

# LPI Capital Berhad

(8621 | LPI MK) Financial Services | Finance

## A Flame Reignited

**Initiate with BUY**
**Target Price: RM14.52**

### KEY INVESTMENT HIGHLIGHTS

- We initiate coverage on LPI Capital with a BUY call and TP of RM14.52 based on FY25F P/BV of 2.42x
- Fundamentally sound – looks to a recovery in ROEs post-pandemic
- Where it stands out: Unique GWP portfolio mix and lucrative partnership with Public Bank
- Solid dividend yields

**Verdict:** From a valuation perspective, cheap – especially when a recovery in ROE is expected.

- Yays**
1. LPI's large portfolio exposure to fire premiums gives it a low claims ratio, which translates to a superior combined ratio.
  2. LPI's 16.8% market share of local fire insurance makes it the single largest fire insurer in Malaysia.
  3. It also has lower exposure to motor premiums, which is affiliated with a less favourable claims ratio.
  4. Long-term affiliation with Public Bank helps maintain a favourable GWP portfolio mix.
  5. Strong partnership with global brokers and partners.
  6. Favourable dividend yield of ~6%.
  7. Retail loan growth remains resilient – signifying continued demand for fire and motor insurance.

- Nays**
1. Has been losing market share in fire insurance as of late as it pivots towards motor insurance.
  2. Competes in the highly competitive general insurance space (especially post-detariffication) – and lacks the economies of scale some larger peers have.

- OKs**
1. Atypical investment portfolio: sizeable exposure to Public Bank shares.
  2. Mixed opinion on overseas ventures: Singapore is too competitive, while Cambodian contributions are minuscule.

### RETURN STATISTICS

Price @ 13 May 2024 (RM)	12.28
Expected share price return (%)	+18.2
Expected dividend yield (%)	+6.3
<b>Expected total return (%)</b>	<b>+24.6</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.3	-1.8
3 months	0.2	-7.5
12 months	1.3	-9.9

### INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
<b>Core NP (RM m)</b>	<b>345</b>	<b>364</b>	<b>389</b>
CNP growth (%)	10	6	7
<b>Div yield (%)</b>	<b>6.0</b>	<b>6.3</b>	<b>6.8</b>
Gross DPS (sen)	73.5	77.6	83.1
<b>P/BV (x)</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>
BVPS (RM)	5.9	6.0	6.1
<b>ROE (%)</b>	<b>14.9</b>	<b>15.4</b>	<b>16.1</b>
<b>MIDF/Street CNP (%)</b>	<b>101</b>	<b>100</b>	<b>100</b>

### KEY STATISTICS

FBM KLCI	1,602.91
Issue shares (m)	398.4
Estimated free float (%)	48.4
Market Capitalisation (RM'm)	4,844.3
52-wk price range	RM11.4 - RM12.9
3-mth avg daily volume (m)	0.1
3-mth avg daily value (RM'm)	1.2
Top Shareholders (%)	
Consolidated Teh Holdings Sdn	42.7
Sompo Holdings Inc	8.5
Retirement Benefits Fund	4.7

**Analyst**

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## A. COMPANY BACKGROUND

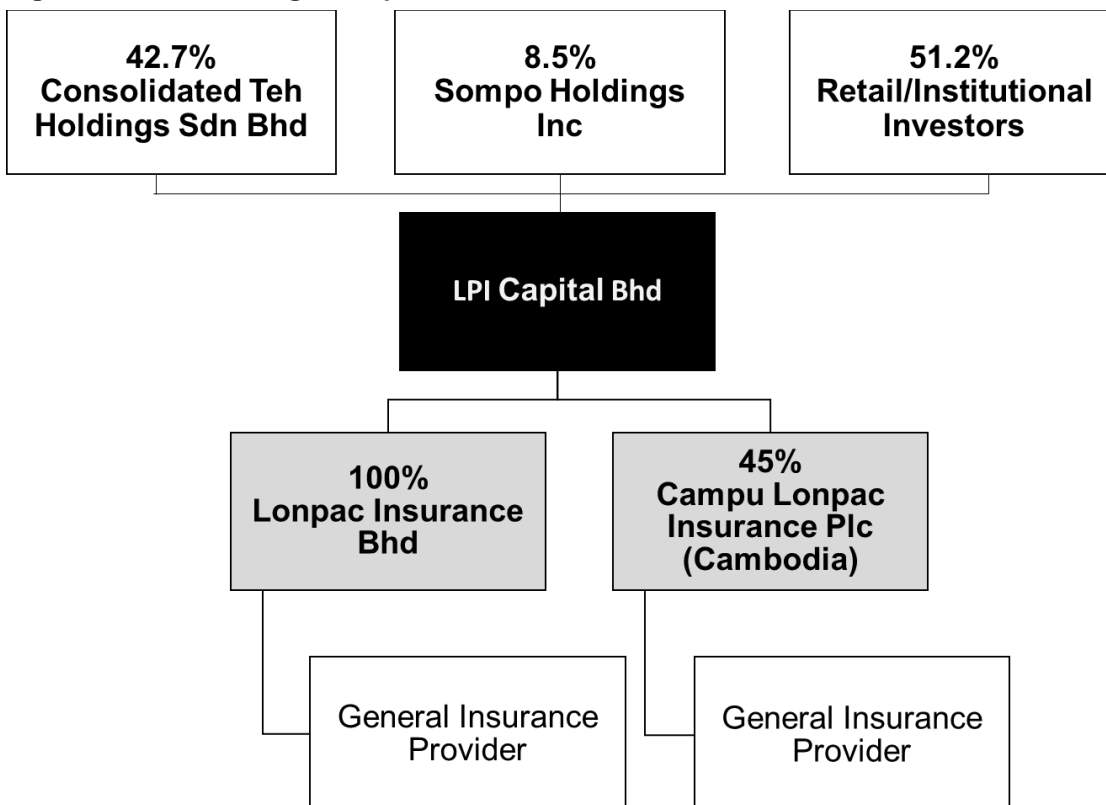
LPI Capital Bhd (LPI), is an investment holding company which provides general insurance principally through its wholly owned subsidiary, Lonpac Insurance Bhd (Lonpac). Following a rationalisation scheme (which took place on 1 May 1999), the company changed its name from London & Pacific Insurance Company Berhad to LPI Capital Bhd.

