Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

Strong loan growth for the year

***Upgrade to* BUY**

(Previously NEUTRAL)

***Revised* Target Price: RM3.01**

(Previously RM2.66)

KEY INVESTMENT HIGHLIGHTS

- **FY22's CNP of RM492m was within our forecast.**
- **Bank Islam has to contend with a weak NIM profile, especially coupled with recent deposit competition**
- **Nevertheless, it is buffered by a recovery in fee income**
- **Its share price has performed poorly – we believe it is a good opportunity to accumulate on weakness**
- **Upgrade to BUY | TP of RM3.01 | based on an unchanged FY23F P/BV of 0.90x**

Highlights from BIMB's 4QFY22 results:

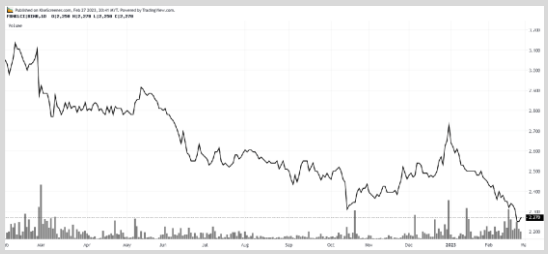
- **FY22 CNP:** Fell -8%yoy. Due to weaker NOII contributions, and higher OPEX and tax expenses.
- **4QFY22 CNP:** Fell -12%qoq. Due to higher OPEX.
- **FY22 NOII:** Fell by -33%yoy.
- **FY22's OPEX**: up by +10%yoy, CIR now at 59.8%.
- **Rapid loan growth:** Gross loans grew by +11.4%yoy, +6.2%qoq.
- **Solid deposit growth:** Deposits grew by +5.9%yoy, +4.5%qoq. CASA direction +1.0%yoy, +5.6%qoq. CASA ratio stands at 33.6%.
- **GIL ratio worsens:** Up +6bps qoq.
- **NCC as expected:** 4QFY22 NCC of 24bps, averaging FY22 NCC of 22bps.
- **Dividend announced:** 3.4 sen, FY22 payout of 60% (above expectations).

Our thoughts. BIMB has struggled with its risky commercial & corporate portfolio, as well as disappointing NIM performance in recent quarters, contrary to its peers. It will be allocating a significant sum for IT spend in the following year, offering more downside pressure to earnings.

We look to a recovery in NOII as one bright spot. Currently, BIMB's share price is at an attractive price point, following recent negative repricing – we view this as an opportunity to accumulate on weakness.

RETURN STATISTICS	
Price @ 28 February 2023 (RM)	2.27
Expected share price return (%)	+32.6
Expected dividend yield (%)	+5.4
Expected total return (%)	**+38.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.0	-4.6
3 months	-13.9	-7.4
12 months	-25.4	-18.9

KEY STATISTICS	
FBM KLCI	1,455.50
Syariah compliant	Yes
F4GBM Index	No
ESG Grading Band (Star rating)	
Issue shares (m)	2,600.37
Estimated free float (%)	17.23
Market Capitalisation (RM m)	5,273.41
52-wk price range	RM2.34 - RM3.24
Beta vs FBM KLCI (x)	0.87
3-mth average daily volume (m)	1.16
3-mth average daily value (RM m)	2.95
Top Shareholders (%)	
Lembaga Tabung Haji	48.50
Employees Provident Fund Board	15.16
Amanah Saham Nasional Bhd	6.67

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FY22's CNP of RM492m was within our and consensus expectations at 102% of respective full-year forecasts.

FY22's CNP fell by -8%yoy due to weaker NOII contributions and higher OPEX and tax expenses.

4QFY22's CNP of RM126m fell by -12%qoq due to higher OPEX and rose by +58%yoy due to lower loan provisions.

NOII. FY22's NOII fell by -33%yoy.

Operating expenses. 4QFY22's CIR worsened to 62.3%, with its OPEX up by +10%qoq.

FY22's CIR worsened to 59.8%, with its OPEX up by +10%yoy.

Loans. Gross loans grew by +11.4%yoy, +6.2%qoq.

Deposits. Deposits grew by +5.9%yoy, +4.5%qoq.

Loan/Deposit ratio stands at 106.9%, rising from previous quarter's 105.1%.

CASA. CASA grew by +1.0%yoy, +5.6%qoq. CASA ratio stands at 33.6%, rising from previous quarter's 33.2%.

Asset quality. Current GIL ratio stands at 1.27%, worsening ++6bps qoq.

Current LLC stands at 124%.

Provisioning. 4QFY22's NCC stood at 24bps, rising from previous quarter's 17bps.

FY22's NCC averaged 22bps falling from previous period's 33bps.

Capital ratios. Current CET-1 ratio is 13.6%.

Dividend announced. The Group announced a dividend of 3.4 sen in the quarter, bringing FY22's total to 13.8 sen (60% payout). This was above our expectations.

Key downside risks. (1) Continual NIM compression, (2) Persistent asset quality issues in the commercial and corporate portfolio, (3) Lacklustre NOII recovery.

Forecasts revised: FY24F CNP adjusted by -3%. To reflect our more conservative topline estimates.

Upgrade to BUY call: Revised GGM-TP of RM 3.01 ***(from RM2.66)*****.** The TP is based on an unchanged FY23F P/BV of 0.90x, to reflect higher forex and FVOCI reserves.

*(**GGM assumptions:** FY23F ROE of 8.6%, LTG of 3.5% and COE of 9.2%.)*

Exhibit 1: Quarterly results

FYE Dec (RM m)	4Q FY22	3Q FY22	4Q FY21	Yoy (%)	Qoq (%)	FY22	FY21	Yoy (%)
Total NII	519	520	465	*12*	*-0*	1,972	1,755	*12*
Total NOII	78	65	76	*4*	*21*	231	345	*-33*
Net income	**597**	**584**	**540**	***11***	***2***	**2,203**	**2,099**	***5***
OPEX	(372)	(339)	(352)	*6*	*10*	(1,317)	(1,197)	*10*
PPOP	**225**	**246**	**188**	***20***	***-8***	**886**	**902**	***-2***
Loan provisions	(38)	(25)	(111)	*-66*	*52*	(140)	(191)	*-27*
Other provisions	0	(2)	(1)	*n.m.*	*n.m.*	1	(7)	*n.m.*
JV & Associates	-	-	-	*n.m.*	*n.m.*	-	-	*n.m.*
PBT	**187**	**219**	**76**	***145***	***-14***	**747**	**704**	***6***
Tax	(62)	(76)	3	*-2,005*	*-19*	(255)	(170)	*50*
NCI	-	-	-	*n.m.*	*n.m.*	-	-	*n.m.*
Reported NP	**126**	**143**	**80**	***58***	***-12***	**492**	**534**	***-8***
Core NP	**126**	**143**	**80**	***58***	***-12***	**492**	**534**	***-8***
Gross DPS (sen)	**3.4**	**10.4**	**-**	***n.m.***	***n.m.***	**13.8**	**10.9**	***n.m.***
Core EPS (sen)	5.8	6.6	3.3	*79*	*-12*	22.9	21.9	*5*
Gross loans	65,942	62,090	59,218	*11.4*	*6.2*			
Gross impaired loans	835	748	568	*46.9*	*11.7*			
Customer deposits	60,708	58,095	57,339	*5.9*	*4.5*			
CASA	20,371	19,285	20,175	*1.0*	*5.6*			

Source: BIMB, MIDFR

Exhibit 2: Quarterly financial ratios

Ratios (%)	4Q FY22	3Q FY22	4Q FY21	Yoy (ppts)	QoQ (ppts)	FY22	FY21	Yoy (ppts)
ROE (Ann.)	**7.4**	**8.4**	**5.0**	***2.4***	***-1.0***	**7.2**	**8.3**	***-1.1***
NIM (Reported)*	**-**	**2.37**	**2.30**	***-2.30***	***-2.37***	**-**	**2.38**	***-2.38***
NOII/Net income	13.1	11.1	14.0	*-0.9*	*2.0*	10.5	16.4	*-5.9*
Cost/Income	62.3	58.0	65.2	*-2.9*	*4.3*	59.8	57.0	*2.8*
NCC (Ann.) (bps)	24	17	77	*-53*	*8*	22	33	*-11*
GIL ratio	1.27	1.20	0.96	*0.31*	*0.06*			
Loan loss coverage	124	137	187	*-63*	*-13*			
CASA ratio	33.6	33.2	35.2	*-1.6*	*0.4*			
L/D ratio	106.9	105.1	101.4	*5.5*	*1.8*			
CET-1	13.6	13.9	13.2	*0.4*	*-0.3*			

**This quarter's NIM not yet given*

Source: BIMB, MIDFR

INVESTMENT STATISTICS

INCOME STATEMENT

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Total NII	1,626	1,791	1,972	2,025	2,088
Total NOII	396	308	231	325	384
Net income	**2,022**	**2,099**	**2,203**	**2,350**	**2,472**
OPEX	(1,088)	(1,197)	(1,317)	(1,363)	(1,409)
PPOP	**934**	**902**	**886**	**987**	**1,063**
Loan allowances	(209)	(191)	(140)	(198)	(195)
Other allowances	3	(7)	1	-	-
JV & Associates	-	-	-	-	-
PBT	**728**	**704**	**747**	**789**	**868**
Tax & zakat	(165)	(170)	(255)	(191)	(210)
NCI	-	-	-	-	-
Reported NP	**564**	**534**	**492**	**598**	**658**
Core NP	**564**	**534**	**492**	**598**	**658**

BALANCE SHEET

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Cash & ST funds	5,217	5,223	7,145	5,721	5,921
Investment securities	13,739	15,536	15,448	15,594	14,481
Net loans	54,671	58,154	64,902	64,474	67,785
Other IEAs	-	-	-	-	-
Non-IEAs	1,010	1,244	2,357	2,221	2,883
Total assets	**74,637**	**80,156**	**89,852**	**88,010**	**91,070**
Cust. & FI deposits	63,446	67,792	75,239	74,989	78,699
Other IBLs	3,244	4,037	5,250	4,203	4,292
Non-IBLs	1,662	1,928	2,567	1,623	429
Total liabilities	**68,351**	**73,756**	**83,055**	**80,814**	**83,420**
Share capital	3,306	3,446	3,645	3,446	3,446
Reserves	2,980	2,954	3,151	3,750	4,205
Shareholders' funds	**6,286**	**6,400**	**6,796**	**7,196**	**7,650**
NCI	-	-	-	-	-
Total equity	**6,286**	**6,400**	**6,796**	**7,196**	**7,650**
Total L&E	**74,637**	**80,156**	**89,852**	**88,010**	**91,070**
Total IEAs	73,627	78,912	87,495	85,789	88,187
Total IBLs	66,690	71,828	80,489	79,192	82,991
Gross loans	55,599	59,218	65,942	65,464	68,725
CASA	17,794	20,175	20,371	20,943	21,778

FINANCIAL RATIOS

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Interest (%)					
NIM	2.20	2.35	2.37	2.40	2.40
Return on IEAs	3.98	3.75	4.02	4.01	4.12
Cost of funds	2.08	1.54	1.80	1.76	1.85
Net interest spread	1.90	2.21	2.22	2.25	2.27
Profitability (%)					
ROE	**9.3**	**8.4**	**7.5**	**8.6**	**8.9**
ROA	0.7	0.7	0.6	0.7	0.7
NOII/Net income	19.6	14.7	10.5	13.8	15.5
Effective tax rate	20.8	22.4	32.3	22.5	22.5
Cost/Income ratio	53.8	57.0	59.8	58.0	57.0
Liquidity (%)					
Loan/Deposit ratio	107.0	101.4	106.9	101.6	101.8
CASA ratio	34.8	35.2	33.6	33.0	32.7
Asset Quality (%)					
GIL ratio	0.67	0.96	1.27	0.89	0.81
LLC ratio	249	187	124	171	168
LLC (w. reserves)	249	187	124	171	168
Net CC (bps)	39	33	22	31	29
Capital (%)					
CET 1	14.7	13.2	13.6	12.9	12.7
Tier 1 capital	14.7	13.2	14.6	12.9	12.7
Total capital	19.8	18.6	19.4	17.9	17.7
Growth (%)					
Total NII	(2.8)	10.1	10.1	2.7	3.1
Total NOII	(4.7)	(22.2)	(25.1)	40.7	18.1
Net income	(33.8)	3.8	4.9	6.7	5.2
OPEX	(38.2)	10.0	10.0	3.5	3.4
Core NP	(35.3)	(5.2)	(8.0)	21.7	10.0
Gross loans	10.7	6.5	11.4	(0.7)	5.0
Cust. & FI deposits	12.2	6.8	11.0	(0.3)	4.9
CASA	14.0	13.4	1.0	2.8	4.0
Valuation metrics					
Core EPS (sen)	26.2	24.8	22.9	27.8	30.6
Gross DPS (sen)	12.6	10.9	13.8	12.2	13.5
Div payout ratio (%)	57	50	60	50	50
BVPS (RM)	2.9	3.0	3.2	3.3	3.6
Core P/E (x)	8.7	9.1	9.9	8.2	7.4
Dividend yield (%)	**5.6**	**4.8**	**6.1**	**5.4**	**5.9**
P/BV (x)	0.8	0.8	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 *rise* 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 *fall* 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