

# Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Financial Services | Finance

## 4QFY24 Results: Further Asset Quality Improvements

**Maintain BUY**
**Revised Target Price: RM4.28**  
 (Previously RM4.08)

### KEY INVESTMENT HIGHLIGHTS

- **FY24's Core NP of RM690m was *Above/Within* our/street forecasts: 106%/103% of full-year forecasts**
- **Management's tone: Neutral**
- **Core themes: (a) Weaker NIM outlook, (b) Stronger NOII profile, (c) Potential dividend downside**
- **Forecasts revised: FY25F/26F Core NP adjusted by +3%/+2%**
- **Maintain BUY | Revised TP of RM4.28 | based on a revised FY25F P/BV of 0.86x**

**Verdict: Although dividend yields face possible downsides, solid NOII and asset quality improvement bolsters ABMB's fundamentals.**

Yays	<ol style="list-style-type: none"> <li>1. Strong loan growth.</li> <li>2. More optimistic NOII outlook expected.</li> <li>3. Asset quality continued improving – lumpy recoveries could provide upside to NCC.</li> </ol>
Nays	<ol style="list-style-type: none"> <li>1. Potential dividend downside, due to capital constraints.</li> <li>2. NIM outlook is negative, with issues coming from loan yield and COF ends.</li> <li>3. CIR still at higher end.</li> </ol>
OKs	<ol style="list-style-type: none"> <li>1. While CASA outlook may be lacklustre, Sarawak and Penang remain strong liquidity hotspots.</li> </ol>

### Results in a nutshell:

▲ **FY24's Core net profit (NP) of RM690m up by +2%yoy.** This was driven by stronger NII/NOII performance and slightly lower provisions. This offset steep OPEX growth. Earnings came above our expectations, as NCC scored better than expected.

► **4QFY24's Core NP of RM178m remained flattish.** Allowances were higher but a stronger top line and lower tax expenses offset this.

▲ **Gross loans grew by +4.5%qoq, coming up to +13.6%YTD.**

▲ **Deposits grew by +5.5%qoq, coming up to +12.9%YTD.**

▲ **GIL moved by -22bps to 2.11%, LLC currently at 101%.**

### Have a look at:

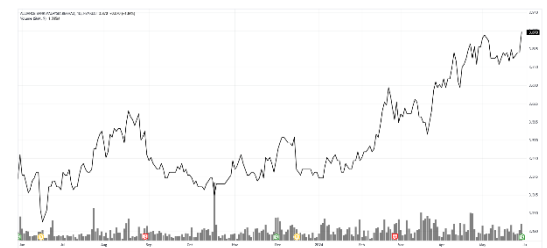
▼ **ABMB intends to preserve capital by lowering loan growth and dividend payout.** Rather than the standard 50% guidance, management is now guiding for a range between 40-50% for FY25.

FY25's loan growth target is the same as FY24: 8-10%yoy. However, we expect ABMB's actual value to fall within the range, instead of broadly surpassing it this time. In addition to capital constraints, the Group will be more selective with loan growth, as it wants to maintain asset quality and NIMs. On a positive note, "low-hanging fruit" exists especially in areas targeted outside the Klang valley, leaving plenty of growth opportunities.

### RETURN STATISTICS

Price @ 30 May 2024 (RM)	3.87
Expected share price return (%)	+10.5
Expected dividend yield (%)	+5.5
<b>Expected total return (%)</b>	<b>+16.0</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.5	-4.4
3 months	3.0	0.1
12 months	13.8	-0.1

### INVESTMENT STATISTICS

FYE Mar	FY25F	FY26F	FY27F
<b>Core NP (RM m)</b>	<b>732</b>	<b>781</b>	<b>822</b>
CNP growth (%)	6	7	5
<b>Div yield (%)</b>	<b>5.5</b>	<b>5.9</b>	<b>6.2</b>
Gross DPS (sen)	21.3	22.7	23.9
<b>P/BV (x)</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
BVPS (RM)	5.0	5.3	5.6
<b>ROE (%)</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>
MIDF/Street CNP (%)	101	101	-

### KEY STATISTICS

FBM KLCI	1,604.26
Issue shares (m)	1,548.1
Estimated free float (%)	57.7
Market Capitalisation (RM'm)	5,882.8
52-wk price range	RM3.22 - RM3.86
3-mth avg daily volume (m)	1.4
3-mth avg daily value (RM'm)	5.2
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.1
EPF Board	10.1
Global Success Network	5.0

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▼ **NIM guidance is very negative.** Unlike its peers, ABMB’s guidance is extremely conservative. It cites constraints on both loan yield and COF ends. Loan yield issues stem from ABMB’s loan mix rebalancing. As for COF, ABMB is more vulnerable to competition from digital banks, given its smaller deposit franchise. Its CASA ratio was also higher than other banks and may not be maintained given its high growth rate. It will be looking to issue AT1 bonds to fund some of the loan growth.