The Company was incorporated in May 1962 as a private limited company and was registered as an approved insurer in April 1963 under the Malaysian Insurance Act, 1963. The shares of LPI were also listed on the Second Board of the Kuala Lumpur Stock Exchange (KLSE) in January 1993. They were subsequently transferred to the Main Board of the KLSE (now known as Main Market of Bursa Malaysia Securities Berhad) in January 1997.

After a rationalisation scheme (which took place on 1 May 1999), LPI transferred its entire insurance business to its wholly owned subsidiary, Lonpac Insurance Bhd. Lonpac remains LPI's sole operational arm for all its insurance activities in Malaysia and Singapore. LPI's insurance activities in Cambodia are undertaken by Campu Lonpac Insurance PLC, in which LPI holds a 45% stake. The remaining 55% stake is split between Public Bank Bhd (Public Bank) (4%) and Public Bank's wholly owned subsidiary, Cambodian Public Bank Plc (51%).

LPI is ranked fourth in market share in the Malaysian general insurance sector (as of 2022 – in 2021, it was ranked second). The main revenue and income contributor remains Malaysia – overseas contributions are limited due to the highly competitive Singaporean market and the small and relatively nascent stage of development of the Cambodian insurance sector.

**Fig 1: LPI Shareholding & Corporate Structure**



Source: LPI Capital, MIDFR

## B. BUSINESS OVERVIEW

### 1. NO. 1 MARKET SHARE IN THE HIGH PROFITABILITY FIRE INSURANCE SEGMENT

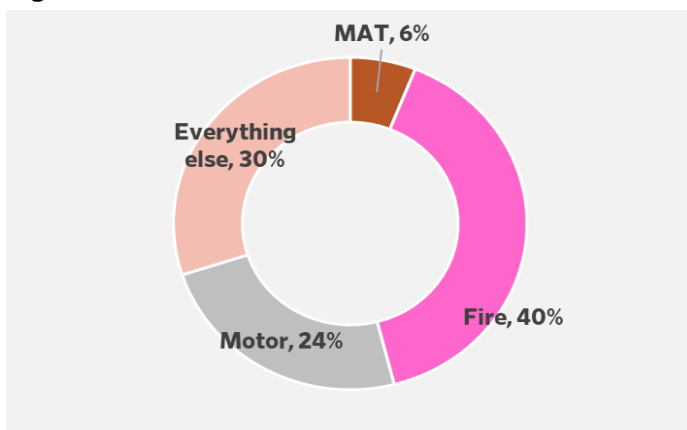
LPI’s portfolio deals exclusively with general insurance-related premiums. As a result, nearly all its premiums are single rather than recurring. LPI is also virtually General Measuring Model (GMM) exclusive. It categorises its portfolio into four main categories: fire, motor, MAT (Marine, Aviation and Transit) and miscellaneous. The miscellaneous banner houses mostly medical and engineering premiums, backed up by PA, workman’s compensation, and others.

Of the four segments, fire makes up the largest proportion, followed by others, motor and MAT. This differs from the average industry mix whereby motor makes up the largest proportion, while exposure to fire is much lower.

Despite being subject to more competitive pricing due to BNM’s de-tariffication programme, fire insurance is still associated with higher surplus margins due to its low claim’s ratio. A low claims ratio is mostly due to the absence of lumpy claims, as compared to insurance policies covering major catastrophe risks and larger ticket items.

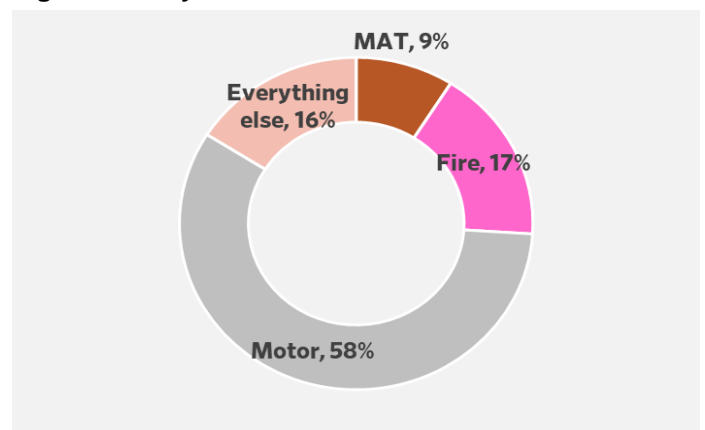
In contrast, LPI’s motor exposure is below the industry average, as it remains cautious in selecting and underwriting policies. motor insurance, also subject to BNM’s de-tariffication measures, is associated with very high claims ratios due to competitive pricing – and subsequently lower surplus margins.

**Fig 2: LPI GWP mix FY23**



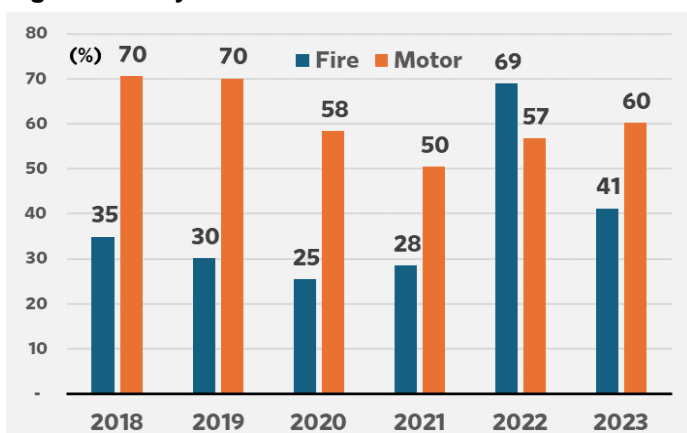
Source: LPI Capital, MIDFR

**Fig 3: Industry GWP mix CY23**



Source: BNM, MIDFR

**Fig 4: Industry Fire and Motor Claims ratio**

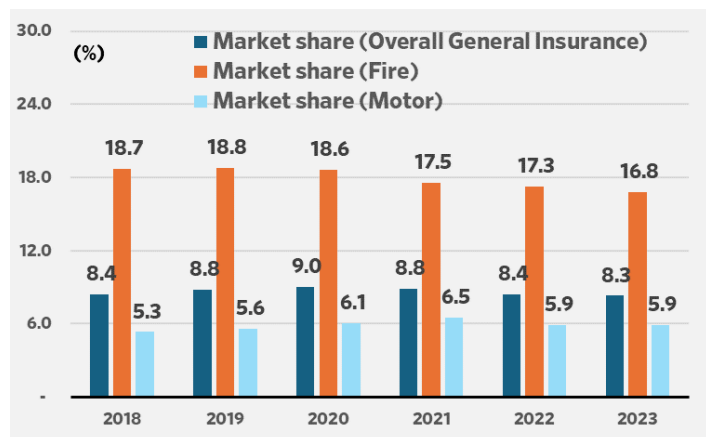


Source: LPI Capital, MIDFR

As of FY23, LPI holds a sizeable 16.8% market share of local fire insurance, making it the largest fire insurer in Malaysia. However, this figure has declined since FY19’s 18.8%, due to the increasing competitiveness. LPI is now shifting its focus

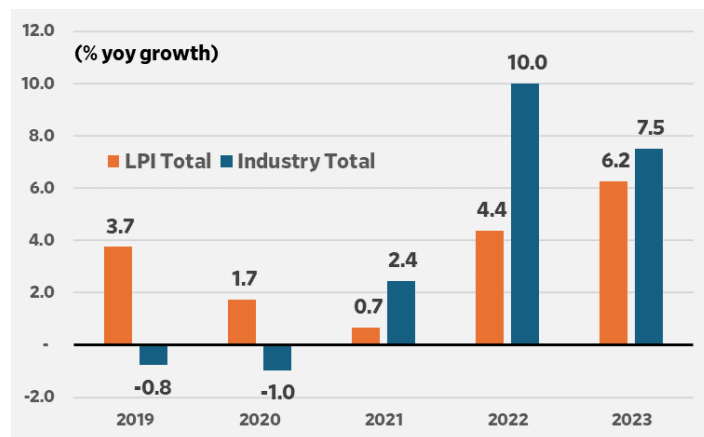
towards other insurance classes for a healthier diversified approach. Most notably, it has been aggressively growing its motor insurance portfolio (in selected subsegments), though growth has been more moderate in the last two years.

**Fig 5: LPI's market share**



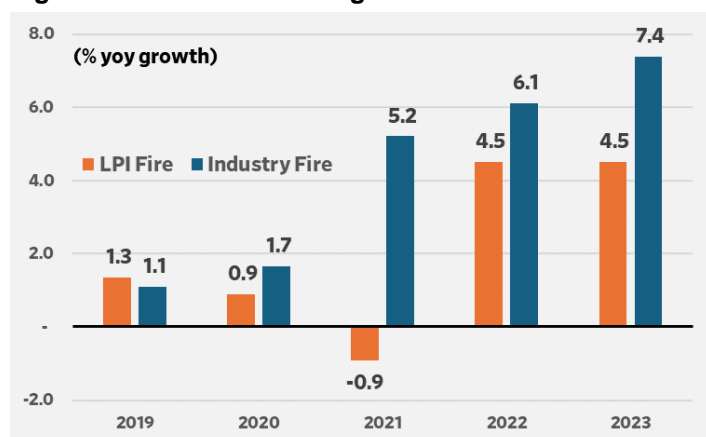
Source: LPI Capital, MIDFR

**Fig 6: General insurance GWP growth**



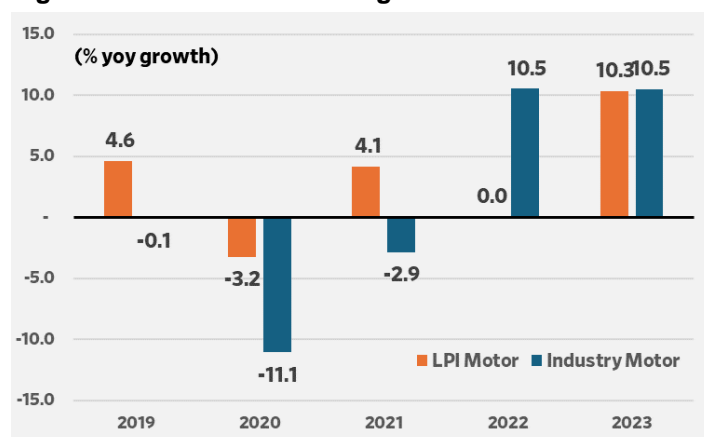
Source: LPI Capital, MIDFR

**Fig 7: Fire insurance GWP growth**



Source: LPI Capital, MIDFR

**Fig 8: Motor insurance GWP growth**



Source: LPI Capital, MIDFR

## 2. PUBLIC BANK PARTNERSHIPS AND OTHER DISTRIBUTION CHANNELS

LPI's extensive distribution network of agents and bancassurance partners has helped entrench its leading position within the fire insurance supply chain. Its agency force remains the largest distribution channel of its insurance products, accounting for 46% of GWP in 2023. LPI continues to prioritise agency force retention and expansion in the face of heightened competition caused by the entry of large foreign players and the liberalisation of the fire and motor segments of business. Currently, LPI's agent force consists of over 2,500 agents.

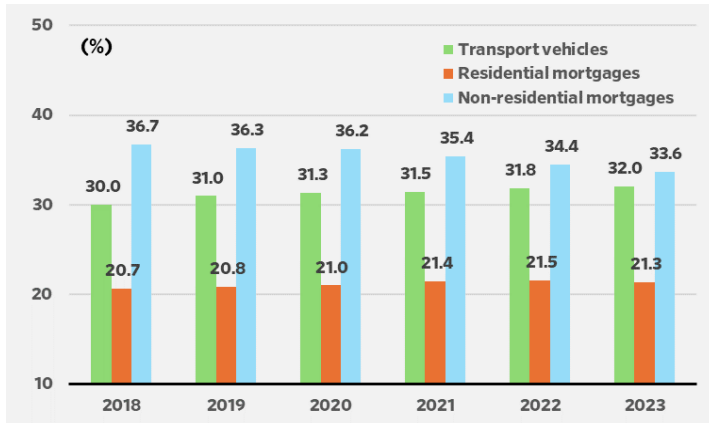
Another notable means of distribution is with Financial Institution (FI) Partners, which contributed to 21% of FY23's GWP. This primarily concerns LPI's relationship with Public Bank (of which major shareholder Consolidated Teh Holdings is a mutual shareholder). Public Bank, one of the largest banks in Malaysia, commands a sizeable proportion of residential mortgage and hire purchase market share – two major components of LPI's growth.

The brunt of LPI's fire insurance portfolio comes from its bancassurance relationship with Public Bank. While Public Bank also specialises in hire purchase loans, the motor insurance sector is still largely dominated by agents and franchises. As of now, retail loan growth remains strong with a sizeable pipeline, translating to a healthy premium growth outlook.

Thus, it has been building its relationship up with motor insurance agents and franchises to penetrate further within the segment. Currently, LPI is looking to develop a product that provides coverage for environmentally friendly projects.

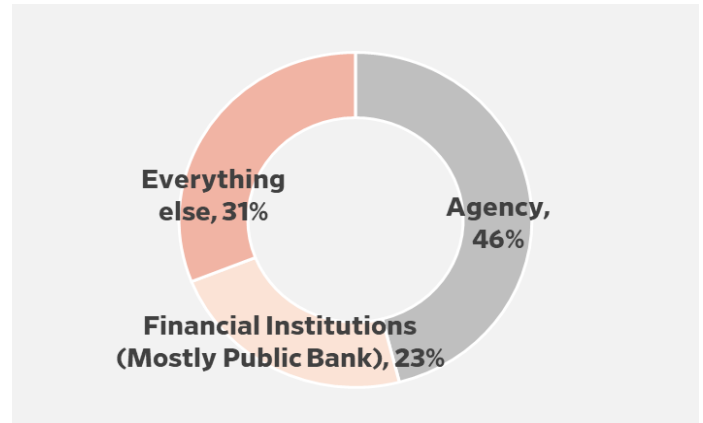
LPI also enjoys a strong relationship with independent brokers and global partners that control large portfolios of premiums. These include global insurers such as FM Insurance, RSA Insurance, Excel Insurance and Fubon Insurance amongst others. These companies have customers in Malaysia but lack local presence, hence the need for a local investment firm to underwrite them. The global partners then reinsure these policies.

**Fig 9: Public Bank loan market share**



Source: LPI Capital, MIDFR

**Fig 10: GWP Contributions by Distribution Channel**

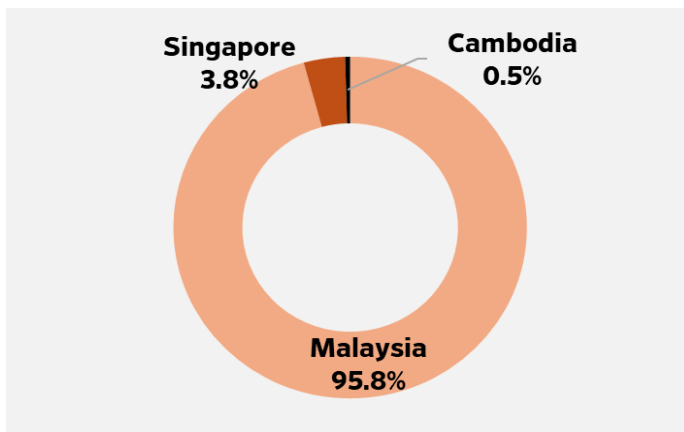


Source: LPI Capital, MIDFR

### 3. OVERSEAS VENTURES STILL SMALL

LPI has a branch in Singapore under Lonpac. Meanwhile, LPI's insurance activities in Cambodia are undertaken by LPI's 45%-owned Campu Lonpac Insurance PLC. Public Bank owns the remaining stake via an entity called Campu Bank, a commercial bank in the country. Overseas contributions remain small, given that the Cambodian business remains relatively small, while Singapore's insurance environment is extremely competitive given lesser regulation in the system (hence, no safeguards against competition). In FY23, Malaysian contributions made up the majority of PBT whereas Singapore activities contributed to 4% (most coming from a student fee protection scheme). Meanwhile Cambodian contributions made up <1%.

