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KEY HIGHLIGHTS

Update

TISCO Financial Group (TISCO TB/BUY/Bt92.00/Target: Bt110.00)
Expect higher 2021 earnings, backed by lower provisions and higher NIM.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,510.13	(9.00)	(0.59)
SET50	949.64	(8.22)	(0.86)
Value (Btm) - SET	64,715		
Top 5 Sector			
BANK	352.37	(8.02)	(2.23)
PETRO	1,043.33	(5.84)	(0.56)
PROP	211.43	(1.26)	(0.59)
ENERG	24,018.07	(127.27)	(0.53)
ICT	138.81	(0.90)	(0.64)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PTT	42.50	(1.73)	82,965.0
TASCO	21.80	6.86	146,886.3
CPF	29.25	2.63	87,581.4
GPSC	83.50	2.45	30,800.3
CBG	131.50	7.35	18,059.0

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
JAK	2.02	39.31	204,387.6
ASIMAR	2.00	29.87	24,977.1
SYMC	5.45	21.65	753.4
JCKH	0.33	17.86	776.4
UKEM	0.91	13.75	99,940.1

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
MAX	0.01	(50.00)	42,839.1
JUTHA	1.20	(17.81)	1,445.7
MPG	0.40	(9.09)	8,510.5
KWG	1.35	(8.78)	1,021.1
DIMET	0.11	(8.33)	11,306.4

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	54.8	4.8	24.8	5.7
Dubai crude*	54.0	6.5	33.4	7.6
Baltic Dry Index	1,754.0	32.4	24.5	28.4
Gold Spot***	1,837.2	(2.3)	(3.5)	(3.2)

*(US\$/bb), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(4.5)	193.0	193.0	(6,206.2)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 30.10

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

COMPANY UPDATE

TISCO Financial Group (TISCO TB)

Expect Higher 2021 Earnings, Backed By Lower Provisions And Higher NIM

Although new COVID-19 infections may soften loan demand and fee income rebound, we believe TISCO's earnings will grow, supported by lower provisions and NIM expansion. We upgrade our projections and now expect net profits to rise 11% yoy in 2021 and 8% yoy in 2022. With its solid BIS ratio, TISCO could maintain high dividend payment and we expect dividend yield at 5.5% for 2021. Maintain BUY. Target price: Bt110.00.

WHAT'S NEW

- Cautious optimism in 2021.** TISCO Financial Group (TISCO) management has a more positive view now and affirms that credit costs will fall to 100-120bp in 2021-22. NIM could remain high in 2021 due to lower funding costs. However, management does not expect loan demand and fee income to see a strong recovery in 2021, given the impact from a new round of COVID-19 pandemic. Management said its core tier capital ratio of 17.6% in 4Q20 was too high compared with a comfortable level of 15% and thus prefer to pay high dividends. Although Tisco Bank, a subsidiary of TISCO, could pay dividends of up to 50% of its net profit in 2020 based on the Bank of Thailand's orders, other subsidiaries could pay dividends at higher payout ratios to TISCO. Therefore, TISCO's dividend payment for 2020 will likely be higher than 50% of its net profit. We assume TISCO pays dividends at 60% of its net profit for 2020-21. In addition, TISCO provides a minimum ROE target at 15%.
- Loans under relief measures reduced to 2% from 20% earlier.** The majority of borrowers under debt relief programmes were able to service their debts after the programmes ended in Oct 20. Loans that have applied for further aid programmes have fallen to only 2% currently from 20% in Oct 20. However, more customers may apply for the aid programmes if the second wave of COVID-19 infections could not be contained. With its high loan loss reserves, we believe TISCO's fundamentals can withstand NPL risks, hence earnings growth should rebound in 2021.
- 4Q20 results in line.** TISCO's 4Q20 net profit was in line with our expectations, at Bt1.6b, down 12% yoy (+1% qoq). The weaker yoy performance was due to higher provisions and lower fees related to the bancassurance business. Loans declined 1.4% qoq, largely on lower auto hire purchase (HP) lending. NIM increased slightly to 4.8% due to good funding cost control. Gross NPLs decreased 5% qoq, largely on lower auto HP NPLs. NPL ratio was lower at 2.5%. Loan loss coverage was higher at 210.5%, the highest among Thailand's banks. Full-year net profit fell 16.6% yoy to Bt6.1b on lower fee income and on higher provisions to strengthen balance sheet.

KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020	2021F	2022F
Net interest income	12,615	12,792	13,098	13,304	13,362
Non-interest income	7,196	6,631	5,808	5,762	6,061
Net profit (rep./act.)	7,016	7,273	6,064	6,740	7,302
Net profit (adj.)	7,016	7,273	6,064	6,740	7,302
EPS (Bt)	8.8	9.1	7.6	8.4	9.1
PE (x)	10.7	10.1	12.1	10.9	10.1
P/B (x)	2.0	1.9	1.9	1.7	1.6
Dividend yield (%)	7.5	8.4	4.9	5.5	6.9
Net int margin (%)	4.2	4.3	4.6	4.8	4.8
Cost/income (%)	44.2	47.7	42.4	42.0	41.6
Loan loss cover (%)	169.8	176.6	210.5	211.0	203.5
Consensus net profit	-	-	-	6,413	7,050
UOBKH/Consensus (x)	-	-	-	1.05	1.04

Source: TISCO, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt92.00
Target Price	Bt110.00
Upside	+19.6%
(Previous TP)	Bt104.00)

COMPANY DESCRIPTION

TISCO is a small bank with roughly 2% of the credit market. The bank's strong focus in on auto HP lending, which accounts for 64% of loan book.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	TISCO TB
Shares issued (m):	800.6
Market cap (Btm):	73,659.4
Market cap (US\$m):	2,445.5
3-mth avg daily t'over (US\$m):	22.5

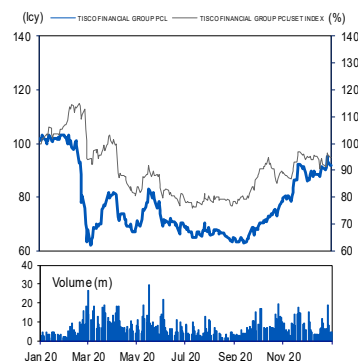
Price Performance (%)

52-week high/low	Bt103.00/Bt62.00			
1mth	3mth	6mth	1yr	YTD
3.4	35.2	30.9	(10.0)	4.2

Major Shareholders

	%
NVDR	13.9
CDIB & Partners Investment Holding	10.0
State Street Bank EU	5.8
FY21 NAV/Share (Bt)	54.95
FY21 CAR Tier-1 (%)	18.54

PRICE CHART



Source: Bloomberg

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NET PROFIT FORECAST

(Btm)	2021F	2022F
Old	6,572	7,089
New	6,740	7,302
% chg	2.6%	3.0%

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- **Upgrade earnings projections.** After the analyst briefing, we raise our net profit projections by 2.6% and 3.0% for 2021-22 respectively to reflect our lower credit cost assumptions by 10-20bp on better-than-expected loan quality in 4Q20 and management guidance. We believe TISCO's earnings are recovering in tandem with economic growth. Net profit is expected to rise 11% for 2021 and 8% yoy for 2022. Growth will largely be due to higher net interest income from higher NIM, lower provisions and a modest rise in fee income in tandem with the economic recovery.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of Bt110.00** (from Bt104.00), pegged at 2.0x 2021F P/B, or +0.5SD to the historical mean in 2016-20. Our target price reflects our earnings upgrade. We like TISCO for its strong balance sheet (high loan loss reserves and solid capital adequacy ratio), moderate earnings rebound in 2021-22 and high dividend payment amid a low interest rate environment.

SHARE PRICE CATALYST

- Improving economic outlook to shore up loan demand.
- Low interest rates environment would lower funding costs and increase NIM.

4Q20 RESULTS

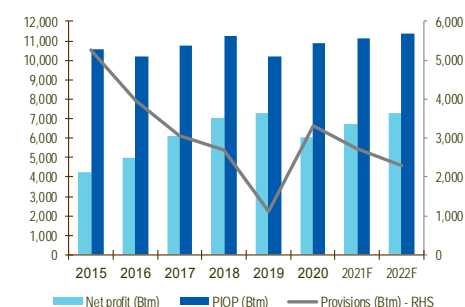
FYE Dec (Btm)	4Q19	3Q20	4Q20	qoq % chg	yoy % chg	Comments
Net interest income	3,472	3,252	3,287	1%	(5%)	Lower yoy due to lower interest income
NIM	4.8%	4.8%	4.8%			
Non-interest income	1,929	1,443	1,675	16%	(13%)	Lower due to weak net fee income
Operating income	5,401	4,696	4,961	6%	(8%)	
Overhead expenses	(2,379)	(2,082)	(2,118)	2%	(11%)	Down on lower staff costs
Cost-Income Ratio	44.0%	44.3%	42.7%			
Pre-impairment profit	3,022	2,614	2,844	9%	(6%)	
Impairment allowance	(694)	(605)	(803)	33%	16%	
Credit cost - annualised (bps)	115	107	143			Higher to strengthen balance sheet
Pretax profit	2,328	2,009	2,041	2%	(12%)	
Net profit	1,867	1,612	1,635	1%	(12%)	
EPS	2.3	2.0	2.0	1%	(12%)	

Other key Data and Ratios

Loan growth yoy	0.9%	(6.6%)	(7.5%)			Lower auto HP and SME loans
Deposit growth yoy	6.6%	1.0%	(5.8%)			
Loan/deposit ratio (%)	112.4%	109.8%	110.5%			
Gross NPL ratio (%)	2.4%	2.6%	2.5%			
Loan loss coverage (%)	176.6%	196.1%	210.5%			Higher due to additional provisions setting aside
Tier-1 CAR (%)	16.4%	17.5%	17.5%			
Total CAR	20.8%	21.8%	21.8%			

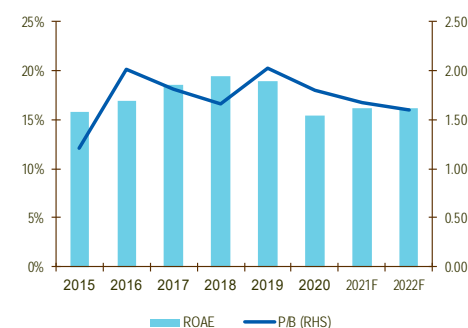
Source: TISCO, UOB Kay Hian

EARNINGS GROWTH



Source: TISCO, UOB Kay Hian

ROAE AND P/B



Source: TISCO, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020	2021F	2022F
Interest income	17,881	16,757	15,923	16,191
Interest expense	(5,089)	(3,659)	(2,619)	(2,829)
Net interest income	12,792	13,098	13,304	13,362
Fees & commissions	3,056	2,522	2,612	2,742
Other income	3,575	3,286	3,150	3,319
Non-interest income	6,631	5,808	5,762	6,061
Income from islamic banking	0	0	0	0
Total income	19,424	18,906	19,066	19,423
Staff costs	(6,410)	(5,288)	(5,341)	(5,448)
Other operating expense	(2,860)	(2,723)	(2,658)	(2,624)
Pre-provision profit	10,153	10,894	11,068	11,351
Loan loss provision	(1,109)	(3,331)	(2,713)	(2,297)
Other provisions	0	0	0	0
Associated companies	12	(2)	50	50
Other non-operating income	0	0	0	0
Pre-tax profit	9,056	7,562	8,404	9,105
Tax	(1,783)	(1,498)	(1,664)	(1,803)
Minorities	0	0	0	0
Net profit	7,273	6,064	6,740	7,302
Net profit (adj.)	7,273	6,064	6,740	7,302

OPERATING RATIOS

Year to 31 Dec (%)	2019	2020	2021F	2022F
Capital Adequacy				
Tier-1 CAR	16.4	17.6	18.5	19.6
Total CAR	20.8	22.0	23.1	24.3
Total assets/equity (x)	7.6	7.0	6.3	6.1
Tangible assets/tangible common equity (x)	7.6	7.0	6.3	6.1
Asset Quality				
NPL ratio	2.4	2.5	2.7	2.9
Loan loss coverage	176.6	210.5	211.0	203.5
Loan loss reserve/gross loans	4.2	5.3	5.7	6.0
Increase in NPLs	(15.1)	(3.8)	10.0	10.0
Credit cost (bp)	45.9	142.4	120.0	100.0
Liquidity				
Loan/deposit ratio	86.9	88.5	89.0	90.0
Liquid assets/short-term liabilities	25.0	23.3	24.4	23.3
Liquid assets/total assets	18.5	17.7	18.1	17.1

BALANCE SHEET

Year to 31 Dec (Btm)	20219	2020	2021F	2022F
Cash with central bank	1,103	1,220	1,107	1,118
Govt treasury bills & securities	8,801	9,356	13,011	13,141
Interbank loans	45,300	38,212	35,987	33,551
Customer loans	233,396	214,888	216,286	220,076
Investment securities	562	597	830	839
Derivative receivables	22	62	62	62
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	3,003	2,951	3,075	3,106
Other assets	6,064	8,156	6,462	7,697
Total assets	298,250	275,443	276,820	279,589
Interbank deposits	4,656	5,808	5,536	5,592
Customer deposits	216,085	203,473	199,475	199,956
Derivative payables	0	0	0	0
Debt equivalents	25,017	12,826	14,017	13,017
Other liabilities	13,296	13,875	13,797	14,819
Total liabilities	259,054	235,981	232,825	233,384
Shareholders' funds	39,193	39,459	43,992	46,201
Minority interest - accumulated	3	3	3	3
Total equity & liabilities	298,250	275,443	276,820	279,589

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021F	2022F
Growth				
Net interest income, yoy chg	1.4	2.4	1.6	0.4
Fees & commissions, yoy chg	(5.6)	(17.5)	3.5	5.0
Pre-provision profit, yoy chg	(8.2)	7.3	1.6	2.6
Net profit, yoy chg	3.7	(16.6)	11.1	8.3
Net profit (adj.), yoy chg	3.7	(16.6)	11.1	8.3
Customer loans, yoy chg	1.6	(7.9)	0.7	1.8
Customer deposits, yoy chg	11.9	(5.8)	(2.0)	0.2
Profitability				
Net interest margin	4.3	4.6	4.8	4.8
Cost/income ratio	47.7	42.4	42.0	41.6
Adjusted ROA	2.4	2.1	2.4	2.6
Reported ROE	18.9	15.4	16.2	16.2
Adjusted ROE	18.9	15.4	16.2	16.2
Valuation				
P/BV (x)	1.9	1.9	1.7	1.6
P/NTA (x)	1.9	1.9	1.7	1.6
Adjusted P/E (x)	10.3	12.1	10.9	10.1
Dividend Yield	8.3	4.9	5.5	6.9
Payout ratio	85.3	60.0	60.0	70.0

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