

# The Siam Commercial Bank (SCB TB) - BUY, Price Bt123.5, TP Bt150 | Results Comment

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## Profits beat our estimates

- SCB reported strong net profits of Bt7.9bn, up 59% y-y but down 11% q-q in 4Q21. 2021's profits were Bt35.6bn, up 31% y-y and made up 116% of our projection.
- SCB's profits beat our forecast on higher investment gains and lower provisions. Around Bt3bn of increasing investment gains of Bt4bn from 2020's was from revaluation of SCB 10x's investments.
- In contrary to KBANK and BBL, SCB saw NPLs rising from previous quarter. This was due to the qualitative classification of SMEs and rising formation of housing and auto-HP loans.
- Loans in the forbearance programs came down to Bt397bn or 17% of total loans, of which about two-thirds of the relief program as of 4Q21 has been migrated to the comprehensive debt restructuring program.
- There are around Bt100bn or 4% of total loans that the bank is going to put in the comprehensive debt restructuring program. The bank expects adverse impact of the restructuring plan to NIM of not higher than 10bps.
- SCB believes the asset quality is already passed the worst and already guides for a sharp drop in credit costs to less than 1.4% from 1.84% in 2021.
- On the non-NII, fee income growth was very strong at 43% y-y, driven mainly by wealth mgmt. and bancassurance. Despite coming off the high investment gains, SCB still looks for low single digit non-NII growth this year and expects pretty much stable cost to income ratio from last year's at low-to-mid 40%.
- The bank expects to complete SCBX-related processes by mid this year.

Income Statement (consolidated)						Income Statement 12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Interest & dividend income	28,325	27,719	27,653	27,739	29,065	Interest & dividend income	5	3	101	112,177	114,149
Interest expense	4,705	4,344	4,178	4,206	4,278	Interest expense	2	(9)	100	17,006	17,097
<b>Net interest income</b>	<b>23,621</b>	<b>23,376</b>	<b>23,475</b>	<b>23,533</b>	<b>24,787</b>	<b>Net interest income</b>	<b>5</b>	<b>5</b>	<b>101</b>	<b>95,171</b>	<b>97,051</b>
Non-interest income	12,745	13,966	12,956	13,330	14,362	Non-interest income	8	13	109	54,615	51,924
Total income	36,366	37,342	36,431	36,864	39,149	Total income	6	8	104	149,785	148,976
Operating expense	16,050	15,101	15,376	15,813	17,256	Operating expense	9	8	101	63,547	63,735
<b>Pre-provisioning profit</b>	<b>20,316</b>	<b>22,241</b>	<b>21,054</b>	<b>21,051</b>	<b>21,893</b>	<b>Pre-provisioning profit</b>	<b>4</b>	<b>8</b>	<b>107</b>	<b>86,239</b>	<b>85,240</b>
Provision for bad&doubtful debt	14,234	10,008	10,028	10,035	11,954	Provision for bad&doubtful debt	19	(16)	98	42,024	42,521
Profit before tax	6,082	12,233	11,027	11,016	9,939	Profit before tax	(10)	63	116	44,214	42,719
Tax	1,164	2,597	2,304	2,286	2,190	Tax	(4)	88	123	9,376	8,544
Profit after tax	4,917	9,636	8,723	8,730	7,749	Profit after tax	(11)	58	114	34,838	34,175
Equity income	-	411	38	46	61	Equity income	33	neg	-	557	-
Minority interests	48	41	54	42	68	Minority interests	62	41	102	204	215
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
<b>Net profit</b>	<b>4,965</b>	<b>10,088</b>	<b>8,815</b>	<b>8,818</b>	<b>7,879</b>	<b>Net profit</b>	<b>(11)</b>	<b>59</b>	<b>116</b>	<b>35,599</b>	<b>34,390</b>
<b>Normalized profit</b>	<b>4,965</b>	<b>10,088</b>	<b>8,815</b>	<b>8,818</b>	<b>7,879</b>	<b>Normalized profit</b>	<b>(11)</b>	<b>59</b>	<b>116</b>	<b>35,599</b>	<b>34,390</b>
PPP/share (Bt)	6.0	6.5	6.2	6.2	6.4	PPP/share (Bt)	4	8	107	25	25.1
EPS (Bt)	1.5	3.0	2.6	2.6	2.3	EPS (Bt)	(11)	59	116	10	10.1
Norm EPS (Bt)	1.5	3.0	2.6	2.6	2.3	Norm EPS (Bt)	(11)	59	116	10	10.1
BV/share (Bt)	121.2	123.9	124.3	125.4	129.9	BV/share (Bt)	4	7	130	130	135.3

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21		4Q20	1Q21	2Q21	3Q21	4Q21
Cash and Interbank	599,136	576,659	543,256	549,542	668,689	Gross loan growth (YTD)	6.7	1.0	1.8	1.1	2.1
Other liquid items	-	-	-	-	-	Gross loan growth (q-q)	3.9	1.0	0.8	(0.8)	1.0
Total liquid items	599,136	576,659	543,256	549,542	668,689	Deposit growth (YTD)	12.1	(2.9)	(2.1)	(0.4)	1.9
Gross loans and accrued interest	2,269,750	2,290,955	2,310,063	2,292,958	2,316,865	Deposit growth (q-q)	0.6	(2.9)	0.8	1.7	2.3
Provisions	139,442	141,832	144,700	148,059	151,409	Non-interest income (y-y)	1.7	17.7	3.0	23.9	12.7
Net loans	2,130,308	2,149,123	2,165,363	2,144,899	2,165,456	Non-interest income (q-q)	18.4	9.6	(7.2)	2.9	7.7
Fixed assets	56,445	54,701	53,803	54,251	63,397	Fee income / Operating income	31.4	28.0	26.9	26.2	26.3
Other assets	180,699	159,770	193,225	261,614	194,388	Cost-to-income	44.1	40.4	42.2	42.9	44.1
<b>Total assets</b>	<b>3,278,384</b>	<b>3,177,372</b>	<b>3,202,012</b>	<b>3,272,204</b>	<b>3,314,565</b>	Net interest margin	2.91	2.90	2.94	2.91	3.01
Deposits	2,420,455	2,349,471	2,369,043	2,410,172	2,466,717	Credit cost	2.52	1.76	1.75	1.76	2.08
Interbank	198,491	170,143	185,355	193,132	181,740	ROE	4.9	9.7	8.4	8.3	7.3
Other liquid items	10,267	15,041	12,707	13,740	10,539	Loan-to-deposit	93.2	96.9	96.9	94.6	93.3
Total liquid items	2,629,213	2,534,655	2,567,105	2,617,043	2,658,996	Loan-to-deposit + S-T borrowing	93.2	96.9	96.9	94.6	93.3
Borrowings	67,235	68,087	60,253	76,139	74,922	NPLs (Bt m)	101,462	104,332	104,110	107,071	109,114
Other liabilities	170,106	153,241	151,783	151,788	138,032	NPL increase	11,553	2,870	(222)	2,961	2,043
Minority interest	399	559	926	1,377	1,609	NPL ratio	3.68	3.79	3.79	3.89	3.79
<b>Shareholders' equity</b>	<b>411,430</b>	<b>420,829</b>	<b>421,945</b>	<b>425,857</b>	<b>441,006</b>	Loan-loss-coverage ratio	137.4	135.9	139.0	138.3	138.8
<b>Total Liabilities &amp; Equity</b>	<b>3,278,384</b>	<b>3,177,372</b>	<b>3,202,012</b>	<b>3,272,204</b>	<b>3,314,565</b>	CAR - total	18.2	18.2	17.9	18.4	18.7

Sources: Company data, Thanachart estimates

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