

# Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

## 4QFY23 Results: Cost Takeouts Incoming

**Maintain BUY**
**Revised Target Price: RM2.68**

(Previously RM2.64)

### KEY INVESTMENT HIGHLIGHTS

- **FY23's Core NP of RM553m was *Above/Above our/street* forecasts: *106%/105%* of full-year forecasts**
- **Management's tone: Optimistic**
- **Core themes: (a) Mortgage accumulation to continue, (b) NIM driven by IA growth, (c) Solid improvement in asset quality**
- **Forecasts revised: FY24F/FY25F/FY26F Core NP adjusted by +1%/+1%/+1%**
- **Maintain BUY | Revised TP of RM2.68 | based on a revised FY24F P/BV of 0.80x (formerly 0.79x)**

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

- Yays**
1. Dividend yields still as strong as ever and will likely remain fully cash.
  2. Asset quality and provisioning buffer continue getting better.
  3. Excellent Investment Account franchise helps with NIM efficiency.
  4. Loan growth outlook is more positive.

- Nays**
1. Despite cost takeouts scheduled, CIR is still on the high end.

- OKs**
1. No indication as to whether NOII will be as strong as FY23's.

### 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 disappointing, as the Group was unable to reach even its reduced target. Management cites NIM optimisation issues.

▲ **Deposits grew by +1.9%qoq, coming up to -2.8%YTD.** The Group likely continued to pare down on FDs in this quarter.

▲ **GIL moved by -5bps to 0.92%, LLC currently at 130%.** Improvement so far has been exceptional – management does not foresee any negative issues on this end anytime soon.

### RETURN STATISTICS

Price @ 1 March 2024 (RM)	2.53
Expected share price return (%)	+5.9
Expected dividend yield (%)	+6.0
Expected total return (%)	+11.9

### 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
<b>Core NP (RM m)</b>	<b>602</b>	<b>639</b>	<b>669</b>
CNP growth (%)	9	6	5
<b>Div yield (%)</b>	<b>6.0</b>	<b>6.1</b>	<b>6.1</b>
Gross DPS (sen)	15.2	15.4	15.4
<b>P/BV (x)</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
BVPS (RM)	3.3	3.5	3.6
<b>ROE (%)</b>	<b>8.0</b>	<b>8.3</b>	<b>8.3</b>

### KEY STATISTICS

FBM KLCI	1,538.02
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**

Samuel Woo

samuel.woo@midf.com.my

**Have a look at:**

▲ **TIA provides an edge in NIM and capital management.** In contrast to most peers, BIMB is guiding for stable to slight improvement in NIM. This is despite the Group continuing to vie for strong residential mortgage growth, despite thinning margins. Ancillary income and cross-selling ability linked to mortgages are still valued greatly by BIMB.

We think BIMB’s ability to grow TIA (transitional investment accounts, which are nearly as cheap as CASA) far better than any of its peers helps its NIM outlook. BIMB is leaning slightly more toward TIA growth, given its capital advantages over CASA. The ideal mix of CASA/TIA is 70%/30% (the current value).

**Forecasts revised: FY24F/FY25F/FY26F Core NP adjusted by +1%/+1%/+1%.** To reflect revised earnings guidance.

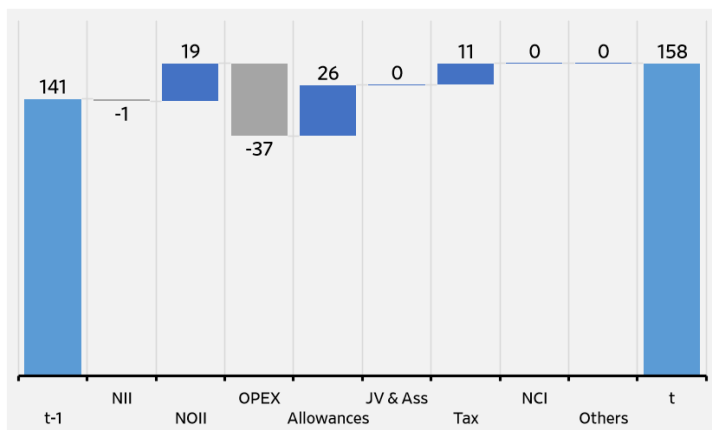
**Key downside risks.** (1) Slower-than-expected loan growth, (2) High OPEX, (3) NCC higher-than-expected.

**Maintain BUY call: Revised GGM-TP of RM 2.68 (from RM2.64).** The TP is based on a revised FY24F P/BV of 0.80x (formerly 0.79x), to reflect altered earnings prospects and ROE-based valuations.

