

## Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

### 2QFY23 Results: Loan Growth Still Lacklustre

#### KEY INVESTMENT HIGHLIGHTS

- 6MFY23's Core NP of RM254m was *Within/Within* our/*street* forecasts: **49%/50%** of full-year forecasts
- Core themes: (a) Lacklustre YTD loan growth, (b) OPEX controlled for now, (c) Strong NOII recovery
- Forecasts unchanged
- **Maintain TRADING SELL | Unchanged TP of RM1.46 | based on an unchanged FY24F P/BV of 0.46x**

**Verdict: Still far from ideal – though we will likely improve our recommendation following the results briefing.**

<b>Yays</b>	1. NOII recovery has been strong thus far. 2. NIM compression seems to be managed well
<b>Nays</b>	1. Loan growth has been disappointing.
<b>OKs</b>	1. NCC comes close to upper end of guidance – possible upside in 2H in the form of overlay writebacks?

**6MFY23's Core net profit (NP) of RM254m up by 14%yoy.** Core driver is NOII which has more than doubled. Also, NII and tax normalisation offset a sharp uptick in costs and higher loan provisions.

**2QFY23's Core NP of RM136m up by 15%qoq.** Largely due to better cost management and NII improvements offsetting NOII weakness. Loan provisions were stable.

Loan growth is becoming a bit of a concern, growing by +0.2%qoq – bringing YTD figures to +0.6%, far from the 7-8% guided by management. Deposits growth was also lacklustre, falling by -0.5%qoq – CASA downturn was far more severe at -3.7%qoq.

GIL ratio improved by -34bps to 1.03% following a sizeable reduction in GILs. Cumulative NCC remains at 39bps, which is at the higher end of management's FY23 guidance of 30-40bps.

**Forecasts unchanged.** We maintain our initial forecast until the results briefing.

**Key downside risks.** (1) Lacklustre NIM recovery, (2) Higher-than-expected credit costs, (3) Weak NOII recovery.

**Maintain TRADING SELL call: Unchanged GGM-TP of RM 1.46.** The TP is based on an unchanged FY24F P/BV of 0.46x. (**GGM assumptions:** FY24F ROE of 7.7%, LTG of 4.5% & COE of 11.5%)



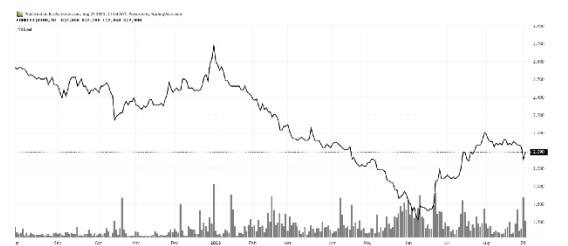
**Maintain TRADING SELL**

**Unchanged Target Price: RM1.46**

#### RETURN STATISTICS

Price @ 29 August 2023 (RM)	2.09
Expected share price return (%)	-30.1
Expected dividend yield (%)	+6.9
Expected total return (%)	-23.2

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.7	-3.9
3 months	6.7	8.6
12 months	-20.3	-17.7

#### INVESTMENT STATISTICS

FYE Dec	FY23F	FY24F	FY25F
<b>Core NP (RM m)</b>	<b>521</b>	<b>575</b>	<b>610</b>
CNP growth (%)	6	10	6
<b>Div yield (%)</b>	<b>6.6</b>	<b>6.9</b>	<b>7.0</b>
Gross DPS (sen)	13.7	14.4	14.6
<b>P/BV (x)</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
BVPS (RM)	3.0	3.2	3.3
<b>ROE (%)</b>	<b>7.4</b>	<b>7.7</b>	<b>7.8</b>
<b>MIDF/Street CNP (%)</b>	<b>102</b>	<b>102</b>	<b>99</b>

#### KEY STATISTICS

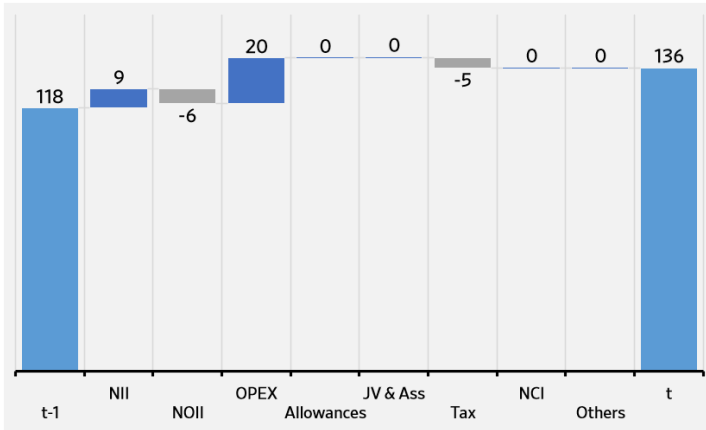
FBM KLCI	1,454.44
Issue shares (m)	2,244.0
Estimated free float (%)	17.1
Market Capitalisation (RM'm)	4,714.3
52-wk price range	RM1.7 - RM2.73
3-mth avg daily volume (m)	2.0
3-mth avg daily value (RM'm)	3.8
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	16.1
Amanah Saham Nasional Bhd	6.5

**Analyst**

Samuel Woo

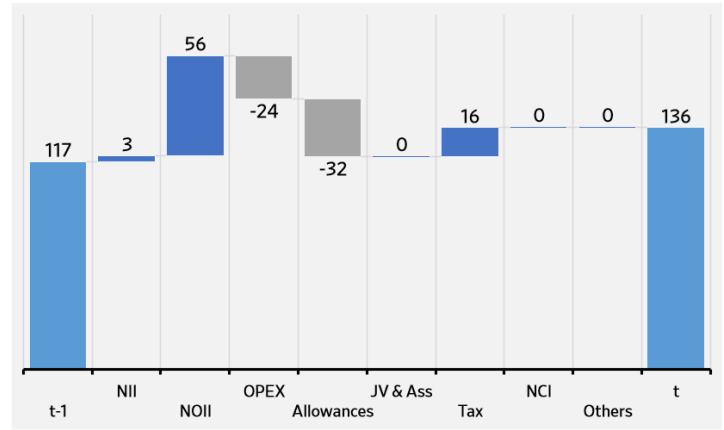
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**Fig 1: QoQ P/L walk (Quarterly results)**



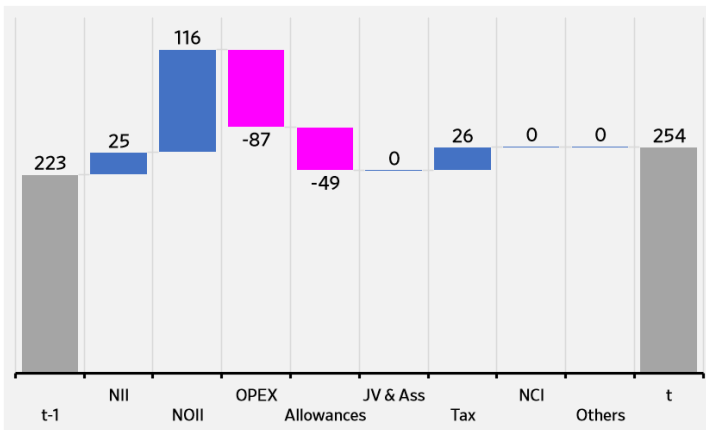
Source: BIMB, MIDFR

**Fig 2: YoY P/L walk (Quarterly results)**



Source: BIMB, MIDFR

**Fig 3: YoY P/L walk (Cumulative results)**



Source: BIMB, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	2Q FY23	1Q FY23	2Q FY22	Yoy (%)	Qoq (%)	1H FY23	1H FY22	Yoy (%)
Total NII	483	475	480	1	2	958	933	3
Total NOII	99	105	43	132	-6	204	88	132
<b>Net income</b>	<b>582</b>	<b>580</b>	<b>523</b>	<b>11</b>	<b>0</b>	<b>1,162</b>	<b>1,021</b>	<b>14</b>
OPEX	(337)	(357)	(312)	8	-6	(693)	(606)	14
<b>PPOP</b>	<b>246</b>	<b>223</b>	<b>210</b>	<b>17</b>	<b>10</b>	<b>469</b>	<b>415</b>	<b>13</b>
Loan provisions	(62)	(62)	(34)	82	-1	(124)	(77)	60
Other provisions	0	0	5	n.m.	n.m.	0	3	n.m.
JV & Associates	-	-	-	n.m.	n.m.	-	-	n.m.
<b>PBT</b>	<b>184</b>	<b>162</b>	<b>181</b>	<b>2</b>	<b>14</b>	<b>346</b>	<b>341</b>	<b>2</b>
Tax	(48)	(43)	(64)	-25	11	(91)	(117)	-22
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
<b>Reported NP</b>	<b>136</b>	<b>118</b>	<b>117</b>	<b>16</b>	<b>15</b>	<b>254</b>	<b>223</b>	<b>14</b>
<b>Core NP</b>	<b>136</b>	<b>118</b>	<b>117</b>	<b>16</b>	<b>15</b>	<b>254</b>	<b>223</b>	<b>14</b>
<b>Gross DPS (sen)</b>	-	-	-	n.m.	n.m.	-	-	n.m.
Core EPS (sen)	6.0	5.3	5.4	11	13	11.3	10.4	9
Gross loans	66,337	66,195	60,700	9.3	0.2			
Gross impaired loans	682	908	692	-1.5	-25.0			
Customer deposits	57,005	57,283	54,891	3.9	-0.5			
CASA	18,581	19,303	19,595	-5.2	-3.7			
<b>Ratios (%)</b>	<b>2Q FY23</b>	<b>1Q FY23</b>	<b>2Q FY22</b>	<b>Yoy (ppts)</b>	<b>Qoq (ppts)</b>	<b>1H FY23</b>	<b>1H FY22</b>	<b>Yoy (ppts)</b>
<b>ROE (Ann.)</b>	7.4	6.6	7.0	0.4	0.9	7.0	6.7	0.3
<b>NIM (Reported)*</b>	-	2.06	2.25	-2.25	-2.06	-	2.29	-2.29
NOII/Net income	17.0	18.2	8.2	8.8	-1.2	17.6	8.6	9.0
Cost/Income	57.8	61.5	59.7	-1.9	-3.7	59.6	59.3	0.3
NCC (Ann.) (bps)	39	39	23	16	-1	39	26	13
G/L ratio	1.03	1.37	1.14	-0.11	-0.34			
Loan loss coverage	122	118	148	-25	4			
CASA ratio	32.6	33.7	35.7	-3.1	-1.1			
L/D ratio	114.9	113.7	108.7	6.2	1.2			
CET-1	13.9	15.1	13.8	0.1	-1.2			

\*This quarter's NIM not yet given

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
<b>Net income</b>	<b>2,099</b>	<b>2,203</b>	<b>2,352</b>	<b>2,483</b>	<b>2,634</b>
OPEX	(1,197)	(1,317)	(1,447)	(1,527)	(1,620)
<b>PPOP</b>	<b>902</b>	<b>886</b>	<b>906</b>	<b>956</b>	<b>1,014</b>
Loan allowances	(191)	(140)	(218)	(197)	(209)
Other allowances	(7)	1	-	-	-
JV & Associates	-	-	-	-	-
<b>PBT</b>	<b>704</b>	<b>747</b>	<b>687</b>	<b>759</b>	<b>805</b>
Tax & zakat	(170)	(255)	(166)	(184)	(195)
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>534</b>	<b>492</b>	<b>521</b>	<b>575</b>	<b>610</b>
<b>Core NP</b>	<b>534</b>	<b>492</b>	<b>521</b>	<b>575</b>	<b>610</b>

### 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
<b>Total assets</b>	<b>80,156</b>	<b>89,852</b>	<b>93,686</b>	<b>99,472</b>	<b>104,917</b>
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
<b>Total liabilities</b>	<b>73,756</b>	<b>83,055</b>	<b>86,389</b>	<b>91,852</b>	<b>96,982</b>
Share capital	3,446	3,645	3,846	3,846	3,846
Reserves	2,954	3,151	3,452	3,775	4,090
<b>Shareholders' funds</b>	<b>6,400</b>	<b>6,796</b>	<b>7,297</b>	<b>7,621</b>	<b>7,936</b>
NCI	0	0	0	0	0
<b>Total equity</b>	<b>6,400</b>	<b>6,796</b>	<b>7,297</b>	<b>7,621</b>	<b>7,936</b>
<b>Total L&amp;E</b>	<b>80,156</b>	<b>89,852</b>	<b>93,686</b>	<b>99,472</b>	<b>104,917</b>
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
<b>Interest (%)</b>					
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
<b>Profitability (%)</b>					
<b>ROE</b>	<b>8.4</b>	<b>7.5</b>	<b>7.4</b>	<b>7.7</b>	<b>7.8</b>
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
<b>Liquidity (%)</b>					
Loan/Deposit	101.4	106.9	106.6	106.3	106.5
CASA ratio	35.2	33.6	33.0	32.7	32.2
<b>Asset Quality (%)</b>					
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
<b>Capital (%)</b>					
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
<b>Growth (%)</b>					
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
<b>Valuation metrics</b>					
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)	9.4	10.2	9.6	8.7	8.2
<b>Div yield (%)</b>	<b>5.2</b>	<b>6.6</b>	<b>6.6</b>	<b>6.9</b>	<b>7.0</b>
P/BV (x)	0.8	0.7	0.7	0.7	0.6

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 <i>rise</i> 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 <i>fall</i> 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