

Malaysia

HOLD (previously REDUCE)

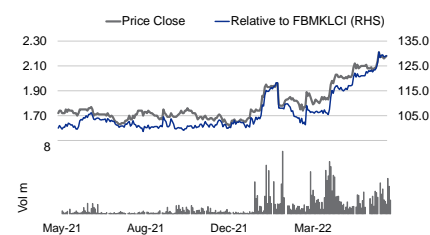
Consensus ratings*: Buy 4 Hold 2 Sell 1

Current price:	RM2.18
Target price:	RM2.19
Previous target:	RM1.41
Up/downside:	0.5%
CGS-CIMB / Consensus:	7.0%
Reuters:	AFIN.KL
Bloomberg:	ABANK MK
Market cap:	US\$1,057m
	RM4,630m
Average daily turnover:	US\$0.90m
	RM3.86m
Current shares o/s:	2,124m
Free float:	19.9%

*Source: Bloomberg

Key changes in this note

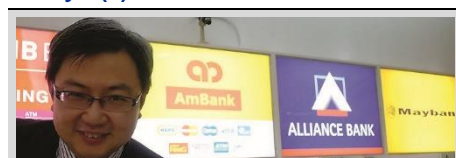
- FY22-24F net profit forecasts raised by 3-4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.8	23.2	26.7
Relative (%)	7.3	26	29.7

Major shareholders	% held
LTAT	35.2
The Bank of East Asia	23.7
Boustead	20.8

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Affin Bank Berhad

Net write-back in 1Q22 LLP not sustainable

- Although Affin Bank's 1Q22 net profit accounted for 29.5% of our full-year forecast, we regard the results as in line in anticipation of weaker 2Q-4Q22.
- We envisage a 15-30% qoq drop in 2Q22F net profit as we project an upturn in its LLP in 2Q22F (vs. a net write-back in 1Q22).
- Upgrade Affin from Reduce to Hold given the easing of Covid-19 credit risks on its asset quality; CY22F P/E of 9.3x is below the sector average of 12.5x.

1Q22 within our expectation; likely weaker quarters ahead

Although Affin Bank's 1Q22 net profit accounted for 29.5% of our full-year forecast, we deem the 1Q22 results as in line. This is because we do not expect the net write-back in loan loss provisioning (LLP) in 1Q22 to be sustainable and, hence, net profit in the upcoming quarters is likely to be lower than the level in 1Q22. We regard the 1Q22 net profit (26.5% of Bloomberg consensus estimate) to be below market expectations.

1Q22 net profit driven by write-back in LLP and higher NII

Affin's 1Q22 net profit surged 107% yoy, driven by (1) a net write-back of RM0.2m in LLP in 1Q22 vs. a provision of RM93.8m in 1Q21, and (2) 18.9% yoy rise in net interest income (NII), lifted by swift loan growth of 13.8% yoy at end-Mar 22. However, 1Q22 net profit fell 31% qoq due to lower revenue (-5.6% qoq for NII and -11.1% qoq for non-interest income).

Projecting a qoq drop in 2Q22F net profit

We do not expect the net write-back in LLP in 1Q22 to be sustainable and, hence, foresee a reversal of this to a provision in 2Q22F. This, together with higher taxation due to Cukai Makmur, is likely to lead to a 15-30% qoq drop in 2Q22F net profit to RM100m-120m (vs. RM117.9m in 2Q21 for yoy comparison).

Lifting FY22-24F net profit forecasts and target price

We raise our FY22-24F net profit forecasts by 3-4% as we (1) factor in another hike of 25bp in overnight policy rate (OPR) (on top of the 25bp hike we had factored in), and (2) increase projected FY22F loan growth from 4.3% to 10%. We also increase our projected FY22-24F DPS by circa 65% to 8-11 sen, mainly due to the rise in our assumed dividend payout ratio from 22% to 35% (vs. 52% in FY21). For our DDM valuation, we lift our assumed risk-free rate from 3.8% to 4% (in tandem with interest rate hike) but cut our assumed discount to DDM value from 35% to 10% (due to the easing of Covid-19 credit risks). All of the above lift our DDM-based target price from RM1.41 to RM2.19.

Upgrade Affin from Reduce to Hold due to easing credit risks

We see easing credit risk from Covid-19 reflected by its improved gross impaired loan ratio and loan loss coverage. This spells lower downside earnings risks from any spike in LLP. Meanwhile, its CY22F P/E of 9.3x is below the sector's average of 12.5x and we deem the FY22F dividend yield of 3.8% as attractive. Hence, we upgrade Affin from Reduce to Hold. We prefer Hong Leong Bank for exposure to the sector.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (RMm)	694	893	916	992	1,038
Total Non-Interest Income (RMm)	1,571	1,348	1,413	1,474	1,600
Operating Revenue (RMm)	2,265	2,241	2,328	2,466	2,638
Total Provision Charges (RMm)	(543.1)	(219.5)	(203.4)	(215.8)	(228.6)
Net Profit (RMm)	230.3	526.9	499.0	584.7	654.2
Core EPS (RM)	0.14	0.25	0.23	0.28	0.31
Core EPS Growth	(42.4%)	75.2%	(6.3%)	17.2%	11.9%
FD Core P/E (x)	15.23	8.69	9.28	7.92	7.08
DPS (RM)	0.04	0.13	0.08	0.10	0.11
Dividend Yield	1.61%	5.73%	3.77%	4.42%	4.94%
BVPS (RM)	4.60	4.66	5.04	5.26	5.50
P/BV (x)	0.47	0.47	0.43	0.41	0.40
ROE	3.08%	5.42%	4.85%	5.35%	5.73%
% Change In Core EPS Estimates			3.00%	3.88%	3.55%
CGS-CIMB/Consensus EPS (x)			0.92	0.89	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Net write-back in 1Q22 LLP not sustainable

Figure 1: Affin Bank - Results Comparison for 1QFY22

FYE Dec (RM m)	1QFY22	1QFY21	yoy %		qoq %		Prev. FY22F	Comments
			4QFY21	chg	4QFY21	chg		
Net interest income	229.0	192.6	18.9	242.6	(5.6)	892.2	In line. Driven by margin expansion.	
Non-interest income	151.0	216.2	(30.2)	169.9	(11.1)	821.6	Below. Weak investment income.	
Islamic income	148.9	128.9	15.5	159.7	(6.8)	593.5	In line.	
Total income	528.9	537.7	(1.6)	572.2	(7.6)	2,307.3	Below. Dragged down by lower non-int.	
Overhead expenses	(340.4)	(340.5)	(0.0)	(346.3)	(1.7)	(1,437.6)	Below. Tight cost control.	
Pre-provision profit	188.5	197.2	(4.4)	225.9	(16.6)	869.7	Below. Narrower jaws due to lower revenue.	
Loan loss provisions	0.2	(93.8)	100.2	3.8	(94.7)	(205.4)	Below. Net write-back in 1Q22.	
Associates' and others	11.7	5.9	98.3	7.4	58.1	68.1	Below.	
Finance cost	-	-	-	-	-	-		
Pretax profit	200.4	109.3	83.3	237.1	(15.5)	732.4	In line. Expecting weaker quarters ahead.	
Tax	(47.9)	(27.8)	72.3	(14.7)	225.9	(226.0)	Below. Lifted by Cukai Makmur taxation.	
Tax rate (%)	23.9	25.4	-	6.2	-	30.9	Below.	
Minority interests	(9.8)	(12.6)	-	(15.6)	(37.2)	(22.0)		
Net profit	142.7	68.9	107.1	206.8	(31.0)	484.4	In line. Expecting weaker quarters ahead.	
EPS (sen)	6.7	3.3	103.0	9.8	(31.4)	22.8		

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 2: Earnings revision for Affin Bank

	2021A	2022F			2023F			2024F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Loan growth	11.1%	4.3%	10.0%	5.7%	4.3%	4.3%	0.0%	4.3%	4.3%	0.0%
Net interest income	893	893	916	2.6%	961	991	3.1%	1,007	1,038	3.1%
Net profit	527	484	499	3.0%	563	584	3.9%	632	654	3.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

About our valuation methodology for Affin Bank

The proxy for the risk-free rate underpinning the cost of equity for our DDM methodology is the 10-year Malaysian government securities (MGS) yield. Our assumed risk-free rate of 4% is derived from the average consensus of the 10-year MGS yield for the next 10 quarters (from 2Q22 to 3Q24; extracted from Bloomberg). The increase in our assumed risk-free rate comes in tandem with the rise in interest rates in Malaysia (overnight policy rate and MGS yields).

Previously, we applied a discount of 35% to our DDM value to arrive at our target price for Affin Bank given the potential risks from the Covid-19 pandemic to its asset quality. The discount we imputed for Affin was higher compared to the 10-20% discount we assumed for other banks because its gross impaired loan ratio was the highest (at 2.54% at end-Dec 21) among the Malaysian banks under our coverage.

Now, we are lowering the discount to 10% as we see easing credit risk pressures from the Covid-19 outbreak, as reflected in the following:

- The group's gross impaired loan ratio improved from 3.52% at end-Dec 20 to 2.54% at end-Dec 21 and 2.43% at end-Mar 22.
- Its loan loss coverage increased from 47.9% at end-Dec 20 to 68.1% at end-Dec 21 and 70.2% at end-Mar 22.
- Affin had built up a management overlay of RM300m as at end-Mar 22, which can be used to offset the provision for any new impaired loans.
- The proportion of its loans under repayment assistance declined sharply from 27.2% in Dec 21 to 6.9% in Apr 22, reflecting an improvement of its overall asset quality.

Key takeaways from 1Q22 conference call

Affin Bank hosted a conference call for its 1Q22 financial results. The key highlights from the call were the guidance for its financial performance in 2022F and details of the loans under repayment assistance.

Guidance for FY22F >

The following is Affin's guidance for its financial performance in FY22F (the figures in the brackets are our forecasts for FY22F):

- Loan growth of 12% (10%)
- Net interest margin of 2.04% (1.9%)
- Cost-to-income ratio of 55% (61.7%)
- Credit charge-off rate of circa 30bp (38bp)
- Gross impaired loan ratio of 2.2% at end-FY22 (2.6%)
- Loan loss coverage of 90% (49.3%)
- ROE of 7% (4.9%).

Riding on swift loan growth >

Affin recorded robust loan growth in the past two quarters, at 11.1% yoy at end-Dec 21 and 13.8% yoy at end-Mar 22, more than double the banking industry's pace of 4-5%. Its loan growth was driven by the expansion of 17-19% yoy for residential mortgages and 21-31% yoy for loans for the purchase of securities (as at end-Dec 21 and end-Mar 22). Meanwhile, the momentum for its working capital loans accelerated from 3.9% yoy at end-Sep 21 to 6.7% yoy at end-Dec 21 and 9.9% yoy at end-Mar 22.

The bank is confident that it can achieve a strong loan growth of 12% in 2022F (vs. our forecast of 10%). The bank expects the growth to come mainly from the retail and SME loan segments.

Affin explained that the swift loan growth is the result of its efforts to beef up the growth engines of the bank. For instance, it has been building up its team of relationship managers for the SME segment. The bank has also been strengthening its salesforce for the credit card business, which led to an increase in its credit card base from 30k two years ago to 140k currently.

A decline in loans under repayment assistance >

The positive take from the conference call was the significant decline in Affin's loans under repayment assistance from RM14bn in Dec 21 to RM3.7bn in Apr 22. In our view, this reflects the positive impact from the reopening of the economy on the repayment capabilities of borrowers. Meanwhile, the proportion of the bank's loans under repayment assistance (over its total loans) fell sharply from 27.2% in Dec 21 to 6.9% in Apr 22, possibly one of the lowest in the sector.

For the corporate banking segment, total loans under repayment assistance contracted from RM4bn in Dec 21 to RM2.5bn in Apr 22, leading to a drop in the proportion of its corporate loans under repayment assistance from 24.4% in Dec 21 to 14.4% in Apr 22.

For Enterprise Banking (business loans), loans under repayment assistance plunged by 62.5% from RM2bn in Dec 21 to RM741.2m in Apr 22. Consequently, the percentage of these loans over its total business loans fell from 34.8% in Dec 21 to 13.7% in Apr 22.

The decline in loans under repayment assistance for Community Banking (consumer loans) was even wider at 93.5% (from RM8bn in Dec 21 to RM524.9m in Apr 22). This brought down the proportion of loans under repayment assistance for Community Banking from 27.2% in Dec 21 to a mere 1.7% in Apr 22.

Potential upside/downside risks ▶

Potential upside risks to our Hold call are strong expansion in its net interest margin in 2022 and additional write-backs in loan loss provisioning in the upcoming quarters.

On the flip side, potential downside risks are (1) a spike in its gross impaired loan ratio, which would require the bank to increase its loan loss provisioning, and (2) a drastic slowdown in 2022 loan growth to below our projected rate of 10%.



ESG in a nutshell

Affin Bank has a sustainability section in its annual report that covers the development of digital banking, governance of the bank's operations, improvements in customer service, and training of its staff as well as retaining/attracting talent. While these are relevant ESG topics, we would like to see Affin providing greater disclosure on: 1) the bank's exposure to sectors that have high ESG risks, 2) its plans to reduce the ESG risks for its operations and financing/investment portfolios, and 3) the negative impact of and exposure to climate change.

<p>Keep your eye on</p> <p>Going forward, we think Affin Bank will focus on integrating ESG evaluations into its decision-making processes, including its credit evaluation system. Another key area of ESG focus for Affin Bank is enhancing its analysis of the risks from climate change and utilising this for its decision-making.</p>	<p>Implications</p> <p>Like all other Malaysian banks, Affin Bank will have to adopt the Climate Change and Principle-based Taxonomy, which was introduced by Bank Negara Malaysia (BNM), by Jul 22. This will provide the bank a strong foundation to analyse and quantify the risks from climate change on its operations. BNM also expects Malaysian banks (including Affin) to provide more disclosure on climate change in the longer term. In addition, banks will be required to conduct stress testing for the risks from climate change by 2024. As such, we think Affin will put in more resources into this area to meet the regulatory requirements but this will lead to an improvement in its ESG standards in the longer term.</p>
<p>ESG highlights</p> <p>In our view, Affin's ESG disclosure is less comprehensive compared with some other banks. We see room for improvement in this area and look forward to more disclosures by the bank on how it is going to manage its ESG risks.</p>	<p>Implications</p> <p>We expect Affin Bank to improve its ESG disclosure in the coming years by providing more information relating to its exposure to ESG-vulnerable sectors, measures to mitigate ESG risks as well as the risks from and exposures to climate change. Some other banks have stated that they have started to work with their customers (especially those in the sectors with high ESG risks) to improve the latter's ESG standards. We believe Affin Bank will take a similar path to mitigate the ESG risks from its existing customer base.</p>
<p>Trends</p> <p>In line with most banks, we think Affin Bank will aim to increase its green financing as part of its initiatives to elevate its ESG standards.</p>	<p>Implications</p> <p>So far, Affin Bank has yet to provide details on the size of its green financing as well as its longer-term target for this. We will monitor the bank's green financing trend over the upcoming years. Like other banks, Affin will also want to concentrate on growing its sustainable financing, which has a broader scope and includes green financing, the financing of the purchase of electric vehicle, investment in green bonds, ESG-compliant wealth management products as well as corporate advisory businesses for ESG-compliant transactions.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 3: Sector Comparison

