Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM8.35**

NIAGA 3QFY26 Results Review
NIM and Asset Quality Woes

Our Verdict

Unfortunately, Niaga's poor outlook remains.

Valuations

An unchanged FY27F P/BV of 1.20x

Current P/BV of 1.09x is trading above its 10-year P/BV mean of 1.00x. However, this is warranted, given the Group's improved asset quality, and dividend and profitability prospects.

The company is currently trading at a forward FY27F P/BV of 1.02x with a +6.8% dividend yield.

Themes

1. ▲ Dividend yields remain high, especially when bolstered by special dividends. There is a chance that CIMB may frontload special dividends to hit the ROE target – but share buybacks may eat into the remaining RM850m from the capital release programme.
2. ▲ Superb cost control seen in FY26, with further cost takeouts expected (though on a smaller scale).
3. ► Has shown convincing NOII expansion thus far, with its cross-selling capability slowly netting growth. Wealth management is the main driver. However, watch for drag from investment losses.
4. ► Mid-single-digit level loan growth expected. MY corporate remains the central driver.
5. ► Thai segment restructuring is close to the end, and we should see ROE expansion eventually.
6. ► No significant asset quality deterioration yet, and the Group is well provisioned. 2HFY26 to see higher NCC, but this is due to lower recoveries.
7. ▼ NIM faces downside pressure in virtually all markets.
8. ▼ ID's ongoing difficulties complicate matters. Apart from a complicated macroeconomic backdrop, concerns largely centre about NIM and provisioning concerns.

RETURN STATISTICS	
Price @ 28 October 2026 (RM)	7.11
Expected share price return (%)	+17.4
Expected dividend yield (%)	+6.8
Expected total return (%)	**+24.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.6	-2.2
3 months	-7.6	-0.8
12 months	-1.0	-1.1

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**7,742**	**8,048**	**8,336**
CNP growth (%)	(1)	4	4
Div yield (%)	**6.6**	**6.8**	**7.1**
Gross DPS (sen)	46.6	48.4	50.2
P/BV (x)	**1.1**	**1.0**	**1.0**
BVPS (RM)	6.7	7.0	7.2
ROE (%)	**10.8**	**10.9**	**11.0**

KEY STATISTICS	
FBM KLCI	1,613.87
Issue shares (m)	10,790.7
Estimated free float (%)	70.1
Market Capitalisation (RM'm)	77,412.3
52-wk price range	RM7.13 – RM8.95
3-mth average daily volume (m)	12.5
3-mth average daily value (RM'm)	96.5
Top Shareholders (%)	
Khazanah Nasional Bhd	21.5
EPF Board	17.4
Amanah Saham Nasional Bhd	9.9

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Income Statement:

▼ **9MFY26's Core NP of IDR 4.49tr was down by -15yoy.** The decrease was due to weaker NII, and higher OPEX and provisioning charges. This offset the better NOII performance.

▼ **3MFY26's Core NP of IDR 1.81b was down by -37%qoq.** The decline was driven mainly by weaker NOII and higher provisions, which offset lower OPEX.

Have a look at:

▼ **The weaker quarter has led to management revising its FY26 target downwards.** NIAGA has revised its NIM and ROE guidance. It's due a combination of recent (and potential future) rate hikes, as well as an inability to grow loans quickly due to ongoing asset quality concerns.

This quarter's earnings weakness came from three sources: (1) NIM impact from rate hike, (2) A large pre-emptive provision this quarter, and (3) Weaker NOII, mainly due to lower loan recovery, treasury and market income.

▼ **NIM outlook is less than ideal.** Although loan yields are rising encouragingly, this was offset by an increase in COF from recent rate hikes. Most of the repricing comes from the corporate portfolio, which is repricing quicker than the consumer portfolio.

Unfortunately, management cannot verify if NIMs have reached its bottom, with the threat of future rate hikes looming. Also, liquidity has tightened this quarter, which puts more pressure on COF. At the very least, NIAGA's LDR is pretty optimal, allowing for more selective deposit growth – hence allowing an opportunity to defend NIM.

At the very least, management is confident in repricing their loans much quicker if it happens again – in the previous hike, management was taken by surprise. If no further rate hikes happen, and loan yields are repriced according to plan, NIM could come in the upper bound of guidance at 3.8 – 3.9%.

▼ **Overall loans growth to remain weak.** The Group continues to prioritise asset quality over NIMs. This should keep loan growth depressed in the time being. Corporate (and to an extent, SME) segments will still act as the main growth driver for now, despite lower yields. Unfortunately, growth in other segments remain weak – better asset-quality loans from these segments are just too competitive.

▼ **Consumer portfolio has some asset quality stress.** Asset quality indicators have improved this quarter (aided by a large recovery), but management remains wary of recent stresses in consumer book. Areas of concern remain the same: Mortgages, auto, personal loans and fintech segments are under close watch.

Hence, this quarter's provision was abnormally large: A large one-off IDR 0.5tr pre-emptive provision was seen this quarter, mainly to account for rising mortgage stress. While 4QFY26 won't see such a large provision, management cautions that FY26 NCC should remain close to 9MFY26's current 135bps. They expect NCC to remain an issue in FY27F as well.

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 8.35. The TP is based on an unchanged FY27F P/BV of 1.20x.
*(**GGM assumptions:** FY27F ROE of 10.9%, LTG of 4.0% & COE of 9.8%)*

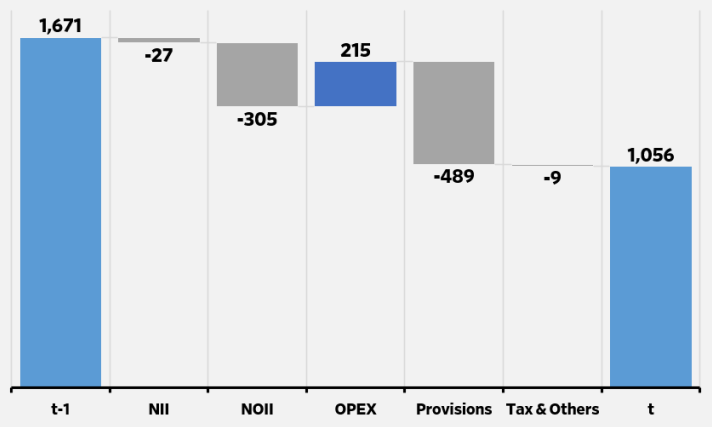
FIG 1: Quarterly Results

FYE Dec (IDR b)	3Q FY26	2Q FY26	3Q FY25	Yoy (%)	Qoq (%)	9M FY26	9M FY25	Yoy (%)
Net interest income	3,307	3,334	3,455	-4	-1	9,861	10,078	-2
Non interest income	1,452	1,757	1,810	-20	-17	5,045	4,683	8
Net income	**4,759**	**5,091**	**5,265**	**-10**	**-7**	**14,906**	**14,761**	**1**
OPEX	(2,052)	(2,267)	(2,220)	-8	-9	(6,689)	(6,544)	2
PPOP	**2,707**	**2,824**	**3,045**	**-11**	**-4**	**8,217**	**8,217**	**0**
Provisions	(1,251)	(762)	(735)	70	64	(2,433)	(1,473)	65
Core PBT	**1,456**	**2,062**	**2,310**	**-37**	**-29**	**5,784**	**6,744**	**-14**
Core NP	**1,056**	**1,671**	**1,814**	**-42**	**-37**	**4,492**	**5,269**	**-15**
Reported PBT	**1,456**	**2,062**	**2,310**	**-37**	**-29**	**5,784**	**6,744**	**-14**
Reported NP	**1,056**	**1,671**	**1,814**	**-42**	**-37**	**4,492**	**5,269**	**-15**
Total loans (IDR tr)	243	247	229	6.1	-1.9			
Total deposits (IDR tr)	274	269	278	-1.5	1.6			
CASA (IDR tr)	197	193	189	4.4	2.0			

Ratios (%)	3Q FY26	2Q FY26	3Q FY25	Yoy (ppts)	QoQ (ppts)	9M FY26	9M FY25	Yoy (ppts)
ROE (Ann.)	**7.6**	**12.5**	**13.6**	**-6.0**	**-4.9**	**10.9**	**13.5**	**-2.6**
NIM (Reported)	**3.78**	**3.85**	**4.08**	**-0.30**	**-0.07**	**3.82**	**4.00**	**-0.18**
NOII/Net income	30.5	34.5	34.4	-3.9	-4.0	33.8	31.7	2.1
Cost/Income	43.1	44.5	42.2	1.0	-1.4	44.9	44.3	0.5
CoC (Ann.) (bps)	206	116	128	78	90	135	86	49
Gross NPL ratio	1.81	1.83	1.98	-0.17	-0.02			
G. impairment ratio	2.10	2.60	3.40	-1.30	-0.50			
Loan loss coverage	117	148	196	-79	-32			
CASA ratio	72.0	71.7	67.9	4.1	0.3			
L/D ratio (Reported)	87.7	90.4	81.1	6.6	-2.7			
CAR - Tier 1	22.6	22.4	23.6	-1.0	0.2			

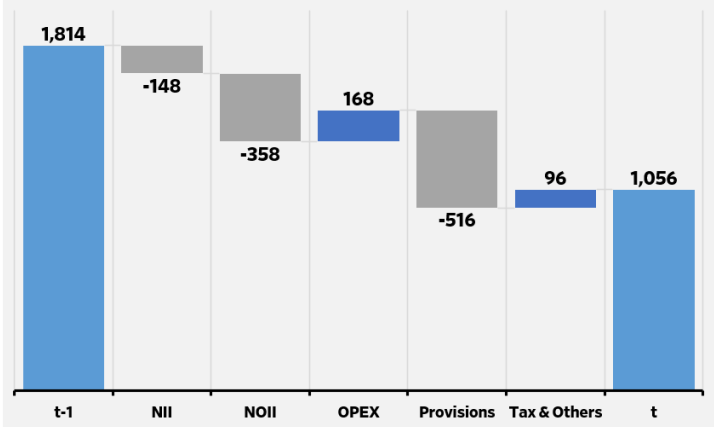
Source: Company, MBSBR

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



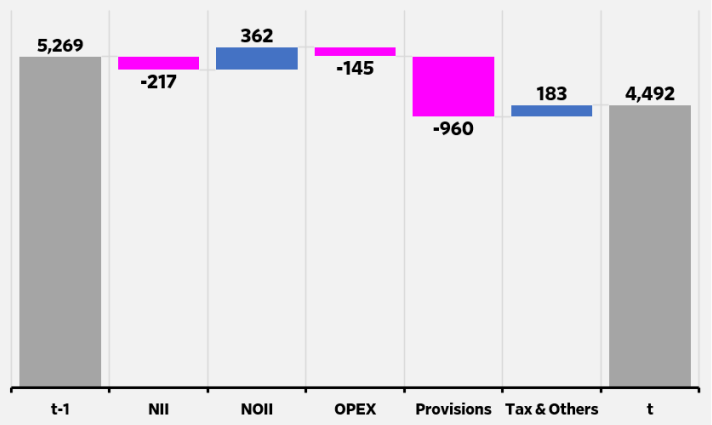
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

FIG 5: NIAGA's revised FY26 guidance

Parameters	9M26 Actual	Revised 2026 Guidance
Loan Growth	6.7%	3% - 5% *Unchanged*
NIM	3.82%	3.7% - 3.9% *Previous: 3.8%-4.0%*
COC	1.35%	1.1% - 1.4% *Unchanged*
CIR	44.9%	45% - 46% *Unchanged*
ROE (1)	10.9%	11.0% -12.0% *Previous: 11.5%-12.5%*

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)	72.0	73.2	72.1	74.9	77.6
Gross DPS (sen)	47.0	47.1	46.6	48.4	50.2
Div payout (%)	65	65	65	65	65
BVPS (RM)	6.4	6.6	6.7	7.0	7.2
Core P/E (x)	9.9	9.7	9.9	9.5	9.2
Div yield (%)	**6.6**	**6.6**	**6.6**	**6.8**	**7.1**
P/BV (x)	1.1	1.1	1.1	1.0	1.0

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