Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM9.29**

2QFY26 Results Review (Niaga) Difficult Times

RETURN STATISTICS	
Price @ 14 August 2026 (RM)	7.95
Expected share price return (%)	+16.9
Expected dividend yield (%)	+6.1
Expected total return (%)	**+22.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.7	2.0
3 months	7.7	1.8
12 months	11.8	2.1

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**7,742**	**8,048**	**8,336**
CNP growth (%)	(1)	4	4
Div yield (%)	**5.9**	**6.1**	**6.3**
Gross DPS (sen)	46.5	48.2	49.8
P/BV (x)	**1.2**	**1.1**	**1.1**
BVPS (RM)	6.8	7.0	7.2
ROE (%)	**10.8**	**10.9**	**11.0**
% Street CNP (%)	**96**	**93**	**91**

KEY STATISTICS	
FBM KLCI	1,727.39
Issue shares (m)	10,790.7
Estimated free float (%)	69.5
Market Capitalisation (RM'm)	86,259.0
52-wk price range	RM7.00 – RM8.95
3-mth average daily volume (m)	12.2
3-mth average daily value (RM'm)	93.3
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

Salient Points

A weaker set of earnings.

Management's tone: Negative.

Expect: Persistent challenges amid a challenging macroeconomic backdrop.

Our Verdict

Niaga faces a tough time ahead, but a better outlook in other geographical regions bodes well for CIMB. Great dividend yields help.

Valuations

An unchanged FY27F P/BV of 1.33x

Current P/BV of 1.25x is trading above +1SD of the 10-year P/BV mean of 1.00x. However, we think this is warranted given the Group's improved profitability levels and dividend yields.

The company is currently trading at a forward FY27F P/BV of 1.14x 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 its cross-selling capability 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. ► Less certain on provisioning outlook, despite asset quality being intact – weakness in regional segments is expected.
7. ► Thai segment restructuring is close to the end, and we should see ROE expansion eventually.
8. ▼ On the other hand, Niaga's outlook is less optimistic, and the Group intends to reallocate capital from the segment.

Income Statement:

▼ **6MFY26's Core NP of IDR3.44tr was down by -1%yoy.** The drag came from higher OPEX and provisioning charges, which offset improved NOII performance.

▼ **2QFY26's Core NP of IDR1.67tr down by -5%qoq.** The drag came from weaker NOII and higher provisioning, which offset improvements in NII and OPEX.

Analyst

Samuel Woo

samuelwoo.cy@mbsb.com

03-2173 8461

Have a look at:

▼ **Negative revisions to several metrics – NOII and better cost control to drive earnings.** Management revises the FY26 NIM, CoC and ROE targets downward. Although the loan growth outlook is not the brightest, achieving the lower bound of the guidance still seems possible.

Niaga is looking at cost control and stronger fee income performance as core drivers for FY25's earnings growth. OPEX remains well controlled this year, particularly tech and personnel costs (cutting ATMs helped). Note that while "other expenses" saw a big increase on a sequential year basis, this was due to several one-offs taken this year. As for NOII, fee income is shaping up to be a core, stable driver for the bank – with a large chunk coming from bancassurance and funding & admin fees. Good loan recoveries (under the "Other Income" line) were also seen this quarter from CNAF's written-off auto segment. Expect further recoveries in subsequent quarters.

▼ **NIM is becoming an issue.** Niaga foresees issues repricing loans and deposit rates following BI's recent interest rate movements. Niaga expects NIM to compress in the following quarter, as irrational deposit competition ramps up again. Niaga has no choice but to rely on FDs once again, as the L/D ratio of 90.4% is too high for their comfort.

We are not overly confident in loan yields either, though they are moving upwards. Niaga mentioned that it will be shifting to lower-risk (and lower-yielding) loans amid the troubling macroeconomic backdrop. Repricing these loans also tends to be more difficult.

▼ **Some difficulty in growing loans and passing on rates.** Niaga expects retail loan growth to be more moderate. Due to riskier macroeconomic conditions, it will also be exiting several higher-risk (and higher-yield) segments, such as BNPL channelling and Fintech business – and focus attention on lower-yielding loan segments.

The problem with growing lower-risk loans is that it also tends to be more rate-sensitive. Niaga is already having issues passing on the recent rate hike to loan customers, particularly to the commercial and SME loan segments (due to high levels of competition). Niaga estimates that only 70% of its business book has been repriced so far.

▼ **Weaker provisioning outlook – though some of it is due to a regulatory one-off.** While NPL levels improved on a sequential quarter basis, Niaga continue to have concerns on the overall macroeconomic outlook. It will be issuing further large provisions in 2HFY26 and has already adjusted its FY26 CoC guidance accordingly.

We saw a large provision this quarter of 116bps. Management attributes this to both macroeconomic overlays and a large regulatory one-off treatment on the auto segment of their subsidiary, CNAF (estimated to comprise 20bps of the provision). There were several sizeable recoveries in the quarter to soften the blow. These recoveries should be more normalised going forward.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (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 FY27F P/BV of 1.33x.
(GGM assumptions: *FY27F ROE of 10.9%, LTG of 4.0% & COE of 9.2%)*

