

## **CIMB Group announces record revenue of RM16.07 billion for FY16**

Tuesday, 28 February 2017

*for immediate release*

- Record revenue of RM16.07 billion and net profit of RM3.56 billion, driven by continued momentum in the Consumer franchise
- Operating expenses under control, rising only 1.0% Y-o-Y with Cost-to-Income ratio improving to 53.9% for FY16 (cf. 55.6% in 2015) and 51.7% for 4QFY16
- Loans grew 8.7% on the back of Malaysia loans expanding 10.5% Y-o-Y in FY16. Positive CASA growth momentum was maintained through FY16
- Group's CET1 ratio strengthened to 11.3% as of 31 December 2016
- FY16 PBT improved 6.2% Y-o-Y to RM4.88 billion
- Second interim dividend of 12.00 sen or 49.5% payout ratio declared for FY16

### **1) Summary**

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") today reported a Profit Before Tax ("PBT") of RM4.88 billion for financial year 2016 ("FY16"). On a year-on-year ("Y-o-Y") basis, the Group's FY16 operating income expanded 4.4% with operating expenses remaining well under control. This translated to an 8.6% Y-o-Y improvement in pre-provisioning operating profit ("PPOP") and a 4.5% Y-o-Y improvement in the Net Profit to RM3.56 billion compared to the Business As Usual ("BAU") FY15 Net Profit of RM3.41 billion. The FY16 net earnings per share ("EPS") stood at 41.00 sen with a net return on average equity ("ROE") of 8.3%. The Group declared a second interim net dividend of 12.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme ("DRS"). For FY16, the total dividend amounted to 20.00 sen or RM1.76 billion, translating to a dividend payout ratio of 49.5% of FY16 profits.

"We are pleased to report our highest ever revenue of RM16.07 billion and a 4.5% Y-o-Y increase in net profit to RM3.56 billion, amidst a trying business environment in 2016. Across the Group, our overhead expenses increased by only 1% Y-o-Y, contributing to the encouraging Cost-to-Income ratio. The Group's balance sheet continued to strengthen with a commendable 8.7% Y-o-Y growth in loans, with positive CASA momentum, particularly in CIMB Niaga. Our capital management efforts have strengthened our CET1 to 11.3% from 10.3% in 2015. We have declared a 12.00 sen second interim dividend, resulting in a 49.5% payout ratio for FY16," said Tengku Dato' Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

"Our best performing segment was Consumer, which contributed 46% of PBT, with Thailand posting its first annual profit since acquisition. For Commercial Banking, both Malaysia and Indonesia performed well, although this was tempered by higher provisions in Singapore and Thailand. Wholesale Banking recorded a commendable 11.3% growth in PBT, with strict cost controls and declining provisions.

“The disciplined recalibration of our business under T18 has strengthened the Group’s foundation to help us negotiate the unexpected challenges of 2016. This is reflected in our key financials and we remain on track to achieve most of our T18 targets by 2018,” continued Tengku Zafrul.

## 2) CIMB Group FY16 Y-o-Y Results

For comparative purposes, the Y-o-Y performance is based on BAU numbers for FY15. CIMB Group’s FY16 operating income grew 4.4% Y-o-Y to RM16.07 billion underpinned by a 5.3% rise in net interest income. The FY16 non-interest income grew by 2.2% Y-o-Y, inclusive of a RM150 million gain from the sale of its 51% interest in PT CIMB Sun Life in 3Q16. Operating expenses rose by 1.0% Y-o-Y although it was 1.7% lower after excluding foreign currency translation effects, reflecting benefits from the cost management initiatives. This brought about the 8.6% improvement in the Group’s Pre-Provisioning Operating Profit (“PPOP”). The Group’s PBT was 6.2% higher at RM4.88 billion, with loan provisions rising 11.1% Y-o-Y.

The Group’s Regional Consumer Bank PBT increased by 35.0% Y-o-Y in FY16 to RM2.27 billion, making up 46% of Group PBT. The stronger performance was fuelled by the Consumer operations in Malaysia, Indonesia and Thailand, as well as lower overhead expenses and provisions. While the Regional Commercial Banking’s revenues grew with costs staying relatively flat, the PBT was 55.3% lower Y-o-Y at RM283 million due to higher provisions in Thailand and Singapore. The Group’s Regional Wholesale Banking PBT was 11.3% higher Y-o-Y at RM1.96 billion with an improvement in all operating divisions. Group Asset Management and Investments (“GAMI”)’s PBT was 2.5% lower Y-o-Y due to investment impairments, while Group Funding PBT was 50.3% lower Y-o-Y from higher cost of funds and FX translation costs.

PBT by Segments (RM ‘mil)	FY16	FY15 BAU*	Y-o-Y
<b>Consumer Banking</b>	<b>2,266</b>	<b>1,678</b>	<b>35.0%</b>
<b>Commercial Banking</b>	<b>283</b>	<b>633</b>	<b>(55.3%)</b>
<b>Wholesale Banking</b>	<b>1,960</b>	<b>1,761</b>	<b>11.3%</b>
Corporate Banking	988	910	8.6%
Treasury & Markets	929	906	2.5%
Investment Banking	43	(55)	178.2%
<b>GAMI **</b>	<b>232</b>	<b>238</b>	<b>(2.5%)</b>
<b>Group Funding ^</b>	<b>143</b>	<b>288</b>	<b>(50.3%)</b>

Notes: \* Excluding : IB restructuring costs (RM202 mil); MY MSS cost (RM316 mil) and ID MSS cost (RM166mil)

\*\* Excluding : MSS cost (RM2mil)

^ Excluding : MY MSS cost (RM314 mil) and ID MSS cost (RM166 mil)

Non-Malaysia PBT contribution to the Group rose to 22% in FY16 compared to 21% in FY15. Indonesia’s PBT expanded by 134.6% Y-o-Y to RM922 million as CIMB Niaga’s financial performance continued to improve. Thailand’s PBT contribution of RM14 million was 90.8% lower Y-o-Y as a result of higher loan provisions. Total PBT contribution from Singapore was 36.2% lower at RM241 million on the back of slower loans growth and higher Commercial Banking provisions.

The Group's total gross loans (excluding the bad bank) grew by 8.7% Y-o-Y, while total deposits grew 5.6% Y-o-Y. The Group's loan to deposit ("LDR") ratio stood at 95.6% compared to 92.9% in FY15.

Gross Loans (RM 'bil)	Dec-16	Dec-15	Y-o-Y
Consumer Banking	160.9	147.8	8.9%
Commercial Banking	42.1	39.9	5.5%
Wholesale Banking	117.5	107.1	9.7%
<b>Total *</b>	<b>320.5</b>	<b>294.8</b>	<b>8.7%</b>

By Geography	Y-o-Y
Malaysia	10.5%
Indonesia ^	1.6%
Thailand ^	2.1%
Singapore ^	4.9%
Others **	(2.9%)
Group ^^	6.4%

Deposits (RM 'bil)	Dec-16	Dec-15	Y-o-Y
Consumer Banking	151.4	134.6	12.5%
Commercial Banking	45.9	42.9	7.0%
Wholesale Banking	141.2	143.0	(1.3%)
<b>Total</b>	<b>338.5</b>	<b>320.5</b>	<b>5.6%</b>

By Geography	Y-o-Y
Malaysia	8.5%
Indonesia ^	1.1%
Thailand ^	7.9%
Singapore ^	(4.9%)
Others **	(22.3%)
Group ^^	3.7%

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 rose to 3.3% as at December 2016 from 3.0% in December 2015, with a lower allowance coverage of 79.8%. The Group's Cost-to-Income ratio improved to 53.9% compared with 55.6% in FY15, in line with the improved revenues and strict cost control measures. The Group's net interest margin was marginally lower at 2.63% for FY16 mainly driven by higher cost of deposits in Malaysia.

Key Operating Ratios (%)	FY16	FY15 BAU^
Loan to Deposit (LDR)	95.6	92.9
Gross Impaired Loans Ratio	3.3	3.0
Allowance Coverage	79.8	84.7
Cost-to-Income	53.9	55.6
NIM ~**	2.63	2.66

Notes: \*\* Daily Average

^ Excluding : IB restructuring costs (RM202 mil); MY MSS cost (RM316 mil); tax on MSS cost (RM79 mil); ID MSS cost (RM166mil) and tax and MI on ID MSS (RM44 mil)

As at 31 December 2016, CIMB Group's total capital ratio stood at 16.4% while the Common Equity Tier 1 ("CET1") capital ratio continued to strengthen to 11.3%.

### 3) CIMB Group 4Q16 Q-o-Q and Y-o-Y Performance

On a Q-o-Q basis, 4Q16 operating income was 4.6% higher at RM4.31 billion, with net interest income growing 7.9% and partially offset by a 2.3% decline in non-interest income. Consumer Banking PBT rose 6.9% Q-o-Q largely on the back of regional loans growth and an improved performance in Indonesia. While the Regional Commercial Banking's revenues are growing with costs staying under control, the PBT was 136.9% lower Q-o-Q due to higher provisions in Thailand and Singapore. Wholesale Banking PBT improved 28.4% Q-o-Q underpinned by a stronger performance in corporate banking. GAMI PBT was 54.1% lower Q-o-Q due to investment impairments, while Group Funding PBT was 80.8% lower Q-o-Q mainly due to the RM150 million gain from the sale of PT Sun Life recognised in 3Q16. The Group's 4Q16 net profit was 16.5% lower Q-o-Q at RM854 million due to the PT Sun Life gain in 3Q16 and improved net interest income, partially offset by higher provisions from Thailand.

On a Y-o-Y basis, the 4Q16 operating income of RM4.31 billion was 6.7% higher than the 4Q15 BAU numbers, with a 5.4% growth in non-interest income and a 7.3% increase in net interest income. Consumer Banking PBT grew 41.6% driven by regional loans growth and an improved performance in Indonesia. Commercial Banking PBT declined 118.1% Y-o-Y principally from higher provisions in Thailand and Singapore, while the 28.4% growth in Wholesale Banking PBT was attributed to stronger revenues and lower provisions. GAMI's 4Q16 PBT was 22.2% lower Y-o-Y due to investment impairments, while Group Funding PBT was 50.0% lower Y-o-Y from higher expenses and provisions. The Group's 4Q16 net profit was 4.7% higher Y-o-Y at RM854 million from improved net interest income and partially offset by higher provisions.

PBT by Segments (RM 'mil)	4Q16	3Q16	4Q15 BAU <sup>^</sup>	Q-o-Q	Y-o-Y
<b>Consumer Banking</b>	<b>555</b>	<b>519</b>	<b>392</b>	<b>6.9%</b>	<b>41.6%</b>
<b>Commercial Banking</b>	<b>(31)</b>	<b>84</b>	<b>171</b>	<b>(136.9%)</b>	<b>(118.1%)</b>
<b>Wholesale Banking</b>	<b>619</b>	<b>482</b>	<b>482</b>	<b>28.4%</b>	<b>28.4%</b>
Corporate Banking	416	221	217	88.2%	91.7%
Treasury & Markets	192	215	269	(10.7%)	(28.6%)
Investment Banking	11	46	(4)	(76.1%)	375.0%
<b>GAMI</b>	<b>28</b>	<b>61</b>	<b>36</b>	<b>(54.1%)</b>	<b>(22.2%)</b>
<b>Group Funding<sup>^</sup></b>	<b>41</b>	<b>214</b>	<b>82</b>	<b>(80.8%)</b>	<b>(50.0%)</b>

Notes: <sup>^</sup> Excluding ID MSS cost (RM32 mil)

### 4) CIMB Islamic Bhd

CIMB Islamic's FY16 Y-o-Y PBT increased by 33.8% to RM724 million from improved performance in the Consumer segment. CIMB Islamic's gross financing assets increased by 16.7% Y-o-Y to RM47.4 billion, accounting for 14.6% of total Group loans. Total deposits increased by 19.5% Y-o-Y to RM52.8 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, Kittiphon Anutarasoti was appointed as President/CEO of CIMB Thai.

## 6) Outlook

"We are optimistic for 2017, on the back of sustainable loan growth, continued cost controls and expected improvement in provisions. Our T18 Strategy will see the Consumer Banking proposition in Malaysia and Indonesia driven by steady growth with a focus on digital offerings. Our Wholesale and Commercial Banking operations are expected to benefit from on-going efforts and improved processes.

