

27 OCTOBER 2020

THAILAND / BANKS

SIAM COMMERCIAL BANK SCB TB

HOLD

FROM BUY

TARGET PRICE	THB70.00
CLOSE	THB64.50
UP/DOWNSIDE	+8.5%
PRIOR TP	THB96.00
CHANGE IN TP	-27.1%
TP vs CONSENSUS	-9.8%

แนวโน้มอ่อนแอกว่าที่คาด

กำไรสุทธิ 3Q20 นำผิดหวังจาก ECL ที่สูงเกินคาด

SCB รายงานกำไรสุทธิที่นำผิดหวังในไตรมาส 3Q20 โดยอยู่ที่ 4.64 พัน ลบ. (-69% y-y, -44% q-q) ตัวเลขดังกล่าวต่ำกว่าที่ประมาณการของเราและของตลาดอยู่ 29% และ 27% ตามลำดับ เนื่องจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่สูงเกินคาด กำไรสุทธิอ่อนแอเนื่องจาก ECL เพิ่มขึ้นมีนัยสำคัญเป็นหลัก ตามการเพิ่มของหนี้ไม่ก่อให้เกิดรายได้ (NPLs) หลัง SCB จัดชั้นเชิงคุณภาพลูกค้าที่มีแนวโน้มจะไม่สามารถชำระหนี้ได้ในอนาคต ซึ่งทำให้ NPLs เพิ่มขึ้น 13% q-q คิดเป็น NPL ratio ที่ 3.32% เทียบกับ 3.05% ในไตรมาส 2Q20 ในแง่ของรายได้ SCB รายงานรายได้ดอกเบี้ยสุทธิ (Net Interest Income) ที่อ่อนแอกจากการลดลงของส่วนต่างรายได้ดอกเบี้ยสุทธิ (NIM) เป็น 3.12% จาก 3.20% ในไตรมาส 2Q20 อันเป็นผลต่อเนื่องจากผลตอบแทนที่ลดลงของสินทรัพย์ที่ก่อให้เกิดรายได้หลังผลกระทบจากการปรับลดอัตราดอกเบี้ยและโครงการเลื่อนการชำระหนี้ อย่างไรก็ตาม รายได้ค่าธรรมเนียมยังคงโตดีจากค่าธรรมเนียมในธุรกิจ Bancassurance เป็นหลัก

สำรองอาจเพิ่มขึ้น

ในปีประชุมนักวิเคราะห์ครั้งล่าสุด ผู้บริหารได้ระบุว่าสำรองในไตรมาส 4Q20 จะอยู่ในระดับสูงเมื่อเทียบกับ q-q จาก NPLs ที่มีแนวโน้มเพิ่มสูงขึ้นหลังโครงการบรรเทาหนี้สิ้นสุด อย่างไรก็ตาม ผู้บริหารเชื่อว่าแผนการควบคุมค่าใช้จ่ายในการดำเนินงานที่ดีและรายได้ค่าธรรมเนียมที่อยู่ในระดับสูงจะช่วยลดผลกระทบจากสำรองที่อาจเพิ่มขึ้น ในแง่ของเงินทุน SCB มีอัตราส่วนเงินกองทุนทั้งหมดต่อสินทรัพย์เสี่ยง (CAR) สูงถึง 18.7% ในไตรมาส 3Q20 ทำให้ธนาคารเชื่อว่าสามารถผ่านการทดสอบความแข็งแกร่งในด้านเงินทุนของธนาคารแห่งประเทศไทยและรอดพ้นจากวิกฤตในครั้งนี้

