

# CIMB Group Holdings Berhad

(1023 | CIMB MK) Financial Services | Finance

## 4QFY23 Results: NIM and Cost Control are Main Priorities

**Maintain BUY**
**Revised Target Price: RM6.95**  
 (Previously RM6.82)

### KEY INVESTMENT HIGHLIGHTS

- FY23's Core NP of RM6,536m was *Within/Within* our/*street* forecasts: **100%/97%** of full-year forecasts
- Management's tone: **Mostly optimistic**
- Core themes: **(a) NIM preservation, (b) Cost control, (c) Singapore and Thailand**
- Forecasts revised: **FY24F/FY25F Core NP adjusted by +4%/+3%**
- **Maintain BUY | Revised TP of RM6.95 | based on a revised FY25F P/BV of 0.97x (formerly 0.96x)**

### Verdict: **Still some room for upside.**

<b>Yays</b>	1. Niaga and Singapore provide excellent regional exposure. 2. Solid dividend yields, with possibility of special dividend recurrence. 3. Digital offerings to come online soon.
<b>Nays</b>	1. Thai segment continues to underperform.
<b>OKs</b>	1. GIL and provision buffers well maintained. 2. Portfolio restructuring to end soon, reducing loan contraction pressure.

### Results in a nutshell:

▲ **FY23's Core net profit (NP) of RM6,536m up by +20%oyoy.** Core driver was NOII, improved NCC profile and tax normalisation, offsetting weaker NII and rising OPEX.

▼ **4QFY23's Core NP of RM1,270m down by -31%qoq.** But recall 3QFY23 as being a strong quarter. This quarter performed poorer in virtually all aspects – the sharpest of which was NOII. A restructuring effort in the local corporate division further elevated OPEX.

▲ **Gross loans grew by +2.1%qoq, coming up to +8.3%YTD.**

▲ **Deposits grew by +1.7%qoq, coming up to +7.0%YTD.**

▲ **GIL moved by -51bps to 2.67%, LLC currently at 97%.** Very sharp improvement, in line with CIMB's intention for an improved GIL/NCC profile.

### Have a look at:

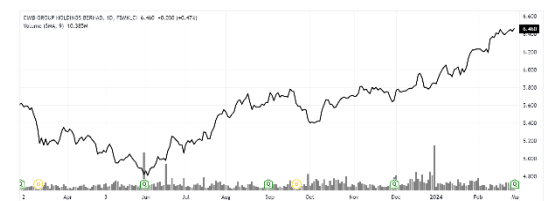
▼ **Initial Forward23+ FY24 ROE targets of 11.5-12.5% are not achievable.** This is due to industry CET 1 ratios now having to be ~14.5% range, rather than 13.5% when Forward23+ was first drafted. Management issued a special dividend this quarter to streamline its capital structure.

▶ **NIM preservation is number one priority.** Management cites improvement in this aspect as the number one lever to achieving their ROE recovery. Notably, in contrast with their peers, they've guided local NIM to improve (Stable to +5bps expansion), as they will be employing stricter loan selection measures (they're only looking to grow in line with the industry), willing to lose market share.

### RETURN STATISTICS

Price @ 1 March 2024 (RM)	6.46
Expected share price return (%)	+7.5
Expected dividend yield (%)	+6.0
Expected total return (%)	<b>+13.5</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.4	1.2
3 months	10.3	5.0
12 months	17.9	10.6

### INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
<b>Core NP (RM m)</b>	<b>7,480</b>	<b>7,907</b>	<b>8,268</b>
CNP growth (%)	7	6	5
<b>Div yield (%)</b>	<b>5.8</b>	<b>6.0</b>	<b>6.1</b>
Gross DPS (sen)	37.5	38.7	39.5
<b>P/BV (x)</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>
BVPS (RM)	6.8	7.2	7.6
<b>ROE (%)</b>	<b>10.6</b>	<b>10.6</b>	<b>10.5</b>
MIDF/Street CNP (%)	103	102	

### KEY STATISTICS

FBM KLCI	1,551.44
Issue shares (m)	10,474.0
Estimated free float (%)	43.4
Market Capitalisation (RM'm)	68,789.9
52-wk price range	RM4.8 - RM6.46
3-mth avg daily volume (m)	17.2
3-mth avg daily value (RM'm)	102.5
Top Shareholders (%)	
Khazanah Nasional Bhd	23.6
EPF Board	13.6
Amanah Saham Nasional Bhd	9.9

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If we breakdown 4QFY23's -10bps qoq contraction, we see: MY experiencing high-single digit contraction (seasonal effects), IND: -28bps qoq (low yielding corporate loans + seasonal effects), SG: +5bps, TH: -17bps (Would have been flattish if not for opportunistic bond buying).

► **Cost control is another important lever.** Management is intent on getting positive JAWs in FY24. More positively, tech capex is already past its peak. Note that their FY24 guidance of <46.9% is easier to achieve than Forward23+'s <45% aspirations. <45% is not achievable: Management wasn't expecting such strict revenue contraction from disappointing NIMs and personnel costs to be hit by such sharp cost inflation (thanks to collective bargaining). CIMB notes that it is already entering another cycle of collective bargaining, so be cautious of impact.

▲ **Watch Singapore...** CIMB Singapore performed much better than expected and now is a core component of CIMB's ROE optimisation strategy. The segment has excess liquidity, good economic prospects and fantastic execution. Great CASA growth is also driven by consumer and commercial segments.

► **...and Thailand.** While TH's consumer segment may be underperforming (aside from its paring down of its commercial loans), corporate segment doing very well. Of the consumer segment, consumer wealth and preferred segment are notable outliers, outperforming the rest. The Group may be looking to revise strategic capital allocation plans in TH, tackling consumer segment's struggling auto financing segment (management attributes poor economic conditions and poor economic environment as causes).

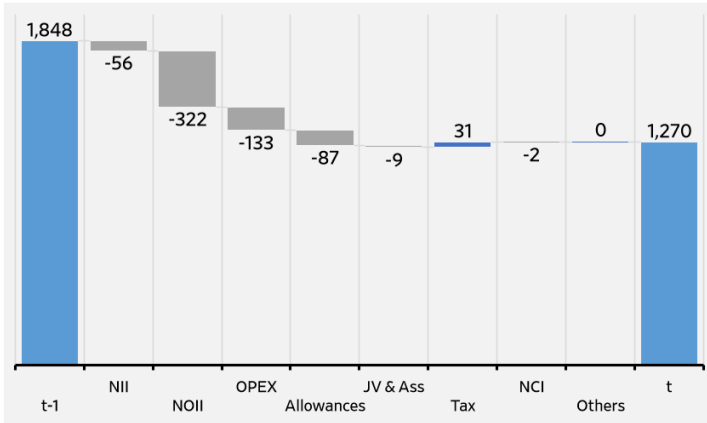
**Forecasts revised: FY24F/FY25F Core NP adjusted by +4%/+3%.** To reflect newer targets and guidance.

**Key downside risks.** (1) Steep NIM compression, (2) Poor NOII result, (3) Continued OPEX inflation.

**Maintain BUY call: Revised GGM-TP of RM 6.95 (from RM6.82).** The TP is based on a revised FY25F P/BV of 0.97x (formerly 0.96x), to reflect altered earnings prospects and ROE-based valuations.

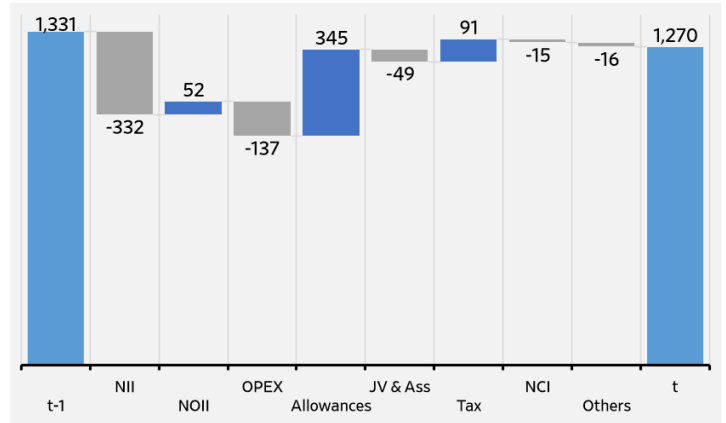
**(GGM assumptions: FY25F ROE of 10.6%, LTG of 3.5% & COE of 10.8%)**

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



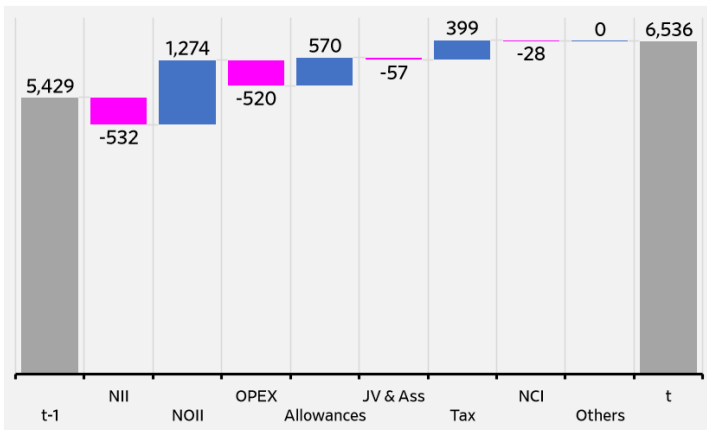
Source: CIMB, MIDFR

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



Source: CIMB, MIDFR

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



Source: CIMB, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	4Q FY23	3Q FY23	4Q FY22	Yoy (%)	Qoq (%)	FY23	FY22	Yoy (%)
Net interest inc.	2,328	2,841	3,107	-25	-18	10,638	11,630	-9
Islamic banking inc.	1,120	1,090	1,032	9	3	4,260	4,000	7
Non-interest inc.	1,482	1,378	1,070	38	8	5,670	4,198	35
<b>Net income</b>	<b>4,930</b>	<b>5,308</b>	<b>5,209</b>	<b>-5</b>	<b>-7</b>	<b>20,569</b>	<b>19,827</b>	<b>4</b>
OPEX	(2,625)	(2,492)	(2,487)	6	5	(9,865)	(9,346)	6
<b>PPOP</b>	<b>2,305</b>	<b>2,816</b>	<b>2,722</b>	<b>-15</b>	<b>-18</b>	<b>10,704</b>	<b>10,482</b>	<b>2</b>
Loan provisions	(374)	(297)	(722)	-48	26	(1,534)	(1,953)	-21
Other provisions	(26)	(16)	(23)	13	64	(57)	(209)	-73
Others	-	-	10	n.m.	n.m.	-	10	n.m.
JV & Associates	(20)	(12)	29	n.m.	n.m.	(17)	40	n.m.
<b>PBT</b>	<b>1,885</b>	<b>2,492</b>	<b>2,017</b>	<b>-7</b>	<b>-24</b>	<b>9,095</b>	<b>8,371</b>	<b>9</b>
Tax	(570)	(601)	(661)	-14	-5	(2,379)	(2,778)	-14
NCI	(45)	(43)	(30)	50	4	(181)	(153)	18
<b>Reported NP</b>	<b>1,270</b>	<b>1,848</b>	<b>1,325</b>	<b>-4</b>	<b>-31</b>	<b>6,536</b>	<b>5,440</b>	<b>20</b>
<b>Core NP</b>	<b>1,270</b>	<b>1,848</b>	<b>1,331</b>	<b>-5</b>	<b>-31</b>	<b>6,536</b>	<b>5,429</b>	<b>20</b>
Total Nil	3,701	3,757	4,033	-8	-1	14,626	15,158	-4
Total NOII	1,229	1,551	1,176	4	-21	5,943	4,669	27
<b>Gross DPS (sen)</b>	<b>25.5</b>	<b>-</b>	<b>13.0</b>	<b>n.m.</b>	<b>n.m.</b>	<b>43.0</b>	<b>26.0</b>	<b>n.m.</b>
Core EPS (sen)	11.9	17.3	12.7	-7	-31	61.1	52.0	18
Gross loans	440,922	431,802	407,057	8.3	2.1			
Gross impaired loans	11,770	13,707	13,321	-11.6	-14.1			
Customer deposits	463,442	455,604	432,950	7.0	1.7			
CASA	203,077	190,592	182,292	11.4	6.6			
<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>7.4</b>	<b>10.8</b>	<b>8.5</b>	<b>-1.1</b>	<b>-3.4</b>	<b>9.4</b>	<b>8.5</b>	<b>0.8</b>
<b>NIM (Reported)</b>	<b>2.15</b>	<b>2.25</b>	<b>2.57</b>	<b>-0.42</b>	<b>-0.10</b>	<b>2.22</b>	<b>2.51</b>	<b>-0.29</b>
NOII/Net income	24.9	29.2	22.6	2.3	-4.3	28.9	23.5	5.3
Cost/Income	53.2	46.9	47.7	5.5	6.3	48.0	47.1	0.8
NCC (Ann.) (bps)	35	28	74	-38	7	36	50	-14
GIL ratio	2.67	3.17	3.27	-0.60	-0.51			
Loan loss coverage	97	95	93	4	2			
CASA ratio	43.8	41.8	42.1	1.7	2.0			
L/D ratio	92.7	91.9	91.1	1.5	0.8			
CET-1	14.5	13.9	14.5	-0.0	0.6			

