

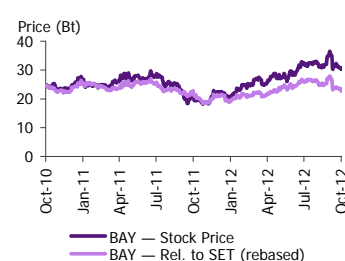
Buy

Stock Data

Last close (Oct 18) (Bt)	30.25
12-m target price (Bt)	35.00
Upside (Downside) to TP (%)	15.70
Mkt cap (Btbn)	183.74
Mkt cap (US\$mn)	5,991

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.69
Sector % SET	18.23
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	37 / 17.8
Avg. daily 6m (US\$mn)	15.40
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	-17.1	-4.7	46.8
Relative to SET	-18.8	-11.9	5.1

Source: SET, SCBS Investment Research

Kittima Sattayapan, CFA

(66-2) 949-1003

kittima.sattayapan@scb.co.th

3Q12A: NIM misses, but lift to Buy on price upside

- **3Q12A slightly below expectations.** 3Q12A net profit rose 24% YoY and 1% QoQ to Bt3.74bn, 6% below our forecast of Bt3.97bn. Its 3Q12A results reflected accelerating loan growth, falling NIM, stable fee income, and improving asset quality. 9M12A earnings accounted for 74% of our full-year forecast.

Key points:

1. Loan growth: Better than expected at +3.5% QoQ (vs. 2.1% QoQ for 2Q12) and 9% 9M12 YTD, mainly driven by retail loans (+4% QoQ, 17% YTD) followed by corporate loans (+3% QoQ, 5% YTD) and SME loans (+2% QoQ, 5% YTD). The positive surprise came from a return to positive growth in corporate loans. 9M12 loan growth of 9% lines up with our full-year forecast of 12%.
2. Net interest margin: Worse than anticipated at -7 bps QoQ to 4.2%. Yield on earning assets fell 4 bps QoQ. Cost of funds rose 4 bps QoQ.
3. Non-interest income: As expected, -4% QoQ, largely due to the absence of last quarter's sale of its investment in AACF (Bt398mn). Fee income was stagnant QoQ.
4. Cost to income: Slightly worst than expected, rising to 50.2% from 49.5% in 2Q12.
5. Asset quality: Better than expected, NPL ratio fell to 2.97% from 3.26% at 2Q12. We expect a further fall in NPLs in 4Q12 as it is in the process of selling Bt2-3bn NPLs. As expected, provision expenses decreased by 7% QoQ with a fall in credit cost to 142 from 158 bps in 2Q12, in line with its plan to bring full-year credit cost down to 140 bps (vs. 144 bps for 9M12. LLR coverage soared to 140% from 127% at 2Q12.

Upgrade to Buy; Rolled over TP. We upgrade BAY to Buy from Neutral, mainly because of the share price weakness driven by concerns on the potential departure of GE following the sale of 7.6% of its stake in BAY. We expect ROE to continue improving, driven by falling credit cost and cost to income ratio. We raise target price to Bt35 (1.7x 2013F BVPS) from Bt33 as we rolled over our valuation base to YE2013 from mid-2013.

Forecasts and valuation

Year to 31 Dec	Unit	2010	2011	2012F	2013F	2014F
Pre-provision profit	(Bt mn)	21,183	21,478	26,080	29,339	32,225
Net profit	(Bt mn)	8,793	9,264	14,773	17,912	20,143
PPP/Sh	(Bt)	3.49	3.54	4.29	4.83	5.31
EPS	(Bt)	1.45	1.53	2.43	2.95	3.32
BVPS	(Bt)	16.28	16.87	18.56	20.53	22.67
DPS	(Bt)	0.57	0.70	0.97	1.18	1.33
PER	(x)	20.90	19.83	12.44	10.26	9.12
P/PPP	(x)	8.67	8.56	7.05	6.26	5.70
EPS growth	(%)	32.05	5.35	59.47	21.24	12.46
PBV	(x)	1.86	1.79	1.63	1.47	1.33
ROE	(%)	9.19	9.20	13.73	15.09	15.35
Dividend yields	(%)	1.88	2.31	3.22	3.90	4.39

