

21 JULY 2021

THAILAND / BANKS

TMBTHANACHART BANK

TTB TB

BUY

UNCHANGED

TARGET PRICE	THB1.40
CLOSE	THB1.00
UP/DOWNSIDE	+40.0%
PRIOR TP	THB1.80
CHANGE IN TP	-22.2%
TP vs CONSENSUS	+4.7%

ข่าวเด่น

ผลประกอบการ 2Q21 เกินคาด แต่รายได้อ่อนแอ

TTB รายงานกำไรสุทธิ (NP) 2Q21 ที่ 2,534 ลบ. (-18% y-y, -9% q-q) แม้ว่ากำไรจะสูงกว่าที่ตลาดคาด 16% และสูงกว่าที่เราคาด 6% เรามองผลประกอบการดังกล่าวเป็นลบอยู่เล็กน้อย รายได้ค่าธรรมเนียมลดลง 28% q-q จากการขายผลิตภัณฑ์ที่ชะลอตัวหลังมาตรการปิดเมืองเป็นบางส่วนและการอยู่ในช่วงการถ่ายโอนธุรกิจ (EBT) นอกจากนี้ค่าใช้จ่ายในการดำเนินงานบางส่วนที่เกี่ยวข้องกับ EBT เช่น ค่าใช้จ่ายในการปรับภาพลักษณ์ยังถูกเลื่อนมาบันทึกใน 3Q21 ในด้านบวกรบริหารความเสี่ยงด้วยความรอบคอบทำให้สินเชื่อต่อคุณภาพ (NPL) ทรงตัวและมีสำรองเป็นกันชนมากเพียงพอ

การฟื้นตัวของกำไรอาจเลื่อนไปใน 4Q21

ในที่ประชุมนักวิเคราะห์ ผู้บริหารคาดว่าประโยชน์ด้านรายได้จากการควบรวมกับ TBANK จะเกิดขึ้นในปีหน้า ในขณะที่ธนาคารฯ จะคงกลยุทธ์ในการปล่อยสินเชื่อด้วยความระมัดระวังไปอย่างต่อเนื่อง รายได้ค่าธรรมเนียมอาจจะถูกกดดันจากการชะลอตัวของกิจกรรมทางเศรษฐกิจจากมาตรการปิดเมือง นอกจากนี้ธนาคารฯ ยังมีค่าใช้จ่ายในการดำเนินงานที่เกี่ยวข้องกับ EBT อีกประมาณ 500 ลบ. ที่ถูกชะลอจากไตรมาสก่อน จะมาบันทึกใน 3Q21 ทำให้เราคาดว่าผลประกอบการของ TTB จะต่ำสุดใน 3Q21 ซึ่งทำให้การฟื้นตัวของกำไรอาจเลื่อนไป 1 ไตรมาสจากประมาณการก่อนหน้านี้ เราคาดว่ากำไรจะฟื้นตัวดีตั้งแต่ 4Q21 เป็นต้นไปโดยมีปัจจัยผลักดันจากค่าใช้จ่ายในการดำเนินงานที่ลดลง

การบริหารคุณภาพสินทรัพย์ด้วยความรอบคอบและโปร่งใส

แม้ว่าการฟื้นตัวของกำไรจะช้าลง เรารู้สึกสบายใจกับการบริหารความเสี่ยงของ TTB โดยธนาคารฯ ได้จัดชั้นสินเชื่อส่วนมากจากความสามารถในการชำระหนี้จริงของลูกค้า ซึ่งต่างจากธนาคารส่วนมากที่ใช้เกณฑ์การจัดชั้นหนี้และมาตรฐานทางบัญชีที่ผ่อนคลายเป็นปัจจุบันเพื่อลดการเพิ่มของหนี้ต่อคุณภาพให้น้อยที่สุด ซึ่งหมายความว่าพอร์ตของ TTB สะท้อนความสามารถในการชำระหนี้ที่แท้จริง ในระหว่างการประชุมนักวิเคราะห์ ผู้บริหารรับรองกับเราว่า TTB จะไม่ประสบปัญหาหนี้ต่อคุณภาพปรับตัวขึ้นอย่างมีนัยสำคัญหลังมาตรการผ่อนคลยการจัดชั้นหนี้สิ้นสุดลง

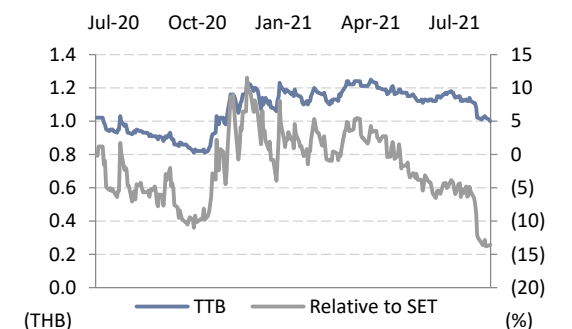
คำแนะนำซื้อระหว่างรอให้ประโยชน์จากการควบรวมกิจการเกิดขึ้นอย่างเป็นรูปธรรม

