

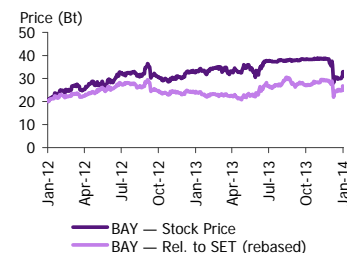
NEUTRAL

Stock Data

Last close (Jan 17) (Bt)	32.25
12-m target price (Bt)	33.00
Upside (Downside) to TP (%)	2.33
Mkt cap (Btbn)	195.89
Mkt cap (US\$mn)	5,961

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.70
Sector % SET	16.78
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	33.8 / 29.8
Avg. daily 6m (US\$mn)	15.47
Foreign limit / actual (%)	25 / 25
Free float (%)	28.0
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	-7.0	-13.7	0.0
Relative to SET	-4.5	-2.6	9.2

Source: SET, SCBS Investment Research

Kittima Sattayapan, CFA

(66-2) 949-1003

kittima.sattayapan@scb.co.th

4Q13A: Misses on higher provisions

- **4Q13A far below expectations.** BAY's 4Q13 net profit fell 16% YoY and 17% QoQ to Bt3.1bn, far below SCBS forecast of Bt3.9bn. Provisioning was larger than anticipated, exceeding the positive surprises on loan growth, NIM (mainly from windfall on debt restructuring) and gain on investment and foreclosed properties.

Key points:

1. Loan growth: Well above expectation, at +6% QoQ, mainly from corporate loans (+13.5% QoQ), two-thirds of which were working capital loans. SME loans grew 4.9% QoQ. Retail loan growth was 3% QoQ, despite a 0.5% contraction in auto loans. 2013 loan growth was 13.6% YoY, well above our forecast of 11% and the bank's target of 12%. Backing the 2013 loan growth was retail loans (+15%, +Bt62bn), followed by corporate loans (+15%, Bt32bn) and SME (+9%, Bt18.5bn).
2. Net interest margin: Much better than we had estimated at +21 bps, mainly the result of a windfall from debt restructuring (Bt523mn) and drop in cost of funding (-7 bps). If the windfall is excluded, NIM would be up 2 bps QoQ.
3. Non-interest income: Also beat expectations at +13% QoQ, mainly from gain on investment and foreclosed assets. Fee income was up 3% QoQ, bringing full-year growth to 14%, slightly below the target of 15%.
4. Cost to income ratio: Coming down to 50.8% from 51.3% in 3Q13. Full-year cost to income ratio was 49%, slightly above target of 48%.
5. Asset quality: Despite a Bt1.9bn sale of NPLs, 4Q13 NPLs rose 4% QoQ, mainly on leasing, used car, housing and personal loans. Provisions soared 49% QoQ with 4Q13 credit cost of 199 bps and 2013 credit cost of 179 bps, far more than we had anticipated. However, LLR coverage slipped to 141% from 142%.

- **Raised provision forecast to fine tune with 2014 target.** In 2014, BAY expects loan growth to slow to 9% (7% SCBS forecast), with a 10 bps squeeze in NIM (11 bps SCBS forecast), 12% fee income growth (the same as SCBS forecast), cost to income ratio of below 49% (51% SCBS forecast), and lower credit cost to 160 bps (above our original forecast of 130 bps). We raise our 2014-2015 provision assumption to bring it in line with guidance, which reduces our forecast by 12% for both 2014F and 2015F.

- **Maintain Neutral with a TP cut.** We cut BAY's target price to Bt33 (1.5x 2014F BVPS from Bt39 as a result of an upward revision of provision forecast to fine tune with the bank's target and factor in downside risk from political unrest. We expect the merger with the Bangkok branch of Bank of Tokyo-Mitsubishi UFJ Limited (BTMU) by YE2014 will lead to a S-T dilution of ROE.

Forecasts and valuation

Year to 31 Dec	Unit	2012	2013	2014F	2015F	2016F
Pre-provision profit	(Btmn)	26,010	30,845	32,464	34,748	37,937
Net profit	(Btmn)	14,626	14,019	16,326	18,409	20,290
PPP/Sh	(Bt)	4.28	5.08	5.34	5.72	6.25
EPS	(Bt)	2.41	2.31	2.69	3.03	3.34
BVPS	(Bt)	18.66	20.34	22.22	24.45	26.88
DPS	(Bt)	0.80	0.80	0.81	0.91	1.00
PER	(x)	13.39	13.97	12.00	10.64	9.65
P/PPP	(x)	7.53	6.35	6.03	5.64	5.16
EPS growth	(%)	57.87	(4.15)	16.46	12.76	10.22
PBV	(x)	1.73	1.59	1.45	1.32	1.20
ROE	(%)	13.55	11.84	12.63	12.99	13.02
Dividend yields	(%)	2.48	2.48	2.50	2.82	3.11

Source: SCBS Investment Research

P & L (Bt mn)	4Q12	1Q13	2Q13	3Q13	4Q13	%YoY ch	%QoQ ch	2012	2013	% YoY ch	% full year
Interest income	16,698	16,918	17,446	18,078	18,939	13	5	64,640	71,381	10	100
Interest expense	6,398	6,316	6,453	6,832	6,841	7	0	24,687	26,442	7	100
Net interest income	10,300	10,602	10,993	11,246	12,098	17	8	39,953	44,939	12	100
Non-interest income	5,754	5,764	6,443	5,283	5,959	4	13	21,058	23,449	11	100
Operating expenses	8,419	8,312	7,631	8,475	9,176	9	8	30,798	33,594	9	100
Pre-provision profit	7,636	8,053	9,805	8,055	8,880	16	10	30,213	34,794	15	100
Less Provision	2,898	3,081	5,908	3,148	4,690	62	49	11,385	16,826	48	100
Pre-tax profit	4,738	4,972	3,898	4,907	4,191	(12)	(15)	18,829	17,967	(5)	100
Income tax	1,030	967	860	1,126	989	(4)	(12)	4,337	3,942	(9)	100
MI and Equity	47	40	1	13	(61)	(229)	(564)	134	(7)	(105)	NA
Net profit	3,755	4,045	3,039	3,794	3,141	(16)	(17)	14,626	14,019	(4)	100
EPS (Bt)	0.62	0.67	0.50	0.62	0.52	(16)	(17)	2.41	2.31	(4)	100
B/S (Bt mn)	4Q12	1Q13	2Q13	3Q13	4Q13	%YoY ch	%QoQ ch	2012	2013	%YoY ch	% full year
Gross loans	830,008	837,237	864,341	889,207	942,627	14	6	830,008	942,627	14	NM
Deposits	687,159	702,449	731,731	736,439	764,050	11	4	687,159	764,050	11	NM
BVPS (Bt)	18.66	19.35	19.66	19.81	20.34	9	3	18.66	20.34	9	NM
Ratios (%)	4Q12	1Q13	2Q13	3Q13	4Q13	%YoY ch*	%QoQ ch*	2012	2013	YoY ch*	% full year
Yield on earn. asset	6.74	6.63	6.64	6.72	6.87	0.13	0.15	6.84	6.74	(0.11)	NM
Cost of funds	2.92	2.81	2.79	2.88	2.81	(0.11)	(0.07)	2.93	2.81	(0.13)	NM
Net interest margin	4.16	4.16	4.18	4.18	4.39	0.23	0.21	4.23	4.24	0.01	NM
Cost to income	52.44	50.79	43.76	51.27	50.82	(1.62)	(0.45)	51.15	49.12	(2.03)	NM
NPLs/total loans	2.57	2.62	2.64	2.82	2.77	0.21	(0.05)	2.57	2.77	0.21	NM
LLR/NPLs	145.73	147.23	151.23	142.09	140.90	(4.84)	(1.20)	145.73	140.90	(4.84)	NM

Note: * Percentage points

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