CIMB Group Holdings Berhad

Maintain BUY

(1023 | CIMB MK) Financial Services | Finance

3QFY24 Results: Strong Performance Led by NOII

***Unchanged* Target Price: RM9.11**

KEY INVESTMENT HIGHLIGHTS

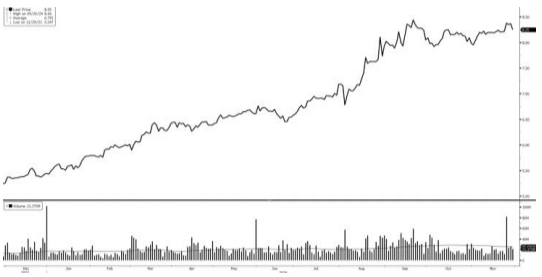
- **9MFY24's Core NP of RM5,928m was *Within/Within* our/street forecasts: *79%/78%* of full-year forecasts**
- **Core themes: (a) Strong NOII growth, (b) Gross loans impacted by strengthen Ringgit in 3QFY24, (c) Positive JAWS**
- **Forecasts unchanged**
- **Maintain BUY | Unchanged TP of RM9.11 | based on an unchanged FY25F P/BV of 1.29x**

RETURN STATISTICS	
Price @ 28 November 2024 (RM)	8.25
Expected share price return (%)	+10.5
Expected dividend yield (%)	+4.8
Expected total return (%)	**+15.2**

Verdict: Strong performance with NOII providing strong support. This led to NP growing faster than OPEX. Solid dividend yield.

Yays	1. Excellent growth potential from regional exposure. 2. Healthy dividend yields. 3. Healthy NOII contributions expected.
Nays	1. Gross loans affected by strengthen Ringgit. Should Ringgit strengthen again, may see similar impact. 2. NIM compression and may continue to be under pressure with the seasonality factor in 4Q.
OKs	1. OPEX growth was a bit high for our liking but still positive JAWS.

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.9	3.7
3 months	2.5	4.2
12 months	48.1	34.3

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	**7,509**	**8,054**	**8,359**
CNP growth (%)	8	7	4
Div yield (%)	**5.8**	**4.8**	**4.8**
Gross DPS (sen)	47.9	39.4	40.0
P/BV (x)	**1.2**	**1.2**	**1.1**
BVPS (RM)	6.7	7.1	7.5
ROE (%)	**10.7**	**11.0**	**10.8**
MIDF/Street CNP (%)	**99**	**99**	**96**

KEY STATISTICS

FBM KLCI	1,597.49
Issue shares (m)	10,664.84
Estimated free float (%)	65.78
Market Capitalisation (RM'm)	88,454.28
52-wk price range	RM5.49 - RM8.5
3-mth avg daily volume (m)	26.77
3-mth avg daily value (RM'm)	219.44
Top Shareholders (%)	
Khazanah Nasional Bhd	21.56
EPF Board	15.48
Amanah Saham Nasional Bhd	9.89

Results in a nutshell:

▲ **9MFY24's Core net profit (NP) of RM5,928m up by +13%yoy.** Main drivers were strong net income growth (+8.5%yoy), positive JAWS and lower loan provisions (-16.5%yoy).

▲ **3QFY24's Core NP of RM2,030m up by +4%qoq.** Contributed by NOII growth (+4.0%qoq) and lower loan provisions (-20.9%qoq).

▼ **Gross loans grew by -1.8%qoq, coming up to -0.9%YTD.** We opine that this was due to the strengthening of the Ringgit. On a year-on-year basis, loans grew +1.2%yoy and on constant currency basis it grew +4.3%yoy.

▼ **Deposits grew by -4.5%qoq, coming up to -4.8%YTD.** While total deposits contracted, total CASA expanded by +4.5%yoy. This resulted in increasing the CASA ratio to 42.0% at the end of Sep'24.

▲**GIL moved by -16bps to 2.34%, LLC currently at 103%.**

Have a look at:

▲ **Robust NII growth driven by asset growth.** NII (inclusive of Islamic banking) grew +6.0%yoy to RM11.58b in 9MFY24. This was despite NIM compression of -4bps yoy with all markets saw lower NIMs, except MY and SG. Main driver for the higher NII was gross loans growth on year-on-year basis.

▲MY NIM improved +4bps yoy to 1.78%, ▲SG NIM improved +1bps yoy to 1.41%. ▼ IND NIM compressed -36bps yoy to 4.16%, ▼TH NIM compressed -37bps yoy to 2.27%.

