

Siam Commercial Bank (SCB TB)

FUNDAMENTAL VIEW ¹

As of 29 Nov 2024

- Siam Commercial Bank (SCB TB; Baa1(stb)/BBB(stb)/BBB(stb)) is seen as a sound and profitable bank. It has a focus on the retail segment and targets to increase margins by growing personal unsecured lending. Recent credit costs have been elevated due to the retail exposure.
- The capital buffer is strong with a CET1 ratio of 17.8% at the Holdco (SCB X) level and 17.3% at the Bank level at Sep-24. 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 29 Nov 2024

- 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.
- Credit costs are elevated due to SCB's greater retail exposure and the macro backdrop of sluggish growth and high household debt. However, SCB X's higher NIM and low-to-mid 40% cost-income ratio provide comfortable room to absorb its higher credit costs and maintain a similar level of returns as peers.
- SCB X's NIM has been on a stronger trajectory than peers, supported by a strong deposit franchise and a growth focus on higher yielding retail loans.

CREDIT QUALITY SCORE (CQS) ²

As of 19 Dec 2024

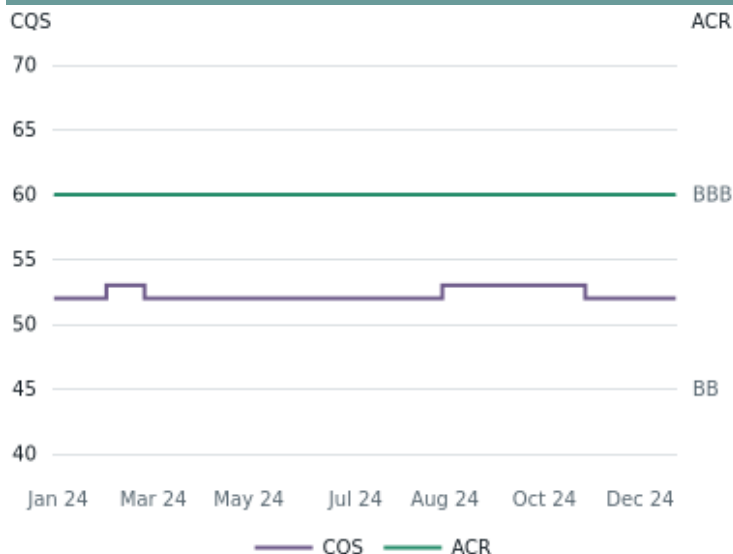
CURRENT CQS

52

CQS OUTLOOK ³



HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) VS CQS



KEY METRICS

As of 29 Nov 2024

THB MN	FY20	FY21	FY22	FY23	9M24
PPP ROA	2.58%	2.63%	2.50%	2.88%	2.88%
ROA	0.9%	1.1%	1.1%	1.3%	1.3%
ROE	6.7%	8.4%	8.3%	9.3%	9.0%
Equity/Assets	12.6%	13.4%	13.5%	14.1%	14.2%
CET1 Ratio	17.2%	17.6%	17.7%	17.6%	17.8%
Reported NPL ratio	3.68%	3.79%	3.34%	3.44%	3.38%
Provisions/Loans	2.14%	1.84%	1.45%	1.82%	1.79%
Gross LDR	93%	93%	93%	99%	100%
Liquidity Coverage Ratio	188%	202%	216%	n/m	n/m

BUSINESS DESCRIPTION

As of 29 Nov 2024

- 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 23.58% owned by the King of Thailand, and a further 23.32% 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 35% corporate, 17% SME, and 48% retail as of end-September 2024.

GLOSSARY

- 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.
 - 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.
 - 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.
 - 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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