

COMPANY RESULTS

CIMB Group (CIMB MK)

3Q24: Solid ROE Trajectory Priced In

CIMB reported 3Q24 earnings that were broadly in line with expectations. 3Q24 earnings growth was underpinned by lower provisions and strong forex income. However, we think that these positives have been priced in with the stock trading at +1SD above its 10-year historical mean P/B. Maintain HOLD and target price of RM8.12 (1.14x 2025F P/B, 11.5% ROE).

RESULTS

- In line.** CIMB Group (CIMB) reported 3Q24 net profit of RM2,030.6m (+10.5% yoy, +3.5% qoq), bringing 9M24 earnings to RM5,927.6m (+12.5% yoy). The results were broadly in line with expectations, representing 73% of our full-year estimates. Lower-than-expected NIM was offset by a lower-than-expected net credit cost.
- 9M24 earnings rose 12.5% yoy**, driven by positive operating Jaws of 1ppt and 16.1% growth in non-interest income. This was partially offset by a 4bp NIM compression.
- 3Q24 earnings increased 10.5% yoy**, driven by a 20% increase in non-interest income, supported by strong forex gains and 10% growth in fee income from commissions and placement fees, along with positive operating Jaws of 1ppt. However, net interest income growth was modest at 3.7% yoy, weighed down by a 2bp NIM compression. Partially containing overall earnings growth was a 68% yoy increase in impairments on debt instruments, though loan provisions improved 15.8% yoy due to higher recoveries.
- 3Q24 earnings grew 3.5% qoq.** 3Q24 earnings rose 4%, supported by a 21% qoq reduction in loan loss provisions and robust forex income growth. However, negative operating Jaws of 1ppt and an 83% yoy increase in debt instrument impairments limited the upside.
- NIM remained fairly stable but hovering at lower end of guidance.** 3Q24 NIM inched up 1bp qoq to 2.23%, bringing 9M24 NIM to 2.21% (2023: 2.22%). We expect 2024 NIM to align with the lower end of management's stable to +5bp guidance and our +3bp forecast. Management anticipates a sequential dip in 4Q24 NIM due to year-end deposit competition, while we project a stable NIM trend for 2025.
- Loan growth remains muted.** The group's loan growth remained muted at 4.3% in 9M24 (1H24: 4.2%), coming in at the lower end of guidance (4-5%). This strategic moderation in loan growth aims to preserve NIM. The focus remains on consumer (+3.3%) and SME (+4.9%) loans, while being more selective on corporate loans (-4.5%). Geographically, loan growth rates are as follows: Malaysia 4.0% (2023: 5.3%), Indonesia 6.4% (2023: 8.5%), Singapore 3.5% (2023: 11.0%), and Thailand 1.1% (2022: 4.5%).

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net interest income	11,623	11,088	12,412	13,436	14,601
Non-interest income	4,198	5,670	5,906	6,113	6,329
Net profit (rep./act.)	5,433	6,985	8,116	8,705	9,310
Net profit (adj.)	5,433	6,985	8,116	8,705	9,310
EPS (sen)	52.6	65.7	75.0	78.9	82.9
PE (x)	15.7	12.6	11.0	10.5	9.9
P/B (x)	1.4	1.3	1.2	1.2	1.1
Dividend yield (%)	3.2	5.2	5.0	5.3	5.5
Net int margin (%)	2.57	2.33	2.36	2.35	2.35
Cost/income (%)	47.2	46.9	45.8	45.5	45.2
Loan loss cover (%)	93.1	97.0	107.6	116.7	124.7
Consensus net profit	-	-	7,859	8,441	9,119
UOBKH/Consensus (x)	-	-	1.03	1.03	1.02

Source: CIMB Group, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM8.25
Target Price	RM8.12
Upside	-1.6%

COMPANY DESCRIPTION

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	CIMB MK
Shares issued (m):	10,721.7
Market cap (RMm):	88,454.3
Market cap (US\$m):	19,922.4
3-mth avg daily t'over (US\$m):	48.9

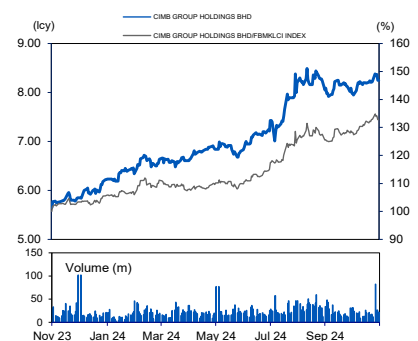
Price Performance (%)

