Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM9.29**
(from RM9.71)

1QFY26 Results Review
NIM Expansion Expected

RETURN STATISTICS	
Price @ 26 May 2026 (RM)	7.68
Expected share price return (%)	+21.0
Expected dividend yield (%)	+6.3
Expected total return (%)	**+27.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-0.2
3 months	2.5	-6.6
12 months	12.5	1.0

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**7,742**	**8,048**	**8,336**
CNP growth (%)	(1)	4	4
Div yield (%)	**6.1**	**6.3**	**6.5**
Gross DPS (sen)	46.5	48.2	49.8
P/BV (x)	**1.1**	**1.1**	**1.1**
BVPS (RM)	6.8	7.0	7.2
ROE (%)	**10.8**	**10.9**	**11.0**
% Street CNP (%)	**94**	**92**	**90**

KEY STATISTICS	
FBM KLCI	1,699.02
Issue shares (m)	10,790.7
Estimated free float (%)	69.5
Market Capitalisation (RM'm)	83,617.6
52-wk price range	RM6.39 – RM8.95
3-mth average daily volume (m)	16.6
3-mth average daily value (RM'm)	130.1
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

Salient Points

Solid set of earnings, as forecasted.

Management's tone: Optimistic

Expect: CIMB's good fortune to persist.

Our Verdict

CIMB's outlook remains supported by bright growth prospects and high dividend yields. There might be some noise from currency fluctuations impacting loan growth and NIAGA's NIM situation, but it does little to derail CIMB's excellent momentum. At current valuations, CIMB remains a steal.

Valuations

A revised FY27F P/BV of 1.33x *(formerly 1.39x)*

Current P/BV of 1.21x is expensive, trading near +1SD of the 10-year P/BV mean of 0.99x. However, we think that CIMB's improved fundamental and dividend outlook validates the pricier valuations.

The company is currently trading at a forward FY27F P/BV of 1.10x with a +6.3% dividend yield.

Themes

1. ▲ Dividend yields remain high, especially when bolstered by special dividends. Management is satisfied 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 (particularly in THAI) expected though on a smaller scale.
4. ▲ Optimistic on NIM prospects, with NIM compression bottoming out in all major geographies. NIAGA may provide some uncertainty, however.
5. ► Tepid, mid-single-digit level loan growth expected – but this is due to currency fluctuations than actual pipeline weakness. Asset growth (which includes bond market funding) has better prospects; hence more growth will come in the form of NOII instead.
6. ► Asset quality situation remains very stable.
7. ► Thai segment restructuring is close to the end, and we should see ROE expansion eventually.

Results in a nutshell:

► **3MFY26's Core NP of RM1,916m was *Within*/*Within* our/street forecasts: *25%*/*24%* of full-year forecasts.**

► **No dividend announcement.**

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▼ **3MFY26's Core net profit (NP) of RM1,916m down by -3%yoy.** The decrease was driven by weaker NII and higher provisions.

► **1QFY26's Core NP of RM1,916m flattish, growing at 0%qoq.** Improved NOII and OPEX were offset by weaker NII and higher provisions.

Have a look at:

▲ **Multiple levers to achieve FY26 ROE targets.** Some headwinds to ROE exist, most notably currency fluctuation impact on earnings, NIM compression on the Niaga front, and THAI restructuring costs (which is already factored into FY26 ROE target).

As part of ongoing special dividend plans, CIMB could release capital earlier than scheduled to streamline its capital ratios – though this only applies if loan growth and other capital deployment opportunities are lacking. Keep in mind that the actual loan pipeline is strong (particularly in MY and SG) – it's mostly currency effects impacting loan growth figures.

Another option is that CIMB could also expedite the THAI cost takeout process. This is expected to take place in 4QFY26 and 1QFY27, though this is subject to how quickly the THAI turnaround is completed. CIMB could rush it so the brunt of the kitchen sinking takes place within FY26.

▲ **Optimistic on NIM, though Niaga provides slight downside possibility.** CIMB expects NIM compression to bottom out in various geographies, thus having a clearer outlook in the coming months. The region that provides the most downside is NIAGA: Despite the recent hefty rate hike in Indonesia, asset yields and FD rates don't translate as cleanly as other regions, and thus the impact may be a bit uncertain.

