

4 AUGUST 2021

THAILAND / BANKS

# SIAM COMMERCIAL BANK SCB TB

## BUY

UNCHANGED

TARGET PRICE	THB136.00
CLOSE	THB96.25
UP/DOWNSIDE	+41.3%
PRIOR TP	THB136.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+14.4%

## Survival then victory

มุมมองเป็นกลางจากการสัมภาษณ์ผู้บริหารของ SCB เป็นการส่วนตัว

เมื่อวันที่ 2 ส.ค. 21 เราจัดงาน exclusive talk กับ SCB ธนาคารฯ ได้ให้ข้อมูลเพิ่มเติมเกี่ยวกับโครงการปรับโครงสร้างหนี้แบบเบ็ดเสร็จ (CDR) ในระยะยาว ข้อดีหลักของโครงการดังกล่าวอยู่ที่การลดอัตราส่วนหนี้ต่อคุณภาพ (NPL ratio) และการประหยัดสำรอง นอกจากนี้ผู้บริหารยังตั้งเป้าเพิ่มอัตรากำไรต่อส่วนผู้ถือหุ้น (ROE) จาก 9% ในปัจจุบัน โดยรวมเรามองข้อมูลดังกล่าวเป็นกลาง

### ปรับโครงสร้างหนี้ระยะยาวเพื่อให้ออกพ้นจาก Covid

SCB คาดว่าจะเสนอโครงการ CDR ให้แก่ประมาณ 20% ของพอร์ตรวมภายในสิ้นปีนี้ ผู้บริหารเชื่อว่าโครงการ CDR จะทำให้ NPL ratio ในปี 2022 ทรงตัวเมื่อเทียบกับปี 2021 (เป้า NPL ratio ในปี 2021 ของธนาคารฯ อยู่ที่ 4.0-4.5%) นอกจากนี้ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit Cost) อาจลดลงเหลือ 120-130 bps ในปี 2022 เมื่อเทียบกับเป้าในปี 2021 ที่น้อยกว่า 200 bps ข้อเสียสำคัญของ CDR อยู่ที่ผลกระทบต่อผลกำไรที่ชัดเจน อย่างไรก็ตามผู้บริหารกล่าวว่าการประหยัดสำรองอาจมีน้ำหนักมากกว่าการลดลงของ NIM จากสมมติฐานของเรา Credit Cost ในปี 2022-23 อาจอยู่ที่ 155 และ 150 bps ในขณะที่ NIM จะอยู่ที่ 2.93% และ 2.98% ถ้า SCB สามารถได้ Credit Cost ที่ 120 bps ประมาณการกำไรสุทธิในปัจจุบันของเราจะมีความเสี่ยงเพิ่มขึ้น 15-18% อย่างไรก็ตามเรายังมีความเสี่ยงในการดำเนินโครงการ CDR ดังนั้นเราจึงจะปัจจัยดังกล่าวไว้ในฐานะที่เป็นความเสี่ยงเพิ่มขึ้นตามเดิม

### ชัยชนะหลังปัญหา Covid สงบลง

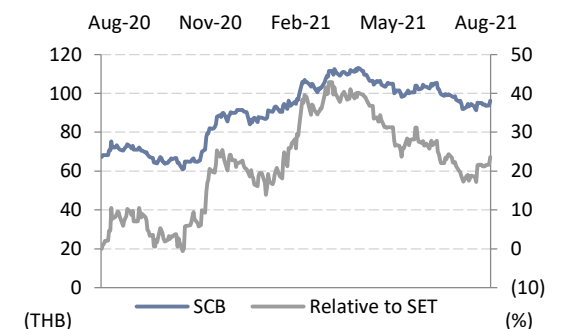
ผู้บริหารตั้งเป้าเพิ่ม ROE จาก 9% ในช่วง 1H21 เป็น 10% ในปี 2022 และ 14-15% ในระยะกลาง โดยมีปัจจัยผลักดันจาก 1) การประหยัดสำรองจากโครงการ CDR; 2) การเพิ่มอัตรากำไรจากการจ่ายเงินปันผล จากข้อมูลของผู้บริหารเมื่อ ธ.ค. อนุญาตให้ธนาคารฯ จ่ายเงินปันผลได้โดยอิสระ SCB อาจกลับมาจ่ายเงินปันผลในอัตราสูงถึง 40% เหมือนในอดีต ซึ่งคิดเป็นผลตอบแทนในรูปแบบเงินปันผลที่น่าสนใจถึง 5-6% ต่อปีเทียบกับสมมติฐานในปัจจุบันของเราที่ 4%; และ 3) การขยายธุรกิจที่ให้ ROE สูง ตามความเห็นของเราอีกปัจจัยการเติบโตสำคัญที่จะดึง ROE ให้สูงขึ้นจะอยู่ที่ SCB10x ซึ่งก่อตั้งในเดือน ม.ค. 20 พร้อมกับภารกิจ "moonshot mission" เพื่อให้ได้การเติบโตแบบยกกำลังผ่านนวัตกรรมทางเทคโนโลยีและการลงทุน

