

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

1QFY24 Results: Balance Sheet Growth Still Weak for Now

Upgrade to BUY
(Previously NEUTRAL)
Revised Target Price: RM2.88
(Previously RM2.68)

KEY INVESTMENT HIGHLIGHTS

- 3MFY24's Core NP of RM129m was *Within/Within* our/street forecasts: **21%/22%** of full-year forecasts
- Core themes: (a) Weak balance sheet growth, (b) Weak NOII performance, (c) CASA decline
- Forecasts unchanged
- Upgrade to BUY | Revised TP of RM2.88 | based on a revised FY25F P/BV of 0.82x (formerly 0.80x, from FY24F)

Verdict: Solid dividend yields, though balance sheet growth remains an issue for now.

Yays	1. GIL ratio remained at excellent <1.0% range, provisioning also at much healthier range. 2. Investment Account franchise helped with NIM efficiency.
Nays	1. Balance sheet growth has remained underwhelming for several quarters.
OKs	1. NOII outlook is still mixed. 2. Cost outlook is also mixed – management was guiding for potential cost takeouts in FY24.

Results in a nutshell:

▲ **1QFY24's Core net profit (NP) of RM129m up by +9%yoy.** Improvements in NII and provisions offset weaker OPEX and NOII.

▼ **1QFY24's Core NP of RM129m down by -18%qoq.** Improvements were largely due to robust results in the last quarter. BIMB's NOII and provisioning were more regularised this time.

▼ **Gross loans grew by +0.2%qoq, coming up to +0.2%YTD.** BIMB continued its streak of disappointing balance sheet growth results. This could either be due to persistent NIM optimisation, or due to difficulty in sourcing deposits or penetrating intended loan segments.

▼ **Deposits grew by +0.2%qoq, coming up to +0.2%YTD.** We are less concerned about the CASA decline – recall last quarter saw a sharp +11%qoq increase.

► **GIL moved by +1bps to 0.95%, LLC currently at 123%.**

Forecasts unchanged. We make no changes to our forecasts for now.

Key downside risks. (1) Weak loan growth persists, (2) NOII continues to disappoint, (3) Higher-than-expected OPEX growth.

Upgrade to BUY call: Revised GGM-TP of RM 2.88 (from RM2.68).

The TP is based on a revised FY25F P/BV of 0.82x (formerly 0.80x, rolled on from FY24F), to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: FY25F ROE of 8.3%, LTG of 4.5% & COE of 9.1%)

RETURN STATISTICS	
Price @ 21 May 2024 (RM)	2.53
Expected share price return (%)	+13.8
Expected dividend yield (%)	+6.1
Expected total return (%)	+19.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.1	-1.0
3 months	0.8	2.9
12 months	31.8	15.7

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	602	639	669
CNP growth (%)	9	6	5
Div yield (%)	6.0	6.1	6.1
Gross DPS (sen)	15.2	15.4	15.4
P/BV (x)	0.8	0.7	0.7
BVPS (RM)	3.4	3.5	3.7
ROE (%)	8.0	8.3	8.3
MIDF/Street CNP (%)	101	99	98

KEY STATISTICS

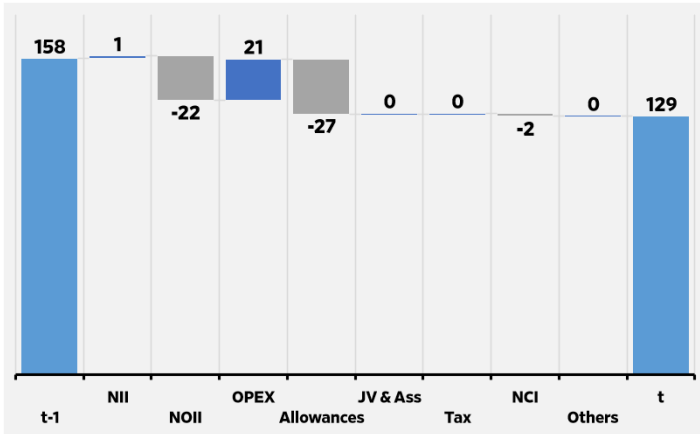
FBM KLCI	1,622.09
Issue shares (m)	2,266.5
Estimated free float (%)	16.5
Market Capitalisation (RM'm)	5,734.2
52-wk price range	RM1.7 - RM2.63
3-mth avg daily volume (m)	2.5
3-mth avg daily value (RM'm)	6.3
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	17.2
Amanah Saham Nasional Bhd	8.0

