Bank Islam Malaysia Berhad

(5258 | BIMB MK) Financial Services | Finance

3QFY24 Results: Weak Quarter but Expected to Recover

***Maintain* BUY**

***Unchanged* Target Price: RM3.06**

KEY INVESTMENT HIGHLIGHTS

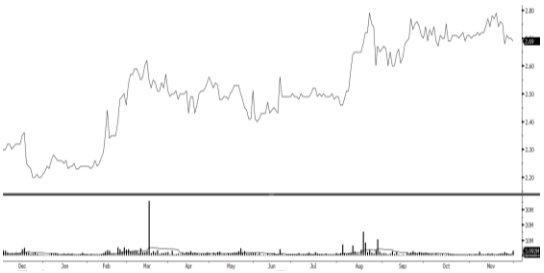
- **9MFY24's Core NP of RM397m was *Below/Below* our/street forecasts: *66%/66%* of full-year forecasts**
- **Management's tone: Optimistic**
- **Core themes: (a), (b), (c)**
- **Forecasts unchanged**
- **Maintain BUY | Unchanged TP of RM3.06 | based on an unchanged FY25F P/BV of 0.87x**

RETURN STATISTICS	
Price @ 29 November 2024 (RM)	2.69
Expected share price return (%)	+13.8
Expected dividend yield (%)	+5.7
Expected total return (%)	**+19.5**

Verdict: A weak quarter but management expect that there will be improvement in 4QFY24. This is highlighted by unchanged guidance. Excellent dividend yield.

Yays	1. Strong gross loans growth, while 2. Deposits growth keeping track of loans growth. 3. Lower provisions. 4. NIM improvement for 9MFY24.
Nays	1. OPEX continue to increase. 2. NOII decline in the quarter.
OKs	1. GIL ratio uptick but still better than industry's.

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.7	-0.1
3 months	-0.4	6.4
12 months	18.0	7.8

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	**602**	**639**	**669**
CNP growth (%)	9	6	5
Div yield (%)	**5.6**	**5.7**	**5.7**
Gross DPS (sen)	15.2	15.4	15.4
P/BV (x)	**0.8**	**0.8**	**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	1,594.29
Issue shares (m)	2266.47
Estimated free float (%)	33.70
Market Capitalisation (RM'm)	6,096.81
52-wk price range	RM2.18 - RM2.81
3-mth avg daily volume (m)	1.10
3-mth avg daily value (RM'm)	2.97
Top Shareholders (%)	
Lembaga Tabung Haji	48.02
EPF Board	17.06
Amanah Saham Nasional Bhd	7.97

Results in a nutshell:

► **9MFY24's Core net profit (NP) of RM397m up by +1%yoy.** Higher net income (+1.6%yoy) and lower net allowances for impairment on financing (-29.9%yoy) moderate the higher OPEX (+7.9%yoy).

▼ **3QFY24's Core NP of RM130m down by -5%qoq.** Due to lower net income and slightly higher provisions quarter-on-quarter.

▲ **Gross loans grew by +0.5%qoq, coming up to +1.2%YTD.** Growth driven by Retail, particularly by Housing Financing (HFA) and Personal Financing (PF), and Commercial**.**

▲ **Deposits grew by -1.5%qoq, coming up to +1.9%YTD.** Growth driven by increase in Tawarruq Term Deposits and Ihsan Sustainability Investment Accounts (ISIA).

► **GIL moved by +10bps to 1.02%, LLC currently at 114%.** Upticks due to institutional banking but retail GIL ratio saw improvement.

Have a look at:

▲ **NII provided support.** Net income growth was mainly driven by a +4.4%yoy increase in NOII to RM1.52b, this was due to year-on-year increase in investment securities and financing growth. Consequently, NIM improved by +5bps to 2.15% for 9MFY24.

▼ **NOII was weak.** Lower NOII was due to reduced net gains from foreign exchange transactions and lower investment income. However, higher fees and commission income, mainly from wealth management fee and banca takaful production bonus & facilitation fee, cushioned the impact.

Analyst
Imran Yassin Yusof
imran.yassin@midf.com.my

▼ **Higher OPEX due to IT investment.** OPEX rose +7.9%yoy. It grew faster than the net income growth as the Group continue to invest in digital and technology initiatives for futureproofing.

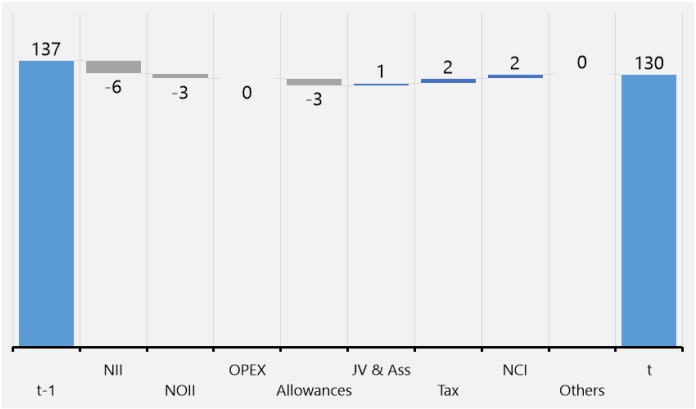
Forecasts unchanged.

Key downside risks. *(1) Continuous higher OPEX, (2) NIM compression, (3) Asset quality deterioration*

Maintain BUY call: Unchanged GGM-TP of RM 3.06. The TP is based on an unchanged FY25F P/BV of 0.87x.

