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 Review
NIM Optimisation via Loans

To Conclude	**Decent set of earnings as forecasted.** **Management's tone: Neutral** **Expect: Lots of developments on regional segments, particularly with Thai's ongoing restructuring and Niaga's eventful backdrop.**
Our Verdict	**We like the possibility of special dividends on top of CIMB's already strong dividend yields. As long as it keeps its asset quality under control, we think CIMB should be able to achieve its ROE target while maintaining a respectable level of loan growth.** **While still in the early stages, we think progress is being made in CIMB Thai – a persistent source of overhang. Niaga warrants closer attention – there is much going on.**
Valuations	**An unchanged FY26F P/BV of 1.17x** Current P/BV of 1.16x trading near +1SD of the 10-year P/BV mean of 0.97x – but this premium is warranted, given CIMB's improved ROE prospects. The company is currently trading at a forward FY26F P/BV of 1.06x with a +5.4% dividend yield.
Yays	1. Strong NOII potential. 2. High dividend yields. The Group sometimes provides special dividends if excess capital remains. 3. Management's increased emphasis on cross-selling capability is slowly but surely netting growth.
Nays	1. NIM compression in the future (though with multiple offsets).
Okays	1. Possible turnaround in the Thai region. 2. Neutral on the loan growth figure. 3. Relatively neutral asset quality outlook.

Results in a nutshell:

► **6MFY25's Core NP of RM3,862m was *Within*/*Within* our/street forecasts: *50%*/*48%* of full-year forecasts.**

► **Dividends announced.** DPS of 19.8 sen translates to a payout of 55% for 6MFY25.

► **6MFY25's Core net profit (NP) of RM3,862m down by -1%yoy.** Lower provisions were offset by a weaker NOII result.

▼ **2QFY25's Core NP of RM1,889m down by -4%qoq.** Better NOII was offset by higher provisions and tax expenses.

RETURN STATISTICS

Price @ 29 August 2025 (RM)	7.43
Expected share price return (%)	+10.6
Expected dividend yield (%)	+5.4
Expected total return (%)	**+16.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.8	7.4
3 months	9.9	3.3
12 months	-4.6	-2.3

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**7,754**	**7,924**	**8,255**
CNP growth (%)	0	2	4
Div yield (%)	**5.3**	**5.4**	**5.6**
Gross DPS (sen)	39.5	40.2	41.8
P/BV (x)	**1.1**	**1.1**	**1.0**
BVPS (RM)	6.7	7.0	7.3
ROE (%)	**11.0**	**10.8**	**10.8**
% Street CNP (%)	**98**	**95**	**93**

KEY STATISTICS

FBM KLCI	1,575.12
Issue shares (m)	10,696.7
Estimated free float (%)	64.9
Market Capitalisation (RM'm)	80,243.7
52-wk price range	RM6.21 – 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

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Have a look at:

► **ROE targets intact – despite adverse forex impact from regional segments.** In 2QFY25, currency changes adversely affected Niaga's portfolio. While SG also incurred some forex impact, its stronger quarterly performance provided an offset. Going forward, NOII is to be the main driver in 2HFY25 (similar to other banks).

▲ **CIMB Niaga may outperform peers in subsequent quarters.** This is largely in terms of asset quality, as Niaga has slowed down loan growth in sensitive segments a couple of quarters ago – its peers have refrained from doing the same. Management believes that this will bite them 6 – 10 months down the road. Also, management expects fewer withdrawals for "Patriot Bonds" from larger customers – it believes larger banks will be hit by this harder.

► **CIMB Thai is still in the process of restructuring.** The new CEO has come up with the new management line-up. The focus is now to specialise in various loan segments – the intention is to maintain growth in the wholesale segment, while optimising the problematic consumer portfolio.

▼ **FY25 NIM guidance cut – but a solid loan pipeline could help with future optimisation.** We find CIMB's NIM optimisation method slightly unique. CIMB's peers mostly rely on releasing pricier deposits (which CIMB will also do, given excess liquidity in all of its geographical regions). CIMB is also running multiple initiatives that replace pricier institutional deposits with cheaper retail CASA (this works very well in ID, as CASA growth there is extremely good). Unlike some peers, CIMB is looking to its solid pipeline of wholesale loans to prop L/D ratio figures in 2HFY25 – particularly in its SG and MY pipeline.

