

Tisco Financial Group Pcl (TISCO TB) - BUY, Price Bt92.5, TP Bt110 | Results Comment

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Slightly better-than-expected

- TISCO reported 3Q21 profits of Bt1.56bn, down 3% y-y and 6% q-q. PPOP was in line with our forecast but provisions were lower. As a result, results were better than expected. We like TISCO's high dividend yield and maintain BUY.
- In light of TISCO's strict lending criteria amid slow economy and repayment of corporate client, loans contracted 5% q-q and 9% YTD. This led to slowing loan-related and bancassurance fees.
- With falling cost of funds and higher mix of retail loans, NIM improved to 4.94% from 4.72% in 3Q20 and 4.8% in 2Q21.
- The bank booked mark-to-market investment loss of Bt110m. Therefore, non-interest income fell 24% y-y and 29% q-q.
- Writing some NPL offs, NPLs rose only 4% q-q. But NPL ratio rose to almost 3% due to loan contractions.
- Backed by its healthy provision cushion and better asset quality, TISCO lowered provisions by 58% y-y and 54% q-q. Credit costs fell to 0.5% from 1% in 2Q21 and 1.1% in 3Q20.
- We expect TISCO's earnings to remain supported by falling provisions. We maintain our profits growth forecast of 8% this year and 7% for 2022.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	4,082	4,000	3,776	3,754	3,644	Interest & dividend income	(3)	(11)	71	15,651	15,548
Interest expense	830	740	666	605	551	Interest expense	(9)	(34)	60	3,036	3,084
Net interest income	3,252	3,259	3,110	3,149	3,093	Net interest income	(2)	(5)	74	12,615	12,464
Non-interest income	1,445	1,707	1,978	1,555	1,098	Non-interest income	(29)	(24)	72	6,408	6,186
Total income	4,698	4,966	5,088	4,704	4,191	Total income	(11)	(11)	74	19,023	18,650
Operating expense	2,082	2,120	2,065	2,080	1,968	Operating expense	(5)	(5)	75	8,198	8,336
Pre-provisioning profit	2,616	2,846	3,024	2,624	2,223	Pre-provisioning profit	(15)	(15)	73	10,825	10,314
Provision for bad&doubtful debt	605	771	833	555	254	Provision for bad&doubtful debt	(54)	(58)	63	2,620	1,573
Profit before tax	2,011	2,076	2,191	2,069	1,969	Profit before tax	(5)	(2)	76	8,205	8,740
Tax	397	406	440	413	395	Tax	(5)	(1)	76	1,641	1,748
Profit after tax	1,614	1,669	1,751	1,655	1,574	Profit after tax	(5)	(2)	76	6,564	6,992
Equity income	(2)	(33)	13	11	(14)	Equity income	neg	neg	-	-	-
Minority interests	(0)	(0)	(0)	(0)	(0)	Minority interests	neg	neg	10	(3)	(3)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	1,612	1,636	1,764	1,666	1,560	Net profit	(6)	(3)	76	6,561	6,989
Normalized profit	1,612	1,636	1,764	1,666	1,560	Normalized profit	(6)	(3)	76	6,561	6,989
PPP/share (Bt)	3.3	3.6	3.8	3.3	2.8	PPP/share (Bt)	(15)	(15)	73	13.5	12.9
EPS (Bt)	2.0	2.0	2.2	2.1	1.9	EPS (Bt)	(6)	(3)	76	8.2	8.7
Norm EPS (Bt)	2.0	2.0	2.2	2.1	1.9	Norm EPS (Bt)	(6)	(3)	76	8.2	8.7
BV/share (Bt)	47.3	49.3	51.5	47.3	49.2	BV/share (Bt)	4	4	49	51.5	54.3

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash and Interbank	37,893	39,432	37,854	33,537	28,130	Gross loan growth (YTD)	(7.4)	(7.4)	(1.8)	(4.8)	(9.1)
Other liquid items	-	-	-	-	-	Gross loan growth (q-q)	(1.4)	(0.0)	(1.8)	(3.1)	(4.5)
Total liquid items	37,893	39,432	37,854	33,537	28,130	Deposit growth (YTD)	(5.2)	(5.8)	(2.6)	(11.0)	(17.0)
Gross loans and accrued interest	226,771	226,714	222,606	215,822	206,228	Deposit growth (q-q)	2.3	(0.6)	(2.6)	(8.6)	(6.8)
Provisions	11,605	11,826	12,268	12,541	11,975	Non-interest income (y-y)	(11.1)	(12.3)	37.5	27.8	(24.0)
Net loans	215,166	214,888	210,338	203,282	194,253	Non-interest income (q-q)	18.8	18.1	15.9	(21.4)	(29.4)
Fixed assets	2,991	2,951	2,915	2,917	2,985	Fee income / Operating income	27.2	27.8	30.3	26.0	26.9
Other assets	7,026	7,413	8,582	7,595	7,444	Cost-to-income	44.3	42.7	40.6	44.2	47.0
Total assets	275,949	275,443	268,705	255,888	244,635	Net interest margin	4.72	4.73	4.57	4.80	4.94
Deposits	204,756	203,473	198,151	181,050	168,813	Credit cost	1.08	1.37	1.51	1.04	0.50
Interbank	5,596	5,808	5,137	7,928	7,597	ROE	17.4	16.9	17.5	16.9	16.2
Other liquid items	358	1,285	391	245	235	Loan-to-deposit	109.8	110.5	111.4	118.2	121.1
Total liquid items	210,709	210,565	203,680	189,223	176,646	Loan-to-deposit + S-T borrowing	109.8	110.5	111.4	118.2	121.1
Borrowings	14,247	12,826	9,877	14,807	14,962	NPLs (Bt m)	5,918	5,618	5,532	5,867	6,094
Other liabilities	13,148	12,590	13,927	14,002	13,617	NPL increase	(1,563)	(299)	(87)	335	227
Minority interest	3	3	3	3	3	NPL ratio	2.63	2.50	2.51	2.74	2.98
Shareholders' equity	37,842	39,459	41,217	37,853	39,407	Loan-loss-coverage ratio	196.1	210.5	221.8	213.7	196.5
Total Liabilities & Equity	275,949	275,443	268,705	255,888	244,635	CAR - total	22.5	22.8	23.1	24.2	24.7

Sources: Company data, Thanachart estimates

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