# BANKING

***Maintain* POSITIVE**

## 2Q23 Results Wrap: NII and NOII remain centre of discussion

## KEY INVESTMENT HIGHLIGHTS

- **2Q23's overall performance: Mediocre. NIM compression and patchy NCC allocations offset NOII improvements. Loan growth was weak save for overseas operations**
- **Current valuations: No longer as attractive, following negative revisions to the following year's ROE. But dividend yields are still attractive**
- **Expect in future quarters: Neutral outlook, with downside bias. NIM and provisioning may see potential negative surprises (though in certain banks only). We think it's difficult to repeat the scale of this quarter's NOII success, but NOII should still act as one of the more stable drivers. Solid loan growth, more stable deposit figures expected**
- **Maintain POSITIVE call: Near-term outlook isn't the greatest, investors should be more selective with picks. Dividend outlook however remains intact**

### 2Q23: A mediocre season with earnings entirely within expectations.

**This is despite some surprises in tailwinds and headwinds.** NIM compression this time was a lot heavier than previously guided for (recall that banks were guiding for "stable-to-minor" compression in 1Q23). NOII improvement was expected, being guided for as a core earnings driver (which came true, but it was unevenly distributed).

**Latest guidance is still skewed towards the negative.** This largely comes from slower-than-expected NIM recovery and potential asset quality irritation. Nearly all banks revised their NIM guidance downward. On a more positive note, future quarters may see possible positive revisions to NCC guidance (they were initially too conservative).

### Earnings: Relatively stable, NIM and NOII are central focus.

**Aggregate Core Net Profit (Core NP) up by +0.6%qoq.** It was a good quarter for topline – despite NIM compression, NII largely remained stable to slightly negative while NOII did mostly see solid improvement, mostly on the side of treasury income (though in some cases disappointed).

Provisioning did pick up from last quarter's softer activity, with a few banks amping up on credit costs for a poorer macroeconomic outlook and asset quality irritation. There was a minor issue of slightly elevated tax rates in the quarter, due to higher provisioning and investment-related gains that are less tax deductible.

### Balance sheet: Growth was poor but expected to pick up.

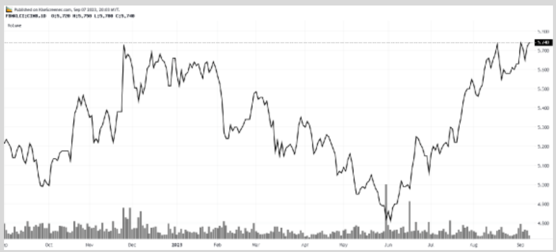
**Weaker corporate loan growth offered downside pressure.** Retail contributions – particularly solid mortgage and hire purchase growth – were bolstered by strong unsecured loan offerings. Unfortunately, this was not enough to offset weaker growth coming from the non-retail side – though the industry has guided for a much healthier post-election pipeline in 2H, maintaining their far-from-target loan growth forecasts.

**Deposit growth was more mixed, but liquidity remains ample.** CASA attrition took a light breather as pricier FDs matured without renewal but should resume in subsequent quarters. Different banks took different approaches to managing NIM optimisation, hence reporting varying quarterly deposit growth figures.

**COMPANY IN FOCUS**

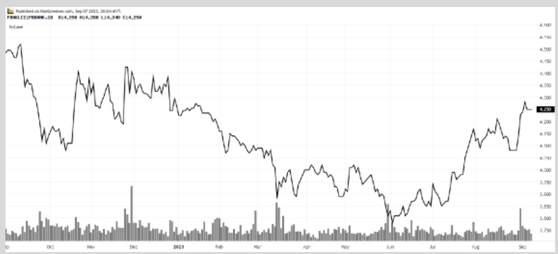
**CIMB**
Maintain **BUY |** Unchanged Target price: RM6.43
Price @ 7 September 2023: RM5.74
- Lucrative overseas exposure
- Good OPEX control, following cost restructuring exercise

**Share price chart**



**Public Bank**
Maintain **BUY |** Unchanged Target price: RM4.76
Price @ 7 September 2023: RM4.25
- Excellent defensive pick
- Continues to acquire loan and deposit market share

**Share price chart**



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**Increasing impairment pressure within certain brackets, but heavy write-offs keep GILs manageable.** Asset quality pressure mainly came from the residential mortgages and SMEs linked to RA loans, though there was some irritation already coming from riskier overseas and unsecured segments. Few banks have guided that GIL ratio is close to peaking (or has already peaked). While LLC values have come down, some banks are looking at chunkier recoveries in the coming quarters to keep this manageable while refraining from making larger allocations.

**Top performances:** **Maybank** saw an unexpected, massive non-fee income gain within the quarter. **CIMB** displayed exceptional performances in almost all aspects, especially loan growth.

**Underwhelming:** **Affin** saw an abnormally sharp sequential drop in NIMs, which dragged earnings. **RHB** brought in decent quarterly earnings, but this was largely driven by overlay writebacks – while everything else was lacklustre.

**Valuations: No longer as attractive as before. But dividend yields are even more enticing.**

**The recent positive share repricing only leaves a few truly attractive names.** While the uptick in sector-wide P/B was relatively minimal, there was a sharp downward revision in Best ROE forecasts, as analysts grew less optimistic about the sector's outlook following lacklustre guidance from banks this quarter. From a pure valuation perspective, BIMB remains the most attractive while Affin is the least.

**Moving forward: Neutral with downside bias for remainder of year.**

**The highlight is strong loan growth outlook.** We are neutral on 2HCY23's outlook – we doubt that ROE outlook is going to be that much better than 1H. We opine that 2HCY23 has its fair share of downside bias, though this could be softened by large recoveries, overlay writebacks (though minor) and more normalised deposit and loan growth. Loan growth outlook is positive – banks are very optimistic about 2H's non-retail pipeline. NIM outlook is more neutral – i.e. most banks are guiding stable to positive movement, though we are cautious of year-end deposit competition. Further asset quality irritation is expected, especially with May-23 OPR vulnerable loans turning impaired (in addition to further RA-programme-related impairment), but this should be well curtailed by heavy write-downs. We are not expecting too difficult a credit cost outlook in 2H23 (except in certain cases), but upside from overlay release is limited as well.

**On the other hand, more banks are opting for full-cash dividends.** BNM doesn't seem likely to exercise any additional leniency in capital ratio levels soon. Regardless, several banks have already guided for higher dividend payouts and halting DRP programmes – signalling that they are happy with current CET1 levels.

**Maintain POSITIVE call.** 2HCY23's outlook is neutral but there is substantial downside bias coming in from NIM, asset quality and provisioning end. There are also upsides: Stronger loan growth and dividend outlook, while NOII should continue pumping in healthy numbers (though probably not as good as 2Q's).

**Threats to our call:**

1. Loan growth remains lacklustre in 2HCY23,
2. Deposit competition continues to persist in a highly elevated state,
3. Macroeconomic conditions become worse than expected, leading to potential loan growth, asset quality and provisioning issues,
4. Adverse interest rate movements/market activity.

**Top Picks: CIMB (BUY, TP: RM6.43)** and **Public Bank (BUY, TP: RM4.76).** *(Our comprehensive list of sector picks is below).*

## Fig 1: Peer comparison table

**(Link to all our reports: https://www.midf.com.my/reports?industry=66)**

| Bank | Rec | Share P* (RM) | Target P (RM) | Upside (%) | Mkt Cap (RM b) | P/E (x) FY23 | P/E (x) FY24 | P/B (x) FY23 | P/B (x) FY24 | ROE (%) FY23 | ROE (%) FY24 | Div Yield (%) FY23 | Div Yield (%) FY24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MAY | NEUTRAL | 9.17 | 9.28 | 1.2 | 109.8 | 11.9 | 11.2 | 1.2 | 1.2 | 10.5 | 10.9 | 6.7 | 7.2 |
| CIMB | BUY | 5.74 | 6.43 | 12.0 | 59.8 | 9.2 | 8.5 | 0.9 | 0.8 | 10.1 | 10.3 | 6.0 | 5.9 |
| PBK | BUY | 4.25 | 4.76 | 12.0 | 82.5 | 11.6 | 11.4 | 1.5 | 1.4 | 13.6 | 12.9 | 4.3 | 4.4 |
| RHB | BUY | 5.68 | 6.66 | 17.3 | 23.8 | 8.1 | 7.6 | 0.8 | 0.8 | 9.9 | 10.1 | 6.7 | 7.1 |
| HLBK | BUY | 19.80 | 22.96 | 15.9 | 40.6 | 10.1 | 9.5 | 1.1 | 1.0 | 11.3 | 11.0 | 3.5 | 3.7 |
| HLFG | BUY | 18.00 | 23.71 | 31.7 | 20.4 | 7.3 | 6.7 | 0.7 | 0.6 | 10.0 | 10.0 | 2.7 | 3.0 |
| AMMB | BUY | 3.67 | 3.98 | 8.4 | 15.4 | 8.6 | 8.1 | 0.8 | 0.7 | 9.5 | 9.5 | 5.1 | 5.4 |
| BIMB | NEUTRAL | 2.12 | 2.04 | -3.8 | 5.1 | 9.7 | 8.8 | 0.7 | 0.7 | 7.4 | 7.7 | 6.5 | 6.8 |
| AFFIN | NEUTRAL | 2.07 | 1.70 | -17.7 | 4.5 | 10.0 | 7.8 | 0.4 | 0.4 | 4.1 | 5.1 | 2.9 | 3.7 |
| ABMB | BUY | 3.40 | 3.90 | 14.8 | 5.3 | 7.6 | 7.0 | 0.7 | 0.7 | 10.0 | 10.2 | 6.6 | 7.2 |
| **Simple avg (ex-HLFG)** | | | | | | **9.7** | **8.9** | **0.9** | **0.9** | **9.6** | **9.7** | **5.4** | **5.7** |
| **Weighted avg (ex-HLFG)** | | | | | | **10.6** | **10.0** | **1.2** | **1.1** | **11.1** | **11.0** | **5.5** | **5.7** |

**Closing prices from 07 Sep 2023.*

*^AMMB, ABMB, HLBK & HLFG uses FY24F/25F values.*

*Source: Banks, MIDFR*

## Fig 2: Quarterly results summary

| Bank | Qtr | Earnings vs Ours | Earnings vs Street | Mgmt's tone | Qtrly Core NP growth Qoq (%) | Qtrly Core NP growth Yoy (%) | Last 5 quarters | Call | Target Price | Current FY Core NP revision | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| MAY | 2Q23 | WITHIN | WITHIN | Neutral | 3.2 | 57.0 | | ↓ | ↔ | ↔ | |
| CIMB | 2Q23 | WITHIN | WITHIN | +ve | 7.8 | 33.8 | | ↔ | ↑ | ↑ | +0.2% |
| PBK | 2Q23 | WITHIN | WITHIN | Cautiously +ve | -5.6 | 14.2 | | ↔ | ↔ | ↔ | |
| RHB | 2Q23 | WITHIN | WITHIN | -ve | 6.2 | 27.4 | | ↔ | ↓ | ↓ | -7% |
| HLBK | 4Q23 | WITHIN | WITHIN | Neutral | -3.4 | -1.0 | | ↔ | ↓ | ↓ | -5% |
| AMMB | 1Q24 | WITHIN | WITHIN | Cautiously -ve | -17.7 | -9.9 | | ↔ | ↔ | ↔ | |
| BIMB | 2Q23 | WITHIN | WITHIN | +ve | 15.3 | 16.2 | | ↑ | ↑ | ↔ | |
| AFFIN | 2Q23 | WITHIN | WITHIN | -ve | -24.0 | -12.3 | | ↔ | ↓ | ↓ | -9% |
| ABMB | 1Q24 | WITHIN | WITHIN | Cautiously -ve | 15.7 | -29.0 | | ↔ | ↓ | ↓ | -6% |

*Source: Banks, MIDFR*

**Though not necessarily going as guided, earnings were within expectations.** Most surprises came from NOII – both positively and negatively. This largely determined sequential quarter performance. NIM compression was greater than expected, but the market was generally expecting some level of compression. On the other hand, credit costs and OPEX saw very few surprises or swings (apart from RHB, though this was also guided for).

Management outlook was generally skewed towards the negative, largely brought about by worse-than-anticipated NIM compression and asset quality/provisioning issues. As a result, we made only downward revisions to present FY's Core NP (CIMB's positive adjustment is so minor, it barely counts).

