

## AMMB Holdings Berhad

(1015 | AMM MK) Financial Services | Finance

### 3QFY24 Results Huge One-Offs

#### KEY INVESTMENT HIGHLIGHTS

- 9MFY24's Core NP of RM1,230m was *Within/Within* our/*street* forecasts: **72%/72%** of full-year forecasts
- Management's tone: **Slightly optimistic**
- Core themes: (a) Possible further tech spend, (b) Optimistic loan leading indicators, (c) Improving asset quality and provisioning buffer
- Forecasts Unchanged
- **Maintain NEUTRAL | Unchanged TP of RM4.23 | based on an unchanged FY25F P/BV of 0.84x**

**Verdict: Unfortunately, most positives have been priced in for now.**

Yays	<ol style="list-style-type: none"> <li>1. Excellent OPEX control.</li> <li>2. Asset quality and provisioning buffer look much stronger following the one-offs.</li> <li>3. A sleeker and more secure capital structure should imply better ROEs and dividend payouts in future.</li> </ol>
Nays	<ol style="list-style-type: none"> <li>1. Loan growth guidance has been lowered again this quarter. The newer 2.5-3.0% FY24 guidance is poor.</li> </ol>
OKs	<ol style="list-style-type: none"> <li>1. FIRB implementation is still in progress.</li> <li>2. Dividend payout will likely be increased in future.</li> </ol>

#### Results in a nutshell:

▼ **9MFY24's Core net profit (NP) of RM1,230m down by -6%yoq.** Stripping off one-offs, stronger NOII was offset by weaker NII and higher OPEX.

▼ **3QFY24's Core NP of RM408m down by -13%qoq.** While PPOP was flattish, higher impairments offset the huge tax credit. The brunt of bond book profits alluded to in previous quarters have been exercised.

▼ **Gross loans grew by +0.4%qoq, coming up to +0.8%YTD.** A weak quarter that came below management expectations. This was due to a large lumpy corporate repayment.

► **Deposits grew by +0.4%qoq, coming up to +4.3%YTD.**

▲ **GIL moved by -5bps to 1.60%, LLC currently at 102%.** Asset quality continues to improve, with most RA loans already having graduated from its programmes.

#### Have a look at:

▲ **Huge one-offs utilising tax credit proceeds.** AMMB saw a tax credit of RM538m in the quarter (a further RM234m was already recognised in FY22). This was guided for in the previous quarter, and management put most of the proceeds to good use. Of the RM538m, RM520m were used for one-off charges: RM328m for overlays, RM80m for provisioning for restructuring expenses, and RM112m for intangible assets impairments.

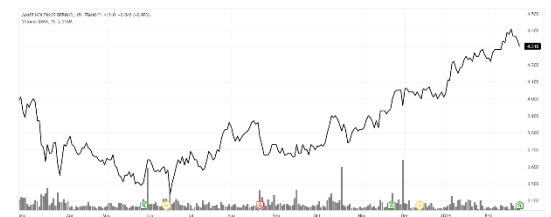
## Maintain NEUTRAL

### Unchanged Target Price: RM4.23

#### RETURN STATISTICS

Price @ 26 February 2024 (RM)	4.31
Expected share price return (%)	-1.9
Expected dividend yield (%)	+4.7
Expected total return (%)	+2.8

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.4	-1.5
3 months	8.5	2.2
12 months	13.6	7.3

#### INVESTMENT STATISTICS

FYE Mar	FY24F	FY25F	FY26F
<b>Core NP (RM m)</b>	<b>1,699</b>	<b>1,914</b>	<b>1,984</b>
CNP growth (%)	(2)	13	4
<b>Div yield (%)</b>	<b>4.2</b>	<b>4.7</b>	<b>4.8</b>
Gross DPS (sen)	17.9	20.1	20.8
<b>P/BV (x)</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>
BVPS (RM)	4.7	5.0	5.4
<b>ROE (%)</b>	<b>9.0</b>	<b>9.4</b>	<b>9.1</b>
<b>MIDF/Street CNP (%)</b>	<b>100</b>	<b>108</b>	<b>104</b>

