



AmInvestment Bank

## Company report

## BIMB HOLDINGS

(BIMB MK EQUITY, BIMB.KL)

1 Sep 2021

*Moderated loan growth; stronger capital ratios***BUY**

(Maintained)

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**Rationale for report: Company results/update**

Price	RM3.97
Fair Value	RM4.50
52-week High/Low	RM4.58/RM3.10

**Key Changes**

Fair value	⬇️
EPS	⬇️

<b>YE to Dec</b>	<b>FY20</b>	<b>FY21F</b>
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Total income (RM mil)	3,151.4	3,411.4
Core net profit (RM mil)	720.2	824.5
FD Core EPS (sen)	40.2	39.7
FD Core EPS growth (%)	(9.8)	(1.2)
Consensus Net Profit (RM mil)	-	796.6
DPS (sen)	12.6	12.4
BV/share (RM)	3.63	3.50
PE (x)	9.9	10.0
Div yield (%)	3.2	3.1
P/BV (x)	1.1	1.1
ROE (%)	11.6	12.0

**Stock and Financial Data**

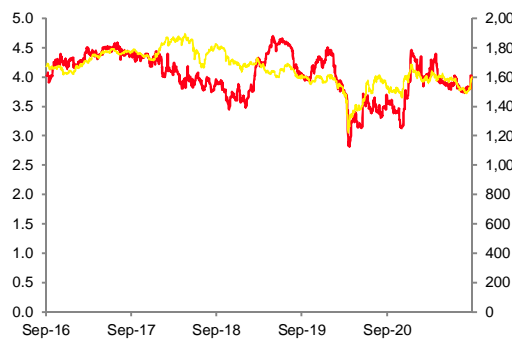
Shares Outstanding (million)	1,791.0
Market Cap (RM mil)	7,110.4
Book Value (RM/share)	3.63
P/BV (x)	1.1
ROE (%)	11.6

Major Shareholders	Lembaga Tabung Haji (53.0%) Employees Provident Fund (13.0%)
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Free Float	18.4
Avg Daily Value (RM mil)	1.6

<b>Price performance</b>	<b>3mth</b>	<b>6mth</b>	<b>12mth</b>
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Absolute (%)	5.0	(2.2)	7.3
Relative (%)	3.9	(3.7)	2.2



— BIMB MK — FBMKLCI Index

**Investment Highlights**

- We maintain BUY on BIMB Holdings (BIMB) with a revised fair value of RM4.50/share (previously: RM4.60/share) based on lower SOP valuation after factoring in an enlarged share capital. This follows the completion of private placement of shares to raise proceeds for settling outstanding sukuk murabahah and as it moves towards the targeted completion of corporate restructuring in 3Q21. Our FY21 net profit has been lowered by 5.9% after lowering our estimates for fund-based income.
- The group reported a lower core net profit of RM185mil (-8.8% QoQ) in 2Q21. The softer earnings were due to lower net income from the takaful business with the decline in sales of general and family takaful business QoQ. Also, provisions for loans and finance cost were higher in the quarter.
- 6M21 core earnings came in at RM387mil which declined 11.3% YoY due to lower fund-based income, higher opex (increase in personnel cost and general expenses) and finance cost.
- Cumulative earnings were slightly below our estimate accounting for 44.0% of our projection. Meanwhile, it was within consensus projection accounting for 48.6% of street's number. The variance to our expectation was largely due to lower-than-expected fund based income.
- Bank Islam (BI), BIMB's 100% subsidiary's recorded a lower normalised PBZT of RM475mil for 6M21 after stripping out modification loss in 6M20.
- BI's gross financing moderated further to 6.4% YoY compared to 9.6% YoY in the preceding quarter (net financing growth: 6.2% YoY). Nevertheless, it remained ahead of the industry's loan expansion of 3.4% YoY.
- For consumer loans, house and personal financing remained key contributors. Both segments grew 10.0% YoY. Meanwhile, growth in outstanding credit card receivables contracted by 5.1% YoY.
- Growth in customer deposits and investment account slowed down to 6.6% YoY. CASA growth tapered QoQ. Nevertheless, CASA and transactional investment account (CASATIA) mix remained stable at 38.6%.
- 6M21 net income margin (NIM) was stable YoY at 2.41%.
- 6M21 CI ratio was slightly higher at 58.0% due to an increase in opex.

