Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM8.22**

Niaga 3QFY25 Results Review Difficulties Ahead

Our Verdict	**CIMB may be dragged by headwinds from Niaga and adverse NIM movements in SG. Regardless, we think FY25's ROE target is still achievable – though its loan growth may come in at the lower end, dragged by uncertainty in the Indonesian segment.**
Valuations	**An unchanged FY26F P/BV of 1.17x** Current P/BV of 1.11x is in line with CIMB's 2-year P/BV mean of 1.11x. We use a more recent historical P/BV mean, given that CIMB's ROE and dividend payout prospects only improved significantly in recent times. The company is currently trading at a forward FY26F P/BV of 1.05x with a +5.5% dividend yield.
Yays	1. Solid NOII quarter ahead. 2. High dividend yields. The Group tends to provide 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, particularly from the SG side. 2. A difficult road ahead for Niaga – possible issues with loan growth and asset quality.
Okays	1. Thai region turnaround still in progress.

RETURN STATISTICS

Price @ 30 October 2025 (RM)	7.31
Expected share price return (%)	+12.4
Expected dividend yield (%)	+5.5
Expected total return (%)	**+18.0**

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	7.3	1.1
3 months	2.7	-13.2
12 months	7.0	8.7

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**7,754**	**7,924**	**8,255**
CNP growth (%)	0	2	4
Div yield (%)	**5.4**	**5.5**	**5.7**
Gross DPS (sen)	39.5	40.2	41.8
P/BV (x)	**1.1**	**1.0**	**1.0**
BVPS (RM)	6.7	7.0	7.3
ROE (%)	**11.0**	**10.8**	**10.8**
% Street CNP (%)	**99**	**96**	**94**

KEY STATISTICS

FBM KLCI	1,614.20
Issue shares (m)	10,696.7
Estimated free float (%)	64.9
Market Capitalisation (RM'm)	77,279.6
52-wk price range	RM6.21 – RM8.50
3-mth average daily volume (m)	27.9
3-mth average daily value (RM'm)	203.3
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.5
Amanah Saham Nasional Bhd	9.9

Income Statement

▲ **9MFY25's Core NP of IDR5.27b was up by +3%yoy.** The growth was largely due to improvements in NOII offsetting higher OPEX charges.

▲ **3QFY25's Core NP of IDR1.81b was up by +10%qoq.** Improvements in both NII and NOII offset higher OPEX and provision costs (a huge provision was taken this quarter, as guided by management). Recall that 2QFY25 was a weak quarter, dragged by weak topline and heavy provisions.

▲ **Quarterly NIM shows improvement – plenty of room for optimisation.** NIM rose by +15bps qoq. Niaga's L/D ratio remains very low (deposit growth is far outstripping loan growth), which implies a lot of room for optimisation – a relief after a disappointing year on this front.

▲ **One plus point: Niaga is still positive about its NOII outlook.** Primarily, its investment income, given that interest rates have been falling.

Analyst

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Balance Sheet

▼ **Loan growth was weak at +4.4%yoy, implying a paltry YTD loan growth of +0.3%.** C&C loans continue to contract, while consumer loans were dragged down by poor mortgage growth. Recall that Niaga slowed down accumulation in this loan segment in fear of poor asset quality.

▼ **Residential mortgage situation looks bleak.** Management is finding it difficult to grow loans, despite excess liquidity. Larger banks are more aggressively pricing out smaller banks. Niaga finds it difficult to scout high-quality residential mortgages that maintain a decent margin. On a more positive note, it is happy with their Tier 2 city strategy and will double down on acquiring loans from these areas.

► **Niaga is flush with liquidity, given that it has been unable to grow loans – this issue may persist.** Deposit growth remained extremely strong, while its loan growth languished, resulting in its L/D ratio falling to 81.1% (from 87.3% in Jun-25). Niaga's priority will be to grow loans to optimise the figure; if unsuccessful, Niaga will place its money in bonds instead, or release pricier deposits.