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

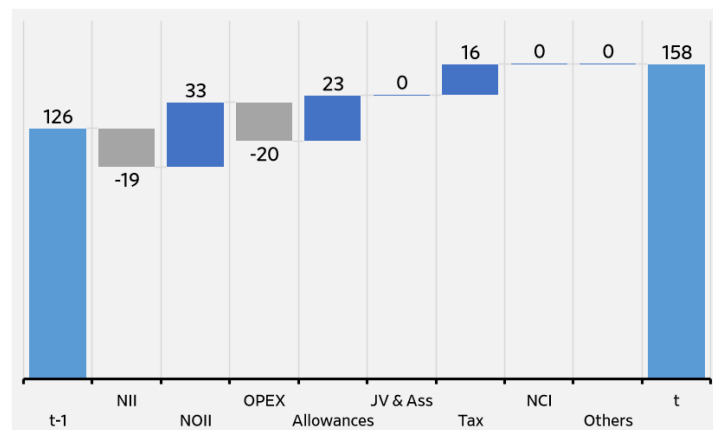


**Fig 1: QoQ P/L walk (Quarterly results)**



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
<b>Net income</b>	<b>611</b>	<b>593</b>	<b>597</b>	<b>2</b>	<b>3</b>	<b>2,366</b>	<b>2,203</b>	<b>7</b>
OPEX	(392)	(355)	(372)	5	10	(1,440)	(1,317)	9
<b>PPOP</b>	<b>219</b>	<b>238</b>	<b>225</b>	<b>-3</b>	<b>-8</b>	<b>926</b>	<b>886</b>	<b>4</b>
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.
<b>PBT</b>	<b>204</b>	<b>197</b>	<b>187</b>	<b>9</b>	<b>4</b>	<b>747</b>	<b>747</b>	<b>-0</b>
Tax	(46)	(57)	(62)	-26	-19	(194)	(255)	-24
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
<b>Reported NP</b>	<b>158</b>	<b>141</b>	<b>126</b>	<b>26</b>	<b>13</b>	<b>553</b>	<b>492</b>	<b>12</b>
<b>Core NP</b>	<b>158</b>	<b>141</b>	<b>126</b>	<b>26</b>	<b>13</b>	<b>553</b>	<b>492</b>	<b>12</b>
<b>Gross DPS (sen)</b>	<b>4.2</b>	<b>12.6</b>	<b>3.4</b>	<b>n.m.</b>	<b>n.m.</b>	<b>16.8</b>	<b>13.8</b>	<b>n.m.</b>
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			
<b>Ratios (%)</b>	<b>4Q FY23</b>	<b>3Q FY23</b>	<b>4Q FY22</b>	<b>Yoy (ppts)</b>	<b>Qoq (ppts)</b>	<b>FY23</b>	<b>FY22</b>	<b>Yoy (ppts)</b>
<b>ROE (Ann.)</b>	<b>8.6</b>	<b>7.5</b>	<b>7.4</b>	<b>1.2</b>	<b>1.0</b>	<b>7.5</b>	<b>7.2</b>	<b>0.2</b>
<b>NIM (Reported)*</b>	<b>2.13</b>	<b>2.17</b>	<b>2.22</b>	<b>-0.09</b>	<b>-0.04</b>	<b>2.12</b>	<b>2.35</b>	<b>-0.23</b>
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

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	<b>158</b>	Qtrly ROE	Qtr value	<b>8.6%</b>
	30% of FY CNP				
	Qoq	13%		t-1	7.5%
	Yoy	26%		t-4	7.4%
Cum Core NP	RM mil	<b>553</b>	Cum ROE	Cum value	<b>7.5%</b>
	Above our forecast				
	106% of FY CNP				
	Above consensus				
	105% of FY CNP				
Yoy	12%	t-1	7.2%		
NII	As expected		NIM	As expected	
				Qtr value	<b>2.13</b>
				Cum value	<b>2.12</b>
	Qtr (Qoq)	<b>-0%</b>		Qtr (Qoq)	<b>-4bps</b>
	Qtr (Yoy)	<b>-4%</b>		Qtr (Yoy)	<b>-9bps</b>
	Cum (Yoy)	<b>-1%</b>		Cum (Yoy)	<b>-23bps</b>
NOII	+ve surprise		Qtr	% NII	<b>82%</b>
	Qtr (Qoq)	21%		% NOII	<b>18%</b>
	Qtr (Yoy)	42%	Cum	% NII	<b>83%</b>
	Cum (Yoy)	76%		% NOII	<b>17%</b>
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	<b>64.2%</b>
				Cum value	<b>60.9%</b>
	Qtr (Qoq)	<b>10%</b>		Qtr (Qoq)	<b>+4.3%</b>
	Qtr (Yoy)	<b>5%</b>		Qtr (Yoy)	<b>+1.9%</b>
	Cum (Yoy)	<b>9%</b>		Cum (Yoy)	<b>+1.1%</b>

Source: BIMB, MIDFR

Notes (Cum = Cumulative, Qtr = Quarterly)

NOII results came above expectations in 4QFY23.

Manageable contraction.

Overperformed, with a large figure of realised gains.

OPEX growth was sharp, but improved topline performance helped shave off impact on bottom line.

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	0.5%				
	Yoy	2.6%				
	YTD (FY)	2.6%				
Depo. grwth	As expected		CASA grwth	+ve surprise		<b>While deposit growth was likely subject to NIM optimisation, CASA growth was extremely strong.</b>
	Qoq	1.9%		Qoq	11.0%	
	Yoy	-2.8%		Yoy	1.8%	
	YTD (FY)	-2.8%		YTD (FY)	1.8%	
CASA ratio	As expected		L/D ratio	As expected		<b>BIMB has done well to bring back its GIL ratio closer to pre-pandemic averages.</b>
	Value now	35.2%		Value now	113.2%	
	Qoq	+2.9%		Qoq	-1.5%	
	Yoy	+1.6%		Yoy	+6.3%	
GIL ratio	+ve surprise		LLC ratio	+ve surprise		<b>Dividend payout is supposedly 60% -- but this equation uses PBT as its base.</b>
	Value now	0.92%		Value now	130%	
	Qoq	-5bps		Qoq	+4%	
	Yoy	-35bps		Yoy	+6%	
Qtrly Net CC	+ve surprise		Cum Net CC	As expected		
	Small provision			Decent provision		
	Value now	6bps		Value now	26bps	
	t-1	26bps				
	t-4	24bps		t-4	22bps	
CET 1	Healthy level		Div payout	Div announced		
	As expected			+ve surprise		
	Value now	14.1%		Payout	68.0%	
	Qoq	-0.2%				
<b>Others:</b>						

Source: BIMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY24F	FY23F	FY23	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	>8	7-8	7.5	Beyond FY24: 9-10%.
CIR		58.0	60.9	Cost takeouts expected in FY24.
NIM	>2.10 (FY23: 2.12)	>2.00 (FY22: 2.31%)	2.12	
NOII			76% (yoy)	
Loans	7-8	5-6	2.6 (YTD)	
Deposits			-2.8 (YTD)	
% CASA			35.2	
Loan/Depo			113.2	
GIL ratio	<1.1	<1.5	0.92	Current ~0.90% range close to steady state.
NCC (bps)	<30	30-40	26	Smaller writebacks from here on out.
LLC			130	
CET 1			14.1	
Div payout	60	60	68	

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
<b>Net income</b>	<b>2,203</b>	<b>2,366</b>	<b>2,429</b>	<b>2,571</b>	<b>2,695</b>
OPEX	(1,317)	(1,440)	(1,457)	(1,542)	(1,617)
<b>PPOP</b>	<b>886</b>	<b>926</b>	<b>971</b>	<b>1,028</b>	<b>1,078</b>
Loan allowances	(140)	(175)	(175)	(178)	(189)
Other allowances	1	(4)	(3)	(7)	(7)
JV & Associates	-	-	-	-	-
<b>PBT</b>	<b>747</b>	<b>747</b>	<b>794</b>	<b>843</b>	<b>882</b>
Tax & zakat	(255)	(194)	(192)	(204)	(213)
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>492</b>	<b>553</b>	<b>602</b>	<b>639</b>	<b>669</b>
<b>Core NP</b>	<b>492</b>	<b>553</b>	<b>602</b>	<b>639</b>	<b>669</b>

### 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
<b>Total assets</b>	<b>89,852</b>	<b>90,962</b>	<b>97,378</b>	<b>101,969</b>	<b>106,905</b>
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
<b>Total liabilities</b>	<b>83,055</b>	<b>83,562</b>	<b>89,797</b>	<b>94,061</b>	<b>98,653</b>
Share capital	3,645	3,889	3,846	3,846	3,846
Reserves	3,151	3,511	3,735	4,063	4,406
<b>Shareholders' funds</b>	<b>6,796</b>	<b>7,400</b>	<b>7,580</b>	<b>7,908</b>	<b>8,252</b>
NCI	0	0	0	0	0
<b>Total equity</b>	<b>6,796</b>	<b>7,400</b>	<b>7,580</b>	<b>7,908</b>	<b>8,252</b>
<b>Total L&amp;E</b>	<b>89,852</b>	<b>90,962</b>	<b>97,378</b>	<b>101,969</b>	<b>106,905</b>
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
<b>Interest (%)</b>					
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
<b>Profitability (%)</b>					
<b>ROE</b>	<b>7.5</b>	<b>7.8</b>	<b>8.0</b>	<b>8.3</b>	<b>8.3</b>
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
<b>Liquidity (%)</b>					
Loan/Deposit	106.9	113.2	112.7	112.8	113.1
CASA ratio	33.6	35.2	32.7	32.2	32.2
<b>Asset Quality (%)</b>					
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
<b>Capital (%)</b>					
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
<b>Growth (%)</b>					
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
<b>Valuation metrics</b>					
Core EPS (sen)	21.7	24.4	26.5	28.2	29.5
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	3.3	3.5	3.6
Core P/E (x)	11.7	10.4	9.5	9.0	8.6
<b>Div yield (%)</b>	<b>5.5</b>	<b>6.6</b>	<b>6.0</b>	<b>6.1</b>	<b>6.1</b>
P/BV (x)	0.8	0.8	0.8	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