Company Update | Monday, 12 June 2023

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

Persistent Problems from Personal Financing Portfolio

***Downgrade to* TRADING SELL**

(Previously BUY)

***Revised* Target Price: RM1.46**

(Previously RM2.12)

KEY INVESTMENT HIGHLIGHTS

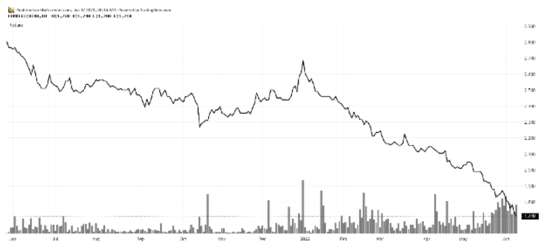
- **Core themes: (a) Personal financing exposure, (b) OPEX and tech-spend, (c) Underwhelming deposit mix**
- **FY23F/24F/25F Core NP adjusted by -1%/-3%/-5%**
- **Downgrade to TRADING SELL | Revised TP of RM1.46 | based on a revised FY24F P/BV of 0.46x** ***(formerly 0.61x)***

RETURN STATISTICS	
Price @ 9 June 2023 (RM)	1.71
Expected share price return (%)	-14.6
Expected dividend yield (%)	+8.4
Expected total return (%)	**-6.2**

Verdict: High possibility of downside risk but buffered by excellent dividend yields.

Yays	1. High dividend yields. 2. NOII should make a good recovery. 3. Valuations are cheap.
Nays	1. Heavy exposure to personal financing (PF) loans should lead to further asset quality deterioration. 2. Lacklustre writebacks, given higher provision burn of unsecured PF loans. 3. Unfavourable deposit mix drags NIM outlook: High duration, and 100% exposure to erratic Islamic FD rates.
OKs	1. Loan target of 7-8% is high (YTD: +0.4%), but we think that this is still achievable. SBR shift and tighter loan competition pose downside risk. 2. DRP may cause ROE dilution.

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-0.1
3 months	-0.5	1.4
12 months	-0.9	8.0

INVESTMENT STATISTICS

FYE Dec	FY23F	FY24F	FY25F
Core NP (RM m)	**521**	**575**	**610**
CNP growth (%)	6	10	6
Div yield (%)	**8.0**	**8.4**	**8.5**
Gross DPS (sen)	13.7	14.4	14.6
P/BV (x)	**0.6**	**0.5**	**0.5**
BVPS (RM)	3.0	3.2	3.3
ROE (%)	**7.4**	**7.7**	**7.8**
MIDF/Street CNP (%)	**98**	**99**	**97**

KEY STATISTICS

FBM KLCI	1,376.08
Issue shares (m)	2,273.9
Estimated free float (%)	18.5
Market Capitalisation (RM'm)	4,525.0
52-wk price range	RM1.70 - RM2.33
3-mth avg daily volume (m)	0.5
3-mth avg daily value (RM'm)	1.0
Top Shareholders (%)	
Lembaga Tabung Haji	28.3
EPF Board	23.8
Amanah Saham Nasional Bhd	20.9

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We have grown incrementally negative on BIMB's outlook. Significant downside risk exists, heightening the possibility of BIMB disappointing on a variety of fronts in the near-term. Regardless of attractive valuations, we think negative repricing pressure should persist if BIMB keeps underperforming, and we urge investors to revisit the stock upon better visibility on May-23 related OPR hike impairments.

1. **Household loan impairments to keep flooding in.** PF loans make up a huge portion of household loans. Household impairments have steadily and sharply risen over five quarters, with lack of reason to dwindle. From an asset quality perspective, these risky loans are much more sensitive to OPR hikes, so expect the May-23 OPR hike to affect BIMB a lot more severely than its peers.
2. **PF loans are unsecured and burn through provisions much quicker.** As a result, we urge investors to be prudent with overlay writeback expectations. We are also expecting heavy BAU provisions in the following quarters, considering heavy impairments to persist. Regardless, we still opine that 30-40bps FY23F guidance is fairly conservative.
3. **Regardless, management is doubling down on unpackaged PF loan accumulation.** With that, BIMB will continue to be a high-risk bank in stressed-repayment periods. We wonder if this may affect asset quality valuation premium upon normalisation.

4. **PF loan space is getting competitive.** Affin Bank and Bank Muamalat have stepped up efforts considerably. We expect sector-wide competition to further intensify as asset quality concerns start to subside and NIM optimisation becomes the central topic. We also expect the SBR shift to affect BIMB more severely than its peers, given its higher floating-rate retail loan exposure.

5. **OPEX guidance leaves little room for error.** This assumes 1QFY23's OPEX is used as a run rate. Significant downside risk exists in the form of tech spend. Judging by historical data, we believe that 2QFY22's OPEX performance could indicate whether FY23F guidance is achievable or not.

6. **Deposit mix is unfavourable, providing downside risk to NIM.** BIMB's duration is among the highest of its peers, despite having reduced it over several quarters. It also has 100% exposure to Islamic FDs, which are subject to higher, more erratic rates than conventional FDs.

