Sector Update | Friday, 31 March 2023

BANKING

***Maintain* POSITIVE**

FSR 2H22: Basel III reforms pathway unveiled

KEY INVESTMENT HIGHLIGHTS

- **FSR 2H22 reflects sector outlook: Debt-servicing pressures are incoming, but banks are well-equipped to handle them**
- **Even BNM's severe stress testing yielded mild, non-troubling results (from a capital standpoint)**
- **Sector valuations are cheap – global banking fears weigh down on investor sentiment, but fundamentals are intact**
- **While interest-related headwinds remain, we look to recovering non-interest income and possible overlay writebacks to sustain its ROE margins**
- **Maintain POSITIVE call on sector**

1. **FSR 2H22 yielded no surprising outcomes.** Poor funding outlook for banks, while business and household segments see stress mount up. Nevertheless, banks are well equipped from a capital and provisioning perspective to handle the headwinds.
2. **Foreign labour-intensive sector exposure weighs down on business segment.** These sectors report high-stress levels in debt-servicing ratios – though for overall businesses, debt-servicing ratio remains well above the prudent threshold.
3. **Household segment sees vulnerability emerge.** While debt serviceability remains adequate, there has been a tick upward in highly leveraged household borrowers with limited financial buffers. Observe household debt grow at a quicker pace than their aggregate financial assets – a sign that more cash is forked out to service debt.
4. **Banking sector is well-equipped to handle crises.** BNM believes the lack of tiered regulation, high capitalisation ratios and better risk management approaches of local banks should prevent any adverse incidences. Liquidity outlook, on the hand, is less positive, following the normalisation in OPR rates.
5. **BNM stress testing showed mild outcomes.** In both scenarios, CET 1 troughed at 12.5% and 12.8% -- sturdy values.
6. **Earlier implementation of certain Basel III standards could have benefited local banks (and fund managers).** BNM has unveiled its intended timeline for Basel III Reform Package adoption. With the brunt of liquidity-related reforms already implemented in the past, future reforms focus on credit risk in the investment book, reduced reliance on external ratings, large counterparty exposure, as well as adverse interest-rate effects on loans and deposits.

   Observe parallels in real-time: O&G sector debacle in 2021/2022, hawkish OPR environment (until recently), and the negative global banking climate.

COMPANY IN FOCUS

Public Bank
Maintain **BUY** | Unchanged Target price: RM5.08
Price @ 30 March 2023: RM3.98

- Potential net writebacks in 2023
- Defensive play: Asset quality and loan loss coverage are among best in industry
- Valuations extremely attractive

Share price chart



CIMB Group
Maintain **BUY** | Unchanged Target price: RM6.55
Price @ 30 March 2023: RM5.35

- Exposure to Indonesian market is still extremely attractive
- Less loan compression pressure following end of restructuring programme
- Valuations are still cheap

Share price chart



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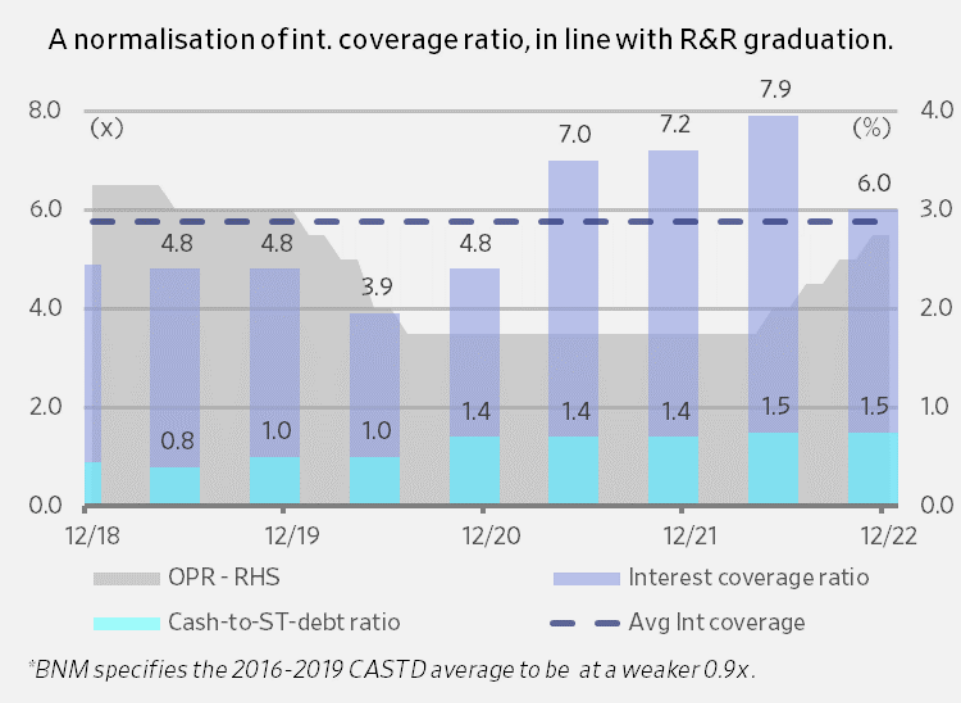
A. Industry Credit Risk

	Indicator	4Q22 value	2Q22 value	Performance	Remarks
BUSINESS SEGMENT				**Pockets of stress are apparent, but nothing notably threatening to local players.**	
	Debt serviceability				
1	Interest coverage ratio (ICR)	**6.0x** *(Prudent level: 2.0x)*	7.9x	**Still strong, despite reduction:** Return to 5-yr avg, hoh decline.	Reflects the regularisation of interest repayments from moratorium/R&R schemes.
2	Cash-to-ST debt ratio (CASTD)	**1.5x** *(Prudent level: 1.0x)*	1.5x	**Strong improvement** from 5-yr avg, flattish for the last 12 months.	5-yr avg was dragged by virtually zero cash flow during the pandemic.
3	**Firms-at-risk** (Criteria: ICR <2.0x)	**25.1%**	24.1%	**Worsening:** Ticked upward by 1.0% hoh.	Uneven recovery in sectors. Foreign-labour-intensive sectors are worst hit.
	Asset quality				
4	GIL ratio	**2.8%**	3.0%	**Declined (Improved) hoh.** But asset quality is expected to keep deteriorating anyway.	4Q22's mass loan writeoffs offset rising number of delinquent loans.
5	Stage 2 loans	**13.2%**	~14.0%		
6	% of bank and DFI loans as R&R loans	**5.9%**	14.8%	**Huge reduction.** Brunt of PEMULIH packages expired.	The gap between % SME & Non-SMEs R&R loans has narrowed considerably. Non-SMEs were trailing much further ahead prior.
HOUSEHOLD SEGMENT				**Regardless of future credit stress, the household segment has always been consistent.**	
	Profiling				
1	Debt-to-GDP	**81.2%**	89.1%	**Good reduction.** A GDP less reliant on household debt is good over the medium-term.	A high ratio boosts short-term growth -- but the trade off is weaker growth in three to five years, as indebted households cut back on spending to repay their loans.
2	Debt qoq growth	**1.5%** *(5.5% in annual terms)*	1.2% *(5.3% in annual terms)*	**Steady growth, but concerns over outlook.** Most incentives driving growth previously have been discontinued.	Major funding issues started manifesting in CY23 -- it remains to be seen whether growth can be maintained then.
3	Financial asset-to-debt (FATD) ratio	**207%**	216%	**Close to its lowest point.** Nevertheless, financial assets are held in excess of debt.	Household debt continues to outstrip financial asset growth, due to weaker equity market performance and lower CASA growth.
4	Liquid FATD ratio	**135%**	144%		
	Debt serviceability				
5	Debt-to-income (DTI) ratio (Median)	**1.5%**	1.4%	**Flattish.** No major fluctuations in any of the monthly income group brackets.	Credit growth continues to closely track household incomes.
6	DSR: Newly approved loans	**43.0%**	42.0%	**Similar to pre-pandemic times.**	2/3 of 2022 applications had DSRs <60%, a value unchanged since 2018.
7	DSR: Outstanding loans	**37%**	35%	**Similar to pre-pandemic times.**	1/4 have DSR >60% *(accounting for 34% of total system loans)* . 69% of these are held by middle- and high-income borrowers, resulting in very low impairment ratios.
8	**GIL ratio**	**1.2%**	1.3%	**Declined (Improved) hoh.** But asset quality is expected to keep deteriorating anyway.	