Note that CIMB has yet to cut its 5 – 7% loan growth guidance (on a constant currency basis) – despite reporting only 0.5% YTD growth on a constant currency basis. Management seems extremely confident in its corporate loan portfolio.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Indonesian environment worsens, (2) Persistent drag from Thai portfolio, (3) Steeper-than-expected NIM compression.*

Maintain BUY call: Unchanged GGM-TP of RM 8.22. The TP is based on an unchanged FY26F P/BV of 1.17x, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 10.8%, LTG of 4.0% & COE of 9.8%)*

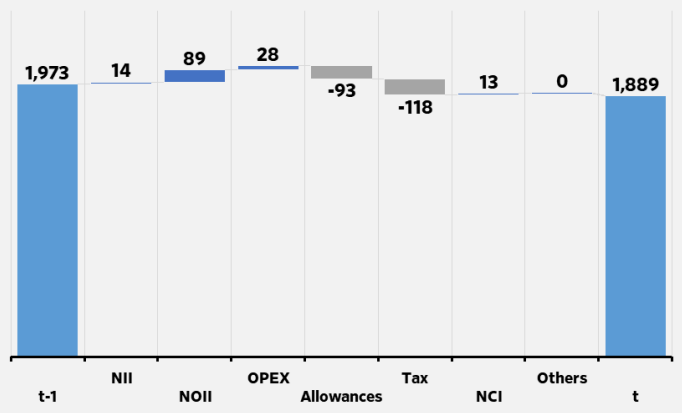
FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Net interest inc.	2,788	2,817	2,813	-1	-1	5,605	5,676	-1
Islamic banking inc.	1,267	1,214	1,229	3	4	2,481	2,352	5
Non-interest inc.	1,547	1,468	1,560	-1	5	3,015	3,203	-6
Net income	**5,602**	**5,499**	**5,603**	**-0**	**2**	**11,101**	**11,231**	**-1**
OPEX	(2,551)	(2,580)	(2,573)	-1	-1	(5,131)	(5,125)	0
PPOP	**3,051**	**2,919**	**3,029**	**1**	**4**	**5,970**	**6,106**	**-2**
Loan provisions	(409)	(288)	(316)	29	42	(696)	(720)	-3
Other provisions	4	(23)	17	-74	-119	(19)	(82)	-77
JV & Associates	1	19	(0)	n.m.	n.m.	20	(1)	n.m.
PBT	**2,648**	**2,627**	**2,730**	**-3**	**1**	**5,275**	**5,303**	**-1**
Tax	(717)	(599)	(721)	-1	20	(1,317)	(1,311)	0
NCI	(42)	(54)	(48)	-13	-23	(96)	(95)	1
Reported NP	**1,889**	**1,973**	**1,961**	**-4**	**-4**	**3,862**	**3,897**	**-1**
Core NP	**1,889**	**1,973**	**1,961**	**-4**	**-4**	**3,862**	**3,897**	**-1**
Total NII	3,833	3,819	3,859	-1	0	7,652	7,651	0
Total NOII	1,769	1,680	1,744	1	5	3,449	3,580	-4
Gross DPS (sen)	**19.8**	**-**	**27.0**	**n.m.**	**n.m.**	**19.8**	**27.0**	**n.m.**
Core EPS (sen)	17.6	18.3	18.3	-4	-4	36.0	36.3	-1
Gross loans	448,915	450,142	444,805	0.9	-0.3			
Gross impaired loans	9,642	9,706	11,112	-13.2	-0.7			
Customer deposits	467,433	464,417	461,651	1.3	0.6			
CASA	222,081	219,370	202,570	9.6	1.2			

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**10.7**	**11.4**	**11.3**	**-0.6**	**-0.7**	**10.7**	**11.1**	**-0.3**
NIM (Reported)	**2.15**	**2.16**	**2.22**	**-0.07**	**-0.01**	**2.16**	**2.20**	**-0.04**
NOII/Net income	31.6	30.6	31.1	0.5	1.0	31.1	31.9	-0.8
Cost/Income	45.5	46.9	45.9	-0.4	-1.4	46.2	45.6	0.6
NCC (Ann.) (bps)	37	26	29	8	11	31	33	-2
GIL ratio	2.15	2.16	2.50	-0.35	-0.01			
Loan loss coverage	101	102	101	-1	-2			
CASA ratio	47.5	47.2	43.9	3.6	0.3			
L/D ratio	94.0	94.8	93.9	0.1	-0.8			
CET-1	14.7	14.2	14.5	0.3	0.5			