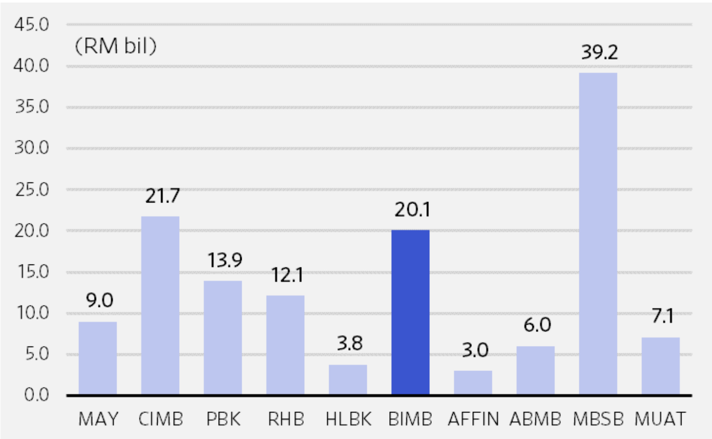
A. Given high personal financing (PF) loan exposure, expect persistent impairments in subsequent quarters.

PF portfolio makes up a whopping 30% of its gross loans – ~26% of Islamic PF loan market share. As a smaller bank unable to outcompete larger players on volume and pricing, BIMB had to find a niche – Islamic PF loans turned out to be very profitable, allowing the bank to achieve high ROEs of 14-15% before the pandemic. This is similar to ABMB tapping the mortgage refinancing niche via its Alliance One Account (AOA) programme.

As with its other retail offerings, BIMB's PF loans are usually "packaged" (backed by salary deduction and transfers) using a customer base linked to GLCs and government. To reiterate, the split between packaged and non-packaged PF is 83:17; Variable and non-fixed rates is 91:9; Government and GLC employees make up 52% and 11% respectively. The Group maintains percentage quotas on how many non-packaged PF loans it can take – the focus has been on more stable "professional" applicants for non-packaged loans.

Fig 1: Personal financing loan exposure

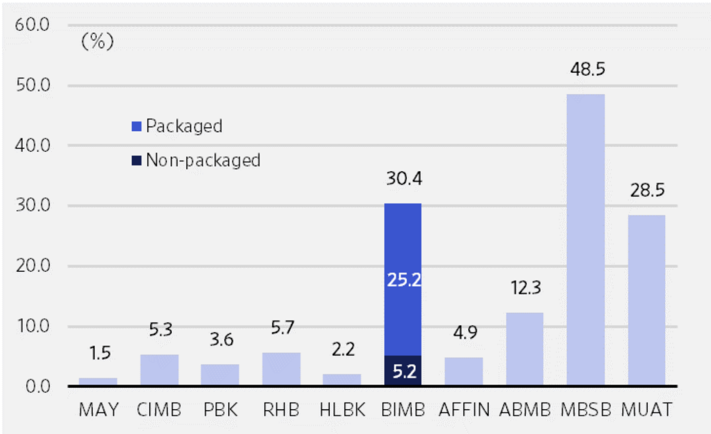
As a smaller bank, BIMB maintains profitability margins well above the industry average by making high-yield, high-risk Islamic PF loans an integral part of its loanbook…



Source: Banks, MIDFR

Fig 2: Personal financing as a % of gross loans

…a high-risk manoeuvre that has resulted in impairments still ballooning in its retail portfolio, even while peers are gearing towards stability and normalisation.



Source: Banks, MIDFR

The pandemic has demonstrated that BIMB's portfolio buckles under pressure, despite seemingly starting from a good position. Recall that BIMB was initially pushed as a defensive pick for its normalised <1.00% GIL ratio and salary-deduction packages, despite its high PF exposure. Hence, BIMB's poor performance was less anticipated in earlier stages of the pandemic (as opposed to, say, ABMB). It didn't help that BIMB's sub-par NIM performance and heavy corporate & commercial (C&C) impairments took centre-stage, stealing the limelight from its declining retail portfolio.

There's also some difficulty in charting out the trajectory of BIMB's PF loan impairments – unlike some other banks, these values are not disclosed. Nevertheless, BIMB's household (HH) loan segment is clearly underperforming. (Even after accounting for write-off-related distortions, trends are still distinct.)

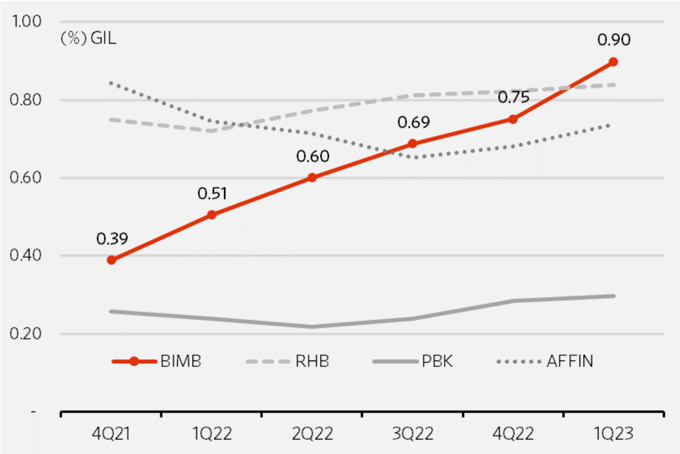
(Further context: Overall GIL currently stands at 1.37%, a full +70bps from pre-pandemic value – whereas most peers demonstrate values improved or similar pre-pandemic times.)

