

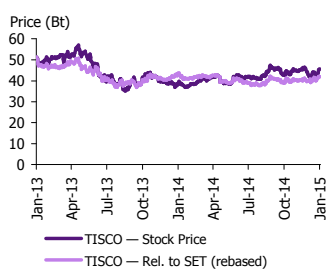
BUY

Stock Data

Last close (Jan 14) (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)	1,111

Bloomberg code	TISCO TB
Reuters code	TISCO.BK
Risk rating	M
Mkt cap (%) SET	0.26
Sector % SET	18.17
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	9.0	4.0	18.2
Relative to SET	5.8	5.7	(0.9)

Source: SET, SCBS Investment Research

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Profit recovering, loans even rising modestly

2015 is expected to show good earnings recovery to growth of 15% (from 0% in 2014) despite only modest loan growth. Supplying the growth will be: 1) easing provisions as asset quality stabilizes, 2) NIM improvement continuing from 2H14 and 3) recovery in fee income from loan-related fees. We keep TISCO as our top buy as it has the most attractive valuation (7x PER and 1.2x PBV relative to 18% ROE). This reflects the market's over-penalization for the slump in the auto hire-purchase business, which is getting back to normal after a poor 2014.

Reconfirms reducing provisions. Management says provisions will step down in 2015, gradually returning to normal in tandem with the return to normal for the used car market – stabilized now after prices plunged 30% in 2012-2013 – and used car loans. The number of repossessed cars has been declining, allowing provisions to do likewise. Nearly all used car NPLs came from loans extended in 2012 and 1H13; borrowers have thus reached the “point of no return”, with more than half the loans paid off. Credit cost slimmed from 1.7% in 3Q14 to 1.36% in 4Q14, better than we had anticipated. We conservatively expect its credit cost to ease from 1.68% in 2014 to 1.4% in 2015F and 1.3% in 2016 and return to a normal 1.2% in 2017F.

Good NIM sustainable. We expect the good NIM of 3.12% in 2H14 (well above 1H14's 2.74%) to be sustained in 2015 as the Hire-Purchase Association continues to push hire-purchase operators to raise auto loan interest rates. Though they agreed to raise the flat rate by 25 bps from YE2013, to date it has been raised by only 5bps due to high competition, particularly by captive operators. If TISCO is able sustain NIM at 3.12% (the same as 2H14) throughout 2015, this will translate to a 29 bps NIM expansion in 2015F. We conservatively forecast a 23 bps improvement in its NIM to 3.07% in 2015F.

Sights are low for loan growth. TISCO has set its initial 2015 loan growth target at a low single digit. In view of the country's high household debt and high repayments of loans extended in 2012-2013, TISCO expects retail loans (71% of total loans), mainly auto loans, to be little changed in 2015F. Its loan growth will be driven by corporate and SME loans, which TISCO hopes to be able to grow at a double digit rate. We cut our 2015F loan growth from 5% to 3%, assuming zero growth for retail loans and 10% growth for corporate and SME loans. We expect its loan growth to gain momentum to 7% in 2016F and return to double digits at 10% in 2017F.

Upward revision of 2015F. We raised 2015F earnings by 4% to fine tune our forecast after obtaining the 1Q14-3Q14 financial statement adjusted for the change in the treatment of TISCO Tokyo Leasing from consolidation to equity.

Attractive valuation. We maintain Buy on TISCO. It is trading at a deep discount of 7x PER and 1.2x PBV relative to 18% ROE, reflecting an over-penalization for the slump in the auto hire-purchase business, which is getting back to normal after a poor 2014.

Forecasts and valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Pre-provision profit	(Btmn)	8,390	8,676	8,693	8,933	9,461
Net profit	(Btmn)	4,249	4,250	4,904	5,168	5,638
PPP/Sh	(Bt)	10.48	10.84	10.86	11.16	11.82
EPS	(Bt)	5.31	5.31	6.13	6.45	7.04
BVPS	(Bt)	28.71	32.14	36.58	40.89	45.74
DPS	(Bt)	2.00	2.00	2.14	2.19	2.22
PER	(x)	8.57	8.57	7.43	7.05	6.46
P/PPP	(x)	4.34	4.20	4.19	4.08	3.85
EPS growth	(%)	4.26	0.02	15.40	5.38	9.10
PBV	(x)	1.58	1.42	1.24	1.11	0.99
ROE	(%)	20.63	17.45	17.83	16.66	16.26
Dividend yields	(%)	4.40	4.40	4.71	4.82	4.87

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	18,332	19,352	20,903
Interest expense	10,304	9,351	8,541	9,273	10,274
Net interest income	8,968	9,540	9,791	10,079	10,628
Non-interest income	5,933	5,757	5,920	6,278	6,791
Non-interest expenses	5,340	5,605	5,833	6,181	6,605
Earnings before tax & provision	9,561	9,692	9,879	10,177	10,814
Tax	1,064	1,043	1,218	1,282	1,398
Equities & minority interest	107	(27)	(33)	(38)	(45)
Core pre-provision profit	8,390	8,676	8,693	8,933	9,461
Provision	4,141	4,426	3,789	3,765	3,823
Core net profit	4,249	4,250	4,904	5,168	5,638
Extra item	0	0	0	0	0
Net profit	4,249	4,250	4,904	5,168	5,638
EPS (Bt)	5.31	5.31	6.13	6.45	7.04
DPS (Bt)	2.00	2.00	2.14	2.19	2.22

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Cash	1,131	1,180	1,091	1,201	1,304
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	270,667	289,614	318,575
Accrued interest receivable	536	556	556	556	556
Loan loss reserve	6,354	6,950	8,240	9,505	10,829
Net loans	286,332	256,390	262,984	280,666	308,303
Total assets	359,263	317,657	323,480	340,610	367,710
Deposits	264,641	205,384	206,678	219,285	241,323
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	294,101	307,781	330,998
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	29,286	32,737	36,619
BVPS (Bt)	28.71	32.14	36.58	40.89	45.74

Key Assumptions and Financial Ratios

	2013	2014	2015F	2016F	2017F
Growth					
YoY loan growth	17.65	(10.05)	3.00	7.00	10.00
YoY fee & insurance income growth	25.70	(4.13)	4.68	5.94	8.34
Profitability					
Yield on earn'g assets (%)	5.99	5.62	5.74	5.83	5.88
Cost on int-bear'g liab (%)	3.51	3.08	3.03	3.21	3.35
Spread (%)	2.48	2.54	2.71	2.62	2.53
Net interest margin(%)	2.79	2.84	3.07	3.04	2.99
ROE (%)	20.63	17.45	17.83	16.66	16.26
Asset Quality					
NPLs/Total Loans(%)	1.76	2.57	2.74	2.69	2.57
LLR/NPLs(%)	128.01	102.97	110.97	121.91	132.28
Provision expense/Total loans (%)	1.42	1.68	1.40	1.30	1.20
Liquidity					
Loans/Deposits & borrowings (%)	94.63	97.04	99.48	101.73	103.86
Efficiency					
Cost to income ratio (%)	35.84	36.64	37.12	37.79	37.92
Capital Fund					
Capital adequacy ratio(%)	13.38	14.20	15.07	15.41	15.39
Tier-1(%)	9.15	9.78	10.75	11.33	11.65
Tier-2(%)	4.22	4.42	4.32	4.08	3.74

Profit and Loss Statement (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Interest & dividend income	5,095	4,917	4,773	4,670	4,530
Interest expense	2,776	2,652	2,396	2,214	2,089
Net interest income	2,319	2,265	2,377	2,456	2,441
Non-interest income	1,398	1,359	1,413	1,485	1,501
Non-interest expenses	1,102	1,287	1,355	1,440	1,524
Earnings before tax & provision	2,615	2,338	2,435	2,501	2,418
Tax	184	231	239	277	297
Equities & minority interest	13	(4)	(16)	(2)	(5)
Core pre-provision profit	2,418	2,111	2,212	2,227	2,127
Provision	1,613	1,176	1,220	1,138	892
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

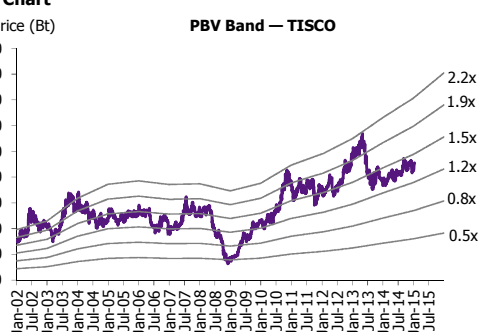
Balance Sheet (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Cash	1,131	1,087	1,094	1,012	1,180
Interbank assets	53,242	29,521	29,404	29,405	38,058
Investments	11,490	16,527	17,792	12,167	15,003
Gross loans	292,151	278,932	274,355	267,576	262,784
Accrued interest receivable	536	407	424	425	556
Loan loss reserve	6,354	6,459	6,674	6,809	6,950
Net loans	286,332	272,880	268,105	261,191	256,390
Total assets	359,263	326,987	323,612	310,505	317,657
Deposits	264,641	227,613	226,737	207,075	205,384
Interbank liabilities	16,703	11,885	14,883	12,332	10,897
Borrowings	44,084	53,626	48,452	56,759	65,406
Total liabilities	336,044	302,966	300,164	285,791	291,833
Minority interest	231	76	74	86	93
Paid-up capital	8,007	8,007	8,007	8,007	8,007
Total Equities	22,987	23,945	23,374	24,628	25,731
BVPS (Bt)	28.71	29.91	29.19	30.76	32.14

Financial Ratios

	4Q13	1Q14	2Q14	3Q14	4Q14
YoY loan growth	17.65	4.55	(2.21)	(6.07)	(10.05)
YoY fee & insurance income growth	(3.92)	(21.47)	3.47	4.20	2.55
Yield on earn'g assets (%)	5.88	5.77	5.91	5.92	5.80
Cost on int-bear'g liab (%)	3.51	3.43	3.29	3.13	3.00
Net interest margin(%)	2.68	2.66	2.94	3.12	3.12
Cost to income ratio (%)	29.66	35.50	35.75	36.53	38.66
NPLs/Total Loans(%)	1.70	1.92	2.32	2.42	2.57
LLR/NPLs(%)	128.01	120.37	104.84	105.24	102.97
Provision expense/Total loans (%)	2.21	1.69	1.78	1.70	1.36

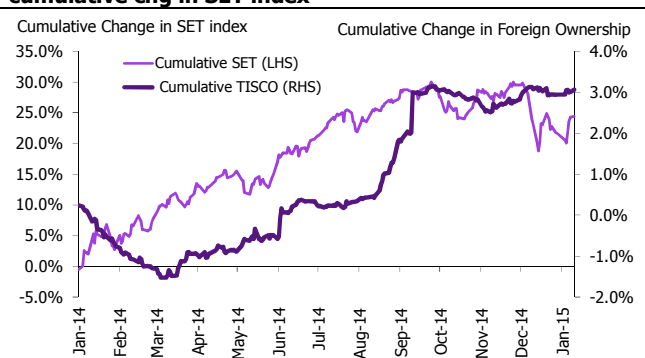
PBV Band Chart



12-Month Cumulative directors trade

NA

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



Source: SET, SCBS Investment Research

Figure 1: Valuation summary (Closing price as of Jan 14, 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	61.25	33.0	(45.0)	31.4	27.3	22.8	(19)	15	20	3.1	2.9	2.6	10	11	12	1.3	1.1	1.3
BBL	Buy	186.50	250.0	37.9	9.9	9.8	9.1	9	1	7	1.2	1.1	1.0	13	12	11	3.5	3.8	4.1
KBANK	Buy	224.00	270.0	22.3	13.0	11.5	10.6	17	13	9	2.4	2.1	1.8	20	19	18	1.6	1.8	2.0
KKP	Buy	40.75	46.0	17.1	7.7	11.9	9.4	29	(35)	28	1.0	0.9	0.9	13	8	10	6.6	4.2	5.3
KTB	Buy	22.20	27.0	25.6	9.1	9.6	8.5	45	(5)	13	1.5	1.4	1.2	17	15	15	4.0	3.9	4.5
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	32.50	44.0	39.0	4.5	8.2	7.4	68	(45)	11	0.9	0.8	0.7	20	10	11	4.9	3.6	3.4
TISCO	Buy	45.50	55.0	25.3	8.6	8.6	7.4	4	0	15	1.6	1.4	1.2	21	17	18	4.4	4.4	4.7
TMB	Sell	2.96	3.0	3.4	22.5	14.5	13.4	354	55	9	2.1	1.9	1.7	10	14	13	1.4	2.1	2.2
Average					14.6	13.3	11.7	22	4	10	1.8	1.6	1.5	15	13	14	3.4	3.0	3.4

Source: SCBS Investment Research

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