

Kasikornbank (KBANK TB)

FUNDAMENTAL VIEW ¹

As of 22 Dec 2023

- Kasikornbank (KBank; Baa1(stb)/BBB(stb)/BBB(stb)) is a historically sound and profitable bank.
- Capitalisation is strong and the bank has among the highest CASA ratios in the banking sector. However, asset quality took a surprise turn for the worse in 4Q22 due to its larger SME exposure, and credit costs have remained elevated in 9M23.
- Margins are the highest among the Thai banks we cover as a result of its strong SME franchise, but the NIM has been falling steadily over the past 5 years as a result of strong competition. Rising base rates in 2023 have provided a boost, but the bank is now focusing growth on the safer but lower yielding segments to diversify its exposure.

RISKS & CATALYSTS

As of 22 Dec 2023

- High household debt and challenged SMEs remain longstanding issues in Thailand. KBank's higher NIM and low-40% cost-income ratio provide comfortable room for elevated 9M23 credit costs (~200 bp) to be absorbed and a similar level of returns as peers to be maintained, but the sluggish Thai economic recovery may keep credit costs high due to its larger Blue scheme and SME books, thereby limiting further returns improvement relative to peers. The balance sheet cleanup effort, which began in 4Q22, is also continuing into 2024.
- Loan growth has been middling across the Thai banks due to a combination of easing pent-up retail demand, a focus on quality given elevated household debt and challenged SMEs, and balance sheet cleanups.
- NIM expansion going forward may be more limited as well due to difficulty in passing on rate hikes in full to the non-corporate segments without asset quality ramifications, and a shift in focus away from the higher yielding unsecured retail and SME segments given asset quality pressure.

CREDIT QUALITY SCORE (CQS) ²

As of 08 Apr 2024

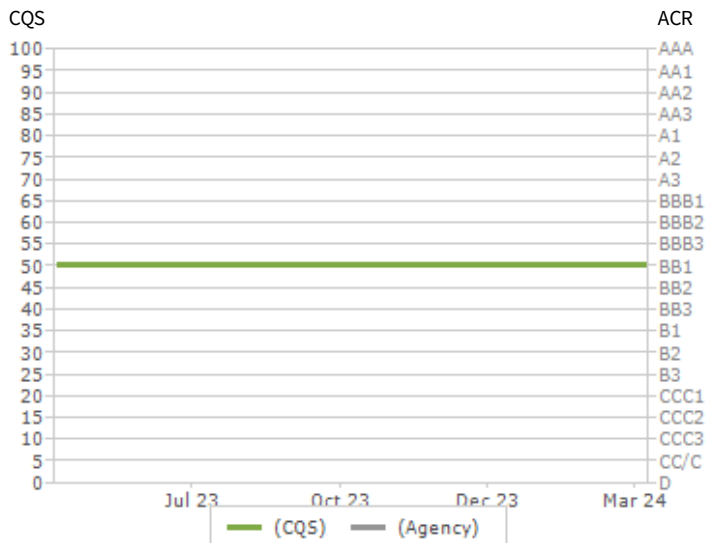
CURRENT CQS

50

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 22 Dec 2023

THB MN	FY19	FY20	FY21	FY22	9M23
PPP ROA	2.72%	2.44%	2.38%	2.36%	2.55%
ROA	1.20%	0.85%	0.98%	0.86%	1.03%
ROAE	9.9%	7.0%	8.3%	7.3%	8.6%
Equity / Assets	13.8%	13.4%	13.1%	13.4%	13.8%
CET1 Ratio	16.2%	15.5%	15.5%	15.9%	16.7%
Gross NPL ratio	3.65%	3.93%	3.76%	3.19%	3.11%
Provisions / Loans	1.74%	2.05%	1.73%	2.11%	2.07%
Gross LDR	97%	96%	93%	91%	91%

BUSINESS DESCRIPTION

As of 22 Dec 2023

- Kbank is currently the second largest bank in Thailand. It briefly was the largest from 2018 until mid-2020, upon which Bangkok Bank completed its acquisition of Indonesia's Bank Permata and took its place.
- KBank's history can be traced back to 1945 when it was first established as Thai Farmers Bank. It was listed on the Stock Exchange of Thailand in 1976 and changed its name to Kasikornbank in 2003.
- As of end-June 2023, the bank's loan mix by segment consists of 35% corporate, 31% SME, 28% retail and 6% others.
- KBank is known for its strong SME franchise. Its focus industries in SME are construction, construction materials, food & beverage, and hardware.
- It partially owns a life insurance company, Muang Thai Life.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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