#### KEY STATISTICS

FBM KLCI	1,547.60
Issue shares (m)	3,296.2
Estimated free float (%)	45.3
Market Capitalisation (RM'm)	14,390.0
52-wk price range	RM3.42 -
3-mth avg daily volume (m)	2.9
3-mth avg daily value (RM'm)	11.9
Top Shareholders (%)	
ANZ Funds Pty Ltd	21.7
Clear Goal Sdn Bhd	10.9
EPF Board	10.9

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▲ **Topping up on overlays.** Management has topped up their LLC to a very healthy 111%, in response to possible weakening in the consumption component of 4QCY23's GDP. They highlight that the retail banking segment LLC has been lifted to 100% – especially since the brunt of riskier PHRA graduates are from the retail segment.

▶ **Possibly alluding to further tech costs to breach the mass market.** Management's guidance on loan portfolio direction is unchanged from the previous quarter: Shifting focus toward SME and corporate segments, while targeting niche, more profitable consumer segments.

This time, however, AMMB did allocate RM112m for intangible asset impairments. Management alluded to this as a sign to get rid of older devices and software to pave the way for newer fintech and technological options. They mentioned that excellent intellectual property is imperative in breaching the mass-market segment.

▲ **Loan growth outlook is still positive.** Management seems optimistic, observing good leading indicators in the SME and business banking space (though geared towards larger companies). They seem quite confident about the possibility of drawdowns in the large corporate space, with the possibility of larger infrastructure projects growing more certain by the day. Mortgage loan origination has been slowing down, but management is less concerned: its margins are so light it barely impact NII.

**Forecasts unchanged.** We make no changes to our forecasts.

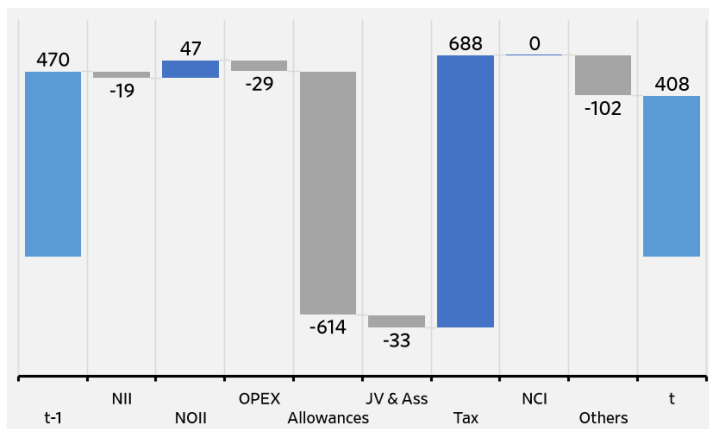
**Key downside risks.** (1) Slower-than-expected loan growth, (2) Higher-than-expected NCC, (3) Elevated OPEX.

**Maintain NEUTRAL call: Unchanged GGM-TP of RM 4.23 (from RM4.23).** The TP is based on an unchanged FY25F P/BV of 0.84x.

