

CIMB Group Holdings Berhad

(1023 | CIMB MK) Financial Services | Finance

2QFY24 Results: Dividend Cheer

Maintain BUY

Revised Target Price: RM9.11
(Previously RM8.12)

KEY INVESTMENT HIGHLIGHTS

- 6MFY24's Core NP of RM3,897m was *Within/Within* our/street forecasts: **52%/51%** of full-year forecasts
- Management's tone: **Optimistic**
- Core themes: (a) Special dividends, (b) Stronger loan growth in 2HFY24, (c) Optimism on MY COF
- Forecasts unchanged
- Maintain BUY | Revised TP of RM9.11 | based on a revised FY25F P/BV of 1.29x (formerly 1.15x)**

Verdict: Solid dividend yields. Even after the recent hike in share price, CIMB's status as a foreign investor favourite implies further room for rerating.

Yays	<ol style="list-style-type: none"> Excellent growth potential from regional exposure. Healthy dividend yields. Healthy NOII contributions expected.
Nays	<ol style="list-style-type: none"> Thailand yet to stage a convincing turnaround. Niaga may still see some NIM-related weakness.
OKs	<ol style="list-style-type: none"> Special dividends in 2HFY24 unlikely. Limited room for further ROE optimisation. Overseas rate cuts could go either way, as cut may not be a 100% pass through. We will keep a close eye on how overseas segments manage rate cuts.

Results in a nutshell:

- ▲ **6MFY24's Core net profit (NP) of RM3,897m up by +14%yoy.** Improved provisions, and NII and NOII results offset steep cost growth.
- ▶ **2QFY24's Core NP of RM1,961m up by +1%qoq.** Stronger NII and lower provisions offset the normalisation of NOII balances.
- ▶ **Gross loans grew by +0.6%qoq, coming up to +0.9%YTD.**
- ▼ **Deposits grew by -1.8%qoq, coming up to -0.4%YTD.**
- ▲ **GIL moved by -6bps to 2.50%, LLC currently at 101%.**

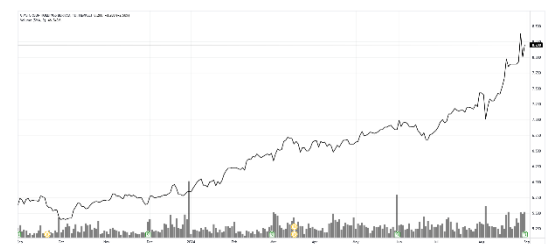
Have a look at:

- ▲ **Special dividend cheer.** As guided previously, CIMB issued a special dividend of 7 sen (19% payout) in addition to its basic interim dividend of 20 sen (55% payout). Management is happy with current CET1 levels and is unlikely to issue another special dividend payout anytime soon.
- ▲ **Better loan growth in 2HFY24.** YTD loan growth has been +0.9% so far, far from FY24's 5-7% target. It was dragged by the wholesale segment, with the Group still prioritising NIMs over market share (A stance it will continue to uphold). Regardless, management is confident in achieving the figure. Targets given are MY: +5%yoy, IND: +5-7%yoy.

RETURN STATISTICS

Price @ 30 August 2024 (RM)	8.20
Expected share price return (%)	+11.1
Expected dividend yield (%)	+4.8
Expected total return (%)	+15.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.5	9.3
3 months	15.1	13.4
12 months	42.6	25.8

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	7,509	8,054	8,359
CNP growth (%)	8	7	4
Div yield (%)	5.8	4.8	4.9
Gross DPS (sen)	47.9	39.4	40.0
P/BV (x)	1.2	1.2	1.1
BVPS (RM)	6.7	7.1	7.5
ROE (%)	10.7	11.0	10.8
MIDF/Street CNP (%)	99	99	96

KEY STATISTICS

FBM KLCI	1,678.80
Issue shares (m)	10,664.8
Estimated free float (%)	65.7
Market Capitalisation (RM'm)	83,785.2
52-wk price range	RM5.32 - RM7.85
3-mth avg daily volume (m)	21.2
3-mth avg daily value (RM'm)	148.7
Top Shareholders (%)	
Khazanah Nasional Bhd	21.6
EPF Board	14.0
Amanah Saham Nasional Bhd	9.9

Analyst

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▲ **Fairly optimistic about NIM.** While overseas regions may be hurt by interest rate cuts, CIMB does not think it will be all bad. Some markets may not necessarily have to cut its FD rates as much as loan rates. The high liquidity situation in Malaysia offers opportunities for bond financing and may lead to more rational deposit competition, which bodes well for COF.

Forecasts unchanged. We make no change to our forecasts.

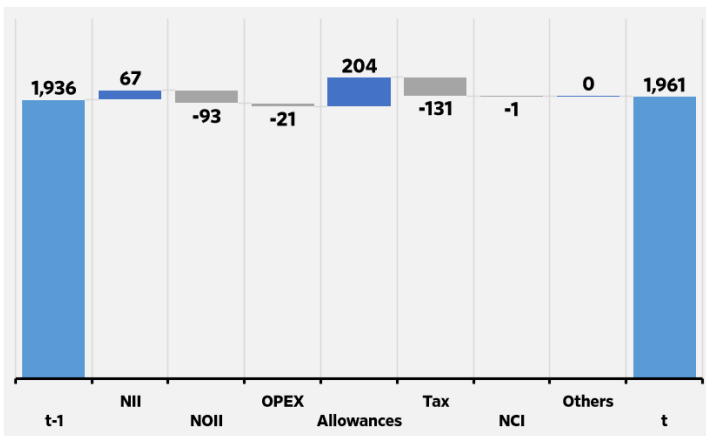
Key downside risks. (1) Steep NIM compression, (2) Sharp cost inflation, (3) Weak NOII result.

Maintain BUY call: Revised GGM-TP of RM 9.11 (from RM8.12). The TP is based on a revised FY25F P/BV of 1.29x (formerly 1.15x), to reflect improved economic sentiment and foreign investor inflows (CIMB remains a favourite for foreign investors). While not necessarily the best proxy, CIMB's Jul-24 shareholding level of 32.1% is well below the highs of ~41% seen before 2014.

(GGM assumptions: FY25F ROE of 11.0%, LTG of 3.5% & COE of 9.3%)

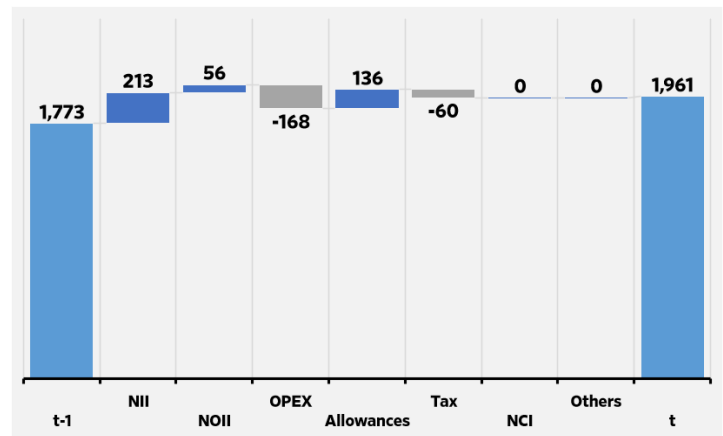


Fig 1: QoQ P/L walk (Quarterly results)



