SCB X Pcl (SCB TB) - BUY, Price Bt94, TP Bt150

Results Comment

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Decent profits

- SCBx reported 2Q22 profits of Bt10bn, up 14% y-y but down 1% q-q.
- We have baked higher credit costs than the bank's guidance and actual run rate. Thus, 1H22 profits make up 59% of our full-year projection.
- Loans and NIM expansions were key drivers. Loans grew 1.4% q-q led mainly by corporate segment. Unsecured loans growth was also strong while auto HP contracted.
- NIM improved on higher loans yield from restructuring benefits and pricing discipline and higher investment income.
- SCBx raised provisions by 2% y-y and 17% q-q due to preemptive measures and to support write-off. With 1H22 credit costs of 1.62% in 1H22, the bank is likely to revise up credit costs guidance as we flagged earlier.
- With restructuring efforts, sales and write-off, NPLs came down to 3.6% of loans from 3.7% in 1Q22.
- As for fee income, wealth mgmt was weak but this was partly offset by higher transaction fees. So recurring non-NII declined slightly by 3% y-y and q-q.
- As for non-recurring, it came down y-y on lower investment and gains from NPLs sales. But this was partly offset by gains from FX revaluation.
- OPEX was in good control. Cost to income ratio was down to 41% in the quarter.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Interest & dividend income	27,653	27,739	29,065	29,019	30,556
Interest expense	4,178	4,206	4,278	4,275	4,488
Net interest income	**23,475**	**23,533**	**24,787**	**24,744**	**26,068**
Non-interest income	12,956	13,330	14,362	12,897	12,581
Total income	36,431	36,864	39,149	37,640	38,650
Operating expense	15,376	15,813	17,256	15,990	15,938
Pre-provisioning profit	**21,054**	**21,051**	**21,893**	**21,650**	**22,711**
Provision for bad&doubtful debt	10,028	10,035	11,954	8,750	10,250
Profit before tax	11,027	11,016	9,939	12,900	12,461
Tax	2,304	2,286	2,190	2,864	2,681
Profit after tax	8,723	8,730	7,749	10,036	9,780
Equity income	38	46	61	63	53
Minority interests	54	42	68	93	217
Extra items	-	-	-	-	-
Net profit	**8,815**	**8,818**	**7,879**	**10,193**	**10,051**
Normalized profit	**8,815**	**8,818**	**7,879**	**10,193**	**10,051**
PPP/share (Bt)	6.2	6.2	6.4	6.4	6.7
EPS (Bt)	2.6	2.6	2.3	3.0	3.0
Norm EPS (Bt)	2.6	2.6	2.3	3.0	3.0
BV/share (Bt)	124.3	125.4	129.9	132.8	132.8

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Interest & dividend income	5	10	53	112,506	119,878
Interest expense	5	7	50	17,448	22,670
Net interest income	**5**	**11**	**53**	**95,058**	**97,208**
Non-interest income	(2)	(3)	46	55,392	59,530
Total income	3	6	51	150,450	156,738
Operating expense	(0)	4	47	67,275	69,656
Pre-provisioning profit	**5**	**8**	**53**	**83,175**	**87,081**
Provision for bad&doubtful debt	17	2	47	40,542	40,866
Profit before tax	(3)	13	59	42,633	46,215
Tax	(6)	16	65	8,527	9,243
Profit after tax	(3)	12	58	34,106	36,972
Equity income	(16)	38	46	250	250
Minority interests	133	306	155	200	215
Extra items	neg	neg		-	-
Net profit	**(1)**	**14**	**59**	**34,556**	**37,437**
Normalized profit	**(1)**	**14**	**59**	**34,556**	**37,437**
PPP/share (Bt)	6	9	54	24.5	25.6
EPS (Bt)	(1)	15	59	10.2	11.0
Norm EPS (Bt)	(1)	15	59	10.2	11.0
BV/share (Bt)	(0)	7	133	136.0	142.9

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash and Interbank	543,256	549,542	668,689	630,324	609,764
Other liquid items	120,864	181,665	126,286	127,539	138,432
Total liquid items	664,119	731,207	794,976	757,863	748,196
Gross loans and accrued interest	2,310,063	2,292,958	2,316,865	2,342,281	2,376,470
Provisions	144,700	148,059	151,409	152,346	155,846
Net loans	2,165,363	2,144,899	2,165,456	2,189,935	2,220,624
Fixed assets	53,803	54,251	63,397	63,059	66,504
Other assets	72,362	79,949	68,102	61,712	64,835
Total assets	**3,202,012**	**3,272,204**	**3,314,565**	**3,370,659**	**3,399,134**
Deposits	2,369,043	2,410,172	2,466,717	2,505,121	2,523,316
Interbank	185,355	193,132	181,740	179,288	157,268
Other liquid items	12,707	13,740	10,539	21,506	13,239
Total liquid items	2,567,105	2,617,043	2,658,996	2,705,915	2,693,822
Borrowings	60,253	76,139	74,922	74,596	82,542
Other liabilities	151,783	151,788	138,032	137,622	169,395
Minority interest	926	1,377	1,609	1,613	6,332
Shareholders' equity	**421,945**	**425,857**	**441,006**	**450,913**	**447,042**
Total Liabilities & Equity	**3,202,012**	**3,272,204**	**3,314,565**	**3,370,659**	**3,399,134**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Gross loan growth (YTD)	1.8	1.1	2.1	1.1	2.5
Gross loan growth (q-q)	0.8	(0.8)	1.0	1.1	1.4
Deposit growth (YTD)	(2.1)	(0.4)	1.9	1.6	2.3
Deposit growth (q-q)	0.8	1.7	2.3	1.6	0.7
Non-interest income (y-y)	3.0	23.9	12.7	(7.7)	(2.9)
Non-interest income (q-q)	(7.2)	2.9	7.7	(10.2)	(2.4)
Fee income / Operating income	26.9	26.2	26.3	25.1	24.2
Cost-to-income	42.2	42.9	44.1	42.5	41.2
Net interest margin	2.94	2.91	3.01	2.96	3.08
Credit cost	1.75	1.76	2.08	1.50	1.74
ROE	8.4	8.3	7.3	9.1	9.0
Loan-to-deposit	96.9	94.6	93.3	92.9	93.5
Loan-to-deposit + S-T borrowing	96.9	94.6	93.3	92.9	93.5
NPLs (Bt m)	104,110	107,071	109,114	106,305	102,538
NPL increase	(222)	2,961	2,043	(2,809)	(3,767)
NPL ratio	3.79	3.89	3.79	3.70	3.58
Loan-loss-coverage ratio	139.0	138.3	138.8	143.3	152.0
CAR - total	17.9	18.4	18.7	18.6	18.7

Sources: Company data, Thanachart estimates

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