Corporate Update

CIMB Group Holdings Berhad

(1023 | CIMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM8.35**

(from RM9.20)

3QFY26 Pre-Results
Some Disappointments

Our Verdict

Mixed feelings. On one hand, some downsides to special dividends: THAI's auto disposal repatriation sum is less than guided, and management is still deciding how its capital programme's remaining RM850m will be split between special dividends and share buybacks.

On the other hand, FY26 guidance is maintained, assuaging investors' fears of missed earnings. We wonder if the threat to special dividends could lead to a local investor sell-off; And if that happens, will the share price be supported by foreign investors, who are more comfortable with share buybacks?

Valuations

A revised FY27F P/BV of 1.20x *(formerly 1.33x)*

Current P/BV of 1.10x is trading above its 10-year P/BV mean of 1.00x. But this is warranted, given the Group's improved dividend and profitability prospects. The company is currently trading at a forward FY27F P/BV of 1.08x with a 6.5% 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.

RETURN STATISTICS	
Price @ 20 October 2026 (RM)	7.48
Expected share price return (%)	+11.6
Expected dividend yield (%)	+6.5
Expected total return (%)	**+18.1**

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 (%)	**6.2**	**6.5**	**6.7**
Gross DPS (sen)	46.6	48.4	50.2
P/BV (x)	**1.1**	**1.1**	**1.0**
BVPS (RM)	6.7	7.0	7.2
ROE (%)	**10.8**	**10.9**	**11.0**

KEY STATISTICS	
FBM KLCI	1,599.58
Issue shares (m)	10.790
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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Have a look at:

► **NIAGA must deal with IDX's 15% free float requirements – privatisation incoming?** A sale is not on the cards: CIMB is into NIAGA for the long haul, and this downturn is just a blip on the radar. Management lists out three possible solutions to comply:

1. Re-IPO, which is not ideal given the market's poor performance.
2. Engaging new investors to sell off their shareholdings.
3. Taking NIAGA private, which, given its current share price, seems like a good idea. Management seems seriously considering this, but stresses that regulatory hurdles remain the main obstacle.

CIMB owns 92.5% of NIAGA. If NIAGA is taken private at its current IDR1.55k share price, it implies a purchase consideration of IDR2.95tr (RM670m) – while a 30% premium implies a purchase consideration of IDR3.84tr (RM871m). So, we are looking at an 18 – 23bps reduction from the latest 13.9% CET 1 ratio. But we think it will come closer to the lower bound: Management stressed that the priority will be to use as little capital as possible, so expect opportunistic stake accumulation on a gradual basis.

Also, management highlights that NIAGA's capital reserves will not be fully depleted. The intention is to continue with NIAGA's regular dividend payouts – but special dividends from NIAGA going forward are unlikely.

► **CIMB Philippines is being restructured.** The priority is to move away from problematic segments. They are happy to lower margins in favour of better asset quality.

▼ **THAI auto disposal disappointment.** While the disposal is on track for 4QFY26 execution, the repatriated sum is reduced to THB7b (RM850m) from the previously guided THB11b figure. This translates to a +22bps increase in the CET1 ratio. Most of it will be used for growth purposes (and possibly taking NIAGA private) – hence very little, if any, will be given back as special dividends. The RM850m also nicely offsets the calculated sum should NIAGA be taken private.

▼ **Possible special dividend disappointment.** The previous RM1.3b left for capital release is now RM850m, with RM450m used up for share buybacks (no cancellations planned yet). As of now, the Group is deciding how to further split the RM850m between dividend payouts and share buybacks, which implies further downside to the special dividend payout. The intention is still to frontload the brunt (if not all) of the capital release by FY26. By the sound of it, 3QFY26 will not have any special dividend announcements.

► **Less interest from local investors, more from foreign investors?** Local investors tend to prefer cash dividends over share buybacks. With so much threat to special dividends, we wonder if local investors will sell off – only to be bought by foreign investors more comfortable with the prospect of share buybacks and other forms of financial engineering.

FIG 1: CIMB's Foreign Shareholdings: Aug-26's level is still 29.4%



Source: Company, MBSBR

▲ **FY26 targets still intact, which should assuage investors' fears of missed earnings.** This is despite the incoming headwinds of weaker NIM, investment returns and higher NCC. Drivers remain loan growth, solid OPEX control and fee income.

▼ **NIMs from all markets to feel pressure.** MY's deposit competition has only intensified in 3QFY26 and will continue to remain elevated through year's end. Extra funding from HK and SG will be used to fund MY's strong loan growth, so expect a hit to their respective NIMs. There is a high likelihood that ID will be hit by further rate hikes by year's end. However, management is anticipating it this time, which allows them to react to it more quickly. They are optimistic that they will manage a future hike better than June's rate hike, which took them by surprise.

► **Continual fee income growth to offset weak investment income.** Both wealth and treasury fee income performed well – investment losses remain manageable. We also point out that MGS yields have fallen once again, offering room to take profit in 4QFY26. However, 3QFY26 will not see a repeat of the RM100m lumpy "other income" recorded last quarter.

▼ **No asset quality issues, but higher NCC in 2HFY26.** This is due to mechanical MEF allocations, as well as 1HFY26 benefiting from larger recoveries. Do not expect any overlay writebacks. Even in the ID portfolio, nothing worth worrying about.

▲ **Loan growth to remain strong.** The brunt of it comes from MY's corporate loans, from both data centres and the E&E (semiconductor) industry. On a more positive note, the Group confirms that loan yields for data centre projects have improved, as the volume of interested clients has reduced significantly from several quarters back. The Group also confirms that it is still aggressively growing affluent-segment residential mortgages, as the cross-sell potential offsets the lower yields.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weakness in the Indonesian segment, (2) Dividend payout disappointments, (3) Weak NOII performance.*

BUY call: Revised GGM-TP of RM 8.35 ***(from RM9.20)***. The TP is based on a revised FY27F P/BV of 1.20x *(formerly 1.33x),* to reflect heightened fears of the ongoing situation in Indonesia.

(GGM assumptions: *FY27F ROE of 10.9%, LTG of 4.0% & COE of 9.8%)*

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)	10.4	10.2	10.4	10.0	9.6
Div yield (%)	**6.3**	**6.3**	**6.2**	**6.5**	**6.7**
P/BV (x)	1.2	1.1	1.1	1.1	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