



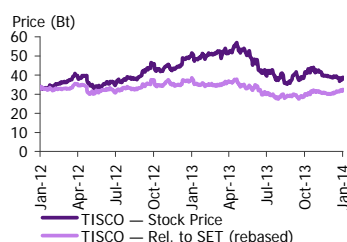
BUY

Stock Data

Last close (Jan 13) (Bt)	39.75
12-m target price (Bt)	48.00
Upside (Downside) to TP (%)	20.75
Mkt cap (Btbn)	31.83
Mkt cap (US\$mn)	966

Bloomberg code	TISCO TB
Reuters code	TISC.BK
Risk rating	M
Mkt cap (%) SET	0.28
Sector % SET	16.69
Shares issued (mn)	801
Par value (Bt)	10
12-m high / low (Bt)	60.8 / 34.5
Avg. daily 6m (US\$mn)	2.78
Foreign limit / actual (%)	49 / 43
Free float (%)	79.1
Dividend policy (%)	50

Price Performance



Source: SET, SCBS Investment Research

Share performances

	1M	3M	12M
Absolute	3.2	-4.8	-25.7
Relative to SET	6.9	8.3	-17.5

Source: SET, SCBS Investment Research

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4Q13A: Unpleasant surprise in asset quality

- **4Q13A below estimates.** 4Q13A net profit decreased 19% YoY and 29% QoQ to Bt804mn, below our forecast of Bt1.184bn. There was a negative surprise in the area of NPLs and provisions, which was offset partly by lower opex than anticipated.

Key points:

1. Loan growth: In line with expectations, +2.6% QoQ, +18% YoY. 4Q13 loan growth came primarily from corporate loans with a small rise in auto loans.
2. Net interest margin: Worse than expected, -14 bps to 2.6%. Yield on earning assets fell 14 bps QoQ as a result of a higher proportion of corporate loans. Cost of funds was stable QoQ.
3. Non-interest income: Slightly better than estimated, +6 QoQ, mainly driven by gain on investment and foreign exchange.
4. Cost to income: Substantially better than anticipated, falling to 19.1% (lower than usual) from 38.5% in 3Q13. There was an unusual 38% QoQ reduction in personnel expenses that indicates TISCO's cost tightening policy.
5. Asset quality: Worse than expected: NPLs surged 18% QoQ, pushing NPL ratio up to 1.7% from 1.47% in 3Q13, mainly used car hire-purchase loans. Provision expense doubled QoQ, bringing full-year credit cost to 1.42%, well above the guidance of 1.2%. LLR coverage shrank to 128% from 136% at 3Q13.

- **Maintain Buy.** We maintain Buy on TISCO, seeing it as undervalued at this point. We believe the current share price already reflects the potential slowdown in loan growth and its deterioration in asset quality. There is upside risk from a further cut in the policy rate as the central bank tries to cope with the slowing economy, which is beginning to feel the pain of the political unrest. Our earnings forecast and target price are under review pending the analyst meeting on January 15.

Forecasts and valuation

FY Dec	Unit	2012	2013	2014F	2015F	2016F
Pre-provision profit	(Btmn)	5,627	8,390	8,727	9,427	10,312
Net profit	(Btmn)	3,705	4,249	4,550	5,107	5,877
PPP/Sh	(Bt)	7.73	10.48	10.90	11.77	12.88
EPS	(Bt)	5.09	5.31	5.68	6.38	7.34
BVPS	(Bt)	25.00	28.71	31.99	35.97	40.44
DPS	(Bt)	2.40	2.40	2.40	2.87	3.30
PER	(x)	7.81	7.49	7.00	6.23	5.42
P/PPP	(x)	5.14	3.79	3.65	3.38	3.09
EPS growth	(%)	13.42	4.26	7.07	12.26	15.08
PBV	(x)	1.59	1.38	1.24	1.11	0.98
ROE	(%)	21.54	20.63	18.72	18.77	19.21
Dividend yields	(%)	6.04	6.04	6.04	7.22	8.31

Source: SCBS Investment Research

Figure 1: Quarterly results

P & L (Bt mn)	4Q12	1Q13	2Q13	3Q13	4Q13	%YoY ch	%QoQ ch	2012	2013	% YoY ch	% full year
Interest income	4,241	4,467	4,766	4,944	5,095	20	3	15,211	19,272	27	100
Interest expense	2,313	2,364	2,537	2,627	2,776	20	6	8,166	10,304	26	100
Net interest income	1,928	2,103	2,229	2,317	2,319	20	0	7,044	8,968	27	100
Non-interest income	1,333	1,761	1,456	1,318	1,398	5	6	4,715	5,933	26	100
Operating expenses	1,425	1,449	1,388	1,401	1,102	(23)	(21)	5,024	5,340	6	100
Pre-provision profit	1,836	2,416	2,297	2,234	2,615	42	17	6,736	9,561	42	100
Less Provision	533	940	810	778	1,613	203	107	1,922	4,141	115	100
Pre-tax profit	1,303	1,476	1,487	1,456	1,002	(23)	(31)	4,814	5,420	13	100
Income tax	300	284	303	293	184	(39)	(37)	1,081	1,064	(2)	100
MI and Equity	(7)	(38)	(25)	(31)	(13)	(72)	59	(28)	(107)	(283)	NA
Net profit	996	1,154	1,159	1,132	804	(19)	(29)	3,705	4,249	15	100
EPS (Bt)	1.37	1.58	1.45	1.41	1.00	(27)	(29)	5.09	5.31	4	100
B/S (Bt mn)	4Q12	1Q13	2Q13	3Q13	4Q13	%YoY ch	%QoQ ch	2012	2013	%YoY ch	% full year
Gross loans	248,316	266,785	280,558	284,855	292,151	18	3	248,316	292,151	18	NM
Deposits	219,823	248,914	238,093	257,217	264,641	20	3	219,823	264,641	20	NM
BVPS (Bt)	25.00	26.52	25.24	26.69	28.71	15	8	25.00	28.71	15	NM
Ratios (%)	4Q12	1Q13	2Q13	3Q13	4Q13	%YoY ch*	%QoQ ch*	2012	2013	YoY ch*	% full year
Yield on earn. asset	6.11	5.94	6.00	6.02	5.88	(0.23)	(0.14)	6.01	5.99	(0.02)	NM
Cost of funds	3.65	3.44	3.51	3.51	3.51	(0.14)	0.00	3.55	3.51	(0.04)	NM
Net interest margin	2.78	2.80	2.81	2.82	2.68	(0.10)	(0.14)	2.78	2.79	0.00	NM
Cost to income	43.69	37.48	37.67	38.55	29.66	(14.03)	(8.90)	42.72	35.84	(6.88)	NM
NPLs/total loans	1.25	1.28	1.45	1.47	1.70	0.45	0.23	1.25	1.70	0.45	NM
LLR/NPLs	165.28	167.01	145.33	136.15	127.95	(37.33)	(8.20)	165.28	127.95	(37.33)	NM

Source: SCBS Investment Research

Note: * Percentage points

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