Corporate Update

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Main | Financial Services

FTSE4Good | ESG 3 Stars | SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM2.36** (from RM2.43)

1QFY25 Results Review
Regulation Hurts NIM

To Conclude	**Earnings are on the lower side, due to a large overlay allocation.** **Management's tone: Neutral** **Expect: NIM compression to weigh down on BIMB's fundamental outlook.**
Our Verdict	**Despite BIMB's attractive valuations and dividend yields, BIMB faces several concerning headwinds.**
Valuations	**Current P/BV of 0.68x is inexpensive, trading lower than -1SD of the 5-year P/BV mean of 1.07x.** **The company is currently trading at a forward FY25F P/BV of 0.69x with a +6.6% dividend yield.**
Yays	1. High loan growth. 2. Management guides for recoveries and writebacks in subsequent quarters.
Nays	1. Rising GILs, especially in retail portfolio. 2. Ongoing NIM compression, notably steep. 3. Possible capital issues due to high asset growth and dividend payout.
Okays	1. Branch revamp still ongoing.

Results in a nutshell:

▲ **3MFY25's Core NP of RM126m was *Within/Within* our/street forecasts: *22%/21%* of full-year forecasts.** There was a pretty sizeable overlay allocation made.

► **No dividend announcement.**

▼ **3MFY25's Core net profit (NP) of RM126m down by -2%yoy.** Improved NOII offset weaker OPEX and provisioning performance.

▼ **1QFY25's Core NP of RM126m down by -27%qoq.** A sizeable provision offset lower OPEX and tax charges.

RETURN STATISTICS

Price @ 30 May 2025 (RM)	2.32
Expected share price return (%)	+1.7
Expected dividend yield (%)	+6.6
Expected total return (%)	**+8.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.4	-2.5
3 months	-5.1	1.0
12 months	-4.0	1.8

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**578**	**603**	**646**
CNP growth (%)	1	4	7
Div yield (%)	**6.6**	**6.9**	**7.4**
Gross DPS (sen)	15.3	16.0	17.1
P/BV (x)	**0.7**	**0.7**	**0.6**
BVPS (RM)	3.4	3.5	3.7
ROE (%)	**7.6**	**7.8**	**8.0**
% Street CNP (%)	**95**	**94**	**95**

KEY STATISTICS

FBM KLCI	1,508.35
Issue shares (m)	2,266.5
Estimated free float (%)	19.6
Market Capitalisation (RM'm)	5,507.5
52-wk price range	RM2.19 – RM2.81
3-mth average daily volume (m)	1.1
3-mth average daily value (RM'm)	2.7
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	17.5
Amanah Saham Nasional Bhd	17.4

Analyst

Samuel Woo

samuelwoo.cy@midf.com.my

03-2173 8461

Have a look at:

▼ **As with most peers, expect further NIM compression.** Management has reported NIM compression in Apr-25 and May-25, which is attributed to tighter deposit competition and festivities depressing deposit growth. This trend of NIM compression is expected to persist for the remainder of the year, hence NIM target is unchanged (FY25 target: >2.00; 1QFY25 result: 2.06%). While house financing yields remain challenging, PF yields are competitive but still manageable. Note that while official figures show that NIM declined -1bps on a sequential quarter basis, our estimations show a whopping -13bps compression.

▼ **New personal financing guidelines are affecting home financing yields.** Management notes that there is discernible impact from new BNM regulations. BNM proposed that financial service providers treat several types of home financing products as personal financing products and cap the financing tenure to a maximum of 10 years. The computation of the debt service ratio (DSR) and contractual monthly repayment period shall not exceed 10 years.

▲ **Loan growth targets will go on as planned…** So far this quarter's loan growth has been going swimmingly well, with management keeping pace with guidance. Drivers remain green financing, data centres, solar energy projects, and retail portfolio. Management notes that on the institutional side, corporate segment may not be the most reliable driver, though the commercial side seems attractive.

▼ **…but this is stressing capital.** BIMB's latest CET 1 ratio is 13.0%, 12.6% on a bank level. This is barely at the comfortable 13.0% target ascribed by the Group, and with FY25's high loan growth and dividend payout target, capital issues seem inevitable. Management is expecting further Investment Account (IA) growth to shore up capital figures, with a solid pipeline of inflow expected. DRP is also a possibility, and if all else fails, a right issuance may take place.

