

KRUNGTHAI CARD KTC TB

THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

TARGET PRICE	THB46.00
CLOSE	THB43.75
UP/DOWNSIDE	+5.1%
PRIOR TP	THB49.00
CHANGE IN TP	-6.1%
TP vs CONSENSUS	-11.6%

E-receipt spending not solid as expected

- KTC's card spending in Jan-24 did not show a solid performance despite tailwinds from the Easy E-receipt stimulus.
- Nevertheless, KTC reaffirms to deliver a 2024 new high net profit.
- We maintain our HOLD call at a lower 2024 TP of THB46.

Disappointing spending volume from E-receipt influence

At KTC's 4Q23 analyst meeting, the primary attention was on 1) card spending momentum under the Easy E-receipt stimulus period, 2) the effect of higher minimum payment requirements, and 3) key strategies and targets for 2024. KTC shared an overview of the spending volume as of Jan-24 under the stimulus period, which management disclosed to observe only a disappointing single-digit y-y growth against the full-year growth target of 15%. Key drags were 1) the high base effect in 1Q23, 2) complications relating to the registration process for E-receipts, and 3) the overall pressure from a slowing demand. According to KTC's observation, the effect of higher minimum payment on credit card loans since Jan-24 has yet to signal a severe downfall to its operations, in line with ours and KTC's expectations.

Retain its 2024 new high net profit guidance

KTC maintained its 2024 new high net profit target, pushed by its expectation of 10% portfolio growth. The credit card and auto title loans (P Berm) should be the firm's primary target for portfolio expansion in 2024. However, it admitted difficulties from low product awareness of P Berm and the number of KTB branches, which is much lesser than other auto title operators. Meanwhile, KTC lowered its growth target of the cash advance segment (KTC PROUD) to 5% y-y (2023 growth was 4.4% y-y), mainly due to the overall economic uncertainty.

Minor downward revision of 2024-26E earnings

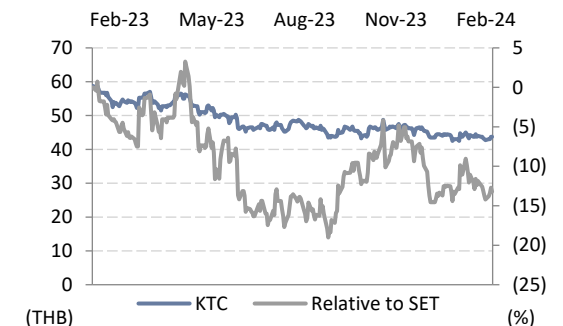
According to the weak sign of spending seen at the beginning of the year, we expect a flat growth q-q for 1Q24 net profit. In addition, we made minor downward revisions of our 2024-26E net profit by 1.9-3.7% to reflect 1) lower card spending volume after a disappointing start in Jan-24, 2) lower loan spread assumptions due to an increase in the cost of funds estimate, and 3) a higher credit cost forecast to align with management guidance of 5-6%. Accordingly, we expect a 2024-26 net profit growth of a mere 8.4% CAGR.

Maintain HOLD call at a lower 2024 TP of THB46

We maintain our HOLD call on KTC at a lower GGM-based 2024 TP of THB46 (from THB49), implying a P/BV ratio of 2.95x (from 3.1x).

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	9,068	9,465	10,517	11,527
Net profit	7,295	7,623	8,469	9,282
EPS (THB)	2.83	2.96	3.28	3.60
vs Consensus (%)	-	4.1	6.7	7.7
Recurring net profit	7,295	7,623	8,469	9,282
Core EPS (THB)	2.83	2.96	3.28	3.60
Chg. In EPS est. (%)	-	(3.7)	(1.9)	(2.7)
EPS growth (%)	3.1	4.5	11.1	9.6
Core P/E (x)	15.5	14.8	13.3	12.2
Dividend yield (%)	2.9	3.0	3.4	3.7
Price/book (x)	3.2	2.8	2.5	2.3
ROE (%)	21.8	20.2	20.1	19.8
ROA (%)	6.8	6.6	6.9	7.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.7	(5.9)	(25.5)
Relative to country (%)	(0.6)	(5.1)	(11.9)
Mkt cap (USD m)	3,147		
3m avg. daily turnover (USD m)	5.4		
Free float (%)	21		
Major shareholder	Krung Thai Bank (49%)		
12m high/low (THB)	59.50/40.50		
Issued shares (m)	2,578		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We maintain our HOLD recommendation on KTC due to:

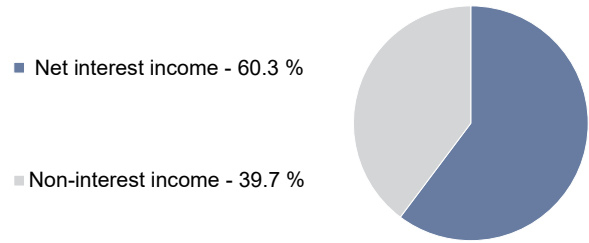
- 1) We expect the overall consumer finance industry to experience a certain degree of asset quality pressure and weakening spending power amid the slowing economic backdrop.
- 2) We estimate that operators will focus on credit quality and active bad debt management, which should weigh on loan growth in 2024.
- 3) We lower our expectation on 1Q24 spending volume and benefits of the Easy E-receipt stimulus on the lower-than-expected momentum seen in Jan-24.
- 4) Our GGM-based 2024 TP of THB46 implies an upside of 5.1% and a P/BV ratio of 2.95x.

Company profile

The company provides consumer financial products in Thailand, including credit cards, personal loans, auto-title loans, and leasing products.

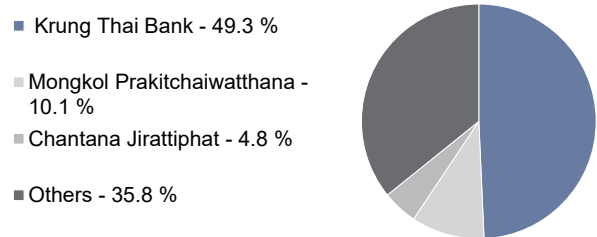
www.ktc.co.th

Principal activities (revenue, 2023)



Source: Krungthai Card

Major shareholders



Source: Krungthai Card

Catalysts

- 1) Stronger-than-expected momentum of economic recovery and card spending;
- 2) Better-than-estimated loan growth;
- 3) Lower-than-estimated new NPL formation;
- 4) A significant acceleration in the auto title loan segment.

Risks to our call

Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.

Event calendar

Date	Event
Apr 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	7,623	8,469	9,282
Net profit growth	4.4	11.1	9.6
NIM	12.5	12.6	12.6
Loan growth	5.1	7.8	7.8
Fee growth	7.5	10.0	10.0
Non-NII growth	7.8	6.2	8.4
Credit cost (bp)	569	537	536
Cost to income	36.8	36.6	36.0

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Loan growth (%)	±1ppt	4.1	5.1	6.1
% change in net profit		(0.5)	-	0.6
NIM (%)	±10bp	12.4	12.5	12.6
% change in net profit		(1.3)	-	1.3
Credit cost (%)	±10bp	5.6	5.7	5.8
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

Disappointing spending volume from E-receipt influence

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KTC shared an overview of the spending volume as of Jan-24 under the stimulus period, which management disclosed to observe only a disappointing single-digit y-y growth against the full-year growth target of 15%. Key drags were 1) the high base effect in 1Q23, 2) complications relating to the registration process for E-receipts, and 3) the overall pressure from a slowing demand.

No alarming effect from a higher minimum payment of credit card loans

According to KTC's observation, the impact of higher minimum payment on credit card loans in Jan-24 has yet to signal a severe downfall in its operations, in line with ours and KTC's expectations. However, the impact of the policy shift should show its full prowess after the 1Q24 results.

Further pressure from rising cost of funds

In 2024, KTC is obligated to repay its long-term borrowing worth THB11.8b, of which THB7.3b to come from debentures, while the average cost of the total amount was reported at 1.84% p.a., leading the firm to expect a further rise in the cost of funds at a magnitude of 30-40 bps above 2023 level. We expect the yield side of the equation to remain relatively stable, leading to our estimate of a lower loan spread from 12.15% in 2023 to 11.86% in 2024.

