midf 🞜 RESEARCH

2QFY23 Results Review (Within) | Monday, 28 August 2023

Affin Bank Berhad

(5185 | ABANK MK) Financial Services | Finance

2QFY23 results: Disappointing Asset Quality and NIM Issues

KEY INVESTMENT HIGHLIGHTS

- 6MFY23's Core NP of RM262m was Within/Within our/street forecasts: 53%/50% of full-year forecasts.
- Management's tone: Apart from loan growth, unoptimistic about 2H.
- Core themes: (a) Poor asset quality and credit cost outlook, (b) Possible backloading of OPEX, (c)
- Forecasts revised: FY23F/24F Core NP adjusted by -9%/-4%.
- Maintain NEUTRAL | Revised TP of RM1.71 | based on a revised FY24F P/BV of 0.32x (formerly 0.34x).

Verdict: Heavy downward bias stemming from asset quality and credit cost outlook.

- Yays 1. Loan growth should remain in the double-digit category.
- **Nays** 1. Credit cost outlook is poor, with macroeconomic indicators unpromising. Asset quality issues persist Affin may be more vulnerable to May-23 OPR hike than larger banks.
- **OKs** 1. NOII stages recovery, but unable to determine yet whether this is sustainable.
 - 2. So far OPEX is well below guided but we are wary of possible cost backloading in 2HFY23.

6MFY23's Core net profit (NP) of RM262m up by +3%yoy. This was largely driven by improvements in NOII offsetting weakness in NII and cost control. Provisions and tax remained on a similar level.

2QFY23's Core NP of RM113m down by -24%qoq. Earnings were largely dragged by higher provisions (following net writeback in the previous quarter) and weaker NII income offsetting NOII and cost control improvement. Loan growth was relatively muted at +2.1%qoq (bringing the YTD to +5.3%). In contrast, deposits rose by a whopping +8.6%qoq, largely driven by a leap in corporate deposits (which could be LTAT-assisted).

Downside bias: Heavy provisioning, backloaded costs in 2HFY23. Management previously guided in one of our meetings that 3Q would be a heavy quarter for provisioning – especially with unpromising macroeconomic indicators. We are also wary of a possible backloading of costs – so far OPEX growth is trailing well below <10%yoy guidance for FY23.

Have a look at:

Worrying impairments, not only from RA programmes. GILs have risen sharply in enterprise and retail banking segments. While working capital GIL increase was largely attributable to one specific account, there were other concerning increases in mortgage, hire purchase and personal financing GILs. Enterprise banking saw pressure in property, real estate, and manufacturing segments. More concerningly, a lot of these impairments were not part of the former RA loan watchlist – giving a bit more unpredictability in asset quality outlook in future.

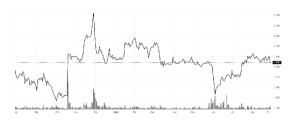
Maintain NEUTRAL

Revised Target Price: RM1.71

(Previously RM1.82)

| RETURN STATISTICS | |
|---------------------------------|-------|
| Price @ 25 August 2023 (RM) | 1.92 |
| Expected share price return (%) | -11.2 |
| Expected dividend yield (%) | +4.1 |
| Expected total return (%) | -7.1 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 0.0 | -0.5 |
| 3 months | 3.7 | -5.8 |
| 12 months | 0.8 | 4.3 |

INVESTMENT STATISTICS

| FYE Dec | FY23F | FY24F | FY25F |
|---------------------|-------|-------|-------|
| Core NP (RM m) | 448 | 573 | 631 |
| CNP growth (%) | 12 | 8 | 8 |
| Div yield (%) | 3.2 | 4.0 | 4.3 |
| Gross DPS (sen) | 6.1 | 7.6 | 8.3 |
| P/BV (x) | 0.4 | 0.4 | 0.3 |
| BVPS (RM) | 5.1 | 5.3 | 5.5 |
| ROE (%) | 4.1 | 5.1 | 5.4 |
| MIDF/Street CNP (%) | 86 | 98 | 100 |

| KEY STATISTICS | |
|------------------------------|-----------------|
| FBM KLCI | 1,444.41 |
| Issue shares (m) | 2,273.9 |
| Estimated free float (%) | 19.2 |
| Market Capitalisation (RM'm) | 4,575.7 |
| 52-wk price range | RM1.79 - RM2.33 |
| 3-mth avg daily volume (m) | 1.3 |
| 3-mth avg daily value (RM'm) | 2.4 |
| Top Shareholders (%) | |
| LTAT | 28.8 |
| Bank of East Asia Ltd | 23.9 |
| Boustead Holdings Bhd | 19.9 |
| | |

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Double paying of AT1 interest charges and huge corporate deposit uptake contribute to steep NIM compression. Quarterly NIM fell by a whopping -43bps goq, with COF increasing by +101bps goq. Management attributes +25bps of the COF hike to taking on new RM500m worth of AT1 bonds before getting rid of pre-existing ones (which should be gone by July) – something we could see repeated across the sector, given the high number of recent bond issuances. We think that the huge corporate deposit uptake may have contributed to the remainder of COF spike.

There is certainly room for NIM improvement in the following guarter, given low base effects: A lack of double interest paying following the maturity of older AT1 bonds and an overly high LCR of >200% (especially when the Group is trying to slow down on loan accumulation).

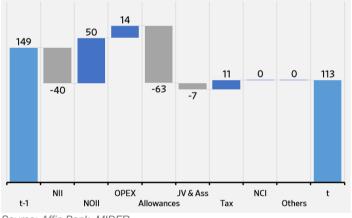
Forecasts revised: FY23F/24F Core NP adjusted by -9%/-4%. To reflect higher credit costs and weaker NIMs for both years. We also increase our NOII estimates for FY23F.

Key downside risks. (1) Higher-than-expected costs, (2) Elevated provisioning, (3) NII performs weaker than expected.

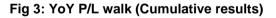
Maintain NEUTRAL call: Revised GGM-TP of RM 1.71 (from RM1.82). The TP is based on a revised FY24F P/BV of 0.32x reflecting altered earnings prospects and ROE-based valuations. (GGM assumptions: FY24F ROE of 5.2%, LTG of 4.5% & COE of 6.6%).