**Fig 3: Sector picks**

| Pick | Bank | Call | Target P | GGM Valuation | | ROE | LTG | COE | Catalysts, concerns, and other notes |
|---|---|---|---|---|---|---|---|---|---|
| TOP Pick | CIMB | BUY | RM 6.43 | 0.95x | FY24F | 10.3% | 3.5% | 10.7% | Not just Niaga now -- Thailand is a big winner from a NIM perspective. Their overseas operations are providing an excellent buffer against local headwinds. We think valuations are still attractive, especially given their ROE potential as they reach the tail end of their restructuring process. Expect overseas operations to drive exceptional NOII, CASA and loan growth performances. |
| TOP Pick | PBK | BUY | RM 4.76 | 1.59x | FY24F | 12.9% | 3.5% | 9.4% | They have all the potential to acquire market share, with loan growth (relatively) going strong. Foreign shareholding remains low, still a good defensive pick. PBK should see improvement in unit trust contributions with market conditions having improved. Of the banks in our coverage, the likeliest to provide sizeable writebacks (albeit delayed to CY24) while maintaining very low NCC. |
| GOOD Pick | HLBK | BUY | RM 22.96 | 1.26x | FY24F | 11.3% | 4.0% | 9.8% | Strong fundamentally, but they have a new CEO -- which implies elevated costs in the next couple of years, as a transformation plan is being rolled out. Freshly unveiled FY24 targets are for the most conservative -- particularly loan growth -- but regardless we think they may have trouble in achieving their 12% ROE target without significant writeback. |
| DECENT Pick | RHB | BUY | RM 6.66 | 0.88x | FY24F | 10.1% | 4.0% | 11.0% | Loan growth has been disappointing so far. Mgmt is relying heavily on overlay writebacks to prop its FY23 ROE target. NCC outlook doesn't seem too good for 2H. Mgmt seems to be banking heavily on a huge CASA surge in 2H (from student loan accounts) to improve their NIM standing. Dividend outlook remains bright. |
| DECENT Pick | AMMB | BUY | RM 3.98 | 0.80x | FY25F | 9.5% | 3.5% | 11.0% | Good cost control -- FY24's OPEX should be lower than that of FY23. NOII uplift has been guided for following quarters. NCC outlook should be better for the remainder of FY24, with a big chunk frontloaded in 1QFY24. There was a huge uptick in GIL but mgmt assures GIL ratio should be close to peak. |
| DECENT Pick | ABMB | BUY | RM 3.90 | 0.79x | FY24F | 10.2% | 5.0% | 11.5% | NOII recovery should be a bit brighter than before, seeing that they've resolved their IRS unwinding drag. But we are still wary of ABMB's susceptibility to asset quality issues and heavy provisioning, especially when loans hit by the May-23 OPR hike can officially be classified as impaired. Group does guide that overall GIL level should be close to peaking. |
| NEUTRAL | MAY | NEUTRAL | RM 9.28 | 1.21x | FY24F | 10.9% | 3.0% | 9.5% | Dividend yields are always great, especially now they are striving for full-cash payouts. Writebacks unlikely, but a plus side is upside bias for FY23 OPEX, as allocated M25+ budget for this year is unlikely to be fully utilised. 2HFY23 NIM outlook is subject to more pressure than most, given its SG exposure. |
| NEUTRAL | AFFIN | NEUTRAL | RM 1.70 | 0.32x | FY24F | 5.2% | 4.5% | 6.6% | Tough NCC outlook (3Q) and asset quality outlook for them. NIM has taken a huge fall in the previous quarter -- even after resolving the double-counting bond issue, they still have a long way to go before reaching their previous standing. Also, their share price has seen significant positive movement recently (likely due to Sarawak-related sentiment). |
| NEUTRAL | BIMB | NEUTRAL | RM 2.04 | 0.64x | FY24F | 7.7% | 4.5% | 9.5% | BIMB will likely see continual improvements in NIM, as they continue their deposit-paring strategy. (Though keep in mind their NIM standing was a lot weaker than its peers to start with). NOII has come in good. Just some asset quality concerns, given their vulnerability to OPR hikes. NCC still remains at higher end of guidance, while downside bias remains |

*Source: Banks, MIDFR*

## A. LOOKING AHEAD: GUIDANCE & FORECASTS

**Fig 4: Granular Scorecard**

| Criteria | Our view | Commentary |
|---|---|---|
| **P&L Statement** | | |
| **Net profit** | 0 | While NOII should continue to pull through in 2HCY23, we aren't too optimistic about NIM outlook (given the year-end deposit competition). NCC should be more normalised, and some banks are guiding for a more moderate OPEX outlook. No convincing or reliable earnings drivers in near term. |
| **NIM and NII** | -1 | Although banks are guiding for stable-to-slightly-improved NIMs in 2HCY23, we urge investors to be cautious of potential downside stemming from year-end deposit competition – a repeat of last year could easily happen, given that we still are not entirely sure if deposit competition is driven by structural factors. |
| **Non-interest income** | 0 | 2QCY23 was a bumper quarter for NOII, with several companies surprising on the non-fee income side. While fee income might see some level of pickup, we are unsure if banks will be able to achieve treasury gains of a similar scale. |
| **Cost control** | +1 | Personnel costs should be more normalised, given that the brunt of Collective Agreement adjustments have been finalised in 1HCY23. Tech spend is a bit harder to determine, but we aren't expecting any drastic ramp-ups (apart from BIMB or Affin). Several banks are guiding for relatively muted OPEX growth closer to the middle-single-digit range. Maybank indicates possible upside – but HLBK could see elevated costs as it potentially heads towards a transformation plan. |
| **Balance Sheet** | | |
| **Loan growth** | +1 | Despite a weak 1HCY23, most banks are maintaining initial loan growth guidance (though some of them are conservative), gunning for a strong 2HCY23 post-election corporate pipeline. Liquidity issues are not expected to hold back the banks too much. Do note weaker retail leading indicators in 1HCY23, which could manifest in 2HCY23. |
| **Liquidity, Deposit & CASA growth** | 0 | CASA attrition did see some temporary relief following the non-renewal of pricier long-tenured FDs, but this shouldn't stop the overarching trend downward. We should see deposits begin to pick up, as several banks have guided that FD paring exercises should not continue in the following quarter.<br><br>The market has been saturated with liquidity for quite some time. Next quarter should finally see this go down, as we see higher loan growth and shorter-tenured FDs take centre stage. |
| **Asset quality** | -1 | Banks which have been managing their asset quality well should see a further non-concerning uptick, continuations of current RA-related residential mortgage and SME GIL trends. But we are more concerned about smaller banks with riskier assets, which are more vulnerable to the May-23 OPR hike – especially when related arrears will finally be officially classified as impairments. |
| **Provisioning** | 0 | This is going to vary between banks. We aren't expecting too many positive surprises, though there may be some writebacks that lessen the load – we think it's mostly going to range from average to heavy levels. |
| **Capital and Dividends** | +1 | While BNM doesn't seem likely to exercise any form of leniency on capital requirements anytime soon, several banks have grown satisfied with their current capital position and are guiding for full cash dividends and payouts skewed towards the higher end – continuing the trend from previous quarters. |

*Source: Banks, MIDFR*

Fig 5: Management guidance

| P/L Statement | | | | | Balance Sheet | | Asset quality | | |
|---|---|---|---|---|---|---|---|---|---|
| Bank | ROE | NIM | OPEX growth | Cost/Inc. ratio | Loan growth | Deposit growth | CASA ratio | GIL ratio | Net Credit Cost (bps) |
| MAY | 10.5-11.0 | -25bps from 2.39 ~~-5-8bps~~ | | <47.5 | | | | | 30-35 ~~35-40~~ |
| CIMB | 10.2-11.0 | -15-20bps from 2.51 ~~-10-15bps~~ | Mid-single digit | <46.5 | 6-7 ~~5-6~~ | | | | 40-50 ~~45-55~~ |
| PBK | 12-13 | -10-20bps from 2.39 | Mid-single digit | | 4-5 | 4-5 | | | <10 |
| RHB | >11 | 1.8-1.9 ~~-2 to +1bps from 2.24~~ | | <44.6 | 4-5 | | 30 | <1.50 | 25-30 |
| HLBK | ~12 | 1.8-1.9 FY23: 1.98 | | <40 | 6-7 | | >30 | <0.70 | ~10 |
| AMMB | 9-10 | | <FY23's RM2.1b | | 4-5 ~~5-6~~ | | 30 | | 35 |
| BIMB | 7-8 | >2.00 FY22: 2.31 | 9-10 ~~8-9~~ | 58 | 7-8 | | | <1.5 | 30-40 |
| AFFIN | 5.8 ~~7.0~~ | 1.86 ~~2.11~~ FY22: 2.01 | <10 | <60 ~~<57.5~~ | 12 | | 25 | 2.00 ~~1.90~~ | 30 |
| ABMB | >10 ~~10.5~~ | 2.45-2.50 ~~2.50-2.55~~ FY23: 2.64 | 6-7 | <48 | 8-10 | | >40 | <3.00 | 30-35 |

**Red tabs = Ambitious, Green tabs = Overly conservative*

*Source: Banks, MIDFR*

**Multiple revisions, mostly negative.**

**Downward NIM revisions aplenty.** Several banks revised NIM guidance downwards, with the NIM compression within 2QCY23 a lot heavier than previously guided for, and NIM recovery slower than expected. During 1QCY23 briefings, most banks were guiding for stable to minimal contraction in the following quarter – which turned out a bit too optimistic than current circumstances suggest. While most banks are guiding for stable to improving NIMs within 2HCY23, we urge investors to be wary of end-year deposit competition surprises – especially if the circumstances driving the abnormal competition in the last couple of quarters do turn out to be structural (and recurring) in nature.

**Credit costs were too conservative to begin with.** A couple of banks have revised their credit cost expectations downwards. This was to be expected: Even with the sentiment turnaround toward overlay writebacks, asset quality has been broadly kept under control. Negative surprises in 2HCY23, if any, will likely come from smaller, more volatile banks.

**Not a lot of loan growth revisions – banks are very optimistic about 2HCY23's corporate pipeline.** 1HCY23 was a weak period for loan growth: while retail and SME figures were decent, corporate pipeline was lacking. Post-election corporate uplift, strong unsecured loan growth is expected to push figures up going forward – mortgage and other lower-yield loan growth is less certain.

## Fig 6: Our forecasts

| Our forecasts (Simple average) | 2021 | 2022 | Current estimates 2023F | Current estimates 2024F | Former estimates 2023F | Former estimates 2024F |
|---|---|---|---|---|---|---|
| **Growth (%)** | | | | | | |
| NII | 13.0 | 9.1 | -0.4 | 4.9 | 1.3 | 4.1 |
| NOII | -8.4 | -5.6 | 10.1 | 7.9 | 9.3 | 9.6 |
| **Net Income** | **6.8** | **5.4** | **1.9** | **5.7** | **3.1** | **5.4** |
| OPEX | 2.3 | 6.1 | 3.2 | 5.1 | 4.0 | 4.8 |
| **Operating profit** | **10.6** | **4.9** | **1.0** | **6.1** | **2.4** | **5.8** |
| **Core NP** | **36.4** | **7.6** | **13.8** | **6.2** | **14.9** | **6.5** |
| | | | | | | |
| **Financial ratios (%)** | | | | | | |
| **ROE** | **8.8** | **9.0** | **9.7** | **9.8** | **9.9** | **10.1** |
| Net interest margin | 2.21 | 2.28 | 2.14 | 2.18 | 2.20 | 2.22 |
| Cost-to-income ratio | 46.1 | 46.8 | 47.6 | 47.1 | 47.2 | 46.7 |
| | | | | | | |
| **Loan growth** | **6.0** | **8.3** | **6.8** | **5.6** | **6.7** | **5.7** |
| **Deposit growth** | **6.8** | **5.3** | **6.6** | **5.7** | **6.5** | **5.7** |
| Net credit cost (bps) | 43 | 29 | 26 | 25 | 25 | 25 |
| Loan loss coverage | 157 | 140 | 121 | 113 | 123 | 117 |
| GIL ratio | 1.63 | 1.60 | 1.54 | 1.43 | 1.55 | 1.43 |

*Source: Banks, MIDFR*

## Fig 7: Dividend yields

| Bank | Dividend payout (%) FY20 | FY21 | FY22 | FY23F | FY24F | Dividend yield (%) FY23F | FY24F | Share Price (RM) | CET 1 (%) |
|---|---|---|---|---|---|---|---|---|---|
| MAY | 52 | 58 | 58 | 61 | 66 | 6.7 | 7.2 | 9.17 | 15.2 |
| CIMB | 40 | 54 | 50 | 55 | 50 | 6.0 | 5.9 | 5.74 | 14.1 |
| PBK | 52 | 52 | 54 | 50 | 50 | 4.3 | 4.4 | 4.25 | 14.6 |
| RHB | 35 | 57 | 62 | 55 | 55 | 6.7 | 7.1 | 5.68 | 16.7 |
| HLBK | 36 | 36 | 31 | 35 | 35 | 1.8 | 1.8 | 19.80 | 12.8 |
| AMMB | - | 11 | 35 | 35 | 35 | 5.1 | 5.4 | 3.67 | 12.9 |
| BIMB | 40 | 42 | 60 | 60 | 60 | 6.5 | 6.8 | 2.12 | 13.9 |
| AFFIN | 31 | 50 | 38 | 30 | 30 | 2.9 | 3.7 | 2.07 | 14.7 |
| ABMB | 25 | 50 | 50 | 50 | 50 | 6.6 | 7.2 | 3.40 | 13.3 |
| **AVERAGE** | **34** | **46** | **49** | **48** | **48** | **5.2** | **5.5** | | |

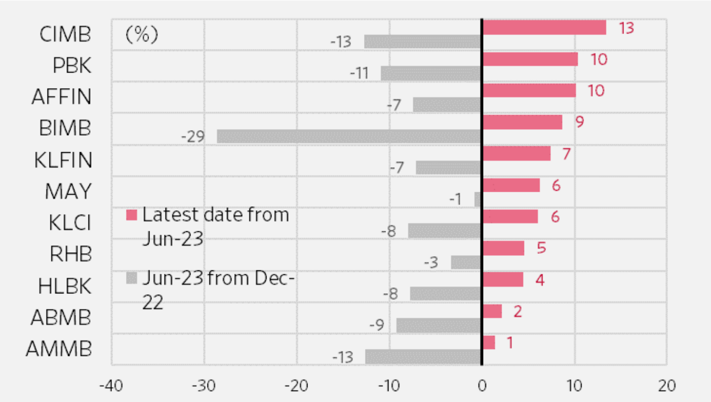
**For HLBK, AMMB & HLBK, assume FY +1 values*

*Source: Banks, MIDFR*

## B. VALUATIONS, PRICING & FOREIGN SHAREHOLDING

### Fig 8: Share Price Performance: Banks & Indices

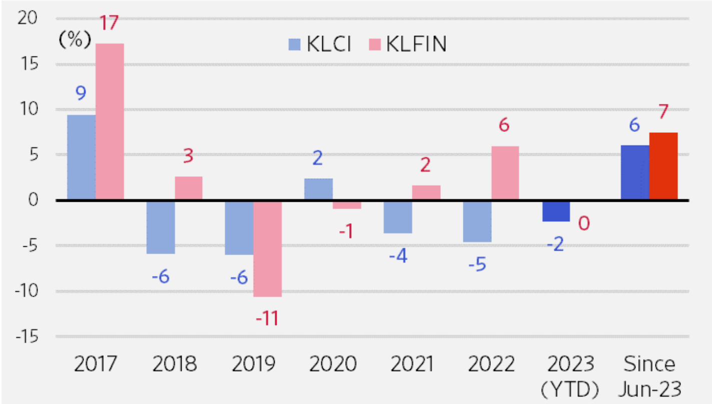
Share price has been performing far stronger in 2HCY23.




