

BIMB Holdings Bhd

9MFY21 Within Expectations

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Post-restructuring BIMB's 9MFY21 net earnings of RM454.7m (+17%) is within our expectation. We anticipate some softness during the 4Q period as applications for assistance programs could lead to further provisions, similar to its peers. We maintain our **OUTPERFORM** call on the stock for its sole Shariah bank status and fair dividend-to-ROE proposition. However, we reduce our TP to RM3.20 (from RM3.55) as we make model adjustments to reflect a post-restructuring landscape.

9MFY21 within expectations. Presenting its first post-restructuring results, 9MFY21 net profit of RM454.7m is within our expectation, making up 78% of our full-year estimates. Currently, there are no post-restructuring consensus earnings available for comparison. No dividend was declared, as expected.

YoY, 9MFY21 total income was flattish (+1%) with net Islamic income gaining 3% from a higher financing base amidst some normalisation in NIMs (2.89%, -5bps). Meanwhile, investment income narrowed by 3% likely due to the softer trading environment. Operating expenses increased by 5% as higher overall overheads and personnel cost were needed to cater to the reopening of the economy. On the flipside, credit cost eased to our calculated annualised rate of 14bps (-25bps) as lofty pre-emptive bookings were made during the prior year. All in, this led to 9MFY21 net earnings to report in at RM454.7m (+17%).

(QoQ comparison is not available due to the absence of 2QFY21's post-restructuring numbers)

Well contained earnings delivery expected. While there is no engagement with management this time around, we opine that the group is likely to keep its targets for the time being. The previous credit cost guidance of 30-35bps may be a stretch to achieve lest management decides to frontload more provisioning in anticipation of worsening Covid-19 ramifications. The group also had a financing growth target of 7%, which though may seem to need much catching up, we believe that the loans take-up in 4QFY21 may be stronger for more retail spending. In the slightly longer term, the group is likely to draw the full brunt on the one-off Prosperity Tax in FY22 which would cause a sequential earnings decline at our current projections. Still, with a generous dividend payout of c.60%, its yield offerings may still be attractive to safety seeking investors, especially in the Shariah space.

Post results, we tweak our FY21E/FY22E earnings from model updates.

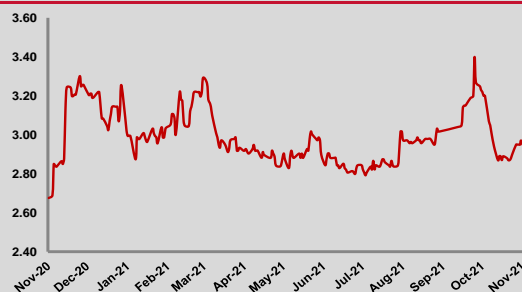
Maintain OUTPERFORM but with a lower TP of RM3.20 (from RM3.55). With the availability of the post-restructuring accounts, we fine tune our books and recalibrate our applied valuation on a constant 5-year mean level. Our TP is premised on a GGM-derived 1.18x FY22E PBV. The stock is expected to stand at high ROE levels relative to its dividend payments. Being the sole Shariah-compliant bank also awards the bank a scarcity premium amongst its peers.

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, (vi) delay in restructuring exercise, and (vii) changes in OPR.

OUTPERFORM ↔

Price : RM2.91
Target Price : RM3.20 ↓

Share Price Performance



Normalised price from restructuring exercise

KLCI	1,510.57
YTD KLCI chg	-7.2%
YTD stock price chg	-8.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BIMB MK Equity
Market Cap (RM m)	6,040.8
Shares Outstanding	2,075.9
52-week range (H)	3.40
52-week range (L)	2.69
3-mth avg daily vol	1,058,029
Free Float	81%
Beta	1.0

Major Shareholders

Employees Provident Fund	12.6%
Amanah Saham Nasional	6.9%
AIA Bhd	2.3%

Summary Earnings Table

FY Dec (RM m)	2020E*	2021E	2022E
Net interest income	1,673	1,677	1,638
Non-interest income	453	430	441
Total income	2,126	2,107	2,078
Operating expenses	-1,212	-1,190	-1,170
Loan impairment	-206	-145	-119
Pre-tax profit	708	772	789
PATAMI	504	579	538
Core PATAMI	504	579	538
Consensus NP		N.A.	N.A.
Earnings revision	0.0%	-0.4%	+1.6%
Core EPS (RM)	0.20	0.23	0.22
EPS growth	0%	15%	-7%
NDPS (RM)	0.13	0.14	0.14
BV/share (RM)	2.5	2.6	2.7
NTA/share (RM)	2.5	2.6	2.7
ROE (%)	8.0	8.9	8.0
PER (x)	14.4	12.5	13.5
P/BV (x)	1.15	1.11	1.08
Net Div. Yield (%)	4.3	4.8	4.7

* Based on our back of envelope calculation

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Results Highlights

	3Q	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY20	Chg	FY21	FY20	Chg
Net Islamic income	396	472	-16.1%	1,293	1,261	2.5%
Investment of shareholders' funds	105	119	-12.1%	332	343	-3.2%
Total income	501	591	-15.3%	1,624	1,603	1.3%
Operating expenses	-307	-298	2.9%	-910	-868	4.9%
Pre-impairment profit	194	293	-33.8%	714	736	-2.9%
(Allowances)/ write-backs	-34	-156	-78.1%	-80	-212	-62.5%
(Allowances)/ write-backs on other assets	-7	0	N.M.	-7	3	-337.8%
Operating profit	153	137	11.3%	628	526	19.3%
Non-operating gains / (losses)	0	0	N.M.	0	0	N.M.
Profit before tax	153	137	11.3%	628	526	19.3%
Taxation	-51	-35	46.0%	-173	-139	25.0%
Minority interest	0	0	N.M.	0	0	N.M.
Net PATAMI	102	102	-0.6%	455	388	17.3%
Core PATAMI	102	102	-0.6%	455	388	17.3%
Gross financing	56,911	54,757	3.9%	56,911	54,757	3.9%
Gross impaired loans	387	329	17.5%	387	329	17.5%
Customer deposits	51,067	45,551	12.1%	51,067	45,551	12.1%
Current and savings account (CASA)	19,079	17,229	10.7%	19,079	17,229	10.7%
Total assets	76,344	68,862	10.9%	76,344	68,862	10.9%
Shareholders' equity	6,497	6,522	-0.4%	6,497	6,522	-0.4%
Est. annualised NIM	2.66%	3.33%		2.89%	2.94%	
Cost-to-income ratio	61.3%	50.5%		56.0%	54.1%	
Annualised credit cost (bps)	24.0	115.7		14.3	39.1	
Effective tax rate	33.5%	25.5%		27.6%	26.3%	
Annualised ROA	0.5%	0.6%		0.8%	0.7%	
Annualised ROE	5.7%	6.3%		9.5%	8.3%	
Gross impaired financing ratio	0.68%	0.60%		0.68%	0.60%	
Financing loss coverage ratio (FLC)	254.5%	279.1%		254.5%	279.1%	
FLC plus regulatory reserves	254.5%	279.1%		254.5%	279.1%	
Financing-to-deposit ratio	109.5%	118.2%		109.5%	118.2%	
CASA-to-deposit ratio	37.4%	37.8%		37.4%	37.8%	
CET-1 capital (Group level)	14.6%	14.2%		14.6%	14.2%	

Note:

* Post-restructuring 2QFY21 accounts are not available

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.			
Stocks Under Coverage																	
AFFIN BANK BHD	1.65	3,504.7	N	12/2021	-13.1%	5.5%	80.4%	6.5%	14.9	8.3	7.8	0.4	0.3	4.3%	3.0%	1.55	MP
ALLIANCE BANK MALAYSIA BHD	2.82	4,365.7	N	03/2022	-7.2%	1.4%	53.0%	4.8%	12.2	8.0	7.6	0.7	0.7	8.5%	5.0%	2.65	MP
AMMB HOLDINGS BHD	3.08	10,203.8	N	03/2022	-3.6%	1.4%	30.2%	11.5%	9.9	8.3	7.5	0.6	0.7	8.1%	2.8%	3.15	MP
BIMB HOLDINGS BHD	2.91	6,040.8	Y	12/2021	0.2%	-2.3%	14.8%	-7.1%	14.4	12.5	13.5	1.2	1.1	9.0%	4.8%	3.20	OP
CIMB GROUP HOLDINGS BHD	5.11	52,231.6	N	12/2021	-1.0%	2.1%	257.5%	8.1%	42.6	11.9	11.0	0.9	0.9	7.4%	4.1%	4.75	MP
HONG LEONG BANK BHD	18.20	39,452.5	N	06/2022	0.7%	5.1%	-3.1%	9.2%	13.0	13.4	12.3	1.3	1.2	9.2%	3.0%	18.20	MP
MALAYAN BANKING BHD	8.05	95,578.9	N	12/2021	-8.5%	3.2%	19.4%	2.2%	14.0	11.7	11.5	1.1	1.1	9.1%	7.0%	10.55	OP
MALAYSIA BUILDING SOCIETY BHD	0.605	4,338.7	N	12/2021	55.4%	6.8%	94.0%	25.9%	15.3	7.9	6.3	0.5	0.4	5.8%	4.0%	0.540	UP
PUBLIC BANK BHD	3.96	76,866.3	N	12/2021	-3.6%	2.3%	14.3%	-0.7%	15.8	13.8	13.9	1.6	1.5	11.4%	3.5%	3.85	MP
RHB BANK BHD	5.26	21,791.8	N	12/2021	-6.4%	7.2%	14.2%	0.7%	10.4	9.1	9.0	0.8	0.7	8.4%	5.7%	6.10	OP
Simple Average					1.3%	3.3%	57.5%	6.1%	16.2	10.5	10.0	0.9	0.9	8.1%	4.3%		

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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