Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM9.56**

4QFY25 Pre-Results
A Shift in ROE Drivers

Our Verdict

We remain upbeat on CIMB's prospects, despite changes in long-term strategy due to a complicated Indonesian situation. Apart from more muted loan growth prospects, there does not seem to be any glaring headwinds, while further upside to special dividends remains a possibility.

Valuations

An unchanged FY26F P/BV of 1.39x

Current P/BV of 1.27x is expensive, trading above +1SD of the 10-year P/BV mean of 1.0x. However, we believe that this is justified given CIMB's improved profitability metrics, dividend yields, and asset quality.

The company is currently trading at a forward FY26F P/BV of 1.21x with a +5.7% dividend yield.

Themes

1. ▲ CIMB's standard dividend payouts will be complemented with special dividends. We think there is further upside to the special dividends.
2. ▲ Positive on NIM outlook, with SG and Niaga providing some upside possibility. We like CIMB's aggressive CASA growth.
3. ▲ Cross-selling capability is netting growth, which adds to CIMB's bright NOII prospects.
4. ▲ OPEX growth has been kept well under control in FY25, without having to crimp on tech investments. With a sizeable chunk of CIMB's workforce overseas, collective agreement negotiations will have a lower impact on CIMB than its peers.
5. ► Neutral asset quality – while most segments should see stability to improvement, Niaga's consumer segment may see slight hiccups.
6. ► Loan growth figures may come in moderate, as a stronger MY and SG outlook may be offset by currency fluctuations and a weaker Indonesian and Thai economic outlook. Thailand's loan portfolio is still undergoing a turnaround.

RETURN STATISTICS	
Price @ 23 January 2026 (RM)	8.30
Expected share price return (%)	+15.2
Expected dividend yield (%)	+5.7
Expected total return (%)	**+21.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.4	5.7
3 months	8.4	7.6
12 months	9.2	-0.1

INVESTMENT STATISTICS			
FYE Dec	**FY25F**	**FY26F**	**FY27F**
Core NP (RM m)	**7,754**	**7,924**	**8,255**
CNP growth (%)	0	2	4
Div yield (%)	**5.6**	**5.7**	**5.9**
Gross DPS (sen)	46.7	47.6	49.4
P/BV (x)	**1.2**	**1.2**	**1.2**
BVPS (RM)	6.7	6.9	7.1
ROE (%)	**11.0**	**10.9**	**11.0**
% Street CNP (%)	**99**	**96**	**94**

KEY STATISTICS	
FBM KLCI	1,719.99
Issue shares (m)	10,696.7
Estimated free float (%)	69.8
Market Capitalisation (RM'm)	89,587.3
52-wk price range	
3-mth average daily volume (m)	12.5
3-mth average daily value (RM'm)	98.3
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

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Have a look at:

► **Forward 30's ROE targets are retained, but we may see a shift in drivers (from Niaga to MY/SG).** Namely, Niaga will be taking a backseat from a growth perspective, due to a less-than-ideal political and economic situation. This does not mean that CIMB is not expecting further ROE expansion in Niaga – in fact, the upcoming Niaga Shariah spin-off is viewed as a core ROE driver as the Group penetrates further into the underutilised Indonesian Islamic space (though expect some short-term cost escalation).

Instead, MY and SG will be given greater focus: management sees potential in MY's cost optimisation and NOII growth. By reducing Niaga's loan growth, management is hoping for an improved NCC profile, as Niaga's loans tend to be of weaker asset quality.

► **Expect topline normalisation this quarter: After 3QFY25's excellent NIM result, expect compression as MY faces seasonal deposit competition. Quarterly NOII should also be normalised, after 9MFY25's non-fee windfall.**

► **MY.** Seasonal deposit competition is pretty similar to prior years, but there are some silver linings: Retail promo rates stabilised relatively early this year, and there was a pickup in wholesale deposit volumes.

▲ **SG.** Expect NIM improvements driven by deposit repricing, as the SORA stabilised in 4QFY25.

▲ **TH.** Expect NIM improvement driven by deposit repricing, despite policy rates moving further downward.

▲ **ID.** The liquidity situation continues to recover.

▲ **Loans to see pickup in 4QFY25.** This was largely driven by MY corporate, and SG retail and commercial segments. These offset weaker results in Niaga corporate and TH segments. Despite some concerns about asset quality in ID consumer, the Group maintains stable growth for now.

▲ **Asset quality is solid.** Management reports GIL ratio improvement across all geographical regions. There is an area of concern: Niaga's consumer portfolio, where there was stress pickup in residential mortgage and motor segments during the festive season, but never recovered afterward. Regardless, the Group has not tightened its underwriting standards for any of these segments in FY25.

▲ **NCC should come in lower in 4QFY25.** This is due to a model refresh, which should result in writebacks, and we think there is possible upside recoveries from Vantris.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weak NOII performance, (3) Weakness in Indonesian and Thai geographical segments.*

Maintain BUY call: Unchanged GGM-TP of RM 9.56. The TP is based on an unchanged FY26F P/BV of 1.39x.

