

22 JULY 2021

THAILAND / BANKS

KASIKORNBANK KBANK TB

BUY

UNCHANGED

TARGET PRICE	THB150.00
CLOSE	THB105.00
UP/DOWNSIDE	+42.9%
PRIOR TP	THB190.00
CHANGE IN TP	-21.1%
TP vs CONSENSUS	-7.5%

มีมากกว่าที่เห็น

ผลประกอบการ 2Q21 ตามคาด สินเชื่อโตดีแต่สำรองสูง

KBANK รายงานกำไรสุทธิ 2Q21 ตามคาดโดยอยู่ที่ 8,894 ลบ. (+309% y-y, -16% q-q) ผลประกอบการของธุรกิจหลักมีทั้งส่วนที่ดีและไม่ดี โดยปริมาณสินเชื่อเพิ่มในระดับสูงถึง 3.5% q-q พร้อมส่วนต่างดอกเบี้ยที่ขึ้นเป็น 3.23% จาก 3.17% ใน 1Q21 อย่างไรก็ตามกำไรสุทธิได้ค่าธรรมเนียมลดลงจากกิจกรรมทางเศรษฐกิจที่ชะลอตัว นอกจากนี้ต้นทุนความเสี่ยงในการปล่อยสินเชื่อก็เพิ่มจาก 152 bps ใน 1Q21 เป็น 185 bps ซึ่งสูงกว่าเป้าหมายทั้งปีที่ไม่เกิน 160 bps

มุมมองที่เป็นลบจากการประชุมนักวิเคราะห์

ในที่ประชุมนักวิเคราะห์ ผู้บริหารให้ข้อมูลว่าผลประกอบการในปี 2021 อาจอยู่ในช่วงต่ำของเป้าหมายทางการเงินของธนาคารฯ ปัจจุบัน KBANK ยังคงเป้าหมายทางการเงินอยู่ แต่อาจปรับตัวเลขดังกล่าวได้ ถ้าสถานการณ์ Covid เลวร้ายลง ใน 2Q21 สินเชื่อภายใต้โครงการบรรเทาหนี้เพิ่ม 6% q-q (14% ของสินเชื่อรวม) ส่วนมากมาจากสินเชื่อที่อยู่อาศัย โดย 97% ของลูกค้าในกลุ่มดังกล่าวอาจชำระหนี้ได้ปกติ อย่างไรก็ตามเนื่องจากลูกค้าบางส่วนเพิ่งจะเข้าโครงการ ตัวเลขดังกล่าวจึงดูดีเกินไป มาตรการบรรเทาหนี้อาจเพิ่มต่อเนื่องใน 3Q21 แต่น่าจะต่ำกว่า 39% ของสินเชื่อรวมใน 2Q20 อย่างมีนัยสำคัญ ในภาพรวมเรามองข้อมูลดังกล่าวเป็นลบ เรามองว่าธนาคารฯ จะปรับเพิ่มเป้าหมายต้นทุนความเสี่ยงในการปล่อยสินเชื่อจากไม่เกิน 160 bps

การเติบโตของสินเชื่อและดอกเบี้ยค้างจ่ายอาจเป็นภาระในในอนาคต

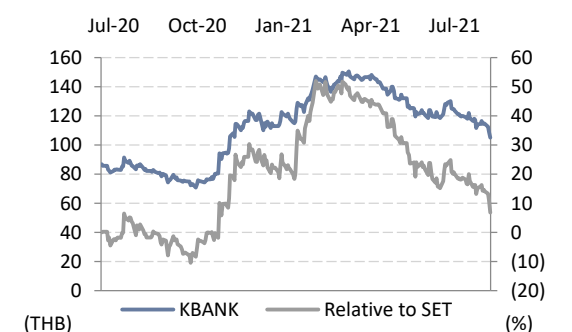
KBANK รายงานสินเชื่อโตอย่างโดดเด่นโดยอยู่ที่ 6.2% YTD เทียบกับ 3.2% ของกลุ่มฯ อย่างไรก็ตามเนื่องจากครึ่งหนึ่งของปริมาณสินเชื่อที่เพิ่มขึ้นมาจากมาตรการบรรเทาหนี้สำหรับลูกค้าที่ได้รับผลกระทบจาก Covid ทำให้เรามีความสงสัยเกี่ยวกับคุณภาพของการเติบโตดังกล่าว นอกจากนี้ดอกเบี้ยค้างจ่ายยังเพิ่มต่อเนื่องในระดับปานกลาง ในขณะที่ตัวเลขดังกล่าวเพิ่มเพียงเล็กน้อยหรือแม้แต่ลดลงในธนาคารอื่น การฟื้นตัวของเศรษฐกิจที่ชะลอตัวอาจบั่นทอนความสามารถของลูกค้าดังกล่าวในการจ่ายดอกเบี้ย ในท้ายที่สุดปัจจัยดังกล่าวอาจกลายเป็นภาระ เนื่องจากธนาคารฯ อาจต้องจัดสรรสำรองให้ในอนาคต