รูปธรรม

เราปรับลดประมาณการกำไรสุทธิปี 2021-23 ลง 12.3%/8.5%/9.4% ตามลำดับเพื่อสะท้อนแรงกดดันต่อรายได้ค่าธรรมเนียม จากแนวโน้มกำไรที่อ่อนแอในระยะสั้น ราคาหุ้นอาจเคลื่อนไหวอยู่ในกรอบแคบในอีก 1-2 เดือนข้างหน้า อย่างไรก็ตามเราเชื่อว่า TTB จะรายงานกำไรสุทธิโต 34% ในปี 2022 หลังประโยชน์จากการควบรวมกิจการเริ่มเห็นผล พร้อมกับระดับการประเมินมูลค่าที่อยู่ในระดับต่ำ ดังนั้นเราจึงคงคำแนะนำซื้อที่ราคาเป้าหมาย 1.40 บาท (GGM)

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	11,975	11,655	15,857	17,900
Net profit	10,112	10,002	13,358	15,070
EPS (THB)	0.10	0.10	0.14	0.16
vs Consensus (%)	-	(9.1)	3.7	(3.0)
Core net profit	10,112	10,002	13,358	15,070
Core EPS (THB)	0.10	0.10	0.14	0.16
Chg. In EPS est. (%)	-	(12.3)	(8.5)	(9.4)
EPS growth (%)	(29.4)	(1.1)	33.6	12.8
Core P/E (x)	9.5	9.6	7.2	6.4
Dividend yield (%)	4.5	4.2	5.5	6.3
Price/book (x)	0.5	0.5	0.4	0.4
ROE (%)	5.1	4.8	6.2	6.7
ROA (%)	0.6	0.6	0.8	0.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(12.3)	(16.7)	(3.8)
Relative to country (%)	(8.1)	(14.4)	(15.1)
Mkt cap (USD m)	2,938		
3m avg. daily turnover (USD m)	12.8		
Free float (%)	39		
Major shareholder	ING Bank N.V. (23%)		
12m high/low (THB)	1.27/0.80		
Issued shares (m)	43,852		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumchai

 yuvanart.suw@fssia.com
 +66 2611 3554

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 21 กรกฎาคม 2021

Investment thesis

We maintain our BUY call on TTB as we believe that it will deliver superior performance starting from 4Q21 onward, driven by synergies from its consolidation with Thanachart Bank (TBANK, not listed) in terms of both revenue and cost and lower expected credit losses (ECL), thanks to its prudent provision stockpiling in 2020 which should lead to an ECL decline. Additionally, we like its prudent and transparent asset quality management. This should allow TTB to deliver sustainable long-term growth post Covid. Moreover, TTB is well known as a digital lending bank that could benefit from the current digital banking trend. Lastly, TTB's share price is trading at an undemanding valuation.

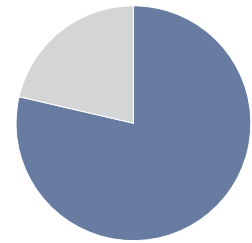
Company profile

TMBThanachart Bank Public Company Limited provides a full range of banking and financial services. The bank offers corporate and personal lending, retail and wholesale banking, international trade financing, and investment banking services to its customers throughout Thailand. It merged with TBANK at the end of 2019. The entire business transfer (EBT) process was completed in Jul-21.

www.ttbank.com

Principal activities (revenue, 2020)

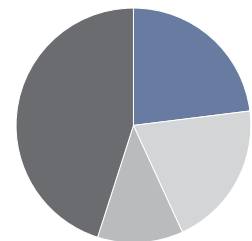
- Net interest income - 78.6 %
- Non-interest income - 21.4 %



Source: TMBThanachart Bank

Major shareholders

- ING Bank N.V. - 23.0 %
- TCAP - 20.1 %
- Ministry of Finance - 11.8 %
- Others - 45.1 %



Source: TMBThanachart Bank

Catalysts

Potential share price catalysts for TTB include:

- Lower credit cost from better-than-expected new NPLs;
- Better operating cost control.

Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Event calendar

Date	Event
Oct 2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	10,002	13,358	15,070
Net profit growth	(1.1)	33.6	12.8
NIM	3.05	2.91	2.99
Loan growth	(1.0)	4.0	4.0
Fee growth	5.1	24.5	1.6
Non-NII growth*	4.5	20.3	2.7
Credit cost (bp)	175	155	155
Cost to income*	46.2	43.8	42.0

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
Loan growth	±2ppt	(3.0)	(1.0)	1.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	3.00	3.05	3.10
% change in net profit		(6.0)	-	6.0
Credit cost (bp)	±10bp	165	175	185
% change in net profit		4.7	-	(4.7)

Source: FSSIA estimates

2Q21 results beat, but weak top line

TTB reported a 2Q21 NP of THB2,534m (-18% y-y, -9% q-q). Although its results were 16% higher than Bloomberg's consensus and 6% above our expectation, we read this as slightly negative. Its fee income plummeted by 28% q-q thanks to the slow cross-selling activities from the partial lockdown and its EBT period. Moreover, some of its OPEX related to the EBT, such as rebranding expenses, were delayed to be booked in 3Q21. In addition, its loan volume slightly declined by 1.6% q-q in 2Q21 thanks to its conservative lending strategy.

