Corporate Update

Affin Bank Berhad

(5185 | ABANK MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM2.46**

1QFY25 Results Review
Topline Growth Intact

To Conclude	**Earnings were slightly on the lower side but still within forecasts. Management's tone: Skewed towards the negative. Expect: Some negative revision to FY25 targets in the next quarter.**
Our Verdict	**While earnings should be buoyed by topline growth, we believe it is already priced in. Dividends may also be hit by negative surprises.**
Valuations	**Current P/BV of 0.56x is expensive, trading close to +1SD of the 2-year P/BV mean of 0.52x. AFFIN is already trading at a forward FY25F P/BV of 0.56x with a 2.6% dividend yield.**
Yays	1. CASA inflows to drive NIM outlook. 2. Fee income recovery to drive topline. 3. High loan growth, though there could be downside pressure to FY25 target.
Nays	1. AFFIN may see possible issues with asset quality. 2. Constantly needs additional capital to match high loan growth. 3. Low dividend yield.
Okays	1. Cost-cutting initiatives may already be bearing fruit.

Results in a nutshell:

► **3MFY25's Core NP of RM124m was *Within/Within* our/street forecasts: *21%/22%* of full-year forecasts.**

► **No dividend announcement.**

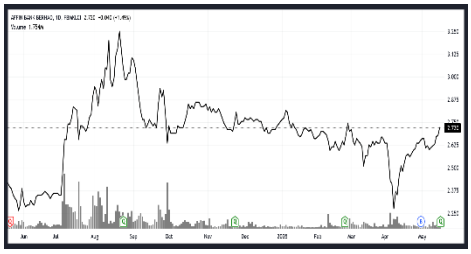
▲ **3MFY25's Core net profit (NP) of RM124m up by 13%yoy.** The improvement was largely driven by NII and Associate result increases, offset by higher provisioning and tax expenses (this is a one-off tax adjustment).

▼ **1QFY25's Core NP of RM124m down by -8%qoq.** The weaker result was largely driven by increased provisioning and weaker NII, which offset a far lower OPEX result.

RETURN STATISTICS

Price @ 19 May 2025 (RM)	2.72
Expected share price return (%)	-9.4
Expected dividend yield (%)	+2.6
Expected total return (%)	**-6.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.2	-1.0
3 months	-0.8	1.8
12 months	12.4	14.1

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**599**	**639**	**699**
CNP growth (%)	12	12	12
Div yield (%)	**2.6**	**2.8**	**3.0**
Gross DPS (sen)	7.2	7.5	8.1
P/BV (x)	**0.6**	**0.5**	**0.5**
BVPS (RM)	4.8	5.1	5.3
ROE (%)	**5.0**	**5.1**	**5.4**
% Street CNP (%)	**106**	**100**	**94**

KEY STATISTICS

FBM KLCI	1,556.14
Issue shares (m)	2,533.8
Estimated free float (%)	22.9
Market Capitalisation (RM'm)	6,689.4
52-wk price range	RM2.20 – RM3.24
3-mth average daily volume (m)	1.4
3-mth average daily value (RM'm)	3.6
Top Shareholders (%)	
Sg Assetfin Holdings Sdn Bhd	26.4
Bank of East Asia	23.9
LTAT	22.0

Analyst

Samuel Woo

samuelwoo.cy@midf.com.my

03-2173 8461

Have a look at:

▲ **Topline growth intact.** AFFIN points to multiple drivers for further NII and NOII uplift.

▲ **CASA growth to drive COF improvement.** AFFIN reported strong CASA growth on a sequential basis. The Group thinks that this level of growth can be maintained in subsequent quarters. Interestingly, not all of it was driven by Sarawak funds. A decent chunk was attributable to payroll and retail contributions. Management is also optimistic about its new app, which they think will further shore up retail CASA balances.

▲ **Further liability management initiatives.** Management has plans to involve itself in offshore funding, particularly dollar funding. There is also the possibility of other liability management initiatives if interest rate swaps are conducive (it was not in 1QFY25).

