

# TISCO FINANCIAL TISCO TB

THAILAND / BANKING

## BUY

## Growth strategy to continue in 2023

- Stay-the-course growth strategy to target more high-yield lending to offset the impact of rate hikes.
- NPLs are likely to rise, but TISCO expects this to be manageable.
- We initiate with a BUY call and a 2023 GGM-based TP of THB111.

|                 |           |
|-----------------|-----------|
| TARGET PRICE    | THB111.00 |
| CLOSE           | THB96.00  |
| UP/DOWNSIDE     | +15.6%    |
| TP vs CONSENSUS | +3.1%     |

### KEY STOCK DATA

| YE Dec (THB m)       | 2022  | 2023E | 2024E | 2025E  |
|----------------------|-------|-------|-------|--------|
| Operating profit     | 8,988 | 9,328 | 9,851 | 10,425 |
| Net profit           | 7,222 | 7,462 | 7,881 | 8,340  |
| EPS (THB)            | 9.02  | 9.32  | 9.84  | 10.42  |
| vs Consensus (%)     | -     | 0.1   | 1.3   | 1.9    |
| Recurring net profit | 7,222 | 7,462 | 7,881 | 8,340  |
| Core EPS (THB)       | 9.02  | 9.32  | 9.84  | 10.42  |
| EPS growth (%)       | 6.4   | 3.3   | 5.6   | 5.8    |
| Core P/E (x)         | 10.6  | 10.3  | 9.8   | 9.2    |
| Dividend yield (%)   | 8.1   | 8.3   | 8.6   | 8.9    |
| Price/book (x)       | 1.8   | 1.8   | 1.7   | 1.7    |
| ROE (%)              | 17.2  | 17.2  | 17.8  | 18.3   |
| ROA (%)              | 2.8   | 2.7   | 2.7   | 2.6    |

### More high-yield loans targeted in 2023

We are optimistic about TISCO's 2023 business strategy, which aims to continue 2022's growth rate via a high-yield lending policy. Average net loan growth during 2020-21 was -9% CAGR, with a consistent decline in low-yield (corporate, hire purchase and housing) loans and the high-risk (commercial) segment. Meanwhile, we have seen significant growth in high-yield loans, especially Auto Cash, with the proportion rising to 17% of total loans at the end of 2022 from 11% at the end of 2017. We think this strategy should favour NIM improvement during a period of rising interest rates (the 2023 NIM target is a reduction of no more than 50bp from 5% last year) as much of its portfolio is fixed-rate loans (73%), while most of its deposits are poised to rise within a year.

### 2Q23 net profit likely weaker due to lower fees

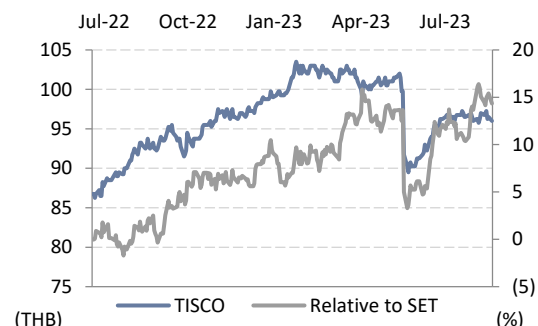
We predict a 2Q23 net profit of THB1.76b, down by 2% q-q and 5% y-y due to weaker fee income, especially for brokerage and asset management fees amid poor capital market conditions, and the bancassurance low season. Meanwhile, net interest income should see good growth, with net loan growth rising in 2Q23 by 5% q-q and 13.7% y-y (5M23 increased 4% YTD). The growth mainly comes from corporate and utilities loans (project financing), high-yield loans, and Auto Cash, with its NIM expected to weaken slightly to 4.84% (-5bp) in this period due to higher interest costs.

### NPLs to tick up, but credit cost manageable

The high-yield loan growth policy has led to NPLs trending higher but remaining within the bank's 2023 target of 2.50% from 2.13% in 1Q23. However, this shouldn't burden TISCO's credit cost due to its strict front-loading policies in place since the pandemic. As a result, at the end of 1Q23, the coverage ratio remained as high as 248%, which although appearing excessive from the bank's point of view, it has significantly reduced concerns about the ECL burden in 2023, with TISCO expecting it to remain low at 34bp in 2023 (we predict 30bp).

### Initiate coverage with a BUY call; TP THB111

We initiate our coverage of TISCO with a BUY call. Our 2023 GGM-based TP of THB111 implies a P/BV of 2.02x, with a potential upside of 15% and superior annual dividend yields of 8-9% in 2023-25.



| Share price performance        | 1 Month         | 3 Month | 12 Month |
|--------------------------------|-----------------|---------|----------|
| Absolute (%)                   | (0.8)           | (5.0)   | 11.0     |
| Relative to country (%)        | 3.1             | 1.2     | 15.5     |
| Mkt cap (USD m)                | 2,187           |         |          |
| 3m avg. daily turnover (USD m) | 12.0            |         |          |
| Free float (%)                 | 80              |         |          |
| Major shareholder              | Thai NVDR (11%) |         |          |
| 12m high/low (THB)             | 104.00/86.00    |         |          |
| Issued shares (m)              | 801             |         |          |

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We like TISCO despite its exposure to the upward trend in interest rates due to:

- 1) We think the bank should be able to efficiently manage the potential impact on its net interest margin (NIM) by growing its balance sheet in the high-yield loan segment.
- 2) Its competitive strength. TISCO created a sufficient coverage ratio via front loading during the Covid pandemic. This should help reduce its expected credit loss (ECL) burden during a period when non-performing loans (NPLs) may accelerate.
- 3) TISCO is still trading at only 1.76x 2023E P/BV while offering very attractive dividend yields.

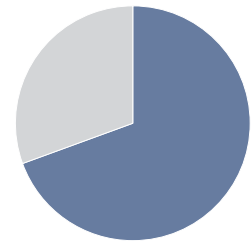
## Company profile

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](http://www.tisco.co.th)

## Principal activities (revenue, 2022)

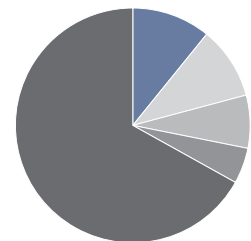
- Net interest income - 69.4 %
- Non-interest income - 30.6 %



Source: Tisco Financial

## Major shareholders

- Thai NVDR - 10.8 %
- CDIB & Partners Investment Holding - 10.0 %
- South East Asia UK (Type C) Nominees - 7.3 %
- Tokyo Century Corp - 4.9 %
- Others - 66.9 %



Source: Tisco Financial

## Catalysts

Potential share price catalysts for TISCO include:

- Aggressive growth in high-yield Auto Cash loans;
- A higher dividend payout ratio;
- A lower-than-expected credit cost.

## Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

## Event calendar

| Date        | Event                     |
|-------------|---------------------------|
| 12 Jul 2023 | 2Q23 results announcement |

## Key assumptions

|                                | 2023E | 2024E | 2025E |
|--------------------------------|-------|-------|-------|
|                                | (%)   | (%)   | (%)   |
| Net profit (THB m)             | 7,462 | 7,881 | 8,340 |
| Net profit growth (%)          | 3.3   | 5.6   | 5.8   |
| NIM (%)                        | 4.89  | 4.90  | 4.91  |
| Loan growth (%)                | 8.0   | 8.0   | 8.0   |
| Fee growth (%)                 | 1.1   | 1.0   | 1.0   |
| Non-interest income growth (%) | 0.7   | 1.3   | 1.3   |
| Credit cost (bp)               | 30.0  | 30.0  | 30.0  |
| Cost to income (%)             | 47.6  | 47.5  | 47.5  |

Source: FSSIA estimates

## Earnings sensitivity

|                               |              | ----- 2023E ----- |             |             |
|-------------------------------|--------------|-------------------|-------------|-------------|
| <b>Loan growth (%)</b>        | <b>±2ppt</b> | <b>6</b>          | <b>8</b>    | <b>10</b>   |
| <i>% change in net profit</i> |              | (2)               |             | +2          |
| <b>NIM (%)</b>                | <b>±5bp</b>  | <b>4.84</b>       | <b>4.89</b> | <b>4.94</b> |
| <i>% change in net profit</i> |              | (2)               |             | +2          |
| <b>Credit cost (bp)</b>       | <b>±10bp</b> | <b>20</b>         | <b>30</b>   | <b>40</b>   |
| <i>% change in net profit</i> |              | +2                |             | (2)         |

Source: FSSIA estimates

## Growth strategy to continue in 2023

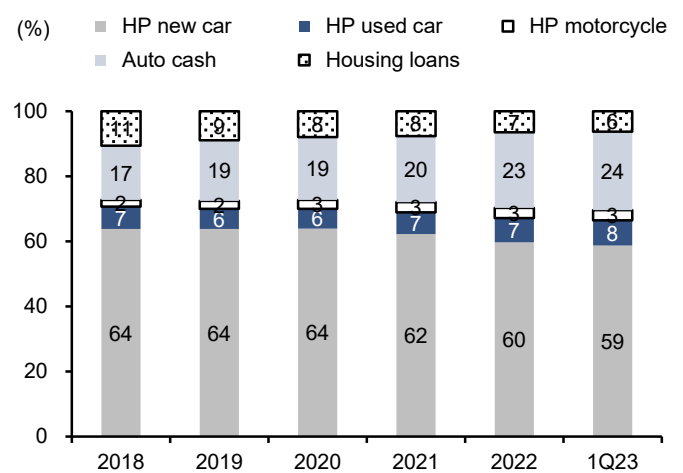
We are optimistic about TISCO's 2023 business strategy of continuing the growth seen in 2022 via a high-yield lending policy. Its average net loan growth during 2020-21 was -9% CAGR, with a consistent decline in the low-yield (corporate, hire purchase and housing) and high-risk (commercial) segments. Meanwhile, we have seen significant growth in high-yield loans, especially Auto Cash, with the proportion rising to 17% of total loans at the end of 2022 from 11% at the end of 2017. We think this strategy should favour NIM improvement during a period of rising interest rates (the 2023 NIM target is a reduction of no more than 50bp from 5% last year) as much of its portfolio is fixed-rate loans (73%), while most of its deposits are poised to rise within a year.

Exhibit 1: Loan growth (five-year CAGR during 2018-22)

|                            | 2019       | 2020       | 2021       | 2Y-CAGR<br>(2020-21) | 2022       | Change<br>(2022/21) |
|----------------------------|------------|------------|------------|----------------------|------------|---------------------|
|                            | (THB b)    | (THB b)    | (THB b)    | (%)                  | (THB B)    | (y-y %)             |
| Corporate                  | 37         | 37         | 36         | -1%                  | 44         | 24%                 |
| Commercial                 | 13         | 10         | 8          | -20%                 | 14         | 69%                 |
| <b>Retail &amp; others</b> | <b>193</b> | <b>177</b> | <b>159</b> | <b>-9%</b>           | <b>160</b> | <b>1%</b>           |
| HP                         | 138        | 127        | 112        | -10%                 | 110        | -2%                 |
| Housing                    | 17         | 14         | 12         | -16%                 | 10         | -14%                |
| Auto title                 | 36         | 34         | 32         | -6%                  | 36         | 15%                 |
| Others                     | 4          | 2          | 3          | -23%                 | 3          | 31%                 |
| <b>Total</b>               | <b>243</b> | <b>225</b> | <b>203</b> | <b>-9%</b>           | <b>219</b> | <b>8%</b>           |

Sources: TISCO; FSSIA's compilation

Exhibit 2: Retail loan portfolio breakdown



Sources: TISCO; FSSIA's compilation

## 2Q23 net profit should be weaker from lower fees

We predict a net profit in 2Q23 of THB1.76b, down 2% q-q and 5% y-y, driven by weaker fee income, especially for brokerage and asset management fees due to capital market conditions, as well as the bancassurance low season. Meanwhile, net interest income should continue rising, driven by net loan growth in 2Q23 of 5% q-q and 13.7% y-y (5M23 increased 4% YTD), mainly due to corporate and utilities loans (project financing) and high-yield loans in the growing Auto Cash segment through the expansion of its Somwang branches (year-end 2023 target was 650 branches, rising from 518 branches at the end of May 23). The bank expects its NIM to weaken slightly to 4.84% (-5bp) in this period due to higher interest costs. We expect 1H23 net profit to reach THB3.55b, accounting for 48% of our full-year forecast.

## NPLs to tick up while credit cost remains manageable

The high-yield loan growth policy should lead to NPLs trending higher but remaining within the bank's 2023 target of 2.50% from 2.13% in 1Q23. We think this should not burden TISCO's credit costs due to the bank's strict front-loading policies that have been in place since the pandemic. As a result, at the end of 1Q23, the coverage ratio remained as high as 248%. Although this seemed excessive from the bank's point of view, it has significantly reduced concerns about the ECL burden in 2023, with TISCO expecting it to remain low at 34bp in 2023 (we project 30bp).

**Exhibit 3: Loan classification breakdown**

|                            | Loan classification |                 |                 |                 |                 |                |                 | % of total gross loans |              |              |              |              |              |
|----------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|------------------------|--------------|--------------|--------------|--------------|--------------|
|                            | 2018<br>(THB b)     | 2019<br>(THB b) | 2020<br>(THB b) | 2021<br>(THB b) | 2022<br>(THB b) | 5Y-CAGR<br>(%) | 1Q23<br>(THB b) | 2018<br>(%)            | 2019<br>(%)  | 2020<br>(%)  | 2021<br>(%)  | 2022<br>(%)  | 1Q23<br>(%)  |
| Stage 1 - Performing       | 217.8               | 220.2           | 189.7           | 175.8           | 192.3           | -3.4%          | 194.0           | 90.5                   | 90.7         | 84.4         | 86.6         | 87.8         | 88.2         |
| Stage 2 - Under-performing | 16.0                | 16.8            | 29.5            | 22.2            | 22.1            | 5.8%           | 21.4            | 6.6                    | 6.9          | 13.1         | 10.9         | 10.1         | 9.7          |
| Stage 3 - Non-performing   | 6.9                 | 5.8             | 5.6             | 5.0             | 4.6             | -4.7%          | 4.7             | 2.9                    | 2.4          | 2.5          | 2.4          | 2.1          | 2.1          |
| <b>Total</b>               | <b>240.7</b>        | <b>242.8</b>    | <b>224.8</b>    | <b>202.9</b>    | <b>219.0</b>    | <b>-2.7%</b>   | <b>220.1</b>    | <b>100.0</b>           | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Sources: TISCO; FSSIA's compilation

**Exhibit 4: Allowance for ECL breakdown by stage**

|                            | Allowance for ECL |                 |                 |                 |                 |                |                 | % of gross loans* |             |             |             |             |             |
|----------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-------------------|-------------|-------------|-------------|-------------|-------------|
|                            | 2018<br>(THB b)   | 2019<br>(THB b) | 2020<br>(THB b) | 2021<br>(THB b) | 2022<br>(THB b) | 5Y-CAGR<br>(%) | 1Q23<br>(THB b) | 2018<br>(%)       | 2019<br>(%) | 2020<br>(%) | 2021<br>(%) | 2022<br>(%) | 1Q23<br>(%) |
| Stage 1 - Performing       | 6.1               | 6.2             | 6.5             | 6.7             | 7.0             | 3.0%           | 6.8             | 2.5               | 2.6         | 2.9         | 3.3         | 3.2         | 3.1         |
| Stage 2 - Under-performing | 3.2               | 2.5             | 3.7             | 3.3             | 3.1             | -3.1%          | 3.0             | 1.3               | 1.0         | 1.6         | 1.6         | 1.4         | 1.4         |
| Stage 3 - Non-performing   | 2.4               | 2.0             | 1.7             | 1.7             | 1.8             | 1.0%           | 1.9             | 1.0               | 0.8         | 0.8         | 0.8         | 0.8         | 0.9         |
| <b>Total</b>               | <b>11.7</b>       | <b>10.7</b>     | <b>11.8</b>     | <b>11.7</b>     | <b>11.8</b>     | <b>0.9%</b>    | <b>11.6</b>     | <b>4.8</b>        | <b>4.4</b>  | <b>5.3</b>  | <b>5.8</b>  | <b>5.4</b>  | <b>5.3</b>  |

Sources: TISCO; FSSIA's compilation

**Exhibit 5: TISCO's GGM-based TP**

| Target price (THB) | 111.0 |
|--------------------|-------|
| Sustainable ROE    | 17.8% |
| g                  | 1.0%  |
| ROE-g              | 16.8% |
| Beta               | 0.85  |
| RF                 | 2.5%  |
| MRP                | 8.0%  |
| COE                | 9.3%  |
| COE-g              | 8.3%  |
| ROE-g/COE-g (PBV)  | 2.02x |

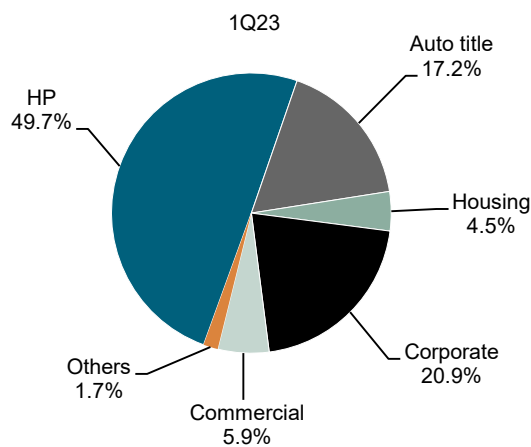
Source: FSSIA estimates

**Exhibit 6: TISCO's 2023 financial guidance vs FSSIA's forecasts**

|                       | TISCO<br>2023E | FSSIA<br>2023E |
|-----------------------|----------------|----------------|
| Loan growth           | 5-10%          | 8.0%           |
| NPL ratio (gross)     | < 2.5%         | 2.1%           |
| Net interest margin   | ~ 4.6%         | 4.89%          |
| Net fee income growth | Stable         | 1.1%           |
| Cost to income        | ~ 50%          | 47.6%          |
| Credit cost           | 34             | 30             |

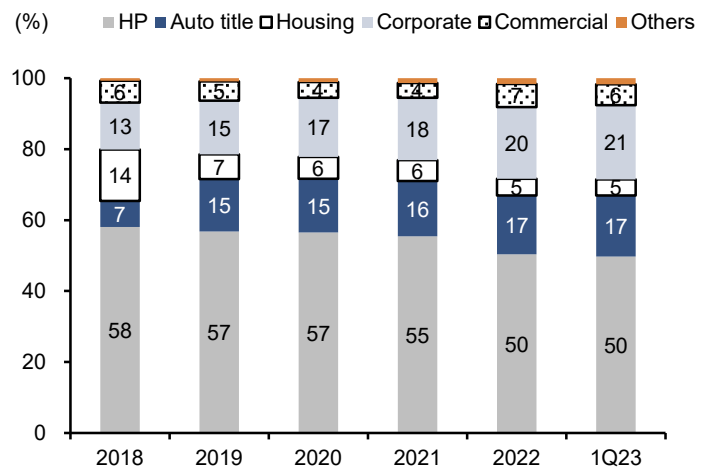
Sources: BBL; FSSIA estimates

**Exhibit 7: Loan breakdown, 1Q23**



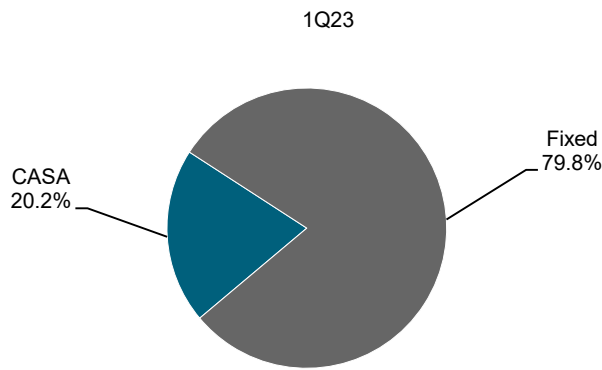
Sources: TISCO; FSSIA's compilation

**Exhibit 8: Loan breakdown, 2018-1Q23**



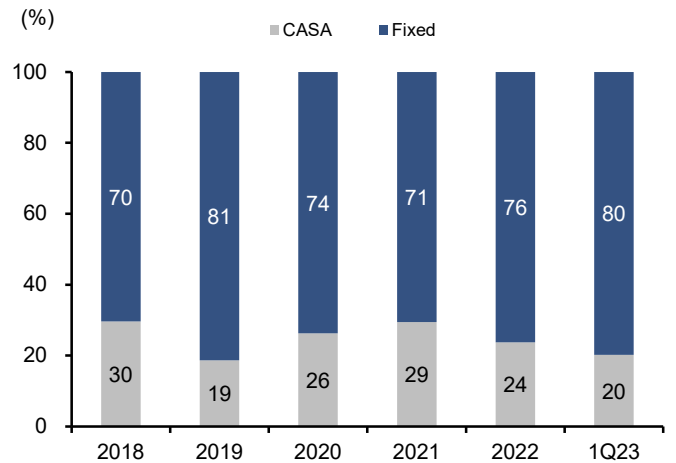
Sources: TISCO; FSSIA's compilation

Exhibit 9: Deposit structure, 1Q23



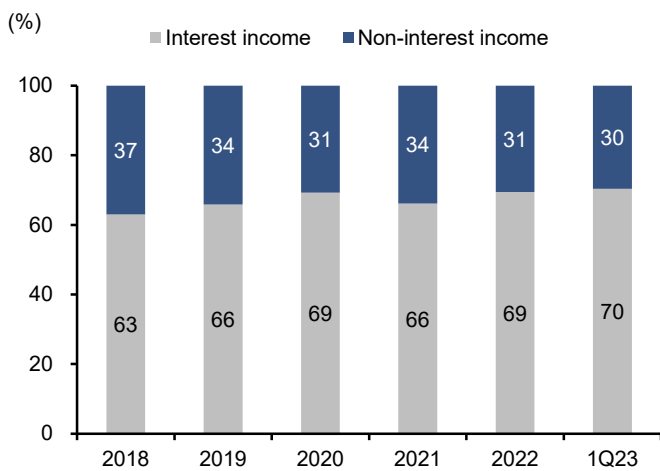
Sources: TISCO; FSSIA's compilation

Exhibit 10: Deposit structure, 2018 to 1Q23



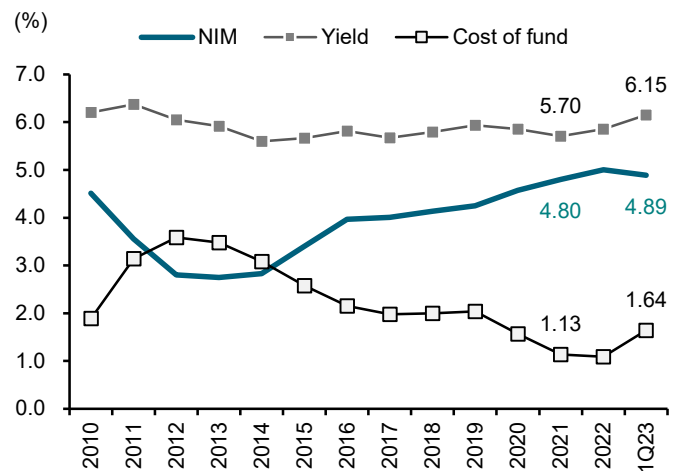
Sources: TISCO; FSSIA's compilation

Exhibit 11: Revenue breakdown



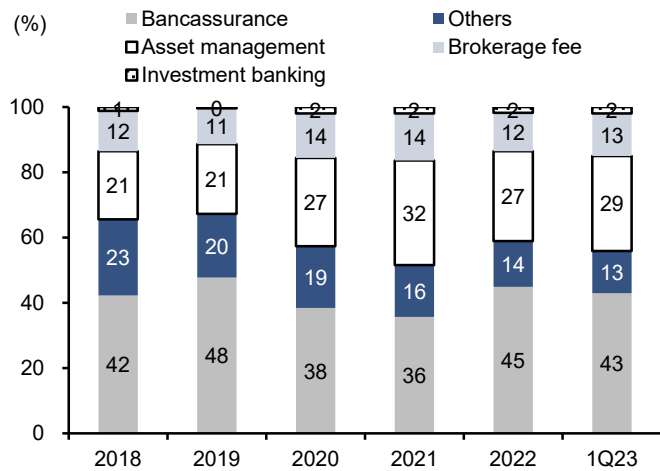
Sources: TISCO; FSSIA's compilation

Exhibit 12: NIM, yield, and cost of funds



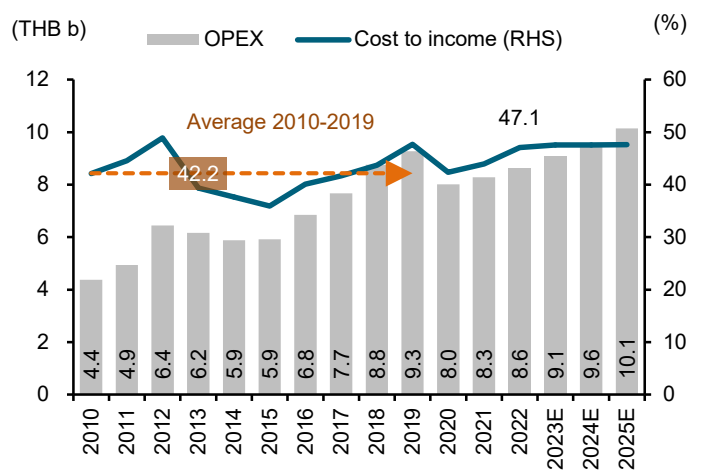
Sources: TISCO; FSSIA's calculation

Exhibit 13: Fee income breakdown



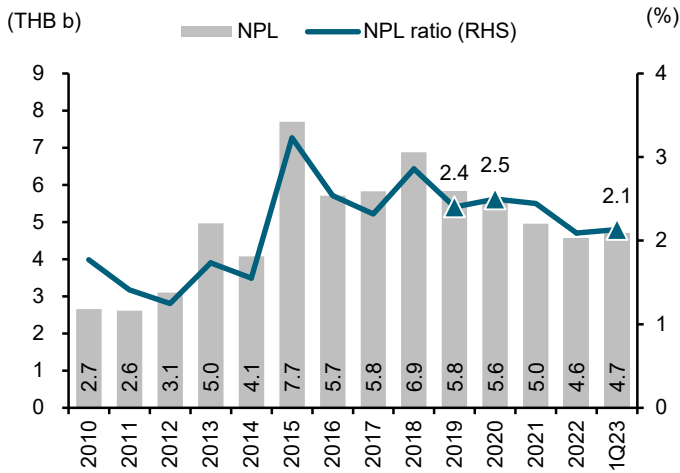
Sources: TISCO; FSSIA's compilation

Exhibit 14: Cost-to-income



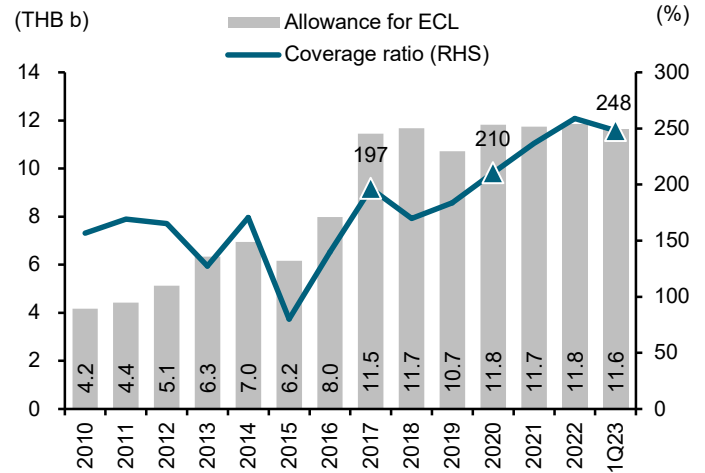
Sources: TISCO; FSSIA estimates

**Exhibit 15: NPLs and NPL ratio\***



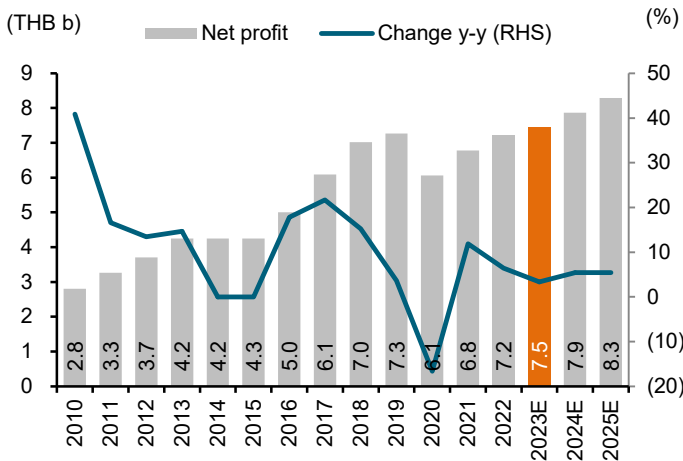
Sources: TISCO; \*FSSIA's calculation

**Exhibit 16: Coverage ratio**



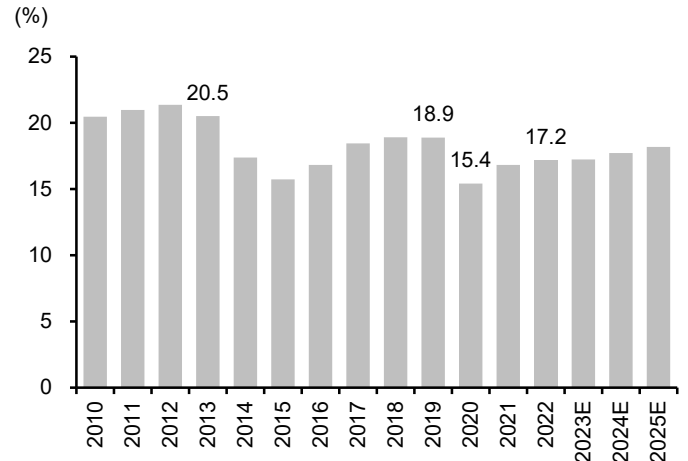
Sources: TISCO; FSSIA's calculation

**Exhibit 17: Net profit and growth**



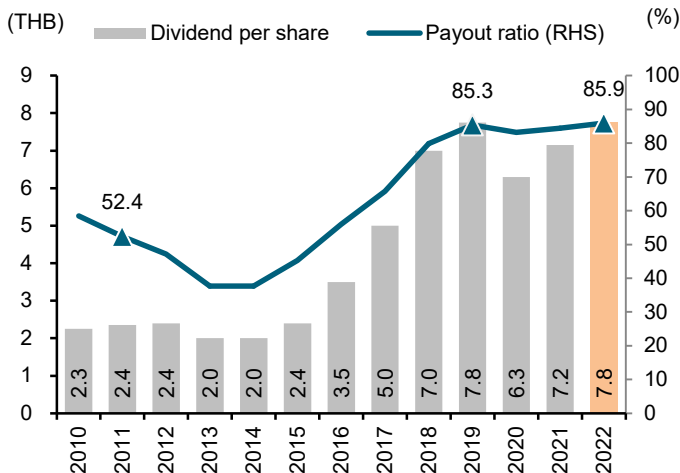
Sources: TISCO; FSSIA estimates

**Exhibit 18: ROE**



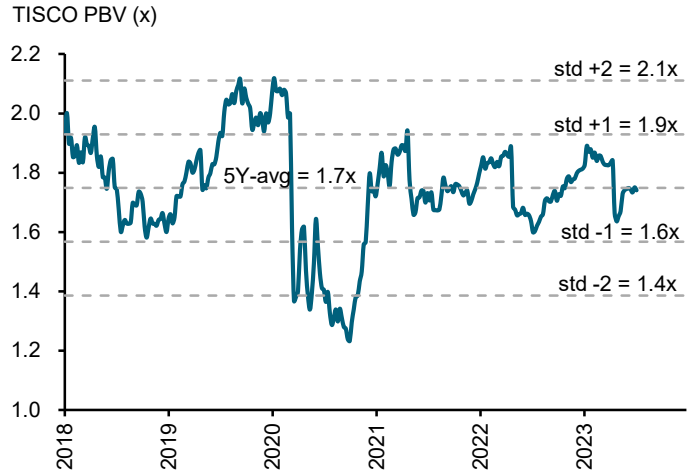
Sources: TISCO; FSSIA estimates

**Exhibit 19: Dividend and payout ratio**



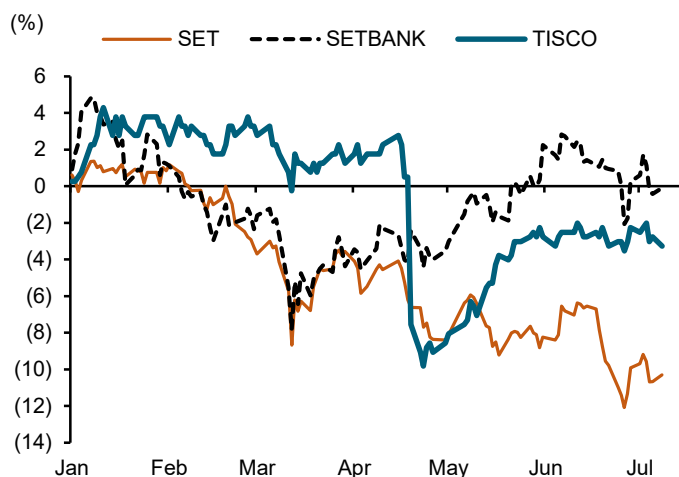
Sources: TISCO; FSSIA's compilation

**Exhibit 20: One-year forward rolling P/BV**



Sources: Bloomberg; FSSIA estimates

Exhibit 21: YTD share price performance (as of 10 July 2023)



Source: Bloomberg

Exhibit 22: Share price performance of major Thai banks (as of 10 July 2023)

| BBG              | Price performance |              |               |              |               |
|------------------|-------------------|--------------|---------------|--------------|---------------|
|                  | 1M (%)            | 3M (%)       | 6M (%)        | 1Y (%)       | YTD (%)       |
| BBL TB           | (4.0)             | (0.6)        | (0.3)         | 19.9         | 5.7           |
| KBANK TB         | (1.5)             | (3.3)        | (15.8)        | (10.6)       | (11.5)        |
| KKP TB           | (4.4)             | (7.8)        | (21.3)        | (4.4)        | (19.7)        |
| KTB TB           | (1.0)             | 12.2         | 8.4           | 29.5         | 9.0           |
| SCB TB           | 0.9               | 2.4          | (3.6)         | 6.4          | 1.4           |
| <b>TISCO TB</b>  | <b>(0.8)</b>      | <b>(5.0)</b> | <b>(5.9)</b>  | <b>11.0</b>  | <b>(3.3)</b>  |
| TTB TB           | (7.2)             | 6.2          | 6.9           | 31.6         | 9.2           |
| <b>SET Index</b> | <b>(3.7)</b>      | <b>(6.3)</b> | <b>(11.2)</b> | <b>(3.9)</b> | <b>(10.3)</b> |
| SETBANK Index    | (2.8)             | 2.1          | (4.0)         | 7.4          | (0.1)         |

Source: Bloomberg

Exhibit 23: Network expansion

|                  | 2018         | 2019         | 2020         | 2021         | 2022         | 1Q23         |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                  | (no.)        | (no.)        | (no.)        | (no.)        | (no.)        | (no.)        |
| <b>Branches</b>  | <b>299</b>   | <b>347</b>   | <b>405</b>   | <b>411</b>   | <b>504</b>   | <b>538</b>   |
| Change y-y (RHS) | 46           | 48           | 58           | 6            | 93           | 34           |
| - Bank           | 61           | 60           | 58           | 55           | 54           | 54           |
| Change y-y (RHS) | 1            | (1)          | (2)          | (3)          | (1)          | 0            |
| - Somwang*       | 238          | 287          | 347          | 356          | 450          | 484          |
| Change y-y (RHS) | 45           | 49           | 60           | 9            | 94           | 34           |
| <b>Employees</b> | <b>4,837</b> | <b>5,031</b> | <b>5,013</b> | <b>4,879</b> | <b>5,090</b> | <b>5,112</b> |
| Change y-y (RHS) | 241          | 194          | (18)         | (134)        | 211          | 22           |

\* Somwang provides Auto Cash loans  
Sources: TISCO; FSSIA's compilation

Exhibit 24: Total operating income by business\*, 2022

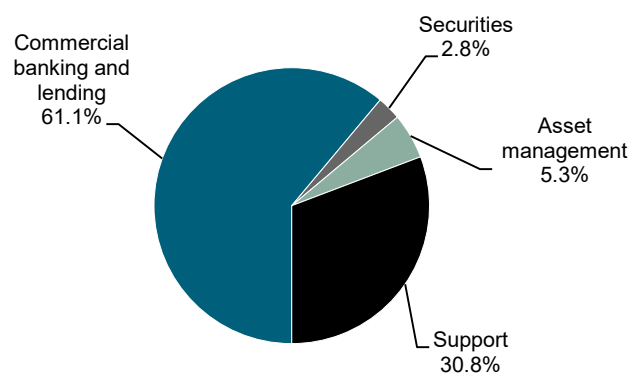
\* Before eliminations  
Sources: TISCO; FSSIA's compilation

Exhibit 25: Segment operations, 2022

|                                 | Business type                        |                    |                          |                 | Total (THB m)  | Eliminations (THB m) | Total (THB m)  |
|---------------------------------|--------------------------------------|--------------------|--------------------------|-----------------|----------------|----------------------|----------------|
|                                 | Commercial banking & lending (THB m) | Securities (THB m) | Asset management (THB m) | Support (THB m) |                |                      |                |
| <b>Reported revenues</b>        | <b>17,025</b>                        | <b>785</b>         | <b>1,482</b>             | <b>8,573</b>    | <b>27,865</b>  | <b>(9,560)</b>       | <b>18,305</b>  |
| <b>Operating income</b>         |                                      |                    |                          |                 |                |                      |                |
| Net interest                    | 12,703                               | 16                 | 4                        | 8               | 12,731         | 3                    | 12,734         |
| Net fees & services             | 3,810                                | 744                | 1,467                    | 1,146           | 7,167          | (2,121)              | 5,046          |
| Others                          | 512                                  | 25                 | 11                       | 7,419           | 7,967          | (7,442)              | 525            |
| <b>Total operating income</b>   | <b>17,025</b>                        | <b>785</b>         | <b>1,482</b>             | <b>8,573</b>    | <b>27,865</b>  | <b>(9,560)</b>       | <b>18,305</b>  |
| <b>Profit before income tax</b> | <b>7,091</b>                         | <b>193</b>         | <b>829</b>               | <b>6,117</b>    | <b>14,230</b>  | <b>(5,239)</b>       | <b>8,991</b>   |
| % of segment revenue            | 42%                                  | 25%                | 56%                      | 71%             | 51%            | 55%                  | 49%            |
| % of total revenues             | 79%                                  | 2%                 | 9%                       | 68%             | 158%           | -58%                 | 100%           |
| <b>Total assets</b>             | <b>258,872</b>                       | <b>3,111</b>       | <b>1,534</b>             | <b>33,943</b>   | <b>297,460</b> | <b>(32,046)</b>      | <b>265,414</b> |
| % of total assets               | 98%                                  | 1%                 | 1%                       | 13%             | 112%           | -12%                 | 100%           |

Sources: TISCO; FSSIA's compilation

## Exhibit 26: 2Q23 earnings preview

| Year-end Dec 31                     | 2Q22         | 1Q23         | 2Q23E        | ---- Change ---- |               | 1H22         | 1H23E        | Chg.       | %of       | 2022          | 2023E         | Chg.     |
|-------------------------------------|--------------|--------------|--------------|------------------|---------------|--------------|--------------|------------|-----------|---------------|---------------|----------|
|                                     | (THB m)      | (THB m)      | (THB m)      | (y-y%)           | (q-q%)        | (THB m)      | (THB m)      | (y-y %)    | 23E       | (THB m)       | (THB m)       | (y-y %)  |
| Net interest income                 | 3,107        | 3,287        | 3,342        | 8                | 2             | 6,168        | 6,629        | 7          | 49        | 12,734        | 13,451        | 6        |
| Non-interest income                 | 1,457        | 1,384        | 1,294        | (11)             | (6)           | 2,815        | 2,678        | (5)        | 47        | 5,607         | 5,644         | 1        |
| <i>Fee income - net</i>             | 1,168        | 1,266        | 1,195        | 2                | (6)           | 2,446        | 2,461        | 1          | 48        | 5,081         | 5,137         | 1        |
| <b>Total operating income</b>       | <b>4,564</b> | <b>4,671</b> | <b>4,637</b> | <b>2</b>         | <b>(1)</b>    | <b>8,983</b> | <b>9,307</b> | <b>4</b>   | <b>49</b> | <b>18,341</b> | <b>19,094</b> | <b>4</b> |
| Total operating expenses            | 2,125        | 2,282        | 2,283        | 7                | 0             | 4,224        | 4,565        | 8          | 50        | 8,630         | 9,083         | 5        |
| <b>PPOP before tax</b>              | <b>2,439</b> | <b>2,389</b> | <b>2,354</b> | <b>(4)</b>       | <b>(1)</b>    | <b>4,760</b> | <b>4,743</b> | <b>(0)</b> | <b>47</b> | <b>9,711</b>  | <b>10,011</b> | <b>3</b> |
| Expected credit loss                | 140          | 155          | 160          | 14               | 3             | 225          | 315          | 40         | 46        | 723           | 683           | (5)      |
| Income tax                          | 451          | 441          | 432          | (4)              | (2)           | 890          | 873          | (2)        | 47        | 1,766         | 1,866         | 6        |
| Non-controlling interest            | 0            | 0            | 0            |                  |               | 0            | 0            |            |           | 0             | 0             |          |
| <b>Net profit</b>                   | <b>1,848</b> | <b>1,793</b> | <b>1,762</b> | <b>(5)</b>       | <b>(2)</b>    | <b>3,644</b> | <b>3,554</b> | <b>(2)</b> | <b>48</b> | <b>7,222</b>  | <b>7,462</b>  | <b>3</b> |
| EPS (THB)                           | 2.31         | 2.24         | 2.20         | (5)              | (2)           | 4.55         | 4.44         | (2)        | 48        | 9.02          | 9.32          | 3        |
| <b>Key ratios</b>                   | <b>2Q22</b>  | <b>1Q23</b>  | <b>2Q23E</b> | <b>(y-y%)</b>    | <b>(q-q%)</b> | <b>1H22</b>  | <b>1H23E</b> |            |           | <b>2022</b>   | <b>2023E</b>  |          |
| <b>Asset quality ratio</b>          |              |              |              |                  |               |              |              |            |           |               |               |          |
| Gross NPLs (THB m)                  | 4,464        | 4,694        | 4,794        | 7                | 2             | 4,464        | 4,794        |            |           | 4,577         | 5,034         |          |
| <i>Change (% from prior period)</i> | 1.8          | 2.6          | 2.1          |                  |               |              | 7.4          |            |           | (7.7)         | 10.0          |          |
| NPL ratios (%) - reported           | 2.20         | 2.13         |              |                  |               | 2.20         |              |            |           | 2.09          |               |          |
| <b>NPL ratio (%)*</b>               | <b>2.20</b>  | <b>2.13</b>  | <b>2.07</b>  |                  |               | <b>2.20</b>  | <b>2.07</b>  |            |           | <b>2.09</b>   |               |          |
| Coverage ratio (%) - reported       | 169          | 152          |              |                  |               | 169          |              |            |           | 154           |               |          |
| <b>Coverage ratio (%)*</b>          | <b>253</b>   | <b>248</b>   |              |                  |               | <b>253</b>   | <b>236</b>   |            |           | <b>259</b>    |               |          |
| <b>Credit cost (bp)</b>             | <b>28</b>    | <b>28</b>    | <b>28</b>    |                  |               | <b>22</b>    | <b>28</b>    |            |           | <b>34</b>     | <b>30</b>     |          |
| <b>Profitability ratio</b>          | <b>(%)</b>   | <b>(%)</b>   | <b>(%)</b>   |                  |               |              |              |            |           | <b>(%)</b>    | <b>(%)</b>    |          |
| Cost to income ratio                | 46.5         | 48.9         | 49.2         |                  |               | 47.0         | 49.0         |            |           | 47.1          | 47.6          |          |
| Average yield (%)                   | 5.88         | 6.15         | 6.11         |                  |               | 5.83         | 6.05         |            |           | 5.86          | 6.18          |          |
| <b>Cost of fund (%)</b>             | <b>1.04</b>  | <b>1.64</b>  | <b>1.62</b>  |                  |               | <b>2.06</b>  | <b>3.18</b>  |            |           | <b>1.09</b>   | <b>1.63</b>   |          |
| NIM (%) - reported                  | 5.05         | 4.98         |              |                  |               |              |              |            |           | 5.09          |               |          |
| <b>NIM (%)*</b>                     | <b>5.05</b>  | <b>4.89</b>  | <b>4.84</b>  |                  |               | <b>5.02</b>  | <b>4.80</b>  |            |           | <b>5.00</b>   | <b>4.89</b>   |          |
| Non-int inc/total income (%)        | 31.9         | 29.6         | 27.9         |                  |               | 31.3         | 28.8         |            |           | 30.6          | 29.6          |          |
| <b>Loan growth</b>                  | <b>(%)</b>   | <b>(%)</b>   | <b>(%)</b>   |                  |               |              |              |            |           | <b>(%)</b>    | <b>(%)</b>    |          |
| Year-to-date                        | 0.2          | 0.5          | 5.5          |                  |               | 0.2          | 5.5          |            |           |               |               |          |
| y-y                                 | (5.0)        | 8.1          | 13.7         |                  |               |              |              |            |           | 7.9           | 8.0           |          |
| q-q                                 | (0.1)        | 0.5          | 5.0          |                  |               |              |              |            |           |               |               |          |

\* FSSIA's calculation

Sources: TISCO; FSSIA estimates



## Exhibit 27: Regional peers comparison

| Company                         | BBG             | Rec        | Share price<br>Current<br>(LCY) | Market<br>Cap<br>(USD m) | ----- PE ----- |             | ----- PBV ----- |            | ----- ROE ----- |             | ----- Div yld ----- |            |
|---------------------------------|-----------------|------------|---------------------------------|--------------------------|----------------|-------------|-----------------|------------|-----------------|-------------|---------------------|------------|
|                                 |                 |            |                                 |                          | 23E<br>(x)     | 24E<br>(x)  | 23E<br>(x)      | 24E<br>(x) | 23E<br>(%)      | 24E<br>(%)  | 23E<br>(x)          | 24E<br>(x) |
| <b>Thailand</b>                 |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| <b>Tisco Financial Group*</b>   | <b>TISCO TB</b> | <b>BUY</b> | <b>96.00</b>                    | <b>2,187</b>             | <b>10.3</b>    | <b>9.8</b>  | <b>1.8</b>      | <b>1.7</b> | <b>17.2</b>     | <b>17.8</b> | <b>8.3</b>          | <b>8.6</b> |
| Bangkok Bank                    | BBL TB          | n/a        | 156.50                          | 8,516                    | 7.8            | 6.9         | 0.6             | 0.5        | 7.2             | 7.6         | 3.8                 | 4.2        |
| Kasikornbank                    | KBANK TB        | n/a        | 130.50                          | 8,815                    | 7.6            | 6.7         | 0.6             | 0.5        | 7.8             | 8.3         | 3.4                 | 3.9        |
| Kiatnakin Bank                  | KKP TB          | n/a        | 59.25                           | 1,430                    | 6.4            | 5.9         | 0.8             | 0.7        | 13.0            | 13.2        | 6.6                 | 7.2        |
| Krung Thai Bank                 | KTB TB          | n/a        | 19.30                           | 7,690                    | 7.1            | 6.8         | 0.7             | 0.6        | 9.6             | 9.5         | 4.4                 | 4.7        |
| SCB X                           | SCB TB          | n/a        | 108.50                          | 10,415                   | 8.4            | 7.7         | 0.8             | 0.7        | 9.2             | 9.7         | 5.8                 | 6.2        |
| TMBThanachart Bank              | TTB TB          | n/a        | 1.54                            | 4,249                    | 9.2            | 8.5         | 0.7             | 0.6        | 7.2             | 7.4         | 5.1                 | 5.3        |
| <b>Thailand average</b>         |                 |            |                                 | <b>43,302</b>            | <b>8.1</b>     | <b>7.5</b>  | <b>0.8</b>      | <b>0.8</b> | <b>10.2</b>     | <b>10.5</b> | <b>5.4</b>          | <b>5.7</b> |
| <b>Hong Kong</b>                |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| Industrial & Comm Bank of China | 1398 HK         | n/a        | 3.59                            | 217,782                  | 3.3            | 3.1         | 0.3             | 0.3        | 11.0            | 10.8        | 9.5                 | 10.0       |
| China Construction Bank         | 939 HK          | n/a        | 4.38                            | 142,782                  | 3.0            | 2.8         | 0.3             | 0.3        | 11.8            | 11.6        | 9.9                 | 10.5       |
| HSBC Holdings                   | 5 HK            | n/a        | 60.95                           | 154,191                  | 6.5            | 6.5         | 0.9             | 0.8        | 14.3            | 13.5        | 7.7                 | 9.1        |
| Bank of China                   | 3988 HK         | n/a        | 2.75                            | 142,840                  | 3.4            | 3.2         | 0.3             | 0.3        | 10.4            | 10.1        | 9.4                 | 10.0       |
| <b>Hong Kong average</b>        |                 |            |                                 | <b>657,596</b>           | <b>4.0</b>     | <b>3.9</b>  | <b>0.5</b>      | <b>0.4</b> | <b>11.8</b>     | <b>11.5</b> | <b>9.2</b>          | <b>9.9</b> |
| <b>China</b>                    |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| Industrial & Comm Bank of China | 601398 CH       | n/a        | 4.77                            | 217,781                  | 4.7            | 4.4         | 0.5             | 0.5        | 11.0            | 10.7        | 6.6                 | 7.0        |
| Agricultural Bank of China      | 601288 CH       | n/a        | 3.51                            | 165,321                  | 4.7            | 4.4         | 0.5             | 0.5        | 11.4            | 11.0        | 6.6                 | 7.0        |
| China Construction Bank         | 601939 CH       | n/a        | 6.22                            | 142,781                  | 4.6            | 4.4         | 0.5             | 0.5        | 11.7            | 11.5        | 6.5                 | 6.8        |
| Bank of China                   | 601988 CH       | n/a        | 3.89                            | 142,840                  | 5.0            | 4.8         | 0.5             | 0.5        | 10.6            | 10.2        | 6.1                 | 6.5        |
| <b>China average</b>            |                 |            |                                 | <b>668,722</b>           | <b>4.8</b>     | <b>4.5</b>  | <b>0.5</b>      | <b>0.5</b> | <b>11.2</b>     | <b>10.9</b> | <b>6.4</b>          | <b>6.8</b> |
| <b>South Korea</b>              |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| KB Financial Group              | 105560 KS       | n/a        | 46,750                          | 14,524                   | 3.8            | 3.7         | 0.3             | 0.3        | 9.5             | 9.0         | 7.0                 | 7.5        |
| Shinhan Financial Group         | 055550 KS       | n/a        | 32,700                          | 13,050                   | 3.7            | 3.6         | 0.3             | 0.3        | 9.3             | 8.9         | 6.5                 | 7.0        |
| Hana Financial Group            | 086790 KS       | n/a        | 37,950                          | 8,646                    | 3.0            | 2.9         | 0.3             | 0.3        | 10.0            | 9.5         | 9.3                 | 9.7        |
| Industrial Bank of Korea        | 024110 KS       | n/a        | 10,180                          | 6,250                    | 2.9            | 2.8         | 0.3             | 0.3        | 9.8             | 9.3         | 10.0                | 10.3       |
| <b>South Korea average</b>      |                 |            |                                 | <b>42,469</b>            | <b>3.3</b>     | <b>3.2</b>  | <b>0.3</b>      | <b>0.3</b> | <b>9.7</b>      | <b>9.2</b>  | <b>8.2</b>          | <b>8.6</b> |
| <b>Indonesia</b>                |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| Bank Central Asia               | BBCA IJ         | n/a        | 9,050                           | 73,441                   | 23.5           | 21.6        | 4.5             | 4.1        | 20.1            | 19.7        | 2.4                 | 2.7        |
| Bank Rakyat Indonesia Persero   | BBRI IJ         | n/a        | 5,400                           | 53,875                   | 13.8           | 12.4        | 2.5             | 2.3        | 18.8            | 19.5        | 5.4                 | 6.1        |
| Bank Mandiri Persero            | BMRI IJ         | n/a        | 5,175                           | 31,795                   | 10.3           | 9.4         | 1.9             | 1.7        | 19.5            | 19.6        | 5.6                 | 6.1        |
| Bank Negara Indonesia Persero   | BBNI IJ         | n/a        | 9,050                           | 11,110                   | 7.8            | 7.0         | 1.1             | 1.0        | 14.9            | 15.0        | 4.0                 | 5.1        |
| Bank Syariah Indonesia          | BRIS IJ         | n/a        | 1,715                           | 5,208                    | 14.5           | 12.0        | 2.1             | 1.8        | 15.5            | 16.6        | 1.2                 | 1.3        |
| <b>Indonesia average</b>        |                 |            |                                 | <b>175,429</b>           | <b>14.0</b>    | <b>12.4</b> | <b>2.4</b>      | <b>2.2</b> | <b>17.8</b>     | <b>18.1</b> | <b>3.7</b>          | <b>4.3</b> |
| <b>Malaysia</b>                 |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| Malayan Banking                 | MAY MK          | n/a        | 8.67                            | 22,384                   | 11.1           | 10.5        | 1.2             | 1.1        | 10.6            | 10.7        | 7.2                 | 7.5        |
| Public Bank                     | PBK MK          | n/a        | 3.86                            | 16,047                   | 11.0           | 10.6        | 1.4             | 1.3        | 13.1            | 12.8        | 4.7                 | 4.8        |
| CIMB Group Holdings             | CIMB MK         | n/a        | 5.19                            | 11,855                   | 8.3            | 7.8         | 0.8             | 0.8        | 10.0            | 10.1        | 6.2                 | 6.8        |
| Hong Leong Bank                 | HLBK MK         | n/a        | 18.82                           | 8,738                    | 10.1           | 9.5         | 1.2             | 1.1        | 12.1            | 12.0        | 3.5                 | 3.8        |
| RHB Bank                        | RHBBANK MK      | n/a        | 5.42                            | 4,976                    | 7.5            | 7.1         | 0.8             | 0.7        | 10.2            | 10.3        | 7.7                 | 8.1        |
| <b>Malaysia average</b>         |                 |            |                                 | <b>64,000</b>            | <b>9.6</b>     | <b>9.1</b>  | <b>1.1</b>      | <b>1.0</b> | <b>11.2</b>     | <b>11.2</b> | <b>5.8</b>          | <b>6.2</b> |
| <b>Singapore</b>                |                 |            |                                 |                          |                |             |                 |            |                 |             |                     |            |
| DBS Group Holdings              | DBS SP          | n/a        | 30.91                           | 59,298                   | 8.2            | 8.3         | 1.3             | 1.2        | 16.8            | 15.8        | 6.0                 | 6.5        |
| Oversea-Chinese Banking         | OCBC SP         | n/a        | 12.09                           | 40,421                   | 7.9            | 7.9         | 1.0             | 0.9        | 12.7            | 12.0        | 6.5                 | 6.6        |
| United Overseas Bank            | UOB SP          | n/a        | 27.40                           | 34,125                   | 8.2            | 7.8         | 1.0             | 1.0        | 12.9            | 12.9        | 5.9                 | 6.2        |
| <b>Singapore average</b>        |                 |            |                                 | <b>133,844</b>           | <b>8.1</b>     | <b>8.0</b>  | <b>1.1</b>      | <b>1.0</b> | <b>14.1</b>     | <b>13.6</b> | <b>6.1</b>          | <b>6.4</b> |
| <b>Regional average</b>         |                 |            |                                 | <b>1,742,060</b>         | <b>7.6</b>     | <b>7.1</b>  | <b>1.0</b>      | <b>1.0</b> | <b>12.7</b>     | <b>12.5</b> | <b>6.5</b>          | <b>6.9</b> |
| <b>Total average</b>            |                 |            |                                 | <b>1,785,362</b>         | <b>7.7</b>     | <b>7.1</b>  | <b>1.0</b>      | <b>0.9</b> | <b>12.0</b>     | <b>11.9</b> | <b>6.1</b>          | <b>6.6</b> |

Share prices as of 10 July 2023

Sources: \*Bloomberg consensus; FSSIA estimates, simple average

## Corporate Governance – TISCO

### Board structure, 2022

| Independent Directors (ID)         | 5 of 13 board members, 3 female                           |
|------------------------------------|---|
| Percentage of IDs on the board     | 38.5%   |
| ID attendance at board meetings    | 100%  |
| ID in audit/remuneration committee | 3/3 in audit committee and 2/4* in remuneration committee |
| ID terms                           | Nine-consecutive years                                    |

Additional information: 1) Chairman of the Board is a non-executive director, and not a member in any other committee; 2) the Board comprised four executive directors (31%); 3) number of independent non-executive directors is set to be more than executive directors; 4) the two non-ID audit committee are non-executive directors.

