

## Malayan Banking Berhad

(1155 | MAY MK) Financial Services | Finance

### 4QFY23 Results: Funding via Money Market Deposits

**Maintain NEUTRAL**
**Revised Target Price: RM9.71**  
 (Previously RM9.28)

#### KEY INVESTMENT HIGHLIGHTS

- FY23's Core NP of RM9,350m was *Within/Within* our/*street* forecasts: **102%/101%** of full-year forecasts
- Management's tone: Cautiously optimistic
- Core themes: (a) Huge corporate loan uptick, (b) CET 1 build to persist, (c) Competitive loan pricing concerns
- Forecasts revised: FY24F/FY25F Core NP adjusted by -1%/-2%
- **Maintain NEUTRAL | Revised TP of RM9.71 | based on a revised FY24F P/BV of 1.16x (formerly 1.21x)**

**Verdict: Priced in, though dividend yields remain attractive.**

<b>Yays</b>	1. Strong dividend yields. Full cash as well. 2. Vying for above-average loan growth in FY24. 3. CET 1 build to persist.
<b>Nays</b>	1. OPEX to be elevated as part of M25+.
<b>OKs</b>	1. Asset quality and provisioning seem very healthy.

#### Results in a nutshell:

- ▲ **FY23's Core net profit (NP) of RM9,350m up by +19%yoy.** Huge improvement in NOII, NCC and tax normalisation offset steep NII decline and OPEX hike.
- ▶ **4QFY23's Core NP of RM2,388m up by +1%qoq.** Better NOII and tax expenses offset higher OPEX and NCC.
- ▲ **Gross loans grew by +3.9%qoq, coming up to +9.2%YTD.**
- ▲ **Deposits grew by +5.3%qoq, coming up to +9.0%YTD.** However, do note that pricing may not be optimal, as accelerated deposit growth was only to match liquidity requirements.
- ▲ **GIL moved by -9bps to 1.34%, LLC currently at 120%.**

#### Have a look at:

▲ **Pricier money market deposit funding to push loan growth... could we see a repeat in 2HFY24?** Maybank posted phenomenal +3.9%qoq loan growth in 4QFY23, with corporate loans posting a whopping +10.8%qoq growth (after several quarters of decline). These were primarily for working capital requirements for services, utilities and financial holding companies.

We also saw a large influx of pricier money market deposits during the quarter. While pricier than retail deposits, these could be attained on short notice, allowing Maybank to fund its drastic corporate loan drawdowns, despite having stretched liquidity ratios.

With high loan growth expected in 2HFY24, if Maybank is unable to boost its liquidity profile it may have to draw down from the money market again. (For context, Maybank expects loan growth to remain flattish in 1HFY24 before picking up in the second half).

#### RETURN STATISTICS

Price @ 28 February 2024 (RM)	9.51
Expected share price return (%)	+2.1
Expected dividend yield (%)	+6.8
Expected total return (%)	+8.9

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.0	0.9
3 months	7.0	-2.1
12 months	8.8	2.0

#### INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
<b>Core NP (RM m)</b>	<b>9,695</b>	<b>10,449</b>	<b>10,850</b>
CNP growth (%)	4	8	4
<b>Div yield (%)</b>	<b>6.8</b>	<b>7.3</b>	<b>7.6</b>
Gross DPS (sen)	64.3	69.3	72.0
<b>P/BV (x)</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>
BVPS (RM)	8.4	9.2	10.0
<b>ROE (%)</b>	<b>10.0</b>	<b>10.0</b>	<b>9.5</b>
MIDF/Street CNP (%)	101	103	

#### KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	12,054.1
Estimated free float (%)	38.6
Market Capitalisation (RM'm)	114,692.8
52-wk price range	RM8.26 - RM9.54
3-mth avg daily volume (m)	8.8
3-mth avg daily value (RM'm)	80.1
Top Shareholders (%)	
Amanah Saham Nasional Bhd	36.8
EPF Board	12.1
Yayasan Pelaburan Bumiputra	6.6

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► **Some NIM concerns.** We initially thought Maybank’s FY24 NIM guidance of stable to -5bps decline was a bit conservative, but it seems that there are legitimate concerns. Management cites asset yield competitiveness (despite deposit competition improving), as well as high base effects (FY23 benefitted from OPR hike).