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



Source: Affin Bank, MIDFR



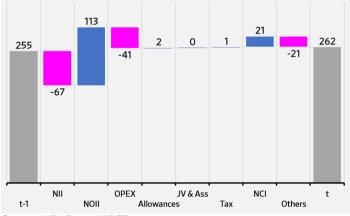
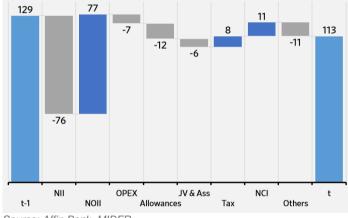


Fig 2: YoY P/L walk (Quarterly results)



Source: Affin Bank, MIDFR



Fig 4: Quarterly results

| OPEX (316) (330) (309) 2 4 (646) (606) 7 PPOP 188 164 194 -3 15 333 348 1 Laan provisions (20) 6 (38) 446 (466) (646) (646) (75 Other provisions (30) 8 0 <-500 | FYE Dec (RM m) | 2Q FY23 | 1Q FY23 | 2Q FY22 | Yoy (%) | Qoq (%) | 1H FY23 | 1H FY22 | Yoy (%) |
|---|----------------------|---------|---------|---------|-------------|-------------|---------|---------|-------------|
| Non-interestinc. 157 107 80 97 447 264 151 75 Net income 505 444 504 0 2 999 9953 55 OPEX (316) (330) (330) (230) 45 4664 (666) 77 PPOP 188 164 194 -3 475 (141) (666) 77 Other provisions (20) 6 (38) -48 -457 (141) (58) -77 Other provisions (30) 8 0 -500 -466 (22) (20) -211 JV& Associates 11 9 147 -14 -424 346 333 2 Tax (33) (47) (45) -19 -222 (84) (85) -11 Disontinued ops - - 19 .424 266 290 - Reported NP 113 149 142 24< | Net interest inc. | 203 | 234 | 260 | -22 | -13 | 436 | 489 | -11 |
| Net income 505 494 504 0 2 999 953 5 OPEX (316) (330) (309) 2 -4 (646) (605) 7 PPOP 188 164 194 -33 353 348 1 Dam provisions (30) 6 (38) -48 -460 (22) 20 211 0 Other provisions (30) 8 0 <-500 | Islamic banking inc. | 145 | 154 | 164 | -12 | -6 | 299 | 313 | -4 |
| OPEX (316) (330) (309) 2 4 (646) (605) 7 PPOP 188 164 194 -3 15 333 348 1 Loan provisions (20) 6 (38) 48 -457 (14) (58) -75 Other provisions (30) 8 0 <500 .446 (21) 20 -211 .119 .119 18 n.m. .100 .000 <td>Non-interest inc.</td> <td>157</td> <td>107</td> <td>80</td> <td>97</td> <td>47</td> <td>264</td> <td>151</td> <td>75</td> | Non-interest inc. | 157 | 107 | 80 | 97 | 47 | 264 | 151 | 75 |
| PPOP 188 164 194 -3 15 353 348 1 Loan provisions (20) 6 (38) -467 (14) (58) -75 Other provisions (30) 8 0<<<500 | Net income | 505 | 494 | 504 | 0 | 2 | 999 | 953 | 5 |
| Loan provisions (20) 6 (38) -467 (14) (58) -75 Other provisions (30) 8 0 <500 4466 $((22)$ 20 -211 1 JV & Associates 11 19 $n.m$ $n.m$ $n.30$ 30 $n.m$ PBT 150 196 174 -14 -24 3466 339 2 Tax (37) (47) (45) -19 -22 (64) (65) -1 Discontinued ops $$ 29 $n.m$ $n.m$ 0 (21) $n.m$ Reported NP 113 149 129 -10 7.64 262 295 3 Total NII 348 388 424 -16 7.64 262 295 3 Gross DPS (sen) $$ $$ $$ $$ $$ $$ $$ $$ $$ $$ $$ $$ $$ $$ $$ | OPEX | (316) | (330) | (309) | 2 | -4 | (646) | (605) | 7 |
| Other provisions (30) 8 0 <-500 -486 (22) 20 -211 I JV& Associates 11 19 18 n.m. n.m. 30 300 n.m. PET 150 196 174 -14 -24 346 339 2 Tax (37) (47) (45) -10 222 (84) (85) -1 Discontinued ops - .29 n.m. n.m. . | PPOP | 188 | 164 | 194 | -3 | 15 | 353 | 348 | 1 |
| JV & Associates 11 19 18 n.m. n.m. 30 30 n.m. PBT 150 196 174 -14 24 346 339 2 Tax (37) (47) (45) -19 -22 (84) (65) -1 Image: constrained ops -1 -29 n.m. 0.m. -10 -262 (84) (65) -1 Image: constrained ops -1 (21) n.m. 0.m. 0.m. 0.m. 0.m. 0.m. 0.m. 0.01< | Loan provisions | (20) | 6 | (38) | -48 | -457 | (14) | (58) | -75 |
| PBT 150 196 174 -14 -24 346 339 2 Tax (37) (47) (45) -19 -22 (84) (85) -1 Discontinued ops - 29 n.m. n.m. - 56 n.m. NCI - (11) n.m. n.m. - 200 -9 0 Reported NP 113 149 129 -23 244 262 255 3 Core NP 13 149 129 -12 -24 266 255 3 Total NII 348 388 424 -16 -10 756 802 -8 1 Gross Inpaired Ioans 157 107 80 97 47 264 151 75 Gross Inpaired Ioans 1,112 1,201 1,262 -11.9 -7.4 11.0 4 4 CASA 16,599 14,698 13,855 19. | Other provisions | (30) | 8 | 0 | <-500 | -486 | (22) | 20 | -211 |
| Tax (37) (47) (45) -19 -22 (84) (85) -1 Discontinued ops 29 n.m. n.m. ic 56 n.m. ic | JV & Associates | 11 | 19 | 18 | n.m. | n.m. | 30 | 30 | n.m. |
| Discontinued ops | РВТ | 150 | 196 | 174 | -14 | -24 | 346 | 339 | 2 |
| NCI | Тах | (37) | (47) | (45) | -19 | -22 | (84) | (85) | -1 |
| Reported NP 113 149 147 -23 -24 262 290 -9 Core NP 113 149 129 12 24 262 255 3 Total NII 348 388 424 -18 -10 736 802 -8 1 Total NII 348 388 424 -18 -10 736 802 -8 1 1 75 1 75 1 75 1 75 1 75 1 75 1 75 1 75 1 1 75 1 <td>Discontinued ops</td> <td></td> <td>-</td> <td>29</td> <td>n.m.</td> <td>n.m.</td> <td>-</td> <td>56</td> <td>n.m.</td> | Discontinued ops | | - | 29 | n.m. | n.m. | - | 56 | n.m. |
| Core NP 113 149 129 122 241 262 255 3 Total NII 348 388 424 -18 -10 736 802 -8 Image: constraint of the state of | NCI | - | - | (11) | n.m. | n.m. | - | (21) | n.m. |
| Total NII 348 388 424 -18 -10 736 802 -8 Total NOII 157 107 80 97 47 264 151 75 800 -8 8 Gross DPS (sen) 5.0 6.6 6.1 -18 -24 11.5 12.0 -4 8 Gross loans 62,468 61,164 55,429 12.7 2.1 12.0 -4 14 | Reported NP | 113 | 149 | 147 | -23 | -24 | 262 | 290 | -9 |