Source: CIMB, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)	
Qtrly Core NP	RM mil	1,270	Qtrly ROE	Qtr value	7.4%	Comfortably met ROE guidance.	
	20% of FY CNP						
	Qoq	-31%		t-1	10.8%		
	Yoy	-5%		t-4	8.5%		
Cum Core NP	RM mil	6,536	Cum ROE	Cum value	9.4%		
	Within our forecast						
	100% of FY CNP						
	Within consensus						
	97% of FY CNP						
Yoy	20%	t-1	8.5%				
NII	As expected		NIM	As expected		NIM compression was steep but well-guided.	
				Qtr value	2.15		
				Cum value	2.22		
	Qtr (Qoq)	-1%		Qtr (Qoq)	-10bps		
	Qtr (Yoy)	-8%		Qtr (Yoy)	-42bps		
	Cum (Yoy)	-4%		Cum (Yoy)	-29bps		
NOII	As expected		Qtr	% NII	75%		Still a strong quarter, but high base effects from the last quarter.
	Qtr (Qoq)	-21%		% NOII	25%		
	Qtr (Yoy)	4%	Cum	% NII	71%		
	Cum (Yoy)	27%		% NOII	29%		
OPEX	As expected		Cost/ Inc.	As expected		Was unable to meet CIR target.	
				Qtr value	53.2%		
				Cum value	48.0%		
	Qtr (Qoq)	5%		Qtr (Qoq)	+6.3%		
	Qtr (Yoy)	6%		Qtr (Yoy)	+5.5%		
Cum (Yoy)	6%	Cum (Yoy)	+0.8%				

Source: CIMB, MIDFR

**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					Solid loan growth.
	Qoq	2.1%				
	Yoy	8.3%				
	YTD (FY)	8.3%				
Depo. grwth	As expected		CASA grwth	As expected		Excellent CASA pickup.
	Qoq	1.7%		Qoq	6.6%	
	Yoy	7.0%		Yoy	11.4%	
	YTD (FY)	7.0%		YTD (FY)	11.4%	
CASA ratio	As expected		L/D ratio	As expected		
	Value now	43.8%		Value now	92.7%	
	Qoq	+2.0%		Qoq	+0.8%	
	Yoy	+1.7%		Yoy	+1.5%	
GIL ratio	+ve surprise		LLC ratio	As expected		GIL ratio fell very sharply.
	Value now	2.67%		Value now	97%	
	Qoq	-51bps		Qoq	+2%	
	Yoy	-60bps		Yoy	+4%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	Decent provision			Decent provision		
	Value now	35bps		Value now	36bps	
	t-1	28bps		t-4	50bps	
CET 1	Healthy level		Div payout	Div announced		Surprise dividend announced.
	As expected			+ve surprise		
	Value now	14.5%		Payout	66%	
	Qoq	0.6%				
<b>Others:</b>						

Source: CIMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY24F	FY23F	FY23	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	11.0-11.5	10.2-11.0	9.4	Management guides that result will likely come in the lower end.
CIR	<46.9	<46.5	48.0	OPEX growth: mid-single-digit level.
NIM	+0-5bps from 2.22	-15-20 bps from 2.51	2.22	MY: +0-5bps improvement, IND: Stable to minor contraction.
NOII			27% (yoy)	
Loans	5-7	6-7	8.3 (YTD)	
Deposits			7.0 (YTD)	
CASA			43.8	
Loan/Depo.			92.7	
GIL ratio			2.67	
NCC (bps)	30-40	40-50	36	
LLC	90-100		97	
CET 1	14.5	>13.5	14.5	
Div payout	55	55	66	The total sum includes standard payout (55%) and special dividend (11%).

Source: CIMB, MIDFR

## FINANCIAL SUMMARY

### INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest income	18,646	25,111	21,837	22,513	23,099
Interest expense	(7,016)	(14,027)	(9,120)	(9,120)	(9,120)
<b>Net interest income</b>	<b>11,630</b>	<b>11,084</b>	<b>12,717</b>	<b>13,393</b>	<b>13,979</b>
Islamic banking inc.	4,000	4,260	3,756	3,956	4,129
Other operating inc.	4,208	5,670	5,903	6,195	6,491
<b>Net income</b>	<b>19,838</b>	<b>21,014</b>	<b>22,377</b>	<b>23,544</b>	<b>24,599</b>
OPEX	(9,346)	(9,865)	(10,405)	(10,712)	(11,193)
<b>PPOP</b>	<b>10,492</b>	<b>11,149</b>	<b>11,971</b>	<b>12,831</b>	<b>13,407</b>
Loan allowances	(1,953)	(1,534)	(1,590)	(1,685)	(1,786)
Other allowances	(209)	(57)	(275)	(464)	(451)
JV & Associates	40	(17)	123	131	137
<b>PBT</b>	<b>8,371</b>	<b>9,541</b>	<b>10,229</b>	<b>10,813</b>	<b>11,307</b>
Tax & zakat	(2,778)	(2,379)	(2,557)	(2,703)	(2,827)
NCI	(153)	(181)	(192)	(203)	(212)
<b>Reported NP</b>	<b>5,440</b>	<b>6,981</b>	<b>7,480</b>	<b>7,907</b>	<b>8,268</b>
<b>Core NP</b>	<b>5,542</b>	<b>6,981</b>	<b>7,480</b>	<b>7,907</b>	<b>8,268</b>
Total NII	15,158	14,626	16,098	16,953	17,695
Total NOII	4,680	6,388	6,279	6,590	6,904

### BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	47,105	37,980	39,011	40,227	39,953
Investment securities	156,410	198,844	199,893	201,251	202,932
Net loans	394,557	429,450	456,007	483,381	512,397
Other IEAs	9,751	9,708	10,873	12,177	13,639
Non-IEAs	58,897	57,590	62,538	68,240	76,051
<b>Total assets</b>	<b>666,721</b>	<b>733,572</b>	<b>768,321</b>	<b>805,276</b>	<b>844,971</b>
Customer deposits	432,950	463,442	491,712	521,706	553,531
Other IBLs	115,648	148,148	148,699	149,797	151,464
Non-IBLs	54,340	52,143	53,751	55,519	57,464
<b>Total liabilities</b>	<b>602,937</b>	<b>663,733</b>	<b>694,162</b>	<b>727,022</b>	<b>762,459</b>
Share capital	29,095	29,095	29,095	29,095	29,095
Reserves	33,397	39,232	43,486	47,503	51,683
<b>Shareholders' funds</b>	<b>62,491</b>	<b>68,327</b>	<b>72,581</b>	<b>76,598</b>	<b>80,778</b>
Perpetual pref. shares	200	200	200	200	200
NCI	1,093	1,312	1,379	1,455	1,535
<b>Total equity</b>	<b>63,784</b>	<b>69,839</b>	<b>74,160</b>	<b>78,253</b>	<b>82,513</b>
<b>Total L&amp;E</b>	<b>666,721</b>	<b>733,572</b>	<b>768,321</b>	<b>805,276</b>	<b>844,971</b>
Total IEAs	607,824	675,982	705,783	737,036	768,920
Total IBLs	548,598	611,590	640,411	671,503	704,994
Gross loans	407,057	440,922	467,377	495,420	525,145
CASA	182,292	203,077	206,519	213,900	226,948

### FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Interest (%)</b>					
NIM	2.56	2.28	2.33	2.35	2.35
Return on IEAs	3.15	3.91	3.16	3.12	3.07
Cost of funds	1.30	2.42	1.46	1.39	1.33
Net interest spread	1.84	1.49	1.70	1.73	1.74
<b>Profitability (%)</b>					
<b>ROE</b>	<b>9.1</b>	<b>10.7</b>	<b>10.6</b>	<b>10.6</b>	<b>10.5</b>
ROA	0.9	1.0	1.0	1.0	1.0
NOII/Net income	23.6	30.4	28.1	28.0	28.1
Effective tax rate	33.2	24.9	25.0	25.0	25.0
Cost/Income	47.1	46.9	46.5	45.5	45.5
<b>Liquidity (%)</b>					
Loan/Deposit	91.1	92.7	92.7	92.7	92.6
CASA ratio	42.1	43.8	42.0	41.0	41.0
<b>Asset Quality (%)</b>					
GIL ratio	3.27	2.67	2.50	2.50	2.50
LLC ratio	93	97	95	95	95
LLC (w. reserves)	96	106	105	104	104
Net CC (bps)	50	36	35	35	35
<b>Capital (%)</b>					
CET 1	14.5	14.5	14.2	14.2	14.0
Tier 1 capital	15.4	15.1	14.8	14.8	14.6
Total capital	18.5	18.2	17.9	17.9	17.7
<b>Growth (%)</b>					
Total NII	8.6	-3.5	10.1	5.3	4.4
Total NOII	-15.8	36.5	-1.7	5.0	4.8
Net income	1.7	5.9	6.5	5.2	4.5
OPEX	-0.8	5.6	5.5	3.0	4.5
Core NP	19.2	26.0	7.2	5.7	4.6
Gross loans	7.7	8.3	6.0	6.0	6.0
Customer deposits	2.5	7.0	6.1	6.1	6.1
CASA	-2.0	11.4	1.7	3.6	6.1
<b>Valuation metrics</b>					
Core EPS (sen)	51.8	65.3	69.9	73.9	77.3
Gross DPS (sen)	26.0	43.0	37.5	38.7	39.5
Div payout (%)	50	66	55	55	55
BVPS (RM)	5.8	6.4	6.8	7.2	7.6
Core P/E (x)	12.5	9.9	9.2	8.7	8.4
<b>Div yield (%)</b>	<b>4.0</b>	<b>6.7</b>	<b>5.8</b>	<b>6.0</b>	<b>6.1</b>
P/BV (x)	1.1	1.0	1.0	0.9	0.9

Source: CIMB, 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