**(GGM assumptions: FY25F ROE of 9.4%, LTG of 3.5% & COE of 10.5%)**

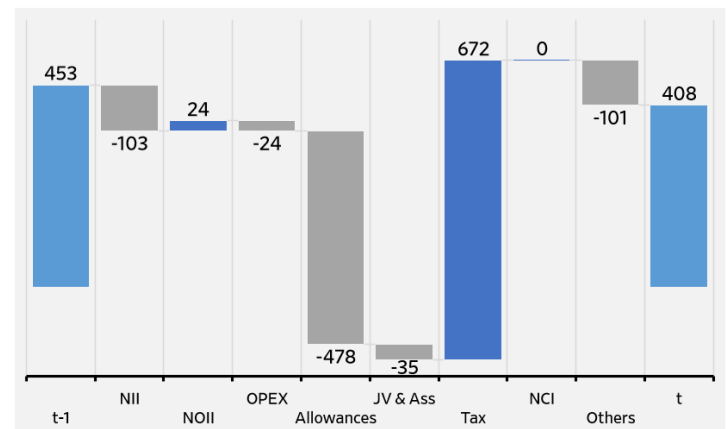


**Fig 1: QoQ P/L walk (Quarterly results)**



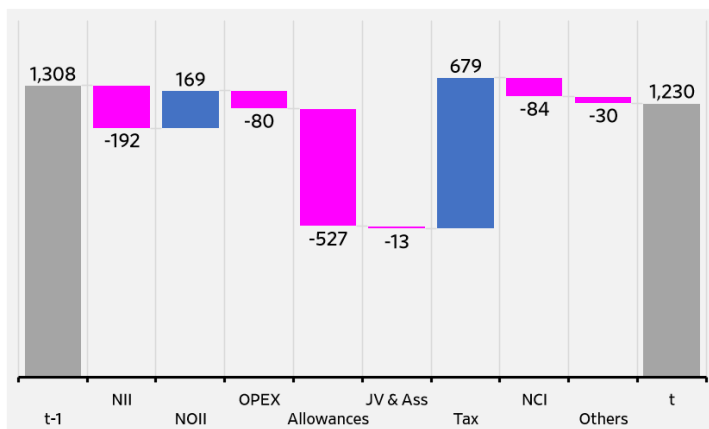
Source: AMMB, MIDFR

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



Source: AMMB, MIDFR

**Fig 3: YoY P/L walk (Cumulative results)**



Source: AMMB, MIDFR

Fig 4: Quarterly results

FYE Mar (RM m)	3Q FY24	2Q FY24	3Q FY23	Yoy (%)	Qoq (%)	9M FY24	9M FY23	Yoy (%)
Net interest inc.	537	561	592	-9	-4	1,618	1,759	-8
Islamic banking inc.	286	303	339	-16	-6	960	985	-3
Non-interest inc.	343	242	280	23	42	835	671	24
<b>Net income</b>	<b>1,166</b>	<b>1,106</b>	<b>1,211</b>	<b>-4</b>	<b>6</b>	<b>3,413</b>	<b>3,415</b>	<b>-0</b>
OPEX	(522)	(493)	(497)	5	6	(1,522)	(1,442)	6
<b>PPOP</b>	<b>645</b>	<b>613</b>	<b>714</b>	<b>-10</b>	<b>5</b>	<b>(1,522)</b>	<b>(1,442)</b>	<b>6</b>
Loan provisions	(435)	(56)	(204)	114	678	(657)	(337)	95
Other provisions	(192)	43	54	-451	<-500	(173)	35	<-500
JV & Associates	(15)	18	20	-176	-184	13	26	-51
<b>PBT</b>	<b>3</b>	<b>618</b>	<b>585</b>	<b>-100</b>	<b>-100</b>	<b>1,073</b>	<b>1,696</b>	<b>-37</b>
Tax	540	(148)	(132)	-509	-465	291	(387)	-175
Discontinued ops	-	-	-	n.m.	n.m.	51	(69)	n.m.
NCI	-	(0)	-	n.m.	n.m.	(25)	59	n.m.
<b>Reported NP</b>	<b>543</b>	<b>470</b>	<b>453</b>	<b>20</b>	<b>15</b>	<b>1,391</b>	<b>1,299</b>	<b>7</b>
<b>Core NP</b>	<b>408</b>	<b>470</b>	<b>453</b>	<b>-10</b>	<b>-13</b>	<b>1,230</b>	<b>1,308</b>	<b>-6</b>
Total NII*	827	846	930	-11	-2	2,482	2,674	-7
Total NOII*	325	278	301	8	17	945	776	22
<b>Gross DPS (sen)</b>	<b>-</b>	<b>6.0</b>	<b>-</b>	<b>n.m.</b>	<b>n.m.</b>	<b>6.0</b>	<b>6.0</b>	<b>n.m.</b>
Core EPS (sen)	12.3	14.2	13.7	-10	-13	37.2	39.5	-6
Gross loans	131,329	130,828	126,338	4.0	0.4			
Gross impaired loans	2,103	2,164	2,041	3.0	-2.8			
Customer deposits	135,924	135,324	124,337	9.3	0.4			
CASA	45,804	43,538	39,982	14.6	5.2			

