

## The Siam Commercial Bank - BUY, TP Bt150

## Results Comment

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## Good profits, better than expectation

- The earnings results here are on consolidated basis and our TP of Bt150 is SOTP value for SCBX that will be listing on 27 April 2022. Please note that SCBB cannot be converted to SCBX and it will be delisted on the same date as SCBX listing.
- 1Q21 profits of Bt10.2bn (up 2% y-y and 29% q-q) came in better than expected due to lower provisions. We see upsides to our earnings forecast.
- Loans grew 1% q-q, driven by corporate and housing segments. With progression of comprehensive debt restructuring plans (71% of Bt350bn already been executed), SCB believes it can recoup cash interest income in the future. So, the upward adjustment of EIR along with lower cost of fund help to widen NIM y-y.
- Non-interest income came down on lower mark to market gains and decline in wealth mgmt. fees.
- Opex grew up y-y on higher marketing expenses from a very low base in 1Q21. A q-q drop was due to seasonality effect.
- Backed by write-off and NPL sales, NPLs came down 3% q-q to 3.7% of total loans. NPL formation slightly improved to 0.42% from 0.6% in 4Q21.
- Amid rising uncertainties, SCB put aside credit costs of 1.5%, higher than its full-year guidance of 1.4%. This is despite that bank has upgraded some modified loans from stage 2 to stage 1. The bank's loan loss coverage ratio rose to 143% from 139% in 4Q21.

Income Statement (consolidated)						Income Statement 3M as					
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22	(Bt m)	q-q-%	y-y-%	% 2022F	2022F	2023F
Interest & dividend income	27,719	27,653	27,739	29,065	29,019	Interest & dividend income	(0)	5	26	112,506	119,878
Interest expense	4,344	4,178	4,206	4,278	4,275	Interest expense	(0)	(2)	25	17,448	22,670
<b>Net interest income</b>	<b>23,376</b>	<b>23,475</b>	<b>23,533</b>	<b>24,787</b>	<b>24,744</b>	<b>Net interest income</b>	<b>(0)</b>	<b>6</b>	<b>26</b>	<b>95,058</b>	<b>97,208</b>
Non-interest income	13,966	12,956	13,330	14,362	12,897	Non-interest income	(10)	(8)	23	55,392	59,530
Total income	37,342	36,431	36,864	39,149	37,640	Total income	(4)	1	25	150,450	156,738
Operating expense	15,101	15,376	15,813	17,256	15,990	Operating expense	(7)	6	24	67,275	69,656
<b>Pre-provisioning profit</b>	<b>22,241</b>	<b>21,054</b>	<b>21,051</b>	<b>21,893</b>	<b>21,650</b>	<b>Pre-provisioning profit</b>	<b>(1)</b>	<b>(3)</b>	<b>26</b>	<b>83,175</b>	<b>87,081</b>
Provision for bad&doubtful debt	10,008	10,028	10,035	11,954	8,750	Provision for bad&doubtful debt	(27)	(13)	22	40,542	40,866
Profit before tax	12,233	11,027	11,016	9,939	12,900	Profit before tax	30	5	30	42,633	46,215
Tax	2,597	2,304	2,286	2,190	2,864	Tax	31	10	34	8,527	9,243
Profit after tax	9,636	8,723	8,730	7,749	10,036	Profit after tax	30	4	29	34,106	36,972
Equity income	411	38	46	61	63	Equity income	3	(85)	25	250	250
Minority interests	41	54	42	68	93	Minority interests	37	130	47	200	215
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
<b>Net profit</b>	<b>10,088</b>	<b>8,815</b>	<b>8,818</b>	<b>7,879</b>	<b>10,193</b>	<b>Net profit</b>	<b>29</b>	<b>1</b>	<b>29</b>	<b>34,556</b>	<b>37,437</b>
<b>Normalized profit</b>	<b>10,088</b>	<b>8,815</b>	<b>8,818</b>	<b>7,879</b>	<b>10,193</b>	<b>Normalized profit</b>	<b>29</b>	<b>1</b>	<b>29</b>	<b>34,556</b>	<b>37,437</b>
PPP/share (Bt)	6.5	6.2	6.2	6.4	6.4	PPP/share (Bt)	(1)	(3)	26	24.5	25.6
EPS (Bt)	3.0	2.6	2.6	2.3	3.0	EPS (Bt)	29	1	29	10.2	11.0
Norm EPS (Bt)	3.0	2.6	2.6	2.3	3.0	Norm EPS (Bt)	29	1	29	10.2	11.0
BV/share (Bt)	123.9	124.3	125.4	129.9	132.8	BV/share (Bt)	2	7	133	136.0	142.9

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22		1Q21	2Q21	3Q21	4Q21	1Q22
Cash and Interbank	576,659	543,256	549,542	668,689	630,324	Gross loan growth (YTD)	1.0	1.8	1.1	2.1	1.1
Other liquid items	-	-	-	-	-	Gross loan growth (q-q)	1.0	0.8	(0.8)	1.0	1.1
Total liquid items	576,659	543,256	549,542	668,689	630,324	Deposit growth (YTD)	(2.9)	(2.1)	(0.4)	1.9	1.6
Gross loans and accrued interest	2,290,955	2,310,063	2,292,958	2,316,865	2,342,281	Deposit growth (q-q)	(2.9)	0.8	1.7	2.3	1.6
Provisions	141,832	144,700	148,059	151,409	152,346	Non-interest income (y-y)	17.7	3.0	23.9	12.7	(7.7)
Net loans	2,149,123	2,165,363	2,144,899	2,165,456	2,189,935	Non-interest income (q-q)	9.6	(7.2)	2.9	7.7	(10.2)
Fixed assets	54,701	53,803	54,251	63,397	63,059	Fee income / Operating income	28.0	26.9	26.2	26.3	25.1
Other assets	159,770	193,225	261,614	194,388	189,251	Cost-to-income	40.4	42.2	42.9	44.1	42.5
<b>Total assets</b>	<b>3,177,372</b>	<b>3,202,012</b>	<b>3,272,204</b>	<b>3,314,565</b>	<b>3,370,659</b>	Net interest margin	2.90	2.94	2.91	3.01	2.96
Deposits	2,349,471	2,369,043	2,410,172	2,466,717	2,505,121	Credit cost	1.76	1.75	1.76	2.08	1.50
Interbank	170,143	185,355	193,132	181,740	179,288	ROE	9.7	8.4	8.3	7.3	9.1
Other liquid items	15,041	12,707	13,740	10,539	21,506	Loan-to-deposit	96.9	96.9	94.6	93.3	92.9
Total liquid items	2,534,655	2,567,105	2,617,043	2,658,996	2,705,915	Loan-to-deposit + S-T borrowing	96.9	96.9	94.6	93.3	92.9
Borrowings	68,087	60,253	76,139	74,922	74,596	NPLs (Bt m)	104,332	104,110	107,071	109,114	106,305
Other liabilities	153,241	151,783	151,788	138,032	137,622	NPL increase	2,870	(222)	2,961	2,043	(2,809)
Minority interest	559	926	1,377	1,609	1,613	NPL ratio	3.79	3.79	3.89	3.79	3.70
<b>Shareholders' equity</b>	<b>420,829</b>	<b>421,945</b>	<b>425,857</b>	<b>441,006</b>	<b>450,913</b>	Loan-loss-coverage ratio	135.9	139.0	138.3	138.8	143.3
<b>Total Liabilities &amp; Equity</b>	<b>3,177,372</b>	<b>3,202,012</b>	<b>3,272,204</b>	<b>3,314,565</b>	<b>3,370,659</b>	CAR - total	18.2	17.9	18.4	18.7	18.6

Sources: Company data, Thanachart estimates

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