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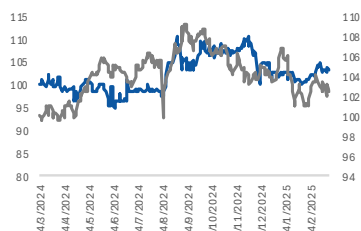
| | |
|-------------------------------|--------------|
| Recommendation: | BUY |
| Current Price: | RM 2.50 |
| Previous Target Price: | RM 2.76 |
| Target Price: | ↑ RM 2.77 |
| Capital Upside/Downside: | 10.8% |
| Dividend Yield (%): | 6.4% |
| Total Upside/Downside: | 18.2% |

Stock information

| | |
|--------------------------|--------------------|
| Board | MAIN |
| Sector | Financial Services |
| Bursa / Bloomberg Code | 5258 / BIMB MK |
| Syariah Compliant | Yes |
| ESG Rating | ★★★★ |
| Shares issued (m) | 2,266.5 |
| Market Cap (RM' m) | 5,666.2 |
| 52-Week Price Range (RM) | 2.81-2.38 |
| Beta (x) | 0.8 |
| Free float (%) | 33.7 |
| 3M Average Volume (m) | 1.0 |
| 3M Average Value (RM' m) | 2.6 |

Top 3 Shareholders (%)

| | |
|--------------------------------|------|
| Lembaga Tabung Haji | 48.0 |
| Employees Provident Fund Board | 17.4 |
| Amanah Saham Nasional Bhd | 8.0 |

Share Price Performance

| | 1M | 3M | 12M |
|--------------|-----|------|------|
| Absolute (%) | 2.0 | -3.1 | -1.2 |
| Relative (%) | 0.7 | -1.1 | -3.5 |

Bank Islam Malaysia Berhad**4QFY24 results: Better Loan Growth in FY25****Executive Summary**

- **BIMB's 4QFY24 core net profit jumped +9% yoy and +33% qoq to RM173m, bringing FY24 core net profit to RM568m, which was deemed above our expectations but within consensus, accounting for 108% and 103% of ours and consensus expectations, respectively.**
- **Management's tone: Neutral.**
- **Upgrade to BUY recommendation with a higher target price of RM2.77, based on FY25F GGM-PBV of 0.82x.**

Results above expectations. FY24 core net profit at RM553m (+3% yoy) came above our expectations but within consensus, accounting for 108% of our core net profit forecast at RM526m and was at 104% of consensus forecasted net profit of RM550m.

YoY. 4QFY24 core net profit jumped +9% yoy to RM173m, driven by improved NII, NOII and provisioning, which offset increases in OPEX and tax expenses. FY24 core net profit increased +3% yoy to RM568m, largely due to improved NII and provisioning, which offset OPEX increases.

QoQ. 4QFY24 core net profit rose by +33% qoq, largely driven by improved NOII and provisioning, which offset increases in OPEX and tax charges.

Outlook. Management expects FY25's loan growth to normalise to higher levels of 7-8% (from FY24's disappointing 3.9% yoy), but warns of possible NIM compression to get the necessary funding. Other downsides to ROE target include continuous investment in digital infrastructure, branch revamps, and ongoing union negotiations. Loan growth should be driven by a recovery in corporate loans, which was the main cause of FY24's loan growth drag.

Earnings Revision. We increase our FY25F and FY26F earnings expectations to factor in higher loan growth, as guided by management.

Valuation. Upgrade to **BUY** recommendation on BIMB with a target price of **RM2.77**, based on an FY25F P/BV of 0.82x GGM-PBV valuation and +1% ESG factored premium based on 4-star ESG rating. We increase our target price to account for increased earnings expectations as well as our newly-implemented ESG premium. Also, BIMB's share price has declined considerably, making current valuations far more attractive.

Risks. (1) Disappointing loan growth, (2) Higher-than-expected OPEX, (3) Poor NOII performance.

Earnings Summary

| FYE Dec | FY23 | FY24 | FY25F | FY26F | FY27F |
|-----------------|------|------|-------|-------|-------|
| Core NP (RM m) | 553 | 571 | 606 | 633 | 662 |
| CNP growth (%) | 12.5 | 3.3 | 6.1 | 4.4 | 4.7 |
| Div yield (%) | 6.4 | 5.7 | 6.1 | 6.4 | 6.7 |
| Gross DPS (sen) | 17 | 15 | 16 | 17 | 18 |
| P/BV (x) | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |
| BVPS (RM) | 3.3 | 3.4 | 3.4 | 3.5 | 3.7 |
| ROE (%) | 7.8 | 7.6 | 7.9 | 8.1 | 8.2 |

