Corporate Update

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Main | Financial Services

FTSE4Good | ESG 3 Stars | SHARIAH Compliant

Maintain **BUY**

Unchanged Target Price **RM2.42**

3QFY25 Results Review
Changes Ahead

Salient Points

Solid set of earnings, as forecasted.

Management's tone: Optimistic

Expect: Continued rapid growth in fee income.

Our Verdict

BIMB's branch revamp plan has so far been a huge success, leading to a surge in rapid fee income gain. We are also optimistic about the recent pick-up in business loan growth and expansion of digital touchpoints. Negative: Expect high OPEX growth to keep earnings expectations in check.

Valuations

An unchanged FY26F P/BV of 0.69x

Current P/BV of 0.65x is extremely inexpensive, trading under -1SD of the 10-year P/BV mean of 1.28x.

The company is currently trading at a forward FY26F P/BV of 0.66x with a +6.6% dividend yield.

Themes

1. ▲ High dividend yields. With healthy capital buffers and stronger NOII reliance, an increase in payout may be within the realm of possibility.
2. ▲ BIMB's branch revamp has led to rapid growth in fee income.
3. ▲ Excellent asset quality and high LLC buffers.
4. ► A decent level of gross loan growth, given its smaller size. Finally, good pickup in the business loan portfolio.
5. ► So far, the expansion in digital touchpoints has led to much stronger retail (and non-retail) CASATIA growth – though how much of the surge is attributable to the OPR cut remains to be seen.
6. ▼ High OPEX growth likely to persist, given BIMB's rapid expansion and future transformation.

Results in a nutshell:

► **9MFY25's Core NP of RM382m was *Within*/*Within* our/street forecasts: *74%*/*71%* of full-year forecasts.**

► **Dividends announced.** DPS of 10.0 sen translates to a payout of 59% for 9MFY25.

▼ **9MFY25's Core net profit (NP) of RM382m down by -3%yoy.** Increased NOII was offset by NII weakness, and higher OPEX and provisioning charges.

▲ **3QFY25's Core NP of RM129m up by +2%qoq.** Lower OPEX and provisioning offset weaknesses in NII and NOII.

RETURN STATISTICS

Price @ 28 November 2025 (RM)	2.30
Expected share price return (%)	+5.2
Expected dividend yield (%)	+6.6
Expected total return (%)	**+11.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.2	2.9
3 months	-0.9	-4.2
12 months	-17.5	-18.8

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**517**	**576**	**626**
CNP growth (%)	(9)	11	9
Div yield (%)	**6.0**	**6.6**	**7.2**
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**
% Street CNP (%)	**96**	**99**	**99**

KEY STATISTICS

FBM KLCI	1,604.47
Issue shares (m)	2,266.5
Estimated free float (%)	33.3
Market Capitalisation (RM'm)	5,144.9
52-wk price range	RM2.19 – RM2.77
3-mth average daily volume (m)	1.6
3-mth average daily value (RM'm)	3.5
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	17.5
Amanah Saham Nasional Bhd	17.4

Analyst

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Have a look at:

▲ **Beyond LEAP25 – a new management team.** With LEAP25 coming to a close, management is putting together the next 5-year plan. The Group will be pivoting towards higher-yielding non-retail assets and further NOII expansion. So far, the NOII expansion has been a success, with bancatakaful, wealth management, gold account, and al-Rahnu contributing to the +20%yoy growth in the fee income segment. We opine that branch revamp efforts are already bearing fruit.

Certain things will remain the same, such as the Group's recent focus on primary housing loans (as BNM's regulation change makes secondary mortgage products less attractive) and non-packaged personal financing loans (given the competitiveness of the packaged segment).

► **NIMs to remain stable in 4QFY25.** The goal is to "prevent NIMs from declining more than -25bps from FY24's full-year value". Keep in mind, we have not been provided with the FY24 full-year NIM figure under the newer calculation methodology.

▲ **BIMB revises its NIM calculation methodology and revises.** From interest rate spreads, the Group is now using a standard NIM calculation. This makes its reported figures more easily comparable to those of other banks. Because of this, BIMB also revises its FY25 NIM guidance to reflect the renewed calculation methodology.

