

KRUNGTHAI CARD KTC TB

THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

กำไร 4Q23 ไกล่เคียงคาด

- KTC รายงานกำไรสุทธิ 4Q23 อยู่ที่ 1.76 พัน ลบ. ไกล่เคียงกับที่เราและตลาดคาดซึ่งแสดงให้เห็นถึงแรงกดดันจากค่าใช้จ่ายในการดำเนินงาน
- การเติบโตของสินเชื่อบัตรเครดิตเร่งตัวขึ้นในระหว่างไตรมาสในขณะที่สินเชื่อบัตรเครดิตเงินสดชะลอตัวจากนโยบายอนุมัติสินเชื่อที่เข้มงวดมากยิ่งขึ้น
- เรคาดคำแนะนำที่ราคาเป้าหมายปี 2024 ที่ 49 บาท (GGM)

TARGET PRICE	THB49.00
CLOSE	THB43.00
UP/DOWNSIDE	+14.0%
PRIOR TP	THB49.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-6.8%

กำไร 4Q23 ไกล่เคียงกับที่เราและตลาดคาด

KTC รายงานกำไรสุทธิ 4Q23 อยู่ที่ 1.76 พัน ลบ. (-5.13% q-q, +5.73% y-y) ไกล่เคียงกับที่เราและตลาดคาด กำไรก่อนหักสำรองอยู่ที่ 3.79 พัน ลบ. (ทรงตัว q-q, +5.17% y-y) ตัวเลขทรงตัว q-q จากรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิที่สูงขึ้น (ส่วนมากจากรายได้ค่าธรรมเนียมและหนี้เสียรับคืน) ซึ่งชดเชยกับค่าใช้จ่ายในการดำเนินงานที่ปรับขึ้นตามฤดูกาลซึ่งทำให้สัดส่วนค่าใช้จ่ายในการดำเนินงานต่อรายได้ (Cost-to-income ratio) เพิ่มขึ้นเป็น 39.03% จาก 37.33% ใน 3Q23 กำไรสุทธิในรอบปี 2023 อยู่ที่ 7.29 พัน ลบ. (+3.1% y-y) พร้อม Cost-to-income ratio อยู่ที่ 37.04%

สินเชื่อบัตรเครดิตเร่งตัวขึ้นจากฤดูกาลใช้จ่ายใช้สอยที่ดี

KTC รายงานยอดสินเชื่อรวมอยู่ที่ 112.3 พัน ลบ. ใน 4Q23 (+5.29% q-q, +7.83% y-y) สินเชื่อบัตรเครดิต ณ สิ้น 4Q23 รวมอยู่ที่ 74.4 พัน ลบ. (+7.53% q-q, +7.17% y-y) สูงกว่าที่เราคาดจากปริมาณการใช้จ่ายที่เติบโตในระหว่างไตรมาสที่ 73.1 พัน ลบ. (+13.13% q-q, +5.62% y-y) สอดคล้องกับรายได้ค่าธรรมเนียมที่ปรับตัวดีขึ้น สินเชื่อบุคคลอยู่ที่ 34.7 พัน ลบ. (+1.79% q-q, +7.54% y-y) ไกล่เคียงกับที่เราคาด สินเชื่อบัตรเครดิตเงินสด (KTC PROUD) โตเพียง 1.2% q-q และ 4.4% y-y จากนโยบายอนุมัติสินเชื่อของบริษัท ที่เข้มงวดมากยิ่งขึ้นจากสถานะของลูกค้าที่มีความเปราะบางมากยิ่งขึ้น