## EXHIBIT 1: SUMMARY OF RESULTS

Income Statement (RM Mil, FYE 31 Dec)	2Q20	1Q21	2Q21	% QoQ	% YoY	6M20	6M21	% YoY
Income derived from investment of depositor funds and investment accounts	750	670	703	4.9%	-6.3%	1,575	1,373	-12.8%
Income derived from investment of shareholders' funds	129	95	127	33.7%	-2.0%	223	221	-0.6%
Modification loss	-98	0	0	na	nm	-98	0	nm
Net income from Takaful business	214	300	253	-15.6%	18.5%	512	554	8.2%
<b>Total Income</b>	<b>995</b>	<b>1,065</b>	<b>1,083</b>	<b>1.7%</b>	<b>8.8%</b>	<b>2,212</b>	<b>2,148</b>	<b>-2.9%</b>
Allowance for losses on loans, advances and financing	-26	-12	-34	184.8%	30.0%	-57	-46	-19.6%
Impairment written back/(loss) on investments and other assets	2	0	0	-90.7%	-99.1%	3	0	-91.4%
Profit equalisation reserve								
Provision for contingent liability								
Direct expenses	-2	-4	-2	-32.2%	1.8%	-6	-6	1.1%
<b>Total distributional income</b>	<b>970</b>	<b>1,050</b>	<b>1,047</b>	<b>-0.3%</b>	<b>8.0%</b>	<b>2,152</b>	<b>2,097</b>	<b>-2.6%</b>
Income attributable to depositors	-309	-234	-238	1.6%	-23.2%	-677	-472	-30.4%
<b>Total net income</b>	<b>660</b>	<b>816</b>	<b>809</b>	<b>-0.8%</b>	<b>22.6%</b>	<b>1,475</b>	<b>1,625</b>	<b>10.2%</b>
Personnel expenses	-187	-211	-206	-2.5%	10.2%	-393	-417	6.1%
Other overhead expenses	-186	-255	-228	-10.6%	22.7%	-437	-483	10.6%
Depreciation								
Finance cost	-35	-36	-76	111.8%	117.1%	-70	-112	60.0%
Share of results of associate company								
<b>Profit before tax</b>	<b>252</b>	<b>313</b>	<b>299</b>	<b>-4.6%</b>	<b>18.5%</b>	<b>574</b>	<b>612</b>	<b>6.6%</b>
Taxation and zakat	-68	-70	-81	15.8%	17.9%	-140	-150	7.3%
<b>Profit after tax</b>	<b>184</b>	<b>244</b>	<b>218</b>	<b>-10.4%</b>	<b>18.7%</b>	<b>434</b>	<b>462</b>	<b>6.4%</b>
<b>Losses from discontinued operations</b>								
<b>MI</b>	<b>-31</b>	<b>-41</b>	<b>-34</b>	<b>-18.4%</b>	<b>9.2%</b>	<b>-72</b>	<b>-75</b>	<b>4.4%</b>
<b>Net Profit Attributable To Equity Holders (PATAMI)</b>	<b>153</b>	<b>202</b>	<b>185</b>	<b>-8.8%</b>	<b>20.6%</b>	<b>362</b>	<b>387</b>	<b>6.8%</b>
<b>Core PATAMI</b>	<b>227</b>	<b>202</b>	<b>185</b>	<b>-8.8%</b>	<b>-18.8%</b>	<b>437</b>	<b>387</b>	<b>-11.3%</b>
Core EPS (sen)	12.7	11.0	9.1	-17.0%	-28.2%	25.7	20.0	-22.1%
<b>Profit by segments (RM Mil)</b>								
Banking	167	214	261	21.5%	55.6%	389	475	22.1%
Takaful	98	115	96	-16.3%	-1.9%	212	210	-0.8%
Others (investment holding, ijarah financing, stockbroking and unit trust)	139	-16	82	-622.6%	-40.9%	125	66	-46.8%
Elimination	-152	0	-140	nm	-8.0%	-152	-140	-8.0%
<b>Group profit before tax</b>	<b>252</b>	<b>313</b>	<b>299</b>	<b>-4.6%</b>	<b>18.5%</b>	<b>574</b>	<b>612</b>	<b>6.6%</b>
<b>Balance Sheet (RM Mil, FYE 31 Dec)</b>	<b>2Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>% QoQ</b>	<b>% YoY</b>	<b>6M20</b>	<b>6M21</b>	<b>% YoY</b>
Gross financing and advances	52,777	56,068	56,178	0.2%	6.4%	52,777	56,178	6.4%
Net financing and advances	52,015	55,132	55,219	0.2%	6.2%	52,015	55,219	6.2%
Customer deposits (inclusive of Investment Account)	57,427	60,565	61,196	1.0%	6.6%	57,427	61,196	6.6%
Gross impaired financing	372	399	407	2.0%	9.6%	372	407	9.6%
Average shareholders funds	6,232	6,582	7,164	8.9%	15.0%	6,129	7,087	15.6%
<b>Ratios (%)</b>								
Net financing to customer deposits	90.6%	91.0%	90.2%			90.6%	90.2%	
CASA	36.2%	38.4%	39.4%			36.2%	39.4%	
Cost to income	57.6%	59.1%	56.8%			57.1%	58.0%	
Annualised credit cost	0.20%	0.08%	0.24%			0.21%	0.16%	
Gross impaired financing	0.70%	0.71%	0.72%			0.70%	0.72%	
Financing loss coverage	205.2%	234.5%	235.5%			205.2%	235.5%	
Underlying ROE	14.6%	12.3%	10.3%			14.2%	10.9%	
Group CET1 ratio	12.7%	12.7%	14.5%			12.7%	14.5%	
Group Tier 1 capital	12.7%	12.7%	14.5%			12.7%	14.5%	
Group Total capital	17.2%	17.7%	19.6%			17.2%	19.6%	

Source: Company, AmInvestment Bank Bhd

Asset quality is stable with a slight uptick in gross impaired financing (GIF) ratio to 0.72% in 2Q21 vs. 0.71% in 1Q21.

Syarikat Takaful Malaysia Keluarga (STMK) reported a stable PBT before tax and zakat of RM210mil in 6M21. Sales from general and family takaful businesses were higher YoY. Gross earned contribution (GEC) for family takaful climbed 19.8% YoY to RM925mil due to higher sales of credit related products.

Meanwhile, gross earned contribution (GEC) for general takaful rose by 13.8% YoY to RM415mil mainly contributed by higher premiums from motor, fire and engineering insurance.

The group's CET1, tier 1 and total capital ratios climbed to 14.5%, 14.5% and 19.6% respectively. These ratios continued to stay well above the regulatory requirements of 7.0%, 8.5% and 10.5% respectively. We believe that the stronger capital ratios were attributed to the completion of private placement exercise for the group's corporate restructuring which raised proceeds of RM796mil in April 2021. The proceeds were subsequently utilised to fully redeem the outstanding sukuk murabahah on 3 June 2021 with a redemption sum of RM988mil. This is to facilitate the completion of the group restructuring exercise targeted for 3Q21.

## EXHIBIT 2: BREAKDOWN OF LOANS

Loan by product type	2020	3Q20	4Q20	1Q21	2Q21	%QoQ	%Yoy
Cash line/Overdrafts	1,140	1,190	1,289	1,312	1,150	-12.4%	0.9%
Term loans/financing:-							
<i>housing loans/financing</i>	20,303	20,967	21,564	21,958	22,304	1.6%	9.9%
<i>syndicated term loans/financing</i>	1,398	1,398	1,459	1,457	1,477	1.4%	5.7%
<i>leasing financing</i>	114	116	114	106	99	-6.6%	-13.5%
<i>bridging financing</i>	49	49	47	46	44	-3.8%	-10.8%
<i>personal financing</i>	15,435	16,507	16,821	16,919	16,967	0.3%	9.9%
<i>other term financing</i>	12,547	12,865	12,637	12,621	12,436	-1.5%	-0.9%
Staff financing	290	341	378	409	428	4.6%	47.4%
Credit/charge card receivables	444	447	447	437	422	-3.5%	-5.1%
Trade bills discounted	988	839	831	800	847	5.9%	-14.3%
Trust receipts	4	4	6	4	4	8.2%	10.1%
Pawn broking	65	33	5	0	0	0.0%	-99.8%
Revolving credit							
Others							
Investment account platform	0	0	0	0	0		
	52,777	54,757	55,599	56,068	56,178	0.2%	6.4%
Unearned interest and income							
<b>Gross loans, advances and financing</b>	<b>52,777</b>	<b>54,757</b>	<b>55,599</b>	<b>56,068</b>	<b>56,178</b>	<b>0.2%</b>	<b>6.4%</b>
Allowance for bad and doubtful debts and financing:-							
<i>general/collective impairment allowance/ECL</i>	-763	-918	-928	-936	-959	2.4%	25.7%
<i>specific/individual impairment allowance/ECL</i>							
<b>Net loans, advances and financing</b>	<b>52,015</b>	<b>53,839</b>	<b>54,671</b>	<b>55,132</b>	<b>55,219</b>	<b>0.2%</b>	<b>6.2%</b>
Gross loan growth (%Qoq)	3.1%	3.8%	1.5%	0.8%	0.2%		
Gross loan growth (%Yoy)	11.9%	11.8%	10.7%	9.6%	6.4%		
Net loan growth (%Qoq)	3.2%	3.5%	1.5%	0.8%	0.2%		
Net loan growth (%Yoy)	12.1%	11.7%	10.5%	9.4%	6.2%		
<b>Loan by customer type (RM Mil)</b>	<b>2020</b>	<b>3Q20</b>	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>%QoQ</b>	<b>%Yoy</b>
Domestic non-bank financial institutions:-							
stockbroking companies							
others	1,337	1,315	1,473	1,417	1,183	-16.5%	-11.5%
Domestic banking institutions							
Domestic business enterprises:-							
small medium enterprises (SME)	1,750	1,792	1,799	1,840	2,081	426.8%	453.9%
others	9,620	9,708	9,859	9,894	9,694	-2.0%	0.8%
Government and statutory bodies	1,208	1,205	743	736	788	7.1%	-34.7%
Individuals	38,653	40,520	41,354	41,806	42,133	0.8%	9.0%
Other domestic entities	95	105	102	101	18	-81.7%	-80.7%
Foreign entities	209	203	268	274	280	2.4%	34.3%
<b>Total gross loans</b>	<b>52,872</b>	<b>54,848</b>	<b>55,599</b>	<b>56,068</b>	<b>56,178</b>	<b>0.2%</b>	<b>6.3%</b>

Source: Company, AmInvestment Bank Bhd

## EXHIBIT 3: GROSS IMPAIRED LOAN RATIO

Gross impaired loan/NPLs by sectors (RM Mil)	2Q20	3Q20	4Q20	1Q21	2Q21	%QoQ	%YoY
Primary agriculture	0	0	0	0	0	na	na
Mining							
Manufacturing (including agro-based)	31	31	28	28	22	-19.7%	-27.2%
Electricity, gas and water							
Wholesale & retail trade, and hotels & restaurants	94	93	90	89	94	6.3%	0.7%
Construction	32	32	36	39	34	-12.4%	8.0%
Real estate	0	0	0	0	0	na	na
Transport, storage and communications	18	18	18	17	16	-6.5%	-8.7%
Finance, insurance, real estate and business activities	8	8	6	7	7	6.1%	-8.5%
Education, health and others	7	6	4	4	3	-19.8%	-56.8%
Household sectors	182	141	191	215	229	6.6%	25.9%
Others							
<b>Total gross impaired loans</b>	<b>372</b>	<b>329</b>	<b>373</b>	<b>399</b>	<b>407</b>	<b>2.0%</b>	<b>9.6%</b>
<b>Gross impaired loan/ NPL ratio by sectors:</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>		
Primary agriculture	0.0%	0.0%	0.0%	0.0%	0.0%		
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%		
Manufacturing (including agro-based)	3.3%	3.3%	2.8%	2.9%	2.3%		
Electricity, gas and water	0.0%	0.0%	0.0%	0.0%	0.0%		
Wholesale & retail trade, and hotels & restaurants	10.4%	11.4%	9.4%	9.7%	9.4%		
Construction	1.1%	1.1%	1.3%	1.4%	1.2%		
Real estate	0.0%	0.0%	0.0%	0.0%	0.0%		
Transport, storage and communications	2.3%	3.1%	2.6%	2.6%	2.4%		
Finance, insurance and business activities	0.2%	0.2%	0.1%	0.1%	0.2%		
Education, health and others	0.5%	0.3%	0.3%	0.3%	0.3%		
Household sectors	0.5%	0.3%	0.5%	0.5%	0.5%		
Others							
<b>Total gross impaired loan ratio (%)</b>	<b>0.70%</b>	<b>0.60%</b>	<b>0.67%</b>	<b>0.71%</b>	<b>0.72%</b>		

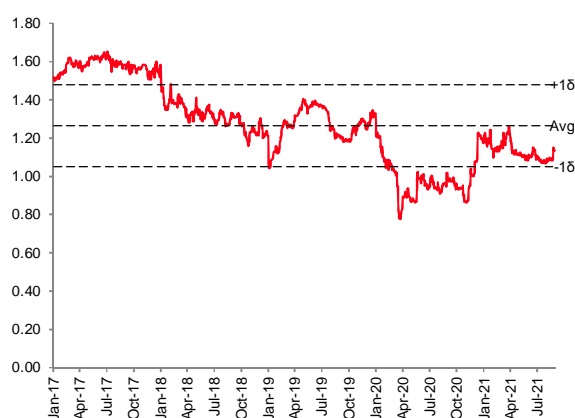
Source: Company, AmInvestment Bank Bhd

## EXHIBIT 4: SUM-OF-PARTS VALUATION

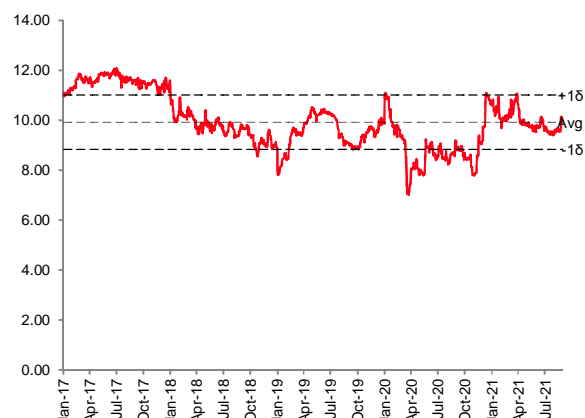
Companies	Shareholders funds (RM Mil)	As of	Equity Stake (%)	Book Value Multiple (x)	Basis Valuation (RM mil)
Bank Islam	6,205		100.0%	1.2	7,446
Syarikat Takaful	2,010		59.2%	2.6	3,091
Less adjustments:					
Acquisition reserves					(1,199)
SOP Valuation					9,338
No of shares					2,076
Fair Value					4.5

Source: Company, AmInvestment Bank Bhd

## EXHIBIT 5: PB BAND CHART



## EXHIBIT 6: PE BAND CHART



## EXHIBIT 7: ESG RATING

<b>Overall</b>	★	★	★		
Board composition	★	★	★		
Employee welfare and environmental protection	★	★	★		
Corporate social responsibility	★	★	★		
Earnings quality	★	★	★		
Balance sheet strength	★	★	★		
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

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**EXHIBIT 8: FINANCIAL DATA**


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<b>Income Statement (RMmil, YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>
Net interest income	1,600.8	1,796.6	1,836.2
Non-interest income	479.8	316.2	457.6
<b>Islamic banking income</b>	<b>1,093.7</b>	<b>1,038.6</b>	<b>1,117.6</b>
Total income	3,174.3	3,151.4	3,411.4
Overhead expenses	(1,882.3)	(1,848.2)	(1,990.8)
Pre-provision profit	1,292.0	1,303.2	1,420.6
Loan loss provisions	(83.7)	(208.7)	(178.5)
Impairment & others	(3.8)	2.8	(0.2)
<b>Associates</b>	-	-	-
Pretax profit	1,204.6	1,097.3	1,241.9
Tax	(269.6)	(229.4)	(260.4)
<b>Minority interests</b>	<b>(148.4)</b>	<b>(147.7)</b>	<b>(157.0)</b>
Net profit	786.5	720.2	824.5
Core net profit	786.5	720.2	824.5
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>
Cash & deposits with FIs	3,334.8	5,829.1	6,922.4
<b>Marketable securities</b>	<b>21,637.2</b>	<b>23,171.2</b>	<b>20,966.5</b>
Total current assets	24,972.0	29,000.4	27,888.8
Net loans & advances	49,472.5	54,670.6	58,193.5
Statutory deposits	nm	nm	nm
Long-term investments	1,170.1	192.4	66.7
Fixed assets	395.9	427.0	437.2
Intangible assets	68.5	191.2	114.0
<b>Other long-term assets</b>	<b>1,184.5</b>	<b>1,428.3</b>	<b>1,755.4</b>
<b>Total LT assets</b>	<b>52,291.5</b>	<b>56,909.5</b>	<b>60,566.8</b>
Total assets	77,263.5	85,909.9	88,455.6
Customer deposits	56,550.3	62,562.5	65,810.8
Deposits of other FIs	-	-	-
Subordinated debts	2,139.7	2,633.1	2,779.1
Hybrid capital securities	1,628.8	1,697.2	1,720.9
<b>Other liabilities</b>	<b>10,526.7</b>	<b>11,864.1</b>	<b>10,268.7</b>
Total liabilities	70,845.4	78,756.8	80,579.5
Shareholders' funds	5,894.4	6,504.3	7,262.4
Minority interests	523.7	648.7	613.7
<b>Key Ratios (YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>
Total income growth (%)	12.3	(0.7)	8.2
Pre-provision profit growth (%)	12.7	0.9	9.0
Core net profit growth (%)	15.3	(8.4)	14.5
Net interest margin (%)	2.5	2.3	2.3
Cost-to-income ratio (%)	57.4	56.2	55.7
Effective tax rate (%)	22.4	20.9	21.0
Dividend payout (%)	35.9	31.3	31.2
<b>Key Assumptions (YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>
Loan growth (%)	8.1	10.7	7.0
Deposit growth (%)	3.8	10.6	5.2
Loan-deposit ratio (%)	87.5	87.4	88.4
Gross NPL (%)	0.9	1.0	1.2
Net NPL (%)	0.9	1.0	0.8
Credit charge-off rate (%)	0.2	0.4	0.3
Loan loss reserve (%)	173.5	166.9	180.1

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Source: Company, AmInvestment Bank Bhd estimates

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