

# Company Update

Tuesday, April 23, 2024



I V Global Securities Public Company Limited

## Kasikornbank Plc (KBANK)

Rating: BUY

Fair price: Bt144.4

Close price: Bt124.0

### Company Information

<b>Ticker:</b>	<b>KBANK TB</b>
Sector:	Financials
Shares outstanding (m):	2,369.33
Market capitalization (Btm):	293,796.62
Trading vol/day (Btm):	1,499.82
Free float (%):	79.66
Beta:	0.72

### Major Shareholders

Thai NVDR	14.06%
State Street Bank Europe Limited	9.24%
South-East Asia UK	5.23%

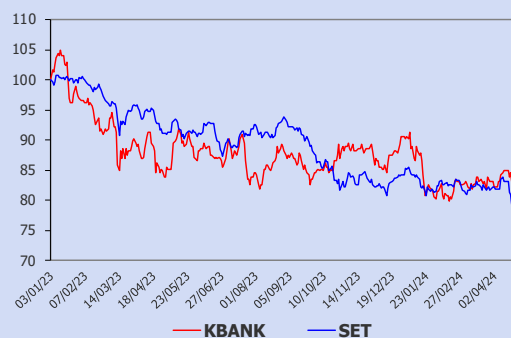
### Consensus Bloomberg

2024F EPS (Bt):	18.60
Target price (Bt):	140.73

### Price Performance

52 Wk high/low:	138.0 / 118.5
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	1M	3M	1Y	YTD
Absolute (%)	0.0	2.9	-3.5	-8.1
Relative (%)	2.3	4.4	9.9	-3.5



Rating	CGR	Thai CAC	SET ESG
KBANK		Certified	AAA

### Analyst

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## Solid 1Q24 performance

- KBANK posted a net profit of Bt13.5bn (EPS of Bt5.69) for 1Q24 (+25.6% YoY and +43.7% QoQ). The 1Q24 results came in better than the Bloomberg consensus estimate of Bt11.3bn. The strong performance was largely driven by a decline in expected credit losses (ECL) to Bt11.7bn (-7.9% YoY and -13.9% QoQ). The 1Q24 results made up 30% of our full-year estimate.
- Pre-provision operating profit (PPOP) rose by 9.9% YoY and 11.6% QoQ to Bt29.4bn, thanks to rising net-interest income (YoY) and declining operating expenses (QoQ).
- Asset quality.** Gross NPLs fell 1.0% QoQ to Bt93.3bn. NPL ratio was stable QoQ at 3.19% of loans at end-March 2024. The bank wrote off Bt9.1bn during 1Q24 versus Bt5.1bn in 4Q23. ECL fell 7.9% YoY and 13.9% QoQ to Bt11.7bn, suggesting credit costs at 189bps of loans in 1Q24 versus a target of 175-195bps. The loan-loss-coverage ratio declined a bit QoQ from 152.2% at end-4Q23 to 150.4% at end-1Q24. The ECL set aside was in alignment with the consistently prudent approach of them being at a suitable level, reflecting the current situation and supporting uncertainties regarding various factors that may affect the domestic economic recovery.
- Loan growth.** Net loans fell by 1.1% YTD as of the end of March 2024 due to declining SME and credit card loans. The bank continues to focus on growing quality loans and improving risk-adjusted returns.
- NIM** fell by 7bps QoQ to 3.76% in 1Q24. The average yield on earning assets fell 6bps QoQ to 4.74%, while the average cost of funds rose 3bps QoQ to 1.35%.
- Non-interest income.** Net fee income grew 2.3% YoY due to increases in fees from fund management; acceptance, aval, and guarantee fees; and fees from the card business, while brokerage fees decreased. The 9% QoQ increase in net fee income was from electronic collection, fees from fund management, and increasing acceptance, aval, and guarantee fees. However, net premium earnings from the insurance business fell YoY and QoQ on market competitive environment.
- Cost-to-income ratio** was at 41.3% in 1Q24, compared with 42.5% in 1Q23 and 48.2% in 4Q23. The QoQ decline in absolute opex of 15.5% to Bt20.7bn was mainly due to a decrease in IT-related expenses, the seasonal nature of marketing expenses, collaboration in marketing expenses with business partners, and advertising expenses.
- Capital adequacy.** Total CAR was at 19.4%, with Tier-1 capital of 17.4%.
- Maintain BUY.** We prefer to maintain our earnings estimates and BUY rating with a price target of Bt144.4, based on 0.6x book at end-2024F. The shares are trading at a 2024F P/E multiple of 6.6x. We now assume a DPS of Bt6.60 for 2024, implying a solid yield of 5.3%. Downside risk to our earnings forecasts will depend on whether the economic recovery is slower than we currently expect.

### Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Net profit (Btm)	38,053	35,769	42,405	44,656	47,807	51,329
Change (%)	29.0	-6.0	18.6	5.3	7.1	7.4
PPOP (Btm)	92,305	98,505	107,685	107,642	105,494	107,589
Change (%)	8.7	6.7	9.3	0.0	-2.0	2.0
EPS (Bt)	16.06	15.10	17.90	18.85	20.18	21.66
Change (%)	29.0	-6.0	18.6	5.3	7.1	7.4
P/E (x)	7.7	8.2	6.9	6.6	6.1	5.7
DPS (Bt)	3.25	4.00	6.50	6.60	7.06	7.58
Yield (%)	2.6	3.2	5.2	5.3	5.7	6.1
BVPS (Bt)	201.20	212.41	224.66	239.46	253.08	268.08
P/BV (x)	0.6	0.6	0.6	0.5	0.5	0.5
ROAA (%)	1.0	0.9	1.0	1.0	1.1	1.1
ROAE (%)	8.3	7.3	8.2	8.1	8.2	8.3

Source: Company and IVG estimates

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## Results

Btm	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Net-interest income	38,528	34,875	10.5	38,849	(0.8)	148,444	132,998	11.6
Non-interest income								
Fee income	8,299	8,114	2.3	7,550	9.9	31,181	32,882	(5.2)
Net insurance premium	-1,722	-1,423	21.1	-1,185	45.3	-5,098	-3,229	57.9
Others	5,047	5,008	0.8	5,681	(11.2)	18,127	10,606	70.9
Total	11,624	11,699	(0.6)	12,046	(3.5)	44,210	40,259	9.8
Non-interest expense	20,713	19,793	4.6	24,508	(15.5)	84,968	74,753	13.7
ECL	11,684	12,692	(7.9)	13,572	(13.9)	51,840	51,919	(0.2)
PPOP	29,439	26,781	9.9	26,387	11.6	107,685	98,505	9.3
<b>Net profit</b>	<b>13,486</b>	<b>10,741</b>	<b>25.6</b>	<b>9,388</b>	<b>43.7</b>	<b>42,405</b>	<b>35,769</b>	<b>18.6</b>
EPS (Bt)	5.69	4.53	25.6	3.96	43.7	17.90	15.10	18.6

Source: Company and IVG estimates

## Key ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Net loan growth, YTD	(1.2)	(1.8)	(2.3)	(0.6)	(1.1)
Net loan growth, YoY	0.3	(1.6)	(1.1)	(0.6)	(0.1)
NIM	3.46	3.63	3.76	3.83	3.76
Fee income, YoY	(8.1)	(5.3)	(4.0)	(3.0)	(4.9)
Non-int income, YoY	32.0	19.7	5.2	(9.1)	(5.0)
Cost to income	42.5	43.4	42.1	48.2	41.3
Loan-to-deposit	90.8	90.4	90.9	91.9	91.2
Credit cost (bps)	204.7	208.1	209.4	220.7	188.7
NPL	3.04	3.20	3.11	3.19	3.19
LLR/NPL	156.7	147.3	154.9	152.2	150.4
Tier I	16.9	17.0	17.7	17.4	17.4
Total CAR	18.9	19.0	19.6	19.4	19.4

Source: Company and IVG estimates

## Quarterly performance

Btm	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Net interest income	31,751	32,012	33,088	36,148	34,875	36,701	38,019	38,849
Non-interest income								
Fee income	8,832	8,146	8,125	7,779	8,114	7,714	7,803	7,550
Net insurance premium	-1,887	159	-1,018	-483	-1,423	-1,126	-1,364	-1,185
Others	1,918	1,193	1,540	5,955	5,008	4,781	2,657	5,681
Total	8,863	9,498	8,647	13,252	11,699	11,369	9,096	12,046
Non-interest expense	17,391	18,070	18,251	21,042	19,793	20,847	19,821	24,508
Provisions	9,336	9,852	9,948	22,784	12,692	12,784	12,793	13,572
PPOP	23,223	23,441	23,484	28,358	26,781	27,223	27,294	26,387
<b>Net income</b>	<b>11,211</b>	<b>10,794</b>	<b>10,574</b>	<b>3,191</b>	<b>10,741</b>	<b>10,994</b>	<b>11,282</b>	<b>9,388</b>
EPS (Bt)	4.73	4.56	4.46	1.35	4.53	4.64	4.76	3.96

Source: Company

## Key ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Net loan growth, YTD	1.5	2.8	1.8	3.0	8.1	3.0	(0.6)
Net loan growth, YoY	6.8	4.5	0.8	3.0	8.1	3.0	(0.6)
NIM	3.19	3.21	3.33	3.62	3.21	3.33	3.66
Fee income, YoY	(6.4)	(5.0)	(5.1)	(11.1)	7.0	(6.9)	(5.2)
Non-int income, YoY	(25.5)	(14.7)	(6.0)	13.0	(4.2)	(8.4)	9.8
Cost to income	42.8	43.5	43.7	42.6	43.5	43.1	44.1
Loan-to-deposit	93.3	93.2	92.6	90.8	93.2	90.8	91.9
Credit cost (bps)	153.0	159.3	160.7	367.5	173.0	211.0	208.0
NPL	3.78	3.80	3.07	3.19	3.76	3.19	3.19
LLR/NPL	158.3	144.6	148.7	154.3	159.1	154.3	152.2
Tier I	16.4	16.4	17.2	16.8	16.5	16.8	17.4
Total CAR	18.3	18.4	19.2	18.8	18.8	18.8	19.4

Source: Company and IVG estimates

## KBANK

### E: Environmental

KBANK has realized its duty and responsibility in raising the awareness of all stakeholders on climate change risks, so that they can prepare themselves and seek new opportunities arising from climate change. As for KBANK, we have drawn up the Transition Plan to Net Zero in accordance with our commitment and goals

### S: Social

KBANK offers financial literacy to the public with the aim of enabling them to plan their finance in various aspects, such as savings and investment, in accordance with their risk appetite and lifestyle, while having sufficient financial stability. KBANK has formulated guidelines for creating financial literacy as follows:

- Providing knowledge and improving service processes to ensure that customers and stakeholders understand finance and do not incur debt beyond their repayment ability.
- Developing channels for communications and financial literacy that are convenient and accessible for all stakeholders.
- Enhancing employees' skills in communicating with customers or related stakeholders, refraining from inappropriate sales of financial products, or sales practices that do not respect customers/consumers

### G: Governance

KBANK Board of Directors is responsible for managing KBANK's business operations. The Board's decisions are independent, taking into account the highest benefit of KBANK, shareholders and all stakeholders. Every year, the Board approves the Vision, Purpose, Core Values and operational strategies, which covers sustainable development. The Board also approves strategic directions and policies of KASIKORNBANK FINANCIAL CONGLOMERATE, ensuring robust internal control and risk management processes while working with the Management in order to achieve strong operating performance and sustainable growth.

### Comment

KBANK has been awarded a SET ESG rating of AAA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

*Source: Company and IVG estimates*

## I V Global Investment Research – Recommendation Definitions

### Sector Recommendations

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

### Stock Recommendations

**BUY:** Expecting positive total returns of 15% or more over the next 12 months.




**HOLD:** Expecting total returns of not more than -10% to +10% over the next 3 months.

**SELL:** Expecting negative total returns of 15% or more over the next 12 months

## Anti-corruption Progress Indicator Definitions

<b>Level 5 Extended</b>	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
<b>Level 4 Certified</b>	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
<b>Level 3 Established</b>	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
<b>Level 2 Declared</b>	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
<b>Level 1 Committed</b>	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
<b>Partially progress</b>	Insufficient or not clearly defined policy
<b>No progress</b>	Data not available / no policy

## Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

## Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors, and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

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