Source: Banks, MIDFR

### Fig 9: KLCI vs KLFIN trend

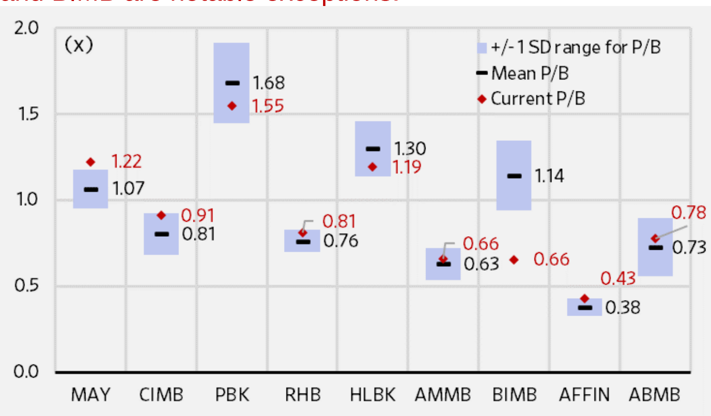
KLFIN has already overtaken KLCI in YTD performance.




Source: Banks, MIDFR

### Fig 10: 5-yr P/B ranges

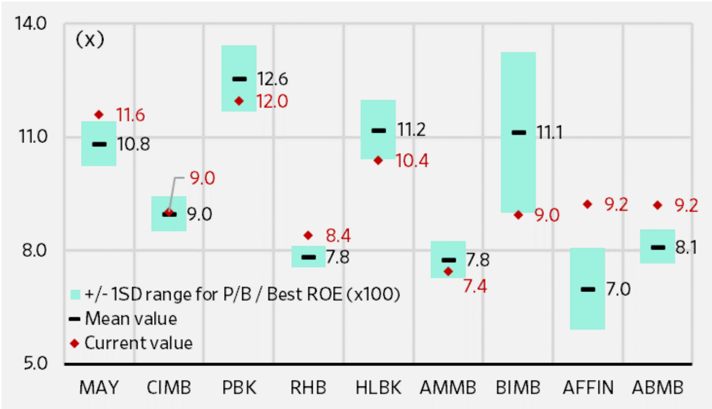
Valuations are no longer as cheap as before – PBK, HLBK and BIMB are notable exceptions.




Source: Banks, MIDFR

### Fig 11: P/B vs. Best ROE ranges

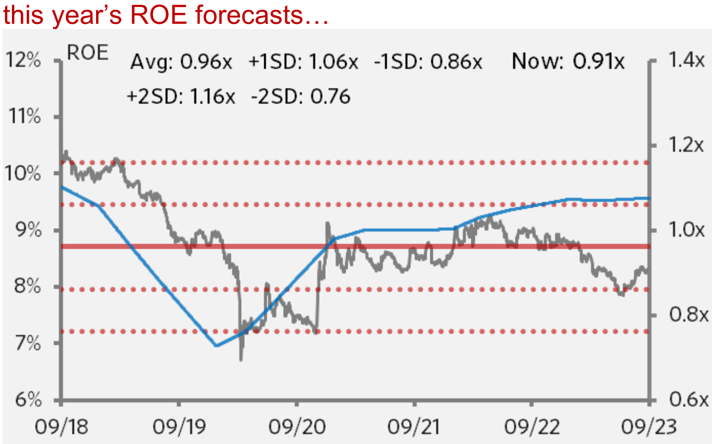
Affin seems overpriced, temporarily elevated by Sarawak-related sentiment.




Source: Banks, MIDFR

### Fig 12: 12-mth forward P/B vs ROE (5yr)

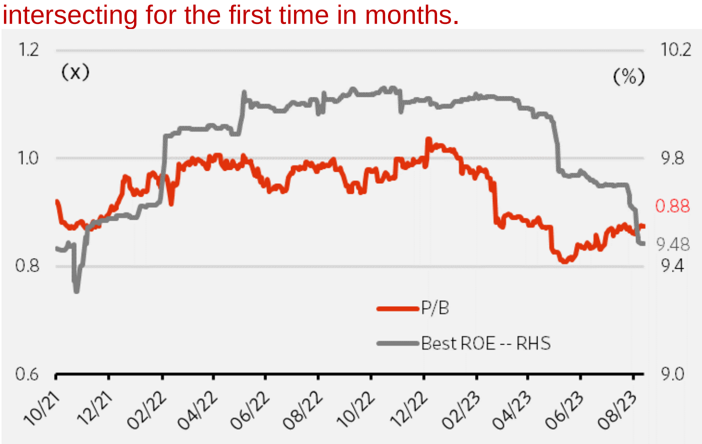
While 12-month forward P/B continues to trade well below this year's ROE forecasts…




Source: Banks, MIDFR

### Fig 13: Best ROE vs P/B

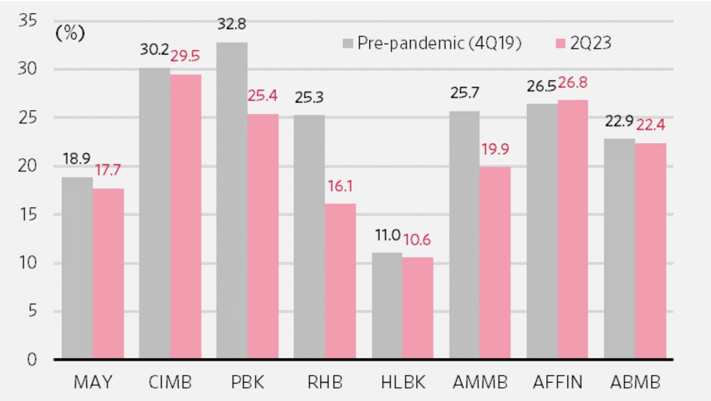
…Sector P/B and Best ROE tell a different story, finally intersecting for the first time in months.




Source: Banks, MIDFR

**Fig 14: Industry foreign shareholding**

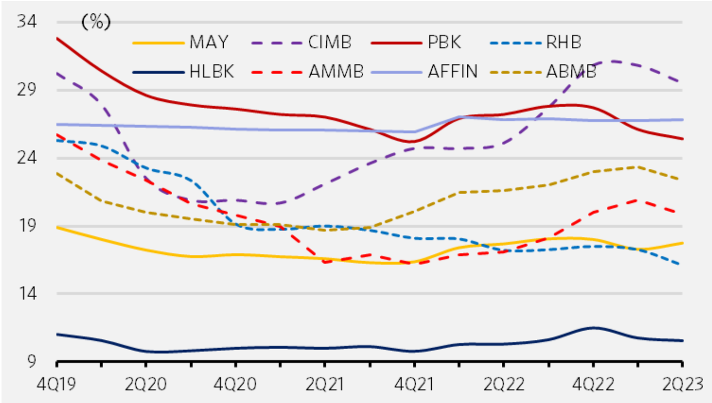
Foreign shareholding still trails pre-pandemic figures.




*Source: Banks, MIDFR*

**Fig 15: Foreign shareholding trend**

Foreign shareholdings have lowered in 2Q.




*Source: Banks, MIDFR*

**Sizeable positive share repricing in the last three months – sector is no longer as attractive.**

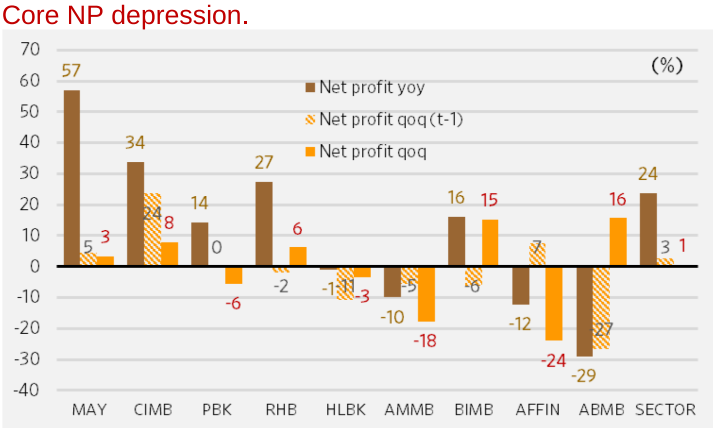
**Sector is mostly priced in, following weak 1HCY23.** Negative sentiment stemming from the global banking crisis seems to have alleviated in recent months. As a result, industry valuations are no longer as attractive as they once were – especially with future profitability concerns pushing down ROE forecasts, considering more apparent macroeconomic headwinds. Probably the least attractive is Affin Bank, which is trading well above its P/B / Best ROE despite its ROEs being as dire as ever – it's currently riding on Sarawak-related sentiment. On the other hand, from a pure valuation perspective, BIMB remains as attractive as ever.

**Foreign shareholding falls this quarter.** Foreign shareholding of RHB, AMMB and PBK is still far depressed from pre-pandemic times.

## C. INCOME STATEMENT BREAKDOWN

**Fig 16: Quarterly Net Profit growth**

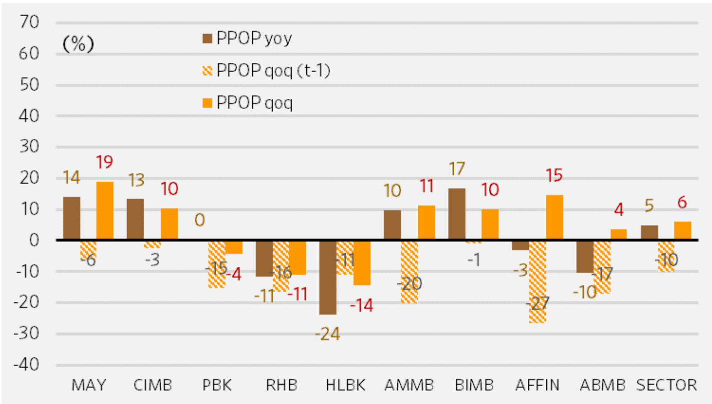
Instances of heavy provisioning made for obvious cases of Core NP depression.




*Source: Banks, MIDFR*

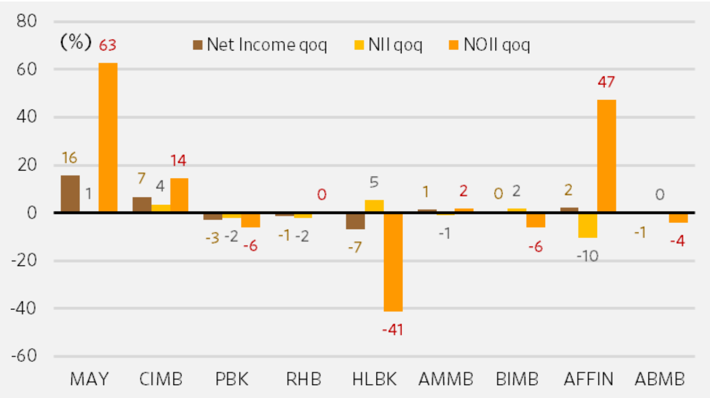
**Fig 17: Quarterly Operating Profit (PPOP) growth**

Only HLBK and RHB truly disappointed in this quarter.



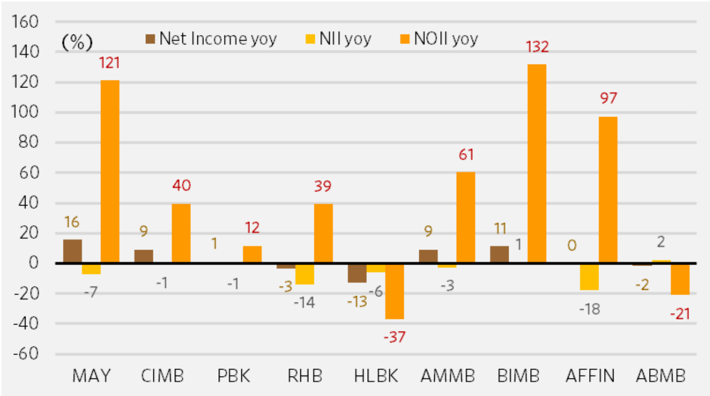

*Source: Banks, MIDFR*

**Fig 18: Quarterly Net Income growth (qoq)**




*Source: Banks, MIDFR*

**Fig 19: Quarterly Net Income growth (yoy)**




*Source: Banks, MIDFR*

**On a qoq basis, good PPOP quarter, though less so for Core NP.**

**A good PPOP quarter, but an uptick in provisioning keeps Core NP down.** On a qoq basis, NII didn't see too much of a dip (especially compared to 1QCY23) while NOII did show improvement (though unevenly distributed). OPEX was patchy (heavy CA-related allocations) but was well-maintained across the sector. Provisioning levels weren't exactly very high, but there were low base effects from the previous quarter – and some especially chunky allocations in 2QCY23.