\*Contains contributions from JV & Associates

Ratios (%)	3Q FY24	2Q FY24	3Q FY23	Yoy (ppts)	Qoq (ppts)	9M FY24	9M FY23	Yoy (ppts)
<b>ROE (Ann.)</b>	<b>8.5</b>	<b>10.1</b>	<b>10.3</b>	<b>-1.8</b>	<b>-1.6</b>	<b>8.6</b>	<b>9.9</b>	<b>-1.3</b>
<b>NIM (Reported)</b>	<b>1.79</b>	<b>1.82</b>	<b>2.13</b>	<b>-0.34</b>	<b>-0.03</b>	<b>1.79</b>	<b>2.16</b>	<b>-0.37</b>
NOII/Net income	28.2	24.7	24.5	3.8	3.5	27.6	22.5	5.1
Cost/Income	44.7	44.6	41.1	3.7	0.2	44.6	42.2	2.4
NCC (Ann.) (bps)	135	18	66	69	118	68	37	31
GIL ratio	1.60	1.65	1.62	-0.01	-0.05			
Loan loss coverage	102	87	95	7	15			
CASA ratio	33.7	32.2	32.2	1.5	1.5			
L/D ratio	95.0	95.3	100.0	-5.0	-0.2			
CET-1	13.4	12.7	12.3	1.1	0.7			

Source: AMMB, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	408	Qtrly ROE	Qtr value	8.5%
	24% of FY CNP				
	Qoq	-13%		t-1	10.1%
	Yoy	-10%		t-4	10.3%
Cum Core NP	RM mil	1,230	Cum ROE	Cum value	8.6%
	Within our forecast				
	72% of FY CNP				
	Within consensus				
	Yoy	-6%		t-1	9.9%
NII	As expected		NIM	As expected	
				Qtr value	1.79
				Cum value	1.79
	Qtr (Qoq)	-2%		Qtr (Qoq)	-3bps
	Qtr (Yoy)	-11%		Qtr (Yoy)	-34bps
	Cum (Yoy)	-7%		Cum (Yoy)	-37bps
NOII	As expected		Qtr	% NII	72%
	Qtr (Qoq)	17%		% NOII	28%
	Qtr (Yoy)	8%	Cum	% NII	72%
	Cum (Yoy)	22%		% NOII	28%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	44.7%
				Cum value	44.6%
	Qtr (Qoq)	6%		Qtr (Qoq)	+0.2%
	Qtr (Yoy)	5%		Qtr (Yoy)	+3.7%
Cum (Yoy)	6%	Cum (Yoy)	+2.4%		

Source: AMMB, MIDFR

Notes (Cum = Cumulative, Qtr = Quarterly)

ROE and quarterly profit have been well guided by management.

Excellent NIM control – despite seasonal effects, quarter-on-quarter compression was less pronounced than in the last few quarters.

AMMB finally took profit on its bond book, which it has been guiding for some time.

Well guided for – still pretty healthy.

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

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Loans	<b>-ve surprise</b>					<b>Quarter-on-quarter growth was very poor – management attributes it to a large corporate repayment.</b>
	Qoq	0.4%				
	Yoy	4.0%				
	YTD (FY)	0.8%				
Depo. grwth	<b>-ve surprise</b>		CASA grwth	As expected		<b>Slow, matching loan growth.</b>
	Qoq	0.4%		Qoq	5.2%	
	Yoy	9.3%		Yoy	14.6%	
	YTD (FY)	4.3%		YTD (FY)	<b>-6.1%</b>	
CASA ratio	As expected		L/D ratio	As expected		<b>Solid improvement from an asset quality and provisioning standpoint. We were expecting the heavy provision, and we think it is a good move.</b>
	Value now	<b>33.7%</b>		Value now	<b>95.0%</b>	
	Qoq	+1.5%		Qoq	<b>-0.2%</b>	
	Yoy	+1.5%		Yoy	<b>-5.0%</b>	
GIL ratio	As expected		LLC ratio	As expected		<b>CET 1 showed improvement via tax credit proceeds.</b>
	Value now	<b>1.60%</b>		Value now	<b>102%</b>	
	Qoq	-5bps		Qoq	+15%	
	Yoy	-1bps		Yoy	+7%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	<b>Heavy provision</b>			<b>Heavy provision</b>		
	Value now	<b>135bps</b>		Value now	<b>68bps</b>	
	t-1	18bps		t-4	37bps	
CET 1	Healthy level		Div payout	No divvy		
	As expected			As expected		
	Value now	<b>13.4%</b>		Payout		
	Qoq	0.7%				