แรงกดดันจากหนี้ด้อยคุณภาพต่ำกว่าคาด

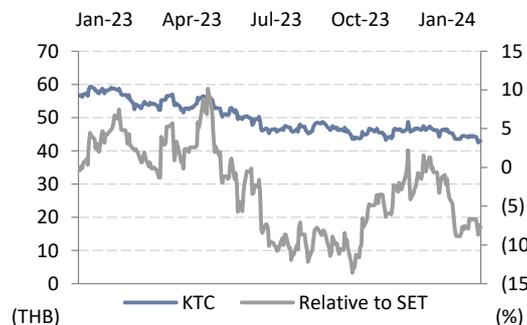
ในรอบปี 2023 สัดส่วนหนี้ด้อยคุณภาพอยู่ที่ 2.17% (1.72% เมื่อหัก KTBL เทียบกับเป้าของบริษัท ที่ 1.8%) ต่ำกว่าที่เราคาดจากการก่อตัวของหนี้ด้อยคุณภาพใหม่ที่ต่ำกว่าคาดในสินเชื่อทุกประเภทและการตัดจำหน่ายหนี้ด้อยคุณภาพที่สูงกว่าคาดในระดับปานกลางในสินเชื่อบัตรเครดิตซึ่งทำให้ต้นทุนความเสี่ยงในการปล่อยสินเชื่ออยู่ที่ 593bps ใน 4Q23 เพิ่มขึ้นจาก 560bps ใน 3Q23 สัดส่วนสำรองต่อหนี้ด้อยคุณภาพอยู่ที่ 400% ใน 4Q23 สูงกว่าที่เราคาดไว้ที่ 353% อยู่มาจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่สูงกว่าคาดและหนี้ด้อยคุณภาพขั้นต้นที่ต่ำกว่าคาด

ลงคำแนะนำถือจากระดับการประเมินมูลค่าที่ยังดีตัว

เรคาดคำแนะนำที่ราคาปัจจุบันเมื่อพิจารณาจากมุมมองที่ระมัดระวังของเราเกี่ยวกับคุณภาพสินทรัพย์ของอุตสาหกรรมและนโยบายการปล่อยสินเชื่อที่เข้มงวดมากขึ้นของบริษัทผู้ให้สินเชื่อราคาเป้าหมายปี 2024 ของเราที่ 49 บาท (GGM) คิดเป็นค่า P/BV ได้ที่ 3.1x

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	9,068	9,834	10,724	11,852
Net profit	7,295	7,912	8,629	9,537
EPS (THB)	2.83	3.07	3.35	3.70
vs Consensus (%)	-	8.0	8.5	10.1
Recurring net profit	7,295	7,912	8,629	9,537
Core EPS (THB)	2.83	3.07	3.35	3.70
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	3.1	8.5	9.1	10.5
Core P/E (x)	15.2	14.0	12.8	11.6
Dividend yield (%)	2.3	2.6	2.9	3.1
Price/book (x)	3.1	2.7	2.4	2.1
ROE (%)	21.8	20.7	19.9	19.4
ROA (%)	6.8	6.8	7.0	7.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.5)	(6.0)	(26.5)
Relative to country (%)	(5.7)	(3.3)	(10.2)
Mkt cap (USD m)	3,122		
3m avg. daily turnover (USD m)	5.6		
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:

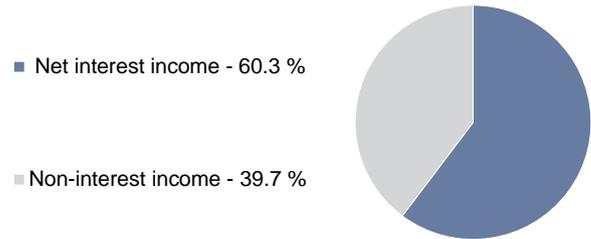
- 1) We expect the overall consumer finance industry to experience a certain degree of asset quality pressure and weakening spending power amid the slowing economic backdrop.
- 2) We estimate that operators will focus on credit quality and active bad debt management, which should weigh on loan bottom-line growth in 2023.
- 3) However, we forecast a stronger-than-usual 1Q24 performance where the Easy E-receipt policy stimulus should provide KTC with a tailwind for consumer spending, leading to y-y growth in loans and fee income.
- 4) Our GGM-based TP for 2024 of THB49 implies an upside of 14.0% and a P/BV ratio of 3.11x.

Company profile

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

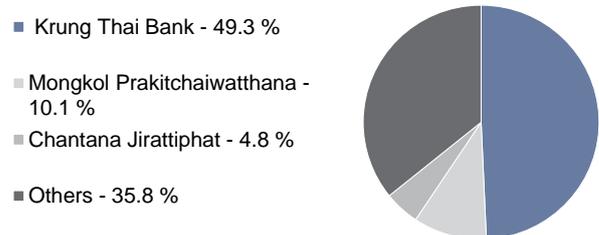
www.ktc.co.th

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
22 Feb 2024	2023 post-results analyst meeting
Apr 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	7,912	8,629	9,537
Net profit growth	8.6	9.1	10.5
NIM	12.9	12.9	12.9
Loan growth	7.7	7.9	7.9
Fee growth	10.0	10.0	10.0
Non-NII growth	12.5	6.6	8.5
Credit cost (bp)	542	539	538
Cost to income	37.1	36.5	35.7

Source: FSSIA estimates

Earnings sensitivity

		2024E		
Loan growth	±1ppt	6.7	7.7	8.7
% change in net profit		(0.5)	-	0.6
NIM (%)	±10bp	12.8	12.9	13.0
% change in net profit		(1.3)	-	1.3
Credit cost (bps)	±10bp	5.3	5.4	5.5
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

4Q23 results in line with our and consensus estimates

KTC reported a 4Q23 net profit at THB1.76b, dropping by 5.13% q-q but increasing by 5.73% y-y, in line with our estimate and the BBG consensus. PPOP finished at THB3.79b (stable q-q and up 5.17% y-y). The stable q-q figure was due to an increase in non-NII (largely fee income and bad debt recovery) which was offset by a seasonal increase in OPEX, leading the 4Q23 cost-to-income ratio to rise to 39.03% from 37.33% in 3Q23. The 2023 net profit was THB7.29b, increasing by 3.1% y-y, with a cost-to-income ratio of 37.04%.

Highlights

(+) Operating income: 4Q23 net interest income rose 1.29% q-q and 8.27% y-y with growth in loans. The yield on loans was 15.15%, declining from 15.44% for a faster growth rate in credit card loans vs higher-yield personal loans during the period. The cost of funds was 2.87%, slowly increasing by 8bps from 3Q23 (in line with the company's guidance of lower than 3%), but inevitably led to a shrinkage in loan spreads from 12.65% to 12.28% in the quarter. Non-NII also grew 5.31% q-q and 4.65% y-y largely from discount fees from merchants along with growth in the spending volume.

(+) Loans: KTC's loan receivables finished at THB112.3b in 4Q23, growing 5.29% q-q and 7.83% y-y. Credit card loans at the end of 4Q23 totaled THB74.4b, an increase by 7.53% q-q and 7.17%. This held up moderately stronger than our estimation due to a strong spending volume during the quarter at THB73.1b, expanding at a pace of 13.13% q-q and 5.62% y-y, contributing to improved fee income. The personal loan segment in 4Q23 finished at THB34.7b, growing 1.79% q-q and 7.54% y-y in line with our expectations. The cash advance sub-segment (KTC PROUD) achieved a mere 1.2% q-q and 4.4% y-y growth rate due to the firm's more restrictive stance on lending over fragile customers' profiles. Meanwhile, auto title loans (P BERM) maintained their high pace of expansion due to a small-sized advantage at +11.1% q-q and +134.1% y-y. However, the contribution of P BERM was still low at 2% of the total.

(+) Asset quality: The 2023 NPL ratio was at 2.17% (1.72% excluding KTBL, against the firm's target of 1.8%), lower than our estimate due to lower-than-expected new NPL formations in all segments and moderately higher-than-expected NPL write-offs in the credit card segment, leading to a credit cost of 593bps in 4Q23, rising from 560bps in 3Q23. The coverage ratio was at 400% in 4Q23, vastly higher than our estimate of 353% due to higher-than-expected ECL and lower-than-expected gross NPLs.

