

## BUY

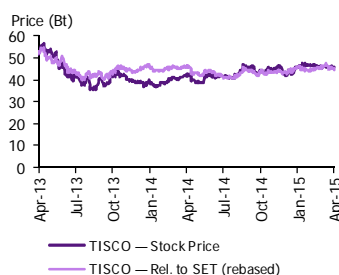
## 1Q15: Much as expected

## Stock Data

Last close (Apr 17) (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)	1,126

Bloomberg code	TISCO TB
Reuters code	TISCO.BK
Risk rating	M
Mkt cap (%) SET	0.25
Sector % SET	16.76
Shares issued (mn)	801
Par value (Bt)	10
12-m high / low (Bt)	48.3 / 37.8
Avg. daily 6m (US\$mn)	1.65
Foreign limit / actual (%)	49 / 49
Free float (%)	74.3
Dividend policy (%)	50

## Price Performance



Source: SET, SCBS Investment Research

## Share performance

	1M	3M	12M
Absolute	0.6	(1.6)	6.4
Relative to SET	(1.7)	(3.6)	(4.3)

Source: SET, SCBS Investment Research

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**In line with estimates**, 1Q15 net profit rose 28% YoY but dipped 3% QoQ to Bt1.19bn. Loan growth again contracted (-6% QoQ), with auto loans continuing to be a drag. NIM was essentially stable QoQ. Non-NII continued gaining momentum with growth of 13% YoY and 3% QoQ, mainly driven by asset management fees. NPL by amount was stable QoQ. The QoQ hike in provisions was done to rebuild LLR coverage.

## Figure 1: Quarterly results

P & L (Bt mn)	1Q14	2Q14	3Q14	4Q14	1Q15	%YoY ch	%QoQ ch
Interest income	4,917	4,773	4,670	4,530	4,374	(11)	(3)
Interest expense	2,652	2,396	2,214	2,089	1,974	(26)	(5)
Net interest income	2,265	2,377	2,456	2,441	2,400	6	(2)
Non-interest income	1,359	1,413	1,485	1,501	1,542	13	3
Operating expenses	1,287	1,355	1,440	1,524	1,501	17	(2)
Pre-provision profit	2,338	2,435	2,501	2,418	2,441	4	1
Less Provision	1,176	1,220	1,138	892	972	(17)	9
Pre-tax profit	1,162	1,215	1,363	1,526	1,469	27	(4)
Income tax	231	239	277	297	292	26	(2)
MI and equity	4	16	2	5	15	268	169
Net profit	935	992	1,089	1,234	1,192	28	(3)
EPS (Bt)	1.17	1.24	1.36	1.54	1.49	28	(3)
B/S (Bt mn)	1Q14	2Q14	3Q14	4Q14	1Q15	%YoY ch	%QoQ ch
Gross loans	278,932	274,355	267,576	262,784	254,437	(9)	(3)
Deposits	227,613	226,737	207,075	205,384	200,149	(12)	(3)
BVPS (Bt)	29.91	29.19	30.76	32.14	33.59	12	5
Ratios (%)	1Q14	2Q14	3Q14	4Q14	1Q15	%YoY ch*	%QoQ ch*
Yield on earn. asset	5.77	5.91	5.92	5.80	5.68	(0.09)	(0.12)
Cost of funds	3.43	3.29	3.13	3.00	2.89	(0.54)	(0.10)
Net interest margin	2.66	2.94	3.12	3.12	3.12	0.46	(0.01)
Cost to income	35.5	35.8	36.5	38.7	38.1	2.57	(0.58)
NPLs/total loans	1.92	2.32	2.42	2.57	2.65	0.73	0.08
LLR/NPLs	120.4	104.8	105.2	103.0	105.2	(15.13)	2.28

Source: SCBS Investment Research

Note: \* Percentage points

**Lower provisions, key earnings driver for 2015.** Underwriting profit growth in 2015 will be lower credit cost (provisions/total loans) as provisions return 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 paid off more than half their loans. TISCO expects a material fall in credit cost in 2015 to below 1.5%, still below its normal 1.2%. We expect its credit cost to ease from 1.68% in 2014 to 1.45% in 2015F then to 1.3% in 2016F and return to normal at 1.2% in 2016.

