

30 April 2025

CIMB Group Holdings

CIMB Niaga: Well-Buckled

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CIMB Niaga's 1QFY25 net profit (+7%) was within expectations, where loans growth remained supported by a growing corporate book. Its tightly-contained credit cost, albeit with one-offs in the corporate segment, enables the group to take on riskier assets to improve its NIMs, within the group's anticipation of further possible rate cuts in Indonesia. Maintain OUTPERFORM and our GGM-derived PBV TP of RM7.90 for CIMB. CIMB is one of our 2QCY25 Top Picks.

1QFY25 within expectations. CIMB's 92.4%-owned CIMB Niaga (Niaga) earnings of IDR1.81b came in at 26% of consensus full-year estimate. So far, the group has met all of its targets, being: (i) loans growth of 5%-7%, (ii) NIMs at 3.9%-4.2%, (iii) credit cost of <1.0%, and (iv) ROE of 14%-15%.

YoY, 1QFY25 total income slightly declined (by 1%). While the group continue to see NIMs eroding to 3.91% (-37 bps) from alleviated funding costs, it was cushioned by a 9% loans growth (+1% on a YTD-basis). NOII (-6%) saw a sharp decline in its loans recovery income. CIR increased to 48.9% (+2.7 pts) following greater IT investments but was mitigated by credit costs coming off to 32 bps (-45 bps) from asset quality improvements in its corporate books. All in, 1QFY25 net profit came in at IDR1.81b (+7%).

QoQ, 1QFY25 total income increased by 5% with both NII and NOII reporting improvements. NIMs were stable (-1 bps) as asset yields picked up in tandem with funding costs while NOII gained (+12%) from better treasury performance. 1QFY25 net profit improved 7% QoQ.

Niaga's outlook. Niaga kicked off FY25 with a strong start, chiefly with (i) loans growth, (ii) NIM, and (iii) credit cost, within their guided range.

Deposits competition in Indonesia remains unrelenting, with 1QFY25 funding cost creeping 3.61% (+20 bps YoY, +3 bps QoQ). The group opines that there could be liquidity concerns, particularly during the quarter's heavier seasonal density. That said, Niaga expects it will operate comfortably at a LDR ratio of 90% and will defend NIMs by targeting higher yielding fixed-rate markets i.e. SMEs, hire purchase, unsecured segments. This would also benefit the group in a declining rate environment.

Its low credit cost should also provide leeway to take on riskier accounts in the medium-term. With regards to risk, the group believes there would be little ramifications from the developing trade war, given that its tariff-exposed loans only make up <1.5% of its portfolio.

Forecasts. Maintained.

Maintain OUTPERFORM and TP of RM7.90. This is against an unchanged GGM-derived PBV of 1.05x (COE: 11.2%, TG: 3.5%, ROE: 11.5%) with a FY26F BVPS of RM7.17. We also applied a 5% premium granted by CIMB's 4-star ESG ranking, thanks to its headways in green financing. Current price point presents a palatable entry to accumulate CIMB. Amid a stable ROE of c.11.5%, CIMB offers decent yield of >6.0% which is above the industry average of 5.5%.

That said, as IDR forex rates continue to depreciate against the MYR (-7% YTD, -12% YoY), we opine that Niaga's overall contributions to the group would be eroded despite it meeting its targets and street estimates. CIMB's earnings growth prospects most like hinge on its Malaysian operation's efforts to boost wholesale banking businesses as well as driving its fee-based income.

OUTPERFORM ↔

Price : RM7.02
Target Price : RM7.90 ↔

Share Price Performance



KLCI	1,515.56
YTD KLCI chg	-7.7%
YTD stock price chg	-14.4%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	CIMB MK Equity
Market Cap (RM m)	75,452.4
Shares Outstanding	10,748.2
52-week range (H)	8.49
52-week range (L)	6.35
3-mth avg. daily vol.	27,194,700
Free Float	65%
Beta	1.26

Major Shareholders

Khazanah Nasional Bhd	21.5%
Employees Provident Fund	18.1%
Amanah Saham Nasional	9.9%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Net interest Income	16,107	16,927	17,187
Non-interest Income	6,197	6,196	6,342
Total Income	22,304	23,123	23,529
Operating Expenses	-10,420	-10,524	-10,630
Loan Impairment	-1,125	-1,407	-1,211
Pre-tax Profit	10,396	11,091	11,588
Net Profit	7,728	8,152	8,517
Core Net Profit	7,728	8,152	8,517
Consensus NP	-	8,106	8,577
Earnings Revision	-	-	-
Core EPS (RM)	0.72	0.76	0.80
EPS Growth (%)	10.4	5.5	4.5
NDPS (RM)	0.47	0.42	0.44
BV/Share (RM)	6.48	6.82	7.17
NTA/Share (RM)	5.70	6.04	6.40
ROE (%)	11.2	11.5	11.4
PER (x)	9.7	9.2	8.8
P/BV (x)	1.08	1.03	0.98
Net Div. Yield (%)	6.7	6.0	6.3

