

KASIKORNBANK KBANK TB  
THAILAND / BANKINGBUY  
UNCHANGED

## รายงานผลประกอบการ 2Q23

TARGET PRICE	THB150.00
CLOSE	THB133.50
UP/DOWNSIDE	+12.4%
TP vs CONSENSUS	-5.9%

## ผลประกอบการ 2Q23 ใกล้เคียงกับที่เราคาด

KBANK รายงานกำไรสุทธิ 2Q23 ที่ 11 พัน ลบ. ใกล้เคียงกับที่เราและตลาดคาด กำไรดังกล่าวปรับขึ้น 2% q-q และ 2% y-y โดยได้ปัจจัยหนุนจากรายได้ดอกเบี้ยสุทธิ (NII) ที่สูงขึ้นและรายได้ที่ไม่ใช่ดอกเบี้ยที่ปรับขึ้น (ส่วนมากมาจากการตีมูลค่าทรัพย์สินผ่านกำไรขาดทุน (FVTPL)) กำไร 1H23 คิดเป็น 53% ของประมาณการกำไรปี 2023 ของเราในขณะที่คุณภาพสินทรัพย์ที่อ่อนลงเป็นปัจจัยหลักที่สร้างความกังวลในไตรมาสนี้

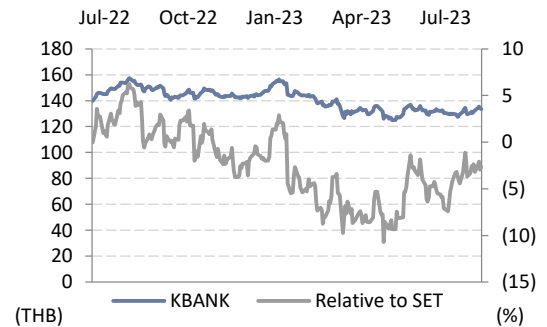
## Highlights

- (+) NII อยู่ที่ 36.7 พัน ลบ. (+5% q-q, +15% y-y) ใกล้เคียงกับที่เราคาดโดยได้ปัจจัยหนุนจากส่วนต่างดอกเบี้ย (NIM) ที่ดีเกินคาดโดยปรับขึ้น 17bp เป็น 3.64% ใน 2Q23 ตามวัฏจักรการขึ้นอัตราดอกเบี้ย
- (-) สินเชื่อลดลง 0.6% q-q และ 1.6% y-y โดยมีปัจจัยกดดันจากการบริหารหนี้ด้วยคุณภาพ (NPL) อาทิเช่น การปรับโครงสร้างหนี้ การขายและการตัดจำหน่ายสินเชื่อ
- (-) รายได้ที่ไม่ใช่ดอกเบี้ยหดตัว 3% q-q แต่เพิ่มขึ้น 20% y-y ส่วนมากจากรายได้ค่าธรรมเนียมที่ลดลงจากรุกกิจนายหน้าค้าหลักทรัพย์และบริหารกองทุนอันเกิดตามสภาวะตลาดและค่าธรรมเนียมการให้บริการในการทำรายการต่าง ๆ รายได้ที่ไม่ใช่ดอกเบี้ยที่สูงเกินคาดสะท้อน FVTPL ที่สูงเกินคาดตามสภาวะตลาด เบี้ยประกันภัยรับสุทธิ (Net premiums earned) ลดลง y-y จากค่าใช้จ่ายในการรับประกัน (Underwriting expenses) ที่สูงขึ้นแม้ว่าเบี้ยประกันภัยรับสุทธิจะยังโตต่อเนื่อง
- (-) ค่าใช้จ่ายดำเนินงานเพิ่ม 5% q-q และ 15% y-y จากการเพิ่มของค่าใช้จ่ายการตลาดและค่าใช้จ่ายอาคารสถานที่และอุปกรณ์ซึ่งทำให้สัดส่วนค่าใช้จ่ายดำเนินงานต่อรายได้รวม (CTI) เพิ่มเป็น 43.4% จาก 42.5% ใน 1Q23 อย่างไรก็ดี CTI ในช่วง 1H23 ที่ 42.9% ยังใกล้เคียงกับประมาณการของเราที่ 43% และเป้าของธนาคารฯ ที่ระดับ 40% ต่ำถึงกลาง
- (-) คุณภาพสินทรัพย์เป็นปัจจัยที่ก่อให้เกิดความกังวลหลักในไตรมาสนี้ สัดส่วนหนี้ด้วยคุณภาพ (NPL ratio) เพิ่มขึ้นเป็น 3.83% จาก 3.56% ใน 1Q23 แม้ว่าธนาคารฯ จะตัดจำหน่ายและขาย NPL เชิงรุกในระหว่างไตรมาส NPL ที่เกิดขึ้นส่วนมากมาจากสินเชื่อ SMEs (โดยเฉพาะอย่างยิ่ง SMEs ขนาดเล็ก) และสินเชื่อรายย่อย ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) ใน 2Q23 เพิ่มขึ้นเล็กน้อยเป็น 208bp จาก 205bp ใน 1Q23 สูงกว่าช่วงบนของเป้าของธนาคารฯ ในปี 2023 ที่ 175-200bp แต่ค่อนข้างใกล้เคียงกับประมาณการของเราที่ 210bp ในภาพรวม NPL ที่เพิ่มในอัตราที่สูงกว่าเมื่อเทียบกับการเพิ่มของสำรองสำหรับผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) จุดสัดส่วนสำรองต่อหนี้ด้วยคุณภาพ (Coverage ratio) ลงเหลือ 137% จาก 146% ใน 1Q23

