

# Kasikornbank (KBANK TB)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 06 Dec 2022

- 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, while the NPL ratio has been kept under control.

## RISKS & CATALYSTS

As of 06 Dec 2022

- 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.
- A sustained economic reopening and tourism rebound would provide tailwind for growth and asset quality. However, we are still cautious on the economic outlook for Thailand given the inflation and growth headwinds globally.
- S&P downgraded KBank by one notch to BBB in March 2022, citing rising systemic risk from prolonged economic sluggishness and a lack of concrete action to rein in high household debt in the country. We broadly agree with the increasing divergence in economic reality and the banks' reported asset quality ratios, with the gap filled by the forbearance/relief loans whose recovery prospects have become increasingly uncertain with time.

## CREDIT QUALITY SCORE (CQS) <sup>2</sup>

As of 27 Feb 2023

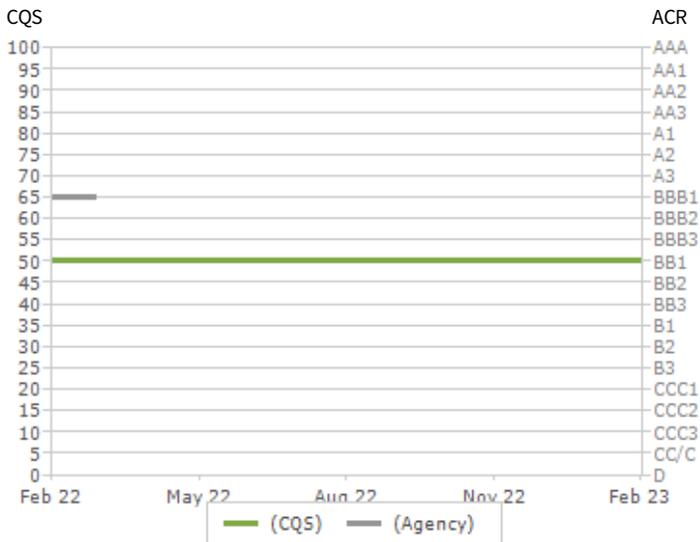
### CURRENT CQS

50

### CQS OUTLOOK <sup>3</sup>

NEGATIVE STABLE POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) <sup>4</sup> VS CQS



## KEY METRICS

As of 06 Dec 2022

THB MN	3Q22	FY21	FY20	FY19	FY18
PPP ROA	2.26%	2.38%	2.44%	2.72%	2.88%
ROA	1.05%	0.98%	0.85%	1.20%	1.27%
ROAE	9.0%	8.3%	7.0%	9.9%	10.6%
Equity / Assets	13.2%	13.1%	13.4%	13.8%	13.2%
CET1 Ratio	16.2%	15.5%	15.5%	16.2%	15.9%
Gross NPL ratio	3.07%	3.76%	3.93%	3.65%	3.34%
Provisions / Loans	1.58%	1.73%	2.05%	1.74%	1.75%
Gross LDR	93%	93%	96%	97%	96%

## BUSINESS DESCRIPTION

As of 06 Dec 2022

- 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-Jun 2022, the bank's loan mix by segment consists of 35% corporate, 33% SME, 28% retail and 4% 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

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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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