Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM8.10**

1QFY25 Results (Niaga)
A Strong Quarter

To Conclude	**Management's tone: Neutral** **Expect: NIM situation to be a constant topic of discussion, given the competitive liquidity situation.**
Our Verdict	**CIMB remains a solid pick, given that valuations are still cheap, dividend yields are still high.**
Yays	1. Capital reallocation initiative offers further room for ROE accretion. 2. There is still further room for cost takeouts. 3. High dividend yields.
Nays	1. NIM-related concerns, especially with regional exposure (tight liquidity situation in Indonesia and higher overall likelihood of policy rate cuts).
Okays	

Income Statement:

▲ **3MFY25's Core NP of IDR1.81b was up by +7%yoy.** This is NIAGA's best ever quarterly result. This was largely due to much lower provisions and taxes offsetting increases weaker NOII and OPEX performance.

▲ **1QFY25's Core NP of IDR1.81b up by +7%qoq.** Topline improvements (in both NII and NOII) offset higher OPEX costs.

► **NIAGA may not be able to achieve its FY25 14-15% ROE target.** NIAGA barely scraped a 14.0% ROE in 1QFY25 after being buoyed by a large recovery. We think there is a high chance that the subsequent quarter will come in weaker. Management does not sound overly optimistic on the NIM outlook, and judging by guidance, CoC should come in much higher in the remaining quarters. Silver lining: there is room for further cost takeouts.

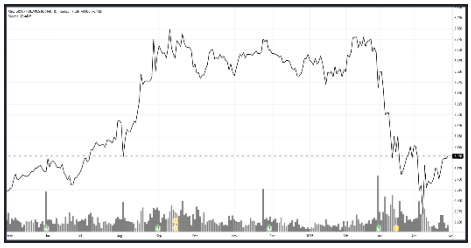
► **NIM rose by +11bps qoq to 3.99% -- outlook questionable.** Management maintains its FY25 target of 3.9-4.2%. Going forward, COF outlook is competitive, with the Group focusing heavily on its business current accounts in favour of pricier time deposits (given that savings accounts are difficult to find). Note that the Group's current L/D ratio of 89.3% is close to its 90% ceiling.

► **To offset this, NIAGA will be growing higher-yielding or fixed-rate loans (in anticipation of possible rate cuts).** These include SME (8-9% target, above industry average), unsecured loans (7-9% target), and auto loans.

RETURN STATISTICS

Price @ 29 April 2025 (RM)	7.02
Expected share price return (%)	+15.4
Expected dividend yield (%)	+5.6
Expected total return (%)	**+21.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	0.2
3 months	0.3	-9.2
12 months	7.1	11.4

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**7,754**	**7,924**	**8,255**
CNP growth (%)	0	2	4
Div yield (%)	**5.6**	**5.7**	**5.9**
Gross DPS (sen)	39.5	40.2	41.8
P/BV (x)	**1.0**	**1.0**	**1.0**
BVPS (RM)	6.7	7.0	7.3
ROE (%)	**11.0**	**10.8**	**10.8**
% Street CNP (%)	**96**	**92**	**90**

KEY STATISTICS

FBM KLCI	1,515.56
Issue shares (m)	10,696.73
Estimated free float (%)	64.9
Market Capitalisation (RM'm)	75,452.39
52-wk price range	Rm6.21 – Rm8.50
3-mth average daily volume (m)	27.19
3-mth average daily value (RM'm)	201.29
Top Shareholders (%)	
Khazanah Nasional Bhd	21.50
EPF Board	18.07
Amanah Saham Nasional Bhd	9.86

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Balance Sheet:

► **Capital elevated, but don't expect higher dividend payouts.** This quarter's dividend payout of 60% is the highest it's ever been. NIAGA's capital ratio, despite being elevated, remains the lowest among industry peers.

► **Low CoC this time but expect higher provisions in subsequent quarters.** Low quarterly CoC of 46bps due to recoveries. Despite this, there is no guidance revision to the full year 100bps target. From this, 80bps is to come from BAU provisions, while the remaining 20bps is from macroeconomic overlays.

▲ **Limited asset quality impact.** Management is not expecting any severe asset quality deterioration. Sectors impacted by Trump's tariffs comprise of <1.5% of the portfolio. Also, NIAGA's SME segment is closer linked to mid-segment SMEs, which are relatively healthy compared to micro-SMEs.

Forecasts unchanged. We make no changes to our earnings.