แม้ว่าเราจะแนะนำซื้อ KBANK เราเชื่อว่าคุณภาพสินทรัพย์ที่ไม่น่าประหลาดใจและการปรับระดับ Credit cost ให้เป็นปกติที่อาจเลื่อนไปในปี 2025 อาจสร้างบรรยากาศเชิงลบต่อราคาหุ้นในระยะสั้น

## 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 (%)	-	(1.7)	(4.0)	(7.9)
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	7.2	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



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.1	6.0	(4.3)
Relative to country (%)	3.2	8.5	(2.7)
Mkt cap (USD m)	9,248		
3m avg. daily turnover (USD m)	52.8		
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 21 กรกฎาคม 2023

## Key takeaways from the 2Q23 analyst meeting

KBANK's analyst meeting today mainly focused on asset quality issues, especially the Stark Corporation (STARK TB, NR) loans, NPL inflows, and the credit cost outlook from 2023 to 2025, as summarized below:

- 1) The total exposure to STARK (one big corporate loan and other contingent liabilities; L/C) has deteriorated to the NPL stage, which caused the bank to incur higher ECL for this case. However, the bank insists that the total allowance for STARK ECL is sufficient.
- 2) NPL inflows mainly came from the SME (small) and retail segments in 2Q23. Most of the inflows were from the impact of the Covid pandemic.
- 3) The credit cost outlook during 2023-25 could manifest as follows: 1) 2H23 credit cost may be close to the 1H23 level of 206bp; thus, 2023E credit cost would exceed the upper range of 175-200bp, but would likely not be higher than 210bp; and 2) the normalisation of credit cost – KBANK had expected credit cost to return to the normalised level at 140-160bp in 2024 – could be prolonged to 2025. Under the optimistic scenario – if Thailand's economy recovery exceeds expectations – KBANK expects that 2024 credit cost would normalise in 2H24. In contrast, if the Thai economic recovery is delayed, normalised credit cost would likely be postponed to 2025. In all, KBANK projects 2024 credit cost to range from 160-210bp. Regarding our credit cost assumptions for 2023-25, we have already factored in the high side of 210bp in 2023E, with 200bp in 2024-25E.