Source: Company, Apex Securities

Quarterly Earnings

| FYE Dec (RM m) | 4Q FY24 | 4Q FY23 | Yoy (%) | 3Q FY24 | Qoq (%) | FY23 | FY24 | Yoy (%) |
|-------------------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|-------------|
| Total NII | 518 | 500 | 4 | 508 | 2 | 1,959 | 2,041 | 4 |
| Total NOII | 138 | 111 | 25 | 84 | 65 | 407 | 397 | -2 |
| Net income | 656 | 611 | 7 | 591 | 11 | 2,366 | 2,438 | 3 |
| OPEX | (443) | (392) | 13 | (380) | 17 | (1,440) | (1,573) | 9 |
| PPOP | 214 | 219 | -2 | 212 | 1 | 926 | 865 | -7 |
| Loan provisions | 21 | (10) | -302 | (38) | -155 | (175) | (95) | -46 |
| Other provisions | (0) | (4) | n.m. | (0) | n.m. | (4) | 0 | n.m. |
| JV & Associates | 1 | - | n.m. | 1 | n.m. | - | 2 | n.m. |
| PBT | 235 | 204 | 15 | 175 | 34 | 747 | 772 | 3 |
| Tax | (62) | (46) | 36 | (46) | 35 | (194) | (202) | 4 |
| NCI | - | - | n.m. | 1 | n.m. | - | (2) | n.m. |
| Reported NP | 173 | 158 | 9 | 130 | 33 | 553 | 568 | 3 |
| Core NP | 173 | 158 | 9 | 130 | 33 | 553 | 568 | 3 |
| Gross DPS (sen) | 4.1 | 4.2 | n.m. | 11.0 | n.m. | 16.8 | 15.1 | n.m. |
| Core EPS (sen) | 7.6 | 7.0 | 8 | 5.7 | 33 | 24.6 | 25.1 | 2 |
| Gross loans | 70,232 | 67,625 | 3.9 | 68,464 | 2.6 | | | |
| Gross impaired loans | 742 | 636 | 16.7 | 698 | 6.3 | | | |
| Customer deposits | 62,329 | 59,016 | 5.6 | 60,149 | 3.6 | | | |
| Customer deposits^ | 80,947 | 76,089 | 6.4 | 78,354 | 3.3 | | | |
| CASA | 21,888 | 20,746 | 5.5 | 18,872 | 16.0 | | | |
| CASATIA^ | 32,132 | 30,386 | 5.7 | 29,107 | 10.4 | | | |
| Ratios (%) | 4Q FY24 | 4Q FY23 | Yoy (ppts) | 3Q FY24 | Qoq (ppts) | FY23 | FY24 | Yoy (ppts) |
| ROE (Ann.) | 9.0 | 8.6 | 0.5 | 6.7 | 2.4 | 7.5 | 7.4 | -0.0 |
| NIM (Reported)* | 2.07 | 2.11 | -0.04 | 2.11 | -0.04 | 2.12 | 2.13 | 0.01 |
| NIM (Estimated)# | 2.24 | 2.29 | -0.06 | 2.24 | 0.00 | 2.23 | 2.23 | 0.01 |
| NOII/Net income | 21.1 | 18.2 | 2.9 | 14.2 | 6.9 | 17.2 | 16.3 | -0.9 |
| Cost/Income | 67.5 | 64.2 | 3.3 | 64.2 | 3.2 | 60.9 | 64.5 | 3.7 |
| NCC (Ann.) (bps) | (12) | 6 | -18 | 22 | -35 | 26 | 14 | -13 |
| GIL ratio | 1.06 | 0.94 | 0.12 | 1.02 | 0.04 | | | |
| Loan loss coverage | 99 | 127 | -28 | 114 | -14 | | | |
| CASATIA ratio^ | 39.7 | 39.9 | -0.2 | 37.1 | 2.5 | | | |
| L/D ratio^ | 85.9 | 87.8 | -2.0 | 86.4 | -0.5 | | | |
| CET-1 | 13.8 | 14.1 | -0.3 | 14.5 | -0.6 | | | |

^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

Financial Highlights

Income Statement

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Total NII | 1,959 | 2,041 | 2,172 | 2,302 | 2,420 |
| Total NOII | 407 | 399 | 432 | 426 | 443 |
| Net income | 2,366 | 2,440 | 2,604 | 2,728 | 2,864 |
| OPEX | (1,440) | (1,573) | (1,640) | (1,719) | (1,804) |
| PPOP | 926 | 866 | 963 | 1,009 | 1,060 |
| Loan allowances | (175) | (95) | (145) | (156) | (166) |
| Other allowances | (4) | 0 | 1 | 1 | 1 |
| JV & Associates | - | 1 | - | - | - |
| PBT | 747 | 773 | 819 | 855 | 895 |
| Tax & zakat | (194) | (202) | (213) | (222) | (233) |
| NCI | - | - | - | - | - |
| Reported NP | 553 | 571 | 606 | 633 | 662 |
| Core NP | 553 | 571 | 606 | 633 | 662 |

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 | 74,206 | 79,544 | 84,317 |
| Other IEAs | 0 | 0 | 0 | 0 | 0 |
| Non-IEAs | 2,574 | 2,525 | 2,564 | 2,642 | 2,704 |
| Total assets | 90,962 | 96,803 | 103,072 | 108,626 | 113,791 |
| 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 | 4,822 | 6,094 | 7,886 |
| Total liabilities | 83,562 | 89,147 | 95,457 | 100,678 | 105,496 |
| Share capital | 3,889 | 3,889 | 3,846 | 3,846 | 3,846 |
| Reserves | 3,511 | 3,767 | 3,769 | 4,102 | 4,450 |
| Shareholders' funds | 7,400 | 7,656 | 7,615 | 7,947 | 8,295 |
| NCI | 0 | 0 | 0 | 0 | 0 |
| Total equity | 7,400 | 7,656 | 7,615 | 7,947 | 8,295 |
| Total L&E | 90,962 | 96,803 | 103,072 | 108,626 | 113,791 |
| Total IEAs | 88,388 | 94,279 | 100,508 | 105,983 | 111,087 |
| Total IBLs | 80,785 | 86,396 | 90,635 | 94,584 | 97,610 |
| Gross loans | 67,625 | 70,218 | 75,134 | 80,393 | 85,217 |
| CASATIA | 30,386 | 32,132 | 36,378 | 38,924 | 41,260 |

Key Ratios

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|--------------------------|------------|------------|------------|------------|------------|
| Interest (%) | | | | | |
| NIM | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 |
| Return on IEAs | 4.69 | 4.70 | 3.63 | 3.55 | 3.48 |
| Cost of funds | 2.68 | 2.70 | 1.54 | 1.47 | 1.42 |
| Net interest spread | 2.00 | 2.01 | 2.09 | 2.08 | 2.07 |
| Profitability (%) | | | | | |
| ROE | 7.8 | 7.6 | 7.9 | 8.1 | 8.2 |
| ROA | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| NOII/Net income | 17.2 | 16.3 | 16.6 | 15.6 | 15.5 |
| Effective tax rate | 24.4 | 24.3 | 24.3 | 24.3 | 24.3 |
| Cost/Income | 60.9 | 64.5 | 63.0 | 63.0 | 63.0 |
| Liquidity (%) | | | | | |
| Loan/Deposit | 87.8 | 85.8 | 85.7 | 85.8 | 85.8 |
| 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 | 130 | 120 | 120 |
| LLC (w. reserves) | 127 | 99 | 150 | 140 | 139 |
| 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 | 6.4 | 6.0 | 5.1 |
| Total NOII | 75.9 | -1.9 | 8.3 | -1.5 | 4.2 |
| Net income | 7.4 | 3.1 | 6.7 | 4.8 | 5.0 |
| OPEX | 9.3 | 9.3 | 4.3 | 4.8 | 5.0 |
| Core NP | 12.5 | 3.3 | 6.1 | 4.4 | 4.7 |
| Gross loans | 2.6 | 3.8 | 7.0 | 7.0 | 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 | 26.9 | 28.1 | 29.4 |
| Gross DPS (sen) | 16.8 | 15.1 | 16.0 | 16.7 | 17.5 |
| Div payout (%) | 69 | 60 | 60 | 60 | 60 |
| BVPS (RM) | 3.3 | 3.4 | 3.4 | 3.5 | 3.7 |
| Core P/E (x) | 10.7 | 10.4 | 9.8 | 9.4 | 8.9 |
| Div yield (%) | 6.4 | 5.7 | 6.1 | 6.4 | 6.7 |
| P/BV (x) | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |

ESG Matrix Framework:

Environment

| Parameters | Rating | Comments |
|-----------------------------------|--------|--|
| Climate | ★★★★ | Total Scope 1, 2 and 3 emissions were flattish in FY23 |
| Exposure to ESG-sensitive sectors | ★★ | n/a |
| Energy | ★★ | Energy consumption increased from 12 MWh (FY22) to 16 MWh in FY23 |
| Water | ★★★ | Water consumption rose from 158 m3 (FY22) to 212 m3 in FY23 |
| Compliance | ★★★★★ | In compliance with local and international environmental regulations |

Social

| | | |
|--------------------|-------|---|
| Diversity | ★★★★★ | In FY23, 49% of the workforce are women |
| Human Rights | ★★★★★ | Enforce and adopts Code of Ethics and Conduct |
| Net promoter score | ★★★★ | 67 in FY23 (from 71 in FY22) |
| CSR Strategy | ★★★ | Contributed RM7.6m to charitable initiatives through Sadaqa House and disbursed RM8.3m through blended financing programmes |

Governance

| | | |
|---|-------|--|
| MD/CEO salary as % of reported net profit | ★★★ | 0.58% in FY23 |
| Directors | ★★★★★ | 8/9 Independent Directors |
| Stakeholders | ★★★★ | 4x analyst briefings per annum, 1x AGM per annum |

Overall ESG Scoring: ★★★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to - 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to - 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.