

Tisco Financial Group Pcl (TISCO TB) - HOLD, Price Bt102, TP Bt102 | Results Comment

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Reviving volume growth

- TISCO's 4Q22 profits of Bt1.8bn (up 1% y-y and 6% q-q) and 2022's EPS growth of 6% were in-line as higher provision buffer was offset by stronger loans growth of 8% and slower rise of cost of funds.
- 2022's profits were 101% of our forecast but we see upsides to our profits growth this year due to TISCO's more aggressive loans volume growth and lower provisions.
- The bank sets loan growth target of 5-10% in 2023. The focus is to grow high-yield segments especially auto cash with its target to open 200 branches per year over three years. New car HP is looking more attractive after upward interest rate adjustment by 0.4% and booming EV car. While overall new car penetration rate is increasing to 5.2% in 2H22 (from 4.7% in 1H22), TISCO's penetration to EV car is as high as 20%.
- Meanwhile, TISCO expects a turnaround of fee income growth on growing loans volume and low base of capital market fees.
- The biggest challenge for the bank is rising cost of funds due to resumption of FIDF fees and rising interest rate. Without impact of higher FIDF fees, cost of funds already increased 14bps q-q in 4Q22.
- We expect TISCO to overcome rising funding cost headwinds via lower excess provisions and growing high-yield loans. As it has resumed volume growth, we believe our dividend payout assumption is already generous at 85%. We see upsides to our earnings forecast but with limited share price upside at this juncture, we maintain our HOLD rating.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Interest & dividend income	3,617	3,556	3,616	3,755	3,977	Interest & dividend income	6	10	102	14,904	15,663
Interest expense	510	495	510	533	633	Interest expense	19	24	96	2,171	3,532
Net interest income	3,108	3,061	3,107	3,221	3,344	Net interest income	4	8	103	12,734	12,132
Non-interest income	1,738	1,345	1,443	1,244	1,520	Non-interest income	22	(13)	99	5,551	6,326
Total income	4,845	4,406	4,549	4,465	4,865	Total income	9	0	102	18,285	18,458
Operating expense	2,176	2,099	2,125	2,153	2,253	Operating expense	5	4	102	8,630	8,787
Pre-provisioning profit	2,669	2,307	2,425	2,312	2,612	Pre-provisioning profit	13	(2)	102	9,656	9,671
Provision for bad&doubtful debt	412	85	140	119	379	Provision for bad&doubtful debt	219	(8)	137	723	549
Profit before tax	2,258	2,221	2,285	2,193	2,233	Profit before tax	2	(1)	100	8,933	9,122
Tax	460	439	451	433	443	Tax	2	(4)	99	1,766	1,824
Profit after tax	1,798	1,782	1,834	1,761	1,790	Profit after tax	2	(0)	100	7,167	7,298
Equity income	(3)	13	15	13	14	Equity income	12	neg	555	55	10
Minority interests	(0)	(0)	(0)	(0)	(0)	Minority interests	neg	neg	15	(0)	(3)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	1,795	1,795	1,848	1,773	1,804	Net profit	2	1	101	7,222	7,305
Normalized profit	1,795	1,795	1,848	1,773	1,804	Normalized profit	2	1	101	7,222	7,305
PPP/share (Bt)	3.3	2.9	3.0	2.9	3.3	PPP/share (Bt)	13	(2)	102	12	12.1
EPS (Bt)	2.2	2.2	2.3	2.2	2.3	EPS (Bt)	2	1	101	9	9.1
Norm EPS (Bt)	2.2	2.2	2.3	2.2	2.3	Norm EPS (Bt)	2	1	101	9	9.1
BV/share (Bt)	51.5	53.7	49.0	51.2	53.4	BV/share (Bt)	4	4	53	53.5	54.5

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash and Interbank	31,593	33,605	33,575	35,316	41,277	Gross loan growth (YTD)	(9.7)	0.3	0.2	5.0	7.9
Other liquid items	2,081	2,046	2,243	2,110	2,320	Gross loan growth (q-q)	(0.7)	0.3	(0.1)	4.8	2.7
Total liquid items	33,674	35,652	35,818	37,427	43,597	Deposit growth (YTD)	(18.2)	2.9	1.4	9.6	13.0
Gross loans and accrued interest	204,662	205,211	204,975	214,886	220,726	Deposit growth (q-q)	(1.3)	2.9	(1.5)	8.1	3.1
Provisions	11,740	11,497	11,298	11,015	11,845	Non-interest income (y-y)	1.8	(32.0)	(7.2)	13.2	(12.5)
Net loans	192,922	193,713	193,677	203,872	208,881	Non-interest income (q-q)	58.2	(22.6)	7.3	(13.8)	22.2
Fixed assets	2,901	2,846	2,859	2,876	2,793	Fee income / Operating income	35.5	29.0	25.7	28.4	28.1
Other assets	5,273	4,927	4,517	4,692	5,280	Cost-to-income	44.9	47.6	46.7	48.2	46.3
Total assets	243,622	246,449	244,722	255,938	265,414	Net interest margin	5.09	5.00	5.06	5.15	5.13
Deposits	166,542	171,435	168,879	182,540	188,266	Credit cost	0.81	0.17	0.28	0.22	0.69
Interbank	8,081	7,821	6,884	4,458	6,195	ROE	17.8	17.1	18.0	17.7	17.2
Other liquid items	274	220	245	269	257	Loan-to-deposit	121.9	118.7	120.4	116.8	116.3
Total liquid items	174,897	179,476	176,008	187,266	194,718	Loan-to-deposit + S-T borrowing	121.8	118.7	120.4	116.8	116.3
Borrowings	14,962	11,227	17,127	15,137	15,757	NPLs (Bt m)	4,957	4,386	4,464	4,442	4,577
Other liabilities	12,563	12,747	12,337	12,509	12,148	NPL increase	(1,137)	(571)	77	(22)	135
Minority interest	3	3	3	4	3	NPL ratio	2.44	2.15	2.20	2.08	2.09
Shareholders' equity	41,197	42,995	39,247	41,022	42,788	Loan-loss-coverage ratio	236.8	262.1	253.1	248.0	258.8
Total Liabilities & Equity	243,622	246,449	244,722	255,938	265,414	CAR - total	25.2	24.3	25.3	24.4	23.4

Sources: Company data, Thanachart estimates

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