Affin Bank Berhad

(5185 | ABANK MK) Financial Services | Finance

3QFY24 Results: Good Momentum but Priced In

***Maintain* SELL**

***Unchanged* Target Price: RM2.35**

KEY INVESTMENT HIGHLIGHTS

- **9MFY24's Core NP of RM375m was *Within/Within* our/street forecasts: *76%/76%* of full-year forecasts**
- **Management's tone: Neutral with slight optimism**
- **Core themes: (a) strong income growth in 3QFY24, (b) writebacks supported NP expansion this year, (c) loans competition affecting NIM**
- **Forecasts unchanged**
- **Maintain SELL | Revised TP of RM2.35 | based on an unchanged FY25F P/BV of 0.45x**

Verdict: Solid 3QFY24 performance driven by stronger income and writebacks. However, we believe valuation have moved ahead of fundamentals.

Yays	1. Strong income growth in 3QFY24 with NII and NOII main contributors. This moderated the fall in 9MFY24 NII. 2. Robust CASA growth. 3. Improvement in asset quality.
Nays	1. Writebacks supported the 9MFY24 NP growth. 2. NIM compression due to loans competition. 3. Higher OPEX. 4. FY24 PBT and ROE targets revised lower.
OKs	1. Could see provisions in 4QFY24. 2. CASA ratio improved but 30% target still elusive.

Results in a nutshell:

► **9MFY24's Core net profit (NP) of RM375m up by +3%yoy.** Writebacks this year assisted in the higher NP, but PPOP level saw a decline.

▲ **3QFY24's Core NP of RM146m up by +23%qoq.** Strong net income in the quarter contributed to the quarterly performance. Writebacks came in as a boost.

▲ **Gross loans grew by +2.3%qoq, coming up to +5.9%YTD.** Main factor was community banking loans with mortgage and personal financing as the key drivers within the community banking segment.

▲ **Deposits grew by +3.9%qoq, coming up to +4.4%YTD.** Strong CASA growth with FD slightly declining. However, there is still some way to go to reach CASA ratio target.

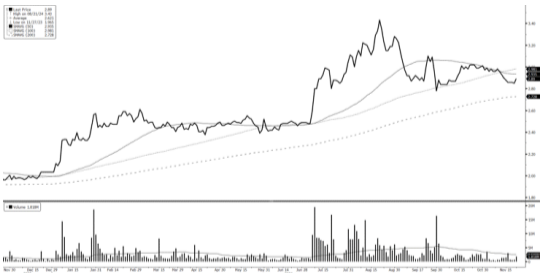
▲ **GIL moved by -15bps to 1.74%, LLC currently at 99%.** Continuous recovery efforts and maintaining underwriting standards led to GIL lower. Improvements were seen in all segments.

Have a look at:

▼ **Lower NII due to NIM compression.** NII fell -0.8%yoy lower in 9MFY24 as NIM came under pressure. This came as reported NIM compressed by -13bps yoy due to loans competition. However, this was moderated by Islamic Banking income and NOII.

RETURN STATISTICS	
Price @ 22 November 2024 (RM)	2.89
Expected share price return (%)	-18.7
Expected dividend yield (%)	+2.3
Expected total return (%)	**-16.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.3	-1.6
3 months	4.0	-7.9
12 months	41.7	29.6

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	**495**	**518**	**579**
CNP growth (%)	8	10	10
Div yield (%)	**2.2**	**2.3**	**2.5**
Gross DPS (sen)	6.3	6.5	7.2
P/BV (x)	**0.6**	**0.6**	**0.5**
BVPS (RM)	5.0	5.2	5.4
ROE (%)	**4.4**	**4.4**	**4.7**
MIDF/Street CNP (%)	**101**	**92**	**95**

KEY STATISTICS	
FBM KLCI	1,589.78
Issue shares (m)	2346.49
Estimated free float (%)	20.34
Market Capitalisation (RM'm)	6,937.41
52-wk price range	RM2.00 - RM3.43
3-mth avg daily volume (m)	2.64
3-mth avg daily value (RM'm)	7.91
Top Shareholders (%)	
LTAT	28.88
Bank of East Asia Ltd	23.93
Boustead Holdings Bhd	20.08

Analyst
Imran Yassin Yusof
imran.yassin@midf.com.my

▼ **Higher OPEX due to capacity building and compliance.** 9MFY24 OPEX came in +17.8%yoy higher leading to negative JAWS. Main reasons were the higher personnel cost (+16.9%yoy) due to capacity building and establishment cost (+25.4%yoy) due to IT related expenses for compliance purposes.