Source: SCBS Investment Research

Figure 1: Quarterly results

P & L (Bt mn)	3Q11	4Q11	1Q12	2Q12	3Q12	%YoY ch	%QoQ ch	9M11	9M12	% YoY ch	% full year
Net interest income	9,733	9,146	9,380	10,053	10,220	5	2	28,319	29,653	5	74
Non-interest income	4,652	4,298	4,741	5,392	5,171	11	(4)	13,509	15,304	13	76
Operating expenses	7,544	6,368	7,007	7,645	7,727	2	1	21,109	22,379	6	75
Pre-provision profit	6,840	7,077	7,114	7,800	7,664	12	(2)	20,719	22,578	9	75
Less Provision	2,624	3,740	2,713	2,990	2,785	6	(7)	8,473	8,487	0	75
Pre-tax profit	4,216	3,336	4,401	4,810	4,879	16	1	12,246	14,091	15	74
Income tax	1,241	2,819	1,020	1,141	1,146	(8)	1	3,491	3,307	(5)	76
MI and Equity	31	(40)	49	29	9	(71)	(68)	33	87	164	NA
Net profit	3,007	477	3,430	3,699	3,742	24	1	8,787	10,871	24	74
EPS (Bt)	0.50	0.08	0.56	0.61	0.62	24	1	1.45	1.79	24	74
B/S (Bt mn)	3Q11	4Q11	1Q12	2Q12	3Q12	%YoY ch	%QoQ ch	9M11	9M12	%YoY ch	% full year
Gross loans	697,091	719,507	742,001	757,629	783,895	12	3	697,091	783,895	12	NM
Deposits	536,120	560,540	572,538	622,391	672,324	25	8	536,120	672,324	25	NM
BVPS (Bt)	16.64	16.87	17.46	17.75	17.96	8	1	16.64	17.96	8	NM
Ratios (%)	3Q11	4Q11	1Q12	2Q12	3Q12	%YoY ch*	%QoQ ch*	9M11	9M12	YoY ch*	% full year
Yield on earn. asset	6.88	6.84	6.82	6.83	6.79	(0.10)	(0.04)	6.60	6.82	0.22	NM
Cost of funds	2.68	2.98	2.99	2.89	2.93	0.25	0.04	2.35	2.94	0.59	NM
Net interest margin	4.50	4.18	4.16	4.27	4.20	(0.30)	(0.07)	4.51	4.22	(0.29)	NM
Cost to income	52.45	47.36	49.62	49.50	50.21	(2.24)	0.71	50.47	49.78	(0.69)	NM
NPLs/total loans	4.87	4.24	3.91	3.26	2.97	(1.90)	(0.29)	4.69	2.87	(1.82)	NM
LLR/NPLs	98.55	105.90	112.84	127.49	140.20	41.66	12.72	98.55	140.20	41.66	NM

Source: SCBS Investment Research

Note: * Percentage points

Rating 2011 Companies with CG Rating under SCBS's Coverage

★★★★	ADVANC, AOT, BANPU, BAY, BBL, BCP, BMCL, CPF, CSL, EGCO, 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, BLA, BTS, CK, CPALL, DELTA, DRT, DTAC, GPPT, GLOW, HANA, HMPRO, INTUCH, KCE, KEST, LH, IWL, MAJOR, MAKRO, OISHI, PHATRA, SCCC, SMT, SPALI, SIRI, STANLY, STEC, SVI, TCAP, THAI, THCOM, TRUE, TTA, TTW
★★★★	AEONTS, AH, CCET, DCC, ESSO, GUNKUL, ITD, KH, KTC, RCL, ROJNA, TICON, TPPL
★★★	AAV, BGH, BLS, CPNRF, LHBANK, POPP, QHPF, SAMART, SAMTEL, SSI, TFUND, TLOGIS, WHAPF
N/A	PTTGC is the merged entity of PTTC and PTTAR

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.