

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

1QFY24 Results Briefing: Still Optimistic on Loans Growth

KEY INVESTMENT HIGHLIGHTS

- 3MFY24's Core NP of RM129m was *Within/Within* our/street forecasts: **21%/22%** of full-year forecasts
- Management's tone: **Neutral**
- Core themes: (a) Further clarity on cost measures, (b) Loan yields have seen improvement, (c) Still confident on achieving loan growth targets
- Forecasts unchanged
- **Maintain BUY | Unchanged TP of RM2.88 | based on an unchanged FY25F P/BV of 0.82x**

Verdict: Solid dividend yields, though balance sheet growth outlook is slightly mixed.

Yays	Nays	OKs
<ol style="list-style-type: none"> GIL ratio and provisioning levels kept healthy. Strong Investment Account franchise keeps NIMs efficient. NIMs are currently benefiting from rising loan yields. 	<ol style="list-style-type: none"> Balance sheet growth has been weak in the last couple of quarters. 	<ol style="list-style-type: none"> NOII outlook is still mixed. FY24's OPEX growth could see potential improvement from cost control measures.

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 continues its streak of disappointing balance sheet results. But BIMB acknowledges weak loan growth is due to seasonal effects.

▼ **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 +11.0%qoq increase.

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

Have a look at:

► **Further details on OPEX guidance and cost control measures.** BIMB has included the FY24 CIR target (60%) – close to FY22-23's figures.

Cost takeout initiatives largely pertain to streamlining processes via tech and preventing duplicating processes. BIMB targets RM20-25m worth of takeout in FY24, with a cumulative sum of RM100m over FY24-26.

Maintain BUY

Unchanged Target Price: RM2.88

RETURN STATISTICS

Price @ 23 May 2024 (RM)	2.50
Expected share price return (%)	+15.2
Expected dividend yield (%)	+6.2
Expected total return (%)	+21.4

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 (%)	6.1	6.2	6.2
Gross DPS (sen)	15.2	15.4	15.4
P/BV (x)	0.7	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	1,629.18
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

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▲ **BIMB remains confident in achieving FY24's 7-8% loan target.** 1QFY24's weak growth of +0.2%qoq was due to seasonal effects. Despite deposits reported a slow +0.2%qoq growth, BIMB's LCR remains healthy at ~160%, implying that the slower loan growth was not due to liquidity constraints.

▲ **Improving loan yields offers room for further options.** In 1QFY24, several loan classes have seen rising loan yields. These include: (1) House financing (Now: 4.57%, Dec-23: 4.50%), (2) Commercial and trade financing (Now: 5.49%, Dec-23: 5.33%), and (3) Corporate term financing. BIMB has mentioned that it is willing to price downward to gain market share, offering some reassurance to its loan growth target.

▼ **Is management hinting at loading up on riskier non-retail loans?** Management acknowledges that higher quality commercial and corporate (C&C) loans are competitively priced. They hint that they may again load up on riskier C&C customers to maintain a decent yield.

Forecasts unchanged. We make no changes to our forecasts.

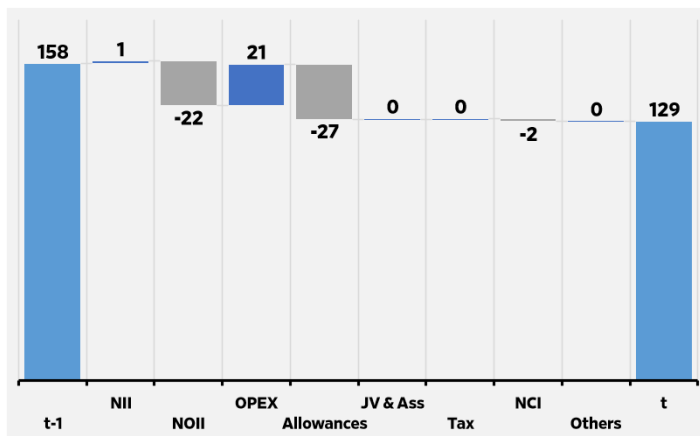
Key downside risks. (1) Weak loan growth persists, (2) NOII continues to disappoint, (3) Higher-than-expected OPEX growth.

Maintain BUY call: Unchanged GGM-TP of RM2.88. The TP is based on an unchanged FY25F P/BV of 0.82x, to reflect altered earnings prospects and ROE-based valuations.

