

01 March 2018 | 4QFY17 Results Review

BIMB Holdings Bhd

Robust growth in Bank Islam and Takaful Malaysia

Maintain BUY

Unchanged Target Price (TP): RM5.03

INVESTMENT HIGHLIGHTS

- **PAZTAMI within ours and consensus' expectations**
- **Robust growth from Bank Islam and Takaful Malaysia**
- **Deposits growth supported asset growth**
- **Asset quality remained healthy**
- **No change to earnings forecast**
- **We maintain our BUY recommendation with an unchanged TP of RM5.03**

Within expectations. The Group earnings for FY17 was within ours and consensus' expectations. It was 100% and 101% of respective full year estimates.


Robust growth for Bank Islam and Takaful Malaysia. Bank Islam Group recorded PBZT growth of +6.5%yoy to RM767.1m. This was due to strong growth in financing at +7.5%yoy to RM42.1. Meanwhile, Takaful Malaysia PBZT grew more robustly at +14.8%yoy to RM253.7m on higher net Wakalah fee income arising from the robust business growth in the General Takaful business.

Asset quality resilient. Gross impaired financing ratio improved by -5bps yoy to 0.93% as at 4QFY17. This came in despite the financing growth. Meanwhile, Bank Islam's financing loss coverage ratio stood at 160.0% vs. the industry average of 82.9%.

Deposits growth supported the asset growth. Total deposits rose by RM0.3b to RM46.2b. Investment account went up by RM0.4b to RM4.3b. CASA and transactional investment account ratio as at 4QFY17 was 34.6% vs. 31.5% as at 4QFY16.

Moving forward, the strategic focus of the Group is the 3D, namely (i) Deposit Drive, (ii) Defensive Strategy and (iii) Digitalisation. The Group will be cautious with its assets growth and Deposit Drive. We believe this is the right move at current juncture. We like the fact that management are being prudent despite its solid asset quality amongst the industry.

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

Recommendation. We are maintaining our TP at RM5.03 based on pegging our FY18 BVPS to 1.7x PBV. We continue to like the Group for its healthy asset quality and the robustness of its operations. Moving ahead with digital will also ensure sustainability. We maintain our BUY call. 

RETURN STATS	
Price (28 February 2018)	RM4.20
Target Price	RM5.03
Expected Share Price Return	+19.0%
Expected Dividend Yield	+3.7%
Expected Total Return	+22.7%

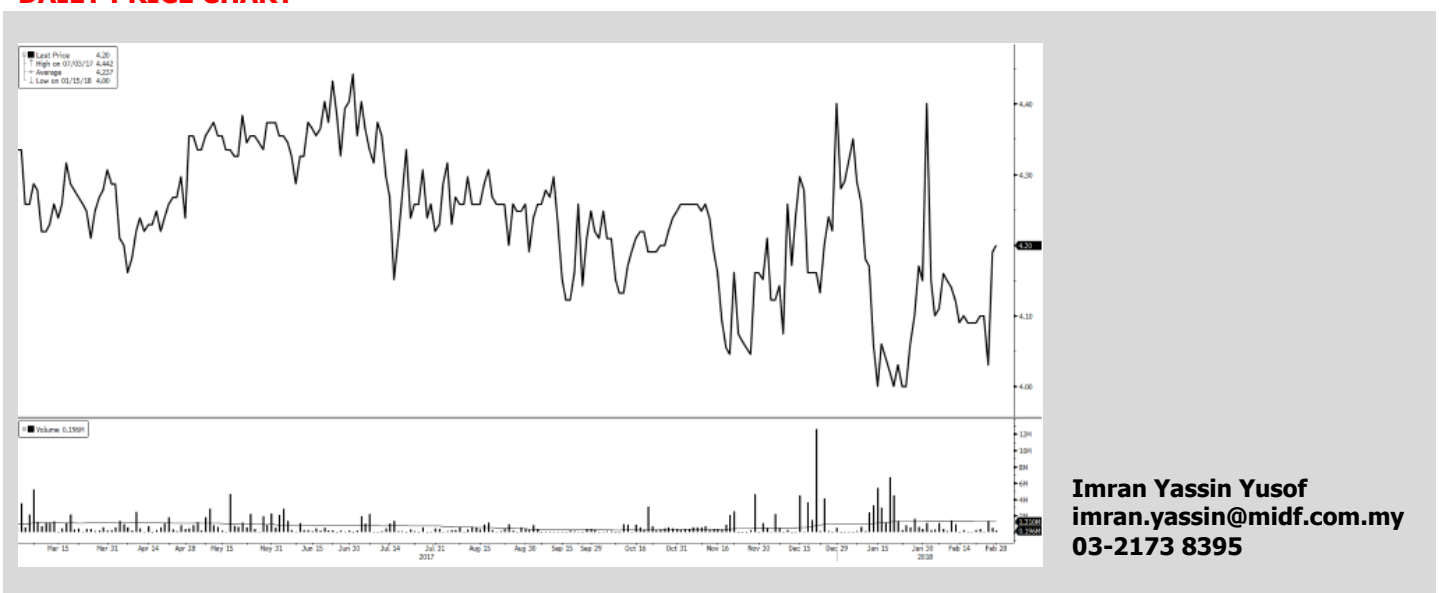
STOCK INFO	
KLCI	1,856.20
Bursa / Bloomberg	5258 / BIMB MK
Board / Sector	Main / Finance
Syariah Compliant	Yes
Issued shares (mil)	1,693.6
Market cap. (RM'm)	7,113.0
Price over NA	1.8x
52-wk price Range	RM3.98 – RM4.61
Beta (against KLCI)	0.65x
3-mth Avg Daily Vol	1.31m
3-mth Avg Daily Value	RM5.48m
Major Shareholders (%)	
LTH	53.47
EPF	12.69
PNB	5.83
ASB	5.68

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)	11.9	11.1	9.9	9.7
Net dividend (sen)	13.0	14.0	15.5	16.5
Dividend yield (%)	3.1	3.4	3.7	3.9
BV (RM)	2.44	2.77	2.96	3.22
PBV (x)	1.7	1.6	1.4	1.3
ROE (%)	14.4	14.4	14.1	13.1

Source: Company, MIDFR

DAILY PRICE CHART



Source: Bloomberg, MIDFR

4QFY17 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results				
	4Q17	3Q17	4Q16	YoY	QoQ
Income from depositors' funds	574.6	579.2	576.7	-0.4%	-0.8%
Income from investment account funds	60.2	61.4	44.3	35.9%	-2.0%
Income from shareholders' funds	129.5	100.0	93.2	39.0%	29.5%
Net income from Takaful business	181.3	172.0	164.8	10.0%	5.4%
Reversal of/(allowance for) impairment	5.4	43.8	(4.4)	-223.9%	-87.6%
Direct expenses	(4.2)	(4.4)	(5.1)	-17.3%	-4.8%
Total distributable income	946.9	951.9	869.5	8.9%	-0.5%
Wakalah fees from RIA	0.4	0.2	1.4	-73.5%	91.0%
Income attributable to depositors	(273.9)	(272.8)	(265.5)	3.2%	0.4%
Income attributable to investment account	(22.4)	(25.3)	(16.1)	39.3%	-11.3%
Total net income	650.9	654.0	589.3	10.5%	-0.5%
Personal expenses	(200.8)	(178.5)	(167.4)	20.0%	12.5%
Other overhead expenses	(203.4)	(176.3)	(192.1)	5.9%	15.4%
Finance cost	(30.7)	(28.3)	(25.8)	19.0%	8.4%
Profit before tax and zakat	216.1	270.8	204.1	5.9%	-20.2%
Zakat	(6.4)	(3.0)	(6.1)	4.1%	111.8%
Taxation	(36.4)	(65.0)	(42.4)	-14.2%	-44.1%
PAZTAMI	149.6	183.4	139.5	7.3%	-18.4%
EPS (sen)	9.1	11.2	8.8	4.1%	-18.4%

Source: Company, MIDFR

CUMMULATIVE QUARTER RESULT SUMMARY

FYE Dec (RM'm)	Quarterly Results		
	FY17	FY16	YoY
Income from depositors' funds	2,324.2	2,342.2	-0.8%
Income from investment account funds	237.2	102.3	131.9%
Income from shareholders' funds	437.4	401.2	9.0%
Net income from Takaful business	720.2	677.2	6.4%
Reversal of/(allowance for) impairment	15.4	(91.8)	-116.8%
Direct expenses	(18.4)	(20.4)	-9.6%
Total distributable income	3,716.0	3,410.7	8.9%
Wakalah fees from RIA	2.6	5.3	-51.3%
Income attributable to depositors	(1,094.4)	(1,061.4)	3.1%
Income attributable to investment account	(95.4)	(26.8)	256.5%
Total net income	2,528.7	2,327.9	8.6%
Personal expenses	(729.8)	(673.8)	8.3%
Other overhead expenses	(735.2)	(674.4)	9.0%
Finance cost	(115.4)	(110.5)	4.4%
Profit before tax and zakat	948.3	(869.2)	-209.1%
Zakat	(14.5)	(13.5)	7.0%
Taxation	(230.2)	(226.0)	1.9%
PAZTAMI	619.8	559.0	10.9%
EPS (sen)	37.9	35.3	7.6%

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.