

## **CIMB Group's 1H17 Net Profit Up 35.3% to RM2.28 billion**

Monday, 28 August 2017

*for immediate release*

- 35.3% Y-o-Y growth in 1H17 net profit to RM2.28 billion with annualised ROE of 9.9%
- 1H17 PBT improved 31.8% Y-o-Y to RM3.05 billion on the back of operating income growing at a higher rate than cost
- Cost-to-Income ratio improved to 52.5% for 1H17 (*cf.* 55.4% in 1H16) with continuous cost management discipline
- CASA ratio at 35.6% with sustained deposit initiatives. CASA growth at 10.5% Y-o-Y
- Strengthened Group CET1 ratio to 11.9% as of 30 June 2017
- First interim dividend of 13.00 sen or 51.6% payout ratio declared for 1H17

### **1) Summary**

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a Profit Before Tax (“PBT”) of RM3.05 billion for the first half of 2017 (“1H17”). On a year-on-year (“Y-o-Y”) basis, the Group’s 1H17 operating income expanded 13.9%, translating to a 21.4% Y-o-Y improvement in pre-provisioning operating profit (“PPOP”) and a 35.3% Y-o-Y growth in Net Profit to RM2.28 billion. The 1H17 net earnings per share (“EPS”) stood at 25.6 sen, while the annualised 1H17 net return on average equity (“ROE”) was 9.9%. The Group declared a first interim net dividend of 13.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme (“DRS”). The total interim dividend amounted to a payment of approximately RM1.18 billion, translating to a dividend payout ratio of 51.6% of 1H17 profits.

“We are pleased with our first half year 2017 results, particularly the 35.3% Y-o-Y net profit increase, a lower Cost-to-Income ratio of 52.5% and strengthened CET1 ratio of 11.9%. Our performance was driven by loans growth across segments, improvements in net interest margin and better-performing capital markets. We are also seeing good topline growth in Consumer banking in Malaysia and Thailand, and in our regional Commercial and Corporate Banking businesses. Our results in recent quarters is testament to the Group’s continuous focus on building sustainable growth, maintaining margins, managing cost and optimising capital,” said Tengku Dato’ Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

### **2) CIMB Group 1H17 Y-o-Y Results**

CIMB Group’s 1H17 operating income grew 13.9% Y-o-Y to RM8.69 billion largely driven by a 15.9% growth in non-interest income in line with better capital market activity. 1H17 net interest income rose 13.1% from loans growth and improved Net Interest Margin (“NIM”). Operating expenses rose 7.8% Y-o-Y but was only 4.0% higher after excluding foreign currency translation effects, as the Group’s cost management efforts sustain. The positive JAW brought about the 21.4% improvement in the Group’s PPOP. The Group’s PBT was 31.8% higher at RM3.05 billion, with loan provisions staying relatively flat at 0.3% Y-o-Y.

The Group's Regional Consumer Bank PBT was 0.4% lower Y-o-Y in 1H17 at RM1.20 billion, making up 39% of Group PBT. While revenue growth was steady and operating costs under control, the relatively flat PBT was attributed to provision writebacks in 1H16 and higher provisions from seasonal festive effects at the end of 2Q17. The Regional Commercial Banking PBT improved by 2.9% Y-o-Y as the revenue expansion from strong non-interest income growth was partially offset by higher provisions. The Group's Regional Wholesale Banking PBT improved 76.9% Y-o-Y to RM1.24 billion from a combination of increased capital market activity, stronger loans growth and lower provisions. Group Asset Management and Investments ("GAMI")'s PBT was 35.8% lower Y-o-Y without the equity accounting of the Bank of Yingkou, pending completion of its proposed sale. Group Funding PBT was 697.1% higher Y-o-Y from lower funding costs and FX translation gains.

<b>PBT by Segments (RM 'mil)</b>	<b>1H17</b>	<b>1H16</b>	<b>Y-o-Y</b>
<b>Consumer Banking</b>	<b>1,196</b>	<b>1,201</b>	<b>(0.4%)</b>
<b>Commercial Banking</b>	<b>246</b>	<b>239</b>	<b>2.9%</b>
<b>Wholesale Banking</b>	<b>1,238</b>	<b>700</b>	<b>76.9%</b>
Corporate Banking	787	350	124.9%
Treasury & Markets	440	364	20.9%
Investment Banking	11	(14)	178.6%
<b>GAMI</b>	<b>88</b>	<b>137</b>	<b>(35.8%)</b>
<b>Group Funding</b>	<b>279</b>	<b>35</b>	<b>697.1%</b>

Non-Malaysia PBT contribution to the Group rose to 34% in 1H17 compared to 25% in 1H16. Indonesia's PBT expanded by 88.8% Y-o-Y to RM625 million in tandem with the improving financial performance at CIMB Niaga. Thailand's PBT contribution of RM171 million was 80.0% higher Y-o-Y arising from lower provisions and operating expenses. Total PBT contribution from Singapore was 62.1% higher at RM214 million on the back of improved revenues.

<b>Gross Loans (RM 'bil)</b>	<b>Jun17</b>	<b>Jun-16</b>	<b>Y-o-Y</b>
Consumer Banking	164.6	151.7	8.5%
Commercial Banking	42.4	39.0	8.7%
Wholesale Banking	112.2	104.2	7.7%
<b>Total *</b>	<b>319.2</b>	<b>294.9</b>	<b>8.2%</b>

<b>By Geography</b>	<b>Y-o-Y</b>
Malaysia	10.0%
Indonesia ^	2.8%
Thailand ^	(1.7%)
Singapore ^	1.1%
Others **	(8.4%)
Group ^^	5.5%

<b>Deposits (RM 'bil)</b>	<b>Jun-17</b>	<b>Jun-16</b>	<b>Y-o-Y</b>
Consumer Banking	164.4	139.1	18.2%
Commercial Banking	45.3	43.0	5.3%
Wholesale Banking	139.2	136.3	2.1%
<b>Total</b>	<b>348.9</b>	<b>318.4</b>	<b>9.6%</b>

<b>By Geography</b>	<b>Y-o-Y</b>
Malaysia	14.2%
Indonesia ^	(2.7)%
Thailand ^	2.9%
Singapore ^	(2.5)%
Others **	(12.6%)
Group ^^	7.3%

Notes:

\* Gross loans excludes bad bank

^ In local currency

\*\* Including Labuan, London, Cambodia, Hong Kong & Shanghai

^^ Excluding FX fluctuations

The Group's total gross loans (excluding the bad bank) grew by 8.2% Y-o-Y, while total deposits grew 9.6% Y-o-Y. The Group's loan to deposit ("LDR") ratio stood at 92.4% compared to 93.5% in 1H16.

The Group's gross impairment ratio remained at 3.2% as at end-June 2017, with an allowance coverage of 77.6%. The Group's Cost-to-Income ratio improved to 52.5% compared with 55.4% in 1H16, in line with stronger revenues and sustained cost management. The Group's NIM improved to 2.71% for 1H17 from better liability management in Indonesia, Thailand and Singapore.

<b>Key Operating Ratios (%)</b>	<b>1H17</b>	<b>1H16</b>
Loan to Deposit (LDR)	92.4	93.5
Gross Impaired Loans Ratio	3.2	3.2
Allowance Coverage	77.6	83.5
Cost-to-Income	52.5	55.4
NIM ~**	2.71	2.63

Notes: \*\* Daily Average

~ Annualised

As at 30 June 2017, CIMB Group's total capital ratio stood at 16.8% while the Common Equity Tier 1 ("CET1") capital ratio rose to 11.9%.

### 3) CIMB Group 2Q17 Q-o-Q Performance

On a quarter-on-quarter ("Q-o-Q") basis, 2Q17 operating income was 0.8% lower at RM4.33 billion, as the 2.4% growth in net interest income was offset by the 8.1% decline in non-interest income. Consumer Banking PBT was 13.2% higher Q-o-Q largely due a better performance in Indonesia and Thailand. Regional Commercial Banking's PBT declined by 26.8% Q-o-Q from lower revenue and increased provisions in 2Q17. Wholesale Banking PBT declined by 29.7% Q-o-Q mainly due to the weaker capital markets and absence of provision writebacks in 2Q17. GAMI PBT was 44.4% higher Q-o-Q due to improved public markets and investment gains, while Group Funding PBT declined 11.5% due to lower FX gains. The Group's 2Q17 net profit was 6.5% lower Q-o-Q at RM1.10 billion predominantly due to lower income and higher loan loss provisions.

<b>PBT by Segments (RM 'mil)</b>	<b>2Q17</b>	<b>1Q17</b>	<b>2Q16</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
<b>Consumer Banking</b>	<b>635</b>	<b>561</b>	<b>643</b>	<b>13.2%</b>	<b>(1.2%)</b>
<b>Commercial Banking</b>	<b>104</b>	<b>142</b>	<b>85</b>	<b>(26.8%)</b>	<b>22.4%</b>
<b>Wholesale Banking</b>	<b>511</b>	<b>727</b>	<b>365</b>	<b>(29.7%)</b>	<b>40.0%</b>
Corporate Banking	308	479	172	(35.7%)	79.1%
Treasury & Markets	192	248	183	(22.6%)	4.9%
Investment Banking	11	-	10	100.0%	10.0%
<b>GAMI</b>	<b>52</b>	<b>36</b>	<b>59</b>	<b>44.4%</b>	<b>(11.9%)</b>
<b>Group Funding</b>	<b>131</b>	<b>148</b>	<b>37</b>	<b>(11.5%)</b>	<b>254.1%</b>

#### **4) CIMB Islamic Bhd**

CIMB Islamic's 1H17 Y-o-Y PBT increased by 0.8% to RM371 million driven by the strong 12.6% operating income growth which was partially offset by increased impairments due to provision writebacks in 1H16. CIMB Islamic's gross financing assets increased by 19.7% Y-o-Y to RM51.1 billion, accounting for 15.9% of total Group loans. Total deposits increased by 23.4% Y-o-Y to RM57.4 billion.

#### **5) Outlook**

"We feel cautiously optimistic for the second half of 2017, given the strong GDP growth for Malaysia and Indonesia, and the expected gradual improvement in Singapore and Thailand, all of which signal increased regional activity and improved capital markets. Even as we grow in our key markets, we will continue to focus on asset quality across all businesses. We are also confident that with the continued embedment of the 5C's – capital, cost, culture, customer experience and compliance – across all our T18 programmes, CIMB is on track to meet its key financial targets for 2017," said Tengku Zafrul.

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## APPENDIX

### Significant Corporate Developments in 2017

#### 1) Capital Management

- On 19 January 2017, CIMB Thai Bank, a subsidiary of CIMB Bank, 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 THB1.00 per share. The exercise was completed on 8 June 2017 and CIMB Thai Bank successfully raised a total capital of THB5.5 billion. Subsequent to the completion of the exercise, CIMB Bank's shareholding in CIMB Thai increased from 93.71% to 94.11% following subscription of excess shares not taken up by the minority shareholders.
- On 28 April 2017, CIMB Group issued and allotted 183,726,322 new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY16. The new shares were listed and quoted on the Main Market of Bursa Securities on 2 May 2017.

#### 2) Mergers and Acquisitions

- On 17 October 2016, CIMB Group signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI") to explore a strategic partnership via a 50:50 joint venture ("JV") in the stockbroking business and to identify further areas of cooperation in the relevant markets where they operate. On 24 March 2017, China Galaxy Securities announced the passing of resolutions by its Board of Directors in connection with the proposed partnership. On 6 June 2017, CIMB Group signed a conditional Share Purchase Agreement with CGI for the sale of 50% interest in CIMB Securities International Pte Ltd ("CSI") for approximately SGD167 million (equivalent to RM515 million). CSI is the holding company for the cash equities business in Singapore, Indonesia, Thailand, Hong Kong, India, South Korea, United Kingdom and United States of America.
- 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.
- On 24 July 2017, CIMB Group's 52.22% subsidiary Touch 'n Go Sdn Bhd ("TNG") entered into an Investment Agreement with Alipay Singapore E-Commerce Pte Ltd, a subsidiary of Ant Financial Services Group, to form a JV, in which TNG will be the majority shareholder, to launch a new mobile platform for payments and other related financial services in Malaysia.

### 3) Others

- On 21 February 2017, Moody's reaffirmed CIMB Niaga's long-term and short-term foreign currency deposits rating at Baa3 and P-3 respectively. The outlook was revised from stable to positive due to a change in outlook on Indonesia's Baa3 sovereign rating from stable to positive.
- On 27 February 2017, 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 3 April 2017, Fitch Ratings reaffirmed CIMB Thai's long-term and short-term national rating at AA(tha) and F1+(tha) respectively. The outlook is stable.
- On 10 April 2017, Fitch Ratings reaffirmed 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 10 April 2017, CIMB Group announced the impending appointment of Olivier Crespin as the Chief FinTech Officer.
- On 17 April 2017, Moody's reaffirmed (i) CIMB Bank's and CIMB Islamic 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 20 April 2017, RAM assigned an AAA/Stable rating to CIMB Bank's proposed RM20 billion MTN Programme. The outlook is stable.
- On 14 June 2017, Moody's reaffirmed CIMB Thai's long-term and short-term foreign currency deposits ratings at Baa2 and P-2 respectively. The outlook is stable.
- On 7 July 2017, RAM reaffirmed 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.