HOLD (From: BUY)

Change in Recommendation

TP: Bt 106.00 (From: Bt 110.00)

Upside : 7.3%

17 JANUARY 2022

Small Cap Research

TISCO Financial Group (TISCO TB)

Driving on a single engine

Coming off a high capital income base and with a weak loan growth pickup, we expect slowing 2022-24F EPS growth of 4%. At 11x PE and 1.8x PBV, TISCO looks fairly priced to us. We see its high 6% dividend yield as a share price support, not a driver. Downgrade to HOLD.

SARACHADA SORNSONG

662 – 779 9106

sarachada.sor@thanachartsec.co.th

Thanachart Securities

Cushioned by provision cuts

With its material capital-market exposure, TISCO enjoyed all-time high income contribution of Bt3.7bn (up 34% y-y) in 2021 of which 24% is non-recurring. Given the spillover hit of a sharp loan drop in the past few years, the rise in lending appetite for TISCO with our loan growth expectation of 2% in 2022F is still not enough to turn interest income around. Last, we expect funding-cost saving benefits to end with our in-house view of a 50bps policy rate hike in 2023F and a steepening yield curve. The bank's greater ability to release excess provisions is thus the only earnings driver this year. We project 5% EPS growth in 2022F. As we lift our long-term funding cost assumption, we trim our DDM-based 12-month TP (2022F base year) to Bt106 from Bt110.

High dividend = share price support

As a holding company, TISCO has greater flexibility than other banks as only banking profits are subject to the BoT's 50% dividend payout ratio cap. This, together with its limited asset growth and highest capital ratio, leads us to expect TISCO to continue to pay high dividends. We expect the BoT to maintain a stricter dividend policy until 2023F and assume TISCO's dividend payout at 70% in 2022-23F, before rising to 85% afterwards. This implies a very impressive dividend yield of over 6%. Trading below its average yield band of 7% over the past 10 years, we see the high dividend yield as a share price support, not a driver.

Implications of new HP regulations

In light of the government's policy to lower the debt burden of Thais, we expect stricter regulation for auto HP lending. The final hearing is expected this month and the revised HP law is likely in May. With 55% of HP loans, TISCO would inevitably be affected. Our worries lie with the new settlement condition as it could lead to higher losses from repossessed car sales beyond the current level of 20-25%. It remains uncertain how auto HP players are going to respond to the new regulations but we see the end results as either a hit to car sales or increasing losses from HP loans. Neither would be positive for TISCO's loan volume growth. This answers the question of why we project loan growth of only 2% this year and 4-5% in 2023-24F.

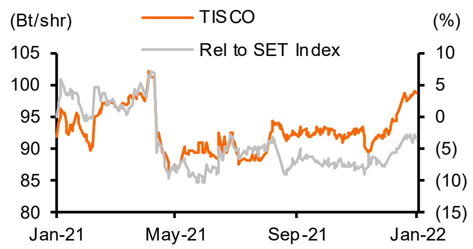
Downgrading to HOLD (from Buy)

We see no change to TISCO's solid fundamentals and continue to like its return-focused strategy. Our rating downgrade is premised mainly on valuation as we see the counter as fairly priced at 11x PE and 1.8x P/BV vs. a three-year EPS CAGR of 4% over 2022-24F and ROE of 17% in 2022F. The bank is due to pay a final dividend for its 2021 performance in April 2022 and we expect it to announce a minimum DPS of Bt6. This implies a 71% payout ratio and a 6% dividend yield in 2022F.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Pre Provision Profit	10,542	9,951	10,114	10,607
Net profit	6,781	7,132	7,229	7,581
Consensus NP	—	7,002	7,381	7,858
Diff frm cons (%)	—	*1.9*	*(2.1)*	*(3.5)*
Norm profit	6,781	7,132	7,229	7,581
Prev. Norm profit	—	6,989	7,238	7,644
Chg frm prev (%)	—	*2.0*	*(0.1)*	*(0.8)*
Norm EPS (Bt)	8.5	8.9	9.0	9.5
Norm EPS grw (%)	11.8	5.2	1.4	4.9
Norm PE (x)	11.7	11.1	10.9	10.4
P/BV (x)	1.9	1.8	1.7	1.7
Div yield (%)	6.1	6.3	6.4	8.2
ROE (%)	16.8	16.9	16.2	16.3
ROA (%)	2.6	2.9	2.9	2.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price: *as of* 17-Jan-22 (Bt)	98.75
Market Cap (US$ m)	2,388
Listed Shares (m shares)	800.6
Free Float (%)	75.2
Avg. Daily Turnover (US$ m)	11.8
12M Price H/L (Bt)	102.00/86.50
Sector	BANK
Major Shareholder	Thai NVDR 10.93%

Sources: Bloomberg, Company data, Thanachart estimates

Implications of new HP regulations

Ex 1: New Auto HP Regulations

	Initial proposal	Revisions after hearing	Proposals of related players
Interest ceiling			
- New car HP	15% pa	15% pa	No objection
- Used car HP	15% pa	20% pa	28% pa
- Motorcycle HP	15% pa	20% pa	28% pa
Settlement via returning vehicles	Any time with a prohibition on the collection of any remaining debt	After 33% of total loans are repaid	Stepped-up discount approach
Prepayment conditions	80% discount on unpaid interest	60-80% discounts on unpaid interest	Stepped-up discount approach

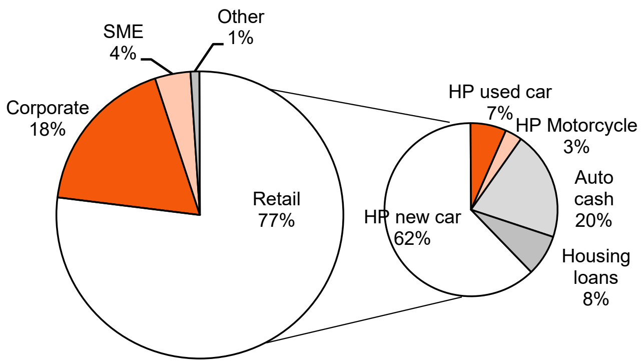
Sources: Company data, Thanachart estimates

Stricter HP regulations on the way

The Office of the Consumer Protection Board (OCPB) has proposed the revision of auto HP rules and regulations to be in favor of borrowers. The new regulations would put a ceiling of 15% on annual interest rates for hire-purchase agreements on vehicles, including personal cars and motorcycles, both used and new. The draft has undergone two rounds of hearings and the OCPB has revised the draft as shown in Exhibit 1. The revisions have yet to be finalized. The OCPB expects to hold another hearing late this month and we expect the new regulations for auto HP loans to be enacted in May 2022.

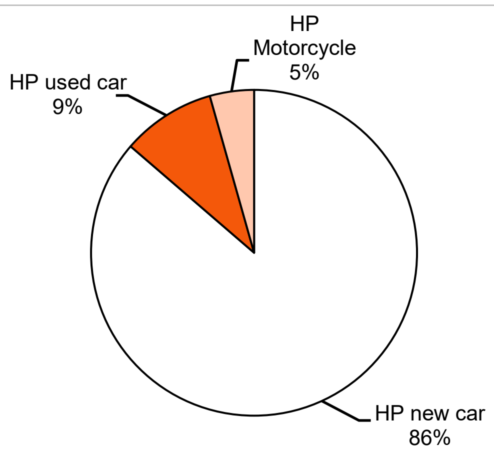
In light of the government's policy to lower the debt burden of Thais, we expect stricter regulations for auto HP lending to come into play. With its 55% exposure to HP loans, TISCO would inevitably be affected. Of TISCO's total HP loans in 2021, 86% were for new cars, 9% for used cars and 4% for motorcycles. Motorcycle HP loans have no down payment with over 10% credit costs. TISCO currently charges an interest rate of over 30% for this segment. The potential cap on the motorcycle HP rate at 20% or so would prompt TISCO to change its underwriting conditions. In spite of the tiny contribution of this segment, TISCO's motorcycle HP loans have doubled over the past five years.

Ex 2: Loan Breakdown (2021)



Source: Company data

Ex 3: HP Loan Breakdown (2021)



Source: Company data

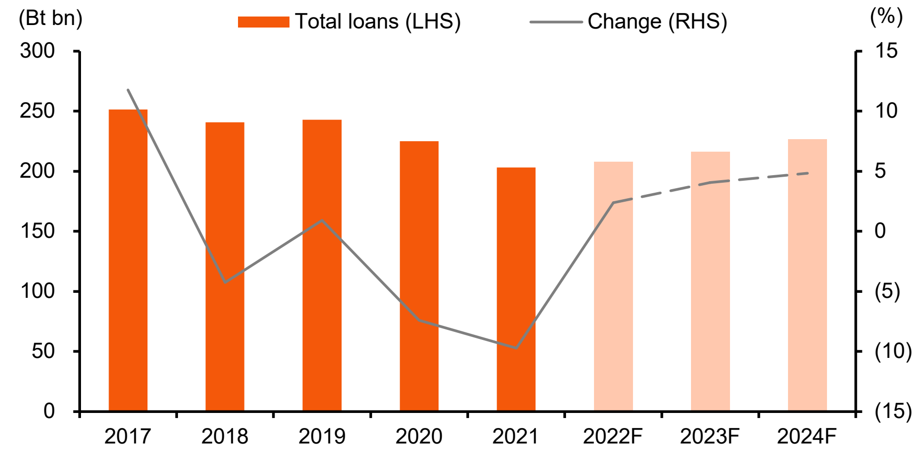
That said, TISCO's loan book is mainly exposed to new car HP loans, where pricing is already competitive. We have no concerns about the potential cap on the effective interest rate of 15%. Our worries lie with the new settlement conditions. As per the OCPB's intention, if a holder withdraws from an HP contract by returning the vehicle, banks would be prohibited from collecting the remaining debt in full. This could lead to higher losses on repossessed car sales beyond the current 20-25% level. It remains uncertain how auto HP players are going to respond to the regulations. We foresee two possible scenarios:

1) A change in the lending practice towards a higher down payment requirement. This would help minimize repossession losses and limit the adverse impact on the asset quality of auto HP loans. But we are unsure about the negative impact of this on car sales. With a higher requirement for the down payment from the current average of 10-15%, this would hit the affordability of car buyers, leading to lower car sales.

2) No change in the lending practice either via increasing the down payment amount or interest rate. This would be a scary option in our view, as we believe the industry would be underestimating the risks from the new settlement rules. And we would foresee a higher possibility of increasing losses and a much lower return from auto HP loans.

The first scenario if it materializes would not dilute the increase in lending appetite for TISCO but the bank's loan growth would inevitably be tamed by slower sales of new cars. Meanwhile, we see the second scenario diluting TISCO's lending appetite as the bank would be focusing on return, not volume. That said, we don't expect either scenario to yield any positives to TISCO's loan volume growth. This answers the question of why we estimate loan growth of only 2% this year and 4-5% in 2023-24F.

Ex 4: TISCO's Loan Growth



Sources: Company data, Thanachart estimates

Downgrading to HOLD

Still a solid bank but it looks fairly priced to us

We see no change to TISCO's solid fundamentals and continue to like its return-focused strategy. Our rating downgrade is premised mainly on valuation. Coming off a high capital income base and with a slow pickup in loan growth, we see TISCO's greater ability to release excess provisions as its only earnings driver this year. We expect slowing EPS growth of 5% in 2022F and 4% on average over 2022-24F. The stock looks fairly priced to us at 11x PE and 1.8x P/BV vs. our ROE estimate of 17% in 2022F.

As a holding company, TISCO has greater flexibility than other banks as only banking profits are subject to the BoT's 50% dividend payout ratio cap. This, together with the bank's limited asset growth and highest capital ratio, leads us to expect TISCO to continue to pay high dividends. The bank is due to pay a final dividend for its 2021 performance in April 2022 and we expect it to announce a minimum DPS of Bt6. This implies a 71% payout ratio and a 6% dividend yield in 2022F. Trading below its average yield band of 7% over the past 10 years, we see the high dividend yield as a share price support, not a driver. With limited potential share price upside to our new DDM-based 12-month TP of Bt106 (from Bt110), using a 2022F base year, we downgrade TISCO to HOLD from Buy.

