Tisco Financial Group (TISCO TB)

2Q26: Results In Line; Improving Credit Costs QOQ

HOLD (Maintained)	
Share Price	Bt126.00
Target Price	Bt120.00
Upside	-4.8%
Previous TP	Bt110.00

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Highlights

- TISCO reported a net profit of Bt1.76b in 2Q26, up 7% yoy and 2% qoq.
- Management said the bank prefers a sustainable dividend payout ratio.
- Maintain HOLD with a higher target price of Bt120.00 (previously: Bt110.00).

2Q26 Results

Year to 31 Dec (Btm)	2Q26	1Q26	2Q25	qoq chg (%)	yoy chg (%)
Total gross loans	235,803	235,094	235,512	0.3	0.1
Net interest income	3,524	3,443	3,328	2.3	5.9
Non-interest income	1,305	1,380	1,442	(5.4)	(9.5)
Loan loss provision	(551)	(775)	(559)	(28.9)	(1.4)
Non-Interest Expenses	(2,342)	(2,227)	(2,190)	5.1	6.9
Pre-provision operating profit	2,740	2,936	2,604	(6.7)	5.2
Net income	1,764	1,734	1,644	1.7	7.3
EPS (Bt)	2.20	2.17	2.05	1.7	7.3
Ratio (%)					
NPL Ratio	2.12	2.11	2.41		
Loan loss coverage ratio (%)	190	191	155		
Net interest margin (NIM %)	5.0	5.0	4.8		
Credit cost (bp)	94	132	96		
Cost to income (%)	48	46	46		

Source: TISCO Financial Group, UOB Kay Hian

Analysis

- **2Q26 results in line.** TISCO Financial Group (TISCO) posted a 2Q26 net profit of Bt1.76b (+7% yoy, +2% qoq), in line with our and market expectations. Pre-provision operating profit rose 5% yoy but fell 7% qoq in 2Q26. 1H26 net profit accounted for 50% of our 2026 earnings forecasts.
- **Neutral tone at analyst meeting.** Management guided that the bank maintains a prudent credit policy due to the volatile situation. The bank expects a brighter economic outlook. The current coverage ratio is adequate to buffer against uncertainties.
- **Loan portfolio flat yoy and qoq.** TISCO's loan portfolio was flat qoq, but retail and SME loans expanded qoq. New car hire purchase (HP) grew 1.5% qoq and motorcycle HP rose 4.9% qoq. The increase in HP was in line with the previous guidance. Moreover, TISCO guided that loan growth should continue in these two segments.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net interest income	13,569.9	13,502.3	14,248.4	15,538.9	16,135.3
Non-Interest Income	5,656.6	6,153.1	6,049.1	5,735.1	6,039.7
Net profit (rep./act.)	6,893.3	6,658.9	7,048.1	7,338.0	7,481.2
Net profit (adj.)	6,893.3	6,658.9	7,048.1	7,338.0	7,481.2
EPS (Bt)	8.6	8.3	8.8	9.2	9.3
PE (x)	14.6	15.2	14.3	13.8	13.5
P/B (x)	2.3	2.3	2.3	2.2	2.2
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
Net int margin (%)	4.8	4.8	5.0	5.4	5.4
Cost/income Ratio (%)	48.1	45.9	46.1	47.3	47.0
Loan loss cover (%)	155.3	172.1	185.0	183.0	180.0
Consensus net profit	n.a	n.a	6,903.7	7,163.8	7,471.5
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: Tisco Financial Group, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Financials
Bloomberg ticker:	TISCO TB
Shares issued (m):	800.6
Market cap (Btm):	100,894.7
Market cap (US$m):	3,012.5
3-mth avg daily t'over (US$m):	15.0

Price Performance (%)