► **Concerning uptick in housing GILs, but management foresees improvement.** Although industry house financing GIL ratio is declining, BIMB's seems to be worsening instead. Both package and non-package house financing GIL ratios have risen over three straight quarters. Management thinks its current GIL target of 1.0% is a stretch target, though they do foresee that potential GIL improvement will come from housing and personal financing segments.

▼ **Negative revision to NCC guidance.** FY25's NCC target is now 35bps, from the previous target of 20 – 25bps. 1QFY25's quarterly NCC was 46bps, with RM15m worth of overlays this quarter allocated to the housing and personal financing portfolio. Management believes that the current level of overlays may be sufficient, though they will have to wait till end-June to confirm this. There may be writebacks if personal financing GIL ratio does not worsen – the 35bps guidance does not incorporate this.

Forecasts revised: FY25F/FY26F Core NP adjusted by -1%/-1%. To reflect steeper NIM compression.
Key downside risks. *(1) NIM compression, (2) Higher-than-expected NCC, (3) Weak NOII performance.*

Maintain NEUTRAL call: Revised GGM-TP of RM 2.36. The TP is based on an unchanged FY25F P/BV of 0.70x.
(GGM assumptions: *FY25F ROE of 7.6%, LTG of 4.5% & COE of 8.9%)*

FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Total NII	499	518	501	-0	-4	499	501	-0
Total NOII	134	138	89	50	-3	134	89	50
Net income	**633**	**656**	**590**	**7**	**-4**	**633**	**590**	**7**
OPEX	(385)	(443)	(371)	4	-13	(385)	(371)	4
PPOP	**248**	**214**	**218**	**14**	**16**	**248**	**218**	**14**
Loan provisions	(80)	21	(42)	89	-481	(80)	(42)	89
Other provisions	(0)	(0)	0	n.m.	n.m.	(0)	0	n.m.
JV & Associates	0	1	-	n.m.	n.m.	0	-	n.m.
PBT	**168**	**235**	**176**	**-5**	**-28**	**168**	**176**	**-5**
Tax	(42)	(62)	(45)	-8	-33	(42)	(45)	-8
NCI	-	-	(2)	n.m.	n.m.	-	(2)	n.m.
Reported NP	**126**	**173**	**129**	**-2**	**-27**	**126**	**129**	**-2**
Core NP	**126**	**173**	**129**	**-2**	**-27**	**126**	**129**	**-2**
Gross DPS (sen)	**-**	**4.1**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	5.6	7.6	5.7	-2	-27	5.6	5.7	-2
Gross loans	71,851	70,232	67,790	6.0	2.3			
Gross impaired loans	774	742	642	20.6	4.3			
Customer deposits	63,443	62,329	59,108	7.3	1.8			
Customer deposits^	80,639	80,947	76,415	5.5	-0.4			
CASA	20,396	21,888	20,131	1.3	-6.8			
CASATIA^	29,996	32,132	30,605	-2.0	-6.7			

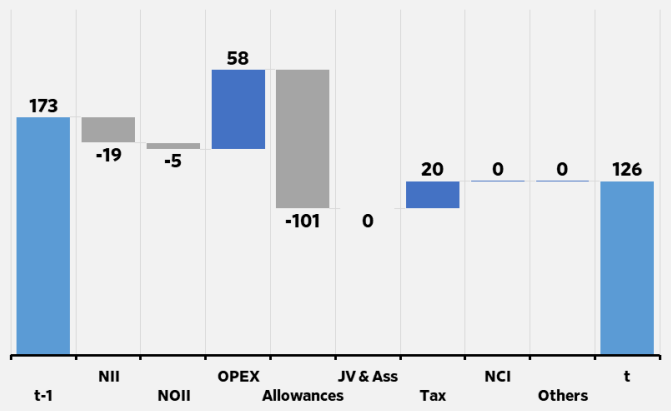
Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**6.5**	**9.0**	**6.9**	**-0.4**	**-2.5**	**6.5**	**6.9**	**-0.4**
NIM (Reported)*	**2.06**	**2.07**	**2.14**	**-0.08**	**-0.01**	**2.06**	**2.14**	**-0.08**
NIM (Estimated)#	**2.11**	**2.24**	**2.26**	**-0.16**	**-0.13**	**2.17**	**2.24**	**-0.07**
NOII/Net income	21.1	21.1	15.1	6.1	0.1	21.1	15.1	6.1
Cost/Income	60.9	67.5	63.0	-2.1	-6.6	60.9	63.0	-2.1
NCC (Ann.) (bps)	46	(12)	25	20	58	46	25	20
GIL ratio	1.08	1.06	0.95	0.13	0.02			
Loan loss coverage	102	99	123	-22	2			
CASATIA ratio^	37.2	39.7	40.1	-2.9	-2.5			
L/D ratio^	88.1	85.9	87.7	0.4	2.3			
CET-1	13.0	13.8	13.9	-0.8	-0.8			

