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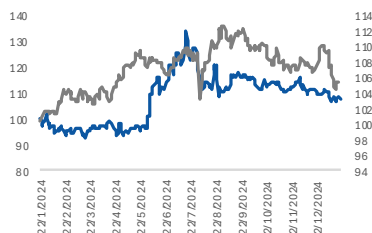
<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM2.77
Previous Target Price:	RM2.71
Target Price:	RM2.54 ↓
Capital Upside/ Downside:	-8.3%
Dividend Yield (%):	2.5%
<b>Total Upside/ Downside:</b>	<b>-4.8%</b>

**Stock information**

Board	MAIN
Sector	Financial Services
Bursa/ Bloomberg Code	5185/ ABANK MK
Syariah Compliant	No
ESGRating	★★★★
Shares issued (m)	2,400.5
Market Cap (RM' m)	6,649.3
52-Week Price Range (RM)	3.43-2.38
Beta (x)	0.7
Free float (%)	20.9
3M Average Volume (m)	0.8
3M Average Value (RM' m)	2.3

**Top 3 Shareholders (%)**

Sg Asset f in Hol	26.4
Bank Of East Asia Ltd	23.9
Lembaga Tabung Angkatan Tentera	22.0

**Share Price Performance**

	1M	3M	12M
Absolute (%)	-3.1	-6.4	6.1
Relative (%)	-2.8	-4.3	4.7

# Affin Bank Berhad

## 4QFY24 results: No Cash Dividends

### Executive Summary

- AFFIN's 4QFY24 core net profit jumped +242% yoy and fell -7% qoq to RM135m, bringing FY24 core net profit at RM510m, which was deemed within expectations, accounting for 103% and 105% of ours and consensus expectations, respectively.
- Management's tone: Optimistic.
- Re-iterate our HOLD recommendation with a lower target price of RM2.54, based on FY25F GGM-PBV of 0.52x.

**Results within expectations.** FY24 core net profit at RM510m (+27% yoy) came within expectations, accounting for 103% of our core net profit forecast at RM494m and was at 105% of consensus forecasted net profit of RM484m.

**YoY.** 4QFY24 core net profit jumped +242% yoy to RM135m, driven by improved NII, lower provisions and improved Associate income, which offset higher tax and OPEX expenses. FY24's core net profit rose +27% yoy, as improved NII, NOII and provisioning profile offset much higher OPEX and tax.

**QoQ.** 4QFY24 core net profit fell -7% qoq, as weaker NOII performance offset improved NII, provisions and improved Associate income.

**Outlook.** We were slightly disappointed by AFFIN's decision to issue bonus shares (1 new share for every 18 existing shares) in favour of cash dividends (there were no cash dividends for the entirety of FY24). The Group intends to amass capital despite an already healthy CET1 ratio of 13.2%, to fuel their high FY25F 12% loan growth target and for possible M&A opportunities. Regardless, their fee income outlook remains intact, while they claim to be at the tail end of their investment phase – which bodes well for further CIR outlook. Minor concern on GIL ratio uptick – particularly in the residential mortgage portfolio.

**Earnings Revision.** We increase our FY25F and FY26F earnings forecasts by +0.3%/+0.6% respectively, to account for wider NIM expansion.

**Valuation.** Re-iterate our **HOLD** recommendation on AFFIN with a lowered target price of **RM2.54**, based on an FY25F P/BV of 0.52x GGM-PBV valuation and 1% ESG factored premium based on 4-star ESG rating. Despite slightly higher earnings forecasts, we set a lowered target price due to the dilution from bonus share issue proposed by AFFIN.

**Risks.** (1) Further NIM compression, (2) Volatile NOII conditions, (3) Higher-than-expected NCC.

### Earnings Summary

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core NP (RM m)	402	510	583	636	705
CNP growth (%)	12.3	8.1	12.0	12.0	12.0
Div yield (%)	0.6	-	0.7	0.7	0.8
Gross DPS (sen)	6	-	7	7	8
P/BV (x)	2.3	2.2	2.1	2.0	1.9
BVPS (RM)	4.4	4.6	4.8	5.1	5.3
ROE (%)	3.7	4.5	4.9	5.1	5.4

Source: Company, Apex Securities

# Results Note

Wednesday, 26 Feb, 2025

## Quarterly Results

FYE Dec (RM m)	4Q FY24	4Q FY23	Yoy (%)	3Q FY24	Qoq (%)	FY23	FY24	Yoy (%)
Net interest inc.	226	177	27	215	5	783	826	6
Islamic banking inc.	193	151	28	169	14	596	691	16
Non-interest inc.	139	158	-12	229	-39	607	652	7
<b>Net income</b>	<b>558</b>	<b>486</b>	<b>15</b>	<b>613</b>	<b>-9</b>	<b>1,986</b>	<b>2,170</b>	<b>9</b>
OPEX	(465)	(400)	16	(456)	2	(1,421)	(1,668)	17
<b>PPOP</b>	<b>92</b>	<b>86</b>	<b>7</b>	<b>157</b>	<b>-41</b>	<b>565</b>	<b>502</b>	<b>-11</b>
Loan provisions	53	(17)	-403	20	165	(52)	66	-227
Other provisions	29	3	>500	19	54	(27)	86	-422
JV & Associates	34	(1)	n.m.	8	n.m.	36	55	n.m.
<b>PBT</b>	<b>208</b>	<b>71</b>	<b>195</b>	<b>204</b>	<b>2</b>	<b>523</b>	<b>708</b>	<b>35</b>
Tax	(73)	(31)	136	(58)	27	(121)	(198)	64
Discontinued ops	-	-	n.m.	-	n.m.	-	-	n.m.
NCI	-	-	n.m.	-	n.m.	-	-	n.m.
<b>Reported NP</b>	<b>135</b>	<b>40</b>	<b>242</b>	<b>146</b>	<b>-7</b>	<b>402</b>	<b>510</b>	<b>27</b>
<b>Core NP</b>	<b>135</b>	<b>40</b>	<b>242</b>	<b>146</b>	<b>-7</b>	<b>402</b>	<b>510</b>	<b>27</b>
Total NII	419	329	27	384	9	1,379	1,518	10
Total NOII	139	158	-12	229	-39	607	652	7
<b>Gross DPS (sen)</b>	<b>-</b>	<b>5.8</b>	<b>n.m.</b>	<b>-</b>	<b>n.m.</b>	<b>5.8</b>	<b>-</b>	<b>n.m.</b>
Core EPS (sen)	5.6	1.7	229	6.1	-7	17.4	21.2	22
Gross loans	72,045	66,663	8.1	70,629	2.0			
Gross impaired loans	1,398	1,265	10.5	1,228	13.9			
Customer deposits	73,744	70,834	4.1	73,974	-0.3			
CASA	22,384	18,914	18.3	19,866	12.7			
Ratios (%)	4Q FY24	4Q FY23	Yoy (ppts)	3Q FY24	Qoq (ppts)	FY23	FY24	Yoy (ppts)
<b>ROE (Ann.)</b>	<b>4.7</b>	<b>1.4</b>	<b>3.2</b>	<b>5.1</b>	<b>-0.4</b>	<b>3.6</b>	<b>4.4</b>	<b>0.8</b>
<b>NIM (Reported)</b>	<b>1.40</b>	<b>1.44</b>	<b>-0.04</b>	<b>1.31</b>	<b>0.09</b>	<b>1.42</b>	<b>1.34</b>	<b>-0.08</b>
NOII/Net income	24.9	32.4	-7.5	37.4	-12.5	30.6	30.1	-0.5
Cost/Income	83.5	82.4	1.1	74.4	9.1	71.6	76.9	5.3
NCC (Ann.) (bps)	(30)	11	-41	(12)	-19	8	(9)	-18
GIL ratio	1.94	1.90	0.04	1.74	0.20			
Loan loss coverage	82	114	-31	99	-17			
CASA ratio	30.4	26.7	3.7	26.9	3.5			
L/D ratio	96.1	92.1	4.1	93.8	2.3			
CET-1	13.2	14.3	-1.0	13.3	-0.1			

