

Thailand Banks

Corporate borrowing boosts loan volume

- Overall loan portfolio rose 0.47% m-m due largely to a rise in corporate demand.
- Limited downside risks to BUC net profit forecasts from geopolitical uncertainty.
- Maintain OVERWEIGHT view with SCB and TTB as top picks.

Overall loan portfolio increased 0.47% m-m in February

The overall loan portfolio in Feb-22 for the banks under our coverage (BUC) rose 0.47% m-m, with the expansion coming mainly from the corporate segment and housing loans. The SME segment posted a slight decline to flat m-m, as we believe that most banks still lent cautiously. Also, credit card loan volumes declined thanks to seasonality. KKP reported the highest growth at 1.83% m-m, driven mainly by the hire purchase business due to its strategy of acquiring lower risk-profile hire purchase customers. KBANK was the second, with 0.87% m-m, following a rise in business loans. TTB posted the largest drop at 0.23% due to a decline in its corporate and SME segments. Overall, deposits rose by 0.99% m-m, with LDR steady at 87%. To manage costs, banks did not raise deposits, in our view.

No direct impact from geopolitical uncertainty

Based on our talks with management and our analysis regarding geopolitical uncertainty risks to the performance of BUC, we think Thai banks have minimal exposure to both Ukraine and Russia. Thus, we see limited direct impacts. However, the war might result in a global economic slowdown and an extended period of higher oil prices. Feedback from investors suggests that they are concerned about indirect impacts on banks in two main ways, including revenue growth (loan and fee income) and asset quality. We think the impact of a potential revenue slowdown should outweigh that of potentially poorer asset quality on 2022 net profit forecasts. In our follow up talks with management, BUC have proactively supported their affected clients, i.e. corporations whose production costs may increase rapidly. Also, they believe the current provision level should offset potentially weaker asset quality. Therefore, we see no material downside risk from provisions.

Limited downside risk to our 2022 banking net profit forecasts

Regarding the potential for a revenue slowdown of BUC, we expect that for every 0.5% downside risk to Thailand's GDP growth forecast (3.4% y-y from BoT), there should be a limited 1-1.5% downside risk to our 2022 BUC net profit forecasts. Our research shows that the Bloomberg consensus forecast for 2022 banking net profits is higher than our own at 3%. Thus, this should imply a c4% downside risk to the consensus estimate.

Maintain OVERWEIGHT with SCB and TTB as top picks

We believe the recent underperformance in SETBANK (-3.7% MTD) vs the SET index (-0.3% MTD) is due mainly to the potentially slower increase in the US interest rate rather than the Ukraine-Russia war. While we see few positive catalysts in the month ahead, we also see only limited downside risks to our BUC bottom line forecasts. We believe 2022 earnings should continue to rise and we think valuations are still attractive at 0.7x 2022 P/BV. We, thus, maintain our OVERWEIGHT call.



Yuvanart Suwanumphai

yuvanart.suw@fssia.com
+66 2611 3554

Exhibit 1: Loan growth of Thai banks under coverage in Feb 2022

	Bangkok Bank	Kasikornbank	Kiatnakin Bank	Krung Thai Bank	Siam Commercial Bank	TISCO Financial Group	TMBThanachart Bank	Coverage
BBG code	BBL TB	KBANK TB	KKP TB	KTB TB	SCB TB	TISCO TB	TTB TB	
Growth (YTD %)								
Loan	(1.43)	1.67	2.78	0.80	0.21	(0.12)	(1.60)	0.18
Deposit	0.02	0.03	0.74	0.26	3.02	2.04	0.51	0.78
Deposit + Borrowing	(0.12)	(0.71)	0.87	0.25	2.87	(0.50)	0.44	0.52
Growth (m-m %)								
Loan	(0.04)	0.87	1.83	0.67	0.58	(0.03)	(0.23)	0.47
Deposit	0.75	0.70	3.08	0.44	1.31	1.69	1.92	0.99
Deposit + Borrowing	0.57	0.38	2.56	0.38	1.22	0.35	1.80	0.80
Growth (y-y %)								
Loan	6.87	7.95	16.57	12.02	2.46	(8.96)	(0.11)	6.29
Deposit	6.97	10.90	17.91	6.39	7.01	(14.10)	(3.34)	6.27
Deposit + Borrowing	8.31	10.72	22.44	8.15	6.91	(14.02)	(4.91)	6.76
LDR (%)	74.89	87.06	106.28	92.19	85.09	113.39	96.49	86.96

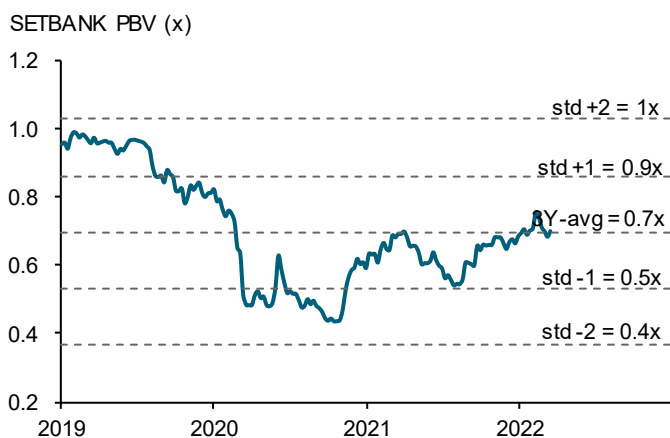
Sources: Company data; FSSIA estimates

Exhibit 2: Comparing FSSIA's net profit forecasts and Bloomberg consensus forecasts

Bank	----- FSSIA net profit forecasts -----			----- Consensus net profit forecasts -----			----- diff bet FSSIA and consensus -----		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
BBL TB	29,229	30,623	35,686	31,141	33,402	37,649	(6)	(8)	(5)
KBANK TB	41,542	45,695	50,848	42,338	46,389	52,094	(2)	(1)	(2)
KKP TB	7,048	8,127	9,135	6,821	7,475	8,475	3	9	8
KTB TB	23,458	25,827	30,057	24,017	25,755	29,150	(2)	0	3
SCB TB	38,181	42,621	47,718	40,747	44,351	50,574	(6)	(4)	(6)
TISCO TB	7,394	8,052	8,569	7,028	7,395	7,850	5	9	9
TTB TB	13,217	15,129	17,226	12,650	14,764	16,756	4	2	3
Total	160,070	176,075	199,239	164,743	179,530	202,547	(3)	(2)	(2)

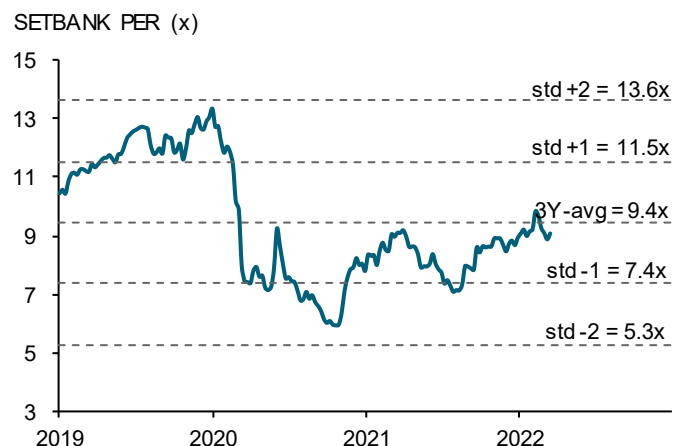
Sources: Company data; FSSIA estimates; Bloomberg

Exhibit 3: Banking sector one-year rolling forward P/BV



Sources: Bloomberg

Exhibit 4: Banking sector one-year rolling forward P/E



Sources: Bloomberg

Exhibit 5: Key valuations of Thai banks under coverage

	BBG	Rec	--Share price --		Up (dn) side	Market Cap (USD m)	EPS growth		----- PE -----		-- DivYld -		----- ROE ----		--- PBV ---	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (%)	23E (%)	22E (x)	23E (x)
Bangkok Bank	BBL TB	HOLD	135.00	134.00	(1)	7,686	10.3	4.8	8.8	8.4	3.7	5.2	6.0	6.2	0.5	0.5
Kasikornbank	KBANK TB	BUY	158.50	180.00	14	11,201	9.2	10.0	9.0	8.2	2.8	3.2	8.4	8.6	0.7	0.7
Kiatnakin Bank	KKP TB	BUY	67.25	80.00	19	1,699	12.4	15.3	8.0	7.0	6.3	7.4	13.4	14.4	1.0	1.0
Krung Thai Bank	KTB TB	BUY	13.50	15.50	15	5,628	8.7	10.1	8.0	7.3	4.4	4.8	6.4	6.7	0.5	0.5
Siam Commercial Bank	SCB TB	BUY	114.50	160.00	40	11,597	1.9	17.4	10.7	9.1	4.4	5.2	8.0	8.9	0.8	0.8
Tisco Financial	TISCO TB	BUY	99.25	110.00	11	2,370	4.0	9.1	11.3	10.3	7.8	8.3	16.7	17.4	1.8	1.8
TMBThanachart Bank	TTB TB	BUY	1.31	1.80	37	3,775	26.5	14.5	9.6	8.3	4.7	5.4	6.1	6.7	0.6	0.5
Coverage						43,957	8.7	11.6	9.4	8.5	4.2	4.9	8.1	8.6	0.8	0.7

Share prices as of 21 Mar 2022

Source: 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	III	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	SEAOL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMP	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	TTB	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	AMANAH	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	TPIPP	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	TTB	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:

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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

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Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 135.00	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 its NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk would be better-than-expected synergies with Permata.
Kasikornbank	KBANK TB	THB 158.50	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.
Kiatnakin Bank	KKP TB	THB 67.25	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 13.50	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; 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; and 3) an increase in OPEX due to aggressive digital investment.
Siam Commercial Bank	SCB TB	THB 114.50	BUY	Downside risks to our SOTP-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 99.25	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; 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 1.31	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

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All share prices are as at market close on 21-Mar-2022 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.