

Company Report

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CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

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ROE aligns with expectations, aided by lower credit costs

BUY

(Maintained)

Rationale for report: Company Result

Price RM6.93
Fair Value RM8.11
52-week High/Low RM8.50/RM6.21

Key Changes

Fair value 
EPS 

YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	22,301.2	22,937.5	24,180.2	25,755.6
Core net profit (RM mil)	7,728.0	7,914.2	8,530.1	9,452.7
FD Core EPS (sen)	72.3	74.0	79.8	88.4
FD Core EPS growth (%)	10.4	2.4	7.8	10.8
Consensus Net Profit (RM mil)	-	7,979.0	8,451.0	8,989.0
DPS (sen)	47.0	40.7	43.9	48.6
BV/share (RM)	6.49	6.78	7.15	7.55
PE (x)	9.6	9.4	8.7	7.8
Div yield (%)	6.8	5.9	6.3	7.0
P/BV (x)	1.1	1.0	1.0	0.9
ROE (%)	11.2	11.1	11.5	12.0

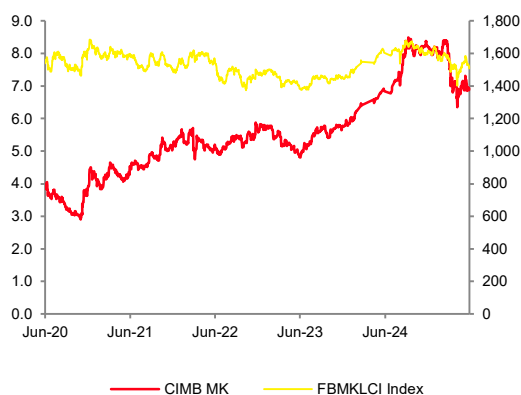
Stock and Financial Data

Shares Outstanding (million) 10,732.4
Market Cap (RMmil) 74,375.5
Book Value (RM/Share) 6.49
P/BV (x) 1.1
ROE (%) 11.2

Major Shareholders
Khazanah Nasional Bhd (21.5%)
Employees Provident Fund (17.3%)
Amanah Saham Nasional (9.9%)

Free Float 45.5
Avg Daily Value (RMmil) 191.2

Price performance	3mth	6mth	12mth
Absolute (%)	(11.3)	(16.0)	2.2
Relative (%)	(7.6)	(10.5)	8.2



Investment Highlights

CIMB's 1Q25 earnings met expectations, with stable NIM QoQ supported by lower funding costs, and improved asset quality as credit costs declined. ROE of 11.4% aligns with the FY25 guidance of 11.0-11.5%. OPEX remained well-managed (+1.1% YoY), keeping the CI ratio at 46.9%. The group is on track for FY25 targets, except loan growth, impacted by FX translation. Strong recoveries help offset higher forward-looking provisions amid macro uncertainties. Liquidity is solid (LD ratio 88.9%), with capacity to expand loans and boost NII. BUY retained, with attractive valuation at 1x FY26 P/BV.