ผลประกอบการจะอ่อนแอต่อเนื่อง

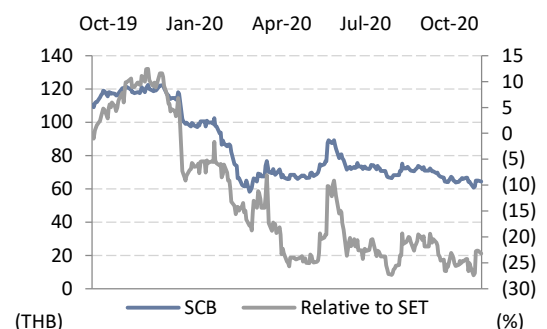
เราเชื่อว่า SCB จะรายงานผลประกอบการอ่อนแออย่างต่อเนื่อง โดยคาดว่ากำไรสุทธิจะลดลง 31% y-y และ 18% q-q ในไตรมาส 4Q20 และ 1% y-y ในปี 2021 จากการเพิ่มของสำรองตาม NPL ที่เพิ่มขึ้น เรามีความกังวลเกี่ยวกับ NPLs ของธนาคาร เนื่องจาก 16% ของสินเชื่อทั้งหมดมีแนวโน้มต้องการความช่วยเหลือเพิ่มเติมหลังมาตรการบรรเทาหนี้สิ้นสุด นอกจากนี้ ผลประกอบการของธนาคาร มีแนวโน้มลดลงจาก NIM ที่ตกต่ำต่อเนื่องตามมาตรการบรรเทาหนี้เพิ่มเติมที่ธนาคาร มีให้กับลูกค้า

ปรับลดคำแนะนำเป็นถือจากแนวโน้มที่อ่อนแอ

เราปรับประมาณการกำไรต่อหุ้น (EPS) ในปี 2020-2022 ลง 5.3%/14.5%/5.4% ตามลำดับเพื่อสะท้อนสมมติฐาน ECL ที่สูงขึ้นและ NIM ที่ลดลง นอกจากนี้เรายังปรับลดราคาเป้าหมายเป็น 70 จาก 96 บาท (GGM) และลดคำแนะนำเป็นถือ เนื่องจากเราเชื่อว่าผลประกอบการของ SCB จะอ่อนแอต่อเนื่องในไตรมาส 4Q20 ถึงปี 2021 โดยจะถูกกดดันจากสำรองที่เพิ่มขึ้นและ NIM ที่คาดว่าจะลดลง.

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Operating profit	44,394	31,993	32,157	36,405
Net profit	40,436	26,078	25,955	29,383
EPS (THB)	11.90	7.67	7.64	8.64
vs Consensus (%)	-	(0.8)	(5.9)	(6.6)
Core net profit	36,072	26,078	25,955	29,383
Core EPS (THB)	10.61	7.67	7.64	8.64
Chg. In EPS est. (%)	-	(5.3)	(14.5)	(5.4)
EPS growth (%)	(10.0)	(27.7)	(0.5)	13.2
Core P/E (x)	6.1	8.4	8.4	7.5
Dividend yield (%)	9.7	5.4	5.4	6.6
Price/book (x)	0.5	0.5	0.5	0.5
ROE (%)	9.2	6.4	6.2	6.8
ROA (%)	1.2	0.8	0.8	0.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.2	(8.5)	(39.9)
Relative to country (%)	5.9	3.0	(18.8)
Mkt cap (USD m)	7,030		
3m avg. daily turnover (USD m)	23.3		
Free float (%)	53		
Major shareholder	King Rama X (24%)		
12m high/low (THB)	122.07/58.00		
Issued shares (m)	3,399		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 27 ตุลาคม 2020

Investment thesis

In the long run, we still believe SCB will benefit from the completion of its SCB Transformation project. This should lead to a slower increase in its operating expenses and a higher interest margin from its expansion into high-yield lending. However, in the short to medium term, we believe SCB will continue to deliver weak performance in 4Q20-2021E, pressured by elevated provisions and a declining NIM.

We, therefore, downgrade our recommendation on SCB to HOLD.

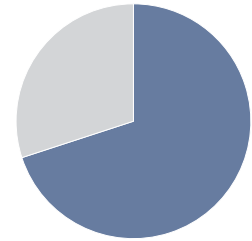
Company profile

SCB is Thailand's first commercial bank, established in 1906. It ranked the largest in terms of total loans, the second largest for deposits and the fourth largest for total assets as of end-2019. It had a total of 958 branches and 9,372 ATMs, with 10.5m digital users at end-2019.

www.scb.co.th

Principal activities (revenue, 2019)

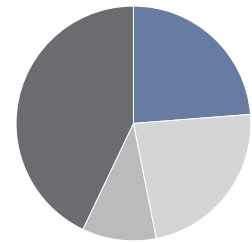
- Net interest income - 70.0 %
- Non-interest income - 30.0 %



Source: Siam Commercial Bank

Major shareholders

- King Rama X - 23.8 %
- Vayupak Fund - 23.1 %
- Thai NVDR - 10.2 %
- Others - 42.9 %



Source: Siam Commercial Bank

Catalyst

Potential share price catalysts for SCB include:

- 1 Lower credit cost from fewer new NPLs;
- 2 Faster utilisation of recently developed digital lending platforms;
- 3 The return of foreign fund flows into the Thai stock market.