## Financial Highlights

## INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Net interest income</b>	<b>783</b>	<b>826</b>	<b>1,002</b>	<b>1,080</b>	<b>1,182</b>
Islamic banking inc.	596	691	668	720	788
Other operating inc.	607	652	827	924	1,048
<b>Net income</b>	<b>1,986</b>	<b>2,170</b>	<b>2,496</b>	<b>2,724</b>	<b>3,017</b>
OPEX	(1,421)	(1,668)	(1,673)	(1,825)	(2,021)
<b>PPOP</b>	<b>565</b>	<b>502</b>	<b>824</b>	<b>899</b>	<b>996</b>
Loan allowances	(50)	73	(99)	(111)	(125)
Other allowances	(28)	79	(26)	(24)	(24)
JV & Associates	36	55	58	63	70
<b>PBT</b>	<b>523</b>	<b>708</b>	<b>757</b>	<b>827</b>	<b>916</b>
Tax & zakat	(121)	(198)	(174)	(190)	(211)
Discontinued ops	-	-	-	-	-
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>402</b>	<b>510</b>	<b>583</b>	<b>636</b>	<b>705</b>
<b>Core NP</b>	<b>402</b>	<b>510</b>	<b>583</b>	<b>636</b>	<b>705</b>
Total NII	1,379	1,518	1,669	1,800	1,969
Total NOII	607	652	827	924	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	0	0	0	0	0
Non-IEAs	6,300	6,642	10,065	12,095	11,652
<b>Total assets</b>	<b>105,248</b>	<b>111,842</b>	<b>121,679</b>	<b>132,738</b>	<b>145,100</b>
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
<b>Total liabilities</b>	<b>94,139</b>	<b>100,241</b>	<b>109,560</b>	<b>120,042</b>	<b>131,753</b>
Share capital	5,371	5,489	5,489	5,489	5,489
Reserves	5,738	6,113	6,630	7,207	7,858
<b>Shareholders' funds</b>	<b>11,109</b>	<b>11,601</b>	<b>12,119</b>	<b>12,696</b>	<b>13,346</b>
NCI	0	0	0	0	0
<b>Total equity</b>	<b>11,109</b>	<b>11,601</b>	<b>12,119</b>	<b>12,696</b>	<b>13,346</b>
<b>Total L&amp;E</b>	<b>105,248</b>	<b>111,842</b>	<b>121,679</b>	<b>132,738</b>	<b>145,100</b>
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
<b>Interest (%)</b>					
NIM	1.50	1.44	1.54	1.55	1.55
Return on IEAs	2.89	2.94	2.06	1.99	1.90
Cost of funds	2.21	2.29	1.21	1.10	1.00
Net interest spread	0.68	0.65	0.86	0.89	0.90
<b>Profitability (%)</b>					
<b>ROE</b>	<b>3.7</b>	<b>4.5</b>	<b>4.9</b>	<b>5.1</b>	<b>5.4</b>
ROA	0.4	0.5	0.5	0.5	0.5
NOII/Net income	30.6	30.1	33.1	33.9	34.7
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
<b>Liquidity (%)</b>					
Loan/Deposit	92.1	96.1	95.8	95.7	95.6
CASA ratio	26.7	30.4	26.0	27.0	27.0
<b>Asset Quality (%)</b>					
GIL ratio	1.90	1.94	1.96	1.96	1.96
LLC ratio	114	82	100	100	100
LLC (w. reserves)	140	116	149	143	139
Net CC (bps)	8	-10	13	13	13
<b>Capital (%)</b>					
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
<b>Growth (%)</b>					
Total NII	-19.4	10.1	10.0	7.8	9.4
Total NOII	76.6	7.4	26.8	11.8	13.3
Net income	-3.4	9.3	15.1	9.1	10.7
OPEX	7.9	17.4	0.3	9.1	10.7
Core NP	415.4	26.7	14.3	9.2	10.8
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
<b>Valuation metrics</b>					
Core EPS (sen)	16.0	20.3	23.2	25.4	28.1
Gross DPS (sen)	5.8	0.0	7.0	7.5	8.2
Div payout (%)	33	0	30	30	30
BVPS (RM)	4.4	4.6	4.8	5.1	5.3
Core P/E (x)	62.4	49.2	43.1	39.4	35.6
<b>Div yield (%)</b>	<b>0.6</b>	<b>0.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>
P/BV (x)	2.3	2.2	2.1	2.0	1.9

# Results Note

Wednesday, 26 Feb, 2025

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★	Total Scope 1 and 2 emissions fell by -8% yoy in FY23, but Scope 3 emissions are not disclosed
Exposure to ESG-sensitive sectors	★★★	XX% of loan book
Energy	★★★★★	Energy consumption reduced from 23,113 MWh (FY22) to 21,680 MWh in FY23
Water	★★★	Water consumption increased from 162 ML (FY22) to 174 ML in FY23
Compliance	★★★★★	In compliance with local and international environmental regulations

### Social

Diversity	★★★★★	In FY23, 59% of the workforce are women
Human Rights	★★★★★	Enforce and adopts Code of Ethics and Conduct
Net promoter score	★★★★★	69 in FY23 (from 40 in FY24)
CSR Strategy	★★★	Made a total community investment of RM3.8m, benefiting approximately 84,500 beneficiaries

### Governance

MD/CEO salary as % of reported net profit	★★	3.8% in FY23
Directors	★★★★★	7/11 Independent Directors
Stakeholders	★★★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★★★

## Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain

## Sector Recommendations:

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.