▼ **Pickup in NPL ratio seen, especially in consumer portfolio.** The intention is to sustain the current NPL ratio of 1.98% until year's end. Worrying signs are seen in the residential mortgage and RSME segments. Niaga's residential mortgage NPL pickup is steeper than that of its peers, with management citing stress coming from its Tier 1 cities. We look at this as negative, as high levels of residential mortgages across the industry tend to be an indicator of worse things to come. In contrast, Niaga's HP loan delinquencies are also rising – though its NPL ratio remains well below that of the wider industry.

Overall outlook

► **Management unveils its Forward30 Strategic Plan and targets.** The standout is CIR target of <40%, which is well below the current levels of ~45%. Management will be heavily relying on the ongoing digitisation process for cost-cutting: This will enhance operational efficiency, as well as acting as a cheaper means to grow the customer base (as opposed to branch network outreach). Interestingly enough, management seems to have sidelined FY25 targets in favour of this instead.

▼ **Management believes that FY26 will also be a challenging year.** They foresee asset quality concerns (primarily when residential mortgage impairments are rising across the board) possibly being an indicator of worse things to come. Loan growth is also an issue: larger banks are getting increasingly competitive. CIMB is finding it increasingly difficult to find high-quality loans (particularly residential mortgages, which remain one of its intended growth drivers) that provide a sufficient yield.

► **Shariah split to happen by Jun-25.** Management is optimistic: Multiple growth opportunities exist in the largely untapped Islamic space, which has not been a central focus for the Group. The Shariah spin-off will have a deeper retail and RSME focus. Expect higher NIMS but slightly weaker asset quality. The lower COF will be coming from Wadiah, Haji and Umrah products. Management will also be looking into the gold business.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Lingering asset quality concerns, (2) Steeper-than-expected NIM compression, (3) Weakness in Indonesian and Singaporean segments.*

Maintain BUY call: Unchanged GGM-TP of RM 8.22. 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%)*

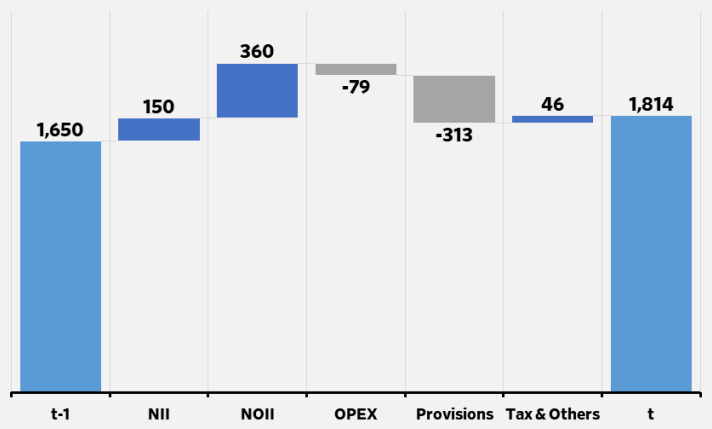
FIG 1: Quarterly Results

FYE Dec (IDR b)	3Q FY25	2Q FY25	3Q FY24	Yoy (%)	Qoq (%)	9M FY25	9M FY24	Yoy (%)
Net interest income	3,455	3,305	3,353	3	5	10,078	10,009	1
Non interest income	1,810	1,450	1,448	25	25	4,683	4,377	7
Net income	**5,265**	**4,755**	**4,801**	**10**	**11**	**14,761**	**14,386**	**3**
OPEX	(2,220)	(2,141)	(2,066)	7	4	(6,544)	(6,275)	4
PPOP	**3,045**	**2,614**	**2,735**	**11**	**16**	**8,217**	**8,111**	**1**
Provisions	(735)	(422)	(492)	49	74	(1,473)	(1,474)	-0
Core PBT	**2,310**	**2,192**	**2,243**	**3**	**5**	**6,744**	**6,637**	**2**
Core NP	**1,814**	**1,650**	**1,726**	**5**	**10**	**5,269**	**5,133**	**3**
Reported PBT	**2,310**	**2,191**	**2,241**	**3**	**5**	**6,744**	**6,633**	**2**
Reported NP	**1,814**	**1,650**	**1,726**	**5**	**10**	**5,269**	**5,133**	**3**
Total loans (IDR tr)	229	232	219	4.4	-1.4			
Total deposits (IDR tr)	278	262	256	8.6	6.2			
CASA (IDR tr)	189	181	171	10.4	4.5			

Ratios (%)	3Q FY25	2Q FY25	3Q FY24	Yoy (ppts)	QoQ (ppts)	9M FY25	9M FY24	Yoy (ppts)
ROE (Ann.)	**13.6**	**13.1**	**14.3**	**-0.7**	**0.5**	**13.5**	**15.4**	**-1.9**
NIM (Reported)	**4.08**	**3.93**	**4.07**	**0.01**	**0.15**	**4.00**	**4.16**	**-0.16**
NOII/Net income	34.4	30.5	30.2	4.2	3.9	31.7	30.4	1.3
Cost/Income	42.2	45.0	43.0	-0.9	-2.9	44.3	43.6	0.7
CoC (Ann.) (bps)	128	84	99	29	44	86	88	-2
Gross NPL ratio	1.98	1.88	2.00	-0.02	0.10			
G. impairment ratio	3.40	3.90	4.40	-1.00	-0.50			
Loan loss coverage	200	234	260	-60	-34			
CASA ratio	67.9	69.0	66.8	1.1	-1.1			
L/D ratio (Reported)	81.1	87.3	84.3	-3.2	-6.2			
CAR - Tier 1	23.6	22.9	22.4	1.2	0.7			

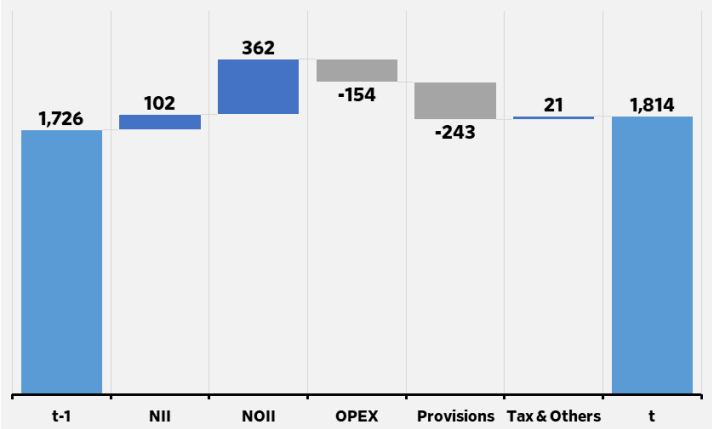