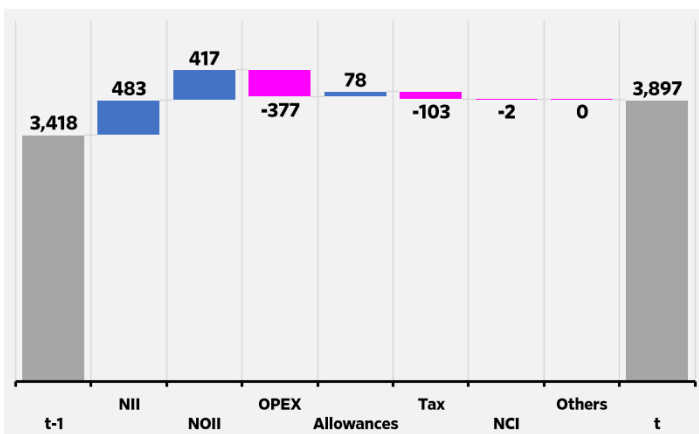
Source: CIMB, MIDFR

Fig 2: YoY P/L walk (Quarterly results)



Source: CIMB, MIDFR

Fig 3: YoY P/L walk (Cumulative results)



Source: CIMB, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	2Q FY24	1Q FY24	2Q FY23	Yoy (%)	Qoq (%)	1H FY24	1H FY23	Yoy (%)
Net interest inc.	2,813	2,863	2,756	2	-2	5,676	5,470	4
Islamic banking inc.	1,229	1,123	1,061	16	9	2,352	2,051	15
Non-interest inc.	1,560	1,643	1,516	3	-5	3,203	2,811	14
Net income	5,603	5,629	5,334	5	-0	11,231	10,331	9
OPEX	(2,573)	(2,552)	(2,405)	7	1	(5,125)	(4,749)	8
PPOP	3,029	3,077	2,929	3	-2	6,106	5,583	9
Loan provisions	(316)	(404)	(558)	-43	-22	(720)	(864)	-17
Other provisions	17	(99)	123	-86	-117	(82)	(16)	421
JV & Associates	(0)	(0)	(12)	n.m.	n.m.	(1)	15	n.m.
PBT	2,730	2,573	2,482	10	6	5,303	4,718	12
Tax	(721)	(590)	(661)	9	22	(1,311)	(1,207)	9
NCI	(48)	(47)	(48)	-0	1	(95)	(92)	3
Reported NP	1,961	1,936	1,773	11	1	3,897	3,418	14
Core NP	1,961	1,936	1,773	11	1	3,897	3,418	14
Total NII	3,859	3,792	3,646	6	2	7,651	7,168	7
Total NOII	1,744	1,837	1,688	3	-5	3,580	3,163	13
Gross DPS (sen)	27.0	-	17.5	n.m.	n.m.	27.0	17.5	n.m.
Core EPS (sen)	18.3	18.1	16.6	10	1	36.3	32.0	14
Gross loans	444,805	442,301	426,900	4.2	0.6			
Gross impaired loans	11,112	11,296	14,284	-22.2	-1.6			
Customer deposits	461,651	469,995	453,634	1.8	-1.8			
CASA	202,570	204,931	185,737	9.1	-1.2			
Ratios (%)	2Q FY24	1Q FY24	2Q FY23	Yoy (ppts)	Qoq (ppts)	1H FY24	1H FY23	Yoy (ppts)
ROE (Ann.)	11.3	11.4	10.6	0.8	-0.1	11.1	10.0	1.1
NIM (Reported)	2.22	2.18	2.24	-0.02	0.04	2.20	2.25	-0.05
NOII/Net income	31.1	32.6	31.6	-0.5	-1.5	31.9	30.6	1.3
Cost/Income	45.9	45.3	45.1	0.8	0.6	45.6	46.0	-0.3
NCC (Ann.) (bps)	29	38	54	-25	-9	33	42	-9
GIL ratio	2.50	2.55	3.35	-0.85	-0.06			
Loan loss coverage	101	101	92	10	0			
CASA ratio	43.9	43.6	40.9	2.9	0.3			
L/D ratio	93.9	91.7	91.2	2.7	2.2			
CET-1	14.5	14.5	14.1	0.4	-0.0			

