

SCB X Pci (SCB TB) - BUY, Price Bt103, TP Bt120**Results Comment**

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Profits were in-line

- SCB's 1Q24 profits came in Bt11.3bn, increased 3% y-y and q-q. The results met expectations, with weaker-than-anticipated bancassurance and loan-related fees mitigated by reduced provisions.
- Loan growth, led by mortgages and large corporate loans, saw a modest 0.9% increase quarter-on-quarter. However, Gen 2 consumer finance loans declined, attributed to CARD X's reduction in personal loans within the self-employed segment.
- NIM was down 12bps, primarily due to the absence of a one-off interest windfall of Bt700m. Additionally, lower yields from housing and CARD X loans reflected the institution's prudent underwriting practices. Despite this, deposit costs were effectively managed, with liquidity leverage improving and the overall loan-to-deposit ratio (LDR) rising to 102%.
- Net fees declined due to lower bancassurance and credit card loan-related fees. The bank anticipates challenges in achieving its non-net Interest low single-digit growth target for the entire year.
- NPLs remained well managed through proactive resolution efforts, including write-offs and sales. However, loans in Stage 2 increased due to the downward migration of loans in the comprehensive restructuring program.
- Credit costs, influenced notably by CARD X, increased to 1.67% from 1.66% in 1Q23 and 1.54% in 4Q23
- SCB entered a Sales and Purchase agreement for Home Credit in Vietnam, aligning with its strategic shift towards becoming a regional fintech company. The impact on Tier I capital is minimal, estimated at only 0.5%.

| Income Statement | | (consolidated) | | | | |
|---------------------------------|---------------|----------------|---------------|---------------|---------------|--|
| Yr-end Dec (Bt m) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | |
| Interest & dividend income | 37,092 | 39,519 | 41,073 | 43,436 | 41,380 | |
| Interest expense | 8,150 | 8,728 | 9,538 | 10,023 | 9,619 | |
| Net interest income | 28,942 | 30,791 | 31,536 | 33,413 | 31,761 | |
| Non-interest income | 11,861 | 13,434 | 11,709 | 9,000 | 11,086 | |
| Total income | 40,803 | 44,226 | 43,244 | 42,413 | 42,847 | |
| Operating expense | 16,757 | 17,016 | 18,490 | 19,517 | 18,100 | |
| Pre-provisioning profit | 24,046 | 27,209 | 24,754 | 22,896 | 24,747 | |
| Provision for bad&doubtful debt | 9,927 | 12,098 | 12,245 | 9,330 | 10,201 | |
| Profit before tax | 14,119 | 15,112 | 12,509 | 13,566 | 14,546 | |
| Tax | 3,147 | 3,289 | 2,891 | 2,628 | 3,354 | |
| Profit after tax | 10,971 | 11,823 | 9,618 | 10,938 | 11,192 | |
| Equity income | 97 | 91 | 100 | 130 | 148 | |
| Minority interests | (73) | (46) | (55) | (73) | (59) | |
| Extra items | - | - | - | - | - | |
| Net profit | 10,995 | 11,868 | 9,663 | 10,995 | 11,281 | |
| Normalized profit | 10,995 | 11,868 | 9,663 | 10,995 | 11,281 | |
| PPP/share (Bt) | 7.1 | 8.1 | 7.4 | 6.8 | 7.3 | |
| EPS (Bt) | 3.3 | 3.5 | 2.9 | 3.3 | 3.4 | |
| Norm EPS (Bt) | 3.3 | 3.5 | 2.9 | 3.3 | 3.4 | |
| BV/share (Bt) | 140.0 | 138.2 | 138.5 | 142.0 | 145.4 | |

| Income Statement | | 3M as | | | | |
|---------------------------------|------------|-----------|-----------|----------------|----------------|--|
| (Bt m) | q-q% | y-y% | % 2024F | 2024F | 2025F | |
| Interest & dividend income | (5) | 12 | 25 | 165,012 | 167,738 | |
| Interest expense | (4) | 18 | 25 | 38,737 | 36,420 | |
| Net interest income | (5) | 10 | 25 | 126,275 | 131,318 | |
| Non-interest income | 23 | (7) | 24 | 45,951 | 47,193 | |
| Total income | 1 | 5 | 25 | 172,226 | 178,512 | |
| Operating expense | (7) | 8 | 25 | 73,825 | 75,949 | |
| Pre-provisioning profit | 8 | 3 | 25 | 98,401 | 102,563 | |
| Provision for bad&doubtful debt | 9 | 3 | 25 | 41,302 | 39,403 | |
| Profit before tax | 7 | 3 | 25 | 57,099 | 63,160 | |
| Tax | 28 | 7 | 28 | 11,991 | 12,632 | |
| Profit after tax | 2 | 2 | 25 | 45,108 | 50,528 | |
| Equity income | 14 | 53 | 24 | 618 | 818 | |
| Minority interests | neg | neg | 24 | (246) | (256) | |
| Extra items | neg | neg | - | - | - | |
| Net profit | 3 | 3 | 25 | 45,480 | 51,089 | |
| Normalized profit | 3 | 3 | 25 | 45,480 | 51,089 | |
| PPP/share (Bt) | 8 | 3 | 25 | 29.2 | 30.5 | |
| EPS (Bt) | 3 | 3 | 25 | 13.5 | 15.2 | |
| Norm EPS (Bt) | 3 | 3 | 25 | 13.5 | 15.2 | |
| BV/share (Bt) | 2 | 4 | 145 | 145.2 | 152.2 | |

| Balance Sheet | | (consolidated) | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|--|
| Yr-end Dec (Bt m) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | |
| Cash and Interbank | 556,380 | 525,999 | 515,181 | 477,473 | 347,792 | |
| Other liquid items | 118,583 | 134,693 | 177,489 | 139,516 | 211,174 | |
| Total liquid items | 674,963 | 660,692 | 692,670 | 616,989 | 558,966 | |
| Gross loans and accrued interest | 2,420,937 | 2,445,654 | 2,478,411 | 2,450,030 | 2,471,966 | |
| Provisions | 153,294 | 153,363 | 154,981 | 148,985 | 148,570 | |
| Net loans | 2,267,643 | 2,292,291 | 2,323,430 | 2,301,044 | 2,323,395 | |
| Fixed assets | 70,818 | 71,363 | 70,942 | 71,919 | 71,726 | |
| Other assets | 54,429 | 68,539 | 75,463 | 62,608 | 69,374 | |
| Total assets | 3,416,475 | 3,440,397 | 3,539,049 | 3,438,722 | 3,407,138 | |
| Deposits | 2,510,258 | 2,468,159 | 2,546,813 | 2,442,860 | 2,410,606 | |
| Interbank | 191,683 | 204,345 | 205,200 | 221,459 | 229,916 | |
| Other liquid items | 15,869 | 15,167 | 13,121 | 13,005 | 17,061 | |
| Total liquid items | 2,717,810 | 2,687,672 | 2,765,134 | 2,677,324 | 2,657,583 | |
| Borrowings | 73,246 | 110,019 | 112,901 | 109,911 | 92,178 | |
| Other liabilities | 148,450 | 171,610 | 189,120 | 167,754 | 162,133 | |
| Minority interest | 5,599 | 5,648 | 5,499 | 5,651 | 5,589 | |
| Shareholders' equity | 471,369 | 465,449 | 466,394 | 478,082 | 489,654 | |
| Total Liabilities & Equity | 3,416,475 | 3,440,397 | 3,539,049 | 3,438,722 | 3,407,138 | |

| Financial Ratios | | | | | | |
|---------------------------------|--------|---------|--------|--------|---------|--|
| (%) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | |
| Gross loan growth (YTD) | 0.9 | 1.9 | 3.3 | 2.1 | 0.9 | |
| Gross loan growth (q-q) | 0.9 | 1.0 | 1.3 | (1.2) | 0.9 | |
| Deposit growth (YTD) | (1.8) | (3.4) | (0.4) | (4.4) | (1.3) | |
| Deposit growth (q-q) | (1.8) | (1.7) | 3.2 | (4.1) | (1.3) | |
| Non-interest income (y-y) | (8.0) | 6.8 | (2.3) | 2.0 | (6.5) | |
| Non-interest income (q-q) | 34.4 | 13.3 | (12.8) | (23.1) | 23.2 | |
| Fee income / Operating income | 21.8 | 19.2 | 18.8 | 16.9 | 18.4 | |
| Cost-to-income | 41.1 | 38.5 | 42.8 | 46.0 | 42.2 | |
| Net interest margin | 3.37 | 3.59 | 3.61 | 3.83 | 3.71 | |
| Credit cost | 1.66 | 2.00 | 1.99 | 1.54 | 1.67 | |
| ROE | 9.4 | 10.1 | 8.3 | 9.3 | 9.3 | |
| Loan-to-deposit | 95.6 | 98.2 | 96.4 | 99.3 | 101.6 | |
| Loan-to-deposit + S-T borrowing | 95.6 | 98.2 | 96.4 | 99.3 | 101.6 | |
| NPLs (Bt m) | 95,153 | 93,028 | 95,576 | 96,832 | 95,236 | |
| NPL increase | (176) | (2,125) | 2,548 | 1,256 | (1,596) | |
| NPL ratio | 3.32 | 3.25 | 3.30 | 3.44 | 3.52 | |
| Loan-loss-coverage ratio | 161.1 | 164.9 | 162.2 | 153.9 | 156.0 | |
| CAR - total | 18.6 | 18.7 | 18.7 | 18.8 | 18.6 | |

Sources: Company data, Thanachart estimates

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