

31 May 2018 | 1QFY18 Results Review

## BIMB Holdings Bhd

*Maintaining earnings growth trajectory*

**Maintain BUY**

**Adjusted Target Price (TP): RM5.15  
(from RM5.00)**

### INVESTMENT HIGHLIGHTS

- **Results were within ours and consensus' expectations**
- **Bank Islam and Takaful Malaysia continue to post strong results**
- **House financing led asset growth**
- **Slight uptick in GIF ratio but asset quality remained healthy**
- **No change to earnings forecast**
- **We maintain our BUY recommendation with an adjusted TP of RM5.15 (from RM5.00)**

**Results were as expected.** The Group net profit for 1QFY18 came in within ours and consensus' expectations. Its PAZTAMI of RM172.1m was 25.7% and 26.2% of respective full year estimates.

**Bank Islam and Takaful Malaysia posted strong results.** Bank Islam Group's PBZT grew +7.9%yoy to RM207.2m. It was supported by the strong operating results at Bank Islam which grew +14.7%yoy to RM241.2m. This was despite higher provisions of RM21.2m (from RM8.8m in 1QFY17). Meanwhile, Takaful Malaysia Group saw its PBZT rising +18.2%yoy to RM85.8m on higher Wakalah fee income.


**Housing financing led gross financing growth.** Gross financing grew robustly at +6.7%yoy to RM43.1b. This was mainly contributed by house financing growth of +14.2%yoy to RM16.6b.

**Slight uptick in GIF ratio.** Gross impaired financing ratio went up by +6bps qoq to 0.99%. Corporate and commercial segment was the main cause for the slight deterioration in asset quality. The GIF ratio for this segment went up by +21bps qoq to 1.91%.

**Deposits growth still supporting asset growth.** Total deposits rose +7.8%yoy to RM46.6b.

**Impact on earnings.** We maintain our estimates as the result was within expectations.

**Earnings growth trajectory seems to be sustainable.** We continue to like the Group given that it had been able to maintain its earnings growth trajectory. Bank Islam continues to gain strong momentum in terms of asset growth, while keeping a solid asset quality. In addition, Takaful Malaysia seems to be able to solidify its position as the leading Shariah compliant insurance provider.

**Recommendation.** We are maintaining our BUY call for the stock. We are adjusting our TP to RM5.15 (from RM5.00) as we roll over our valuation to FY19. Our TP is based on pegging our FY19 BVPS to 1.6x PBV. 

RETURN STATS	
Price (30 May 2018)	RM3.86
Target Price	RM5.15
Expected Share Price Return	+33.4%
Expected Dividend Yield	+3.9%
<b>Expected Total Return</b>	<b>+37.3%</b>

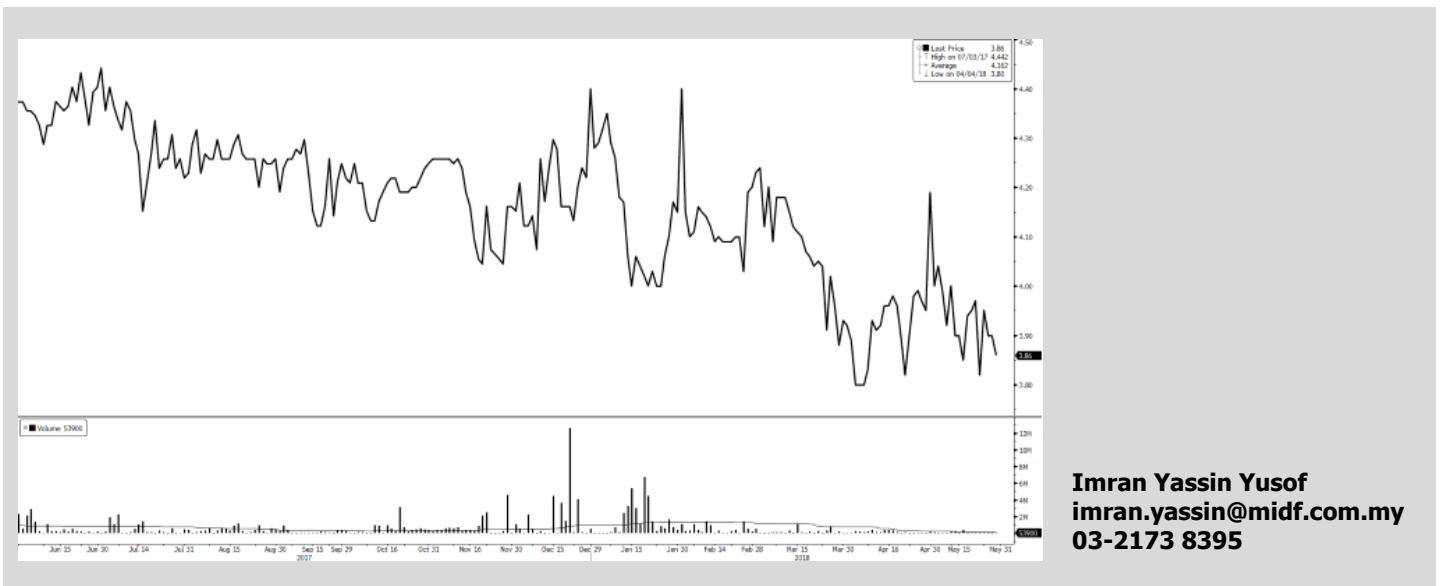
STOCK INFO	
KLCI	1,719.28
Bursa / Bloomberg	5258 / BIMB MK
Board / Sector	Main / Finance
Syariah Compliant	Yes
Issued shares (mil)	1,693.6
Market cap. (RM'm)	6,537.2
Price over NA	1.4x
52-wk price Range	RM3.76 – RM4.61
Beta (against KLCI)	0.59x
3-mth Avg Daily Vol	0.16m
3-mth Avg Daily Value	RM0.65m
Major Shareholders (%)	
LTH	53.47
EPF	12.74
PNB	5.83
ASB	5.75