52-week high/low	RM8.44/RM5.25			
1mth	3mth	6mth	1yr	YTD
2.9	(1.6)	19.4	45.3	41.3

Major Shareholders

Khazanah Nasional Berhad	21.6
EPF	15.5
Amanah Saham Nasional	9.9
FY24 NAV/Share (RM)	6.80
FY24 CAR Tier-1 (%)	15.30

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Gross impaired loans improved.** 3Q24 group GIL ratio declined 20bp qoq to 2.3% while loans loss coverage ratio (LLC) inched upwards to 103% from 101% qoq. The improvement in GIL ratio was driven by both write-offs and recoveries.
- **Credit cost to remain benign.** In 3Q24, net credit costs eased to 18bp (from 20bp in 2Q24), bringing 9M24 net credit costs to 25bp—at the lower end of management’s 25-30bp full-year guidance and below our 30bp assumption. The qoq improvement was supported by stable asset quality.
- **Capital continues to improve.** The group’s CET1 ratio improved to 15.0% (from 14.5% in 2Q24), supported by risk weighted asset optimisation and qoq earnings growth. We project a full-year DPS of 48 sen, including a 7 sen special interim DPS, reflecting a 64% payout ratio and a 5.8% dividend yield. This assumes a normalised payout ratio of 55%, consistent with current trends.
- **2024 outlook retained.** Management has retained its key 2024 guidance of: a) ROE: 11.0-11.5%, b) loan growth: 4-5%, c) cost to income ratio: <46.9%, d) net credit cost: 25-30bp, and e) NIM: stable to +5bp

EARNINGS REVISION/RISK

- No changes.

VALUATIONS AND RECOMMENDATIONS

- **Maintain HOLD, target price maintained at RM8.12 (1.14x 2025F P/B, 11.5% ROE).** With CIMB’s strong ytd share price gain of 40% — significantly outperforming the KLCI’s 13% and the KL Finance Index’s 18%, we believe the group’s positive ROE growth trajectory is largely priced in, as the stock trades at +1SD above its historical mean PBV. Additionally, with the potential for slower near-term non-interest income growth from a high base and fewer large-scale cost-reduction opportunities, we view the stock’s current risk-reward profile as balanced.

3Q24 RESULTS

Profit & Loss (RMm)	3Q24	3Q23	yoy % chg	9M24	yoy % chg	Remarks
Net Interest Income	2,893.3	2,842.8	1.8	8,571.0	3.1	
Islamic Banking	1,186.4	1,089.5	8.9	3,538.7	12.7	
Fees & Commissions	604.1	558.6	8.1	1,801.5	13.2	
Trading income	(3,371.0)	1,216.5	n.a.	(280.3)	n.a.	
Other Income	4,429.3	(397.1)	n.a.	3,344.2	n.a.	
Total Income	5,742.2	5,310.3	8.1	16,975.0	8.5	
Operating Expenses	(2,670.4)	(2,491.8)	7.2	(7,795.7)	7.7	
PPOP	3,071.8	2,818.5	9.0	9,179.3	9.3	
Allowance for impairment on loans	(249.4)	(296.7)	(16.0)	(969.7)	(16.5)	
Other impairments	(93.8)	(15.6)	500.2	(175.7)	460.4	
PBT	2,731.2	2,494.3	9.5	8,035.5	11.4	
Net Profit	2,031.0	1,850.0	9.8	5,929.6	12.6	
EPS (sen)	22.4	20.4	9.9	65.5	12.6	
Financial Ratios (%)	3Q24	3Q23	yoy ppt chg	2Q24	qoq ppt chg	
NIM	2.23	2.25	(0.02)	2.22	0.01	
Loan Growth, yoy	1.2	6.4	(3.0)	4.2	(3.0)	
Cost/Income Ratio	46.5	46.9	0.6	45.9	0.6	
Reported ROE	11.9	10.9	0.5	11.4	0.5	
NPL Ratio	2.3	3.2	(0.2)	2.5	(0.2)	
Credit Costs (bp)	22.8	27.5	(5.6)	28.4	(5.6)	
CET-1 CAR	14.5	14.4	(0.0)	14.5	(0.0)	

Source: UOB Kay Hian

KEY ASSUMPTIONS

(%)	2024F	2025F	2026F
Loan Growth	6.0	6.2	6.2
Credit Cost (bp)	30.0	30.0	32.0
ROE	11.4	11.5	11.5

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Green loan commitment. To provide RM30b in sustainable financing by 2040. - Zero new coal financing. Transition all stakeholders to zero carbon emission by 2050.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Board and upper management gender diversity. Maintained 30% female directors on the Board. - Enhanced financial inclusion to B40. Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 60%.

