Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM9.29**

2QFY26 Pre-Results
NIM Compression Ahead

RETURN STATISTICS	
Price @ 21 July 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	0.3	0.1
3 months	3.5	-1.7
12 months	18.7	5.5

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**

KEY STATISTICS	
FBM KLCI	1,720.37
Issue shares (m)	10,790.7
Estimated free float (%)	69.5
Market Capitalisation (RM'm)	82,906.6
52-wk price range	RM6.44 – RM8.95
3-mth average daily volume (m)	14.0
3-mth average daily value (RM'm)	107.0
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

Our Verdict

CIMB faces multiple headwinds, particularly NIM compression this quarter and Niaga's weakening environment. But aside from that, all is well managed: NOII outlook is bright, OPEX is well managed, Thai restructuring is coming to an end, loan growth (forex translation impact aside) is healthy. Most attractive of all, there is a possibility that its remaining special dividends are frontloaded to FY26 – which implies a pretty large payout.

Valuations

An unchanged P/BV of 1.33x

Current P/BV of 1.21x is trading near +1SD of the 10-year P/BV mean of 1.0x. However, we think this is valid given the Group's improved profitability prospects and dividend yields.

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 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 its cross-selling capability slowly netting growth. Wealth management remains the main driver.
3. ▲ Superb cost control seen in FY26, with further cost takeouts expected (though on a smaller scale).
4. ► Relatively neutral on NIM prospects. 2QFY26 faces compression, while 2HFY26's outlook should be a bit more stable. ID remains the main source of negative pressure.
5. ► 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. On the other hand, Niaga's outlook is less optimistic, and the Group intends to reallocate capital from the segment.

Analyst

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

Have a look at:

▼ **Indonesia's repatriation of dividends poses some risk but shouldn't affect short-term dividend certainty.** The Group acknowledges that Indonesian government policies may pose some challenges, particularly fears that it may be forced to channel dividends to Danatara Indonesia, the newly set-up sovereign wealth fund. The Group reiterates that even with headwinds in Indonesia, its BAU payout of 55% can be defended. It will also not affect the ongoing RM1.3b special dividend payout, though it remains uncertain as to whether we will see a full payout in FY26, or it will spill over to FY27.

Due to a weaker growth outlook, the Group reiterates that it will reallocate capital from Niaga elsewhere. This warrants a higher (perhaps one-off) payout in Niaga, which the Group is actively discussing with OJK.

► **Plans for THAI are still underway.** Plans to release THB11b worth of capital (from its auto business sale, which should take place by Dec-26) are still being decided. While talks with the Bank of Thailand have started, the Group is uncertain whether it can be finalised by this year. Excess funds will be allocated to SG and to ramp up growth of higher-margin MY SME/commercial business – the remainder may be released as further dividends.

► **Some NIM compression this quarter, but a more stable 2HFY26 outlook.** NIM is currently closer to the lower end of FY26's 2.08-2.13% guidance. The Group does not rule out the possibility of a negative revision to FY26's guidance. The ongoing headwinds come primarily from Niaga, where liquidity is tightening, and the Group sees some issues repricing their loans upwards following the recent rate hikes. The Group sees some room for liability restructuring, which could provide a light offset in subsequent quarters.

Other than that, TH's NIM outlook is positive throughout. Both MY and SG's NIMs are believed to have bottomed out this quarter and should at least see stability in 2HFY26. There was some compression due to ongoing deposit competition, which affected wholesale rates more than the retail side. The Group is trying to hoard liquidity early to avoid being affected by the year-end deposit competition.

If we observe from an NII standpoint, the Group should see improvement on a sequential quarter basis, due to the improved asset growth (pipelines are still strong). However, NII should contract on a sequential year basis due to NIM compression and forex translation issues.

▲ **Thankfully, NOII and lower OPEX provide some offset.** The Group guides for NOII sequential quarter growth, largely driven by improved wealth management results. Wealth management maintains a positive outlook, with conducive markets and the launching of the private wealth segment acting as main drivers. While trading and forex income was good, it was not as good as 1QFY26's bumper result. As for OPEX, the Group is expecting low sequential year growth, mainly due to cost tightening in MY, with some room remaining for optimisation.

► **Legacy recoveries but no trade-tariff related writeback.** The Group sees some lumpy writebacks coming from legacy recoveries this quarter, coming from ID and SG. Though there are further in store for the next 12 months, the Group does not believe that these will have much bearing on the NCC guidance.

The Group will maintain its trade-tariff related overlays introduced last year. These will be reallocated to areas of emerging risk: B40, SME/commercial and some non-retail borrowers (the latter is pre-emptive – no pressure seen here yet). Overall, the Group remains unflustered over potential asset quality issues.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weakness in Indonesian geographical segment, (3) Lingering asset quality concerns.*

Maintain BUY call: Unchanged GGM-TP of RM 9.29. The TP is based on an unchanged FY27F P/BV of 1.33x.
(GGM assumptions: *FY27F ROE of 10.9%, LTG of 4.0% & COE of 9.2%)*

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: 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