**Good/Neutral/Bad outlook is indicated by Green/Orange/Red or Squared/Vertical/Plain pattern*

Source: BNM, MIDFR

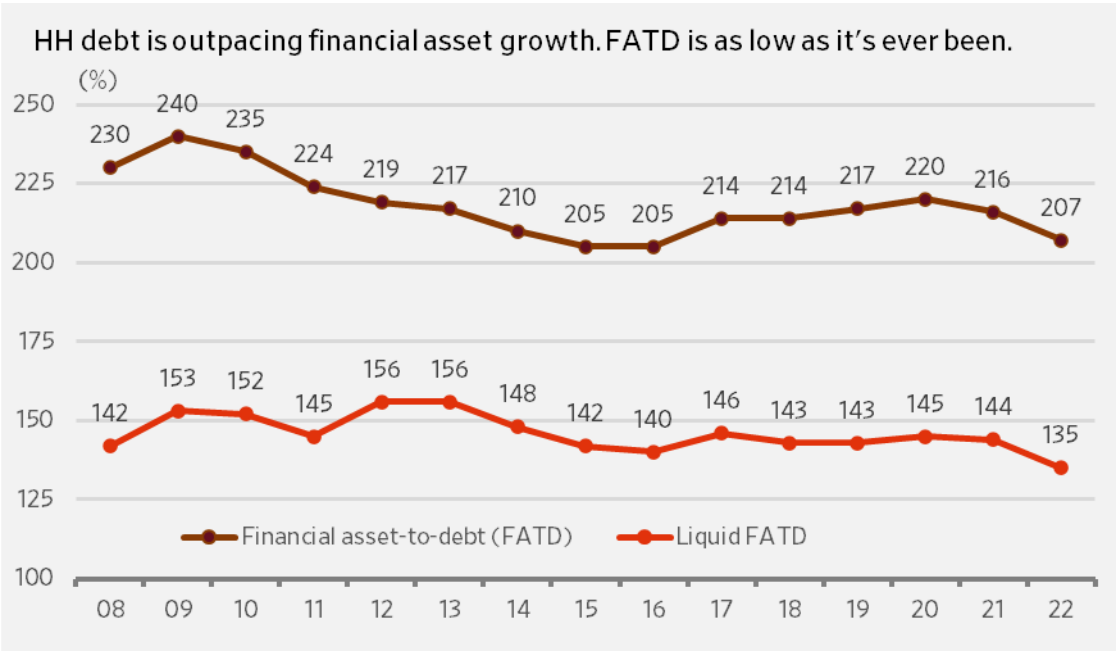
Figure 1: Debt serviceability ratios of businesses



Source: BNM, MIDFR

As expected, business segment runs into pockets of stress. Debt-serviceability ratios remain well above the prudent level, despite the resumption of full loan repayments depressing the interest coverage ratio. Instead, the major cause of concern remains foreign labour-intensive sector exposure, which has worsened on a half-on-half basis. Asset quality should continue to worsen in subsequent quarters, given that loans have sufficient time to enter impairment/delinquency brackets, but major write-offs should keep the value from being too elevated. Regardless, banks should be well-equipped to handle such situations.

Figure 2: Financial asset-to-debt ratios of households



Source: BNM, MIDFR

Household segment sees vulnerabilities emerge, despite adequate debt serviceability. These pertain to household borrowers who are highly leveraged and have limited financial buffers, particularly in a high living pressure environment. Lower EPF savings and reduced overall monthly savings are some relevant indicators.

Another point of concern is the financial asset-to-debt ratio, which has fallen sharply in the last 6 months, implying a sharp rundown of bank deposits to service debt and bills.

B. Financial Institution Resilience

	Indicator	4Q22 value	2Q22 value	Performance	Remarks
LIQUDITY & FUNDING				**OPR normalisation = less condusive liquidity setting.**	
	Basel III Indicators				
1	NSFR	**118%**	119%	**Strong and stable.**	To maintain high loan growth while being resilient against liquidity shocks, short- and long-term.
2	LCR	**154%**	148%	**Solid improvement.**	
	FD by maturity: 1-6 months				
3	As % of Individual deposits	**32.2%**	29.0%	**Marked uptick.** Eats both longer and shorter tenured deposits.	Generally, higher average duration spreads the liquidity gap more evenly. This is the first time the values have altered so drastically in years.
4	As % of business and NBFI deposits	**53.4%**	37.9%	**Sharp increase.** Eats both longer and shorter tenured deposits.	
5	**Ann. loan growth**	**5.7%**	5.6%	**Steady growth, but outlook depends on deposit growth.**	
6	**Ann. deposit growth**	**5.9%**	6.6%	**Deposits tapering, outlook skewed towards negative.**	Deposit competition has been prolonged by a multiple factors, yet to fully subside even today.
CREDIT RISK				**Banks are adequately prepared to handle any blowback.**	
	Loan classification				
	Stage 2 loans	**8.8%**	10.0%	**Marked reductions, but asset quality will continue to worsen.**	So far, delinquency trends have come in well within banks' expectations.
	GIL ratio	**1.7%**	1.8%		
	Provisioning				
	Industry net provisions (RM bil)	**-1.0**	0.1	**Net writeback of sizeable overlays.**	Most banks' have not factored in writeback in overlays into their CY23 credit cost guidance, giving potential upside to earnings.
	Annualised NCC (bps)	**20**	18	**NCC continues to normalise from pandemic figures.**	
CAPITALISATION				**Post-GFC, strong capital ratios are a hallmark of local players.**	
	CET 1 ratio	**15.0%**	14.3%	**Consistently very strong, even has good improvement hoh.**	Local players continue to be well capitalised -- even under BNM's stress test scenarios capital ratios remain relatively unscathed.
	Tier 1 capital ratio	**15.6%**	14.9%		
	Total capital ratio	**18.9%**	18.0%		
	Excess total capital (RM bil)	**134.8**	122.9		

**Good/Neutral/Bad outlook is indicated by Green/Orange/Red or Squared/Vertical/Plain pattern*

Source: BNM, MIDFR

FIs see unfavourable liquidity and funding outlook, but credit risk is well managed, and capitalisation is very strong. Local banks have a reputation for being very safe, and for good reason.

Additionally, the combination of a non-tiered regulation system and prudent risk management practised by local banks makes it unlikely for it to encounter any liquidity-based problems in the near future.

Figure 3: BNM's stress testing verdict

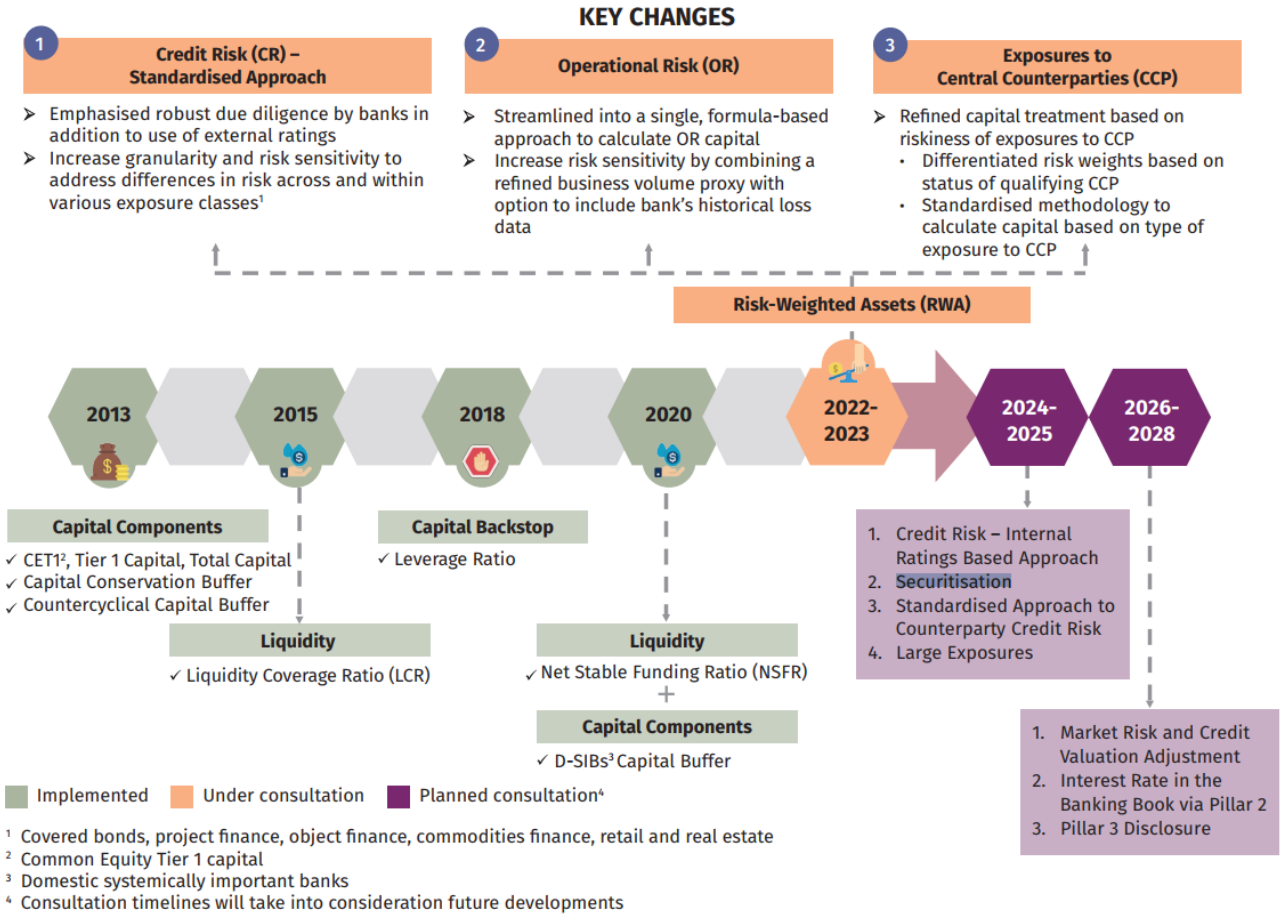
STRESS TESTING	
Scenario 1 (AS1)	**Temporary but severe disruption:** V-shaped recovery in 2024 before normalisation.
Scenario 1 (AS2)	**Less severe but prolonged disruption:** Negative GDP growth in 2023 and 2024.
Impaired loans	Dec-22: 2.1%
AS1	Peak at 7.7% in Dec-25
AS2	Peak at 6.9% in Dec-25
CET 1	Dec-22: 14.6%
AS1	Trough at 12.5% in Dec-23
AS2	Trough at 12.8% in Dec-25
Total capital	Dec-22: 18.7%
AS1	Trough at 16.3% in Dec-25
AS2	Trough at 16.7% in Dec-23

Source: BNM, MIDFR

Outcomes are relatively mild. The CET 1 ratio remains well above the regulatory minimum of 4.5%, though the depressed ratios may cause possible issues with dividend payout ability.

C. Malaysia's Basel III Reform Journey

Figure 4: Malaysia's Progress in Adopting Basel III Reform Package



Source: BNM, MIDFR

Malaysia's long road in incorporating Basel III. In the FSR report, BNM unveiled its progress in adopting Basel III standards. Such measures would have been relevant to several issues that have come about during the pandemic period. These measures largely centre on investment holding and interest income losses in periods of volatile interest rates.

A useful method of visualising the changes is to think of it as a list of additional disclosures: Current disclosures by banks (also found in the latter pages of annual reports) are centred around the generalised Credit-Market-Liquidity-Operational risk format (ala Basel II's Pillar 3 less stringent disclosures, as attached below) – upon full adoption of Basel III measures, it will be expanded from three broad-based categories to incorporate several more.

Future reforms – What to expect? Given their importance, local banks have already incorporated the brunt of liquidity-related reforms. The newer reforms focus on the remaining categories of credit risk, market risk and interest rate risk. Some larger local banks have also already adopted some of the future reforms – but uniform, sector-wide implementation is patchy at best.

Considering recent events, it's clear that some of them are particularly relevant:

1. **Internal Ratings Based Approach to Credit Risk evaluations:** It's a more efficient means of RWA evaluation, which minimises the need for capital, leaving potential upside for ROE. This is probably the most talked about reform, especially given its clear bottom-line friendly effects.
2. **Refined approach to risk-weight allocation for securitised instruments:** Most notably, this pushes for less reliance on external ratings (which may be unreliable: e.g. Credit Suisse) and more stringent risk-allocation towards securitised exposure in general (which is encouraged, given its inherent complexity).
3. **Investment book-centric reforms:** These focus on incorporating more credit-risk-related criteria into the investment book evaluation, as opposed to umbrella market risk categorisation approaches. While not strictly identical to issues faced by SVB and peers, it does bring into question the direction of investment approaches in a higher-default environment.
4. **Interest Rate in the Banking Book incorporation:** Which factors in the effects of adverse interest rate movements into rate-sensitive loans and deposits. This may have been more useful (especially for analysts and fund managers) in the recent hawkish OPR environment.
5. **Large exposure reforms:** By limiting (or at least disclosing) major disclosures, it reduces single-party exposure risk. This may have been useful in avoiding the O&G sector-related credit shocks in 2021/2022.
6. **Better Pillar 3 disclosure:** With the above finally put in place, it makes sense to disclose them alongside pre-existing criteria.

We summarise each of these future reforms in greater detail:

1. Credit risk – Internal Ratings Based Approach (IRB)	
IRB is a capital calculation method that utilises ***internal models*** to calculate risk-weighted assets (RWA). The other methodology is the **Standardised Approach (SA)** method, which utilises ***harmonised inputs*** (such as rating agencies) to model capital instead. **Maybank, CIMB and RHB** already practice the IRB approach in calculating local credit RWA. **AMMB** is attempting to follow suit.	IRB is generally seen as **more efficient** than SA, with it generating **less RWA per asset**. This results in **less capital needed to be allocated to maintain healthy capital ratios.** Theoretically, the **lower capital allocation should imply further headroom for ROE growth** – offering some upside for banks that intend to transition to the IRB approach in future. **(All banks ex-Maybank, CIMB and RHB).**

2. Securitisation

Under Basel II's securitisation framework, banks are required to hold regulatory capital against all securitisation exposures. **The GFC has indicated that the past framework's reliance on external ratings was heavily flawed.** The following changes were made to rectify it:

1. **Less "mechanistic" reliance on external ratings**, preferring internal ratings-based approaches instead,
2. **Rebalancing risk-weight allocations** (depending on the type of exposure) towards the stricter end,
3. **Improving risk sensitivity of the overall framework,** to incorporate factors such as maturity dates, or thickness of tranches.

We view this as a positive: External ratings have been known to be faulty (the Credit Suisse debacle serves as a good reminder). Even more so in the complex securitisation space: Further prudence is not a bad thing.

On a local front, it forces banks to be risk-averse when making investment book decisions.

3. Standardised Approach to Counterparty Credit Risk (SA-CCR)

Counterparty Credit Risk (CCR) is a form of credit risk. Specifically, it is the probability of one of those involved in a transaction might default on its contractual obligation. In this context, it refers largely to derivatives.

Hence, **SA-CCR is a measurement that calculates the exposure at default to derivatives (OTC and exchange-traded) and other long-settlement transactions.**

SA-CCR aims to address deficiencies of previous counterparty-credit risk (CCR) models, the CEM and SM:

1. A lack of differentiation between margin and unmargined transactions,
2. Insufficient ability to capture the level of volatilities

The approach allows banks to improve the risk sensitivity framework for derivative transactions, without creating undue complexity.

This approach is more applicable to a wider variety of derivatives.

4. Large Exposures

A large exposure is, simply put, a counterparty exposure **larger than 10% of Tier 1 capital**.

The limit is set at 25% of Tier 1 capital.

1. Banks are to **report all large exposures.**
2. Banks must also report their 20 largest exposures, even if they do not satisfy the definition.

This was established to mitigate systemic risks arising from interlinkages across FIs and concentrated exposures.

Additionally, diversification is a good thing – it **generates predictability** in the form of fewer asset quality shocks and lumpy credit cost instances.

Case in mind: Heavy O&G sector-related scares during the pandemic.

5. Market Risk and Credit Valuation Adjustment (CVA)

CVA is a form of market risk. In this case, the **change in market value pertains to a deterioration in creditworthiness of counterparty (i.e., downgrade in credit rating).**

Two main approaches: **Standardised Approach (SA-CVA)** (which requires regulatory approval) and **Basic Approach (BA-CVA)**. The SA Approach is the more nuanced of the two approaches.

The SA-CVA is an adaptation of the SA approach for market risk. Overall, it incorporates fewer market risk factors, offering a bit more nuance to the relevant exposure.

While at this point it's difficult to discern if this is bottom-line positive or negative, we believe that it will at least influence a bank's investment book strategy. Relevant banks include:

1. High % bond book to total assets: **AMMB, HLBK**

6. Interest Rate in the Banking Book (IRBBB) via Pillar 2

IRBBB refers to the current or future risk arising from adverse interest rate movements. This comes in the form of **MTM losses and altering interest rate-sensitive income and expenses**, affecting its net interest income.

The banking book refers to assets to be held to maturity, usually consisting of loans and deposits. This contrasts with the trading book, which is primarily to capitalise on MTM movements and short-term resale.

In a local context, it seems **that market risk evaluations for the banking book only comprise forex risk and commodities risk.** Interest rate risk, however, is incorporated into **trading book** evaluations.

In short, banks should be able to **quantify the effects of interest rate changes** to ensure their risk-bearing capacity – and ultimately affecting their strategic objectives.

Several banks have incorporated IRRBB into their respective Pillar 3 disclosures.

Theoretically, banks with **more interest rate-sensitive banking book assets are more vulnerable to arising issues**, namely:

1. High % of FD balances: **RHB, BIMB, Public Bank,**
2. High % of floating rate loans: **BIMB, RHB.**

7. Pillar 3 Disclosure

Upon incorporation of the aforementioned reforms, the bank is now able to **release a more comprehensive set of disclosures** – alongside pre-existing requirements.

(Banks release Pillar 3 disclosures on a biannual basis – these also usually constitute the final segments of the annual report.)

Figure 5: Basel II Pillar 3 disclosures

Subject	Type	Location in Supporting Document
Scope of Application	Strong recommendations	Pillar 3
Capital	Strong recommendations	Pillar 3
Credit Risk - general	Strong recommendations	Pillar 3
Credit Risk – Standardised Approach	Requirements and strong recommendations	Pillar 3
Credit Risk Mitigation Techniques	Requirements and strong recommendations	Pillar 3
Credit Risk – IRB Approaches	Requirements	Pillar 3
Market Risk	Strong recommendations	Pillar 3
Operational Risk	Strong recommendations and, in future, requirements	Pillar 3
Interest Rate Risk in the Banking Book	Strong recommendations	Pillar 3
Capital Adequacy	Strong recommendations	Pillar 3
Asset Securitisation	Requirements	Asset Securitisation
ECAI Recognition	Requirements	Standardised Approach
Supervisory Transparency	Strong recommendations	Standardised Approach and Pillar 2

Source: BIS, MIDFR

Figure 6: Basel III reforms, summarised

Basel Committee on Banking Supervision reforms – Basel III

Strengthens microprudential regulation and supervision, and adds a macroprudential overlay that includes capital buffers

Capital

Pillar 1

	Capital	Risk coverage	Containing leverage	Pillar 2: Risk management and supervision	Pillar 3: Market discipline
All Banks	**Quality and level of capital** • **Raising minimum common equity** to 4.5% of risk-weighted assets, after deductions. • **A capital conservation buffer** comprising common equity of 2.5% of risk-weighted assets brings the total common equity standard to 7%. Constraints on a bank's discretionary distributions will be imposed when it falls into the buffer range. • **A countercyclical buffer** within a range of 0–2.5% comprising common equity will apply when credit growth is judged to result in an unacceptable build-up of systematic risk. **Capital loss absorption at the point of non-viability** Allowing capital instruments to be written off or converted to common shares if the bank is judged to be non-viable. This will reduce moral hazard by increasing the private sector's contribution to resolving future banking crises.	**Revisions to the standardised approaches** for calculating • **credit risk;** • **market risk;** • **credit valuation adjustment risk;** and • **operational risk** mean greater risk-sensitivity and comparability. **Constraints on using internal models** aim to reduce unwarranted variability in banks' calculations of risk-weighted assets. **Counterparty credit risk** More stringent requirements for measuring exposure; capital incentives to use central counterparties for derivatives; a new standardised approach; and higher capital for inter-financial sector exposures. **Securitisations** Reducing reliance on external ratings, simplifying and limiting the number of approaches for calculating capital charges and increasing requirements for riskier exposures. **Capital requirements for exposures to central counterparties (CCPs) and equity investments in funds** to ensure adequate capitalisation and support a resilient financial system. A **revised output floor**, based on Basel III standardised approaches, limits the regulatory capital benefits that a bank using internal models can derive relative to the standardised approaches.	A non-risk-based **leverage ratio** including off-balance sheet exposures is meant to serve as a backstop to the risk-based capital requirement. It also helps contain system-wide build-up of leverage.	**Supplemental Pillar 2 requirements** address firm-wide governance and risk management, including the risk of off-balance sheet exposures and securitisation activities, sound compensation practices, valuation practices, stress testing, corporate governance and supervisory colleges. **Interest rate risk in the banking book (IRRBB)** Extensive guidance on expectations for a bank's IRRBB management process: enhanced disclosure requirements; stricter threshold for identifying outlier banks; updated standardised approach.	**Revised Pillar 3 disclosure requirements** Consolidated and enhanced framework, covering all the reforms to the Basel framework. Introduces a dashboard of banks' key prudential metrics.
SIBs	The Committee identifies global systemically important banks (G-SIBs) using a methodology that includes both quantitative indicators and qualitative elements. In addition to meeting the Basel III risk-based capital and leverage ratio requirements, G-SIBs must have higher loss absorbency capacity to reflect the greater risks that they pose to the financial system. The Committee also developed principles on the assessment methodology and the higher loss absorbency requirement for domestic systemically important banks (D-SIBs).				