Ex 5: Earnings Revisions

	2020A	2021A	2022F	2023F	2024F
Net profits (Bt bn)					
- New	6.06	6.78	7.13	7.23	7.58
- Old			6.99	7.24	7.64
- Change (%)			*2.04*	*(0.13)*	*(0.81)*
Total loans (Bt bn)					
- New	224.81	202.95	207.75	216.14	226.58
- Old			224.79	232.05	241.27
- Change (%)			*(7.58)*	*(6.86)*	*(6.09)*
NIM (%)					
- New	4.57	4.80	5.06	4.96	4.90
- Old			4.38	4.31	4.33
- Change (pp)			*0.69*	*0.65*	*0.58*
Non-interest income (Bt m)					
- New	5.81	6.36	6.11	6.48	6.84
- Old			6.19	6.48	6.84
- Change (%)			*(1.19)*	*0.05*	*(0.02)*
Credit costs (%)					
- New	1.48	1.01	0.50	0.50	0.50
- Old			0.70	0.70	0.70
- Change (pp)			*(0.20)*	*(0.20)*	*(0.20)*

Sources: Company data, Thanachart estimates

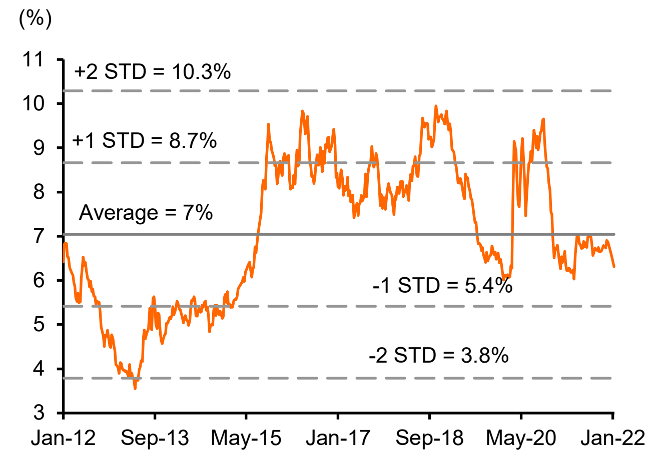
Ex 6: DDM-based 12-month TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
Dividend of common shares	4,897	5,026	5,752	6,585	6,870	7,262	7,843	8,527	9,261	10,061	10,932	10,932
Dividend payment	4,897	5,026	5,752	6,585	6,870	7,262	7,843	8,527	9,261	10,061	10,932	125,852

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.9
WACC (%)	9.9
Cost of equity	9.9
Terminal growth (%)	2.0
Equity Value	85,222
No. of shares (m)	800
Equity value / share (Bt)	**106.00**

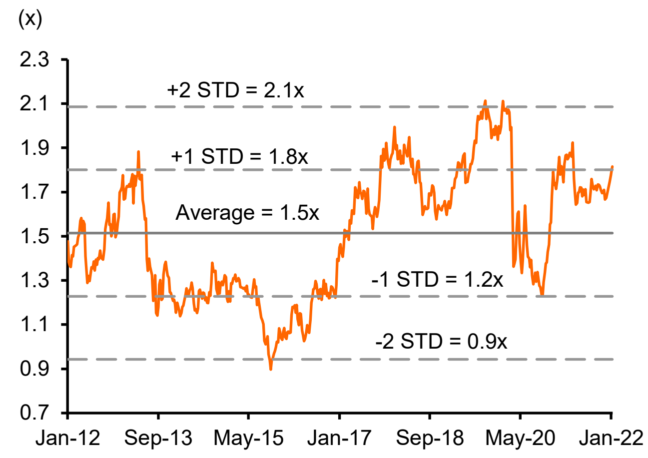
Sources: Company data, Thanachart estimates

Ex 7: Dividend Yield Band



Sources: Company data, Bloomberg Thanachart estimates

Ex 8: STD P/BV



Sources: Company data, Bloomberg Thanachart estimates

Valuation Comparison

Ex 9: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	ROE 21F (%)	ROE 22F (%)	Div. Yield 21F (%)	Div. Yield 22F (%)
BOC Hong Kong Holdings	2388 HK	Hong Kong	(6.6)	14.8	12.4	10.8	1.0	1.0	8.3	9.1	4.2	4.6
Bank of East Asia	23 HK	Hong Kong	64.2	3.9	7.8	7.5	0.3	0.3	4.1	4.3	7.6	5.9
China Citic Bank Corp	998 HK	Hong Kong	9.7	6.4	3.5	3.3	0.3	0.3	10.3	10.3	7.5	8.1
Hang Seng Bank	11 HK	Hong Kong	0.9	10.7	17.7	16.0	1.7	1.6	9.6	10.2	3.8	4.1
Industrial & Commercial Bk	1398 HK	Hong Kong	7.8	5.8	5.1	4.8	0.6	0.5	11.7	11.4	6.0	6.4
Axis Bank	AXSB IN	India	(6.2)	64.7	31.4	19.0	2.3	1.9	6.3	12.5	0.5	2.1
ICICI Bank	ICICIBC IN	India	15.9	1.3	25.9	25.6	na	na	14.1	14.2	0.4	0.6
State Bank of India	SBIN IN	India	(1.5)	52.5	20.8	13.6	1.8	1.7	8.7	13.6	0.6	1.1
Bank Central Asia	BBCA IJ	Indonesia	11.6	17.1	31.6	26.9	4.7	4.3	15.8	16.6	1.5	1.6
Bank Danamon	BDMN IJ	Indonesia	147.0	26.5	9.2	7.3	0.5	0.5	5.2	6.7	1.7	na
Bank Internasional	BNII IJ	Indonesia	na	na	na	na	na	na	na	na	na	na
Bank Mandiri	BMRI IJ	Indonesia	48.8	24.9	13.2	10.6	1.7	1.5	13.1	14.9	4.0	5.3
Bank Pan	PNBN IJ	Indonesia	(4.6)	13.8	6.1	5.4	na	na	6.6	7.3	na	na
Bank Rakyat	BBRI IJ	Indonesia	36.9	36.4	20.7	15.2	2.2	2.1	11.7	14.0	2.5	3.8
Bank Negara	BBNI IJ	Indonesia	202.3	51.0	13.5	9.0	1.1	1.0	8.5	11.7	1.5	2.6
CIMB Group Holdings	CIMB MK	Malaysia	295.3	4.8	11.6	11.0	0.9	0.9	7.8	8.1	3.9	4.3
Hong Leong Bank	HLBK MK	Malaysia	(1.0)	5.6	14.3	13.6	1.4	1.3	10.2	9.9	2.3	2.8
Malayan Banking	MAY MK	Malaysia	18.5	2.8	12.3	12.0	1.1	1.1	9.0	9.1	6.4	6.6
Public Bank	PBKF MK	Malaysia	(77.1)	2.1	na	na	na	na	11.5	11.2	na	na
Industrial Bank of Korea	024110 KS	S Korea	38.8	(0.3)	3.9	3.9	0.3	0.3	8.5	8.0	6.3	6.5
DBS Group Holdings	DBS SP	Singapore	44.3	4.2	13.4	12.9	1.6	1.5	12.4	12.3	3.2	3.8
Oversea-Chinese Banking	OCBC SP	Singapore	38.6	8.1	11.1	10.3	1.1	1.0	9.9	10.2	4.2	4.6
United Overseas Bank	UOB SP	Singapore	40.7	11.2	12.7	11.4	1.2	1.1	9.7	10.4	4.0	4.4
Bank of Ayudhya	BAY TB*	Thailand	3.4	3.5	11.5	11.1	0.9	0.8	7.9	7.6	2.3	2.2
Bangkok Bank	BBL TB*	Thailand	41.4	12.4	10.2	9.1	0.5	0.5	5.3	5.7	2.8	3.1
KASIKORNBANK	KBANK TB*	Thailand	18.7	10.6	9.9	8.9	0.7	0.7	7.7	8.0	2.0	2.2
Kiatnakin Bank	KKP TB*	Thailand	7.1	15.3	10.1	8.8	1.1	1.0	11.4	12.1	3.7	4.2
Krung Thai Bank	KTB TB*	Thailand	34.9	26.0	8.5	6.8	0.5	0.5	6.4	7.6	2.7	3.4
Siam Commercial Bank	SCB TB*	Thailand	13.0	11.8	14.0	12.5	1.0	0.9	7.3	7.7	2.1	2.4
Tisco Financial Group **	TISCO TB*	Thailand	11.8	5.2	11.7	11.1	1.9	1.8	16.8	16.9	6.1	6.3
TMBThanachart Bank	TTB TB*	Thailand	(8.0)	15.5	15.1	13.1	0.7	0.7	4.5	5.0	3.1	3.3
Average			**34.9**	**15.6**	**13.4**	**11.4**	**1.2**	**1.1**	**9.3**	**10.2**	**3.5**	**3.9**

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS, ** TISCO – The figures shown in the table are for 21A and 22F

Based on 17 Jan 2022 closing prices

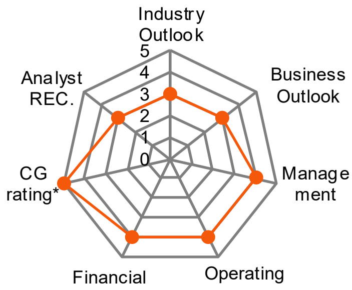
Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

COMPANY DESCRIPTION

TISCO Financial Group Plc (TISCO) was set up by TISCO Group, a well-established Thai financial institution. Under the new shareholding restructure, TISCO has become the parent of TISCO Group. Its subsidiaries comprise TISCO Bank Plc, TISCO Asset Management, TISCO Securities, Hi-Way, TISCO Information Technology and TISCO Tokyo Leasing Co Ltd.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong management execution.
- Low operating cost advantage.
- Agility and flexibility.

W — Weakness

- As a retail-oriented bank, TISCO's business is more geared to the economic cycle than peers.
- Relatively low CASA portion.

O — Opportunity

- Rising penetration of auto cash loans.
- Wealth management.
- M&As in auto HP.

T — Threat

- Global economic recession.
- New accounting standards and regulations.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	106.81	106.00	-1%
Net profit 22F (Bt m)	7,002	7,132	2%
Net profit 23F (Bt m)	7,381	7,229	-2%
Consensus REC	**BUY: 16**	**HOLD: 6**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- We have incorporated TISCO's lower credit costs but our loan growth forecast might be more conservative than the Street's. As a result, our earnings estimate for 2023F is lower.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A reversal of declining interest rates would present the key downside risk to our projected spreads and NIMs.
- Weakening asset quality represents a secondary downside risk to our expectation for a declining provisioning trend.
- Upside to our earnings would be higher loan growth while the bank's higher dividend payment also presents upside to our TP.

Source: Thanachart

In light of its loan contraction over the past few years, NII is unlikely to turn around in 2022F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Interest and Dividend Income	16,757	14,792	14,502	14,998	15,692
Interest Expenses	3,659	2,332	2,128	2,563	2,848
Net Interest Income	**13,098**	**12,460**	**12,374**	**12,434**	**12,844**
% of total income	69.3%	66.2%	66.9%	65.7%	65.3%
Gain on Investment	12	6	8	8	8
Fee Income	5,146	5,609	5,733	6,097	6,452
Gain on Exchange	257	404	100	100	100
Others	59	70	72	74	76
Non-interest Income	**5,808**	**6,362**	**6,112**	**6,479**	**6,836**
% of total income	30.7%	33.8%	33.1%	34.3%	34.7%
Total Income	**18,906**	**18,822**	**18,487**	**18,914**	**19,681**
Operating Expenses	8,012	8,280	8,536	8,799	9,074
Pre-provisioning Profit	**10,894**	**10,542**	**9,951**	**10,114**	**10,607**
Provisions	3,331	2,060	1,039	1,081	1,133
Pre-tax Profit	**7,563**	**8,482**	**8,913**	**9,034**	**9,474**
Income Tax	1,498	1,708	1,783	1,807	1,895
After Tax Profit	6,066	6,775	7,130	7,227	7,579
Equity Income	(2)	7	5	5	5
Minority Interest	(0)	(0)	(3)	(3)	(3)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**6,063**	**6,781**	**7,132**	**7,229**	**7,581**
Normalized Profit	**6,063**	**6,781**	**7,132**	**7,229**	**7,581**
EPS (Bt)	7.6	8.5	8.9	9.0	9.5
Normalized EPS (Bt)	7.6	8.5	8.9	9.0	9.5

We expect marginal loan growth after five years of contraction

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Liquid Items	**39,432**	**31,593**	**27,000**	**28,650**	**28,650**
cash & cash equivalents	1,220	1,103	1,000	1,000	1,000
interbank & money market	38,212	30,489	26,000	27,650	27,650
Securities under resale agreeme	0	0	0	0	0
Investments	10,758	8,852	9,206	9,575	9,958
Net loans	**214,888**	**192,926**	**198,803**	**208,349**	**219,557**
Gross and accrued interest	226,714	204,662	209,500	217,965	228,494
Provisions for doubtful	11,826	11,736	10,697	9,617	8,937
Fixed assets - net	2,951	2,901	2,583	2,251	1,885
Other assets	7,413	7,343	7,417	7,491	7,566
Total assets	**275,443**	**243,616**	**245,009**	**256,316**	**267,615**
LIABILITIES:					
Liquid Items	**210,565**	**174,897**	**175,749**	**184,569**	**193,764**
Deposit	203,473	166,542	169,488	177,308	185,503
Interbank & money market	5,808	8,081	6,000	7,000	8,000
Liability payable on demand	1,285	274	261	261	261
Borrowings	12,826	14,962	13,018	13,043	13,054
Other liabilities	12,590	12,559	12,810	13,067	13,328
Total liabilities	**235,981**	**202,418**	**201,577**	**210,679**	**220,146**
Minority interest	3	3	6	9	12
Shareholders' equity	**39,459**	**41,194**	**43,425**	**45,628**	**47,457**
Preferred capital	-	-	-	-	-
Paid-in capital	8,007	8,007	8,003	8,003	8,003
Share premium	1,018	1,018	1,018	1,018	1,018
Surplus/ Others	1,838	1,828	1,828	1,828	1,828
Retained earnings	28,596	30,341	32,576	34,778	36,608
Liabilities & equity	**275,443**	**243,616**	**245,009**	**256,316**	**267,615**

Sources: Company data, Thanachart estimates

Fairly priced in our view

Lower credit costs act as a key earnings driver

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normlized PE (x)	13.0	11.7	11.1	10.9	10.4
Normalized PE - at target price (x)	14.0	12.5	11.9	11.7	11.2
PE (x)	13.0	11.7	11.1	10.9	10.4
PE - at target price (x)	14.0	12.5	11.9	11.7	11.2
P/PPP (x)	7.3	7.5	7.9	7.8	7.5
P/PPP - at target price (x)	7.8	8.0	8.5	8.4	8.0
P/BV (x)	2.0	1.9	1.8	1.7	1.7
P/BV - at target price (x)	2.1	2.1	2.0	1.9	1.8
Dividend yield (%)	6.4	6.1	6.3	6.4	8.2
Market cap / net loans (x)	0.4	0.4	0.4	0.4	0.4
Market cap / deposit (x)	0.4	0.5	0.5	0.4	0.4
(Bt)					
Normalized EPS	7.6	8.5	8.9	9.0	9.5
EPS	7.6	8.5	8.9	9.0	9.5
DPS	6.3	6.0	6.2	6.3	8.1
PPP/Share	13.6	13.2	12.4	12.6	13.3
BV/Share	49.3	51.5	54.3	57.0	59.3

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate (%)					
Net interest income (NII)	2.4	(4.9)	(0.7)	0.5	3.3
Non-interest income (Non-II)	(12.4)	9.5	(3.9)	6.0	5.5
Operating expenses	(13.6)	3.3	3.1	3.1	3.1
Pre-provisioning profit (PPP)	7.3	(3.2)	(5.6)	1.6	4.9
Net profit	(16.6)	11.8	5.2	1.4	4.9
Normalized profit growth	(16.6)	11.8	5.2	1.4	4.9
EPS	(16.6)	11.8	5.2	1.4	4.9
Normalized EPS	(16.6)	11.8	5.2	1.4	4.9
Dividend payout ratio	83.1	70.8	70.0	70.0	85.0
Loan - gross	(7.4)	(9.7)	2.4	4.0	4.8
Loan - net	(7.9)	(10.2)	3.0	4.8	5.4
Deposit	(5.8)	(18.2)	1.8	4.6	4.6
NPLs	(3.8)	(11.8)	3.0	3.0	3.0
Total assets	(7.6)	(11.6)	0.6	4.6	4.4
Total equity	0.7	4.4	5.4	5.1	4.0
Operating Ratios (%)					
Net interest margin (NIM)	4.6	4.8	5.1	5.0	4.9
Net interest spread	5.7	6.0	6.2	6.1	6.0
Yield on earnings assets	5.8	5.7	5.9	6.0	6.0
Avg cost of fund	1.6	1.1	1.1	1.3	1.4
NII / operating income	69.3	66.2	66.9	65.7	65.3
Non-II / operating income	30.7	33.8	33.1	34.3	34.7
Fee income / operating income	27.2	29.8	31.0	32.2	32.8
Normalized net margin	32.1	36.0	38.6	38.2	38.5
Cost-to-income	42.4	44.0	46.2	46.5	46.1
Credit cost - provision exp / loans	1.5	1.0	0.5	0.5	0.5
PPP / total assets	3.8	4.1	4.1	4.0	4.0
PPP / total equity	27.7	26.1	23.5	22.7	22.8
ROA	2.1	2.6	2.9	2.9	2.9
ROE	15.4	16.8	16.9	16.2	16.3

Sources: Company data, Thanachart estimates

Solid balance sheet quality

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	110.5	121.9	122.6	121.9	122.1
Loan-to-deposit & S-T borrowing	110.5	121.8	122.6	121.9	122.1
Net loan / assets	78.0	79.2	81.1	81.3	82.0
Net loan / equity	544.6	468.3	457.8	456.6	462.6
Investment / assets	3.9	3.6	3.8	3.7	3.7
Deposit / liabilities	86.2	82.3	84.1	84.2	84.3
Liabilities / equity	598.0	491.4	464.2	461.7	463.9
Net interbank lender (Bt m)	32,404	22,409	20,000	20,650	19,650
Tier 1 CAR	17.5	19.5	20.8	21.1	21.2
Tier 2 CAR	4.4	4.6	4.6	4.4	4.2
Total CAR	21.9	24.2	25.4	25.6	25.5
NPLs (Bt m)	5,618	4,957	5,106	5,259	5,417
NPLs / Total loans (NPL Ratio)	2.5	2.4	2.4	2.4	2.4
Loan-Loss-Coverage	210.5	236.7	209.5	182.9	165.0

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 116 Derivative Warrants which are ACE16C2201A, ACE16C2202A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AOT16C2204A, AOT16C2202A, BAM16C2204A, BANP16C2204A, BANP16C2201A, BANP16C2202A, BBL16C2204A, BBL16C2201A, BBL16C2203A, BCH16C2201A, BCH16C2203A, BEC16C2202A, BGRI16C2205A, CBG16C2204A, CBG16C2201A, CBG16C2202A, CHG16C2202A, COM716C2203A, CPAL16C2204A, CPAL16C2203A, CPF16C2205A, CPN16C2202A, CRC16C2204A, DELT16C2202A, DELT16C2203A, DOHO16C2202A, EA16C2205A, EA16C2201A, ESSO16C2202A, GLOB16C2201A, GLOB16C2203A, GPSC16C2205A, GPSC16C2201A, GPSC16C2201B, GPSC16C2203A, GULF16C2202A, GUNK16C2205A, GUNK16C2201A, GUNK16C2203A, HANA16C2204A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IVL16C2202A, JAS16C2202A, JMAR16C2205A, JMAR16C2201A, JMAR16C2202A, JMT16C2205A, JMT16C2201A, JMT16C2203A, KBAN16C2201A, KBAN16C2202A, KCE16C2205A, KCE16C2201A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MINT16C2204A, MINT16C2203A, MTC16C2204A, MTC16C2202A, OR16C2202A, OR16C2203A, PTG16C2201A, PTG16C2202A, PTG16C2203A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2201A, PTT16C2203A, PTTE16C2203A, RBF16C2202A, RS16C2205A, RS16C2201A, S5016P2203B, S5016C2112A, S5016C2112B, S5016C2112C, S5016C2112D, S5016C2203A, S5016P2112A, S5016P2112B, S5016P2112C, S5016P2112D, S5016P2203A, SAWA16C2204A, SAWA16C2202A, SCB16C2201A, SCB16C2202A, SCC16C2204A, SCGP16C2201A, SCGP16C2202A, SPAL16C2202A, SPRC16C2201A, STA16C2203A, STA16C2201A, STEC16C2204A, STEC16C2201A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2202A, TRUE16C2202A, TRUE16C2203A, TU16C2204A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MAJOR, MEGA, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, RBF, RS, SAWAD, SCB, SCC, SCGP, SPALI, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB), SCG Packaging Pcl (SCGP TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Chak Reungsinpinya
Thematic Research, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert
Energy, Petrochemical
Tel: 662-779-9110
yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th