Source: Company, MBSBR

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



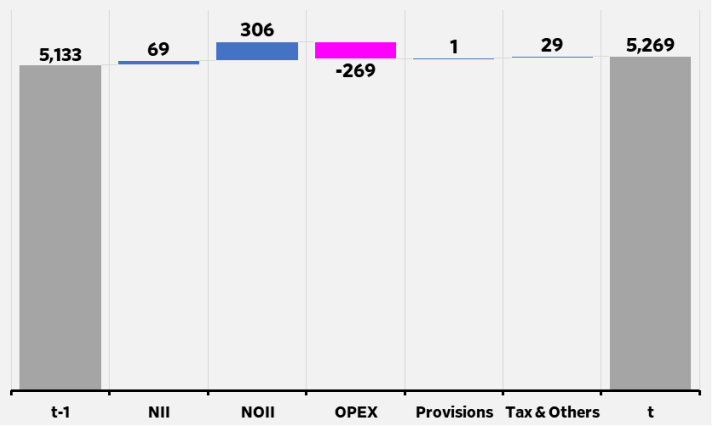
Source: Company, MBSBR

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



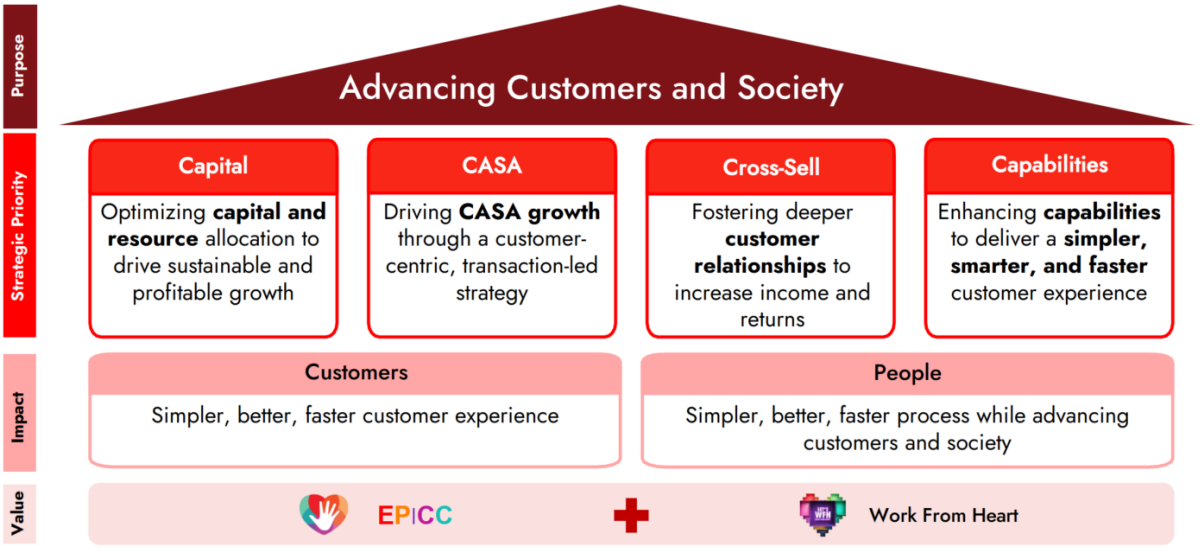
Source: Company, MBSBR

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



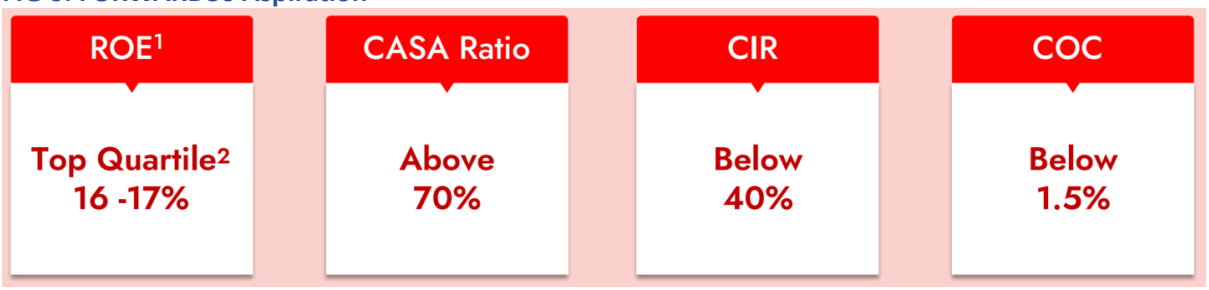
Source: Company, MBSBR

FIG 5: FORWARD30 Plan



Source: Company, MBSBR

FIG 6: FORWARD30 Aspiration



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)	11.2	10.1	10.1	9.9	9.5
Div yield (%)	**5.9**	**6.4**	**5.4**	**5.5**	**5.7**
P/BV (x)	1.1	1.1	1.1	1.0	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