

# KASIKORNBANK KBANK TB

## THAILAND / BANKING

# BUY

## รับผลบวกช่วงดอกเบี้ยขาขึ้น

- เราชอบ KBANK จากสภาพคล่องที่มีอยู่เป็นจำนวนมากซึ่งน่าจะเป็นประโยชน์ต่อธนาคารฯ ในช่วงดอกเบี้ยขาขึ้น
- คุณภาพสินทรัพย์อยู่ในระดับที่จัดการได้แต่ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) ที่มีแนวโน้มเพิ่มขึ้นจะเป็นปัจจัยกดดัน
- เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 150 บาท (GGM)

TARGET PRICE	THB150.00
CLOSE	THB132.50
UP/DOWNSIDE	+13.2%
TP vs CONSENSUS	-6.1%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	46,585	52,755	57,963	61,641
Net profit	35,769	40,768	44,969	47,921
EPS (THB)	14.78	16.85	18.58	19.80
vs Consensus (%)	-	(1.8)	(4.2)	(8.3)
Recurring net profit	35,769	40,768	44,969	47,921
Core EPS (THB)	14.78	16.85	18.58	19.80
EPS growth (%)	(6.3)	14.0	10.3	6.6
Core P/E (x)	9.0	7.9	7.1	6.7
Dividend yield (%)	3.0	3.6	4.0	4.2
Price/book (x)	0.6	0.6	0.6	0.5
ROE (%)	7.3	7.9	8.2	8.3
ROA (%)	0.9	1.0	1.0	1.1

## สภาพคล่องที่เหลือเพื่อจะเป็นประโยชน์ในช่วงดอกเบี้ยขาขึ้น

KBANK น่าจะได้ประโยชน์จากอัตราดอกเบี้ยที่ปรับขึ้นโดยมีปัจจัยหนุนสำคัญประกอบด้วย 1) สินเชื่อที่ได้รับประโยชน์ (สัดส่วนสินเชื่อที่มีอัตราดอกเบี้ยลอยตัวในระดับสูง) และเงินฝากบัญชีกระแสรายวันและสะสมทรัพย์ (CASA) ที่อยู่ในระดับสูงซึ่งมีอัตราดอกเบี้ยเกือบทรงตัวในช่วงการขึ้นอัตราดอกเบี้ย; และ 2) สภาพคล่องที่มีเหลือเพื่อซึ่งทำให้ธนาคารฯ เป็นผู้ปล่อยกู้สุทธิในตลาดสินเชื่อระหว่างธนาคารนับตั้งแต่ช่วงโรคระบาด นอกจากนี้กลยุทธ์ของธนาคารฯ ในการปรับโครงสร้างสินเชื่อโดยลดขนาดสินเชื่อ SME (ผลตอบแทนสูงแต่ความเสี่ยงก็สูงด้วย) เพื่อขยายสินเชื่อรายย่อยในกลุ่มที่อยู่อาศัย (ผลตอบแทนและความเสี่ยงต่ำ) และสินเชื่อเพื่อการบริโภคน่าจะเป็นประโยชน์ต่อการเพิ่มรายได้ดอกเบี้ยสุทธิ (NII) และส่วนต่างดอกเบี้ย (NIM)

## ธนาคารดิจิทัล: ต้องใช้เวลากว่าจะมีผลกระทบต่อกำไร

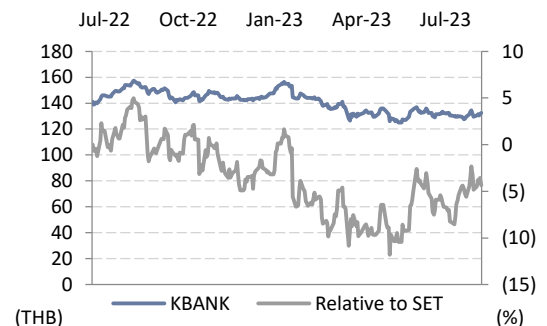
ธุรกิจธนาคารดิจิทัลยังต้องใช้เวลาก่อนที่จะสร้างส่วนแบ่งให้แก่ผลกำไรของธนาคารฯ สินเชื่อเพื่อการบริโภคน่าจะเพิ่มอย่างมีนัยสำคัญเนื่องจากธนาคารฯ เป็นผู้ให้บริการธนาคารทางโทรศัพท์ของไทยพร้อมแพลตฟอร์มดิจิทัลแข็งแกร่ง อย่างไรก็ตามก็ดีสินเชื่อเพื่อการบริโภคกลับปรับขึ้นเพียง 5% CAGR ในช่วงปี 2019-22 ซึ่งยังต่ำกว่าสินเชื่อที่อยู่อาศัยและบัตรเครดิตจากนโยบายที่เข้มงวดในการควบคุมและลดความเสี่ยงในการปล่อยสินเชื่อ (Credit risk) นอกจากนี้สัดส่วนกำไรจากการดำเนินงานก่อนผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ของสินเชื่อรายย่อยต่อกำไรรวมของธนาคารฯ ยังทรงตัวอยู่ที่ 35-36% ในช่วงปี 2020-22

## ไม่มีสัญญาณเตือนในด้านคุณภาพสินทรัพย์

การเปลี่ยนแปลงในด้านการจัดชั้นหนี้ในช่วง 3 ปีที่ผ่านมาไม่ได้ส่งสัญญาณเชิงลบต่อการเพิ่มของหนี้ชั้นที่ 2 (7.3% ของสินเชื่อรวม) และหนี้ชั้นที่ 3 (3.6% ของสินเชื่อรวม) โดยมีปัจจัยหนุนสำคัญประกอบด้วย 1) นโยบายสินเชื่อที่เข้มงวดภายใต้นโยบายการบริหารความเสี่ยง; และ 2) การจัดการเชิงรุกผ่าน JK AMC อย่างไรก็ตามก็ดีการต่ออายุของสินเชื่อบรรษัทขนาดใหญ่ 1 แห่งใน 1Q23 อาจสร้าง Downside ให้แก่กำไรของธนาคารฯ แม้ว่าธนาคารฯ จะได้จัดสรร ECL ไว้แล้วบางส่วนและดึงอีกส่วนมาจากสำรองที่เป็น Management overlay (MO) ได้ในประเด็นดังต่อไปนี้: 1) ความเป็นไปได้เกี่ยวกับการต่ออายุของหลักทรัพย์ค้ำประกันของสินเชื่อดังกล่าว; และ 2) ระดับ MO ที่จะกลับสู่ระดับเดิมที่ 20% ซึ่งจะกดดันผลประกอบการของ KBANK ในอนาคต

## เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 150 บาท (GGM)

เราเริ่ม KBANK ด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 150 บาท (GGM) คิดเป็นค่า P/BV ที่ 0.68x



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(2.6)	(8.3)
Relative to country (%)	2.8	2.2	(7.2)
Mkt cap (USD m)	9,055		
3m avg. daily turnover (USD m)	53.1		
Free float (%)	80		
Major shareholder	Thai NVDR (16%)		
12m high/low (THB)	158.50/124.50		
Issued shares (m)	2,369		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 17 กรกฎาคม 2023

## Investment thesis

We initiate coverage of KBANK with a BUY call for the following:

- 1) KBANK is one of the big banks which should benefit from rate hikes due to its good loan and deposit composition.
- 2) KBANK is a leader in Thailand's digital banking services, but a substantial profit contribution from digital to its bottom line has yet to be seen.
- 3) Amid severe concerns with the bank's asset quality, we believe KBANK can manage its non-performing loan (NPL) ratio and expected credit loss (ECL) expenses within the 2023 target, even with the impacts on its coverage ratio (LLR/NPL) during 1Q23, with no alarming signs for investors.
- 4) KBANK is trading at 0.60x 2023E P/BV while offering attractive dividend yields.

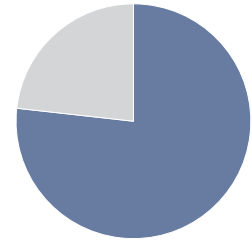
## Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. In Q23, KBANK's branch declined to 819 from 2019 of 886. Assets in 1Q23 ranked the second with 16.34% market share from 2019's 14.9%.