There is possible upside, should Maybank be able to replace its short-term money market deposits with cheaper retail balances – though this may not be easy to achieve.

► **CET 1 build to persist despite 2025 Basel III implementation.** Indonesia has already implemented Basel III reform, while Singapore will start reporting in 2HFY24. The Group warns of volatility in CET 1 upon implementation. Do note, however, Maybank will be continuing its ongoing RWA optimisation exercise, as Operational risk RWA measures will be implemented by 2025 – Credit RWA, which is the central focus of Maybank’s exercise, will only be implemented by 2027.

**Forecasts revised: FY24F/FY25F Core NP adjusted by -1%/-2%.** To reflect new targets offered by management.

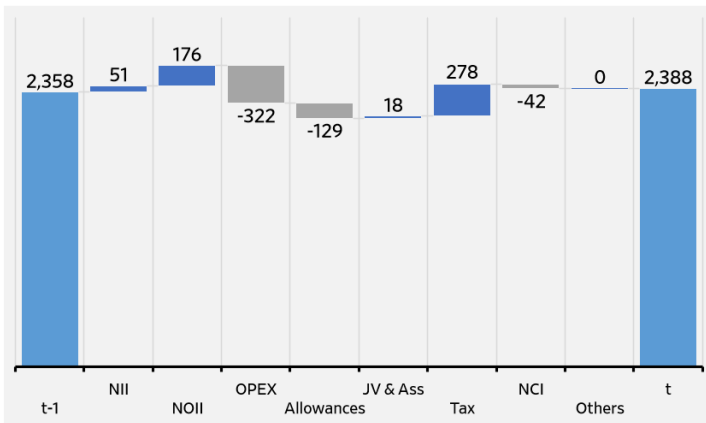
**Key downside risks.** (1) Further NIM compression, (2) Weaker NOII, (3) Higher-than-expected OPEX.

**Maintain NEUTRAL call: Revised GGM-TP of RM 9.71 (from RM9.28).** The TP is based on a revised FY24F P/BV of 1.16x (formerly 1.21x), to reflect altered earnings prospects and ROE-based valuations.

**(GGM assumptions: FY24F ROE of 10.0%, LTG of 3.0% & COE of 9.0%)**

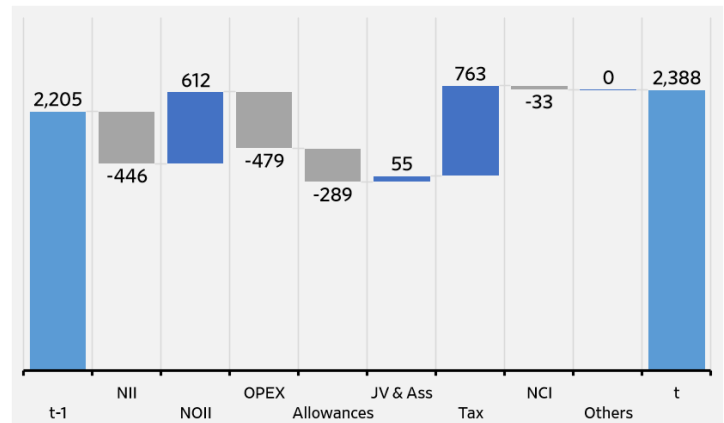


Fig 1: QoQ P/L walk (Quarterly results)



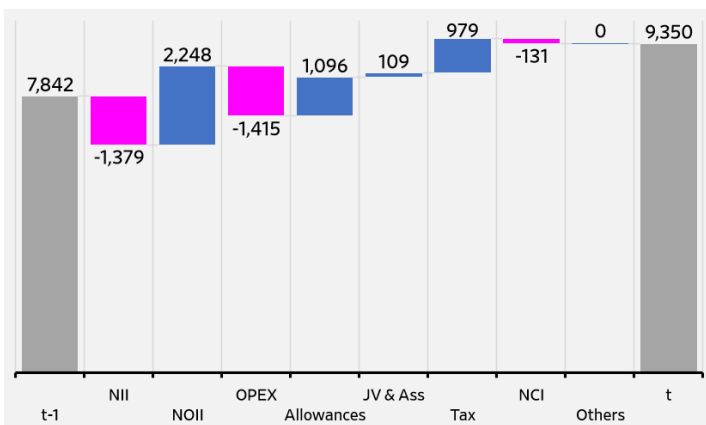
Source: Maybank, MIDFR

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



Source: Maybank, MIDFR

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



Source: Maybank, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	4Q FY23	3Q FY23	4Q FY22	Yoy (%)	Qoq (%)	FY23	FY22	Yoy (%)
Net interest inc.	3,183	3,167	3,515	-9	1	12,786	13,816	-7
Islamic banking inc.	2,058	1,877	1,982	4	10	7,577	7,414	2
Non-interest inc.	1,736	1,706	1,315	32	2	6,998	5,263	33
<b>Net income</b>	<b>6,977</b>	<b>6,750</b>	<b>6,811</b>	<b>2</b>	<b>3</b>	<b>27,361</b>	<b>26,492</b>	<b>3</b>
OPEX	(3,619)	(3,297)	(3,140)	15	10	(13,389)	(11,974)	12
<b>PPOP</b>	<b>3,358</b>	<b>3,453</b>	<b>3,672</b>	<b>-9</b>	<b>-3</b>	<b>13,972</b>	<b>14,518</b>	<b>-4</b>
Loan provisions	(464)	(440)	(302)	54	5	(1,826)	(2,183)	-16
Other provisions	(7)	98	119	-106	-107	145	(595)	-124
JV & Associates	63	46	8	671	39	240	131	84
<b>PBT</b>	<b>2,950</b>	<b>3,156</b>	<b>3,497</b>	<b>-16</b>	<b>-7</b>	<b>12,532</b>	<b>11,872</b>	<b>6</b>
Tax	(471)	(750)	(1,234)	-62	-37	(2,917)	(3,896)	-25
NCI	(90)	(48)	(58)	57	87	(265)	(134)	98
<b>Reported NP</b>	<b>2,388</b>	<b>2,358</b>	<b>2,205</b>	<b>8</b>	<b>1</b>	<b>9,350</b>	<b>7,842</b>	<b>19</b>
<b>Core NP</b>	<b>2,388</b>	<b>2,358</b>	<b>2,205</b>	<b>8</b>	<b>1</b>	<b>9,350</b>	<b>7,842</b>	<b>19</b>
Total NII	4,865	4,814	5,312	-8	1	19,301	20,681	-7
Total NOII	2,112	1,936	1,500	41	9	8,060	5,812	39
<b>Gross DPS (sen)</b>	<b>31.0</b>	<b>-</b>	<b>30.0</b>	<i>n.m.</i>	<i>n.m.</i>	<b>60.0</b>	<b>58.0</b>	<i>n.m.</i>
Core EPS (sen)	19.8	19.6	18.4	7	1	77.6	65.5	18
Gross loans	640,750	616,964	586,855	9.2	3.9			
Gross impaired loans	8,600	8,813	9,205	-6.6	-2.4			
Customer deposits	670,359	636,701	614,895	9.0	5.3			
CASA	233,895	233,207	240,493	-2.7	0.3			
<b>Ratios (%)</b>	<b>4Q FY23</b>	<b>3Q FY23</b>	<b>4Q FY22</b>	<b>Yoy (ppts)</b>	<b>Qoq (ppts)</b>	<b>FY23</b>	<b>FY22</b>	<b>Yoy (ppts)</b>
<b>ROE (Ann.)</b>	<b>10.1</b>	<b>10.4</b>	<b>10.2</b>	<b>-0.2</b>	<b>-0.3</b>	<b>9.9</b>	<b>9.1</b>	<b>0.8</b>
<b>NIM (Reported)</b>	<b>2.06</b>	<b>2.09</b>	<b>2.39</b>	<b>-0.33</b>	<b>-0.03</b>	<b>2.12</b>	<b>2.39</b>	<b>-0.27</b>
NOII/Net income	30.3	28.7	22.0	8.2	1.6	29.5	21.9	7.5
Cost/Income	51.9	48.8	46.1	5.8	3.0	48.9	45.2	3.7
NCC (Ann.) (bps)	30	29	21	9	1	30	38	-9
GIL ratio	1.34	1.43	1.57	-0.23	-0.09			
Loan loss coverage	120	123	127	-7	-3			
CASA ratio	34.9	36.6	39.1	-4.2	-1.7			
L/D ratio	94.0	95.2	93.5	0.5	-1.2			
CET-1	16.2	15.4	15.7	0.5	0.8			

Source: Maybank, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	2,388	Qtrly ROE	Qtr value	10.1%
	26% of FY CNP				
	Qoq	1%		t-1	10.4%
	Yoy	8%		t-4	10.2%
Cum Core NP	RM mil	9,350	Cum ROE	Cum value	9.9%
	Within our forecast				
	102% of FY CNP				
	Within consensus				
	Yoy	19%		t-1	9.1%
NII	As expected		NIM	As expected	
				Qtr value	2.06
				Cum value	2.12
	Qtr (Qoq)	1%		Qtr (Qoq)	-3bps
	Qtr (Yoy)	-8%		Qtr (Yoy)	-33bps
Cum (Yoy)	-7%	Cum (Yoy)	-27bps		
NOII	As expected		Qtr	% NII	70%
	Qtr (Qoq)	9%		% NOII	30%
	Qtr (Yoy)	41%	Cum	% NII	71%
	Cum (Yoy)	39%		% NOII	29%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	51.9%
				Cum value	48.9%
	Qtr (Qoq)	10%		Qtr (Qoq)	+3.0%
	Qtr (Yoy)	15%		Qtr (Yoy)	+5.8%
Cum (Yoy)	12%	Cum (Yoy)	+3.7%		

Source: Maybank, MIDFR

Notes (Cum = Cumulative, Qtr = Quarterly)

Maybank's ROE (which according to them, is 10.8%), met the 10.4-11.0% target.

Overseas exposure helped offset NIM compression.

Another exceptional quarter for NOII.

Cost inflation was sharp, with combined M25+ spending and union negotiations elevating CIR.

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

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Loans	+ve surprise					
	Qoq	3.9%				
	Yoy	9.2%				
	YTD (FY)	9.2%				
Depo. grwth	+ve surprise		CASA grwth	As expected		Deposit growth was similarly strong, though some of it was forced (pricier) to fund loan growth.
	Qoq	5.3%		Qoq	0.3%	
	Yoy	9.0%		Yoy	-2.7%	
	YTD (FY)	9.0%		YTD (FY)	-2.7%	
CASA ratio	As expected		L/D ratio	As expected		Good GIL ratio control, with healthy LLC.
	Value now	34.9%		Value now	94.0%	
	Qoq	-1.7%		Qoq	-1.2%	
	Yoy	-4.2%		Yoy	+0.5%	
GIL ratio	As expected		LLC ratio	As expected		Disappointingly, Maybank's dividend payout fell from the standard >80% range, the first instance since pre-pandemic times.
	Value now	1.34%		Value now	120%	
	Qoq	-9bps		Qoq	-3%	
	Yoy	-23bps		Yoy	-7%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	Decent provision			Decent provision		
	Value now	30bps		Value now	30bps	
	t-1	29bps		t-4	38bps	
CET 1	Very healthy level		Div payout	Div announced		
	As expected			-ve surprise		
	Value now	16.2%		Payout	77%	
	Qoq	0.8%				
<b>Others:</b>						

Source: Maybank, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY24F	FY23F	FY23	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	11	10.5-11.0	9.9 Rpt: 10.8	
CIR	<49	<47.5	48.9	OPEX growth of <10%. M25+ spending expected to persist – recall that some spending last year was delayed to FY24.
NIM	-5bps from 2.12	-25bps from 2.39	2.12	While deposit competition has improved from last year, management is wary of asset yield competitiveness and high base effects (NIM boosted by OPR hikes in FY23).
NOII			39% (yoy)	
Loans	6-7		9.2 (YTD)	Loan growth should be flattish in 1HFY23 but pick up later.
Deposits			9.0 (YTD)	
% CASA			34.9	
Loan/Depo			94.0	
GIL ratio			1.34	1.30-1.35% is the ideal steady state.
NCC (bps)	<30	30-35	30	Management seems to imply that a steady state can be lower than this.
LLC			120	
CET 1			16.2	
Div payout		40-60	77	Deposits were below our expectations – we were expected the standard range of >80%. (But full cash was nice).

Source: Maybank, MIDFR

## FINANCIAL SUMMARY

### INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest income	21,609	30,231	23,590	24,110	24,470
Interest expense	(7,793)	(17,439)	(9,820)	(9,820)	(9,820)
<b>Net interest income</b>	<b>13,816</b>	<b>12,792</b>	<b>13,770</b>	<b>14,290</b>	<b>14,650</b>
Islamic banking inc.	7,414	7,577	7,200	7,472	7,660
Other operating inc.	5,263	6,992	8,179	8,760	9,025
<b>Net income</b>	<b>26,492</b>	<b>27,361</b>	<b>29,149</b>	<b>30,523</b>	<b>31,335</b>
OPEX	(11,974)	(13,389)	(14,283)	(14,651)	(14,884)
<b>PPOP</b>	<b>14,518</b>	<b>13,972</b>	<b>14,866</b>	<b>15,872</b>	<b>16,451</b>
Loan allowances	(2,183)	(1,826)	(1,839)	(1,936)	(2,023)
Other allowances	(594)	145	(299)	(216)	(180)
JV & Associates	131	240	253	270	280
<b>PBT</b>	<b>11,872</b>	<b>12,532</b>	<b>12,980</b>	<b>13,990</b>	<b>14,527</b>
Tax & zakat	(3,896)	(2,917)	(2,985)	(3,218)	(3,341)
NCI	(15)	(265)	(300)	(323)	(336)
<b>Reported NP</b>	<b>7,961</b>	<b>9,350</b>	<b>9,695</b>	<b>10,449</b>	<b>10,850</b>
<b>Core NP</b>	<b>7,961</b>	<b>9,350</b>	<b>9,695</b>	<b>10,449</b>	<b>10,850</b>
Total NII	20,685	19,302	20,250	21,015	21,544
Total NOII	5,807	8,059	8,899	9,507	9,791

### BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	53,670	42,376	43,606	42,648	42,423
Investment securities	218,267	252,537	242,143	233,881	228,476
Net loans	573,766	628,923	664,760	697,998	726,616
Other IEAs	27,792	30,723	32,700	34,233	35,845
Non-IEAs	71,482	73,116	63,661	90,479	114,573
<b>Total assets</b>	<b>944,976</b>	<b>1,027,675</b>	<b>1,046,871</b>	<b>1,099,239</b>	<b>1,147,932</b>
Customer deposits	614,895	670,359	708,570	745,415	777,468
Other IBLs	146,912	163,138	168,208	173,517	179,076
Non-IBLs	94,039	96,529	66,738	67,287	68,213
<b>Total liabilities</b>	<b>855,846</b>	<b>930,026</b>	<b>943,516</b>	<b>986,219</b>	<b>1,024,757</b>
Share capital	54,619	54,674	57,776	64,222	71,038
Reserves	31,551	39,968	42,375	45,294	48,318
<b>Shareholders' funds</b>	<b>86,170</b>	<b>94,642</b>	<b>100,151</b>	<b>109,516</b>	<b>119,356</b>
NCI	2,960	3,007	3,205	3,504	3,819
<b>Total equity</b>	<b>89,131</b>	<b>97,648</b>	<b>103,355</b>	<b>113,020</b>	<b>123,175</b>
<b>Total L&amp;E</b>	<b>944,976</b>	<b>1,027,675</b>	<b>1,046,871</b>	<b>1,099,239</b>	<b>1,147,932</b>
Total IEAs	873,494	954,558	983,210	1,008,761	1,033,360
Total IBLs	761,807	833,497	876,778	918,932	956,545
Gross loans	585,488	639,246	674,404	708,125	737,158
CASA	240,493	233,895	240,914	253,441	264,339

### FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Interest (%)</b>					
NIM	2.42	2.11	2.09	2.11	2.11
Return on IEAs	2.53	3.31	2.43	2.42	2.40
Cost of funds	1.05	2.19	1.15	1.09	1.05
Net interest spread	1.48	1.12	1.29	1.33	1.35
<b>Profitability (%)</b>					
<b>ROE</b>	<b>9.2</b>	<b>10.3</b>	<b>10.0</b>	<b>10.0</b>	<b>9.5</b>
ROA	0.9	0.9	0.9	1.0	1.0
NOII/Net income	21.9	29.5	30.5	31.1	31.2
Effective tax rate	32.8	23.3	23.0	23.0	23.0
Cost/Income	45.2	48.9	49.0	48.0	47.5
<b>Liquidity (%)</b>					
Loan/Deposit	93.3	93.8	93.8	93.6	93.5
CASA ratio	39.1	34.9	34.0	34.0	34.0
<b>Asset Quality (%)</b>					
GIL ratio	1.57	1.35	1.30	1.30	1.30
LLC ratio	127	120	110	110	110
LLC (w. reserves)	154	149	140	142	144
Net CC (bps)	38	30	28	28	28
<b>Capital (%)</b>					
CET 1	15.7	16.2	16.0	15.5	15.0
Tier 1 capital	16.4	16.8	16.7	16.2	14.7
Total capital	19.1	19.4	19.3	18.8	18.3
<b>Growth (%)</b>					
Total NII	8.4	(6.7)	4.9	3.8	2.5
Total NOII	(8.7)	38.8	10.4	6.8	3.0
Net income	4.1	3.3	6.5	4.7	2.7
OPEX	4.0	11.8	6.7	2.6	1.6
Core NP	(1.7)	17.5	3.7	7.8	3.8
Gross loans	5.7	9.2	5.5	5.0	4.1
Customer deposits	4.4	9.0	5.7	5.2	4.3
CASA	(10.0)	(2.7)	3.0	5.2	4.3
<b>Valuation metrics</b>					
Core EPS (sen)	66.5	78.1	81.0	87.3	90.7
Gross DPS (sen)	58.0	60.0	64.3	69.3	72.0
Div payout (%)	87	77	80	80	80
BVPS (RM)	7.2	7.9	8.4	9.2	10.0
Core P/E (x)	14.3	12.2	11.7	10.9	10.5
<b>Div yield (%)</b>	<b>6.1</b>	<b>6.3</b>	<b>6.8</b>	<b>7.3</b>	<b>7.6</b>
P/BV (x)	1.3	1.2	1.1	1.0	1.0

Source: Maybank, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	



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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