credit assessment. Moody's affirmed CIMB Niaga's issuer rating and long-term bank deposits at Baa3/P3 and short-term bank deposits at P-3. The outlook is stable.
- On 15 January 2014, Moody's assigned rating on CIMB Thai's long-term local/foreign currency deposit and issuer ratings of Baa2/P2. CIMB Thai attained BFSR of D which maps to a baseline credit assessment of ba2 and adjusted baseline credit assessment of baa2. The outlook is stable.
- On 23 January 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+<sub>IS</sub>' and set the outlook for all ratings as stable.
- 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)', THB3bn 5.35% and THB3bn 4.80% Subordinated Lower Tier 2 at 'A+(tha)', and THB2.5bn 5.25% Subordinated Upper Tier 2 Notes 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 as well as AAA(idn) for the senior unsecured bonds.
- 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 16 May 2014, Moody's affirmed CIMB Islamic Bank's BFSR at D+, local currency rating at A1/P-1 and foreign currency rating at A3/P-2. On 20 November 2013, the outlook of its foreign currency deposit and issuer ratings is revised to positive from

stable. All other ratings carry a stable outlook. Moody's also assigned a ba1 for CIMB Islamic's baseline credit assessment and a baa1 for the adjusted baseline credit assessment.

- On 11 June 2014, Moody's affirmed CIMB IB's long-term local and foreign currency bank deposit and issuer ratings at A3 as well as the short-term local and foreign currency bank deposit and issuer ratings at P-2. The outlook is stable.
- On 3 July 2014, CIMB Group announced a leadership transition plan which will take effect on 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 September 2014, CIMB Group announced that Tengku Dato' Zafrul Tengku Abdul Aziz will be Acting 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-, local currency bank deposit ratings at A1/P-1 and foreign currency bank deposit ratings at A3/P-2. On 20 November 2013, the outlook of CIMB Bank's foreign currency deposit, issuer, senior unsecured debt and senior unsecured MTN program ratings is revised to positive from stable. All other ratings carry a stable outlook.
- On 6 August 2014, Moody's affirmed CIMB Bank's baseline credit assessment and adjusted baseline credit assessment at baa1. 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 the programme and notes.
- 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.