

Siam Commercial Bank (SCB TB)

FUNDAMENTAL VIEW ¹

As of 22 Dec 2023

- Siam Commercial Bank (SCBTB; 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.

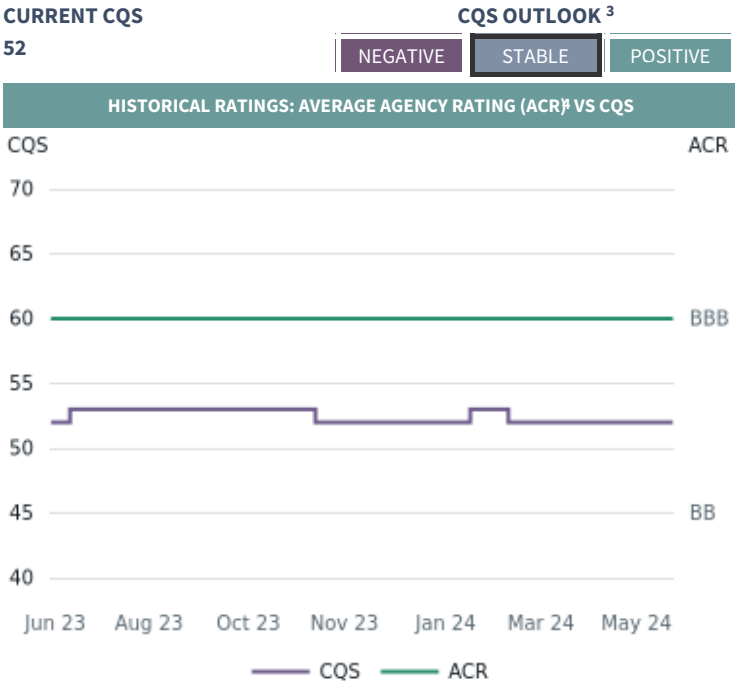
RISKS & CATALYSTS

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)²

As of 17 May 2024



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