Key downside risks. *(1) Higher-than-expected credit costs, (2) Slowdown coming from a global economic recession, (3) Weak NOII performance.*

Maintain BUY call: Unchanged GGM-TP of RM 8.10 ***(from RM8.10)***. The TP is based on an unchanged FY25F P/BV of 1.20x.

(GGM assumptions: *FY25F ROE of 11.0%, LTG of 4.0% & COE of 9.8%)*

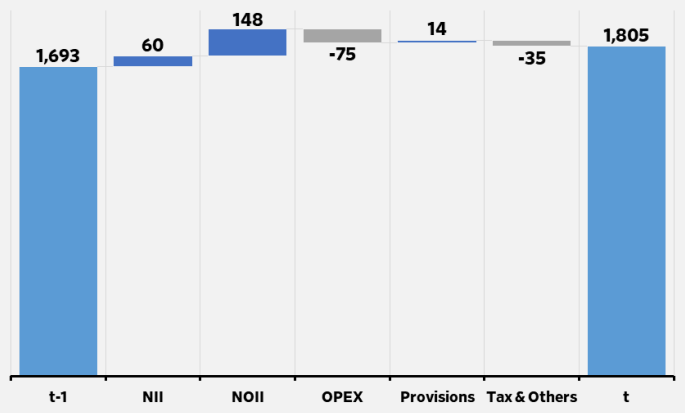
FIG 1: Quarterly results

FYE Dec (IDR b)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Net interest income	3,318	3,258	3,285	1	2	3,318	3,285	1
Non interest income	1,423	1,275	1,515	-6	12	1,423	1,515	-6
Net income	**4,741**	**4,533**	**4,800**	**-1**	**5**	**4,741**	**4,800**	**-1**
OPEX	(2,183)	(2,108)	(2,135)	2	4	(2,183)	(2,135)	2
PPOP	**2,558**	**2,425**	**2,665**	**-4**	**5**	**2,558**	**2,665**	**-4**
Provisions	(316)	(330)	(490)	-36	-4	(316)	(490)	-36
Core PBT	**2,242**	**2,095**	**2,175**	**3**	**7**	**2,242**	**2,175**	**3**
Core NP	**1,805**	**1,693**	**1,681**	**7**	**7**	**1,805**	**1,681**	**7**
Total loans (IDR tr)	230	228	212	8.7	0.9			
Total deposits (IDR tr)	254	261	248	2.4	-2.7			
CASA (IDR tr)	171	172	160	7.0	-0.4			

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	QoQ (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**14.0**	**13.6**	**14.4**	**-0.4**	**0.4**	**14.0**	**14.4**	**-0.4**
NIM (Reported)	**3.99**	**3.88**	**4.20**	**-0.21**	**0.11**	**3.99**	**4.20**	**-0.21**
NOII/Net income	30.0	28.1	31.6	-1.5	1.9	30.0	31.6	-1.5
Cost/Income	46.0	46.5	44.5	1.6	-0.5	46.0	44.5	1.6
CoC (Ann.) (bps)	46	80	82	-36	-34	46	82	-36
Gross NPL ratio	1.85	1.80	2.10	-0.25	0.05			
G. impairment ratio	4.10	4.10	4.80	-0.70	0.00			
Loan loss coverage	250	270	257	-7	-20			
CASA ratio	67.5	65.9	64.6	2.9	1.6			
L/D ratio (Reported)	89.3	86.3	84.2	5.1	3.0			
CAR - Tier 1	23.7	22.3	23.4	0.3	1.4			

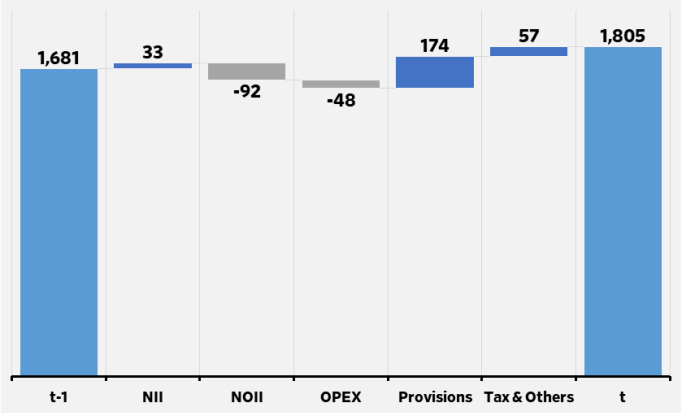
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