Others:

Source: AMMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY24F	9M FY24	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	9-10	8.6	Management guides for earnings of RM1.6b (allocations may not be evenly distributed between quarters).
CIR		44.6	FY24's OPEX should be lower than FY23's RM2.1b. Management wants to keep CIR hovering at ~45% level.
NIM		1.79	Should end the year close to the current level of 1.79%.
NOII		22% (yoy)	
Loans	2.5-3.0 <del>4-5</del>	0.8 (YTD)	Disappointingly, AMMB has cut forecasts once again. A huge lumpy corporate repayment resulted in weak sequential quarter growth.
Deposits		4.3 (YTD)	
% CASA	30 (Unofficial)	33.7	
Loan/Depo		95.0	
GIL ratio		1.60	1.60% to be future steady state.
NCC (bps)	35	68	30-35bps to be future steady state.
LLC		102	
CET 1		13.4	
Div payout		-	Normalised goal: 35%.

Source: AMMB, MIDFR

## FINANCIAL SUMMARY

### INCOME STATEMENT

FYE Mar (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest income	3,942	4,976	5,381	5,833	6,072
Interest expense	(1,770)	(2,695)	(2,950)	(3,218)	(3,400)
<b>Net interest income</b>	<b>2,172</b>	<b>2,281</b>	<b>2,431</b>	<b>2,615</b>	<b>2,672</b>
Islamic banking inc.	1,062	1,301	1,271	1,231	1,258
Other operating inc.	822	956	1,049	1,151	1,251
<b>Net income</b>	<b>4,056</b>	<b>4,538</b>	<b>4,752</b>	<b>4,997</b>	<b>5,181</b>
OPEX	(1,789)	(1,999)	(2,138)	(2,199)	(2,280)
<b>PPOP</b>	<b>2,267</b>	<b>2,539</b>	<b>2,614</b>	<b>2,799</b>	<b>2,901</b>
Loan allowances	(314)	(422)	(456)	(396)	(416)
Other allowances	(454)	68	(13)	(22)	(18)
JV & Associates	44	70	91	112	116
<b>PBT</b>	<b>1,544</b>	<b>2,255</b>	<b>2,236</b>	<b>2,492</b>	<b>2,583</b>
Tax & zakat	(177)	(513)	-	(578)	(599)
NCI	(92)	59	-	-	-
Discontinued ops	229	(66)	-	-	-
<b>Reported NP</b>	<b>1,503</b>	<b>1,735</b>	<b>2,236</b>	<b>1,914</b>	<b>1,984</b>
<b>Core NP</b>	<b>1,503</b>	<b>1,735</b>	<b>1,699</b>	<b>1,914</b>	<b>1,984</b>
Total NII	3,012	3,436	3,576	3,735	3,817
Total NOII	950	1,110	1,176	1,262	1,364

### BALANCE SHEET

FYE Mar (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	14,523	8,699	9,185	9,320	9,551
Investment securities	35,011	51,851	48,326	45,204	42,445
Net loans	118,066	128,243	136,113	143,001	150,165
Other IEAs	0	0	0	0	0
Non-IEAs	7,185	8,639	8,542	8,600	10,366
<b>Total assets</b>	<b>174,784</b>	<b>197,432</b>	<b>202,166</b>	<b>206,125</b>	<b>212,528</b>
Customer deposits	122,593	130,315	138,264	145,454	153,018
Other IBLs	18,130	34,513	25,136	20,712	18,455
Non-IBLs	16,177	14,577	19,012	18,869	18,582
<b>Total liabilities</b>	<b>156,900</b>	<b>179,405</b>	<b>182,413</b>	<b>185,035</b>	<b>190,054</b>
Share capital	6,776	6,376	6,376	6,376	6,376
Reserves	9,909	11,650	13,377	14,713	16,097
<b>Shareholders' funds</b>	<b>16,685</b>	<b>18,026</b>	<b>19,753</b>	<b>21,090</b>	<b>22,473</b>
NCI	1,199	1	0	0	0
<b>Total equity</b>	<b>17,884</b>	<b>18,027</b>	<b>19,753</b>	<b>21,090</b>	<b>22,473</b>
<b>Total L&amp;E</b>	<b>174,784</b>	<b>197,432</b>	<b>202,166</b>	<b>206,125</b>	<b>212,528</b>
Total IEAs	167,599	188,792	193,625	197,524	202,162
Total IBLs	140,723	164,828	163,401	166,166	171,473
Gross loans	119,993	130,227	138,040	144,942	152,190
CASA	43,107	48,800	47,010	46,545	47,435