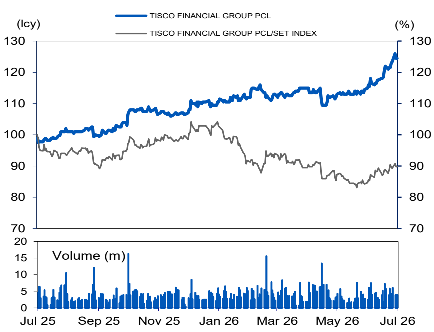
52-week high/low				Bt126.50/Bt97.25
1mth	3mth	6mth	1yr	YTD
10.0	9.6	15.1	28.2	14.0

Major Shareholders	%
Thai NVDR	11.96
CDIB & Partners Investment Holding	10.00
Tokyo Century Corporation	4.93

Balance Sheet Metrics

FY26 NAV/Share (Bt)	55.4
FY26 Net Debt/Share (Bt)	n.a

Price Chart



Source: Bloomberg

Company Description

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

- **EV's loan portfolio remains healthy.** Management said that new bookings in the electric vehicle (EV) segment reached 50%. EVs contribute almost 20% of total auto loans. TISCO is not concerned about EV default risk.
- **NIM increased qoq.** Loan yield decreased from 7.43% in 1Q26 to 7.34% in 2Q26. Meanwhile, funding costs declined qoq to 1.58% in 2Q26 (vs 1.78% in 1Q26). TISCO's NIM increased from 4.95% in 1Q26 to 4.98% in 2Q26. The bank said interest income will face a challenge if the loan portfolio does not grow. Management foresees the effect of rate repricing but expects it to gradually fade away in 2H26. Moreover, TISCO expects funding costs to bottom out in 3Q26 and sees a chance of a rate hike in 2027.
- **Credit costs declined qoq.** TISCO recorded a significant decline of 29% qoq in provision expenses, translating to a credit cost of 94bp in 2Q26 (vs 132bp in 1Q26). NPL ratio stabilised qoq at 2.1% in 2Q26. The loan loss coverage (LLC) ratio dropped from 191% in 1Q26 to 190% in 2Q26.
- **Adequate provisioning.** In 1Q26, TISCO disclosed that the provision has been partly included the cushion to against the risks from the Middle East conflict and the potential surge in energy prices. Therefore, we saw a reduction in credit costs qoq due to the cautious lending policy and well-controlled asset quality in 2Q26.
- **No plan to increase dividend payout ratios soon.** Management said it prefers a sustainable dividend payout ratio (DPR) level. The bank does not want to reduce the DPR after increasing it. Therefore, we infer that TISCO will maintain its dividend payout ratio for the time being and is unlikely to increase it in the near term.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of Bt120.00 (previously Bt110.00)** using the Gordon Growth Model (cost of equity: 11.5%, long-term growth: 2%). This implies 2.2x 2026F P/B, which is +3SD to its historical five-year P/B mean.
- Although we reckon there is a structural change in valuation for the banking sector, we still believe TISCO's share price valuation is quite expensive due to a small increase in dividend payout over the past few years.

Earnings Revision/Risk

- We revise TISCO's 2026-28 earnings forecasts upward by 3.7%, 2.3%, and 0.4% respectively, to reflect the decent 2Q26 earnings and improving credit cost and asset quality outlook.

Share Price Catalyst

- Government stimuli to strengthen domestic spending.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: AAA

Environmental

- Financing to support Green Economy Transition.
- Optimal utilisation of energy and natural resources.
- Environmental sustainability initiatives.

Social

- Develop and improve service channels to increase financial access.
- Promote a safe and positive working environment for all employees.

Governance

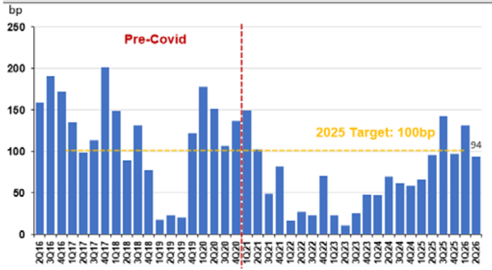
- Ensure equitable and quality service for customers.
- Adhere to high standards of corporate governance, integrity and transparency.
- Manage risks with prudence and precautionary principles.

2026 Financial Targets

	2026 Targets	2025 Actual	2024 Actual
Loan growth (yoy)	0-5%	1.5%	-1.1%
NPL ratio	N/A	2.28%	2.35%
NIM	N/A	4.82%	4.85%
LLC ratio	>170%	172%	155%
Credit cost (bp)	110bp	100bp	60bp

Source: TISCO, UOB Kay Hian

Credit Cost (bp)



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)	2025	2026F	2027F	2028F
Interest income	18,311	17,867	19,065	20,186
Interest expense	(4,808)	(3,619)	(3,526)	(4,050)
Net interest income/(expense)	13,502	14,248	15,539	16,135
Fees & Commissions	5,000	5,126	4,894	5,177
Net Trading Income	666	411	404	425
Other Income	487	512	437	437
Non-Interest Income	6,153	6,049	5,735	6,040
Total Income	19,655	20,298	21,274	22,175
Staff Costs	(6,092)	(6,366)	(6,824)	(7,089)
Other Operating Expense	(2,921)	(2,999)	(3,237)	(3,322)
Pre-Provision Profit	10,642	10,932	11,214	11,764
Loan Loss Provision	(2,340)	(2,166)	(2,086)	(2,459)
Pre-tax profit	8,302	8,766	9,127	9,305
Tax	(1,642)	(1,718)	(1,789)	(1,824)
Minorities	0	0	0	0
Net profit	6,659	7,048	7,338	7,481
Net profit (adj.)	6,659	7,048	7,338	7,481

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Cash With Central Bank	826	1,197	1,239	1,279
Govt Treasury Bills & Securities	7,310	5,984	6,197	6,397
Interbank Loans	40,360	39,732	41,150	42,478
Customer Loans	228,567	231,992	240,391	248,245
Investment Securities	3,176	3,112	3,223	3,327
Derivative Receivables	91	0	0	0
Associates & JVs	876	853	853	853
Properties & Other Fixed Assets	4,314	3,981	3,699	3,469
Goodwill & Intangible Assets	1,002	917	917	917
Other Assets	4,179	4,019	4,138	4,250
Total assets	290,702	291,787	301,807	311,214
Interbank Deposits	12,111	11,968	12,395	12,795
Customer Deposits	211,323	214,220	221,863	229,023
Bills Payable	223	393	393	393
Derivative Payables	0	0	0	0
Subordinated Debts	10,539	7,460	8,233	8,889
Other Liabilities	13,129	13,384	13,743	14,079
Total liabilities	247,325	247,425	256,626	265,178
Shareholders' funds	43,374	44,358	45,177	46,032
Minority interest	3	3	4	4
Total Equity & Liabilities	290,702	291,786	301,807	311,214

Operating Ratios

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	18	19	19	19
Total CAR	20	21	21	21
Total Assets/Equity	7	7	7	7
Tangible Assets/Tangible Common Equity	7	7	7	7
Asset Quality				
NPL Ratio	2	2	2	2
Loan Loss Coverage	172	185	183	180
Loan Loss Reserve/Gross Loans	4	4	4	4
Increase in NPLs	(2)	(6)	3	3
Credit Cost (bp)	100	91	86	98
Liquidity				
Loan/Deposit Ratio	108	108	108	108
Liquid Assets/Short-Term Liabilities	22	21	21	21
Liquid Assets/Total Assets	17	16	16	16

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	0	6	9	4
Fees & Commissions, yoy Chg	1	3	(5)	6
Pre-Provision Profit, yoy Chg	7	3	3	5
Net Profit, yoy Chg	(3)	6	4	2
Customer Loans, yoy Chg	1	2	4	3
Profitability				
Net Interest Margin	5	5	5	5
Cost/Income Ratio	46	46	47	47
Adjusted ROA	2	2	2	2
Reported ROE	15	16	16	17
Adjusted ROE	15	16	16	17
Valuation				
P/BV	2	2	2	2
P/NTA	2	2	2	2
Adjusted P/E	15	14	14	13
Dividend Yield	6	6	7	7