

# TISCO BANK PLC

No. 45/2022  
26 April 2022

## FINANCIAL INSTITUTIONS

|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | A      |
| <b>Issue Ratings:</b>  |        |
| Senior unsecured       | A      |
| <b>Outlook:</b>        | Stable |

**Last Review Date:** 21/04/22

### 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 rating on its senior unsecured debentures at “A”, with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “A” to TISCOB’s proposed issue of up to THB100 billion of senior unsecured debentures under the Medium-Term Notes Program (MTN) in 2022.

The ratings on TISCOB are equivalent to the group credit profile (GCP) of TISCO Financial Group PLC (TISCO) at “a” due to the bank’s status as a core entity of the group.

TISCOB’s stand-alone credit profile (SACP) of “a” reflects its strong franchise in auto lending, solid capital position and earnings capacity, and its prudent risk management. These strengths are constrained by TISCOB’s modest banking franchise, and its relatively weak funding profile compared to peers.

TISCOB’s business position is anchored by its established franchise as the fifth largest auto hire purchase (HP) lender (including auto title loans). This is despite its penetration rate declining gradually over recent years owing to its conservative growth strategy. The bank’s penetration rate fell to 4.5% in 2021, compared with its peak in the last five years of 7.2% in 2017.

TISCOB’s capital position remains strong and likely to remain so in the next three years. The bank’s common equity Tier 1 (CET1) ratio has gradually risen over the years to 20.16% at the end of 2021. This owes largely to the combination of a narrower asset base due to steady loan contraction and the accumulation of retained earnings driven by healthy profitability.

We expect TISCOB to maintain its strong earnings capacity over the next three years. TISCOB’s return on average asset (ROAA) in 2021 was 1.62%, up from 1.38% in 2020. The improvement was backed by wider net interest margin (NIM) and lower provisions for expected credit loss (credit cost). The figure remained well above the Thai commercial banks average of 0.81% during the same period. Over the next three years, TISCOB’s ROAA is likely to improve to 1.7%, buoyed by its ability to sustain healthy profitability and well managed asset quality.

TISCOB has maintained strong asset quality throughout the Coronavirus Disease 2019 (COVID-19) pandemic, thanks to its prudent risk management and cautious growth strategy. This is reflected in its relatively low non-performing loan (NPL) and loans under relief programs together with high loan loss reserves. TISCOB’s NPL ratio (excluding interbank assets) fell to 2.18% at the end of 2021 from 2.22% at the end of 2020, compared with the industry average of 3.7% for the same period. Its NPL coverage ratio also hit a record high of 247.8% at the end of 2021, the highest among Thai commercial banks. TISCOB’s asset quality should remain relatively stable in 2022 given its selective credit expansion strategy and modest exposure in vulnerable segments such as small and medium enterprises (SMEs) (4.2% of total loans).

TISCOB’s funding profile continues to be assessed as “below average” compared to that of major Thai commercial banks, despite TISCOB’s deposit mix improving over the past few years. At the end of 2021, the proportion of retail deposits was at a record high of 71% of total deposits, a significant increase from 59% at the end of 2020. Its funding profile remains constrained by reliance

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on high-cost fixed deposits from high-net-worth individuals, similar to other small-size banks. This is reflected in its deposit cost of 1.05% in 2021, which is significantly higher than the industry average of 0.67%.

We expect TISCOB to maintain its adequate liquidity profile over the next few years. At the end of 2021, the bank's liquid asset to total deposits ratio was at 22.5%, sufficient and above our cautionary threshold of 20%. The liquidity coverage ratio (LCR) stood at the average of 168.4% during the fourth quarter of 2021, above the regulatory requirement, albeit weaker than the average for Thai banks of 189.2% reported by the Bank of Thailand (BOT).

## RATING OUTLOOK

The "stable" outlook reflects our expectation that TISCOB will maintain its earnings capability and strong franchise in auto lending, well-managed asset quality, and strong capital.

## RATING SENSITIVITIES

A rating upgrade will depend on TISCOB's ability to at least maintain its franchise relative to the industry and further diversify revenue structure. Moreover, asset quality and capital position should remain strong, while funding profile gradually improves. A downgrade scenario would emerge if there were material weakness in TISCOB's asset quality, capital, and profitability.

## RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Banks Rating Methodology, 3 March 2020

## 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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