MBSB RESEARCH

Wednesday 6th. May 2026

Corporate Update

# CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM9.71**
(from RM9.78)

# Away with the Auto Loans

| RETURN STATISTICS | |
|---|---|
| Price @ 5 May 2026 (RM) | 7.89 |
| Expected share price return (%) | +23.1 |
| Expected dividend yield (%) | +6.1 |
| **Expected total return (%)** | **+29.2** |

## Our Verdict

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

## Valuations

**An unchanged FY27F P/BV of 1.39x *(formerly 1.40x)***

Current P/BV of 1.21x 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 FY27F P/BV of 1.13x 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.

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** | **FY28F** |
| **Core NP (RM m)** | **7,749** | **8,070** | **8,374** |
| CNP growth (%) | (1) | 4 | 4 |
| **Div yield (%)** | **5.9** | **6.1** | **6.3** |
| Gross DPS (sen) | 46.6 | 48.3 | 50.0 |
| **P/BV (x)** | **1.2** | **1.1** | **1.1** |
| BVPS (RM) | 6.8 | 7.0 | 7.2 |
| **ROE (%)** | **10.8** | **11.0** | **11.0** |
| **% Street CNP (%)** | **94** | **93** | **90** |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,747.43 |
| Issue shares (m) | 1,722.02 |
| 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 |


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**Have a look at:**

**CIMB announced that its THAI arm will be selling off its automotive financing portfolio to the Bank of Ayudhya.** This is not THAI's first exit, having left the SME business some time ago (though it has no further intentions to sell off any further portfolios). In FY25, the THAI arm makes up 3% of PBT and 7% of loans. Despite hire purchase loans only making up 13% of THAI loans, it makes up a whopping 76% of THAI's ECL – the segment also has been loss-making for a few years. The sale should be finalised in 4QFY26.

**This will result in roughly THB1.1b (MYR134m) worth of capital release (+10bps to CET1 ratio) – and a possibility of special dividends.** The brunt of the excess capital will be used to retire expensive funding and be reallocated to more profitable segments (wholesale, wealth management, and treasury). As for remaining loans, THAI will be scaling up its wholesale portfolio while reconfiguring its mortgage portfolio.

Any remaining capital will be allocated to CIMB Group, to be released in the form of special dividends. The timing of the special dividend will only be determined later; this release is not part of the pre-existing RM2.0b special dividend programme.

There will also be a THB1.6b (RM195m) one-off restructuring and deal-related cost to be incurred in FY26. These costs will normalise by FY27, which should result in flat or lower OPEX growth.

**The sale is part of THAI's ongoing ROE optimisation exercise.** The goal is to achieve a top quartile ROE in the country (i.e., 10-12% in FY27, from FY25's 4.5%) – this involves a 14% CET1 goal by 2030 from 17% in 2025. Ultimately, the pivot is from a universal bank to a niche bank, as THAI acknowledges that they lack the scale to compete with larger banks in certain categories. As for remaining loans, THAI will be scaling up its wholesale portfolio while reconfiguring its mortgage portfolio.

