Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM9.29**

1QFY26 Pre-Results
Thai Turnaround

Our Verdict

While CIMB may continue to face headwinds in multiple geographies, its high dividend yields (bolstered by special dividends), an ongoing turnaround in the TH region and solid NOII prospects still make it an attractive pick.

Valuations

An unchanged FY26F P/BV of 1.37x

Current P/BV of 1.16x is expensive, trading near +1SD of the 10-year P/BV mean of 0.99x. However, we think this is valid given CIMB's improved profitability and dividend levels.

The company is currently trading at a forward FY26F P/BV of 1.12x with a 6.1% dividend yield.

Themes

1. ▲ Dividend yields remain high, especially when bolstered by special dividends. Management is happy with the current 55% level and will supplement this with special dividends to clear out excess capital.
2. ▲ Has shown convincing NOII expansion thus far, with their cross-selling capability slowly netting growth. 1QFY26 is slated to be a solid quarter.
3. ▲ Superb cost control seen in FY26, with further cost takeouts expected (though on a smaller scale).
4. ► Relatively neutral on NIM prospects, though 1QFY26 faces a slight contraction. The Group should continue to benefit from the OPR cut as pricier FDs expire.
5. ► Tepid, mid-single-digit level loan growth expected. Asset growth (which factors in bond market funding) prospects are stronger, hence most growth should come in the form of NOII instead.
6. ► Thai segment restructuring is close to the end, and we should see ROE expansion eventually.

Have a look at:

▼ **No major impact on asset quality yet, but potential concerns in future.** The Group has minimal direct exposure to the Middle East. It will be tightening risk appetite and underwriting standards regardless. High-risk segments include:

1. MY's SME and commercial segment (with spillover to business banking) as domestic consumption weakens. The mass-market consumer segment could also face some pressure.
2. ID's macroeconomic environment was already facing pressure before the war. Be wary of potential issues in the commercial banking business.
3. TH has already had its fair share of problems. But the Group is slightly more optimistic, given that they have already exited the high-risk commercial segment, with their plan to pivot well underway.

RETURN STATISTICS	
Price @ 20 April 2026 (RM)	7.59
Expected share price return (%)	+22.4
Expected dividend yield (%)	+6.1
Expected total return (%)	**+28.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.6	-2.4
3 months	0.5	-7.2
12 months	11.3	-1.9

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY27F**
Core NP (RM m)	**7,754**	**8,084**	**8,398**
CNP growth (%)	(1)	4	4
Div yield (%)	**6.1**	**6.4**	**6.6**
Gross DPS (sen)	46.6	48.4	50.1
P/BV (x)	**1.1**	**1.1**	**1.1**
BVPS (RM)	6.8	7.0	7.2
ROE (%)	**10.9**	**11.0**	**11.1**
% Street CNP (%)	**94**	**93**	**90**

KEY STATISTICS	
FBM KLCI	1,702.30
Issue shares (m)	10,970.7
Estimated free float (%)	69.5
Market Capitalisation (RM'm)	81,996.1
52-wk price range	RM6.39 – RM8.95
3-mth average daily volume (m)	18.9
3-mth average daily value (RM'm)	153.2
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

Analyst

Samuel Woo
samuelwoo.cy@mbsb.com
03-2173 8461

► **No overlay allocation in 1QFY26, but we could see some in subsequent quarters.** The Group already made substantial provisions in 1HFY25 for the trade war. Thus, instead of releasing this, management will just reallocate this for the current Middle East war. As for subsequent quarters, the Group feels compelled to make further asset quality assessments before deciding on future overlay allocations.

► **Slight decline in quarterly NIMs.** The Group is still forecasting that OPR will be stable in CY26.

▲ **MY:** A good quarter, with wholesale rates coming off after 4QFY25's ramp-up. Also, expect further pricier deposit releases to continue.

▲ **SG:** Some improvement, with the release of pricier FDs.

▼ **ID:** Good deposit inflows, but facing asset yield pressure.

▲ **NOII has performed strongly this quarter, though rapid MYR appreciation also brings downsides.** Though unable to reach the highs of 3QFY25, this quarter's NOII is very strong, as fee income benefits from SG bancassurance and other wealth structured products while forex volatility and other investment incomes bolster non-fee balances. However, the rapid MYR appreciation should also lead to a negative translation impact on assets on a fixed currency basis.

► **Loan growth to moderate with weakened demand and risk appetite.** The Group reiterates that the focus is on 5-7% asset growth this year. Excess liquidity will just be put into securities instead.

▲ **Despite headwinds, there is good progress in the TH segment.** Management is confident in TH's ongoing restructuring, with this quarter seeing significant progress made in the pivot. Loan growth has already accelerated throughout FY25. Now the focus is on capital reallocation, which should lead to ROE expansion in this segment once again. Indeed, the Group is so confident that it is prioritising TH (over ID) for future capital repatriation.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Lingering asset quality concerns, (2) Higher-than-expected NCC, (3) Weaker-than-expected loans growth.*

Maintain BUY call: Unchanged GGM-TP of RM 9.29. The TP is based on an unchanged FY26F P/BV of 1.37x.