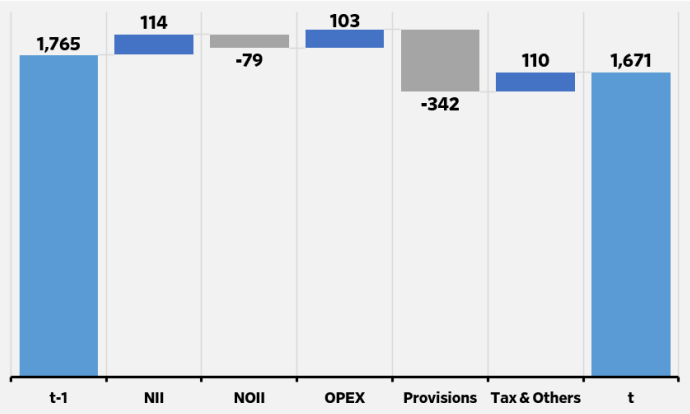
FIG 1: Quarterly results

FYE Dec (IDR b)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Net interest income	3,334	3,220	3,305	1	4	6,554	6,623	-1
Non interest income	1,757	1,836	1,450	21	-4	3,593	2,873	25
Net income	**5,091**	**5,056**	**4,755**	**7**	**1**	**10,147**	**9,496**	**7**
OPEX	(2,267)	(2,370)	(2,141)	6	-4	(4,637)	(4,324)	7
PPOP	**2,824**	**2,686**	**2,614**	**8**	**5**	**5,510**	**5,172**	**7**
Provisions	(762)	(420)	(422)	81	81	(1,182)	(738)	60
Core PBT	**2,062**	**2,266**	**2,192**	**-6**	**-9**	**4,328**	**4,434**	**-2**
Core NP	**1,671**	**1,765**	**1,650**	**1**	**-5**	**3,436**	**3,455**	**-1**
Reported PBT	**2,062**	**2,266**	**2,191**	**-6**	**-9**	**4,328**	**4,434**	**-2**
Reported NP	**1,671**	**1,765**	**1,650**	**1**	**-5**	**3,436**	**3,455**	**-1**
Total loans (IDR tr)	247	235	232	6.6	5.1			
Total deposits (IDR tr)	269	260	262	2.8	3.5			
CASA (IDR tr)	193	192	181	6.9	0.4			

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	QoQ (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**12.5**	**12.7**	**13.1**	**-0.6**	**-0.2**	**12.6**	**13.5**	**-0.9**
NIM (Reported)	**3.85**	**3.83**	**3.93**	**-0.08**	**0.02**	**3.84**	**3.96**	**-0.12**
NOII/Net income	34.5	36.3	30.5	4.0	-1.8	35.4	30.3	5.2
Cost/Income	44.5	46.9	45.0	-0.5	-2.3	45.7	45.5	0.2
CoC (Ann.) (bps)	116	79	84	32	37	98	65	33
Gross NPL ratio	1.83	1.88	1.88	-0.05	-0.05			
G. impairment ratio	2.60	2.90	3.90	-1.30	-0.30			
Loan loss coverage	152	176	234	-82	-24			
CASA ratio	71.7	73.9	69.0	2.7	-2.2			
L/D ratio (Reported)	90.4	89.2	87.3	3.1	1.2			
CAR - Tier 1	22.4	24.2	22.9	-0.5	-1.8			

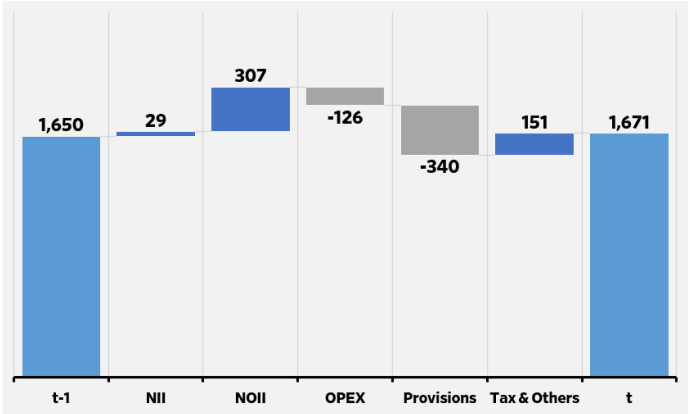
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly results)



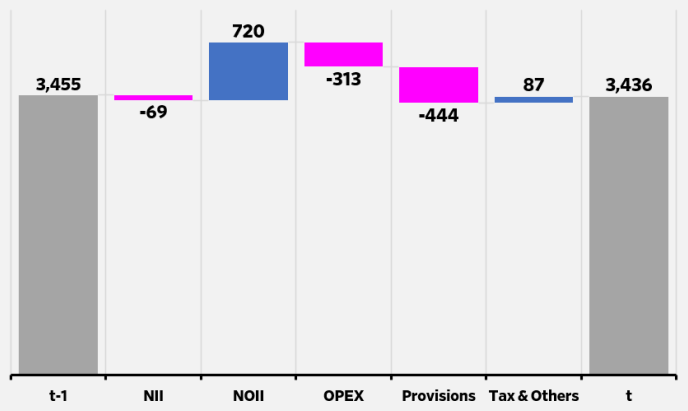
Source: Company, MBSBR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MBSBR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MBSBR

FIG 5: FY26 Guidance

2026 priorities

1. Accelerate revenue diversification, growing fee and commission income to cushion margin pressure
2. Prioritize liquidity resilience, supported by steady deposit growth to fund the balance sheet
3. Deepen customer engagement across wealth, digital and transaction banking to build recurring fee streams
4. Maintain disciplined loan growth, keeping asset quality sound and provisioning prudent
5. Continue investing to improve productivity with full commitment to profitable growth and value creation

Parameters	1H26 Actual	Revised 2026 Guidance
Loan Growth	6.6%	3% - 5% *Unchanged*
NIM	3.84%	3.8% - 4.0% *Previous: 3.9% - 4.1%*
COC	0.98%	1.1% - 1.4% *Previous: 0.9% - 1.1%*
CIR	45.7%	45% - 46% *Unchanged*
ROE (1)	12.6%	11.5% -12.5% *Previous: 12.5%-13.5%*

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)	11.0	10.8	11.0	10.6	10.2
Div yield (%)	**5.9**	**5.9**	**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: 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