

Company Update

Monday, April 22, 2024



I V Global Securities Public Company Limited

SCB X Pcl (SCB)

Rating: HOLD

Fair price: Bt119.0

Close price: Bt103.0

1Q24 net profit comes in moderate

Company Information

Ticker:	SCB TB
Sector:	Financials
Shares outstanding (m):	3,367.11
Market capitalization (Btm):	346,812.05
Trading vol/day (Btm):	1,031.47
Free float (%):	76.41
Beta:	1.05

Major Shareholders

His Majesty King Maha Vajiralongkorn	
Bodindradebayavarangkun	23.58%
Vayupak Fund I	23.32%
Thai NVDR	6.40%

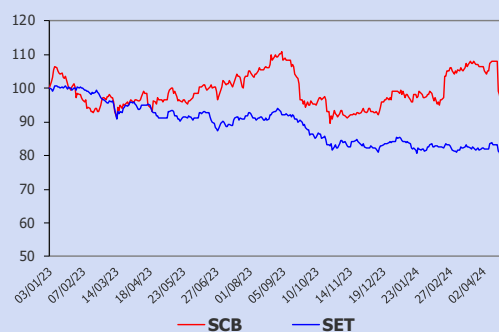
Consensus Bloomberg

2024F EPS (Bt):	13.06
Target price (Bt):	120.74

Price Performance

52 Wk high/low: 118.5 / 95.5

	1M	3M	1Y	YTD
Absolute (%)	-10.8	-1.9	2.5	-2.8
Relative (%)	-7.2	1.7	18.2	3.1



Rating	CGR	Thai CAC	SET ESG
SCB		-	AA

Analyst

Rattana Leenutaphong
rattana@ivglobal.co.th
Tel: 662-658-5787

- SCB posted a 1Q24 net profit of Bt11.3bn (+2.6% YoY and QoQ). The 1Q24 results came in slightly better than the Bloomberg consensus projection of Bt11.09bn. The YoY improvement was thanks largely to rising net interest income from rising NIM, AutoX's growth and investment and trading income uplift. The QoQ improvement was from higher non-interest income. Expected credit loss (ECL) came in at Bt10.2bn (+2.8% YoY and +9.3% QoQ), a net impact of a YoY increase from CardX and a reduction at SCB Bank from the absence of a one-off ECL last year. Net profit contribution was largely from Gen-1 (the core banking business).
- Pre-provision operating profit (PPOP) grew by 3.1% YoY and 8.1% QoQ to Bt24.9bn.
- **Asset quality.** In absolute terms, gross NPLs fell 1.6% QoQ to Bt95.2bn. ECL rose YoY and QoQ to Bt10.2bn or 167bps of loans. The NPL ratio rose QoQ to 3.52%, partly because the bank's interbank portfolio was downsized as part of a loan-to-deposit optimization strategy, giving a smaller denominator. Loan-loss-coverage ratio stayed high at 161% at end-1Q24.
- **Loans** in 1Q24 grew by 0.9% YTD, primarily driven by housing loans and corporate loans from SCB Bank (mainly from corporate customers), and consumer loans from non-bank portfolio companies (mainly the AutoX lending portfolio, up 21% QoQ, while the CardX portfolio fell 7% QoQ). Loans from Gen 1 (banking service) accounted for 96% of the total loan portfolio, followed by Gen 2 (consumer and digital financial services) at 6.7%, and the remaining balance was from intercompany transactions.
- **NIM** fell by 13bps QoQ to 3.83% on declining loan yield and rising cost of funds. Yield on earning assets fell by 22bps QoQ (largely impacted by the corporate loan yield falling by 41bps QoQ). The cost of deposits rose just 2bps. The cost of funds fell 2bps QoQ.
- **Non-interest income** fell by 6% YoY but rose 23% QoQ to Bt11.2bn. Fee income declined YoY but rose QoQ.
- **Cost-to-income ratio** came in low at 42.1% in 1Q24 on seasonal factors.
- **Capital adequacy.** Total CAR was at 18.6%, with Tier-1 capital at 17.4%.
- SCB recently partnered with WeBank, a prominent digital bank from China, to collaborate in exploring the deployment of innovative technology in pursuit of a BoT virtual bank license. The 100% acquisition of Home Credit Vietnam Finance Company Limited (HCVN) with an estimated transaction value of about Bt31bn, is expected to be completed by 1H25.
- **Maintain HOLD.** We maintain our earnings estimates and HOLD rating with a price target of Bt119, based on a 0.8x end-2024F book value. The stock is trading at 7.6x our 2024F earnings. Potential downside risk depends on whether there is weaker-than-expected overall economic activity.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Net profit (Btm)	35,590	37,546	43,521	45,851	48,671	50,410
Change (%)	30.8	5.5	15.9	5.4	6.1	3.6
PPOP (Btm)	86,786	84,547	99,323	100,890	106,455	110,850
Change (%)	7.9	-2.6	17.5	1.6	5.5	4.1
EPS (Bt)	10.48	11.15	12.93	13.62	14.45	14.97
Change (%)	30.8	6.4	15.9	5.4	6.1	3.6
P/E (x)	9.8	9.2	8.0	7.6	7.1	6.9
DPS (Bt)	4.06	6.69	10.34	8.17	8.67	8.98
Yield (%)	3.9	6.5	10.0	7.9	8.4	8.7
BVPS (Bt)	129.87	136.98	141.99	145.16	151.37	157.59
P/BV (x)	0.8	0.8	0.7	0.7	0.7	0.7
ROAA (%)	1.1	1.1	1.3	1.3	1.3	1.3
ROAE (%)	8.4	8.3	9.3	9.5	9.7	9.7

