



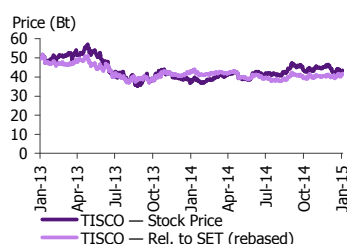
BUY

Stock Data

Last close (Jan 12) (Bt)	45.50
12-m target price (Bt)	55.00
Upside (Downside) to TP (%)	20.88
Mkt cap (Btbn)	36.43
Mkt cap (US\$mn)	1,108

Bloomberg code	TISCO TB
Reuters code	TISCO.BK
Risk rating	M
Mkt cap (%) SET	0.26
Sector % SET	17.90
Shares issued (mn)	801
Par value (Bt)	10
12-m high / low (Bt)	47.5 / 36.3
Avg. daily 6m (US\$mn)	1.37
Foreign limit / actual (%)	49 / 48
Free float (%)	74.3
Dividend policy (%)	50

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	6.4	7.1	14.5
Relative to SET	5.3	7.8	(4.0)

Source: SET, SCBS Investment Research

4Q14: Profit meets estimates on lower provisions

4Q14 in line at Bt1.23bn, growth of +53% YoY, +13% QoQ, mainly off lower provisions of -23% QoQ, with credit cost lower than expected at 1.34%. Top lines continued weak with negative loan growth (-10% YoY, -4% QoQ), narrowed NIM (-27 bps QoQ) and stagnant non-NII. Note that loan growth and NIM appear worse than expected, but this simply reflects distortion caused by a change in the accounting treatment of TISCO Tokyo Leasing from consolidation to equity. NPLs rose slightly QoQ (+4%), bringing its LLR coverage down to 103% from 106% at 3Q14.

Lower provisions, key earnings driver for 2015. Earnings will be driven by lower credit cost (provisions/total loans) in 2015 as provisions get back to normal with the normalization of the used car market and used car loans. Market prices for used cars stabilized in 2014 after plunging 30-40% in 2012-2013. We note that nearly all used car NPLs came from loans extended in 2012 and 1H13, which means that borrowers have reached the "point of no return", with more than half the loans paid off. TISCO expects a material fall in credit cost in 2015 to below 1.5%, but does not yet anticipate this to return to the normal level of 1.2%. We expect its credit cost to ease from 1.68% in 2014 to 1.4% in 2015F then to 1.3% in 2016F and return to normal at 1.2% in 2016.

Gradual loan growth recovery. TISCO has set its initial 2015 loan growth target in the mid single digit range, in line with our forecast of 5%. In view of the country's high household debt and high repayments of loans extended in 2012-2013, auto loan growth is expected to be modest in 2015.

Valuation over-penalized. We maintain Buy on TISCO. It is trading at a deep discount at 7.8x PER, which we see as a market over-reaction to the stumble in the auto hire-purchase business, which is ready to get back on its feet after a poor 2014.

Forecasts and valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Pre-provision profit	(Btmn)	8,390	8,676	8,582	9,133	9,948
Net profit	(Btmn)	4,249	4,250	4,719	5,187	5,869
PPP/Sh	(Bt)	10.48	10.84	10.72	11.41	12.42
EPS	(Bt)	5.31	5.31	5.89	6.48	7.33
BVPS	(Bt)	28.71	32.14	36.35	40.76	45.89
DPS	(Bt)	2.00	2.00	2.06	2.20	2.31
PER	(x)	8.57	8.57	7.72	7.02	6.21
P/PPP	(x)	4.34	4.20	4.24	3.99	3.66
EPS growth	(%)	4.26	0.02	11.05	9.92	13.14
PBV	(x)	1.58	1.42	1.25	1.12	0.99
ROE	(%)	20.63	17.45	17.21	16.80	16.92
Dividend yields	(%)	4.40	4.40	4.53	4.84	5.07

Source: SCBS Investment Research

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Figure 1: Quarterly results

P & L (Bt mn)	4Q13	1Q14	2Q14	3Q14	4Q14	%YoY ch	%QoQ ch	2013	2014	% YoY ch
Interest income	5,095	4,998	4,858	4,757	4,278	(16)	(10)	19,272	18,891	(2)
Interest expense	2,776	2,692	2,435	2,255	1,969	(29)	(13)	10,304	9,351	(9)
Net interest income	2,319	2,306	2,423	2,502	2,309	(0)	(8)	8,968	9,540	6
Non-interest income	1,398	1,369	1,414	1,494	1,480	6	(1)	5,933	5,757	(3)
Operating expenses	1,102	1,310	1,363	1,461	1,471	33	1	5,340	5,605	5
Pre-provision profit	2,615	2,365	2,474	2,535	2,318	(11)	(9)	9,561	9,692	1
Less Provision	1,613	1,170	1,225	1,149	883	(45)	(23)	4,141	4,426	7
Pre-tax profit	1,001	1,195	1,249	1,386	1,435	43	4	5,420	5,265	(3)
Income tax	184	238	246	277	282	53	2	1,064	1,043	(2)
MI and equity	(13)	(22)	(11)	(20)	81	736	501	(107)	27	126
Net profit	804	935	992	1,089	1,234	53	13	4,249	4,250	0
EPS (Bt)	1.00	1.17	1.24	1.36	1.54	53	13	5.31	5.31	0
B/S (Bt mn)	4Q13	1Q14	2Q14	3Q14	4Q14	%YoY ch	%QoQ ch	2013	2014	%YoY ch
Gross loans	292,151	284,655	280,276	274,779	262,784	(10)	(4)	292,151	262,784	(10)
Deposits	264,641	227,611	226,736	207,075	205,384	(22)	(1)	264,641	205,384	(22)
BVPS (Bt)	28.71	29.91	29.27	30.76	32.14	12	4	28.71	32.14	12
Ratios (%)	4Q13	1Q14	2Q14	3Q14	4Q14	%YoY ch*	%QoQ ch*	2013	2014	YoY ch*
Yield on earn. asset	5.88	5.82	5.91	5.91	5.62	(0.26)	(0.30)	5.99	5.62	(0.37)
Cost of funds	3.51	3.45	3.28	3.12	3.08	(0.43)	(0.04)	3.51	3.08	(0.43)
Net interest margin	2.68	2.68	2.95	3.11	2.84	0.16	(0.27)	2.79	2.84	0.05
Cost to income	29.7	35.6	35.5	36.6	38.8	9.16	2.25	35.84	36.64	0.80
NPLs/total loans	1.70	1.89	2.27	2.35	2.57	0.87	0.21	1.70	2.57	0.87
LLR/NPLs	128.0	120.7	105.3	105.8	103.0	(25.04)	(2.80)	128.0	103.0	(25.04)

Source: SCBS Investment Research

Note: * Percentage points

Figure 2: Valuation summary (Closing price as of Jan 12, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F
BAY	Sell	55.50	33.0	(39.3)	28.4	24.7	20.6	(19)	15	20	2.8	2.6	2.4	10	11	12	1.4	1.2	1.5
BBL	Buy	188.00	250.0	36.8	10.0	9.9	9.2	9	1	7	1.2	1.1	1.0	13	12	11	3.5	3.8	4.1
KBANK	Buy	227.00	270.0	20.7	13.1	11.7	10.7	17	13	9	2.5	2.1	1.8	20	19	18	1.5	1.8	2.0
KKP	Buy	39.75	46.0	20.0	7.5	11.6	9.1	29	(35)	28	1.0	0.9	0.9	13	8	10	6.8	4.3	5.5
KTB	Buy	22.40	27.0	24.4	9.2	9.7	8.6	45	(5)	13	1.5	1.4	1.3	17	15	15	3.9	3.9	4.4
LHBANK	Sell	1.94	1.3	(31.0)	27.6	20.3	18.1	23	36	12	1.6	1.6	1.5	6	8	8	3.0	2.0	2.2
TCAP	Buy	32.25	44.0	40.1	4.5	8.1	7.3	68	(45)	11	0.9	0.8	0.7	20	10	11	5.0	3.7	3.4
TISCO	Buy	45.50	55.0	25.3	8.6	8.6	7.7	4	0	11	1.6	1.4	1.3	21	17	17	4.4	4.4	4.5
TMB	Sell	3.00	3.0	2.0	22.8	14.7	13.6	354	55	9	2.1	1.9	1.7	10	14	13	1.3	2.0	2.2
Average					14.4	13.1	11.6	22	4	10	1.8	1.6	1.4	15	13	14	3.4	3.1	3.4

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Interest & dividend income	19,272	18,891	18,410	19,707	21,753
Interest expense	10,304	9,351	9,065	10,159	11,619
Net interest income	8,968	9,540	9,345	9,549	10,134
Non-interest income	5,933	5,757	6,111	6,850	7,710
Non-interest expenses	5,340	5,605	5,736	6,017	6,485
Earnings before tax & provision	9,561	9,692	9,721	10,382	11,359
Tax	1,064	1,043	1,172	1,287	1,456
Equities & minority interest	107	(27)	(33)	(38)	(45)
Core pre-provision profit	8,390	8,676	8,582	9,133	9,948
Provision	4,141	4,426	3,863	3,946	4,079
Core net profit	4,249	4,250	4,719	5,187	5,869
Extra item	0	0	0	0	0
Net profit	4,249	4,250	4,719	5,187	5,869
EPS (Bt)	5.31	5.31	5.89	6.48	7.33
DPS (Bt)	2.00	2.00	2.06	2.20	2.31

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Cash	1,131	1,180	1,248	1,273	1,380
Interbank assets	53,242	38,058	37,297	36,551	35,820
Investments	11,490	15,003	15,003	15,003	15,003
Gross loans	292,151	262,784	275,923	303,515	339,937
Accrued interest receivable	536	556	556	556	556
Loan loss reserve	6,354	6,950	8,313	9,759	11,339
Net loans	286,332	256,390	268,166	294,313	329,154
Total assets	359,263	317,657	328,820	354,329	388,636
Deposits	264,641	205,384	212,203	233,104	262,126
Interbank liabilities	16,703	10,897	10,897	10,897	10,897
Borrowings	44,084	65,406	65,406	65,406	65,406
Total liabilities	336,044	291,833	299,626	321,600	351,801
Minority interest	231	93	93	93	93
Paid-up capital	8,007	8,007	8,007	8,007	8,007
Total Equities	22,987	25,731	29,100	32,636	36,742
BVPS (Bt)	28.71	32.14	36.35	40.76	45.89

Key Assumptions and Financial Ratios

	2013	2014	2015F	2016F	2017F
Growth					
YoY loan growth	17.65	(10.05)	5.00	10.00	12.00
YoY fee & insurance income growth	25.70	(4.13)	8.12	12.39	12.85
Profitability					
Yield on earn'g assets (%)	5.99	5.62	5.72	5.77	5.83
Cost on int-bear'g liab (%)	3.51	3.08	3.18	3.40	3.59
Spread (%)	2.48	2.54	2.54	2.37	2.25
Net interest margin(%)	2.79	2.84	2.90	2.79	2.72
ROE (%)	20.63	17.45	17.21	16.80	16.92
Asset Quality					
NPLs/Total Loans(%)	1.76	2.57	2.69	2.57	2.41
LLR/NPLs(%)	128.01	102.97	111.96	125.17	138.52
Provision expense/Total loans (%)	1.42	1.68	1.40	1.30	1.20
Liquidity					
Loans/Deposits & borrowings (%)	94.63	97.04	99.39	101.68	103.79
Efficiency					
Cost to income ratio (%)	35.84	36.64	37.11	36.69	36.34
Capital Fund					
Capital adequacy ratio(%)	13.38	14.20	14.76	14.72	14.51
Tier-1(%)	9.15	9.78	10.52	10.82	10.99
Tier-2(%)	4.22	4.42	4.25	3.90	3.52

12-Month Cumulative directors trade

NA

Profit and Loss Statement (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Interest & dividend income	5,095	4,998	4,858	4,757	4,278
Interest expense	2,776	2,692	2,435	2,255	1,969
Net interest income	2,319	2,306	2,423	2,502	2,309
Non-interest income	1,398	1,369	1,414	1,494	1,480
Non-interest expenses	1,102	1,310	1,363	1,461	1,471
Earnings before tax & provision	2,615	2,365	2,474	2,535	2,318
Tax	184	238	246	277	282
Equities & minority interest	13	22	11	20	(81)
Core pre-provision profit	2,418	2,105	2,217	2,238	2,117
Provision	1,613	1,170	1,225	1,149	883
Core net profit	804	935	992	1,089	1,234
Extra item	0	0	0	0	0
Net profit	804	935	992	1,089	1,234
EPS (Bt)	1.00	1.17	1.24	1.36	1.54

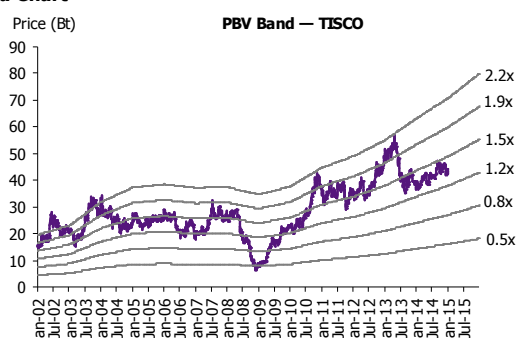
Balance Sheet (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Cash	1,131	1,087	1,094	1,012	1,180
Interbank assets	53,242	29,554	29,445	29,440	38,058
Investments	11,490	16,354	17,605	11,972	15,003
Gross loans	292,151	284,655	280,276	274,779	262,784
Accrued interest receivable	536	407	424	425	556
Loan loss reserve	6,354	6,477	6,702	6,843	6,950
Net loans	286,332	278,586	273,998	268,360	256,390
Total assets	359,263	332,807	329,483	317,658	317,657
Deposits	264,641	227,611	226,736	207,075	205,384
Interbank liabilities	16,703	16,419	19,367	18,117	10,897
Borrowings	44,084	54,626	49,452	57,759	65,406
Total liabilities	336,044	308,606	305,776	292,740	291,833
Minority interest	231	255	269	290	93
Paid-up capital	8,007	8,007	8,007	8,007	8,007
Total Equities	22,987	23,946	23,438	24,628	25,731
BVPS (Bt)	28.71	29.91	29.27	30.76	32.14

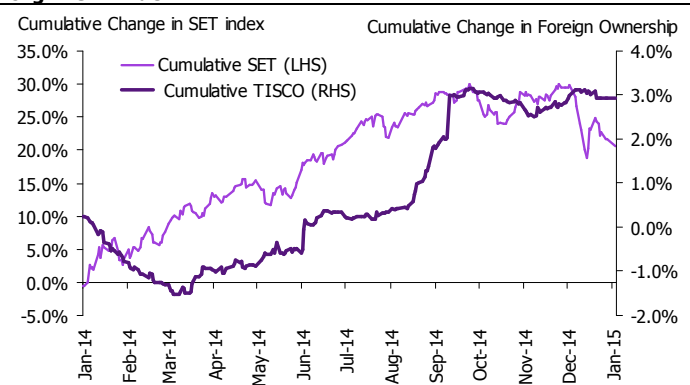
Financial Ratios

	4Q13	1Q14	2Q14	3Q14	4Q14
YoY loan growth	17.65	6.70	(0.10)	(3.54)	(10.05)
YoY fee & insurance income growth	(3.92)	(21.47)	3.04	4.20	2.99
Yield on earn'g assets (%)	5.88	5.82	5.91	5.91	5.62
Cost on int-bear'g liab (%)	3.51	3.45	3.28	3.12	3.08
Net interest margin(%)	2.68	2.68	2.95	3.11	2.84
Cost to income ratio (%)	29.66	35.65	35.52	36.57	38.82
NPLs/Total Loans(%)	1.70	1.89	2.27	2.35	2.57
LLR/NPLs(%)	128.01	120.70	105.29	105.77	102.97
Provision expense/Total loans (%)	2.21	1.64	1.75	1.67	1.34

PBV Band Chart



12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research

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