Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM8.10**

1QFY25 Pre-results Targets Intact

Our Verdict	**Management's tone: Slightly cautious** **Expect: NIM and loan situation to be a constant topic of discussion.**
Yays	1. Capital reallocation initiative offers further room for ROE accretion. 2. 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	

▲ **No change to previous targets.** CIMB states that Forward30 strategic plan targets are intact, given that adverse global environments were baked into the forecast (though the impact of the tariffs was more severe than expected).

▼ **Though there are some topline risks.** Management states that the biggest threat to the ROE target is NIM compression. A stronger NOII result could provide offset.

► **Can expect solid NOII quarter in 1QFY25.** Both fee and non-fee income pulled exceptional results, though management notes that this momentum is dying down. Expect fee income to be more moderate in subsequent quarters, though the "Other income" segment should see a boost from higher NPL sales.

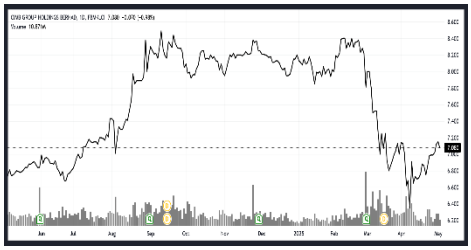
► **Quarterly NIM is sustained in 1QFY25.** Positive movements of ID and MY NIM were offset by weaknesses in SG and TH regions. Management is expecting several rate cuts across all regions and anticipates NIM to provide the largest downside pressure to earnings (given the likelihood of policy rate cuts). A -25bps cut to the OPR will affect NIM by -2bps.

► **Overall loan growth figures will likely close to the industry average.** CIMB announces its FY25 loan target will be 5-7%, though it expects the actual figure to come near the lower bound of the range. In 1QFY25, retail loans saw a slowdown. Forex movements also negatively impacted loan growth figures.

Geographical breakdown of loan growth target. MY: 5%, ID: 5-7%, SG: High-single-digit growth, TH: Mid-to-high single-digit loan growth.

RETURN STATISTICS	
Price @ 5 May 2025 (RM)	7.08
Expected share price return (%)	+14.4
Expected dividend yield (%)	+5.6
Expected total return (%)	**+20.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	-0.6
3 months	1.9	-10.7
12 months	8.2	11.7

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**	**93**	**91**

KEY STATISTICS	
FBM KLCI	1,539.54
Issue shares (m)	10,676.73
Estimated free float (%)	64.90
Market Capitalisation (RM'm)	76,634.70
52-wk price range	RM6.21-RM8.50
3-mth average daily volume (m)	27.27
3-mth average daily value (RM'm)	201.25
Top Shareholders (%)	
Khazanah Nasional Bhd	21.50
EPF Board	17.71
Amanah Saham Nasional Bhd	9.86

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▲ **Don't expect severe deterioration in asset quality.** Management mentions that trade financing exposure makes up <1% of the total loan book, while "riskier sectors" only make up single-digit figures. The Group has also been growing its commercial book relatively more slowly in the last couple of years, which it feels is a higher-risk segment. Group retains its FY25 provisioning target of 30-40bps. It feels confident that its current stash of overlays is sufficient.

Forecasts unchanged. We make no changes to our earnings.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weaker loan growth, (3) Higher-than-expected provisioning.*

Maintain BUY call: Unchanged GGM-TP of RM 8.10. 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%)*

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	9.8	9.8	9.6	9.2
Div yield (%)	**6.1**	**6.6**	**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