

KASIKORNBANK KBANK TB  
THAILAND / BANKING

FSSIA ESG rating



BUY

UNCHANGED

## คุณภาพสินทรัพย์และแนวโน้มปรับตัวดีขึ้น

- KBANK รายงานกำไรสุทธิ 3Q23 อยู่ที่ 11.2 พัน ลบ. (+2.6% q-q, +6.7% y-y) ดีกว่าที่เราคาดเล็กน้อย
- แนวโน้มเป็นบวกมากยิ่งขึ้นจากคุณภาพสินทรัพย์และสัดส่วนสำรองต่อหนี้โดยคุณภาพ (Coverage ratio) ที่ปรับตัวดีขึ้น
- คงคำแนะนำซื้อที่ราคาเป้าหมายปี 2024 ที่ 160 บาท (GGM)

## ผลประกอบการดีกว่าที่เราคาดเล็กน้อย

KBANK รายงานกำไรสุทธิ 3Q23 อยู่ที่ 11.2 พัน ลบ. (+2.6% q-q, +6.7% y-y) ส่วนมากเกิดจากการเติบโตของรายได้ดอกเบี้ยสุทธิ ส่วนต่างดอกเบี้ย (NIM) ที่ปรับขึ้นและค่าใช้จ่ายในการดำเนินงานที่ลดลง คุณภาพสินทรัพย์มีพัฒนาการเชิงบวกทั้งในด้านหนี้โดยคุณภาพ (NPL) และ Coverage ratio กำไรสุทธิ 9M23 คิดเป็น 81% ของประมาณการปี 2023 ของเรา เรายังคงประมาณการปี 2023-25 ของเราไว้ตามเดิม

## การควบคุมสัดส่วนค่าใช้จ่ายในการดำเนินงานต่อรายได้ที่ดีช่วยบดบังสินเชื่อที่ทรงตัว

รายได้ดอกเบี้ยสุทธิหรือกำไรสุทธิเพิ่มขึ้น 3.6% q-q และ 14.9% y-y ตามการขึ้นอัตราดอกเบี้ยโดย KBANK ได้ปรับเพิ่มอัตราดอกเบี้ยสินเชื่อทุกประเภท (MOR MLR และ MRR) เป็นจำนวน 45bp ในช่วงเดือน พ.ค. 2023 ในขณะที่อัตราดอกเบี้ยเงินฝาก CASA ค่อนข้างทรงตัว NIM อยู่ที่ 3.77% เพิ่มขึ้น 13bp จาก 2Q23 ในขณะที่รายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ (Non-NII) ต่ำกว่าที่คาดมาก ตัวเลขออกมาอยู่ที่ 9.09 พัน ลบ. ลดลง 20.0% q-q แต่ยังเพิ่ม 5.2% y-y โดยมีปัจจัยกดดันจากกำไรที่ลดลงจากเครื่องมือทางการเงินจากการตีมูลค่ายุติธรรมผ่านกำไรขาดทุน (FVTPL) ตามสภาวะตลาดและเบี่ยงเบนรับสุทธิที่ลดลง ในขณะที่กำไร (ขาดทุน) จากการลงทุนเพิ่มสูงขึ้น นอกจากนี้ค่าใช้จ่ายในการดำเนินงานยังต่ำกว่าที่คาดมากจากค่าใช้จ่ายบุคลากรและการตลาดที่ลดลง ด้วยเหตุดังกล่าวสัดส่วนค่าใช้จ่ายดำเนินงานต่อรายได้จึงลดลงเป็น 42.1% จาก 43.4% ใน 2Q23 กระแสบวกดังกล่าวช่วยบดบังการเติบโตของสินเชื่อที่ต่ำกว่าคาดโดยปรับตัวลดลง 0.5% q-q และ 1.1% y-y ส่วนมากเกิดจากการพิจารณาสินเชื่อที่เข้มงวดมากยิ่งขึ้นและการบริหารคุณภาพสินทรัพย์เชิงรุกโดยสินเชื่อยังคงหดตัว 2.3% YTD ซึ่งนับว่าต่ำกว่าเป้าการเติบโตของ KBANK ที่ 5-7% y-y และของเราที่ 5% y-y อยู่

