

# SCB X SCB TB

THAILAND / BANKS

# BUY

UNCHANGED

## Wait for transformation benefits

- Expect a 2Q22 net profit of THB10b (+19% y-y, +2% q-q).
- Expect neutral impact from rate hikes and inflation, but its net profit and valuation should be pressured by the delay in its transformation processes and new business expansion.
- Roll forward to our new 2023 TP of THB134; maintain BUY call.

TARGET PRICE	THB134.00
CLOSE	THB99.00
UP/DOWNSIDE	+35.4%
PRIOR TP	THB160.00
CHANGE IN TP	-16.3%
TP vs CONSENSUS	-6.5%

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	44,214	48,364	51,167	57,272
Net profit	35,599	39,138	41,734	46,636
EPS (THB)	10.48	11.51	12.28	13.72
vs Consensus (%)	-	(3.9)	(5.2)	(7.2)
Core net profit	35,599	39,138	41,734	46,636
Core EPS (THB)	10.48	11.51	12.28	13.72
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	30.8	9.8	6.6	11.7
Core P/E (x)	9.4	8.6	8.1	7.2
Dividend yield (%)	4.1	5.1	6.1	6.1
Price/book (x)	0.8	0.7	0.7	0.6
ROE (%)	8.4	8.6	8.5	8.8
ROA (%)	1.1	1.2	1.2	1.3

### Expect a decent 2Q22 net profit

We expect SCB to report a 2Q22 net profit of THB10,448m (+19% y-y, +2% q-q). Although we expect that some of SCB's retail clients might start to be affected by the high inflation, we expect the bank's NPLs to rise immaterially by 3% q-q as it has continued to provide comprehensive debt restructuring (CDR). Thus, we expect its credit cost to remain stable q-q at 150 bps. As for its OPEX, SCB should maintain its effective cost control, resulting in a stable cost to income ratio of 42%. Like other banks, we believe SCB's top line is still under pressure. We expect a 0.8% q-q rise in loan volume, with a low NIM level at 3.04% due to the CDR program. Meanwhile, we think its fee income should continue to decline y-y and q-q from wealth-related management fees due to the unfavourable capital market conditions and low consumer confidence.

### Net neutral impact from rate hike and high inflation, but...

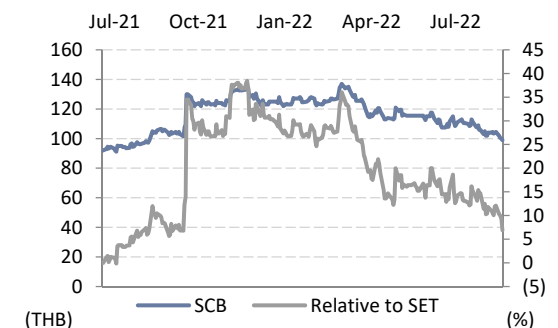
We expect that SCB's NIM should be wider from the interest rate uptrend. Our estimates place SCB as fourth in line to benefit from rising interest rates, after BBL, KTB, and KBANK, respectively. This should be completely offset by the negatives from inflation, which will likely result in 1) a higher asset deterioration rate; and 2) slower loan growth.

### ... Delay in transformation processes should pressure valuation

We view the delay in SCB's transformation processes and new business expansion, e.g. Card X, Auto X, and digital asset exchange, as the main pressure point on its net profit and, importantly, on its valuation. Hence, we lower our net profit forecasts for 2023-24 by 2%/2%.

### Maintain our BUY call with a new 2023 TP of THB134

We roll forward our valuation to 2023 and derive a new SOTP-based TP of THB134, down from our 2022 TP of 160, to reflect the devaluation of most of its subsidiaries – especially Card X and Auto X. In the short term, we think SCB is less attractive as the market shifts focus to rate hikes and the high inflation environment, rather than transformation. However, we still think that its great transformation will allow it to penetrate the high risk-reward lending industry and high-growth potential digital industry. Thus, we think that SCB is in a good position in the banking sector to benefit from the region's digital age. Hence, we reiterate our BUY call.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.8)	(14.3)	4.8
Relative to country (%)	(4.4)	(7.5)	3.5
Mkt cap (USD m)	9,243		
3m avg. daily turnover (USD m)	40.2		
Free float (%)	53		
Major shareholder	King Rama X (24%)		
12m high/low (THB)	138.00/66.00		
Issued shares (m)	3,399		