(GGM assumptions: *FY26F ROE of 10.9%, LTG of 4.0% & COE of 9.0%)*

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**11,084**	**11,364**	**12,212**	**12,721**	**13,336**
Islamic banking inc.	4,260	4,741	3,870	4,032	4,226
Other operating inc.	5,670	6,197	5,856	5,864	5,536
Net income	**21,014**	**22,301**	**21,938**	**22,617**	**23,098**
OPEX	(9,865)	(10,420)	(9,982)	(10,291)	(10,510)
PPOP	**11,149**	**11,881**	**11,956**	**12,326**	**12,589**
Loan allowances	(1,534)	(1,369)	(1,627)	(1,718)	(1,558)
Other allowances	(57)	(135)	14	(40)	(18)
JV & Associates	(17)	19	122	125	128
PBT	**9,541**	**10,396**	**10,464**	**10,693**	**11,140**
Tax & zakat	(2,379)	(2,477)	(2,511)	(2,566)	(2,674)
NCI	(181)	(191)	(199)	(203)	(212)
Reported NP	**6,981**	**7,728**	**7,754**	**7,924**	**8,255**
Core NP	**6,981**	**7,728**	**7,754**	**7,924**	**8,255**
Total NII	14,626	15,397	15,657	16,310	17,097
Total NOII	6,388	6,904	6,281	6,307	6,001

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	37,980	34,776	42,080	41,826	41,991
Investment securities	198,844	210,621	209,843	209,388	209,263
Net loans	429,450	442,163	467,381	493,453	523,060
Other IEAs	9,708	10,882	12,080	13,408	14,883
Non-IEAs	57,590	56,687	58,261	71,058	96,774
Total assets	**733,572**	**755,131**	**789,643**	**829,134**	**885,971**
Customer deposits	463,442	471,951	498,852	526,788	558,922
Other IBLs	148,148	161,459	161,159	161,441	162,317
Non-IBLs	52,143	50,882	57,405	66,456	87,940
Total liabilities	**663,733**	**684,292**	**717,416**	**754,684**	**809,179**
Share capital	29,095	29,439	29,439	29,439	29,439
Reserves	39,232	39,805	41,945	44,148	46,470
Shareholders' funds	**68,327**	**69,244**	**71,385**	**73,587**	**75,909**
Perpetual pref. shares	200	200	200	200	200
NCI	1,312	1,395	642	662	683
Total equity	**69,839**	**70,839**	**72,227**	**74,450**	**76,792**
Total L&E	**733,572**	**755,131**	**789,643**	**829,134**	**885,971**
Total IEAs	675,982	698,444	731,383	758,076	789,197
Total IBLs	611,590	633,410	660,011	688,228	721,239
Gross loans	440,922	452,274	477,601	504,347	534,608
CASA	203,077	218,246	209,518	215,983	229,158

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.28	2.19	2.19	2.19	2.21
Return on IEAs	3.91	3.87	2.98	2.93	2.90
Cost of funds	2.42	2.45	1.41	1.35	1.29
Net interest spread	1.49	1.42	1.57	1.58	1.61
Profitability (%)					
ROE	**10.7**	**11.2**	**11.0**	**10.9**	**11.0**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	30.4	31.0	28.6	27.9	26.0
Effective tax rate	24.9	23.8	24.0	24.0	24.0
Cost/Income	46.9	46.7	45.5	45.5	45.5
Liquidity (%)					
Loan/Deposit	92.7	93.7	93.7	93.7	93.6
CASA ratio	43.8	46.2	42.0	41.0	41.0
Asset Quality (%)					
GIL ratio	2.67	2.12	2.14	2.16	2.16
LLC ratio	97	105	100	100	100
LLC (w. reserves)	106	124	109	108	108
Net CC (bps)	36	30	35	35	30
Capital (%)					
CET 1	14.5	14.6	14.4	14.4	13.9
Tier 1 capital	15.1	15.2	15.0	15.0	14.4
Total capital	18.2	18.3	17.9	17.9	17.2
Growth (%)					
Total NII	-3.5	5.3	1.7	4.2	4.8
Total NOII	36.5	8.1	-9.0	0.4	-4.9
Net income	5.9	6.1	-1.6	3.1	2.1
OPEX	5.6	5.6	-4.2	3.1	2.1
Core NP	26.0	10.7	0.3	2.2	4.2
Gross loans	8.3	2.6	5.6	5.6	6.0
Customer deposits	7.0	1.8	5.7	5.6	6.1
CASA	11.4	7.5	-4.0	3.1	6.1
Valuation metrics					
Core EPS (sen)	65.3	72.3	72.5	74.1	77.2
Gross DPS (sen)	43.0	47.0	46.7	47.6	49.4
Div payout (%)	66	65	65	65	65
BVPS (RM)	6.4	6.5	6.7	6.9	7.1
Core P/E (x)	12.7	11.5	11.4	11.2	10.8
Div yield (%)	**5.2**	**5.7**	**5.6**	**5.7**	**5.9**
P/BV (x)	1.3	1.3	1.2	1.2	1.2

Source: Company, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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