ไม่ใช่ธนาคารที่เราเลือกในระยะสั้นถึงระยะกลาง

เราปรับลดประมาณการกำไรสุทธิปี 2021-23 ลง 9.6%/7.3%/7.3% ตามลำดับส่วนมากเพื่อสะท้อนสมมติฐานต้นทุนความเสี่ยงในการให้สินเชื่อที่สูงขึ้นและปรับลดราคาเป้าหมายปี 2022 ลงเหลือ 150 บาท แม้เราจะมองว่า KBANK ยังเป็นทางเลือกที่ดีสำหรับการลงทุนในระยะยาว อย่างไรก็ตามตามธนาคารฯ ไม่ใช่ตัวเลือกของเราในระยะสั้นถึงกลางเนื่องจาก 1) เราคาดว่ากำไรจะลดลง y-y และ q-q ใน 3Q-4Q21 โดยได้แรงกดดันจากสำรอง; 2) เรามีความกังวลเกี่ยวกับคุณภาพของการเติบโตของสินเชื่อ; และ 3) ดอกเบี้ยค้างจ่ายที่เพิ่มต่อเนื่องอาจส่งผลกระทบต่อความสามารถในการทำกำไรของธนาคารฯ

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	41,540	44,256	48,483	52,331
Net profit	29,487	31,325	34,198	36,642
EPS (THB)	12.45	13.22	14.43	15.47
vs Consensus (%)	-	(9.6)	(8.7)	(13.9)
Core net profit	29,487	31,325	34,198	36,642
Core EPS (THB)	12.45	13.22	14.43	15.47
Chg. In EPS est. (%)	-	(9.6)	(7.3)	(7.3)
EPS growth (%)	(23.1)	6.2	9.2	7.1
Core P/E (x)	8.4	7.9	7.3	6.8
Dividend yield (%)	2.4	2.6	3.3	3.8
Price/book (x)	0.6	0.5	0.5	0.5
ROE (%)	7.0	6.9	7.2	7.3
ROA (%)	1.0	1.0	1.0	1.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(13.2)	(25.0)	20.0
Relative to country (%)	(9.8)	(23.1)	7.2
Mkt cap (USD m)	7,575		
3m avg. daily turnover (USD m)	116.2		
Free float (%)	50		
Major shareholder	Thai NVDR (19%)		
12m high/low (THB)	153.00/70.00		
Issued shares (m)	2,393		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 22 กรกฎาคม 2021

Investment thesis

Our BUY call for long-term investment on KBANK is because we believe the bank can weather the Covid-19 storm, owing to its strong capital.

Once the Covid-19 crisis has passed, we expect KBANK to post sustainable long-term growth, as it has laid a strong foundation for such. First, KBANK has been heavily investing in digital platforms for more than a decade – we believe it will utilise its digital platform to generate more revenue while reducing operating and funding costs. Second, KBANK is one of the first movers to have expanded into the Asean Economic Community +3. Therefore, its digital investment and international expansion should be a game changer, helping it to become a regional digital bank.

However, in the short-term, we are concerned over its asset quality due to the prolonged Covid pandemic. Thus, it is not our most preferred bank at this time.

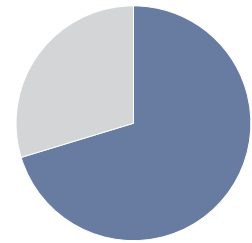
Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. At the end of 2020, KBANK operated 860 branches, down from 886 in 2019 and 10,981 ATMs, up from 8,168 in 2019. In addition, the bank has an international network that includes 16 establishments in eight countries.

www.kasikornbank.com

Principal activities (revenue, 2020)

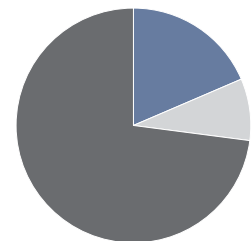
- Net interest income - 70.3 %
- Non-interest income - 29.7 %



Source: Kasikornbank

Major shareholders

- Thai NVDR - 18.6 %
- State Street Europe Ltd. - 8.5 %
- Others - 72.9 %



Source: Kasikornbank

Catalysts

Potential share price catalysts for KBANK include:

- Lower credit cost from fewer new NPLs;
- Faster expansion in the digital lending space than expected;
- The return of foreign fund flows into the Thai stock market.

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
October 2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	31,325	34,198	36,642
Net profit growth	6.2	9.2	7.1
NIM	3.12	3.09	3.15
Loan growth	6.2	5.0	5.0
Fee growth	4.7	5.0	5.0
Non-NII growth*	(0.0)	7.7	5.1
Credit cost (bp)	180	175	170
Cost to income*	45.6	44.5	44.2

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
Loan growth	±2ppt	4.2	6.2	8.2
% change in net profit		(1.2)	-	1.2
NIM (%)	±5bp	3.07	3.12	3.17
% change in net profit		(4.1)	-	4.1
Credit cost (bp)	±10bp	170	180	190
% change in net profit		3.6	-	(3.6)

Source: FSSIA estimates

In-line 2Q21 results; strong loan growth but high provision

KBANK reported an in-line 2Q21 net profit of THB8,894m (+309% y-y, -16% q-q). There was mixed performance in its core businesses. Its loan volume increased strongly by 3.5% q-q, with an improvement in its NIM to 3.23% from 3.17% in 1Q21. However, its fee income fell due to the slow business activities. Its credit cost also surged, to 185 bps vs 152 bps in 1Q21, which was higher than its full-year target of not over 160 bps.