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▲ **Gross loans saw year-on-year growth.** All markets saw loans growth on local currency basis; MY (+4.0%yoy), TH (+1.1%yoy), IND (+6.4%yoy), SG (+3.5%yoy) and Others (+11.8%yoy). In terms of segments, consumer and commercial loans also saw better loans growth.

▲ Consumer gross loans grew +3.3%yoy to RM232.0b from all core markets except Singapore. MY consumer loan growth remains robust at +5.5%yoy led by mortgages (+7.3%yoy), auto (+7.8%yoy) and credit cards (+7.8%yoy). Meanwhile TH and IND consumer loans both grew +5.4%yoy, driven by mortgages (+7.7%yoy) and auto (+18.2%yoy) respectively.

▲ Commercial loans +4.9%yoy to RM73.1b from all core markets.

▼ Wholesale banking gross loans fell -4.5%yoy to RM129.2b as the Group continue to focus on client profitability.

▲ **Stellar NOII growth.** NOII grew +14.4%yoy to RM5.39b contributed by growth in consumer fees, capital markets and client franchise income. Fees and commission income grew +6.2%yoy to RM2.47b while trading & FX income grew +22.4%yoy to RM2.93b.

► **Slightly higher OPEX but slower pace than net income growth.** OPEX in 9MFY24 rose +7.7%yoy due to personnel (+10.3%yoy to RM4.82b) and technology (+9.3%yoy to RM1.31b) expenses. However, CIR still improved -40bps yoy to 45.9% due to faster net income growth.

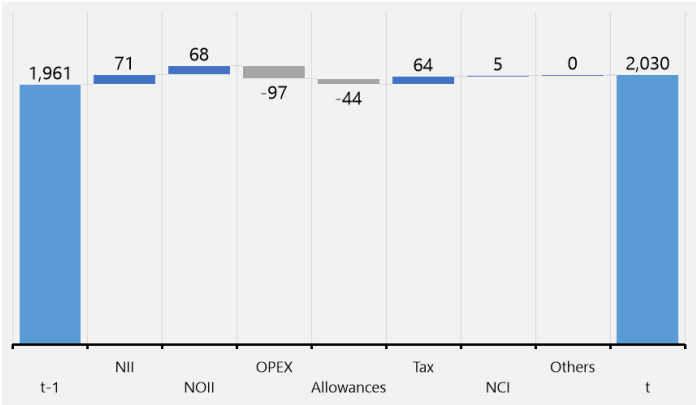
Forecasts unchanged. We maintain our earnings estimates as the result was within our expectations.

Key downside risks. *(1) Steep NIM compression, (2) Sharp cost inflation, (3) Gross loans continue to decline*

Maintain BUY call: Unchanged GGM-TP of RM 9.11 ***(from RM9.11).*** The TP is based on an unchanged FY25F P/BV of 1.29x.

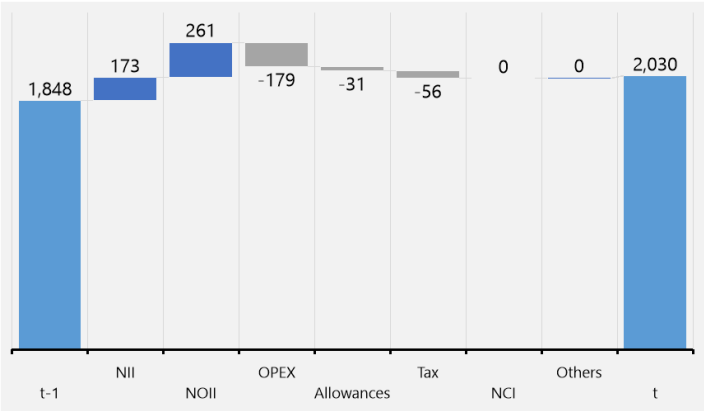
(GGM assumptions: *FY25F ROE of 11.0%, LTG of 3.5% & COE of 9.3%)*

Fig 1: QoQ P/L walk (Quarterly results)



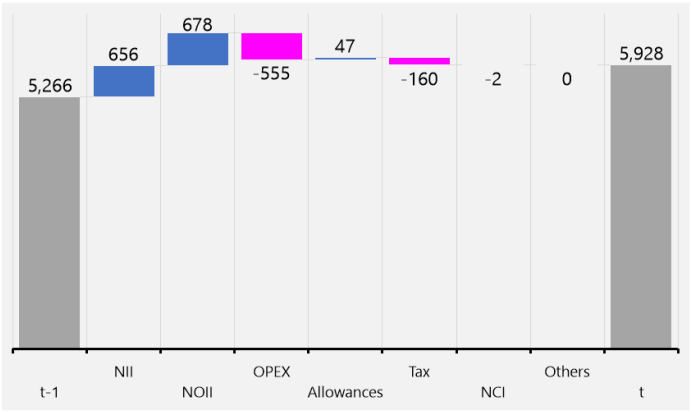
Source: CIMB, MIDFR

Fig 2: YoY P/L walk (Quarterly results)