[www.kasikornbank.com](http://www.kasikornbank.com)

## Principal activities (revenue, 2022)

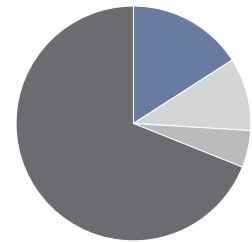
- Net interest income - 76.8 %
- Non-interest income - 23.2 %



Source: Kasikornbank

## Major shareholders

- Thai NVDR - 15.9 %
- State Street Europe Ltd. - 10.1 %
- South East Asia UK (Type C) Nominees - 5.1 %
- Others - 68.9 %



Source: Kasikornbank

## Catalysts

Potential share price catalysts for KBANK include:

- Lower credit cost from better asset quality due to setting up JK AMC;
- A faster digital lending expansion than expected;
- The return of foreign fund flows into the Thai stock market.

## 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
20-21 July 2023	2Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Net profit (THB m)	40,768	44,969	47,921
Net profit growth (%)	14.0	10.3	6.6
NIM (%)	3.51	3.60	3.61
Loan growth (%)	5.0	5.0	5.0
Fee growth (%)	0.2	0.5	0.7
Non-int-income growth (%)	3.8	(0.8)	8.3
Credit cost (bp)	210.0	200.0	200.0
Cost to income (%)	43.0	43.2	42.9

Source: FSSIA estimates

## Earnings sensitivity

		----- 2023E -----		
<b>Loan growth</b>	<b>±2ppt</b>	3	<b>5</b>	7
% change in net profit		(2)	-	+2
<b>NIM (%)</b>	<b>±5bp</b>	3.46	<b>3.51</b>	3.56
% change in net profit		(4)	-	+4
<b>Credit cost (bp)</b>	<b>±10bp</b>	200	<b>210</b>	220
% change in net profit		+5	-	(5)

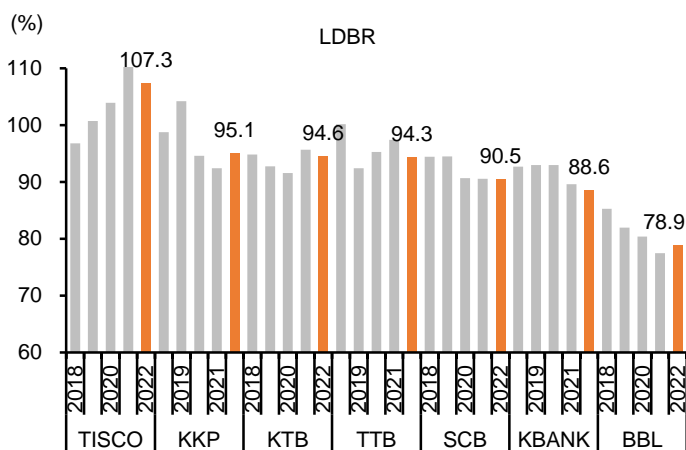
Source: FSSIA estimates



## Ample liquidity to benefit during rate hikes

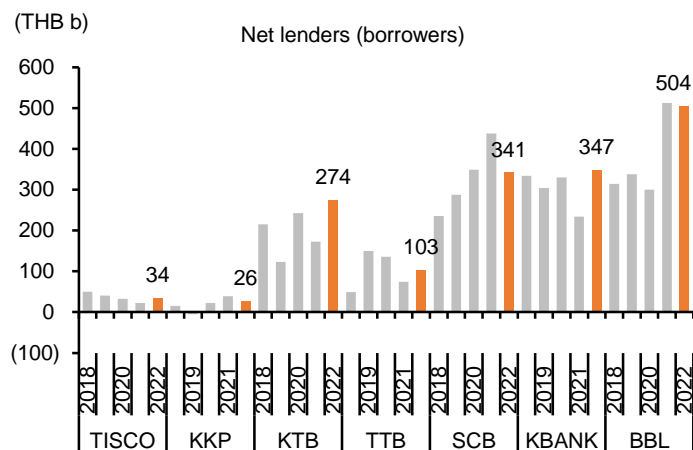
KBANK is a big bank that should benefit from rising interest rates. Key drivers are 1) an advantageous loan (high floating rate portion) and deposit (fixed rate; the interest rate of this group is almost stable during rate hikes) structure; and 2) ample liquidity (lower LDBR; loan-to-deposit and borrowing ratio at 89% in 1Q23 from 93% in 2018), making it a net lender in the interbank market since the pandemic. Moreover, the bank's strategy to relocate its loan structure by downsizing SME loans (high yield but high risk) to grow more retail loans in the housing sector (low yield with low risk) and consumer loans should benefit NII and NIM expansion.

Exhibit 1: LDBR of Thai banks under coverage



Sources: Company data; FSSIA's compilation

Exhibit 2: Net lender positions of Thai banks under coverage



Sources: Company data; FSSIA's compilation

## Digital banking – profit contribution taking time

Digital banking services focus on increasing the linkage of platforms with KBANK's business partners across all ecosystems and the development of innovative features to accommodate multiple service usages continually. The contribution to the bank's bottom line is still taking time. KBANK's consumer loans should rise significantly, as it is the leader of Thailand's mobile banking services with a solid digital platform. Digital consumer loans showed an increase of 5% CAGR during 2019-22, still lower than that of housing loans and credit card loans, due to a prudent policy to control and mitigate credit risk. Moreover, the proportion of operating profit before expected credit losses (ECL) of the retail loans to the bank's total was stable at 35-36% during 2020-22.

Exhibit 3: Thailand's digital readiness: number of users

■ High adoption of digital lifestyle in Thai market; high penetration in smart devices and internet users in preparation toward a cashless society (Mobile Banking & e-Money)



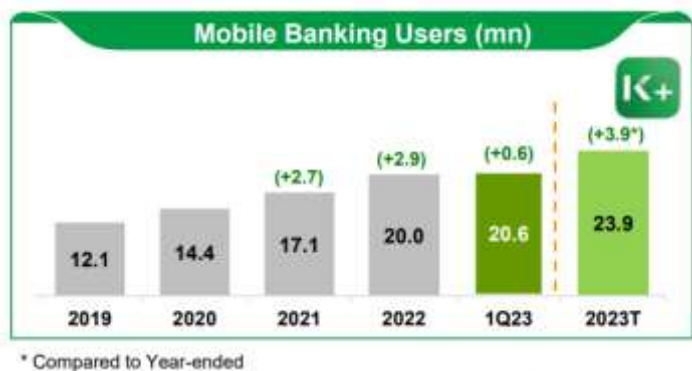
Source: The Bank of Thailand (BOT), National Statistical Office of Thailand (NSO), Thai Banker Association (TBA), Ministry of Interior (MOI), wearesocial and KResearch

Notes: Denominator for all penetration ratio is number of population age six and above as of December 2022. Denominator for fixed internet penetration is number of household.

1) As of Dec-22, 2) As of Jan-23, 3) Jan-Feb-23, 4) As of Jan-23, 5) As of Feb-23

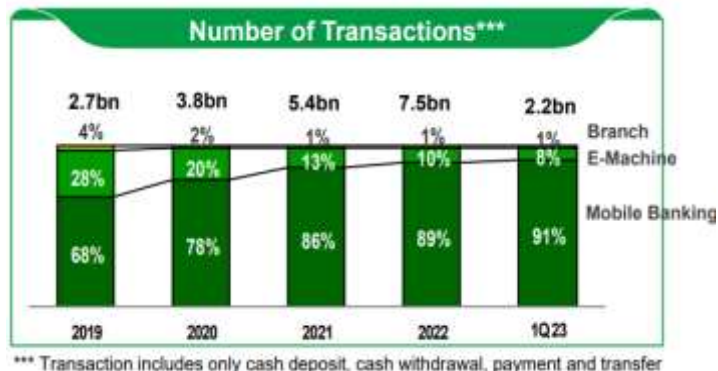
Source: KBANK

Exhibit 4: KBANK's mobile banking users (m)