► **Cost control measures underway – but high OPEX growth remains an issue.** As part of its 3-year CORE cost takeout programme implemented last year, BIMB has successfully realised savings worth RM52m (of a RM100m target) thus far. However, OPEX growth remains extremely high, elevated by union salary negotiations and workforce expansion, as well as ongoing tech costs. With BIMB's high rate of expansion, which will likely further elevate upon the issuance of its new multi-year plan, we expect rapid cost inflation to persist for now.

▲ **Overlay top-ups, but NCC guidance is reduced.** The Group did an overlay top-up of RM20.3m, which implies possible stress in certain portfolios. Regardless, it does not seem like anything alarming: management has reduced their FY25 NCC guidance to <30bps (their former guidance of 35bps was too conservative). While there was a GIL uptick in non-packaged personal financing and house financing segments, these were seasonal effects that will normalise in time.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Poor cost control, (2) Steeper-than-expected NIM compression, (3) Weak NOII performance.*

Maintain BUY call: Unchanged GGM-TP of RM 2.42. The TP is based on an unchanged FY26F P/BV of 0.69x.
(GGM assumptions: *FY26F ROE of 7.5%, LTG of 4.5% & COE of 8.8%)*

FIG 1: Quarterly results

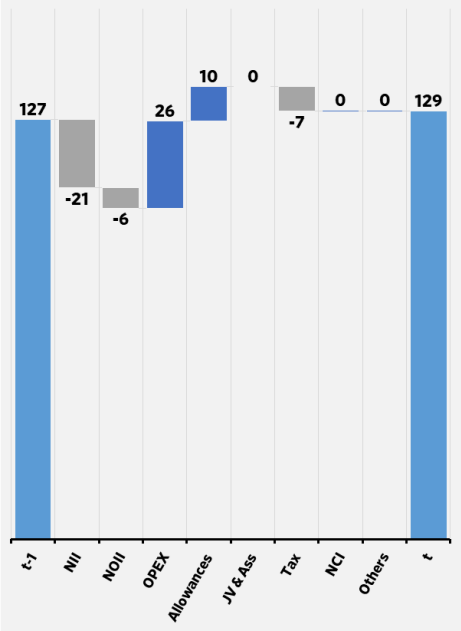
FYE Dec (RM m)	3Q FY25	2Q FY25	3Q FY24	Yoy (%)	Qoq (%)	9M FY25	9M FY24	Yoy (%)
Total NII	469	490	508	-8	-4	1,458	1,523	-4
Total NOII	160	166	84	91	-4	460	259	77
Net income	**629**	**656**	**591**	**6**	**-4**	**1,918**	**1,782**	**8**
OPEX	(419)	(446)	(380)	10	-6	(1,250)	(1,131)	11
PPOP	**210**	**210**	**212**	**-1**	**-0**	**668**	**651**	**3**
Loan provisions	(30)	(42)	(38)	-21	-29	(152)	(116)	32
Other provisions	1	3	(0)	n.m.	n.m.	3	0	n.m.
JV & Associates	1	1	1	n.m.	n.m.	2	1	n.m.
PBT	**181**	**171**	**175**	**3**	**6**	**520**	**537**	**-3**
Tax & Zakat	(52)	(44)	(46)	12	17	(138)	(140)	-2
NCI	-	-	1	n.m.	n.m.	-	(2)	n.m.
Reported NP	**129**	**127**	**130**	**-0**	**2**	**382**	**396**	**-3**
Core NP	**129**	**127**	**130**	**-0**	**2**	**382**	**396**	**-3**
Gross DPS (sen)	**10.0**	**-**	**11.0**	**n.m.**	**n.m.**	**10.0**	**11.0**	**n.m.**
Core EPS (sen)	5.7	5.6	5.7	-0	2	16.9	17.5	-3
Gross loans	73,451	72,494	68,464	7.3	1.3			
Gross impaired loans	764	762	698	9.4	0.2			
Customer deposits	64,080	63,167	60,149	6.5	1.4			
Customer deposits^	83,759	82,738	78,354	6.9	1.2			
CASA	22,460	21,733	18,872	19.0	3.3			
CASATIA^	30,023	29,084	29,107	3.1	3.2			

Ratios (%)	3Q FY25	2Q FY25	3Q FY24	Yoy (ppts)	Qoq (ppts)	9M FY25	9M FY24	Yoy (ppts)
ROE (Ann.)	**6.4**	**6.4**	**6.7**	**-0.2**	**0.0**	**6.3**	**6.8**	**-0.4**
NIM (Reported)*	**1.97**	**2.11**	**2.28**	**-0.31**	**-0.14**	**2.09**	**2.32**	**-0.23**
NOII/Net income	25.4	25.3	14.2	11.2	0.1	24.0	14.5	9.4
Cost/Income	66.7	68.0	64.2	2.4	-1.3	65.2	63.4	1.7
NCC (Ann.) (bps)	17	24	22	-5	-7	29	23	6
GIL ratio	1.04	1.05	1.02	0.02	-0.01			
Loan loss coverage	103	104	114	-11	-1			
CASATIA ratio^	35.8	35.2	37.1	-1.3	0.7			
L/D ratio^	86.8	86.7	86.4	0.4	0.1			
CET-1	14.1	13.9	14.5	-0.3	0.2			

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

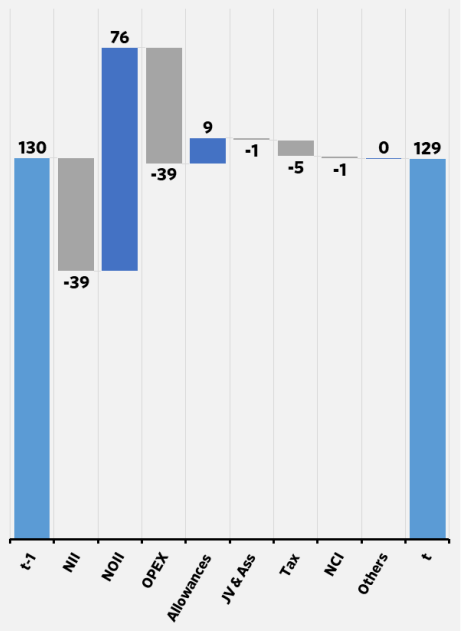
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



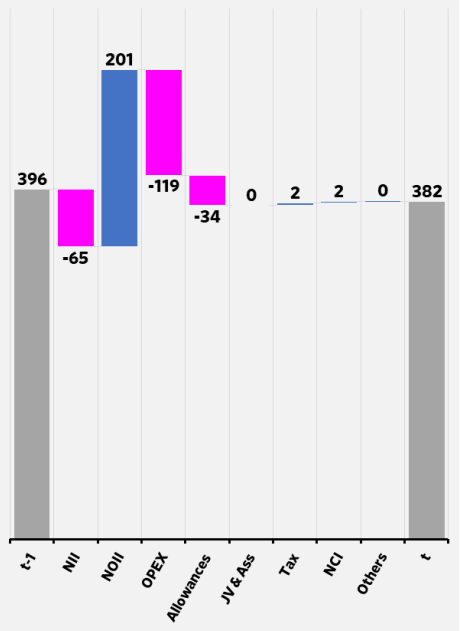
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY25F	9M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>7.0	6.3	
CIR	63 – 64	65.2	
NIM	New NIM basis: >2.0 (<25bps contraction from FY24's full-year NIM) ~~Former interest spread style NIM: >1.90 (from 2.13)~~	2.09	New NIM basis – we don't even know the full year FY24 figure yet.
NOII		77% (yoy)	
Loans	6 – 7	4.6 (YTD)	
Deposits		3.5 (YTD)	
% CASATIA		35.8	
Loan/Depo		86.8	
GIL ratio	<1.1	1.04	
NCC (bps)	<30 ~~35~~	29	
CET 1		14.1	
Div payout	60	59	

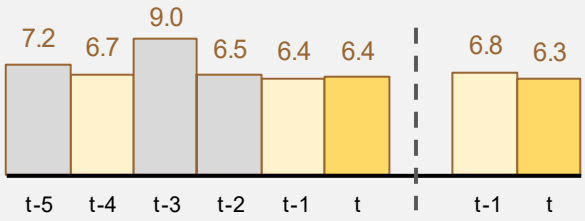
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

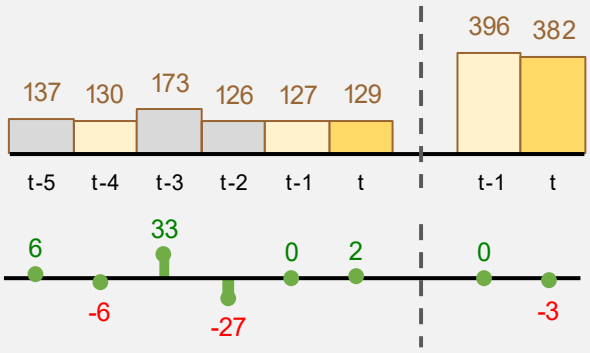
3QFY25 / 9MFY25 results

Earnings:	Within our full-year forecasts	(74%)
	Within street full-year forecasts	(74%)
Dividend:	YES	
YTD payout:	59%	

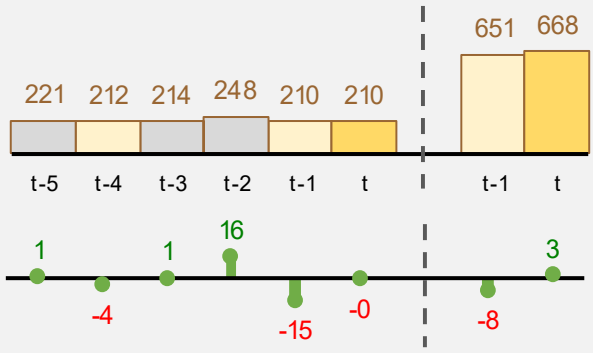
ROE (%)



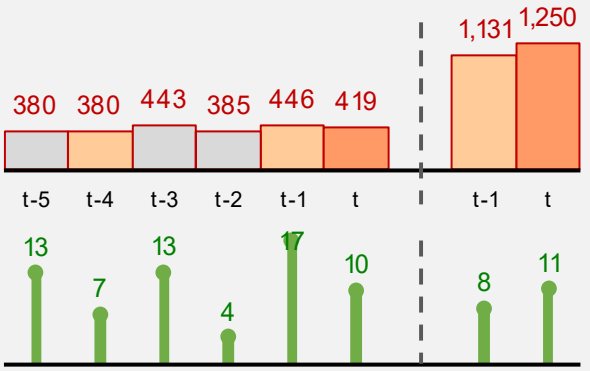
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



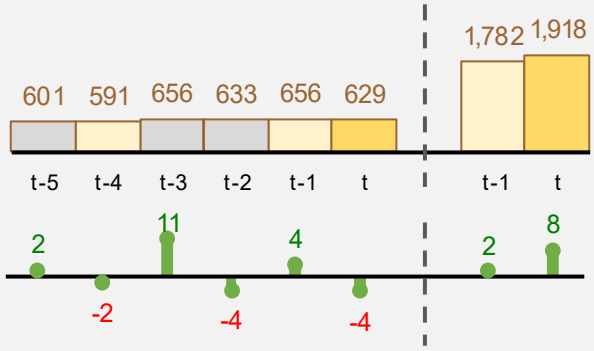
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



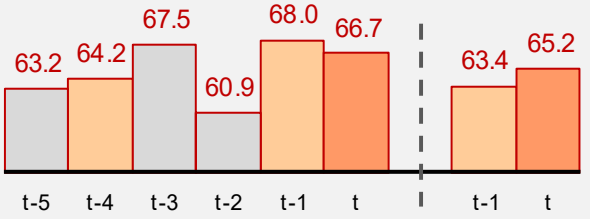
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



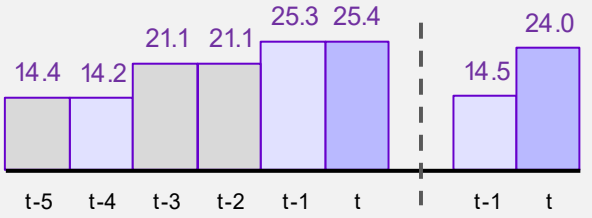
Topline (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



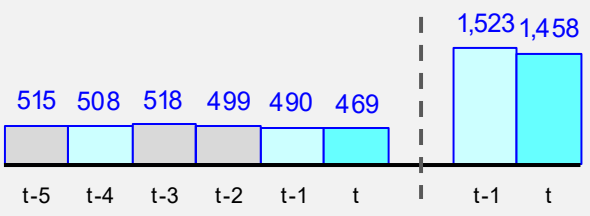
Cost/Income ratio (%)



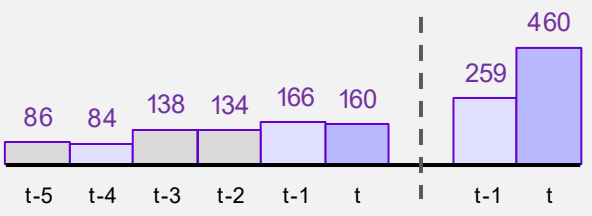
% NOII as topline (%)



Net interest income (RM m)

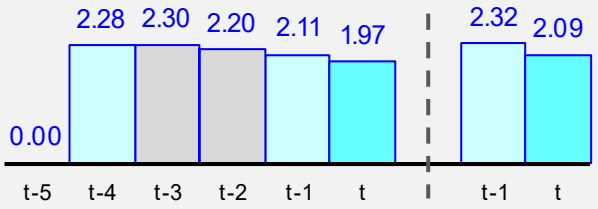


Non-interest income (RM m)

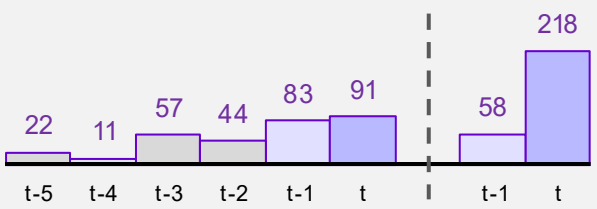


Source: Company, MBSBR

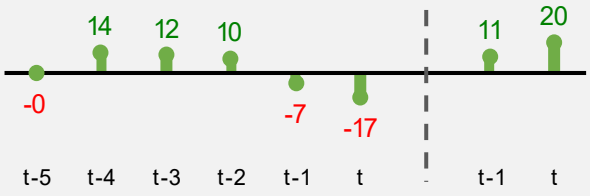
NIM (%)



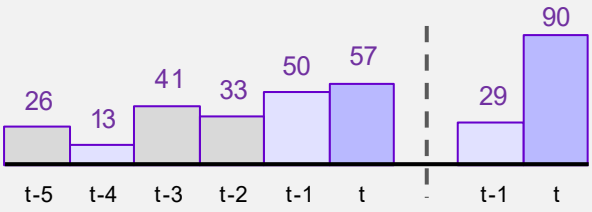
Non-fee NOII (RM m)



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

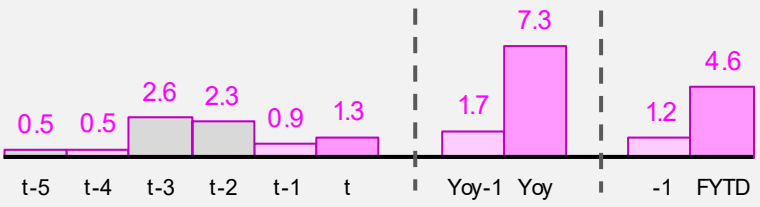


% Non-fee income as NOII (%)

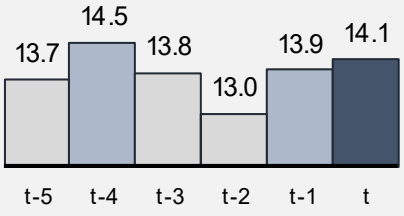


BALANCE SHEET

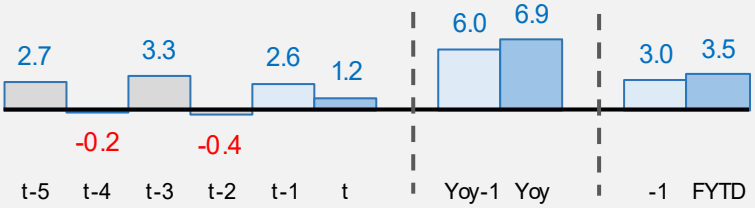
Loan growth -- qoq, yoy, FYTD (%)



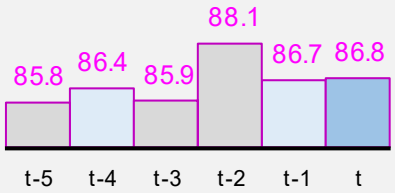
CET 1 ratio (%)



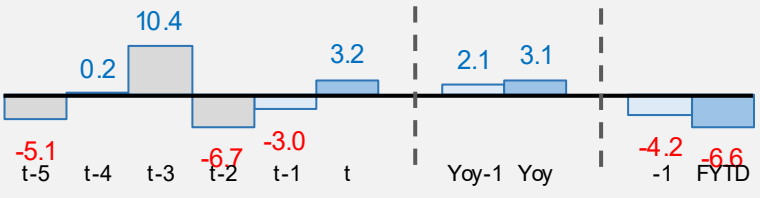
Deposit growth -- qoq, yoy, FYTD (%)



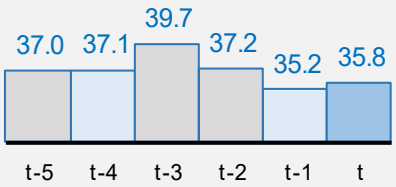
Loan/Deposit ratio (%)



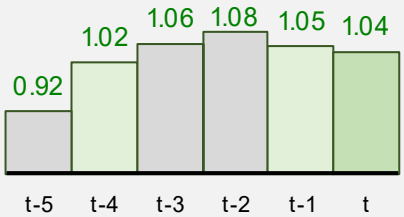
CASA growth -- qoq, yoy, FYTD (%)



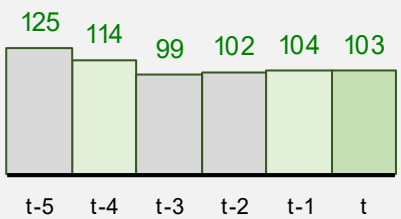
CASA ratio (%)



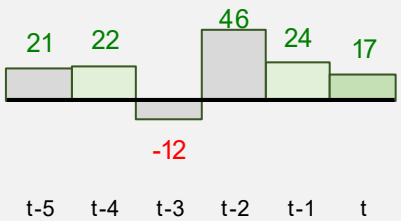
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	129	Qtrly ROE	Qtr value	6.4%
	25% of FY CNP				
	Qoq	2%		t-1	6.4%
	Yoy	-0%		t-4	6.7%
Cum Core NP	RM mil	382	Cum ROE	Cum value	6.3%
	Within our forecast				
	74% of FY CNP				
	Within consensus				
	71% of FY CNP				
	Yoy	-3%		t-1	6.8%
NII	As expected		NIM (Est.)	As expected	
				Qtr value	1.90
				Cum value	2.03
	Qtr (Qoq)	-4%		Qtr (Qoq)	-14bps
	Qtr (Yoy)	-8%		Qtr (Yoy)	-34bps
	Cum (Yoy)	-4%		Cum (Yoy)	-27bps
NOII	As expected		Qtr	% NII	75%
	Qtr (Qoq)	-4%		% NOII	25%
	Qtr (Yoy)	91%	Cum	% NII	76%
	Cum (Yoy)	77%		% NOII	24%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	66.7%
				Cum value	65.2%
	Qtr (Qoq)	-6%		Qtr (Qoq)	-1.3%
	Qtr (Yoy)	10%		Qtr (Yoy)	+2.4%
	Cum (Yoy)	11%		Cum (Yoy)	+1.7%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.3%			
	Yoy	7.3%			
	YTD (FY)	4.6%			
Depo. (+TIA) grwth	As expected		CASA-TIA grwth	As expected	
	Qoq	1.2%		Qoq	3.2%
	Yoy	6.9%		Yoy	3.1%
	YTD (FY)	3.5%		YTD (FY)	-6.6%
CASA-TIA ratio	As expected		L/(D+TIA) ratio	As expected	
	Value now	35.8%		Value now	86.8%
	Qoq	+0.7%		Qoq	+0.1%
	Yoy	-1.3%		Yoy	+0.4%
*Liquidity ratios above factor in Investment Accounts					
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.04%		Value now	103%
	Qoq	-1bps		Qoq	-1%
	Yoy	+2bps		Yoy	-11%
Qtrly Net CC	+ve surprise		Cum Net CC	+ve surprise	
	Decent provision			Decent provision	
	Value now	17bps		Value now	29bps
	t-1	24bps			
	t-4	22bps		t-4	23bps
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	14.1%		Payout	59.0%
	Qoq	0.2%			

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)	9.4	9.1	10.0	9.0	8.3
Div yield (%)	**7.3**	**6.6**	**6.0**	**6.6**	**7.2**
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 as 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