### Compensation and remuneration

|   |  |
|---|--|
| Directors' remuneration vs earnings/ROE/share performance | In 2022, THB20.27m, or 0.28% of net profit |
| Changes/stability in senior management                    | None                                       |
| Incidents of termination of senior management             | None                                       |
| Track record on insider sales                             | None                                       |

### ESG and sustainability management

| E/S/G              | 2022 Indicators  | 2022 sustainability achievement  | 2023-2025 sustainability target  |
|--------------------|--|--|--|
| <b>Environment</b> | Power consumption efficiency   | 207.48 KW-Hour per square metre  | Under 250 KW/Hour per square metre, and over 3% reduction from 2022  |
|                    | Water consumption  | 30,320 cubic metres per year   | Under 30,000 cubic metres per year and over 5% reduction from 2022   |
|                    | Paper consumption  | 83 tonnes, a 24.55% reduction from the previous year   | Under 100 tonnes per year, and over 3% reduction from 2022   |
|                    | Greenhouse gas emissions from head office building (Scope 1&2)   | 19.37% reduction in Greenhouse gas emissions from head office building (Scope 1&2) from the base year  | Over 14% reduction in Greenhouse gas emissions from head office building (Scope 1&2) from the base year (2017)         |
|                    | Lending service for EV   | Extending loans for 1,325 EV cars, representing 13.69% of the newly registered EVs   | Loans for over 10% of newly registered EVs   |
|                    | Support for large-scale environmentally friendly lending projects  | 20.99% of large-scale lending projects   | Over 20% of large-scale lending projects   |
| <b>Social</b>      | Customer satisfaction (Net Promoter Score - NPS)   | 37%  | 45%  |
|                    | Educating interested customers and general public with financial knowledge                                 | 526,954 persons  | Over 500,000 persons per year  |
|                    | Building financial skills in the young generations to support growth in the "Somwang Ngern Sang Dai" brand | "Karn Ngern Som Wang Camp" Project, with 31 children participation   | At least 1 project per year  |
|                    | Providing educational opportunities to children  | TISCO Ruam Jai 12 Project saw the construction of a building and canteen for Ban Khlong Sipsam School, Sakaew, with a total value of THB9.3m | At least 1 project per year  |
|                    | Investment in communities  | Total investment of THB44.9m   | Ongoing projects   |
|                    | Creating a happy organisation  | 87% employee satisfaction<br>93.4% retention rate<br>Zero complaints related to labour issues and human rights                               | Over 85% employee satisfaction<br>Over 90% retention rate<br>Zero complaints related to labour issues and human rights |
| <b>Governance</b>  | Corporate governance and upholding good and accepted business ethics                                       | Excellent CG assessment of 96 out of 100 points from the Institute of Directors  | Excellent evaluation scores by external agencies   |
|                    | Data breach cases with customer impact   | Zero cases   | Zero cases   |
|                    | Promoting sustainability with partners   | Conduct a safety driving training program with partners who provide document delivery services   | Conduct a safety driving training program with partners who provide document delivery services                         |
|                    | Implementation of responsible lending guidelines   | All corporate financial loans are assessed for social and environmental impact   | 100% of corporate financial loans are assessed for social and environmental impact                                     |

Additional information: None  
Source: [TISCO](#); FSSIA's compilation

### Audit Practices

| Auditor                        | EY Office Limited          |
|--------------------------------|----------------------------|
| Length of service              | More than five years       |
| Reporting incidents            | None                       |
| Fee track record               | THB10.93m, +2.8% from 2021 |
| Policy on change of audit firm | To review every five years |

Additional information: None

### Shareholders' rights

| Practice  | Activity   |
|---|--|
| Communication - shareholder participation in AGMs/EGMs    | AGM once annually, EGM when appropriated and in accordance with SEC guidelines |
| Related party transactions                                | In accordance with SEC guidelines  |
| Voting issues - policies, incidents of rejected proposals | None   |

## Financial Statements

### Tisco Financial

| Profit and Loss (THB m) Year Ending Dec | 2021    | 2022    | 2023E   | 2024E   | 2025E    |
|---|---------|---------|---------|---------|----------|
| Interest Income                         | 14,792  | 14,904  | 17,002  | 18,382  | 19,821   |
| Interest expense                        | (2,332) | (2,171) | (3,551) | (3,914) | (4,248)  |
| Net interest income                     | 12,460  | 12,734  | 13,451  | 14,467  | 15,573   |
| Net fees & commission                   | 5,615   | 5,081   | 5,137   | 5,189   | 5,240    |
| Foreign exchange trading income         | 0       | 0       | 0       | 0       | 0        |
| Securities trading income               | 410     | 89      | 89      | 90      | 90       |
| Dividend income                         | 70      | 73      | 77      | 81      | 85       |
| Other income                            | 281     | 363     | 340     | 358     | 377      |
| Non interest income                     | 6,376   | 5,607   | 5,644   | 5,717   | 5,792    |
| Total income                            | 18,836  | 18,341  | 19,094  | 20,184  | 21,365   |
| Staff costs                             | (5,727) | (6,107) | (6,351) | (6,605) | (6,869)  |
| Other operating costs                   | (2,552) | (2,523) | (2,732) | (2,990) | (3,274)  |
| Operating costs                         | (8,279) | (8,630) | (9,083) | (9,595) | (10,143) |
| Pre provision operating profit          | 10,557  | 9,711   | 10,011  | 10,589  | 11,222   |
| Expected credit loss                    | (2,064) | (723)   | (683)   | (738)   | (797)    |
| Other provisions                        | -       | -       | -       | -       | -        |
| Operating profit                        | 8,493   | 8,988   | 9,328   | 9,851   | 10,425   |
| Recurring non operating income          | 0       | 0       | 0       | 0       | 0        |
| Associates                              | -       | -       | -       | -       | -        |
| Goodwill amortization                   | -       | -       | -       | -       | -        |
| Non recurring items                     | 0       | 0       | 0       | 0       | 0        |
| Profit before tax                       | 8,493   | 8,988   | 9,328   | 9,851   | 10,425   |
| Tax                                     | (1,708) | (1,766) | (1,866) | (1,970) | (2,085)  |
| Profit after tax                        | 6,785   | 7,222   | 7,462   | 7,881   | 8,340    |
| Non-controlling interest                | 0       | 0       | 0       | 0       | 0        |
| Preferred dividends                     | -       | -       | -       | -       | -        |
| Other items                             | 0       | 0       | 0       | 0       | 0        |
| Reported net profit                     | 6,785   | 7,222   | 7,462   | 7,881   | 8,340    |
| Non recurring items & goodwill (net)    | -       | -       | 0       | 0       | 0        |
| Recurring net profit                    | 6,785   | 7,222   | 7,462   | 7,881   | 8,340    |
| <b>Per share (THB)</b>                  |         |         |         |         |          |
| Recurring EPS *                         | 8.47    | 9.02    | 9.32    | 9.84    | 10.42    |
| Reported EPS                            | 8.47    | 9.02    | 9.32    | 9.84    | 10.42    |
| DPS                                     | 7.15    | 7.75    | 8.00    | 8.25    | 8.50     |
| <b>Growth</b>                           |         |         |         |         |          |
| Net interest income (%)                 | (4.9)   | 2.2     | 5.6     | 7.6     | 7.6      |
| Non interest income (%)                 | 9.8     | (12.1)  | 0.7     | 1.3     | 1.3      |
| Pre provision operating profit (%)      | (3.1)   | (8.0)   | 3.1     | 5.8     | 6.0      |
| Operating profit (%)                    | 12.3    | 5.8     | 3.8     | 5.6     | 5.8      |
| Reported net profit (%)                 | 11.9    | 6.4     | 3.3     | 5.6     | 5.8      |
| Recurring EPS (%)                       | 11.9    | 6.4     | 3.3     | 5.6     | 5.8      |
| Reported EPS (%)                        | 11.9    | 6.4     | 3.3     | 5.6     | 5.8      |
| <b>Income Breakdown</b>                 |         |         |         |         |          |
| Net interest income (%)                 | 66.1    | 69.4    | 70.4    | 71.7    | 72.9     |
| Net fees & commission (%)               | 29.8    | 27.7    | 26.9    | 25.7    | 24.5     |
| Foreign exchange trading income (%)     | -       | -       | -       | -       | -        |
| Securities trading income (%)           | 2.2     | 0.5     | 0.5     | 0.4     | 0.4      |
| Dividend income (%)                     | 0.4     | 0.4     | 0.4     | 0.4     | 0.4      |
| Other income (%)                        | 1.5     | 2.0     | 1.8     | 1.8     | 1.8      |
| <b>Operating performance</b>            |         |         |         |         |          |
| Gross interest yield (%)                | 5.70    | 5.86    | 6.18    | 6.23    | 6.25     |
| Cost of funds (%)                       | 1.13    | 1.09    | 1.63    | 1.67    | 1.69     |
| Net interest spread (%)                 | 4.57    | 4.77    | 4.55    | 4.56    | 4.56     |
| Net interest margin (%)                 | 4.8     | 5.0     | 4.9     | 4.9     | 4.9      |
| Cost/income(%)                          | 44.0    | 47.1    | 47.6    | 47.5    | 47.5     |
| Cost/assets(%)                          | 3.2     | 3.4     | 3.3     | 3.2     | 3.2      |
| Effective tax rate (%)                  | 20.1    | 19.6    | 20.0    | 20.0    | 20.0     |
| Dividend payout on recurring profit (%) | 84.4    | 85.9    | 85.8    | 83.8    | 81.6     |
| ROE (%)                                 | 16.8    | 17.2    | 17.2    | 17.8    | 18.3     |
| ROE - COE (%)                           | 6.0     | 6.4     | 6.4     | 7.0     | 7.5      |
| ROA (%)                                 | 2.6     | 2.8     | 2.7     | 2.7     | 2.6      |
| RORWA (%)                               | 3.8     | 4.0     | 3.8     | 3.7     | 3.7      |