NIAGA was also responsible for this quarter's -2bps NIM compression, due to a one-off structured product interest expense adjustment. Without it, NIAGA's quarterly NIM would have only contracted by -2bps qoq (as opposed to -5bps). In contrast, other major geographies saw expansion.

▲ **Asset quality is not yet an issue.** Similar to other banks, issues seen thus far are due to seasonal effects. The Group hasn't allocated any overlays yet, having already stocked up for FY25's trade war. They are still deciding whether to top up on provisions in the next couple of quarters.

Forecasts revised: FY26F/FY27F/FY28F Core NP adjusted by -0.1%/-0.4%/-0.7%. We tweak our earnings assumptions to account for slightly lower loan growth.
Key downside risks. *(1) Higher-than-expected NCC, (2) Weak NOII performance, (3) Weaker-than-expected Niaga performance.*

Maintain BUY call: Revised GGM-TP of RM 9.29 ***(from RM9.71)***. The TP is based on a revised FY27F P/BV of 1.33x *(formerly 1.39x)*, to reflect altered earnings prospects and ROE-based valuations. We also cut our valuation base to account for regional headwinds (particularly Niaga) and currency fluctuations, which may serve as a slight share price overhang.

(GGM assumptions: *FY27F ROE of 10.9%, LTG of 4.0% & COE of 9.2%)*

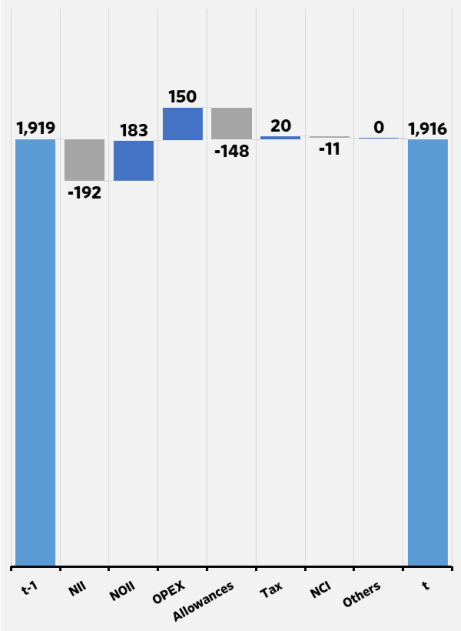
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Net interest inc.	2,657	2,865	2,817	-6	-7	2,657	2,817	-6
Islamic banking inc.	1,189	1,171	1,214	-2	2	1,189	1,214	-2
Non-interest inc.	1,564	1,383	1,468	7	13	1,564	1,468	7
Net income	**5,410**	**5,419**	**5,499**	**-2**	**-0**	**5,410**	**5,499**	**-2**
OPEX	(2,555)	(2,705)	(2,580)	-1	-6	(2,555)	(2,580)	-1
PPOP	**2,855**	**2,714**	**2,919**	**-2**	**5**	**2,855**	**2,919**	**-2**
Loan provisions	(357)	(253)	(288)	24	41	(357)	(288)	24
Other provisions	1	44	(23)	-105	-97	1	(23)	-105
JV & Associates	52	57	19	n.m.	n.m.	52	19	n.m.
PBT	**2,551**	**2,563**	**2,627**	**-3**	**-0**	**2,551**	**2,627**	**-3**
Tax	(595)	(614)	(599)	-1	-3	(595)	(599)	-1
NCI	(40)	(29)	(54)	-27	37	(40)	(54)	-27
Reported NP	**1,916**	**1,919**	**1,973**	**-3**	**-0**	**1,916**	**1,973**	**-3**
Core NP	**1,916**	**1,919**	**1,973**	**-3**	**-0**	**1,916**	**1,973**	**-3**
Total NII	3,683	3,875	3,819	-4	-5	3,683	3,819	-4
Total NOII	1,727	1,544	1,680	3	12	1,727	1,680	3
Gross DPS (sen)	**-**	**20.4**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	17.7	17.8	18.3	-3	-1	17.7	18.3	-3
Gross loans	454,328	452,947	450,142	0.9	0.3			
Gross impaired loans	7,634	7,786	9,706	-21.3	-1.9			
Customer deposits	476,235	477,755	464,417	2.5	-0.3			
CASA	223,647	220,824	219,370	1.9	1.3			