Analyst

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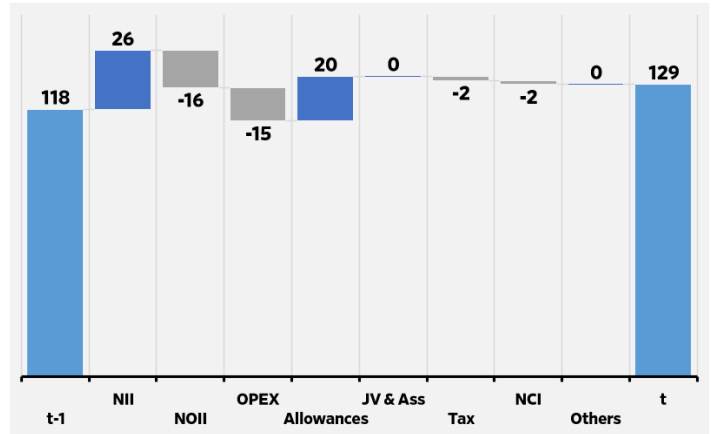
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Fig 1: QoQ P/L walk (Quarterly results)



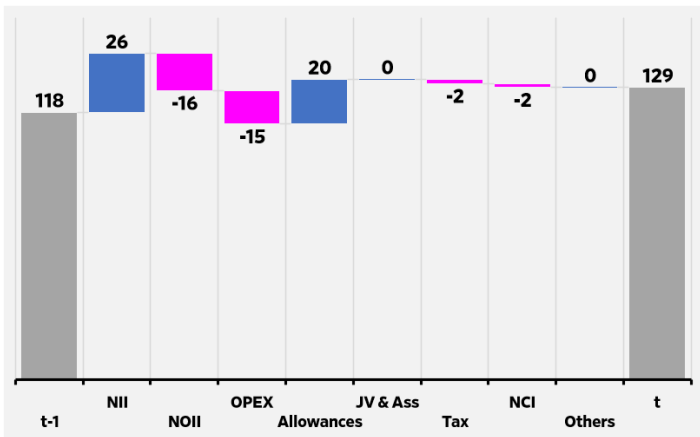
Source: BIMB, MIDFR

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)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Total NII	501	500	475	5	0	501	475	5
Total NOII	89	111	105	-16	-20	89	105	-16
Net income	590	611	580	2	-3	590	580	2
OPEX	(371)	(392)	(357)	4	-5	(371)	(357)	4
PPOP	218	219	223	-2	-0	218	223	-2
Loan provisions	(42)	(10)	(62)	-32	308	(42)	(62)	-32
Other provisions	0	(4)	0	n.m.	n.m.	0	0	n.m.
JV & Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	176	204	162	9	-14	176	162	9
Tax	(45)	(46)	(43)	5	-1	(45)	(43)	5
NCI	(2)	-	-	n.m.	n.m.	(2)	-	n.m.
Reported NP	129	158	118	9	-18	129	118	9
Core NP	129	158	118	9	-18	129	118	9
Gross DPS (sen)	-	4.2	-	n.m.	n.m.	-	-	n.m.
Core EPS (sen)	5.7	7.0	5.3	7	-19	5.7	5.3	7
Gross loans	67,790	67,625	66,195	2.4	0.2			
Gross impaired loans	642	636	908	-29.3	0.9			
Customer deposits	59,108	59,016	57,283	3.2	0.2			
CASA	20,131	20,746	19,303	4.3	-3.0			
Ratios (%)	1Q FY24	4Q FY23	1Q FY23	Yoy (ppts)	Qoq (ppts)	3M FY24	3M FY23	Yoy (ppts)
ROE (Ann.)	6.9	8.6	6.6	0.4	-1.6	6.9	6.6	0.4
NIM (Reported)*	-	2.13	2.06	-2.06	-2.13	-	2.06	-2.06
NOII/Net income	15.1	18.2	18.2	-3.1	-3.1	15.1	18.2	-3.1
Cost/Income	63.0	64.2	61.5	1.5	-1.2	63.0	61.5	1.5
NCC (Ann.) (bps)	25	6	39	-14	19	25	39	-14
GIL ratio	0.95	0.94	1.37	-0.43	0.01			
Loan loss coverage	123	127	118	6	-4			
CASA ratio	34.1	35.2	33.7	0.4	-1.1			
L/D ratio	113.3	113.2	113.7	-0.3	0.1			
CET-1	13.9	14.1	15.1	-1.2	-0.2			