Concerning HH portfolio asset quality, BIMB is an underperformer. But thankfully nowhere near the worst (as depicted below): ABMB's retail portfolio was hit due to high concentrations of both mortgage refinancing and PF loans, while MBSB's portfolio consists of a much higher proportion of PF loans.

BIMB's HH asset quality is travelling at a unique trajectory. Unlike its peers of similar asset quality, there is a very consistent and stable degree of worsening, which we believe is due to the higher-risk personal loans. Peers have also demonstrated much more muted deteriorations within the last couple of quarters compared to BIMB.

Fig 3: Household GILs – less volatility

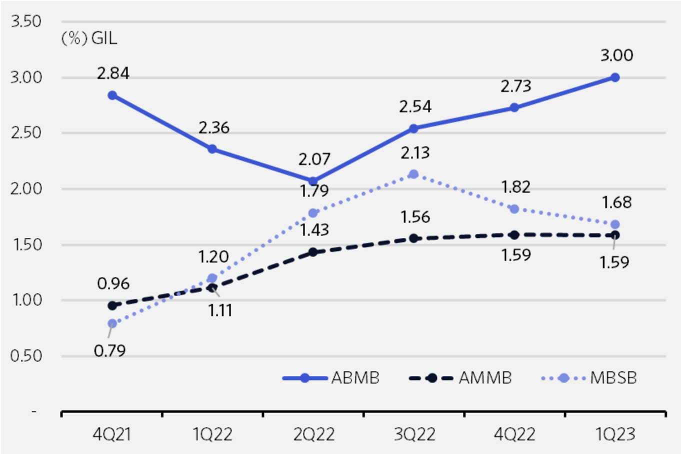
Although BIMB's starting household GIL was pretty good to begin with, its deterioration was much steeper and more persistent than peers with similar asset quality profiles…



Source: Banks, MIDFR

Fig 4: Household GILs – higher volatility

…though it lacks the volatility of peers whose household segment was always under close watch. But unlike BIMB, these seem to be better managed in the last few quarters.



Source: Banks, MIDFR

Going forward, the May-23 OPR hike should hit BIMB harder than most of its peers. Generally, banks whose retail portfolios largely consist of vanilla mortgages and hire purchases shouldn't be too affected. Multiple banks have signalled for heavy writedowns in 2HCY23, implying that the hike is not expected to impact pre-existing asset quality too severely. BIMB, on the other hand, has a far riskier loan portfolio due to its PF exposure. Asset-quality-wise, it is a lot more susceptible to rate hikes than most peers. (Somewhat related: BIMB's mix of floating rate loans is 92%, the highest amongst its peers.)

Heavy rate of impairment to persist in 2Q and 3Q – possibly longer. Recall that every OPR hike is accompanied by a new wave of delinquencies 4-5 months afterwards, as a >90-day seasoning period is required for loans to enter stage 3 classification. Hence, we should start seeing the May-23 OPR-hike-related impairments start flooding in by 3QFY23 and 4QFY23. Meanwhile, 2QFY23 should be already preoccupied with the remaining impairments from the Nov-22 OPR hike and RA loan graduation. (This is even without factoring in possible deterioration in BIMB's volatile C&C portfolio.)

Management expects the GIL ratio to not exceed 1.50% in FY23F (current GIL is 1.37%). With its current asset quality trajectory, we think it's possible but only with heavy provisioning writedowns in the next three quarters.

B. FY23F NCC guidance of 30-40bps can still be considered slightly conservative.

Unsecured PF loans drain provisions faster. Unlike secured residential mortgages or SME loans, banks' recovery options for PF loans are limited. A lack of collateral implies lesser recovery potential. Hence, higher provisions per unit must be provided for this loan class. A sizeable proportion of BIMB's impairments in subsequent quarters are expected to come from PF loans, so expect it to burn through its provision stash faster than most.

Other banks have confidently tapered down its loan loss coverage in the last couple of quarters. Not only due to better visibility on asset quality but also as it became increasingly evident that the brunt of RA graduate loans that were facing repayment issues were highly secured – i.e., secured by residential property and shophouses, in the case of residential mortgages and SMEs respectively.

Despite difficulty in forecasting writebacks, we think FY23F NCC guidance is still considered conservative. Under normal circumstances, mgmt's guidance of 30-40bps is geared towards the high side if we are basing it on the guided GIL ratio <1.50%. Keep in mind, this guidance also factors in some overlay writebacks.

However, if overlay writebacks are excluded, we believe that 30-40bps is a valid range. To reiterate, BIMB's 1QFY23 NCC came in at 39bps (Ann.), at the upper range of FY23F guidance. We can expect 2QFY23 to be another provision-heavy quarter, to account for the May-23 OPR hike. Furthermore, 3QFY23 and 4QFY23's NCC (excluding overlay writebacks) is harder to predict, but we doubt they're going to stray too far below the 30bps mark, as PF-related impairments should keep on coming at that time. Unfortunately, we have very little visibility on the scale of overlay writebacks, but this could be sufficient to push FY23F NCC into the <30bps region.

We urge investors to keep their overlay writeback expectations prudent. Remaining overlay balances are at RM123.6m. If fully written back, this translates to a sizeable 19bps of NCC uplift. BNM intends for banks to be completely rid of overlay balances by end-2023 – either written back or converted into company-specific provisions. Even if we can estimate the scale of writedowns, there's little indicator as to how much of the remaining overlays will be retained.