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Interest income	25,114	22,204	24,251	26,583
Interest expense	(14,027)	(9,791)	(10,816)	(11,982)
Net interest income	11,087	12,412	13,436	14,601
Fees & commissions	2,234	2,301	2,439	2,586
Other income	3,436	3,605	3,674	3,744
Non-interest income	5,670	5,906	6,113	6,329
Income from islamic banking	4,260	4,516	4,787	5,074
Total income	21,018	22,834	24,335	26,004
Staff costs	(5,936)	(6,410)	(6,925)	(7,484)
Other operating expense	(3,929)	(4,047)	(4,159)	(4,265)
Pre-provision profit	11,153	12,377	13,251	14,255
Loan loss provision	(1,534)	(1,402)	(1,486)	(1,680)
Other provisions	(57)	(150)	(150)	(149)
Associated companies	(17)	72	73	74
Other non-operating income	0	0	0	0
Pre-tax profit	9,544	10,897	11,688	12,500
Tax	(2,379)	(2,615)	(2,805)	(3,000)
Minorities	(181)	(166)	(178)	(190)
Net profit	6,985	8,116	8,705	9,310
Net profit (adj.)	6,985	8,116	8,705	9,310

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Cash with central bank	11,511	16,356	17,337	18,378
Govt treasury bills & securities	15,914	16,232	16,557	16,888
Interbank loans	3,208	3,500	3,818	4,165
Customer loans	429,450	454,500	481,053	509,094
Investment securities	182,930	205,015	229,650	257,130
Derivative receivables	15,645	17,522	19,625	21,980
Associates & JVs	2,397	2,516	2,642	2,774
Fixed assets (incl. prop.)	2,717	2,606	2,494	2,379
Other assets	69,801	75,010	81,896	89,571
Total assets	733,572	793,257	855,072	922,359
Interbank deposits	40,283	42,934	45,770	48,805
Customer deposits	482,426	506,548	531,875	558,469
Derivative payables	65,464	68,243	71,142	74,165
Debt equivalents	24,055	24,055	24,055	24,055
Other liabilities	51,505	76,414	102,409	131,876
Total liabilities	663,733	718,194	775,251	837,370
Shareholders' funds	68,527	73,585	78,166	83,144
Minority interest - accumulated	1,312	1,478	1,655	1,845
Total equity & liabilities	733,572	793,257	855,072	922,359

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	0.0	15.3	15.1	15.0
Total CAR	0.0	19.8	19.4	19.0
Total assets/equity (x)	10.7	10.8	10.9	11.1
Tangible assets/tangible common equity (x)	12.1	12.0	12.1	12.2
Asset Quality				
NPL ratio	2.7	2.5	2.5	2.4
Loan loss coverage	97.0	107.6	116.7	124.7
Loan loss reserve/gross loans	2.6	2.7	2.9	3.0
Increase in NPLs	(11.6)	1.2	2.9	4.6
Credit cost (bp)	35.7	30.0	30.0	32.0
Liquidity				
Loan/deposit ratio	89.0	89.7	90.4	91.2
Liquid assets/short-term liabilities	5.8	6.5	6.5	6.5
Liquid assets/total assets	4.2	4.5	4.4	4.3

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	(4.6)	11.9	8.2	8.7
Fees & commissions, yoy chg	1.3	3.0	6.0	6.0
Pre-provision profit, yoy chg	6.5	11.0	7.1	7.6
Net profit, yoy chg	28.6	16.2	7.3	6.9
Net profit (adj.), yoy chg	28.6	16.2	7.3	6.9
Customer loans, yoy chg	8.8	5.8	5.8	5.8
Customer deposits, yoy chg	8.0	5.0	5.0	5.0
Profitability				
Net interest margin	2.3	2.4	2.4	2.4
Cost/income ratio	46.9	45.8	45.5	45.2
Adjusted ROA	1.0	1.1	1.1	1.0
Reported ROE	10.6	11.4	11.5	11.5
Adjusted ROE	10.6	11.4	11.5	11.5
Valuation				
P/BV (x)	1.3	1.2	1.2	1.1
P/NTA (x)	1.5	1.4	1.3	1.2
Adjusted P/E (x)	12.6	11.0	10.5	9.9
Dividend Yield	5.2	5.0	5.3	5.5
Payout ratio	65.4	55.0	55.0	55.0

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