**Fig 11: LPI PBT mix CY23**

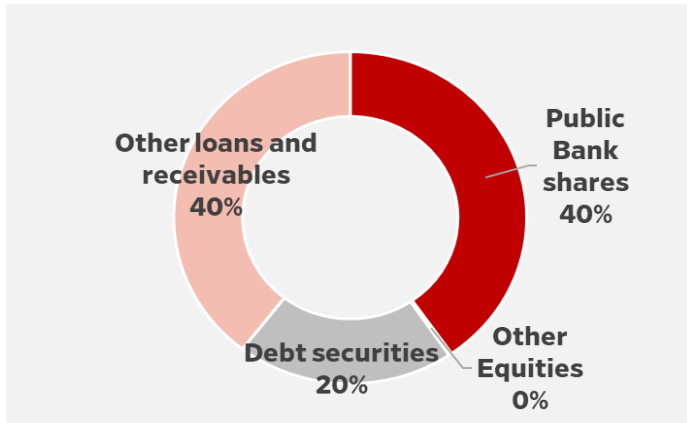


Source: LPI Capital, MIDFR

### 4. A HIGHER-YIELDING INVESTMENT PORTFOLIO

LPI's investment portfolio differs from most of its peers. Most general insurers opt for a conservative, non-risk-taking stance, whereby >90% of the portfolio consists of government and high-quality corporate bonds. In contrast, Public Bank equity shares make up c.40% of LPI's portfolio – with debt securities making up a smaller 20%. Public Bank has been synonymous with high ROE and strong dividend yields as of late (fully cash) and is striving to grow its dividend payout on a gradual, consistent basis.

**Fig 12: LPI Investment Portfolio Mix**



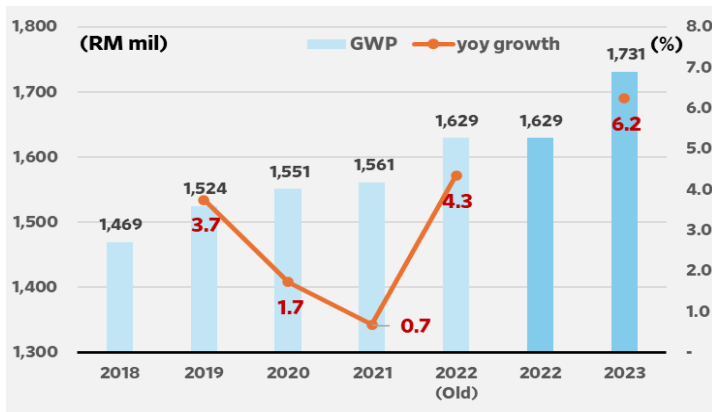
Source: LPI Capital, MIDFR

**C. FINANCIALS**

**1. DECENT GWP AND PBT GROWTH**

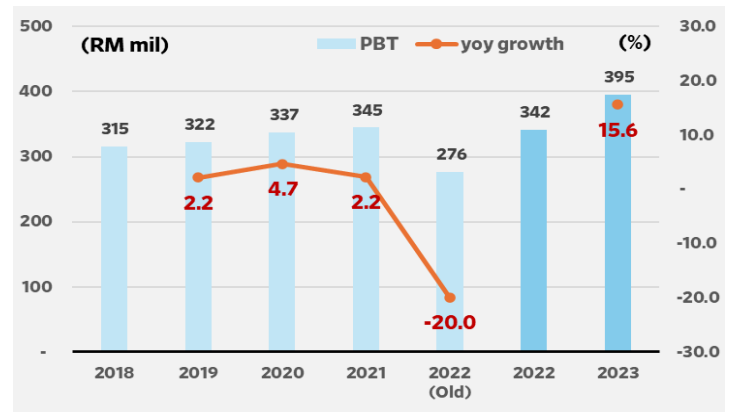
Unfortunately, pandemic distortions make it difficult to gauge any reliable CAGR values in the last five years. Regardless, LPI did post decent GWP growth of 6.2%yoy in FY23 – only slightly below the industry average of 7.5%yoy. As a result, its ROE seems to be recovering post-pandemic – but be wary of possible distortions from strong one-off investment performances.