Liquidity

Global liquidity standards and supervisory monitoring

The **Liquidity Coverage Ratio** (LCR) requires banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario that is specified by supervisors.

The longer-term, structural **Net Stable Funding Ratio** (NSFR) is designed to address liquidity mismatches. It covers the entire balance sheet and provides incentives for banks to use stable sources of funding.

The Committee's 2008 guidance ***Principles for Sound Liquidity Risk Management and Supervision*** takes account of lessons learned during the crisis. It is based on a fundamental review of sound practices for managing liquidity risk in banking organisations.

Supervisory monitoring
The liquidity framework includes a common set of intraday and longer-term monitoring metrics to assist supervisors in identifying and analysing liquidity risk trends at both the bank and system-wide level.

Large exposures

Large exposures regime established to mitigate systemic risks arising from interlinkages across financial institutions and concentrated exposures.

Source: BIS, MIDFR

D. Final Thoughts

Maintain POSITIVE. We recommend buying on weakness, in line with global banking fears. Fundamentals are still solid, compounded with the fact that local banks are adequately equipped to handle any forms of stress in the coming quarters. We do note positive repricing may be slightly delayed, seeing that recent market jitters have yet to subside. Debt-serviceability concerns are so far well within banks' expectations.

Despite interest-related headwinds, we continue to favour the sector for (i) High dividend yields, (ii) Propensity for an upside surprise to earnings, in the form of overlay writebacks, (iii) Recovering non-interest contributions, (iv) undervalued Ringgit, offering investment incentive to foreign institutional players. Our top picks are **Public Bank (BUY, TP: RM5.08)** and **CIMB (BUY, TP: RM6.55).**

PEER COMPARISON TABLE

Bank	Rec	Share P*	Target P	Upside	Mkt Cap	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)	
		(RM)	(RM)	(%)	(RM b)	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
MAY	NEUTRAL	8.63	8.94	3.6	103.3	10.5	9.6	1.1	1.1	11.0	11.7	7.8	8.6
CIMB	BUY	5.35	6.55	22.4	55.8	8.4	7.6	0.8	0.8	10.4	10.9	6.2	6.9
PBK	BUY	3.98	5.08	27.6	77.3	11.1	10.8	1.4	1.3	13.4	12.8	4.5	4.7
RHB	BUY	5.57	6.74	21.0	22.6	7.0	6.1	0.7	0.7	10.7	11.7	7.1	8.2
HLBK	BUY	20.24	24.90	23.0	41.5	10.7	9.8	1.3	1.2	12.3	12.6	3.3	3.6
HLFG	BUY	18.04	24.79	37.4	20.5	7.4	6.8	0.7	0.6	10.1	9.6	2.7	2.9
AMMB	BUY	3.72	5.24	40.9	12.3	6.9	6.4	0.7	0.7	10.4	10.6	4.3	4.7
BIMB	BUY	2.16	2.99	38.4	4.6	7.8	7.1	0.7	0.6	8.7	9.0	6.8	7.5
AFFIN	NEUTRAL	2.03	2.11	3.9	4.3	7.7	6.7	0.4	0.4	5.7	6.3	3.9	4.4
ABMB	BUY	3.38	4.26	26.0	5.2	7.7	7.2	0.7	0.7	10.1	10.3	6.5	7.0
Weighted avg (ex-HLFG)						**9.8**	**9.1**	**1.1**	**1.0**	**11.5**	**11.8**	**5.9**	**6.5**

**Closing prices from 30 Mar 2023.*

Source: Banks, MIDFR

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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