AmInvestment Bank

Company Report

FINANCIAL SERVICES

BANK ISLAM MALAYSIA

(BIMB MK EQUITY, BIMB.KL) **25 Aug 2025**

Increased operating expenses and provisioning in 6MFY25

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

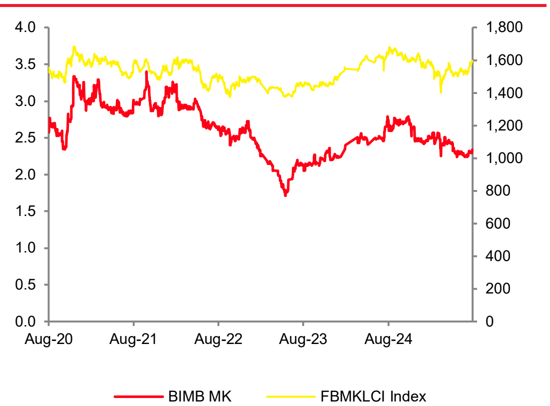
Fair value	⇔
EPS	⇔

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)	-	562.2	610.9	662.0
DPS (sen)	15.1	14.4	15.8	19.2
BV/share (RM)	3.38	3.47	3.58	3.71
PE (x)	9.3	9.7	8.9	7.3
Div yield (%)	6.6	6.3	6.9	8.4
P/BV (x)	0.7	0.7	0.7	0.6
ROE (%)	7.6	7.0	7.5	8.8

Stock and Financial Data

Shares Outstanding (million)	2,266.5
Market Cap (RMmil)	5,303.6
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)	1.4

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	(3.3)	(6.4)	(14.9)
Relative (%)	(7.1)	(8.1)	(12.9)



Investment Highlights

6MFY25 results met expectations, with ROE at 6.5%. Institutional financing growth picked up pace, but higher COF and finance costs from subordinated sukuk and capital securities continued to offset gains in gross fund-based income. Elevated C/I ratio reflects sustained IT spending. The projected 6.9% dividend yield for FY26F supports share price, underpinning 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 in line with expectations, with 6MFY25 ROE at 6.5%.** Net profit of RM253mil (-5.9% YoY) accounted for 46.5% of internal forecasts and 45.0% of consensus. Net fund-based income was flat (+0.6% YoY) attributed to higher funding costs which offset an increase in gross fund-based income, while non-fund-based income jumped 99.6% YoY, driven by fees, securities gains, and FVTPL revaluation. Overall net income rose 9.9% YoY but was partially offset by higher operating expenses and provisions. QoQ, 2QFY25 earnings were muted (+0.3%) as income gains were offset by increased OPEX.
- **BI's financing grew 6.4% YoY outperforming industry growth of 5.1% YoY.** Retail financing growth eased to 5.7% YoY, while institutional financing accelerated to 8.7% YoY. Competitive rates in housing and personal loans persist and focus on primary market purchases may pressure yields. CI ratio stayed elevated at 64.5% due to a negative JAW (-0.7% YoY), with OPEX rising 10.6% YoY—driven by higher staff costs and strategic investments in digital, IT, risk, and compliance. CASATIA declined 2% QoQ, lowering the ratio to 35.2%.
- **Asset quality remained stable with improved financing loss coverage.** GIFR edged down to 1.05% in 2QFY25 (1QFY25: 1.08%), staying below the industry's 1.4%. Credit cost rose to 35bps in 6MFY25 (vs. 25bps YoY), in line with guidance, due to higher Stage 1 and 2 provisions. Impaired financing fell 1.6% QoQ to RM762mil, mainly from household, construction, manufacturing, and retail-related sectors. Financing loss coverage improved to 146.6% (1QFY25: 142.8%), well above the industry's 130.3%.

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 0.7x, 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, 3.5% 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	3.5 (from 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)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Income derived from investment of depositor funds and investment accounts	1,013	1,050	1,128	7.4	11.4	2,021	2,179	7.8
Income derived from investment of shareholders' funds	135	176	159	-9.7	17.6	272	335	23.0
Total Revenue	**1,148**	**1,226**	**1,287**	5.0	12.1	**2,293**	**2,513**	9.6
Allowance for losses on loans,advances and financing	-35	-80	-42	-46.8	20.4	-78	-122	57.6
Impairment written back/(loss) on investments and other assets	0	0	3	>-100	>100	1	2	>100
Profit equalisation reserve								
Modification loss	0	0	0	n.m.	n.m.	0	0	n.m.
Provision for contingent liability								
Direct expenses	-4	-6	-7	24.6	74.4	-8	-13	51.2
Total distributional income	**1,109**	**1,140**	**1,240**	8.8	11.8	**2,207**	**2,381**	7.8
Income attributable to depositors	-519	-553	-591	6.9	13.7	-1,046	-1,143	9.3
Total net income	**590**	**588**	**650**	10.5	10.1	**1,161**	**1,238**	6.5
Personnel expenses	-227	-224	-266	19.1	17.2	-450	-490	8.8
Other overhead expenses	-148	-156	-172	10.4	16.0	-292	-328	12.3
Depreciation								
Finance cost	-28	-41	-41	0.8	45.6	-56	-82	44.9
Share of results of associate company	0	0	1	n.m	n.m.	0	1	n.m.
Profit before tax	**186**	**168**	**171**	1.7	-8.4	**363**	**339**	-6.6
Taxation and zakat	-48	-42	-44	5.7	-8.8	-94	-86	-8.4
Minority interest	-1	0	0	n.m.	-100.0	-2	0	-100.0
Profit after tax	**137**	**126**	**127**	0.3	-7.6	**269**	**253**	-5.9
Losses from discontinued operations								
Net profit atrributable to equity holders (PATAMI)	**137**	**126**	**127**	0.3	-7.6	**269**	**253**	-5.9
EPS (sen)	6.1	5.6	5.6	0.4	-7.6	11.8	11.2	-5.0
Profit by segments (RM Mil)								
Group Retail Banking	141	124	151	22.3	7.6	301	275	-8.7
Group Institutional Banking	126	116	153	31.6	20.9	234	269	14.8
Head Office and Others	-80	-71	-133	86.2	65.5	-172	-204	18.3
Elimination	0	0	0	6.0	191.7	0	-1	184.8
Group profit before tax	**186**	**168**	**171**	1.7	-8.4	**363**	**339**	-6.6

Balance Sheet (RM Mil, FYE 31 Dec)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Gross financing and advances	68,108	71,834	72,477	0.9	6.4	68,108	72,477	6.4
Net financing and advances	67,321	71,047	71,688	0.9	6.5	67,321	71,688	6.5
Customer deposits (inclusive of Investment Account)	78,480	80,639	82,738	2.6	5.4	78,480	82,738	5.4
Gross impaired financing	627	774	762	-1.6	21.4	627	762	21.4
Average shareholders' funds	7,516	7,693	7,834	1.8	4.2	7,492	7,797	4.1
Ratios (%)								
Net financing to customer deposits	85.8%	88.1%	86.6%			85.8%	86.6%	
CASATIA	37.0%	37.2%	35.2%			37.0%	35.2%	
Cost to income	63.2%	60.9%	68.0%			63.1%	64.5%	
Annualised credit cost	0.21%	0.44%	0.23%			0.23%	0.35%	
Gross impaired financing	0.92%	1.08%	1.05%			0.92%	1.05%	
Financing loss coverage	158.0%	142.8%	146.6%			158.0%	146.6%	
ROE	7.3%	6.6%	6.5%			7.2%	6.5%	
CET1 ratio	13.7%	13.0%	13.9%			13.7%	13.9%	
Tier 1 capital	14.7%	14.4%	15.4%			14.7%	15.4%	
Total capital	19.4%	18.7%	20.3%			19.4%	20.3%	

EXHIBIT 3: 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 Responsibilty 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: AmInvestment Bank, Company

EXHIBIT 4: 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, AmInvestment Bank Bhd estimates

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