▲ **Fee incomes should normalise.** 1QFY25 was a weak quarter on this front, but management is confident that future quarters will see better results. We think AFFIN is relatively insulated on this front: its newest shareholder is said to utilise AFFIN as their primary option for all deals.

▲ **Good cost control this quarter – but we don't know if this can be maintained.** Management cites 1QFY25's low figure as being attributable to previous cost-cutting activity, most notably early retirement initiatives. We are sceptical as to whether management can repeat this excellent result, given that tech investment is still ongoing (resulting in possible lumpy tech cost instances) and operations in Sarawak could see increased infrastructure spending.

▼ **Be wary of possible dividend payout disappointments.** The Group's high loan growth targets will continue putting strain on AFFIN's CET 1 ratio. Management implies that a pure cash dividend payout is unlikely. We think there could be either another round of bonus issue (management cites low free-float as a common investor complaint) or DRP, possibly with a reduced payout (ala FY23, where management cited "weak macroeconomic outlook" as justification for low dividend payout).

▼ **Yet to revise FY25 targets, but we think there will be negative revisions.** Management was quizzed about AFFIN's ability to achieve its FY25 loan growth target. The answer seemed overly conservative – they were sure that they could achieve at least >+7%yoy growth, which is far from their +12%yoy target. Management cites some slowness in enterprise banking loan growth as providing downside to the loan growth target.

► **Potential asset quality issues, but we think this is manageable.** AFFIN warns of potential residential mortgage GIL uptick in subsequent quarters. Apart from that, it is not too worried about other loan categories, though it flags the Enterprise Banking segment as having a particularly high volume of Stage 2 loans. The Group is currently restructuring the department to resolve its persistently high Stage 2 portfolio. Note that RM2.6b of loans (3.6% of the total portfolio) are exposed to tariffs.

► **We do not think this will have too bad an impact on NCC.** Management seems happy with its current LLC ratio of 80%, and cites further recoveries in subsequent quarters.

Forecasts unchanged. We make no changes to forecasts.
Key downside risks. *(1) Higher provisioning charges, (2) Weak NOII result, (3) Weaker-than-expected loan growth.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 2.46. The TP is based on an unchanged FY25F P/BV of 0.51x.
(GGM assumptions: *FY25F ROE of 5.0%, LTG of 3.0% & COE of 7.0%)*

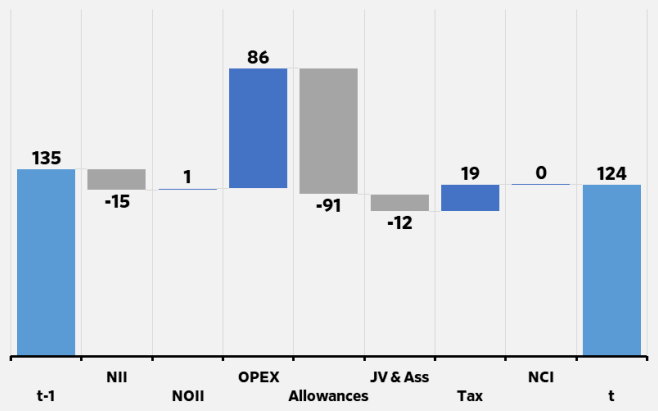
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Net interest inc.	206	226	194	6	-9	206	194	6
Islamic banking inc.	198	193	168	18	2	198	168	18
Non-interest inc.	140	139	143	-2	1	140	143	-2
Net income	**544**	**558**	**505**	**8**	**-2**	**544**	**505**	**8**
OPEX	(379)	(465)	(379)	0	-19	(379)	(379)	0
PPOP	**165**	**92**	**126**	**31**	**79**	**165**	**126**	**31**
Loan provisions	(7)	53	16	-142	-112	(7)	16	-142
Other provisions	(2)	29	3	-177	-107	(2)	3	-177
JV & Associates	22	34	1	n.m.	n.m.	22	1	n.m.
PBT	**178**	**208**	**145**	**23**	**-14**	**178**	**145**	**23**
Tax	(54)	(73)	(35)	56	-26	(54)	(35)	56
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**124**	**135**	**110**	**13**	**-8**	**124**	**110**	**13**
Core NP	**124**	**135**	**110**	**13**	**-8**	**124**	**110**	**13**
Total NII	404	419	362	12	-4	404	362	12
Total NOII	140	139	143	-2	1	140	143	-2
Gross DPS (sen)	**-**	**-**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	5.1	5.6	4.7	9	-9	5.1	4.7	9
Gross loans	72,898	72,045	68,037	7.1	1.2			
Gross impaired loans	1,344	1,398	1,330	1.1	-3.8			
Customer deposits	75,467	73,744	71,758	5.2	2.3			
CASA	24,308	22,384	17,852	36.2	8.6			

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**4.2**	**4.7**	**3.9**	**0.3**	**-0.4**	**4.2**	**3.9**	**0.3**
NIM (Reported)	**1.47**	**1.40**	**1.44**	**0.03**	**0.07**	**1.47**	**1.44**	**0.03**
NOII/Net income	25.8	24.9	28.3	-2.5	0.9	25.8	28.3	-2.5
Cost/Income	69.7	83.5	75.1	-5.4	-13.8	69.7	75.1	-5.4
NCC (Ann.) (bps)	4	(30)	(10)	13	34	4	(10)	13
GIL ratio	1.84	1.94	1.96	-0.11	-0.10			
Loan loss coverage	80	82	100	-20	-2			
CASA ratio	32.2	30.4	24.9	7.3	1.9			
L/D ratio	95.2	96.1	93.0	2.2	-1.0			
CET-1	13.5	13.2	13.4	0.1	0.3			

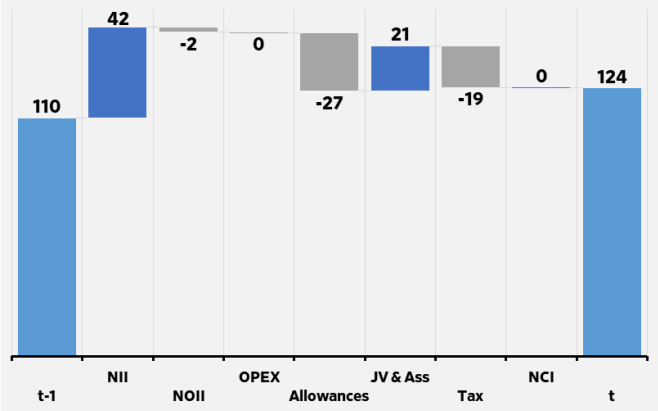
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



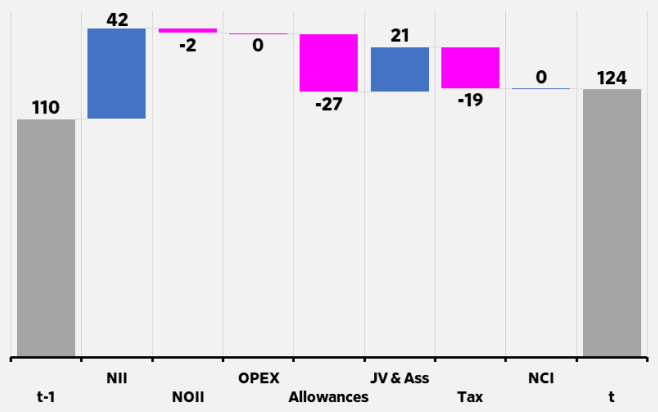
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

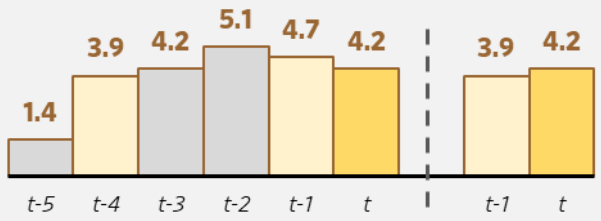
1QFY25 / 3MFY25 results

Earnings: Within/Within our/street forecasts

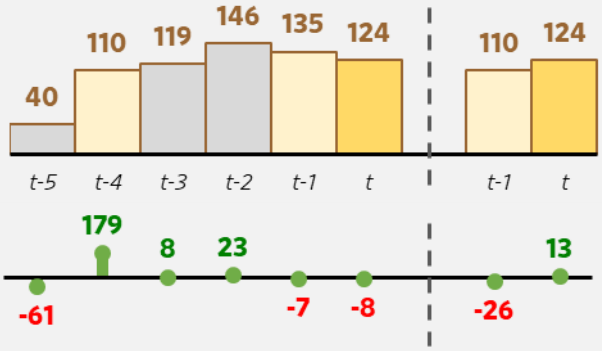
21%/22% of full-year estimates

Dividend: NO

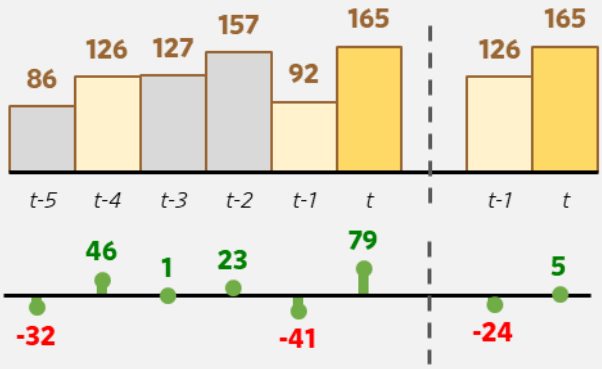
ROE (%)



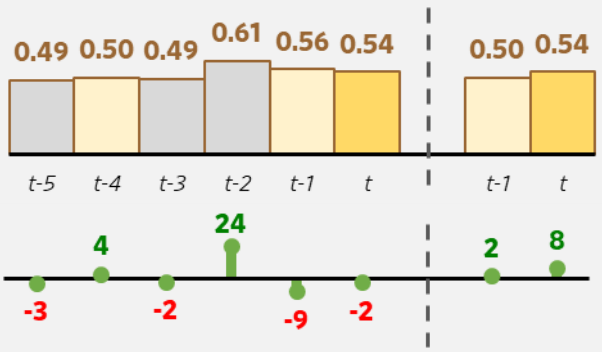
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



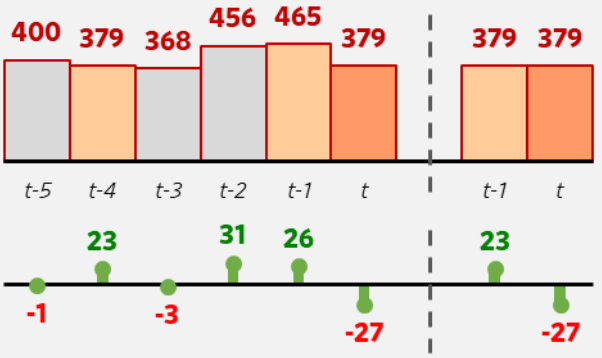
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



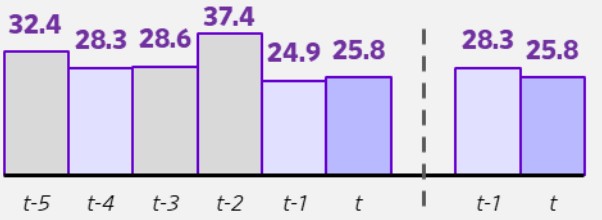
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



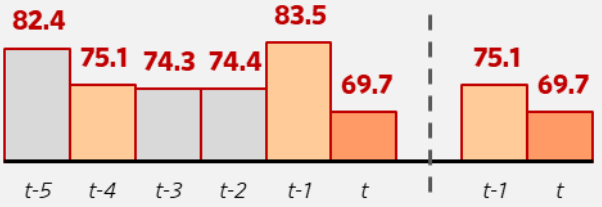
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



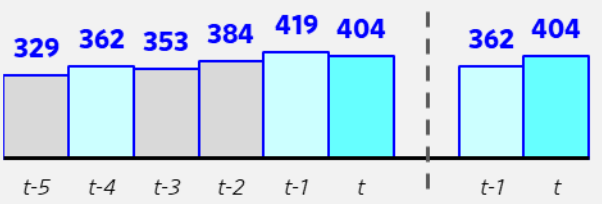
Cost/Income ratio (%)



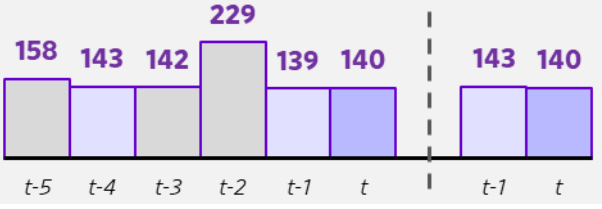
% NOII as topline (%)



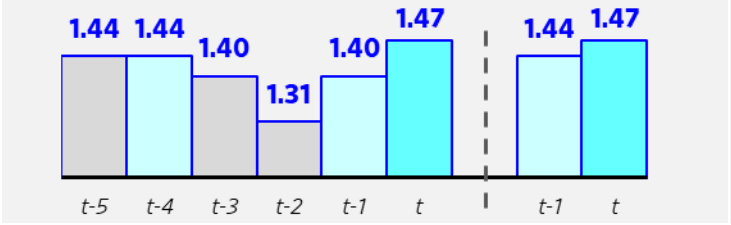
Net interest income (RM b)



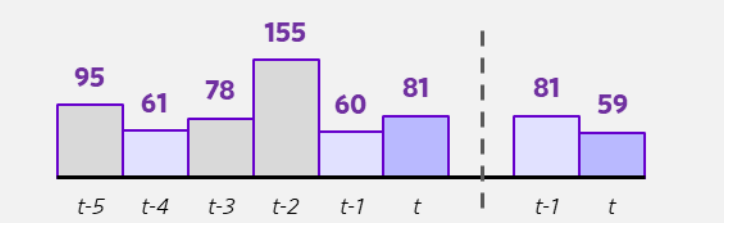
Non-interest income (RM b)



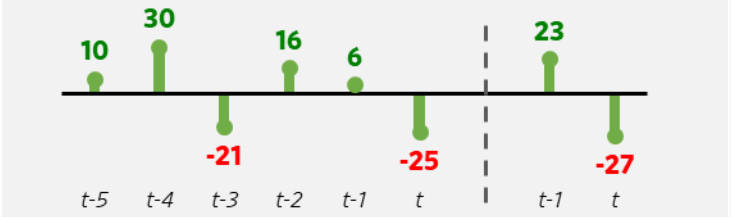
NIM (%)



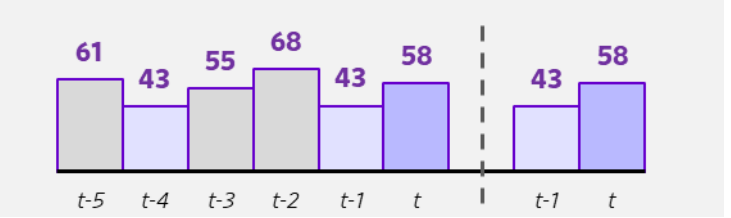
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

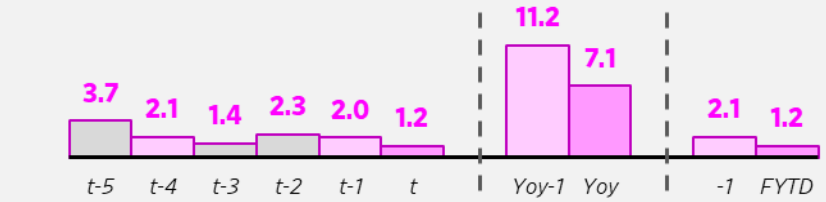


% Non-fee income as NOII (%)

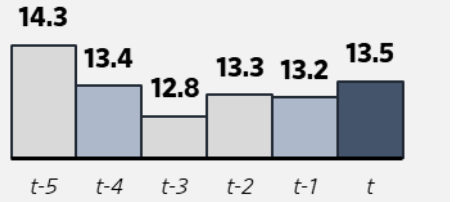


BALANCE SHEET

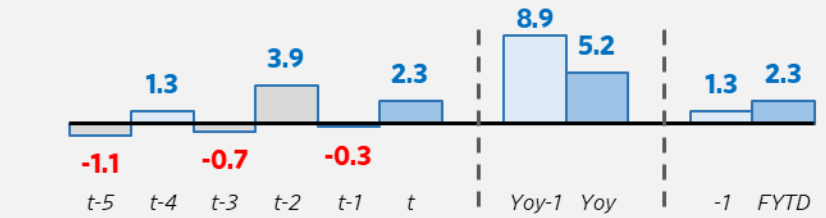
Loan growth – qoq, yoy, FYTD (%)



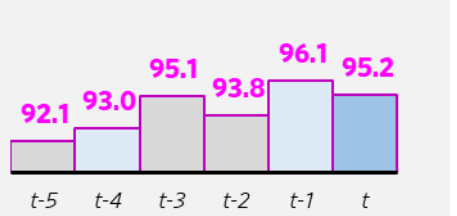
CET 1 ratio (%)



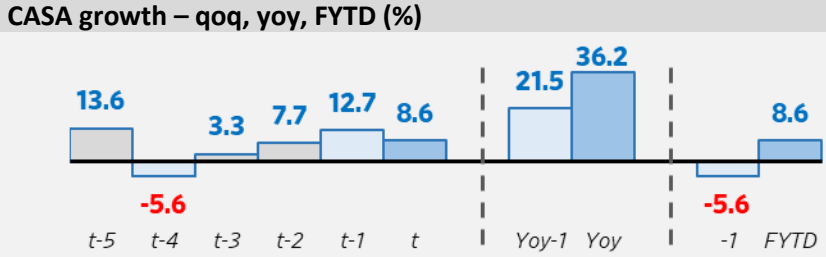
Deposit growth – qoq, yoy, FYTD (%)



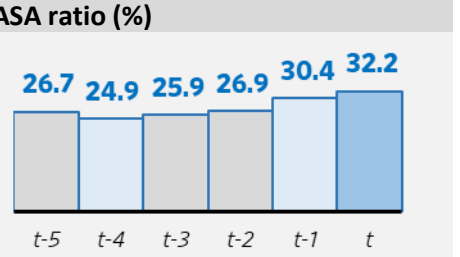
Loan/Deposit ratio (%)



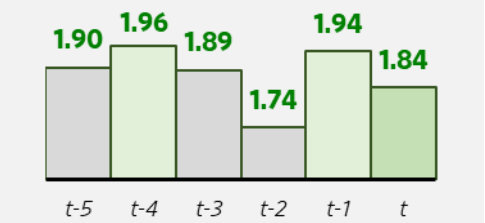
CASA growth – qoq, yoy, FYTD (%)



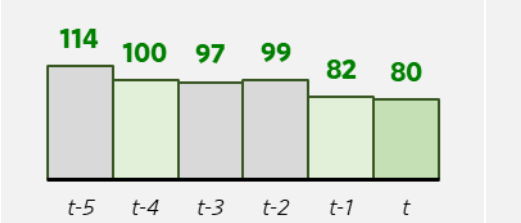
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

