

28 August 2018 | 2QFY18 Results Review

BIMB Holdings Bhd

Solid and stable NIM on right product mix

Maintain BUY

Unchanged Target Price (TP): RM5.15

INVESTMENT HIGHLIGHTS

- In line with ours and consensus' expectations.
- The Group continue to be supported by Bank Islam and Syarikat Takaful.
- Gross financing growth led by consumer segment with personal loans gaining in contribution.
- Asset quality remained healthy.
- No change to earnings forecasts.
- We maintain our BUY with unchanged TP of RM5.15.

In line with expectations. For 1HFY18, the Group net profit was in line with ours and consensus' expectations. Its PAZTAMI was 48.0% and 50.7% of respective full year estimates. Main driver for the +12.3%yoy earnings growth was the +6.5%yoy expansion in total net income.

Bank Islam and Takaful Malaysia posted strong results. Bank Islam Group posted 1HFY18 PBZT of RM399.6m, which was a growth of +8.9%yoy. This was due to the +10.0%yoy to RM462.3m growth in operating result of Bank Islam. Meanwhile provisions were manageable as it grew to +6.8%yoy to RM35.9m. For Takaful Malaysia Group, its PBZT rose +11.0%yoy to RM146.4m on higher operating revenue.

Income supported by uptrend in NIM. Bank Islam Group saw its NIM improved +8bps(yoy) to 2.65%. This was due to the impact in OPR hike and realignment of product and funding mix. For example, personal financing segment grew at faster pace than house financing; +11.4%yoy to RM13.1b vs. +11.2%yoy to RM17.8b. Overall gross financing grew +6.8%yoy to RM43.2b led by consumer segment, which grew +10.5%yoy to RM33.5b. Corporate segment fell -17.4%yoy to RM4.1b but this was due to a repayment. Management expects that financing growth in the corporate segment will recover based on available pipelines, boosting overall financing growth for FY18.

GIF ratio improved from last year but sequential quarter uptick. Gross impaired financing ratio as at 2QFY18 fell -5bps(yoy) to 0.97% but went up +4bps(qoq). This was due to one particular corporate account in the construction sector. However, the management is expecting GIF to inch up to between 1% and 1.1%. In other words, asset quality to remain stable with very minor deterioration to take into account the uncertain economic outlook.


Less pressure to fight for deposits. Total deposits rose +3.5%yoy to RM49.9b, contributed by the strong growth in CASA and transactional investment account (IA) which expanded +11.4%yoy to RM17.0b. Meanwhile, CASA grew +8.5%yoy to RM14.7b vs. non CASA growth of +2.8%yoy to RM30.1b. This highlighted the NIM improvement.

RETURN STATS	
Price (27 August 2018)	RM3.88
Target Price	RM5.15
Expected Share Price Return	+32.7%
Expected Dividend Yield	+3.9%
Expected Total Return	+36.6%

STOCK INFO	
KLCI	1,811.60
Bursa / Bloomberg	5258 / BIMB MK
Board / Sector	Main / Finance
Syariah Compliant	Yes
Issued shares (mil)	1,693.6
Market cap. (RM'm)	6,571.0
Price over NA	1.4x
52-wk price Range	RM3.72 – RM4.46
Beta (against KLCI)	0.66x
3-mth Avg Daily Vol	0.16m
3-mth Avg Daily Value	RM0.65m
Major Shareholders (%)	
LTH	53.47
EPF	12.75
ASB	5.75
PNB	5.69
KWAP	2.25

Impact on earnings. We make no change to our earnings forecasts as the results were within expectations.

No change to optimism on the Group. We reiterate our optimism on the prospect of the Group. We like the Group for its healthy asset quality and the robustness of its operations. In our opinion, its conservatism may slightly limit its earnings potential, but it had also restricted any possible downside risk. We also believe that the Group should present an attractive investment case for investors looking to have exposure in the financial sector but has Shariah compliance is a criterion. In addition, Takaful Malaysia seems to be able to solidify its position as the leading Shariah compliant insurance provider.