2Q21 key highlights

- The total loan volume increased robustly by 3.5% q-q from a rise in business and housing loans;
- The NIM increased to 3.23% from 3.17% in 1Q21 due mainly to a rise in its yield on loans;
- Net fee income dropped by 9% q-q thanks to a slowdown in its mutual fund and investment banking fees;
- Non-performing loans (NPLs) slightly increased by 4% q-q, implying an NPL ratio of 3.95%. Its coverage ratio was maintained at the same level as 1Q21 at 136%.

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

Year-end Dec 31	2Q20	1Q21	2Q21		1H21		2021E		Comments		
	(THBm)	(THBm)	(THBm)	(y-y%)	(q-q%)	(THBm)	(y-y%)	%21E	(THB m)	(y-y%)	
Net interest income	27,082	28,133	29,717	10	6	57,850	5	52	111,801	52	Strong loan growth and NIM
Non-interest income	14,092	11,895	11,138	(21)	(6)	23,033	(4)	50	45,847	50	
Operating income	41,174	40,028	40,855	(1)	2	80,882	2	51	157,647	51	
Operating expenses	15,796	16,531	17,069	8	3	33,600	1	47	71,945	47	
PPOP before tax	25,378	23,496	23,786	(6)	1	47,282	3	55	85,702	55	
Provision	20,192	8,650	10,807	(46)	25	19,457	(39)	47	41,659	47	
Income tax	901	3,035	2,548	183	(16)	5,583	148	67	8,324	67	
Minority interest	2,110	1,184	1,537	(27)	30	2,721		62	4,393	62	
Normalised profit	2,175	10,627	8,894	309	(16)	19,521	104	62	31,325	62	
Extraordinary items	0	0	0			0			0		
Net profit	2,175	10,627	8,894	309	(16)	19,521	104	62	31,325	62	In line with BBG's expectation
EPS (THB)	0.91	4.44	3.72	309	(16)	8.16	104	62	13	62	
Asset quality ratio											
Gross NPLs (THB m)	94,441	102,316	106,920	13	4				121,208		
NPL ratio (%)	3.92	3.93	3.95						4.44		
LLR/NPLs (%)	156	137	136						122		
Credit cost (bp)	387	152	185						180		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	38.4	41.3	41.8						45.6		
Average yield (%)	3.81	3.60	3.65						3.5		
Cost of fund (%)	0.80	0.60	0.59						0.6		
Net interest margin (NIM)	3.23	3.17	3.23						3.12		
Non-int inc/total income	34.2	29.7	27.3						29.1		
Liquidity ratio	(%)	(%)	(%)						(%)		
Loan to deposit ratio	92.1	95.9	96.1						98.1		
Capital adequacy ratio	(%)	(%)	(%)						(%)		
CAR	18.1	18.4	18.2						18.6		
CET 1/ Risk assets	15.4	15.2	15.3						16.1		
Tier - I/ Risk assets	2.7	2.6	2.3						2.5		
Loan growth	(%)	(%)	(%)						(%)		
Year-to-date	6.2	2.6	6.2								
y-y	10.0	12.7	12.1						6.2		
q-q	4.1	2.6	3.5								

