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 Uncertainties

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Neutral

Expect: The market to pay close attention to dividend release plans.

Our Verdict

CIMB's fundamental outlook faces more uncertainty than most, largely from Niaga's potential asset quality and NIM headwinds. But it has some tricky levers to achieve its ROE target: These include expediting cost takeout in TH and frontloading special dividends in FY26. CIMB also has the most dividend upside of any listed bank: Apart from its willingness to frontload dividends, it is upshoring capital from subsidiaries and divesting further non-profitable businesses.

Valuations

An unchanged FY27F P/BV of 1.33x

Current P/BV of 1.22x is trading +1SD of the 10-year P/BV mean of 1.00x. It is warranted given CIMB'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 BAU levels and will supplement this with special dividends. There is a chance that CIMB may frontload special dividends to hit ROE target.
2. ▲ Has shown convincing NOII expansion thus far, with its cross-selling capability slowly netting growth. Wealth management is the main driver.
3. ▲ Superb cost control seen in FY26, with further cost takeouts expected (though on a smaller scale).
4. ► 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.
5. ► 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.
6. ► No significant asset quality deterioration yet, and the Group is well provisioned.
7. ▼ NIM faces possible downside. ID's recent interest rate hike remains the main source of negative pressure.

Results in a nutshell:

► **6MFY26's Core NP of RM3,855m is *Within/Within* our/street forecasts: *50%/50%* of full-year forecasts.**

RETURN STATISTICS	
Price @ 28 August 2026 (RM)	7.96
Expected share price return (%)	+16.7
Expected dividend yield (%)	+6.1
Expected total return (%)	**+22.8**

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 (%)	**5.8**	**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	1,725.88
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

Analyst

Samuel Woo

samuelwoo.cy@mbsb.com

03-2173 8461

► **Dividends announced.** DPS of 19.7 sen translates to a payout of 55% for 6MFY26.

► **6MFY26's Core net profit (NP) of RM3,855m was flat at 0%yoy.** Better NOII, OPEX and tax charges were offset by weaker NII and higher provisions.

▲ **2QFY26's Core NP of RM1,938m up by +1%qoq.** The increase was driven by better NII, NOII and OPEX, which offset higher provisions and tax charges.

Have a look at:

▼ **NIM target revised downward.** FY26 NIM target cut from +/- 5 bps to 0 – 10 bps of compression. NIMs are expected to remain stable at the current 2.04% level, as long as NIM optimisation initiatives work. What led to the negative revision was ID's interest rate hike, due to the market's inability to reprice loans immediately. A mid-single-digit contraction in NII is expected in FY26.

▲ **Some offsets to further NIM weakness.** In MY, there will be a pivot to cheaper retail FDs in 2H, as the wholesale funding priced upwards following KLIBOR increases. The Group stresses that liquidity is not tight in MY, but there are pockets of intensifying competition. In ID, CASA growth has been good so far and will impact 2HFY26's results. The Group will also be replacing pricier repos with cheaper FDs. Repricing of loans is gradual but ongoing. In other offshore locations such as SG and HK, liquidity is still flush, and deposits can be easily grown.

▲ **Confident on wealth management outlook.** CIMB's fee income is bolstered by sharp growth in wealth management flows. ASEAN in general is receiving these inflows as a regional replacement for the Middle East, given the region's ongoing conflict. Countries such as SG see more attention than others. CIMB thinks they can retain these flows better than peers due to its differentiated wholesale product offerings, as well as good location spread across ASEAN, ideal for customers doing business across multiple countries.

▼ **A large one-off provision.** This quarter saw both large pre-emptive overlays and a one-off RM60m regulatory treatment for the auto segment in ID. (Usually, the hit would have been to ID's NOII – but due to regulatory changes, the impact was diverted to NCC instead.)

Even when buffered with large recoveries in both SG and ID, the provision is so large that it lifted 1HFY26's NCC to 35bps, at the higher end of the 25 – 35bps guidance. However, CIMB assures that FY26's NCC will fall within the guided range as subsequent quarters will have more normalised figures.