▲ **NOII and recoveries to drive ROE.** While CIR target remains high, the Group seems confident in its NOII outlook. It also has factored in some of the large-scale recoveries (which it has been guiding for almost a year) into its ROE guidance, which implies a possible upside to NCC (despite fewer overlay writebacks).

**Forecasts revised: FY25F/26F Core NP adjusted by +3%/+2%.** To reflect newer guidance and targets.

**Key downside risks.** (1) Dividend payout disappointment, (2) Weak NOII performance, (3) Steeper-than-expected NIM compression.

**Maintain BUY call: Revised GGM-TP of RM4.28 (previously RM4.08).** The TP is based on a revised FY25F P/BV of 0.86x (formerly 0.83x), to reflect altered earnings prospects and ROE-based valuations.

**(GGM assumptions: FY25F ROE of 9.8%, LTG of 5.0% & COE of 10.6%)**

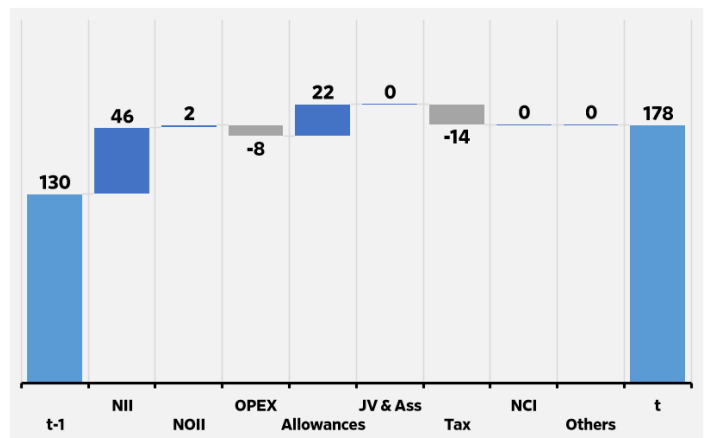


**Fig 1: QoQ P/L walk (Quarterly results)**



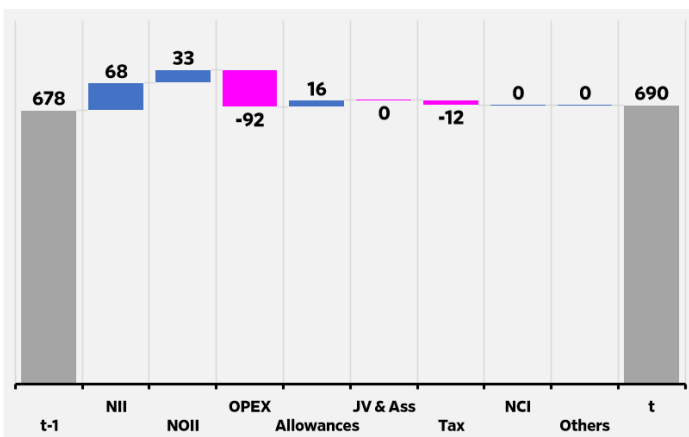
Source: ABMB, MIDFR

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



Source: ABMB, MIDFR

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



Source: ABMB, MIDFR

Fig 4: Quarterly results

FYE Mar (RM m)	4Q FY24	3Q FY24	4Q FY23	Yoy (%)	Qoq (%)	FY24	FY23	Yoy (%)
Net interest inc.	343	334	303	13	3	1,310	1,230	6
Islamic banking inc.	114	116	107	7	-1	440	453	-3
Non-interest inc.	59	61	59	-0	-3	271	237	14
<b>Net income</b>	<b>516</b>	<b>510</b>	<b>469</b>	<b>10</b>	<b>1</b>	<b>2,020</b>	<b>1,920</b>	<b>5</b>
OPEX	(249)	(248)	(241)	3	1	(974)	(881)	10
<b>PPOP</b>	<b>267</b>	<b>262</b>	<b>228</b>	<b>17</b>	<b>2</b>	<b>1,047</b>	<b>1,038</b>	<b>1</b>
Loan provisions	(36)	(25)	(59)	-39	45	(135)	(152)	-11
Other provisions	(0)	(0)	(0)	n.m.	n.m.	(1)	0	n.m.
JV & Associates	0	0	0	n.m.	n.m.	0	0	n.m.
<b>PBT</b>	<b>231</b>	<b>237</b>	<b>169</b>	<b>37</b>	<b>-3</b>	<b>911</b>	<b>887</b>	<b>3</b>
Tax	(53)	(61)	(39)	37	-12	(221)	(209)	6
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
<b>Reported NP</b>	<b>178</b>	<b>177</b>	<b>130</b>	<b>37</b>	<b>0</b>	<b>690</b>	<b>678</b>	<b>2</b>