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

Sources: Tisco Financial; FSSIA estimates

## Financial Statements

### Tisco Financial

| Balance Sheet (THB m) Year Ending Dec      | 2021           | 2022           | 2023E          | 2024E          | 2025E          |
|--|----------------|----------------|----------------|----------------|----------------|
| Gross customer loans                       | 202,950        | 219,004        | 236,524        | 255,446        | 275,882        |
| Allowance for expected credit loss         | (11,740)       | (11,845)       | (11,628)       | (12,566)       | (13,563)       |
| interest in suspense                       | 1,713          | 1,722          | 1,892          | 2,044          | 2,207          |
| <b>Net customer loans</b>                  | <b>192,922</b> | <b>208,881</b> | <b>226,788</b> | <b>244,924</b> | <b>264,526</b> |
| Bank loans                                 | 30,489         | 40,272         | 42,165         | 44,105         | 46,178         |
| Government securities                      | -              | -              | -              | -              | -              |
| Trading securities                         | -              | -              | -              | -              | -              |
| Investment securities                      | 2,891          | 3,045          | 2,699          | 2,816          | 2,938          |
| Cash & equivalents                         | 1,103          | 1,005          | 1,249          | 1,129          | 1,001          |
| Other interesting assets                   | 8,043          | 3,990          | 4,189          | 4,399          | 4,619          |
| Tangible fixed assets                      | 2,781          | 2,786          | 2,926          | 3,072          | 3,225          |
| Associates                                 | -              | -              | -              | -              | -              |
| Goodwill                                   | 131            | 100            | 100            | 100            | 100            |
| Other intangible assets                    | -              | -              | -              | -              | -              |
| Other assets                               | 5,262          | 5,334          | 5,571          | 5,802          | 6,047          |
| <b>Total assets</b>                        | <b>243,622</b> | <b>265,414</b> | <b>285,687</b> | <b>306,346</b> | <b>328,634</b> |
| Customer deposits                          | 166,542        | 188,266        | 202,386        | 219,589        | 238,693        |
| Bank deposits                              | 8,081          | 6,195          | 7,187          | 7,546          | 7,923          |
| Other interest bearing liabilities         | 15,236         | 16,014         | 16,692         | 15,602         | 14,445         |
| Non interest bearing liabilities           | 12,563         | 12,148         | 15,580         | 18,651         | 21,263         |
| Hybrid Capital                             | -              | -              | -              | -              | -              |
| <b>Total liabilities</b>                   | <b>202,422</b> | <b>222,623</b> | <b>241,845</b> | <b>261,387</b> | <b>282,324</b> |
| Share capital                              | 8,007          | 8,007          | 8,007          | 8,007          | 8,007          |
| Reserves                                   | 33,191         | 34,782         | 35,832         | 36,949         | 38,299         |
| <b>Total equity</b>                        | <b>41,197</b>  | <b>42,788</b>  | <b>43,839</b>  | <b>44,955</b>  | <b>46,305</b>  |
| Non-controlling interest                   | 3              | 3              | 4              | 4              | 4              |
| <b>Total liabilities &amp; equity</b>      | <b>243,622</b> | <b>265,414</b> | <b>285,687</b> | <b>306,346</b> | <b>328,634</b> |
| <b>Supplementary items</b>                 |                |                |                |                |                |
| Risk weighted assets (RWA)                 | 174,636        | 188,747        | 203,164        | 217,856        | 233,706        |
| Average interest earning assets            | 259,356        | 254,501        | 275,059        | 295,259        | 317,251        |
| Average interest bearing liabilities       | 205,845        | 199,901        | 218,010        | 234,015        | 251,365        |
| CET 1 capital                              | 32,421         | 32,372         | 36,410         | 37,326         | 38,476         |
| Total capital                              | 40,481         | 38,920         | 42,823         | 43,940         | 45,290         |
| Gross non performing loans (NPL)           | 4,957          | 4,577          | 5,034          | 5,638          | 6,315          |
| <b>Per share (THB)</b>                     |                |                |                |                |                |
| Book value per share                       | 51.45          | 53.44          | 54.75          | 56.15          | 57.83          |
| Tangible book value per share              | 51.29          | 53.32          | 54.63          | 56.02          | 57.71          |
| <b>Growth</b>                              |                |                |                |                |                |
| Gross customer loans                       | (9.7)          | 7.9            | 8.0            | 8.0            | 8.0            |
| Average interest earning assets            | (9.4)          | (1.9)          | 8.1            | 7.3            | 7.4            |
| Total asset (%)                            | (11.6)         | 8.9            | 7.6            | 7.2            | 7.3            |
| Risk weighted assets (%)                   | (5.7)          | 8.1            | 7.6            | 7.2            | 7.3            |
| Customer deposits (%)                      | (18.2)         | 13.0           | 7.5            | 8.5            | 8.7            |
| <b>Leverage &amp; capital measures</b>     |                |                |                |                |                |
| Customer loan/deposits (%)                 | 115.8          | 111.0          | 112.1          | 111.5          | 110.8          |
| Equity/assets (%)                          | 16.9           | 16.1           | 15.3           | 14.7           | 14.1           |
| Tangible equity/assets (%)                 | 16.9           | 16.1           | 15.3           | 14.6           | 14.1           |
| RWA/assets (%)                             | 71.7           | 71.1           | 71.1           | 71.1           | 71.1           |
| CET 1 CAR (%)                              | 18.6           | 17.2           | 17.9           | 17.1           | 16.5           |
| Total CAR (%)                              | 23.2           | 20.6           | 21.1           | 20.2           | 19.4           |
| <b>Asset Quality (FSSIA's calculation)</b> |                |                |                |                |                |
| Change in NPL (%)                          | (11.8)         | (7.7)          | 10.0           | 12.0           | 12.0           |
| NPL/gross loans (%)                        | 2.4            | 2.1            | 2.1            | 2.2            | 2.3            |
| Total provisions/gross loans (%)           | 5.8            | 5.4            | 4.9            | 4.6            | 4.9            |
| Total provisions/NPL (%)                   | 236.8          | 258.8          | 231.0          | 222.9          | 214.8          |
| <b>Valuation</b>                           |                |                |                |                |                |
| Recurring P/E (x) *                        | 11.3           | 10.6           | 10.3           | 9.8            | 9.2            |
| Recurring P/E @ target price (x) *         | 13.1           | 12.3           | 11.9           | 11.3           | 10.7           |
| Reported P/E (x)                           | 11.3           | 10.6           | 10.3           | 9.8            | 9.2            |
| Dividend yield (%)                         | 7.4            | 8.1            | 8.3            | 8.6            | 8.9            |
| Price/book (x)                             | 1.9            | 1.8            | 1.8            | 1.7            | 1.7            |
| Price/tangible book (x)                    | 1.9            | 1.8            | 1.8            | 1.7            | 1.7            |
| Price/tangible book @ target price (x)     | 2.2            | 2.1            | 2.0            | 2.0            | 1.9            |

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

Sources: Tisco Financial; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

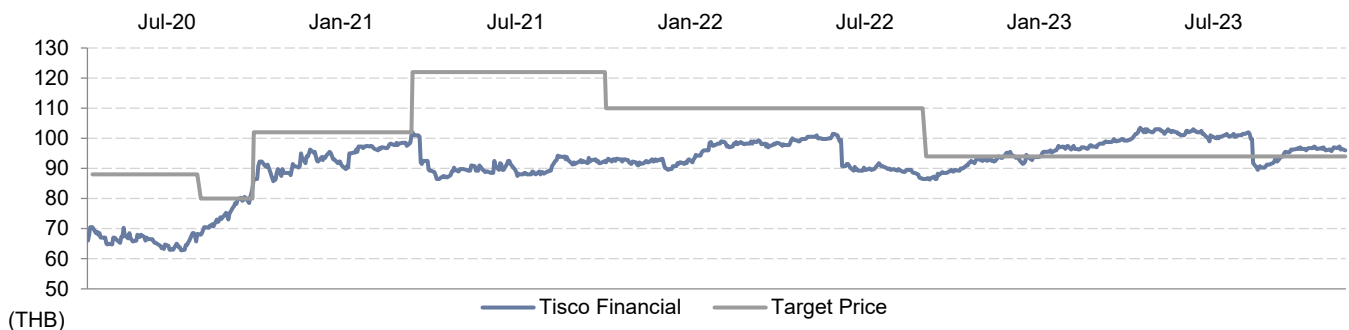
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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

#### Tisco Financial (TISCO TB)



| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 16-Jul-2020 | BUY    | 88.00        | 03-Dec-2020 | BUY    | 102.00       | 05-Oct-2021 | BUY    | 110.00       |
| 16-Oct-2020 | BUY    | 80.00        | 20-Apr-2021 | BUY    | 122.00       | 08-Jul-2022 | HOLD   | 94.00        |

Usanee Liurut, CISA started covering this stock from 11-Jul-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company         | Ticker   | Price     | Rating | Valuation & Risks  |
|-----------------|----------|-----------|--------|--|
| Tisco Financial | TISCO TB | THB 96.00 | BUY    | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |

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 10-Jul-2023 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.