**Fig 20: QoQ walk (Quarterly Net Profit)**

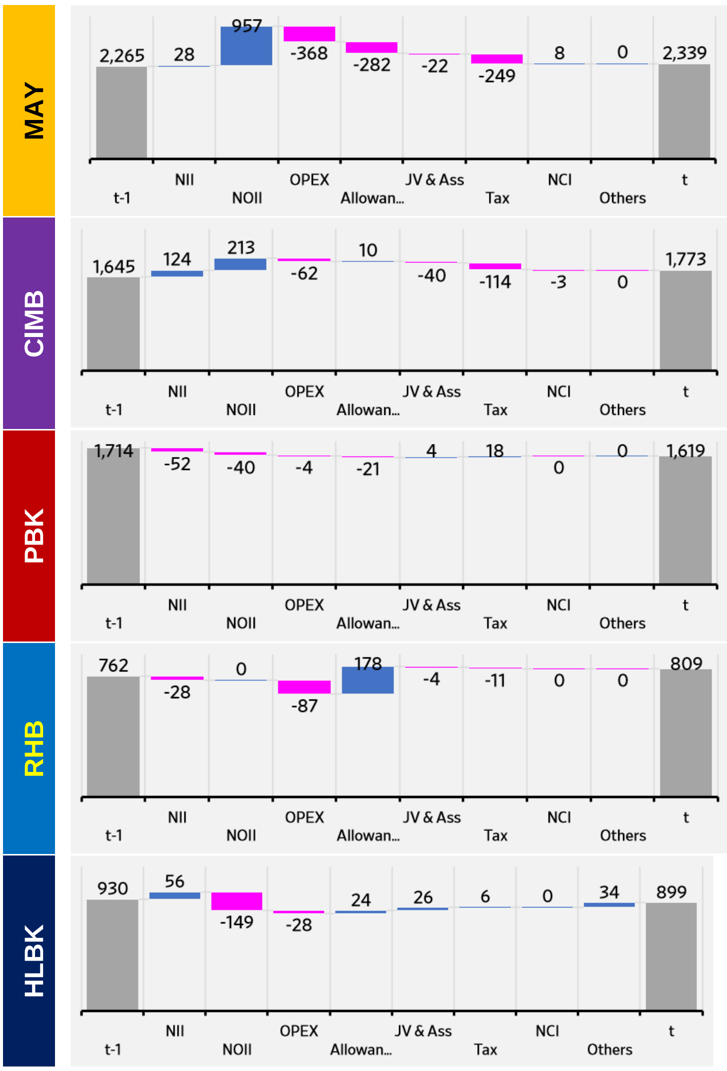
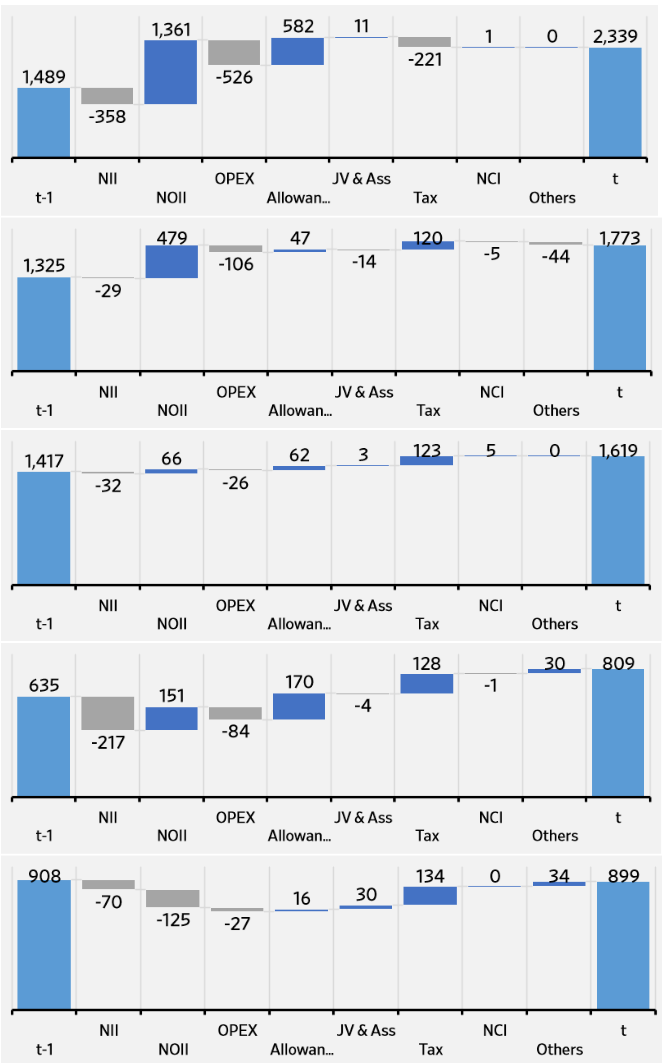
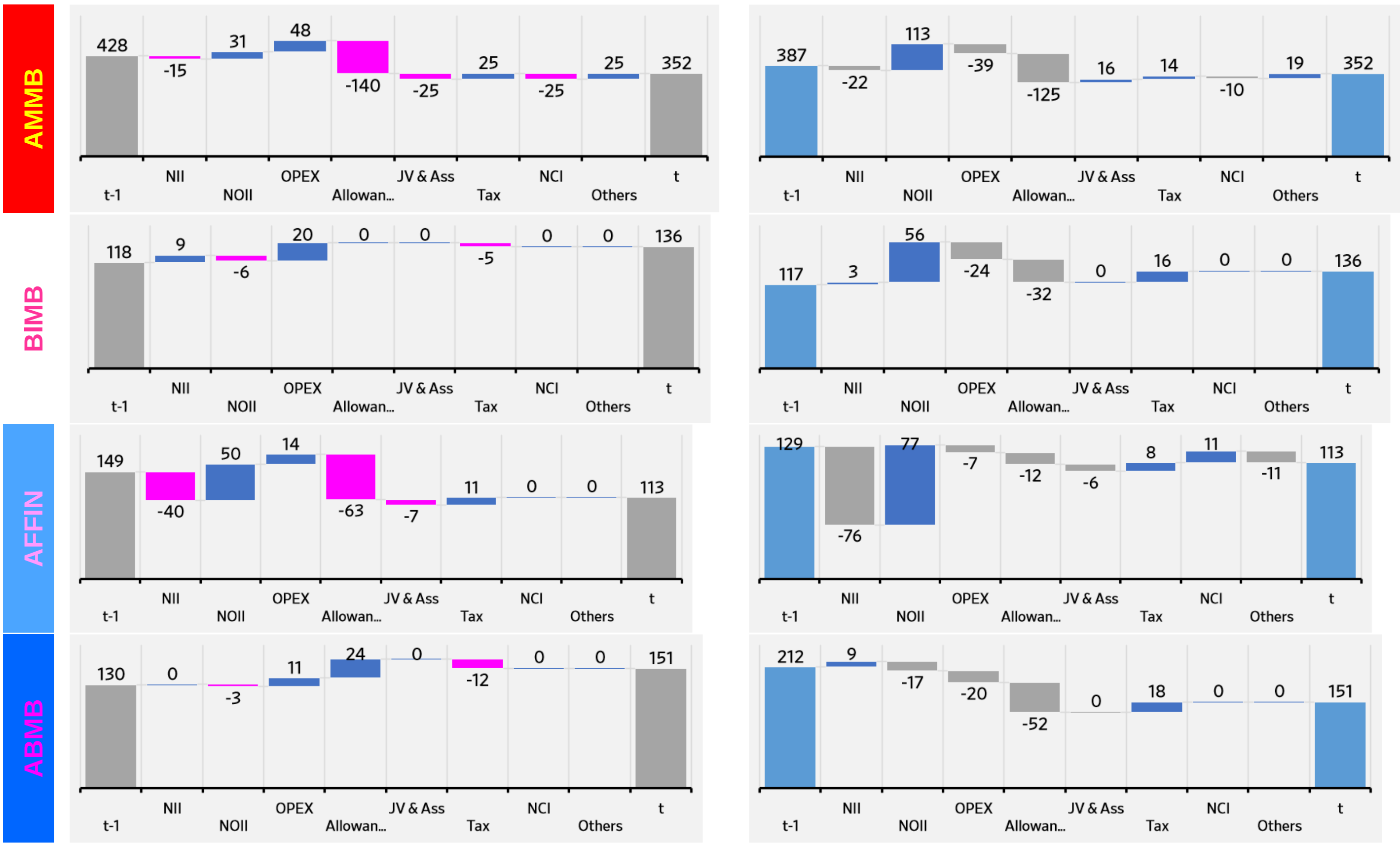



**Fig 21: Yoy walk (Quarterly Net Profit)**






*Source: Banks, MIDFR*

## QoQ Walkthrough

**Net profit had equal possibility to experience negative/positive qoq growth, while drivers also moved in different directions.** There were rough similarities:

1. NIM uplift/downturn was slight (apart from Affin),
2. Significant NOII uplift was a lot more common than significant NOII slip (which only happened to HLBK),
3. OPEX was well contained within the quarter, with only RHB and Maybank reporting sizeable qoq upticks (Maybank had Collective Agreement one-offs).
4. A few companies saw sizeable provision upticks – though some of these are exaggerated by low base effects from a more lenient 1Q23.

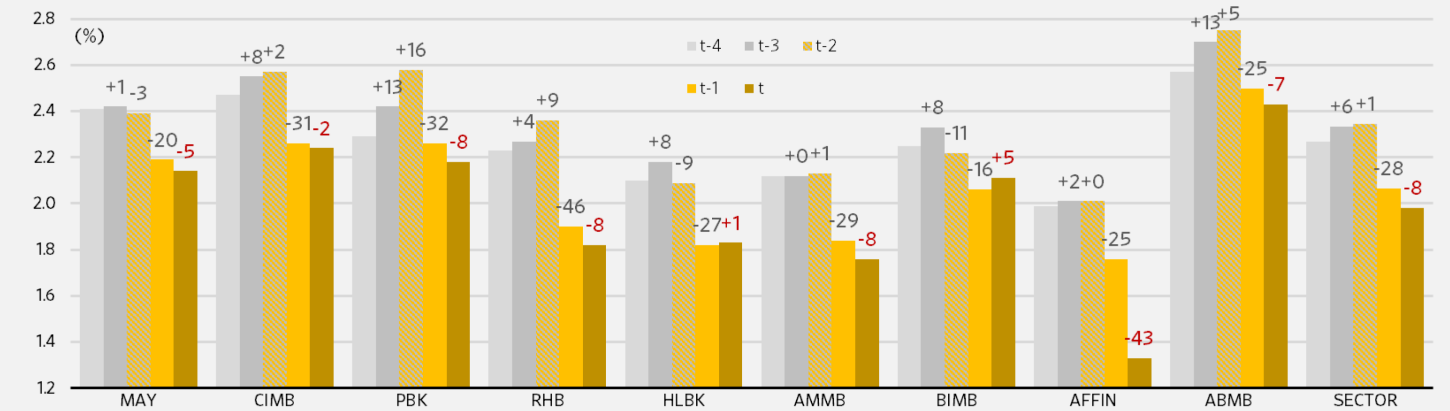
## YoY Walkthrough

**Most notable difference: Far stronger NOII contribution.** Similarities were a lot more apparent as opposed to qoq contribution.

1. NII saw minor contraction – except in a few more extreme cases.
2. NOII saw sizeable uplift.
3. Cost inflation has pushed OPEX values upwards – and the scale of which varied from bank to bank.
4. Provisioning was all over the place, but variance was significant.
5. Tax normalisation brought extra uplift.

**Fig 22: Sector NIMs**

NIM compression was prevalent across the sector, though banks are guiding for a better 2H. We urge investors to be wary of negative surprises stemming from end-year deposit competition-related anyway.

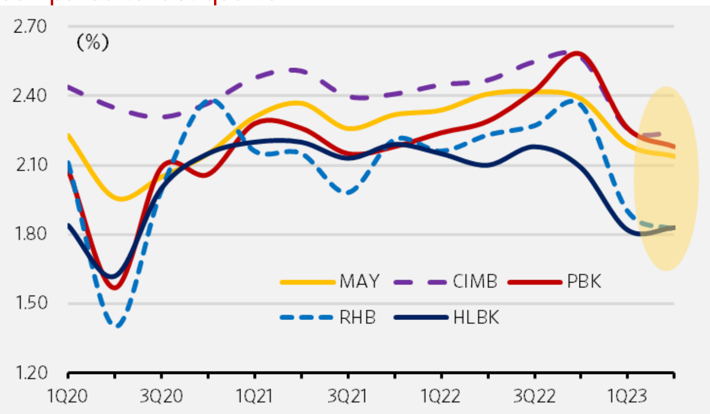



| | MAY | CIMB | PBK | RHB | HLBK | AMMB | BIMB | AFFIN | ABMB | SECTOR |
|---|---|---|---|---|---|---|---|---|---|---|
| t-4 | 2.41 | 2.47 | 2.29 | 2.23 | 2.10 | 2.12 | 2.25 | 1.99 | 2.57 | 2.27 |
| t-3 | 2.42 | 2.55 | 2.42 | 2.27 | 2.18 | 2.12 | 2.33 | 2.01 | 2.70 | 2.33 |
| t-2 | 2.39 | 2.57 | 2.58 | 2.36 | 2.09 | 2.13 | 2.22 | 2.01 | 2.75 | 2.34 |
| t-1 | 2.19 | 2.26 | 2.26 | 1.90 | 1.82 | 1.84 | 2.06 | 1.76 | 2.50 | 2.07 |
| t | 2.14 | 2.24 | 2.18 | 1.82 | 1.83 | 1.76 | 2.11 | 1.33 | 2.43 | 1.98 |

*Source: Banks, MIDFR*

**Fig 23: NIM trends: Big 5**

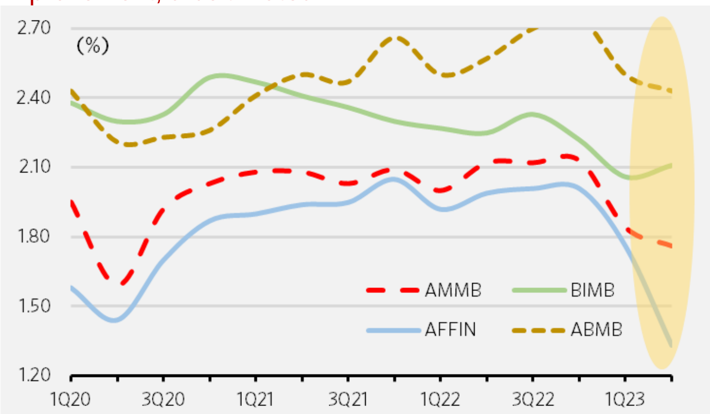
Compression, while worse than guided, was muted compared to last quarter...




*Source: Banks, MIDFR*

**Fig 24: NIM trends: Small 4**

…apart from Affin Bank. BIMB and HLBK also showed improvement, albeit muted.