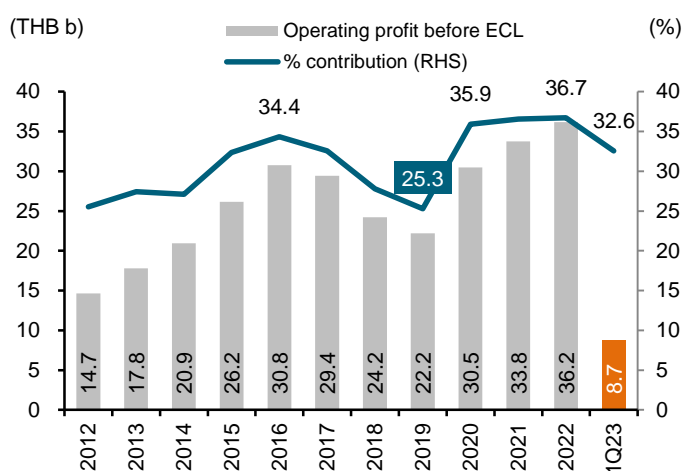
Source: KBANK

Exhibit 5: Cash deposit, cash withdrawal, payment and transfer transactions



Source: KBANK

Exhibit 6: Profit contributions from retail business



Sources: KBANK; FSSIA's compilation

Exhibit 7: Loan breakdown and average 5-year growth

	2018	2019	2020	2021	2022	5Y-CAGR
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	
<b>Total loans</b>	<b>1,914</b>	<b>2,002</b>	<b>2,245</b>	<b>2,421</b>	<b>2,495</b>	<b>6.7%</b>
Corporate	683	691	814	816	880	7.1%
SME	661	672	733	793	780	3.8%
Retail	488	556	638	711	703	9.6%
Others	82	83	60	101	132	8.4%
<b>Loans by retail products</b>						
Housing	285	326	390	483	443	11.8%
Credit cards	79	86	91	102	109	6.6%
Consumer loans	62	78	91	66	73	5.4%
K-leasing	108	115	115	121	137	7.1%

Sources: KBANK; FSSIA's compilation

### NII growth remains the driving force behind KBANK's 2Q23E bottom line

We expect a 2Q23 net profit of THB10.9b (+1% y-y, +2% q-q), driven by NII growth and a wider NIM, aligning with the continuous market rate hikes since 3Q22. This is in contrast to Non-NII, which we expect to shrink by 14.4% q-q (but still rise 5.4% y-y) in 2Q23 from declining non-recurring income (FVTPL and gains/losses on investments). We forecast the 2Q23 cost-to-income ratio to dip to 42.2%, in line with the lower bound of KBANK's 2023 target (mid to low-40%). For asset quality, we expect the NPL ratio (3.48%) and credit cost (200bp) to still be within the upper bound of KBANK's 2023 target to remain stable from last quarter. 1H23E net profit accounts for 53% of our whole-year forecast.

### No alarming signs for the bank's asset quality

Changes in loan classifications over the past three years have not led to any adverse signs of an increase in Stage 2 (7.3% of total loans) and Stage 3 (3.6% of total loans) loans for KBANK. Key drivers were 1) a strict lending policy under risk management; and 2) proactive management through JK Asset Management (JK AMC) (50% Kasikorn Investiture (KIV, not listed), KBANK's subsidiary, vs 50% JAM (not listed), JMT Network Services (JMT TB, not rated)'s subsidiary). However, in 1Q23, there was an impairment of a big corporate loan in which it had already set up some ECL expenses and pulled an amount from the MO. Thus, the MO ratio to total ECL reserves dropped from 20% to around 15-20% (no precise figures provided, but could be estimated at THB6b-7b). This creates a potential downside risk for the bank's operating results as follows: 1) the possibility of collateral impairment of this loan; and 2) the MO level returning to the original level of 20%, which would pressure KBANK's performance in the future.

## Exhibit 8: Loans, allowance to ECL and coverage ratio

	2020 (THB b)	2021 (THB b)	2022 (THB b)	1Q23 (THB b)	---Change---	
					q-q	y-y
<b>Loans and accrued interest receivables (AIR)</b>						
Stage 1	1,951.2	2,130.3	2,229.7	2,210.9	-1%	2%
Stage 2	201.4	201.9	188.3	181.1	-4%	-11%
Stage 3	103.5	106.2	93.3	88.7	-5%	-18%
<b>% to total loans and AIR</b>						
Stage 1	86.5%	87.4%	88.8%	89.1%		
Stage 2	8.9%	8.3%	7.5%	7.3%		
Stage 3	4.6%	4.4%	3.7%	3.6%		
<b>Allowance for expected credit loss (LLR)</b>						
Stage 1	43.0	47.5	46.6	46.2	-1%	-6%
Stage 2	49.4	51.1	46.1	43.3	-6%	-17%
Stage 3	42.0	46.3	40.8	38.6	-5%	-18%
<b>Coverage ratio (LLR / Loans)</b>						
Stage 1	2.2%	2.2%	2.1%	2.1%		
Stage 2	24.5%	25.3%	24.5%	23.9%		
Stage 3	40.6%	43.6%	43.8%	43.5%		

Sources: KBANK, FSSIA's compilation

## Exhibit 9: NPL ratio by business

	Corporate	SME	Retail
2017	<2%	-5%	-4%
2018	<2%	-5%	-4%
2019	<2%	-5%	-4%
2020	<2%	<7%	<5%
2021	<2%	<7%	<5%
2022	<2%	<7%	<5%
1Q23	<2%	<7%	<5%

Sources: KBANK, FSSIA's compilation

## Exhibit 10: JK Asset Management (JK AMC)



Source: KBANK

## Exhibit 11: KBANK - GGM-based TP

Target price	THB 150.00
Sustainable ROE	8.1%
g	1.0%
ROE-g	7.1%
Beta	1.11
RF	2.5%
MRP	8.0%
COE	11.4%
COE-g	10.4%
ROE-g / COE-g (PBV)	0.68x

Source: FSSIA estimates

## Exhibit 12: 2023 key financial guidance vs FSSIA estimates

	----- KBANK -----		FSSIA
	2022	2023E	2023E
NIM	3.33%	3.3-3.45%	3.51%
Loan growth	3.03%	5-7%	5.00%
Net fee income growth	-6.89%	Flat	0.15%
Cost to income	43.15%	Low to mid-40s	42.95%
Credit cost (bp)	211	175-200	210
NPL ratio	3.19%	< 3.25%	3.72%
ROE	7.38%	n/a	7.9%
ROA	0.86%	n/a	1.0%

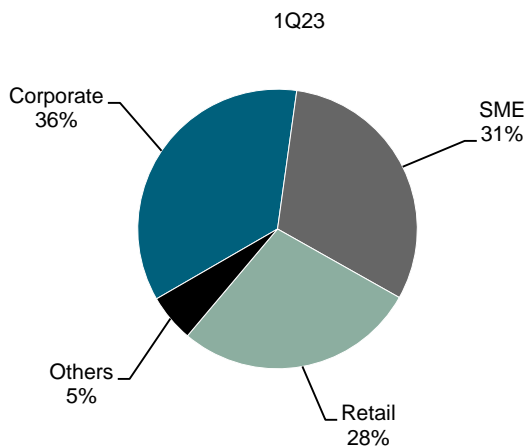
Sources: KBANK; FSSIA estimates

**Exhibit 13: KBANK's change of interest rates**

KBANK	Saving (%)	MOR (%)	MLR (%)	MRR (%)	Ceiling (%)	Default (%)
1Q22	0.250	5.840	5.470	5.970	20.970	23.970
2Q22	0.250	5.840	5.470	5.970	20.970	23.970
3Q22	0.250	5.840	5.470	5.970	20.970	23.970
4Q22	0.250	6.340	5.970	6.100	20.970	23.970
1Q23	0.250	6.890	6.570	6.600	20.970	23.970
2Q23	0.300	7.340	7.020	7.050	20.970	23.970
<b>Change from 1Q22</b>	<b>0.050</b>	<b>1.500</b>	<b>1.550</b>	<b>1.080</b>	<b>0.000</b>	<b>0.000</b>

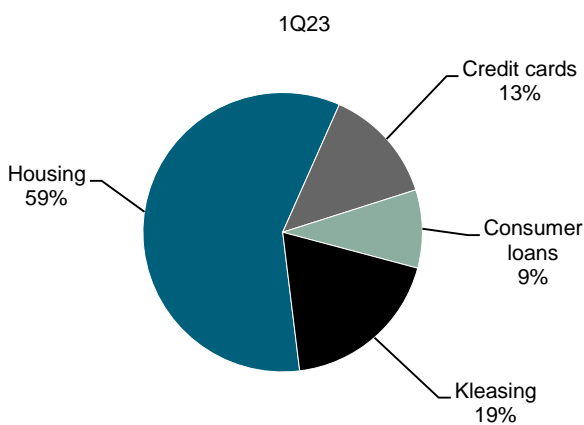
Sources: [Bank of Thailand](#); FSSIA's compilation