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

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY27F
Net interest income	**11,364**	**11,263**	**11,544**	**11,995**	**12,401**
Islamic banking inc.	4,741	4,959	4,797	4,985	5,153
Other operating inc.	6,197	6,245	5,855	6,174	6,520
Net income	**22,301**	**22,467**	**22,196**	**23,153**	**24,074**
OPEX	(10,420)	(10,627)	(10,432)	(10,882)	(11,315)
PPOP	**11,881**	**11,840**	**11,764**	**12,271**	**12,759**
Loan allowances	(1,369)	(1,382)	(1,389)	(1,452)	(1,517)
Other allowances	(135)	128	(30)	(35)	(39)
JV & Associates	19	94	120	125	130
PBT	**10,396**	**10,680**	**10,464**	**10,909**	**11,333**
Tax & zakat	(2,477)	(2,652)	(2,511)	(2,618)	(2,720)
NCI	(191)	(169)	(199)	(207)	(215)
Reported NP	**7,728**	**7,860**	**7,754**	**8,084**	**8,398**
Core NP	**7,728**	**7,860**	**7,754**	**8,084**	**8,398**
Total NII	15,397	15,346	15,814	16,431	16,987
Total NOII	6,904	7,121	6,382	6,722	7,086

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY27F
Cash & ST funds	34,776	32,842	41,141	41,285	41,433
Investment securities	210,621	230,759	232,981	235,452	238,186
Net loans	442,163	444,920	465,283	486,221	508,101
Other IEAs	10,882	14,206	15,768	17,503	19,428
Non-IEAs	56,687	55,997	62,274	74,566	99,277
Total assets	**755,131**	**778,724**	**817,447**	**855,027**	**906,426**
Customer deposits	471,951	477,755	499,254	521,721	545,198
Other IBLs	161,459	174,626	175,100	176,146	177,781
Non-IBLs	50,882	54,435	69,014	80,790	104,669
Total liabilities	**684,292**	**706,817**	**743,368**	**778,656**	**827,648**
Share capital	29,439	29,774	29,774	29,774	29,774
Reserves	39,805	40,587	42,717	44,966	47,328
Shareholders' funds	**69,244**	**70,361**	**72,491**	**74,740**	**77,102**
Perpetual pref. shares	200	200	200	200	200
NCI	1,395	1,347	1,387	1,430	1,476
Total equity	**70,839**	**71,908**	**74,079**	**76,371**	**78,777**
Total L&E	**755,131**	**778,724**	**817,447**	**855,027**	**906,426**
Total IEAs	698,444	722,728	755,174	780,461	807,149
Total IBLs	633,410	652,382	674,354	697,866	722,979
Gross loans	452,274	452,947	473,330	494,630	516,888
CASA	218,246	220,824	204,694	213,906	223,531

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY27F
Interest (%)					
NIM	2.20	2.12	2.14	2.14	2.14
Return on IEAs	3.87	3.53	3.32	3.19	3.07
Cost of funds	2.45	2.15	1.96	1.82	1.69
Net interest spread	1.42	1.38	1.36	1.37	1.38
Profitability (%)					
ROE	**11.2**	**11.3**	**10.9**	**11.0**	**11.1**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	31.0	31.7	28.8	29.0	29.4
Effective tax rate	23.8	24.8	24.0	24.0	24.0
Cost/Income	46.7	47.3	47.0	47.0	47.0
Liquidity (%)					
Loan/Deposit	93.7	93.1	93.2	93.2	93.2
CASA ratio	46.2	46.2	41.0	41.0	41.0
Asset Quality (%)					
GIL ratio	2.12	1.72	1.70	1.70	1.70
LLC ratio	105	103	100	100	100
LLC (w. reserves)	124	134	130	129	127
Net CC (bps)	31	30	30	30	30
Capital (%)					
CET 1	14.6	14.6	14.3	14.1	13.9
Tier 1 capital	15.2	15.0	14.8	14.7	14.5
Total capital	18.3	18.6	17.9	17.7	17.4
Growth (%)					
Total NII	5.3	-0.3	3.0	3.9	3.4
Total NOII	8.1	3.1	-10.4	5.3	5.4
Net income	6.1	0.7	-1.2	4.3	4.0
OPEX	5.6	2.0	-1.8	4.3	4.0
Core NP	10.7	1.7	-1.3	4.3	3.9
Gross loans	2.6	0.1	4.5	4.5	4.5
Customer deposits	1.8	1.2	4.5	4.5	4.5
CASA	7.5	1.2	-7.3	4.5	4.5
Valuation metrics					
Core EPS (sen)	72.3	73.5	72.5	75.6	78.5
Gross DPS (sen)	47.0	47.1	46.6	48.4	50.1
Div payout (%)	65	65	65	65	65
BVPS (RM)	6.5	6.6	6.8	7.0	7.2
Core P/E (x)	10.5	10.3	10.5	10.0	9.7
Div yield (%)	**6.2**	**6.2**	**6.1**	**6.4**	**6.6**
P/BV (x)	1.2	1.2	1.1	1.1	1.1

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