

CIMB Group Holdings Berhad

(1023 | CIMB MK) Financial Services | Finance

CIMB Thai 3QFY24 Results Review: Smiling in Thailand

Maintain BUY
Unchanged Target Price: RM9.11

KEY INVESTMENT HIGHLIGHTS

- **Strong set of results from CIMB Thai for 9MFY24**
- **Asset quality improved in Thailand**
- **NOII and service fees offset NII decline**
- **Forecasts unchanged**
- **Maintain BUY | Unchanged TP of RM9.11 | based on an unchanged FY25F P/BV of 1.29x**

Verdict: Strong earnings growth in Thailand will contribute positively to overall group 9MFY24 result.

Yays

1. Higher fees and NOII.
2. Lower personnel cost moderates the higher OPEX.
3. Improvement in asset quality.

Nays

1. NII declined due to NIM compression.
2. Higher OPEX but could be one-off.

OKs

1. Lower deposits growth.

Results in a nutshell:

▲ **Strong growth in CIMB Thai 9MFY24's net profit (NP).** CIMB Thai recorded 9MFY24 NP growth of +8.9%yoy to THB1.89b. The main drivers were +4.5%yoy growth in operating income and -5.7% decrease in expected credit losses to THB1.77b, moderated by a +6.5%yoy increase in OPEX.

▼ **NII declined...** NII declined marginally by -1.5%yoy to THB7.25b. This was due to NIM compression of -30bps to 2.3%, from higher cost of funds.

▲ **...but higher fees and NOII made up for it.** Net fee and service income went up +6.8%yoy to THB998.4m largely due to higher fee income from goods and services payment and fund transfer and collection. Meanwhile NOII rose by +24.9%yoy to THB2.54b, driven by higher net gains on financial instruments measured at fair value through profit or loss. This was partially offset by lower gains from the sale of non-performing loans and gains on investment. As a result, operating income grew by +4.5%yoy to THB10.79b.

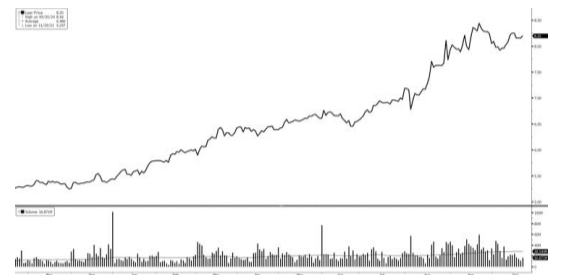
► **OPEX increased but personnel cost came lower.** OPEX increased by +6.5%yoy to THB6.66b due to higher impairment loss on properties for sale. However, lower personnel expenses helped to mitigate some of this impact. As such CIR was slightly higher at 61.7% in 9MFY24 compared to 60.6% in 9MFY23.

▲ **Gross loans rose.** As at end 9MFY24, total gross loans grew +2.7%ytd, stood at THB251.5b. Meanwhile, deposits stood at THB283.7b, a decrease of -8.6%ytd.

RETURN STATISTICS

Price @ 21 October 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	-2.8	-1.5
3 months	1.9	14.5
12 months	48.8	30.3

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	1,645.68
Issue shares (m)	10,664.84
Estimated free float (%)	65.77
Market Capitalisation (RM'm)	87,892.11
52-wk price range	RM5.48 - RM8.50
3-mth avg daily volume (m)	27.55
3-mth avg daily value (RM'm)	219.08
Top Shareholders (%)	
Khazanah Nasional Bhd	21.56
EPF Board	15.25
Amanah Saham Nasional Bhd	9.89

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▲ **Asset quality improved.** Gross NPL ratio improved to 2.5% as compared to 3.3% as of 31 December 2023, where gross NPL stood at THB6.4b. The lower NPL ratio was mainly attributed to the sale of several NPLs in FY24, improvement in risk and asset quality management, as well as loan collection processes.

▲ **CIMB Thai's robust results will contribute positively to the group.** We were pleasantly surprised by the 3QFY24 robust results by CIMB Thai as we previously have yet to see a meaningful turnaround. We expect that this set of results will contribute positively to the group's 9MFY24 performance. For context, CIMB Thai contributes 4% to the group's PBT in 1HFY24.

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: Unchanged GGM-TP of RM 9.11. The TP is based on an unchanged FY25F P/BV of 1.29x.

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



Fig 1: Quarterly results

FYE Dec (THB m)	3QFY24	2QFY24	3QFY23	Yoy (%)	Qoq (%)	9MFY24	9MFY23	Yoy (%)
Net interest inc.	2,509	2,422	2,476	1	4	7,249	7,355	-1
Net fees and service inc.	361	308	269	34	17	998	935	7
Non-interest inc.	877	783	420	109	12	2,539	2,032	25
Total operating income	3,747	3,513	3,165	18	7	10,786	10,322	4
OPEX	(2,295)	(2,152)	(2,200)	4	7	(6,658)	(6,251)	7
PPOP	1,453	1,361	966	50	7	4,128	4,071	1
Expected credit losses	(708)	(540)	(502)	41	31	(1,772)	(1,880)	-6
PBT	744	821	463	61	-9	2,355	2,191	7
Tax	(149)	(152)	(96)	55	-2	(465)	(455)	2
Reported NP	596	668	367	62	-11	1,890	1,736	9
Gross loans (THB b)	252	251	249	0.8	0.0			
Gross impaired loans (THB b)	6	8	9	-24.7	-14.7			
Customer deposits (THB b)	284	316	298	-4.9	-10.2			

Ratios (%)	3QFY24	2QFY24	3QFY23	Yoy (ppts)	Qoq (ppts)	9MFY24	9MFY23	Yoy (ppts)
NIM (Reported)	2.30	2.20	2.60	-0.30	0.10	2.30	2.60	-0.30
NOII/Net income	23%	22%	13%	0.1	0.0	24%	20%	0.0
Cost/Income	61%	61%	69%	-0.1	-0.0	62%	61%	0.0
NPL ratio	2.50	2.90	3.20	-0.70	-0.40			
Loan loss coverage	139	129	111	28	10			
L/D ratio	88.7	79.5	83.6	5.1	9.2			

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
Gross loans	7.7	8.3	6.0	6.0	6.0
Customer deposits	2.5	7.0	6.1	6.1	6.1
CASA	-2.0	11.4	1.7	3.6	6.1
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