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

Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (IDR b)	FY25	FY24	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	3,319	3,259	1.8%	3,285	1.0%	3,319	3,285	1.0%
Non-interest income	1,423	1,275	11.7%	1,515	-6.0%	1,423	1,515	-6.0%
Total income	4,742	4,533	4.6%	4,800	-1.2%	4,742	4,800	-1.2%
Operating expenses	-2,318	-2,212	4.8%	-2,217	4.5%	-2,318	-2,217	4.5%
Pre-impairment profit	2,424	2,321	4.5%	2,583	-6.1%	2,424	2,583	-6.1%
(Allowances)/ write-backs	-182	-226	-19.7%	-408	-55.6%	-182	-408	-55.6%
Operating profit	2,243	2,095	7.1%	2,174	3.2%	2,243	2,174	3.2%
Non-operating gains / (losses)	0	0	N.M	0	N.M.	0	0	N.M
Profit before tax	2,243	2,095	7.1%	2,174	3.2%	2,243	2,174	3.2%
Taxation	-399	-378	5.5%	-479	-16.6%	-399	-479	-16.6%
Minority interest	-39	-23	65.3%	-14	170.0%	-39	-14	170.0%
Net Profit	1,805	1,693	6.6%	1,681	7.4%	1,805	1,681	7.4%
Core Net Profit	1,805	1,693	6.6%	1,681	7.4%	1,805	1,681	7.4%
Gross loans	230,086	228,003	0.9%	211,588	8.7%	230,086	211,588	8.7%
Gross impaired loans	9,434	9,348	0.9%	10,156	-7.1%	9,434	10,156	-7.1%
Customer deposits	254,224	260,639	-2.5%	240,144	5.9%	254,224	240,144	5.9%
Current and savings account (CASA)	171,379	172,067	-0.4%	147,040	16.6%	171,379	147,040	16.6%
Total assets	370,992	360,221	3.0%	332,994	11.4%	370,992	332,994	11.4%
Shareholders' equity	55,327	52,999	4.4%	51,215	8.0%	55,327	51,215	8.0%
Est. annualised NIM	3.91%	3.92%		4.28%		3.91%	4.28%	
Cost-to-income ratio	49.8%	50.4%		46.4%		48.9%	46.2%	
Annualised credit cost (bps)	31.7	40.5		76.9		31.7	76.9	
Effective tax rate	17.8%	18.1%		22.0%		17.8%	22.0%	
Annualised ROA	2.0%	1.9%		2.0%		2.0%	2.0%	
Annualised ROE	13.3%	12.9%		13.4%		13.3%	13.4%	
Gross impaired loans ratio	4.1%	4.1%		4.8%		4.1%	4.8%	
Loan loss coverage ratio (LLC)	249.7%	270.0%		257.4%		249.7%	257.4%	
Loan-to-deposit ratio	86.4%	83.4%		83.3%		86.4%	83.3%	
CASA-to-deposit ratio	67.4%	66.0%		61.2%		67.4%	61.2%	

Source: Company, Kenanga Research

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. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.78	2.40	-13.7%	6,673	N	12/2025	25.6	27.4	20.5%	7.2%	10.9	10.1	0.6	5.2%	10.0	3.6%
AMMB HOLDINGS BHD	OP	5.08	6.80	33.9%	16,785	N	03/2025	58.0	64.7	23.3%	11.4%	8.8	7.9	0.8	9.8%	29.0	5.7%
BANK ISLAM MALAYSIA BHD	MP	2.45	2.45	0.0%	5,553	Y	12/2025	28.9	29.9	14.8%	3.3%	8.5	8.2	0.7	8.4%	17.5	7.1%
CIMB GROUP HOLDINGS BHD	OP	7.02	7.90	12.5%	75,452	N	12/2025	76.2	79.7	5.5%	4.5%	9.2	8.8	1.0	11.5%	42.0	6.0%
HONG LEONG BANK BHD	OP	19.90	27.40	37.7%	43,138	N	06/2025	215.3	221.6	5.2%	2.9%	9.2	9.0	1.0	11.4%	71.0	3.6%
MALAYAN BANKING BHD	OP	9.95	12.00	20.6%	120,203	N	12/2025	88.5	92.6	5.8%	4.6%	11.2	10.7	1.2	11.1%	65.0	6.5%
MBSB BHD	MP	0.720	0.720	0.0%	5,920	Y	12/2025	7.8	8.4	36.9%	8.5%	9.3	8.5	0.5	5.6%	3.5	4.9%
PUBLIC BANK BHD	OP	4.43	5.25	18.5%	85,989	N	12/2025	38.3	39.6	3.9%	3.5%	11.6	11.2	1.5	12.7%	23.0	5.2%
RHB BANK BHD	OP	6.57	7.80	18.7%	28,642	N	12/2025	73.8	77.5	2.5%	5.0%	8.9	8.5	0.9	9.7%	44.5	6.8%
SECTOR AGGREGATE					388,355							10.3	9.9	1.1	10.6%		5.5%

Source: Kenanga Research

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Stock ESG Ratings:

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

☆ 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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