

PP14767/09/2012(030761)

Monday, October 12, 2015

BIMB Holdings Bhd

“Shifting into High Gears”

We attended post-1H15 results briefing organized by BIMB Holdings Berhad (BIMB) recently where the management shared their view on BIMB outlook in FY15. The briefing was chaired by Bank Islam’s Managing Director Dato’ Sri Zukri Samat and accompanied by Bank Islam CFO Mr Malkit Singh and Syarikat Takaful Malaysia’s CIO Azian Kassim. At this stage, the stock is a BUY with a target price of RM4.60 a piece.

- **Confident in meeting FY2015 KPI.** Of note, BIMB has moderated its FY2015 outlook including lowering its financing growth target to 15% y-o-y. Though 1H15 financing growth was lagging the management target of 5.3% y-o-y, however the management is positive to achieve 15% y-o-y target on the back of resurging contribution from business financing. Given this, we are positive BIMB is able to achieve financing growth target of 15% y-o-y given the banking system loans growth post-GST are backed by the business segment.
- **Intense deposit competitions.** Despite BIMB deposits growth reached a healthy 5.6% y-o-y in 1H15, the competitions to secure low cost deposits has taken toll on BIMB’s CASA position, which dropped to 33.8% in 1H15 from 38.1% in FY14. The dropping in CASA positions has hurt BIMB’s net financing margin (NFM) which stood at 2.79% vs. 3.02% in 1H14. Moving forward, the management projects the introduction of new investment account will ease NFM compression to 2.7%-2.8%.
- **In a game in personal financing.** Other banks have reduced their exposure in this segment given the growing concern on asset quality. However this is not the case for BIMB where management reiterated to stay on

BUY (TP:RM4.60)

Current Price (RM)	RM4.13
New Fair Value (RM)	RM4.60
Previous Fair Value (RM)	RM4.84
Previous Recommend.	BUY
Upside To Fair Value	11.4%
Dividend Yield (FY15)	4.1%

Stock Code

Bloomberg	BIMB MK
-----------	---------

Stock & Market Data

Listing	MAIN MARKET	
Sector	Banking	
Shariah Compliance	Yes	
Issued Shares (mn)	1,542	
Market Cap (RM mn)	6,184	
YTD Chg In Share Price	-1.47%	
Beta (x)	0.96	
52-week Hi/Lo (RM)	RM4.44	RM3.70
3M Average Volume (shrs)	1,113n	
Estimated Free Float	25.8%	

Major Shareholders

Lembaga Tabung Haji	55.1%
EPF	9.93%
KWAP	5.8%

game in this segment given BIMB cautious and tight approvals requirements. Additionally, we are positive on BIMB's ability to manage asset quality in this segment as we were informed about 90% of personal financing is a package financing, or in other word a secured financing backed by notable and reputable employers.

- **To raise financing-to-deposits ratio further.** BIMB's financing-to-deposit ratio (FTD) stood at 73.3% in 1H15 vs. 86% industry level. We view this as an opportunity for BIMB to boost its NFM further despite stiff competition to secure deposits. Management has guided higher FTD close 80% at the back of slowdown in financing growth to 15% y-o-y in FY15. Note that Bank Islam's FTD is still below the industry average of 86%.
- **Still appetite to embark branch network.** Management hopes to open 7 more branches in FY15 as the management has successfully lowered its expenses in 1H15. Management already identified the potential locations to locate its 5 new branches which will be in Selangor.
- **Earnings outlook.** Our earnings forecast on BIMB are intact at this juncture. We estimate BIMB's FY15 and FY16 earnings to grow by 3.8% and 8.7% assisted by i) market leader in family takaful industry ii) securing more corporate loans underpinned by GLC affiliation iii) focus on growing Bank Islam's non-financing income.
- **Outlook.** BIMB's financing growth slow-down is no surprise as we already expect the tapering in financing growth on the back of weak private consumption trend. Given this, we have our reservation that BIMB will be able to achieve its 15% financing growth in 2015 given weak 2Q15 financing growth. However, we optimistic that BIMB will resort to lower-than-average FTD to achieve the management loans growth target of 15%.
- **Valuation & recommendation.** We value BIMB at RM4.60 as we incorporate 1-standard deviation below mean of P/BV target of 2.6x from 2.8x. We, nonetheless, maintain our BUY rating on the stock. Rerating catalyst for the stock could emanate from i) exceeding its key target for turnaround plan phase 3 ii) stronger-than-expected fee-based income (takaful) iii) M&A activity and expansion to Indonesia

Table 1: Peers Comparison

Company	YE	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	Mac	3.64	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	4.00	Hold
AMMB	Mac	4.80	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	5.10	Hold
BIMB	Dec	4.13	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.60	Buy
CIMB	Dec	4.96	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	4.90	Hold
Maybank	Dec	8.60	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	9.92	Buy
RHB Cap	Dec	6.20	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	6.60	Hold
Public Bank	Dec	18.40	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	19.14	Hold
Affin	Dec	2.39	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.59	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	3.88	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	Jun	13.56	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average			0.6	0.7	11.5	10.8	1.5	1.5	15.8	3.9		

Source: Bloomberg, M&A Securities

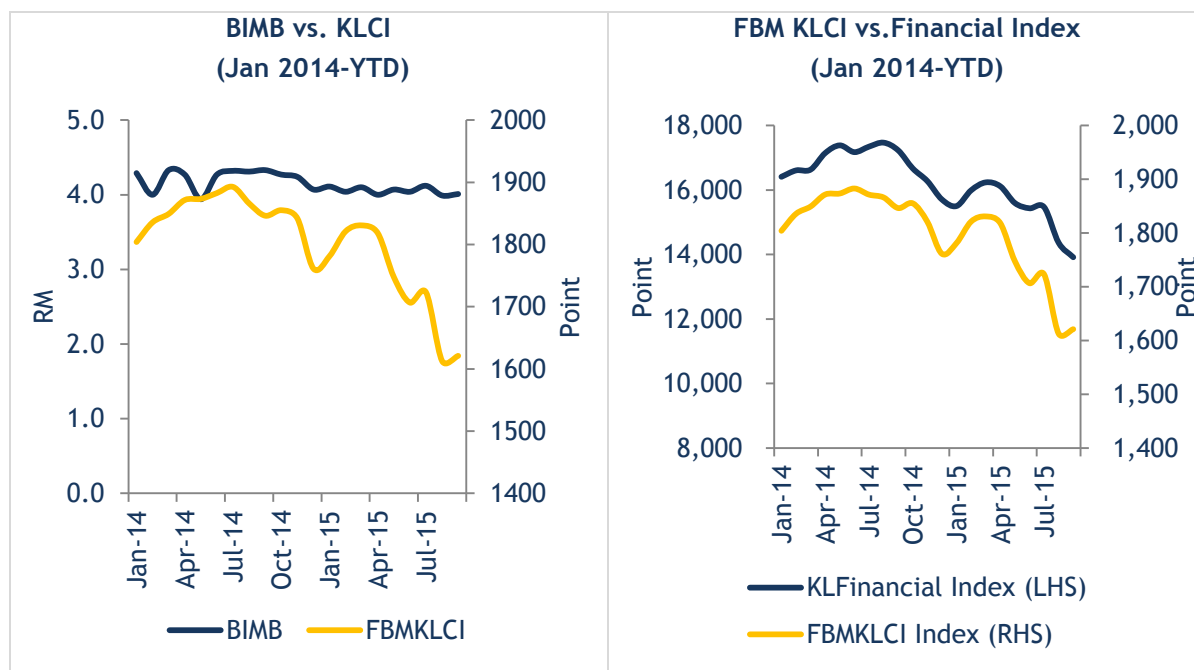
Table 2: Financial Forecast

Y/E: Dec (RM'mil)	FY12	FY13	FY14	FY15F	FY16F
Income derived from investment of depositors fund	1,651	1,851	2,032	2,135	2,222
Income derived from investment of shareholder funds	351	405	393	414	436
Net income from takaful business	472	553	543	537	550
Allowance for impairment on financing and advances	(66)	15	(60)	(79)	(83)
Reversal of impairment on investment and other asset	4	(4)	4	(3)	0
Direct expenses	(15)	(26)	(18)	(20)	(22)
Total distributable income	2,397	2,795	2,893	2,985	3,102
Income attributable to depositors	(591)	(773)	(845)	(878)	(909)
Total net income	1,807	2,022	2,048	2,107	2,194
Personnel expenses	(524)	(594)	(599)	(608)	(617)
Other overhead expenses	(478)	(545)	(504)	(522)	(540)
Depreciation	(57)	(61)	(61)	(63)	(64)
Operating profit	747	823	884	913	972
Finance cost	-	(3)	(68)	(97)	(84)
Result of associate company	2	(0)	-	-	-
PBT	749	819	815	816	888
Zakat	(10)	(14)	(13)	(14)	(15)
Tax expense	(210)	(242)	(215)	(196)	(213)
PAT	529	563	587	606	659
MI	(245)	(284)	(55)	(55)	(59)
PATAMI	283	279	532	552	600
EPS (sen)	23.7	25.8	35.6	35.8	38.9
Dividend - sen	7	8.5	23.2	21.5	23.3
Dividend payment (RM mil)	108	131	358	331	360
Dividend payout (%)	38%	47%	67%	60%	60%
Retained Earnings (RM mil)	175	148	175	221	240
PER (x)	11%	18%	11%	11%	10%
Gross Yield	3%	2%	6%	5%	6%
BV	1.0	1.7	1.5	1.7	1.8
P/BV	2.7	2.7	2.7	2.5	2.3

Source: M&A Securities

Table 3: Operational Ratio

Y/E: Dec (RM'mil)	FY12	FY13	FY14	6M15
Asset Quality				
Gross Impairment	1.55%	1.18%	1.14%	1.18%
Allowance Coverage	142.6%	175.8%	170.4%	160.6
Profitability				
ROA	0.6%	0.6%	1.0%	0.3%
ROE	13.3%	18.5%	16.9%	4.4%
Cost to Income	56.3%	62.3%	54.1%	55.6%
Lending and Deposits				
Financing Growth		21.5%	24%	5.3%
Deposits Growth		15.7%	6.6%	11.3%
Financing to Deposits	61.6%	65.7%	72.6%	73.8%
Margin				
Net Interest Margin	2.57%	2.9%	2.7%	2.85%
Capital Strength				
CET1	Nil	13%	12.2%	12.23%
Tier1	Nil	13%	12.2%	12.23%
Total capital	Nil	14%	13.4%	14.29%



Source: Bloomberg, M&A Securities

Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)

(A wholly-owned subsidiary of INSAS BERHAD)

A Participating Organisation of Bursa Malaysia Securities Berhad

Principal Office:

Level 1,2,3 No.45 & 47,43-6

The Boulevard, Mid Valley City,

Lingkaran Syed Putra,

59200 Kuala Lumpur

Tel: +603 - 2282 1820 Fax: +603 - 2283 1893

Website: www.mnaonline.com.my