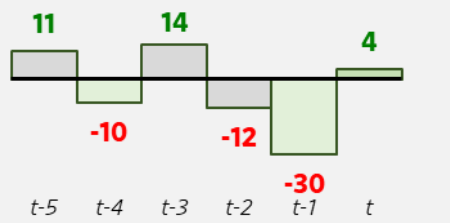


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***124***	**Qtrly ROE**	Qtr value	***4.2%***	
	21% of FY CNP					
	Qoq	*-8%*		t-1	*4.7%*	
	Yoy	*13%*		t-4	*3.9%*	
Cum Core NP	RM mil	***124***	**Cum ROE**	Cum value	***4.2%***	
	Within our forecast					
	21% of FY CNP					
	Within consensus					
	22% of FY CNP					
	Yoy	*13%*		t-1	*3.9%*	
NII	As expected		**NIM**	+ve surprise		
				Qtr value	***1.47***	
				Cum value	***1.47***	
	Qtr (Qoq)	*-4%*		Qtr (Qoq)	*+7bps*	
	Qtr (Yoy)	*12%*		Qtr (Yoy)	*+3bps*	
	Cum (Yoy)	*12%*		Cum (Yoy)	*+3bps*	
NOII	As expected		**Qtr**	% NII	***74%***	
	Qtr (Qoq)	*1%*		% NOII	***26%***	
	Qtr (Yoy)	*-2%*	**Cum**	% NII	***74%***	
	Cum (Yoy)	*-2%*		% NOII	***26%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***69.7%***	
				Cum value	***69.7%***	
	Qtr (Qoq)	*-19%*		Qtr (Qoq)	*-13.8%*	
	Qtr (Yoy)	*0%*		Qtr (Yoy)	*-5.4%*	
	Cum (Yoy)	*0%*		Cum (Yoy)	*-5.4%*	

Source: Company, MIDFR

FIG 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	As expected					
	Qoq	*1.2%*				
	Yoy	*7.1%*				
	YTD (FY)	*1.2%*				
Depo. grwth	As expected		**CASA grwth**	+ve surprise		
	Qoq	*2.3%*		Qoq	*8.6%*	
	Yoy	*5.2%*		Yoy	*36.2%*	
	YTD (FY)	*2.3%*		YTD (FY)	*8.6%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***32.2%***		Value now	***95.2%***	
	Qoq	*+1.9%*		Qoq	*-1.0%*	
	Yoy	*+7.3%*		Yoy	*+2.2%*	
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.84%***		Value now	***80%***	
	Qoq	*-10bps*		Qoq	*-2%*	
	Yoy	*-11bps*		Yoy	*-20%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Small provision			Small provision		
	Value now	***4bps***		Value now	***4bps***	
	t-1	*-30bps*				
	t-4	*-10bps*		t-4	*-10bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***13.5%***		**Payout**		
	Qoq	*0.3%*				

Source: Company, MIDFR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	3M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	6	4.2	We sense that management may revise this downward.
CIR		69.7	
NIM	1.55 (+21bps FY24: 1.34)	1.47	NIM is guided to improve in subsequent quarters, largely due to large CASA influx.
NOII		-2% (yoy)	
Loans	12	1.2 (YTD)	We sense that management may revise this downward.
Deposits		2.3 (YTD)	
% CASA	31	32.2	
Loan/Depo		95.2	
GIL ratio	1.70	1.84	
NCC (bps)	12 (GCC)	4	
LLC		80	
CET 1		13.5	
Div payout		-	

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**783**	**826**	**989**	**1,066**	**1,166**
Islamic banking inc.	596	691	659	711	778
Other operating inc.	607	652	907	958	1,048
Net income	**1,986**	**2,170**	**2,555**	**2,735**	**2,991**
OPEX	(1,421)	(1,668)	(1,712)	(1,833)	(2,004)
PPOP	**565**	**502**	**843**	**903**	**987**
Loan allowances	(50)	73	(99)	(111)	(125)
Other allowances	(28)	79	(26)	(24)	(24)
JV & Associates	36	55	59	63	69
PBT	**523**	**708**	**777**	**830**	**907**
Tax & zakat	(121)	(198)	(179)	(191)	(209)
Discontinued ops	-	-	-	-	-
NCI	-	-	-	-	-
Reported NP	**402**	**510**	**599**	**639**	**699**
Core NP	**402**	**510**	**599**	**639**	**699**
Total NII	1,379	1,518	1,648	1,777	1,944
Total NOII	607	652	907	958	1,048

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	6,483	3,155	6,323	6,346	6,370
Investment securities	27,239	31,153	26,183	25,696	27,844
Net loans	65,225	70,892	79,108	88,602	99,234
Other IEAs	-	-	-	-	-
Non-IEAs	6,300	6,642	10,076	12,108	11,660
Total assets	**105,248**	**111,842**	**121,690**	**132,751**	**145,108**
Customer deposits	70,834	73,744	82,593	92,586	103,789
Other IBLs	21,289	23,869	24,299	24,746	25,210
Non-IBLs	2,016	2,629	2,668	2,710	2,754
Total liabilities	**94,139**	**100,241**	**109,560**	**120,042**	**131,753**
Share capital	5,371	5,489	5,489	5,489	5,489
Reserves	5,738	6,113	6,641	7,220	7,866
Shareholders' funds	**11,109**	**11,601**	**12,130**	**12,709**	**13,355**
NCI	-	-	-	-	-
Total equity	**11,109**	**11,601**	**12,130**	**12,709**	**13,355**
Total L&E	**105,248**	**111,842**	**121,690**	**132,751**	**145,108**
Total IEAs	98,947	105,200	111,614	120,643	133,448
Total IBLs	92,123	97,612	106,892	117,332	128,999
Gross loans	66,663	72,045	80,690	90,373	101,218
CASA	18,914	22,384	21,474	24,998	28,023

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	1.50	1.44	1.52	1.53	1.53
Return on IEAs	2.89	2.94	2.05	1.98	1.89
Cost of funds	2.21	2.29	1.21	1.10	1.00
Net interest spread	0.68	0.65	0.84	0.88	0.89
Profitability (%)					
ROE	**3.7**	**4.5**	**5.0**	**5.1**	**5.4**
ROA	0.4	0.5	0.5	0.5	0.5
NOII/Net income	30.6	30.1	35.5	35.0	35.0
Effective tax rate	22.2	27.0	22.2	22.2	22.2
Cost/Income	71.6	76.9	67.0	67.0	67.0
Liquidity (%)					
Loan/Deposit	92.1	96.1	95.8	95.7	95.6
CASA ratio	26.7	30.4	26.0	27.0	27.0
Asset Quality (%)					
GIL ratio	1.90	1.94	1.96	1.96	1.96
LLC ratio	114	82	100	100	100
LLC (w. reserves)	140	116	128	125	122
Net CC (bps)	8	-10	13	13	13
Capital (%)					
CET 1	13.8	13.2	13.2	13.2	13.2
Tier 1 capital	15.3	14.6	14.6	14.6	14.6
Total capital	18.0	17.1	16.9	16.9	16.9
Growth (%)					
Total NII	-19.4	10.1	8.6	7.8	9.4
Total NOII	76.6	7.4	39.1	5.7	9.3
Net income	-3.4	9.3	17.7	7.1	9.4
OPEX	7.9	17.4	2.6	7.1	9.4
Core NP	415.4	26.7	17.4	6.8	9.2
Gross loans	12.3	8.1	12.0	12.0	12.0
Customer deposits	9.0	4.1	12.0	12.1	12.1
CASA	24.0	18.3	-4.1	16.4	12.1
Valuation metrics					
Core EPS (sen)	16.0	20.3	23.8	25.5	27.8
Gross DPS (sen)	5.8	-	7.2	7.5	8.1
Div payout (%)	33	-	30	30	30
BVPS (RM)	4.4	4.6	4.8	5.1	5.3
Core P/E (x)	17.0	13.4	11.4	10.7	9.8
Div yield (%)	**2.1**	**0.0**	**2.6**	**2.8**	**3.0**
P/BV (x)	0.6	0.6	0.6	0.5	0.5

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

197501002077 (24878-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 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. 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 we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD 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. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD. The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

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