**Exhibit 14: Loan breakdown, 1Q23**



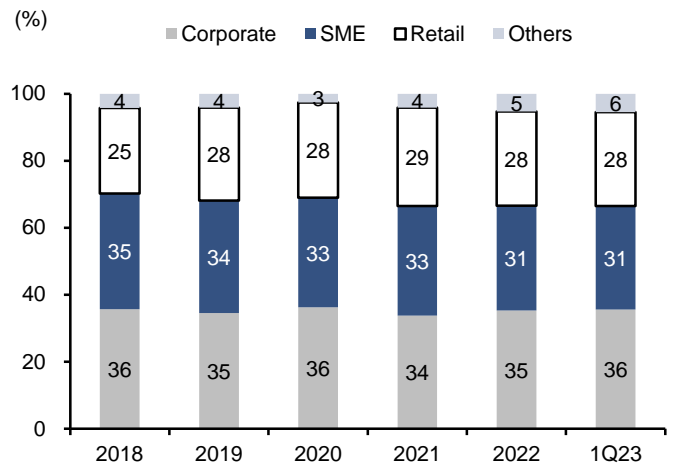
Sources: KBANK; FSSIA's compilation

**Exhibit 16: Loan by retail products (all segments), 1Q23**



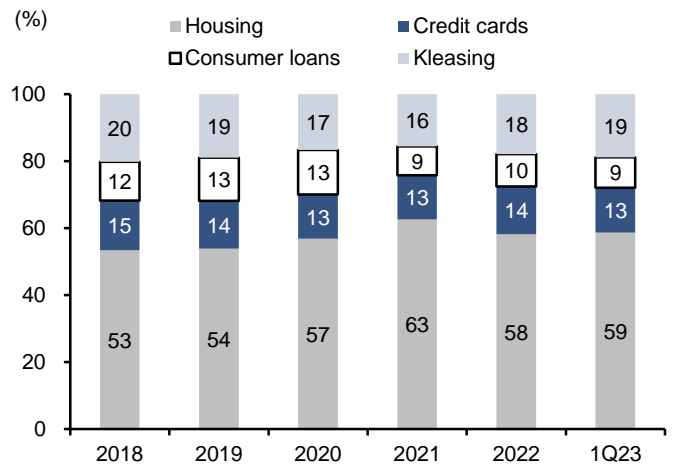
Sources: KBANK; FSSIA's compilation

**Exhibit 15: Loan breakdown, 2018 to 1Q23**



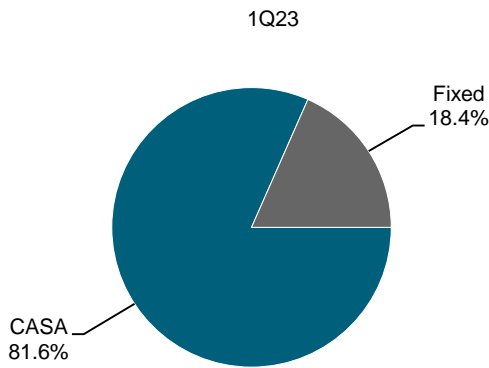
Sources: KBANK; FSSIA's compilation

**Exhibit 17: Loan by retail products (all segments), 2018-1Q23**



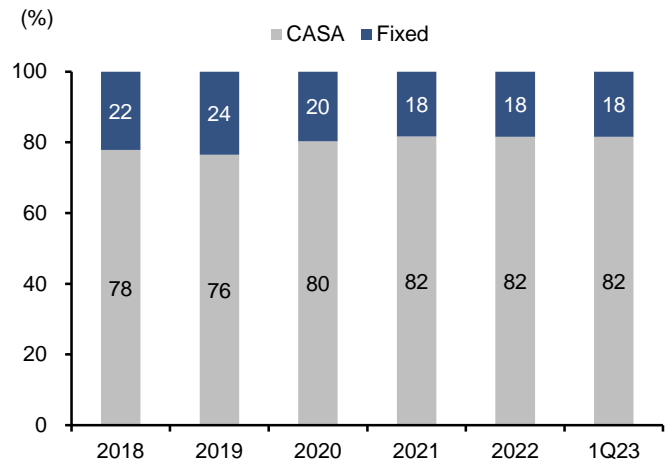
Sources: KBANK; FSSIA's compilation

Exhibit 18: Deposit structure, 1Q23



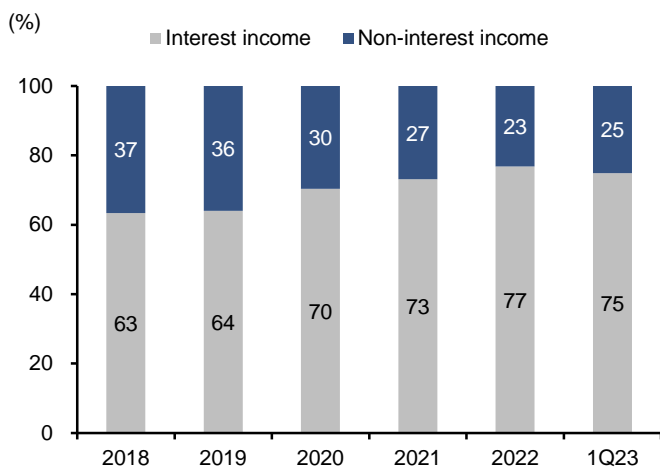
Sources: KBANK; FSSIA's compilation

Exhibit 19: Deposit structure, 2018-1Q23



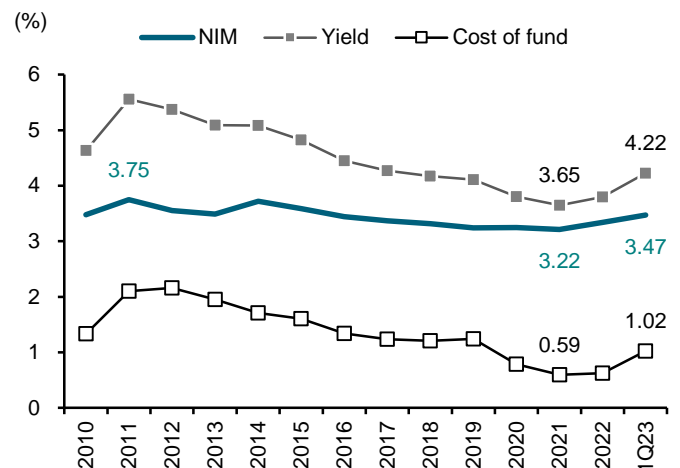
Sources: KBANK; FSSIA's compilation

Exhibit 20: Revenue breakdown



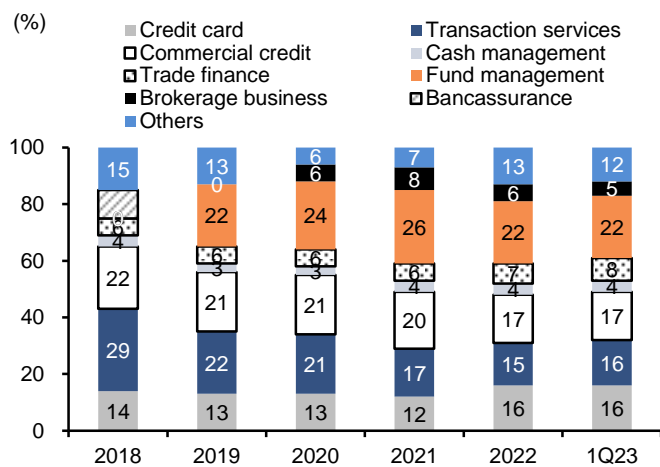
Sources: KBANK; FSSIA's compilation

Exhibit 21: Yield, cost of funds, and NIM



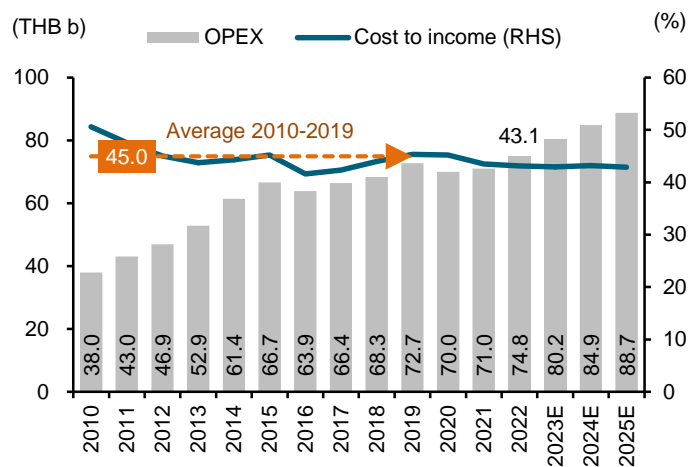
Sources: KBANK; FSSIA's calculation

Exhibit 22: Fee income breakdown, 2018-1Q23



Sources: KBANK; FSSIA's compilation

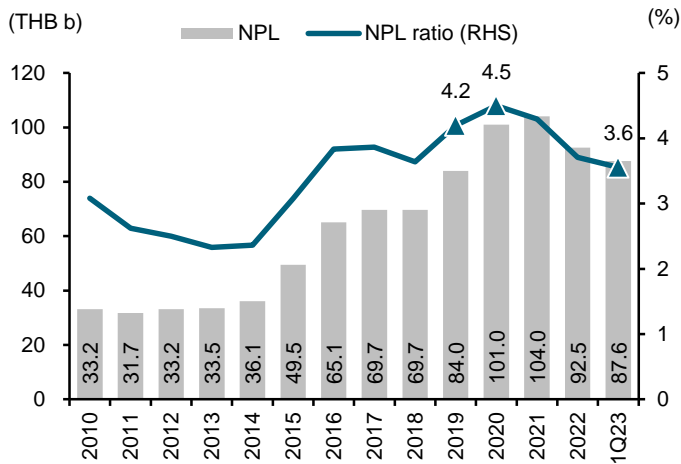
Exhibit 23: OPEX vs cost to income



Sources: KBANK; FSSIA estimates

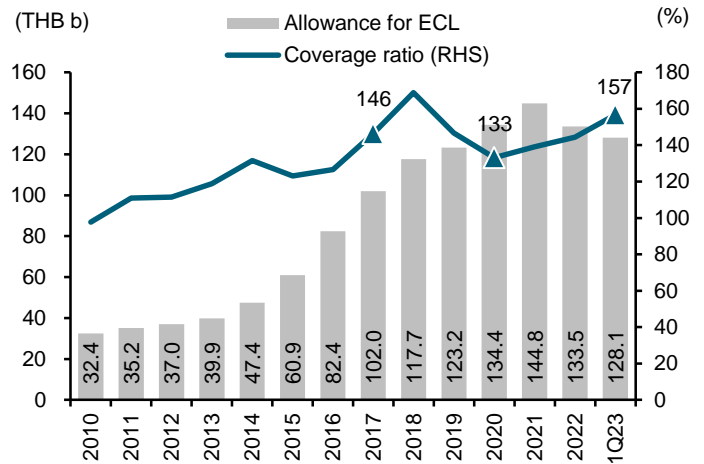


**Exhibit 24: NPL and NPL ratio\***



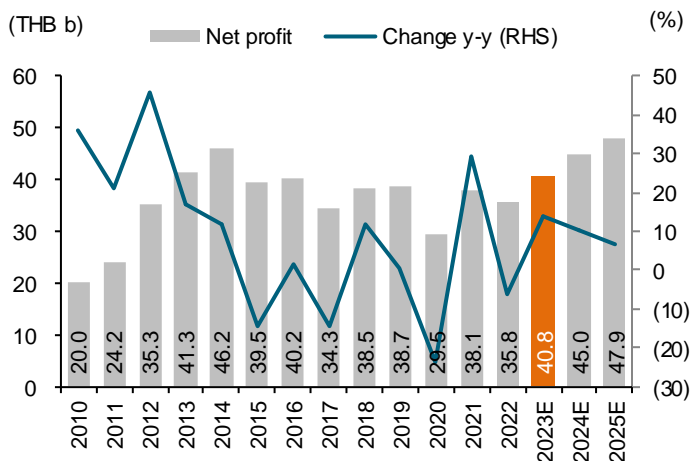
