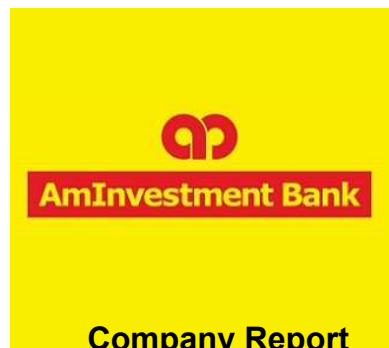




BANK ISLAM MALAYSIA

(BIMB MK EQUITY, BIMB.KL)

02 Jun 2025

Financing growth accelerated, with overlays added for the personal financing portfolio

HOLD

(Maintained)

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Rationale for report: Company Result

Price RM2.32
Fair Value RM2.30
52-week High/Low RM2.81/RM2.19

Key Changes

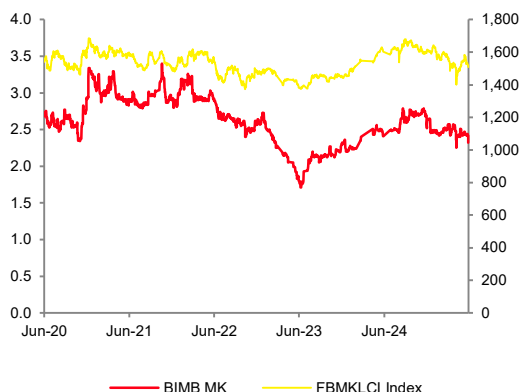
Fair value ⇄
EPS ⇄

YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	2,574.6	2,733.4	2,960.6	3,240.0
Core net profit (RM mil)	569.6	544.2	598.0	726.1
FD Core EPS (sen)	25.1	24.0	26.4	32.0
FD Core EPS growth (%)	3.0	(4.5)	9.9	21.4
Consensus Net Profit (RM mil)	-	609.4	644.8	678.8
DPS (sen)	15.1	14.4	15.8	19.2
BV/share (RM)	3.38	3.47	3.58	3.71
PE (x)	9.2	9.7	8.8	7.2
Div yield (%)	6.6	6.3	6.9	8.4
P/BV (x)	0.7	0.7	0.6	0.6
ROE (%)	7.6	7.0	7.5	8.8

Stock and Financial Data

Shares Outstanding (million)	2,266.5
Market Cap (RMmil)	5,258.2
Book Value (RM/Share)	3.38
P/BV (x)	0.7
ROE (%)	7.6
Major Shareholders	Lembaga Tabung Haji (48.9%) Employees Provident Fund (10.1%) Amanah Saham Bumiputera (6.3%)
Free Float	34.7
Avg Daily Value (RMmil)	2.8

Price performance	3mth	6mth	12mth
Absolute (%)	(7.2)	(13.8)	(7.6)
Relative (%)	(3.3)	(8.1)	(2.2)



Investment Highlights

1Q25 earnings met expectations, with ROE at 7.0%. Financing growth gained momentum, driven by retail financing (HF & PF). NIM may face compression due to an expected 25bps OPR cut in 2H25, though partially offset by SRR release benefits. Retail asset yields could decline as focus shifts to competitive primary market HF. C/I ratio is expected to stay elevated, reflecting higher IT expenses. Dividend yield of 6.9% in FY26F remains supportive of share price. This reinforces our HOLD recommendation