Regarding asset quality, its NPLs were relatively stable q-q, with an NPL ratio of 2.89% in 2Q21, due to an NPL sale and write-off of THB6.2b. 2Q21 credit cost was at 160 bps, slightly higher than in 1Q21 but still in line with its guidance. Its coverage ratio was 125% in 2Q21 from 124% in 1Q21.

Exhibit 1: TTB – summary of 2Q21/1H21 results

Year-end Dec 31	2Q20	1Q21	2Q21			1H21			2021E		Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%21E	(THB m)	(y-y%)	
Net interest income	13,045	12,872	12,782	(2)	(1)	25,654	(5)	49	51,885	(4)	
Non-interest income	3,523	3,971	3,118	(12)	(21)	7,089	(8)	45	15,659	4	
Operating income	16,569	16,844	15,900	(4)	(6)	32,743	(6)	48	67,544	(2)	
Operating expenses	7,776	7,928	7,402	(5)	(7)	15,330	(5)	49	31,236	(1)	Delayed some EBT OPEX
PPOP before tax	8,792	8,916	8,498	(3)	(5)	17,414	(7)	48	36,308	(2)	
Provision	4,972	5,480	5,491	10	0	10,971	13	45	24,254	(2)	
Income tax	724	653	472	(35)	(28)	1,125	(32)	55	2,049	(8)	
Minority interest	1	1	1			2		54	3		
Normalised profit	3,095	2,782	2,534	(18)	(9)	5,316	(27)	53	10,002	(1)	
Extraordinary items	0	0	0			0			0		
Net profit	3,095	2,782	2,534	(18)	(9)	5,316	(27)	53	10,002	(1)	
EPS (THB)	0.03	0.03	0.03	(18)	(9)	0.06	(27)	53	0.10	(1)	
Asset quality ratio											
Gross NPLs	38,805	43,400	43,543	12	0				51,472	30.0	NPL sale and write-off of THB6.2b
NPL ratios (%)	2.34	2.75	2.89						3.28		
LLR/NPLs (%)	114	124	125						123		
Credit cost (bp)	143	158	160						175		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	46.9	47.1	46.6						46.2		
Average yield (%)	3.94	3.74	3.72						3.8		
Cost of fund (%)	1.22	0.91	0.87						0.9		
Net interest margin (NIM)	2.86	2.94	2.96						3.0		
Non-int inc/total income	21.3	23.6	19.6						23.2		
Liquidity ratio	(%)	(%)	(%)						(%)		
Loan to deposit ratio	95.8	99.7	102.6						104.3		
Capital adequacy ratio	(%)	(%)	(%)						(%)		
CAR	18.6	19.5	19.6						20.3		
CET 1/ Risk assets	13.6	14.5	14.5						16.1		
Tier - I/ Risk assets	3.9	4.0	5.1						4.2		
Loan growth	(%)	(%)	(%)						(%)		
y-y	103.3	(1.7)	(1.7)						(1.0)		
q-q	(1.5)	(0.9)	(1.6)								Conservative lending strategy

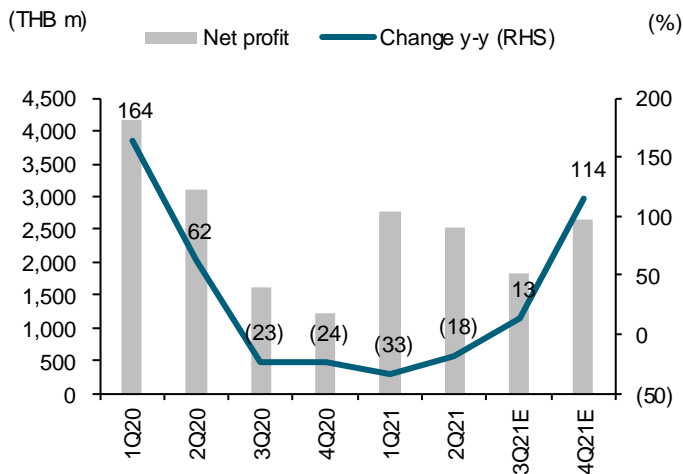
Sources: TTB; FSSIA estimates

Earnings recovery might be delayed

As its recent analyst meeting, management stated that it expects the revenue synergy from merging with TBANK to occur next year, as it will continue its conservative lending strategy amid the uncertainty from Covid. Its fee income could also be under pressure due to the slowdown in business activities from the lockdown measures. Additionally, TTB just completed its EBT with TBANK but the Covid situation caused it to delay its rebranding campaign. Thus, some of its customers might temporarily cease purchasing its mutual fund and insurance products.