- Recommendation and valuation.** Maintain BUY on CIMB with a slight TP increase to RM8.11/share (from RM8.10/share), based on FY26 P/BV of 1.1x, ROE of 11.5%, and a 3% premium for its 4-star ESG rating. Earnings estimates for FY25/26/27 adjusted by +1.1%/+0.7%/-1.0%, factoring in lower FY25F NIM projection and reduced FY26F/FY27F credit cost estimates (40bps to 35bps) amid strong loan recoveries.
- Earnings aligned with expectations, supported by a steady NIM and reduced credit cost.** 1Q25 earnings met expectations (25.2% of our and 24.7% of consensus estimate), with net profit up 1.9% YoY on lower provisions, despite an 8.5% NOII decline. Excluding FX translation, net profit rose 6.1% YoY. QoQ, net profit surged 9.6%, driven by strong NOII (+11.1%), higher Wealth Management fees (Singapore), Bancassurance, card fees (Indonesia), and treasury sales, alongside lower provisions and OPEX. Cross-selling momentum boosted fee income, treasury sales, and Wealth AUM. OPEX growth stayed controlled at +1.1% YoY, keeping the CI ratio at 46.9%, just above the <46.7% FY25 target.
- 1Q25 loan growth slowed, while NIM remained stable QoQ, despite regional rate cuts in Singapore, Indonesia, and Thailand.** 1Q25 loan growth slowed to 1.8% YoY (4.4% YoY FX-adjusted), with domestic loans up 2.4% YoY, trailing the industry's 5.2%. NIM stayed at 2.16% QoQ, as stronger margins in Malaysia & Indonesia balanced weaker trends in Thailand & Singapore. COF fell 4bps QoQ, aided by lower STMMMD reliance and higher CASA. Domestic FD campaign rate cuts (10-20bps) should partly mitigate NIM pressure from an expected OPR drop by 25bps to 2.75% in 2H25, while Singapore's NIM should recover as deposits reprice lower alongside the 3-month SORA decline.
- Improved asset quality with a GIL ratio of 2.16%. 1Q25 provisions fell 38.2% YoY, lowering net credit cost to 26bps (vs. 35bps in 1Q24).** Strong recoveries allowed management to allocate RM100 million in overlays for SME and corporate loans, addressing macroeconomic uncertainties. Loan loss coverage improved to 102.4% (1Q24: 101.0%). Consumer Banking model refinements led to provision writebacks in 1Q25. FY25 credit cost guidance lowered to 25-35bps (from 30-40bps) amid better recoveries. ROE guidance remains at 11.0-11.5%, with FY25 NIM expected at the lower end of the guided range of stable up to 5bps compression.

Company profile

CIMB, the 5th largest banking group in ASEAN by assets, operates as a universal bank, offering consumer, commercial, wholesale, Islamic banking, wealth management, and digital asset services. Its key markets—Malaysia, Indonesia, Singapore, and Thailand—contributed 57%, 25%, 13%, and 4% to FY24 PBT, respectively. The bank remains committed to expanding its client franchise, maintaining disciplined loan pricing, and pursuing a deposit-led strategy.

Investment thesis and catalysts

The group remains on track for FY25 targets, though loan growth is affected by FX translation. Strong recoveries offset higher forward-looking provisions amid macro uncertainties. Liquidity is solid (LD ratio 88.9%), supporting loan expansion and NII growth. FY26 P/BV valuation is appealing at 1x.

Valuation methodology

The stock's valuation is based on a Gordon growth-derived P/BV of 1.1x, supported by a 10.4% cost of equity, 1.2 beta, 6.3% market risk premium, 3.7% risk-free rate, and 3% long-term growth rate.

Risk factors

Key downside risks to estimates include

- i. slower global growth affecting loan expansion,
- ii. unexpected funding cost increases due to weaker CASA growth intensifying deposit competition, and
- iii. prolonged high interest rates in developed markets, which could lower bond/securities portfolio valuations, impacting banks' NOI.

EXHIBIT 1: VALUATIONS

COE	10.4% (from 10.3%)
Beta	1.2
Market risk premium	6.3% (from 6.1%)
Risk free rate	3.7% (from 3.9%)
Long term growth rate	3%
P/BV	1.1x
FY26 BVPS	RM7.15 (from RM7.14)
TP	(RM7.87) RM7.85
ESG Premium	RM0.24
Adjusted TP	RM8.11 (from RM8.10)

Source: AmlInvestment Bank

EXHIBIT 2: MANAGEMENT GUIDANCE FOR FY25

Loan growth	5-7%
ROE	11.0%-11.5%
Cost-to-income ratio	similar to FY24: 46.7%
NIM	stable to a compression of 5bps
Credit cost	Revised to 25-35% (from 30-40bps)