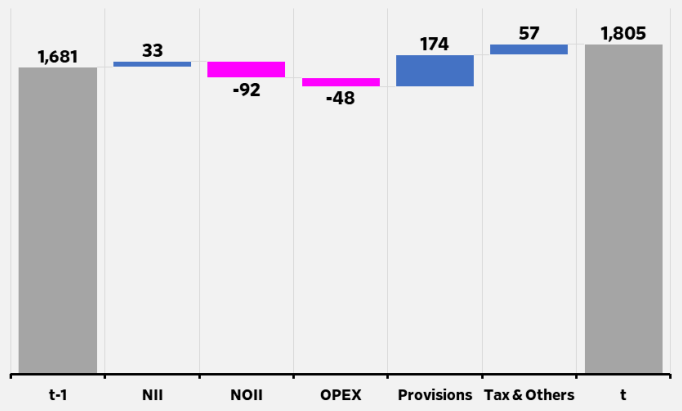
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



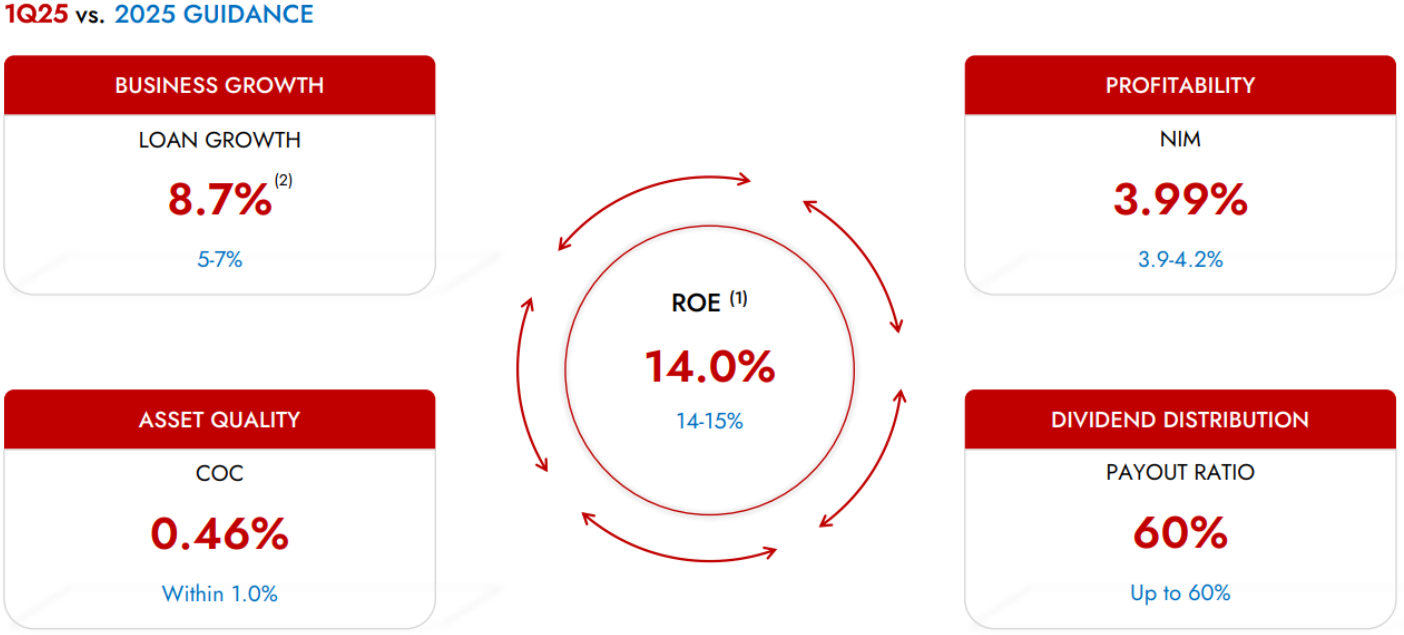
Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