► **Writebacks saved the day but could see provisions in 4QFY24.** Net credit cost (NCC) up to 9MFY24 came in at -3bps indicating Affin saw writebacks this year. However, management expects NCC to come in at 5-10bps suggesting that there will be provisions in 4QFY24.

▼ **PBT and ROE FY24 targets revised lower.** The targets for PBT and ROE for FY24 were revised lower to RM750m (from RM1,000m) and 5% (from 7%). We opine that the pressure on NIM is part of the reason. However, on the bright side, it does indicate a strong finish for the year.

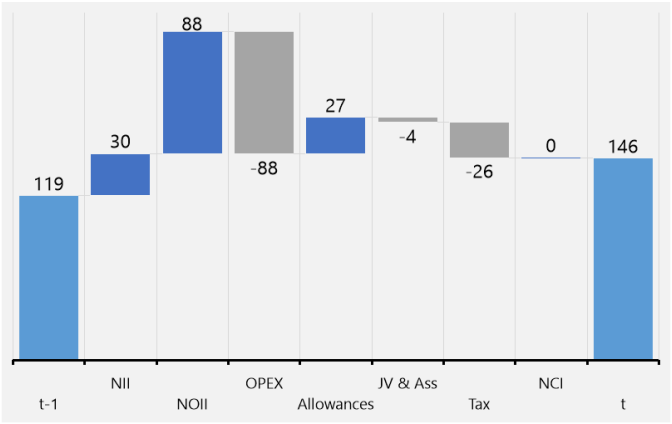
Forecasts unchanged. No change to our earnings estimates given the results were within expectations.

Key downside risks. *(1) faster than expected NIM compression, (2) reversal in asset quality improvement, (3) faster than expected growth in OPEX.*

Maintain SELL call: Unchanged GGM-TP of RM 2.35. The TP is based on an unchanged FY25F P/BV of 0.45x which is +1SD of its historical P/BV to reflect the positive sentiment following the entrant of a new largest shareholder. However, despite the solid 3FY24 performance, we believe that the share price has moved ahead of its fundamental. Hence, we retain our **SELL** call.

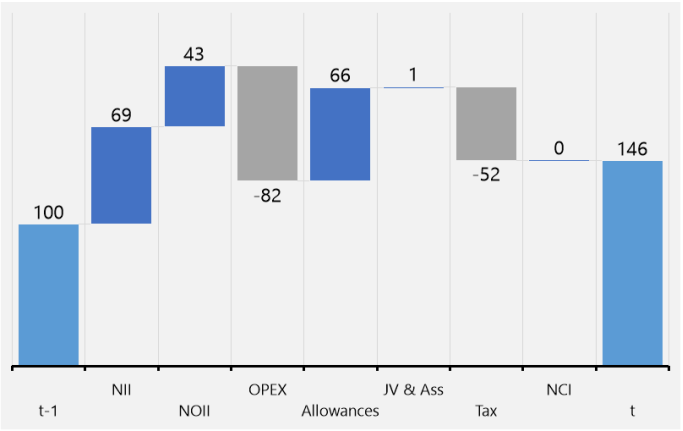
(GGM assumptions: *FY25F ROE of 4.4%, LTG of 3.0% & COE of 7.0%)*

Fig 1: QoQ P/L walk (Quarterly results)



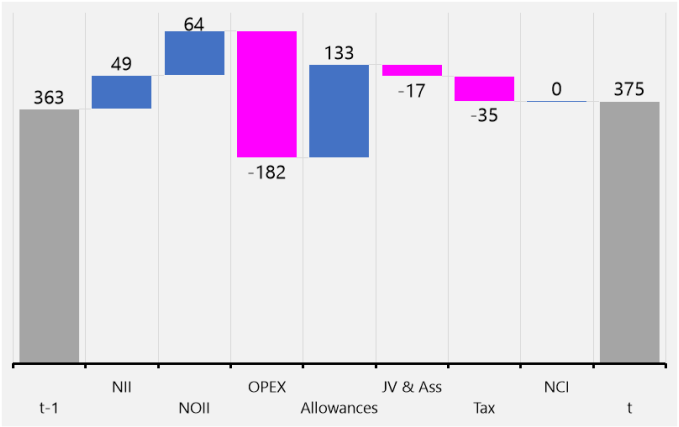
Source: Affin Bank, MIDFR

Fig 2: YoY P/L walk (Quarterly results)



Source: Affin Bank, MIDFR

Fig 3: YoY P/L walk (Cumulative results)



Source: Affin Bank, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	3Q FY24	2Q FY24	3Q FY23	Yoy (%)	Qoq (%)	9M FY24	9M FY23	Yoy (%)
Net interest inc.	215	192	169	*27*	*12*	601	606	*-1*
Islamic banking inc.	169	161	145	*17*	*5*	498	444	*12*
Non-interest inc.	229	142	186	*23*	*62*	513	450	*14*
Net income	**613**	**495**	**500**	***22***	***24***	**1,612**	**1,500**	***8***
OPEX	(456)	(368)	(374)	*22*	*24*	(1,203)	(1,021)	*18*
PPOP	**157**	**127**	**126**	***24***	***23***	**409**	**479**	***-14***
Loan provisions	20	(22)	(20)	*-201*	*-189*	13	(34)	*-138*
Other provisions	19	35	(8)	*-347*	*-45*	57	(30)	*-290*
JV & Associates	8	11	7	*9*	*-31*	20	37	*-46*
PBT	**204**	**151**	**106**	***92***	***35***	**499**	**452**	***10***
Tax	(58)	(32)	(6)	*932*	*79*	(125)	(90)	*39*
NCI	-	-	-	*n.m.*	*n.m.*	-	-	*n.m.*
Reported NP	**146**	**119**	**100**	***45***	***23***	**375**	**363**	***3***
Core NP	**146**	**119**	**100**	***45***	***23***	**375**	**363**	***3***
Total NII	384	353	314	*22*	*9*	1,099	1,050	*5*
Total NOII	229	142	186	*23*	*62*	513	450	*14*
Gross DPS (sen)	**-**	**-**	**-**	***n.m.***	***n.m.***	**-**	**-**	***n.m.***
Core EPS (sen)	6.2	5.0	4.4	*42*	*23*	15.9	15.8	*1*
Gross loans	70,629	69,016	64,290	*9.9*	*2.3*			
Gross impaired loans	1,228	1,306	1,186	*3.6*	*-6.0*			
Customer deposits	73,974	71,226	71,630	*3.3*	*3.9*			
CASA	19,866	18,439	16,643	*19.4*	*7.7*			

Ratios (%)	3Q FY24	2Q FY24	3Q FY23	Yoy (ppts)	Qoq (ppts)	9M FY24	9M FY23	Yoy (ppts)
ROE (Ann.)	**5.1**	**4.2**	**3.7**	***1.4***	***0.9***	**4.3**	**4.4**	***-0.1***
NIM (Reported)	**1.31**	**1.40**	**1.24**	***0.07***	***-0.09***	**1.33**	**1.46**	***-0.13***
NOII/Net income	37.4	28.6	37.2	*0.2*	*8.8*	31.8	30.0	*1.9*
Cost/Income	74.4	74.3	74.8	*-0.4*	*0.1*	74.6	68.1	*6.5*
NCC (Ann.) (bps)	(12)	14	13	*-25*	*-25*	(3)	8	*-10*
GIL ratio	1.74	1.89	1.84	*-0.11*	*-0.15*			
Loan loss coverage	99	97	124	*-24*	*2*			
CASA ratio	26.9	25.9	23.2	*3.6*	*1.0*			
L/D ratio	93.8	95.1	87.7	*6.1*	*-1.3*			
CET-1	13.3	12.8	13.8	*-0.5*	*0.4*			

Source: Affin Bank, MIDFR

Fig 5: Targets, Achievements, and Outlook

Targets	FY24F	9M FY24	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	5 (PBT: RM750m), ~~7 (PBT: RM1.0b)~~	4.3	While 3QFY24 NP saw good momentum, unlikely to reach the original target.
CIR	74, ~~64~~	74.6	Spendings on capacity building
NIM	1.40, ~~1.60~~	1.33	Loans competition
Loans	8	5.9 (YTD)	
GIL ratio	1.90	1.74	Taking prudent approach
NCC (bps)	5-10 GCC:10-15, ~~10-15 GCC: 13~~	(3)	Potentially for provisions to come back in 4QFY24
LLC	100	99	

Source: Affin Bank, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23F	FY24F	FY25F	FY26F
Net interest income	**1,023**	**783**	**927**	**963**	**1,032**
Islamic banking inc.	688	596	618	642	688
Other operating inc.	344	607	710	749	818
Net income	**2,055**	**1,986**	**2,256**	**2,354**	**2,538**
OPEX	(1,317)	(1,421)	(1,534)	(1,601)	(1,701)
PPOP	**738**	**565**	**722**	**753**	**838**
Loan allowances	(462)	(50)	(90)	(98)	(108)
Other allowances	(45)	(28)	(27)	(22)	(21)
JV & Associates	9	36	43	45	50
PBT	**239**	**523**	**648**	**678**	**758**
Tax & zakat	(161)	(121)	(153)	(160)	(179)
Discontinued ops	1,125	-	-	-	-
NCI	(25)	-	-	-	-
Reported NP	**1,179**	**402**	**495**	**518**	**579**
Core NP	**78**	**402**	**495**	**518**	**579**
Total NII	1,711	1,379	1,546	1,605	1,721
Total NOII	344	607	710	749	818

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23F	FY24F	FY25F	FY26F
Cash & ST funds	5,205	6,483	6,399	6,962	7,030
Investment securities	21,180	27,239	20,979	19,273	20,126
Net loans	57,932	65,225	70,585	77,643	85,408
Other IEAs	0	0	0	0	0
Non-IEAs	5,804	6,300	13,863	16,570	17,366
Total assets	**90,121**	**105,248**	**111,827**	**120,449**	**129,929**
Customer deposits	64,995	70,834	76,572	84,305	92,820
Other IBLs	11,818	21,289	21,670	22,066	22,475
Non-IBLs	2,679	2,016	2,049	2,084	2,120
Total liabilities	**79,492**	**94,139**	**100,291**	**108,455**	**117,416**
Share capital	5,245	5,371	5,371	5,371	5,371
Reserves	5,383	5,738	6,164	6,623	7,142
Shareholders' funds	**10,629**	**11,109**	**11,535**	**11,994**	**12,513**
NCI	0	0	0	0	0
Total equity	**10,629**	**11,109**	**11,535**	**11,994**	**12,513**
Total L&E	**90,121**	**105,248**	**111,827**	**120,449**	**129,929**
Total IEAs	84,317	98,947	97,963	103,879	112,564
Total IBLs	76,813	92,123	98,242	106,371	115,296
Gross loans	59,343	66,663	71,996	79,195	87,115
CASA	15,250	18,914	18,760	21,076	23,205

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23F	FY24F	FY25F	FY26F
Interest (%)					
NIM	2.16	1.50	1.57	1.59	1.59
Return on IEAs	2.59	2.89	2.20	2.18	2.09
Cost of funds	1.45	2.21	1.30	1.21	1.11
Net interest spread	1.15	0.68	0.90	0.97	0.98
Profitability (%)					
ROE	**0.8**	**3.7**	**4.4**	**4.4**	**4.7**
ROA	0.1	0.4	0.5	0.4	0.5
NOII/Net income	16.7	30.6	31.5	31.8	32.2
Effective tax rate	65.7	22.2	22.8	22.8	22.8
Cost/Income	64.1	71.6	68.0	68.0	67.0
Liquidity (%)					
Loan/Deposit	89.1	92.1	92.2	92.1	92.0
CASA ratio	23.5	26.7	24.5	25.0	25.0
Asset Quality (%)					
GIL ratio	1.97	1.90	1.96	1.96	1.96
LLC ratio	120	114	100	100	100
LLC (w. reserves)	161	140	146	148	144
Net CC (bps)	83	8	13	13	13
Capital (%)					
CET 1	15.0	13.8	14.0	13.8	13.3
Tier 1 capital	16.3	15.3	15.4	15.1	14.6
Total capital	18.7	18.0	17.8	17.4	16.8
Growth (%)					
Total NII	18.5	-19.4	12.1	3.8	7.2
Total NOII	-14.3	76.6	17.0	5.5	9.1
Net income	11.4	-3.4	13.6	4.3	7.8
OPEX	15.6	7.9	7.9	4.3	6.3
Core NP	-82.0	415.4	23.2	4.6	11.8
Gross loans	15.4	12.3	8.0	10.0	10.0
Customer deposits	10.5	9.0	8.1	10.1	10.1
CASA	12.6	24.0	-0.8	12.3	10.1
Valuation metrics					
Core EPS (sen)	3.4	17.4	21.5	22.5	25.1
Gross DPS (sen)	22.6	5.8	6.3	6.5	7.2
Div payout (%)	42	33	30	30	30
BVPS (RM)	4.6	4.8	5.0	5.2	5.4
Core P/E (x)	85.5	16.6	13.5	12.9	11.5
Div yield (%)	**7.8**	**2.0**	**2.2**	**2.3**	**2.5**
P/BV (x)	0.6	0.6	0.6	0.6	0.5

Source: Affin Bank, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* 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	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology