

# KASIKORNBANK KBANK TB

THAILAND / BANKING

## HOLD

UNCHANGED

TARGET PRICE	THB140.00
CLOSE	THB122.00
UP/DOWNSIDE	+14.8%
PRIOR TP	THB140.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-4.2%

## Challenging 10% ROE target by 2026

- KBANK disclosed its medium to long-term strategies, "Three and Plus One" to strengthen credit and fee income growth.
- We view its target to raise the double-digit ROE by 2026 as challenging without any inorganic growth.
- Retain our 2024-26 forecast and HOLD call.

### Three and Plus One strategies to strengthen credit & fee income

KBANK's analyst meeting focused on the 2024 guidance disclosure and its medium to long-term plans under its "Three and Plus One" strategies to achieve a double-digit ROE in 2026. For 2024 guidance, most targets are relatively maintained with 2023's – NIM, cost-to-income ratio, and NPL ratio – except for loan growth (lower), net fee income (higher), and credit cost (slightly lower upper bound). Regarding loan growth, KBANK remains prudent and cautious in its credit policy. For fee income growth, key drivers are from two areas: bancassurance and wealth management.

### Stable NPL ratio with a high level of credit cost

The 2024 credit cost guidance shows a lower upper bound vs 2023's due to its proactive asset quality clean-up and prudent financial policy, reflecting that credit costs had already peaked in 2022 and gradually decreased in 2023-24E, but remain high to cover future uncertainties. KBANK reiterates its credit costs will reach a normalized 140-160bp in 2025 with a stable NPL ratio amid the uncertain economic recovery.

### The double-digit ROE target is still very challenging

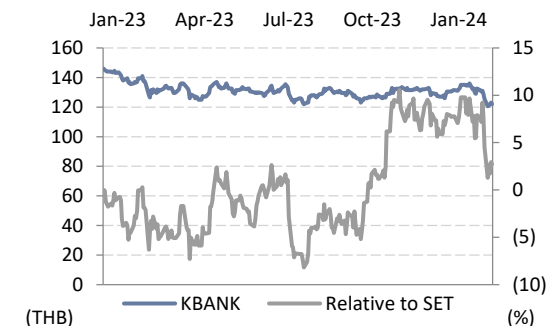
We view its guidance to raise ROE to the double-digit level by 2026 without giving a clear picture of capital management – increasing the payout ratio to reduce the capital base – as challenging. Hence, we retain our 2024-26 forecast. Regarding our current forecast, we expect a 2026 ROE of 8.7%, with net profit growth averaging 7.7% CAGR during 2023-26 due mainly to credit costs dropping to 160bp, while NIM and fee income should remain stable. The expected loan growth of 3% p.a. aligns with the expected GDP. We estimate the cost-to-income ratio to gradually climb to 46.9% in 2026, with slight income growth. Meanwhile, the expected dividend payout ratio is 28.3-28.4% p.a., increasing slightly from the 2023 dividend payout ratio of 27.4%.

### Maintain HOLD call for expected dividend yields of c4-5% p.a.

We reiterate our HOLD call regarding its limited potential upside but attractive dividend yield of c4-5% p.a. Despite trading at merely 0.5x P/BV, we see no catalysts for its share price to re-rate to its average 5Y P/BV of 0.8x. Our 2024 GGM-based TP of THB140 implies a P/BV of 0.60x (LT-ROE 8.0%, COE 12.6%).

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	55,845	57,945	62,998	68,447
Net profit	42,405	44,510	48,574	52,959
EPS (THB)	17.52	18.39	20.07	21.88
vs Consensus (%)	-	2.8	5.8	5.9
Recurring net profit	42,405	44,510	48,574	52,959
Core EPS (THB)	17.52	18.39	20.07	21.88
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	18.6	5.0	9.1	9.0
Core P/E (x)	7.0	6.6	6.1	5.6
Dividend yield (%)	3.9	4.3	4.7	5.1
Price/book (x)	0.5	0.5	0.5	0.5
ROE (%)	8.2	8.1	8.4	8.7
ROA (%)	1.1	1.1	1.1	1.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.6)	(5.8)	(16.2)
Relative to country (%)	(4.5)	(5.6)	2.4
Mkt cap (USD m)	8,124		
3m avg. daily turnover (USD m)	41.8		
Free float (%)	80		
Major shareholder	Thai NVDR (16%)		
12m high/low (THB)	148.50/119.00		
Issued shares (m)	2,369		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We have a negative view of KBANK's 2024 business outlook after the release of its 4Q23 results due to the following:

- Its 2024 lending strategy to focus mainly on corporate loans and slow down the high-yield, SME, and retail segments while retaining a high credit cost level, pressuring its 2024-25E ROE;
- The 2024-25E loan growth and cost-to-income ratio are vulnerable factors that caused the downside to our projections;
- Despite trading at merely 0.5x P/BV, we see no catalysts for its share price to re-rate to its average 5Y P/BV of 0.8x.

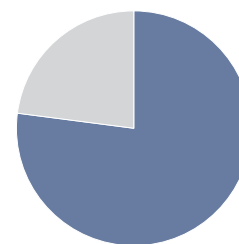
## Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. In 3Q23, KBANK's branch numbers declined to 813 from 2019 in 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, 2023)

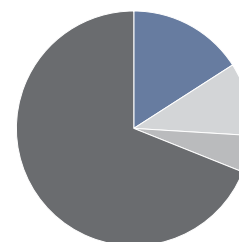
- Net interest income - 77.1 %
- Non-interest income - 22.9 %



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;
- The 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. Upside risks are 1) government stimulus projects leading to economic recovery; and 2) rising NIM from well-controlled cost of funds.

## Event calendar

Date	Event
Apr 2024	1Q24 results announcement

## Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
Net profit (THB m)	44,510	48,574	52,959
Net profit growth (%)	5.0	9.1	9.0
NIM (%)	3.69	3.69	3.69
Loan growth (%)	3.0	3.0	3.0
Fee growth (%)	0.8	1.0	1.0
Non-NII growth (%)	3.8	1.7	2.0
Credit cost (bp)	200.0	180.0	160.0
Cost to income (%)	45.4	46.2	46.9
NPL ratio	4.07	4.21	4.35

Source: FSSIA estimates

## Earnings sensitivity

		----- 2024E -----		
Loan growth	±2ppt	1	3	5
% change in net profit		(1.7)		1.7
NIM (%)	±5bp	3.64	3.69	3.74
% change in net profit		(3.8)		3.8
Credit cost (bp)	±10bp	190	200	210
% change in net profit		(4.6)		(4.6)

Source: FSSIA estimates

## "Three and Plus-one strategies" to strengthen credit and fee income

KBANK's analyst meeting was mainly focused on the 2024 guidance disclosure and its medium to long-term plans under its "Three and Plus One" strategies, as shown in Exhibit 1, to achieve a double-digit ROE in 2026. For 2024 guidance, most targets are relatively maintained with 2023's – NIM, cost-to-income ratio, and NPL ratio – except for loan growth (lower), net fee income (higher), and credit cost (slightly lower upper bound), as shown in Exhibit 2.

Regarding loan growth, KBANK remains prudent and cautious in its credit policy. Moreover, it will focus on growing quality loans to the corporate segment, increasing secured loans, growing loan volume for new and existing customers, and implementing its regional expansion strategy.

For fee income growth, the key drivers are from two areas: bancassurance and wealth management by offering full-suite investment products, providing comprehensive bancassurance products, enhancing wealth management functions on K Plus, etc.

### Exhibit 1: KBANK's roadmap to 10% ROE target by 2026



Source: KBANK

## Stable NPL ratio with a high level of credit cost

The 2024 credit cost guidance shows a lower upper bound compared to 2023's due mainly to its continued proactive asset quality clean-up and prudent financial policy, reflecting that credit costs had already peaked in 2022 and gradually decreased in 2023-24E, but remain high to cover future uncertainties. KBANK reiterates that its credit costs will reach a normalized level of 140-160bp in 2025 with a stable NPL ratio amid the uncertain economic recovery.

## The double-digit ROE target is still very challenging.

We view its guidance to raise ROE to the double-digit level by 2026 without giving a clear picture of capital management – increasing the payout ratio to reduce the capital base – as challenging. Regarding our current forecast, we expect a 2026 ROE of 8.7%, with net profit growth averaging 7.7% CAGR during 2023-26 due mainly to credit costs dropping to 160bp, while NIM and fee income should remain stable. The expected loan growth of 3% p.a. aligns with the expected GDP. We estimate the cost-to-income ratio to gradually climb to 46.9% in 2026, with slight income growth. Meanwhile, the expected dividend payout ratio is 28.3-28.4% p.a., increasing slightly from the 2023 dividend payout ratio of 27.4%.

## Exhibit 2: 2024E – FSSIA estimates vs KBANK guidance

Key financial guidance	KBANK 2023	KBANK 2023E	KBANK 2024E	FSSIA 2024E
NIM	3.66%	3.3-3.45%	3.3-3.45%	3.69%
Loan growth	-0.19%	5-7%	3-5%	3.00%
Net fee income growth	-5.17%	Flat	Mid to high- single digits	0.79%
Cost to income	44.10%	Low to mid-40s	Low to mid-40s	45.38%
Credit cost (bp)	208bps	175-200	175-195	200
NPL ratio	3.19%	< 3.25%	< 3.25%	4.07%
ROE	8.29%	n/a	n/a	8.1%
ROA	0.99%	n/a	n/a	1.0%
Dividend policy	Not less than 25%; dividend payout on consolidated net profit			28.3%

Sources: KBANK; FSSIA estimates

## Maintain HOLD call for expected dividend yields of c4-5% p.a.

We reiterate our HOLD call regarding its limited potential upside but attractive dividend yield of c4-5% p.a. Despite trading at merely 0.5x P/BV, we see no catalysts for its share price to re-rate to its average 5Y P/BV of 0.8x. Our 2024 GGM-based TP of THB140 implies a P/BV of 0.60x (LT-ROE 8.0%, COE 12.6%).

## Exhibit 3: KBANK – 4Q23 results

Year end Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2022	2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)
Net interest income	36,148	34,875	36,701	38,019	38,849	2.2	7.5	132,998	148,444	11.6
Non-interest income	13,252	11,699	11,369	9,096	12,046	32.4	(9.1)	40,259	44,210	9.8
Fee income - net	7,779	8,114	7,714	7,803	7,550	(3.2)	(3.0)	32,882	31,181	(5.2)
Total operating income	49,399	46,574	48,070	47,115	50,895	8.0	3.0	173,258	192,654	11.2
Total operating expenses	21,042	19,793	20,847	19,821	24,508	23.6	16.5	74,753	84,968	13.7
PPOP before tax	28,358	26,781	27,223	27,294	26,387	(3.3)	(6.9)	98,505	107,685	9.3
Expected credit loss	22,784	12,692	12,784	12,793	13,572	6.1	(40.4)	51,919	51,840	(0.2)
Income tax	933	2,562	2,760	2,838	2,617	(7.8)	180.6	8,633	10,778	24.9
Non-controlling interest	1,450	786	685	381	810	112.7	(44.1)	2,183	2,662	21.9
Net profit	3,191	10,741	10,994	11,282	9,388	(16.8)	194.2	35,769	42,405	18.6
EPS (THB)	1.35	4.53	4.64	4.76	3.96	(16.8)	194.2	14.78	17.52	18.6
<b>Key ratios</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>----- Change -----</b>		<b>2022</b>	<b>2023</b>	<b>Change</b>
<b>Asset quality ratio</b>	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(%)	(y-y %)
Gross NPLs (THB m)	93,344	88,740	93,834	87,383	92,064	5.4	(1.4)	93,344	92,064	(1.4)
Change (% from prior period)	5.6	(4.9)	5.7	(6.9)	5.4			(12.1)	(1.4)	
NPL ratios (%) - reported	3.19	3.04	3.20	3.11	3.19			3.19	3.19	
NPL ratio (%)*	3.74	3.60	3.83	3.58	3.70			3.74	3.70	
Coverage ratio (%) - reported	154	157	147	155	152			154	152	
Coverage ratio (%)*	143	144	137	149	145			143	145	
Credit cost (bp)	368	205	208	209	220			211	208	
<b>Profitability ratio</b>	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Cost to income ratio	42.6	42.5	43.4	42.1	48.2			43.1	44.1	
Average yield (%)	4.16	4.22	4.49	4.69	4.82			3.80	4.53	
Cost of funds (%)	0.71	1.02	1.15	1.25	1.34			0.63	1.19	
NIM (%) - reported	3.33	3.46	3.63	3.76	3.83			3.33	3.66	
NIM (%)*	3.63	3.47	3.64	3.77	3.84			3.34	3.66	
Non-interest income/total income (%)	26.8	25.1	23.7	19.3	23.7			23.2	22.9	
<b>Liquidity ratio</b>	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Loan to deposit	90.8	90.8	90.4	90.9	92.3			90.8	92.3	
Loan to deposit & borrowing (LDBR)	84.0	83.1	82.3	82.8	84.1			84.0	84.1	
<b>Capital adequacy ratio</b>	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
CAR	18.8	18.9	19.0	19.6	19.4			18.8	19.4	
CET 1/ Risk assets	15.9	15.9	16.1	16.7	16.5			15.9	16.5	
Tier 2 / Risk assets	2.0	2.0	2.0	2.0	2.0			2.0	2.0	
<b>Loan growth</b>	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
q-q	1.2	(1.2)	(0.6)	(0.5)	2.1					
y-y	3.0	0.3	(1.6)	(1.1)	(0.2)			3.0	(0.2)	
Year-to-date	3.0	(1.2)	(1.8)	(2.3)	(0.2)					

Sources: KBANK; FSSIA's compilation

**Exhibit 4: KBANK – Staged loans and ECL**

	2021 (THB m)	2022 (THB m)	2023 (THB m)	2021 (%)	2022 (%)	2023 (%)
<b>Staged loans</b>			<b>% Staged loans</b>			
Stage 1	2,130,347	2,229,656	2,227,973	87.37	88.78	88.93
Stage 2	201,878	188,303	185,331	8.28	7.50	7.40
Stage 3	106,187	93,344	92,064	4.35	3.72	3.67
Total	2,438,412	2,511,303	2,505,368	100.00	100.00	100.00
<b>Allowance for ECL</b>			<b>% ECL to staged loans</b>			
Stage 1	47,459	46,612	45,546	2.23	2.09	2.04
Stage 2	51,060	46,075	43,822	25.29	24.47	23.65
Stage 3	46,253	40,842	44,508	43.56	43.75	48.34
Total	144,772	133,529	133,876	5.94	5.32	5.34
<b>LLR / Loans</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
Stage 1	2.23	2.09	2.04			
Stage 2	25.29	24.47	23.65			
Stage 3	43.56	43.75	48.34			
Total	5.94	5.32	5.34			
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
NPL / TL	4.35	3.72	3.67			
NPL vs. Stage 2 loans / TL	12.63	11.22	11.07			
LLR / NPL	136.34	143.05	145.42			
LLR / (NPL vs. Stage 2 loans)	46.99	47.41	48.26			

Sources: KBANK; FSSIA's compilation

**Exhibit 5: GGM-based 2024 TP**

<b>Gordon Growth Model</b>	
Sustainable ROE	8.0%
g	1.0%
ROE-g	7.0%
Beta	1.20
Risk free rate	3.0%
Market Risk premium	8.0%
COE	12.6%
COE-g	11.6%
ROE-g/COE-g	0.60

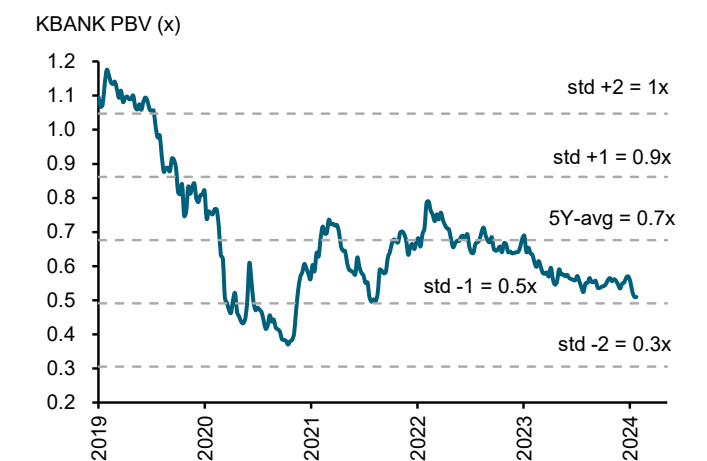
Sources: FSSIA estimates

**Exhibit 6: Share price performance of banks under coverage, as of 26 January 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	(10.54)	(11.67)	(17.65)	(13.85)	(10.54)
<b>KBANK TB</b>	<b>(9.63)</b>	<b>(7.58)</b>	<b>(2.40)</b>	<b>(17.29)</b>	<b>(9.63)</b>
KKP TB	(2.49)	0.00	(12.11)	(30.25)	(2.49)
KTB TB	(12.50)	(15.26)	(21.08)	(10.06)	(12.50)
SCB TB	(0.47)	5.50	(4.95)	(2.76)	(0.47)
TISCO TB	(1.25)	2.34	(1.01)	(4.37)	(1.25)
TTB TB	6.59	5.95	5.33	22.76	6.59
SETBANK	(5.28)	(4.71)	(9.44)	(9.09)	(5.28)
SET	(3.37)	(1.45)	(11.35)	(18.63)	(3.37)

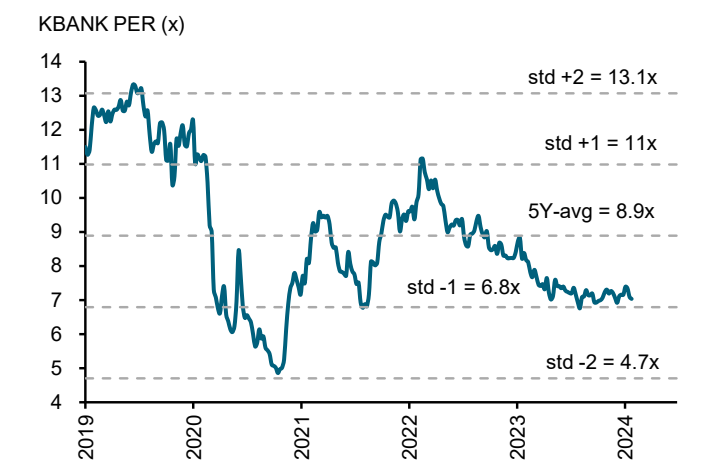
Sources: Bloomberg

**Exhibit 7: KBANK – one-year prospective PBV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: KBANK – one-year prospective PER band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 9: Regional bank peers comparison, as of 26 January 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	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	140.00	191.00	36	7,511.1	6.4	6.4	0.5	0.5	8.1	7.7	4.6	4.6
Kasikornbank	KBANK TB	122.00	140.00	15	8,124.4	7.0	6.6	0.5	0.5	8.2	8.1	3.9	4.3
Krung Thai Bank	KTB TB	16.10	19.90	24	6,324.4	6.1	6.0	0.6	0.5	9.4	9.0	4.7	4.8
SCB X	SCB TB	105.50	118.00	12	9,984.3	8.2	8.1	0.7	0.7	9.3	9.0	7.1	7.3
TMBThanachart Bank	TTB TB	1.78	2.19	23	4,846.1	9.3	10.5	0.8	0.7	8.2	7.0	5.4	5.4
Kiatnakin Bank	KKP TB	49.00	50.60	3	1,166.2	7.6	7.2	0.7	0.6	9.2	9.3	6.6	7.1
Tisco Financial Group	TISCO TB	98.50	97.00	(2)	2,216.6	10.8	11.7	1.9	1.8	17.1	15.7	8.1	8.1
<b>Thailand weighted average</b>					<b>5,739</b>	<b>9.1</b>	<b>9.0</b>	<b>0.8</b>	<b>0.7</b>	<b>8.8</b>	<b>8.4</b>	<b>4.4</b>	<b>4.5</b>
<b>Hong Kong</b>													
Industrial & Comm Bank of China	1398 HK	3.82	n/a	n/a	237,719.4	3.6	3.5	0.4	0.3	10.7	10.3	8.7	8.8
China Construction Bank	939 HK	4.66	n/a	n/a	153,872.8	3.3	3.2	0.4	0.3	11.5	11.1	9.2	9.5
HSBC Holdings	5 HK	60.70	n/a	n/a	150,399.6	6.1	5.9	0.9	0.8	15.7	15.5	8.3	10.1
Bank of China	3988 HK	2.97	n/a	n/a	159,075.1	3.7	3.6	0.4	0.3	10.1	9.8	8.6	8.8
<b>Hong Kong average</b>					<b>175,267</b>	<b>4.2</b>	<b>4.0</b>	<b>0.5</b>	<b>0.5</b>	<b>12.0</b>	<b>11.7</b>	<b>8.7</b>	<b>9.3</b>
<b>China</b>													
Industrial & Comm Bank of China	601398 CH	5.09	n/a	n/a	237,855.2	5.3	5.0	0.5	0.5	10.6	10.2	6.0	6.1
Agricultural Bank of China	601288 CH	3.86	n/a	n/a	185,957.1	5.4	5.1	0.6	0.5	11.1	10.7	5.9	6.1
China Construction Bank	601939 CH	6.84	n/a	n/a	153,960.7	5.3	5.1	0.6	0.5	11.5	11.1	5.7	5.9
Bank of China	601988 CH	4.28	n/a	n/a	159,166.0	5.8	5.6	0.6	0.5	10.2	9.9	5.4	5.6
<b>China average</b>					<b>184,235</b>	<b>5.4</b>	<b>5.2</b>	<b>0.6</b>	<b>0.5</b>	<b>10.8</b>	<b>10.5</b>	<b>5.7</b>	<b>5.9</b>
<b>South Korea</b>													
KB Financial Group	105560 KS	53,800	n/a	n/a	16,797.0	4.4	4.2	0.4	0.4	9.5	9.1	5.8	6.1
Shinhan Financial Group	055550 KS	39,800	n/a	n/a	15,547.8	4.7	4.4	0.4	0.4	9.1	8.9	5.2	5.6
Hana Financial Group	086790 KS	44,850	n/a	n/a	10,134.3	3.8	3.6	0.4	0.3	9.8	9.7	7.4	8.0
Industrial Bank of Korea	024110 KS	11,900	n/a	n/a	7,170.2	3.6	3.5	0.3	0.3	9.4	9.2	8.1	8.6
<b>South Korea average</b>					<b>12,412</b>	<b>4.1</b>	<b>3.9</b>	<b>0.4</b>	<b>0.3</b>	<b>9.4</b>	<b>9.2</b>	<b>6.6</b>	<b>7.1</b>
<b>Indonesia</b>													
Bank Central Asia	BBCA IJ	9,350	n/a	n/a	74,328.1	23.9	21.9	4.8	4.3	21.1	20.8	2.4	2.7
Bank Rakyat Indonesia Persero	BBRI IJ	5,425	n/a	n/a	52,905.2	14.2	12.4	2.6	2.4	19.0	20.3	5.4	6.2
Bank Mandiri Persero	BMRI IJ	6,300	n/a	n/a	37,615.3	11.5	10.5	2.3	2.1	21.1	21.1	4.2	5.4
Bank Negara Indonesia Persero	BBNI IJ	5,425	n/a	n/a	13,078.7	9.7	8.5	1.4	1.3	15.0	15.5	4.4	5.1
Bank Syariah Indonesia	BRIS IJ	1,995	n/a	n/a	6,177.5	18.0	15.2	2.6	2.2	15.3	16.0	0.8	1.1
<b>Indonesia average</b>					<b>36,821</b>	<b>15.5</b>	<b>13.7</b>	<b>2.7</b>	<b>2.5</b>	<b>18.3</b>	<b>18.7</b>	<b>3.4</b>	<b>4.1</b>
<b>Malaysia</b>													
Malayan Banking	MAY MK	9.14	n/a	n/a	23,508.5	11.9	11.5	1.3	1.2	10.5	10.6	6.5	6.7
Public Bank	PBK MK	4.37	n/a	n/a	18,056.5	12.5	11.9	1.6	1.5	13.0	12.8	4.2	4.4
CIMB Group Holdings	CIMB MK	6.18	n/a	n/a	14,047.3	9.7	9.1	1.0	0.9	10.4	10.4	5.6	6.0
Hong Leong Bank	HLBK MK	19.18	n/a	n/a	8,780.9	10.3	9.8	1.2	1.1	12.1	11.4	3.4	3.4
RHB Bank	RHBBANK MK	5.61	n/a	n/a	5,120.1	8.4	8.2	0.8	0.7	9.6	9.3	6.9	7.1
<b>Malaysia average</b>					<b>13,903</b>	<b>10.6</b>	<b>10.1</b>	<b>1.2</b>	<b>1.1</b>	<b>11.1</b>	<b>10.9</b>	<b>5.3</b>	<b>5.5</b>
<b>Singapore</b>													
DBS Group Holdings	DBS SP	32.10	n/a	n/a	61,849.6	8.2	8.4	1.4	1.3	17.5	16.1	6.5	7.1
Oversea-Chinese Banking	OCBC SP	12.98	n/a	n/a	43,345.9	8.2	8.1	1.0	1.0	13.2	12.7	6.4	6.6
United Overseas Bank	UOB SP	28.50	n/a	n/a	35,589.4	8.4	8.1	1.1	1.0	13.2	12.9	6.0	6.2
<b>Singapore average</b>					<b>46,928</b>	<b>8.2</b>	<b>8.2</b>	<b>1.2</b>	<b>1.1</b>	<b>14.6</b>	<b>13.9</b>	<b>6.3</b>	<b>6.6</b>
<b>Regional average (excl. Thailand)</b>					<b>75,282</b>	<b>8.4</b>	<b>7.9</b>	<b>1.1</b>	<b>1.1</b>	<b>12.8</b>	<b>12.6</b>	<b>5.9</b>	<b>6.3</b>
<b>Total average (incl. Thailand)</b>					<b>60,070</b>	<b>8.3</b>	<b>8.0</b>	<b>1.1</b>	<b>1.0</b>	<b>12.3</b>	<b>12.0</b>	<b>5.9</b>	<b>6.3</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

Kasikornbank

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	151,333	183,608	197,418	203,503	209,778
Interest expense	(18,334)	(35,164)	(44,660)	(46,102)	(47,515)
Net interest income	132,998	148,444	152,758	157,400	162,262
Net fees & commission	32,882	31,181	31,428	31,743	32,060
Foreign exchange trading income	0	0	0	0	0
Securities trading income	4,923	11,536	12,100	12,100	12,100
Dividend income	3,446	3,569	3,748	3,935	4,132
Other income	(991)	(2,076)	(1,386)	(1,092)	(695)
Non interest income	40,259	44,210	45,890	46,686	47,597
Total income	173,258	192,654	198,648	204,086	209,859
Staff costs	(34,602)	(40,274)	(42,691)	(45,252)	(47,967)
Other operating costs	(40,151)	(44,694)	(47,457)	(48,971)	(50,538)
Operating costs	(74,753)	(84,968)	(90,148)	(94,223)	(98,505)
Pre provision operating profit	98,505	107,685	108,500	109,863	111,354
Expected credit loss	(51,919)	(51,840)	(50,555)	(46,865)	(42,907)
Other provisions	-	-	-	-	-
Operating profit	46,585	55,845	57,945	62,998	68,447
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	46,585	55,845	57,945	62,998	68,447
Tax	(8,633)	(10,778)	(10,720)	(11,655)	(12,663)
Profit after tax	37,953	45,067	47,225	51,343	55,784
Non-controlling interest	(2,183)	(2,662)	(2,715)	(2,769)	(2,825)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	35,769	42,405	44,510	48,574	52,959
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	35,769	42,405	44,510	48,574	52,959
<b>Per share (THB)</b>					
Recurring EPS *	14.78	17.52	18.39	20.07	21.88
Reported EPS	14.78	17.52	18.39	20.07	21.88
DPS	4.00	4.80	5.20	5.70	6.20
<b>Growth</b>					
Net interest income (%)	11.4	11.6	2.9	3.0	3.1
Non interest income (%)	(8.4)	9.8	3.8	1.7	2.0
Pre provision operating profit (%)	6.7	9.3	0.8	1.3	1.4
Operating profit (%)	(10.4)	19.9	3.8	8.7	8.6
Reported net profit (%)	(6.0)	18.6	5.0	9.1	9.0
Recurring EPS (%)	(6.3)	18.6	5.0	9.1	9.0
Reported EPS (%)	(6.3)	18.6	5.0	9.1	9.0
<b>Income Breakdown</b>					
Net interest income (%)	76.8	77.1	76.9	77.1	77.3
Net fees & commission (%)	19.0	16.2	15.8	15.6	15.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	2.8	6.0	6.1	5.9	5.8
Dividend income (%)	2.0	1.9	1.9	1.9	2.0
Other income (%)	(0.6)	(1.1)	(0.7)	(0.5)	(0.3)
<b>Operating performance</b>					
Gross interest yield (%)	3.80	4.53	4.76	4.77	4.77
Cost of funds (%)	0.63	1.19	1.49	1.49	1.49
Net interest spread (%)	3.17	3.34	3.27	3.28	3.28
Net interest margin (%)	3.3	3.7	3.7	3.7	3.7
Cost/income(%)	43.1	44.1	45.4	46.2	46.9
Cost/assets(%)	1.8	2.0	2.1	2.1	2.1
Effective tax rate (%)	18.5	19.3	18.5	18.5	18.5
Dividend payout on recurring profit (%)	27.1	27.4	28.3	28.4	28.3
ROE (%)	7.3	8.2	8.1	8.4	8.7
ROE - COE (%)	(2.6)	(1.8)	(1.8)	(1.5)	(1.2)
ROA (%)	0.9	1.1	1.1	1.1	1.2
RORWA (%)	1.4	1.6	1.6	1.7	3.7

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

Sources: Kasikornbank; FSSIA estimates

## Financial Statements

Kasikornbank

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	2,495,077	2,490,398	2,565,110	2,642,063	2,721,325
Allowance for expected credit loss	(133,529)	(133,876)	(137,431)	(142,296)	(143,203)
interest in suspense	16,226	14,970	17,956	18,494	19,049
<b>Net customer loans</b>	<b>2,377,774</b>	<b>2,371,492</b>	<b>2,445,635</b>	<b>2,518,262</b>	<b>2,597,172</b>
Bank loans	502,536	569,008	586,078	603,661	621,771
Government securities	-	-	-	-	-
Trading securities	47,264	48,295	49,744	51,236	52,773
Investment securities	982,177	974,585	1,003,822	1,033,937	1,064,955
Cash & equivalents	57,115	48,690	50,317	42,810	45,949
Other interesting assets	-	-	-	-	-
Tangible fixed assets	111,105	114,698	117,540	120,455	123,444
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	168,398	156,789	160,454	164,272	168,252
<b>Total assets</b>	<b>4,246,369</b>	<b>4,283,556</b>	<b>4,413,591</b>	<b>4,534,632</b>	<b>4,674,316</b>
Customer deposits	2,748,685	2,699,562	2,780,549	2,863,965	2,949,884
Bank deposits	155,240	179,207	184,583	190,120	193,923
Other interest bearing liabilities	67,897	81,572	85,651	89,934	92,632
Non interest bearing liabilities	707,468	726,380	726,380	726,380	726,380
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,679,289</b>	<b>3,686,721</b>	<b>3,777,163</b>	<b>3,870,399</b>	<b>3,962,819</b>
Share capital	23,693	23,693	23,693	23,693	23,693
Reserves	479,577	508,591	541,729	562,433	601,887
<b>Total equity</b>	<b>503,270</b>	<b>532,285</b>	<b>565,422</b>	<b>586,127</b>	<b>625,581</b>
Non-controlling interest	63,810	64,551	71,006	78,106	85,917
<b>Total liabilities &amp; equity</b>	<b>4,246,369</b>	<b>4,283,556</b>	<b>4,413,591</b>	<b>4,534,632</b>	<b>4,674,316</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,746,673	2,827,147	2,912,970	2,992,857	0
Average interest earning assets	3,983,616	4,054,670	4,143,520	4,267,826	4,395,861
Average interest bearing liabilities	2,930,393	2,966,081	3,005,562	3,097,401	3,190,229
CET 1 capital	435,662	452,603	481,416	512,938	0
Total capital	489,814	506,755	535,568	567,090	0
Gross non performing loans (NPL)	93,344	98,344	104,344	111,344	118,344
<b>Per share (THB)</b>					
Book value per share	212.41	224.66	238.64	247.38	264.03
Tangible book value per share	212.41	224.66	238.64	247.38	264.03
<b>Growth</b>					
Gross customer loans	3.0	(0.2)	3.0	3.0	3.0
Average interest earning assets	7.3	1.8	2.2	3.0	3.0
Total asset (%)	3.5	0.9	3.0	2.7	3.1
Risk weighted assets (%)	4.4	2.9	3.0	2.7	nm
Customer deposits (%)	5.8	(1.8)	3.0	3.0	3.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	86.5	87.8	88.0	87.9	88.0
Equity/assets (%)	11.9	12.4	12.8	12.9	13.4
Tangible equity/assets (%)	11.9	12.4	12.8	12.9	13.4
RWA/assets (%)	64.7	66.0	66.0	66.0	-
CET 1 CAR (%)	15.9	16.0	16.5	17.1	-
Total CAR (%)	17.8	17.9	18.4	18.9	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	(12.1)	5.4	6.1	6.7	6.3
NPL/gross loans (%)	3.7	3.9	4.1	4.2	4.3
Allowance for ECL/gross loans (%)	5.4	5.4	5.4	5.4	5.3
Allowance for ECL/NPL (%)	143.1	136.1	131.7	127.8	121.0
<b>Valuation</b>					
Recurring P/E (x) *	8.3	7.0	6.6	6.1	5.6
Recurring P/E @ target price (x) *	9.5	8.0	7.6	7.0	6.4
Reported P/E (x)	8.3	7.0	6.6	6.1	5.6
Dividend yield (%)	3.3	3.9	4.3	4.7	5.1
Price/book (x)	0.6	0.5	0.5	0.5	0.5
Price/tangible book (x)	0.6	0.5	0.5	0.5	0.5
Price/tangible book @ target price (x)	0.7	0.6	0.6	0.6	0.5

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

Sources: Kasikornbank; FSSIA estimates

# Kasikornbank PCL (KBANK TB)

**FSSIA ESG rating**

★ ★ ★ ★ ★

## Exhibit 10: FSSIA ESG score implication

**84.17 /100**

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 11: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
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; FSSIA's compilation

## Exhibit 12: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>1.71</b>	<b>1.80</b>	<b>2.61</b>	<b>2.67</b>	<b>2.67</b>	<b>2.88</b>	<b>3.89</b>	<b>4.05</b>
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
<b>ESG disclosure score</b>	<b>53.57</b>	<b>53.91</b>	<b>59.49</b>	<b>57.60</b>	<b>57.60</b>	<b>58.20</b>	<b>58.20</b>	<b>59.77</b>
Environmental disclosure score	29.54	29.54	33.55	37.48	37.48	40.86	40.86	40.86
Social disclosure score	34.89	35.91	48.67	39.06	39.06	37.48	37.48	42.20
Governance disclosure score	96.12	96.12	96.12	96.12	96.12	96.12	96.12	96.12
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	Yes	Yes	Yes	Yes	Yes	Yes
GHG scope 1	9	18	25	21	21	19	16	11
GHG scope 2 location-based	91	82	80	87	83	79	74	70
GHG Scope 3	0	0	0	1	1	1	1	1
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	221	140	240	237	229	213	187	189
Renewable energy use	—	—	11	11	7	10	8	27
Electricity used	—	—	—	—	—	—	—	—
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

## Exhibit 13: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	0	0	1	1	2	0
Total waste	9	6	6	8	7	6	5	5
Waste recycled	—	—	—	1	2	2	3	2
Waste sent to landfills	—	—	—	7	5	4	3	3
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	270	283	158
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pct women in workforce	66	68	68	69	69	70	70	70
Pct disabled in workforce	—	—	0	0	0	0	0	0
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	0	0	0	0	0	0
Total recordable incident rate - employees	0	0	0	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	21,484	21,029	20,839	20,646	20,407	19,819	19,029	18,648
Employee turnover pct	17	17	10	8	6	3	7	8
Total hours spent by firm - employee training	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
<b>Governance</b>								
<b>Board size</b>	<b>17</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>
<b>No. of independent directors (ID)</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>6</b>
No. of women on board	5	6	6	6	7	7	7	8
No. of non-executive directors on board	14	13	12	12	12	13	13	13
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	12	12	12	12	12	15	13	12
Board meeting attendance pct	98	95	95	95	97	97	97	96
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	45	46	47	48	40	41	42	43
Age of the oldest director	71	72	72	70	71	72	68	68
<b>No. of executives / company managers</b>	<b>16</b>	<b>15</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>15</b>	<b>14</b>	<b>16</b>
No. of female executives	5	3	4	4	5	5	5	6
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on audit committee	4	4	4	4	4	4	4	4
Audit committee meetings	12	12	12	12	12	12	12	12
Audit meeting attendance %	90	100	96	90	98	98	100	98
<b>Size of compensation committee</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>3</b>
No. of ID on compensation committee	3	3	2	2	2	2	3	2
No. of compensation committee meetings	9	9	10	8	9	10	11	10
Compensation meeting attendance %	94	86	95	96	100	100	100	100
<b>Size of nomination committee</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>6</b>
No. of nomination committee meetings	9	6	4	4	5	4	4	6
Nomination meeting attendance %	94	94	94	100	90	95	100	93
<b>Sustainability governance</b>								
Verification type	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.																											
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. 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+																	
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: 20px;"> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></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> </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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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

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

Source: FSSIA's compilation

## 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 122.00	HOLD	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. Upside risks are 1) government stimulus projects leading to economic recovery; and 2) rising NIM from well-controlled cost of funds.
Bangkok Bank	BBL TB	THB 140.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) an impact of new regulations from the Bank of Thailand.
Krung Thai Bank	KTB TB	THB 16.10	HOLD	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. Upside risks are 1) broad-based economic recovery supporting higher loan growth; and 2) asset quality improvement, mainly from the retail segment, reducing its ECL burdens. By contrast, upside risks comprise better economic conditions and strengthening asset quality.
SCB X	SCB TB	THB 105.50	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.
TMBThanachart Bank	TTB TB	THB 1.78	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 49.00	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.
Tisco Financial	TISCO TB	THB 98.50	HOLD	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. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.

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.

All share prices are as at market close on 26-Jan-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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