**Fig 13: LPI GWP growth**



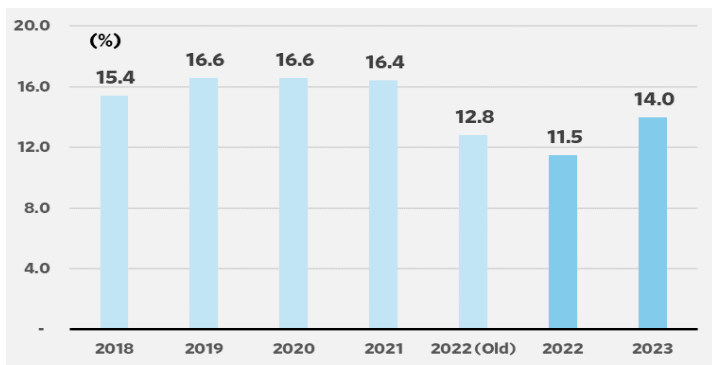
Source: LPI Capital, MIDFR

**Fig 14: LPI PBT growth**



Source: LPI Capital, MIDFR

**Fig 15: LPI ROE**

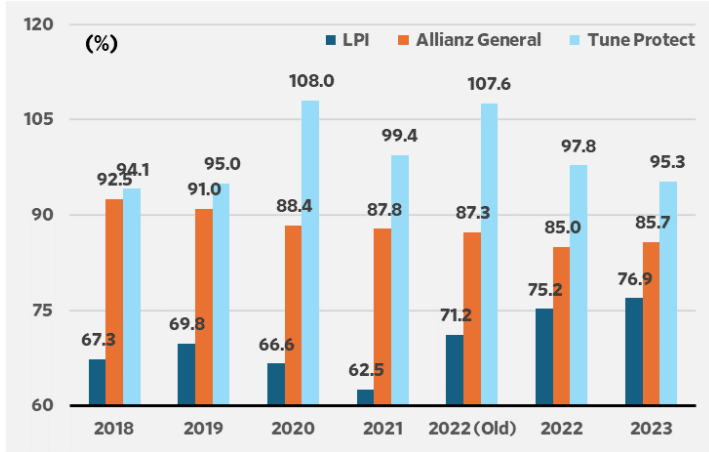


Source: LPI Capital, MIDFR

## 2. FAVOURABLE INSURANCE PREMIUM MIX (IN COMPARISON TO INDUSTRY)

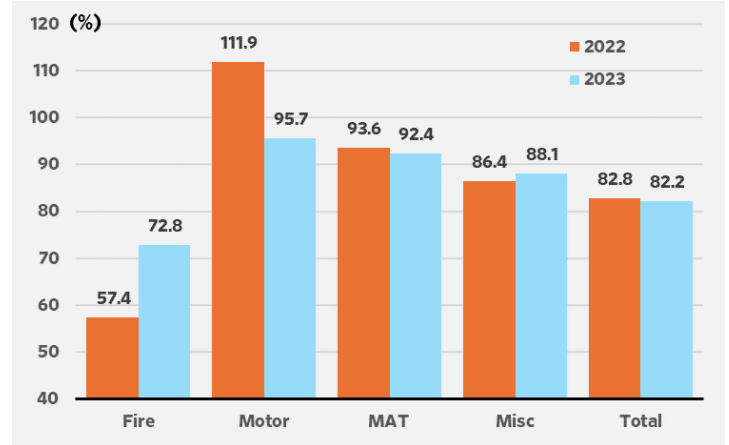
As mentioned above, LPI’s fire-insurance-centric portfolio mix gives it an edge from a claim’s ratio perspective. This feeds into the efficiency of the combined ratio – LPI still manages to outperform its peers from a combined ratio perspective.

**Fig 16: Peer Comparison: Combined Ratio (as reported)**



Source: Companies, MIDFR

**Fig 17: Combined Ratio by Segment (as calculated)**

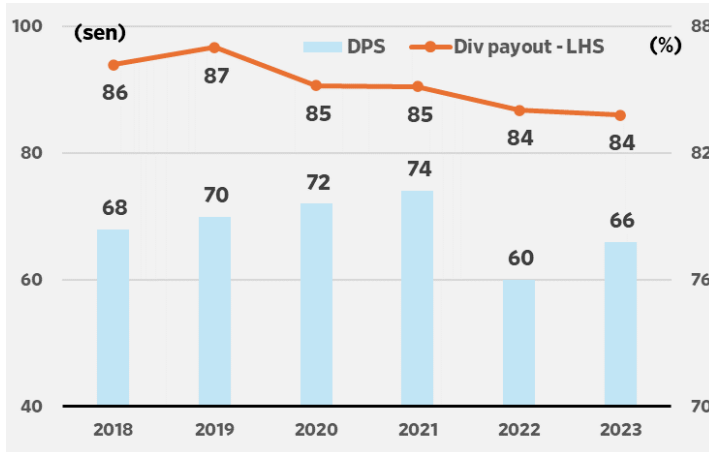


Source: LPI Capital, MIDFR

## 3. SOLID DIVIDEND PAYOUTS

While LPI lacks a formal dividend payout policy, it has kept its payouts within the 84-87% range in the last 6 years. Moving forward, dividend yields are expected to remain in the attractive 6-7% range.

**Fig 18: LPI Dividends**



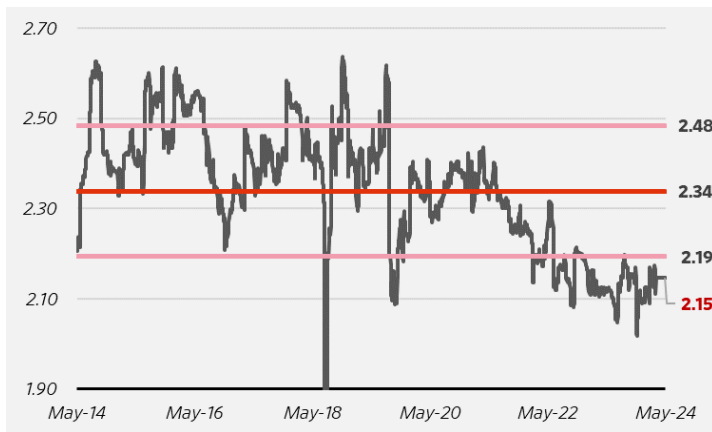
Source: LPI Capital, MIDFR

## D. VALUATIONS

We initiate coverage on LPI with a **BUY** recommendation and a **TP of RM14.52** based on FY25F P/BV of 2.42x. This represents an upside of 18.2% of LPI's current price of RM12.28. We derive this P/BV via an LTG of 4.0%, COE of 8.7% and FY25F ROE of 15.4%.

