

04 May 2026

CIMB Group Holdings

CIMB Niaga: Keeping Quality

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

CIMB Niaga's 1QFY25 net profit (-2%) was within expectations. While the group does not see large immediate concerns on asset quality arising from geopolitical tensions and inflationary pressures, its current credit cost guidance allows the group to still make additional provisions where necessary. Still, it holds a LLC of c.180%. Maintain OUTPERFORM and our GGM-derived PBV TP of RM8.45 for CIMB. It is one of our Top Picks for 2QCY26.

1QFY26 within expectations. CIMB's 91.5%-owned CIMB Niaga (Niaga) earnings of IDR1.77t made up 25% of consensus full-year estimates. The group targets for its FY26 to deliver: (i) ROEs of 12.5%-13.5% (FY25: 13.0%); (ii) loans growth of 3%-5% (4.5%); (iii) NIM of 3.9%-4.1% (3.97%); and (iv) credit cost of 0.9%-1.1% (0.74%).

YoY, 1QFY26 net profits decreased slightly (-2%) mainly owing to higher credit cost of 68 bps (+36 bps) following regulatory reclassifications of certain accounts (vehicle repos) which is expected to normalise throughout the year. The group has yet to flag delinquency concerns arising from ongoing geopolitical conflicts.

With regards to income, Niaga reported a 3% decline in its NII as NIMs diminished (-17 bps) in tandem with the lower effective benchmark rates between the periods. This was cushioned by stronger NOILs (+29%) from better treasury and investment returns.

QoQ, 1QFY26 net profits improved by 10%. Alongside higher treasury and investment returns, lumpy loan recoveries uplifted total income to cushion against the surge in credit cost (+47 bps) due to the abovementioned reasons.

Niaga's outlook. Despite a slower start to loan growth (+2%, behind the industry's c.9% growth), the group remains focused on profitability, prioritising higher-yielding products. That said, with potential near-term pressure on funding costs amid intensifying competition, maintaining a higher CASA mix will be a priority of the group to sustain NIMs.

To build a more sustainable NOIL pipeline, the group has expanded into private wealth offerings and transaction-based income, which should reduce reliance on more volatile trading activities.

On regulatory developments to improve the stock market's liquidity and investability, the Indonesia Stock Exchange's increase in minimum free float from 7.5% to 15% will be implemented progressively, with Niaga required to meet 12.5% by March 2027 and 15% by March 2028. This phased approach is not expected to be disruptive to earnings. We are also not overly concerned about the impact on group earnings, as the implied dilution in CIMB's effective stake in Niaga would translate to only a c.2% reduction in consolidated earnings.

Forecasts. Unchanged.

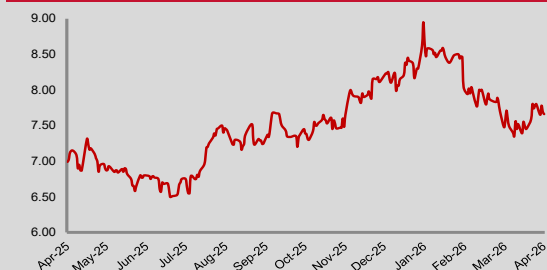
Maintain OUTPERFORM and TP of RM8.45. Our TP is based on unchanged GGM-derived PBV of 1.12x (COE: 10.7%, TG: 3.5%, ROE: 11.5%) and a FY26F BVPS of RM7.19. We also applied a 5% premium granted by CIMB's 4-star ESG ranking, thanks to its headways in green financing.

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.

OUTPERFORM ↔

Price : **RM7.66**
Target Price : **RM8.45 ↔**

Share Price Performance



KLCI 1,722.02
YTD KLCI chg 2.5%
YTD stock price chg -7.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	CIMB MK Equity
Market Cap (RM m)	82,752.7
Shares Outstanding	10,803.2
52-week range (H)	8.95
52-week range (L)	6.50
3-mth avg. daily vol.	17,457,240
Free Float	70%
Beta	1.32

Major Shareholders

Khazanah Nasional Bhd	21.4%
Employees Provident Fund	17.9%
Amanah Saham Nasional	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
Loan 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	-	8,219	8,708
Earnings Revision	-	-	-
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)	10.4	9.7	9.1
P/BV (x)	1.16	1.06	1.05
Net Div. Yield (%)	6.1	6.5	6.8

04 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) higher/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 (IDR b)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Net interest income	3,220	3,398	-5.2%	3,319	-3.0%	3,220	3,319	-3.0%
Non-interest income	1,836	1,277	43.8%	1,423	29.0%	1,836	1,423	29.0%
Total income	5,056	4,675	8.1%	4,742	6.6%	5,056	4,742	6.6%
Operating expenses	-2,387	-2,472	-3.4%	-2,318	3.0%	-2,387	-2,318	3.0%
Pre-impairment profit	2,669	2,203	21.1%	2,424	10.1%	2,669	2,424	10.1%
(Allowances)/ write-backs	-403	-121	232.0%	-182	121.9%	-403	-182	121.9%
Operating profit	2,266	2,082	8.9%	2,243	1.0%	2,266	2,243	1.0%
Non-operating gains / (losses)	0	0	N.M	0	N.M.	0	0	N.M
Profit before tax	2,266	2,082	8.9%	2,243	1.0%	2,266	2,243	1.0%
Taxation	-494	-481	2.7%	-399	23.7%	-494	-399	23.7%
Minority interest	-8	7	-218.0%	-39	-80.1%	-8	-39	-80.1%
Net Profit	1,765	1,608	9.8%	1,805	-2.2%	1,765	1,805	-2.2%
Core Net Profit	1,765	1,608	9.8%	1,805	-2.2%	1,765	1,805	-2.2%
Gross loans	235,144	238,309	-1.3%	230,086	2.2%	235,144	230,086	2.2%
Gross impaired loans	6,819	7,388	-7.7%	9,434	-27.7%	6,819	9,434	-27.7%
Customer deposits	260,135	270,523	-3.8%	254,224	2.3%	260,135	254,224	2.3%
Current and savings account (CASA)	192,295	189,461	1.5%	171,379	12.2%	192,295	171,379	12.2%
Total assets	368,219	372,699	-1.2%	370,992	-0.7%	368,219	370,992	-0.7%
Shareholders' equity	58,841	57,940	1.6%	55,327	6.4%	58,841	55,327	6.4%
Est. annualised NIM	3.74%	3.94%		3.91%		3.74%	3.91%	
Cost-to-income ratio	47.2%	51.6%		49.8%		47.2%	48.9%	
Annualised credit cost (bps)	68.1	20.8		31.7		68.1	31.7	
Effective tax rate	21.8%	23.1%		17.8%		21.8%	17.8%	
Annualised ROA	1.9%	1.7%		2.0%		1.9%	2.0%	
Annualised ROE	12.1%	11.3%		13.3%		12.1%	13.3%	
Gross impaired loans ratio	2.9%	3.1%		4.1%		2.9%	4.1%	
Loan loss coverage ratio (LLC)	176.2%	197.8%		249.7%		176.2%	249.7%	
Loan-to-deposit ratio	87.5%	85.0%		86.4%		87.5%	86.4%	
CASA-to-deposit ratio	73.9%	70.0%		67.4%		73.9%	67.4%	

Source: Company, Kenanga Research

04 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	2.52	2.50	-0.8%	6,385.3	N	12/2026	22.4	24.0	4.9%	7.1%	11.3	10.5	0.5	4.6%	9.0	3.6%
ALLIANCE BANK MALAYSIA BHD	MP	4.66	5.20	11.6%	8,062.8	N	03/2026	48.0	50.3	10.7%	4.6%	9.7	9.3	1.0	10.5%	19.5	4.2%
AMMB HOLDINGS BHD	OP	6.15	7.45	21.1%	20,336.4	N	03/2026	64.2	67.0	6.0%	4.5%	9.6	9.2	0.9	10.0%	34.0	5.5%
BANK ISLAM MALAYSIA BHD	OP	2.34	2.55	9.0%	5,303.5	Y	12/2026	26.5	28.5	7.9%	7.5%	8.8	8.2	0.7	7.5%	16.0	6.8%
CIMB GROUP HOLDINGS BHD	OP	7.66	8.45	10.3%	82,752.7	N	12/2026	78.6	83.9	6.9%	6.8%	9.7	9.1	1.1	11.4%	50.0	6.5%
HONG LEONG BANK BHD	OP	22.26	25.95	16.6%	48,253.4	N	06/2026	227.1	236.0	-0.6%	3.9%	9.8	9.4	1.1	11.5%	105.0	4.7%
MALAYAN BANKING BHD	OP	11.08	12.30	11.0%	134,016.2	N	12/2026	89.0	90.4	2.1%	1.6%	12.5	12.3	1.3	11.0%	64.0	5.8%
MBSB BHD	OP	0.685	0.730	6.6%	5,632.3	Y	12/2026	5.7	7.7	45.4%	36.4%	12.1	8.9	0.5	4.1%	4.5	6.6%
PUBLIC BANK BHD	OP	4.68	5.75	22.9%	90,842.0	N	12/2026	38.6	40.0	3.7%	3.6%	12.1	11.7	1.4	12.2%	23.5	5.0%
RHB BANK BHD	MP	8.14	8.40	3.2%	35,506.0	N	12/2026	75.5	79.9	-2.7%	5.8%	10.8	10.2	1.0	9.5%	47.0	5.8%
SECTOR AGGREGATE					437,091					3.5%	4.5%	11.2	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	3.0	6.25	9.9	0.47	2.30	MP	
ALLIANCE BANK MALAYSIA BHD	3.0	10.0	10.5	0.93	4.85	MP	+5% ESG Premium
AMMB HOLDINGS BHD	3.0	10.0	9.9	1.02	6.90	OP	
BANK ISLAM MALAYSIA BHD	3.5	8.0	10.2	0.67	2.45	OP	
CIMB GROUP HOLDINGS BHD	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
HONG LEONG BANK BHD	-	-	-	-	24.50	OP	Sum-of-Parts
MALAYAN BANKING BHD	3.5	12.0	9.5	1.41	12.00	OP	
MBSB BHD	3.0	6.0	9.2	0.48	0.720	OP	
PUBLIC BANK BHD	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB BANK BHD	2.5	10.0	10.2	0.98	7.80	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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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