The leasing segment from KTBL remained a troublesome portion for debt quality where in 4Q23 the NPL ratio for the segment was 17.7%, continuing to increase from 15.26% in 3Q23 and 8.94% at the end of 2022.

(+) 1Q24 outlook: We expect 1Q24 net profit to exhibit y-y growth, supported by 1) pent-up demand on spending prompted by the Easy E-receipt policy during Jan-Feb 2024; and 2) higher gains from bad debt recovery due to a higher amount of NPL write-offs during 2023, while asset quality remains a crucial factor for monitoring given the pace of the current domestic economic recovery.

We reiterate our HOLD call at the current price given our cautious view of the industry's asset quality and stricter lending regulations of lending companies. Our 2024 GGM-based TP of THB49 implies a P/BV of 3.1x.

Exhibit 1: KTC – 4Q23 results summary

KTC	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2022	2023	Change
	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(%)				
Interest income	3,832	3,803	3,972	4,096	4,149	1.29	8.27	14,381	16,020	11.4
Interest expense	378	390	415	441	456	3.26	20.56	1,392	1,703	22.3
Net interest income	3,454	3,413	3,557	3,655	3,693	1.06	6.93	12,989	14,317	10.2
Non-interest income	3,228	3,047	3,091	3,208	3,378	5.31	4.65	11,870	12,724	7.2
Operating income	5,885	5,670	5,837	6,031	6,225	3.21	5.78	21,856	23,763	8.7
Operating expenses	2,276	1,985	2,135	2,252	2,429	7.89	6.73	8,117	8,801	8.4
PPOP	3,609	3,685	3,702	3,780	3,796	0.42	5.17	13,740	14,962	8.9
Expected credit loss	1,508	1,367	1,438	1,477	1,612	9.12	6.89	4,868	5,894	21.1
Profit before tax	2,101	2,319	2,263	2,303	2,184	(5.16)	3.94	8,871	9,068	2.2
Income tax expense	456	452	463	464	439	(5.43)	(3.71)	1,818	1,819	0.0
Net profit	1,666	1,872	1,806	1,857	1,761	(5.13)	5.73	7,079	7,295	3.1
EPS (THB)	0.65	0.73	0.70	0.72	0.68	(5.13)	5.73	2.75	2.83	3.1
Key balance sheet highlights										
NPL	1,845	1,931	2,130	2,481	2,439	(1.7)	32.2	1,846	2,439	32.1
Loan - gross	104,194	103,312	105,588	106,700	112,347	5.3	7.8	104,194	112,347	7.8
Loans - net	95,402	94,378	96,364	97,232	102,584	5.5	7.5	95,402	102,583	7.5
Interest bearing debt	61,972	59,547	63,351	63,213	66,918	5.9	8.0	61,972	66,918	8.0
Earnings assets	97,689	96,194	98,342	100,111	108,082	8.0	10.6	106,520	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			1.98	1.88	
D/E (x)	2.24	2.01	2.19	2.08	2.16			2.24	2.16	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)				(%)	
Gross NPLs (THB m)	1,845	1,931	2,130	2,481	2,439	(1.7)	32.2	1,846	2,439	32.1
NPL ratio	1.77	1.87	2.02	2.33	2.17			1.77	2.17	0.4
Coverage ratio - LLR/ NPLs	476	463	433	382	400			476	400	-76.0
Credit cost (bp)	609	530	554	560	593			498	548	50.1
LLR/TL	8.44	8.65	8.74	8.87	8.69			8.44	8.69	
Profitability ratios	(%)	(%)	(%)	(%)	(%)				(%)	
Cost-to-income ratio	38.68	35.01	36.58	37.33	39.03			37.14	37.04	-0.1
Yield on loans	15.24	14.66	15.21	15.44	15.15			14.61	14.80	0.2
Cost of funds	2.53	2.57	2.70	2.79	2.80			2.39	2.64	0.3
Spreads	12.70	12.09	12.51	12.65	12.35			12.23	12.15	-0.1
Net interest margin (NIM)	13.47	12.90	13.38	13.46	12.99			12.88	12.76	-0.1
ROE	21.84	23.19	22.13	22.51	20.24			24.33	21.77	
ROA	6.81	7.41	7.12	7.17	6.48			7.40	6.80	
Loan growth	(%)	(%)	(%)	(%)	(%)				(%)	
Loan growth y-y	12.48	14.53	11.06	9.98	7.83			12.48	7.83	
q-q	7.40	-0.85	2.20	1.05	5.29					