| Total NOII15710780974726415175Gross DPS (sen)Core EPS (sen)5.06.66.1-182-24111.512.0Gross Ioans62,46861,16455,42912.72.12111.512.0Gross inpaired Ioans1,1121,2011,262-11.9-7.421Customer deposits71,51165,87064,45211.08.62111 FY23Yoy (prtstrate)RAtios (%)2Q FY2314,69813,85519.812.9111 FY23111 FY23Yoy (prtstrate)NOI/Net income31.121.615.815.39.5111 44.85.0-0.31OUI/Net income31.121.615.815.39.59.526.415.810.511OUI/Net income31.121.615.815.39.526.415.810.511111111OUI/Net income31.121.61.980.500.500.611.8551131.2111111111111111111111111 <t< td=""><td>Core NP</td><td>113</td><td>149</td><td>129</td><td>-12</td><td>-24</td><td>262</td><td>255</td><td>3</td></t<> | Core NP | 113 | 149 | 129 | -12 | -24 | 262 | 255 | 3 |
| Total NOII15710780974726415175Gross DPS (sen)Core EPS (sen)5.06.66.1-182-24111.512.0Gross Ioans62,46861,16455,42912.72.12111.512.0Gross inpaired Ioans1,1121,2011,262-11.9-7.421Customer deposits71,51165,87064,45211.08.62111 FY23Yoy (prtstrate)RAtios (%)2Q FY2314,69813,85519.812.9111 FY23111 FY23Yoy (prtstrate)NOI/Net income31.121.615.815.39.5111 44.85.0-0.31OUI/Net income31.121.615.815.39.59.526.415.810.511OUI/Net income31.121.615.815.39.526.415.810.511111111OUI/Net income31.121.61.980.500.500.611.8551131.2111111111111111111111111 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<> | | | | | | | | | |
| Gross DPS (sen) n.m. n.m.< | Total NII | 348 | 388 | 424 | -18 | -10 | 736 | 802 | -8 |
| Core EPS (sen) 5.0 6.6 6.1 -18 -24 11.5 12.0 -4 Gross loans 62,468 61,164 55,429 12.7 2.1 2 1 1.1 | Total NOII | 157 | 107 | 80 | 97 | 47 | 264 | 151 | 75 |
| Core EPS (sen) 5.0 6.6 6.1 -18 -24 11.5 12.0 -4 Gross loans 62,468 61,164 55,429 12.7 2.1 2 1 1.1 | | | | | | | | | |
| Gross loans 62,468 61,164 55,429 12.7 2.1 I | Gross DPS (sen) | - | - | - | <i>n.m.</i> | <i>n.m.</i> | - | - | <i>n.m.</i> |
| Gross impaired loans 1,112 1,201 1,262 -11.9 -7.4 Image: Construction of the construc | Core EPS (sen) | 5.0 | 6.6 | 6.1 | -18 | -24 | 11.5 | 12.0 | -4 |
| Customer deposits 71,511 65,870 64,452 11.0 8.6 1 6 6 6 1 | Gross loans | 62,468 | 61,164 | 55,429 | 12.7 | 2.1 | | | |
| CASA16,59914,69813,85519.812.910 <th< td=""><td>Gross impaired loans</td><td>1,112</td><td>1,201</td><td>1,262</td><td>-11.9</td><td>-7.4</td><td></td><td></td><td></td></th<> | Gross impaired loans | 1,112 | 1,201 | 1,262 | -11.9 | -7.4 | | | |
| Ratios (%) 2Q FY23 1Q FY23 2Q FY22 Yoy (ppts) Qoq (ppts) 1H FY23 1H FY22 Yoy (ppts) ROE (Ann.) 4.1 5.5 5.1 -1.0 -1.4 4.8 5.0 -0.3 I NIM (Reported) 1.33 1.76 1.99 -0.66 -0.43 1.57 1.99 -0.42 I NOII/Net income 31.1 21.6 15.8 15.3 9.5 26.4 15.8 10.5 I< | Customer deposits | 71,511 | 65,870 | 64,452 | 11.0 | 8.6 | | | |
| ROE (Ann.) 4.1 5.5 5.1 -1.0 -1.4 4.8 5.0 -0.3 I NIM (Reported) 1.33 1.76 1.99 -0.66 -0.43 1.57 1.99 -0.42 I NOII/Net income 31.1 21.6 15.8 15.3 9.5 26.4 15.8 10.5 Cost/Income 62.7 66.8 61.4 1.3 4.1 64.7 63.5 1.2 I NCC (Ann.) (bps) 14 (4) 30 -16 18 5 22 -17 I GIL ratio 1.78 1.96 2.28 -0.50 -0.18 I | CASA | 16,599 | 14,698 | 13,855 | 19.8 | 12.9 | | | |
| ROE (Ann.) 4.1 5.5 5.1 -1.0 -1.4 4.8 5.0 -0.3 I NIM (Reported) 1.33 1.76 1.99 -0.66 -0.43 1.57 1.99 -0.42 I NOII/Net income 31.1 21.6 15.8 15.3 9.5 26.4 15.8 10.5 Cost/Income 62.7 66.8 61.4 1.3 4.1 64.7 63.5 1.2 I NCC (Ann.) (bps) 14 (4) 30 -16 18 5 222 -17 I GIL ratio 1.78 1.96 2.28 -0.50 -0.18 I | Ratios (%) | 2Q FY23 | 1Q FY23 | 2Q FY22 | Yoy (ppts) | Qog (ppts) | 1H FY23 | 1H FY22 | Yoy (ppts) |
| NIM (Reported) 1.33 1.76 1.99 -0.66 -0.43 1.57 1.57 1.99 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 -0.42 1.90 2.61 1.90 2.64 1.58 1.05 2.61 1.05 1.05 1.05 1.05 1.05 1.05 1.05 1.02 </th <th>ROE (Ann.)</th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> | ROE (Ann.) | | | | | | | | |
| NOII/Net income 31.1 21.6 15.8 15.3 9.5 26.4 15.8 10.5 Cost/Income 66.27 66.8 61.4 1.3 -4.1 64.7 63.5 1.2 1.2 NCC (Ann.) (bps) 14 (4) 30 -16 1.8 5 22 -17 1 GIL ratio 1.78 1.96 2.28 -0.50 -0.18 5 22 -17 1 Loan loss coverage 128 117 77 51 111 5 - </td <td>. ,</td> <td>1.33</td> <td>1.76</td> <td>1.99</td> <td></td> <td>-0.43</td> <td>1.57</td> <td>1.99</td> <td>-0.42</td> | . , | 1.33 | 1.76 | 1.99 | | -0.43 | 1.57 | 1.99 | -0.42 |
| Cost/Income 66.8 61.4 1.3 1.4 64.7 63.5 1.2 1.2 NCC (Ann.) (bps) 14 (4) 30 -16 18 5 22 -17 1 GIL ratio 1.78 1.96 2.28 -0.50 -0.18 5 22 -17 1 Loan loss coverage 128 117 77 51 111 < | , | 31.1 | 21.6 | 15.8 | 15.3 | 9.5 | 26.4 | 15.8 | 10.5 |
| NCC (Ann.) (bps) 14 (4) 30 -16 18 5 22 -17 GIL ratio 1.78 1.96 2.28 -0.50 -0.18 5 5 22 -17 Loan loss coverage 1.28 1.17 77 551 1.11 5 5 1.11 5 5 1.11 1. | Cost/Income | | | | | -4.1 | | | |
| GlL ratio 1.78 1.96 2.28 -0.50 -0.18 c Loan loss coverage 128 117 77 51 111 c CASA ratio 23.2 22.3 21.5 1.7 6 c c L/D ratio 85.4 90.7 84.5 0.9 c c c | NCC (Ann.) (bps) | | | | | 18 | 5 | | -17 |
| Loan loss coverage 128 117 77 51 11 6 CASA ratio 23.2 22.3 21.5 1.7 0.9 6 L/D ratio 85.4 90.7 84.5 0.9 6 6 | | | | | | | | | |
| CASA ratio 23.2 22.3 21.5 1.7 0.9 L/D ratio 85.4 90.7 84.5 0.9 -5.4 6 | | | | | | | | | |
| L/D ratio 85.4 90.7 84.5 0.9 -5.4 | • | | | | | | | | |
| | L/D ratio | | | | | | | | |
| | CET-1 | 14.7 | 14.6 | 13.4 | 1.3 | 0.1 | | | |



