

01 March 2021

# BIMB Holdings Bhd

## FY20 Within Expectations

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**FY20 PATAMI of RM720.2m (-9%) is within estimates. Although, dividends for the year fell short from our expectations. We believe the group is firmly positioned to ride the economic recovery with the pending Covid-19 vaccination. Meanwhile, investors could be keeping a close eye on the restructuring exercise to come. Maintain OP with a higher SoP-driven TP of RM5.25 (from RM4.95).**

**FY20 within expectations.** BIMB's FY20 PATAMI of RM720.2m was within expectations, making up 105%/104% of ours/consensus expectations. A 12.6 sen dividend was declared prior to the results. As the group typically announces dividends once per year, we deem this to be a miss against our 20.5sen expectations.

**YoY**, 12MFY20 total income came in at RM3.30b (+4%) on the back of higher fund-based income (+12%) against softer contributions from the group's Takaful business (-5%). CIR narrowed to 49.3% (-3.3 ppt) on the back of lower overall personnel costs and marketing expenses being withheld amidst movement controls. Stemmed by Covid-19's economic implications, heavier impairments were booked (RM208.7, +c.150%) to shelter against delinquencies with modification losses of RM136.4m being recognised with moratoriums in place. This led to 12MFY20 PATAMI of RM720.2m (-9%). Excluding mod losses, net earnings would have rose to RM856.6m (+9%). During the year, the group saw a surge in its financing books led by Shariah housing and personal financing as appetite for these offerings grew. As financing growth outpaced deposits, est. annualised NIMs sought to improve marginally to 2.28% (+7bps) against OPR cuts, possibly due to fluid repricing.

**QoQ**, 4QFY20 total income fell by 5%, likely underpinned by delinquent accounts as gross impaired financing ratio rose to 0.67% (+7bps). However, the period registered a net writebacks against provisions of RM3.5m (from provisions of RM155.5m in 3QFY20), as quality concerns could have been overdone, possibly with regards to its targeted assistance portfolio. Thanks to this, 4QFY20 PATAMI spiked to RM222.2m (+64%).

**Projecting better times.** We await the upcoming analyst briefing on Monday to obtain FY21 guidance from management. At the meantime, we believe the group is steering ahead to ensure the completion of its corporate restructuring exercise by 1HFY21. Broad estimates have accounted for 2021 to demonstrate strong economic recovery from the lull in 2020 at the face of the Covid-19 pandemic. With the vaccination administration along the way, we believe this could spillover directly into the demand for funds for business and consumption needs.

**Post-results**, we tweak our FY21E earnings by 0.9% as we incorporate model updates. Meanwhile, we also introduce our FY22E numbers.

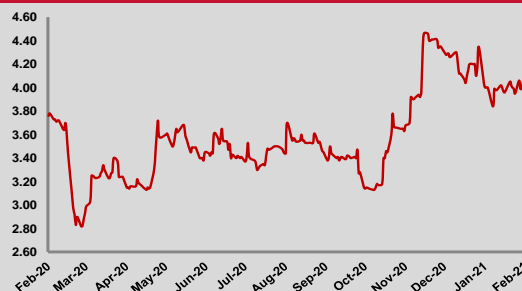
**Maintain OUTPERFORM with a higher SoP-driven TP of RM5.25 (from RM4.95).** Our upgrade coincides with: (i) roll our valuation base year to FY22E for our GGM-derived PBV of 0.9x; and (ii) incorporating our higher TP for TAKAFUL of RM6.00 (from RM5.25) against our applied 0.25x share. While investors might be looking ahead into the group's restructured form with a positioning into TAKAFUL, presently it itself commands commendable ROEs of c.11%. Additionally, as the only listed shariah-compliant bank, the stock could command a scarcity premium in certain investors eyes.

**Risks to our call include:** (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) further slowdown in capital market activities, (v) adverse currency fluctuations, and (vi) delay in restructuring exercise.

# OUTPERFORM ↔

Price : RM4.06  
Target Price : RM5.25 ↑

### Share Price Performance



KLCI	1,577.75
YTD KLCI chg	-3.0%
YTD stock price chg	-4.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BIMB MK Equity
Market Cap (RM m)	7,525.8
Shares Outstanding	1,853.7
52-week range (H)	4.46
52-week range (L)	2.82
3-mth avg daily vol	614,247
Free Float	12%
Beta	0.9

### Major Shareholders

Lembaga Tabung Haji	53.1%
Employees Provident Fund	13.1%
Amanah Saham Nasional	11.2%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Net Financing Inc.	1,810	1,904	1,933
Non-Financing Inc.	1,491	1,648	1,765
<b>Total Income</b>	<b>3,301</b>	<b>3,552</b>	<b>3,697</b>
PBT	1,097	1,164	1,173
<b>Net Profit (NP)</b>	<b>720</b>	<b>764</b>	<b>770</b>
Consensus NP		725	769
Earnings Revision (%)		0.9%	-
EPS (sen)	38.6	40.9	41.2
EPS growth (%)	-11.0	6.1	0.8
DPS (sen)	12.4	14.3	14.4
BV/Share (RM)	3.42	3.69	3.95
NTA/share (RM)	3.39	3.65	3.93
ROE (%)	11.7	11.5	10.8
PER (x)	10.5	9.9	9.8
Price/NTA (x)	1.2	1.1	1.0
Price/Book (x)	1.2	1.1	1.0
Dividend Yield (%)	3.1	3.5	3.6

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Results Highlights								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Income From Investment of Depositors' & Shareholders' Fund	548.7	593.6	-7.6%	531.0	3.3%	2,262.3	2,097.1	7.9%
- Net Income from investment of depositors' fund	435.1	477.4	-8.9%	403.7	7.8%	1,809.7	1,617.3	11.9%
- Income from investment of shareholders' fund	113.6	116.3	-2.3%	127.3	-10.8%	452.5	479.8	-5.7%
Net income from Takaful business	265.1	261.6	1.3%	271.0	-2.2%	1,038.6	1,093.7	-5.0%
<b>Total Income</b>	<b>813.8</b>	<b>855.3</b>	<b>-4.9%</b>	<b>802.0</b>	<b>1.5%</b>	<b>3,300.9</b>	<b>3,190.8</b>	<b>3.5%</b>
Operating Expenses	-414.1	-422.4	-2.0%	-482.2	-14.1%	-1,628.7	-1,677.4	-2.9%
(Allowances)/write-backs	3.5	-155.5	-102.3%	3.2	10.9%	-208.7	-83.7	149.3%
Other (Impairments)/Writebacks	-0.1	-0.1	5.6%	0.2	-132.9%	2.8	-3.8	-173.3%
Modification Loss	-38.6	0.0	N.M.	0.0	N.M.	-136.4	0.0	N.M.
<b>Operating Profit</b>	<b>403.2</b>	<b>277.3</b>	<b>45.4%</b>	<b>323.1</b>	<b>24.8%</b>	<b>1,466.3</b>	<b>1,426.0</b>	<b>2.8%</b>
Others	-100.4	-56.9	76.5%	-56.5	77.6%	-369.0	-221.0	67.0%
<b>Pre-Tax Profit</b>	<b>302.8</b>	<b>220.4</b>	<b>37.4%</b>	<b>266.6</b>	<b>13.6%</b>	<b>1,097.3</b>	<b>1,205.0</b>	<b>-8.9%</b>
Tax & Minority Interest	-80.6	-84.6	-4.7%	-85.7	-6.0%	-377.0	-418.1	-9.8%
<b>Net Profit</b>	<b>222.2</b>	<b>135.8</b>	<b>63.6%</b>	<b>180.9</b>	<b>22.8%</b>	<b>720.2</b>	<b>786.9</b>	<b>-8.5%</b>
EPS (sen)	12.4	7.6	63.4%	10.3	20.5%	40.2	44.7	-10.2%
DPS (sen)	-	12.6		16.0		12.6	16.0	
Gross Financing	55,598.6	54,756.7	1.5%	50,224.0	10.7%	55,598.6	50,224.0	10.7%
Net Financing, Advances & Others	54,670.6	53,838.7	1.5%	49,472.5	10.5%	54,670.6	49,472.5	10.5%
Total Customer Deposits	50,540.3	45,550.8	11.0%	46,752.7	8.1%	50,540.3	46,752.7	8.1%
Total Customer Deposits & IA	62,562.5	57,883.7	8.1%	56,550.3	10.6%	62,562.5	56,550.3	10.6%
CASA / Low Cost Deposits	17,756.8	17,229.3	3.1%	15,614.3	13.7%	17,756.8	15,614.3	13.7%
Book value/share (RM)	3.63	3.64	-0.4%	3.35	8.3%	3.63	3.35	8.3%
NTA/share (RM)	3.52	3.53	-0.3%	3.31	6.3%	3.52	3.31	6.3%
Est. Annualised Net Financing Margin	2.19%	2.47%		2.21%		2.28%	2.21%	
Cost-to-Income Ratio	50.9%	49.4%		60.1%		49.3%	52.6%	
Est. Annualised Credit Charge	-0.03%	1.19%		-0.03%		0.39%	0.17%	
Effective Tax Rate	12.7%	23.1%		20.9%		20.9%	22.4%	
G.Financing-to-Deposit Ratio	110.0%	120.2%		107.4%		110.0%	107.4%	
G.Financing-to-Deposit & IA Ratio	88.9%	94.6%		88.8%		88.9%	88.8%	
N.Financing-to-Deposit Ratio	108.2%	118.2%		105.8%		108.2%	105.8%	
% of CASA-to-Deposits	35.1%	37.8%		33.4%		35.1%	33.4%	
Total Allowances-to-Financing	1.67%	1.68%		1.50%		1.67%	1.50%	
Gross Impaired Financing Ratio	0.67%	0.60%		0.86%		0.67%	0.86%	
Financing Loss Coverage	248.6%	279.1%		173.5%		248.6%	173.5%	
Financing Loss Coverage (+Reg Reserves)	248.6%	279.1%		179.3%		248.6%	179.3%	
CET 1 Capital	13.0%	13.0%		12.7%		13.0%	12.7%	
Total Capital	18.1%	17.5%		16.5%		18.1%	17.1%	
Est. Annualised ROA	1.1%	0.7%		1.0%		1.1%	1.0%	
Est. Annualised ROE	13.9%	8.7%		12.5%		11.3%	13.6%	

Source: Company, Kenanga Research

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## Peer Table 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.	1-Yr. Fwd.			
<b>Stocks Under Coverage</b>																		
AFFIN BANK BHD	1.76	3,660.4	N	12/2021	-2.6%	3.0%	46.1%	9.8%	15.9	10.9	9.9	0.4	0.4	3.5%	2.8%	1.40	UP	
ALLIANCE BANK MALAYSIA BHD	2.65	4,102.5	N	03/2021	2.4%	2.9%	-15.5%	35.1%	9.7	11.4	8.5	0.7	0.7	5.9%	2.4%	2.50	MP	
AMMB HOLDINGS BHD	3.16	9,510.4	N	03/2021	0.3%	4.5%	-27.4%	35.3%	7.1	9.8	7.2	0.5	0.5	5.1%	3.6%	3.70	OP	
BIMB HOLDINGS BHD	4.06	7,525.8	Y	12/2021	7.6%	3.9%	6.1%	0.8%	10.5	9.9	9.8	1.2	1.1	11.5%	3.4%	5.25	OP	
CIMB GROUP HOLDINGS BHD	4.33	42,966.4	N	12/2021	-9.3%	-0.3%	-73.8%	176.0%	9.4	36.0	13.0	0.8	0.8	2.1%	1.1%	3.60	UP	
HONG LEONG BANK BHD	18.00	39,018.9	N	06/2021	14.8%	9.6%	14.3%	6.3%	14.8	12.9	12.2	1.4	1.3	10.1%	2.0%	18.50	MP	
MALAYAN BANKING BHD	8.03	91,654.4	N	12/2022	-4.7%	2.8%	8.8%	19.7%	13.3	12.2	10.2	1.1	1.1	8.7%	7.0%	9.10	OP	
MALAYSIA BUILDING SOCIETY BHD	0.675	4,708.4	N	12/2021	66.6%	3.0%	173.9%	14.4%	17.1	6.2	5.5	0.5	0.5	8.1%	4.4%	0.820	OP	
PUBLIC BANK BHD	4.16	80,748.5	N	12/2021	1.4%	2.3%	15.6%	3.1%	16.6	14.3	13.9	1.7	1.6	11.6%	3.4%	4.55	OP	
RHB BANK BHD	5.42	21,734.4	N	12/2021	-6.6%	-2.6%	-18.1%	16.0%	8.8	10.7	9.2	0.8	0.8	7.7%	3.3%	6.40	OP	
<b>Simple Average</b>					<b>7.0%</b>	<b>2.9%</b>	<b>13.0%</b>	<b>31.6%</b>	<b>12.3</b>	<b>13.4</b>	<b>9.9</b>	<b>0.9</b>	<b>0.9</b>	<b>7.4%</b>	<b>3.3%</b>			

Source: 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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