

04 July 2024

# CIMB Group Holdings

## Excelling in Decarbonising

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We maintain our GGM-derived PBV TP of RM7.60 (COE: 11.2%, TG: 3.5%, ROE: 11.5%). The group broke down its decarbonising targets for high carbon emitting sectors for 2030, being the first amongst the local banks. Chief sectors include oil & gas and real estate. Accelerated commitment and efforts from the group also support our 4-star ESG scoring for the stock. Maintain our forecasts, OUTPERFORM call and TP of RM7.60. CIMB is one of our 3QCY24 Top Picks.

CIMB had previously committed itself into achieving net zero operational greenhouse gas (GHG) emissions (scope 1&2) by 2030, and further extended into net zero GHG by 2050. It had indicated to prioritise high-emitting sectors to decarbonise to be: (i) oil & gas, (ii) real estate, (iii) thermal coal mining, (iv) cement, (v) palm oil, and (vi) power utilities.

To achieve these targets, the group had outlined the following initiatives.

**1. Oil & Gas.** While the sector only accounts for 2% of the group's overall loans book, it is identified to be one of the more urgent with regards to decarbonisation as lowering dependence on its products may accelerate the adoption of more ecofriendly substitutes. It could also lead to stronger headway in the development of sustainable energy solutions and engineering in the long-term.

To decarbonise the sector, CIMB had previously abstained from providing new financing to upstream oil fields in 2021. Going forward, its exposure to this sector may be mostly skewed towards financing diversification strategies for its existing oil & gas accounts. Through its networks, the group may also be able to facilitate reducing their operational emissions intensity to meet their respective net zero strategies.

**2. Real estate.** To CIMB's total portfolio, real estate (both retail and non-retail mortgages) makes up 38% of the group's total loans book but make up 17% of its overall financed emissions. As the sector likely has the largest physical footprint, more meaningful improvements to the sector may be dependent on the overall power grid's decarbonisation.

That said, the group sees opportunities in decarbonising its portfolio by financing more energy-efficient buildings and developments. It may also provide stronger support to funding energy transition initiatives (i.e. renewable energy solutions) as well as facilitating more effective recording and reporting of energy consumption. Further collaboration with clients may in turn lead to better development and implementation of net zero plans in the future.

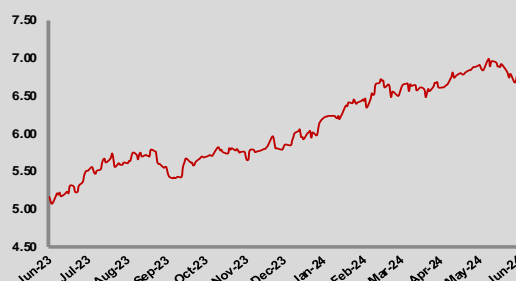
Aside from its decarbonisation efforts, CIMB highlighted strategies to uplift financial inclusivity amongst the underserved communities. Between CY24-CY28, the group aims to outreach up to 378k vulnerable customers with insurance and wealth building products and 560k vulnerable customers with beyond-savings accounts. The hope is to promote wealth generation for these customers which we believe could in turn mature into high quality accounts.

**Forecast.** Maintained.

# OUTPERFORM ↔

Price : **RM6.96**  
Target Price : **RM7.60** ↔

### Share Price Performance



KLCI 1,615.32  
YTD KLCI chg 11.0%  
YTD stock price chg 20.3%

### Stock Information

Shariah Compliant No  
Bloomberg Ticker CIMB MK Equity  
Market Cap (RM m) 74,451.1  
Shares Outstanding 10,697.0  
52-week range (H) 6.99  
52-week range (L) 5.16  
3-mth avg. daily vol. 21,377,740  
Free Float 44%  
Beta 1.1

### Major Shareholders

Khazanah Nasional Bhd 21.9%  
Employees Provident Fund 15.2%  
Amanah Saham Nasional 9.9%