Fig 5: Retrospective performance (Income Statement)

| • | • | • | | • | , | |
|-------------|----------------------|----------|--------|----------------------|--------------|--|
| Metric | Surprise? Qoq/Yoy | | Metric | Surprise? Qoq/Yoy | | Notes (<i>Cum</i> = <i>Cumulative</i> , <i>Qtr</i> = <i>Quarterly</i>) |
| | RM mil | 113 | | Qtr value | 4.1% | A decent quarter, despite NIM compression |
| Qtrly | 23% of F | Y CNP | Qtrly | | | |
| Core NP | Qoq | -24% | ROÉ | t-1 | 5.5% | |
| | Yoy | -12% | | t-4 | 5.1% | |
| | | | | | | |
| | RM mil | 262 | | Cum value | 4.8% | Decent but we are wary of a difficult 2H. |
| | Within our | forecast | | | | Especially from a credit cost standpoint. relatively muted in 1H – this may be backload |
| Cum Core | 53% of F | Y CNP | Cum | | | |
| NP | Within con | sensus | ROE | | | |
| | 50% of F | Y CNP | | | | |
| | Yoy | 3% | | t-1 | 5.0% | |
| | _ | | _ | | | |
| | -ve surp | orise | | -ve surp | | Double counting AT1 bond interest payme downwards – NIM compression was |
| | | | | Qtr value | 1.33 | enough without it (likely due to huge ind |
| NII | | | NIM | Cum value | 1.57 | qoq. |
| | Qtr (Qoq) | -10% | | Qtr (Qoq) | -43bps | COF went up by 100bps qoq – management the double counting issue. For the record |
| | Qtr (Yoy) | -18% | | Qtr (Yoy) | -66bps | RM500m AT1 bonds in June - while its pre- |
| | Cum (Yoy) | -8% | | Cum (Yoy) | -42bps | set to expire in July. |
| | As expe | eted | | % NII | 69% | Strong improvement on both fee and non |
| | Qtr (Qoq) | 47% | Qtr | % NOII | 31% | However, we may have to wait a few more q |
| NOII | Qtr (Yoy) | 97% | | % NII | 74% | is sustainable. |
| | Cum (Yoy) | 75% | Cum | % NOII | 26% | |
| | | | | | | |
| | As expe | ected | | As expe | ected | Good cost control this quarter – is Affin b |
| | | | | Qtr value | 62.7% | Cost was surprisingly well maintained for nov <10% guidance. However, there could be po |
| 0051 | | | Cost/ | Cum value | 64.7% | heavy 2H. After all, management has high |
| OPEX | Qtr (Qoq) | -4% | Inc. | Qtr (Qoq) | -4.1% | spending plans in Sarawak. |
| | Qtr (Yoy) | 2% | | Qtr (Yoy) | +1.3% | |
| | Cum (Yoy) | 7% | | Cum (Yoy) | +1.2% | |
| | | | | | | |

Source: Affin Bank, MIDFR

ut we are wary of a difficult 2H.

y from a credit cost standpoint. OPEX was also muted in 1H – this may be backloaded into 2H.

quarter, despite NIM compression.

ounting AT1 bond interest payments dragged NIMs rds – NIM compression was already sizeable without it (likely due to huge increase in deposits

t up by 100bps qoq - management attributes 25bps to le counting issue. For the record, the bank issued AT1 bonds in June - while its preexisting financing is bire in July.

nprovement on both fee and non-fee side.

we may have to wait a few more quarters to see if this able.

st control this quarter – is Affin backloading costs? surprisingly well maintained for now, trailing well below idance. However, there could be potential for a OPEX-H. After all, management has highlighted ambitious plans in Sarawak.



