

CIMB Group announces RM3,672 million Profit Before Tax for 9M16

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for immediate release

- 6.9% Y-o-Y improvement in 9M16 PBT underpinned by a 104.2% Y-o-Y improvement in Indonesia, continued cost controls and a RM150m gain from sale of PT Sun Life
- Consumer Banking's PBT increased by 33.0% Y-o-Y from regional loan growth and non-interest income growth coupled with lower overhead costs and provisions
- Malaysian loans expanded 8.2% Y-o-Y in 9M16 while the Group's loan growth was 2.4% Y-o-Y. CASA growth momentum underpinned 8.0% deposits growth
- Operating expenses grew 0.6% Y-o-Y. 3Q16 Cost-to-Income ratio stood at 53.2%
- Annualised ROE is 8.5% and the Group's capital position strengthened with CET1 at 10.9% as of 30 September 2016

1) Summary

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") today reported a Profit Before Tax ("PBT") of RM3,672 million for 9 months 2016 ("9M16"). On a year-on-year ("Y-o-Y") basis, the Group saw a 3.5% expansion in 9M16 operating income with well contained operating expenses, bringing about a 5.8% Y-o-Y improvement in the Net Profit of RM2,710 million compared to the Business As Usual ("BAU") 9M15 Net Profit of RM2,561 million. The 9M16 net earnings per share ("EPS") stood at 31.4 sen, while the annualised 9M16 net return on average equity ("ROE") was 8.5%.

"We are pleased with the 3.5% Y-o-Y improvement in our operating income and the 5.8% Y-o-Y growth in our 9M16 net profit. We saw strong 3Q16 performance in Consumer Banking for Malaysia, Indonesia and Thailand. Across the Group, consistent efforts in managing cost resulted in an improvement in our Cost-to-Income ratio to 53.2% in 3Q16. Our capital position is strengthening and we remain on track to achieve our 11% CET1 target for 2016," said Tengku Dato' Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group 9M16 Y-o-Y Results

For comparative purposes, the corresponding 9M15 numbers are based on BAU basis. CIMB Group's 9M16 operating income grew 3.5% Y-o-Y to RM11,752 million underpinned by a 4.6% improvement in net interest income. The 9M16 non-interest income grew by 1.0% Y-o-Y as the Group recognised a RM150 million gain from the sale of its 51% interest in PT CIMB Sun Life in 3Q16. Operating expenses remained under control, growing 0.6% Y-o-Y although it was 2.5% lower after excluding foreign currency translation effects. This brought about the 7.3% improvement in the Group's Pre-Provisioning Operating Profit ("PPOP"). The Group's PBT was 6.9% higher at RM3,672 million, with loan provisions rising 4.3% Y-o-Y.

The Group's Regional Consumer Bank PBT increased by 33.0% Y-o-Y in 9M16 to RM1,711 million, making up 46% of Group PBT. The improved performance was underpinned by the regional consumer loans growth, lower overhead costs and lower provisions. The Regional Commercial Banking PBT was 32.0% lower Y-o-Y at RM314 million due to higher provisions in Thailand, Indonesia and Singapore, although revenue continues to grow and cost is declining. The Group's Regional Wholesale Banking PBT grew 4.8% Y-o-Y to RM1,341 million with an improvement in Treasury & Markets and Investment Banking, while Corporate Banking stayed weak. Group Asset Management and Investments ("GAMI")'s PBT rose 1.0% Y-o-Y from higher returns from investments, while Group Funding PBT was 50.2% lower Y-o-Y from higher cost of funding and foreign exchange effects on investments.

PBT by Segments (RM 'mil)	9M16	9M15 BAU*	Y-o-Y
Consumer Banking	1,711	1,286	33.0%
Commercial Banking	314	462	(32.0%)
Wholesale Banking	1,341	1,279	4.8%
Corporate Banking	572	693	(17.5%)
Treasury & Markets	737	637	15.7%
Investment Banking	32	(51)	162.7%
GAMI **	204	202	1.0%
Group Funding ^	102	205	(50.2%)

Notes: * Excluding : IB restructuring costs (RM202 mil); MY MSS cost (RM316 mil) and ID MSS cost (RM134mil)

** Excluding : MSS cost (RM2mil)

^ Excluding : MY MSS cost (RM314mil) and ID MSS cost (RM134mil)

Non-Malaysia PBT contribution to the Group remained steady at 25% in 9M16 compared to 9M15. Indonesia's PBT expanded by 104.2% Y-o-Y to RM578 million in tandem with the improving financial performance at CIMB Niaga. Thailand's PBT contribution was 37.8% lower Y-o-Y at RM145 million resulting from higher loan provisions. Total PBT contribution from Singapore was 37.6% lower at RM199 million due to slower loans growth and increased commercial banking provisions.

The Group's total gross loans (excluding the bad bank) grew by 2.4% Y-o-Y or 2.2% excluding FX fluctuations. Total deposits grew 8.0% Y-o-Y or 7.9% excluding FX fluctuations. The Group's loan to deposit ("LDR") ratio stood at 89.8% compared to 94.9% in 9M15.

Gross Loans (RM 'bil)	Sep-16	Sep-15	Y-o-Y
Consumer Banking	155.3	144.0	7.8%
Commercial Banking	39.9	39.7	0.5%
Wholesale Banking	106.4	110.8	(4.0%)
Total *	301.6	294.5	2.4%

By Geography	Y-o-Y
Malaysia	8.2%
Indonesia ^	(2.7%)
Thailand ^	2.1%
Singapore ^	(5.7%)
Others **	11.2%
Group ^^	2.2%

Deposits (RM 'bil)	Sep-16	Sep-15	Y-o-Y
Consumer Banking	146.1	130.6	11.9%
Commercial Banking	45.6	43.0	6.0%
Wholesale Banking	147.2	140.3	4.9%
Total	338.9	313.9	8.0%

By Geography	Y-o-Y
Malaysia	10.5%
Indonesia ^	(3.8%)
Thailand ^	5.6%
Singapore ^	10.4%
Others **	16.2%
Group ^^	7.9%

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 3.2% as at September 2016 from 3.4% in September 2015, with a higher allowance coverage of 80.6%. The Group's Cost-to-Income ratio improved to 54.6% compared with 56.2% in 9M15, as the Group's cost control initiatives remain on track. The Group's Net Interest Margins ("NIM") stood at 2.61% for 9M16 mainly from the higher cost of deposits in Malaysia.

Key Operating Ratios (%)	9M16	9M15 BAU^
Loan to Deposit (LDR)	89.8	94.9
Gross Impaired Loans Ratio	3.2	3.4
Allowance Coverage	80.6	76.6
Cost-to-Income	54.6	56.2
NIM ~**	2.61	2.65

Notes: ** Daily Average

~ Annualised

^ Excluding : IB restructuring costs (RM202 mil); MY MSS cost (RM316 mil); tax on MSS cost (RM79 mil); ID MSS cost (RM134mil) and tax and MI on ID MSS (RM36 mil)

As at 30 September 2016, CIMB Group's total capital ratio stood at 15.8% while the Common Equity Tier 1 ("CET1") capital ratio strengthened further to 10.9%.



3) CIMB Group 3Q16 Q-o-Q and Y-o-Y Performance

On a Q-o-Q basis, 3Q16 operating income was 5.7% higher at RM4,124 million, with non-interest income and net interest income growing 12.3% and 2.8% respectively. Consumer Banking PBT was 18.3% lower Q-o-Q from increased provisions from Indonesia and writeback of operating expenses in the previous quarter. Commercial Banking PBT was flat Q-o-Q with the higher revenues and lower costs offsetting the higher provisions, while the 6.9% Q-o-Q growth in Wholesale Banking PBT was attributed to lower provisions in 3Q16. Group Funding PBT jumped 597.7% Q-o-Q mainly from the RM150 million gain from the sale of PT Sun Life. The Group's 3Q16 net profit was 17.2% higher Q-o-Q at RM1,023 million driven by the PT Sun Life gain, higher non-interest income and lower operating costs, partially offset by an uptick in provisions.