Regardless, we urge investors to keep their writeback expectations prudent, considering that:

a. The following quarters should see heavy impairments, bolstered by the May-23 OPR hike.
b. With such a high degree of PF impairments rolling in, expect provision burn to be especially intense.
c. BIMB's goal of <1.50% GIL ratio (current: 1.37%) is likely only possible with huge write-offs.

Fig 5: Our expectations on NCC guidance

(RM mil)	NCC (bps)	Notes
FY23F guidance	**30-40**	**This is high for BIMB's FY23F GIL ratio guidance of <1.50%.**
FY22	*22*	
FY21	*33*	
Pre-pandemic range	*17-18*	
Quarterly		
1QFY23	**39**	***Toward the higher end of guided range.***
2QFY23F	**>38**	***Expect the May-23 OPR hike to result in another heavy quarter.***
3Q & 4QFY23F	**>30**	*Figure excludes overlay writebacks.* ***Assuming impairments continue flooding in at 2H23.***
Overlay balance (RM m)	**123.6**	**11.5% of total ECL.**
if denominated in NCC	***19 bps***	**If fully written back, we can expect 19bps of NCC uplift.** *With the scale of provision-intense impairments expected in remaining quarters,* ***we urge investors to be prudent with their expectations.***
4QFY22 balance	*133*	*The scale of writedowns has slowed over the last couple of quarters -- if we*
3QFY22	*144*	*assume the balance continues declining at ~RM10m qoq then the remainder*
2QFY22	*181*	*should be in the 10-14bps range. And there's little indicator as to how much*
1QFY22	*200*	*of these will be retained as company-specific provisions...*

Source: BIMB, MIDFR

C. Regardless of risk, PF loan acquisition will persist – are worries of tighter competition justified? And how does SBR shift factor into this?

Greater competitive pricing pressure from Standardised Base Rate (SBR) shift? The SBR is a common reference rate that has been used by BNM since Aug-23, to promote pricing transparency. These primarily focus on retail floating-rate loans – typically mortgage and personal loans.

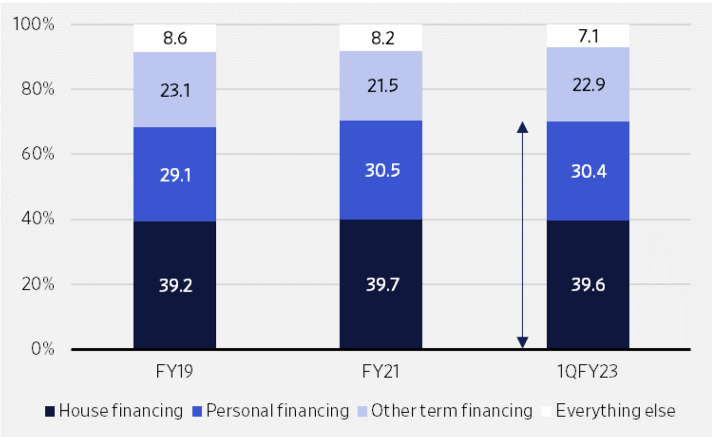
To reiterate, this transparency promotes easier comparison between loan rates of different banks, as the base rate is now pegged directly to the OPR (instead of each bank having its unique base rate). We could see added pressure on banks utilising less competitive rates – and we should see price comparison effects start taking effect around now.

Several banks have underplayed its impact, but keep in mind several points specific to BIMB:

1. BIMB's Islamic PF slant is pretty niche, allowing for slightly less competitive pricing previously – consider base effects.
2. The Islamic PF space has become a lot more competitive recently, and this is expected to worsen: asset quality concerns are beginning to abate, and some banks are looking for higher-yield loans as part of their NIM optimisation strategy.
3. BIMB's exposure is to floating-rate retail loans among the highest in the industry: its mortgages and personal loans combined make up a sizeable 70% of gross loans portfolio. (Fixed-rate loans make up a very small portion of this figure.)

Fig 6: Loan mix

Loan mix sees little change. Retail floating rate loans make up a sizeable 70% of portfolio.



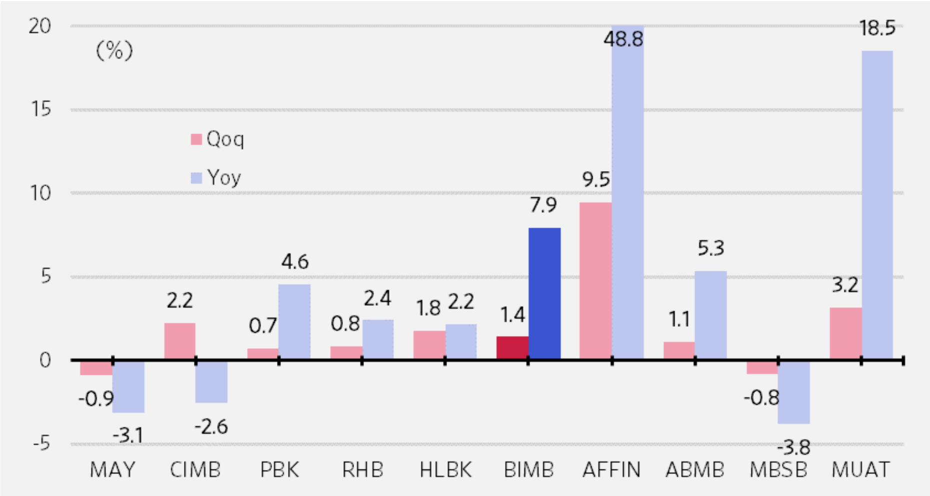
Source: BNM, MIDFR

Doubling down non-packaged PF loan accumulation. Unlike ABMB, BIMB has no major plans to repivot or derisk, likely intending to maintain its high profitability level. The pandemic has taught us that this is a high-risk/reward gamble – high profitability in blue-sky scenarios, but heavy downside when things turn sour. We think that this warrants less of an asset quality valuation premium following full asset quality normalisation.

Competition in the Islamic PF space. Historical data does not indicate this is sector-wide phenomenon (2Q23 could offer better indication). There is, however, very clear take-up from Affin Bank and Bank Muamalat (despite MBSB actively paring down, due to its overly high exposure). Affin Bank has voiced its intentions to continue building its PF portfolio as part of its NIM optimisation strategy, given that asset quality has become less of an issue. We expect other peers to employ similar strategies – judging by quarter-on-quarter data, HLBK and CIMB already seem to be moving in that direction.

BIMB's loan guidance has been lowered to 8-9% (from 9%). We think this is an achievable figure, even with weak qoq growth of 0.4%. Our main concern is whether BIMB will be forced to take up lower-quality PF loans, considering tighter competition.

Fig 7: Personal financing loan growth – qoq and yoy



1. On a sector basis, yoy and qoq growth is inconclusive: banks' growth is too varied to conclude that there's an elevated demand for the loan class.

2. On an individual basis, Affin and Bank Muamalat are aggressively growing their loan book, even as MBSB has pared down its exposure.

3. We may see stronger overall personal loan take-up in subsequent quarters as part of NIM optimisation strategy, as asset quality concerns fade.

Source: Banks, MIDFR

D. BIMB's OPEX growth forecast of 8-9% is ambitious. We believe a range from 11-13% is more plausible.

OPEX growth forecast leaves little room for error – while there's significant headroom for downside risk. BIMB's OPEX and CIR forecasts have consistently disappointed. Tech spend, given its unpredictability, makes OPEX hard to forecast. Downside risk to FY23F OPEX primarily stems from heavier tech spend in coming quarters.

2QFY23's OPEX could determine if BIMB's forecast is achievable. 3Q and 4Q usually move in a predictable direction, with 3Q greater or equal to 1Q's value, and 4Q roughly RM50-60m higher than the 9M average. In contrast, 2QFY22 usually involves lower tech spend, one of the core drivers in FY23F's OPEX – if the resultant dip in 2QFY23's overall OPEX is sizeable enough, then BIMB may still be in the running to achieve its 8-9% target.

Fig 8: Overthinking OPEX forecasts

(RM mil)	Values	Notes
BIMB's guided values of 8-9%yoy growth for FY23F OPEX.		
FY22 OPEX	1,317	
BIMB's guidance	**1,420-1,450**	*Upper bound assumes **9.9%** yoy growth.*
Using 1QFY23's OPEX as uniform run-rate (i.e. 1QFY23 OPEX * 4)		
1QFY23 OPEX	357	
FY23 by 1QFY23's runrate	**1,428**	*(RM357*4), assuming uniform OPEX across all 4 quarters.*
		This is equivalent to 8.4% yoy growth, within guidance.
Additional assumptions:		
(+) 4Q OPEX backloading	+40	BIMB usually backloads costs in 4Q.
		Additional cost is usually RM50-70m higher than 9M's qtrly average.
		*At only **+RM40m,** our assumption is prudent.*
	1,468	***This is equivalent to 11.5% yoy growth, higher than guided.***
(-) Lower 2Q22 tech spend	-10	2Q22's tech spend has the tendency to dip.
	1,458	***This is equivalent to 10.7% yoy growth, higher than guided.***

