

# CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

**BUY**

(MAINTAINED)

Price: RM7.68

Target Price (% return): RM10.30 (41%)

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

## Financial Services

Rationale for report: Company Result

## Paid to wait

Keep BUY on CIMB with TP of RM10.30. 1Q26 results came broadly in line (-3% YoY, flat QoQ) and so, we leave forecasts unchanged. Although the quarter appeared soft, we expect earnings momentum to pick up in subsequent quarters. Considering the stock is a YTD laggard and it offers attractive 6-7% dividend yield (with headroom for further capital management), the risk-reward profile continues to be compelling, given 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.
- **Broadly in line.** CIMB posted 1Q26 profit of RM1.9bn (-3% YoY, flat QoQ). This was largely in line with expectations, making up 23% of our and consensus full-year forecasts. While the quarter appeared soft, we expect earnings momentum to pick up, given: (i) a robust loans pipeline, (ii) NIM pressure bottoming out, (iii) resilient NOII underpinned by client flows and treasury activities, (iv) disciplined cost containment, coupled with (v) prudent risk management. Thus, we leave our FY26-28 estimates unchanged, with CIMB keeping its FY26 guidance across the board.
- **Pink of health.** Despite loss allowances rising 24/42% YoY/QoQ (upward normalization from lower writebacks on overlays, MEF, model enhancements), AQ held firm, seeing GIL ratio improved 4bp QoQ to 1.68%. On geopolitical risks, CIMB has yet to see meaningful deterioration from the Middle East conflict, with R&R stable and no underlying pressure flagged; the March uptick in Retail proved seasonal, as confirmed by an April recovery. Crucially, untapped overlays from the earlier US tariff war remain on standby to absorb any fresh weakness (LLC comfortable at >100%).
- **Scope to be generous.** The CIMB Thai clean-up is an underappreciated catalyst, which adds 20-40bp to group ROE by 2027 and unlocks c.THB11bn (RM1.3bn) in excess capital; this can be deployed into ROE-accretive segments or returned to shareholders (if fully distributed, c.2% dividend yield uplift). Beyond Thai, ROE has further expansion levers: share buybacks look increasingly compelling given cheap valuations, and management has headroom to pull the trigger.

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)	-	8,218.0	8,724.0	9,329.0
DPS (sen)	47.1	49.5	51.0	52.5
BV/share (RM)	6.59	6.92	7.21	7.52
PE (x)	10.5	9.9	9.6	9.4
Div yield (%)	6.1	6.4	6.6	6.8
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.

## Analyst (s)

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## Key Changes

Target Price:	↔
EPS:	↔

## Stock and Financial Data

Shares Outstanding (million)	10,803.3
Market Cap (RMmil)	82,969.4
Book Value (RM/Share)	6.59
P/BV (x)	1.2
ROE (%)	11.2
Free Float	69.5
Avg Daily Value (RMmil)	129.7

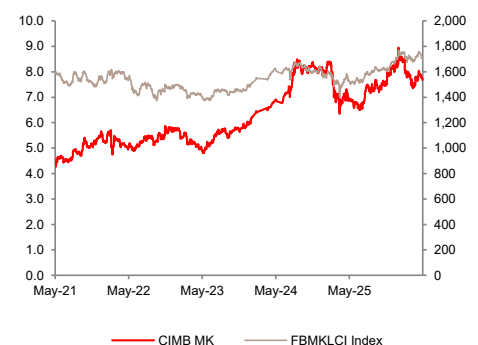
## Major Shareholders

Khazanah Nasional	(21.4%)
EPF	(17.6%)
KWAP	(6.4%)

Price performance	3mth	6mth	12mth
Absolute(%)	(9.2)	2.0	11.3
Relative(%)	(7.0)	(2.5)	0.5

Source: CIMB Group, AmInvestment Bank Bhd.

## Price Chart



**EXHIBIT 1. 1Q26 Results Summary**

FYE Dec (RMmil)	1Q26	1Q25	YoY (%)	4Q25	QoQ (%)
Net interest income	2,666.0	2,822.5	-5.5	2,879.8	-7.4
Islamic banking	1,188.7	1,214.3	-2.1	1,170.6	1.5
Non-interest income	1,564.1	1,468.1	6.5	1,382.8	13.1
<b>Total income</b>	<b>5,418.8</b>	<b>5,504.9</b>	<b>-1.6</b>	<b>5,433.2</b>	<b>-0.3</b>
Operating expenses	-2,554.8	-2,579.7	-1.0	-2,704.5	-5.5
<b>Pre-provision profit</b>	<b>2,864.0</b>	<b>2,925.2</b>	<b>-2.1</b>	<b>2,728.7</b>	<b>5.0</b>
Loan loss provisions	-357.3	-287.6	24.2	-252.5	41.5
<b>Operating profit</b>	<b>2,506.7</b>	<b>2,637.6</b>	<b>-5.0</b>	<b>2,476.2</b>	<b>1.2</b>
Others	44.2	-10.5	n.m.	86.7	-49.0
<b>Pre-tax profit</b>	<b>2,551.0</b>	<b>2,627.0</b>	<b>-2.9</b>	<b>2,562.9</b>	<b>-0.5</b>
Tax & minority interest	-634.5	-653.7	-2.9	-643.4	-1.4
<b>Net Profit</b>	<b>1,916.4</b>	<b>1,973.4</b>	<b>-2.9</b>	<b>1,919.5</b>	<b>-0.2</b>
EPS (sen)	17.8	18.4	-3.5	17.8	-0.3
DPS (sen)	0.0	0.0	n.m.	20.4	n.m.
BVPS (RM)	6.39	6.42	-0.6	6.56	-2.6

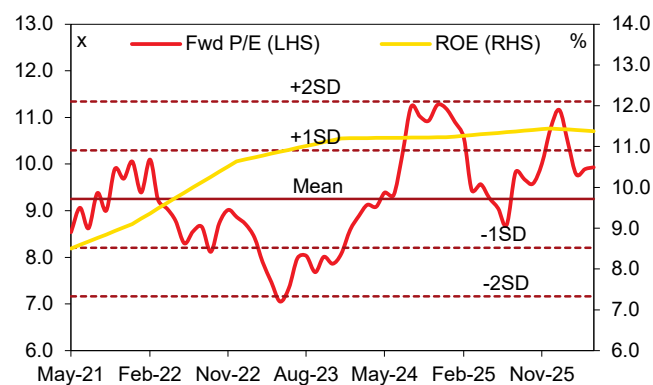
Source: CIMB, AmInvestment Bank Bhd.

**EXHIBIT 2. Financial ratios**

FYE Dec (%)	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Net interest margin	2.22	2.23	2.17	2.16	2.15	2.08	2.10	2.08
Cost / income ratio	45.9	46.5	49.3	46.9	45.5	46.7	49.8	47.1
Return on equity	11.5	11.9	10.5	11.5	11.0	11.9	10.9	10.9
Loans growth, yoy	4.2	1.2	2.6	1.8	1.0	2.6	0.1	1.1
Deposits growth, yoy	2.2	-2.6	2.9	0.0	2.7	8.9	2.8	3.9
Loan / deposit ratio	92.3	94.6	91.1	91.8	90.8	89.1	88.8	89.4
Gross impaired loans ratio	2.50	2.34	2.12	2.16	2.15	1.91	1.72	1.68
Loan loss coverage	101.2	102.6	105.3	102.4	100.7	102.8	103.2	101.8
Net credit cost (bp)	28.7	22.6	35.9	25.8	36.5	38.6	22.4	31.7
CET1 ratio	14.5	14.5	14.6	14.2	14.7	14.3	14.3	13.8

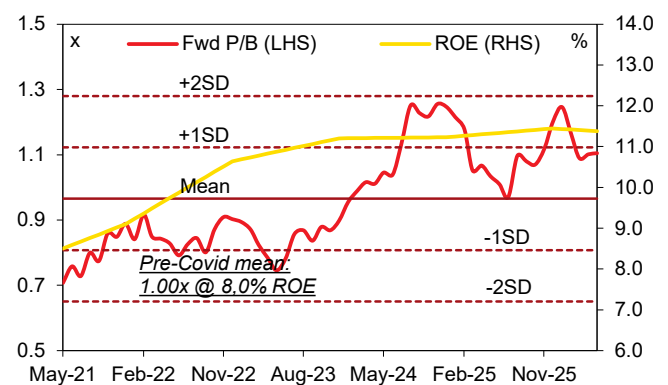
Source: CIMB, AmInvestment Bank Bhd.

**EXHIBIT 3. 5-YR FORWARD P/E BAND**



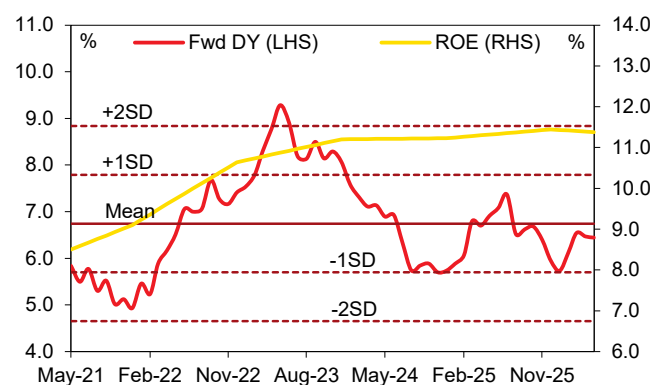
Source: AmInvestment Bank, Bloomberg

**EXHIBIT 4. 5-YR FORWARD P/B BAND**



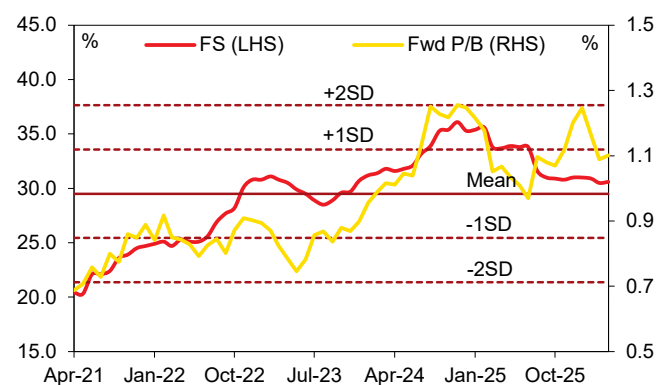
Source: AmInvestment Bank, Bloomberg

**EXHIBIT 5. 5-YR FORWARD DY BAND**



Source: AmInvestment Bank, Bloomberg

**EXHIBIT 6. 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 57%, 25% and 13% to group PBT in 2024. 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 9.6x and 1.06x 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.9%, 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 7. 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
<b>Total income</b>	<b>22,303.9</b>	<b>22,523.4</b>	<b>23,374.3</b>	<b>24,108.8</b>	<b>24,780.2</b>
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	-	-	-
<b>Pretax profit</b>	<b>10,398.6</b>	<b>10,736.0</b>	<b>11,124.6</b>	<b>11,482.9</b>	<b>11,817.8</b>
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)
<b>Net profit</b>	<b>7,728.0</b>	<b>7,859.6</b>	<b>8,276.7</b>	<b>8,543.3</b>	<b>8,792.5</b>
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
<b>Total current assets</b>	<b>203,286.0</b>	<b>221,161.0</b>	<b>222,548.2</b>	<b>222,526.2</b>	<b>223,307.9</b>
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
<b>Total LT assets</b>	<b>551,844.7</b>	<b>557,563.4</b>	<b>580,287.5</b>	<b>607,524.3</b>	<b>635,121.1</b>
<b>Total assets</b>	<b>755,130.7</b>	<b>778,724.4</b>	<b>802,835.7</b>	<b>830,050.5</b>	<b>858,429.0</b>
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
<b>Total liabilities</b>	<b>684,291.8</b>	<b>706,816.6</b>	<b>727,218.5</b>	<b>751,088.7</b>	<b>776,033.1</b>
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

Source: Company, AmInvestment Bank Bhd.

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