## คุณภาพสินทรัพย์ปรับตัวดีขึ้นใน 3Q23

คุณภาพสินทรัพย์มีพัฒนาการเชิงบวกทั้งในด้านสัดส่วนหนี้โดยคุณภาพ (NPL ratio) และ Coverage ratio โดยมี NPL ratio (ตามการคำนวณของ FSSIA) ลดลงเหลือ 3.58% จาก 3.83% ใน 2Q23 จากการบริหารคุณภาพสินทรัพย์ด้วยความรอบคอบ ในขณะที่สินเชื่อขึ้นที่ 2 ยังคงค่อนข้างทรงตัวจาก 2Q23 ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) เพิ่มในระดับที่ต่ำกว่าคาดเป็น 209bp (เราคาด 211bp) แต่ยังคงใกล้เคียงกับเป้าของธนาคารฯ ที่ไม่เกิน 210bp

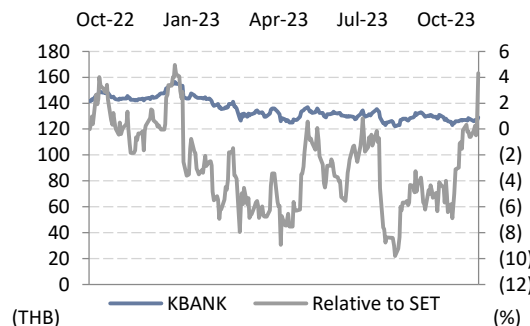
## แนวโน้ม 4Q23 เป็นบวกมากยิ่งขึ้น คงคำแนะนำซื้อ

เรามีความมั่นใจมากยิ่งขึ้นเกี่ยวกับแนวโน้ม 4Q23 ของ KBANK บริษัทฯ อาจมีปัจจัยหนุนหลายประการ อาทิเช่น การเติบโตของสินเชื่อที่สูงขึ้น NIM ที่สูงขึ้นและ Credit cost ที่ทรงตัวพร้อมพัฒนาการที่เป็นบวกมากยิ่งขึ้นของคุณภาพสินทรัพย์ ราคาเป้าหมายปี 2024 ของเราที่ 160 บาทคิดเป็นค่า P/BV ที่ 0.68x

TARGET PRICE	THB160.00
CLOSE	THB129.00
UP/DOWNSIDE	+24.0%
PRIOR TP	THB150.00
CHANGE IN TP	+6.7%
TP vs CONSENSUS	+5.0%

## 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 (%)	-	(3.1)	(4.0)	(7.5)
Recurring net profit	35,769	40,768	44,969	47,921
Core EPS (THB)	14.78	16.85	18.58	19.80
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(6.3)	14.0	10.3	6.6
Core P/E (x)	8.7	7.7	6.9	6.5
Dividend yield (%)	3.1	3.7	4.1	4.3
Price/book (x)	0.6	0.6	0.5	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 (%)	0.8	(3.4)	(13.1)
Relative to country (%)	9.7	5.6	(1.2)
Mkt cap (USD m)	8,371		
3m avg. daily turnover (USD m)	66.9		
Free float (%)	80		
Major shareholder	Thai NVDR (16%)		
12m high/low (THB)	157.50/121.50		
Issued shares (m)	2,369		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We maintain our BUY call due to the following:

- KBANK is one of the big banks that should benefit from rate hikes due to its good loan and deposit composition.
- 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.
- Amid deep concerns for 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.
- KBANK is trading at 0.60x 2023E P/BV while offering attractive dividend yields.

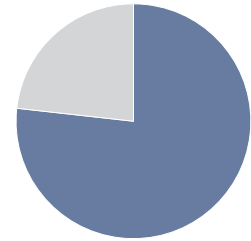
## Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. In 3Q23, KBANK's branch declined to 813 from 2019 of 886. Assets in 3Q23 ranked second at 10.7% of the total assets of all Thai commercial banks.

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

## Principal activities (revenue, 2022)

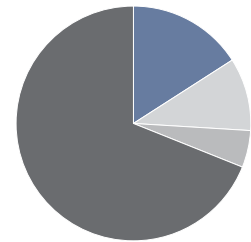
- Net interest income - 76.8 %
- Non-interest income - 23.2 %



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 the setting up of JK AMC;
- A faster-than-expected digital lending expansion;
- A return of foreign funds 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
18-19 Jan 2023	2023 result 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)

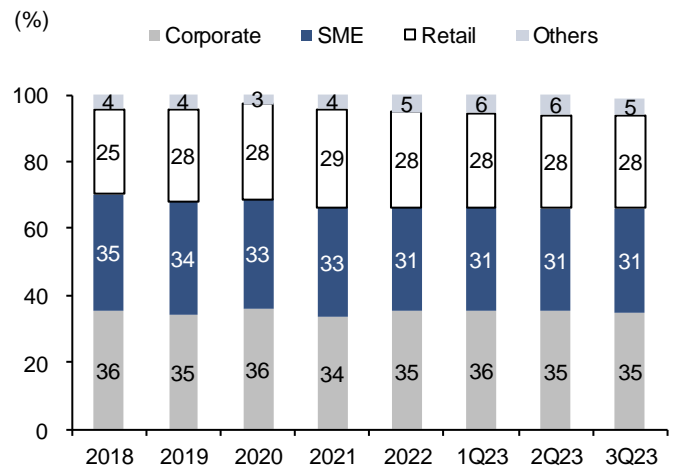
Source: FSSIA estimates

**Exhibit 1: Key financial guidance**

	KBANK		FSSIA
	2022	2023E	2023E
NIM (%)	3.34	3.3-3.45	3.51
Loan growth (%)	3.0	5-7	5
Non-NII growth (%)	(8.4)	Flat	0.2
Credit cost (bp)	211	175-200	210
Cost to income (%)	43.1	Low-to-mid 40s	43.0
NPL ratio	3.71	< 3.25%	3.72

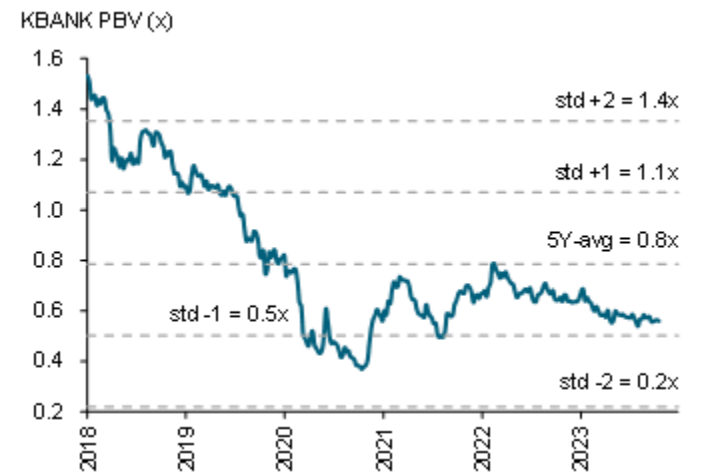
Sources: KBANK; FSSIA estimates

**Exhibit 2: Loan breakdown**



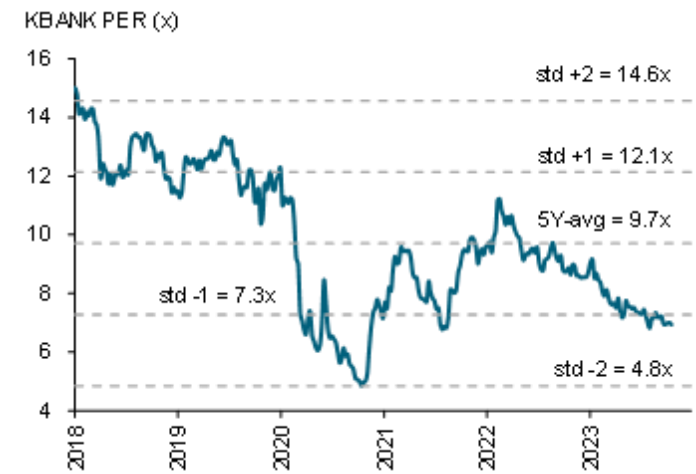
Sources: KBANK; FSSIA's compilation

**Exhibit 3: KBANK – one-year prospective P/BV band**



Sources: KBANK; FSSIA estimates

**Exhibit 4: KBANK – one-year prospective PER band**



Sources: Bloomberg estimates

## Exhibit 5: KBANK – 3Q23 results summary

Year end Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23	---- Change ----		9M22	9M23	Change	%of	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(y-y %)
Net interest income	33,088	36,148	34,875	36,701	38,019	3.6	14.9	96,851	109,595	13.2	76	144,839	8.9
Non-interest income	8,647	13,252	11,699	11,369	9,096	(20.0)	5.2	27,008	32,164	19.1	77	41,784	3.8
Fee income - net	8,125	7,779	8,114	7,714	7,803	1.2	(4.0)	25,103	23,631	(5.9)	72	32,933	0.2
Total operating income	41,735	49,399	46,574	48,070	47,115	(2.0)	12.9	123,858	141,759	14.5	76	186,624	7.7
Total operating expenses	18,251	21,042	19,793	20,847	19,821	(4.9)	8.6	53,711	60,461	12.6	75	80,162	7.2
PPOP before tax	23,484	28,358	26,781	27,223	27,294	0.3	16.2	70,147	81,298	15.9	76	106,462	8.1
Expected credit loss	9,948	22,784	12,692	12,784	12,793	0.1	28.6	29,135	38,269	31.3	71	53,707	3.4
Income tax	2,546	933	2,562	2,760	2,838	2.8	11.5	7,700	8,161	6.0	84	9,760	13.1
Non-controlling interest	416	1,450	786	685	381	(44.4)	(8.4)	733	1,852	152.6	83	2,227	2.0
<b>Net profit</b>	<b>10,574</b>	<b>3,191</b>	<b>10,741</b>	<b>10,994</b>	<b>11,282</b>	<b>2.6</b>	<b>6.7</b>	<b>32,579</b>	<b>33,017</b>	<b>1.3</b>	<b>81</b>	<b>40,768</b>	<b>14.0</b>
EPS (THB)	4.46	1.35	4.53	4.64	4.76	2.6	6.7	13.75	13.94	1.3	83	16.85	14.0
<b>Key ratios</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>---- Change ----</b>		<b>9M22</b>	<b>9M23</b>	<b>Change</b>		<b>2023E</b>	<b>Change</b>
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)		(%)	(y-y %)
Gross NPLs (THB m)	87,682	92,536	87,640	93,834	87,383	(6.9)	(0.3)	87,682	87,383	(0.3)		97,536	5.4
Change (% from prior period)	(20.3)	5.5	(5.3)	7.1	(6.9)			(17.2)	(0.3)			5.4	
NPL ratios (%) - reported	3.07	3.19	3.04	3.20	3.11			3.07	3.11				
NPL ratio (%)*	3.56	3.71	3.56	3.83	3.58			3.56	3.58			3.72	
Coverage ratio (%) - reported	149	154	157	147	155			149	155				
Coverage ratio (%)*	138	144	146	137	149			138	149			146	
Credit cost (bp)	161	368	205	208	209			158.3	208.2	49.9		210	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(%)		(%)	
Cost to income ratio	43.7	42.6	42.5	43.4	42.1			43.4	42.7	(0.7)		43.0	
Average yield (%)	3.80	4.16	4.22	4.49	4.69			3.76	1.58	(2.18)		4.40	
Cost of funds (%)	0.62	0.71	1.02	1.15	1.25			0.61	0.42	(0.19)		1.20	
NIM (%) - reported	3.33	3.33	3.46	3.63	3.76			3.33	3.76	0.43			
NIM (%)*	3.34	3.63	3.47	3.64	3.77			3.31	3.67	0.36		3.51	
Non-NII /total income (%)	20.7	26.8	25.1	23.7	19.3			21.8	22.7	0.9		22.4	
Liquidity ratio								(%)	(%)			(%)	
Loan to deposit	92.6	90.8	90.8	90.4	90.9			92.6	90.9			91.2	
Loan to deposit & borrowing (LDBR)	84.0	84.0	83.1	82.3	82.8			84.0	82.8			88.5	
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)				
CAR	19.2	18.8	18.9	19.0	19.6			19.2	19.6			18.3	
CET 1/ Risk assets	16.2	15.9	15.9	16.1	16.7			16.2	16.7			15.5	
Tier 2 / Risk assets	2.0	2.0	2.0	2.0	2.0			2.0	2.0			1.9	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
q-q	(1.0)	1.2	(1.2)	(0.6)	(0.5)								
y-y	0.8	3.0	0.3	(1.6)	(1.1)			0.8	(1.1)			5.0	
Year-to-date	1.8	3.0	(1.2)	(1.8)	(2.3)			1.8	(2.3)				

