

19 January 2022

# CIMB Group Holdings Bhd

## 4QFY21 Pre-results Update

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We attended CIMB's pre-4QFY21 results briefing where management is overall confident that its earlier set targets should be mostly met. While little insight on the group's FY22 projections was offered, management aims to continue focusing on acquiring better quality accounts over high financing growth rates. Maintain MP and TP of RM5.20.

**URUS is still a non-event in FY21 but will spill over into FY22.** Given that URUS applications only close in 31<sup>st</sup> January 2022, management anticipates for a lumpy influx to be only seen then. Presently, the program's intake is still relatively insignificant at possibly less than 1% of its Malaysia books. Regardless, any rise should not trigger excessive provisioning needs as pre-emptive buffers are adequate. Meanwhile, the recent Klang Valley floods are not expected to lead to much consequence as the group had readily offered flood assistance programs in the past.

**Loans quality over loans quantity.** Management represented that it saw sequential improvements in its loans book in line with the year-end economic recovery. Management also expected the overall industry to see sustainable traction but stands that it would rather perform below industry growth rates in favour of better book quality. That said, key drivers for loan demands are expected to be consumer and commercial segments. We expect the group to end FY21 with a 5% growth in loans (9MFY21: 4.9%) with FY22 loans growth to linger at 4% (below our Malaysia industry target of 5%).

**NIM prospects could be mixed.** The group expects some mixed exposure in the event of a rate hike in FY22, premised on its strategy in managing competition. Broadly, its Malaysia operation could benefit from a rate hike as the group is still not as participative in the competition for deposits and may still yield some gains in the near-term. Meanwhile, Thailand and Indonesia operations may experience a more neutral impact with their landscape being more rate-sensitive and hence may require more immediate repricing methods. Overall, an increase in regional wide rates could translate to an earnings uplift of RM80m-RM100m (<2% of our FY22 net earnings expectation) to the group on a rolling 12-month basis.

**NOII segments could be challenged.** In terms of NOII, trading performance should have picked up sequentially in 4QFY21 on a reinvigorated investing climate. However, this is expected to ease in FY22 where management may depend on fee-based results to support overall income. We believe this may be more prominent in the debt securities markets as interest rate hikes are typically unfavourable to bond prices. The credit card segment is expected to be a stronger performer, which we reckon is in line with higher spending as a translation of better economic prospects.

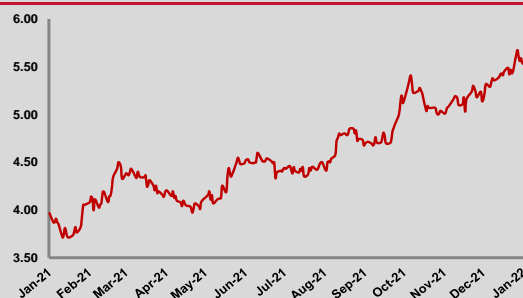
**Post meeting,** we leave our earnings assumptions unchanged for now. The upcoming 4QFY21 results are slated to be released on 28<sup>th</sup> February 2022.

**Maintain MARKET PERFORM and TP of RM5.20.** Our TP is based on an unchanged FY22E GGM-derived PBV of 0.84x (0.5SD below 5-year mean). Following the recent industry-wide rally, we believe there might be little upside to the stock's performance for now. Still, patient investors may look towards the stock's modest dividend returns which are expected to improve as we move to a post-pandemic landscape.

## MARKET PERFORM ↔

Price : RM5.51  
Target Price : RM5.20 ↔

### Share Price Performance



KLCI 1,542.92  
YTD KLCI chg -1.6%  
YTD stock price chg 1.1%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	CIMB MK Equity
Market Cap (RM m)	56,320.2
Shares Outstanding	10,221.5
52-week range (H)	5.67
52-week range (L)	3.72
3-mth avg daily vol	11,303,150
Free Float	39%
Beta	1.1

### Major Shareholders

Khazanah Nasional Bhd	25.7%
Employees Provident Fund	15.3%
Amanah Saham Nasional	10.6%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Net interest income	13,378	13,860	13,930
Non-interest income	4,033	5,057	4,727
<b>Total income</b>	<b>17,410</b>	<b>18,917</b>	<b>18,656</b>
Operating expenses	-8,977	-9,156	-9,248
<b>Loan impairment</b>	<b>-6,798</b>	<b>-4,458</b>	<b>-1,978</b>
Pre-tax profit	1,530	6,398	7,431
<b>PATAMI</b>	<b>1,194</b>	<b>4,703</b>	<b>5,091</b>
<b>Core PATAMI</b>	<b>1,194</b>	<b>4,993</b>	<b>5,091</b>
Consensus NP		4,738	4,970
Earnings revision		0.0%	0.0%
Core EPS (RM)	0.12	0.50	0.51
EPS growth	-74%	318%	2%
NDPS (RM)	0.05	0.21	0.23
BV/share (RM)	5.62	5.88	6.16
NTA/share (RM)	4.64	4.90	5.18
ROE (%)	2.1	8.2	8.5
PER (x)	45.9	11.0	10.8
P/BV (x)	0.98	0.94	0.89
Net Div. Yield (%)	0.9	3.8	4.2