Source: CIMB, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Qtrly Core NP	RM mil	1,961	Qtrly ROE	Qtr value	11.3%	
	26% of FY CNP					
	Qoq	1%		t-1	11.4%	
	Yoy	11%		t-4	10.6%	
Cum Core NP	RM mil	3,897	Cum ROE	Cum value	11.1%	
	Within our forecast					
	52% of FY CNP					
	Within consensus					
	51% of FY CNP					
Yoy	14%	t-1	10.0%			
NII	As expected		NIM	As expected		
				Qtr value	2.22	
				Cum value	2.20	
	Qtr (Qoq)	2%		Qtr (Qoq)	+4bps	
	Qtr (Yoy)	6%		Qtr (Yoy)	-2bps	
	Cum (Yoy)	7%		Cum (Yoy)	-5bps	
NOII	As expected		Qtr	% NII	69%	
	Qtr (Qoq)	-5%		% NOII	31%	
	Qtr (Yoy)	3%	Cum	% NII	68%	
	Cum (Yoy)	13%		% NOII	32%	
OPEX	As expected		Cost/ Inc.	As expected		
				Qtr value	45.9%	
				Cum value	45.6%	
	Qtr (Qoq)	1%		Qtr (Qoq)	+0.6%	
	Qtr (Yoy)	7%		Qtr (Yoy)	+0.8%	
	Cum (Yoy)	8%		Cum (Yoy)	-0.3%	

Source: CIMB, MIDFR

Fig 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Loans	As expected					
	Qoq	0.6%				
	Yoy	4.2%				
	YTD (FY)	0.9%				
Depo. grwth	-ve surprise		CASA grwth	As expected		
	Qoq	-1.8%		Qoq	-1.2%	
	Yoy	1.8%		Yoy	9.1%	
	YTD (FY)	-0.4%		YTD (FY)	-0.2%	
CASA ratio	As expected		L/D ratio	As expected		
	Value now	43.9%		Value now	93.9%	
	Qoq	+0.3%		Qoq	+2.2%	
	Yoy	+2.9%		Yoy	+2.7%	
GIL ratio	+ve surprise		LLC ratio	As expected		
	Value now	2.50%		Value now	101%	
	Qoq	-6bps		Qoq	+0%	
	Yoy	-85bps		Yoy	+10%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	Decent provision			Decent provision		
	Value now	29bps		Value now	33bps	
	t-1	38bps				
	t-4	54bps		t-4	42bps	
CET 1	Healthy level		Div payout	Div announced		Special dividends for capital optimisation purposes were previously announced.
	As expected			+ve surprise		
	Value now	14.5%		Payout	74%	
	Qoq	-0.0%				

Source: CIMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY24F	1H FY24	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	11.0-11.5	11.1	
CIR	<46.9	45.6	
NIM	+0-5bps from 2.22	2.20	Flattish NIM ahead.
NOII		13% (yoy)	
Loans	5-7	0.9 (YTD)	Stronger 2HFY24 expected.
Deposits		-0.4 (YTD)	
% CASA		43.9	
Loan/Depo		93.9	
GIL ratio		2.50	
NCC (bps)	30-40	33	
LLC	90-100	101	
CET 1	>13.5	14.5	
Div payout	55	74	Dividend payout was 55% for interim, 19% for special. A repeat of special dividends in 2HFY24 is unlikely.

Source: CIMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest income	18,646	25,111	21,837	22,513	23,099
Interest expense	(7,016)	(14,027)	(9,120)	(9,120)	(9,120)
Net interest income	11,630	11,084	12,717	13,393	13,979
Islamic banking inc.	4,000	4,260	3,756	3,956	4,129
Other operating inc.	4,208	5,670	5,903	6,195	6,491
Net income	19,838	21,014	22,377	23,544	24,599
OPEX	(9,346)	(9,865)	(10,405)	(10,712)	(11,193)
PPOP	10,492	11,149	11,971	12,831	13,407
Loan allowances	(1,953)	(1,534)	(1,590)	(1,685)	(1,786)
Other allowances	(209)	(57)	(275)	(303)	(366)
JV & Associates	40	(17)	162	170	176
PBT	8,371	9,541	10,268	11,013	11,431
Tax & zakat	(2,778)	(2,379)	(2,567)	(2,753)	(2,858)
NCI	(153)	(181)	(193)	(207)	(214)
Reported NP	5,440	6,981	7,509	8,054	8,359
Core NP	5,542	6,981	7,509	8,054	8,359
Total NII	15,158	14,626	16,098	16,953	17,695
Total NOII	4,680	6,388	6,279	6,590	6,904