Risk to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM. The upside risk is a better-than-expected ability to control operating expenses.

Event calendar

Date	Event
18 Nov 2020	3Q20 GDP announcement (morning)
18 Nov 2020	MPC 7/8 meeting (afternoon)
2 nd week of Jan 2021	2020 results announcement

Key assumptions

	2020E	2021E	2022E
	(%)	(%)	(%)
Net profit (THB m)	26,078	25,955	29,383
Net profit growth	(35.5)	(0.5)	13.2
NIM	3.26	3.20	3.17
Loan growth	3.5	2.0	4.0
Fee growth	14.2	5.0	5.0
Non-NII growth*	9.4	(0.3)	4.6
Credit cost (bp)	210	200	170
Cost to income*	46.1	47.2	48.4

* Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
		0.00	2.00	4.00
Loan growth (%)	±2ppt			
% change in net profit		(1.6)	0.0	1.6
NIM (%)	±5bp			
% change in net profit		(3.9)	0.0	3.9
Credit cost (bp)	±10bp			
% change in net profit		3.0	0.0	(3.0)

Source: FSSIA estimates

3Q20 results below expectations due to higher-than-expected ECL

SCB reported a disappointing 3Q20 net profit of THB4,641m (-69% y-y, -44% q-q) – below our expectation and Bloomberg’s consensus forecast by 29% and 27%, respectively, due to higher ECL. The weak net profit resulted mainly from a significant ECL increase due to an increase in NPLs, as SCB qualitatively downgraded clients who would potentially not be able to service their debts. Accordingly, its NPLs rose by 13% q-q, accounting for an NPL ratio of 3.32% vs 3.05% in 2Q20. Regarding its top line, SCB posted weak net interest income due to a dip in its NIM to 3.12% from 3.20% in 2Q20. This was the result of a lower yield on earnings assets from the full impact of the interest rate cuts, as well as the impact from its debt moratorium programs. However, its fee income exhibited strong growth, mainly from bancassurance fees.

Exhibit 1: SCB – summary of 3Q20 results

Year end Dec 31	3Q19	2Q20	----- 3Q20 -----		9M20	Chg.	% of	2020E	Comments	
	(THBm)	(THBm)	(THBm)	y-y%	q-q%	(THBm)	(y-y%)	20E (THBm)		
Net interest income	26,191	23,777	23,724	(9)	(0)	73,278	(4.1)	74	96,436	Dropped y-y, q-q due to a NIM decline
Non-interest income*	10,236	12,499	10,761	5	(14)	35,124	14.8	76	46,664	Dropped q-q due to a lower gain on financial instruments
Operating income*	36,428	36,276	34,484	(5)	(5)	108,401	1.3	75	143,101	
Operating expenses	17,563	16,141	15,747	(10)	(2)	48,280	(7.3)	70	65,908	SCB was able to control its operating costs effectively
PPOP before tax*	18,865	20,136	18,738	(1)	(7)	60,121	9.3	80	77,193	
Provision	6,173	9,734	12,955	110	33	32,415	85.2	78	45,166	
Tax	2,317	2,110	1,204	(48)	(43)	5,630	(19.6)	87	6,117	
Minority interest	(59)	(68)	(62)			(176)	n.m.		(168)	
Normalised profit	10,434	8,359	4,641	(56)	(44)	22,252	(27.2)	81	26,078	
Extraordinary items	4,364	0	0			0			0	
Net profit	14,798	8,359	4,641	(69)	(44)	22,252	(36.3)	81	26,078	Below BBG consensus by 27%
EPS (THB)	4.35	2.46	1.37	(69)	(44)	7	(36.3)	81	7.67	
Asset quality ratio						(bp)	(bp)			
Gross NPLs	77,207	79,596	89,909	16	13				106,515	
Loan loss reserve/NPLs (%)	144	147	143						131	
Credit cost (bp)	115	184	240	126	57	203	94		210	
Profitability ratio	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)		(%)	
Cost to income ratio*	48.2	44.5	45.7	(2.5)	1.2	44.5	(4.1)		46.1	
Average yield	4.98	3.93	3.76	(1.2)	(0.2)	4.0	(0.6)		4.0	
Cost of funds	1.53	0.86	0.75	(0.8)	(0.1)	0.9	(0.6)		0.9	
Net interest margin	3.68	3.20	3.12	(0.6)	(0.1)	3.3	(0.2)		3.3	
Non-int inc/total income	28.1	34.5	31.2	3.1	(3.3)	32.4	3.8		32.6	
Liquidity ratio	(%)	(%)	(%)						(%)	
Loan to deposit ratio	98.0	95.1	90.2						93.3	
Capital adequacy ratio	(%)	(%)	(%)						(%)	
CAR	18.0	18.1	18.7						17.8	
CET 1/risk assets	16.9	17.0	17.6						16.8	
Tier - 2/risk assets	1.1	1.1	1.1						1.0	
Loan growth	(%)	(%)	(%)						(%)	
Year to date	0.4	1.4	2.7							
y-y	2.2	(0.6)	1.0						3.5	
q-q	(0.4)	2.3	1.2							

* Including share of profits from associates

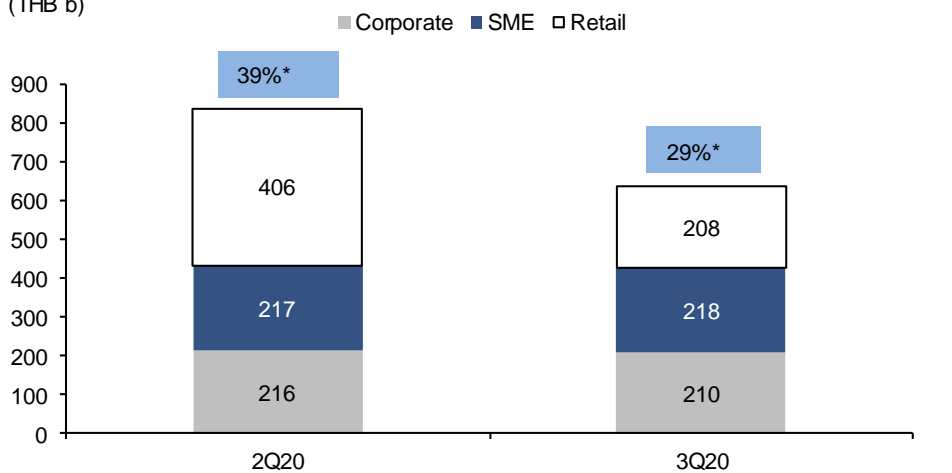
Sources: SCB; FSSIA estimates

3Q20 results – key highlights

- The total loan volume increased 1.2% q-q from a rise in housing and auto loans;
- The NIM declined to 3.12% from 3.20% in 2Q20, due mainly to a lower yield on earnings assets from the full impact of the interest rate cuts and the impact from the debt moratorium program;
- Fee income increased 16% y-y, 12% q-q due to an increase in bancassurance fees;
- NPLs rose by 13% q-q, accounting for an NPL ratio of 3.32% vs 3.05% in 2Q20. The increase in NPLs was mainly from qualitative downgrades for loans under the bank’s relief programs. We expect its NPLs to continue to rise in 4Q20 after the debt relief programs end. Accordingly, higher ECL q-q will likely be seen in 4Q20;
- In 3Q20, loans under SCB’s relief programs declined to 29% of the total loans booked vs 39% in 2Q20, due to the end of the mortgage and auto-loan relief programs. Over 60% of customers whose relief programs had ended were able to service their loans according to the terms set by the bank, while over 30% resumed repayments with term modifications. The remaining 10% of this group required further help. For those remaining customers in relief programs, SCB expects that 50% will be able to pay back their loans, while the rest could require further assistance. Based on this, we estimate that 16% of its total loans would require further assistance.

Exhibit 2: SCB – debt under relief programs

(THB b)



* % of total loans

Sources: SCB; FSSIA's compilation

EPS and TP revisions

We cut our EPS forecasts for 2020-22 by 5.3%/14.5%/5.4% to reflect our higher ECL and lower NIM assumptions. We increase our 2020-22 credit cost assumptions to 210/200/170 bps vs our previous assumptions of 195/181/168, to reflect a more conservative ECL set aside and a higher-than-expected write-off rate. Additionally, due to the additional assistance we expect the bank to provide to its customers, we revise down our 2020-22 NIM assumptions to 3.26%/3.20%/3.17% from 3.43%/3.47%/3.34%.

Exhibit 3: Key changes in assumptions

	-----2020E-----				-----2021E-----			-----2022E-----		
	2019 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	99,401	98,554	96,436	(2.1)	100,876	98,013	(2.8)	99,934	96,842	(3.1)
Non-interest income*	42,672	46,272	46,664	0.8	48,432	46,538	(3.9)	49,949	48,690	(2.5)
Operating income*	142,073	144,827	143,101	(1.2)	149,308	144,550	(3.2)	149,883	145,532	(2.9)
Operating expenses	70,538	69,218	65,908	(4.8)	72,284	68,163	(5.7)	73,721	70,391	(4.5)
PPOP before tax*	71,536	75,608	77,193	2.1	77,024	76,388	(0.8)	76,162	75,141	(1.3)
Expected credit loss (Reversal)	27,111	41,734	45,166	8.2	39,608	44,193	11.6	37,870	38,695	2.2
Tax expenses	8,538	6,470	6,117	(5.5)	7,221	6,214	(14.0)	7,390	7,034	(4.8)
Minority interest	(185)	(142)	(168)	n.a.	(156)	26	n.a.	(160)	29	n.a.
Normalised profit	36,072	27,546	26,078	(5.3)	30,351	25,955	(14.5)	31,061	29,383	(5.4)
Extraordinary items	4,364	-	-	-	-	-	-	-	-	-
Net profit	40,436	27,546	26,078	(5.3)	30,351	25,955	(14.5)	31,061	29,383	(5.4)
EPS (THB)	11.90	8.10	7.67	(5.3)	8.93	7.64	(14.5)	9.14	8.64	(5.4)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs	85,212	114,184	106,515	(6.7)	167,280	149,121	(10.9)	160,588	143,156	(10.9)
Loan loss reserve/NPLs (%)	134	120	131		111	129		124	146	
Credit cost (bps)	127	195	210		181	200		168	170	
Profitability ratio										
Cost to income ratio*	49.6	47.8	46.1		48.4	47.2		49.2	48.4	
Average yield	4.54	4.30	3.99		4.37	3.93		4.40	4.07	
Cost of funds	1.49	1.10	0.86		1.10	0.86		1.30	1.09	
Net interest margin (NIM)	3.34	3.43	3.26		3.47	3.20		3.34	3.17	
Loan growth										
y-y	(1.3)	2.5	3.5		2.0	2.0		4.0	4.0	