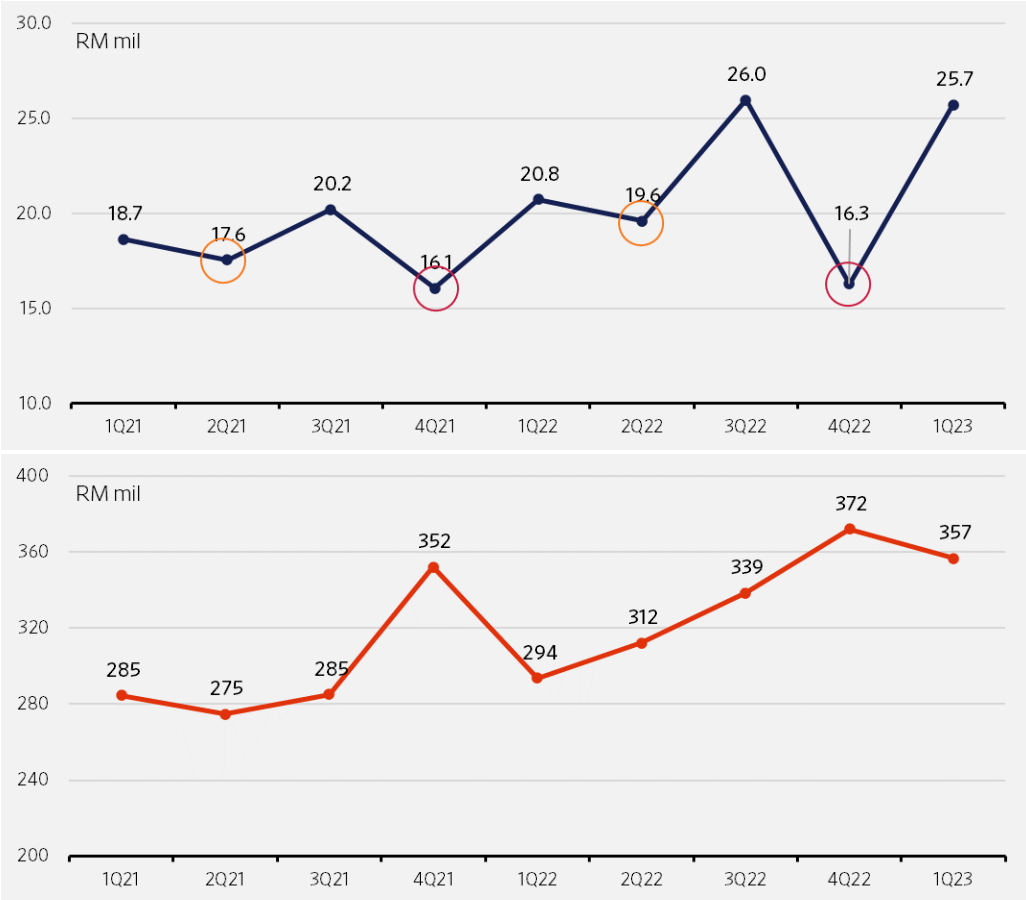
Source: BIMB, MIDFR

Tech spend shows some recurring trends. We acknowledge the lack of historical data available, given that pre-2021 spending patterns were vastly different from modern trends. Even with limitations, graphing tech spend and overall OPEX gave us some interesting observations:

1. **Tech spend in 1Q and 3Q is usually elevated,** with 3Q at a similar level or greater than 1Q.
2. **Tech spend in 2Q and 4Q are depressed** – with 4Q having a sharper depression due to compensating for backdated personnel and accruals in 4Q.
3. Regardless of the lower tech spend in the quarter, 4Q's overall OPEX is elevated by roughly RM50-70m from the 9M average (the quantum of increase was same for pre-pandemic values as well).

Fig 9: Quarterly tech spend (above), overall OPEX (below)

IT spend is unpredictable, but patterns are emerging since the pandemic began: 3Q is higher than 1Q, a slight dip in 2Q, and a sharper dip in 4Q.



Source: Banks, MIDFR

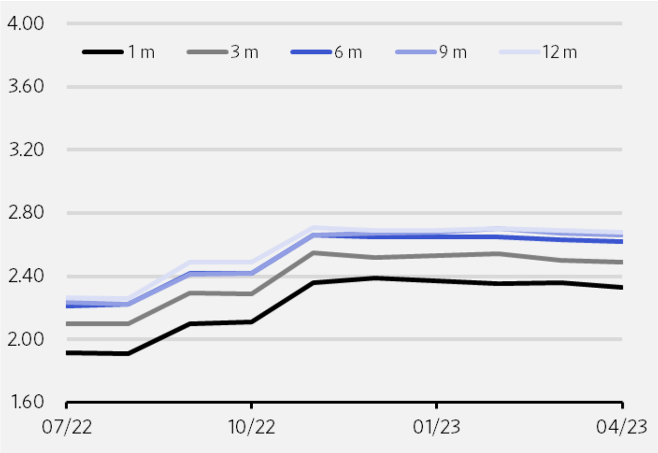
E. The bank's FD mix puts it at a disadvantage to its peers – offering further downside to FY23F NIM.

100% Islamic deposits exposure – when Islamic FD rates are a lot more erratic than Conventional rates. Apr-23's banking stats shows that Islamic FD rates remain elevated in the 1-month, 9-month and 12-month brackets, though other brackets record some improvement. Contrast this with Conventional FD rates, which have been much smoother and regularised throughout. While further improvement is expected following the OPR hike, there should be a lag time before the Islamic-Conventional spread closes. **Unlike its peers, whose mix is split between Islamic and Conventional offerings, BIMB is forced to compete exclusively within the Islamic FD space, implying it has no buffer to these elevated rates.**

Fortunately, there have been signs of improvement in deposit competition: BIMB has revised its 12-month deposit promo rate from 4.5% to 4.25% within the last week. But keep in mind that it has a strong need for funding, with its lofty loan target of 7-8% – so far, it has only achieved 0.4% YTD, with 3 quarters left to go.

Fig 10: Conventional FD rates by brackets

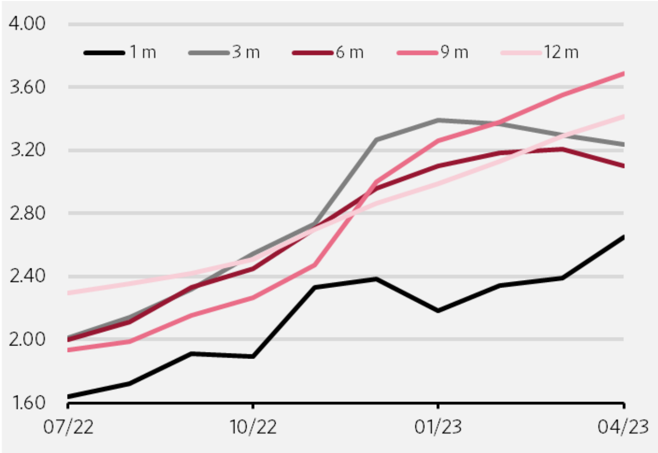
While conventional rates have been relatively smooth…



Source: BNM, MIDFR

Fig 11: Islamic FD rates by brackets

…Islamic rates remain erratic but are improving.