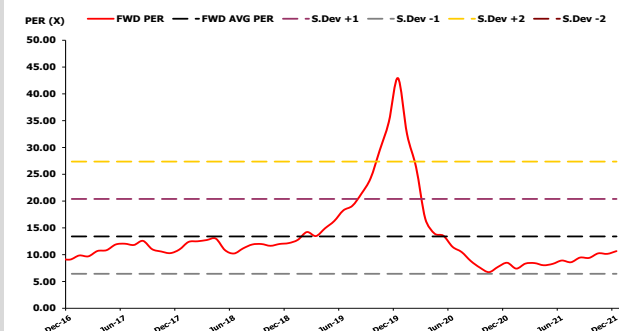
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**Risks to our call include:** (i) higher/lower-than-expected margin, (ii) higher/lower-than-expected loans growth, (iii) better/worse-than-expected movement in asset quality, (iv) stronger/weaker capital market activities, (v) favourable/unfavourable currency fluctuations and (vi) changes in OPR.

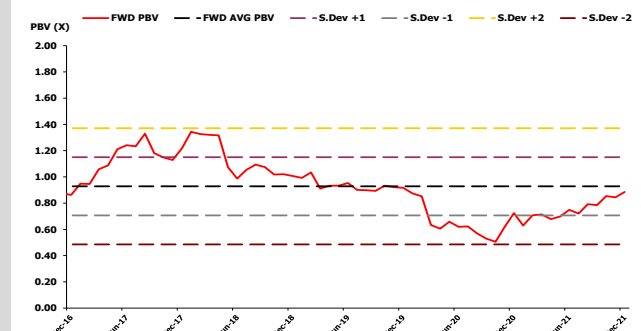
Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E	FY Dec	2018A	2019A	2020A	2021E	2022E
Net interest income	12,245	13,125	13,378	13,860	13,930	<b>Growth</b>					
Non-interest income	4,046	4,419	4,033	5,057	4,727	Net interest income	-2.8%	7.2%	1.9%	3.6%	0.5%
<b>Total income</b>	<b>16,291</b>	<b>17,544</b>	<b>17,410</b>	<b>18,917</b>	<b>18,656</b>	Non-interest income	-19.0%	9.2%	-8.8%	25.4%	-6.5%
Operating expenses	-8,656	-9,873	-8,977	-9,156	-9,248	Total income	-7.4%	7.7%	-0.8%	8.7%	-1.4%
<b>PPOP</b>	<b>7,635</b>	<b>7,671</b>	<b>8,433</b>	<b>9,761</b>	<b>9,408</b>	Operating expenses	-5.2%	14.1%	-9.1%	2.0%	1.0%
Loan impairments	-1,433	-1,639	-5,342	-2,721	-1,478	PPOP	-9.7%	0.5%	9.9%	15.7%	-3.6%
Other impairments	-127	-340	-1,456	-1,737	-500	Loan impairment	-35.8%	14.4%	226.0%	-49.1%	-45.7%
Associates	34	31	116	0	0	Pre-tax profit	17.9%	-17.0%	-74.4%	318.1%	16.1%
<b>Pre-tax profit</b>	<b>7,201</b>	<b>5,975</b>	<b>1,530</b>	<b>6,398</b>	<b>7,431</b>	PATAMI	24.8%	-18.3%	-73.8%	293.7%	8.3%
Tax and zakat	-1,537	-1,520	-384	-1,600	-2,236	Core PATAMI	24.8%	-18.3%	-73.8%	318.0%	2.0%
Minority interest	-80	104	48	-96	-104	Gross loans	6.5%	6.9%	-1.8%	5.4%	4.1%
<b>PATAMI</b>	<b>5,584</b>	<b>4,560</b>	<b>1,194</b>	<b>4,703</b>	<b>5,091</b>	Customer deposits	6.2%	6.0%	2.7%	4.0%	4.1%
<b>Core PATAMI</b>	<b>5,584</b>	<b>4,560</b>	<b>1,194</b>	<b>4,993</b>	<b>5,091</b>						
<b>Balance Sheet</b>						<b>Operating metrics</b>					
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E	Est avg asset yield	5.07%	5.06%	4.24%	3.65%	3.68%
Cash & ST funds	65,040	75,902	82,277	82,942	84,614	Est avg funding cost	2.72%	2.78%	2.02%	1.52%	1.61%
Investment securities	80,764	85,198	120,171	129,587	132,198	Est NIM	2.53%	2.54%	2.43%	2.38%	2.30%
Loans and financing	337,148	360,340	353,916	372,874	388,015	Cost-to-Income ratio	49.8%	55.5%	52.2%	45.8%	49.6%
Other assets	41,749	42,263	36,246	38,819	41,527	Credit cost (bps)	43.8	47.0	149.6	74.9	38.8
Intangible assets	9,389	9,543	9,745	9,745	9,745	Loan-to-deposit ratio	91.1%	91.8%	87.8%	89.0%	89.0%
<b>Total Assets</b>	<b>534,089</b>	<b>573,246</b>	<b>602,355</b>	<b>633,968</b>	<b>656,099</b>	GIL ratio	2.9%	3.1%	3.6%	3.5%	3.5%
Customer deposits	370,193	392,349	403,051	419,012	436,026	LLC Ratio	91.0%	80.7%	91.6%	100.0%	100.0%
Deposits & placements	20,233	23,667	31,791	33,720	35,089	LLC Ratio (+ reg reserves)	106.3%	99.6%	93.4%	101.8%	101.7%
Borrowings	50,920	58,053	44,058	51,388	53,233	ROA	1.1%	0.8%	0.2%	0.8%	0.8%
Other liabilities	40,156	41,708	66,280	70,062	69,164	ROE	11.2%	8.5%	2.1%	8.2%	8.5%
<b>Total liabilities</b>	<b>481,501</b>	<b>515,777</b>	<b>545,181</b>	<b>574,183</b>	<b>593,513</b>						
Share capital	9,564	25,849	25,844	25,844	25,844	<b>Valuations</b>					
Retained earnings	26,865	28,137	28,137	30,748	33,549	EPS (RM)	0.56	0.46	0.12	0.50	0.51
Regulatory reserves	1,543	2,133	233	233	233	PER (x)	9.83	12.03	45.94	10.99	10.78
Other reserves	13,402	118	1,712	1,712	1,712	Div yield (%)	4.5	4.7	0.9	3.8	4.2
<b>Shareholders' funds</b>	<b>51,374</b>	<b>56,237</b>	<b>55,926</b>	<b>58,537</b>	<b>61,338</b>	BV/share (RM)	5.16	5.65	5.62	5.88	6.16
Minority interest	1,014	1,032	1,048	1,048	1,048	P/BV (x)	1.07	0.98	0.98	0.94	0.89
<b>Total liabilities and equity</b>	<b>533,889</b>	<b>573,046</b>	<b>602,155</b>	<b>633,768</b>	<b>655,899</b>						

Source: Kenanga Research

## Fwd Core PER Band



## Fwd PBV Band



Source: Bloomberg, Kenanga Research

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## Peer Table Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
<b>Stocks Under Coverage</b>																		
AFFIN BANK BHD	1.93	4,099.4	N	12/2021	-13.1%	5.5%	80.4%	6.5%	17.4	9.7	9.1	0.4	0.4	4.3%	2.6%	1.55	MP	
ALLIANCE BANK MALAYSIA BHD	3.44	5,325.5	N	03/2022	-7.2%	1.4%	53.0%	4.8%	14.8	9.7	9.3	0.9	0.8	8.5%	4.1%	3.25	OP	
AMMB HOLDINGS BHD	3.58	11,856.5	N	03/2022	-3.6%	1.4%	30.2%	11.5%	11.5	9.7	8.7	0.7	0.8	8.1%	2.4%	3.15	MP	
BIMB HOLDINGS BHD	3.14	6,518.2	Y	12/2021	0.2%	-2.3%	14.8%	-7.1%	15.5	13.5	14.5	1.2	1.2	9.0%	4.5%	3.20	OP	
CIMB GROUP HOLDINGS BHD	5.51	56,320.2	N	12/2021	-1.0%	2.1%	318.0%	2.0%	45.9	11.0	10.8	1.0	0.9	8.7%	3.8%	5.20	MP	
HONG LEONG BANK BHD	19.80	42,920.8	N	06/2022	0.7%	5.1%	-3.1%	9.2%	14.2	14.6	13.4	1.4	1.3	9.2%	2.8%	18.20	MP	
MALAYAN BANKING BHD	8.41	99,898.3	N	12/2021	-8.5%	3.2%	19.4%	2.2%	14.6	12.2	12.0	1.1	1.1	9.1%	6.7%	10.55	OP	
MALAYSIA BUILDING SOCIETY BHD	0.595	4,267.0	N	12/2021	55.4%	6.8%	94.0%	25.9%	15.1	7.8	6.2	0.5	0.4	5.8%	4.0%	0.540	MP	
PUBLIC BANK BHD	4.22	81,913.1	N	12/2021	-3.6%	2.3%	14.3%	-0.7%	16.8	14.7	14.8	1.7	1.6	11.4%	3.3%	3.85	MP	
RHB BANK BHD	5.80	24,028.9	N	12/2021	-5.2%	5.8%	18.0%	-0.2%	10.1	8.6	8.6	0.9	0.8	9.8%	5.3%	6.50	OP	
<b>Simple Average</b>					<b>1.4%</b>	<b>3.1%</b>	<b>63.9%</b>	<b>5.4%</b>	<b>17.6</b>	<b>11.1</b>	<b>10.7</b>	<b>1.0</b>	<b>0.9</b>	<b>8.4%</b>	<b>3.9%</b>			

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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