*Source: Banks, MIDFR*

**NIM compression this time around was bad (though not as bad as the previous quarter).**

**NIMs performed a lot worse than banks were guiding for… but it could be worse.** Recall that most banks were guiding for "stable to slight improvement" in the last quarter.

By far the worst performer was Affin Bank, which saw its NIMs compress by a whopping -43bps qoq (no other bank had reached double-digit compression). While it attributes a portion of the compression to a double paying of AT1 interest charges, we believe that this should not result in >10bps worth of compression – we think that the huge qoq corporate deposit uptake contributed to the remainder.

**Two banks buck the trend, showing improvement.** HLBK frontloaded on business/SME account accumulation earlier on (at the cost of its NIMs, which started compressing earlier than peers). It is now reaping the benefits, as cash balances are automatically filling up the accounts without HLBK having to sacrifice too much COF to drive deposit growth.

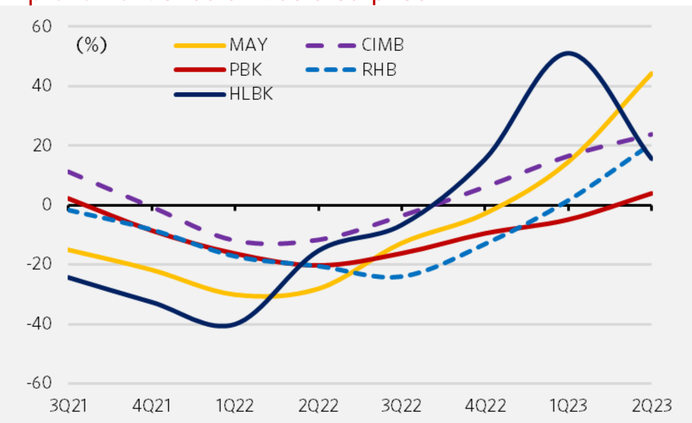
BIMB's improvement is likely due to low base effects. After consistently underperforming NIM-wise for quite some time (their NIMs slid from 4QCY20 onward), their NIM optimisation method of letting pricier FDs expire (they originally had by far the highest proportion of >6-month FDs among its peers) is showing resulting in a very distinct qoq improvement.

**Be wary of 2HCY23, despite banks' claims of improvement in 2HCY23.** Banks are a lot more optimistic on 2H'CY23s prospects, despite looming year-end deposit competition – retail FD rates have shown good improvement, judging by market rates. As with the previous quarter, the prevalent guidance on deposit competition is "it persists, albeit weaker than in 4Q22". Most banks are guiding for stable to slightly positive NIMs in 2H – but we urge investors to remain cautious.

It's worth noting that banks still are not sure what precisely drives the deposit competition – whether it is structural in nature, liquidity-driven, or a case of multiple players acting irrationally. As a result, we opine that there is a small possibility that this prolonged deposit competition might repeat itself in the following cycle, especially if it's structural in nature.

**Fig 25: NOII Trailing 12M trend: Big 5**

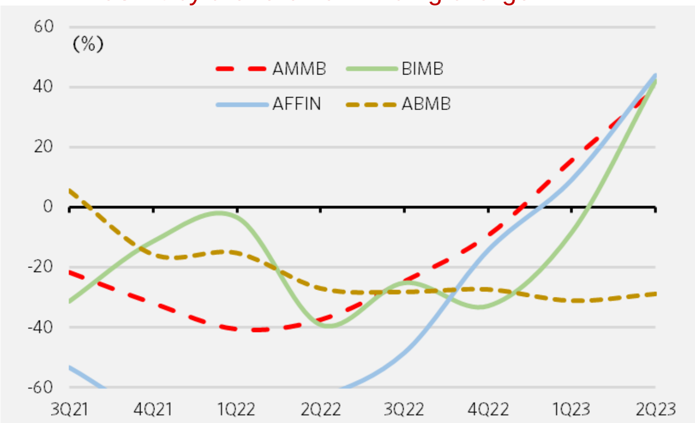
Banks were heavily guiding for better NOII, so the improvement shouldn't be a surprise.




*Source: Banks, MIDFR*

**Fig 26: NOII Trailing 12M trend: Small 4**

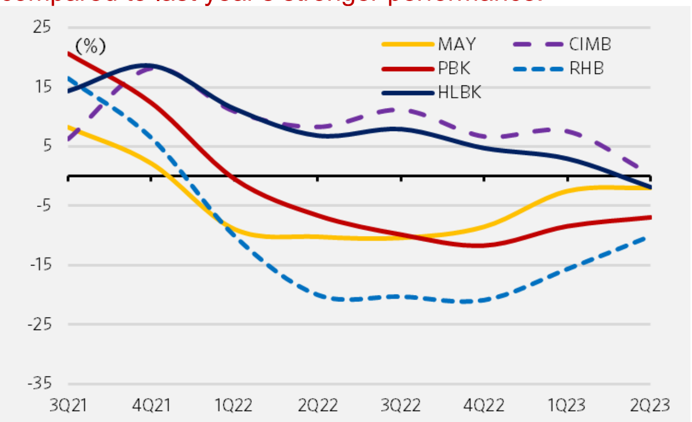
The only clear loser was HLBK (lacklustre treasury income). ABMB was hit by a one-off unwinding charge.




*Source: Banks, MIDFR*

**Fig 27: Fee income Trailing 12M trend: Big 5**

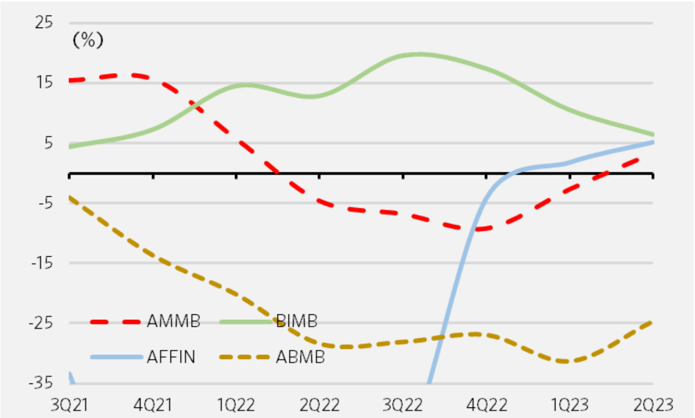
Even so, fee income was rather sanguine, especially compared to last year's stronger performance.




*Source: Banks, MIDFR*

**Fig 28: Fee income Trailing 12M trend: Small 4**

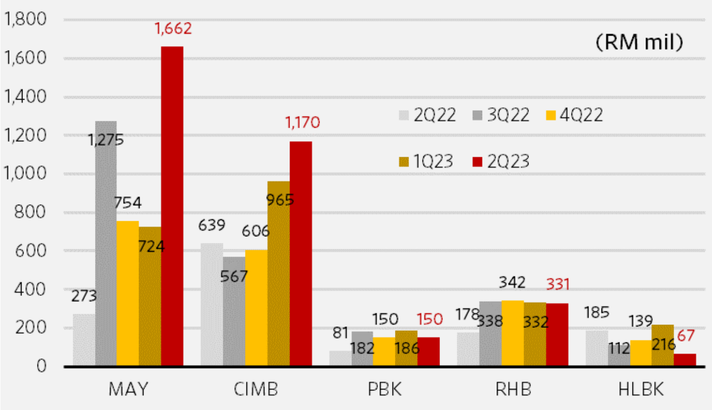
You can blame weaker trading volumes and market activity for the weakness.




*Source: Banks, MIDFR*

**Fig 29: Non-fee Income (Quarterly): Big 5**

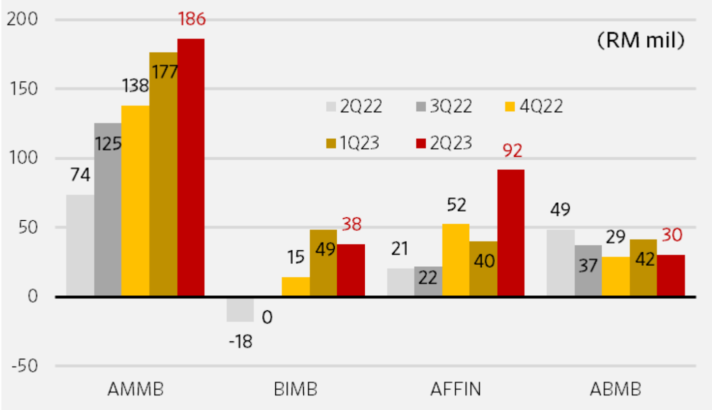
Treasury income was a huge winner, with exceptional qoq improvements seen (though unlikely to be sustainable).




*Source: Banks, MIDFR*

**Fig 30: Non-fee Income (Quarterly): Small 4**

Disappointments were RHB (which, while not terrible, was weaker than management was guiding for) and HLBK.




*Source: Banks, MIDFR*

**NOII was this quarter's big winner – but unlikely to be sustainable moving forward.**

**Fee income was decent, but non-fee income was exemplary (in some cases).** Some winners took us by surprise – Maybank, Affin and AMMB. Some were disappointing – RHB (which, according to the tone of management's guidance, should have performed better) and HLBK.

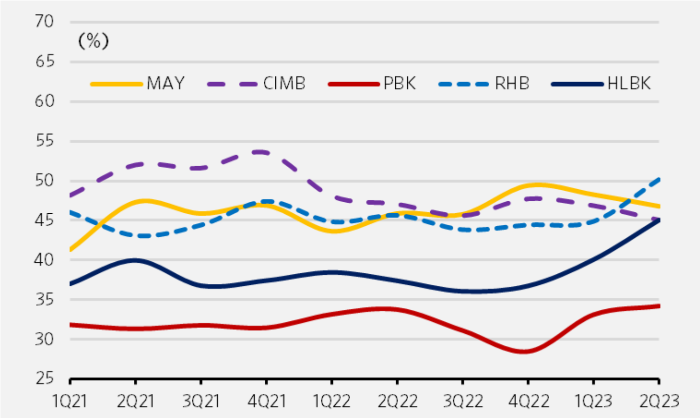
Fee income continues to show muted to negative growth, base effects from last year's exemplary performance, though there could be some degree of post-election uplift to capital market activity in following quarters. Unit trust contributions may continue to benefit from improved market conditions – PBK and RHB, which derive a decent chunk of their income from unit trusts, could continue to see some uplift in this segment.

**This level of non-fee success is opportunistic – and hence too dependent on circumstance to be reliable (or repeatable).** Ringgit volatility (which contributes to FX income) is not as significant as in the previous quarter. MGS yields, which eased a lot in 1H, have since remained relatively stable in the first couple of months in 2HCY23 – not as good for investment income.

Banks have taken advantage of the easing MGS situation within the last quarter by increasing their balance sheet positions. CIMB has taken it further, pulling out all stops – taking tactical interest swaps in SG and huge NPL sales in IND (which is a lumpy form of income) – we think that this could mean 2QCY23 is the peak of their non-fee contributions.

**Fig 31: OPEX Trailing 12M trend: Big 5**

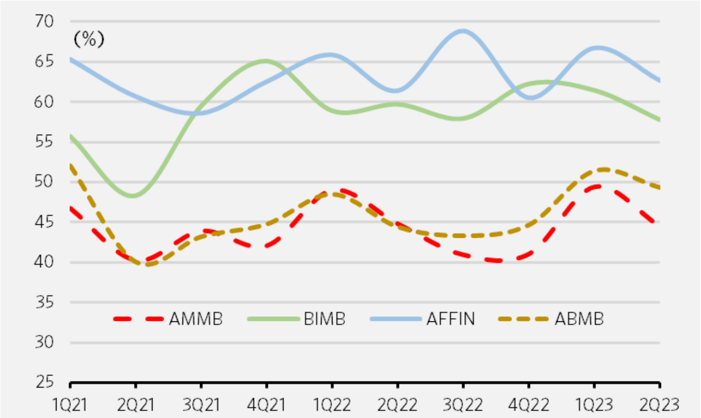
Save for a few select names, OPEX was well managed.




*Source: Banks, MIDFR*

**Fig 32: OPEX Trailing 12M trend: Small 4**

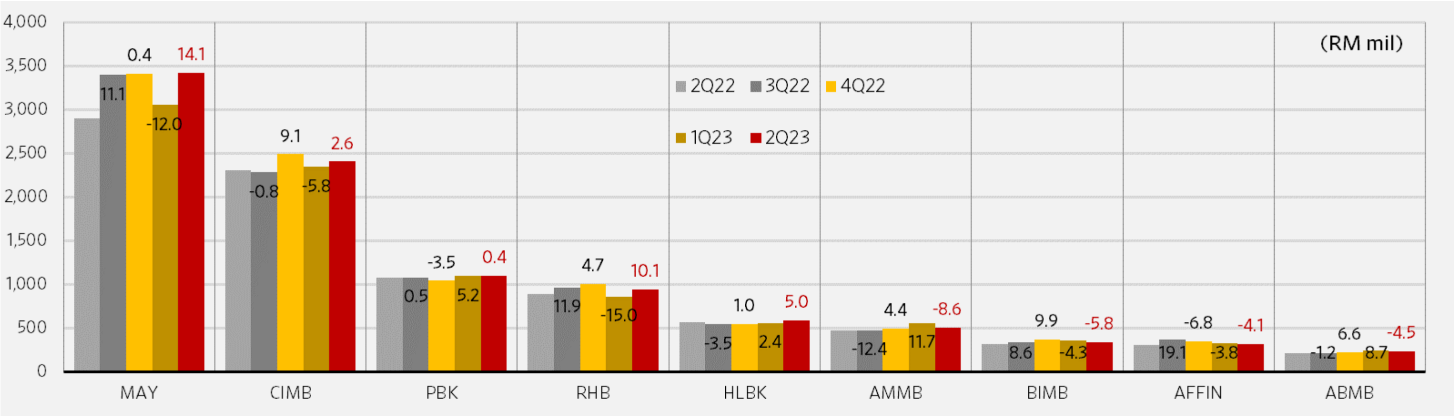
Especially riding off high base effects from a heavy CY22.




