

PP14767/09/2012(030761)

BIMB Holdings Bhd

“6M15 Earnings within Expectation”

Results Review

- Actual vs. expectation.** BIMB Holdings Berhad (BIMB) 6M15 net profit of RM300 million (+5% y-o-y) came in line with ours and consensus estimates respectively, accounting 49.5% and 55.4% of ours and consensus full year net profit forecast. The spot on earnings were assisted by steady income from investment of depositor funds of RM1.1 billion (+13% y-o-y) as well as stronger takaful contribution of RM315 million (+12% y-o-y). Additionally, BIMB’s earnings were helped by lower personnel expenses by RM8 million in 6M15 (-3% y-o-y)
- Dividend.** No dividend declared in this quarter.
- Topline vs. Bottom line.** BIMB’s 6M15 net income was marginally higher to RM1.05 billion (+13% y-o-y), driven by income from investment of deposits funds of RM1.1 billion (+13% y-o-y) in 6M15. However, slower 6M15’s net income was derailed by higher depositors income of RM500 million (+27% y-o-y) reflecting the pressure in net interest margin (NIM). Additionally, loan loss allowance weakened to RM55.9 million (+68% y-o-y).
- Financing growth - a bitter pill to swallow.** Double digits gross financing growth in the past was not sustained. Gross financing growth in 6M15 slowed-down significantly to 5.3% y-o-y and 3.2% q-o-q respectively with further de-emphasized on personal financing purpose that rose by a minute 1.2% q-o-q contributing to the slowdown. Nevertheless, financing to household sector was still healthy at 3.6% q-o-q, supported by mortgage financing that grew 6.2% q-o-q.

Tuesday, September 15, 2015

BUY (TP:RM4.84)

Current Price (RM)	RM4.05
New Fair Value (RM)	RM4.84
Previous Fair Value (RM)	RM4.84
Previous Recommend.	BUY
Upside To Fair Value	19%
Dividend Yield (FY15)	4.1%

Stock Code

Bloomberg	BIMB MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Banking	
Shariah Compliance	Yes	
Issued Shares (mn)	1,542	
Market Cap (RM mn)	6,245	
YTD Chg In Share Price	0-.5%	
Beta (x)	0.53	
52-week Hi/Lo (RM)	RM4.35	RM3.70
3M Average Volume (shrs)	0.77 mil	
Estimated Free Float	25.8%	

Major Shareholders

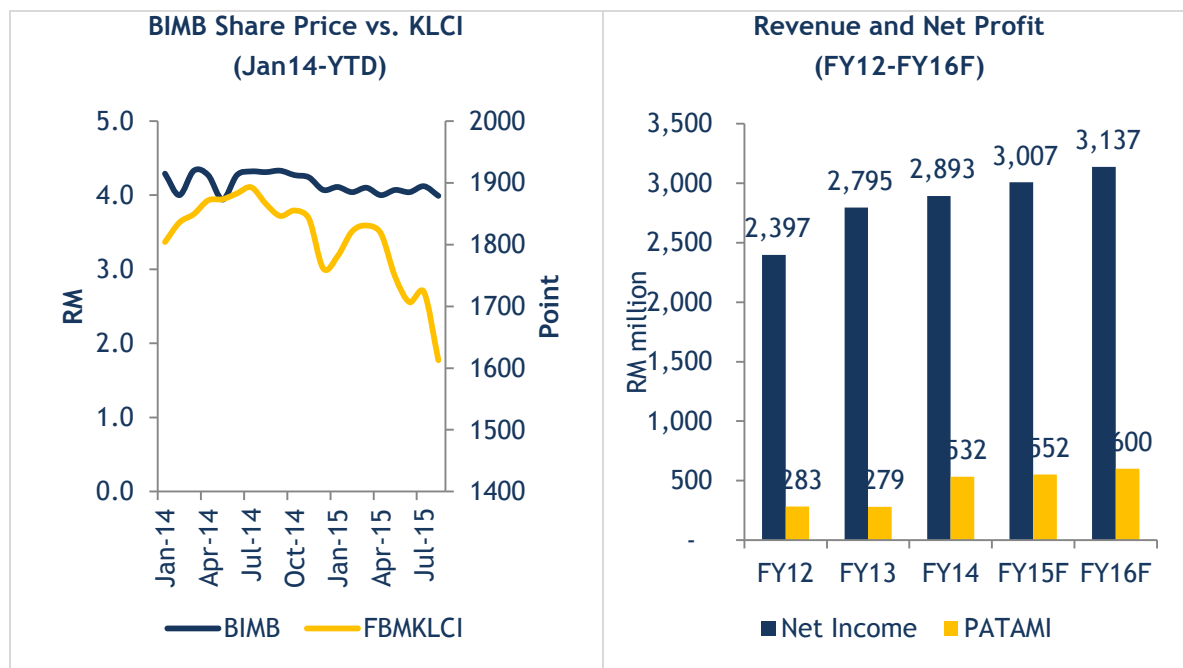
Lembaga Tabung Haji	55.9%
EPF	10.7%
KWAP	6.2%

- **Deposit tracking weak financing growth.** Bank Islam deposit slowed-down in 6M15 to 11.3% y-o-y and 4.3% q-o-q respectively, pushing the slowdown in CASA by 2% q-o-q on the back of faster growth in fixed deposit by 7.8% q-o-q. Nevertheless, Bank Islam maintained its liquid position as CASA composition was still healthy at 33.8% vs. 35.9% in 1Q15, while financing to deposit improved to 73.8% vs 74.6% in 1Q15.
- **Capital position still one of the highest in industry.** Bank Islam's CET1 ratio continues to be one of the highest in the industry at 12.23%. Its business, however, remains capital intensive, particularly its personal financing business and as such, the bank has a dividend reinvestment plan in place to ensure that its capital position is preserved as much as possible.
- **Cautious on asset quality.** Asset quality showed some strength as gross impaired financing ratio (GIF) improved 2bps to 1.18% while credit charge ratio rose to 14bps.
- **Takaful maintains strong position.** Syarikat takaful's revenue gained commendably by 16.2 % y-o-y to RM996 million underpinned by higher sales by both family takaful and general takaful as well as higher net investment income. Family takaful recorded gross earnings of RM524.3 million (+7.9% y-o-y) lifted by well response of its medical and term products. Nevertheless, despite the surge in revenue, the shift to wakalah based products shaved surplus transfer from family takaful by RM9.6 y-o-y million to RM39.8 million.
- **Change in earnings forecast.** No change to our forecast as 1H15 results are within our expectations. We estimate that 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 to us 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 15% financing growth in 2015 given weak 2Q15 financing growth. However, we optimistic BIMB will resort to lower than average FTD to achieve management target of 15%. On takaful, we expect that Syarikat Takaful to maintain its number 1 position in takaful segment (based on gross contribution) given the absence of insuring to the civil service that dragged surplus transfer from takaful segment in FY14.
- **Valuation & recommendation.** We maintain our **BUY** recommendation on BIMB at unchanged TP of RM4.84 based on 10% premium on its 3-year average P/BV of 2.69x. 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	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	3.39	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	4.70	Buy
AMMB	March	4.68	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	6.15	Buy
BIMB	Dec	4.05	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	4.90	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Buy
Maybank	Dec	8.51	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.20	Buy
RHB Cap	Dec	6.30	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	7.70	Buy
Public Bank	Dec	18.00	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	21.70	Buy
Affin	Dec	2.38	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.50	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	3.80	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	13.40	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



Source: Bloomberg, M&A Securities

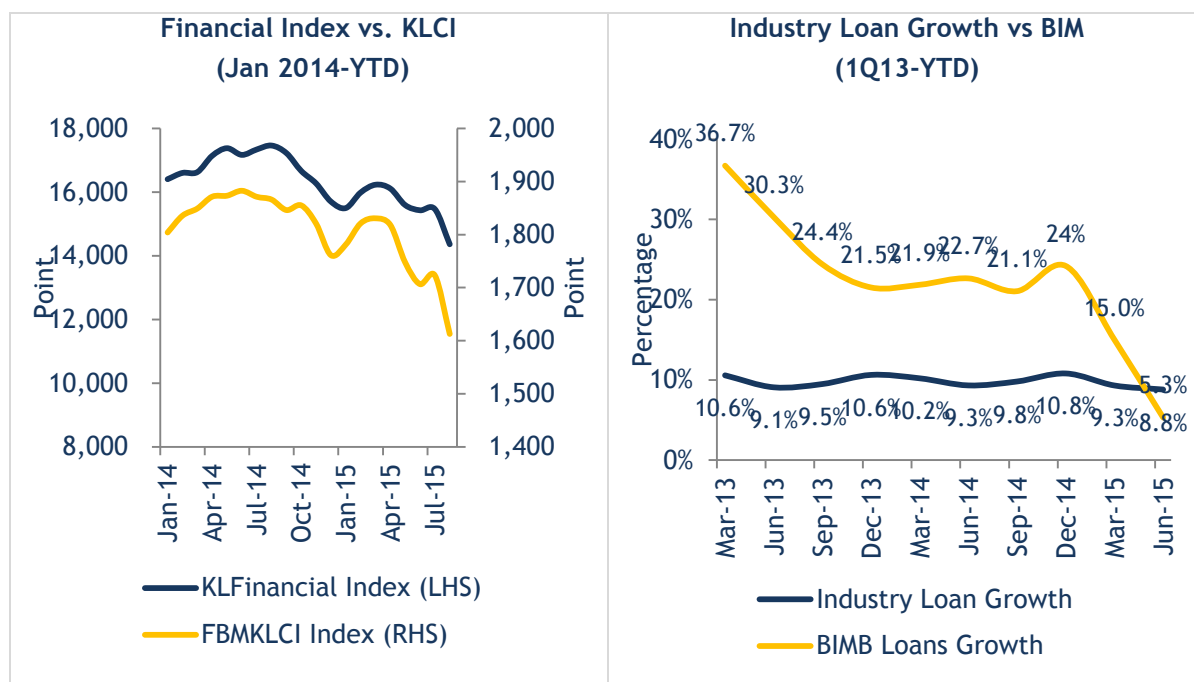


Table 2: Operational Ratio

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%

Table 2: Results Analysis

YE: Dec (RM million)	2Q15	1Q14	2Q15	y-o-y	q-o-q	6M15	6M14	y-o-y
Income from depositors fund	559	542	501	11%	3%	1,101	975	13%
Income from shareholder funds	106	103	102	3%	3%	208	206	1%
Net income from takaful business	151	164	131	15%	-8%	315	280	12%
Allowance for impairment	-26	-30	-17	54%	-16%	-56	-33	68%
Reversal of impairment	0	0	1	0%	0%	0	1	0%
Direct expenses	-6	-7	-5	12%	-17%	-12	-9	41%
Total distributable income	784	772	714	10%	2%	1,555	1,420	10%
Income attributable to depositors	-257	-243	-204	26%	6%	-500	-395	27%
Total net income	527	529	510	3%	0%	1,056	1,025	3%
Personnel expenses	-137	-151	-144	-5%	-9%	-288	-296	-3%
Other overhead expenses	-159	-140	-142	12%	14%	-300	-294	2%
Operating profit	231	238	224	3%	-3%	0	0	8%
Finance cost	-21	-18	-17	23%	19%	469	435	14%
Result of associate company	0	0	0	0%	0%	-39	-34	0%
PBT	210	220	207	2%	-5%	0	0	7%
Zakat	-3	-3	-3	18%	1%	430	401	21%
Tax expense	-60	-64	-57	6%	-6%	-6	-5	11%
PAT	147	153	147	0%	-4%	-124	-111	5%
MI	-17	-18	-18	-5%	-6%	300	284	10%
PATAMI	130	136	130	0%	-4%	-34	-31	5%
EPS	8.4	8.8	8.4			265	253	

Source: Bursa Malaysia, 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

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.

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