Retain its 2024 new high net profit guidance

KTC maintained its 2024 new high net profit target, pushed by its expectation of 10% portfolio growth. The credit card and auto title loans (P Berm) should be the firm's primary targets for portfolio expansion in 2024. However, it admitted difficulties from low product awareness of P Berm and the number of KTB branches, which is much lesser than other auto title operators. Meanwhile, KTC lowered its growth target of the cash advance segment (KTC PROUD) to 5% y-y (2023 growth was 4.4% y-y), mainly due to the overall economic uncertainty.

Exhibit 1: 2024 – KTC guidance vs. FSSIA estimates

2024 - KTC guidance vs. FSSIA estimates	FSSIA		KTC
	2023	2024E	2024E
Net profit (THB m)	7,295	7,623	>7,295
Portfolio Growth (%)	7.8	5.1	10.0
Credit card spending growth (%)	11.4	7.5	15.0
KTC PROUD growth (%)	4.4	4.6	5.0
P BERM new booking (THB m)	2590	2630	6,000
NPL ratio (%)	2.17	2.25	Stable
Credit cost (bp)	548	569	500-600
Coverage ratio (%)	400	341	~400

Sources: KTC; FSSIA estimates

Minor downward revision of 2024-26E earnings

According to the weak sign of spending seen at the beginning of the year, we expect a flat growth q-q for 1Q24 net profit. In addition, we have minor downward revisions of our 2024-26E net profit by 1.9-3.7% to reflect 1) lower card spending volume after a disappointing start in Jan-24, 2) lower loan spread assumptions due to an increase in the cost of funds estimate, and 3) a higher credit cost forecast to align with management guidance of 5-6%. Accordingly, we expect a 2024-26 net profit growth of a mere 8.4% CAGR.

Exhibit 2: 2024-26E earnings revision

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Net profit	7,623	8,469	9,282	7,912	8,629	9,537	(3.7)	(1.9)	(3.3)
Growth y-y%	4.4	11.1	9.6	8.6	9.1	10.5			
Spending volume	285,287	313,815	345,197	288,291	317,120	348,832	(1.0)	(1.0)	(1.0)
Growth y-y%	7.5	10.0	10.0	10.0	10.0	10.0			
Gross loan	118,029	127,238	137,178	119,216	128,614	138,763	(1.0)	(1.1)	(1.1)
Growth y-y%	5.1	7.8	7.8	7.7	7.9	7.9			
	(%)	(%)	(%)	(%)	(%)	(%)			
Cost-to-income ratio	36.83	36.60	35.96	37.05	36.47	35.69			
Yield	14.82	14.93	14.85	14.85	14.96	14.89			
Cost of funds	2.96	3.20	3.34	2.85	3.02	3.05			
Spreads	11.86	11.73	11.51	12.00	11.94	11.84			
	(%)	(%)	(%)	(%)	(%)	(%)			
NPL ratio	2.25	2.19	2.16	2.16	2.10	2.06			
Credit cost (bp)	569	537	536	542	539	538			
Coverage ratio	341	352	361	312	326	228			

Source: FSSIA estimates

Maintain HOLD call at a lower 2024 TP of THB46

We maintain our HOLD call on KTC at a lower GGM-based 2024 TP of THB46 (from THB49), implying a P/BV ratio of 2.95x (from 3.1x) to reflect our new forecasts.

Meanwhile, the company announced a 2023 DPS of THB1.27, implying a payout ratio of 45% and a 2.9% dividend yield.

