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Company – Results | Malaysia

Tuesday, 01 September 2026

CIMB Group (CIMB MK)

2Q26: Resilient Showing Despite Forex And NIM Headwinds

Highlights

- 2Q26 earnings are in line (+3% yoy, +1% qoq), supported by strong non-interest income growth and solid cost discipline.
- Healthy asset growth, strong non-interest income and solid cost discipline helped cushion the weaker-than-expected NIM trend.
- Maintain BUY and target price of RM9.30 (1.28x 2026F P/B, 11.7% ROE). The stock offers a lush dividend yield of 6.5% for 2026.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	2Q25	yoy%	1H26	yoy%
Net Interest Income	2,724.7	2,798.2	(2.6)	5,390.7	(4.1)
Islamic Banking	1,227.5	1,266.7	(3.1)	2,416.2	(2.6)
Fees & Commissions	592.6	581.7	1.9	1,187.9	(0.7)
Other Operating Income	1,027.7	965.3	6.5	1,996.4	9.8
Modification loss	(10.4)	(10.2)	1.4	(18.9)	17.3
Total Income	5,562.1	5,601.8	(0.7)	10,972.4	(1.2)
Operating Expenses	(2,514.7)	(2,551.2)	(1.4)	(5,069.5)	(1.2)
PPOP	3,047.4	3,050.5	(0.1)	5,902.8	(1.1)
Allowance for impairment on loans	(441.1)	(408.5)	8.0	(798.4)	14.7
Impairment on securities	(27.1)	4.4	n.m.	(25.9)	n.m.
PBT	2,617.8	2,657.8	(1.5)	5,177.3	(2.1)
Net Profit	1,948.6	1,899.0	2.6	3,873.6	(0.1)
EPS (sen)	18.0	17.5	2.7	35.8	(0.1)
DPS (sen)	19.7	19.8	(0.5)	19.7	(0.5)
Financial Ratios (%)	2Q26	2Q25	yoy +/- ppt	1Q26	qoq +/- ppt
NIM	2.04	2.15	(0.11)	2.08	(0.04)
Loan Growth, yoy	2.0	1.0	1.0	1.1	0.9
Cost/Income Ratio	45.1	45.5	(0.3)	47.1	(2.0)
Reported ROE	11.1	10.8	0.3	11.0	0.1
NPL Ratio	1.6	2.1	(0.5)	1.7	(0.0)
Credit Costs (bp)	38.5	36.4	2.1	31.4	7.1
CET-1 CAR	13.9	14.7	(0.8)	13.8	0.1

Source: CIMB Group, UOB Kay Hian

Analysis

- **In line.** CIMB Group (CIMB) reported 2Q26 net profit of RM1.92b (+3% yoy, +1% qoq), bringing 1H26 earnings to RM3.87b (flattish yoy). We deem the results broadly in line, at 47%/48% of our/consensus full-year forecasts respectively, and expect earnings to be stronger hoh in 2H26, driven by continued non-interest income momentum, normalisation in credit costs at CIMB Niaga and positive forex translation from regional currencies strengthening against the ringgit. Overall, healthy asset growth, strong non-interest income and solid cost discipline helped cushion the weaker-than-expected NIM trend in 2Q26.
- **Displays solid growth traction ex-forex impact.** Reported earnings were weighed by negative forex translation from the stronger ringgit against regional currencies. On a constant-currency basis, however, 2Q26 earnings growth accelerated to 7.3% yoy (1Q26: +1.7%), bringing 1H26 growth to 4.5% yoy, despite a sharp 10bp yoy compression in 1H26 NIM. Growth was supported by strong non-interest income (+8% yoy, +7% qoq) and continued cost discipline, with opex declining 1% yoy, partly offset by higher provisions and NIM compression.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	11,367	11,319	11,904	12,878	13,984
Non-Interest Income	6,197	6,245	6,533	6,855	7,155
Net profit (rep./act.)	7,728	7,860	8,319	8,980	9,697
Net profit (adj.)	7,728	7,860	8,319	8,980	9,697
EPS (sen)	71.8	73.0	77.3	83.4	90.6
PE (x)	11.1	10.9	10.3	9.5	8.8
P/B (x)	1.2	1.2	1.2	1.1	1.1
Dividend yield (%)	5.9	5.9	6.3	6.9	7.4
Net int margin (%)	2.29	2.24	2.25	2.25	2.26
Cost/income Ratio (%)	46.7	47.2	47.5	47.2	46.8
Loan loss cover (%)	105.3	103.2	140.5	223.3	567.7
Consensus net profit	-	-	8,038	8,660	9,259
UOBKH/Consensus (x)	-	-	1.04	1.04	1.05

Source: CIMB Group, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM7.96
Target Price	RM9.30
Upside	22.3%

Stock Data

Sector	Financials
Bloomberg ticker	CIMB MK
Shares issued (m)	10,810.0
Market cap (RMm)	86,047.8
Market cap (US$m)	21,060.7
3-mth avg daily t'over (US$m)	23.0

Price Performance (%)

52-week high/low RM8.95/RM7.01

1mth	3mth	6mth	1yr	YTD
1.7	6.4	(1.0)	8.1	(3.5)

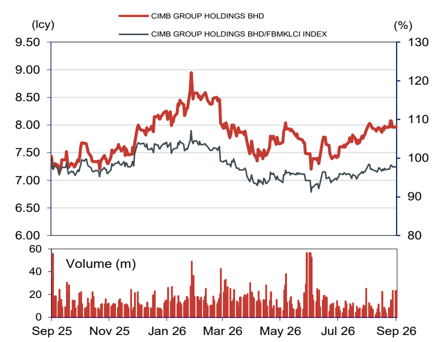
Major Shareholders (%)

Khazanah Nasional Bhd	21.4
EPF	18.4

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.

- **Strong growth momentum in PPOP.** Pre-provision operating profit (PPOP) grew by a robust 6% qoq in 2Q26, underpinned by a 6% qoq growth in non-interest income from stronger fee income and positive operating JAWS from continued cost discipline. Net interest income also grew a commendable 1% qoq despite a 4bp NIM compression, underpinned by a commendable asset growth of 3% qoq. However, 2Q26 earnings grew a modest 1% qoq, as the strong PPOP growth was largely offset by higher net credit costs, which rose to 38bp (1Q26: 31bp), reflecting: a) additional management overlays and lumpy provisions in Indonesia that should reverse in subsequent quarters, b) 4bp qoq NIM compression, and c) forex headwinds.
- More importantly, ex-FX impact, revenue grew a solid 4% qoq, while opex declined 2%, translating into 6ppt of positive operating JAWS. As credit costs normalise lower in subsequent quarters coupled with forex tailwinds from Singapore and Indonesia against the ringgit, as observed since June, we expect the group's strong underlying earnings momentum to increasingly translate into stronger sequential growth in reported earnings.
- **NIM eases; NIM guidance revised downwards**. Group NIM declined 4bp qoq to 2.04%, with pressure across Malaysia, Indonesia and Singapore. Malaysia was impacted by higher wholesale funding costs, while Indonesia saw deposits reprice faster than loans amid the sharper-than-expected rise in interest rates. Singapore was affected by lower SORA. Against this backdrop, management has revised its 2026 NIM guidance down from -5 to +5bp to stable to -10bp. To mitigate the pressure, the group is looking to replace more expensive wholesale deposits with cheaper retail fixed deposits in Malaysia, alongside loan repricing in Indonesia. Management expects these initiatives to help stabilise NIM on a hoh basis in 2H26.
- **Greater flexibility to navigate NIM headwinds**. Additionally, we believe CIMB has sufficient balance sheet flexibility to navigate the industry-wide NIM headwinds by optimising its healthy loan-to-deposit ratio of 88%, which remains below the >90% peer average.
- **Improving asset quality trend.** GIL ratio improved to 1.6% (1Q26: 1.7%), while LLC remained comfortable at 100%, above the industry average of ~80%. However, net credit cost increased to 38bp (1Q26: 31bp), mainly due to additional management overlays and a lumpy one-off provision at CIMB Niaga following the OJK's revised treatment of repossessed vehicles. This provision should reverse as the underlying assets are subsequently disposed of. Despite the higher overlays in 2Q26, management retained its 2026 net credit cost guidance of 25–35bp, supported by stable asset quality and recoveries in Singapore, which should help offset the elevated provisioning.
- **2026 guidance.** Apart from NIM, 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, and d) Cost to income ratio: less than 47%. Meanwhile NIM guidance down from -5 to +5bp to stable to -10bp.

Valuation/Recommendation

- **Maintain BUY and target price of RM9.30 (1.28x 2027F P/B, 11.7% ROE).** The stock offers an attractive dividend yield of 6.5-6.9% for 2026–27, above the sector average of 5.5-6.0%. Beyond its ongoing RM2b special dividend programme, we see further potential for capital management upside from up to RM1.3b of potential capital upstream from CIMB Thai. Together with its undemanding valuations - 1.15x 2026F P/B for an 11.7% ROE and 10.9x/10.1x 2026/27 PE - we believe the risk-reward remains skewed to the upside.

Earnings Revision/Risk

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

Share Price Catalyst

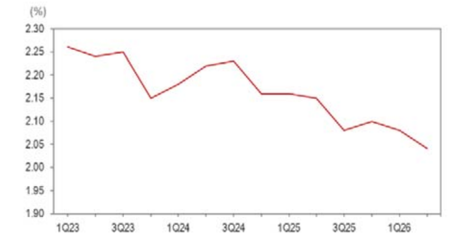
- Stronger-than-expected trading income.
- Higher-than-expected NIM.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.0	5.2	5.5
Credit Cost (bp)	25.0	25.0	25.0
ROE	11.3	11.7	12.1

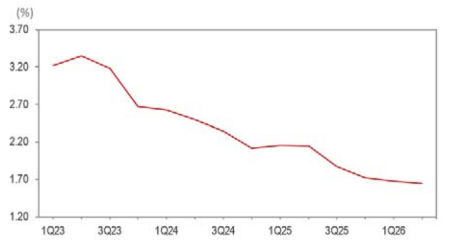
Source: UOB Kay Hian

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: Maybank, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	25,145	26,273	27,834	29,554
Interest expense	(13,826)	(14,369)	(14,956)	(15,570)
Net interest income	11,319	11,904	12,878	13,984
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	23,693	25,305	27,046
Staff costs	(6,344)	(6,849)	(7,397)	(7,991)
Other operating expense	(4,283)	(4,416)	(4,544)	(4,666)
Pre-provision profit	11,896	12,428	13,364	14,389
Loan loss provision	(1,382)	(1,183)	(1,243)	(1,305)
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	11,170	12,057	13,019
Tax	(2,652)	(2,681)	(2,894)	(3,125)
Minorities	(169)	(170)	(183)	(198)
Net profit	7,860	8,319	8,980	9,697
Net profit (adj.)	7,860	8,319	8,980	9,697

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	464,120	486,545	510,090
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	840,890	902,708	970,098
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	92,335	123,440	158,643
Total liabilities	706,817	766,379	824,862	888,653
Shareholders' funds	70,561	72,994	76,146	79,547
Minority interest - accumulated	1,347	1,516	1,700	1,898
Total equity & liabilities	778,724	840,890	902,708	970,098

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	14.3	15.2	14.8	14.5
Total CAR	18.0	19.9	19.3	18.6
Total assets/equity (x)	11.0	11.5	11.9	12.2
Tangible assets/tangible common equity (x)	12.3	12.8	13.1	13.5
Asset Quality				
NPL Ratio	1.7	1.4	0.9	0.4
Loan Loss Coverage	103.2	140.5	223.3	567.7
Loan Loss Reserve/Gross Loans	1.8	1.9	2.1	2.3
Increase in NPLs	(18.7)	(15.7)	(28.6)	(55.8)
Credit Cost (bp)	31.1	25.0	25.0	25.0
Liquidity				
Loan/Deposit Ratio	87.2	87.5	88.2	88.9
Liquid Assets/Short-Term Liabilities	5.2	6.6	6.6	6.6
Liquid Assets/Total Assets	3.8	4.6	4.4	4.3

Key Metric

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net Interest Income, yoy Chg	(0.4)	5.2	8.2	8.6
Fees & Commissions, yoy Chg	1.3	12.0	12.0	10.0
Pre-Provision Profit, yoy Chg	0.1	4.5	7.5	7.7
Net Profit, yoy Chg	1.7	5.9	7.9	8.0
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	2.25	2.25	2.26
Cost/Income Ratio	47.2	47.5	47.2	46.8
Adjusted ROA	1.0	1.0	1.0	1.0
Reported ROE	11.2	11.6	12.0	12.5
Adjusted ROE	11.2	11.6	12.0	12.5
Valuation				
P/BV (x)	1.2	1.1	1.1	1.0
P/NTA (x)	1.3	1.3	1.2	1.1
Adjusted P/E (x)	10.5	9.9	9.2	8.5
Dividend Yield	6.1	6.6	7.1	7.7
Payout ratio	64.5	65.4	65.4	65.0