* Including share of profits from associates

Sources: SCB; FSSIA estimates

Exhibit 4: Key financial highlights

	Key financial data				Change			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
	(THB m)	(THB m)	(THB m)	(THB m)	(y-y %)	(y-y %)	(y-y %)	(y-y %)
Net interest income	99,401	96,436	98,013	96,842	3.1	(3.0)	1.6	(1.2)
Non-interest income*	42,672	46,664	46,538	48,690	2.0	9.4	(0.3)	4.6
Operating income*	142,073	143,101	144,550	145,532	2.8	0.7	1.0	0.7
Operating expenses	70,538	65,908	68,163	70,391	9.1	(6.6)	3.4	3.3
PPOP before tax*	71,536	77,193	76,388	75,141	(2.8)	7.9	(1.0)	(1.6)
Provision (Reversal)	27,111	45,166	44,193	38,695	12.9	66.6	(2.2)	(12.4)
Taxes expenses	8,538	6,117	6,214	7,034	(9.8)	(28.4)	1.6	13.2
Minority interest	(185)	(168)	26	29	-	-	-	-
Core profit	36,072	26,078	25,955	29,383	(10.0)	(27.7)	(0.5)	13.2
Extraordinary items	4,364	-	-	-	-	<i>nm</i>	-	-
Net profit	40,436	26,078	25,955	29,383	0.9	(35.5)	(0.5)	13.2
EPS (THB)	11.90	7.67	7.64	8.64	0.9	(35.5)	(0.5)	13.2
Gross NPLs	85,212	106,515	149,121	143,156	21.1	25.0	40.0	(4.0)
Loans	2,113,787	2,187,770	2,231,525	2,320,786	(1.3)	3.5	2.0	4.0
Key ratios	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)	(ppt)
Gross NPLs/loans	3.41	4.12	5.65	5.22	3.38	0.71	1.53	(0.43)
Loan loss reserve/NPLs	134.1	131.2	129.3	145.5	132.64	(2.90)	(1.86)	16.21
Cost to income ratio*	49.6	46.1	47.2	48.4	49.18	(3.59)	1.10	1.21
Net interest margin (NIM)	3.34	3.26	3.20	3.17	3.31	(0.08)	(0.06)	(0.04)
Loan to deposit ratio	97.9	93.3	97.1	103.0	96.90	(4.63)	3.81	5.94

* Including share of profits from associates

Sources: SCB; FSSIA estimates

We revise down our GGM-based TP to THB70 from THB96, as we: 1) lower our EPS forecast, leading to a lower book value; 2) revise down our target FY21E P/BV from 0.76x to 0.57x, as a result of our lower average long-term ROE target of 6.4% from 7.3%.

Exhibit 5: GGM-derived target price

Target price	THB 70.00
Recommendation	HOLD (from BUY)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	8.4 (unchanged)
Terminal growth (%)	3.7 (unchanged)
ROE target (%)	6.4 (from 7.3)
Risk to TP	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM. The upside risk is a better-than-expected ability to control operating expenses.