Source: CIMB, MIDFR

Fig 3: YoY P/L walk (Cumulative results)



Source: CIMB, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	3Q FY24	2Q FY24	3Q FY23	Yoy (%)	Qoq (%)	9M FY24	9M FY23	Yoy (%)
Net interest inc.	2,893	2,813	2,841	1.8	2.8	8,569	8,310	3.1
Islamic banking inc.	1,186	1,229	1,090	8.9	-3.5	3,539	3,140	12.7
Non-interest inc.	1,662	1,560	1,378	20.6	6.5	4,865	4,189	16.2
Net income	**5,742**	**5,603**	**5,308**	**8.2**	**2.5**	**16,973**	**15,639**	**8.5**
OPEX	(2,670)	(2,573)	(2,492)	7.2	3.8	(7,796)	(7,240)	7.7
PPOP	**3,071**	**3,029**	**2,816**	**9.1**	**1.4**	**9,177**	**8,399**	**9.3**
Loan provisions	(249)	(316)	(297)	-16.0	-21.1	(970)	(1,161)	-16.5
Other provisions	(94)	17	(16)	>500	<-500	(176)	(31)	460.4
JV & Associates	3	(0)	(12)	n.m.	n.m.	2	3	n.m.
PBT	**2,731**	**2,730**	**2,492**	**9.6**	**0.0**	**8,034**	**7,210**	**11.4**
Tax	(657)	(721)	(601)	9.3	-8.9	(1,968)	(1,808)	8.8
NCI	(43)	(48)	(43)	-0.4	-9.5	(138)	(136)	1.6
Reported NP	**2,030**	**1,961**	**1,848**	**9.9**	**3.5**	**5,928**	**5,266**	**12.6**
Core NP	**2,030**	**1,961**	**1,848**	**9.9**	**3.5**	**5,928**	**5,266**	**12.6**
Total NII	3,930	3,859	3,757	5	2	11,581	10,925	6
Total NOII	1,812	1,744	1,551	17	4	5,392	4,714	14
Gross DPS (sen)	**-**	**27.0**	**-**	**n.m.**	**n.m.**	**27.0**	**17.5**	**n.m.**
Core EPS (sen)	18.9	18.3	17.3	9	3	55.1	49.3	12
Gross loans	436,968	444,805	431,802	1.2	-1.8			
Gross impaired loans	10,238	11,112	13,707	-25.3	-7.9			
Customer deposits	441,095	461,651	455,604	-3.2	-4.5			
CASA	198,715	202,570	190,592	4.3	-1.9			

Ratios (%)	3Q FY24	2Q FY24	3Q FY23	Yoy (ppts)	Qoq (ppts)	9M FY24	9M FY23	Yoy (ppts)
ROE (Ann.)	**12.1**	**11.3**	**10.8**	**1.3**	**0.8**	**11.6**	**10.1**	**1.5**
NIM (Reported)	**2.23**	**2.22**	**2.25**	**-0.02**	**0.01**	**2.21**	**2.25**	**-0.04**
NOII/Net income	31.6	31.1	29.2	2.3	0.4	31.8	30.1	1.6
Cost/Income	46.5	45.9	46.9	-0.4	0.6	45.9	46.3	-0.4
NCC (Ann.) (bps)	23	29	28	-5	-6	30	37	-7
GIL ratio	2.34	2.50	3.17	-0.83	-0.16			
Loan loss coverage	103	101	95	8	1			
CASA ratio	45.1	43.9	41.8	3.2	1.2			
L/D ratio	96.7	93.9	91.9	4.8	2.8			
CET-1	15.0	14.5	13.9	1.1	0.5			

