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KEY HIGHLIGHTS

Update

TISCO Financial Group (TISCO TB/BUY/Bt89.75/Target: Bt121.00)

2Q22 results preview: Expect earnings to be flat yoy. Maintain BUY.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,593.54	(9.49)	(0.59)
SET50	965.91	(4.78)	(0.49)
Value (Btm) - SET	60,902		
Top 5 Sector			
BANK	375.87	3.75	1.01
PETRO	1,104.20	(0.86)	(0.08)
PROP	234.21	(0.26)	(0.11)
ENERG	24,663.90	(263.89)	(1.06)
ICT	184.17	(4.88)	(2.58)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
CPALL	61.50	(1.20)	40,664.8
PTTEP	169.00	(2.59)	13,900.9
PTT	36.00	(1.37)	64,502.9
BBL	136.50	1.49	16,118.7
KBANK	150.00	1.69	13,754.3

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
INSURE	185.50	29.72	3.6
CNT	2.14	29.70	11,705.1
TWP	5.15	29.40	146,801.0
CPL	4.86	22.73	268,540.6
KOOL	0.71	10.94	96,258.0

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PE	0.02	(33.33)	53,880.8
JTS	200.00	(17.36)	820.3
KWI	2.46	(16.33)	7,489.2
NOVA	13.60	(15.00)	5,892.0
AJA	0.33	(10.81)	34,091.0

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	118.5	8.0	26.1	57.3
Dubai crude*	118.4	11.4	14.4	54.8
Baltic Dry Index	2,284.0	(26.0)	(11.8)	3.0
Gold Spot***	1,836.0	0.7	(4.7)	0.4

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

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(69.1)	(410.0)	3,872.4	8,384.1

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 34.82

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

Thai Lending Rate (%)* - MLR = 5.25

COMPANY UPDATE

TISCO Financial Group (TISCO TB)

2Q22 Results Preview: Expect Earnings To Be Flat yoy

We expect TISCO to report a 2Q22 net profit of Bt1.7b (flat yoy, -5% qoq). TISCO's lower provision expenses in 2Q22 should alleviate the negative impact from weak non-II, dragged by sluggish sentiment in capital market businesses. TISCO is one of our top picks given its robust asset quality and high dividend payout, which should perform well amid a volatile market. Maintain BUY. Target price: Bt121.00.

2022 RESULTS PREVIEW

Year to 31 Dec (Btm)	2022F	1Q22	2Q21	qoq chg (%)	yoy chg (%)
Total gross loans	204,176	203,553	213,995	0.3	(4.6)
Net interest income	3,117	3,061	3,149	1.8	(1.0)
Non-interest income	1,230	1,318	1,522	(6.7)	(19.2)
Loan loss provision	(236)	(85)	(555)	176.6	(57.5)
Non-Interest expenses	(2,024)	(2,099)	(2,080)	(3.6)	(2.7)
Pre-provision operating profit	2,363	2,320	2,635	1.8	(10.3)
Net income	1,701	1,795	1,666	(5.3)	2.1
EPS (Bt)	2.12	2.24	2.08	(5.3)	2.1
Ratio (%)					
NPL Ratio	2.4	2.2	2.7		
Net interest margin (NIM %)	5.1	5.0	4.8		
Credit cost (bp)	52	17	102		
Cost to income (%)	46	48	45		
Common equity tier 1 (CET1) ratio (%)	17.5	18.4	18.0		

Source: TISCO, UOB Kay Hian

WHAT'S NEW

- **Expect 2Q22 earnings to be flat yoy.** We expect TISCO Financial Group (TISCO) to report a 2Q22 net profit of Bt1.7b, flat yoy and down 5% qoq. Thanks to TISCO's strong loan-loss reserves, we estimate 2Q22 provision expenses to fall 58% yoy. However, given the sluggish capital market sentiment, we expect TISCO's non-II to decline 19% yoy.
- **5M22 net loans grew 2.9%.** TISCO's net loans increased 2.5% mom in Apr 22 and 0.4% in May 22, bringing 5M22 net loan growth to 2.9%. The company's loan growth has returned to positive territory after two consecutive years (2020-21) of contraction. Although TISCO's 2Q22 loans outstanding is expected to drop 5% yoy from a high base in 2Q21, the company's more lenient lending policy should push its loans to grow 3% for full-year 2022.

KEY FINANCIALS

Year to 31 Dec (Btm)	2020	2021	2022F	2023F	2024F
Net interest income	13,098	12,460	12,533	12,960	13,587
Non-interest income	5,806	6,369	5,680	5,968	6,573
Net profit (rep./act.)	6,063	6,781	7,187	7,681	8,001
Net profit (adj.)	6,063	6,781	7,187	7,681	8,001
EPS (Bt)	7.6	8.5	9.0	9.6	10.0
PE (x)	11.9	10.6	10.0	9.4	9.0
P/B (x)	1.8	1.7	1.7	1.6	1.6
Dividend yield (%)	8.6	7.0	8.0	8.4	9.0
Net int margin (%)	4.6	4.8	5.1	5.1	5.1
Cost/income (%)	42.4	44.0	44.9	43.9	44.3
Loan loss cover (%)	210.5	236.7	197.0	178.0	172.0
Consensus net profit	-	-	7,032	7,314	7,802
UOBKH/Consensus (x)	-	-	1.02	1.05	1.03

Source: TISCO Financial Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt89.75
Target Price	Bt121.00
Upside	+34.8%

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	TISCO TB
Shares issued (m):	800.6
Market cap (Btm):	71,857.9
Market cap (US\$m):	2,064.2
3-mth avg daily t'over (US\$m):	13.8

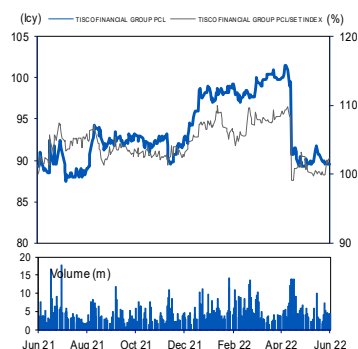
Price Performance (%)

52-week high/low	Bt101.50/Bt87.50				
1mth	3mth	6mth	1yr	YTD	
0.6	(8.2)	(1.9)	(1.4)	(6.5)	

Major Shareholders

NVDR	13.9
CDIB & Partners Investment Holding	10.0
State Street Bank EU	5.8
FY22 NAV/Share (Bt)	53.23
FY22 CAR Tier-1 (%)	19.00

PRICE CHART



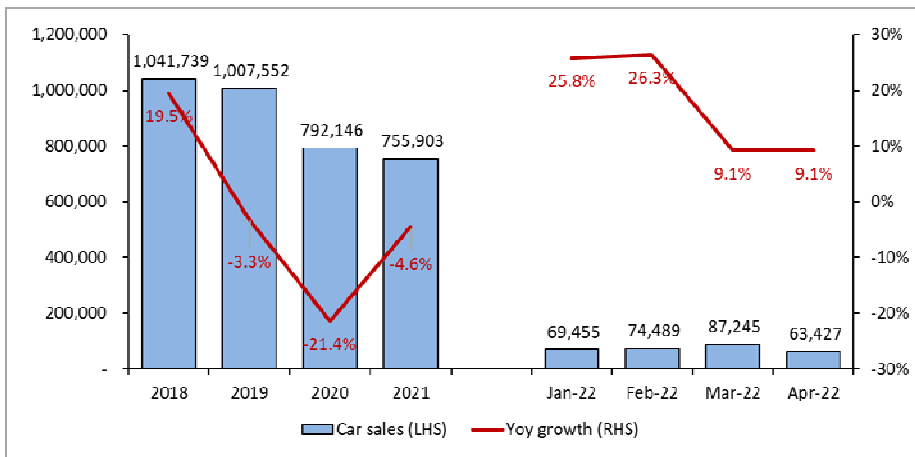
Source: Bloomberg

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- Strong car sales recovery.** One of TISCO's primary businesses is new car hire-purchase (HP). New car HP accounts for almost 50% of its total loan portfolio. Due to the COVID-19 pandemic, Thailand's car sales growth declined for three consecutive years (2019-21). However, car sales have recovered strongly ytd thanks to the resumption of economic activities. Car sales grew 9.1% yoy in Apr 22 and 16.8% yoy in 4M22.
- Outstanding asset quality.** We believe TISCO's NPL ratio will edge up 20bp qoq to 2.4% in 2Q22 due to the negative impact of the inflation crisis. Nevertheless, TISCO's asset quality remains solid as its loan loss coverage (LLC) ratio is outstandingly high at 262% in 1Q22. Also, management guided that they did not relax the loan classification regime. Therefore, TISCO's asset quality should be less prone to the resurgence of NPLs compared with its peers. Given its robust LLC, the bank should be able to cope with the rising NPL trend and maintain its credit cost guidance of 50bp for 2022.

NUMBER OF CAR SALES



Source: Bloomberg, UOBKH

STOCK IMPACT

- 2023-24 dividend yields top 8%.** Given its solid balance sheet (high loan-loss reserves and tier-1 capital), we assume TISCO will maintain a high dividend payout of 83% for 2023-24, the same as in 2022. We thus expect TISCO to pay dividends of Bt7.5 for 2023 and Bt8.1 for 2024, representing dividend yields of 8.4-9.0% in 2023-24 respectively. Compared with banking peers, TISCO provides a much higher dividend yield (the 2023 dividend yield for the banking sector is 3.2%) as its bottom line ~~came from~~ was supported by both bank and non-bank financial businesses, allowing TISCO to pay dividends of more than 50% of its net profit.

EARNINGS REVISION/RISK

- No earnings revision.

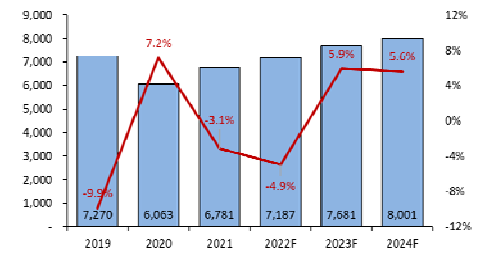
VALUATION/RECOMMENDATION

- Maintain BUY with a target price of Bt121.00.** Our valuation is derived from the Gordon Growth Model (ROE: 17.8%, cost of equity: 9.5%, long-term growth: 2.0%) and implies 2.1x 2022F P/B, or +2SD to its 2017-21 mean.

SHARE PRICE CATALYST

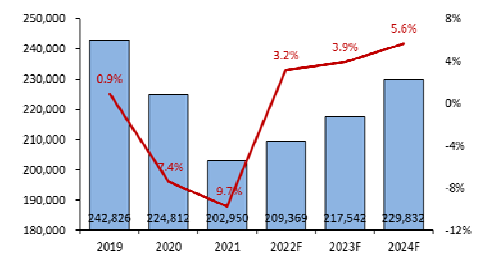
- Better-than-expected 2Q22 results.

EARNINGS GROWTH



Source: TISCO, UOB Kay Hian

LOAN GROWTH



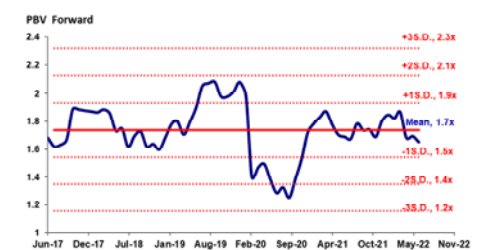
Source: TISCO, UOB Kay Hian

PE BAND



Source: TISCO, UOB Kay Hian

P/B BAND



Source: TISCO, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Interest income	14,792	14,672	15,549	16,748
Interest expense	(2,332)	(2,140)	(2,589)	(3,161)
Net interest income	12,460	12,533	12,960	13,587
Fees & commissions	5,609	5,195	5,476	6,069
Other income	761	486	493	504
Non-interest income	6,369	5,680	5,968	6,573
Total income	18,829	18,213	18,928	20,160
Staff costs	(5,727)	(5,575)	(5,627)	(6,110)
Other operating expense	(2,553)	(2,607)	(2,677)	(2,829)
Pre-provision profit	10,549	10,030	10,624	11,221
Loan loss provision	(2,060)	(1,046)	(1,023)	(1,219)
Pre-tax profit	8,489	8,984	9,601	10,001
Tax	(1,708)	(1,797)	(1,920)	(2,000)
Minorities	0	0	0	0
Net profit	6,781	7,187	7,681	8,001
Net profit (adj.)	6,781	7,187	7,681	8,001

BALANCE SHEET

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Cash with central bank	1,103	1,047	1,088	1,149
Govt treasury bills & securities	8,043	9,422	9,789	10,342
Interbank loans	30,489	32,452	33,719	35,624
Customer loans	192,926	200,004	208,867	221,731
Investment securities	2,081	2,094	2,175	2,298
Derivative receivables	0	0	0	0
Associates & JVs	810	810	810	810
Fixed assets (incl. prop.)	2,928	2,543	2,254	2,018
Other assets	5,235	5,409	5,556	5,777
Total assets	243,616	253,780	264,258	279,750
Interbank deposits	8,081	8,375	8,702	9,193
Customer deposits	166,542	171,682	178,385	188,463
Derivative payables	3	0	0	0
Debt equivalents	14,962	18,077	19,505	22,368
Other liabilities	12,830	13,025	13,369	13,885
Total liabilities	202,418	211,160	219,960	233,909
Shareholders' funds	41,194	42,616	44,294	45,837
Minority interest - accumulated	3	4	4	4
Total equity & liabilities	243,616	253,780	264,258	279,750

OPERATING RATIOS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Capital Adequacy				
Tier-1 CAR	18.6	19.0	19.6	19.8
Total CAR	23.2	23.7	24.4	24.6
Total assets/equity (x)	5.9	6.0	6.0	6.1
Tangible assets/tangible common equity (x)	6.0	6.1	6.1	6.2
Asset Quality				
NPL ratio	2.4	2.7	2.7	2.5
Loan loss coverage	236.7	197.0	178.0	172.0
Loan loss reserve/gross loans	5.8	5.3	4.8	4.3
Increase in NPLs	(11.8)	14.0	3.9	(2.2)
Credit cost (bp)	96.3	50.7	47.9	54.5
Liquidity				
Loan/deposit ratio	115.8	116.5	117.1	117.7
Liquid assets/short-term liabilities	22.7	23.8	23.8	23.8
Liquid assets/total assets	16.3	16.9	16.9	16.8

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Growth				
Net interest income, yoy chg	(4.9)	0.6	3.4	4.8
Fees & commissions, yoy chg	9.0	(7.4)	5.4	10.8
Pre-provision profit, yoy chg	(3.1)	(4.9)	5.9	5.6
Net profit, yoy chg	11.8	6.0	6.9	4.2
Net profit (adj.), yoy chg	11.8	6.0	6.9	4.2
Customer loans, yoy chg	(10.2)	3.7	4.4	6.2
Profitability				
Net interest margin	4.8	5.1	5.1	5.1
Cost/income ratio	44.0	44.9	43.9	44.3
Adjusted ROA	2.6	2.9	3.0	2.9
Reported ROE	16.8	17.2	17.7	17.8
Adjusted ROE	16.8	17.2	17.7	17.8
Valuation				
P/BV (x)	1.7	1.7	1.6	1.6
P/NTA (x)	1.8	1.7	1.7	1.6
Adjusted P/E (x)	10.6	10.0	9.4	9.0
Dividend Yield	7.0	8.0	8.4	9.0
Payout ratio	74.4	80.2	78.2	80.7

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