### Summary Earnings Table

| FY Dec (RM m)           | 2023A         | 2024F         | 2025F         |
|-------------------------|---------------|---------------|---------------|
| Net Interest Income     | 15,348        | 16,172        | 16,832        |
| Non-interest Income     | 5,670         | 6,079         | 5,624         |
| <b>Total Income</b>     | <b>21,018</b> | <b>22,250</b> | <b>22,457</b> |
| Operating Expenses      | -9,865        | -10,240       | -10,343       |
| <b>Total Impairment</b> | <b>-1,591</b> | <b>-1,987</b> | <b>-1,826</b> |
| Pre-tax Profit          | 9,541         | 9,940         | 10,243        |
| <b>Net Profit</b>       | <b>6,981</b>  | <b>7,306</b>  | <b>7,729</b>  |
| <b>Core Net Profit</b>  | <b>6,981</b>  | <b>7,306</b>  | <b>7,729</b>  |
| Consensus NP            | -             | 7,594         | 8,124         |
| Earnings Revision       | -             | -             | -             |
| Core EPS (RM)           | 0.65          | 0.69          | 0.72          |
| EPS Growth (%)          | 28.3          | 4.7           | 5.8           |
| NDPS (RM)               | 0.43          | 0.44          | 0.47          |
| BV/Share (RM)           | 6.41          | 6.65          | 6.91          |
| NTA/Share (RM)          | 5.62          | 5.86          | 6.12          |
| ROE (%)                 | 10.7          | 10.5          | 10.7          |
| PER (x)                 | 10.6          | 10.2          | 9.6           |
| P/BV (x)                | 1.09          | 1.05          | 1.01          |
| Net Div. Yield (%)      | 6.2           | 6.3           | 6.8           |

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**Maintain OUTPERFORM and TP of RM7.60.** Our TP is based on an unchanged GGM-derived PBV of 1.05x (COE: 11.2%, TG: 3.5%, ROE: 11.5%) against our FY25F BVPS of RM6.91. We also applied a 5% premium granted by CIMB's 4-star ESG ranking, with the abovementioned emboldening our views for CIMB to be amongst the forefront in long-term sustainability efforts. Fundamentally, the stock is supported by its regional diversification, especially in terms of NOII which most of its peers lack. CIMB's return to double-digit ROE could be indicative of its prospects while offering attractive dividend yields (c.6%) in the medium term. **CIMB is one of our 3QCY24 Top Picks.**

**Risks to our call include:** (i) higher-than-expected margin squeeze, (ii) lower-than-expected loan growth, (iii) worse-than-expected asset quality, (iv) slowdown in capital market activities, (v) currency fluctuations, and (vi) changes to the OPR.

### Income Statement

| FY Dec (RM m)          | 2021A         | 2022A         | 2023A         | 2024F         | 2025F         |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income    | 14,470        | 15,623        | 15,348        | 16,172        | 16,832        |
| Non-interest income    | 3,955         | 4,198         | 5,670         | 6,079         | 5,624         |
| <b>Total income</b>    | <b>18,425</b> | <b>19,820</b> | <b>21,018</b> | <b>22,250</b> | <b>22,457</b> |
| Operating expenses     | -9,419        | -9,346        | -9,865        | -10,240       | -10,343       |
| <b>PPOP</b>            | <b>9,006</b>  | <b>10,475</b> | <b>11,153</b> | <b>12,010</b> | <b>12,114</b> |
| Loan impairments       | -2,614        | -1,953        | -1,534        | -1,987        | -1,826        |
| Other impairments      | -1,759        | -209          | -57           | -133          | -95           |
| Associates             | 1,218         | 51            | -17           | 50            | 50            |
| <b>Pre-tax profit</b>  | <b>5,789</b>  | <b>8,371</b>  | <b>9,541</b>  | <b>9,940</b>  | <b>10,243</b> |
| Tax and zakat          | -1,397        | -2,778        | -2,379        | -2,485        | -2,356        |
| Minority interest      | -97           | -153          | -181          | -149          | -158          |
| <b>Net Profit</b>      | <b>4,295</b>  | <b>5,440</b>  | <b>6,981</b>  | <b>7,306</b>  | <b>7,729</b>  |
| <b>Core Net Profit</b> | <b>4,648</b>  | <b>5,440</b>  | <b>6,981</b>  | <b>7,306</b>  | <b>7,729</b>  |