### Exhibit 1: KBANK – 2Q23 operations summary

Year-end Dec 31	2Q22	1Q23	2Q23	---- Change ----		1H23	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	36,701	5	15	71,576	12	49	132,998	144,839	9
Non-interest income	9,498	11,699	11,369	(3)	20	23,068	26	55	40,259	41,784	4
Fee income - net	8,146	8,114	7,714	(5)	(5)	15,828	(7)	48	32,882	32,933	0
<b>Total operating income</b>	<b>41,510</b>	<b>46,574</b>	<b>48,070</b>	<b>3</b>	<b>16</b>	<b>94,644</b>	<b>15</b>	<b>51</b>	<b>173,258</b>	<b>186,624</b>	<b>8</b>
Total operating expenses	18,070	19,793	20,847	5	15	40,640	15	51	74,753	80,162	7
<b>PPOP before tax</b>	<b>23,441</b>	<b>26,781</b>	<b>27,223</b>	<b>2</b>	<b>16</b>	<b>54,004</b>	<b>16</b>	<b>51</b>	<b>98,505</b>	<b>106,462</b>	<b>8</b>
Expected credit loss	9,852	12,692	12,784	1	30	25,476	33	47	51,919	53,707	3
Income tax	2,454	2,562	2,760	8	12	5,322	3	55	8,633	9,760	13
Non-controlling interest	341	786	685	(13)	101	1,471	363	66	2,183	2,227	2
<b>Net profit</b>	<b>10,794</b>	<b>10,741</b>	<b>10,994</b>	<b>2</b>	<b>2</b>	<b>21,735</b>	<b>(1)</b>	<b>53</b>	<b>35,769</b>	<b>40,768</b>	<b>14</b>
EPS (THB)	4.56	4.53	4.64	2	2	9.17	(1)	54	14.78	16.85	14
<b>Key ratios</b>	<b>2Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>---- Change ----</b>		<b>1H23</b>	<b>Change</b>		<b>2022</b>	<b>2023E</b>	<b>Change</b>
<b>Asset quality ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(q-q%)</b>	<b>(y-y%)</b>	<b>(THB m)</b>	<b>(y-y %)</b>		<b>(%)</b>	<b>(%)</b>	<b>(y-y %)</b>
Gross NPLs (THB m)	109,972	87,640	93,834	7	(15)	93,834	(15)		92,536	97,536	5
Change (% from prior period)	3.3	(5.3)	7.1			(14.7)			(11.1)	5.4	
NPL ratios (%) - reported	3.80	3.04	3.20			3.20			3.19		
NPL ratio (%)*	4.42	3.56	3.83			3.83			3.71	3.72	
Coverage ratio (%) - reported	145	157	147			147			154		
Coverage ratio (%)*	128	146	137			137			144	146	
Credit cost (bp)	159	205	208			206			211	210	
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	<b>(%)</b>	
Cost to income ratio	43.5	42.5	43.4			42.9			43.1	43.0	
Average yield (%)	3.66	4.22	4.49			4.37			3.80	4.40	
Cost of funds (%)	0.64	1.08	1.21			1.16			0.63	1.20	
NIM (%) - reported	3.21	3.46	3.63			3.63			3.33		
NIM (%)*	3.22	3.47	3.64			3.57			3.34	3.51	
Non-interest income/total income (%)	22.9	25.1	23.7			24.4			23.2	22.4	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	<b>(%)</b>	
q-q	1.3	(1.2)	(0.6)								
y-y	4.5	0.3	(1.6)			(2)			3.0	5	
Year-to-date	2.8	(1.2)	(1.8)			(1.8)					

\* FSSIA's calculation

Sources: KBANK; FSSIA estimates

## 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) *	8.5	9.0	7.9	7.2	6.7
Recurring P/E @ target price (x) *	9.5	10.1	8.9	8.1	7.6
Reported P/E (x)	8.5	9.0	7.9	7.2	6.7
Dividend yield (%)	2.4	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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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

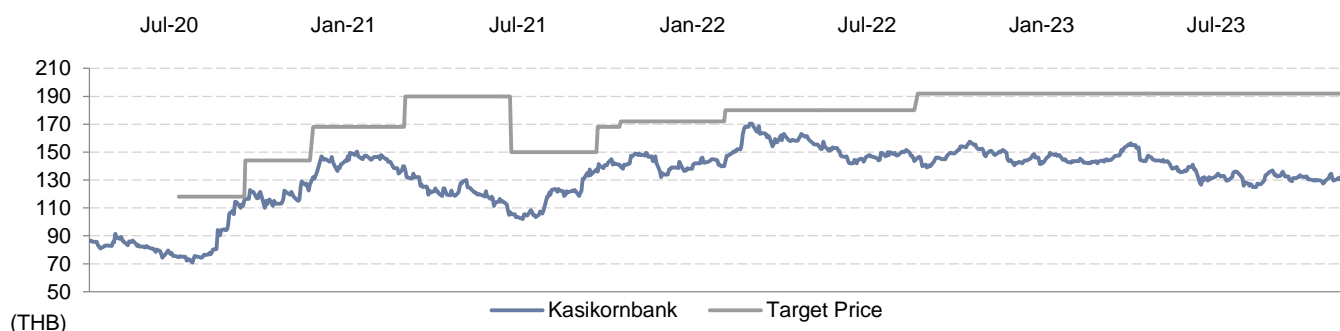
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### History of change in investment rating and/or target price

#### Kasikornbank (KBANK TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
06-Oct-2020	BUY	118.00	22-Jul-2021	BUY	150.00	08-Jul-2022	BUY	192.00
03-Dec-2020	BUY	144.00	05-Oct-2021	BUY	168.00	17-Jul-2023	BUY	150.00
29-Jan-2021	BUY	168.00	25-Oct-2021	BUY	172.00			
21-Apr-2021	BUY	190.00	24-Jan-2022	BUY	180.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Kasikornbank	KBANK TB	THB 133.50	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.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

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