Banking

POSITIVE (Maintain)

May-26: Tailwinds and Headwinds

Analyst
Samuel Woo
samuelwoo.cy@mbsb.com
03-2173 8461

HIGHLIGHTS

- ▲ **(1) Loan growth continues to strengthen, largely driven by business loans; (2) Liquidity growth remains buoyed by CASA growth, which far outstrips FD growth.**
- ▼ **(1) Some irritation seen on the GIL front – especially in more vulnerable segments such as working capital and personal financing, (2) ALR continues to contract.**
- ► **(1) More normalised loan applications; (2) Board FD rates flattish (though promo rates have hiked up significantly).**
- **Maintain POSITIVE call: The sector remains an excellent defensive pick but faces some headwinds – particularly from an asset quality/provisioning front.**

Sector Verdict

After recent profit taking, industry valuations present buying opportunities. Fundamentally, the banking sector is sound and remains an excellent defensive option: we like the sector's dividend yields, asset growth outlook, and topline prospects. However, headwinds continue to loom, largely in the form of asset quality/provisioning issues, as the US-Iran negotiations seem tenuous at best. While slowing loan growth does not seem to pose a threat any longer, deposit competition is ramping up significantly, provide some downside to NIM.

Core Themes

1. ▲ **Core beneficiary of emerging market inflows.** Our robust economic growth outlook, excellent dividend yields, superior asset quality, and high capitalisation levels give our banks a more defensive nature, making it an attractive pick.
2. ▲ **Dividend outlook remains extremely bright.** Capital ratios remain elevated, and the Basel transition is capital accretive in most cases. Several banks have already announced special dividends. However, we do not foresee much positive surprises in the near term.
3. ▲ **Expect fee income to drive topline, though non-fee income could see some normalisation.** Wealth management, bancassurance, and debt capital markets are major drivers. Forex volatility aside, the stabilisation of interest rates should result in some moderation in investment income – hence expect normalisation from CY25's strong result.
4. ▲ **Loan growth is ramping up.** So far, banking stats suggests that loan growth is performing better than expected – particularly the business loan segment. Banks with large international exposure may find it more difficult, as currency fluctuations may crimp loan growth of these banks.
5. ► **Liquidity is getting tighter.** CASA growth remains strong and non-deposit funding is still a very attractive option. Despite this, we get a sense that banks were not expecting such strong loan demand – as a result, an ongoing scramble for deposits is elevating FD rates.
6. ► **Fairly optimistic on NIMs, but deposit competition is escalating.** Some banks are positive on NIM, premised on further FD release. Several banks also see limited room for further optimisation, especially as deposit competition ramps up sharply (and we are not expecting any OPR hikes this year). On the asset side, expect more aggressive loan rebalancing, favouring higher-yielding business loans.
7. ► **Rising cost pressures may pressure OPEX.** While we expect further tech efficiencies to come online, some banks are still investing heavily in tech and business expansion. Expect sharp OPEX growth among rapidly expanding smaller banks (and MAY).
8. ► **Possible asset quality issues ahead – but banks are calm.** The war may be (somewhat) over but the allegiance is tenuous at best; also, heightened cost pressures will take some time to abate as supply chains normalise. So far only a few banks have sounded alarm bells – but do not expect anything overly severe. Expect higher sector-wide NCC as a result.

COMPANY *IN FOCUS*

HL Bank

Maintain BUY | Target Price: RM30.50
Price @ 30 June 2026: RM21.40

- Loan growth is very high for a mid-sized bank.
- Defensive pick: Asset quality and provisioning remain the industry's best.
- Sharp NOII growth persists from regional offerings. "Low-hanging fruit" is still close.

SHARE PRICE CHART



CIMB

Maintain BUY | Target Price: RM9.29
Price @ 30 June 2026: RM7.41

- Dividend yields remain high, bolstered by special dividends. We could even see frontloading in FY26.
- Optimistic on NIM, with NIM compression bottoming out in various geographies.
- Thai segment restructuring should finish by end-FY26, and we should see ROE expansion.

SHARE PRICE CHART



FIG 1: Overview of Major Indicators

Category	Performance	Notes
Loans	▲ **System loans:** +5.7%yoy | +0.5%mom ► **Household loans:** +5.2%yoy | +0.4%mom ▲ **Non-household loans:** +6.4%yoy | +0.7%mom ► **SME loans (May-26):** +4.5%yoy | +0.2%mom	Loan growth continues to strengthen even further, led primarily by a resurgence in business loans that began a couple of months ago. Working capital and non-residential mortgage loans acted as drivers this month.
Leading Indicators	► **System:** Mediocre month **Approval rates:** 57% ► **SME (May-26):** Mediocre month **SME Approval rates:** 51%	After last month's exuberance, we saw a slight decline this time. Last month saw exceptionally high volume of working capital and residential property applications – this month saw more normalised figures. Interestingly, the volume of applications this month was the highest they have ever been.
Deposits	▲ **Deposits + repos:** +4.4%yoy | +0.4%mom ▲ **Deposits (ex-repos):** +5.2%yoy | +0.8%mom ▼ **FD:** -0.3%yoy | 0.0%mom ▲ **CASA:** +9.6%yoy | +1.5%mom **Loan/Deposit ratio:** 92.6% **Loan Coverage ratio:** 149%	After weakness seen in the last month (which may have been due to festive season), deposit trends have resumed: CASA is growing aggressively while FD rates continue to stagnate.
GIL ratio	▼ **System GIL ratio:** 1.43% | +3bps mom ▼ **Retail:** 1.16% | +4bps mom ► **Business:** 1.75% | +2bps mom ► **SME GIL ratio (May-26):** 3.02% | +1bps mom	▼ **Notable deteriorations, mom:** Working capital +4bps, Personal financing +7bps, Passenger cars +4bps ▲ **Notable improvements, mom:** Securities -8bps, Construction -2bps.
Interest rates	► **FD rates (Conv):** Flattish ► **FD rates (Isl):** Flattish ▼ **Lending rates (ALR):** -2bps mom	While board rates still seem flattish, deposit competition seems to be in full swing, with promo FD rates creeping ever higher. On the flip side, ALR continues to compress.

Maintain POSITIVE call. *(Our comprehensive list of sector drivers is on the first page).*

Top downside risks include:

1. Weaker economic growth leads to weaker premium growth.
2. Cost inflation amps up again and impacts claims adversely.
3. Geopolitical risk, natural disasters, and changing weather conditions drive up reinsurance and claims significantly.

Top Picks: HL Bank (BUY, TP: RM30.50) and **CIMB (BUY, TP: RM9.29).**

PEER COMPARISON

Bank	Call	Share P	Target P	Upside	Mkt Cap	FY	P/B	ROE	LTG	COE	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)	
	^Top Pick	(RM)	(RM)	(%)	(RM b)	Basis	(x)	(%)	(%)	(%)	FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
MAY	BUY	10.78	12.01	11.4	130.3	FY27F	1.44	10.9	3.0	8.5	12.6	12.1	1.34	1.29	10.9	10.9	5.7	6.0
CIMB	^BUY	7.41	9.29	25.4	79.2	FY27F	1.33	10.9	4.0	9.2	10.2	9.8	1.09	1.06	10.8	10.9	6.3	6.5
PBK	NEUTRAL	4.80	4.96	3.3	92.7	FY27F	1.50	12.1	3.5	9.2	13.0	12.2	1.50	1.45	11.7	12.1	5.8	6.1
RHB	BUY	8.28	9.17	10.7	36.3	FY27F	1.08	9.4	4.0	9.0	10.8	10.6	1.02	0.98	9.6	9.4	5.5	5.6
HLBK	^BUY	21.40	30.50	42.5	43.9	FY27F	1.42	11.1	4.0	9.0	9.8	9.2	1.05	1.00	11.1	11.1	4.8	5.1
AMMB	BUY	6.37	7.63	19.8	21.0	FY27F	1.12	9.5	4.0	8.9	10.0	9.8	0.94	0.90	9.5	9.3	5.5	5.6
BIMB	NEUTRAL	2.11	2.30	9.0	4.7	FY27F	0.64	6.9	4.0	8.5	9.0	8.7	0.61	0.59	6.6	6.9	6.6	6.8
AFFIN	NEUTRAL	2.23	2.39	7.0	5.7	FY27F	0.47	4.8	3.0	6.8	10.3	9.3	0.45	0.44	4.5	4.8	3.9	4.2
ABMB	BUY	4.75	5.92	24.6	8.2	FY27F	1.09	9.8	5.0	9.4	9.2	8.8	0.87	0.82	9.8	9.6	4.5	4.7
Total Weighted avg											11.5	11.0	1.22	1.18	10.7	10.8	5.7	5.9
Large-Cap	MAY, CIMB, PBK										12.1	11.5	1.33	1.28	11.1	11.3	5.9	6.2
Mid-Cap	RHB, HLBK, AMMB										10.2	9.8	1.02	0.97	10.2	10.1	5.2	5.4
Small-Cap	BIMB, AFFIN, ABMB										9.5	8.9	0.68	0.64	7.4	7.5	4.8	5.1

*Closing prices from 01 Jul 2026.
*AMMB and ABMB use FY27F/28F values. ^HL Bank & HL FG uses FY23F/24F values.

Pecking Order: [HLBK & CIMB & ABMB] > [MAY & RHB & AMMB] > [AFFIN & BIMB] > [PBK]

Source: MBSBR

A. SYSTEM LOAN & CONSTITUENTS

FIG 2: Overview of Major Indicators

	yoy Growth rates (%)					YTD (%)
	May-26	Apr-26	Mar-26	Feb-26	May-25	
Total loans	**5.7**	**5.6**	**5.4**	**4.9**	**5.3**	**2.3**
Retail	5.2	5.3	5.3	5.4	6.3	1.8
Business	6.3	6.0	5.4	4.3	4.0	2.9
SME	4.5	4.6	5.5	5.9	7.6	0.6
Household loans	5.2	5.2	5.2	5.3	5.8	1.8
Non-HH loans	6.4	6.2	5.6	4.4	4.4	3.0
Deposits + repo	**4.4**	**3.4**	**4.2**	**2.6**	**2.7**	**1.9**
Total deposits	**5.2**	**4.3**	**4.8**	**3.9**	**3.1**	**1.9**
CASA	9.6	7.4	9.4	7.6	3.0	1.9
FD	-0.3	-0.3	0.2	1.4	2.5	-0.7
Total provisions	-4.4	-5.1	-5.1	-7.0	-7.3	3.7
Total GIL	3.8	3.6	3.9	2.5	-6.0	6.5
Leading indicators						
3MA applications	9	8	3	1		
Retail	2	-2	-1	0		
Business	17	20	8	2		
3MA approvals	10	10	13	12		
Retail	-0	-0	-0	3		
Business	18	19	25	19		

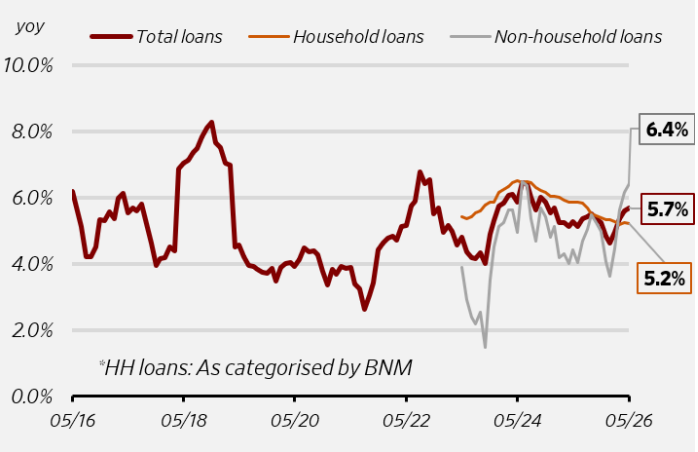
	mom Growth rates (%)				
	May-26	Apr-26	Mar-26	Feb-26	May-25
Total loans	**0.5**	**0.2**	**1.0**	**0.4**	**0.4**
Retail	0.4	0.4	0.3	0.2	0.5
Business	0.7	-0.0	2.0	0.5	0.4
SME	0.2	-0.6	0.9	0.6	0.2
Household loans	0.4	0.4	0.2	0.2	0.4
Non-HH loans	0.7	-0.1	2.2	0.6	0.4
Deposits + repo	**0.4**	**-0.5**	**1.9**	**0.7**	**-0.6**
Total deposits	**0.8**	**0.0**	**0.9**	**0.5**	**-0.0**
CASA	1.5	-2.0	1.3	1.0	-0.6
FD	0.0	-0.1	-0.9	0.5	0.1
Total provisions	1.5	0.4	-0.2	0.8	0.8
Total GIL	2.5	0.3	-0.6	2.0	2.3
Leading indicators					
3MA applications	10	7	6	-11	
Retail	9	3	-0	-8	
Business	11	11	13	-15	
3MA approvals	12	5	1	-9	
Retail	9	5	-1	-8	
Business	14	5	2	-10	

	May-26	Apr-26	Mar-26	Feb-26	Jan-26	May-25
Interest spread	2.32	2.39	2.37	2.33	2.35	2.39
ALR	4.51	4.53	4.56	4.55	4.55	4.94
3M FD rate	2.19	2.14	2.19	2.22	2.20	2.55
Loan approval rate	57	49	55	55	51	53
SME approval rate	54	51	43	56	54	47
GIL ratio	1.43	1.40	1.40	1.42	1.40	1.45
Retail	1.16	1.12	1.12	1.13	1.11	1.17
Business	1.75	1.73	1.73	1.77	1.75	1.80
SME	3.02	3.00	2.96	2.99	2.96	2.85
LLC ratio	82.6	83.4	83.3	82.9	83.9	89.6
CASA ratio	32.3	32.1	32.7	32.6	32.4	31.0
Loan/Deposit ratio	92.6	92.9	92.8	92.6	92.8	92.2
Liquidity coverage ratio	149	153	145	149	152	150
CET 1	14.0	14.1	14.2	14.3	14.8	14.4
Tier 1 Capital	14.5	14.6	14.7	14.8	15.3	14.9
Total Capital	17.5	17.6	17.7	17.8	18.3	17.9

