# CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

**BUY**

(MAINTAINED)

Price: RM7.67
Target Price (% return): RM10.30 (41%)
52-week High/Low: RM8.95/RM6.44

**Financial Services**

Rationale for report: Company Update

## Revisiting old flame?

**The valuation gap between M'sian and S'pore banks has widened to levels that are increasingly difficult to justify. We believe this should drive a rotation back into M'sian banks, supported by superior yields and undemanding valuations. CIMB remains our preferred large-cap pick, offering attractive 6-7% yield vs S'pore peers: 3-4%. Foreign shareholding has also fallen 6ppt to 30% from its 2-year peak, leaving scope for re-accumulation. Retain BUY and TP of RM10.30.**

- **BUY with an unchanged TP of RM10.30,** pegged to 1.43x FY27 P/B; this represents a modest premium to Maybank's 1.35x, which we believe is justified despite similar ROE output, given CIMB's lower DPR (and hence scope for capital management) as well as its stronger LLC and LDR metrics.
- **Capital going to where it matters.** Despite near-term Indo headwinds, CIMB's 55% BAU DPR remains intact, supported by multiple capital pools across the group. The balance RM1.3bil of its RM2bil return program stays on track for delivery over the next 2 years. Separately, the Thai auto disposal is progressing to plan, potentially freeing up a further c.RM1.3bil for redeployment into ROE-accretive markets (M'sia, S'pore) or shareholder returns (c.2% yield if fully distributed).
- **No underlying AQ pressure.** Lumpy recoveries at Indo and S'pore in 2Q26 will provide opportunity to top up overlays, with CIMB seeing no signs of underlying AQ stress from the ongoing Middle East tensions. Crucially, FY26 NCC guidance of 25-35bp is kept. Also, existing trade-related overlays from the earlier US tariff episode are set to roll off and will be redeployed towards geopolitical uncertainties, with the lower-income retail, SME and commercial segments being on watch.
- **Resilient sequential showing.** We expect 2Q26 earnings to hold up QoQ, driven by: (i) steady NII from asset growth, (ii) robust NOII, and (iii) stable AQ, offsetting (i) near-term NIM pressure arising from liquidity tightness, loans repricing challenges at Indo and (ii) proactive deposits gathering ahead of year-end rivalry at M'sia. That said, NIM is seen to have troughed in 2Q26 as healthy loans pipeline crystallizes in 2H26. On a separate note, CIMB maintains tight control over opex.

| 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) | - | 8,090.0 | 8,661.0 | 9,260.0 |
| 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 | 6.7 | 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) | 107.0 |

**Major Shareholders**

| | |
|---|---|
| Khazanah Nasional | (21.4%) |
| EPF | (18.1%) |
| KWAP | (6.4%) |

| Price performance | 3mth | 6mth | 12mth |
|---|---|---|---|
| Absolute(%) | (1.5) | (6.6) | 18.8 |
| Relative(%) | (1.8) | (7.4) | 5.3 |

Source: CIMB Group, AmInvestment Bank Bhd.

**Price Chart**

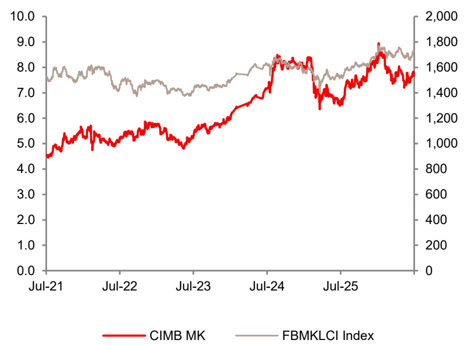
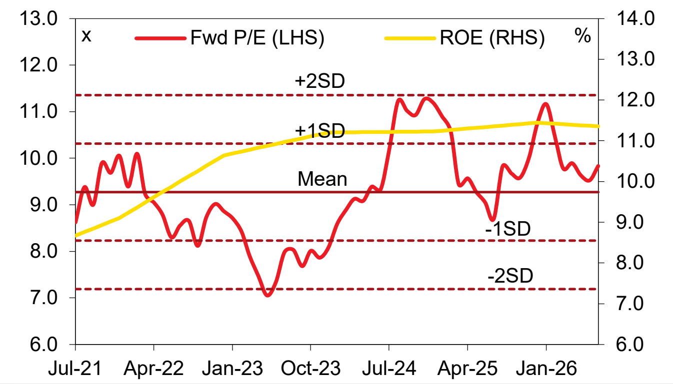
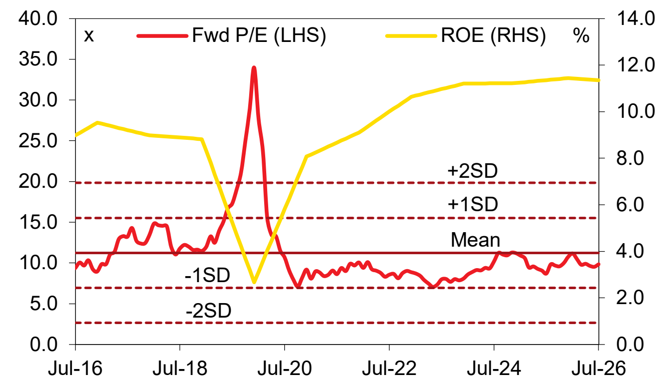


**EXHIBIT 1. 5-YR FORWARD P/E BAND**



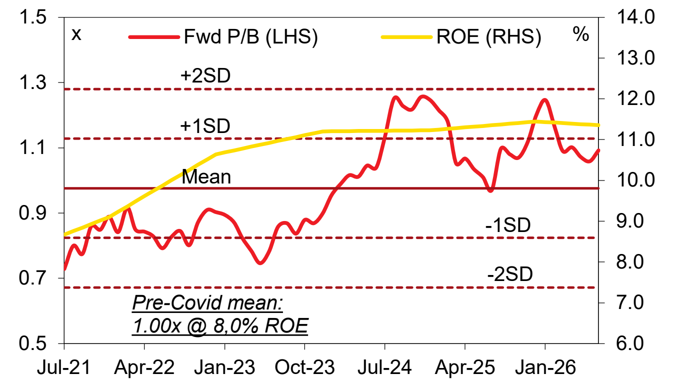

Source: AmInvestment Bank, Bloomberg

**EXHIBIT 2. 10-YR FORWARD P/E BAND**



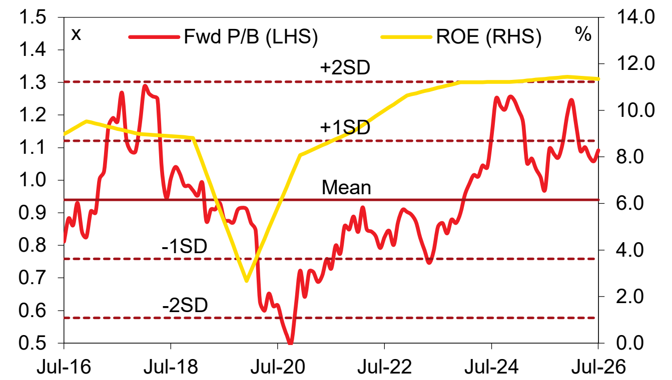

Source: AmInvestment Bank, Bloomberg

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



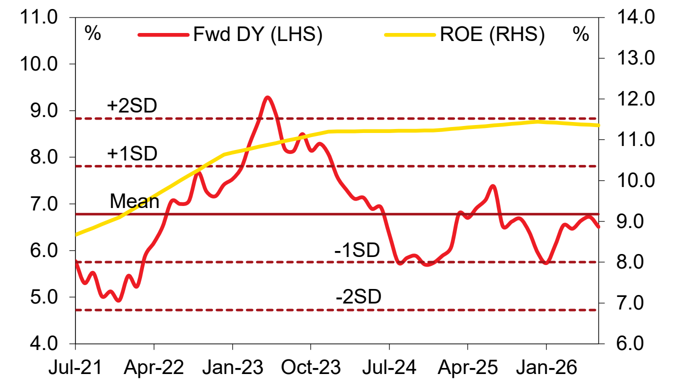

Source: AmInvestment Bank, Bloomberg

**EXHIBIT 4. 10-YR FORWARD P/B BAND**



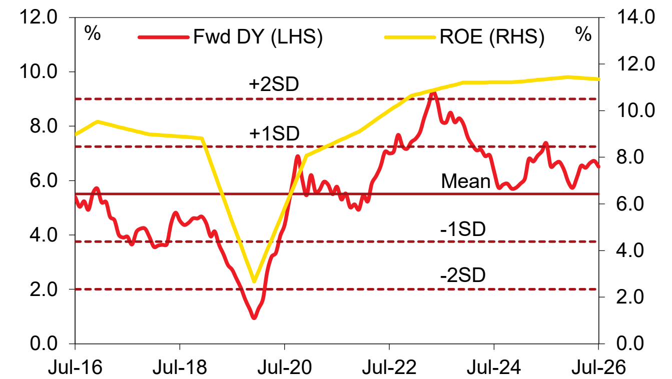

Source: AmInvestment Bank, Bloomberg

**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) 2026 | P/E (x) 2027 | EPS growth (%) 2026 | EPS growth (%) 2027 | P/B (x) 2026 | P/B (x) 2027 | Div. yield (%) 2026 | Div. yield (%) 2027 | ROE (%) 2026 | ROE (%) 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank A | 2.26 | - | N.R. | 10.1 | 8.8 | 6.2 | 15.2 | 0.5 | 0.4 | 3.9 | 4.4 | 4.6 | 5.2 |
| Alliance* | 4.78 | 5.50 | BUY | 9.3 | 9.2 | 7.3 | 1.9 | 0.9 | 0.8 | 4.4 | 4.6 | 9.8 | 9.5 |
| BIMB | 2.12 | 2.40 | HOLD | 9.5 | 9.3 | -9.6 | 3.1 | 0.6 | 0.6 | 6.2 | 6.4 | 6.2 | 6.3 |
| CIMB | 7.67 | 10.30 | BUY | 9.9 | 9.6 | 5.3 | 3.2 | 1.1 | 1.1 | 6.4 | 6.7 | 11.4 | 11.3 |
| HLB | 22.20 | 28.00 | BUY | 10.3 | 9.8 | 3.1 | 5.8 | 1.1 | 1.0 | 4.5 | 4.8 | 10.9 | 10.8 |
| HLFG | 18.46 | 33.00 | BUY | 6.3 | 6.0 | 2.0 | 6.0 | 0.6 | 0.6 | 4.9 | 5.1 | 9.9 | 9.8 |
| Maybank | 11.00 | 11.20 | HOLD | 12.8 | 12.5 | -1.6 | 2.8 | 1.4 | 1.3 | 5.7 | 5.8 | 10.9 | 10.8 |
| MBSB | 0.64 | 0.68 | HOLD | 16.8 | 14.8 | 11.9 | 13.3 | 0.5 | 0.5 | 5.3 | 6.1 | 3.1 | 3.5 |
| Public | 5.18 | 5.60 | BUY | 13.4 | 12.9 | 4.2 | 3.5 | 1.6 | 1.5 | 5.6 | 5.8 | 12.1 | 12.0 |
| RHB | 8.39 | 8.80 | HOLD | 10.5 | 10.0 | 3.4 | 4.6 | 1.0 | 1.0 | 6.2 | 6.4 | 10.0 | 10.1 |
| **Sector** | | | | **10.9** | **10.3** | **3.2** | **5.9** | **0.9** | **0.9** | **5.3** | **5.6** | **8.9** | **8.9** |
| **Sector (ex-Bank A)** | | | | **11.0** | **10.4** | **2.9** | **4.9** | **1.0** | **0.9** | **5.5** | **5.7** | **9.4** | **9.3** |

* refers to FY27 & FY28
Source: AmInvestment Bank, Bloomberg

## 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 9.6x 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 30% from its 2-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.6%, 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. The multiple is a tad above Maybank's valuation of 1.35x and is justifiable despite similar ROE generation, given CIMB's lower DPR (scope for further capital management), alongside stronger LLC and LDR metrics. While the multiple also represents a premium to its 5-year pre-Covid average (+3SD), this is warranted due to CIMB's stronger ROE output of 3ppt 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 |

Source: Company, AmInvestment Bank Bhd.

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