Company	Bbg Ticker	Recom.	Price (local)	Target Price (local)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY2021	Recurr. ROE (%) CY2021	P/PPOPS (x) CY2021	Div Yield (%) CY2021
						CY2021	CY2022					
DBS Group	DBS SP	Add	31.10	40.20	58,460	11.7	10.1	26.9%	1.45	12.8%	10.2	3.8%
OCBC	OCBC SP	Add	11.70	14.20	38,430	10.8	9.7	21.0%	1.09	10.4%	9.2	4.5%
United Overseas Bank	UOB SP	Add	29.38	35.60	35,936	12.7	11.1	21.9%	1.15	9.3%	9.0	4.1%
Singapore average						11.7	10.2	24.1%	1.25	11.0%	9.5	4.1%
Agricultural Bank of China	1288 HK	Add	2.99	4.40	156,317	3.9	3.6	9.2%	0.43	11.5%	1.9	8.1%
Bank of China	3988 HK	Add	3.11	4.20	134,254	3.8	3.5	10.6%	0.41	11.2%	2.1	8.3%
Bank of Communications	3328 HK	Add	5.35	5.30	52,929	4.2	3.8	10.0%	0.43	10.7%	2.1	7.8%
China CITIC Bank	998 HK	Add	3.76	4.80	30,721	3.0	2.7	12.6%	0.31	10.8%	1.1	9.4%
China Construction Bank	939 HK	Add	5.81	8.00	186,549	4.2	3.9	9.7%	0.50	12.5%	2.3	7.3%
China Minsheng Bank	1988 HK	Hold	2.99	2.60	23,565	3.6	3.3	8.0%	0.23	6.6%	1.0	8.3%
ICBC	1398 HK	Add	4.70	5.90	239,576	4.2	3.9	9.1%	0.49	12.2%	2.3	7.3%
Hong Kong average						4.0	3.7	9.7%	0.44	11.6%	2.0	7.7%
Bank Central Asia	BBCA IJ	Hold	7,575	8,100	64,104	29.7	25.6	16.1%	4.61	16.2%	19.3	1.7%
Bank Danamon	BDMN IJ	Add	2,440	3,300	1,637	8.3	6.3	62.6%	0.50	6.5%	2.5	4.2%
Bank Rakyat Indonesia	BBRI IJ	Add	4,540	5,000	47,235	20.1	16.3	30.6%	2.38	12.0%	9.2	3.8%
Bank Tabungan Negara	BBTN IJ	Add	1,680	2,100	1,221	7.5	6.8	24.8%	0.83	11.5%	2.8	2.7%
Indonesia average						23.6	19.6	27.7%	2.97	13.1%	12.1	2.6%
Affin Bank Berhad	ABANK MK	Hold	2.18	2.19	1,057	8.7	9.3	22.7%	0.47	5.4%	5.2	5.7%
Alliance Bank Malaysia Berhad	ABMB MK	Reduce	3.50	3.17	1,237	9.9	7.6	28.1%	0.82	8.6%	5.0	4.0%
AMMB Holdings	AMM MK	Add	3.48	3.64	2,634	8.6	7.3	12.9%	0.73	8.1%	4.3	3.7%
Bank Islam Malaysia Bhd	BIMB MK	Add	2.96	3.30	1,457	12.0	10.7	8.4%	0.96	9.1%	6.9	3.7%
Hong Leong Bank	HLBK MK	Add	21.00	21.80	10,396	15.5	13.9	9.8%	1.44	9.9%	13.4	2.5%
Malayan Banking Bhd	MAY MK	Add	8.99	10.00	24,576	12.7	13.0	8.8%	1.24	9.7%	7.5	6.5%
Public Bank Bhd	PBK MK	Add	4.62	5.00	20,480	15.7	15.5	11.9%	1.86	12.1%	10.5	3.3%
RHB Bank Bhd	RHBBANK MK	Add	5.95	7.00	5,630	8.6	8.6	13.4%	0.88	10.2%	5.7	6.7%
Malaysia average						12.9	12.5	12.2%	1.27	9.9%	8.2	4.7%
Bangkok Bank	BBL TB	Add	129.5	164.0	7,242	9.2	8.1	24.4%	0.53	6.1%	4.2	3.1%
Kasikornbank	KBANK TB	Add	146.5	170.0	10,169	9.9	8.8	11.7%	0.75	8.1%	3.8	2.0%
Kiatnakin Phatra Bank	KKP TB	Hold	70.8	59.0	1,755	11.2	9.5	8.0%	1.26	11.9%	5.0	4.4%
Krung Thai Bank	KTB TB	Hold	15.0	12.7	6,142	11.3	9.8	10.1%	0.59	5.4%	3.3	2.7%
TMBThanachart Bank	TTB TB	Add	1.3	1.3	3,567	10.4	8.5	14.1%	0.57	5.8%	3.1	4.0%
Thailand average						10.1	8.8	14.4%	0.63	6.6%	3.7	2.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Affin - Quarterly profit and loss statements

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Remarks for 1Q22
FYE Dec (RM m)	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	
Interest income	457.7	387.8	419.8	426.7	438.0	440.4	
Interest expense	(207.8)	(195.2)	(194.3)	(194.3)	(195.4)	(211.3)	
Net interest income	249.9	192.6	225.5	232.4	242.6	229.1	
Income from Islamic operations (IBI)	131.1	128.9	126.8	134.2	159.7	148.9	
Other operating income	239.8	216.2	226.6	185.8	169.8	150.8	
Operating revenue	620.8	537.7	578.9	552.4	572.1	528.8	
Other operating expenses	(353.8)	(340.5)	(340.5)	(326.3)	(346.3)	(340.4)	
Impairment losses	(6.2)	0.0	(1.3)	0.0	(1.9)	(0.3)	
Operating profit before loan loss provision	260.8	197.2	237.1	226.1	223.9	188.1	
Allowance for losses on loans and financing	(259.9)	(93.8)	(80.2)	(49.2)	3.8	0.2	
Transfer from/(to) profit equalisation reserve	0.0	0.0	0.0	0.0	0.0	0.0	
Operating profit	0.9	103.4	156.9	176.9	227.7	188.3	
Finance cost	0.0	0.0	0.0	0.0	0.0	0.0	
Exceptional item	0.0	0.0	0.0	0.0	0.0	0.0	
Share in profit of associates	23.3	5.9	17.9	12.2	9.3	12.2	
Profit before taxation and zakat	24.2	109.3	174.8	189.1	237.0	200.5	
Taxation	(13.5)	(26.6)	(40.6)	(44.0)	(12.4)	(47.6)	
Zakat	(0.7)	(1.2)	(0.7)	(2.3)	(2.2)	(0.3)	
Net profit after taxation and zakat	10.0	81.5	133.5	142.8	222.4	152.6	
Minority interests	(19.4)	(12.6)	(15.6)	(9.6)	(15.6)	(9.9)	
Net profit	(9.4)	68.9	117.9	133.2	206.8	142.7	
EPS (sen)	(0.5)	3.3	5.6	6.3	9.8	6.7	
YoY growth	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	
FYE Dec (RM m)	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	
Interest income	-12.7%	-20.1%	-3.8%	-0.4%	-4.3%	13.6%	
Interest expense	-38.4%	-37.4%	-30.5%	-17.5%	-6.0%	8.2%	
Net interest income	33.6%	11.1%	43.4%	20.5%	-2.9%	19.0%	Mainly driven by swift loan growth.
Income from Islamic operations (IBI)	18.6%	7.7%	8.0%	18.7%	21.8%	15.5%	
Other operating income	29.6%	-34.8%	-15.4%	-25.9%	-29.2%	-30.2%	
Operating revenue	28.6%	-13.9%	6.7%	-0.8%	-7.8%	-1.7%	
Other operating expenses	23.2%	4.3%	2.5%	-3.6%	-2.1%	0.0%	
Impairment losses	67.6%	-100.0%	-98.4%	-100.0%	-69.4%	#DIV/0!	
Operating profit before loan loss provision	36.0%	-33.7%	82.0%	9.2%	-14.1%	-4.6%	
Allowance for losses on loans and financing	505.8%	-19.9%	49.1%	-56.2%	-101.5%	-100.2%	Another quarter of net write-back in provision.
Provision for commitment and contingencies	-	-	-	-	-	-	
Operating profit	-99.4%	-42.6%	105.1%	86.8%	25200.0%	82.1%	
Finance cost	-	-	-	-	-	-	
Exceptional item	-	-	-	-	-	-	
Share in profit of associates	33.1%	-255.3%	-1.1%	190.5%	-60.1%	106.8%	
Profit before taxation and zakat	-85.5%	-38.0%	84.8%	91.2%	879.3%	83.4%	
Taxation	-60.9%	-41.2%	133.3%	16.4%	-8.1%	78.9%	
Net profit after taxation and zakat	-92.4%	-36.8%	75.2%	148.3%	2124.0%	87.2%	
Minority interests	-	-	-	-	-	-	
Net profit	-107.7%	-44.2%	74.9%	173.5%	-2300.0%	107.1%	Spurred by net write-back in provision.
EPS (sen)	-107.5%	-46.8%	64.7%	162.5%	-2230.4%	103.6%	
Key ratios (%)							
Non-interest income ratio	38.6%	40.2%	39.1%	33.6%	29.7%	28.5%	Lower due to weaker investment income.
IBI over total revenue	21.1%	24.0%	21.9%	24.3%	27.9%	28.2%	
Cost-to-income ratio	57.0%	63.3%	58.8%	59.1%	60.5%	64.4%	An increase due to lower revenue.
LLP over gross interest income	56.8%	24.2%	19.1%	11.5%	-0.9%	0.0%	
Annualised credit charge-off rate	2.25%	1.64%	1.42%	0.43%	-0.03%	0.00%	Net write-back in provision.

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 5: Affin Bank - Quarterly balance sheet

RM m	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Remarks for Mar 22
Cash and short-term funds	5,461.3	6,043.0	7,671.4	6,443.5	6,394.5	5,625.0	
Securities purchased under resale agreement	0.0	0.0	0.0	0.0	0.0	0.0	
Deposits with other FI's	50.1	0.0	230.1	1,252.5	1,169.8	451.6	
Securities held-for-trading	0.0	0.0	0.0	0.0	0.0	0.0	
Securities available-for-sale	13,034.1	12,632.4	13,146.7	14,255.9	3,877.6	3,921.9	
Securities held-to-maturity	143.0	265.8	233.0	503.3	11,435.1	15,476.1	
Loans, advances and financing	45,492.8	46,181.4	47,336.5	48,197.7	50,528.1	52,587.5	+13.9% yoy
Statutory deposits with Bank Negara Malaysia	103.3	70.6	79.3	58.2	68.6	67.3	
Investment in jointly controlled company	180.3	180.8	184.5	186.7	181.9	188.9	
Investment in associated company	715.7	699.4	748.7	764.6	725.4	725.9	
Amount due from associate	30.9	30.9	30.9	30.9	30.9	30.9	
Trade debtors	920.4	986.1	767.9	596.4	527.2	525.6	
Other assets	1,453.2	1,626.5	1,753.2	1,471.2	1,159.4	1,457.2	
Tax recoverable	101.7	123.9	124.5	126.6	144.6	178.2	
Deferred tax	112.2	240.8	221.6	257.2	223.3	209.4	
Goodwill on consolidation	903.8	897.3	889.3	891.7	895.9	890.5	
Property, plant and equipment	832.4	898.8	967.4	988.5	1,066.8	1,148.7	
Land held for sale	0.0	0.0	0.0	0.0	0.0	0.0	
Life assets	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL ASSETS	69,535.2	70,877.7	74,385.0	76,024.9	78,429.1	83,484.7	
Deposits from customers	49,884.4	50,643.1	53,795.8	57,459.0	58,794.4	62,254.6	+22.9% yoy
Deposits and placements of bank and other financial institutions	3,720.4	4,336.8	4,855.7	2,960.4	2,866.1	3,282.8	
Obligation on securities sold under repurchase agreements	0.0	0.0	0.0	0.0	0.0	1,950.0	
Bills and acceptance payable	67.0	34.7	38.5	36.5	28.6	26.6	
Trade creditors	921.4	1,262.1	956.6	835.3	982.4	869.1	
Amount due to Cagamas	50.0	50.3	50.0	50.3	669.2	1,125.5	
Other liabilities	1,903.2	1,916.9	1,792.6	1,798.1	1,843.6	1,645.4	
Taxation	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred tax liabilities	6.2	7.2	8.6	12.1	8.0	3.3	
Redeemable bonds	0.0	0.0	0.0	0.0	0.0	0.0	
Borrowings	3,345.5	3,312.1	3,336.2	3,278.0	3,303.1	2,272.3	
TOTAL LIABILITIES	59,898.1	61,563.2	64,834.0	66,429.7	68,495.4	73,429.6	
Share capital	4,902.3	4,902.3	4,969.2	4,969.2	4,969.2	4,969.2	
Reserves	4,664.2	4,345.4	4,520.0	4,583.4	4,919.8	5,031.4	
SHF	9,566.5	9,247.7	9,489.2	9,552.6	9,889.0	10,000.6	
Minority Interest	70.6	66.8	61.8	42.6	44.7	54.5	
TOTAL LIABILITIES AND SHF	69,535.2	70,877.7	74,385.0	76,024.9	78,429.1	83,484.7	

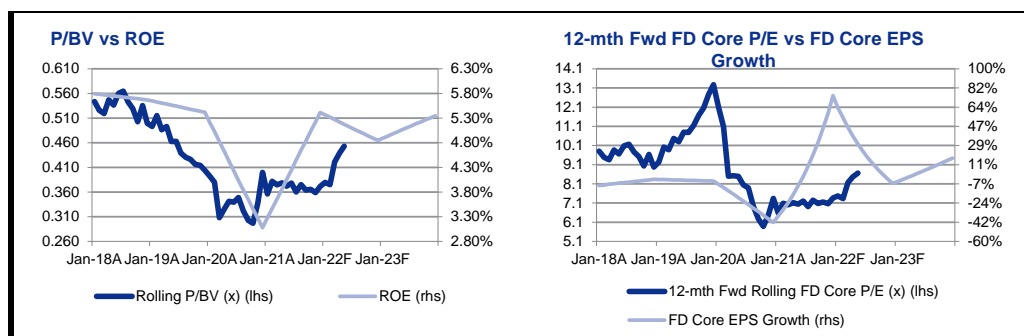
SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 6: Affin Bank - breakdown of loans

Loans (RM m)	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	Remarks for Mar 22
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	
Construction	2,299.3	2,319.4	2,333.8	2,433.1	2,330.3	2,352.0	
Real Estate	0.0	0.0	0.0	0.0	0.0	0.0	
Residential mortgages	12,052.4	12,482.3	12,886.7	13,352.7	14,112.4	14,898.9	
Non-residential mortgages	6,224.0	6,178.1	6,131.0	6,142.5	6,281.7	6,342.3	
Purchase of securities	1,674.4	1,675.0	1,769.0	1,903.0	2,029.6	2,189.3	
Auto loans	11,255.4	11,337.9	11,521.5	11,474.6	12,052.3	12,318.8	
Fixed asset other than land and building	240.0	226.9	230.0	241.5	269.0	279.0	
Personal uses	886.1	975.6	1,159.1	1,358.0	1,698.7	2,018.3	
Credit card	209.5	215.3	218.7	233.2	265.5	282.0	
Consumer durable	0.1	0.1	0.0	0.1	0.0	0.0	
Working capital	10,288.6	10,394.4	10,572.4	10,621.8	10,974.4	11,423.2	
Others	1,142.9	1,195.7	1,381.6	1,350.4	1,403.4	1,394.9	
TOTAL	46,272.7	47,000.7	48,203.8	49,110.9	51,417.3	53,498.7	
Sectorial breakdown of loans (%)							
Construction	5.0%	4.9%	4.8%	5.0%	4.5%	4.4%	
Real Estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Residential mortgages	26.0%	26.6%	26.7%	27.2%	27.4%	27.8%	The largest loan segment
Non-residential mortgages	13.5%	13.1%	12.7%	12.5%	12.2%	11.9%	
Purchase of securities	3.6%	3.6%	3.7%	3.9%	3.9%	4.1%	
Auto loans	24.3%	24.1%	23.9%	23.4%	23.4%	23.0%	
Fixed asset other than land and building	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
Personal uses	1.9%	2.1%	2.4%	2.8%	3.3%	3.8%	
Credit card	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
Consumer durable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Working capital	22.2%	22.1%	21.9%	21.6%	21.3%	21.4%	
Others	2.5%	2.5%	2.9%	2.7%	2.7%	2.6%	
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
y-o-y growth rate							
Construction	-15.0%	-10.7%	-9.0%	-3.7%	1.3%	1.4%	
Real Estate	-	-	-	-	-	-	
Residential mortgages	4.8%	8.0%	11.0%	12.7%	17.1%	19.4%	More than double of the 6.9% growth for the industry.
Non-residential mortgages	-1.8%	-1.2%	-1.8%	-3.8%	0.9%	2.7%	
Purchase of securities	10.7%	15.1%	17.8%	19.5%	21.2%	30.7%	
Auto loans	0.8%	4.6%	9.5%	4.3%	7.1%	8.7%	More than triple of the 2.5% growth for the industry.
Fixed asset other than land and building	-28.3%	-17.6%	-15.5%	2.0%	12.1%	23.0%	
Personal uses	6.3%	17.8%	37.6%	55.5%	91.7%	106.9%	
Credit card	17.0%	25.8%	31.7%	25.7%	26.7%	31.0%	
Consumer durable	-50.0%	0.0%	-70.0%	17.6%	-100.0%	-100.0%	
Working capital	0.1%	0.2%	3.3%	3.9%	6.7%	9.9%	An improvement in yoy growth in past four quarters.
Others	2.6%	5.4%	29.0%	25.8%	22.8%	16.7%	
TOTAL	0.7%	3.3%	7.1%	6.9%	11.1%	13.8%	The strongest in the sector; triple of the industry's growth of 4.6%.

SOURCES: CGS-CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	694	893	916	992	1,038
Total Non-Interest Income	1,571	1,348	1,413	1,474	1,600
Operating Revenue	2,265	2,241	2,328	2,466	2,638
Total Non-Interest Expenses	(1,351)	(1,354)	(1,438)	(1,513)	(1,593)
Pre-provision Operating Profit	914	888	891	953	1,045
Total Provision Charges	(543)	(219)	(203)	(216)	(229)
Operating Profit After Provisions	371	668	687	737	817
Pretax Income/(Loss) from Assoc.	42	45	51	57	64
Operating EBIT (incl Associates)	413	714	738	794	880
Non-Operating Income/(Expense)	(19)	(3)	17	7	16
Profit Before Tax (pre-EI)	394	710	755	801	896
Exceptional Items	0	0	0	0	0
Pre-tax Profit	394	710	755	801	896
Taxation	(121)	(130)	(233)	(192)	(215)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	273	580	522	609	681
Minority Interests	(43)	(53)	(23)	(24)	(27)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	230	527	499	585	654
Recurring Net Profit	291	527	499	585	654

Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	92.8%	87.5%	91.5%	90.1%	89.0%
Avg Loans/Avg Deposits	91.3%	89.9%	89.5%	90.8%	89.5%
Avg Liquid Assets/Avg Assets	27.1%	29.0%	28.7%	28.0%	28.9%
Avg Liquid Assets/Avg IEAs	29.1%	30.9%	30.3%	29.5%	30.3%
Net Cust Loans/Assets	65.4%	64.4%	67.4%	66.8%	66.1%
Net Cust Loans/Broad Deposits	84.9%	81.9%	85.4%	84.2%	83.2%
Equity & Provsns/Gross Cust Loans	22.4%	21.0%	20.2%	20.4%	20.7%
Asset Risk Weighting	67.6%	67.2%	67.2%	67.1%	67.2%
Provision Charge/Avg Cust Loans	1.12%	0.37%	0.31%	0.31%	0.31%
Provision Charge/Avg Assets	0.75%	0.24%	0.21%	0.21%	0.21%
Total Write Offs/Average Assets	0.83%	0.34%	0.29%	0.29%	0.29%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	46,323	52,587	56,862	59,312	61,875
Liquid Assets & Invst. (Current)	13,875	15,911	13,649	15,186	16,735
Other Int. Earning Assets					
Total Gross Int. Earning Assets	60,198	68,498	70,511	74,497	78,610
Total Provisions/Loan Loss Reserve	(780)	(889)	(731)	(888)	(1,059)
Total Net Interest Earning Assets	59,418	67,609	69,779	73,610	77,551
Intangible Assets	904	896	896	896	896
Other Non-Interest Earning Assets	3,752	3,530	3,199	3,276	3,344
Total Non-Interest Earning Assets	4,655	4,425	4,095	4,172	4,240
Cash And Marketable Securities	5,461	6,395	8,912	9,246	9,703
Long-term Investments	0	0	0	0	0
Total Assets	69,535	78,429	82,786	87,028	91,494
Customer Interest-Bearing Liabilities	49,887	58,796	61,797	65,489	69,169
Bank Deposits	3,720	2,866	3,612	3,501	3,489
Interest Bearing Liabilities: Others	3,413	3,332	3,498	3,674	3,857
Total Interest-Bearing Liabilities	57,020	64,993	68,907	72,664	76,516
Bank's Liabilities Under Acceptances	50	669	19	21	23
Total Non-Interest Bearing Liabilities	2,829	2,833	3,117	3,130	3,229
Total Liabilities	59,898	68,495	72,043	75,816	79,768
Shareholders' Equity	9,567	9,889	10,698	11,168	11,682
Minority Interests	71	45	45	45	45
Total Equity	9,637	9,934	10,743	11,212	11,727

