

CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

BUY

(Maintained)

Analyst (s)

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Price: RM7.89

Target Price (% return): RM10.30 (37%)

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

Financial Services

Rationale for report: Company Update

Pruning the drag

Reiterate BUY call on CIMB with an unchanged TP of RM10.30. We view the disposal of its loss-making Thai auto business positively, as it frees up inefficient capital and unlocks c.RM1.3bn for redeployment into ROE-accretive segments or shareholder returns (c.2% dividend yield if fully distributed). Besides, there is a credible pathway for CIMB Thai to >2x its ROE. We also maintain that Indo-related concerns are overblown. With the stock being a YTD laggard and it offers an attractive 6-7% yield (with scope for further capital management), the risk-reward continues to be compelling; plenty of value optionality and investors are paid to wait

- **BUY with unchanged TP of RM10.30**, pegged to 1.43x FY27 P/B, in line with Maybank's valuation (1.44x) given comparable ROE generation. CIMB has been a YTD laggard, weighed by Indo-related worries, but 1Q26 results showed resilience. In any case, downside is cushioned by its compelling 6-7% yield. Also, there is scope to return more dividends and perform share buybacks; these offer value optionality and investors are paid to wait.
- **Pruning the drag.** CIMB is disposing its Thai auto loans portfolio to Bank of Ayudhya at a modest premium to adjusted net book value (c.THb28bn or c.RM3.4bn); unsurprising, as CIMB previously flagged a strategic review of its Thai operations. We view the move positively given the unit is loss-making, non-core, and sub-scale (accounting for >70% of ECL despite <13% of lending, with just c.1% market share). Completion is slated for early 4Q26. On a pro-forma basis, CIMB Thai's ROE is expected to improve by 1.2ppt to 5.7%.
- **Fixing the weak link.** Post-disposal, CIMB Thai is repositioning to be a niche bank, targeting FY27 ROE of 10-12% via: (i) capital optimization (-2ppt CET1 ratio downtick to 15% by 2030), (ii) scaling capital-light wealth and wholesale banking, coupled with (iii) tighter operational discipline. Also, part of the proceeds will be utilized to retire pricey funding. Recall, Thai consumes 10% of group RWA but yields just 3% of PBT, with a sub-par ROE of 4.5%. At group level, the clean-up could lift earnings by c.3% and add 20-40bp to ROE.
- **Room to be more generous.** The capital optimization at CIMB Thai is seen to unlock c.THb11bn (RM1.3bn) of excess capital for the Group, which provide flexibility to redeploy into ROE-accretive segments or return to shareholders. If fully distributed, this could add c.2% to dividend yield, on top of the earlier RM2bn capital return plan. Thus, this reinforces our view that CIMB retains ample headroom for further capital management, including potential share buybacks, especially given its current inexpensive valuations.

Quick Take

YE to Dec	FY25	FY26F	FY27F	FY28F
FD Core EPS (Sen)	73.4	77.3	79.8	82.1
PE (x)	10.8	10.2	9.9	9.6

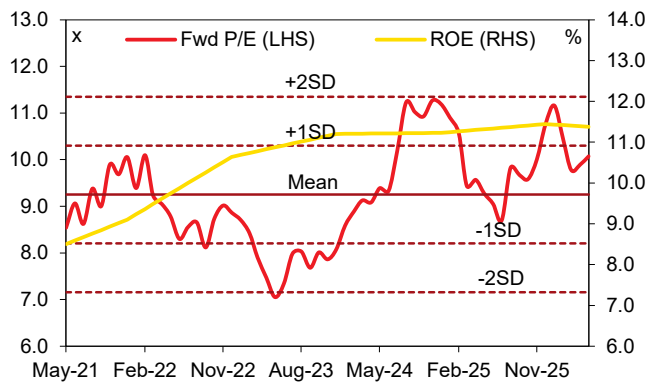
Source: Company, AmInvestment Bank Bhd.

VALUATION MATRIX

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Total Income	22,303.9	22,523.4	23,374.3	24,108.8	24,780.2
Core Net Profit	7,728.0	7,859.6	8,276.7	8,543.3	8,792.5
FD Core EPS (sen)	72.2	73.4	77.3	79.8	82.1
FD Core EPS growth (%)	10.2	1.7	5.3	3.2	2.9
Consensus Net Profit (RM mil)	-	-	8,218.0	8,708.0	9,307.0
DPS (sen)	47.0	47.1	49.5	51.0	52.5
BV/share (RM)	6.5	6.6	6.9	7.2	7.5
PE (x)	10.9	10.8	10.2	9.9	9.6
Div yield (%)	6.0	6.0	6.3	6.5	6.7
P/BV (x)	1.2	1.2	1.1	1.1	1.0
ROE (%)	11.2	11.2	11.4	11.3	11.1

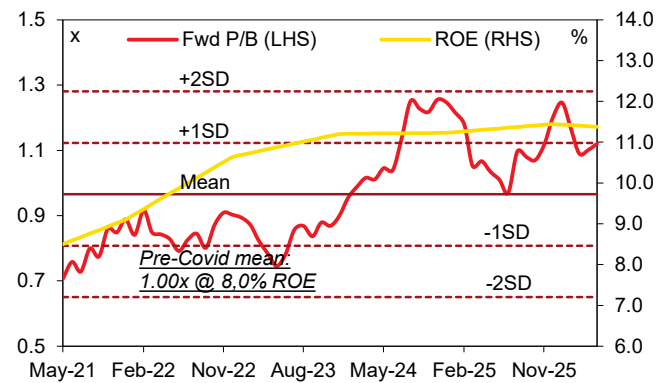
Source: CIMB Group, AmInvestment Bank Bhd.

EXHIBIT 1. 5-YR FORWARD P/E BAND



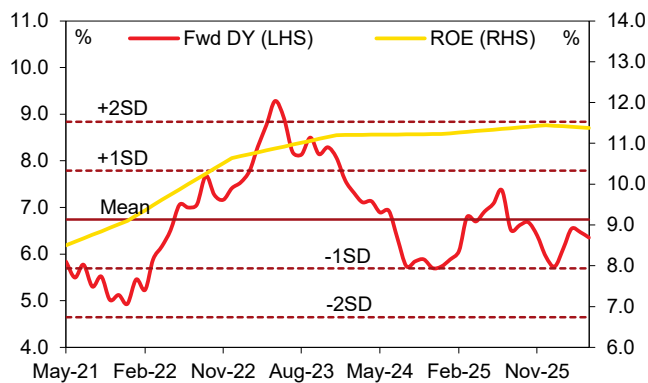
Source: AmInvestment Bank, Bloomberg

EXHIBIT 2. 5-YR FORWARD P/B BAND



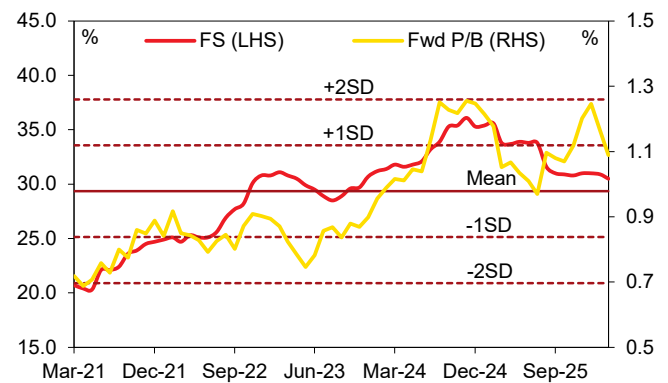
Source: AmInvestment Bank, Bloomberg

EXHIBIT 3. 5-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. CIMB'S FOREIGN SHAREHOLDING



Source: AmInvestment Bank, CIMB

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 9.9x and 1.09x 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%. Also, in our opinion, CIMB has scope to return more dividends and perform share buybacks; these offer value optionality and investors are paid to wait.

Separately, we believe ID-related risks are overblown. Despite 12% IDR depreciation vs RM last year, CIMB still able to register 2% bottom-line 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.7%, while the 15% free float requirement carries minimal hit (<2%).

Also, Niaga is now a more resilient franchise; SME exposure is smaller at 11% (vs FY19: 20%) and buffers materially stronger as well (NPL/impairment coverage at 176%/112% vs FY19: 114%/82%). Notably, 1Q26 financial performance was steady (profit +10% QoQ, -2% YoY) and AQ remained sound.

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 5. 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

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