### FINANCIAL RATIOS

FYE Mar (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Interest (%)</b>					
NIM	1.82	1.93	1.87	1.91	1.91
Return on IEAs	2.39	2.79	2.81	2.98	3.04
Cost of funds	1.27	1.76	1.80	1.95	2.01
Net interest spread	1.11	1.03	1.02	1.03	1.02
<b>Profitability (%)</b>					
<b>ROE</b>	<b>9.6</b>	<b>10.0</b>	<b>9.0</b>	<b>9.4</b>	<b>9.1</b>
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	25.7	24.3	24.8	25.3	26.3
Effective tax rate	11.5	22.7	0.0	23.2	23.2
Cost/Income	44.1	44.0	45.0	44.0	44.0
<b>Liquidity (%)</b>					
Loan/Deposit	96.3	98.4	98.4	98.3	98.1
CASA ratio	35.2	37.4	34.0	32.0	31.0
<b>Asset Quality (%)</b>					
GIL ratio	1.40	1.46	1.47	1.41	1.40
LLC ratio	115	105	95	95	95
LLC (w. reserves)	121	116	104	104	104
Net CC (bps)	27	34	34	28	28
<b>Capital (%)</b>					
CET 1	12.3	12.8	13.8	14.0	14.0
Tier 1 capital	12.3	12.8	13.8	14.0	14.0
Total capital	15.4	16.0	17.1	17.4	17.4
<b>Growth (%)</b>					
Total NII	2.6	14.1	4.1	4.5	2.2
Total NOII	-39.6	16.8	6.0	7.3	8.1
Net income	-10.0	11.9	4.7	5.2	3.7
OPEX	-16.1	11.7	7.0	2.8	3.7
Core NP	56.2	15.5	-2.1	12.7	3.6
Gross loans	6.5	8.5	6.0	5.0	5.0
Customer deposits	1.7	6.3	6.1	5.2	5.2
CASA	20.6	13.2	-3.7	-1.0	1.9
<b>Valuation metrics</b>					
Core EPS (sen)	35.9	41.5	40.6	45.7	47.4
Gross DPS (sen)	5.0	18.3	17.9	20.1	20.8
Div payout (%)	11	35	35	35	35
BVPS (RM)	4.0	4.3	4.7	5.0	5.4
Core P/E (x)	12.0	10.4	10.6	9.4	9.1
<b>Div yield (%)</b>	<b>1.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.7</b>	<b>4.8</b>
P/BV (x)	1.1	1.0	0.9	0.9	0.8

Source: AMMB, MIDFR

**Income Statement**

Core NP – Core Net Profit  
 PPOP – Pre-Provisioning Operating Profit  
 NII – Net Interest Income  
 NIM – Net Interest Margin  
 COF – Cost of Funds  
 NOII – Non-Interest Income  
 MTM – Mark to Market  
 CIR – Cost to Income Ratio  
 OPEX – Operational Expenses

**Balance Sheet**

LCR – Liquidity Coverage ratio  
 L/D ratio – Loan/Deposit ratio  
 CASA – Current & Savings accounts  
 FD – Fixed Deposits  
 GIL – Gross Impaired Loans  
 NIL – Net Impaired Loans  
 LLC – Loan Loss Coverage  
 NCC – Net Credit Costs  
 GCC – Gross Credit Costs  
 CET 1 – Common Equity Tier 1

**Valuations & Sector**

ROE – Return on Equity  
 GGM – Gordon Growth Model  
 P/BV – Price to Book Value  
 BVPS – Book Value per Share  
 BNM – Bank Negara Malaysia  
 OPR – Overnight Policy Rate  
 SRR – Statutory Reserve Requirement  
 SBR – Standardised Base Rate  
 ALR – Average Lending Rate



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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology