

CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

BUY

(MAINTAINED)

Price: RM7.59

Target Price (% return): RM10.30 (42%)

52-week High/Low: RM8.95/RM6.39

Financial Services

Rationale for report: Company Update

Seatbelt fastened

Maintain BUY on CIMB with unchanged TP of RM10.30. Backed by stable NIM, stronger NOII, and steady AQ, we expect 1Q26 profit to hold up well QoQ, with forecasts intact. We find the bank has robust buffers to absorb any potential oil-led inflation pressures, while ID-related risks are largely priced in. We believe when markets turn risk-on, the bank is well-positioned to deliver outsized alpha.

- **BUY with unchanged TP of RM10.30**, pegged to 1.43x FY27 P/B, in line with Maybank's valuation (1.44x) given similar ROE output. CIMB has been a YTD laggard, weighed by ID headwinds, but these are largely priced in. When investors turn risk-on, it is well-poised to generate outsized alpha and its 6-7% yield provides solid downside support.
- **1Q26 profit should hold up QoQ**, underpinned by: (i) stable NIM given healthy liquidity, benign FD rivalry and repricing tailwinds at MY, alongside funding cost optimization at SG (but offset by yield pressure at ID), (ii) stronger NOII, driven by robust trading and FX amid elevated market volatility, coupled with (iii) steady AQ, with no discernible impact from the Middle East conflict thus far. That said, the momentum is tempered by still-soft loans growth and persistent FX translation drag.
- **Well-fortified**. CIMB's SME exposure is relatively contained at 14% (vs sector: 17%). More importantly, the bank retains flexibility (thanks to resilient AQ over the past 12 months) to redeploy overlays built in 1Q-2Q25 (for US trade-related risks) to pillow any potential oil-led inflation pressures and reduce the need for fresh provisioning. In addition, this is complemented by robust buffers, with LLC at 103% (vs pre-Covid: 81%; sector: 99%) and 134% including regulatory reserves.
- **ID fears priced in**. Despite 12% IDR depreciation vs RM last year, CIMB still able to deliver 2% profit growth for FY25 (c.5% ex-FX), implying manageable headwind (c.2% earnings impact per -10% IDR weakness). YTD FY26, the IDR is down c.5%, while the 15% free float requirement carries minimal hit (<2%). Strategically, CIMB has moderated ID growth and reallocated RWA to MY for expansion. That said, Niaga is now a more resilient franchise; SME exposure is smaller at 12% (vs FY19: 20%) and guardrails materially stronger as well (NPL/impairment coverage at 198%/112% vs FY19: 114%/82%).

Analyst (s)

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Key Changes

Target Price:	↔
EPS:	↔

Stock and Financial Data

Shares Outstanding (million)	10,791.0
Market Cap (RMmil)	81,903.5
Book Value (RM/Share)	6.59
P/BV (x)	1.2
ROE (%)	11.2
Free Float	69.8
Avg Daily Value (RMmil)	153.2

Major Shareholders

Khazanah Nasional	(21.4%)
EPF	(18.0%)
KWAP	(6.4%)

Price performance	3mth	6mth	12mth
Absolute(%)	(7.1)	4.3	11.3
Relative(%)	(7.3)	(1.5)	(2.0)

Source: CIMB Group, AmInvestment Bank Bhd.

YE to Dec	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	22,523.4	23,374.3	24,108.8	24,780.2
Core net profit (RM mil)	7,859.6	8,276.7	8,543.3	8,792.5
FD Core EPS (sen)	73.4	77.3	79.8	82.1
FD Core EPS growth (%)	1.7	5.3	3.2	2.9
Consensus Net Profit (RM mil)	-	8,224.0	8,715.9	9,305.0
DPS (sen)	47.1	49.5	51.0	52.5
BV/share (RM)	6.59	6.92	7.21	7.52
PE (x)	10.3	9.8	9.5	9.2
Div yield (%)	6.2	6.5	6.7	6.9
P/BV (x)	1.2	1.1	1.1	1.0
ROE (%)	11.2	11.4	11.3	11.1

Source: CIMB Group, AmInvestment Bank Bhd.

Price Chart

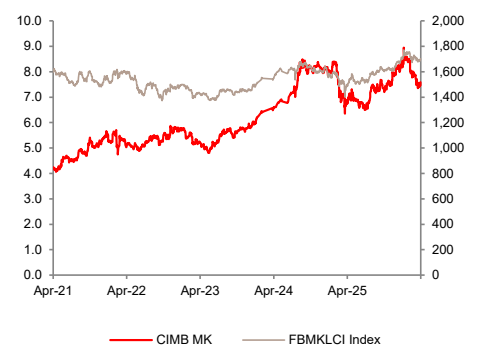
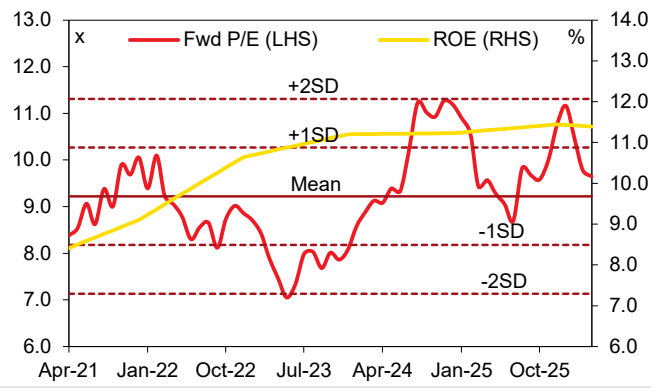
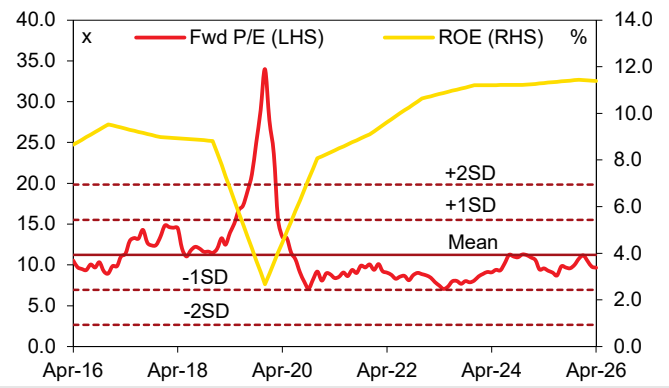


EXHIBIT 1. 5-YR FORWARD P/E BAND



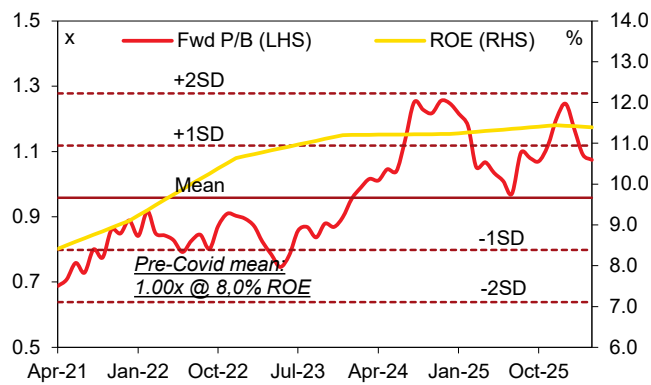
Source: AmInvestment Bank, Bloomberg

EXHIBIT 2. 10-YR FORWARD P/E BAND



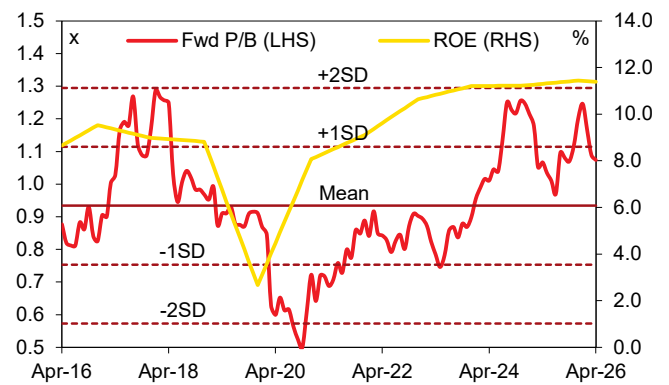
Source: AmInvestment Bank, Bloomberg

EXHIBIT 3. 5-YR FORWARD P/B BAND



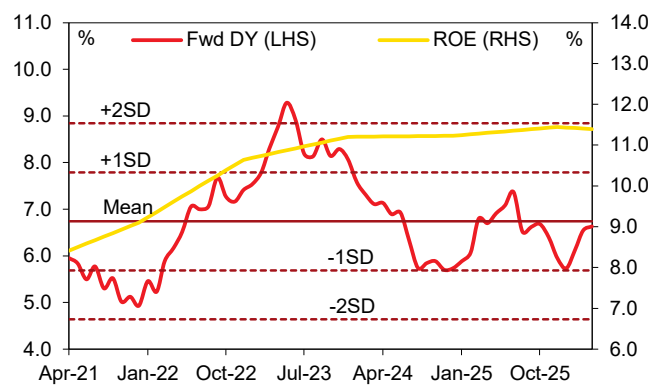
Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. 10-YR FORWARD P/B BAND



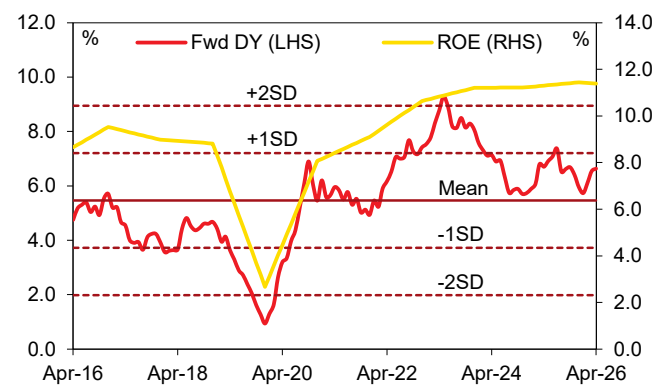
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 5-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 6. 10-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 7. PEERS COMPARISON

	Price (RM)	Target (RM)	Call	P/E (x)		EPS growth (%)		P/B (x)		Div. yield (%)		ROE (%)	
				2026	2027	2026	2027	2026	2027	2026	2027	2026	2027
Bank A	2.42	-	N.R.	9.2	8.4	13.9	9.9	0.5	0.5	4.4	4.7	5.2	5.5
Alliance	4.69	4.70	HOLD	9.8	9.5	10.4	2.9	0.9	0.9	4.1	4.3	10.1	9.4
BIMB	2.39	2.70	HOLD	9.5	8.8	10.6	8.0	0.7	0.7	6.3	6.8	7.2	7.6
CIMB	7.59	10.30	BUY	9.8	9.5	5.3	3.2	1.1	1.1	6.5	6.7	11.4	11.3
HLB	22.40	28.00	BUY	10.4	9.9	3.1	5.8	1.1	1.0	4.5	4.8	10.9	10.8
HLFG	18.88	33.00	BUY	6.5	6.1	2.0	6.0	0.6	0.6	4.8	5.0	9.9	9.8
Maybank	11.34	12.00	HOLD	12.4	12.1	3.9	2.3	1.4	1.3	5.9	6.0	11.4	11.3
MBSB	0.67	0.70	HOLD	14.2	13.4	39.5	6.2	0.5	0.5	5.6	6.0	3.9	4.0
Public	4.69	5.60	BUY	12.1	11.6	4.3	3.8	1.4	1.3	5.0	5.2	12.1	11.9
RHB	8.18	8.80	HOLD	10.4	9.9	2.1	4.5	1.0	1.0	6.2	6.5	9.9	10.0
Sector				10.4	9.9	9.5	5.3	0.9	0.9	5.3	5.6	9.2	9.2
Sector (ex-Bank A)				10.6	10.1	9.0	4.7	1.0	0.9	5.4	5.7	9.7	9.6

Source: AmInvestment Bank

Company profile

CIMB is the 2nd largest banking group in Malaysia, offering retail, commercial, wholesale, Islamic banking, wealth management, along with digital payment products and services.

Key home markets for CIMB include Malaysia, Indonesia, and Singapore, contributing 61%, 22% and 14% to group PBT in 2025. The bank operates across 10 global markets with a network of close to 600 branches.

Investment thesis and catalysts

We like CIMB for being the most inexpensive large-cap bank under our coverage, from both P/E and P/B standpoint, trading at 9.5x and 1.05x respectively. In addition, the bank's commitment to capital management ensures dividend yield remains attractive at 6-7% vs sector average's 5-6%. Besides, foreign shareholding has eased to 31% from its 1-year peak of 36%. When markets turn risk-on, CIMB is well-positioned to deliver outsized alpha.

Separately, we believe ID-related risks are largely priced in. Despite 12% IDR depreciation vs RM last year, CIMB still able to post 2% earnings growth for FY25 (c.5% ex-FX), implying manageable headwind (c.2% profit impact per -10% IDR weakness). YTD FY26, the IDR is down c.5%, while the 15% free float requirement carries minimal hit (<2%). Also, Niaga is now a more resilient franchise; SME exposure is smaller at 12% (vs FY19: 20%) and buffers materially stronger as well (NPL/impairment coverage at 198%/112% vs FY19: 114%/82%).

Valuation methodology

We value CIMB using the Gordon Growth Model (GGM), since it incorporates both P/B and ROE into a single formula; notably, ROE plays an important role to the valuation of banking stocks as it has a strong correlation to P/B (87%).

We derived a TP of RM10.30 for CIMB and this is based on 1.43x FY27 P/B with assumptions of 11.3% ROE, 8.8% COE, and 3.0% LTG. This multiple is on par to Maybank's valuation of 1.44x given similar ROE generation. Although this is a premium to 5-year pre-Covid mean (+3SD), CIMB deserves a re-rating from further capital management optionality, as well as stronger LLC and LDR vs Maybank. Besides, it is fair considering its stronger ROE output of 2ppt vs 2015-19 period.

Risk factors

Key downside risks include:

- i) Sharp slowdown in global economic growth, giving rise to a spike in NPL formation; this could weigh on NCC and earnings.
- ii) Intense rivalry for both loans and deposits may exert downward pressure on NIM. Also, an increasingly tight liquidity environment in Indonesia can compound the slippage.
- iii) Stronger RM relative to key operating currencies (notably IDR and SGD) could lead to unfavourable forex translation effects on consolidated earnings and capital.

EXHIBIT 8. VALUATIONS

Return on equity (ROE)	11.3%
Cost of equity (COE)	8.8%
Long-term growth rate (LTG)	3.0%
Target P/B	1.43x
FY27 BVPS	RM7.21
ESG premium	-
12-month target price	RM10.30

Source: AmInvestment Bank

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	11,366.6	11,319.2	11,805.4	12,091.8	12,480.9
Non-interest income	6,196.7	6,245.5	6,397.6	6,515.0	6,635.8
Islamic banking income	4,740.6	4,958.8	5,171.3	5,502.0	5,663.5
Total income	22,303.9	22,523.4	23,374.3	24,108.8	24,780.2
Overhead expenses	(10,420.2)	(10,626.9)	(10,877.0)	(11,105.2)	(11,337.3)
Pre-provision profit	11,883.6	11,896.5	12,497.3	13,003.5	13,442.9
Loan loss provisions	(1,368.8)	(1,382.3)	(1,372.7)	(1,520.7)	(1,625.1)
Impairment & others	(135.0)	128.3	-	-	-
Associates	18.8	93.6	-	-	-
Pretax profit	10,398.6	10,736.0	11,124.6	11,482.9	11,817.8
Tax	(2,476.5)	(2,651.6)	(2,669.9)	(2,755.9)	(2,836.3)
Minority interests	(191.3)	(168.9)	(178.0)	(183.7)	(189.1)
Net profit	7,728.0	7,859.6	8,276.7	8,543.3	8,792.5
Core net profit	7,728.0	7,859.6	8,276.7	8,543.3	8,792.5

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	29,608.6	28,184.5	14,343.5	7,278.9	2,377.6
Marketable securities	173,677.4	192,976.5	208,204.6	215,247.2	220,930.2
Total current assets	203,286.0	221,161.0	222,548.2	222,526.2	223,307.9
Net loans & advances	442,163.5	444,920.4	463,622.2	487,594.7	512,701.6
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	78,663.5	80,128.7	84,135.1	87,500.5	90,125.5
Fixed assets	1,962.8	2,084.7	2,002.9	1,998.3	1,977.1
Intangible assets	8,297.3	8,059.3	8,157.0	8,060.6	7,946.6
Other long-term assets	20,757.7	22,370.2	22,370.2	22,370.2	22,370.2
Total LT assets	551,844.7	557,563.4	580,287.5	607,524.3	635,121.1
Total assets	755,130.7	778,724.4	802,835.7	830,050.5	858,429.0
Customer deposits	496,394.2	510,047.1	530,449.0	554,319.2	579,263.6
Deposits of other FIs	92,672.7	92,673.3	92,673.3	92,673.3	92,673.3
Subordinated debts	69,364.4	76,532.6	76,532.6	76,532.6	76,532.6
Hybrid capital securities	-	-	-	-	-
Other liabilities	25,860.6	27,563.6	27,563.6	27,563.6	27,563.6
Total liabilities	684,291.8	706,816.6	727,218.5	751,088.7	776,033.1
Shareholders' funds	69,443.8	70,561.1	74,092.5	77,253.4	80,498.4
Minority interests	1,395.1	1,346.7	1,524.6	1,708.4	1,897.5

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Total income growth (%)	6.1	1.0	3.8	3.1	2.8
Pre-provision profit growth (%)	6.5	0.1	5.1	4.1	3.4
Core net profit growth (%)	10.7	1.7	5.3	3.2	2.9
Net interest margin (%)	2.1	2.0	2.0	2.0	2.0
Cost-to-income ratio (%)	46.7	47.2	46.5	46.1	45.8
Effective tax rate (%)	23.8	24.8	24.0	24.0	24.0
Dividend payout (%)	65.1	64.2	64.0	64.0	64.0

Key Assumptions

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Loan growth (%)	2.6	0.1	4.0	5.0	5.0
Deposit growth (%)	2.9	2.8	4.0	4.5	4.5
Loan-deposit ratio (%)	91.1	88.8	88.8	89.2	89.7
Gross NPL (%)	2.1	1.7	1.7	1.8	1.8
Net NPL (%)	0.8	0.7	0.8	0.8	0.9
Credit charge-off rate (%)	0.3	0.3	0.3	0.3	0.3
Loan loss reserve (%)	105.3	103.2	90.8	80.8	71.7
Total CAR (%)	-	-	-	-	-
Tier 1 Ratio (%)	-	-	-	-	-
Loan loss reserve (%)	-	-	-	-	-

Source: Company, AmInvestment Bank Bhd.

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