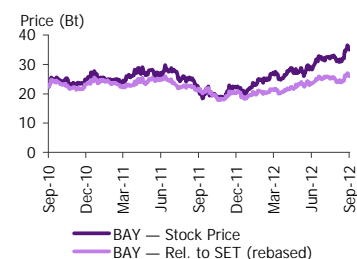


NEUTRAL

Stock Data

Last close (Sep 26) (Bt)	30.75
12-m target price (Bt)	31.00
Upside (Downside) to TP (%)	0.81
Mkt cap (Btbn)	186.78
Mkt cap (US\$mn)	6,033
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.75
Sector % SET	18.96
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	37 / 17.8
Avg. daily 6m (US\$mn)	11.03
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	-1.6	6.0	43.0
Relative to SET	-4.7	-3.0	6.2

Source: SET, SCBS Investment Research

Kittima Sattayapan, CFA

(66-2) 949-1003

kittima.sattayapan@scb.co.th

GE sells BAY: upgrade to Neutral on share price fall

- **Event – M&A news.** GE Group yesterday arranged for the sale of 461.63 mn shares of BAY, equivalent to approximately 7.6% of total shares, at a price of Bt31.3/share in a block trade on the SET through an underwriting undertaken by Morgan Stanley. This shrinks GE's stake in BAY to 25.3% from 32.9%. GE Group said it will not sell further shares in the bank for at least 180 days except for any strategic sale of substantially all of GE Group's shares in the bank or as may be agreed with Morgan Stanley, but GE Capital continues to review strategic options for its remaining interest in BAY.
- **Our comment.** This is not good news for BAY as it suggests a high chance that GE will leave BAY. The placement price was also lower than market expectation. At the same time, we feel that if GE does indeed take the exit, though it may interrupt operational improvement, this will not be in a big way. Key top management brought in by GE include the CEO, the CFO, Chief of Retail Banking and risk management. We note also that the chief driver for ROE improvement over 2012-2014 is a reduction in credit cost and cost to income ratio after completing the operational integration with GE Money Thailand (which was acquired by BAY in 2009) – an area that should not be affected by the departure of GE. What may be affected is its business expansion, as it would no longer have access to GE's product and marketing know-how. On this point, however, we note that BAY's organic growth under the GE-appointed management team has not outperformed peers, thus the departure of GE may not have substantial effect.
- **Upgrade to Neutral on falling share price.** We upgrade BAY to back to Neutral from Sell after a 16% fall in share price over the last five days (12% in the last two days on the leaking of this news). Recall that we had earlier downgraded BAY to Sell into the M&A speculation rally. We keep target price unchanged at Bt31 (1.6x average 2012F & 2013F BVPS).

Forecasts and valuation

FY 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	18.58	20.50	22.55
DPS	(Bt)	0.57	0.70	0.98	1.16	1.28
PER	(x)	21.24	20.16	12.49	10.61	9.58
P/PPP	(x)	8.82	8.70	7.11	6.32	5.75
EPS growth	(%)	32.05	5.35	61.42	17.74	10.69
PBV	(x)	1.89	1.82	1.65	1.50	1.36
ROE	(%)	9.19	9.20	13.89	14.83	14.91
Dividend yields	(%)	1.85	2.28	3.20	3.77	4.17

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Interest & dividend income	47,275	56,428	64,699	69,766	75,579
Interest expense	12,648	18,963	24,164	25,448	27,811
Net interest income	34,627	37,465	40,534	44,318	47,768
Non-interest income	16,754	17,807	19,659	21,175	23,186
Non-interest expenses	26,796	27,477	29,674	31,808	33,922
Earnings before tax & provision	24,586	27,795	30,519	33,685	37,032
Tax	3,524	6,310	4,419	4,352	4,810
Equities & minority interest	(121)	7	(161)	(201)	(249)
Core pre-provision profit	21,183	21,478	26,261	29,534	32,470
Provision	12,390	12,214	11,307	11,927	12,982
Core net profit	8,793	9,264	14,954	17,607	19,488
Extra item	0	0	0	0	0
Net profit	8,793	9,264	14,954	17,607	19,488
EPS (Bt)	1.45	1.53	2.46	2.90	3.21
DPS (Bt)	0.57	0.70	0.98	1.16	1.28

Balance Sheet (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Cash	22,461	25,165	26,223	27,233	27,983
Interbank assets	74,527	81,818	94,090	108,204	124,435
Investments	79,089	81,974	81,974	81,974	81,974
Gross loans	648,960	719,507	807,825	880,530	959,777
Accrued interest receivable	1,724	1,859	1,859	1,859	1,859
Loan loss reserve	33,953	31,279	44,120	57,581	72,097
Net loans	616,731	690,087	765,565	824,808	889,539
Total assets	869,834	947,797	1,037,045	1,111,862	1,194,036
Deposits	576,479	560,540	766,894	860,838	930,566
Interbank liabilities	43,788	23,741	23,741	23,741	23,741
Borrowings	99,365	208,263	85,254	54,502	54,502
Total liabilities	770,730	845,102	923,951	987,143	1,056,871
Minority interest	189	207	207	207	207
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	98,915	102,489	112,887	124,512	136,958
BVPS (Bt)	16.28	16.87	18.58	20.50	22.55

Key Assumptions and Financial Ratios

	2010	2011	2012F	2013F	2014F
Growth					
YoY loan growth	7.53	10.87	12.27	9.00	9.00
YoY fee & insurance income growth	61.22	7.02	15.00	12.00	12.00
Profitability					
Yield on earn'g assets (%)	6.19	6.68	6.90	6.77	6.73
Cost on int-bear'g liab (%)	1.84	2.51	2.90	2.80	2.86
Spread (%)	4.35	4.17	4.00	3.96	3.88
Net interest margin(%)	4.53	4.43	4.32	4.30	4.26
ROE (%)	9.19	9.20	13.89	14.83	14.91
Asset Quality					
NPLs/Total Loans(%)	5.88	4.11	4.20	4.31	4.42
LLR/NPLs(%)	89.00	105.90	129.95	151.56	170.06
Provision expense/Total loans (%)	1.91	1.70	1.40	1.35	1.35
Liquidity					
Loans/Deposits & borrowings (%)	96.02	93.59	94.80	96.20	97.43
Efficiency					
Cost to income ratio (%)	52.41	50.46	49.88	48.87	48.08
Capital Fund					
Capital adequacy ratio(%)	14.90	16.28	15.41	15.58	15.70
Tier-1(%)	10.85	11.85	12.02	12.42	12.76
Tier-2(%)	4.04	4.44	3.39	3.16	2.94

Profit and Loss Statement (Btmn)

FY December 31	2011	3Q11	4Q11	1Q12	2Q12
Interest & dividend income	13,714	14,879	14,959	15,362	16,068
Interest expense	4,319	5,146	5,813	5,982	6,015
Net interest income	9,395	9,733	9,146	9,380	10,053
Non-interest income	4,533	4,652	4,298	4,741	5,392
Non-interest expenses	6,678	7,544	6,368	7,007	7,645
Earnings before tax & provision	7,250	6,840	7,077	7,114	7,800
Tax	1,186	1,241	2,819	1,020	1,141
Equities & minority interest	(7)	(31)	40	(49)	(29)
Core pre-provision profit	6,071	5,631	4,217	6,143	6,688
Provision	3,099	2,624	3,740	2,713	2,990
Core net profit	2,972	3,007	477	3,430	3,699
Extra item	0	0	0	0	0
Net profit	2,972	3,007	477	3,430	3,699
EPS (Bt)	0.49	0.50	0.08	0.56	0.61

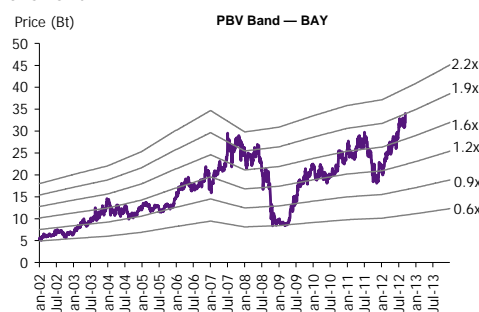
Balance Sheet (Btmn)

FY December 31	2011	3Q11	4Q11	1Q12	2Q12
Cash	19,596	20,112	25,165	23,142	22,787
Interbank assets	113,292	74,886	81,818	65,782	99,571
Investments	74,110	88,582	81,974	102,347	89,567
Gross loans	670,953	697,091	719,507	742,001	757,629
Accrued interest receivable	1,796	1,838	1,859	1,868	1,973
Loan loss reserve	33,309	32,196	31,279	31,711	30,823
Net loans	639,440	666,734	690,087	712,158	728,778
Total assets	912,915	914,368	947,797	976,104	1,034,541
Deposits	551,775	536,120	560,540	572,538	622,391
Interbank liabilities	47,168	23,141	23,741	32,055	34,054
Borrowings	169,137	209,872	208,263	205,328	197,639
Total liabilities	812,146	813,070	845,102	869,914	926,594
Minority interest	206	198	207	133	150
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	100,563	101,100	102,489	106,057	107,797
BVPS (Bt)	16.56	16.64	16.87	17.46	17.75

Financial Ratios

	2Q11	3Q11	4Q11	1Q12	2Q12
YoY loan growth	8.41	14.01	10.87	12.74	12.92
YoY fee & insurance income growth	20.71	(1.11)	6.77	14.03	15.68
Yield on earn'g assets (%)	6.51	6.88	6.84	6.82	6.83
Cost on int-bear'g liab (%)	2.32	2.68	2.98	2.99	2.89
Net interest margin(%)	4.46	4.50	4.18	4.16	4.27
Cost to income ratio (%)	47.95	52.45	47.36	49.62	49.50
NPLs/Total Loans(%)	5.35	4.87	4.24	3.91	3.26
LLR/NPLs(%)	92.88	98.55	105.90	112.84	127.49
Provision expense/Total loans (%)	1.85	1.51	2.08	1.46	1.58

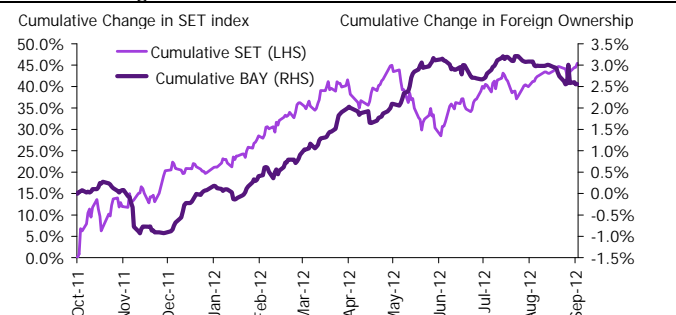
PBV Band Chart



12-Month Cumulative directors trade

NA

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



Source: SET, SCBS Investment Research

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

★★★★	ADVANC, AOT, BANPU, BAY, BBL, BCP, BMCL, CPF, CSL, EGO, HEMRAJ, IRPC, KBANK, KK, KTB, LPN, MCOT, PS, PSL, PTT, PTTEP, QH, RATCH, ROBINS, SAT, SCB, SCC, TISCO, TMB, TOP
★★★★	AMATA, AP, ASP, BEC, BECL, BH, BIGC, BIA, BTS, CK, CPALL, DELTA, DRT, DTAC, GPPT, GLOW, HANA, HMPRO, INTUCH, KCE, KEST, LH, IWL, MAJOR, MAKRO, OISHI, PHATRA, SCC, SMT, SPALL, SIRI, STANLY, STEC, SVL, TCAP, THAI, THCOM, TRUE, TTA, TTVV
★★★★	AEON'S, AA, CCEI, DEC, ESSO, GUNKUL, ITO, KH, KTC, RCL, ROJNA, TICON, TPPL
★★★	AAV, BGH, BLS, CPNIF, LHANK, POPF, QHPF, SAMART, SAMTEL, SSL, TUND, TLOGIS, WHAPF
★★	PTTG is the merged entity of PTTC and PTTR

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.