

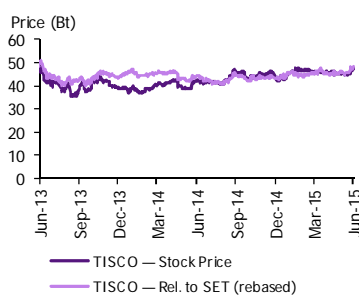
BUY

Stock Data

Last close (Jun 16) (Bt)	47.25
12-m target price (Bt)	54.00
Upside (Downside) to TP (%)	14.29
Mkt cap (Btbn)	37.83
Mkt cap (US\$m)	1,124

Bloomberg code	TISCO TB
Reuters code	TISCO.BK
Risk rating	M
Mkt cap (%) SET	0.27
Sector % SET	15.25
Shares issued (mn)	801
Par value (Bt)	10
12-m high / low (Bt)	49.3 / 40.5
Avg. daily 6m (US\$m)	2.01
Foreign limit / actual (%)	49 / 49
Free float (%)	75.0
Dividend policy (%)	50

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	3.8	3.3	11.2
Relative to SET	4.3	3.9	8.8

Source: SET, SCBS Investment Research

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No loan growth, but NIM to beat, provisions fall

Loans are not growing, with auto loans still absent and we see little chance of loan growth this year. We thus cut our loan assumption to a contraction of 2%. On the bright side, it will enjoy the largest widening in NIM this year and credit costs are coming down with provisions as fewer loans migrate to the NPL column. It has proactively guarded against a possible problem with SSI's loan payment. Earnings growth is beating the sector and valuation is cheap: Buy with new TP of Bt54.

Cut 2015F loan growth to contraction. According to its May balance sheet, TISCO's loans contracted 0.6% MoM in May, the same as in April, with auto loans shrinking. In the 5M15, loans contracted 4.3%, a factor of the fall of 15% YoY in 4M15 domestic car sales. With the economy coming back slower than expected, household debt high and high repayments of loans extended in 2012-2013, it is unlikely to see loan growth this year. We cut our 2015F loan growth to -2% from 1% to fine tune with 5M15 figures, forecasting -5% for retail loans (71% of total loans) and +5% for corporate & SME loans.

Largest NIM expansion. TISCO cut fixed deposit rates by 25-35 bps in 1Q15 and 30-35 bps in 2Q15 and rates on savings deposits by 10-25 bps in 2Q15. It cut MLR by 12.5 bps in 1Q15 and MOR by 7.5 bps in 2Q15. With assets at a longer duration than liabilities and a greater cut in deposit rates than in lending rates, cost of funds will ease and NIM widen. We expect it to beat its sector with NIM expansion of 25 bps to 3.1% this year.

Gradual ease in credit cost. Provisions are expected to step down in 2015 as they return to normal in tandem with the used car market, stabilized now after prices plunged 30% in 2012-2013, and thus used car loans. Repossessions are fewer, allowing provisions to fall. We conservatively expect credit cost to ease quarter by quarter, from 1.68% in 2014 to 1.5% in 2015F and 1.3% in 2016 and return to a normal 1.2% in 2017F. 1Q15 credit cost was 1.53%.

SSI loans fully provisioned. SSI is scheduled to pay loan principal of Bt2.08bn and US\$10mn in June. Although SSI loans are at risk of being classified as NPLs, TISCO has provisioned 36% of its Bt4bn exposure, adequate to meet required reserve if they do. TISCO has excess provisions of Bt3bn and if SSI loans go NPL, its NPL ratio will rise to 4.2% from 2.65% at 1Q15 and its LLR coverage will decrease to 66% from 105% at 1Q15.

2Q15F: Stagnant, up 15% YoY (on YoY lower provisions) but fall 5% QoQ (on QoQ drop in investment gain) to Bt1.14bn. Loans are expected continue contracting QoQ, but NIM to improve QoQ as cost of funds ease. Provisions are expected to come down QoQ. Non-interest income is expected to decrease QoQ due to lower fee income from asset management business and investment gain on the back of a bearish stock market.

Maintain Buy with a trim in TP. Although TISCO share has outperformed the sector YTD (+11% for TISCO vs. -13% for SETBANK), we keep it as a Buy: 1) it will beat the sector with earnings growth of 10% vs. the sector average of 3%, driven by a better NIM and lower provisions, and 2) valuation is cheap at 8x PER and 1.3x PBV relative to 17% ROE. The cut in 2015F loan growth to -3% from 1% trims TP by 2% to Bt54 from Bt55.