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	18.3%	(1.1%)	3.9%	5.9%	7.0%
Operating Profit Growth	29.1%	(2.9%)	0.4%	7.0%	9.7%
Pretax Profit Growth	(42.2%)	80.1%	6.3%	6.1%	11.9%
Net Interest To Total Income	30.6%	39.9%	39.3%	40.2%	39.3%
Cost Of Funds	1.58%	1.00%	1.22%	1.23%	1.24%
Return On Interest Earning Assets	2.70%	2.41%	2.58%	2.59%	2.57%
Net Interest Spread	1.12%	1.40%	1.36%	1.36%	1.34%
Net Interest Margin (Avg Deposits)	1.37%	1.64%	1.52%	1.56%	1.54%
Net Interest Margin (Avg RWA)	1.49%	1.79%	1.69%	1.74%	1.73%
Provisions to Pre Prov. Operating Profit	59.4%	24.7%	22.8%	22.6%	21.9%
Interest Return On Average Assets	1.01%	1.21%	1.14%	1.17%	1.16%
Effective Tax Rate	30.8%	18.3%	30.9%	24.0%	24.0%
Net Dividend Payout Ratio	30.5%	49.2%	34.5%	34.5%	34.5%
Return On Average Assets	0.33%	0.71%	0.62%	0.69%	0.73%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan growth (%)	0.7%	11.1%	10.0%	4.3%	4.3%
Gross impaired loan ratio (%)	3.5%	2.5%	2.6%	2.8%	2.8%
Loan loss coverage (%)	47.9%	68.1%	49.3%	54.4%	60.5%
Cost-to-income ratio (%)	59.6%	60.4%	61.7%	61.4%	60.4%
Non-interest income ratio (%)	48.1%	35.6%	35.2%	33.8%	34.4%
Common equity Tier-1 capital ratio (%)	14.5%	13.9%	12.7%	12.5%	12.4%
Stage-1 ECL coverage (%)	12.5%	19.0%	23.0%	26.8%	31.2%
Stage-2 ECL coverage (%)	9.9%	17.2%	20.6%	24.0%	27.7%
Stage-3 ECL coverage (%)	21.6%	16.0%	5.7%	3.6%	1.6%
Total provision over loans (%)	1.7%	1.7%	1.3%	1.5%	1.7%
Return on equity (%)	2.4%	5.4%	4.8%	5.3%	5.7%
Return on asset (%)	0.3%	0.7%	0.6%	0.7%	0.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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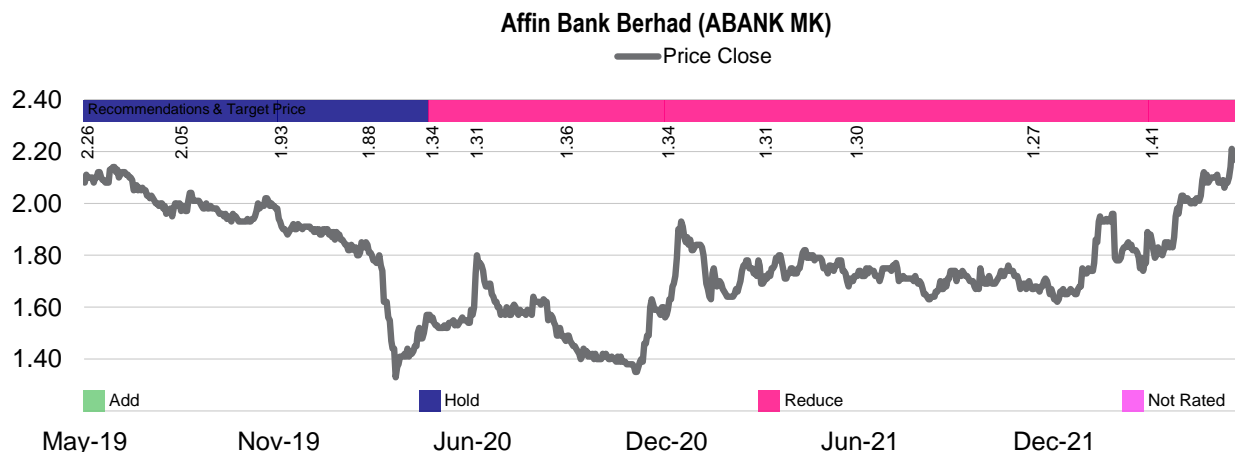
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632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.