Sources: Bloomberg consensus; FSSIA estimates


**Yuvanart Suwanumphai**

 yuvanart.suw@fssia.com  
 +66 2611 3554

## Investment thesis

We roll forward our valuation to 2023 and derive a new SOTP-based TP of THB134, down from our 2022 TP of 160, to reflect the devaluation of most of its subsidiaries – especially Card X and Auto X. In the short term, we think SCB is less attractive as the market shifts focus to rate hikes and the high inflation environment, rather than transformation. However, we still think that its great transformation will allow it to penetrate the high risk-reward lending industry and high-growth potential digital industry. Thus, we think that SCB is in a good position in the banking sector to benefit from the region's digital age. Hence, we reiterate our BUY call.

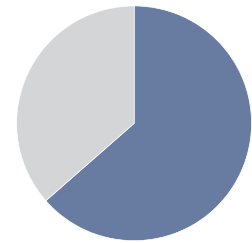
## Company profile

SCB is Thailand's first commercial bank, established in 1906. It is ranked the fourth largest in terms of total loans, the fourth largest for deposits and the fourth largest for total assets as of end-2021. It had a total of 718 branches, with 20m digital users at end-2021.

[www.scb.co.th](http://www.scb.co.th)

## Principal activities (revenue, 2021)

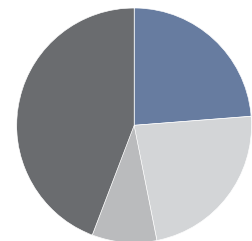
- Net interest income - 63.5 %
- Non-interest income - 36.5 %



Source: SCB X

## Major shareholders

- King Rama X - 23.8 %
- Vayupak Fund - 23.1 %
- Thai NVDR - 8.9 %
- Others - 44.2 %



Source: SCB X

## Catalysts

Potential share price catalysts for SCB include:

- The success of long-term comprehensive debt restructuring;
- The success of its transformation plan;
- The announcement of a special dividend.

## Risks to our call

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.

## Event calendar

Date	Event
21 Jul 2022	2Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
Year-to-Dec	(%)	(%)	(%)
Normalised profit (THB m)	39,138	41,734	46,636
Normalised profit growth (%)	9.9	6.6	11.7
NIM (%)	2.98	2.91	3.01
Loan growth (%)	3.0	2.8	2.8
Fee growth (%)	5.2	6.0	7.0
Non-NII growth (%)	(2.8)	5.8	6.1
Credit cost (bp)	155	144	144
Cost to income (%)	43.2	43.4	42.3

Source: FSSIA estimates

## Earnings sensitivity

		2022E		
<b>Loan growth</b>	<b>±2ppt</b>	<b>1.00</b>	<b>3.00</b>	<b>5.00</b>
% change in net profit		(1.2)	-	1.2
<b>NIM (%)</b>	<b>±5bp</b>	<b>2.93</b>	<b>2.98</b>	<b>3.03</b>
% change in net profit		(3.4)	-	3.4
<b>Credit cost (bp)</b>	<b>±10bp</b>	<b>145</b>	<b>155</b>	<b>165</b>
% change in net profit		4.9	-	(4.9)

Source: FSSIA estimates

## Expect a decent 2Q22 net profit

We expect SCB to report a 2Q22 net profit of THB10,448m (+19% y-y, +2% q-q). Although we expect that some of SCB's retail clients might start to be affected by the high inflation, we expect the bank's non-performing loans (NPLs) to rise immaterially by 3% q-q as it has continued to provide CDR. Thus, we expect its credit cost to remain stable q-q at 150 bps. As for its OPEX, SCB should maintain its effective cost control, resulting in a stable cost to income ratio of 42%. Like other banks, we believe SCB's top line is still under pressure. We expect a 0.8% q-q rise in loan volume, with a low NIM level at 3.04% due to the CDR program. Meanwhile, we think its fee income should continue to decline y-y and q-q from wealth-related management fees due to the unfavourable capital market conditions and low consumer confidence.

