

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

3QFY23 Results: Disappointing Loan Growth

Maintain NEUTRAL
Unchanged Target Price: RM2.04

KEY INVESTMENT HIGHLIGHTS

Verdict: **BIMB's loan growth has been lacklustre – but dividend yields remain good.**

Yays	1. GIL ratio seems to be kept under control. 2. Dividend yields remain fantastic.
Nays	<ul style="list-style-type: none"> Loan growth target may not be achievable. 9MFY23's Core NP of RM395m was <i>Within/Within</i> our/street forecasts: 76%/77% of full-year forecasts Core themes: (a) Disappointing loan growth, (b) GIL ratio kept under control, (c) Muted CASA growth Forecasts unchanged

Results in a nutshell:

▲ **9MFY23's Core net profit (NP) of RM395m up by +8%yoy.** Due to improved NOII and normalised tax offsetting increased provisioning and OPEX growth.

▲ **3QFY23's Core NP of RM141m up by +3%qoq.** Due to improved NII and provisions offsetting weaker NOII and higher OPEX and tax.

▼ **Gross loans grew by a decent +1.4%qoq, bringing up YTD growth to +2.1%.** We are unsure about BIMB being able to achieve its 7-8%yoy targeted growth.

► **Deposits followed a similar level of growth, posting +1.6%qoq growth.** CASA growth was more muted at +0.6%qoq.

▲ **GIL ratio fell by -6bps to 0.97%.** Provisioning was skewed toward the lower end at 26bps.

Forecasts unchanged. We make no adjustments to our forecast until tomorrow's briefing.

Key downside risks. (1) *Steeper-than-expected NIM compression,* (2) *Elevated credit costs,* (3) *Lacklustre loan growth.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 2.04. The TP is based on an unchanged FY24F P/BV of 0.64x. (**GGM assumptions: FY24F ROE of 7.7%, LTG of 4.5% & COE of 9.5%**)



RETURN STATISTICS

Price @ 28 November 2023 (RM)	2.24
Expected share price return (%)	-8.9
Expected dividend yield (%)	+6.4
Expected total return (%)	-2.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.2	3.5
3 months	3.3	3.7
12 months	-15.6	-13.6

INVESTMENT STATISTICS

FYE Dec	FY23F	FY24F	FY25F
Core NP (RM m)	521	575	610
CNP growth (%)	6	10	6
Div yield (%)	6.1	6.4	6.5
Gross DPS (sen)	13.7	14.4	14.6
P/BV (x)	0.7	0.7	0.7
BVPS (RM)	3.0	3.2	3.3
ROE (%)	7.4	7.7	7.8
MIDF/Street CNP (%)	101	104	101

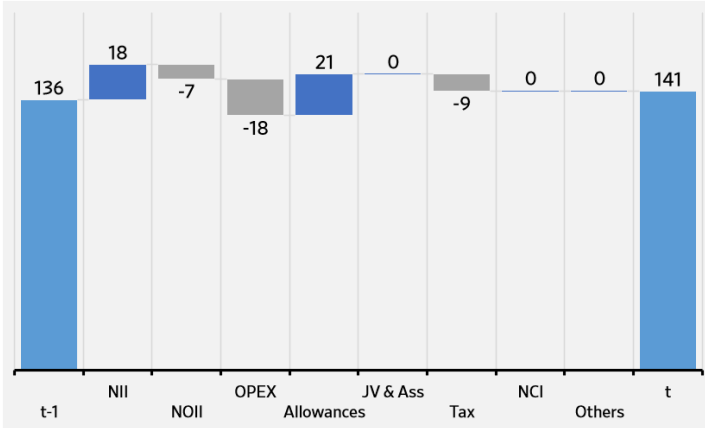
KEY STATISTICS

FBM KLCI	1,448.02
Issue shares (m)	2,244.0
Estimated free float (%)	17.0
Market Capitalisation (RM'm)	5,008.9
52-wk price range	RM1.7 - RM2.73
3-mth avg daily volume (m)	1.2
3-mth avg daily value (RM'm)	2.6
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	16.3
Amanah Saham Nasional Bhd	6.4

Analyst

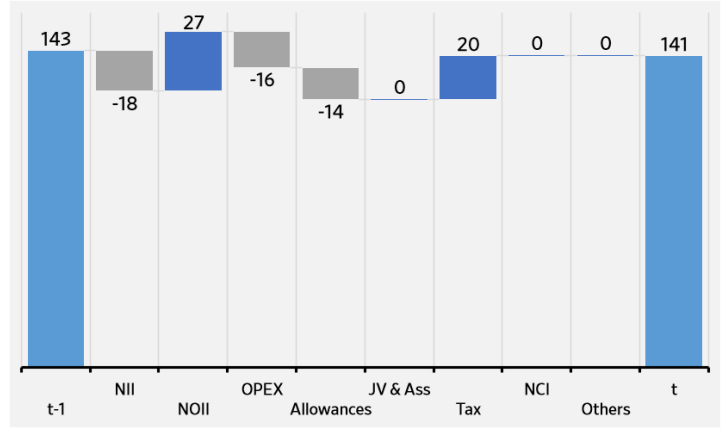
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Fig 1: QoQ P/L walk (Quarterly results)



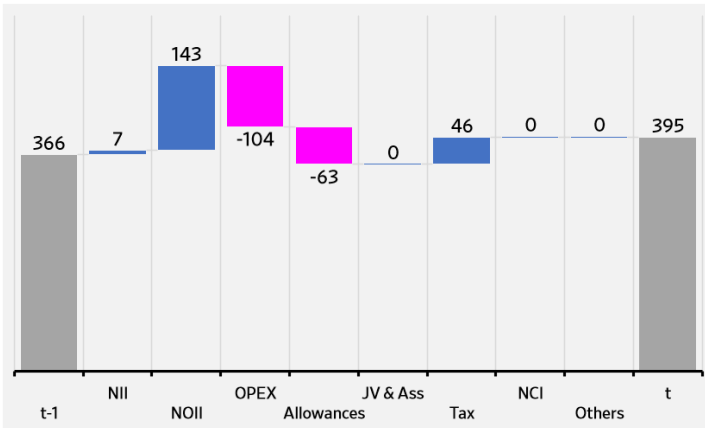
Source: BIBM, MIDFR

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



Source: BIBM, MIDFR

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



Source: BIBM, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	3Q FY23	2Q FY23	3Q FY22	Yoy (%)	Qoq (%)	9M FY23	9M FY22	Yoy (%)
Total NII	501	483	520	-4	4	1,459	1,453	0
Total NOII	92	99	65	41	-7	296	153	94
Net income	593	582	584	1	2	1,755	1,605	9
OPEX	(355)	(337)	(339)	5	5	(1,048)	(945)	11
PPOP	238	246	246	-3	-3	707	661	7
Loan provisions	(41)	(62)	(25)	66	-33	(165)	(102)	62
Other provisions	1	0	(2)	n.m.	n.m.	1	1	n.m.
JV & Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	197	184	219	-10	7	543	560	-3
Tax	(57)	(48)	(76)	-26	18	(148)	(194)	-24
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	141	136	143	-2	3	395	366	8
Core NP	141	136	143	-2	3	395	366	8
Gross DPS (sen)	-	-	10.4	<i>n.m.</i>	<i>n.m.</i>	-	10.4	<i>n.m.</i>
Core EPS (sen)	6.3	6.0	6.6	-6	4	17.6	17.0	3
Gross loans	67,295	66,337	62,090	8.4	1.4			
Gross impaired loans	654	682	748	-12.6	-4.0			
Customer deposits	57,928	57,005	58,095	-0.3	1.6			
CASA	18,694	18,581	19,285	-3.1	0.6			
Ratios (%)	3Q FY23	2Q FY23	3Q FY22	Yoy (ppts)	Qoq (ppts)	9M FY23	9M FY22	Yoy (ppts)
ROE (Ann.)	7.5	7.4	8.4	-0.9	0.1	7.1	7.2	-0.1
NIM (Reported)*	-	2.11	2.33	-2.33	-2.11	-	2.33	-2.33
NOII/Net income	15.4	17.0	11.1	4.4	-1.5	16.9	9.5	7.3
Cost/Income	59.9	57.8	58.0	1.9	2.1	59.7	58.8	0.9
NCC (Ann.) (bps)	26	39	17	9	-13	34	23	11
GIL ratio	0.97	1.03	1.20	-0.23	-0.06			
Loan loss coverage	127	122	137	-10	5			
CASA ratio	32.3	32.6	33.2	-0.9	-0.3			
L/D ratio	114.7	114.9	105.1	9.6	-0.2			
CET-1	14.4	13.9	13.9	0.5	0.4			

*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
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)	10.0	10.9	10.3	9.3	8.8
Div yield (%)	4.9	6.2	6.1	6.4	6.5
P/BV (x)	0.8	0.8	0.7	0.7	0.7

Source: BIMB, MIDFR

Income Statement

Core NP – Core Net Profit
 PPOP – Pre-Provisioning Operating Profit
 NII – Net Interest Income
 NIM – Net Interest Margin
 COF – Cost of Funds
 NOII – Non-Interest Income
 MTM – Mark to Market
 CIR – Cost to Income Ratio
 OPEX – Operational Expenses

Balance Sheet

LCR – Liquidity Coverage ratio
 L/D ratio – Loan/Deposit ratio
 CASA – Current & Savings accounts
 FD – Fixed Deposits
 GIL – Gross Impaired Loans
 NIL – Net Impaired Loans
 LLC – Loan Loss Coverage
 NCC – Net Credit Costs
 GCC – Gross Credit Costs
 CET 1 – Common Equity Tier 1

Valuations & Sector

ROE – Return on Equity
 GGM – Gordon Growth Model
 P/BV – Price to Book Value
 BVPS – Book Value per Share
 BNM – Bank Negara Malaysia
 OPR – Overnight Policy Rate
 SRR – Statutory Reserve Requirement
 SBR – Standardised Base Rate
 ALR – Average Lending Rate

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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