

# TISCO BANK PLC

No. 62/2023  
18 April 2023

## FINANCIAL INSTITUTIONS

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 26/04/22

### 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) and the issue rating on TISCOB's senior unsecured debentures 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 TISCO Group.

## KEY RATING CONSIDERATIONS

### Core subsidiary with largest earnings, dividend contribution

We consider TISCOB a core entity of the TISCO Group. It is a wholly owned subsidiary of TISCO Financial Group PLC (TISCO), a non-operating holding company (NOHC), and a sole banking entity within the group. TISCO Group is under the consolidated supervision of the Bank of Thailand.

TISCOB's assets represent more than 95% of the group's total assets. The bank contributed revenue and earnings of around 74% and 64% to TISCO Group in the past three years. In terms of performance, TISCOB continues to deliver satisfactory performance, in-line with the group's financial targets and strategic objectives. In normal times, TISCOB also pays a sizeable dividend with a dividend payout ratio of 70%-90% to TISCO annually. In 2022, TISCOB paid dividend of about THB3 billion to TISCO.

### Strong market position in auto finance

TISCOB is the fifth largest auto lender among Thai commercial banks. TISCOB's outstanding auto loans, including auto hire purchase (HP) and auto title loans, amounted to THB140 billion at the end of 2022, up 2.3% year-on-year (y-o-y).

TISCOB's strong franchise in auto finance is in the new car HP lending. The bank serves as a captive finance provider of several leading automakers, namely Ford, Mazda, and Great Wall Motor. Its strong business partnerships enable the bank to provide 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 align with the group

TISCOB implements prudent risk management policies which come under TISCO Group's risk management framework. The bank continues to maintain its strong credit quality by refraining from pricing competition, but instead improving the quality of its services and expanding its business partnerships to attract customers. The bank also focuses on secured lending to mitigate credit risk.

TISCOB's prudent risk management policies were evidenced by its resilient asset quality over the past three years. TISCOB's non-performing loan (NPL) formation rate was 0.3% in the past three years, compared with the industry average of around 1.1%, the lowest among Thai commercial banks.

The bank also focuses on risk-adjusted returns, which helps underpin its superior profitability compared to peers. TISCOB's return on average assets (ROAA), at 1.9% in 2022, was the highest among commercial banks.

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**Strong operational integration with the group**

TISCOB collaborates with other companies within the group to provide comprehensive financial services to its individual and corporate customers. For example, for wealth and private banking customers, apart from savings and banking products, TISCOB also offers investments, insurance, and asset management products as well as a wealth advisory service under the “TISCO Wealth” brand. For corporate customers, TISCOB provides credit, hedging, and cash management services, while TISCO Securities may offer investment banking services and TISCO Asset Management can arrange for provident fund management services.

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**BASE-CASE ASSUMPTIONS**

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

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**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.

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**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.

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**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, 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 RATIOS<sup>1</sup>**

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2022	2021	2020	2019	2018
Total assets	250,915	228,615	264,921	285,265	290,698
Average assets	239,765	246,768	275,093	287,982	289,487
Interbank and money market items	39,070	29,062	36,961	44,050	53,089
Investments	4,181	7,650	10,191	7,672	6,994
Loans and receivables	214,665	198,881	224,740	239,272	237,209
Loan loss reserves	10,683	10,666	10,938	10,081	11,052
Deposits	189,834	167,925	204,859	218,433	195,216
Borrowings <sup>2</sup>	14,396	16,829	16,714	22,549	53,590
Shareholders' equities	35,934	34,665	32,656	31,303	30,323
Average equities	35,300	33,660	31,979	30,813	29,624
Net interest income	11,404	11,153	11,879	11,761	11,794
Net fees and service income	1,646	1,603	1,794	2,741	3,126
Non-interest income <sup>3</sup>	2,106	1,966	2,148	3,185	4,129
Total revenue	13,510	13,119	14,027	14,946	15,923
Operating expenses <sup>4</sup>	7,639	6,802	6,854	7,809	7,396
Pre-provision operating profit (PPOP)	5,871	6,316	7,173	7,137	8,527
Expected credit loss	110	1,300	2,437	636	2,390
Net income	4,611	4,002	3,786	5,204	4,910

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 -----				
	2022	2021	2020	2019	2018
<b>Earnings</b>					
Return on average assets	1.92	1.62	1.38	1.81	1.70
Net interest margins	4.65	4.42	4.24	4.01	3.99
Risk-adjusted net interest margins	4.60	3.91	3.37	3.79	3.18
Net interest income/average assets	4.76	4.52	4.32	4.08	4.07
Non-interest income <sup>5</sup> /average assets	0.88	0.80	0.78	1.11	1.43
Net fees and service income/total revenue	12.18	12.22	12.79	18.34	19.63
Cost-to-income	56.54	51.85	48.86	52.25	46.45
<b>Capitalization</b>					
CET-1 ratio <sup>6</sup>	19.63	20.16	18.07	17.33	17.85
Total capital ratio <sup>6</sup>	23.37	25.20	22.78	22.06	22.91
CET-1/Total capital <sup>6</sup>	84.01	80.00	79.33	78.58	77.92
<b>Asset Quality</b>					
Credit costs	0.05	0.62	1.06	0.27	0.99
Non-performing loans/total loans <sup>7</sup>	1.80	2.18	2.22	2.22	2.67
Loan loss reserves/non-performing loans <sup>7</sup>	278.83	247.77	221.14	190.37	175.05
<b>Funding &amp; Liquidity</b>					
CASA/total deposit <sup>8</sup>	24.08	29.96	26.40	18.69	29.39
Loan/total deposits <sup>8</sup>	112.30	117.55	108.89	109.03	121.49
Deposits <sup>8</sup> /total liabilities	88.30	86.58	88.20	86.01	74.97
Liquidity coverage ratio	154.6	168.4	138.5	N.A.	N.A.
Liquid assets/total assets	17.64	16.54	18.26	18.52	21.08
Liquid assets/total deposits <sup>9</sup>	22.54	21.50	22.99	23.76	30.77

5 Net of fee and service expenses

6 Bank-only

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

8 Excluding bills of exchange and interbank borrowing

9 Including bills of exchange and interbank borrowing

**RELATED CRITERIA**

- Bank Rating Methodology, 20 March 2023
- Group Rating Methodology, 7 September 2022

**TISCO Bank PLC (TISCOB)**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
TISCO243A: THB2,800 million senior unsecured debentures due 2024	A
Up to THB100,000 million senior unsecured debentures under Medium-Term Notes Program in 2022	A
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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