In recent years LPI has been trading in a lower P/B range of 2.10-2.19x. Valuation weakness aligned with weaker ROE performance during the pandemic and skittishness over the IFRS 17 regime change. However, profitability seems to be recovering once again, prompting a valuation closer to the historical average.

**Fig 19: Historical P/B multiple**



Source: LPI Capital, MIDFR

## E. KEY RISKS

- 1. Fire and motor insurance de-tariffication.** The ongoing process is expected to further impact pricing and competition in the landscape.
- 2. Slowdown in GDP growth will impact growth in premiums.** Weaker economic activity will reduce insurance premium growth.
- 3. Unexpected rise in claims and other form of expenses.** This will ultimately lead to a higher combined ratio, which will impact earnings.
- 4. Decline in value of LPI's Public Bank's shareholdings.** This will affect investment-related revenue.



**i. APPENDIX 1: BOARD OF DIRECTORS**

<b>Name</b>	<b>Description</b>
<b>Mr. Tee Choon Yeow</b> <i>(Independent Non-Executive Chairman)</i>	Mr. Tee Choon Yeow was re-designated as Chairman of the Company on 19 January 2023. He is also a Non-Independent Non-Executive Director (NINED) and Chairman of Lonpac Insurance Bhd. Presently, Mr. Tee serves as Chairman of the Risk, Compliance and Sustainability Committee of the Company and a member of the Audit Committee of the Company. Mr. Tee joined the Company as an Accountant in 1980. He was the Chief Executive Officer/Executive Director of the Company until he retired in 2013 and thereafter served as a NINED of the Company. Mr. Tee was re-designated as Independent Non-Executive Director with effect from 1 March 2015 and appointed as Co-Chairman of the Company on 8 July 2015. Mr. Tee was re-designated as Independent Non-Executive Chairman of the Company with effect from 19 January 2023.
<b>Mr. Tan Kok Guan</b> <i>(Group CEO/ Executive Director)</i>	Mr. Tan Kok Guan was appointed as Chief Executive Officer/ Executive Director of the Company with effect from 8 July 2013. He is also a Chartered Insurer of the Chartered Insurance Institute in London and an Associate of the Malaysian Insurance Institute in Kuala Lumpur. Mr. Tan was an executive director of the Company from October 1996 to May 1999 and thereafter served as a Non-Independent Non-Executive Director to July 2013. Mr. Tan is the Chairman of Campu Lonpac Insurance Plc, an associate company. He is also currently a member of the Board of the Malaysian Insurance Institute.
<b>Mr. Lee Chin Guan</b> <i>(Independent Non-Executive Director)</i>	Presently, Mr. Lee serves as Chairman of the Audit Committee and the Nomination and Remuneration Committee and a member of the Risk, Compliance and Sustainability Committee of the Company. Mr. Lee has 25 years of experience in legal matters, with 13 years of experience in legal practice, principally in commercial and corporate matters. Mr. Lee is a Director of Public Bank Berhad; Public Financial Holdings Ltd (a public company listed on the Stock Exchange of Hong Kong), Public Bank (Hong Kong) Ltd, Public Finance Ltd and Public Bank Vietnam Ltd.
<b>Mr. Quah Poh Keat</b> <i>(Non-Independent Non-Executive Director)</i>	Mr. Quah Poh Keat is a Non-Independent Non-Executive Director of the Lonpac Insurance Bhd. Presently, Mr. Quah serves as a member of the Risk, Compliance and Sustainability Committee of the Company. Mr. Quah was a partner of KPMG since October 1982 and was appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007. Mr. Quah had served as the Deputy Chief Executive Officer of Public Bank Berhad from 1 October 2013 until 31 December 2015. His directorships in other public companies listed on the Main Market of Bursa Malaysia Securities Berhad include Kuala Lumpur Kepong Berhad, Paramount Corporation Berhad and Malayan Flour Mills Berhad.
<b>Ms. Chan Kwai Hoe</b> <i>(Independent Non-Executive Director)</i>	Presently, Ms. Chan serves as a member of the Audit Committee, the Nomination and Remuneration Committee and the Risk, Compliance and Sustainability Committee of the Company. Ms. Chan had gained extensive experience during her tenure with Bank Negara Malaysia (BNM) She was also in charge of the Learning, Knowledge and Customer Relationship Management of 13 departments of BNM, and managed a project to put in place the Financial Services Act 2013 and Islamic Financial Services Act 2013. She retired from BNM in May 2012 and acted as Advisor to the Chief Executive Officer of Perbadanan Insurans Deposit Malaysia, mainly on issues relating to FIDE (Financial Institutions Directors' Education Programme) Forum until March 2013.
<b>Ms. Soo Chow Lai</b> <i>(Independent Non-Executive Director)</i>	Ms. Soo Chow Lai, female, was appointed to the Board of the Company on 1 August 2018. Presently, Ms. Soo serves as a member of the Audit Committee, the Risk, Compliance and Sustainability Committee and the Nomination and Remuneration Committee of the Company. Ms. Soo worked in Malaysian National Reinsurance Bhd and its Associated Company, Labuan Reinsurance (L) Ltd for about 30 years in various senior positions. She has extensive experience in reinsurance underwriting, claims evaluations and settlements, investment and property management. Ms. Soo had travelled widely for business development both locally and internationally and was involved in major policy decisions of the two companies she served in.
<b>Dato' Chia Lee Kee</b> <i>(Independent Non-Executive Director)</i>	Dato' Chia Lee Kee, female, was appointed to the Board of the Company on 18 January 2021. Presently, Dato' Chia serves as a member of the Audit Committee, the Risk, Compliance and Sustainability Committee and the Nomination and Remuneration Committee of the Company. Dato' Chia had served Public Bank Berhad for more than 42 years. Dato' Chia had served as the Company Secretary of Public Bank Berhad for 24 years. She had also served as the Company Secretary of several Malaysian and overseas subsidiaries of Public Bank Berhad. She was a member of the Board of several subsidiaries of Public Bank Berhad.

Source: LPI Capital, MIDFR

## ii. APPENDIX 2: SENIOR MANAGEMENT

Name	Description
<b>Tan Kok Guan</b> <i>(Group CEO/ Executive Director)</i>	(For profile, please refer to previous page).
<b>Looi Kong Meng</b> <i>(CEO of Lonpac/ Executive Director)</i>	Mr. Looi Kong Meng, was appointed to the senior management position when he joined Lonpac as a Chief Operating Officer on 1 February 2008. He has more than 40 years of experience in the general insurance industry. He was promoted to Chief Executive Officer in 2013 and was appointed to the Board of Lonpac Insurance Bhd as Executive Director on 8 January 2018.
<b>Chuang Chee Hing</b> <i>(Deputy Chief Executive Officer of Lonpac)</i>	Mr. Chuang Chee Hing, was appointed to the senior management position upon his promotion to Chief Operating Officer on 1 January 2013. He has more than 30 years of experience in the general insurance industry. He rose to his present position as Deputy Chief Executive Officer on 1 January 2018.
<b>Yow Kai Fook</b> <i>(Chief Operating Officer – Business Operations of Lonpac)</i>	Mr. Yow Kai Fook, was appointed to the senior management position upon his promotion to Chief Operating Officer – Business Operations on 1 January 2022. He has more than 30 years of experience in the general insurance industry.

Source: LPI Capital, MIDFR

## FINANCIAL SUMMARY

## INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Insurance revenue	1,535	1,782	1,796	1,893	1,995
Insurance service expenses	(1,260)	(827)	(1,109)	(1,167)	(1,236)
Reinsurance expense	11	(661)	(352)	(369)	(387)
<b>Insurance service result</b>	<b>286</b>	<b>294</b>	<b>335</b>	<b>357</b>	<b>373</b>
Investment return	92	149	147	149	165
Net finance result	(17)	(32)	(33)	(32)	(32)
<b>Net investment &amp; financial result</b>	<b>75</b>	<b>117</b>	<b>114</b>	<b>116</b>	<b>133</b>
<b>Total ins, inv &amp; financial result</b>	<b>361</b>	<b>411</b>	<b>450</b>	<b>474</b>	<b>506</b>
Other income	1	4	4	4	4
Other OPEX and finance costs	(21)	(21)	(21)	(21)	(21)
Associates	1	2	2	2	2
<b>PBT</b>	<b>342</b>	<b>395</b>	<b>434</b>	<b>458</b>	<b>490</b>
Tax	(89)	(81)	(89)	(94)	(101)
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>252</b>	<b>314</b>	<b>345</b>	<b>364</b>	<b>389</b>
<b>Core NP</b>	<b>252</b>	<b>314</b>	<b>345</b>	<b>364</b>	<b>389</b>

## BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	725	315	315	315	315
Reinsurance contracts	1,316	878	992	1,101	1,222
Investment securities	2,608	3,167	2,943	2,706	2,747
Other assets	201	209	485	788	812
<b>Total assets</b>	<b>4,850</b>	<b>4,569</b>	<b>4,736</b>	<b>4,911</b>	<b>5,096</b>
Insurance contracts	2,559	2,200	2,310	2,425	2,547
Other liabilities	82	86	91	96	101
<b>Total liabilities</b>	<b>2,641</b>	<b>2,286</b>	<b>2,401</b>	<b>2,521</b>	<b>2,648</b>
Share capital	398	398	398	398	398
Reserves	1,810	1,885	1,937	1,991	2,050
<b>Total equity</b>	<b>2,209</b>	<b>2,284</b>	<b>2,335</b>	<b>2,390</b>	<b>2,448</b>
<b>Total L&amp;E</b>	<b>4,850</b>	<b>4,569</b>	<b>4,736</b>	<b>4,911</b>	<b>5,096</b>

Source: LPI Capital, MIDFR

## FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Profitability (%)</b>					
ROE	11.5	14.0	14.9	15.4	16.1
ROA	5.4	6.7	7.4	7.5	7.8
<b>Combined ratio (%)</b>	<b>81.4</b>	<b>83.5</b>	<b>81.3</b>	<b>81.1</b>	<b>81.3</b>
Claims	57.4	23.7	37.0	36.9	37.2
Expense	24.7	22.7	24.7	24.8	24.8
Reinsurance	-0.7	37.1	19.6	19.5	19.4
<b>Growth (%)</b>					
Insurance revenue		16.1	0.8	5.4	5.4
Insurance expense		-34.4	34.1	5.2	5.9
Insurance service result		2.7	14.2	6.6	4.4
PBT		15.6	9.9	5.6	7.0
Core NP		24.4	9.8	5.6	7.0
<b>Valuation metrics</b>					
Core EPS (sen)	63.3	78.7	86.5	91.3	97.7
Gross DPS (sen)	60.0	66.0	73.5	77.6	83.1
Div payout (%)	95	84	85	85	85
BVPS (RM)	5.5	5.7	5.9	6.0	6.1
Core P/E (x)	19.4	15.6	14.2	13.4	12.6
<b>Div yield (%)</b>	<b>4.9</b>	<b>5.4</b>	<b>6.0</b>	<b>6.3</b>	<b>6.8</b>
P/BV (x)	2.2	2.1	2.1	2.0	2.0

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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