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	63,500	47,264	54,354	57,071	59,925
Investment securities	1,034,372	982,177	1,031,285	1,062,409	1,094,476
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	186,449	155,240	158,345	161,511	164,742
Other interest bearing liabilities	103,886	67,897	88,266	92,680	97,314
Non interest bearing liabilities	677,758	707,468	707,468	707,468	707,468
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) *	8.2	8.7	7.7	6.9	6.5
Recurring P/E @ target price (x) *	10.1	10.8	9.5	8.6	8.1
Reported P/E (x)	8.2	8.7	7.7	6.9	6.5
Dividend yield (%)	2.5	3.1	3.7	4.1	4.3
Price/book (x)	0.6	0.6	0.6	0.5	0.5
Price/tangible book (x)	0.6	0.6	0.6	0.5	0.5
Price/tangible book @ target price (x)	0.8	0.8	0.7	0.7	0.6

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

Sources: Kasikornbank; FSSIA estimates

# KASIKORNBANK PCL (KBANK TB)

**FSSIA ESG rating**

**84.17 /100**
**Exhibit 6: 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 7: ESG – peer comparison**

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

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
**Exhibit 8: ESG score by Bloomberg**

FY ending Dec 31	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores										
BESG ESG score	--	--	1.71	1.80	2.61	2.67	2.67	2.88	3.89	4.05
BESG environmental pillar score	--	--	0.08	0.08	0.08	0.18	0.18	0.24	2.93	3.43
BESG social pillar score	--	--	1.37	1.63	3.44	3.44	3.49	3.89	3.95	4.03
BESG governance pillar score	--	--	4.90	4.74	4.83	4.91	4.81	4.88	4.86	4.74
ESG disclosure score	44.62	51.17	53.57	53.91	59.49	57.08	57.60	58.73	58.73	59.77
Environmental disclosure score	17.73	29.21	29.54	29.54	33.55	37.48	37.48	40.86	40.86	40.86
Social disclosure score	26.69	34.89	34.89	35.91	48.67	37.48	39.06	39.06	39.06	42.20
Governance disclosure score	89.28	89.28	96.12	96.12	96.12	96.12	96.12	96.12	96.12	96.12
Environmental										
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
GHG scope 2 location-based	86	88	91	82	80	77	83	79	74	70
Biodiversity policy	No	No	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Waste reduction policy	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Environmental supply chain management	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

## Exhibit 9: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BESG ESG score	—	—	1.71	1.80	2.61	2.67	2.67	2.88	3.89	4.05
ESG disclosure score	44.62	51.17	53.57	53.91	59.49	57.08	57.60	58.73	58.73	59.77
Social										
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No	No	No
Consumer data protection policy	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Community spending	—	294	116	381	308	357	214	806	285	417
No. of customer complaints	—	—	—	—	—	—	—	—	—	—
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pct women in workforce	62	64	66	68	68	69	69	70	70	70
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fatalities - employees	0	0	0	0	0	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No	No	No
No. of employees - CSR	19,303	21,614	21,484	21,029	20,839	20,646	20,443	19,819	19,029	18,648
Employee turnover pct	15	13	17	17	10	8	6	3	7	8
Total hours by firm - employee training	1,070,330	1,045,210	1,359,210	1,186,240	1,094,590	881,469	928,607	847,516	712,474	753,600
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Governance										
Board size	17	16	17	17	16	17	18	18	18	18
No. of independent directors (ID)	9	8	10	10	9	9	10	9	9	6
No. of women on board	4	4	5	6	6	6	7	7	7	8
No. of non-executive directors on board	14	13	14	13	12	12	12	13	13	13
Company conducts board evaluations	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	12	12	12	12	12	12	12	15	13	12
Board meeting attendance pct	95	99	98	95	95	95	97	97	97	96
Board duration (years)	3	3	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No	No	No
Age of the youngest director	43	44	45	46	47	48	40	41	42	43
Age of the oldest director	71	72	71	72	72	70	71	72	68	68
No. of executives / company managers	26	27	16	15	17	18	19	15	14	16
No. of female executives	4	5	5	3	4	4	5	5	5	6
Executive share ownership guidelines	No	No	No	No	No	No	No	No	No	No
Size of audit committee	3	4	4	4	4	4	4	4	4	4
No. of ID on audit committee	3	4	4	4	4	4	4	4	4	4
Audit committee meetings	12	11	12	12	12	12	12	12	12	12
Audit meeting attendance %	97	98	90	100	96	90	98	98	100	98
Size of compensation committee	5	4	4	4	3	3	3	3	5	3
No. of ID on compensation committee	4	3	3	3	2	2	2	2	3	2
No. of compensation committee meetings	10	9	9	9	10	8	9	10	11	10
Compensation meeting attendance %	98	93	94	86	95	96	100	100	100	100
Size of nomination committee	5	4	4	3	3	4	4	5	5	6
No. of nomination committee meetings	10	9	9	6	4	4	5	4	4	6
Nomination meeting attendance %	98	93	94	94	94	100	90	95	100	93
Sustainability governance										
Verification type	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation



Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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.																				
<b>CG Score</b> 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%).																				
<b>AGM level</b> 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.																				
<b>Thai CAC</b> 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.																				
<b>Morningstar Sustainalytics</b>	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+																		
<b>ESG Book</b>	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.																				
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<b>Moody's ESG solutions</b>	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.																					
<b>Refinitiv ESG rating</b>	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.)																					
<b>S&amp;P Global</b>	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.																					
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

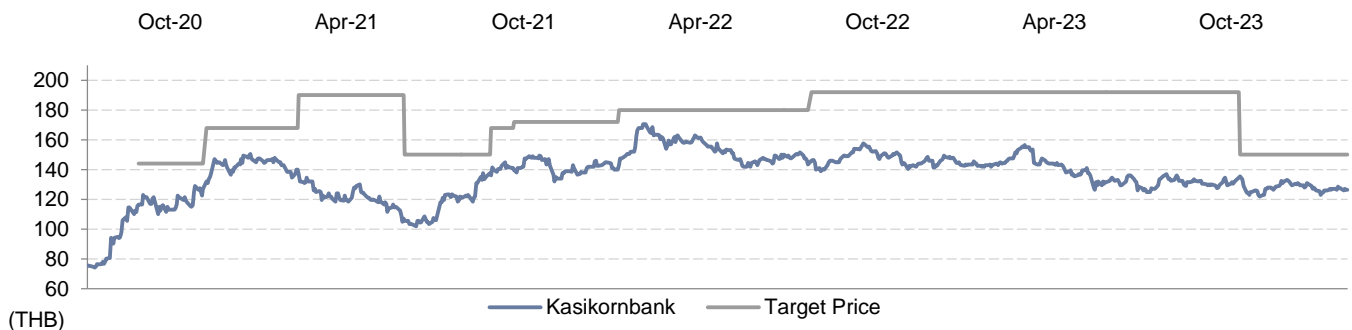
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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

#### Kasikornbank (KBANK TB)



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

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 129.00	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.

Source: FSSIA estimates

### Additional Disclosures

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

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

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.