

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

4QFY23 Results: Huge Uplift from Realised Gains

KEY INVESTMENT HIGHLIGHTS

- FY23's Core NP of RM553m was *Above/Above* our/street forecasts: **106%/105%** of full-year forecasts
- Forecasts revised: FY25F Core NP adjusted by **-2%**.
- Upgrade to **BUY** | Revised TP of **RM2.64** | based on a revised FY24F P/BV of **0.79x** (formerly 0.72x)

Verdict: Negative sentiment surrounding BIMB has lifted, after posting steady improvement in the past several quarters.

Yays

1. Asset quality and provisioning buffer continue getting better.
2. Excellent Investment Account franchise helps with NIM efficiency.
3. Dividend yields still excellent, most likely fully cash from now.

Nays

1. FY24's loan growth outlook is not the best.
2. CIR still on high end.

OKs

1. No indication as to whether NOII will remain at this level.

Results in a nutshell:

▲ **FY23's Core net profit (NP) of RM553m up by 12%yoy.** While we did expect tax normalisation uplift and writebacks to keep NCC manageable, this quarter's huge NOII boost from realised treasury gains allowed earnings to exceed expectations.

▲ **4QFY23's Core NP of RM158m up by 13%qoq.** Despite a huge uptick in OPEX (4QFY23's RM390m exceeded the RM350m target that was guided), better NOII results, large writebacks and better tax drove the improvement.

▼ **Gross loans grew by 0.5%qoq, coming up to 2.6%YTD.** This was exceptionally disappointing – the Group was unable to reach even its reduced target.

▲ **Deposits grew by 1.9%qoq, coming up to -2.8%YTD.** The Group continued to pare down on FDs this quarter as a means of NIM optimisation.

▲ **GIL moved by -5bps to 0.92%, LLC currently at 130%.**

Forecasts revised: FY25F Core NP adjusted by -2%. To adjust our projections based on the latest data. While we tweaked our FY24F projections, it did not vary too much from the original sum.

Key downside risks. (1) Poor NOII result, (2) Higher-than-expected OPEX, (3) Aggressive deposit competition.

Upgrade to BUY

(Previously NEUTRAL)

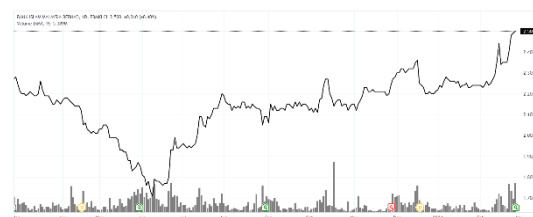
Revised Target Price: RM2.64

(Previously RM2.29)

RETURN STATISTICS

Price @ 28 February 2024 (RM)	2.50
Expected share price return (%)	+5.6
Expected dividend yield (%)	+6.0
Expected total return (%)	+11.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.7	7.3
3 months	12.2	6.0
12 months	10.2	3.4

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	598	632	661
CNP growth (%)	8	6	5
Div yield (%)	6.0	6.1	6.1
Gross DPS (sen)	15.1	15.2	15.2
P/BV (x)	0.7	0.7	0.7
BVPS (RM)	3.3	3.5	3.6
ROE (%)	8.0	8.2	8.2
MIDF/Street CNP (%)	105	101	

KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	2,244.0
Estimated free float (%)	16.5
Market Capitalisation (RM'm)	5,620.9
52-wk price range	RM1.7 - RM2.5
3-mth avg daily volume (m)	1.4
3-mth avg daily value (RM'm)	3.1
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	16.9
Amanah Saham Nasional Bhd	6.3

Analyst

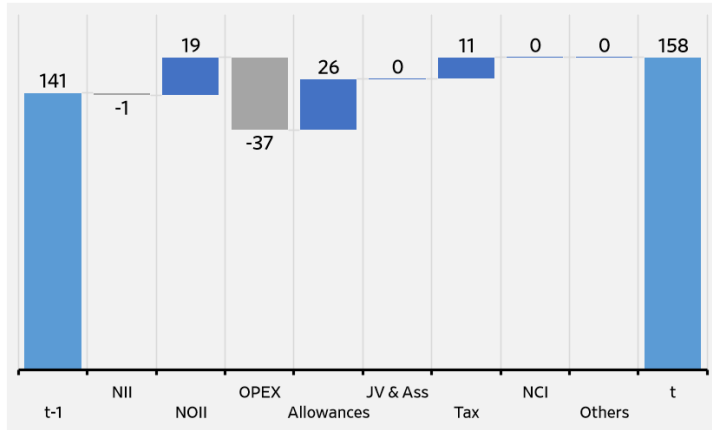
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Upgrade to BUY call: Revised GGM-TP of RM 2.64 (from RM2.29). The TP is based on a revised FY24F P/BV of 0.79x (formerly 0.72x), to reflect altered ROE-based valuations. We think negative sentiment surrounding BIMB has largely dissipated as the Group has posted multiple quarters of improving metrics and results.

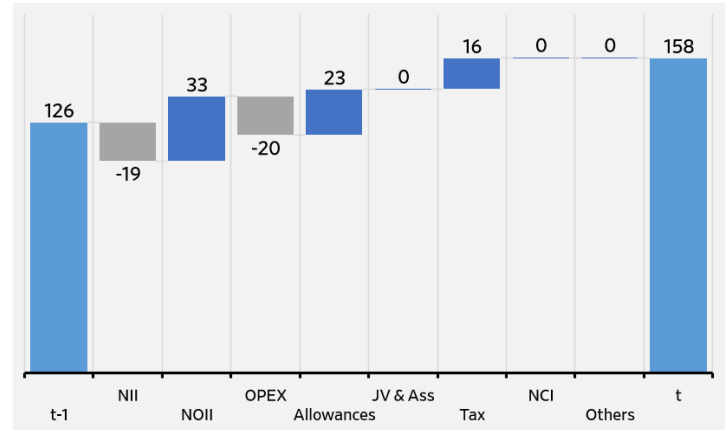
(GGM assumptions: FY24F ROE of 8.0%, LTG of 4.5% & COE of 8.9%)

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



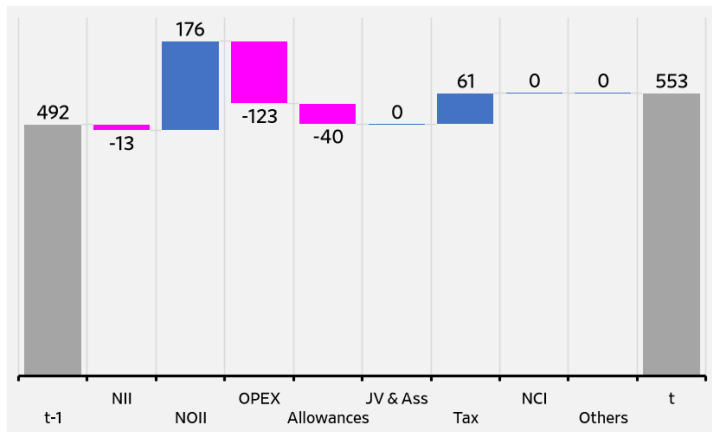
Source: BIMB, MIDFR

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)	4Q FY23	3Q FY23	4Q FY22	Yoy (%)	Qoq (%)	FY23	FY22	Yoy (%)
Total NII	500	501	519	-4	-0	1,959	1,972	-1
Total NOII	111	92	78	42	21	407	231	76
Net income	611	593	597	2	3	2,366	2,203	7
OPEX	(392)	(355)	(372)	5	10	(1,440)	(1,317)	9
PPOP	219	238	225	-3	-8	926	886	4
Loan provisions	(10)	(41)	(38)	-73	-75	(175)	(140)	25
Other provisions	(4)	1	0	n.m.	n.m.	(4)	1	n.m.
JV & Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	204	197	187	9	4	747	747	-0
Tax	(46)	(57)	(62)	-26	-19	(194)	(255)	-24
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	158	141	126	26	13	553	492	12
Core NP	158	141	126	26	13	553	492	12
Gross DPS (sen)	4.2	12.6	3.4	n.m.	n.m.	16.8	13.8	n.m.
Core EPS (sen)	7.0	6.3	5.8	20	12	24.6	22.9	7
Gross loans	67,625	67,295	65,942	2.6	0.5			
Gross impaired loans	620	654	835	-25.7	-5.2			
Customer deposits	59,016	57,928	60,708	-2.8	1.9			
CASA	20,746	18,694	20,371	1.8	11.0			
Ratios (%)	4Q FY23	3Q FY23	4Q FY22	Yoy (ppts)	Qoq (ppts)	FY23	FY22	Yoy (ppts)
ROE (Ann.)	8.6	7.5	7.4	1.2	1.0	7.5	7.2	0.2
NOII/Net income	18.2	15.4	13.1	5.1	2.7	17.2	10.5	6.7
Cost/Income	64.2	59.9	62.3	1.9	4.3	60.9	59.8	1.1
NCC (Ann.) (bps)	6	26	24	-18	-19	26	22	4
GIL ratio	0.92	0.97	1.27	-0.35	-0.05			
Loan loss coverage	130	127	124	6	4			
CASA ratio	35.2	32.3	33.6	1.6	2.9			
L/D ratio	113.2	114.7	106.9	6.3	-1.5			
CET-1	14.1	14.4	13.6	0.5	-0.2			

Source: BIMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Total NII	1,972	1,959	2,031	2,150	2,253
Total NOII	231	407	384	393	413
Net income	2,203	2,366	2,415	2,543	2,666
OPEX	(1,317)	(1,440)	(1,449)	(1,526)	(1,600)
PPOP	886	926	966	1,017	1,066
Loan allowances	(140)	(175)	(174)	(177)	(188)
Other allowances	1	(4)	(3)	(7)	(7)
JV & Associates	-	-	-	-	-
PBT	747	747	789	833	872
Tax & zakat	(255)	(194)	(191)	(202)	(211)
NCI	-	-	-	-	-
Reported NP	492	553	598	632	661
Core NP	492	553	598	632	661

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	7,145	4,714	5,921	5,921	5,921
Investment securities	15,448	16,856	17,854	17,993	18,298
Net loans	64,902	66,817	70,825	75,163	79,672
Other IEAs	0	0	0	0	0
Non-IEAs	2,357	2,574	2,425	2,519	2,622
Total assets	89,852	90,962	97,025	101,596	106,513
Customer deposits	60,708	59,016	63,147	66,936	70,952
Other IBLs	19,781	21,768	22,704	23,685	24,714
Non-IBLs	2,567	2,777	3,595	3,072	2,603
Total liabilities	83,055	83,562	89,446	93,693	98,269
Share capital	3,645	3,889	3,846	3,846	3,846
Reserves	3,151	3,511	3,733	4,058	4,398
Shareholders' funds	6,796	7,400	7,579	7,904	8,244
NCI	0	0	0	0	0
Total equity	6,796	7,400	7,579	7,904	8,244
Total L&E	89,852	90,962	97,025	101,596	106,513
Total IEAs	87,495	88,388	94,600	99,077	103,891
Total IBLs	80,489	80,785	85,851	90,621	95,666
Gross loans	65,942	67,625	71,682	75,983	80,542
CASA	20,371	20,746	20,649	21,553	22,847

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest (%)					
NIM	2.37	2.23	2.22	2.22	2.22
Return on IEAs	4.02	4.69	3.71	3.62	3.56
Cost of funds	1.80	2.68	1.63	1.54	1.46
Net interest spread	2.22	2.00	2.07	2.08	2.10
Profitability (%)					
ROE	7.5	7.8	8.0	8.2	8.2
ROA	0.6	0.6	0.6	0.6	0.6
NOII/Net income	10.5	17.2	15.9	15.5	15.5
Effective tax rate	32.3	24.4	22.5	22.5	22.5
Cost/Income	59.8	60.9	60.0	60.0	60.0
Liquidity (%)					
Loan/Deposit	106.9	113.2	112.2	112.3	112.3
CASA ratio	33.6	35.2	32.7	32.2	32.2
Asset Quality (%)					
GIL ratio	1.27	0.92	0.92	0.90	0.90
LLC ratio	124	130	130	120	120
LLC (w. reserves)	141	130	152	141	140
Net CC (bps)	22	26	25	24	24
Capital (%)					
CET 1	13.6	14.1	14.0	13.5	13.5
Tier 1 capital	14.6	15.1	15.0	14.5	14.5
Total capital	19.4	19.9	19.8	19.3	19.3
Growth (%)					
Total NII	10.1	-0.7	3.7	5.8	4.8
Total NOII	-25.1	76.1	-5.6	2.4	5.0
Net income	4.9	7.4	2.1	5.3	4.8
OPEX	10.0	9.3	0.7	5.3	4.8
Core NP	-8.0	12.5	8.1	5.6	4.6
Gross loans	11.4	2.6	6.0	6.0	6.0
Customer deposits	5.9	-2.8	7.0	6.0	6.0
CASA	1.0	1.8	-0.5	4.4	6.0
Valuation metrics					
Core EPS (sen)	21.7	24.4	26.4	27.9	29.1
Gross DPS (sen)	13.8	16.8	15.1	15.2	15.2
Div payout (%)	60	69	60	60	60
BVPS (RM)	3.0	3.3	3.3	3.5	3.6
Core P/E (x)	11.5	10.2	9.5	9.0	8.6
Div yield (%)	5.5	6.7	6.0	6.1	6.1
P/BV (x)	0.8	0.8	0.7	0.7	0.7

Source: BIMB, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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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