Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM8.22**

2QFY25 Results (CIMB Niaga) Better Quarters Ahead

To Conclude	**Management's tone: Somewhat optimistic** **Expect: Stronger topline to drive CIMB Niaga's earnings in subsequent quarters.**
Our Verdict	**We like CIMB's attractive dividend yields and solid track record of execution. CIMB may be going through a bit of a rough spot due to adverse interest rate movements in multiple countries, but we think its outlook remains pretty solid.**
Valuations	**The company is currently trading at an inexpensive forward FY26F P/BV of 0.93x (a P/BV valuation well below what our ROE forecast implies) with a +6.1% 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.

Income Statement:

► **6MFY25's Core NP of IDR3.46b was up by +1%yoy.** It was driven by reduced provisions, which offset weaker NOII and higher OPEX expenses.

▼ **2QFY25's Core NP of IDR1.65b down by -9%qoq.** It was dragged by higher provisions, which offset improved NOII and OPEX performance. Overall, it was a weak quarter, with a combination of weak fee income, steep NIM compression, and heavy provisions weighing down on earnings.

► **FY25 ROE target maintained, despite negative CoC target revision.** Management is expecting stronger 2HFY25 topline performance to offset higher provisions and reduce CIR to its FY25 target of <45%.

► **NIM compression continued this quarter, though this may improve in later quarters.** Quarterly NIM compressed by -6bps qoq due to loan yields facing steeper compression (due to increased exposure to lower yielding non-retail loans) than COF (aggressive CASA accumulation prevents steep COF increase). However, management sees signs of an improving liquidity outlook in subsequent quarters as bonds mature.

RETURN STATISTICS

Price @ 30 July 2025 (RM)	6.55
Expected share price return (%)	+25.5
Expected dividend yield (%)	+6.1
Expected total return (%)	**+31.6**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.3	-0.7
3 months	-0.6	-4.2
12 months	-5.3	-0.4

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**7,754**	**7,924**	**8,255**
CNP growth (%)	0	2	4
Div yield (%)	**6.0**	**6.1**	**6.4**
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 (%)	**98**	**95**	**93**

KEY STATISTICS

FBM KLCI	1,524.50
Issue shares (m)	10,696.7
Estimated free float (%)	64.9
Market Capitalisation (RM'm)	72,592.4
52-wk price range	RM6.21 – RM8.50
3-mth average daily volume (m)	15.3
3-mth average daily value (RM'm)	105.1
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

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▲ **Despite a weak 2QFY25 result, management is optimistic about fee income outlook.** Management attributes the strength of its digital infrastructure as the core component for success.

Balance sheet:

▲ **Loan growth was weak at +0.8%qoq, marking a YTD growth of +1.7%.** However, Niaga's outperformed most of its peers, which saw negative growth (auto loans are core drivers). Going forward, Niaga's drivers are going to remain its SME and the auto loans and unsecured segments of its consumer book (and to an extent, corporate loans). For its auto loans, the group is shifting more focus towards its used car and refinancing segment from its new car portion.

▲ **The Group experienced extremely strong deposit growth this quarter.** This was largely driven by CASA growth, which offset maturation of time deposits.

► **NPL ratio crept up slightly from 1.85% to 1.88% on a sequential quarter basis.** As usual, management is not overly worried about asset quality outlook, despite upticks in certain segments (auto loans) in previous quarters. Note the sharp NPL coverage reduction seen this quarter.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weak loan growth performance, (2) Higher-than-expected credit cost, (3) NIM compression.*

Maintain BUY call: Unchanged GGM-TP of RM8.22. The TP is based on an unchanged FY26F P/BV of 1.17x.
(GGM assumptions: *FY26F ROE of 10.8%, LTG of 4.0% & COE of 9.8%)*