Exhibit 3: GGM-based 2024 TP

2024E	New	Previous
ROE – sustainable (%)	18.0	18.0
Terminal growth rate (%)	3.3	3.3
Cost of equity (%)	8.3	8.0
Risk-free (%)	3.0	3.0
Expected market return (%)	8.0	8.0
Market risk premium (%)	5.0	5.0
Beta	1.1	1.0
Target PBV (x)	3.0	3.1
BVS (THB)	15.45	15.78
Fair price (THB)	46.0	49.0

Sources: FSSIA estimates

Exhibit 4: Share price performance of non-banks under coverage, as of 22 February 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	8.45	0.87	0.43	(8.82)	2.67
MTC TB	13.50	5.11	13.13	34.06	0.56
SAWAD TB	7.84	(6.25)	(14.66)	(25.00)	0.62
AEONTS TB	0.33	(5.35)	(12.50)	(26.59)	(5.94)
KTC TB	1.76	(7.49)	(9.90)	(26.38)	(0.57)
JMT TB	11.32	(14.95)	(48.42)	(51.34)	(7.45)
BAM TB	4.46	(1.80)	(28.70)	(47.77)	0.61
CHAYO TB	4.95	(7.02)	(30.69)	(44.86)	(2.75)
SETFIN	4.80	(5.00)	(15.57)	(27.64)	(1.65)
SET	2.19	(1.00)	(9.42)	(15.64)	(1.12)

Sources: Bloomberg

Exhibit 5: KTC – 4Q23 operating results

KTC	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(%)
Interest income	3,832	3,803	3,972	4,096	4,149	1.29	8.27	16,020	11.4
Interest expense	378	390	415	441	456	3.26	20.56	1,703	22.3
Net interest income	3,454	3,413	3,557	3,655	3,693	1.06	6.93	14,317	10.2
Non-interest income	3,228	3,047	3,091	3,208	3,378	5.31	4.65	12,724	7.2
Operating income	5,885	5,670	5,837	6,031	6,225	3.21	5.78	23,763	8.7
Operating expenses	2,276	1,985	2,135	2,252	2,429	7.89	6.73	8,801	8.4
PPOP	3,609	3,685	3,702	3,780	3,796	0.42	5.17	14,962	8.9
Expected credit loss	1,508	1,367	1,438	1,477	1,612	9.12	6.89	5,894	21.1
Profit before tax	2,101	2,319	2,263	2,303	2,184	(5.16)	3.94	9,068	2.2
Income tax expense	456	452	463	464	439	(5.43)	(3.71)	1,819	0.0
Net profit	1,666	1,872	1,806	1,857	1,761	(5.13)	5.73	7,295	3.1
EPS (THB)	0.65	0.73	0.70	0.72	0.68	(5.13)	5.73	2.83	3.1
Key balance sheet highlights									
NPL	1,845	1,931	2,130	2,481	2,439	(1.7)	32.2	2,439	32.1
Loan - gross	104,194	103,312	105,588	106,700	112,347	5.3	7.8	112,347	7.8
Loans - net	95,402	94,378	96,364	97,232	102,584	5.5	7.5	102,583	7.5
Interest bearing debt	61,972	59,547	63,351	63,213	66,918	5.9	8.0	66,918	8.0
Earnings assets	97,689	96,194	98,342	100,111	108,082	8.0	10.6	117,854	10.6
Leverage ratio	(x)	(x)	(x)	(x)	(x)			(x)	
IBD/E (x)	1.98	1.79	1.98	1.86	1.88			1.88	
D/E (x)	2.24	2.01	2.19	2.08	2.16			2.16	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)			(%)	(ppt)
Gross NPLs (THB m)	1,845	1,931	2,130	2,481	2,439	(1.7)	32.2	2,439	32.1
NPL ratio	1.77	1.87	2.02	2.33	2.17			2.17	0.4
Coverage ratio - LLR/ NPLs	476	463	433	382	400			400	(76.0)
Credit cost (bp)	609	530	554	560	593			548	50.1
LLR/TL	8.44	8.65	8.74	8.87	8.69			8.69	
Profitability ratios	(%)	(%)	(%)	(%)	(%)			(%)	(ppt)
Cost-to-income ratio	38.68	35.01	36.58	37.33	39.03			37.04	(0.1)
Yield on loans	15.24	14.66	15.21	15.44	15.15			14.80	0.2
Cost of funds	2.53	2.57	2.70	2.79	2.80			2.64	0.3
Spreads	12.70	12.09	12.51	12.65	12.35			12.15	(0.1)
Net interest margin (NIM)	13.47	12.90	13.38	13.46	12.99			12.76	(0.1)
ROE	21.57	23.12	22.06	22.29	20.05			21.77	
ROA	6.72	7.39	7.10	7.10	6.42			6.80	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	
Loan growth y-y	12.48	14.53	11.06	9.98	7.83			7.83	
q-q	7.40	-0.85	2.20	1.05	5.29				

Sources: KTC; FSSIA's compilation

Exhibit 6: KTC – outstanding amount and maturity of debentures, 2024-26

	----- Outstanding debentures -----				----- Maturity during period -----				Total (THB m)
	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	
2024	44,922	44,922	43,822	41,577	4,000	-	1,100	2,245	7,345
2025	39,577	38,577	32,577	30,077	2,000	1,000	6,000	2,500	11,500
2026	29,577	25,577	25,377	17,747	500	4,000	200	7,630	12,330

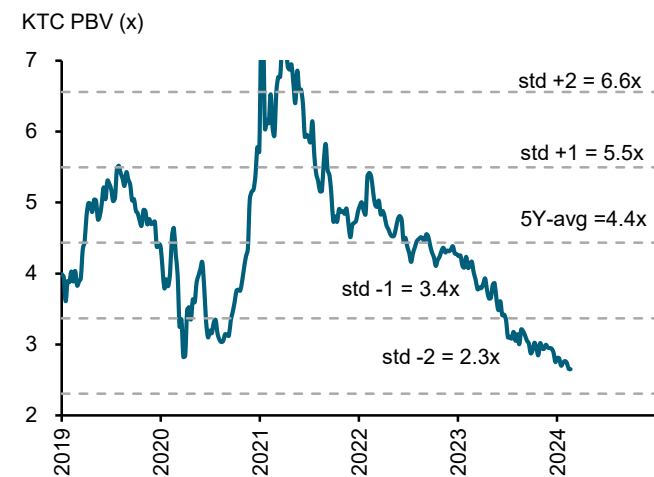
Sources: ThaiBMA; FSSIA's compilation

Exhibit 7: KTC – staged loans and ECL, 2020-23

	2020	2021	2022	2023	2020	2021	2022	2023
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Loans and accrued interest					Stage loans % of total loans			
Stage 1	77,020	76,929	87,743	92,974	85.95	86.58	86.82	85.74
Stage 2	10,989	10,338	11,690	13,585	12.26	11.64	11.57	12.53
Stage 3	1,598	1,581	1,627	1,875	1.78	1.78	1.61	1.73
Total	89,607	88,848	101,060	108,434	100.00	100.00	100.00	100.00
Expected credit loss (ECL)					ECL % of stage loans			
Stage 1	3,865	3,918	4,247	4,332	5.02	5.09	4.84	4.66
Stage 2	2,445	2,365	2,782	3,316	22.25	22.88	23.80	24.41
Stage 3	1,046	1,066	1,139	1,283	65.46	67.43	70.01	68.46
Total	7,356	7,349	8,168	8,931	8.21	8.27	8.08	8.24
	(%)	(%)	(%)	(%)				
NPL / TL	1.78	1.78	1.61	1.73				
LLR / NPL	460.33	464.83	502.13	476.37				
NPL + S2 / TL	14.05	13.42	13.18	14.26				
LLR / (NPL + S2)	58.44	61.66	61.33	57.77				

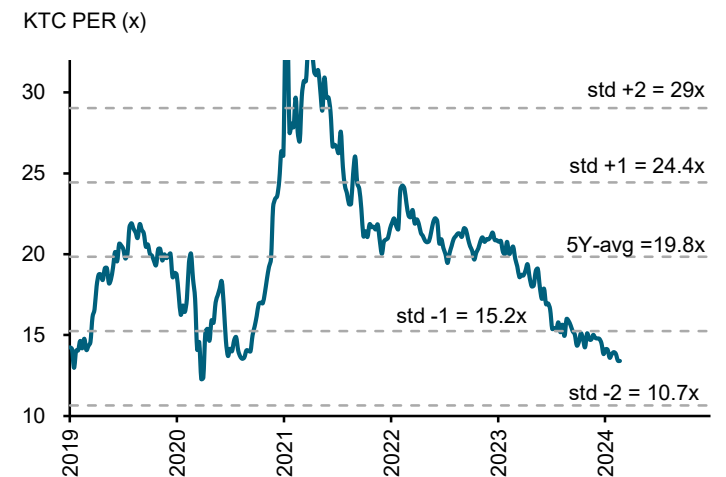
Sources: KTC; FSSIA's compilation

Exhibit 8: KTC – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: KTC – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Peer comparisons, as of 22 February 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE		PBV		ROE		Div yld	
						23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	151.00	169.00	12	12.1	11.2	1.5	1.4	13.1	13.2	3.6	4.1
Krungthai Card	KTC TB	HOLD	43.75	46.00	5	15.5	14.8	3.2	2.8	21.8	20.2	2.9	3.0
Muangthai Capital	MTC TB	HOLD	46.25	43.00	(7)	20.0	16.9	3.1	2.6	16.1	16.8	0.5	0.5
Srisawad Corp	SAWAD TB	HOLD	41.25	45.00	9	11.3	10.6	2.0	1.8	18.7	18.0	4.4	4.7
Ngern Tid Lor	TIDLOR TB	BUY	23.20	28.00	21	17.1	14.1	2.3	2.0	14.2	15.2	1.2	1.4
JMT Network services	JMT TB	HOLD	24.00	25.70	7	17.4	14.6	1.3	1.3	8.1	9.0	4.5	5.5
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	8.25	8.75	6	18.1	15.0	0.6	0.6	3.4	4.1	3.9	4.5
Chayo Group	CHAYO TB	HOLD	5.30	5.70	8	16.1	15.5	1.7	1.6	11.6	10.7	0.7	1.0
Average						15.6	13.6	1.9	1.7	13.3	13.5	2.7	3.2

Sources: Bloomberg; FSSIA estimates

Financial Statements

Krungthai Card

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	14,381	16,020	17,069	18,308	19,635
Interest expense	(1,392)	(1,703)	(2,005)	(2,235)	(2,421)
Net interest income	12,989	14,317	15,065	16,074	17,214
Net fees & commission	4,974	5,556	5,973	6,570	7,227
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	17	47	35	35	35
Other income	3,876	3,842	4,209	4,234	4,516
Non interest income	8,868	9,445	10,217	10,839	11,779
Total income	21,856	23,763	25,282	26,913	28,993
Staff costs	(7,872)	(8,801)	(9,310)	(9,849)	(10,427)
Other operating costs	(244)	-	-	-	-
Operating costs	(8,117)	(8,801)	(9,310)	(9,849)	(10,427)
Pre provision operating profit	13,740	14,962	15,972	17,064	18,566
Expected credit loss	(4,868)	(5,894)	(6,507)	(6,547)	(7,039)
Other provisions	-	-	-	-	-
Operating profit	8,871	9,068	9,465	10,517	11,527
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	8,871	9,068	9,465	10,517	11,527
Tax	(1,818)	(1,819)	(1,893)	(2,103)	(2,305)
Profit after tax	7,054	7,250	7,572	8,414	9,222
Non-controlling interest	(26)	(46)	(51)	(56)	(61)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,079	7,295	7,623	8,469	9,282
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	7,079	7,295	7,623	8,469	9,282
Per share (THB)					
Recurring EPS *	2.75	2.83	2.96	3.28	3.60
Reported EPS	2.75	2.83	2.96	3.28	3.60
DPS	1.15	1.27	1.33	1.48	1.62
Growth					
Net interest income (%)	6.5	10.2	5.2	6.7	7.1
Non interest income (%)	13.1	6.5	8.2	6.1	8.7
Pre provision operating profit (%)	8.1	8.9	6.7	6.8	8.8
Operating profit (%)	22.3	2.2	4.4	11.1	9.6
Reported net profit (%)	20.4	3.1	4.5	11.1	9.6
Recurring EPS (%)	20.4	3.1	4.5	11.1	9.6
Reported EPS (%)	20.4	3.1	4.5	11.1	9.6
Income Breakdown					
Net interest income (%)	59.4	60.3	59.6	59.7	59.4
Net fees & commission (%)	22.8	23.4	23.6	24.4	24.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.1	0.2	0.1	0.1	0.1
Other income (%)	17.7	16.2	16.6	15.7	15.6
Operating performance					
Gross interest yield (%)	14.26	14.28	14.16	14.37	14.43
Cost of funds (%)	2.39	2.64	2.96	3.20	3.34
Net interest spread (%)	11.87	11.64	11.20	11.17	11.09
Net interest margin (%)	12.9	12.8	12.5	12.6	12.7
Cost/income(%)	37.1	37.0	36.8	36.6	36.0
Cost/assets(%)	8.5	8.2	8.0	8.0	8.0
Effective tax rate (%)	20.5	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	41.9	45.0	45.0	45.0	45.0
ROE (%)	24.3	21.8	20.2	20.1	19.8
ROE - COE (%)	13.5	11.0	9.4	9.3	9.0
ROA (%)	7.4	6.8	6.6	6.9	7.2
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Financial Statements

Krungthai Card

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	103,509	111,623	117,256	126,396	136,261
Allowance for expected credit loss	(8,792)	(9,763)	(9,059)	(9,832)	(10,683)
interest in suspense	685	724	773	842	916
Net customer loans	95,402	102,584	108,969	117,406	126,495
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	106	154	162	170	179
Cash & equivalents	2,182	5,344	4,996	4,124	3,203
Other interesting assets	-	-	-	-	-
Tangible fixed assets	348	421	379	341	307
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	3,758	4,311	4,385	4,463	4,546
Total assets	101,796	112,814	118,892	126,504	134,730
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	61,972	66,918	68,442	71,110	73,935
Non interest bearing liabilities	8,248	10,051	10,378	10,720	11,077
Hybrid Capital	-	-	-	-	-
Total liabilities	70,220	76,968	78,820	81,831	85,012
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	28,775	33,103	37,243	41,845	46,890
Total equity	31,353	35,682	39,821	44,424	49,468
Non-controlling interest	223	164	250	250	250
Total liabilities & equity	101,796	112,814	118,892	126,504	134,730
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	100,823	112,187	120,524	127,367	136,053
Average interest bearing liabilities	58,371	64,445	67,680	69,776	72,523
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,846	2,439	2,660	2,792	2,957
Per share (THB)					
Book value per share	12.16	13.84	15.44	17.23	19.19
Tangible book value per share	12.16	13.84	15.44	17.23	19.19
Growth					
Gross customer loans	12.5	7.8	5.0	7.8	7.8
Average interest earning assets	4.8	11.3	7.4	5.7	6.8
Total asset (%)	13.8	10.8	5.4	6.4	6.5
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	30.8	31.6	33.5	35.1	36.7
Tangible equity/assets (%)	30.8	31.6	33.5	35.1	36.7
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(44.4)	32.1	9.1	5.0	5.9
NPL/gross loans (%)	1.8	2.2	2.3	2.2	2.2
Allowance for ECL/gross loans (%)	8.5	8.7	7.7	7.8	7.8
Allowance for ECL/NPL (%)	476.3	400.3	340.6	352.2	361.3
Valuation					
Recurring P/E (x) *	15.9	15.5	14.8	13.3	12.2
Recurring P/E @ target price (x) *	16.8	16.3	15.6	14.0	12.8
Reported P/E (x)	15.9	15.5	14.8	13.3	12.2
Dividend yield (%)	2.6	2.9	3.0	3.4	3.7
Price/book (x)	3.6	3.2	2.8	2.5	2.3
Price/tangible book (x)	3.6	3.2	2.8	2.5	2.3
Price/tangible book @ target price (x)	3.8	3.3	3.0	2.7	2.4

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Krungthai Card PCL (KTC TB)

FSSIA ESG rating

★★★★

71.80 /100

Exhibit 11: 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 12: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	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	67.12	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
AEONTS	33.86	--	--	--	4.00	3.00	--	Medium	40.10	BBB	--	27.64	17.00	--	--
KTC	71.80	--	Y	Y	5.00	5.00	Certified	Low	57.22	A	--	64.48	59.00	4.96	57.09
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 13: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	2.10	2.55	3.27	3.49	4.11	5.79	5.74	4.96
BESG environmental pillar score	0.00	2.90	3.74	4.41	3.84	3.95	3.64	3.88
BESG social pillar score	0.92	1.20	2.21	2.32	3.33	6.29	6.49	4.89
BESG governance pillar score	5.97	5.35	5.19	5.47	5.66	5.64	5.31	5.48
ESG disclosure score	35.95	37.11	41.95	49.07	49.92	58.07	56.76	57.09
Environmental disclosure score	0.91	4.38	10.90	27.88	27.88	33.77	29.84	31.80
Social disclosure score	25.70	25.70	33.71	38.12	40.69	59.28	59.28	58.28
Governance disclosure score	81.10	81.10	81.10	81.10	81.10	81.10	81.10	81.10
Environmental								
Emissions reduction initiatives	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	No	No
GHG scope 1	—	—	—	1	1	0	0	0
GHG scope 2 location-based	—	2	2	1	1	1	1	1
GHG Scope 3	—	—	0	0	0	0	0	0
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	—	—	—	—
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	—	3	3	2	2	2	2	3
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 14: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	0	—	—
Total waste	—	—	—	—	—	0	—	0
Waste recycled	—	—	—	—	—	0	0	0
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
Water policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	63	63	64	65	66	65	66	66
Pct disabled in workforce	—	—	—	—	—	1	1	1
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0	0	0	0	0
Total recordable incident rate - employees	—	—	—	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	Yes	Yes	Yes
Number of employees – CSR	1,489	1,804	1,741	1,763	1,778	1,744	1,705	1,695
Employee turnover pct	—	—	—	—	14	9	10	17
Total hours spent by firm - employee training	47,082	50,425	56,709	39,980	72,732	83,151	99,420	108,744
Social supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	8	8	8	8	8	8	8	8
No. of independent directors (ID)	3	4	4	4	4	4	4	5
No. of women on board	4	2	2	2	2	2	2	1
No. of non-executive directors on board	7	7	7	7	7	7	7	7
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	12	12	13	15	16	19	15
Board meeting attendance pct	96	92	96	96	87	95	96	98
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	33	34	35	43	44	39	40	40
Age of the oldest director	63	64	65	66	65	66	67	68
No. of executives / company managers	15	13	13	14	10	11	13	12
No. of female executives	6	5	5	3	3	3	5	5
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	7	6	8	12	11	11	12	13
Audit meeting attendance %	90	89	87	89	88	100	97	85
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	1	1	1	1	1	1	1	2
No. of compensation committee meetings	6	7	9	8	10	7	7	8
Compensation meeting attendance %	89	92	100	100	86	100	94	96
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	6	7	9	8	10	7	7	8
Nomination meeting attendance %	89	92	100	100	86	100	94	96
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

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%). <i>(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.)</i>	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. <i>(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.)</i>	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. <i>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.</i>	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="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"> AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428 </td> <td style="vertical-align: top; padding-left: 10px;"> Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks </td> </tr> </table>	AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428	Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks									
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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. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>											
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.										

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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

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Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 43.75	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 151.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Muangthai Capital	MTC TB	THB 46.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks are 1) a positive development of asset quality which could bring down its credit costs and 2) a decreasing market interest rate which could alleviate its cost of funds burden.
Srisawad Corp	SAWAD TB	THB 41.25	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Ngern Tid Lor	TIDLOR TB	THB 23.20	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
JMT Network Services	JMT TB	THB 24.00	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.25	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.
Chayo Group	CHAYO TB	THB 5.30	HOLD	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL, 2) stronger-than-expected loan growth, and 3) better cost control than expected.

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 22-Feb-2024 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.