Tisco Financial Group Pcl (TISCO TB) - BUY, Price Bt99, TP Bt110

Results Comment

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Fueled by capital market income

- TISCO reported strong profits of Bt1.8bn in 4Q21, increasing 9% y-y and 15% q-q. 2021 profits were Bt6.8bn, up 12% y-y and accounted for 103% of our full-year forecast.
- Looking into this year, TISCO expects to resume loan growth and look for further spread expansion driven by low cost of funds and higher contribution of high-yield loans. Dragged by loan contractions and high base of non-recurring fees, top line growth is at best flat in our view. We see a drop in provisions after it has been building up huge provision cushion amid falling NPLs as a main earnings driver for 2022.
- Near-term share price support is dividend payment. We forecast final dividend of Bt6 per share, implying yield of 6%.
- Key earnings drivers for 4Q21 were performance fees of asset management business of Bt471m (book one-time in 4Q21) and falling interest expenses. As for 2021, earnings were driven by the performance and funding cost savings mentioned above as well as lower provisions with average credit costs falling from 1.5% in 2020 to 1% in 2021.
- Asset quality has improved markedly after lockdown lifting in 4Q21. This along with TISCO's proactive resolution via various campaigns, NPL came down 19% q-q and 12% from 2020. Despite loan contraction, NPL ratio was down to 2.44% with rising LLR to 237%.
- TISCO's loans in the forbearance program is stable at 8% of total loans of which 4% is from the retail lending.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Interest & dividend income	4,000	3,776	3,754	3,644	3,617
Interest expense	740	666	605	551	510
Net interest income	**3,259**	**3,110**	**3,149**	**3,093**	**3,108**
Non-interest income	1,707	1,978	1,555	1,098	1,731
Total income	4,966	5,088	4,704	4,191	4,838
Operating expense	2,120	2,065	2,080	1,968	2,167
Pre-provisioning profit	**2,846**	**3,024**	**2,624**	**2,223**	**2,671**
Provision for bad&doubtful debt	771	833	555	254	417
Profit before tax	2,076	2,191	2,069	1,969	2,254
Tax	406	440	413	395	460
Profit after tax	1,669	1,751	1,655	1,574	1,795
Equity income	(33)	13	11	(14)	(3)
Minority interests	(0)	(0)	(0)	(0)	(0)
Extra items	-	-	-	-	-
Net profit	**1,636**	**1,764**	**1,666**	**1,560**	**1,791**
Normalized profit	**1,636**	**1,764**	**1,666**	**1,560**	**1,791**
PPP/share (Bt)	3.6	3.8	3.3	2.8	3.3
EPS (Bt)	2.0	2.2	2.1	1.9	2.2
Norm EPS (Bt)	2.0	2.2	2.1	1.9	2.2
BV/share (Bt)	49.3	51.5	47.3	49.2	51.5

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Interest & dividend income	(1)	(10)	95	14,792	15,548
Interest expense	(8)	(31)	77	2,332	3,084
Net interest income	**0**	**(5)**	**99**	**12,460**	**12,464**
Non-interest income	58	1	99	6,362	6,186
Total income	15	(3)	99	18,822	18,650
Operating expense	10	2	101	8,280	8,336
Pre-provisioning profit	**20**	**(6)**	**97**	**10,542**	**10,314**
Provision for bad&doubtful debt	64	(46)	79	2,060	1,573
Profit before tax	15	9	103	8,482	8,740
Tax	16	13	104	1,708	1,748
Profit after tax	14	8	103	6,775	6,992
Equity income	neg	neg		7	-
Minority interests	neg	neg	13	(0)	(3)
Extra items	neg	neg		-	-
Net profit	**15**	**9**	**103**	**6,781**	**6,989**
Normalized profit	**15**	**9**	**103**	**6,781**	**6,989**
				-	
PPP/share (Bt)	20	(6)	97	13	12.9
EPS (Bt)	15	9	103	8	8.7
Norm EPS (Bt)	15	9	103	8	8.7
BV/share (Bt)	5	4	51	51	54.3

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and Interbank	39,432	37,854	33,537	28,130	31,593
Other liquid items	-	-	-	-	-
Total liquid items	39,432	37,854	33,537	28,130	31,593
Gross loans and accrued interest	226,714	222,606	215,822	206,228	204,662
Provisions	11,826	12,268	12,541	11,975	11,736
Net loans	214,888	210,338	203,282	194,253	192,926
Fixed assets	2,951	2,915	2,917	2,985	2,901
Other assets	7,413	8,582	7,595	7,444	7,343
Total assets	**275,443**	**268,705**	**255,888**	**244,635**	**243,616**
Deposits	203,473	198,151	181,050	168,813	166,542
Interbank	5,808	5,137	7,928	7,597	8,081
Other liquid items	1,285	391	245	235	274
Total liquid items	210,565	203,680	189,223	176,646	174,897
Borrowings	12,826	9,877	14,807	14,962	14,962
Other liabilities	12,590	13,927	14,002	13,617	12,559
Minority interest	3	3	3	3	3
Shareholders' equity	**39,459**	**41,217**	**37,853**	**39,407**	**41,194**
Total Liabilities & Equity	**275,443**	**268,705**	**255,888**	**244,635**	**243,616**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Gross loan growth (YTD)	(7.4)	(1.8)	(4.8)	(9.1)	(9.7)
Gross loan growth (q-q)	(0.0)	(1.8)	(3.1)	(4.5)	(0.7)
Deposit growth (YTD)	(5.8)	(2.6)	(11.0)	(17.0)	(18.2)
Deposit growth (q-q)	(0.6)	(2.6)	(8.6)	(6.8)	(1.3)
Non-interest income (y-y)	(12.3)	37.5	27.8	(24.0)	1.4
Non-interest income (q-q)	18.1	15.9	(21.4)	(29.4)	57.6
Fee income / Operating income	27.8	30.3	26.0	26.9	35.4
Cost-to-income	42.7	40.6	44.2	47.0	44.8
Net interest margin	4.73	4.57	4.80	4.94	5.09
Credit cost	1.37	1.51	1.04	0.50	0.82
ROE	16.9	17.5	16.9	16.2	17.8
Loan-to-deposit	110.5	111.4	118.2	121.1	121.9
Loan-to-deposit + S-T borrowing	110.5	111.4	118.2	121.1	121.8
NPLs (Bt m)	5,618	5,532	5,867	6,094	4,957
NPL increase	(299)	(87)	335	227	(1,137)
NPL ratio	2.50	2.51	2.74	2.98	2.44
Loan-loss-coverage ratio	210.5	221.8	213.7	196.5	236.7
CAR - total	22.8	23.1	24.2	24.7	25.2

Sources: Company data, Thanachart estimates

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