Sources: KBANK; \*FSSIA's calculation

**Exhibit 25: Coverage ratio (allowance for ECL to NPL)\***



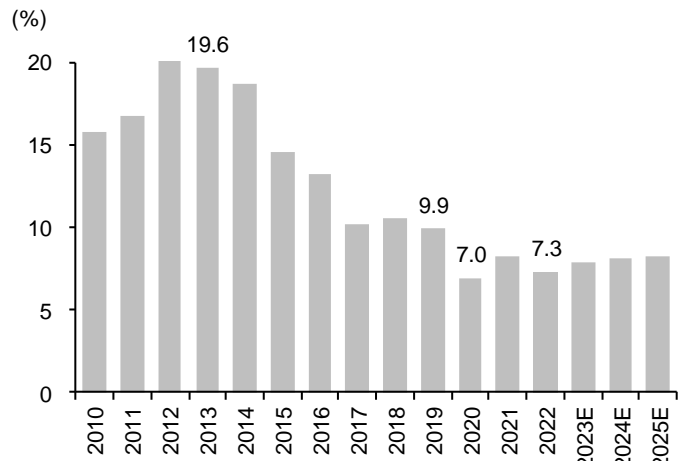
Sources: KBANK; \*FSSIA's calculation

**Exhibit 26: Net profit and growth**



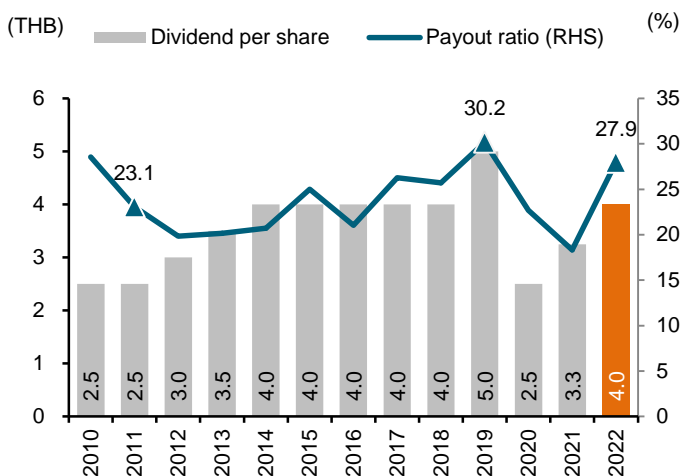
Sources: KBANK; FSSIA estimates

**Exhibit 27: ROE**



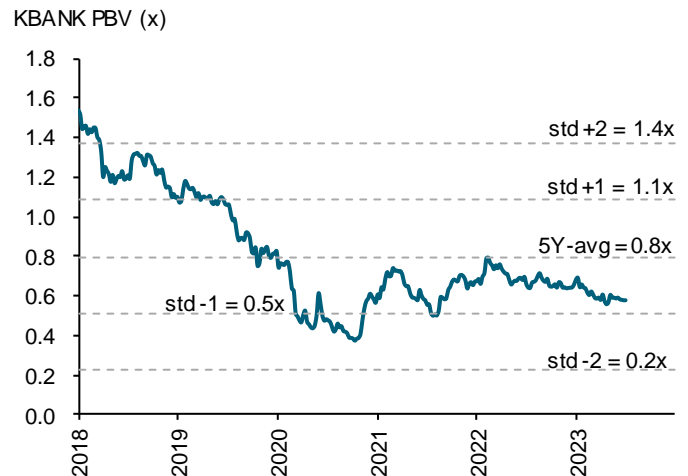
Sources: KBANK; FSSIA estimates

**Exhibit 28: Dividend and payout ratio**



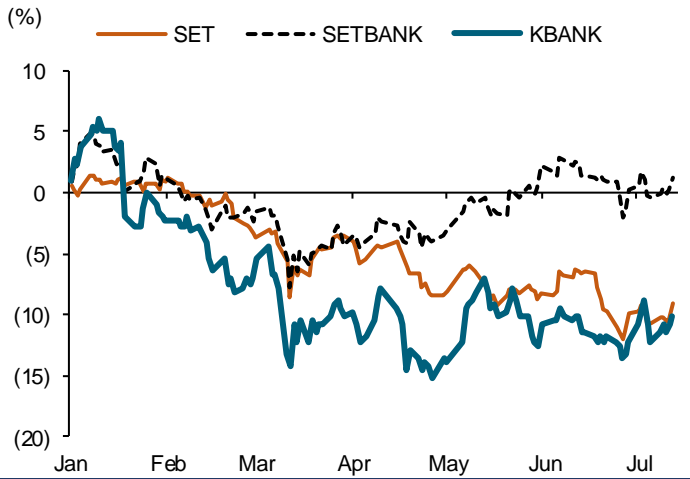
Sources: KBANK; FSSIA's compilation

**Exhibit 29: One-year forward rolling P/BV**



Sources: Bloomberg; FSSIA estimates

**Exhibit 30: Share price performance as of close on 14 July 2023**



Source: Bloomberg

**Exhibit 31: Share price performance of Thai banks under coverage, as of 14 July 2023**

Price Performance					
BBG	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	(2.5)	0.6	1.0	24.4	6.8
KBANK TB	1.5	(2.6)	(14.5)	(5.4)	(10.2)
KKP TB	(2.4)	(6.3)	(18.6)	(1.2)	(18.6)
KTB TB	1.0	14.0	10.7	35.2	10.7
SCB TB	1.4	2.8	(2.7)	15.4	1.4
TISCO TB	0.8	(4.2)	(6.0)	12.1	(2.0)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
<b>SET Index</b>	<b>(2.7)</b>	<b>(5.2)</b>	<b>(9.7)</b>	<b>(1.0)</b>	<b>(9.0)</b>
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