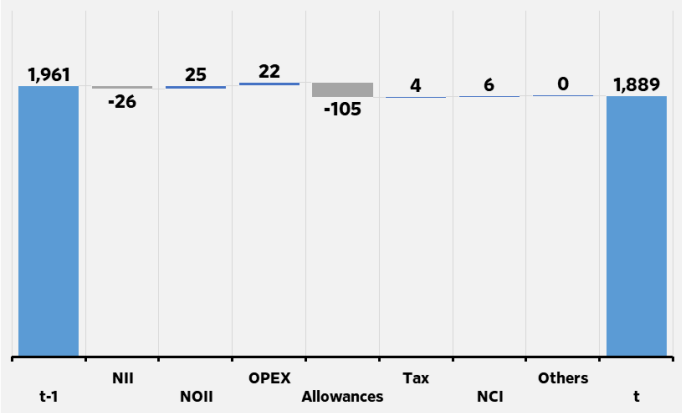
Source: Company, MBSBR

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



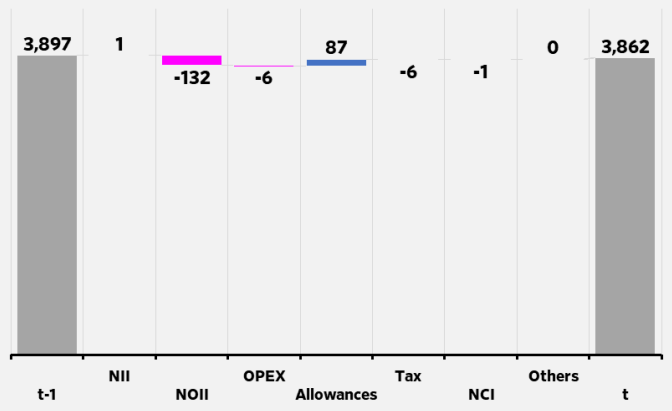
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

2QFY25 / 6MFY25 results

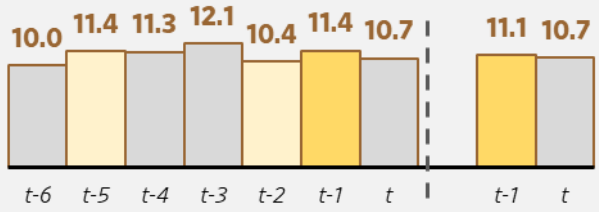
Earnings: Within/Within our/street forecasts

50%/48% of full-year estimates

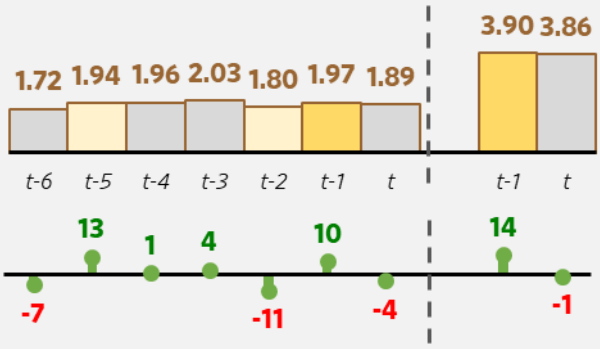
Dividend: YES

YTD payout: 55%

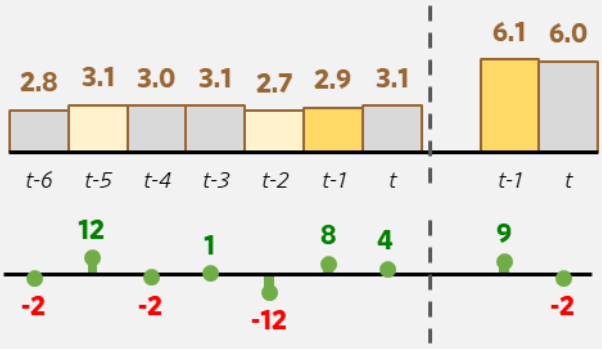
ROE (%)



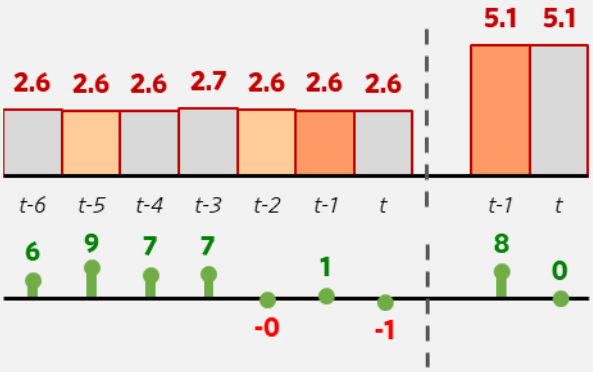
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



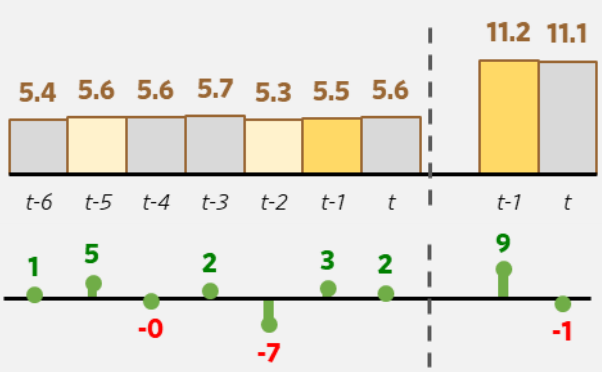
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



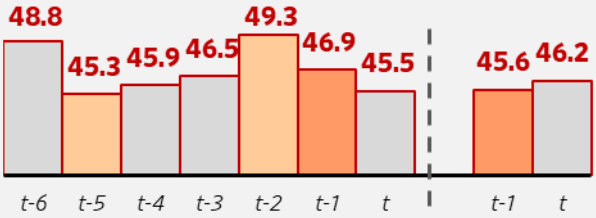
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



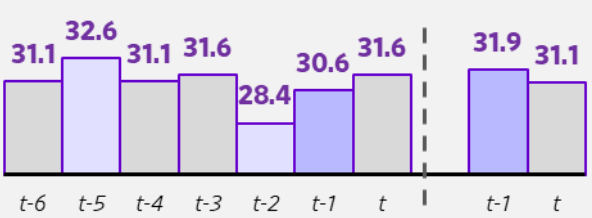
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



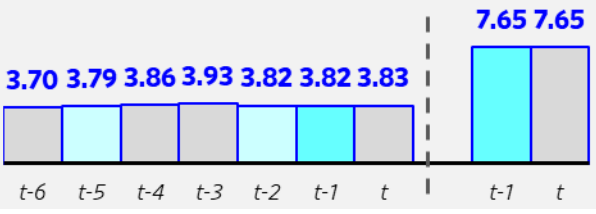
Cost/Income ratio (%)



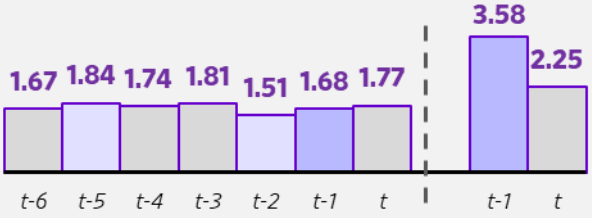
% NOII as topline (%)



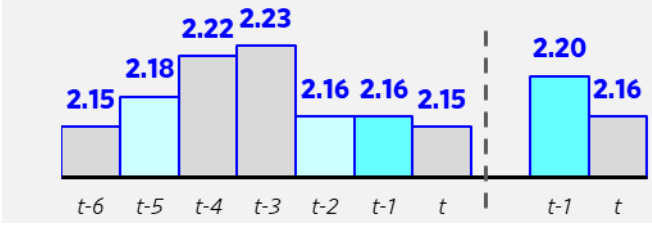
Net interest income (RM b)



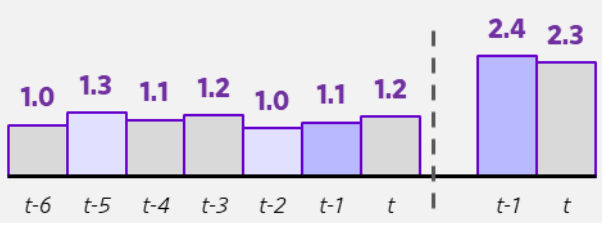
Non-interest income (RM b)



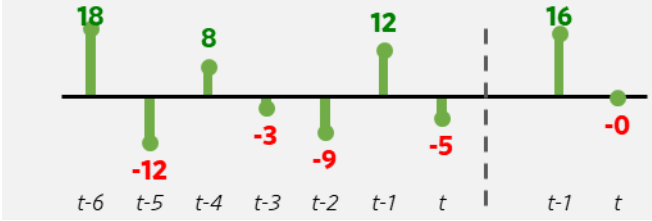
NIM (%)



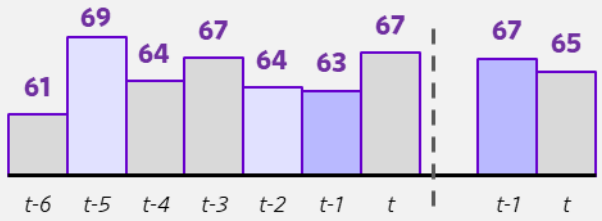
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

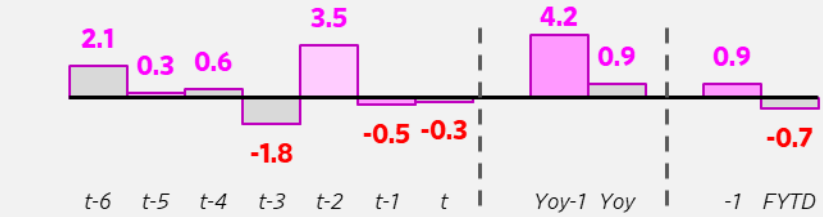


% Non-fee income as NOII (%)

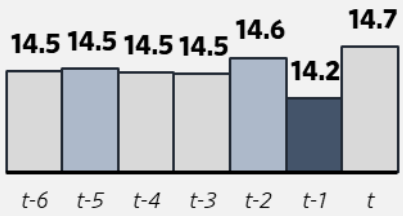


BALANCE SHEET

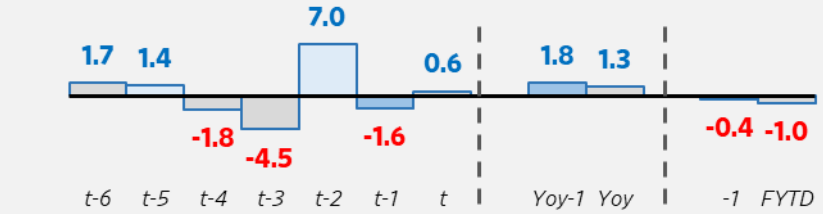
Loan growth – qoq, yoy, FYTD (%)



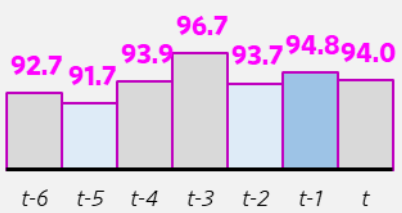
CET 1 ratio (%)



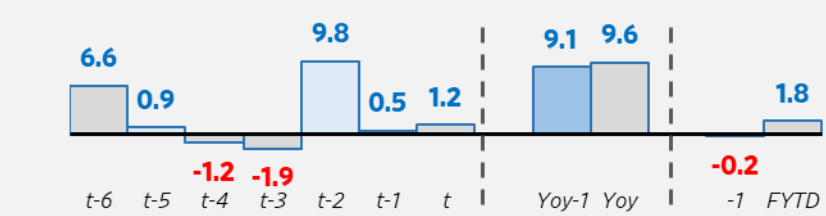
Deposit growth – qoq, yoy, FYTD (%)



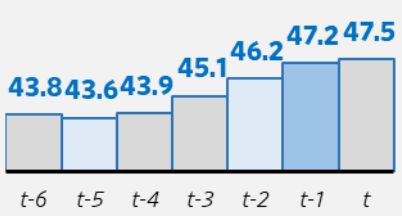
Loan/Deposit ratio (%)



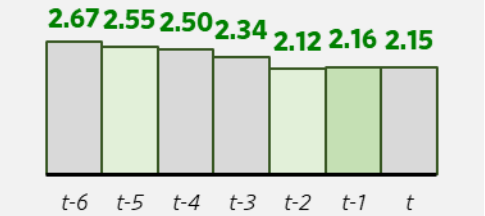
CASA growth – qoq, yoy, FYTD (%)



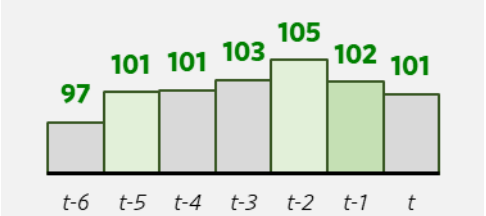
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

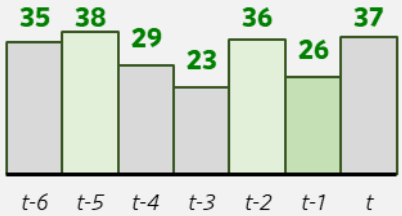


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*	
Qtrly Core NP	RM mil	1,889	Qtrly ROE	Qtr value	10.7%
	24% of FY CNP				
	Qoq	-4%		t-1	11.4%
	Yoy	-4%		t-4	11.3%
Cum Core NP	RM mil	3,862	Cum ROE	Cum value	10.7%
	Within our forecast				
	50% of FY CNP				
	Within consensus				
	48% of FY CNP				
	Yoy	-1%		t-1	11.1%
NII	As expected		NIM	As expected	
				Qtr value	2.15
				Cum value	2.16
	Qtr (Qoq)	0%		Qtr (Qoq)	-1bps
	Qtr (Yoy)	-1%		Qtr (Yoy)	-7bps
	Cum (Yoy)	0%		Cum (Yoy)	-4bps
NOII	As expected		Qtr	% NII	68%
	Qtr (Qoq)	5%		% NOII	32%
	Qtr (Yoy)	1%	Cum	% NII	69%
	Cum (Yoy)	-4%		% NOII	31%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	45.5%
				Cum value	46.2%
	Qtr (Qoq)	-1%		Qtr (Qoq)	-1.4%
	Qtr (Yoy)	-1%		Qtr (Yoy)	-0.4%
	Cum (Yoy)	0%		Cum (Yoy)	+0.6%

Source: Company, MBSBR

FIG 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*	
Loans	-ve surprise				
	Qoq	*-0.3%*			
	Yoy	*0.9%*			
	YTD (FY)	*-0.7%*			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	*0.6%*		Qoq	*1.2%*
	Yoy	*1.3%*		Yoy	*9.6%*
	YTD (FY)	*-1.0%*		YTD (FY)	*1.8%*
CASA ratio	As expected		L/D ratio	As expected	
	Value now	***47.5%***		Value now	***94.0%***
	Qoq	*+0.3%*		Qoq	*-0.8%*
	Yoy	*+3.6%*		Yoy	*+0.1%*
GIL ratio	As expected		LLC ratio	As expected	
	Value now	***2.15%***		Value now	***101%***
	Qoq	*-1bps*		Qoq	*-2%*
	Yoy	*-35bps*		Yoy	*-1%*
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	***37bps***		Value now	***31bps***
	t-1	*26bps*			
	t-4	*29bps*		t-4	*33bps*
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	***14.7%***		**Payout**	***55%***
	Qoq	*0.5%*			

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	1H FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	11.0 – 11.5	10.7	
CIR	<46.7	46.2	
NIM	5 – 8 bps ~~0 – 5 bps~~ compression (from 2.21)	2.16	
NOII		-4% (yoy)	
Loans	5 – 7	-0.7 (YTD)	Management seems to be banking heavily on the wholesale pipeline in 2HFY25. The target ignores adverse forex impact.
Deposits		-1.0 (YTD)	
% CASA		47.5	
Loan/Depo		94.0	
GIL ratio		2.15	Not overly worried. Pockets of GIL that emerged this quarter have normalised in 3QFY25.
NCC (bps)	25 – 35	31	
LLC		101	
CET 1		14.7	
Div payout	55	55	Management seems open to special dividends if excess capital remains.

Source: Company, MBSBR

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)	11.4	10.3	10.2	10.0	9.6
Div yield (%)	**5.8**	**6.3**	**5.3**	**5.4**	**5.6**
P/BV (x)	1.2	1.1	1.1	1.1	1.0

Source: Company, MBSBR

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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