Thursday 24th. July 2025

Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM8.22** (from RM8.10)

2QFY25 Pre-Results
Asset Quality Still Stable

Our Verdict	**We like CIMB's attractive dividend yields and solid track record of execution.** **Management's tone: Slightly cautious.** **Expect: 2QFY25's results to be similar to 1QFY25's. Expect further details on overseas restructuring and cross-selling initiatives.**
Valuations	**The company is currently trading at an inexpensive forward FY26F P/BV of 0.95x (a P/BV valuation well below what our ROE forecast implies) with a +6.0% dividend yield.**
Yays	1. Capital reallocation initiatives provide room for ROE accretion. 2. High dividend yields. 3. Management's increased emphasis on cross-selling capability is slowly but surely netting growth.
Nays	1. NIM compression. 2. Loan growth figure might come in weak.
Okays	1. Asset quality situation is managed well thus far.

RETURN STATISTICS

Price @ 23 July 2025 (RM)	6.67
Expected share price return (%)	+23.2
Expected dividend yield (%)	+6.0
Expected total return (%)	**+29.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.1	-2.6
3 months	-1.9	-4.3
12 months	-6.7	-0.3

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**7,754**	**7,924**	**8,255**
CNP growth (%)	0	2	4
Div yield (%)	**5.9**	**6.0**	**6.3**
Gross DPS (sen)	39.5	40.2	41.8
P/BV (x)	**1.0**	**0.9**	**0.9**
BVPS (RM)	6.7	7.0	7.3
ROE (%)	**11.0**	**10.8**	**10.8**
% Street CNP (%)	**97**	**94**	**92**

KEY STATISTICS

FBM KLCI	1,529.79
Issue shares (m)	10,696.7
Estimated free float (%)	64.9
Market Capitalisation (RM'm)	71,624.5
52-wk price range	RM62.1 – RM8.5
3-mth average daily volume (m)	15.8
3-mth average daily value (RM'm)	108.4
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

Some highlights from CIMB's 2QFY25 Pre-blackout Season Briefing:

▲ **Focus on KPI and better cross-selling ability is bearing fruit.** There are a lot of incremental gains: Sales is outpacing the trading component in NOII, while CASA expansion is happening across all markets, particularly in the non-retail side.

► **Future loan growth may be impacted by economic uncertainty.** Management stated that business banking and non-retail wholesale customers are cautious of committing to new deals due to ongoing events. This may impact future loan pipeline.

▲ **Reported figures remain decent.** In 2QFY25, the consumer and commercial segment sees stable momentum, largely coming from existing pipeline. Business banking and non-retail wholesale segments see more moderate growth, largely due to tighter pricing discipline.

▲ **Asset quality remains benign, despite fears of tariffs and economic slowdown.** However, do expect higher overlays this quarter to account for fears surrounding the local macroeconomic situation and tariffs. There is no change to FY25's NCC guidance.

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► **Quarterly NIMs to remain stable this quarter.** FY25 Guidance maintained.

▲ **MY:** NIM expansion seen due to liability optimisation and SRR cut. Full year -25bps OPR cut to impact NIMs by -1-2bps (RM80-100m). However, management seems more confident in longer-term prospects (6 months from now), brought about by cutting board and campaign deposit rates in May.

▼ **TH:** NIM compression seen in 2QFY25 was due to one-off adjustments to interest rates. To normalise in subsequent quarters.

► **ID:** No clear answer, but there was mention that the liquidity situation has improved.

▲ **SG:** Some positive normalisation after impact from 1QFY25's SORA movements. This is not sustainable, due to adverse SORA movements in June. Going forward, we may see NIM compression in subsequent quarters.

▲ **Sequential quarter NOII to improve.** There was a windfall seen in trading and FX incomes (a repeat of 1QFY25's exceptional result). While fee income came off, this was offset by the other income segment. Going into 2HFY25, fee income should show a better result, driven by the wholesale segment, while other income should show a positive result.

▲ **Upstreaming of capital from subsidiaries is underway.** Niaga and TH have already increased their dividend payout and should not see much change this year. Management is currently looking at CIMB Islamic for ROE streamlining, as it currently does not have to pay dividends.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weak loan growth, (3) Severe asset quality deterioration.*

Maintain BUY call: Revised GGM-TP of RM 8.22 ***(from RM8.10)***. The TP is based on a revised FY26F P/BV of 1.17x *(formerly 1.20x, rolled on from FY25F)*.

(GGM assumptions: *FY26F ROE of 10.8%, 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)	10.2	9.2	9.2	9.0	8.6
Div yield (%)	**6.4**	**7.0**	**5.9**	**6.0**	**6.3**
P/BV (x)	1.0	1.0	1.0	0.9	0.9

Source: Company, MIDFR

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MBSB INVESTMENT BANK (formerly known MIDF 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