Source: Company and IVG estimates

Company Update

Monday, April 22, 2024



I V Global Securities Public Company Limited

Results

Btm	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Net interest income	31,761	28,942	9.7	33,413	(4.9)	124,682	107,865	15.6
Non-interest income								
Fee income	7,897	8,909	(11.4)	7,166	10.2	32,723	37,148	(11.9)
Others	3,337	3,049	9.5	1,964	69.9	13,697	9,408	45.6
Total	11,234	11,958	(6.0)	9,130	23.0	46,421	46,555	(0.3)
Non-interest expense	18,100	16,757	8.0	19,517	(7.3)	71,781	69,874	2.7
PPOP	24,895	24,143	3.1	23,026	8.1	99,323	84,547	17.5
ECL	10,201	9,927	2.8	9,330	9.3	43,600	33,829	28.9
Net income	11,281	10,995	2.6	10,995	2.6	43,521	37,546	15.9
EPS (Bt)	3.35	3.27	2.6	3.27	2.6	12.93	11.15	15.9

Source: Company and IVG estimates

Key ratios

%	1Q23	2Q23	3Q23	4Q23	1Q24
Loan growth, YTD	0.9	1.9	3.3	2.1	0.9
Loan growth, YoY	3.1	2.7	4.6	2.1	2.1
NIM*	3.46	3.70	3.74	3.96	3.83
Fee income, YoY	(5.8)	(9.0)	(14.6)	(18.7)	(11.4)
Non-interest income, YoY	(7.7)	7.1	(1.9)	2.4	(6.0)
Cost to income	41.0	38.4	42.7	45.9	42.1
Loan-to-deposit	95.6	98.2	96.4	99.3	101.6
Credit cost (bps)	166.3	200.7	200.8	152.9	167.4
NPL	3.32	3.25	3.30	3.44	3.52
LLR/NPL	163.8	170.6	167.2	159.9	160.6
Tier I	17.5	17.5	17.6	17.6	17.4
Total CAR	18.6	18.7	18.7	18.8	18.6

Source: Company and IVG estimates; * adjusted

Quarterly performance

Btm	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Net-interest income	24,744	26,068	27,714	29,340	28,942	30,791	31,536	33,413
Non-interest income								
Fee income	9,457	9,347	9,529	8,816	8,909	8,509	8,140	7,166
Others	3,503	3,287	2,515	103	3,049	5,016	3,669	1,964
Total	12,960	12,634	12,043	8,918	11,958	13,525	11,809	9,130
Non-interest expense	15,990	15,938	16,942	20,854	16,757	17,016	18,490	19,517
PPOP	21,713	22,764	22,815	17,403	24,143	27,300	24,854	23,026
Provisions	8,750	10,250	7,750	7,079	9,927	12,098	12,245	9,330
Net profit	10,193	10,051	10,309	7,142	10,995	11,868	9,663	10,995
EPS (Bt)	3.00	2.98	3.06	2.12	3.27	3.52	2.87	3.27

Source: Company and IVG estimates

Key ratios

%	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Loan growth, YTD	1.1	2.5	2.0	3.3	2.1	3.3	2.1
Loan growth, YoY	2.1	2.8	3.0	3.3	2.1	3.3	2.1
NIM*	3.04	3.17	3.38	3.54	3.00	3.29	3.73
Fee income, YoY	(9.4)	(4.7)	(1.4)	(14.3)	9.9	(7.6)	(11.9)
Non-interest income, YoY	(9.9)	(2.8)	(10.0)	(38.2)	15.3	(15.6)	(0.3)
Cost to income	42.8	41.2	42.6	54.5	42.3	45.2	42.0
Loan-to-deposit	92.9	93.5	92.7	93.0	93.3	93.0	99.3
Credit cost (bps)	151.2	175.0	131.7	119.9	184.4	144.6	181.5
NPL	3.70	3.58	3.34	3.34	3.79	3.34	3.44
LLR/NPL	143.9	153.3	163.8	159.7	139.4	159.7	159.9
Tier I	17.6	17.6	17.4	17.7	17.6	17.7	17.6
Total CAR	18.7	18.7	18.5	18.9	18.7	18.9	18.8

Source: Company and IVG estimates; * adjusted

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.




HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months.

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