	Period	Forecast	Formerly
Loan growth	CY26	5.0-5.3%	
GDP	CY26	4.5%	4.30%
OPR	CY26	2.75%	

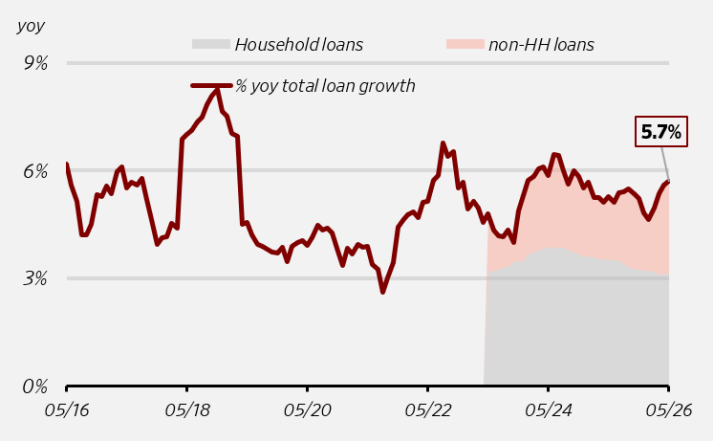
Source: BNM, MBSBR

FIG 3: yoy System/HH/non-HH loans



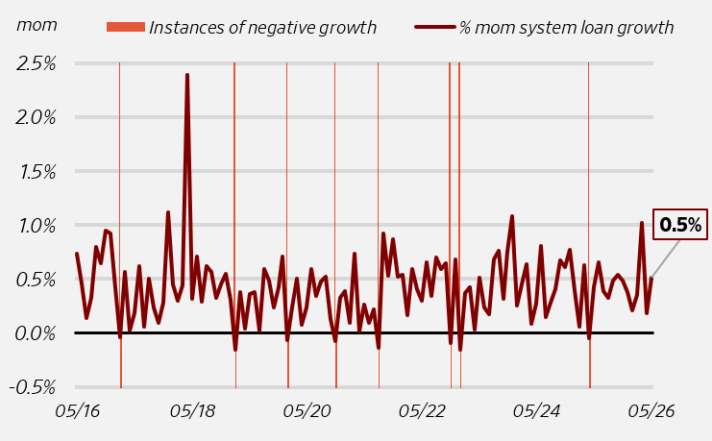
Source: BNM, MBSBR

FIG 4: yoy HH/non-HH loans as drivers



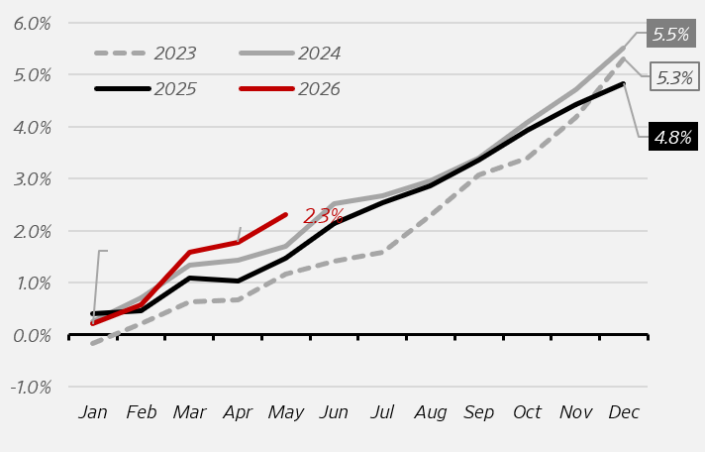
Source: BNM, MBSBR

FIG 5: mom System loans



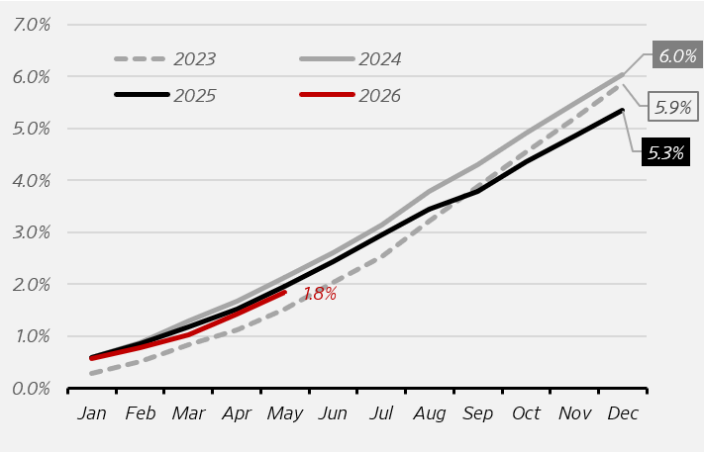
Source: BNM, MBSBR

FIG 6: YTD System loan growth comparison



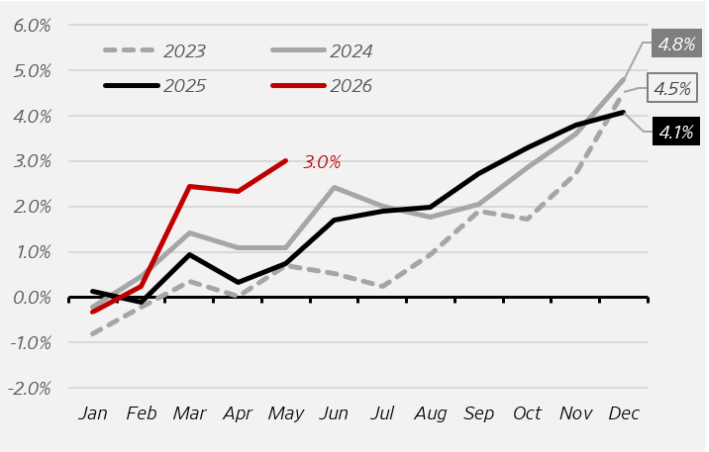
Source: BNM, MBSBR

FIG 7: YTD Household loan growth comparison



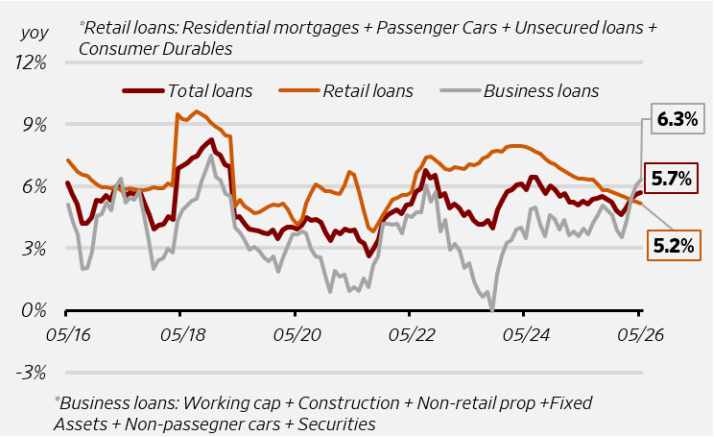
Source: BNM, MBSBR

FIG 8: YTD Non-HH loan growth comparison



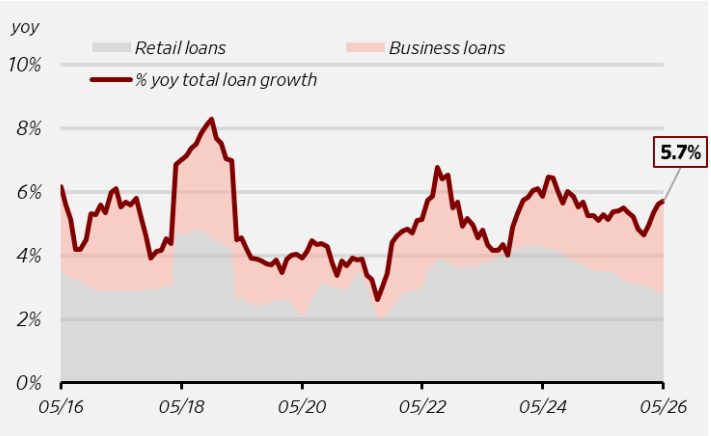
Source: BNM, MBSBR

FIG 9: Retail & business loan growth



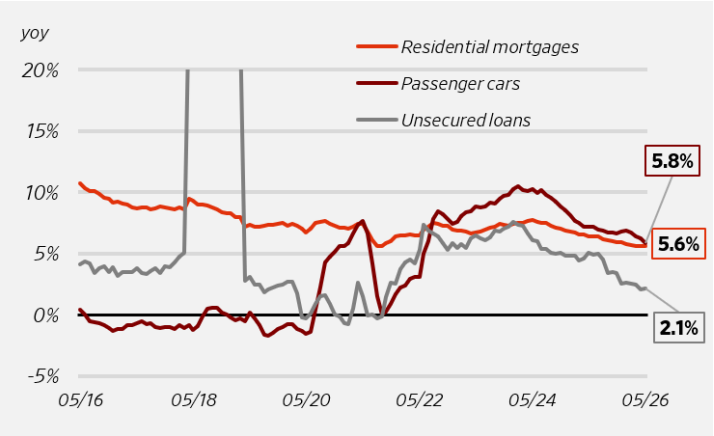
Source: BNM, MBSBR

FIG 10: Retail/business loans as drivers



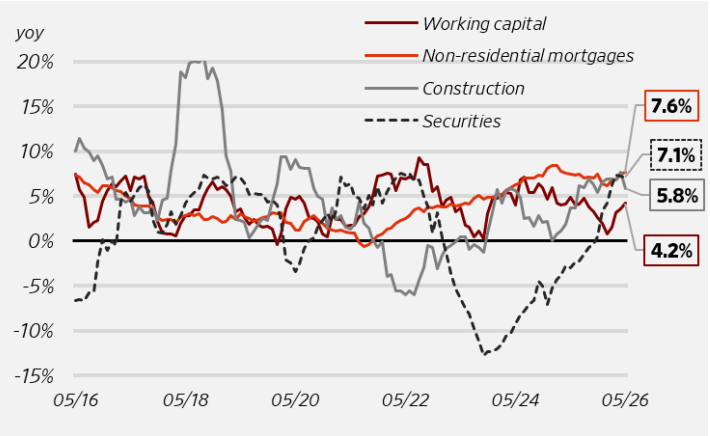
Source: BNM, MBSBR

FIG 11: Retail loan constituents



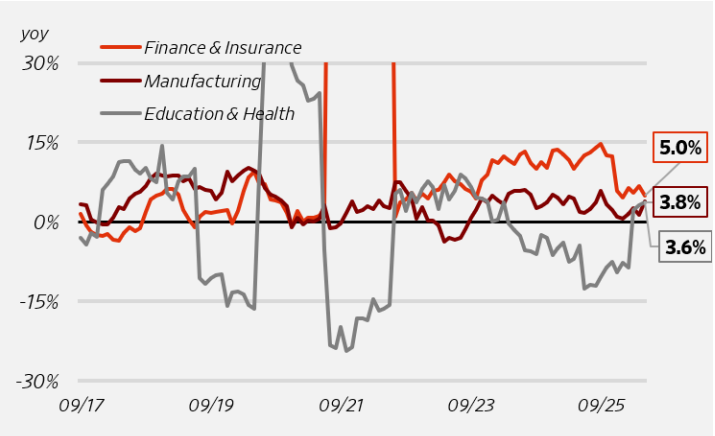
Source: BNM, MBSBR

FIG 12: Business loan constituents



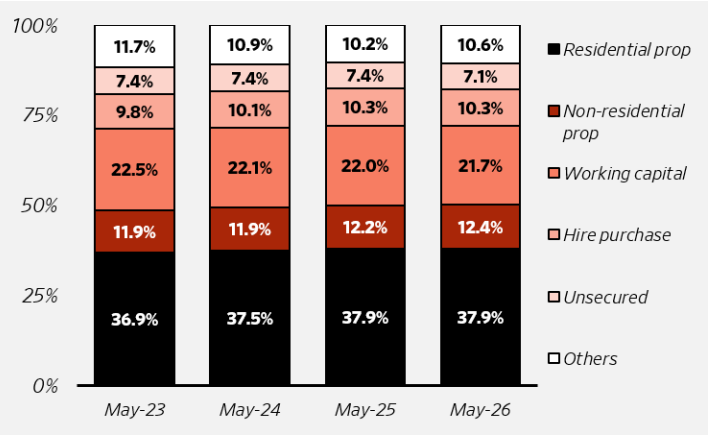
Source: BNM, MBSBR

FIG 13: Loan growth of other sectors



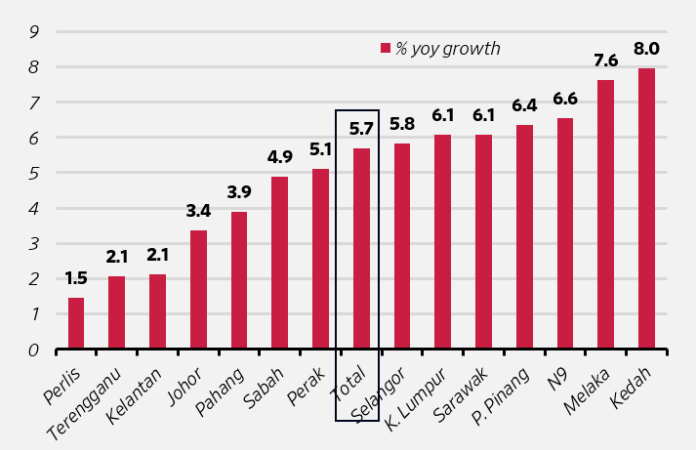
Source: BNM, MBSBR

FIG 14: Loan breakdown by type



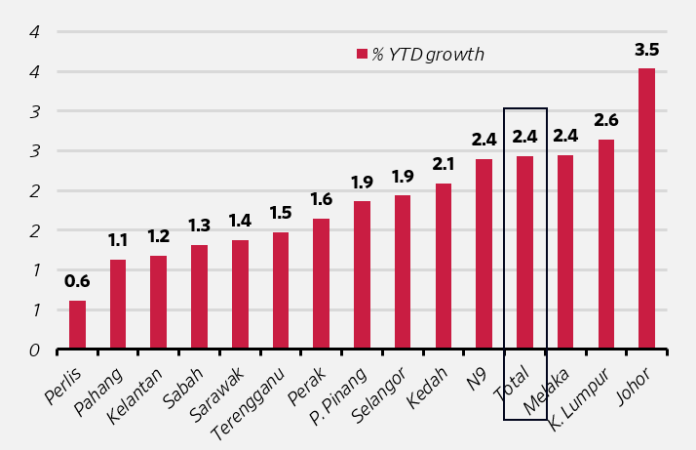
Source: BNM, MBSBR

FIG 15: yoy Loan growth by geography



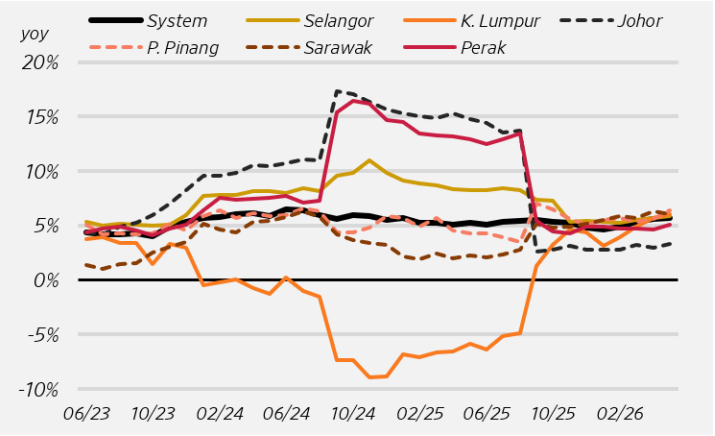
Source: BNM, MBSBR

FIG 16: YTD Loan growth by geography



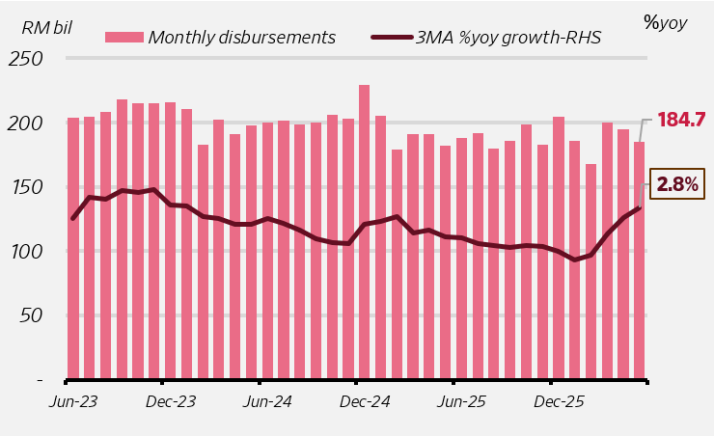
Source: BNM, MBSBR

FIG 17: Geographical loan growth comparison



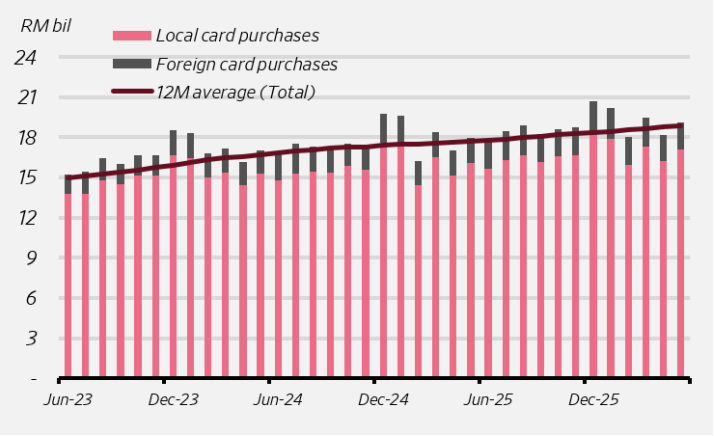
Source: BNM, MBSBR

FIG 18: Monthly disbursements



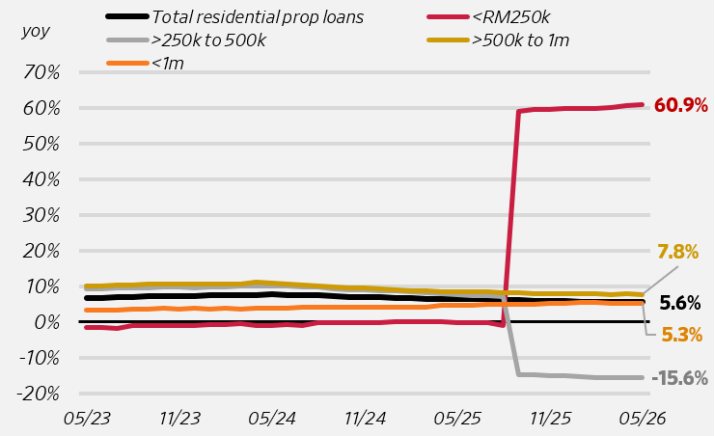
Source: BNM, MBSBR

FIG 19: Credit card purchases



Source: BNM, MBSBR

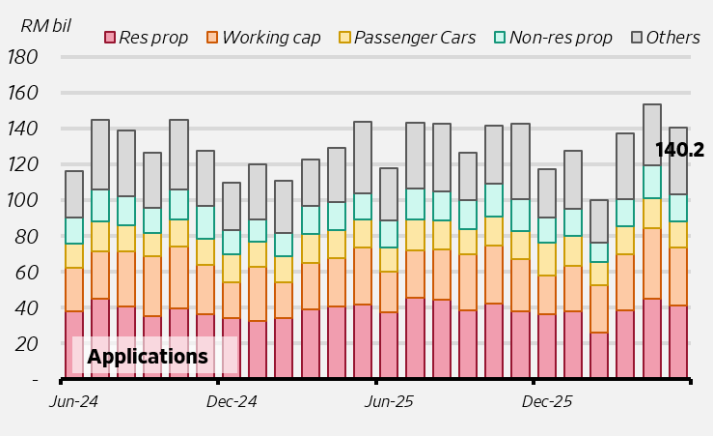
FIG 20: yoy Residential mortgages growth by cost



Source: BNM, MBSBR

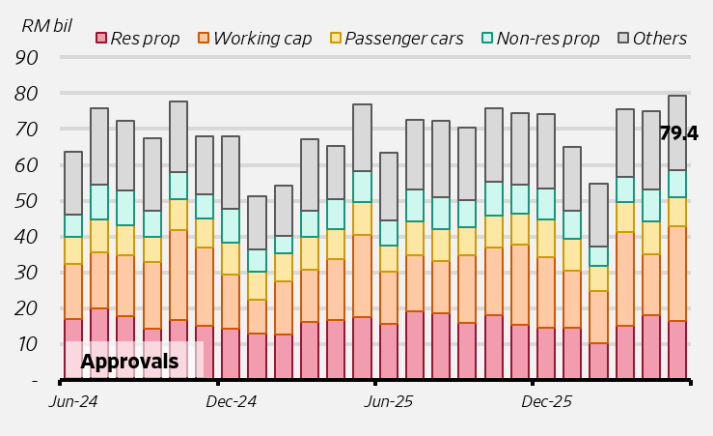
B. LEADING INDICATOR TRENDS

FIG 21: Monthly applications by type



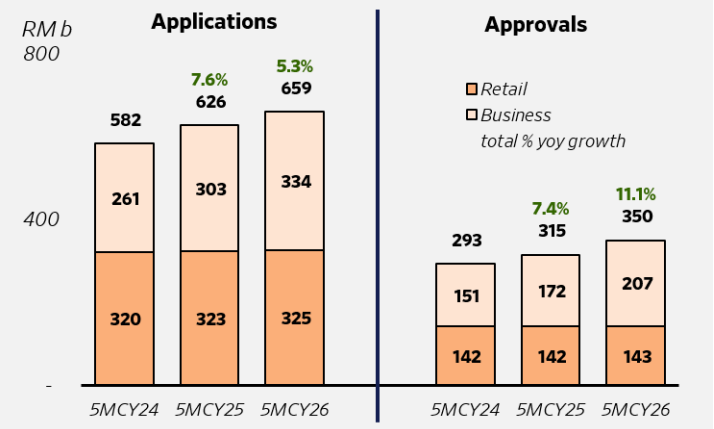
Source: BNM, MBSBR

FIG 22: Monthly approvals by type



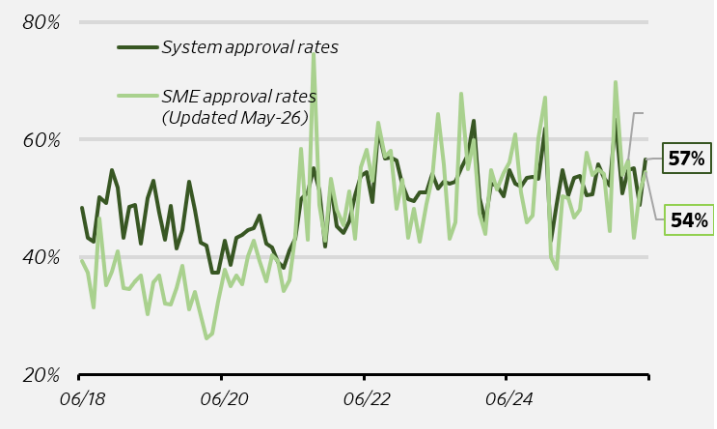
Source: BNM, MBSBR

FIG 23: Cumulative (CY) loan leading indicators



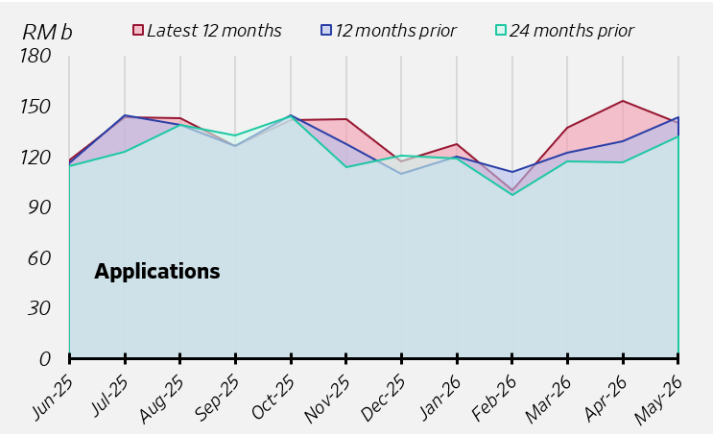
Source: BNM, MBSBR

FIG 24: System & SME approval rates



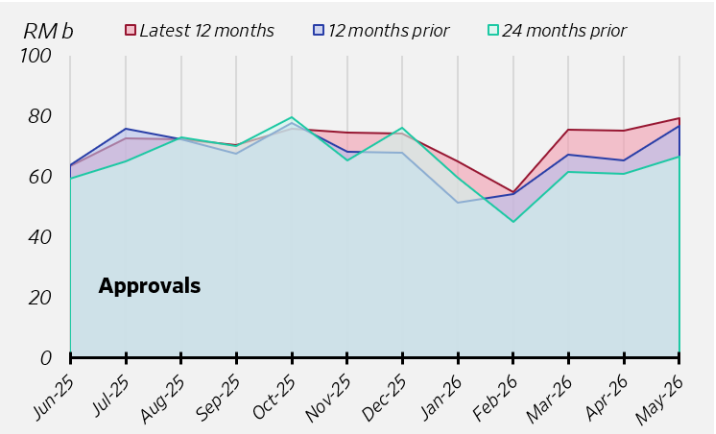
Source: BNM, MBSBR

FIG 25: Monthly loan application comparisons (yoy)



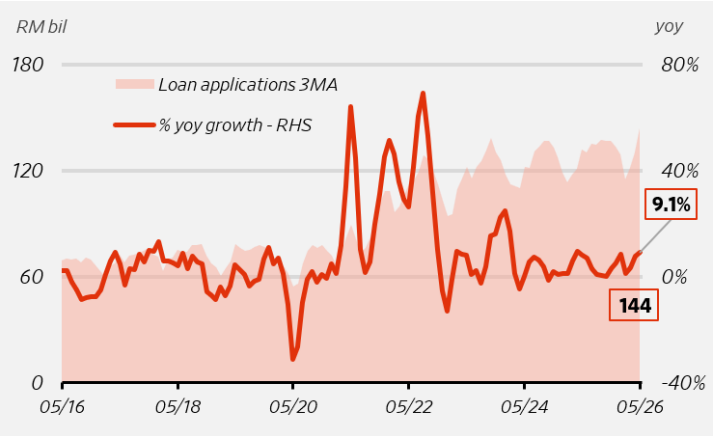
Source: BNM, MBSBR

FIG 26: Monthly loan approval comparisons (yoy)



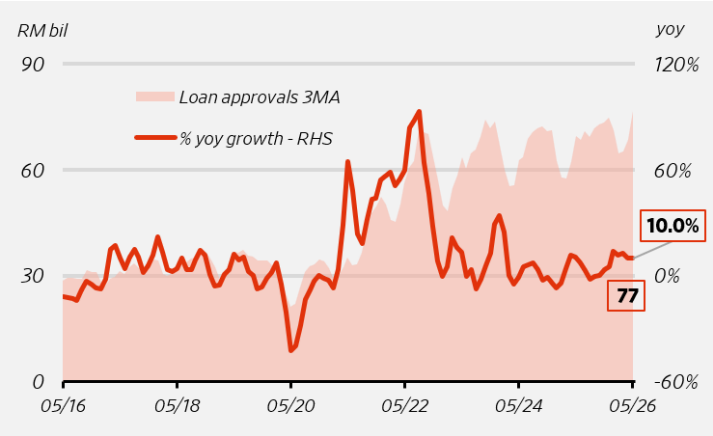
Source: BNM, MBSBR

FIG 27: Loan applications (3-mth average)



Source: BNM, MBSBR

FIG 28: Loan approvals (3-mth average)



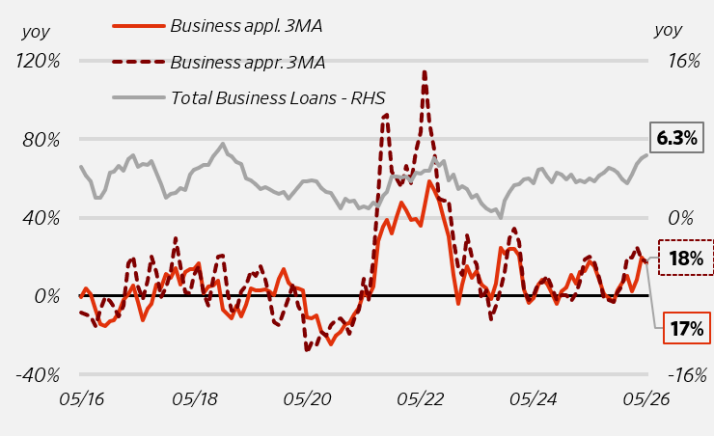
Source: BNM, MBSBR

FIG 29: Retail loan indicators



Source: BNM, MBSBR

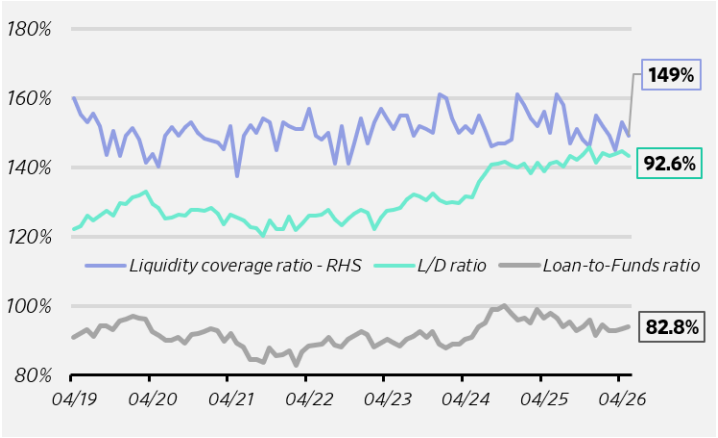
FIG 30: Business loan indicators



Source: BNM, MBSBR

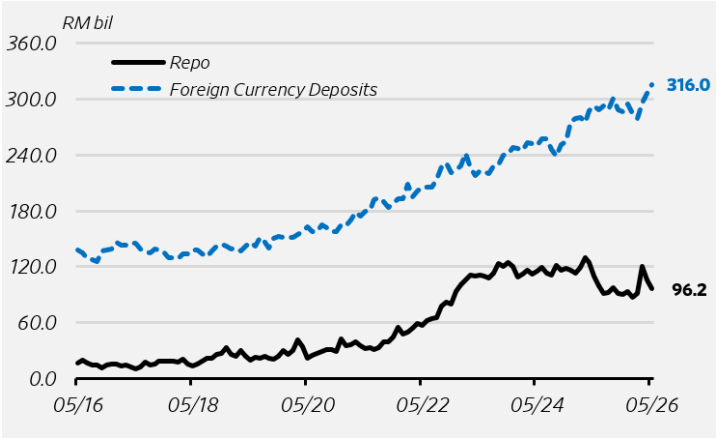
C. DEPOSITS & LIQUIDITY

FIG 31: LCR, LDR & LTF ratio



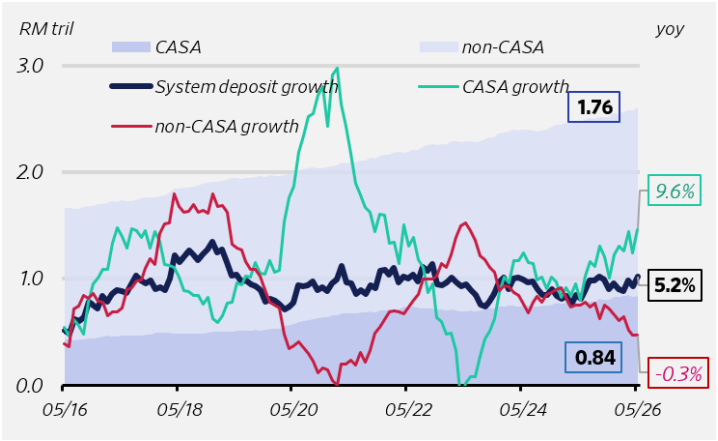
Source: BNM, MBSBR

FIG 32: System deposits, repos, foreign currency deposits



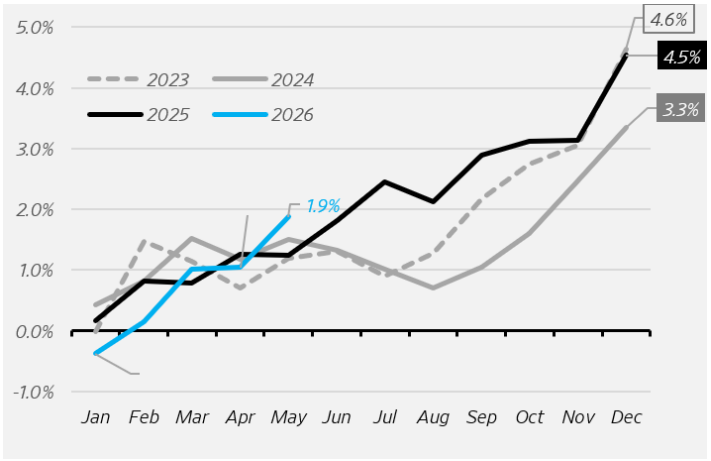
Source: BNM, MBSBR

FIG 33: yoy System deposit/CASA/non-CASA growth



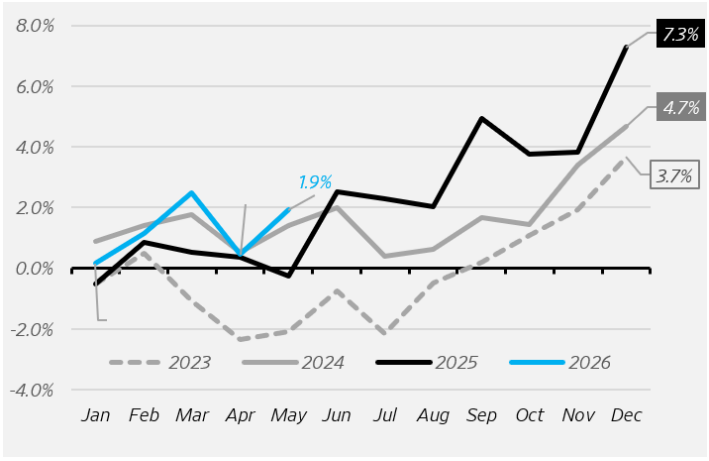
Source: BNM, MBSBR

FIG 34: YTD System deposit growth comparison



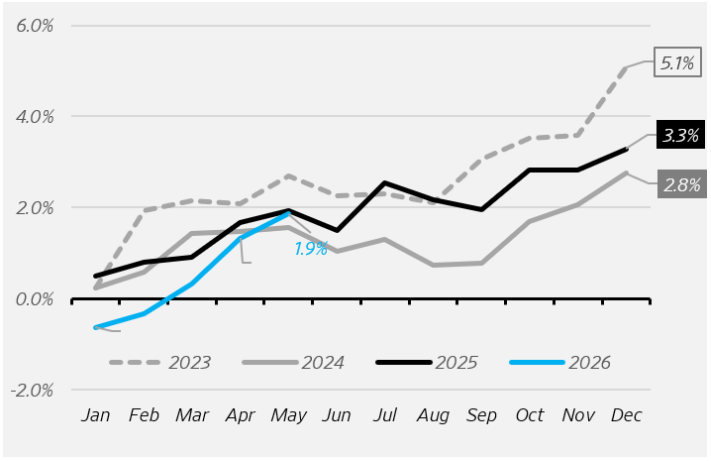
Source: BNM, MBSBR

FIG 35: YTD CASA growth comparison



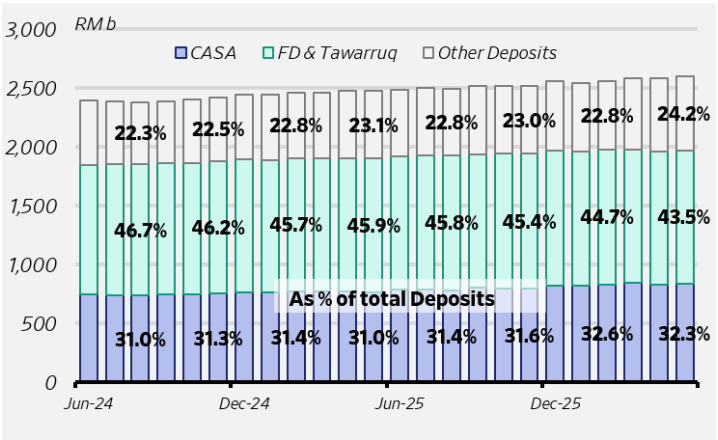
Source: BNM, MBSBR

FIG 36: YTD non-CASA growth comparison