*Source: Banks, MIDFR*

**Fig 33: Quarterly OPEX and qoq growth rates**

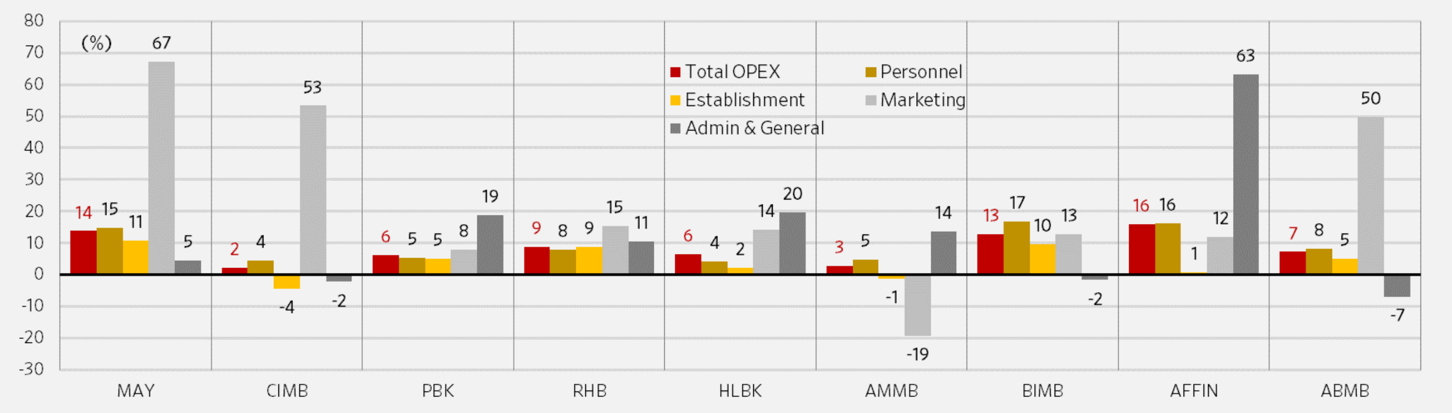
Broadly a heavier quarter for larger banks – while smaller banks took it a bit easier.




*Source: Banks, MIDFR*

**Fig 34: OPEX Trailing 12M yoy growth by Component**

Personnel costs is largely driving increases.




*Source: Banks, MIDFR*

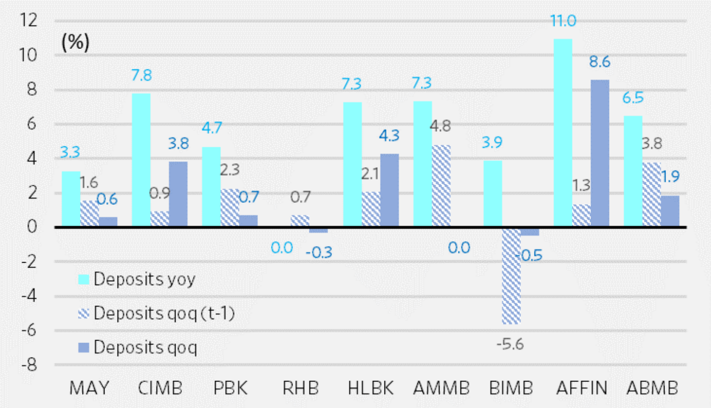
**Performance was scattered, but some banks saw Collective Agreement (CA) one-offs elevating quarterly figures.**

**Several banks have guided for a much lighter 2HCY23 outlook – particularly AMMB and Maybank.** There is a possible positive upside to Maybank's OPEX guidance – the budget allocated for M25+ in CY23 may not be fully utilised. On the flip side, CIMB has warned for further CA adjustments in 2H, while HLBK has newly given an elevated FY24 CIR guidance of 40% as compared to its standard figure of 38%. We are also wary of chunkier tech spend allocations and of banks such as Affin and BIMB which have given high OPEX growth forecasts but have relatively muted 1HCY23 figures.

## D. DEPOSITS & LIQUIDITY

### Fig 35: Deposit growth

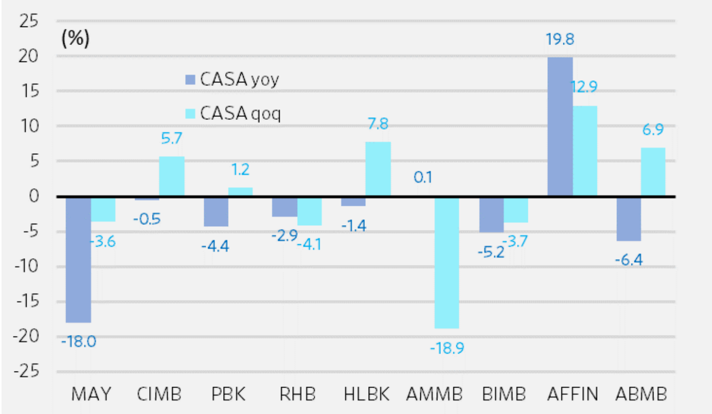
A very mixed set of qoq results – after all, banks employed a variety of NIM optimisation strategies.




*Source: Banks, MIDFR*

### Fig 36: CASA growth

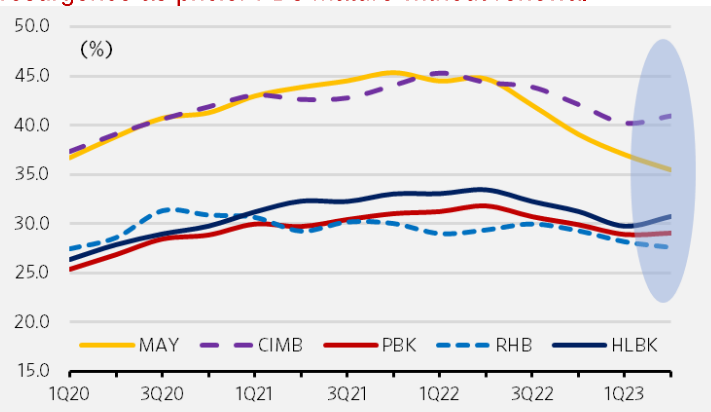
CASA takes a bit of a breather, with attrition less uniform this time around.




*Source: Banks, MIDFR*

### Fig 37: CASA ratio trend: Big 5

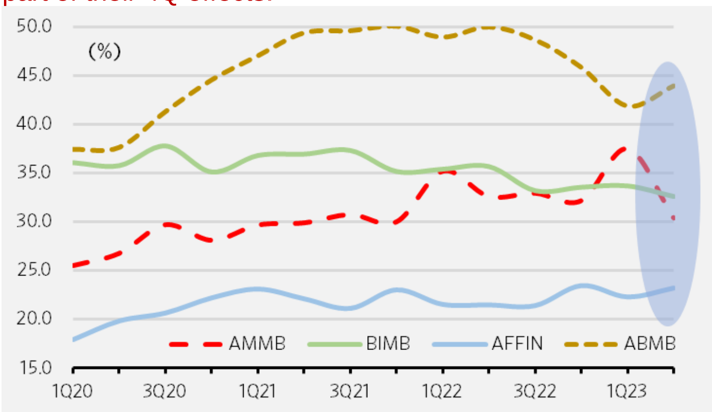
For the first time in so long, CASA sees a bit of a positive resurgence as pricier FDs mature without renewal.




*Source: Banks, MIDFR*

### Fig 38: CASA ratio trend: Small 4

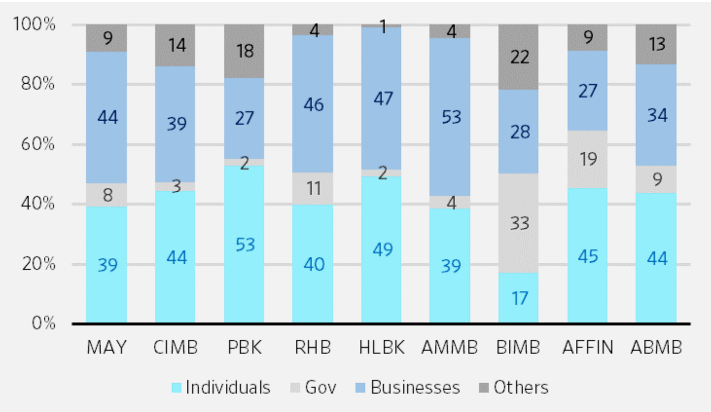
AMMB's decrease is particularly sharp, but this is a normal part of their 4Q effects.




*Source: Banks, MIDFR*

### Fig 39: Depositor breakdown

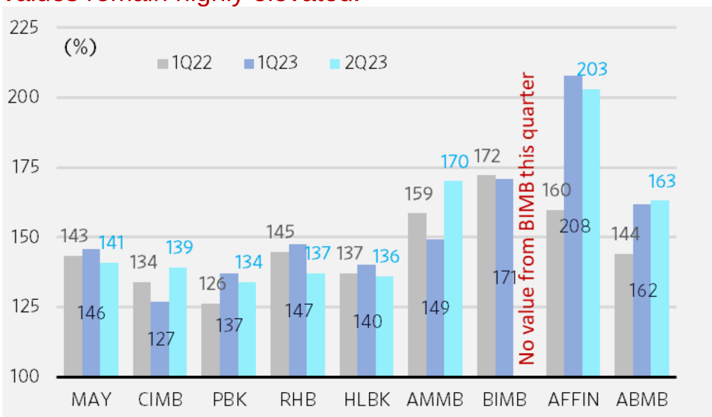
Banks are still vying for the lucrative individual segment.




*Source: Banks, MIDFR*

### Fig 40: Liquidity coverage ratio (LCR)

LCR qoq movements were split across the board, but values remain highly elevated.



### The market remains flushed with liquidity – LCR is well elevated.

**Varied quarterly deposit growth reflects differing incentives among banks.** Some reported weaker growth, reflecting an intention to either pare down on pricier, longer-tenured, non-retail FDs or take it easy, after intense deposit frontloading in 1QCY23. Some saw exceptional qoq growth: CIMB was able to ride on its overseas balances, Affin surprised the market with a huge corporate uptick while HLBK's intense business deposit accumulation in the last few quarters gave them a steady stream of cash balances.

**Most banks are guiding for healthier deposit growth figures in the following quarter**. Maybank has specifically indicated that its paring of deposits is largely over. We think BIMB may buck the trend: We think may continue its paring down of deposits in 3Q, given that it still has the highest % of long-tenured, non-retail deposits among its peers – and we doubt its LCR has reached that low of a level in 2Q. Regardless, BIMB is forced to operate slightly differently than its peers, given constraints in Islamic funding.

**Fig 41: % Retail deposit trend: Big 5**

Banks continue to clamour for cheaper retail deposits. RHB is adamant on a PTPTN-related uptick in 2H.

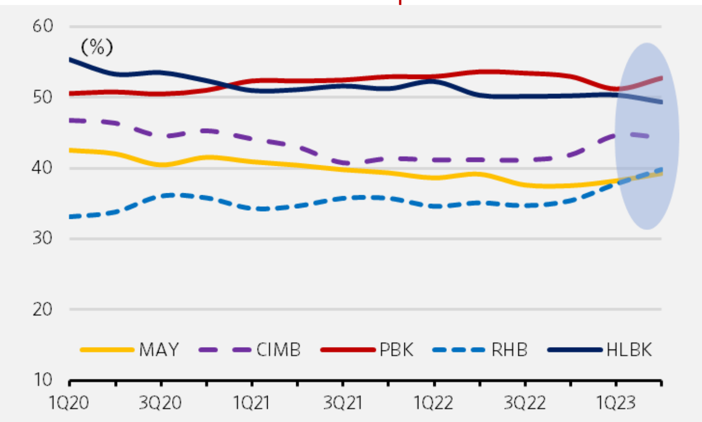
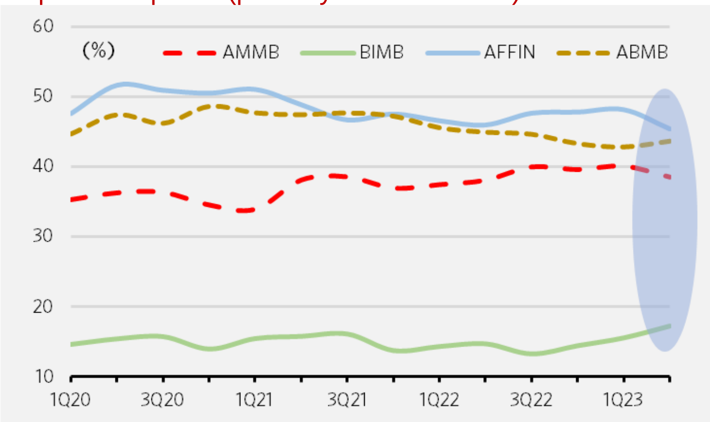



**Fig 42: % Retail deposit trend: Small 4**

A notable contrarian is Affin, which saw a vast increase in corporate deposits (possibly LTAT-assisted)




*Source: Banks, MIDFR*

**Fig 43: % >6-month duration trend: Big 5**

No major changes this time around.