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**11.1**	**10.9**	**11.4**	**-0.3**	**0.2**	**10.9**	**11.2**	**-0.3**
NIM (Reported)	**2.08**	**2.10**	**2.16**	**-0.08**	**-0.02**	**2.08**	**2.16**	**-0.08**
NOII/Net income	31.9	28.5	30.6	1.4	3.4	31.9	30.6	1.4
Cost/Income	47.2	49.9	46.9	0.3	-2.7	47.2	46.9	0.3
NCC (Ann.) (bps)	32	22	26	6	9	32	26	6
GIL ratio	1.68	1.72	2.16	-0.48	-0.04			
Loan loss coverage	102	103	102	-1	-1			
CASA ratio	47.0	46.2	47.2	-0.3	0.7			
L/D ratio	93.8	93.1	94.8	-1.0	0.6			
CET-1	13.8	14.3	14.2	-0.4	-0.5			

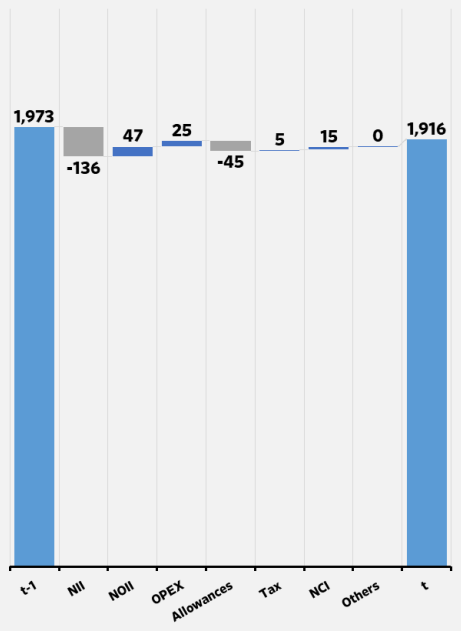
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



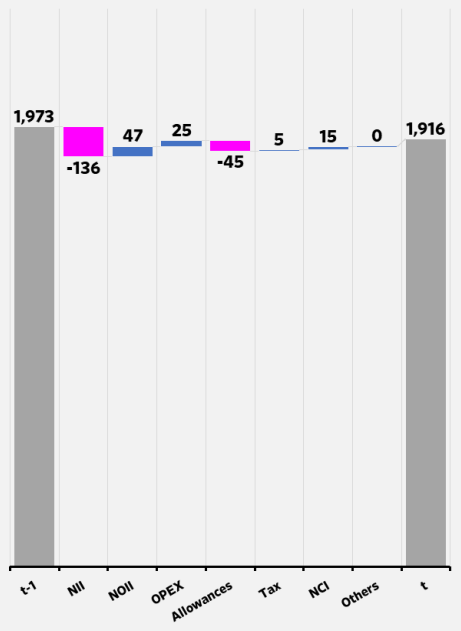
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26	3M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	11.0 – 11.5	10.9	
CIR	<47	47.2	
NIM	2.08 – 2.18 (from 2.13)	2.08	
NOII		3% (yoy)	
Loans	Asset: 5 – 7 (CCR) Loans (Unofficial): Mid-single-digit	0.3 (YTD)	
Deposits		-0.3 (YTD)	
% CASA		47.0	
Loan/Depo		93.8	
GIL ratio		1.68	
NCC (bps)	25 – 35	32	
CET 1		13.8	
Div payout	55 + Special	-	

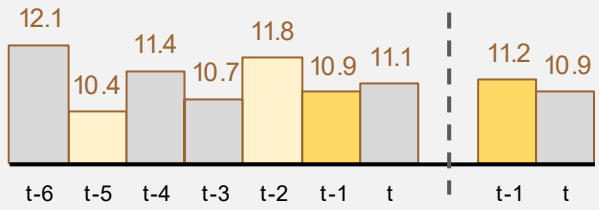
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

