

## **CIMB Group announces RM2.906 billion Net Profit for 9MFY14**

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*for immediate release*

- 9MFY14 BAU net profit declined 7.4% due to challenging operating conditions in Indonesia, the weaker Rupiah and weaker capital markets.
- Positive momentum continued at Malaysia Consumer Bank, CIMB Bank Singapore and CIMB Thai.
- The regional Corporate and Consumer banking share increased to 69% of total Group PBT in 9MFY14.
- Group operating expenses fell 1.1% on tighter cost control resulting in an improved cost to income ratio of 57.8% compared to 9MFY13 BAU, while 9MFY14 gross impairment ratios improved to 3.3% from 3.4%.
- The near term outlook will continue to be challenging in Indonesia. The prospects for CIMB Malaysia are steady, while CIMB Singapore maintains a strong upward momentum, with the Thai economy gradually recovering and with regional capital markets bottoming out.

### **1) Summary**

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM2.906 billion for 9 months FY14 (“9MFY14”), equivalent to a net earnings per share (“EPS”) of 35.2 sen. In 9MFY13, the Group reported a net profit of RM3.502 billion, which included a RM365 million gain from the sale of CIMB Aviva and restructuring charges. Excluding the exceptional gains, the Group’s Business As Usual (“BAU”) 9MFY14 net profit decreased by 7.4% year-on-year (“Y-o-Y”). The Group’s annualised 9MFY14 net return on average equity (“ROE”) was 11.6% with an enlarged equity base following the private placement of new shares in January 2014. For third quarter FY14 (“3Q14”), the Group’s net profit of RM890 million was 16.2% lower Y-o-Y.

"2014 has been a challenging year. The Group’s 9MFY14 profitability was largely impacted by the difficult operating conditions in Indonesia coupled with the weakened Rupiah, which brought about a 36.4% Y-o-Y decline in CIMB Niaga’s profit before tax (“PBT”) contributions. Regional capital markets volumes and volatility remained weak resulting in the softer performances at both IB and Treasury & Markets. Nonetheless, the Malaysian consumer bank is performing well, while CIMB Bank Singapore and CIMB Thai continues to grow strongly," said Tengku Dato’ Zafrul Tengku Aziz, Acting Group Chief Executive, CIMB Group.

### **2) CIMB Group 9MFY14 Y-o-Y Results**

For comparative purposes, the Y-o-Y performance is based on BAU numbers for 9MFY13. CIMB Group’s 9MFY14 operating income was 1.1% higher at RM10.474 billion. Net interest income was 5.9% higher while non-interest income declined by 8.8%, attributed to a combination of lower volatility in treasury markets, weaker equity markets and lower Indonesia bancassurance fees. CIMB Niaga’s contribution to the Group was also impacted by an 11.5% Y-

o-Y foreign exchange depreciation in the Rupiah. Improved cost controls brought about the 1.1% decline in operating expenses. The Group's PBT was 6.8% lower at RM3.891 billion.

The Group's regional Consumer Bank PBT reduced by 2.0% Y-o-Y in 9MFY14 to RM1.718 billion, making up 44% of Group PBT (from 42% in 9MFY13). The decline was due to the weaker operations in Indonesia exacerbated by currency translation effects. Malaysia continued to perform well, contributing 81% of total Consumer Banking operations, while Singapore and Thailand are now firmly profitable. The Group's Regional Wholesale Banking PBT declined by 12.8% Y-o-Y to RM1.765 billion due to the slower equity and treasury markets. Investments was up 2.3% Y-o-Y. The overall contribution of the Group's core corporate and consumer banking business has increased from 67% to 69% of total PBT.

PBT by Segment (RM 'mil)	9M14	9M13	Y-o-Y
<b>Consumer Banking</b>	<b>1,718</b>	<b>1,753</b>	<b>(2.0%)</b>
Malaysia	1,399	1,305	7.2%
Indonesia	235	459	(48.8%)
Thailand	18	(8)	n.a.
Singapore	58	(4)	n.a.
Others	8	1	700.0%
<b>Wholesale Banking</b>	<b>1,765</b>	<b>2,024</b>	<b>(12.8%)</b>
Investment Banking	21	156	(86.5%)
Corporate Banking	954	1,059	(9.9%)
Treasury & Markets	790	809	(2.3%)
<b>Investments *</b>	<b>408</b>	<b>399</b>	<b>2.3%</b>

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

Non-Malaysian PBT contribution to the Group was lower at 31% in 9MFY14 from 37% in 9MFY13. This was attributed to the 36.4% Y-o-Y decline in Indonesia's PBT to RM875 million from the lower CIMB Niaga earnings and the Rupiah's depreciation. Thailand's PBT contribution to the Group grew 3.6% Y-o-Y at RM185 million as the stronger CIMB Thai performance was partially offset by weaker earnings at CIMB Securities (Thailand). Total PBT contribution from Singapore expanded by 45.2% to RM257 million underpinned by the 70.6% Y-o-Y PBT growth in CIMB Bank Singapore.

The Group's total gross loans (excluding the declining bad bank loan book) expanded 9.8% Y-o-Y or 11.1% after adjusting for foreign exchange fluctuations. Over the same period, total deposits grew 1.6% Y-o-Y or 2.7% higher Y-o-Y after excluding foreign exchange fluctuations. As such, the Group's loan to deposit ("LDR") ratio increased to 93.5% from 87.1% previously.