### Exhibit 1: SCB – 2Q22 results preview

Year-end Dec 31	2Q21	1Q22	2Q22E	---- Change ----		----- 1H22E -----			2022E	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)	
Net interest income	23,475	24,744	25,088	7	1	49,832	6	52	96,362	1	
Non-interest income	12,994	12,960	12,145	(7)	(6)	25,105	(8)	47	53,622	(3)	
<b>Operating income</b>	<b>36,469</b>	<b>37,704</b>	<b>37,233</b>	<b>2</b>	<b>(1)</b>	<b>74,937</b>	<b>1</b>	<b>50</b>	<b>149,984</b>	<b>(0)</b>	
Operating expenses	15,376	15,990	15,638	2	(2)	31,628	4	49	64,822	2	
<b>PPOP before tax</b>	<b>21,093</b>	<b>21,713</b>	<b>21,596</b>	<b>2</b>	<b>(1)</b>	<b>43,309</b>	<b>(1)</b>	<b>51</b>	<b>85,162</b>	<b>(2)</b>	
Provision	10,028	8,750	8,759	(13)	0	17,509	(13)	48	36,214	(14)	
Income tax	2,304	2,864	2,439	6	(15)	5,303	8	53	10,034	7	
Minority interest	(54)	(93)	(50)			(143)		64	(224)	10	
<b>Normalised profit</b>	<b>8,815</b>	<b>10,193</b>	<b>10,448</b>	<b>19</b>	<b>2</b>	<b>20,640</b>	<b>9</b>	<b>53</b>	<b>39,138</b>	<b>10</b>	
Extraordinary items	0	0	0			0			0		
<b>Net profit</b>	<b>8,815</b>	<b>10,193</b>	<b>10,448</b>	<b>19</b>	<b>2</b>	<b>20,640</b>	<b>9</b>	<b>53</b>	<b>39,138</b>	<b>10</b>	
EPS (THB)	2.60	3.00	3.07	19	2	6.07	9	53	11.51	10	
<b>Asset quality ratio</b>											
Gross NPLs (THB m)	104,110	106,305	109,328	5	3				110,205	1	
NPL ratios (%)	3.79	3.70	3.86						3.72		
LLR/NPLs (%)	139	143	138						142		
Credit cost (bp)	175	151	150						155		
<b>Profitability ratio</b>											
	(%)	(%)	(%)						(%)		
Cost to income ratio	42.2	42.4	42.0						43.2		
Average yield (%)	3.6	3.6	3.6						3.5		
Cost of fund (%)	0.6	0.6	0.6						0.6		
Net interest margin (NIM)	3.0	3.0	3.0						3.0		
Non-int inc/total income	35.6	34.4	32.6						35.8		
<b>Liquidity ratio</b>											
	(%)	(%)	(%)						(%)		
Loan to deposit ratio	96.9	92.9	96.3						95.2		
<b>Loan growth</b>											
	(%)	(%)	(%)						(%)		
y-y	7.1	2.1	2.1						3.0		
q-q	0.8	1.1	0.8								

\*Including share of profits from associates

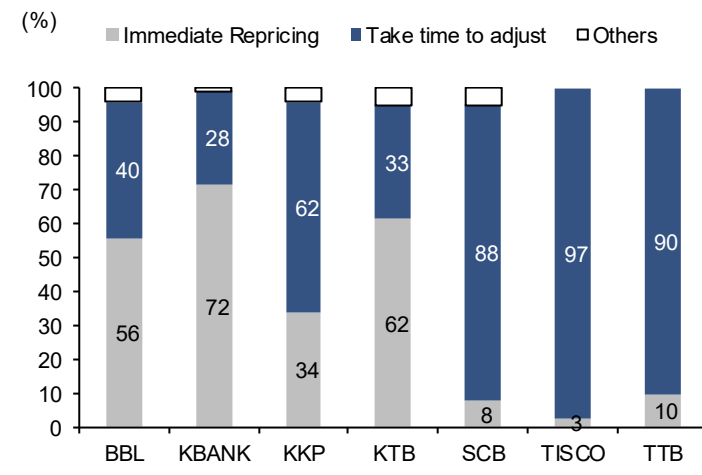
Source: SCB; FSSIA estimates

## The fourth-in-line bank to benefit from rate hikes

Out of the banks that we cover, our estimates place SCB as fourth in line to benefit from rising interest rates, after BBL, KTB, and KBANK, respectively.

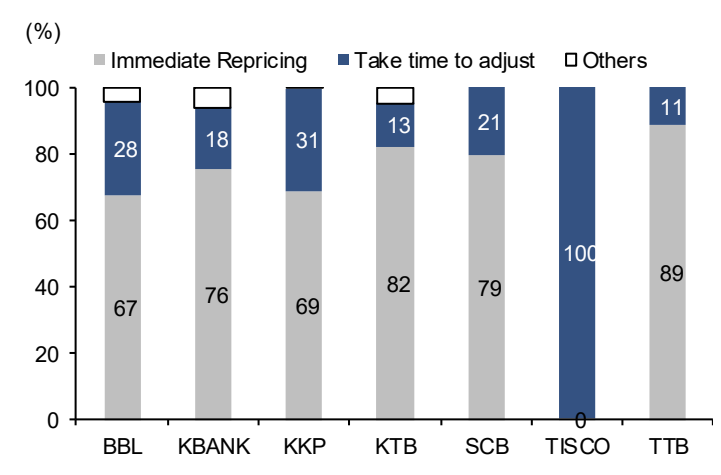
We currently assume 50 bps in rate hikes in 2022 and another 50-bps rise in 1H23 (assuming a total 50 bps increase in the bank’s reference rate (M-rate) and a total 10 bps increase in its deposit rate). In the case that the Bank of Thailand increases the policy rate above our expectation, for every 25 bps increase in the policy rate (assuming a 12.5 bps increase in the bank’s M-rate and a five bps increase in its deposit rate), ceteris paribus, there would be a 1.7% upside to our current 2023 net profit forecast.

**Exhibit 2: Breakdown of floating vs fixed interest rate loans by bank**



Sources: Company data; FSSIA’s estimates

**Exhibit 3: Breakdown of floating vs fixed interest rate deposits by bank**



Sources: Company data; FSSIA’s estimates

**Exhibit 4: We expect a 1.7% upside to SCB’s 2023E net profit for every 25-bps policy rate hike – assuming a 12.5 bps increase in its M-rate and a five bps increase in its deposit rate**

	2023E net profit			2023E NIM		
	Current (THB m)	Rate hikes 25 bps (THB m)	Diff (%)	Current (%)	Rate hikes 25 bps (%)	Diff (%)
BBL	34,035	34,959	2.7	2.14	2.16	0.03
KBANK	47,488	48,415	2.0	3.20	3.23	0.03
KKP	8,293	8,171	(1.5)	4.19	4.16	(0.03)
KTB	29,973	30,761	2.6	2.53	2.56	0.03
SCB	41,734	42,454	1.7	2.91	2.94	0.03
TISCO	7,569	7,493	(1.0)	4.89	4.85	(0.04)
TTB	14,082	14,309	1.6	2.97	2.99	0.02
<b>Coverage</b>	<b>183,174</b>	<b>186,563</b>	<b>1.8</b>	<b>2.77</b>	<b>2.80</b>	<b>0.03</b>

Sources: Company data; FSSIA estimates

## Net profit and TP revisions

We increase our 2022 net profit forecast by 3% to reflect the better-than-expected NIM management from the CDR program. However, we lower our net profit forecasts for 2023-24 by 2%/2%. Although we expect that SCB's NIM should be wider from the interest rate uptrend, this should be dragged down by 1) a higher asset deterioration rate from high inflation; and 2) the delay in its transformation to a holding company. Details are as follows:

1) we increase our NIM assumptions in 2022-24 to 2.98%/2.91%/3.01% from 2.90%/2.87%/2.96% to mostly reflect the benefit from the interest rate uptrend and the effective NIM management from the CDR program;

2) we increase our credit cost assumptions in 2022-24 to 155/144/144 bps from 148/138/138 bps as we expect a higher asset deterioration rate from high inflation due to its retail-concentrated portfolio;

3) we lower our loan growth assumptions in 2023-24 to 2.8%/2.8% from 3.0%/3.0% as we believe the bank will lend new loans more cautiously due to higher NPLs; and

4) we lower our non-NII estimates in 2022-24 by 0.1%/2%/2% due to the slower fee income and gains from investments due to the delay in the transformation to a holding company.

### Exhibit 5: SCB – changes in key assumptions

	2022E				2023E			2024E		
	2021 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	95,171	93,558	96,362	3.0	94,513	95,990	1.6	100,372	101,805	1.4
Non-interest income	55,171	53,688	53,622	(0.1)	57,903	56,726	(2.0)	61,535	60,214	(2.1)
<b>Operating income</b>	<b>150,342</b>	<b>147,246</b>	<b>149,984</b>	<b>1.9</b>	<b>152,416</b>	<b>152,716</b>	<b>0.2</b>	<b>161,907</b>	<b>162,019</b>	<b>0.1</b>
Operating expenses	63,547	64,917	64,822	(0.1)	66,325	66,325	(0.0)	68,411	68,510	0.1
<b>PPOP before tax</b>	<b>86,795</b>	<b>82,330</b>	<b>85,162</b>	<b>3.4</b>	<b>86,090</b>	<b>86,391</b>	<b>0.3</b>	<b>93,496</b>	<b>93,509</b>	<b>0.0</b>
Provision (Reversal)	42,024	34,578	36,214	4.7	33,209	34,610	4.2	34,205	35,562	4.0
Taxes expenses	9,376	9,789	10,034	2.5	10,576	10,356	(2.1)	11,858	11,589	(2.3)
Minority interest	(204)	(219)	(224)	nm.	(316)	(310)	nm.	(285)	(278)	nm.
<b>Normalised profit</b>	<b>35,599</b>	<b>38,181</b>	<b>39,138</b>	<b>2.5</b>	<b>42,621</b>	<b>41,734</b>	<b>(2.1)</b>	<b>47,718</b>	<b>46,636</b>	<b>(2.3)</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>35,599</b>	<b>38,181</b>	<b>39,138</b>	<b>2.5</b>	<b>42,621</b>	<b>41,734</b>	<b>(2.1)</b>	<b>47,718</b>	<b>46,636</b>	<b>(2.3)</b>
EPS (THB)	10.48	11.23	11.51	2.5	12.54	12.28	(2.1)	14.04	13.72	(2.3)
<b>Key statistic and ratio</b>										
<b>Asset quality ratio</b>										
Gross NPLs (THBm)	109,114	109,114	110,205	1.0	111,296	115,715	4.0	113,522	122,658	8.0
Gross NPLs / Loans (%)	3.79	3.68	3.72		3.64	3.80		3.61	3.92	
Loan loss reserve/NPLs	139	134	142		128	134		139	140	
Credit cost (bps)	184	148	155		138	144		138	144	
<b>Profitability ratio</b>										
Cost to income ratio	42.3	44.1	43.2		43.5	43.4		42.3	42.3	
Average yield (%)	3.53	3.42	3.51		3.58	3.68		3.69	3.84	
Cost of fund (%)	0.63	0.62	0.62		0.84	0.91		0.87	1.00	
Net interest margin (NIM)	3.00	2.90	2.98		2.87	2.91		2.96	3.01	
<b>Liquidity ratio</b>										
Loan to deposit ratio	93.3	95.2	95.2		96.1	95.9		96.1	96.6	
<b>% growth</b>										
Loan growth (y-y)	2.1	3.0	3.0		3.0	2.8		3.0	2.8	

\*Including share of profits from associates

Source: FSSIA estimates

We roll forward our valuation to 2023 and derive a new TP of THB134, down from our 2022 TP of THB160. Although we believe the bank should have a neutral impact from the rate hikes and high inflation, its organisation transformation processes to change it into a holding company are slower than expected. This leads to a lower valuation of its subsidiaries, especially Card X and Auto X. Our TP implies 1.0x 2023E P/BV, its five-year average STD. We maintain our BUY rating.

**Exhibit 6: Current SCB – sum-of-the-parts valuation**

	Valuation method	(Implied) multiple (x)	2023 valuation (THB m)	Value (THB/shr)
SCB Bank*	GGM with L-T ROE 8.5%, CAPM 8.9%	0.9	401,440	118.2
Card X*	P/E	12.5	39,131	11.5
Auto X*	P/E	16.2	3,888	1.1
Alpha X*	P/E	11.4	958	0.3
Digital lending business group*	P/E	12.5	3,708	1.1
Tech and venture capital businesses**	Investment capital multiple	1.5	6,720	2.0
<b>SCBX</b>		<b>1.0</b>	<b>455,845</b>	<b>134</b>

\*Implied P/BV multiples for SCB Bank and SCBX. P/E multiple for Card X, Auto X, Alpha X and digital lending group

