

TISCO BANK PLC

No. 63/2024
24 April 2024

FINANCIAL INSTITUTIONS

Company Rating: A
Outlook: Stable

Last Review Date: 18/04/23

Company Rating History:

Date	Rating	Outlook/Alert
30/04/13	A	Stable
13/05/11	A	Positive

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RATIONALE

TRIS Rating affirms the company rating on TISCO Bank PLC (TISCOB) at “A”, with a “stable” outlook. The company rating on TISCOB is equivalent to the group credit profile (GCP) of TISCO Group assessed at “a”, given its status as a core subsidiary of the TISCO Group.

KEY RATING CONSIDERATIONS

A core subsidiary contributing highest earnings and dividend payout to TISCO Group

We consider TISCOB as a core subsidiary of the TISCO Group. The bank is a wholly-owned subsidiary of TISCO Financial Group PLC (TISCO), which functions as a non-operating holding company (NOHC) of the TISCO Group. TISCOB serves as a sole banking entity within the group. The TISCO Group is under the consolidated supervision of the Bank of Thailand (BOT).

TISCOB’s assets represent more than 95% of the group’s total assets. The bank has contributed revenue and earnings of around 76% and 67% to the TISCO Group over the past three years. In normal times, TISCOB pays a sizeable dividend with a dividend payout ratio of 70%-90% to TISCO annually. In 2023, TISCOB paid dividend of about THB5.3 billion to TISCO.

Strong market position in auto finance

TISCOB has extensive experience and expertise in providing auto finance solutions, especially for new car hire purchase (HP). Although TISCOB’s new car penetration rate declined moderately to 4.6% in 2023 from 4.9% in 2022, its relationships with automobile dealers remain solid.

TISCOB serves as a captive finance provider of several leading automakers, namely Ford, Mazda, and Great Wall Motor. The bank also provides comprehensive auto insurance services. These include acting as a broker for voluntary auto insurance and providing its own branded premium insurance programs, such as “Ford Insure” and “Mazda Premium Insurance”. The insurance services partly help support growth in bancassurance fee.

Risk management policies aligned with the group

TISCOB’s risk management strategies are aligned with the risk management framework of the TISCO Group. The bank maintains its strong credit standards by avoiding engagement in pricing competition, while enhancing service quality and expanding its network of business alliances to expand its customer base.

TISCOB’s prudent risk management approach has been reflected in its well-managed asset quality over the past three years. TISCOB’s non-performing loan (NPL) ratio stood at 1.9%-2.2% in 2021-2023, the lowest among Thai commercial banks.

Also, TISCOB’s focus on optimizing risk-adjusted returns has translated into its superior profitability compared with its peers. TISCOB achieved a return on average assets (ROAA) of 1.9% in 2023, the highest among Thai commercial banks.

BASE-CASE ASSUMPTIONS

Our base-case assumption is based on our expectation that TISCOB will remain a core subsidiary of the TISCO Group.

RATING OUTLOOK

The “stable” outlook reflects our expectation that TISCOB will maintain its status as the core subsidiary of the TISCO Group and will continue to contribute significant revenues and profit to the group.

RATING SENSITIVITIES

TISCOB’s credit profile could be revised downward if the TISCO Group’s GCP changes or we see any material change in TISCOB’s importance to the TISCO Group.

COMPANY OVERVIEW

TISCOB, formerly named “TISCO Finance PLC”, was established in 1969 and was listed on the Stock Exchange of Thailand (SET) in 1983. In the aftermath of the 1997 financial crisis, TISCO Finance entered into the Tier 1 capital support scheme offered by the Ministry of Finance (MOF) in 1999. As a result, the MOF became a major shareholder with a 42.84% stake in TISCO Finance. The MOF’s shareholding in TISCO Finance was later reduced to 0.05%. In October 2004, TISCO Finance received approval from the MOF to upgrade its status to a commercial bank. TISCO Finance commenced its banking operations on 1 July 2005 and changed its name to “TISCO Bank PLC”.

In accordance with the consolidated supervision regulatory framework of the BOT, in November 2008, the restructuring plan of TISCOB’s holding company was approved by the MOF. TISCO was established in 2008 as a holding company and the parent company of the TISCO Group in place of TISCOB. On 15 January 2009, TISCO was listed on the SET in place of TISCOB as TISCOB was simultaneously delisted from the SET. TISCO later acquired 99.99% shares of TISCOB and its subsidiaries (i.e., TISCO Securities Co., Ltd. (TSC), TISCO Asset Management Co., Ltd. (TISCOASSET), Hi-Way Co., Ltd. (Hi-Way), TISCO Insurance Solution Co., Ltd., and TISCO Information Technology Co., Ltd. (TISCOIT)). The TISCO Group now offers all major types of financial services including banking, HP lending, securities brokerage, and asset management.

In 2016, the TISCO Group entered into an agreement to acquire the retail banking business of Standard Chartered Bank (Thai) PLC (SCBT). The unsecured consumer loans (credit card loans and personal loans) with combined portfolios totaling THB5.2 billion were later sold to Citibank N.A., Bangkok branch.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS¹

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total assets	275,102	250,915	228,615	264,921	285,265
Average assets	263,008	239,765	246,768	275,093	287,982
Interbank and money market items	47,144	39,070	29,062	36,961	44,050
Investments	3,926	4,181	7,650	10,191	7,672
Loans and receivables	229,390	214,665	198,881	224,740	239,272
Loan loss reserves	8,897	10,683	10,666	10,938	10,081
Deposits	210,730	189,834	167,925	204,859	218,433
Borrowings ²	16,272	14,396	16,829	16,714	22,549
Shareholders' equities	36,422	35,934	34,665	32,656	31,303
Average equities	36,178	35,300	33,660	31,979	30,813
Net interest income	12,651	11,404	11,153	11,879	11,761
Net fees and service income	1,483	1,646	1,603	1,794	2,741
Non-interest income ³	1,801	2,106	1,966	2,148	3,185
Total revenue	14,452	13,510	13,119	14,027	14,946
Operating expenses ⁴	8,174	7,639	6,802	6,854	7,809
Pre-provision operating profit (PPOP)	6,278	5,871	6,316	7,173	7,137
Expected credit loss	168	110	1,300	2,437	636
Net income	4,888	4,611	4,002	3,786	5,204

1 Consolidated financial statements

2 Including interbank and money market

3 Net of fee and service expenses

4 Excluding fee and service expenses

Unit: %

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Earnings					
Return on average assets	1.86	1.92	1.62	1.38	1.81
Net interest margins	4.73	4.65	4.42	4.24	4.01
Risk-adjusted net interest margins	4.66	4.60	3.91	3.37	3.79
Net interest income/average assets	4.81	4.76	4.52	4.32	4.08
Non-interest income ⁵ /average assets	0.68	0.88	0.80	0.78	1.11
Net fees and service income/total revenue	10.26	12.18	12.22	12.79	18.34
Cost-to-income	56.56	56.54	51.85	48.86	52.25
Capitalization					
CET-1 ratio ⁶	18.87	19.63	20.16	18.07	17.33
Total capital ratio	22.35	23.37	25.20	22.78	22.06
CET-1/total capital	84.42	84.01	80.00	79.33	78.58
Asset Quality					
Credit costs	0.08	0.05	0.62	1.06	0.27
Non-performing loans/total loans ⁶	1.93	1.80	2.18	2.22	2.22
Loan loss reserves/non-performing loans ⁶	202.08	278.83	247.77	221.14	190.37
Funding & Liquidity					
CASA/total deposit ⁷	15.16	24.08	29.96	26.40	18.69
Loan/total deposits ⁷	108.05	112.30	117.55	108.89	109.03
Deposits ⁸ /total liabilities	88.29	88.30	86.58	88.20	86.01
Liquidity coverage ratio	N.A.	154.6	168.4	138.5	N.A.
Liquid assets/total assets	18.90	17.64	16.54	18.26	18.52
Liquid assets/total deposits ⁸	23.72	22.54	21.50	22.99	23.76

5 Net of fee and service expenses

6 Based on reported NPL, excluding accrued interests and interbank assets

7 Excluding bills of exchange and interbank borrowing

8 Including bills of exchange and interbank borrowing

N.A. Not available

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022

TISCO Bank PLC (TISCOB)

Company Rating:

A

Rating Outlook:

Stable

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