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

| Metric | Surprise? Qoq/Yoy | | Metric | Surprise? Qoq/Yoy | |
|--------|----------------------|----------------|--------|----------------------|-------------|
| | As expe | cted | | | |
| Loans | Qoq | 2.1% | | | |
| LUalis | Yoy | 12.7% | | | |
| | YTD (FY) | 5.3% | | | |
| | | | | | |
| | +ve sur | orise | | +ve surp | orise |
| Depo. | Qoq | 8.6% | CASA | Qoq | 12.9% |
| grwth | Yoy | 11.0% | grwth | Yoy | 19.8% |
| | YTD (FY) | 10.0% | | YTD (FY) | 8.8% |
| | As expe | cted | | As expe | cted |
| CASA | Value now | 23.2% | L/D | Value now | 85.4% |
| ratio | Qoq | +0.9% | ratio | Qoq | -5.4% |
| | Yoy | +1.7% | | Yoy | +0.9% |
| | | | | | |
| | As expe | cted | | As expe | cted |
| GIL | Value now | 1. 78 % | LLC | Value now | 128% |
| ratio | Qoq | -18bps | ratio | Qoq | +11% |
| | Yoy | -50bps | | Yoy | +51% |
| | As expe | cted | | As expe | cted |
| Qtrly | Decent pro | ovision | Cum | Decent pro | ovision |
| Net | Value now | 14bps | Net | Value now | 5bps |
| CC | t-1 | -4bps | CC | | |
| | t-4 | 30bps | | t-4 | 22bps |
| | _ | | _ | | |
| | Healthy | level | | No div | vy |
| CET 1 | As expected | | Div | As expe | cted |
| | Value now | 14.7% | payout | Payout | - |
| | Qoq | 0.1% | | | |

Notes (*Cum* = *Cumulative*, *Qtr* = *Quarterly*)

A bit lacklustre, but mgmt is confident in its 2H corporate pipeline.

Management has been pumping on the brakes in lower-yield loan segments, but we should only see weaker growth reflected in FY24.

Very strong quarterly growth.

This rate of growth is very drastic, driven by corporate deposits – we believe there might be intervention from LTAT.

GIL has reduced due to the great number of write-offs – but there are concerning developments.

Significant improvement in corporate portfolio but enterprise and community side see sharp upticks. More specifically, a concerning rise in residential mortgages, hire purchases and personal financing.

Upticks are not only flooding in from RA programmes but also due to OPR hikes. Property, real estate, and manufacturing are weak points.

Decent-sized provision.

Very healthy.

Others:



Fig 7: Targets, Achievements, and Outlook

| Targets | FY23F | 1H FY23 | Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent) |
|------------|---|------------|---|
| ROE | 5.8 (PBT: RM850m) 7.0 (PBT: RM 1b) | 4.8 | Unlikely to be achieved. |
| CIR | <60.0 <57.5 | 64.7 | OPEX to rise by <10%. |
| NIM | 1.86 2.11 (-15bps FY22's 2.01) | - | Unlikely to be achieved. NIM should at least pick up from this quarter, given that AT1 double counting issue should be resolved before the end of 3QFY23. LCR could also go down in the following quarter, supplying some upside to NIMs. |
| NOII | | 75% (yoy) | |
| Loans | 12 | 5.3 (YTD) | The group is confident in its 2H pipeline. |
| Deposits | | 10.0 (YTD) | |
| % CASA | 25 | 23.2 | Unlikely to be achieved. |
| Loan/Depo | | 85.4 | |
| GIL ratio | 2.00 1.90 | 1.78 | |
| GCC (bps) | 30 | 5 | Unlikely to be achieved, mgmt does not sound confident. Also, best not to expect any major writebacks until FY24. |
| LLC | 100-110 | 128 | |
| CET 1 | | 14.7 | |
| Div payout | | - | |