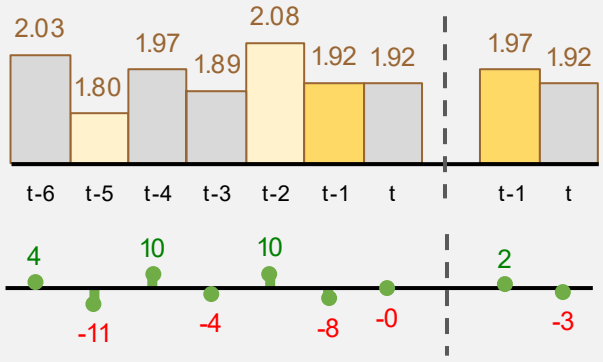
1QFY26 / 3MFY26 results

Earnings:	Within our full-year forecasts	(25%)
	Within street full-year forecasts	(24%)
Dividend:	NO	
YTD payout:	-	

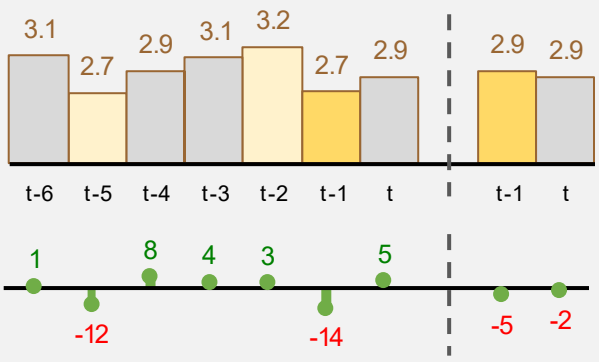
ROE (%)



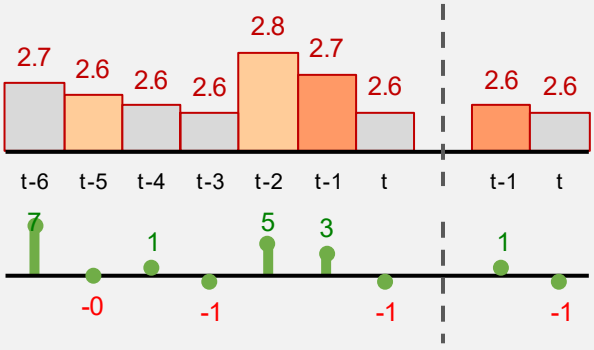
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



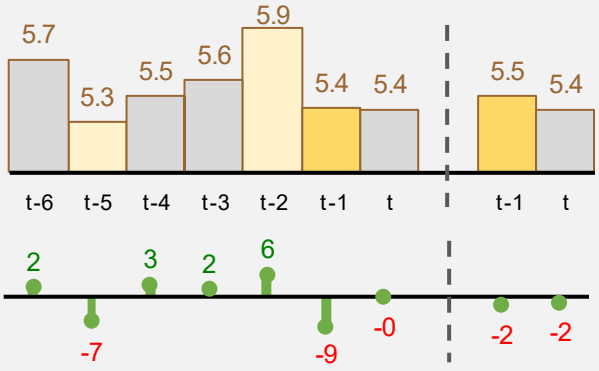
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



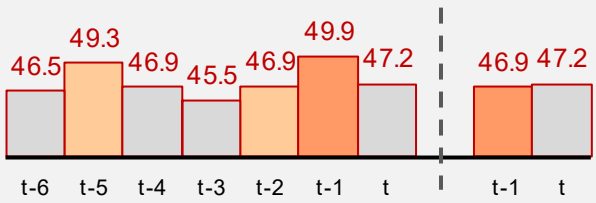
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



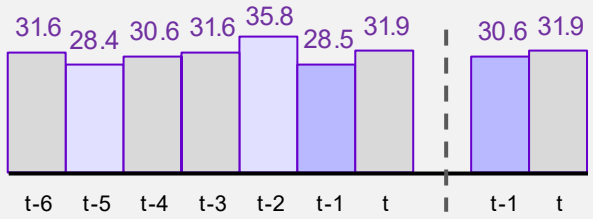
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



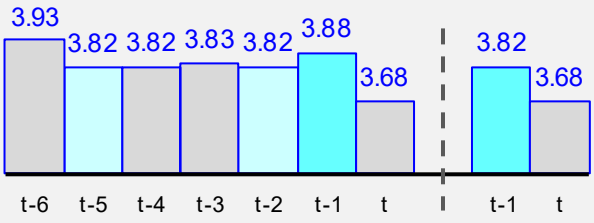
Cost/Income ratio (%)



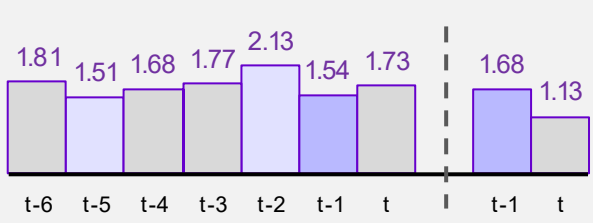
% NOII as topline (%)



Net interest income (RM b)

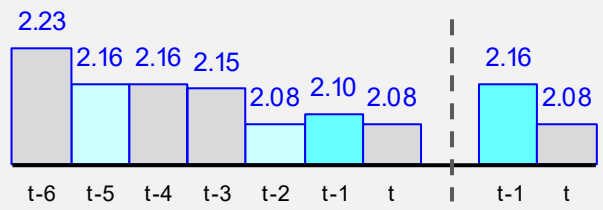


Non-interest income (RM b)

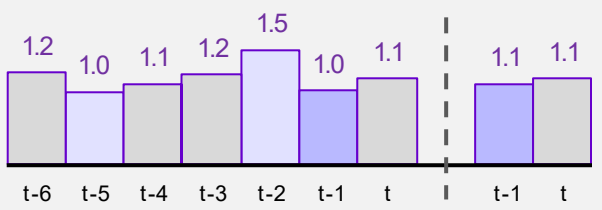


Source: Company, MBSBR

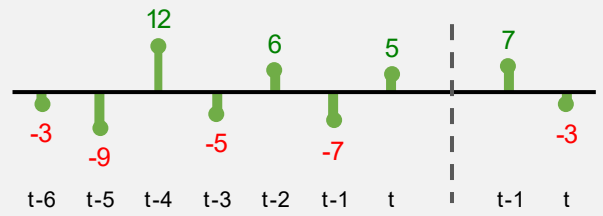
NIM (%)



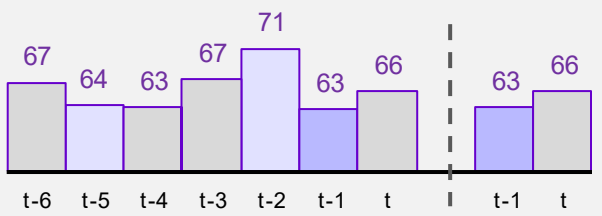
Non-fee NOII (RM b)



Fee income growth -- qoq (Qtr) & yoy (Cum) (%)

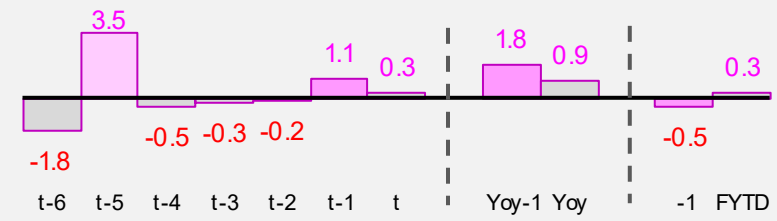


% Non-fee income as NOII (%)

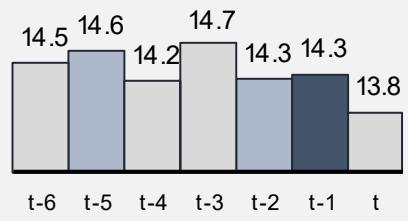


BALANCE SHEET

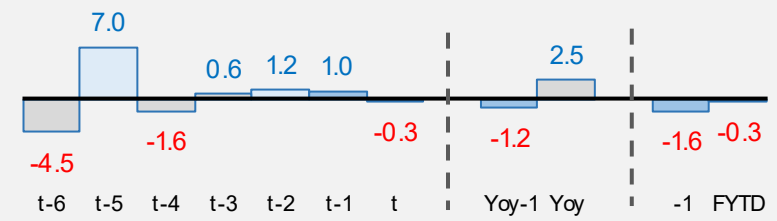
Loan growth -- qoq, yoy, FYTD (%)



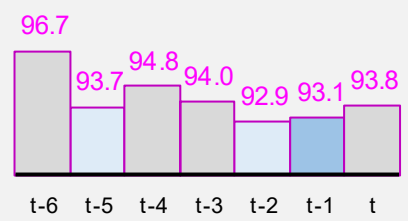
CET 1 ratio (%)



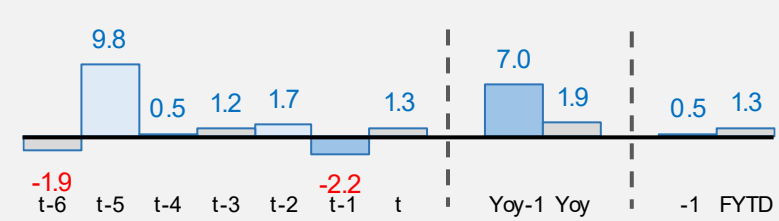
Deposit growth -- qoq, yoy, FYTD (%)



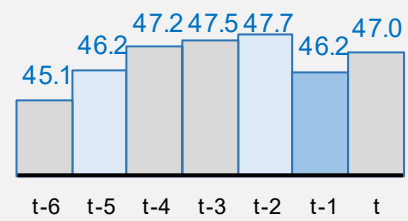
Loan/Deposit ratio (%)



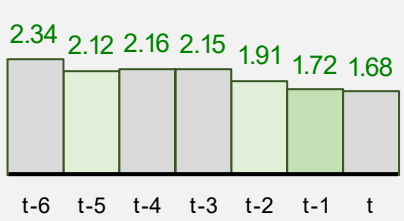
CASA growth -- qoq, yoy, FYTD (%)



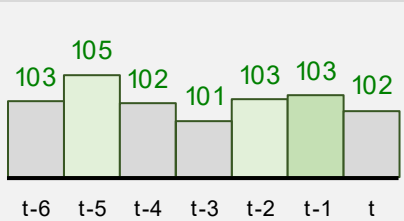
CASA ratio (%)



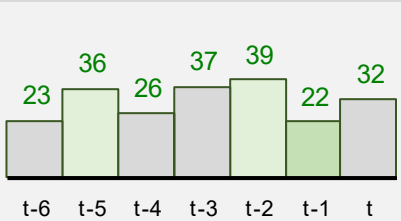
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	1,916	Qtrly ROE	Qtr value	11.1%
	25% of FY CNP				
	Qoq	-0%		t-1	10.9%
	Yoy	-3%		t-4	11.4%
Cum Core NP	RM mil	1,916	Cum ROE	Cum value	10.9%
	Within our forecast				
	25% of FY CNP				
	Within consensus				
	24% of FY CNP				
	Yoy	-3%		t-1	11.2%
NII	As expected		NIM	As expected	
				Qtr value	2.08
				Cum value	2.08
	Qtr (Qoq)	-5%		Qtr (Qoq)	-2bps
	Qtr (Yoy)	-4%		Qtr (Yoy)	-8bps
	Cum (Yoy)	-4%		Cum (Yoy)	-8bps
NOII	As expected		Qtr	% NII	68%
	Qtr (Qoq)	12%		% NOII	32%
	Qtr (Yoy)	3%	Cum	% NII	68%
	Cum (Yoy)	3%		% NOII	32%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	47.2%
				Cum value	47.2%
	Qtr (Qoq)	-6%		Qtr (Qoq)	-2.7%
	Qtr (Yoy)	-1%		Qtr (Yoy)	+0.3%
	Cum (Yoy)	-1%		Cum (Yoy)	+0.3%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	-ve surprise				
	Qoq	0.3%			
	Yoy	0.9%			
	YTD (FY)	0.3%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	-0.3%		Qoq	1.3%
	Yoy	2.5%		Yoy	1.9%
	YTD (FY)	-0.3%		YTD (FY)	1.3%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	47.0%		Value now	93.8%
	Qoq	+0.7%		Qoq	+0.6%
	Yoy	-0.3%		Yoy	-1.0%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.68%		Value now	102%
	Qoq	-4bps		Qoq	-1%
	Yoy	-48bps		Yoy	-1%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	32bps		Value now	32bps
	t-1	22bps			
	t-4	26bps		t-4	26bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	13.8%		Payout	
	Qoq	-0.5%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	**11,364**	**11,263**	**11,516**	**11,909**	**12,252**
Islamic banking inc.	4,741	4,959	4,786	4,949	5,092
Other operating inc.	6,197	6,245	5,855	6,174	6,520
Net income	**22,301**	**22,467**	**22,157**	**23,032**	**23,864**
OPEX	(10,420)	(10,627)	(10,414)	(10,825)	(11,216)
PPOP	**11,881**	**11,840**	**11,743**	**12,207**	**12,648**
Loan allowances	(1,369)	(1,382)	(1,384)	(1,435)	(1,488)
Other allowances	(135)	128	(30)	(35)	(39)
JV & Associates	19	94	119	124	128
PBT	**10,396**	**10,680**	**10,448**	**10,861**	**11,249**
Tax & zakat	(2,477)	(2,652)	(2,508)	(2,607)	(2,700)
NCI	(191)	(169)	(199)	(206)	(214)
Reported NP	**7,728**	**7,860**	**7,742**	**8,048**	**8,336**
Core NP	**7,728**	**7,860**	**7,742**	**8,048**	**8,336**
Total NII	15,397	15,346	15,775	16,314	16,784
Total NOII	6,904	7,121	6,381	6,718	7,080

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
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	461,721	478,805	496,521
Other IEAs	10,882	14,206	15,768	17,503	19,428
Non-IEAs	56,687	55,997	62,220	74,455	99,103
Total assets	**755,131**	**778,724**	**813,832**	**847,500**	**894,671**
Customer deposits	471,951	477,755	495,432	513,763	532,773
Other IBLs	161,459	174,626	175,100	176,146	177,781
Non-IBLs	50,882	54,435	69,225	81,237	105,380
Total liabilities	**684,292**	**706,817**	**739,757**	**771,146**	**815,933**
Share capital	29,439	29,774	29,774	29,774	29,774
Reserves	39,805	40,587	42,713	44,950	47,289
Shareholders' funds	**69,244**	**70,361**	**72,487**	**74,724**	**77,063**
Perpetual pref. shares	200	200	200	200	200
NCI	1,395	1,347	1,387	1,430	1,475
Total equity	**70,839**	**71,908**	**74,075**	**76,354**	**78,738**
Total L&E	**755,131**	**778,724**	**813,832**	**847,500**	**894,671**
Total IEAs	698,444	722,728	751,612	773,045	795,569
Total IBLs	633,410	652,382	670,532	689,909	710,553
Gross loans	452,274	452,947	469,706	487,085	505,108
CASA	218,246	220,824	213,036	220,918	229,092

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	2.20	2.12	2.14	2.14	2.14
Return on IEAs	3.87	3.53	3.33	3.20	3.09
Cost of funds	2.45	2.15	1.97	1.84	1.71
Net interest spread	1.42	1.38	1.36	1.36	1.38
Profitability (%)					
ROE	**11.2**	**11.3**	**10.8**	**10.9**	**11.0**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	31.0	31.7	28.8	29.2	29.7
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	43.0	43.0	43.0
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	128
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	2.8	3.4	2.9
Total NOII	8.1	3.1	-10.4	5.3	5.4
Net income	6.1	0.7	-1.4	4.0	3.6
OPEX	5.6	2.0	-2.0	4.0	3.6
Core NP	10.7	1.7	-1.5	4.0	3.6
Gross loans	2.6	0.1	3.7	3.7	3.7
Customer deposits	1.8	1.2	3.7	3.7	3.7
CASA	7.5	1.2	-3.5	3.7	3.7
Valuation metrics					
Core EPS (sen)	72.3	73.5	72.4	75.3	77.9
Gross DPS (sen)	47.0	47.1	46.5	48.2	49.8
Div payout (%)	65	65	65	65	65
BVPS (RM)	6.5	6.6	6.8	7.0	7.2
Core P/E (x)	10.6	10.4	10.6	10.2	9.9
Div yield (%)	**6.1**	**6.1**	**6.1**	**6.3**	**6.5**
P/BV (x)	1.2	1.2	1.1	1.1	1.1

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known as MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

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