It helps that there have been no major asset quality deterioration trends yet, only one-offs. CIMB avoids serious issues by having exited multiple high-risk segments which saw tension earlier on (such as ID fintech).

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%)*

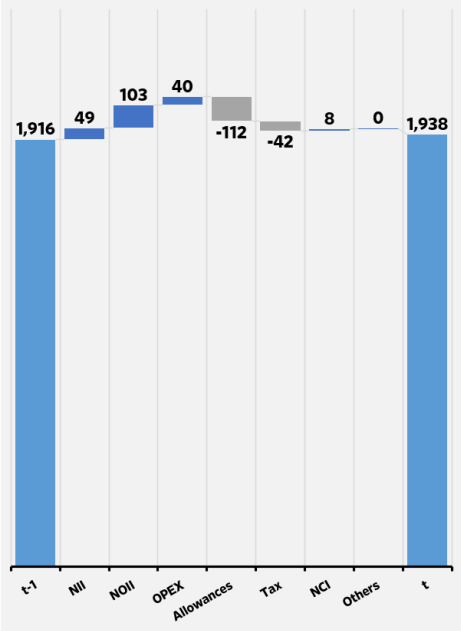
FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Net interest inc.	2,714	2,657	2,788	-3	2	5,372	5,605	-4
Islamic banking inc.	1,227	1,189	1,267	-3	3	2,416	2,481	-3
Non-interest inc.	1,620	1,564	1,547	5	4	3,184	3,015	6
Net income	**5,562**	**5,410**	**5,602**	**-1**	**3**	**10,972**	**11,101**	**-1**
OPEX	(2,515)	(2,555)	(2,551)	-1	-2	(5,070)	(5,131)	-1
PPOP	**3,047**	**2,855**	**3,051**	**-0**	**7**	**5,903**	**5,970**	**-1**
Loan provisions	(441)	(357)	(409)	8	23	(798)	(696)	15
Other provisions	(27)	1	4	<-500	<-500	(26)	(19)	36
JV & Associates	28	52	1	n.m.	n.m.	80	20	n.m.
PBT	**2,607**	**2,551**	**2,648**	**-2**	**2**	**5,158**	**5,275**	**-2**
Tax	(637)	(595)	(717)	-11	7	(1,232)	(1,317)	-6
NCI	(32)	(40)	(42)	-23	-20	(72)	(96)	-25
Reported NP	**1,938**	**1,916**	**1,889**	**3**	**1**	**3,855**	**3,862**	**-0**
Core NP	**1,938**	**1,916**	**1,889**	**3**	**1**	**3,855**	**3,862**	**-0**
Total NII	3,732	3,683	3,833	-3	1	7,415	7,652	-3
Total NOII	1,830	1,727	1,769	3	6	3,557	3,449	3
Gross DPS (sen)	**19.7**	**-**	**19.8**	**n.m.**	**n.m.**	**19.7**	**19.8**	**n.m.**
Core EPS (sen)	17.9	17.7	17.6	2	1	35.6	36.0	-1
Gross loans	458,082	454,328	448,915	2.0	0.8			
Gross impaired loans	7,522	7,634	9,642	-22.0	-1.5			
Customer deposits	483,735	476,235	467,433	3.5	1.6			
CASA	224,534	223,647	222,081	1.1	0.4			

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**11.0**	**11.1**	**10.7**	**0.3**	**-0.1**	**10.8**	**10.7**	**0.0**
NIM (Reported)	**2.04**	**2.08**	**2.15**	**-0.11**	**-0.04**	**2.06**	**2.16**	**-0.10**
NOII/Net income	32.9	31.9	31.6	1.3	1.0	32.4	31.1	1.4
Cost/Income	45.2	47.2	45.5	-0.3	-2.0	46.2	46.2	-0.0
NCC (Ann.) (bps)	39	32	37	2	7	35	31	4
GIL ratio	1.64	1.68	2.15	-0.51	-0.04			
Loan loss coverage	100	102	101	-1	-2			
CASA ratio	46.4	47.0	47.5	-1.1	-0.5			
L/D ratio	93.1	93.8	94.0	-0.8	-0.6			
CET-1	13.9	13.8	14.7	-0.8	0.1			