On a Y-o-Y basis, the 3Q16 operating income of RM4,124 million was 7.4% higher than the 3Q15 BAU numbers, with a 23.8% growth in non-interest income and a 1.0% increase in net interest income. Consumer Banking PBT grew 27.2% driven by loans growth and lower provisions. Commercial Banking PBT declined 54.8% Y-o-Y principally due to higher provisions in 3Q16, while the 2.6% growth in Wholesale Banking PBT was attributed to the improved capital markets business. Group Funding PBT was 185.3% higher from the RM150 million gain from the sale of PT Sun Life. The Group's 3Q16 net profit was 13.4% higher Y-o-Y owing to higher non-interest income and the Sun Life gain, partially offset by an uptick in provisions.

PBT by Segments (RM 'mil)	3Q16	2Q16	3Q15 BAU [^]	Q-o-Q	Y-o-Y
Consumer Banking	519	635	408	(18.3%)	27.2%
Commercial Banking	84	84	186	-	(54.8%)
Wholesale Banking	482	451	470	6.9%	2.6%
Corporate Banking	221	171	332	29.2%	(33.4%)
Treasury & Markets	215	270	177	(20.4%)	21.5%
Investment Banking	46	10	(39)	360.0%	217.9%
GAMI	61	62	70	(1.6%)	(12.9%)
Group Funding[^]	214	(43)	75	597.7%	185.3%

Notes: [^] Excluding ID MSS cost (RM134 mil)

4) CIMB Islamic Bhd

CIMB Islamic's 9M16 Y-o-Y PBT increased by 43.3% to RM542 million from improved performance in the Consumer segment. CIMB Islamic's gross financing assets increased by 9.8% Y-o-Y to RM43.7 billion, accounting for 14.4% of total Group loans. Total deposits increased by 19.9% Y-o-Y to RM51.8 billion.

5) Key Organisational 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. On 1 July 2016, Samir Gupta was appointed as CEO, Group Regional Consumer Banking. On 19 October 2016, Kittiphun Anutarasoti was appointed as President/CEO of CIMB Thai.

6) Outlook

“Our T18 Strategy has laid the right foundations in terms of capital, cost, culture, customer-centricity and compliance to enable us to move forward with better clarity. On Consumer Banking, we will accelerate our digital proposition across the region and focus on recalibration in Thailand. On Commercial Banking, we will sustain the momentum in Malaysia and Indonesia, whilst focusing on asset quality in Thailand. We expect better loans growth in Corporate Banking and, subject to market conditions, steady improvement in the capital markets business.”

