CIMB GROUP

(CIMB MK EQUITY, CIMB.KL)

BUY

(MAINTAINED)

Price: RM7.11

Target Price (% return): RM9.80 (45%)

52-week High/Low: RM8.95/RM7.09

Financial Services

Rationale for report: Company Result

Better tomorrow

While we acknowledge Niaga's consecutive weak results are tough pills to swallow, in our view, 2027 could mark a turning point. History suggests provision-driven earnings weakness tends to be short-lived, particularly given the pre-emptive nature of these charges and sound underlying AQ. Meanwhile, gradual loan repricing should aid NIM recovery. More importantly, the market appears to be assigning little to no value to Niaga, which we believe is unwarranted. With much of the bad news seemingly priced in, we see an opportunity to accumulate CIMB on weakness ahead of a better 2027.

- **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.
- **Another miss.** 93%-owned Niaga posted 3Q26 net profit of IDR1,056bil (-42% YoY, -37% QoQ), bringing 9M26 to IDR4,492 (-15% YoY). This fell short of both our and consensus expectations, forming only 63% of respective full-year estimates; the earnings miss was caused by softer-than-anticipated NIM and higher loan loss provision. Also, Niaga cut its NIM/ROE guidance by 10/50bp. Overall, we lower CIMB's FY26 earnings by 2%.
- **Not as bad as it looks.** Credit provisions surged 70/64% YoY/QoQ, mainly driven by OJK's new treatment of repossessed autos and pre-emptive overlays on the consumer book; these accounted for c.40% of 3Q26 allowances, without which would have been broadly flat YoY/QoQ. Niaga expects the impact to be one-off. More importantly, the underlying AQ picture tells a different story, with LAR, GIL and NPL ratios improving by 70bp, 50bp and 2bp QoQ, respectively, while loss coverage remains healthy at 100-120%
- **Bruised, not broken.** NIM continued to slip both YoY and QoQ, alongside a sharp decline in treasury risk-taking income (>90%) further weighed on performance. Looking ahead, prospects of further BI rate hikes and fierce deposit competition could keep NIM under pressure in the near term. Nevertheless, loan repricing would gradually catch up, paving way for a 2027 recovery. On a brighter note, fee income has proven resilient, growing 5-21% YoY over the past 5 quarters, while tighter cost discipline should help to improve operating efficiency going forward.

YE to Dec	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	22,523.4	22,881.6	23,738.6	24,392.7
Core net profit (RM mil)	7,859.6	7,770.0	8,225.7	8,420.4
FD Core EPS (sen)	73.4	72.5	76.8	78.6
FD Core EPS growth (%)	1.7	(1.1)	5.9	2.4
Consensus Net Profit (RM mil)	-	7,880.0	8,415.0	8,949.0
DPS (sen)	47.1	46.4	49.2	50.3
BV/share (RM)	6.59	6.89	7.18	7.46
PE (x)	9.7	9.8	9.3	9.0
Div yield (%)	6.6	6.5	6.9	7.1
P/BV (x)	1.1	1.0	1.0	1.0
ROE (%)	11.2	10.8	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)	76,854.8
Book Value (RM/Share)	6.59
P/BV (x)	1.1
ROE (%)	11.2
Free Float	70.1
Avg Daily Value (RMmil)	99.5

Major Shareholders

Khazanah Nasional	(21.5%)
EPF	(18.1%)
KWAP	(6.2%)

Price performance	3mth	6mth	12mth
Absolute(%)	(8.4)	(8.6)	(2.9)
Relative(%)	(2.8)	(2.1)	(3.0)

Source: CIMB Group, AmInvestment Bank Bhd.

Price Chart

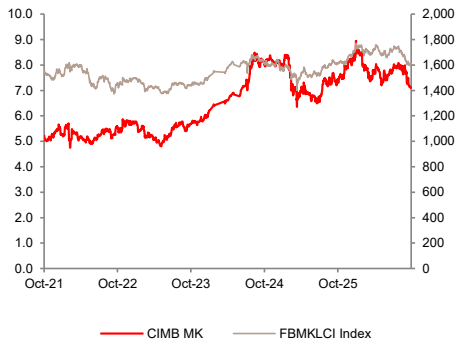


EXHIBIT 1. 3Q26 Results Summary

FYE Dec (IDRbil)	3Q26	3Q25	YoY (%)	2Q26	QoQ (%)	9M26	9M25	YoY (%)
Net interest income	3,307.0	3,455.0	-4.3	3,334.0	-0.8	9,861.0	10,078.0	-2.2
Islamic banking	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Non-interest income	1,452.0	1,810.0	-19.8	1,757.0	-17.4	5,045.0	4,683.0	7.7
Total income	**4,759.0**	**5,265.0**	**-9.6**	**5,091.0**	**-6.5**	**14,906.0**	**14,761.0**	**1.0**
Operating expenses	-2,052.0	-2,220.0	-7.6	-2,267.0	-9.5	-6,689.0	-6,544.0	2.2
Pre-provision profit	**2,707.0**	**3,045.0**	**-11.1**	**2,824.0**	**-4.1**	**8,217.0**	**8,217.0**	**0.0**
Loan loss provisions	-1,251.0	-735.0	70.2	-762.0	64.2	-2,433.0	-1,473.0	65.2
Operating profit	**1,456.0**	**2,310.0**	**-37.0**	**2,062.0**	**-29.4**	**5,784.0**	**6,744.0**	**-14.2**
Others	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Pre-tax profit	**1,456.0**	**2,310.0**	**-37.0**	**2,062.0**	**-29.4**	**5,784.0**	**6,744.0**	**-14.2**
Tax & minority interest	-400.0	-496.0	-19.4	-391.0	2.3	-1,292.0	-1,475.0	-12.4
Net Profit	**1,056.0**	**1,814.0**	**-41.8**	**1,671.0**	**-36.8**	**4,492.0**	**5,269.0**	**-14.7**
EPS (sen)	**42.0**	**72.2**	**-41.8**	**66.5**	**-36.8**	**178.7**	**209.6**	**-14.8**
BVPS (RM)	**2,282**	**2,231**	**2.3**	**2,232**	**2.2**	**2,282**	**2,231**	**2.3**

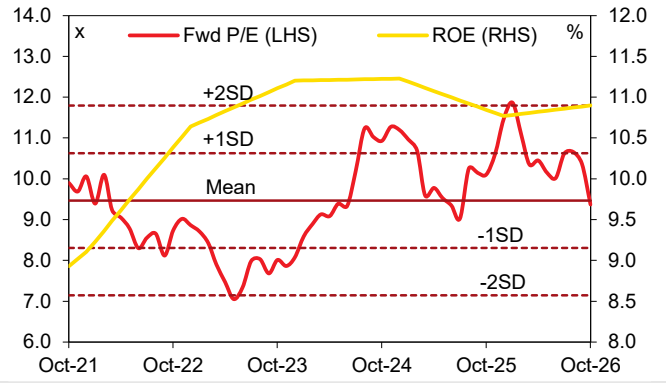
Source: CIMB, AmInvestment Bank Bhd.

EXHIBIT 2. Financial ratios

FYE Dec (%)	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
Net interest margin	3.88	3.99	3.93	4.08	3.88	3.83	3.85	3.78
Cost / income ratio	46.5	46.0	45.0	42.2	50.9	46.9	44.5	43.1
Return on equity	13.2	13.8	12.3	13.3	11.5	12.5	11.7	7.3
Loans growth, yoy	6.9	8.7	6.8	4.6	4.5	2.2	6.6	6.1
Deposits growth, yoy	10.5	2.5	4.8	8.6	3.8	2.3	2.8	-1.5
Loan / deposit ratio	87.5	90.5	88.5	82.2	88.1	90.4	91.8	88.6
Gross impaired loans ratio	4.05	4.15	3.92	3.44	3.13	2.90	2.58	2.16
Loan loss coverage	115.3	109.9	110.7	113.6	112.3	112.0	106.3	99.5
Net credit cost (bp)	60.3	56.6	74.3	128.0	36.7	72.0	128.4	207.8
Tier 1 capital ratio	22.3	23.7	22.9	23.6	23.7	24.2	22.4	22.6

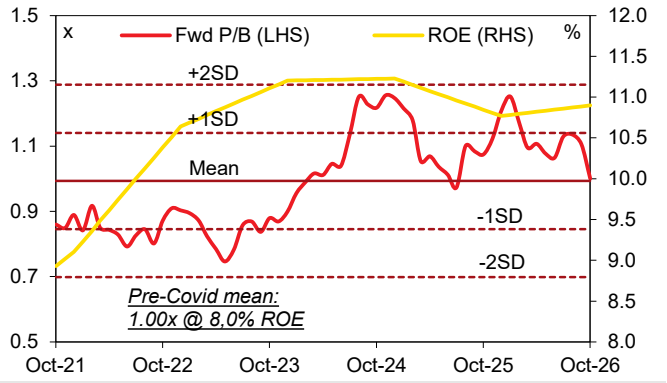
Source: CIMB, AmInvestment Bank Bhd.

EXHIBIT 3. 5-YR FORWARD P/E BAND



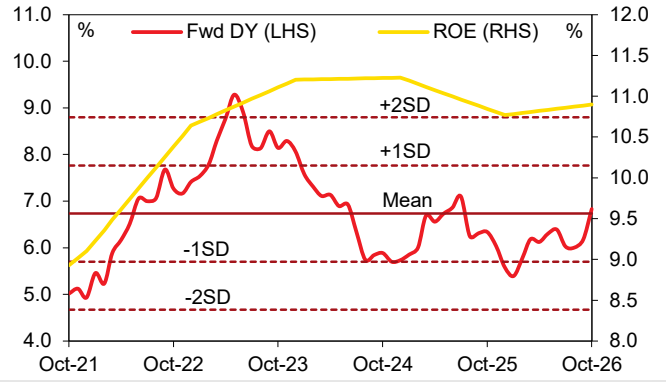
Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. 5-YR FORWARD P/B BAND



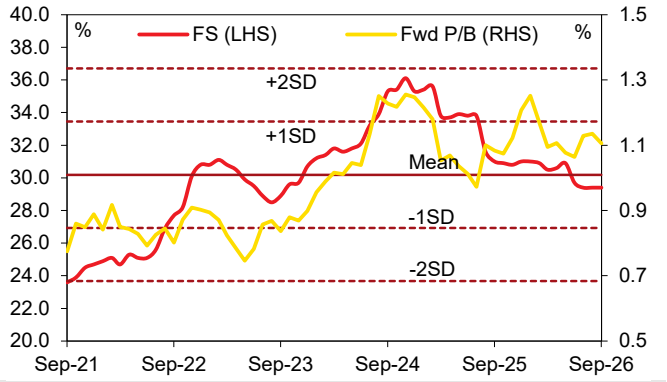
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 5-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 6. CIMB'S FOREIGN SHAREHOLDING



Source: AmInvestment Bank, CIMB

EXHIBIT 7. CHANGE IN FORECASTS

	FY26			FY27			FY28		
(RM'm)	New	Old	%	New	Old	%	New	Old	%
Net interest income	11,450.4	11,542.8	-0.8	11,825.5	11,814.8	0.1	12,202.1	12,189.6	0.1
Islamic banking income	5,033.6	5,071.5	-0.7	5,398.1	5,396.9	0.0	5,554.8	5,553.2	0.0
Loan loss provisions	-1,561.1	-1,466.9	6.4	-1,577.2	-1,574.9	0.1	-1,737.6	-1,736.4	0.1
Core profit	7,770.0	7,936.9	-2.1	8,225.7	8,218.7	0.1	8,420.4	8,410.8	0.1

Source: AmInvestment Bank

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%.

More tellingly, CIMB bought back RM446mil worth of stocks at an average of RM7.60/share between 21 Sept to 16 Oct (c.7% above current levels). In our view, this speaks volume on management's confidence in the stock's underlying value.

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	11,450.4	11,825.5	12,202.1
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	5,033.6	5,398.1	5,554.8
Total income	**22,303.9**	**22,523.4**	**22,881.6**	**23,738.6**	**24,392.7**
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	12,004.6	12,633.3	13,055.4
Loan loss provisions	(1,368.8)	(1,382.3)	(1,561.1)	(1,577.2)	(1,737.6)
Impairment & others	(135.0)	128.3	-	-	-
Associates	18.8	93.6	-	-	-
Pretax profit	**10,398.6**	**10,736.0**	**10,443.5**	**11,056.1**	**11,317.8**
Tax	(2,476.5)	(2,651.6)	(2,506.4)	(2,653.5)	(2,716.3)
Minority interests	(191.3)	(168.9)	(167.1)	(176.9)	(181.1)
Net profit	**7,728.0**	**7,859.6**	**7,770.0**	**8,225.7**	**8,420.4**
Core net profit	7,728.0	7,859.6	7,770.0	8,225.7	8,420.4

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	29,608.6	28,184.5	18,791.6	14,237.3	9,479.8
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**	**223,983.7**	**224,799.9**	**225,584.8**
Net loans & advances	442,163.5	444,920.4	463,433.8	487,396.9	512,415.9
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**	**578,496.5**	**604,834.5**	**632,268.7**
Total assets	**755,130.7**	**778,724.4**	**802,480.2**	**829,634.4**	**857,853.5**
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	73,747.9	76,855.1	79,948.7
Minority interests	1,395.1	1,346.7	1,513.7	1,690.6	1,871.7

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Total income growth (%)	6.1	1.0	1.6	3.7	2.8
Pre-provision profit growth (%)	6.5	0.1	0.9	5.2	3.3
Core net profit growth (%)	10.7	1.7	(1.1)	5.9	2.4
Net interest margin (%)	2.1	2.0	2.0	2.0	2.0
Cost-to-income ratio (%)	46.7	47.2	47.5	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	1.7	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	93.0	83.5	75.4
Total CAR (%)	-	-	-	-	-
Tier 1 Ratio (%)	-	-	-	-	-
Loan loss reserve (%)					

Source: Company, AmInvestment Bank Bhd.

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