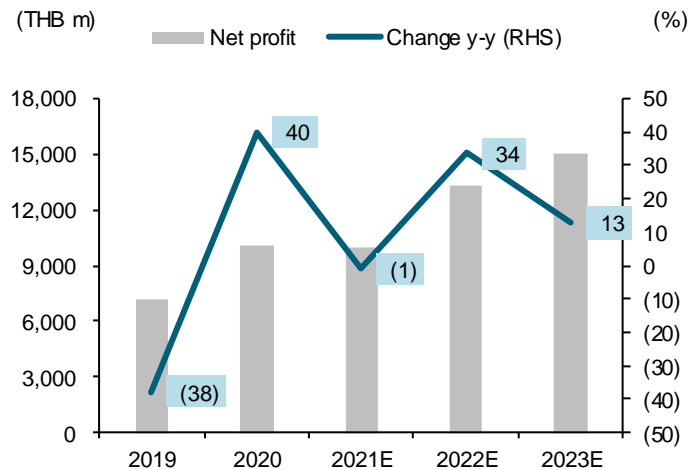
Regarding its cost side, based on our estimate, there is unrecorded OPEX of cTHB500m related to its EBT in the previous quarter that will be booked in 3Q21. Thus, we expect TTB to deliver the worst performance in 3Q21. Its earnings recovery could be one quarter delayed from our original expectation. We expect to see a strong recovery from 4Q21, driven mainly by an OPEX reduction.

Exhibit 2: TTB's quarterly earnings momentum



Source: FSSIA estimates

Exhibit 3: TTB's yearly earnings momentum

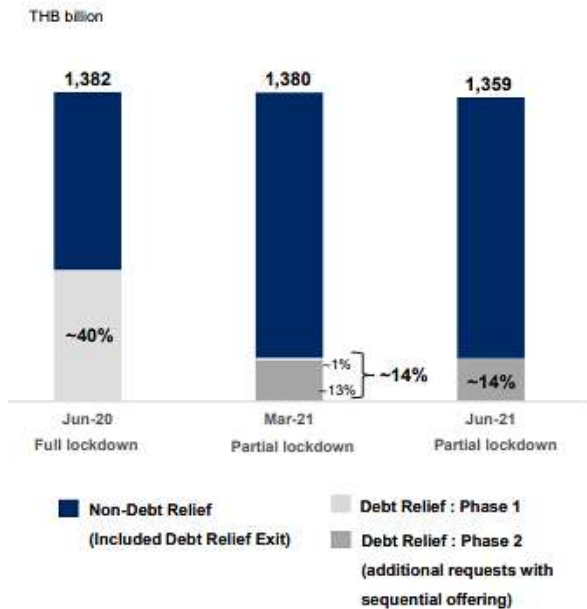


Source: FSSIA estimates

Prudent and transparent asset quality management

We think TTB is the bank with the most prudent and transparent asset quality management amid the debt forbearance program and the relaxation of loan classifications and accounting standards. The bank mostly classifies its clients' loan status based on the real debt repayment ability of its customers, which differs from most banks that utilise the current loan classification and accounting standard relaxation benefit to minimise the increase in their NPLs. This means that TTB's portfolio reflects real debt repayment ability.

Exhibit 4: Loans under relief program to total loans



Source: TTB

Exhibit 5: Guiding principle of post-relief risk schemes

Scheme	Repayment Schedule		Minimum Stage	Minimum PD Level
	Interest	Principal		
SC 1	Full	Full	1	Normal
SC 2	Full	Partial	1	
SC 3	Full	Postponed	1	
SC 4	Partial	Postponed	1	
SC 5	Additional skip payment ≤ 6 months		2	
SC 6	Additional skip payment ≥ 6-12 months		2	
SC 7	Additional skip payment ≥ 12 months		3	

100%

Note: For SC 2-4, loan staging could be classified as stage 1 or 2 depending on customers' pre-Covid-19 status (no up-staging took place), to reflect real risk level
Source: TTB

Consequently, TTB's NPLs should rise higher than its peers in the future. However, we have little concern on this point, as TTB has set aside enough provisions (100% net discounted collateral value) for those bad debts. During its analyst meeting, management assured us that TTB would not face a cliff effect after the relaxed loan classification ends.

Moreover, since 1Q21, the bank has changed its accrued interest realisation to be more conservative by net ECL. Therefore, TTB should not excessively book interest income and assets, which would be a burden in the future.

Exhibit 6: Distribution of risk provisions



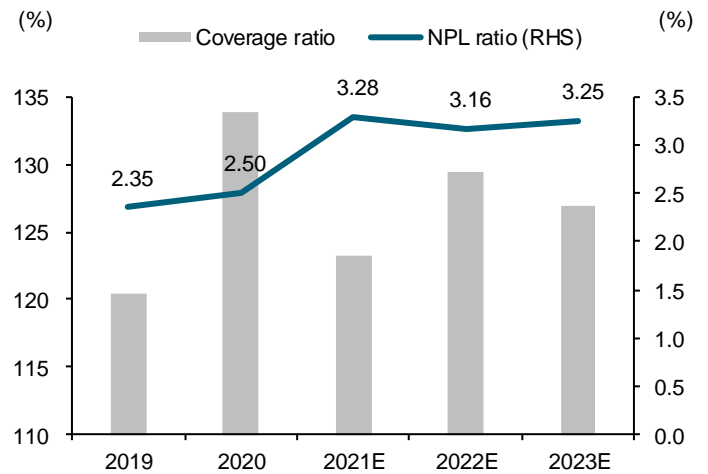
Source: TTB

Exhibit 7: Loan classification



Source: TTB

Exhibit 8: TTB's NPL and coverage ratios



Sources: TTB; FSSIA estimates

Net profit and TP revisions

We revise down our net profit forecasts for 2021-23 by 12.3%/8.5%/9.4%. We lower our 2021-23 fee income growth assumptions to reflect the prolonged and severe Covid pandemic leading to slower business activities. We also lower our NIM forecasts to 3.05%/2.91%/2.99% from 3.06%/2.97%/3.01% in 2021-23, as we think TTB would provide some further assistance, e.g. debt restructuring, to its clients. Additionally, we slightly revise up our credit cost assumptions in 2021-23.

Exhibit 9: Key changes in assumptions

	2020	-----2021E-----			-----2022E-----			-----2023E-----		
		Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	53,805	53,792	51,885	(3.5)	53,590	48,998	(8.6)	55,606	51,453	(7.5)
Non-interest income*	14,986	16,905	15,659	(7.4)	18,557	18,838	1.5	20,192	19,339	(4.2)
Operating income*	68,791	70,697	67,544	(4.5)	72,147	67,836	(6.0)	75,798	70,792	(6.6)
Operating expenses	31,623	33,195	31,236	(5.9)	33,023	29,739	(9.9)	33,347	29,735	(10.8)
PPOP before tax*	37,169	37,502	36,308	(3.2)	39,124	38,097	(2.6)	42,451	41,057	(3.3)
Expected credit loss (Reversal)	24,831	23,680	24,254	2.4	21,312	21,802	2.3	22,164	22,674	2.3
Tax expenses	2,223	2,419	2,049	(15.3)	3,206	2,933	(8.5)	3,652	3,309	(9.4)
Minority interest	3	3	3	(12.3)	4	4	(8.5)	5	5	(9.4)
Normalised profit	10,112	11,400	10,002	(12.3)	14,601	13,358	(8.5)	16,630	15,070	(9.4)
Extraordinary items	-	-	-		-	-		-	-	
Net profit	10,112	11,400	10,002	(12.3)	14,601	13,358	(8.5)	16,630	15,070	(9.4)
EPS (THB)	0.10	0.12	0.10	(12.3)	0.15	0.14	(8.5)	0.17	0.16	(9.4)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	39,594	55,432	51,472	(7.1)	49,888	51,472	3.2	53,381	55,075	3.2
Gross NPLs / Loans (%)	2.50	3.50	3.28		3.03	3.16		3.12	3.25	
Loan loss reserve/NPLs (%)	134	128	123		147	129		143	127	
Credit cost (bps)	178	170	175		150	155		150	155	
Profitability ratio (%)										
Cost to income ratio*	46.0	47.0	46.2		45.8	43.8		44.0	42.0	
Average yield	4.09	3.91	3.82		4.02	3.86		4.07	3.93	
Cost of funds	1.18	0.97	0.87		1.21	1.07		1.24	1.07	
Net interest margin (NIM)	3.05	3.06	3.05		2.97	2.91		3.01	2.99	
Loan growth (%)										
y-y	0.1	-	(1.0)		4.0	4.0		4.0	4.0	

*Including share of profits from associates

Sources: TTB; FSSIA estimates

We revise down our 2022 GGM-based TP to THB1.4 from THB1.8, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 0.6x from 0.76x as a result of our lower average long-term ROE target of 6.4% from 6.8%; our lower long-term growth to 4.0% from 4.1%; and our higher cost of equity assumption to reflect the weaker prospects of an economic recovery.

