

September 6, 2022

PAVING WAY

Yesterday, SET notified that the Bank of Thailand (BOT) has approved it to pay dividends of B61bn (from its retained earnings) to SCBB's shareholders. SCB will pay such dividend to as investment fund for its 12 subsidiaries (e.g. AISC, CARDX, AUTOX), in line with its business restructuring plan as notified to the SET.

In the next 2-3 years, if new high-yield leasing firms announce IPOs and have their own capitals (less depending on SCB's cash flow), SCB's capital structure should be more flexible for further business expansion or higher dividend payout policy, boosting long-term ROE. 1H22 dividend per share (DPS) is expected at B1.5. PBV is 0.8x, lower than 2021 average PBV of 0.87x (during COVID-19). Meanwhile, Thailand's economy is recovering and the interest rate will be hiked.

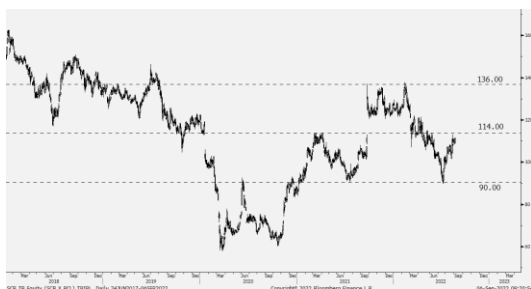
KEY FINANCIAL FORECAST

Ending Dec 31	2020	2021	2022F	2023F	2024F
Net Profit	27,218	35,599	38,447	41,976	45,076
EPS (B)	8.02	10.48	11.42	12.47	13.39
EPS Growth (%yoy)	-32.7%	30.8%	8.9%	9.2%	7.4%
BVS (B)	121.0	129.7	138.4	146.5	155.1
PER (x)	13.9	10.6	9.8	8.9	8.3
PBV (x)	0.92	0.86	0.81	0.76	0.72
DPS (B)	2.30	4.06	4.50	5.00	5.50
Dividend Yield	2.1%	3.6%	4.0%	4.5%	4.9%
ROE (%)	6.7%	8.4%	8.5%	8.8%	8.9%

* 2022F EPS growth is higher than profit because SCBX has 3.367 billion shares in 2022, versus 3.396 billion shares in 2021

Source: ASPS Research

TECHNICAL CHART



Source: ASPS Research

TECHNICAL COMMENT

SCB Price Trend: Sideway

Supportive: 90.00

Resistance: 114.00 / 136.00

SCB

REC.

BUY

Current Price (B)	111.50
Target Price (B)	140.00
Upside (%)	25.6
Dividend yield (%)	4.0

ESG RATING

Arabesque S-Ray	59.45
Moody's	-
MSCI	AA
Refinitiv	-
S&P	86.88
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
2022F	11.42	11.97	-5%
2023F	12.47	12.82	-3%

Source: ASPS Research / IAA consensus

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EARNINGS RESULTS BY QUARTER

Million B	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	%QoQ	%YoY	1H22	1H21	%YoY
Net Interest Income	23,621	23,376	23,475	23,533	24,787	24,744	26,068	5.4%	11.0%	50,812	46,850	8.5%
Non-Interest Income	12,745	14,377	12,994	13,377	14,423	12,960	12,634	-2.5%	-2.8%	25,594	27,371	-6.5%
- Net Fee Income	11,422	10,439	9,812	9,664	10,284	9,457	9,347	-1.2%	-4.7%	18,803	20,251	-7.1%
- Non-Operating Income	1,324	3,938	3,183	3,713	4,140	3,503	3,287	-6.2%	3.3%	6,790	7,121	-4.6%
Operating Profit	36,366	37,753	36,469	36,910	39,210	37,704	38,702	2.6%	6.1%	76,406	74,222	2.9%
Operating Expense	(16,050)	(15,101)	(15,376)	(15,813)	(17,256)	(16,139)	(15,938)	-1.2%	3.7%	(32,077)	(30,478)	5.2%
Pre-Provision Operating Profit (PPOP)	20,316	22,652	21,093	21,097	21,954	21,564	22,764	5.6%	7.9%	44,328	43,744	1.3%
Expected Credit Loss (ECL)	(14,234)	(10,008)	(10,028)	(10,035)	(11,954)	(8,750)	(10,250)	17.1%	2.2%	(19,000)	(20,036)	-5.2%
Net Profit	4,965	10,088	8,815	8,818	7,879	10,044	10,051	0.1%	14.0%	20,095	18,902	6.3%
EPS (B)	1.46	2.97	2.59	2.59	2.32	2.95	2.98	1.0%	15.1%	5.94	5.56	6.8%
Loans	2,255,242	2,277,458	2,296,617	2,279,016	2,301,835	2,326,395	2,360,037	1.4%	2.8%	2,360,037	2,296,617	2.8%
Deposits	2,420,455	2,349,471	2,369,043	2,410,172	2,467,495	2,505,122	2,523,316	0.7%	6.5%	2,523,316	2,369,043	6.5%
Yields on Loan	4.84%	4.65%	4.61%	4.64%	4.85%	4.77%	4.92%			4.84%	4.63%	
Funding Cost	0.70%	0.66%	0.64%	0.63%	0.63%	0.62%	0.65%			0.64%	0.64%	
Spread	4.14%	3.99%	3.97%	4.01%	4.21%	4.15%	4.27%			4.20%	3.99%	
NIM	3.02%	3.01%	3.04%	3.02%	3.12%	3.04%	3.17%			3.13%	3.01%	
Cost to Income Ratio	2.57%	1.77%	1.75%	1.75%	2.09%	1.51%	1.75%			1.63%	1.76%	
Cost to Income Ratio	44.1%	40.0%	42.2%	42.8%	44.0%	42.8%	41.2%			42.0%	41.1%	
NPL Ratio (MD&A)	3.68%	3.79%	3.79%	3.89%	3.79%	3.70%	3.58%			3.58%	3.79%	
NPL / Loan	4.50%	4.58%	4.53%	4.70%	4.74%	4.57%	4.34%			4.34%	4.53%	
LLR/NPL (Coverage Ratio)	135.34%	133.85%	136.18%	131.90%	133.50%	138.85%	147.86%			147.86%	136.18%	

Source : Financial Statement / ASPS Research

SCBX COMPANY PORTFOLIO

Company portfolios ("Gen")

Gen 1: Core Banking Services



Digital Banking



SCB Julius Bär



SCB PROTECT



(Partner)

Gen 2: Consumer Finance & Digital Financial Services



ALPHA X



AISC

Gen 3: Digital Platform & Tech Services



Source : SCBX



2022-2024F EARNINGS FORECAST

Income Statement (Million B)

Ended 31 Dec.	2021	2022F	2023F	2024F
Interest income	112,177	111,812	124,447	130,355
Interest expenses	(17,006)	(17,392)	(25,700)	(26,459)
Net interest income	95,171	94,419	98,747	103,896
Net fee income	40,198	41,493	42,738	44,020
Other operating income	14,807	10,340	10,417	10,496
Operating expenses	(63,547)	(64,818)	(66,114)	(67,437)
Bad debt & doubtful account	(42,024)	(33,877)	(33,856)	(35,211)
Earnings before taxes	44,771	47,729	52,107	55,946
Income taxes	(9,376)	(9,546)	(10,421)	(11,189)
Minority interest	204	264	290	319
Net profit	35,599	38,447	41,976	45,076
EPS (B)	10.48	11.42	12.47	13.39
Normalized profit	76,921	72,174	75,678	80,127
Normalized EPS (B)	22.65	21.43	22.48	23.80

Quarterly Income Statement

Ended 31 Dec.	3Q21	4Q21	1Q22	2Q22
Interest income	27,739	29,065	29,019	30,556
Interest expenses	(4,206)	(4,278)	(4,275)	(4,488)
Net interest income	23,533	24,787	24,744	26,068
Net fee income	9,664	10,284	9,457	9,347
Other operating income	3,713	4,140	3,503	3,287
Operating expenses	(15,813)	(17,256)	(16,139)	(15,938)
Bad debt & doubtful account	(10,035)	(11,954)	(8,750)	(10,250)
Earnings before taxes	11,062	10,000	12,814	12,514
Income taxes	(2,286)	(2,190)	(2,864)	(2,681)
Minority interest	(42)	(68)	(93)	(217)
Net profit	8,818	7,879	10,044	10,051
EPS (B)	2.59	2.32	2.95	2.98
Normalized profit	31,194	32,131	31,130	32,644
Normalized EPS (B)	9.18	9.45	9.16	9.69
Tier 1	17.3%	17.6%	17.5%	17.6%
Tier 2	1.1%	1.1%	1.1%	1.1%
CAR	18.4%	18.7%	18.6%	18.7%

Financial Ratio

Ended 31 Dec.	2021	2022F	2023F	2024F
Yield	3.53%	3.44%	3.71%	3.76%
Funding cost	0.63%	0.63%	0.91%	0.91%
Spread	2.90%	2.80%	2.80%	2.85%
NIM	3.00%	2.90%	2.95%	3.00%
Loans to deposit and borrowing	90.5%	91.5%	92.4%	93.4%
Cost to income ratio	42.3%	44.3%	43.5%	42.5%
ROAA	1.08%	1.14%	1.21%	1.26%
ROAE	8.35%	8.48%	8.75%	8.88%

Source : ASPS Research



2022-2024F EARNINGS FORECAST (CONT.)

Balance Sheet (Million B)

Ended 31 Dec.	2021	2022F	2023F	2024F
Cash & bank deposits	50,421	48,880	50,052	51,082
Net investment (incl. FVTPL)	291,342	305,909	321,204	337,264
Loans	2,301,835	2,370,890	2,465,726	2,564,355
Accrued interest receivables	15,031	14,000	12,000	10,000
Less Allowance for doubtful accounts	(151,409)	(155,286)	(159,143)	(164,353)
Net loans	2,165,457	2,229,604	2,318,583	2,410,002
Other assets	807,345	820,496	834,961	850,873
Total assets	3,314,565	3,404,889	3,524,800	3,649,221
Deposits	2,467,495	2,516,052	2,591,533	2,669,279
Borrowings	74,922	75,671	76,428	77,192
Total liabilities	2,871,959	2,937,268	3,029,473	3,124,731
Paid-up share capital	33,992	33,671	33,671	33,671
Other reserves	40,962	41,476	42,181	42,908
Retained earnings	366,044	390,704	417,528	445,769
Shareholders' equity	440,997	465,851	493,381	522,348
Total liabilities and shareholders' equity	3,314,565	3,404,889	3,524,800	3,649,221

Quarterly Balance Statement

Ended 31 Dec.	3Q21	4Q21	1Q22	2Q22
Cash & bank deposits	43,379	50,421	41,978	43,483
Net investment	361,586	291,342	376,524	363,911
Loans	2,279,016	2,301,835	2,326,395	2,360,037
Accrued interest receivables	13,943	15,031	15,886	16,433
Less Allowance for doubtful accounts	(141,228)	(145,653)	(147,605)	(151,615)
Net loans	2,151,731	2,171,213	2,194,676	2,224,855
Other assets	715,508	801,589	757,481	766,885
Total assets	3,272,204	3,314,565	3,370,659	3,399,134
Deposits	2,410,172	2,467,495	2,505,122	2,523,316
Borrowings	269,271	255,883	253,884	239,810
Total liabilities	2,884,970	2,871,959	2,918,134	2,945,760
Paid-up share capital	33,992	33,992	33,992	33,671
Shareholders' equity	425,857	440,997	450,913	447,042
Total liabilities and shareholders' equity	3,272,204	3,314,565	3,370,659	3,399,134

Financial Assumption

Ended 31 Dec.	2021	2022F	2023F	2024F
Loans growth	2.1%	2.9%	3.9%	3.9%
Deposits growth	1.9%	2.0%	3.0%	3.0%
Fee income growth	9.9%	3.2%	3.0%	3.0%
Credit cost	1.8%	1.5%	1.4%	1.4%
NPL / Loan	4.7%	4.7%	4.7%	4.3%
Tier 1	18%	18%	19%	19%
CAR	19%	20%	20%	20%

Source : ASPS Research