Corporate Update

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Main | Financial Services

FTSE4Good | ESG 3 Stars | SHARIAH Compliant

Maintain **NEUTRAL**

Unchanged Target Price **RM2.31**

2QFY25 Results Review
Corporate Loan Rebound

To Conclude	**Earnings came in weaker than expected.** **Management's tone: Negative** **Expect: Large recoveries to buoy earnings in future quarters, providing some offset to high OPEX growth and NIM compression.**
Our Verdict	**Despite BIMB's attractive dividend yields, the Group continues to face several headwinds.**
Valuations	**Current P/BV of 0.66x is well below the 10-year P/BV mean of 1.32x. However, BIMB's current ROE prospects are far lower than those of previous years.** **The company is currently trading at a forward FY26F P/BV of 0.66x with a +6.5% dividend yield.**
Yays	1. Despite decreased attractiveness of personal financing and mortgage refinancing, the financing growth outlook is still solid, after a weak couple of years.
Nays	1. Ongoing NIM compression, noticeably steep. BNM's new personal financing guidelines are also impacting yields. 2. OPEX growth is extremely high, perhaps due to the ongoing branch revamp.
Okays	1. High NCC. However, management guides for recoveries and writebacks in subsequent quarters. 2. Asset quality situation remains uncertain (especially in the retail portfolio), though management guides for falling GILs. 3. Given high assets growth, management may opt for DRP or other capital generation exercises.

Results in a nutshell:

▼ **6MFY25's Core NP of RM253m was *Below/Below* our/street forecasts: *43%/42%* of full-year forecasts.** This was largely due to higher-than-expected OPEX growth.

► **No dividend announcement.**

▼ **6MFY25's Core net profit (NP) of RM253m down by -5%yoy.** Stronger NOII result was dragged by NIM compression, higher OPEX and provision expenses.

► **2QFY25's Core NP of RM127m flat at +0%qoq.** Better NOII and reduced provisions were dragged by NIM compression and higher OPEX charges.

RETURN STATISTICS

Price @ 26 August 2025 (RM)	2.33
Expected share price return (%)	-0.9
Expected dividend yield (%)	+6.5
Expected total return (%)	**+5.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.0	-0.1
3 months	2.6	-7.1
12 months	-14.9	-12.9

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**517**	**576**	**626**
CNP growth (%)	(9)	11	9
Div yield (%)	**5.9**	**6.5**	**7.1**
Gross DPS (sen)	13.7	15.3	16.6
P/BV (x)	**0.7**	**0.7**	**0.6**
BVPS (RM)	3.4	3.5	3.7
ROE (%)	**6.8**	**7.5**	**7.8**

KEY STATISTICS

FBM KLCI	1,581.59
Issue shares (m)	2,266.5
Estimated free float (%)	33.2
Market Capitalisation (RM'm)	5,303.5
52-wk price range	RM2.19 – RM2.81
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	1.4
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	17.5
Amanah Saham Nasional Bhd	17.4

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Have a look at:

▼ **NIM was hit hard by a flight to term deposits, reducing the CASATIA ratio.** As predicted, the FY25 NIM target was reduced. Regardless, management seems optimistic about the acquisition of new-to-bank accounts over the last couple of quarters.

▼ **Several other targets were downgraded.** This was expected, as the recent OPR cut and the release of BNM's regulations on personal financing put BIMB in a difficult spot. Observe the altered guidance in our table below.

▼ **Sequential year OPEX growth was sharp.** Management attributes this to union negotiations as well as increasing headcount for tech and sales departments. Establishment costs remain elevated as the management feels that its tech infrastructure is lacking. We also believe the Group's branch function revamp is contributing to the elevated establishment costs.

▼ **Although already guided for in the last quarter, BIMB officially reduces its FY25 financing growth guidance to 6-7% (from 7-8%).** This is largely attributable to mortgage refinancing and personal financing becoming less attractive upon the release of BNM's regulation of personal financing. The regulation in question proposes that banks treat several kinds of home financing products as personal financing products and cap the financing tenure to a maximum of 10 years. Instead, like some of its smaller-sized peers, the Group will be focusing more on the primary mortgage market.

