

## Siam Commercial Bank (SCB TB)

FUNDAMENTAL VIEW <sup>1</sup>

As of 22 Dec 2023

- Siam Commercial Bank (SCB TB; Baa1(stb)/BBB(stb)/BBB(stb)) is seen as a sound and profitable bank. It has a slight focus on the retail segment and targets to increase margins by growing personal unsecured lending. Recent credit costs have been elevated in 9M23 due to the retail exposure.
- The capital buffer is strong with a CET1 ratio of 17.5% at the Holdco (SCB X) level and 16.6% at the Bank level at Sep-23. It announced a major business overhaul in September 2021 to establish a new parent company called SCB X to segregate the group's core banking services from its new fintech and digital businesses and to enable greater flexibility and independence.

## RISKS &amp; CATALYSTS

As of 22 Dec 2023

- The bank's new strategic direction is sensible given limited domestic growth opportunities, but it comes with execution risk since the fintech and platform space are new to SCB, as well as higher credit costs. However, we take comfort in the ringfencing of the bank unit (SCB) from the Group's riskier business units, and capital support to the Gen 2/3 businesses is subject to a minimum 16% CET1 ratio being maintained at the bank.
- High household debt and challenged SMEs remain as longstanding issues in Thailand. SCB X's higher NIM and low-40% cost-income ratio provide comfortable room to absorb its elevated 9M23 credit costs (~200 bp) and maintain a similar level of returns as peers, but the sluggish Thai economic recovery may keep credit costs high due to its larger Blue scheme and unsecured retail books, thereby limiting further returns improvement relative to peers.
- NIM expansion going forward may be more limited as well due to difficulty in passing on rate hikes in full to the large retail book without asset quality ramifications.

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

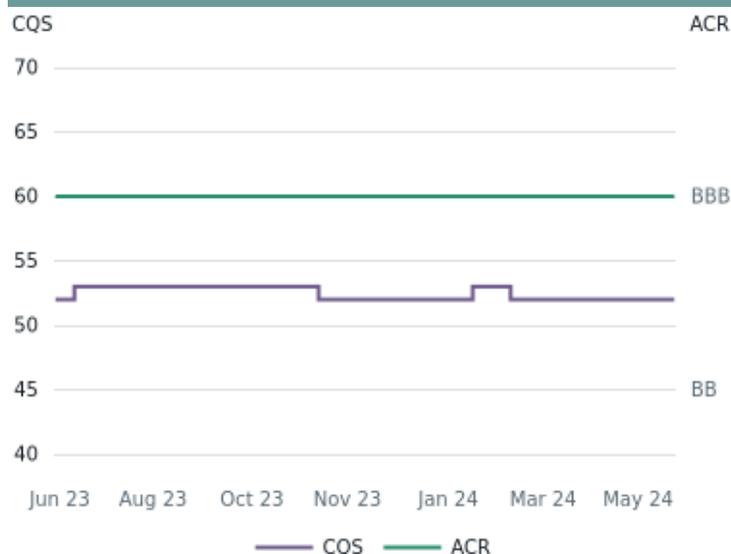
As of 17 May 2024

## CURRENT CQS

52

CQS OUTLOOK <sup>3</sup>

NEGATIVE STABLE POSITIVE

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

## KEY METRICS

As of 22 Dec 2023

THB MN	FY19	FY20	FY21	FY22	9M23
PPP ROA	3.11%	2.58%	2.63%	2.50%	2.94%
ROA	1.3%	0.9%	1.1%	1.1%	1.3%
ROE	10.4%	6.7%	8.4%	8.3%	9.3%
Equity/Assets	13.5%	12.6%	13.4%	13.5%	13.3%
CET1 Ratio	17.0%	17.2%	17.6%	17.7%	17.5%
Reported NPL ratio	3.41%	3.68%	3.79%	3.34%	3.30%
Provisions/Loans	1.70%	2.14%	1.84%	1.45%	1.89%
Gross LDR	98%	93%	93%	93%	96%

## BUSINESS DESCRIPTION

As of 22 Dec 2023

- Siam Commercial Bank was founded as the "Book Club" in 1904. In 1907, it started operating as a commercial bank and was renamed as "The Siam Commercial Bank". It completed its IPO on the Stock Exchange of Thailand in 1976.
- The bank is 23.35% owned by the King of Thailand, and a further 23.10% is owned by the Vayupak Fund 1, which is controlled by the government.
- SCB is the fourth largest Thai bank by assets and is known for its robust retail franchise.
- Its loan profile was 36% corporate, 17% SME, and 47% retail as of end-September 2023.

## 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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