Exhibit 10: GGM-derived target price

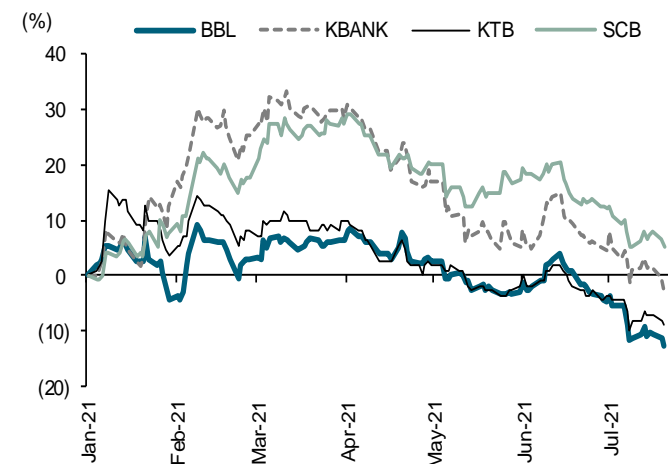
Target price (THB)	THB 1.4 (from THB 1.8)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	7.8 (from 7.6)
Terminal growth (%)	4.0 (from 4.1)
ROE target (%)	6.4 (from 6.8)
Risks to TP	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

Source: FSSIA estimates

Cheap valuation

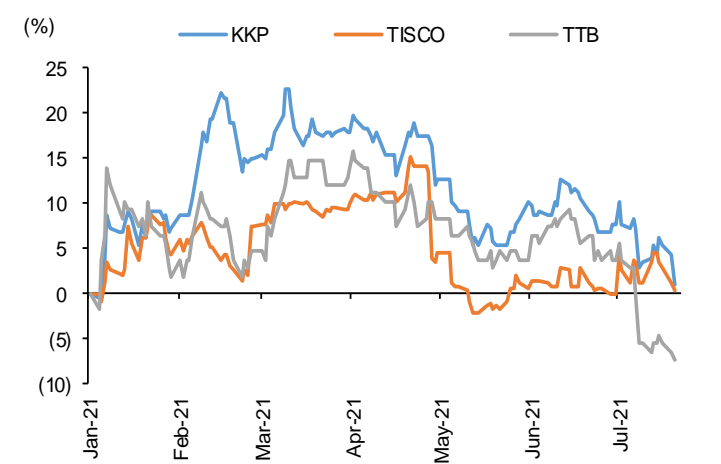
TTB's share price is underperforming its peers. We think the market has largely priced in the slower-than-expected merger benefit. Due to its weak earnings outlook in the short term and the uncertainty amid the Covid pandemic, it might take some time for its share price to re-rate.

Exhibit 11: Big banks' YTD price performance



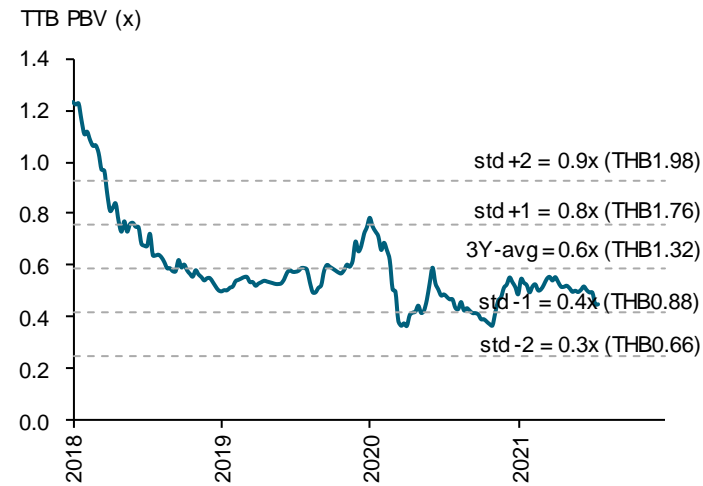
Sources: Bloomberg; FSSIA's compilation

Exhibit 12: Auto lenders' YTD price performance



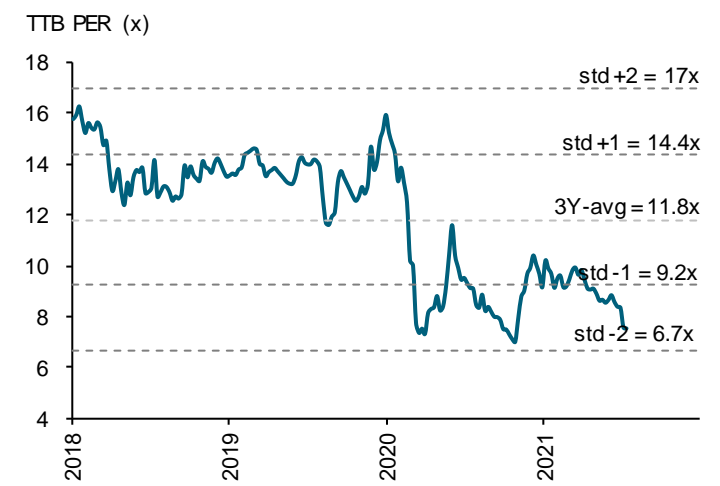
Sources: Bloomberg; FSSIA's compilation

Exhibit 13: TTB – rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: TTB – rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 15: Peers comparison as of 20 Jul 2021