### Balance Sheet

| FY Dec (RM m)                    | 2021A          | 2022A          | 2023A          | 2024F          | 2025F          |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash & ST funds                  | 85,949         | 77,209         | 83,395         | 94,408         | 98,241         |
| Investment securities            | 128,439        | 141,282        | 165,560        | 183,387        | 190,833        |
| Loans and financing              | 364,685        | 394,557        | 429,450        | 455,703        | 474,206        |
| Other assets                     | 34,533         | 45,492         | 46,776         | 33,371         | 32,995         |
| Intangible assets                | 8,302          | 8,181          | 8,391          | 8,391          | 8,391          |
| <b>Total assets</b>              | <b>621,907</b> | <b>666,721</b> | <b>733,572</b> | <b>775,259</b> | <b>804,666</b> |
| Customer deposits                | 422,418        | 432,950        | 463,442        | 483,397        | 503,025        |
| Deposits & placements            | 30,702         | 34,189         | 40,283         | 46,290         | 48,170         |
| Borrowings                       | 30,131         | 37,391         | 40,897         | 42,834         | 44,360         |
| Other liabilities                | 78,547         | 98,408         | 119,111        | 130,285        | 133,942        |
| <b>Total liabilities</b>         | <b>561,798</b> | <b>602,937</b> | <b>663,733</b> | <b>702,807</b> | <b>729,498</b> |
| Share capital                    | 27,100         | 29,095         | 29,095         | 29,095         | 29,095         |
| Retained earnings                | 32,814         | 35,271         | 35,271         | 37,884         | 40,601         |
| Regulatory reserves              | 129            | 418            | 1,103          | 1,103          | 1,103          |
| Other reserves                   | -1,180         | -2,292         | 2,859          | 2,859          | 2,859          |
| <b>Shareholders' funds</b>       | <b>58,863</b>  | <b>62,491</b>  | <b>68,327</b>  | <b>70,940</b>  | <b>73,657</b>  |
| Minority interest                | 1,245          | 1,293          | 1,512          | 1,512          | 1,512          |
| <b>Total liabilities, equity</b> | <b>621,907</b> | <b>666,721</b> | <b>733,572</b> | <b>775,259</b> | <b>804,666</b> |

### Financial Data & Ratios

| FY Dec                     | 2021A  | 2022A  | 2023A  | 2024F  | 2025F  |
|----------------------------|--------|--------|--------|--------|--------|
| <b>Growth</b>              |        |        |        |        |        |
| Net interest income        | 8.2%   | 8.0%   | -1.8%  | 5.4%   | 4.1%   |
| Non-interest income        | -1.9%  | 6.1%   | 35.1%  | 7.2%   | -7.5%  |
| Total income               | 5.8%   | 7.6%   | 6.0%   | 5.9%   | 0.9%   |
| Operating expenses         | 4.9%   | -0.8%  | 5.6%   | 3.8%   | 1.0%   |
| PPOP                       | 6.8%   | 16.3%  | 6.5%   | 7.7%   | 0.9%   |
| Loan impairment            | -51.1% | -25.3% | -21.4% | 29.5%  | -8.1%  |
| Pre-tax profit             | 278.3% | 44.6%  | 14.0%  | 4.2%   | 3.1%   |
| Net Profit                 | 259.6% | 26.6%  | 28.3%  | 4.7%   | 5.8%   |
| Core Net Profit            | 289.2% | 17.0%  | 28.3%  | 4.7%   | 5.8%   |
| Gross loans                | 3.0%   | 8.2%   | 8.8%   | 6.1%   | 4.1%   |
| Customer deposits          | 4.8%   | 2.5%   | 7.0%   | 4.3%   | 4.1%   |
| <b>Operating metrics</b>   |        |        |        |        |        |
| Est avg asset yield        | 3.67%  | 4.09%  | 5.05%  | 5.06%  | 5.04%  |
| Est avg funding cost       | 1.40%  | 1.76%  | 2.83%  | 3.40%  | 3.38%  |
| Est NIM                    | 2.50%  | 2.57%  | 2.33%  | 2.25%  | 2.21%  |
| Cost-to-Income ratio       | 51.3%  | 47.1%  | 46.9%  | 46.0%  | 46.1%  |
| Credit cost (bps)          | 72.7   | 51.4   | 37.2   | 44.9   | 39.3   |
| Loan-to-deposit ratio      | 86.3%  | 91.1%  | 92.7%  | 94.3%  | 94.3%  |
| GIL ratio                  | 3.6%   | 3.4%   | 2.7%   | 3.0%   | 3.0%   |
| LLC Ratio                  | 100.2% | 93.1%  | 97.0%  | 95.0%  | 95.0%  |
| LLC Ratio (+ reg reserves) | 101.2% | 96.2%  | 106.3% | 103.0% | 102.7% |
| ROA                        | 0.7%   | 0.8%   | 1.0%   | 1.0%   | 1.0%   |
| ROE                        | 7.5%   | 9.0%   | 10.7%  | 10.5%  | 10.7%  |
| <b>Valuations</b>          |        |        |        |        |        |
| EPS (RM)                   | 0.46   | 0.51   | 0.65   | 0.69   | 0.72   |
| PER (x)                    | 15.0   | 13.6   | 10.6   | 10.2   | 9.6    |
| Div yield (%)              | 3.3    | 3.7    | 6.2    | 6.3    | 6.8    |
| BV/share (RM)              | 5.87   | 5.86   | 6.41   | 6.65   | 6.91   |
| P/BV (x)                   | 1.19   | 1.19   | 1.09   | 1.05   | 1.01   |

