

Kasikornbank (KBANK TB)

FUNDAMENTAL VIEW ¹

As of 18 Jun 2024

- 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 remain elevated.
- Margins are leading 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 18 Jun 2024

- High household debt and challenged SMEs remain longstanding issues in Thailand, but KBANK's higher NIM and low-40% cost-income ratio provide comfortable room to absorb its higher credit costs and maintain a similar level of returns as peers.
- Loan growth has been middling across the Thai banks due to a focus on quality given elevated household debt and challenged SMEs, and a larger and prolonged balance sheet cleanup at KBANK which is slated to be completed by YE24.
- KBANK expects to be able to maintain a flat FY24 NIM even as peak NIMs have been hit in 4Q23, supported by its higher CASA funding mix, as well as larger retail and SME loan book should rate cuts come through this year. However, its continued pivot away from the higher yielding unsecured retail and SME segments and recent guidance from authorities to reduce borrowing rates for vulnerable pockets of SME and retail customers and improve their lending access present some headwind.

CREDIT QUALITY SCORE (CQS) ²

As of 16 Oct 2024

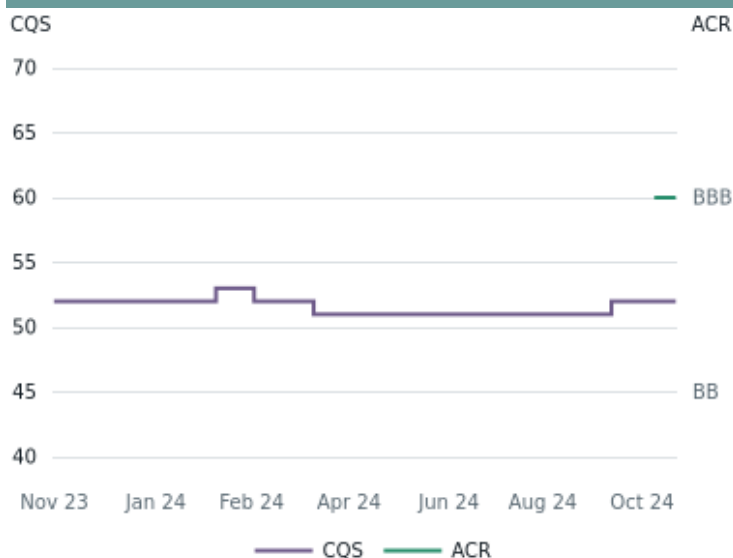
CURRENT CQS

52

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

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



KEY METRICS

As of 18 Jun 2024

THB MN	FY20	FY21	FY22	FY23	1Q24
PPP ROA	2.44%	2.38%	2.36%	2.52%	2.74%
ROA	0.85%	0.98%	0.86%	0.99%	1.25%
ROAE	7.0%	8.3%	7.3%	8.2%	10.0%
Equity / Assets	13.4%	13.1%	13.4%	13.9%	14.3%
CET1 Ratio	15.5%	15.5%	15.9%	16.5%	16.5%
Gross NPL ratio	3.93%	3.76%	3.19%	3.19%	3.19%
Provisions / Loans	2.05%	1.73%	2.11%	2.08%	1.89%
Gross LDR	96%	93%	91%	92%	91%
Liquidity Coverage Ratio	161%	174%	164%	n/m	n/m

BUSINESS DESCRIPTION

As of 18 Jun 2024

- 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-March 2024, the bank's loan mix by segment consists of 38% corporate, 28% SME, 27% retail and 7% 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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