



CIMB GROUP HOLDINGS BERHAD

Outperform

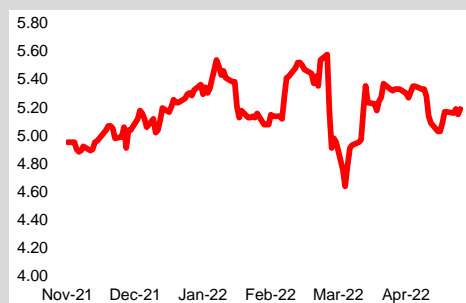
DESCRIPTION

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

12-Month Target Price	RM6.00
Current Price	RM5.19
Expected Return	+15.6%

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)	15,330.7

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-4.1	0.4	30.4
Relative Returns	-2.6	-6.5	24.7

KEY STOCK DATA

Market Capitalisation (RMm)	54,361.4
No. of Shares (m)	10,474.3

MAJOR SHAREHOLDERS

	%
Khazanah Nasional	25.7
Employees Provident Fund	15.8
Permodalan Nasional Berhad	11.6

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CIMB Niaga: Good Start

CIMB Niaga started off FY22 on better footing, reporting a 1QFY22 net profit of Rp1.19tln (+19.9% YoY, +20.4% QoQ), led by notably stronger non-interest income growth and slightly lower provisions. Growing traction was also seen in its areas of strategic focus, the consumer and enterprise banking segments. Indonesia's near- to medium-term outlook appears encouraging, with the country being a major beneficiary of the current commodity price boom, while private consumption is also improving on account of macroeconomic recovery. We continue to remain optimistic over CIMB Group's longer-term prospects, underpinned by its F23+ initiatives and see recent weaknesses in its share price as opportunities for accumulation. We maintain our **Outperform** call on CIMB with an unchanged target price of RM6.00.

§ **Operating income** continued to improve in 1QFY22 (+5.0% YoY, +13.1% QoQ), driven by a notable improvement in non-interest income (+22.3% YoY, +52.6% QoQ) contributions, in particular from trading-related income (marketable securities, foreign exchange and derivatives). Better recoveries (+98.8% YoY, +92.7% QoQ) also helped. Management is optimistic over topline growth in the coming financial year, underpinned by growing traction seen in its key business focus areas.

§ **Net interest margin (NIM)** was steady at 4.46% in 1QFY22 (4QFY21: 4.47%), with management opining that this is very likely the trough of the compression as i) it continues to gradually unwind the build-up in year-end liquidity and 2) as it anticipates healthier business growth from the mortgage, auto loan and corporate banking segments. The bank's strong CASA focus (CASA ratio: 63.6%) will continue to improve funding costs, as management maintains its FY22 NIM guidance of between 4.6% and 4.7%, more likely toward the upper end of the range.

§ **Loans growth** was a healthy +5.5% YoY, driven primarily by the consumer portfolio, mortgages (+9.2% YoY) and auto loans (+48.8% YoY) in particular which are seeing strong booking trends. The corporate banking pipeline is encouraging, as the bank will also maintain focus on the enterprise banking segment.

§ **Asset quality** remains steady meanwhile. Loan loss coverage is a robust 210.8% (4QFY21: 212.1%) while special mention and gross non-performing loans are at 6.5% (4QFY21: 6.4%) and 3.6% (4QFY21: 3.5%) respectively. Credit cost is still elevated at 2.4% (4QFY21: 2.1%) however, though no significant deterioration is expected amid uncertain global conditions as sufficient buffers are expected to have been built-in over the recent years.