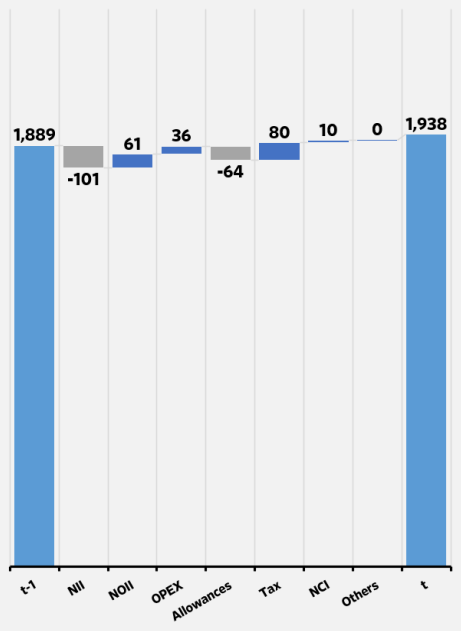
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



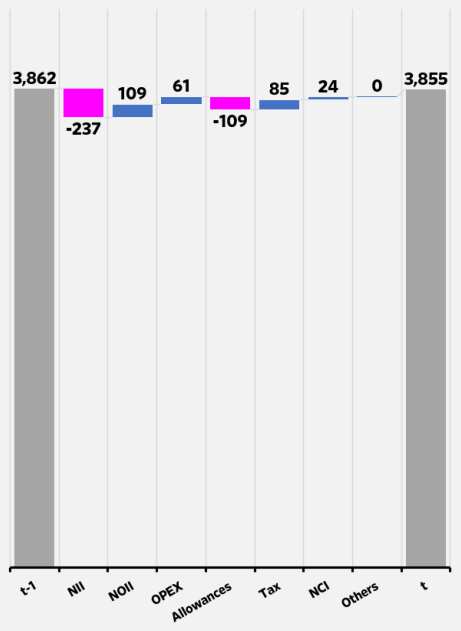
Source: Company, MBSBR

FIG 3: YoY P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: YoY P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26F	1H FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	11.0 – 11.5	10.8	
CIR	<47	46.2	
NIM	2.03 – 2.13 ~~2.08 – 2.18~~ (from 2.13)	2.06	Cut due to the ID interest rate hike.
NOII		3% (yoy)	
Loans	Asset: 5 – 7 Loans: (Unofficial) Mid-single-digit	1.1 (YTD)	
Deposits		1.3 (YTD)	
% CASA		46.4	
Loan/Depo		93.1	
GIL ratio		1.64	
NCC (bps)	25 – 35	35	
CET 1		13.9	
Div payout	55 + Special Div	55	

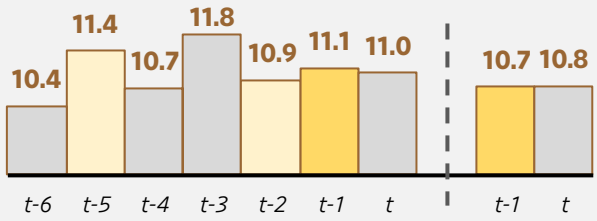
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

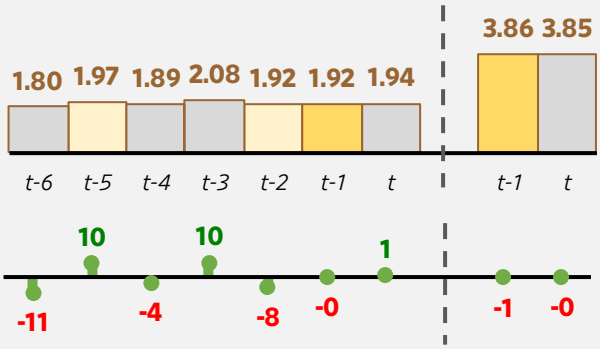
2QFY26 / 6MFY26 results

Earnings:	Within our full-year forecasts	(50%)
	Within street full-year forecasts	(50%)
Dividend:	YES	
YTD payout:	55%	

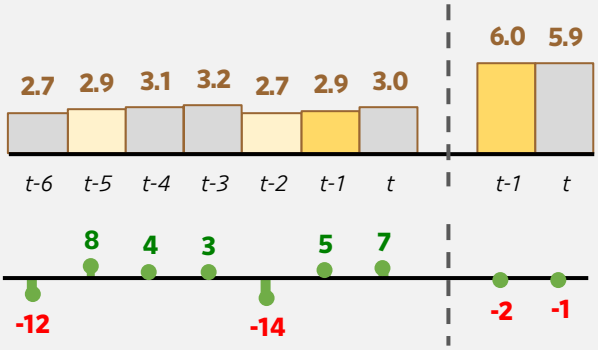
ROE (%)



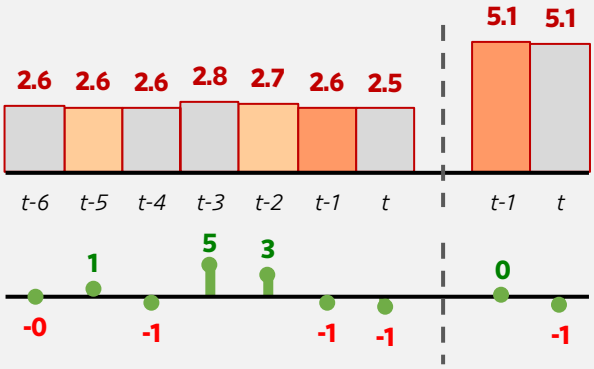
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



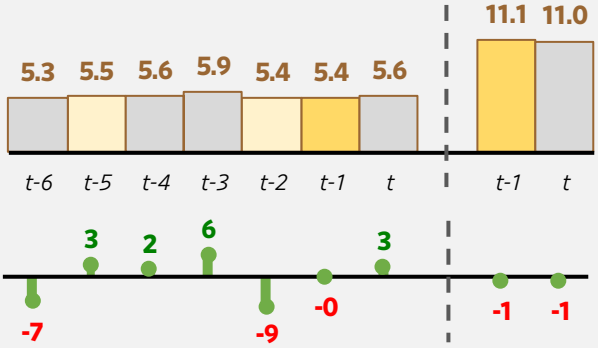
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



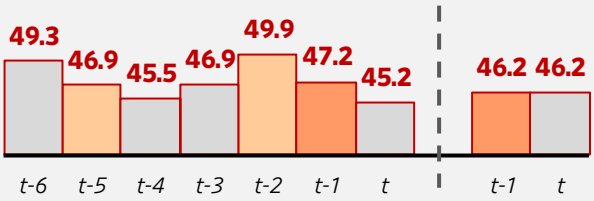
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



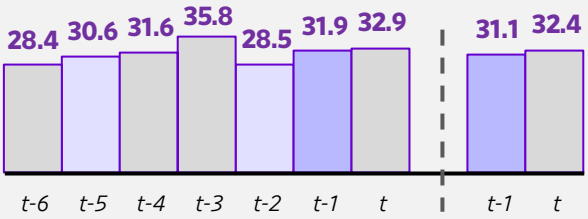
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



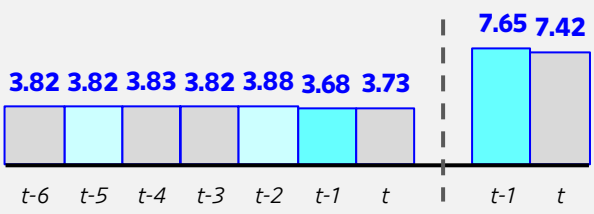
Cost/Income ratio (%)



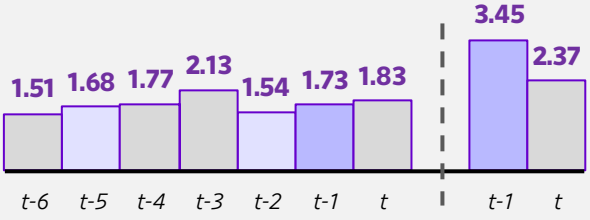
% NOII as topline (%)



Net interest income (RM b)

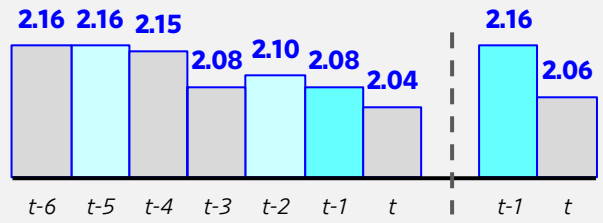


Non-interest income (RM b)

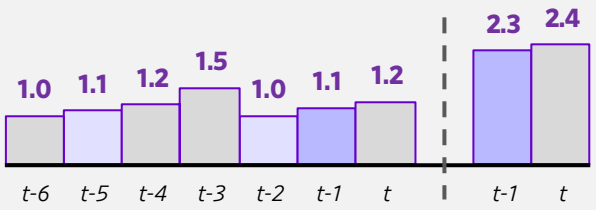


Source: Company, MBSBR

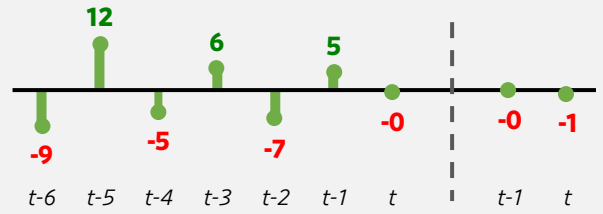
NIM (%)



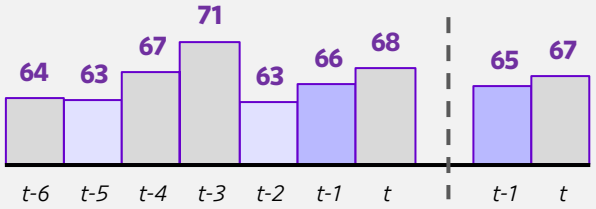
Non-fee NOII (RM b)



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

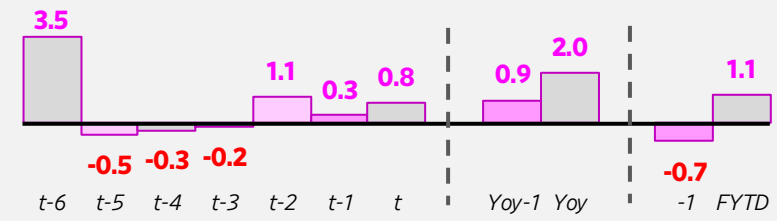


% Non-fee income as NOII (%)

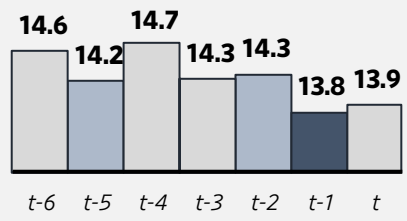


BALANCE SHEET

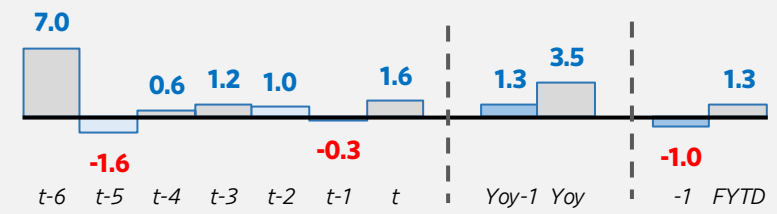
Loan growth -- qoq, yoy, FYTD (%)



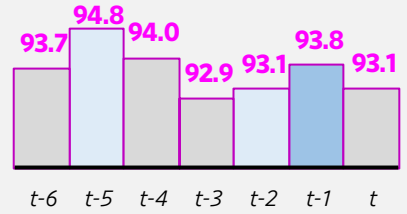
CET 1 ratio (%)