Source: Kenanga Research

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### Peer Table Comparison

| Name                          | Rating | Last Price (RM) | Target Price (RM) | Upside | Market Cap (RM m) | Shariah Compliant | Current FYE | Core EPS (sen) |            | Core EPS Growth |             | PER (x) - Core Earnings |             | PBV (x)    | ROE          | Net Div. Div. (sen) | Net Div Yld |
|-------------------------------|--------|-----------------|-------------------|--------|-------------------|-------------------|-------------|----------------|------------|-----------------|-------------|-------------------------|-------------|------------|--------------|---------------------|-------------|
|                               |        |                 |                   |        |                   |                   |             | 1-Yr. Fwd.     | 2-Yr. Fwd. | 1-Yr. Fwd.      | 2-Yr. Fwd.  | 1-Yr. Fwd.              | 2-Yr. Fwd.  | 1-Yr. Fwd. | 1-Yr. Fwd.   | 1-Yr. Fwd.          | 1-Yr. Fwd.  |
| <b>Stocks Under Coverage</b>  |        |                 |                   |        |                   |                   |             |                |            |                 |             |                         |             |            |              |                     |             |
| AFFIN BANK BHD                | UP     | 2.48            | 1.80              | -27.4% | 5,953.2           | N                 | 12/2024     | 21.0           | 27.7       | 20.4%           | 31.9%       | 11.8                    | 9.0         | 0.5        | 4.3%         | 8.0                 | 3.2%        |
| ALLIANCE BANK MALAYSIA BHD    | OP     | 3.76            | 4.60              | 22.3%  | 5,820.9           | N                 | 03/2025     | 50.2           | 52.7       | 12.5%           | 5.2%        | 7.5                     | 7.1         | 0.8        | 10.5%        | 25.0                | 6.6%        |
| AMMB HOLDINGS BHD             | OP     | 4.31            | 5.20              | 20.6%  | 14,247.3          | N                 | 03/2025     | 55.3           | 56.3       | 17.5%           | 1.8%        | 7.8                     | 7.7         | 0.7        | 9.1%         | 22.0                | 5.1%        |
| BANK ISLAM MALAYSIA BHD       | MP     | 2.49            | 2.25              | -9.6%  | 5,643.5           | Y                 | 12/2024     | 25.2           | 29.0       | 3.3%            | 14.9%       | 9.9                     | 8.6         | 0.7        | 7.6%         | 17.0                | 6.8%        |
| CIMB GROUP HOLDINGS BHD       | OP     | 6.96            | 7.60              | 9.2%   | 74,451.1          | N                 | 12/2024     | 68.5           | 72.5       | 4.7%            | 5.8%        | 10.2                    | 9.6         | 1.0        | 10.5%        | 44.0                | 6.3%        |
| HONG LEONG BANK BHD           | OP     | 19.34           | 26.20             | 35.5%  | 41,923.7          | N                 | 06/2024     | 199.6          | 215.2      | 7.1%            | 7.8%        | 9.7                     | 9.0         | 1.1        | 11.5%        | 60.0                | 3.1%        |
| MALAYAN BANKING BHD           | OP     | 10.02           | 11.00             | 9.8%   | 120,910.9         | N                 | 12/2024     | 80.0           | 83.6       | 3.2%            | 4.5%        | 12.5                    | 12.0        | 1.2        | 10.1%        | 62.0                | 6.2%        |
| MALAYSIA BUILDING SOCIETY BHD | UP     | 0.820           | 0.590             | -28.0% | 6,742.3           | Y                 | 12/2024     | 3.9            | 6.6        | 104.4%          | 68.2%       | 20.9                    | 12.5        | 0.6        | 2.8%         | 2.0                 | 2.4%        |
| PUBLIC BANK BHD               | OP     | 4.05            | 5.10              | 25.9%  | 78,613.3          | N                 | 12/2024     | 37.3           | 39.3       | 9.0%            | 5.4%        | 10.9                    | 10.3        | 1.4        | 12.9%        | 21.0                | 5.2%        |
| RHB BANK BHD                  | OP     | 5.52            | 7.25              | 31.3%  | 24,064.4          | N                 | 12/2024     | 70.8           | 73.5       | 8.3%            | 3.9%        | 7.8                     | 7.5         | 0.7        | 9.7%         | 43.0                | 7.8%        |
| <b>SECTOR AGGREGATE</b>       |        |                 |                   |        | <b>378,371</b>    |                   |             |                |            | <b>7.1%</b>     | <b>6.2%</b> | <b>10.7</b>             | <b>10.1</b> | <b>1.1</b> | <b>10.0%</b> |                     | <b>5.3%</b> |

Source: Kenanga Research

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**Stock ESG Ratings:**

|                 | Criterion                         | Rating |   |   |   |   |
|-----------------|-----------------------------------|--------|---|---|---|---|
| <b>GENERAL</b>  | Earnings Sustainability & Quality | ★      | ★ | ★ | ☆ |   |
|                 | Community Investment              | ★      | ★ | ★ | ☆ |   |
|                 | Workforce Safety & Wellbeing      | ★      | ★ | ★ |   |   |
|                 | Corporate Governance              | ★      | ★ | ★ | ★ |   |
|                 | Anti-corruption Policy            | ★      | ★ | ★ |   |   |
|                 | Emissions Management              | ★      | ★ | ★ |   |   |
| <b>SPECIFIC</b> | Green Financing                   | ★      | ★ | ★ | ★ | ★ |
|                 | Financial Inclusion               | ★      | ★ | ★ | ☆ |   |
|                 | Cybersecurity/Data Privacy        | ★      | ★ | ☆ |   |   |
|                 | Digitalisation & Innovation       | ★      | ★ | ★ | ★ |   |
|                 | Diversity & Inclusion             | ★      | ★ | ★ |   |   |
|                 | Customer Experience               | ★      | ★ | ★ |   |   |
| <b>OVERALL</b>  |                                   | ★      | ★ | ★ | ★ |   |

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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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