

CIMB Group announces RM1,123 million Profit Before Tax for 1QFY16

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for immediate release

- 9.5% Y-o-Y improvement in 1Q16 PBT underpinned by stronger cost management and lower loan provisions
- 1Q16 operating income grew 1.2% Y-o-Y on improved Net Interest Income partially offset by softer market-driven Non Interest Income
- Operating expenses were flat Y-o-Y and 2.0% lower Q-o-Q from stricter cost controls. 1Q16 cost to income ratio stood at 57.4%
- Strengthened capital position with CET1 at 10.6% as of 31 March 2016
- Improved loan loss charge of 64bps with lower provisions in Indonesia and Thailand
- Excluding FX fluctuations, 1Q16 loan growth was 5.6% Y-o-Y driven by Consumer Banking. Deposits grew 5.0% driven by a 9.3% expansion in CASA
- 4.1% Y-o-Y growth in 1Q16 net profit with annualised ROE of 7.9% Outlook remains cautious given sustained soft economic environment. Management to stay focused on asset quality and cost initiatives

1) Summary

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a Profit Before Tax (“PBT”) of RM1,123 million for the first quarter of 2016 (“1Q16”). On a year-on-year (Y-o-Y) basis, the Net Profit of RM814 million improved 4.1% compared to the Business As Usual (“BAU”) 1Q15 Net Profit of RM782 million. The 1Q16 net earnings per share (“EPS”) stood at 9.5 sen, while the annualised 1Q16 net return on average equity (“ROE”) was 7.9%.

“We posted a respectable performance for 1Q16 despite the difficult operating conditions across the region, with Y-o-Y improvements in our Consumer, Wholesale Banking and Group Asset Management and Investments divisions. The 1.2% Y-o-Y growth in operating income was achieved in spite of the weak capital markets. Our strict cost control initiatives and declining provision levels enabled the Group to achieve a 4.1% net profit growth,” said Tengku Dato’ Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group 1Q16 Y-o-Y Results

For comparative purposes, the corresponding 1Q15 numbers are based on BAU basis. CIMB Group’s 1Q16 operating income grew 1.2% Y-o-Y to RM3,725 million underpinned by a 8.5% improvement in non-interest income but partially offset by a 14.5% decline in net interest income, which felt the effects of a softer capital market environment in 1Q16. Operating expenses were flat Y-o-Y but was 4.0% lower after excluding foreign currency translation effects, reflecting the Group’s stricter cost management initiatives. This brought about the 2.8% improvement in the Group’s Pre-Provisioning Operating Profit (“PPOP”). The Group’s PBT was 9.5% higher at RM1,123 million, in tandem with a 13.2% Y-o-Y decline in loan provisions.

The Group's regional Consumer Bank PBT increased by 35.5% Y-o-Y in 1Q16 to RM557 million, making up 50% of Group PBT. The better performance was fuelled by consumer loans growth across the region as well as lower consumer provisions. The regional Commercial Banking PBT was 21.5% lower Y-o-Y at RM146 million largely attributed to higher provisions in Indonesia, Thailand and Singapore. The Group's Regional Wholesale Banking PBT improved by 24.8% Y-o-Y to RM408 million from better performances at Corporate Banking and Treasury & Markets, while Investment Banking was softer on the back of slower markets. Group Asset Management and Investments ("GAMI")'s PBT expanded 43.6% Y-o-Y due to higher contributions from investments, while Group Funding PBT was 242.6% lower Y-o-Y from higher costs of funding and lower investment returns.

PBT by Segments (RM 'mil)	1Q16	1Q15 BAU*	Y-o-Y
Consumer Banking	557	411	35.5%
Commercial Banking	146	186	(21.5%)
Wholesale Banking	408	327	24.8%
Corporate Banking	180	103	74.8%
Treasury & Markets	252	215	17.2%
Investment Banking	(24)	9	(366.7%)
GAMI	79	55	43.6%
Group Funding	(67)	47	(242.6%)

Notes: * Excluding : IB restructuring costs (RM202 mil)

Non-Malaysia PBT contribution to the Group increased to 26% in 1Q16 compared to 20% in 1Q15, largely attributed to the 158.3% Y-o-Y improvement in Indonesia's PBT to RM124 million in line with lower provisions at CIMB Niaga. Thailand's PBT contribution was 51.7% higher Y-o-Y at RM88 million given lower provisions in the first three months of 2016. Total PBT contribution from Singapore was 42.1% lower at RM62 million from increased commercial banking provisions.

The Group's total gross loans (excluding the bad bank) expanded 7.5% Y-o-Y or 5.6% excluding FX fluctuations. Total deposits grew 6.8% Y-o-Y or 5.0% excluding FX fluctuations. The Group's loan to deposit ("LDR") ratio stood at 90.6% compared to 90.3% in 1Q15.

Gross Loans (RM 'bil)	Mar-16	Mar-15	Y-o-Y
Consumer Banking	147.5	134.1	10.0%
Commercial Banking	38.1	37.9	0.5%
Wholesale Banking	101.1	94.8	6.6%
Total *	286.7	266.8	7.5%

By Geography	Y-o-Y
Malaysia	8.4%
Indonesia ^	(1.7%)
Thailand ^	5.0%
Singapore ^	2.5%
Others**	10.2%
Group ^^	5.6%

Deposits (RM 'bil)	Mar-16	Mar-15	Y-o-Y
Consumer Banking	134.3	123.3	8.9%
Commercial Banking	42.3	38.7	9.3%
Wholesale Banking	143.0	137.3	4.2%
Total	319.6	299.3	6.8%

By Geography	Y-o-Y
Malaysia	3.5%
Indonesia ^	(4.9%)
Thailand ^	(15.0%)
Singapore ^	17.8%
Others **	77.4%
Group ^^	5.0%

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 reduced to 3.0% as at March 2016 from 3.2% in March 2015, with a higher allowance coverage of 84.8% as at March 2016. The Group's cost to income ratio improved to 57.4% compared with 58.0% in 1Q15, with the Group's cost management initiatives continuing to show results. The Group's Net Interest Margins ("NIM") were lower at 2.62% driven mainly by the higher cost of deposits in Malaysia.

Key Operating Ratios (%)	1Q16	1Q15 BAU^
Loan to Deposit (LDR)	90.6	90.3
Gross Impaired Loans Ratio	3.0	3.2
Allowance Coverage	84.8	84.2
Cost to Income	57.4	58.0
NIM ~**	2.62	2.65

Notes: ** Daily Average

~ Annualised

^ Excluding : IB restructuring costs (RM202 mil)

As at 31 March 2016, CIMB Group's total capital ratio stood at 15.4% while the Common Equity Tier 1 ("CET1") capital ratio strengthened to 10.6%.

3) CIMB Group 1Q16 Q-o-Q Performance

On a Q-o-Q basis, 1Q16 operating income was 7.8% lower at RM3,725 million with both net interest income and non-interest income declining by 2.8% and 19.3% respectively. The Consumer Banking PBT posted a 42.1% Q-o-Q growth on the back of revenue expansion and lower provisions. Commercial Banking PBT was 14.6% lower due to increased provisions during the quarter, while the 15.5% Q-o-Q decline in Wholesale Banking PBT was

attributed to the reduction in gross loans as well as the comparatively weaker capital markets. The 1Q16 net profit was 4.2% lower Q-o-Q at RM814 million attributed to the decline in revenues.

PBT by Segments (RM 'mil)	1Q16	4Q15 BAU*	Q-o-Q
Consumer Banking	557	392	42.1%
Commercial Banking	146	171	(14.6%)
Wholesale Banking	408	483	(15.5%)
Corporate Banking	180	219	(17.8%)
Treasury & Markets	252	268	(6.0%)
Investment Banking	(24)	(4)	(500.0%)
GAMI	79	35	125.7%
Group Funding	(67)	83	(180.7%)

Notes: * Excluding : 4Q15 ID MSS cost (RM32mil)

4) CIMB Islamic Bhd

CIMB Islamic's 1Q16 Y-o-Y PBT increased by 66.9% to RM191 million from improved performance in the Consumer and Wholesale segments. CIMB Islamic's gross financing assets increased by 10.3% Y-o-Y to RM41.8 billion, accounting for 14.4% of total Group loans. Total deposits declined by 9.5% Y-o-Y to RM43.6 billion.

5) Key Organisation Changes

On 4 January 2016, Mohamed Rafe bin Mohamed Haneef was appointed as CEO, Group Islamic Banking and CEO/ED of CIMB Islamic Bank. On 20 January 2016, Tengku Dato' Sri Zafrul Aziz was appointed as CEO of CIMB Bank Berhad. On 1 March 2016, Dato' Kong Sooi Lin was appointed as CEO of CIMB Investment Bank Berhad. On 1 April 2016, Mak Lye Mun was appointed as CEO, Group Wholesale Banking.

6) Outlook

We continue to be cautious on overall balance sheet growth, with a focus on cost management, asset quality, capital management and governance, given the slower regional economies and persistent market volatility. We have made significant progress on various T18 programmes implemented in 2015, resulting in, among others, a firmer control of our operating expenses, as well as an improved CET1 ratio of 10.6%. For the rest of 2016, we expect a slower growth environment at CIMB Malaysia. We also foresee a gradual improvement at CIMB Niaga through the year. Thailand and Singapore will see selective growth areas, coupled with close monitoring of asset quality," said Tengku Zafrul.



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APPENDIX

Significant Corporate Developments in 2016

1) Capital Management

- On 21 April 2016, CIMB Islamic Bank redeemed its RM250 million Basel II Tier-2 Junior Sukuk.
- On 25 April 2016, CIMB Group issued and allotted 201,588,194 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY15. The new shares were listed and quoted on the Main Market of Bursa Securities on 26 April 2016.

2) Mergers and Acquisitions

- On 23 March 2016, CIMB Group entered into an agreement to divest its 51% stake in PT CIMB Sun Life for a cash consideration of IDR550 billion (RM169 million) to Sun Life Assurance Company of Canada.

3) Others

- On 4 January 2016, Mohamed Rafe bin Mohamed Haneef was appointed as CEO, Group Islamic Banking and CEO/ED of CIMB Islamic Bank. On 20 January 2016, Tengku Dato' Sri Zafrul Aziz was appointed as CEO of CIMB Bank Berhad. On 1 March 2016, Dato' Kong Sooi Lin was appointed as CEO of CIMB Investment Bank Berhad. On 1 April 2016, Mak Lye Mun was appointed as CEO, Group Wholesale Banking.
- On 5 January 2016, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency deposits ratings at Baa3 and P-3 respectively. The outlook is stable.
- On 11 January 2016, Moody's affirmed CIMB Bank's long-term and short-term foreign currency deposits ratings at A3 and P-2 respectively. The outlook is stable.
- On 21 January 2016, Moody's affirmed CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook is stable.
- On 28 January 2016, Moody's affirmed CIMB Islamic Bank's long-term and short-term foreign currency ratings at A3 and P-2 respectively. The outlook is stable.
- On 28 January 2016, 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 29 February 2016, Fitch Ratings affirmed CIMB Thai's long-term and short-term national ratings at AA-(tha) and F1+(tha) respectively. The outlook is stable.
- On 7 March 2016, Moody's affirmed CIMB Thai's long-term and short-term foreign currency deposits ratings at Baa2 and P-2 respectively. The outlook is stable.
- On 31 March 2016, Fitch Ratings affirmed CIMB Niaga's long-term and short-term issuer default ratings at BBB and F3 respectively, as well as long-term and short-term national ratings at AAA(idn) and F1+(idn) respectively. The outlook is stable.
- On 20 April 2016, RAM assigned an A1/Stable rating to CIMB Group Holdings' proposed Additional Tier-1 Capital Securities Programme of RM10.0 billion and reaffirmed CIMB Group Holdings' long-term and short-term corporate credit ratings at AA1 and P1 respectively. The outlook is stable.
- On 11 May 2016, RAM assigned an A1/ Stable rating to CIMB Bank's proposed Additional Tier-1 Capital Securities Programme of RM10.0 billion and reaffirmed CIMB Bank's long-term and short-term financial institution ratings of CIMB Bank at AAA and P1 respectively. The outlook is stable.