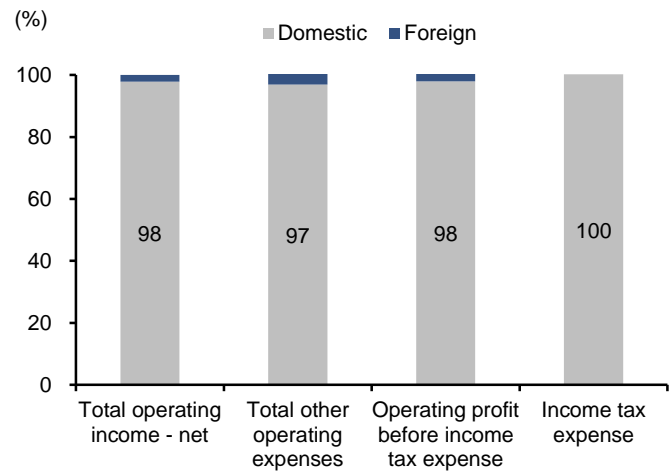
Source: Bloomberg

**Exhibit 32: Network development**

	2019	2020	2021	2022	1Q23
	(no.)	(no.)	(no.)	(no.)	(no.)
Branch	886	860	839	824	819
Change*	(72)	(26)	(21)	(15)	(5)
E-Machine	10,973	10,981	10,911	10,953	10,924
Change*	(1,012)	8	(70)	42	(29)
Mobile banking users (m)	12.1	14.4	17.1	20.0	20.6
Change*	2.1	2.3	2.7	2.9	0.6
No. of transactions (b)	2.7	3.8	5.4	7.5	2.2
Change*	0.7	1.1	1.6	2.1	(5.3)

\* Change from prior period  
Sources: KBANK; FSSIA's compilation

**Exhibit 33: Operating profit by geographical area, 2022**



Sources: KBANK; FSSIA's compilation

## Exhibit 34: 2Q23 earnings preview

Year end Dec 31	2Q22	1Q23	2Q23E	---- Change ----		1H23E	Change	%of	2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)	23E	(THB m)	(THB m)	(y-y %)
Net interest income	32,012	34,875	36,173	4	13	71,049	11	49	132,998	144,839	9
Non-interest income	9,498	11,699	10,015	(14)	5	21,714	18	52	40,259	41,784	4
Fee income - net	8,146	8,114	7,665	(6)	(6)	15,779			32,882	32,933	0
<b>Total operating income</b>	<b>41,510</b>	<b>46,574</b>	<b>46,188</b>	<b>(1)</b>	<b>11</b>	<b>92,763</b>	<b>13</b>	<b>50</b>	<b>173,258</b>	<b>186,624</b>	<b>8</b>
Total operating expenses	18,070	19,793	19,485	(2)	8	39,279	11	49	74,753	80,162	7
<b>PPOP before tax</b>	<b>23,441</b>	<b>26,781</b>	<b>26,703</b>	<b>(0)</b>	<b>14</b>	<b>53,484</b>	<b>15</b>	<b>50</b>	<b>98,505</b>	<b>106,462</b>	<b>8</b>
Expected credit loss	9,852	12,692	12,400	(2)	26	25,092	31	47	51,919	53,707	3
Income tax	2,454	2,562	2,603	2	6	5,165	0	53	8,633	9,760	13
Non-controlling interest	341	786	785			1,570	395	71	2,183	2,227	2
<b>Net profit</b>	<b>10,794</b>	<b>10,741</b>	<b>10,915</b>	<b>2</b>	<b>1</b>	<b>21,656</b>	<b>(2)</b>	<b>53</b>	<b>35,769</b>	<b>40,768</b>	<b>14</b>
EPS (THB)	4.56	4.53	4.61	2	1	9.14	(2)	51	14.78	16.85	25
<b>Key ratios</b>	<b>2Q22</b>	<b>1Q23</b>	<b>2Q23E</b>	<b>---- Change ----</b>		<b>1H23E</b>			<b>2022</b>	<b>2023E</b>	<b>Change</b>
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)			(%)	(%)	(y-y %)
Gross NPLs (THB m)	109,972	87,640	86,640	(1)	(21)	86,640			92,536	97,536	
Change (% from prior period)	3.3	(5.3)	(1.1)			(21.2)			(11.1)	5.4	
NPL ratio (%) - Reported	3.80	3.04							3.19		
<b>NPL ratio (%)*</b>	<b>4.42</b>	<b>3.56</b>	<b>3.48</b>			<b>3.48</b>			<b>3.71</b>	<b>3.72</b>	
Coverage ratio (%) - Reported	149	154							154		
<b>Coverage ratio (%)*</b>	<b>128</b>	<b>146</b>	<b>155</b>			<b>155</b>			<b>144</b>	<b>146</b>	
<b>Credit cost (bp)</b>	<b>159</b>	<b>205</b>	<b>200</b>			<b>202</b>			<b>211</b>	<b>210</b>	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Cost to income ratio	43.5	42.5	42.2			42.3			43.1	43.0	
Average yield (%)	3.66	4.22	4.30			4.24			3.80	4.40	
<b>Cost of funds (%)</b>	<b>0.60</b>	<b>1.02</b>	<b>1.05</b>			<b>1.03</b>			<b>0.63</b>	<b>1.20</b>	
<b>NIM (%)*</b>	<b>3.22</b>	<b>3.47</b>	<b>3.53</b>			<b>3.48</b>			<b>3.34</b>	<b>3.51</b>	
Non-interest income/total income (%)	22.9	25.1	21.7			23.4			23.2	22.4	
Loan growth	(%)	(%)	(%)			(%)			(%)	(%)	
Year-to-date	2.8	(1.2)	(0.2)			(0.2)					
y-y	4.5	0.3	0.0								
q-q	1.3	(1.2)	1.0								