	BBG	Rec	---Share price---		Up	Market	EPS growth		--- P/E ---		- DivYld -		--- ROE ---		--- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USDm)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Banks						34,167	14.4	13.5	8.5	7.5	3.9	4.8	6.7	7.3	0.6	0.5
Bangkok Bank	BBL	BUY	103.50	146.00	41	6,021	14.5	13.2	8.1	7.2	3.9	4.8	5.4	5.9	0.4	0.4
Kasikornbank	KBANK	BUY	109.00	190.00	74	7,871	17.6	6.4	7.4	7.0	2.9	3.4	7.7	7.7	0.6	0.5
Kiatnakin Bank	KKP	BUY	52.25	65.00	24	1,348	11.2	12.6	7.8	6.9	4.8	6.7	11.9	12.5	0.9	0.8
Krung Thai Bank	KTB	HOLD	10.10	12.70	26	4,302	15.0	14.1	7.4	6.4	4.8	5.4	5.5	5.9	0.4	0.4
Siam Commercial Bank	SCB	BUY	92.00	140.00	52	9,521	18.1	14.9	9.7	8.5	3.5	4.3	7.6	8.3	0.7	0.7
Tisco Financial	TISCO	BUY	88.75	122.00	37	2,166	9.1	13.7	10.7	9.5	7.4	8.7	16.4	17.8	1.7	1.6
TMBThanachart Bank	TTB	BUY	1.00	1.40	40	2,938	(1.1)	33.6	9.6	7.2	4.2	5.5	4.8	6.2	0.5	0.4

Sources: Company Data; FSSIA estimates

Financial Statements

TMBThanachart Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	39,837	72,321	65,048	64,998	67,652
Interest expense	(12,972)	(18,515)	(13,163)	(16,000)	(16,200)
Net interest income	26,865	53,805	51,885	48,998	51,453
Net fees & commission	8,098	10,575	11,117	13,842	14,063
Foreign exchange trading income	1,528	0	0	0	0
Securities trading income	1,956	2,404	2,746	3,020	3,102
Dividend income	0	0	0	0	0
Other income	1,050	1,644	1,398	1,537	1,691
Non interest income	12,632	14,623	15,260	18,399	18,856
Total income	39,497	68,429	67,145	67,397	70,309
Staff costs	(9,629)	(16,536)	(15,544)	(14,766)	(15,062)
Other operating costs	(11,046)	(15,087)	(15,692)	(14,973)	(14,673)
Operating costs	(20,674)	(31,623)	(31,236)	(29,739)	(29,735)
Pre provision operating profit	18,822	36,806	35,909	37,658	40,574
Provision for bad and doubtful debt	(10,337)	(24,831)	(24,254)	(21,802)	(22,674)
Other provisions	-	-	-	-	-
Operating profit	8,486	11,975	11,655	15,857	17,900
Recurring non operating income	324	363	399	439	483
Associates	324	363	399	439	483
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	8,810	12,338	12,054	16,295	18,383
Tax	(1,588)	(2,223)	(2,049)	(2,933)	(3,309)
Profit after tax	7,222	10,115	10,005	13,362	15,074
Minority interests	0	(3)	(3)	(4)	(5)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,222	10,112	10,002	13,358	15,070
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,222	10,112	10,002	13,358	15,070
Per share (THB)					
Recurring EPS *	0.15	0.10	0.10	0.14	0.16
Reported EPS	0.15	0.10	0.10	0.14	0.16
DPS	0.04	0.05	0.04	0.06	0.06
Growth					
Net interest income (%)	9.7	100.3	(3.6)	(5.6)	5.0
Non interest income (%)	8.4	15.8	4.4	20.6	2.5
Pre provision operating profit (%)	0.8	95.5	(2.4)	4.9	7.7
Operating profit (%)	(11.3)	41.1	(2.7)	36.0	12.9
Reported net profit (%)	(37.7)	40.0	(1.1)	33.6	12.8
Recurring EPS (%)	(15.8)	(29.4)	(1.1)	33.6	12.8
Reported EPS (%)	(43.9)	(29.4)	(1.1)	33.6	12.8
Income Breakdown					
Net interest income (%)	68.0	78.6	77.3	72.7	73.2
Net fees & commission (%)	20.5	15.5	16.6	20.5	20.0
Foreign exchange trading income (%)	3.9	-	-	-	-
Securities trading income (%)	5.0	3.5	4.1	4.5	4.4
Dividend income (%)	-	-	-	-	-
Other income (%)	2.7	2.4	2.1	2.3	2.4
Operating performance					
Gross interest yield (%)	2.99	4.09	3.82	3.86	3.93
Cost of funds (%)	1.10	1.18	0.87	1.07	1.07
Net interest spread (%)	1.89	2.91	2.95	2.79	2.86
Net interest margin (%)	2.0	3.0	3.0	2.9	3.0
Cost/income(%)	52.3	46.2	46.5	44.1	42.3
Cost/assets(%)	1.5	1.7	1.8	1.7	1.7
Effective tax rate (%)	18.0	18.0	17.0	18.0	18.0
Dividend payout on recurring profit (%)	26.5	42.9	40.0	40.0	40.0
ROE (%)	4.9	5.1	4.8	6.2	6.7
ROE - COE (%)	4.9	5.1	4.8	6.2	6.7
ROA (%)	0.5	0.6	0.6	0.8	0.8
RORWA (%)	0.8	0.8	0.8	1.1	1.2

* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMBThanachart Bank ; FSSIA estimates

Financial Statements

TMBThanachart Bank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	1,392,225	1,392,925	1,378,996	1,434,156	1,491,522
Total provisions	(45,477)	(52,978)	(63,442)	(66,600)	(69,884)
interest in suspense	1,883	3,879	3,861	4,016	4,176
Net customer loans	1,348,631	1,343,826	1,319,415	1,371,571	1,425,814
Bank loans	236,311	211,185	151,876	126,526	108,072
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	166,265	138,139	141,687	145,328	149,066
Cash & equivalents	23,853	21,943	47,126	49,255	35,695
Other interesting assets	-	-	-	-	-
Tangible fixed assets	28,452	30,076	29,850	29,717	29,666
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	54,679	58,510	56,508	57,593	58,459
Total assets	1,858,191	1,803,677	1,746,461	1,779,990	1,806,772
Customer deposits	1,398,112	1,373,408	1,321,838	1,341,665	1,355,082
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	198,844	168,768	158,651	161,031	162,641
Non interest bearing liabilities	66,423	61,406	55,265	56,923	58,631
Hybrid Capital	-	-	-	-	-
Total liabilities	1,663,379	1,603,582	1,535,754	1,559,620	1,576,354
Share capital	91,541	91,589	91,589	91,589	91,589
Reserves	103,235	113,124	119,079	128,741	138,787
Total equity	194,777	204,713	210,668	220,330	230,376
Minority interests	35	37	38	40	42
Total liabilities & equity	1,858,190	1,808,332	1,746,461	1,779,990	1,806,772
Supplementary items					
Risk weighted assets (RWA)	1,216,836	1,188,683	1,176,796	1,223,868	1,272,823
Average interest earning assets	1,333,754	1,766,631	1,703,692	1,685,612	1,723,580
Average interest bearing liabilities	1,174,710	1,569,566	1,511,333	1,491,593	1,510,210
Tier 1 capital	165,793	171,724	189,536	197,215	206,086
Total capital	218,440	220,769	238,581	246,260	255,131
Gross non performing loans (NPL)	37,746	39,594	51,472	51,472	55,075
Per share (THB)					
Book value per share	4.01	2.12	2.19	2.29	2.39
Tangible book value per share	4.01	2.12	2.19	2.29	2.39
Growth					
Gross customer loans	103.0	0.1	(1.0)	4.0	4.0
Average interest earning assets	57.8	32.5	(3.6)	(1.1)	2.3
Total asset (%)	108.4	(2.9)	(3.2)	1.9	1.5
Risk weighted assets (%)	90.8	(2.3)	(1.0)	4.0	4.0
Customer deposits (%)	115.2	(1.8)	(3.8)	1.5	1.0
Leverage & capital measures					
Customer loan/deposits (%)	96.5	97.8	99.8	102.2	105.2
Equity/assets (%)	10.5	11.3	12.1	12.4	12.8
Tangible equity/assets (%)	10.5	11.3	12.1	12.4	12.8
RWA/assets (%)	65.5	65.9	67.4	68.8	70.4
Tier 1 CAR (%)	13.6	14.4	16.1	16.1	16.2
Total CAR (%)	18.0	18.6	20.3	20.1	20.0
Asset Quality					
Change in NPL (%)	73.8	4.9	30.0	-	7.0
NPL/gross loans (%)	2.7	2.8	3.7	3.6	3.7
Total provisions/gross loans (%)	3.3	3.8	4.6	4.5	4.7
Total provisions/NPL (%)	120.5	133.8	123.3	129.4	126.9
Valuation					
Recurring P/E (x) *	6.7	9.5	9.6	7.2	6.4
Recurring P/E @ target price (x) *	9.4	13.3	13.5	10.1	9.0
Reported P/E (x)	6.7	9.5	9.6	7.2	6.4
Dividend yield (%)	3.9	4.5	4.2	5.5	6.3
Price/book (x)	0.2	0.5	0.5	0.4	0.4
Price/tangible book (x)	0.2	0.5	0.5	0.4	0.4
Price/tangible book @ target price (x)	0.3	0.7	0.6	0.6	0.6
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: TMBThanachart Bank ; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSI	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	HL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
TMBThanachart Bank	TTB TB	THB 1.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Bangkok Bank	BBL TB	THB 103.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kasikornbank	KBANK TB	THB 109.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kiatnakin Bank	KKP TB	THB 52.25	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 10.10	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Siam Commercial Bank	SCB TB	THB 92.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM
Tisco Financial	TISCO TB	THB 88.75	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 20-Jul-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.