KEY FORECAST TABLE

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)	41.6	11.6	10.3	8.8	8.1	
DPS (Sen)	5.0	22.5	25.3	29.5	33.5	
Dividend Yield (%)	1.0%	4.3%	4.9%	5.7%	6.5%	

Source: Company, PublicInvest Research estimates and goodwill impairment

Note: 2021 includes one-off deconsolidation gain

Net interest income expected to expand more strongly in coming quarters, underpinned by business growth

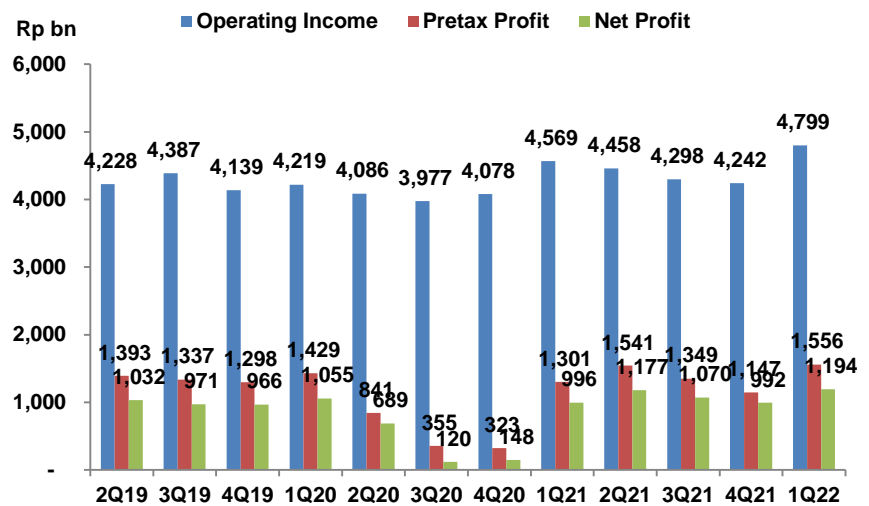
Strong recovery in momentum, with trough expected to have been seen in 4QFY21. Medium term return to normalcy still expected as economic conditions improve

Expected to improve in coming quarters

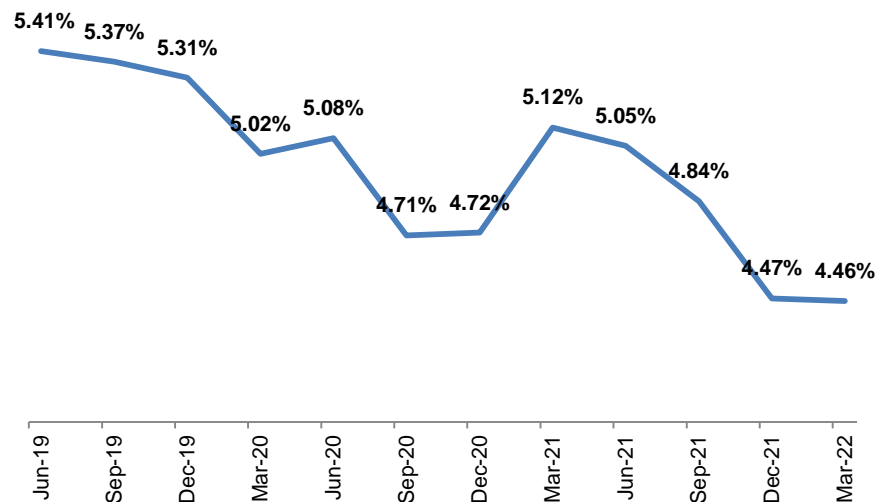
Table 1: Consolidated Income Statement (Rp bn)

	<u>1QFY22</u>	<u>1QFY21</u>	<u>YoY</u>	<u>1QFY22</u>	<u>4QFY21</u>	<u>QoQ</u>
Net Interest Income	3,209	3,269	-1.8%	3,209	3,201	0.2%
Net Non-Interest Income	1,590	1,300	22.3%	1,590	1,042	52.6%
Operating Income	4,799	4,569	5.0%	4,799	4,243	13.1%
Operating Expenses	(2,104)	(2,012)	4.6%	(2,104)	(2,029)	3.7%
GA & Promotions	(989)	(938)	5.4%	(989)	(819)	20.8%
Personnel	(1,116)	(1,074)	3.9%	(1,116)	(1,210)	-7.8%
Pre-Provision Operating Profit	2,695	2,557	5.4%	2,695	2,214	21.7%
Provision Expenses	(1,139)	(1,256)	-9.3%	(1,139)	(1,067)	6.7%
Pretax Profit	1,556	1,301	19.6%	1,556	1,147	35.7%
Net Profit	1,194	996	19.9%	1,194	992	20.4%

