

29 August 2019

BIMB Holdings

In Line with Financing as guided.

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Although 6M19 set of results was stellar (+23% YoY), it is in line with our/market estimates driven again by strong contribution from Takaful with financing growth as guided above industry. Credit costs were as guided, a testament to its selective asset growth. Forwards earnings maintained with an unchanged TP of RM4.80 but call revised to **OUTPERFORM**.

In Line. 6M19 CNP of RM398m is in line accounting for 54%/53% of both our/consensus estimates. No dividend declared as expected as dividends are usually declared in 3Q.

YoY, 6M19 CNP (+23%) was driven by strong top-line (+17% to RM1,578m) but mitigated by opex and higher impairment allowances (+13% and +47% respectively to RM833m and RM53m). As usual Takaful income was the main revenue driver (+35%) contributing 34% of top-line. Higher loans at >+7% (within guidance/expectation) with widening NFM (8bps - due to revision of its base financing rate by 13bps in Dec 2018) saw income from investment of depositors' funds at +13%. Asset quality is a concern as GIL saw a 22bps uptick to 1.2% mostly coming from uptick in consumer and corporate & commercial (7 and 20bps to 0.5% and 0.7% respectively). Not surprisingly, there was a higher credit loss (+6bps to 0.23% vs guidance/expectation of ~+20bps).

QoQ, CNP fell 4% to RM195m as top-line revenue fell 4% to RM774m dragged by weak Takaful income (-13% to RM251m). Income from investment of depositors' funds was soft, falling 1% as loans growth were marginal (<+1%) with reported NFM compression of 3bps but banking business saw a >+1% uptick growth as income from investment of shareholders' funds grew 10%, mostly coming from investment of financial assets. 2Q also saw higher credit charge at 0.26% (+6bps).

Moving forward, we understand that 2H will see more aggressiveness in the loan space with its 50/50 split in contribution from HH/PF recalibrated to 60/40 in light of the economic uncertainties. Mitigating NFM compression from the competitive asset pricing will be further build up from CASA and IA as competition from FDs is nullified with NSFR complied. Nevertheless, management maintains its 6-10bps compression or <+2.5%. The rest of its guidance; loans are maintained at 6-7% with no change on credit costs at 20-25bps.

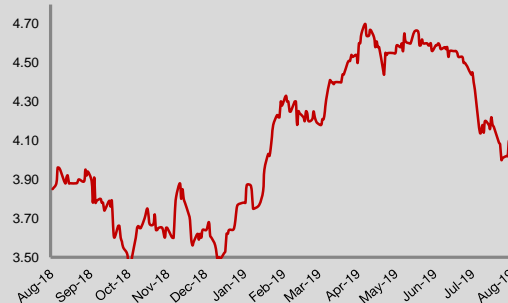
No change in our FY19E/FY20E assumptions; (i) NFM (-6/-3 bps), (ii) financing at <+7%/+8%, (iii) CIR at 55%/53%, and (iv) credit costs at 20/19 bps.. **Maintain earnings at RM734m/RM834m.**

TP maintained but valuations undemanding. We maintained TP at RM4.80 ascribing an unchanged FY20 Target PBV of 1.5x implying a 0.5SD below mean). We feel this is justified given that the stock has been trading around 0.5SD-1.5SD below mean in the last 12 months on risk concerns from post-restructuring. We do not feel that asset quality is a concern as the banking business have always been prudent and selective in financing growth; hence the lower target ratio from the high single digits and low teens seen in previous years. Valuations are undemanding, upgrade to **OUTPERFORM**.

OUTPERFORM ↑

Price : **RM4.05**
Target Price : **RM4.80** ↔

Share Price Performance



KLCI	1,589.82
YTD KLCI chg	-6.0%
YTD stock price chg	-20.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BIMB MK Equity
Market Cap (RM m)	7,145.3
Shares Outstanding	1,764.3
52-week range (H)	4.75
52-week range (L)	3.40
3-mth avg daily vol:	675,465
Free Float	27%
Beta	0.8

Major Shareholders

Lembaga Tabung Haji	53.8%
Employees Provident Fund	12.3%
Amanah Saham Bumiputera	6.6%

Summary Earnings Table

FY Dec (RM'm)	2018A	2019E	2020E
Net Financing Inc.	1,486	1,560	1,643
Non-Financing Inc.	1,357	1,566	1,682
Total Income	2,843	3,126	3,325
PBT	1,065	1,165	1,323
Net Profit (NP)	682.0	734.1	834.0
Consensus NP		749	809
Earnings Revision (%)			
EPS (sen)	38.9	40.3	43.9
EPS growth (%)	(6.9)	3.6	9.0
DPS (sen)	15.5	16.1	17.6
BV/Share (RM)	2.87	3.01	3.15
NTA/share (RM)	2.81	2.95	3.10
ROE (%)	14.3	14.0	14.5
PER (x)	10.4	10.1	9.2
Price/NTA (x)	1.4	1.4	1.3
Price/Book (x)	1.4	1.3	1.3
Dividend Yield (%)	3.8	4.0	4.4

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Other Salient points

Downside risks to our call are: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans and deposits growth, and (iii) worse-than-expected deterioration in asset quality.

Results Highlight								
Y/E : 31-Dec. (RM'm)	2Q19	1Q19	QoQ Chg.	2Q18	YoY Chg.	6M19	6M18	YoY Chg.
Income From Investment of Depositors' & Shareholders' Fund	522.7	516.0	1.3%	480.7	8.7%	1,038.8	947.3	9.7%
- Net Income from investment of depositors' fund	400.1	404.4	-1.1%	354.2	13.0%	804.6	710.8	13.2%
- Income from investment of shareholders' fund	122.6	111.6	9.8%	126.5	-3.1%	234.2	236.5	-1.0%
Net income from Takaful business	250.9	288.7	-13.1%	182.4	37.5%	539.6	400.5	34.7%
Total Income	773.6	804.8	-3.9%	663.1	16.7%	1,578.4	1,347.8	17.1%
Operating Expenses	(403.7)	(429.0)	-5.9%	(378.7)	6.6%	(832.7)	(736.1)	13.1%
(Allowances)/write-backs	(29.6)	(23.2)	27.7%	(14.9)	99.4%	(52.8)	(35.9)	47.0%
Other (Impairments)/Writebacks	(5.0)	0.8	-695.3%	0.1	-5866.3%	(4.1)	0.1	-4897.7%
Operating Profit	335.4	353.4	-5.1%	269.6	24.4%	688.8	575.9	19.6%
Others	(34.4)	(33.8)	1.6%	(32.3)	6.2%	(68.2)	(65.0)	4.9%
Pre-Tax Profit	301.0	319.6	-5.8%	237.3	26.9%	620.6	510.9	21.5%
Tax & Minority Interest	(105.9)	(117.1)	-9.6%	(87.4)	21.1%	(222.9)	(188.9)	18.0%
Net Profit	195.2	202.5	-3.6%	149.9	30.2%	397.7	322.0	23.5%
EPS (sen)	11.1	11.6	-4.3%	8.9	25.8%	22.7	19.0	19.3%
DPS (sen)	-	-	N.a	-	N.a	-	-	N.a
Gross Financing, Advances & Others	47,148.2	46,807.4	0.7%	43,989.7	7.2%	47,148.2	43,989.7	7.2%
Net Financing, Advances & Others	46,395.5	46,050.9	0.7%	43,229.6	7.3%	46,395.5	43,229.6	7.3%
Total Customer Deposits	46,681.8	46,951.4	-0.6%	44,430.4	5.1%	46,681.8	44,430.4	5.1%
Total Customer Deposits & IA	53,933.4	53,140.1	1.5%	48,950.8	10.2%	53,933.4	48,950.8	10.2%
CASA / Low Cost Deposits	14,148.8	14,717.0	-3.9%	14,661.3	-3.5%	14,148.8	14,661.3	-3.5%
Book value/share (RM)	3.26	3.13	4.2%	2.89	12.9%	3.26	2.89	12.9%
NTA/share (RM)	3.22	3.08	4.4%	2.87	12.2%	3.22	2.87	12.2%
Est. Annualised Net Financing Margin	2.37%	2.46%		2.29%		2.38%	2.30%	
Cost-to-Income Ratio	52.2%	53.3%		57.1%		52.8%	54.6%	
Est. Annualised Credit Charge (Writeback) Ratio	0.26%	0.20%		0.14%		0.23%	0.17%	
Effective Tax Rate	24.2%	24.4%		28.2%		24.3%	27.4%	
G.Financing-to-Deposit Ratio	101.0%	99.7%		99.0%		101.0%	99.0%	
G.Financing-to-Deposit & IA Ratio	87.4%	88.1%		89.9%		87.4%	89.9%	
N.Financing-to-Deposit Ratio	99.4%	98.1%		97.3%		99.4%	97.3%	
% of CASA to Total Customer Deposits	30.3%	31.3%		33.0%		30.3%	33.0%	
Total Allowances-to-Financing	1.60%	1.62%		1.73%		1.60%	1.73%	
Gross Impaired Financing Ratio	1.19%	0.95%		0.97%		1.19%	0.97%	
Financing Loss Coverage	134.6%	170.6%		177.9%		134.6%	177.9%	
Tier 1 Capital	10.9%	11.4%		13.1%		10.9%	13.1%	
Total Capital	15.5%	15.5%		16.9%		15.5%	16.9%	
Est. Annualised ROE	14.6%	15.8%		12.7%		14.9%	13.7%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
BANKING																	
AFFIN BANK BHD	2.00	3,972.0	N	12/2019	8.2%	5.3%	9.3%	15.9%	7.9	7.2	6.2	0.5	0.4	6.2%	2.8%	2.40	OP
ALLIANCE BANK MALAYSIA BHD	3.02	4,675.3	N	03/2020	5.9%	7.2%	-1.5%	10.9%	8.7	8.8	8.0	0.8	0.8	9.0%	5.4%	3.45	OP
AMMB HOLDINGS BHD	4.09	12,328.0	N	03/2020	10.4%	4.5%	-0.4%	2.8%	8.2	8.2	8.0	0.7	0.6	7.8%	4.9%	4.75	OP
BIMB HOLDINGS BHD	4.05	7,145.3	Y	12/2019	10.0%	6.6%	7.6%	13.6%	10.4	10.1	9.2	1.4	1.3	14.0%	4.0%	4.80	OP
CIMB GROUP HOLDINGS BHD	4.98	48,442.5	N	12/2019	4.6%	5.0%	-16.2%	2.6%	8.3	10.3	10.4	0.9	0.8	8.5%	4.5%	6.45	OP
HONG LEONG BANK BERHAD	16.26	35,247.1	N	06/2020	4.1%	5.1%	1.0%	0.5%	12.6	12.5	12.4	1.4	1.3	10.8%	3.1%	17.30	MP
MALAYAN BANKING BHD	8.53	95,888.8	N	12/2019	4.2%	4.3%	-0.5%	3.2%	11.6	11.7	11.3	1.2	1.1	9.9%	6.7%	10.35	OP
MALAYSIA BUILDING SOCIETY	0.82	5,505.0	N	12/2019	-1.0%	5.3%	-10.7%	10.2%	8.2	9.2	8.7	0.7	0.7	7.2%	6.1%	1.15	OP
PUBLIC BANK BERHAD	20.32	78,885.1	N	12/2019	3.9%	5.2%	-0.1%	3.5%	14.0	14.1	13.6	1.9	1.9	13.7%	3.3%	25.20	OP
RHB BANK BHD	5.68	22,777.1	N	12/2019	6.0%	4.8%	3.7%	5.7%	9.9	9.5	9.0	1.0	0.9	9.9%	3.7%	6.05	OP
Simple Average					5.6%	5.3%	-0.8%	6.9%	10.0	10.1	9.7	1.0	1.0	9.7%	4.4%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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