Sources: KBANK; FSSIA estimates

## Exhibit 35: Regional peers comparison as of 14 July 2023

Company	BBG	Share price (LCY)	Market Cap (USD b)	PE		PBV		ROE		Div yld	
				23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
<b>Thailand</b>											
Bangkok Bank	BBL TB	158.00	8.7	8.0	7.4	0.6	0.5	7.2	7.3	3.7	4.0
Kasikornbank	KBANK TB	132.50	9.1	7.9	7.1	0.6	0.6	7.9	8.2	3.6	4.0
Krung Thai Bank	KTB TB	19.60	7.9	7.2	6.9	0.7	0.6	9.7	9.6	4.0	4.2
SCB X	SCB TB	108.50	10.5	8.3	7.6	0.8	0.7	9.4	9.7	6.7	6.9
TMBThanachart Bank	TTB TB	1.56	4.4	9.2	8.5	0.7	0.6	7.3	7.6	5.4	5.9
Kiatnakin Bank	KKP TB	60.00	1.5	6.8	6.0	0.8	0.7	12.4	12.8	5.4	6.3
Tisco Financial Group	TISCO TB	97.25	2.2	10.4	9.9	1.8	1.7	17.2	17.8	8.2	8.5
<b>Thailand average</b>			<b>44.3</b>	<b>8.2</b>	<b>7.6</b>	<b>0.8</b>	<b>0.8</b>	<b>10.2</b>	<b>10.4</b>	<b>4.0</b>	<b>4.3</b>
<b>Hong Kong</b>											
Industrial & Comm Bank of China	1398 HK	3.66	224.5	3.3	3.1	0.4	0.3	11.0	10.8	9.4	9.9
China Construction Bank	939 HK	4.39	143.0	3.0	2.8	0.3	0.3	11.8	11.6	10.0	10.6
HSBC Holdings	5 HK	62.80	158.9	6.7	6.7	0.9	0.8	14.5	13.5	7.5	9.0
Bank of China	3988 HK	2.80	147.7	3.4	3.2	0.3	0.3	10.4	10.1	9.3	9.9
<b>Hong Kong average</b>			<b>674.1</b>	<b>4.1</b>	<b>4.0</b>	<b>0.5</b>	<b>0.4</b>	<b>11.9</b>	<b>11.5</b>	<b>9.1</b>	<b>9.9</b>
<b>China</b>											
Industrial & Comm Bank of China	601398 CH	4.87	224.5	4.8	4.5	0.5	0.5	11.0	10.7	6.5	6.8
Agricultural Bank of China	601288 CH	3.61	171.8	4.9	4.5	0.5	0.5	11.4	11.1	6.4	6.8
China Construction Bank	601939 CH	5.96	143.0	4.5	4.2	0.5	0.5	11.8	11.5	6.7	7.2
Bank of China	601988 CH	3.99	147.7	5.2	4.9	0.5	0.5	10.6	10.2	6.0	6.3
<b>China average</b>			<b>687.0</b>	<b>4.8</b>	<b>4.5</b>	<b>0.5</b>	<b>0.5</b>	<b>11.2</b>	<b>10.9</b>	<b>6.4</b>	<b>6.8</b>
<b>South Korea</b>											
KB Financial Group	105560 KS	48,750	15.5	4.0	3.8	0.4	0.3	9.5	9.1	6.8	7.2
KB Financial Group	055550 KS	34,100	13.9	3.9	3.7	0.3	0.3	9.2	8.9	6.3	6.7
Hana Financial Group	086790 KS	39,300	9.2	3.1	3.1	0.3	0.3	10.0	9.5	9.2	9.5
Industrial Bank of Korea	024110 KS	10,360	6.5	2.9	2.9	0.3	0.3	9.8	9.2	9.7	10.0
<b>South Korea average</b>			<b>45.1</b>	<b>3.5</b>	<b>3.4</b>	<b>0.3</b>	<b>0.3</b>	<b>9.6</b>	<b>9.2</b>	<b>8.0</b>	<b>8.4</b>
<b>Indonesia</b>											
Bank Central Asia	BBCA IJ	9,200	75.8	23.9	21.9	4.6	4.2	20.1	19.7	2.3	2.6
Bank Rakyat Indonesia Persero	BBRI IJ	5,525	56.0	14.2	12.7	2.6	2.4	18.8	19.5	5.2	6.0
Bank Mandiri Persero	BMRI IJ	5,400	33.7	10.8	9.8	2.0	1.8	19.5	19.6	5.3	5.9
Bank Negara Indonesia Persero	BBNI IJ	8,925	11.1	7.7	6.9	1.1	1.0	14.9	15.0	4.0	5.1
Bank Syariah Indonesia	BRIS IJ	1,695	5.2	14.3	11.8	2.1	1.8	15.5	16.6	1.2	1.3
<b>Indonesia average</b>			<b>181.8</b>	<b>14.2</b>	<b>12.6</b>	<b>2.5</b>	<b>2.2</b>	<b>17.8</b>	<b>18.1</b>	<b>3.6</b>	<b>4.2</b>
<b>Malaysia</b>											
Malayan Banking	MAY MK	8.80	23.4	11.3	10.7	1.2	1.1	10.6	10.7	7.0	7.4
Public Bank	PBK MK	3.99	17.1	11.4	11.0	1.4	1.3	13.1	12.8	4.6	4.7
CIMB Group Holdings	CIMB MK	5.30	12.5	8.5	7.9	0.8	0.8	10.0	10.1	6.1	6.6
Hong Leong Bank	HLBK MK	19.00	9.1	10.2	9.6	1.2	1.1	12.1	12.0	3.4	3.8
RHB Bank	RHBBANK MK	5.54	5.2	7.7	7.3	0.8	0.7	10.2	10.2	7.5	7.9
<b>Malaysia average</b>			<b>67.4</b>	<b>9.8</b>	<b>9.3</b>	<b>1.1</b>	<b>1.0</b>	<b>11.2</b>	<b>11.1</b>	<b>5.7</b>	<b>6.1</b>
<b>Singapore</b>											
DBS Group Holdings	DBS SP	31.99	62.4	8.5	8.6	1.4	1.3	16.8	15.8	5.7	6.2
Oversea-Chinese Banking	OCBC SP	12.37	42.1	8.1	8.1	1.0	0.9	12.7	12.0	6.3	6.4
United Overseas Bank	UOB SP	27.83	35.3	8.3	7.9	1.0	1.0	12.8	12.8	5.8	6.1
<b>Singapore average</b>			<b>139.8</b>	<b>8.3</b>	<b>8.2</b>	<b>1.1</b>	<b>1.1</b>	<b>14.1</b>	<b>13.6</b>	<b>6.0</b>	<b>6.3</b>
<b>Regional average (excl. Thailand)</b>			<b>1,795.1</b>	<b>7.8</b>	<b>7.3</b>	<b>1.1</b>	<b>1.0</b>	<b>12.7</b>	<b>12.5</b>	<b>6.3</b>	<b>6.8</b>
<b>Total average (incl. Thailand)</b>			<b>1,839.4</b>	<b>7.9</b>	<b>7.3</b>	<b>1.0</b>	<b>0.9</b>	<b>12.3</b>	<b>12.2</b>	<b>6.2</b>	<b>6.6</b>

\*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks



## Corporate Governance and ESG – KBANK

### Board structure, 2022 One report

Independent Directors (ID)	6/18 of board members, 8 female (44%)
Percentage of IDs on the board	33.33%
ID attendance at board meetings	94.5%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Nine-consecutive years

Additional information: 1) By age, ten of 51-60 years, seven of 61-70 years and one of 41-50 years.

### Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022, THB95.4m, 0.27% of net profit
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

### ESG and sustainability management

**Vision:** KASIKORNBANK aims to be the most innovative, proactive, and customer centric financial institution, delivering world class financial services and sustainable value for all stakeholders by harmoniously combining technology and talent, in order to empower every customer's life and business



"KBank improved the assessment process for its material topics and boundaries in terms of both quality and quantity, resulting in the more concise material topics and boundaries in accordance with the GRI Standards under the revised Universal Standards 2021. Material topics and boundaries in 2022 were still within the 2021 framework. A survey conducted by the Bank shows that material topics and boundaries that most stakeholders attached importance to were in the governance and social dimensions. KBank is required to maintain the high standards of its material topics and boundaries. Additionally, a majority of stakeholders placed emphasis on the environmental and social impacts, such as weather conditions and reduction of social inequality. There were 25 material issues in 2022 (as shown on the left)."

### Awards and recognition

- **Dow Jones Sustainability Indices (DJSI)** - The first bank in Thailand and ASEAN selected as a member of the DJSI for seven consecutive years (2016 - 2022)
- **S&P Global** - Top 5% of the S&P Global ESG Score 2022 for the banking industry
- **FTSE4Good Emerging Index** - Selected as a member of the FTSE4Good Emerging Index for six consecutive years (2016 - 2021)
- **MSCI** – MSCI ESG Ratings at "AA" A leading company in the banking industry in emerging markets in ESG operations (2022)
- **Bloomberg** - Bloomberg Gender-Equality Index (GEI) The first company in Thailand selected as a member of the Bloomberg Gender-Equality Index for five consecutive years (2019 - 2023)
- **Carbon Disclosure Project (CDP)** - CDP A List (Leadership Level) (2022)
- **Carbon Neutral Certification** - The first commercial bank in Thailand granted this certification for five consecutive years (2018 - 2022)
- **The ESG 100 Certificate** - One of 100 companies selected as having outstanding ESG performance for seven consecutive years (2016 - 2022)
- **Best Sustainability Awards (2022)** - Highly Commended in Sustainability Awards for three years (2018 - 2019, 2021)
- **Thailand Sustainability Investment (THSI)** - Included in THSI for seven years (2015, 2017 - 2022)

Additional information: [KBANK](#);

Source: FSSIA compilation

### Audit Practices

Auditor	KPMG Phoomchai Audit Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB15.1m to auditors of the Bank, and THB23.3m to the respective audit company including individuals or business entities related to the auditors and the respective audit company
Policy on change of audit firm	To review every five years

### Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriated and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