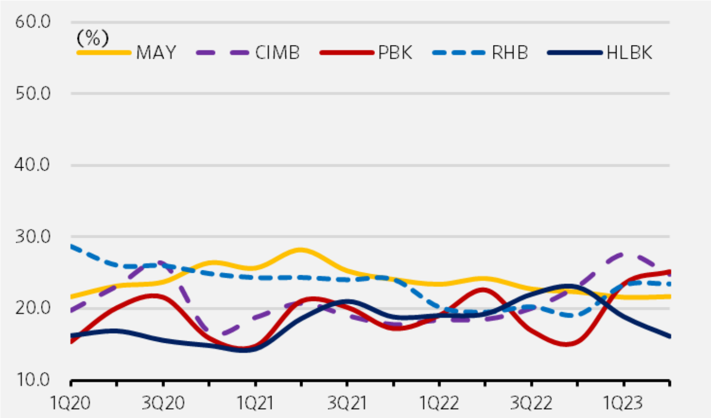
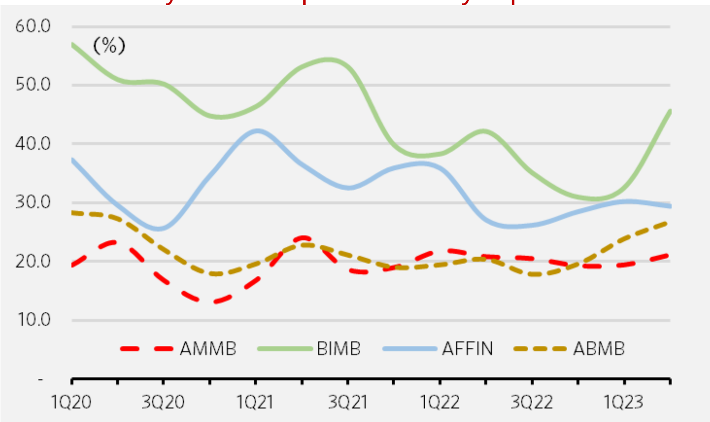



**Fig 44: % >6-month duration: Small 4**

BIMB saw a huge uptick in longer-duration deposits – but these are likely a lot cheaper than newly expired ones.

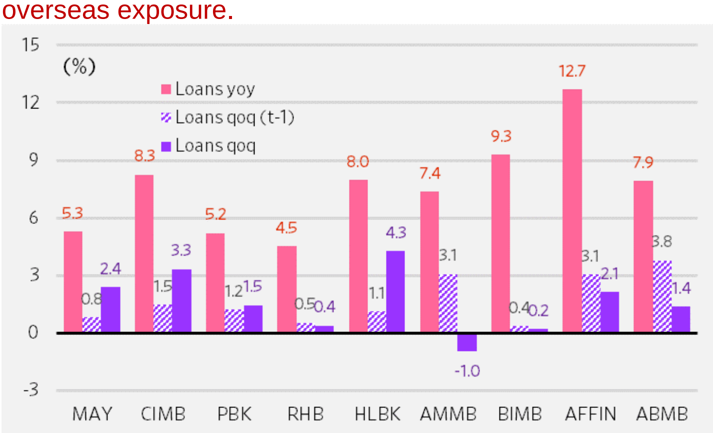



*Source: Banks, MIDFR*

## E. LOANS

### Fig 45: Loan growth

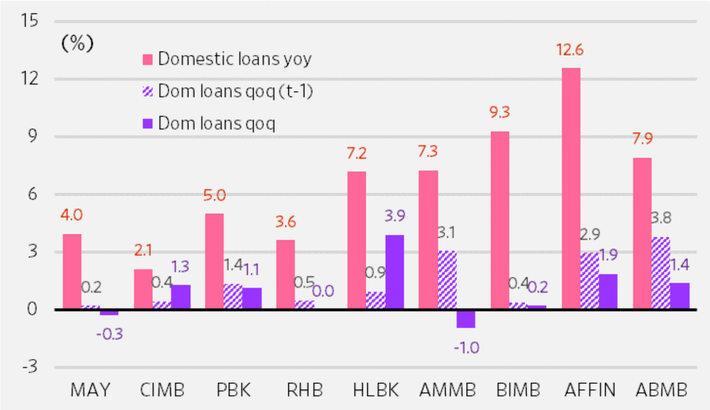
Qoq loan growth was poor, except for banks with significant overseas exposure.




Source: Banks, MIDFR

### Fig 46: Domestic loan growth

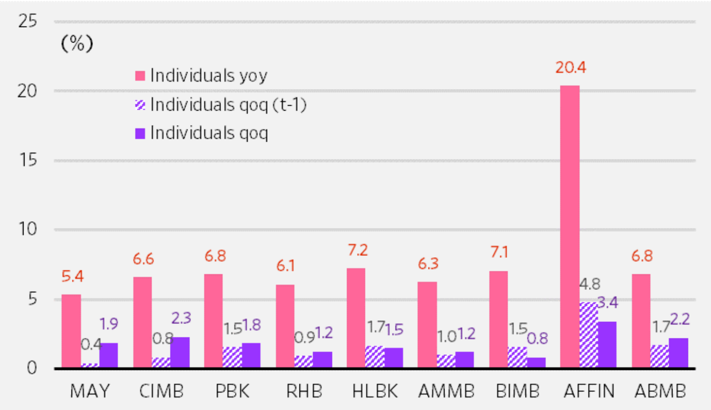
Domestic loan growth remains lacklustre – apart from HLBK, there were no clear winners.




Source: Banks, MIDFR

### Fig 47: Individual (Retail) loan growth

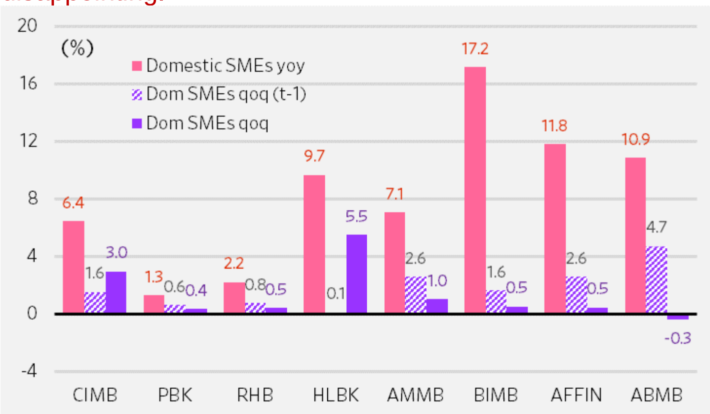
Retail growth was the major growth driver this quarter.




Source: Banks, MIDFR

### Fig 48: Domestic SME loan growth

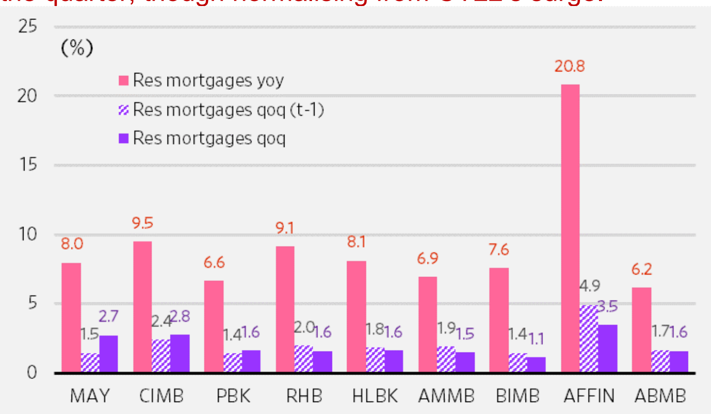
Domestic SME (and corporate) growth segment was disappointing.




Source: Banks, MIDFR

### Fig 49: Residential mortgage loan growth

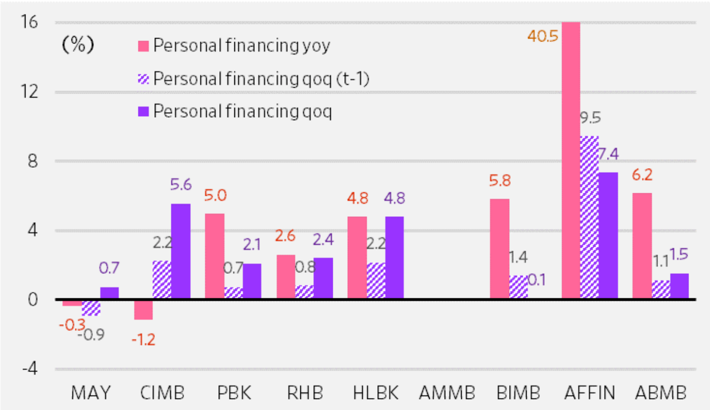
Residential mortgages remain surprisingly resilient within the quarter, though normalising from CY22's surge.




Source: Banks, MIDFR

### Fig 50: Personal financing loan growth

PF loans were very trendy – observe significant qoq growth.




Source: Banks, MIDFR

## A weak quarter for domestic loan growth.

**Retail loans take centre stage in a slow quarter – especially the unsecured segment.** Domestic loan growth this quarter was notably weaker than last quarter's figures, dragged by weaker SME and corporate contributions. Overseas contributions provided a buffer to the weaker domestic growth, with Indonesian and Singaporean contributions remaining resilient – benefiting Maybank and CIMB.

Higher-yielding unsecured loans were the big contributor to the strong retail performance, with banks willing to take on more risk as part of their NIM optimisation strategy. Bigger banks have entered the fray, making it competitive for smaller players – as a result, obverse weaker qoq figures from their end. Residential mortgage and hire purchase uptake remained resilient across the board, despite weaker leading indicators having plagued the majority of 1HCY23.

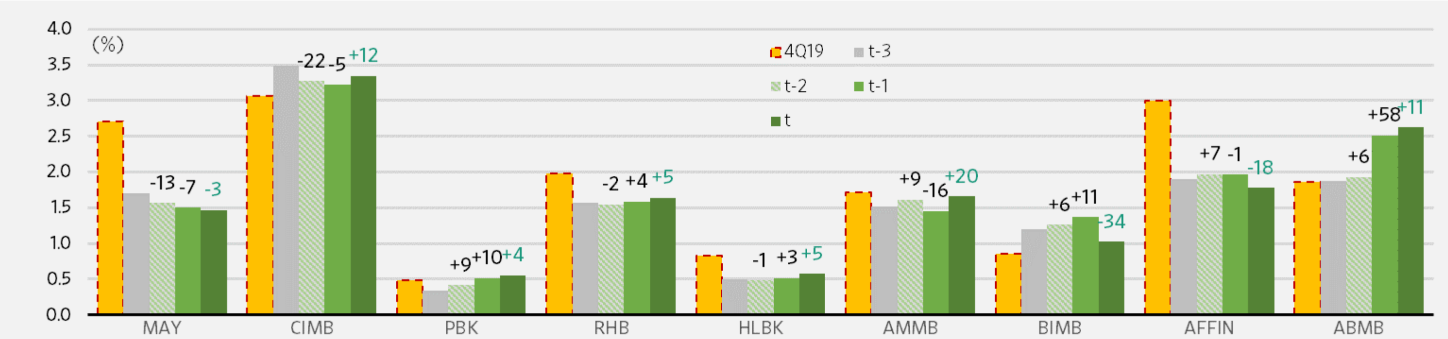
**What are we expecting in 2HCY23?** Banks should continue growing their unsecured offerings, with larger banks continuing to post healthy figures and smaller banks seeing a bit of competition on this end. Banks continue to guide for a stronger 2HCY23 pipeline for SME and corporate segments as part of a post-election play. Hire purchase loans should continue seeing steady growth, given a healthy backlog and numerous second-hand purchases to clear out.

What we are less confident about are residential mortgages – some banks have reiterated their intent to pump brakes on the uptake, given its lower yield. There is also the issue of weaker leading indicators in 1HCY23 finally being reflected on the balance sheet.

## F. ASSET QUALITY & PROVISIONING

**Fig 51: Sector GILs**

The sector generally saw uptick from the retail segment – though there were large writeoffs within the quarter.

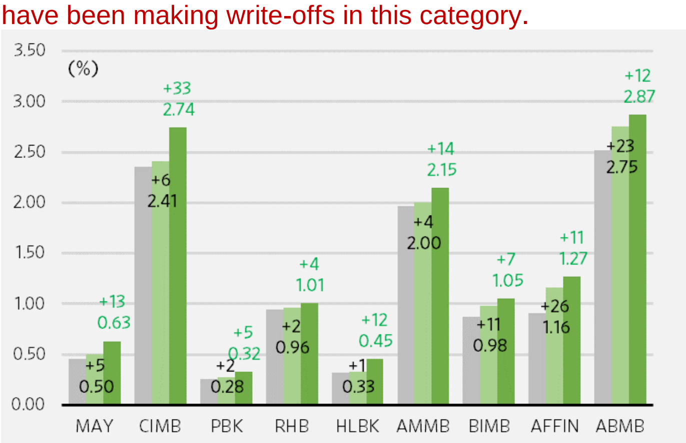



| | MAY | CIMB | PBK | RHB | HLBK | AMMB | BIMB | AFFIN | ABMB |
|---|---|---|---|---|---|---|---|---|---|
| 4Q19 | 2.71 | 3.07 | 0.49 | 1.97 | 0.84 | 1.71 | 0.86 | 3.00 | 1.86 |
| t-3 | 1.70 | 3.49 | 0.33 | 1.57 | 0.49 | 1.52 | 1.20 | 1.91 | 1.87 |
| t-2 | 1.57 | 3.27 | 0.42 | 1.55 | 0.49 | 1.62 | 1.27 | 1.97 | 1.93 |
| t-1 | 1.50 | 3.22 | 0.52 | 1.59 | 0.52 | 1.46 | 1.37 | 1.96 | 2.51 |
| t | 1.47 | 3.35 | 0.55 | 1.64 | 0.57 | 1.66 | 1.03 | 1.78 | 2.63 |

*Source: Banks, MIDFR*

**Fig 52: Residential mortgage GILs**

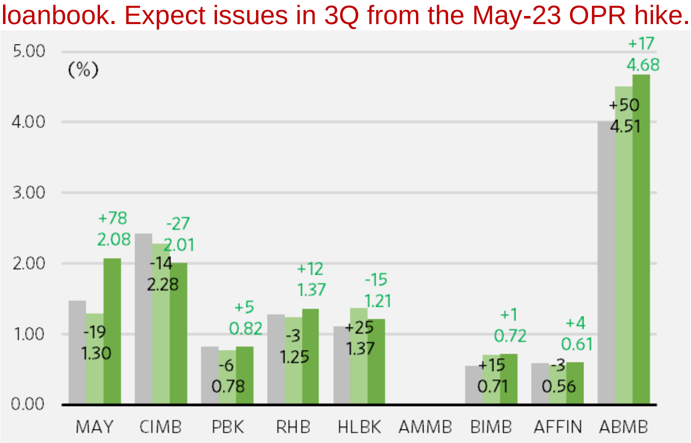
Even uptick across the board, most of which coming from RA programmes – it's also possible to discern which banks have been making write-offs in this category.




