CIMB Group (CIMB MK)

3Q26: Resilient Showing Despite Forex And NIM Headwinds

Highlights

- 3Q26 earnings are in line (-10% yoy, +3% qoq), impacted by NIM pressure, forex headwinds and lower trading gains.
- Healthy asset growth, strong fee income, and solid cost discipline helped cushion the weaker-than-expected NIM trend.
- The group declared an interim special dividend of RM596m.
- Maintain BUY and target price of RM8.80 (1.25x 2027F P/B, 11.5% ROE). The stock offers a lush dividend yield of 7.0% for 2026/27.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	3Q25	yoy%	9M26	yoy%
Net Interest Income	2,735.3	2,818.7	(3.0)	8,126.0	(3.7)
Islamic Banking	1,203.2	1,307.1	(7.9)	3,619.4	(4.5)
Fees & Commissions	650.6	614.5	5.9	1,838.5	1.5
Other Operating Income	854.5	1,233.0	(30.7)	2,850.9	(6.6)
Modification loss	(21.2)	(25.6)	(17.0)	(40.1)	(3.8)
Total Income	5,422.3	5,947.7	(8.8)	16,394.6	(3.8)
Operating Expenses	(2,521.1)	(2,791.5)	(9.7)	(7,590.6)	(4.2)
PPOP	2,901.1	3,156.2	(8.1)	8,804.0	(3.5)
Allowance for impairment on loans	(452.7)	(433.7)	4.4	(1,251.1)	10.7
Impairment on securities	27.8	103.2	(73.1)	1.9	(97.7)
PBT	2,559.0	2,868.1	(10.8)	7,736.4	(5.2)
Net Profit	1,900.7	2,103.5	(9.6)	5,774.3	(3.5)
EPS (sen)	0.0	19.3	(100.0)	35.8	(35.1)
DPS (sen)	5.5	7.0	(21.4)	25.2	(6.0)
Financial Ratios (%)	**3Q26**	**3Q25**	**yoy +/- ppt**	**2Q26**	**qoq +/- ppt**
NIM	1.99	2.08	(0.09)	2.04	(0.05)
Loan Growth, yoy	4.1	2.0	1.5	2.6	2.1
Cost/Income Ratio	46.3	45.1	(0.4)	46.7	1.2
Reported ROE	10.8	11.1	(1.0)	11.8	(0.4)
NPL Ratio	1.6	1.6	(0.3)	1.9	(0.1)
Credit Costs (bp)	38.8	38.5	0.1	38.7	0.3
CET-1 CAR	13.6	13.9	(1.2)	14.8	(0.3)

Source: CIMB Group, UOB Kay Hian

Analysis

- **In line.** CIMB reported 3Q26 net profit of RM1.90b (-10% yoy, -1% qoq), bringing 9M26 earnings to RM5.77bb (-3.5% yoy). We deem the results **broadly in line,** at 73%/74% of our/consensus 2026 forecasts respectively. 9M26 earnings was impacted by NIM pressure, higher provisions from Niaga, and lower trading income. However, lower opex (-4% yoy) and strong wealth management fee income (10% yoy) helped to cushion the headwinds.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	11,367	11,319	11,340	11,895	12,683
Non-Interest Income	6,197	6,245	6,533	6,855	7,155
Net profit (rep./act.)	7,728	7,860	7,961	8,559	9,227
Net profit (adj.)	7,728	7,860	7,961	8,559	9,227
EPS (sen)	71.8	73.0	73.9	79.5	86.2
PE (x)	9.9	9.8	9.6	9.0	8.3
P/B (x)	1.1	1.1	1.1	1.0	1.0
Dividend yield (%)	6.6	6.6	7.1	7.1	7.6
Net int margin (%)	2.29	2.24	2.17	2.13	2.11
Cost/income Ratio (%)	46.7	47.2	47.3	46.4	45.5
Loan loss cover (%)	105.3	103.2	125.8	143.6	158.3
Consensus net profit	-	-	7,772	8,361	8,901
UOBKH/Consensus (x)	-	-	1.02	1.02	1.04

Source: CIMB Group, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM7.12
Target Price	RM8.80
Upside	23.6%

Stock Data

Sector	Financials
Bloomberg ticker	CIMB MK
Shares issued (m)	10,751.8
Market cap (RMm)	76,552.5
Market cap (US$m)	18,860.9
3-mth avg daily t'over (US$m)	25.2

Price Performance (%)

52-week high/low				RM8.95/RM6.83
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(0.4)	(10.6)	(7.9)	(3.8)	(13.7)

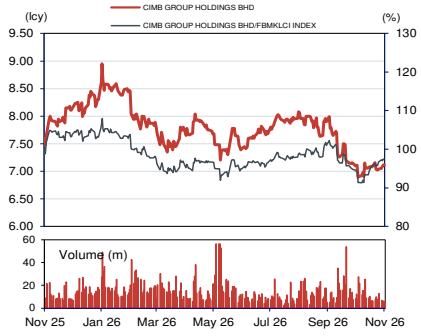
Major Shareholders (%)

Khazanah Nasional Bhd	21.5
EPF	17.9

Balance Sheet Metrics

FY26F NAV/Share (RM)	6.78
FY26F CAR Tier -1 (%)	15.2

Price Chart



Source: Bloomberg

Company Description

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups.

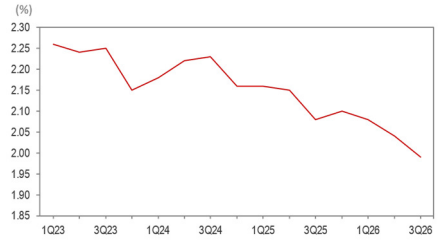
- **Underlying performance was more resilient after adjusting for forex translation.** On a reported basis, 9M26 total income declined 3.8% yoy, comprising a 3.0% decline in net interest income and a 6% decline in NOII. However, on a constant currency basis, total income grew a commendable 1.0% yoy, despite the sharp 10bp compression in NIM and impact of higher bond yields on trading income.
- **3Q26 earnings trend**. Group earnings declined 1% qoq**.** The key drags were a 5bp contraction in group NIM to 1.99% and a 7.4% decline in NOII. The decline in NOII was partly due to the high-base effect in 2Q26 which included a lumpy other income item. These were partly offset by lower total provisions (-9.2% qoq) and broadly stable operating expenses (+0.2%). On a yoy basis, 3Q26 earnings declined 10% yoy, dragged by 9bp in NIM, lower trading income, lower writebacks on impairment in securities, and higher provisions. The earnings pressure was partly cushioned by a 9.7% reduction in operating expenses, 5% fee income growth and strong 14% yoy growth in treasury client sales (forex hedging products).
- **NIM – Margin compression remains the key earnings headwind but management expects this to stabilise in 4Q26**. Group NIM declined another 5bp qoq to 1.99% in 3Q26, bringing the 9M26 average to 2.03%, down 10bp yoy (broadly in line with our forecast and the lower end of management guidance). Margin pressure was broad-based across the group's key markets, with Malaysia's NIM declining 2bp qoq to 1.72%, Indonesia's easing 7bp to 3.78%, Thailand's falling 6bp to 1.92% and Singapore's moderating 2bp to 1.18%. The continued pressure reflects a combination of more intense deposit competition, lower SORA in Singapore and rising interest rate cycle in Indonesia.
- **Asset quality – Group indicators remain healthy.** Group asset quality remained broadly stable, with gross impaired loan (GIL) ratio holding at a record-low 1.6% in 3Q26, while annualised loan loss charge (LLC) remained unchanged qoq at 38bp (35bp for 9M26). 9M26 net credit cost of 35bp came in at the upper end of guidance due largely to lumpy one-off provisions at CIMB Niaga following the OJK's revised treatment of repossessed vehicles. This provision should gradually reverse as the underlying assets are subsequently disposed.
- **Data centre exposure risk negligible**. The group's total data centre loan exposure stood at RM3.8b (0.8% of group loans). Exposure to China-related data centres and offtakers represents around 10% of outstanding data centre loans, or a modest 0.1% of total group loans.
- **Declares special dividend for 3Q26**. The group declared an interim special dividend of RM596m, payable in Dec 26, leaving RM200m of committed capital returns to be either distributed in 4Q26 or carried forward to 2027. The frontloading of special dividends into 2026 could lift our estimated 2026 DPS to 50sen (assuming the remaining RM200m is returned in 2027), from our previous estimate of 46sen, implying a dividend yield of ~7%. We retain our 2027 DPS assumption, with the revised estimates translating into an attractive dividend yield of around 7% for both 2026 and 2027.
- **Capital management outlook – maintaining our 2027 dividend payout assumption despite front-loading of special dividends in 2026.** Despite the front-loading of its committed RM2b special dividends into 2026, we retain our 2027 dividend payout ratio assumption of 62%, above the group's recurring minimum payout policy of 55% (2026: 68%).
- **This is supported by several factors**: a) the ongoing RWA optimisation has successfully lowered the group's RWA density, helping to preserve a stable and healthy 14.1% CET1 ratio in 3Q26 despite mark-to-market losses on bond holdings, with management confident of sustaining further optimisation; b) the full adoption of Basel III reforms in 2028 is expected to provide a slight positive uplift to CET1, creating additional capacity for capital distribution; c) optionality to potentially to return part of its Bt700b (RM840m) from CIMB Thai excess capital through special dividends; and d) its established track record of returning surplus capital over the past three years reinforces our confidence in continued shareholder distributions. Importantly, the current

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.0	5.2	5.5
Credit Cost (bp)	30.0	30.0	30.0
ROE	11.1	11.5	11.8

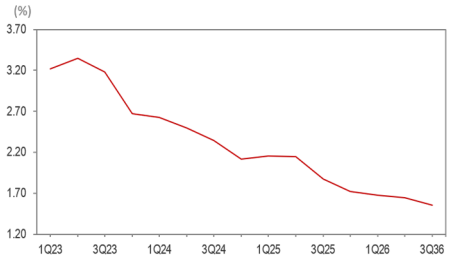
Source: UOB Kay Hian

CIMB Group NIM Trend



Source: CIMB Group, UOB Kay Hian

CIMB Group GIL Ratio Trend



Source: CIMB Group, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental

- **Green loan commitment.** To provide RM30b in sustainable financing by 2040.
- **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.

Social

- **Board and upper management gender diversity.** Maintained 30% female directors on the Board.
- **Enhanced financial inclusion to B40.** Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.

Governance

- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 60%.

Source: CIMB, UOB Kay Hian

CET1 ratio of 14.1%, even before the anticipated Basel III uplift, remains comfortably above management's guided optimal level of 13%, providing sufficient capital headroom to sustain our payout assumption.
- **2026 guidance.** Management has retained all of its key 2026 guidance is as follows: a) ROE: 11.0-11.5%, b) asset growth: 5-7%, c) net credit cost: 25-35bp, d) NIM: stable to -10bp, and e) cost to income ratio: less than 47%**.**

Valuation/Recommendation

- **Maintain BUY and target price of RM8.80 (1.25x 2027F P/B, 11.5% ROE).** The stock offers a lush dividend yield of 7% for 2026. Valuations also remain inexpensive on both P/B (1.05x vs 11.1% ROE) and PE metrics (10.0x 2026).

Earnings Revision/Risk

- No revision to earnings.
- **Risks.** Key downside risks include: a) a sharper-than-expected depreciation of the rupiah, which could weigh on revenue translation from CIMB Niaga; b) weaker-than-anticipated asset quality trends; and c) heightened deposit competition, which may exert further pressure on NIM.

Share Price Catalyst

- Stronger-than-expected trading income.
- Higher-than-expected NIM.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	25,145	26,269	27,822	29,533
Interest expense	(13,826)	(14,929)	(15,927)	(16,850)
Net interest income	11,319	11,340	11,895	12,683
Fees & commissions	2,380	2,666	2,986	3,284
Net Trading Income	92	94	96	98
Other income	3,773	3,773	3,773	3,773
Income from islamic banking	4,959	5,256	5,572	5,906
Total income	**22,523**	**23,129**	**24,321**	**25,744**
Staff costs	(6,344)	(6,849)	(7,397)	(7,991)
Other operating expense	(4,283)	(4,097)	(3,877)	(3,734)
Pre-provision profit	11,896	12,183	13,047	14,019
Loan loss provision	(1,382)	(1,420)	(1,491)	(1,566)
Other provisions	128	(149)	(140)	(140)
Associated companies	94	74	75	75
Other non-operating income	(56)	0	0	0
Pre-tax profit	10,680	10,688	11,491	12,389
Tax	(2,652)	(2,565)	(2,758)	(2,973)
Minorities	(169)	(162)	(175)	(188)
Net profit	**7,860**	**7,961**	**8,559**	**9,227**
Net profit (adj.)	7,860	7,961	8,559	9,227

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	8,217	16,567	17,395	18,265
Govt treasury bills & securities	16,557	16,888	17,226	17,570
Interbank loans	4,658	5,081	5,544	6,048
Customer loans	444,920	463,883	486,059	509,344
Investment securities	214,202	239,621	267,949	299,519
Derivative receivables	15,266	17,097	19,149	21,447
Associates & JVs	2,381	2,500	2,625	2,756
Fixed assets (incl. prop.)	2,567	2,454	2,339	2,221
Other assets	69,956	76,561	83,937	92,181
Total assets	**778,724**	**840,653**	**902,223**	**969,352**
Interbank deposits	49,908	53,232	56,789	60,596
Customer deposits	510,047	530,449	551,667	573,734
Derivative payables	58,457	60,953	63,555	66,271
Debt equivalents	29,410	29,410	29,410	29,410
Other liabilities	58,994	92,471	123,312	158,243
Total liabilities	**706,817**	**766,515**	**824,734**	**888,253**
Shareholders' funds	70,561	72,630	75,805	79,227
Minority interest - accumulated	1,347	1,509	1,684	1,872
Total equity & liabilities	**778,724**	**840,653**	**902,223**	**969,352**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	(0.4)	0.2	4.9	6.6
Total CAR	1.3	12.0	12.0	10.0
Total assets/equity (x)	0.1	2.4	7.1	7.5
Tangible assets/tangible common equity (x)	1.7	1.3	7.5	7.8
Asset Quality	0.6	4.3	4.8	4.8
NPL Ratio	2.8	4.0	4.0	4.0
Loan Loss Coverage				
Loan Loss Reserve/Gross Loans	2.24	2.17	2.13	2.11
Increase in NPLs	47.2	47.3	46.4	45.5
Credit Cost (bp)	1.0	1.0	1.0	1.0
Liquidity	11.2	11.1	11.5	11.9
Loan/Deposit Ratio	11.2	11.1	11.5	11.9
Liquid Assets/Short-Term Liabilities				
Liquid Assets/Total Assets	1.1	1.1	1.0	1.0

Key Metric

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net Interest Income, yoy Chg	(0.4)	0.2	4.9	6.6
Fees & Commissions, yoy Chg	1.3	12.0	12.0	10.0
Pre-Provision Profit, yoy Chg	0.1	2.4	7.1	7.5
Net Profit, yoy Chg	1.7	1.3	7.5	7.8
Customer Loans, yoy Chg	0.6	4.3	4.8	4.8
Customer Deposits, yoy Chg	2.8	4.0	4.0	4.0
Profitability				
Net Interest Margin	2.24	2.17	2.13	2.11
Cost/Income Ratio	47.2	47.3	46.4	45.5
Adjusted ROA	1.0	1.0	1.0	1.0
Reported ROE	11.2	11.1	11.5	11.9
Adjusted ROE	11.2	11.1	11.5	11.9
Valuation				
P/BV (x)	1.1	1.1	1.0	1.0
P/NTA (x)	1.2	1.2	1.1	1.1
Adjusted P/E (x)	9.8	9.6	9.0	8.3
Dividend Yield	6.6	7.1	7.1	7.6
Payout ratio	64.5	68.4	63.4	63.0

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