Gross Loans by Business (RM 'bil)	Sep-14	Sep-13	Y-o-Y	Growth by Geography	Sep-14
Retail Financial Services	127.2	112.8	12.8%	Malaysia	5.4%
Commercial Banking	43.9	37.1	18.3%	Indonesia	7.3%
Corporate Banking	75.6	74.8	1.1%	Thailand	12.2%
<b>Total Gross Loans</b>	<b>246.7</b>	<b>224.7</b>	<b>9.8%</b>	Singapore	40.0%
				Others	44.7%

Total Deposits by Business (RM 'bil)	Sep-14	Sep-13	Y-o-Y
Retail Financial Services	106.5	103.7	2.7%
Commercial & Enterprise Banking	50.4	48.2	4.6%
Corporate & Treasury	109.9	110.7	(0.7%)
<b>Total Deposits</b>	<b>266.8</b>	<b>262.6</b>	<b>1.6%</b>

Growth by Geography	Sep-14
Malaysia	4.7%
Indonesia	2.3%
Thailand	8.1%
Singapore	22.0%
Others	27.2%

The Group's gross impairment ratio improved to 3.3% as at September 2014 from 3.4% in September 2013, with allowance coverage (including regulatory reserve) of 99.3% as at September 2014. The Group's cost to income ratio was marginally lower at 57.8% compared to 58.1% previously and compared to the 9MFY13 BAU of 59.1%. The Group's Net Interest Margins ("NIM") were virtually unchanged at 2.86%.

Key Operating Ratios (%)	Sep-14	Sep-13
Loan to Deposit (LDR)	93.5	87.1
Gross Impaired Loans Ratio	3.3	3.4
Allowance Coverage after Regulatory Reserve	99.3	103.4
Cost to Income	57.8	59.1
NIM	2.86	2.87

As at 30 September 2014, CIMB Group's total capital ratio stood at 15.0% while its Common Equity Tier 1 (CET 1) capital ratio stood at 9.7%.

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

The Group's 3Q14 operating income grew 1.3% Y-o-Y to RM3.529 billion as the 4.8% increase in net interest income was partially offset by a 6.4% decline in non-interest income due to softer Treasury & Markets and lower fee-based income from CIMB Niaga. However, 3Q14 net profit was 16.2% lower Y-o-Y at RM890 million largely due to higher loan impairments at CIMB Niaga.

### 4) CIMB Group 3Q14 Q-o-Q Results

On a Q-o-Q basis, the 3Q14 operating income grew 3.6% to RM3.529 billion with net interest income staying flat and a 13.5% improvement in non-interest income from better Treasury & Markets and investments performance. However, 3Q14 net profit was 6.3% lower Q-o-Q at RM890 million largely due to higher loan impairments at CIMB Niaga.

### 5) CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased by 16.9% to RM399 million due to a recovery in Islamic capital markets activity. CIMB Islamic's gross financing assets declined by 2.0% Y-o-Y, accounting for 14% of total Group loans. Total deposits grew by 8.6% Y-o-Y to RM41.7 billion.

## 6) Other Highlights

On the M&A front, the Group received Bank Negara Malaysia's ("BNM") 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 9MFY14, CIMB Group commenced CIMB Bank branch operations in Hong Kong and Shanghai to facilitate transaction banking requirements of our ASEAN corporate customers. CIMB Thai opened its branch in Laos in July 2014.

## 7) Leadership Transition Plan

On 1 September 2014, Tengku Dato' Zafrul Tengku Abdul Aziz was appointed as Acting Group CEO. Dato' Sri Nazir Razak has taken over as Chairman of CIMB Group on the same date.

## 8) Outlook

"CIMB Malaysia should maintain steady growth, while CIMB Singapore is expected to maintain a positive momentum. Thailand is showing encouraging signs of economic recovery and improving consumer confidence. The gradually improving capital markets augur well for the Group's Treasury & Markets. However, CIMB Niaga is expected to continue to be challenged by asset quality and tight liquidity in the Indonesian banking system in the near term.

On the proposed merger, all three parties are presently in deep discussions and are in the midst of a due diligence process. We expect to come to an agreement by early 1Q15," said Tengku Dato' Zafrul.

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## APPENDIX

### Significant Corporate Developments in 2014

#### 1) Capital Management

- 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.
- On 29 October 2014, CIMB Group issued and allotted 87,228,960 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Single Tier First Interim Dividend announcement for FY14. The new shares were listed and quoted on the Main Market of Bursa Securities on 30 October 2014.

#### 2) Mergers and Acquisitions

- On 10 July 2014, CIMB Group, RHB Capital and Malaysia Building Society (“MBSB”) announced the approval from BNM 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. On 8 October 2014, all three parties made a joint application to seek BNM approval for the proposed merger, which encompasses: i) the proposed disposal by CIMB Group of all its assets, liabilities, business and undertakings to RHB Capital for new RHB Capital shares; ii) the proposed acquisition by CIMB Islamic Bank of the assets and liabilities of RHB Islamic Bank for new ordinary shares in CIMB Islamic; and iii) the proposed merger of the assets and liabilities of CIMB Islamic, RHB Islamic and MBSB to create a mega Islamic Bank, which includes the acquisition by CIMB Islamic of all the assets and liabilities of MBSB in consideration for new redeemable convertible preference shares in CIMB Islamic.
- 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 'ba2' baseline credit assessment and '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 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 August 2014, CIMB Group announced that Tengku Dato' Zafrul Tengku Abdul Aziz will be Acting Group CEO effective 1 September 2014.
- 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'. On 15 August 2014, Moody's assigned a provisional rating to CIMB Bank's proposed USD5.0 billion Euro MTN Programme. '(P)A3' was assigned to foreign currency senior unsecured MTN while '(P)Baa3' was assigned to foreign currency subordinated MTN. 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.
- On 12 November 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 CIMB Islamic Bank's foreign currency deposit and issuer ratings is revised to positive from stable. All other ratings carry a stable outlook. Moody's also assigned 'ba1' to CIMB Islamic's baseline credit assessment and 'baa1' to the adjusted baseline credit assessment.