*This quarter's NIM not yet given

Source: BIMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Total NII	1,972	1,959	2,044	2,177	2,282
Total NOII	231	407	384	393	413
Net income	2,203	2,366	2,429	2,571	2,695
OPEX	(1,317)	(1,440)	(1,457)	(1,542)	(1,617)
PPOP	886	926	971	1,028	1,078
Loan allowances	(140)	(175)	(175)	(178)	(189)
Other allowances	1	(4)	(3)	(7)	(7)
JV & Associates	-	-	-	-	-
PBT	747	747	794	843	882
Tax & zakat	(255)	(194)	(192)	(204)	(213)
NCI	-	-	-	-	-
Reported NP	492	553	602	639	669
Core NP	492	553	602	639	669

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	71,178	75,535	80,068
Other IEAs	0	0	0	0	0
Non-IEAs	2,357	2,574	2,425	2,519	2,619
Total assets	89,852	90,962	97,378	101,969	106,905
Customer deposits	60,708	59,016	63,147	66,936	70,818
Other IBLs	19,781	21,768	22,704	23,685	24,714
Non-IBLs	2,567	2,777	3,947	3,440	3,121
Total liabilities	83,055	83,562	89,797	94,061	98,653
Share capital	3,645	3,889	3,846	3,846	3,846
Reserves	3,151	3,511	3,735	4,063	4,406
Shareholders' funds	6,796	7,400	7,580	7,908	8,252
NCI	0	0	0	0	0
Total equity	6,796	7,400	7,580	7,908	8,252
Total L&E	89,852	90,962	97,378	101,969	106,905
Total IEAs	87,495	88,388	94,953	99,450	104,286
Total IBLs	80,489	80,785	85,851	90,621	95,532
Gross loans	65,942	67,625	72,020	76,342	80,922
CASA	20,371	20,746	20,649	21,553	22,804

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest (%)					
NIM	2.37	2.23	2.23	2.24	2.24
Return on IEAs	4.02	4.69	3.71	3.64	3.58
Cost of funds	1.80	2.68	1.63	1.54	1.46
Net interest spread	2.22	2.00	2.08	2.10	2.11
Profitability (%)					
ROE	7.5	7.8	8.0	8.3	8.3
ROA	0.6	0.6	0.6	0.6	0.6
NOII/Net income	10.5	17.2	15.8	15.3	15.3
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	112.7	112.8	113.1
CASA ratio	33.6	35.2	32.7	32.2	32.2
Asset Quality (%)					
GIL ratio	1.27	0.92	0.90	0.88	0.88
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	4.4	6.5	4.8
Total NOII	-25.1	76.1	-5.6	2.4	5.0
Net income	4.9	7.4	2.7	5.9	4.8
OPEX	10.0	9.3	1.2	5.9	4.8
Core NP	-8.0	12.5	8.8	6.2	4.6
Gross loans	11.4	2.6	6.5	6.0	6.0
Customer deposits	5.9	-2.8	7.0	6.0	5.8
CASA	1.0	1.8	-0.5	4.4	5.8
Valuation metrics					
Core EPS (sen)	21.8	24.6	26.7	28.4	29.7
Gross DPS (sen)	13.8	16.8	15.2	15.4	15.4
Div payout (%)	60	69	60	60	60
BVPS (RM)	3.0	3.3	3.4	3.5	3.7
Core P/E (x)	11.6	10.3	9.5	8.9	8.5
Div yield (%)	5.5	6.6	6.0	6.1	6.1
P/BV (x)	0.8	0.8	0.8	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