Source: Company, AmlInvestment Bank

EXHIBIT 3: RESULTS SUMMARY

Income Statement (RM m, FYE 31 Dec)	1Q24	4Q24	1Q25	% QoQ	% YoY
Interest income	6,770	6,534	6,487	-0.7	-4.2
Interest expense	-3,906	-3,739	-3,664	-2.0	-6.2
Modification loss	-1	-1	-6	>100	>100
Net interest income	2,863	2,795	2,817	0.8	-1.6
Islamic banking income	1,123	1,202	1,214	1.0	8.1
Non-interest income	1,643	1,331	1,468	10.3	-10.6
Total income	5,629	5,328	5,499	3.2	-2.3
Overhead expenses	-2,552	-2,625	-2,580	-1.7	1.1
Pre-provision profit	3,077	2,704	2,919	8.0	-5.1
Loan impairment allowances	-404	-399	-288	-27.9	-28.9
Other allowances	-99	41	-23	-157.5	-76.3
Associates and JV income	0	17	19	9.3	>-100
Pretax profit	2,573	2,362	2,627	11.2	2.1
Income tax	-590	-509	-599	17.8	1.6
Minority interest	-47	-53	-54	1.8	15.3
Net profit	1,936	1,800	1,973	9.6	1.9
Core net profit	1,936	1,800	1,973	9.6	1.9
Core EPS (sen)	18.2	16.8	18.4	9.6	1.3
PBT by segments (RM m)					
Consumer Banking	624	456	786	72.3	25.9
Commercial Banking	586	544	437	-19.7	-25.5
Wholesale Banking	994	849	1,035	22.0	4.2
Group Ventures Partnership & Funding/Others	369	514	369	-28.2	0.0
Group Pretax profit	2,573	2,362	2,627	11.2	2.1
Balance Sheet (RM m, FYE 31 Dec)					
Gross loans and advances	442,301	452,274	450,142	-0.5	1.8
Net loans and advances	430,825	442,163	440,191	-0.4	2.2
Customer deposits	469,995	471,951	464,417	-1.6	-1.2
Gross impaired loans	11,296	9,575	9,706	1.4	-14.1
Average shareholders funds	67,995	67,999	68,995	1.5	1.5
Ratios (%)					
LD	91.7%	93.7%	94.8%		
CASA	40.8%	43.1%	43.8%		
Cost to income (BAU)	45.3%	49.3%	46.9%		
Credit cost	0.35%	0.28%	0.26%		
Loan loss coverage	101.0%	105.3%	102.4%		
Loan loss coverage (including regulatory reserves)	111.3%	123.8%	122.1%		
GIL	2.55%	2.12%	2.16%		
Underlying NIM	2.19%	2.16%	2.16%		
ROE (based on core net profit)	11.4%	10.6%	11.4%		
CET1 ratio	15.0%	14.6%	14.7%		
Tier 1	15.6%	15.2%	15.3%		
Total capital	18.7%	18.3%	18.3%		

Source: Company, AmlInvestment Bank

EXHIBIT 4: CHANGES IN EARNINGS ESTIMATE

RMm	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Net interest income	11,466	11,246	-1.9%	11,919	11,617	-2.5%	12,517	12,284	-1.9%
Provisions	1,849	1,619	-12.5%	1,975	1,730	-12.4%	1,561	1,562.8	0.1%
Net profit	7,829	7,914	1.1%	8,469	8,530	0.7%	9,548	9,453	-1.0%

Source: Company, AmlInvestment Bank

EXHIBIT 5: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*	*	*	RM117 billion in sustainable finance mobilized, surpassing the RM100 billion GSSIIPS target set for 2021-2024.
2	% of financing to high risk ESG sectors out of total loans	% of loan book	30%	*	*	*	*	*	10.8% exposure to high risk ESG sectors
3	Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*			Higher at 0.19 in FY24 vs. 0.15 in FY23
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*			2.82 in FY24 vs. 3.52 in FY23
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*				1.89 in FY24 vs. 0.26 in FY23
6	Electricity consumption to total income	Electricity consumption to total income	5%	*	*				
7	Water consumption to total income	m3/RM'Mil	5%	*	*	*			
	Weighted score for environmental assessment		100%	*	*	*	*	*	
	Social assessment								
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*			0.1% in FY24 compared to 0.2% in FY23
2	Investments in training	% of total income	20%	*	*	*			
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*	*			2.2% in FY24 vs. 2.0% in FY23
4	Average training hours per employee	hours	25%	*	*	*			
5	Financial literacy programs	No of participants educated through programs	10%	*	*	*	*		
	Weighted score for social assessment		100%	*	*	*	*	*	
	Governance assessment								
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*	*	*		45.4% in FY24
2	Board women representation	% of total board directors	10%	*	*	*			36.4% in FY24
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*			45.4% in FY24
4	Independent board directors	% of total board directors	20%	*	*	*	*		63.6%
5	Remuneration to directors	% of total operating expenses	10%	*	*	*	*	*	
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*			
	Weighted score for governance assessment		100%	*	*	*	*	*	
	Environmental score		40%	*	*	*	*	*	
	Social score		25%	*	*	*	*	*	
	Governance score		35%	*	*	*	*	*	
	Overall ESG Score		100%	*	*	*	*	*	