## INVESTMENT STATISTICS

FYE Dec	FY16	FY17	FY18F	FY19F
Total distributable income (RM'm)	3,410.7	3,716.0	3,828.3	4,053.1
Total net income (RM'm)	2,327.9	2,528.7	2,666.8	2,727.2
Operating profit (RM'm)	979.7	1,063.7	1,129.5	1,151.4
PBT (RM'm)	869.2	948.3	1,015.7	1,040.5
<b>PAZTAMI (RM'm)</b>	<b>559.0</b>	<b>619.8</b>	<b>671.0</b>	<b>687.3</b>
EPS (sen)	35.2	37.9	42.2	43.3
EPS growth (%)	-0.8	7.5	11.4	2.4
PER (x)	11.0	10.2	9.4	9.2
Net dividend (sen)	13.0	14.0	15.0	16.0
Dividend yield (%)	3.4	3.6	3.9	4.1
BV (RM)	2.44	2.77	2.96	3.22
PBV (x)	1.6	1.4	1.3	1.2
ROE (%)	14.4	13.7	13.9	13.0

Forecast by MIDFR

## DAILY PRICE CHART



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Source: Bloomberg, MIDFR

## 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results				
	1Q18	4Q17	1Q17	YoY	QoQ
Income from depositors' funds	612.6	574.6	565.8	8.3%	6.6%
Income from investment account funds	58.7	60.2	52.4	12.0%	-2.4%
Income from shareholders' funds	110.0	129.5	103.6	6.2%	-15.1%
Net income from Takaful business	218.1	181.3	197.1	10.6%	20.3%
Reversal of/(allowance for) impairment	(21.1)	5.4	(8.8)	139.8%	-488.8%
Direct expenses	(4.5)	(4.2)	(5.2)	-14.8%	6.6%
<b>Total distributable income</b>	<b>973.8</b>	<b>946.9</b>	<b>904.9</b>	<b>7.6%</b>	<b>2.8%</b>
Wakalah fees from RIA	-	0.4	0.7	-100.0%	-100.0%
Income attributable to depositors	(294.9)	(273.9)	(271.4)	8.7%	7.7%
Income attributable to investment account	(19.8)	(22.4)	(20.9)	-5.4%	-11.9%
<b>Total net income</b>	<b>659.2</b>	<b>650.9</b>	<b>613.4</b>	<b>7.5%</b>	<b>1.3%</b>
Personal expenses	(173.3)	(200.8)	(162.8)	6.5%	-13.7%
Other overhead expenses	(179.5)	(203.4)	(176.2)	1.9%	-11.7%
Finance cost	(32.7)	(30.7)	(28.2)	16.0%	6.4%
<b>Profit before tax and zakat</b>	<b>273.6</b>	<b>216.1</b>	<b>246.2</b>	<b>11.1%</b>	<b>26.6%</b>
Zakat	(3.9)	(6.4)	(2.6)	50.8%	-38.0%
Taxation	(69.1)	(36.4)	(69.7)	-0.9%	90.0%
<b>PAZTAMI</b>	<b>172.1</b>	<b>149.6</b>	<b>151.1</b>	<b>13.9%</b>	<b>15.0%</b>
EPS (sen)	10.3	9.1	9.3	10.1%	12.3%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	<i>Negative</i> total return is expected, by -10% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.