CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

BUY

(MAINTAINED)

Price: RM7.16

Target Price (% return): RM9.80 (44%)

52-week High/Low: RM8.95/RM7.10

Financial Services

Rationale for report: Company Update

Jumping the gun

Market has been too quick to turn bearish on CIMB amid concerns over Indo and the recent spike in bond yields. Yet, management has retained its 11-11.5% ROE guidance. More tellingly, CIMB bought back RM446mil worth of shares at an average of RM7.60/share between 21 Sept-16 Oct (c.6% above current levels). To us, this speaks volume on management's confidence in the stock's underlying value. Plus, an attractive 6-7% dividend yield provides another reason to stay positive on CIMB.

- **Maintain BUY with TP of RM9.80,** based on 1.36x FY27 P/B; in line with Maybank's 1.35x, given similar ROE profile. Also, the market appears to ascribe little to no value to Niaga and TNG Digital; these are worth RM1.70/share by our estimates.
- **Taking Niaga private?** With Niaga's valuation beaten down, CIMB is taking a closer look at privatization. We see merit in such a move; at just c.RM600-700mil to buy the balance 7.5% stake, the potential move is well within CIMB's means, especially with c.RM850mil in excess capital from its Thai auto loan disposal (previously: RM1.3bil). While near-term headwinds have prompted capital reallocation away from Indo, CIMB continues to be bullish on the country's long-term prospects. Separately, there is no sign that regulators will restrict Niaga's dividends to stem FX outflows.
- **No fallout from recent yield spike.** Despite market jitters over rising bond yields, CIMB indicated that 3Q26 trading income has remained resilient sequentially, as the bank was able to capitalize on heightened volatility and wider spreads. Also, effective hedging has kept CET1 impact from FVOCI revaluation manageable. Beyond trading, healthy traction in client-driven activities (treasury and wealth management sales) has provided another layer of support to NOII performance.
- **Keeping the squeeze at bay.** Faced with higher funding costs, CIMB is responding on several fronts: (i) shifting towards cheaper retail deposits (from wholesale) in M'sia, (ii) stepping up loan repricing and deposit mix optimization in Indo ahead of further rate hikes, along with (iii) tapping liquidity from S'pore and HK to fund M'sian operations at a 20-30bp cost advantage. More encouragingly, corporate-led asset growth in M'sia has persisted, providing a volume-driven offset to NIM pressure.

YE to Dec	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	22,523.4	23,011.8	23,726.7	24,378.6
Core net profit (RM mil)	7,859.6	7,936.9	8,218.7	8,410.8
FD Core EPS (sen)	73.4	74.1	76.7	78.5
FD Core EPS growth (%)	1.7	1.0	3.5	2.3
Consensus Net Profit (RM mil)	-	7,932.0	8,483.0	9,002.0
DPS (sen)	47.1	47.4	49.1	50.3
BV/share (RM)	6.59	6.90	7.18	7.47
PE (x)	9.7	9.7	9.3	9.1
Div yield (%)	6.6	6.6	6.9	7.0
P/BV (x)	1.1	1.0	1.0	1.0
ROE (%)	11.2	11.0	10.9	10.7

Source: CIMB Group, AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	10,809.4
Market Cap (RMmil)	77,287.2
Book Value (RM/Share)	6.59
P/BV (x)	1.1
ROE (%)	11.2
Free Float	70.1
Avg Daily Value (RMmil)	96.5

Major Shareholders

Khazanah Nasional	(21.5%)
EPF	(18.4%)
KWAP	(6.2%)

Price performance	3mth	6mth	12mth
Absolute(%)	(8.6)	(4.3)	(1.7)
Relative(%)	(0.8)	1.7	(1.0)

Source: CIMB Group, AmInvestment Bank Bhd.

Price Chart

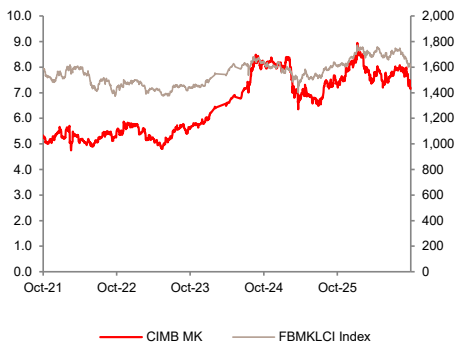
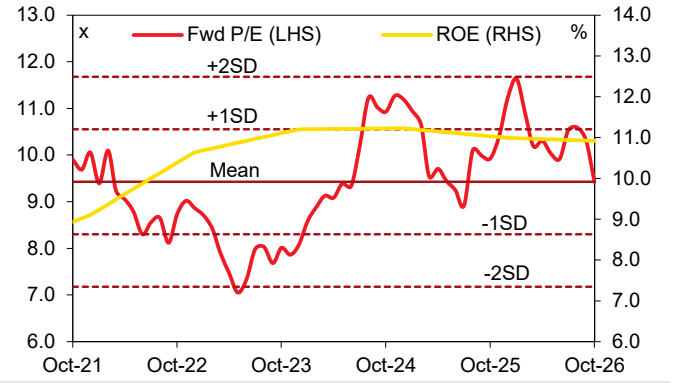
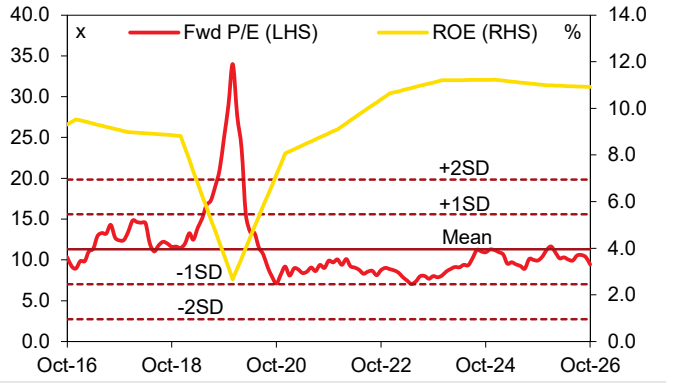


EXHIBIT 1. 5-YR FORWARD P/E BAND



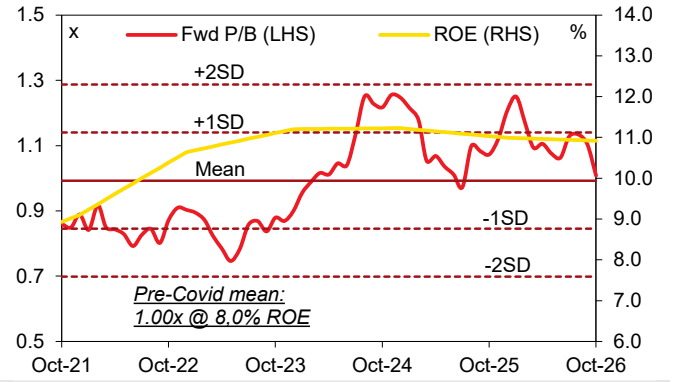
Source: AmInvestment Bank, Bloomberg

EXHIBIT 2. 10-YR FORWARD P/E BAND



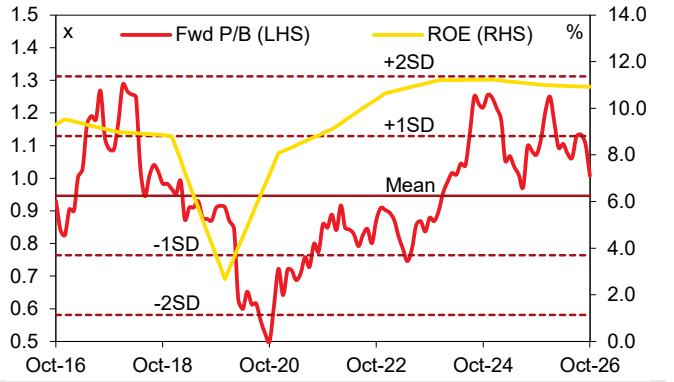
Source: AmInvestment Bank, Bloomberg

EXHIBIT 3. 5-YR FORWARD P/B BAND



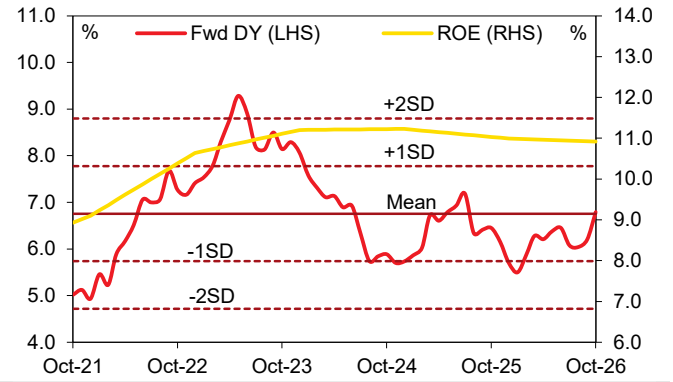
Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. 10-YR FORWARD P/B BAND



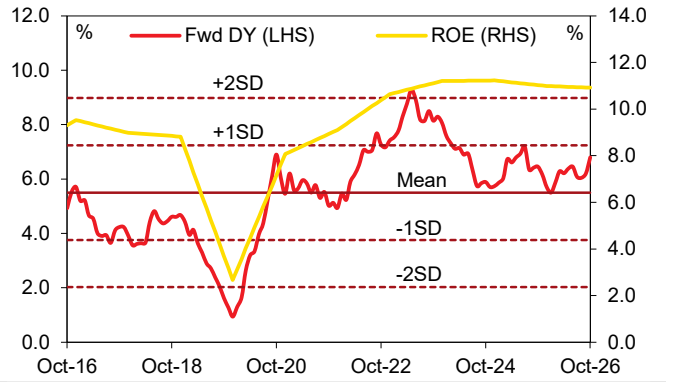
Source: AmInvestment Bank, Bloomberg

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	1.93	-	N.R.	9.2	8.1	-2.0	13.8	0.4	0.4	4.3	4.9	4.3	5.0
Alliance*	4.50	5.50	BUY	8.8	8.6	7.3	1.9	0.8	0.8	4.7	4.9	9.8	9.5
BIMB	1.99	2.25	HOLD	9.0	8.7	-9.6	3.1	0.5	0.5	6.6	6.8	6.2	6.3
CIMB	7.16	9.80	BUY	9.7	9.3	1.0	3.5	1.0	1.0	6.6	6.9	11.0	10.9
HLB*	21.14	28.00	BUY	9.2	8.7	4.5	5.6	1.0	0.9	5.7	6.0	11.0	11.0
HLFG*	17.60	33.00	BUY	5.5	5.3	5.4	5.1	0.5	0.5	4.9	5.3	10.1	9.8
Maybank	9.98	11.20	HOLD	11.6	11.3	-1.6	2.8	1.2	1.2	6.3	6.4	10.9	10.8
MBSB	0.52	0.60	HOLD	17.0	13.5	-11.1	26.3	0.4	0.4	5.3	6.7	2.5	3.1
Public	4.74	5.60	BUY	12.2	11.8	4.2	3.5	1.4	1.4	6.1	6.3	12.1	12.0
RHB	7.30	8.70	HOLD	9.3	8.9	1.4	4.6	0.9	0.9	7.1	7.4	9.8	9.9
Sector				**10.2**	**9.4**	**-0.1**	**7.0**	**0.8**	**0.8**	**5.7**	**6.2**	**8.8**	**8.8**
Sector (ex-Bank A)				**10.3**	**9.6**	**0.2**	**6.3**	**0.9**	**0.8**	**5.9**	**6.3**	**9.3**	**9.3**

* refers to FY27 & FY28

Source: AmInvestment Bank, Bloomberg

EXHIBIT 8. VALUATIONS

Return on equity (ROE)	10.9%
Cost of equity (COE)	8.8%
Long-term growth rate (LTG)	3.0%
Target P/B	1.36x
FY27 BVPS	RM7.18
ESG premium	-
12-month target price	RM9.80

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 9.3x and 1.0x respectively. Furthermore, 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 29% 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.

Operationally, we find that CIMB has balance sheet flexibility to navigate NIM pressure and LLC buffers to weather any AQ turbulence. The bank has also consistently proven itself as a strong strategy executor and good capital allocator.

Currently, the market appears to ascribe no value to CIMB's Indonesian franchise and 45% stake in TNG Digital (both worth up to RM1.70/share).

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 RM9.80 for CIMB and this is based on 1.36x FY27 P/B with assumptions of 10.9% ROE, 8.8% COE, and 3.0% LTG. The multiple is in line with Maybank's valuation of 1.35x given comparable ROE profile. That said, it is a premium to its 5-year pre-Covid mean (+2.5SD), 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.

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	11,366.6	11,319.2	11,542.8	11,814.8	12,189.6
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	5,071.5	5,396.9	5,553.2
Total income	**22,303.9**	**22,523.4**	**23,011.8**	**23,726.7**	**24,378.6**
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	12,134.8	12,621.5	13,041.3
Loan loss provisions	(1,368.8)	(1,382.3)	(1,466.9)	(1,574.9)	(1,736.4)
Impairment & others	(135.0)	128.3	-	-	-
Associates	18.8	93.6	-	-	-
Pretax profit	**10,398.6**	**10,736.0**	**10,667.9**	**11,046.6**	**11,304.8**
Tax	(2,476.5)	(2,651.6)	(2,560.3)	(2,651.2)	(2,713.2)
Minority interests	(191.3)	(168.9)	(170.7)	(176.7)	(180.9)
Net profit	**7,728.0**	**7,859.6**	**7,936.9**	**8,218.7**	**8,410.8**
Core net profit	7,728.0	7,859.6	7,936.9	8,218.7	8,410.8

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	29,608.6	28,184.5	18,814.6	14,246.6	9,508.0
Marketable securities	173,677.4	192,976.5	205,192.0	210,562.6	216,105.1
Total current assets	**203,286.0**	**221,161.0**	**224,006.6**	**224,809.2**	**225,613.1**
Net loans & advances	442,163.5	444,920.4	463,528.0	487,446.4	512,441.9
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	78,663.5	80,128.7	82,532.6	85,008.5	87,558.8
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**	**578,590.7**	**604,883.9**	**632,294.6**
Total assets	**755,130.7**	**778,724.4**	**802,597.3**	**829,693.2**	**857,907.8**
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	73,861.5	76,910.4	79,999.7
Minority interests	1,395.1	1,346.7	1,517.3	1,694.1	1,875.0

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Total income growth (%)	6.1	1.0	2.2	3.1	2.7
Pre-provision profit growth (%)	6.5	0.1	2.0	4.0	3.3
Core net profit growth (%)	10.7	1.7	1.0	3.5	2.3
Net interest margin (%)	2.1	2.0	2.0	2.0	2.0
Cost-to-income ratio (%)	46.7	47.2	47.3	46.8	46.5
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	91.9	82.5	74.5

Source: Company, AmInvestment Bank Bhd.

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