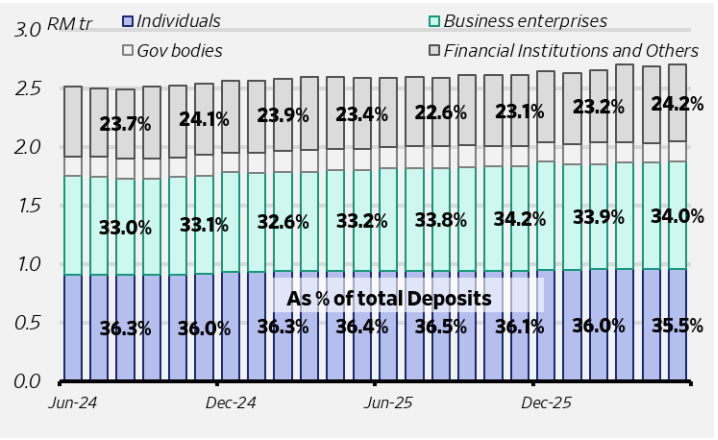
Source: BNM, MBSBR

FIG 37: Deposit breakdown by type



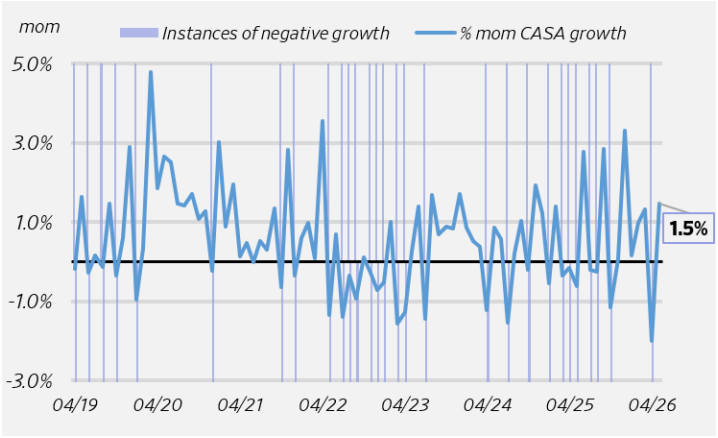
Source: BNM, MBSBR

FIG 38: Deposit breakdown by depositor



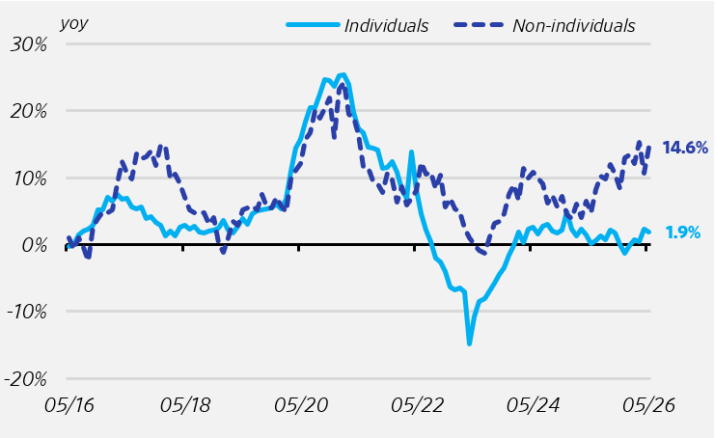
Source: BNM, MBSBR

FIG 39: mom CASA growth



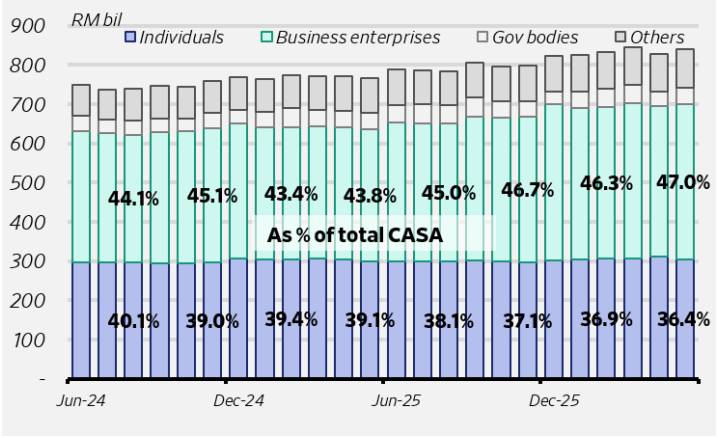
Source: BNM, MBSBR

FIG 40: yoy CASA growth by depositor



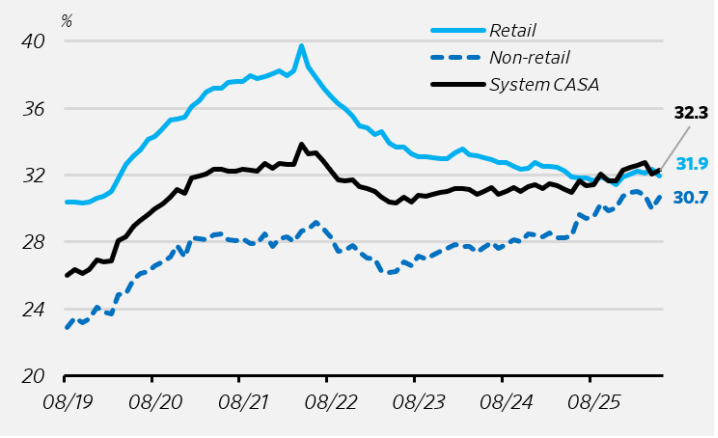
Source: BNM, MBSBR

FIG 41: CASA breakdown by depositor



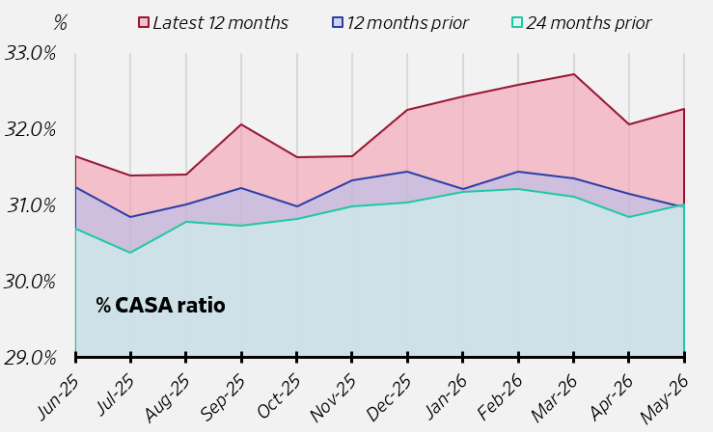
Source: BNM, MBSBR

FIG 42: CASA ratio by depositor



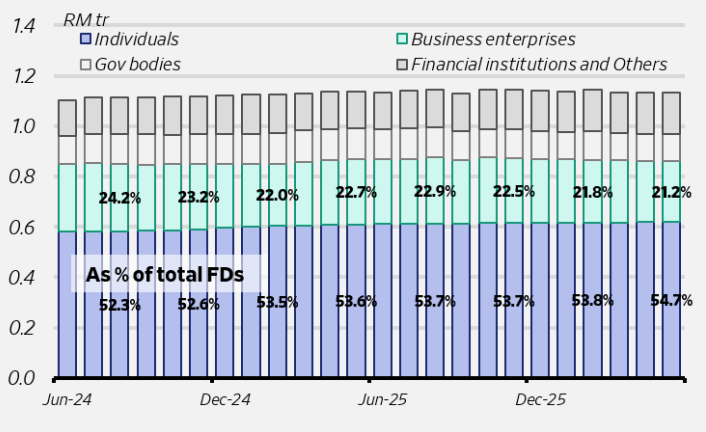
Source: BNM, MBSBR

FIG 43: Monthly CASA ratio comparisons (yoy)



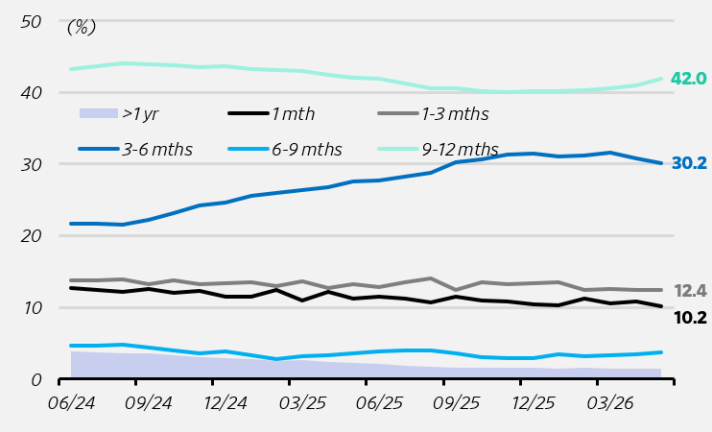
Source: BNM, MBSBR

FIG 44: FD breakdown by depositor



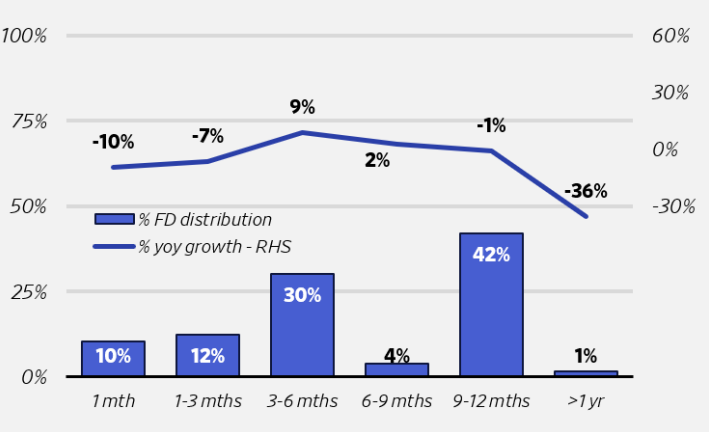
Source: BNM, MBSBR

FIG 45: % of FDs by maturity bracket



Source: BNM, MBSBR

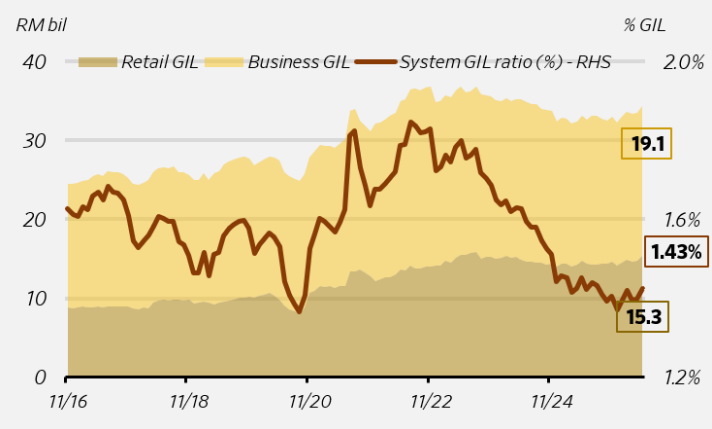
FIG 46: FD by maturity brackets and yoy growth



