

# UNLEASHING UNIVERSAL BANKING IN ASEAN: THE CIMB JOURNEY

## Synopsis

This case is focused on CIMB Group Holdings Berhad (CIMB)'s journey from being a domestic Malaysian investment bank based in Kuala Lumpur to a universal banking powerhouse in the Southeast Asian region. The case demonstrates how diversifying and expanding across a region requires strategic thinking and strong leadership. It also gives us an understanding of why leadership is among the most critical facets for any strategic change.

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**Keywords:** ASEAN, ASEAN Economic Community, Regionalisation, Investment Banking, Banking, Mergers, Acquisitions, Emerging Markets, Universal Banking, Leadership, Banking, Malaysia

# Introduction

On a rainy Friday afternoon, Dato' Sri Nazir Razak, Chairman of CIMB Group and Tengku Dato' Sri Zafrul Aziz, Group CEO were reminiscing about the company's growth over the years - taking stock of its journey from a small Malaysian bank to a regional heavyweight as well as its recent performance and strategies.

In a discussion that veered from one topic to another related to CIMB's recent performance, strategies and initiatives, the main point of discussion was the bank's journey from a small Malaysian bank to a regional heavyweight.

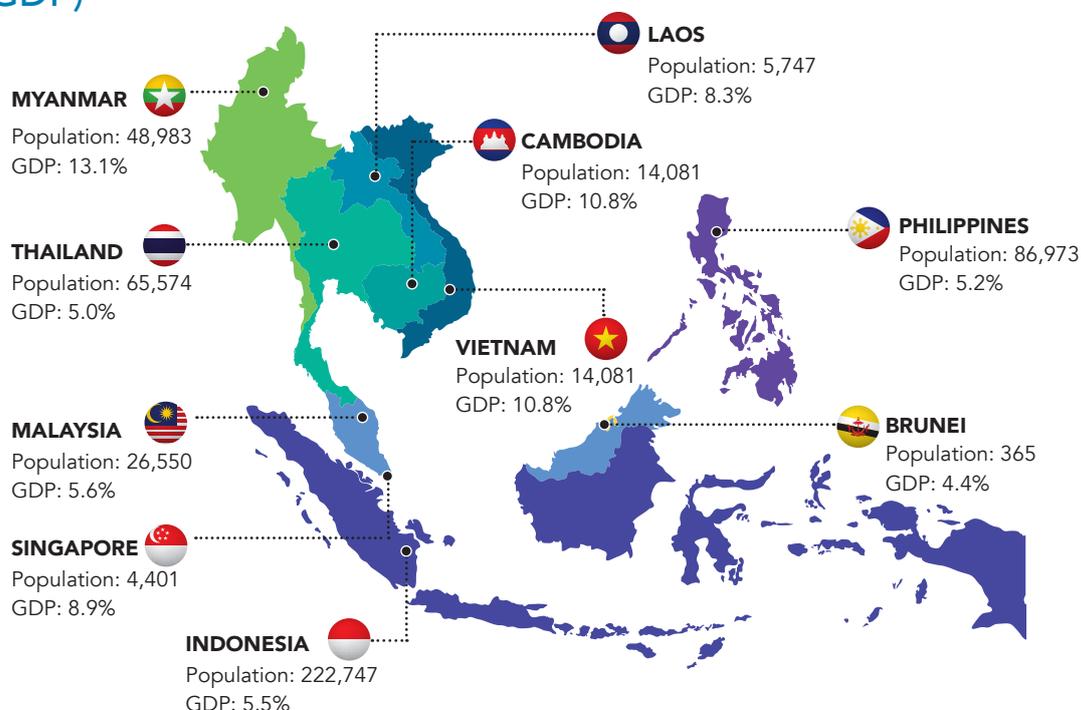
There was a significant amount of churn in the Asian banking industry following the Asian financial crisis of 1997. Following the crisis, there were several lessons learnt and CIMB was one of the banks to consolidate its position in the Malaysian banking market as a result of some of its strategic decisions at that time that included a strong focus on investment banking.

Separately, while the bank's performance in Malaysia remained good, its leadership had the ambition to take it beyond being seen solely as a Malaysian entity to an institution that was recognised as something even bigger - and that required a larger geographic canvas. In 2006, for example, CIMB's home market Malaysia had a population of just over 26.6 million people (compared to ASEAN's 558.7 million with a Gross Domestic Product (GDP) growth rate of 6%).<sup>1</sup> Malaysia was clearly a small market compared to ASEAN - real growth would have to come from elsewhere. (see *Appendix 1*)

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<sup>1</sup> ASEAN Statistical Year Book 2015. Association of Southeast Asian Nations. Available online at [http://asean.org/storage/2012/05/ASEAN-Statistic-Yearbook-2015\\_r.pdf](http://asean.org/storage/2012/05/ASEAN-Statistic-Yearbook-2015_r.pdf)

## Exhibit 1: ASEAN Member States in 2006 (Population and GDP)



Note: Population in thousands in 2006. GDP of member states for the year 2006.

CIMB's growth from a boutique investment bank to the fifth largest universal banking Group (by assets) in Southeast Asia has captivated the industry, investors and casual observers alike. Its audacious expansion, now entering into its 10th country in Southeast Asia - the Philippines, via a combination of Mergers and Acquisitions (M&As) and organic entries, stands in sharp contrast to the large global banks who are retreating to their home countries, a lasting effect of the global financial crisis.

These developments, which happened hand-in-hand with the ASEAN region's continued drive towards the establishment of the ASEAN Economic Community (AEC), presented CIMB with an opportunity to realise its vision 'To be Southeast Asia's Most Valued Universal Bank'. The formation of the AEC at the end of December 2015 went beyond just free trade. Its aim was to create a single market and production base - a market of more than 628.9 million people and worth US\$2.4 trillion.