### คงเลือก SCB เป็นหุ้นเด่นที่ราคาเป้าหมายปี 2022 ที่ 136 บาท (GGM)

เรายังเลือก SCB เป็นหนึ่งในหุ้นเด่นของเรา เราคิดว่าโครงการ CDR ซึ่งรูกน่าจะแก้ปัญหาคุณภาพสินทรัพย์ที่ยืดเยื้อได้สำเร็จ นอกจากนี้ SCB ยังอยู่ในตำแหน่งที่ดีที่จะได้ประโยชน์จากกระแสดิจิทัลของประเทศไทยด้วยแพลตฟอร์มดิจิทัลของธนาคารฯ เรามองว่า SCB อาจจะรายงานผลประกอบการที่ดีโดยได้ปัจจัยหนุนจาก Credit Cost ที่ลดลง ประสิทธิภาพในด้านต้นทุน และชื่อเสียงในด้านรายได้ค่าธรรมเนียมที่อยู่ในระดับสูง

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	33,866	39,011	44,335	51,303
Net profit	27,218	32,171	36,527	42,222
EPS (THB)	8.02	9.46	10.75	12.42
vs Consensus (%)	-	(2.3)	2.1	(3.1)
Core net profit	27,218	32,171	36,527	42,222
Core EPS (THB)	8.02	9.46	10.75	12.42
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(7.0)	18.1	13.5	15.6
Core P/E (x)	12.0	10.2	9.0	7.7
Dividend yield (%)	2.4	2.8	3.6	4.9
Price/book (x)	0.8	0.8	0.7	0.7
ROE (%)	6.7	7.6	8.2	8.9
ROA (%)	0.9	1.0	1.1	1.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.5)	(8.3)	44.7
Relative to country (%)	1.9	(5.8)	24.1
Mkt cap (USD m)			9,897
3m avg. daily turnover (USD m)			37.3
Free float (%)			53
Major shareholder		King Rama X (24%)	
12m high/low (THB)			114.00/60.00
Issued shares (m)			3,399

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 4 สิงหาคม 2021

## Investment thesis

We believe that SCB can weather the Covid-19 storm, owing to its effective risk management process and proactive stockpiling of provisions. Additionally, we expect SCB to 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 in the long run. Moreover, we expect that SCB will be able to deliver solid fee income growth, driven by its new customised product developments. We expect its ROE to have passed its bottom in 2020. We, therefore, maintain our BUY call.

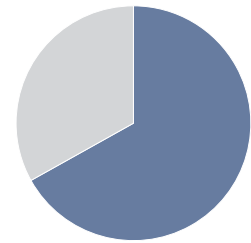
## Company profile

SCB is Thailand's first commercial bank, established in 1906. It is ranked the largest in terms of total loans, the second largest for deposits and the fourth largest for total assets as of end-2020. It had a total of 811 branches and 24k personnel, with 14.85m digital users at end-20.

[www.scb.co.th](http://www.scb.co.th)

## Principal activities (revenue, 2020)

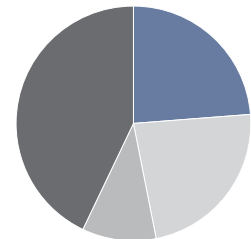
- Net interest income - 66.9 %
- Non-interest income - 33.1 %



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

## Catalysts

Potential share price catalysts for SCB include:

- The success of long-term comprehensive debt restructuring;
- Faster utilisation of recently developed digital lending platforms.

## Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM

## Event calendar

Date	Event
Oct- 2021	3Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
Year-to-Dec	(%)	(%)	(%)
Net profit (THB m)	32,171	36,527	42,222
Net profit growth	18.2	13.5	15.6
NIM	3.01	2.93	2.98
Loan growth	3.0	4.0	4.0
Fee growth	5.4	9.9	8.7
Non-NII growth*	4.1	3.9	8.0
Credit cost (bp)	188	155	150
Cost to income*	42.5	42.7	41.0

\*Including share of profits from associates

Source: FSSIA estimates

## Earnings sensitivity

		2021E		
	±2ppt	1.00	3.00	5.00
Loan growth				
% change in net profit		(1.3)	0.0	1.3
NIM (%)	±5bp	2.96	3.01	3.06
% change in net profit		(3.9)	0.0	3.9
Credit cost (bp)	±10bp	178	188	198
% change in net profit		2.8	0.0	(2.8)

Source: FSSIA estimates



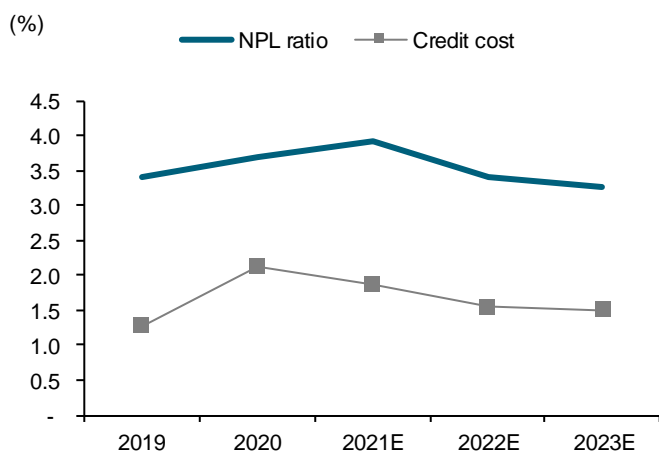
## L-T debt restructuring to solve asset quality problem

On 2 Aug-21, we hosted an exclusive talk with two members of SCB's management team – Mr. Manop Sangiambut, Senior Executive Vice President, Chief Financial Officer and Mr. Tse Tiong Lee, First Executive Vice President, Financial Planning & Analysis Function & Investor Relations Function. Management provided more details on its long-term comprehensive debt restructuring program (CDR).

The reason to offer this CDR is because it sees that the forbearance program measures issued by the Bank of Thailand (BoT) can solve only the short-term liquidity shortage problem. Assisting clients with debt restructuring is probably one of the most effective options, presently. This allows customers to survive short-term problems and recover to regain business in the long term.

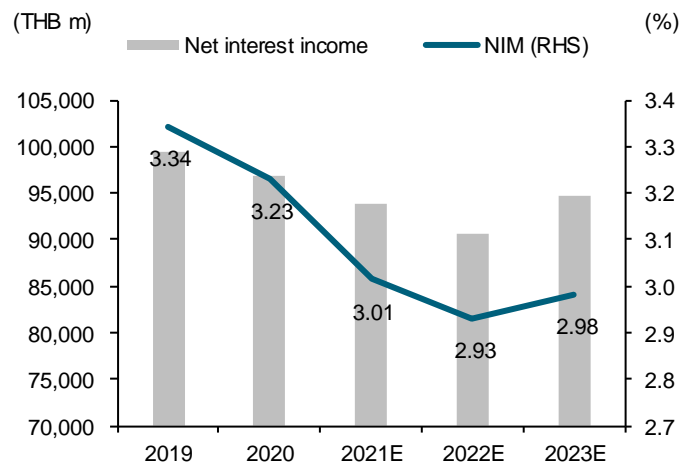
SCB expects to offer CDR at c20% (THB460b) of its total portfolio by the end of this year. In 2Q21, the bank had already offered CDR to some of its clients. Management believes that CDR will allow its non-performing loan (NPL) ratio in 2022 to remain relatively the same as in 2021 (its 2021 target NPL ratio is 4.0-4.5% and the current NPL ratio is 3.79%). Without CDR, once the relaxed loan classification measure ends, its NPL ratio might surge to 7-8%. Moreover, its credit cost might decline to 120-130 bps in 2022 vs its 2021 target of less than 200 bps. The main disadvantage of CDR is the negative impact it would have on its NIM, though SCB has not provided a clear impact yet. However, the provision savings could outweigh the decline in its NIM, according to management.

**Exhibit 1: SCB's credit cost, NPL ratio and coverage ratio**



Source: FSSIA estimates

**Exhibit 2: SCB's NIM and NII**



Source: FSSIA estimates

Based on our assumptions, 2022-23 credit cost would be 155 and 150 bps, with a 2022-23 NIM of 2.93% and 2.98%. If SCB can deliver a 120 bps credit cost, there would be a 15-18% upside to our current net profit forecasts. However, we think there are still execution risks for CDR. Thus, we leave this as an upside at present.

## Target to accelerate ROE

Apart from its first priority to solve the asset quality issue, management aims to increase its ROE from 9% in 1H21 to 10% in 2022 and 14-15% in the medium term, driven by 1) provision savings from CDR; 2) increasing its dividend payout ratio; and 3) expanding to high ROE businesses.

### Increasing dividend payout

In the past, SCB's dividend payout ratio was normally around 40%. In 2019, after the sale of SCB Life, allowing its CET 1 ratio to increase to 17% from 15%, the bank was more comfortable in increasing its dividend payout ratio. Thus, in 2019, its payout ratio (excluding a special dividend from the sale of SCB Life) was at 47%. According to management, once the BoT allows banks to pay dividends freely, SCB might resume its dividend payout at a high 40%. This implies an attractive dividend yield of 5-6% per year vs our current assumption of 4%.

### Exhibit 3: 2Q21 capital position of Thai banks

2Q21	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
CAR	18.4	18.2	17.4	19.4	17.9	22.5	19.6
CET1	15.1	15.3	13.4	15.0	16.8	18.0	14.5

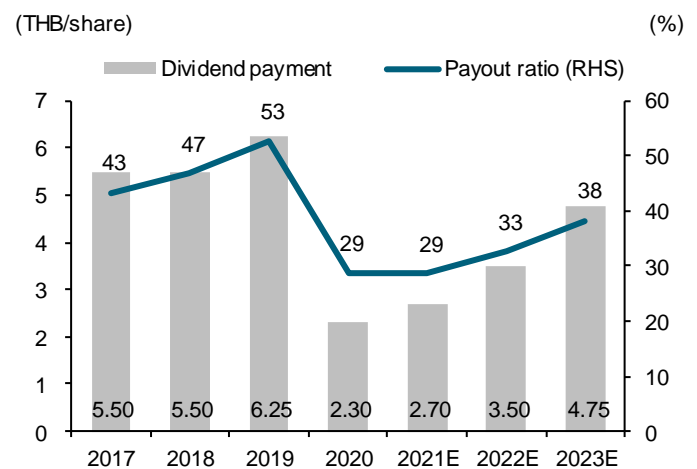
Source: Company data

Note that, currently, the BoT allows Thai banks to pay a 2021 interim dividend of not greater than their 2020 dividend payout ratios and not over 50% of their 1H21 profits.

Regarding the yearly dividends for 2020, Thai banks were able to pay dividends under two conditions: 1) the dividends could not exceed the previous year's payout ratio; and 2) they could not exceed 50% of the banks' 2020 net profits.

The mandate for the full-year 2021 dividend payout ratio has not been issued yet. We think the base case would be the same as the criteria for 2020.

### Exhibit 4: SCB's dividend payout ratio



Note that in 2019 SCB paid a special dividend due to the sale of SCB Life. Excluding this item, we estimate that its payout ratio would have been 47%.

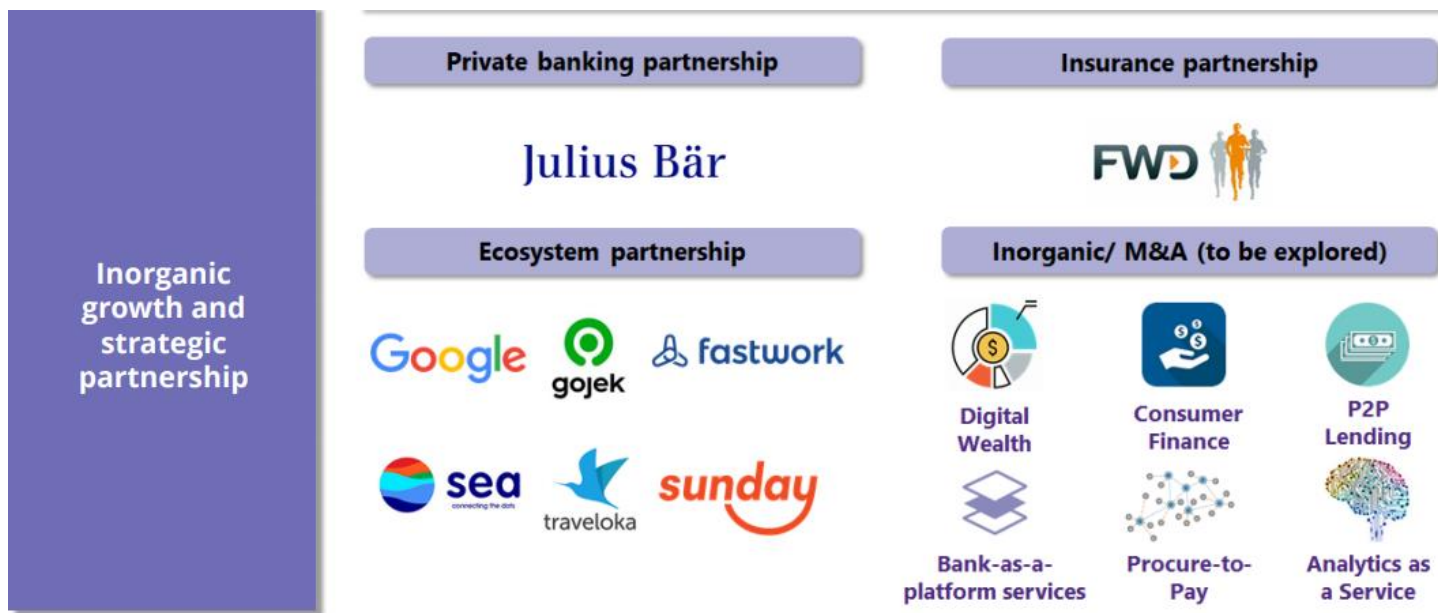
Sources: SCB; FSSIA estimates

## Driving inorganic growth

The bank is currently exploring its inorganic growth drivers in terms of both mergers and acquisitions and strategic partnerships. In the past, SCB made many successful strategic partnership deals, e.g. Julius Baer (Swiss wealth management group), and FWD Insurance, which were able to improve its fee income. We think the strong fee income will continue due to its strong and well-known partnerships and co-product developments.

Regarding M&A deals, SCB is exploring many areas such as digital wealth, consumer finance, etc. Management did not provide details on these deals. The benefits from M&A deals are still unclear, in our view.

Exhibit 5: SCB's inorganic growth and strategic partnerships



Source: SCB

## SCB10x “moonshot mission” to uplift ROE

In our view, another key growth area to uplift its ROE is SCB10x, its 100% owned subsidiary. SCB10x was established in Jan-20 with the “moonshot mission” to achieve exponential growth through technological innovations and investments via its three arms: ‘Venture Building’, ‘Venture Capital’, and ‘Strategic Investment & Partnership’. SCB10x received an investment budget of THB20b to drive its mission.

### Exhibit 6: SCB10x's business structure



Source: SCB

### #1 Venture Building

Under the Venture Building business model, SCB10x will build new companies with the support of SCB. The interesting point of this business model is the utilisation of SCB's existing expertise and resources to support newly created start-ups to grow rapidly and efficiently. The promising entities under this model are Robinhood and TokenX, in our view.

**Robinhood:** The very first project for SCB10x is a food delivery platform. Normally, a project of this type would take at least six to twelve months to develop. However, by using existing bank resources, such as its robust technology infrastructure, its Mae Manee project restaurant network, the resources from its close partnership with Google My Business, and the delivery messengers from the bank's business partner, Skootar, the application was completed in just three months.

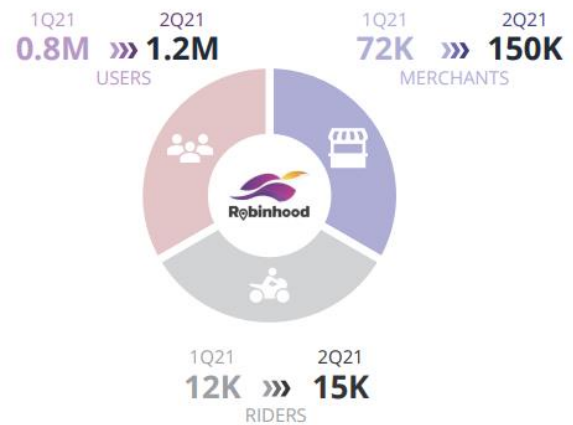
Unlike other food delivery platforms, Robinhood will not charge any subscription, gross profit (GP), or other fees. As part of the SCB Group, Robinhood will speed up payment, with the goal of sellers receiving their money within one hour after closing an order. Payments are credited to both sellers and delivery messengers automatically via a digital system without any cash involved.

Due to its uniqueness, Robinhood is a very successful platform. As of 2Q21, it has more than 150k merchants, with 1.2m users and 15k riders. These numbers are expected to surge in 3Q21 due to its “waive fees campaign” amidst Bangkok's lockdown.

SCB can gain more data from its platform's users, both merchants and buyers. This will benefit the bank by helping it to further extend its loan business, in our view.

**Exhibit 7: Robinhood food delivery platform**

Source: SCB

**Exhibit 8: Robinhood users' data**

Source: SCB

**TokenX**

One of the great interest areas of SCB10x is decentralized finance (DeFi), which is a non-intermediated financial transaction. SCB10x believes that centralized finance (CeFi) will be linked to DeFi, in the near future. It plans to take a role in the connection between these two worlds. This position can take many forms, such as an exchange or brokerage to convert fiat currencies into digital, a digital investment banker, etc. Thus, TokenX was established to capture the DeFi trend.

TokenX's key objective is to operate an initial coin offering portal (ICO Portal). It is currently in the process of applying for an ICO Portal license from the Securities and Exchange Commission (SEC). However, TokenX can start some tokenizing businesses which can be done without a license. For example, TokenX can issue tokens that have collateral assets.

The revenue contribution from this business might still be minimal at present. We think this is a good start to penetrate the DeFi market, which has a high potential to increase exponentially.

**#2 Venture Capital**

Under this arm, SCB10x will deploy capital to invest in early-stage companies in promising technology areas like fintech and financial services, blockchain and DeFi, digital work and lifestyle, digital health and wellness, internet of things (IoT) and deeptech. It invests globally, particularly in Southeast Asia, China, the US and Israel. We think SCB10x will not only see money returns, but it should also gain strategic partners that can bring valuable know-how to help enhance the bank's capabilities.

The successful venture capital projects include its investment in Ripple, an innovator in global money transfers using blockchain technology.

SCB10x is also working with Alpha Financial Lab, an ecosystem of cross-chain DeFi products, to bridge the gap between traditional banking and emerging financial technologies with a new suite of DeFi products under the umbrella of Alpha products.



Exhibit 9: International money transfers

Allow SCB to deliver seamless global payment experience with the use of Blockchain technology



Source: SCB

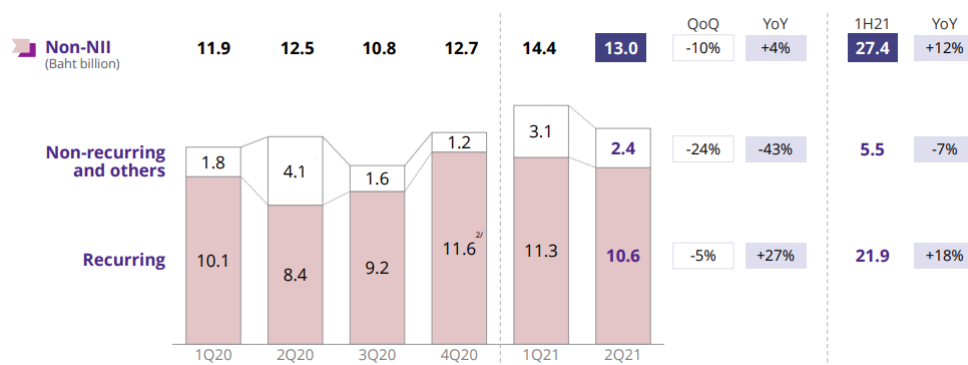
#3 Strategic Investment & Partnership

Under the Strategic Investment & Partnership arm, SCB10x looks to invest and partner with growth or late-stage companies with proven businesses and technologies in fintech and financial services, blockchain bank and DeFi, digital work and lifestyle, and digital health and wellness.

Its well-known deal was its investment in the Flash group, the Thai one-stop e-commerce service provider. SCB has also joined hands in an alliance to combine its strengths with the Flash business group to expand into businesses such as digital lending and payment solutions.

All in all, the revenue contribution from SCB10x is still minimal. According to management, SCB10x was able to generate THB1.7b non-recurring Non-NII in 1H21 or c2% of SCB’s total operating income. We think SCB10x will allow the bank to capture the fast and ever-changing financial global trend. Eventually, we believe it could uplift SCB’s ROE in the medium term.

Exhibit 10: SCB’s Non-NII



Source: SCB

## Financial Statements

### Siam Commercial Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	135,025	118,371	110,645	112,646	117,393
Interest expense	(35,624)	(21,472)	(16,876)	(21,918)	(22,727)
Net interest income	99,401	96,899	93,769	90,727	94,666
Net fees & commission	29,670	36,586	38,564	42,371	46,047
Foreign exchange trading income	0	0	0	0	0
Securities trading income	5,383	9,365	9,500	7,525	7,901
Dividend income	627	155	171	180	189
Other income	145	1,840	1,104	1,159	1,217
Non interest income	35,825	47,947	49,339	51,235	55,354
Total income	135,226	144,846	143,108	141,963	150,020
Staff costs	(33,281)	(31,344)	(30,404)	(30,404)	(31,316)
Other operating costs	(37,257)	(32,986)	(30,659)	(30,498)	(30,439)
Operating costs	(70,538)	(64,330)	(61,063)	(60,902)	(61,755)
Pre provision operating profit	64,688	80,516	82,045	81,060	88,265
Provision for bad and doubtful debt	(27,111)	(46,649)	(43,035)	(36,725)	(36,962)
Other provisions	-	-	-	-	-
Operating profit	37,577	33,866	39,011	44,335	51,303
Recurring non operating income	31	(78)	500	525	551
Associates	31	(78)	500	525	551
Goodwill amortization	-	-	-	-	-
Non recurring items	4,364	0	0	0	0
Profit before tax	41,972	33,788	39,511	44,860	51,854
Tax	(8,538)	(6,794)	(7,595)	(8,623)	(9,968)
Profit after tax	33,434	26,994	31,916	36,237	41,886
Minority interests	185	224	255	290	335
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	33,619	27,218	32,171	36,527	42,222
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	29,255	27,218	32,171	36,527	42,222
<b>Per share (THB)</b>					
Recurring EPS *	8.62	8.02	9.46	10.75	12.42
Reported EPS	9.90	8.02	9.46	10.75	12.42
DPS	6.26	2.30	2.70	3.50	4.75
<b>Growth</b>					
Net interest income (%)	3.1	(2.5)	(3.2)	(3.2)	4.3
Non interest income (%)	(14.3)	33.8	2.9	3.8	8.0
Pre provision operating profit (%)	(12.0)	24.5	1.9	(1.2)	8.9
Operating profit (%)	(24.1)	(9.9)	15.2	13.6	15.7
Reported net profit (%)	(16.1)	(19.0)	18.2	13.5	15.6
Recurring EPS (%)	(26.9)	(7.0)	18.1	13.5	15.6
Reported EPS (%)	(16.0)	(19.0)	18.1	13.5	15.6
<b>Income Breakdown</b>					
Net interest income (%)	73.5	66.9	65.5	63.9	63.1
Net fees & commission (%)	21.9	25.3	26.9	29.8	30.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	4.0	6.5	6.6	5.3	5.3
Dividend income (%)	0.5	0.1	0.1	0.1	0.1
Other income (%)	0.1	1.3	0.8	0.8	0.8
<b>Operating performance</b>					
Gross interest yield (%)	4.54	3.94	3.56	3.64	3.70
Cost of funds (%)	1.49	0.85	0.64	0.84	0.86
Net interest spread (%)	3.05	3.09	2.92	2.80	2.84
Net interest margin (%)	3.3	3.2	3.0	2.9	3.0
Cost/income(%)	52.2	44.4	42.7	42.9	41.2
Cost/assets(%)	2.3	2.1	1.9	1.9	1.9
Effective tax rate (%)	20.3	20.1	19.2	19.2	19.2
Dividend payout on recurring profit (%)	72.6	28.7	28.5	32.6	38.2
ROE (%)	7.5	6.7	7.6	8.2	8.9
ROE - COE (%)	(3.3)	(4.1)	(3.2)	(2.6)	(1.9)
ROA (%)	0.9	0.9	1.0	1.1	1.3
RORWA (%)	1.4	1.3	1.4	1.6	1.7

\* 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	2019	2020	2021E	2022E	2023E
Gross customer loans	2,113,787	2,255,242	2,322,899	2,415,815	2,512,448
Total provisions	(117,395)	(139,442)	(147,633)	(148,121)	(147,396)
interest in suspense	2,946	14,508	12,776	12,079	11,306
<b>Net customer loans</b>	<b>1,999,339</b>	<b>2,130,308</b>	<b>2,188,042</b>	<b>2,279,773</b>	<b>2,376,358</b>
Bank loans	433,510	547,504	477,953	411,868	428,034
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	312,143	339,828	278,871	282,837	294,459
Cash & equivalents	47,615	51,632	34,858	64,472	27,942
Other interesting assets	-	-	-	-	-
Tangible fixed assets	57,418	56,445	55,492	54,560	53,647
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	110,599	152,667	148,246	151,094	155,339
<b>Total assets</b>	<b>2,960,624</b>	<b>3,278,383</b>	<b>3,183,462</b>	<b>3,244,604</b>	<b>3,335,780</b>
Customer deposits	2,159,425	2,420,455	2,347,842	2,371,320	2,418,747
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	235,592	275,993	267,713	270,390	275,798
Non interest bearing liabilities	167,882	170,106	136,085	142,889	150,034
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>2,562,900</b>	<b>2,866,554</b>	<b>2,751,640</b>	<b>2,784,600</b>	<b>2,844,578</b>
Share capital	33,992	33,992	33,956	33,956	33,956
Reserves	366,366	377,438	397,448	425,603	456,770
<b>Total equity</b>	<b>400,358</b>	<b>411,430</b>	<b>431,404</b>	<b>459,559</b>	<b>490,725</b>
Minority interests	489	399	419	446	476
<b>Total liabilities &amp; equity</b>	<b>2,963,746</b>	<b>3,278,384</b>	<b>3,183,462</b>	<b>3,244,604</b>	<b>3,335,780</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,075,492	2,197,568	2,263,495	2,354,035	2,448,196
Average interest earning assets	2,973,403	3,001,007	3,111,149	3,095,121	3,172,730
Average interest bearing liabilities	2,396,471	2,534,701	2,645,888	2,618,624	2,657,968
Tier 1 capital	352,691	377,036	393,813	418,984	446,461
Total capital	375,206	400,892	417,669	442,840	470,317
Gross non performing loans (NPL)	85,212	101,462	111,608	100,447	100,447
<b>Per share (THB)</b>					
Book value per share	117.89	121.16	126.91	135.19	144.36
Tangible book value per share	117.89	121.16	126.91	135.19	144.36
<b>Growth</b>					
Gross customer loans	(1.3)	6.7	3.0	4.0	4.0
Average interest earning assets	(1.0)	0.9	3.7	(0.5)	2.5
Total asset (%)	(7.1)	10.7	(2.9)	1.9	2.8
Risk weighted assets (%)	(4.2)	5.9	3.0	4.0	4.0
Customer deposits (%)	0.0	12.1	(3.0)	1.0	2.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	92.6	88.0	93.2	96.1	98.2
Equity/assets (%)	13.5	12.5	13.6	14.2	14.7
Tangible equity/assets (%)	13.5	12.5	13.6	14.2	14.7
RWA/assets (%)	70.1	67.0	71.1	72.6	73.4
Tier 1 CAR (%)	17.0	17.2	17.4	17.8	18.2
Total CAR (%)	18.1	18.2	18.5	18.8	19.2
<b>Asset Quality</b>					
Change in NPL (%)	21.1	19.1	10.0	(10.0)	-
NPL/gross loans (%)	4.0	4.5	4.8	4.2	4.0
Total provisions/gross loans (%)	5.6	6.2	6.4	5.9	5.9
Total provisions/NPL (%)	137.8	137.4	132.3	147.5	146.7
<b>Valuation</b>					
Recurring P/E (x) *	11.2	12.0	10.2	9.0	7.7
Recurring P/E @ target price (x) *	15.8	17.0	14.4	12.7	10.9
Reported P/E (x)	9.7	12.0	10.2	9.0	7.7
Dividend yield (%)	6.5	2.4	2.8	3.6	4.9
Price/book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book @ target price (x)	1.2	1.1	1.1	1.0	0.9

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Siam Commercial Bank; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## 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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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

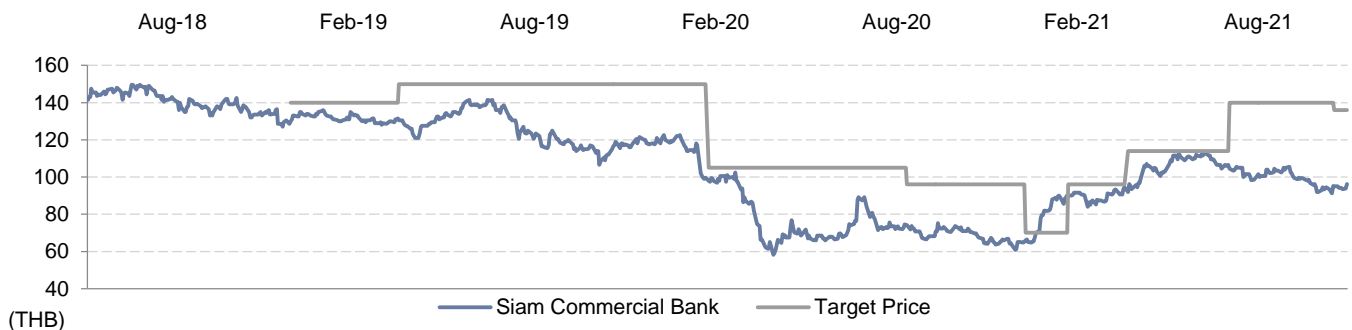
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### History of change in investment rating and/or target price

#### Siam Commercial Bank (SCB TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Jan-2019	HOLD	140.00	16-Jul-2020	BUY	96.00	22-Apr-2021	BUY	140.00
03-May-2019	BUY	150.00	27-Oct-2020	HOLD	70.00	22-Jul-2021	BUY	136.00
27-Jan-2020	HOLD	105.00	03-Dec-2020	HOLD	96.00			
02-Apr-2020	HOLD	105.00	22-Jan-2021	BUY	114.00			

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 96.25	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 03-Aug-2021 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.