Source: BNM, MBSBR

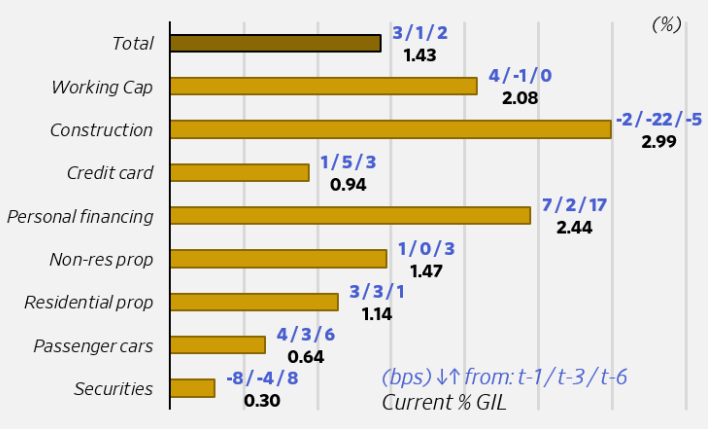
D. ASSET QUALITY & PROVISIONING

FIG 47: System gross impaired loans



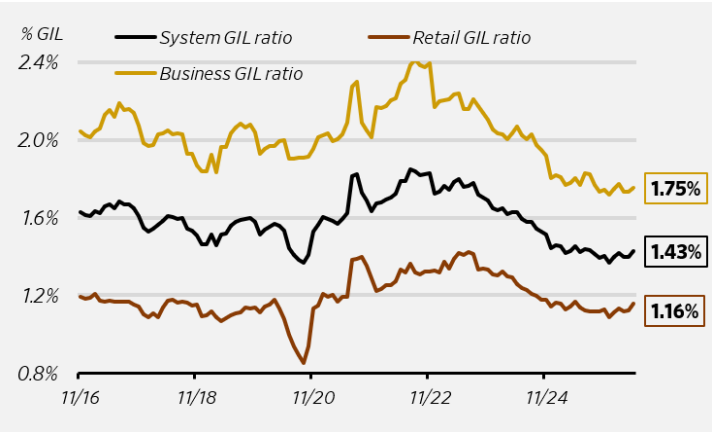
Source: BNM, MBSBR

FIG 48: Segmental GIL ratio changes



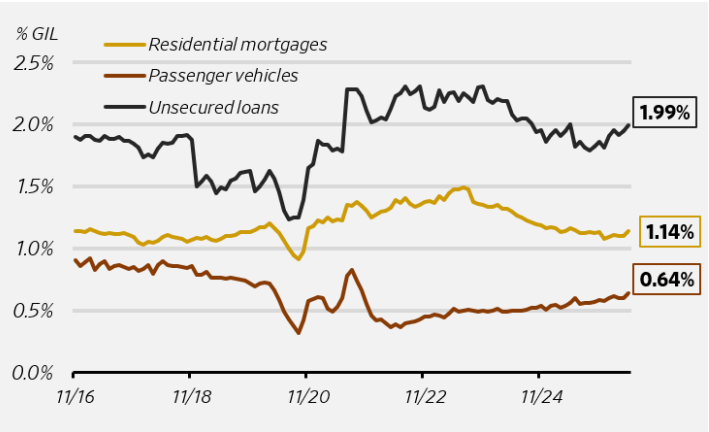
Source: BNM, MBSBR

FIG 49: System, Retail, Business GIL ratios



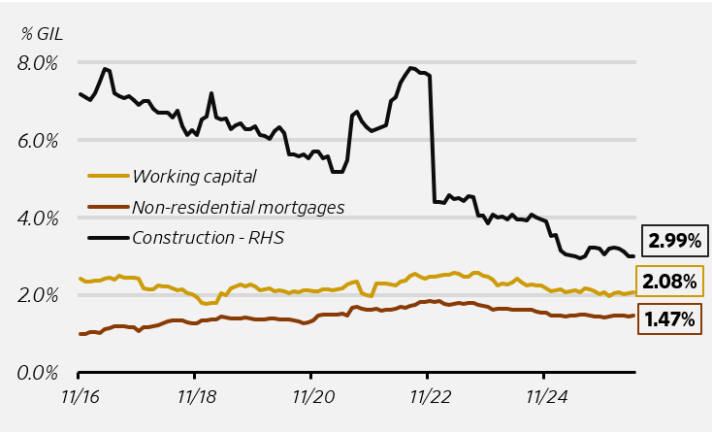
Source: BNM, MBSBR

FIG 50: Retail GIL ratios



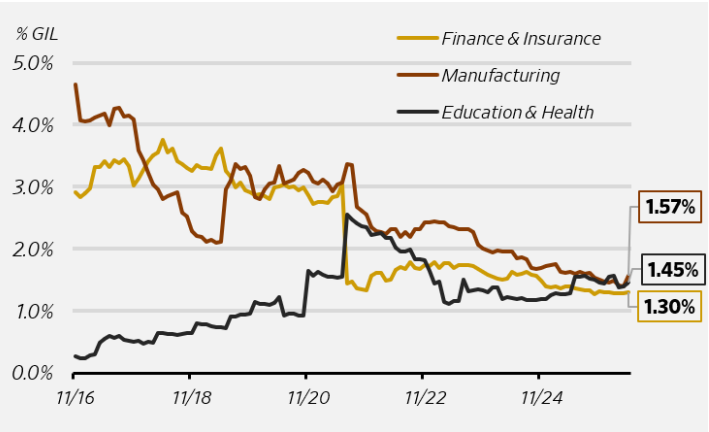
Source: BNM, MBSBR

FIG 51: Business GIL ratios



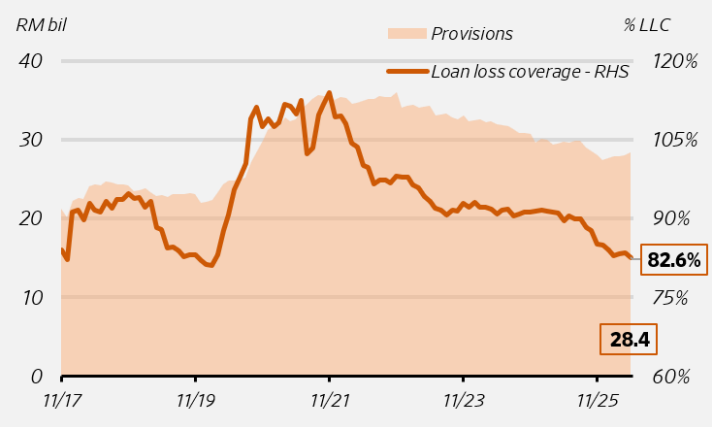
Source: BNM, MBSBR

FIG 52: GIL ratios of other sectors



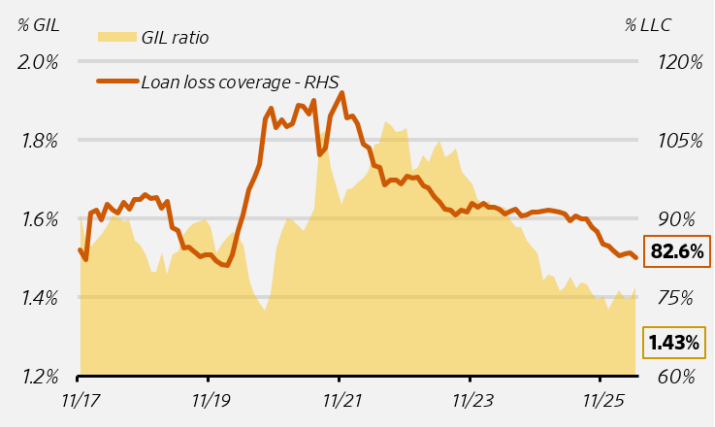
Source: BNM, MBSBR

FIG 53: Provisions & loan loss coverage



Source: BNM, MBSBR

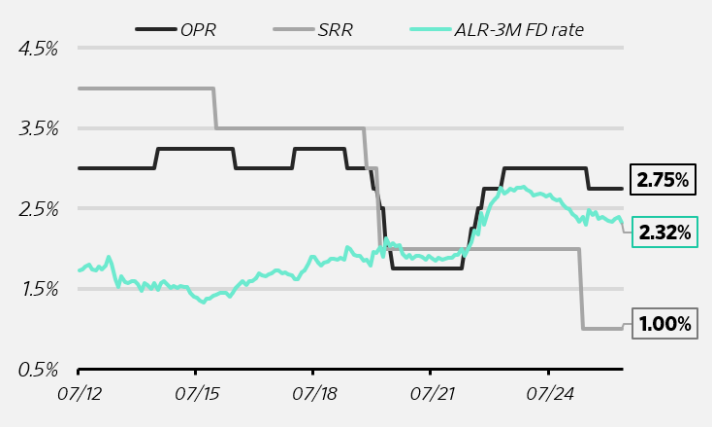
FIG 54: LLC & GIL ratio



Source: BNM, MBSBR

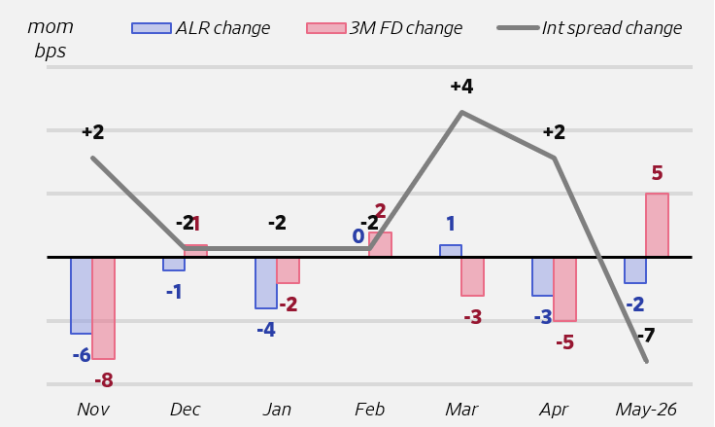
E. INTEREST SPREAD AND CAPITAL

FIG 55: Interest spread, OPR, SRR



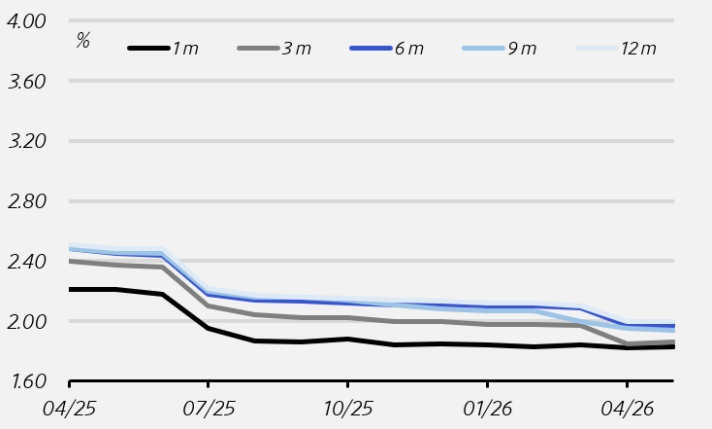
Source: BNM, MBSBR

FIG 56: mom Changes in interest spreads



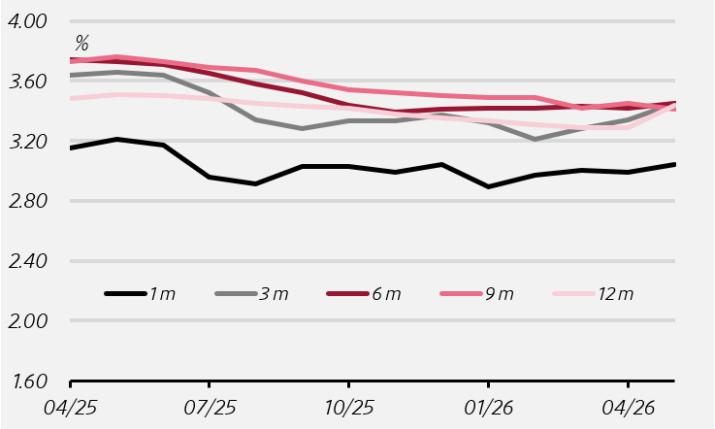
Source: BNM, MBSBR

FIG 57: Weighted avg Conv. FD rates by bracket



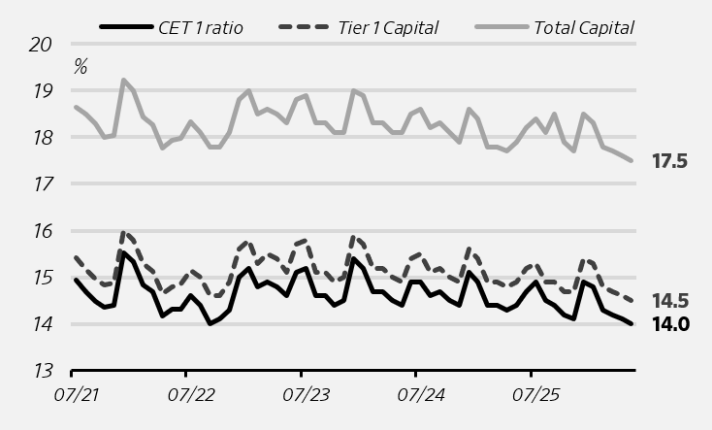
Source: BNM, MBSBR

FIG 58: Weighted avg Isl. FD rates by bracket



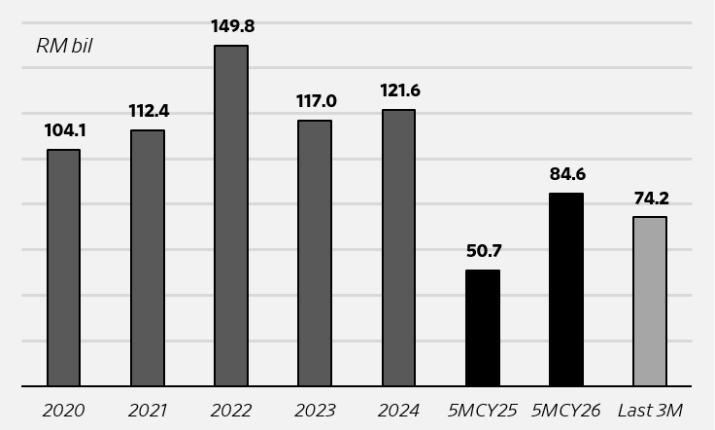
Source: BNM, MBSBR

FIG 59: Capital ratios



Source: BNM, MBSBR

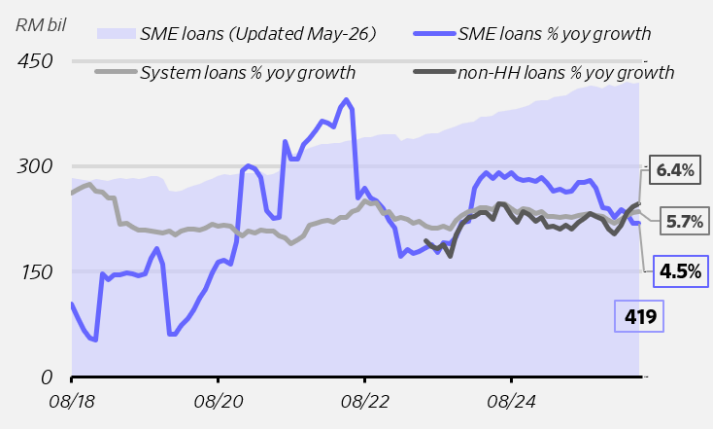
FIG 60: Bond/Sukuk issuances



Source: BNM, MBSBR

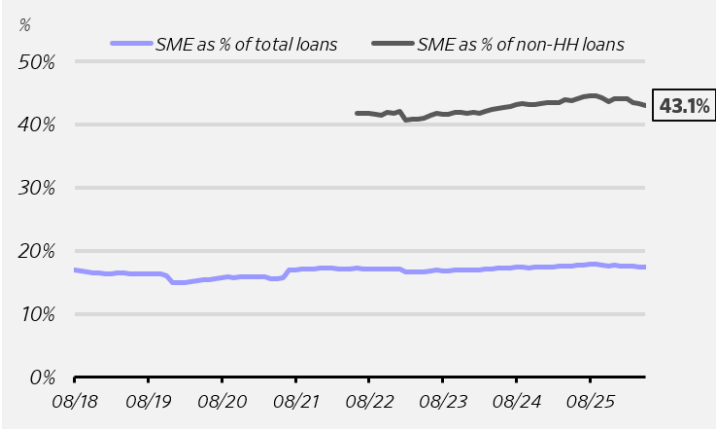
F. SME DATA

FIG 61: SME loans



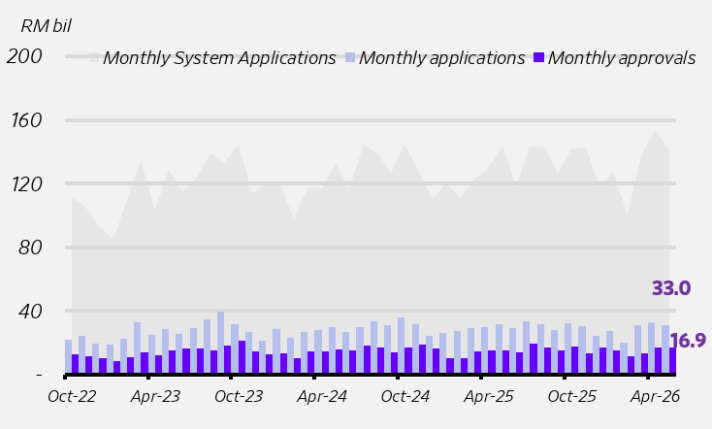
Source: BNM, MBSBR

FIG 62: SME loans as % of total and non-HH loans



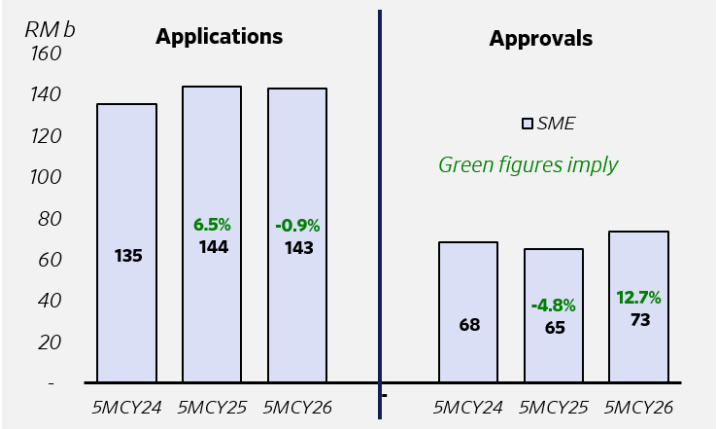
Source: BNM, MBSBR

FIG 63: SME Monthly leading indicators



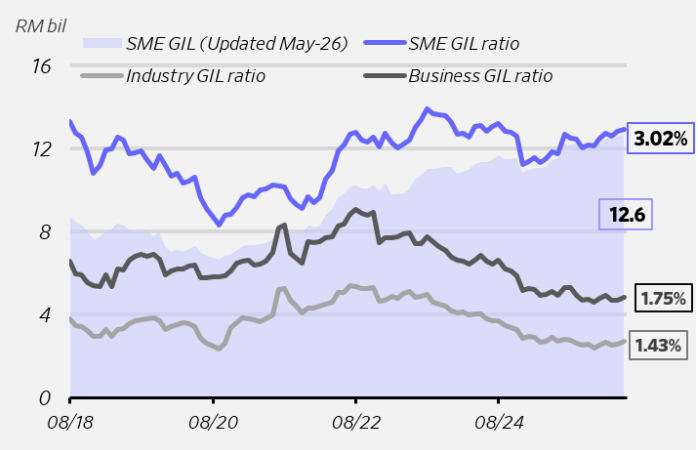
Source: BNM, MBSBR

FIG 64: Cumulative (CY) SME leading indicators



Source: BNM, MBSBR

FIG 65: SME GIL ratios



Source: BNM, MBSBR

G. VISUALISATION TABLES

FIG 66: System loans

Date	Total loans (RM tr)	Growth (% yoy)	Growth (% mom)	Retail			Business		
				Growth (% yoy)	Growth (% mom)	% of total	Growth (% yoy)	Growth (% mom)	% of total
Jun-24	2.19	6.5	0.8	7.8	0.5	54.4	4.9	1.2	45.6
Jul-24	2.19	6.4	0.1	7.7	0.5	54.6	5.0	-0.3	45.4
Aug-24	2.19	6.0	0.3	7.6	0.7	54.9	4.1	-0.2	45.1
Sep-24	2.20	5.6	0.4	7.4	0.6	54.9	3.6	0.2	45.1
Oct-24	2.22	6.0	0.7	7.2	0.6	54.9	4.6	0.8	45.1
Nov-24	2.23	5.8	0.6	7.1	0.5	54.8	4.4	0.7	45.2
Dec-24	2.25	5.5	0.8	6.9	0.5	54.7	3.9	1.0	45.3
Jan-25	2.26	5.7	0.4	6.7	0.6	54.8	4.4	0.1	45.2
Feb-25	2.26	5.3	0.1	6.6	0.3	55.0	3.6	-0.2	45.0
Mar-25	2.27	5.2	0.6	6.4	0.4	54.8	3.8	0.9	45.2
Apr-25	2.27	5.1	-0.0	6.4	0.4	55.1	3.6	-0.6	44.9
May-25	**2.28**	**5.3**	**0.4**	**6.3**	**0.5**	**55.1**	**4.0**	**0.4**	**44.9**
Jun-25	2.30	5.1	0.7	6.3	0.5	55.0	3.7	0.9	45.0
Jul-25	2.31	5.4	0.4	6.3	0.5	55.1	4.2	0.2	44.9
Aug-25	2.31	5.4	0.3	6.1	0.5	55.2	4.6	0.1	44.8
Sep-25	2.32	5.5	0.5	5.8	0.3	55.1	5.1	0.7	44.9
Oct-25	2.34	5.4	0.5	5.8	0.5	55.1	4.8	0.6	44.9
Nov-25	2.35	5.2	0.5	5.7	0.5	55.1	4.6	0.5	44.9
Dec-25	2.36	4.8	0.4	5.6	0.4	55.1	3.9	0.3	44.9
Jan-26	2.36	4.6	0.2	5.5	0.6	55.3	3.5	-0.2	44.7
Feb-26	2.37	4.9	0.4	5.4	0.2	55.2	4.3	0.5	44.8
Mar-26	2.40	5.4	1.0	5.3	0.3	54.8	5.4	2.0	45.2
Apr-26	2.40	5.6	0.2	5.3	0.4	54.9	6.0	-0.0	45.1
May-26	**2.41**	**5.7**	**0.5**	**5.2**	**0.4**	**54.9**	**6.3**	**0.7**	**45.1**

Source: BNM, MBSBR

FIG 67: yoy Loan growth by purpose

Date	Retail (%)			Business (%)			
	Residential property	Passenger car	Unsecured loans	Working capital	Non-residential property	Construction	Securities
Jun-24	7.6	9.9	6.0	6.8	6.5	4.9	-8.3
Jul-24	7.5	10.1	5.4	7.1	7.0	2.5	-7.8
Aug-24	7.5	9.7	5.4	5.4	7.0	2.6	-7.1
Sep-24	7.3	9.4	5.1	5.4	7.0	1.7	-6.6
Oct-24	7.1	9.1	5.0	6.4	7.3	2.9	-4.4
Nov-24	7.0	8.7	5.0	5.9	7.2	2.1	-5.0
Dec-24	6.9	8.4	4.8	4.7	8.1	2.2	-7.0
Jan-25	6.8	8.0	4.8	5.9	8.4	0.0	-5.2
Feb-25	6.7	7.4	4.8	4.3	8.5	0.7	-4.3
Mar-25	6.6	7.3	4.4	4.0	7.8	1.1	-3.8
Apr-25	6.5	7.0	4.6	4.1	7.6	1.9	-2.8
May-25	**6.4**	**6.9**	**5.0**	**4.8**	**7.4**	**3.7**	**-3.0**
Jun-25	6.4	6.9	4.9	4.0	7.3	3.7	-2.4
Jul-25	6.4	7.3	5.0	4.1	7.5	6.2	-2.3
Aug-25	6.2	7.2	4.5	4.8	7.1	6.0	-1.4
Sep-25	6.1	7.0	3.4	3.8	7.1	6.9	-0.7
Oct-25	6.0	6.9	3.5	3.2	7.0	6.2	-0.3
Nov-25	5.9	6.8	3.4	2.6	7.4	5.4	0.5
Dec-25	5.9	6.9	2.5	2.0	6.4	6.6	3.4
Jan-26	5.8	7.0	2.6	0.8	6.2	7.0	4.2
Feb-26	5.7	6.8	2.5	1.6	6.9	6.9	6.3
Mar-26	5.6	6.5	2.5	3.2	6.9	6.8	7.3
Apr-26	5.6	6.3	2.1	3.6	7.5	7.7	7.2
May-26	**5.6**	**5.9**	**2.1**	**4.2**	**7.6**	**5.8**	**7.1**

Source: BNM, MBSBR

FIG 68: mom Loan growth by purpose

Date	Retail (%)			Business (%)			
	Residential property	Passenger car	Unsecured loans	Working capital	Non-residential property	Construction	Securities
Jun-24	0.5	0.5	1.9	1.9	0.8	-0.1	-0.2
Jul-24	0.6	0.7	1.6	-0.4	0.6	-2.2	0.1
Aug-24	0.7	0.7	2.7	-0.8	0.8	0.6	-0.4
Sep-24	0.5	0.5	3.5	0.8	0.7	-0.3	-0.3
Oct-24	0.6	0.6	3.5	1.2	0.6	1.2	0.1
Nov-24	0.5	0.5	4.1	0.7	0.4	0.5	-0.2
Dec-24	0.5	0.4	4.8	1.1	1.3	-0.3	-1.2
Jan-25	0.6	0.8	6.2	0.1	0.6	0.3	-0.1
Feb-25	0.4	0.2	2.4	-0.2	0.3	-0.3	-0.1
Mar-25	0.4	0.7	0.3	1.0	0.6	1.2	-0.5
Apr-25	0.4	0.5	0.8	-1.0	0.1	1.1	-0.0
May-25	**0.4**	**0.7**	**1.5**	**0.3**	**0.5**	**2.1**	**-0.0**
Jun-25	0.5	0.5	2.0	1.1	0.7	-0.1	0.4
Jul-25	0.6	0.5	1.8	-0.3	0.7	0.1	0.2
Aug-25	0.5	0.7	2.2	-0.1	0.5	0.4	0.4
Sep-25	0.4	0.3	1.7	-0.2	0.7	0.6	0.5
Oct-25	0.5	0.6	2.0	0.7	0.5	0.6	0.5
Nov-25	0.5	0.4	2.6	0.0	0.8	-0.3	0.5
Dec-25	0.4	0.6	2.5	0.5	0.2	0.9	1.6
Jan-26	0.5	0.9	7.1	-1.0	0.5	0.6	0.7
Feb-26	0.3	0.1	2.5	0.6	0.9	-0.3	1.9
Mar-26	0.3	0.4	0.1	2.6	0.6	1.1	0.4
Apr-26	0.5	0.4	-0.5	-0.6	0.7	1.9	-0.1
May-26	**0.4**	**0.3**	**0.6**	**0.9**	**0.6**	**0.3**	**-0.1**

Source: BNM, MBSBR

FIG 69: Loan applications & approvals (3MA)

Date	Applied (3MA) (RM b)	Growth (% yoy)	Growth (% mom)	Approved (3MA) (RM b)	Growth (% yoy)	Growth (% mom)
Jun-24	121.6	5.5	-0.2	63.6	5.3	1.2
Jul-24	131.0	7.3	7.7	68.7	6.3	7.9
Aug-24	133.3	6.3	1.8	70.6	7.4	2.8
Sep-24	136.6	3.9	2.5	71.9	3.6	1.8
Oct-24	136.6	-1.4	-0.0	72.5	-2.4	0.8
Nov-24	132.8	2.0	-2.8	71.1	-0.9	-1.9
Dec-24	127.3	1.0	-4.1	71.2	-3.4	0.1
Jan-25	119.0	1.3	-6.5	62.4	-6.8	-12.3
Feb-25	113.4	1.1	-4.7	57.8	-3.9	-7.3
Mar-25	117.7	6.0	3.8	57.6	4.1	-0.4
Apr-25	120.7	9.5	2.6	62.2	11.7	8.1
May-25	**131.7**	**8.1**	**9.1**	**69.7**	**10.8**	**12.0**
Jun-25	130.2	7.0	-1.2	68.5	7.6	-1.8
Jul-25	134.9	3.0	3.7	70.9	3.3	3.5
Aug-25	134.6	1.0	-0.2	69.4	-1.7	-2.1
Sep-25	137.4	0.6	2.1	71.7	-0.2	3.4
Oct-25	136.9	0.2	-0.4	72.8	0.5	1.5
Nov-25	136.8	3.0	-0.0	73.5	3.4	1.0
Dec-25	133.8	5.1	-2.2	74.8	5.1	1.7
Jan-26	129.1	8.4	-3.5	71.2	14.1	-4.8
Feb-26	114.9	1.3	-11.0	64.6	11.8	-9.2
Mar-26	121.6	3.4	5.9	65.1	13.1	0.8
Apr-26	130.2	7.8	7.1	68.5	10.0	5.1
May-26	**143.6**	**9.1**	**10.3**	**76.7**	**10.0**	**12.0**

Source: BNM, MBSBR

FIG 70: Loan approval rates

Date	System loans (%)	Retail loans (%)	Business loans (%)	SME loans (%)
Jun-24	54.8	46.5	64.6	56.2
Jul-24	52.5	45.6	60.1	60.9
Aug-24	52.0	45.1	59.0	51.1
Sep-24	53.5	42.4	64.2	46.0
Oct-24	53.7	44.8	61.6	47.1
Nov-24	53.3	44.3	62.4	60.3
Dec-24	61.8	45.0	84.7	67.2
Jan-25	42.8	43.6	42.0	39.9
Feb-25	49.1	41.4	58.3	38.0
Mar-25	54.8	45.3	65.8	50.4
Apr-25	50.6	43.7	58.2	50.1
May-25	**53.5**	**45.9**	**60.6**	**46.7**
Jun-25	53.8	43.9	65.0	48.1
Jul-25	50.6	44.3	57.7	57.8
Aug-25	50.7	44.7	56.9	53.9
Sep-25	55.7	44.2	67.5	55.0
Oct-25	53.5	45.8	61.2	54.1
Nov-25	52.2	45.0	58.2	44.4
Dec-25	63.4	45.3	86.8	69.7
Jan-26	50.9	43.1	59.8	54.0
Feb-26	54.8	44.7	64.7	56.5
Mar-26	55.1	43.9	65.4	43.4
Apr-26	48.9	44.7	52.9	51.1
May-26	**56.6**	**43.6**	**68.6**	**54.5**

Source: BNM, MBSBR

FIG 71: yoy Loan application growth (3MA) by purpose

Date	Retail (%)			Business (%)			
	Residential property	Passenger car	Unsecured loans	Working capital	Non-residential property	Construction	Securities
Jun-24	7	5	1	3	9	17	4
Jul-24	7	7	4	-3	16	15	57
Aug-24	6	6	6	-9	23	6	82
Sep-24	5	5	10	8	3	2	-3
Oct-24	-0	0	6	12	-1	14	-19
Nov-24	0	0	7	21	6	35	-45
Dec-24	1	4	-16	5	29	64	-26
Jan-25	-3	-2	-16	13	18	68	-31
Feb-25	1	1	-14	13	8	55	-26
Mar-25	1	-1	2	24	5	52	-3
Apr-25	7	10	2	16	13	21	30
May-25	**-0**	**7**	**-5**	**21**	**10**	**29**	**14**
Jun-25	-1	6	-1	11	6	18	15
Jul-25	-2	3	-4	6	-0	27	41
Aug-25	3	5	-9	-5	-1	3	53
Sep-25	6	7	-14	-6	4	-11	52
Oct-25	8	8	-15	-8	9	-25	13
Nov-25	7	9	-13	-3	5	7	22
Dec-25	5	12	-11	2	2	9	23
Jan-26	8	15	-7	-1	6	12	38
Feb-26	-0	9	-7	5	3	-28	8
Mar-26	-2	2	-2	8	-0	-1	16
Apr-26	-3	-1	-1	32	-1	20	24
May-26	**3**	**-1**	**1**	**20**	**6**	**17**	**36**

Source: BNM, MBSBR

FIG 72: yoy Loan approval growth (3MA) by purpose

Date	Retail (%)			Business (%)			
	Residential property	Passenger car	Unsecured loans	Working capital	Non-residential property	Construction	Securities
Jun-24	6	-3	6	7	-0	9	17
Jul-24	10	-3	9	-4	7	21	18
Aug-24	8	-3	2	-1	23	41	44
Sep-24	6	-6	6	-9	36	31	26
Oct-24	-1	-10	2	6	23	12	-20
Nov-24	-1	-9	3	20	10	-9	-23
Dec-24	4	-2	-38	16	28	48	-48
Jan-25	1	-7	-38	-1	25	40	-37
Feb-25	3	-5	-35	-5	17	63	-34
Mar-25	1	-6	12	4	-5	72	-18
Apr-25	4	3	8	21	-2	113	-1
May-25	**-2**	**4**	**4**	**21**	**10**	**101**	**9**
Jun-25	-6	0	5	21	12	26	-16
Jul-25	-7	0	2	13	5	4	17
Aug-25	-3	1	-4	-6	-5	-18	65
Sep-25	3	6	-6	-3	-5	-5	39
Oct-25	7	7	-3	-13	5	-2	15
Nov-25	7	7	0	-8	17	5	-21
Dec-25	4	9	-0	-2	10	-17	8
Jan-26	6	11	4	24	11	-15	47
Feb-26	-1	7	7	27	8	-1	29
Mar-26	-5	-1	13	45	12	-12	17
Apr-26	-5	-2	16	24	4	-12	13
May-26	**-1**	**-3**	**9**	**27**	**-3**	**-18**	**52**

Source: BNM, MBSBR

FIG 73: System deposits

Date	Total deposits (RM b)	Growth (% yoy)	Growth (% mom)	L/D ratio (%)
Jun-24	2,517	4.9	-0.0	91.2
Jul-24	2,502	4.7	-0.6	91.6
Aug-24	2,494	3.8	-0.3	92.1
Sep-24	2,512	3.3	0.7	92.2
Oct-24	2,520	3.1	0.3	92.3
Nov-24	2,542	3.6	0.9	92.1
Dec-24	2,561	3.0	0.7	92.0
Jan-25	2,561	3.1	0.0	92.2
Feb-25	2,584	3.5	0.9	91.7
Mar-25	2,594	3.0	0.4	92.3
Apr-25	2,600	3.8	0.2	91.8
May-25	**2,585**	**2.7**	**-0.6**	**92.2**
Jun-25	2,589	2.9	0.1	92.3
Jul-25	2,596	3.7	0.3	92.1
Aug-25	2,589	3.8	-0.3	92.7
Sep-25	2,613	4.0	0.9	92.4
Oct-25	2,613	3.7	-0.0	92.7
Nov-25	2,611	2.7	-0.1	93.2
Dec-25	2,649	3.4	1.4	92.3
Jan-26	2,633	2.8	-0.6	92.8
Feb-26	2,651	2.6	0.7	92.6
Mar-26	2,702	4.2	1.9	92.8
Apr-26	2,688	3.4	-0.5	92.9
May-26	**2,700**	**4.4**	**0.4**	**92.6**

Source: BNM, MBSBR

FIG 74: CASA & FD ratios

Date	CASA (RM b)	Growth (% yoy)	Growth (% mom)	CASA ratio (%)	FD (RM b)	Growth (% yoy)	Growth (% mom)	FD ratio (%)
Jun-24	749	6.5	0.6	31.2	1,101	1.8	-0.7	45.9
Jul-24	737	6.4	-1.5	30.9	1,114	2.8	1.2	46.6
Aug-24	739	4.8	0.2	31.0	1,113	3.3	-0.1	46.7
Sep-24	746	5.2	1.0	31.2	1,115	2.8	0.2	46.7
Oct-24	745	4.0	-0.2	31.0	1,118	3.5	0.2	46.5
Nov-24	759	5.2	1.9	31.3	1,120	3.7	0.2	46.2
Dec-24	768	4.7	1.2	31.4	1,123	3.9	0.3	46.0
Jan-25	764	3.2	-0.5	31.2	1,125	4.2	0.2	45.9
Feb-25	775	4.1	1.4	31.4	1,127	3.3	0.2	45.7
Mar-25	772	3.4	-0.3	31.3	1,131	2.3	0.3	45.9
Apr-25	771	4.5	-0.2	31.2	1,136	2.5	0.4	45.9
May-25	**767**	**3.0**	**-0.6**	**31.0**	**1,136**	**2.5**	**0.1**	**45.9**
Jun-25	788	5.2	2.8	31.6	1,132	2.8	-0.4	45.5
Jul-25	786	6.6	-0.2	31.4	1,140	2.3	0.7	45.5
Aug-25	784	6.1	-0.3	31.4	1,143	2.7	0.3	45.8
Sep-25	806	8.1	2.9	32.1	1,129	1.3	-1.2	44.9
Oct-25	797	7.0	-1.1	31.6	1,146	2.5	1.5	45.4
Nov-25	798	5.1	0.1	31.6	1,144	2.1	-0.2	45.4
Dec-25	824	7.3	3.3	32.3	1,141	1.6	-0.2	44.6
Jan-26	826	8.0	0.2	32.4	1,137	1.1	-0.4	44.7
Feb-26	834	7.6	1.0	32.6	1,143	1.4	0.5	44.7
Mar-26	845	9.4	1.3	32.7	1,133	0.2	-0.9	43.9
Apr-26	828	7.4	-2.0	32.1	1,132	-0.3	-0.1	43.9
May-26	**840**	**9.6**	**1.5**	**32.3**	**1,133**	**-0.3**	**0.0**	**43.5**

Source: BNM, MBSBR

FIG 75: Impaired loans and loan loss coverage

Date	Impaired loans (RM b)	Growth (% mom)	GIL ratio (%)	Total provisions (RM b)	LLC ratio (%)
Jun-24	2,185	-1.2	1.59	31.9	91.5
Jul-24	2,188	-0.8	1.58	31.7	91.8
Aug-24	2,195	0.3	1.58	31.4	90.5
Sep-24	2,204	-1.8	1.54	30.9	90.8
Oct-24	2,218	-0.6	1.53	30.9	91.2
Nov-24	2,232	-0.4	1.51	30.8	91.2
Dec-24	2,249	-3.8	1.44	29.7	91.4
Jan-25	2,257	1.4	1.46	30.1	91.6
Feb-25	2,259	-0.3	1.45	30.0	91.4
Mar-25	2,273	-1.9	1.42	29.4	91.2
Apr-25	2,272	0.7	1.43	29.5	91.0
May-25	**2,282**	**2.3**	1.45	**29.7**	**89.6**
Jun-25	2,297	-1.4	1.42	29.6	90.5
Jul-25	2,306	1.5	1.44	29.8	89.9
Aug-25	2,313	-0.1	1.43	29.8	90.0
Sep-25	2,325	-1.1	1.41	29.0	88.3
Oct-25	2,337	-0.7	1.39	28.5	87.6
Nov-25	2,349	1.3	1.40	28.1	85.1
Dec-25	2,358	-2.1	1.37	27.4	84.8
Jan-26	2,363	2.1	1.40	27.7	83.9
Feb-26	2,371	2.0	1.42	27.9	82.9
Mar-26	2,396	-0.6	1.40	27.9	83.3
Apr-26	2,400	0.3	1.40	28.0	83.4
May-26	**2,412**	**2.5**	1.43	**28.4**	**82.6**

Source: BNM, MBSBR

FIG 76: ALR, 3M-FD rates & Interest spreads

Date	Average lending rate (%)	3-month FD rate (%)	Interest spread (%)
Jun-24	5.32	2.67	2.65
Jul-24	5.30	2.63	2.67
Aug-24	5.26	2.63	2.63
Sep-24	5.23	2.63	2.60
Oct-24	5.20	2.59	2.61
Nov-24	5.13	2.58	2.55
Dec-24	5.11	2.61	2.50
Jan-25	5.06	2.57	2.49
Feb-25	5.00	2.57	2.43
Mar-25	4.97	2.58	2.39
Apr-25	4.92	2.59	2.33
May-25	**4.94**	**2.55**	**2.39**
Jun-25	4.89	2.59	2.30
Jul-25	4.82	2.34	2.48
Aug-25	4.71	2.29	2.42
Sep-25	4.72	2.27	2.45
Oct-25	4.66	2.29	2.37
Nov-25	4.60	2.21	2.39
Dec-25	4.59	2.22	2.37
Jan-26	4.55	2.20	2.35
Feb-26	4.55	2.22	2.33
Mar-26	4.56	2.19	2.37
Apr-26	4.53	2.14	2.39
May-26	**4.51**	**2.19**	**2.32**

Source: BNM, MBSBR

FIG 77: SME loan data

Date	Total SME loans (RM b)	Growth (% yoy)	Growth (% mom)	As a % of industry loans	SME GIL ratio (%)
Jun-24	378	9.4	1.6	17.3	3.00
Jul-24	378	9.0	0.0	17.3	3.04
Aug-24	381	9.4	0.6	17.3	3.07
Sep-24	383	8.8	0.5	17.4	3.01
Oct-24	384	8.6	0.4	17.3	2.99
Nov-24	388	8.7	0.9	17.4	2.97
Dec-24	393	8.6	1.2	17.5	2.76
Jan-25	394	8.9	0.4	17.5	2.78
Feb-25	394	8.4	-0.1	17.4	2.81
Mar-25	399	7.7	1.2	17.5	2.77
Apr-25	400	7.8	0.3	17.6	2.79
May-25	**401**	**7.6**	**0.2**	**17.6**	**2.85**
Jun-25	407	7.6	1.6	17.7	2.84
Jul-25	410	8.4	0.8	17.8	2.98
Aug-25	413	8.5	0.6	17.8	2.95
Sep-25	416	8.7	0.7	17.9	2.95
Oct-25	414	7.9	-0.3	17.7	2.88
Nov-25	411	6.1	-0.7	17.5	2.90
Dec-25	416	6.0	1.1	17.6	2.89
Jan-26	414	5.1	-0.4	17.5	2.96
Feb-26	417	5.9	0.6	17.6	2.99
Mar-26	420	5.5	0.9	17.6	2.96
Apr-26	418	4.6	-0.6	17.4	3.00
May-26	**419**	**4.5**	**0.2**	**17.4**	**3.02**

Source: BNM, MBSBR

FIG 78: SME applications & approvals (3MA)

Date	Applications			Applications		
	3MA (RM b)	Growth (% yoy)	Growth (% mom)	3MA (RM b)	Growth (% yoy)	Growth (% mom)
Jun-24	28.0	0.5	-0.1	15.1	3.2	0.8
Jul-24	28.7	0.7	-2.2	16.4	2.6	8.6
Aug-24	30.1	0.7	0.6	16.8	5.5	2.3
Sep-24	31.4	0.5	-0.3	16.5	-0.3	-1.8
Oct-24	33.4	0.6	1.2	16.1	-11.6	-2.6
Nov-24	32.6	0.5	0.5	16.6	-7.7	3.6
Dec-24	30.4	0.4	-0.3	17.3	7.2	4.1
Jan-25	27.1	0.8	0.3	15.2	11.9	-12.6
Feb-25	25.8	0.2	-0.3	12.3	2.7	-18.6
Mar-25	27.4	0.7	1.2	11.8	-7.1	-4.3
Apr-25	28.7	0.5	1.1	13.3	2.4	12.8
May-25	**30.2**	**0.7**	**2.1**	**14.8**	**-1.5**	**11.1**
Jun-25	30.1	0.5	-0.1	14.5	-3.8	-1.6
Jul-25	31.3	0.5	0.1	16.0	-2.6	9.9
Aug-25	31.2	0.7	0.4	16.7	-0.6	4.5
Sep-25	30.8	0.3	0.6	17.1	3.9	2.7
Oct-25	30.5	0.6	0.6	16.6	3.1	-3.4
Nov-25	30.1	0.4	-0.3	15.4	-7.4	-7.0
Dec-25	29.1	0.6	0.9	16.0	-7.6	3.9
Jan-26	27.5	0.9	0.6	15.2	0.0	-5.3
Feb-26	24.1	0.1	-0.3	14.4	17.2	-4.7
Mar-26	26.2	0.4	1.1	13.2	12.3	-8.3
Apr-26	28.0	0.4	1.9	13.9	4.4	4.9
May-26	**31.6**	**0.3**	**0.3**	**15.7**	**6.2**	**13.0**

Source: BNM, MBSBR

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
	CASA – Current & Savings accounts	P/BV – Price to Book Value
NII – Net Interest Income	FD – Fixed Deposits	BVPS – Book Value per Share
NIM – Net Interest Margin	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
COF – Cost of Funds	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
NOII – Non-Interest Income	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
MTM – Mark to Market	NCC – Net Credit Costs	SBR – Standardised Base Rate
CIR – Cost to Income Ratio	GCC – Gross Credit Costs	ALR – Average Lending Rate
OPEX – Operational Expenses	CET 1 – Common Equity Tier 1	

MBSB RESEARCH (formerly known as MIDF Research) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB INVESTMENT BANK (formerly known as MIDF Amanah Investment Bank): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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