

Kasikornbank (KBANK TB)

FUNDAMENTAL VIEW ¹

As of 27 Feb 2023

- Kasikornbank (KBank; Baa1(stb)/BBB(stb)/BBB(stb)) is a sound and historically profitable bank, partly supported by its SME book.
- Margins are good as a result of its strong SME franchise, though NIMs have been steadily falling over the past 5 years as a result of strong competition and the bank's efforts to diversify its exposure to a more balanced mix across the segments.
- 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 Q4 of 2022, and some uncertainty to KBank's asset quality trajectory remains in FY23.

RISKS & CATALYSTS

As of 27 Feb 2023

- Worries over the SME segment typically finds KBank in the limelight given its SME focus. However, we expect support measures for SMEs to remain in place until the economy is back on a stable footing, given the importance of SMEs to the Thai economy.
- Risks from prolonged forbearance measures and high household debt remain for the Thai banks, but our view on asset quality and margin pressure is more sanguine now as China's earlier than expected reopening brightens the outlook for Thai tourism and overall growth this year, which in turn bodes well for consumer and SME health.
- However, KBank's asset quality trajectory is uncertain as management undertook a surprise sizable balance sheet cleanup in 4Q22 that led to credit costs exceeding guidance, and will continue with further cleanup efforts in 2023.

CREDIT QUALITY SCORE (CQS) ²

As of 20 Feb 2023

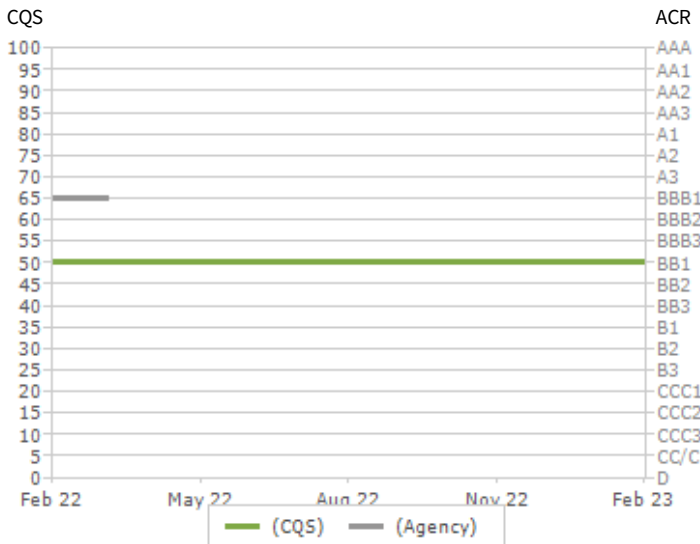
CURRENT CQS

50

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

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



KEY METRICS

As of 23 Feb 2023

THB MN	FY22	FY21	FY20	FY19	FY18
PPP ROA	2.36%	2.38%	2.44%	2.72%	2.88%
ROA	0.86%	0.98%	0.85%	1.20%	1.27%
ROAE	7.3%	8.3%	7.0%	9.9%	10.6%
Equity / Assets	13.4%	13.1%	13.4%	13.8%	13.2%
CET1 Ratio	15.9%	15.5%	15.5%	16.2%	15.9%
Gross NPL ratio	3.19%	3.76%	3.93%	3.65%	3.34%
Provisions / Loans	2.11%	1.73%	2.05%	1.74%	1.75%
Gross LDR	91%	93%	96%	97%	96%

BUSINESS DESCRIPTION

As of 23 Feb 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-Sep 2022, the bank's loan mix by segment consists of 35% corporate, 32% SME, 28% retail and 5% 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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