

The Siam Commercial Bank (SCB TB) - BUY, Price Bt124, TP Bt150 | Results Comment

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Strong profits, beat expectation

- SCB reported 3Q21 profits of Bt8.8bn, up 90% y-y and flat q-q. Profits beat our estimates on non-interest income and lower opex and provisions.
- 9M21 profits made up 90% of our full-year forecast. We reiterate BUY with SCB remain our top sector pick.
- Forbearance loans rose to 20% of total loans from 16% in the previous quarter. This is mainly driven by housing and auto loans (Bt124bn) following 2-mth debt holiday during July to August lockdown.
- Loans contracted q-q with only 1% growth YTD due to a 4% contraction of corporate loans outweighing growth from SME and retail. NIM came down to 2.9% on increasing excess liquidity.
- Non-interest income rose nicely 24% y-y and 3% q-q thanks to higher gains. Driven by wealth management biz, fee income increased 13% y-y but dropped 2% q-q due to lockdown impact on bancassurance.
- Opex was under good control with cost to income ratio falling to 43% from 46% in 3Q20. PPOP has then risen 12% y-y and was flat q-q.
- Despite write-off and sales, NPL still rose 3% q-q to 3.9% of total loans. This included Bt3bn of qualitative NPL recognition. New NPL formation rose to 0.55% from 0.44% in 2Q21.
- SCB still kept up its high provisioning pace with average credit costs of 1.76% in 9M21. Therefore, loan loss coverage ratio stood healthy at 138%.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	28,582	28,325	27,719	27,653	27,739	Interest & dividend income	0	(3)	75	110,998	114,149
Interest expense	4,858	4,705	4,344	4,178	4,206	Interest expense	1	(13)	75	17,030	17,097
Net interest income	23,724	23,621	23,376	23,475	23,533	Net interest income	0	(1)	75	93,967	97,051
Non-interest income	10,761	12,745	13,966	12,956	13,330	Non-interest income	3	24	80	50,031	51,924
Total income	34,485	36,366	37,342	36,431	36,864	Total income	1	7	77	143,998	148,976
Operating expense	15,747	16,050	15,101	15,376	15,813	Operating expense	3	0	73	63,111	63,735
Pre-provisioning profit	18,738	20,316	22,241	21,054	21,051	Pre-provisioning profit	(0)	12	80	80,888	85,240
Provision for bad&doubtful debt	12,955	14,234	10,008	10,028	10,035	Provision for bad&doubtful debt	0	(23)	70	42,696	42,521
Profit before tax	5,783	6,082	12,233	11,027	11,016	Profit before tax	(0)	90	90	38,192	42,719
Tax	1,204	1,164	2,597	2,304	2,286	Tax	(1)	90	94	7,638	8,544
Profit after tax	4,579	4,917	9,636	8,723	8,730	Profit after tax	0	91	89	30,553	34,175
Equity income	-	-	411	38	46	Equity income	21	neg	-	-	-
Minority interests	62	48	41	54	42	Minority interests	(22)	(33)	68	200	215
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	4,641	4,965	10,088	8,815	8,818	Net profit	0	90	90	30,753	34,390
Normalized profit	4,641	4,965	10,088	8,815	8,818	Normalized profit	0	90	90	30,753	34,390
PPP/share (Bt)	5.5	6.0	6.5	6.2	6.2	PPP/share (Bt)	(0)	12	80	23.8	25.1
EPS (Bt)	1.4	1.5	3.0	2.6	2.6	EPS (Bt)	0	90	90	9.1	10.1
Norm EPS (Bt)	1.4	1.5	3.0	2.6	2.6	Norm EPS (Bt)	0	90	90	9.1	10.1
BV/share (Bt)	119.6	121.2	123.9	124.3	125.4	BV/share (Bt)	1	5	125	127.9	135.3

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash and Interbank	620,495	599,136	576,659	543,256	549,542	Gross loan growth (YTD)	2.7	6.7	1.0	1.8	1.1
Other liquid items	-	-	-	-	-	Gross loan growth (q-q)	1.2	3.9	1.0	0.8	(0.8)
Total liquid items	620,495	599,136	576,659	543,256	549,542	Deposit growth (YTD)	11.4	12.1	(2.9)	(2.1)	(0.4)
Gross loans and accrued interest	2,183,485	2,269,750	2,290,955	2,310,063	2,292,959	Deposit growth (q-q)	6.7	0.6	(2.9)	0.8	1.7
Provisions	128,151	139,442	141,832	144,700	148,059	Non-interest income (y-y)	10.0	1.7	17.7	3.0	23.9
Net loans	2,055,334	2,130,308	2,149,123	2,165,363	2,144,899	Non-interest income (q-q)	(14.4)	18.4	9.6	(7.2)	2.9
Fixed assets	55,994	56,445	54,701	53,803	54,251	Fee income / Operating income	24.9	31.4	28.0	26.9	26.2
Other assets	180,184	180,699	159,770	193,225	261,614	Cost-to-income	45.7	44.1	40.4	42.2	42.9
Total assets	3,225,381	3,278,384	3,177,372	3,202,012	3,272,204	Net interest margin	3.00	2.91	2.90	2.94	2.91
Deposits	2,406,641	2,420,455	2,349,471	2,369,043	2,410,172	Credit cost	2.39	2.52	1.76	1.75	1.76
Interbank	181,157	198,491	170,143	185,355	193,132	ROE	4.6	4.9	9.7	8.4	8.3
Other liquid items	11,718	10,267	15,041	12,707	13,740	Loan-to-deposit	90.2	93.2	96.9	96.9	94.6
Total liquid items	2,599,516	2,629,213	2,534,655	2,567,105	2,617,043	Loan-to-deposit + S-T borrowing	90.2	93.2	96.9	96.9	94.6
Borrowings	71,632	67,235	68,087	60,253	76,139	NPLs (Bt m)	89,909	101,462	104,332	104,110	107,071
Other liabilities	147,630	170,106	153,241	151,783	151,788	NPL increase	10,313	11,553	2,870	(222)	2,961
Minority interest	448	399	559	926	1,377	NPL ratio	3.32	3.68	3.79	3.79	3.89
Shareholders' equity	406,154	411,430	420,829	421,945	425,857	Loan-loss-coverage ratio	142.5	137.4	135.9	139.0	138.3
Total Liabilities & Equity	3,225,381	3,278,384	3,177,372	3,202,012	3,272,204	CAR - total	18.7	18.2	18.2	17.9	18.4

Sources: Company data, Thanachart estimates

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