"In continuing to implement the T18 Strategy in 2017, we will further embed 5C's – **capital, cost, culture, customer experience and compliance** – across all our T18 programmes as we believe the fulfilment of these goals will ensure a stronger, more resilient CIMB for the years ahead. We will continue to instill cost discipline across all businesses to achieve our T18 target CIR of 50% by end-2018. With our refreshed Group brand promise just recently launched based on the theme "Forward", we are also determined to enhance our Customer Experience, to help cement CIMB's position as a leading ASEAN universal bank," 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 A<sub>1</sub>/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 to replace THB3 billion unsecured subordinated notes, which CIMB Thai exercised its option to early redeem on 14 July 2016.
- On 8 August 2016, CIMB Bank redeemed its RM1.35 billion Basel II-compliant Tier 2 Subordinated Debt and issued RM1.35 billion Basel III-compliant Tier 2 Subordinated Debt rated AA<sub>2</sub>/Stable by RAM.
- On 21 September 2016, CIMB Islamic Bank issued RM10 million Basel III compliant Tier 2 Junior Sukuk rated AA<sub>+</sub>(IS) by Malaysian Rating Corporation Berhad (“MARC”).
- 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.
- On 16 December 2016, CIMB Group issued RM400 million Basel III-compliant Additional Tier 1 Capital Securities rated A<sub>1</sub>/Stable by RAM. The proceeds were used to subscribe for RM400 million Basel III-compliant Additional Tier 1 Capital Securities which was concurrently issued by CIMB Bank.

- On 27 December 2016, CIMB Bank early redeemed its RM1 billion Non-Innovative Tier I subordinated bonds.
- 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 per share.

## 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 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 became operational in December 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.
- On 6 December 2016, CIMB Bank proposed to dispose of a 12.42% interest in CIMB-TrustCapital Australian Office Fund No. 1 LP and 13.70% Units in CIMB-TrustCapital Australia Office Fund No. 2 to the Employees Provident Fund Board ("EPF") for AUD37.1 million (approximately RM122.8 million). The transaction was completed on 16 December 2016.
- 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 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 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 2 August 2016, Fitch Ratings upgraded CIMB Thai's long-term national rating from AA-(tha) to AA(thai) 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 (i) CIMB Bank's, CIMB Islamic Bank's and CIMB Investment 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 11 November 2016, MARC reaffirmed CIMB Bank's and CIMB Islamic Bank's long-term and short-term financial institution ratings at AAA and MARC-1 respectively. The outlook for both 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.
- On 25 November 2016, Fitch Ratings affirmed 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 12 December 2016, Moody's affirmed CIMB Thai's long-term and short-term foreign currency deposits ratings at Baa2 and P-2. The outlook is stable.
- On 15 December 2016, S&P reaffirmed CIMB Bank's and CIMB Investment Bank's long-term and short-term issuer credit ratings at A- and A-2 respectively. The outlook for both is stable.
- On 23 December 2016, RAM reaffirmed (i) CIMB Group Holdings' long-term and short-term corporate credit ratings at AA1/P1, RM3.0 billion Subordinated Notes Programme rating at AA3/-, RM6.0 billion Conventional and Islamic Commercial Papers/ Medium Term Notes Programme rating at AA1/P1, RM6.0 billion Conventional and Islamic Commercial Papers Programme at -/P1 and RM10.0 billion Additional Tier-1 Capital Securities Programme rating at A1/-; (ii) CIMB Bank's long-term and short-term financial institution ratings at AAA/P1, RM10.0 billion Additional Tier-1 Capital Securities Programme rating at A1/- and RM10.0 billion Basel III compliant Tier 2 Subordinated Debt Programme rating, at AA1 for issuances prior to 1 January 2016 and AA2 for issuance on or after 1 January 2016; and (iii) CIMB Islamic Bank's and CIMB Investment Bank's long-term and short-term financial institution ratings at AAA/P1. The outlook for all is stable.
- On 9 February 2017, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency deposits ratings at Baa3 and P-3 respectively. The outlook is positive.