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	47,105	37,980	39,011	40,227	39,953
Investment securities	156,410	198,844	199,893	201,251	202,932
Net loans	394,557	429,450	456,007	483,381	512,397
Other IEAs	9,751	9,708	10,873	12,177	13,639
Non-IEAs	58,897	57,590	61,404	67,172	75,025
Total assets	666,721	733,572	767,187	804,208	843,945
Customer deposits	432,950	463,442	491,712	521,706	553,531
Other IBLs	115,648	148,148	148,699	149,797	151,464
Non-IBLs	54,340	52,143	53,751	55,519	57,464
Total liabilities	602,937	663,733	694,162	727,022	762,459
Share capital	29,095	29,095	29,095	29,095	29,095
Reserves	33,397	39,232	42,373	46,456	50,676
Shareholders' funds	62,491	68,327	71,467	75,550	79,771
Perpetual pref. shares	200	200	200	200	200
NCI	1,093	1,312	1,358	1,435	1,516
Total equity	63,784	69,839	73,025	77,186	81,487
Total L&E	666,721	733,572	767,187	804,208	843,945
Total IEAs	607,824	675,982	705,783	737,036	768,920
Total IBLs	548,598	611,590	640,411	671,503	704,994
Gross loans	407,057	440,922	467,377	495,420	525,145
CASA	182,292	203,077	206,519	213,900	226,948

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest (%)					
NIM	2.56	2.28	2.33	2.35	2.35
Return on IEAs	3.15	3.91	3.16	3.12	3.07
Cost of funds	1.30	2.42	1.46	1.39	1.33
Net interest spread	1.84	1.49	1.70	1.73	1.74
Profitability (%)					
ROE	9.1	10.7	10.7	11.0	10.8
ROA	0.9	1.0	1.0	1.0	1.0
NOII/Net income	23.6	30.4	28.1	28.0	28.1
Effective tax rate	33.2	24.9	25.0	25.0	25.0
Cost/Income	47.1	46.9	46.5	45.5	45.5
Liquidity (%)					
Loan/Deposit	91.1	92.7	92.7	92.7	92.6
CASA ratio	42.1	43.8	42.0	41.0	41.0
Asset Quality (%)					
GIL ratio	3.27	2.67	2.50	2.50	2.50
LLC ratio	93	97	95	95	95
LLC (w. reserves)	96	106	105	104	104
Net CC (bps)	50	36	35	35	35
Capital (%)					
CET 1	14.5	14.5	14.2	14.2	14.0
Tier 1 capital	15.4	15.1	14.8	14.8	14.6
Total capital	18.5	18.2	17.9	17.9	17.7
Growth (%)					
Total NII	8.6	-3.5	10.1	5.3	4.4
Total NOII	-15.8	36.5	-1.7	5.0	4.8
Net income	1.7	5.9	6.5	5.2	4.5
OPEX	-0.8	5.6	5.5	3.0	4.5
Core NP	19.2	26.0	7.6	7.3	3.8
Valuation metrics					
Core EPS (sen)	51.8	65.3	70.2	75.3	78.2
Gross DPS (sen)	26.0	43.0	47.9	39.4	40.0
Div payout (%)	50	66	70	55	55
BVPS (RM)	5.8	6.4	6.7	7.1	7.5
Core P/E (x)	15.8	12.6	11.7	10.9	10.5
Div yield (%)	3.2	5.2	5.8	4.8	4.9
P/BV (x)	1.4	1.3	1.2	1.2	1.1

Source: CIMB, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology