

15 OCTOBER 2021

THAILAND / BANKS

TISCO FINANCIAL TISCO TB

BUY

UNCHANGED

TARGET PRICE	THB110.00
CLOSE	THB92.50
UP/DOWNSIDE	+18.9%
PRIOR TP	THB110.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+5.1%

หุ้นเงินปันผล

3Q21: รายได้อ่อนแอแต่ความคุ้มครองต้นทุนได้ดีตามคาด

TISCO รายงานกำไรสุทธิ 3Q21 ที่ 1.56 พัน ลบ. (-3% y-y, -6% q-q) การดำเนินงานยังอ่อนตัว ปริมาณสินเชื่อลดลง 4.5% q-q จากกลยุทธ์ที่เน้นความเสี่ยงต่ำ นอกจากนี้รายได้ค่าธรรมเนียมยังลดลง 10% q-q จากมาตรการปิดเมือง อย่างไรก็ตามปัจจัยลบดังกล่าวชดเชยได้จาก 1) การบริหารต้นทุนการเงินได้อย่างมีประสิทธิภาพ; 2) โครงสร้างต้นทุนผันแปรที่ให้ความยืดหยุ่นในการบริหารต้นทุน; และ 3) การจัดสรรผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) พิเศษเชิงรุกในไตรมาสก่อนหน้า

สำรวจลดลงพร้อมสินเชื่อที่ค่อย ๆ กลับมาเติบโต

เราได้มุมมองเป็นกลางจากการประชุมนักวิเคราะห์ครั้งล่าสุด ซึ่งมี 3 ประเด็นสำคัญ ประกอบด้วย ข้อแรกผู้บริหารของ TISCO ระบุว่าปัจจุบันธนาคารฯ มีความสบายใจกับคุณภาพสินทรัพย์ ซึ่งทำให้งานสินเชื่อในการปล่อยสินเชื่อใน 4Q21 น่าจะอยู่ในระดับที่ต่ำ ข้อสอง TISCO วางแผนค่อย ๆ กลับมาขยายสินเชื่อตั้งแต่ 4Q21 เป็นต้นไป โดยเฉพาะอย่างยิ่งในตลาดสินเชื่อที่ผลตอบแทนสูง ข้อสุดท้ายธนาคารฯ จะยังจ่ายเงินปันผลในระดับสูงต่อไป เราคงความเห็นของเราที่ว่า TISCO น่าจะรายงานรายได้อ่อนแอในอีก 1-2 ไตรมาสข้างหน้า อย่างไรก็ตามการประกอบกิจการโดยรวมยังจะได้รับการชดเชยจากการควบคุมต้นทุนการเงิน ค่าใช้จ่ายในการดำเนินงานและต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่มีประสิทธิภาพ เราคาดว่าอัตราการจ่ายเงินปันผลในปี 2021 จะอยู่ที่ 82% คิดเป็นผลตอบแทนในรูปเงินปันผลที่ 7%

การปรับปรุงกฎเกณฑ์ใหม่ของสัญญาเช่าซื้ออาจทำลายอุตสาหกรรมโดยรวม overall

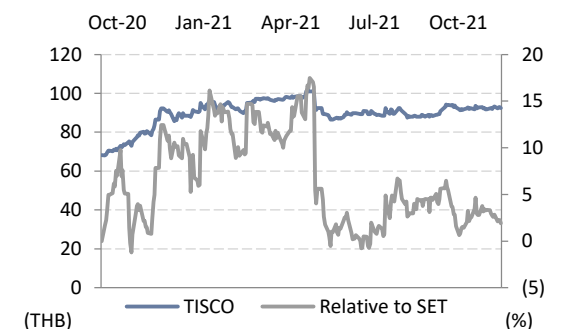
TISCO เห็นว่าหากมีการปรับปรุงกฎเกณฑ์ใหม่ของสัญญาเช่าซื้อ(HP) ประกอบด้วย 1) เพดานอัตราดอกเบี้ยที่ 15%; และ 2) การคืนรถฉบับนี้สำหรับลูกค้าที่ต้องการปิดสัญญาสินเชื่อก่อนครบกำหนดจะเป็นการทำลายอุตสาหกรรมโดยรวม ถ้ามีการจำกัดเพดานดอกเบี้ย จะทำให้ผู้ประกอบการให้ LTV ที่ลดลง ส่งผลต่อยอดขายรถมอเตอร์ไซด์ที่น่าจะลดลงอย่างรุนแรง เนื่องจากโดยปกติผู้บริโภคจะไม่สามารถหาเงินมัดจำได้เป็นจำนวนมาก ในด้านการคืนรถฉบับนี้ จะทำให้วินัยในการจ่ายเงินต่างวถรยนต์ของลูกค้าที่น่าจะแย่ลง ผู้ประกอบการทุกรายอาจประสบปัญหาต้นทุนความเสี่ยงในการปล่อยสินเชื่อเพิ่มขึ้นอย่างมีนัยสำคัญ ถ้าเรื่องทั้งสองได้รับการอนุมัติ เราคาดว่าผลกระทบเชิงลบต่อกำไรสุทธิของ TISCO จากเพดานอัตราดอกเบี้ยจะให้ความเสี่ยงขาด 3-4% ต่อประมาณการปี 2022 ของเรา ในขณะที่เราคิดว่าการคืนรถฉบับนี้จะส่งผลเสียที่ร้ายแรงกว่าการลดเพดานดอกเบี้ย เราเห็นว่าเพดานอัตราดอกเบี้ยที่เหมาะสมน่าจะอยู่ที่ 25-30% และเราเชื่อว่าการคืนรถฉบับนี้ไม่ทำให้เกิดขึ้น

คำแนะนำซื้อที่ราคาเป้าหมายปี 2022 ที่ 110 บาท

เราคงมุมมองที่เป็นบวกน้อยลงสำหรับ TISCO เมื่อเศรษฐกิจฟื้นตัว หุ่นอาจมีความน่าสนใจน้อยลงจากกลยุทธ์ที่เน้นความเสี่ยงต่ำมากเกินไป เราแนะนำซื้อจากผลตอบแทนในรูปเงินปันผลที่สูงและความเสี่ยงในด้านคุณภาพสินทรัพย์ที่อยู่ในระดับต่ำ

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 (%)	-	(1.0)	2.5	6.2
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. (%)	-	-	-	-
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	7.1	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 (%)	(0.3)	0.0	37.0
Relative to country (%)	(0.7)	(4.3)	6.3
Mkt cap (USD m)	2,230		
3m avg. daily turnover (USD m)	11.2		
Free float (%)	80		
Major shareholder	Thai NVDR (11%)		
12m high/low (THB)	102.50/65.00		
Issued shares (m)	801		

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 15 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).

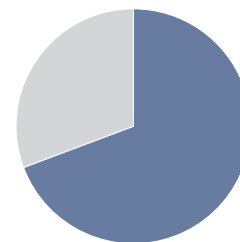
Company profile

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)

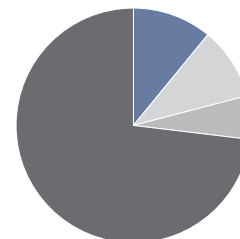
- Net interest income - 69.3 %
- Non-interest income - 30.7 %



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
Jan 2022	4Q21 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		
		(9.0)	(7.0)	(5.0)
Loan growth (%)	±2ppt	(9.0)	(7.0)	(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 as expected

TISCO reported a 3Q21 net profit of THB1,560m (-3% y-y, -6% q-q), in line with Bloomberg's consensus estimate and our expectation. Its core operations were soft. Its loan volume declined by 4.5% q-q due to its conservative strategy. Moreover, its 3Q21 fee income dropped by 10% q-q due to a drop in its brokerage, bancassurance, and mutual fund fees following the partial lockdown measures. These negative factors were 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 its non-performing loans (NPLs) increased 4% q-q – better than the bank's expectation – its ECL declined q-q in 3Q21. Its NPL coverage ratio was still high at 196%. Its 9M21 net profit accounts for 77% of our 2021 forecast.

3Q21 key highlights

- Total loan volume dropped by 4.5% q-q, thanks mainly to a contraction in its hire purchase (HP) loans (56% of total loans) and corporate loans (17% of total loans);
- Its NIM slightly increased to 4.88% from 4.79% in 2Q21 and 4.70% in 3Q20, thanks to the good control over its cost of funds;
- Non-NII dropped by 31% q-q due to 1) a decline in fee income, mainly from the capital market, which includes asset management fee income and brokerage fee income; and 2) a loss on financial instruments following a decline in investment value;
- NPLs rose by 4% q-q, accounting for an NPL ratio of 2.98% in 3Q21. The increase in NPLs was mainly caused by some restructured hire purchase and auto cash loan clients who were no longer able to service their debts and relapsed into NPLs. However, the NPL increase remained within the bank's target range;
- The coverage ratio slightly fell to 196% in 3Q21 from 214% in 2Q21;
- Tier 1 and CAR remained strong at 18.3% and 22.9%, respectively.

Exhibit 1: TISCO – 3Q21/9M21 results summary

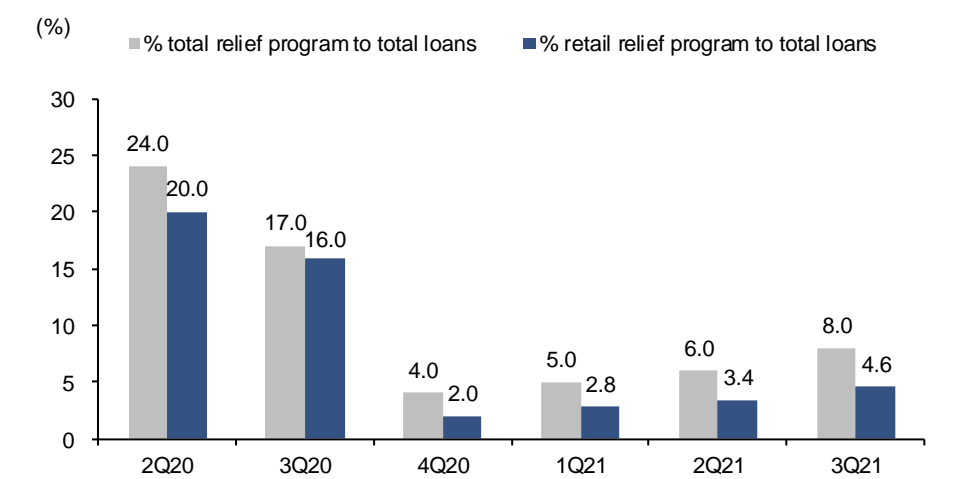
Year-end Dec 31	3Q20	2Q21	3Q21			9M21			2021E		3Q21 comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	%21E	(THB m)	(y-y %)	
Net interest income	3,252	3,149	3,093	(5)	(2)	9,352	(5)	75	12,548	(4)	Dropped from lower loan volume
Non-interest income	1,443	1,566	1,085	(25)	(31)	4,642	12	74	6,256	8	Dropped y-y, q-q from a decline in fee income resulting from the lockdown
Operating income	4,696	4,715	4,178	(11)	(11)	13,994	0	74	18,805	(1)	
Operating expenses	2,082	2,070	1,968	(5)	(5)	6,103	4	74	8,288	3	Dropped y-y, q-q from better cost controlling
PPOP before tax	2,614	2,645	2,209	(15)	(16)	7,891	(2)	75	10,517	(3)	
Provision	605	565	254	(58)	(55)	1,652	(35)	66	2,495	(25)	
Income tax	397	413	395	(1)	(5)	1,248	14	81	1,548	3	
Minority interest	0	0	0			0	(7)		3		
Normalised profit	1,612	1,666	1,560	(3)	(6)	4,990	13	77	6,471	7	
Extraordinary items	0	0	0			0			0		
Net profit	1,612	1,666	1,560	(3)	(6)	4,990	13	77	6,471	7	In line with BBG consensus
EPS (THB)	2.01	2.08	1.95	(3)	(6)	6.23	13	77	8.08	7	
Asset quality ratio											
Gross NPLs (THB m)	5,918	5,867	6,094	3	4				6,293	12	
NPL ratios (%)	2.63	2.74	2.98						3.01		
LLR/NPLs (%)	196	214	196						196		
Credit cost (bp)	107	104	49						115		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	44.3	43.9	47.1						44.1		
Average yield	5.9	5.7	5.8						5.6		
Cost of fund	1.5	1.2	1.1						1.2		
Net interest margin (NIM)	4.7	4.8	4.9						4.7		
Non-int inc/total income	30.7	33.2	26.0						33.3		
Liquidity ratio	(%)	(%)	(%)						(%)		
Loan to deposit ratio	109.8	118.2	121.1						113.9		
Capital adequacy ratio	(%)	(%)	(%)						(%)		
CAR	21.8	22.5	22.9						24.2		
CET 1/Risk assets	17.5	18.0	18.3						19.5		
Tier 2/Risk assets	4.3	4.5	4.6						4.7		
Loan growth	(%)	(%)	(%)						(%)		
Year-to-date	(7.4)	(4.8)	(9.1)								
y-y	(6.6)	(6.2)	(9.1)						(7.0)		
q-q	(1.4)	(3.1)	(4.5)								

Sources: TISCO; FSSIA estimates

Lower provision with the gradual resumption of loan growth

We came away with a neutral view from TISCO's recent analyst meeting. There were three main messages. First, TISCO's management indicated that the bank is now comfortable with its asset quality and NPL cushion. Its 3Q21 total forbearance program increased to 8% of total loans vs 6% in 2Q21. Management expects the 2021 NPL ratio to be relatively stable at 3.0%, thus, credit cost in 4Q21 should be at a low level. Second, after the resumption of business activities, TISCO plans to gradually resume its loan expansion from 4Q21 onward, especially in the high-yield segment. Lastly, it will continue to aggressively pay dividends at a high level. We reiterate our view that TISCO should continue to deliver a soft top line in the next couple of quarters. However, its bottom line will most likely be cushioned by its efficient cost of funds, OPEX, and credit cost control. We expect a 2021 payout at 82% (consolidated basis) vs 83% last year, implying a 7% dividend yield.

Exhibit 2: TISCO's forbearance program



Source: TISCO

The potential modification of HP contracts could destroy industry

TISCO sees the potential modification of HP contracts, including 1) the interest rate cap at 15%; and 2) the vehicle debt haircut for clients who would like to close loan contracts before maturity, as an event that would destroy the industry. If there is a rate cap mandate, HP operators' LTV might decline from the current practice of 100% in order to minimise their risk. Motorcycle sales would likely drop sharply, as consumers usually cannot afford huge down payments themselves. Regarding the vehicle haircut, debtor's car instalment discipline would likely be worse. All operators might face a significant increase in credit costs. To us, a reduced rate charge capped at 15% is unreasonable, as the risk of lending under HP contract to the low-income retail segment is quite high. We think a reasonable cap rate would be 25-30%, based on the reference rate caps for other loan types.

Exhibit 3: Types of retail loans

	Auto title loans	HP loans	----- Personal loans -----		Credit cards	Nano finance	----- Pico finance ----	
			Normal p-loans	Digital loans			Pico	Pico plus
Minimum monthly income	-	-	-		THB15k	-	-	
Interest rate cap (%)	24	No cap	25		16	33	36	36 (amount < THB50k) 28 (amount ≥ THB50k)
Market rate (%)	15-22	New motorcycle 30-45; new car 4-6; used car 7-12; new truck 6-8; used truck 9-18; home appliance 22-24	20-25	na.	16	na.	na.	
Maximum credit line*	LTV depends on lenders and borrowers	LTV depends on lenders and borrowers	1.5x for monthly income < THB30k 5x for monthly income ≥ THB30k	Credit lines of up to THB20k and repayment terms not over 6 months	1.5x for monthly income of THB15-30k; 3x for monthly income of THB30-50k; 5x for monthly income of ≥ THB50k	THB100k	THB50k	THB100k
Conditions/type of loan	Using vehicles as collateral, no transfer of auto registration	Ownership of collateral belongs to the lessor until the ownership is transferred to lessee when the instalments are paid off	Multipurpose, Unsecured	Online lending using other factors, e.g. bill payment behaviour for underwriting process, Multipurpose, Unsecured	Multipurpose, Unsecured	Business related, Unsecured	Multipurpose, Secured or Unsecured	
Service area	Nationwide	Nationwide	Nationwide		Nationwide	Nationwide	Provincial	
Regulator	BoT	OCPB	BoT		BoT	BoT	MoF	

*Excluding relaxed criteria from Covid pandemic

Relaxed criteria for:

1. Personal loans: BoT allows no limit for lenders to 2022, an increase in credit lines up to 2x income for THB30k income customers to 2022

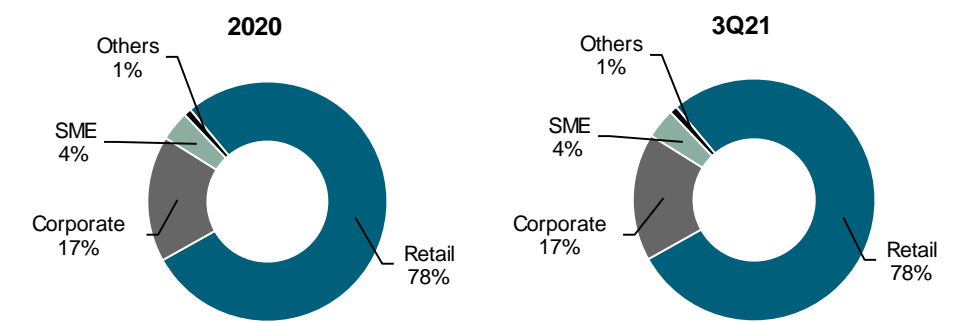
2. Digital loans: increase credit lines up to THB40k and repayment terms to 12 months

BoT = the Bank of Thailand; MoF = Ministry of Finance; OCPB = Office of the Consumer Protection Board

Source: FSSIA

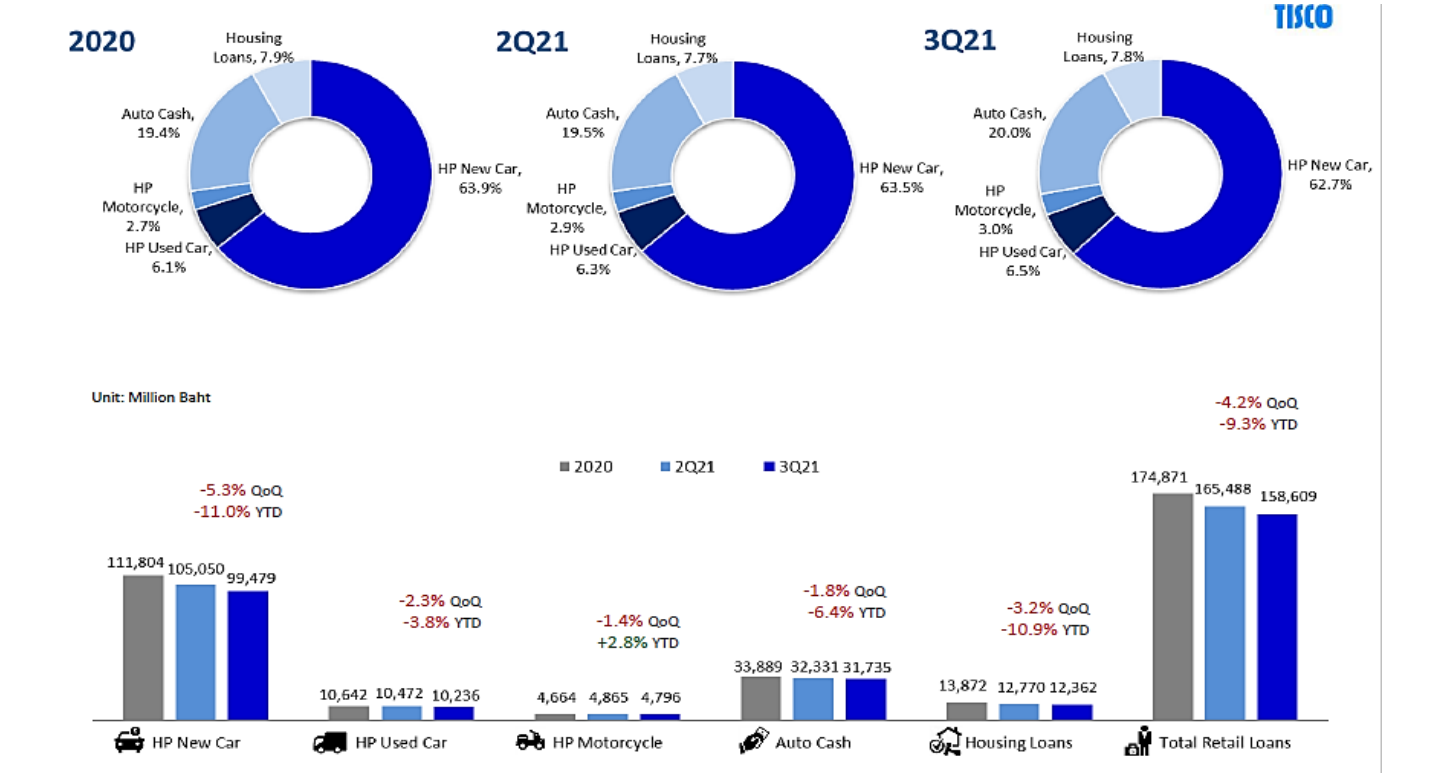
TISCO's portfolio consists of 2% new motorcycle HP loans. We estimate that the rate cap at 15% would lead to a 3-4% downside risk to our 2022 net profit forecast. For the vehicle haircut, we cannot calculate the impact currently, though it would be more significant than the rate cap.

Exhibit 4: TISCO’s 3Q21 loan by sector



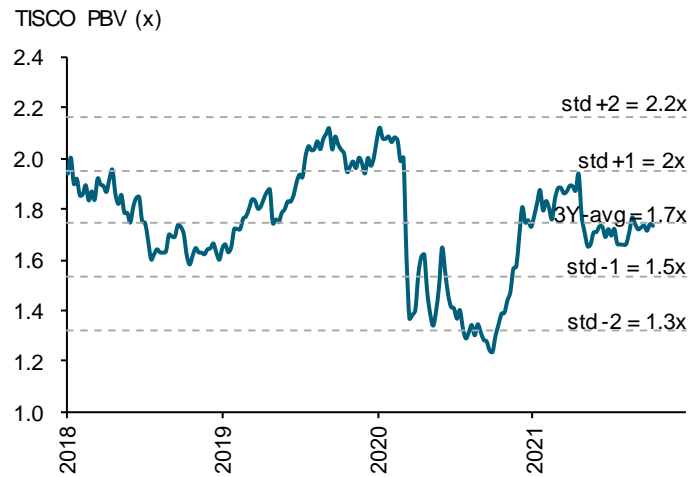
Source: TISCO

Exhibit 5: TISCO’s 3Q21 retail loan structure



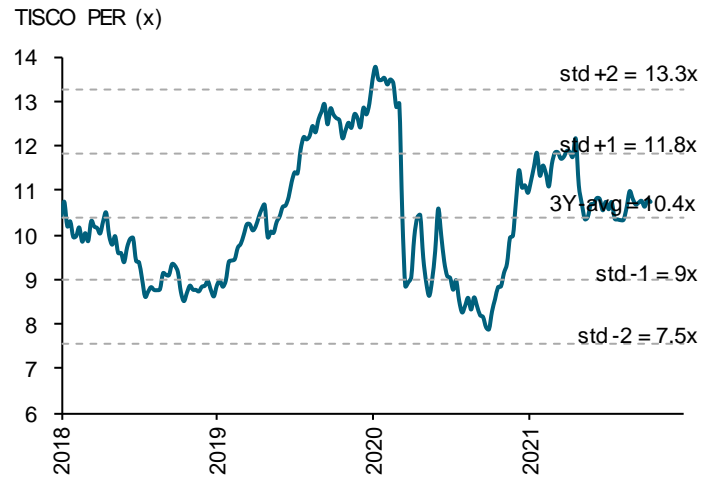
Source: TISCO

Exhibit 6: TISCO – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 7: TISCO – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 8: Peers comparison

Company name	BBG	Rec	--- Share price ---		Up	Market	EPS growth		---- PE ----		---- ROE ----		--- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
Bangkok Bank	BBL TB	HOLD	119.50	128.00	7	6,868	17.2	9.9	9.2	8.4	5.5	5.8	0.5	0.5
Kasikornbank	KBANK TB	BUY	140.50	168.00	20	10,023	12.4	12.6	10.0	8.9	7.2	7.5	0.7	0.7
Kiatnakin Bank	KKP TB	BUY	56.50	68.00	20	1,440	8.2	20.9	8.6	7.1	11.6	13.0	1.0	0.9
Krung Thai Bank	KTB TB	HOLD	11.70	12.20	4	4,923	21.5	5.5	8.0	7.6	5.8	5.8	0.5	0.4
Siam Commercial Bank	SCB TB	BUY	123.50	158.00	28	12,626	18.1	14.2	13.0	11.4	7.6	8.4	1.0	0.9
Tisco Financial	TISCO TB	BUY	92.50	110.00	19	2,230	6.7	9.0	11.4	10.5	16.1	16.7	1.8	1.7
TMBThanachart	TTB TB	BUY	1.15	1.40	22	3,345	(1.1)	32.1	11.1	8.4	4.8	6.1	0.5	0.5
Coverage						41,455	0.5	13.5	10.7	9.4	7.3	7.9	0.8	0.7

Share prices as of 14 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	7.1	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	ICHI	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	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
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	SEOIL	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	AMANA	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	WIIK	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	HL	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	AMANA	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	SEAOL	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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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

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Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Tisco Financial	TISCO TB	THB 92.50	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 119.50	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 its NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk would be better-than-expected synergies with Permata.
Kasikornbank	KBANK TB	THB 140.50	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 56.50	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 11.70	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 123.50	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 1.15	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 14-Oct-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.