AmInvestment Bank

Company Report

FINANCIAL SERVICES

CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

23 Jul 2025

Stable NIM and a sequential rise in NOII in 2Q25

BUY

(Maintained)

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Rationale for report: Company Update

Price	**RM6.67**
Fair Value	**RM8.11**
52-week High/Low	RM8.50/RM6.21

Key Changes

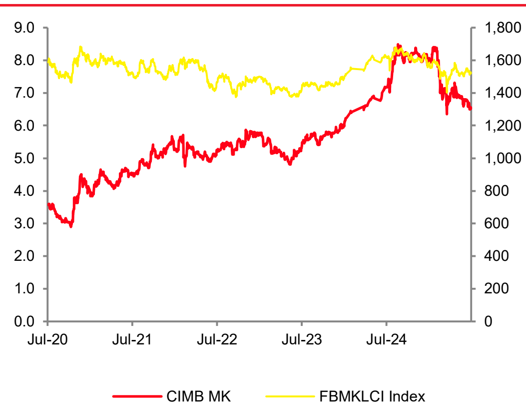
Fair value	⇔
EPS	⇔

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)	-	7,944.0	8,349.0	8,939.0
DPS (sen)	47.0	40.7	43.9	48.6
BV/share (RM)	6.49	6.78	7.15	7.55
PE (x)	9.2	9.0	8.4	7.5
Div yield (%)	6.8	5.9	6.3	7.0
P/BV (x)	1.0	1.0	0.9	0.9
ROE (%)	11.2	11.1	11.5	12.0

Stock and Financial Data

Shares Outstanding (million)	10,732.4
Market Cap (RMmil)	71,585.1
Book Value (RM/Share)	6.49
P/BV (x)	1.0
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)	108.4

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	(2.6)	(16.3)	(6.5)
Relative (%)	(4.4)	(13.7)	(0.4)



Investment Highlights

CIMB is expected to deliver decent 2Q25 earnings, supported by stable net interest margins (NIM) and stronger non-interest income (NOII). Loan growth remains modest, with wholesale banking still subdued amid ongoing macroeconomic uncertainties. Credit costs for 6M25 are expected to stay within the FY25 guidance range of 25–35bps. Management plans to reallocate overlays to address trade-related cash flow risks of borrowers as inflation concerns for B40s have eased. Strong recoveries could help offset future provisioning needs. CIMB remains a BUY, offering attractive value at 0.9x FY26 P/BV and a 6.3% dividend yield.

- **Recommendation and valuation.** We maintain our BUY call on CIMB with an unchanged target price of RM8.11 per share, anchored on a FY26 P/BV of 1.1x and an ROE assumption of 11.5%, which includes a 3% premium for its 4-star ESG rating. Our earnings forecasts for FY25, FY26, and FY27 remain intact.

- **Decent 2Q25 earnings supported by stable NIM and stronger NOII.** The group will release 2Q25 results on 28 Aug, with loan growth likely to stay in the low single digits after a 1.8% YoY rise in 1Q25. While consumer and SME lending has held steady, wholesale banking remains weak as borrowers stay cautious amid macro uncertainties. Management's FY25 loan growth target of 5–7% faces potential downside risk, as macro uncertainties continue to weigh on new loan activity. We are currently maintaining our FY25 loan growth forecast at 6%, pending the announcement of the 2Q25 results. 2Q25 NOII is expected to rise QoQ, supported by strong trading and FX income amid market volatility, though partially offset by softer fees. Looking ahead, 2H25 fee income should improve, driven by wholesale banking's cross-selling efforts.

- **2Q25 group NIM was broadly stable QoQ, with gains in Malaysia and Singapore offset by a decline in Thailand.** In 2Q25, Malaysia's NIM rose QoQ, helped by a better funding mix and the 100bps SRR cut in May. Lower FD rates should further ease COF mitigating the impact of 25bps OPR cut in July. Every 25bps cut in OPR will have a full year impact to NIM by 1-2bps and RM80-100mil to earnings. Singapore saw margin gains in 2Q25 from falling deposit costs due to earlier SORA declines, though Fed rate cuts could pressure margins ahead. Thailand's NIM dipped due to rate adjustments but is expected to stabilize.

- **No major downside to credit costs for now, as asset quality remains resilient.** In 1Q25, strong recoveries allowed RM100m in overlays for SME and corporate loans to address macro risks. In 2Q25, management may reallocate overlays to cover trade-related cashflow risks of borrower, as inflation concerns for B40s have eased. In Thailand, provisions increased quarter-on-quarter due to higher overlays for consumer loans and additional provisioning for wholesale banking loans.

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 0.9x.

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, 6.6% market risk premium, 3.4% 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' NOII.

EXHIBIT 1: VALUATIONS

COE	10.4%
Beta	1.2
Market risk premium	6.6% (from 6.3%)
Risk free rate	3.4% (from 3.7%)
Long term growth rate	3%
P/BV	1.1x
FY26 BVPS	RM7.15
TP	**RM7.87**
ESG Premium	RM0.24
Adjusted TP	**RM8.11**

EXHIBIT 2: 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 GSSIPS 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: AmInvestment Bank Bhd, Company

EXHIBIT 3: 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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