

02 March 2026

CIMB Group Holdings

Putting a More Optimistic Lens on Capital

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CIMB's FY25 net profit (+2% YoY) and full-year dividends declared were within expectations. While the group reiterated a 11.0%-11.5% ROE target for FY26 (delivering 11.3% in FY25), we note its shift in emphasising asset growth as opposed to strictly loans growth, paving the perception for stronger focus on NOII achievement with less capital intensity. Maintain our GGM-PBV TP of RM8.45 with an upgraded OUTPERFORM call as we turn more bullish on the group's ability to balance growth and sustainable returns. Current price points also reflect near-term yields of >6% (taking into account capital returns of 7.0 sen/6.0 sen for FY26/FY27), which crowns CIMB as the new leader with regards to dividend returns.

Should the group achieve its medium-term Forward30 ROE targets of 12.0%-13.0%, we see a potential TP rerating to RM9.00-RM10.05.

FY25 within expectations. CIMB's FY25 net profit of RM7.86b made up 100% of both our full-year forecast and consensus full-year estimates. An interim dividend of 20.35 sen was declared, amounting to a full-year dividend payment of 47.1 sen (including the 7.0 sen specials as part of the group's 3-year capital return plan). This translates to a total payout of 64% with ordinary dividend payout being c.55%, in line with its 3-year average. The total dividends are close to our anticipated full-year payment of 49 sen.

YoY, FY25 net profit inched up by 2%, mainly supported by net writebacks on non-financing assets, including a recently concluded corporate restructuring exercise of RM132m in 3QFY25. Meanwhile, financing credit cost increased to 31 bps (+6 bps).

PPOP was flattish as slightly higher income (+1%) from moderate NII performance from stagnant loans book amid compressed NIMs (2.13%, -7 bps) and NOII performance was offset by a higher CIR of 47.3% (+0.6ppt). Higher operating expense arose from IT investments.

QoQ, 4QFY25 net profits declined by 8% largely owing to the sequential plunge in NOII (-25%) from the normalisation of trading results from 3QFY25's stronger base. We note that group NIM improved by 2 bps from better funding mixes in Malaysia.

Highlights. CIMB has achieved most of its headline targets with the exception of its CIR of <47%, which we opine could have been achieved if not for unfavourable IDR/MYR forex translations (which depreciated by 12% over FY25) on CIMB Niaga's operations in Indonesia. Its reported net profit (+1%) which declined by 7% on a consolidated basis.

For FY26, the group reiterated its ROE target of 11.0%-11.5%, supported by an asset growth target of 5%-7%. We note that the shift in guidance from loan growth to overall asset growth suggests a recalibration of the group's growth strategy. This could entail a stronger focus on NOII and capital efficient fee-based income and a more selective approach on higher-return loan segments. In addition, the group plans to reallocate capital from Thailand and Indonesia back to Malaysia, reflecting a more disciplined approach to capital deployment towards markets with stronger return potential.

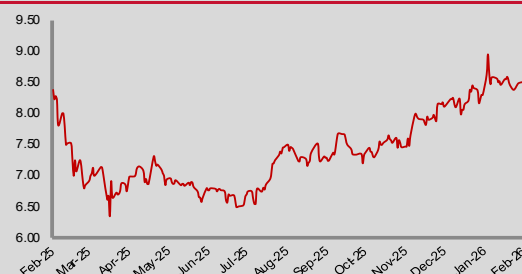
CIMB emphasised that it is on track to achieve ROEs of 12%-13% in FY27, per its Forward30 trajectory. We believe part of the step-up could be supported by higher capital distributions over time (potentially beyond the currently announced three-year plan) should the group successfully transition into the less capital-intensive operating model above. Keeping to its CET-1 headroom of >14.0%, the group may still have sufficient capital to payout an additional c.20 sen in FY27 (on top of the remaining 13 sen announced).

On other targets, the group is looking to keep its credit cost target consistent at 25-35 bps with NIMs at a +/- 5 bps range to reflect ongoing shifts in asset yields and funding costs across its regional markets.

