

BANK ISLAM MALAYSIA

(BIMB MK EQUITY, BIMB.KL)

30 Nov 2025

Non-Fund Income Drives Growth Amid Margin Pressure; Stable Asset Quality

HOLD

(Maintained)

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Rationale for report: Company Result

Price RM2.30
Fair Value RM2.30
52-week High/Low RM2.71/RM2.19

Key Changes

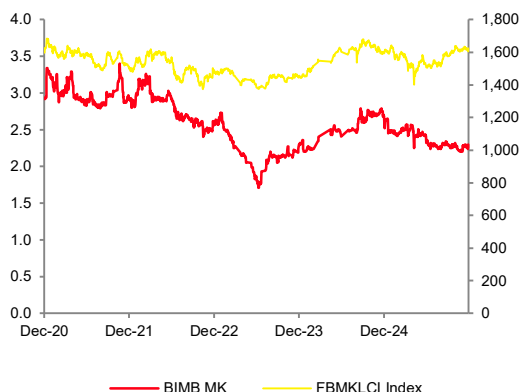
Fair value ⇄
EPS ⇄

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)	-	537.1	584.3	633.7
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	9.6	8.7	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)	5,212.9
Book Value (RM/Share)	3.38
P/BV (x)	0.7
ROE (%)	7.6
Major Shareholders	Lembaga Tabung Haji (48.9%) Employees Provident Fund (16.8%) Amanah Saham Bumiputera (7.8%)
Free Float	26.5
Avg Daily Value (RMmil)	3.7

Price performance	3mth	6mth	12mth
Absolute (%)	0.4	(5.0)	(14.5)
Relative (%)	(1.4)	(10.7)	(15.0)



Investment Highlights

Earnings were in line with expectations, with 9MFY25 ROE at 6.5% and net profit of RM382mil (-4.1% YoY), meeting 70.2% of our and 71.2% of consensus forecasts. Net income rose 9.2% YoY, driven by strong non-fund-based income (+74.3%), but offset by higher costs and financing provisions. Financing expanded 7.2% YoY, led by institutional growth (+15.1%). NIM fell to 2.09% but is expected to recover; guidance raised to >2.0% for FY25. CI ratio remained high at 65.2% on negative JAWs, with OPEX up 10.6% YoY from staff costs and IT investments. Stable asset quality with GIFR at 1.04% and financing loss coverage sustained at 146.1%.

- **Recommendation and valuation.** We maintain our HOLD rating on Bank Islam with an unchanged TP of RM2.30/share, based on FY26 P/BV of 0.6x and ROE of 7.5%. ESG rating remains neutral at 3 stars, with no changes to earnings forecasts. Elevated C/I ratio reflects ongoing IT investments and negative JAWs. A projected FY26F dividend yield of 6.9% supports the share price, underpinning our HOLD stance.
- **Earnings within expectations, with 9MFY25 ROE at 6.5%.** Net profit of RM382mil (-4.1% YoY) represented 70.2% of internal and 71.2% of consensus forecasts. Net fund-based income was flat (-1.2% YoY) due to the July OPR cut and higher funding costs from a shift toward non-CASA deposits, while non-fund-based income surged 74.3% YoY on stronger fees, commissions, investment, and FX gains. Overall net income grew 9.2% YoY but was offset by higher operating, finance costs and provisioning. 9MFY25 saw a negative JAWs of 1.4%. QoQ, earnings rose 2.0% on lower OPEX and impairment losses. An all-cash interim dividend of 10 sen was declared with a 60% payout, in line with estimates.
- **BI's financing picked up pace to 7.2% YoY from 6.4% YoY in the prior quarter outperforming the industry's 5.5% YoY.** Retail financing growth eased to 5.1% YoY, while institutional financing accelerated to 15.1% YoY in 3QFY25 (vs. 8.7% in 2QFY25). Housing and personal financing grew moderately, with focus on higher-yield products like credit cards, Ar-Rahnu, and vehicle financing to lift fund-based income, alongside SME-driven CASA growth to lower funding costs. NIM fell 23bps YoY to 2.09%, within guidance, but is expected to recover post-deposit repricing and no further rate cuts. FY25 NIM guidance was raised to above 2.0%. CI ratio remained high at 65.2% on negative JAWs, with OPEX up 10.6% YoY from staff costs and IT investments. CASATIA ratio edged up 0.6% QoQ to 35.8%.
- **Asset quality remained stable with financing loss coverage sustained.** GIFR inched lower to 1.04% in 3QFY25 (2QFY25: 1.05%), staying below the industry's 1.4%. Credit cost rose to 28bps in 9MFY25 (vs. 23bps in 9MFY24), in line with guidance, due to the increase in management overlays by RM20.3mil to prudentially buffer against risk on retail financing. QoQ, overlays have increased by RM5.8mil bringing the total management overlays to RM50.8mil. Impaired financing was stable at RM764mil (+0.2% QoQ). Financing loss coverage ratio was sustained at 146.1%, well above the industry's 130.1%.