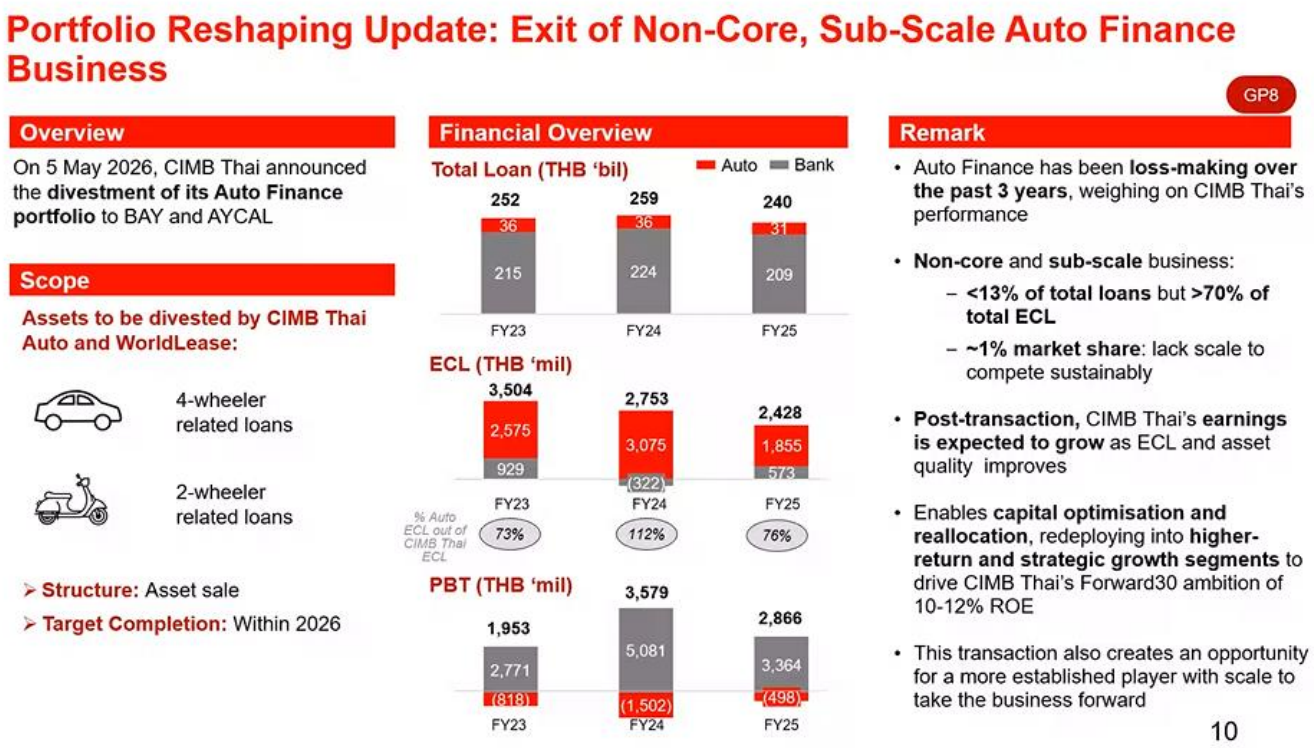
As for now, THAI maintains its "4C" approach to optimising its ROE. THAI believes it is firmly on track to achieve its Forward30 target.

**Forecasts revised: FY26F/FY27F/FY28F Core NP adjusted by -0.1%/-0.2%/-0.3%.** The loan impact is relatively minimal in FY26F, given that the deal will only be finalised in 4QFY25 – and ultimately, the sold portfolio makes up a very small portion of overall loans. Additional costs in FY26 should have a minor impact on earnings.
***Key downside risks.*** *(1) Higher-than-expected NCC., (2) Lingering asset quality concerns, (3) Weakness in regional segment.*

**Maintain BUY call: Revised GGM-TP of RM 9.71** ***(from RM9.78).*** The TP is based on a revised FY27F P/BV of 1.39x *(formerly 1.40x),* to reflect altered earnings prospects and ROE-based valuations.

