

SCB X Pci (SCB TB) - BUY, Price Bt108.50, TP Bt120.00**Results Comment**

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Profits slightly missed our estimates

- SCB's 4Q22 profits of Bt7.1bn, down 9% y-y and 31% q-q, was below our estimates on larger mark to market investment loss, lower wealth management fees and higher tax expenses.
- 2022's profits of Bt37.5bn rose by 6% y-y mainly driven by strong net interest income growth, cost management discipline, and lower provisions.
- Loans grew 1% q-q and 3% YTD due to its selective growth strategy. Of total Bt2.38tr loans, 5% from spin-off consumer finance companies.
- NPL was down y-y mainly by write-off and sales. NPL increased q-q due to rising NPL of Card X and Auto X. The bank only NPL ratio was 3.25%, decreasing from 3.32% in 3Q22.
- Card X's NPL ratio was rising from 2.1% in 3Q22 to 3.1% while Auto X's NPL ratio stood at 0.1%.
- Fee and other income was down 4.7% y-y due to the slowdown in wealth management business. Investment and trading income also dropped drastically due to extreme volatility in the money and capital market.
- SCB's financial guidance on consolidated basis is loan growth of 5-8% (<5% from bank only, over 40% from consumer finance), >3.5% NIM. >10% income growth, mid 40% of cost to income ratio and blended credit costs of 1.2-1.4%.
- Based on the target, the group looks to grow consumer finance loans from 5% of total to 7% in 2023. This is while it looks for credit costs of 6-6.5% for the consumer finance companies.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Interest & dividend income	29,065	29,019	30,556	32,516	34,901	Interest & dividend income	7	20	104	126,993	135,331
Interest expense	4,278	4,275	4,488	4,803	5,562	Interest expense	16	30	105	19,127	30,604
Net interest income	24,787	24,744	26,068	27,714	29,340	Net interest income	6	18	104	107,865	104,727
Non-interest income	14,362	12,897	12,581	11,979	8,826	Non-interest income	(26)	(39)	95	46,283	52,975
Total income	39,149	37,640	38,650	39,693	38,165	Total income	(4)	(3)	101	154,148	157,702
Operating expense	17,263	15,990	15,938	16,942	20,854	Operating expense	23	21	104	69,874	70,043
Pre-provisioning profit	21,886	21,650	22,711	22,751	17,311	Pre-provisioning profit	(24)	(21)	99	84,274	87,660
Provision for bad&doubtful debt	11,954	8,750	10,250	7,750	7,079	Provision for bad&doubtful debt	(9)	(41)	91	33,829	35,156
Profit before tax	9,932	12,900	12,461	15,001	10,232	Profit before tax	(32)	3	106	50,445	52,504
Tax	2,190	2,864	2,681	4,717	3,331	Tax	(29)	52	142	13,592	10,501
Profit after tax	7,743	10,036	9,780	10,284	6,901	Profit after tax	(33)	(11)	96	36,853	42,003
Equity income	61	63	53	64	93	Equity income	45	51	119	273	250
Minority interests	68	93	217	(40)	149	Minority interests	neg	119	84	421	515
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	7,872	10,193	10,051	10,309	7,143	Net profit	(31)	(9)	96	37,546	42,768
Normalized profit	7,872	10,193	10,051	10,309	7,143	Normalized profit	(31)	(9)	96	37,546	42,768
PPP/share (Bt)	6.4	6.4	6.7	6.8	5.1	PPP/share (Bt)	(24)	(20)	99	25.0	26.0
EPS (Bt)	2.3	3.0	3.0	3.1	2.1	EPS (Bt)	(31)	(8)	96	11.2	12.7
Norm EPS (Bt)	2.3	3.0	3.0	3.1	2.1	Norm EPS (Bt)	(31)	(8)	96	11.2	12.7
BV/share (Bt)	129.9	132.8	132.8	135.8	137.0	BV/share (Bt)	1	5	137	137.0	146.5

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash and Interbank	668,689	630,324	609,764	513,403	569,309	Gross loan growth (YTD)	2.1	1.1	2.5	2.0	3.3
Other liquid items	126,286	127,539	138,432	170,692	128,411	Gross loan growth (q-q)	1.0	1.1	1.4	(0.5)	1.3
Total liquid items	794,976	757,863	748,196	684,095	697,720	Deposit growth (YTD)	1.9	1.6	2.3	2.7	3.6
Gross loans and accrued interest	2,316,866	2,342,281	2,376,471	2,365,203	2,396,737	Deposit growth (q-q)	2.3	1.6	0.7	0.4	0.9
Provisions	151,409	152,346	155,847	148,915	148,890	Non-interest income (y-y)	12.7	(7.7)	(2.9)	(10.1)	(38.5)
Net loans	2,165,456	2,189,935	2,220,624	2,216,289	2,247,848	Non-interest income (q-q)	7.7	(10.2)	(2.4)	(4.8)	(26.3)
Fixed assets	63,397	63,059	66,504	67,669	68,898	Fee income / Operating income	26.3	25.1	24.2	24.0	23.1
Other assets	68,102	61,712	64,835	79,871	49,316	Cost-to-income	44.1	42.5	41.2	42.7	54.6
Total assets	3,314,565	3,370,659	3,399,134	3,440,920	3,454,452	Net interest margin	3.01	2.96	3.08	3.24	3.40
Deposits	2,466,717	2,505,121	2,523,316	2,533,273	2,555,800	Credit cost	2.08	1.50	1.74	1.32	1.19
Interbank	181,740	179,288	157,268	145,774	181,347	ROE	7.3	9.1	9.0	9.1	6.2
Other liquid items	10,539	21,506	13,239	16,769	11,429	Loan-to-deposit	93.3	92.9	93.5	92.7	93.0
Total liquid items	2,658,996	2,705,915	2,693,822	2,695,816	2,748,576	Loan-to-deposit + S-T borrowing	93.3	92.9	93.5	92.7	93.0
Borrowings	74,922	74,596	82,542	76,298	71,996	NPLs (Bt m)	109,114	106,305	102,538	92,131	95,329
Other liabilities	138,032	137,622	169,395	205,925	167,268	NPL increase	2,043	(2,809)	(3,767)	(10,407)	3,198
Minority interest	1,609	1,613	6,332	5,750	5,380	NPL ratio	3.79	3.70	3.58	3.34	3.34
Shareholders' equity	441,006	450,913	447,042	457,131	461,232	Loan-loss-coverage ratio	138.8	143.3	152.0	161.6	156.2
Total Liabilities & Equity	3,314,565	3,370,659	3,399,134	3,440,920	3,454,452	CAR - total	18.7	18.6	18.7	18.5	18.8

Sources: Company data, Thanachart estimates

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