- **Recommendation and valuation.** We maintain a HOLD on Bank Islam (BI) with an unchanged TP of RM2.30/share, based on a FY26 P/BV of 0.6x, supported by an ROE of 7.5%. ESG rating remains neutral at 3 stars, with no changes to earnings estimates.
- **Earnings within expectations with an ROE of 7.0% for 1Q25.** 1Q25 net profit of RM126mil (-2.3% YoY) met expectations, making up 23.2% of forecasts and 20.7% of consensus estimates. Fund-based income grew 2.1% YoY, supported by financing growth and investment securities, while non-fund-based income surged 50.3% YoY, driven by higher fees, investment gains, and FX income, offset by higher OPEX and provisions. QoQ earnings fell 27.1%, impacted by lower net income and higher provisions.
- **BI's gross financing grew 6% YoY, driven by retail financing (house & PF), outpacing the industry's 5.2% YoY growth.** Retail financing grew 6.5% YoY, while institutional financing rose 4.3%, driven by commercial financing, though corporate financing declined. NIM fell 8bps YoY to 2.06% due to lower asset yield and higher funding costs. Competitive rates persist in house and personal financing, but a focus on primary market purchases may compress yields. CI ratio remained high at 60.9%, though improved YoY. Net income before provisions (+9% YoY) outpaced OPEX (+3.8% YoY), achieving a positive JAW of 5.2% YoY. OPEX increase stemmed from higher personnel costs and investments in digital, IT, risk, and compliance enhancements to future-proof operations. CASATIA declined 2% QoQ resulting in a lower CASATIA ratio of 37.2%.
- **GIFR rose slightly to 1.08%, with HF and PF upticks, but stayed below the industry's 1.4%, while credit cost climbed to 44bps in 1Q25.** Institutional banking GIFR fell to 1.87% (1Q24: 1.93%), while retail financing GIFR rose 3bps QoQ to 0.84%. Financing delinquency increased to 1.25% (4Q24: 1.16%), mainly due to weaker non-package PF asset quality in retail financing. Additional RM14.3mil overlays raised total overlays to RM44.8mil (5.7% of ECL). Financing loss coverage dropped to 142.8% (4Q24: 149.7%) but remained above the industry's 131.3%. 1Q25 credit cost climbed to 44bps (1Q24: 25bps), with management guiding for 35bps credit cost in FY25.

Company profile

Bank Islam is a pure-play domestic Islamic bank focused on commercial banking services. Its key subsidiaries, BIMB Investment Management and BIMB Securities, operate in investment banking and stockbroking. The bank is primarily an Islamic retail lender, with retail financing comprising 77.8% of its total portfolio in FY24.

Investment thesis and catalysts

We maintain a HOLD on the stock, trading at a fair FY26F P/BV of 0.6x, backed by a projected ROE of 7.5%. Dividend yield remains attractive at 6.9%, with a 60% payout, though NIM could compress ahead following an expected 25bps OPR cut in 2H25, partly offset by SRR release benefits. Retail asset yields may decline as focus shifts to competitive primary market HF, while the C/I ratio is likely to stay elevated due to higher IT expenses.

Valuation methodology

The stock is valued using a Gordon growth-derived P/BV of 0.6x, supported by a 10% cost of equity, 1 beta, 6.3% market risk premium, 3.7% risk-free rate, and 3% long-term growth rate.

Risk factors

Key downside risks include

- i) slower global growth affecting loan expansion,
- ii) unexpected funding cost increases due to weaker CASA growth intensifying deposit competition, and
- iii) prolonged high interest rates in developed markets, potentially lowering bond/securities portfolio valuations, impacting banks' NOII.

EXHIBIT 1: VALUATIONS

COE	10%
Beta	1
Market risk premium	6.3%
Risk free rate	3.7%
Long term growth rate	3%
P/BV	0.64x
FY26 BVPS	RM3.58
TP	RM2.30
ESG Premium	0
Adjusted TP	RM2.30