Source: CIMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest income	18,646	25,111	21,837	22,513	23,099
Interest expense	(7,016)	(14,027)	(9,120)	(9,120)	(9,120)
Net interest income	**11,630**	**11,084**	**12,717**	**13,393**	**13,979**
Islamic banking inc.	4,000	4,260	3,756	3,956	4,129
Other operating inc.	4,208	5,670	5,903	6,195	6,491
Net income	**19,838**	**21,014**	**22,377**	**23,544**	**24,599**
OPEX	(9,346)	(9,865)	(10,405)	(10,712)	(11,193)
PPOP	**10,492**	**11,149**	**11,971**	**12,831**	**13,407**
Loan allowances	(1,953)	(1,534)	(1,590)	(1,685)	(1,786)
Other allowances	(209)	(57)	(275)	(303)	(366)
JV & Associates	40	(17)	162	170	176
PBT	**8,371**	**9,541**	**10,268**	**11,013**	**11,431**
Tax & zakat	(2,778)	(2,379)	(2,567)	(2,753)	(2,858)
NCI	(153)	(181)	(193)	(207)	(214)
Reported NP	**5,440**	**6,981**	**7,509**	**8,054**	**8,359**
Core NP	**5,542**	**6,981**	**7,509**	**8,054**	**8,359**
Total NII	15,158	14,626	16,098	16,953	17,695
Total NOII	4,680	6,388	6,279	6,590	6,904

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	47,105	37,980	39,011	40,227	39,953
Investment securities	156,410	198,844	199,893	201,251	202,932
Net loans	394,557	429,450	456,007	483,381	512,397
Other IEAs	9,751	9,708	10,873	12,177	13,639
Non-IEAs	58,897	57,590	61,404	67,172	75,025
Total assets	**666,721**	**733,572**	**767,187**	**804,208**	**843,945**
Customer deposits	432,950	463,442	491,712	521,706	553,531
Other IBLs	115,648	148,148	148,699	149,797	151,464
Non-IBLs	54,340	52,143	53,751	55,519	57,464
Total liabilities	**602,937**	**663,733**	**694,162**	**727,022**	**762,459**
Share capital	29,095	29,095	29,095	29,095	29,095
Reserves	33,397	39,232	42,373	46,456	50,676
Shareholders' funds	**62,491**	**68,327**	**71,467**	**75,550**	**79,771**
Perpetual pref. shares	200	200	200	200	200
NCI	1,093	1,312	1,358	1,435	1,516
Total equity	**63,784**	**69,839**	**73,025**	**77,186**	**81,487**
Total L&E	**666,721**	**733,572**	**767,187**	**804,208**	**843,945**
Total IEAs	607,824	675,982	705,783	737,036	768,920
Total IBLs	548,598	611,590	640,411	671,503	704,994
Gross loans	407,057	440,922	467,377	495,420	525,145
CASA	182,292	203,077	206,519	213,900	226,948

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest (%)					
NIM	2.56	2.28	2.33	2.35	2.35
Return on IEAs	3.15	3.91	3.16	3.12	3.07
Cost of funds	1.30	2.42	1.46	1.39	1.33
Net interest spread	1.84	1.49	1.70	1.73	1.74
Profitability (%)					
ROE	**9.1**	**10.7**	**10.7**	**11.0**	**10.8**
ROA	0.9	1.0	1.0	1.0	1.0
NOII/Net income	23.6	30.4	28.1	28.0	28.1
Effective tax rate	33.2	24.9	25.0	25.0	25.0
Cost/Income	47.1	46.9	46.5	45.5	45.5
Liquidity (%)					
Loan/Deposit	91.1	92.7	92.7	92.7	92.6
CASA ratio	42.1	43.8	42.0	41.0	41.0
Asset Quality (%)					
GIL ratio	3.27	2.67	2.50	2.50	2.50
LLC ratio	93	97	95	95	95
LLC (w. reserves)	96	106	105	104	104
Net CC (bps)	50	36	35	35	35
Capital (%)					
CET 1	14.5	14.5	14.2	14.2	14.0
Tier 1 capital	15.4	15.1	14.8	14.8	14.6
Total capital	18.5	18.2	17.9	17.9	17.7
Growth (%)					
Total NII	8.6	-3.5	10.1	5.3	4.4
Total NOII	-15.8	36.5	-1.7	5.0	4.8
Net income	1.7	5.9	6.5	5.2	4.5
OPEX	-0.8	5.6	5.5	3.0	4.5
Core NP	19.2	26.0	7.6	7.3	3.8
Gross loans	7.7	8.3	6.0	6.0	6.0
Customer deposits	2.5	7.0	6.1	6.1	6.1
CASA	-2.0	11.4	1.7	3.6	6.1
Valuation metrics					
Core EPS (sen)	51.8	65.3	70.2	75.3	78.2
Gross DPS (sen)	26.0	43.0	47.9	39.4	40.0
Div payout (%)	50	66	70	55	55
BVPS (RM)	5.8	6.4	6.7	7.1	7.5
Core P/E (x)	15.9	12.6	11.8	11.0	10.6
Div yield (%)	**3.2**	**5.2**	**5.8**	**4.8**	**4.8**
P/BV (x)	1.4	1.3	1.2	1.2	1.1

Source: CIMB, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology