Tisco Financial Group Pcl (TISCO TB) - HOLD, Price Bt86.25, TP Bt106 | Results Comment

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Decent profits, in line

- TISCO's 2Q22 profits came in Bt1.85bn, up 11% y-y and 3% q-q. 1H22 profits accounted for 51% of our full-year forecast. Given share prices have fallen and there is over 20% upside to our TP, we put our HOLD call under review.
- Loans contracted slightly q-q due to a decline of new car HP loans. Auto cash, corporate and commercial loans were still growing both y-y and YTD.
- With higher portion of high-yield loans, yield improved while the bank was still able to contain cost of fund q-q. So, net spread improved slightly.
- The letdown was on non-interest income. Core non-NII fell 4% y-y and 8% q-q. Key draggers were from the capital market ie brokerage and AM fees which came down 20% y-y and 13% q-q along with weak market sentiment and last year's high base effect.
- Non-core NII bounced q-q on mark-to-market and investment gains.
- TISCO continues to release excess provisions. Provisions fell 75% y-y but up 64% q-q as NPL rose slightly from 2.15% of total loans in 1Q21 to 2.2% in 2Q22.
- Credit costs were 0.28% in the quarter and the bank's LLR stood very high at 253%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Interest & dividend income	3,754	3,644	3,617	3,556	3,616
Interest expense	605	551	510	495	510
Net interest income	**3,149**	**3,093**	**3,108**	**3,061**	**3,107**
Non-interest income	1,555	1,098	1,738	1,345	1,443
Total income	4,704	4,191	4,845	4,406	4,549
Operating expense	2,080	1,968	2,176	2,099	2,125
Pre-provisioning profit	**2,624**	**2,223**	**2,669**	**2,307**	**2,425**
Provision for bad&doubtful debt	555	254	412	85	140
Profit before tax	2,069	1,969	2,258	2,221	2,285
Tax	413	395	460	439	451
Profit after tax	1,655	1,574	1,798	1,782	1,834
Equity income	11	(14)	(3)	13	15
Minority interests	(0)	(0)	(0)	(0)	(0)
Extra items	-	-	-	-	-
Net profit	**1,666**	**1,560**	**1,795**	**1,795**	**1,848**
Normalized profit	**1,666**	**1,560**	**1,795**	**1,795**	**1,848**
PPP/share (Bt)	3.3	2.8	3.3	2.9	3.0
EPS (Bt)	2.1	1.9	2.2	2.2	2.3
Norm EPS (Bt)	2.1	1.9	2.2	2.2	2.3
BV/share (Bt)	47.3	49.2	51.5	53.7	49.0

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	2	(4)	49	14,500	14,991
Interest expense	3	(16)	47	2,128	2,565
Net interest income	**1**	**(1)**	**50**	**12,372**	**12,427**
Non-interest income	7	(7)	46	6,112	6,479
Total income	3	(3)	48	18,484	18,906
Operating expense	1	2	49	8,536	8,799
Pre-provisioning profit	**5**	**(8)**	**48**	**9,949**	**10,107**
Provision for bad&doubtful debt	64	(75)	22	1,039	1,081
Profit before tax	3	10	51	8,910	9,026
Tax	3	9	50	1,782	1,805
Profit after tax	3	11	51	7,128	7,221
Equity income	9	36	561	5	5
Minority interests	neg	neg	7	(3)	(3)
Extra items	neg	neg		-	-
Net profit	**3**	**11**	**51**	**7,130**	**7,223**
Normalized profit	**3**	**11**	**51**	**7,130**	**7,223**
PPP/share (Bt)	5	(8)	48	12.4	12.6
EPS (Bt)	3	11	51	8.9	9.0
Norm EPS (Bt)	3	11	51	8.9	9.0
BV/share (Bt)	(9)	4	49	53.0	54.4

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash and Interbank	33,537	28,130	31,593	33,605	33,575
Other liquid items	-	-	-	-	-
Total liquid items	33,537	28,130	31,593	33,605	33,575
Gross loans and accrued interest	215,822	206,228	204,662	205,211	204,975
Provisions	12,541	11,975	11,740	11,497	11,298
Net loans	203,282	194,253	192,922	193,713	193,677
Fixed assets	2,917	2,985	2,901	2,846	2,859
Other assets	7,595	7,444	7,354	6,973	6,760
Total assets	**255,888**	**244,635**	**243,622**	**246,449**	**244,722**
Deposits	181,050	168,813	166,542	171,435	168,879
Interbank	7,928	7,597	8,081	7,821	6,884
Other liquid items	245	235	274	220	245
Total liquid items	189,223	176,646	174,897	179,476	176,008
Borrowings	14,807	14,962	14,962	11,227	17,127
Other liabilities	14,002	13,617	12,563	12,747	12,337
Minority interest	3	3	3	3	3
Shareholders' equity	**37,853**	**39,407**	**41,197**	**42,995**	**39,247**
Total Liabilities & Equity	**255,888**	**244,635**	**243,622**	**246,449**	**244,722**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Gross loan growth (YTD)	(4.8)	(9.1)	(9.7)	0.3	0.2
Gross loan growth (q-q)	(3.1)	(4.5)	(0.7)	0.3	(0.1)
Deposit growth (YTD)	(11.0)	(17.0)	(18.2)	2.9	1.4
Deposit growth (q-q)	(8.6)	(6.8)	(1.3)	2.9	(1.5)
Non-interest income (y-y)	27.8	(24.0)	1.8	(32.0)	(7.2)
Non-interest income (q-q)	(21.4)	(29.4)	58.2	(22.6)	7.3
Fee income / Operating income	26.0	26.9	35.5	29.0	25.7
Cost-to-income	44.2	47.0	44.9	47.6	46.7
Net interest margin	4.80	4.94	5.09	5.00	5.06
Credit cost	1.04	0.50	0.81	0.17	0.28
ROE	16.9	16.2	17.8	17.1	18.0
Loan-to-deposit	118.2	121.1	121.9	118.7	120.4
Loan-to-deposit + S-T borrowing	118.2	121.1	121.8	118.7	120.4
NPLs (Bt m)	5,867	6,094	4,957	4,386	4,464
NPL increase	335	227	(1,137)	(571)	77
NPL ratio	2.74	2.98	2.44	2.15	2.20
Loan-loss-coverage ratio	213.7	196.5	236.8	262.1	253.1
CAR - total	24.2	24.7	25.2	24.3	25.3

Sources: Company data, Thanachart estimates