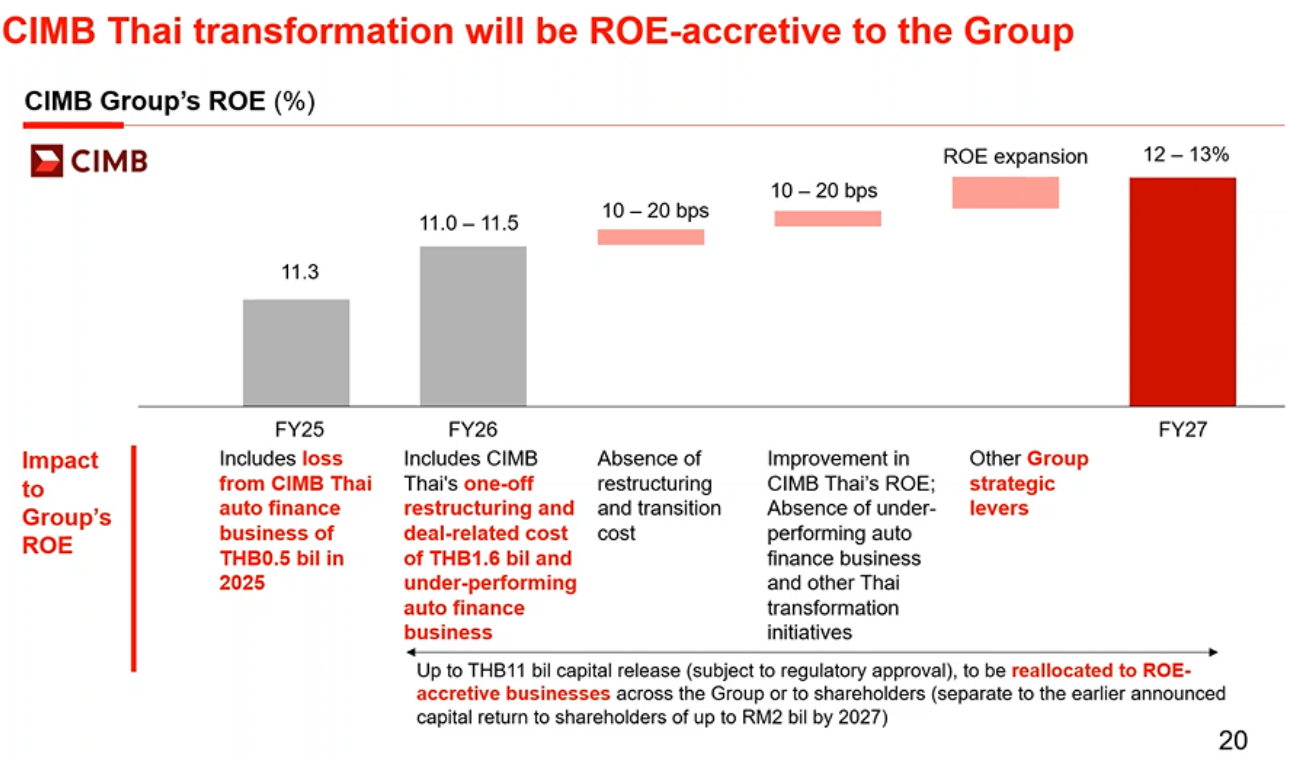
***(GGM assumptions:*** *FY27F ROE of 11.0%, LTG of 4.0% & COE of 9.0%)*

**FIG 1: THAI's Auto Finance Portfolio Exit**



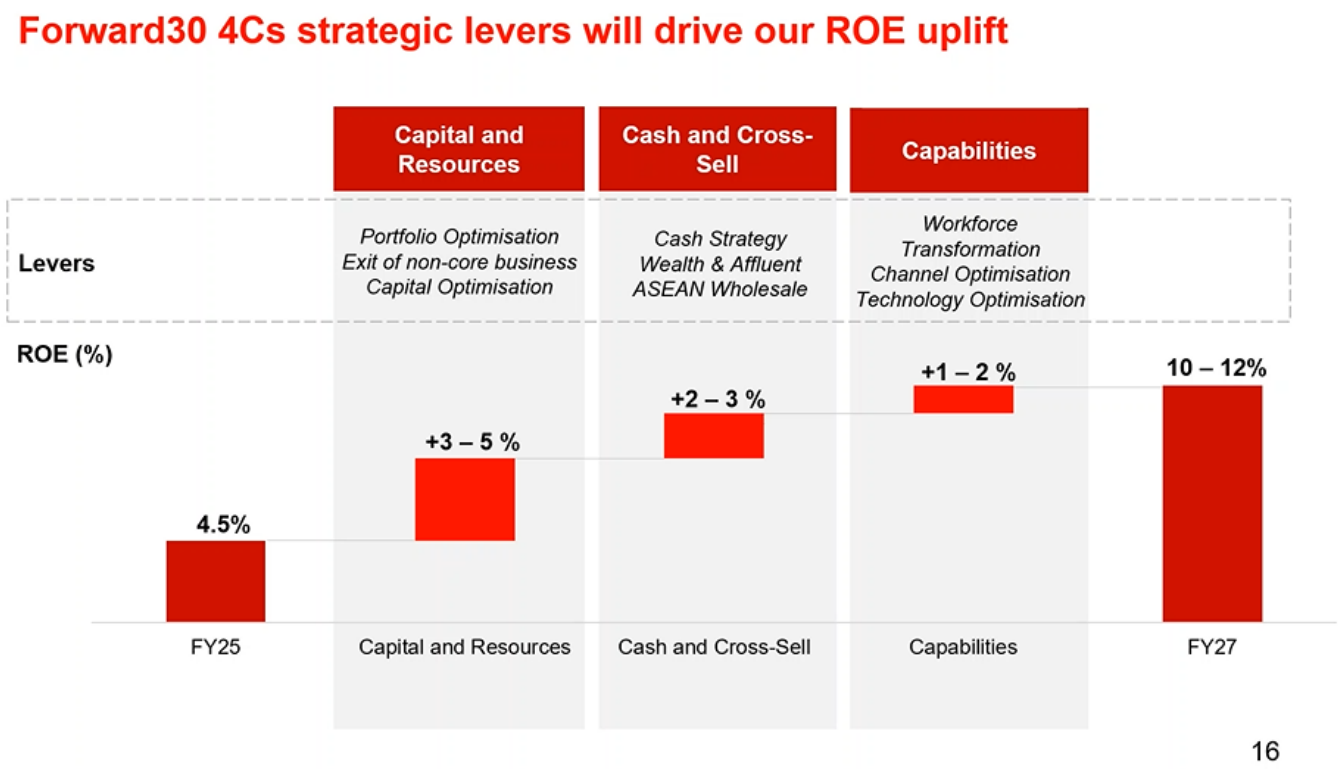

*Source: Company, MBSBR*

**FIG 2: Disposal's Impact on THAI's ROE**



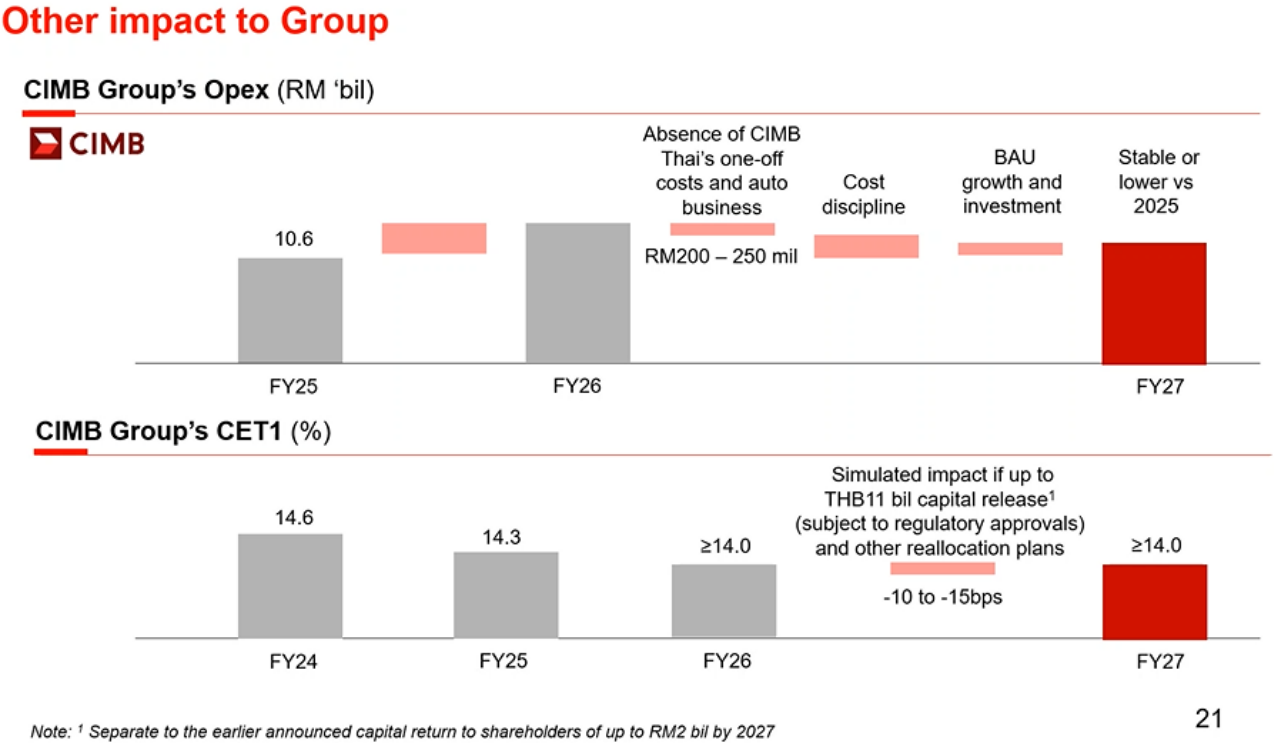

*Source: Company, MBSBR*

**FIG 3: THAI's 4C Roadmap to ROE Uplift**




*Source: Company, MBSBR*

**FIG 4: Impact on CIMB Group**




*Source: Company, MBSBR*

## FINANCIAL SUMMARY

**INCOME STATEMENT**

| FYE Dec (RM m) | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| **Net interest income** | **11,364** | **11,263** | **11,533** | **11,963** | **12,345** |
| Islamic banking inc. | 4,741 | 4,959 | 4,793 | 4,971 | 5,130 |
| Other operating inc. | 6,197 | 6,245 | 5,855 | 6,174 | 6,520 |
| **Net income** | **22,301** | **22,467** | **22,181** | **23,108** | **23,995** |
| OPEX | (10,420) | (10,627) | (10,425) | (10,861) | (11,278) |
| **PPOP** | **11,881** | **11,840** | **11,756** | **12,247** | **12,717** |
| Loan allowances | (1,369) | (1,382) | (1,387) | (1,446) | (1,506) |
| Other allowances | (135) | 128 | (30) | (35) | (39) |
| JV & Associates | 19 | 94 | 120 | 124 | 129 |
| **PBT** | **10,396** | **10,680** | **10,458** | **10,891** | **11,301** |
| Tax & zakat | (2,477) | (2,652) | (2,510) | (2,614) | (2,712) |
| NCI | (191) | (169) | (199) | (207) | (215) |
| **Reported NP** | **7,728** | **7,860** | **7,749** | **8,070** | **8,374** |
| **Core NP** | **7,728** | **7,860** | **7,749** | **8,070** | **8,374** |
| | | | | | |
| Total NII | 15,397 | 15,346 | 15,799 | 16,387 | 16,911 |
| Total NOII | 6,904 | 7,121 | 6,382 | 6,720 | 7,084 |

**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 | 463,947 | 483,433 | 503,737 |
| 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** | **816,112** | **852,239** | **902,062** |
| | | | | | |
| 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 | 67,680 | 78,009 | 100,321 |
| **Total liabilities** | **684,292** | **706,817** | **742,034** | **775,875** | **823,300** |
| | | | | | |
| Share capital | 29,439 | 29,774 | 29,774 | 29,774 | 29,774 |
| Reserves | 39,805 | 40,587 | 42,716 | 44,960 | 47,313 |
| **Shareholders' funds** | **69,244** | **70,361** | **72,490** | **74,734** | **77,087** |
| 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** | **74,077** | **76,364** | **78,763** |
| **Total L&E** | **755,131** | **778,724** | **816,112** | **852,239** | **902,062** |
| | | | | | |
| Total IEAs | 698,444 | 722,728 | 753,838 | 777,673 | 802,785 |
| Total IBLs | 633,410 | 652,382 | 674,354 | 697,866 | 722,979 |
| Gross loans | 452,274 | 452,947 | 471,971 | 491,794 | 512,449 |
| CASA | 218,246 | 220,824 | 204,694 | 213,906 | 223,531 |

**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 | 3.32 | 3.19 | 3.08 |
| Cost of funds | 2.45 | 2.15 | 1.96 | 1.82 | 1.69 |
| Net interest spread | 1.42 | 1.38 | 1.36 | 1.37 | 1.39 |
| | | | | | |
| **Profitability (%)** | | | | | |
| **ROE** | **11.2** | **11.3** | **10.8** | **11.0** | **11.0** |
| ROA | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| NOII/Net income | 31.0 | 31.7 | 28.8 | 29.1 | 29.5 |
| 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 | 92.9 | 92.7 | 92.4 |
| 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 | 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 | 3.0 | 3.7 | 3.2 |
| Total NOII | 8.1 | 3.1 | -10.4 | 5.3 | 5.4 |
| Net income | 6.1 | 0.7 | -1.3 | 4.2 | 3.8 |
| OPEX | 5.6 | 2.0 | -1.9 | 4.2 | 3.8 |
| Core NP | 10.7 | 1.7 | -1.4 | 4.1 | 3.8 |
| | | | | | |
| Gross loans | 2.6 | 0.1 | 4.2 | 4.2 | 4.2 |
| 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 | 75.5 | 78.3 |
| Gross DPS (sen) | 47.0 | 47.1 | 46.6 | 48.3 | 50.0 |
| Div payout (%) | 65 | 65 | 65 | 65 | 65 |
| BVPS (RM) | 6.5 | 6.6 | 6.8 | 7.0 | 7.2 |
| | | | | | |
| Core P/E (x) | 10.9 | 10.7 | 10.9 | 10.5 | 10.1 |
| **Div yield (%)** | **6.0** | **6.0** | **5.9** | **6.1** | **6.3** |
| P/BV (x) | 1.2 | 1.2 | 1.2 | 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