Source: Company

Figure 1: Quarterly Earnings Trend (Rp bn)


Source: Company

Figure 2: Net Interest Margin, annualized


Source: Company

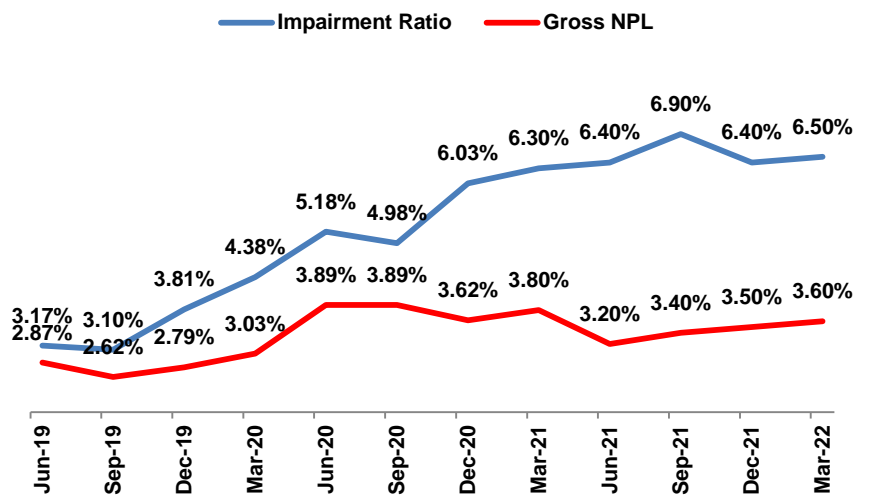
Consumer (mortgage and autos) and SME segments to drive growth

Table 2: Loan Portfolio (Rp trn)

Segment (Rp trn)	Mar-22	Mar-21	YoY	Dec-21	QoQ
Consumer (34%)	62.32	55.47	12.3%	60.12	3.7%
- Mortgages	39.75	36.41	9.2%	39.04	1.8%
- Auto Loans	10.18	6.84	48.8%	8.69	17.1%
- Credit Cards	8.55	8.66	-1.3%	8.59	-0.5%
- Personal, Multi-purpose, Others	3.84	3.56	7.9%	3.80	1.1%
Enterprise (12%)	21.41	20.17	6.1%	21.14	1.3%
Commercial (17%)	31.29	34.35	-8.9%	31.81	-1.6%
Corporate (37%)	67.65	63.43	6.7%	68.54	-1.3%
Total (100%)	182.67	173.42	5.3%	181.61	0.6%

Source: Company

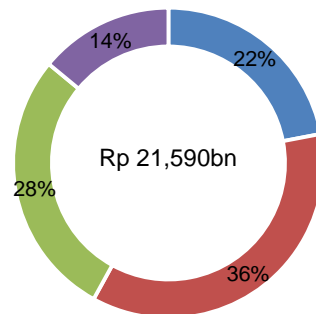
Figure 3: Asset Quality



Source: Company

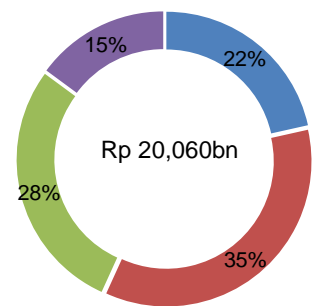
Figure 4: Restructured Loans (Covid-19)

Restructured Loans - 4Q21



Commercial Consumer
Corporate EBB

Restructured Loans - 1Q22



Commercial Consumer
Corporate EBB

Source: Company

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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