

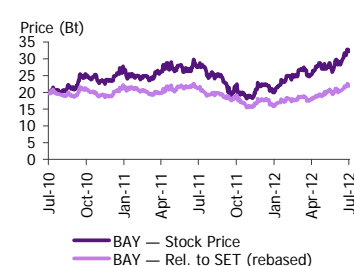
Neutral

2Q12A: In line with expectations

Stock Data

Last close (Jul 18) (Bt)	32.00
12-m target price (Bt)	31.00
Upside (Downside) to TP (%)	(3.13)
Mkt cap (Btbn)	194.37
Mkt cap (US\$mn)	6,126
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.92
Sector % SET	18.82
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	33.3 / 17.8
Avg. daily 6m (US\$mn)	10.91
Foreign limit / actual (%)	47 / 47
Free float (%)	67.1
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	13.3	20.8	11.3
Relative to SET	8.9	17.3	0.1

Source: SET, SCBS Investment Research

- **2Q12A in line with expectations.** 2Q12A net profit rose 24% YoY and 8% QoQ to Bt3.69bn, in line with our forecast of Bt3.88bn. 1H12A earnings accounted for 48% of our full-year forecast.

Key points:

1. Loan growth: In line with estimates at +2.1% QoQ (vs. 3.1% QoQ for 1Q12), mainly driven by auto loans (+7% QoQ, +12% YTD). Meanwhile, corporate loans continued contracting (-1% QoQ; -3% YTD). SME loans were stagnant QoQ (0% QoQ; +3% YTD). 6M12 YTD loan growth was 5.3%, in line with our full-year forecast of 12%.
2. Net interest margin: In line with the guidance, +11 bps QoQ to 4.27%, mainly driven by falling cost of funds (-9 bps QoQ). Yield on earning assets was stagnant.
3. Non-interest income: Better than expected, +14% QoQ, largely from gain on sale of investment in AACP (Bt398mn), fee income (+14% QoQ) and bad debt recovery.
4. Cost to income: As expected, stable QoQ at 49.5%, primarily from adding 400 new employees from HSBC, amortization of intangible assets from HSBC and branch re-branding.
5. Asset quality: In line with expectations, NPL ratio fell to 3.26% from 3.91% at 1Q12, due to sale of NPLs worth Bt4.2bn. Higher than expected, provision expenses rose by 10% QoQ with a credit cost of 158 bps. 1H12 credit cost was 150 bps, higher than the full-year guidance of 140 bps. LLR coverage came up to 127% from 113% at 1Q12.

Forecasts and valuation

Year to 31 Dec	Unit	2010	2011	2012F	2013F	2014F
Pre-provision profit	(Bt mn)	21,183	21,478	26,261	29,534	32,470
Net profit	(Bt mn)	8,793	9,264	14,954	17,607	19,488
PPP/Sh	(Bt)	3.49	3.54	4.32	4.86	5.35
EPS	(Bt)	1.45	1.53	2.46	2.90	3.21
BVPS	(Bt)	16.28	16.87	18.63	20.55	22.60
DPS	(Bt)	0.57	0.70	0.98	1.16	1.28
PER	(x)	22.10	20.98	13.00	11.04	9.97
P/PPP	(x)	9.18	9.05	7.40	6.58	5.99
EPS growth	(%)	32.05	5.35	61.42	17.74	10.69
PBV	(x)	1.97	1.90	1.72	1.56	1.42
ROE	(%)	9.19	9.20	13.87	14.80	14.87
Dividend yields	(%)	1.78	2.19	3.08	3.62	4.01

Source: SCBS Investment Research

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Figure 1: Quarterly results

P & L (Bt mn)	2Q11	3Q11	4Q11	1Q12	2Q12	%YoY ch	%QoQ ch	1H11	1H12	% YoY ch	% full year
Net interest income	9,395	9,733	9,146	9,380	10,053	7	7	18,586	19,433	5	48
Non-interest income	4,533	4,652	4,298	4,741	5,392	19	14	8,858	10,133	14	52
Operating expenses	6,678	7,544	6,368	7,007	7,645	14	9	13,565	14,652	8	49
Pre-provision profit	7,250	6,840	7,077	7,114	7,800	8	10	13,878	14,914	7	49
Less Provision	3,099	2,624	3,740	2,713	2,990	(4)	10	5,849	5,702	(3)	50
Pre-tax profit	4,151	4,216	3,336	4,401	4,810	16	9	8,030	9,212	15	48
Income tax	1,186	1,241	2,819	1,020	1,141	(4)	12	2,251	2,161	(4)	49
MI and Equity	7	31	(40)	49	29	319	(41)	1	78	5,236	NA
Net profit	2,972	3,007	477	3,430	3,699	24	8	5,780	7,129	23	48
EPS (Bt)	0.49	0.50	0.08	0.56	0.61	24	8	0.95	1.17	23	48
B/S (Bt mn)	2Q11	3Q11	4Q11	1Q12	2Q12	%YoY ch	%QoQ ch	1H11	1H12	%YoY ch	% full year
Gross loans	670,953	697,091	719,507	742,001	757,629	13	2	670,953	757,629	13	NM
Deposits	551,775	536,120	560,540	572,538	622,391	13	9	551,775	622,391	13	NM
BVPS (Bt)	16.56	16.64	16.87	17.46	17.75	7	2	16.56	17.75	7	NM
Ratios (%)	2Q11	3Q11	4Q11	1Q12	2Q12	%YoY ch*	%QoQ ch*	1H11	1H12	YoY ch*	% full year
Yield on earn. asset	6.51	6.88	6.84	6.82	6.83	0.31	0.01	6.42	6.81	0.39	NM
Cost of funds	2.32	2.68	2.98	2.99	2.89	0.58	(0.09)	2.17	2.93	0.76	NM
Net interest margin	4.46	4.50	4.18	4.16	4.27	(0.19)	0.11	4.48	4.21	(0.28)	NM
Cost to income	47.95	52.45	47.36	49.62	49.50	1.55	(0.12)	49.43	49.56	0.13	NM
NPLs/total loans	5.35	4.87	4.24	3.91	3.26	(2.09)	(0.65)	5.35	3.26	(2.09)	NM
LLR/NPLs	92.88	98.55	105.90	112.84	127.49	34.61	14.65	92.88	127.49	34.61	NM

Source: SCBS Investment Research

Note: * Percentage points

CG Rating 2011 Companies with CG Rating under SCBS's Coverage

ADIANC, AOT, BANPU, BAY, EBL, BCP, BML, CFP, CSL, EGCO, HEMRAJ, IRPC, KBANK, KK, KTB, LPN, MCOT, PS, PSL, PTT, PTTGP, QH, RATCH, SAT, SCB, SCC, TISCO, TMB, TOP

AMATA, AP, ASP, BEC, BECL, BH, BISC, BJA, BTS, CK, CPALL, DELTA, DRT, DTAC, GPPT, GLOW, HANA, HMPRO, INTUCH, KCE, KEST, LH, IWL, MAJOR, MAKRO, OISHI, PHATRA, SCCC, SMT, SPALL, SIRI, STANLY, STEC, SVL, TCAP, THAI, THCOM, TRUE, TTA, TTW

AEONTS, AH, CCET, DCC, ESSO, ITD, KH, KTC, RCL, ROJNA, TICON, TPIPL

N/A AAV, BGH, BLS, CPNRF, LHBANK, POPF, QHPF, SAMART, SAMTEL, SSI, TFUND, TLOGIS, WHAPF

PTTGC is the merged entity of PTTCH and PTTAR

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