Source: FSSIA estimates

Financial Statements

Siam Commercial Bank

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Interest Income	129,127	135,025	117,950	120,279	124,594
Interest expense	(32,758)	(35,624)	(21,513)	(22,266)	(27,752)
Net interest income	96,369	99,401	96,436	98,013	96,842
Net fees & commission	28,456	29,670	33,895	35,589	37,369
Foreign exchange trading income	7,945	6,817	0	0	0
Securities trading income	2,930	5,383	10,800	9,755	10,008
Dividend income	1,211	627	314	345	380
Other income	1,266	145	1,622	811	892
Non interest income	41,808	42,642	46,631	46,501	48,649
Total income	138,177	142,043	143,067	144,513	145,491
Staff costs	(29,347)	(33,281)	(31,617)	(32,249)	(33,216)
Other operating costs	(35,292)	(37,257)	(34,291)	(35,914)	(37,175)
Operating costs	(64,639)	(70,538)	(65,908)	(68,163)	(70,391)
Pre provision operating profit	73,538	71,505	77,159	76,350	75,100
Provision for bad and doubtful debt	(24,023)	(27,111)	(45,166)	(44,193)	(38,695)
Other provisions	-	-	-	-	-
Operating profit	49,515	44,394	31,993	32,157	36,405
Recurring non operating income	47	31	34	37	41
Associates	47	31	34	37	41
Goodwill amortization	-	-	-	-	-
Non recurring items	0	4,364	0	0	0
Profit before tax	49,563	48,789	32,027	32,195	36,446
Tax	(9,468)	(8,538)	(6,117)	(6,214)	(7,034)
Profit after tax	40,095	40,250	25,910	25,981	29,412
Minority interests	(28)	185	168	(26)	(29)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	40,067	40,436	26,078	25,955	29,383
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	40,067	36,072	26,078	25,955	29,383
Per share (THB)					
Recurring EPS *	11.79	10.61	7.67	7.64	8.64
Reported EPS	11.79	11.90	7.67	7.64	8.64
DPS	5.50	6.25	3.50	3.50	4.25
Growth					
Net interest income (%)	4.4	3.1	(3.0)	1.6	(1.2)
Non interest income (%)	(4.8)	2.0	9.4	(0.3)	4.6
Pre provision operating profit (%)	(6.4)	(2.8)	7.9	(1.0)	(1.6)
Operating profit (%)	(7.5)	(10.3)	(27.9)	0.5	13.2
Reported net profit (%)	(7.1)	0.9	(35.5)	(0.5)	13.2
Recurring EPS (%)	(7.1)	(10.0)	(27.7)	(0.5)	13.2
Reported EPS (%)	(7.1)	0.9	(35.5)	(0.5)	13.2
Income Breakdown					
Net interest income (%)	69.7	70.0	67.4	67.8	66.6
Net fees & commission (%)	20.6	20.9	23.7	24.6	25.7
Foreign exchange trading income (%)	5.7	4.8	-	-	-
Securities trading income (%)	2.1	3.8	7.5	6.8	6.9
Dividend income (%)	0.9	0.4	0.2	0.2	0.3
Other income (%)	0.9	0.1	1.1	0.6	0.6
Operating performance					
Gross interest yield (%)	4.30	4.54	3.99	3.93	4.07
Cost of funds (%)	1.40	1.49	0.86	0.86	1.09
Net interest spread (%)	2.90	3.05	3.13	3.07	2.98
Net interest margin (%)	3.2	3.3	3.3	3.2	3.2
Cost/income(%)	46.8	49.7	46.1	47.2	48.4
Cost/assets(%)	2.1	2.3	2.1	2.2	2.3
Effective tax rate (%)	19.1	17.5	19.1	19.3	19.3
Dividend payout on recurring profit (%)	46.7	58.9	45.6	45.8	49.2
ROE (%)	10.8	9.2	6.4	6.2	6.8
ROE - COE (%)	0.0	(1.6)	(4.4)	(4.6)	(4.0)
ROA (%)	1.3	1.2	0.8	0.8	0.9
RORWA (%)	1.9	1.7	1.2	1.2	1.3

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Siam Commercial Bank; FSSIA estimates