<b>Core NP</b>	<b>178</b>	<b>177</b>	<b>130</b>	<b>37</b>	<b>0</b>	<b>690</b>	<b>678</b>	<b>2</b>
Total NII	447	442	401	11	1	1,720	1,653	4
Total NOII	69	68	68	3	3	300	267	12
<b>Gross DPS (sen)</b>	<b>11.5</b>	<b>-</b>	<b>10.0</b>	<b>n.m.</b>	<b>n.m.</b>	<b>22.3</b>	<b>22.0</b>	<b>n.m.</b>
Core EPS (sen)	11.5	11.4	8.4	37	0	44.6	43.8	2
Gross loans	55,740	53,356	49,068	13.6	4.5			
Gross impaired loans	1,178	1,246	1,233	-4.4	-5.4			
Customer deposits	57,397	54,410	50,849	12.9	5.5			
CASA	23,864	24,530	21,295	12.1	-2.7			
<b>Ratios (%)</b>	<b>4Q FY24</b>	<b>3Q FY24</b>	<b>4Q FY23</b>	<b>Yoy (ppts)</b>	<b>Qoq (ppts)</b>	<b>FY24</b>	<b>FY23</b>	<b>Yoy (ppts)</b>
<b>ROE (Ann.)</b>	<b>9.9</b>	<b>10.1</b>	<b>7.7</b>	<b>2.2</b>	<b>-0.2</b>	<b>9.6</b>	<b>10.0</b>	<b>-0.4</b>
<b>NIM (Reported)</b>	<b>2.45</b>	<b>2.49</b>	<b>2.50</b>	<b>-0.05</b>	<b>-0.04</b>	<b>2.48</b>	<b>2.64</b>	<b>-0.16</b>
NOII/Net income	13.5	13.3	14.4	-0.9	0.2	14.9	13.9	0.9
Cost/Income	48.3	48.6	51.4	-3.1	-0.3	48.2	45.9	2.3
NCC (Ann.) (bps)	27	20	49	-22	8	26	32	-6
GIL ratio	2.11	2.33	2.51	-0.40	-0.22			
Loan loss coverage	101	96	103	-2	4			
CASA ratio	41.6	45.1	41.9	-0.3	-3.5			
L/D ratio	95.3	96.2	94.3	1.1	-0.8			
CET-1	12.5	12.8	13.8	-1.2	-0.3			

Source: ABMB, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	<b>178</b>	Qtrly ROE	Qtr value	<b>9.9%</b>
	27% of FY CNP				
	Qoq	0%		t-1	<b>10.1%</b>
	Yoy	37%		t-4	7.7%
Cum Core NP	RM mil	<b>690</b>	Cum ROE	Cum value	<b>9.6%</b>
	Above our forecast				
	106% of FY CNP				
	Within consensus				
	103% of FY CNP				
	Yoy	2%	t-1	<b>10.0%</b>	
NII	As expected		NIM	As expected	
				Qtr value	<b>2.45</b>
				Cum value	<b>2.48</b>
	Qtr (Qoq)	1%		Qtr (Qoq)	<b>-4bps</b>
	Qtr (Yoy)	11%		Qtr (Yoy)	<b>-5bps</b>
	Cum (Yoy)	4%	Cum (Yoy)	<b>-16bps</b>	
NOII	As expected		Qtr	% NII	<b>87%</b>
	Qtr (Qoq)	3%		% NOII	<b>13%</b>
	Qtr (Yoy)	3%	Cum	% NII	<b>85%</b>
	Cum (Yoy)	12%		% NOII	<b>15%</b>
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	<b>48.3%</b>
				Cum value	<b>48.2%</b>
	Qtr (Qoq)	<b>1%</b>		Qtr (Qoq)	-0.3%
	Qtr (Yoy)	<b>3%</b>		Qtr (Yoy)	-3.1%
	Cum (Yoy)	<b>10%</b>	Cum (Yoy)	<b>+2.3%</b>	

Source: ABMB, MIDFR

Notes (Cum = Cumulative, Qtr = Quarterly)

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

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Loans	As expected					
	Qoq	4.5%				
	Yoy	13.6%				
	YTD (FY)	13.6%				
Depo. grwth	As expected		CASA grwth	As expected		
	Qoq	5.5%		Qoq	-2.7%	
	Yoy	12.9%		Yoy	12.1%	
	YTD (FY)	12.9%		YTD (FY)	12.1%	
CASA ratio	As expected		L/D ratio	As expected		
	Value now	41.6%		Value now	95.3%	
	Qoq	-3.5%		Qoq	-0.8%	
	Yoy	-0.3%		Yoy	+1.1%	
GIL ratio	As expected		LLC ratio	As expected		
	Value now	2.11%		Value now	101%	
	Qoq	-22bps		Qoq	+4%	
	Yoy	-40bps		Yoy	-2%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	Decent provision			Decent provision		
	Value now	27bps		Value now	26bps	
	t-1	20bps				
	t-4	49bps		t-4	32bps	
CET 1	Could be better		Div payout	Div announced		
	As expected			As expected		
	Value now	12.5%		Payout	50%	
	Qoq	-0.3%				

## Others:

Source: ABMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY25F	FY24F	FY24	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	>10	>10	9.6	Factors in some lumpy recoveries.
CIR	48	<48	48.2	
NIM	2.40-2.45 (from 2.48)	2.45-2.50	2.48	Very negative – loan mix rebalancing and higher vulnerability to digital bank deposit campaigns provide pressure on both ends.
NOII			12% (yoy)	Treasury income to be a core drive of FY25's ROE target.
Loans	8-10	8-10	13.6 (YTD)	We expect loans to be more muted than FY23's as ABMB is more selective given asset quality, NIM and capital constraints.
Deposits			12.9 (YTD)	
% CASA		>40	41.6	
Loan/Depo			95.3	
GIL ratio		<3.00	2.11	
NCC (bps)	30-35	30-35	26	Lumpy recoveries are still expected. It could provide upside.
LLC			101	
CET 1			12.5	
Div payout	40-50	50	-	

Source: ABMB, MIDFR

## FINANCIAL SUMMARY

### INCOME STATEMENT

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Net interest income</b>	<b>1,230</b>	<b>1,310</b>	<b>1,389</b>	<b>1,501</b>	<b>1,557</b>
Islamic banking inc.	453	440	498	538	558
Other operating inc.	237	271	301	302	314
<b>Net income</b>	<b>1,920</b>	<b>2,020</b>	<b>2,187</b>	<b>2,341</b>	<b>2,429</b>
OPEX	(881)	(974)	(1,050)	(1,124)	(1,141)
<b>PPOP</b>	<b>1,038</b>	<b>1,047</b>	<b>1,137</b>	<b>1,217</b>	<b>1,287</b>
Loan allowances	(152)	(135)	(175)	(190)	(205)
Other allowances	0	(1)	3	2	2
JV & Associates	0	0	0	0	0
<b>PBT</b>	<b>887</b>	<b>911</b>	<b>965</b>	<b>1,030</b>	<b>1,084</b>
Tax & zakat	(209)	(221)	(234)	(249)	(262)
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>678</b>	<b>690</b>	<b>732</b>	<b>781</b>	<b>822</b>
<b>Core NP</b>	<b>678</b>	<b>690</b>	<b>732</b>	<b>781</b>	<b>822</b>
Total NII	1,653	1,720	1,852	2,001	2,075
Total NOII	267	300	336	340	353

### BALANCE SHEET

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	3,659	4,597	3,759	3,810	3,910
Investment securities	12,148	14,253	12,814	11,734	10,908
Net loans	47,926	54,721	59,797	64,598	69,753
Other IEAs	0	0	0	0	0
Non-IEAs	2,577	3,376	6,104	7,848	9,399
<b>Total assets</b>	<b>66,311</b>	<b>76,946</b>	<b>82,473</b>	<b>87,990</b>	<b>93,970</b>
Customer deposits	50,849	57,397	62,276	67,383	72,908
Other IBLs	3,966	5,650	5,544	5,359	5,193
Non-IBLs	4,748	6,724	6,956	7,094	7,235
<b>Total liabilities</b>	<b>59,564</b>	<b>69,771</b>	<b>74,777</b>	<b>79,836</b>	<b>85,336</b>
Share capital	1,548	1,548	1,548	1,548	1,548
Reserves	5,199	5,627	6,148	6,606	7,086
<b>Shareholders' funds</b>	<b>6,747</b>	<b>7,175</b>	<b>7,696</b>	<b>8,154</b>	<b>8,634</b>
NCI	0	0	0	0	0
<b>Total equity</b>	<b>6,747</b>	<b>7,175</b>	<b>7,696</b>	<b>8,154</b>	<b>8,634</b>
<b>Total L&amp;E</b>	<b>66,311</b>	<b>76,946</b>	<b>82,473</b>	<b>87,990</b>	<b>93,970</b>
Total IEAs	63,733	73,570	76,369	80,142	84,571
Total IBLs	54,815	63,047	67,820	72,742	78,101
Gross loans	49,068	55,740	60,757	65,617	70,867
CASA	21,295	23,864	23,042	23,584	25,518

### FINANCIAL RATIOS

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Interest (%)</b>					
NIM	2.66	2.51	2.47	2.49	2.52
Return on IEAs	3.19	3.59	3.27	3.27	3.18
Cost of funds	1.40	1.96	1.62	1.51	1.41
Net interest spread	1.78	1.63	1.65	1.76	1.77
<b>Profitability (%)</b>					
<b>ROE</b>	<b>10.3</b>	<b>9.9</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>
ROA	1.1	1.0	0.9	0.9	0.9
NOII/Net income	13.9	14.9	15.3	14.5	14.5
Effective tax rate	23.5	24.2	24.2	24.2	24.2
Cost/Income	45.9	48.2	48.0	48.0	47.0
<b>Liquidity (%)</b>					
Loan/Deposit	94.3	95.3	96.0	95.9	95.7
CASA ratio	41.9	41.6	37.0	35.0	35.0
<b>Asset Quality (%)</b>					
GIL ratio	2.51	2.11	1.95	1.90	1.90
LLC ratio	103	101	95	95	95
LLC (w. reserves)	124	114	116	115	113
Net CC (bps)	32	26	30	30	30
<b>Capital (%)</b>					
CET 1	13.8	12.5	12.9	12.4	12.0
Tier 1 capital	14.6	13.2	13.6	13.1	12.6
Total capital	18.7	16.8	17.0	16.4	15.7
<b>Growth (%)</b>					
Total NII	11.7	4.1	7.7	8.1	3.7
Total NOII	-31.1	12.4	11.7	1.4	3.8
Net income	2.8	5.2	8.3	7.0	3.7
OPEX	7.1	10.5	7.8	7.0	1.6
Core NP	18.3	1.9	6.0	6.7	5.3
Gross loans	6.2	13.6	9.0	8.0	8.0
Customer deposits	5.5	12.9	8.5	8.2	8.2
CASA	-9.7	12.1	-3.4	2.4	8.2
<b>Valuation metrics</b>					
Core EPS (sen)	43.8	44.6	47.3	50.4	53.1
Gross DPS (sen)	22.0	22.3	21.3	22.7	23.9
Div payout ratio (%)	50	50	45	45	45
BVPS (RM)	4.4	4.6	5.0	5.3	5.6
Core P/E (x)	8.8	8.7	8.2	7.7	7.3
<b>Dividend yield (%)</b>	<b>5.7</b>	<b>5.8</b>	<b>5.5</b>	<b>5.9</b>	<b>6.2</b>
P/BV (x)	0.9	0.8	0.8	0.7	0.7

Source: ABMB, 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