



CIMB GROUP HOLDINGS BERHAD

Outperform

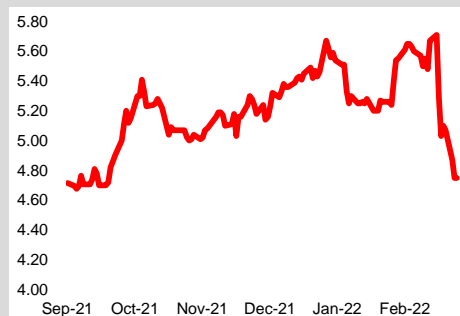
DESCRIPTION

Malaysia's second largest banking group, with complete ASEAN footprint

12-Month Target Price	RM6.00
Current Price	RM4.75
Expected Return	+26.3%

Market	Main
Sector	Financials
Bursa Code	1023
Bloomberg Ticker	CIMB MK
Shariah-Compliant	No

SHARE PRICE CHART



52 Week Range (RM)	4.01 – 5.75
3-Month Average Vol ('000)	13,734.9

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-9.4	-10.0	7.1
Relative Returns	-11.8	-12.0	7.3

KEY STOCK DATA

Market Capitalisation (RMm)	48,552
No. of Shares (m)	10,222

MAJOR SHAREHOLDERS

	%
Khazanah Nasional	25.7
Employees Provident Fund	15.2
Permodalan Nasional Berhad	11.8

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Positives Outweigh

The Group's share price has tumbled in the days post-reporting of its 4QFY21 results, exacerbated by the global market rout amid the intensifying Russian-Ukrainian conflict. While there are pockets of concerns, with particular regard to its asset quality and the possibility of further one-off charges, we reckon this should be adequately mitigated by its provisioning overlays. We continue to remain optimistic over CIMB's longer-term prospects, underpinned by its F23+ initiatives and see the recent sell-down in its shares as overdone. We upgrade our call on CIMB to **Outperform** with an unchanged target price of RM6.00.

§ **Positives.** Pursuant to its F23+ strategy (unveiled in October 2020) in which the consumer and SME segment were highlighted as key growth drivers going forward, the Group has made some headway in the time since, underpinned by targeted loans growth (Table 1) and reflected by strong income growth (Table 2) in the said segments.

While strong consumer loans growth have been seen in Malaysia, Indonesia and Singapore, this has been partially offset by weaker numbers in Thailand though not an immediate point of concern considering the latter's economic state but which is set to recover. The commercial business in Malaysia has been driven by its business banking segment as the SME segment remains a work-in-progress. Loans growth momentum for the Indonesian SME segment is picking up however. Indonesia's Commercial business is showing improved risk-adjusted return on capital and loan loss coverage meanwhile.

§ **Negatives.** Total provisions have remained undesirably high, despite FY21 seeing a 53.6% YoY drop. What has likely caught the eye is an RM281m provision relating to the double-crediting of customers which has called to question the reliability and integrity of its information technology systems, and raised the possibility of further one-off charges. Be that as it may, the ~RM6bn drop in market capitalization in the immediate aftermath of the 4QFY21 result reporting is vastly overdone, we reckon. Granted, the Group has seen a slightly worrisome increase in 4QFY21 provisions due to additional overlays and top-ups for legacy accounts (due to specific and relatively large exposures) and other receivables. We believe the Group has adequate covering from its cumulative macro-provisions and overlays however (Table 3). Portfolio at risk (Table 4) is manageable. Management has guided for a loan loss charge of 60bps-70bps for FY22 given ongoing uncertainties on the macro front and its conservative view on non-retail legacy accounts.

