

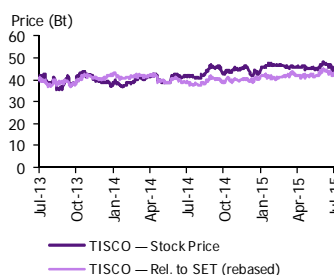
## BUY

## Stock Data

Last close (Jul 13) (Bt)	45.50
12-m target price (Bt)	53.00
Upside (Downside) to TP (%)	16.48
Mkt cap (Btbn)	36.43
Mkt cap (US\$mn)	1,070

Bloomberg code	TISCO TB
Reuters code	TISCO.BK
Risk rating	M
Mkt cap (%) SET	0.26
Sector % SET	14.88
Shares issued (mn)	801
Par value (Bt)	10
12-m high / low (Bt)	49.3 / 40.5
Avg. daily 6m (US\$mn)	2.06
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	(3.7)	(1.1)	8.3
Relative to SET	(3.0)	4.2	11.1

Source: SET, SCBS Investment Research

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## 2Q15: Misses on surprise proactive provisions

**Misses our estimates by 13% on precautionary provisions.** 1Q15 net profit rose 1% YoY but dipped 16% QoQ to Bt1bn as the bank made one-off precautionary provisions of ~Bt300mn to provide a cushion against economic volatility. Credit cost rose to 2% (1.5% if no extra provisions) in 2Q15 from 1.53% in 1Q15. NPLs by amount rose 6% QoQ, bringing NPL ratio to 2.86% at 2Q15 from 2.65% at 1Q15. LLR coverage inched up to 107% at 2Q15 from 105% at 1Q15. Loan growth continued contracting (-2% QoQ), with auto loans continuing to be a drag. As a result of draining excess liquidity, NIM rose 17 bps QoQ from both easing cost of funds (-12 bps QoQ) and rising yield on earning assets (+4 bps QoQ). Non-NII slid 6% QoQ on smaller investment gain. However, fee income rose 5% QoQ, driven by investment banking and asset management fees.

Figure 1: Quarterly results

P & L (Bt mn)	2Q14	1Q15	2Q15	%YoY ch	%QoQ ch	1H14	1H15	%YoY ch	% full year
Interest income	4,773	4,374	4,263	(11)	(3)	9,690	8,637	(11)	51
Interest expense	2,396	1,974	1,815	(24)	(8)	5,048	3,789	(25)	52
Net interest income	2,377	2,400	2,448	3	2	4,642	4,848	4	50
Non-interest income	1,413	1,542	1,446	2	(6)	2,772	2,988	8	51
Operating expenses	1,355	1,501	1,434	6	(4)	2,642	2,934	11	51
Pre-provision profit	2,435	2,441	2,461	1	1	4,772	4,902	3	51
Less Provision	1,220	972	1,244	2	28	2,396	2,215	(8)	55
Pre-tax profit	1,215	1,469	1,217	0	(17)	2,376	2,687	13	47
Income tax	239	292	243	2	(17)	470	535	14	47
MI and equity	16	15	30	88	104	20	45	124	NA
Net profit	992	1,192	1,004	1	(16)	1,926	2,196	14	48
EPS (Bt)	1.24	1.49	1.25	1	(16)	2.41	2.74	14	48
B/S (Bt mn)	2Q14	1Q15	2Q15	%YoY ch	%QoQ ch	1H14	1H15	%YoY ch	% full year
Gross loans	274,355	254,437	249,341	(9)	(2)	274,355	249,341	(9)	NM
Deposits	226,737	200,149	184,354	(19)	(8)	226,737	184,354	(19)	NM
BVPS (Bt)	29.19	33.59	32.90	13	(2)	29.19	32.90	13	NM
Ratios (%)	2Q14	1Q15	2Q15	%YoY ch*	%QoQ ch*	1H14	1H15	YoY ch*	% full year
Yield on earn. asset	5.91	5.68	5.72	(0.18)	0.04	5.71	5.65	(0.06)	NM
Cost of funds	3.29	2.89	2.77	(0.52)	(0.12)	3.28	2.80	(0.48)	NM
Net interest margin	2.94	3.12	3.29	0.35	0.17	2.74	3.17	0.43	NM
Cost to income	35.8	38.1	36.8	1.05	(1.26)	35.63	37.44	1.81	NM
NPLs/total loans	2.32	2.65	2.86	0.54	0.21	2.32	2.86	0.54	NM
LLR/NPLs	104.8	105.2	107.2	2.34	1.93	104.8	107.2	2.34	NM

Source: SCBS Investment Research

Note: \* Percentage points

**Slight cut in forecast and TP.** We cut 2015F earnings by 3% and target price to Bt53 (1.4x mid-2016F BVPS) from Bt54, after factoring in the Bt300mn extra provisions and cut our loan growth forecast to -8% from -2% (vs. -5% YTD). 1H15F earnings accounts for 48% of our revised full-year forecast. We expect growth in 2H15 and 2016 to be fuelled by lower provisions on lower losses on repossessed cars and no extra provisions.

**Valuation over-penalized.** We maintain Buy on TISCO. It is trading at a deep discount to valuation at 8x PER despite the fact that earnings are recovering in tandem with easing provisioning needs as losses on repossessed cars fall, plus improving NIM from lower cost of funds.

## Forecasts and valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Pre-provision profit	(Btbn)	8,390	8,676	8,554	8,269	8,508
Net profit	(Btbn)	4,249	4,250	4,558	4,783	5,109
PPP/Sh	(Bt)	10.48	10.84	10.68	10.33	10.63
EPS	(Bt)	5.31	5.31	5.69	5.97	6.38
BVPS	(Bt)	28.71	32.14	36.14	40.13	44.48
DPS	(Bt)	2.00	2.00	1.99	2.03	2.01
PER	(x)	8.57	8.57	7.99	7.62	7.13
P/PPP	(x)	4.34	4.20	4.26	4.41	4.28
EPS growth	(%)	4.26	0.02	7.25	4.94	6.82
PBV	(x)	1.58	1.42	1.26	1.13	1.02
ROE	(%)	20.63	17.45	16.67	15.67	15.08
Dividend yields	(%)	4.40	4.40	4.38	4.46	4.42

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	16,918	16,549	17,176
Interest expense	10,304	9,351	7,268	7,137	7,566
<b>Net interest income</b>	<b>8,968</b>	<b>9,540</b>	<b>9,650</b>	<b>9,412</b>	<b>9,610</b>
Non-interest income	5,933	5,757	5,814	6,115	6,606
Non-interest expenses	5,340	5,605	5,808	6,103	6,475
Earnings before tax & provision	9,561	9,692	9,656	9,424	9,741
Tax	1,064	1,043	1,132	1,188	1,268
Equities & minority interest	107	(27)	(30)	(33)	(36)
Core pre-provision profit	8,390	8,676	8,554	8,269	8,508
Provision	4,141	4,426	3,996	3,486	3,399
<b>Core net profit</b>	<b>4,249</b>	<b>4,250</b>	<b>4,558</b>	<b>4,783</b>	<b>5,109</b>
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>4,249</b>	<b>4,250</b>	<b>4,558</b>	<b>4,783</b>	<b>5,109</b>
<b>EPS (Bt)</b>	<b>5.31</b>	<b>5.31</b>	<b>5.69</b>	<b>5.97</b>	<b>6.38</b>
<b>DPS (Bt)</b>	<b>2.00</b>	<b>2.00</b>	<b>1.99</b>	<b>2.03</b>	<b>2.01</b>

## Profit and Loss Statement (Btmn)

FY December 31	3Q14	4Q14	2,014	1Q15	2Q15
Interest & dividend income	4,670	4,530	18,891	4,374	4,263
Interest expense	2,214	2,089	9,351	1,974	1,815
<b>Net interest income</b>	<b>2,456</b>	<b>2,441</b>	<b>9,540</b>	<b>2,400</b>	<b>2,448</b>
Non-interest income	1,485	1,501	5,757	1,542	1,446
Non-interest expenses	1,440	1,524	5,605	1,501	1,434
Earnings before tax & provision	2,501	2,418	9,692	2,441	2,461
Tax	277	297	1,043	292	243
Equities & minority interest	(2)	(5)	(27)	(15)	(30)
Core pre-provision profit	2,227	2,127	8,676	2,164	2,248
Provision	1,138	892	4,426	972	1,244
<b>Core net profit</b>	<b>1,089</b>	<b>1,234</b>	<b>4,250</b>	<b>1,192</b>	<b>1,004</b>
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>1,089</b>	<b>1,234</b>	<b>4,250</b>	<b>1,192</b>	<b>1,004</b>
<b>EPS (Bt)</b>	<b>1.36</b>	<b>1.54</b>	<b>5.31</b>	<b>1.49</b>	<b>1.25</b>

## Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Cash	1,131	1,180	1,259	1,454	1,569
Interbank assets	53,242	38,058	38,058	37,297	36,551
Investments	11,490	15,003	10,502	10,502	10,502
<b>Gross loans</b>	<b>292,151</b>	<b>262,784</b>	<b>241,761</b>	<b>249,014</b>	<b>261,465</b>
Accrued interest receivable	536	556	556	556	556
Loan loss reserve	6,354	6,950	8,447	9,433	10,333
<b>Net loans</b>	<b>286,332</b>	<b>256,390</b>	<b>233,871</b>	<b>240,137</b>	<b>251,688</b>
<b>Total assets</b>	<b>359,263</b>	<b>317,657</b>	<b>290,796</b>	<b>296,580</b>	<b>307,589</b>
Deposits	264,641	205,384	177,246	178,771	185,117
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>261,764</b>	<b>264,360</b>	<b>271,885</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>28,939</b>	<b>32,127</b>	<b>35,611</b>
<b>BVPS (Bt)</b>	<b>28.71</b>	<b>32.14</b>	<b>36.14</b>	<b>40.13</b>	<b>44.48</b>

## Balance Sheet (Btmn)

FY December 31	3Q14	4Q14	2,014	1Q15	2Q15
Cash	1,012	1,180	1,180	1,082	1,022
Interbank assets	29,405	38,058	38,058	30,057	37,003
Investments	12,167	15,003	15,003	15,673	9,298
<b>Gross loans</b>	<b>267,576</b>	<b>262,784</b>	<b>262,784</b>	<b>254,437</b>	<b>249,341</b>
Accrued interest receivable	425	556	556	546	554
Loan loss reserve	6,809	6,950	6,950	7,096	7,650
<b>Net loans</b>	<b>261,191</b>	<b>256,390</b>	<b>256,390</b>	<b>247,887</b>	<b>242,245</b>
<b>Total assets</b>	<b>310,505</b>	<b>317,657</b>	<b>317,657</b>	<b>302,207</b>	<b>297,279</b>
Deposits	207,075	205,384	205,384	200,149	184,354
Interbank liabilities	12,332	10,897	10,897	11,305	12,917
Borrowings	56,759	65,406	65,406	52,927	62,733
<b>Total liabilities</b>	<b>285,791</b>	<b>291,833</b>	<b>291,833</b>	<b>275,215</b>	<b>270,833</b>
Minority interest	86	93	93	99	104
Paid-up capital	8,007	8,007	8,007	8,007	8,007
<b>Total Equities</b>	<b>24,628</b>	<b>25,731</b>	<b>25,731</b>	<b>26,893</b>	<b>26,342</b>
<b>BVPS (Bt)</b>	<b>30.76</b>	<b>32.14</b>	<b>32.14</b>	<b>33.59</b>	<b>32.90</b>

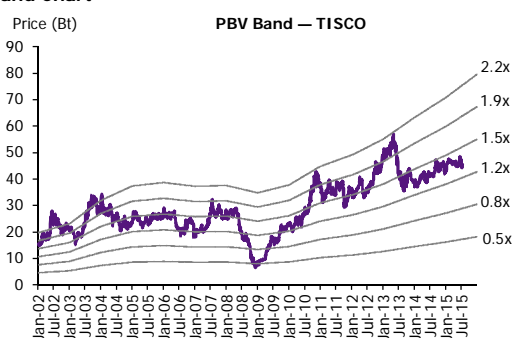
## Key Assumptions and Financial Ratios

	2013	2014	2015F	2016F	2017F
<b>Growth</b>					
YoY loan growth	17.65	(10.05)	(8.00)	3.00	5.00
YoY fee & insurance income growth	25.70	(4.13)	1.24	5.01	8.26
<b>Profitability</b>					
Yield on earn'g assets (%)	5.99	5.62	5.58	5.64	5.67
Cost on int-bear'g liab (%)	3.51	3.08	2.73	2.84	2.96
Spread (%)	2.48	2.54	2.85	2.80	2.71
Net interest margin(%)	2.79	2.84	3.18	3.21	3.18
ROE (%)	20.63	17.45	16.67	15.67	15.08
<b>Asset Quality</b>					
NPLs/Total Loans(%)	1.76	2.61	3.07	3.13	3.13
LLR/NPLs(%)	128.01	102.97	113.76	120.99	126.22
Provision expense/Total loans (%)	1.42	1.68	1.65	1.40	1.30
<b>Liquidity</b>					
Loans/Deposits & borrowings (%)	94.63	97.04	100.84	103.21	105.59
<b>Efficiency</b>					
Cost to income ratio (%)	35.84	36.64	37.56	39.31	39.93
<b>Capital Fund</b>					
Capital adequacy ratio(%)	13.38	16.80	16.96	17.86	18.49
Tier-1(%)	9.15	12.56	12.40	13.40	14.22
Tier-2(%)	4.22	4.24	4.56	4.45	4.27

## Financial Ratios

	3Q14	4Q14	2,014	1Q15	2Q15
YoY loan growth	(6.07)	(10.05)	(10.05)	(8.78)	(9.12)
YoY fee & insurance income growth	4.20	2.55	(4.13)	0.72	4.02
Yield on earn'g assets (%)	5.92	5.80	5.62	5.68	5.72
Cost on int-bear'g liab (%)	3.13	3.00	3.08	2.89	2.77
Net interest margin(%)	3.12	3.12	2.84	3.12	3.29
Cost to income ratio (%)	36.53	38.66	36.64	38.07	36.81
NPLs/Total Loans(%)	2.42	2.57	2.57	2.65	2.86
LLR/NPLs(%)	105.24	102.97	102.97	105.24	107.18
Provision expense/Total loans (%)	1.70	1.36	6.74	1.53	2.00

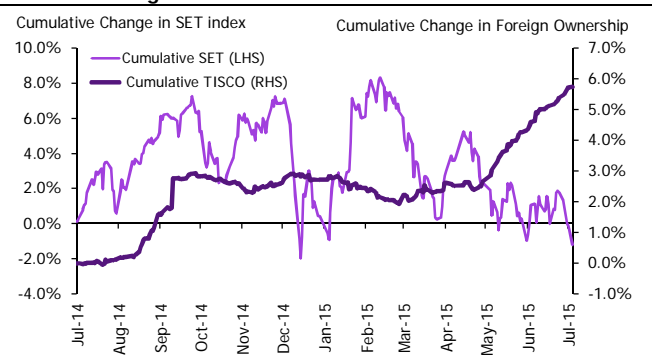
## PBV Band Chart



## 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 Jul 13, 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	33.00	32.0	(1.1)	14.1	15.3	11.1	19	(7)	37	1.5	1.2	1.1	11	10	11	2.1	2.0	2.7
BBL	Buy	179.00	208.0	19.9	9.4	10.3	9.6	1	(9)	8	1.1	1.0	0.9	12	10	10	3.7	3.7	3.9
KBANK	Buy	191.50	225.0	19.8	9.9	11.1	8.7	12	(11)	29	1.8	1.6	1.4	19	15	17	2.1	2.3	2.6
KKP	Neutral	33.25	40.0	25.4	10.6	9.8	8.9	(41)	9	10	0.8	0.8	0.7	7	8	8	4.7	5.1	5.6
KTB	Buy	17.90	22.0	27.4	7.5	8.2	7.4	(2)	(9)	12	1.1	1.0	0.9	15	13	13	5.0	4.5	5.0
LHBANK	Sell	1.85	1.3	(28.4)	20.3	21.9	21.1	30	(7)	4	1.5	1.5	1.4	8	7	7	0.2	1.4	1.4
TCAP	Buy	33.00	44.0	38.2	8.2	7.3	7.1	(45)	13	3	0.8	0.8	0.7	10	11	10	4.8	4.8	4.8
TISCO	Buy	45.50	53.0	20.9	8.6	8.0	7.6	0	7	5	1.4	1.3	1.1	17	17	16	4.4	4.4	4.5
TMB	Sell	2.34	2.5	9.3	10.7	12.2	11.0	66	(12)	11	1.5	1.4	1.2	15	12	12	2.8	2.5	2.7
<b>Average</b>					<b>10.9</b>	<b>11.4</b>	<b>10.1</b>	<b>3</b>	<b>(7)</b>	<b>17</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>3.4</b>	<b>3.5</b>	<b>3.8</b>

Source: SCBS Investment Research

**CG Rating 2014 Companies with CG Rating**

BAFS, BCP, BLS, CPL, EGCO, GRAMMY, HANA, INTUCH, IRPC, IUL, KBANK, KKP, KTB, MINT, PSL, PTT, PTTEP, PTTCG, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALL, TISCO, TMB, TOP.

AAV, ACAP, ADVANC, AIAN, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BEOL, BIGC, BKI, BLA, BMOL, BROOK, CENTEL, FRESH, OMBT, OK, ONT, OPT, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, GBX, GC, GPPT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCOI, NBC, NCH, NINE, NKI, NMG, NSI, OCC, OFM, PAP, PE, PG, PHOL, PJW, PM, PPS, PR, PRANDA, PS, PT, OH, RATCH, ROBINS, RS, S & J, SAMCO, SCC, SINGER, SIS, SITHAI, SNC, SNP, SPI, SSF, SSI, SSSC, STA, SVI, TCAP, TE, THAI, THANI, THCOM, TIP, TIPCO, TK, TKT, TNITY, TNL, TOG, TRC, TRUE, TSTE, TSTH, TTA, TTW, TWO, 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, BICI, BOL, BTNC, BWG, CDET, CGD, CGS, 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, KES, KGI, KKC, KTC, L&E, LRH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFGC, 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, RLL, SABINA, SALLEE, SCLIF, SCCC, SCG, SEAFOD, SEADOL, SPP, SIAM, SIRI, SKR, SMG, SMK, SMPIC, SMT, SOLAR, SPC, SPOG, SRPT, SST, STANLY, STEC, STPL, SUC, SWC, SYMC, SYNEK, SYNTec, TASCO, TBSP, TEAM, TFD, TH, THANA, THP, THREL, TIC, TICON, TIW, TKS, TLUXE, TML, TMT, TNDI, TPC, TPCORP, TRT, TRU, TSC, TTCL, TUF, TVD, TWFP, UMI, UP, UPF, UPOIC, UT, UV, UWC, VIH, WAVE, WHA, WIN, WINNER, YUASA, ZMCO.

**Corporate Governance Report disclaimer**

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