*Source: Banks, MIDFR*

**Fig 53: Personal financing GILs**

This segment has been kept under control, save for a few separate occasions. Maybank's makes up a very small % of loanbook. Expect issues in 3Q from the May-23 OPR hike.




*Source: Banks, MIDFR*

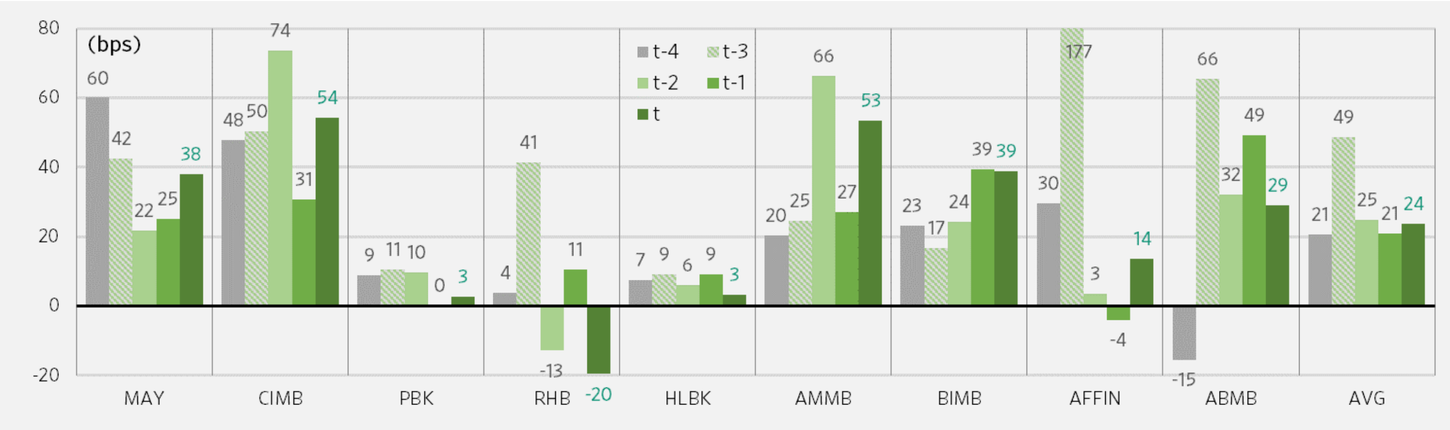
**GIL uptick was very manageable.**

**Loans from repayment assistance (RA) programmes continue providing pressure.** While broad-based GIL ratios remain broadly manageable and well within company expectations, assisted by significant write-offs. We are seeing irritation mostly coming from RA-programme-linked loans – more specifically residential mortgages and SMEs (which tend to be collateralised and well-covered). By far the most concerning of the batch is ABMB – given that it is seeing dual pressure from both RA and non-RA-linked loans. Management did mention that ABMB's GIL ratio was close to peaking in this quarter.

**Next quarter should see OPR hike-related impairments flood in.** Expect the seasoning of higher-risk unsecured loans – credit cards and personal financing loans – to start being classified as impairments within the next quarter. While larger banks tend to keep their % holdings relatively small, smaller banks such as BIMB, ABMB and Affin should be hit a lot harder.

**Fig 54: Sector quarterly Net Credit Costs (NCC)**

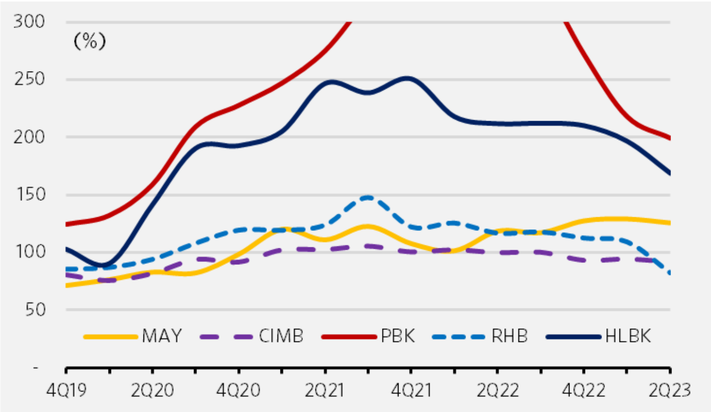
Provisioning was all over the place this time around, by far the most surprising was RHB's net writeback.




*Source: Banks, MIDFR*

**Fig 55: Loan loss coverage (no reserves): Big 5**

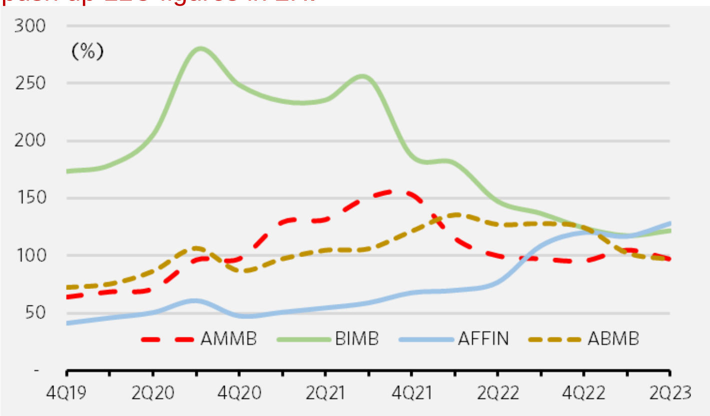
Industry LLC moves down, following large write-offs…




*Source: Banks, MIDFR*

**Fig 56: Loan loss coverage (no reserves): Small 4**

…but some banks are banking on big GIL recoveries to push up LLC figures in 2H.




*Source: Banks, MIDFR*

**Net credit costs could have been worse.**

**Provisioning was split this quarter, but more intense than previous quarter.** This was fairly guided for – management did warn for higher macroeconomic allocations considering less optimistic outlook. Banks which have sufficiently high LLC ratios – PBK and HLBK – saw minimal provisioning in the quarter. RHB was the only bank that provided (sizeable) net overlay writebacks – but we believe they are doing this to pad out their ROE targets. Affin bank, which also saw smaller provisions have previously warned that the brunt of provisions will be allocated in 3QCY23.

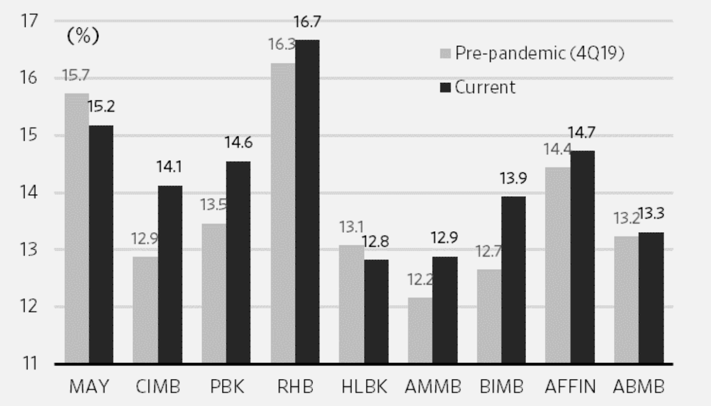
**Outlook-wise, be wary of Affin and RHB.** Affin bank has confirmed in our meeting with them in Jul-23 that 3QFY23 would be heavy quarter provision-wise. While they stray from repeating the same answer in their latest results briefing (even when pressed), we urge investors to be cautious of their 3QFY23 NCC outlook.

RHB's situation is different. Their net writeback puts them in a precarious position, with their Covid-19 overlays completely gone – it's been either reallocated as a form of non-Covid-19 related overlays or written back fully. We caution investors to be wary of RHB's 2HFY23 outlook, despite their insistence that provisioning would remain below forecasts.

## G. CAPITAL, RISK-WEIGHTED ASSETS, AND INVESTMENT BOOK

### Fig 57: Industry CET 1 ratios

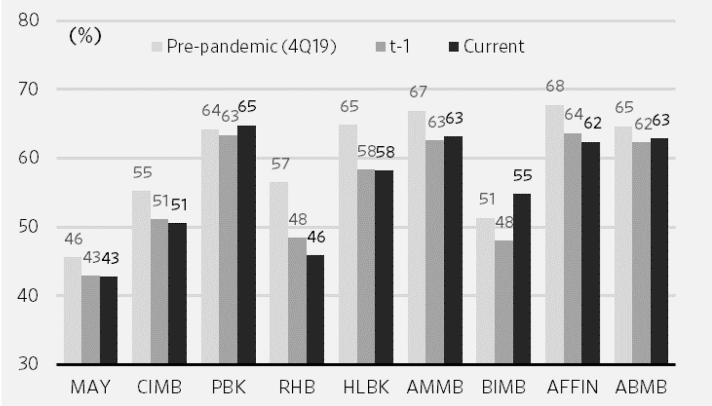
Most banks have signaled via dividend guidance that they are happy with the present level.




Source: Banks, MIDFR

### Fig 58: RWA efficiency (RWA / Total assets)

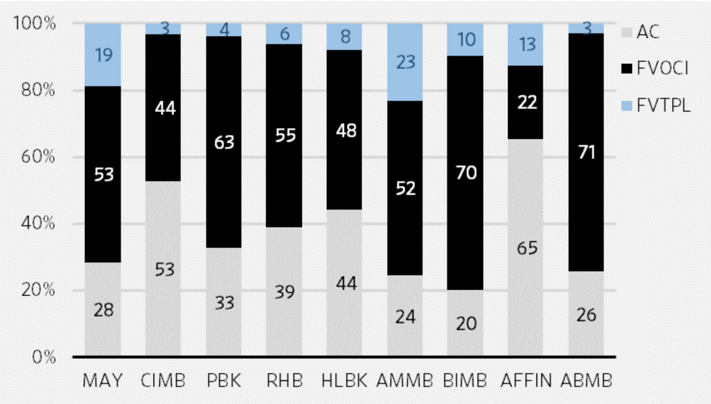
BIMB sees a notable uptick. Unlike the previous quarter, there wasn't too much notable improvement.




Source: Banks, MIDFR

### Fig 59: Bond book breakdown

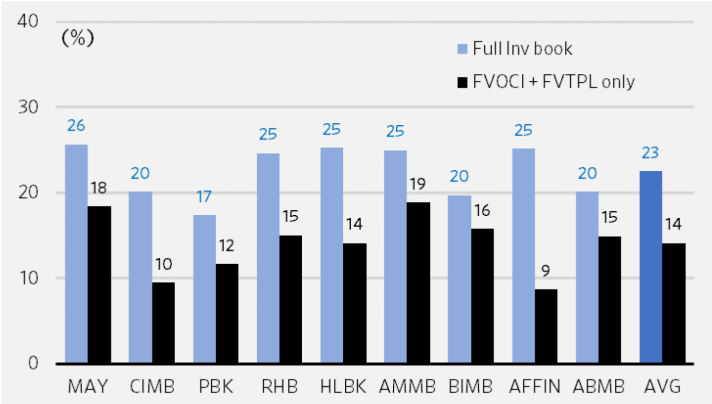
FVOCI holdings are still very much in trend.




Source: Banks, MIDFR

### Fig 60: Bond book as % of total assets

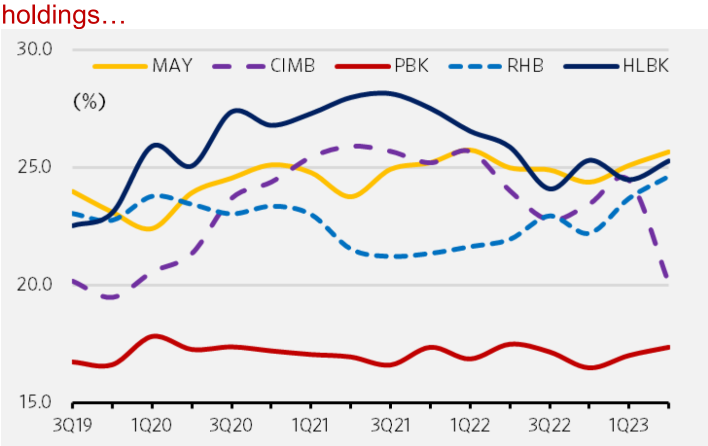
Investment income was very strong this quarter.




Source: Banks, MIDFR

### Fig 61: Bond book as % total assets trend: Big 5

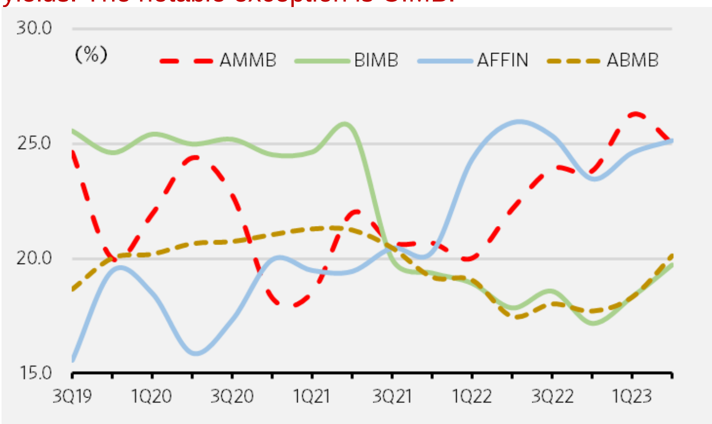
Most banks have opportunistically increased their holdings…




Source: Banks, MIDFR

### Fig 62: Bond book as % total assets trend: Small 4

…to take advantage of more positive movements in MGS yields. The notable exception is CIMB.




Source: Banks, MIDFR

**CET1 values still very elevated, though dividends show a more optimistic story.** Banks are not expecting BNM to lower their CET1 preferences anytime soon, especially considering further macroeconomic headwinds. On a more positive note, some banks have responded with full-cash payouts and higher dividend guidance (CIMB) – indicating that most feel that they are in a comfortable position as of now.

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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 *rise* 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 *fall* 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