KEY FORECAST TABLE (RM m)

FYE Dec	2020A*	2021A	2022F	2023F	2024F	CAGR
Operating Income	17,189.0	18,362.5	17,931.0	18,817.5	19,839.1	3.6%
Gross Op. Profit	8,212.2	8,943.5	8,499.7	9,137.4	9,901.8	4.8%
Pre-tax Profit	1,530.3	5,789.5	6,587.6	7,544.3	8,233.1	52.3%
Net Profit (reported)	1,194.4	4,295.3	4,831.6	5,634.4	6,156.9	50.7%
EPS (Sen)	12.5	44.9	50.5	58.9	64.4	50.7%
P/E (x)	38.0	10.6	9.4	8.1	7.4	
DPS (Sen)	5.0	22.5	25.3	29.5	33.5	
Dividend Yield (%)	1.0%	4.7%	5.3%	6.2%	7.0%	

Source: Company, PublicInvest Research estimates and goodwill impairment

Note: 2021 includes one-off deconsolidation gain

Table 1: Loans Growth (YoY)

	Dec-2021	Dec-2020	Dec-2019
INVEST			
Consumer	+5%	+3%	+9%
Malaysia	+4%	+3%	+7%
Malaysia Commercial	+4%	+7%	+12%
Indonesia Consumer	+9%	+2%	+10%
Indonesia SME	+6%	-5%	+2%
FIX			
Indonesia Commercial (ex-SME)	-10%	-23%	-7%
Singapore Commercial (ex-SME)	-29%	+3%	-41%
EXIT			
Thailand Commercial	-34%	-19%	-20%

Source: Company, PublicInvest Research

Table 2: Pretax Profit (YoY change), By Segment and By Country

	Dec-2021 (YoY)	Note
BY SEGMENT		
Consumer (30%)	+243.9%	Strong growth from improved income and lower provisions
Wholesale (39%)	+383.4%	Stronger due to treasury and markets, and lower provisions
Commercial (17%)	+924.6%	Improvement driven by the absence of large Singapore provision in FY20
BY COUNTRY		
Malaysia (63%)	+122.9%	Improved net interest margin (NIM) and lower corporate provisions
Indonesia (25%)	+89.9%	Stronger performance from topline expansion and lower provisions
Singapore (9%)	+155.3%	Stronger due to better income, lower corporate provisions and commercial recoveries
Thailand (5%)	+82.6%	Stronger due to lower provisions and operating expenses

Source: Company, PublicInvest Research

Table 3: Total Provisions

	FY21 *	FY20	Note
Loan Impairment	2,614	5,342	Lower overlays and absence of large Singapore provisions
Commitment and contingencies	110	192	Lower MEF & overlays
Debt instruments / securities	153	749	-
Others	280	515	Significantly lower YoY despite booking provision amounting to RM281m in 4Q21 related to the double crediting of customers. Large provisions made in 2020 for airline-related derivatives exposure
TOTAL	3,157	6,798	
Breakdown:			
Macroeconomic factors (MEF) / overlay	893	1,663	FY21 overlays due to Malaysia and Indonesia Consumer and Commercial
COVID-19 related	675	1,801	Provisions higher QoQ due to Malaysia corporate
Underlying	1,506	1,716	
Credit-related / significant Impairment Allowance	83	1,682	Lower YoY in absence of large provision (Singapore Commercial and Corporate)
One-off	-	(64)	
TOTAL	3,157	6,798	

Source: Company, PublicInvest Research

Note: * Business as usual

Table 4: Loans Under Moratorium / Rescheduled + Restructured

	Malaysia	Indonesia	Thailand	Singapore
Consumer	30% (3Q: 30%)	3% (3Q: 4%)	9% (3Q: 11%)	1% (3Q: 1%)
Commercial	22% (3Q: 39%)	13% (3Q: 24%)	21% (3Q: 20%)	3% (3Q: 4%)
Corporate	11% (3Q: 13%)	6% (3Q: 6%)	12% (3Q: 12%)	3% (3Q: 4%)
Total	24% (3Q: 27%)	7% (3Q: 11%)	10% (3Q: 11%)	2% (3Q: 2%)

Source: Company, PublicInvest Research
Note: As at 31 Jan, 2022

Table 5: Credit Impaired Loans (By Economic Purpose)

	Dec-2021 RM'000	Dec-2020 RM'000	Dec-2019 RM'000
Personal use	444,434	529,728	457,443
Credit card	210,939	141,049	147,712
Consumer durables	2,490	737	1,017
Construction	1,464,882	1,472,079	1,481,518
Residential property	1,791,582	2,257,797	1,895,947
Non-residential property	579,525	544,050	402,209
Fixed assets (other than building)	1,217,569	1,170,038	1,017,105
Mergers and acquisitions	308,533	310,512	50,833
Purchase of securities	185,663	289,926	126,078
Transport vehicles	285,425	253,514	239,419
Working capital	6,162,103	5,231,998	4,555,951
Others	639,390	825,631	968,616
TOTAL	13,292,535	13,027,059	11,343,848