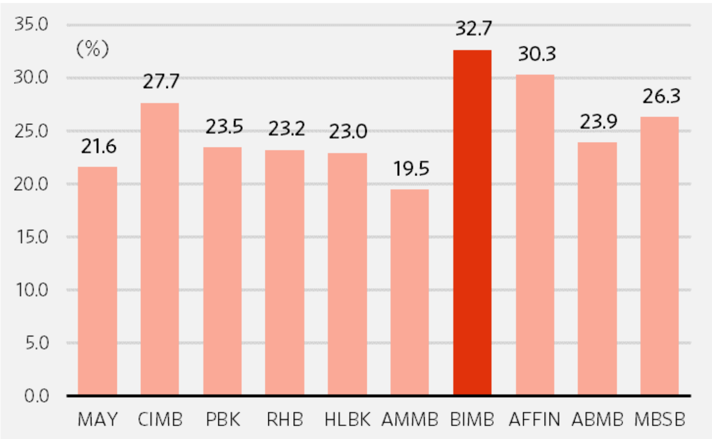


Source: BNM, MIDFR

Of all listed banks, deposit tenure is most skewed towards higher end – 2HFY23 could see higher COF pressure than peers. At 32.7%, BIMB's proportion of >6-month FDs towers above its peers (except for Affin). In contrast to its peers, BIMB has actually ***reduced*** its duration within the quarter – in 4QFY22, 39.9% of BIMB's FDs were >6 months. Expect the pricier deposits taken in from end-2022 to early-2023 to weigh heavily on NIM in 2QFY23, before seeing some uplift in 3QFY23 (from the full effects of OPR hike). BIMB's 3QFY23 and 4QFY23 NIM outlook should trail behind peers, seeing that it is still stuck paying higher interest rates from pricier deposits due to the higher average duration of its FD book.

Fig 12: Proportion of >6-month FD

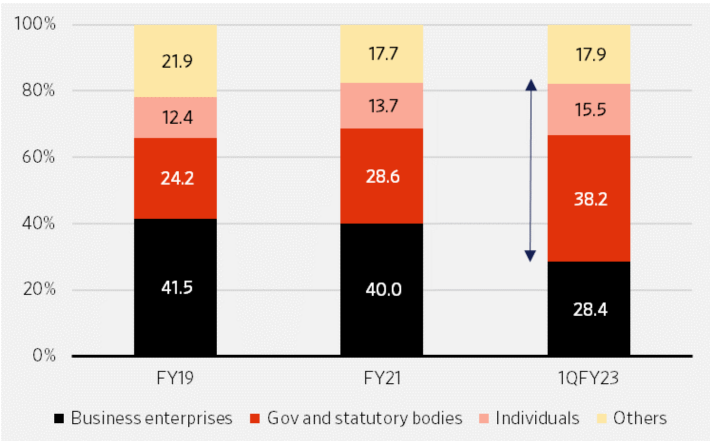
BIMB towers well above the rest even after paring down on >6-month FDs – in 4Q22, this value was 39.9%.



Source: Banks, MIDFR

Fig 13: Deposit base by customer

To recap, there is a paring down of lumpier wholesale deposits in favour of a higher government and retail mix.



Source: Banks, MIDFR

Forecasts revised: FY23F/24F/25F Core NP adjusted by -1%/-3%/-5%. For FY23F, to reflect sharper NIM contraction, higher OPEX and NCC but also much stronger NOII recovery in FY23F. As for FY24F and FY25F, we increase our OPEX and NCC forecasts.

Key downside risks. *(1) Higher-than-expected level of delinquencies, (2) Significant OPEX uptick, (3) Lacklustre loan growth.*

Downgrade to TRADING SELL call: Revised GGM-TP of RM 1.46 ***(from RM2.12)***. The TP is based on a revised FY24F P/BV of 0.46x *(formerly 0.61x)*, to reflect altered earnings prospects and ROE-based valuations.

Regardless of extremely attractive valuations, negative sentiment remains very strong. We add a steep discount to our P/BV basis to factor in persistent negative sentiment, which should remain as long as the bank keeps underperforming. We opine there's a high chance that the significant downside possibility could lead to BIMB consistently disappointing on a variety of fronts in the near term. In short, the worst is unlikely to be over, and investors should consider reevaluating the stock upon better visibility on the May-23 OPR hike induced impairments. With the expectations that its valuation may be under pressure in the near future, we recommend investors to take profit. Hence, our downgrade to **TRADING SELL** (from BUY). ***(GGM assumptions:*** *FY24F ROE of 7.7%, LTG of 4.5% & COE of 11.5%)*

