

PP14767/09/2012(030761)

BIMB Holdings Bhd

“Back to Usual Pace”

Results Review

Market Access

- Actual vs. expectation.** BIMB Holdings Berhad (BIMB) 9M15 net profit of RM434 million (+3% y-o-y) came in line with ours and consensus estimates respectively, accounting 71.6% and 80% of ours and consensus full year net profit forecast. The marginal growth in earnings were assisted by steady income from investment of depositor funds of RM1.65 billion (+10% y-o-y) as well as stronger takaful contribution of RM454 million (+13% y-o-y). Additionally, BIMB’s earnings were helped by lower personnel expenses that dropped by RM8 million in 6M15 (-3% y-o-y)
- Dividend.** BIMB declared first interim dividend of 12.2 cent vs. 14.70 cent in 9M14, translating into 43.3% payout ratio.
- Topline vs. Bottom line.** BIMB’s 9M15 net income was higher to RM1.6 billion (+7% y-o-y), driven by slower allowance for loans loss by 10% y-o-y on the back of higher recoveries of RM115 million (+30.5% y-o-y). However, income attributable to depositors jumped to RM1.6 billion (+5% y-o-y) reflecting the pressure in net interest margin (NIM).
- Takaful business stronger.** Takaful segment recorded PBT of RM156.4 million, increasing by 9.8% y-o-y vs. RM142.5 million in 9M14. Notably, the higher profit was attributable to higher wakalah fee income. Operating revenue increased by 10.7% to RM1,385.2 million from RM1,251.2 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by both Family Takaful and General Takaful business and higher net investment income.

Tuesday, December 01, 2015

BUY (TP:RM4.60)

Current Price (RM)	RM3.90
New Fair Value (RM)	RM4.60
Previous Fair Value (RM)	RM4.84
Previous Recommend.	BUY
Upside To Fair Value	18%
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)	6,014	
YTD Chg In Share Price	-4.18%	
Beta (x)	0.58	
52-week Hi/Lo (RM)	RM4.29	RM3.70
3M Average Volume (shrs)	0.48 mil	
Estimated Free Float	25.8%	

Major Shareholders

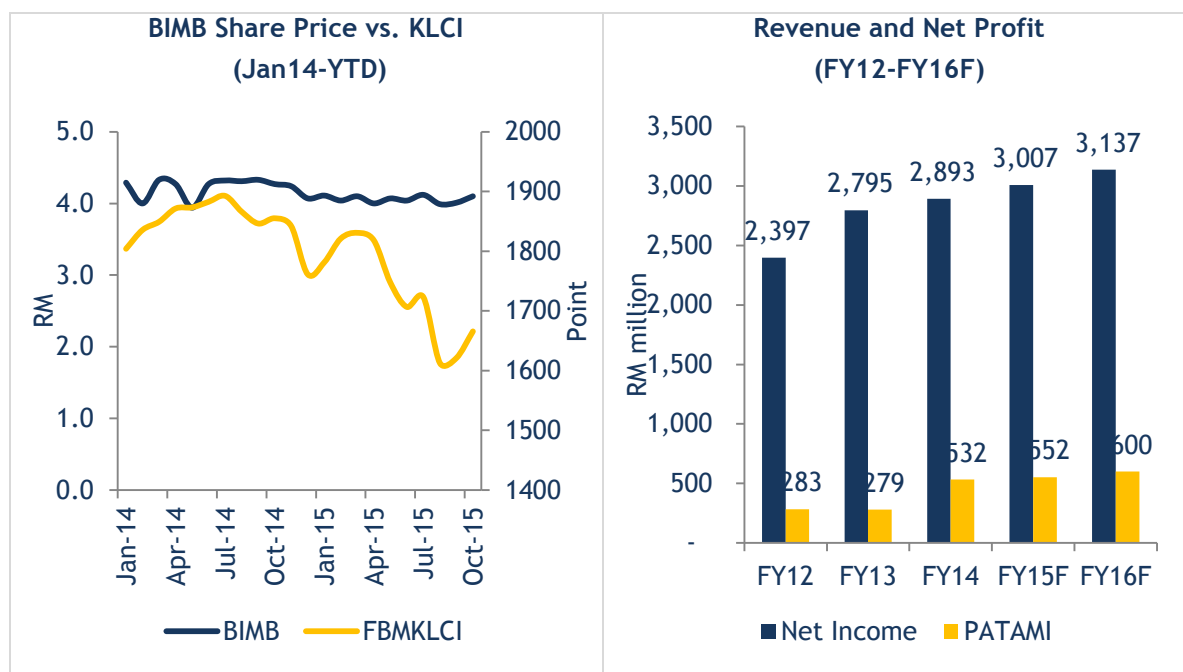
Lembaga Tabung Haji	55.9%
EPF	10.7%
KWAP	6.2%