Sources: KBANK; Bloomberg consensus; FSSIA estimates

Negative view from analyst meeting

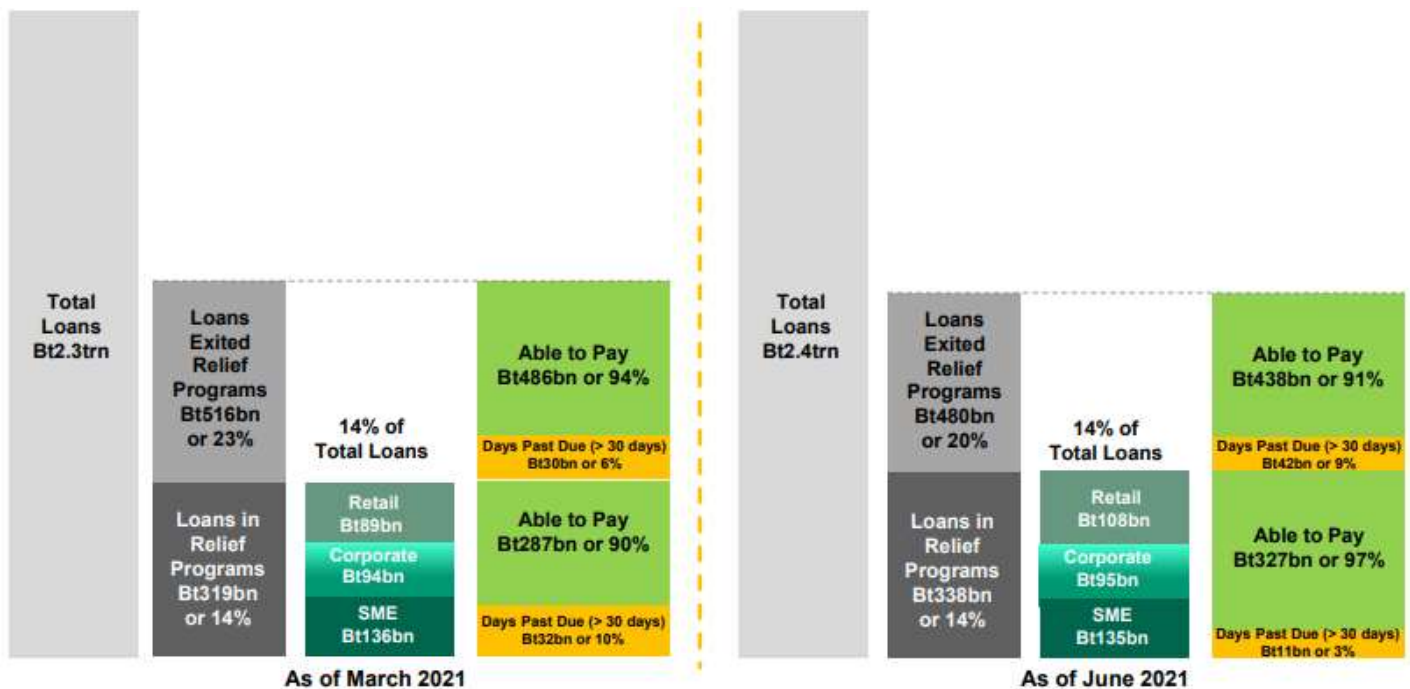
At its latest analyst meeting, KBANK revised down its 2021 GDP forecast to 1.0% from 1.8%. Management thinks its 2021 performance will be at the lower end of its financial target. Currently, KBANK is maintaining its financial target but could revise it if the Covid situation gets worse. 2Q21 loans in relief programs went up by 6% q-q, (14% of total loans), mostly from housing loans. 97% of clients in this category could service debt normally. However, as some clients just entered into the program, this number might be too optimistic. The relief programs could continue to increase in 3Q21, but should be significantly lower than the 39% to total loans in 2Q20. We read the overall message as negative. We think the bank will increase its credit cost target from not over 160 bps.

Exhibit 2: KBANK's 2021 financial targets

Consolidated	2020	1H21	2021 Target
	(%)	(%)	(%)
NIM	3.27	3.20	3.10 - 3.30
Loan growth	12.13	6.17% ytd 12.06% y-y	4 - 6
Net fee income growth	(10.17)	6.57	Low single-digit growth rate
Cost to income ratio	45.19	41.54	Mid-40s
Credit cost per year (bps)	205	168	Up to 160
NPL ratio (Gross)	3.93	3.95	4.00 - 4.50
ROE	7.10	8.87	n/a
ROA	0.85	1.03	n/a

Source: KBANK

Exhibit 3: Debt forbearance program

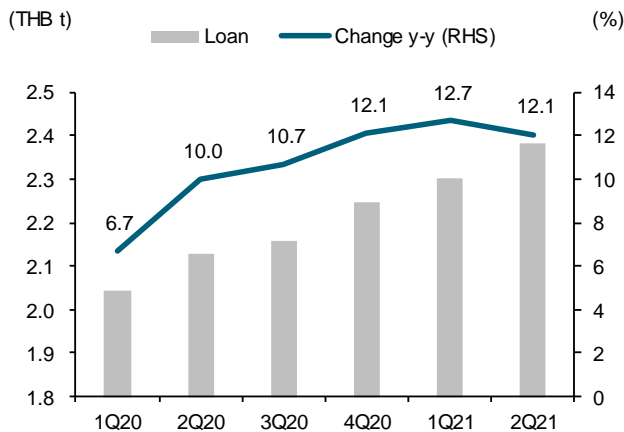


Source: KBANK

Will loan growth and accrued interest be a burden in the future?

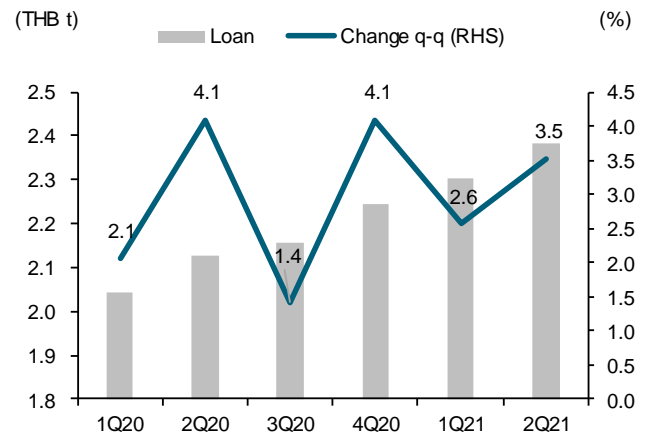
KBANK reported outstanding loan growth of 6.2% YTD vs 3.2% for the banking sector. According to management, this growth came from 1) c2% soft and rehabilitation loans; 2) c1% from temporary payment skipping from the moratorium program; 3) 1.5% from home loans; and 4) corporate loans. As half of the loan volume increase came from the relief measures for Covid-impacted clients, this leads us to question the quality of the growth. In the case of a bleaker economy, these clients might not be able to service their debts.

Exhibit 4: KBANK's loan growth – y-y basis



Sources: KBANK; FSSIA's compilation

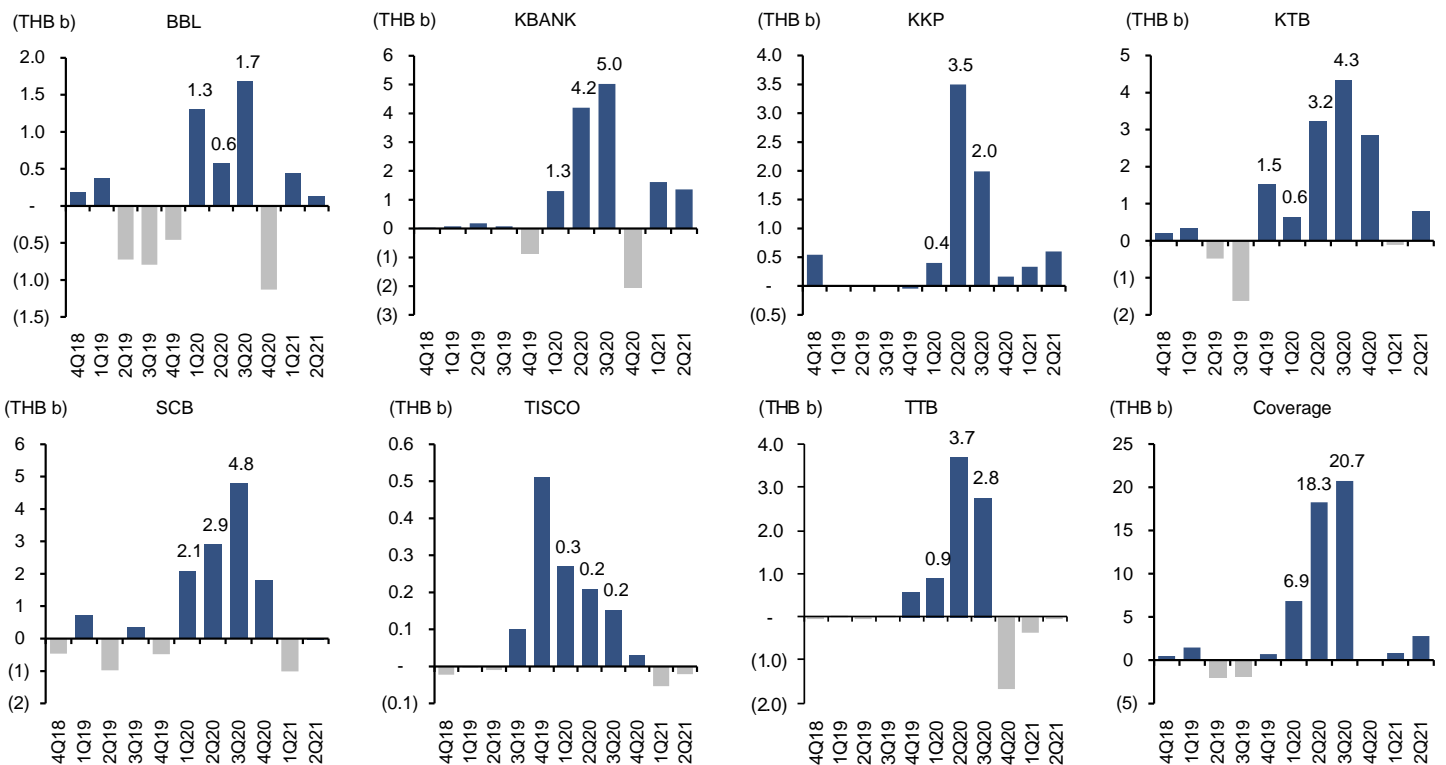
Exhibit 5: KBANK's loan growth – q-q basis



Sources: KBANK; FSSIA's compilation

Moreover, its accrued interest continued to increase in 2Q21 at a moderate rate, while only slightly increasing or even declining for other banks. According to management, 70% of the increase in its accrued interest came from new lending, especially housing loans – which normally have a lower interest rate charge in the first three years compared to the total contract – with the rest coming from relief measures. The slow economic recovery could reduce these clients' ability to repay interest. Eventually, this might be a burden for the bank as it might need to set aside provisions in the future.

Exhibit 6: Increase in accrued interest q-q



Note: Accrued interest of KKP and BBL are FSSIA's calculation. The banks will announce actual numbers in Aug-21
 Source: FSSIA estimates

Net profit and TP revisions

We revise down our net profit forecasts for 2021-23 by 9.6%/7.3%/7.3%. We lower our 2021-23 credit cost assumptions to 180/175/170 bp from 165/160/160 bps due to the severe resurgence of Covid. We also lower our NIM forecasts to 3.12%/3.09%/3.15% from 3.16%/3.12%/3.19% in 2021-23, as we think KBANK would provide some further assistance, e.g. debt restructuring, to its clients. Additionally, we slightly lower our fee income growth assumptions in 2021-23 to reflect the slower business activities thanks to the lockdown measures.

Exhibit 7: Key changes in assumptions

	-----2021E-----				-----2022E-----			-----2023E-----		
	2020	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	109,022	112,119	111,801	(0.3)	113,631	114,732	1.0	119,166	119,708	0.5
Non-interest income*	45,869	46,597	45,847	(1.6)	50,162	49,382	(1.6)	53,141	51,924	(2.3)
Operating income*	154,891	158,716	157,647	(0.7)	163,793	164,114	0.2	172,307	171,632	(0.4)
Operating expenses	69,997	71,945	71,945	-	73,091	73,091	-	75,918	75,918	-
PPOP before tax*	84,895	86,770	85,702	(1.2)	90,702	91,023	0.4	96,389	95,714	(0.7)
Expected credit loss (Reversal)	43,548	37,966	41,659	9.7	38,656	42,763	10.6	40,589	43,618	7.5
Tax expenses	7,656	9,273	8,324	(10.2)	9,993	9,266	(7.3)	10,714	10,315	(3.7)
Minority interest	4,203	4,862	4,393	(9.6)	5,173	4,796	(7.3)	5,546	5,139	(7.3)
Normalised profit	29,487	34,670	31,325	(9.6)	36,881	34,198	(7.3)	39,541	36,642	(7.3)
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net profit	29,487	34,670	31,325	(9.6)	36,881	34,198	(7.3)	39,541	36,642	(7.3)
EPS (THB)	12.45	14.63	13.22	(9.6)	15.57	14.43	(7.3)	16.69	15.47	(7.3)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	101,007	121,208	121,208	-	113,936	113,936	-	117,354	117,354	-
Gross NPLs / Loans (%)	3.93	4.49	4.44		4.02	3.98		3.94	3.90	
Loan loss reserve/NPLs (%)	133	119	122		117	123		118	126	
Credit cost (bps)	205	165	180		160	175		160	170	
Profitability ratio (%)	(%)	(%)	(%)		(%)	(%)		(%)	(%)	
Cost to income ratio*	45.2	45.3	45.6		44.6	44.5		44.1	44.2	
Average yield	3.83	3.58	3.54		3.72	3.51		3.85	3.57	
Cost of funds	0.78	0.60	0.59		0.84	0.59		0.93	0.59	
Net interest margin (NIM)	3.27	3.16	3.12		3.12	3.09		3.19	3.15	
Loan growth (%)										
y-y	12.1	5.0	6.2		5.0	5.0		5.0	5.0	

*Including share of profits from associates

Sources: KBANK; FSSIA estimates

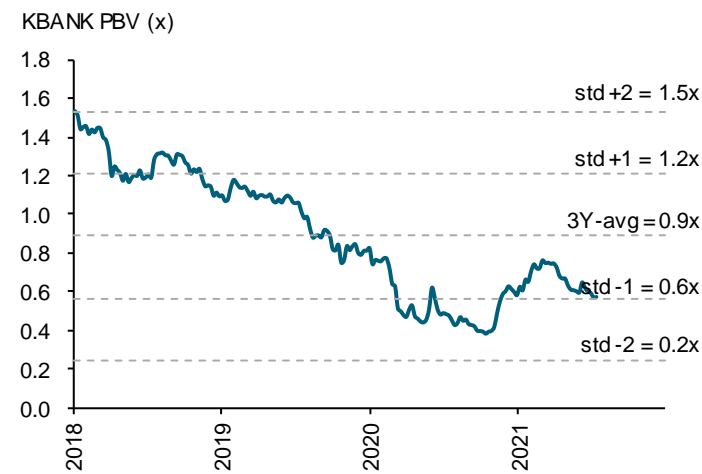
We revise down our 2022 GGM-based TP to THB150 from THB190, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 0.73x from 0.91x as a result of our lower average long-term ROE target of 7.2% from 7.7%; our lower long-term growth to 4.0% from 4.2%; and our higher cost of equity assumption to reflect the weaker prospects of an economic recovery.

Exhibit 8: GGM-derived target price

Target price	THB 150 (from THB 190)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	8.4 (from 8.0)
Terminal growth (%)	4.0 (from 4.02)
ROE target (%)	7.2 (from 7.7)
Risks to TP	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

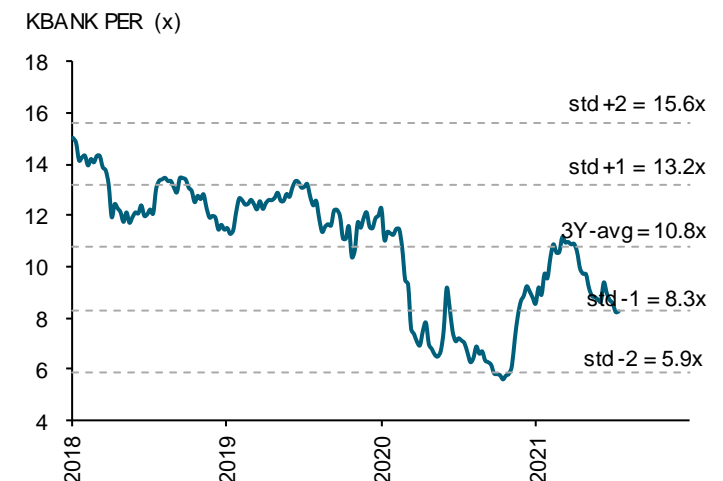
Source: FSSIA estimates

Exhibit 9: KBANK – rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: KBANK – rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Peers comparison as of 21 Jul 2021