▲ **After a disappointing couple of quarters, there was a good rebound in corporate financing.** The focus is on mid-cap names, while the group maintains a more selective stance on larger names. It intends to expand on vendor financing.

▲ **Positive developments on capital.** Management believes that Basel III implementation will be capital accretive. It is worth noting that the current CET1 ratio of 13.9% is healthy – there was some concern that the ratio was low in 1QFY25, and that management was considering possible share issuance or DRP. It's possible that the lower loan growth target helped reduce pressure.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weak loan growth, (3) Higher-than-expected NCC.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 2.31. The TP is based on an unchanged FY26F P/BV of 0.66x.

(GGM assumptions: *FY26F ROE of 7.5%, LTG of 4.5% & COE of 9.0%)*

FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Total NII	490	499	515	-5	-2	989	1,015	-3
Total NOII	166	134	86	92	24	300	175	71
Net income	**656**	**633**	**601**	**9**	**4**	**1,289**	**1,191**	**8**
OPEX	(446)	(385)	(380)	17	16	(831)	(751)	11
PPOP	**210**	**248**	**221**	**-5**	**-15**	**458**	**440**	**4**
Loan provisions	(42)	(80)	(35)	20	-47	(122)	(78)	58
Other provisions	3	(0)	0	n.m.	n.m.	2	1	n.m.
JV & Associates	1	0	-	n.m.	n.m.	1	-	n.m.
PBT	**171**	**168**	**186**	**-8**	**2**	**339**	**363**	**-7**
Tax & Zakat	(44)	(42)	(48)	-9	6	(86)	(94)	-8
NCI	-	-	(1)	n.m.	n.m.	-	(2)	n.m.
Reported NP	**127**	**126**	**137**	**-8**	**0**	**253**	**266**	**-5**
Core NP	**127**	**126**	**137**	**-8**	**0**	**253**	**266**	**-5**
Gross DPS (sen)	**-**	**-**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	5.6	5.6	6.1	-8	0	11.2	11.8	-5
Gross loans	72,494	71,851	68,108	6.4	0.9			
Gross impaired loans	762	774	627	21.4	-1.6			
Customer deposits	63,167	63,443	61,064	3.4	-0.4			
Customer deposits^	82,738	80,639	78,480	5.4	2.6			
CASA	21,733	20,396	18,591	16.9	6.6			
CASATIA^	29,084	29,996	29,058	0.1	-3.0			

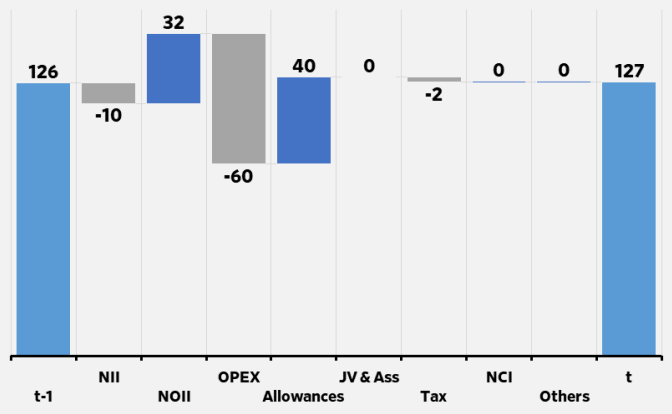
Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**6.4**	**6.5**	**7.2**	**-0.9**	**-0.2**	**6.4**	**7.0**	**-0.6**
NIM (Reported)*	**1.95**	**2.06**	**2.20**	**-0.25**	**-0.11**	**2.00**	**2.17**	**-0.17**
NIM (Estimated)#	**2.03**	**2.11**	**2.30**	**-0.26**	**-0.07**	**2.10**	**2.31**	**-0.20**
NOII/Net income	25.3	21.1	14.4	10.9	4.2	23.3	14.7	8.5
Cost/Income	68.0	60.9	63.2	4.8	7.1	64.5	63.1	1.4
NCC (Ann.) (bps)	24	46	21	3	-22	35	23	12
GIL ratio	1.05	1.08	0.92	0.13	-0.03			
Loan loss coverage	104	102	125	-22	2			
CASATIA ratio^	35.2	37.2	37.0	-1.9	-2.0			
L/D ratio^	86.7	88.1	85.8	0.9	-1.5			
CET-1	13.9	13.0	13.7	0.2	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

