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คุณภาพสินทรัพย์อาจเสื่อมลง

- SCB รายงานกำไรสุทธิ 3Q23 อยู่ที่ 9.66 พัน ลบ. ต่ำกว่าคาด
- หนี้ต่อคุณภาพ (NPL) เพิ่มขึ้นและสัดส่วนสำรองต่อหนี้ต่อคุณภาพ (Coverage ratio) ลดลงแม้ว่าต้นทุนผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) จะสูงขึ้น
- ปรับลดประมาณการปี 2023-25 และราคาเป้าหมายปี 2024 แนะนำซื้อเมื่ออ่อนตัว

กำไรสุทธิ 3Q23 ต่ำกว่าคาดจากแรงกดดันในด้าน ECL

SCB รายงานกำไรสุทธิ 3Q23 อยู่ที่ 9.66 พัน ลบ. (-18.6% q-q, -6.3% y-y) ส่วนมากเกิดจาก ECL ที่สูงเกินคาดและรายได้ดอกเบี้ยสุทธิและส่วนต่างดอกเบี้ย (NIM) ที่ต่ำกว่าคาดโดยธนาคารฯ มีรายได้ดอกเบี้ยสุทธิลดลง 2.4% q-q และ 13.8% y-y NIM เพิ่มขึ้นเพียง 4bp q-q เป็น 3.74% ซึ่งต่ำกว่าค่าเฉลี่ยของกลุ่มฯ ที่เพิ่มมากกว่า 10bp เนื่องจากอัตราดอกเบี้ยที่ปรับขึ้นหักล้างกับต้นทุนในการระดมเงินฝากและเงินกู้ยืมจากการออกหุ้นกู้ของ SCBX ที่สูงขึ้นไปบางส่วน รายได้ที่ไม่ใช่ดอกเบี้ยสุทธิใกล้เคียงคาด ตัวเลขขอยกมาอยู่ที่ 11.8 พัน ลบ. (-12.7% q-q, -1.9% y-y) โดยมีปัจจัยกดดันจากกำไรที่ลดลงจากรายการทางการเงินจากการตีมูลค่ายุติธรรมผ่านกำไรขาดทุน (FVTPL) ตามสภาวะตลาด คุณภาพสินทรัพย์อ่อนแอกว่าที่คาดทั้งในด้าน NPL และ Coverage ratio กำไรสุทธิ 9M23 คิดเป็น 74% ของประมาณการปี 2023 ของเรา

โอกาสในการเสื่อมของคุณภาพสินทรัพย์เป็นประเด็นสำคัญ

คุณภาพสินทรัพย์อ่อนแอกว่าที่คาด สัดส่วน NPL (จากการคำนวณของ FSSIA) เพิ่มขึ้นเป็น 3.89% จาก 3.84% ใน 2Q23 ส่วนมากจากสินเชื่อ SME และที่อยู่อาศัย นอกจากนี้ NPL สำหรับ Gen 2 ยังเพิ่ม q-q จากสินเชื่อบุคคลซึ่งไม่มีหลักทรัพย์ค้ำประกันของ CardX ในทามกลางการฟื้นตัวทางเศรษฐกิจที่ไม่สม่ำเสมอ อย่างไรก็ตามที่เพิ่มขึ้นที่ 2 ลดลง 12.8% q-q แต่เพิ่มขึ้น 14.9% y-y ในทางตรงกันข้าม ECL กลับเพิ่มอย่างมีนัยสำคัญถึง 12.2 พัน ลบ. พร้อมต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) ที่ 201 bps ซึ่งค่อนข้างทรงตัวในระดับสูงเมื่อเทียบกับใน 2Q23 ส่วนมากเกิดจากการสำรองล่วงหน้าเพื่อเป็นกันชนสำหรับการฟื้นตัวทางเศรษฐกิจที่ไม่สม่ำเสมอและ Management overlays (1.5 พัน ลบ.) ตามความไม่แน่นอนทางเศรษฐกิจในปัจจุบัน Credit cost ในช่วง 9M23 สูงกว่าเป้าของ SCB ที่ 120-140bp และประมาณการของเราที่ 145bp อยู่มาก

ปรับลดประมาณการกำไรปี 2023-25 เพื่อสะท้อน Credit cost ที่สูงขึ้น

เราปรับลดประมาณการกำไรสุทธิปี 2023-25 ลงประมาณ 3-7% ส่วนมากเพื่อสะท้อน Credit cost ที่สูงขึ้นโดย SCB ได้เปิดเผยในที่ประชุมนักวิเคราะห์หลังผลประกอบการ 3Q23 ว่า 15-20% ของพอร์ตสินเชื่อรายย่อยภายใต้โครงการปรับโครงสร้างหนี้แบบเบ็ดเสร็จ (CDR) มีความเสี่ยงถูกลดชั้นจากความเป็นไปได้ที่คุณภาพสินทรัพย์จะเสื่อมลงต่อเนื่องภายใน 12-14 เดือนข้างหน้า อย่างไรก็ตามที่ธนาคารฯ ย้ำว่า Credit cost ได้ผ่านจุดสูงสุดไปแล้วใน 3Q23 และ ECL ในปัจจุบันมากพอที่จะทนทานต่อการตกชั้นของสินเชื่อในอนาคตของลูกค้านในกลุ่มดังกล่าว

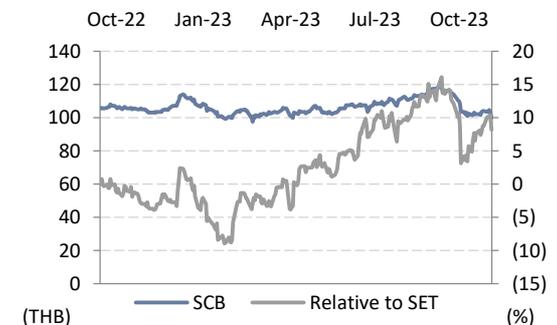
แนะนำซื้อเมื่ออ่อนตัวจากบรรยากาศเชิงลบในระยะสั้น

เราปรับลดราคาเป้าหมายปี 2024 ของเราเป็น 121 (จาก 129) บาท (GGM) ซึ่งคิดเป็นค่า P/BV ได้ที่ 0.81x (จาก 0.85x) พร้อม Upside อีกกว่า 10% เราแนะนำให้นักลงทุนซื้อเมื่ออ่อนตัวจากบรรยากาศเชิงลบในระยะสั้น

TARGET PRICE	THB121.00
CLOSE	THB99.75
UP/DOWNSIDE	+21.3%
PRIOR TP	THB123.00
CHANGE IN TP	-1.6%
TP vs CONSENSUS	-2.6%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	50,718	53,045	57,802	63,972
Net profit	37,546	41,140	44,846	49,654
EPS (THB)	11.15	12.22	13.32	14.75
vs Consensus (%)	-	(5.1)	(3.7)	(2.0)
Recurring net profit	37,546	41,140	44,846	49,654
Core EPS (THB)	11.15	12.22	13.32	14.75
Chg. In EPS est. (%)	-	(7.0)	(6.5)	(3.0)
EPS growth (%)	6.4	9.6	9.0	10.7
Core P/E (x)	8.9	8.2	7.5	6.8
Dividend yield (%)	6.7	7.3	7.5	8.0
Price/book (x)	0.7	0.7	0.7	0.6
ROE (%)	8.3	8.7	9.1	9.7
ROA (%)	1.1	1.2	1.2	1.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.3)	(10.1)	(7.2)
Relative to country (%)	(1.3)	(1.8)	5.5
Mkt cap (USD m)	9,198		
3m avg. daily turnover (USD m)	37.8		
Free float (%)	53		
Major shareholder	King Rama X (24%)		
12m high/low (THB)	118.50/97.50		
Issued shares (m)	3,399		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

- We are cautious about SCB's 4Q23 outlook due mainly to the deterioration of its asset quality which results in a proactive NPL management.
- SCB is another big bank that should enjoy the benefit of rising interest rates due primarily to the good composition of its loan and deposit mix.
- Asset quality is manageable with no alarming signs of rising credit cost.
- Current share price is still trading at only 0.68x 2024E P/BV with a potential upside of 24.6%, while offering very attractive dividend yields in 2023-25.

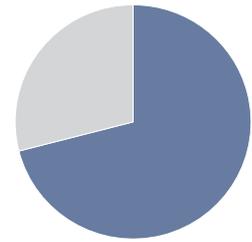
Company profile

SCB is the first commercial bank in Thailand, 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

Principal activities (revenue, 9M23)

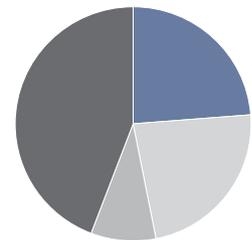
- Net interest income - 71.0 %
- Non-interest income - 29.0 %



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:

- 1) Higher interest rate rises than we expect;
- 2) Higher growth contribution from Gen 2 business;
- 3) Lower credit cost mainly from better asset quality;
- 4) Lower cost-to-income ratio than expected due to better cost control.

Risks to our call

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.

Event calendar

Date	Event
18-19 Jan 2023	2023 result announcement

Key assumptions

	2022	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	37,546	41,140	44,846
Net profit growth (%)	5.5	9.6	9.0
NIM (%)	3.29	3.66	3.67
Loan growth (%)	3.3	4.5	5.0
Fee growth (%)	(7.6)	(8.7)	2.0
Non-NII growth (%)	(15.6)	5.7	0.3
Credit cost (bp)	144.6	190.0	170.0
Cost to income (%)	45.2	43.1	43.8

Source: FSSIA estimates

Earnings sensitivity

		----- 2023E -----		
	±2ppt	3	5	7
Loan growth				
% change in net profit		(1.6)	-	+1.6
NIM (%)	±5bp	3.55	3.60	3.65
% change in net profit		(2.6)	-	+2.6
Credit cost (bp)	±10bp	140	150	160
% change in net profit		+4.3	-	-4.3

Source: FSSIA estimates

3Q23 results below consensus and our estimates

SCB reported a 3Q23 net profit of THB9.66b, down by 18.6% q-q and 6.3% y-y, mainly from higher-than-expected ECL and lower-than-expected net interest income and NIM. Asset quality was weaker than expected in both the NPL and coverage ratio. 9M23 net profit accounted for 74% of our 2023 forecast.

Highlights

(-) Net interest income was lower than expected, slightly increasing by 2.4% q-q and 13.8% y-y. Despite lending interest rate hikes, NIM expanded by only 4bp q-q to 3.74%, below its peers' average increase of more than 10bp. It was partly offset by a higher cost of funds from deposits and borrowing from issuing SCBX debentures.

(+) Loan growth was in line, increasing by 1.3% q-q and 4.6% y-y, mainly from corporate and AutoX loans. The YTD loan growth of 3.3% was in line with SCBX's 5-8% y-y growth guidance but higher than our forecast of 3% y-y strength.

(0) Non-NII was in line with our estimate of THB11.8b (-12.7% q-q, -1.9% y-y), pressured by a lower gain from financial instruments measured at fair value through profit or loss (FVTPL) according to market condition, while gain (loss) on investment decreased due to lower investment gains from the investment portfolios of SCB Bank, SCBX, and SCB 10X.

(+) Operating expenses were in line, increasing by 8.7% q-q and 9.1% y-y, largely attributable to higher marketing and promotional expenses. Hence, the cost-to-income ratio jumped to 42.7% from 38.4% in 2Q23.

(-) Asset quality was weaker than expected. The NPL ratio (FSSIA's calculation) increased to 3.89% from 3.84% in 2Q23, mainly from SME and housing loans. The NPL for Gen 2 also increased q-q largely due to unsecured personal loans at CardX amid an uneven economic recovery. Meanwhile, stage 2 loans showed a decrease of 12.8% q-q but an increase of 14.9% y-y. Whereas, expected credit losses (ECL) increased significantly by THB12.2b, with a credit cost of 201 bps, relatively stable at a high level compared to 2Q23, mainly from the preemptive provision as a cushion for overall uneven economic recovery. It reflected the pro-cyclicality of forward-looking expected credit losses (ECL) models under the TFRS 9 framework and management overlays set according to current economic uncertainties. The 9M23 credit cost was much higher than SCB's guidance of 120-140bp and our forecast of 145bp.

(-) 4Q23 outlook. We have a more negative view of SCB's 4Q23 outlook due to its weaker asset quality, which continues to force the bank to set up a high level of credit cost to tackle its NPL proactively.

Exhibit 1: 2023-25E earnings revision

	2023E			2024E			2025E		
	New (THB m)	Old (THB m)	Change (%)	New (THB m)	Old (THB m)	Change (%)	New (THB m)	Old (THB m)	Change (%)
Net profit	41,140	44,242	-7.0%	44,846	47,960	-6.5%	49,654	51,208	-3.0%
Net interest income	125,036	122,406	2.1%	130,560	130,725	-0.1%	136,953	137,356	-0.3%
Non interest income	49,222	47,898	2.8%	49,364	46,789	5.5%	51,582	49,097	5.1%
Operating income	174,258	170,304	2.3%	179,924	177,514	1.4%	188,534	186,453	1.1%
Operating expenses	75,029	76,842	-2.4%	78,834	80,720	-2.3%	81,784	83,756	-2.4%
PPOP before tax	99,229	93,462	6.2%	101,089	96,794	4.4%	106,750	102,697	3.9%
Provision (Reversal)	46,183	36,550	26.4%	43,287	35,819	20.9%	42,778	37,610	13.7%
Key statistics and ratios									
Loan growth	4.5%	5.0%		5.0%	5.0%		5.0%	5.0%	
Credit cost	1.90%	1.50%		1.70%	1.40%		1.60%	1.40%	
LLR/NPLs	159.7%	154.5%		161.4%	155.9%		161.7%	158.1%	
Cost to income ratio (%)	43.1%	45.1%		43.8%	45.5%		43.4%	44.9%	
Average yield (%)	4.71%	4.61%		4.79%	4.80%		4.81%	4.87%	
Cost of fund (%)	1.26%	1.22%		1.35%	1.33%		1.38%	1.40%	
Net interest margin (NIM) (%)	3.66%	3.60%		3.67%	3.70%		3.68%	3.72%	

Source: FSSIA estimates

Exhibit 2: GGM-derived TP, 2024E revision

	New
Sustainable ROE	9.2%
G	1.0%
ROE-g	8.2%
Beta	1.1
Risk free rate	2.5%
Risk premium	8.0%
COE	11.1%
COE-g	10.1%
ROE-g/COE-g ; P/BV (X)	0.81

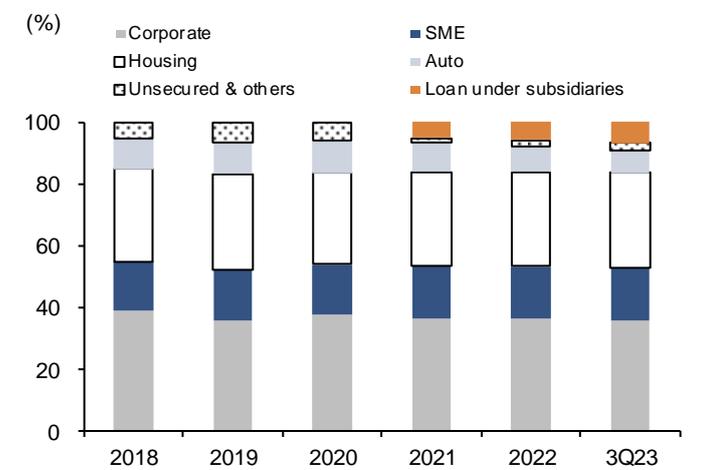
Source: FSSIA estimates

Exhibit 3: Key financial guidance

	2022	SCB	FSSIA
		2023E	2023E
Total income growth	2.7	> 10	12.8
NIM (%)	3.3	>3.5	3.7
Loan growth (%)	3.3	3.0	4.5
Credit cost (bp)	145	120-140	190
Cost to income (%)	45.2	Mid 40s	43.1

Sources: SCB; FSSIA estimates

Exhibit 4: Loan breakdown



Sources: SCB; FSSIA's compilation

Exhibit 5: SCB – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: SCB – 3Q23 results summary

Year end Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23	---- Change ----		9M22	9M23	Change	%of	2023E	Change
	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(y-y%)				
Net interest income	27,714	29,340	28,942	30,791	31,536	2.4	13.8	78,526	91,269	16.2	73	125,036	15.9
Non-interest income	12,043	8,918	11,958	13,525	11,809	(12.7)	(1.9)	37,637	37,291	(0.9)	76	49,222	5.7
Fee income - net	9,529	8,816	8,909	8,509	8,140	(4.3)	(14.6)	28,332	25,558	(9.8)	75	33,919	(8.7)
Total operating income	39,757	38,258	40,900	44,316	43,344	(2.2)	9.0	116,163	128,560	10.7	74	174,258	12.8
Total operating expenses	16,942	20,854	16,757	17,016	18,490	8.7	9.1	49,019	52,263	6.6	70	75,029	7.4
PPOP before tax	22,815	17,403	24,143	27,300	24,854	(9.0)	8.9	67,143	76,297	13.6	77	99,229	17.4
Expected credit loss	7,750	7,079	9,927	12,098	12,245	1.2	58.0	26,750	34,270	28.1	74	46,183	36.5
Income tax	4,717	3,331	3,147	3,289	2,891	(12.1)	(38.7)	10,261	9,327	(9.1)	80	11,670	(14.1)
Non-controlling interest	40	(149)	73	46	55	21.1	39.8	(271)	174	(164.0)	74	235	(155.9)
Net profit	10,309	7,143	10,995	11,868	9,663	(18.6)	(6.3)	30,403	32,527	7.0	79	41,140	9.6
Net EPS (THB)	3.06	2.12	3.27	3.52	2.87	(18.6)	(6.3)	9.03	9.66	7.0	79	12.22	9.6
Normalised EPS (THB)													
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23	---- Change ----		9M22	9M23	Change		2023E	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)		(%)	
Gross NPLs (THB m)	92,131	95,329	95,153	93,028	95,576	2.7	3.7	92,131	95,576	3.7		97,129	
Change (% from prior period)	(10.1)	3.5	(0.2)	(2.2)	2.7			(14.0)	3.7			1.9	
NPL ratios (%) - reported	3.34	3.34	3.32	3.25	3.30			3.34	3.30				
NPL ratio (%)*	3.92	4.01	3.97	3.84	3.89			3.92	3.89			3.91	
Coverage ratio (%) - reported	164	160	164	171	167			164	167				
Coverage ratio (%)*	158	153	158	162	160			158	160			160	
Credit cost (bp)	132	120	166	201	201			154	190			190	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
Cost to income ratio	42.6	54.5	41.0	38.4	42.7			42.2	40.7			43.1	
Average yield (%)	3.96	4.21	4.44	4.75	4.87			3.82	4.75			4.71	
Cost of funds (%)	0.70	0.80	1.17	1.26	1.35			0.67	1.27			1.26	
NIM (%) - reported	3.34	3.34	3.32	3.25	3.30			3.23	3.60				
NIM (%)*	3.38	3.54	3.46	3.70	3.74			3.26	3.68			3.66	
Non-NII/total income (%)	30.3	23.3	29.2	30.5	27.2			32.4	29.0			28.2	
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
Loan to deposit	92.7	93.0	95.6	98.2	96.4			92.7	96.4			96.7	
Loan to deposit & borrowing (LDBR)	90.0	90.5	92.9	94.0	92.3			90.0	92.3			86.1	
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
CAR	18.5	18.9	18.6	19.1	18.7			18.5	18.7			18.9	
CET 1/ Risk assets	17.4	17.7	17.5	17.9	17.5			17.4	17.5			17.7	
Tier 2 / Risk assets	1.1	1.1	1.1	1.1	1.1			1.1	1.1			1.1	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
q-q	(0.5)	1.3	0.9	1.0	1.3								
y-y	3.0	3.3	3.1	2.7	4.6							4.50	
Year-to-date	2.0	3.3	0.9	1.9	3.3			2.0	3.3				

Sources: SCB; FSSIA estimates

Financial Statements

SCB X

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	112,177	126,993	160,999	170,309	178,980
Interest expense	(17,006)	(19,127)	(35,963)	(39,749)	(42,028)
Net interest income	95,171	107,865	125,036	130,560	136,953
Net fees & commission	40,198	37,148	33,919	34,598	35,636
Foreign exchange trading income	-	-	-	-	-
Securities trading income	11,236	6,724	10,750	10,052	11,053
Dividend income	166	149	171	177	182
Other income	3,571	2,535	4,382	4,538	4,711
Non interest income	55,171	46,555	49,222	49,364	51,582
Total income	150,342	154,420	174,258	179,924	188,534
Staff costs	(30,007)	(31,219)	(34,591)	(36,320)	(37,046)
Other operating costs	(33,549)	(38,655)	(40,439)	(42,514)	(44,738)
Operating costs	(63,556)	(69,874)	(75,029)	(78,834)	(81,784)
Pre provision operating profit	86,786	84,547	99,229	101,089	106,750
Expected credit loss	(42,024)	(33,829)	(46,183)	(43,287)	(42,778)
Other provisions	-	-	-	-	-
Operating profit	44,762	50,718	53,045	57,802	63,972
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	44,762	50,718	53,045	57,802	63,972
Tax	(9,376)	(13,592)	(11,670)	(12,717)	(14,074)
Profit after tax	35,386	37,125	41,375	45,086	49,898
Non-controlling interest	204	421	(235)	(240)	(244)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	35,590	37,546	41,140	44,846	49,654
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	35,590	37,546	41,140	44,846	49,654
Per share (THB)					
Recurring EPS *	10.48	11.15	12.22	13.32	14.75
Reported EPS	10.48	11.15	12.22	13.32	14.75
DPS	4.06	6.69	7.25	7.50	8.00
Growth					
Net interest income (%)	(1.8)	13.3	15.9	4.4	4.9
Non interest income (%)	15.3	(15.6)	5.7	0.3	4.5
Pre provision operating profit (%)	7.9	(2.6)	17.4	1.9	5.6
Operating profit (%)	32.5	13.3	4.6	9.0	10.7
Reported net profit (%)	30.8	5.5	9.6	9.0	10.7
Recurring EPS (%)	30.8	6.4	9.6	9.0	10.7
Reported EPS (%)	30.8	6.4	9.6	9.0	10.7
Income Breakdown					
Net interest income (%)	63.3	69.9	71.8	72.6	72.6
Net fees & commission (%)	26.7	24.1	19.5	19.2	18.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	7.5	4.4	6.2	5.6	5.9
Dividend income (%)	0.1	0.1	0.1	0.1	0.1
Other income (%)	2.4	1.6	2.5	2.5	2.5
Operating performance					
Gross interest yield (%)	3.53	3.87	4.71	4.79	4.81
Cost of funds (%)	0.64	0.70	1.25	1.37	1.39
Net interest spread (%)	2.89	3.17	3.46	3.42	3.42
Net interest margin (%)	3.0	3.3	3.7	3.7	3.7
Cost/income(%)	42.3	45.2	43.1	43.8	43.4
Cost/assets(%)	1.9	2.1	2.1	2.2	2.2
Effective tax rate (%)	20.9	26.8	22.0	22.0	22.0
Dividend payout on recurring profit (%)	38.8	60.0	59.3	56.3	54.2
ROE (%)	8.4	8.3	8.7	9.1	9.7
ROE - COE (%)	(2.8)	(2.8)	(2.4)	(2.0)	(1.5)
ROA (%)	1.1	1.1	1.2	1.2	1.3
RORWA (%)	1.6	1.6	1.8	1.8	2.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: SCB X; FSSIA estimates

Financial Statements

SCB X

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,301,834	2,377,215	2,484,190	2,608,399	2,738,819
Allowance for expected credit loss	(151,409)	(148,890)	(155,073)	(163,360)	(170,138)
interest in suspense	15,031	19,523	20,499	21,524	22,600
Net customer loans	2,165,456	2,247,848	2,349,615	2,466,563	2,591,281
Bank loans	618,269	522,056	500,000	505,000	515,100
Government securities	-	-	-	-	-
Trading securities	68,707	62,327	100,000	105,000	110,250
Investment securities	223,416	391,877	396,378	416,197	437,007
Cash & equivalents	50,421	47,254	41,401	34,398	33,000
Other interesting assets	-	-	-	-	-
Tangible fixed assets	63,397	68,898	72,851	76,786	81,015
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	124,900	114,194	115,414	116,685	118,009
Total assets	3,314,565	3,454,452	3,575,659	3,720,628	3,885,661
Customer deposits	2,467,495	2,555,800	2,568,579	2,645,636	2,725,005
Bank deposits	180,961	181,347	207,000	217,350	228,218
Other interest bearing liabilities	74,922	71,996	109,435	125,850	153,537
Non interest bearing liabilities	148,580	178,697	204,442	224,114	245,716
Hybrid Capital	-	-	-	-	-
Total liabilities	2,871,959	2,987,840	3,089,455	3,212,950	3,352,475
Share capital	33,992	33,671	33,671	33,671	33,671
Reserves	407,005	427,561	446,614	467,497	492,354
Total equity	440,997	461,232	480,285	501,168	526,025
Non-controlling interest	1,609	5,380	5,918	6,510	7,161
Total liabilities & equity	3,314,565	3,454,452	3,575,659	3,720,628	3,885,661
Supplementary items					
Risk weighted assets (RWA)	2,265,443	2,306,339	2,395,691	2,492,821	2,603,393
Average interest earning assets	3,177,400	3,282,850	3,417,021	3,557,582	3,717,886
Average interest bearing liabilities	2,676,339	2,720,839	2,872,234	2,911,779	3,027,391
CET 1 capital	399,566	408,287	425,016	444,609	467,326
Total capital	424,235	433,835	451,688	472,587	496,674
Gross non performing loans (NPL)	109,114	95,329	97,129	101,229	105,229
Per share (THB)					
Book value per share	129.86	136.98	142.64	148.84	156.22
Tangible book value per share	129.86	136.98	142.64	148.84	156.22
Growth					
Gross customer loans	2.1	3.3	4.5	5.0	5.0
Average interest earning assets	5.9	3.3	4.1	4.1	4.5
Total asset (%)	1.1	4.2	3.5	4.1	4.4
Risk weighted assets (%)	3.1	1.8	3.9	4.1	4.4
Customer deposits (%)	1.9	3.6	0.5	3.0	3.0
Leverage & capital measures					
Customer loan/deposits (%)	87.8	88.0	91.5	93.2	95.1
Equity/assets (%)	13.3	13.4	13.4	13.5	13.5
Tangible equity/assets (%)	13.3	13.4	13.4	13.5	13.5
RWA/assets (%)	68.3	66.8	67.0	67.0	67.0
CET 1 CAR (%)	17.6	17.7	17.7	17.8	18.0
Total CAR (%)	18.7	18.8	18.9	19.0	19.1
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	7.5	(12.6)	1.9	4.2	4.0
NPL/gross loans (%)	4.7	4.0	3.9	3.9	3.8
Allowance for ECL/gross loans (%)	6.6	6.3	6.2	6.3	6.2
Allowance for ECL/NPL (%)	138.8	156.2	159.7	161.4	161.7
Valuation					
Recurring P/E (x) *	9.5	8.9	8.2	7.5	6.8
Recurring P/E @ target price (x) *	11.5	10.9	9.9	9.1	8.2
Reported P/E (x)	9.5	8.9	8.2	7.5	6.8
Dividend yield (%)	4.1	6.7	7.3	7.5	8.0
Price/book (x)	0.8	0.7	0.7	0.7	0.6
Price/tangible book (x)	0.8	0.7	0.7	0.7	0.6
Price/tangible book @ target price (x)	0.9	0.9	0.8	0.8	0.8

Sources: SCB X; FSSIA estimates

SCB X PCL (SCB TB)

FSSIA ESG rating

★★★★

62.57/100

Exhibit 7: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 8: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.2	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.1	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BBL	62.08	--	Y	Y	5.00	5.00	Certified	Medium	54.70	--	29.00	58.68	67.00	2.19	60.06
KBANK	84.17	Y	Y	Y	5.00	5.00	Certified	Medium	62.19	AA	46.00	73.83	83.00	4.05	59.77
KTB	63.10	--	Y	Y	5.00	5.00	Certified	Medium	53.59	BBB	34.00	64.64	64.00	2.12	59.11
SCB	62.57	Y	Y	Y	5.00	4.00	--	High	--	A	--	--	86.00	3.43	--
KKP	62.96	--	Y	Y	5.00	5.00	Certified	Medium	52.81	BBB	--	77.56	26.00	2.18	45.90
TISCO	61.17	--	Y	Y	5.00	5.00	Certified	Medium	61.41	--	--	66.13	29.00	3.57	44.21
TTB	63.69	--	Y	Y	5.00	5.00	Certified	Medium	53.98	--	36.00	56.17	71.00	3.20	52.96

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 9: ESG score by Bloomberg

FY ending Dec 31	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores										
BESG ESG score	--	--	1.85	1.83	2.65	3.04	2.65	2.83	2.89	--
BESG environmental pillar score	--	--	0.00	0.00	0.00	0.00	0.00	0.00	0.08	--
BESG social pillar score	--	--	2.02	2.25	4.19	5.21	4.05	4.19	4.24	--
BESG governance pillar score	--	--	4.25	3.66	3.88	3.91	4.11	4.66	4.64	--
ESG disclosure score										
Environmental disclosure score	36.95	46.33	45.82	48.25	49.39	50.60	53.91	53.91	52.24	--
Social disclosure score	7.55	28.21	28.21	28.78	29.60	29.60	35.82	35.82	35.82	--
Governance disclosure score	22.61	23.85	21.74	28.48	31.08	34.70	32.13	32.13	32.13	--
Environmental	80.52	86.79	87.36	87.36	87.36	87.36	93.62	93.62	88.62	--
Environmental										
Emissions reduction initiatives	Yes									
Climate change policy	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No									
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes	Yes	Yes
GHG scope 2 location-based	--	22	25	22	22	20	18	13	11	43
Biodiversity policy	Yes	Yes	Yes	No						
Energy efficiency policy	Yes									
Waste reduction policy	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Environmental supply chain management	No	Yes								
Water policy	Yes									

Sources: Bloomberg; FSSIA's compilation

Exhibit 10: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BESG ESG score	—	—	1.85	1.83	2.65	3.04	2.65	2.83	2.89	—
ESG disclosure score	36.95	46.33	45.82	48.25	49.39	50.60	53.91	53.91	52.24	—
Social										
Human rights policy	Yes	Yes	Yes							
Policy against child labor	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No							
Consumer data protection policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Community spending	—	—	—	301	390	808	798	520	456	533
No. of customer complaints	—	—	—	—	—	—	—	—	—	16
Equal opportunity policy	Yes	Yes	Yes							
Pct women in workforce	67	68	68	69	71	71	70	71	73	68
Business ethics policy	Yes	Yes	Yes							
Anti-bribery ethics policy	Yes	Yes	Yes							
Health and safety policy	No	Yes	Yes	Yes						
Fatalities - employees	—	—	—	—	—	0	0	0	0	0
Training policy	Yes	Yes	Yes							
Fair remuneration policy	No	No	No							
No. of employees - CSR	22,222	21,976	24,106	26,652	27,493	26,751	25,953	23,899	22,051	29,015
Employee turnover pct	14	13	14	10	11	12	14	10	11	17
Total hours by firm - employee training	1,299,070	1,309,470	1,306,990	1,679,080	1,704,570	1,899,320	1,764,800	1,171,050	992,295	1,537,800
Social supply chain management	No	Yes	Yes	Yes						
Governance										
Board size	16	15	17	16	16	17	17	15	17	16
No. of independent directors (ID)	9	9	9	9	9	9	10	9	9	8
No. of women on board	4	3	3	3	3	1	2	2	4	3
No. of non-executive directors on board	13	13	13	13	14	14	16	14	13	15
Company conducts board evaluations	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	13	12	16	17	20	16	15	13	18
Board meeting attendance pct	98	94	95	91	90	89	91	96	99	99
Board duration (years)	3	3	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No							
Age of the youngest director	57	58	44	45	46	50	51	52	—	47
Age of the oldest director	81	82	83	84	85	86	74	75	—	77
No. of executives / company managers	9	9	8	12	17	17	13	17	18	10
No. of female executives	1	2	1	3	6	5	3	6	7	2
Executive share ownership guidelines	No	No	No							
Size of audit committee	4	4	4	5	3	3	3	3	3	3
No. of ID on audit committee	4	4	4	5	3	3	3	3	3	3
Audit committee meetings	12	14	14	12	12	13	13	14	14	12
Audit meeting attendance %	98	98	96	91	94	95	97	98	100	100
Size of compensation committee	5	5	5	5	5	4	4	3	4	4
No. of ID on compensation committee	3	3	3	3	3	2	2	3	3	4
No. of compensation committee meetings	6	8	9	11	12	12	13	16	24	14
Compensation meeting attendance %	79	82	88	93	93	91	92	95	98	100
Size of nomination committee	5	5	5	5	5	4	4	3	4	4
No. of nomination committee meetings	6	8	9	11	12	12	13	16	24	14
Nomination meeting attendance %	79	82	88	93	93	91	92	95	98	100
Sustainability governance										
Verification type	No	Yes	Yes	Yes						

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). (The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="2">Leader:</td> <td rowspan="2">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td rowspan="2">Laggard:</td> <td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BBB	4.286-5.713	BB	2.857-4.285	B	1.429-2.856	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428	
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CCC	0.000-1.428																					
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

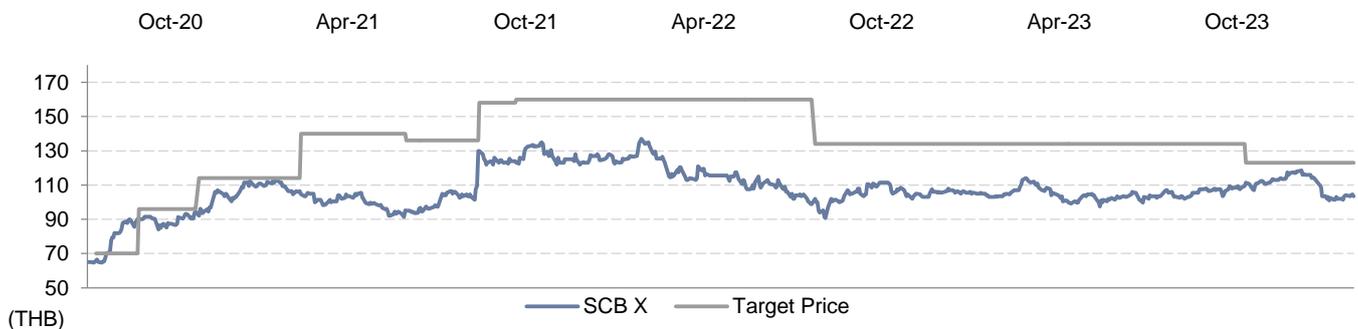
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

SCB X (SCB TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-Oct-2020	HOLD	70.00	22-Apr-2021	BUY	140.00	25-Oct-2021	BUY	160.00
03-Dec-2020	HOLD	96.00	22-Jul-2021	BUY	136.00	08-Jul-2022	BUY	134.00
22-Jan-2021	BUY	114.00	23-Sep-2021	BUY	158.00	17-Jul-2023	BUY	123.00

Usanee Liurut, CISA started covering this stock from 17-Jul-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SCB X	SCB TB	THB 99.75	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.

All share prices are as at market close on 20-Oct-2023 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.