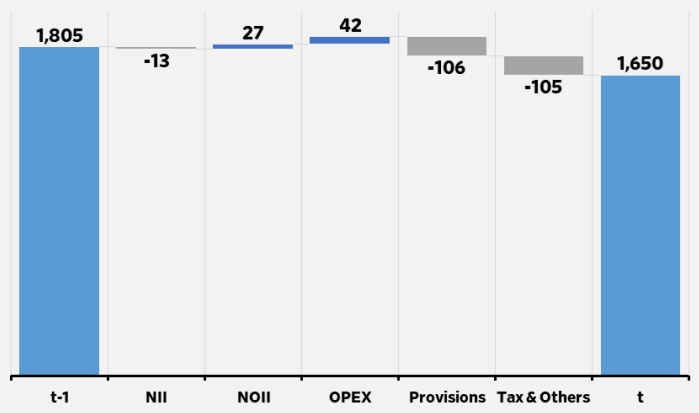
FIG 1: Quarterly results

FYE Dec (IDR b)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Net interest income	3,305	3,318	3,371	-2	-0	6,623	6,656	-0
Non interest income	1,450	1,423	1,414	3	2	2,873	2,929	-2
Net income	**4,755**	**4,741**	**4,785**	**-1**	**0**	**9,496**	**9,585**	**-1**
OPEX	(2,141)	(2,183)	(2,074)	3	-2	(4,324)	(4,209)	3
PPOP	**2,614**	**2,558**	**2,711**	**-4**	**2**	**5,172**	**5,376**	**-4**
Provisions	(422)	(316)	(492)	-14	34	(738)	(982)	-25
Core PBT	**2,192**	**2,242**	**2,219**	**-1**	**-2**	**4,434**	**4,394**	**1**
Core NP	**1,650**	**1,805**	**1,726**	**-4**	**-9**	**3,455**	**3,407**	**1**
Total loans (IDR tr)	232	230	217	6.8	0.8			
Total deposits (IDR tr)	262	254	250	4.8	3.1			
CASA (IDR tr)	181	171	163	10.9	5.4			

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	QoQ (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**13.1**	**14.0**	**15.2**	**-2.1**	**-0.9**	**13.5**	**14.8**	**-1.3**
NIM (Reported)	**3.93**	**3.99**	**4.22**	**-0.29**	**-0.06**	**3.96**	**4.21**	**-0.25**
NOII/Net income	30.5	30.0	29.6	0.9	0.5	30.3	30.6	-0.3
Cost/Income	45.0	46.0	43.3	1.7	-1.0	45.5	43.9	1.6
CoC (Ann.) (bps)	84	46	96	-12	38	65	89	-24
Gross NPL ratio	1.88	1.85	2.50	-0.62	0.03			
G. impairment ratio	3.90	4.10	4.70	-0.80	-0.20			
Loan loss coverage	234	250	253	-19	-16			
CASA ratio	69.0	67.5	65.2	3.8	1.5			
L/D ratio (Reported)	87.3	89.3	85.7	1.6	-2.0			
CAR - Tier 1	22.9	23.7	21.6	1.3	-0.8			

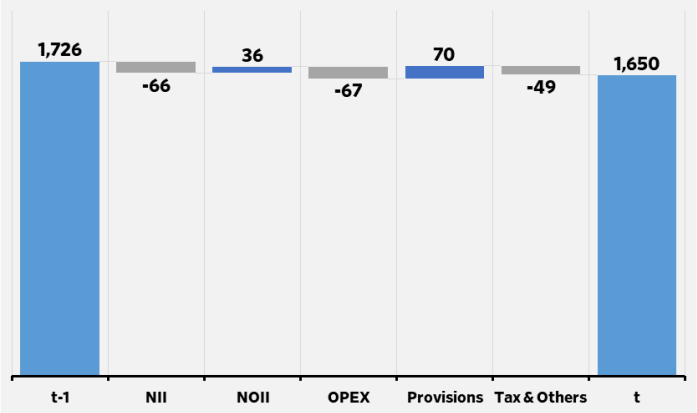
Source: Company, MIDFR

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



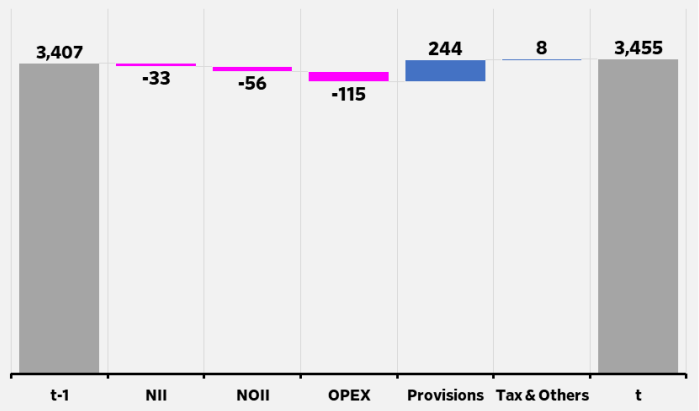
Source: Company, MIDFR

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: Note that CoC target has been revised upwards.

Guidance	1H25 Actual	2025 Guidance
Loan Growth	6.8%	5% - 7%
NIM	3.96%	3.9% - 4.2%
COC (revised)	0.65%	0.6% - 0.8%
CIR	45.5%	Below 45%
ROE (1)	13.5%	14% - 15%

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)	10.0	9.1	9.0	8.8	8.5
Div yield (%)	**6.6**	**7.2**	**6.0**	**6.1**	**6.4**
P/BV (x)	1.0	1.0	1.0	0.9	0.9

Source: Company, 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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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