OUTPERFORM ↑

Price : **RM8.04**
Target Price : **RM8.45 ↔**

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	-2.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	CIMB MK Equity
Market Cap (RM m)	86,805.1
Shares Outstanding	10,796.7
52-week range (H)	8.95
52-week range (L)	6.35
3-mth avg. daily vol.	15,281,800
Free Float	70%
Beta	1.27

Major Shareholders

Khazanah Nasional Bhd	21.4%
Employees Provident Fund	18.5%
Kumpulan Wang Persaraan	6.4%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	16,278	16,962	17,481
Non-interest Income	6,245	6,122	6,726
Total Income	22,523	23,084	24,207
Operating Expenses	-10,627	-10,733	-10,841
Total Impairment	-1,356	-1,017	-1,256
Pre-tax Profit	10,680	11,434	12,210
Net Profit	7,860	8,404	8,974
Core Net Profit	7,860	8,404	8,974
Consensus NP	-	8,274	8,824
Earnings Revision (%)	-	+1.2	NEW
Core EPS (RM)	0.74	0.79	0.84
EPS Growth (%)	1.7	6.9	6.8
NDPS (RM)	0.47	0.50	0.52
BV/Share (RM)	6.58	7.19	7.28
NTA/Share (RM)	5.83	6.44	6.53
ROE (%)	11.3	11.4	11.6
PER (x)	10.9	10.2	9.6
P/BV (x)	1.22	1.12	1.10
Net Div. Yield (%)	5.9	6.2	6.5

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Forecast. For FY26F earnings were tweaked as we incorporate FY25 results into our model. Meanwhile, we introduce our FY27F numbers which projects stronger NOII growth against its NII. Our dividend assumptions for FY26F/FY27F includes the group's capital return dividends of 7 sen/6 sen on top of ordinary dividend payouts of c.55% at 43 sen/46 sen.

Upgrade to OUTPERFORM (from MARKET PERFORM) with an unchanged TP of RM8.45. Our TP is based on unchanged GGM-derived PBV of 1.12x (COE: 10.7%, TG: 3.5%, ROE: 11.5%) and a FY26F BVPS of RM7.19. We also applied a 5% premium granted by CIMB's 4-star ESG ranking, thanks to its headways in green financing.

While we had previously downgraded CIMB to MARKET PERFORM (1 Dec 2025), we view the group's strategic pivot towards less capital-intensive growth as a positive development, as it alleviates our earlier concerns over the potential trade-off between growth ambitions and capital distribution. Current dividend yield projections of >6% with the inclusion of dividends from its capital return plan also puts CIMB above MAYBANK and RHBBANK which were dividend leaders.

Additionally, while we continue to cautiously apply 11.5% ROE to our GGM assumptions, should the group demonstrate an earlier-than-expected and sustainable uplift to its medium-term targeted ROE range of 12.0%-13.0%, our sensitivity analysis suggests potential upside to our TP, implying a higher range of RM9.00-RM10.05.

Risks to our call include: (i) lower-than-expected margins, (ii) lower-than-expected loan growth, (iii) worse-than-expected asset quality, (iv) changes in capital market activities, (v) currency fluctuations, and (vi) changes to the OPR.

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	4,036	4,100	-1.6%	3,997	1.0%	16,222	16,104	0.7%
Non-interest income	1,383	1,847	-25.2%	1,331	3.9%	6,245	6,197	0.8%
Total income	5,419	5,948	-8.9%	5,328	1.7%	22,467	22,301	0.7%
Operating expenses	-2,705	-2,791	-3.1%	-2,625	3.0%	-10,627	-10,420	2.0%
Pre-impairment profit	2,714	3,156	-14.0%	2,704	0.4%	11,840	11,881	-0.3%
(Allowances)/ write-backs	-257	-449	-42.7%	-314	-18.1%	-1,403	-1,125	24.7%
(Allowances)/ write-backs on other assets	49	119	-58.9%	-44	-211.1%	102	-379	-127.0%
Operating profit	2,506	2,826	-11.3%	2,345	6.9%	10,540	10,377	1.6%
Associate gains / (losses)	57	17	240.1%	17	231.6%	94	19	398.9%
Profit before tax	2,563	2,843	-9.8%	2,362	8.5%	10,634	10,396	2.3%
Taxation	-614	-720	-14.7%	-509	20.8%	-2,652	-2,477	7.1%
Minority interest	-29	-44	-34.3%	-53	-45.6%	-169	-191	-11.7%
Net Profit	1,919	2,078	-7.6%	1,800	6.6%	7,860	7,728	1.7%
Core Net Profit	1,919	2,078	-7.6%	1,800	6.6%	7,860	7,728	1.7%
Gross loans	452,947	448,213	1.1%	452,274	0.1%	452,947	452,274	0.1%
Gross impaired loans	7,786	8,575	-9.2%	9,575	-18.7%	7,786	9,575	-18.7%
Customer deposits	477,755	473,091	1.0%	471,951	1.2%	477,755	471,951	1.2%
Current and savings account (CASA)	220,824	225,870	-2.2%	218,246	1.2%	220,824	218,246	1.2%
Total assets	778,724	778,530	0.0%	755,131	3.1%	778,724	755,131	3.1%
Shareholders' equity	70,361	70,321	0.1%	69,244	1.6%	70,361	69,244	1.6%
Reported annualised NIM	2.10 %	2.08%		2.17%		2.13%	2.21%	
Cost-to-income ratio	49.9%	46.9%		49.3%		47.3%	46.7%	
Annualised credit cost (bps)	22.9	40.1		28.3		31.0	25.2	
Effective tax rate	24.0%	25.3%		21.5%		24.9%	23.8%	
Annualised ROA	1.0%	1.1%		1.0%		1.0%	1.0%	
Annualised ROE	11.0%	11.9%		10.6%		11.3%	11.2%	
Gross impaired loans ratio	1.7%	1.9%		2.1%		1.7%	2.1%	
Loan loss coverage ratio (LLC)	103.2%	102.8%		105.3%		103.2%	105.3%	
LLC plus regulatory reserves	126.0%	123.9%		123.8%		126.0%	123.8%	
Loan-to-deposit ratio	94.2%	94.0%		94.7%		94.2%	94.7%	
CASA-to-deposit ratio	46.2%	47.7%		46.2%		46.2%	46.2%	
CET-1 capital (Group level)	14.3%	14.8%		14.6%		14.3%	14.6%	

Source: Company, Kenanga Research

Management Guidance

	FY26 Target	FY25 Performance
Return on equity	11.0-11.5%	11.3%
Asset Growth	5%-7%	3.1%
Credit cost	25-35 bps	31 bps
Cost-to-income ratio	<47%	47.3%
NIM	+/- 5 bps	2.13%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen) 1-Yr. Fwd.	Net Div Yld. 1-Yr. Fwd.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.67	2.50	-6.4%	6,765.3	N	12/2026	22.4	24.0	4.9%	7.1%	11.9	11.1	0.5	4.6%	9.0	3.4%
Alliance Bank Malaysia Bhd	MP	5.04	5.20	3.2%	8,720.3	N	03/2026	48.0	50.3	10.7%	4.6%	10.5	10.0	1.1	10.5%	19.5	3.9%
AMMB Holdings Bhd	OP	6.43	7.45	15.9%	21,266.0	N	03/2026	64.2	67.0	6.0%	4.5%	10.0	9.6	1.0	10.0%	34.0	5.3%
Bank Islam Malaysia Bhd	MP	2.47	2.55	3.2%	5,598.2	Y	12/2026	26.5	28.5	7.9%	7.5%	9.3	8.7	0.7	7.5%	16.0	6.5%
CIMB Group Holdings Bhd	OP	8.04	8.45	5.1%	86,805.1	N	12/2026	78.6	83.9	6.9%	6.8%	10.2	9.6	1.1	11.4%	50.0	6.2%
Hong Leong Bank Bhd	OP	23.28	25.95	11.5%	50,464.5	N	06/2026	227.1	236.0	-0.6%	3.9%	10.2	9.9	1.1	11.5%	105.0	4.5%
Malayan Banking Bhd	MP	11.96	12.30	2.8%	144,490.0	N	12/2026	89.0	90.4	2.1%	1.6%	13.4	13.2	1.4	11.0%	64.0	5.4%
MBSB Bhd	MP	0.715	0.730	2.1%	5,879.0	Y	12/2026	5.7	7.7	45.4%	36.4%	12.6	9.3	0.5	4.1%	4.5	6.3%
Public Bank Bhd	OP	4.93	5.75	16.6%	95,694.7	N	12/2026	38.6	40.0	3.7%	3.6%	12.8	12.3	1.5	12.2%	23.5	4.8%
RHB Bank Bhd	MP	8.40	8.40	0.0%	36,640.1	N	12/2026	75.5	79.9	-2.7%	5.8%	11.1	10.5	1.0	9.5%	47.0	5.6%
SECTOR AGGREGATE					462,323					3.5%	4.5%	11.8	11.3	1.2	10.3%		5.2%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	MP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	MP	
Public Bank Bhd	4.00	13.	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★	★	★
	Financial Inclusion	★	★	★	☆	
	Cybersecurity/Data Privacy	★	★	☆		
	Digitalisation & Innovation	★	★	★	★	
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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