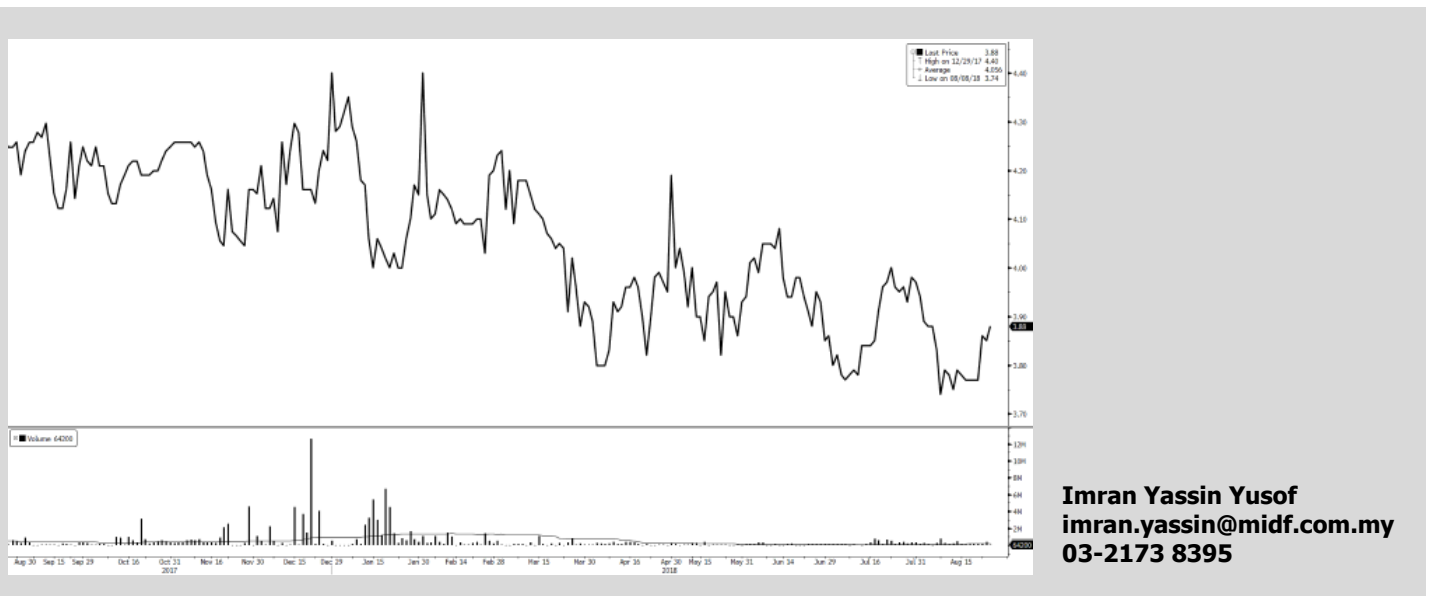
Recommendation. We are maintaining our BUY call for the stock with unchanged TP of RM5.15. Our TP is based on pegging our FY19 BVPS to 1.6x PBV. 

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
PAZTAMI (RM'm)	559.0	619.8	671.0	687.3
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	9.5	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				
	2Q18	1Q18	2Q17	YoY	QoQ
Income from depositors' funds	623.7	612.6	605.8	3.0%	1.8%
Income from investment account funds	59.2	58.7	63.2	-6.3%	0.8%
Income from shareholders' funds	126.5	110.0	103.1	22.7%	15.0%
Net income from Takaful business	182.4	218.1	169.8	7.4%	-16.3%
Reversal of/(allowance for) impairment	(14.8)	(21.1)	(25.1)	-41.1%	-29.9%
Direct expenses	(4.6)	(4.5)	(4.6)	-0.5%	2.8%
Total distributable income	972.5	973.8	912.2	6.6%	-0.1%
Wakalah fees from RIA	0.3	-	1.3	-74.2%	>100%
Income attributable to depositors	(309.4)	(294.9)	(276.3)	12.0%	4.9%
Income attributable to investment account	(19.3)	(19.8)	(26.8)	-28.1%	-2.4%
Total net income	644.1	659.2	610.4	5.5%	-2.3%
Personal expenses	(186.1)	(173.3)	(187.6)	-0.8%	7.4%
Other overhead expenses	(188.0)	(179.5)	(179.3)	4.9%	4.7%
Finance cost	(32.7)	(32.7)	(28.2)	15.8%	0.1%
Profit before tax and zakat	237.3	273.6	215.2	10.3%	-13.3%
Zakat	(4.0)	(3.9)	(2.5)	57.9%	1.1%
Taxation	(62.9)	(69.1)	(59.2)	6.3%	-8.9%
PAZTAMI	149.9	172.1	135.7	10.5%	-12.9%
EPS (sen)	8.9	10.3	8.3	6.9%	-13.7%

Source: Company, MIDFR

CUMMULATIVE QUARTER RESULT SUMMARY

FYE Dec (RM'm)	Quarterly Results		
	1HFY18	1HFY17	YoY
Income from depositors' funds	1,236.3	1,170.4	5.6%
Income from investment account funds	117.9	115.6	2.0%
Income from shareholders' funds	236.5	207.9	13.7%
Net income from Takaful business	400.5	366.9	9.1%
Reversal of/(allowance for) impairment	(35.8)	(33.8)	5.9%
Direct expenses	(9.1)	(9.9)	-8.1%
Total distributable income	1,946.3	1,817.1	7.1%
Wakalah fees from RIA	0.3	2.0	-83.4%
Income attributable to depositors	(604.3)	(547.7)	10.3%
Income attributable to investment account	(39.0)	(47.7)	-18.2%
Total net income	1,303.3	1,223.7	6.5%
Personal expenses	(359.4)	(350.4)	2.6%
Other overhead expenses	(367.6)	(355.5)	3.4%
Finance cost	(65.3)	(56.4)	15.9%
Profit before tax and zakat	510.9	461.4	10.7%
Zakat	(7.9)	(5.1)	54.3%
Taxation	(132.0)	(128.9)	2.4%
PAZTAMI	322.0	286.8	12.3%
EPS (sen)	19.1	17.6	8.5%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO ROMMENDATIONS

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.