Tisco Financial Group Pcl (TISCO TB) - HOLD, Price Bt100, TP Bt106

Results Comment

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Soft profits, in line

- TISCO reported in-line 1Q22 profits of Bt1.8bn, up 2% y-y and flat q-q. Net profits was supported by provision cuts. PPOP declined 24% y-y and 14% q-q on lower contribution of capital market income. We maintain our earnings projection and re-iterate HOLD.
- Led by corporate, loans grew 0.3% q-q. Auto HP loans still contracted dragged mainly by new car. TISCO managed to grow used car and motorcycle HP loans and also auto cash.
- Reported lending yield was rising due to higher portion of high-yield retail loans. The bank still enjoyed lower cost of funds of 2.08% from 2.14% in 4Q21.
- Non-interest income dropped 32% y-y and 23% q-q. This was led mainly by lower investment gains and performance fees of asset mgmt. (AM) biz and IB income. Core non-NII that comprises banking fees, AM fees and brokerage fees also declined 19% y-y but improved 5% q-q. The q-q improvement was coming from brokerage and basic AM fees.
- As most of costs is variable, opex was well managed with cost to income ratio was increasing because of lower income.
- NPL improved nicely with forbearance loans was down from 8% of total loans to 7%. Soft loans for SME stood at Bt3bn (Bt2.9bn in 4Q21) versus Bt4bn of approved credit line.
- TISCO lowered credit costs to 0.17% but with lower NPLs, loan loss coverage ratio stood high at 262%, rising from 237%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Interest & dividend income	3,776	3,754	3,644	3,617	3,556
Interest expense	666	605	551	510	495
Net interest income	**3,110**	**3,149**	**3,093**	**3,108**	**3,061**
Non-interest income	1,978	1,555	1,098	1,738	1,345
Total income	5,088	4,704	4,191	4,845	4,406
Operating expense	2,055	2,080	1,968	2,176	2,099
Pre-provisioning profit	**3,033**	**2,624**	**2,223**	**2,669**	**2,307**
Provision for bad&doubtful debt	843	555	254	412	85
Profit before tax	2,191	2,069	1,969	2,258	2,221
Tax	440	413	395	460	439
Profit after tax	1,751	1,655	1,574	1,798	1,782
Equity income	13	11	(14)	(3)	13
Minority interests	(0)	(0)	(0)	(0)	(0)
Extra items	-	-	-	-	-
Net profit	**1,764**	**1,666**	**1,560**	**1,795**	**1,795**
Normalized profit	**1,764**	**1,666**	**1,560**	**1,795**	**1,795**
PPP/share (Bt)	3.8	3.3	2.8	3.3	2.9
EPS (Bt)	2.2	2.1	1.9	2.2	2.2
Norm EPS (Bt)	2.2	2.1	1.9	2.2	2.2
BV/share (Bt)	51.5	47.3	49.2	51.5	53.7

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	(2)	(6)	25	14,500	14,991
Interest expense	(3)	(26)	23	2,128	2,565
Net interest income	**(1)**	**(2)**	**25**	**12,372**	**12,427**
Non-interest income	(23)	(32)	22	6,112	6,479
Total income	(9)	(13)	24	18,484	18,906
Operating expense	(4)	2	25	8,536	8,799
Pre-provisioning profit	**(14)**	**(24)**	23	**9,949**	**10,107**
Provision for bad&doubtful debt	(79)	(90)	8	1,039	1,081
Profit before tax	(2)	1	25	8,910	9,026
Tax	(4)	(0)	25	1,782	1,805
Profit after tax	(1)	2	25	7,128	7,221
Equity income	neg	2	268	5	5
Minority interests	neg	neg	4	(3)	(3)
Extra items	neg	neg		-	-
Net profit	**0**	**2**	**25**	**7,130**	**7,223**
Normalized profit	**0**	**2**	**25**	**7,130**	**7,223**
PPP/share (Bt)	(14)	(24)	23	12.4	12.6
EPS (Bt)	0	2	25	8.9	9.0
Norm EPS (Bt)	0	2	25	8.9	9.0
BV/share (Bt)	4	4	54	53.0	54.4

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash and Interbank	37,854	33,537	28,130	31,593	33,605
Other liquid items	-	-	-	-	-
Total liquid items	37,854	33,537	28,130	31,593	33,605
Gross loans and accrued interest	222,606	215,822	206,228	204,662	205,211
Provisions	12,268	12,541	11,975	11,740	11,497
Net loans	210,338	203,282	194,253	192,922	193,713
Fixed assets	2,915	2,917	2,985	2,901	2,846
Other assets	8,582	7,595	7,444	7,354	6,973
Total assets	**268,705**	**255,888**	**244,635**	**243,622**	**246,449**
Deposits	198,151	181,050	168,813	166,542	171,435
Interbank	5,137	7,928	7,597	8,081	7,821
Other liquid items	391	245	235	274	220
Total liquid items	203,680	189,223	176,646	174,897	179,476
Borrowings	9,877	14,807	14,962	14,962	11,227
Other liabilities	13,927	14,002	13,617	12,563	12,747
Minority interest	3	3	3	3	3
Shareholders' equity	**41,217**	**37,853**	**39,407**	**41,197**	**42,995**
Total Liabilities & Equity	**268,705**	**255,888**	**244,635**	**243,622**	**246,449**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Gross loan growth (YTD)	(1.8)	(4.8)	(9.1)	(9.7)	0.3
Gross loan growth (q-q)	(1.8)	(3.1)	(4.5)	(0.7)	0.3
Deposit growth (YTD)	(2.6)	(11.0)	(17.0)	(18.2)	2.9
Deposit growth (q-q)	(2.6)	(8.6)	(6.8)	(1.3)	2.9
Non-interest income (y-y)	37.5	27.8	(24.0)	1.8	(32.0)
Non-interest income (q-q)	15.9	(21.4)	(29.4)	58.2	(22.6)
Fee income / Operating income	30.3	26.0	26.9	35.5	29.0
Cost-to-income	40.4	44.2	47.0	44.9	47.6
Net interest margin	4.57	4.80	4.94	5.09	5.00
Credit cost	1.53	1.04	0.50	0.81	0.17
ROE	17.5	16.9	16.2	17.8	17.1
Loan-to-deposit	111.4	118.2	121.1	121.9	118.7
Loan-to-deposit + S-T borrowing	111.4	118.2	121.1	121.8	118.7
NPLs (Bt m)	5,532	5,867	6,094	4,957	4,386
NPL increase	(87)	335	227	(1,137)	(571)
NPL ratio	2.51	2.74	2.98	2.44	2.15
Loan-loss-coverage ratio	221.8	213.7	196.5	236.8	262.1
CAR - total	23.1	24.2	24.7	25.2	24.3

Sources: Company data, Thanachart estimates

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