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 reiterate our HOLD recommendation on Bank Islam with an unchanged TP of RM2.30/share, based on FY26 P/BV of 0.6x and ROE of 7.5%. ESG rating remains neutral at 3 stars, with no revision to earnings estimates. Elevated C/I ratio reflects continued IT investments and negative JAWs. A projected FY26F dividend yield of 6.9% supports valuations and underpins our HOLD stance.

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' NOI.

EXHIBIT 1: VALUATIONS

COE	10%
Beta	1
Market risk premium	6.3%
Risk free rate	3.5
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)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Income derived from investment of depositor funds and investment accounts	1,047	1,128	1,088	-3.6	3.8	3,068	3,266	6.5
Income derived from investment of shareholders' funds	119	159	182	14.4	52.5	391	516	32.0
Total Revenue	1,166	1,287	1,269	-1.4	8.8	3,459	3,782	9.3
Allowance for losses on loans, advances and financing	-38	-42	-30	-29.2	-21.0	-116	-152	31.8
Impairment written back/(loss) on investments and other assets	0	3	1	-77.9	>100	0	3	>100
Profit equalization reserve								
Modification loss	0	0	0	n.m.	n.m.	0	0	n.m.
Provision for contingent liability								
Direct expenses	-7	-7	-9	33.5	34.4	-20	-22	11.4
Total distributional income	1,121	1,240	1,230	-0.8	9.7	3,324	3,611	8.6
Income attributable to depositors	-537	-591	-590	-0.1	9.9	-1,583	-1,733	9.5
Total net income	584	650	640	-1.5	9.5	1,741	1,878	7.8
Personnel expenses	-212	-266	-244	-8.3	14.9	-653	-734	12.4
Other overhead expenses	-160	-172	-166	-3.8	3.4	-458	-494	7.9
Depreciation								
Finance cost	-37	-41	-50	22.3	35.0	-93	-132	41.0
Share of results of associate company	1	1	1			1	2	27.8
Profit before tax	176	171	181	5.8	2.9	538	520	-3.5
Taxation and zakat	-46	-44	-52	16.9	11.9	-140	-138	-1.7
Minority interest	1	0	0	n.m.	-100.0	0	0	n.m.
Profit after tax	130	127	129	2.0	-0.9	398	382	-4.1
Losses from discontinued operations	0	0	0	n.m.	n.m.	0	0	n.m.
Net profit attributable to equity holders (PATAMI)	130	127	129	2.0	-0.9	398	382	-4.1
EPS (sen)	5.8	5.6	5.7	2.0	-1.0	17.5	16.9	-3.7
Profit by segments (RM Mil)								
Group Retail Banking	149	151	72	-52.4	-51.7	466	347	-25.6
Group Institutional Banking	99	153	216	41.7	118.2	333	485	45.5
Head Office and Others	-60	-133	-107	-19.3	79.6	-259	-311	20.0
Elimination	-13	0	0	17.9	-97.1	-2	-1	-54.7
Group profit before tax	176	171	181	5.8	2.9	538	520	-3.5
Balance Sheet (RM Mil, FYE 31 Dec)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Gross financing and advances	68,464	72,477	73,425	1.3	7.2	68,464	73,425	7.2
Net financing and advances	67,671	71,688	72,639	1.3	7.3	67,671	72,639	7.3
Customer deposits (inclusive of Investment Account)	78,354	82,738	83,759	1.2	6.9	78,354	83,759	6.9
Gross impaired financing	698	762	764	0.2	9.4	698	764	9.4
Average shareholders' funds	7,680	7,834	7,987	2.0	4.0	7,589	7,846	3.4
Ratios (%)								
Net financing to customer deposits	86.4%	86.6%	86.7%			86.4%	86.7%	
CASATIA	37.1%	35.2%	35.8%			37.1%	35.8%	
Cost to income	64.1%	68.0%	66.7%			63.4%	65.2%	
Annualised credit cost	0.22%	0.23%	0.16%			0.23%	0.28%	
Gross impaired financing	1.02%	1.05%	1.04%			1.02%	1.04%	
Financing loss coverage	149.6%	146.6%	146.1%			149.6%	146.1%	
ROE	6.8%	6.5%	6.5%			7.0%	6.5%	
CET1 ratio	14.5%	13.9%	14.1%			14.5%	14.1%	
Tier 1 capital	15.5%	15.4%	15.5%			15.5%	15.5%	
Total capital	20.2%	20.3%	20.3%			20.2%	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 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 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, AmlInvestment Bank Bhd estimates

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