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

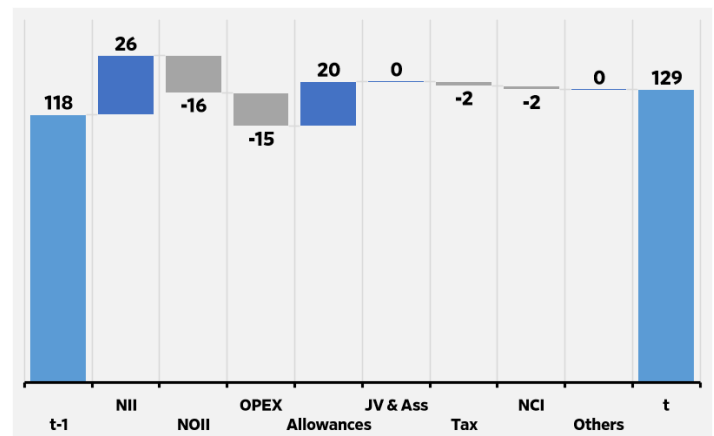


Fig 1: QoQ P/L walk (Quarterly results)



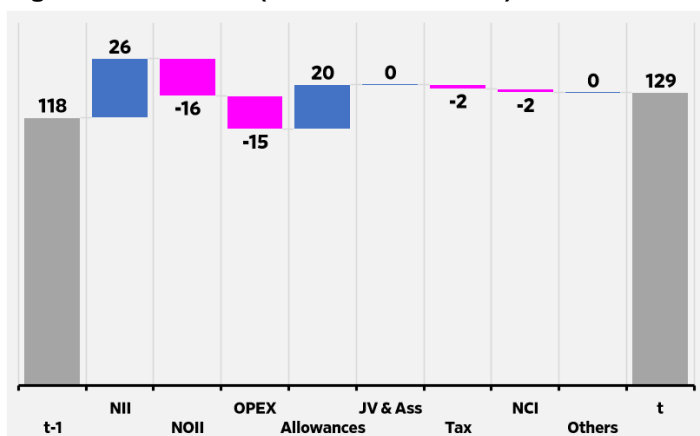
Source: BIMB, MIDFR

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)*	2.14	2.11	2.06	0.08	0.03	2.14	2.06	0.08
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			

Source: BIMB, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	129	Qtrly ROE	Qtr value	6.9%
	21% of FY CNP				
	Qoq	-18%		t-1	8.6%
	Yoy	9%		t-4	6.6%
Cum Core NP	RM mil	129	Cum ROE	Cum value	6.9%
	Within our forecast				
	21% of FY CNP				
	Within consensus				
	22% of FY CNP				
	Yoy	9%	t-1	6.6%	
NII	As expected		NIM	As expected	
				Qtr value	2.14
				Cum value	2.14
	Qtr (Qoq)	0%		Qtr (Qoq)	+3bps
	Qtr (Yoy)	5%		Qtr (Yoy)	+8bps
	Cum (Yoy)	5%		Cum (Yoy)	+8bps
NOII	As expected		Qtr	% NII	85%
	Qtr (Qoq)	-20%		% NOII	15%
	Qtr (Yoy)	-16%	Cum	% NII	85%
	Cum (Yoy)	-16%		% NOII	15%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	63.0%
				Cum value	63.0%
	Qtr (Qoq)	-5%		Qtr (Qoq)	-1.2%
	Qtr (Yoy)	4%		Qtr (Yoy)	+1.5%
	Cum (Yoy)	4%	Cum (Yoy)	+1.5%	

Source: BIMB, MIDFR

Notes (Cum = Cumulative, Qtr = Quarterly)

Fig 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Loans	-ve surprise					
	Qoq	0.2%				
	Yoy	2.4%				
	YTD (FY)	0.2%				
Depo. grwth	-ve surprise		CASA grwth	-ve surprise		Weak growth this time, but remember last quarter saw exceptional gains – it is simply a case of them not able to retain last quarter's CASA balances.
	Qoq	0.2%		Qoq	-3.0%	
	Yoy	3.2%		Yoy	4.3%	
	YTD (FY)	0.2%		YTD (FY)	-3.0%	
CASA ratio	-ve surprise		L/D ratio	As expected		
	Value now	34.1%		Value now	113.3%	
	Qoq	-1.1%		Qoq	+0.1%	
	Yoy	+0.4%		Yoy	-0.3%	
GIL ratio	As expected		LLC ratio	As expected		
	Value now	0.95%		Value now	123%	
	Qoq	+1bps		Qoq	-4%	
	Yoy	-43bps		Yoy	+6%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	Decent provision			Decent provision		
	Value now	25bps		Value now	25bps	
	t-1	6bps				
	t-4	39bps		t-4	39bps	
CET 1	Healthy level		Div payout	No divvy		
	As expected			As expected		
	Value now	13.9%		Payout	68.0%	
	Qoq	-0.2%				

Others:

Source: BIMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY24F	3M FY24	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	>8	6.9	Beyond FY24: 9-10%.
CIR	60	63.0	Cost takeouts: RM20-25m targeted for FY24, on an aggregate basis RM100m for FY24-26.
NIM	>2.10 (from 2.12)	2.14	
NOII		-16% (yoy)	
Loans	7-8	0.2 (YTD)	
Deposits		0.2 (YTD)	
% CASA		34.1	
Loan/Depo		113.3	LCR currently at a healthy ~160%
GIL ratio	<1.1	0.95	
NCC (bps)	<30	25	
LLC		123	
CET 1		13.9	
Div payout	60		

Source: BIMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Total Nil	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 Nil	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)	11.4	10.2	9.4	8.8	8.4
Div yield (%)	5.5	6.7	6.1	6.2	6.2
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