Fig 14: Reiterating Targets, Achievements, and Outlook

Targets	FY23F	3M FY23	Notes (Red: New guidance, ~~Strikethrough: former guidance is no longer pertinent)~~
ROE	12*	6.6	***ROE target uses PBT instead of Core NP**
CIR	58 ~~<55~~	61.5	***OPEX growth target is 8-9%.**
NIM	>2.20 (from FY22's 2.31%)*	2.06	***2.20 refers to 4QFY23 target, not FY23 cumulative.** Next quarter, the Group is confident that NIM will increase to 2.10%.
NOII		132% (yoy)	
Loans	7-8	0.4 (YTD)	
Deposits		-5.6 (YTD)	
CASA	~~38~~	33.7	
Loan/Depo		113.7	
GIL ratio	<1.5	1.37	
NCC (bps)	30-40 ~~30-33~~	39	NCC does not include overlays. *(Provisions currently at RM124m).*
LLC		118	
CET 1		15.1	
Div payout	60	-	60% to be maintained. *(Original: 50%)*

Source: BIMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Total NII	1,791	1,972	1,941	2,058	2,180
Total NOII	308	231	411	425	454
Net income	**2,099**	**2,203**	**2,352**	**2,483**	**2,634**
OPEX	(1,197)	(1,317)	(1,447)	(1,527)	(1,620)
PPOP	**902**	**886**	**906**	**956**	**1,014**
Loan allowances	(191)	(140)	(218)	(197)	(209)
Other allowances	(7)	1	-	-	-
JV & Associates	-	-	-	-	-
PBT	**704**	**747**	**687**	**759**	**805**
Tax & zakat	(170)	(255)	(166)	(184)	(195)
NCI	-	-	-	-	-
Reported NP	**534**	**492**	**521**	**575**	**610**
Core NP	**534**	**492**	**521**	**575**	**610**

BALANCE SHEET

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Cash & ST funds	5,223	7,145	5,721	5,921	5,921
Investment securities	15,536	15,448	15,289	15,468	15,959
Net loans	58,154	64,902	69,549	74,252	78,840
Other IEAs	0	0	0	0	0
Non-IEAs	1,244	2,357	3,127	3,831	4,197
Total assets	**80,156**	**89,852**	**93,686**	**99,472**	**104,917**
Customer deposits	57,339	60,708	65,261	69,829	74,019
Other IBLs	14,490	19,781	20,626	21,513	22,442
Non-IBLs	1,928	2,567	502	510	521
Total liabilities	**73,756**	**83,055**	**86,389**	**91,852**	**96,982**
Share capital	3,446	3,645	3,846	3,846	3,846
Reserves	2,954	3,151	3,452	3,775	4,090
Shareholders' funds	**6,400**	**6,796**	**7,297**	**7,621**	**7,936**
NCI	0	0	0	0	0
Total equity	**6,400**	**6,796**	**7,297**	**7,621**	**7,936**
Total L&E	**80,156**	**89,852**	**93,686**	**99,472**	**104,917**
Total IEAs	78,912	87,495	90,559	95,641	100,720
Total IBLs	71,828	80,489	85,887	91,341	96,460
Gross loans	59,218	65,942	70,558	75,144	79,653
CASA	20,175	20,371	21,536	22,834	23,834

FINANCIAL RATIOS

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Interest (%)					
NIM	2.35	2.37	2.18	2.21	2.22
Return on IEAs	3.75	4.02	3.71	3.67	3.61
Cost of funds	1.54	1.80	1.63	1.53	1.45
Net interest spread	2.21	2.22	2.07	2.14	2.16
Profitability (%)					
ROE	**8.4**	**7.5**	**7.4**	**7.7**	**7.8**
ROA	0.7	0.6	0.6	0.6	0.6
NOII/Net income	14.7	10.5	17.5	17.1	17.2
Effective tax rate	22.4	32.3	22.5	22.5	22.5
Cost/Income	57.0	59.8	61.5	61.5	61.5
Liquidity (%)					
Loan/Deposit	101.4	106.9	106.6	106.3	106.5
CASA ratio	35.2	33.6	33.0	32.7	32.2
Asset Quality (%)					
GIL ratio	0.96	1.27	1.30	1.13	1.02
LLC ratio	187	124	110	105	100
LLC (w. reserves)	187	141	126	122	118
Net CC (bps)	33	22	32	27	27
Capital (%)					
CET 1	13.2	13.6	13.3	12.6	12.1
Tier 1 capital	13.2	14.6	14.3	13.6	13.0
Total capital	18.6	19.4	19.0	18.2	17.5
Growth (%)					
Total NII	10.1	10.1	-1.6	6.0	5.9
Total NOII	-22.2	-25.1	78.0	3.4	6.7
Net income	3.8	4.9	6.8	5.6	6.1
OPEX	10.0	10.0	9.9	5.6	6.1
Core NP	-5.2	-8.0	5.9	10.5	6.0
Gross loans	6.5	11.4	7.0	6.5	6.0
Customer deposits	12.3	5.9	7.5	7.0	6.0
CASA	13.4	1.0	5.7	6.0	4.4
Valuation metrics					
Core EPS (sen)	22.3	20.5	21.7	24.0	25.5
Gross DPS (sen)	10.9	13.8	13.7	14.4	14.6
Div payout (%)	42	60	60	60	60
BVPS (RM)	2.7	2.8	3.0	3.2	3.3
Core P/E (x)	7.7	8.3	7.9	7.1	6.7
Div yield (%)	**6.4**	**8.1**	**8.0**	**8.4**	**8.5**
P/BV (x)	0.6	0.6	0.6	0.5	0.5

Source: BIMB, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology