Affin Bank Berhad

(5185 | ABANK MK) Main | Financial Services

Corporate Update

Upgrade to NEUTRAL

Revised Target Price **RM2.65** (from RM2.35)

4QFY24 Results Review
Bonus Issue as Dividend

Upgrade to NEUTRAL: revised GGM-TP of RM2.65. The TP is based on a revised FY25F P/BV of 0.52x which is +1SD of its historical P/BV to reflect the positive sentiment following the entrant of a new largest shareholder. We upgrade our call given the robust FY24 performance, and the expectation that further improvements will come in FY25.

Within expectations. Affin's FY24 net profit (NP) of RM510m (+27%yoy) was within/within our/street forecasts at 103%/104% of full-year forecasts. Writebacks this year boosted the higher NP due to recoveries in stage 2 and 3. However, at PPOP level saw -11%yoy decline due to higher OPEX, despite if one-off Early Retirement Scheme expenses of RM48.5m was discounted.

Higher OPEX weighed PPOP. Affin implemented an Early Retirement Scheme in 4QFY24 which resulted in OPEX increasing by +17%yoy. Discounting this, OPEX still grew +11%yoy resulting in negative JAWS. This was due to higher personnel cost (excluding ERS) of +14.9%yoy to RM1.02b and establishment related expenses +15.5%yoy to RM399.9m.

4QFY24's NP of RM135m was down by -7%qoq. Lower net income in the quarter from lower NOII but higher writebacks moderated this.

Gross loans grew by +2.0%qoq, coming up to +8.1%yoy. Main factor was community banking loans with mortgage and personal financing as the key drivers within the community banking segment. These grew +8.4%yoy to RM21.9b and +6.7%yoy to RM15.9b respectively.

Deposits grew by -0.3%qoq, coming up to +4.1%yoy. Strong CASA growth leading to reaching its CASA ratio target. Besides the liability management initiative, this led to improvement in NIMs.

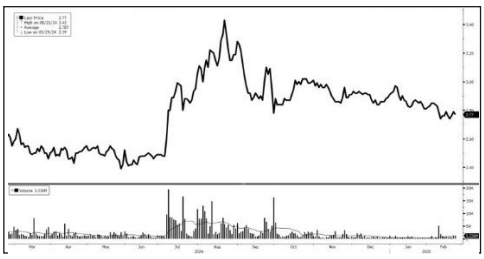
GIL moved by +20bps to 1.94%, LLC currently at 82%. Asset quality deteriorated in 4QFY24. This came from all three segments. Corporate segment Gil ratio went up +72bps to 3.38% due to impairment from a large account that was over collateralised. Enterprise GIL ratio rose +11bps to 4.8% due to new impairments from wholesale and retail trade. Meanwhile, community segment GIL ratio went up +6bps to 1.08% largely contributed from mortgage portfolio.

Dividend in shares. Affin is proposing a bonus issue entailing the issuance of up to 133,360,363 Bonus Shares on the basis of 1 Bonus Share for every 18 existing Affin shares. Given that there is no dividend announced this year, this is effectively a share dividend with implied dividend of 15.4sen or dividend yield of 5.6% based on yesterday's closing price.

Tweak in earnings estimates. We are adjusting our FY25 and FY26 earnings estimates upward by 7.7% and 11.7% respectively.

RETURN STATISTICS	
Price @ 25th Feb 2025 (RM)	2.77
Expected share price return (%)	-4.3
Expected dividend yield (%)	+2.9
Expected total return (%)	-1.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.1	-2.8
3months	-4.8	-4.3
12 months	6.1	4.7

INVESTMENT STATISTICS

FYE Mar	2024	2025F	2026F
Core NP (RM m)	**558**	**647**	**688**
CNP growth (%)	8	12	10
Div yield (%)	**2.4**	**2.9**	**3.1**
Gross DPS (sen)	6.5	8.1	8.5
P/BV (x)	**0.6**	**0.5**	**0.5**
BVPS (RM)	4.9	5.1	5.4
ROE (%)	**4.9**	**5.4**	**5.5**

KEY STATISTICS

FBM KLCI	1,568.03
Issue shares (m)	2,346.49
Estimated free float (%)	20.86
Market Capitalisation (RM'm)	6,649.35
52-wk price range	RM2.38 – RM3.43
3-mth average daily volume (m)	0.81
3-mth average daily value (RM'm)	2.32
Top Shareholders (%)	
SG ASSETFIN HOL	26.4
Bank of East Asia Ltf	23.9
LTAT	22.0

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4QFY24 RESULTS SUMMARY

FYE Dec (RM m)	4Q FY24	3Q FY24	4Q FY23	Yoy (%)	Qoq (%)	FY24	FY23	Yoy (%)
Net interest inc.	226	215	177	*27*	*5*	826	783	*6*
Islamic banking inc.	193	169	151	*28*	*14*	691	596	*16*
Non-interest inc.	139	229	158	*-12*	*-39*	652	607	*7*
Net income	**558**	**613**	**486**	***15***	***-9***	**2,170**	**1,986**	***9***
OPEX	(465)	(456)	(400)	*16*	*2*	(1,668)	(1,421)	*17*
PPOP	**92**	**157**	**86**	***7***	***-41***	**502**	**565**	***-11***
Loan provisions	82	20	(17)	*-570*	*311*	95	(52)	*-283*
Other provisions	0	19	3	*-92*	*-99*	57	(27)	*-313*
JV & Associates	34	8	(1)	*-3,718*	*332*	55	36	*50*
PBT	**208**	**204**	**71**	***195***	***2***	**708**	**523**	***35***
Tax	(73)	(58)	(31)	*136*	*27*	(198)	(121)	*64*
NCI	-	-	-	*n.m.*	*n.m.*	-	-	*n.m.*
Reported NP	**135**	**146**	**40**	***242***	***-7***	**510**	**402**	***27***
Core NP	**184**	**146**	**40**	***364***	***26***	**558**	**402**	***39***
Total NII	419	384	329	*27*	*9*	1,518	1,379	*10*
Total NOII	139	229	158	*-12*	*-39*	652	607	*7*
Gross DPS (sen)	**-**	**-**	**5.8**	***n.m.***	***n.m.***	**-**	**5.8**	***n.m.***
Core EPS (sen)	7.7	6.2	1.7	*351*	*25*	23.5	17.4	*35*
Gross loans	72,045	70,629	66,663	*8.1*	*2.0*			
Gross impaired loans	1,398	1,228	1,265	*10.5*	*13.9*			
Customer deposits	73,744	73,974	70,834	*4.1*	*-0.3*			
CASA	22,384	19,866	18,914	*18.3*	*12.7*			

Ratios (%)	4Q FY24	3Q FY24	4Q FY23	Yoy (ppts)	Qoq (ppts)	FY24	FY23	Yoy (ppts)
ROE (Ann.)	**6.3**	**5.1**	**1.4**	***4.9***	***1.3***	**4.8**	**3.6**	***1.2***
NIM (Reported)	**1.49**	**1.45**	**1.44**	***0.05***	***0.04***	**1.45**	**1.42**	***0.03***
NOII/Net income	24.9	37.4	32.4	*-7.5*	*-12.5*	30.1	30.6	*-0.5*
Cost/Income	83.5	74.4	82.4	*1.1*	*9.1*	76.9	71.6	*5.3*
NCC (Ann.) (bps)	(47)	(12)	11	*-58*	*-35*	(14)	8	*-22*
GIL ratio	1.94	1.74	1.90	*0.04*	*0.20*			
Loan loss coverage	82	99	114	*-31*	*-17*			
CASA ratio	30.4	26.9	26.7	*3.7*	*3.5*			
L/D ratio	96.1	93.8	92.1	*4.1*	*2.3*			
CET-1	13.2	13.3	14.3	*-1.0*	*-0.1*			

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Net interest income	**1,023**	**783**	**826**	**1,035**	**1,102**
Islamic banking inc.	688	596	691	690	735
Other operating inc.	344	607	652	874	954
Net income	**2,055**	**1,986**	**2,170**	**2,599**	**2,791**
OPEX	(1,317)	(1,421)	(1,668)	(1,689)	(1,814)
PPOP	**738**	**565**	**502**	**910**	**977**
Loan allowances	(462)	(50)	73	(92)	(110)
Other allowances	(45)	(28)	79	(26)	(24)
JV & Associates	9	36	55	55	59
PBT	**239**	**523**	**708**	**847**	**901**
Tax & zakat	(161)	(121)	(198)	(200)	(213)
Discontinued ops	1,125	-	-	-	-
NCI	(25)	-	-	-	-
Reported NP	**1,179**	**402**	**510**	**647**	**688**
Core NP	**78**	**402**	**558**	**647**	**688**
Total NII	1,711	1,379	1,518	1,725	1,836
Total NOII	344	607	652	874	954

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash & ST funds	5,205	6,483	3,155	6,323	6,346
Investment securities	21,180	27,239	31,153	26,183	25,696
Net loans	57,932	65,225	70,892	79,265	87,191
Other IEAs	0	0	0	0	0
Non-IEAs	5,804	6,300	6,642	11,206	13,360
Total assets	**90,121**	**105,248**	**111,842**	**122,976**	**132,593**
Customer deposits	64,995	70,834	73,744	84,305	92,820
Other IBLs	11,818	21,289	23,869	23,839	24,285
Non-IBLs	2,679	2,016	2,629	2,668	2,710
Total liabilities	**79,492**	**94,139**	**100,241**	**110,812**	**119,816**
Share capital	5,245	5,371	5,489	5,489	5,489
Reserves	5,383	5,738	6,113	6,676	7,289
Shareholders' funds	**10,629**	**11,109**	**11,601**	**12,164**	**12,777**
NCI	0	0	0	0	0
Total equity	**10,629**	**11,109**	**11,601**	**12,164**	**12,777**
Total L&E	**90,121**	**105,248**	**111,842**	**122,976**	**132,593**
Total IEAs	84,317	98,947	105,200	111,771	119,233
Total IBLs	76,813	92,123	97,612	108,144	117,106
Gross loans	59,343	66,663	71,996	80,635	88,699
CASA	15,250	18,914	18,760	26,978	29,702

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Interest (%)					
NIM	2.16	1.50	1.57	1.59	1.59
Return on IEAs	2.59	2.89	2.10	2.09	2.02
Cost of funds	1.45	2.21	1.30	1.20	1.10
Net interest spread	1.15	0.68	0.80	0.89	0.93
Profitability (%)					
ROE	**0.8**	**3.7**	**4.9**	**5.4**	**5.5**
ROA	0.1	0.4	0.5	0.6	0.5
NOII/Net income	16.7	30.6	30.1	33.6	34.2
Effective tax rate	65.7	22.2	22.8	22.8	22.8
Cost/Income	64.1	71.6	76.9	65.0	65.0
Liquidity (%)					
Loan/Deposit	89.1	92.1	92.2	94.0	93.9
CASA ratio	23.5	26.7	24.5	32.0	32.0
Asset Quality (%)					
GIL ratio	1.97	1.90	1.96	1.70	1.70
LLC ratio	120	114	100	100	100
LLC (w. reserves)	161	140	134	156	151
Net CC (bps)	83	8	-10	12	13
Capital (%)					
CET 1	15.0	13.8	14.0	13.5	13.0
Tier 1 capital	16.3	15.3	15.4	14.8	14.3
Total capital	18.7	18.0	17.8	17.1	16.4
Growth (%)					
Total NII	18.5	-19.4	10.1	13.7	6.5
Total NOII	-14.3	76.6	7.4	34.0	9.2
Net income	11.4	-3.4	9.3	19.8	7.4
OPEX	15.6	7.9	17.4	1.3	7.4
Core NP	-82.0	415.4	38.8	15.9	6.4
Gross loans	15.4	12.3	8.0	12.0	10.0
Customer deposits	10.5	9.0	8.1	10.1	10.1
CASA	12.6	24.0	-0.8	43.8	10.1
Valuation metrics					
Core EPS (sen)	3.3	16.9	23.5	27.2	29.0
Gross DPS (sen)	22.6	5.8	6.5	8.1	8.5
Div payout (%)	42	33	30	30	30
BVPS (RM)	4.5	4.7	4.9	5.1	5.4
Core P/E (x)	84.4	16.4	11.8	10.2	9.6
Div yield (%)	**8.2**	**2.1**	**2.4**	**2.9**	**3.1**
P/BV (x)	0.6	0.6	0.6	0.5	0.5

Source: Bloomberg, 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	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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