

28 May 2026

CIMB Group Holdings

No Strains So Far

By Clement Chua | clement.chua@kenanga.com.my

CIMB's 1QFY26 net profit (-3%) is within expectations, with the remainder of the year to be anchored by recovering NIMs (mostly dampened by Indonesia operation) and growth in assets from further capital deployment. Should macroeconomic uncertainties worsen, the group could return additional excess capital to shareholders, although its preference remains on business expansion, having already earmarked RM2b under its capital return plan. Maintain our GGM-PBV TP of RM8.45 and OUTPERFORM call. CIMB is one of our 2QCY26 Top Picks.

1QFY26 within expectations. CIMB's 1QFY26 net profit of RM1.92b came in at 23% of both our full-year forecast and consensus full-year estimates. No dividend was declared this quarter as the group typically pays on a bi-annual basis.

YoY, 1QFY26 net profit decreased by 3%. This was mainly attributed by a lower NII (-5%) as group NIMs fell to 2.08% (-8 bps) from asset yield compression across its regional operations. This was cushioned by stronger NOI (+7%) led by better trading and forex performance, albeit further dampened by a higher credit cost of 31 bps (+5 bps) absent writebacks from the previous year.

While CIR did increase slightly to 47.2% (+0.3 ppt), this came from a reduction in operating expenses (-1%) thanks to the streamlining of establishment and personnel cost.

QoQ, 1QFY26 was flattish for similar reasons to the above. We note that the decline in group NIM by 2 bps was predominantly led by its Indonesia operation (-5 bps) whereas other regional operations reported improvements thanks to better optimised funding costs.

Highlights. CIMB maintained its FY26 targets, with the group yet to observe meaningful asset quality deterioration despite ongoing geopolitical tensions and elevated fuel prices. Notably, the group has retained overlays established during FY25's trade war and tariff-related uncertainties, which could be reassessed and redeployed. LLC excluding regulatory reserves currently stands at 102%.

CIMB acknowledged that prolonged geopolitical conflict could dampen growth and delay capital deployment in the near term. With that, they do not discount that excess capital may instead be channelled towards shareholder returns. This is beyond the group's existing RM2b capital return plan (with an outstanding balance of RM1.24b) and disposal of CIMB Thai's auto finance business which could unlock an additional THB13b (c.RM1.34b) in capital.

On the operating front, the group expects overall NIM recovery, with Indonesia remaining the key drag at present. That said, management anticipates sequential improvement as CIMB Niaga intensifies efforts to strengthen CASA and increase exposure to higher-yielding products.

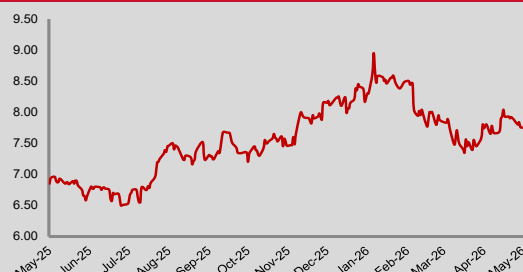
Forecasts. We tweak our FY26F/FY27F earnings post-model updates.

Maintain OUTPERFORM and 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. 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. **This has yet to include any further distribution that could arise from the capital release from CIMB Thai's auto finance disposal,** which we had anticipate could amount to up to c.12 sen (or c.1.6% additional yield) should it be entirely distributed in a single payment.

OUTPERFORM ↔

Price : RM7.68
Target Price : RM8.45 ↔

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	-6.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	CIMB MK Equity
Market Cap (RM m)	82,969.4
Shares Outstanding	10,803.3
52-week range (H)	8.95
52-week range (L)	6.50
3-mth avg. daily vol.	16,597,900
Free Float	70%
Beta	1.33

Major Shareholders

Khazanah Nasional Bhd	21.4%
Employees Provident Fund	17.6%
Kumpulan Wang Persaraan	6.4%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	16,278	16,401	17,642
Non-interest Income	6,245	6,443	6,549
Total Income	22,523	22,844	24,191
Operating Expenses	-10,627	-10,733	-10,841
Total Impairment	-1,356	-822	-1,228
Pre-tax Profit	10,680	11,389	12,223
Net Profit	7,860	8,371	8,984
Core Net Profit	7,860	8,371	8,984
Consensus NP	-	8,218	8,724
Earnings Revision (%)	-	-0.4	+0.1
Core EPS (RM)	0.74	0.78	0.84
EPS Growth (%)	1.7	6.5	7.3
NDPS (RM)	0.47	0.50	0.52
BV/Share (RM)	6.58	7.19	7.28
NTA/Share (RM)	5.83	6.44	6.52
ROE (%)	11.3	11.4	11.6
PER (x)	10.4	9.8	9.1
P/BV (x)	1.17	1.07	1.06
Net Div. Yield (%)	6.1	6.5	6.8

28 May 2026

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. **CIMB is one of our 2QCY26 Top Picks.**

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

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Net interest income	3,846	4,036	-4.7%	4,031	-4.6%	3,846	4,031	-4.6%
Non-interest income	1,564	1,383	13.1%	1,468	6.5%	1,564	1,468	6.5%
Total income	5,410	5,419	-0.2%	5,499	-1.6%	5,410	5,499	-1.6%
Operating expenses	-2,555	-2,705	-5.5%	-2,580	-1.0%	-2,555	-2,580	-1.0%
Pre-impairment profit	2,855	2,714	5.2%	2,919	-2.2%	2,855	2,919	-2.2%
(Allowances)/ write-backs	-355	-257	37.8%	-287	23.4%	-355	-287	23.4%
(Allowances)/ write-backs on other assets	1	49	-97.1%	-23	-106.1%	1	-23	-106.1%
Operating profit	2,502	2,506	-0.1%	2,609	-4.1%	2,502	2,609	-4.1%
Associate gains / (losses)	52	57	-9.4%	19	175.1%	52	19	175.1%
Profit before tax	2,554	2,563	-0.4%	2,628	-2.8%	2,554	2,628	-2.8%
Taxation	-595	-614	-3.2%	-599	-0.8%	-595	-599	-0.8%
Minority interest	-40	-29	37.0%	-54	-26.8%	-40	-54	-26.8%
Net Profit	1,916	1,919	-0.2%	1,973	-2.9%	1,916	1,973	-2.9%
Core Net Profit	1,916	1,919	-0.2%	1,973	-2.9%	1,916	1,973	-2.9%
Gross loans	455,079	452,947	0.5%	450,142	1.1%	455,079	450,142	1.1%
Gross impaired loans	7,634	7,786	-1.9%	9,706	-21.3%	7,634	9,706	-21.3%
Customer deposits	476,235	477,755	-0.3%	464,417	2.5%	476,235	464,417	2.5%
Current and savings account (CASA)	223,647	220,824	1.3%	219,370	1.9%	223,647	219,370	1.9%
Total assets	780,986	778,724	0.3%	769,554	1.5%	780,986	769,554	1.5%
Shareholders' equity	70,284	70,361	-0.1%	68,745	2.2%	70,284	68,745	2.2%
Reported annualised NIM	2.08%	2.10%		2.16%		2.08%	2.16%	
Cost-to-income ratio	47.2%	49.9%		46.9%		47.2%	46.9%	
Annualised credit cost (bps)	31.2	22.9		25.5		31.2	25.5	
Effective tax rate	23.3%	24.0%		22.8%		23.3%	22.8%	
Annualised ROA	1.0%	1.0%		1.0%		1.0%	1.0%	
Annualised ROE	10.9%	11.0%		11.5%		10.9%	11.4%	
Gross impaired loans ratio	1.7%	1.7%		2.2%		1.7%	2.2%	
Loan loss coverage ratio (LLC)	101.8%	103.2%		102.4%		101.8%	102.4%	
LLC plus regulatory reserves	133.7%	126.0%		122.1%		133.7%	122.1%	
Loan-to-deposit ratio	95.1%	94.2%		95.8%		95.1%	95.8%	
CASA-to-deposit ratio	47.0%	46.2%		47.2%		47.0%	47.2%	
CET-1 capital (Group level)	13.8%	14.3%		14.7%		13.8%	14.7%	

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

28 May 2026

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)	Net Div Yld.
								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	2.38	2.50	5.0%	6,030.5	N	12/2026	22.3	23.5	4.7%	5.1%	10.7	10.1	0.5	4.6%	9.0	3.8%
Alliance Bank Malaysia Bhd	OP	4.78	5.50	15.1%	8,270.5	N	03/2027	50.4	52.7	5.5%	4.5%	9.5	9.1	0.9	9.7%	20.0	4.2%
AMMB Holdings Bhd	OP	6.56	7.45	13.6%	21,692.2	N	03/2026	64.2	67.0	6.0%	4.5%	10.2	9.8	1.0	10.0%	34.0	5.2%
Bank Islam Malaysia Bhd	MP	2.26	2.05	-9.3%	5,122.2	Y	12/2026	24.1	26.5	-2.1%	10.3%	9.4	8.5	0.6	6.7%	14.5	6.4%
CIMB Group Holdings Bhd	OP	7.68	8.45	10.0%	82,969.4	N	12/2026	78.3	84.0	6.5%	7.3%	9.8	9.1	1.1	11.4%	50.0	6.5%
Hong Leong Bank Bhd	OP	21.90	25.80	17.8%	47,473.0	N	06/2026	220.3	234.5	-3.6%	6.4%	9.9	9.3	1.1	11.2%	105.0	4.8%
Malayan Banking Bhd	OP	10.94	12.30	12.4%	132,322.9	N	12/2026	89.0	90.4	2.1%	1.6%	12.3	12.1	1.3	11.0%	64.0	5.9%
MBSB Bhd	OP	0.675	0.730	8.1%	5,550.1	Y	12/2026	5.7	7.7	45.4%	36.4%	11.9	8.7	0.5	4.1%	4.5	6.7%
Public Bank Bhd	OP	4.80	5.95	24.0%	93,171.3	N	12/2026	38.7	40.1	4.0%	3.6%	12.4	12.0	1.5	12.3%	29.4	6.1%
RHB Bank Bhd	MP	8.29	8.40	1.3%	36,160.3	N	12/2026	75.5	79.9	-2.7%	5.8%	11.0	10.4	1.0	9.5%	47.0	5.7%
SECTOR AGGREGATE					438,762					2.8%	4.9%	11.3	10.7	1.2	10.3%		5.5%

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	5.50	OP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	7.5	9.7	0.57	2.05	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.80	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	OP	
Public Bank Bhd	4.00	13.5	9.4	1.78	5.95	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

Source: Kenanga Research

28 May 2026

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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KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