“As we approach the halfway mark of our T18 Strategy, we will fine-tune our programmes where necessary, to ensure a sustainable growth trajectory across all businesses within the Group. We are also excited about Vietnam, where we have been granted a full banking licence and will begin operations in December 2016. With a stronger foundation in place, we are now in a better position to advance our ASEAN franchise,” 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.
- On 25 May 2016, CIMB Group issued RM1.0 billion Basel III-compliant Additional Tier 1 Capital Securities rated A₁/Stable by RAM. The proceeds were used to subscribe for RM1.0 billion Basel III-compliant Additional Tier 1 Capital Securities which was concurrently issued by CIMB Bank.
- On 15 June 2016, CIMB Group announced a proposed special interim dividend-in-specie involving the distribution of 1,366,988,057 existing CIMB Niaga B Shares to CIMB Group shareholders on a ratio of 1 CIMB Niaga share for approximately every 6.39 CIMB Group shares. On 27 July 2016, CIMB Group announced a proposed monetisation option which provides entitled shareholders the option to receive cash instead of the Dividend shares.
- On 11 July 2016, CIMB Thai issued RM570 million Basel III-compliant Tier 2 Subordinated Debt.
- On 8 August 2016, CIMB Bank redeemed its RM1,350 million Basel II-compliant Tier 2 Subordinated Debt.
- On 8 August 2016, CIMB Bank issued RM1,350 million Basel III-compliant Tier 2 Subordinated Debt rated AA₂/Stable by RAM.
- On 21 September 2016, CIMB Islamic Bank issued RM10 million Basel III compliant Tier 2 Junior Sukuk rated AA₊(IS) by Malaysian Rating Corporation Berhad (“MARC”), which was fully subscribed by CIMB Group Holdings.
- On 28 October 2016, CIMB Group issued and allotted 139,523,744 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the First Interim Dividend announcement for FY16. The new shares were listed and quoted on the Main Market of Bursa Securities on 31 October 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. The transaction was completed on 1 July 2016.
- On 28 July 2016, CIMB Group announced a strategic partnership with Fajr Capital, a leading private equity investor in the Middle East. Consequently, CIMB Middle East BSC (C), a wholly owned subsidiary of CIMB Group has closed its business in Bahrain.
- On 6 September 2016, CIMB Bank received an operating license from the State Bank of Vietnam to establish and operate a 100%-owned subsidiary in Vietnam. The first CIMB Bank branch in Hanoi is expected to be operational by end-2016.
- 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.

3) Others

- 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.
- On 3 June 2016, CIMB Group entered into a Master Distribution agreement with Sompo Japan Nipponkoa Holdings Inc. to establish a regional non-life bancassurance partnership in selected countries in Southeast Asia.
- On 8 June 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 16 June 2016, RAM affirmed CIMB Thai's long-term and short-term financial institution ratings at AA2 and P1 respectively. Also, RAM reaffirmed CIMB Thai's RM2.0 billion Basel III Compliant Tier 2 Subordinated Notes Programme at AA3. The outlook is stable.

- On 17 June 2016, RAM assigned a rating of AA2 to CIMB Bank's RM10 billion Tier-2 Subordinated Debt Programme (2013/2073), following amendments made to the terms of the issuances on or after 1 January 2016 which included non-viability event linked to CIMB Bank and to CIMB Group Holdings. The amendments were made due to regulatory capital requirements to financial holding companies such as CIMB Group Holdings. To date, there have been no issuances on or after 1 January 2016. The outlook is stable.
- On 4 July 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 4 July 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 4 July 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 4 July 2016, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency ratings at Baa3 and P-3 respectively. The outlook is stable.
- On 5 July 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 2 August 2016, Fitch Ratings upgraded CIMB Thai's long-term national rating from AA-(tha) to AA(th) and reaffirmed the short-term national rating at F1+(tha). Also, CIMB Thai's long-term subordinated debt was upgraded from A+(tha) to AA-(tha). The outlook is stable.
- On 14 October 2016, Moody's reaffirmed CIMB Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively. The outlook is stable.
- On 14 October 2016, Moody's reaffirmed CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook is stable.
- On 14 October 2016, Moody's reaffirmed CIMB Islamic Bank's long-term and short-term foreign currency ratings at A3 and P-2 respectively. The outlook is stable.
- On 14 October 2016, 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 31 October 2016, S&P reaffirmed CIMB Bank's long-term and short-term issuer credit ratings at A- and A-2 respectively. The outlook is stable.
- On 31 October 2016, S&P reaffirmed CIMB Investment Bank's long-term and short-term issuer credit ratings at A- and A-2 respectively. The outlook is stable.
- On 11 November 2016, MARC reaffirmed CIMB Bank's long-term and short-term financial institution ratings at AAA and MARC-1 respectively. The outlook is stable.

- On 11 November 2016, MARC reaffirmed CIMB Islamic Bank's long-term and short-term financial institution ratings at AAA and MARC-1 respectively. The outlook is stable.
- On 15 November 2016, MARC reaffirmed CIMB Group Holding's long-term and short-term corporate credit ratings at AA+ and MARC-1 respectively. The outlook is stable.