	BBG	Rec	---Share price---		Up side	Market Cap	EPS growth		--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
			Current	Target			21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
	code		(THB)	(THB)	(%)	(USDm)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Banks						33,573	11.5	14.4	8.5	7.5	3.9	4.9	6.6	7.2	0.5	0.5
Bangkok Bank	BBL	BUY	102.00	146.00	43	5,929	14.5	13.2	8.0	7.1	3.9	4.9	5.4	5.9	0.4	0.4
Kasikornbank	KBANK	BUY	105.00	150.00	43	7,575	6.2	9.2	7.9	7.3	2.6	3.3	6.9	7.2	0.5	0.5
Kiatnakin Bank	KKP	BUY	50.25	65.00	29	1,296	11.2	12.6	7.5	6.6	5.0	7.0	11.9	12.5	0.9	0.8
Krung Thai Bank	KTB	HOLD	10.10	12.70	26	4,298	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	91.25	140.00	53	9,435	18.1	14.9	9.6	8.4	3.5	4.4	7.6	8.3	0.7	0.7
Tisco Financial	TISCO	BUY	87.50	122.00	39	2,133	9.1	13.7	10.6	9.3	7.5	8.9	16.4	17.8	1.7	1.6
TMBThanachart Bank	TTB	BUY	0.99	1.40	41	2,906	(1.1)	33.6	9.5	7.1	4.2	5.6	4.8	6.2	0.5	0.4

Sources: Company Data; FSSIA estimates

Financial Statements

Kasikornbank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	130,178	127,592	126,846	130,371	135,737
Interest expense	(27,490)	(18,570)	(15,045)	(15,639)	(16,029)
Net interest income	102,688	109,022	111,801	114,732	119,708
Net fees & commission	36,740	33,004	34,548	36,276	38,090
Foreign exchange trading income	8,362	0	0	0	0
Securities trading income	8,412	9,428	7,939	8,011	8,087
Dividend income	2,817	2,384	2,623	2,754	2,892
Other income	1,428	1,246	949	2,564	3,090
Non interest income	57,759	46,063	46,059	49,605	52,158
Total income	160,447	155,085	157,860	164,337	171,867
Staff costs	(33,261)	(32,143)	(32,786)	(32,786)	(34,426)
Other operating costs	(39,468)	(37,853)	(39,159)	(40,305)	(41,492)
Operating costs	(72,729)	(69,997)	(71,945)	(73,091)	(75,918)
Pre provision operating profit	87,718	85,088	85,915	91,246	95,949
Provision for bad and doubtful debt	(34,012)	(43,548)	(41,659)	(42,763)	(43,618)
Other provisions	-	-	-	-	-
Operating profit	53,706	41,540	44,256	48,483	52,331
Recurring non operating income	44	(193)	(213)	(223)	(234)
Associates	44	(193)	(213)	(223)	(234)
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	53,750	41,347	44,043	48,260	52,096
Tax	(10,309)	(7,656)	(8,324)	(9,266)	(10,315)
Profit after tax	43,441	33,690	35,719	38,994	41,781
Minority interests	(4,714)	(4,203)	(4,393)	(4,796)	(5,139)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	38,727	29,487	31,325	34,198	36,642
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	38,727	29,487	31,325	34,198	36,642
Per share (THB)					
Recurring EPS *	16.18	12.45	13.22	14.43	15.47
Reported EPS	16.18	12.45	13.22	14.43	15.47
DPS	5.00	2.50	2.70	3.50	4.00
Growth					
Net interest income (%)	4.2	6.2	2.5	2.6	4.3
Non interest income (%)	1.5	(20.3)	0.0	7.7	5.1
Pre provision operating profit (%)	0.7	(3.0)	1.0	6.2	5.2
Operating profit (%)	(1.6)	(22.7)	6.5	9.6	7.9
Reported net profit (%)	0.7	(23.9)	6.2	9.2	7.1
Recurring EPS (%)	0.7	(23.1)	6.2	9.2	7.1
Reported EPS (%)	0.7	(23.1)	6.2	9.2	7.1
Income Breakdown					
Net interest income (%)	64.0	70.3	70.8	69.8	69.7
Net fees & commission (%)	22.9	21.3	21.9	22.1	22.2
Foreign exchange trading income (%)	5.2	-	-	-	-
Securities trading income (%)	5.2	6.1	5.0	4.9	4.7
Dividend income (%)	1.8	1.5	1.7	1.7	1.7
Other income (%)	0.9	0.8	0.6	1.6	1.8
Operating performance					
Gross interest yield (%)	4.20	3.83	3.54	3.51	3.57
Cost of funds (%)	1.24	0.78	0.59	0.59	0.59
Net interest spread (%)	2.96	3.05	2.95	2.92	2.98
Net interest margin (%)	3.3	3.3	3.1	3.1	3.1
Cost/income(%)	45.3	45.1	45.6	44.5	44.2
Cost/assets(%)	2.3	2.0	1.9	1.9	1.9
Effective tax rate (%)	19.2	18.5	18.9	19.2	19.8
Dividend payout on recurring profit (%)	30.9	20.1	20.4	24.2	25.9
ROE (%)	9.9	7.0	6.9	7.2	7.3
ROE - COE (%)	(0.1)	(3.0)	(3.0)	(2.8)	(2.7)
ROA (%)	1.3	1.0	1.0	1.0	1.1
RORWA (%)	2.0	1.5	1.4	1.5	1.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; FSSIA estimates

Financial Statements

Kasikornbank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	2,001,956	2,244,821	2,384,000	2,503,200	2,628,360
Total provisions	(124,879)	(134,393)	(147,444)	(140,143)	(148,279)
interest in suspense	2,830	11,272	16,688	20,026	21,027
Net customer loans	1,879,907	2,121,700	2,253,244	2,383,082	2,501,108
Bank loans	385,940	417,420	388,014	333,753	312,389
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	776,700	837,790	903,019	911,580	920,240
Cash & equivalents	61,385	61,962	39,708	59,771	34,618
Other interesting assets	-	-	-	-	-
Tangible fixed assets	77,686	85,664	87,471	89,928	93,034
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	112,272	134,261	113,550	116,849	119,424
Total assets	3,293,889	3,658,798	3,785,005	3,894,963	3,980,813
Customer deposits	2,072,049	2,344,998	2,429,911	2,502,809	2,552,865
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	185,132	183,631	199,863	205,859	209,976
Non interest bearing liabilities	582,994	638,883	638,883	638,883	638,883
Hybrid Capital	-	-	-	-	-
Total liabilities	2,840,174	3,167,512	3,268,657	3,347,550	3,401,723
Share capital	23,933	23,693	23,693	23,693	23,693
Reserves	382,425	415,976	438,405	466,206	494,555
Total equity	406,358	439,670	462,099	489,899	518,249
Minority interests	47,357	51,616	54,250	57,513	60,841
Total liabilities & equity	3,293,889	3,658,798	3,785,005	3,894,963	3,980,813
Supplementary items					
Risk weighted assets (RWA)	2,210,881	2,404,276	2,553,341	2,681,008	2,815,059
Average interest earning assets	3,101,614	3,332,313	3,587,531	3,711,783	3,804,761
Average interest bearing liabilities	2,214,536	2,368,844	2,552,831	2,642,529	2,708,397
Tier 1 capital	357,975	387,854	411,152	437,517	464,644
Total capital	433,753	452,095	475,393	501,758	528,885
Gross non performing loans (NPL)	84,038	101,007	121,208	113,936	117,354
Per share (THB)					
Book value per share	169.79	185.57	195.03	206.77	218.73
Tangible book value per share	169.79	185.57	195.03	206.77	218.73
Growth					
Gross customer loans	4.6	12.1	6.2	5.0	5.0
Average interest earning assets	6.9	7.4	7.7	3.5	2.5
Total asset (%)	4.4	11.1	3.4	2.9	2.2
Risk weighted assets (%)	6.2	8.7	6.2	5.0	5.0
Customer deposits (%)	3.9	13.2	3.6	3.0	2.0
Leverage & capital measures					
Customer loan/deposits (%)	90.7	90.5	92.7	95.2	98.0
Equity/assets (%)	12.3	12.0	12.2	12.6	13.0
Tangible equity/assets (%)	12.3	12.0	12.2	12.6	13.0
RWA/assets (%)	67.1	65.7	67.5	68.8	70.7
Tier 1 CAR (%)	16.2	16.1	16.1	16.3	16.5
Total CAR (%)	19.6	18.8	18.6	18.7	18.8
Asset Quality					
Change in NPL (%)	13.0	20.2	20.0	(6.0)	3.0
NPL/gross loans (%)	4.2	4.5	5.1	4.6	4.5
Total provisions/gross loans (%)	6.2	6.0	6.2	5.3	5.6
Total provisions/NPL (%)	148.6	133.1	121.6	123.0	126.4
Valuation					
Recurring P/E (x) *	6.5	8.4	7.9	7.3	6.8
Recurring P/E @ target price (x) *	9.3	12.1	11.3	10.4	9.7
Reported P/E (x)	6.5	8.4	7.9	7.3	6.8
Dividend yield (%)	4.8	2.4	2.6	3.3	3.8
Price/book (x)	0.6	0.6	0.5	0.5	0.5
Price/tangible book (x)	0.6	0.6	0.5	0.5	0.5
Price/tangible book @ target price (x)	0.9	0.8	0.8	0.7	0.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; 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	ICI	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	PAP	PCSGH	PDJ	PG	PHOL	PLANB
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	SEAOIL	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	MITSIB	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	IHL	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:

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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	AMANAHA	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	SEAOIL	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)

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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
Kasikornbank	KBANK TB	THB 105.00	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.
Bangkok Bank	BBL TB	THB 102.00	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.
Kiatnakin Bank	KKP TB	THB 50.25	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 91.25	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 87.50	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.
TMBThanachart Bank	TTB TB	THB 0.99	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.

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 21-Jul-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.