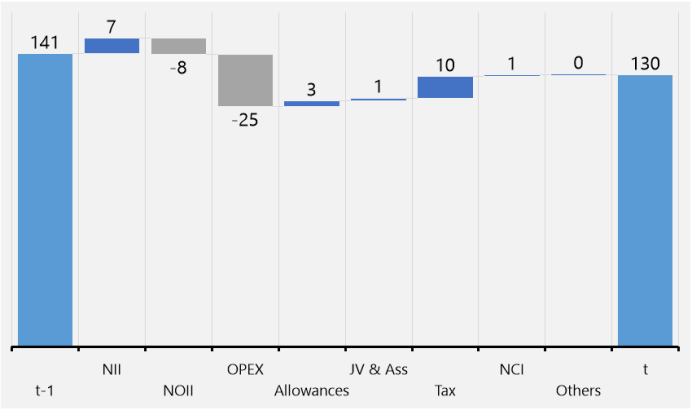
(GGM assumptions: *FY25F ROE of 8.3%, LTG of 4.5% & COE of 8.8%)*

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



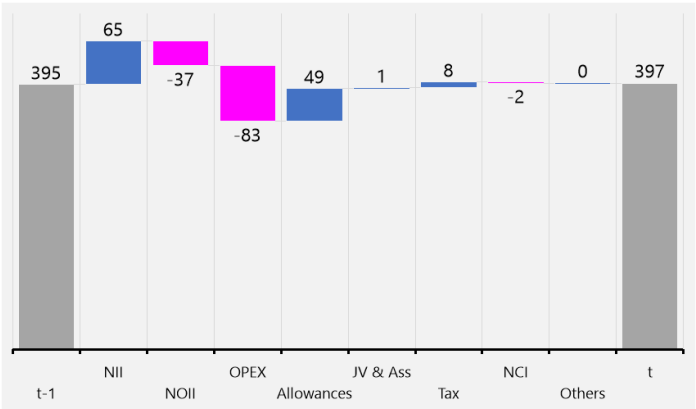
Source: BIMB, MIDFR

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)	3Q FY24	2Q FY24	3Q FY23	Yoy (%)	Qoq (%)	9M FY24	9M FY23	Yoy (%)
Total NII	509	515	501	*1.5*	*-1.2*	1,524	1,459	*4.4*
Total NOII	84	86	92	*-8.5*	*-3.0*	259	296	*-12.4*
Net income	**592**	**601**	**593**	***-0.1***	***-1.4***	**1,783**	**1,755**	***1.6***
OPEX	(380)	(380)	(355)	*7.0*	*0.0*	(1,131)	(1,048)	*7.9*
PPOP	**213**	**221**	**238**	***-10.6***	***-3.9***	**652**	**707**	***-7.7***
Loan provisions	(38)	(35)	(41)	*-7.9*	*7.9*	(116)	(165)	*-29.9*
Other provisions	(0)	0	1	*n.m.*	*n.m.*	0	1	*n.m.*
JV & Associates	1	-	-	*n.m.*	*n.m.*	1	-	*n.m.*
PBT	**176**	**186**	**197**	***-10.8***	***-5.8***	**538**	**543**	***-0.8***
Tax	(46)	(48)	(57)	*-18.5*	*-4.8*	(140)	(148)	*-5.4*
NCI	1	(1)	-	*n.m.*	*n.m.*	(2)	-	*n.m.*
Reported NP	**130**	**137**	**141**	***-7.2***	***-4.9***	**397**	**395**	***0.5***
Core NP	**130**	**137**	**141**	***-7***	***-5***	**397**	**395**	***1***
Gross DPS (sen)	**-**	**-**	**12.6**	***n.m.***	***n.m.***	**-**	**12.6**	***n.m.***
Core EPS (sen)	5.8	6.1	6.3	*-8*	*-5*	17.5	17.6	*-0.4*
Gross loans	68,464	68,108	67,295	*1.7*	*0.5*			
Gross impaired loans	698	627	654	*6.7*	*11.2*			
Customer deposits	60,149	61,064	57,928	*3.8*	*-1.5*			
CASA	18,872	18,591	18,694	*1.0*	*1.5*			

Ratios (%)	3Q FY24	2Q FY24	3Q FY23	Yoy (ppts)	Qoq (ppts)	9M FY24	9M FY23	Yoy (ppts)
ROE (Ann.)	**6.7**	**7.2**	**7.5**	***-0.8***	***-0.5***	**6.8**	**7.1**	***-0.3***
NIM (Reported)*	**2.11**	**2.20**	**2.17**	***-0.06***	***-0.09***	**2.15**	**2.11**	***0.04***
NOII/Net income	14.1	14.4	15.4	*-1.3*	*-0.2*	14.5	16.9	*-2.3*
Cost/Income	64.1	63.2	59.9	*4.2*	*0.9*	63.4	59.7	*3.7*
NCC (Ann.) (bps)	22	21	26	*-3*	*1*	23	34	*-11*
GIL ratio	1.02	0.92	0.97	*0.05*	*0.10*			
Loan loss coverage	114	125	127	*-13*	*-12*			
CASA ratio	31.4	30.4	32.3	*-0.9*	*0.9*			
L/D ratio	112.5	110.2	114.7	*-2.2*	*2.3*			
CET-1	14.5	13.7	14.4	*0.1*	*0.7*			

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)	12.3	10.9	10.1	9.5	9.1
Div yield (%)	**5.1**	**6.2**	**5.6**	**5.7**	**5.7**
P/BV (x)	0.9	0.8	0.8	0.8	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	

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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