**Cut 2015F loan growth** to 1% from 3% to fine tune with 1Q15 results.

**Valuation over-penalized.** We maintain Buy on TISCO. It is trading at a deep discount to valuation at 7.8x PER. We see this as market overreaction to the poor auto hire-purchase business, ignoring the fact that this arena is ready to come back to life.

## Forecasts and valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Pre-provision profit	(Btmn)	8,390	8,676	8,545	8,709	9,094
Net profit	(Btmn)	4,249	4,250	4,697	5,086	5,516
PPP/Sh	(Bt)	10.48	10.84	10.67	10.88	11.36
EPS	(Bt)	5.31	5.31	5.87	6.35	6.89
BVPS	(Bt)	28.71	32.14	36.32	40.62	45.35
DPS	(Bt)	2.00	2.00	2.05	2.16	2.17
PER	(x)	8.57	8.57	7.76	7.16	6.60
P/PPP	(x)	4.34	4.20	4.26	4.18	4.01
EPS growth	(%)	4.26	0.02	10.52	8.29	8.46
PBV	(x)	1.58	1.42	1.25	1.12	1.00
ROE	(%)	20.63	17.45	17.14	16.51	16.03
Dividend yields	(%)	4.40	4.40	4.51	4.75	4.77

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	17,922	18,611	19,665
Interest expense	10,304	9,351	8,337	8,809	9,503
<b>Net interest income</b>	<b>8,968</b>	<b>9,540</b>	<b>9,584</b>	<b>9,802</b>	<b>10,162</b>
Non-interest income	5,933	5,757	5,842	6,146	6,640
Non-interest expenses	5,340	5,605	5,748	6,015	6,385
Earnings before tax & provision	9,561	9,692	9,678	9,932	10,418
Tax	1,064	1,043	1,166	1,262	1,368
Equities & minority interest	107	(27)	(33)	(38)	(45)
Core pre-provision profit	8,390	8,676	8,545	8,709	9,094
Provision	4,141	4,426	3,848	3,623	3,578
<b>Core net profit</b>	<b>4,249</b>	<b>4,250</b>	<b>4,697</b>	<b>5,086</b>	<b>5,516</b>
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>4,249</b>	<b>4,250</b>	<b>4,697</b>	<b>5,086</b>	<b>5,516</b>
<b>EPS (Bt)</b>	<b>5.31</b>	<b>5.31</b>	<b>5.87</b>	<b>6.35</b>	<b>6.89</b>
<b>DPS (Bt)</b>	<b>2.00</b>	<b>2.00</b>	<b>2.05</b>	<b>2.16</b>	<b>2.17</b>

## Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Cash	1,131	1,180	1,237	1,263	1,306
Interbank assets	53,242	38,058	38,058	37,297	36,551
Investments	11,490	15,003	15,003	15,003	15,003
<b>Gross loans</b>	<b>292,151</b>	<b>262,784</b>	<b>265,412</b>	<b>278,682</b>	<b>298,190</b>
Accrued interest receivable	536	556	556	556	556
Loan loss reserve	6,354	6,950	8,299	9,422	10,501
<b>Net loans</b>	<b>286,332</b>	<b>256,390</b>	<b>257,669</b>	<b>269,817</b>	<b>288,245</b>
<b>Total assets</b>	<b>359,263</b>	<b>317,657</b>	<b>319,072</b>	<b>330,569</b>	<b>348,385</b>
Deposits	264,641	205,384	205,384	212,367	225,215
Interbank liabilities	16,703	10,897	10,897	10,897	10,897
Borrowings	44,084	65,406	62,500	62,500	62,500
<b>Total liabilities</b>	<b>336,044</b>	<b>291,833</b>	<b>289,901</b>	<b>297,956</b>	<b>311,984</b>
Minority interest	231	93	93	93	93
Paid-up capital	8,007	8,007	8,007	8,007	8,007
<b>Total Equities</b>	<b>22,987</b>	<b>25,731</b>	<b>29,078</b>	<b>32,520</b>	<b>36,308</b>
<b>BVPS (Bt)</b>	<b>28.71</b>	<b>32.14</b>	<b>36.32</b>	<b>40.62</b>	<b>45.35</b>

## Key Assumptions and Financial Ratios

	2013	2014	2015F	2016F	2017F
<b>Growth</b>					
YoY loan growth	17.65	(10.05)	1.00	5.00	7.00
YoY fee & insurance income growth	25.70	(4.13)	2.10	5.02	8.28
<b>Profitability</b>					
Yield on earn'g assets (%)	5.99	5.62	5.65	5.73	5.78
Cost on int-bear'g liab (%)	3.51	3.08	2.98	3.12	3.25
Spread (%)	2.48	2.54	2.68	2.61	2.53
Net interest margin(%)	2.79	2.84	3.02	3.02	2.99
ROE (%)	20.63	17.45	17.14	16.51	16.03
<b>Asset Quality</b>					
NPLs/Total Loans(%)	1.76	2.61	2.80	2.80	2.75
LLR/NPLs(%)	128.01	102.97	111.77	120.85	128.28
Provision expense/Total loans (%)	1.42	1.68	1.45	1.30	1.20
<b>Liquidity</b>					
Loans/Deposits & borrowings (%)	94.63	97.04	99.08	101.39	103.64
<b>Efficiency</b>					
Cost to income ratio (%)	35.84	36.64	37.26	37.72	38.00
<b>Capital Fund</b>					
Capital adequacy ratio(%)	13.38	16.80	15.41	16.01	16.38
Tier-1(%)	9.15	12.56	11.28	12.04	12.64
Tier-2(%)	4.22	4.24	4.13	3.97	3.74

## Profit and Loss Statement (Btmn)

FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Interest & dividend income	4,917	4,773	4,670	4,530	4,374
Interest expense	2,652	2,396	2,214	2,089	1,974
<b>Net interest income</b>	<b>2,265</b>	<b>2,377</b>	<b>2,456</b>	<b>2,441</b>	<b>2,400</b>
Non-interest income	1,359	1,413	1,485	1,501	1,542
Non-interest expenses	1,287	1,355	1,440	1,524	1,501
Earnings before tax & provision	2,338	2,435	2,501	2,418	2,441
Tax	231	239	277	297	292
Equities & minority interest	(4)	(16)	(2)	(5)	(15)
Core pre-provision profit	2,111	2,212	2,227	2,127	2,164
Provision	1,176	1,220	1,138	892	972
<b>Core net profit</b>	<b>935</b>	<b>992</b>	<b>1,089</b>	<b>1,234</b>	<b>1,192</b>
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>935</b>	<b>992</b>	<b>1,089</b>	<b>1,234</b>	<b>1,192</b>
<b>EPS (Bt)</b>	<b>1.17</b>	<b>1.24</b>	<b>1.36</b>	<b>1.54</b>	<b>1.49</b>

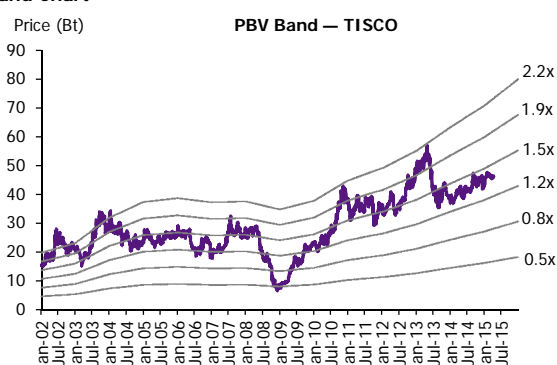
## Balance Sheet (Btmn)

FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Cash	1,087	1,094	1,012	1,180	1,082
Interbank assets	29,521	29,404	29,405	38,058	30,057
Investments	16,527	17,792	12,167	15,003	15,673
<b>Gross loans</b>	<b>278,932</b>	<b>274,355</b>	<b>267,576</b>	<b>262,784</b>	<b>254,437</b>
Accrued interest receivable	407	424	425	556	546
Loan loss reserve	6,459	6,674	6,809	6,950	7,096
<b>Net loans</b>	<b>272,880</b>	<b>268,105</b>	<b>261,191</b>	<b>256,390</b>	<b>247,887</b>
<b>Total assets</b>	<b>326,987</b>	<b>323,612</b>	<b>310,505</b>	<b>317,657</b>	<b>302,207</b>
Deposits	227,613	226,737	207,075	205,384	200,149
Interbank liabilities	11,885	14,883	12,332	10,897	11,305
Borrowings	53,626	48,452	56,759	65,406	52,927
<b>Total liabilities</b>	<b>302,966</b>	<b>300,164</b>	<b>285,791</b>	<b>291,833</b>	<b>275,215</b>
Minority interest	76	74	86	93	99
Paid-up capital	8,007	8,007	8,007	8,007	8,007
<b>Total Equities</b>	<b>23,945</b>	<b>23,374</b>	<b>24,628</b>	<b>25,731</b>	<b>26,893</b>
<b>BVPS (Bt)</b>	<b>29.91</b>	<b>29.19</b>	<b>30.76</b>	<b>32.14</b>	<b>33.59</b>

## Financial Ratios

	1Q14	2Q14	3Q14	4Q14	1Q15
YoY loan growth	4.55	(2.21)	(6.07)	(10.05)	(8.78)
YoY fee & insurance income growth	(21.47)	3.47	4.20	2.55	0.72
Yield on earn'g assets (%)	5.77	5.91	5.92	5.80	5.68
Cost on int-bear'g liab (%)	3.43	3.29	3.13	3.00	2.89
Net interest margin(%)	2.66	2.94	3.12	3.12	3.12
Cost to income ratio (%)	35.50	35.75	36.53	38.66	38.07
NPLs/Total Loans(%)	1.92	2.32	2.42	2.57	2.65
LLR/NPLs(%)	120.37	104.84	105.24	102.97	105.24
Provision expense/Total loans (%)	1.69	1.78	1.70	1.36	1.53

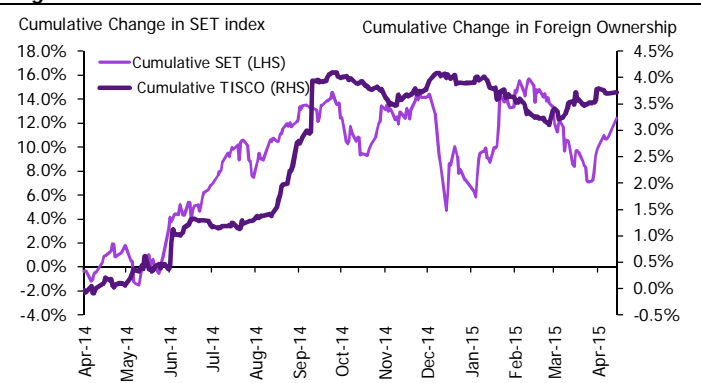
## PBV Band Chart



## 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 2: Valuation summary** (Closing price as of Apr 17, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F
BAY	Sell	43.50	33.0	(22.4)	18.6	16.9	13.4	19	10	26	2.0	1.6	1.5	11	12	12	1.6	1.8	2.2
BBL	Buy	187.50	250.0	37.4	9.9	9.3	8.6	1	6	8	1.1	1.0	1.0	12	11	11	3.6	4.0	4.3
KBANK	Buy	234.00	270.0	17.3	12.1	11.1	9.9	12	9	12	2.2	1.9	1.6	19	18	18	1.7	1.9	2.1
KKP	Neutral	39.50	40.0	5.9	12.6	10.7	9.3	(41)	18	15	0.9	0.9	0.8	7	8	9	4.0	4.7	5.4
KTB	Buy	23.40	27.0	19.5	9.9	8.9	8.0	(2)	11	10	1.4	1.3	1.2	15	15	15	3.8	4.2	4.6
LHBANK	Sell	1.92	1.3	(30.2)	21.1	19.6	18.6	30	8	5	1.6	1.4	1.4	8	8	8	0.2	2.0	2.1
TCAP	Buy	33.75	44.0	34.1	8.4	7.5	7.1	(45)	12	5	0.8	0.8	0.7	10	11	10	3.6	3.7	3.9
TISCO	Buy	45.50	55.0	25.4	8.6	7.8	7.2	0	11	8	1.4	1.3	1.1	17	17	17	4.4	4.5	4.7
TMB	Sell	2.88	3.0	6.5	13.2	12.8	11.5	66	3	11	1.8	1.6	1.5	15	13	14	2.3	2.3	2.6
<b>Average</b>					<b>12.6</b>	<b>11.5</b>	<b>10.3</b>	<b>3</b>	<b>9</b>	<b>12</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>2.9</b>	<b>3.3</b>	<b>3.6</b>

Source: SCBS Investment Research

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AAV, ACAP, ADVANC, ANAN, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIGC, BKI, BIA, BMCL, BROOK, CENTEL, CRESH, CMBT, CK, CNT, CPE, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERM, GBK, GC, GFT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCO, NBC, NOH, NINE, NRI, NMG, NSI, OCC, OFM, PAP, PE, PG, PHOL, PJW, PMI, PPS, PR, PRANDA, PS, PT, QH, RATCH, ROBINS, RS, S & J, SAMCO, SCC, SINGER, SIS, SITHAI, SNC, SNP, SPS, SSI, SSSC, STA, SVI, TOAP, TF, THAI, THANI, THCOM, TIP, TIPCO, TK, TKT, TNITY, TNL, TOG, TRC, TRUE, TSTE, TSTH, TTA, TTW, TVO, UAC, VGI, VNT, WACOL  
2S, AF, AH, AHC, AIT, AJ, AKP, AKR, AMANAH, AMARIN, AMATA, AP, APCO, APCS, AQUA, ARIP, AS, ASIA, AYUD, BEAUTY, BEC, BFT, BH, BJC, BICH, BOL, BTNC, BWG, CCE, CGD, CCS, CHOW, CI, CKP, CM, CMR, CSC, CSP, CSS, DCC, DEMCO, DNA, EA, ESSO, FE, FORTH, FPI, GENCO, GL, GLOBAL, GLOW, GOLD, HOTPOT, HTC, HTECH, HYDRO, IFS, IHL, INET, IRC, IRCP, ITD, KBS, KGI, KKC, KTC, LAE, LRH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFE, MJD, MODERN, MONO, MOONG, MPG, MTI, NC, NTV, NUSA, NWR, NYT, OGC, OISHI, PACE, PATO, PB, PDI, PIDO, PPM, PPP, PREB, PRG, PRIN, PTG, OLT, OTC, RCL, SABINA, SALLE, SCBLIF, SCCO, SCG, SEAFO, SEADOL, SFP, SIAM, SIRI, SKR, SMG, SMK, SMP, SMT, SOLAR, SPC, SPG, SPPT, SST, STANLY, STEC, STPI, SUC, SWC, SYMC, SYNEK, SYNTAC, TASCO, TBSP, TEAM, TFD, TH, THANA, THIP, THREL, TIC, TICON, TIW, TKS, TLUXE, TML, TMT, TNDI, TPC, TPOR, TRT, TRU, TSC, TTCL, TUF, TVO, TWFP, UMIL, UP, UPR, UPOIC, UT, UV, UWC, VHI, WAVE, WHA, WIN, WINNER, YUASA, ZMCO

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