Financial Statements

Siam Commercial Bank

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Gross customer loans	2,140,561	2,113,787	2,187,770	2,231,525	2,320,786
Total provisions	(103,273)	(114,272)	(139,749)	(192,868)	(208,355)
Interest in suspense	3,334	2,946	6,126	6,248	6,498
Net customer loans	2,040,622	2,002,461	2,054,147	2,044,906	2,118,930
Bank loans	377,905	433,510	517,638	471,699	380,095
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	568,901	312,143	354,194	356,378	358,720
Cash & equivalents	47,117	47,615	41,355	56,726	43,217
Other interesting assets	-	-	-	-	-
Tangible fixed assets	56,656	57,418	53,715	50,281	47,093
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	96,139	110,599	159,003	156,842	155,161
Total assets	3,187,340	2,963,746	3,180,051	3,136,830	3,103,216
Customer deposits	2,159,631	2,159,425	2,345,914	2,298,996	2,253,016
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	264,034	235,592	288,605	282,833	277,176
Non interest bearing liabilities	382,692	167,882	134,306	134,306	134,306
Hybrid Capital	-	-	-	-	-
Total liabilities	2,806,357	2,562,900	2,768,825	2,716,135	2,664,498
Share capital	33,992	33,992	33,956	33,956	33,956
Reserves	346,035	366,366	376,768	386,227	404,227
Total equity	380,027	400,358	410,724	420,183	438,183
Minority interests	956	489	501	513	535
Total liabilities & equity	3,187,340	2,963,746	3,180,051	3,136,830	3,103,216
Supplementary items					
Risk weighted assets (RWA)	2,167,158	2,075,492	2,201,392	2,245,420	2,335,236
Average interest earning assets	3,004,768	2,973,403	2,959,521	3,059,601	3,059,601
Average interest bearing liabilities	2,344,644	2,396,471	2,499,650	2,589,917	2,538,119
Tier 1 capital	326,683	352,691	369,802	378,822	394,593
Total capital	370,485	375,206	392,317	401,337	417,108
Gross non performing loans (NPL)	70,389	85,212	106,515	149,121	143,156
Per share (THB)					
Book value per share	111.79	117.77	120.83	123.61	128.91
Tangible book value per share	111.79	117.77	120.83	123.61	128.91
Growth					
Gross customer loans	5.2	(1.3)	3.5	2.0	4.0
Average interest earning assets	5.3	(1.0)	(0.5)	3.4	-
Total asset (%)	5.4	(7.0)	7.3	(1.4)	(1.1)
Risk weighted assets (%)	5.4	(4.2)	6.1	2.0	4.0
Customer deposits (%)	3.2	0.0	8.6	(2.0)	(2.0)
Leverage & capital measures					
Customer loan/deposits (%)	94.5	92.7	87.6	88.9	94.0
Equity/assets (%)	11.9	13.5	12.9	13.4	14.1
Tangible equity/assets (%)	11.9	13.5	12.9	13.4	14.1
RWA/assets (%)	68.0	70.0	69.2	71.6	75.3
Tier 1 CAR (%)	15.1	17.0	16.8	16.9	16.9
Total CAR (%)	17.1	18.1	17.8	17.9	17.9
Asset Quality					
Change in NPL (%)	7.4	21.1	25.0	40.0	(4.0)
NPL/gross loans (%)	3.3	4.0	4.9	6.7	6.2
Total provisions/gross loans (%)	4.8	5.4	6.4	8.3	9.0
Total provisions/NPL (%)	146.7	134.1	131.2	129.3	145.5
Valuation					
Recurring P/E (x) *	5.5	6.1	8.4	8.4	7.5
Recurring P/E @ target price (x) *	5.9	6.6	9.1	9.2	8.1
Reported P/E (x)	5.5	5.4	8.4	8.4	7.5
Dividend yield (%)	8.5	9.7	5.4	5.4	6.6
Price/book (x)	0.6	0.5	0.5	0.5	0.5
Price/tangible book (x)	0.6	0.5	0.5	0.5	0.5
Price/tangible book @ target price (x)	0.6	0.6	0.6	0.6	0.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Siam Commercial Bank; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PNR	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMP	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIJK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAHA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

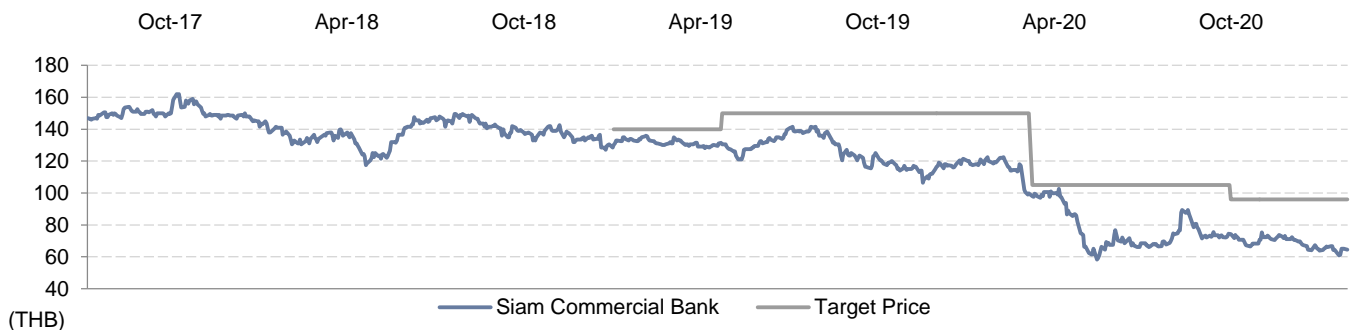
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History of change in investment rating and/or target price

Siam Commercial Bank (SCB TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Jan-2019	HOLD	140.00	27-Jan-2020	HOLD	105.00	16-Jul-2020	BUY	96.00
03-May-2019	BUY	150.00	02-Apr-2020	HOLD	105.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Siam Commercial Bank	SCB TB	THB 64.50	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM. The upside risk is a better-than-expected ability to control operating expenses.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 26-Oct-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.