

5 OCTOBER 2021

THAILAND / BANKS

TISCO FINANCIAL TISCO TB

BUY

UNCHANGED

TARGET PRICE	THB110.00
CLOSE	THB92.25
UP/DOWNSIDE	+19.2%
PRIOR TP	THB122.00
CHANGE IN TP	-9.8%
TP vs CONSENSUS	+4.7%

เป็นเวลาวิ่งเร็วไม่ใช่วิ่งระยะยาว

กลยุทธ์เชิงอนุรักษ์นิยมอาจไม่เหมาะสำหรับการฟื้นตัวทางเศรษฐกิจ

เมื่อเศรษฐกิจฟื้นตัว TISCO อาจมีความน่าสนใจน้อยกว่ากลยุทธ์ในการปล่อยสินเชื่อแบบใช้ความระมัดระวังมากเกินไป โดยปกติธนาคาร จะใช้ความรอบคอบในการปล่อยสินเชื่อเช่าซื้อรถยนต์ (56% ของพอร์ตรวม) นอกจากนี้กระบวนการอนุมัติสินเชื่อสำหรับสินเชื่อทะเบียนรถยนต์ (ATL) (15% ของพอร์ตรวม) ในช่วงโรคระบาดยังเข้มงวดมากขึ้นด้วย ซึ่งทำให้ ATL ปรับตัวลดลงมาตั้งแต่ 2Q20 เราเชื่อว่าธนาคาร อาจสูญเสียลูกค้าบางรายให้แก่สถาบันการเงินที่ไม่ใช่ธนาคาร ยิ่งไปกว่านั้น SCB ยังวางแผนขยาย ATL ซึ่งรุกมากยิ่งขึ้นในปีหน้า เราคิดว่ากลุ่มเป้าหมายของ SCB อาจทับกับของ TISCO ซึ่งจะทำให้ความสามารถในการแข่งขันในระยะกลางของ TISCO อ่อนแอลง

3Q21: คาดรายได้อ่อนแอแต่ควบคุมต้นทุนได้ดี

เราคาดว่า TISCO จะรายงานกำไรสุทธิ 3Q21 ที่ 1.57 พัน ลบ. (-3% y-y, -6% q-q) เราคิดว่า การดำเนินงานหลักจะยังอ่อนแอ โดย TISCO อาจเป็นเพียงธนาคารเดียวที่รายงานปริมาณสินเชื่อลดลง ซึ่งเราคาดว่าอยู่ที่ 3.5% q-q จากกลยุทธ์เชิงอนุรักษ์นิยมของธนาคาร นอกจากนี้เรายังคาดว่ารายได้ค่าธรรมเนียมจะลดลง q-q จากค่าธรรมเนียมธุรกิจ Bancassurance และกองทุนรวมที่ลดลงจากมาตรการปิดเมืองเป็นบางส่วน ปัจจุบันตั้งกล่าว น่าจะหักลบได้ส่วนมากจาก 1) การบริหารต้นทุนทางการเงินที่มีประสิทธิภาพ; 2) โครงสร้างต้นทุนผันแปร ซึ่งก่อให้เกิดความยืดหยุ่นในการบริหารต้นทุน; และ 3) การจัดสรรผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ซึ่งรุกในไตรมาสก่อนหน้า แม้เราจะคาดว่าหนี้ต่อคุณภาพ (NPL) จะเพิ่ม 3% q-q ตามแนวโน้มของกลุ่ม เราคาดว่า ECL จะลดลง ในด้านสัดส่วนสำรองต่อหนี้ต่อคุณภาพ (NPL Coverage Ratio) น่าจะยังอยู่ในระดับสูงที่สุดในกลุ่มธนาคารที่ 213%

ปรับประมาณการกำไรตามนโยบายใหม่ของ ธปท.

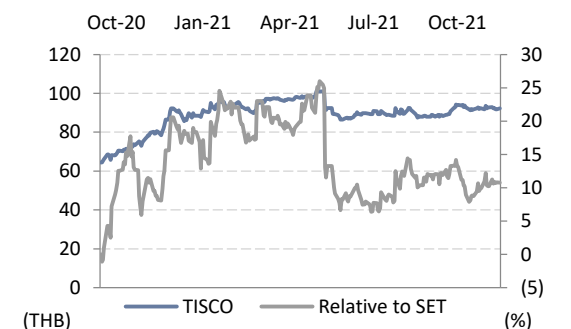
เราคิดว่านโยบายของ ธปท. เกี่ยวกับการผ่อนคลายการจัดชั้นหนี้และการจัดสรรสำรองน่าจะส่งผลกระทบต่อเชิงบวกแก่ TISCO จากการคำนวณของเราผลตอบแทนสินเชื่อของ TISCO ในปี 2022 น่าจะลดลง 0.24% จากระดับปัจจุบันที่ 6.8% ปัจจุบันตั้งกล่าวจะหักลบกับ 1) การขยายมาตรการลดเงินนำส่ง FIDF เหลือ 0.23%; และ 2) ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit Cost) ในปี 2022 น่าจะลดลงสู่ระดับปกติที่ประมาณ 90 bps จากที่เราคาดว่าไว้ที่ 115 bps ในปี 2021 อย่างไรก็ตามจากกลยุทธ์ในการปล่อยสินเชื่อด้วยความระมัดระวัง ปริมาณสินเชื่ออาจต่ำกว่าที่คาด นอกจากนี้สินเชื่อที่โตลดลงยังอาจทำให้รายได้ค่าธรรมเนียมลดลงด้วย เมื่อสุทธิตั้งแล้วปัจจุบันตั้งกล่าวอาจให้ผลกระทบต่อเชิงลบในระดับปานกลางต่อประมาณการกำไรของเรา ซึ่งทำให้เราปรับลดประมาณการกำไรสุทธิปี 2021-23 ลง 2%/6%/6%

มองบวกน้อยลง คงคำแนะนำซื้อเพื่อรับเงินปันผล

เราปรับลดราคาเป้าหมายปี 2022 ลงเหลือ 110 บาท (GGM) แม้ว่าเราจะมอง TISCO เป็นบวกน้อยลง เราคงคำแนะนำซื้อเพื่อรับผลตอบแทนในรูปเงินปันผลที่ว่าจะอยู่ในระดับสูงถึง 7-8% ต่อปีและจากความเสี่ยงในด้านคุณภาพสินทรัพย์ที่อยู่ในระดับต่ำ

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	7,563	8,024	8,744	9,539
Net profit	6,063	6,471	7,052	7,693
EPS (THB)	7.57	8.08	8.81	9.61
vs Consensus (%)	-	(1.4)	1.8	5.6
Core net profit	6,063	6,471	7,052	7,693
Core EPS (THB)	7.57	8.08	8.81	9.61
Chg. In EPS est. (%)	-	(2.1)	(6.2)	(5.8)
EPS growth (%)	(16.6)	6.7	9.0	9.1
Core P/E (x)	12.2	11.4	10.5	9.6
Dividend yield (%)	6.8	7.2	8.4	8.4
Price/book (x)	1.9	1.8	1.7	1.6
ROE (%)	15.4	16.1	16.7	17.4
ROA (%)	2.1	2.4	2.7	2.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.5)	1.7	47.0
Relative to country (%)	1.7	(0.6)	12.7
Mkt cap (USD m)	2,186		
3m avg. daily turnover (USD m)	12.6		
Free float (%)	80		
Major shareholder	Thai NVDR (11%)		
12m high/low (THB)	102.50/62.50		
Issued shares (m)	801		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 ตุลาคม 2021

Investment thesis

Our BUY call on TISCO is in view of it having one of the highest dividend yields among the banks under our coverage. We believe TISCO could sustain such high dividend payments over the next 2-3 years at least, due to its solid capital base along with its selective growth strategy. We also believe that TISCO is one of the banks that will be the least affected by the Covid-19 outbreak, owing to its proactive build-up of provisions.

However, in the medium to long term, we think investors should pay more attention to TISCO's competitiveness. Due to its conservative lending strategy, the bank might lose some of its clients to non-banks and Siam Commercial Bank (SCB TB, BUY, TP THB158).

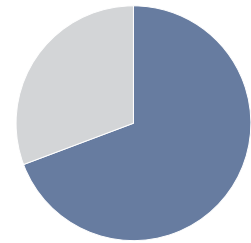
Company profile

TISCO was the first Thai investment bank (in 1969) and the first finance company to be upgraded to a commercial bank (in 2005). At present, TISCO is a financial group holding company with a sustainable development operating framework. TISCO's businesses are both retail banking and corporate banking.

www.tisco.co.th

Principal activities (revenue, 2020)

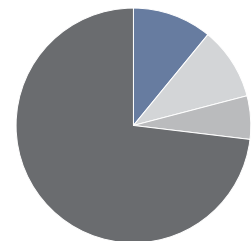
- Net interest income - 69.3 %
- Non-interest income - 30.7 %



Source: Tisco Financial

Major shareholders

- Thai NVDR - 10.9 %
- CDIB & Partners Investment Holding - 10.0 %
- South East Asia UK (Type C) Nominees - 6.0 %
- Others - 73.1 %



Source: Tisco Financial

Catalysts

Potential share price catalysts for TISCO include:

- A high-yield auto title loan volume recovery;
- Better operating cost control.

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; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.

Event calendar

Date	Event
14 Oct 2021	3Q21 results announcements

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	6,471	7,052	7,693
Net profit growth	6.7	9.0	9.1
NIM	4.72	4.66	4.71
Loan growth	(7.0)	3.0	5.0
Fee growth	4.7	13.2	7.0
Non-NII growth*	7.8	12.7	7.1
Credit cost (bp)	115	90	90
Cost to income*	44.1	44.2	42.3

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Loan growth (%)	±2ppt	(9.0)	(7.00)	(5.0)
% change in net profit		(1.4)	-	1.4
NIM (%)	±5bp	4.67	4.72	4.77
% change in net profit		(1.7)	-	1.7
Credit cost (bp)	±10bp	105	115	125
% change in net profit		1.3	-	(1.3)

Source: FSSIA estimates

3Q21: soft top line but good cost control expected

We expect TISCO to report a 3Q21 net profit of THB1,570m (-3% y-y, -6% q-q). We think its core operations will still be soft. TISCO could be the only bank to see a drop in its loan volume, which we estimate at 3.5% q-q, due to its conservative strategy.

Moreover, we forecast its 3Q21 fee income to decline q-q due to a drop in its bancassurance and mutual fund fees following the partial lockdown measures. These negative factors should be mostly offset by 1) its efficient cost of fund management; 2) variable cost structure, allowing flexibility in its cost management; and 3) proactively setting aside extra expected credit losses (ECL) in the previous quarters. Although we expect its non-performing loans (NPLs) to increase 3% q-q – in line with the sector's trend – we expect a decline in its ECL in 3Q21. Its NPL coverage ratio should still be the highest in the banking sphere in 3Q21 at 213%.

Exhibit 1: TISCO – 3Q21E results preview

Year-end Dec 31	3Q20	2Q21	3Q21E		9M21E			2021E		Comments	
	(THBm)	(THBm)	(THBm)	(y-y%)	(q-q%)	(THBm)	(y-y%)	%21E	(THB m)	(y-y%)	3Q21E
Net interest income	3,252	3,149	3,144	(3)	(0)	9,403	(4)	75	12,548	(4)	Drop in loan growth but uptick in NIM
Non-interest income*	1,443	1,566	1,405	(3)	(10)	4,962	20	79	6,256	8	Fee income drop expected q-q from lockdown measures
Operating income*	4,696	4,715	4,549	(3)	(4)	14,365	3	76	18,805	(1)	
Operating expenses	2,082	2,070	2,032	(2)	(2)	6,167	5	74	8,288	3	
PPOP before tax*	2,614	2,645	2,517	(4)	(5)	8,198	1	78	10,517	(3)	
Provision	605	565	578	(4)	2	1,976	(23)	79	2,495	(25)	
Income tax	397	413	368	(7)	(11)	1,222	12	79	1,548	3	
Minority interest									3	nm.	
Normalised profit	1,612	1,666	1,570	(3)	(6)	5,000	13	77	6,471	7	
Extraordinary items	0	0	0			0			0		
Net profit	1,612	1,666	1,570	(3)	(6)	5,000	13	77	6,471	7	
EPS (THB)	2.01	2.08	1.96	(3)	(6)	6.25	13	77	8.08	7	
Asset quality ratio											
Gross NPLs	5,918	5,867	6,043	2	3				6,293	12	
NPL ratios (%)	2.63	2.74	2.92						3.01		
LLR/NPLs (%)	196	214	213						196		
Credit cost (bp)	107	104	110						115		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio*	44.3	43.9	44.7						44.1		
Average yield	5.9	5.7	5.8						5.6		
Cost of fund	1.5	1.2	1.1						1.2		
NIM	4.7	4.8	4.9						4.7		
Non-int inc/total income	30.7	33.2	30.9						33.3		
Liquidity ratio	(%)	(%)	(%)						(%)		
Loan/deposit ratio	109.8	118.2	121.3						113.9		
Capital adequacy	(%)	(%)	(%)						(%)		
CAR	21.8	22.5	24.2						24.2		
CET 1/ Risk assets	17.5	18.0	19.6						19.5		
Tier 2 / Risk assets	4.3	4.5	4.6						4.7		
Loan growth	(%)	(%)	(%)						(%)		
Year-to-date	(7.4)	(4.8)	(8.1)								
y-y	(6.6)	(6.2)	(8.2)						(7.0)		
q-q	(1.4)	(3.1)	(3.5)								

*Including share of profits from associates

Sources: TISCO; FSSIA estimates

Earnings revisions following the Bank of Thailand's new guidance

The Bank of Thailand (BoT) is encouraging banks to provide comprehensive debt restructuring (CDR) to their clients by extending the relaxed loan classification and provision setup rules to Dec-23 and extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.

Currently, most banks have still not provided any clues about their CDR plans, except for Siam Commercial Bank (SCB TB, BUY, TP THB158) which will offer c20% of its total portfolio to its clients. We think it is still difficult to quantify the precise impact that CDR could have on banks' net profits, and will mostly depend on the CDR that they choose to apply. Accordingly, we have 1) collected forbearance program data and previous debt restructuring program data; and 2) followed up with each bank's management. Thus, we assess the impact on banks' bottom lines using the following assumptions:

Assumptions:

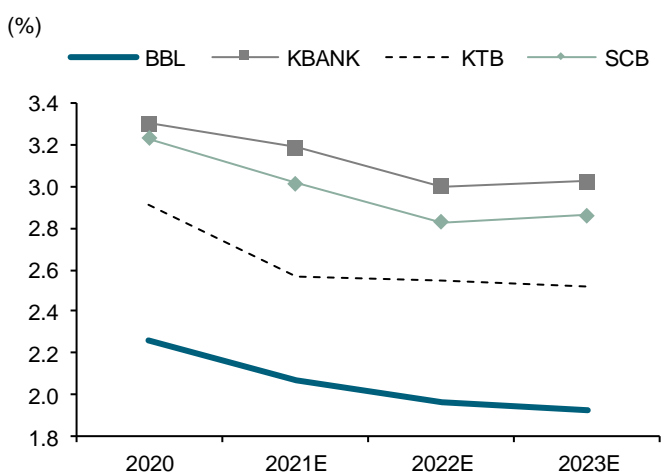
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank's portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which are not classified under the forbearance program, depending on each bank's portfolio makeup and client profiles;
- The CDR EIR would be 50% lower than that of each bank's current level;
- Banks will set credit costs in 2022-23 close to their normal rates.

Exhibit 2: CDR impact on loan yield

	Forbearance program (FB)		----- Banks will offer CDR -----			Net negative impact
	2Q21 (% total loans)	2021E (% total loans)	60% of FB	Other trouble loans (% of total loans)	Total expected CDR (% of total loans)	on 2022E EIR (%)
BBL	12	12	7	3	10	(0.20)
KBANK	14	18	11	8	19	(0.44)
KKP	13	15	9	3	12	(0.39)
KTB	4	7	4	5	9	(0.20)
SCB	16	20	12	8	20	(0.46)
TISCO	3	7	4	3	7	(0.24)
TTB	14	16	10	5	15	(0.33)

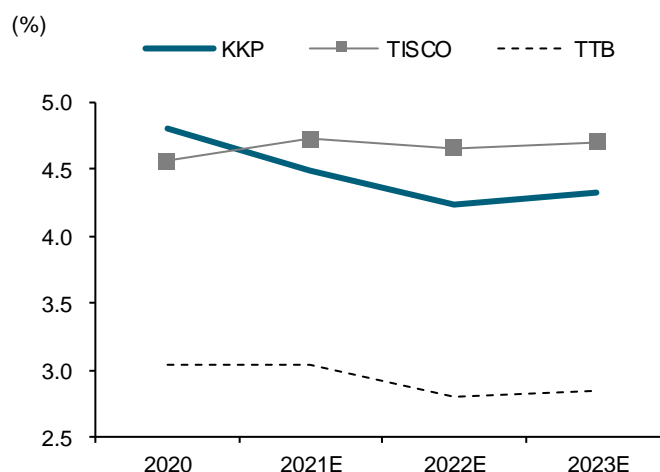
Sources: Company data; FSSIA estimates

Exhibit 3: NIM assumptions for big banks



Sources: Company data; FSSIA estimates

Exhibit 4: NIM assumptions for auto lenders



Sources: Company data; FSSIA estimates

Exhibit 5: Credit cost assumptions

	----- Credit cost -----				Expected normal
	2020	2021E	2022E	2023E	credit cost
	(bps)	(bps)	(bps)	(bps)	(bps)
BBL	141	117	88	84	80-100
KBANK	205	180	160	150	120-140
KKP	163	193	120	110	100-120
KTB	203	140	140	130	120-140
SCB	214	188	140	135	120-140
TISCO	142	115	90	90	90-110
TTB	178	175	145	138	120-140

Sources: Company data; FSSIA estimates

We think that the BoT's guidance should positively affect TISCO. Based on our calculation, TISCO's 2022 loan yield should decline by 0.24% from its current loan yield of 6.8%. This should be offset by 1) the extension of the FIDF fee at 0.23%; and 2) its credit cost in 2022 should decline to its normal rate of c90 bps from our expectation of 115 bps in 2021.

However, due to its conservative lending strategy, its loan volume could be lower than expected. Lower loan growth would also lead to lower fee income.

All in all, there could be a moderately negative impact on our earnings forecast. Thus, we lower our 2021-23 net profit forecasts by 2%/6%/6%.

Exhibit 6: TISCO – change of key assumptions

	-----2021E-----				-----2022E-----			-----2023E-----		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	13,098	12,487	12,548	0.5	12,632	12,031	(4.8)	13,313	12,437	(6.6)
Non-interest income*	5,806	6,615	6,256	(5.4)	7,340	7,050	(4.0)	7,730	7,547	(2.4)
Operating income*	18,904	19,102	18,805	(1.6)	19,972	19,081	(4.5)	21,043	19,984	(5.0)
Operating expenses	8,012	8,288	8,288	0.0	8,618	8,429	(2.2)	8,849	8,461	(4.4)
PPOP before tax*	10,892	10,814	10,517	(2.8)	11,354	10,652	(6.2)	12,194	11,523	(5.5)
Expected credit loss (Reversal)	3,331	2,617	2,495	(4.7)	2,033	1,910	(6.1)	2,068	1,987	(3.9)
Tax expenses	1,498	1,582	1,548	(2.1)	1,799	1,687	(6.2)	1,954	1,841	(5.8)
Minority interest	0	3	3	(2.1)	3	3	(6.2)	3	3	(5.8)
Normalised profit	6,063	6,613	6,471	(2.1)	7,519	7,052	(6.2)	8,169	7,693	(5.8)
Extraordinary items	-	-	-		-	-		-	-	
Net profit	6,063	6,613	6,471	(2.1)	7,519	7,052	(6.2)	8,169	7,693	(5.8)
EPS (THB)	7.57	8.26	8.08	(2.1)	9.39	8.81	(6.2)	10.20	9.61	(5.8)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	5,618	6,180	6,293	1.8	6,180	6,293	1.8	6,489	6,607	1.8
Gross NPLs / Loans (%)	2.50	2.78	3.01		2.70	2.92		2.70	2.92	
Loan loss reserve/NPLs (%)	210	199	196		197	194		184	182	
Credit cost (bps)	142	117	115		90	90		88	90	
Profitability ratio (%)										
Cost to income ratio*	42.4	43.4	44.1		43.2	44.2		42.1	42.3	
Average yield	5.84	5.79	5.65		6.02	5.54		6.19	5.80	
Cost of funds	1.56	1.53	1.16		1.78	1.13		1.79	1.39	
Net interest margin (NIM)	4.56	4.56	4.72		4.60	4.66		4.77	4.71	
Loan growth (%)										
y-y	(7.42)	(1.00)	(7.00)		3.00	3.00		5.00	5.00	

*Including share of profits from associates

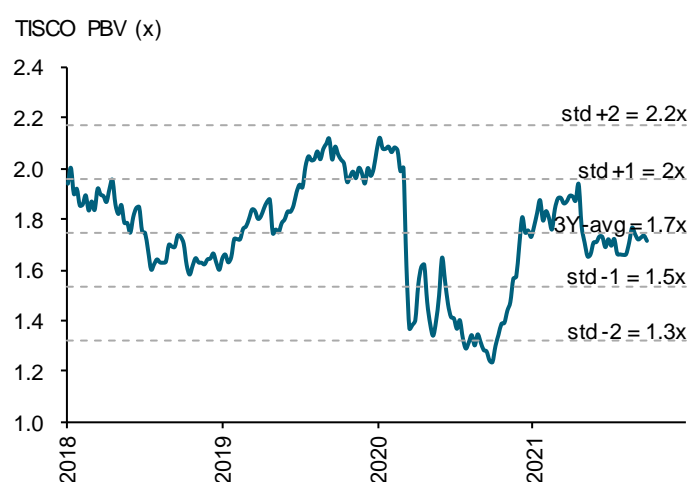
Source: FSSIA estimates

Exhibit 7: TISCO – GGM-derived target price

Target price	THB 110 (from THB122)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	10.9 (unchanged)
Terminal growth (%)	4.9 (from 5.0)
ROE target (%)	17.0 (from 18.2)
Risk to TP	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; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.

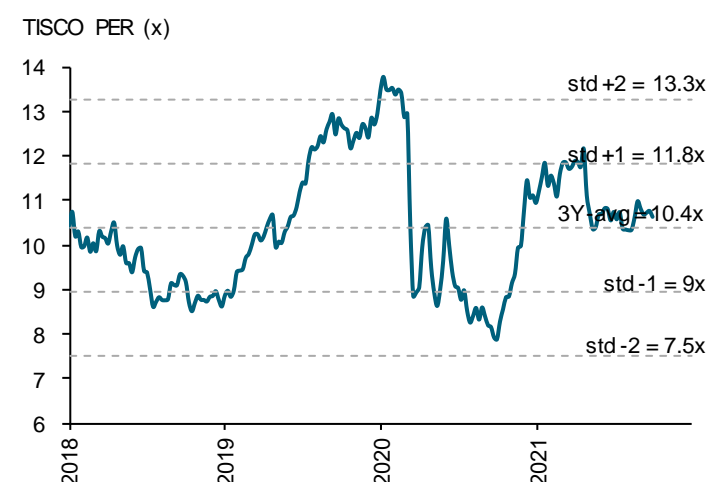
Sources: FSSIA estimates

Exhibit 8: TISCO - one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 9: TISCO – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Peers comparison

Company name	BBG code	Rec	-- Share price --		Up side (%)	Market Cap (USD m)	EPS growth		----- PE -----		---- ROE ----		--- PBV ---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
Bangkok Bank	BBL TB	HOLD	116.50	128.00	10	6,582	17.2	9.9	9.0	8.2	5.5	5.8	0.5	0.5
Kasikornbank	KBANK TB	BUY	137.00	168.00	23	9,608	12.4	12.6	9.8	8.7	7.2	7.5	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	55.25	68.00	23	1,385	8.2	20.9	8.4	7.0	11.6	13.0	0.9	0.9
Krung Thai Bank	KTB TB	HOLD	11.10	12.20	10	4,592	21.5	5.5	7.6	7.2	5.8	5.8	0.4	0.4
Siam Commercial Bank	SCB TB	BUY	124.00	158.00	27	12,463	18.1	14.2	13.1	11.5	7.6	8.4	1.0	1.0
Tisco Financial	TISCO TB	BUY	92.25	110.00	19	2,186	6.7	9.0	11.4	10.5	16.1	16.7	1.8	1.7
TMBThanachart	TTB TB	BUY	1.12	1.40	25	3,199	(1.1)	32.1	10.8	8.2	4.8	6.1	0.5	0.5
Coverage						40,015	0.8	13.6	10.6	9.3	7.3	7.9	0.8	0.7

Share prices as of 4 Oct 2021

Sources: Company data; FSSIA estimates

Financial Statements

Tisco Financial

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	17,881	16,757	15,004	14,329	15,315
Interest expense	(5,089)	(3,659)	(2,456)	(2,298)	(2,878)
Net interest income	12,792	13,098	12,548	12,031	12,437
Net fees & commission	6,185	5,146	5,389	6,100	6,527
Foreign exchange trading income	(24)	257	386	425	467
Securities trading income	7	12	74	79	84
Dividend income	65	59	65	78	86
Other income	399	333	345	370	386
Non interest income	6,631	5,808	6,258	7,052	7,549
Total income	19,424	18,906	18,807	19,083	19,986
Staff costs	(6,410)	(5,288)	(5,500)	(5,610)	(5,610)
Other operating costs	(2,860)	(2,723)	(2,788)	(2,819)	(2,851)
Operating costs	(9,271)	(8,012)	(8,288)	(8,429)	(8,461)
Pre provision operating profit	10,153	10,894	10,519	10,654	11,526
Provision for bad and doubtful debt	(1,109)	(3,331)	(2,495)	(1,910)	(1,987)
Other provisions	-	-	-	-	-
Operating profit	9,044	7,563	8,024	8,744	9,539
Recurring non operating income	12	(2)	(2)	(2)	(2)
Associates	12	(2)	(2)	(2)	(2)
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	9,056	7,562	8,022	8,742	9,536
Tax	(1,783)	(1,498)	(1,548)	(1,687)	(1,841)
Profit after tax	7,273	6,064	6,474	7,055	7,696
Minority interests	(3)	0	(3)	(3)	(3)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,270	6,063	6,471	7,052	7,693
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,270	6,063	6,471	7,052	7,693
Per share (THB)					
Recurring EPS *	9.08	7.57	8.08	8.81	9.61
Reported EPS	9.08	7.57	8.08	8.81	9.61
DPS	7.75	6.30	6.60	7.75	7.75
Growth					
Net interest income (%)	1.4	2.4	(4.2)	(4.1)	3.4
Non interest income (%)	(7.8)	(12.4)	7.8	12.7	7.1
Pre provision operating profit (%)	(8.2)	7.3	(3.4)	1.3	8.2
Operating profit (%)	8.2	(16.4)	6.1	9.0	9.1
Reported net profit (%)	3.6	(16.6)	6.7	9.0	9.1
Recurring EPS (%)	3.6	(16.6)	6.7	9.0	9.1
Reported EPS (%)	3.6	(16.6)	6.7	9.0	9.1
Income Breakdown					
Net interest income (%)	65.9	69.3	66.7	63.0	62.2
Net fees & commission (%)	31.8	27.2	28.7	32.0	32.7
Foreign exchange trading income (%)	(0.1)	1.4	2.1	2.2	2.3
Securities trading income (%)	0.0	0.1	0.4	0.4	0.4
Dividend income (%)	0.3	0.3	0.3	0.4	0.4
Other income (%)	2.1	1.8	1.8	1.9	1.9
Operating performance					
Gross interest yield (%)	5.93	5.84	5.65	5.54	5.80
Cost of funds (%)	2.04	1.56	1.16	1.13	1.39
Net interest spread (%)	3.89	4.28	4.49	4.41	4.41
Net interest margin (%)	4.2	4.6	4.7	4.7	4.7
Cost/income(%)	47.7	42.4	44.1	44.2	42.3
Cost/assets(%)	3.1	2.8	3.1	3.3	3.2
Effective tax rate (%)	19.7	19.8	19.3	19.3	19.3
Dividend payout on recurring profit (%)	85.3	83.2	81.7	88.0	80.7
ROE (%)	18.9	15.4	16.1	16.7	17.4
ROE - COE (%)	8.1	4.6	5.3	5.9	6.6
ROA (%)	2.4	2.1	2.4	2.7	2.9
RORWA (%)	4.1	3.3	3.6	4.0	4.2

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Tisco Financial; FSSIA estimates

Financial Statements

Tisco Financial

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	242,826	224,812	209,075	215,347	226,114
Total provisions	(10,717)	(11,826)	(12,334)	(12,198)	(12,037)
interest in suspense	1,241	1,902	1,673	1,615	1,583
Net customer loans	233,350	214,888	198,413	204,764	215,660
Bank loans	45,300	38,212	32,472	31,750	25,734
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	10,177	12,931	13,711	14,543	15,024
Cash & equivalents	1,103	1,220	1,497	1,411	1,588
Other interesting assets	-	-	-	-	-
Tangible fixed assets	3,003	3,837	3,897	3,958	4,020
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,372	4,355	4,016	4,119	4,209
Total assets	298,304	275,443	254,006	260,545	266,236
Customer deposits	216,085	203,473	183,544	187,215	190,960
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	29,980	19,918	17,508	17,858	18,215
Non interest bearing liabilities	13,044	12,590	11,960	11,960	11,960
Hybrid Capital	-	-	-	-	-
Total liabilities	259,108	235,981	213,013	217,034	221,135
Share capital	8,007	8,007	8,006	8,006	8,006
Reserves	31,186	31,452	32,984	35,502	37,091
Total equity	39,193	39,459	40,990	43,508	45,097
Minority interests	3	3	3	3	4
Total liabilities & equity	298,304	275,443	254,006	260,545	266,236
Supplementary items					
Risk weighted assets (RWA)	185,573	185,168	172,206	177,372	186,241
Average interest earning assets	301,421	287,129	265,606	258,449	264,256
Average interest bearing liabilities	249,671	234,728	212,222	203,063	207,124
Tier 1 capital	30,395	32,369	33,604	35,736	36,903
Total capital	38,562	40,478	41,713	43,844	45,012
Gross non performing loans (NPL)	5,834	5,618	6,293	6,293	6,607
Per share (THB)					
Book value per share	48.95	49.28	51.20	54.34	56.33
Tangible book value per share	48.95	49.28	51.20	54.34	56.33
Growth					
Gross customer loans	0.9	(7.4)	(7.0)	3.0	5.0
Average interest earning assets	(1.0)	(4.7)	(7.5)	(2.7)	2.2
Total asset (%)	(1.4)	(7.7)	(7.8)	2.6	2.2
Risk weighted assets (%)	7.9	(0.2)	(7.0)	3.0	5.0
Customer deposits (%)	11.9	(5.8)	(9.8)	2.0	2.0
Leverage & capital measures					
Customer loan/deposits (%)	108.0	105.6	108.1	109.4	112.9
Equity/assets (%)	13.1	14.3	16.1	16.7	16.9
Tangible equity/assets (%)	13.1	14.3	16.1	16.7	16.9
RWA/assets (%)	62.2	67.2	67.8	68.1	70.0
Tier 1 CAR (%)	16.4	17.5	19.5	20.1	19.8
Total CAR (%)	20.8	21.9	24.2	24.7	24.2
Asset Quality					
Change in NPL (%)	(15.1)	(3.7)	12.0	-	5.0
NPL/gross loans (%)	2.4	2.5	3.0	2.9	2.9
Total provisions/gross loans (%)	4.4	5.3	5.9	5.4	5.3
Total provisions/NPL (%)	183.7	210.5	196.0	193.8	182.2
Valuation					
Recurring P/E (x) *	10.2	12.2	11.4	10.5	9.6
Recurring P/E @ target price (x) *	12.1	14.5	13.6	12.5	11.4
Reported P/E (x)	10.2	12.2	11.4	10.5	9.6
Dividend yield (%)	8.4	6.8	7.2	8.4	8.4
Price/book (x)	1.9	1.9	1.8	1.7	1.6
Price/tangible book (x)	1.9	1.9	1.8	1.7	1.6
Price/tangible book @ target price (x)	2.2	2.2	2.1	2.0	2.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Tisco Financial; 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	TTB	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	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

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* 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	AMANAH	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	TTB	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)

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

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Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Tisco Financial	TISCO TB	THB 92.25	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; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.
Bangkok Bank	BBL TB	THB 116.50	HOLD	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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected Permata synergies.
Kasikornbank	KBANK TB	THB 137.00	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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kiatnakin Bank	KKP TB	THB 55.25	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 11.10	HOLD	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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Siam Commercial Bank	SCB TB	THB 124.00	BUY	Downside risks to our SOTP-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.
TMBThanachart Bank	TTB TB	THB 1.12	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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

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 04-Oct-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.