FIG 5: FY25 Targets



Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**11,084**	**11,364**	**12,212**	**12,721**	**13,336**
Islamic banking inc.	4,260	4,741	3,870	4,032	4,226
Other operating inc.	5,670	6,197	5,856	5,864	5,536
Net income	**21,014**	**22,301**	**21,938**	**22,617**	**23,098**
OPEX	(9,865)	(10,420)	(9,982)	(10,291)	(10,510)
PPOP	**11,149**	**11,881**	**11,956**	**12,326**	**12,589**
Loan allowances	(1,534)	(1,369)	(1,627)	(1,718)	(1,558)
Other allowances	(57)	(135)	14	(40)	(18)
JV & Associates	(17)	19	122	125	128
PBT	**9,541**	**10,396**	**10,464**	**10,693**	**11,140**
Tax & zakat	(2,379)	(2,477)	(2,511)	(2,566)	(2,674)
NCI	(181)	(191)	(199)	(203)	(212)
Reported NP	**6,981**	**7,728**	**7,754**	**7,924**	**8,255**
Core NP	**6,981**	**7,728**	**7,754**	**7,924**	**8,255**
Total NII	14,626	15,397	15,657	16,310	17,097
Total NOII	6,388	6,904	6,281	6,307	6,001

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	37,980	34,776	42,080	41,826	41,991
Investment securities	198,844	210,621	209,843	209,388	209,263
Net loans	429,450	442,163	467,381	493,453	523,060
Other IEAs	9,708	10,882	12,080	13,408	14,883
Non-IEAs	57,590	56,687	58,261	71,058	96,774
Total assets	**733,572**	**755,131**	**789,643**	**829,134**	**885,971**
Customer deposits	463,442	471,951	498,852	526,788	558,922
Other IBLs	148,148	161,459	161,159	161,441	162,317
Non-IBLs	52,143	50,882	56,623	64,874	85,525
Total liabilities	**663,733**	**684,292**	**716,634**	**753,102**	**806,764**
Share capital	29,095	29,439	29,439	29,439	29,439
Reserves	39,232	39,805	42,721	45,716	48,863
Shareholders' funds	**68,327**	**69,244**	**72,160**	**75,155**	**78,302**
Perpetual pref. shares	200	200	200	200	200
NCI	1,312	1,395	649	676	705
Total equity	**69,839**	**70,839**	**73,009**	**76,032**	**79,207**
Total L&E	**733,572**	**755,131**	**789,643**	**829,134**	**885,971**
Total IEAs	675,982	698,444	731,383	758,076	789,197
Total IBLs	611,590	633,410	660,011	688,228	721,239
Gross loans	440,922	452,274	477,601	504,347	534,608
CASA	203,077	218,246	209,518	215,983	229,158

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.28	2.19	2.19	2.19	2.21
Return on IEAs	3.91	3.87	2.98	2.93	2.90
Cost of funds	2.42	2.45	1.41	1.35	1.29
Net interest spread	1.49	1.42	1.57	1.58	1.61
Profitability (%)					
ROE	**10.7**	**11.2**	**11.0**	**10.8**	**10.8**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	30.4	31.0	28.6	27.9	26.0
Effective tax rate	24.9	23.8	24.0	24.0	24.0
Cost/Income	46.9	46.7	45.5	45.5	45.5
Liquidity (%)					
Loan/Deposit	92.7	93.7	93.7	93.7	93.6
CASA ratio	43.8	46.2	42.0	41.0	41.0
Asset Quality (%)					
GIL ratio	2.67	2.12	2.14	2.16	2.16
LLC ratio	97	105	100	100	100
LLC (w. reserves)	106	124	109	108	108
Net CC (bps)	36	30	35	35	30
Capital (%)					
CET 1	14.5	14.6	13.2	13.0	13.0
Tier 1 capital	15.1	15.2	13.8	13.6	13.6
Total capital	18.2	18.3	16.9	16.7	16.7
Growth (%)					
Total NII	-3.5	5.3	1.7	4.2	4.8
Total NOII	36.5	8.1	-9.0	0.4	-4.9
Net income	5.9	6.1	-1.6	3.1	2.1
OPEX	5.6	5.6	-4.2	3.1	2.1
Core NP	26.0	10.7	0.3	2.2	4.2
Gross loans	8.3	2.6	5.6	5.6	6.0
Customer deposits	7.0	1.8	5.7	5.6	6.1
CASA	11.4	7.5	-4.0	3.1	6.1
Valuation metrics					
Core EPS (sen)	65.3	72.3	72.5	74.1	77.2
Gross DPS (sen)	43.0	47.0	39.5	40.2	41.8
Div payout (%)	66	65	55	55	55
BVPS (RM)	6.4	6.5	6.7	7.0	7.3
Core P/E (x)	10.8	9.7	9.7	9.5	9.1
Div yield (%)	**6.1**	**6.7**	**5.6**	**5.7**	**5.9**
P/BV (x)	1.1	1.1	1.0	1.0	1.0

Source: Company, MIDFR

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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