FINANCIAL SUMMARY

| Interest income 1,670 2,053 2,162 2,266 2,344 Interest expense (776) (1,031) (1,234) (1,234) (1,234) Vet interest income 894 1,023 928 1,032 1,100 Islamic banking inc. 549 688 618 688 733 Other operating inc. 401 344 588 569 584 OPEX (1,139) (1,317) (1,387) (1,430) (1,505 POP 706 738 747 858 922 Loan allowances (165) (29) (22) (177) JV & Associates 45 9 45 51 55 PT 529 412 586 749 822 Tax & zakat (95) (213) (1138) (177) (155 Discontinued ops 147 1,125 - - - - Ast Zakat (95) (223) (133) 11,957 | INCOME STATEMENT | | | | | |
|---|-----------------------|---------|---------|---------|---------|---------|
| Interest expense (776) (1,031) (1,234) (1,234) (1,234) Net interest income 894 1,023 928 1,032 1,100 Islamic banking inc. 549 688 618 688 733 Other operating inc. 401 344 588 569 Net income 1,845 2,055 2,134 2,288 2,422 OPEX (1,139) (1,137) (1,337) (1,430) (1,430) OPEX (1,139) (1,137) (1,337) (1,430) (1,139) OPEX (1,139) (1,137) (1,337) (1,430) (1,430) OPEX (1,139) (1,137) (1,337) (1,33) (117) JV & Associates 45 9 45 51 52 PBT 529 412 586 749 822 Tax & zakat (95) (213) (1138) (1177) (195 Discontinued ops 147 1,125 - <t< th=""><th>FYE Dec (RM m)</th><th>FY21</th><th>FY22</th><th>FY23F</th><th>FY24F</th><th>FY25F</th></t<> | FYE Dec (RM m) | FY21 | FY22 | FY23F | FY24F | FY25F |
| Vet interest income 894 1,023 928 1,032 1,100 Islamic banking inc. 549 688 618 688 737 Other operating inc. 401 344 588 569 584 Vet income 1,845 2,055 2,134 2,288 2,427 OPEX (1,139) (1,137) (1,387) (1,430) (1,507) PPOP 706 738 747 858 922 Loan allowances (165) (289) (176) (138) (134) Other allowances (57) (45) (29) (22) (177) JV & Associates 45 9 45 51 55 PBT 529 412 586 749 824 Discontinued ops 147 1,125 - - - NCI (53) (25) - - - - Discontinued ops 147 1,125 - - - | Interest income | 1,670 | 2,053 | 2,162 | 2,266 | 2,340 |
| Islamic banking inc. 549 688 618 688 733 Other operating inc. 401 344 588 569 584 Net income 1,845 2,055 2,134 2,288 2,423 OPEX (1,139) (1,317) (1,387) (1,430) (1,505) PPOP 706 738 747 858 922 Loan allowances (165) (289) (176) (138) (177) JV & Associates 45 9 45 51 55 PET 529 412 586 749 822 Tax & zakat (95) (213) (138) (177) (195 Discontinued ops 147 1,125 - - - - NCI (53) (22) -< | Interest expense | (776) | (1,031) | (1,234) | (1,234) | (1,234) |
| Other operating inc. 401 344 588 569 584 Net income 1,845 2,055 2,134 2,288 2,427 OPEX (1,139) (1,317) (1,387) (1,430) (1,505 OPPO 706 738 747 858 922 Loan allowances (165) (289) (176) (138) (134) Other allowances (57) (45) (29) 422 (177) (195) V& Associates 45 9 45 51 52 PBT 529 412 586 749 824 Tax & zakat (95) (213) (138) (177) (195) Discontinued ops 147 1,125 - - - Core NP 527 1,300 448 573 633 Core NP 527 1,300 448 573 633 State NC FY21 FY22 FY23F FY24F FY25F </td <td>Net interest income</td> <td>894</td> <td>1,023</td> <td>928</td> <td>1,032</td> <td>1,106</td> | Net interest income | 894 | 1,023 | 928 | 1,032 | 1,106 |
| Vet income 1,845 2,055 2,134 2,288 2,427 OPEX (1,139) (1,317) (1,387) (1,430) (1,505 PPOP 706 738 747 858 922 Laan allowances (165) (289) (176) (138) (134) Other allowances (57) (45) (29) (22) (177) JV & Associates 45 9 45 51 52 PET 529 412 586 749 824 Tax & zakat (95) (213) (138) (177) (195 Discontinued ops 147 1,125 - - - - NCI (53) (25) - - - - - Stata 200 448 573 633 - - - - - - - - - - - - - - - - <td< td=""><td>Islamic banking inc.</td><td>549</td><td>688</td><td>618</td><td>688</td><td>737</td></td<> | Islamic banking inc. | 549 | 688 | 618 | 688 | 737 |
| OPEX (1,139) (1,317) (1,387) (1,430) (1,505) OPPP 706 738 747 858 922 Loan allowances (165) (289) (176) (138) (134) Other allowances (57) (45) (29) (22) (177) JV & Associates 45 9 45 51 55 PBT 529 412 586 749 824 Discontinued ops 147 1,125 - - - NCI (53) (25) - - - - Discontinued ops 147 1,125 - | Other operating inc. | 401 | 344 | 588 | 569 | 584 |
| PPOP 706 738 747 858 922 Loan allowances (165) (289) (176) (138) (134) Other allowances (57) (45) (29) (22) (17) JV & Associates 45 9 45 51 55 PBT 529 412 586 749 826 Tax & zakat (95) (213) (138) (177) (195) Discontinued ops 147 1,125 - <td>Net income</td> <td>1,845</td> <td>2,055</td> <td>2,134</td> <td>2,288</td> <td>2,427</td> | Net income | 1,845 | 2,055 | 2,134 | 2,288 | 2,427 |
| Lan allowances (165) (289) (176) (138) (134) Other allowances (57) (45) (29) (22) (177) JV & Associates 45 9 45 51 55 PBT 529 412 566 749 826 Tax & zakat (95) (213) (138) (177) (195) Discontinued ops 147 1,125 - - - NCI (53) (25) - - - - Reported NP 527 1,300 448 573 637 Core NP 434 200 448 573 637 Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET - - - - - PYE Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,235 5,845 6,366 | OPEX | (1,139) | (1,317) | (1,387) | (1,430) | (1,505) |
| Cher allowances (15) (14) (14) Other allowances (57) (44) (29) (12) JV & Associates 45 9 45 51 55 PBT 529 412 586 749 826 Tax & zakat (95) (213) (138) (177) (195 Discontinued ops 147 1,125 - - - NCI (53) (25) - - - - Reported NP 527 1,300 448 573 633 Core NP 434 200 448 573 633 Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,366 Investment securities 15,911 21,180 16,913 11,957 10,134 Non-IEAs | PPOP | 706 | 738 | 747 | 858 | 922 |
| UV & Associates (45 9 45 51 55 PBT 529 412 586 749 826 Tax & zakat (95) (213) (1138) (177) (195) Discontinued ops 147 1,125 - - - NCI (53) (25) - - - - NCI (53) (25) - </td <td>Loan allowances</td> <td>(165)</td> <td>(289)</td> <td>(176)</td> <td>(138)</td> <td>(134)</td> | Loan allowances | (165) | (289) | (176) | (138) | (134) |
| PBT 529 412 586 749 822 Tax & zakat (95) (213) (138) (177) (195) Discontinued ops 147 1,125 - - - NCI (53) (25) - - - - NCI (53) (25) - - - - - Reported NP 527 1,300 448 573 633 Core NP 434 200 448 573 633 Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET - <td>Other allowances</td> <td>(57)</td> <td>(45)</td> <td>(29)</td> <td>(22)</td> <td>(17)</td> | Other allowances | (57) | (45) | (29) | (22) | (17) |
| Tax & zakat (95) (213) (138) (177) (195) Discontinued ops 147 1,125 - - NCI (53) (25) - - NCI (53) (25) - - Reported NP 527 1,300 448 573 631 Core NP 434 200 448 573 631 Total NII 1,444 1,711 1,546 1,720 1,843 Total NII 1,444 1,711 1,546 1,720 1,843 Total NII 1,444 1,711 1,546 1,720 1,843 Goal AST funds 7,564 5,205 5,323 5,845 6,666 Investment securities 15,911 21,180 16,913 11,957 10,134 Net Ioans 50,528 58,105 65,068 70,374 76,000 Other IEAs 0 0 0 0 0 0 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other | JV & Associates | 45 | 9 | 45 | 51 | 55 |
| Iteration Iteration <thiteration< th=""> <thiteration< th=""> <thi< td=""><td>РВТ</td><td>529</td><td>412</td><td>586</td><td>749</td><td>826</td></thi<></thiteration<></thiteration<> | РВТ | 529 | 412 | 586 | 749 | 826 |
| NCI (53) (25) - - Reported NP 527 1,300 448 573 633 Core NP 434 200 448 573 633 Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET FY2 Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,363 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 703 71,933 72,664 78,550 84,913 Customer deposits 58,794 64,995 72,664 | Tax & zakat | (95) | (213) | (138) | (177) | (195) |
| Reported NP 527 1,300 448 573 633 Core NP 434 200 448 573 633 Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET 527 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,366 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 Fotal assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 | Discontinued ops | . , | . , | - | - | - |
| Core NP 434 200 448 573 633 Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET FY2 Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,366 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 Kot loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 0 Customer deposits 58,794 64,995 72,664 78,550 84,913 11,957 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 </td <td>NCI</td> <td>(53)</td> <td>(25)</td> <td>-</td> <td>-</td> <td></td> | NCI | (53) | (25) | - | - | |
| Total NII 1,444 1,711 1,546 1,720 1,843 Total NOII 401 344 588 569 584 SALANCE SHEET FY2 Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,363 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 | Reported NP | 527 | 1,300 | 448 | 573 | 631 |
| Total NOII 401 344 588 569 584 BALANCE SHEET FYE Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,366 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 11,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,368 Norl 4,969 5,245 5,245 5,245 5,245 | Core NP | 434 | 200 | 448 | 573 | 631 |
| Total NOII 401 344 588 569 584 BALANCE SHEET FYE Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,366 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 11,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,368 Norl 4,969 5,245 5,245 5,245 5,245 | | | | | | |
| BALANCE SHEET FYE Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,366 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,368 Non-IBLs 2,833 2,687 5,245 5,245 5,245 5,245 Share capital 4,969 5,245 </td <td>Total NII</td> <td>1,444</td> <td>1,711</td> <td>1,546</td> <td>1,720</td> <td>1,843</td> | Total NII | 1,444 | 1,711 | 1,546 | 1,720 | 1,843 |
| FYE Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,363 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 Fotal assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 NCI | Total NOII | 401 | 344 | 588 | 569 | 584 |
| FYE Dec (RM m) FY21 FY22 FY23F FY24F FY25F Cash & ST funds 7,564 5,205 5,323 5,845 6,363 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 Fotal assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 NCI | | | | | | |
| Cash & ST funds 7,564 5,205 5,323 5,845 6,369 Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 Total assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,363 Share capital 4,969 5,245 5,245 5,245 5,245 5,245 Share holders' funds 9,889 10,751 11,096 11,534 12, | BALANCE SHEET | | | | | |
| Investment securities 15,911 21,180 16,913 11,957 10,134 Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 0 0 0 0 0 Non-IEAs 4,425 5,761 10,596 16,203 18,882 Fotal assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 5,245 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 | FYE Dec (RM m) | FY21 | FY22 | FY23F | FY24F | FY25F |
| Net loans 50,528 58,105 65,068 70,374 76,004 Other IEAs 0 <td>Cash & ST funds</td> <td>7,564</td> <td>5,205</td> <td>5,323</td> <td>5,845</td> <td>6,369</td> | Cash & ST funds | 7,564 | 5,205 | 5,323 | 5,845 | 6,369 |
| Other IEAs 0 | Investment securities | 15,911 | 21,180 | 16,913 | 11,957 | 10,134 |
| Non-IEAs 4,425 5,761 10,596 16,203 18,882 Fotal assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,368 Share capital 4,969 5,245 5,245 5,245 5,245 5,245 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,024 Total IEAs 74,004 84,490 87,304 88,176 92,507 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Net loans | 50,528 | 58,105 | 65,068 | 70,374 | 76,004 |
| Fotal assets 78,429 90,251 97,900 104,379 111,390 Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 5,245 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,024 Total L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IEAs 74,004 84,490 87,304 88,176 92,507 | Other IEAs | 0 | 0 | 0 | 0 | 0 |
| Customer deposits 58,794 64,995 72,664 78,550 84,913 Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,369 Share capital 4,969 5,245 5,245 5,245 5,245 Share capital 4,969 5,505 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,021 NCI 45 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,021 Total L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Non-IEAs | 4,425 | 5,761 | 10,596 | 16,203 | 18,882 |
| Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 Reserves 4,920 5,505 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,024 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IEAs 74,004 84,490 87,304 88,176 92,507 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Fotal assets | 78,429 | 90,251 | 97,900 | 104,379 | 111,390 |
| Other IBLs 6,868 11,818 11,705 11,827 11,953 Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 Reserves 4,920 5,505 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,024 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IEAs 74,004 84,490 87,304 88,176 92,507 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | | | | | | |
| Non-IBLs 2,833 2,687 2,435 2,468 2,503 Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 5,245 Share capital 4,969 5,245 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,021 NCI 45 0 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,021 Total L&E 78,429 90,251 97,900 104,379 111,390 Gross loans 51,417 59,343 66,464 71,781 77,523 | Customer deposits | 58,794 | 64,995 | 72,664 | 78,550 | 84,913 |
| Fotal liabilities 68,495 79,500 86,804 92,845 99,365 Share capital 4,969 5,245 5,245 5,245 5,245 5,245 Reserves 4,920 5,505 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,021 NCI 45 0 0 0 0 0 0 Total lequity 9,934 10,751 11,096 11,534 12,021 Total L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Other IBLs | 6,868 | 11,818 | 11,705 | 11,827 | 11,953 |
| Share capital 4,969 5,245 | Non-IBLs | 2,833 | 2,687 | 2,435 | 2,468 | 2,503 |
| Reserves 4,920 5,505 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 Total equity 9,934 10,751 11,096 11,534 12,024 Total L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Total liabilities | 68,495 | 79,500 | 86,804 | 92,845 | 99,369 |
| Reserves 4,920 5,505 5,850 6,289 6,775 Shareholders' funds 9,889 10,751 11,096 11,534 12,024 NCI 45 0 0 0 0 0 Total equity 9,934 10,751 11,096 11,534 12,024 Total L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | | | | | | |
| Shareholders' funds 9,889 10,751 11,096 11,534 12,021 NCI 45 0< | Share capital | 4,969 | 5,245 | 5,245 | 5,245 | 5,245 |
| NCI 45 0 0 0 0 0 Fotal equity 9,934 10,751 11,096 11,534 12,024 Fotal L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Reserves | 4,920 | 5,505 | 5,850 | 6,289 | 6,775 |
| Fotal equity 9,934 10,751 11,096 11,534 12,024 Total L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Shareholders' funds | 9,889 | 10,751 | 11,096 | 11,534 | 12,021 |
| Fotal L&E 78,429 90,251 97,900 104,379 111,390 Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | NCI | 45 | 0 | 0 | 0 | 0 |
| Total IEAs 74,004 84,490 87,304 88,176 92,507 Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross Ioans 51,417 59,343 66,464 71,781 77,523 | Fotal equity | 9,934 | 10,751 | 11,096 | 11,534 | 12,021 |
| Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross loans 51,417 59,343 66,464 71,781 77,523 | Total L&E | 78,429 | 90,251 | 97,900 | 104,379 | 111,390 |
| Total IBLs 65,663 76,813 84,369 90,377 96,866 Gross loans 51,417 59,343 66,464 71,781 77,523 | | | | | | |
| Gross loans 51,417 59,343 66,464 71,781 77,523 | Total IEAs | 74,004 | 84,490 | 87,304 | 88,176 | 92,507 |
| | Total IBLs | 65,663 | 76,813 | 84,369 | 90,377 | 96,866 |
| CASA 13,540 15,250 15,768 18,067 19,530 | Gross loans | 51,417 | 59,343 | 66,464 | 71,781 | 77,523 |
| | CASA | 13,540 | 15,250 | 15,768 | 18,067 | 19,530 |