Sources: KTC; FSSIA's compilation

Exhibit 2: GGM-based 2024 TP

	2024E (%)
ROE - sustainable	18.00
Terminal growth rate	3.25
Cost of equity	8.00
Risk-free	3.00
Expected market return	8.00
Market risk premium	5.00
Beta	1.00
Target P/BV	3.11
BVS	15.78
Fair price	49.00

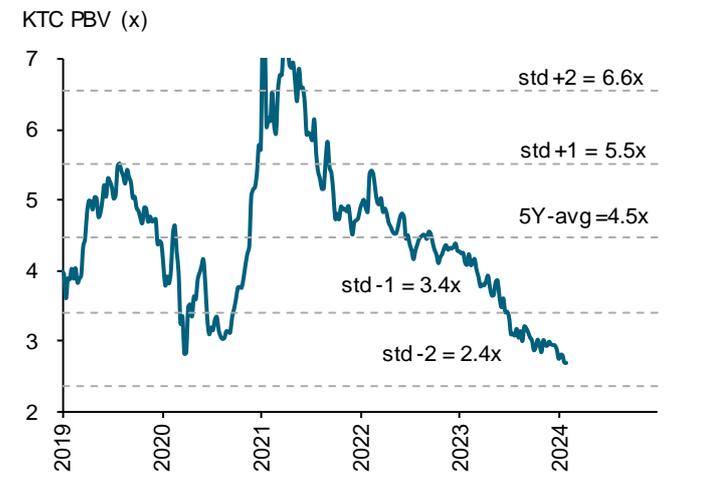
Source: FSSIA estimates

Exhibit 3: Share price performance of non-bank companies under coverage as of 19 January 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
AEONTS TB	(2.54)	2.68	(5.25)	(17.91)	(4.06)
KTC TB	(5.49)	(5.49)	(6.52)	(24.89)	(1.15)
MTC TB	(9.44)	15.60	11.64	3.82	(9.44)
SAWAD TB	(11.05)	(6.13)	(19.47)	(27.49)	(5.56)
TIDLOR TB	(6.52)	13.16	(1.38)	(16.59)	(4.44)
JMT TB	(7.43)	(24.06)	(35.63)	(62.47)	(4.71)
BAM TB	0.00	(10.56)	(24.77)	(50.31)	(1.23)
SETFIN	(5.50)	(1.89)	(11.27)	(32.19)	(3.88)
SET	(2.20)	(1.80)	(10.14)	(18.07)	(2.94)

Source: Bloomberg

Exhibit 4: KTC – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 5: KTC – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: Peer comparisons as of 19 January 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	153.50	169.00	10	12.3	11.4	1.6	1.5	13.1	13.2	3.6	4.1
Krungthai Card	KTC TB	HOLD	43.00	49.00	14	15.2	14.0	3.1	2.7	21.8	20.7	2.3	2.6
Muangthai Capital	MTC TB	BUY	42.75	44.00	3	19.0	14.8	2.8	2.4	15.6	17.7	0.8	1.0
Srisawad Corp	SAWAD TB	BUY	39.25	54.00	38	10.1	8.6	1.9	1.7	19.7	20.7	4.6	5.1
Ngern Tid Lor	TIDLOR TB	BUY	22.20	28.00	26	16.3	13.5	2.2	1.9	14.2	15.2	1.2	1.5
Average						15.1	12.7	2.5	2.2	17.8	18.6	2.2	2.6

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	17,068	18,532	19,900
Interest expense	(1,392)	(1,703)	(1,879)	(2,109)	(2,224)
Net interest income	12,989	14,317	15,188	16,422	17,676
Net fees & commission	4,974	5,556	6,018	6,620	7,282
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	17	47	35	35	35
Other income	3,876	3,842	4,206	4,247	4,541
Non interest income	8,868	9,445	10,259	10,902	11,858
Total income	21,856	23,763	25,447	27,324	29,534
Staff costs	(7,872)	(8,801)	(9,152)	(9,681)	(10,248)
Other operating costs	(244)	-	(277)	(286)	(294)
Operating costs	(8,117)	(8,801)	(9,429)	(9,966)	(10,542)
Pre provision operating profit	13,740	14,962	16,018	17,358	18,993
Expected credit loss	(4,868)	(5,894)	(6,184)	(6,634)	(7,140)
Other provisions	-	-	-	-	-
Operating profit	8,871	9,068	9,834	10,724	11,852
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	9,834	10,724	11,852
Tax	(1,818)	(1,819)	(1,967)	(2,145)	(2,370)
Profit after tax	7,054	7,250	7,867	8,579	9,482
Non-controlling interest	26	46	45	50	55
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,079	7,295	7,912	8,629	9,537
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,079	7,295	7,912	8,629	9,537
Per share (THB)					
Recurring EPS *	2.75	2.83	3.07	3.35	3.70
Reported EPS	2.75	2.83	3.07	3.35	3.70
DPS	1.00	1.00	1.13	1.23	1.34
Growth					
Net interest income (%)	6.5	10.2	6.1	8.1	7.6
Non interest income (%)	13.1	6.5	8.6	6.3	8.8
Pre provision operating profit (%)	8.1	8.9	7.1	8.4	9.4
Operating profit (%)	22.3	2.2	8.4	9.0	10.5
Reported net profit (%)	20.4	3.1	8.5	9.1	10.5
Recurring EPS (%)	20.4	3.1	8.5	9.1	10.5
Reported EPS (%)	20.4	3.1	8.5	9.1	10.5
Income Breakdown					
Net interest income (%)	59.4	60.3	59.7	60.1	59.9
Net fees & commission (%)	22.8	23.4	23.7	24.2	24.7
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	16.5	15.5	15.4
Operating performance					
Gross interest yield (%)	14.26	14.28	14.49	14.61	14.56
Cost of funds (%)	2.39	2.64	2.85	3.02	3.05
Net interest spread (%)	11.87	11.64	11.64	11.59	11.51
Net interest margin (%)	12.9	12.8	12.9	12.9	12.9
Cost/income(%)	37.1	37.0	37.1	36.5	35.7
Cost/assets(%)	8.5	8.2	8.2	8.1	8.0
Effective tax rate (%)	20.5	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	36.4	35.3	36.8	36.7	36.2
ROE (%)	24.3	21.8	20.7	19.9	19.4
ROE - COE (%)	13.5	11.0	9.9	9.1	8.6
ROA (%)	7.4	6.8	6.8	7.0	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	118,411	127,737	137,806
Allowance for expected credit loss	(8,792)	(9,763)	(8,035)	(8,810)	(9,666)
interest in suspense	685	724	805	878	956
Net customer loans	95,402	102,584	111,181	119,804	129,097
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	106	154	117	122	129
Cash & equivalents	2,182	5,344	2,756	2,805	2,834
Other interesting assets	-	-	-	-	-
Tangible fixed assets	348	421	282	254	228
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	3,758	4,311	3,904	3,982	4,064
Total assets	101,796	112,814	118,240	126,968	136,353
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	61,972	66,918	68,435	71,436	74,462
Non interest bearing liabilities	8,248	10,051	8,835	9,149	9,477
Hybrid Capital	-	-	-	-	-
Total liabilities	70,220	76,968	77,270	80,585	83,939
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	28,775	33,103	38,141	43,555	49,585
Total equity	31,353	35,682	40,719	46,134	52,164
Non-controlling interest	223	164	250	250	250
Total liabilities & equity	101,796	112,814	118,240	126,968	136,353
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	100,823	112,187	117,814	126,850	136,666
Average interest bearing liabilities	58,371	64,445	65,890	69,936	72,949
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	2,571	2,698	2,861
Per share (THB)					
Book value per share	12.16	13.84	15.79	17.89	20.23
Tangible book value per share	12.16	13.84	15.79	17.89	20.23
Growth					
Gross customer loans	12.5	7.8	6.1	7.9	7.9
Average interest earning assets	4.8	11.3	5.0	7.7	7.7
Total asset (%)	13.8	10.8	4.8	7.4	7.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	30.8	31.6	34.4	36.3	38.3
Tangible equity/assets (%)	30.8	31.6	34.4	36.3	38.3
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(44.4)	32.1	5.4	4.9	6.0
NPL/gross loans (%)	1.8	2.2	2.2	2.1	2.1
Allowance for ECL/gross loans (%)	8.5	8.7	6.8	6.9	7.0
Allowance for ECL/NPL (%)	476.3	400.3	312.5	326.5	337.9
Valuation					
Recurring P/E (x) *	15.7	15.2	14.0	12.8	11.6
Recurring P/E @ target price (x) *	17.8	17.3	16.0	14.6	13.2
Reported P/E (x)	15.7	15.2	14.0	12.8	11.6
Dividend yield (%)	2.3	2.3	2.6	2.9	3.1
Price/book (x)	3.5	3.1	2.7	2.4	2.1
Price/tangible book (x)	3.5	3.1	2.7	2.4	2.1
Price/tangible book @ target price (x)	4.0	3.5	3.1	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 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 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 9: 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						
Climate change policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No							
Risks of climate change discussed	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							
Energy efficiency policy	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 10: 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							
Waste reduction policy	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							
Policy against child labor	No	No	No	No	No	Yes	Yes	Yes
Quality assurance and recall policy	No							
Consumer data protection policy	Yes							
Equal opportunity policy	Yes							
Gender pay gap breakout	No							
Pct women in workforce	63	63	64	65	66	65	66	66
Pct disabled in workforce	—	—	—	—	—	1	1	1
Business ethics policy	Yes							
Anti-bribery ethics policy	Yes							
Health and safety policy	Yes							
Lost time incident rate - employees	—	—	—	0	0	0	0	0
Total recordable incident rate - employees	—	—	—	0	0	0	0	0
Training policy	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							
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							
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							
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							
Size of audit committee	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							
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							
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							

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="0" style="margin-left: 20px;"> <tr> <td>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </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			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	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. (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.																											

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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History of change in investment rating and/or target price

Krungthai Card (KTC TB)



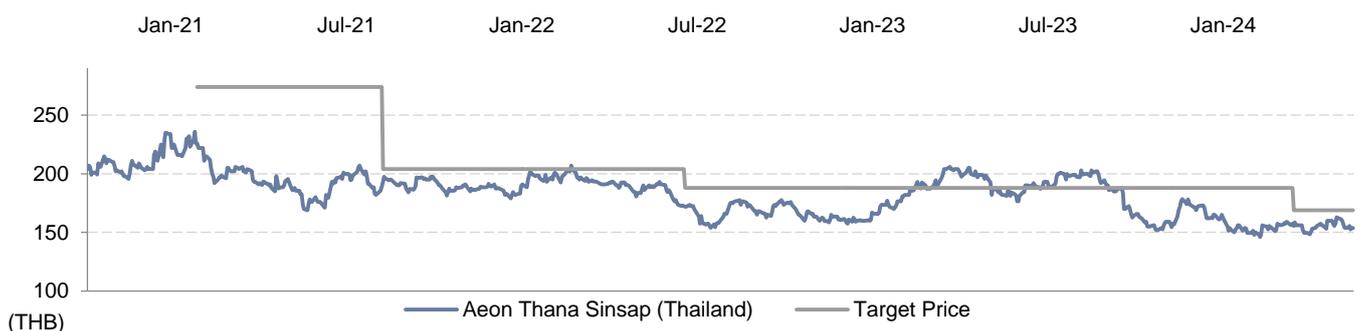
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jul-2021	HOLD	73.00	11-Apr-2022	REDUCE	52.00	12-Oct-2022	BUY	65.00
18-Oct-2021	HOLD	52.00	22-Jun-2022	HOLD	60.00	28-Nov-2023	HOLD	49.00

Usanee Liurut, CISA started covering this stock from 28-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

Aeon Thana Sinsap (Thailand) (AEONTS TB)



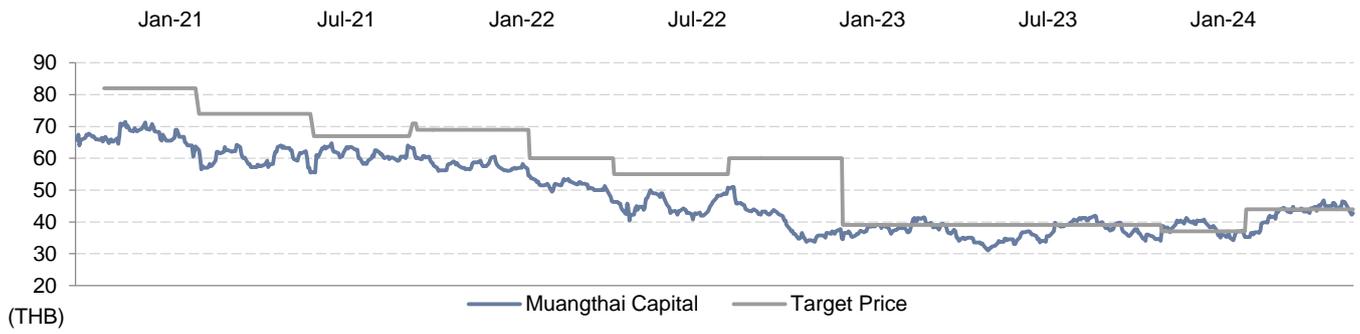
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
28-Apr-2021	BUY	274.00	22-Jun-2022	HOLD	188.00	-	-	-
05-Oct-2021	HOLD	204.00	28-Nov-2023	HOLD	169.00			

Usanee Liurut, CISA started covering this stock from 28-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

Muangthai Capital (MTC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
17-Feb-2021	BUY	82.00	11-Nov-2021	BUY	69.00	09-Nov-2022	HOLD	39.00
07-May-2021	BUY	74.00	15-Feb-2022	BUY	60.00	08-Aug-2023	HOLD	37.00
13-Aug-2021	BUY	67.00	28-Apr-2022	BUY	55.00	19-Oct-2023	BUY	44.00
05-Nov-2021	BUY	71.00	04-Aug-2022	BUY	60.00			

Usanee Liurut, CISA started covering this stock from 08-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

Srisawad Corp (SAWAD TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Mar-2021	BUY	94.00	05-Nov-2021	BUY	80.00	04-Aug-2022	BUY	62.00
07-May-2021	BUY	108.00	07-Mar-2022	BUY	74.00	17-Nov-2022	BUY	51.00
17-Aug-2021	BUY	86.00	28-Apr-2022	BUY	68.00	17-Nov-2023	BUY	54.00

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

Price and TP are in local currency

Source: FSSIA estimates

Ngern Tid Lor (TIDLOR TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-May-2021	BUY	54.00	05-Nov-2021	BUY	43.00	10-Nov-2022	BUY	32.00
16-Aug-2021	BUY	47.00	04-Aug-2022	BUY	37.00	23-Aug-2023	BUY	28.00

Usanee Liurut, CISA started covering this stock from 23-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 43.00	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 153.50	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 42.75	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.
Srisawad Corp	SAWAD TB	THB 39.25	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.
Ngern Tid Lor	TIDLOR TB	THB 22.20	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.

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 19-Jan-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.