EXHIBIT 2: RESULTS SUMMARY

Income Statement (RM Mil, FYE 31 Dec)	1Q24	4Q24	1Q25	% QoQ	% YoY
Income derived from investment of depositor funds and investment accounts	1,008	1,060	1,050	-1.0	4.2
Income derived from investment of shareholders' funds	137	180	176	-2.1	28.4
Total Revenue	1,145	1,240	1,226	-1.1	7.1
Allowance for losses on loans, advances and financing	-42	21	-80	-481.4	88.7
Impairment written back/(loss) on investments and other assets	0	0	0	-0.6	-439.6
Profit equalization reserve					
Modification loss	0	0	0	n.m.	n.m.
Provision for contingent liability					
Direct expenses	-4	-8	-6	-28.5	29.7
Total distributional income	1,098	1,253	1,140	-9.0	3.9
Income attributable to depositors	-527	-542	-553	1.9	4.9
Total net income	571	711	588	-17.3	2.9
Personnel expenses	-223	-277	-224	-19.4	0.3
Other overhead expenses	-144	-158	-156	-1.0	8.4
Depreciation					
Finance cost	-28	-41	-41	-2.0	44.2
Share of results of associate company		1	0		
Profit before tax	176	235	168	-28.4	-4.6
Taxation and zakat	-45	-62	-42	-32.7	-8.0
Minority interest	-2	1	0	-100.0	-100.0
Profit after tax	129	173	126	-27.1	-2.3
Losses from discontinued operations					
Net profit attributable to equity holders (PATAMI)	129	173	126	-27.1	-2.3
EPS (sen)	5.7	7.6	5.6	-26.7	-2.3
Profit by segments (RM Mil)					
Group Retail Banking	161	179	124	-30.9	-23.0
Group Institutional Banking	108	239	116	-51.5	7.6
Head Office and Others	-92	-188	-71	-62.2	-22.7
Elimination	0	5	0	-105.5	177.8
Group profit before tax	176	235	168	-28.4	-4.6
Balance Sheet (RM Mil, FYE 31 Dec)	1Q24	4Q24	1Q25	% QoQ	% YoY
Gross financing and advances	67,790	70,218	71,834	2.3	6.0
Net financing and advances	66,998	69,481	71,047	2.3	6.0
Customer deposits (inclusive of Investment Account)	76,415	80,947	80,639	-0.4	5.5
Gross impaired financing	642	742	774	4.3	20.6
Average shareholders' funds	7,425	7,717	7,693	-0.3	3.6
Ratios (%)					
Net financing to customer deposits	87.7%	85.8%	88.1%		
CASATIA	40.1%	39.7%	37.2%		
NIM	2.14%	2.07%	2.06%		
Cost to income	63.0%	67.5%	60.9%		
Annualized credit cost	0.25%	-0.12%	0.44%		
Gross impaired financing	0.95%	1.06%	1.08%		
Financing loss coverage	152.8%	145.3%	142.8%		
ROE	7.0%	9.0%	6.6%		
CET1 ratio	13.9%	13.8%	13.0%		
Tier 1 capital	14.9%	15.3%	14.4%		
Total capital	19.6%	20.0%	18.7%		

EXHIBIT 3: MANAGEMENT GUIDANCE FOR FY25

Financing growth	7-8%
ROE	≥7.5%
NIM	≥ 2%
Asset quality	GIFR below 1.0%
Credit cost	35bps

EXHIBIT 4: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*			RM25.7bil sustainable financing and treasury assets
2	% of financing to high risk ESG sectors out of total loans	% of loan book	30%	*	*	*	*		
3	Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	*	*	Stable at 0.002
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*			2.5 in FY24 vs. 2.8 in FY23
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*				increased to 0.94 in FY24 from 0.14 in FY23
6	Electricity consumption to total income	Electricity consumption to total income	5%	*	*	*			
7	Water consumption to total income	m3/RM'Mil	5%	*					
	Weighted score for environmental assessment		100%	*	*	*			
	Social assessment								
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*	*		0.4% in FY24 vs. 0.3% in FY23
2	Investments in training	% of total income	20%	*	*	*			
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*	*			39% of total senior management workforce in FY24 compared to 29% in FY23.
4	Average training hours per employee	hours	25%	*	*	*			Senior Management: 86 in FY24 vs. 97 in FY23
5	Financial literacy programs	No of participants educated through programs	10%	*					32 number of complaints on customer privacy breaches and loss of customer data
	Weighted score for social assessment		100%	*	*	*			
	Governance assessment								
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*				85% in FY24 above 50 years old
2	Board women representation	% of total board directors	10%	*	*	*			33.3% in FY24
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*			44% in FY24 similar to FY23
4	Independent board directors	% of total board directors	20%	*	*	*	*		77.7% in FY24
5	Remuneration to directors	% of total operating expenses	10%	*	*				
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*			
	Weighted score for governance assessment		100%	*	*	*			
	Environmental score		40%	*	*	*			
	Social score		25%	*	*	*			
	Governance score		35%	*	*	*			
	Overall ESG Score		100%	*	*	*			

Source: AmlInvestment Bank, Company

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net income from investment of depositor's and investment account funds	1,927.2	2,003.6	2,101.9	2,264.6	2,479.4
Income from investment of shareholders' funds	550.0	571.0	631.5	696.0	760.6
Net income from takaful	-	-	-	-	-
Total income	2,477.2	2,574.6	2,733.4	2,960.6	3,240.0
Overhead expenses	(1,551.4)	(1,708.3)	(1,771.0)	(1,909.2)	(2,080.9)
Pre-provision profit	925.8	866.3	962.3	1,051.4	1,159.1
Loan loss provisions	(175.3)	(94.6)	(227.5)	(245.7)	(178.5)
Impairment & others	(3.7)	-	-	-	-
Associates	-	-	-	1.4	-
Pretax profit	746.8	771.7	734.8	807.1	980.5
Tax	(193.8)	(202.0)	(190.7)	(209.0)	(254.4)
Minority interests	-	-	-	-	-
Core net profit	553.1	569.6	544.2	598.0	726.1
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	4,714.5	4,325.2	2,106.5	1,249.7	392.8
Marketable securities	16,924.6	20,564.7	22,615.6	25,761.1	29,602.4
Total current assets	21,639.1	24,889.9	24,722.1	27,010.8	29,995.2
Net loans & advances	66,817.1	69,481.3	74,871.2	80,692.4	87,885.1
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	989.4	1,012.0	1,035.1	1,058.8	1,083.0
Fixed assets	252.8	297.7	317.5	245.0	242.5
Intangible assets	50.4	52.2	50.4	50.4	50.4
Other long-term assets	1,213.2	1,070.1	1,282.9	1,329.0	1,535.5
Total LT assets	69,322.8	71,913.3	77,557.2	83,375.5	90,796.4
Total assets	90,961.9	96,803.2	102,279.3	110,386.3	120,791.6
Customer deposits	76,089.3	80,947.1	85,990.1	92,208.6	100,077.1
Deposits of other FIs	351.8	321.1	-	-	-
Subordinated debts	2,323.5	3,595.5	5,007.3	6,276.2	7,079.9
Hybrid capital securities	2,076.5	2,029.5	1,590.0	1,311.9	1,237.9
Other liabilities	2,720.6	2,253.9	1,817.8	2,476.9	3,993.6
Total liabilities	83,561.7	89,147.1	94,405.3	102,273.6	112,388.5
Shareholders' funds	7,400.2	7,656.1	7,874.0	8,112.7	8,403.1
Minority interests	-	-	-	-	-
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Total income growth (%)	7.2	3.9	6.2	8.3	9.4
Pre-provision profit growth (%)	4.5	(6.4)	11.1	9.3	10.2
Core net profit growth (%)	12.5	3.0	(4.5)	9.9	21.4
Net interest margin (%)	2.2	2.1	2.1	2.1	2.1
Cost-to-income ratio (%)	60.9	64.5	61.6	60.8	60.4
Effective tax rate (%)	25.9	26.2	25.9	25.9	25.9
Dividend payout (%)	68.9	60.2	60.0	59.9	60.0
Key Assumptions (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Loan growth (%)	2.6	3.8	8.0	8.0	9.0
Deposit growth (%)	1.2	6.4	6.2	7.2	8.5
Loan-deposit ratio (%)	87.8	85.8	87.1	87.5	87.8
Gross NPL (%)	0.9	1.1	0.8	0.8	0.8
Net NPL (%)	0.9	1.1	0.6	0.6	0.6
Credit charge-off rate (%)	0.3	0.1	0.3	0.3	0.2
Loan loss reserve (%)	157.2	145.3	159.0	184.7	194.5

Source: Company, AmlInvestment Bank Bhd estimates

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