- **Financing growth back to usual show.** BIMB gross financing growth surged back to double digit, reaching 17.2% y-o-y or 9.2% YTD with 3Q15 was the main contributor, rising 3.6% q-o-q. Retail segment continued to be BIMB bread and butter with mortgage financing growing by 28.1% y-o-y to RM10.8 billion followed by personal financing by 11.8% y-o-y. Additionally, financing to corporate sectors were seen evolving in line with management guidance to move from dependency of personal financing.
- **Deposit still weak.** Despite rising in 9M15 by 4.8% y-o-y, deposit weakened by 8.2% q-o-q with savings deposit declined by 10.8% q-o-q, as well as demand deposits by 0.5% q-o-q. Nevertheless, Bank Islam maintained its liquid position as CASA composition was still healthy at 35.4% vs. 33.8% in 2Q15 while financing to deposit touched 82.8% vs. 73.8% in 2Q15.
- **Cost-to-income improving vastly.** At group level, cost-to-income ratio (CIR) improved vastly to 49.5% vs. 53% in 6M15 as total income increased 5% y-o-y at the back of flat opex.
- **Outlook.** We were surprised with BIMB's double digit financing growth on the back of weak private consumption. However, management strategy to shift into corporate financing likely beneficial in the longer term and we believe the 15% financing growth target is achievable. 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.
- **Change in earnings forecast.** No change to our forecast as 3Q15 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.
- **Valuation & recommendation.** We maintain our **BUY** recommendation at lower target price of RM4.60 as we incorporate P/BV 0.5-standard deviation of 2.6x. Rating 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	3.58	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	4.00	Hold
AMMB	Mac	4.59	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	5.10	Hold
BIMB	Dec	3.90	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.60	Buy
CIMB	Dec	4.50	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	4.90	Hold
Maybank	Dec	8.32	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	9.92	Buy
RHB Cap	Dec	5.56	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	6.15	Hold
Public Bank	Dec	18.38	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	19.14	Hold
Affin	Dec	2.38	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.55	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	3.70	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