Forecasts and valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Pre-provision profit	(Btmn)	8,390	8,676	8,548	8,505	8,728
Net profit	(Btmn)	4,249	4,250	4,685	5,056	5,386
PPP/Sh	(Bt)	10.48	10.84	10.68	10.62	10.90
EPS	(Bt)	5.31	5.31	5.85	6.32	6.73
BVPS	(Bt)	28.71	32.14	36.30	40.57	45.15
DPS	(Bt)	2.00	2.00	2.05	2.15	2.12
PER	(x)	8.90	8.90	8.07	7.48	7.02
P/PPP	(x)	4.51	4.36	4.43	4.45	4.33
EPS growth	(%)	4.26	0.02	10.25	7.92	6.51
PBV	(x)	1.65	1.47	1.30	1.16	1.05
ROE	(%)	20.63	17.45	17.10	16.43	15.69
Dividend yields	(%)	4.23	4.23	4.33	4.54	4.48

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

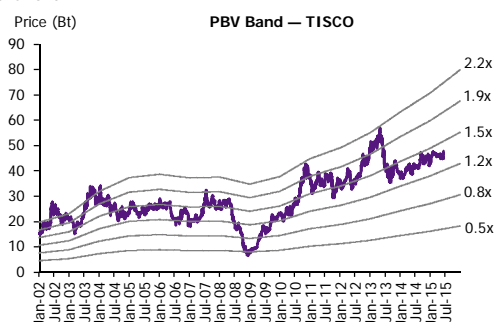
FY December 31	2013	2014	2015F	2016F	2017F	FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Interest & dividend income	19,272	18,891	17,559	17,770	18,436	Interest & dividend income	4,917	4,773	4,670	4,530	4,374
Interest expense	10,304	9,351	7,876	8,041	8,523	Interest expense	2,652	2,396	2,214	2,089	1,974
Net interest income	8,968	9,540	9,683	9,730	9,913	Net interest income	2,265	2,377	2,456	2,441	2,400
Non-interest income	5,933	5,757	5,814	6,115	6,606	Non-interest income	1,359	1,413	1,485	1,501	1,542
Non-interest expenses	5,340	5,605	5,815	6,117	6,489	Non-interest expenses	1,287	1,355	1,440	1,524	1,501
Earnings before tax & provision	9,561	9,692	9,682	9,728	10,030	Earnings before tax & provision	2,338	2,435	2,501	2,418	2,441
Tax	1,064	1,043	1,164	1,256	1,338	Tax	231	239	277	297	292
Equities & minority interest	107	(27)	(30)	(33)	(36)	Equities & minority interest	(4)	(16)	(2)	(5)	(15)
Core pre-provision profit	8,390	8,676	8,548	8,505	8,728	Core pre-provision profit	2,111	2,212	2,227	2,127	2,164
Provision	4,141	4,426	3,863	3,448	3,342	Provision	1,176	1,220	1,138	892	972
Core net profit	4,249	4,250	4,685	5,056	5,386	Core net profit	935	992	1,089	1,234	1,192
Extra item	0	0	0	0	0	Extra item	0	0	0	0	0
Net profit	4,249	4,250	4,685	5,056	5,386	Net profit	935	992	1,089	1,234	1,192
EPS (Bt)	5.31	5.31	5.85	6.32	6.73	EPS (Bt)	1.17	1.24	1.36	1.54	1.49
DPS (Bt)	2.00	2.00	2.05	2.15	2.12						

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F	FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Cash	1,131	1,180	1,216	1,361	1,418	Cash	1,087	1,094	1,012	1,180	1,082
Interbank assets	53,242	38,058	38,058	37,297	36,551	Interbank assets	29,521	29,404	29,405	38,058	30,057
Investments	11,490	15,003	15,003	15,003	15,003	Investments	16,527	17,792	12,167	15,003	15,673
Gross loans	292,151	262,784	257,528	265,254	278,517	Gross loans	278,932	274,355	267,576	262,784	254,437
Accrued interest receivable	536	556	556	556	556	Accrued interest receivable	407	424	425	556	546
Loan loss reserve	6,354	6,950	8,313	9,262	10,105	Loan loss reserve	6,459	6,674	6,809	6,950	7,096
Net loans	286,332	256,390	249,771	256,549	268,968	Net loans	272,880	268,105	261,191	256,390	247,887
Total assets	359,263	317,657	311,154	317,400	329,220	Total assets	326,987	323,612	310,505	317,657	302,207
Deposits	264,641	205,384	197,477	199,234	206,207	Deposits	227,613	226,737	207,075	205,384	200,149
Interbank liabilities	16,703	10,897	10,897	10,897	10,897	Interbank liabilities	11,885	14,883	12,332	10,897	11,305
Borrowings	44,084	65,406	62,500	62,500	62,500	Borrowings	53,626	48,452	56,759	65,406	52,927
Total liabilities	336,044	291,833	281,994	284,823	292,976	Total liabilities	302,966	300,164	285,791	291,833	275,215
Minority interest	231	93	93	93	93	Minority interest	76	74	86	93	99
Paid-up capital	8,007	8,007	8,007	8,007	8,007	Paid-up capital	8,007	8,007	8,007	8,007	8,007
Total Equities	22,987	25,731	29,067	32,483	36,151	Total Equities	23,945	23,374	24,628	25,731	26,893
BVPS (Bt)	28.71	32.14	36.30	40.57	45.15	BVPS (Bt)	29.91	29.19	30.76	32.14	33.59

Key Assumptions and Financial Ratios

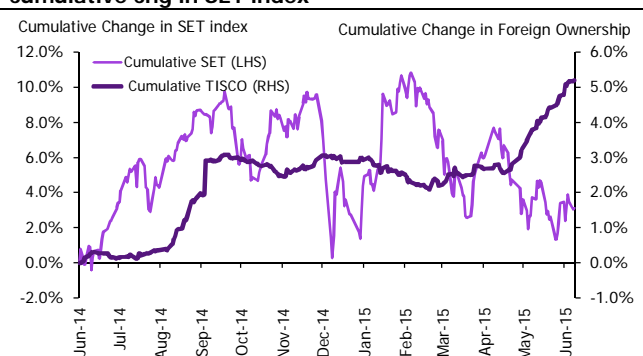
	2013	2014	2015F	2016F	2017F		1Q14	2Q14	3Q14	4Q14	1Q15
Growth						YoY loan growth	4.55	(2.21)	(6.07)	(10.05)	(8.78)
YoY loan growth	17.65	(10.05)	(2.00)	3.00	5.00	YoY fee & insurance income growth	(21.47)	3.47	4.20	2.55	0.72
YoY fee & insurance income growth	25.70	(4.13)	1.24	5.01	8.26	Yield on earn'g assets (%)	5.77	5.91	5.92	5.80	5.68
Profitability						Cost on int-bear'g liab (%)	3.43	3.29	3.13	3.00	2.89
Yield on earn'g assets (%)	5.99	5.62	5.61	5.66	5.69	Net interest margin(%)	2.66	2.94	3.12	3.12	3.12
Cost on int-bear'g liab (%)	3.51	3.08	2.85	2.96	3.09	Cost to income ratio (%)	35.50	35.75	36.53	38.66	38.07
Spread (%)	2.48	2.54	2.76	2.70	2.61	NPLs/Total Loans(%)	1.92	2.32	2.42	2.57	2.65
Net interest margin(%)	2.79	2.84	3.09	3.10	3.06	LLR/NPLs(%)	120.37	104.84	105.24	102.97	105.24
ROE (%)	20.63	17.45	17.10	16.43	15.69	Provision expense/Total loans (%)	1.69	1.78	1.70	1.36	1.53
Asset Quality						PBV Band Chart					
NPLs/Total Loans(%)	1.76	2.61	2.88	2.94	2.94						
LLR/NPLs(%)	128.01	102.97	111.96	118.79	123.44						
Provision expense/Total loans (%)	1.42	1.68	1.50	1.30	1.20						
Liquidity											
Loans/Deposits & borrowings (%)	94.63	97.04	99.06	101.34	103.65						
Efficiency											
Cost to income ratio (%)	35.84	36.64	37.52	38.60	39.28						
Capital Fund											
Capital adequacy ratio(%)	13.38	16.80	15.85	16.74	17.40						
Tier-1(%)	9.15	12.56	11.59	12.59	13.42						
Tier-2(%)	4.22	4.24	4.25	4.15	3.98						



12-Month Cumulative directors trade

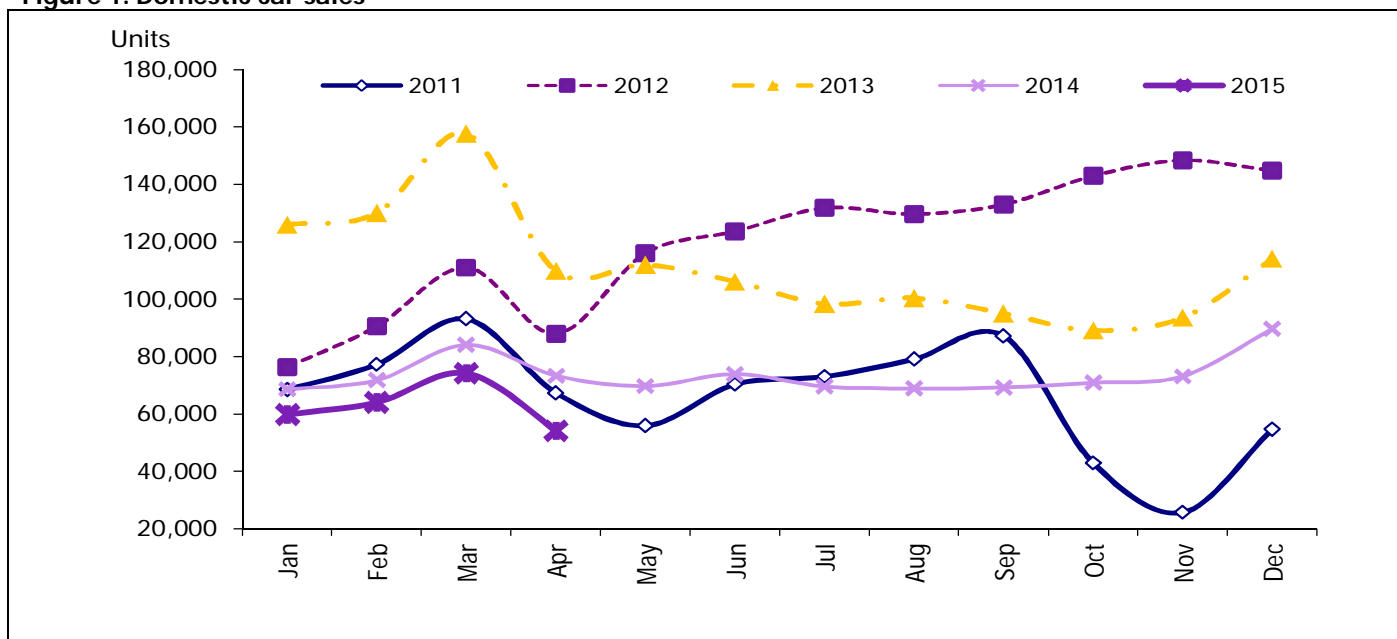
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12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research

Figure 1: Domestic car sales



Source: Toyota (Thailand) and SCBS Investment Research

Figure 2: Valuation summary (Closing price as of Jun 16, 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	35.00	32.0	(6.6)	15.0	15.1	11.5	19	(1)	31	1.6	1.3	1.2	11	10	11	2.0	2.0	2.6
BBL	Buy	179.50	230.0	32.0	9.4	9.6	9.1	1	(2)	5	1.1	1.0	0.9	12	11	10	3.7	3.9	4.0
KBANK	Buy	200.00	245.0	24.8	10.4	10.1	9.0	12	3	12	1.9	1.6	1.4	19	17	17	2.0	2.3	2.5
KKP	Neutral	36.25	40.0	16.0	6.8	6.2	5.7	0	11	8	1.1	1.0	0.9	17	17	17	5.5	5.7	6.0
KTB	Buy	17.80	25.0	45.5	7.5	7.3	6.6	(2)	2	11	1.1	1.0	0.9	15	14	14	5.1	5.0	5.6
LHBank	Sell	1.92	1.3	(31.0)	21.1	22.7	21.9	30	(7)	4	1.6	1.5	1.4	8	7	7	0.2	1.3	1.4
TCAP	Buy	33.25	44.0	37.1	8.3	7.6	7.3	(45)	10	4	0.8	0.8	0.7	10	11	10	4.8	4.8	4.8
TISCO	Buy	47.25	54.0	18.6	8.9	8.0	7.4	0	11	8	1.5	1.3	1.2	17	17	17	4.2	4.4	4.6
TMB	Sell	2.48	2.5	3.1	11.4	12.8	11.3	66	(12)	14	1.6	1.4	1.3	15	12	12	2.6	2.3	2.7
Average					10.9	10.9	9.9	4	1	12	1.4	1.3	1.1	14	13	13	3.4	3.6	3.9

Source: SCBS Investment Research

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