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	11,087.5	11,366.6	11,245.8	11,616.9	12,283.6
Non-interest income	5,670.4	6,196.7	6,530.9	6,883.0	7,254.2
Islamic banking income	4,260.3	4,740.6	5,160.9	5,680.2	6,217.8
Total income	21,014.5	22,301.2	22,937.5	24,180.2	25,755.6
Overhead expenses	(9,865.1)	(10,420.2)	(10,711.8)	(11,122.9)	(11,718.8)
Pre-provision profit	11,149.4	11,880.9	12,225.7	13,057.3	14,036.8
Loan loss provisions	(1,534.4)	(1,368.8)	(1,617.6)	(1,730.0)	(1,562.8)
Impairment & others	(57.0)	(135.0)	23.8	131.1	221.9
Associates	(17.2)	18.8	(17.2)	(17.2)	(17.2)
Pretax profit	9,540.7	10,395.9	10,614.7	11,441.2	12,678.7
Tax	(2,378.6)	(2,476.5)	(2,547.3)	(2,745.9)	(3,042.9)
Minority interests	(181.1)	(191.3)	(153.3)	(165.2)	(183.1)
Core net profit	6,981.0	7,728.0	7,914.2	8,530.1	9,452.7
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	34,772.5	29,608.6	54,240.1	41,195.8	28,151.5
Marketable securities	227,404.6	241,693.5	235,005.6	250,950.8	274,067.6
Total current assets	262,177.1	271,302.2	289,245.8	292,146.6	302,219.0
Net loans & advances	429,450.0	442,163.5	462,453.8	494,280.7	538,883.2
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	11,511.4	10,647.3	11,605.9	12,325.4	13,565.3
Fixed assets	2,058.1	1,971.2	1,936.9	1,896.8	1,844.8
Intangible assets	9,049.5	8,887.8	8,888.0	8,888.0	8,888.0
Other long-term assets	19,326.1	20,158.7	25,955.4	20,356.2	24,712.3
Total LT assets	471,395.1	483,828.5	510,840.0	537,747.1	587,893.5
Total assets	733,572.2	755,130.7	800,085.8	829,893.6	890,112.6
Customer deposits	482,426.2	496,394.2	532,646.5	561,099.6	612,030.1
Deposits of other FIs	40,283.2	45,444.6	51,723.4	59,295.2	67,363.6
Subordinated debts	11,134.0	11,303.9	11,720.9	11,963.8	12,251.0
Hybrid capital securities	21,817.9	21,492.7	22,067.7	21,665.2	18,611.6
Other liabilities	108,071.9	109,656.5	107,998.9	98,002.6	97,625.2
Total liabilities	663,733.3	684,291.8	726,157.4	752,026.4	807,881.6
Shareholders' funds	68,527.0	69,443.8	72,549.9	76,415.4	80,697.8
Minority interests	1,311.9	1,395.1	1,378.4	1,451.9	1,533.2
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Total income growth (%)	5.9	6.1	2.9	5.4	6.5
Pre-provision profit growth (%)	6.3	6.6	2.9	6.8	7.5
Core net profit growth (%)	12.5	10.7	2.4	7.8	10.8
Net interest margin (%)	2.3	2.2	2.2	2.2	2.2
Cost-to-income ratio (%)	46.9	46.7	46.7	46.0	45.5
Effective tax rate (%)	24.9	23.8	24.0	24.0	24.0
Dividend payout (%)	65.7	65.0	55.0	55.0	55.0
Key Assumptions (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Loan growth (%)	8.3	2.6	6.0	7.0	9.0
Deposit growth (%)	8.0	2.9	7.3	5.3	9.1
Loan-deposit ratio (%)	89.0	89.1	86.8	88.1	88.0
Gross NPL (%)	2.7	2.1	2.2	2.2	2.0
Net NPL (%)	0.1	(0.1)	0.3	0.9	0.9
Credit charge-off rate (%)	0.4	0.3	0.3	0.3	0.6
Loan loss reserve (%)	97.0	105.3	160.4	165.3	180.8

SOURCE: COMPANY, AMINVESTMENT BANK ESTIMATES

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