Source: Company, PublicInvest Research

Table 6: Credit Impaired Loans (By Economic Sector)

	Dec-2021 RM'000	Dec-2020 RM'000	Dec-2019 RM'000
Primary agriculture	139,674	123,808	254,633
Mining and quarrying	1,418,398	765,199	1,263,292
Manufacturing	1,280,355	2,116,127	2,590,026
Electricity, gas and water supply	250,530	257,463	273,370
Construction	249,330	290,279	255,427
Transport, storage and communication	1,637,326	1,429,520	1,353,742
Education, health and others	207,436	210,998	181,020
Wholesale and retail trade	3,167,724	3,123,828	1,573,334
Finance, insurance, takaful	1,079,208	1,012,592	635,650
Household	2,489,810	3,252,921	2,671,744
Others	1,372,444	444,324	291,610
TOTAL	13,292,535	13,027,059	11,343,848

Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Operating Income	17,189.0	18,362.5	17,931.0	18,817.5	19,839.1
Gross Operating Profit	8,212.2	8,943.5	8,499.7	9,137.4	9,901.8
Credit Impairment Charge	-6,798.4	-3,157.3	-1,983.5	-1,668.1	-1,747.4
Net Operating Profit	1,413.8	5,786.2	6,516.2	7,469.3	8,154.4
Other Gains / (Losses)	0.0	1,150.5	0.0	0.0	0.0
Associates	116.5	68.0	71.4	75.0	78.7
Pre-tax Profit	1,530.3	5,789.5	6,587.6	7,544.3	8,233.1
Income Tax	-383.8	-1,396.9	-1,657.8	-1,810.6	-1,976.0
Effective Tax Rate (%)	25.1	24.1	25.2	24.0	24.0
Minorities	47.9	-97.3	-98.3	-99.2	-100.2
Net Profit (reported)	1,194.4	4,295.3	4,831.6	5,634.4	6,156.9

Growth

Operating Income	-2.0%	6.8%	-2.3%	4.9%	5.4%
Gross Operating Profit	7.1%	8.9%	-5.0%	7.5%	8.4%
Net Profit	-73.8%	259.6%	12.5%	16.6%	9.3%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Customer Loans (net of provisions)	360,340.1	353,916.0	364,684.8	377,756.4	393,810.6
Trading and Investment Assets	111,289.2	146,567.0	156,405.1	162,362.6	168,961.0
Goodwill and Intangible Assets	9,542.7	9,745.0	8,301.6	9,537.6	9,537.6
Other Assets	92,073.7	92,126.9	92,515.6	90,302.0	94,073.1
Total Assets	573,245.7	602,354.9	621,907.1	639,958.5	666,382.2
Customer Deposits	392,349.5	403,050.6	422,418.1	432,625.4	449,914.5
Interest-bearing Debt	42,211.8	35,678.4	31,616.1	36,504.1	36,504.1
Other Liabilities	81,215.3	106,451.7	107,764.1	107,614.8	112,015.7
Minority Interests	1,031.9	1,048.5	1,045.5	1,143.7	1,243.0
Total Liabilities	516,808.5	546,229.3	562,843.8	577,888.1	599,677.3
Shareholders' Equity	56,437.2	56,125.6	59,063.3	62,070.4	66,704.9
Total Equity and Liabilities	573,245.7	602,354.9	621,907.1	639,958.5	666,382.2

Source: Company, PublicInvest Research estimates

PER SHARE DATAS AND RATIOS

FYE Dec	2020A	2021A	2022F	2023F	2024F
Book Value Per Share	5.88	5.85	6.15	6.47	6.95
NTA Per Share	4.88	4.83	5.29	5.47	5.96
EPS (Sen)	47.7	12.5	44.9	50.5	58.9
DPS (Sen)	5.0	22.5	25.3	29.5	33.5
Payout Ratio (%)	48.0	48.0	50.0	50.0	50.0
ROA (%)	0.8	0.2	0.7	0.8	0.9
ROE (%)	8.5	2.1	7.5	8.0	8.8

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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