

02 December 2019

BIMB Holdings

Strong Financing in Q3

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9MFY19 results accounted for 83%/81% of our/consensus estimates but we deemed it in line as the positive variance coming from stronger financing (3Q). Forward Earnings unchanged (as we expect a moderate Quarter); hence, TP of RM4.80 and OUTPERFORM call are maintained.

In Line. 9M19 CNP of RM606m accountings for 83%/81% of our/consensus estimates. The positive deviation is attributed to higher financing growth (+9% vs. guidance estimate of +7%) coupled with a stable Net Financing Margin (NFM). A DPS of 16.0 sen was declared (in line).

Loans expansion driven by Households. YoY, 9MFY19 CNP (+16%) was driven by a strong top-line (+14% to RM2,389m) but offset by steeper opex and higher impairment allowances (+11% and +40%, respectively, to RM1,257m and RM87m). As usual, Takaful income was the main revenue driver (+31%) contributing 34% of top-line. Higher loans growth at 9% (above guidance/expectation) with stable NFM (due to revision of its base financing rate by 13bps in Dec 2018 mitigated the impact of the May 2019 OPR cut) which saw income from investment of depositors' funds growing at +>9%. Accommodative interest rates pushed consumer financing (+7%) followed by Commercial (+3%) and Corporate (+34% to RM6b). Mortgage and PF continued to be resilient at +9% and +7%, respectively. Asset quality saw GIL stronger by 14bps to 1.11%; uptick mostly coming from commercial but Household was stable at 0.5%. The higher impairments saw higher credit charge of 24bps (vs. guidance estimation of 19/20bps). On a positive note, credit recovery continued to be resilient at 22bps, offsetting gross credit charge.

QoQ, 3QFY19 CNP expanded (+7%) as top-line rebounded (+5%) to RM810m offset by higher opex (+5%) and impairments (+15%). Top-line rebounded as Takaful income rebounded 13% as well as income from investment of depositors' funds at +>2% (underpinned by strong loans – 310bps to +4% - strongest ever since 1QFY18) and lower NFM compression (1bps vs 2Q19: 8bps on deposits re-pricing). Mortgage, PF and Commercial/Corporate financing was at +2%, +3% and +13%, respectively. GIL saw a 8bps improvement to 1.11% mostly coming from commercial and Households

Loan target maintained. It is not surprising to see the improvement in financing coming in 3Q as we had expected it to be aggressive in the loan space with its 50/50 split in contribution from HH/PF recalibrated to 60/40 in light of the economic uncertainties. Mitigating NFM compression from the competitive asset pricing will come from further build-up in CASA and IA as competition from FDs is nullified with NSFR already complied. We resist in changing our financing assumptions as we expect management to maintain its loan target growth of 7-8% on account of maintaining asset quality. No change on Takaful's contribution as we expect its 4QFY19 to be softer.

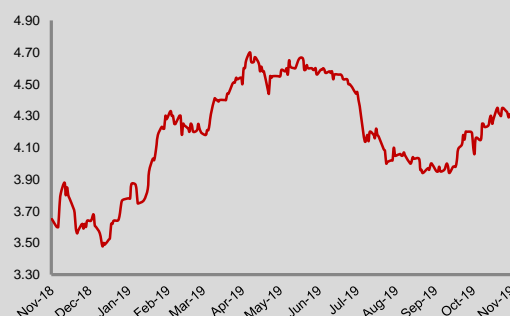
No change in our FY19E/FY20E assumptions; (i) NFM at -5/-2 bps, (ii) financing at +7%/+8%, (iii) CIR at 55%/53%, and (iv) credit costs at 20/19 bps. Maintain earnings estimates at RM734m/RM834m for FY19/FY20.

TP maintained with undemanding valuations. We maintained TP at RM4.80, ascribing an unchanged FY20E target PBV of 1.5x implying 0.5SD below mean). We feel this is justified given that the stock has been trading around 0.5SD-1.5SD below mean in the last 12 months on risk concerns from post-restructuring. We do not feel that asset quality is a concern as the bank have always been prudent and selective in financing growth; hence, the lower target ratio from the high single digits and low teens seen in previous years. Valuations are undemanding, reiterate **OUTPERFORM**.

OUTPERFORM ↔

Price : RM4.16
Target Price : RM4.80 ↔

Share Price Performance



KLCI	1,561.74
YTD KLCI chg	-7.6%
YTD stock price chg	16.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BIMB MK Equity
Market Cap (RM m)	7,339.4
Shares Outstanding	1,764.3
52-week range (H)	4.75
52-week range (L)	3.46
3-mth avg daily vol:	733,567
Free Float	11%
Beta	0.8

Major Shareholders

Lembaga Tabung Haji	53.8%
Employees Provident Fund	12.5%
Skim Amanah Saham Bumiputera	6.8%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Net Financing Inc.	1,486	1,560	1,643
Non-Financing Inc.	1,357	1,566	1,682
Total Income	2,843	3,126	3,324
PBT	1,065	1,165	1,323
Net Profit (NP)	682.0	734.3	833.7
Consensus NP		752.1	807.6
Earnings Revision (%)			
EPS (sen)	38.9	40.3	43.9
EPS growth (%)	(6.9)	3.6	8.9
DPS (sen)	15.5	16.1	17.6
BV/Share (RM)	2.87	3.01	3.15
NTA/share (RM)	2.81	2.95	3.10
ROE (%)	14.3	14.0	14.5
PER (x)	10.7	10.3	9.5
Price/NTA (x)	1.5	1.4	1.3
Price/Book (x)	1.5	1.4	1.3
Dividend Yield (%)	3.7	3.9	4.2

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Other Salient points

Downside risks to our call are: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans and deposits growth, and (iii) worse-than-expected deterioration in asset quality.

Results Highlight								
Y/E : 31-Dec. (RM m)	3Q19	2Q19	QoQ Chg.	3Q18	YoY Chg.	9M19	9M18	YoY Chg.
Income From Investment of Depositors' & Shareholders' Fund	527.3	522.7	0.9%	521.3	1.2%	1,566.1	1,468.6	6.6%
- Net Income from investment of depositors' fund	409.0	400.1	2.2%	397.7	2.9%	1,213.6	1,108.5	9.5%
- Income from investment of shareholders' fund	118.3	122.6	-3.5%	123.6	-4.3%	352.5	360.1	-2.1%
Net income from Takaful business	283.1	250.9	12.8%	227.1	24.6%	822.7	627.7	31.1%
Total Income	810.4	773.6	4.8%	748.4	8.3%	2,388.8	2,096.2	14.0%
Operating Expenses	(424.1)	(403.7)	5.0%	(393.2)	7.9%	(1,256.7)	(1,129.2)	11.3%
(Allowances)/write-backs	(34.1)	(29.6)	15.0%	(26.1)	30.5%	(86.9)	(62.0)	40.1%
Other (Impairments)/Writebacks	0.2	(5.0)	-103.9%	0.0	6333.3%	(3.9)	0.1	-4519.1%
Operating Profit	352.5	335.4	5.1%	329.1	7.1%	1,041.3	905.0	15.1%
Others	(34.7)	(34.4)	0.9%	(32.8)	5.8%	(102.9)	(97.8)	5.2%
Pre-Tax Profit	317.8	301.0	5.6%	296.3	7.2%	938.4	807.3	16.2%
Tax & Minority Interest	(109.4)	(105.9)	3.4%	(97.7)	12.0%	(332.3)	(286.6)	16.0%
Net Profit	208.4	195.2	6.8%	198.6	4.9%	606.1	520.7	16.4%
EPS (sen)	11.9	11.1	6.5%	11.7	1.1%	34.5	30.7	12.2%
DPS (sen)	16.0	-	#DIV/0!	15.5	3.2%	16.0	15.5	3.2%
Gross Financing, Advances & Others	48,967.4	47,184.2	3.8%	45,034.1	8.7%	48,967.4	45,034.1	8.7%
Net Financing, Advances & Others	48,208.2	46,431.5	3.8%	44,256.5	8.9%	48,208.2	44,256.5	8.9%
Total Customer Deposits	47,542.5	46,681.8	1.8%	45,294.6	5.0%	47,542.5	45,294.6	5.0%
Total Customer Deposits & IA	55,052.4	53,933.4	2.1%	49,497.1	11.2%	55,052.4	49,497.1	11.2%
CASA / Low Cost Deposits	14,340.4	14,148.8	1.4%	13,779.9	4.1%	14,340.4	13,779.9	4.1%
Book value/share (RM)	3.42	3.26	4.8%	3.03	12.8%	3.42	3.03	12.8%
NTA/share (RM)	3.38	3.22	5.0%	2.97	13.6%	3.38	2.97	13.6%
Est. Annualised Net Financing Margin	2.28%	2.29%		2.44%		2.26%	2.26%	
Cost-to-Income Ratio	52.3%	52.2%		52.5%		52.6%	53.9%	
Est. Annualised Credit Charge (Writeback) Ratio	0.29%	0.26%		0.24%		0.24%	0.19%	
Effective Tax Rate	19.9%	24.2%		21.6%		22.8%	25.3%	
G.Financing-to-Deposit Ratio	103.0%	101.1%		99.4%		103.0%	99.4%	
G.Financing-to-Deposit & IA Ratio	88.9%	87.5%		91.0%		88.9%	91.0%	
N.Financing-to-Deposit Ratio	101.4%	99.5%		97.7%		101.4%	97.7%	
% of CASA to Total Customer Deposits	30.2%	30.3%		30.4%		30.2%	30.4%	
Total Allowances-to-Financing	1.55%	1.60%		1.73%		1.55%	1.73%	
Gross Impaired Financing Ratio	1.11%	1.19%		0.97%		1.11%	0.97%	
Financing Loss Coverage	140.2%	134.6%		177.5%		140.2%	177.5%	
Tier 1 Capital	12.2%	10.9%		12.7%		12.2%	12.7%	
Total Capital	16.5%	15.5%		15.6%		16.5%	15.6%	
Est. Annualised ROE	15.0%	14.6%		16.4%		14.6%	14.3%	

Source: Company, Kenanga Research

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
BANKING																	
AFFIN BANK BHD	1.94	3,852.9	N	12/2019	5.7%	3.0%	12.5%	15.0%	7.7	6.8	5.9	0.4	0.4	6.4%	2.8%	2.45	OP
ALLIANCE BANK MALAYSIA BHD	2.70	4,179.9	N	03/2020	5.6%	8.6%	-9.4%	19.0%	8.5	7.8	8.6	0.8	0.7	8.3%	6.2%	3.45	OP
AMMB HOLDINGS BHD	3.99	12,026.6	N	03/2020	10.6%	4.6%	3.0%	1.5%	8.0	7.8	7.6	0.6	0.6	8.1%	5.0%	4.75	OP
BIMB HOLDINGS BHD	4.16	7,339.4	Y	12/2019	10.0%	6.6%	7.7%	13.5%	10.7	10.3	9.5	1.5	1.4	14.0%	3.9%	4.80	OP
CIMB GROUP HOLDINGS BHD	5.18	51,401.0	N	12/2019	4.6%	5.0%	-15.8%	4.1%	8.7	10.7	10.6	0.9	0.9	8.6%	4.4%	6.45	OP
HONG LEONG BANK BERHAD	16.90	36,634.4	N	06/2020	4.1%	5.1%	1.0%	0.6%	13.1	13.0	12.9	1.4	1.4	10.8%	3.0%	17.30	OP
MALAYAN BANKING BHD	8.53	95,888.8	N	12/2019	3.8%	4.3%	-2.2%	4.7%	11.6	11.9	11.4	1.2	1.1	9.7%	6.6%	9.70	OP
MALAYSIA BUILDING SOCIETY	0.84	5,639.3	N	12/2019	-4.2%	4.5%	-17.8%	8.6%	8.4	10.2	9.8	0.7	0.7	6.7%	6.0%	1.10	OP
PUBLIC BANK BERHAD	19.62	76,167.6	N	12/2019	3.9%	5.2%	-0.1%	3.4%	13.6	13.6	13.1	1.8	1.9	13.7%	3.5%	22.10	OP
RHB BANK BHD	5.66	22,696.9	N	12/2019	6.0%	4.8%	4.1%	5.7%	9.8	9.5	8.9	1.0	0.9	9.9%	3.7%	6.05	MP
Simple Average					5.0%	5.2%	-1.7%	7.6%	10.0	10.1	9.8	1.0	1.0	9.6%	4.5%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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