## Financial Statements

Kasikornbank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	135,415	151,333	181,425	196,348	205,362
Interest expense	(16,024)	(18,334)	(36,586)	(41,226)	(43,536)
Net interest income	119,390	132,998	144,839	155,122	161,826
Net fees & commission	35,316	32,882	32,933	33,109	33,336
Foreign exchange trading income	0	0	0	0	0
Securities trading income	6,356	4,923	5,153	5,153	6,053
Dividend income	3,310	3,446	3,618	3,799	3,989
Other income	(1,024)	(991)	80	(603)	1,541
Non interest income	43,958	40,259	41,784	41,458	44,919
Total income	163,349	173,258	186,624	196,579	206,745
Staff costs	(34,481)	(34,602)	(37,371)	(39,613)	(41,990)
Other operating costs	(36,563)	(40,151)	(42,792)	(45,297)	(46,722)
Operating costs	(71,044)	(74,753)	(80,162)	(84,910)	(88,712)
Pre provision operating profit	92,305	98,505	106,462	111,670	118,033
Expected credit loss	(40,332)	(51,919)	(53,707)	(53,707)	(56,392)
Other provisions	-	-	-	-	-
Operating profit	51,973	46,585	52,755	57,963	61,641
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	51,973	46,585	52,755	57,963	61,641
Tax	(9,729)	(8,633)	(9,760)	(10,723)	(11,404)
Profit after tax	42,244	37,953	42,995	47,240	50,238
Non-controlling interest	(4,192)	(2,183)	(2,227)	(2,271)	(2,317)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	38,053	35,769	40,768	44,969	47,921
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	38,053	35,769	40,768	44,969	47,921
<b>Per share (THB)</b>					
Recurring EPS *	15.77	14.78	16.85	18.58	19.80
Reported EPS	15.77	14.78	16.85	18.58	19.80
DPS	3.25	4.00	4.80	5.30	5.60
<b>Growth</b>					
Net interest income (%)	9.5	11.4	8.9	7.1	4.3
Non interest income (%)	(4.2)	(8.4)	3.8	(0.8)	8.3
Pre provision operating profit (%)	8.7	6.7	8.1	4.9	5.7
Operating profit (%)	25.7	(10.4)	13.2	9.9	6.3
Reported net profit (%)	29.0	(6.0)	14.0	10.3	6.6
Recurring EPS (%)	27.0	(6.3)	14.0	10.3	6.6
Reported EPS (%)	27.0	(6.3)	14.0	10.3	6.6
<b>Income Breakdown</b>					
Net interest income (%)	73.1	76.8	77.6	78.9	78.3
Net fees & commission (%)	21.6	19.0	17.6	16.8	16.1
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	3.9	2.8	2.8	2.6	2.9
Dividend income (%)	2.0	2.0	1.9	1.9	1.9
Other income (%)	(0.6)	(0.6)	0.0	(0.3)	0.7
<b>Operating performance</b>					
Gross interest yield (%)	3.65	3.80	4.40	4.56	4.58
Cost of funds (%)	0.59	0.63	1.20	1.29	1.31
Net interest spread (%)	3.06	3.17	3.20	3.27	3.27
Net interest margin (%)	3.2	3.3	3.5	3.6	3.6
Cost/income(%)	43.5	43.1	43.0	43.2	42.9
Cost/assets(%)	1.8	1.8	1.8	1.9	1.9
Effective tax rate (%)	18.7	18.5	18.5	18.5	18.5
Dividend payout on recurring profit (%)	20.6	27.1	28.5	28.5	28.3
ROE (%)	8.3	7.3	7.9	8.2	8.3
ROE - COE (%)	(1.6)	(2.6)	(2.1)	(1.8)	(1.7)
ROA (%)	1.1	0.9	1.0	1.0	1.1
RORWA (%)	1.7	1.4	1.5	1.6	1.6

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

Sources: Kasikornbank; FSSIA estimates

## Financial Statements

Kasikornbank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,421,813	2,495,077	2,619,831	2,750,822	2,888,364
Allowance for expected credit loss	(144,772)	(133,529)	(142,236)	(148,942)	(163,334)
interest in suspense	16,599	16,226	18,339	19,256	20,219
<b>Net customer loans</b>	<b>2,293,640</b>	<b>2,377,774</b>	<b>2,495,934</b>	<b>2,621,136</b>	<b>2,745,248</b>
Bank loans	420,494	502,536	512,587	522,838	533,295
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	1,097,872	1,029,441	1,085,639	1,119,480	1,154,401
Cash & equivalents	59,972	57,115	55,015	56,528	59,651
Other interesting assets	-	-	-	-	-
Tangible fixed assets	97,185	111,105	113,838	116,640	119,514
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	134,237	168,398	168,193	172,036	176,027
<b>Total assets</b>	<b>4,103,399</b>	<b>4,246,369</b>	<b>4,431,206</b>	<b>4,608,658</b>	<b>4,788,135</b>
Customer deposits	2,598,630	2,748,685	2,872,375	3,001,632	3,145,711
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	315,685	248,024	271,498	279,078	286,942
Non interest bearing liabilities	652,409	682,581	682,581	682,581	682,581
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,566,724</b>	<b>3,679,289</b>	<b>3,826,454</b>	<b>3,963,291</b>	<b>4,115,234</b>
Share capital	23,693	23,693	23,693	23,693	23,693
Reserves	453,020	479,577	510,868	544,464	564,278
<b>Total equity</b>	<b>476,714</b>	<b>503,270</b>	<b>534,561</b>	<b>568,157</b>	<b>587,971</b>
Non-controlling interest	59,961	63,810	70,191	77,210	84,931
<b>Total liabilities &amp; equity</b>	<b>4,103,399</b>	<b>4,246,369</b>	<b>4,431,206</b>	<b>4,608,658</b>	<b>4,788,135</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,630,858	2,746,673	2,924,596	3,041,714	3,160,169
Average interest earning assets	3,713,438	3,983,616	4,122,555	4,305,599	4,484,600
Average interest bearing liabilities	2,695,575	2,930,393	3,045,404	3,187,405	3,331,795
CET 1 capital	406,642	435,662	454,736	483,948	514,696
Total capital	466,613	489,814	508,888	538,100	568,848
Gross non performing loans (NPL)	104,036	92,536	97,536	103,536	109,536
<b>Per share (THB)</b>					
Book value per share	201.20	212.41	225.62	239.80	248.16
Tangible book value per share	201.20	212.41	225.62	239.80	248.16
<b>Growth</b>					
Gross customer loans	7.9	3.0	5.0	5.0	5.0
Average interest earning assets	10.6	7.3	3.5	4.4	4.2
Total asset (%)	12.2	3.5	4.4	4.0	3.9
Risk weighted assets (%)	9.4	4.4	6.5	4.0	3.9
Customer deposits (%)	10.8	5.8	4.5	4.5	4.8
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	88.3	86.5	86.9	87.3	87.3
Equity/assets (%)	11.6	11.9	12.1	12.3	12.3
Tangible equity/assets (%)	11.6	11.9	12.1	12.3	12.3
RWA/assets (%)	64.1	64.7	66.0	66.0	66.0
CET 1 CAR (%)	15.5	15.9	15.5	15.9	16.3
Total CAR (%)	17.7	17.8	17.4	17.7	18.0
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	3.0	(11.1)	5.4	6.2	5.8
NPL/gross loans (%)	4.3	3.7	3.7	3.8	3.8
Allowance for ECL/gross loans (%)	6.0	5.4	5.4	5.4	5.7
Allowance for ECL/NPL (%)	139.2	144.3	145.8	143.9	149.1
<b>Valuation</b>					
Recurring P/E (x) *	8.4	9.0	7.9	7.1	6.7
Recurring P/E @ target price (x) *	9.5	10.1	8.9	8.1	7.6
Reported P/E (x)	8.4	9.0	7.9	7.1	6.7
Dividend yield (%)	2.5	3.0	3.6	4.0	4.2
Price/book (x)	0.7	0.6	0.6	0.6	0.5
Price/tangible book (x)	0.7	0.6	0.6	0.6	0.5
Price/tangible book @ target price (x)	0.7	0.7	0.7	0.6	0.6

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

Sources: Kasikornbank; FSSIA estimates



## Public disclosures related to sustainable development evaluation of Thai listed companies

**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**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. 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 of 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 results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for 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 checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > 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.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## 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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Company	Ticker	Price	Rating	Valuation & Risks
Kasikornbank	KBANK TB	THB 132.50	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.
Bangkok Bank	BBL TB	THB 158.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 60.00	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Krung Thai Bank	KTB TB	THB 19.60	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.
SCB X	SCB TB	THB 108.50	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.
Tisco Financial	TISCO TB	THB 97.25	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.
TMBThanachart Bank	TTB TB	THB 1.56	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 14-Jul-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.