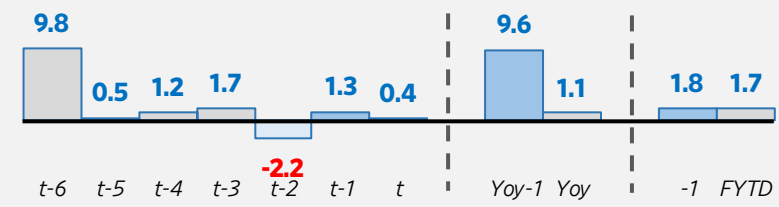
Deposit growth -- qoq, yoy, FYTD (%)



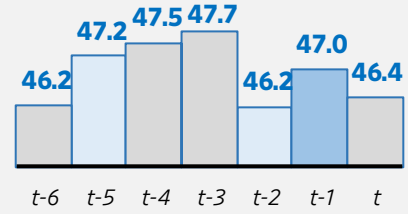
Loan/Deposit ratio (%)



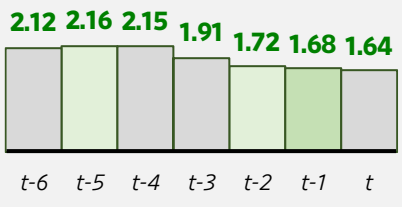
CASA growth -- qoq, yoy, FYTD (%)



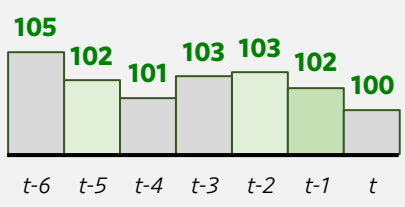
CASA ratio (%)



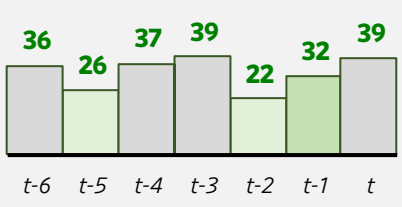
GIL ratio (%)



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	1,938	Qtrly ROE	Qtr value	11.0%
	25% of FY CNP				
	Qoq	1%		t-1	11.1%
	Yoy	3%		t-4	10.7%
Cum Core NP	RM mil	3,855	Cum ROE	Cum value	10.8%
	Within our forecast				
	50% of FY CNP				
	Within consensus				
	50% of FY CNP				
	Yoy	-0%		t-1	10.7%
NII	As expected		NIM	As expected	
				Qtr value	2.04
				Cum value	2.06
	Qtr (Qoq)	1%		Qtr (Qoq)	-4bps
	Qtr (Yoy)	-3%		Qtr (Yoy)	-11bps
	Cum (Yoy)	-3%		Cum (Yoy)	-10bps
NOII	As expected		Qtr	% NII	67%
	Qtr (Qoq)	6%		% NOII	33%
	Qtr (Yoy)	3%	Cum	% NII	68%
	Cum (Yoy)	3%		% NOII	32%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	45.2%
				Cum value	46.2%
	Qtr (Qoq)	-2%		Qtr (Qoq)	-2.0%
	Qtr (Yoy)	-1%		Qtr (Yoy)	-0.3%
	Cum (Yoy)	-1%		Cum (Yoy)	-0.0%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	0.8%			
	Yoy	2.0%			
	YTD (FY)	1.1%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	1.6%		Qoq	0.4%
	Yoy	3.5%		Yoy	1.1%
	YTD (FY)	1.3%		YTD (FY)	1.7%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	46.4%		Value now	93.1%
	Qoq	-0.5%		Qoq	-0.6%
	Yoy	-1.1%		Yoy	-0.8%
GIL ratio	+ve surprise		LLC ratio	As expected	
	Value now	1.64%		Value now	100%
	Qoq	-4bps		Qoq	-2%
	Yoy	-51bps		Yoy	-1%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Heavy provision			Decent provision	
	Value now	39bps		Value now	35bps
	t-1	32bps			
	t-4	37bps		t-4	31bps
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	13.9%		Payout	55%
	Qoq	0.1%			

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**	**5.8**	**6.1**	**6.3**
P/BV (x)	1.2	1.2	1.2	1.1	1.1

Source: Company, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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