^Deposits factor in Investment Accounts; CASATIA factors in Transactional Investment Accounts

#BIMB's reported NIM is based on interest spreads, which are not comparable with the NIM calculation methods used by other banks

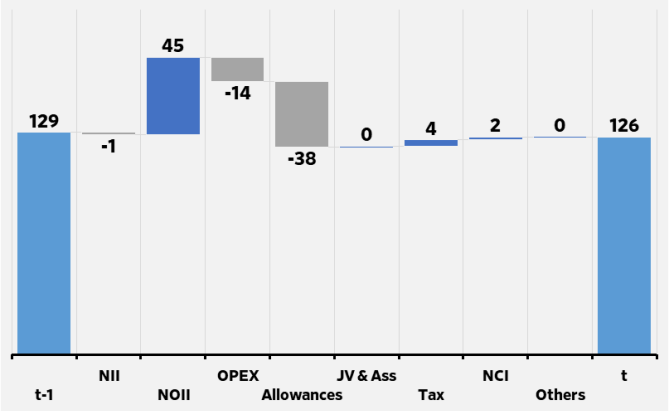
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



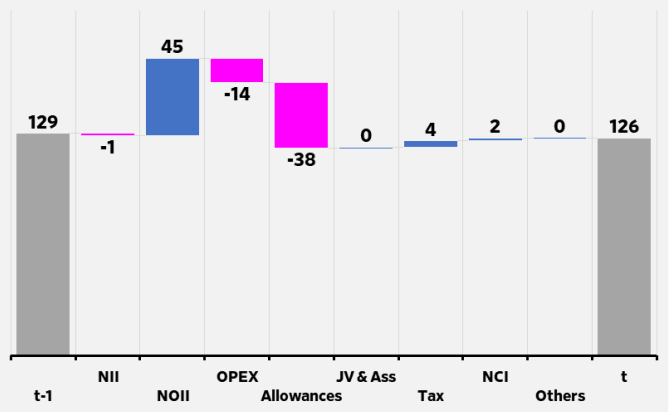
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

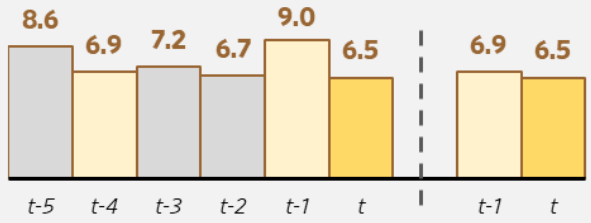
1QFY25 / 3MFY25 results

Earnings: Within/Within our/street forecasts

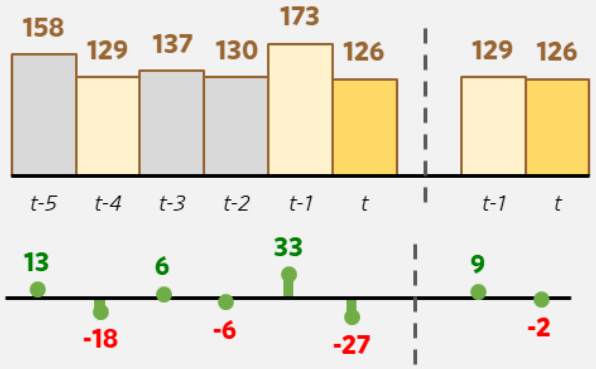
22%/21% of full-year estimates

Dividend: NO

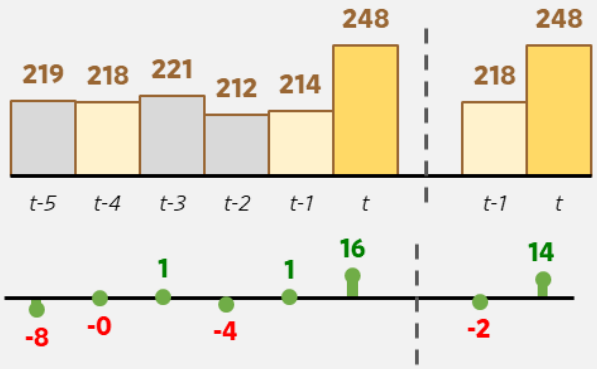
ROE (%)



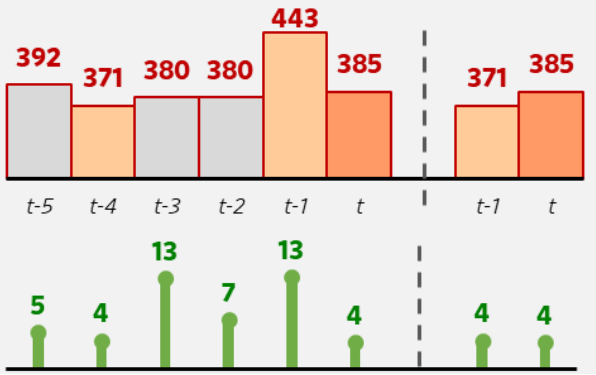
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



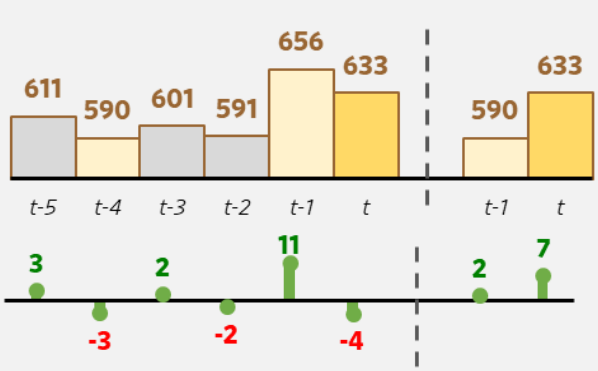
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



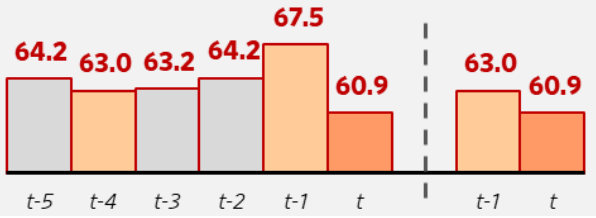
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



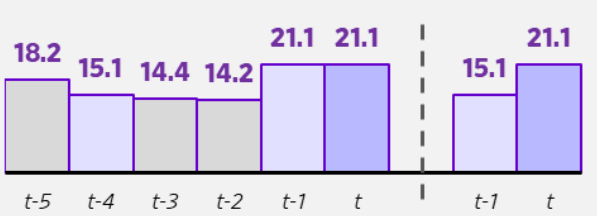
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



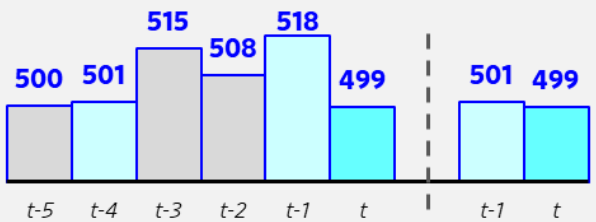
Cost/Income ratio (%)



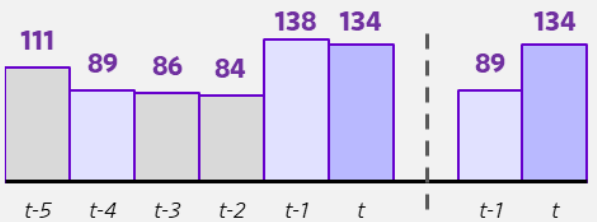
% NOII as topline (%)



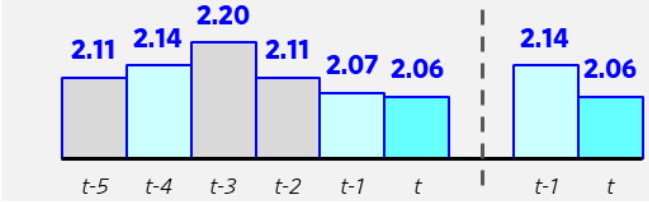
Net interest income (RM b)



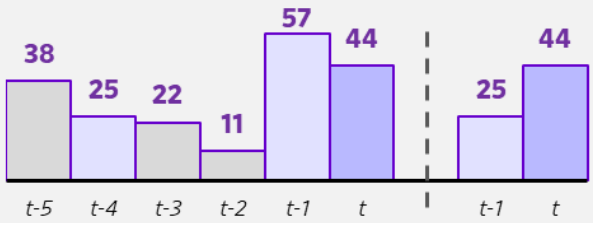
Non-interest income (RM b)



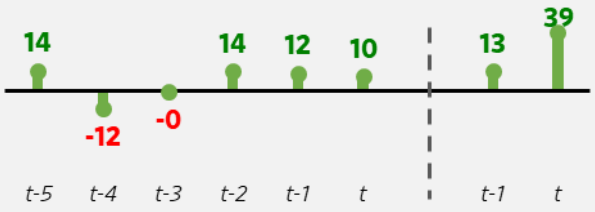
NIM (%)



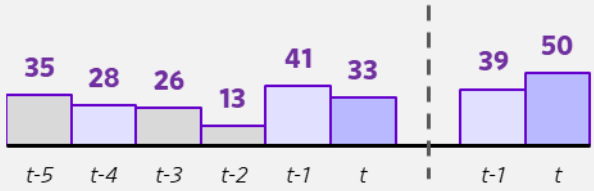
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

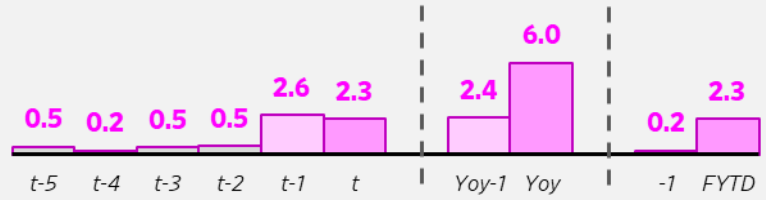


% Non-fee income as NOII (%)

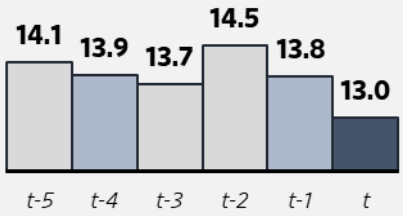


BALANCE SHEET

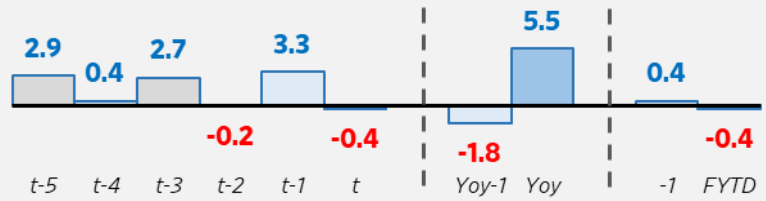
Loan growth – qoq, yoy, FYTD (%)



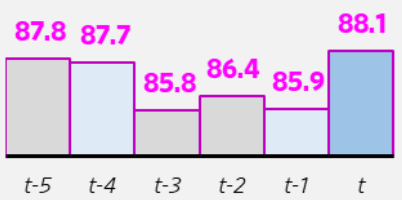
CET 1 ratio (%)



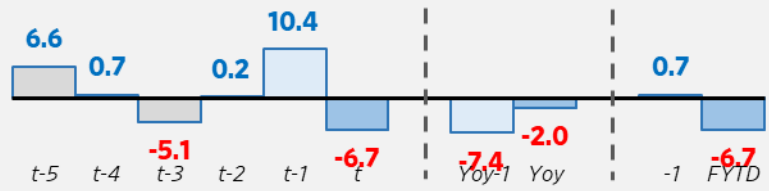
Deposit growth – qoq, yoy, FYTD (%)



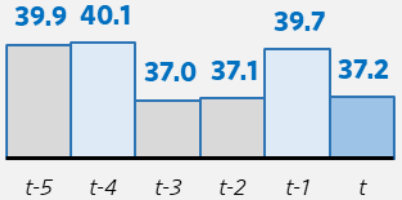
Loan/Deposit ratio (%)



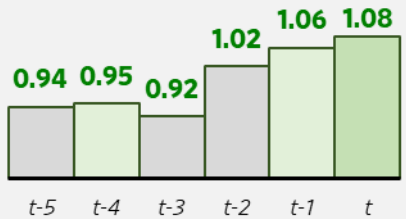
CASATIA growth – qoq, yoy, FYTD (%)



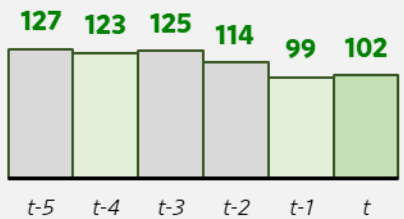
CASATIA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

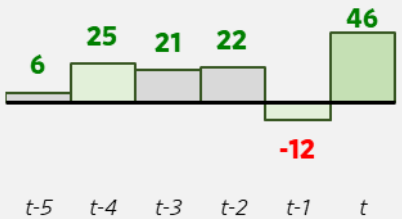


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***126***	**Qtrly ROE**	Qtr value	***6.5%***	
	22% of FY CNP					
	Qoq	*-27%*		t-1	*9.0%*	
	Yoy	*-2%*		t-4	*6.9%*	
Cum Core NP	RM mil	***126***	**Cum ROE**	Cum value	***6.5%***	
	Within our forecast					
	22% of FY CNP					
	Within consensus					
	21% of FY CNP					
	Yoy	*-2%*		t-1	*6.9%*	
NII	As expected		**NIM (Est.)**	-ve surprise		
				Qtr value	***2.11***	
				Cum value	***2.17***	
	Qtr (Qoq)	*-4%*		Qtr (Qoq)	*-13bps*	
	Qtr (Yoy)	*-0%*		Qtr (Yoy)	*-16bps*	
	Cum (Yoy)	*-0%*		Cum (Yoy)	*-7bps*	
NOII	As expected		**Qtr**	% NII	***79%***	
	Qtr (Qoq)	*-3%*		% NOII	***21%***	
	Qtr (Yoy)	*50%*	**Cum**	% NII	***79%***	
	Cum (Yoy)	*50%*		% NOII	***21%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***60.9%***	
				Cum value	***60.9%***	
	Qtr (Qoq)	*-13%*		Qtr (Qoq)	*-6.6%*	
	Qtr (Yoy)	*4%*		Qtr (Yoy)	*-2.1%*	
	Cum (Yoy)	*4%*		Cum (Yoy)	*-2.1%*	

Source: Company, MIDFR

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

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	As expected					
	Qoq	*2.3%*				
	Yoy	*6.0%*				
	YTD (FY)	*2.3%*				
Depo. (+TIA) grwth	As expected		**CASA-TIA grwth**	-ve surprise		
	Qoq	*-0.4%*		Qoq	*-6.7%*	
	Yoy	*5.5%*		Yoy	*-2.0%*	
	YTD (FY)	*-0.4%*		YTD (FY)	*-6.7%*	
CASA-TIA ratio	As expected		**L/ (D+ TIA) ratio**	As expected		
	Value now	***37.2%***		Value now	***88.1%***	
	Qoq	*-2.5%*		Qoq	*+2.3%*	
	Yoy	*-2.9%*		Yoy	*+0.4%*	
***Liquidity ratios above factor in Investment Accounts**						
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.08%***		Value now	***102%***	
	Qoq	*+2bps*		Qoq	*+2%*	
	Yoy	*+13bps*		Yoy	*-22%*	
Qtrly Net CC	-ve surprise		**Cum Net CC**	As expected		
	Heavy provision			Heavy provision		
	Value now	***46bps***		Value now	***46bps***	
	t-1	*-12bps*				
	t-4	*25bps*		t-4	*25bps*	
CET 1	Could be better		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***13.0%***		**Payout**	**-**	
	Qoq	*-0.8%*				

Source: Company, MIDFR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	3M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>7.5	6.5	
CIR		60.9	
NIM	>2.00	2.06	Further compression expected.
NOII		50% (yoy)	
Loans	6 – 7	2.3 (YTD)	
Deposits		-0.4 (YTD)	
% CASATIA		37.2	
Loan/Depo		88.1	
GIL ratio	<1.0	1.08	Management acknowledges that this may be a stretch target.
NCC (bps)	35 ~~20 – 25~~	46	
LLC		102	
CET 1		13.0	>13.0% is a comfortable level.
Div payout	60	-	

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Total NII	1,959	2,041	2,137	2,262	2,390
Total NOII	407	399	432	426	443
Net income	**2,366**	**2,440**	**2,569**	**2,687**	**2,833**
OPEX	(1,440)	(1,573)	(1,644)	(1,720)	(1,799)
PPOP	**926**	**866**	**925**	**967**	**1,034**
Loan allowances	(175)	(95)	(145)	(153)	(163)
Other allowances	(4)	0	1	1	1
JV & Associates	-	1	-	-	-
PBT	**747**	**773**	**781**	**815**	**872**
Tax & zakat	(194)	(202)	(203)	(212)	(227)
NCI	-	-	-	-	-
Reported NP	**553**	**571**	**578**	**603**	**646**
Core NP	**553**	**571**	**578**	**603**	**646**

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	4,714	4,325	5,921	5,921	5,921
Investment securities	16,856	20,472	20,381	20,518	20,850
Net loans	66,817	69,481	73,724	78,203	82,895
Other IEAs	-	-	-	-	-
Non-IEAs	2,574	2,525	2,564	2,642	2,704
Total assets	**90,962**	**96,803**	**102,590**	**107,285**	**112,370**
Customer deposits	59,016	62,329	65,575	68,482	70,413
Other IBLs	21,768	24,067	25,060	26,102	27,196
Non-IBLs	2,777	2,751	4,351	4,776	6,494
Total liabilities	**83,562**	**89,147**	**94,986**	**99,360**	**104,104**
Share capital	3,889	3,889	3,846	3,846	3,846
Reserves	3,511	3,767	3,758	4,079	4,420
Shareholders' funds	**7,400**	**7,656**	**7,604**	**7,924**	**8,266**
NCI	-	-	-	-	-
Total equity	**7,400**	**7,656**	**7,604**	**7,924**	**8,266**
Total L&E	**90,962**	**96,803**	**102,590**	**107,285**	**112,370**
Total IEAs	88,388	94,279	100,026	104,642	109,666
Total IBLs	80,785	86,396	90,635	94,584	97,610
Gross loans	67,625	70,218	74,432	78,897	83,631
CASATIA	30,386	32,132	36,378	38,924	41,260

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.23	2.23	2.20	2.21	2.23
Return on IEAs	4.69	4.70	3.60	3.54	3.50
Cost of funds	2.68	2.70	1.54	1.47	1.42
Net interest spread	2.00	2.01	2.06	2.07	2.08
Profitability (%)					
ROE	**7.8**	**7.6**	**7.6**	**7.8**	**8.0**
ROA	0.6	0.6	0.6	0.6	0.6
NOII/Net income	17.2	16.3	16.8	15.8	15.6
Effective tax rate	24.4	24.3	24.3	24.3	24.3
Cost/Income	60.9	64.5	64.0	64.0	63.5
Liquidity (%)					
Loan/Deposit	87.8	85.8	85.1	84.4	84.4
CASATIA ratio	39.9	39.7	42.0	42.0	42.0
Asset Quality (%)					
GIL ratio	0.94	1.06	0.95	0.88	0.88
LLC ratio	127	99	100	100	100
LLC (w. reserves)	127	99	120	120	119
Net CC (bps)	26	13	20	20	20
Capital (%)					
CET 1	14.1	13.8	13.5	13.5	13.5
Tier 1 capital	15.1	15.3	14.5	14.5	14.5
Total capital	19.9	20.0	19.3	19.3	19.3
Growth (%)					
Total NII	-0.6	4.2	4.7	5.8	5.7
Total NOII	75.9	-1.9	8.3	-1.5	4.2
Net income	7.4	3.1	5.3	4.6	5.4
OPEX	9.3	9.3	4.5	4.6	4.6
Core NP	12.5	3.3	1.2	4.3	7.0
Gross loans	2.6	3.8	6.0	6.0	6.0
Deposits + IAs	1.2	6.4	7.0	7.0	6.0
CASATIA	-12.8	5.7	13.2	7.0	6.0
Valuation metrics					
Core EPS (sen)	24.6	25.4	25.7	26.8	28.7
Gross DPS (sen)	16.8	15.1	15.3	16.0	17.1
Div payout (%)	69	60	60	60	60
BVPS (RM)	3.3	3.4	3.4	3.5	3.7
Core P/E (x)	9.4	9.1	9.0	8.7	8.1
Div yield (%)	**7.2**	**6.5**	**6.6**	**6.9**	**7.4**
P/BV (x)	0.7	0.7	0.7	0.7	0.6

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

197501002077 (24878-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 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. 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 we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD 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. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD. The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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