| FYE Dec (RM m) | FY21 | FY22 | FY23F | FY24F | FY25F |
|---------------------|-------|-------|-------|-------|-------|
| Interest (%) | | | | | |
| NIM | 2.08 | 2.16 | 1.80 | 1.96 | 2.04 |
| Return on IEAs | 2.40 | 2.59 | 2.52 | 2.58 | 2.59 |
| Cost of funds | 1.26 | 1.45 | 1.53 | 1.41 | 1.32 |
| Net interest spread | 1.14 | 1.14 | 0.99 | 1.17 | 1.27 |
| Profitability (%) | | | | | |
| ROE | 4.5 | 1.9 | 4.1 | 5.1 | 5.4 |
| ROA | 0.6 | 0.2 | 0.5 | 0.6 | 0.0 |
| NOII/Net income | 21.8 | 16.7 | 27.5 | 24.9 | 24. |
| Effective tax rate | 16.9 | 50.6 | 22.8 | 22.8 | 22. |
| Cost/Income | 61.7 | 64.1 | 65.0 | 62.5 | 62. |
| Liquidity (%) | | | | | |
| Loan/Deposit | 85.9 | 89.4 | 89.5 | 89.6 | 89. |
| CASA ratio | 23.0 | 23.5 | 21.7 | 23.0 | 23. |
| Asset Quality (%) | | | | | |
| GIL ratio | 2.54 | 1.97 | 2.00 | 1.96 | 1.9 |
| LLC ratio | 68 | 120 | 105 | 1.30 | 1.0 |
| LLC (w. reserves) | 126 | 161 | 141 | 145 | 14 |
| Net CC (bps) | 34 | 52 | 28 | 20 | 1 |
| Capital (%) | | | | | |
| Capital (%) | 13.8 | 15.0 | 14.2 | 13.5 | 12. |
| | 15.4 | 16.3 | 14.2 | 13.5 | 12. |
| Tier 1 capital | 20.6 | 18.7 | 15.5 | 14.7 | 13. |
| Total capital | 20.0 | 10.7 | 17.0 | 17.0 | 10. |
| Growth (%) | | | | | |
| Total NII | 22.9 | 18.5 | -9.6 | 11.2 | 7. |
| Total NOII | -63.2 | -14.3 | 71.0 | -3.2 | 2. |
| Net income | -18.5 | 11.4 | 3.9 | 7.2 | 6. |
| OPEX | -15.7 | 15.6 | 5.3 | 3.1 | 5. |
| Core NP | 88.2 | -53.9 | 124.3 | 27.8 | 10. |
| Gross loans | 11.1 | 15.4 | 12.0 | 8.0 | 8. |
| Customer deposits | 17.9 | 10.5 | 11.8 | 8.1 | 8. |
| CASA | 22.2 | 12.6 | 3.4 | 14.6 | 8. |
| Valuation metrics | | | | | |
| Core EPS (sen) | 20.0 | 9.2 | 20.7 | 26.4 | 29. |
| Gross DPS (sen) | 12.5 | 22.6 | 6.1 | 7.6 | 8. |
| Div payout (%) | 50 | 38 | 30 | 30 | 3 |
| BVPS (RM) | 4.6 | 5.0 | 5.1 | 5.3 | 5. |
| Core P/E (x) | 9.6 | 20.8 | 9.3 | 7.3 | 6. |
| Div yield (%) | 6.5 | 11.8 | 3.2 | 4.0 | 4. |
| P/BV (x) | 0.4 | 0.4 | 0.4 | 0.4 | 0. |



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(Bank Pelaburan)

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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 | Stock price is expected to <i>rise</i> 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 <i>fall</i> 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