\*\*Investment capital multiple for tech and venture capital businesses

Source: FSSIA estimates

**Exhibit 7: Previous SCB – sum-of-the-parts valuation**

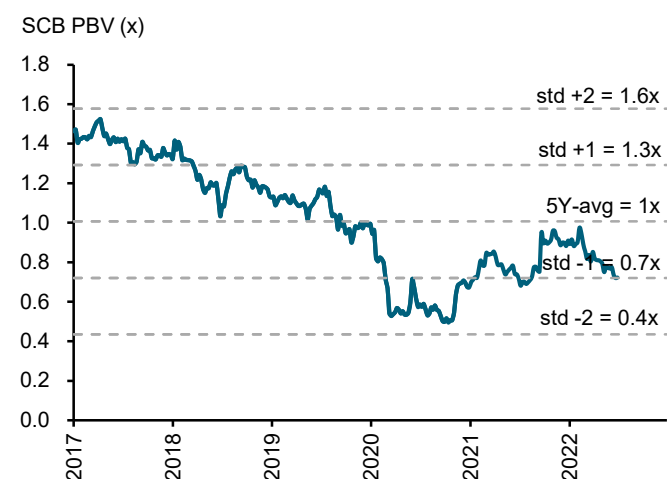
	Valuation method	(Implied) multiple (x)	2022 valuation (THB m)	Value (THB/shr)
SCB Bank*	GGM with L-T ROE 8.7%, CAPM 8.3%	1.12	419,348	123.5
Card X*	P/E	15.5	107,069	31.5
Auto X*	P/E	20.1	4,020	1.2
Alpha X*	P/E	11.4	958	0.3
Digital lending business group*	P/E	15.5	3,708	1.1
Tech and venture capital businesses**	Investment capital multiple	1.5	9,600	2.8
<b>SCBX</b>		<b>1.2</b>	<b>544,702</b>	<b>160</b>

\*Implied P/BV multiples for SCB Bank and SCBX. P/E multiple for Card X, Auto X, Alpha X and digital lending group

\*\*Investment capital multiple for tech and venture capital businesses

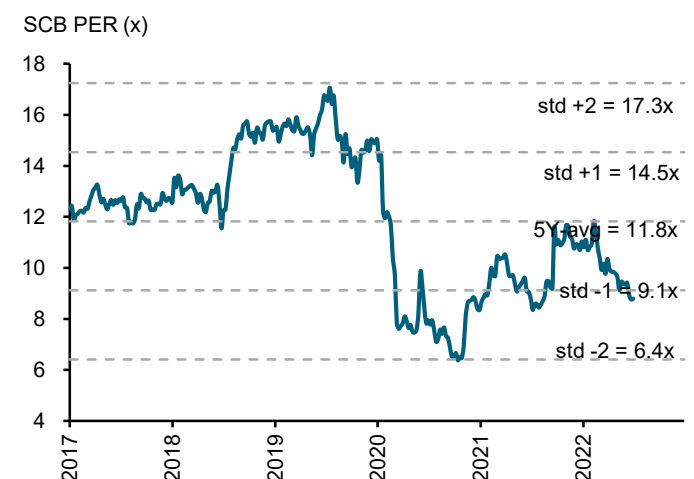
Source: FSSIA estimates

**Exhibit 8: SCB – one-year forward rolling P/BV**



Sources: Bloomberg; FSSIA estimates

**Exhibit 9: SCB – one-year forward rolling P/E**



Sources: Bloomberg; FSSIA estimates

## Exhibit 10: Peers comparison

	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (%)	23E (%)	22E (x)	23E (x)
<b>Coverage</b>						<b>37,922</b>	<b>14.6</b>	<b>9.9</b>	<b>8.3</b>	<b>7.5</b>	<b>4.5</b>	<b>5.3</b>	<b>8.4</b>	<b>8.6</b>	<b>0.7</b>	<b>0.6</b>
Bangkok Bank	BBL TB	BUY	130.00	170.00	31	6,881	15.2	11.5	8.1	7.3	3.8	5.0	6.0	6.4	0.5	0.5
Kasikornbank	KBANK TB	BUY	146.00	192.00	32	9,592	10.6	12.9	8.2	7.3	3.1	3.4	8.5	9.0	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	61.75	82.00	33	1,450	19.8	9.5	6.9	6.3	7.1	8.1	14.2	14.5	0.9	0.9
Krung Thai Bank	KTB TB	BUY	14.70	18.20	24	5,697	26.6	9.7	7.5	6.9	4.7	5.1	7.4	7.6	0.5	0.5
SCB X	SCB TB	BUY	99.00	134.00	35	9,243	9.8	6.6	8.6	8.1	5.1	6.1	8.6	8.5	0.7	0.7
Tisco Financial	TISCO TB	HOLD	86.75	94.00	8	1,926	7.8	3.5	9.5	9.2	8.9	9.5	17.4	17.4	1.6	1.6
TMBThanachart Bank	TTB TB	BUY	1.17	1.40	20	3,135	20.3	12.1	9.0	8.0	5.0	5.6	5.8	6.3	0.5	0.5

Share prices as of 7 Jul 2022

Source: FSSIA estimates

## Financial Statements

SCB X

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	118,371	112,177	113,284	121,301	130,190
Interest expense	(21,472)	(17,006)	(16,923)	(25,312)	(28,385)
Net interest income	96,899	95,171	96,362	95,990	101,805
Net fees & commission	36,586	40,198	42,299	44,837	47,975
Foreign exchange trading income	0	0	0	0	0
Securities trading income	9,365	11,236	8,153	8,561	8,577
Dividend income	155	166	174	183	201
Other income	1,840	3,014	2,411	2,532	2,785
Non interest income	47,947	54,615	53,038	56,113	59,539
Total income	144,846	149,785	149,399	152,102	161,344
Staff costs	(31,453)	(30,007)	(30,907)	(31,834)	(33,426)
Other operating costs	(32,877)	(33,540)	(33,915)	(34,491)	(35,084)
Operating costs	(64,330)	(63,547)	(64,822)	(66,325)	(68,510)
Pre provision operating profit	80,516	86,239	84,577	85,777	92,834
Provision for bad and doubtful debt	(46,649)	(42,024)	(36,214)	(34,610)	(35,562)
Other provisions	-	-	-	-	-
Operating profit	33,866	44,214	48,364	51,167	57,272
Recurring non operating income	(78)	557	584	614	675
Associates	(78)	557	584	614	675
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	33,788	44,771	48,948	51,781	57,947
Tax	(6,794)	(9,376)	(10,034)	(10,356)	(11,589)
Profit after tax	26,994	35,395	38,914	41,425	46,358
Minority interests	224	204	224	310	278
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	27,218	35,599	39,138	41,734	46,636
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	27,218	35,599	39,138	41,734	46,636
<b>Per share (THB)</b>					
Recurring EPS *	8.02	10.48	11.51	12.28	13.72
Reported EPS	8.02	10.48	11.51	12.28	13.72
DPS	2.30	4.06	5.00	6.00	6.00
<b>Growth</b>					
Net interest income (%)	(2.5)	(1.8)	1.3	(0.4)	6.1
Non interest income (%)	33.8	13.9	(2.9)	5.8	6.1
Pre provision operating profit (%)	24.5	7.1	(1.9)	1.4	8.2
Operating profit (%)	(9.9)	30.6	9.4	5.8	11.9
Reported net profit (%)	(19.0)	30.8	9.9	6.6	11.7
Recurring EPS (%)	(7.0)	30.8	9.8	6.6	11.7
Reported EPS (%)	(19.0)	30.8	9.8	6.6	11.7
<b>Income Breakdown</b>					
Net interest income (%)	66.9	63.5	64.5	63.1	63.1
Net fees & commission (%)	25.3	26.8	28.3	29.5	29.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	6.5	7.5	5.5	5.6	5.3
Dividend income (%)	0.1	0.1	0.1	0.1	0.1
Other income (%)	1.3	2.0	1.6	1.7	1.7
<b>Operating performance</b>					
Gross interest yield (%)	3.94	3.53	3.51	3.68	3.84
Cost of funds (%)	0.85	0.63	0.62	0.91	1.00
Net interest spread (%)	3.09	2.90	2.89	2.77	2.84
Net interest margin (%)	3.2	3.0	3.0	2.9	3.0
Cost/income(%)	44.4	42.4	43.4	43.6	42.5
Cost/assets(%)	2.1	1.9	1.9	1.9	1.9
Effective tax rate (%)	20.1	20.9	20.5	20.0	20.0
Dividend payout on recurring profit (%)	28.7	38.8	43.4	48.9	43.7
ROE (%)	6.7	8.4	8.6	8.5	8.8
ROE - COE (%)	(4.1)	(2.4)	(2.2)	(2.3)	(2.0)
ROA (%)	0.9	1.1	1.2	1.2	1.3
RORWA (%)	1.3	1.6	1.7	1.8	1.9

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: SCB X; FSSIA estimates



## Financial Statements

SCB X

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	2,255,242	2,301,835	2,370,890	2,436,090	2,503,082
Total provisions	(139,442)	(151,410)	(156,802)	(154,871)	(171,660)
interest in suspense	14,508	15,031	15,411	15,347	15,018
<b>Net customer loans</b>	<b>2,130,308</b>	<b>2,165,456</b>	<b>2,229,499</b>	<b>2,296,566</b>	<b>2,346,440</b>
Bank loans	547,504	618,269	575,635	597,372	612,076
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	339,828	292,123	297,824	308,218	318,417
Cash & equivalents	51,632	50,421	80,384	66,876	75,913
Other interesting assets	-	-	-	-	-
Tangible fixed assets	56,445	63,397	71,206	79,977	89,829
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	152,667	124,900	127,440	131,139	134,807
<b>Total assets</b>	<b>3,278,384</b>	<b>3,314,565</b>	<b>3,381,987</b>	<b>3,480,148</b>	<b>3,577,483</b>
Customer deposits	2,420,455	2,466,717	2,491,384	2,541,212	2,592,036
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	275,993	267,200	269,872	275,270	280,775
Non interest bearing liabilities	170,106	138,032	144,934	152,181	152,181
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>2,866,554</b>	<b>2,871,950</b>	<b>2,906,191</b>	<b>2,968,663</b>	<b>3,024,992</b>
Share capital	33,992	33,992	33,956	33,956	33,956
Reserves	377,438	407,014	440,110	475,669	516,526
<b>Total equity</b>	<b>411,430</b>	<b>441,006</b>	<b>474,067</b>	<b>509,626</b>	<b>550,482</b>
Minority interests	399	1,609	1,729	1,859	2,008
<b>Total liabilities &amp; equity</b>	<b>3,278,384</b>	<b>3,314,565</b>	<b>3,381,987</b>	<b>3,480,148</b>	<b>3,577,483</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,197,668	2,264,803	2,332,747	2,396,898	2,462,812
Average interest earning assets	3,001,007	3,177,400	3,228,288	3,293,014	3,387,627
Average interest bearing liabilities	2,534,701	2,704,780	2,736,995	2,778,118	2,833,681
Tier 1 capital	377,036	399,566	422,896	446,336	470,125
Total capital	400,911	424,227	447,557	470,997	494,786
Gross non performing loans (NPL)	101,462	109,114	110,205	115,715	122,658
<b>Per share (THB)</b>					
Book value per share	121.16	129.86	139.46	149.92	161.94
Tangible book value per share	121.16	129.86	139.46	149.92	161.94
<b>Growth</b>					
Gross customer loans	6.7	2.1	3.0	2.8	2.7
Average interest earning assets	0.9	5.9	1.6	2.0	2.9
Total asset (%)	10.6	1.1	2.0	2.9	2.8
Risk weighted assets (%)	5.9	3.1	3.0	2.8	2.7
Customer deposits (%)	12.1	1.9	1.0	2.0	2.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	88.0	87.8	89.5	90.4	90.5
Equity/assets (%)	12.5	13.3	14.0	14.6	15.4
Tangible equity/assets (%)	12.5	13.3	14.0	14.6	15.4
RWA/assets (%)	67.0	68.3	69.0	68.9	68.8
Tier 1 CAR (%)	17.2	17.6	18.1	18.6	19.1
Total CAR (%)	18.2	18.7	19.2	19.7	20.1
<b>Asset Quality</b>					
Change in NPL (%)	19.1	7.5	1.0	5.0	6.0
NPL/gross loans (%)	4.5	4.7	4.6	4.8	4.9
Total provisions/gross loans (%)	6.2	6.6	6.6	6.2	6.9
Total provisions/NPL (%)	137.4	138.8	142.3	133.8	139.9
<b>Valuation</b>					
Recurring P/E (x) *	12.4	9.4	8.6	8.1	7.2
Recurring P/E @ target price (x) *	16.7	12.8	11.6	10.9	9.8
Reported P/E (x)	12.4	9.4	8.6	8.1	7.2
Dividend yield (%)	2.3	4.1	5.1	6.1	6.1
Price/book (x)	0.8	0.8	0.7	0.7	0.6
Price/tangible book (x)	0.8	0.8	0.7	0.7	0.6
Price/tangible book @ target price (x)	1.1	1.0	1.0	0.9	0.8

Sources: SCB X; FSSIA estimates

## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MTSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

**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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
SCB X	SCB TB	THB 99.00	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.
Bangkok Bank	BBL TB	THB 130.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 146.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 61.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 14.70	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.
Tisco Financial	TISCO TB	THB 86.75	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. An upside risk to our GGM-based TP would be lower-than-expected policy rate hikes.
TMBThanachart Bank	TTB TB	THB 1.17	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

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 07-Jul-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.