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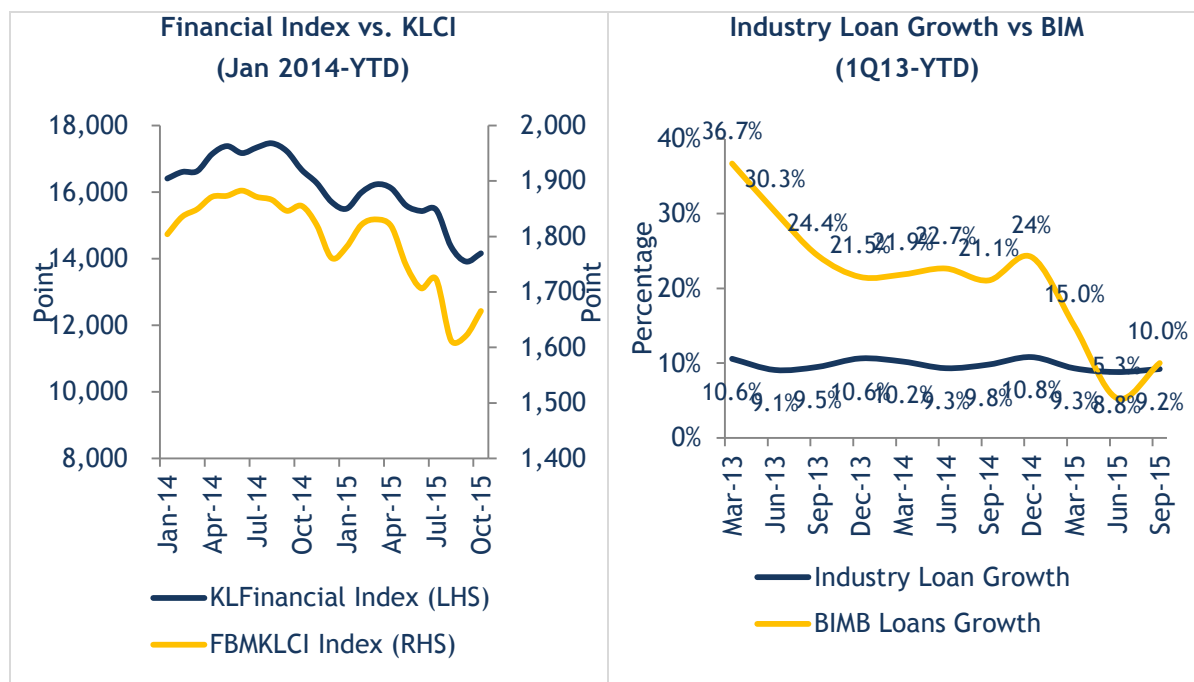


Table 2: Operational Ratio

Y/E: Dec (RM'mil)	FY12	FY13	FY14	9M15
Asset Quality				
Gross Impairment	1.55%	1.18%	1.14%	1.13%
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%	49.5%
Lending and Deposits				
Financing Growth		21.5%	24%	17.2%
Deposits Growth		15.7%	6.6%	8.2%
Financing to Deposits	61.6%	65.7%	72.6%	82.8%
Margin				
Net Interest Margin	2.57%	2.9%	2.7%	2.85%
Capital Strength				
CET1	Nil	13%	12.2%	12.2%
Tier1	Nil	13%	12.2%	12.2%
Total capital	Nil	14%	13.4%	14.2%

Table 2: Results Analysis

YE: Dec (RM million)	3Q15	2Q14	3Q15	y-o-y	q-o-q	9M15	9M14	y-o-y
Income from depositors fund	552	559	525	5%	-1%	1,653	1,500	10%
Income from shareholder funds	111	106	99	12%	5%	319	305	5%
Net income from takaful business	139	151	120	16%	-7%	454	401	13%
Allowance for impairment	5	-26	-23	-123%	-121%	-51	-56	-10%
Reversal of impairment	0	0	0	0%	0%	0	1	0%
Direct expenses	-6	-6	-4	33%	0%	-18	-13	39%
Total distributable income	802	784	717	12%	2%	2358	2138	10%
Income attributable to depositors	-255	-257	-215	19%	0%	-755	-610	24%
Total net income	547	527	502	9%	4%	1603	1528	5%
Personnel expenses	-159	-137	-152	5%	16%	-447	-448	0%
Other overhead expenses	-162	-159	-138	17%	1%	-461	-433	7%
Operating profit	226	231	211	7%	-2%	695	646	7%
Finance cost	-22	-21	-17	30%	5%	-61	-51	19%
Result of associate company	0	0	0	0%	0%	0	0	0%
PBT	204	210	194	5%	-3%	634	596	6%
Zakat	-3	-3	-3	19%	-3%	-10	-8	20%
Tax expense	-66	-60	-53	26%	10%	-190	-164	16%
PAT	135	147	139	-3%	-8%	434	424	3%
MI	-15	-17	-14	8%	-11%	-49	-45	9%
PATAMI	120	130	125	-4%	-8%	385	378	2%
EPS	7.8	8.4	8.1			25.0	24.5	2%

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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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