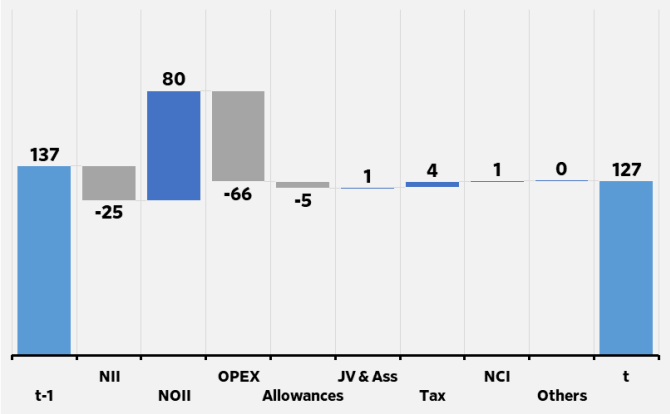
Source: Company, MBSBR

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



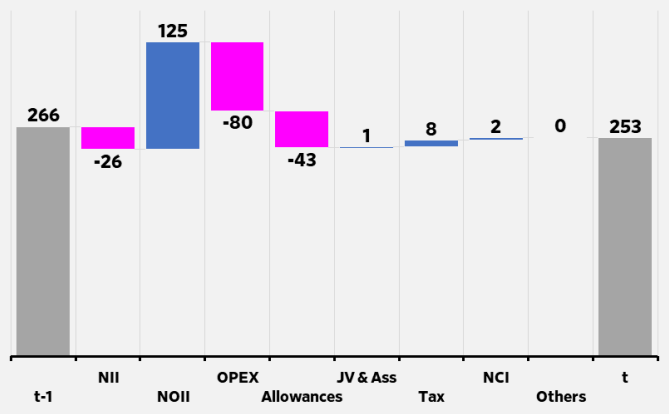
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

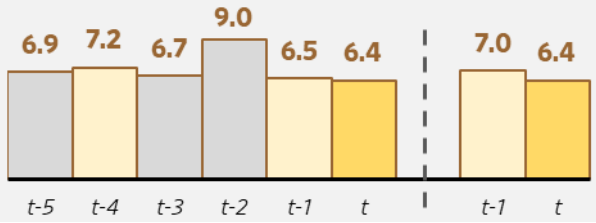
2QFY25 / 6MFY25 results

Earnings: Below/Below our/street forecasts

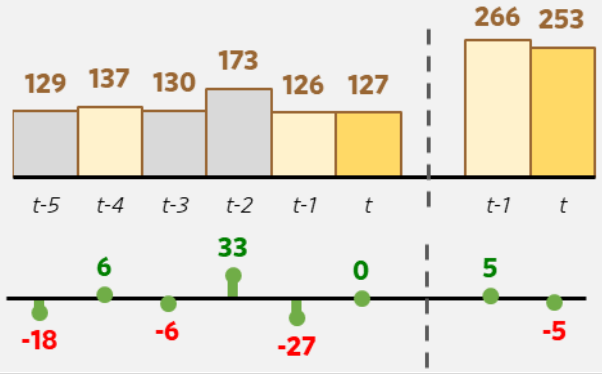
43%/42% of full-year estimates

Dividend: NO

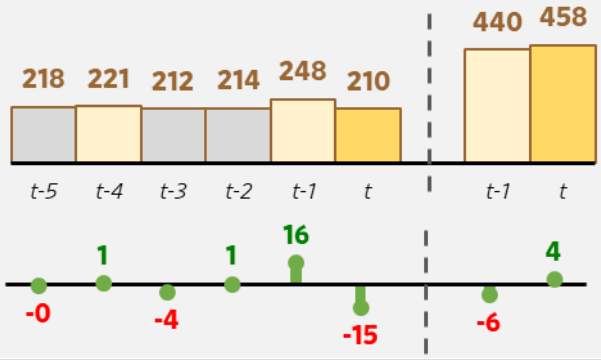
ROE (%)



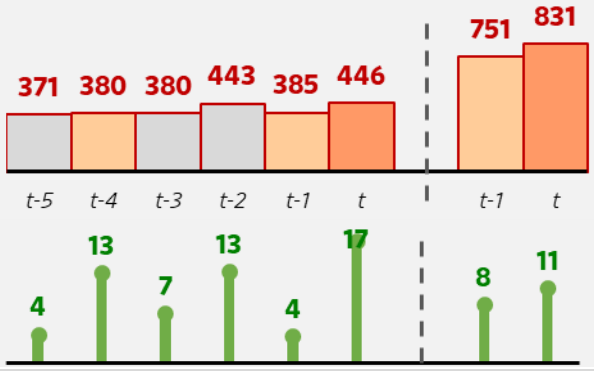
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



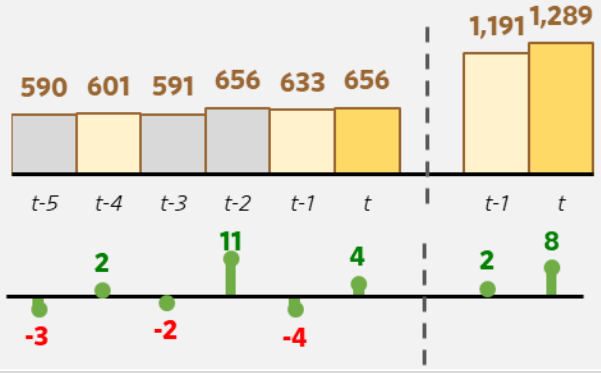
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



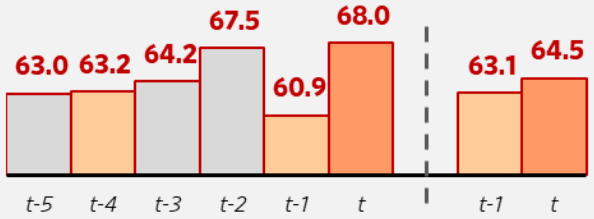
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



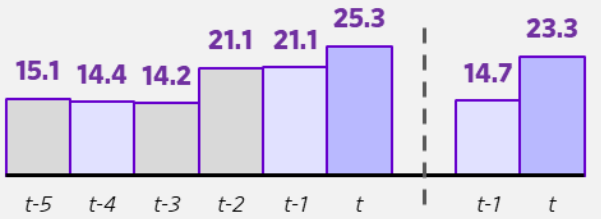
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



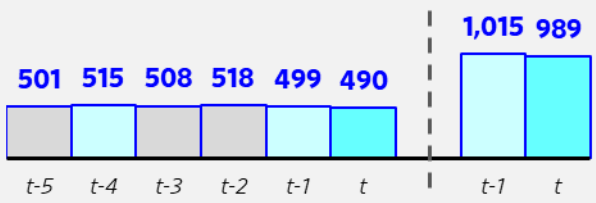
Cost/Income ratio (%)



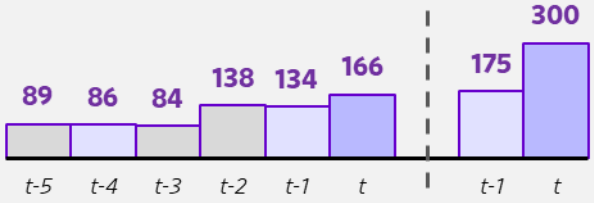
% NOII as topline (%)



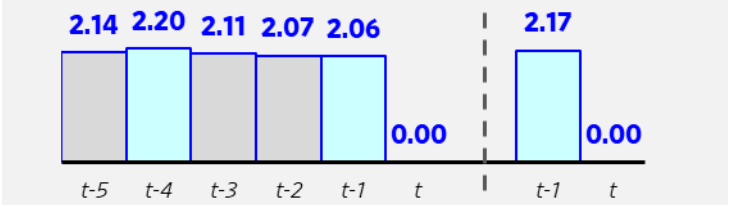
Net interest income (RM b)



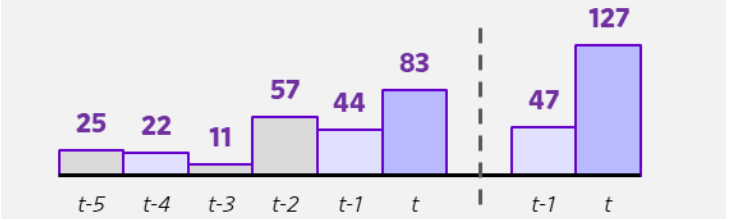
Non-interest income (RM b)



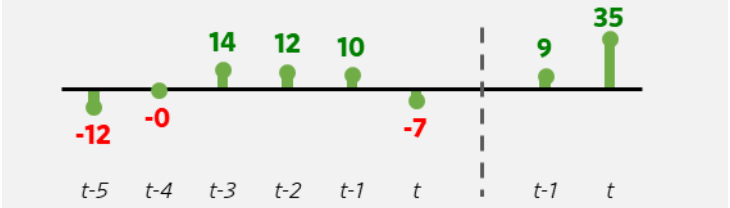
NIM (%)



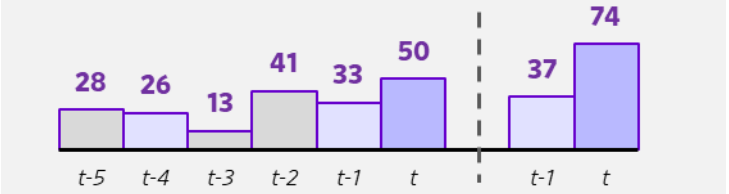
Non-fee NOII (RM b)



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

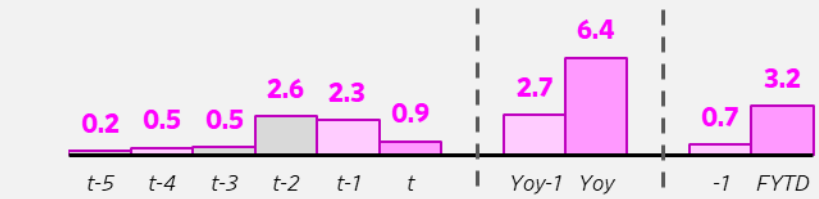


% Non-fee income as NOII (%)

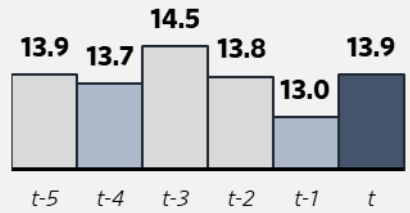


BALANCE SHEET

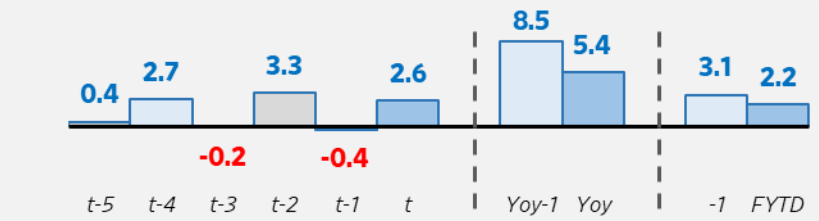
Loan growth – qoq, yoy, FYTD (%)



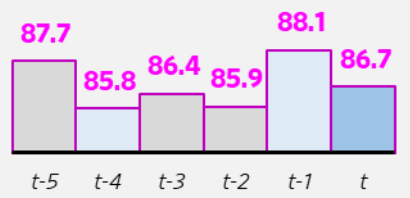
CET 1 ratio (%)



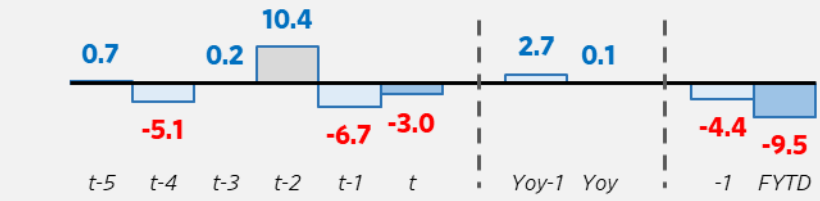
Deposit growth – qoq, yoy, FYTD (%)



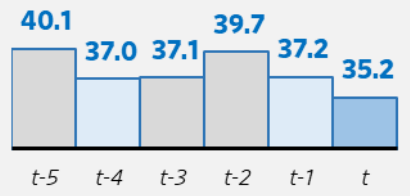
Loan/Deposit ratio (%)



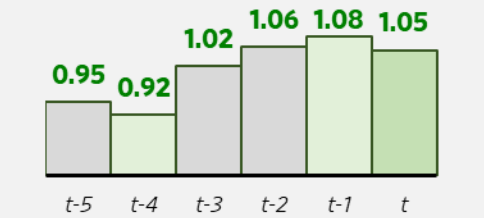
CASATIA growth – qoq, yoy, FYTD (%)



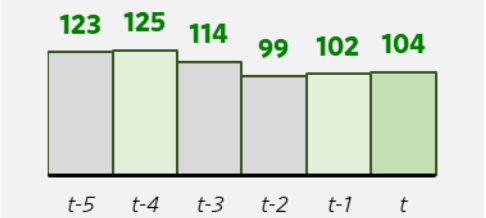
CASATIA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

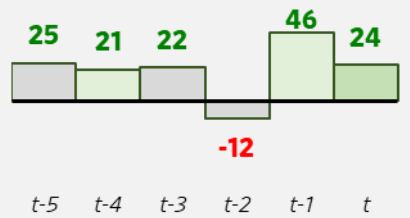


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***127***	**Qtrly ROE**	Qtr value	***6.4%***	
	22% of FY CNP					
	Qoq	*0%*		t-1	*6.5%*	
	Yoy	*-8%*		t-4	*7.2%*	
Cum Core NP	RM mil	***253***	**Cum ROE**	Cum value	***6.4%***	
	Below our forecast					
	43% of FY CNP					
	Below consensus					
	42% of FY CNP					
	Yoy	*-5%*		t-1	*7.0%*	
NII	As expected		**NIM (Est.)**	As expected		
				Qtr value	***2.03***	
				Cum value	***2.10***	
	Qtr (Qoq)	*-2%*		Qtr (Qoq)	*-7bps*	
	Qtr (Yoy)	*-5%*		Qtr (Yoy)	*-26bps*	
	Cum (Yoy)	*-3%*		Cum (Yoy)	*-20bps*	
NOII	As expected		**Qtr**	% NII	***75%***	
	Qtr (Qoq)	*24%*		% NOII	***25%***	
	Qtr (Yoy)	*92%*	**Cum**	% NII	***77%***	
	Cum (Yoy)	*71%*		% NOII	***23%***	
OPEX	-ve surprise		**Cost/ Inc.**	-ve surprise		
				Qtr value	***68.0%***	
				Cum value	***64.5%***	
	Qtr (Qoq)	*16%*		Qtr (Qoq)	*+7.1%*	
	Qtr (Yoy)	*17%*		Qtr (Yoy)	*+4.8%*	
	Cum (Yoy)	*11%*		Cum (Yoy)	*+1.4%*	

Source: Company, MBSBR

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	*0.9%*				
	Yoy	*6.4%*				
	YTD (FY)	*3.2%*				
Depo. (+TIA) grwth	As expected		**CASA-TIA grwth**	As expected		
	Qoq	*2.6%*		Qoq	*-3.0%*	
	Yoy	*5.4%*		Yoy	*0.1%*	
	YTD (FY)	*2.2%*		YTD (FY)	*-9.5%*	
CASA-TIA ratio	As expected		**L/ (D+ TIA) ratio**	As expected		
	Value now	***35.2%***		Value now	***86.7%***	
	Qoq	*-2.0%*		Qoq	*-1.5%*	
	Yoy	*-1.9%*		Yoy	*+0.9%*	
***Liquidity ratios above factor in Investment Accounts**						
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.05%***		Value now	***104%***	
	Qoq	*-3bps*		Qoq	*+2%*	
	Yoy	*+13bps*		Yoy	*-22%*	
Qtrly Net CC	As expected		**Cum Net CC**	-ve surprise		
	Heavy provision			Heavy provision		
	Value now	***24bps***		Value now	***35bps***	
	t-1	*46bps*				
	t-4	*21bps*		t-4	*23bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***13.9%***		**Payout**	**-**	
	Qoq	*0.8%*				

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	1H FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>7.0 ~~>7.5~~	6.4	
CIR	63 – 64	64.5	
NIM	>1.90 ~~>2.00~~	-	
NOII		71% (yoy)	
Loans	6 – 7	3.2 (YTD)	
Deposits		2.2 (YTD)	
% CASATIA		35.2	
Loan/Depo		86.7	
GIL ratio	<1.1 ~~<1.0~~	1.05	
NCC (bps)	35	35	
LLC		104	
CET 1		13.9	
Div payout	60	-	

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Total NII	1,959	2,041	2,137	2,271	2,389
Total NOII	407	399	448	433	448
Net income	**2,366**	**2,440**	**2,585**	**2,704**	**2,838**
OPEX	(1,440)	(1,573)	(1,706)	(1,758)	(1,830)
PPOP	**926**	**866**	**879**	**946**	**1,007**
Loan allowances	(175)	(95)	(181)	(169)	(163)
Other allowances	(4)	0	1	1	1
JV & Associates	-	1	-	-	-
PBT	**747**	**773**	**699**	**779**	**846**
Tax & zakat	(194)	(202)	(182)	(202)	(220)
NCI	-	-	-	-	-
Reported NP	**553**	**571**	**517**	**576**	**626**
Core NP	**553**	**571**	**517**	**576**	**626**

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	73,702	78,187	82,895
Other IEAs	-	-	-	-	-
Non-IEAs	2,574	2,525	2,564	2,642	2,704
Total assets	**90,962**	**96,803**	**102,568**	**107,269**	**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	4,353	4,795	6,537
Total liabilities	**83,562**	**89,147**	**94,988**	**99,380**	**104,147**
Share capital	3,889	3,889	3,846	3,846	3,846
Reserves	3,511	3,767	3,734	4,044	4,377
Shareholders' funds	**7,400**	**7,656**	**7,579**	**7,889**	**8,223**
NCI	-	-	-	-	-
Total equity	**7,400**	**7,656**	**7,579**	**7,889**	**8,223**
Total L&E	**90,962**	**96,803**	**102,568**	**107,269**	**112,370**
Total IEAs	88,388	94,279	100,004	104,627	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	2.22	2.23
Return on IEAs	4.69	4.70	3.60	3.55	3.50
Cost of funds	2.68	2.70	1.54	1.47	1.42
Net interest spread	2.00	2.01	2.06	2.08	2.08
Profitability (%)					
ROE	**7.8**	**7.6**	**6.8**	**7.5**	**7.8**
ROA	0.6	0.6	0.5	0.5	0.6
NOII/Net income	17.2	16.3	17.3	16.0	15.8
Effective tax rate	24.4	24.3	24.3	24.3	24.3
Cost/Income	60.9	64.5	66.0	65.0	64.5
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	0.98	0.90	0.88
LLC ratio	127	99	100	100	100
LLC (w. reserves)	127	99	120	120	119
Net CC (bps)	26	13	25	22	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	6.3	5.2
Total NOII	75.9	-1.9	12.3	-3.5	3.7
Net income	7.4	3.1	6.0	4.6	4.9
OPEX	9.3	9.3	8.4	3.0	4.1
Core NP	12.5	3.3	-9.4	11.4	8.6
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	23.0	25.6	27.8
Gross DPS (sen)	16.8	15.1	13.7	15.3	16.6
Div payout (%)	69	60	60	60	60
BVPS (RM)	3.3	3.4	3.4	3.5	3.7
Core P/E (x)	9.5	9.2	10.1	9.1	8.4
Div yield (%)	**7.2**	**6.5**	**5.9**	**6.5**	**7.1**
P/BV (x)	0.7	0.7	0.7	0.7	0.6

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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